

API, Inc. Asbestos Settlement Trust

ANNUAL REPORT OF THE TRUSTEE, 2016

API, INC. ASBESTOS SETTLEMENT TRUST

July 11, 2017

TO: Trust Advisor, API, Inc. Asbestos Settlement Trust
Michael S. Polk
SIEBEN POLK, PA
1640 S. Frontage Road
Suite 200
Hastings, MN 55033

Legal Representative, API, Inc. Asbestos Settlement Trust
Hon. Thomas H. Carey
6475 White Pine Lane
Gilbert, MN 55741

API, Inc., Settlor, API, Inc. Asbestos Settlement Trust
c/o Chief Executive Officer
1100 Old Highway 8 NW
New Brighton, MN 55112

This Report has been prepared by the Trustee of the API, Inc. Asbestos Settlement Trust (“Trust”), pursuant to Sections 2.2 (b), and (c), of the First Amended API, Inc. Asbestos Settlement Trust Agreement (“Trust Agreement”). Those sections require the Trustee to prepare and submit an Annual Report containing the Trust’s financial statements, auditor’s opinion, and summary of type and number of claims to the Trust during the prior year, all as more fully described in those sections of the Trust Agreement.

This Report is the Annual Report for 2016.

<http://www.apiincasbestossettlementtrust.com>
225 South Sixth Street, Suite 4800, Minneapolis, MN 55402

ANNUAL REPORT OF THE TRUSTEE

Jul 11, 2017

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The Trust has retained the accounting firm of Messerli & Schadow, PLLP of Minneapolis, Minnesota, as the Trust's auditors, to prepare the Financial Statements, and to issue a fairness opinion as to those Financial Statements for 2016. Pursuant to that engagement, Messerli & Schadow, PLLP has completed both the Financial Statements, and has issued its Independent Auditor's Report regarding those Statements.

The Independent Auditor's Report and Financial Statements are attached as Exhibit A.

The Trust has made payments on Claims during 2016. Payments made by the Trust in 2016 are:

1) New Claims paid during 2016, together with second injury Claims submitted and approved pursuant to §5.1(c) of the Trust Distribution Procedures TDP's).

The summary of payments made to new Claimants in 2016 is attached as Exhibit B.

The summary of payments made to second injury Claimants in 2016 is attached as Exhibit C.

This Report is submitted solely for the purposes required in the Trust Agreement, and is not intended, nor should it be construed, as legal advice from the Trustee, or the Trust, to Claimants, Claimants' counsel, or others.

API, INC. ASBESTOS SETTLEMENT TRUST



Robert D. Brownson
TRUSTEE
Minneapolis, Minnesota
July 11, 2017.

API, INC. ASBESTOS SETTLEMENT TRUST

FINANCIAL STATEMENTS

DECEMBER 31, 2016 and 2015

MESSERLI
&
SCHADOW^{PLLP}

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Trustee
API, Inc. Asbestos Settlement Trust
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying special-purpose financial statements of API, Inc. Asbestos Settlement Trust which comprise the statements of net claimants' equity as of December 31, 2016 and 2015 and the related statements of changes in net claimants' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with the special-purpose basis of accounting utilized by the Trust, described in Note 2. This includes determining that the special-purpose basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, net claimants' equity of API, Inc. Asbestos Settlement Trust as of December 31, 2016 and 2015 and the related changes in net claimants' equity and cash flows for the years then ended, in accordance with the special-purpose method of accounting described in Note 2.

Basis of Accounting

As described in Note 2, these financial statements were prepared on a special-purpose basis of accounting and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. The special-purpose basis of accounting has been used in order to present the amount of equity available to current and future claimants. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of the Trustee, the Legal Representative, the Trust Advisor, the beneficiaries of the Trust and the United States Bankruptcy Court for the District of Minnesota and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which, upon filing with the United States Bankruptcy Court for the District of Minnesota, is a matter of public record.

Messerli & Schadow

MESSERLI & SCHADOW, PLLP
Certified Public Accountants

June 9, 2017

API, INC. ASBESTOS SETTLEMENT TRUST
STATEMENTS OF NET CLAIMANTS' EQUITY
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ 2,323,472	\$ 436,180
Money market funds	99,985	30,017
Note receivable, current portion	1,300,000	1,300,000
Investments	6,343,634	8,984,012
Total current assets	\$ 10,067,091	\$ 10,750,209
Other Assets:		
Note receivable, net of current portion	\$ 12,025,000	\$ 13,325,000
Total other assets	\$ 12,025,000	\$ 13,325,000
Total Assets	\$ 22,092,091	\$ 24,075,209
LIABILITIES:		
Current Liabilities:		
Accounts payable	\$ 39,368	\$ 35,287
Claims payable	-	286,503
Claims processing fees payable	24,000	29,200
Total current liabilities	\$ 63,368	\$ 350,990
NET CLAIMANTS' EQUITY	\$ 22,028,723	\$ 23,724,219

See Independent Auditor's Report and
Notes to Financial Statements.

API, INC. ASBESTOS SETTLEMENT TRUST
STATEMENTS OF CHANGES IN NET CLAIMANTS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Additions:		
Interest income	\$ 145,730	\$ 206,554
Dividend income	71,103	97,505
Gain/(loss) on investments	(23,455)	(126,656)
Claim processing fees and miscellaneous income	700	850
Total additions	\$ 194,078	\$ 178,253
Deductions:		
Accounting fees	\$ 39,958	\$ 36,255
Bank charges	286	98
Foreign tax paid	191	310
Insurance	7,406	7,406
Investment management fees	47,779	65,744
Legal fees	1,369	1,058
Office expenses	2,341	2,152
Professional services	6,000	13,200
Trustee, legal representative and trust advisor fees	258,587	354,917
Total deductions	\$ 363,917	\$ 481,140
Change in net claimants' equity	\$ (169,839)	\$ (302,887)
Net claimants' equity, beginning of period	23,724,219	27,112,015
Contributions to net claimants' equity	2,150,000	-
Distributions from net claimants' equity	(3,675,657)	(3,084,909)
Net claimants' equity, end of period	\$ 22,028,723	\$ 23,724,219

See Independent Auditor's Report and
Notes to Financial Statements.

API, INC. ASBESTOS SETTLEMENT TRUST
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH INFLOWS:		
Investment income	\$ 282,463	\$ 386,897
Proceeds from note receivable	1,300,000	1,300,000
Proceeds from sale of investments	4,596,098	6,211,355
Proceeds from insurance settlement	2,150,000	-
Receipt of claim search fees	700	850
Receipt of claim processing payments	17,500	19,000
	\$ 8,346,761	\$ 7,918,102
CASH OUTFLOWS:		
Distributions to claimants	\$ 3,834,981	\$ 2,760,485
Disbursements for trust operating expenses	355,569	508,947
Litigation expenses related to claimants' equity	131,446	17,670
Purchases of investments	2,114,773	5,182,011
Refund of claim processing payments	22,700	10,600
	\$ 6,459,469	\$ 8,479,713
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 1,887,292	\$ (561,611)
CASH AND CASH EQUIVALENTS, beginning of period	436,180	997,791
CASH AND CASH EQUIVALENTS, end of period	\$ 2,323,472	\$ 436,180

See Independent Auditor's Report and
Notes to Financial Statements.

API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1. DESCRIPTION OF THE TRUST

The API, Inc. Asbestos Settlement Trust (the Trust), organized pursuant to the laws of the State of Minnesota, was established according to the Third Amended Plan of Reorganization of API, Inc. as modified (the Plan). The Trust was formed to assume all asbestos claims against API, Inc., whether now existing or arising at any time hereafter, and to use the Trust's assets and income to pay holders of allowed asbestos claims in accordance with the Plan and Trust Agreement. The Trust's funding is dedicated solely to the settlement of asbestos health claims and the related costs, as defined in the Plan. The Trust was consummated on February 5, 2007.

The Trust was initially funded with cash, a promissory note from API, Inc., rights to proceeds from asbestos insurance policies and insurance settlement rights.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Trust's financial statements are prepared using special-purpose accounting methods that differ from accounting principles generally accepted in the United States of America. The special-purpose accounting methods were adopted in order to present the amount of equity available for payment of current and future claims and operating expenses of the Trust. Since the accompanying special-purpose financial statements are not based on accounting principles generally accepted in the United States of America, accounting treatment by other parties for these same transactions may differ as to timing and amounts. These special-purpose accounting methods are as follows:

- (1) The financial statements are prepared using the accrual basis of accounting.
- (2) The funding received from API, Inc., API Group, Inc. and the insurance companies are added directly to net claimants' equity. The distributions to claimants and litigation expenses incurred in relation to additions to net claimants' equity are deducted directly from net claimants' equity. These funds do not represent income or expenses of the Trust.
- (3) Non-interest bearing notes have not been discounted to present value.
- (4) 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 as they are incurred. These items include costs of computer hardware and software.

API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

- (5) Investments are recorded at fair value. All interest and dividend income is included in interest and dividend income on the statements of changes in net claimants' equity. Realized and unrealized gains and losses are reflected on the statements of changes in net claimants' equity.
- (6) The Trust does not record a deferred tax asset for net operating loss carryforwards or a deferred tax asset or liability arising from unrealized gains or losses on securities. For the years ended December 31, 2016 and 2015, the net operating loss carryforward available for use in future years was \$4,465,223 and \$4,260,031, respectively. The net operating loss carryforwards begin to expire in the year ending December 31, 2027.
- (7) Payments for services to be received over an extended period in the future are recorded as expenses when incurred as these amounts are no longer available for the payment of claims.

Cash and Cash Equivalents

The Trust considers unrestricted currency, demand deposits, and certificates of deposit with an initial maturity of three months or less to be cash and cash equivalents.

Fair Value of Investments

The Trust measures its investments at fair value. Fair value is defined as the price at which an asset could be exchanged in a current transaction between knowledgeable and willing parties.

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 of the Trust through December 31, 2016, the cost of fixed assets expensed includes website development costs of \$4,003.

Claims Payable

Claims payable on the statements of net claimants' equity reflect claims approved but unpaid as of December 31 of each year.

API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with the special-purpose accounting methods described above requires Trust management 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 periods. Accordingly, actual results may differ from those estimates.

Date of Trustee Review

In preparing these financial statements, the Trust has evaluated events and transactions for potential recognition or disclosure through June 9, 2017, the date the special-purpose financial statements were available to be issued.

NOTE 3. NOTE RECEIVABLE

Note receivable as of December 31, 2016 and 2015 consisted of a promissory note from API, Inc. The original face value of the note was \$26,000,000. The note calls for eighty quarterly payments of \$325,000 and is due in full in March 2027. The note bears no interest. The note is secured by 51 percent of the common shares of API, Inc. and certain other assets of API, Inc. As of December 31, 2016, the note was receivable as follows:

Receivable within one year	\$ 1,300,000
Receivable in future years	<u>12,025,000</u>
	<u>\$ 13,325,000</u>

NOTE 4. FAIR VALUE MEASUREMENTS

Investments recorded at fair value are categorized using the defined hierarchical levels directly related to the amount of subjectivity associated with the inputs to value an asset. Level 1 inputs consist of quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of quoted prices for similar instruments in active markets or quoted prices for identical or similar investments in markets that are not active markets. Level 2 inputs also consist of valuation techniques for which significant assumptions are observable in the market or can be corroborated by observable market data. Level 3 inputs consist of unobservable inputs that can not be corroborated by observable market data and typically reflect Trust management's estimate of fair value.

API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

The Trust uses appropriate valuation techniques based on the available inputs to measure the fair value of investments. When available, the Trust measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 inputs were not available. Fair values of assets measured on a recurring basis at December 31, 2016 and 2015 are as follows:

	<u>Fair Value</u>	Fair Value at December 31, 2016		
		Using Inputs Considered as:		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Government Bonds and Notes	\$ 202,129		\$ 202,129	
Mutual Funds:				
Fixed Income	1,178,350	\$ 1,178,350		
Municipal Bonds:				
S&P Rated AAA	1,235,812		1,235,812	
S&P Rated AA	1,824,621		1,824,621	
S&P Rated A	944,379		944,379	
S&P Rated BBB	<u>320,706</u>		<u>320,706</u>	
Total Municipal Bonds	<u>4,325,518</u>	<u>--</u>	<u>4,325,518</u>	<u>--</u>
Common Stock:				
Consumer discretionary	112,662	112,662		
Consumer staples	74,881	74,881		
Energy	18,789	18,789		
Finance	77,100	77,100		
Health care	76,577	76,577		
Industrials/Materials	96,155	96,155		
Information technology	140,599	140,599		
Real estate	11,542	11,542		
Telecommunications	21,209	21,209		
Utilities	<u>8,123</u>	<u>8,123</u>		
Total Common Stock	<u>637,637</u>	<u>637,637</u>	<u>--</u>	<u>--</u>
Total Investments	\$ 6,343,634	\$ 1,815,987	\$ 4,527,647	\$ --
Money Market Funds	<u>99,985</u>	<u>99,985</u>	<u>--</u>	<u>--</u>
Total	<u>\$ 6,443,619</u>	<u>\$ 1,915,972</u>	<u>\$ 4,527,647</u>	<u>\$ --</u>

	<u>Fair Value</u>	Fair Value at December 31, 2015		
		Using Inputs Considered as:		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Government Bonds and Notes	\$ 237,115		\$ 237,115	

API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

	Fair Value	Fair Value at December 31, 2015 Using Inputs Considered as:		
		Level 1	Level 2	Level 3
Mutual Funds:				
Fixed Income	1,212,958	\$ 1,212,958		
International	409,455	409,455		
Large Cap	270,508	270,508		
Mid Cap	90,083	90,083		
Real Estate	45,799	45,799		
Small Cap	89,618	89,618		
Total Mutual Funds	<u>2,118,421</u>	<u>2,118,421</u>	<u>--</u>	<u>--</u>
Municipal Bonds:				
S&P Rated AAA	1,304,977		1,304,977	
S&P Rated AA	1,576,262		1,576,262	
S&P Rated A	1,464,555		1,464,555	
S&P Not Rated	323,956		323,956	
Total Municipal Bonds	<u>4,669,750</u>	<u>--</u>	<u>4,669,750</u>	<u>--</u>
Common Stock:				
Consumer discretionary	491,836	491,836		
Consumer staples	149,860	149,860		
Energy	94,724	94,724		
Finance	224,384	224,384		
Health care	155,316	155,316		
Industrials/Materials	295,060	295,060		
Information technology	443,917	443,917		
Telecommunications	71,974	71,974		
Utilities	31,655	31,655		
Total Common Stock	<u>1,958,726</u>	<u>1,958,726</u>	<u>--</u>	<u>--</u>
Total Investments	\$ 8,984,012	\$ 4,077,147	\$ 4,906,865	\$ --
Money Market Funds	30,017	30,017	--	--
Total	<u>\$ 9,014,029</u>	<u>\$ 4,107,164</u>	<u>\$ 4,906,865</u>	<u>\$ --</u>

Transfers between Level 1 and Level 2, if any, are recognized at the end of the reporting period. For the years ended December 31, 2016 and 2015, the Trust did not have significant transfers of investments between Level 1 and Level 2.

Level 2 Fair Value Measurements:

The Trust uses a market approach to value the Level 2 investments. The value of municipal bonds and United States Government bonds and notes are based on institutional bond quotes and various market and industry inputs. Municipal bonds are presented by S&P bond rating.

API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

Level 3 Fair Value Measurements:

During the year ended December 31, 2008, the Trust invested in a principal protected note issued by Lehman Brothers, who later declared bankruptcy. The Trust filed a proof of claim with the bankruptcy court. As of December 31, 2011, Trust management had reduced the estimate of the recoverable amount of the note from \$1,000,000 to \$250,000. Prior to January 1, 2015, the Trust had received \$571,794 from the bankruptcy trustee. During the year ended December 31, 2015, \$55,627 was received from the bankruptcy trustee.

During the year ended December 31, 2016, \$33,646 was received from the bankruptcy trustee and \$3,854 from the designated settlement fund of the investment firm who promoted the principal protected investments. The Trust had recoveries in excess of the estimated recoverable amount of the principal protected note for the years ended December 31, 2016 and 2015, and is included in gain/(loss) on investments in the statements of changes in net claimants' equity.

Activity in Level 3 investments for the years ended December 31, 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Balance at January 1	\$ --	\$ --
Recoveries from bankruptcy proceedings and the designated settlement fund	(37,500)	(55,627)
Recoveries in excess of the estimated recoverable amount	<u>37,500</u>	<u>55,627</u>
Balance at December 31	<u>\$ --</u>	<u>\$ --</u>

NOTE 5. INVESTMENT INCOME

Investment income consists of:

	<u>2016</u>	<u>2015</u>
Realized gain (loss) on investments	\$ 37,048	\$ 17,211
Recoveries in excess of the estimated recoverable amount	37,500	55,627
Unrealized gain (loss) on investments	<u>(98,003)</u>	<u>(199,494)</u>
Gain (loss) on investments	<u>\$ (23,455)</u>	<u>\$ (126,656)</u>
Total interest income	\$ 211,360	\$ 289,392
Less: bond premium amortization	<u>(65,630)</u>	<u>(82,838)</u>
Interest income	<u>\$ 145,730</u>	<u>\$ 206,554</u>
Dividend income	<u>\$ 71,103</u>	<u>\$ 97,505</u>
Total investment income	<u>\$ 193,378</u>	<u>\$ 177,403</u>

API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6. NET CLAIMANTS' EQUITY

The contributions to claimants' equity were comprised of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Insurance case settlements	<u>\$ 2,150,000</u>	<u>\$ -</u>

The distributions from claimants' equity were comprised of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Distributions to claimants	<u>\$ 3,548,478</u>	<u>\$ 3,046,988</u>
Legal fees related to claimants' equity	<u>127,179</u>	<u>37,921</u>
	<u>\$ 3,675,657</u>	<u>\$ 3,084,909</u>

The distributions to claimants represents a payment sum percentage of 35 percent of the allowed liquidated value per claimant as of December 31, 2016 and 2015, per the Trust Distribution Procedures. The Trust Distribution Procedures allow this percentage to be evaluated at least once per year by the Trustee, the Legal Representative and the Trust Advisor (Advisory Committee). Distributions prior to October 1, 2010 also included enhanced payments for exigent health, extraordinary or extreme hardship claims, if applicable, as determined by the Trustee. As of October 1, 2010, claims could be filed and approved as exigent health, extraordinary or extreme hardship claims, but the enhanced payment are deferred until the Trust is financially capable of making enhanced payments.

NOTE 7. INCOME TAXES

For federal income tax purposes, API, Inc. has elected for the qualified assets of the Trust to be taxed as a Designated Settlement Fund (DSF). Income and expenses associated with the DSF are taxed in accordance with Section 468B of the Internal Revenue Code. The federal statutory income tax rate for the DSF is 39.6%.

The Advisory Committee believes the Trust is operating in a manner so as to continue to qualify as a Designated Settlement Fund. The Trust recognizes potential interest and penalties pertaining to income tax related issues, if any, as income tax expense. During the years ended December 31, 2016 and 2015, no such interest or penalties were recognized.

The Trust Advisory Committee evaluates all tax positions and makes a determination regarding their likelihood of being upheld under review. For the years ended December 31, 2016 and 2015, the Trust did not have uncertain tax positions for which they recorded a tax liability.

API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 8. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2016 and 2015, the Trust incurred fees of \$6,000 and \$7,200, respectively, for professional services provided by a member of the Trustee's family. These amounts are included in professional services for the years ended December 31, 2016 and 2015 on the statements of changes in net claimants' equity.

During the years ended December 31, 2016 and 2015, the Trust incurred fees of \$258,587 and \$354,917, respectively, from members of the advisory committee in their roles as trustee, legal representative and trust advisor. Of these amounts, \$17,299 and \$9,250 are included in accounts payable on the statements of net claimants' equity as of December 31, 2016 and 2015, respectively. The trust advisor is a principal member of the law firm representing numerous claimants.

NOTE 9. INSURANCE SETTLEMENTS

In January 2008, settlement agreements were approved by the courts with seven insurance companies. The insurance settlements were received during the year ended December 31, 2008.

Pursuant to the settlement agreement with one of the insurance companies, the immediate cash settlement of seven million dollars was paid to the Trust in 2008 and was nonrefundable. The remainder of the aggregate settlement amount is payable to the Trust upon certain criteria being met. Upon such time that the insurance company reimbursement obligation for all qualified asbestos claims related to the insurance carrier exceeds the original cash settlement amount of seven million dollars, the insurance carrier is obligated to make additional settlement payments to the Trust, up to a maximum of an additional eleven million dollars. As of December 31, 2016, the reimbursement obligation for the insurance carrier had not exceeded the original cash settlement amount. The amount of the potential additional settlement funds is undeterminable at this time and has not been reflected in the financial statements.

NOTE 10. INSURANCE CASE SETTLEMENTS

In prior years, various claims had been presented to the Liquidator for Home Insurance Company. During the year ended December 31, 2012, the Trust reached a settlement agreement with the Liquidator for Home Insurance Company. The Trust's claim had been accepted as a Class II claim in the liquidated amount of \$21,500,000. During the years ended December 31, 2016 and 2015, the Trust received \$2,150,000 and \$0 on their settlement claim. As of December 31, 2016, the Trust has received \$5,375,000 of their approved claim (25 percent of the

API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 10. INSURANCE CASE SETTLEMENTS (continued)

settlement amount). As Home Insurance Company is in liquidation, it is anticipated that the Trust will not receive the entire settlement amount. The amount of the potential additional receipts under the settlement is undeterminable at this time and has not been reflected in the financial statements.

NOTE 11. CONCENTRATIONS AND CREDIT RISK

The Trust maintains cash balances at various financial institutions. At times during the years ended December 31, 2016 and 2015, the Trust had significant concentrations of credit risk as a result of maintaining its bank accounts with aggregate balances in excess of the federal insurance coverage of \$250,000.

The Trust has a note receivable from API, Inc. This note is secured by 51 percent of the common stock of API, Inc. and certain other assets of API, Inc. The amount of loss the Trust would occur if API, Inc. should default is not determinable.

The Trust invests in professionally managed portfolios. Such investments are exposed to various risks such as interest rate, market and credit risks. 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 changes could materially affect the Trust's investment account balances and the amounts reported in the special-purpose statements of net claimants' equity and statements of changes in net claimants' equity.

<u>NC#</u>	<u>Claimant</u>	<u>Decedent</u>	<u>State</u>	<u>Disease</u>	<u>Initial Payment</u>	<u>Date Paid</u>	<u>Payment 2</u>	<u>Date Paid</u>
312	Olsen, Duane O.		MN	V - Pleural	\$10,552.50	6/7/2016		
486	Rudan, Brenda (Adm)	Kelly, Maureen	MN	II - Lung Cancer	\$47,967.50	2/2/2016		
489	Simmons, Audrey (Adm)	Simmons, Peter A.	MN	IV - Asbestosis	\$17,160.00	2/2/2016	\$2,860.00	2/2/2016
576	Aeschliman, Roy		MN	I - Malignant Mesothelioma	\$110,687.50	2/24/2016		
578	Nelson, John R.		MN	I - Malignant Mesothelioma	\$110,687.50	2/2/2016		
579	Baker, James M.		MN	I - Malignant Mesothelioma	\$110,687.50	2/24/2016		
581	Dumond, Joyce (Trustee)	Dumond, Norvall	MN	I - Malignant Mesothelioma	\$110,687.50	6/21/2016		
583	Tate, Judith (Trustee)	Tate, Gary D.	MN	I - Malignant Mesothelioma	\$110,687.50	2/2/2016		
585	Caspers, Mark E.		MN	I - Malignant Mesothelioma	\$110,687.50	6/7/2016		
586	Hadd, Richard G.		MN	V - Pleural	\$10,552.50	6/7/2016		
587	Busse, Michael S.		MN	I - Malignant Mesothelioma	\$110,687.50	6/7/2016		
588	French, Andrew (Trustee)	French, Jay R.	MN	I - Malignant Mesothelioma	\$110,687.50	6/7/2016		
589	Floyd, Denise (Adm)	Jones, Forrest D.	MN	I - Malignant Mesothelioma	\$110,687.50	6/29/2016		
590	Anderson, David J.		MN	I - Malignant Mesothelioma	\$110,687.50	6/7/2016		
592	Reidt, Elroy J.		MN	I - Malignant Mesothelioma	\$110,687.50	6/7/2016		
593	Johnson, Richard L.		MN	II - Lung Cancer	\$47,967.50	6/7/2016		
594	Hendrickson, John W., Jr.		MN	IV - Asbestosis	\$20,020.00	6/7/2016		
595	Tomczak, William	Ingalls, George Leroy	MN	I - Malignant Mesothelioma	\$110,687.50	6/14/2016		
596	Ingalls, Yvonne		MN	IV - Asbestosis	\$20,020.00	6/14/2016		
597	Larson, Orville R.		MN	IV - Asbestosis	\$20,020.00	6/14/2016		
598	Mueller, Gerald		MN	I - Malignant Mesothelioma	\$110,687.50	6/7/2016		
599	Wilson, Edward J.		MN	I - Malignant Mesothelioma	\$110,687.50	6/14/2016		
600	Tate, Susan M. (Trustee)	Langenfeld, John T.	MN	I - Malignant Mesothelioma	\$110,687.50	6/14/2016		
601	Roche, Donna (Adm)	Roche, Joseph L.	MN	I - Malignant Mesothelioma	\$110,687.50	6/14/2016		
602	Orum, Linda (Ext)	Orum, Ronald	MN	I - Malignant Mesothelioma	\$110,687.50	7/12/2016		
603	Endres, John J.		MN	V - Pleural	\$10,552.50	6/7/2016		
604	Danielson, Steven (Trustee)	Danielson, Robert L.	MN	I - Malignant Mesothelioma	\$110,687.50	6/7/2016		
605	Nordgaard, Richard T.		MN	I - Malignant Mesothelioma	\$110,687.50	6/29/2016		
606	Fibison, George T.		MN	V - Pleural	\$10,552.50	6/14/2016		
609	Simonson, Howard H.		MN	I - Malignant Mesothelioma	\$110,687.50	6/7/2016		
610	Luzaich, Richard A.		MN	I - Malignant Mesothelioma	\$110,687.50	9/13/2016		
611	Mitchler, Rosemary (Adm)	Mitchler, John	WI	I - Malignant Mesothelioma	\$40,980.45	10/18/2016		
612	Edgette, Ray Charles		MN	I - Malignant Mesothelioma	\$110,687.50	6/29/2016		
613	Johnson, Donald B.		MN	I - Malignant Mesothelioma	\$110,687.50	6/7/2016		
614	Mingogue, Michael R.		MN	I - Malignant Mesothelioma	\$110,687.50	11/1/2016		
617	Kettner-Banse, Katherine (Trustee)	Kettner, Leo	MN	IV - Asbestosis	\$20,020.00	10/18/2016		
620	Norrington, Terrell		MN	V - Pleural	\$10,552.50	11/1/2016		
621	Lamprecht, Ursula (Adm)	Lamprecht, Rudolf	MN	I - Malignant Mesothelioma	\$110,687.50	11/1/2016		
623	McIntosh, Charles R.		MN	I - Malignant Mesothelioma	\$110,687.50	11/1/2016		
626	Berglund, Larry		MN	V - Pleural	\$10,552.50	12/13/2016		
627	Crewson, Thomas A.		MN	I - Malignant Mesothelioma	\$110,687.50	11/1/2016		

<u>NC#</u>	<u>Claimant</u>	<u>Decedent</u>	<u>State</u>	<u>Disease</u>	<u>Initial Payment</u>	<u>Date Paid</u>	<u>Payment 2</u>	<u>Date Paid</u>
629	Kust, John E.		MN	I - Malignant Mesothelioma	\$110,687.50	11/1/2016		
631	Clymer, Michael R.		MN	IV - Asbestosis	\$20,020.00	12/13/2016		
632	Duresky, Ronald		MN	V - Pleural	\$10,552.50	12/13/2016		
633	Jorgenson, Duane		MN	IV - Asbestosis	\$20,020.00	12/13/2016		
635	Wicklund, Robert C.		MN	IV - Asbestosis	\$20,020.00	12/13/2016		
636	Rubedor, Mark		MN	I - Malignant Mesothelioma	\$110,687.50	11/29/2016		

Nc#	Claimant	Decedent	State	Disease (Initial)	Disease (2nd injury)	Initial 2nd Injury Payment	Date Paid
584	Rabe, Harley		MN	V - Pleural	I - Malignant Mesothelioma	\$88,255.24	6/7/2016
607	Roslee, John A.		MN	IV - Asbestosis	I - Malignant Mesothelioma	\$79,227.50	6/14/2016
608	Schaffer, John C.		MN	V - Pleural	I - Malignant Mesothelioma	\$86,616.98	9/13/2016