**UNITED STATES BANKRUPTCY COURT**
**FOR THE WESTERN DISTRICT OF PENNSYLVANIA**

| | | |
|---|---|---|
| In re: | ) | Chapter 11 |
| | ) | |
| GLOBAL INDUSTRIAL TECHNOLOGIES, INC., et al., | ) | Case No. 02-21626 (JKF) |
| | ) | Jointly Administered |
| | ) | |
| Debtors. | ) | |

# ANNUAL REPORT OF THE APG ASBESTOS TRUST FOR THE YEAR ENDING DECEMBER 31, 2016

The Trustee of the APG Asbestos Trust (the "**Trust**"), created pursuant to the Global Industrial Technologies, Inc. Third Amended Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code dated December 28, 2005, hereby files this Annual Report of the APG Asbestos Trust for the period from January 1, 2016 until December 31, 2016 (the "**Reporting Period**"). Pursuant to Section 2.2(c)(i) of the Trust Agreement, a copy of the audited financial statements for the Reporting Period prepared by a firm of independent certified public accountants and accompanied by an opinion of such firm as to the fairness of the financial statements' presentation of the cash and investments available for the payment of claims and as to the conformity of the financial statements with generally accepted accounting principles is attached hereto as Exhibit A. The audited financial statements include a description of the amounts paid during the Reporting Period to the Trustee, the Trust Advisory Committee, and the Future Claimants Representative. Attached hereto as Exhibit B is a summary of the Trust's claims activity during the Reporting Period.[1]

[1] MFR Claims Processing, Inc. acts as the Trust's claims processing agent.


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Dated: April 24, 2017

Respectfully submitted,

**MORGAN, LEWIS & BOCKIUS LLP**

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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on April 24th, 2017, I electronically filed a true and correct copy of the Annual Report of the APG Asbestos Trust For the Year Ending December 31, 2016 with the Clerk of the United States Bankruptcy Court for the Western District of Pennsylvania by using the CM/ECF system, and furnished copies of the foregoing document(s) to the following parties by regular United States mail:

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/s/ John K. Gisleson



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# EXHIBIT A


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# APG ASBESTOS TRUST

Special-Purpose Financial Statements
with
Report of Independent Auditors

Years Ended December 31, 2016 and 2015


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# APG ASBESTOS TRUST

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# REPORT OF INDEPENDENT AUDITORS

To the Trustee of
APG Asbestos Trust

We have audited the accompanying financial statements of the APG Asbestos Trust (the Trust, organized in the State of Delaware), which comprise the special-purpose statements of net claimants' equity as of December 31, 2016 and 2015, and the related special-purpose statements of changes in net claimants' equity for the years then ended, and the related notes to the special-purpose 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 special-purpose basis of accounting as discussed in Note 2. 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 error or fraud.

## *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 audits 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 entity's preparation and fair presentation of the special-purpose 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 entity'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.


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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 special-purpose financial statements referred to above present fairly, in all material respects, the net claimants' equity of the APG Asbestos Trust as of December 31, 2016 and 2015, and the changes in net claimants' equity for the years then ended in conformity with the special-purpose basis of accounting.

***Emphasis of Matter***

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are 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 presently available to current and future claimants to the Trust. Our opinion is not modified with respect to this matter.

**Restriction on Use**

This report is intended solely for the information and use of the management of the Trust, the Trustee, the beneficiaries of the Trust and the United States Bankruptcy Court for the Western District of Pennsylvania 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 the distribution of this report, which, upon filing with the United States Bankruptcy Court for the Western District of Pennsylvania, is a matter of public record.

BKM Sowan Horan, LLP

Addison, Texas
April 18, 2017


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## APG ASBESTOS TRUST

Special-Purpose Statements of Net Claimants' Equity

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 1,052,934 | $ 1,937,501 |
| Insurance settlement receivable | 79,900,000 | 94,000,000 |
| Investments in marketable securities and certificate of deposit | 141,159,091 | 157,821,156 |
| Investment in HWI (Note 5) | 92,000,000 | 87,696,000 |
| Accrued interest and dividend income | 1,426,591 | 1,534,400 |
| Purchased interest | 19,235 | 28,845 |
| Prepaid expenses | 119,335 | 79,930 |
| Prepaid federal income taxes | 175,958 | 460,407 |
| Total assets | $ 315,853,144 | $ 343,558,239 |
| **LIABILITIES AND NET CLAIMANTS' EQUITY** | | |
| Accrued expenses | $ 281,764 | $ 263,722 |
| Accrued payments to claimants | 13,633,180 | 18,111,613 |
| Payable on pending investment purchases | - | 365,000 |
| Deferred tax liability | 13,796,823 | 12,563,278 |
| Total liabilities | 27,711,767 | 31,303,613 |
| Net claimants' equity | $ 288,141,377 | $ 312,254,626 |

See accompanying notes to special-purpose financial statements.



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## APG ASBESTOS TRUST

Special-Purpose Statements of Changes in Net Claimants' Equity

| | Years Ended December 31, 2016 | 2015 |
|---|---|---|
| **Net Claimants' Equity, Beginning of Year** | $ **312,254,626** | $ 332,362,593 |
| **Additions** | | |
| Interest and dividend income from investments in marketable securities and certificate of deposit | **5,765,213** | 7,019,595 |
| Dividend income from HWI (Note 5) | **3,572,753** | 6,300,000 |
| Net gain on investment in HWI (Note 5) | **4,304,000** | 24,990,000 |
| Total additions | **13,641,966** | 38,309,595 |
| **Deductions** | | |
| Payments to claimants | **30,572,252** | 40,929,214 |
| Net loss on investments in marketable securities, net of management fees, custody fees and bond amortization | **2,877,325** | 3,994,241 |
| Income tax expense | **2,367,994** | 11,613,601 |
| Claims processing fees | **935,458** | 882,239 |
| Trustee fees and expenses | **262,468** | 238,102 |
| Legal fees | **220,014** | 267,420 |
| Financial consulting | **130,000** | 130,000 |
| Consulting fees | **112,554** | 102,419 |
| Trustee fiduciary fee | **75,953** | 75,400 |
| Accounting fees | **74,592** | 78,772 |
| Insurance expense | **49,490** | 50,113 |
| Audit fees | **28,106** | 30,410 |
| Future Claimants' Representative fees and expenses | **9,539** | 9,536 |
| Delaware Trustee fees and expenses | **4,000** | 4,000 |
| Trust Advisory Committee member fees and expenses | **3,630** | 3,449 |
| Foreign tax expense | **8,665** | 8,646 |
| Miscellaneous expenses | **23,175** | - |
| Total deductions | **37,755,215** | 58,417,562 |
| Net Decrease in Net Claimants' Equity | **(24,113,249)** | (20,107,967) |
| **Net Claimants' Equity, End of Year** | $ **288,141,377** | $ 312,254,626 |

See accompanying notes to special-purpose financial statements.



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## Note 1 - Nature of Trust

***Description of Trust***

The APG Asbestos Trust (the Trust) was established in accordance with the Third Amended Plan of Reorganization (the Plan) of Global Industrial Technologies, Inc. and certain of its affiliates (Global), pursuant to Chapter 11 of the United States Bankruptcy Code. The purpose of the Trust is:

i. to assume liability for all APG Asbestos Trust Claims (as defined in the Plan, Claims) against Global;

ii. to use the Trust's assets and income to pay holders of valid Claims in such a way that all holders of similar asbestos claims, both current and future, are treated in a substantially equivalent manner, and

iii. to comply in all respects with the requirements for a trust set forth in Section 524(g)(2)(B) of the Bankruptcy Code.

The Trust was established on April 30, 2013, the Effective Date of the Plan (Effective Date), and is a Qualified Settlement Fund under Internal Revenue Code Section 468B for holders of Claims (Qualified Settlement Fund).

Pursuant to the Plan, Global transferred its rights under certain settled insurance policies to the Trust, including recoveries made under such policies in the amount of $153,508,753 (which was paid via cash transfers to the Trust on or around the Effective Date) as well as the right to receive $121,260,000 in future scheduled installment payments (see Note 3). In addition, to the extent that proceeds are received, the Trust is entitled to 94% of payments made under Global's insurance policies with certain insolvent insurance companies (the APG Silica Trust is entitled to the remaining 6%). The Trust also received $2,540,529 from an insurance settlement fund maintained by Global representing accrued interest. Finally, the Trust received a 21% common stock interest in Harbison-Walker International (HWI) (formerly ANH Refractories Company), Global's parent company, with an initial fair value of $98,406,000 (see Note 5).

The Trust is governed by a Trust Agreement and Trust Distribution Procedures (TDP) that establish the framework and criteria for allowance and payment of Claims by the Trust. The Trust Agreement and TDP were approved by the United States District and Bankruptcy Courts as part of the Plan. There are seven disease levels specified in the TDP. Each claimant who meets the medical and exposure requirements of the TDP for a particular disease level may



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## Note 1 - Nature of Trust

***Description of Trust - continued***

apply for expedited review and a specified payment amount. Claimants also have an alternative, under the TDP, to submit additional documentation and request a more expansive review of their Claim (Individual Review Process).

The Trust's assets consist primarily of cash and cash equivalents, insurance settlements receivable, investments in marketable securities and a certificate of deposit, and common stock of a closely held company (HWI), which, with the earnings (or losses) on such investments, are intended to be totally consumed by the allowance and payment of Claims and operation of the Trust. The percentage amount of each allowed claim that will actually be paid will be determined by projections of total allowed Claims and operational expenses of the Trust, on the one hand, and total assets and net earnings (or losses) on the other. The opening date for the Pre-Petition Liquidated Claims review process was on or about December 3, 2013. The Trust began accepting Claims on or about March 6, 2014. The initial payment percentage has been set at 4.5% and is subject to periodic review and adjustment, in accordance with the Trust Agreement and the TDP. The Trustee is a fiduciary to the beneficiaries of the Trust, its claimants, and is responsible for administering the Trust and the Trust's assets in accordance with the Trust Agreement, the TDP and the Plan.

Any capitalized term used throughout this document that is not otherwise defined herein shall have the meaning assigned to such term in the Plan.

***Termination***

The Trust Agreement (Section 7.2) provides that the Trust shall automatically terminate on the date ninety (90) days after the first to occur of the following events:

- The date on which the Trustee decides to dissolve the Trust because (A) the Trustee deems it unlikely that any new Claims will be filed against the Trust, (B) all Claims duly filed with the Trust have been liquidated and paid to the extent provided in the Trust Agreement and TDP, or disallowed by a final, non-appealable order, to the extent possible based upon the funds available through the Plan and (C) twelve (12) consecutive months have elapsed during which no Claims have been filed with the Trust.



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## Note 1 - Nature of Trust – (Continued)

***Termination - continued***

- If the Trustee has procured and has in place irrevocable insurance policies and has established claims handling agreements and other necessary arrangements with suitable third parties adequate to discharge all expected remaining obligations and expenses of the Trust in a manner consistent with the Trust Agreement and the TDP, the date on which the Bankruptcy Court enters an order approving such insurance and other arrangements and such order becomes a final order, or

- To the extent that any rule against perpetuities shall be deemed applicable to the Trust, that date which is twenty-one (21) years less ninety-one (91) days after the death of the last survivor of all of the descendants of the late Joseph P. Kennedy, Sr., father of the late President John F. Kennedy, living on the date hereof.

On the termination date or as soon as reasonably practicable, after the wind-up of the Trust's affairs by the Trustee and all the Trust's liabilities have been provided for as required by applicable law, all remaining assets shall be applied to such charitable purposes, if practicable, which shall be related to the treatment of research on, or the relief of individuals suffering from asbestos related lung disease or disorders.

Following the dissolution and distribution of the assets of the Trust, the Trust shall terminate and the Trustee shall execute and file a certificate of cancellation for the Trust.

## Note 2 - Summary of Significant Accounting Policies

***Basis of accounting***

The Trust's special-purpose financial statements are prepared using special-purpose accounting methods that differ from accounting principles generally accepted in the United States of America (GAAP). The special-purpose accounting methods are being used to better communicate the equity available to satisfy current and future Claims. Since the accompanying special-purpose financial statements and transactions are not based upon GAAP, accounting treatment by other parties for these same transactions may differ as to timing and amount. These special-purpose accounting methods and the differences from GAAP are summarized as follows:

- The special-purpose financial statements are prepared using the accrual basis of accounting, except as otherwise described herein.


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## Note 2 - Summary of Significant Accounting Policies – (Continued)

***Basis of accounting - continued***

- The statement of net claimants' equity is not classified, resulting in no separation between current and noncurrent assets.

- These special-purpose financial statements do not include a statement of cash flows.

- Cash and cash equivalents are recorded at cost with accrued income shown separately.

- The funding received from insurance settlements, the reorganized debtor and the APG Settlement Fund has been recorded directly to net claimants' equity. These funds do not represent taxable income to the Trust. Payments to claimants are reported as deductions from net claimants' equity and do not represent tax-deductible expenses of the Trust.

- At December 31, 2016 and 2015, the liability for accrued payments to claimants reflected in the statements of net claimants' equity represents unpaid outstanding and accepted offers. At December 31, 2016 and 2015, respectively, offers outstanding more than a year total $4,792,212 and $3,811,060. No liability is recorded for future Claims 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 liability has been recorded.

- The Trust's investments in marketable securities are considered as available for sale. The unrealized holding gains (losses) on these investments are included in net loss on investments in marketable securities, net of management fees, custody fees and bond amortization on the accompanying statements of changes in net claimants' equity. Under GAAP, the unrealized holdings gains (losses) on available for sale investments would be included as a component of net claimants' equity reported as accumulated other comprehensive income (loss).



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## Note 2 - Summary of Significant Accounting Policies – (Continued)

***Basis of accounting – continued***

- The investment in HWI has not been accounted for under the equity method in the accompanying special-purpose financial statements, as would be required under GAAP, because the interest is held solely to pay Claims and the objective of these special-purpose financial statements is to communicate the equity available over the life of the Trust to current and future claimants. In addition, the value of the investment in HWI is reported based on the most recent information available to the Trust. At December 31, 2016 and 2015, the investment in HWI is reported at the fair market value based upon a valuation report prepared by an independent valuation firm. These reports are as of December 31, 2015 and 2014 and the fair market value is recorded one year in arrears in the special-purpose financial statements. See Note 5. Under GAAP, the investment would be measured and reported at fair value on a recurring basis in the statements of net claimants' equity after initial recognition, with quantitative disclosures presented in a tabular format.

- As described in Note 3, insurance settlements receivable are recorded based on the maximum amounts provided for in the agreements and no provision for potential uncollectible receivables has been recorded. These receivables have not been discounted to estimated present value.

***Use of estimates***

The preparation of special-purpose financial statements in conformity with the special-purpose accounting method requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the special-purpose financial statements and the reported amounts of additions and deductions from net claimants' equity during the reporting periods. Significant items subject to such estimates and assumptions include the carrying value of financial instruments and investments, collectability of insurance settlements receivable, current and deferred income tax expense, and the accrued payments to claimants. Actual results could differ from those estimates.


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## Note 2 - Summary of Significant Accounting Policies – (Continued)

***Financial instruments***

The Trust's financial instruments are cash and cash equivalents, insurance settlements receivable, accrued investment income, marketable securities and a certificate of deposit, the investment in HWI, accrued expenses and payments to claimants. The carrying amount of cash and cash equivalents, accrued investment income, and accrued expenses approximate their fair values based on their short-term nature. The carrying amount of marketable securities and the certificate of deposit is based on fair value. The carrying amount of the insurance settlements receivable and payments to claimants approximate fair value and are based on management's estimates. The carrying amount of the investment in HWI is based on a report from an independent valuation firm.

***Cash and cash equivalents***

The Trust considers all highly liquid debt instruments purchased with an original maturity value of three months or less to be cash equivalents. Cash and cash equivalents consist of PNC Advantage Treasury money market funds at December 31, 2016, and Blackrock U.S. Treasury money market funds at December 31, 2015.

***Concentrations of credit risk***

Financial instruments, which potentially subject the Trust to concentrations of credit risk, consist primarily of cash and cash equivalents, insurance settlements receivable, investments in marketable securities and certificate of deposit, and the investment in HWI. The Trust maintains its cash and cash equivalents in accounts that are not federally insured but considers them to be of high credit quality. The Trust has not experienced any losses in such accounts, and it does not believe it is exposed to any significant credit risk.

The Trust's investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level or risk associated with investments, it is at least reasonably possible that significant changes in risks in the near term may materially affect the amounts reported in the financial statements. However, the Trust has a formal investment policy of placing investments in high-quality financial institutions. In addition, the Trust has the ability to attempt to sell and liquidate their ownership in HWI in an orderly manner.



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## Note 2 - Summary of Significant Accounting Policies – (Continued)

***Insurance settlement receivable***

The Trust records insurance settlements as a receivable after all conditions are met in accordance with the related signed settlement agreements. No provision for potentially uncollectible insurance settlement receivables has been made. Management currently believes the receivable is fully collectible. In addition, the receivable has not been discounted to estimated net present value, and no allowance has been made for the contingency that less than the full settlement amount may be received.

***Investments in marketable securities and HWI and related income***

Investments in marketable securities are reported at fair value in the special-purpose statements of net claimants' equity and changes in the fair value of investments, as well as realized gains and losses are included in net loss on investments in marketable securities, net of management fees, custody fees and bond amortization reported in the special-purpose statements of changes in net claimants' equity. All marketable securities are deemed by management to be available for sale and are reported at fair value with net holding unrealized gains or losses reported within net claimants' equity. Purchases and sales of marketable securities are recorded on the trade date. Realized gains and losses on disposals of investments are determined by the specific identification method. Interest and dividend income are recognized on the accrual basis. Investments considered to be permanently impaired in value are written down to their estimated net realizable value and the write down is recorded as a realized loss on investments. Unrealized losses that are other-than-temporary based upon management's estimates using quantitative and qualitative criteria are recognized as realized investment losses. Actual results could differ from those estimates.

At December 31, 2016 and 2015, the investment in HWI is reported at the fair market value based upon a valuation report which was prepared by an independent valuation firm as of December 31, 2015 and 2014, respectively. These reports are one year in arrears and the most recent information available to the Trust. Changes in fair market value of the investment are included in net gain on investment in HWI in the special-purpose statements of changes in net claimants' equity. Dividends and any other earnings are recorded upon receipt in the special-purpose statements of changes in net claimants' equity.

***Net claimants' equity***

The Trust, under the adopted special-purpose accounting convention, does not record the liability for future Claims expected to be filed over the life of the Trust. The net claimants' equity is available for (i) the payments of allowed Claims and (ii) operational expenses of the Trust.



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## Note 2 - Summary of Significant Accounting Policies – (Continued)

***Income taxes***

Deferred tax assets and liabilities are recorded based on temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes using the tax rates currently in effect. A valuation allowance is established when it is likely that the deferred tax assets may not be realized. No provision for state income taxes was recorded because, as a Delaware trust, the Trust has no state income tax return filing obligation and is not obligated to pay state income taxes. Funds received by the Trust from Global, insurance settlements and the APG Settlement Fund and distributions paid to settle Claims are not taxable or deductible by the Trust.

The Trustee's estimate of the potential outcome of any uncertain tax issues is subject to management's assessment of relevant risks, facts, and circumstances existing at that time. The Trust uses a more likely than not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. To the extent that the Trustee's assessment of such tax position changes, the change in estimate is recorded in the period in which the determination is made. The Trust reports tax-related interest and penalties as a component of income tax expense and operating expenses, respectively. The Trust has no unrecognized tax benefits.

***Subsequent events***

The Trust has evaluated subsequent events through April 18, 2017, the date the special-purpose financial statements were available to be issued, and determined there were no significant events that were either required to be recorded as of December 31, 2016, or disclosed in the special-purpose financial statements.

## Note 3 - Insurance Settlements Receivable

As part of the Plan, Global pursued claims against various insurance companies that provided coverage to Global over the period of its operations. Global reached settlements with respect to substantially all of the relevant insurance coverage. The amounts receivable under these settlements have been recognized in the financial statements. At December 31, 2016 and 2015, the insurance settlement receivable is due from one insurance company.



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## Note 3 - Insurance Settlements Receivable – (Continued)

Future maturities of the insurance settlement receivable are as follows:

| | | |
|---|---|---|
| Year Ending December 31, | 2017 | $ 14,100,000 |
| | 2018 | 14,100,000 |
| | 2019 | 14,100,000 |
| | 2020 | 14,100,000 |
| | 2021 | 14,100,000 |
| | Thereafter | 9,400,000 |
| | | $ 79,900,000 |

## Note 4 - Investments in Marketable Securities and Certificate of Deposit

***Fair value measurements***

The Trust measures its investments, at fair value, according to a hierarchy of valuation techniques. The following are the levels of the hierarchy and a brief description of the type of valuation information ("inputs") that qualifies an investment for each level:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments in Level I include short-term investments and listed equity securities.

Level 2 – Pricing inputs are other than quoted market prices included in Level I, however, are observable indirectly for the investment. The Trust includes its corporate and municipal bonds in Level II, because these pricing inputs are indirectly evident through interest rates for commonly quoted credit risks.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The valuations of the Trust's investments in marketable securities by the above fair value hierarchy levels and the corresponding cost of the investments as of December 31, 2016 and 2015, are as follows:



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## Note 4 - Investments in Marketable Securities and Certificate of Deposit – (Continued)

***Fair value measurements - continued***

| | December 31, 2016 | | | |
|---|---|---|---|---|
| | Level | Market Value | Cost | Unrealized Gains |
| **Certificate of deposit** | 1 | $ 256,456 | $ 256,456 | $ - |
| **Equity securities** | | | | |
| **Mutual funds** | 1 | 21,334,649 | 19,970,959 | 1,363,690 |
| **Common stocks** | 1 | 8,837,722 | 7,076,755 | 1,760,967 |
| **Total equity securities** | | 30,172,371 | 27,047,714 | 3,124,657 |
| **Corporate bonds** | 2 | 5,441,323 | 5,416,094 | 25,229 |
| **Municipal bonds** | 2 | 105,288,941 | 102,892,366 | 2,396,575 |
| **Total Investments in Marketable Securites and Certificate of Deposit** | | $ 141,159,091 | $ 135,612,630 | $ 5,546,461 |

| | December 31, 2015 | | | |
|---|---|---|---|---|
| | Level | Market Value | Cost | Unrealized Gains (Losses) |
| Certificate of deposit | 1 | $ 254,282 | $ 254,282 | $ - |
| Equity securities | | | | |
| Mutual funds | 1 | 21,829,365 | 21,389,757 | 439,608 |
| Common stocks | 1 | 8,752,493 | 7,379,254 | 1,373,239 |
| Total equity securities | | 30,581,858 | 28,769,011 | 1,812,847 |
| Corporate bonds | 2 | 6,657,082 | 6,708,101 | (51,019) |
| Municipal bonds | 2 | 120,327,934 | 115,354,314 | 4,973,620 |
| Total Investments in Marketable Securites and Certificate of Deposit | | $ 157,821,156 | $ 151,085,708 | $ 6,735,448 |



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## Note 4 - Investments in Marketable Securities and Certificate of Deposit – (Continued)

Maturities of the Trust's debt securities at December 31, 2016 are as follows:

| | Market Value | Cost | Unrealized Gains (Losses) |
|---|---|---|---|
| Due in one year or less | $ 7,451,694 | $ 7,503,738 | $ (52,044) |
| Due after one year through five years | 25,579,776 | 25,496,810 | 82,966 |
| Due after five years through ten years | 42,552,947 | 41,285,250 | 1,267,697 |
| Due after ten years through twenty years | 34,870,112 | 33,738,547 | 1,131,565 |
| Due after twenty years | 275,735 | 284,115 | (8,380) |
| Total | $ 110,730,264 | $ 108,308,460 | $ 2,421,804 |

***Investment income (loss)***

The net loss on investments in marketable securities is calculated as follows for the years ended December 31, 2016 and 2015:

| | 2016 | 2015 |
|---|---|---|
| Realized gains | $ **434,749** | $ 640,660 |
| Unrealized losses | **(1,188,987)** | (1,281,848) |
| Investment management fees | **(285,345)** | (323,216) |
| Custody fees | **(37,738)** | (43,553) |
| Bond amortizaton | **(1,800,004)** | (2,986,284) |
| Net loss on investments | $ **(2,877,325)** | $ (3,994,241) |



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## Note 5 - Investment in HWI

The Trust owns 21% of the issued and outstanding capital stock of HWI. During 2013, HWI authorized the payment of a dividend in the amount of $170 million, payable in December 2013. The Trust received $35.7 million in accordance with its 21% ownership share. Since HWI had no current or accumulated earnings and profits as of December 31, 2013, the dividend was a return of capital. In connection with this transaction, HWI deposited an additional $10 million into an escrow account to indemnify the Trust and the other 79% owner of HWI in the event of a dispute with any taxing authority that may arise as a result of the dividend payment. The term of the escrow and indemnification agreements is through December 31, 2020. The remaining balance in the escrow account after the termination of the agreement shall be delivered to HWI.

During the years ended December 31, 2016 and 2015, respectively, the Board of Directors of HWI declared dividends in the aggregate amounts of $17,013,108 and $30,000,000. The Trust received its 21% share, or $3,572,753 and $6,300,000, during the years ended December 31, 2016 and 2015, respectively.

Activity for the investment in HWI for the years ended December 31, 2016 and 2015, is as follows:

| | **2016** | 2015 |
|---|---|---|
| Balance, beginning of the year | **$ 87,696,000** | $ 62,706,000 |
| Net change in HWI valuation | **4,304,000** | 24,990,000 |
| Balance, end of the year | **$ 92,000,000** | $ 87,696,000 |



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## Note 6 - Taxation

The Trust reports its income to the Internal Revenue Service as a designated settlement fund which is taxed at the highest rate applicable to trusts under Section 1(e) of the Code, which is 39.6% for the years ended December 31, 2016 and 2015.

The Trust's federal income tax expense (benefit) is calculated as follows for the years ended December 31, 2016 and 2015:

| | 2016 | 2015 |
|---|---|---|
| Net federal taxable income | $ **2,864,769** | $ 5,962,051 |
| Tax rate | **39.6%** | 39.6% |
| Federal income tax expense | $ **1,134,449** | $ 2,360,972 |
| Deferred income tax expense | **1,233,545** | 10,139,008 |
| Benefit for change in tax position | **-** | (135,799) |
| Utilization of net operating loss | **-** | (750,580) |
| Net income tax expense | $ **2,367,994** | $ 11,613,601 |

The benefit for change in tax position in 2015 relates to amended income tax returns for years 2013 and 2014 which increased the net operating loss carryforward. The Trust believes the new position meets the more likely than not threshold.

Temporary differences between financial reporting income and taxable income generate deferred tax liabilities, as of December 31, 2016 and 2015, as follows:

| | 2016 | 2015 |
|---|---|---|
| Unrealized gain on investment in HWI | $ **(11,600,424)** | $ (9,896,040) |
| Unrealized gain on investments in marketable securities | **(2,196,399)** | (2,667,238) |
| Net deferred tax liability | $ **(13,796,823)** | $ (12,563,278) |



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## Note 6 - Taxation - (Continued)

During 2016, the Trust remitted estimated tax payments totaling $1,000,000, of which $175,958 is still shown as an overpayment of income taxes at December 31, 2016. During 2015, the Trust remitted estimated tax payments totaling $1,935,000, of which $460,407 is still shown as an overpayment of income taxes at December 31, 2015.

The Trust had a net operating loss carryforward of approximately $2,238,000 at December 31, 2014, which was fully utilized in 2015. The amount of income taxes the Trust pays is subject to ongoing audits by federal authorities.

## Note 7 - Trust Advisory Committee and Future Claimants' Representative

The Trust Agreement sets forth the role and responsibility of the Trust Advisory Committee (TAC) and Future Claimants' Representative (FCR). The members of the TAC serve in a fiduciary capacity representing all holders of present Claims (Current Claimants). The Trustee is required to consult with or obtain the consent of the TAC on certain matters identified in the Trust Agreement and the TDP. The TAC is comprised of three attorneys who are engaged by Current Claimants.

The FCR serves in a fiduciary capacity, representing the interests of the individuals who may file a Claim in the future, but who at this time are unknown to the Trust (Future Asbestos Claimants). The Trustee is required to consult with or obtain the consent of FCR on certain matters identified in the Trust Agreement and the TDP.



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# EXHIBIT B

**APG Asbestos Trust**

**Report of Asbestos PI Claim Activity and Disposition during the Period from January 1, 2016 through December 31, 2016**

| Type of Claim | Number of Claims Filed | Number of Claims Approved for Payment [1] | Number of Claims Withdrawn or Rejected | Value of Approved Claims | Number of Approved Claims Paid | Amount Paid on Approved Claims after Application of Payment Percentage |
|---|---|---|---|---|---|---|
| Pre-Petition Liquidated Claims | 232 | 327 | 193 | $6,802,100 | 721 | $532,032 |
| Category A Claims (Disease Levels III - VII) | 20,245 | 8,655 | 13,218 | $546,972,224 | 10,083 | $28,749,091 |
| Category B Claims (Disease Levels I and II) | 58,961 | 27,328 | 51,730 | $128,910,910 | 26,365 | $5,769,646 |
| Disease Level Not Specified | 0 | 0 | 0 | $0 | 0 | $0 |

Note: [1] This number may include claims that were filed prior to January 1, 2016

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**UNITED STATES BANKRUPTCY COURT**
**FOR THE WESTERN DISTRICT OF PENNSYLVANIA**

| | | |
|---|---|---|
| **In re:** | § | **Jointly Administered** |
| | § | **Case No. 02-21626- JKF** |
| **GLOBAL INDUSTRIAL** | § | |
| **TECHNOLOGIES, INC. et al** | § | **Chapter 11** |
| | § | |
| **Debtors** | § | |

**NOTICE OF FILING OF FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT ANDCLAIMS REPORT**

(For the Period January 1, 2016 Through December 31, 2016)

**PLEASE TAKE NOTICE** that, on April 26, 2017, the APG Silica Trust filed its Special Purpose Financial Statements with Report of Independent Auditors (for the Years Ended December 31, 2016 and 2015) (the "Financial Report") and its annual report of claims for the year ended December 31, 2016 (the "Claims Report"). The Financial Report and Claims Report are attached hereto as Exhibits "A" and "B."

Dated: April 26, 2017

Respectfully submitted,

**SHERRARD, GERMAN & KELLY, P.C.**

By: _____
Gary Philip Nelson, Esquire

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**COUNSEL FOR THE APG SILICA TRUST FUTURE CLAIMANTS' REPRESENTATIVE**
and



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