API, Inc. Asbestos Settlement Trust

June 5, 2019

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U.S. BANKRUPTCY COURT
MINNEAPOLIS, MN

Office of the United States Trustee
300 South Fourth Street
Suite 1015
Minneapolis, MN 55402

RE: **A.P.I., Inc., Asbestos Settlement Trust**
Case No. BKY-05-30073-GFK

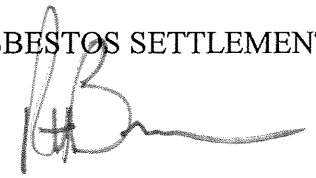
Dear Clerk:

Enclosed herewith for filing, please find the 2018 Annual Report of the Trustee for the API, Inc. Asbestos Settlement Trust. This annual report is being filed pursuant to Paragraph L of the Order Confirming Third Amended Plan of Reorganization of A.P.I. Inc. (November 21, 2005) as Modified at Confirmation. Paragraph L of this Order directs the filing of such annual reports consistent with the language of the Trust Agreement. Section 202(d) of the First Amended A.P.I. Inc. Asbestos Settlement Trust Agreement directs annual reports to be filed with the Office of the United States Trustee.

Please do not hesitate to contact me if you have any questions.

Sincerely,

API, INC. ASBESTOS SETTLEMENT TRUST



Robert B. Brownson
Trustee

Enclosures

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API, Inc. Asbestos Settlement Trust

ANNUAL REPORT OF THE TRUSTEE, 2018

API, INC. ASBESTOS SETTLEMENT TRUST

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U.S. BANKRUPTCY COURT
MINNEAPOLIS, MN

June 5, 2019

TO: Trust Advisor, API, Inc. Asbestos Settlement Trust
Michael R. Strom
SIEBEN POLK, PA
Eagan Woods Office Center
2600 Eagan Woods Drive, Suite 50
Eagan, Minnesota 55121-1170

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

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

This Annual Report has been prepared by the undersigned as Trustee of the API, Inc. Asbestos Settlement Trust (the "Trust"), pursuant to Sections 2.2 (b), and (c) of the First Amended API, Inc. Asbestos Settlement Trust [Trust] Agreement ("Trust Agreement"). Those sections of the Trust Agreement 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 Trustee's Annual Report for 2018.

The Trust has retained the accounting firm of HG&K, Ltd. 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 2018. Pursuant to that engagement, HG&K, Ltd. has completed both the Financial Statements, and has issued its Independent Auditor's Report regarding those Statements.

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The 2018 Financial Statements are attached as Exhibit A.

The Trust has made payments on Claims during 2018. Payments on Claims made by the Trust in 2018 are:

1) Current Direct Asbestos Claims paid during 2018 as submitted and approved pursuant to Section V4.1 of the Trust's Trust Distribution Procedures (TDPs); together with second injury Current Direct Asbestos Claims paid during 2017 as submitted and approved pursuant to Section V5.1(c) of the Trust's TDPs.

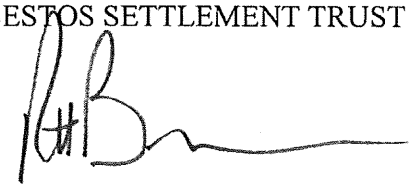
The summary of payments made to new Current Direct Asbestos Claims in 2018 is attached as Exhibit B.

The summary of payments made to second injury Current Direct Asbestos Claims in 2018 is attached as Exhibit C.

This Annual 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.

This Annual Report has this day been filed with the Office of the United States Trustee for the District of Minnesota, as described by Section 2(d) of the Trust Agreement, and by Paragraph 43 of the Order Confirming Third Amended Plan of Reorganization of A.P.I., Inc. (November 21, 2005) As Modified at Confirmation, dated December 6, 2005, Case No. BKY 05-30073-GFK.

API, INC. ASBESTOS SETTLEMENT TRUST



Robert D. Brownson
TRUSTEE
Minneapolis, Minnesota
June 5, 2019

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API, Inc. Asbestos Settlement Trust

AUDITED FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

HG&K·LTD.
CERTIFIED PUBLIC ACCOUNTANTS

EXHIBIT A

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API, INC. ASBESTOS SETTLEMENT TRUST

MINNEAPOLIS, MINNESOTA

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 and 2017

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HG K LTD.
CERTIFIED PUBLIC ACCOUNTANTS

Accountable.

Gregory D. Uphoff, CPA, CVA
Loran W. Hillesheim, CPA
Eric J. Hermanson, CPA

Dylan P. Abernathey, CPA
Rachel M. Cheney
Amy J. Dullum
Timothy P. Jacobs, CPA
Daniel D. Jorgenson, CPA
Andrea R. Kulig, CPA
Chris M. Schadow, CPA
Lynn M. Tannler, CPA

Special Counsel
Lowell J. Gordon, CPA
Larry Messerli, CPA

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, 2018 and 2017 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 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

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Accountants
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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, 2018 and 2017 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.

HG&K, Ltd.

HG&K, LTD.
Certified Public Accountants

May 23, 2019

API, INC. ASBESTOS SETTLEMENT TRUST
STATEMENTS OF NET CLAIMANTS' EQUITY
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS:		
Current Assets:		
Cash and cash equivalents	$ 699,072	$ 713,411
Note receivable, current portion	1,300,000	1,300,000
Investments	5,393,110	7,059,058
Total current assets	$ 7,392,182	$ 9,072,469
Other Assets:		
Note receivable, net of current portion	$ 9,425,000	$ 10,725,000
Total other assets	$ 9,425,000	$ 10,725,000
Total Assets	$ 16,817,182	$ 19,797,469
LIABILITIES:		
Current Liabilities:		
Accounts payable	$ 116,523	$ 36,106
Claims processing fees payable	31,000	32,500
Total current liabilities	$ 147,523	$ 68,606
NET CLAIMANTS' EQUITY	$ 16,669,659	$ 19,728,863

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

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API, INC. ASBESTOS SETTLEMENT TRUST
STATEMENTS OF CHANGES IN NET CLAIMANTS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Additions:		
Interest income	$ 138,807	$ 140,658
Dividend income	61,364	62,630
Gain/(loss) on investments	(170,795)	279,876
Claim processing fees and miscellaneous income	1,325	2,175
Total additions	$ 30,701	$ 485,339
Deductions:		
Accounting fees	$ 37,617	$ 42,186
Bank charges	180	250
Contributions	10,000	-
Foreign tax paid	163	142
Insurance	7,406	7,406
Investment management fees	36,571	37,375
Legal fees	13,353	-
Office expenses	2,779	2,601
Professional services	4,800	4,800
Trustee fees	119,165	135,877
Legal Representative fees	45,200	38,400
Trust Advisor fees	2,712	3,504
Total deductions	$ 279,946	$ 272,541
Change in net claimants' equity	$ (249,245)	$ 212,798
Net claimants' equity, beginning of period	19,728,863	22,028,723
Contributions to net claimants' equity	-	-
Distributions from net claimants' equity	(2,809,959)	(2,512,658)
Net claimants' equity, end of period	$ 16,669,659	$ 19,728,863

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

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API, INC. ASBESTOS SETTLEMENT TRUST
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH INFLOWS:		
Investment income	$ 277,333	$ 272,826
Proceeds from note receivable	1,300,000	1,300,000
Proceeds from sale of investments	2,918,332	2,810,191
Receipt of claim search fees and miscellaneous income	1,325	2,175
Receipt of claim processing payments	19,500	25,000
	$ 4,516,490	$ 4,410,192
CASH OUTFLOWS:		
Distributions to claimants	$ 2,676,586	$ 2,461,490
Disbursements for trust operating expenses	280,584	266,994
Litigation expenses related to claimants' equity	52,317	59,978
Purchases of investments	1,500,342	3,215,291
Refund of claim processing payments	21,000	16,500
	$ 4,530,829	$ 6,020,253
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	$ (14,339)	$ (1,610,061)
CASH AND CASH EQUIVALENTS, beginning of period	713,411	2,323,472
CASH AND CASH EQUIVALENTS, end of period	$ 699,072	$ 713,411

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

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API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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.

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API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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, 2018 and 2017, the net operating loss carryforward available for use in future years was $4,676,173 and $4,518,095, 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, 2018, 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.

Date of Trustee Review

In preparing these financial statements, the Trust has evaluated events and transactions for potential recognition or disclosure through May 23, 2019, the date the special-purpose financial statements were available to be issued.

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API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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.

NOTE 3. NOTE RECEIVABLE

Note receivable as of December 31, 2018 and 2017 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, 2018 and 2017, the note was receivable as follows:

	2018	2017
Receivable within one year	$ 1,300,000	$ 1,300,000
Receivable in future years	9,425,000	10,725,000
	$ 10,725,000	$ 12,025,000

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.

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. The Trust did not have any Level 3 investments for the years ended December 31, 2018 and 2017. Fair values of assets measured on a recurring basis at December 31, 2018 and 2017 are as follows:

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API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

	Fair Value	Fair Value at December 31, 2018 Using Inputs Considered as: Level 1	Level 2
Municipal Bonds:			
S&P Rated AAA	$ 1,365,479		$ 1,365,479
S&P Rated AA	1,517,962		1,517,962
S&P Rated A	1,663,272		1,663,272
Total Municipal Bonds	4,546,713	--	4,546,713
Common Stock:			
Consumer discretionary	107,043	$ 107,043	
Consumer staples	45,430	45,430	
Energy	35,780	35,780	
Finance	95,897	95,897	
Health care	97,639	97,639	
Industrials/Materials	99,115	99,115	
Information technology	234,456	234,456	
Real estate	23,559	23,559	
Telecommunications	101,047	101,047	
Utilities	6,431	6,431	
Total Common Stock	846,397	846,397	--
Total Investments	$ 5,393,110	$ 846,397	$ 4,546,713

	Fair Value	Fair Value at December 31, 2017 Using Inputs Considered as: Level 1	Level 2
U.S. Government Bonds and Notes	$ 291,090		$ 291,090
Mutual Funds – Fixed Income	593,137	$ 593,137	
Closed End & Exchange Traded Funds:			
Fixed Income	565,356	565,356	
Municipal Bonds:			
S&P Rated AAA	842,980		842,980
S&P Rated AA	2,227,690		2,227,690
S&P Rated A	1,592,058		1,592,058
S&P Rated BBB	133,563		133,563
Total Municipal Bonds	4,796,291	--	4,796,291
Common Stock:			
Consumer discretionary	142,089	142,089	
Consumer staples	61,051	61,051	
Energy	49,947	49,947	
Finance	94,438	94,438	
Health care	90,455	90,455	

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API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

		Fair Value at December 31, 2017 Using Inputs Considered as:	
	Fair Value	Level 1	Level 2
Common Stock:			
Industrials/Materials	103,200	103,200	
Information technology	235,417	235,417	
Real estate	19,260	19,260	
Telecommunications	11,548	11,548	
Utilities	5,779	5,779	
Total Common Stock	813,184	813,184	--
Total Investments	$ 7,059,058	$ 1,971,677	$ 5,087,381

Transfers between Level 1 and Level 2, if any, are recognized at the end of the reporting period. For the years ended December 31, 2018 and 2017, 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.

NOTE 5. INVESTMENT INCOME

Investment income consists of:

	2018	2017
Realized gain (loss) on investments	$ (41,623)	$ 151,766
Unrealized gain (loss) on investments	(129,172)	128,110
Gain (loss) on investments	$ (170,795)	$ 279,876
Total interest income	$ 215,969	$ 210,196
Less: bond premium amortization	(77,162)	(69,538)
Interest income	$ 138,807	$ 140,658
Dividend income	$ 61,364	$ 62,630
Total investment income	$ 29,376	$ 483,164

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API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 6. NET CLAIMANTS' EQUITY

The contributions to claimants' equity were comprised of the following at December 31, 2018 and 2017:

	2018	2017
Insurance case settlements	$ -0-	$ -0-

The distributions from claimants' equity were comprised of the following at December 31, 2018 and 2017:

	2018	2017
Distributions to claimants	$ 2,676,586	$ 2,461,490
Legal fees related to claimants' equity	133,373	51,168
	$ 2,809,959	$ 2,512,658

The distributions to claimants represents a payment sum percentage of 35 percent of the allowed liquidated value per claimant as of December 31, 2018 and 2017, 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 payments 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. As of 2018, the federal statutory income tax rate for the DSF is thirty seven percent.

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, 2018 and 2017, 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, 2018 and 2017, the Trust did not have uncertain tax positions for which they recorded a tax liability.

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API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 8. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2018 and 2017, the Trust incurred fees of $4,800 each year 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, 2018 and 2017 on the statements of changes in net claimants' equity. Of these amounts, $2,400 is included in accounts payable on the statements of net claimants' equity each year as of December 31, 2018 and 2017.

During the years ended December 31, 2018 and 2017, the Trust incurred legal fees of $9,203 and $0, respectively, from the firm in which the Trustee is an owner. These amounts are included in legal fees for the years ended December 31, 2018 and 2017 on the statements of changes in net claimants' equity. Of these amounts, $0 is included in accounts payable on the statements of net claimants' equity as of December 31, 2018 and 2017.

During the years ended December 31, 2018 and 2017, the Trust incurred fees of $167,077 and $177,781, respectively, from members of the advisory committee in their roles as Trustee, Legal Representative and Trust Advisor. Of these amounts, $21,499 and $21,360 are included in accounts payable on the statements of net claimants' equity as of December 31, 2018 and 2017, 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, 2018, the reimbursement obligation for the insurance carrier was approximately $4,586,000, which is below 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.

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API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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, 2018 and 2017, the Trust did not receive any amounts from their settlement claim. As of December 31, 2018, the Trust has received $5,375,000 of their approved claim (25 percent of the 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, 2018 and 2017, 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.

NOTE 12. LEGAL DECISION

The Trust was a respondent in a lawsuit where the appellant was seeking recovery of a portion of the Home Insurance Company settlement proceeds received by the Trust. The case was heard before the Minnesota Supreme Court in January 2018; the Supreme Court remanded the case back to the Ramsey County District Court to determine the amount of the recovery for the appellant. In March 2019, Ramsey County District Court determined that the appellant was owed $84,000 for their

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API, INC. ASBESTOS SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 12. LEGAL DECISION (continued)

services to the Trust. This amount is included in accounts payable on the statements of net claimants' equity as of December 31, 2018 and in distributions from net claimants' equity on the statements of changes in net claimants' equity for the year ended December 31, 2018.

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Claims Paid in 2018

Nc#	Claimant	Decedent	State	Disease	Payment 1	Date Paid
689	Scovil, Richard J.		MN	IV - Asbestosis	$20,020.00	6/19/2018
690	Kubitschek, Judith (Trustee)	Kubitschek, Robert J., Sr.	MN	II - Lung Cancer	$47,967.50	1/12/2018
691	Jacobson, Charles (Trustee)	Duren, Eligius R.	MN	V - Pleural	$10,552.50	1/12/2018
692	Skogstad, Arllan N.		MN	IV - Asbestosis	$20,020.00	5/15/2018
694	Brickley, Marlene M.		MN	II - Lung Cancer	$47,967.50	3/6/2018
695	Stangl, Alfred M., Jr.		MN	V - Pleural	$10,552.50	1/12/2018
696	Ohlquist, Maurice		MN	IV - Asbestosis	$20,020.00	2/14/2018
697	Witherill, Nicholas J.		MN	II - Lung Cancer	$47,967.60	1/12/2018
698	Begin, Leo (Trustee)	Begin, Clifford A.	MN	I - Malignant Mesothelioma	$110,687.50	3/6/2018
699	Monzel, James M.		MN	I - Malignant Mesothelioma	$110,687.50	5/15/2018
700	Hall, Eleanor (Adx)	Hall, Leland W.	MN	I - Malignant Mesothelioma	$110,687.50	6/19/2018
701	Alcorn, Cindy J.		MN	I - Malignant Mesothelioma	$110,687.50	6/19/2018
703	Robinson, Charles William		MN	IV - Asbestosis	$20,020.00	6/19/2018
704	Vohler, Dennis		MN	IV - Asbestosis	$20,020.00	6/19/2018
705	Palmehn, Lawrence (Adm)	Palmehn, Lisa A.	MN	I - Malignant Mesothelioma	$110,687.50	6/19/2018
706	Lindhag, Alan E.		MN	IV - Asbestosis	$20,020.00	6/19/2018
707	Hanson, William J.		MN	IV - Asbestosis	$20,020.00	6/19/2018
708	Zirkle, Clarice (Adm)	Zirkle, Raymond E., Jr.	MN	I - Malignant Mesothelioma	$110,687.50	6/19/2018
709	Blais, George A., Sr.		MN	I - Malignant Mesothelioma	$110,687.50	10/2/2018
710	Williams, Evelyn (Adm)	Williams, Clarence M.	MN	I - Malignant Mesothelioma	$110,687.50	11/27/2018
711	Haglund, Billy (Adm)	Haglund, Norma	MN	I - Malignant Mesothelioma	$110,687.50	11/27/2018
712	Lorenson, Ernest		MN	IV - Asbestosis	$20,020.00	10/2/2018
713	Weisen, Lorri (Trustee)	Weisen, Duane C.	MN	II - Lung Cancer	$47,967.50	10/2/2018
714	Gucinski, Joseph		WI	V - Pleural	$4,200.00	11/27/2018
715	Drewlow, Darrel K.		MN	I - Malignant Mesothelioma	$110,687.50	11/27/2018
716	Hanson, Kenneth H.		MN	II - Lung Cancer	$47,967.50	11/27/2018
717	Fitzgerald, Maureen L. (Trustee)	Mullin, Dewayne L.	MN	II - Lung Cancer	$47,967.50	11/27/2018
718	Skok, Sarah Marie (Trustee)	Skok, David R.	MN	II - Lung Cancer	$47,967.50	11/27/2018
719	Boehler, Karen (Adm)	Boehler, Duane H.	MN	I - Malignant Mesothelioma	$110,687.50	11/27/2018
720	Walbridge, Gerald G.		MN	I - Malignant Mesothelioma	$110,687.50	11/27/2018
721	Cecil, James Mack		MN	I - Malignant Mesothelioma	$110,687.50	11/27/2018
722	Sydow, Bernard G.		MN	I - Malignant Mesothelioma	$110,687.50	11/27/2018
723	Chick, Richard G.		MN	I - Malignant Mesothelioma	$110,687.50	11/27/2018

EXHIBIT B

Claims Paid in 2018

Nc#	Claimant	Decedent	State	Disease	Payment 1	Date Paid
724	Passauer, Gary A.		MN	IV - Asbestosis	$20,020.00	11/27/2018
727	Hunter, John A.		MN	V - Pleural	$10,552.50	11/27/2018
729	Engler, Marlys (Ext)	Engler, Phillip Raymond	MN	I - Malignant Mesothelioma	$110,687.50	11/27/2018
730	Bergsten, Richard Allen		MN	I - Malignant Mesothelioma	$110,687.50	11/27/2018
731	Seidel, Patricia (Trustee)	Sechser, Robert James	MN	II - Lung Cancer	$47,967.50	11/27/2018
732	Vandenberg, Gerrit N.		MN	IV - Asbestosis	$20,020.00	11/27/2018
				TOTAL	$2,501,485.10	

EXHIBIT B

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Second Injury Claims Paid in 2018

Nc#	Claimant	Decedent	State	Disease (Initial)	Disease (2nd Injury)	Payment 1	Date Paid
693	Price, Bryan (Trustee)	Price, Charles D., Sr.	MN	IV - Asbestosis	I - Malignant Mesothelioma	$71,785.70	3/6/2018
725	McKee, Pamela (Trustee)	Conroy, Thomas R.	MN	V - Pleural	I - Malignant Mesothelioma	$94,105.00	11/27/2018
728	Coles, Theodore J.		MN	IV - Asbestosis	II - Lung Cancer	$9,210.50	11/27/2018
					TOTAL	$175,101.20	

EXHIBIT C