IN THE UNITED STATES BANKRUPTCY COURT
OF THE SOUTHERN DISTRICT OF TEXAS
CORPUS CHRISTI DIVISION

In re:	§	**Case No. 05-21207**
	§	
ASARCO LLC, *et al.*,	§	**Chapter 11**
	§	
Debtors	§	**Jointly Administered**
	§	

ANNUAL REPORT, FINANCIAL STATEMENTS AND RESULTS OF OPERATIONS OF THE ASARCO ASBESTOS PERSONAL INJURY SETTLEMENT TRUST FOR FISCAL YEAR ENDED DECEMBER 31, 2017

Hon. Alfred M. Wolin, Ret., David F. Levi, and Charles A. Koppelman (collectively, the "Trustees"), as Trustees of the ASARCO Asbestos Personal Injury Settlement Trust (the "Asbestos Trust" or "Trust"), respectfully file this Annual Report, Financial Statements and Results of Operations for Fiscal Year Ended December 31, 2017 (the "Report"), pursuant to Asarco Incorporated and Americas Mining Corporation's Seventh Amended Plan of Reorganization for the Debtors Under Chapter 11 of the United States Bankruptcy Code, as Modified on August 20, 2009, August 23, 2009, and August 27, 2009 (the "Parent Plan") and the ASARCO Asbestos Personal Injury Settlement Trust Agreement (the "Trust Agreement").

I. General

On August 9, 2005, ASARCO LLC ("ASARCO") filed a petition for relief under Chapter 11 of the United States Bankruptcy Code. Various affiliates of ASARCO (together with ASARCO, the "Debtors") filed bankruptcy petitions both before and after ASARCO's bankruptcy filing. The Debtors' respective bankruptcy cases are jointly administered under Case No. 05-21207. On September 11, 2009, the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court") entered its amended recommendation in

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favor of confirmation of the Parent Plan. On November 13, 2009, the United States District Court for the Southern District of Texas (the "District Court") adopted the Bankruptcy Court's recommendation and entered its Memorandum Opinion, Order of Confirmation, and Injunction, confirming the Parent Plan (as modified on November 16, 2009 and December 3, 2009, the "Confirmation Order"). *See* Dkt. No. 79, 80 and 96 in Case No. 2:09-CV-00177.

To address the substantial asbestos-related liabilities of the Debtors, the Parent Plan established the Asbestos Trust in accordance with the Trust Agreement. On December 9, 2009, the Effective Date[1] of the Parent Plan, the Asbestos Trust was created and funded with over $900 million in assets, including more than $650 million in cash plus a $280 million secured note from Reorganized ASARCO (the "ASARCO Note"). In addition, the Asbestos Trust received $27.5 million to fund the operating expenses of the Asbestos Trust. *See* Parent Plan, section 6.7. The Trustees of the Asbestos Trust are the Hon. Alfred M. Wolin, Ret., David F. Levi, and Charles A. Koppelman.

Under the Trust Agreement, the Trust Advisory Committee ("TAC") represents the holders of present Asbestos Personal Injury Claims, and the Future Claims Representative ("FCR") represents the holders of future Asbestos Personal Injury Claims. *See* Trust Agreement, sections 5.2 and 6.1. The TAC members are Steven Kazan, Steven T. Baron, Alan R. Brayton, Bryan O. Blevins and Perry J. Browder. The Hon. Robert C. Pate is the FCR.

The Trust Agreement, at Section 2.2(g), requires that the Asbestos Trust meet with the TAC and FCR no less often than quarterly. The Asbestos Trust held quarterly meetings with

[1] Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Parent Plan.

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the TAC and the FCR on February 14, 2017, May 10, 2017, September 26, 2017, and November 14, 2017.

The Trustees held weekly Trustees' meetings in 2017 by telephone, beginning on January 3, 2017.

Hon. Alfred M. Wolin, Ret., is the Managing Trustee of the Trust.

The Asbestos Trust kept its principal office at 1105 North Market Street, Suite 1300, Wilmington, DE 19801, and its administrative office at c/o Saiber, LLC, Attention: Hon. Alfred M. Wolin, Ret., Managing Trustee, 18 Columbia Turnpike, Suite 200, Florham Park, NJ 07932-2266.

The Asbestos Trust continued its retention of the following: Stutzman, Bromberg, Esserman & Plifka, A Professional Corporation (general counsel); CBIZ (accounting and tax work); BDO USA LLP (independent auditors); AON Risk Services Central, Inc. (insurance agent); Legal Analysis Systems (consultant regarding asbestos personal injury claims); Verus Claims Services, LLC ("Verus") (claims processor); U.S. Trust/Bank of America Private Wealth Management ("BoA") (financial consultant, money manager, custodian banking and other banking services); Citi Private Bank (financial consultant, money manager, custodian banking and other banking services); and Anderson Kill & Olick, LLP (insurance coverage counsel). The Trust retained local counsel and other consultants, as needed. CBIZ also manages the Asbestos Trust's fiscal controls, which are tested by BDO as part of the annual financial audit of the Trust's financial statements.

The TAC continued its retention of Caplin & Drysdale as its counsel. The FCR continued his retention of Strasburger & Price, LLP as his counsel.

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The Asbestos Trust's general counsel, Stutzman, Bromberg, Esserman & Plifka, PC, serves as the custodian of Trust records.

The Asbestos Trust continued liability insurance for the Trustees, the members of the TAC and the FCR.

In 2017, the Asbestos Trust (i) invested and managed its assets; (ii) continued pursuit of claims in certain pending insurance insolvency proceedings; (iii) processed and paid Pre-Petition Liquidated Asbestos Personal Injury Claims (as defined in the ASARCO Asbestos Personal Injury Settlement Trust Distribution Procedures ("TDP")); (iv) continued to examine and analyze as needed ASARCO's, LAQ's, and CAPCO's asbestos sales records and historical asbestos records; (v) managed the Asbestos Trust's website, www.asarcotrust.com; (vi) accepted Asbestos Personal Injury Claims based on CAPCO Exposure, LAQ Exposure and/or both, as defined in the TDP; (vii) processed both CAPCO claims and LAQ claims, providing directions to the claims facility for the liquidation of the Asbestos Personal Injury Claims; (viii) continued paying Asbestos Personal Injury Claims; (ix) reviewed accounting and auditing functions for the Trust; (x) consulted with Legal Analysis Systems regarding claims data and forecasts of the Trust's liability for Asbestos Personal Injury Claims; (xi) sought dismissals of any state court litigation filed against ASARCO in violation of the 524(g) channeling injunction; (xii) handled and processed premises claims; (xiii) posted appropriate notices on the Trust's website for all claimants; (xiv) conducted audits of Asbestos Personal Injury Claims submitted to the Trust pursuant to an audit program adopted under the TDP; (xv) renewed director and officer Liability Insurance Policies to replace expiring policies; (xvi) reviewed the methodology for liquidating Asbestos PI Claims under the Individual Review procedures of the TDP; and (xvii) performed all functions required for

Trust governance, including maintaining the Trust's books and records, and responding to subpoenas for information and other processes.

The process for reviewing and liquidating Asbestos PI Claims is governed by the TDP. The TDP recognizes that estimates of liabilities and the value of assets fluctuate over time and, accordingly, applies a "Payment Percentage" to the liquidated value of allowed Asbestos PI Claims other than a claim involving Other Asbestos Disease (Disease Level I-Cash Discount Payment) and Asbestos Premises Liability Claims covered by an applicable Asbestos Insurance Policy. *See* TDP § 2.3. The TDP directs the Trustees to periodically "reconsider the then applicable Payment Percentage to assure that the Payment Percentage is based on accurate and current information," and to, if necessary, change the Payment Percentage with the consent of the TAC and the FCR. *Id.* at § 4.2. In making this determination, the Trustees are directed to "base their determination of the Payment Percentage on current estimates of the number, types, and values of present and future Asbestos Personal Injury Claims, the value of the assets then available to the Asbestos Trust for payment of Asbestos Trust Determined Claims, all anticipated administrative and legal expenses, and any other material matters that are reasonably likely to affect the sufficiency of funds to pay a comparable percentage of full value to all holders of Asbestos Personal Injury Claims." *Id.* The Trustees are further directed to "exercise common sense and flexibly evaluate all relevant factors." *Id.* The Payment Percentage in 2017 was 22%. The Trustees will review the Payment Percentage in 2018.

II. Asbestos Personal Injury Claims

The Asbestos Trust came into existence on December 9, 2009. In 2017, the Trustees accepted and processed 16 Pre-Petition Liquidated Asbestos Personal Injury Claims,

ultimately paying, after application of the Payment Percentage, $35,703 on account of such Pre-Petition Liquidated Asbestos Personal Injury Claims.

In addition, in 2017 the Asbestos Trust, through Verus, its claims processing facility, continued accepting unliquidated Asbestos Personal Injury Claims. Verus processed and paid various Asbestos Personal Injury Claims in 2017. Through December 31, 2017, 366,901 unliquidated Asbestos Personal Injury Claims were submitted to the Asbestos Trust, as follows:

Disease Level	Claims to date	Claims in 2017
Other Asbestos Disease (Level I)	14,979	352
Nonmalignant Asbestos Disease (Level II)	145,646	6,522
Nonmalignant Asbestos Disease (Level III)	79,976	4,733
Severe Asbestosis (Level IV)	6,952	566
Other Cancer (Level V)	14,250	720
Lung Cancer 2 (Level VI)	9,584	429
Lung Cancer 1 (Level VII)	47,384	2,542
Mesothelioma (Level VIII)	31,732	1,914
Unknown	16,398	280
Total:	**366,901**	**18,058**

Of the 18,058 Asbestos Personal Injury Claims submitted to the Trust in 2017, 409 have been withdrawn, 4,430 have been deferred, and 792 have been approved for payment. Since inception, not including premises claims, the Trust has paid a total of $164,080,387 on account of unliquidated Asbestos Personal Injury Claims, of which $49,774,424 was paid in 2017. For 2017, the gross liquidated value of claims was $208,777,855. After application of the 22% payment percentage, the Asbestos Trust paid $45,938,889 plus a sequencing

adjustment of $3,835,535, for a total of $49,774,424 paid to claimants in 2017.[2] The Asbestos Trust is assessing the Payment Percentage in 2018.

Under Section 3.3 of the Trust Agreement, the Trust reports payments for Asbestos PI Trust Expenses. The Trust's operating expenses are listed in the Supplemental Information to the attached audited financial statements as addressed below.

III. Compensation and Expenses of Trustees, TAC, and FCR

Under Section 4.5(c) of the Trust Agreement, the Asbestos Trust reports to the Bankruptcy Court the amount of compensation and expenses paid to the Trustees. The Trustees have received, on an accrual basis, compensation and reimbursement for out-of-pocket expenses for the fiscal year ending December 31, 2017, as follows:

Trustees (3)	$991,975.24
Delaware Trustee	$3,000.00, plus $1,500 Delaware Agent Fees

Under Section 5.6 of the Trust Agreement, the Asbestos Trust reports to the Bankruptcy Court the amount of compensation and expenses paid to the TAC members. The TAC has received, on an accrual basis, compensation and reimbursement for fees and expenses, including counsel, during the fiscal year ending December 31, 2017, as follows:

TAC	$50,366.93

Under Section 6.5 of the Trust Agreement, the Asbestos Trust reports to the Bankruptcy Court the amount of compensation and expenses paid to the FCR. The FCR has received, on an accrual basis, compensation and reimbursement for fees and expenses, including counsel, during the fiscal year ending December 31, 2017, as follows:

[2] The attached audit report presents claims settled in 2017. This annual report presents claims paid in 2017. Both data points are informative to the reader.

FCR	$102,957.97

IV. Financial Statements

A copy of the Asbestos Trust's audited financial statements for the year ending December 31, 2017, including a balance sheet as of December 31, 2017, and a statement of operations for 2017, is attached hereto as Exhibit A. Exhibit A also includes BDO USA LLP's opinion 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 special purpose accounting methods.

The Asbestos Trust provided copies to the TAC and FCR on April 27, 2018.

V. Certification

The Trustees certify that they have performed pursuant to and in compliance with the Parent Plan, the Trust Agreement, the TDP, the Confirmation Order, and such other Parent Plan documents and Bankruptcy Court orders pertaining to the operation of the Asbestos Trust during the fiscal year ended December 31, 2017.

TRUSTEES:

/s/ Alfred M. Wolin
HON. ALFRED M. WOLIN, RET.

/s/ David F. Levi
DAVID F. LEVI

/s/ Charles A. Koppelman
CHARLES A. KOPPELMAN

Respectfully submitted this 30th day of April 2018,

STUTZMAN, BROMBERG,
ESSERMAN & PLIFKA,
A PROFESSIONAL CORPORATION

By: */s/ Peter C. D'Apice*
Sander L. Esserman
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ATTORNEYS FOR THE ASARCO ASBESTOS PERSONAL INJURY SETTLEMENT TRUST

CERTIFICATE OF SERVICE

The undersigned certifies that on this 30th day of April 2018 the foregoing ANNUAL REPORT, FINANCIAL STATEMENTS AND RESULTS OF OPERATIONS OF THE ASARCO ASBESTOS PERSONAL INJURY SETTLEMENT TRUST FOR FISCAL YEAR ENDED DECEMBER 31, 2017, was served via ECF on all those parties receiving such notice through the Court's CM/ECF system.

/s/ Peter C. D'Apice
Peter C. D'Apice

ASARCO Asbestos Personal Injury Settlement Trust

Audited Special-Purpose Financial Statements

Years Ended December 31, 2017 and 2016

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

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ASARCO Asbestos Personal Injury Settlement Trust

Audited Special-Purpose Financial Statements
Years Ended December 31, 2017 and 2016

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ASARCO Asbestos Personal Injury Settlement Trust

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Independent Auditor's Report

Trustees
ASARCO Asbestos Personal Injury Settlement Trust
Florham Park, New Jersey

We have audited the accompanying special-purpose financial statements of ASARCO Asbestos Personal Injury Settlement Trust (the Trust) which comprise the special-purpose statements of assets, liabilities and net claimants' equity as of December 31, 2017 and 2016, and the related special-purpose statements of changes in net claimants' equity and special-purpose statements of cash flows for the years then ended and the related notes to the special-purpose financial statements.

Management's Responsibility for the Special-Purpose Financial Statements

Management is responsible for the preparation and fair presentation of the special-purpose financial statements in accordance with the basis of accounting described in Note 2 to the special-purpose financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special-purpose 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 special-purpose 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 special-purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special-purpose 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 special-purpose financial statements.

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

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Opinion

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the net claimants' equity of ASARCO Asbestos Personal Injury Settlement Trust as of December 31, 2017 and 2016, and the changes in net claimants' equity and cash flows for the years then ended in accordance with the special-purpose basis of accounting described in Note 2 to the special-purpose financial statements.

Basis of Accounting

We draw attention to Note 2 of the special-purpose financial statements, which describes the basis of accounting. As described in Note 2, these special-purpose financial statements were prepared on a special-purpose basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified on this matter. The special-purpose basis of accounting has been used in order to communicate the amount of net equity presently available to fund current and future claimants.

Restriction of Use

Our report is intended solely for the information and use of the management of the Trust, and is not intended to be and should not be used by anyone other than the specified party. This restriction is not intended to limit the distribution of this report which, upon filing with the United States Bankruptcy Court for the Southern District of Texas, is a matter of public record.

BDO USA, LLP

McLean, Virginia
April 23, 2018

Audited Special-Purpose Financial Statements

ASARCO Asbestos Personal Injury Settlement Trust

Special-Purpose Statements of Assets, Liabilities and Net Claimants' Equity

December 31,	2017	2016
Assets		
Cash and cash equivalents		
Citibank	$ 39,297,783	$ 45,468,298
U.S. Trust	27,541,752	24,369,928
Peapack-Gladstone	200	200
Total cash and cash equivalents	66,839,735	69,838,426
Investments		
Citibank		
Investment securities	501,080,982	478,095,929
Alternative investments	16,174,475	14,901,769
Income receivable	4,082,026	4,107,434
U.S. Trust		
Investment securities	485,742,380	476,669,860
Alternative investments	10,383,693	14,409,564
Income receivable	4,344,805	4,437,583
Total investments	1,021,808,361	992,622,139
Other assets		
Prepaid federal income taxes	-	511,594
Other assets	132,910	131,498
Total assets	132,910	643,092
Total assets	1,088,781,006	1,063,103,657
Liabilities		
Settled claims payable	2,073,956	2,183,056
Accounts payable	269,115	213,414
Total liabilities	2,343,071	2,396,470
Net claimants' equity	$ 1,086,437,935	$ 1,060,707,187

See accompanying notes to the special-purpose financial statements.

ASARCO Asbestos Personal Injury Settlement Trust

Special-Purpose Statements of Changes in Net Claimants' Equity

Years Ended December 31,	2017	2016
Additions		
Contributions		
Insurance settlements	$ -	$ 68,320
Investment income		
Interest and dividend, net	25,413,485	25,461,151
Investment advisory fees	(3,200,801)	(3,159,827)
Realized gains on sale of investment securities	13,686,875	7,268,670
Net change in fair value of alternative investments	1,533,431	(159,063)
Capital gains distributions	322,053	188,105
Unrealized gain (loss) on investment securities	42,699,147	(5,391,946)
Total investment income, net	80,454,190	24,207,090
Other income	500	1,500
Total additions	80,454,690	24,276,910
Deductions		
Claims settled	49,701,030	43,781,707
General and administrative expenses		
Trustees	991,976	944,320
Claims processing fees	1,288,283	1,069,361
Claims consulting and forecasting fees	70,768	81,078
Insurance	127,306	142,087
Accounting	267,196	279,159
Future claims representative fees and expenses	102,958	133,516
Others	25,942	19,790
Professional services		
Trust professional fees		
Trust general counsel	771,699	680,359
Trust insurance, special and local counsel	260,259	232,991
TAC attorney fees and expenses	50,367	67,650
Federal income tax	1,066,158	4,800,000
Total deductions	54,723,942	52,232,018
Increase (decrease) in net claimants' equity	25,730,748	(27,955,108)
Net claimants' equity at the beginning of the year	1,060,707,187	1,088,662,295
Net claimants' equity at the end of the year	$ 1,086,437,935	$ 1,060,707,187

See accompanying notes to the special-purpose financial statements.

ASARCO Asbestos Personal Injury Settlement Trust

Special-Purpose Statements of Cash Flows

Years Ended December 31,	2017	2016
Cash flows from operating activities:		
Net increase (decrease) in claimants' equity	$ 25,730,748	$ (27,955,108)
Adjustments to reconcile net increase (decrease) in net claimants' equity to net cash used in operating activities:		
Realized gain on sale of investment securities	(13,686,875)	(7,268,670)
Net change in fair value of alternative investments	(1,533,431)	159,063
Unrealized loss on investment securities, net	(42,699,147)	5,391,946
Amortization of bond premium	10,111,070	9,414,334
Changes in operating assets and liabilities:		
Prepaid federal income taxes	511,594	1,000,000
Other assets	(1,412)	5,267
Settled claims payable	(109,100)	830,245
Accounts payable	55,701	(186,943)
Total adjustments	(47,351,600)	9,345,242
Net cash used in operating activities	(21,620,852)	(18,609,866)
Cash flows from investing activities:		
Change in accrued income receivable	118,186	461,335
Proceeds from sales of investments	213,044,956	369,134,544
Purchases of investments	(194,540,981)	(344,109,707)
Net cash provided by investing activities	18,622,161	25,486,172
Net (decrease) increase in cash and cash equivalents	(2,998,691)	6,876,306
Cash and cash equivalents at the beginning of the year	69,838,426	62,962,120
Cash and cash equivalents at the end of the year	$ 66,839,735	$ 69,838,426

See accompanying notes to the special-purpose financial statements.

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1. Description of the Trust

The ASARCO Asbestos Personal Injury Settlement Trust (the Trust), organized pursuant to the laws of the State of Delaware, was established on December 9, 2009 and is a "qualified settlement fund" pursuant to the meaning of Section 1.468B-1 et seq. to the Treasury Regulations promulgated under Section 468B of the Internal Revenue Code. The Trust was formed to assume all Asbestos PI Trust Claims (whether now existing or arising at any time hereafter) and to use the Asbestos PI Trust assets to pay holders of claims in accordance with the Asbestos PI Trust Agreement. The Trust's funding is dedicated solely to the settlement of asbestos personal injury claims and the related costs thereto, as defined in the ASARCO Personal Injury Settlement Trust Agreement (Trust Agreement). The Trust's principal office is in Wilmington, Delaware and its administrative office is located in Florham Park, New Jersey. Defined terms have the meaning that is defined in the Trust Agreement.

2. Significant Accounting Policies

Basis of presentation

The Trust's financial statements are prepared using special-purpose accounting methods adopted by the Trustees, which differ from accounting principles generally accepted in the United States of America (GAAP). The special-purpose accounting methods were adopted in order to communicate to the beneficiaries of the Trust the net claimants' equity and related operating expenses of the Trust. 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. The special-purpose accounting methods include the following:

a. Investment securities are recorded at fair market value. All interest and dividend income, net of investment expenses, are included in investment income in the accompanying special-purpose statements of changes in net claimants' equity. Net realized and unrealized gains and (losses) on investment securities are recorded as a net addition or (deduction) in the special-purpose statements of changes in net claimants' equity.

b. Taxable and nontaxable fixed income securities are stated at amortized cost, with amortization and accretion of bond premiums or discounts included in investment income.

c. Insurance recoveries are recorded when the related policies are settled and collectability is assured from the insurance carriers. These recoveries come from various insurance settlements, which were obtained by entities which assigned the rights to such policies to the Trust or were negotiated by the Trust.

d. Future fixed liabilities under contractual obligations and other agreements entered into by the Trust are recorded as deductions in the same period that such contractual obligations or agreements are signed. Under GAAP, liabilities and contractual obligations are recorded over the period that is benefited by the underlying contract or agreement.

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e. The full amounts of claims are generally treated as deductions from net claimants' equity in the period in which the settled claims are approved for payment. A settled claim is a claim that has been accepted by the claimant, with an executed release submitted to the Trust, and approved by the Trustees. Under GAAP, a liability would be recorded for an estimate of the amount to be paid for claims that have been incurred but not yet reported, and for those claims that have been submitted but not yet approved for payment by the Trust.

f. Income tax expense is estimated and recorded as incurred in the period in which certain income and expense items affect current federal income taxes payable. Income tax refunds are recorded when cash is received by the Trust. Under GAAP, the provision for income taxes is recorded based upon income reported for financial statement purposes, and federal and state income taxes both currently payable and changes in deferred taxes due to differences between financial reporting and tax bases of assets and liabilities, such as unrealized gains and losses on investment securities.

Use of estimates

The preparation of special-purpose financial statements in conformity with the special-purpose accounting methods described above requires the Trust to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and the disclosure of contingent assets and liabilities at the date of the special-purpose financial statements, as well as the reported amounts of additions and deductions to net claimants' equity during the reporting period. Actual results could differ from those estimates and such differences could have a material effect on net claimants' equity.

Cash equivalents and investment securities

The Trust considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investment securities are stated at fair market value with changes in unrealized gains and losses recorded in the current period. Investment income is recognized when earned. Any unearned interest and dividend income are recorded as accrued interest and dividends receivable. Realized gains and losses on sales are determined using the specific identification method.

Accrued claims, accrued expenses and accounts payable

Accrued claims consist of certain claims that are settled but unpaid at December 31, 2017 and 2016. A settled claim is a claim that has been accepted by the claimant, with an executed release submitted to the Trust, and approved by the Trustees. An unpaid claim is a claim that has been approved for payment by the Trustees, but cannot be paid due to annual cap limitations or has been authorized by the Trustees and not paid. Unpaid claims that are a result of annual cap limitations are recorded when settled.

Accrued expenses and accounts payable consist of outstanding invoices associated with managing the Trust.

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Operating expenses

Operating expenses of the Trust are recorded as deductions on the special-purpose statements of changes in net claimants' equity in the period in which the invoices are received and approved.

Income taxes

The Trust is classified as a Qualified Settlement Fund under the Internal Revenue Code. As a result, the Trust is subject to federal income taxes based on modified gross income. In the opinion of Trust's management, the Trust is not subject to state income taxes, and therefore, special-purpose financial statements do not include any provision or liability for state income taxes.

The Trust files income tax returns in the United States of America (U.S.) federal jurisdiction. Since the Trust was formed during 2009, no U.S. federal income tax returns are closed under statute of limitations.

The Trust records income tax expense (or benefit) associated with amounts payable (or receivable) under current federal income taxes, and does not record a provision for (or benefit from) deferred taxes. Accordingly, there is no provision for deferred taxes associated with changes in cumulative unrealized gains and losses on investments (see Note 5). The income taxes associated with gains on investments will be recorded in the Trust's special-purpose financial statements when the net gains are realized (i.e. the securities are sold) and the income taxes become currently payable.

Risk and uncertainties

The Trust's assets that are exposed to credit risk consist primarily of cash and cash equivalents and investment securities. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Trust has never experienced any losses related to these balances. There is no amount on deposit in excess of federally insured limits at December 31, 2017.

The Trust invests in a professionally managed investment portfolio that contains common shares of publicly traded companies, corporate and government obligations, public real estate investment trusts, commodities, and alternative investments. Such investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments securities, it is at least 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 account balance and the amounts reported in the special-purpose statements of assets, liabilities and net claimants' equity.

Reclassifications

Certain amounts presented in the 2016 special-purpose financial statements have been reclassified to conform to the 2017 presentation. These reclassifications have no effect on the previously recorded increase in net claimants' equity.

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3. Cash, Cash Equivalents and Investment Securities

Cash, cash equivalents, and investment securities consist of the following at December 31, 2017:

	Cost	Fair Market Value	Unrealized Gains
Cash and cash equivalents	$ 66,839,735	$ 66,839,735	$ -
Equities	175,981,841	260,615,927	84,634,086
Bonds	709,168,662	726,207,434	17,038,772
Total cash, cash equivalents and investment securities	$ 951,990,238	$ 1,053,663,096	$ 101,672,858

Cash, cash equivalents, and investment securities consist of the following at December 31, 2016:

	Cost	Fair Market Value	Unrealized Gains
Cash and cash equivalents	$ 69,838,426	$ 69,838,426	$ -
Equities	180,813,715	230,990,077	50,176,362
Bonds	712,876,672	721,570,031	8,693,359
Public real estate investment trusts	2,086,407	2,205,681	119,274
Total cash, cash equivalents and investment securities	$ 965,615,220	$ 1,024,604,215	$ 58,988,995

The maturities of the Trust's investment in bonds are as follows as of December 31, 2017:

	Less than 1 Year	After 1 Year Through 5 Years	After 5 Year Through 10 Years	After 10 Years	Total
Bonds	$ 20,919,083	$ 202,504,032	$ 334,328,295	$ 168,456,024	$ 726,207,434

The maturities of the Trust's investment in bonds are as follows as of December 31, 2016:

	Less than 1 Year	After 1 Year Through 5 Years	After 5 Year Through 10 Years	After 10 Years	Total
Bonds	$ 42,004,676	$ 224,916,016	$ 265,453,018	$ 189,196,321	$ 721,570,031

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4. Fair Value Measurements

The Trust's investments are recorded at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability between market participants in an orderly transaction on the measurement date. The market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity for the asset or liability is known as the principal market. When no principal market exists, the most advantageous market is used. This is the market in which the reporting entity would sell the asset or transfer the liability with the price that maximizes the amount that would be received or minimizes the amount that would be paid. Fair value is based on assumptions market participants would make in pricing the asset or liability. Generally, fair value is based on observable quoted market prices or derived from observable market data when such market prices or data are available. When such prices or inputs are not available, the Trust would use valuation models.

The Trust's assets recorded at fair value on a recurring basis are categorized based on the priority of the inputs used to measure fair value. The inputs used in measuring fair value are categorized into three levels, as follows:

- **Level 1 -** Inputs that are based upon quoted prices for identical instruments traded in active markets.

- **Level 2 -** Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar investments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the investment.

- **Level 3 -** Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The following section describes the valuation methodologies the Trust uses to measure its financial assets at fair value.

Equities: Valued at the closing price reported on the active market on which the individual securities are traded.

Bonds: Valued using the documented trade price if trading in an active market. Otherwise, valued using a metrics system provided by the pricing vendors.

Public real estate investment trusts and alternative investments: Valued using the Trust's proportionate share of each fund's net assets, as reported as of the date of the special-purpose financial statements.

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Investments measured at fair value on a recurring basis are summarized below:

	As of December 31, 2017			
	Assets Measured At Fair	Fair Value Hierarchy Level		
Description	Value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 66,839,735	$ 66,839,735	$ -	$ -
Equities	260,615,927	260,615,927	-	-
Bonds:				
Government	-	-	-	-
Corporate	72,134,419	-	72,134,419	-
International	1,002,430	-	1,002,430	
Municipal	653,070,585	-	653,070,585	
Total bonds	726,207,434	-	726,207,434	-
Alternative investments	26,558,168	-	-	26,558,168
Total assets at fair value	$ 1,080,221,264	$ 327,455,662	$ 726,207,434	$ 26,558,168

	As of December 31, 2016			
	Assets Measured At Fair	Fair Value Hierarchy Level		
Description	Value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 69,838,426	$ 69,838,426	$ -	$ -
Equities	230,990,077	230,990,077	-	-
Bonds:				
Government	36,138,615	-	36,138,615	-
Corporate	33,526,362	-	33,526,362	-
International	2,991,703	-	2,991,703	-
Municipal	648,913,351	-	648,913,351	-
Total bonds	721,570,031	-	721,570,031	
Public real estate investment trusts	2,205,681	2,205,681		
Alternative investments	29,311,333	-	-	29,311,333
Total assets at fair value	$ 1,053,915,548	$ 303,034,184	$ 721,570,031	$ 29,311,333

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Level 3 gains and losses

The following table sets forth a summary of changes in the fair value of the Trust's alternative investments (Level 3 assets) for the years ended December 31, 2017 and 2016:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	2017	2016
Balance, at the beginning of the year	**$ 29,311,333**	$ 38,027,335
Purchases	**6,025,669**	16,898,755
Liquidations / distributions	**(10,312,265)**	(25,455,694)
Net change in fair value	**1,533,431**	(159,063)
Balance, at the end of the year	**$ 26,558,168**	$ 29,311,333

Alternative investments generally employ long, short and multi-trading strategies in various markets. These funds have semi-annual and quarterly redemption periods with notice periods of between 45 to 99 days.

5. Income Taxes

During the year ended December 31, 2017, the Trust made estimated income tax payments totaling approximately $3,111,000 and received refunds totaling approximately $2,045,000. During the year ended December 31, 2016, the Trust made estimated income tax payments totaling $4,800,000.

As disclosed in Note 2 to the special-purpose financial statements, the Trust does not record a provision for (or benefit from) deferred income taxes. Accordingly, there is no provision for deferred taxes associated with cumulative unrealized gains and losses on investments.

6. Claims Settled

For the years ended December 31, 2017 and 2016, the Trust settled 18,060 and 11,435 claims totaling $49,701,030 and $43,781,707, respectively. During the years ended December 31, 2017 and 2016, the Trust paid 17,948 and 11,341 claims, respectively. For the years ended December 31, 2017 and 2016, the Trust received 18,070 and 20,642 new claim filings, respectively.

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7. Contingent Liabilities

The Plan Documents (as defined in the Confirmed Plan) subject the Trust to certain reimbursement and indemnification obligations that may result in future claims against the Trust. The probability of such claims cannot be reasonably determined. Accordingly, no associated liability has been recorded in the accompanying special-purpose financial statements. Such claims, if any, are not expected to be material.

8. Liability for Asbestos Claims

Personal injury claims that were settled, but unpaid as of December 31, 2017 and 2016, have been accrued and included in claims payable. These amounts have been included in deductions from net claimants' equity in the accompanying special-purpose statements of changes in net claimants' equity for the payment of claims for the years ended December 31, 2017 and 2016.

The Trust considers settled claims as claims that were approved through the claims review process for which the claimant has returned a signed release to the Trust.

The ultimate number of Asbestos PI Trust Claims to be filed and the liability for all such claims are not determinable at this time. The net claimants' equity at December 31, 2017 and 2016 represents funding available for all Asbestos PI Trust Claims for which no fixed liability has yet been established.

9. Subsequent Events

The Trust has evaluated its December 31, 2017 special-purpose financial statements for subsequent events through April 23, 2018, the date the special-purpose financial statements were available to be issued. The Trust is not aware of any subsequent events which would require recognition or disclosure in the special-purpose financial statements.

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