G-I HOLDINGS INC. ASBESTOS PERSONAL INJURY SETTLEMENT TRUST

Special-Purpose Financial Statements
and
Report of Independent Auditors

Years Ended December 31, 2017 and 2016

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G-I HOLDINGS INC. ASBESTOS PERSONAL INJURY SETTLEMENT TRUST

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REPORT OF INDEPENDENT AUDITORS

To the Trustees of
G-I Holdings Inc. Asbestos Personal Injury Settlement Trust

We have audited the accompanying special-purpose financial statements of the G-I Holdings Inc. Asbestos Personal Injury Settlement Trust (the "Trust", organized in the State of Delaware), which comprise the special-purpose statements of net claimants' equity as of December 31, 2017 and 2016, 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. 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 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 G-I Holdings Inc. Asbestos Personal Injury Settlement Trust as of December 31, 2017 and 2016, 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 special-purpose 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 Trustees, the beneficiaries of the Trust and the United States Bankruptcy Court for the District of New Jersey 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 District of New Jersey, is a matter of public record.

BKM Sowan Horan, LLP

Addison, Texas
April 19, 2018

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G-I HOLDINGS INC. ASBESTOS PERSONAL INJURY SETTLEMENT TRUST

Special-Purpose Statements of Net Claimants' Equity

	December 31, 2017	December 31, 2016
ASSETS		
Cash and cash equivalents	$ 20,789,527	$ 67,145,376
Investments in marketable securities and U.S. Treasury bill	412,534,325	400,892,414
Receivable on pending investment sales	61,040	-
Accrued interest and dividend income	2,517,717	3,455,036
Prepaid expenses and other assets	146,975	266,914
Refundable income taxes	49,843	49,843
Deferred tax asset	6,463,706	4,919,215
Total assets	$ 442,563,133	$ 476,728,798
LIABILITIES AND NET CLAIMANTS' EQUITY		
Accrued expenses	$ 354,319	$ 421,715
Accrued payments to claimants	13,070,610	13,960,398
Payable on pending investment purchases	-	3,976,870
Total liabilities	13,424,929	18,358,983
Net claimants' equity	$ 429,138,204	$ 458,369,815

See accompanying notes to special-purpose financial statements.

G-I HOLDINGS INC. ASBESTOS PERSONAL INJURY SETTLEMENT TRUST

Special-Purpose Statements of Changes in Net Claimants' Equity

	Years Ended December 31, 2017	2016
Net Claimants' Equity, Beginning of Year	$ 458,369,815	$ 494,990,554
Additions		
Interest and dividend income	14,886,383	17,052,639
Gain on investments in marketable securities, net	14,317,965	-
Income tax benefit	1,544,491	4,969,058
Total additions	30,748,839	22,021,697
Deductions		
Payments to claimants	57,432,817	50,601,060
Loss on investments in marketable securities, net	-	5,597,760
Claims processing fees	967,172	883,859
Legal fees	328,242	319,714
Financial consulting	296,078	297,979
Trustee fees and expenses	251,782	266,399
Accounting fees	157,116	142,994
Trustee fiduciary fees	124,364	121,806
Insurance expense	83,505	87,917
Consulting fees	70,939	61,608
Custody fees	51,797	57,151
Audit fees	33,568	33,385
Future Claimants' Representative fees and expenses	30,973	30,577
Delaware Trustee fees and expenses	4,500	4,500
Trust Advisory Committee member expenses	542	630
Foreign tax expense	147,055	135,097
Total deductions	59,980,450	58,642,436
Net Decrease in Net Claimants' Equity	(29,231,611)	(36,620,739)
Net Claimants' Equity, End of Year	$ 429,138,204	$ 458,369,815

See accompanying notes to special-purpose financial statements.

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G-I HOLDINGS INC. ASBESTOS PERSONAL INJURY SETTLEMENT TRUST

Notes To Special-Purpose Financial Statements

Note 1 - Nature of Trust

Description of Trust

The G-I Holdings Inc. Asbestos Personal Injury Settlement Trust (the "Trust") was established in accordance with the Eighth Amended Joint Plan of Reorganization (the "Plan"), of G-I Holdings Inc. and ACI Inc., ("G-I") pursuant to Chapter 11 of the United States Bankruptcy Code. The purpose of the Trust is:

i) to assume liability for all asbestos personal injury claims ("Claims") against G-I;

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 November 17, 2009, 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"). The Trust operates as the G-I Holdings Inc. Asbestos Personal Injury Settlement Trust.

Pursuant to the Plan, G-I Holdings Inc. paid $210,050,000 in cash to the Trust at the date of formation. In addition, the Trust received a Note Receivable from G-I Holdings Inc. (the "Note) in the amount of $560,000,000. The Note was redeemed and paid in full by G-I Holdings Inc. on August 3, 2012 for the negotiated sum of $525,000,000.

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 Court as part of the Plan. There are eight disease levels specified in the TDP. Each claimant who meets the medical and exposure requirements of the TDP for a particular disease level may apply for expedited review and a specified payment amounts. Claimants also have an alternative, under the TDP, to submit additional documentation and request a more expansive review of their Claim (Individual Review Process) in which case claims may be paid within a range of amounts.

G-I HOLDINGS INC. ASBESTOS PERSONAL INJURY SETTLEMENT TRUST

Notes To Special-Purpose Financial Statements

Note 1 - Nature of Trust - (Continued)

Description of Trust - continued

The Trust's assets consist primarily of cash and cash equivalents and investments in marketable securities, 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 expense of the Trust, on the one hand, and total assets and net earnings (or losses), on the other. Effective January 1, 2012, the Trust amended the TDP. The Payment Percentage, initially set at 8.6%, was adjusted to 7.4% by the Trust pursuant to the consent of the Trust Advisory Committee (the "TAC") and the Legal Representative for Future Claimants (the "Futures Representative"). This payment percentage is subject to periodic review and adjustment. The Trustees are fiduciaries to the beneficiaries of the Trust and are responsible for administering the Trust and the Trust's assets in accordance with the Trust Agreement, the Trust Distribution Procedures and the Plan.

Termination

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

- The Trustees, in their discretion, decide to terminate the Trust because (A) they deem it unlikely that 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 have been disallowed by a final, non-appealable order, to the extent possible based upon the funds available through the Plan, and twelve (12) consecutive months have elapsed during which no new Claims have been filed with the Trust;

- If the Trustees have procured and have in place irrevocable insurance policies and have 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 a rule against perpetuities shall be deemed applicable to the Trust, twenty-one (21) years less ninety-one (91) days pass after the death of the last survivor of all the descendants of the late Joseph P. Kennedy, Sr., father of the late President John F. Kennedy, living on the Effective Date of the Plan.

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Notes To Special-Purpose Financial Statements

Note 1 - Nature of Trust - (Continued)

Termination – continued

On the dissolution date or as soon as reasonably practicable, after the wind-up of the Trust's affairs by the Trustees and payment of 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, shall be related to the treatment of, research on, or the relief of individuals suffering from asbestos related lung disease or disorders.

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.
- 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 G-I Holdings Inc. 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.

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Notes To Special-Purpose Financial Statements

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

Basis of accounting - continued

- A claims liability is recorded once an offer is made to the claimant at an amount equal to the liquidated value multiplied by the applicable payment percentage. 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. At December 31, 2017 and 2016, the liability for accrued payments to claimants reflected in the statement of net claimants' equity represents unpaid outstanding ($12,024,182 and $11,941,139, respectively) and accepted ($558,994 and $1,515,607, respectively) offers. Also included in the liability for accrued payments to claimants at December 31, 2017 and 2016 ($487,434 and $503,652, respectively) is an accrual for the second installment on all previously paid offers. Prior to October 1, 2013, the Trust paid claims in two installments to the claimant with the final installment based on the then applicable payment percentage. During 2013, the Trustees amended the TDP to make all outstanding installment payments, eliminate future installment payments, and settle claims in a single payment equal to the liquidated value of the claim times the payment percentage in effect at the time of the payment. At December 31, 2017 and 2016, certain second installment payments remained unpaid due to an Ohio Worker's Compensation subrogation issue.

- 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 gain or loss on investments in marketable securities, net of management fees, bond amortization and trading expenses on the accompanying statements of changes in net claimants' equity. Under accounting principles generally accepted in the United States of America, the unrealized holding 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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Notes To Special-Purpose Financial Statements

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

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 to net claimants' equity during the reporting periods. Significant items subject to such estimates and assumptions include the carrying value of financial instruments, current and deferred income taxes, and the accrued payments to claimants. Actual results could differ from those estimates.

Financial instruments

The Trust's financial instruments are cash and cash equivalents, accrued interest and dividend income, investments in marketable securities and the U.S. Treasury bill, and accrued expenses and payments to claimants. The carrying amount of cash and cash equivalents, accrued interest and dividend income and accrued expenses approximate their fair values based on their short-term nature. The carrying amount of payments to claimants approximate fair value based upon management's estimates and history of payments. The carrying amount of investments in marketable securities and the U.S. Treasury bill is based on fair value.

Cash and cash equivalents

The Trust invests in short-term securities with maturities of less than one year. At December 31, 2017 and 2016, the Trust had $20,502,324 and $67,145,376, respectively, invested in Northern Trust Treasury money market funds. Also at December 31, 2017, the Trust had $287,203 invested in RBC insured deposits.

Concentrations of credit risk

Financial instruments, which potentially subject the Trust to concentrations of credit risk, consist primarily of cash and cash equivalents and investments in marketable securities and the U.S. Treasury bill. The Trust maintained 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.

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

Concentrations of credit risk - continued

The Trust's investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of 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.

Investments in marketable securities 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, bond amortization, management fees, and trading expenses are included in gain or loss on investments in marketable securities, net, 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 based on their quoted market prices with net holding unrealized gains or losses reported within net claimants' equity. Purchases and sales of marketable securities are recorded on the trade date.

Included in investments in marketable securities on the special-purpose statements of net claimants' equity at December 31, 2017, is a derivative instrument commonly referred to as a "box spread". A box spread is a trade that is constructed from four equity options, two calls and two puts. The options used are liquid, exchange-traded options. The investment is designed to deliver a fixed rate of return over a set period of time that approximates the risk-free rate (i.e. U.S. Treasuries) less transaction costs. The Trust customized the trade for the duration of approximately six months.

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.

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G-I HOLDINGS INC. ASBESTOS PERSONAL INJURY SETTLEMENT TRUST

Notes To Special-Purpose Financial Statements

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

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 asbestos-related claims and (ii) operational expenses of the Trust.

Subsequent events

The Trust has evaluated events and transactions subsequent to the date of the financial statements for matters requiring recognition or disclosure in the special-purpose financial statements. The accompanying special-purpose financial statements consider events through April 19, 2018, the date on which the financial statements were available to be issued.

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 enacted tax rates and laws that will be in effect when the differences are expected to reverse. 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 G-I Holdings Inc. and disbursements paid to settle asbestos claims are not taxable or deductible by the Trust.

The amount of income taxes the Trust pays is subject to ongoing audits by federal authorities. The Trustees' 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 Trustees' 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.

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G-I HOLDINGS INC. ASBESTOS PERSONAL INJURY SETTLEMENT TRUST

Notes To Special-Purpose Financial Statements

Note 3 - Investments in Marketable Securities and U. S. Treasury Bill

Fair value of investments

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 1 includes short-term investments and listed equity securities.

Level 2 – Pricing inputs are other than quoted market prices included in Level 1, however, are observable indirectly for the investment. The Trust includes its corporate and municipal bonds, asset and commercial mortgage backed securities, equity options and other fixed income in Level 2, 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 Trust does not carry any Level III investments.

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Notes To Special-Purpose Financial Statements

Note 3 - Investments in Marketable Securities and U.S. Treasury Bill - (Continued)

Fair value of investments – continued

The valuations of the Trust's investments in marketable securities and U.S. Treasury bill by the above fair value hierarchy levels and the corresponding cost of the investments are as follows:

		December 31, 2017		
	Level	Market Value	Cost	Unrealized Gains (Losses)
U.S. Treasury bill	1	$ 567,141	$ 567,216	$ (75)
Equity securities				
Common stocks	1	85,269,177	86,186,471	(917,294)
Preferred stock	1	394,998	408,529	(13,531)
Rights/warrants	1	461	461	-
Equity options	2	69,315,136	81,500,866	(12,185,730)
Total equity securities		154,979,772	168,096,327	(13,116,555)
Other fixed income	2	12,724,681	12,846,088	(121,407)
Asset backed securities	2	6,699,771	6,720,681	(20,910)
Commercial mortgage - backed securities	2	3,239,825	3,257,899	(18,074)
Corporate bonds	2	22,002,887	22,012,245	(9,358)
Municipal bonds	2	212,320,248	208,987,542	3,332,706
Total		$ 412,534,325	$ 422,487,998	$ (9,953,673)

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Notes To Special-Purpose Financial Statements

Note 3 - Investments in Marketable Securities and U. S. Treasury Bill - (Continued)

Fair value of investments – continued

		December 31, 2016		
	Level	Market Value	Cost	Unrealized Gains (Losses)
Equity securities				
Common stocks	1	$ 70,236,495	$ 50,589,190	$ 19,647,305
Preferred stock	1	1,584,008	1,375,932	208,076
Rights/warrants	1	471	468	3
Total equity securities		71,820,974	51,965,590	19,855,384
Other fixed income	2	1,111,270	1,116,914	(5,644)
Asset backed securities	2	3,788,546	3,817,203	(28,657)
Commercial mortgage - backed securities	2	6,612,955	7,223,361	(610,406)
Corporate bonds	2	13,264,589	12,936,409	328,180
Municipal bonds	2	304,294,080	301,832,079	2,462,001
Total		$ 400,892,414	$ 378,891,556	$ 22,000,858

Maturities of the Trust's debt securities at December 31, 2017 are as follows:

	Market Value	Cost	Unrealized Gains (Losses)
Due in one year or less	$ -	$ -	$ -
Due after one year through five years	76,742,529	76,886,830	(144,301)
Due after five years through ten years	51,116,122	50,511,623	604,499
Due after ten years through twenty years	106,276,331	103,679,259	2,597,072
Due after twenty years	22,852,430	22,746,743	105,687
Total	$ 256,987,412	$ 253,824,455	$ 3,162,957

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Notes To Special-Purpose Financial Statements

Note 3 - Investments in Marketable Securities and U.S. Treasury Bill - (Continued)

Fair value of investments – continued

At December 31, 2017, the notional and fair value amounts of the Trust's equity options are as follows:

	Notional Amount	Estimated Fair Value		
		Assets	Liabilities	Net
Equity options	$ 384,281,828	$ 405,241,176	$ (335,926,040)	$ 69,315,136

The net realized capital gains relating to the Trust's equity options totaled $11,987,928 during the year ended December 31, 2017.

Investment income (loss)

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

	2017	2016
Realized gains	$ **51,895,739**	$ 1,980,058
Unrealized gains (losses)	**(31,954,531)**	(465,575)
Management fees and trading expenses	**(631,797)**	(715,853)
Bond amortization	**(4,991,446)**	(6,396,390)
Gain (loss) on investments	$ **14,317,965**	$ (5,597,760)

Note 4 – Taxation

The Trust reports its income to the Internal Revenue Service as a Qualified Settlement Fund which is taxed at the highest rate applicable to trusts under Section 1(e) of the Code, which is 39.6% as of December 31, 2017 and 2016.

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G-I HOLDINGS INC. ASBESTOS PERSONAL INJURY SETTLEMENT TRUST

Notes To Special-Purpose Financial Statements

Note 4 - Taxation - (Continued)

On December 22, 2017, Public Law No. 115-97 generally known as Tax Cut and Jobs Act of 2017 (TCJA), was enacted into law. The TCJA includes a number of changes to existing U.S. tax laws that impact the Trust, most notably a reduction of the Trust's maximum tax rate from 39.6% to 37% and adjustments to net operating loss (NOL) carryforwards. For NOLs incurred in years beginning after December 31, 2017, the NOLs will be limited to 80% of modified taxable income without expiration. NOLs generated prior to January 1, 2018 will carry forward 20 years under pre-TCJA law. In accordance with Accounting Standard Codification 740, "Income Taxes", the impact of change in tax law is recorded in the period of enactment. As a result of TCJA, the Trust revised the deferred tax assets and liabilities as required due to changes in the statutory rate.

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

		2017		2016
Modified taxable income	$	360,198	$	86,922
Tax rate		39.6%		39.6%
Federal income tax expense	$	142,638	$	34,421
Change in valuation allowance		(10,038,055)		(4,919,215)
Utilization of net operating loss		(142,638)		(34,421)
Deferred federal income tax expense		8,039,358		-
Deferred income tax expense from rate change		454,206		-
Benefit from change in tax position		-		(49,843)
Net income tax benefit	$	(1,544,491)	$	(4,969,058)

During 2015, the Trust amended the tax returns for years 2012, 2013 and 2014 in order to deduct investment management fees which were inadvertently classified as non-deductible expenses on the originally filed returns. As a result of these additional deductions, the Trust recorded an income tax benefit of $49,843, which is shown as refundable income taxes on the statements of net claimants' equity at December 31, 2017 and 2016. The refund was received in March 2018.

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G-I HOLDINGS INC. ASBESTOS PERSONAL INJURY SETTLEMENT TRUST

Notes To Special-Purpose Financial Statements

Note 4 - Taxation - (Continued)

At December 31, 2017 and 2016, the Trust had capital loss carryforwards of approximately $7,307,700 and $59,203,500, respectively, which start to expire in 2018. At December 31, 2017 and 2016, the Trust had an operating loss carryforward of approximately $208,000 and $568,200, respectively, which will expire in 2033.

Temporary differences between financial reporting income and taxable income generate deferred tax assets and liabilities, as follows for the years ended December 31:

	2017	2016
Capital loss carryforward	$ 2,703,874	$ 23,444,589
Net operating loss carryforward	76,973	225,020
Unrealized (gain) loss on investments	3,682,859	(8,712,340)
Valuation allowance	-	(10,038,054)
Net deferred tax asset	$ 6,463,706	$ 4,919,215

The Trust established a valuation allowance of $10,038,054 at December 31, 2016, to reduce its net deferred tax asset, since the Trust's realization of the related income tax benefits was uncertain. During the year ended December 31, 2017, the Trust realized significant capital gains in excess of prior year estimates. As such, the Trust determined that the valuation allowance was no longer necessary and all current deferred tax assets can be realized.

During the year ended December 31, 2014, the Internal Revenue Service (IRS) commenced an examination of the Trust's income tax returns for years 2009 through 2012. The examination was the result of the Trust's filing of amended income tax returns seeking refunds relating to the tax treatment of the payment in kind (PIK) interest from the Trust Note, which as discussed in Note 1, was paid in full in 2012. During September 2015, the IRS disallowed the refund claims. On October 8, 2015, The Trust filed a Protest with the IRS Office of Appeals.

On March 3, 2017, the Trust finalized an agreement with the Internal Revenue Service whereby the Trust agreed that the interest accrued on the Trust note is includable as taxable income for the years 2009 through 2012. Also, the IRS Commissioner acknowledged and agreed that the Trust properly recognized and reported a long-term capital loss of $56,224,140 on the retirement of the Trust Note in 2012.

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G-I HOLDINGS INC. ASBESTOS PERSONAL INJURY SETTLEMENT TRUST

Notes To Special-Purpose Financial Statements

Note 5 - Trust Advisory Committee and Legal Representative

The Trust Agreement sets forth the role and responsibility of the Trust Advisory Committee ("TAC") and Legal Representative ("LR"). The members of the TAC serve in a fiduciary capacity representing all holders of present Asbestos Claims ("Current Claimants"). The Trustees are 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 eight attorneys who are engaged by Current Claimants.

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

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G-I Holdings Inc. Asbestos Personal Injury Settlement Trust

Report of Compensation and Expense Reimbursement
(January 1, 2017 through December 31, 2017)

	Compensation	Expense Reimbursement
Alan B. Rich (Managing Trustee)	$196,603	$5,818
Marina Corodemus (Trustee)	$169,118	$4,607
Trust Advisory Committee Members	$-0-	$542
Futures Representative	$29,680	$1,293

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G-I Holdings Inc. Asbestos
Personal Injury Settlement Trust

Report of PI Trust Claim Activity and Disposition during the Period from January 1, 2017 through December 31, 2017

Pre-Petition Liquidated Asbestos PI Claims

Number of Claims Paid	Value of Claims Paid	Amount Paid on Claims after Application of Payment Percentage and Sequencing Adjustment
15	$159,616	$11,812

Other Asbestos PI Claims

Type of Claim	Number of Claims Filed	Number of Claims Approved for Payment	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
Category A Claims (Disease Levels IV – VIII)	6,718	9,175	18,283	$659,380,407	23,647	$50,441,466
Category B Claims (Disease Levels II and III)	14,366	24,467	52,883	$113,009,318	7,924	$7,777,670
Disease Level I Claims	271	279	1,226	$42,185	509	$77,980
Disease Level Not Specified	315	0	5,464	$0	0	$0

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