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ATTORNEY FOR NGC BODILY INJURY TRUST

**IN THE UNITED STATES BANKRUPTCY COURT**
**FOR THE NORTHERN DISTRICT OF TEXAS**
**DALLAS DIVISION**

| | | |
|---|---|---|
| In re: | § | |
| | § | |
| ASBESTOS CLAIMS MANAGEMENT CORPORATION, | § | Chapter 11 |
| | § | |
| | § | Case No. 02-37124-HDH-11 |
| Reorganized Debtor | § | |

# AUDITED ANNUAL REPORT OF THE NGC BODILY INJURY TRUST

COME NOW Walter J. Taggart, Anne M. Foreman and Anne M. Ferazzi, the Trustees of the NGC Bodily Injury Trust (the "Trust"), to submit this 2016 Audited Annual Report (the "Report") as required by the NGC Bodily Injury Trust Agreement.[1] The Report is attached hereto as Exhibit "A".

The Report Covers the year ended December 31, 2016 (the "Reporting Period"). Pursuant to the Trust Agreement, the report contains financial statements of the Trust, including without limitation, a balance sheet of the Trust as of the end of the fiscal year and a statement of operations for the fiscal year, audited by a firm of independent public accounts selected by the Trustees.

[1] *See* NGC Bodily Injury Trust Agreement (the "Trust Agreement") Article III, Section 3.02(d)(i)


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WHEREFORE, the Trustees respectfully submit this Report for the Reporting Period covering the year ended December 31, 2016.

DATED: April 19, 2017.

Respectfully submitted,

**HAYNES AND BOONE, LLP**

By: */s/ Jarom J. Yates*

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**ATTORNEYS FOR NGC BODILY INJURY TRUST**

**CERTIFICATE OF SERVICE**

I hereby certify that I caused a true and correct copy of the foregoing *Audited Annual Report of the NGC Bodily Injury Trust* be served via first class U.S. Mail, postage prepaid, upon those persons named below on the 19th day of April, 2017.

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*/s/ Jarom J. Yates*
Jarom J. Yates


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# EXHIBIT “A”

# NGC BODILY INJURY TRUST

Financial Statements
with
Report of Independent Auditors

Years Ended December 31, 2016 and 2015


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# NGC BODILY INJURY TRUST

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SOWAN HORAN
ACCOUNTANTS
CONSULTANTS

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## REPORT OF INDEPENDENT AUDITORS

To the Trustees of NGC Bodily Injury Trust

We have audited the accompanying financial statements of NGC Bodily Injury Trust, which comprise the statements of fund deficit as of December 31, 2016 and 2015, and the related statements of changes in fund deficit and investments 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 financial statements in accordance with U. S. generally accepted accounting principles; this includes 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 U. S. generally accepted auditing standards. 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 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.

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 financial statements referred to above present fairly, in all material respects, the fund deficit of NGC Bodily Injury Trust as of December 31, 2016 and 2015, and the changes in fund deficit and investments for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Notes 1 and 7, the Trust is intended to be self-liquidating. The current year fund deficit includes the Trustees' estimate (the methodology for which was accepted by the Bankruptcy Court) of the aggregate future liability to arise from asbestos disease claims to be filed with the Trust, resulting in a substantial deficit.

***Restriction on Use***

This report is intended for the information and use of the Trustees, management of the Trust, and for filing with the United States Bankruptcy Court for the Northern District of Texas – Dallas Division and should not be used by anyone other than those specified parties. This restriction is not intended to limit distribution of this report, which, upon filing with the United States Bankruptcy Court for the Northern District of Texas – Dallas Division, is a matter of public record.

BKM Sowan Horan, LLP

Addison, Texas
March 23, 2017

## NGC BODILY INJURY TRUST

Statements of Fund Deficit

| | December 31, | |
|---|---|---|
| | **2016** | 2015 |
| **ASSETS** | | |
| Investments, at fair value (cost $263,588,847 and $267,980,035, respectively) | $ **303,457,763** | $ 297,593,812 |
| Investment income receivable | **1,381,631** | 1,531,258 |
| Prepaid expenses and other assets | **206,263** | 209,759 |
| Income tax receivable | **639,121** | - |
| Investment in Trust Services, Inc. | **27,785** | 27,785 |
| Total assets | **305,712,563** | 299,362,614 |
| **LIABILITIES** | | |
| Accounts payable and accrued expenses | **350,688** | 280,964 |
| Income tax payable | **-** | 120,929 |
| Accrued asbestos injury claims | **1,192,567,328** | 1,381,484,417 |
| Deferred income taxes | **13,063,845** | 11,727,056 |
| Total liabilities | **1,205,981,861** | 1,393,613,366 |
| **FUND DEFICIT** | $ **(900,269,298)** | $ (1,094,250,752) |

See accompanying notes to the financial statements.




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## NGC BODILY INJURY TRUST

Statements of Changes in Fund Deficit

| | Years Ended December 31, | |
|---|---|---|
| | **2016** | 2015 |
| **Fund deficit,** beginning of year | **$ (1,094,250,752)** | $ (1,675,064,262) |
| **Additions** | | |
| Net change in unrealized position on investments | **10,255,139** | - |
| Net realized gain on investments | **92,870** | 6,979,832 |
| Interest and dividend income | **6,371,274** | 6,455,897 |
| Federal income tax benefit | **-** | 4,348,735 |
| Adjustment to accrued asbestos injury claims | **182,169,237** | 582,865,454 |
| Total additions | **198,888,520** | 600,649,918 |
| **Deductions** | | |
| Net change in unrealized position on investments | **-** | 15,264,284 |
| Operating and legal expenses | **3,992,511** | 4,572,124 |
| Federal income tax expense | **914,555** | - |
| Total deductions | **4,907,066** | 19,836,408 |
| **Fund deficit,** end of year | **$ (900,269,298)** | $ (1,094,250,752) |

See accompanying notes to the financial statements.




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## NGC BODILY INJURY TRUST

Statements of Changes in Investments

| | Years Ended December 31, | |
|---|---|---|
| | **2016** | 2015 |
| **Inflows** | | |
| Net earnings from investments | **$ 16,868,910** | $ - |
| **Outflows** | | |
| Net loss from investments | **-** | 1,691,904 |
| Asbestos claim payments | **6,747,852** | 8,799,728 |
| Operating, legal, and tax expenses | **4,257,107** | 7,025,809 |
| Total outflows | **11,004,959** | 17,517,441 |
| **Net increase (decrease) in investments** | **5,863,951** | (17,517,441) |
| **Investments,** beginning of year | **297,593,812** | 315,111,253 |
| **Investments,** end of year | **$ 303,457,763** | $ 297,593,812 |
| **Supplemental cash flow information:** | | |
| Net cash paid for income taxes | **$ 335,193** | $ 2,256,000 |

See accompanying notes to the financial statements.




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**NGC BODILY INJURY TRUST**

Notes to Financial Statements

## Note 1 - Description of the Trust

***General***

NGC Bodily Injury Trust (the "Trust") was established on August 6, 2003, pursuant to the Order Confirming the Third Amended Plan of Reorganization (the "Plan") under chapter 11 of the Bankruptcy Code for Asbestos Claims Management Corporation. The Trust was formed to resolve, pursuant to the Plan and Plan documents, the liabilities of National Gypsum Company ("Old NGC"), now known as Asbestos Claims Management Corporation ("ACMC"), successor, by change of name only, to Old NGC, resulting from known and unknown asbestos disease claims ("Asbestos Claims") and the pending and future litigation related to such claims. Asbestos Claims typically allege asbestos related disease or injury from occupational exposure to asbestos or products that contained asbestos.

Upon formation of the Trust and prior to the termination of the NGC Settlement Trust (the "Old Trust") in 2004, assets consisting of cash, 100 percent ownership of ACMC, and entitlement to certain insurance proceeds from policies owned by ACMC were transferred to the Trust from the Old Trust (see Note 9).

Among the confirmed Plan documents is the Claims Resolution Procedures (the "CRP") that governs the Trust's claims resolution activities. With the adoption of the matrix of allowed liquidated values ("ALV") in the CRP and the forecasts of the Trust's expert regarding the number of future filings and Allowed Asbestos Claims, the Trust is able to project the ultimate liability for Asbestos Claims. The projection at inception was $2,184,108,379, including $136,813,686 of claims previously settled by the Center for Claims Resolution (the "CCR") (see Note 9). This liability was transferred from the Old Trust and became the liability of the Trust at the effective date of the Plan. This ultimate claim liability was adjusted as of December 31, 2016 and 2015 to reflect the allowance and payment of claims during 2016 and 2015 (see Note 7). The Trustees are responsible for supervising and/or administering the Asbestos Claims resolution process and managing the assets held by the Trust to fund Asbestos Claim liabilities channeled to the Trust by the order confirming the Plan.

***Claims***

The purpose of the Trust is to use all assets of the Trust to pay bona fide Asbestos Claims and the operational costs of the Trust pursuant to the provisions of the Trust Agreement and the Plan. The Trust is mandated to provide substantially equivalent treatment to holders of valid current and future Asbestos Claims.



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**Note 1 - Description of the Trust – (Continued)**

***Termination***

The Trust Agreement (section 8.02(a)) provides that the Trust shall automatically terminate on the date (the "Termination Date") ninety (90) days after the first to occur of the following events:

- All Asbestos Claims duly filed with the Trust have been liquidated and settled or otherwise resolved, and twelve consecutive months have elapsed during which no new Asbestos Claim has been filed with the Trust, provided, that if the Trustees, in their reasonable discretion, determine during such 90-day period that it is likely that new Asbestos Claims will subsequently be filed, then the Trust shall not terminate;

- If the Trustees have procured and have in place irrevocable insurance policies or other appropriate arrangements 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 this Trust Agreement, the date on which the Bankruptcy Court enters an order approving such insurance and other arrangements;

- If, in the judgment of at least two of the three Trustees, with the consent of the TAC and the Legal Representative (subject to section 6.08(b)), the continued administration of the Trust is uneconomic or inimical to the best interests of the Persons holding Asbestos Claims; or

- Twenty-one (21) years less ninety-one (91) days pass after the death of the last survivor of all the descendants of George W. Bush living on the date hereof.

On the Termination Date, after payment of all of the Trust's liabilities have been provided for, all remaining assets of the Trust shall be applied to such charitable purposes as the Trustees in their reasonable discretion shall determine, which charitable purposes, if practicable, shall be related to the treatment of, research regarding, or payment of claims related to asbestos-caused disorders.




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## Note 2 - Summary of Significant Accounting Policies

***Basis of presentation***

The financial statements of the Trust are prepared under the accrual method of accounting and in accordance with accounting principles generally accepted in the United States of America (GAAP).

***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 financial statements. The accompanying financial statements consider events through March 23, 2017, the date on which the financial statements were available to be issued.

***Investments***

Investments are measured at fair value. Changes in fair value are recorded as reductions or increases to the fund balance (deficit). The Trust records securities transactions on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest is recorded on an accrual basis. All investments are considered to be available for sale.

***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 - Unadjusted quoted prices for identical assets or liabilities in active markets.

- Level 2 - Inputs other than Level 1 that are based on observable market data. These include: quoted prices for similar assets in active markets, quoted prices for identical assets in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc.) and inputs that are derived from or corroborated by observable markets.

- Level 3 - Developed from unobservable data, reflecting the investment manager's assumptions.



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

***Fair value of investments – continued***

When quoted prices in active markets for identical assets are available, these quoted market prices are used to determine the fair value of financial assets and classify these assets as Level 1. In other cases where a quoted market price for identical assets in an active market is either not available or not observable, fair value is estimated using valuation methodologies based on available and observable market information or a matrix pricing model. These financial assets would then be classified as Level 2. If quoted market prices are not available, fair value is determined using broker quotes or an internal analysis of each investment's financial performance and cash flow projections. In these instances, financial assets will be classified based upon the lowest level of input that is significant to the valuation. Thus, financial assets may be classified in Level 3 even though there may be some significant inputs that may be readily available.

From time to time, the Trust may hold investments where there is no active market or the market is dislocated. When determining the fair value of such investments the valuation depends on facts and circumstances requiring significant management judgment. It is acceptable to use inputs based on management estimates or assumptions, or for management to make adjustments to observable inputs to determine fair value when markets are not active and relevant observable inputs are not available.

***Fund balance (deficit)***

The initial funding, all other assets received, and all payments made by the Trust are recorded directly to the fund balance (deficit). Estimates of certain liabilities are also recorded directly to the fund balance (deficit) when they become estimable and probable. Portions of the fund balance (deficit) are used to fund the legal and operational expenses of the Trust. The fund balance (deficit) represents current funding available to compensate all present and unknown claimants, net of the Trustees' estimates of the aggregate liability for Asbestos Claims.

***Insurance proceeds and insurance settlements receivable***

All, or a portion of, future proceeds to be paid to the Trust through the execution of a settlement agreement with the insurer will be recognized as an accrued receivable if and when all of the following conditions are met:




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

***Insurance proceeds and insurance settlements receivable – continued***

- The Trust has obtained an executed copy of the settlement agreement.
- Future payments due to the Trust are in settlement of policies that have been previously billed and exhausted by claims incurred by the Trust (a pro-rata allocation will be used for agreements involving multiple policies and policies not billed and exhausted).
- The future claims paying ability of the insurer is deemed to be collectable, and the insurer holds a Standard & Poor's rating of AA- or better.

Unless the unpaid amounts due under an insurance settlement qualify as accrued receivables, future payments will be recognized on a cash (as received) basis in the corresponding accounting period.

***Claims and claim expense***

Claims and claim expenses are recorded when they become estimable and probable.

***Statements of changes in investments***

The accompanying statements of changes in investments represent the various inflows and outflows of cash during the reporting periods in order to reconcile the changes in investments, at fair value, from the beginning to the end of the respective year on the cash basis.

***Concentration of credit risk***

Financial instruments, which potentially subject the Trust to concentrations of credit risk, consist primarily of cash equivalents and investments. The Trust maintains cash equivalents at financial institutions it considers to be of high credit quality. At times, the Trust may have cash deposits in banks that exceed federally insured limits. The Trust has not experienced any losses in such accounts and does not believe it is exposed to any significant risk of loss related to cash.

The Trust's investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and such change could materially affect the value of the Trust's portfolio.




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

***Use of estimates***

The preparation of the financial statements in conformity with GAAP requires the Trustees to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to the fund deficit during the reporting period. Significant items subject to such estimates and assumptions include the carrying value of accrued asbestos injury claims, the fair value of investments, and current and deferred taxes. Actual results could differ from those estimates.

***Income taxes***

Deferred tax assets and liabilities are recorded based on temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes using the tax rates currently in effect. A valuation allowance is established when it is not more likely than not that the deferred tax assets may be realized.

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

## Note 3 - Claims Resolution

The Trust reviews and determines Asbestos Claims in accordance with the CRP. The CRP provides for processing, allowing and disallowing, liquidating and paying all Asbestos Claims as required by the Plan and the Trust Agreement.




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**NGC BODILY INJURY TRUST**

Notes to Financial Statements

## Note 4 - Trustees' Advisory Committee and Legal Representative

Pursuant to the Plan and the Trust Agreement, the NGC Bodily Injury Trustees' Advisory Committee ("TAC") was formed. The TAC consists of three attorneys representing Asbestos Disease Claimants. The Legal Representative, appointed to represent unknown Future Asbestos Claimants, is an ex-officio member of the TAC. As required by the Plan and the Trust Agreement, the TAC and Legal Representative consult with the Trustees regarding specific issues affecting the Trust. The Plan documents provide for specific actions for which the Trustees must obtain the consent of the TAC and Legal Representative, subject to Bankruptcy Court approval in the event of a disagreement between the parties.

## Note 5 - Investments and Fair Value Measurements

On January 5, 2004, Northern Bank & Trust Company became the Trust's custodian. Following the investment provision of the Trust Agreement and the Investment Policy Statement developed by the Trust's investment consultant and adopted by the Trustees, the assets of the Trust were deployed, beginning on January 6, 2004, to seven investment managers who managed nine portfolios of equities and fixed income securities.

The Trust, taking advice from its investment consultant since inception, has continuously monitored and made changes in the allocation of its investments and the investment advisors that manage selected mandates. Since the inception of its investment program, the Trust terminated and replaced or added core bond managers, funds of hedge funds, and equity managers.

The Trust had a cumulative net unrealized holding gain on investments of $39,868,916 and $29,613,777 at December 31, 2016 and 2015, respectively. The estimated fair values of the Trust's investments are as follows at December 31:

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | **Cost** | **Fair Value** | Cost | Fair Value |
| Cash equivalents | **$ 6,900,012** | **6,900,012** | $ 6,465,298 | 6,465,298 |
| Debt securities | **133,764,591** | **134,802,490** | 130,182,200 | 135,861,103 |
| Equity securities | **96,669,896** | **138,110,207** | 94,813,595 | 124,714,962 |
| Mutual funds | **26,254,348** | **23,645,054** | 36,518,942 | 30,552,449 |
| | **$ 263,588,847** | **303,457,763** | $ 267,980,035 | 297,593,812 |



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**Note 5 - Investments and Fair Value Measurements – (Continued)**

The following is a description of the valuation methodologies used for financial assets measured at fair value, including the general classification of such assets pursuant to the valuation hierarchy.

***Cash equivalents***

Cash equivalents consist primarily of cash balances and amounts receivable/payable for unsettled securities transactions held/initiated at the clearing brokers of the Trust and money market funds and are carried at cost, which approximates fair value, and are classified as Level 1.

***Debt securities***

The Trust's investments in debt securities do not have quoted market prices. These fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow and are classified with Level 2 of the valuation hierarchy. These Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions and certain corporate, asset-backed, and other securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, these securities could be classified within Level 3 of the valuation hierarchy. Currently, all of the Trust's debt securities are considered to be Level 2 securities.

***Equity securities and mutual funds***

The Trust's equity securities are classified as Level 1 because these securities are traded in active public markets such as the NYSE or NASDAQ. The Trust's investments in mutual funds and mutual funds are also classified as Level 1 because net asset values are calculated and published daily. These funds can also be sold daily in an active market.

Financial assets with changes in fair value that are measured on a recurring basis were as follows at December 31, 2016:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Cash equivalents** | $ 6,900,012 | $ - | $ - | $ 6,900,012 |
| **Debt securities** | - | 134,802,490 | - | 134,802,490 |
| **Equity securities** | 138,110,207 | - | - | 138,110,207 |
| **Mutual funds** | 23,645,054 | - | - | 23,645,054 |
| **Total** | $ 168,655,273 | $ 134,802,490 | $ - | $ 303,457,763 |




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## Note 5 - Investments and Fair Value Measurements – (Continued)

Financial assets with changes in fair value that are measured on a recurring basis were as follows at December 31, 2015:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Cash equivalents | $ 6,465,298 | $ - | $ - | $ 6,465,298 |
| Debt securities | - | 135,861,103 | - | 135,861,103 |
| Equity securities | 124,714,962 | - | - | 124,714,962 |
| Mutual funds | 30,552,449 | - | - | 30,552,449 |
| Total | $ 161,732,709 | $ 135,861,103 | $ - | $ 297,593,812 |

## Note 6 - Investment in TSI

From January 2000 until August 6, 2003, the Old Trust was an owner of Trust Services, Inc. (a Texas corporation) ("TSI"), along with the Fuller-Austin Asbestos Settlement Trust ("FAST"). The Trust became the owner, replacing the Old Trust on August 6, 2003, the effective date of the Plan. Currently each owner trust, the Trust and FAST, has a one-half interest in TSI through the ownership of one share of TSI stock each.

The Trust also has a comprehensive services agreement with TSI, which initially expired August 3, 2006, and automatically renews each year thereafter. TSI provides administrative, financial, investment, and claims processing services to the Trust in exchange for a pro-rata reimbursement of TSI's expenses based on an agreed upon allocation methodology.

The Trust has recorded expenses of approximately $1,701,000 and $2,013,000 for the years ended December 31, 2016 and 2015, respectively, in connection with the management and services agreement with TSI, which are included in operating and legal expenses in the statements of changes in fund deficit. The Trust had prepaid expenses with TSI of approximately $143,000 and $141,000 at December 31, 2016 and 2015, respectively.




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## Note 7 - Accrued Asbestos Claims

The ultimate amount of Asbestos Claims to be filed and the aggregate liability therefore was estimated at inception by the Trustees and their experts at $2,184,108,379, including a liability of $136,813,686 for claims previously settled by the CCR (see Note 9). All present and future claim payments to be made by the Trust will be funded from the Trust's current assets and future collections from insolvent insurers. During the years ended December 31, 2016 and 2015, the Trust made claim payments of $6,747,852 and $8,799,728, respectively.

For the year ended December 31, 2016, the Accrued Asbestos Claim Liability was decreased by $182,169,238 to reflect changes in the 2016 forecast based on actual claims activity in 2015 and prior years as well as the payment of claims in 2016. For the year ended December 31, 2015, the Accrued Asbestos Claim Liability was decreased by $582,865,454 to reflect changes in the 2015 forecast based on actual claims activity in 2014 and prior years as well as the payment of claims in 2015.

The total amount of accrued Asbestos Claims is comprised of the following at December 31:

| | **2016** | 2015 |
|---|---|---|
| Liability for unresolved Asbestos Claims | $ **607,529,000** | $ 819,986,000 |
| Liability for resolved unpaid Asbestos Claims | **585,038,328** | 561,498,417 |
| | $ **1,192,567,328** | $ 1,381,484,417 |

## Note 8 - Insurance Settlements Receivable

ACMC executed settlement agreements with various insurers for payments of amounts previously exhausted and/or billed under certain insurance policies that cover the asbestos liabilities of ACMC. Accordingly, when these assets were transferred from the Old Trust to the Trust subsequent to December 31, 2003, the Trust recorded an insurance settlement receivable totaling $23,500,000. The final payment of $8,000,000 was received on January 18, 2006. One remaining settlement in the amount of $6,000,000 is contingent upon the total amount of claims allowed by the Trust. The timing and certainty of collection of the settlement amount is unknown and in accordance with the Trust's accounting policy is not recognized as an asset.




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## Note 9 - Predecessor Litigation

Until June 16, 2000, ACMC participated as a member of the CCR, a third party administrator, for the processing, defense, and settlement of asbestos disease claims. CCR billed and collected funds from the insurance carriers of ACMC for reimbursement of asbestos disease claim payments based on trial results and negotiated settlements, as well as for expenses incurred by CCR for processing such claims. ACMC withdrew as a member of the CCR because the Trust could no longer be certain that it could fund additional commitments that might be made by the CCR, on behalf of ACMC, to resolve additional asbestos disease claims.

CCR asserted a claim against ACMC for up to $197,000,000 in settled but unpaid liabilities, most of which ACMC contended was nullified by the CCR Reimbursement Agreement. The CCR and its remaining solvent members agreed to settle all issues with ACMC as part of the Plan, pending mutual release agreements between ACMC and each of the former members of CCR in bankruptcy proceedings at the time of the settlement.

The benefits of the settlement for ACMC accrued to the Trust in the form of credits totaling $10,435,963 against payments due in satisfaction of BI Settlement Claims (as defined in the Plan) expected to be filed by solvent CCR members who claimed to have paid ACMC asbestos disease liabilities and have releases in favor of ACMC and other Protected Parties. As a result of extended negotiations, ACMC and the Trust settled with the remaining solvent CCR members for $19,680,055, net of the $10,435,963 credit. On April 4, 2011, $19,680,055 was paid to the settling solvent members of the CCR and $3,937,609 was placed in an escrow account pending satisfaction of certain terms of settlement. This resolved all issues with the solvent CCR members related to ACMC's membership in CCR and allowed the Trust to release all excess reserves held to pay the demands of the solvent CCR members.

## Note 10 - Taxation

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




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**NGC BODILY INJURY TRUST**

Notes to Financial Statements

**Note 10 – Taxation – (Continued)**

The Trust's federal income tax expense (benefit) is calculated as follows:

| | Years Ended December 31, | |
|---|---|---|
| | **2016** | 2015 |
| Net taxable income (loss) | **$ (113,867)** | $ 6,481,023 |
| Tax rate | **39.6%** | 39.6% |
| Federal income tax expense (benefit) | **(45,091)** | 2,566,485 |
| Benefit for refund from change in tax position | **(241,184)** | (390,611) |
| True up prior year estimates | **(135,959)** | (479,953) |
| Deferred federal income tax expense (benefit) | **1,336,789** | (6,044,656) |
| Net federal tax expense (benefit) | **$ 914,555** | $ (4,348,735) |

The tax effects of temporary differences that give rise to deferred tax liabilities were as follows:

| | December 31, | |
|---|---|---|
| | **2016** | 2015 |
| Unrealized gain on investments | **$ (13,063,845)** | $ (11,727,056) |



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