**UNITED STATES BANKRUPTCY COURT**
**FOR THE NORTHERN DISTRICT OF ILLINOIS**
**EASTERN DIVISION**

| | | |
|---|---|---|
| In Re: | ) | In Proceedings for a Reorganization |
| | ) | Under Chapter 11 of the Bankruptcy |
| UNR INDUSTRIES, INC., UNARCO INDUSTRIES, | ) | |
| INC., UNR, INC., UNR-ROHN, INC. (Alabama), | ) | Nos. 82 B 9841-9845 |
| UNR-ROHN, INC. (Indiana), JOBAL TUBE CO., | ) | 82 B 9847 |
| INC., UNR PRODUCTS, INC., AND FOLDING | ) | 82 B 9849 and |
| CARRIER CORP. | ) | 82 B 9851 |
| | ) | |
| Debtors. | ) | Judge Deborah L. Thorne |

# ANNUAL REPORT, SUMMARY OF CLAIMS DISPOSED, FINANCIAL STATEMENTS, AND ACCOUNT OF THE TRUSTEES OF THE UNR ASBESTOS-DISEASE CLAIMS TRUST FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017 AND FINAL ACCOUNT OF THE TRUSTEE MICHAEL E. LEVINE, DECEASED, FOR THE PERIOD JANUARY 1, 2017 TO FEBRUARY 3, 2017

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**Exhibits**

1 Summary of Payments Made on Settlements in 2017

2 Claims Status Report as of December 31, 2017

3 Investment Account Overview

4 Audited Financial Statements as of December 31, 2017



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## I. INTRODUCTION

The purpose of this Annual Report, Summary of Claims Disposed, Financial Statements and Account is to fulfill the reporting requirements of the UNR Asbestos-Disease Claims Trust Agreement dated February 23, 1990, as amended, (the "**Trust Agreement**") and to report to the Court the actions taken on behalf of the Trust by its Trustees during the fiscal year ended December 31, 2017 ("**Reporting Period**").

The Trust suffered a great loss with the passing of Trustee Michael E. Levine in February 2017. Trustee Levine served the Trust since its inception and contributed greatly to its success. This will be the last report covering Mr. Levine's service as trustee and the account submitted hereby will be a final account on his behalf.

These materials provide the basis for the Court's discharge of the Trustees from liability as requested in the Application for an Order Approving Annual Report, Summary of Claims Disposed, Financial Statements, and Account of the Trustees of the UNR Asbestos-Disease Claims Trust for the Fiscal Year Ended December 31, 2017 and Final Account of Trustee Michael E. Levine, Deceased, for the Period January 1, 2017 to February 3, 2017 filed herewith.

The annual reporting requirements are set forth in Article 3.02(d) of the Trust Agreement. The Trust's annual report must provide: (1) audited annual financial statements; (2) a summary of the number of claims liquidated and the average amount paid; (3) the amount of investment income earned by the Trust; and (4) the amount of expenses incurred by the Trust.

This report begins by providing the Court a general background of the Trust; it then provides a summary of the claims disposed of during the Reporting Period, as well as a summary of the financial information required by the Trust Agreement. Last, this report summarizes any

significant issues affecting the Trust during the Reporting Period and the actions the Trustees took in response to those issues.

## II. BACKGROUND

On July 29, 1982, UNR Industries and ten of its affiliates filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. On June 2, 1989, this Court entered an order confirming the Consolidated Plan of Reorganization for UNR Industries, Inc. Pursuant to the plan, the UNR Asbestos-Disease Claims Trust (the "**Trust**") assumed UNR's liabilities resulting from all asbestos related disease claims, present and future. On February 25, 1990, the plan of reorganization became effective when the original Trustees signed the Trust Agreement.

As set forth in the Trust Agreement, the purpose of the Trust is to use its assets to pay *bona fide* asbestos disease claims in accordance with the Asbestos-Disease Claims Resolution Procedures, as amended ("**Claims Resolution Procedures**").

### A. *Trustees*

As reported in the annual report for the year ended December 31, 2005, the Trust Agreement was amended to allow for only two Trustees. Michael E. Levine and Alison Overseth then served as Trustees until February 2017 at which time Trustee Levine gave written notice of his resignation to Trustee Overseth and the Trust Advisory Committee ("**TAC**"). Sadly, Trustee Levine died shortly after his resignation. On February 9, 2017 the sole remaining trustee, Alison Overseth, with the consent of the TAC, approved an amendment to the Trust Agreement reducing the number of Trustees from two (2) to one (1). The decision not to fill the vacancy created by Trustee Levine's resignation was based on the small remaining corpus of the Trust and the expectation that the Trust will likely be terminated in the near future (currently anticipated to be sometime in 2019) in accordance with the Trust Agreement.



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### B. *Trustees' Advisory Committee*

Article 6 of the Trust Agreement provides for a Trustees' Advisory Committee (the "**TAC**"), which consists of three members who are all well experienced asbestos plaintiffs' lawyers: Gene Locks of Philadelphia, Pennsylvania; Robert Steinberg of Los Angeles, California; and Stanley Levy of New York, New York. The Trust Agreement requires the Trustees to consult with, and on certain matters to obtain the consent of, the TAC. The TAC attends all regularly scheduled meetings of the Trustees. Effectively, this committee acts as a representative body for the beneficiaries of the Trust.

### C. *Claims Processing*

Shortly after the Trust's inception, the Trustees established a claims processing facility in North Aurora, Illinois, hired administrative staff, and created systems to process asbestos disease claims. From 1990 to 1998, the Trust utilized its claims facility to process asbestos disease claims in accordance with the Claims Resolution Procedures. On April 16, 1998, the Trust and Eagle-Picher Industries Personal Injury Settlement Trust formed the Claims Processing Facility ("**CPF**"), a corporation operating on a cooperative basis (within the meaning of Section 1381(a)(2) of the Internal Revenue Code). Until 2006, CPF processed the asbestos claims of both trusts on a user-based cost sharing arrangement.

During 2006, as claim filings continued to decrease, the economies of scale derived from cost-sharing decreased as well, and the UNR Trust's cost to process claims as a cost-sharing member of CPF rose considerably. As reported in the annual report for the period ending December 31, 2006, during 2006 the UNR Trust determined that to continue low cost claim processing, it was necessary to withdraw as a member of CPF and after reviewing proposals from claims processing organizations, the Trust entered into a new claims processing agreement



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with CPF to process claims on a contractual basis at a much lower fixed cost than what the Trust would have incurred as a member of CPF. CPF continues to provide those services along with certain administrative services and also provides necessary administrative office space. The current contract with CPF was renewed beginning January 1, 2015 and runs through December 31, 2018.

## III. SUMMARY OF CLAIMS DISPOSED

Pursuant to Article 3.02(d)(ii)(a) of the Trust Agreement, the Trustees are required to include in their annual report to the Court the total number of asbestos claims liquidated during the Reporting Period and the average amount paid. During the Reporting Period, the Trust paid 451 IR claims (formerly referred to as Option 2 claims), for a total amount of $1,881,395; with adjustments, total paid settlements amounted to $1,757,319. (Summary of 2017 Payments, attached as Exhibit 1.) Since its inception, the Trust has paid 312,739 actual claims for a total amount of $272,151,952. (Claims Status Report, as of December 31, 2017 attached as Exhibit 2.) Since its inception, the Trust has paid, or otherwise disposed of, 448,283 claims.

As previously reported, the Claims Resolution Procedures were amended on October 2, 2014, eliminating claim review Options 1 and 3, and leaving only Option 2, now referred to as Individualized Review ("**IR**"), as a means to process claims. IR claims are processed based on a detailed examination of exposure, loss, and injury. Payments made are for a percentage of the total value of the claim (calculated based on the Payment Percentage set by the Trustees). Claimants settling IR claims must release all past, present, and future claims. Also as previously reported, effective February 16, 2016, the Payment Percentage was increased from 1.38% to 2.12% in an effort to ensure that remaining claim payments are at a level sufficient to exhaust the Trust's funds by its termination date. At the same time, a single payment system was instituted



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equal to the Gross Settlement Value multiplied by the Payment Percentage in effect at the time of payment (the "**Liquidated Value**"). Payments are made within 30 days of a signed release. Formerly, claimants could choose between two payment options consisting of two payment installments over two years totaling the Liquidated Value or a single payment up front equal to 70% of the Liquidated Value.

## IV. FINANCIAL INFORMATION

### A. *Financial Statements*

Pursuant to Article 3.02(d) (i) of the Trust Agreement, the Trustees are required to submit audited financial statements that include a statement of operations for the fiscal year. Attached as Exhibit 4, are the Special Purpose Audited Financial Statements and Other Financial Information for the Year ended December 31, 2017 prepared by Sikich, the Trust's independent auditors, dated on February 20, 2018.

### B. *Investment Income*

Pursuant to Article 3.02(d) (ii) (c) of the Trust Agreement, the Trustees are required to report on the amount of investment income earned by the Trust. As set forth in the audited financial statements, attached hereto in Exhibit 4, the Trust earned $73,201 in net investment income in 2017. Funds are now invested in short-term mutual funds. A summary of these investments is contained in the Investment Account Overview prepared by Vanguard, attached hereto as Exhibit 3.

### C. *Expenses*

Pursuant to Article 3.02(d) (ii) (d) of the Trust Agreement, the Trustees are required to report on the amount of expenses incurred by the Trust. During the Reporting Period the Trust's



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operating expenses totaled $330,363. The breakdown of these expenses is detailed in the supplemental schedule to the financial statements attached hereto in Exhibit 4.

## V. EVENTS DURING THE REPORTING PERIOD

None.

DATED: March 29, 2018

/s/ Alison Overseth
Alison Overseth

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# Exhibit 1

## UNR ASBESTOS-DISEASE CLAIMS TRUST
## SUMMARY OF PAYMENTS MADE ON SETTLEMENTS IN 2016

**EXHIBIT 1**

| | Number of Claims Paid | Amount Paid |
|---|---|---|
| **Checks issued net of returns:** | | |
| Option 1 | | $ - |
| Option 2 | 451 | 1,881,395.00 |
| Total | 451 | $ 1,881,395.00 |
| **LESS:** | | |
| **2017 voided checks** | | 124,076.00 |
| **2017 credits not posted** | | 0.00 |
| **ADD:** | | |
| **Adjustment** | | |
| **Net payments made on settlements in 2017** | | $ 1,757,319.00 |

UNR 2017 Exhibit 1.xls

# Exhibit 2

Court123117

**EXHIBIT 2**

# UNR ASBESTOS-DISEASE CLAIMS TRUST

CLAIMS STATUS AS OF

**12/31/2017**

| | Option 1 | | | Option 2 | | | Option 3 | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Amount | Avg/Claim | Number | Amount | Avg./Claim | Number | Number | Amount | Avg./Claim |
| Total Claims Filed | 239,145 | | | 190,837 | | | 18,301 | 448,283 | | |
| Claims Disallowed/Withdrawn | 44,865 | | | 60,726 | | | 18,301 | 123,892 | | |
| Claims Awaiting Disposition | 0 | | | 27 | $135,934 | $5,035 | | 27 | $135,934 | $5,035 |
| Claims With Offers Made | 188,407 | $84,182,950 | $447 | 124,459 | $213,353,656 | $1,714 | | 312,866 | $297,536,606 | $951 |
| Offers Abandoned | 5,873 | $2,593,800 | $442 | 5,625 | $1,621,568 | $288 | | 11,498 | $4,215,368 | $367 |
| Total Claims Processed | 239,145 | | | 190,837 | | | 18,301 | 448,283 | | |
| Offers Made and Outstanding | 0 | $0 | $0 | 99 | $450,518 | $4,551 | | 99 | $450,518 | $4,551 |
| Offers Made and Accepted | 188,407 | $84,182,950 | $447 | 124,360 | $188,073,214 | $1,512 | | 312,767 | $272,256,164 | $870 |
| Value of Discount on 70% Offers Accepted | | | | | $24,829,924 | $200 | | | $24,829,924 | $79 |
| Claims Paid | 188,407 | $84,182,950 | $447 | 124,332 | $187,969,002 | $1,512 | | 312,739 | $272,151,952 | $870 |
| Value of Outstanding Op. 2 ,2nd Payments | | | | | $0 | | | | 0 | |
| ***Claims UnPaid Amount*** | | | | | ***$104,212*** | | | | ***$104,212*** | |
| Claims Pending | 0 | | | 0 | | | 0 | 0 | | |

# Exhibit 3

Vanguard

Trust account

ALISON OVERSETH TTEE UNR ASBESTOS-DISEASE CLAIMS TRUST

Intermediary Services: 800-669-0498

20171230 185549 R5BJMF16 100A 0000000759127 62 L

## Account overview

**$4,283,277.95**
Total account value as of December 31, 2017

### Year-to-date income

| | |
|---|---|
| Taxable income | $76,591.05 |
| Nontaxable income | 0.00 |
| **Total** | **$76,591.05** |

## Balances and holdings for Vanguard funds

Beginning on January 1, 2012, new tax rules on taxable (nonretirement) mutual fund accounts (excluding money market funds) require Vanguard to track cost basis information for shares acquired and subsequently sold, on or after that date. Unless you select another method, sales of Vanguard mutual funds, but not ETFs, will default to the average cost method. For more information, visit vanguard.com/costbasis.

| Symbol | Name | Fund and account | Average price per share | Total cost | Balance on 12/31/2016 | Balance on 12/31/2017 |
|---|---|---|---|---|---|---|
| VSGDX | Short-Term Federal Adm | 0549-88154196293 | $10.79 | $4,351,786.16 | $5,980,958.48 | $4,283,277.95 |
| | | | | | **$5,980,958.48** | **$4,283,277.95** |

## Account activity for Vanguard funds

### Short-Term Federal Adm 0549-88154196293

| Purchases | Withdrawals | Dividends | Short-term capital gains | Long-term capital gains |
|---|---|---|---|---|
| $0.00 | -$1,746,000.00 | $73,236.42 | $0.00 | $3,354.63 |

| | |
|---|---|
| 30-day SEC yield as of 12/29/2017* | 1.86% |

*Based on holdings' yield to maturity for last 30 days; distribution may differ. For updated information, visit vanguard.com.



Ex. 6.



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# Exhibit 4

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# UNR ASBESTOS-DISEASE CLAIMS TRUST

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT



**UNR ASBESTOS-DISEASE CLAIMS TRUST**
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# INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
UNR Asbestos-Disease Claims Trust
Naperville, Illinois

We have audited the accompanying financial statements of UNR Asbestos-Disease Claims Trust (the Trust), 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 and cash flows for the years then ended, and the related notes to the financial statements.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Section 3.02(d) of the Trust Agreement dated February 23, 1990, as described in Note 2. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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.

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 UNR Asbestos-Disease Claims Trust as of December 31, 2017 and 2016, and the changes in net claimants' equity and cash flows for the years then ended, on the basis of accounting described in Note 2.

**Basis of Accounting**

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of the financial reporting provisions specified in Section 3.02(d) of the Trust Agreement dated February 23, 1990, as discussed in Note 2, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the Trust Agreement. Our opinion is not modified with respect to that matter.

**Restriction on Use**

This report is intended solely for the information and use of management of the Trust, the Trustees, the beneficiaries of the Trust, and the United States Bankruptcy Court for the Northern District of Illinois and is not intended to, and should not be used by anyone other than these specified parties.

*Sikich LLP*

Naperville, Illinois
February 20, 2018




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# SPECIAL-PURPOSE FINANCIAL STATEMENTS

## UNR ASBESTOS-DISEASE CLAIMS TRUST

SPECIAL-PURPOSE STATEMENTS OF NET CLAIMANTS' EQUITY

December 31, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 126,684 | $ 472,923 |
| Interest receivable | - | 185 |
| Investments | 4,283,278 | 5,980,958 |
| **TOTAL ASSETS** | $ 4,409,962 | $ 6,454,066 |
| **LIABILITIES AND NET CLAIMANTS' EQUITY** | | |
| **LIABILITIES** | | |
| Accrued expenses | $ 18,734 | $ 49,132 |
| Settled but unpaid claims | 104,212 | 63,309 |
| Total liabilities | 122,946 | 112,441 |
| **NET CLAIMANTS' EQUITY** | 4,287,016 | 6,341,625 |
| **TOTAL LIABILITIES AND NET CLAIMANTS' EQUITY** | $ 4,409,962 | $ 6,454,066 |

See accompanying notes to financial statements.

## UNR ASBESTOS-DISEASE CLAIMS TRUST

SPECIAL-PURPOSE STATEMENTS OF
CHANGES IN NET CLAIMANTS' EQUITY

For the Years Ended December 31, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| **ADDITIONS IN NET ASSETS ATTRIBUTED TO** | | |
| Investment income | $ 73,201 | $ 107,003 |
| Realized loss on investments | (13,031) | (117,766) |
| Unrealized gain (loss) on investments | (11,886) | 29,771 |
| Filing fee revenue | 83,700 | 59,400 |
| Total additions | 131,984 | 78,408 |
| **DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO** | | |
| Claims settled | 1,798,222 | 1,924,927 |
| Operating expenses | 330,363 | 357,281 |
| Investment fees | - | 23,585 |
| Claims processing expense | 58,008 | 60,840 |
| Total deductions | 2,186,593 | 2,366,633 |
| NET DECREASE | (2,054,609) | (2,288,225) |
| NET CLAIMANTS' EQUITY, BEGINNING OF YEAR | 6,341,625 | 8,629,850 |
| **NET CLAIMANTS' EQUITY, END OF YEAR** | $ 4,287,016 | $ 6,341,625 |

See accompanying notes to financial statements.

**UNR ASBESTOS-DISEASE CLAIMS TRUST**

SPECIAL-PURPOSE STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Investment income | $ 73,386 | $ 208,182 |
| Filing fee received | 83,700 | 59,400 |
| Investment fees | - | (23,585) |
| Operating expenses | (360,761) | (335,864) |
| Claims paid | (1,757,319) | (2,292,413) |
| Claims processing expense | (58,008) | (60,840) |
| Net cash from operating activities | (2,019,002) | (2,445,120) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Investment maturities and sales | 1,746,000 | 9,417,582 |
| Investment purchases | (73,237) | (6,871,288) |
| Net cash from investing activities | 1,672,763 | 2,546,294 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (346,239) | 101,174 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 472,923 | 371,749 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ 126,684 | $ 472,923 |

See accompanying notes to financial statements.

**UNR ASBESTOS-DISEASE CLAIMS TRUST**

NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

December 31, 2017 and 2016

## 1. DESCRIPTION OF THE TRUST

The UNR Asbestos-Disease Claims Trust (the Trust) was established on February 23, 1990, pursuant to the Consolidated Plan of Reorganization (the Plan) for UNR Industries, Inc. (UNR). The Trust assumed UNR's liabilities resulting from Asbestos-Disease Claims involving (i) individuals exposed to asbestos who have manifested asbestos-related diseases or conditions, (ii) individuals exposed to asbestos who have not yet manifested asbestos-related diseases or conditions, and (iii) certain third party asbestos-related claims against UNR for indemnification or contribution. When formed, the Trust received 29,437,004 shares of UNR common stock, representing 64% of the then outstanding shares of such stock. On December 17, 1997, the shareholders of UNR approved the change in the name of UNR to ROHN Industries, Inc. (ROHN).

The purpose of the Trust is to use the assets of the Trust, not otherwise reserved, to pay bona fide Asbestos-Disease Claims, in accordance with the provisions set forth in the Asbestos-Disease Claims Resolutions Procedures.

The Trustees of the Trust are responsible for supervising and administering the Asbestos-Disease Claims resolution process. The Trust funds its operations and the settlement of Asbestos-Disease Claims in accordance with the Plan.

As of December 1, 2015, the Trust implemented a moratorium on claims processing to permit the Trustees and the Trustees' Advisory Committee (TAC) to examine the Trust's recent, material increase in malignancy claim filings and to review the Trust's payment procedures. The moratorium ended on February 15, 2016.

Unless future circumstances dictate otherwise, the Trust will cease operating in or about 2019 and will accept no further claim filings after December 31, 2018.

## 2. BASIS OF ACCOUNTING AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Trust's financial statements are prepared using special-purpose accounting methods adopted by the Trustees to comply with, and on the basis of accounting practices specified in, Section 3.02(d) of the Trust Agreement. These methods 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 amount of equity available for beneficiaries. Since the accompanying financial statements and transactions are not based upon GAAP, accounting treatment by other parties to these same transactions may differ as to timing and amount. These special-purpose accounting methods include the following:

## 2. BASIS OF ACCOUNTING AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

a. Net claimants' equity represents funds available to pay Asbestos-Disease Claims that have been submitted but not processed or not yet submitted. Trust expenses are also paid from net claimants' equity. Under GAAP, net claimants' equity would be reduced for estimates of amounts to be paid for claims that have been submitted but not processed or not yet submitted.

b. Any assets which will not be available to pay future Asbestos-Disease Claims are expensed as incurred. Under GAAP, prepaid expenses are recorded as an asset and expensed over the period of time to which they relate. Under GAAP, property and equipment is capitalized and depreciated over the useful lives of the assets.

c. Income tax expense or benefit is recorded as incurred in the period in which certain income and expenses affect current federal income taxes payable. Under GAAP, the provision for income tax expense is based upon income reported for financial statement purposes and includes deferred taxes.

d. Claims settled represent the accrual for signed releases returned for payment and approved during the year. Effective February 15, 2016 and thereafter, the payment percentage increased from 1.38% to 2.12%. Additionally, as of February 15, 2016, the two payment plan option was eliminated and there is now only a one payment plan option which now pays 100% of the calculated liquid value instead of 70% as the former single payment plan paid.

e. The information reconciling the change in claimants' equity to the net cash from operating activities has not been presented in the statement of cash flows as would be required for financial statements presented in accordance with GAAP.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid instruments with original maturities of three months or less when purchased. The Trust maintains its cash balance in financial institutions, which at times may exceed federally insured limits. The amount of uninsured cash as of December 31, 2017 and 2016 was $0 and $222,632, respectively. The Trust has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.




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## 2. BASIS OF ACCOUNTING AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments in debt and equity securities are stated at fair value. Investment income is recognized when earned and gains and losses on sales are determined by specific identification.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible changes in the value of investment securities will occur in the near term and such change could be material in amount.

Fair Value Measurements

The Trust follows the authoritative guidance issued by the Financial Accounting Standards Board (FASB) which defines fair value, establishes a framework for measuring fair value by providing a hierarchy used to classify the source of the information measuring fair value, and expands disclosures about fair value measurements.

Assets and liabilities carried at fair value are classified and disclosed in one of the following categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Mutual funds are valued at the net asset value (NAV) of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.

Use of Estimates

The preparation of special-purpose financial statements in conformity with the basis of accounting 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.




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## 3. INVESTMENTS

Investments at December 31 consisted of:

| | 2017 | 2016 |
|---|---|---|
| Mutual funds | $ 4,283,278 | $ 5,980,958 |
| TOTAL INVESTMENTS | $ 4,283,278 | $ 5,980,958 |

Fair value measurements recorded on a recurring basis at December 31, 2017 were as follows:

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|---|---|---|---|---|
| Mutual funds | $ 4,283,278 | $ - | $ - | $ 4,283,278 |
| TOTAL INVESTMENTS | $ 4,283,278 | $ - | $ - | $ 4,283,278 |

Fair value measurements recorded on a recurring basis at December 31, 2016 were as follows:

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|---|---|---|---|---|
| Mutual funds | $ 5,980,958 | $ - | $ - | $ 5,980,958 |
| TOTAL INVESTMENTS | $ 5,980,958 | $ - | $ - | $ 5,980,958 |

At December 31, 2017 and 2016, the Trust's investments were concentrated in one mutual fund.




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## 4. INCOME TAXES

The Trust follows authoritative guidance issued by FASB that clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold of more-likely-than-not to be sustained upon examination. Measurement of the tax uncertainty occurs if the recognition threshold has not been met. This guidance also addresses derecognition, classification, interest and penalties, disclosure, and transition.

The Trust has elected to be treated as a Qualified Settlement Fund under the Internal Revenue Code and Regulations. As a result, the Trust is subject to federal income taxes based on modified gross income. The Trust has applied for, but not yet received, a private tax determination letter ruling from the State of Illinois. In the opinion of management, the Trust is not subject to state income taxes and, therefore, the special-purpose financial statements do not include any provision or liability for state income taxes.

There was no income tax expense for the years ended December 31, 2017 and 2016. The effective income tax rate for the Trust differs from the statutory federal rate of 35% because no tax benefit is recorded for any amount that cannot be realized from taxes previously paid or the amount of any deferred tax assets, the realization of which is not reasonably certain.

## 5. NET CLAIMANTS' EQUITY

Since inception and through December 31, 2017, the Trust has received approximately 448,300 Asbestos-Disease Claims. The ultimate number of such claims to be filed and the liability for all such claims is not determinable at this time; thus, no corresponding liability has been recorded in the accompanying special-purpose financial statements other than for those claims settled but unpaid. The net claimants' equity balance represents current funding available for all current and future claimants for which no fixed liability has been established.

## 6. TRUSTEES' LIABILITY INSURANCE

Based on the Trust's accounting policy to expense any assets which will not be available to pay future Asbestos-Disease Claims, Trustees' liability insurance premiums are not capitalized. During the year ended December 31, 2017, the Trust paid-in-full $65,000 for director's and officer's insurance primary coverage policy period expiring on March 31, 2019, and $29,250 for the excess coverage policy period expiring March 31, 2018. During the year ended December 31, 2016, the Trust paid in full $29,250 for director's and officer's insurance for the excess coverage policy period expiring on March 31, 2017.

## 7. TRUSTEES' ADVISORY COMMITTEE

As noted in the Trust Agreement, the TAC shall provide consultative services to the Trustees regarding critical issues affecting the Trust. In addition, certain trust administration issues require the consent of the TAC before the Trustees can implement any action on behalf of the Trust.

TAC fees were $0 in 2017 and $800 in 2016. The TAC does not receive fees for any consulting services.




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## 8. CLAIMS PROCESSING AGREEMENT

The Trust entered into a claim processing and trust services agreement (the Contract) with Claims Processing Facility, Inc. (CPF), whereby CPF processes UNR claims and provides administrative services to the Trust. The Contract was effective October 1, 2006, for a term ending on December 31, 2008, and has been renewed through December 31, 2018.

Future payments under the noncancelable agreement are as follows:

| | |
|---|---|
| 2018 | $ 109,000 |
| TOTAL | $ 109,000 |

Operating expenses reported in the special-purpose statements of changes in net claimants' equity include contract fees paid to CPF under the Contract.

## 9. SUBSEQUENT EVENTS

The Trust has evaluated subsequent events through February 20, 2018 which was the date that these financial statements were available for issuance, and determined that there were no significant nonrecognized subsequent events through that date.




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# SUPPLEMENTARY INFORMATION

SIKICH.

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS
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# INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees
UNR Asbestos-Disease Claims Trust
Naperville, Illinois

We have audited the special-purpose financial statements of UNR Asbestos-Disease Claims Trust (the Trust) as of, and for the years ended December 31, 2017 and 2016, and our report thereon dated February 20, 2018 appears on pages 3-4. Our audits were conducted for the purpose of forming an opinion on the special-purpose financial statements as a whole. The special-purpose schedules of operating expenses are presented for the purposes of additional analysis and are not a required part of the special-purpose financial statements. Such information is the responsibility of the Trust's management and was derived from and relates directly to the underlying accounting and other records used to prepare the special-purpose financial statements. The information has been subjected to the auditing procedures applied in the audits of the special-purpose financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special-purpose financial statements or to the special-purpose financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the special-purpose financial statements as a whole.

*Sikich LLP*

Naperville, Illinois
February 20, 2018

**UNR ASBESTOS-DISEASE CLAIMS TRUST**

SPECIAL-PURPOSE SCHEDULES OF OPERATING EXPENSES

December 31, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| Legal fees | $ 20,374 | $ 16,868 |
| Trustee fees and expenses | 74,726 | 120,645 |
| Consulting fees and expenses | 85,444 | 135,045 |
| Occupancy | 27,000 | 27,000 |
| General and administrative | 27,000 | 27,000 |
| Insurance | 95,538 | 30,493 |
| Office supplies | 281 | 230 |
| **TOTAL OPERATING EXPENSES** | $ 330,363 | $ 357,281 |