

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re: : **Chapter 11**
T H AGRICULTURE & NUTRITION, L.L.C., :
: **Case No. 08-14692 (REG)**
Debtor. :

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**ANNUAL REPORT, FINANCIAL STATEMENTS AND RESULTS OF OPERATIONS
OF THE T H AGRICULTURE & NUTRITION, L.L.C. ASBESTOS PERSONAL
INJURY TRUST FOR FISCAL YEAR ENDED DECEMBER 31, 2016**

Hon. Alfred M. Wolin, Ret., David F. Levi, and Charles A. Koppelman (collectively, the “Trustees”), as Trustees of the T H Agriculture & Nutrition, L.L.C. Asbestos Personal Injury Trust (the “Trust”), respectfully file this Annual Report, Financial Statements and Results of Operations for Fiscal Year Ended December 31, 2016 (the “Report”), pursuant to the First Amended Prepackaged Plan of Reorganization of T H Agriculture & Nutrition, L.L.C., Under Chapter 11 of the Bankruptcy Code (the “Plan”) and the T H Agriculture & Nutrition, L.L.C. Asbestos Personal Injury Trust Agreement (the “Trust Agreement”).

I. General

On November 24, 2008, T H Agriculture & Nutrition, L.L.C. (“THAN” or the “Debtor”) filed a petition for relief under Chapter 11 of the United States Bankruptcy Code. THAN’s bankruptcy case is being administered under Case No. 08-14692. On May 28, 2009, the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) confirmed the Plan, and on October 26, 2009, the United States District Court for the Southern District of New York (the “District Court”) affirmed the Bankruptcy Court’s decision (the “Confirmation Order”).

To address the substantial asbestos-related liabilities of the Debtor, the Plan established the Trust in accordance with the Trust Agreement. On November 30, 2009, the Effective Date¹ of the Plan, the Trust was created and funded with \$900 million in assets. *See* Plan, section 9.4(f). The Confirmation Order appointed Hon. Alfred M. Wolin, Ret., David F. Levi, and Charles A. Koppelman as Trustees of the Trust.

Under the Trust Agreement, the Trust Advisory Committee (“TAC”) represents all holders of present Asbestos PI Claims, and the Future Claimants’ Representative (“FCR”)

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

represents the holders of future Asbestos PI Claims. *See* Trust Agreement, sections 6.2 and 7.2. The TAC members are Steven Kazan, Alan R. Brayton, John D. Cooney, Peter A. Kraus, Matthew Bergman, Steven T. Baron, Perry Weitz, and Perry J. Browder. The FCR is Samuel Issacharoff.

The Trust Agreement, at Section 2.2(g), requires that the Trust meet with the TAC and FCR no less often than quarterly. During 2016, the Trust held quarterly meetings with the TAC and FCR on February 23, 2016, May 17, 2016, September 20, 2016, and November 15, 2016.

The Trustees generally held weekly Trustees' meetings throughout 2016 by telephone, beginning on January 4, 2016.

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

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

In 2016, the Trust continued its retention of the following: Stutzman, Bromberg, Esserman & Plifka, A Professional Corporation (general counsel); CBIZ (accountants, claims forecasting, budget advisor and tax advisors); Verus Claims Services LLC ("Verus") (asbestos personal injury claims processing facility and claims administrator); Citi Private Bank and U.S. Trust/Bank of America Private Wealth Management (financial consultants, money managers, custodian bank and other banking functions); BDO USA, LLP (independent auditor); and AON Risk Services Central, Inc. (insurance broker). The Trust engaged the services of Ankura Consulting Group LLC ("Ankura") to provide consulting and analytic services as were previously provided by Analysis Research Planning Corporation ("ARPC"), the Trust's former

claims forecasting consultant with whom Ankura has agreed to a strategic combination. The Trust retained local counsel and other consultants, as needed.

The TAC continued its retention of Frank/Gecker LLP as its counsel and Legal Analysis Systems as its claims forecasting advisor. The FCR continued his retention of Sher Tremonte LLP as his counsel and Hamilton, Rabinovitz & Associates, Inc., as his claims forecasting advisor and consultant.

In 2016, the Trust: (i) invested and managed its assets; (ii) continued paying approved Qualified Asbestos PI Claims, if any, as set forth in more detail in Article II below; (iii) paid Asbestos PI Claims with the Trustees providing directions to the claims facility for the liquidation of the Asbestos PI Claims; (iv) reviewed the methodology for liquidating Asbestos PI Claims under the Individual Review procedures of the TDP; (v) maintained the Trust's website, www.thanasbestostrust.com, and posted notices to the website as appropriate; (vi) worked with CBIZ toward obtaining an updated forecast of current and future asbestos liabilities; (vii) conducted audits of certain claims submitted to the Trust; (viii) conducted due diligence reviews of operations regarding Trust business at Verus, U.S Trust and Citi Private Bank; (ix) amended the Investment Guidelines for Implementation under the Investment Services Agreement with U.S. Trust/Bank of America Private Wealth Management for assets in custody with the Bank of America; (x) worked on ADR Procedures, in consultation with the TAC and FCR; (xi) worked on the budget for 2017; (xii) monitored Reorganized THAN's financial health and performance; (xiii) retained BDO USA, LLP as the Independent Financial Auditor of the Trust for the Year 2016; (xiv) purchased liability insurance policies from Ironshore Indemnity Inc., and XL Specialty Insurance Company; (xv) approved the purchase of a Side A Difference In Conditions Directors and Officers Liability Insurance Policy from Freedom Specialty Insurance Company

for additional liability coverage for the Trustees; (xvi) oversaw any litigation affecting the Trust; (xvii) amended the Claims Processing Agreement with Verus; (xviii) performed all functions required for Trust governance, including maintaining the Trust's books and records, and responding to subpoenas for information and other processes.

The process for reviewing and liquidating Asbestos PI Claims is governed by the Trust Distribution Procedures ("TDP"), a Plan Document adopted pursuant to the Confirmation Order. *See* T H Agriculture & Nutrition, L.L.C. Asbestos Personal Injury Trust Distribution Procedures, Docket No. 425. The TDP recognizes that estimates of liabilities and the value of assets fluctuate over time and, accordingly, applies a "Payment Percentage" to the liquidated value of allowed Asbestos PI Claims. *See* TDP, § 2.3. The TDP directs the Trustees to periodically "reconsider the then-applicable Payment Percentage to assure that it is based on accurate, current information," and to adjust the Payment Percentage upward or downward if necessary with the consent of the TAC and the FCR. *Id.* at § 4.2. In making this determination, the Trustees are directed to "base their determination of the Payment Percentage on current estimates of the number, types, and values of present and future Asbestos PI Claims, the value of the assets then available to the Asbestos PI Trust for their payment, all anticipated administrative and legal expenses, and any other material matters that are reasonably likely to affect the sufficiency of funds to pay a comparable percentage of full value to all present and future holders of Asbestos PI Claims." *Id.* The Trustees are further directed to "exercise common sense and flexibly evaluate all relevant factors." *Id.* The Payment Percentage in 2016 was 30%, which was applied to Asbestos PI Claims paid in 2016. The Trustees, TAC and FCR agreed to review the Payment Percentage in 2017.

The Trust designated its counsel, Stutzman, Bromberg, Esserman & Plifka, as the custodian of Trust records.

II. Asbestos PI Claims

Pursuant to the Plan, the Trust is to pay Qualified Asbestos PI Claims, in the aggregate amount of \$396,079,330 as soon as practicable. In prior years, the Trust paid \$392,243,730 in Qualified Asbestos PI Claims. In 2016, pursuant to the Trust’s review process for payment of remaining Qualified Asbestos PI Claims, the Trust paid one Qualified Asbestos PI Claim.

The Trust, through Verus, its claims processing facility, accepted unliquidated Asbestos PI Claims throughout 2016. Specifically, 234,132 Asbestos PI Claims have been submitted to the Trust to date, including 15,283 Asbestos PI Claims submitted in 2016, as follows:

Disease Level	Claims to date	Claims in 2016
Other Asbestos Disease (Level I)	9,334	443
Asbestosis/Pleural Disease (Level II)	102,439	7,405
Asbestosis/Pleural Disease (Level III)	53,903	2,616
Severe Asbestosis (Level IV)	4,547	231
Other Cancer (Level V)	7,409	596
Lung Cancer 2 (Level VI)	4,999	245
Lung Cancer 1 (Level VII)	27,439	1,926
Mesothelioma (Level VIII)	16,490	1,626
Unknown	7,572	195
Total:	234,132	15,283

Of the 15,283 Asbestos PI Claims submitted to the Trust in 2016, 432 have been withdrawn, 7,675 have been deferred, and 183 have been approved for payment. In 2016, the Trust paid 2,959 Asbestos PI Claims, totaling \$43,520,268 after application of the Payment Percentage. From inception through December 31, 2016, the Trust has paid a total of \$392,608,730 on account of Qualified Asbestos PI Claims pursuant to section 5.2 of the TDP,

and \$238,469,268 on account of Asbestos PI Claims liquidated pursuant to section 5.3 of the TDP.

Under Section 4.3 of the Trust Agreement, the Trust reports payments for Asbestos PI Trust Expenses. The Trust's operating expenses are listed in the Supplemental Information to the attached audited financial statements as addressed below.

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

Under Section 5.5(c) of the Trust Agreement, the Trust reports the amount of compensation and expenses paid to the Trustees. The Trustees have received, on an accrual basis, compensation and reimbursement for out-of-pocket costs and expenses from January 1, 2016, through the end of the fiscal year on December 31, 2016, as follows:

Trustees (3)	\$1,084,712.13
Delaware Trustee	\$3,000.00

Under Section 6.6 of the Trust Agreement, the Trust reports to the Bankruptcy Court the amount of compensation and expenses paid to the TAC. The TAC has received, on an accrual basis, compensation and reimbursement for fees and expenses, including counsel, during the fiscal year ending December 31, 2016, as follows:

TAC	\$ 151,853.87
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Under Section 7.6 of the Trust Agreement, the Trust reports to the Bankruptcy Court the amount of compensation and expenses paid to the FCR. The FCR has received, on an accrual basis, compensation and reimbursement for fees and expenses, including counsel, during the fiscal year ending December 31, 2016, as follows:

FCR	\$ 227,183.57
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IV. Financial Statements

A copy of the Trust's audited financial statements for the year ending December 31, 2016, including a balance sheet as of December 31, 2016, and a statement of operations for 2016, is attached hereto as Exhibit A. Exhibit A also includes BDO USA, LLP's opinion as to the fairness of the financial statements' presentation of the cash and investments available for the payment of claims and as to the conformity of the financial statements with special purpose accounting methods.

The Asbestos Trust provided copies to the TAC and FCR on April 27, 2017.

V. Certification

The Trustees certify that they have performed pursuant to and in compliance with the Plan, the Trust Agreement, the Trust Distribution Procedures, the Confirmation Order, and such other Plan documents and Bankruptcy Court orders pertaining to the operation of the Trust during the fiscal year ended December 31, 2016.

TRUSTEES:

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

/s/ David F. Levi
DAVID F. LEVI

/s/ Charles A. Koppelman
CHARLES A. KOPPELMAN

Respectfully submitted this 28th day of April 2017,

**STUTZMAN, BROMBERG,
ESSERMAN & PLIFKA,**

A PROFESSIONAL CORPORATION

By: /s/ Peter C. D'Apice

Sander L. Esserman (Admitted *pro hac vice*)

Texas Bar No. 06671500

Steven A. Felsenthal (Admitted *pro hac vice*)

Texas Bar No. 06889900

Peter C. D'Apice (Admitted)

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**ATTORNEYS FOR THE T H AGRICULTURE &
NUTRITION, L.L.C. ASBESTOS PERSONAL
INJURY TRUST**

CERTIFICATE OF SERVICE

The undersigned certifies that on this 28th day of April 2017, the foregoing ANNUAL REPORT, FINANCIAL STATEMENTS AND RESULTS OF OPERATIONS OF THE T H AGRICULTURE & NUTRITION, L.L.C. ASBESTOS PERSONAL INJURY TRUST FOR FISCAL YEAR ENDED DECEMBER 31, 2016, was served via ECF on all those parties receiving such notice through the Court's CM/ECF system.

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

T H Agriculture & Nutrition, LLC Asbestos Personal Injury Trust

**Audited Special-Purpose
Financial Statements
Years Ended December 31, 2016 and 2015**

**T H Agriculture & Nutrition, LLC
Asbestos Personal Injury Trust**

Audited Special-Purpose Financial Statements
Years Ended December 31, 2016 and 2015

**T H Agriculture & Nutrition, LLC
Asbestos Personal Injury Trust**

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Independent Auditor's Report

Trustees

T H Agriculture & Nutrition, LLC Asbestos Personal Injury Trust
Florham Park, New Jersey

We have audited the accompanying special-purpose financial statements of T H Agriculture & Nutrition, LLC Asbestos Personal Injury Trust (the Trust) which comprise the special-purpose statements of assets, liabilities and net claimants' equity as of December 31, 2016 and 2015, and the related special-purpose statements of changes in net claimants' equity and special-purpose statements of cash flows for the years then ended and the related notes to the special-purpose financial statements.

Management's Responsibility for the Special-Purpose Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these special-purpose financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special-purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the special-purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special-purpose financial statements.

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

Opinion

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the net claimants' equity of T H Agriculture & Nutrition, LLC Asbestos Personal Injury Trust as of December 31, 2016 and 2015, and the changes in net claimants' equity and cash flows for the years then ended in accordance with the special-purpose basis of accounting described in Note 2 to the special-purpose financial statements.

Basis of Accounting

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

Restriction of Use

Our report is intended solely for the information and use of the Trust, the Trustees, the beneficiaries of the Trust, and the United States Bankruptcy Court for the Southern District of New York 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 Southern District of New York, is a matter of public record.

BDO USA, LLP

McLean, Virginia
April 17, 2017

Special-Purpose Financial Statements

T H Agriculture & Nutrition, LLC Asbestos Personal Injury Trust

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

<i>December 31,</i>	2016	2015
Assets		
Cash and cash equivalents		
Citibank	\$ 20,835,418	\$ 21,971,367
U.S. Trust	6,601,483	8,105,460
TD Bank	-	17,259
Total cash and cash equivalents	27,436,901	30,094,086
Investments		
Citibank		
Investment securities	155,554,870	174,094,938
Hedge funds	6,379,658	6,448,741
Income receivable	1,483,172	1,536,377
U.S. Trust		
Investment securities	160,852,122	174,990,276
Hedge funds	4,913,885	7,278,209
Income receivable	1,383,658	1,436,052
Investment redemption receivable	93,949	2,164,181
Total investments	330,661,314	367,948,774
Other assets		
Prepaid federal income taxes	-	1,098,416
Other assets	129,822	121,737
Total other assets	129,822	1,220,153
Total assets	358,228,037	399,263,013
Liabilities		
Settled claims payable	5,074,906	4,116,739
Accounts payable	246,264	412,711
Total liabilities	5,321,170	4,529,450
Net claimants' equity	\$ 352,906,867	\$ 394,733,563

See accompanying notes to the special-purpose financial statements.

T H Agriculture & Nutrition, LLC Asbestos Personal Injury Trust

Special-Purpose Statements of Changes in Net Claimants' Equity

<i>Years Ended December 31,</i>	2016	2015
Additions		
Interest and dividend income, net	\$ 9,260,508	\$ 10,219,502
Investment advisory fees	(1,097,972)	(1,248,374)
Realized gain on sale of investment securities	5,935,943	4,433,809
Net change in fair value of hedge funds	(49,945)	(426,102)
Capital gains distributions	-	274,886
Unrealized loss on investments, net	(5,573,984)	(7,631,705)
Other income	31,352	-
Total additions	8,505,902	5,622,016
Deductions		
Claims settled	44,628,435	37,284,896
General and administrative expenses		
Trustees	1,084,712	1,065,781
Claims processing fees	495,604	747,219
Claims consulting and forecasting fees	133,331	245,336
Future claims representative fees and expenses	227,184	82,816
Insurance	129,480	109,477
Accounting	255,562	228,352
Others	3,090	3,090
Professional services		
Trust legal fees	1,331	12,657
Trust general counsel	981,382	1,081,770
TAC attorney fees and expenses	148,605	86,878
TAC expenses	3,249	1,829
Trust litigation counsel fees and expenses	119,417	84,951
Federal income tax	2,121,216	1,900,000
Total deductions	50,332,598	42,935,052
Decrease in net claimants' equity	(41,826,696)	(37,313,036)
Net claimants' equity at the beginning of the year	394,733,563	432,046,599
Net claimants' equity at the end of the year	\$ 352,906,867	\$ 394,733,563

See accompanying notes to the special-purpose financial statements.

T H Agriculture & Nutrition, LLC Asbestos Personal Injury Trust

Special-Purpose Statements of Cash Flows

<i>Years Ended December 31,</i>	2016	2015
Cash flows from operating activities:		
Decrease in net claimants' equity	\$ (41,826,696)	\$ (37,313,036)
Adjustments to reconcile net decrease in net claimants' equity to cash used in operating activities:		
Realized gain on sale of investment securities	(5,935,943)	(4,433,809)
Net change in fair value of hedge funds	49,945	426,102
Unrealized loss on investments, net	5,573,984	7,631,705
Amortization of bond premium	3,088,358	3,586,025
Changes in operating assets and liabilities:		
Prepaid federal income taxes	1,098,416	196,584
Other assets	(8,085)	(20,944)
Settled claims payable	958,167	206,189
Accounts payable	(166,447)	54,419
Total adjustments	4,658,395	7,646,271
Net cash used in operating activities	(37,168,301)	(29,666,765)
Cash flows from investing activities:		
Change in income receivable	105,599	557,088
Proceeds from sales of investments	143,550,343	118,222,240
Purchases of investments	(109,144,826)	(88,410,404)
Proceeds from collection of notes receivable	-	1,000,000
Decrease in interest receivable	-	129,172
Net cash provided by investing activities	34,511,116	31,498,096
Net (decrease) increase in cash and cash equivalents	(2,657,185)	1,831,331
Cash and cash equivalents at the beginning of the year	30,094,086	28,262,755
Cash and cash equivalents at the end of the year	\$ 27,436,901	\$ 30,094,086

See accompanying notes to the special-purpose financial statements.

T H Agriculture & Nutrition, LLC Asbestos Personal Injury Trust

Notes to the Special-Purpose Financial Statements

1. Description of the Trust

The T H Agriculture & Nutrition, LLC Asbestos Personal Injury Trust (the Trust), organized pursuant to the laws of the State of Delaware, was established on November 30, 2009 and is a "qualified settlement fund" pursuant to the meaning of Section 1.468B-1 et seq. to the Treasury Regulations promulgated under Section 468B of the Internal Revenue Code. The Trust was formed to assume all Asbestos PI Trust Claims (whether now existing or arising at any time hereafter) and to use the Asbestos PI Trust assets to pay holders of claims in accordance with the Asbestos PI Trust Agreement. The Trust's funding is dedicated solely to the settlement of asbestos personal injury claims and the related costs thereto, as defined in the T H Agriculture & Nutrition, LLC Asbestos Personal Injury Trust Agreement (Trust Agreement). The Trust's principal office is in Wilmington, Delaware and its administrative office is located in Florham Park, New Jersey. Defined terms have the meaning that is defined in the Trust Agreement.

2. Significant Accounting Policies

Basis of Presentation

The Trust's financial statements are prepared using special-purpose accounting methods adopted by the Trustees, which differ from accounting principles generally accepted in the United States of America (GAAP). The special-purpose accounting methods were adopted in order to communicate to the beneficiaries of the Trust the net claimants' equity and related operating expenses of the Trust. Since the accompanying special-purpose financial statements and transactions are not based upon GAAP, accounting treatment by other parties for these same transactions may differ as to timing and amount. The special-purpose accounting methods include the following:

- a. Investment securities are recorded at fair market value. All interest and dividend income, net of investment expenses, are included in investment income in the accompanying special-purpose statements of changes in net claimants' equity. Net realized and unrealized gains and (losses) on investment securities are recorded as a net addition or (deduction) in the special-purpose statements of changes in net claimants' equity.
- b. Taxable and nontaxable fixed income securities are stated at amortized cost, with amortization and accretion of bond premiums or discounts included in investment income.
- c. Future fixed liabilities under contractual obligations and other agreements entered into by the Trust are recorded as deductions in the same period that such contractual obligations or agreements are signed. Under GAAP, liabilities and contractual obligations are recorded over the period that is benefited by the underlying contract or agreement.
- d. The full amounts of claims are generally treated as deductions from net claimants' equity in the period in which the settled claims are approved for payment. A settled claim is a claim that has been accepted by the claimant, with an executed release submitted to the Trust, and approved by the Trustees. Under GAAP, a liability would be recorded for an estimate of the amount to be paid for claims that have been incurred but not yet reported, and for those claims that have been submitted but not yet approved for payment by the Trust.
- e. Income tax expense is estimated and recorded as incurred in the period in which certain income and expense items affect current federal income taxes payable. Income tax refunds

T H Agriculture & Nutrition, LLC Asbestos Personal Injury Trust

Notes to the Special-Purpose Financial Statements

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

Use of Estimates

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

Cash Equivalents and Investment Securities

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

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

Accrued Claims, Accrued Expenses and Accounts Payable

Accrued claims consist of certain claims that are settled but unpaid at December 31, 2016 and 2015. A settled claim is a claim that has been accepted by the claimant, with an executed release submitted to the Trust, and approved by the Trustees. An unpaid claim is a claim that has been approved for payment by the Trustees, but cannot be paid due to annual cap limitations or has been authorized by the Trustees and not paid. Unpaid claims that are a result of annual cap limitations are recorded when settled.

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

Operating Expenses

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

Income Taxes

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

T H Agriculture & Nutrition, LLC Asbestos Personal Injury Trust

Notes to the Special-Purpose Financial Statements

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

The Trust records income tax expense (or benefit) associated with amounts payable (or receivable) under current federal income taxes, and does not record a provision for (or benefit from) deferred taxes. Accordingly, there is no provision for deferred taxes associated with changes in cumulative unrealized gains and losses on investments (see Note 6). The income taxes associated with gains on investments will be recorded in the Trust's special-purpose financial statements when the net gains are realized (i.e. the securities are sold) and the income taxes become currently payable.

Risk and Uncertainties

The Trust's assets that are exposed to credit risk consist primarily of cash and cash equivalents and investment securities. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Trust has never experienced any losses related to these balances. Amounts on deposit in excess of federally insured limits at December 31, 2016 approximate \$27 million.

The Trust invests in a professionally managed investment portfolio that contains common shares of publicly traded companies, corporate and government obligations, public real estate investment trusts, commodities, and hedge funds. Such investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Trust's account balances and the amounts reported in the special-purpose statements of assets, liabilities and net claimants' equity.

Reclassifications

Certain amounts presented in the 2015 special-purpose financial statements have been reclassified to conform to the 2016 presentation. These reclassifications have no effect on the previously recorded decrease in net claimants' equity.

3. Cash, Cash Equivalents and Investment Securities

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

	Cost	Fair Market Value	Unrealized Gains
Cash and cash equivalents	\$ 27,436,901	\$ 27,436,901	\$ -
Equities	60,182,989	76,023,637	15,840,648
Bonds	236,730,548	239,681,282	2,950,734
Public real estate investment trusts	658,231	702,073	43,842
Total cash, cash equivalents and investment securities	\$ 325,008,669	\$ 343,843,893	\$ 18,835,224

T H Agriculture & Nutrition, LLC Asbestos Personal Injury Trust

Notes to the Special-Purpose Financial Statements

Cash, cash equivalents and investment securities consist of the following at December 31, 2015:

	Cost	Fair Market Value	Unrealized Gains
Cash and cash equivalents	\$ 30,094,086	\$ 30,094,086	\$ -
Equities	69,043,868	83,575,538	14,531,670
Bonds	255,188,808	265,043,003	9,854,195
Public real estate investment trusts	443,330	466,673	23,343
Total cash, cash equivalents and investment securities	\$ 354,770,092	\$ 379,179,300	\$ 24,409,208

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

	Less than 1 Year	After 1 Year Through 5 Years	After 5 Years Through 10 Years	After 10 Years	Total
Bonds	\$ 6,574,883	\$ 68,078,923	\$ 109,863,319	\$ 55,164,157	\$ 239,681,282

The maturities of the Trust's investment in bonds are as follows as of December 31, 2015:

	Less than 1 Year	After 1 Year Through 5 Years	After 5 Years Through 10 Years	After 10 Years	Total
Bonds	\$ 4,202,230	\$ 90,508,378	\$ 153,051,318	\$ 17,281,077	\$ 265,043,003

4. Fair Value Measurements

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

T H Agriculture & Nutrition, LLC Asbestos Personal Injury Trust

Notes to the Special-Purpose Financial Statements

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

- **Level 1** - Inputs that are based upon quoted prices for identical instruments traded in active markets.
- **Level 2** - Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar investments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment.
- **Level 3** - Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

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

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

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

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

T H Agriculture & Nutrition, LLC Asbestos Personal Injury Trust

Notes to the Special-Purpose Financial Statements

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

Description	As of December 31, 2016			
	Assets Measured At Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 27,436,901	\$ 27,436,901	\$	\$
Equities	76,023,637	76,023,637		
Bonds:				
Government	12,009,016	-	12,009,016	
Corporate	11,224,201	-	11,224,201	
International	1,121,757	-	1,121,757	
Municipal	215,326,308	-	215,326,308	
Total bonds	239,681,282	-	239,681,282	
Public real estate investment trusts	702,073	702,073	-	
Hedge funds	11,293,543	-	-	11,293,543
Total assets at fair value	\$ 355,137,436	\$ 104,162,611	\$ 239,681,282	\$ 11,293,543

Description	As of December 31, 2015			
	Assets Measured At Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 30,094,086	\$ 30,094,086	\$	-
Equities	83,575,538	83,575,538	-	-
Bonds:				
Government	13,833,034	-	13,833,034	-
Corporate	9,240,256	-	9,240,256	-
International	2,048,135	-	2,048,135	-
Municipal	239,921,578	-	239,921,578	-
Total bonds	265,043,003	-	265,043,003	-
Public real estate investment trusts	466,673	466,673	-	-
Hedge funds	13,726,950	-	-	13,726,950
Total assets at fair value	\$ 392,906,250	\$ 114,136,297	\$ 265,043,003	\$ 13,726,950

T H Agriculture & Nutrition, LLC Asbestos Personal Injury Trust

Notes to the Special-Purpose Financial Statements

Level 3 gains and losses

The following table sets forth a summary of changes in the fair value of the Trust's hedge funds (Level 3) assets for the years ended December 31, 2016 and 2015:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	2016	2015
Balances, at the beginning of the year	\$ 13,726,950	\$ 17,333,938
Purchases	8,063,980	768,639
Liquidations / distributions	(10,447,442)	(3,949,525)
Net change in fair value	(49,945)	(426,102)
Balances, at the end of the year	\$ 11,293,543	\$ 13,726,950

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

As of December 31, 2016, this balance includes hedge funds totaling \$2,257,052 which were liquidated prior to year end. The proceeds are expected to be received by the Trust in 2017.

5. Notes Receivable

Under a secured promissory note dated November 30, 2009, T H Agriculture & Nutrition, LLC was indebted to the Trust in the amount of \$1,000,000 with interest at 5% per annum maturing on November 30, 2019. Principal was payable in quarterly installments of \$10,000 commencing on November 30, 2013, provided cash was available, with any remaining balance due at maturity. The December 31, 2015 balance of \$1,129,172 including accrued interest was collected in full during the year ended December 31, 2015.

6. Income Taxes

During the year ended December 31, 2016, the Trust paid income taxes and recorded income tax expense of \$1,023,330 and \$2,121,216, respectively. During the year ended December 31, 2015, the Trust paid income taxes and recorded income tax expense of \$1,800,000 and \$1,900,000 respectively. Additionally, as of December 31, 2015, the Trust has recorded prepaid federal income taxes of \$1,098,416.

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

T H Agriculture & Nutrition, LLC Asbestos Personal Injury Trust

Notes to the Special-Purpose Financial Statements

7. Claims Settled

For the years ended December 31, 2016 and 2015, the Trust settled 3,020 and 1,726 claims totaling \$44,628,435 and \$37,284,896 respectively. For the years ended December 31, 2016 and 2015, the Trust received 15,283 and 4,868 new claim filings, respectively.

8. Contingent Liabilities

The Plan Documents (as defined in the Confirmed Plan) subject the Trust to certain reimbursement and indemnification obligations that may result in future claims against the Trust.

The probability of such claims cannot be reasonably determined. Accordingly, no associated liability has been recorded in the accompanying special-purpose financial statements. Such claims, if any, are not expected to be material.

9. Liability for Asbestos Claims

Personal injury claims that were settled, but unpaid as of December 31, 2016 and 2015 have been accrued and included in claims payable. These amounts have been included in deductions from net claimants' equity in the accompanying special-purpose statements of changes in net claimants' equity for the payment of claims for the years ended December 31, 2016 and 2015.

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

The ultimate number of Asbestos PI Trust Claims to be filed and the liability for all such claims are not determinable at this time. The net claimants' equity at December 31, 2016 and 2015 represents funding available for all Asbestos PI Trust Claims for which no fixed liability has yet been established.

10. Subsequent Events

The Trust has evaluated its December 31, 2016 special-purpose financial statements for subsequent events through April 17, 2017 the date the special-purpose financial statements were available to be issued. The Trust is not aware of any subsequent events which would require recognition or disclosure in the special-purpose financial statements.