NY TRANSPORTATION WORKERS' COMPENSATION TRUST

AUDITED FINANCIAL STATEMENTS

Years ended December 31, 2013 and 2012

NY TRANSPORTATION
WORKERS' COMPENSATION TRUST

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees and Members of the
NY Transportation Workers' Compensation Trust

We have audited the accompanying financial statements of NY Transportation Workers' Compensation Trust, which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of operations and comprehensive income, changes in members' deficit, 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 accounting principles generally accepted in the United States of America; 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 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NY Transportation Workers' Compensation Trust as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

UHY LLP Certified Public Accountants

Emphasis of Matter Regarding Requirements of New York State Workers' Compensation Laws

As discussed in Note 2 to the financial statements, New York State Workers' Compensation Laws impose an asset to liability requirement on group insurers, including the Trust. At December 31, 2013, the Trust does not meet the minimum regulatory standards. Also as more fully described in Note 1 to the financial statements, the Trust has terminated its status as a group insurer and as of January 1, 2009, the Trust no longer provides workers' compensation coverage and continues to operate in run-off status until all of its claims obligations have been fulfilled. In addition, the Workers' Compensation Board policy regarding cash flow monitoring would permit the Workers' Compensation Board to assume administration of the Trust if projected cash flows fall below specified requirements.

UHY LLP

Albany, New York
April 15, 2014

NY TRANSPORTATION
WORKERS' COMPENSATION TRUST
BALANCE SHEETS
December 31, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	**$ 426,325**	$ 920,508
Investments	**4,057,638**	9,651,153
Restricted investments	**1,125,000**	1,125,000
New York State assessment credits, net	**48,923**	339,833
Prepaid expenses and other assets	**120,912**	21,128
Interest receivable	**60,518**	129,154
Reinsurance recoverable	**4,030,583**	5,344,598
Total assets	**$ 9,869,899**	$ 17,531,374
LIABILITIES		
Reserve for loss and loss adjustment expenses	**$ 26,980,363**	$ 35,428,551
Accrued expenses	**80,846**	275,602
Total liabilities	**27,061,209**	35,704,153
MEMBERS' DEFICIT		
Accumulated other comprehensive income	**366,336**	966,020
Accumulated deficit	**(17,557,646)**	(19,138,799)
Total members' deficit	**(17,191,310)**	(18,172,779)
Total liabilities and members' deficit	**$ 9,869,899**	$ 17,531,374

See notes to financial statements.

NY TRANSPORTATION
WORKERS' COMPENSATION TRUST
STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
Years Ended December 31, 2013 and 2012

	2013	2012
Revenues		
Investment income, net	**$ 621,646**	$ 839,683
Total revenues	**621,646**	839,683
Expenses		
Loss and loss adjustment expenses recovered, net of losses recoverable	**(2,140,574)**	(4,387,106)
Management, general and administrative expenses	**863,057**	658,136
New York State assessments	**290,910**	194,881
Total recovered, net	**(986,607)**	(3,534,089)
Income before income taxes	**1,608,253**	4,373,772
Income tax expense	**27,100**	94,100
Net income	**1,581,153**	4,279,672
Other comprehensive income:		
Unrealized losses on securities:		
Unrealized net holding losses arising during the year	**(340,740)**	(308,687)
Less reclassification adjustment for net gains realized during the year	**(258,945)**	(252,813)
Other comprehensive loss	**(599,685)**	(561,500)
Total comprehensive income	**$ 981,468**	$ 3,718,172

See notes to financial statements.

NY TRANSPORTATION
WORKERS' COMPENSATION TRUST
STATEMENTS OF CHANGES IN MEMBERS' DEFICIT
Years Ended December 31, 2013 and 2012

	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Members' Deficit
Balance at January 1, 2012	$ 1,527,520	$ (23,418,471)	$ (21,890,951)
Net income	-	4,279,672	4,279,672
Unrealized net holding losses arising during the year	(308,687)	-	(308,687)
Reclassification adjustment for net gains realized during the year	(252,813)	-	(252,813)
Balance at December 31, 2012	966,020	(19,138,799)	(18,172,779)
Net income	-	1,581,153	1,581,153
Unrealized net holding losses arising during the year	(340,740)	-	(340,740)
Reclassification adjustment for net gains realized during the year	(258,944)	-	(258,944)
Balance at December 31, 2013	$ 366,336	$ (17,557,646)	$ (17,191,310)

See notes to financial statements.

NY TRANSPORTATION
WORKERS' COMPENSATION TRUST
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 1,581,153**	$ 4,279,672
Adjustments to reconcile net income to net cash used in operating activities:		
Amortization of bond premium, net	**13,921**	13,559
Gain on sale of investments, net	**(258,944)**	(252,813)
Net change in assets and liabilities:		
New York State assessment credits	**290,910**	194,881
Prepaid expenses and other assets	**(99,784)**	(507)
Interest receivable	**68,636**	50,350
Reinsurance recoverable	**1,314,015**	370,533
Reserve for loss and loss adjustment expenses	**(8,448,188)**	(10,336,333)
Accrued expenses	**(194,756)**	207,741
Net cash used in operating activities	**(5,733,037)**	(5,472,917)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments sold or matured	**5,238,854**	4,794,007
Net cash provided by investing activities	**5,238,854**	4,794,007
Net decrease in cash and cash equivalents	**(494,183)**	(678,910)
Cash and cash equivalents at beginning of year	**920,508**	1,599,418
Cash and cash equivalents at end of year	**$ 426,325**	$ 920,508

See notes to financial statements.

NOTE 1 — ORGANIZATION

The NY Transportation Workers' Compensation Trust (the "Trust") was organized to create a business trust comprised of transportation merchants within the State of New York as a workers' compensation self-insurance group under New York State Workers Compensation Laws Section 50, subdivision 3-a. The Trust, which commenced operations on December 1, 2000, was created to make available a self-insured workers' compensation program for transportation merchants of the State of New York, provide a cost-effective market in which transportation merchants may obtain workers' compensation insurance coverage. The Trust is administered by a third party administrator (See Note 9), and is regulated by the New York State Workers' Compensation Board (the "WCB"), an instrumentality of the State of New York.

During 2008, the Board of Trustees voted to voluntarily terminate their status as an active group self-insurer for the Trust effective December 31, 2008, because of changes in New York State Workers' Compensation Laws which adversely affected the Trust's ability to provide workers' compensation coverage to its members without exposing them to financial risks associated with other self-insured groups (See Note 9). The plan to terminate was ratified by a vote of the membership on January 29, 2009. The Trust notified the NYS Workers' Compensation Board of its decision to voluntarily relinquish its license to operate an active self-insurance group on November 25, 2008, to be effective midnight December 31, 2008. Accordingly, as of December 31, 2008, the Trust no longer provides Workers' Compensation coverage. The Trust continues to operate in a run-off status until all of its claim obligations incurred prior to December 31, 2008 have been fulfilled.

The Trust is governed by an independent Board of Trustees, but itself has no employees, and instead operates on a day-to-day basis through a contract with a third party administrator ("Management" or the "Administrator") to manage the assets, liabilities and operating activities of the Trust during its run off status. Effective January 1, 2012, the Trust engaged a third party administrator to provide these services through December 2013 (See Note 9). Subsequently, the Trust engaged a new third party administrator effective January 1, 2014.

NOTE 2 — REGULATORY REVIEW AND MANAGEMENT'S PLANS

The Trust is not in compliance with the assets to liabilities ratio as required by New York State Workers' Compensation Law, Section 50, subdivision 3a, Part 317.9 of the regulations, as currently in effect at December 31, 2013 and 2012. Group Self-insurers (trusts) who do not meet the ratio requirement are deemed under-funded and may be subject to regulatory action by the New York Workers' Compensation Board.

On August 1, 2011, the WCB issued Circular 2011-#5 which stated a new policy regarding inactive self-insurance groups that have terminated coverage and are in run off status. Group self-insurers are now required to submit monthly cash flow reports to the WCB to estimate the number of months the group self-insurer could continue to pay claim obligations, based upon the WCB's trailing twelve-month average of claims payments made. According to WCB policy, if the projected available cash and investments fall below 18 months, the WCB would mandate a deficit assessment be levied on the group self-insurer's members within 3 months. In the event the group self-insurer is unable or unwilling to levy an appropriate assessment, the WCB would be authorized to assume administration of the group self-insurer. If projected unrestricted available cash and investments falls below 9 months, the WCB would be authorized to immediately assume the administration of the group self-insurer. Based on the report submitted to the WCB, as of December 31, 2013, according to the WCB's formula, the Trust has indicated it has approximately 24 months of available cash and investments to pay claim obligations.

NOTE 2 — REGULATORY REVIEW AND MANAGEMENT'S PLANS (Continued)

Effective January 1, 2014, the WCB modified the formula to calculate months of available cash and investments to pay claims obligations applicable to runoff self-insurance groups such as the Trust. The WCB will no longer recognize a credit for recoveries received in the cash flow calculation at the time of receipt, and instead the Trust will reflect the credit for future recoveries earlier, at the time the respective claims payment is actually made. This new calculation will also account for the Trust's recurring operating expenses and assessment collections, if applicable. According to this new formula, as of January 31, 2014, the Trust has approximately 16 months of available cash and investments to pay claim obligations.

The Trust has recorded liabilities in excess of assets totaling approximately $17,191,000 and $18,173,000 at December 31, 2013 and 2012, respectively. The Trust's Management closely monitors the claims run off process including the cash flow necessary to meet its obligations. See Note 10 for Management's Plans.

The Trust's third party administrator has reviewed all existing claims to determine the estimated ultimate exposure and has sent this information to the Trust's consulting actuary for their analysis of projected exposure. It is anticipated that the Board of Trustees will meet and approve a deficit assessment plan during April 2014 and issue assessment bills to its members in June 2014. The proposed deficit assessment plan will be designed to meet all of the Trust's remaining liabilities, collection costs and operating expenses through to a final liquidation of the Trust, however, management of the Trust is unable to predict the outcome of the deficit assessment plan or to assure the likelihood of success.

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Trust considers cash and cash equivalents to be cash in the bank, money market funds and highly liquid securities with an original maturity of three months or less. From time to time, the Trust has on deposit with certain financial institutions, cash and cash equivalents which exceed the amount subject to federal deposit insurance. The Trust attempts to mitigate this risk by depositing its cash and cash equivalents with high credit quality financial institutions.

Investments

Investments in fixed maturities (U.S. Government and corporate obligations) are carried at fair value, based on quoted market prices. The Trust accounts for its investments in accordance with accounting for *Investments – Debt and equity securities.* The Trust classifies all investments as available-for-sale, and as such these marketable securities are carried at fair value and unrealized

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

holding gains and losses on investments are excluded from income and reported as a separate component of members' deficit until realized. Interest income is recognized when earned. Amortization of bond discount and premium is recorded using the straight line method over the period from purchase date to maturity. Net amortization of bond premiums and discounts resulted in a reduction of investment income of approximately $14,000 and $14,000 for 2013 and 2012, respectively. Realized gains and losses for investments are included in income and determined using the specific identification method.

The Trust follows the accounting for fair value measurements and disclosures for financial assets, which defines fair value and establishes a hierarchy for inputs used in measuring fair value. Investments are valued and carried at fair value on a recurring basis and at December 31, 2013 and 2012, are valued at Level 1 inputs (quoted prices in active markets for identical assets or liabilities).

Contributions

Contributions earned (premium equivalent) were computed on a pro rata basis over the term of the underlying insurance certificates. The Trust provided for contribution adjustments to its members based upon actual payroll information and accrues such contributions in the year billed. There were no amounts received or refunded during 2013 or 2012 for payroll audits of previous years.

Contributions receivable deemed uncollectable are written off to bad debt expense in the year they are deemed uncollectable. Bad debt recovery was approximately $20,000 and $30,000 for the years ended December 31, 2013 and 2012, respectively.

Loss and Loss Adjustment Expenses

The actuarially determined reserve for loss and loss adjustment expenses includes an amount determined from loss reports of individual cases and an amount for losses incurred but not reported. The Trust discounts its reserve for loss and loss adjustment expenses. Such reserves are necessarily based on estimates (and industry trends data) and, while management believes that the amount is adequate, the ultimate liability may vary significantly from the amounts estimated in these financial statements and could have a material effect on Members' deficit in future periods. The methods for making such estimates and for establishing the resulting reserve are continually reviewed, and any adjustments are reflected in operations in the year of the change.

The reserve for loss and loss adjustment expenses includes an amount for certain New York State assessments and charges.

Income Taxes

The Trust follows guidance issued by the Financial Accounting Standards Board ("FASB") regarding accounting for uncertainty in income taxes. This guidance clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement.

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Trust records income tax and related interest and penalties as components of the provision for income tax expense. There was no interest or penalties recognized in 2013.

Deferred taxes are provided on the liability method whereby deferred taxes are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through April 15, 2014, the date the financial statements were available for issuance.

NOTE 4 — INVESTMENTS AND RESTRICTED INVESTMENTS

The amortized cost, fair value and gross unrealized gains and losses of investments by major security type at December 31, 2013 and 2012 are as follows:

	2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government obligations	$ 4,527,040	$ 334,749	$ -	$ 4,861,789
Corporate obligations	289,262	31,587	-	320,849
	$ 4,816,302	$ 366,336	$ -	$ 5,182,638

	2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government obligations	$ 8,620,194	$ 821,593	$ -	$ 9,441,787
Corporate obligations	1,189,931	144,435	-	1,334,366
	$ 9,810,125	$ 966,028	$ -	$ 10,776,153

Proceeds from the sale and maturity of investments were approximately $5,239,000 for the year ended December 31, 2013, resulting in gross realized gains of approximately $259,000. Proceeds from the sale and maturity of investments were approximately $4,794,000 for the year ended December 31, 2012, resulting in gross realized gains of approximately $253,000.

NOTE 4 — INVESTMENTS AND RESTRICTED INVESTMENTS (Continued)

The scheduled maturities of fixed maturity investments at December 31, 2013 are as follows:

	Amortized Cost	Fair Value
Due within one year or less	$ 1,135,941	$ 1,159,143
Due after one year through five years	3,680,361	4,023,495
Total	$ 4,816,302	$ 5,182,638

As discussed in Note 9, during 2013 and 2012, the Trust pledged $1,125,000 of the above investments as collateral for the surety bond as of December 31, 2013 and 2012. Collateral is classified separately as restricted investments on the balance sheet.

NOTE 5 — RESERVE FOR LOSS AND LOSS ADJUSTMENT EXPENSES

The components of the reserve for loss and loss adjustment expenses at December 31, 2013 and 2012:

	2013	2012
Reserve for reported losses	$ 16,558,238	$ 23,697,268
Reserve for incurred but not reported losses	10,422,125	11,731,283
Total reserve for loss and loss adjustment expenses	$ 26,980,363	$ 35,428,551

To reflect the time value of money, the reserve for loss and loss adjustment expenses has been discounted using an interest rate of 1.75% for both 2013 and 2012. The undiscounted reserve as of December 31, 2013 and 2012 totaled approximately $28,624,000 and $37,380,000, respectively.

The reserve for loss and loss adjustment expenses includes approximately $964,400 and $2,477,400 related to New York State assessments for December 31, 2013 and 2012, respectively.

NOTE 5 — RESERVE FOR LOSS AND LOSS ADJUSTMENT EXPENSES (Continued)

The following table presents an analysis of the reserve for loss and loss adjustment expenses, including an estimate of future losses and a reconciliation of beginning and ending reserve balances for 2013 and 2012. The liability reserve stated on the accompanying balance sheets is stated on a gross basis, excluding the reduction for losses recoverable from reinsurers, which is recorded as an asset.

	2013	2012
Discounted reserve for loss and loss adjustment expenses, beginning of year, gross	$ 35,428,551	$ 45,764,884
Less: reinsurance recoverable, beginning of the year	(5,344,598)	(5,715,131)
Discounted reserve for loss and loss adjustment expenses, beginning of the year, net	30,083,953	40,049,753
Incurred provision for loss and loss adjustment expenses		
(Decrease) increase in provision for insured events of prior years	(2,140,574)	(4,387,106)
	(2,140,574)	(4,387,106)
Payments		
Loss and loss adjustment expenses attributable to insured events of prior years	(5,101,128)	(6,240,869)
	(5,101,128)	(6,240,869)
Proceeds from reinsurance recoveries	107,529	662,175
Discounted reserve for loss and loss adjustment expenses, end of year, net	22,949,780	30,083,953
Add: reinsurance recoverable, end of the year	4,030,583	5,344,598
Discounted reserve for loss and loss adjustment expenses, end of the year, gross	$ 26,980,363	$ 35,428,551

Included in loss and loss adjustment expenses incurred in the statement of operations and comprehensive income is subrogation received of approximately $2,885,000 and $1,945,000 for the years ended December 31, 2013 and 2012, respectively.

The reserve for loss and loss adjustment expenses includes is a portion of a fixed fee paid to the Administrator of the Trust.

NOTE 6 — INCOME TAXES

The provision for income tax benefit consists of the following:

	2013	2012
Current		
Federal	$ 24,700	$ 87,500
New York State Franchise taxes	2,400	6,600
	$ 27,100	$ 94,100

NOTE 6 — INCOME TAXES (Continued)

The reconciliation of income taxes calculated at the Federal tax statutory rate to the Trust's effective rate is set forth below:

	2013		2012	
	$	%	$	%
Tax at federal statutory rate	$ 546,800	34%	$ 1,487,100	34%
New York State Franchise Tax	80,400	5%	218,700	5%
Valuation allowance (reductions)	(602,400)	(38%)	(1,634,100)	(34%)
Other	2,300	0%	22,400	(1%)
	$ 27,100	1%	$ 94,100	2%

The details of deferred tax assets are set forth below:

	2013	2012
Deferred tax assets (liabilities):		
Net operating loss carryforwards	$ 6,800,000	$ 7,429,500
AMT credit carryovers	167,300	140,200
Unrealized gains on investments	(142,900)	(376,700)
Gross deferred tax asset	6,824,400	7,193,000
Deferred tax asset valuation allowances	(6,824,400)	(7,193,000)
Deferred tax assets	$ -	$ -

For the year ended December 31, 2013, the valuation allowance was decreased by approximately $368,600. At December 31, 2013, the Trust has net operating losses (NOL's) carryforwards of approximately $17.4 million available to offset future taxable income. Deferred tax assets at December 31, 2013 and 2012 have been fully offset by a valuation allowance due to the uncertainty as to their realizability. The NOL's begin to expire in 2028.

None of the Trust's federal or state income tax returns is currently under examination by the Internal Revenue Service ("IRS") or state authorities. However years 2010 and later remain subject to examination by the IRS and respective states.

NOTE 7 — EXCESS INSURANCE

The Trust through the Administrator obtained specific and aggregate excess insurance from an outside carrier for each policy year of the Trust. Under this arrangement, the Trust's losses in excess of approximately $5,450,000 to $36,850,000 in aggregate or $300,000 to $750,000 per accident per insured would be covered by the excess insurance depending on the policy year's coverage.

In the event the Trust's excess insurer is unable to meet its obligations under the excess insurance agreement, the Trust would continue to have primary liability to injured claimants for losses incurred.

NOTE 8 — COMMITMENTS AND CONTINGENCIES

Management Agreement

Effective January 1, 2012, the Trust entered into an administration agreement for a two year term, and is billed for services on a flat fee basis. Effective January 1, 2014, the Trust has entered in a new administration agreement with a different Administrator. All such agreements are subject to a 30-day review and approval by the WCB pursuant to the 2008 legislation.

Surety Bond

As is customary in a workers' compensation regulatory structure, the Trust is required to provide a surety bond (the "Surety Bond") to the Trust's state regulator as a condition to conducting workers' compensation business in the State. Accordingly, the Trust is the principal on a Surety Bond Pledged to the State of New York in the amount of $1,125,000. Should the State have to draw on the Surety Bond, the Trust is obligated to reimburse the surety company for any losses and costs incurred by them, up to the maximum amount of the Surety Bond. The Trust pledged $1,125,000 in investments as collateral for the surety bond during 2013 and 2012.

Indemnity Agreement

The Trust has entered into an indemnity agreement with each employer member to provide risk management services and workers' compensation and employer's liability coverage. The agreement stipulates, among other things, that each member is jointly and severally liable for the workers' compensation and employer's liability obligations of the Trust and its members which were incurred during the member's period of membership in the Trust, irrespective of the subsequent termination of the member's membership in the Trust, the insolvency or bankruptcy of another member of the Trust, or other facts or circumstances.

New York State Assessments

Under New York State regulatory laws, the Trust is required to pay for its share of various assessments to the WCB for certain obligations, including but not limited to the costs of the WCB's operations, and defaulted self-insurers. Through an assessment under Section 50-5 of the New York State Workers' Compensation Law, the WCB had taken the position that the Trust is obligated to contribute a share of anticipated losses of self-insurance groups that are in default, have closed or have otherwise failed to meet their obligations. The WCB has not declared that there is any limit to the Trust's potential assessments for such failed self-insurance groups. An estimated reserve for the Trust's exposure to the anticipated losses of the defaulted trusts has been included in the reserve for loss and loss adjustment expenses. The Trust has exhausted all of its legal challenges to the statute, and the Trust now accepts responsibility for the assessments under Section 50-5 of the New York State Worker's Compensation Law.

The 2008 Legislation also stipulated that workers compensation self-insurance groups, including the Trust, both active and inactive, pay certain "pure premium-based" assessments for other special funds administered by the WCB during any State fiscal years in which the trust made indemnity claim payments. The Trust paid approximately $6.2 million in pure premium-based assessments during its initial two years of being inactive (calendar years 2009 and 2010). New York State legislation curtailed the "pure premium-based" assessments effective January 1, 2011.

NOTE 8 — COMMITMENTS AND CONTINGENCIES (Continued)

New York State Assessments (Continued)

One portion of the assessments on which the Trust had prevailed at trial was appealed by the WCB, yet later withdrawn by the WCB. The WCB simply re-billed the very same assessment in December 2012 against the Trust, offsetting the amount due with amounts previously paid by the Trust.

On February 28, 2013, the Third Department of New York's Appellate Division denied the Trust's appeals of its remaining challenges to the pure premium-based assessments, and the Trust has not appealed such losses. No further legal challenges are available to the Trust for these remaining legal arguments.

NOTE 9 — RELATED PARTY TRANSACTIONS

All Trustees on the Board were employed by covered members of the Trust. Each Trustee receives a nominal fee for serving on the Board; during 2013 and 2012, these fees totaled $82,000 and $68,000, respectively. Trustees are also reimbursed for travel costs incurred to attend the meetings.