

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA**

IN RE:)	Jointly Administered at
)	Case No. 02-20198-TPA
NORTH AMERICAN REFRACTORIES,)	
COMPANY, ET AL.,)	Chapter 11
)	
Debtors.)	
)	

**NOTICE OF FILING ANNUAL REPORT, FINANCIAL STATEMENTS AND
RESULTS OF OPERATIONS OF THE NORTH AMERICAN REFRACTORIES
COMPANY ASBESTOS PERSONAL INJURY SETTLEMENT TRUST
FOR FISCAL YEAR ENDED DECEMBER 31, 2013**

PLEASE TAKE NOTICE that, on June 27, 2014, the Trustees of the North American Refractories Company Asbestos Personal Injury Settlement Trust (the “Trust”) filed the Annual Report, Financial Statements and Results of Operations of the Trust for Fiscal Year Ended December 31, 2013 (the “Annual Report”) and its audited financial statements for the same period (the “Audited Financial Statements”). The Annual Report and the Audited Financial Statements are attached hereto as Exhibits “A” and “A-1,” respectively

Dated: June 27, 2014

BERNSTEIN-BURKLEY, P.C.

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**ATTORNEYS FOR THE
NORTH AMERICAN REFRACTORIES
COMPANY ASBESTOS PERSONAL INJURY
SETTLEMENT TRUST**

**IN THE UNITED STATES BANKRUPTCY COURT
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NORTH AMERICAN REFRACTORIES,)	
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**ANNUAL REPORT, FINANCIAL STATEMENTS AND RESULTS OF OPERATIONS
OF THE NORTH AMERICAN REFRACTORIES COMPANY ASBESTOS PERSONAL
INJURY SETTLEMENT TRUST FOR FISCAL YEAR ENDED DECEMBER 31, 2013**

Richard B. Schiro, the Hon. Ken M. Kawaichi, Ret., and Mark M. Gleason (collectively, the “Trustees”), as Trustees of the North American Refractories Company Asbestos Personal Injury Settlement Trust (the “Trust”), submit the Annual Report, Financial Statements and Results of Operations for Fiscal Year Ended December 31, 2013 (the “Annual Report”), pursuant to the Third Amended Plan of Reorganization of North American Refractories, Company, *et al.*, dated December 28, 2005 (the “Plan”) and the First Amended North American Refractories Company Asbestos Personal Injury Settlement Trust Agreement (the “Trust Agreement”).

I. General

On January 4, 2002, North American Refractories Company (“NARCO”) and its affiliated debtors (collectively, the “Debtors”) filed their petitions for relief under Chapter 11 of the United States Bankruptcy Code. The Debtors’ bankruptcy cases, now closed,¹ were jointly administered as Case No. 02-20198. At the time the Debtors filed their petitions for relief, NARCO and Honeywell International Inc. (“Honeywell”) had been named as defendants in

¹ While the Debtors bankruptcy cases are closed, the clerk of the Bankruptcy Court is required to accept for filing on the docket of the Debtors’ cases, without the requirement that any party in interest file a request to re-open the cases, the annual report required by the Trust Agreement. *See* Order Entering Final Decree Closing Certain Chapter 11 Cases entered in the Debtors’ jointly administered bankruptcy cases on May 24, 2013 [Docket No. 7940].

personal injury and wrongful death actions seeking recovery for damages caused by the presence of, or exposure to, asbestos or asbestos-containing NARCO Product Line products. By order entered on November 13, 2007, the United States Bankruptcy Court for the Western District of Pennsylvania (the “Bankruptcy Court”) confirmed the Plan (the “Confirmation Order”), and on July 25, 2008, the United States District Court for the Western District of Pennsylvania entered an order affirming the Confirmation Order and the NARCO Channeling Injunction.

The Plan provides for the establishment of the Trust to pay all valid NARCO Asbestos Trust Claims pursuant to the North American Refractories Company Asbestos Personal Injury Settlement Trust Distribution Procedures (as may be amended from time to time, the “TDP”) in settlement and satisfaction of the liabilities of the Debtors and Honeywell for all NARCO Asbestos Trust Claims.

On April 30, 2013, the Effective Date² of the Plan, the Trust was created in accordance with the Trust Agreement.³ Pursuant to the Plan, the Trust was funded by an initial cash contribution by Honeywell, by stock in ANH Refractories Company, and by the obligation of Honeywell to make future payments. *See* Trust Agreement, Art. 2.3.

Under the Trust Agreement, the NARCO Trust Advisory Committee (the “TAC”) represents all holders of present NARCO Asbestos Trust Claims, and the NARCO Asbestos Future Claimants Representative (the “FCR”) represents the holders of NARCO Asbestos Trust Claims yet to accrue. *See* Trust Agreement, Art. 6.1 and 7.1. Pursuant to the Trust Agreement,

² Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Plan or the Trust Agreement.

³ The Trust was initially created pursuant to the trust agreement attached as an exhibit to the Plan as a Pennsylvania trust on April 30, 2013, and immediately thereafter converted to a Delaware statutory trust by execution of the Trust Agreement, the execution of a certificate of conversion, and the filing of a certificate of trust with the Delaware Secretary of State.

Joseph F. Rice, Perry Weitz, Steven Kazan, Steven T. Baron, Bruce E. Mattock, and John D. Cooney are the members of the TAC, and Lawrence Fitzpatrick is the FCR.

The Trust Agreement, at Article 3.2 (g), requires that the Trustees meet with the TAC, the FCR and/or Honeywell no less frequently than quarterly at the discretion of the Trustees or as requested by any of the TAC, the FCR or Honeywell. The Trust Bylaws specify that the foregoing requirement will be satisfied by the Trustees meeting at least four times each calendar year with the TAC, the FCR and Honeywell. Following the Effective Date, the Trustees held meetings with the TAC, the FCR and Honeywell in 2013 on June 26, 2013; July 26, 2013; August 6, 2013; and December 9, 2013.

Since the Trust was established, the Trustees generally held weekly executive session meetings, usually by telephone.

The Trustees named Richard B. Schiro as the Managing Trustee.

The Trust established its principal office at 1105 North Market Street, Suite 1300, Wilmington, Delaware 19801, and its administrative office at c/o Lain Faulkner & Co., Attention: Marla Reynolds, 400 N. Saint Paul, Suite 600, Dallas, Texas 75201.

The Trustees entered into service agreements with the following: Stutzman, Bromberg, Esserman & Plifka, A Professional Corporation (general counsel); Lain Faulkner & Co., P.C. (accountants); Morrison & Morrison, Ltd. (tax advisors); BDO USA, LLP (auditor); Richard A. Beran (consultant); Claims Resolution Management Corporation (claims processing); Verus Claims Services, LLC (Individual Review consultant); W.D. Hilton, Jr. (Individual Review consultant); Prof. Abraham J. Wyner (Individual Review consultant); AON Risk Services Central, Inc. (insurance broker); and Credit Suisse Securities (USA) LLC (financial consultant).⁴

⁴ Credit Suisse Securities (USA) LLC advised the Trust regarding the investment of the ANH Refractories Company dividend paid to the Trust in 2013.

The TAC retained Caplin & Drysdale as its counsel. The FCR retained Young Conaway Stargatt & Taylor, LLP as his counsel. Honeywell is represented by McDermott Will & Emery LLP.

The Trust obtained liability insurance for the Trustees, the members of the TAC, the FCR, Richard A. Beran in his capacity as consultant to the Trust, and Wilmington Trust Company in its capacity as the Delaware Trustee.

In 2013, in accordance with the TDP, the Trustees developed and adopted claims materials for all NARCO Asbestos Trust Claims, including both Pre-Established Claims (as that term is defined in the TDP), and Annual Contribution Claims⁵ consisting of claim forms, claim form instructions, and release forms. Claims forms were first made available on October 1, 2013. The claims materials may be accessed on the Trust's website at www.narcoasbestostrust.org. Claims may be submitted to the Trust in care of Claims Resolution Management Corporation ("CRMC"), the Trust's claims processor, by mail, by fax, by email in Excel format, by email in PDF format, online using the CRMC online claims filing system, or using web services.

The Trust, through CRMC, began accepting claims on October 15, 2013. The Initial Claims Filing Date (as that term is defined in the TDP) is April 1, 2014.

II. NARCO Asbestos Trust Claims

Article 3.3(b) of the Trust Agreement requires the Trustees to file with the Bankruptcy Court a report containing a summary regarding the number and type of claims disposed of during the period covered by the financial statements. NARCO Asbestos Trust Claims consist of Pre-Established Claims and Annual Contribution Claims.

⁵ Annual Contribution Claims refer to NARCO Asbestos Trust Claims other than Pre-Established Claims.

A. Pre-Established Claims

In 2013, the Trust paid 65,069 Pre-Established Claims totaling \$90,998,790, all of which were submitted to the Trust by Honeywell as liquidated Pre-Established Claims pursuant to the TDP, various settlements with claimants, and the Procedures for Reviewing and Paying NARCO Asbestos Trust Liquidated Pre-Established Claims Submitted by Honeywell adopted by the Trustees and Honeywell on the Effective Date after consultation with the TAC and the FCR.

B. Annual Contribution Claims

In 2013, there were no Annual Contribution Claims paid by the Trust.

III. Compensation and Expenses of Trustees, TAC and FCR⁶

A. Trustees

Under Article 5.5(c) of the Trust Agreement, the Trust reports to the Bankruptcy Court the amount of compensation and expenses paid to the Trustees. The Trustees received compensation and reimbursement for out-of-pocket costs and expenses from inception (April 30, 2013) through the end of the fiscal year on December 31, 2013, as follows:

Trustees (3)	\$884,636
Delaware Trustee	\$6,000

Pursuant to Bankruptcy Court order entered on June 26, 2007, the Trustees were also paid for their pre-Effective Date Trust implementation services.

B. TAC

Under Article 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 received compensation and

⁶ The Trust's audited financial statements and the compensation and expenses reported herein are presented on an accrual basis.

reimbursement for out-of-pocket expenses from inception through the end of the fiscal year on December 31, 2013, as follows:

TAC	\$25,844
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C. FCR

Under Article 7.5 of the Trust Agreement, the Trust reports to the Bankruptcy Court the amount of compensation and expenses paid to the FCR. The FCR received compensation and reimbursement for out-of-pocket expenses from inception through the end of the fiscal year on December 31, 2013, as follows:

FCR	\$13,530
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IV. Amendments to the Trust Agreement

Article 8.4 of the Trust Agreement provides that after consultation with Honeywell, the TAC and the FCR, and subject to the consent of Honeywell, the TAC and the FCR, the Trustees may amend the Trust Agreement. Article 8.4 further requires that any amendment must be in writing and described in the Annual Report to be filed by the Trust with the Bankruptcy Court.

A. Amendment Number One to the Trust Agreement

Amendment Number One to the Trust Agreement, a written instrument entered into as of October 30, 2013, by and among the Trustees, Honeywell, the TAC and the FCR, amended the Trust Agreement to increase the size of the TAC and add John D. Cooney as a TAC member. Pursuant to Amendment Number One to the Trust Agreement, Mr. Cooney will serve until the third anniversary of the Effective Date.

B. Amendment Number Two to the Trust Agreement

Amendment Number Two to the Trust Agreement, a written instrument entered into as of April 18, 2014, by and among the Trustees, Honeywell, the TAC and the FCR, amended the

Trust Agreement to provide that the Annual Report for the fiscal year ending December 31, 2013, will be filed with the Bankruptcy Court by June 30, 2014.

V. Financial Statements

A copy of the Trust's audited financial statements for the year ending December 31, 2013, is attached hereto as Exhibit "A-1."

Dated: June 27, 2014

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**ATTORNEYS FOR THE
NORTH AMERICAN REFRACTORIES
COMPANY ASBESTOS PERSONAL INJURY
SETTLEMENT TRUST**

North American Refractories Company Asbestos Personal Injury Settlement Trust

Audited Special-Purpose Financial
Statements with Supplementary Information
For the Period from April 30, 2013 (Inception Date)
through December 31, 2013

**North American Refractories Company Asbestos Personal
Injury Settlement Trust**

Audited Special-Purpose Financial Statements with Supplementary
Information
For the Period from April 30, 2013 (Inception Date) through December 31, 2013

North American Refractories Company Asbestos Personal Injury Settlement Trust

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Independent Auditor's Report

Trustees

North American Refractories Company Asbestos Personal Injury Settlement Trust
Dallas, Texas

We have audited the accompanying special-purpose financial statements of North American Refractories Company Asbestos Personal Injury Settlement Trust (the "Trust") which comprise the special-purpose statements of assets, liabilities and net claimants' equity as of December 31, 2013, and the related special-purpose statement of changes in net claimants' equity and special-purpose statement of cash flows for the period from April 30, 2013 (inception date) through December 31, 2013 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; this includes 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 audit. We conducted our audit 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 consolidated 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 the North American Refractories Company Asbestos Personal Injury Settlement Trust, and the change in net claimants' equity, and cash flows for the period from April 30, 2013 (inception date) through December 31, 2013 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 to the special-purpose financial statements, the 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 with respect to this matter. The special-purpose basis of accounting has been used in order to communicate the amount of 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 Western District of Pennsylvania, 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 Western District of Pennsylvania, is a matter of public record.

BDO USA, LLP

McLean, Virginia
June 23, 2014

**Audited Special-Purpose Financial Statements
with Supplementary Information**

**North American Refractories Company Asbestos Personal Injury
Settlement Trust**

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

December 31, 2013

Assets

Cash and cash equivalents	\$	137,706,567
Investment in ANH		313,200,000

Total assets 450,906,567

Liabilities

Accrued expenses and accounts payable	507,803
Deferred tax liability	30,613,000

Total liabilities 31,120,803

Net claimants' equity \$ 419,785,764

See accompanying notes to the special-purpose financial statements.

**North American Refractories Company Asbestos Personal Injury
Settlement Trust**

Special-Purpose Statement of Changes in Net Claimants' Equity

For the period from April 30, 2013 (inception date) through December 31, 2013

Additions

Interest income	\$	2,740
Net change in unrealized gain on investment in ANH		77,306,000

Total additions 77,308,740

Deductions

Operating expenses		3,173,146
Deferred income tax expense		30,613,000

Total deductions 33,786,146

Increase in net claimants' equity 43,522,594

Net claimants' equity

Beginning of the period		-
Initial contribution from Honeywell		377,547,880
Pre-effective date expenses		(1,284,710)
Pre-established claims contributions		90,998,790
Distributions from net claimants' equity		(90,998,790)

End of the period \$ 419,785,764

See accompanying notes to the special-purpose financial statements.

**North American Refractories Company Asbestos Personal Injury
Settlement Trust**

Special-Purpose Statement of Cash Flows

For the period from April 30, 2013 (inception date) through December 31, 2013

Cash inflows:

Interest income receipts	\$	2,740
Pre-Established Claims funding		90,998,790
Operating expense funding		7,353,880
Liquidating dividend		134,300,000

Total cash inflows 232,655,410

Cash outflows:

Distributions to claimants		90,998,790
Trust operating expenses		2,665,343
Pre-effective date liabilities		1,284,710

Total cash outflows 94,948,843

Net cash inflows 137,706,567

Cash and cash equivalents, beginning of the period -

Cash and cash equivalents , end of the period \$ 137,706,567

See accompanying notes to the special-purpose financial statements.

North American Refractories Company Asbestos Personal Injury Settlement Trust

Notes to Special-Purpose Financial Statements

1. Description and Funding of the Trust

The North American Refractories Company Asbestos Personal Injury Settlement Trust (the "Trust"), organized pursuant to the laws of the State of Delaware, was established pursuant to the Third Amended Plan of Reorganization of North American Refractories Company, et al. dated December 28, 2005 (the "Plan") and became effective on April 30, 2013. The Trust was formed to assume all liabilities of Honeywell International, Inc. ("Honeywell"), any Honeywell Affiliate, North American Refractories Company ("NARCO") and its affiliates with respect to any and all NARCO Asbestos Trust Claims, (whether now existing at the effective date or arising thereafter) and to use the Trust assets and income to pay holders of valid claims in accordance with the First Amended North American Refractories Company Asbestos Personal Injury Settlement Trust Agreement (the "Trust Agreement") and the First Amended North American Refractories Company Asbestos Personal Injury Settlement Trust Distribution Procedures. The Trust's funding is dedicated solely to the settlement of asbestos personal injury claims and the related costs thereto, as defined in the Plan. The Trust's principal office is in Wilmington, Delaware and its administrative office is located in Dallas, Texas. Defined terms have the meanings assigned to them in the Plan.

The Trust was initially funded with cash contributions from Honeywell in the amount of \$7,353,880 (an amount estimated to be sufficient to pay all pre-effective date expenses as well as the Trust's operating expenses until December 31, 2013) and a 79% interest in the equity of Post-Effective ANH Refractories Company (ANH), valued at \$370,194,000. In December 2013, ANH paid a liquidating dividend to its shareholders in the amount of \$170,000 per share. ANH had no current or accumulated earning and profits as of December 31, 2013 and thus the distribution was recorded as a return of capital, decreasing the basis of the investment in ANH by \$134,300,000. The use of the liquidating dividend is restricted to payment of approved Annual Contribution Claims as defined in the Trust Agreement. The fair value of the Trust's interest in the ANH investment was adjusted at December 31, 2013 to \$313,200,000 based upon a valuation report prepared by an independent valuation firm.

Claims are designated in the Trust Agreement as either Annual Contribution ("AC") or Pre-Established ("PE") claims. On a quarterly basis, Honeywell transfers to the PE Claims Fund an amount of cash equal to the amount of PE claims in the PE Claims Fund Payment Queue. Also, on a quarterly basis, Honeywell transfers to the AC Claims Fund an amount of cash equal to the amount of AC claims in the AC Claims Fund Payment Queue after application of funds from the Trust's holdings to pay AC Claims, as provided in the Trust Agreement. Honeywell's obligation to make quarterly contributions to the Trust's Annual Contribution Claims Fund is subject to the annual caps or limitations as stated in § 2.3(c)(i)(A)(I) of the Trust Agreement. There are no caps or limitations on Honeywell's obligations to contribute to the Pre-Established Claims Fund amounts necessary to pay all approved claims in the Pre-Established Claims FIFO Payment Queue.

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 financial statements and transactions are not

North American Refractories Company Asbestos Personal Injury Settlement Trust

Notes to Special-Purpose Financial Statements

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. Funding received from Honeywell for operating expenses and claim payments are recorded as contributions directly to net claimants' equity when the cash is received or when the assets are transferred. These funds do not represent income to the Trust. Under GAAP, these funds would be recorded as income to the Trust in the period that the funds were assigned to the Trust, could be reasonably estimated, and collectability was assured.
- b. The Trust's investments are recorded at fair value. The fair value of the investment in ANH Refractories Company is determined annually by an independent valuation that is ultimately approved by the Trustees. Net realized and unrealized gains or (losses) on investments are recorded as additions or (deductions) in the special-purpose statement of changes in net claimants' equity.
- c. For special purpose accounting, a claim is deemed a liability of the Trust that reduces net claimants' equity when the claim is entered in the Payment Queue(s). The Trust reduces net claimants' equity by the amount of claims when entered in the Payment Queue. Under GAAP, a liability for claims would be recorded based on offers extended and an estimate of the liability for remaining claims.
- d. Payments for services to be received over an extended period in the future are expensed as paid because these amounts are no longer available for the payment of claims. Under GAAP, an asset would be recorded and amortized over the period in which the related benefits are received.
- e. Payments for property and equipment are expensed as incurred. Under GAAP, payments for property and equipment are capitalized and depreciated over the useful lives of the assets. To date, the Trust has incurred no expense related to purchases of property and equipment.

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.

North American Refractories Company Asbestos Personal Injury Settlement Trust

Notes to Special-Purpose Financial Statements

Cash Equivalents

The Trust considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents consist of the following at December 31, 2013:

Money market account	\$	134,302,740
Operating expense account		3,403,827
Pre-established claims account		-
Annual contribution claims account		-
	\$	137,706,567

The liquidating dividend received by the Trust in December 2013 was deposited to the money market account and the use of these funds is restricted to payment of approved annual contribution claims.

Investment

The Trust's investments are recorded at fair value. The fair value of the investment in ANH Refractories Company is determined annually by an independent valuation firm that is ultimately approved by the Trustees. Investment income is recognized when earned.

Accrued Expenses and Accounts Payable

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 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 pursuant to the Internal Revenue Code and Regulations (the Code) thereunder. As a result, the Trust is subject to federal income taxes based on modified gross income, as defined by the Code. 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.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

North American Refractories Company Asbestos Personal Injury Settlement Trust

Notes to Special-Purpose Financial Statements

Concentrations of Credit Risk

The Trust's assets that are exposed to credit risk consist of cash and cash equivalents. 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, 2013 approximate \$134 million.

Subsequent events

The Trust has evaluated its December 31, 2013 special-purpose financial statements for subsequent events through June 23, 2014, 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.

3. Income Taxes

Deferred income taxes result from differences between financial statement and tax reporting of additions and deductions to net assets. The entire amount of the deferred tax liability reported as of December 31, 2013 is attributed to the appreciation of the Trust's investment in ANH. The deferred tax asset consists of the tax benefits related to net operating loss carryforwards of approximately \$1,255,000 at December 31, 2013.

At December 31, 2013, the Trust net operating loss carryforward available to offset future taxable income of approximately \$3,170,000. In assessing the realizability of the deferred tax asset, management considers whether it is more likely than not that some portion of the entire deferred tax asset will be recognized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. Management considers reversal of deferred tax liabilities, projected future taxable income and tax planning strategies that can be implemented by the Trust in making this assessment. Based upon these factors, management presently believes it is more likely than not that the Trust may not realize all the benefits of net operating loss carryforward and, accordingly, has recorded a full valuation allowance against the deferred tax asset at December 31, 2013. The Trust's net operating loss carryforward will expire, if not utilized, in various years through 2033.

4. Net Claimants' Equity

The contributions to and deductions from net claimants' equity for the period from April 30, 2013 (inception date) through December 31, 2013 are comprised of the following:

- The Trust received contributions totaling \$468,546,670 from Honeywell as required by the Plan. These contributions were recorded as a direct addition to net claimants' equity and consisted of \$98,352,670 in cash and ANH stock with a value of \$370,194,000 at the time of the transfer.
- The change in unrealized gain resulting from the increase in the valuation of the investment of ANH at December 31, 2013 was \$77,306,000. A deferred tax liability of \$30,613,000 was recorded to reflect the contingent liability that may result upon the sale of the investment. The net impact on net claimants' equity was an increase of \$46,693,000.

North American Refractories Company Asbestos Personal Injury Settlement Trust

Notes to Special-Purpose Financial Statements

- The Trust paid 65,069 of claims totaling \$90,998,790. These payments were recorded as a direct reduction to net claimants' equity.
- The Trust paid certain pre-effective date obligations totaling \$1,284,710, which were also recorded as a direct reduction to net claimants' equity.
- Net operating results, comprised of interest income of \$2,740 and operating expenses of \$3,173,146, resulted in a net reduction to net claimants' equity of \$3,170,406.

5. Contingent Liabilities

The Plan Documents (as defined in the 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.

6. Liability for Asbestos Claims

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, 2013 represents the remaining balance of the initial contribution and claim fundings made by Honeywell available for claims. No fixed liability has yet been established for the total amount of claims that may be paid by the Trust. However, Honeywell is required to make contributions to the Trust to pay claims as provided in the Trust Agreement.

**North American Refractories Company Asbestos Personal
Injury Settlement Trust**

Supplementary Information

For the Period from April 30, 2013 (Inception) through December 31, 2013



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Suite 700
McLean, VA 22102

Independent Auditor's Report on Supplementary Information

Trustees

North American Refractories Company Asbestos Personal Injury Settlement Trust
Dallas, Texas

Our audit of the special-purpose financial statements as of and for the period from April 30, 2013 (inception date) through December 31, 2013 included in the preceding section of this report was conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of those special-purpose financial statements. Such information is the responsibility of 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 audit 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.

BDO USA, LLP

June 23, 2014

**North American Refractories Company Asbestos Personal Injury
Settlement Trust**

Schedule of Operating Expenses

For the period from April 30, 2013 (inception date) through December 31, 2013

Operating expenses

Legal fees	\$	1,035,633
Trustee disbursements		884,636
Claims processing services		518,685
Consulting		427,429
Insurance		158,500
Accounting and audit		134,047
Administrative costs		14,216

Total operating expenses **\$ 3,173,146**
