

**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
)	
Reorganized 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, 2020**

PLEASE TAKE NOTICE that, on June 30, 2021, 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, 2020 (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.

Respectfully submitted,

Dated: June 30, 2021

**BABST, CALLAND, CLEMENTS &
ZOMNIR, P.C.**

By: /s/ David W. Ross
David W. Ross (PA ID No. 62202)

Two Gateway Center, 7th Floor
Pittsburgh, PA 15222
Telephone: (412) 394-5400
Facsimile: (412) 394-6576
Email: dross@babstcalland.com

-and-

STUTZMAN, BROMBERG

ESSERMAN & PLIFKA

A Professional Corporation

Sander L. Esserman (Texas Bar No. 06671500)

Steven A. Felsenthal (Texas Bar No. 06889900)

2323 Bryan Street, Suite 2200

Dallas, Texas 85201-2689

Telephone: (214) 969-4900

Facsimile: (214) 969-4999

Email: esserman@sbep-law.com

felsenthal@sbep-law.com

ATTORNEYS FOR THE

NORTH AMERICAN REFRACTORIES

COMPANY ASBESTOS PERSONAL INJURY

SETTLEMENT TRUST

**IN THE UNITED STATES BANKRUPTCY COURT
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)	Case No. 02-20198-TPA
NORTH AMERICAN REFRACTORIES,)	
COMPANY, <i>ET AL.</i>,)	Chapter 11
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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, 2020**

The Hon. Ken M. Kawaichi, Ret., Richard B. Schiro, and Mark M. Gleason (collectively, the “Trustees”), as Trustees of the North American Refractories Company Asbestos Personal Injury Settlement Trust (the “Trust”), submit this Annual Report, Financial Statements and Results of Operations for Fiscal Year Ended December 31, 2020 (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”).¹

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 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 personal injury and wrongful death actions seeking recovery for damages caused by the presence of, or exposure

¹ By written agreement, the Trustees, the, NARCO Trust Advisory Committee, the NARCO Asbestos Future Claimants Representative, and Honeywell International Inc. agreed to extend the time for the Trustees to file the Annual Report for the fiscal year ending December 31, 2020, to June 30, 2021.

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 (n/k/a HarbisonWalker International), 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), provides that the “Trustees shall 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. In 2020, the Trustees held Trust meetings with the TAC, the FCR and Honeywell on March 31, 2020; June 11, 2020; September 10, 2020; and December 10, 2020.

The Trustees generally held weekly executive session meetings throughout the year, usually by telephone.

Effective May 1, 2019, the Trustees named Mark M. Gleason Managing Trustee for a one-year term ending on April 30, 2020. Effective May 1, 2020, the Trustees named the Hon. Ken M. Kawaichi, Ret., Managing Trustee for a one-year term.

At its inception, and continuing through 2020, the Trust’s principal office was at 1105 North Market Street, Suite 1300, Wilmington, Delaware 19801, and its administrative office was at c/o Lain Faulkner & Co., Attention: Brian Crisp, 400 N. Saint Paul, Suite 600, Dallas, Texas 75201.

In 2020, the Trustees entered into or continued service agreements with the following: Stutzman, Bromberg, Esserman & Plifka, A Professional Corporation (general counsel); Willkie Farr & Gallagher LLP (counsel to the Trust); Babst Calland (W.D. Pa. counsel); Lain Faulkner & Co., P.C. (accountants); Morrison & Morrison, Ltd. (tax advisors); BDO USA, LLP (auditor);

Gleason & Associates, P.C. (consultants);⁴ Claims Resolution Management Corporation (claims processing); Prof. Abraham J. Wyner (consultant); Mazars USA LLP (claims auditing services); AON Risk Services Central, Inc. (insurance broker); KPMG LLP (valuation consultant with respect to Trust's interests in HarbisonWalker International, Inc. for Trust's audit); Wells Fargo Bank, N.A. (banking); Merrill Lynch, Pierce, Fenner & Smith Incorporated and its affiliated company, Managed Account Advisors LLC (investment consultant); and Planet Data Solutions, Inc. (document retention services).

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 and indemnified persons as provided under Section 5.6 of the Trust Agreement. In addition, the Trust obtained cyber security protection insurance.

The TDP and claims materials for all NARCO Asbestos Trust Claims, including both Pre-Established Claims (as that term is defined in the TDP) and Annual Contribution Claims,⁵ consisting of claim forms, claim form instructions, and release forms, may be accessed via the Trust's website at www.narcoasbestostrust.org.

The Initial Claims Filing Date (as that term is defined in the TDP) was 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 types of claims disposed of

⁴ Trustee Gleason abstains from reviewing and approving invoices from Gleason & Associates.

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

during the period covered by the financial statements.

In 2020, the Trust paid 594 Pre-Established Claims totaling \$2,215,800.⁶

In 2020, the Trust paid 3,927 Annual Contribution Claims totaling \$78,116,006.⁷

Pursuant to Section 6.10 of the TDP, the Trust hereby reports the claims by Disease Levels that have been resolved and paid⁸ by the Trust under Expedited Review, Individual Review, and arbitration from inception of the Trust through December 31, 2020:

Disease Level	Number of Claims			Total Amounts Paid
	Expedited Review	Individual Review	Arbitration	
Other Asbestos Disease (Level I)	8,719	1,527	1	\$12,291,510
Asbestosis/Pleural Disease (Level II)	5,874	1,088		\$52,133,786
Severe Asbestosis (Level III)	426	35		\$9,471,398
Other Cancer (Level IV)	970	88		\$10,087,600
Lung Cancer 2 (Level V)	0	138		\$2,226,975
Lung Cancer 1 (Level VI)	1,979	144	1	\$40,216,813
Mesothelioma (Level VII)	1,971	150	1	\$172,418,712
TOTAL	19,939	3,170	3	\$298,846,794

⁶ Dollar figure is net of refunds.

⁷ Dollar figure is net of refunds.

⁸ As of December 31, 2020, no claims have been resolved by trial. Pre-Established Claims liquidated by Honeywell before April 30, 2013, and not by the Trust, although paid by the Trust, are not included in the TDP Sec. 6.10 report of claims resolved by the Trust. The Trust notes, however, that from inception of the Trust through the period ending December 31, 2020, the Trust has paid \$128,054,400 for Pre-Established Claims liquidated by Honeywell.

III. Compensation and Expenses of Trustees, TAC and FCR⁹

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 during the fiscal year ending December 31, 2020, as follows:

Trustees (3)	\$1,478,103
Delaware Trustee	\$4,667

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 reimbursement for out-of-pocket expenses during the fiscal year ending December 31, 2020, as follows:

TAC	\$0
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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 during the fiscal year ending December 31, 2020, as follows:

FCR	\$27,620
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⁹ The Trust's audited financial statements and the compensation and expenses reported herein are presented on an accrual basis.

V. Financial Statements

A copy of the Trust's audited financial statements for the year ending December 31, 2020, is attached hereto as Exhibit "A-1."

Respectfully submitted,

Dated: June 30, 2021

**BABST, CALLAND, CLEMENTS &
ZOMNIR, P.C.**

By: /s/ David W. Ross
David W. Ross (PA ID No. 62202)

Two Gateway Center, 7th Floor
Pittsburgh, PA 15222
Telephone: (412) 394-5400
Facsimile: (412) 394-6576
Email: dross@babstcalland.com

-and-

**STUTZMAN, BROMBERG
ESSERMAN & PLIFKA
A Professional Corporation**
Sander L. Esserman (Texas Bar No. 06671500)
Steven A. Felsenthal (Texas Bar No. 06889900)
2323 Bryan Street, Suite 2200
Dallas, Texas 85201-2689
Telephone: (214) 969-4900
Facsimile: (214) 969-4999
Email: esserman@sbep-law.com
felsenthal@sbep-law.com

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

EXHIBIT A-1

North American Refractories Company Asbestos Personal Injury Settlement Trust

Audited Special-Purpose Financial
Statements with Supplementary Information
For the Years Ended December 31, 2020 and 2019

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

Audited Special-Purpose Financial Statements
with Supplementary Information
Years Ended December 31, 2020 and 2019

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

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Tel: 703-893-0600
Fax: 703-893-2766
www.bdo.com

8401 Greensboro Drive
Suite 800
McLean, VA 22102

Independent Auditor's Report

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

Opinion

We have audited the accompanying special-purpose financial statements of the 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, 2020 and 2019, 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.

In our opinion, the accompanying special-purpose financial statements present fairly, in all material respects, the financial position of the Trust as of December 31, 2020 and 2019, and the results of its changes in net claimants' equity and its cash flows for the years then ended, in accordance with the basis of accounting described in Note 2 to the special-purpose financial statements.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Special-Purpose Financial Statements* section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - 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 the 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 to communicate the amount of net claimants' equity presently available to fund current and future claims.



Responsibilities of Management 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, and 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.

In preparing the special-purpose financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern within one year after the date that the special-purpose financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Special-Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special-purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the special-purpose financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the special-purpose financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the special-purpose financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the special-purpose financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Other Matter - Restriction of Use

Our report is intended solely for the information and use of the Trust, and is not intended to be and should not be used by anyone other than the specified party. 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 25, 2021

Special-Purpose Financial Statements

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

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

<i>December 31,</i>	2020	2019
Assets		
Cash and cash equivalents	\$ 7,833,404	\$ 8,264,245
Investment in HWI	421,500,000	363,200,000
Due from Honeywell	22,737,643	18,871,757
Prepaid expenses	100,000	100,000
Total assets	452,171,047	390,436,002
Liabilities		
Accrued expenses and accounts payable	1,370,485	876,394
Accrued claims	22,738,075	18,959,698
Deferred tax liability	68,674,220	47,103,220
Total liabilities	92,782,780	66,939,312
Net claimants' equity	\$ 359,388,267	\$ 323,496,690

See accompanying notes to the special-purpose financial statements.

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

Special-Purpose Statements of Changes in Net Claimants' Equity

<i>Years ended December 31,</i>	2020	2019
Additions		
Investment income	\$ 291	\$ 447,136
Net change in unrealized gain on investment securities	-	412,513
Net change in unrealized gain on investment in HWI	58,300,000	59,800,000
Total additions	58,300,291	60,659,649
Deductions		
Operating expenses	13,855,461	15,393,098
Direct investment expenses	-	65,194
Net realized loss on investment securities	-	258,602
Deferred income tax expense	21,571,000	22,126,000
Total deductions	35,426,461	37,842,894
Increase in net claimants' equity	22,873,830	22,816,755
Net claimants' equity		
Beginning of the year	323,496,690	320,784,094
Contributions from Honeywell:		
Operating expenses funding	12,938,538	10,694,124
Annual contribution claims funding	78,110,706	28,919,400
Pre-established claims funding	2,212,800	7,835,400
Distributions from net claimants' equity	(80,244,297)	(67,553,083)
End of the year	\$ 359,388,267	\$ 323,496,690

See accompanying notes to the special-purpose financial statements.

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

Special-Purpose Statements of Cash Flows

<i>Years ended December 31,</i>	2020	2019
Cash inflows:		
Interest income receipts	\$ 291	\$ 619,607
Annual contribution claims funding	78,110,706	28,919,400
Pre-established claims funding	2,212,800	7,835,400
Operating expenses funding	12,938,538	10,694,124
Total cash inflows	93,262,335	48,068,531
Cash outflows:		
Distributions to claimants	80,331,806	68,029,142
Trust operating expenses	13,361,370	15,766,481
Net realized loss on investment securities	-	258,602
Total cash outflows	93,693,176	84,054,225
Net outflows	(430,841)	(35,985,694)
Non-cash changes:		
Net change in unrealized gain on investment securities	-	412,513
Amortization of bond premium	-	(65,194)
Total non-cash changes	-	347,319
Net decrease in cash and cash equivalents	(430,841)	(35,638,375)
Cash and cash equivalents, at the beginning of year	8,264,245	43,902,620
Cash and cash equivalents, at the end of year	\$ 7,833,404	\$ 8,264,245

See accompanying notes to the special-purpose financial statements.

North American Refractories Company Asbestos Personal Injury Settlement Trust

Notes to the 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 Harbison Walker International (HWI), formerly known as ANH Refractories Company, valued at \$370,194,000.

In December 2013, HWI paid a liquidating dividend to its shareholders in the amount of \$170,000 per share. HWI 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 HWI by \$134,300,000. The use of any dividends paid by HWI and any earnings therefrom 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 HWI investment was adjusted at December 31, 2020 and 2019 to \$421,500,000 and \$363,200,000, respectively, 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 FIFO 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 FIFO 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 AC 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 PE Claims Fund amounts necessary to pay all approved claims in the PE Claims Fund FIFO Payment Queue.

Pursuant to requirements of the Plan and the Trust Agreement, the Trust maintains three cash accounts. The Operating Expense account is maintained to pay only administrative expenses of the Trust. Honeywell is required to transfer to the Operating Expense account funds equal to 25% of the Trust's annual administrative budget on a quarterly basis. The AC Claim Distribution account is maintained to pay only AC claims. The PE Claim Distribution account is maintained to pay only PE claims.

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

Notes to the Special-Purpose Financial Statements

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. 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 HWI 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 statements 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.

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 the Special-Purpose Financial Statements

Cash and Cash Equivalents and Investment in HWI

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

As discussed in Note 1, the PE Claims Distribution account, AC Claims Distribution account and Operating Expense account are to be used only for designated purposes.

The fair value of the investment in HWI is determined annually by an independent valuation firm that is ultimately approved by the Trustees. Proceeds from sale of the Trust's ownership interest (including any cash dividends) are restricted for payment of AC Claims.

Accrued Expenses and Accounts Payable

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

Accrued Claims

Accrued claims consist of certain claims that are settled but unpaid at December 31. A settled claim is a claim with a liquidated value determined by the Trustees that has been accepted by the claimant with an executed release submitted to the Trust, and entered in the applicable payment queue. An unpaid settled claim is a claim that has not yet been paid.

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 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. No provision for state income taxes was recorded because, as a Delaware trust, the Trust has no state income tax return filing obligation and is not obligated to pay 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 special-purpose 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.

Risks and Uncertainties

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.

North American Refractories Company Asbestos Personal Injury Settlement Trust

Notes to the Special-Purpose Financial Statements

Amounts on deposit in excess of federally insured limits at December 31, 2020 approximate \$7.6 million.

Through 2019, the Trust invested in a professionally managed investment portfolio that contained mutual funds, bonds and term deposits. Such investments are exposed to various risks such as interest rate, market, and credit risks. Except for the investment in HWI (see Notes 3 and 4), the investment portfolio was fully liquidated in 2019.

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 pandemic continues to evolve as of the date of this report. The COVID-19 pandemic has contributed to significant volatility in financial markets. As it relates to the operations and valuation of HWI, HWI's suppliers have experienced decreased production levels based on factory closures and reduced operating hours in those facilities. Likewise, HWI is dependent on its workforce to deliver its products and services. Developments such as social distancing and shelter-in-place directives have impacted HWI's ability to deploy its workforce. These factors have had, and may continue to have, a material effect on HWI's results of future operations, financial position, and liquidity in fiscal year 2021, which may then in turn have a material effect on the valuation of the Trust's investment in HWI. The Trustees, Trust advisors, and management of the Trust are actively monitoring the impact of this global situation on the Trust's financial condition and operations. Given the daily evolution of the COVID-19 pandemic and the global responses to curb its spread, the Trust is not able to estimate the long-term effects of the COVID-19 pandemic on its financial condition and operations.

In addition, on March 27, 2020, the "Coronavirus Aid, Relief and Economic Security (CARES) Act" was signed into law. The Trustees, Trust advisors, and management of the Trust continue to examine the impact that the CARES Act may have on the Trust's long-term financial condition and operations.

3. Investment in HWI

The Trust's most significant investment is its 79% interest in HWI. Investments in private equity securities are generally illiquid, non-marketable and long-term in nature and there can be no assurance that the Trust will be able to realize the reported fair value of its investment in HWI.

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

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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.

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:

Investment in HWI is considered Level 3 and is valued based upon a valuation prepared by an independent valuation firm. The valuation uses model-based calculations based on market-based inputs, including but not limited to, discounted cash flow analysis, valuation multiples, implied enterprise values, market price data of stocks of companies engaged in the same or similar line of business as that of HWI, and the correlation of all these inputs.

Level 3 gains and losses

The following table sets forth a summary of changes in the fair value of the Trust’s investment in HWI (Level 3 assets) for the years ended December 31, 2020 and 2019:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	2020	2019
Balance, at the beginning of the year	\$ 363,200,000	\$ 303,400,000
Net change in HWI valuation	58,300,000	59,800,000
Balance, at the end of the year	\$ 421,500,000	\$ 363,200,000

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The following table summarizes the significant unobservable inputs the Trust used to value its investment categorized within Level 3 as of December 31, 2020. This table is not intended to be all-inclusive, but instead captures the significant unobservable inputs relevant to its determination of fair values.

Asset	Fair Value at December 31, 2020	Valuation Technique	Significant Unobservable Input	Weighted Average
Investment in HWI	\$ 421,500,000	Combination of income and market approach	Discount rate	12.5%

Due to the uncertainty inherent in the valuation process, the estimated fair value reflected in the accompanying special-purpose financial statements may differ from values that would have been used had a readily available market for the investment existed, and the difference could be material. Additionally, changes in the market environment and other events that may occur over the life of the investment may cause the gains or losses ultimately realized on this investment to be different than the valuation currently assigned.

5. Income Taxes

During the years ended December 31, 2020 and 2019, the Trust generated net operating losses of approximately \$14,000,000 and \$15,000,000, respectively. Total net operating loss carryforward available at December 31, 2020 to offset future taxable income of the Trust is approximately \$81,300,000.

Deferred income taxes result from differences between the special-purpose 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, 2020 and 2019 is attributed to the appreciation of the Trust's investment in HWI, and is calculated based on the cumulative unrealized gain times the applicable tax rate of 37.0% as of December 31, 2020 and 2019, respectively.

The deferred tax asset consists of the tax benefits related to net operating loss carryforwards, approximately \$30,000,000 and \$25,000,000 at December 31, 2020 and 2019, respectively.

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 asset 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. In keeping with the special-purpose basis of accounting, the deferred tax asset will not be recorded until the realizability of the asset is assured. Accordingly, the Trust has recorded a full valuation allowance against the deferred tax asset at December 31, 2020 and 2019. The Trust's net operating loss carryforward generated from 2017 and prior will expire, if not utilized, in various years through 2037. Net operating losses generated from 2018 and forward will carryforward without expiration.

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6. Net Claimants' Equity

The contributions to and deductions from net claimants' equity for the years ended December 31, 2020 and 2019 are comprised of the following:

	2020	2019
Contributions from Honeywell:		
Cash for operations	\$ 12,938,538	\$ 10,694,124
Cash for annual contribution claims	78,110,706	28,919,400
Cash for pre-established claims	2,212,800	7,835,400
Net operating results	(13,855,170)	(14,857,245)
Net change in HWI stock valuation, net of tax	36,729,000	37,674,000
Distributions from net claimants' equity	(80,244,297)	(67,553,083)
Change in net claimants' equity	\$ 35,891,577	\$ 2,712,596

7. Distributions from Net Claimants' Equity

For the years ended December 31, 2020 and 2019, the Trust settled and paid 3,927 and 6,954 AC claims totaling \$78,116,006 and \$60,197,742, respectively. In addition, the Trust settled and paid 594 and 1,204 PE claims totaling \$2,215,800 and \$7,831,400, respectively. For the year ended December 31, 2020, the Trust settled 906 AC claims totaling \$22,281,475 and 20 PE claims totaling \$456,600 which were accrued as of December 31, 2020 and were paid subsequent to year end.

8. 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.

9. Liability for Asbestos Claims

Personal injury claims that were settled, but unpaid as of December 31, 2020, have been accrued and included in accrued claims. These amounts have been included in distributions from net claimants' equity in the accompanying special-purpose statements of changes in net claimants' equity for the payment of claims for the year ended December 31, 2020.

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, 2020 and 2019 represents funding available for Asbestos PI Trust Claims for which no fixed liability has yet been established. However, Honeywell is required to make contributions to the Trust to pay claims as provided in the Trust Agreement.

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10. Related Party Transactions

Pursuant to Sections 3.1(c)(x) and 5.8 of the Trust Agreement, the Trust has engaged individuals at Gleason & Associates, P.C. ("Gleason") for claims consulting services. Trustee Gleason is a principal of Gleason. Pursuant to Trust policy, Trustee Gleason abstained from the decision to engage the individuals at Gleason and also abstains from reviewing and approving invoices from Gleason. During the years ended December 31, 2020 and 2019, the Trust incurred \$1,075,161 and \$1,240,096, respectively, of consulting expenses with this related party, which is included within the consulting line of operating expenses in the accompanying special-purpose statements of changes in net claimants' equity and the supplemental schedule of operating expenses.

11. Subsequent Events

The Trust has evaluated its December 31, 2020 special-purpose financial statements for subsequent events through June 25, 2021 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.

Supplementary Information



Tel: 703-893-0600
Fax: 703-893-2766
www.bdo.com

8401 Greensboro Drive
Suite 800
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 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 25, 2021

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Schedule of Operating Expenses

<i>For the years ended December 31,</i>	2020	2019
Operating expenses		
Legal fees	\$ 5,421,227	\$ 6,738,749
Claims processing services	5,132,773	5,213,984
Trustee disbursements	1,478,103	1,498,438
Consulting	1,156,906	1,281,231
Accounting and financial statement audit	272,744	304,594
Insurance	162,398	163,681
Administrative costs	4,667	4,000
Other	226,643	188,421
Total operating expenses	\$ 13,855,461	\$ 15,393,098

See independent auditor's report on supplementary information.