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

| | | |
|---|---|---|
| In re: | ) | Chapter 11 |
| | ) | |
| GLOBAL INDUSTRIAL TECHNOLOGIES, INC., et al., | ) | Case No. 02-21626 (JKF) |
| | ) | Jointly Administered |
| | ) | |
| Debtors. | ) | |

# ANNUAL REPORT OF THE APG ASBESTOS TRUST FOR THE YEAR ENDING DECEMBER 31, 2022

The Trustee of the APG Asbestos Trust (the "**Trust**"), created pursuant to the Global Industrial Technologies, Inc. Third Amended Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code dated December 28, 2005, hereby files this Annual Report of the APG Asbestos Trust for the period from January 1, 2022 until December 31, 2022 (the "**Reporting Period**"). Pursuant to Section 2.2(c)(i) of the Trust Agreement, attached as Exhibit A is a copy of the Trust's financial statements for the Reporting Period, prepared by a firm of independent certified public accountants accompanied by an opinion of auditors as to the fairness of the financial statements' presentation of the cash and investments available for the payment of claims in conformity with the special-purpose basis of accounting, and consistent with generally accepted auditing standards. The audited financial statements include a description of the amounts paid during the Reporting Period to the Trustee, the Trust Advisory Committee, and the Future Claimants Representative. Attached hereto as Exhibit B is a summary of the Trust's claims activity during the Reporting Period.[1]

[1] MFR Claims Processing, Inc. acts as the Trust's claims processing agent.


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Dated: April 27, 2023

Respectfully submitted,

**MORGAN, LEWIS & BOCKIUS LLP**

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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on April 27, 2023, I electronically filed a true and correct copy of the Annual Report of the APG Asbestos Trust For the Year Ending December 31, 2022 with the Clerk of the United States Bankruptcy Court for the Western District of Pennsylvania by using the CM/ECF system, and I furnished a copy of the forgoing document(s) to the following parties by regular United States mail:

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# EXHIBIT A

# APG Asbestos Trust

## Special-Purpose Financial Statements and Independent Auditor's Report

## December 31, 2022 and 2021

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**APG Asbestos Trust**

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## Independent Auditor's Report

To the Trustee
APG Asbestos Trust

*Opinion*

We have audited the special-purpose financial statements of the APG Asbestos Trust (the "Trust"), which comprise the special-purpose statement of net claimants' equity as of December 31, 2022, and the related special-purpose statement of changes in net claimants' equity for the year then ended, and the related notes to the special-purpose financial statements (collectively, the "Financial Statements").

In our opinion, the accompanying Financial Statements referred to above present fairly, in all material respects, the net claimants' equity of the Trust as of December 31, 2022, and the changes in net claimants' equity for the year then ended in conformity with the special-purpose basis of accounting described in Note 2 to the Financial Statements.

*Basis for Opinion*

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

*Basis of Accounting*

We draw attention to Note 2 of the Financial Statements, which describes the basis of accounting. The Financial Statements are 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. The special-purpose basis of accounting has been adopted by the Trustee to communicate the amount of net claimants equity presently available to current and future claimants and the changes in equity during the period. As a result, the Financial Statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

*Other Matter - Prior Year Financial Statements*

The Financial Statements of the Trust for the year ended December 31, 2021, were audited by BKM Sowan Horan, LLP ("BKM"), whose partners and professional staff joined CohnReznick LLP as of November 1, 2022. BKM expressed an unmodified opinion on those statements in their report dated April 12, 2022 and included an emphasis of matter indicating that the Trust's Financial Statements were prepared on the special-purpose basis of accounting which is a basis of accounting used to present the amount of equity presently available to current and future claimants.




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*Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with the special-purpose basis of accounting; this includes determining that the special-purpose basis of accounting is an acceptable basis for the preparation of the Financial Statements in these circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Financial Statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 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.

*Restriction on Use*

This report is intended solely for the information and use of the management of the Trust, the Trustee, 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. Upon filing with the United States Bankruptcy Court for the Western District of Pennsylvania, the report is a matter of public record, which public filing does not expand the list of specified users.

CohnReznick LLP

Dallas, Texas
April 25, 2023




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**APG Asbestos Trust**

**Special-Purpose Statements of Net Claimants' Equity**
**December 31, 2022 and 2021**

Assets

| | 2022 | 2021 |
|---|---|---|
| Cash and cash equivalents | $ 25,074,308 | $ 16,416,161 |
| Insurance settlements receivable | - | 9,400,000 |
| Investments in marketable securities and certificates of deposit | 118,973,953 | 136,937,634 |
| Investment in HWI (Note 5) | 90,220,410 | 108,148,950 |
| Accrued interest and dividend income | 1,044,398 | 1,006,613 |
| Purchased interest | 27,109 | 21,718 |
| Prepaid expenses | 146,391 | 128,965 |
| Prepaid and refundable federal income taxes | 353,660 | 469,224 |
| Total assets | $ 235,840,229 | $ 272,529,265 |

Liabilities and Net Claimants' Equity

| | | |
|---|---|---|
| Accrued expenses | $ 351,074 | $ 249,411 |
| Accrued payments to claimants | 10,160,588 | 9,164,589 |
| Payable on pending investment purchases | 1,670,819 | 2,000,000 |
| Deferred tax liability | 15,578,701 | 28,007,622 |
| Total liabilities | 27,761,182 | 39,421,622 |
| Net claimants' equity | $ 208,079,047 | $ 233,107,643 |

See Notes to Special-Purpose Financial Statements.



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**APG Asbestos Trust**

**Special-Purpose Statements of Changes in Net Claimants' Equity**
**Years Ended December 31, 2022 and 2021**

| | 2022 | 2021 |
|---|---|---|
| Additions | | |
| Dividend income from HWI - cash (Note 5) | $ 10,500,000 | $ 7,675,500 |
| Dividend income from HWI - adjustment (Note 5) | 209,783 | - |
| Income tax benefit, net | 8,972,357 | - |
| Interest and dividend income from investments in marketable securities and certificates of deposit | 4,770,738 | 5,244,468 |
| Unrealized gain on investment in HWI (Note 5) | - | 28,803,600 |
| Net gain on investments in marketable securities, net of management fees, custody fees and bond amortization | - | 1,625,445 |
| Total additions | 24,452,878 | 43,349,013 |
| Deductions | | |
| Unrealized loss on investment in HWI (Note 5) | 18,341,896 | - |
| Net loss on investments in marketable securities, net of management fees, custody fees and bond amortization | 18,076,887 | - |
| Payments to claimants | 11,623,024 | 12,121,807 |
| Trustee fees and expenses | 361,308 | 336,819 |
| Claims processing fees | 309,948 | 309,667 |
| Legal fees | 157,479 | 158,935 |
| Financial consulting | 130,000 | 130,000 |
| Consulting fees | 113,498 | 111,904 |
| Accounting fees | 109,054 | 107,023 |
| Trustee fiduciary fee | 87,801 | 83,500 |
| Future Claimants' Representative fees and expenses | 59,645 | 80,064 |
| Insurance expense | 45,443 | 45,553 |
| Audit fees | 27,522 | 26,489 |
| Trust Advisory Committee member fees and expenses | 22,002 | 9,935 |
| Foreign tax expense | 10,865 | 3,978 |
| Delaware Trustee fees and expenses | 5,102 | 5,040 |
| Income tax expense, net | - | 14,829,961 |
| Miscellaneous expenses | - | 73 |
| Total deductions | 49,481,474 | 28,360,748 |
| Net increase (decrease) in net claimants' equity | (25,028,596) | 14,988,265 |
| Net claimants' equity, beginning of year | 233,107,643 | 218,119,378 |
| Net claimants' equity, end of year | $ 208,079,047 | $ 233,107,643 |

See Notes to Special-Purpose Financial Statements.

**APG Asbestos Trust**

**Notes To Special-Purpose Financial Statements**
**December 31, 2022 and 2021**

## Note 1 - Nature of Trust

### Description of Trust

The APG Asbestos Trust (the "Trust") was established in accordance with the Third Amended Plan of Reorganization (the "Plan") of Global Industrial Technologies, Inc. and certain of its affiliates ("Global"), pursuant to Chapter 11 of the United States Bankruptcy Code. The purpose of the Trust is:

i. to assume liability for all APG Asbestos Trust Claims (as defined in the Plan, Claims) against Global;

ii. to use the Trust's assets and income to pay holders of valid Claims in such a way that all holders of similar asbestos claims, both current and future, are treated in a substantially equivalent manner; and

iii. to comply in all respects with the requirements for a trust set forth in Section 524(g)(2)(B) of the Bankruptcy Code.

The Trust was established on April 30, 2013, the Effective Date of the Plan ("Effective Date"), and is a Qualified Settlement Fund under Internal Revenue Code (the "Code") Section 468B for holders of Claims ("Qualified Settlement Fund").

Pursuant to the Plan, Global transferred its rights under certain settled insurance policies to the Trust, including recoveries made under such policies in the amount of $153,508,753 (which was paid via cash transfers to the Trust on or around the Effective Date) as well as the right to receive $121,260,000 in future scheduled installment payments (see Note 3). In addition, to the extent that proceeds are received, the Trust is entitled to 94% of payments made under Global's insurance policies with certain insolvent insurance companies (the APG Silica Trust is entitled to the remaining 6%). The Trust also received $2,540,529 from an insurance settlement fund maintained by Global representing accrued interest. Finally, the Trust received a 21% common stock interest in Harbison Walker International ("HWI") (formerly, ANH Refractories Company), Global's parent company, with an initial fair market value of $98,406,000 (see Note 5).

The Trust is governed by a Trust Agreement and Trust Distribution Procedures ("TDP") that establish the framework and criteria for allowance and payment of Claims by the Trust. The Trust Agreement and TDP were approved by the United States District and Bankruptcy Courts as part of the Plan. There are seven disease levels specified in the TDP. Each claimant who meets the medical and exposure requirements of the TDP for a particular disease level may apply for expedited review and a specified payment amount. Claimants also have an alternative, under the TDP, to submit additional documentation and request a more expansive review of their Claim (Individual Review Process).

The Trust's assets consist primarily of cash and cash equivalents, insurance settlements receivable, investments in marketable securities and certificates of deposit, and common stock of HWI, which, with the earnings (or losses) on such investments, are intended to be totally consumed by the allowance and payment of Claims and operation of the Trust. The percentage amount of each allowed claim that will actually be paid will be determined by projections of total allowed Claims and operational expenses of the Trust, on the one hand, and total assets and net earnings (or losses) on the other. The opening date for the Pre-Petition Liquidated Claims review process was on or about December 3, 2013. The Trust began accepting Claims on or about March 6, 2014. The initial payment percentage has been set at 4.5% and is subject to periodic review and adjustment, in



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accordance with the Trust Agreement and the TDP. The Trustee is a fiduciary to the beneficiaries of the Trust, its claimants, and is responsible for administering the Trust and the Trust's assets in accordance with the Trust Agreement, the TDP and the Plan.

Any capitalized term used throughout this document that is not otherwise defined herein shall have the meaning assigned to such term in the Plan.

**Termination**
The Trust Agreement (Section 7.2) provides that the Trust shall automatically terminate on the date ninety (90) days after the first to occur of the following events:

- The date on which the Trustee decides to dissolve the Trust because (A) the Trustee deems it unlikely that any new Claims will be filed against the Trust, (B) all Claims duly filed with the Trust have been liquidated and paid to the extent provided in the Trust Agreement and TDP, or disallowed by a final, non-appealable order, to the extent possible based upon the funds available through the Plan and (C) twelve (12) consecutive months have elapsed during which no Claims have been filed with the Trust;

- If the Trustee has procured and has in place irrevocable insurance policies and has established claims handling agreements and other necessary arrangements with suitable third parties adequate to discharge all expected remaining obligations and expenses of the Trust in a manner consistent with the Trust Agreement and the TDP, the date on which the Bankruptcy Court enters an order approving such insurance and other arrangements and such order becomes a final order; or

- To the extent that any rule against perpetuities shall be deemed applicable to the Trust, that date which is twenty-one (21) years less ninety-one (91) days after the death of the last survivor of all of the descendants of the late Joseph P. Kennedy, Sr., father of the late President John F. Kennedy, living on the date of the Trust agreement.

On the termination date or as soon as reasonably practicable, after the wind-up of the Trust's affairs by the Trustee and all the Trust's liabilities have been provided for as required by applicable law, all remaining assets shall be applied to such charitable purposes, if practicable, which shall be related to the treatment of research on, or the relief of individuals suffering from asbestos related lung disease or disorders.

Following the dissolution and distribution of the assets of the Trust, the Trust shall terminate and the Trustee shall execute and file a certificate of cancellation for the Trust.

## Note 2 - Summary of significant accounting policies

**Basis of accounting**
The Trust's special-purpose financial statements ("Financial Statements") are prepared using special-purpose accounting methods that differ from accounting principles generally accepted in the United States of America ("GAAP"). The special-purpose accounting methods are being used to better communicate the equity available to satisfy current and future Claims. Since the accompanying 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.

**APG Asbestos Trust**

**Notes To Special-Purpose Financial Statements**
**December 31, 2022 and 2021**

These special-purpose accounting methods and the differences from GAAP are summarized as follows:

- The Financial Statements are prepared using the accrual basis of accounting, except as otherwise described herein.
- The statements of net claimants' equity are not classified, resulting in no separation between current and noncurrent assets.
- These Financial Statements do not include a statement of cash flows.
- Cash and cash equivalents are recorded at cost with accrued income shown separately.
- The funding received from insurance settlements, the reorganized debtor and the APG Settlement Fund has been recorded directly to net claimants' equity. These funds do not represent taxable income to the Trust. Payments to claimants are reported as deductions from net claimants' equity and do not represent tax-deductible expenses of the Trust.
- At December 31, 2022 and 2021, the liability for accrued payments to claimants reflected in the statements of net claimants' equity represents unpaid outstanding and accepted offers. At December 31, 2022 and 2021, respectively, offers outstanding more than a year total $4,486,223 and $5,379,420. No liability is recorded for future Claims filings and filed Claims on which no offer has been made. Net claimants equity represents funding available to pay present and future Claims on which no liability has been recorded.
- At December 31, 2022 and 2021, the Trust's investments in marketable debt securities were considered as available for sale. The unrealized holding gains (losses) on these investments are included in net gain on investments in marketable securities, net of management fees, custody fees and bond amortization on the accompanying statements of changes in net claimants' equity. Under GAAP, the unrealized holdings gains (losses) on available for sale investments would have been included as a component of net claimants' equity reported as accumulated other comprehensive income (loss).
- The investment in HWI has not been accounted for under the equity method in the accompanying Financial Statements, as would be required under GAAP, because the interest is held solely to pay Claims and the objective of these Financial Statements is to communicate the equity available over the life of the Trust to current and future claimants. In addition, the value of the investment in HWI is reported based on the most recent information available to the Trust. At December 31, 2022, the investment in HWI is reported at fair market value based on the sale proceeds realized upon the sale of the stock in February 2023. At December 31, 2021, the investment in HWI is reported at the fair market value based upon a valuation report prepared by an independent valuation firm. See Note 5. Under GAAP, the investment would be measured and reported at fair value on a recurring basis in the statements of net claimants' equity after initial recognition, with quantitative disclosures presented in a tabular format.
- As described in Note 3, insurance settlements receivable is recorded based on the maximum amounts provided for in the agreements and no provision for potential uncollectible receivables has been recorded. These receivables have not been discounted to estimated present value and thus not considered financial instruments and are not included in the fair value leveling tables.

**APG Asbestos Trust**

**Notes To Special-Purpose Financial Statements**
**December 31, 2022 and 2021**

**Use of estimates**
The preparation of the Financial Statements in conformity with the special-purpose accounting method requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of additions and deductions from net claimants' equity during the reporting periods. Significant items subject to such estimates and assumptions include the carrying value of financial instruments and investments, collectability of insurance settlements receivable, current and deferred income tax expense, and the accrued payments to claimants. Actual results could differ from those estimates.

**Financial instruments**
The Trust's financial instruments are cash and cash equivalents, accrued investment income, marketable securities and certificates of deposit, accrued expenses and payments to claimants. The carrying amount of cash and cash equivalents, accrued investment income, and accrued expenses approximate their fair values based on their short-term nature. The carrying amount of marketable securities and the certificates of deposit is based on fair value.

**Cash and cash equivalents**
The Trust considers all highly-liquid debt instruments purchased with an original maturity value of three months or less to be cash equivalents. Cash and cash equivalents consist of PNC Treasury Plus and other money market funds at December 31, 2022, and 2021.

**Concentrations of credit risk**
Financial instruments, which potentially subject the Trust to concentrations of credit risk, consist primarily of cash and cash equivalents, insurance settlements receivable, investments in marketable securities and certificates of deposit, and the investment in HWI. The Trust maintains its cash and cash equivalents in accounts that are not federally insured but considers them to be of high credit quality. The Trust has not experienced any losses in such accounts, and it does not believe it is exposed to any significant credit risk.

The Trust's investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level or risk associated with investments, it is at least reasonably possible that significant changes in risks in the near term may materially affect the amounts reported in the Financial Statements. However, the Trust has a formal investment policy of placing investments in high-quality financial institutions. In addition, the Trust has the ability to attempt to sell and liquidate their ownership in HWI in an orderly manner.

**Insurance settlements receivable**
The Trust records insurance settlements as a receivable after all conditions are met in accordance with the related signed settlement agreements. No provision for potentially uncollectible insurance settlement receivables was recorded. There were no outstanding insurance settlement receivables at December 31, 2022. At December 31, 2021, the insurance settlement receivable was not discounted to estimated net present value, and no allowance was made for the contingency that less than the full settlement amount may be received.

**Investments in marketable securities and HWI and related income (loss)**
Investments in marketable securities are reported at fair value in the special-purpose statements of net claimants' equity and changes in the fair value of investments, as well as unrealized and realized gains and losses are included in net gain or loss on investments in marketable securities, net of management fees, custody fees and bond amortization reported in the special-purpose statements of changes in net claimants' equity. Purchases and sales of marketable securities are recorded on the trade date. Realized gains and losses on disposals of investments are determined

by the specific identification method. Interest and dividend income are recognized on the accrual basis. Investments considered to be permanently impaired in value are written down to their estimated net realizable value and the write down is recorded as a realized loss on investments. Unrealized losses that are other-than-temporary based upon management's estimates using quantitative and qualitative criteria are recognized as realized investment losses. Actual results could differ from those estimates.

At December 31, 2022, the investment in HWI is reported at the value based on the sale proceeds realized upon the sale of the stock in February 2023. At December 31, 2021, the investment in HWI is reported based upon a valuation report which was prepared by an independent valuation firm. Changes in value of the investment are included in net gain or loss on investment in HWI in the special-purpose statements of changes in net claimants' equity. Dividends and any other earnings are recorded upon receipt in the special-purpose statements of changes in net claimants' equity.

**Net claimants' equity**
The Trust, under the adopted special-purpose accounting convention, does not record the liability for future Claims expected to be filed over the life of the Trust. The net claimants' equity is available for (i) the payments of allowed Claims and (ii) operational expenses of the Trust.

**Income taxes**
Deferred tax assets and liabilities are recorded based on temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established when it is likely that the deferred tax assets may not be realized. 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. Funds received by the Trust from Global, insurance settlements and the APG Settlement Fund and distributions paid to settle Claims are not taxable or deductible by the Trust.

The Trustee's estimate of the potential outcome of any uncertain tax issues is subject to management's assessment of relevant risks, facts, and circumstances existing at that time. The Trust uses a more likely than not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. To the extent that the Trustee's assessment of such tax positions change, the change in estimate is recorded in the period in which the determination is made. The Trust reports tax-related interest and penalties as a component of income tax expense and operating expenses, respectively. The Trust has no unrecognized tax benefits.

**Subsequent events**
The Trust has evaluated events and transactions subsequent to the date of the Financial Statements for matters requiring recognition or disclosure in the Financial Statements. The accompanying Financial Statements consider events through April 25, 2023, the date on which the Financial Statements were available to be issued.



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**APG Asbestos Trust**

**Notes To Special-Purpose Financial Statements**
**December 31, 2022 and 2021**

## Note 3 - Insurance settlements receivable

As part of the Plan, Global pursued claims against various insurance companies that provided coverage to Global over the period of its operations. Global reached settlements with respect to substantially all of the relevant insurance coverage. The amounts receivable under these settlements have been recognized in the Financial Statements. At December 31, 2021, the insurance settlement receivable was due from one insurance company. The insurance settlement receivable of $9,400,000 at December 31, 2021 was received in May 2022.

## Note 4 - Investments in marketable securities and certificates of deposit

The Trust measures its investments in marketable securities and certificates of deposit, at fair value, according to a hierarchy of valuation techniques. The following are the levels of the hierarchy and a brief description of the type of valuation information ("inputs") that qualifies an investment for each level:

Level 1: Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2: Pricing inputs are other than quoted market prices included in Level 1; however, are observable indirectly for the investment.

Level 3: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

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

*Certificates of deposit and mutual funds:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Corporate and municipal bonds:* Value using the documented trade price if trading in an active market. Otherwise, valued using a metrics system provided by the pricing vendors.



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**APG Asbestos Trust**

**Notes To Special-Purpose Financial Statements**
**December 31, 2022 and 2021**

The valuations of the Trust's investments in marketable securities by the above fair value hierarchy levels and the corresponding cost of the investments as of December 31, 2022 and 2021, are as follows:

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | Level | Fair value | Cost | Unrealized gains (losses), net |
| Certificates of deposit | 1 | $ 277,067 | $ 277,067 | $ - |
| Equity securities | | | | |
| Mutual funds | 1 | 29,995,233 | 28,903,435 | 1,091,798 |
| Common stocks | 1 | 8,674,273 | 5,041,063 | 3,633,210 |
| Total equity securities | | 38,669,506 | 33,944,498 | 4,725,008 |
| Corporate bonds | 2 | 7,286,753 | 8,000,362 | (713,609) |
| Municipal bonds | 2 | 72,740,627 | 75,072,984 | (2,332,357) |
| Total | | $ 118,973,953 | $ 117,294,911 | $ 1,679,042 |

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | Level | Fair value | Cost | Unrealized gains (losses), net |
| Certificates of deposit | 1 | $ 525,419 | $ 525,419 | $ - |
| Equity securities | | | | |
| Mutual funds | 1 | 36,927,255 | 28,264,555 | 8,662,700 |
| Common stocks | 1 | 10,975,861 | 5,915,832 | 5,060,029 |
| Total equity securities | | 47,903,116 | 34,180,387 | 13,722,729 |
| Corporate bonds | 2 | 8,246,086 | 8,054,518 | 191,568 |
| Municipal bonds | 2 | 80,263,013 | 77,248,486 | 3,014,527 |
| Total | | $ 136,937,634 | $ 120,008,810 | $ 16,928,824 |

**APG Asbestos Trust**

**Notes To Special-Purpose Financial Statements**
**December 31, 2022 and 2021**

Maturities of the Trust's debt securities at December 31, 2021 are as follows:

| | Fair value | Cost | Unrealized losses, net |
|---|---|---|---|
| Due in one year or less | $ 3,587,732 | $ 3,636,967 | $ (49,235) |
| Due after one year through five years | 26,949,513 | 27,727,773 | (778,260) |
| Due after five years through ten years | 34,122,350 | 35,429,262 | (1,306,912) |
| Due after ten years through twenty years | 13,417,889 | 14,149,281 | (731,392) |
| Due after twenty years | 1,949,896 | 2,130,063 | (180,167) |
| Total | $ 80,027,380 | $ 83,073,346 | $ (3,045,966) |

**Investment income**

The net gain (loss) on investments in marketable securities is calculated as follows for the years ended December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Realized gains (losses) | $ (1,129,638) | $ 1,112,146 |
| Unrealized gains (losses) | (15,249,782) | 2,287,799 |
| Investment management fees | (229,213) | (247,700) |
| Custody fees | (31,469) | (32,076) |
| Bond amortization | (1,436,785) | (1,494,724) |
| Net gain (loss) on investments | $ (18,076,887) | $ 1,625,445 |

## Note 5 - Investment in HWI

The Trust owns 21% of the issued and outstanding capital stock of HWI. During 2013, HWI authorized the payment of a dividend in the amount of $170 million, payable in December 2013. The Trust received $35.7 million in accordance with its 21% ownership share. Since HWI had no current or accumulated earnings and profits as of December 31, 2013, the dividend was a return of capital. In connection with this transaction, HWI deposited an additional $10 million into a money market account to indemnify the Trust and the other 79% owner of HWI in the event of a dispute with any taxing authority that may arise as a result of the dividend payment. The term of the money market account and indemnification agreement was through December 31, 2020. The balance in the money market account was released to HWI in February 2021 in accordance with the agreement.

During 2022, HWI authorized and paid dividends totaling $50 million, and the Trust received $10,500,000, in accordance with its 21% ownership.

During 2021, HWI authorized and paid dividends totaling $100 million and the Trust received $21 million in accordance with its 21% ownership shares. HWI estimated that 36.55%, or $7,675,500 was dividend income and the balance of $13,324,500 was a return of capital. The final allocation between return of capital and dividend income resulted in an adjustment of $209,783, which was reflected in the special-purpose statement of changes in net claimants' equity for the year ended December 31, 2022.



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In February 2023, the Trust sold their interest in HWI. See Note 8.

Activity for the investment in HWI for the years ended December 31, 2022 and 2021, is as follows:

| | 2022 | 2021 |
|---|---|---|
| Balance, beginning of the year | $ 108,148,950 | $ 92,669,850 |
| Return of capital adjustment | 209,783 | (13,324,500) |
| Unrealized gain (loss) | (18,341,896) | 28,803,600 |
| Capitalize expenses of pending sale | 203,573 | - |
| Balance, end of the year | $ 90,220,410 | $ 108,148,950 |

**Note 6 - Taxation**

The Trust reports its income to the Internal Revenue Service as a designated settlement fund which is taxed at the highest rate applicable to trusts under Section I(e) of the Code, which was 37% for the years ending December 31, 2022 and 2021.

The Trust's federal income tax expense is calculated as follows for the years ended December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Modified taxable income | $ 9,709,023 | $ 8,989,576 |
| Tax rate | 37% | 37% |
| Federal income tax expense (benefit) | 3,592,339 | 3,326,143 |
| Utilization of NOLs | - | (226,250) |
| Deferred income tax expense | (12,428,921) | 11,730,068 |
| Carryback of net capital loss | (213,395) | - |
| Change in prior year estimates | 77,620 | - |
| Income tax expense (benefit), net | $ (8,972,357) | $ 14,829,961 |

Temporary differences between financial reporting income and taxable income generate deferred tax liabilities, as of December 31, 2022 and 2021, is as follows:

| | 2022 | 2021 |
|---|---|---|
| Unrealized gain on investment in HWI | $ 14,957,455 | $ 21,743,957 |
| Unrealized gain on investments in marketable securities | 621,246 | 6,263,665 |
| Deferred tax liability | $ 15,578,701 | $ 28,007,622 |

During the years ended December 31, 2022 and 2021, the Trust made cash payments for income taxes of $3,341,000 and $3,500,000, respectively. The amount of income taxes the Trust pays is subject to ongoing audits by federal authorities.


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**APG Asbestos Trust**

**Notes To Special-Purpose Financial Statements**
**December 31, 2022 and 2021**

## Note 7 - Trust Advisory Committee and Future Claimants' Representative

The Trust Agreement sets forth the role and responsibility of the Trust Advisory Committee ("TAC") and Future Claimants' Representative ("FCR"). The members of the TAC serve in a fiduciary capacity representing all holders of present Claims ("Current Claimants"). The Trustee is required to consult with or obtain the consent of the TAC on certain matters identified in the Trust Agreement and the TDP. The TAC is comprised of three attorneys who are engaged by Current Claimants.

The FCR serves in a fiduciary capacity, representing the interests of the individuals who may file a Claim in the future, but who at this time are unknown to the Trust ("Future Asbestos Claimants"). The Trustee is required to consult with or obtain the consent of FCR on certain matters identified in the Trust Agreement and the TDP.

## Note 8 - Subsequent events

In February 2023, HWI was purchased by a third party for a gross purchase price of approximately $429,600,000. The final purchase price is subject to an escrow and certain post-closing adjustments. The Trust's 21% ownership is approximately $90,200,000. The Trust received the initial cash proceeds of approximately $78,700,000 in February 2023. Of the remaining $11,550,000 due to the Trust, $7,350,000 will be paid 90 to 120 days post-closing with the final balance of $4,200,000 payable in three annual installments.



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# EXHIBIT B

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**APG Asbestos Trust**

**Report of Asbestos PI Claim Activity and Disposition during the Period from January 1, 2022 through December 31, 2022**

| Type of Claim | Number of Claims Filed | Number of Claims Approved for Payment [1] | Number of Claims Withdrawn or Rejected | Value of Approved Claims | Number of Approved Claims Paid | Amount Paid on Approved Claims after Application of Payment Percentage |
|---|---|---|---|---|---|---|
| Pre-Petition Liquidated Claims | 4 | 0 | 135 | $0 | 28 | $26,439 |
| | | | | | | |
| Category A Claims (Disease Levels III - VII) | 6,732 | 2,876 | 3,784 | $228,220,020 | 2,668 | $9,294,441 |
| | | | | | | |
| Category B Claims (Disease Levels I and II) | 10,125 | 5,667 | 4,809 | $34,045,222 | 4,928 | $1,303,615 |
| | | | | | | |
| Disease Level Not Specified | 0 | 0 | 0 | $0 | 0 | $0 |

Note: [1] This number may include claims that were filed prior to January 1, 2022

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