UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

In re: THE CELOTEX CORPORATION, et al., Debtors.	CONSOLIDATED CASE NOS. Case No. 90-10016-MGW Case No. 90-10017-MGW Chapter 11

ANNUAL REPORT, SUMMARY OF CLAIMS DISPOSED, FINANCIAL STATEMENT, AND ACCOUNT OF THE TRUSTEE OF THE ASBESTOS SETTLEMENT TRUST FOR THE PERIOD JANUARY 1, 2021 TO DECEMBER 31, 2021

Published by AsbestosClaims.Law
asbestosclaims.law/library/14285/1

TABLE OF CONTENTS

Page

I. GENERAL 1

A. Purpose and Contents 1

B. Background on Bankruptcy Cases and the Trust 1

C. Governing Provisions of the Trust Agreement 2

II. TRUST ADMINISTRATION 4

A. Trustees 4

B. Trust Officers 5

C. Trust Auditors 5

D. Trust's Wilmington Claims Processing Facility 5

E. Trust Advisors 7

F. Professional Fees and Expenses 7

III. PAYMENT PERCENTAGE AND CRP 7

A. Payment Percentage 7

IV. SUMMARY OF CLAIMS DISPOSED 9

A. PI Claims Administration 9

V. TRUST'S ASSETS 9

A. Investment Portfolio 9

B. CX LLC 11

VI. TRUST'S OPERATIONS AND ASSETS DURING COVID-19 12

Published by AsbestosClaims.Law
asbestosclaims.law/library/14285/2

Sharon M. Meadows, ("**Trustee Meadows**") of the Asbestos Settlement Trust (the "**Trust**"), created pursuant to the Modified Joint Plan of Reorganization Under Chapter 11 of the United States Bankruptcy Code for The Celotex Corporation and Carey Canada, Inc. ("**Plan of Reorganization**"), submits this Annual Report, Summary of Claims Disposed, Financial Statement, and Account for the calendar year ended December 31, 2021.

I. GENERAL

A. Purpose and Contents

The purpose of this Annual Report, Summary of Claims Disposed, Financial Statement, and Account is to fulfill the financial reporting requirements of the Second Amended and Restated Asbestos Settlement Trust Agreement (the "**Trust Agreement**"), to report on the actions taken and obligations incurred on behalf of the Trust by Trustee Meadows during the period January 1, 2021 to December 31, 2021 (the "**Reporting Period**"), and to provide the basis for the Trustee's annual account and the Court's discharge of Trustee Meadows from liability arising out of any matter disclosed herein, as provided in Article 5.12 of the Trust Agreement.

B. Background on Bankruptcy Cases and the Trust

On October 12, 1990, The Celotex Corporation ("**Celotex**"), and its wholly owned subsidiary, Carey Canada, Inc. ("**Carey Canada**"), filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code. The Chapter 11 cases of Celotex and Carey Canada (the "**Bankruptcy Cases**") were consolidated for procedural purposes, and jointly administered, pursuant to an order of the Court. On December 6, 1996, the Court entered an order in these cases confirming the Plan of Reorganization. On March 4, 1997, the United States District Court for the Middle District of Florida adopted and affirmed this Court's confirmation order. On May 30, 1997 (the "**Effective Date**"), the Plan of Reorganization became effective and its trustees began to operate the Trust.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14285/3

Through a series of transactions on and shortly after the Effective Date, the Trust was funded with the stock of Celotex, Carey Canada, Walter Industries, and Jim Walter Corporation, along with significant amounts of cash and the expected proceeds from certain litigation. The purpose of the Trust is to assume the asbestos liabilities of Celotex and its affiliates, and to use the assets of the Trust to pay all the asbestos claimants, both present and future, of those companies on a substantially equivalent basis.

C. Governing Provisions of the Trust Agreement

The Annual Report, Summary of Claims Disposed, Financial Statement, and Account are filed in compliance with the following provisions of the Trust Agreement.

Article 3.2 (c) of the Trust Agreement provides:

> **3.2 General Administration**.
>
> (c) (i) The trustees shall cause to be prepared and filed with the Bankruptcy Court, as soon as available, and in any event within one hundred and twenty (120) days following the end of each fiscal year, an annual report containing financial statements of the Trust (including, without limitation, a balance sheet of the Trust as of the end of such fiscal year and a statement of operations for such fiscal year) audited by a firm of independent certified public accountants selected by the trustees and accompanied by an opinion of such firm as to the fairness of the financial statements' presentation of the cash and investments available for the payment of claims and as to the conformity of the financial statements with the special-purpose accounting methods adopted by the trustees. The trustees shall provide a copy of such report to the TAC, the Legal Representative, the PDCA, the PD Advisory Committee (collectively, the **"Approving Entities"**) and Reorganized Celotex when such reports are filed with the Bankruptcy Court.
>
> (ii) Simultaneously with delivery of each set of financial statements referred to in Article 3.2(c)(i) above, the trustees shall cause to be prepared and filed 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. The trustees shall provide a copy of such report to the Approving Entities and Reorganized Celotex when such report is filed.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14285/4

Article 5.5 of the Trust Agreement provides:

> **5.5 Compensation and Expenses of Trustees**.
>
> (a) Each of the trustees shall receive compensation from the Trust for his or her services as Trustee in the amount of $60,000 per annum, except that the Chairperson shall receive $75,000 per annum for his or her services.[1] In addition, for all time expended attending Trustee meetings, preparing for such meetings, and working on authorized projects, the Trustees shall receive the sum of $550 per hour. The Trustees shall record all hourly time to be charged to the Trust on a daily basis. The per annum and hourly compensation payable to the Trustees shall be reviewed periodically and increased with the consent of the TAC and the Legal Representative.
>
> (b) The Trust will promptly reimburse all trustees and the Chairperson for all reasonable out-of-pocket costs and expenses incurred by the trustees in connection with the performance of their duties hereunder.
>
> (c) The Trust will include in the report to be filed pursuant to Article 3.2(c)(i) of this Trust Agreement, and in a separate annual report to be filed in the same manner, a description of the amounts paid under this Article 5.5.

As further detailed in footnote 1 below, the $550 hourly compensation amount payable to trustees pursuant to the above quoted Section 5.5.(a) of the Trust Agreement was subsequently adjusted in 2015 to $600 in accordance with the Trust Agreement.

Article 5.12 of the Trust Agreement provides:

> **5.12 Settlement of Trustees' Accounts**. Notwithstanding any state law to the contrary, the Bankruptcy Court shall have exclusive jurisdiction over the settlement of the accounts of the trustees, whether such account is rendered by the trustees themselves or is sought by any other person. The trustees shall render successive accounts covering periods ending at the end of each calendar year consisting of the filings required by Article 3.2(c) of this Trust Agreement. In addition, an account shall be rendered for the period ending on the date of the death, resignation, removal or retirement of any Trustee. Upon the approval of

[1] As previously reported, in 2005, Article 5.5(a) of the Trust Agreement was amended to increase a trustee's per annum compensation from $50,000 to $60,000. During the 2008 reporting period, trustee compensation provisions of the Trust Agreement were again amended to increase the per annum compensation for the Chairperson to $75,000**.** In addition, the per diem fee payment was replaced with an hourly rate of $500 for all authorized work performed by trustees on behalf of the Trust. With these increases, the annual retainer and hourly rate of compensation for trustee became comparable to that paid to the trustees of other existing, large asbestos trusts, for example, Armstrong World Industries, Inc. Asbestos Personal Injury Settlement Trust, Babcock & Wilcox Company Asbestos PI Trust, DII Industries, LLC Silica PI Trust, Owens Corning/Fibreboard Asbestos Personal Injury Trust, Federal-Mogul Asbestos Personal Injury Trust, and United States Gypsum Asbestos Personal Injury Settlement Trust. On May 22, 2014, Section 5.5 of the Trust Agreement was amended to increase the hourly rate paid to trustees to $550. Also, a provision was added that trustee compensation shall be reviewed periodically and increased with the consent of the PI Advisory Committee and the Legal Representative. Effective January 1, 2015, the hourly compensation paid to trustees was increased to $600.

Celotex Asbestos Trust Annual Reports, 2021 annual report Published by AsbestosClaims.Law
ACL Doc 14285 · Page 5 of 50 asbestosclaims.law/library/14285/5

any such periodic account by the Bankruptcy Court after hearing on notice to the Approving Entities and such other parties as the Bankruptcy Court may designate, and subject to the terms of the order of the Bankruptcy Court granting such approval, the trustees shall be discharged from any further liability or responsibility as to all matters disclosed in such periodic account, and an action against a trustee for breach of trust arising out of any matter disclosed in such periodic account shall be barred as provided in Fla. Stat. Ann. § 737.307.[2]

II. TRUST ADMINISTRATION

A. Trustees

Trustee Meadows served as sole trustee of the Trust during the Reporting Period. As previously reported, the term of Mr. James W. Stevens expired on May 30, 2016 and his position was not filled. Trustee Meadows's seven-year term expired on May 30, 2018. On May 31, 2018, the Trust Agreement, with the consent of the Trust Advisory Committee ("**TAC**") and Legal Representative, was amended to extend Trustee Meadows's term of service to May 30, 2022. Trustee Meadows announced her intention to retire as sole trustee at the expiration of her current term. According to Article 5.3(a) of the Trust Agreement, this vacancy has been filled by the unanimous vote of the TAC and Legal Representative. The TAC and Legal Representative have selected Edward D. "Chip" Robertson Jr. as sole trustee, effective May 31, 2022. Mr. Robertson served as Chief Justice of the Supreme Court of Missouri and currently practices law with Bartimus, Frickleton, Robertson & Rader in Jefferson City, Missouri.

During the Reporting Period, Trustee Meadows held four formal meetings of the Trust. These meetings were designated by Trustee Meadows as "regular meetings" under the Trust's bylaws. Outside the regular meetings, Trustee Meadows conferred with Trust advisors throughout the Reporting Period. Counsel to the TAC and the Legal Representative attended the May 25, 2021 meeting of the Trustee, which was held virtually.

[2] Effective July 1, 2008, the State of Florida repealed Chapter 737 of the Florida Statutes and added the Florida Trust Code in Chapter 736. Accordingly, the statute that currently bars proceedings against trustees based on a periodic account is Section 736.1008 of the Florida Statutes.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14285/6

The compensation paid to Trustee Meadows during the Reporting Period is set forth in a supplemental schedule to the Trust's audited financial statements, which are attached as **Exhibit 1**. The filing of the financial statements with this supplemental schedule on compensation satisfies the requirements of Article 5.5(c) of the Trust Agreement.

In compliance with Article 5.5 of the Trust Agreement and the Trust's guidelines for payment of trustee fees and expenses, the Trust paid Trustee Meadows compensation and reimbursed her expenses on a quarterly basis. As part of an *in camera* filing made in connection with this report (the "***In Camera* Submission**"), the Trust has supplied the Court with the time and expense records of Trustee Meadows for the Reporting Period, along with a copy of the Trust's guidelines for payment of trustee fees and expenses.

B. Trust Officers

Ms. Amy Brockman of Ankura Consulting Group was appointed as Executive Director of the Trust, effective December 19, 2019, and served in that capacity throughout the Reporting Period.

C. Trust Auditors

The Trust's auditors are BDO USA, LLP of McLean, Virginia. BDO has significant experience auditing asbestos personal injury trusts and, as required, has conducted an audit of the Trust in conformity with special purpose accounting methods adopted by the trustees. They have expressed an opinion that the Trust's financial statements present fairly, in all material respects, the financial position of the Trust and the results of its operations and its cash flows as of December 31, 2021. The auditors' opinion expressly provides that it is intended for the use of this Court.

D. Trust's Wilmington Claims Processing Facility

As previously reported, the Trust had operated a stand-alone claims processing facility in Wilmington, Delaware for the processing and payment of the Trust's asbestos-related personal

Celotex Asbestos Trust Annual Reports, 2021 annual report
ACL Doc 14285 · Page 7 of 50
Published by AsbestosClaims.Law
asbestosclaims.law/library/14285/7

injury claims. The Trust's claims facility gained a reputation for fair, efficient, and cost-effective claims processing. As the Trust's backlog of claims was reduced, and as new filings diminished, the then trustees were cognizant of the relative increase in claims processing costs in proportion to the number of claims processed. The then trustees considered available options to reduce claims processing costs, such as closing or reducing the size of its stand-alone facility, contracting with a third party to process its claims, or joining with other asbestos-related personal injury trusts in some joint processing arrangement whereby overhead and other common costs could be shared. As previously reported, the then trustees decided that the best alternative was to keep its experienced claims staff and physical facilities intact, while looking for opportunities to jointly process claims with other asbestos personal injury trusts and thereby share the costs of the claims facility.

In 2006, four new, large asbestos trusts were formed at the conclusion of the Chapter 11 proceedings for Babcock & Wilcox Company, Armstrong World Industries, Inc., Owens Corning Fibreboard Company, and United States Gypsum Company. As previously reported, the Trust and those four other asbestos trusts entered into an agreement whereby they would jointly process claims through their common ownership of the Celotex Trust's claims processing facility. The vehicle for this common ownership is the Delaware Claims Processing Facility, LLC, a Delaware limited liability company (the "**Delaware Claims Facility**"), formed to own and operate the Celotex Trust's former claims processing facility. The Delaware Claims Facility processes each member trust's claims in accordance with that trust's applicable governing documents. Based on its usage of the Delaware Claims Facility's resources, each trust pays a *pro rata* portion of the facility's costs. In effect, the Delaware Claims Facility operates on a not-for-profit, or cost-pass-through, basis. In 2013, the WRG Asbestos PI Trust joined the Delaware

Claims Facility as a member trust, and effective May 18, 2016, the Pittsburgh Corning Corporation Asbestos Personal Injury Settlement Trust was admitted as a member trust.

E. Trust Advisors

Under the terms of the Trust Agreement, there are two trust advisors: the TAC, now consisting of three personal injury lawyers, Russell Budd, Steven Kazan, and Joseph F. Rice and the Legal Representative, now James L. Patton.

F. Professional Fees and Expenses

During the Reporting Period, the Trust paid $1,956,516 in professional fees and expenses. All professional fees and expenses are reviewed by Trustee Meadows/or the Trust's staff for compliance with the Trust's professional fee and expense guidelines. A copy of the Trust's fee and expense guidelines is part of the *In Camera* Submission. The professional fees and expenses are set forth and itemized in a supplemental schedule to the Trust's 2021 financial statement, which is attached as **Exhibit 1**.

III. PAYMENT PERCENTAGE AND CRP

A. Payment Percentage

The Trust is a limited fund. None of the asbestos claimants who are beneficiaries of the Trust will have their claims paid in full. Instead, they will be paid some percentage (the "**Payment Percentage**") of the liquidated amount of their claims. The trustees of the Trust are charged with the duty of periodically determining the Payment Percentage by considering, on the one hand, estimates of the number, types, and values of present and expected future claims and, on the other hand, the value and liquidity of the Trust's assets.

Pursuant to Article 3.4(a) of the Trust Agreement, after the first two years of operation, the trustees must periodically reconsider the determination of the Payment Percentage. The language of that provision is as follows:

Published by AsbestosClaims.Law
asbestosclaims.law/library/14285/9

> [A]fter the second anniversary of the Effective Date [of the Plan of Reorganization], but no less frequently than once every two (2) years, the trustees shall consider their determination of the Payment Percentage to assure that it is based on credible, current information and forecasts, and may, after such consideration, change the Payment Percentage.

To better ensure the Trust's ability to pay present and future claimants in substantially the same manner, the then trustees decided in 2001 that thereafter they would monitor the Payment Percentage on an annual basis.

On May 25, 2021, Trustee Meadows, with the consent of the TAC and the Legal Representative, adopted an increase in the Payment Percentage from 7.7% to 8.0%. This adjustment was based on Ankura's recommendation following its analysis of claim filing trends, claim values, the estimated value of the Trust's assets, the liquidity of those assets, and the Trust's projected future income and expenses.

In accordance with Section 5.3(f) of the Fifth Amended and Restated Asbestos Personal Injury Claims Resolution Procedures (the "**CRP**"), Trustee Meadows amended Schedule 1 of the CRP on May 25, 2021, with the consent of the TAC and Legal Representative, to adjust the discounted cash payment amounts for the disease categories set forth in Section 5.3(a) of the CRP in connection with the change in the Payment Percentage. The adjustments are in the amounts necessary in order to maintain the original ratio of discounted cash payments to the net Scheduled Value amounts (i.e., the Scheduled Values multiplied by the Payment Percentage) received by claimants who elected individualized review. The adjusted amounts are as follows:

Mesothelioma	$9,400
Lung Cancer	$2,855
Other Cancer	$1,670
Non-Malignancy: Asbestosis	$980
Non-Malignancy: Bilateral Pleural Disease	$550

The trustee of the Trust and Ankura will continue to monitor the factors affecting the Payment Percentage to ensure that they are based on the most current data available.

Celotex Asbestos Trust Annual Reports, 2021 annual report
ACL Doc 14285 · Page 10 of 50
Published by AsbestosClaims.Law
asbestosclaims.law/library/14285/10

IV. SUMMARY OF CLAIMS DISPOSED

A. PI Claims Administration

1. Summary of Claims Processed

As of December 31, 2021, the Trust had received approximately 945,998 personal injury claims. During the Reporting Period, the Trust paid 14,293 personal injury claims in the aggregate amount of $40,691,823. Since inception, the Trust has paid 535,054 personal injury claims in the aggregate amount of $1,358,629,240. A summary showing the number and amount of claims paid by the Trust during the Reporting Period is attached as **Exhibit 2**. This summary is filed in fulfillment of the requirement contained in Article 3.2(c)(ii) of the Trust Agreement.

V. TRUST'S ASSETS

All the Trust's assets available to pay claims are reflected in the Trust's 2021 financial statements, which have been audited by BDO USA, LLP and are attached at **Exhibit 1**. The financial statements were prepared in accordance with special purpose accounting rules adopted by the trustees. The preparation of the financial statements by an independent accounting firm and the filing of the statements with the Bankruptcy Court satisfies the requirements of Article 3.2(c)(i) of the Trust Agreement.

A. Investment Portfolio

As of the end of the Reporting Period, the Trust's investment portfolio totaled $455,914,842. Excluding cash at year-end, the Trust's investment portfolio totaled $439,478,139. As previously reported, the Trust retains the firm of Cambridge Associates, LLC ("**Cambridge**") as its investment/asset management advisory firm. The fixed income allocation is heavily weighted toward non-taxable securities because the Trust, like other qualified settlement funds, is subject to the highest income tax rate on all its investment income. With Cambridge's assistance, separate investment managers were selected and continue to manage segments of the Trust's investment portfolio. During the Reporting Period, Brown Brothers

Celotex Asbestos Trust Annual Reports, 2021 annual report Published by AsbestosClaims.Law
ACL Doc 14285 · Page 11 of 50 asbestosclaims.law/library/14285/11

Harriman continued to serve as the custodian of all Trust funds. Brown Brothers Harriman and Goldman Sachs continued to serve as managers of separate municipal bond accounts. John W. Bristol (U.S. growth manager) and McDonald Capital (U.S. value manager) continued to serve as managers of the U.S. equity portfolio. Johnston International Equity Strategy (non-U.S. growth manager) and Sanderson Asset Management (non-U.S. value manager) continued to serve as managers of the non-U.S. equity portfolio.

The then trustees developed investment guidelines consistent with Article 4 of the Trust Agreement. These guidelines are frequently reviewed and periodically updated by the trustee(s) with Cambridge's assistance. The guidelines state that the holdings within the bond portfolio must have a minimum equivalent of investment grade rating by one nationally recognized statistical rating organization for any single security. The bond portfolio is diversified as to individual issuer and sector, and the credit quality remains very high in the portfolio relative to the stated benchmark. The current version of the Trust's investment guidelines is attached as Exhibit 3.

During the Reporting Period, Trustee Meadows received detailed monthly reports from Cambridge on the performance of the Trust's investment portfolio and regularly conferred, typically monthly, with representatives of Cambridge. As she does every year, Trustee Meadows also met in person with and formally reviewed the performance of each of the Trust's investment managers.

In 2021, the total Trust investment portfolio returned 5.5% net of investment managers' fees and excluding cash holdings. (Municipal bond returns have not been adjusted to reflect pre-tax equivalent returns.) The Trust's total investment return since 2001, when Cambridge was retained as investment advisors, is shown, along with 2021's investment performance, by asset class in the Cambridge composite report attached as Exhibit 4.

Celotex Asbestos Trust Annual Reports, 2021 annual report
ACL Doc 14285 · Page 12 of 50
Published by AsbestosClaims.Law
asbestosclaims.law/library/14285/12

B. CX LLC

As previously reported, on August 5, 2013, Celotex's Certificate of Dissolution was filed with the State of Delaware beginning a three-year wind-down period pursuant to Delaware law. During the wind-down, the company continued to manage and attempt to liquidate its assets, including its financial investments, its former research and development facility property, and other real estate. On August 1, 2016, Celotex adopted a Plan of Distribution (the "**Plan**") to effect the complete dissolution of the company in accordance with the applicable Delaware dissolution statutes, ending the three-year wind-down. Pursuant to the Plan, the Trust caused CX LLC to be formed as its wholly owned subsidiary that is a disregarded entity for tax purposes. The Trust transferred all of its stock held in Celotex to CX LLC immediately prior to the complete dissolution, and the liquidating distributions made to CX LLC under the Plan were made in exchange for all the outstanding shares of the stock of Celotex held by CX LLC immediately prior to the cancellation of those shares as a result of the dissolution. CX LLC now holds the equity interests of the subsidiaries formerly owned by Celotex and the Trust, through CX LLC, is working to wind-down the affairs of those subsidiaries. In 2019, CX LLC completed the liquidation of the remaining material assets of the former Celotex subsidiaries and substantially all of the proceeds were subsequently transferred to the Trust.

As of 2003, Celotex's financial statements were no longer audited separately and, therefore, Celotex's financial results and now CX LLC's financial results are no longer included in the *In Camera* Submission accompanying this annual report. However, Celotex's, CX LLC's and the subsidiaries' financial data and internally prepared financial statements have been, and continue to be, audited in connection with the preparation of the audited financial statements of the Trust.

VI. TRUST'S OPERATIONS AND ASSETS DURING COVID-19

In March 2020, COVID-19 was classified as a pandemic by the World Health Organization. Despite the challenges of this crisis, the Trust's operations continued to run effectively without any material adverse impact on the processing of its asbestos claims on behalf of victims of asbestos exposure. Similarly, the pandemic did not result in any undue risk or material adverse effects to the assets of the Trust during the Reporting Period. The Trustee and her advisors will continue to closely monitor the impact of the pandemic on the Trust's financial condition and operations.

Dated: May 2, 2022
Tampa, Florida

Respectfully submitted,

KEATING MUETHING & KLEKAMP PLL
Kevin E. Irwin (Ohio Bar No.021811)
Rachael A. Rowe (OH Bar # 0066823)
One East Fourth Street, Suite 1400
Cincinnati, OH 45202
(513) 579-6400
(513) 579-6457 (telecopy)

-and-

BUSH ROSS, P.A.
P.O. Box 3913
Tampa, FL 33601-3913
(813) 224-9255
(813) 223-9620 (telecopy)

Attorneys for Celotex Asbestos Settlement Trust

BY: /s/ Jeffrey W. Warren
Jeffrey W. Warren, Esq.
Florida Bar No. 150024

Celotex Asbestos Trust Annual Reports, 2021 annual report
ACL Doc 14285 · Page 14 of 50
Published by AsbestosClaims.Law
asbestosclaims.law/library/14285/14

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on May 2, 2022, I electronically filed a true and correct copy of the Annual Report, Summary of Claims Disposed, Financial Statement, and Account of the Trustee of the Asbestos Settlement Trust for the Period January 1, 2021 to December 31, 2021, including exhibits, with the Clerk of the United States Bankruptcy Court for the Middle District of Florida by using the CM/ECF system, and I furnished a copy of the foregoing document(s) to the following parties in the manner of service indicated below:

Via United States Mail:

Legal Representative for Unknown Claimants
James L. Patton Jr.
Young, Conaway, Stargatt & Taylor
Rodney Square
1000 North King Street
Wilmington DE 19801

Trust Advisory Committee
Russell Budd
Baron & Budd
Suite 1100
3102 Oak Lawn Avenue
Dallas, TX 75219

Steven Kazan
Kazan, McClain, Satterley & Greenwood
55 Harrison St. Suite 400
Oakland, CA 94607

Joseph F. Rice
Motley Rice LLC
28 Bridgeside Boulevard
Mount Pleasant, SC 29465

Counsel
Ann C. McMillan
Caplin & Drysdale, Chartered
One Thomas Circle NW
Suite 1100
Washington, DC 20005-5802

Representative Indirect Asbestos Claimant
Elizabeth Runyan Geise
Schiff Hardin LLP
901 New York Avenue, NW
Suite 700
Washington, DC 20001

Counsel
Lara R. Fernandez
Trenam, Kemker, Scharf, Barkin, Frye, O'Neill & Mullis
2700 Bank of America Plaza
101 East Kennedy Boulevard
Post Office Box 1102
Tampa, FL 33601-1102

CX LLC
Philip A. Tracy, Esq.
1 E. 4th Street
Suite 1400
Cincinnati, OH 45202

Via CM/ECF System:

United States Trustee
Guy A. Van Baalan
Assistant U.S. Trustee
501 East Polk Street, Suite 1200
Tampa, FL 33602

/s/ Jeffrey W. Warren
Jeffrey W. Warren

11673232.2

Celotex Asbestos Trust Annual Reports, 2021 annual report
ACL Doc 14285 · Page 16 of 50
Published by AsbestosClaims.Law
asbestosclaims.law/library/14285/16

Exhibit 1

Asbestos Settlement Trust

Special-Purpose Financial Statements with Supplementary Information

Years Ended December 31, 2021 and 2020

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

Asbestos Settlement Trust

Special-Purpose Financial Statements
with Supplementary Information
Years Ended December 31, 2021 and 2020

Published by AsbestosClaims.Law
asbestosclaims.law/library/14285/19

Asbestos Settlement Trust

Contents

Independent Auditor's Report 1-3

Special-Purpose Financial Statements

Special-Purpose Statements of Assets, Liabilities and Net Assets Available for the Payment of Claims 4

Special-Purpose Statements of Changes in Net Assets Available for the Payment of Claims 5

Special-Purpose Statements of Cash Flows 6

Notes to the Special-Purpose Financial Statements 7-15

Supplementary Information

Independent Auditor's Report on Supplementary Information 16

Supplementary Schedules of Operating Expenses 17-18

Supplementary Schedules of Professionals Fees 19-20

Supplementary Schedules of Trustee Fees and Expenses 21

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

8401 Greensboro Drive
Suite 800
McLean, VA 22102

Independent Auditor's Report

Trustee
Asbestos Settlement Trust
Wilmington, Delaware

Opinion

We have audited the special-purpose financial statements of the Asbestos Settlement Trust (the Trust) (a common law Trust originally created under the laws of the State of Florida), which comprise the special-purpose statements of assets, liabilities, and net assets available for the payment of claims as of December 31, 2021 and 2020, and the related special-purpose statements of changes in net assets available for the payment of claims and the 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 net assets of the Trust as of December 31, 2021 and 2020, and the changes in net assets and 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 draw attention to Note 2 of the special-purpose financial statements which describes the basis of accounting. As described in Note 2, the accompanying special-purpose financial statements were prepared in order to account for the amount of net assets presently available to fund current and future claims, which is a basis of accounting other than accounting principles generally accepted in the United States of America. As a result, the special-purpose financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

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, the accompanying special-purpose financial statements were prepared in order to account for the amount of net assets presently available to fund current and future claims, which is a basis of accounting other than accounting principles generally accepted in the United States of America. As a result, the special-purpose financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.



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

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.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14285/22

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.

BDO USA, LLP

McLean, Virginia
April 26, 2022

Special-Purpose Financial Statements

Asbestos Settlement Trust

Special-Purpose Statements of Assets, Liabilities and Net Assets Available for the Payment of Claims

December 31,	**2021**	2020
Assets		
Cash and cash equivalents	**$ 42,949,412**	$ 16,008,809
Investments, at fair value		
Equity investments	**151,932,615**	175,884,799
Investments in bonds	**258,776,029**	281,442,958
Investment in CX LLC	**486,182**	486,182
Interest and other receivables	**2,566,981**	2,942,558
Total assets	**456,711,219**	476,765,306
Liabilities		
Accrued personal injury claims, accrued expenses, and accounts payable	**2,183,800**	7,889,219
Total liabilities	**2,183,800**	7,889,219
Net assets available for the payment of claims	**$ 454,527,419**	$ 468,876,087

See accompanying notes to the special-purpose financial statements.

Asbestos Settlement Trust

Special-Purpose Statements of Changes in Net Assets Available for the Payment of Claims

Years Ended December 31,	**2021**	2020
Additions		
Interest and dividend income, net of amortization	**$ 9,458,116**	$ 10,079,877
Net realized gains and change in unrealized gains on investments	**16,867,642**	32,122,392
Other additions	**708**	90,064
Total additions	**26,326,466**	42,292,333
Deductions		
Personal injury claim payments and expenses	**34,938,514**	43,069,281
Operating expenses	**5,736,620**	5,406,724
Total deductions	**40,675,134**	48,476,005
Decrease in net assets available for the payment of claims	**(14,348,668)**	(6,183,672)
Net assets available for the payment of claims		
Beginning of the year	**468,876,087**	475,059,759
End of the year	**$ 454,527,419**	$ 468,876,087

See accompanying notes to the special-purpose financial statements.

Asbestos Settlement Trust

Special-Purpose Statements of Cash Flows

Years Ended December 31,	**2021**	2020
Cash flows from operating activities:		
(Decrease) increase in net assets available for the payment of claims	**$ (14,348,668)**	$ (6,183,672)
Adjustments to reconcile increase in net assets available for the payment of claims to net cash used in operating activities:		
Amortization of premium on investments, net	**2,684,317**	2,650,096
Net realized gain and change in unrealized gain on investments	**(16,867,642)**	(32,122,394)
Changes in operating assets and liabilities:		
Interest and other receivables	**375,577**	145,040
Accrued personal injury claims, accrued expenses and accounts payable	**(5,705,419)**	7,093,734
Net cash used in operating activities	**(33,861,835)**	(28,417,196)
Cash flows from investing activities:		
Distribution from CX LLC	**-**	3,861,002
Sales and maturities of bonds	**19,251,579**	76,415,103
Purchases of bonds	**(3,417,525)**	(62,380,753)
Sales of equity securities	**54,210,772**	25,418,520
Purchases of equity securities	**(9,242,388)**	(12,422,553)
Net cash provided by investing activities	**60,802,438**	30,891,319
Net increase in cash and cash equivalents	**26,940,603**	2,474,123
Cash and cash equivalents at the beginning of the year	**16,008,809**	13,534,686
Cash and cash equivalents at the end of the year	**$ 42,949,412**	$ 16,008,809

See accompanying notes to the special-purpose financial statements.

1. Description of the Trust

On October 12, 1990, The Celotex Corporation (Celotex Corp.) and its then wholly-owned subsidiary, Carey Canada Inc. (Carey Canada) (collectively, the Pre-Reorganized Companies), voluntarily filed petitions for reorganizing under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the Middle District of Florida, Tampa Division (the Bankruptcy Court). The filing of the petitions was precipitated by the Pre-Reorganized Companies' then potentially substantial present and future asbestos-related liabilities. On December 6, 1996, the Bankruptcy Court entered an order (the Confirmation Order) confirming the modified joint plan of reorganization (the Confirmed Plan) proposed and filed by the Pre-Reorganized Companies, the Asbestos Health Claimants Committee, the Legal Representative representing the interests of future asbestos bodily injury claimants, and the Trade Creditors Committee, and supported by the Asbestos Property Damage Claimants Committee. On March 4, 1997, the United States District Court for the Middle District of Florida adopted, issued and affirmed the Confirmation Order. The Confirmation Order has become final and cannot be appealed. The Confirmed Plan became effective on May 30, 1997 (the Effective Date or the Effective Date of the Plan of Reorganization).

The essential elements of the Confirmed Plan include, among other things: the utilization of a qualified settlement fund, in the form of the Asbestos Settlement Trust (the Trust), to assume all liabilities and obligations of the Pre-Reorganized Companies, in respect of all asbestos-related personal injury and property damage claims, both present and future (collectively, the Asbestos Claims), and to resolve, and provide for the payment in part or in full, of all Asbestos Claims in accordance with procedures established pursuant to the Confirmed Plan.

When formed, the Trust was funded with (a) cash received from Carey Canada, a wholly-owned subsidiary of Celotex Corp., (b) asbestos insurance recoveries as described in the "Significant Accounting Policies", (c) cash and investments from the Settlement Account, a segregated, custodial account at Bank of America Illinois, funded by Celotex Corp. and designated by order of the Bankruptcy Court dated March 30, 1995 as the Celotex Fund Recipient (as defined in the Veil Piercing Settlement Agreement), (d) 100% of the outstanding shares of reorganized Carey Canada common stock, (e) 100% of the outstanding shares of reorganized Celotex Corp. common stock, (f) promissory notes receivable from Celotex Corp., and (g) the Russellville Industrial Revenue Bond, contributed by JWC Holdings Corporation (JWC), the former parent of Celotex Corp., in consideration for the releases and injunctions described in the Confirmed Plan.

On August 1, 2016 Celotex Corp. signed a Plan of Distribution, the purpose of which was to effect the complete dissolution of Celotex Corporation in accordance with the applicable Delaware dissolution statutes.

Simultaneously, pursuant to the Plan of Distribution, the Trust caused CX LLC to be formed. CX LLC is a wholly owned subsidiary of the Trust and a disregarded entity for tax purposes. The Trust transferred all of its stock held in Celotex Corp. to CX LLC. The liquidating distributions made to CX LLC under the Plan of Distribution were made in exchange for all of the outstanding shares of the stock of Celotex Corp. held by CX LLC.

CX LLC now holds the equity interests of the subsidiaries formerly held by Celotex Corp.

The Trustee is responsible for supervising and administering the Asbestos Claims resolution process. The Trust will use its funding for Trust operations and for settlement of Asbestos Claims as defined in the Confirmed Plan.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14285/28

2. Significant Accounting Policies

Basis of presentation

The Trust's financial statements are prepared using special-purpose accounting methods adopted by the Trustee 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 assets available for the payment of claims and the 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:

- Assets are generally recorded as they are received by the Trust and are available for the payment of asbestos claims.

- Future fixed liabilities under contractual obligations and other agreements entered into by the Trust are recorded as deductions in the same period that such contractual obligations or agreements are signed. Under GAAP, liabilities and contractual obligations are recorded over the period that is benefited by the contract or agreement.

- The full amount of claims is expensed in the period in which the confirmed claims are settled.

- Under GAAP, a liability would be recorded for an estimate of the amount to be paid for claims that have been incurred but not yet reported, and for those claims that have been submitted but not yet approved for payment by the Trust.

- 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.

- Payments for property and equipment are expensed as incurred. Under GAAP, payments for fixed assets are capitalized and depreciated over the useful lives of the assets. During 2021 and 2020, there were no expenses related to purchases of property and equipment.

- The Trust's investment in CX LLC (formerly its investment in Celotex Corp.) is reported at the net book value of CX LLC, which is calculated as the fair value of cash and cash equivalents, and prepaids less the fair value of liabilities. Any changes in the value of the Trust's investment in CX LLC is recorded as a gain or loss in the accompanying special-purpose statements of changes in net assets available for the payment of claims. Cash contributions to CX LLC are recorded as an increase in the investment in CX LLC. Distributions to the Trust from CX LLC reduce the carrying value of the investment. Under GAAP, consolidated financial statements and related notes to the consolidated financial statements of the Trust and its wholly owned subsidiary would be presented.

- Income tax expense is estimated and recorded as incurred in the period in which certain income and expense items affect current federal income taxes payable. Under GAAP, the provision for income taxes is recorded based upon income reported for special-purpose

Published by AsbestosClaims.Law
asbestosclaims.law/library/14285/29

financial statement purposes, and federal income taxes both currently payable and changes in deferred taxes due to differences between financial reporting and tax bases of assets and liabilities. Under GAAP, deferred taxes include a provision for taxes attributable to changes in unrealized gains and losses on investments.

- The Trust does not record any asbestos insurance recoveries until the funds are received from the insurance carriers. These recoveries come from various insurance coverages obtained by Celotex Corp. covering, among other things, products and general liability claims. Future recoveries under such policies will inure to the Trust. Under GAAP, an asset would be recorded for an estimate of the amount to be received for insurance recoveries that are due to the Trust.

- The Trust records amortization of premium and accretion of discount on its investment securities under the straight-line method. Under GAAP, such amortization and accretion would be calculated under the effective interest (i.e., constant yield) method.

- Under GAAP, for financial statement disclosure purposes all investments would be categorized based on the priority of inputs used to measure fair value. Under GAAP, inputs used in measuring fair value are categorized into three levels. Level 1 includes inputs that are based upon quoted prices for identical instruments traded in active markets. Level 2 includes 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 includes 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 accompanying special-purpose financial statements do not categorize all investments into these levels.

- Under GAAP, disclosure is made about contractual maturities of investments in debt securities as of the date of the latest balance sheet presented. Such disclosures are not included in these special-purpose financial statements.

Use of estimates

The preparation of 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 disclosures 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 the net assets available for the payment of claims during the reporting period. Actual results could differ from those estimates and such differences could have a material effect on the net assets available for the payment of claims.

Cash and cash equivalents

The Trust considers all highly liquid instruments with original maturities of one month or less to be cash equivalents. The Trust maintains cash balances that may at times exceed federally insured limits. Cash balances are maintained at high-quality financial institutions and the Trust believes the

Published by AsbestosClaims.Law
asbestosclaims.law/library/14285/30

credit risk related to these cash balances is minimal. The Trust has not experienced any losses related to these balances.

Investments

Investment securities (including all bonds and equity investments) are stated at fair value based on quoted market prices for identical or similar instruments traded in active markets as of the date of the special-purpose financial statements with the changes in unrealized gains and losses recorded in the current period. The fair value of the investment in CX LLC is based on the value of its assets and liabilities as of the date of the special-purpose financial statements. Investment income is recognized when earned. Realized gains and losses on sales are determined using the specific identification method.

Accrued personal injury claims, accrued expenses and accounts payable

Accrued personal injury claims consist of certain personal injury claims that are settled but unpaid as of December 31, 2021 and 2020. Accrued expenses and accounts payable consist of legal accruals, as well as outstanding invoices associated with managing the Trust.

Operating and administrative expenses

Operating and administrative expenses of the Trust are paid from net assets available for the payment of claims when invoices are received.

Income taxes

The Trust is classified as a Qualified Settlement Fund pursuant to the Internal Revenue Code and Regulations thereunder (the Code). 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 the Trustees and advisors, 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 tax expense is estimated and includes amounts payable or receivable under current federal income taxes.

The Trust records income tax expense (or benefit) associated with amounts payable (or receivable) under current federal income taxes, and does not record a provision for (or benefit from) deferred taxes. Accordingly, there is no provision for deferred taxes associated with changes in cumulative unrealized gains and losses on investments (see Note 4). The income taxes associated with gains on investments will be recorded in the Trust's special-purpose financial statements when the net gains are realized (i.e. the securities are sold) and the taxes become currently payable.

The Trust is generally no longer subject to income tax examinations by the Internal Revenue Service for the years ended December 31, 2017 and prior.

Reclassifications

Certain amounts presented in the 2020 financial statements have been reclassified to conform to the 2021 presentation. These reclassifications have no effect on the previously recorded decrease in net assets available for the payment of claims.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14285/31

3. Related Parties

On November 1, 2006, the Trust became a member in a limited liability company under an agreement with four other Qualified Settlement Funds, contributing property and equipment valued at $132,193 as a capital contribution to this entity.

Effective January 1, 2007, this entity began processing all of the Trust's bodily injury claims.

During the years ended December 31, 2021 and 2020, the Trust incurred expenses of $1,707,939 and $1,924,674, respectively, for reimbursement of expenses paid by the entity on behalf of the Trust.

As of December 31, 2021 and 2020, $0 and $91,207, respectively, is due to the Trust from this entity, and is included in interest and other receivables on the accompanying special-purpose statements of assets, liabilities and net assets available for payment of claims.

4. Investments

Investment securities consist of the following at December 31, 2021:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
Equity	$ 79,542,254	$ 72,390,361	$ -	$ 151,932,615
Bonds	249,770,051	9,005,978	-	258,776,029
	$ 329,312,305	$ 81,396,339	$ -	$ 410,708,644

Investment securities consist of the following at December 31, 2020:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
Short-term bonds	$ 13,561,852	$ 147,712	$ -	$ 13,709,564
Equity	252,268,287	16,412,725	(947,618)	267,733,394
Bonds	111,617,233	64,510,012	(242,446)	175,884,799
	$ 377,447,372	$ 81,070,449	$ (1,190,064)	$ 457,327,757

The Trust invests in a professionally managed portfolio that contains U.S. and international equity securities, international equity funds, and municipal bonds. Such investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Trust's account balance and the amounts reported in the special-purpose statements of assets, liabilities and net assets available for the payment of claims and special-purpose statements of changes in net assets available for the payment of claims.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14285/32

Investment in CX LLC

On July 31, 2016, the Trust liquidated its investment in Celotex Corp. and transferred its interest to CX LLC. As of August 1, 2016, the CX LLC member unit investment represents a 100% ownership interest in CX LLC. The value of the Trust's investment in CX LLC (formerly Celotex Corp.) as of December 31, 2021 and 2020 consisted of cash and cash equivalents, marketable securities, and real estate. Marketable securities that CX LLC invests in include U.S. treasury obligations, bank obligations, tax exempt obligations, corporate obligations, and repurchase agreements. The value of real estate is based on the cost basis of the land plus development costs. Real estate is reviewed for impairment whenever events or changes in circumstances indicate the carry in amount may not be recoverable.

The following summarizes the financial information used to compute the value of the Trust's investment in CX LLC as of December 31:

		2021		2020
Cash and marketable securities	**$**	**262,398**	$	262,398
Other assets		**223,784**		223,784
Net estimated value of investment	**$**	**486,182**	$	486,182

During the year ended December 31, 2020, the Trust received a distribution from CX LLC in the amount of $3,861,002. This distribution reduced the carrying value of the investment in CX LLC. There was no distribution made during the year ended December 31, 2021. Accordingly, there has been no change in the estimated value of the Trust's investment in CX LLC.

5. Income Taxes

During the years ended December 31, 2021 and 2020, the Trust paid no income taxes and recorded no income tax expense.

On December 22, 2017, Congress passed the Tax Cuts and Jobs Act (the 2017 Tax Act) which modified the rules regarding the usability of certain net operating losses for the Trust beginning on January 1, 2018. Under the 2017 Tax Act, the Trust's net operating losses generated prior to January 1, 2018, are available to offset future taxable income and will expire, if not utilized, on various dates through 2037. Net operating loss carryforwards generated after January 1, 2018, do not expire but can only be used to offset up to 80% of taxable income in future years as part of the 2017 Tax Act. In addition, there are no net operating loss carryback provisions under the 2017 Tax Act.

On March 27, 2020, the President of the United States signed into law the "Coronavirus Aid, Relief and Economic Security (CARES) Act". The CARES Act, among other things, includes provisions for an elective five-year carryback of net operating losses (NOLs) generated in taxable years beginning after December 31, 2017 and before January 1, 2021. Taxpayers may elect to relinquish the entire five-year carryback period with respect to a particular year's NOL, with the election being irrevocable once made. In addition, the 80% limitation on NOL deductions arising in taxable years beginning after December 31, 2017, has temporarily been pushed to taxable years beginning after December 31, 2020.

As of December 31, 2021, the Trust has net operating losses totaling approximately $32,075,000, which were generated prior to January 1, 2018, and are scheduled to expire at various dates through 2037. As of December 31, 2021, the Trust has net operating losses totaling approximately $3,420,000, respectively, which were generated after January 1, 2018 and may be used to reduce future taxable income.

As of December 31, 2021, the Trust does not have any net capital loss carryforwards available to offset future capital gains. Capital loss carryforwards created after January 1, 2018, may be carried back for three years and carried forward for five years. Capital loss carrybacks and carryforwards cannot create a net operating loss.

Additionally, as of December 31, 2021, the estimated deferred tax liability associated with unrealized gains on investments is approximately $30,100,000. As of December 31, 2020, the estimated deferred tax liability associated with unrealized gains on investments is approximately $29,600,000.

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

6. Contingent Liabilities

The Trust has entered certain reimbursement and indemnification agreements in the Plan Documents (as defined in the Confirmed Plan), including, but not limited to, the Agreement Regarding Disputed Claims, the Affiliate Asset Purchase Agreements, and the Tax Cooperation and Indemnification Agreements. These agreements could 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.

Substantial third-party claims have been asserted against Celotex Corp. for which the Trust may be contingently liable. It is presently not possible to determine the extent, if any, of the Celotex Corp's liability which might arise as a result thereof.

7. Liability for Asbestos Claims

The ultimate number of Asbestos Claims to be filed and the liability for all such claims is not determinable at this time. Net assets available for the payment of claims at December 31, 2021 and 2020 represents funding available for all Asbestos Claims for which no fixed liability has yet been established. Net assets available for the payment of claims at December 31, 2021 and 2020 may or may not be sufficient to meet all future obligations of the Trust.

8. Trustee's Liability Insurance

The Trust purchased the Trustee's liability insurance for premiums of $185,915 in 2021 and 2020. The current policy term is May 30, 2021, to May 30, 2022. The Trust's accounting policy is to expense in the current period any amounts which will not be available to pay future Asbestos Claims or

Published by AsbestosClaims.Law
asbestosclaims.law/library/14285/34

expenses of the Trust. Accordingly, amounts of $185,915 were recorded as deductions in net assets available for payments of claims in 2021 and 2020.

9. Trustee and Trust Advisors

The Trustee is required to provide notice, to consult, or obtain the consent of the Trustees' Advisory Committee (the TAC), the Legal Representative, the Property Damage Advisory Committee (the PDAC) or the Property Damage Claims Administrator (the PDCA) in various matters as detailed in the First Amended and Restated Asbestos Settlement Trust Agreement, the Asbestos Settlement Trust First Amended and Restated Bylaws, the Second Amended and Restated Asbestos Personal Injury Claims Resolution Procedures, the Third Amended and Restated Asbestos Property Damage Claims Resolution Procedures, the Fourth Amended and Restated Asbestos Personal Injury Claims Resolutions Procedures, and the Fifth Amended and Restated Asbestos Personal Injury Claims Resolutions Procedures.

Fees and expenses of the Trustee and trust advisors for 2021 and 2020 were as follows:

	2021		
	Fees	**Expenses**	**Total**
Trustee	**$ 125,800**	**$ -**	**$ 125,800**
Trustee's Advisory Committee	**32,035**	**-**	**32,035**
Legal representative	**23,276**	**8**	**23,284**
	$ 181,111	**$ 8**	**$ 181,119**

	2020		
	Fees	Expenses	Total
Trustee	$ 124,450	$ -	$ 124,450
Trustee's Advisory Committee	10,297	-	10,297
Legal representative	7,472	113	7,585
	$ 142,219	$ 113	$ 142,332

The above amounts are included in operating expenses in the special-purpose statements of changes in net assets available for the payment of claims for the years ended December 31, 2021 and 2020.

10. COVID-19

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.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14285/35

The COVID-19 pandemic has greatly contributed to significant volatility in financial markets through the date of issuance of these consolidated special-purpose financial statements. In addition, the COVID-19 pandemic has impacted the operational and logistical processes of organizations. The Trustees, Trust advisors, and management of the Trust continue to monitor 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.

11. Subsequent Events

The Trust has evaluated its December 31, 2021 special-purpose financial statements for subsequent events through April 26, 2022, 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.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14285/36

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

Trustee
Asbestos Settlement Trust
Wilmington, Delaware

Our audits 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 special-purpose financial 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

April 26, 2022

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

Asbestos Settlement Trust

Supplementary Schedule of Operating Expenses

Year Ended December 31, 2021

Professional fees (see Supplementary Schedule of Professional Fees)		$ 1,956,516
General and administrative		
Investment advisory and custodial fees - Brown Brothers	$ 244,861	
Investment advisory fees - Cambridge & Associates	212,600	
Investment advisory fees - Goldman Sachs	216,789	
Investment advisory fees – Johnson Equity	235,703	
Investment advisory fees - John W. Bristol	177,644	
Investment advisory fees - McDonald Capital	295,999	
Investment advisory fees – Sanderson	304,728	
Other administrative expenses	16,807	1,705,131
Trustee fees and expenses (see Supplementary Schedule of Trustee Fees and Expenses)		125,800
TAC attorney fees		
Caplin & Drysdale/attorney fees		32,035
Legal representative fees and expenses		
Young, Conaway, Stargatt & Taylor/fees	23,276	
Young, Conaway, Stargatt & Taylor/expenses	8	23,284
Trustee liability insurance		185,915
Facility usage expenses		1,707,939
Total operating expenses		$ 5,736,620

Asbestos Settlement Trust

Supplementary Schedule of Operating Expenses

Year Ended December 31, 2020

Professional fees (see Supplementary Schedule of Professional Fees)			$ 1,514,587
General and administrative			
Investment advisory and custodial fees - Brown Brothers	$ 250,722		
Investment advisory fees - Cambridge & Associates	212,600		
Investment advisory fees - Goldman Sachs	217,452		
Investment advisory fees – Johnson Equity	201,859		
Investment advisory fees - John W. Bristol	158,444		
Investment advisory fees - McDonald Capital	290,785		
Investment advisory fees – Sanderson	290,258		
Other administrative expenses	17,096		1,639,216
Trustee fees and expenses (see Supplementary Schedule of Trustee Fees and Expenses)			124,450
TAC attorney fees			
Caplin & Drysdale/attorney fees			10,297
Legal representative fees and expenses			
Young, Conaway, Stargatt & Taylor/fees	7,472		
Young, Conaway, Stargatt & Taylor/expenses	113		7,585
Trustee liability insurance			185,915
Facility usage expenses			1,924,674
Total operating expenses			$ 5,406,724

Published by AsbestosClaims.Law
asbestosclaims.law/library/14285/40

Asbestos Settlement Trust

Supplementary Schedule of Professional Fees

Year Ended December 31, 2021

Accounting		
Accounting/audit	$	77,400
Accounting/taxes		13,880
Accounting/other		54,120
Subtotal accounting		145,400
Legal fees		
General		
Bush Ross, P.A		11,090
Hill & Knowlton Strategies		17,355
Keating, Muething & Klekamp		690,011
Other		536,622
Subtotal legal fees		1,255,078
Other professional fees (general)		
Ankura Consulting		556,038
Subtotal other professional fees (general)		556,038
Total professional fees	$	1,956,516

Asbestos Settlement Trust

Supplementary Schedule of Professional Fees

Year Ended December 31, 2020

Accounting		
Accounting/audit	$	87,400
Accounting/taxes		17,030
Accounting/other		48,568
Subtotal accounting		152,998
Legal fees		
General		
Bush Ross, P.A		6,417
Keating, Muething & Klekamp		509,470
Other		555,124
Subtotal legal fees		1,071,011
Other professional fees (general)		
Ankura Consulting		290,826
Other professional fees		(248)
Subtotal other professional fees (general)		290,578
Total professional fees	$	1,514,587

Published by AsbestosClaims.Law
asbestosclaims.law/library/14285/42

Asbestos Settlement Trust

Supplementary Schedules of Trustee Fees and Expenses

	2021 Trustee Fees and Expenses			
	Per Annum	**Hourly Fees**	**Out-of Pocket Expenses**	**Total Payments**
Sharon Meadows	**$ 75,000**	**$ 50,800**	**$ -**	**$ 125,800**

	2020 Trustee Fees and Expenses			
	Per Annum	Hourly Fees	Out-of Pocket Expenses	Total Payments
Sharon Meadows	$ 75,000	$ 49,450	$ -	$ 124,450

Trustee fees and expenses accrued and unpaid at December 31, 2021 and 2020 are included in accrued expenses and accounts payable in the special-purpose statements of assets, liabilities and net assets available for the payment of claims.

Exhibit 2

Celotex Asbestos Settlement Trust
Summary of Claims Disposed - 2021
Personal Injury and Property Damage

Month	DCP Paid Claims 2021		IRC Second Payments Paid in 2021		IRC Full Payments Paid in 2021		Additional Payments for Increase in Payment Tables	Total PI Claims Paid 2021	
	Amount	# of Claims	Amount	# of Claims	Amount	# of Claims	Amount	Amount	# of Claims
Jan	$358,530	180	$0	-	$2,250,658	748		$ 2,609,188	928
Feb	$346,900	165	$0	-	$2,158,606	892		$ 2,505,506	1,057
Mar	$485,850	243	$0	-	$2,005,386	640		$ 2,491,236	883
Apr	$0	-	$0	-	$0	-		$ -	-
May	$644,470	355	$0	-	$1,940,254	612	$ 6,818,658	$ 9,403,382	967
Jun	$790,990	317	$0	-	$3,777,803	1,193		$ 4,568,793	1,510
Jul	$868,790	273	$0	-	$3,191,017	910		$ 4,059,807	1,183
Aug	$748,165	344	$0	-	$2,682,884	851		$ 3,431,049	1,195
Sep	$699,155	308	$0	-	$2,538,971	758		$ 3,238,126	1,066
Oct	$643,820	246	$0	-	$2,275,385	718		$ 2,919,205	964
Nov	$462,210	209	$0	-	$2,246,239	629		$ 2,708,449	838
Dec	$719,285	240	$0	-	$2,037,797	506		$ 2,757,082	746
Totals	**$ 6,768,165**	**2,880**	**$ -**	**-**	**$ 27,105,000**	**8,457**	**$ 6,818,658**	**$ 40,691,823**	**11,337**

Month	PD First Payments Paid in 2021		PD Second Payments Paid in 2021		PD Settlements Paid in 2021		Total PD Claims Paid in 2021		Totals PI and PD Claims Paid in 2021	
	Amount	# of Claims	Amount	# of Claims	Amount	# of Claims	Amount	# of Claims	Amount	# of Claims
Jan	$ -	-	$ -	-	$ -	-	$ -	-	$ 2,609,188	928
Feb	$ -	-	$ -	-	$ -	-	$ -	-	$ 2,505,506	1,057
Mar	$ -	-	$ -	-	$ -	-	$ -	-	$ 2,491,236	883
Apr	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-
May	$ -	-	$ -	-	$ -	-	$ -	-	$ 9,403,382	967
Jun	$ -	-	$ -	-	$ -	-	$ -	-	$ 4,568,793	1,510
Jul	$ -	-	$ -	-	$ -	-	$ -	-	$ 4,059,807	1,183
Aug	$ -	-	$ -	-	$ -	-	$ -	-	$ 3,431,049	1,195
Sep	$ -	-	$ -	-	$ -	-	$ -	-	$ 3,238,126	1,066
Oct	$ -	-	$ -	-	$ -	-	$ -	-	$ 2,919,205	964
Nov	$ -	-	$ -	-	$ -	-	$ -	-	$ 2,708,449	838
Dec	$ -	-	$ -	-	$ -	-	$ -	-	$ 2,757,082	746
Totals	**$ -**	**-**	**$ -**	**-**	**$ -**	**-**	**$ -**	**-**	**$ 40,691,823**	**11,337**

Exhibit 3

ASBESTOS SETTLEMENT TRUST

INVESTMENT GUIDELINES FOR THE ASBESTOS SETTLEMENT TRUST

December 2012 (Revised)

1. The asset allocation for the Trust portfolio is as follows:

Asset Class	**% of Portfolio**
Bonds	65.0%
U.S. Equity	20.0%
Non-U.S. Equity	15.0%
Total Portfolio	100.0%

   a. The bond portfolio exists to provide short-term and intermediate-duration bonds given the length of the expected liability stream of the Trust. Given the current tax rate of the Trust, the portfolio will largely be invested in municipal bonds, but managers have the ability on an opportunistic basis to attain higher yield through taxable securities.

   b. The equity allocation exists to attain long-term capital appreciation, given the projected existence of the Trust. Historically, equities have outperformed bonds in attained long-term capital appreciation.

      i. The equity portfolio is structured to have exposure to both a growth and value style of investing to provide the necessary diversification in this portfolio.

      ii. In addition, the equity portfolio is broadly diversified across economic sectors and securities to provide additional diversification and reduce portfolio risk.

      iii. The equity portfolio is prohibited from holding any securities whose primary revenue derives from tobacco or tobacco-related products.

2. The portfolio will be monitored monthly by Cambridge Associates, and Cambridge Associates will communicate to the Trustees on their monthly call as to whether or not the portfolio requires asset allocation adjustments toward the target allocation as outlined above. Asset allocation adjustments are contingent on cash flow needs and market values and conditions.

3. Individual investment managers are subject to their individual manager guidelines, with respect to investment objective, benchmark, allowable securities, credit quality requirements (if applicable), and concentration limits.

4. Investments for the Account shall be subject to the following restrictions as stated in the Trust Agreement:

   a. The Adviser shall not acquire for the Account equity in any entity or other business enterprise if, immediately following such acquisition, the Account would hold more than 5% of the equity in such entity or business enterprise. The Account shall not hold, directly or indirectly, more than 10% of the equity in any entity or business enterprise.

b. The Account shall not acquire or hold any long-term debt securities unless such securities are rated "Baa category" or higher by Moody's, "BBB category" or higher by S&P or have been given an equivalent investment grade rating by another nationally recognized statistical rating service, or have been issued or fully guaranteed as to principal and interest by the United States or any agency thereof.

c. The Account shall not acquire or hold for longer than 90 days any commercial paper unless such paper is rated "Prime-1" or higher by Moody's or "A-1" or higher by S&P or has been given an equivalent rating by another nationally recognized statistical rating agency.

d. The Account shall not acquire or hold any preferred stock unless such preferred stock is rated "AA category" or higher by Moody's or "A category" or higher by S&P or has been given an equivalent rating by another nationally recognized statistical rating agency.

e. The Account shall not acquire or hold any certificates of deposit unless all publicly held, long-term debt securities, if any, of the financial institution issuing the certificate of deposit and the holding company, if any, of which such financial institution is a subsidiary, meet the standards set forth in Item 2 above.

f. The Account shall not acquire or hold any repurchase obligations unless, in the opinion of the Adviser, they are adequately collateralized.

g. The Account shall not acquire or hold any options.

h. The Account shall not acquire or hold emerging market debt.

i. The following is not permitted: leverage (excludes futures transactions as defined above), reverse repurchase agreements; short-selling (except with respect to shorts against the box, and futures).

j. Trading with affiliated broker/dealers is not permitted.

k. Client has the right to advise Adviser at any time of any further restrictions applicable to the investments of and for the Account, and Adviser will thereafter abide by such restrictions in the management of the Account upon written notification by the Client to the Adviser.

5. The Manager will report the following information each month to the Trustees and to Cambridge Associates, Inc.: total return net of all commissions and fees; additions to, and withdrawls from, the Portfolio; current holdings at cost and market; and purchases and sales for the quarter. On an annual basis, the Manager will provide the Trustees with an audited and certified financial statement of the Manager's firm.

6. The Manager is required to inform the Trustees of any material change in fundamental investment philosophy or investment process, ownership, organizational structure, professional personnel, or Portfolio structure.

Exhibit 4

Celotex Asbestos Settlement Trust
Asset Allocation & Asset Class Returns (Net)
As of December 31, 2021

Asset Class	Assets $	% of Managed Assets	% of Total Assets	Total Return 12/31/20-12/31/21	Total Return Annualized Since Inception
U.S. Equity	93,131,201	21.2%	20.4%	22.1 %	9.6 %
Non-U.S. Equity	63,169,864	14.4%	13.9%	4.2 %	5.6 %
U.S. Bonds	283,177,075	64.4%	62.1%	0.8 %	3.5 %
Total Managed Assets	**439,478,139**	**100.0%**	**96.4%**	5.7 %	5.0 %
Cash	16,436,702	3.7%	3.6%	0.0 %	0.6 %
Total Assets	**455,914,842**		**100.0%**	5.5 %	4.8 %

Note: Bonds are tax-exempt bonds and returns shown are not adjusted to reflect pre-tax equivalent return.

Celotex Asbestos Settlement Trust Asset Allocation as of December 31, 2021

