UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF NORTH CAROLINA
CHARLOTTE DIVISION

In re	§	**Chapter 11**
KAISER GYPSUM COMPANY, INC., *et al.*	§	**Case No. 16-31602 (JCW)**
Debtors.	§	**(Jointly Administered)**

ANNUAL REPORT, FINANCIAL STATEMENTS AND CLAIMS SUMMARY OF THE KAISER GYPSUM ASBESTOS PERSONAL INJURY TRUST FOR FISCAL YEAR ENDED DECEMBER 31, 2022

David F. Levi (the ***"Trustee"***), as Trustee of the Kaiser Gypsum Asbestos Personal Injury Trust (the ***"Trust"***), respectfully files this Annual Report, Financial Statements and Claims Summary for Fiscal Year Ended December 31, 2022 (the ***"Report"***), pursuant to the Third Amended Joint Plan of Reorganization of Kaiser Gypsum Company, Inc. and Hanson Permanente Cement, Inc. (the ***"Plan"***) and the Kaiser Gypsum Asbestos Personal Injury Trust Agreement (the ***"Trust Agreement"***).

I. General

On September 30, 2016, Kaiser Gypsum Company, Inc. and Hanson Permanente Cement, Inc. (the ***"Debtors"***) filed a petition for relief under Chapter 11 of the United States Bankruptcy Code. The Debtors' respective bankruptcy cases are jointly administered under Case No. 16-31602. On September 28, 2020, the United States Bankruptcy Court for the Western District of North Carolina—Charlotte Division (the ***"Bankruptcy Court"***) entered its Order Recommending Entry of Proposed Findings of Fact and Conclusions of Law and Order Confirming Joint Plan of Reorganization. On July 28, 2021, the United States District Court for the Western District of North Carolina—Charlotte Division (the ***"District Court"***) adopted the Bankruptcy Court's

Kaiser Gypsum Asbestos Trust Annual Reports, 2022 annual report
ACL Doc 13965 · Page 1 of 24
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recommendation and entered its Order Confirming the Joint Plan of Reorganization of Kaiser Gypsum Company, Inc. and Hanson Permanente Cement, Inc., As Modified.

To address the asbestos-related liabilities of the Debtors, the Plan established the Trust in accordance with the Trust Agreement. On August 12, 2021, the Effective Date of the Plan, the Trust was created and funded with over $49 million in cash and a Secured Non-Recourse Payment Note in the amount of $1 million. The Debtors also transferred their rights to insurance proceeds from certain Asbestos Insurance Policies, including any settlement agreements made in connection with Asbestos Claims. Finally, the Debtors transferred certain rights related to the "Phase I Claims," as defined in the Plan. In February 2022, the Phase I Claims were resolved, resulting in a $12,000,000 payment to the Trust.

The Trustee of the Trust during 2022 was David F. Levi. The Trust's principal office is at 1100 North Market Street, Wilmington, DE 19890, and its administrative office is at c/o Stutzman Bromberg Esserman and Plifka, P.C., 2323 Bryan Street, Suite 2200, Dallas, TX 75201, Attn: Sander L. Esserman.

In 2022, the Trust continued its retention of the following professionals and advisors: Stutzman, Bromberg, Esserman & Plifka, A Professional Corporation (general counsel); Anderson Kill, P.C. (insurance coverage counsel); CBIZ (accounting and tax advisors); Verus, LLC (claims processor); Morgan Stanley (asset manager and advisor); AON Corporation (insurance agent); Epiq Mass Tort (MMSEA reporting advisor); and Ankura Consulting Group, LLC (claims consultant). In 2022, the independent auditors previously retained by the Trust, BKM Sowan Horan, merged with and became CohnReznick LLP. The Trust retained CohnReznick LLP after such merger, and the same accounting personnel that previously provided services to the Trust continue to provide auditing services under that retention. The Trustee usually held weekly Trust

meetings throughout 2022 by telephone or Zoom. The Trust's general counsel, Stutzman, Bromberg, Esserman & Plifka, PC, serves as the custodian of Trust records.

In 2022, the Trust (i) invested and managed its assets; (ii) maintained the Trust's website, kaisergypsumtrust.org; (iii) developed accounting and auditing functions for the Trust; (iv) conducted due diligence related to claims data and forecasts of the Trust's liability for Asbestos Personal Injury Claims; (v) maintained appropriate liability insurance policies covering the Trustee, the members of the TAC and the FCR; and (vi) performed all functions required for Trust governance, including maintaining the Trust's books and records and approval of the budget for fiscal year 2022. The Trustee has performed pursuant to and in compliance with the Plan, the Trust Agreement, and the TDP in all matters pertaining to the operation of the Trust during the fiscal year ended December 31, 2022.

II. Asbestos Personal Injury Claims

In 2022, the Trust developed Claims Materials for Insured Asbestos Claims, including a Trust claim form, filing instructions and a form release agreement. Such Claims Materials for Insured Asbestos Claims were submitted to and approved by the TAC and the FCR in accordance with the TDP. The Trust began accepting claims on October 10, 2022. As of December 31, 2022, there were 288 Insured Asbestos Claims added to the FIFO Processing Queue and an additional 434 Insured Asbestos Claims that were submitted to the Trust but that were not sufficiently complete to be added to the FIFO Processing Queue. There have been no Uninsured Asbestos Claims filed with the Trust.

In 2022, the Trust also completed its due diligence for purposes of determining an appropriate Payment Percentage, and on November 22, 2022, it submitted its proposal to the TAC and the FCR for their consent in accordance with Section 2.3 of the TDP. As of December 31,

Kaiser Gypsum Asbestos Trust Annual Reports, 2022 annual report
ACL Doc 13965 · Page 3 of 24
Published by AsbestosClaims.Law
asbestosclaims.law/library/13965/3

2022, both the TAC and the FCR were still in the process of conducting their own due diligence on the Trust's proposed Payment Percentage.[1] Therefore, as of December 31, 2022, the Trust had not begun placing claims into the FIFO Payment Queue, and there is therefore no claims payment data to provide the Court with this Report.

III. Financial Statements

A copy of the Trust's audited financial statements for the year ending December 31, 2022, including a balance sheet as of December 31, 2022 and a statement of operations for 2022, is attached hereto as Exhibit A. Exhibit A also includes CohnReznick LLP's opinion 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 special purpose accounting methods.

Respectfully submitted this 25th day of April 2023.

STUTZMAN, BROMBERG, ESSERMAN & PLIFKA, P.C.

By *__/s/ Sander L. Esserman_____*

SANDER L. ESSERMAN
State Bar No. 06671500
CLINT L. TAYLOR
State Bar No. 24042008

2323 Bryan Street, Suite 2200
Dallas, TX 75201-2689
(214) 969-4900 – Telephone
(214) 969-4999 – Facsimile

ATTORNEYS FOR THE KAISER GYPSUM ASBESTOS PERSONAL INJURY TRUST

[1] Both the TAC and the FCR consented to the Trust's proposed Payment Percentage in early 2023.

CERTIFICATE OF SERVICE

The undersigned certifies that on the 25th day of April 2023, the foregoing Annual Report, Financial Statements and Claims Summary of Kaiser Gypsum Asbestos Personal Injury Trust for Fiscal year Ended December 31, 2022 was served via ECF on all those parties receiving such notice through the Court's CM/ECF system.

/s/ Sander L. Esserman
SANDER L. ESSERMAN

Kaiser Gypsum Asbestos Trust Annual Reports, 2022 annual report
ACL Doc 13965 · Page 5 of 24
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EXHIBIT A

Kaiser Gypsum Asbestos Personal Injury Trust

Special-Purpose Financial Statements and Independent Auditor's Report

December 31, 2022 and 2021

CohnReznick
ADVISORY • ASSURANCE • TAX

Kaiser Gypsum Asbestos Personal Injury Trust

Index

	Page
Independent Auditor's Report	2
Special-Purpose Financial Statements	
Special-Purpose Statements of Net Claimants' Equity	5
Special-Purpose Statements of Changes in Net Claimants' Equity	6
Special-Purpose Statements of Cash Flows	7
Notes to Special-Purpose Financial Statements	8

Independent Auditor's Report

To the Trustee of
Kaiser Gypsum Asbestos Personal Injury Trust

Opinion

We have audited the accompanying special-purpose financial statements of the Kaiser Gypsum Asbestos Personal Injury Trust (the "Trust", organized in the State of Delaware), which comprise the special-purpose statement of net claimants' equity as of December 31, 2022, and the related special-purpose statements of changes in net claimants' equity and cash flows 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 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 and cash flows for the year then ended in conformity with the 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. 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 equity presently available to fund current and future claims. 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 period from August 12, 2021 (date of formation) to December 31, 2021, were audited by another auditor, whose report dated April 17, 2022, expressed an unmodified opinion on those statements that 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 communicate the amount of equity presently available to fund current and future claims.

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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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 District of Delaware ("Bankruptcy Court") and is not intended to be and should not be used by anyone other than these specified parties. Upon filing with the Bankruptcy Court, the report is a matter of public record, which public filing does not expand the list of specified users.

CohnReznick LLP

Dallas, Texas
April 11, 2023

Kaiser Gypsum Asbestos Personal Injury Trust

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

Assets

	2022	2021
Cash and cash equivalents	$ 3,776,628	$ 18,364,701
Investments, net	49,792,051	30,606,512
Note receivable	1,000,000	1,000,000
Accrued investment income	283,640	60,073
Prepaid expenses	38,803	38,803
Total assets	$ 54,891,122	$ 50,070,089

Liabilities and Net Claimants' Equity

Accounts payable	$ 105,073	$ 76,911
Net claimants' equity	54,786,049	49,993,178
Total liabilities and net claimants' equity	$ 54,891,122	$ 50,070,089

See Notes to Special-Purpose Financial Statements.

Kaiser Gypsum Asbestos Personal Injury Trust

Special-Purpose Statements of Changes in Net Claimants' Equity
Year Ended December 31, 2022 and
For the Period from August 12, 2021 (Date of Formation) to December 31, 2021

	2022	2021
Additions		
Trust funding (Note 1)	$ 12,000,000	$ 50,334,258
Investment income (loss), net		
Interest and dividends, net	1,739,351	313,227
Realized gain (loss) on investments, net	(3,598,915)	21,565
Unrealized gain (loss) on investments, net	(3,898,359)	207,769
Total additions	6,242,077	50,876,819
Deductions		
Investment advisory fees	123,588	64,993
Claims processing fees	57,516	-
Claims consulting fees	75,317	-
General and administrative expenses		
Trustee	210,027	92,778
Insurance	63,495	24,693
Accounting	131,622	34,302
Other	4,000	7,500
Professional services		
Trust general counsel	412,506	415,818
Trust litigation, insurance and other counsel	284,241	185,743
TAC attorney fees and expenses	45,887	45,287
Future claims rep and related counsel fees	41,007	12,527
Total deductions	1,449,206	883,641
Net increase in net claimants' equity	4,792,871	49,993,178
Net claimants' equity, beginning of period	49,993,178	-
Net claimants' equity, end of period	$ 54,786,049	$ 49,993,178

See Notes to Special-Purpose Financial Statements.

Kaiser Gypsum Asbestos Personal Injury Trust

Special-Purpose Statements of Cash Flows
Year Ended December 31, 2022 and
For the Period from August 12, 2021 (Date of Formation) to December 31, 2021

	2022	2021
Cash inflows		
Trust funding	$ 12,000,000	$ 49,334,258
Investment income receipts	1,639,791	273,474
Proceeds from sale of investments	10,891,053	29,941,325
Total cash inflows	24,530,844	79,549,057
Cash outflows		
Payment of operating expenses	(1,421,044)	(845,533)
Purchase of investments	(37,697,873)	(60,338,823)
Total cash outflows	(39,118,917)	(61,184,356)
Net change in cash and cash equivalents	(14,588,073)	18,364,701
Cash and cash equivalents, beginning of period	18,364,701	-
Cash and cash equivalents, end of period	$ 3,776,628	$ 18,364,701
Supplemental schedule of non-cash activities		
Funding at inception through note receivable	$ -	$ 1,000,000
Change in unrealized gain (loss) on investments	$ (3,898,359)	$ 207,769

See Notes to Special-Purpose Financial Statements.

Kaiser Gypsum Asbestos Personal Injury Trust

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

Note 1 - Nature of trust

Description

The Kaiser Gypsum Asbestos Personal Injury Trust (the "Trust") is a Qualified Settlement Fund ("QSF") within the meaning of Treasury Department regulations issued pursuant to Section 468B of the Internal Revenue Code (the "Code"). The Trust was established on August 12, 2021 (the "Effective Date") by execution of the Kaiser Gypsum Asbestos Personal Injury Trust Agreement (the "Trust Agreement") pursuant to the Third Amended Joint Plan of Reorganization (the "Plan") of Kaiser Gypsum Company, Inc. and Hanson Permanente Cement, Inc. (collectively the "Debtors").

The purpose of the Trust is to assume certain liability and responsibility for Asbestos Claims, and, among other things, to:

a) direct the processing, liquidation and payment of Asbestos Claims in accordance with the Plan, the Trust Agreement, the Kaiser Gypsum Asbestos Personal Injury Trust Distribution Procedures (the "TDP") and the Confirmation Order (collectively, the "Trust Documents");

b) preserve, hold, manage, and maximize the assets of the Trust for use in paying and satisfying Asbestos Claims, including Uninsured Asbestos Claims and the deductible portion of Insured Asbestos Claims; and

c) qualify at all times as a qualified settlement fund under the QSF Regulations.

The Trust is to use its assets and income to pay holders of Asbestos Claims in accordance with the Trust Documents in such a way that such holders of Asbestos Claims are treated fairly, equitably, and reasonably in light of the assets available to satisfy such claims, and to otherwise comply with the requirements of a trust set forth in section 524(g)(2)(B) of the Bankruptcy Code. Certain aspects of Trust administration shall be conducted in consultation with the Trust Advisory Committee (the "TAC") and the Future Claimants' Representative (the "FCR") as provided in the Trust Documents.

TDP

The TDP sets forth procedures that allow claimants with Insured Asbestos Claims to pursue their Insured Asbestos Claims against the Debtors (in name only) in the relevant tort system in order to obtain the benefit of insurance coverage under the Asbestos Insurance Policies, then, following resolution of such Insured Asbestos Claims by the applicable Asbestos Insurer(s), to seek payment from the Trust of the deductible portion of the Insured Asbestos Claim.

Debtors ultimately have no liability for any judgments or settlements arising out of the tort system for Insured Asbestos Claims as such judgments or settlements will be covered by the applicable Asbestos Insurance Policies and the deductible portion of such Insured Asbestos Claims will be recoverable from the Trust in most instances. In the event that all applicable Asbestos Insurers reject or refuse to defend or pay an Insured Asbestos Claim, the TDP sets forth procedures that allow a claimant to pursue and obtain a judgment against the Debtors in the tort system, then to pursue payment of such judgment against the applicable Asbestos Insurer(s) and/or, to the extent such claim was denied as a result of Debtors' failure to satisfy the Asbestos Insurer Cooperation Obligations, to pursue payment of such judgment against the Debtors. In the event that such a claimant prevails in obtaining a judgment against either the applicable Asbestos Insurer(s) or the Debtors, then the claimant may seek payment from the Trust of the deductible portion of the Insured Asbestos Claim. Deductible amounts will generally range from $5,000 to $100,000, depending on the policy period in which a claim accrued. The TDP further sets forth procedures that allow claimants with claims that are Uninsured Asbestos Claims (i.e., claims that accrued outside

the coverage period of all applicable Asbestos Insurance Policies) to submit their claims directly to the Trust. Uninsured Asbestos Claims were rarely asserted Pre-Petition, and it is not expected that a significant number of Uninsured Asbestos Claims will be asserted against the Trust. All compensable Asbestos Claims submitted to the Trust shall be processed and paid by the Trust on an impartial, first-in first out basis, subject to the applicable Payment Percentage and other limitations and requirements imposed by the Trust Documents. It is the intention of the Trust to pay all claimants with compensable claims over time as equivalent a share as possible of the value of their Asbestos Claims; provided, however, that punitive or exemplary damages (i.e., damages other than compensatory damages) shall not be considered or paid by the Trust, notwithstanding that they may be available or awarded in the tort system.

Funding
On the Effective Date, the Debtors transferred to the Trust an aggregate of approximately $49,334,258 in cash and a secured non-recourse payment note in the amount of $1,000,000. The Debtors also transferred their rights to insurance proceeds from certain Asbestos Insurance Policies, including any settlement agreements made in connection with Asbestos Claims. Finally, the Debtors transferred certain rights related to the Phase 1 Claims (as defined by the Plan). The Phase I Claims were subsequently settled in February 2022, resulting in an additional $12,000,000 payment to the Trust.

Payment percentage
The initial Payment Percentage for all claims, or portions of claims, was not established during the reporting periods. The Payment Percentage will be set by the Trustee with the consent of the TAC and the FCR after the Trustee receives an expert report estimating future claims, as well as future expenses and revenues. The Payment Percentage may be adjusted upwards or downwards from time to time by the Trust with the consent of the TAC and the FCR to reflect the current estimate of the Trust's assets and liabilities. Because there is uncertainty in the prediction of both the total amount of the Trust's asbestos-related liabilities and the value of the Trust's assets over time, no guarantee can be made of any particular payment percentage that will be applicable to a payment on any Asbestos Claim.

Claim resolution
Insured asbestos claims
Claimants holding unliquidated Insured Asbestos Claims must sue the Debtors (in name only) in the applicable tort system to obtain the benefit of insurance coverage under the applicable Asbestos Insurance Policies. After a claimant resolves his or her claim with the applicable Asbestos Insurer(s), the claimant may then seek payment of the deductible portion of the Insured Asbestos Claim from the Trust. If all Asbestos Insurers deny coverage for an Insured Asbestos Claim, the claimant must first pursue and obtain a judgment in the tort system against the Debtors (in name only). Once received, evidence of the judgment can be provided to the Trust. Upon receiving such evidence, the Trust, at its discretion, shall determine whether it will pursue payment of the judgment against the Asbestos Insurer on the claimant's behalf or take no action. In the event that any such action by the claimant and/or the Trust results in a finding that coverage was wrongfully denied, and after the claimant obtains payment from the applicable Asbestos Insurer(s), the claimant may then seek payment from the Trust of the deductible portion of the Insured Asbestos Claim. In the event that coverage was denied due to the Debtors' failure to satisfy the Asbestos Insurer Cooperation Obligations, then the Debtors shall have an opportunity to cure such failure as provided in the Trust Documents. If the Debtors fail to cure, then the claimant may assert a claim directly against the Debtors for the denied Insured Asbestos Claim. If the claimant recovers from the Debtors on any such claim, then the claimant may seek payment from the Trust of the deductible portion of the

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Insured Asbestos Claim. For all compensable Insured Asbestos Claims, the Trust will determine the applicable deductible amount for the claim submitted and any amount owed to the claimant by the Trust as a result of payments, if any, to the Trust by Settling Asbestos Insurers. Deductible amounts range from $5,000 to $100,000, depending on the policy period in which a claim accrued. All payments made by the Trust in settlement of Insured Asbestos Claims shall be subject to the applicable Payment Percentage and other limitations and requirements under the Trust Documents.

Uninsured asbestos claims
Claimants holding unliquidated Uninsured Asbestos Claims may submit such claims directly to the Trust for consideration. Uninsured Asbestos Claims were rarely asserted Pre-Petition, and it is not expected that a significant number of Uninsured Asbestos Claims will be asserted against the Trust. Uninsured Asbestos Claims submitted to the Trust shall be considered and processed in accordance with the requirements set forth in the Trust Documents and developed by the Trust pursuant to the Trust Documents. The Trust shall determine the liquidated value of compensable Uninsured Asbestos Claims with reference to the Debtors' Pre-Petition tort system history and the valuation data included in such history. All payments made by the Trust in settlement of Uninsured Asbestos Claims shall be subject to the applicable Payment Percentage and other limitations and requirements under the Trust Documents.

Termination
The Trust Agreement provides that the Trust shall automatically dissolve on the date ninety (90) days after the first to occur of the following:

- The date on which the Trustee decides, with the consent of the TAC and the FCR, to dissolve the Trust because (A) they deem it unlikely that any new Asbestos Claims will be filed against the Trust, (B) all Asbestos Claims duly filed with the Trust have been liquidated and paid to the extent provided in the Trust Agreement and the TDP or have been 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 new Asbestos Claim has been filed with the Trust;

- If the Trustee, with the consent of the TAC and the FCR, has procured and has in place irrevocable insurance policies and have 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

- Subject to the period provided herein, the Trust shall be perpetual to the fullest extent permitted by Delaware law, provided, however, to the extent that any property of the Trust is subject to a rule against perpetuities, then the Trust shall terminate as to such property on the date which 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 hereof, or such other permissible last day of the applicable perpetuities period.

On the dissolution date or as soon as reasonably practicable, after the wind-up of the Trust's affairs by the Trustee and payment of 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 and the Delaware Trustee shall execute and file a Certificate of Cancellation.

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 adopted by the Trustee, which differs 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 amount of equity available for payment of 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. 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 statement of net claimants' equity is not classified, resulting in no separation between current and noncurrent assets.
- Cash and cash equivalents are recorded at cost with accrued income shown separately.
- Investment securities are recorded at fair market value. Net realized and unrealized gains (losses) on investment securities are recorded as a net addition (deduction) in the special-purpose statement of changes in net claimants' equity. Under GAAP, the financial statements would require additional disclosures including the classification of investments into a hierarchy of levels, the basis for those levels, and a schedule outlining the movement between the levels among other disclosures.
- Amortization and accretion of bond premiums or discounts is included in interest and dividends, net.
- Insurance recoveries are not recorded until the funds are received from the insurance carriers. Under GAAP, asbestos insurance recoveries are recorded upon settlement and assurance of collectability.
- 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 underlying contract or agreement.
- The full amounts of claims are expensed in the period in which the confirmed claims are settled. A settled claim is an Asbestos Claim that has been allowed by the Trust and accepted by the claimant, with an approved release. Under GAAP, a liability would be recorded for an estimate of the amount to be paid for Asbestos Claims that have been incurred but not yet reported, and for those Asbestos Claims that have been submitted but not yet approved for payment by the Trust.

- Income tax expense (benefit) is estimated and recorded as incurred in the period in which certain income and expense items affect current federal income taxes. Income tax refunds are recorded when cash is received by the Trust. Under GAAP, the provision for income taxes is recorded based upon income (loss) reported for financial statement purposes, which includes federal income taxes both currently payable and changes in deferred taxes due to differences between financial reporting and tax bases of assets and liabilities. Additionally, GAAP requires all tax positions to be reviewed using a more likely than not threshold for financial statement recognition of tax assets, and a liability to be recorded for an uncertain tax position taken or expected to be taken beyond this threshold.

Use of estimates
The preparation of Financial Statements in conformity with the special-purpose accounting methods described above, 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 fair market value of investments and collectability of the payment note receivable. Actual results could differ from those estimates.

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.

Investments
Investments are stated at estimated fair market value as of the date of the Financial Statements. Fair market value is based on quoted market prices. In some cases, the Trust may hold investments for which there is no active market. When determining the fair market value of such investments, the Trust relies upon the valuation by its managers and advisors. The fair market value for these investments is based on the Trust's proportionate share of each investments' net assets, as reported as of the date of the Financial Statements. Changes in fair market value are recorded as additions and deductions to net claimants' equity. Realized gains and losses on investments are calculated based on the specific identification method. The Trust records transactions on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest is recorded on an accrual basis. Premiums or discounts on debt securities are amortized or accreted on the effective interest method, and are included in interest and dividends, net on the accompanying special-purpose statements of changes in net claimants' equity.

Accounts payable
Accounts payable consist of incurred but unpaid expenses associated with managing and operating the Trust.

Claim expense
A settled claim is an Asbestos Claim that has been accepted by the claimant, with an executed release submitted to the Trust, and approved by the Trustee. An unpaid claim is a claim that has been approved for payment by the Trustee but cannot be paid due to annual cap limitations or has been authorized by the Trustee and not paid. The Trust did not process or pay any Asbestos Claims during the year ended December 31, 2022, or during the period from August 12, 2021 (date of formation) to December 31, 2021.

Risk and uncertainties
The Trust's assets that are exposed to credit risk consist of cash and cash equivalents, investments, and the payment note receivable (Note 3). Cash is maintained at financial institutions, and, at times, balances may exceed federally insured limits. 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 invests in a professionally managed investment portfolio that contains cash equivalent money-market funds, publicly traded investments, corporate and government obligations, and alternative investments. 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.

Net claimants' equity
The net Claimants' equity is available for (i) the payments of allowed insured and uninsured asbestos claims and (ii) operational expenses of the Trust.

Income taxes
The Trust is classified as a QSF under the Code which is taxed at the highest rate applicable to trusts under Section I(e) of the Code, which was 37%. As a result, the Trust is subject to federal income taxes based on modified gross income. In the opinion of management, the Trust is not subject to state income taxes, and therefore, the Financial Statements do not include any provision or liability for state income taxes. Funds received by the Trust from the Debtors, insurance settlements and distributions paid to settle insured and uninsured asbestos claims are not taxable or deductible by the Trust. The Trust reports tax-related interest and penalties as a component of income tax expense and operating expenses, respectively.

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 or benefits from net operating or capital loss carryforwards. The income taxes associated with gains on investments will be recorded in the Trust's Financial Statements when the net gains are realized, and the income taxes become currently payable. In addition, there is no provision for deferred taxes associated with any future benefit from the potential use of net operating loss carryforwards to reduce taxable income in future years.

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 11, 2023, the date on which the Financial Statements were available to be issued.

Note 3 - Note receivable

On the Effective Date, the Trust entered into a $1,000,000 secured non-recourse note receivable agreement (the "Note") with the Debtors. The Note is secured by (a) a pledge of 100% of the shares of Kaiser Gypsum Company Inc. and (b) a pledge of 100% of the shares of Hanson Permanente Cement, Inc. The Note bears interest at 10% per annum. The Debtors may at any time prepay all or any portion of this Note. The Debtors shall repay the entire principal and all accrued and unpaid interest on or before August 12, 2026.

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Kaiser Gypsum Asbestos Personal Injury Trust

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

Note 4 - Investments

Investments consist of the following at December 31:

	2022			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair market value
Equities	$ 15,190,369	$ 32,447	$ (1,532,301)	$ 13,690,515
Municipal bonds	15,984,540	116,072	(1,496,598)	14,604,014
Government securities	123,043	625	-	123,668
Alternative investments	6,500,000	363,267	(93,641)	6,769,626
Corporate fixed income	15,657,472	6,564	(1,059,808)	14,604,228
	$ 53,455,424	$ 518,975	$ (4,182,348)	$ 49,792,051

	2021			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair market value
Equities	$ 18,352,984	$ 377,278	$ (206,425)	$ 18,523,837
Municipal bonds	6,844,914	13,350	(50,613)	6,807,651
Alternative investments	4,000,000	125,496	(1,236)	4,124,260
Corporate fixed income	1,200,845	-	(50,081)	1,150,764
	$ 30,398,743	$ 516,124	$ (308,355)	$ 30,606,512

Maturities of the Trust's debt securities at December 31, 2022 are as follows:

	Fair value	Cost	Unrealized losses, net
Due in one year or less	$ 297,344	$ 297,657	$ (313)
Due after one year through five years	2,474,098	2,631,371	(157,273)
Due after five years through 10 years	1,003,810	1,047,866	(44,056)
Due after 10 years through 20 years	10,404,735	11,474,676	(1,069,941)
Due after 20 years	15,151,923	16,313,485	(1,161,562)
	$ 29,331,910	$ 31,765,055	$ (2,433,145)

Kaiser Gypsum Asbestos Personal Injury Trust

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

The table below sets forth a summary of changes in the fair market value of the Trust's alternative investments for the periods ended December 31:

	2022	2021
Balance, beginning of period	$ 4,124,260	$ -
Purchases	2,500,000	4,000,000
Net change in fair market value	145,366	124,260
Balance, end of year	$ 6,769,626	$ 4,124,260

The major categories of the Trust's alternative investments, including general information related to each category, are as follows:

Category	Fair value 2022	Fair value 2021	Redemption Frequency (if currently eligible)	First/next redemption	Notice period (days)	Gate
Starwood Real Estate Income Trust (1)	$ 2,222,131	$ 2,125,496	Monthly	January 30, 2023	15	0%
FS Credit Real Estate Income Trust (2)	1,992,416	1,998,764	Monthly	January 30, 2023	15	0%
WorldQuant Millennium Advisors SEALS Fund LP (3)	2,555,079	-	Monthly	January 30, 2023	15	0%
	$ 6,769,626	$ 4,124,260				

1. The objective of this alternative investment is to acquire a diversified portfolio of high-quality stabilized, income-oriented real-estate across the U.S. and Europe and debt secured properties, to provide current income in the form of regular, stable cash distributions to achieve an attractive distribution yield, preserve and protect invested capital, realize appreciation in net asset value from proactive investment and asset management and provide an investment alternative for investors seeking to allocate a portion of the long-term investment portfolios to commercial real estate with lower volatility than publicly traded real estate companies.

2. The objective of this alternative investment is to generate an alternate source of income, preserve capital and realize long-term appreciation.

3. The objective of this alternative investment is to seek to generate diversifying risk-adjusted returns relative to global equity markets. This investment generally expects to incorporate the following target parameters (i) net equity exposure, which is the value of the funds long position minus its short position, of approximately 50% of the funds net asset value, which approximately 175% long equity exposure and 125% short equity exposure, and (ii) average daily turnover of the gross market value of the fund's portfolio of 2.5% or less.

Note 5 - TAC and FCR

The Trust Agreement sets forth the role and responsibility of the TAC and FCR. The members of the TAC serve in a fiduciary capacity representing all holders of present Asbestos 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 FCR serves in a fiduciary capacity, representing the interests of the individuals who may file an Asbestos Claim in the future, but who at this time are unknown to the Trust ("Future Asbestos Claimants"). This role, in part, is to protect rights of the Future Asbestos Claimants. The Trustee is required to consult with or obtain the consent of the FCR on certain matters identified in the Trust Agreement and the TDP.

Note 6 - Taxation

For the year ended December 31, 2022 and for the period from August 12, 2021 (date of formation) to December 31, 2021, the Trust had a modified taxable loss and paid no federal income tax. The Trust's net operating loss carryforwards will be limited to a reduction of 80% of modified taxable income without expiration. At December 31, 2022, the Trust had a net operating loss carryforward of approximately $603,000 and a capital loss carryforward of approximately $3,600,000.



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