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

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

NOTICE OF FILING ANNUAL REPORT, FINANCIAL STATEMENTS AND RESULTS OF OPERATIONS OF THE NORTH AMERICAN REFRACTORIES COMPANY ASBESTOS PERSONAL INJURY SETTLEMENT TRUST FOR FISCAL YEAR ENDED DECEMBER 31, 2021

PLEASE TAKE NOTICE that, on June 29, 2022, the Trustees of the North American Refractories Company Asbestos Personal Injury Settlement Trust (the "Trust") filed the Annual Report, Financial Statements and Results of Operations of the Trust for Fiscal Year Ended December 31, 2021 (the "Annual Report") and its audited financial statements for the same period (the "Audited Financial Statements"). The Annual Report and the Audited Financial Statements are attached hereto as Exhibits "A" and "A-1," respectively.

Respectfully submitted,

Dated: June 29, 2022

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

By: */s/ David W. Ross*
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-and-

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

EXHIBIT A

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

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

ANNUAL REPORT, FINANCIAL STATEMENTS AND RESULTS OF OPERATIONS OF THE NORTH AMERICAN REFRACTORIES COMPANY ASBESTOS PERSONAL INJURY SETTLEMENT TRUST FOR FISCAL YEAR ENDED DECEMBER 31, 2021

Richard B. Schiro, Mark M. Gleason, and the Hon. Ken M. Kawaichi, Ret. (collectively, the "Trustees"), as Trustees of the North American Refractories Company Asbestos Personal Injury Settlement Trust (the "Trust"), submit this Annual Report, Financial Statements and Results of Operations for Fiscal Year Ended December 31, 2021 (the "Annual Report"), pursuant to the Third Amended Plan of Reorganization of North American Refractories, Company, e*t al.,* dated December 28, 2005 (the "Plan") and the First Amended North American Refractories Company Asbestos Personal Injury Settlement Trust Agreement (the "Trust Agreement").[1]

I. General

On January 4, 2002, North American Refractories Company ("NARCO") and its affiliated debtors (collectively, the "Debtors") filed their petitions for relief under Chapter 11 of the United States Bankruptcy Code. The Debtors' bankruptcy cases were jointly administered as Case No. 02-20198. At the time the Debtors filed their petitions for relief, NARCO and Honeywell International Inc. ("Honeywell") had been named as defendants in personal injury and wrongful death actions seeking recovery for damages caused by the presence of, or exposure

[1] By written agreement, the Trustees, the, NARCO Trust Advisory Committee, the NARCO Asbestos Future Claimants Representative, and Honeywell International Inc. agreed to extend the time for the Trustees to file the Annual Report for the fiscal year ending December 31, 2021, to June 30, 2022.

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to, asbestos or asbestos-containing NARCO Product Line products. By order entered on November 13, 2007, the United States Bankruptcy Court for the Western District of Pennsylvania (the "Bankruptcy Court") confirmed the Plan (the "Confirmation Order"), and on July 25, 2008, the United States District Court for the Western District of Pennsylvania entered an order affirming the Confirmation Order and the NARCO Channeling Injunction.

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

On April 30, 2013, the Effective Date[2] of the Plan, the Trust was created in accordance with the Trust Agreement.[3] Pursuant to the Plan, the Trust was funded by an initial cash contribution by Honeywell, by stock in ANH Refractories Company (n/k/a HarbisonWalker International), and by the obligation of Honeywell to make future payments. *See* Trust Agreement, Art. 2.3.

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

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

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

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

The Trust Agreement, at Article 3.2(g), provides that the "Trustees shall meet with the [TAC], the [FCR] and/or Honeywell … no less frequently than quarterly at the discretion of the Trustees or as requested by any of the [TAC], the [FCR] or Honeywell." The Trust Bylaws specify that the foregoing requirement will be satisfied by the Trustees meeting at least four times each calendar year with the TAC, the FCR and Honeywell. In 2021, the Trustees held Trust meetings with the TAC, the FCR and Honeywell on March 11, 2021; June 10, 2021; September 9, 2021; and December 9, 2021.

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

Effective May 1, 2020, the Trustees named the Hon. Ken M. Kawaichi, Ret., Managing Trustee for a one-year term ending on April 30, 2021. Effective May 1, 2021, the Trustees named Richard B. Schiro Managing Trustee for a one-year term.

At its inception, and continuing through December 31, 2021, the Trust's principal office was at 1105 North Market Street, Suite 1300, Wilmington, Delaware 19801, and its administrative office was at c/o Lain Faulkner & Co., Attention: Brian Crisp, 400 N. Saint Paul, Suite 600, Dallas, Texas 75201.

In September 2021, Honeywell initiated a lawsuit in this Court against the Trust (see *In re: All Matters Related to North American Refractories Company, et al. in Case No. 02-201198, as affected by the May 24, 2013 Order Entering Final decree entered at Doc. No. 7940,* Misc. Case No. 15-204-TPA (*Honeywell International, Inc. v. North American Refractories Company Personal Injury Settlement Trust,* Adv. No. 21-2097-TPA). The lawsuit raises issues regarding

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the administration of the Trust and the liquidation of claims. The Trust's annual report for the year ending December 31, 2022, will address the results of the litigation.

In 2021, the Trustees entered into or continued service agreements with the following: Stutzman, Bromberg, Esserman & Plifka, A Professional Corporation (general counsel); Willkie Farr & Gallagher LLP (counsel to the Trust); Babst Calland (W.D. Pa. counsel); Lain Faulkner & Co., P.C. (accountants); Morrison & Morrison, Ltd. (tax advisors); BDO USA, LLP (auditor); Gleason & Associates, P.C. (consultants);[4] Claims Resolution Management Corporation (claims processing); Prof. Abraham J. Wyner (consultant); Mazars USA LLP (claims auditing services); AON Risk Services Central, Inc. (insurance broker); KPMG LLP (valuation consultant with respect to Trust's interests in HarbisonWalker International, Inc. for Trust's audit); Wells Fargo Bank, N.A. (banking); Merrill Lynch, Pierce, Fenner & Smith Incorporated and its affiliated company, Managed Account Advisors LLC (investment consultant); Veristar LLC (document retention services); Alvarez & Marsal Disputes and Investigations, LLC (litigation support/forensic investigations); and Perella Weinerg Partners (financial advisor).

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

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

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

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

The Initial Claims Filing Date (as that term is defined in the TDP) was April 1, 2014.

II. NARCO Asbestos Trust Claims[6]

Article 3.3(b) of the Trust Agreement requires the Trustees to file with the Bankruptcy Court a report containing a summary regarding the number and types of claims disposed of during the period covered by the financial statements.

In 2021, the Trust paid 360 Pre-Established Claims totaling $1,411,900.[7]

In 2021, the Trust paid 6,806 Annual Contribution Claims totaling $127,874,571.[8]

Pursuant to Section 6.10 of the TDP, the Trust hereby reports the claims by Disease Levels that have been resolved and paid[9] by the Trust under Expedited Review, Individual Review, and arbitration from inception of the Trust through December 31, 2021:

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

[6] Claims information reported herein may differ from the audited financial statements due to the timing of payments.

[7] Dollar figure is net of refunds.

[8] Dollar figure is net of refunds.

[9] As of December 31, 2021, no claims have been resolved by trial. Pre-Established Claims liquidated by Honeywell before April 30, 2013, and not by the Trust, although paid by the Trust, are not included in the TDP Sec. 6.10 report of claims resolved by the Trust. The Trust notes, however, that from inception of the Trust through the period ending December 31, 2021, the Trust has paid $128,300,300 for Pre-Established Claims liquidated by Honeywell.

Disease Level	Number of Claims			Total Amounts Paid
	Expedited Review	Individual Review	Arbitration	
Other Asbestos Disease (Level I)	10,502	2,086	1	$15,101,910
Asbestosis/Pleural Disease (Level II)	7,824	1,569		$70,366,286
Severe Asbestosis (Level III)	643	87		$16,230,694
Other Cancer (Level IV)	1,189	128		$12,733,075
Lung Cancer 2 (Level V)	0	305	1	$5,216,975
Lung Cancer 1 (Level VI)	2,523	319	2	$57,770,738
Mesothelioma (Level VII)	2,533	320	2	$250,467,687
TOTAL	**25,214**	**4,814**	**6**	**$427,887,365**

III. Compensation and Expenses of Trustees, TAC and FCR[10]

A. Trustees

Under Article 5.5(c) of the Trust Agreement, the Trust reports to the Bankruptcy Court the amount of compensation and expenses paid to the Trustees. The Trustees received compensation and reimbursement for out-of-pocket costs and expenses during the fiscal year ending December 31, 2021, as follows:

Trustees (3) $1,668,118

Delaware Trustee $4,545

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

B. TAC

Under Article 6.6 of the Trust Agreement, the Trust reports to the Bankruptcy Court the amount of compensation and expenses paid to the TAC. The TAC received compensation and reimbursement for out-of-pocket expenses during the fiscal year ending December 31, 2021, as follows:

TAC	$0

C. FCR

Under Article 7.5 of the Trust Agreement, the Trust reports to the Bankruptcy Court the amount of compensation and expenses paid to the FCR. The FCR received compensation and reimbursement for out-of-pocket expenses during the fiscal year ending December 31, 2021, as follows:

FCR	$51,774

V. Financial Statements

A copy of the Trust's audited financial statements for the year ending December 31, 2021, is attached hereto as Exhibit "A-1."

Dated: June 29, 2022

Respectfully submitted,

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

By: _____
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-and-

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

EXHIBIT A-1

North American Refractories Company Asbestos Personal Injury Settlement Trust

Audited Special-Purpose Financial Statements with Supplementary Information

For the Years Ended December 31, 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.

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North American Refractories Company
Asbestos Personal Injury Settlement Trust

Audited Special-Purpose Financial Statements with Supplementary Information

Years Ended December 31, 2021 and 2020

North American Refractories Company
Asbestos Personal Injury Settlement Trust

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Independent Auditor's Report

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

Opinion

We have audited the accompanying special-purpose financial statements of the North American Refractories Company Asbestos Personal Injury Settlement Trust (the "Trust") which comprise the special-purpose statements of assets, liabilities and net claimants' equity as of December 31, 2021 and 2020, and the related special-purpose statements of changes in net claimants' equity and special-purpose statements of cash flows for the years then ended and the related notes to the special-purpose financial statements.

In our opinion, the accompanying special-purpose financial statements present fairly, in all material respects, the financial position of the Trust as of December 31, 2021 and 2020, and the results of its changes in net claimants' equity and its cash flows for the years then ended, in accordance with the basis of accounting described in Note 2 to the special-purpose financial statements.

Basis for Opinion

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

Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 of the special-purpose financial statements which describes the basis of accounting. As described in Note 2, these special-purpose financial statements were prepared on a special-purpose basis of accounting which is the basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter. The special-purpose basis of accounting has been used to communicate the amount of net claimants' equity presently available to fund current and future claims.

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

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

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the special-purpose financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the special-purpose financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the special-purpose financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

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

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Other Matter - Restriction of Use

Our report is intended solely for the information and use of the Trust, and is not intended to be and should not be used by anyone other than the specified party. This restriction is not intended to limit the distribution of this report which, upon filing with the United States Bankruptcy Court for the Western District of Pennsylvania, is a matter of public record.

BDO USA, LLP

McLean, Virginia
June 27, 2022

Special-Purpose Financial Statements

North American Refractories Company
Asbestos Personal Injury Settlement Trust

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

December 31,	2021	2020
Assets		
Cash, cash equivalents and investment securities	$ 53,847,229	$ 7,833,404
Investment in HWI	561,300,000	421,500,000
Accrued interest receivable	7,125	-
Due from Honeywell	325,261	22,737,643
Prepaid expenses	100,000	100,000
Total assets	615,579,615	452,171,047
Liabilities		
Accrued expenses and accounts payable	2,592,536	1,370,485
Accrued claims	8,065,236	22,738,075
Deferred tax liability	138,946,470	68,674,220
Total liabilities	149,604,242	92,782,780
Net claimants' equity	$ 465,975,373	$ 359,388,267

See accompanying notes to the special-purpose financial statements.

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North American Refractories Company
Asbestos Personal Injury Settlement Trust

Special-Purpose Statements of Changes in Net Claimants' Equity

Years ended December 31,	2021	2020
Additions		
Investment income	$ 29,020,927	$ 291
Net change in unrealized gain on investment in HWI	189,925,500	58,300,000
Total additions	218,946,427	58,300,291
Deductions		
Operating expenses	20,661,314	13,855,461
Direct investment expenses	101,874	-
Net change in unrealized loss on investment securities	4,934	-
Deferred income tax expense	70,272,250	21,571,000
Total deductions	91,040,372	35,426,461
Increase in net claimants' equity	127,906,055	22,873,830
Net claimants' equity		
Beginning of the year	359,388,267	323,496,690
Contributions from Honeywell:		
Operating expenses funding	25,591,817	12,938,538
Annual contribution claims funding	88,142,348	78,110,706
Pre-established claims funding	1,409,900	2,212,800
Distributions from net claimants' equity	(136,463,014)	(80,244,297)
End of the year	$ 465,975,373	$ 359,388,267

See accompanying notes to the special-purpose financial statements.

North American Refractories Company
Asbestos Personal Injury Settlement Trust

Special-Purpose Statements of Cash Flows

Years ended December 31,	2021	2020
Cash inflows:		
Interest income receipts, net of direct investment expenses	$ 40,358	$ 291
Annual contribution claims funding	88,142,348	78,110,706
Pre-established claims funding	1,409,900	2,212,800
Operating expenses funding	25,591,817	12,938,538
Dividends from HWI	79,000,000	-
Total cash inflows	194,184,423	93,262,335
Cash outflows:		
Distributions to claimants	128,723,471	80,331,806
Trust operating expenses	19,439,263	13,361,370
Net realized loss on investment securities	2,930	-
Total cash outflows	148,165,664	93,693,176
Net inflows (outflows)	46,018,759	(430,841)
Non-cash changes:		
Net change in unrealized loss on investment securities	(4,934)	-
Total non-cash changes	(4,934)	-
Net increase (decrease) in cash, cash equivalents and investment securities	46,013,825	(430,841)
Cash, cash equivalents and investment securities, at the beginning of year	7,833,404	8,264,245
Cash, cash equivalents and investment securities, at the end of year	$ 53,847,229	$ 7,833,404

See accompanying notes to the special-purpose financial statements.

North American Refractories Company
Asbestos Personal Injury Settlement Trust

Notes to the Special-Purpose Financial Statements

1. Description and Funding of the Trust

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

The Trust was initially funded with cash contributions from Honeywell in the amount of $7,353,880 (an amount estimated to be sufficient to pay all pre-effective date expenses as well as the Trust's operating expenses until December 31, 2013) and a 79% interest in the equity of Post-Effective Harbison Walker International (HWI), formerly known as ANH Refractories Company, valued at $370,194,000.

In December 2013, HWI paid a liquidating dividend to its shareholders in the amount of $170,000 per share. HWI had no current or accumulated earning and profits as of December 31, 2013 and thus the distribution was recorded as a return of capital, decreasing the basis of the investment in HWI by $134,300,000. In July and December 2021, HWI paid dividends to its shareholders totaling $79 million paid to the Trust. Of the total amount received, $50,125,500 was recorded as a return of capital, decreasing the basis of the investment in HWI. The use of any dividends paid by HWI and any earnings therefrom is restricted to payment of approved Annual Contribution Claims as defined in the Trust Agreement. The fair value of the Trust's interest in the HWI investment was adjusted at December 31, 2021 and 2020 to $561,300,000 and $421,500,000, respectively, based upon a valuation report prepared by an independent valuation firm.

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

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

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maintained to pay only AC claims. The PE Claim Distribution account is maintained to pay only PE claims.

2. Significant Accounting Policies

Basis of Presentation

The Trust's financial statements are prepared using special-purpose accounting methods adopted by the Trustees, which differ from accounting principles generally accepted in the United States of America (GAAP). The special-purpose accounting methods were adopted in order to communicate to the beneficiaries of the Trust the net claimants' equity and related operating expenses of the Trust. Since the accompanying special-purpose financial statements and transactions are not based upon GAAP, accounting treatment by other parties for these same transactions may differ as to timing and amount. The special-purpose accounting methods include the following:

a. Funding received from Honeywell for operating expenses and claim payments are recorded as contributions directly to net claimants' equity when the cash is received or when the assets are transferred. These funds do not represent income to the Trust. Under GAAP, these funds would be recorded as income to the Trust in the period that the funds were assigned to the Trust, could be reasonably estimated, and collectability was assured.

b. The Trust's investments are recorded at fair value. The fair value of the investment in HWI is determined annually by an independent valuation that is ultimately approved by the Trustees. Net realized and unrealized gains or (losses) on investments are recorded as additions or (deductions) in the special-purpose statements of changes in net claimants' equity.

c. For special-purpose accounting, a claim is deemed a liability of the Trust that reduces net claimants' equity when the claim is entered in the Payment Queue(s). The Trust reduces net claimants' equity by the amount of claims when entered in the Payment Queue. Under GAAP, a liability for claims would be recorded based on offers extended and an estimate of the liability for remaining claims.

d. Payments for services to be received over an extended period in the future are expensed as paid because these amounts are no longer available for the payment of claims. Under GAAP, an asset would be recorded and amortized over the period in which the related benefits are received.

Use of Estimates

The preparation of special-purpose financial statements in conformity with the special-purpose accounting methods described above requires the Trust to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and the disclosure of contingent assets and liabilities at the date of the special-purpose financial statements, as well as the reported amounts of additions and deductions to net claimants' equity during the reporting period. Actual results could differ from those estimates and such differences could have a material effect on net claimants' equity.

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Cash, Cash Equivalents, Investment Securities and Investment in HWI

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

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

Investment securities are stated at fair market value with changes in unrealized gains and losses recorded in the current period. Proceeds from sales and maturities of investment securities are restricted to use of payment of AC Claims. Investment income is recognized when earned. Any unpaid interest and dividend income is recorded as accrued interest and dividends receivable. Realized gains and losses on sales are determined using the specific identification method.

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

Accrued Expenses and Accounts Payable

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

Accrued Claims

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

Operating Expenses

Operating expenses of the Trust are recorded as deductions on the special-purpose statements of changes in net claimants' equity in the period in which the invoices are received and approved.

Income Taxes

The Trust is classified as a Qualified Settlement Fund pursuant to the Internal Revenue Code and Regulations (the Code) thereunder. As a result, the Trust is subject to federal income taxes based on modified gross income, as defined by the Code. No provision for state income taxes was recorded because, as a Delaware trust, the Trust has no state income tax return filing obligation and is not obligated to pay state income taxes.

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

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Risks and Uncertainties

The Trust's assets that are exposed to credit risk consist of cash and cash equivalents. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Trust has never experienced any losses related to these balances. Amounts on deposit in excess of federally insured limits at December 31, 2021 approximate $48.6 million.

The Trust invests in a professionally managed investment portfolio that contains mutual funds, bonds and term deposits. Such investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the investment in HWI (see Notes 4 and 5), 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 affect the Trust's account balance and the amounts reported in the special-purpose statements of assets, liabilities and net claimants' equity.

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

The COVID-19 pandemic has contributed to significant volatility in financial markets through the date of issuance of these consolidated special-purpose financial statements. As it relates to the operations and valuation of HWI, HWI's suppliers have experienced decreased production levels based on factory closures and reduced operating hours in those facilities. Likewise, HWI is dependent on its workforce to deliver its products and services. Developments such as social distancing and shelter-in-place directives have impacted HWI's ability to deploy its workforce. These factors have had, and may continue to have, a material effect on HWI's results of future operations, financial position, and liquidity in fiscal year 2022, which may then in turn have a material effect on the valuation of the Trust's investment in HWI. However, HWI's operating results in 2021 exceeded their operating plan, which led to dividends to shareholders totaling $100 million (see Note 1). These operating results have continued into 2022, which led to a $30 million dividend to shareholders in May 2022. The Trustees, Trust advisors, and management of the Trust are actively monitoring the impact of this global situation on the Trust's financial condition and operations. Given the daily evolution of the COVID-19 pandemic and the global responses to curb its spread, the Trust is not able to estimate the long-term effects of the COVID-19 pandemic on its financial condition and operations.

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Notes to the Special-Purpose Financial Statements

3. Cash, Cash Equivalents and Investment Securities

Cash, cash equivalents and investment securities consist of the following at December 31, 2021:

	2021		
	Cost	Fair Value	Unrealized Loss
Cash and cash equivalents	$ 49,061,707	$ 49,061,707	$ -
Mutual funds	4,505,456	4,500,522	(4,934)
Corporate Bonds	285,000	285,000	-
Total cash, cash equivalents and investment securities	$ 53,852,163	$ 53,847,229	$ (4,934)

Cash, cash equivalents and investment securities consist entirely of cash and cash equivalents at December 31, 2020 totaling $7,833,404 in both cost and fair value.

The maturities of the Trust's investments in bonds are as follows as of December 31, 2021:

	Less than 1 Year	After 1 Year Through 5 Years	After 5 Years Through 10 Years	After 10 Years	Total
Bonds	$ 285,000	$ -	$ -	$ -	$ 285,000

4. Investment in HWI

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

5. Fair Value Measurements

The Trust's investments are recorded at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability between market participants in an orderly transaction on the measurement date. The market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity for the asset or liability is known as the principal market. When no principal market exists, the most advantageous market is used. This is the market in which the reporting entity would sell the asset or transfer the liability with the price that maximizes the amount that would be received or minimizes the amount that would be paid. Fair value is based on assumptions market participants would make in pricing the asset or liability. Generally, fair value is based on observable quoted market prices or derived from observable market data when such market prices or data are available. When such prices or inputs are not available, the Trust would use valuation models.

North American Refractories Company
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Notes to the Special-Purpose Financial Statements

The Trust's assets recorded at fair value on a recurring basis are categorized based on the priority of the inputs used to measure fair value. The inputs used in measuring fair value are categorized into three levels, as follows:

- **Level 1** - Inputs that are based upon quoted prices for identical instruments traded in active markets.
- **Level 2** - Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar investments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment.
- **Level 3** - Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

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

Level 1: Mutual funds are valued at the closing price reported on the active market on which the individual securities are traded.

Level 2: Bonds are valued using a metrics system provided by the pricing vendors.

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

Investments measured at fair value on a recurring basis are summarized below:

	As of December 31, 2021			
	Assets Measured At Fair	Fair Value Hierarchy Level		
Description	Value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 49,061,707	$ 49,061,707	$ -	$ -
Mutual funds	4,500,522	4,500,522	-	-
Corporate bonds	285,000	-	285,000	-
Investment in HWI	561,300,000	-	-	561,300,000
Total assets at fair value	$ 615,147,229	$ 53,562,229	$ 285,000	$ 561,300,000

North American Refractories Company
Asbestos Personal Injury Settlement Trust

Notes to the Special-Purpose Financial Statements

	As of December 31, 2020			
	Assets Measured At Fair	Fair Value Hierarchy Level		
Description	Value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 7,833,404	$ 7,833,404	$ -	$ -
Investment in HWI	421,500,000	-	-	421,500,000
Total assets at fair value	$ 429,333,404	$ 7,833,404	$ -	$ 421,500,000

Level 3 gains and losses

The following table sets forth a summary of changes in the fair value of the Trust's investment in HWI (Level 3 assets) for the years ended December 31, 2021 and 2020:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	2021	2020
Balance, at the beginning of the year	$ 421,500,000	$ 363,200,000
Return of capital	(50,125,500)	-
Net change in HWI valuation	189,925,500	58,300,000
Balance, at the end of the year	$ 561,300,000	$ 421,500,000

The following table summarizes the significant unobservable inputs the Trust used to value its investment categorized within Level 3 as of December 31, 2021. This table is not intended to be all-inclusive, but instead captures the significant unobservable inputs relevant to its determination of fair values.

Asset	Fair Value at December 31, 2021	Valuation Technique	Significant Unobservable Input	Weighted Average
Investment in HWI	$ 561,300,000	Combination of income and market approach	Discount rate	12.5%

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

the life of the investment may cause the gains or losses ultimately realized on this investment to be different than the valuation currently assigned.

6. Income Taxes

During the years ended December 31, 2021 and 2020, the Trust generated net operating income (losses) of approximately $8,000,000 and $(14,000,000), respectively. Total net operating loss carryforward available at December 31, 2021 to offset future taxable income of the Trust is approximately $73,100,000.

Deferred income taxes result from differences between the special-purpose financial statement and tax reporting of additions and deductions to net assets. The entire amount of the deferred tax liability reported as of December 31, 2021 and 2020 is attributed to the appreciation of the Trust's investment in HWI, and is calculated based on the cumulative unrealized gain times the applicable tax rate of 37.0% as of December 31, 2021 and 2020, respectively.

The deferred tax asset consists of the tax benefits related to net operating loss carryforwards, approximately $27,000,000 and $30,000,000 at December 31, 2021 and 2020, respectively.

In assessing the realizability of the deferred tax asset, management considers whether it is more likely than not that some portion of the entire deferred tax asset will be recognized. The ultimate realization of the deferred tax asset is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. Management considers reversal of deferred tax liabilities, projected future taxable income and tax planning strategies that can be implemented by the Trust in making this assessment. In keeping with the special-purpose basis of accounting, the deferred tax asset will not be recorded until the realizability of the asset is assured. Accordingly, the Trust has recorded a full valuation allowance against the deferred tax asset at December 31, 2021 and 2020. The Trust's net operating loss carryforward generated from 2017 and prior will expire, if not utilized, in various years through 2037. Net operating losses generated from 2018 and forward will carryforward without expiration.

7. Net Claimants' Equity

The contributions to and deductions from net claimants' equity for the years ended December 31, 2021 and 2020 are comprised of the following:

	2021	2020
Contributions from Honeywell:		
Cash for operations	$ 25,591,817	$ 12,938,538
Cash for annual contribution claims	88,142,348	78,110,706
Cash for pre-established claims	1,409,900	2,212,800
Net operating results	8,252,805	(13,855,170)
Net change in HWI stock valuation, net of tax	119,653,250	36,729,000
Distributions from net claimants' equity	(136,463,014)	(80,244,297)
Change in net claimants' equity	$ 106,587,106	$ 35,891,577

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8. Distributions from Net Claimants' Equity

For the years ended December 31, 2021 and 2020, the Trust settled and paid 6,799 and 3,927 AC claims totaling $127,312,571 and $78,116,006, respectively. In addition, the Trust settled and paid 364 and 594 PE claims totaling $1,410,900 and $2,215,800, respectively. For the year ended December 31, 2021, the Trust settled 244 AC claims totaling $7,739,975 and 61 PE claims totaling $325,261 which were accrued as of December 31, 2021 and were paid subsequent to year end.

9. Contingent Liabilities

The Plan Documents (as defined in the Plan) subject the Trust to certain reimbursement and indemnification obligations that may result in future claims against the Trust.

The probability of such claims cannot be reasonably determined. Accordingly, no associated liability has been recorded in the accompanying special-purpose financial statements. Such claims, if any, are not expected to be material.

10. Liability for Asbestos Claims

Personal injury claims that were settled, but unpaid as of December 31, 2021 and 2020, have been accrued and included in accrued claims. These amounts have been included in distributions from net claimants' equity in the accompanying special-purpose statements of changes in net claimants' equity for the payment of claims for the year ended December 31, 2021 and 2020.

The ultimate number of Asbestos PI Trust Claims to be filed and the liability for all such claims are not determinable at this time. The net claimants' equity at December 31, 2021 and 2020 represents funding available for Asbestos PI Trust Claims for which no fixed liability has yet been established. However, Honeywell is required to make contributions to the Trust to pay claims as provided in the Trust Agreement.

11. Related Party Transactions

Pursuant to Sections 3.1(c)(x) and 5.8 of the Trust Agreement, the Trust has engaged individuals at Gleason & Associates, P.C. ("Gleason") for claims consulting services. Trustee Gleason is a principal of Gleason. Pursuant to Trust policy, Trustee Gleason abstained from the decision to engage the individuals at Gleason and also abstains from reviewing and approving invoices from Gleason. During the years ended December 31, 2021 and 2020, the Trust incurred $1,255,886 and $1,075,161, respectively, of consulting expenses with this related party, which is included within the consulting line of operating expenses in the accompanying special-purpose statements of changes in net claimants' equity and the supplemental schedules of operating expenses.

12. Subsequent Events

The Trust has evaluated its December 31, 2021 special-purpose financial statements for subsequent events through June 27, 2022 the date the special-purpose financial statements were available to be issued. Except as described in Note 2 related to HWI dividends, the Trust is not aware of any subsequent events which would require recognition or disclosure in the special-purpose financial statements.

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Supplementary Information

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Independent Auditor's Report on Supplementary Information

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

Our audit of the special-purpose financial statements included in the preceding section of this report was conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of those special-purpose financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the special-purpose financial statements. The information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special-purpose financial statements or to the special-purpose financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the special-purpose financial statements as a whole.

BDO USA, LLP

June 27, 2022

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North American Refractories Company
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Schedules of Operating Expenses

For the years ended December 31,	2021	2020
Operating expenses		
Legal fees	$ 9,810,419	$ 5,421,227
Claims processing services	4,466,805	5,132,773
Trustee disbursements	1,668,118	1,478,103
Consulting	1,312,444	1,156,906
Accounting and financial statement audit	303,577	272,744
Insurance	195,342	162,398
Administrative costs	4,545	4,667
Other	2,900,064	226,643
Total operating expenses	$ 20,661,314	$ 13,855,461

See independent auditor's report on supplementary information.