IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

In re:	Chapter 11
Sepco Corporation,	Case No. 16-50058 (AMK)
Debtors.	

NOTICE OF FILING

PLEASE TAKE NOTICE that, on April 26, 2022, the Annual Report of the Sepco Asbestos Personal Injury Trust for the Period from January 1, 2021, to December 31, 2021, was filed electronically by Stutzman, Bromberg, Esserman & Plifka, A Professional Corporation with the United States Bankruptcy Court for the Northern District of Ohio, Easter Division.

Date: April 26, 2022

STUTZMAN, BROMBERG, ESSERMAN & PLIFKA, A Professional Corporation

By*: /s/ Kaitlyn C. Fletcher*

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COUNSEL FOR THE SEPCO ASBESTOS PERSONAL INJURY TRUST

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CERTIFICATE OF SERVICE

I, Kaitlyn C. Fletcher, hereby certify that on the 26th day of April, 2022, I served a true and correct copy of the Annual Report of the Sepco Asbestos Personal Injury Trust for the Period January 1, 2021 to December 31, 2021 and Exhibit A thereto by electronic mail on the members of the Trust Advisory Committee (Thomas W. Bevan, James L. Ferraro, Beth A. Gori, Christopher R. Guinn, Robert E. Shuttlesworth and Lauren E. Williams) and their counsel (Ann McMillan) and the Future Claimants' Representative (Lawrence Fitzpatrick) and his counsel (Ed Harron and Sara Beth Kohut).

/s/ *Kaitlyn C. Fletcher*

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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

In re:	Chapter 11
Sepco Corporation,	Case No. 16-50058 (AMK)
Debtors.	

ANNUAL REPORT OF THE SEPCO ASBESTOS PERSONAL INJURY TRUST FOR THE PERIOD FROM JANUARY 1, 2021 TO DECEMBER 31, 2021

Alan B. Rich, the Trustee of the Sepco Asbestos Personal Injury Trust (the "**Trust**"), created pursuant to the Second Amended Plan of Reorganization, as Modified, for Sepco Corporation Under Chapter 11 of the Bankruptcy Code, as supplemented by that certain Supplement to Second Amended Plan of Reorganization, as Modified, for Sepco (collectively the "**Plan**"),[1] hereby files this Annual Report[2], Financial Statements and Results of Operations of the Sepco Asbestos Personal Injury Trust for the year ending December 31, 2021 (the "**Annual Report**").

[1] Capitalized terms not otherwise defined herein shall have the meanings ascribed to the in the Plan.

[2] Pursuant to the *ORDER (I) GRANTING FINAL DECREE CLOSING THE CHAPTER 11 CASE AND (II) TERMINATING CLAIMS AND NOTICING SERVICES* (Docket No. 787), the Clerk of the Court shall accept for filing on the docket of Sepco Corporation's case (Case No. 16-50058 (AMK)), without the requirement that the Trust seek to reopen Sepco Corporation's case, any pleading or report submitted by the Trust, or the Trustee for the Trust.

I. General

On January 14, 2016, Sepco Corporation filed voluntary petition for relief under Chapter 11, Title 11 of the United States Code (the "**Bankruptcy Code**") in the United States Bankruptcy Court for the Northern District of Ohio. On March 24, 2020, the Bankruptcy Court entered an order (the "**Order**") confirming the Plan, and also entered the Findings of Fact, Conclusions of Law in Support of Order Confirming the Second Amended Plan of Reorganization, as Modified, for Sepco Corporation Under Chapter 11 of the Bankruptcy Code. On May 5, 2020, the United States District Court for the Northern District of Ohio entered an order ("**Confirmation Order**"), affirming the Order and adopting the Findings of Fact and Conclusions of Law, which confirmed the Plan of the above-referenced debtors.

Pursuant to the Plan, the Trust was established on June 8, 2020. Pursuant to the Plan, Thomas W. Bevan, James L. Ferraro, Beth A. Gori, Christopher R. Guinn, and Robert E. Shuttlesworth are members of the Trust Advisory Committee ("**TAC**") and Lawrence Fitzpatrick is the Future Claimants' Representative ("**FCR**").

II. Reporting Requirements

Section 2.2(c) of the Sepco Asbestos Personal Injury Trust Agreement (the "**Trust Agreement**") requires the Trustee to account to the Bankruptcy Court and file an annual report containing financial statements of the Trust and a summary of the number and type of claims disposed of by the Trust during the period covered by the financial statements. Pursuant to the Trust Agreement, the annual report shall also include a description of the amounts paid during the reporting period to the Trustee, the Delaware Trustee, the TAC, and the FCR.

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A. Financial Statements

A copy of the Trust's audited special-purpose financial statements for the year ended December 31, 2021, is attached hereto as **Exhibit A**. Under Section 3.3 of the Trust Agreement, the Trust reports payments for the Trust expenses. The Trust's operating expenses are listed in the Special-Purpose Statement of Changes in Net Claimants' Equity, attached hereto.

B. Asbestos Personal Injury Claims

The Trust began accepting Asbestos Claims on December 7, 2020.[3] From January 1, 2021 through the period ending December 31, 2021, 1,641 Asbestos Personal Injury Claims have been submitted to the Trust as follows:

Disease Level	**Claims submitted in 2021**
Mesothelioma (Level V)	407
Lung Cancer 1 (Level IV)	934
Lung Cancer 2 (Level III)	19
Other Cancer (Level II)	71
Severe Asbestosis (Level I)	210
Total:	**1,641**

Of the 1,641 Asbestos Personal Injury Claims submitted to the Trust, the Trust has not approved 1,163 claims, consisting of rejected claims, claims with uncured deficiencies, and

[3] MFR Claims Processing, Inc. serves as the Trust's claims processor.

withdrawn and deferred claims. In 2021, the Trust liquidated and paid 0 Asbestos Personal Injury Claims, totaling $0.00 after application of the Payment Percentage.

C. Compensation and Expenses of the Trustee, TAC and FCR

Pursuant to Sections 4.5(c), 5.6 and 6.5 of the Trust Agreement, the Annual Report shall also include a description of the amounts paid during the Reporting Period to the Trustee, the Delaware Trustee, the Trust Advisory Committee, and the Future Claimants' Representative. The Trust refers the Court to the Special-Purpose Statement of Changes in Net Claimants' Equity in the Trust's financial statements, attached hereto.

Date: April 26, 2021

STUTZMAN, BROMBERG, ESSERMAN & PLIFKA, A Professional Corporation

By*: /s/ Kaitlyn C. Fletcher*_____

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COUNSEL FOR THE SEPCO ASBESTOS PERSONAL INJURY TRUST

EXHIBIT A

Sepco Asbestos Personal Injury Trust Special-Purpose Financial Statements For The

Period January 1, 2021 To December 31, 2021

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SEPCO ASBESTOS PERSONAL INJURY TRUST

Special-Purpose Financial Statements
and
Report of Independent Auditors

Year Ended December 31, 2021
and for the Period
June 8, 2020 (Date of Formation)
to December 31, 2020

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SEPCO ASBESTOS PERSONAL INJURY TRUST

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REPORT OF INDEPENDENT AUDITORS

To the Trustee of
Sepco Asbestos Personal Injury Trust

Opinion

We have audited the accompanying special-purpose financial statements of the Sepco 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, 2021, and the related special-purpose statement of changes in net claimants' equity for the year then ended, and the related notes to the special-purpose financial statements (collectively, the "Financial Statements").

In our opinion, the Financial Statements referred to above present fairly, in all material respects, the net claimants' equity of the Trust as of December 31, 2021, and the changes in net claimants' equity for the year then ended in conformity with the special-purpose basis of accounting described in Note 2 to the Financial Statements.

Basis for Opinion

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

Prior Period Financial Statements

The 2020 Financial Statements were compiled by other accountants and their report thereon, dated April 26, 2021, stated they did not audit or review those Financial Statements and, accordingly, expressed no opinion or other form of assurance on them.

Emphasis of Matter – Basis of Accounting

As described in Note 2 of the Financial Statements, these Financial Statements are prepared on a special-purpose basis of accounting and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. The special-purpose basis of accounting has been used in order to present the amount of equity presently available to current and future claimants and the changes in equity during the periods. Our opinion is not modified with respect to this matter.

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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 error or fraud.

In preparing the Financial Statements, management is required to evaluate where 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 the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Financial Statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Financial Statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

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

Restriction on Use

This report is intended solely for the information and use of the management of the Trust, the Trustee, the beneficiaries of the Trust and the United States Bankruptcy Court for the Northern District of Ohio Eastern Division and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which, upon filing with the United States Bankruptcy Court for the Northern District of Ohio Eastern Division, is a matter of public record.

BKM Sowan Horan, LLP

Dallas, Texas
April 18, 2022

SEPCO ASBESTOS PERSONAL INJURY TRUST

Special-Purpose Statements of Net Claimants' Equity

	December 31, 2021 (Audited)	December 31, 2020 (Compiled)
ASSETS		
Cash and cash equivalents:		
Unrestricted	**355,588**	$ 1,142,176
Restricted	**54,900**	20,950
Investments in marketable securities and certificates of deposit	**20,275,157**	18,998,965
Investment in common stock of Sepco Corporation	**1,100,000**	400,000
Accrued interest and dividend income	**163,761**	113,912
Purchased interest	**-**	28,931
Prepaid expenses	**9,394**	9,415
Total assets	**$ 21,958,800**	$ 20,714,349
LIABILITIES AND NET CLAIMANTS' EQUITY		
Accrued expenses	**$ 51,674**	$ 107,500
Accrued payments to claimants	**881,893**	-
Claims processing deposits	**54,900**	20,950
Deferred tax liability	**173,676**	-
Total liabilities	**1,162,143**	128,450
Net claimants' equity	**$ 20,796,657**	$ 20,585,899

See accompanying notes to special-purpose financial statements.

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SEPCO ASBESTOS PERSONAL INJURY TRUST

Special-Purpose Statements of Changes in Net Claimants' Equity

	Year ended December 31, 2021 (Audited)	For the Period from June 8, 2020 (Date of Formation) to December 31, 2020 (Compiled)
Additions		
Received at formation -		
Cash - insurance settlements	$ -	$ 19,750,000
Common stock of Sepco Corporation	-	400,000
Residual cash from Qualified Settlement Fund	-	259,547
Cash from reorganized Sepco Corporation	-	100,000
Net gain on investments in marketable securities, net of management fees, custody fees and bond amortization	**165,110**	485,203
Adjustment to investment in common stock of Sepco Corporation	**700,000**	-
Interest and dividend income	**912,121**	216,000
Filing fees collected on withdrawn claims	**1,700**	-
Total additions	**1,778,931**	21,210,750
Deductions		
Payments to claimants	**881,893**	-
Income tax expense, net	**173,676**	-
Legal fees	**160,707**	340,723
Future Claimants' Representative fees and expenses	**90,087**	81,332
Trustee fees and expenses	**69,676**	57,159
Accounting fees	**53,695**	14,996
Claims processing fees	**29,101**	25,567
Trust Advisory Committee counsel fees and expenses	**28,808**	26,510
Trustee fiduciary fee	**25,000**	25,000
Insurance expense	**17,721**	9,312
Financial consulting	**16,000**	8,440
Consulting fees	**11,516**	24,666
Audit fees	**4,140**	-
Delaware Trustee fees and expenses	**4,000**	4,768
Miscellaneous expenses	**2,042**	5,472
Foreign tax expense	**111**	906
Total deductions	**1,568,173**	624,851
Net increase in net claimants' equity	**210,758**	20,585,899
Net claimants' equity, beginning of perod	**20,585,899**	-
Net claimants' equity, end of period	$ **20,796,657**	$ 20,585,899

See accompanying notes to special-purpose financial statements.

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Note 1 - Nature of Trust

Description of Trust

The Sepco Asbestos Personal Injury Trust (the "Trust") was established in accordance with the Second Amended Plan of Reorganization, as Modified, for Sepco Corporation Under Chapter 11 of the Bankruptcy Code, as supplemented by that certain Supplement to Second Amended Plan of Reorganization, as Modified, for Sepco (collectively, the "Plan"). The purpose of the Trust is:

- to assume all liabilities and responsibility for all Asbestos Personal Injury Claims ("Claims");
- to direct the processing, liquidation and payment of all Claims in accordance with the Plan, the Sepco Asbestos Personal Injury Trust Distribution Procedures (the "TDP"), and the Confirmation Order;
- to preserve, hold, manage, and maximize the assets of the Trust for use in paying and satisfying Claims;
- to use the Trust's assets and income to pay holders of all Claims in accordance with the Sepco Asbestos Personal Injury Trust Agreement, as amended (the "Trust Agreement") and the TDP in such a way that such holders of Claims are treated fairly, equitably, and reasonably in light of the finite assets available to satisfy such claims, and
- to comply in all respects with the requirements for a trust set forth in Section 524(g)(2)(B) of the Bankruptcy Code.

The Trust was established on June 8, 2020, the Effective Date of the Plan ("Effective Date") and is a Qualified Settlement Fund under Internal Revenue Code Section 468B for holders of Claims ("Qualified Settlement Fund"). The Trust operates as the Sepco Asbestos Personal Injury Trust.

Pursuant to the Plan, at formation of the Trust, Sepco transferred its rights under insurance policies to the Trust, including $19,750,000 from two insurers and also transferred the residual balance in the Qualified Settlement Fund ("QSF funds") totaling $259,547. Finally, the Trust received a 100% common stock interest in Sepco Corporation (the "Reorganized Debtor" with an initial fair market value of $400,000 (see Note 3). The Reorganized Debtor is obligated to refund to the Trust any surplus funds after the post-effective date expenses are paid and in December 2020, paid $100,000 to the Trust.

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Note 1 - Nature of Trust – (Continued)

Description of Trust – continued

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

The Trust's assets consist primarily of cash and cash equivalents, investments in marketable securities, certificates of deposit and the common stock of Reorganized Debtor, which, with the earnings or losses on such investments, are intended to be totally consumed by the allowance and payment of claims and operation of the Trust. The percentage amount of each allowed claim that will actually be paid will be determined by projections of total allowed Claims and operational expenses of the Trust, on the one hand, and total assets and net earnings or losses on the other. The Trust began accepting Claims on December 7, 2020. The initial payment percentage has been set at 10% and is subject to review and adjustment, in accordance with the Trust Agreement and the TDP. The Trustee is a fiduciary and is responsible for administering the Trust and the Trust's assets in accordance with the Trust Agreement and the Plan.

Termination

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

- The date on which the Trustee decides to dissolve the Trust because (A) the Trustee deems it unlikely that any new 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 TDP, or disallowed by a final, non-appealable order, to the extent possible based upon the funds available through the Plan and (C) twelve (12) consecutive months have elapsed during which no new asbestos claims have been filed with the Trust.

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Note 1 - Nature of Trust – (Continued)

Termination – continued

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

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

On the 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 disorders and such charitable organizations should not have any relationship with Sepco.

Following the dissolution and distribution of the assets of the Trust, the Trust shall terminate and the Trustee shall execute and file a Certificate of Cancellation.

COVID-19 Consideration

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

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Trust's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity and operations. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Trust is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021 and beyond.

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Note 2 - Summary of Significant Accounting Policies

Basis of accounting

The Trust's special-purpose financial statements ("Financial Statements") are prepared using special-purpose accounting methods that differ from accounting principles generally accepted in the United States of America ("GAAP"). The special-purpose accounting methods are being used to better communicate the equity available to satisfy current and future claims. Since the accompanying Financial Statements and transactions are not based upon GAAP, accounting treatment by other parties for these same transactions may differ as to timing and amount. 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.

- These Financial Statements do not include a statement of cash flows.

- Cash and cash equivalents are recorded at cost with accrued income shown separately.

- The funding received from Sepco and reorganized Sepco Corporation, insurance settlements and the QSF funds have been recorded directly to net claimants' equity. These funds do not represent taxable income to the Trust. Payments to claimants are reported as deductions from net claimants' equity and do not represent tax-deductible expenses of the Trust.

- At December 31, 2021, the liability for accrued payments to claimants reflected in the statement of net claimants' equity represents unpaid outstanding and accepted offers. No liability is recorded for future claims filings and filed claims on which no offer has been made. Net claimants' equity represents funding available to pay present and future claims on which no liability has been recorded.

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Note 2 - Summary of Significant Accounting Policies – (Continued)

Basis of accounting – continued

- The Trust's investments in marketable debt securities are considered as available for sale. The unrealized holding gains (losses) on these investments are included in net gain on investments in marketable securities, net of management fees and bond amortization on the accompanying statement of changes in net claimants' equity. Under GAAP, the unrealized holding gains (losses) on available for sale investments would be included as a component of net claimants' equity reported as accumulated other comprehensive income (loss).

- Changes in fair market value of the investment in common stock of the Reorganized Debtor, if any, will be recorded as an adjustment to net claimant's equity. At December 31, 2021, the investment in common stock of the Reorganized Debtor was reported at the estimated cash proceeds the Trust will receive upon dissolution of Reorganized Debtor. At December 31, 2020, the investment in the common stock of the Reorganized Debtor was reported at the fair market value of the Company's 33.33% ownership interest in a limited liability company, which owned commercial real estate, and that interest was redeemed in full in February 2021. Under GAAP, the investment in common stock of the Reorganized Debtor would be measured and reported at fair value on a recurring basis in the statements of net claimants' equity after initial recognition, with quantitative disclosures presented in a tabular format.

Use of estimates

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

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Note 2 - Summary of Significant Accounting Policies – (Continued)

Financial instruments

The Trust's financial instruments are cash and cash equivalents, accrued interest and dividend income, investments in marketable securities, certificates of deposit, the investment in the Reorganized Debtor, accrued expenses and accrued payments to claimants. The carrying amount of cash and cash equivalents, accrued interest and dividend income, and accrued expenses approximate their fair values based on their short-term nature. The carrying amount of marketable securities and certificates of deposit is based on fair value. The carrying amount of the investment in Reorganized Debtor and payments to claimants approximates fair value based on management's estimates.

Cash and cash equivalents

The Trust consider all highly liquid debt instruments purchased with an original maturity value of three months or less to be cash equivalents. Unrestricted cash and cash equivalents at December 31, 2021 and 2020, are as follows:

		2021		2020
		(Audited)		(Compiled)
Money market funds				
Fidelity government fund	$	**338,757**	$	-
Goldman Sachs government fund		**-**		616,105
PNC/BBVA		**15,173**		526,071
Filing fee account		**1,658**		-
Total	$	**355,588**	$	1,142,176

At December 31, 2021 and 2020, restricted cash represents filing fees received from claimants, which will be refunded if the claim is accepted and retained by the Trust if the claim does not qualify for payment.

Concentrations of credit risk

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

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Note 2 - Summary of Significant Accounting Policies – (Continued)

Concentrations of credit risk – continued

The Trust's investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level or risk associated with investments, it is at least reasonably possible that significant changes in risks in the near term may materially affect the amounts reported in the financial statements. However, the Trust has a formal investment policy of placing investments in high-quality financial institutions.

Investments in marketable securities and related income (loss)

Investments in marketable securities are reported at fair value in the special-purpose statement of net claimants' equity and changes in the fair value of investments, as well as realized and unrealized gains and losses are included in net gain on investments in marketable securities, net of management fees, custody fees and bond amortization reported in the special-purpose statement of changes in net claimants' equity. Purchases and sales of marketable securities are recorded on the trade date.

Realized gains and losses on disposals of investments are determined by the specific identification method. Interest and dividend income are recognized on the accrual basis. For 2021 and 2020, investment management fees of $22,058 and $8,468, respectively, custody fees of $6,660 and $4,054, respectively, and bond amortization of $479,177 and $30,478, respectively, are included in net gain on investments in marketable securities, net of management fees, custody fees and bond amortization in the accompanying statement of changes in net claimants' equity.

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

Claims processing deposits

Claims processing deposits represent filing fees collected for each unliquidated claim, which will be refunded by the Trust if the claim is paid.

Net claimants' equity

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

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Note 2 - Summary of Significant Accounting Policies – (Continued)

Income taxes

Deferred tax assets and liabilities are recorded based on temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established when it is likely that the deferred tax assets may not be realized. 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 insurance settlements, Sepco, the Reorganized Debtor, the QSF and distributions paid to settle asbestos claims are not taxable or deductible by the Trust.

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

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 18, 2022, the date on which the financial statements were available to be issued.

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Note 3 - Investment in Common Stock of Sepco Corporation

The Trust owns 100% of the issued and outstanding common stock of Sepco Corporation (the "Reorganized Debtor"), which was received as part of the Plan of Reorganization in June 2020. The initial value of the common stock was $400,000 and was based on the Reorganized Debtor's 33.33% ownership interest in a limited liability company ("LLC") with an original purchase price of $400,000. The Reorganized Debtor redeemed their interest in the LLC in February 2021 for proceeds of $409,333. At December 31, 2021, the Trust recorded an adjustment of $700,000 to the investment in common stock of the Reorganized Debtor, as the Trust expects to receive approximately $1,100,000 upon dissolution of the Reorganized Debtor. There were no adjustments to the value of the investment in common stock of Reorganized Debtor from June 8, 2020 (Date of Formation) to December 31, 2020.

Note 4 - Investments in Marketable Securities and Certificates of Deposit

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

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

Level II – Pricing inputs are other than quoted market prices included in Level I, however, are observable indirectly for the investment.

Level III – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. The Trust does not carry any Level III investments.

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Note 4 - Investments in Marketable Securities and Certificates of Deposit – (Continued)

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

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

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

The valuations of the Trust's investments in marketable securities and certificates of deposit by the above fair value hierarchy levels and the corresponding cost of the investments as of December 31, 2021 and 2020 are as follows:

	December 31, 2021 (Audited)			
	Level	Fair Value	Cost	Net Unrealized Gains
Certificates of deposit	**I**	**$ 500,157**	**$ 500,157**	**$ -**
Mutual funds - equity funds	**I**	**5,763,363**	**4,747,805**	**1,015,558**
Municipal bonds	**II**	**14,011,637**	**13,942,091**	**69,546**
Total		**$ 20,275,157**	**$ 19,190,053**	**$ 1,085,104**

	December 31, 2020 (Compiled)			
	Level	Fair Value	Cost	Net Unrealized Gains
Mutual funds - equity funds	I	$ 4,903,198	$ 4,416,008	$ 487,190
Municipal bonds	II	14,095,767	14,055,207	40,560
Total		$ 18,998,965	$ 18,471,215	$ 527,750

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Note 4 - Investments in Marketable Securities and Certificates of Deposit – (Continued)

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

	Fair Value	Cost	Net Unrealized Gains
Due in one year or less	$ 129,001	$ 128,667	$ 334
Due after one year through five years	4,070,517	14,058,111	12,406
Due after five years through ten years	7,331,983	7,284,867	47,116
Due after ten years through twenty years	1,624,696	1,618,591	6,105
Due after twenty years	855,440	851,855	3,585
Total	$ 14,011,637	$ 13,942,091	$ 69,546

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Note 5 - Taxation

The Trust reports its income to the Internal Revenue Service as a designated settlement fund which is taxed at the highest rate applicable to trusts under Section 1(e) of the Internal Revenue Code, which was 37%.

The Trust's federal income tax expense for the year ended December 31, 2021 and for the period June 8, 2020 (date of formation) to December 31, 2020, is calculated as follows:

	Years Ended December 31,	
	2021	2020
	(Audited)	(Compiled)
Modified taxable loss	**$ (46,359)**	$ (569,350)
Tax rate	**37%**	37%
Federal income tax benefit	**(17,153)**	(210,660)
Deferred federal income tax expense	**206,221**	195,268
Valuation allowance	**(15,392)**	15,392
Income tax expense, net	**$ 173,676**	$ -

Temporary differences between financial reporting income and taxable income generate deferred tax assets and liabilities as of December 31, 2021 and 2020, as follows:

	Years Ended December 31,	
	2021	2020
	(Audited)	(Compiled)
Net operating loss carryforward	**$ 227,812**	$ 210,660
Unrealized gain on investments	**(401,488)**	(195,268)
Valuation allowance	**-**	(15,392)
Deferred tax liability, net	**$ (173,676)**	$ -

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Note 5 - Taxation – (Continued)

At December 31, 2021 and 2020, the Trust had approximately $615,700 and $569,300, respectively of net operating loss carryforwards with no expiration date and will be limited to a reduction of 80% of modified taxable income. The amount of income taxes the Trust pays is subject to ongoing audits by federal authorities.

Note 6 - Trust Advisory Committee and Future Claimants' Representative

The Trust Agreement sets forth the role and responsibility of the Trust Advisory Committee ("TAC") and the Future Claimants' Representative ("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 TAC is comprised of six attorneys who are engaged by Current Claimants.

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"). His role, in part, is to protect rights of the Future Asbestos Claimants. The Trustee is required to consult with or obtain the consent of FCR on certain matters identified in the Trust Agreement and the TDP.

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