

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

In re:)	Jointly Administered at
)	Case No. 03-35592 JKF
MID-VALLEY, INC., <i>et. al.</i> ,)	
)	Chapter 11
Reorganized Debtors.)	Document No. <u>2669</u>
)	
_____)	

ORDER OF COURT PERMITTING THE FILING OF CERTAIN DOCUMENTS WITHOUT REOPENING THE REORGANIZATION CASES¹

WHEREAS, this Court entered an Order of Final Decree on November 21, 2005 at Docket No. 2514 ordering that the Reorganized Debtors’ Reorganization Cases be closed; and

WHEREAS, pursuant to the terms of the Confirmation Order, the Asbestos PI Trust Documents and the Silica PI Trust Documents, certain additional informational and other filings are anticipated to be made including, but not limited to (i) annual reports to be filed by the Asbestos and Silica PI Trusts; and (ii) amended Plan Exhibits filed by the Reorganized Debtors (collectively, the “Additional Filings”); and

WHEREAS, at the hearing held on November 6, 2006, this Court indicated that the Additional Filings should not necessitate the reopening of these Reorganization Cases or any related payment of filing fees; it is hereby

ORDERED, that the Clerk of this Court is directed to accept the Additional Filings and the Additional Filings shall not require the reopening of these Reorganized Cases or

¹ Capitalized terms used herein without definition shall have the meaning ascribed to such terms in the Uniform Glossary of Defined Terms for Plan Documents filed of record on November 5, 2004 (Dkt. No. 2086).

the payment of any related filing fees; and it is further

ORDERED, each such Additional Filing shall include a copy of this Order, affixed to the front of the Additional Filing; and it is further

ORDERED, that counsel for the Reorganized Debtors shall immediately serve a copy of this Order on (i) each entity set forth in the Reorganized Debtors' current Official Service List; (ii) each entity set forth on the current Bankruptcy Rule 2002 Notice List; and (iii) any other parties-in-interest, and file a certificate of service with the Clerk of the Bankruptcy Court within ten (10) days hereof; and it is further

ORDERED, that the Clerk of the Bankruptcy Court is hereby directed to make a notation on the dockets that, the Reorganization Cases (Case Nos. 03-35592, 03-35593, 03-35595, 03-35596, 03-35597, 03-35599, 03-35600, and 03-35601) have been closed.

Dated: 11/16/2006

Dated: 12:39:42, 2006


Judith K. Fitzgerald
United States Bankruptcy Judge **wmk**

IN THE UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF PENNSYLVANIA

In re:	§	Jointly Administered at
	§	Case No. 03-35592-JKF
MID-VALLEY, INC., et al.,	§	
	§	Chapter 11
Reorganized Debtors	§	
_____	§	

DII INDUSTRIES, LLC ASBESTOS PI TRUST’S 2021 ANNUAL REPORT

Pursuant to the DII Industries, LLC Asbestos PI Trust Agreement, the Trustees of the DII Industries, LLC Asbestos PI Trust (“Trust”) report the following 2021 activities:

I. Financial Statements

The Trust’s Special-Purpose Financial Statements with Report of Independent Auditors for the Years Ended December 31, 2021 and 2020 are attached as Exhibit A.

II. Claims Summary

A summary of the number and types of claims the Trust disposed of in 2021 is attached as Exhibit B.

III. Documented Site List

A summary of the changes the Trust made to its Documented Site list in 2021 is attached as Exhibit C.

IV. Trustees’ Fees, Expenses, and Activities

In 2021, the Trustees earned \$705,078 and were reimbursed \$1,532 of the expenses they incurred (a) conducting weekly meetings with the Trust’s staff; (b) leading quarterly meetings with the Trust Advisory Committee and Legal Representative; (c) monitoring the Trust’s financial portfolio; (d) meeting regularly with the Trust’s financial advisors and investment managers; (e) reviewing and approving the Trust’s financial statements, audit reports, and

processes; (f) supervising the Trust's responses to discovery requests and activity in arbitrations, mediations, and litigation; (g) monitoring developments in legislation, litigation, and bankruptcies that could affect the Trust; (h) evaluating and revising the Trust's claims review processes; (i) monitoring the Trust's claims processing facility's performance; (j) assessing the Trust's staffing needs and compensation; (k) supervising continued enhancements to the Trust's information security procedures and infrastructure; and (l) otherwise administering the Trust.

In particular, and as described below, the Trustees devoted significant attention to (a) reevaluating the Trust's Payment Percentage; (b) revising the Trust's release and affidavit authentication policies; (c) overseeing the Trust's claims audit program; (d) implementing measures to increase the average liquidated amounts of lung cancer and other cancer claims; and (e) responding to subpoenas issued by Bestwall LLC seeking Trust claims information.

A. Payment Percentage

In 2021, professionals retained by the Trustees, in consultation with professionals retained by the Trust Advisory Committee and Legal Representative, updated the Trust's forecast of its assets and liabilities, including the number, types, and values of pending and future claims. Based on the updated forecast, the Trustees, with the agreement of the Trust Advisory Committee and Legal Representative, maintained the Trust's 60 percent Payment Percentage.

B. Release and Affidavit Policies

In 2020, the Trust temporarily extended deadlines and modified release and affidavit requirements to help claimants overcome obstacles posed by COVID-19. In 2021, the Trust further extended these policies on multiple occasions. While certain temporary policies expired on or before December 31, 2021, the Trust permanently adopted policies accepting unwitnessed Release and Indemnity Agreements and un-notarized affidavits executed under penalty of

perjury, if they are signed through an authorized electronic signature program and accompanied by satisfactory documentation generated by the program of the process followed to obtain the electronic signature.

C. Claims Audit Program

The Trust resolved more than 700 claim audits in 2021 as part of its ongoing efforts to ensure that its assets are used to pay valid claims. Additionally, the Trust examined certain doctors' medical reports to assess their reliability. The Trustees received frequent reports on these audits from Trust staff and guided their resolutions.

D. Individual Review Models

In 2021, the Trustees took steps to ensure that the Trust processes claims such that, over time, their average Liquidated Amounts approximate the Average Values provided in Section 5.3 of the Trust Distribution Procedures. Among other things, the Trustees adjusted the models the Trust uses to value Disease Level VI – Lung Cancer 2 claims and worked to enhance claimants' representatives' understanding of whether the Expedited or Individual Review processing option would achieve the highest values for eligible Disease Level V – Other Cancer and VII – Lung Cancer 1 claims.

E. Bestwall LLC Subpoenas

In April 2021, Bestwall LLC, the debtor in a chapter 11 bankruptcy case in the Western District of North Carolina, issued subpoenas to the Trust, other asbestos trusts, and the Trust's and other trusts' claims processing facility. The subpoenas sought trust claims information of approximately 15,000 persons who Bestwall asserted had resolved mesothelioma claims against it or its affiliate, Georgia-Pacific LLC, in the tort system. The North Carolina bankruptcy court

had granted Bestwall's request to issue the subpoenas, requiring only some of the protections that the claims processing facility sought as alternatives in its opposition to Bestwall's request.

The Trust objected to the subpoena issued to it and joined other trusts in moving to quash the subpoena issued to the facility in the United States District Court for the District of Delaware. In June 2021, the district court quashed the subpoenas, but allowed Bestwall to reissue subpoenas with additional confidentiality protections. In August 2021, Bestwall appealed the district court's order to the United States Third Circuit Court of Appeals. This appeal remains pending. The Trustees received regular reports on this matter from Trust staff. They asked questions and provided feedback in response.

V. Trust Advisory Committee Fees, Expenses, and Activities

In 2021, the Trust paid the Trust Advisory Committee and its legal counsel and other professionals \$65,033 in fees and reimbursed no expenses. During the year, the Trust Advisory Committee advised the Trustees in their performance of the activities discussed above.

VI. Legal Representative Fees, Expenses, and Activities

In 2021, the Trust paid the Legal Representative and his legal counsel and other professionals \$108,227 in fees and reimbursed \$92 of the expenses they incurred. Like the Trust Advisory Committee, the Legal Representative advised the Trustees in their performance of the activities discussed above.

VII. Additional Information

For additional information regarding the Trust's financial statements or operations, please contact its Executive Director, Gregg McHugh, at 12222 Merit Drive, Suite 1150, Dallas, Texas 75251, or at 214-271-0554, or go to www.diiasbestostrust.org.

/s/
Marcellene J. Malouf, Managing Trustee
DII Industries, LLC Asbestos PI Trust

/s/
Mark M. Gleason, Trustee
DII Industries, LLC Asbestos PI Trust

/s/
Honorable David R. Herndon, Trustee
DII Industries, LLC Asbestos PI Trust

Exhibit A

Special-Purpose Financial Statements with
Report of Independent Auditors
Years Ended December 31, 2021 and 2020

DII INDUSTRIES, LLC ASBESTOS PI TRUST

Special-Purpose Financial Statements
with
Report of Independent Auditors

Years Ended December 31, 2021 and 2020

DII INDUSTRIES, LLC ASBESTOS PI TRUST

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REPORT OF INDEPENDENT AUDITORS

To the Trustees of the
DII Industries, LLC Asbestos PI Trust

Opinion

We have audited the accompanying special-purpose financial statements of the DII Industries, LLC Asbestos PI Trust (the “Trust”), which comprise the statements of net claimants’ equity as of December 31, 2021 and 2020, the related statements of changes in net claimants’ equity and changes in investments for the years then ended, and the related notes to the 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 2020, and the changes in net claimants’ equity and cash flows for the years 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 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 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 our audit opinion.

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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with the special-purpose accounting methods adopted by the Trust and its Trustees. These methods are described in Note 2. Management is also responsible for the design,

implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements are available to be issued.

Auditor's Responsibility 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, 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 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 Trust's ability to continue as a going concern for a reasonable period of time.

Restriction of Use

This report is intended for the information and use of the Trustees, management of the Trust, and for filing with the United States Bankruptcy Court for Western District of Pennsylvania – Pittsburgh Division (the “Bankruptcy Court”), and it should not be used by anyone other than those specified parties. This restriction is not intended to limit distribution of this report, which, upon filing with the Bankruptcy Court, is a matter of public record.

BKM Aowan Horan, LLP

Dallas, Texas
April 21, 2022

DII INDUSTRIES, LLC ASBESTOS PI TRUST

Special-Purpose Statements of Net Claimants' Equity

	December 31,	
	2021	2020
ASSETS		
Investments, at fair value	\$ 1,587,055,146	\$ 1,634,467,170
Investment income receivable	9,421,903	9,841,214
Prepaid expenses and other assets	327,853	397,318
Prepaid income taxes	2,395,048	-
Property and equipment, net	57,928	65,460
 Total assets	 1,599,257,878	 1,644,771,162
LIABILITIES		
Accounts payable and accrued expenses	899,712	704,486
Settled but unpaid claims	3,536,603	1,132,861
Income taxes payable	-	9,663,641
Deferred income tax liability	165,904,371	148,670,436
 Total liabilities	 170,340,686	 160,171,424
 Net claimants' equity (Note 2)	 \$ 1,428,917,192	 \$ 1,484,599,738

See accompanying notes to special-purpose financial statements

DII INDUSTRIES, LLC ASBESTOS PI TRUST

Special-Purpose Statements of Changes in Net Claimants' Equity

	Years ended December 31,	
	2021	2020
Investment income, net		
Interest and dividend income, net	\$ 28,209,843	\$ 31,525,430
Realized gain on investments, net	13,655,667	21,368,151
Unrealized gain on investments, net of investment fees and expenses	52,003,136	71,242,000
Total investment income	93,868,646	124,135,581
Operating expenses		
Asbestos claims payment expense	118,382,480	134,659,953
Operating and legal expenses	7,588,466	7,428,172
Total operating expenses	125,970,946	142,088,125
Loss before federal income taxes	(32,102,300)	(17,952,544)
Income tax expense	(23,580,246)	(31,255,232)
Decrease in net claimants' equity	(55,682,546)	(49,207,776)
Net claimants' equity, beginning of year	<u>1,484,599,738</u>	<u>1,533,807,514</u>
Net claimants' equity, end of year	<u>\$ 1,428,917,192</u>	<u>\$ 1,484,599,738</u>

See accompanying notes to special-purpose financial statements

DII INDUSTRIES, LLC ASBESTOS PI TRUST

Special-Purpose Statements of Changes in Investments

	Years ended December 31,	
	2021	2020
Investment inflows		
Investment income, net	\$ 28,629,154	\$ 31,854,640
Realized gain on investments, net	13,655,667	21,368,151
Total inflows	42,284,821	53,222,791
Investment outflows		
Asbestos claims payments	115,978,738	136,213,966
Operating and legal payments	7,316,243	7,490,876
Income taxes paid	18,405,000	-
Total outflows	141,699,981	143,704,842
Net cash outflows	(99,415,160)	(90,482,051)
Non-cash changes:		
Unrealized gain on investments, net	52,003,136	71,242,000
Net decrease in investments	(47,412,024)	(19,240,051)
Investments, beginning of year	1,634,467,170	1,653,707,221
Investments, end of year	\$ 1,587,055,146	\$ 1,634,467,170

See accompanying notes to special-purpose financial statements

DII INDUSTRIES, LLC ASBESTOS PI TRUST

Notes to Special-Purpose Financial Statements

Note 1 - Description of the Trust

General

The Trust is a Pennsylvania common law trust and is a Qualified Settlement Fund within the meaning of Treasury Department regulations issued pursuant to Section 468B of the Internal Revenue Code. The Trust was created on January 20, 2005, in connection with the plan of reorganization (the “Plan”) for DII Industries, LLC and certain of its affiliated debtors and debtors-in-possession (the “Debtors”). The Debtors were direct or indirect subsidiaries of Halliburton Company (“Halliburton”). The Plan was confirmed by order entered on July 21, 2004, by the Bankruptcy Court (the “Order”). The Order was affirmed by the United States District Court for the Western District of Pennsylvania on December 1, 2004. The Plan became effective on January 20, 2005. The Trust’s purpose is to assume the asbestos liabilities of the Debtors, Halliburton, Harbison-Walker Refractories Company, and certain other businesses and to use the Trust’s assets and income to pay holders of those liabilities so that all holders of similar asbestos claims, both current and future, are treated in a substantially equivalent manner.

Halliburton, its affiliates, and other related companies were granted the protection of a permanent channeling injunction entered by the Bankruptcy Court in connection with the Order. The injunction enjoins the assertion of Asbestos Unsecured PI Trust Claims (“Asbestos Claims”) against those entities and channels such claims to the Trust for resolution.

The Trustees are fiduciaries to the Trust and are responsible for administering it and its assets in accordance with the Plan.

The Trust is governed by a Trust Agreement (“TA”) and Trust Distribution Procedures (“TDP”) that establish the framework and criteria for allowance and payment of Asbestos Claims by the Trust.

The Trust’s assets consist primarily of cash, cash equivalents, and investments, which, with the earnings on such investments, are intended to be totally consumed by the allowance and payment of claims and operation of the Trust. The percentage of the amount of each allowed claim that will actually be paid will be determined by projections of total allowable Asbestos Claims and operational expenses of the Trust, on the one hand, and total assets and net earnings, on the other.

The Trust will terminate in accordance with TA article 7.2.

DII INDUSTRIES, LLC ASBESTOS PI TRUST

Notes to Special-Purpose Financial Statements

Note 2 - Summary of Significant Accounting Policies

Basis of accounting

The Trust's Financial Statements are prepared using a special-purpose accounting method adopted by the Trust and its Trustees, which differs 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. The special-purpose accounting method is different from GAAP as it does not include any liability for future claims filings that could be received over the life of the Trust.

Cash equivalents

The Trust considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments are stated at estimated fair value. When quoted prices in active markets for identical assets are available, these quoted market prices are used to determine the fair value. In other cases, the Trust may hold investments for which there is no active market or the market is dislocated. When determining the fair value of such investments, the valuation is dependent on facts and circumstances requiring judgment by the Trustees and Trust management. In exercising that judgment, they rely upon the valuation by the Trust's investment managers and advisors. It is acceptable to use inputs based on estimates or assumptions, or to make adjustments to observable inputs to determine fair value when markets are not active and relevant observable inputs are not available. Changes in fair value are recorded as additions and deductions to net claimants' equity. Realized gains and losses on investments in securities are calculated based on the specific identification method. The Trust records securities transactions on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest is recorded on an accrual basis.

Claims and claims processing expense

Amounts due to claimants for allowed claims are recorded when signed releases are received and verified. Allowed claims with signed releases that are received and verified but not paid before the end of the year are accrued as settled, but unpaid claims in the special-purpose statements of net claimants' equity. Additional or supplemental payments receive the same treatment when sufficient evidence has been received and verified. See Note 4.

DII INDUSTRIES, LLC ASBESTOS PI TRUST

Notes to Special-Purpose Financial Statements

Note 2 - Summary of Significant Accounting Policies – Continued

Claims and claims processing expense – continued

Claims processing expenses are recorded as incurred and are included in operating and legal expenses in the special-purpose statements of changes in net claimants' equity.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. The Trust uses both straight-line and accelerated methods of depreciation over the estimated useful lives of the assets, which range from 5 to 7 years. Depreciation expense was approximately \$21,000 and \$51,000 for the years ended December 31, 2021, and 2020, respectively, and is included in operating and legal expenses in the special-purpose statements of changes in net claimants' equity.

Net claimants' equity

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

Concentration of credit risk

Financial instruments, which potentially subject the Trust to concentrations of credit risk, consist primarily of cash, cash equivalents, and investments. The Trust maintains cash and cash equivalents at financial institutions it considers to be of high credit quality. At times, the Trust may have cash deposits in banks that exceed federally insured limits. The Trust has not experienced any losses in such accounts and, based on consultations with its advisors, does not believe it is exposed to any significant credit risk.

The Trust's investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, the values of investments may change materially. The Trust has a formal investment policy that provides for diversification and establishes standards to invest the Trust's assets.

Use of estimates

The preparation of the Financial Statements requires the Trust's Trustees and management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the financial statement date, and the reported amounts of additions to and deductions from net claimants' equity during the reporting periods.

DII INDUSTRIES, LLC ASBESTOS PI TRUST

Notes to Special-Purpose Financial Statements

Note 2 - Summary of Significant Accounting Policies – Continued

Use of estimates – continued

Significant items subject to such estimates and assumptions include the carrying value of investments and the estimates of current and deferred income taxes. Actual results could differ from these estimates.

Statements of changes in investments

The accompanying statements of changes in investments represent the various inflows and outflows of cash during the reporting periods in order to reconcile the changes in investments, at fair value, from the beginning to the end of the respective year on the cash basis.

Income taxes

Deferred income tax assets and liabilities are determined based upon differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws. A valuation allowance is established when it is more likely than not that the deferred tax assets may not be realized. The amount of income taxes the Trust pays is subject to potential audits by federal authorities. The Trust's estimate of the potential outcome of any uncertain tax issue is subject to the Trustees' and Trust 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 Trust's assessment of such tax positions 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 and legal expenses, respectively. The Trust has not recognized any income tax liability or expense related to the review of uncertain tax positions.

Subsequent events

The Trust has evaluated events and transactions subsequent to the date of the Financial Statements to determine if they require recognition or disclosure. The Financial Statements consider events through April 21, 2022, the date on which the Financial Statements were available to be issued.

New accounting pronouncements

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02. The new standard was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This standard affects any entity that enters into a lease, with some specified scope exemptions.

DII INDUSTRIES, LLC ASBESTOS PI TRUST

Notes to Special-Purpose Financial Statements

Note 2 - Summary of Significant Accounting Policies – Continued

New accounting pronouncements – continued

The amendments in this ASU are effective for fiscal years beginning after December 15, 2021. The Trust is assessing the impact of adopting this ASU on its Financial Statements and related disclosures.

Note 3 - Funding of the Trust

Funding of the Trust was set forth in the Plan. On January 20, 2005, its effective date, the Trust received \$950,000 in cash; a note receivable from Halliburton in the amount of \$30,742,628 due December 31, 2005; and 59,500,000 shares of Halliburton stock from the Debtors, which had a market value of \$2,504,652,500. The value of this funding, as of the effective date, totaled \$2,536,345,128.

The Trust sold all shares of the Halliburton stock on March 23, 2005, generating proceeds to the Trust of \$2,481,983,000, net of fees and other charges of \$46,767,000. The note receivable was paid in full at a discounted amount of \$30,685,035 by December 31, 2005. The net cash realized from the funding of the Trust totaled \$2,513,618,035.

The Plan also provides for additional funding through the Asbestos PI Trust Additional Funding Agreement (the “Funding Agreement”). Under the Funding Agreement, the Debtors are obligated to pay the Trust any insurance recoveries in excess of \$2,300,000,000. This obligation ceases once the Debtors have paid an aggregate of \$700,000,000 to the Trust. No proceeds were received or due during the years ended December 31, 2021 and 2020, in connection with the Funding Agreement. No estimate of any future collection under this obligation has been recorded as it is uncertain to occur.

Note 4 - Claims Processing

The Trust reviews and determines Asbestos Claims in accordance with the TDP. The TDP provides for processing, and either withdrawing; disallowing; or allowing, liquidating, and paying all Asbestos Claims as required by the Plan and the TA. For the years ended December 31, 2021 and 2020, approximately \$118,382,000 and \$134,660,000, respectively, were expensed as Asbestos Claims payments. The Trust had approximately \$3,537,000 and \$1,133,000, respectively, in claims which were qualified for payment but were unpaid at December 31, 2021 and 2020.

DII INDUSTRIES, LLC ASBESTOS PI TRUST

Notes to Special-Purpose Financial Statements

Note 4 - Claims Processing – Continued

During 2018, the Trustees, Trust Advisory Committee (“TAC”), and Legal Representative (“LR”) approved an increase to the Payment Percentage from 50% to 60%. As a result of the change, claims paid at Payment Percentages lower than 60%, subject to certain limitations, were or will be paid a supplemental payment by the Trust. During the years ended December 31, 2021 and 2020, the Trust paid approximately \$3,350,000 and \$6,469,000 in such supplemental claims payments, respectively.

The TDP requires the Trust to dedicate 60% of the Maximum Available Payment (“MAP”), as defined in the TDP, in any given year to the payment of claims involving severe asbestosis and malignancies and to dedicate 40% of the MAP to claims involving non-malignant asbestosis and pleural disease. In 2019, the Trust suspended the enforcement of these restrictions. During the years ended December 31, 2021 and 2020, the Trust did not exhaust the MAP.

Note 5 - Estimated Asbestos Claims

At inception, the Trust estimated that its ultimate claims liability would be \$3,700,000,000. It last updated this forecast in 2021, resulting in an estimated remaining claims liability of approximately \$2,214,171,000.

Note 6 - Trust Advisory Committee and Legal Representative

The TA sets forth the roles and responsibilities of the TAC and LR. The members of the TAC serve in a fiduciary capacity representing all holders of present Asbestos Claims (“Current Claimants”). The TAC is comprised of eight attorneys who are engaged by Current Claimants.

The LR serves in a fiduciary capacity, representing the interests of the individuals who may file Asbestos Claims in the future, but who at this time are unknown to the Trust (“Future Claimants”). His role, in part, is to protect rights of the Future Claimants. The Trustees are required to consult with or obtain the consent of the TAC and LR on certain matters identified in the TA and the TDP.

DII INDUSTRIES, LLC ASBESTOS PI TRUST

Notes to Special-Purpose Financial Statements

Note 7 - Taxation

The Trust reports its income to the Internal Revenue Service as a Qualified Settlement Fund, which is taxed at the highest rate applicable to trusts under Section I(e) of the Internal Revenue Code, which is 37% for the years ending December 31, 2021 and 2020.

The Trust's federal income tax expense is calculated as follows:

	Years ended December 31,	
	<u>2021</u>	<u>2020</u>
Modified taxable income	\$ 17,673,535	\$ 38,442,302
Tax rate	37%	37%
Current federal income tax expense	6,539,208	14,223,652
Adjustment to prior year estimates	(192,897)	(4,034,301)
Deferred federal income tax expense	<u>17,233,935</u>	<u>21,065,881</u>
Income tax expense	<u>\$ 23,580,246</u>	<u>\$ 31,255,232</u>

The Trust's net deferred income tax liability is comprised of the federal income tax on the estimated net unrealized gains on investments of approximately \$165,904,000 and \$148,670,000 at December 31, 2021 and 2020, respectively.

Note 8 - Investments at Fair Value

The TA provides general guidelines for the investments of the Trust. More specific policies and guidelines are set forth in the Statement of Investment Objectives and Policies, which were developed by the Trust's financial advisor and adopted by the Trustees.

The Trust's financial advisor and Trustees routinely review the Trust's asset allocations and investment managers.

DII INDUSTRIES, LLC ASBESTOS PI TRUST

Notes to Special-Purpose Financial Statements

Note 8 - Investments at Fair Value – Continued

The estimated cost basis and fair values of the Trust’s investments are as follows:

	December 31, 2021		December 31, 2020	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 109,844,929	\$ 109,844,929	\$ 197,561,072	\$ 197,561,072
Equity securities	103,351,142	428,313,601	96,171,650	340,113,189
Foreign equity funds	15,000,000	74,329,716	15,000,000	69,042,643
Debt securities	809,476,105	815,799,908	818,927,075	852,869,967
Hedge funds	7,054,769	158,766,992	19,581,600	174,880,299
	<u>\$ 1,044,726,945</u>	<u>\$ 1,587,055,146</u>	<u>\$ 1,147,241,397</u>	<u>\$ 1,634,467,170</u>

The Trust had a cumulative net unrealized gain on investments of approximately \$542,328,000 and \$487,226,000 at December 31, 2021, and 2020, respectively. The Trust’s net realized gain on sales of investments was approximately \$13,656,000 and \$21,368,000 for the years ended December 31, 2021, and 2020, respectively. Interest and dividend income is shown net of bond discount amortization of approximately \$14,079,000 and \$14,036,000 for the years ended December 31, 2021, and 2020, respectively.

The following are descriptions of the valuation methodologies used for financial assets measured at fair value, including the general classification of such assets pursuant to the valuation hierarchy. There were no changes in valuation techniques during the years ended December 31, 2021 and 2020.

Cash and cash equivalents

Cash equivalents are carried at cost, which approximates fair value. Cash and cash equivalents include cash balances and money market funds, which are classified as Level I investments.

Equity securities

All of the Trust’s investments in equity securities are publicly traded and are in SEC filers. These securities are classified as Level I, as quoted prices are available for these securities in an active market.

DII INDUSTRIES, LLC ASBESTOS PI TRUST

Notes to Special-Purpose Financial Statements

Note 8 - Investments at Fair Value – Continued

Debt securities

The Trust’s investments in debt securities do not have quoted market prices. Their fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow and are classified within Level 2 of the valuation hierarchy. These Level 2 securities would include U.S. agency securities; agency mortgage-backed securities; obligations of states and political subdivisions; and certain corporate, asset-backed, and other securities.

Foreign equity funds

The Trust’s investment in foreign equity funds do not have quoted market prices. Their fair values are estimated by using pricing models and quoted prices of the publicly traded international securities included in the funds. The funds are classified within Level 2 of the valuation hierarchy.

Hedge funds

The fair values for hedge funds are based on the net asset values provided by the funds, which are subject to independent financial statement audits. The Trust invests in hedge funds that pursue multiple strategies to diversify risk and reduce volatility. The Trust’s independent financial advisors monitor, regularly meet with, and review each fund manager. Additionally, the Trustees and Trust management regularly review manager performance reports and meet directly with the fund managers annually. As of December 31, 2021 and 2020, there were no unfunded commitments to the hedge funds.

The hedge funds are subject to various restrictions or lock-up provisions, which could prevent the Trust from realizing the current fair value estimate. Additionally, the Trust's hedge fund investments may be subject to certain fees and expenses upon liquidation before various dates. The Trust's liquidity by exit date without fees at December 31, 2021, is summarized as follows:

<u>Liquidity within</u>		
0 – 6 months	\$	107,571,389
7 – 12 months		48,870,117
25 – 36 months		2,225,422
Designated illiquid		100,064
	\$	<u>158,766,992</u>

DII INDUSTRIES, LLC ASBESTOS PI TRUST

Notes to Special-Purpose Financial Statements

Note 8 - Investments at Fair Value – Continued

Hedge funds – continued

Financial assets with changes in fair value that are measured on a recurring basis were as follows:

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 109,844,929	\$ -	\$ -	\$ 109,844,929
Equity securities	428,313,601	-	-	428,313,601
Foreign equity funds	-	74,329,716	-	74,329,716
Debt securities	-	815,799,908	-	815,799,908
	<u>\$ 538,158,530</u>	<u>\$ 890,129,624</u>	<u>\$ -</u>	
Hedge funds measured at net asset value				<u>158,766,992</u>
Investments at fair value				<u>\$ 1,587,055,146</u>

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 197,561,072	\$ -	\$ -	\$ 197,561,072
Equity securities	340,113,189	-	-	340,113,189
Foreign equity funds	-	69,042,643	-	69,042,643
Debt securities	-	852,869,967	-	852,869,967
	<u>\$ 537,674,261</u>	<u>\$ 921,912,610</u>	<u>\$ -</u>	
Hedge funds measured at net asset value				<u>174,880,299</u>
Investments at fair value				<u>\$ 1,634,467,170</u>

DII INDUSTRIES, LLC ASBESTOS PI TRUST

Notes to Special-Purpose Financial Statements

Note 9 - Commitments and Contingencies

Leases

The Trust previously had a non-cancelable lease for office space that expired at the end of 2020. The Trust signed a 66-month office lease in September 2020, which commenced in December 2020 and includes options to return rentable space for a fee. Rent expense for the years ended December 31, 2021 and 2020, was approximately \$99,000 and \$201,000, respectively. Future minimum lease payments under the current terms of the lease are as follows:

<u>Years Ending December 31,</u>		
2022	\$	198,113
2023		202,374
2024		206,634
2025		210,895
2026		106,512
		<hr/>
	\$	<u>924,528</u>

Retirement plan

The Trust maintains a safe-harbor 401(k) benefit plan (the “Plan”), which, in the years ended December 31, 2021 and 2020, covered all employees who attained age nineteen (19) and completed one year of service consisting of at least 1,000 hours. The Trust makes matching contributions to the Plan up to 4% of eligible and enrolled employees’ annual compensation. The Trust also typically contributes 3% of every eligible employee’s annual salary, regardless of whether the employee contributes to the Plan. The Trust’s contributions were approximately \$177,000 and \$181,000 for the years ended December 31, 2021 and 2020, respectively.

Exhibit B

Claims Disposed Of In 2021

CLAIMS DISPOSED OF IN 2021

	HAL Claims	HAL Payments	HW Claims	HW Payments
Claims Paid in 2021	3,905	\$53,516,449.19	2,434	\$59,115,299.77
Level I. Other Asbestos Disease	32	\$3,337.57	15	\$4,686.42
Level II. Asbestosis/Pleural Disease	1,054	\$728,653.77	834	\$1,996,200.45
Level III. Asbestosis/Pleural Disease	616	\$930,393.43	545	\$2,472,567.74
Level IV. Severe Asbestosis	87	\$563,281.70	78	\$1,563,106.43
Level V. Other Cancer	170	\$962,204.14	101	\$1,706,760.75
Level VI. Lung Cancer 2	323	\$610,105.43	130	\$1,142,923.80
Level VII. Lung Cancer 1	629	\$3,933,679.71	346	\$10,093,750.15
Level VIII. Mesothelioma	994	\$45,784,793.44	385	\$40,135,304.03
Claims Withdrawn and Deemed Withdrawn in 2021	14,561		13,039	
Claims Disallowed in 2021	542		419	

These figures do not include supplemental payments made to claimants whose claims were disposed of before 2021.

Exhibit C

2021 Documented Site List Changes

2021 DOCUMENTED SITE LIST - UPDATES

Record	Site Name	City	State	Country	Entity	Begin Date	End Date	Effective Date
3102829	Magnolia Petroleum Company	Healdton	OK	USA	HAL	10/26/1950	12/31/1982	1/15/2021
3101756	Firestone Tire & Rubber Co - Tire Plant	Memphis	TN	USA	HAL	4/8/1937	12/31/1982	1/15/2021
35010013	Lone Star Steel Plant	Lone Star	TX	USA	HAL	1/1/1943	11/1/1982	1/15/2021
3102658	Linde Air Products Co.	Ashtabula	OH	USA	HAL	1/1/1951	12/31/1982	1/15/2021
3101651	Electro Metallurgical Company	Ashtabula	OH	USA	HAL	1/1/1947	12/31/1982	1/15/2021
3101971	Globe Oil & Refining Company	Lemont	IL	USA	HAL	1/1/1939	12/31/1982	1/15/2021
3101972	Globe Oil & Refining Company	Lemont	IL	USA	HAL	1/1/1939	12/31/1982	1/15/2021
3104622	Union Oil Company of California - Refinery	Lemont	IL	USA	HAL	1/1/1939	12/31/1982	1/15/2021
1000973	Universal Atlas Cement Co	Gary	IN	USA	HW	6/20/1974	3/31/1981	4/15/2021
3104677	U.S. Steel - Gary Works	Gary	IN	USA	HW	5/12/1967	5/12/1968	4/15/2021
3104677	U.S. Steel - Gary Works	Gary	IN	USA	HW	1/1/1974	10/24/1976	4/15/2021
3104677	U.S. Steel - Gary Works	Gary	IN	USA	HW	6/11/1979	9/13/1980	4/15/2021
3102486	Kansas City Southern Railway Company	Pittsburg	KS	USA	HAL	11/1/1947	12/31/1982	4/15/2021
35010564	Monsanto Chemical Company - J.F. Queeny Plant	St. Louis	MO	USA	HAL	1/1/1953	12/31/1982	7/15/2021
3101686	Erie R.R. Company	Endicott	NY	USA	HAL	1/1/1933	12/31/1982	7/15/2021
1000592	Maryland (Hull # 4644)	Maritime	MM	USA	HW	2/11/1975	2/11/1976	7/15/2021
1000593	Massachusetts (Hull # 4642)	Maritime	MM	USA	HW	10/24/1974	10/24/1975	7/15/2021
1000594	New York (Hull # 4643)	Maritime	MM	USA	HW	10/24/1974	10/24/1975	7/15/2021
1000596	ARCO Independence (Hull # 4646)	Maritime	MM	USA	HW	11/1/1975	11/1/1976	7/15/2021
1000595	ARCO Spirit (Hull # 4645)	Maritime	MM	USA	HW	4/7/1975	4/7/1976	7/15/2021
1000597	SS Puerto Rican (Hull # 4633)	Maritime	MM	USA	HW	11/13/1970	11/13/1971	7/15/2021
3102005	Great Lakes Steel Corp.	Terre Haute	IN	USA	HAL	3/1/1953	12/31/1982	7/15/2021
3102003	Great Lakes Steel Corp.	Ecorse	MI	USA	HAL	1/1/1952	12/31/1982	7/15/2021
3102004	Great Lakes Steel Corp.	Ecorse	MI	USA	HW	12/3/1966	2/20/1973	7/15/2021
3102004	Great Lakes Steel Corp.	Ecorse	MI	USA	HW	11/27/1974	2/18/1976	7/15/2021
3102004	Great Lakes Steel Corp.	Ecorse	MI	USA	HW	12/3/1979	12/3/1980	7/15/2021
35010266	Consolidated Mining & Smelting Co. - Smelting & Refining Complex	Trail	BC	Canada	HAL	10/1/1940	12/31/1982	7/15/2021
35010263	Consolidated Mining & Smelting Co. - Chemical & Fertilizer Plant	Trail	BC	Canada	HAL	1/1/1949	12/31/1982	7/15/2021
3104262	Taylor Refining Co.	Corpus Christi	TX	USA	HAL	1/1/1936	12/31/1982	10/15/2021
3102463	Kaiser Aluminum & Chemical Corporation	Chalmette	LA	USA	HAL	1/1/1950	12/31/1982	10/15/2021
3103177	Niagara Mohawk Power Co.	Dunkirk	NY	USA	HAL	10/1/1949	12/31/1982	10/15/2021
1000369	Dow Chemical Co. - Plant A	Freeport	TX	USA	HAL	1/1/1943	12/31/1982	10/15/2021
3102718	Lion Chemical Company (Ozark Ordnance)	El Dorado	AR	USA	HAL	1/1/1942	12/31/1982	10/15/2021
3104059	Southwestern Electric Power Co. - Welsh Power Plant	Cason	TX	USA	HAL	1/1/1977	12/31/1982	10/15/2021

2021 DOCUMENTED SITE LIST - ADDITIONS

Record	Site Name	City	State	Country	Entity	Begin Date	End Date	Effective Date
35010626	SS Santa Cecilia (aka SS Silver Star, SS San Juana)	Maritime	Maritime	Maritime	HAL	8/1/1942	12/31/1970	4/15/2021
35010627	SS Santa Margarita (aka SS Alboni, SS Santa Adela)	Maritime	Maritime	Maritime	HAL	9/1/1942	12/31/1970	4/15/2021
35010628	SS Santa Maria (aka SS Cherubim, SS Claiborne)	Maritime	Maritime	Maritime	HAL	10/1/1942	12/31/1970	4/15/2021
35010629	SS African Star	Maritime	Maritime	Maritime	HAL	10/1/1942	12/7/1943	4/15/2021
35010630	SS African Dawn (aka SS African Lake)	Maritime	Maritime	Maritime	HAL	11/1/1942	12/31/1973	4/15/2021
35010631	SS African Sun (aka SS African Lagoon)	Maritime	Maritime	Maritime	HAL	12/1/1942	12/31/1970	4/15/2021
35010632	SS Santa Barbara (aka SS Norseman, SS Santa Flavia)	Maritime	Maritime	Maritime	HAL	1/1/1943	12/31/1971	4/15/2021
35010633	SS Santa Catalina	Maritime	Maritime	Maritime	HAL	2/1/1943	4/24/1943	4/15/2021
35010634	U.S.S. Andromeda (AKA-15)	Maritime	Maritime	Maritime	HAL	9/22/1942	7/1/1960	4/15/2021
35010635	U.S.S. Appalachian (AGC-1)	Maritime	Maritime	Maritime	HAL	11/4/1942	3/1/1960	4/15/2021
35010636	U.S.S. Blue Ridge (AGC-2)	Maritime	Maritime	Maritime	HAL	12/4/1942	1/1/1960	4/15/2021
35010637	U.S.S. Rocky Mount (AGC-3)	Maritime	Maritime	Maritime	HAL	12/4/1942	1/1/1960	4/15/2021
35010638	U.S.S. Thuban (AKA-19)	Maritime	Maritime	Maritime	HAL	2/2/1943	1/1/1977	4/15/2021
35010639	U.S.S. Virgo (AKA-20)	Maritime	Maritime	Maritime	HAL	3/9/1943	2/18/1971	4/15/2021
35010640	U.S.S. Aquarius (AKA-16)	Maritime	Maritime	Maritime	HAL	4/28/1943	11/13/1946	4/15/2021
35010641	U.S.S. Centaurus (AKA-17) (aka SS Pioneer Bay, SS American Gunner)	Maritime	Maritime	Maritime	HAL	9/3/1943	7/1/1970	4/15/2021
35010642	U.S.S. Cepheus (AKA-18) (aka SS American Hunter, SS Brookville)	Maritime	Maritime	Maritime	HAL	10/23/1943	6/30/1968	4/15/2021
35010643	U.S.S. Archnar (AKA-53) (aka SPS Castilla, TA-21)	Maritime	Maritime	Maritime	HAL	9/6/1943	12/31/1982	4/15/2021
35010644	U.S.S. Alshain (AKA-55)	Maritime	Maritime	Maritime	HAL	10/29/1943	7/1/1960	4/15/2021
35010645	U.S.S. Chara (AKA-58)	Maritime	Maritime	Maritime	HAL	3/15/1944	3/10/1972	4/15/2021
35010646	U.S.S. Diphda (AKA-59)	Maritime	Maritime	Maritime	HAL	5/11/1944	4/13/1976	4/15/2021
35010647	U.S.S. Leo (AKA-60)	Maritime	Maritime	Maritime	HAL	3/17/1944	7/1/1960	4/15/2021
35010648	U.S.S. Multiphen (AKA-61)	Maritime	Maritime	Maritime	HAL	5/13/1944	1/1/1977	4/15/2021
35010649	U.S.S. Sheliak (AKA-62)	Maritime	Maritime	Maritime	HAL	6/19/1944	5/21/1946	4/15/2021
35010650	U.S.S. Theenim (AKA-63)	Maritime	Maritime	Maritime	HAL	7/18/1944	5/12/1946	4/15/2021
35010651	U.S.S. Winston (AKA-94)	Maritime	Maritime	Maritime	HAL	7/10/1944	9/1/1976	4/15/2021
35010652	U.S.S. Marquette (AKA-95)	Maritime	Maritime	Maritime	HAL	9/22/1942	5/3/1972	4/15/2021
35010653	U.S.S. Mathews (AKA-96)	Maritime	Maritime	Maritime	HAL	9/15/1944	11/1/1968	4/15/2021
35010654	U.S.S. Merrick (AKA-97)	Maritime	Maritime	Maritime	HAL	10/19/1944	3/13/1980	4/15/2021
35010655	U.S.S. Montague (AKA-98)	Maritime	Maritime	Maritime	HAL	2/12/1945	3/12/1971	4/15/2021
35010656	U.S.S. Rolette (AKA-99)	Maritime	Maritime	Maritime	HAL	12/2/1944	7/1/1960	4/15/2021
35010657	U.S.S. Oglethorpe (AKA-100)	Maritime	Maritime	Maritime	HAL	12/26/1944	11/1/1968	4/15/2021
35010658	Philadelphia Electric Company - Cromby Station	Phoenixville	PA	USA	HAL	1/1/1951	12/31/1982	4/15/2021
35010659	General Motors Corporation - Central Foundry Division	Defiance	OH	USA	HW	4/4/1967	4/4/1968	7/15/2021

2021 DOCUMENTED SITE LIST - REMOVALS

Record	Site Name	City	State	Country	Entity	Begin Date	End Date	Effective Date
3100361	Austin Bridge Co. (DPC)	Dangerfield	TX	USA	HAL	4/1/1943	12/31/1982	1/15/2021
3104621	Union Oil Company of California	Lemont	HI	USA	HAL	4/1/1982	12/31/1982	1/15/2021
3103494	Philadelphia Electric Illinois Power Company	Cromby Station	IL	USA	HAL	4/1/1954	12/31/1982	4/15/2021
3100819	Chicago, Milwaukee, St. Paul & Pacific R.R.	Milwaukee	WI	USA	HAL	4/1/1948	12/31/1982	7/15/2021
3101326	Consolidated Rail Corp.	Philadelphia	PA	USA	HAL	4/1/1947	12/31/1982	7/15/2021
3103454	Pennsylvania Railroad Company	Philadelphia	PA	USA	HAL	4/1/1950	12/31/1982	7/15/2021
3104633	Union Pacific Railroad Company	Los Angeles	CA	USA	HAL	4/1/1944	12/31/1982	7/15/2021
3104632	Union Pacific Railroad Company	Las Vegas	NV	USA	HAL	4/1/1954	12/31/1982	7/15/2021