

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF NORTH CAROLINA
CHARLOTTE DIVISION

| | |
|--|-------------------------|
| In re | Chapter 11 |
| ALDRICH PUMP LLC, <i>et al.</i> , ¹ | Case No. 20-30608 (JCW) |
| Debtors. | (Jointly Administered) |

NOTICE OF FILING OF ALDRICH/MURRAY SETTLEMENT FACILITY
AUDITED FINANCIAL REPORT FOR THE YEAR ENDED
DECEMBER 31, 2023 AND THE PERIOD OF MARCH 2, 2022 (INCEPTION)
THROUGH DECEMBER 31, 2022

PLEASE TAKE NOTICE OF THE FOLLOWING:

1. On February 15, 2022, the Bankruptcy Court entered its *Order Authorizing the Debtors to Establish a Qualified Settlement Fund for Payment of Asbestos Claims* [Docket No. 994] (the “Order”) and authorized the Debtors to enter into that certain Aldrich/Murray Settlement Facility Agreement (the “Settlement Facility Agreement”)² by and among the Debtors, Trane Technologies Company LLC, Trane U.S. Inc., and U.S. Bank National Association, as trustee (the “Trustee”).

2. In accordance with Section 3.2(b)(ii) and (c) of the Settlement Facility Agreement, attached as **Exhibit A** is a report containing audited financial statements of the Aldrich/Murray Settlement Facility for the year ended December 31, 2023 and the period of March 2, 2022 (inception) through December 31, 2022.

¹ The Debtors are the following entities (the last four digits of their respective taxpayer identification numbers follow in parentheses): Aldrich Pump LLC (2290) and Murray Boiler LLC (0679). The Debtors’ address is 800-E Beaty Street, Davidson, North Carolina 28036.

² Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Order and the Settlement Facility Agreement.



Dated: April 12, 2024

Respectfully submitted,

/s/ Ryan Reimers

Ryan Reimers (Bar No. 40864)
GREENBERG TRAUIG, LLP
8022 Providence Road
Suite 500 #255
Charlotte, NC 28277
Telephone: (704) 790-4711
Email: reimersr@gtlaw.com

-and-

Peter Kieselbach (admitted *pro hac vice*)
GREENBERG TRAUIG, LLP
90 South 7th Street, Suite 3500
Minneapolis, MN 55402
Telephone: (612) 259-9714
Facsimile: (612) 677-3101
Email: kieselbachp@gtlaw.com

*Counsel for U.S. Bank National Association,
as Trustee*

EXHIBIT A

**ALDRICH/MURRAY SETTLEMENT FACILITY
AUDITED FINANCIAL REPORT FOR THE YEAR ENDED
DECEMBER 31, 2023 AND THE PERIOD OF MARCH 2, 2022 (INCEPTION)
THROUGH DECEMBER 31, 2022**

ALDRICH/MURRAY SETTLEMENT FACILITY
SPECIAL-PURPOSE FINANCIAL STATEMENTS
December 31, 2023 and 2022

ALDRICH/MURRAY SETTLEMENT FACILITY

SPECIAL-PURPOSE FINANCIAL STATEMENTS
December 31, 2023 and 2022

CONTENTS

| | |
|--|----|
| INDEPENDENT AUDITOR'S REPORT..... | 1 |
| SPECIAL-PURPOSE FINANCIAL STATEMENTS | |
| SPECIAL-PURPOSE STATEMENTS OF ASSETS, LIABILITIES, AND NET CLAIMANTS' EQUITY..... | 4 |
| SPECIAL-PURPOSE STATEMENTS OF CHANGES IN NET CLAIMANTS' EQUITY | 5 |
| SPECIAL-PURPOSE STATEMENTS OF CASH FLOWS | 6 |
| NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS..... | 7 |
| SUPPLEMENTAL INFORMATION | |
| 2023 SPECIAL-PURPOSE STATEMENTS OF ASSETS, LIABILITIES, AND NET CLAIMANTS' EQUITY – BY TRUST FUNDS..... | 14 |
| 2022 SPECIAL-PURPOSE STATEMENTS OF ASSETS, LIABILITIES, AND NET CLAIMANTS' EQUITY – BY TRUST FUNDS..... | 15 |
| 2023 SPECIAL-PURPOSE STATEMENTS OF CHANGES IN NET CLAIMANTS' EQUITY – BY TRUST FUNDS..... | 16 |
| 2022 SPECIAL-PURPOSE STATEMENTS OF CHANGES IN NET CLAIMANTS' EQUITY – BY TRUST FUNDS..... | 17 |
| 2023 SPECIAL-PURPOSE STATEMENTS OF CASH FLOWS – BY TRUST FUNDS..... | 18 |
| 2022 SPECIAL-PURPOSE STATEMENTS OF CASH FLOWS – BY TRUST FUNDS..... | 19 |



Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Aldrich/Murray Settlement Facility
U.S. Bank National Association, as Trustee
New York, New York

Opinion

We have audited the special-purpose financial statements of Aldrich/Murray Settlement Facility, which comprise the special-purpose statements of assets, liabilities, and net claimants' equity as of December 31, 2023 and 2022 and the related special-purpose statements of changes in net claimants' equity and cash flows for the year ended December 31, 2023 and for the period March 2, 2022 (Inception) through December 31, 2022, 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 assets, liabilities, and net claimants' equity of Aldrich/Murray Settlement Facility as of December 31, 2023 and 2022, and the results of the changes in net claimants' equity and the cash flows for the year ended December 31, 2023 and for the period March 2, 2022 (Inception) through December 31, 2022, in accordance with the special-purpose basis of accounting described in Note 1.

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 Aldrich/Murray Settlement Facility, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 of the special-purpose financial statements, which describes the basis of accounting. The special-purpose financial statements are prepared on a special-purpose basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The special-purpose basis of accounting has been used to communicate the amount of net claimants' equity available to fund current and future claims. Our opinion is not modified with respect to this matter.

(Continued)

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 special-purpose basis of accounting described in Note 1; this includes determining that the special-purpose basis of accounting is an acceptable basis for the preparation of the special-purpose financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control 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 special-purpose financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Aldrich/Murray Settlement Facility's ability to continue as a going concern for one year from the date that the special-purpose financial statements are 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 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 Aldrich/Murray Settlement Facility'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 Aldrich/Murray Settlement Facility'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.

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the special-purpose financial statements as a whole. The information by settlement trust fund is presented for purposes of additional analysis of the special-purpose financial statements rather than to present the assets, liabilities, and net claimants' equity, the results of the changes in net claimants' equity and the cash flows of the individual settlements, and are not a required part of the 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 by settlement trust funds 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.

Restriction on Use

Our report is intended solely for the information and use of Aldrich/Murray Settlement Facility and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature of Crowe LLP in black ink.

Crowe LLP

Grand Rapids, Michigan
April 3, 2024

ALDRICH/MURRAY SETTLEMENT FACILITY
 SPECIAL-PURPOSE STATEMENTS OF ASSETS, LIABILITIES, AND NET CLAIMANTS' EQUITY
 December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---|-----------------------|-----------------------|
| ASSETS | | |
| Current assets | | |
| Cash, cash equivalents, and investments | | |
| Operating account | \$ 150,000 | \$ - |
| Investment account | <u>279,812,329</u> | <u>272,241,075</u> |
| Total cash, cash equivalents, and investments | 279,962,329 | 272,241,075 |
| Other assets | | |
| Accrued interest income | <u>1,256,031</u> | <u>921,549</u> |
| Total current assets | <u>281,218,360</u> | <u>273,162,624</u> |
| Total assets | <u>\$ 281,218,360</u> | <u>\$ 273,162,624</u> |
| LIABILITIES AND CLAIMANTS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 364,605 | \$ 111,951 |
| Accrued liabilities | 8,000 | 97,521 |
| Accrued income tax payable | <u>739,078</u> | <u>761,255</u> |
| Total current liabilities | 1,111,683 | 970,727 |
| Net claimants' equity | <u>280,106,677</u> | <u>272,191,897</u> |
| Total liabilities and claimants' equity | <u>\$ 281,218,360</u> | <u>\$ 273,162,624</u> |

See accompanying notes to special-purpose financial statements.

ALDRICH/MURRAY SETTLEMENT FACILITY
 SPECIAL-PURPOSE STATEMENTS OF CHANGES IN NET CLAIMANTS' EQUITY
 For the year ended December 31, 2023 and
 period March 2, 2022 (inception) through December 31, 2022

| | <u>2023</u> | <u>2022</u> |
|---|-----------------------|-----------------------|
| Net claimants equity – beginning of period | \$ 272,191,897 | \$ - |
| Additions to net claimants' equity | | |
| Initial funding | - | 270,000,000 |
| Interest income | 13,703,404 | 4,235,101 |
| Realized capital gains | <u>288</u> | <u>-</u> |
| Total additions | 13,703,692 | 274,235,101 |
| Deductions from net claimants' equity | | |
| Investment management fees | 75,000 | 75,000 |
| Trustee fees – administrative set up fee | - | 50,000 |
| Trustee fees – administrative | 85,000 | 85,000 |
| Trustee fees – primary manager | 92,262 | 96,632 |
| Custodian fees | 27,755 | 22,521 |
| Legal fees | 34,154 | 131,728 |
| Accounting fees | 121,728 | 4,140 |
| Insurance | 84,990 | 88,929 |
| Income tax expense | <u>5,268,023</u> | <u>1,489,254</u> |
| Total deductions | <u>5,788,912</u> | <u>2,043,204</u> |
| Change in net claimants' equity | <u>7,914,780</u> | <u>272,191,897</u> |
| Net claimants' equity – end of period | <u>\$ 280,106,677</u> | <u>\$ 272,191,897</u> |

See accompanying notes to special-purpose financial statements.

ALDRICH/MURRAY SETTLEMENT FACILITY
 SPECIAL-PURPOSE STATEMENTS OF CASH FLOWS
 For the year ended December 31, 2023 and
 period March 2, 2022 (inception) through December 31, 2022

| | <u>2023</u> | <u>2022</u> |
|---|-----------------------|-----------------------|
| Cash inflows | | |
| Initial funding | \$ - | \$ 270,000,000 |
| Interest income | 13,368,922 | 3,313,552 |
| Realized capital gains | 288 | - |
| Total cash inflows | <u>13,369,210</u> | <u>273,313,552</u> |
| Cash outflows | | |
| Disbursements for trust operating expenses | 357,756 | 344,477 |
| Disbursements for income taxes | 5,290,200 | 728,000 |
| Total cash outflows | <u>5,647,956</u> | <u>1,072,477</u> |
| Net change in cash, cash equivalents, and investments | 7,721,254 | 272,241,075 |
| Cash, cash equivalents, and investments, beginning of period | <u>272,241,075</u> | <u>-</u> |
| Cash, cash equivalents, and investments, end of period | <u>\$ 279,962,329</u> | <u>\$ 272,241,075</u> |

See accompanying notes to special-purpose financial statements.

ALDRICH/MURRAY SETTLEMENT FACILITY
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

Settlement Facility Description: The Aldrich/Murray Settlement Facility (the “Settlement Facility”) is organized under the laws of the State of North Carolina, with offices in New York, New York and St. Paul, Minnesota. The Settlement Facility was established pursuant to the Aldrich/Murray Settlement Facility Agreement dated March 2, 2022 (the “Settlement Facility Agreement”), by and among Trane Technologies Company LLC (“TTC”), Trane U.S. Inc. (“TUI”), Aldrich Pump LLC (“Aldrich”), Murray Boiler LLC (“Murray”), and U.S. Bank National Association (“U.S. Bank”), as the Trustee (the “Trustee”). On June 18, 2020, each of Aldrich and Murray filed voluntary petitions for relief under chapter 11 of the United States Code in the United States Bankruptcy Court for the Western District of North Carolina (the “Bankruptcy Court”), case numbers 20-30608 and 20-30609, respectively. By order dated February 15, 2022, the Bankruptcy Court authorized the establishment of the Settlement Facility and approved the Settlement Facility Agreement. The Bankruptcy Court is the supervisory court with respect to the Settlement Facility and retains jurisdiction over the Settlement Facility for its entire life. Capitalized terms used in these notes but not defined shall have the meanings given to them in the Settlement Facility Agreement.

The Settlement Facility was initially funded in March 2022. TTC provided \$178,200,000 in cash pursuant to a funding agreement with Aldrich (the “Aldrich Trust Funds”). TUI provided \$91,800,000 in cash pursuant to a funding agreement with Murray (the “Murray Trust Funds”). U.S. Bank serves as Trustee for the Settlement Facility and is also custodian (the “Custodian”) of the Trust Funds. Pursuant to the terms of the Settlement Facility Agreement, the Trustee segregates the Aldrich Trust Funds from the Murray Trust Funds and separately accounts for each. Aldrich Trust Funds may only be used to (i) resolve or satisfy Aldrich Asbestos Claims in accordance with Section 1.5 of the Settlement Facility Agreement or (ii) pay the Aldrich Share of any and all Settlement Facility Expenses and other liabilities of the Settlement Facility. Murray Trust Funds may only be used to (i) resolve or satisfy Murray Asbestos Claims in accordance with Section 1.5 of the Settlement Facility Agreement or (ii) pay the Murray Share of any and all Settlement Facility Expenses and other liabilities of the Settlement Facility.

Under Section 4.2 of the Settlement Facility Agreement, all investment authority for the Trust Funds has been delegated to TTC, in its capacity as Portfolio Manager (the “Portfolio Manager”). The Portfolio Manager has retained U.S. Bancorp Asset Management, Inc. (“USBAM”) as investment adviser (the “Adviser”), to assist the Portfolio Manager in investing the Trust Funds. The Portfolio Manager and the Adviser invest the Trust Funds in accordance with predetermined investment guidelines approved by the Bankruptcy Court (the “Investment Guidelines”).

The Settlement Facility was formed to, among other things, (a) resolve or satisfy Asbestos Claims asserted against or related to Aldrich and Murray, (b) collect, invest, and distribute the Trust Funds in accordance with the terms of the Settlement Facility Agreement, (c) pay Settlement Facility Expenses and other liabilities of the Settlement Facility, (d) at all times qualify as a “Qualified Settlement Fund” pursuant to Treas. Reg. § 1.468B-1(c), and (e) otherwise administer the Settlement Facility to the express provisions of the Settlement Facility Agreement.

The Trustee has prepared these special-purpose financial statements pursuant to Section 3.2(b)(i) of the Settlement Facility Agreement.

(Continued)

ALDRICH/MURRAY SETTLEMENT FACILITY
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Special-Purpose Accounting Methods: The Settlement Facility's financial statements are prepared using special-purpose accounting methods. The special-purpose accounting methods were adopted in order to present the amount of equity available for payment of current and future Asbestos Claims and related operating expenses of the Settlement Facility in accordance with the requirements set forth in the Settlement Facility Agreement. Because the accompanying accrual based financial statements and transactions are based on the special-purpose accounting methods, treatment by other parties for these same transactions may differ as to timing and amount. These special-purpose accounting methods are based in GAAP, but specifically differ in the following ways:

- The special-purpose financial statements do not include an income statement as required by GAAP.
- The funding received from TTC and TUI is recorded directly to net claimants' equity. Under GAAP, the funding received would be recorded as income.
- Costs of non-income producing assets, which will be exhausted during the life of the Settlement Facility and are not available for resolving or satisfying Asbestos Claims, are expensed when billed. These costs include, without limitation, prepaid management fees and prepaid insurance. Under GAAP these amounts would be pre-paid assets that would be amortized based on the term of the related contract.
- Payments by the Settlement Facility to resolve or satisfy Asbestos Claims asserted against or related to Aldrich or Murray are reported as deductions from net claimants' equity and do not represent expenses of the Settlement Facility. Liabilities for unpaid Asbestos Claims reflected in the statement of net claimants' equity represent Asbestos Claims for which one of the Release Conditions set forth in Section 1.5 of the Settlement Facility Agreement has been met (or waived by TTC or TUI, as applicable), but for which the Trustee has not yet released Trust Funds. A claims liability is recorded once one of the Release Conditions is met (or waived by TTC or TUI, as applicable). No liability is recorded for future Asbestos Claims where one of the Release Conditions has not been met (or waived by TTC or TUI, as applicable). Net claimants' equity represents funding available to pay present and future Asbestos Claims on which no fixed liability has been recorded. Under GAAP, an estimated amount of future costs for Asbestos Claims would be expensed and reflected as a liability.
- Investments are recorded at cost and marked to fair value at each reporting period. All interest and dividend income is included in investment income on the statements of changes in net claimants' equity. Net realized and unrealized gains and losses are recorded as separate components on the statement of changes in net claimants' equity. Investments are classified as current assets on the statements of net claimants' equity. Under GAAP, investments in bonds would be recorded at face value and any premiums or discounts would be amortized on a straight-line basis over the life of the bond. Also under GAAP, investments would be designated as (i) investments held for trading, which are accounted for using fair value accounting and classified as a current assets, (ii) available for sale securities, which are accounted for using fair value accounting and classified as current assets if they are to be liquidated within one year, (iii) long-term assets if they are to be held for a longer period of time, or (iv) investments held to maturity, which are recorded at cost and classified as long-term assets at amortized cost unless they mature within one year.

(Continued)

ALDRICH/MURRAY SETTLEMENT FACILITY
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)

- Realized gains/losses are recorded based on the security's original cost basis. At the time a security is sold, all previously recorded unrealized gains/losses are reversed and recorded net, as a component of net realized and unrealized gains/losses in the statement of changes in net claimants' equity. Under GAAP, any investments classified as held to maturity would not have unrealized gains or losses and would not be marked to fair value.

Cash and Cash Equivalents: Cash and cash equivalents are investment securities that are meant for short-term investing, and which have high credit quality, have a low-risk and low-return profile, and are highly liquid (typically with original maturities of one year or less). To the extent permitted by the Investment Guidelines, cash and cash equivalents may include U.S. Treasury bills and money market funds. Cash and cash equivalents are combined with investments in the statement of cash flows in accordance with the measurement focus of the Settlement Facility to present changes in the amount of assets available for payment of current and future Asbestos Claims.

Investments: The Portfolio Manager has the full discretion to invest the Trust Funds in investments that comply with the Investment Guidelines. The Investment Guidelines list the types of securities that are permitted investments, include certain diversification requirements, and explicitly prohibit certain asset types (including derivatives, foreign currency, and non U.S. dollar denominated securities). Investments are combined with cash and cash equivalents in the statement of cash flows in accordance with the measurement focus of the Settlement Facility to present changes in the amount of assets available for payment of current and future Asbestos Claims.

Fair Value Measurements: Fair value measurements are determined using a nationally recognized pricing service. For securities that have quoted prices in active markets, market quotations are provided. For securities that do not trade daily, the pricing service provides fair value estimates using a variety of inputs including, but not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, bids, offers, reference data, prepayment spreads and measures of volatility. If the pricing service does not provide a market quotation or fair value estimate for a particular security, then the Trustee uses available inputs and its own judgment to determine the fair value measurement. The Trustee reviews on an ongoing basis the reasonableness of the methodologies used by the pricing service against agreed standards devised based on the Trustee's policies and procedures.

Use of Estimates: The preparation of financial statements in conformity with the special-purpose accounting methods described above requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the special-purpose financial statements and the reported amounts of additions and deductions to net claimants' equity during the reporting period. Estimates for the valuation of accrued interest and accrued liabilities were made during the reporting period and are subject to change in the near term. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncements: Effective January 1, 2023, the Company adopted Accounting Standards Accounting Standards Update ("ASU") 2016-13, Credit Losses - Measurement of Credit Losses on Financial Instruments. The Company adopted the new credit loss standard and all of the related amendments, which replaced the incurred loss impairment method with a method that reflects lifetime expected credit losses. Adoption of the ASU had no impact on these financial statements. The comparative information has not been restated and continues to be reported under the accounting standard in effect for those periods.

(Continued)

ALDRICH/MURRAY SETTLEMENT FACILITY
 NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
 December 31, 2023 and 2022

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Concentration of Risk: Financial instruments that potentially subject the Settlement Facility to concentrations of risk consist of cash in excess of Federal Deposit Insurance Corporation limits. Investment securities, in general, are exposed to various risks that could lead to loss of principal, such as interest rate fluctuations, credit and overall market volatility, market downturns, inflation, economic risk, and risk associated with the issuer of the security. Additionally, the United States and other global governments may from time-to-time raise interest rates, which can negatively impact fixed rate debt. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the special-purpose financial statements.

Income Taxes: The Settlement Facility is unaware of information concerning any tax positions for which a material change in the unrecognized tax benefit or liability is reasonably possible within the next twelve months. The Settlement Facility files income tax returns in the United States. The Settlement Facility files an annual tax return in North Carolina.

For federal income tax purposes, the Settlement Facility has elected to be taxed as a Qualified Settlement Fund ("QSF"). Income and expenses associated with the Settlement Facility are taxed in accordance with Section 468B of the Internal Revenue Code. The federal statutory income tax rate for the Settlement Facility is 37.0%. The Trustee believes the Settlement Facility is operating in a manner so as to continue to qualify as a QSF.

The Trustee evaluates all tax positions and makes a determination regarding their likelihood of being upheld under review. For the year ended December 31, 2023 and the period from March 2, 2022 (inception) to December 31, 2022, the Trustee has determined that the Settlement Facility did not have any uncertain tax positions for which a recorded tax liability was necessary. The Settlement Facility records deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the book and tax basis of assets and liabilities.

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Settlement Facility has recorded investments at estimated fair value as follows:

| | December 31, 2023 | | December 31, 2022 | |
|------------------|-------------------|----------------|-------------------|----------------|
| | Cost | Fair Value | Cost | Fair Value |
| Demand deposits | \$ 150,000 | \$ 150,000 | \$ - | \$ - |
| Cash equivalents | 279,812,329 | 279,812,329 | 272,241,075 | 272,241,075 |
| Total | \$ 279,962,329 | \$ 279,962,329 | \$ 272,241,075 | \$ 272,241,075 |

The Settlement Facility accounts for asset types according to a fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and assumptions for which market data is not available and that are developed using the best information available (unobservable inputs). The hierarchy consists of three broad levels as follows:

Level 1 Quoted market prices in active markets for identical assets or liabilities.

(Continued)

ALDRICH/MURRAY SETTLEMENT FACILITY
 NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
 December 31, 2023 and 2022

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or valuations based on models where significant inputs are observable or can be corroborated by observable market data.

Level 3 Valuations based on models where significant inputs are not observable, and for which the determination of fair value requires significant management judgment or estimation.

The Settlement Facility assigns hierarchy levels to the Trust Funds by asset type (and not on an asset-by-asset basis). As of December 31, 2023 and 2022, the fair values of the Trust Funds, by hierarchy level according to asset type, were as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|------------------|-----------------------|----------------|----------------|-----------------------|
| <u>2023</u> | | | | |
| Demand deposits | \$ 150,000 | \$ - | \$ - | \$ 150,000 |
| Cash equivalents | <u>279,812,329</u> | <u>-</u> | <u>-</u> | <u>279,812,329</u> |
| Total | <u>\$ 279,962,329</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 279,962,329</u> |
| <u>2022</u> | | | | |
| Cash equivalents | <u>\$ 272,241,075</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 272,241,075</u> |

The maturities of the Settlement Facility's cash equivalents and investments at market value are as follows as of December 31, 2023 and 2022:

| | <u>Less than 1 1 year</u> | <u>After 1 Year Through 5 Years</u> | <u>After Year 5 Through Year 10</u> | <u>After 10 Years</u> | <u>Total</u> |
|------------------|-------------------------------|---|---|-----------------------|-----------------------|
| <u>2023</u> | | | | | |
| Cash equivalents | <u>\$ 279,812,329</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 279,812,329</u> |
| <u>2022</u> | | | | | |
| Cash equivalents | <u>\$ 272,241,075</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 272,241,075</u> |

NOTE 3 – CLAIM LIABILITIES

As detailed in Note 1 above, a liability for an unpaid Asbestos Claim is recorded at the time one of the Release Conditions set forth in Section 1.5 of the Settlement Facility Agreement is met (or waived by TTC or TUI, as applicable). Trust Funds may only be released to resolve or satisfy Asbestos Claims upon satisfaction (or waiver by TTC or TUI, as applicable) of one of the Release Conditions. The Settlement Facility did not release Trust Funds to resolve or satisfy Asbestos Claims during the year ended December 31, 2023 or for the period from March 2, 2022 (inception) through December 31, 2022.

(Continued)

ALDRICH/MURRAY SETTLEMENT FACILITY
 NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
 December 31, 2023 and 2022

NOTE 4 – INCOME TAXES

The provision for income taxes consisted of the following for the year ended December 31, 2023 and the period from March 2, 2022 (inception) through December 31, 2022:

| | <u>2023</u> | <u>2022</u> |
|-------------------|---------------------|---------------------|
| Current | \$ 5,268,023 | \$ 1,489,254 |
| Deferred | <u>-</u> | <u>-</u> |
| Total tax expense | <u>\$ 5,268,023</u> | <u>\$ 1,489,254</u> |

The reconciliation for the year ended December 31, 2023 and the period from March 2, 2022 (inception) through December 31, 2022 was as follows:

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Expected tax provision at statutory rate | \$ 4,877,531 | \$ 1,372,630 |
| State tax, net of federal benefit | 393,052 | 116,624 |
| Other | <u>(2,560)</u> | <u>-</u> |
| Income tax expense | <u>\$ 5,268,023</u> | <u>\$ 1,489,254</u> |

There were no material differences between tax and book income and as a result deferred tax assets and liabilities were not necessary at December 31, 2023 and 2022.

The Trustee and the Portfolio Manager assess the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. On the basis of this evaluation, as of December 31, 2023 and 2022 no valuation allowance has been recorded. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income would warrant an adjustment.

NOTE 5 – RELATED PARTY TRANSACTIONS

TTC and TUI are the grantors of the Settlement Facility. TTC also acts as the Portfolio Manager. TTC is entitled to an annual fee from the Settlement Facility for serving as Portfolio Manager. For the year ended December 31, 2023 and the period March 2, 2022 (inception) through December 31, 2022, the fee for TTC, as Portfolio Manager, was \$75,000 and \$75,000 respectively and amount due was \$150,000 and \$75,000 respectively, which is included in investment management fees in the statements of changes in net claimants' equity.

U.S. Bank serves as Trustee of the Settlement Facility and Custodian of the Trust Funds. For the year ended December 31, 2023 and the period March 2, 2022 (inception) through December 31, 2022, the fee for U.S. Bank, as Trustee and Custodian, was \$205,017 and \$254,153 respectively and the amount due was \$202,828 and \$119,153, respectively, which is included in trustee fees and custodian fees in the statements of changes in net claimants' equity.

(Continued)

ALDRICH/MURRAY SETTLEMENT FACILITY
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 5 – RELATED PARTY TRANSACTIONS (Continued)

Pursuant to the Investment Guidelines, Trust Funds may be invested in money market funds, including money market funds for which (a) U.S. Bank receives a service fee from the fund or fund service provider, or (b) investment or advisory services are provided by U.S. Bank or an affiliate of the U.S. Bank (“Affiliated Funds”). As such, U.S. Bank and its affiliates may receive compensation for the investment advisory, custodial, distribution and other services provided with respect to the Affiliated Funds. A prospectus that explains the services and costs, including the rate, formula and method of calculating such compensation, is available by contacting the Trustee.

The Portfolio Manager has retained USBAM to serve as the Adviser to the Portfolio Manager. USBAM is a subsidiary of U.S. Bank. USBAM is entitled to quarterly fees (the “Adviser Fees”) pursuant to an Investment Management Agreement dated March 2, 2022 (the “IMA), by and between TTC, as Portfolio Manager, and USBAM, as Adviser, and acknowledged by the Trustee. However, pursuant to Section 4 of the IMA, Adviser has agreed to waive its account-level Adviser Fees on the portion of Trust Funds that are invested in Affiliated Funds. For the entirety of the year ended December 31, 2023 and for the period March 2, 2022 (inception) through December 31, 2022, all Trust Funds invested by the Portfolio Manager and the Adviser were invested in Affiliated Funds. Accordingly, Adviser has waived all Adviser Fees otherwise payable under the IMA for the year ended December 31, 2023 and the period March 2, 2022 (inception) through December 31, 2022.

As permitted under Section 2.7(b) of the Settlement Facility Agreement, U.S. Bank may from time to time provide commercial banking services to TTC, TUI, Aldrich, Murray, and their Affiliates that are unrelated to the Settlement Facility.

NOTE 6 – SUBSEQUENT EVENTS

The Trustee has evaluated subsequent events through April 3, 2024, when the special-purpose financial statements were available to be issued and has identified no subsequent events to report.

SUPPLEMENTAL INFORMATION

**ALDRICH/MURRAY SETTLEMENT FACILITY
SPECIAL-PURPOSE STATEMENTS ASSETS, LIABILITIES, AND NET CLAIMANTS' EQUITY –
BY TRUST FUNDS
December 31, 2023**

| | <u>Aldrich Trust Funds</u> | <u>Murray Trust Funds</u> | <u>Aldrich/Murray Settlement Facility</u> |
|---|--------------------------------|-------------------------------|---|
| ASSETS | | | |
| Current assets | | | |
| Cash, cash equivalents and investments | | | |
| Operating account | \$ 99,000 | \$ 51,000 | \$ 150,000 |
| Investment account | <u>184,713,915</u> | <u>95,098,414</u> | <u>279,812,329</u> |
| Total cash, cash equivalents and investments | 184,812,915 | 95,149,414 | 279,962,329 |
| Other assets | | | |
| Accrued interest income | 829,161 | 426,870 | 1,256,031 |
| Intratruster transfers | <u>(21,946)</u> | <u>21,946</u> | <u>-</u> |
| Total other assets | <u>807,215</u> | <u>448,816</u> | <u>1,256,031</u> |
| Total assets | <u>\$ 185,620,130</u> | <u>\$ 95,598,230</u> | <u>\$ 281,218,360</u> |
| LIABILITIES AND CLAIMANTS' EQUITY | | | |
| Current liabilities | | | |
| Accounts payable | \$ 208,533 | \$ 156,072 | \$ 364,605 |
| Accrued liabilities | 4,000 | 4,000 | 8,000 |
| Accrued income tax payable | <u>490,313</u> | <u>248,765</u> | <u>739,078</u> |
| Total current liabilities | 702,846 | 408,837 | 1,111,683 |
| Net claimants' equity | <u>184,917,284</u> | <u>95,189,393</u> | <u>280,106,677</u> |
| Total liabilities and net claimants' equity | <u>\$ 185,620,130</u> | <u>\$ 95,598,230</u> | <u>\$ 281,218,360</u> |

See independent auditor's report.

ALDRICH/MURRAY SETTLEMENT FACILITY
 SPECIAL-PURPOSE STATEMENTS ASSETS, LIABILITIES, AND NET CLAIMANTS' EQUITY –
 BY TRUST FUNDS
 December 31, 2022

| | <u>Aldrich Trust Funds</u> | <u>Murray Trust Funds</u> | <u>Aldrich/Murray Settlement Facility</u> |
|---|--------------------------------|-------------------------------|---|
| ASSETS | | | |
| Current assets | | | |
| Cash, cash equivalents and investments | | | |
| Investment account | \$ 179,701,194 | \$ 92,539,881 | \$ 272,241,075 |
| Total cash, cash equivalents and investments | 179,701,194 | 92,539,881 | 272,241,075 |
| Other assets | | | |
| Accrued interest income | 608,319 | 313,230 | 921,549 |
| Intratruster transfers | (21,600) | 21,600 | - |
| Total other assets | <u>586,719</u> | <u>334,830</u> | <u>921,549</u> |
| Total assets | <u>\$ 180,287,913</u> | <u>\$ 92,874,711</u> | <u>\$ 273,162,624</u> |
| LIABILITIES AND CLAIMANTS' EQUITY | | | |
| Current liabilities | | | |
| Accounts payable | \$ 55,976 | \$ 55,975 | \$ 111,951 |
| Accrued liabilities | 64,365 | 33,156 | 97,521 |
| Accrued income tax payable | <u>507,065</u> | <u>254,190</u> | <u>761,255</u> |
| Total current liabilities | 627,406 | 343,321 | 970,727 |
| Net claimants' equity | <u>179,660,507</u> | <u>92,531,390</u> | <u>272,191,897</u> |
| Total liabilities and net claimants' equity | <u>\$ 180,287,913</u> | <u>\$ 92,874,711</u> | <u>\$ 273,162,624</u> |

See independent auditor's report.

ALDRICH/MURRAY SETTLEMENT FACILITY
 SPECIAL-PURPOSE STATEMENTS OF CHANGES IN NET CLAIMANTS' EQUITY –
 BY TRUST FUNDS
 For the year ended December 31, 2023

| | <u>Aldrich Trust Funds</u> | <u>Murray Trust Funds</u> | <u>Aldrich/Murray Settlement Facility</u> |
|--|--------------------------------|-------------------------------|---|
| Net claimants' equity – beginning of year | \$ 179,660,507 | \$ 92,531,390 | \$ 272,191,897 |
| Additions to net claimants' equity | | | |
| Interest income | 9,045,922 | 4,657,482 | 13,703,404 |
| Realized capital gains | <u>190</u> | <u>98</u> | <u>288</u> |
| Total additions | 9,046,112 | 4,657,580 | 13,703,692 |
| Deductions from net claimants' equity | | | |
| Investment management fees | 49,500 | 25,500 | 75,000 |
| Trustee fees – administrative | 56,100 | 28,900 | 85,000 |
| Trustee fees – primary manager | 46,131 | 46,131 | 92,262 |
| Custodian fees | 18,322 | 9,433 | 27,755 |
| Legal fees | 17,077 | 17,077 | 34,154 |
| Accounting fees | 60,864 | 60,864 | 121,728 |
| Insurance | 56,093 | 28,897 | 84,990 |
| Income tax expense | <u>3,485,248</u> | <u>1,782,775</u> | <u>5,268,023</u> |
| Total other assets | <u>3,789,335</u> | <u>1,999,577</u> | <u>5,788,912</u> |
| Change in net claimants' equity | <u>5,256,777</u> | <u>2,658,003</u> | <u>7,914,780</u> |
| Net claimants' equity – end of year | <u>\$ 184,917,284</u> | <u>\$ 95,189,393</u> | <u>\$ 280,106,677</u> |

See independent auditor's report.

ALDRICH/MURRAY SETTLEMENT FACILITY
 SPECIAL-PURPOSE STATEMENTS OF CHANGES IN NET CLAIMANTS' EQUITY –
 BY TRUST FUNDS
 Period March 2, 2022 (inception) through December 31, 2022

| | <u>Aldrich Trust Funds</u> | <u>Murray Trust Funds</u> | <u>Aldrich/Murray Settlement Facility</u> |
|--|----------------------------------|---------------------------------|---|
| Additions to net claimants' equity | | | |
| Initial funding | \$ 178,200,000 | \$ 91,800,000 | \$ 270,000,000 |
| Interest income | <u>2,795,726</u> | <u>1,439,375</u> | <u>4,235,101</u> |
| Total additions | 180,995,726 | 93,239,375 | 274,235,101 |
| Deductions from net claimants' equity | | | |
| Investment management fees | 49,500 | 25,500 | 75,000 |
| Trustee fees – administrative set up fee | 33,000 | 17,000 | 50,000 |
| Trustee fees – administrative | 56,100 | 28,900 | 85,000 |
| Trustee fees – primary manager | 48,316 | 48,316 | 96,632 |
| Custodian fees | 14,866 | 7,655 | 22,521 |
| Legal fees | 65,864 | 65,864 | 131,728 |
| Accounting fees | 2,070 | 2,070 | 4,140 |
| Insurance | 58,693 | 30,236 | 88,929 |
| Income tax expense | <u>1,006,810</u> | <u>482,444</u> | <u>1,489,254</u> |
| Total other assets | <u>1,335,219</u> | <u>707,985</u> | <u>2,043,204</u> |
| Change in net claimants' equity | <u>179,660,507</u> | <u>92,531,390</u> | <u>272,191,897</u> |
| Net claimants' equity – end of period | <u>\$ 179,660,507</u> | <u>\$ 92,531,390</u> | <u>\$ 272,191,897</u> |

See independent auditor's report.

ALDRICH/MURRAY SETTLEMENT FACILITY
 SPECIAL-PURPOSE STATEMENTS OF CASH FLOWS –
 BY TRUST FUNDS
 For the year ended December 31, 2023

| | <u>Aldrich Trust Funds</u> | <u>Murray Trust Funds</u> | <u>Aldrich/Murray Settlement Facility</u> |
|---|--------------------------------|-------------------------------|---|
| Cash inflows | | | |
| Interest income | \$ 8,825,080 | \$ 4,543,842 | \$ 13,368,922 |
| Realized capital gains | <u>190</u> | <u>98</u> | <u>288</u> |
| Cash inflows | 8,825,270 | 4,543,940 | 13,369,210 |
| Cash outflows | | | |
| Disbursements for trust operating expenses | 211,549 | 146,207 | 357,756 |
| Disbursements for income taxes | <u>3,502,000</u> | <u>1,788,200</u> | <u>5,290,200</u> |
| Cash outflows | <u>3,713,549</u> | <u>1,934,407</u> | <u>5,647,956</u> |
| Net change in cash, cash equivalents, and investments | 5,111,721 | 2,609,533 | 7,721,254 |
| Cash, cash equivalents, and investments, beginning of period | <u>179,701,194</u> | <u>92,539,881</u> | <u>272,241,075</u> |
| Cash, cash equivalents, and investments, end of period | <u>\$ 184,812,915</u> | <u>\$ 95,149,414</u> | <u>\$ 279,962,329</u> |

See independent auditor's report.

ALDRICH/MURRAY SETTLEMENT FACILITY
 SPECIAL-PURPOSE STATEMENTS OF CASH FLOWS –
 BY TRUST FUNDS
 Period March 2, 2022 (inception) through December 31, 2022

| | Aldrich Trust Funds | Murray Trust Funds | Aldrich/Murray Settlement Facility |
|---|------------------------|-----------------------|--|
| Cash inflows | | | |
| Initial funding | \$ 178,200,000 | \$ 91,800,000 | \$ 270,000,000 |
| Interest income | <u>2,187,407</u> | <u>1,126,145</u> | <u>3,313,552</u> |
| Cash inflows | 180,387,407 | 92,926,145 | 273,313,552 |
| Cash outflows | | | |
| Disbursements for trust operating expenses | 186,467 | 158,010 | 344,477 |
| Disbursements for income taxes | <u>499,746</u> | <u>228,254</u> | <u>728,000</u> |
| Cash outflows | <u>686,213</u> | <u>386,264</u> | <u>1,072,477</u> |
| Net change in cash, cash equivalents, and investments | 179,701,194 | 92,539,881 | 272,241,075 |
| Cash, cash equivalents, and investments, beginning of period | <u>-</u> | <u>-</u> | <u>-</u> |
| Cash, cash equivalents, and investments, end of period | <u>\$ 179,701,194</u> | <u>\$ 92,539,881</u> | <u>\$ 272,241,075</u> |

See independent auditor's report.