

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

- QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2009**
- TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 000-33433

KAISER VENTURES LLC

(Exact name of small business issuer as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

33-0972983
(I.R.S. Employer
Identification No.)

3633 East Inland Empire Blvd., Suite 480
Ontario, California 91764

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (909) 483-8500

No Change

(Former name, former address and former fiscal year, if change since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if a smaller reporting company)

Indicated by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.):
Yes No

At August 3, 2009, the registrant had 6,617,834 Class A Units outstanding including: (i) 104,267 Class A Units outstanding but reserved for distribution to the general unsecured creditors in the Kaiser Steel Corporation bankruptcy; (ii) 113,501 Class A Units outstanding and reserved for issuance to holders of Kaiser Ventures Inc. stock that have to convert such stock into Kaiser Ventures LLC Class A Units; and (iii) 84,612 units outstanding that are subject to certain vesting requirements.

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AVAILABILITY OF PREVIOUS REPORTS

The Company will furnish without charge, to each member, upon written request of any such person, a copy of the Company's 2008 Annual Report on Form 10-K and the Company's Report on Form 10-Q for the quarter ended March 31, 2009. Those requesting a copy of the 10-K report and/or the 2009 first quarter 10-Q report that are not currently members of the Company may also obtain a copy of each report directly from the Company upon payment of a nominal photocopying charge. Requests for a copy of any report filed with the Securities and Exchange Commission should be directed to Executive Vice President-Administration, at 3633 East Inland Empire Boulevard, Suite 480, Ontario, California 91764. All such reports can also be accessed from the Company's website at www.kaiserventures.com.

The reader is encouraged to read this Report on Form 10-Q in conjunction with the Company's 2008 Annual Report on Form 10-K and the Company's 2009 first quarter Report on Form 10-Q as the information contained herein is often an update of the information in such reports.

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PART I FORWARD-LOOKING STATEMENTS

Except for the historical statements and discussions contained herein, statements contained in this Report on Form 10-Q constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Any 10-K Report, 10-KSB Report, Annual Report, 10-Q Report, 10-QSB Report, 8-K Report or press release of the Company and any amendments thereof may include forward-looking statements. In addition, other written or oral statements, which constitute forward-looking statements, have been made and may be made in the future by the Company. You should not put undue reliance on forward-looking statements. When used or incorporated by reference in this 10-Q Report or in other written or oral statements, the words "anticipate," "estimate" "project" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks, uncertainties, and assumptions. We believe that our assumptions are reasonable. Nonetheless, it is likely that at least some of these assumptions will not come true. Accordingly, should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, expected, or projected. For example, our actual results could materially differ from those projected as a result of factors such as, but not limited to: Kaiser's inability to complete the anticipated sale of its Eagle Mountain landfill project; litigation, including, among others, claims that relate to Eagle Mountain, including the adverse federal land exchange litigation, pre-bankruptcy activities of Kaiser Steel Corporation, the predecessor of Kaiser, and asbestos claims; insurance coverage disputes; the impact of federal, state, and local laws and regulations on our permitting and development activities; competition; the challenge, reduction or loss of any claimed tax benefit, including Kaiser's conclusion that its tender offer completed in December 2008 will not result in the Company being treated as a "publicly traded partnership"; the impact of natural disasters on our assets; and/or general economic conditions in the United States and Southern California. The Company disclaims any intention to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

ADDITIONAL INFORMATION

A reader of this Report on Form 10-Q is strongly encouraged to read the entire report, together with the Company's 2008 Annual Report on Form 10-K and the Company's first quarter 2009 Report on Form 10-Q for background information and a complete understanding as to material developments concerning the Company. Such reports can be found on Kaiser's website at www.kaiserventures.com under the "Member Relations" tab.

WHO WE ARE

Unless otherwise noted: (1) the term "Kaiser LLC" refers to Kaiser Ventures LLC; (2) the term "Kaiser Inc." refers to the former Kaiser Ventures Inc.; (3) the terms "Kaiser," "the Company," "we," "us," and "our," refer to past and ongoing business operations conducted in the form of Kaiser Inc. or currently Kaiser LLC, and their respective subsidiaries. Kaiser Inc. merged with and into Kaiser LLC effective November 30, 2001; (4) the terms "Class A Units" and "members" refer to Kaiser LLC's Class A Units and the beneficial owners thereof, respectively; and (5) the term the "merger" refers to the merger of Kaiser Inc. with and into Kaiser LLC effective November 30, 2001, in which Kaiser LLC was the surviving company.

Item 1. FINANCIAL STATEMENTS

The Financial Statements are located at the end of Item 3, beginning on Page 14 of this Report and are incorporated herein by this reference.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BUSINESS UPDATE

General

Kaiser is the reorganized successor to Kaiser Steel Corporation, referred to as KSC, which was an integrated steel manufacturer that filed for bankruptcy protection in 1987. Since KSC's bankruptcy, we have been developing assets remaining after the bankruptcy and have realized substantial value from certain of those assets. In summary, our principal remaining assets currently include:

- An 83.13% ownership interest in Mine Reclamation, LLC, (referred to as MRC), which owns a permitted rail-haul municipal solid waste landfill at a property called the Eagle Mountain Site located in the California desert (the "Landfill Project"). The Landfill Project is currently subject to a contract for its sale to County District No. 2 of Los Angeles County (which we refer to as the District) for approximately \$41 million, plus an estimated approximate \$8.5 million in accrued interest from May 2001 to the date of this Report on Form 10-Q. The sale is subject to a number of conditions, several of which remain to be satisfied. In September 2005, the Company received an adverse U.S. District Court decision that may materially impact the viability of the Landfill Project. This decision was appealed by the Company and by the U.S. Department of Interior to the U.S. 9th Circuit Court of Appeals. Oral argument was completed in the appeal in December 2007, and we are still waiting for the decision in such appeal;
- A 50% ownership interest in the West Valley Materials Recovery Facility and Transfer Station, a transfer station and materials recovery facility which we refer to as the West Valley MRF;
- Approximately 5,400 additional acres owned or controlled by Kaiser at the Eagle Mountain Site that are not included in the pending sale to the District. However, the September 2005 adverse U.S. District Court decision reversing a completed land exchange between Kaiser and the United States Bureau of Land Management ("BLM"), if upheld on appeal, will change the amount and nature of a material portion of Kaiser's land holdings at the Eagle Mountain Site;
- The resources at the Eagle Mountain Site that are not a part of the Landfill Project such as rock. Over approximately 150 million tons of stockpiled rock that is located on our fee owned Eagle Mountain property that is not a part of the Landfill Project. The sale of such rock is subject to market conditions and the Company having all necessary permits; and
- Land at Lake Tamarisk consisting of 71 residential lots, one lot with a house, and approximately 350 acres of other undeveloped property. Lake Tamarisk is an unincorporated community located approximately 70 miles to the east of Palm Springs, California, and is approximately 8 miles from the Eagle Mountain Site.

As of June 30, 2009, we also had cash and cash equivalents, receivables and short and long-term investments of approximately \$8,099,000.

Eagle Mountain Landfill Project

Background. In 1988, the Company entered into a 100-year lease agreement (the "MRC Lease") with MRC. MRC is seeking to develop the Company's former iron ore mine near Eagle Mountain, California into a large, regional rail-haul, municipal solid waste landfill. The Company currently owns 83.13% of the Class B units and 100% of the Class A units of MRC. In December 1999, the Landfill Project received its last major permit necessary to construct and operate a rail-haul landfill. The Landfill Project is permitted to receive 10,000 tons per day of municipal solid waste for the first ten years of operation and

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up to a maximum of 20,000 tons per day thereafter. The landfill is permitted to receive municipal solid waste for up to 88 years.

Sale of Landfill Project. In August 2000, MRC entered into that certain Agreement for Purchase and Sale of Real Property and Related Personal Property In Regard To The Eagle Mountain Sanitary Landfill Project and Joint Escrow Instructions ("Landfill Project Sale Agreement") with the District. In summary, the Landfill Project (which includes our royalty payments under the MRC Lease) is being sold for \$41 million, plus an estimated approximate \$8.5 million in accrued interest from May 2001 to the date of this Report on Form 10-Q. The closing of this transaction is currently scheduled to occur by September 30, 2009. However, the initial closing date has been extended a number of times. The sale of the Landfill Project is subject to the results of the District's due diligence, satisfaction of numerous contingencies and the negotiation of various ancillary agreements. The contingencies include, but are not limited to, obtaining the transfer of the Landfill Project's permits to the District and obtaining all necessary consents to the transaction. Even with an initial closing, payment of the purchase price will be delayed as described in more detail below. In September 2005, a U.S. District Court decision was issued that was adverse to the Landfill Project which may negatively impact the sale of the Landfill Project to the District. This decision has been appealed to the U.S. 9th Circuit Court of Appeals and we are awaiting the Court's decision. See "*Landfill Project Litigation*" below.

As of the date of the filing of this Report, the parties agreed to extend the closing date to no later than September 30, 2009. The contractual expiration date has been extended a number of times previously. The conditions to closing are not expected to be met by the current expiration date, and the parties will each need to decide whether to extend the period one or more additional times or waive certain conditions. There is no assurance or requirement that either of the parties will continue to extend the closing date and, if it is extended, for how long.

Upon the occurrence of an initial closing, the total purchase price will be deposited into an escrow account and will be released when litigation contingencies are fully resolved. Currently the only existing litigation contingency arises out of the federal litigation challenging the completed federal land exchange. As discussed in more detail below in "*Landfill Project Litigation*," on September 20, 2005, the U.S. District Court for the Central District of California, Eastern Division, issued an adverse decision in the federal land exchange litigation, which would, if fully affirmed on appeal, jeopardize the viability of the Landfill Project and its sale to the District.

The foregoing summary of the Landfill Purchase Agreement is qualified in its entirety by the Landfill Purchase Agreement filed as an exhibit to Kaiser Inc.'s second quarter 2000 Report on Form 10-Q and the more extensive discussion contained in our 2008 Annual Report on Form 10-K.

Flood Damage to Railroad. The Company owns an approximate 52-mile private railroad that runs from Ferrum Junction near the Salton Sea to the Eagle Mountain mine. In late August and early September of 2003, limited portions of the railroad (less than ten percent of the railroad) and related protective structures sustained damage due to heavy rains and flash floods. This damage included having some rail sections buried under silt while other areas had their rail bed undermined. We have currently accrued on our balance sheet a liability of approximately \$4,338,000 for the estimated cost of repair. While the Company undertakes, from time to time, the work necessary to maintain and to assist in preserving and protecting the railroad, the major repairs required to return the railroad to its condition prior to the flood damage are being deferred until a later date.

Current Landfill Project Litigation. On September 20, 2005, the U.S. District Court for the Central District of California, Eastern Division, issued its opinion in *Donna Charpied, et al., Plaintiffs v. United States Department of Interior, et al., Defendants* (Case No. ED CV 99-0454 RT (Mex)) and in *National Parks and Conservation Association, Plaintiff v. Bureau of Land Management, et al., Defendants* (ED CV 00-0041 RT (Mex)). The decision is adverse to the Landfill Project in that it sets aside a land exchange completed between the Company and BLM in October 1999 and two BLM rights-of-way.

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In the land exchange, the Company's wholly owned subsidiary, Kaiser Eagle Mountain, Inc. (now Kaiser Eagle Mountain, LLC) transferred approximately 2,800 acres of Kaiser-owned property along its railroad right-of-way to the BLM and a cash equalization payment in exchange for approximately 3,500 acres of land within the Eagle Mountain landfill project area. The land exchanged by the Company was identified as prime desert tortoise habitat and was a prerequisite to completion of the permitting of the Eagle Mountain landfill project. Following completion of the land exchange, two lawsuits were filed challenging it and requesting its reversal. The plaintiffs argued that the land exchange should have been reversed, because, among other reasons, the BLM failed to comply with the National Environmental Policy Act and the Federal Land Policy and Management Act. The U.S. District Court concluded that the environmental impact statement was deficient in its explanation and/or environment analysis with regard to: (i) the issue of eutrophication which deals with the introduction of nutrients, in this case primarily nitrogen, as a result of the existence of the landfill; (ii) Big Horn Sheep, which is not an endangered species; (iii) the statement of purpose and need for the Landfill Project; and (iv) the reasonable range of alternatives to the proposed project. The court did rule in favor of the Landfill Project with regard to the environmental analysis and explanation for: (i) noise; (ii) night lighting; (iii) visual impacts; (iv) the desert tortoise; (v) groundwater; and (vi) air. The court also ruled that the environmental impact statement was deficient under the Federal Land Policy and Management Act with regard to: (i) the appraisal undertaken by the BLM in the land exchange; and (ii) a full discussion of the BLM's conclusions on the public need for the landfill project.

The Company and the U.S. Department of Interior evaluated their alternatives with respect to the decision and each decided to appeal the decision to the U. S. 9th Circuit Court of Appeals. There can be no assurance that the Company and the Department of Interior will be successful in their appeal. Oral argument in the case was held on December 6, 2007, before a three judge panel of the 9th Circuit Court of Appeals. While the U.S. 9th Circuit Court of Appeals usually announces its decisions six to twelve months following oral argument, on occasion the announcement of a decision may take substantially longer. Since oral argument in our appeal was held more than 19 months ago as of the date of the filing of this Report on Form 10-Q, the decision may be announced at any time. If the U.S. District Court's decision is fully affirmed on appeal, the decision would jeopardize the viability of the Landfill Project and could adversely impact the agreement to sell the Landfill Project to the District, including termination of the agreement.

Eagle Crest Energy Company. Eagle Crest Energy Company, referred to as ECEC, a previous opponent to the landfill project, currently has a preliminary permit with the Federal Energy Regulatory Commission, referred to as FERC, for a proposed 1,300 mega-watt hydroelectric pumped storage project and ancillary facilities to be located at the Company's Eagle Mountain mine site. In June 2009 ECEC filed a license application with FERC for the potential project. However, in July 2009 FERC issued to ECEC a letter of more than fifteen pages in length discussing deficiencies and requests for additional information in connection with the license application. ECEC has been pursuing this project for nearly 20 years. This project is essentially the same project that ECEC previously proposed and was dismissed by the FERC in July 1999. The proposed ECEC project would utilize two of the mining pits and other property at the Eagle Mountain Site, portions of which are currently leased to MRC and are the subject of the pending sale to the District. The Company has not agreed to sell or lease this property to ECEC. In addition, the ECEC project is not compatible with the Landfill Project regardless of claims to the opposite by ECEC. As a result of the October 1999 completed land exchange with the BLM, there is no title reservation on any portion of the property. As discussed below this may change if the land exchange is ultimately reversed. ECEC is continuing to take certain steps necessary to seek a license. We will continue to oppose ECEC's licensing efforts.

If the completed land exchange is ultimately and permanently reversed in accordance with the September 2005 U.S. District Court decision, certain lands currently owned in fee by Kaiser will revert back to federal lands, although a substantial amount of such lands will then be controlled by Kaiser because of its federal mining claims. As a result of any final reversal to federal ownership, a portion of

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the land may be subject to a title encumbrance associated with the issuance of the preliminary permit to ECEC by FERC.

MRC Financing. Since Kaiser became an owner of MRC in 1995, MRC has been financed through a series of private placements to its existing equity owners. As a result of our investments in MRC our ownership interest in MRC is currently 83.13%. Additional funding will be required to complete the sale of the Landfill Project assuming MRC is successful in its appeal of the current federal land exchange litigation. There is no assurance that any such additional funding can be obtained or that it can be obtained on acceptable terms.

Risks. As is discussed in this Report on Form 10-Q and discussed in more detail in the Company's Annual Report on Form 10-K for 2008, there are numerous risks associated with MRC and the Landfill Project, including the numerous risks and contingencies associated with the pending sale of the Landfill Project to the District. There can be no assurance that all outstanding matters currently preventing an initial closing with the District will be resolved to the satisfaction of the parties. Accordingly, there can be no assurance that the sale to the District will occur or that the current terms of the pending transaction may not be significantly modified or the contract terminated as a result of future discussions with the District or as a result of the adverse U.S. District Court decision. In addition, there can be no assurance: (a) that both parties will continue to extend the closing date; (b) as to the timing of the receipt of the purchase price if a closing does take place; and (c) that the ownership of the competing Mesquite Landfill Project by the District and its construction and operation will not adversely impact the negotiations and the closing on the sale of the Landfill Project to the District.

The September 2005 decision of the U.S. District Court to reverse a completed land exchange with the BLM, if fully affirmed on appeal, jeopardizes the viability of Landfill Project. While the Company and the Department of Interior have appealed the decision, there can be no assurance that the appeal will be successful. The litigation and appeal process has caused considerable delays to the Landfill Project. These delays have resulted in additional investments in MRC which in turn will reduce our projected return if the Landfill Project is ultimately sold. In addition, no assurance can be made that we will successfully and timely resolve these matters so as to avoid a material adverse effect on the Landfill Project and on our current plan to sell the Landfill Project to the District. If we are unable to manage any of these risks or uncertainties, we may not have a viable Landfill Project and/or may not be able to sell the Landfill Project and thus the value of our Class A Units could be materially reduced.

In addition, there are risks that the Landfill Project will be impacted by natural disasters like the floods that caused significant damage to a limited portion of the rail line in 2003. Certain risks may be uninsurable or are not insurable on terms which we believe are economical.

West Valley Materials Recovery and Transfer Station

West Valley MRF, LLC was formed in June 1997 by Kaiser Recycling Corporation (now Kaiser Recycling, LLC (formerly Kaiser Recycling, Inc.)), a wholly-owned subsidiary of Kaiser, and West Valley Recycling & Transfer, Inc., a wholly-owned subsidiary of Burrtec Waste Industries, Inc. ("Burrtec"). This entity was formed to construct and operate the materials recovery facility and is referred to as the West Valley MRF. This facility is permitted to receive up to 7,500 tons per day of municipal solid waste. Currently, the facility is processing approximately 4,000+ tons per day of municipal solid waste and recyclable materials.

Construction of the West Valley MRF was financed primarily by bonds issued by the California Pollution Control Finance Authority. The bonds have a variable interest rate that is adjusted weekly. The rates during the second quarter of 2009 have ranged from a low of .55% to a high of .82%; however, the average rate for the second quarter of 2009 has been 0.70%.

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No cash distributions were received from the West Valley MRF during the first six months of 2009; however, a \$500,000 cash distribution was received in July 2009. Given the adverse world-wide economy and the material decrease in commodity prices, we anticipate that there will be a material reduction in the financial performance of and in the amount of cash distributions received from the West Valley MRF in 2009.

Risks. There are a number of risks associated with the West Valley MRF which are discussed in more detailed in the Company's Annual Report on Form 10-K for 2008. Waste volumes are also being negatively impacted by the down-turn in the California economy. Additionally the volatility of commodity prices and any material reduction in such prices, which are occurring, will negatively impact the revenues, margins and net income of the West Valley MRF. Governmental regulation and competition for and loss of expiring waste contracts would also negatively impact the West Valley MRF.

Eagle Mountain, California

Subsequent to the closure of the private prison at Eagle Mountain as of December 31, 2003, we developed and implemented a plan to partially mothball the Eagle Mountain Townsite. However, portions of Kaiser's fee owned land at Eagle Mountain have occasionally been leased to third parties in connection with the training of U.S. military personnel, the filming of commercials and other similar types of uses. We will continue to explore these types of opportunities and other opportunities for the use of the land, facilities and other resources at Eagle Mountain. However, opponents to the landfill project often attempt to prevent us from exploring and from implementing alternative uses at Eagle Mountain.

As a result of previous mining activities, it is estimated that there are over 150 million tons of rock stockpiled on our fee owned land at Eagle Mountain that is not a part of the Landfill Project. While we have sold and shipped rock of various quantities over the years, we are exploring marketing and other opportunities for the sale of material quantities of rock from this acreage. Shipments of rock are dependent upon market conditions and the Eagle Mountain mine having all necessary permits.

Lake Tamarisk

The Company continues to consider the possible sale of its property at Lake Tamarisk. However, given the current state of the California economy and based upon an analysis of the development opportunities that we have been exploring for our Lake Tamarisk property, we have indefinitely delayed such development opportunities.

OPERATING RESULTS

Summary of Revenue Sources

Due to the nature of the Company's projects and the Company's recognition of revenues from non-recurring items, historical period-to-period comparisons of total revenues may not be meaningful for developing an overall understanding of the Company. Therefore, the Company believes it is important to evaluate the trends in the components of its revenues as well as the recent developments regarding its long-term ongoing and interim revenue sources. See "Part I, Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - BUSINESS UPDATE" for a discussion of recent material events affecting the Company's revenue sources.

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Results of Operations

Table of Major Variances in Net Loss for the Quarters Ended June 30, 2009 and 2008:

	<u>Major Variances</u>	
	<u>(Inc <Dec>)</u>	
Income from West Valley MRF, LLC.....	\$	(346,000)
G&A expenses.....	\$	(64,000)
Realized and unrealized gain on investments.....	\$	220,000
Income tax provision.....	\$	83,000

Analysis of Results for the Quarters Ended June 30, 2009 and 2008

Revenues. Total revenues for the second quarter of 2009 were \$273,000, compared to \$655,000 for 2008. The reasons for this decrease are discussed below.

Revenue from the Company's equity method investment in the West Valley MRF decreased by \$346,000 to \$263,000. This decrease, which results from lower operating profit from the West Valley MRF, is due primarily to lower recyclable sales as a result of the impacts of the world-wide economic recession and the associated significant decrease in commodity prices which were partially offset by lower recyclable rebates paid by the West Valley MRF. In addition, the volumes of municipal waste and green waste processed by the West Valley MRF declined in the second quarter of 2009 as compared to the same period in 2008 due to the current economic recession.

Revenue from Eagle Mountain operations decreased to \$10,000 for the second quarter of 2009 from \$47,000 for the same period in 2008. This decrease is primarily the result of there being no salvage and scrap sales in the second quarter of 2009.

Operating Costs. Operating costs decreased to \$436,000 for the second quarter of 2009 from \$505,000 for the same period in 2008. This decrease relates primarily to: (a) a decline in consulting services associated with the development of the Eagle Mountain rock resources; and (b) the absence of bulk fuel purchases at Eagle Mountain.

Corporate General and Administrative Expenses. Corporate general and administrative expenses increased to \$510,000 for the second quarter of 2009 from \$445,000 for the same period in 2008. This increase is primarily the result of an increase in other outside services associated with the cost of temporary personnel plus the cost of restricted units granted as part of the overall compensation package for the executive officers. These increases in outside services related to temporary personnel were partially offset by reductions in other corporate expenses and increased overhead cost allocations to Mine Reclamation, LLC and the West Valley MRF, LLC.

Net Interest and Investment Income. Net interest and investment income including, realized and unrealized gains/(losses) for the second quarter of 2009, was a net gain of \$280,000 compared to a gain of \$59,000 for the same period in 2008. Of the \$280,000 of income for the second quarter of 2009, \$155,000 relates to interest income and net realized and unrealized gains(losses) on the Company's short-term investments and \$125,000 relates to net realized and unrealized gains/(losses) on the Company's SERP contributions. As of January 2008, the Company adopted FAS 159 "The Fair Value Option for Financial Assets and Financial Liabilities" which permits entities to choose to measure many financial instruments and certain other items at fair value. Investments are marked to market and unrealized earnings or loss is reflected in income for the period in which they are earned.

Loss Before Income Tax Provision. The Company recorded a pre-tax loss of \$393,000 in the second quarter of 2009 versus a pre-tax loss of \$236,000 for the same period in 2008. The Company is taxed as a

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partnership and, thus, the Company's results of operations (on an income tax basis) are allocated to the unit holders for inclusion in their respective income tax returns. There are, however, income taxes imposed on the Company and on Business Staffing Inc., the Company's only corporate subsidiary plus a gross revenue tax imposed by the State of California.

Net Loss. For the second quarter of 2009, the Company incurred a net loss of \$395,000, or \$0.06 per unit, versus a loss of \$321,000, or \$0.04 per unit for the same period in 2008.

Analysis of Results for the Six Months Ended June 30, 2009 and 2008

Revenues. Total revenues for the first six months of 2009 were \$338,000, compared to \$1,168,000 for 2008. The reasons for this decrease are discussed below.

Revenue from the Company's equity method investment in the West Valley MRF decreased by \$796,000 to \$311,000 for the first six months of 2009 as compared to the same period in 2008. This decrease in equity income from the West Valley MRF is the result of lower revenues relating to reduced transfer and green waste tonnage (\$1,197,000) and related to lower recyclable sales (\$2,808,000). Decreased revenues from commodity sales were partially offset by lower recyclable rebate payments paid by the West Valley MRF. The West Valley MRF also experienced lower transportation costs (\$662,000) due to decreased fuel costs as our hauling contract includes fuel surcharges based on the price of fuel which decreased from the same period last year. The lower revenues were partially offset by rate increases which went into effect in July 2008. Finally, operating expenses decreased by \$651,000 due primarily to reductions in payroll (\$193,000); and maintenance of rolling stock (\$238,000); and a drop in depreciation expense due to additional fully depreciated assets (\$272,000).

Revenue from Eagle Mountain operations for the first six months of 2009 decreased to \$27,000 from \$61,000 for the same period in 2008. This decrease is primarily the result of decreased utilization of our fee owned property for military training and media activities.

Operating Costs. Operating costs decreased to \$825,000 for the first six months from \$982,000 for the same period in 2008 as a result of a drop in new business and land development expenses (other than landfill development expenses which are capitalized) at Eagle Mountain; a reduction in Eagle Mountain townsite maintenance expenses; and a decrease in Eagle Mountain site personnel costs.

Corporate General and Administrative Expenses. Corporate general and administrative expenses for the first six months of 2009 increased 6% to \$981,000 from \$924,000 for the same period in 2008. This increase is primarily the result of an increase in other outside services associated with the cost of temporary personnel plus the cost of restricted units granted as part of the overall compensation package of the executive officers. These increases were partially offset by reductions in other corporate expenses and increased overhead cost allocations to Mine Reclamation, LLC and the West Valley MRF, LLC.

Net Interest and Investment Income. Net interest and investment income for the first six months of 2009 was \$260,000 compared to \$152,000 for the same period in 2008. Of the \$260,000 of income for the first six months of 2009, \$201,000 related to interest income and net realized and unrealized gains/(losses) on the Company's short-term investments and \$59,000 relates to net realized and unrealized gains/(losses) on the Company's SERP Contributions.

Loss Before Income Tax Provision. The Company recorded a pre-tax loss of \$1,208,000 in the first six months of 2009 versus a pre-tax loss of \$586,000 for the same period in 2008. The Company is taxed as a partnership and, thus, the Company's results of operations (on an income tax basis) are allocated to the unit holders for inclusion in their respective income tax returns. There are, however, minor income taxes imposed on the Company, a gross revenue tax imposed by the State of California, and income taxes on Business Staffing Inc., the Company's only corporate subsidiary. These taxes amounted to \$7,000 for the first six months of 2009 versus \$112,000 for the same period in 2008.

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Net Loss. For the first six months of 2009, the Company incurred a net loss of \$1,215,000, or \$0.19 per unit, versus a net loss of \$698,000, or \$0.10 per unit, reported for the same period in 2008.

FINANCIAL POSITION

Cash, and Cash Equivalents and Short-Term Investments. The Company defines cash equivalents as highly liquid debt instruments with original maturities of 90 days or less. Cash and cash equivalents increased \$347,000 to \$1,464,000 at June 30, 2009 from \$1,117,000 at December 31, 2008. Included in cash and cash equivalents is \$660,000 and \$785,000 held solely for the benefit of MRC at June 30, 2009 and December 31, 2008, respectively. The increase in cash and cash equivalents is primarily due to net short-term investment activity which included the liquidation of some short-term investments (\$1,869,000). This increase was offset by capital expenditures (\$25,000); an increase in accounts receivable (\$51,000); capitalized landfill expenditures (\$143,000); and net cash used for operations (\$1,303,000).

Working Capital. During the first six months of 2009, current assets decreased \$1,412,000 to \$8.1 million, and current liabilities decreased \$120,000 to \$1.9 million. The decrease in current assets was the net result of a decrease in short-term investments of \$1,869,000; an increase in accounts and other receivables of \$51,000; an increase in restricted cash and investments of \$59,000 and the increase of \$347,000 in cash and equivalents discussed above. The decrease in current liabilities is the net of a \$20,000 decrease in accounts payable; a \$101,000 decrease in accrued liabilities; and a \$1,000 increase in taxes payable. As a result, working capital decreased during the first six months of 2009 by \$1,292,000 to \$6.2 million at June 30, 2009.

Accounts Receivable and Other (Net). During the first six months of 2009, accounts receivable and other current net assets increased by \$51,000 which is primarily an increase in prepaid insurance.

Short-Term Investments. During the first six months of 2009, short-term investments decreased by \$1,869,000. This is the net result of the sale of a portion of the Company's investments to provide cash for operations. At June 30, 2009, the Company had \$4.5 million of its excess cash reserves invested in such investments. Investments are marked to market and unrealized earnings or loss are reflected in the value of the investment and in income for the period for which they are earned.

Investments. The Company's equity share of income from the investment in the West Valley MRF, for the first six months of the year was \$311,000 resulting in an increase the Company's investment in the West Valley MRF. Our investment in the Landfill Project increased \$143,000 during the first six months of 2009 due to continuing landfill development activities which were capitalized.

Other Assets. For the first six months of the year there was a decrease in other assets of \$308,000 which is primarily the result of the amortization of the environmental insurance policy of \$150,000, an increase in accumulated depreciation as of June 30, 2009 of \$183,000, which were partially offset by the capital expenditure to purchase a new computer server and related equipment and software for the corporate office of \$25,000.

Environmental Remediation. The Company purchased, effective June 30, 2001, a 12-year \$50 million insurance policy, which is expected to cover substantially any and all environmental claims (up to the \$50 million policy limit) relating to the historical operations of the Company. As of June 30, 2009, based upon current information, we estimate that our future environmental liability related to certain matters and risks not assumed by CCG Ontario, LLC, a subsidiary of ProLogis, in its purchase of the Mill Site Property August 2000 would be approximately \$2.8 million for which a reserve has been established. In the event a claim for damages is filed against the Company that relates to this reserve, management believes that the claim may be covered by insurance depending upon the nature and timing of the claim.

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Minority Interest. As of June 30, 2009, the Company has recorded \$5,322,000 of minority interest relating to the approximately 17.0% ownership interest in MRC the Company does not own.

Contingent Liabilities. The Company has contingent liabilities more fully described above and in the notes to the financial statements.

Critical Accounting Policies

The Company's accounting policies are more fully described in the Notes to the Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008. As disclosed in the Notes to the 2008 Annual Financial Statements, the preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty and therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements.

The Company believes the following critical accounting policies are important to the portrayal of the Company's financial condition and results.

Investments. The Company accounts for investments under the provisions of Statement of Financial Accounting Standards (SFAS) No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. The Company invests its' excess cash reserves in high grade commercial paper (Standard & Poor's rating of "A" or above), and U.S. government bonds which it classifies as "available-for-sale" and which are recorded at the purchase price of the security plus or minus the discount or premium paid. Investments are marked to market and unrealized earnings are reflected in income for the period in which they are earned. Due to the current U.S. credit crisis, the fair value of the Company's commercial paper investments have fluctuated significantly. However, the Company expects to hold these investments to maturity, thereby mitigating any unknown fluctuations in fair value.

Investment in West Valley MRF, LLC. The Company accounts for its investment in West Valley MRF, LLC, the owner of West Valley MRF, under the equity method of accounting because of the Company's 50% non-controlling ownership interest.

Landfill Permitting and Development. Through its 83.13% interest in MRC, the Company has been developing, for sale to a municipal entity or operating company, its property known as the Eagle Mountain Site in the California desert for use as a rail-haul municipal solid waste landfill. Pursuant to SFAS No. 67, *Accounting for Costs and Initial Rental Operations of Real Estate Projects*, capitalizable landfill site development costs are recorded at cost and will be expensed when management determines that the capitalized costs provide no future benefit.

Environmental Insurance and Environmental Remediation Liabilities. The Company's \$3.8 million premium for the prospective insurance policy, which was reduced by a refund from the insurance carrier, is capitalized as a long-term asset and is being amortized on a straight-line basis over the twelve (12) year term of the policy. To the extent a pre-existing liability has not been recorded, claims made for environmental matters are recorded as litigation accruals in the Company's consolidated financial statements pursuant to FAS No. 5 when it becomes probable that a loss has been incurred and the amount of such loss can be reasonably estimated. Claims accepted by the insurance company pursuant to coverage under the policy are recorded as insurance receivables when coverage is accepted and the amount to be paid by the insurance company can be reasonably estimated.

Revenue Recognition. Revenues are recognized when the Company has completed the earnings process and an exchange transaction has taken place.

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Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Uncertain Tax Benefits. The Company adopted Financial Standards Board Interpretation No. 48 Accounting for Uncertainty in Income Taxes ("FIN 48") an interpretation of FASB Statement 109 ("SFAS 109") effective January 1, 2007. Because the Company is a limited liability company, it has no unrecognized tax benefits and the adoption of FIN 48 had no impact on the Company's financial statements.

Conditional Asset Retirement Obligations. In March 2005, the Financial Accounting Standards Board issued, Interpretation No. 47. "Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143" ("FIN 47") clarifying and interpreting the legal obligation to perform an asset retirement activity in which the timing and/or settlement are conditional on a future event that may or may not be within the control of the Company. The Company adopted FIN 47 effective as of December 31, 2005. Based upon currently available information, the Company estimated that the conditional asset retirement obligations related to possible future abatement for asbestos-containing products in certain of the viable structures at Eagle Mountain would approximate \$1.2 million. Pursuant to the requirements of FIN 47, the Company increased its environmental reserve as of December 31, 2005 by \$1.2 million to account for these conditional obligations and increased the carrying amount of the associated structures at Eagle Mountain by a comparable amount. This increased cost basis is being depreciated over the remaining estimated time that such assets will be owned by the Company, which is currently estimated to be approximately 4 years beginning as of January 1, 2006.

Long-Lived Assets. In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets*, long-lived assets are evaluated for potential impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable.

BUSINESS OUTLOOK

The statements contained in this Business Outlook, as well as in "Part I - Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - BUSINESS UPDATE", are based upon current operations and expectations. In addition to the forward-looking statements and information contained elsewhere in this Report on Form 10-Q, these statements are forward-looking and, therefore, actual results may differ materially. See the Company's disclosure regarding forward-looking statements in the section entitled "Forward-Looking Statements" above.

Ongoing Operations. As noted above, our revenues from ongoing operations have, in the past, generally been derived from the performance of our major long-term development projects and investments. We have previously sold most of our projects and investments. Our principal remaining assets and projects, other than cash and securities, are: (i) our ownership interest in the MRC Landfill Project; (ii) our 50% equity ownership of the West Valley MRF; (iii) miscellaneous property at or near the Eagle Mountain Townsite; and (iv) the millions of tons of rock stockpiled at the Eagle Mountain Site on our fee owned property that is not a part of the Landfill Project. We have no material ongoing operations except in connection with such assets and projects. Our principal sources of ongoing income are derived from the West Valley MRF, our investments and from miscellaneous income generated at the Eagle Mountain Site. We will continue to evaluate our remaining assets and investments in light of how to best provide maximum value to our members. In regard to the West Valley MRF, the most significant factors affecting our future equity income will continue to depend upon: (i) on the ability of the West Valley MRF to retain customers and waste volumes at attractive processing rates; (ii) recyclable commodity prices; (iv) the ability to increase prices to reflect increases in such items as transportation,

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labor and disposal costs and (iv) future competition from competing facilities. Due to the current world-wide economic conditions and other factors, commodity prices, starting in the third quarter of 2008, declined dramatically. Over the last 120 days we have seen a modest improvement in commodity prices but such prices are still well below the prices at which commodities were being sold during the first half of 2008. This material decline in commodity prices along with reduced waste volumes due to the current economic recession will have a material negative impact on the West Valley MRF's profitability and on distributions to the Company. Additionally, the West Valley MRF is continuing the process of evaluating possible waste-to-energy and composting projects that might be capable of utilizing a portion of the municipal solid waste received at the facility. As part of our strategy, we intend to evaluate any potential offers to purchase our interest in West Valley or other alternatives in light of our primary objective of maximizing value. West Valley currently generates more than sufficient cash flow to fund its cost of operations and does not require additional investment by us.

Pending Sale of Eagle Mountain Landfill Project. As discussed in more detail in "Part I - Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - BUSINESS UPDATE - Eagle Mountain Landfill Project and Pending Sale." In August 2000, MRC entered into that certain Agreement For Purchase and Sale of Real Property and Related Personal Property In Regard To The Eagle Mountain Sanitary Landfill Project and Joint Escrow Instructions ("Landfill Project Sale Agreement") with the District. In summary, the landfill project (which includes our royalty payments under the MRC Lease) is under contract to be sold to the District for \$41 million plus an estimated approximate \$8.5 million in accrued interest from May 2001 to the date of this Report on Form 10-Q. The exact future timing of any initial closing is currently unknown and there are a number of risks associated with the project and certain conditions that must be satisfied before the sale of the District, including resolution of the outstanding federal land exchange litigation discussed below. Kaiser's equity interest in MRC is currently 83.13%.

Assuming there is a sale of the landfill project, \$41 million of the total purchase price will be deposited into an escrow account and will be released when any litigation contingencies are fully resolved. As of the date of this Report, the only litigation contingency is the federal litigation challenging the completed federal land exchange. In September 2005 the Company received an adverse U.S. District Court decision in the land exchange litigation that may materially impact the validity of the Landfill Project. The decision was adverse to the landfill project in that it set aside the land exchange completed between the Company and BLM as well as two BLM rights-of-way. The Company and the Department of Interior appealed the decision. Oral argument on this case was held on December 6, 2007. While the U.S. 9th Circuit of Appeals usually announces its decision six to twelve months following oral argument, on occasion the announcement of a decision may take substantially longer. It has been over 19 months since oral argument was held and thus, the decision could be announced at any time. If the decision is fully affirmed on appeal, the decision would jeopardize the viability of the landfill project. In addition, the decision could adversely impact the agreement to sell the Landfill Project to the District, including termination of the Landfill Project Sale Agreement. For a more detailed discussion of this litigation and the risks associated with this litigation, see "Part I - Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - BUSINESS UPDATE - Eagle Mountain Landfill Project and Pending Sale." Although closing has not occurred, interest began to accrue on this portion of the purchase price in May 2001.

Mill Site Property. The only remaining Mill Site Property owned by the Company is an approximate five acre parcel referred to as the Tar Pits Parcel. CCG Ontario, LLC substantially completed all material environmental remediation of this parcel pursuant to the terms of its agreement during 2002. CCG Ontario does have ongoing operations and maintenance obligation with respect to the Tar Pits Parcel. West Valley has the right to purchase the Tar Pits Parcel for \$1.00.

Sale of Miscellaneous Properties, Eagle Mountain Townsite, and other Possible Opportunities. We are continuing to seek buyers for our miscellaneous properties, most of which are located at or near our Eagle Mountain facilities and we are continuing to seek tenants and other uses for the private prison

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facility in the Eagle Mountain Townsite. However, the September 2005 adverse U.S. District Court decision involving a completed land exchange between Kaiser and the BLM may hinder our efforts at Eagle Mountain. Additionally, due to the passage of time and the impacts of weather, a number of buildings and old houses at the Eagle Mountain Townsite are deteriorating at a faster rate than anticipated and may not be salvageable. Accordingly, we may need to demolish or rehabilitate a number of structures over the next several years.

In addition, we continue to explore possible opportunities at the Eagle Mountain Site including, military and law enforcement training, the temporary use of water resources and opportunities for the sale of rock from our fee owned land at Eagle Mountain. As a result of past mining activities, an estimated 150+ million tons of rock of various sizes were stockpiled near the Eagle Mountain Townsite on our fee owned land that is not a part of the Landfill Project. Sales of rock would be from property that is not a part of the Landfill Project. Rock sales are subject to market conditions and the Company having all required permits.

The Company's Board of Managers in its April 2009 meeting decided not to continue pursuing the further development of our property at Lake Tamarisk although such property still remains available for sale. With regard to the Eagle Mountain Site, military and law enforcement training exercises have taken place in the past on portions of our fee owned property. A small military training exercise was held at such site in late July 2009. We continue to explore and pursue these types of opportunities.

Corporate Overhead. Given our current assets and projects, it is unlikely that we will be able to further reduce personnel and corporate overhead in the near future. However, as we divest our remaining assets, we intend to further reduce corporate staffing and overhead to reflect the reduced requirements of our remaining operations and projects. The costs of such reductions shall be recorded at the time the decision to make such reductions is made by the Company.

Capital Resources. The Company initiated a self-tender offer in the fourth quarter of 2008 in response to a tender offer commenced by a third-party. While the Company's Board of Managers recommended against the acceptance of either tender offer, the Company ultimately purchased 841,544 Class A Units as a result of its tender offer. The purchase of the units together with the expenses associated with both tender offers reduced our available cash by approximately \$1 million. Even with the expenses associated with the tender offers and the cost of purchasing the units tendered Kaiser LLC expects that its current cash balances and short-term investments together with cash generated from the West Valley MRF, note receivables and any future asset sales as well as expense reductions will be sufficient to satisfy the Company's ongoing projected operating cash requirements for the next several years.

Cash Maximization Strategy

We have been developing our remaining assets and then selling them at such times and on such terms as we believe optimizes the realizable value for a particular project or asset. During 2000 and 2001, we: (i) sold the balance of our real estate at the former KSC mill site near Fontana, California, except for an approximate five acre parcel, the Tar Pits Parcel; (ii) entered into an agreement to sell the landfill project to the District for an aggregate of \$41 million plus accrued interest, with MRC and the District working toward a closing on such transaction; (iii) sold our interest in Fontana Union to Cucamonga; and (iv) paid a total of \$12.00 per share in cash distributions to Kaiser Inc.'s stockholders. In continuing this strategy, our current plans include:

- To resolve favorably the outstanding federal land exchange litigation and to complete the sale of the landfill project. Although the closing with the District was originally scheduled to occur during 2002, this sale is subject to the satisfaction of numerous conditions and, as a result, this date has been extended numerous times, and we cannot be sure when or if this sale will ultimately close. We do not expect to receive any cash from the sale until and if the federal land exchange

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litigation matter is successfully resolved. See "Part I - Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - BUSINESS UPDATE - Eagle Mountain Landfill Project and Pending Sale";

- To continue to hold our interest in West Valley, which pays cash distributions to us, until we believe we can negotiate a sale of our interest or otherwise create enhanced value for our members from the West Valley MRF; and
- To maximize our revenue as we attempt to sell our remaining miscellaneous assets, such as our surplus property in Riverside County, California. Our activities in this regard currently include exploring the sale or use of our resources such as rock at Eagle Mountain that are not a part of the Landfill Project. However, the Company recently determined that it would not continue pursuing the further development of its Lake Tamarisk property.

The Company currently expects to terminate operations and distribute substantially all available cash to its members once the cash maximization strategy is completed. The September 2005 adverse U.S. District Court decision concerning the Landfill Project will affect the completion date for, and may ultimately alter this strategy. The Company currently does not expect completion of this strategy for several years.

Conversion. In November 2001, the stockholders of Kaiser Inc. overwhelmingly approved the conversion of Kaiser Inc. into a newly-formed limited liability company pursuant to a merger between the Kaiser Inc. and Kaiser LLC. In this conversion, Kaiser Inc.'s stockholders received \$10.00 in cash plus one Class A Unit for each share of common stock in Kaiser Inc. The conversion to a limited liability company and the resulting cash payment to stockholders was an important step in the implementation of the cash maximization strategy.

Insurance. In furtherance of the cash maximization strategy, we purchased an insurance policy in 2001 that is designed to provide broad commercial general liability, pollution legal liability, and contractual indemnity coverage for our ongoing and historical operations. The aggregate cost for this policy was approximately \$5.8 million, of which KSC Recovery paid \$2.0 million and the Company paid \$3.8 million.

Item 3. CONTROLS AND PROCEDURES

Within the 90 days prior to the date of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14.

Based on its review of the Company's disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its subsidiaries) that is required to be included in the Company's periodic Securities and Exchange Commission filings. Specifically, in 2008, the Company requested that all of the critical employees, officers and Members of the Board of Managers of the Company complete an extensive internal control and risk management questionnaire; and internally reviewed and tested its internal controls against its written procedures. The above conclusions are based upon the work performed. Additionally, during the first quarter of 2009, the Company further reviewed its controls and procedures and made modifications to provide additional checks and oversight as a part of the controls and procedures. There were no significant changes in internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

FINANCIAL STATEMENTS

KAISER VENTURES LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

as of

	June 30, <u>2009</u> (Unaudited)	December 31, <u>2008</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,464,000	\$ 1,117,000
Accounts receivable and other, net of allowance for doubtful accounts of \$37,500	182,000	131,000
Short-term investments (all reported at fair value)	4,543,000	6,412,000
Restricted cash held for		
Conversion distribution	1,190,000	1,190,000
Contribution to Company SERP	<u>720,000</u>	<u>661,000</u>
	<u>8,099,000</u>	<u>9,511,000</u>
Eagle Mountain Landfill Investment	<u>32,475,000</u>	<u>32,332,000</u>
Investment in West Valley MRF	<u>5,353,000</u>	<u>5,042,000</u>
Land	<u>2,465,000</u>	<u>2,465,000</u>
Other Assets		
Deferred income tax asset	75,000	75,000
Reclamation financial assurance	27,000	27,000
Unamortized environmental insurance premium	1,200,000	1,350,000
Buildings and equipment (net)	<u>582,000</u>	<u>740,000</u>
	<u>1,884,000</u>	<u>2,192,000</u>
Total Assets	<u>\$ 50,276,000</u>	<u>\$ 51,542,000</u>

The accompanying notes are an integral part of the consolidated financial statements.

KAISER VENTURES LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

as of

	June 30, <u>2009</u> (Unaudited)	December 31, <u>2008</u>
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Accounts payable.....	\$ 60,000	\$ 80,000
Conversion distribution payable.....	1,190,000	1,190,000
Accrued liabilities.....	<u>622,000</u>	<u>722,000</u>
	<u>1,872,000</u>	<u>1,992,000</u>
Long-term Liabilities		
Accrual for MRC railroad casualty loss.....	4,338,000	4,338,000
Accrual for Eagle Mountain Townsite cleanup.....	2,340,000	2,340,000
Environmental remediation reserve.....	2,792,000	2,810,000
Other accrued liabilities.....	<u>250,000</u>	<u>250,000</u>
	<u>9,720,000</u>	<u>9,738,000</u>
Total Liabilities.....	<u>11,592,000</u>	<u>11,730,000</u>
Commitments and Contingencies		
Members' Equity		
Class A units; issued and outstanding at June 30, 2009 6,617,834, at December 31, 2008 6,453,362	33,362,000	34,490,000
Class B units; issued and outstanding 751,956.....	---	---
Class C units; issued and outstanding 872.....	---	---
Class D units; issued and outstanding 128.....	---	---
Accumulated other comprehensive Income.....	<u>---</u>	<u>---</u>
	33,362,000	34,490,000
Equity attributable to noncontrolling interest.....	<u>5,322,000</u>	<u>5,322,000</u>
Total Members' Equity.....	<u>38,684,000</u>	<u>39,812,000</u>
Total Liabilities and Members' Equity.....	<u>\$ 50,276,000</u>	<u>\$ 51,542,000</u>

The accompanying notes are an integral part of the consolidated financial statements.

KAISER VENTURES LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
for the Six Months Ended June 30
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Revenues				
Income from equity method investment in the West Valley MRF, LLC	\$ 263,000	\$ 608,000	\$ 311,000	\$ 1,107,000
Eagle Mountain revenues	<u>10,000</u>	<u>47,000</u>	<u>27,000</u>	<u>61,000</u>
Total revenues	<u>273,000</u>	<u>655,000</u>	<u>338,000</u>	<u>1,168,000</u>
Operating Costs				
Environmental insurance premium amortization.....	75,000	75,000	150,000	150,000
Expenses related to Eagle Mountain.....	<u>361,000</u>	<u>430,000</u>	<u>675,000</u>	<u>832,000</u>
Total operating costs	<u>436,000</u>	<u>505,000</u>	<u>825,000</u>	<u>982,000</u>
Gross Income (Loss)	(163,000)	150,000	(487,000)	186,000
Corporate General and Administrative Expenses				
Total corporate and administrative expense.....	<u>510,000</u>	<u>445,000</u>	<u>981,000</u>	<u>924,000</u>
Loss from Operations	(673,000)	(295,000)	(1,468,000)	(738,000)
Net Realized and Unrealized Gain (Loss) on Investments				
	195,000	(25,000)	46,000	(10,000)
Net realized Interest and Investment Income	<u>85,000</u>	<u>84,000</u>	<u>214,000</u>	<u>162,000</u>
Loss before Income Tax Provision	(393,000)	(236,000)	(1,208,000)	(586,000)
Income Tax Provision - (Benefit)	<u>2,000</u>	<u>85,000</u>	<u>7,000</u>	<u>112,000</u>
Net Loss ..	<u>(395,000)</u>	<u>(321,000)</u>	<u>(1,215,000)</u>	<u>(698,000)</u>
Basic Loss Per Unit	<u>\$ (0.06)</u>	<u>\$ (0.04)</u>	<u>\$ (0.19)</u>	<u>\$ (0.10)</u>
Diluted Loss Per Unit	<u>\$ (0.06)</u>	<u>\$ (0.04)</u>	<u>\$ (0.19)</u>	<u>\$ (0.10)</u>
Basic Weighted Average Number of Units Outstanding				
	6,444,000	7,161,000	6,557,000	7,139,000
Diluted Weighted Average Number of Units Outstanding				
	6,444,000	7,161,000	6,557,000	7,139,000

The accompanying notes are an integral part of the consolidated financial statements.

KAISER VENTURES LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the Six Months Ended June 30
(Unaudited)

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities		
Net loss.....	\$ (1,215,000)	\$ (698,000)
Adjustments to reconcile net loss/income to net cash used by operating activities		
Net realized and unrealized gain on investments.....	46,000	10,000
Equity income recorded.....	(311,000)	(1,107,000)
Cash distributions received	---	1,500,000
Depreciation and amortization.....	333,000	333,000
Class A Units / stock-based compensation expense.....	87,000	99,000
Changes in assets:		
Receivables and other	(51,000)	(48,000)
Changes in liabilities:		
Accounts payable and accrued liabilities.....	(117,000)	(334,000)
Environmental remediation expenditures.....	<u>(17,000)</u>	<u>(57,000)</u>
Net cash flows used in operating activities.....	<u>(1,245,000)</u>	<u>(302,000)</u>
Cash Flows from Investing Activities		
Minority interest.....	---	57,000
Purchase of investments.....	(7,574,000)	(30,189,000)
Maturities of investments.....	9,393,000	30,909,000
Capital acquisitions	(25,000)	(59,000)
Capitalized landfill expenditures.....	<u>(143,000)</u>	<u>(162,000)</u>
Net cash flows provided by investing activities.....	<u>1,651,000</u>	<u>556,000</u>
Cash Flows from Financing Activities		
Increase in restricted cash for SERP	<u>(59,000)</u>	---
Net cash flows used by financing activities.....	<u>(59,000)</u>	---
Net Changes in Cash and Cash Equivalents	347,000	254,000
Cash and Cash Equivalents at Beginning of Year	<u>1,117,000</u>	<u>1,419,000</u>
Cash and Cash Equivalents at End of Period	<u>\$ 1,464,000</u>	<u>\$ 1,673,000</u>

Supplemental disclosure of non-cash investing and financing activities

	<u>2009</u>	<u>2008</u>
Cash paid during the period for income taxes.....	\$ 8,200	\$ 257,000

The accompanying notes are an integral part of the consolidated financial statements.

KAISER VENTURES LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1. BASIS OF PRESENTATION

The unaudited consolidated financial statements of Kaiser Ventures LLC and Subsidiaries (the "Company") as of June 30, 2009 and 2008, as well as related notes, should be read in conjunction with the Company's audited consolidated financial statements and related notes as of and for the year ended December 31, 2008, included in the Company's Annual Report on Form 10-K. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary (all of which are normal and/or recurring in nature) to present fairly the Company's financial position at June 30, 2009, and results of operations for the three and six months and cash flows for the six month period ended June 30, 2009 and 2008.

The Company's consolidated financial statements include the following significant entities: Lake Tamarisk Development, LLC; Kaiser Eagle Mountain, LLC; Kaiser Recycling LLC; Business Staffing, Inc. all of which are 100% owned; and Mine Reclamation, LLC, which is 83.13% owned.

Kaiser is the reorganized successor to Kaiser Steel Corporation, referred to as KSC, which was an integrated steel manufacturer that filed for bankruptcy protection in 1987. Since KSC's bankruptcy, we have been developing assets remaining after the bankruptcy and have realized substantial value from certain of those assets. Currently, our principal remaining assets are: (i) an 83.13% ownership interest in Mine Reclamation, LLC, (referred to as MRC), which owns a permitted rail-haul municipal solid waste landfill at a property called the Eagle Mountain Site located in the California desert (the "Landfill Project"). This landfill is currently subject to a contract for its sale to County District No. 2 of Los Angeles County (which we refer to as the District) for approximately \$41 million plus accrued interest, which sale is subject to a number of conditions, several of which remain to be fully satisfied; (ii) a 50% ownership interest in the West Valley Materials Recovery Facility and Transfer Station, a transfer station and materials recovery facility located on land acquired from Kaiser, which we refer to as the West Valley MRF; and (iii) approximately 5,400 additional acres owned or controlled by Kaiser at the Eagle Mountain Site that are not included in the pending sale to the District. However, a September 2005 adverse U.S. District Court decision involving a federal land exchange may impact the viability of the Landfill Project and its planned sale to the District.

Note 2. ENVIRONMENTAL INSURANCE AND ENVIRONMENTAL REMEDIATION LIABILITIES

The Company purchased an insurance policy effective June 30, 2001 that is designed to provide broad prospective commercial general liability, pollution legal liability, and contractual indemnity coverage for the Company's ongoing and historical operations. The policy has a twelve (12) year term and limits of \$50 million in the aggregate for defense and indemnity, with no deductible or self-insured retention. The policy is designed to provide coverage for future claims in excess of the Company's existing and historic insurance policies; however, to the extent that these other insurance policies are not responsive to a claim, the policy will provide first dollar coverage for a claim resulting from property damage, personal injury, bodily injury, cleanup costs or violations of environmental laws. The policy also provides for a broad defense of claims that may be brought against the Company. The policy is specifically intended to provide additional coverage for potential liabilities arising from pollution conditions or known and/or potential asbestos-related claims. The policy also provides contractual indemnity coverage for scheduled indemnity obligations of the Company arising from, e.g., prior corporate transactions and real estate sales. The Company expects this policy will cover substantially any and all environmental claims (up to the \$50 million policy limit) relating to the historical operations of the Company.

The aggregate cost for this policy was approximately \$5.8 million, of which, based upon discussions among the respective members of the Boards of Directors, KSC Recovery paid \$2 million and the Company paid the balance of approximately \$3.8 million. The portion of the policy paid by KSC Recovery was expected to cover

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known and/or potential asbestos claims; while the portion of the policy paid by the Company was expected to cover future potential claims arising from the Company's historical operations.

The Company's original \$3.8 million premium for the prospective insurance policy was capitalized as a long-term asset and is being amortized on a straight-line basis over the 12 year term of the policy. To the extent a pre-existing liability has not been recorded, claims made for environmental matters are recorded as litigation accruals in the Company's consolidated financial statements pursuant to SFAS No. 5 when it becomes probable that a loss has been incurred and the amount of such loss can be reasonably estimated. Claims accepted by the insurance company pursuant to coverage under the policy are recorded as insurance receivables when coverage is accepted and the amount to be paid by the insurance company can be reasonably estimated. Generally, unless previously accrued, the liability and the receivable relating to claims covered by this policy should occur in the same accounting period, thereby having no adverse or beneficial impact on the Company's operating results for that accounting period.

Note 3. INVESTMENTS

The Company has an Investment Policy which provides for the investment of excess cash balances primarily in bond funds, commercial paper, and debt instruments. At June 30, 2009 the Company had investments in high grade commercial paper (Standard & Poor's rating of "A" or above) which is classified as "available-for-sale." The classification of investment securities is reviewed by the Company as of the end each reporting period.

Effective January 1, 2008, the Company adopted SFAS No. 157, "Fair Value Measurements" ("SFAS 157") as it relates to recurring financial assets and liabilities. This new standard addresses how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under generally accepted accounting principles. Effective January 1, 2009, the Company adopted SFAS 157 for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis in accordance with the deferral provisions of FASB Staff Position FAS 157-2. The adoption in 2009 had no impact on the financial statements.

SFAS 157 establishes a three-level hierarchy to be used when measuring and disclosing fair value. An instrument's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. Following is a description of the three hierarchy levels:

- Level 1** Inputs are quoted prices in active markets for identical asset or liabilities as of the measurement date. Additionally, the entity must have the ability to access the active market and the quoted prices cannot be adjusted by the entity.
- Level 2** Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical or similar assets or liabilities; or inputs that are observable or can be corroborated by observable market data by correlation or other means for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs are supported by little or no market activity. The unobservable inputs represent management's best assumptions of how market participants would price the assets and liabilities. Generally, Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies, or similar techniques that require significant judgment or estimation.

The carrying value of cash and cash equivalents, accounts receivable and trade payables approximates the fair value due to their short-term maturities.

Following is a description of the valuation methodology used to measure short-term investments at fair value.

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Available-for-sale securities are carried at fair value, which is based on observable market prices. The Company classified 100% of the available-for-sale securities reported at fair value as Level 1. Available-for-sale securities account for 100% of all assets reported at fair value at June 30, 2009.

Assets measured at fair value on a recurring basis include the following as of June 30, 2009:

	FAIR VALUE MEASUREMENTS AT REPORTING DATE			
AMOUNT RECORDED ON BALANCE SHEET	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	
<u>Assets as of June 30, 2009:</u>				
Cash and cash equivalents	\$ 1,464,000	\$ 1,464,000	---	
Short-term investments	\$ 4,543,000	\$ 4,543,000	---	
<u>Assets as of December 31, 2008:</u>				
Cash and cash equivalents	\$ 1,117,000	\$ 1,117,000	---	
Short-term investments	\$ 6,412,000	\$ 6,412,000	---	

On a nonrecurring basis, the Company uses fair value measures when analyzing asset impairment. Long-lived tangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If it is determined such indicators are present and the review indicates that the assets will not be fully recoverable, based on undiscounted estimated cash flows over the remaining amortization periods, their carrying values are reduced to estimated fair value. Estimated fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved.

The Company has chosen to adopt FAS 159 for the measurement of short-term investments in an effort to more clearly identify the actual value of the investment and its earnings for the reporting period. At the end of a period the actual market value is compared to the actual cost and used to determine any gain or loss on the maturity or sale of each available-for-sale investment.

The following is a summary of the fair value of investment securities classified as "available-for-sale" as of June 30, 2009 and December 31, 2008. For each item included in the table below the gains or losses from Fair Value reporting are included in income for the second quarter.

<u>AVAILABLE-FOR-SALE SECURITIES</u>	<u>JUNE30, 2009</u>	<u>DECEMBER 31, 2008</u>
Commercial Paper	\$ 4,543,000	\$ 6,412,000

Note 4. INVESTMENT IN WEST VALLEY MRF, LLC

Effective June 19, 1997, Kaiser Recycling Corporation ("KRC") (now Kaiser Recycling, LLC) and West Valley Recycling & Transfer, Inc. ("WVRT"), a subsidiary of Burrtec Waste Industries, Inc. ("Burrtec"), which are equal members of West Valley MRF, LLC, (a California limited liability company) entered into a Members Operating Agreement ("MOA") which is substantially the equivalent of a joint venture agreement for a limited liability company. The construction and start up of the West Valley MRF was completed during December 1997.

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Most of the financing for the construction of the West Valley MRF of approximately \$22 million, was obtained through the issuance and sale of two California Pollution Control Financing Authority (the "Authority") Variable Rate Demand Solid Waste Disposal Revenue bonds. The bonds are secured by an irrevocable letter of credit issued by Union Bank of California, N.A. ("Union Bank"). As of May 31, 2009, the total outstanding Authority debt is \$7,710,000.

The payment schedule as of May 31, 2009, for the California Pollution Control Authority bonds is summarized below.

<u>PAYMENT SCHEDULE</u>			
<u>YEAR</u>	<u>1997 BONDS</u>	<u>2000 BONDS</u>	<u>TOTAL</u>
2009	\$ 630,000	\$ ---	\$ 630,000
2010	\$ 630,000	\$ ---	\$ 630,000
2011	\$ 630,000	\$ ---	\$ 630,000
2012	\$ 620,000	\$ ---	\$ 620,000
2013 thru 2029		\$ 4,930,000 ⁽¹⁾	\$ 4,930,000 ⁽¹⁾
2030	<u> </u>	<u>\$ 270,000</u>	<u>\$ 270,000</u>
TOTAL	<u>\$ 2,510,000</u>	<u>\$ 5,200,000</u>	<u>\$ 7,710,000</u>

¹ Total payments for this period (2013 thru 2029) at \$290,000 per year.

The Company also remains responsible for any pre-existing environmental conditions on the land on which the WVMRF is located, which is covered by insurance.

The Company is accounting for its investment in West Valley MRF, LLC under the equity method.

Due to the time required to close the books of the West Valley MRF, LLC and in keeping with past practice, there is a one month delay in reporting the results of West Valley MRF, LLC. The condensed summarized financial information of West Valley MRF, LLC is as follows:

Balance Sheet Information:	<u>May 31, 2009</u>	<u>November 30, 2008</u>
Current Assets	\$ 8,533,000	\$ 7,765,000
Property and Equipment (net)	11,418,000	11,910,000
Other Assets	<u>71,000</u>	<u>99,000</u>
Total Assets	<u>\$ 20,022,000</u>	<u>\$ 19,774,000</u>
Current Liabilities	\$ 3,996,000	\$ 4,370,000
CPCFA Bonds Payable – Long Term Portion	7,080,000	7,080,000
Members' Equity	<u>8,946,000</u>	<u>8,324,000</u>
Total Liabilities and Members' Equity	<u>\$ 20,022,000</u>	<u>\$ 19,774,000</u>
Income Statement Information:	<u>2009</u>	<u>2008</u>
For the Three Months Ended May 31		
Net Revenues	\$ 2,692,000	\$ 3,887,000
Gross Profit	\$ 837,000	\$ 1,572,000
Net Income	\$ 263,000	\$ 608,000

The increase in Current Assets and Members' Equity for the West Valley MRF between November 30, 2008 and June 30, 2009, is due primarily to the fact that no cash distributions were made to either of the West Valley MRF's two members.

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The Company recognized equity income from the West Valley MRF of \$311,000 and \$1,107,000 for the first six months of 2009 and 2008, respectively. However, due to the current world-wide economic conditions and other factors, commodity prices starting in the third quarter of 2008, declined dramatically. As noted above, the Company did not receive any cash distributions from its investment in the West Valley MRF during the first six months of 2009; however a \$5 million dollar distribution was received in July 2009. Although commodity prices have modestly increased over the last 120 days they still are significantly below the prices obtained during the first nine months of 2008. Accordingly, the financial performance of the West Valley MRF in 2009 will be materially lower in comparison to its financial performance in 2008.

Note 5. EVALUATION OF LONG-LIVED ASSETS

The Company reviews all long-lived assets on a quarterly basis to determine if the anticipated cash flows from the assets will equal or exceed their capitalized costs. Our reviews as of June 30, 2009, concluded that no impairment of long-lived assets existed: (a) the Eagle Mountain Landfill Project is currently under a sale contract with County District No. 2 of Los Angeles County for \$41 million (83.13% of which belongs to Kaiser) which exceeds its capitalized cost, however, the Company has evaluated and will continue to evaluate the impact of an adverse U.S. District Court decision involving the Landfill Project issued on September 20, 2005; (b) our 50% ownership interest in the West Valley MRF continues to generate significant net income and positive cash flow; and (c) our other real estate and building and equipment are recorded at the lower of cost or fair market values.

Note 6. COMMITMENTS AND CONTINGENCIES

Environmental Contingencies. As discussed in Note 2, effective June 30, 2001, the Company purchased a 12-year \$50 million insurance policy which is expected to cover substantially any and all environmental claims (up to the \$50 million policy limit) relating to the historical operations of the Company. To the extent a pre-existing liability has not been recorded, claims made for environmental matters are recorded as litigation accruals in the Company's consolidated financial statements pursuant to SFAS No. 5 when it becomes probable that a loss has been incurred and the amount of such loss can be reasonably estimated. Claims accepted by the insurance company pursuant to coverage under the policy are recorded as insurance receivables when coverage is accepted and the amount to be paid by the insurance company can be reasonably estimated.

As of June 30, 2009, the Company estimates, based upon current information and discussions with environmental consultants, that its future environmental liabilities related to certain matters not assumed by CCG Ontario, LLC in its purchase of the Mill Site Property, including a certain groundwater matter as well as potential matters at Eagle Mountain and at other historical locations, will be approximately \$2.8 million. In the event that a future environmental claim for damages is filed against the Company such claim may be covered by insurance depending upon the nature and timing of the claim.

Landfill Project Litigation. Currently, the only pending litigation involving the Landfill Project concerns two lawsuits filed in U.S. District Court located in Riverside County challenging the completed federal land exchange. On September 20, 2005, the U.S. District Court for the Central District of California, Eastern Division, issued an opinion and order which concluded that that the land exchange be reversed and the case be sent back to the BLM for further action consistent with the opinion. The Company and the U.S. Department of Interior have appealed the decision to the U. S. 9th Circuit Court of Appeals. Oral argument on the appeal was held on December 6, 2007. The 9th Circuit Court Appeals usually announces its decision six to twelve months following oral argument. However, on occasion announcement on a decision may take substantially longer. If the adverse decision is fully affirmed on appeal, it would materially impact the viability of the Landfill Project in that it would prevent its development as currently permitted. In addition, the decision could adversely impact the agreement to sell the Landfill Project to the District, including termination of the agreement.

MRC Financing. Since Kaiser became an owner of MRC, MRC has been financed through a series of private placements to its existing equity owners. As a result of previous private placements, our current ownership

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interest in MRC increased to 83.13%. Additional funding will be required to complete the sale of the Landfill Project assuming MRC is successful in its appeal of the current federal land exchange litigation. There is no assurance that any such additional funding can be obtained or that it can be obtained on acceptable terms.

Contingent Distributions on Class B, C and D Units. Upon the sale of certain of the Company's assets at a price equal to or greater than certain minimum sales prices, distributions will be made on the Class B, C and D Units in accordance with their respective terms. For additional information, see "Note 1. Basis of Presentation Class B, C and D Units" above.

Note 7. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations" ("SFAS 141R") which establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statement to evaluate the nature and financial effects of the business combination. SFAS 141R is effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company adopted this standard effective January 1, 2009, which did not have an impact on its financial position, results of operations or cash flows as there have been no acquisitions that have been consummated after January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51" ("SFAS 160"). SFAS 160 introduces significant changes in the accounting and reporting for business acquisitions and noncontrolling interest ("NCI") in a subsidiary. SFAS 160 also changes the accounting for and reporting for the deconsolidation of a subsidiary. Companies are required to adopt the new standard for fiscal years beginning after January 1, 2009. The Company adopted this standard effective January 1, 2009, which did not have a material impact on its financial position, results of operations or cash flows as the Company.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133" ("SFAS 161"), which changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about: (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations; and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. The Company adopted this standard effective January 1, 2009, which had no impact on its financial position, results of operations or cash flows as there were no derivative instruments or hedging activities after January 1, 2009.

In June 2008, the FASB issued FSP Emerging Issues Task Force (EITF) No. 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." Under the FSP, unvested share-based payment awards that contain rights to receive nonforfeitable dividends (whether paid or unpaid) are participating securities, and should be included in the two-class method of computing EPS. The Company adopted this standard effective January 1, 2009, which did not have an impact on its financial position, results of operations or cash flows as the unvested share-based awards do not contain rights to receive nonforfeitable dividends.

In April 2008, FSP No. FAS 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP No. FAS 142-3") was issued which provides for additional considerations to be used in determining useful lives and requires additional disclosure regarding renewals. The Company adopted this standard effective January 1, 2009, which had no impact on its financial position, results of operations or cash flows.

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In April 2009, the FASB issued the three new accounting standards which are required to be adopted no later than periods ending after June 15, 2009. The Company is currently evaluating the impact of the following:

i. FASB Staff Position FAS 157-4, "Determining Whether a Market Is Not Active and a Transaction Is Not Distressed" ("FSP FAS 157-4") provides guidelines for making fair value measurements more consistent with the principles presented in SFAS 157. FSP FAS 157-4 provides additional authoritative guidance in determining whether a market is active or inactive, and whether a transaction is distressed, is applicable to all assets and liabilities (i.e., financial and nonfinancial) and will require enhanced disclosures.

ii. FASB Staff Position FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments" provides additional guidance to provide greater clarity about the credit and noncredit component of an other-than-temporary impairment event and to improve presentation and disclosure of other than temporary impairments in the financial statements.

iii. FASB Staff Position FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" amends FASB Statement No. 107, "Disclosures about Fair Value of Financial Instruments", to require disclosures about fair value of financial instruments in interim as well as in annual financial statements. This FSP also amends APB Opinion No. 28, Interim Financial Reporting, to require those disclosures in all interim financial statements.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events*. This statement provides authoritative accounting literature that was previously addressed only in the auditing literature. The objective of this Statement is to establish principles and requirements for subsequent events. In particular, this Statement sets forth the period after the balance sheet date during which management of a reporting entity shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity shall recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that an entity shall make about events or transactions that occurred after the balance sheet date. The Company adopted this standard during the second quarter of 2009 and its adoption did not have a material effect on the Company's financial position or results of operations.

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles" (SFAS 168), which is effective for interim and annual periods ending after September 15, 2009. SFAS 168 defines a new hierarchy for U.S. GAAP and establishes the FASB Accounting Standards Codification as the sole source for authoritative guidance to be applied by nongovernmental entities. SFAS 168 replaces SFAS 162, "The Hierarchy of Generally Accepted Accounting Principles," which was issued in May 2008. The adoption of SFAS 168 will change the manner in which U.S. GAAP guidance is referenced, but it will not have any impact on our financial position or results of operations.

Note 8. SUBSEQUENT EVENTS

We have evaluated events and transactions occurring after the balance sheet date through August 11, 2009, which is the date that the financial statements are issued, and noted no events that are subject to recognition or disclosure.

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PART II

Item 1. LEGAL PROCEEDINGS

As discussed in our Annual Report on Form 10-K for 2008 and in our 2009 first quarter Report on Form 10-Q we are engaged in certain claims and litigation. As of the date of the filing of this report, there have not been any material developments in the legal proceedings involving the Company from the date of the filing of our Report on Form 10-K for the period ended December 31, 2008 and as reported and updated in our 2009 first quarter Report on Form 10-Q.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

Not applicable.

Item 5. OTHER INFORMATION

The Company repurchased 15,000 Class A Units in June 2009 at a price of \$.65 per unit.

As previously reported, effective April 15, 2009, the Board of Managers amended the Company's Amended Operating Agreement to address the lack of an adjustment provision in the provisions addressing the terms and conditions of the Class C and D Units. Additionally, the Board of Managers authorized the issuance of restricted Class A Units to the officers of the Company and to Mr. Fawcett as follows:

INDIVIDUAL	NO. OF CLASS A UNITS
Terry L. Cook	27,300
Gerald A. Fawcett	10,981
Richard E. Stoddard	17,929
James F. Verhey	28,402

Such units vest concurrently with the first distribution to unitholders provided the individual is still employed by the Company at the time of the distribution; provided, however, there shall be an acceleration of vesting if the individual's employment is terminated for any reason other than a termination for "cause" or such individual voluntarily terminates his employment.

Effective as of June 1, 2009, the assets and liabilities of the Business Staffing, Inc. Supplemental Executive Retirement Plan were transferred to and assumed by Kaiser Ventures LLC. This transaction did not alter the financial contribution or payment terms under such plans.

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Members of the Board of Managers, other than Mr. Stoddard, were each issued 5,000 Class A Units of the Company in June 2009 in accordance with the Company's equity compensation plan for its Board of Managers. The units will vest in January 2010.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

A. Exhibits

Exhibit 31.1 - Certificate of Richard E. Stoddard, Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a) filed with this Report.

Exhibit 31.2 - Certificate of James F. Verhey, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a) filed with this Report.

Exhibit 32 - Certificate of Richard E. Stoddard, Chief Executive Officer, and James F. Verhey, Chief Financial Officer, pursuant to Section 1350, filed with this Report.

B. Reports on Form 8-K

Report dated April 15, 2009, announcing an amendment to our Operating Agreement addressing the terms of the Class C and D Units.

Report dated June 1, 2009, announcing the assignment of assets and assumption of the liabilities of the Business Staffing, Inc. Supplemental Executive Retirement Plan effective June 1, 2009.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KAISER VENTURES LLC

Date: August 12, 2009

/s/ Richard E. Stoddard
Richard E. Stoddard
President and Chief Executive Officer
Principal Executive Officer

Date: August 12, 2009

/s/ James F. Verhey
James F. Verhey
Executive Vice President - Finance & CFO
Principal Financial and Accounting Officer