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**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-QSB**

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(Mark One)

- QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2006**
- 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

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**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)

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

**No Change**

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

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Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. [ ]

Check whether the issuer (1) 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

At November 1, 2006, 6,969,299 Class A Units were outstanding including 104,267 Class A Units outstanding but reserved for distribution to the general unsecured creditors of Kaiser Steel Corporation.

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

Transitional Small Business Disclosure Format (Check one): Yes  No

# KAISER VENTURES LLC AND SUBSIDIARIES

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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 2005 Annual Report on Form 10-KSB, as filed with the Securities and Exchange Commission, including the financial statement schedules thereto. Those requesting a copy of the 10-KSB Report that are not currently members of the Company may also obtain a copy directly from the Company. Requests for a copy of the 10-KSB Report should be directed to Executive Vice President-Administration, at 3633 East Inland Empire Boulevard, Suite 480, Ontario, California 91764. The Annual Report on Form 10-KSB can also be accessed from the Company's website at [www.kaiserventures.com](http://www.kaiserventures.com)

The reader is encouraged to read this Report on Form 10-QSB in conjunction with the Company's 2005 Annual Report on Form 10-KSB as the information contained herein is often an update of the information in such report.

# KAISER VENTURES LLC AND SUBSIDIARIES

## PART I

### FORWARD-LOOKING STATEMENTS

*Except for the historical statements and discussions contained herein, statements contained in this Report on Form 10-QSB 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-QSB 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 benefits; 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-QSB is strongly encouraged to read the entire report, together with the Company's 2005 Annual Report on Form 10-KSB for background information and a complete understanding as to material developments concerning the Company. These can be found on Kaiser's website at [www.kaiserventures.com](http://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.

## KAISER VENTURES LLC AND SUBSIDIARIES

### 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 82.48% 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 \$41,000,000, which sale is subject to a number of conditions, several of which remain to be fully 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 is being appealed by the Company;
- 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
- 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.

As of September 30, 2006, we also had cash and cash equivalents, receivables and short and long term investments of approximately \$10,810,000.

##### 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 82.48% 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 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 \$41,000,000, with an initial closing currently scheduled to occur in the fourth quarter of 2006. 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

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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. 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 December 31, 2006. However, the contractual expiration date has been extended a number of times. 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 2005 Annual Report on Form 10-KSB.

*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.

*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.

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

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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 has evaluated its alternatives with respect to the decision and has decided to appeal the decision to the U. S. 9<sup>th</sup> Circuit Court of Appeals. The Department of Interior has also appealed the decision. There can be no assurance that the Company and the Department of Interior will be successful in their appeal. It is likely that the appeal process will take at least two years. The first brief in the matter is currently scheduled to be filed in January 2007. Under the current briefing schedule, the final brief in the case is to be filed in June 2007. The briefing schedule has been delayed several times at the request of the U.S. Department of Justice. 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.

*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. It is anticipated that additional funds will need to be raised by MRC in 2006 or early 2007 through another private placement. There is no assurance that funding can be obtained or that it can be obtained on acceptable terms.

*Risks.* As is discussed in this Report on Form 10-QSB and discussed in more detail in the Company's Annual Report on Form 10-KSB for 2005, 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 that both parties will continue to extend the closing date or as to the timing of the receipt of the purchase price if a closing does take place. There also can be no assurance that the completed purchase of the competing Mesquite Landfill Project by the District and its construction will not adversely impact the negotiations and the closing on the sale of the Landfill Project to the District. In addition, 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. 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, referred to as "West Valley," was formed in June 1997 by Kaiser Recycling Corporation (now Kaiser Recycling, LLC (formerly Kaiser Recycling, Inc.)), a wholly-owned subsidiary

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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 referred to as the West Valley MRF.

During the first nine months of 2006, we received a total of \$1,000,000 in cash distributions from the West Valley MRF.

*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-KSB for 2005.

### **Eagle Mountain, California**

Until December 31, 2003, a portion of the Eagle Mountain Townsite was leased on a month-to-month basis to a company that operated a minimum security prison under contract with the State of California. Funding for many private prisons was eliminated from California's 2003 - 2004 state budget as of December 31, 2003, including the private prison located at Eagle Mountain. During 2004 we developed and implemented a plan to mothball the Eagle Mountain Townsite. Although we are continuing our efforts to find a replacement tenant for the private prison, we have not had any success as of the date of this Report on Form 10-QSB. However, portions of Kaiser's fee owned land at Eagle Mountain are occasionally being leased to third parties in connection with the training of U.S. military personnel. We will continue to explore these types of opportunities for the use of the land and facilities at Eagle Mountain.

During the third quarter of 2006, several houses were remediated and then demolished at the Eagle Mountain Townsite at a total cost of approximately \$354,000, which was charged to the previously established Eagle Mountain abatement and clean-up reserves, as applicable.

### **Lake Tamarisk**

The Company has considered and continues to consider the possible sale and other opportunities for its property at Lake Tamarisk.

## OPERATING RESULTS

### **Primary Revenue Sources**

#### ***Ongoing Operations***

The Company's revenues from ongoing operations are primarily derived from the Company's share of income related to its investment in the West Valley MRF that is accounted for using the equity method.

#### ***Interim Activities (net)***

Revenues and expenses from interim activities are generated from various sources. Historically, significant components of interim revenue activities have included housing rental income, aggregate and rock sales and lease payments for the minimum security prison at the Eagle Mountain facility. Due to the interim nature of these activities, the Company is presenting these revenues net of their related expenses. During the fourth quarter of 2004 the Eagle Mountain Townsite operations were mothballed. However, we continue to incur expenses for Townsite maintenance and the use of outside consultants to investigate possible profitable uses of the remaining Eagle Mountain property. In addition, we have recently remediated and demolished certain buildings at Eagle Mountain, for which the costs have already been accrued.

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### Summary of Revenue Sources

Due to the nature of the Company's projects and the Company's recognition of revenues from bankruptcy-related and other 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.

### Results of Operations

#### *Analysis of Results for the Quarters Ended September 30, 2006 and 2005*

*Resource Revenues.* Total net resource revenues for the third quarter of 2006 were \$474,000, compared to \$336,000 for 2005. The reasons for this increase are discussed below in "Ongoing Operations" and "Interim Activities (net)".

*Ongoing Operations.* Income from the Company's equity method investment increased by \$49,000 to \$618,000. This increase in equity income from the West Valley MRF is the result of higher revenues (\$134,000) due to rate increases which went into effect in July 2006, and an increase in green waste tonnage, as well as the reversal of accrued liabilities (\$109,000) for which it was determined that the liability no longer existed. These increases were partially offset by higher transportation (\$128,000) and disposal (\$88,000) expenses. Additionally, we continue to experience lower MRF recycling volumes and commodity prices as compared to the same period in 2005.

*Interim Activities (net).* Interim activities net of expenses for the third quarter of 2006 was a net loss of \$144,000 compared to a net loss of \$233,000 for the same period in 2005. The reduction in the net loss resulted from higher revenues earned from utilizing portions of the property for military training more than offsetting higher Townsite maintenance expenses and the amortization of the capitalized Townsite abatement and clean-up reserves. For additional information, see "Conditional Asset Retirement Obligations" under "Critical Accounting Policies."

*Resource Operating Costs.* Resource operating costs are those costs directly related to the resource revenues (in this case environmental insurance costs relating to the Company's historical operations). Total resource operating costs for the third quarter of 2006 and 2005 were \$75,000 and \$89,000, respectively. The decrease in 2006 from the same period in 2005 is due to a reduction in the Company's deferred environmental insurance policy premium (due to a refund from the insurance company) which is now being amortized at \$75,000 per quarter.

*Corporate General and Administrative Expenses.* Corporate general and administrative expenses for the third quarter of 2006 increased 38% to \$509,000 from \$368,000 for the same period in 2005. The increase is mainly due to legal expenses relating to litigation costs for which we have filed a reimbursement claim with the insurance carrier. During October 2006, the Company reached a tentative agreement with the insurance company regarding the reimbursement claim and will record a \$455,000 credit/gain against these litigation costs when the agreement is executed later this year.

*Net Interest and Investment Income.* Net interest and investment income (loss) for the third quarter of 2006 was (\$208,000) compared to \$56,000 for the same period in 2005. This change was the result of the sale of all investments in two PIMCO bond funds. The proceeds from the sale of the PIMCO bonds were reinvested in short and long-term high grade commercial paper and U.S. government bonds. The

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recording of the sale required the realization of a capital loss of \$367,000 which was previously reflected in accumulated other comprehensive loss, a component of members' equity.

*Pre-Tax Loss and Income Tax Provision.* The Company recorded a pre-tax loss of \$318,000 in the third quarter of 2006 versus a pre-tax loss of \$65,000 for the same period in 2005. 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 \$3,000 for the third quarter of 2006, versus no tax for the same period in 2005.

*Net Loss.* For the third quarter of 2006, the Company incurred a net loss of \$321,000, or \$0.05 per unit, versus a net loss of \$65,000, or \$0.01 per unit, reported for the same period in 2005.

### Results of Operations

#### *Analysis of Results for the Nine Months Ended September 30, 2006 and 2005*

*Resource Revenues.* Total net resource revenues for the first nine months of 2006 were \$671,000, compared to \$923,000 for 2005. The reasons for this reduction are discussed below in "Ongoing Operations" and "Interim Activities (net)".

*Ongoing Operations.* Income from the Company's equity method investment decreased by \$190,000 to \$1,367,000 for the first nine months of 2006 as compared to the same period in 2005. This decrease in equity income in the West Valley MRF is mainly due to lower MRF volumes and commodity prices as compared to the same period in 2005 plus higher operating expenses primarily in the areas of staffing (\$246,000) and repair and maintenance (\$77,000). Additionally, due to a dispute with one customer over transportation rate increases, an increase in the accounts receivable reserve of \$125,000 was recorded. These increases in expenses were partially offset by lower depreciation and amortization expense (\$77,000) and consumables expense (\$50,000), as well as the reversal of accrued liabilities for which it was determined that the liability no longer existed. Finally, rate increases which went into effect in July 2006 are beginning to offset some of these higher costs.

*Interim Activities (net).* Interim activities net of expenses for the first nine months of 2006 was a net loss of \$696,000 compared to a net loss of \$634,000 for the same period in 2005. Higher Townsite maintenance expenses, the cost of consultants to investigate possible profitable uses of the remaining Eagle Mountain property and the amortization of the capitalized Townsite abatement reserve were the primary reasons for the increase in the net loss. For additional information, see "Conditional Asset Retirement Obligations" under "Critical Accounting Policies."

*Resource Operating Costs.* Resource operating costs are those costs directly related to the resource revenues (in this case environmental insurance costs relating to the Company's historical operations). Total resource operating costs for the nine months ended September 30, 2006 and 2005 were \$225,000 and \$249,000, respectively. The decrease in 2006 from the same period in 2005 is due to a reduction in the Company's deferred environmental insurance policy premium (due to a refund from the insurance company) which is now being amortized at \$75,000 per quarter.

*Corporate General and Administrative Expenses.* Corporate general and administrative expenses for the first nine months of 2006 decreased 11% to \$1,509,000 from \$1,686,000 for the same period in 2005. The decrease is mainly due to an approximate \$100,000 reduction in legal costs associated with the Slemmer litigation, which has been settled. The Company has been seeking reimbursement of these costs from its insurance company. During October 2006, the Company reached a tentative agreement with the

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insurance company regarding the reimbursement claim and will record a \$455,000 credit/gain against these litigation costs when the settlement agreement is executed later this year.

*Net Interest and Investment Income (Loss).* Net interest and investment income (loss) for the first nine months of 2006 was (\$21,000) compared to \$176,000 for the same period in 2005. This change was the result of the sale of all investments in two PIMCO bond funds. The proceeds from the sale of the PIMCO bonds were reinvested in short and long-term high grade commercial paper and U.S. governmental bonds. The recording of the sale required the realization of a capital loss of \$367,000 which was previously reflected in accumulated other comprehensive loss, a component of members' equity.

*Pre-Tax Loss and Income Tax Provision.* The Company recorded a pre-tax loss of \$1,084,000 in the first nine months of 2006 versus a pre-tax loss of \$836,000 for the same period in 2005. 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 nine months of 2006, versus \$3,000 for the same period in 2005.

*Net Loss.* For the first nine months of 2006, the Company incurred a net loss of \$1,091,000, or \$0.16 per unit, versus a net loss of \$839,000, or \$0.12 per unit, reported for the same period in 2005.

## 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 decreased \$1,055,000 to \$3,046,000 at September 30, 2006 from \$4,101,000 at December 31, 2005. Included in cash and cash equivalents is \$958,000 and \$1,588,000 held solely for the benefit of MRC at September 30, 2006 and December 31, 2005, respectively. The decrease in cash and cash equivalents is primarily due to \$2,256,000 in cash used for operations, and capitalized landfill expenditures of \$635,000 being partially offset by net investment activity of \$661,000, cash distributions from the West Valley MRF of \$1,000,000, an insurance claim receipt of \$170,000 and the net reduction in notes and accounts receivable of \$4,000.

*Working Capital.* During the first Nine months of 2006, current assets decreased \$3,395,000 to \$9.9 million, while current liabilities increased \$226,000 to \$2.4 million. The decrease in current assets resulted primarily from a decrease of \$2,356,000 in short term investments, a decrease in notes receivable of \$57,000 and a decrease of \$1,055,000 in cash and cash equivalents as discussed above. These decreases were partially offset by an increase in accounts receivable and other (net) of \$74,000. The increase in current liabilities is mainly due to the net of an increase of \$108,000 in accounts payable, a \$41,000 increase in taxes payable and a increase of \$77,000 in accrued liabilities. Included in current liabilities, as of September 30, 2006, is \$150,000 in accounts payable and accrued liabilities relating to MRC. As a result, working capital decreased during the first nine months of 2006 by \$3,621,000 to \$7.6 million at September 30, 2006.

*Accounts Receivable and Other (net).* During the first nine months of 2006, accounts receivable and other (net) increased by \$74,000 primarily as a result of the pre-payment of our 2006-2007 insurance and the recording of interest receivable on investments purchased, which were partially offset by the collection of accounts receivable. A payment of \$170,000 relating to a recorded insurance claim receivable was received during the second quarter of 2006. Since all costs related to the insurance claim receivable have been fully reserved, the payment received served to reduce the receivable and reserve and therefore had no effect on the net balance of the accounts receivable and other. The insurance payment

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received was related to the *Slemmer* litigation for which all costs above the Company's retention amount represent a claim against our insurance and are fully reserved. Please see "Legal Proceedings" "Slemmer Litigation and Insurance Coverage Dispute" for further detail regarding this case.

*Notes Receivable.* During the first nine months of 2006 a note receivable with a balance of \$57,000, was collected in full.

*Short-Term Investments.* During the third quarter of 2006, short-term investments decreased by \$2,356,000. This is the result of the sale of the Company's investments in two PIMCO bond funds and the reinvestment a portion of the proceeds in short-term high grade commercial paper and U.S. government bonds. At September 30, 2006, the Company had \$5.4 million of its excess cash reserves invested in such investments.

*Long-Term Investments.* During the third quarter of 2006, a portion of the proceeds from the company's sale of two short term PIMCO bond funds were reinvested in long-term commercial paper. At September 30, 2006, the Company had \$2.0 million of its' excess cash reserves invested in long-term high grade commercial paper and U.S. governmental bonds.

*Investments.* The Company's recording of \$1,367,000 related to its equity share of income from the investment in the West Valley MRF, for the first nine months of the year was partially offset by the receipt of cash distributions totaling \$1,000,000 resulting in a \$367,000 increase in the Company's investment. Our investment in the Eagle Mountain Landfill increased \$615,000 during the first nine months of 2006 due to continuing landfill development activities which were capitalized.

*Other Assets.* There was a decrease in other assets of \$490,000 which is primarily the result of the amortization of the environmental insurance policy of \$225,000, and an increase in accumulated depreciation as of September 30, 2006 of \$265,000.

*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 September 30, 2006, 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 Catellus Development Corporation, a New York Stock Exchange company, in its purchase of the Mill Site Property (August 2000) (Catellus Development Corporation merged with and into Palmtree Acquisition Corporation, a subsidiary of ProLogis on September 15, 2005), including a certain groundwater matter as well as potential matters at Eagle Mountain and at other historical locations and other possible third party claims, would be approximately \$2.4 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.

*Minority Interest.* As of September 30, 2006, the Company has recorded \$5,179,000 of minority interest relating to the approximately 17.5% 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, 2005. As disclosed in the Notes to the 2005 Annual Financial Statements, the preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to

## KAISER VENTURES LLC AND SUBSIDIARIES

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 had investments in two PIMCO bond funds that were classified as "available-for-sale" and were recorded at the purchase price of the security plus or minus the amortization of the discount or premium paid. Changes in the market value of the investments were recorded as a change to the investment with a corresponding change to comprehensive income, which is a component of members' equity. In addition, realized gains or losses, and interest income or dividends were reflected in the statement of operations. During the third quarter of 2006 the Company liquidated these bond funds and now invests its' excess cash reserves in high grade commercial paper, and U.S. government bonds which it classifies as "available-for-sale" and are recorded at the purchase price of the security plus or minus the discount or premium paid.

*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 82.48% interest in Mine Reclamation, LLC, 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 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 for 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.

*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.

*Conditional Asset Retirement Obligations.* In March 2005, the Financial Accounting Standards Board issued, Interpretation No. 47. "Accounting for Conditional Asset Retirement Obligations, an

## KAISER VENTURES LLC AND SUBSIDIARIES

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 has 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 \$1,200,000. These estimates were produced by third party consultants. Pursuant to the requirements of FIN 47, the Company increased its environmental reserve as of December 31, 2005 by \$1,200,000 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-QSB, 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) the landfill project; (ii) our 50% equity ownership of the West Valley MRF; and (iii) miscellaneous property at or near the Eagle Mountain Townsite. We have no material ongoing operations except in connection with such assets and projects. Our principal sources of ongoing income is derived from the West Valley MRF and our investments. 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 attract new 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 fuel and personnel costs and (iv) future competition from competing facilities. As of July 1, 2006, the West Valley MRF was able to increase its rates to many of its customers. However, these rate increases may not be sufficient to cover past and future anticipated increases in the costs of operation. In addition, commodity prices have decreased from the prices received last year which is impacting the West Valley MRF's revenue. In order to address anticipated future demand, the West Valley MRF is seeking to increase its permitted capacity to 7,500 tons per days of waste processing capacity. It is currently estimated that the cost of obtaining this increase in permitted capacity will be less than \$500,000.

As part of our strategy, we intend to evaluate any potential offers to purchase our interest in the West Valley MRF or other alternatives in light of our primary objective of maximizing value. The West Valley MRF currently generates more than sufficient cash flow to fund its cost of operations and does not require additional investment by us. Furthermore, the West Valley MRF should continue to generate sufficient

## KAISER VENTURES LLC AND SUBSIDIARIES

cash distributions to cover a significant portion of Kaiser LLC's foreseeable general and administrative costs.

*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. 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.

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 are appealing the decision. It is likely that the appeal process will take at least two years. 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 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 substantially completed the environmental remediation of this parcel pursuant to the terms of its agreement during 2002. The West Valley MRF 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 for the private prison 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 these efforts. In addition, due to the passage of time and the impacts of weather, a number of the buildings and houses at the Eagle Mountain Townsite are deteriorating at a faster rate than anticipated and may not be salvageable. Accordingly, we will need to demolish or rehabilitate a number of structures over the next several years. During the third quarter of 2006 several houses were remediated and demolished, the cost of which was previously accrued.

In addition, we are exploring possible opportunities for the sale of rock from the Eagle Mountain Site. As a result of past mining activities, millions of tons of rock of various sizes was stock piled near the Eagle Mountain Townsite. Any sale of rock would be from property that is not a part of the landfill project.

We have also explored the use of our property at Eagle Mountain for other purposes. In the past, military and law enforcement training exercises have taken place on portions of the Eagle Mountain

## KAISER VENTURES LLC AND SUBSIDIARIES

property. The most recent example of this is that in July 2006 the U.S. Marines conducted troop training exercises on portions of our Eagle Mountain property. We anticipate that portions of the Eagle Mountain site will again be used in the future for military and law enforcement training.

*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.* 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 will be sufficient to satisfy the Company's ongoing projected operating cash requirements.

### **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, 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 litigation matter is successfully resolved. Resolution of this litigation is expected to take several years. 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 MRF, which pays significant cash distributions to us, until we believe we can negotiate a sale of our interest that maximizes value to our members;
- To sell our remaining miscellaneous assets, such as our surplus property in Riverside County, California; and
- The Company expects to terminate operations and distribute all available cash to its members once the cash maximization strategy is completed. The Company currently does not expect completion of this strategy until 2009 at the earliest.

We continue to undertake activities to implement the cash maximization strategy and the Board continues to review the implementation of this current strategy. However, the September 2005 adverse U.S. District Court decision concerning the landfill project may ultimately alter and will certainly impact the timing of the continuing implementation of the cash maximization strategy.

*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

## **KAISER VENTURES LLC AND SUBSIDIARIES**

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. 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**

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**KAISER VENTURES LLC AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**  
as of

	<b>September 30, <u>2006</u></b> (Unaudited)	<b>December 31, <u>2005</u></b>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents .....	\$ 3,046,000	\$ 4,101,000
Accounts receivable and other, net of allowance for doubtful accounts of \$536,000 and \$520,000 of which \$502,000 and \$486,000 relate to an insurance company receivable as of September 30, 2006 and December 31, 2005, respectively .....	352,000	278,000
Short-term investments .....	5,410,000	7,767,000
Note receivable .....	---	57,000
Restricted cash held for conversion distribution .....	<u>1,190,000</u>	<u>1,190,000</u>
	<u>9,998,000</u>	<u>13,393,000</u>
Long Term Investments .....	<u>2,002,000</u>	<u>---</u>
Eagle Mountain Landfill Investment .....	<u>30,932,000</u>	<u>30,317,000</u>
Investment in West Valley MRF .....	<u>5,040,000</u>	<u>4,674,000</u>
Land .....	<u>2,523,000</u>	<u>2,503,000</u>
Other Assets		
Deferred income tax asset .....	80,000	80,000
Unamortized environmental insurance premium .....	2,025,000	2,250,000
Buildings and equipment (net) .....	<u>1,420,000</u>	<u>1,685,000</u>
	<u>3,525,000</u>	<u>4,015,000</u>
Total Assets .....	<u>\$ 54,020,000</u>	<u>\$ 54,902,000</u>

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

**KAISER VENTURES LLC AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
as of

	<b>September 30, <u>2006</u></b> (Unaudited)	<b>December 31, <u>2005</u></b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Current Liabilities		
Accounts payable.....	\$ 315,000	\$ 207,000
Conversion distribution payable .....	1,190,000	1,190,000
Current portion of MRC accrual for casualty loss.....	143,000	143,000
Accrued liabilities.....	<u>748,000</u>	<u>630,000</u>
	<u>2,396,000</u>	<u>2,170,000</u>
Long-term Liabilities		
Accrued liabilities.....	4,195,000	4,195,000
Accrual for MRC casualty loss .....	2,340,000	2,500,000
Environmental remediation reserve .....	2,918,000	3,112,000
Other Accrued Liabilities .....	<u>250,000</u>	<u>250,000</u>
	<u>9,703,000</u>	<u>10,057,000</u>
Total Liabilities.....	<u>12,099,000</u>	<u>12,227,000</u>
Minority Interest .....	<u>5,179,000</u>	<u>5,179,000</u>
Commitments and Contingencies		
Members' Equity		
Class A units; issued and outstanding at September 30		
6,969,299, at December 31 6,949,299	36,742,000	37,803,000
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 loss .....	<u>---</u>	<u>(307,000)</u>
Total Members' Equity .....	<u>36,742,000</u>	<u>37,496,000</u>
Total Liabilities and Members' Equity.....	<u>\$ 54,020,000</u>	<u>\$ 54,902,000</u>

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

**KAISER VENTURES LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**for the Three and Nine Months Ended September 30**  
**(Unaudited)**

	Three Months Ended September 30		Nine Months Ended September 30	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Resource Revenues</b>				
Ongoing operations				
Income from equity method investment in the V	\$ 618,000	\$ 569,000	\$ 1,367,000	\$ 1,557,000
Interim activities net loss	<u>(144,000)</u>	<u>(233,000)</u>	<u>(696,000)</u>	<u>(634,000)</u>
Total resource revenues.....	<u>474,000</u>	<u>336,000</u>	<u>671,000</u>	<u>923,000</u>
<b>Resource Operating Costs</b>				
Environmental insurance premium amortization...	<u>75,000</u>	<u>89,000</u>	<u>225,000</u>	<u>249,000</u>
<b>Income from Resources</b> .....	399,000	247,000	446,000	674,000
<b>Corporate General and Administrative Expenses</b>				
Corporate overhead expenses, excluding severance and employee retention expenses.....	<u>509,000</u>	<u>368,000</u>	<u>1,509,000</u>	<u>1,686,000</u>
<b>Loss from Operations</b> .....	(110,000)	(121,000)	(1,063,000)	(1,012,000)
<b>Net interest income</b> .....	159,000	84,000	346,000	228,000
<b>Loss on sale of investments</b> .....	(367,000)	(28,000)	(367,000)	(52,000)
<b>Loss before Income Tax Provision</b> .....	(318,000)	(65,000)	(1,084,000)	(836,000)
<b>Income tax provision</b> .....	<u>3,000</u>	<u>---</u>	<u>7,000</u>	<u>3,000</u>
<b>Net Loss</b> .....	<u>\$ (321,000)</u>	<u>\$ (65,000)</u>	<u>\$ (1,091,000)</u>	<u>\$ (839,000)</u>
<b>Basic Loss Per Unit</b> .....	<u>\$ (0.05)</u>	<u>\$ (0.01)</u>	<u>\$ (0.16)</u>	<u>\$ (0.12)</u>
<b>Diluted Loss Per Unit</b> .....	<u>\$ (0.05)</u>	<u>\$ (0.01)</u>	<u>\$ (0.16)</u>	<u>\$ (0.12)</u>
<b>Basic Weighted Average Number of Units Outstanding</b> .....	6,876,000	6,940,000	6,957,000	6,934,000
<b>Diluted Weighted Average Number of Units Outstanding</b> .....	6,876,000	6,940,000	6,957,000	6,934,000

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

**KAISER VENTURES LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**for the Nine Months Ended September 30**  
**(Unaudited)**

	<u>2006</u>	<u>2005</u>
<b>Cash Flows from Operating Activities</b>		
Net loss.....	\$ (1,091,000)	\$ (839,000)
Adjustments to reconcile net loss to net cash used by operating activities		
Equity in income of West Valley MRF, LLC, net of distributions .....	(367,000)	(557,000)
Depreciation and amortization.....	491,000	296,000
Bad debt recoveries .....	87,000	---
Realized loss on sale of investments .....	367,000	52,000
Issuance of Class A Units .....	30,000	29,000
Changes in assets:		
Receivables and other.....	(161,000)	(727,000)
Deferred income tax asset .....	---	(80,000)
Changes in liabilities:		
Accounts payable .....	149,000	---
Eagle Mountain Townsite clean-up expenditures .....	(160,000)	---
Environmental remediation expenditures.....	(194,000)	(10,000)
Current liabilities.....	<u>77,000</u>	<u>14,000</u>
Net cash flows used by operating activities.....	<u>(772,000)</u>	<u>(1,822,000)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments .....	(8,146,000)	(181,000)
Sale of investments .....	8,441,000	2,021,000
Note receivable collections .....	57,000	217,000
Capitalized landfill expenditures.....	<u>(635,000)</u>	<u>(401,000)</u>
Net cash flows provided by (used by) investing activities....	<u>(283,000)</u>	<u>1,656,000</u>
<b>Cash Flows from Financing Activities</b>		
Receipt (payment) of conversion distribution from (to) transfer agent .....	---	(75,000)
Decrease in restricted Cash for conversion distribution.....	<u>---</u>	<u>75,000</u>
Net cash flows from financing activities .....	<u>---</u>	<u>---</u>
<b>Net Changes in Cash and Cash Equivalents.....</b>	<b>(1,055,000)</b>	<b>(166,000)</b>
<b>Cash and Cash Equivalents at Beginning of Year .....</b>	<b><u>4,101,000</u></b>	<b><u>4,135,000</u></b>
<b>Cash and Cash Equivalents at End of Quarter .....</b>	<b><u>\$ 3,046,000</u></b>	<b><u>\$ 3,969,000</u></b>

Supplemental disclosure of non-cash investing and financing activities

	<u>2006</u>	<u>2005</u>
Cash paid during the period for income taxes .....	\$ 8,800	\$ 43,000

Certain 2005 amounts have been reclassified to conform with 2006 presentation

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

**KAISER VENTURES LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY**  
**for the Nine Months Ended September 30, 2006**  
**(Unaudited)**

	Class A Units	Class A Amount	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2005	6,949,299	\$ 37,803,000	\$ (307,000)	\$ 37,496,000
Net loss .....	---	(1,091,000)	---	(1,091,000)
Reclassification adjustment for loss included in statement of operations .....	---	---	307,000	307
Comprehensive loss .....				(784.0)
Issuance of Class A Units	20,000	30,000	---	30,000
Balance at September 30, 2006	<u>6,969,299</u>	<u>\$ 36,742,000</u>	<u>\$ ---</u>	<u>\$ 36,742,000</u>

At September 30, 2006 and December 31, 2005, Kaiser Ventures LLC had 751,956 Class B Units; 872 Class C Units; and 128 Class D Units outstanding.

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 September 30, 2006 and for the nine month periods ended September 30, 2006 and 2005, 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, 2005 included in the Company's Annual Report on Form 10-KSB. 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 September 30, 2006, and results of operations and cash flows for the nine month periods ended September 30, 2006 and 2005.

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 82.48% 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 82.48% 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 \$41,000,000, 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.

*Investments.* The Company accounts for investments under the provisions of Statement of Financial Accounting Standards No. 115 "Accounting for Certain Investments in Debt and Equity Securities." As of June 30, 2006, the Company considered all of its short term investments to be "available-for-sale". Accordingly, all "available for sale" investments were marked to market with any unrealized gain or loss reflected as an increase or decrease to the investment and a corresponding increase or decrease to comprehensive income, which is a component of members' equity. During the third quarter of 2006 the Company liquidated two bond funds and now invests its' excess cash reserves in high grade commercial paper, and U.S. government bonds, which it classifies as "available-for-sale." These investments are recorded at the purchase price of the security plus or minus the discount or premium paid. See Note 3, for additional information relating to the classification of investments.

*Stock-Based Compensation.* In December 2004, the Financial Accounting Standards Board issued a revision of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123R). SFAS No. 123R supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and its related implementation guidance and eliminates the alternative to use Opinion 25's intrinsic value method of accounting that was provided in Statement 123 as originally issued. Under Opinion 25, issuing stock options to employees at market value generally resulted in recognition of no compensation cost. SFAS No. 123R requires entities to recognize the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards (with limited exceptions). SFAS No. 123R is effective for the first interim or annual reporting period that begins after June 15, 2005. During the first nine months of 2006, the

## KAISER VENTURES LLC AND SUBSIDIARIES

Company adopted SFAS No. 123R. The adoption of SFAS No. 123R has had no impact on reported earnings because all outstanding options were vested at December 31, 2005, and no options have been issued since its adoption.

*Class B, C and D Units.* The Company has outstanding Class B, C and D units which are reflected on the Company's Balance Sheet as equity securities that were designed and implemented to replicate the cash distributions the holders of such units would have received under certain former long-term transaction incentive plans. These former plans provided for bonus payments as a result of the sale of certain assets at prices above certain minimum threshold requirements. Even though the Class B, C and D Units are classified as equity securities, the Company will account for any future distributions on the Class B, C and D Units by recording compensation expense for the full amount of the distribution at the time a distribution becomes probable and estimateable.

### **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 \$50,000,000 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 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.

In June 2005, the Company was notified that it was to receive a refund of a portion of the cost of the policy relating to other commissions. The refund, totaling \$106,000, was recorded as a reduction in the cost of the policy and the future amortization of the policy cost has been adjusted accordingly as described below.

The Company's original \$3.8 million premium for the prospective insurance policy was capitalized as a long-term asset and was being amortized on a straight-line basis over the 12 year term of the policy; approximately \$80,000 per quarter or \$320,000 per year. After recording the refund described above and an adjustment to standardize the monthly expense, the quarterly amortization will be approximately \$75,000 per quarter or \$300,000 per year. 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.

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### 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 December 31, 2005 the Company had investments in bond mutual funds which were all classified as "available for sale". At September 30, 2006 the Company had investments in high grade commercial paper and U.S. governmental bonds which are classified as "available-for-sale." The classification of investment securities is reviewed by the Company at each reporting period.

The following is a summary of the fair value of investment securities classified as "available-for-sale" as of September 30, 2006 and December 31, 2005:

<u>AVAILABLE-FOR-SALE</u> <u>SECURITIES</u>	<u>SEPTEMBER 30,</u> <u>2006</u>	<u>DECEMBER 31,</u> <u>2005</u>
Bond funds	\$	\$ 7,700,000
Commercial Paper	\$ 7,412,000	\$ ---

Of the \$7,412,000 available for sale at September 30, 2006, \$2,002,000 has a maturity of more than one year.

As of December 31, 2005, the Company's "available for sale" securities had an unrealized net loss of \$307,000 that was included in "accumulated other comprehensive income (loss)", a component of Member's Equity on two bond funds. Due to the diverse nature and return history of these bond funds, the Company decided to liquidate the funds and invest its' excess cash reserves in less speculative commercial paper and U.S. government bonds. As a result of the liquidation of these funds, the Company recognized the \$307,000 unrealized loss in the Income Statement during the third quarter. However, the recognition of this loss in the Income Statement had no impact on members' equity since the loss had previously been reflected in comprehensive income, a component of members' equity.

### 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.

Pursuant to the terms of the MOA, KRC contributed approximately 23 acres of Mill Site property on which the West Valley MRF was constructed while WVRT contributed all of Burrtec's recycling business that was operated within Riverside County, thereby entitling West Valley MRF to receive all revenues generated from this business after the closing date.

Most of the financing for the construction of the West Valley MRF of approximately \$22,000,000, including reimbursement of previously incurred development costs of Burrtec and the Company, was obtained through the issuance and sale of two California Pollution Control Financing Authority (the "Authority") Variable Rate Demand Solid Waste Disposal Revenue Bonds (West Valley MRF, LLC Project) Series 1997A and Series 2000A (the "Bonds"). The Bonds are secured by an irrevocable letter of credit issued by Union Bank of California, N.A. ("Union Bank"). The Bonds have stated maturity dates of June 1, 2012 for Series 1997A (\$9.5 million) and June 1, 2030 Series 2000A (\$8.5 million), although West Valley MRF, LLC is required, pursuant to its agreement with Union Bank, to annually redeem a portion of the Bonds on a stated schedule. Pursuant to a Guaranty Agreement with Union Bank, the Company and Burrtec are each liable for fifty percent (50%) of the principal and interest on the Bonds in the event of a default by the West Valley MRF, LLC. West Valley MRF, LLC also has established a \$1,000,000 million equipment line of credit with Union Bank in order to refinance and purchase additional equipment.

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The Company also remains responsible for any pre-existing environmental conditions on the land, 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:

<b>Balance Sheet Information:</b>	<b><u>August 31, 2006</u></b>	<b><u>November 30, 2005</u></b>
Current Assets .....	\$ 7,777,000	\$ 11,480,000
Property and Equipment (net) .....	13,613,000	14,304,000
Other Assets .....	<u>251,000</u>	<u>309,000</u>
Total Assets .....	<u>\$ 21,640,000</u>	<u>\$ 26,093,000</u>
Current Liabilities .....	\$ 6,451,000	\$ 8,037,000
CPCFA Bonds Payable – long term portion .....	6,870,000	8,970,000
Members' Equity .....	<u>8,319,000</u>	<u>9,086,000</u>
Total Liabilities and Members' Equity .....	<u>\$ 21,640,000</u>	<u>\$ 26,093,000</u>
 <b>Income Statement Information:</b>	 <b><u>2006</u></b>	 <b><u>2005</u></b>
For the three months ended August 31		
Net Revenues .....	\$ 3,746,000	\$ 3,815,000
Gross Profit .....	\$ 1,595,000	\$ 1,539,000
Net Income .....	\$ 1,236,000	\$ 1,138,000

The Company recognized equity income from the West Valley MRF of \$1,367,000 and \$1,557,000 for the first nine months of 2006 and 2005, respectively. The Company received cash distributions of \$1,000,000 and \$1,000,000 during the first nine months of 2006 and 2005, respectively, from its investment in the West Valley MRF.

### 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 September 30, 2006, concluded that no impairment of long-lived asset 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 (82.48% 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; (c) our long-term notes receivable have been collected in full in accordance with the terms of the notes; and (d) 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

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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 September 30, 2006, 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, would be approximately \$2.3 million. In the event a future claim for damages is filed against the Company that relates to the remaining \$2.3 million environmental reserve on our balance sheet, management believes that the 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 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. 9<sup>th</sup> Circuit Court of Appeals. This adverse decision, if fully affirmed on appeal, will materially impact the viability of the Landfill Project in that it would prevent its development as currently permitted. It is likely that the appeal process will take several years. 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. It is anticipated that additional funds will need to be raised in 2006 by MRC prior to a sale of the landfill project. There is no assurance that 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. SUBSEQUENT EVENTS**

During October 2006, the Company reached a tentative settlement agreement with Great American Insurance, the Company's directors and officers' liability insurer, regarding reimbursement of legal and other costs associated with the Slemmer litigation. The tentative agreement provides that Great American will pay, in total, \$1,275,000 of the approximate \$1,550,000 the Company incurred for the litigation. Upon execution of a definitive agreement, which should occur prior to the end of 2006, Great American will make a final payment of \$455,000. Because all of these litigation costs were expensed as incurred, the Company will record a credit/gain of \$455,000 at the time the definitive agreement is executed.

## **PART II**

### **Item 1. LEGAL PROCEEDINGS**

As discussed in the Company's Annual Report on Form 10-KSB for 2005 the Company is 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, except as discussed below:

*Settlement of Slemmer Litigation and Insurance Coverage Dispute.* The class action *Thomas M. Slemmer, et al. v. Fontana Union Water Company, et al.*, (San Bernardino County Superior Court, California, Case No. SCVSS 086856) was fully resolved during the third quarter. In September 2005 the Court ruled that there was

## KAISER VENTURES LLC AND SUBSIDIARIES

no triable issue of material fact in the lawsuit with regard to Kaiser and that Kaiser was entitled to judgment in its favor as a matter of law. In October 2005 the Court entered judgment in Kaiser's favor and dismissed the action against Kaiser with prejudice. In December 2005 the trial court reaffirmed its decision to dismiss Kaiser from the case in response to plaintiffs' motion for reconsideration or, in the alternative, motion for new trial.

However, the judgment in Kaiser's favor was appealed. To resolve the appeal, and to minimize future litigation costs and resolve any possible uncertainty associated with the appeal, Kaiser and the class representative and other named plaintiffs agreed to a settlement in which the class waived the appeal right and released their claims. After notice to the class, and after receiving the recommendation of the trial court in the matter to approve the settlement, the California Court of Appeal approved the settlement. The net out-of-pocket cost of the settlement to Kaiser was approximately \$132,000.

In October 2005, Kaiser instituted an arbitration proceeding against its managers' and officers' insurance carrier regarding coverage of the *Slemmer* litigation since the carrier had not reimbursed Kaiser for any of its costs of defense. In November 2005 Kaiser received a payment of \$650,000 from the insurance carrier as partial reimbursement for such defense costs. In April 2006, Kaiser received an additional payment of \$170,000 toward its defense costs. Since, among other reasons, these payments do not fully reimburse Kaiser for its costs of defense and the carrier also indicated that it would not pay some or all of Kaiser's settlement costs, the arbitration proceeding against the carrier continued. In late October 2006, Kaiser and the insurance carrier reached a tentative settlement whereby the insurance carrier would reimburse an additional \$455,000 of the amount paid by Kaiser in the defense of the *Slemmer* suit and in settlement of the appeal. While the financial terms of the settlement have been agreed upon, its payment is subject to the negotiation and execution of a final settlement agreement.

### **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 qualifies as a "small business issuer" under applicable rules and regulations of the Securities and Exchange Commission.

### **Item 6. EXHIBITS AND REPORTS ON FORM 8-K**

#### **A. Exhibits**

*Exhibit 10.1* - Fourth Amendment to Lease Agreement between GRE Empire Towers LP Kaiser Ventures LLC dated November 13, 2006, filed with this Report.

**KAISER VENTURES LLC AND SUBSIDIARIES**

*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* - Certificates 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

None

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**KAISER VENTURES LLC AND SUBSIDIARIES**

**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.

Dated November 13, 2006

**KAISER VENTURES LLC**

/s/ James F. Verhey

James F. Verhey  
Principal Financial Officer