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**EAGLE-PICHER PERSONAL  
INJURY SETTLEMENT TRUST**

William B. Nurre  
Executive Director

October 11, 2006

Dear Claimants' Counsel:

The Trustees have approved, effective October 1, 2006, an increase in the payment percentage from 19.8% to 36.1%.

As you know, the Trustees are required to reconsider the payment percentage at least every two years, but are permitted to reset it more frequently where necessary to comply with the requirement of treating present and future claimants as equitably as reasonably possible. The Trustees reset the payment percentage to 19.8% in October 2004. The Trustees considered the issue again in 2005, and received advice from their consultants that the situation appeared to be sufficiently stable that it was appropriate to wait until 2006 for another full-fledged analysis.

The decision is based on the evaluation of updated information regarding claim filing trends, settlement values, asset performance, processing costs and other factors that determine what fraction of Eagle-Picher settlement value of each allowable claim the Trust can afford to pay. The Trustees relied on advice from their actuarial and financial experts, who have a long history of working with trusts similar to ours, as well as on the advice and consent of our Trustees Advisory Committee.

The increase in the payment percentage is primarily the result of two factors. The first is a substantially reduced projection of claim filings over the remaining life of the Trust. The Trust's actuarial experts have projected future claim filings at a level that is approximately half of the previous actuarial projection, due to the changing landscape of asbestos personal injury litigation and the fact that the Trust itself has seen a precipitous and unprecedented drop in the rate of new claim filings. The second factor is a better-than-expected asset position due to the performance of Trust investments over the past two years.

As you know, even with continued good management of Trust assets, the Trust will never be able to pay more than a percentage of the fair value of individual claimants' claims. We are pleased that the payment percentage has increased, but there is no guarantee that the new level can be maintained, since much depends on the economy and on the future rate of filings of valid claims.

We look forward to continuing to work with you. Should you have any question, please contact Melanie Impastato (630-281-6522) or me (630-281-6588) at the Claims Processing Facility.

Sincerely,



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**GENERAL AND  
ADMINISTRATIVE OFFICE:**  
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**BOARD OF TRUSTEES:**  
Ruth R. McMullin  
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