UNITED STATES BANKRUPTCY COURT FOR THE
SOUTHERN DISTRICT OF OHIO, WESTERN DIVISION

In Re:	Consolidated Case No. 1-91-10100
EAGLE-PICHER INDUSTRIES, INC., *et al.*,	Chapter 11
Debtors.	Hon. Jeffrey P. Hopkins, U.S.B.J.

ANNUAL REPORT AND ACCOUNT
OF THE TRUSTEES OF THE EAGLE-PICHER INDUSTRIES, INC. PERSONAL INJURY SETTLEMENT TRUST FOR THE YEAR ENDING DECEMBER 31, 2019

Purpose of Report

James J. McMonagle, Stephen A. Madva, and Laura R. Walker (the "Trustees"), as Trustees of the Eagle-Picher Industries, Inc. Personal Injury Settlement Trust (the "Trust"), respectfully submit this annual report and account (the "Report") in order to comply with Sections 3.2(c) and 5.12 of the Eagle-Picher Industries, Inc. Personal Injury Settlement Trust Agreement (the "Trust Agreement") and with this Court's Order Regarding Accountings of the Eagle-Picher Industries, Inc. Personal Injury Settlement Trust dated March 14, 1997.

Section 3.2(c) of the Trust Agreement provides as follows:

> **(c) The Trustees shall cause to be prepared and filed with the Bankruptcy Court, as soon as available, and in any event within one hundred twenty (120) days following the end of each fiscal year, an annual report containing (1) financial statements of the PI Settlement Trust** (including, without limitation, a balance sheet of the PI Settlement Trust as of the end of such fiscal year and a statement of operations for such fiscal year) audited by a firm of independent certified public accountants selected by the Trustees and accompanied by an opinion of such firm as to the fairness of the financial statements' presentation of the cash and investments available for the payment of claims and as to the conformity of the financial statements with generally accepted accounting principles **and (2) such other matters as the Trustees deem appropriate to report to the Bankruptcy Court.** The Trustees shall provide a copy of such report to the TAC and to Reorganized Eagle-Picher.
>
> (i) Simultaneously with delivery of each set of financial statements referred to in Article 3.2(c) above, the Trustees shall cause to be

prepared and filed with the Bankruptcy Court a report containing a summary regarding the number and type of claims disposed of during the period covered by the financial statements.

(ii) All materials required to be filed with the Bankruptcy Court by this Article 3.2 shall be available for inspection by the public in accordance with procedures established by the Bankruptcy Court.

Section 5.12 of the Trust Agreement provides as follows:

5.12. Settlement of Trustees' Accounts. Notwithstanding any state law to the contrary, the Bankruptcy Court shall have exclusive jurisdiction over the settlement of the accounts of the Trustees, whether such account is rendered by the Trustees themselves or is sought by any other person. **The Trustees shall render successive accounts covering periods ending at the end of each calendar year consisting of the filings required by Article 3.2(c) of this Trust Agreement. In addition, an account shall be rendered for the period ending on the date of the death, resignation, removal or retirement of any Trustee. Upon the approval of any such account by the Bankruptcy Court after hearing on notice to Reorganized Eagle-Picher, the TAC and such other parties as the Bankruptcy Court may designate, the Trustees shall be discharged from any further liability or responsibility, as to all matters embraced in such account.**

Paragraph (a) of this Court's Order dated March 14, 1997, reads in pertinent part as follows:

(a) The Accounting required of the Trust for each successive calendar year shall consist of the annual report and the claims summary required under Sections 3.2(c) and 3.2(c)(i) of the Trust Agreement, together with any further information the Trustees may deem appropriate to provide the Court, plus an application for approval of the Accounting and discharge of the Trustees, and a proposed order (the "Materials"). These Materials shall be filed no later than April 30 of each year.

The principal purposes of this Report and the accompanying year-end audited financial statements are to inform the Court, the Trust's beneficiaries, and other interested parties of the actions taken and decisions made by the Trustees in the year ended December 31, 2019, and to provide a basis, under Section 5.12 of the Trust Agreement, for the discharge from liability of the Trustees for all matters included in this Report or otherwise embraced by the account.

Jurisdiction

The Court has jurisdiction over the Application for Order Approving Annual Report and Account pursuant to Section 9.1 of the Plan of Reorganization.

Subsequent Events – The COVID-19 Pandemic

The Trust is not immune from world events. Because it is not business as usual, it is only appropriate to begin this Report and Account with an update on the Trustees' management of the Trust in the face of the COVID-19 Pandemic.

The Trustees are currently holding weekly meetings, by telephone, with Trust management and the Trust's investment, tax, and legal advisors. Consistent with recommendations and directives of civil authorities, the Trust and the CPF promptly instituted work-from-home and other policies and procedures to allow operations to continue in as close to an ordinary manner as possible. The Trust's governing documents provide broad discretion to the Trustees in this regard, and Court intervention is not necessary to implement them.

To date, claim filings and distributions to beneficiaries have remained steady, and the CPF and the Trust are able to process claims in due course. Trust investments are performing consistent with their benchmark indices. The Trust maintains enough liquidity to continue to fund both operations and claims payments without altering the Trust's current investment policies. The length of the pandemic and its ensuing economic repercussions will be closely monitored by the Trustees and their professionals, including for any impact on actuarial projections of future claims and assets that may impact the Trust's payment percentage or operations.

The Court has overseen this Trust through recessions, including the 2008 financial crisis, the economic shocks of terrorism, and ensuing global conflicts. The Trustees' long term view of the corpus, consistent with Section 524(g)'s mandate that the Trust treat past, present, and future beneficiaries as similarly as possible, will guide it through this, an unprecedented crisis, but a crisis that the Trust will survive with strength. In that connection, and as always, the Trustees are available at the Court's convenience to provide any further information the Court may request.

Summary

Under this Court's supervision, the Trust has processed more than 680,044 claims over the past twenty-three years. In 2019, through the Trust's ownership of the Claims Processing Facility, Inc. (the "CPF"), the Trust received a total of 9,923 asbestos-disease claims; processed to allowance or disallowance a total of 10,050 asbestos-disease claims; and made payments to asbestos victims or their survivors totaling approximately $22.6 million. Valid malignant claims made up approximately 84% of the Trust's paid claims. The total amount the Trust has distributed to victims of asbestos disease or their survivors as of December 31, 2019 was approximately $845 million.

Throughout the year, the Trustees continued the implementation of their strategy to manage the investment of Trust funds on a sound basis while sustaining the cash flow necessary to pay allowed claims without delay. The Trustees, the Trust's Executive Director and the Trust's investment advisor held quarterly conference calls with the Trust's three investment managers, as well as periodic client visits and strategy sessions, to monitor progress in the management of the portfolio. At year-end, the Trust's net assets were valued at approximately $297.8 million. (At the time of the filing of this report net assets were valued at approximately $272 million.)

Together, current assets and past distributions total well more than $1.14 billion, from an initial Trust corpus of over $700 million. This achievement is a testament to the Trust's governing documents, the Trustees' sound management, and this Court's ongoing oversight.

I. Meetings of the Trustees

The Trustees held four in-person meetings meeting during 2019. The Trust's Executive Director, Trustees' Advisory Committee and the Trust's investment advisor participated in all of the regular meetings. In addition, the Audit Committee held a separate meeting in person.

II. Trust Administration

The Trustees continued to retain the audit firm of BKM Sowan Horan, LLP as auditors for the Trust and CPF. The BKM Sowan Horan firm has significant experience auditing 524(g) trusts and experience in auditing asbestos trust financial statements, asbestos personal injury claims, and IT security controls. The Trustees continued to retain the firm of Deloitte Tax LLP as tax consultant and the firm of Marsh USA as insurance broker. Throughout 2019, Melanie K. Impastato continued in her role as the Trust's Executive Director, and as the President of the CPF, the Trust's wholly-owned subsidiary.

The Trustees continued to serve as directors of the CPF, as discussed in Section IV.D below, and spent time individually on numerous Trust matters during the course of the year. For example, among other activities:

- Mr. McMonagle, as Chairperson of the Trust and CPF, devoted significant time to management of the Trust and CPF staff, to monitoring developments with respect to legislation, litigation, and bankruptcies of asbestos companies potentially affecting the Trust, and to communicating with the Trust's investment advisor, investment managers, and counsel.

- Mr. Madva worked with the Trust's Executive Director and CPF staff on IR claim value determinations and the Trust's and CPF's insurance programs.
- Ms. Walker continued as Chair of the Audit Committee.

The Trust also continued to actively monitor any proposed legislation related to asbestos personal injury litigation and trusts established under Section 524(g). For example, the PROTECT Asbestos Victims Act was introduced into the Senate on March 13, 2019. The bill is identical to a bill introduced in 2018 and, in part, provides that the United States trustee may investigate the administration of 524(g) trusts, requires the disclosure of trust information to litigants in asbestos-related litigation, and requires certain reporting to the Secretary of Health and Human Services.

The Trustees and Trust management are following these and other state-level legislative developments closely, because they may impact the cost of Trust administration through the subpoena burden faced by the Trust and through the cost of additional reporting. Indeed, even without the impact of these potential legislative changes, the Trust responded to approximately 274 third-party subpoenas in 2019.

The subpoenas largely sought claims filing information and were primarily issued from non-bankrupt asbestos defendants. In most instances, the Trust responded to properly issued subpoenas by providing a copy of the claimant's claim form, after giving notice to the claimant. Generally, the Trust received reimbursement for the costs and expenses it incurred responding to the subpoenas.

Consistent with the Trust's long-standing policy, the Trust did not divulge any medical information or settlement amounts in responding to these subpoenas, and, to the extent that any of the subpoenas requested such information, the Trust took action to quash or otherwise oppose the request. In line with this policy, throughout 2019, the CPF defended against a motion to compel the CPF to produce information regarding more than 400,000 claimants in connection with the bankruptcy of Rapid-American Corp.

Subsequent to the end of the reporting period, the Trust was notified that the parties to the adversary proceeding in the Rapid American bankruptcy in which the subpoenas were issued, had reached an agreement in principle to settle the matter. As such, the Trust expects that it will not need to respond to the subpoenas.

Also subsequent to the end of the reporting period, the Trust received non-party subpoenas issued in connection with litigation pending in the District Court for the Eastern District of Wisconsin seeking information concerning the Debtors' manufacturing of white carbonate lead pigment. In March 2020, the Trust filed a motion to quash those subpoenas with the Court.

Finally, also subsequent to the end of the reporting period, in February 2020, the Pennsylvania Supreme Court issued a decision in *Roverano v. John Crane Inc.*, No. 26 EAP 2018, No. 27 EAP 2018 (Pa. 2020). The Pennsylvania Supreme Court held, in pertinent part, that "bankruptcy trusts that are either joined as third-party defendants or that have entered into a release with the plaintiff may be included on the verdict sheet for purposes of liability only," in accordance with Pennsylvania's Fair Share Act, 42 Pa.C.S. § 7102. The Pennsylvania Supreme Court acknowledged that asbestos bankruptcy trusts are subject to channeling injunctions under Section 524(g), but noted that the Fair Share Act provides that any attribution of responsibility to made under the Act is inadmissible and cannot be relied on "in any other action or proceeding for any purpose," and therefore appeared to indicate that it did not believe that such attribution would violate a Section 524(g) injunction. The Pennsylvania Supreme Court noted, however, that "any due process issues" or other concerns in this regard were outside the scope of its review and could be raised in future cases. In a concurring opinion, one Pennsylvania Supreme Court justice noted that "the allocation scenario at issue arises only when the trust in question has already remitted payment and been released from further liability."

Unfortunately, defendants in numerous Pennsylvania tort actions already have begun serving on the Trust and other trusts joinder complaints seeking to add the trusts as defendants, purportedly only for purposes of "attribution" of liability, and the complaints are not limited to those cases in which the trusts already have remitted payment and been released from further liability. The Trust is in the process of responding, as of the date of this report, to three such joinder complaints, but expects to have to respond to potentially several—and perhaps many—more during the next reporting period. The Trustees are actively monitoring developments in this area, and may at some point in the future be back to this Court for guidance to the extent these issues impact the Trustees' duties under the Trust Agreement or Trust Distribution Procedures.

III. Asset Management

A. Investment Allocation

The Trust continued to implement the investment strategy developed over time in reliance on the advice of Cambridge Associates, LLC. The invested assets of the Trust are allocated among four portfolios: (1) a short-term bond portfolio composed primarily of short-term tax-exempt bonds; (2) a total-return bond portfolio composed primarily of intermediate-term tax-exempt bonds, with up to 10% of the portfolio in below-investment-grade fixed income securities; (3) an equity portfolio composed of shares of United States companies with medium-to-large capitalization benchmarked to the Russell 1000 Index; and (4) an equity portfolio composed of American Depository Receipts representing ownership interest in securities of approximately 150 large capitalization companies in developed markets outside the United States, benchmarked to the Standard & Poor's ADR Index.

Upon the advice of the Trust's investment advisor, the Trust's target investment allocation during 2019 was 12% short-term bonds, 48% total-return bonds, and 40% equities. The actual allocation varied from these targets during the course of the year, due principally to fluctuations in the value of the Trust's equity portfolios. The allocation of invested assets at December 31, 2019 was 8% in short-term bonds, 47% in total-return bonds, and 45% in equities (26% in the Russell 1000 Index portfolio and 19% in the S&P ADR Index portfolio).

To provide sufficient cash to meet the needs of the Trust while minimizing the frequency and tax consequences associated with portfolio rebalancing, the Trust, at the recommendation of its investment advisor, created a cash equivalents portfolio consisting of very short-term bonds. This portfolio was valued at $2.5 million as of December 31, 2019 and will be replenished from time to time as needed.

The Trust continued to retain as investment managers J.P. Morgan Asset Management Inc. to manage the short-term bond portfolio, Mellon Investments Corporation (formerly Standish) to manage the total-return bond portfolio, and The Northern Trust Company to manage the Trust's investments in equity securities. The Trust also continued to retain The Northern Trust Company as custodian of all of the Trust's investment accounts.

Over the course of the year, in addition to quarterly phone conferences with all of the investment managers, Trust management conferred regularly with Cambridge Associates, LLC and the Trustees had an in-person meeting with all three investment managers.

B. Investment Performance

Investment returns over the past three years were as follows:

	2019	2018	2017
Short-term bond portfolio	2.7%	1.5%	1.5%
Intermediate-term bond portfolio	6.9%	1.3%	4.3%
Equity:			
Russell 1000 Index portfolio	31.2%	-4.2%	23.1%
S&P ADR Index portfolio	20.2%	-13.0%	21.4%
Total Return	**14.4%**	**-2.4%**	**11.2%**

Both the short-term and intermediate-term bond portfolios are almost entirely invested in tax-exempt bonds, meaning the investment returns for those portfolios are after-tax returns. The equity portfolios managed by The Northern Trust Company replicate indices, and the 2019 returns of the portfolios closely mirrored the 2019 returns of those indices, which were 31.4% for the Russell 1000 Index and 20.7% for the S&P ADR Index.

As of April 7, 2020, the total value of the Trust's investment portfolios was approximately $311 million. The investment portfolios are performing in line with their respective indices despite the unsettled financial markets. The Trust has sufficient liquidity to pay claims and operating expenses through at least the second quarter of 2020, and as set forth above the Trustees and their advisors are currently meeting weekly to assess these and other Trust needs.

IV. Claims Processing

A. Claim Filing Options

A claimant has the option to file either a Discounted Cash Payment ("DCP") claim or an Individualized Review ("IR") claim. The DCP is designed, in part, for claimants whom the Trust can easily determine have a valid non-malignant injury claim and who wish to receive an initial fixed payment, which is subject to a limited release and allows the claimant to retain the right to receive an additional payment if the claimant is subsequently diagnosed as having an asbestos-related malignancy. The DCP option is also available for malignant claims, using a fixed payment schedule. The DCP payment schedule allows for one-time payments as follows:

Mesothelioma	$6,500
Lung Cancer	$2,000
Other Cancer	$1,000
Non-Malignant	$400

IR claims are reviewed using tort system principles and a confidential, proprietary claim valuation model. This option is available for all disease categories. The Trust has advised claimants' counsel that, based on current facts and circumstances, including the Trust's current payment percentage, the IR claim option will generally result in a higher payment for malignancies than the DCP option.

Claimants have a choice of filing either type of claim.

B. Claims Processing Results

The CPF, on behalf of the Trust, received a total of 9,923 individual asbestos personal injury claims in 2019, of which 4,275 sought DCP and 5,648 sought IR. Claims filed or received over the past three years were as follows:

	2019	2018	2017
Total claims received	**9,923**	**9,325**	**10,496**
Discounted Cash Payment	4,275	5,139	5,678
Individualized Review	5,648	4,186	4,818

The ratio of non-malignant to malignant claims filings was approximately 1.55 to 1 in 2019 compared to the ratio of 1.36 to 1 in 2018 and 1.81 to 1 in 2017 and 4.61 to 1 from inception through December 31, 2019. Approximately 84% of all dollars paid in 2019 went to claimants with malignant diseases.

During 2019, the CPF processed a total of 10,050 claims to allowance or initial disallowance, with 266 claims remained unprocessed at year end. The Trust paid approximately $22.6 million in 2019 to asbestos victims in settlement of their claims. These figures over the past three years were as follows:

	2019	2018	2017
Claims processed to allowance or initial disallowance	10,050	9,019	11,131
Claims paid (in millions)	$22.6	$20.4	$22.8
Claims unprocessed at year-end	266	392	86

As of December 31, 2019, the CPF, on behalf of the Trust, has received a total of 681,683 individual asbestos personal injury claims since inception. Of these 681,683 claims, the CPF has processed to allowance or initial or final disallowance 680,044 claims, including 1,373 Trust-processed prepetition settled claims. The Trust has paid a total of approximately $844.7 million on allowed claims.

The Trust also processed approximately 2,329 disallowance responses during 2019. The initial disallowance rate in 2019 was 54%. The principal reason for initial disallowances continues to be that proof of exposure to Eagle-Picher asbestos-containing product does not comply with the requirements of the Claims Resolution Procedures. Since the inception of the Trust, the historical cure rate for disallowances is approximately 32%.

1. Discounted Cash Payment Claims

During 2019, the CPF, on behalf of the Trust, received 4,275 DCP claims and processed to allowance or initial disallowance a total of 4,353 DCP claims. Upon initial review, the CPF allowed approximately 46% of DCP claims reviewed in 2019 and initially disallowed approximately 54%. Claimants have one year following initial disallowance to correct any deficiency in the claim. The Trust paid a total of $1.5 million on allowed DCP claims during 2019, bringing the total paid to claimants on DCP claims over the life of the Trust to $126.1 million.

2. Individualized Review Claims

The CPF, on behalf of the Trust, received 5,648 claims requiring individualized review during the Report period. The CPF processed to allowance or initial disallowance 5,697 IR claims in 2019, of which approximately 45% were allowed and 55% were initially disallowed. As noted above, claimants have one year following initial disallowance to correct any deficiency in their claim. The Trust paid a total of $21.1 million on allowed IR claims in 2019, bringing the total paid on such claims over the life of the Trust to $714.6 million.

C. Alternative Dispute Resolution

Only one claim had an arbitration decision rendered in the Trust's Alternative Dispute Resolution ("ADR") program in 2019, in favor of the Trust.

As of December 31, 2019, a total of 1,140 individual claims (including 345 claims consolidated into a single proceeding) had gone to decision through the Trust's Evaluation by Document ADR program. The Trust's has prevailed in approximately 82% of these cases.

At year-end, fourteen claims were pending appeal of a Nonbinding Evaluation by Document award. Claimants' counsel have notified the Trust of their intent to bring thirteen of these cases to the tort system, but no proceeding against the Trust has been initiated in the tort system as of the date of this Report. Thirteen of these claims have been pending appeal for a number of years.

ADR claims and awards over the past three years were as follows:

	2019	2018	2017
Total ADR awards	**1**	**1**	**1**
Trust's position prevailed	1	0	1
Claimant's position prevailed	0	1	0
Claims pending in ADR Not on Appeal	**0**	**1**	**2**

In addition, at the close of the Report period, there were no claims pending in the initial stages of the ADR process and one claim pending binding arbitration. That arbitration took place in March 2020, after the end of the reporting period, and a decision is expected in the second quarter of 2020. The number of claims proceeding through arbitration remains low, because, as has been the case the past several years, most of the claims with pending ADR requests are resolved prior to arbitration.

D. The CPF

The Trustees continued to serve as the three directors of the CPF, a subsidiary of the Trust. The Trustees are not compensated for their service as CPF directors, but they are entitled to hourly or *per diem* compensation for work performed outside of CPF board and committee meetings. As of the date of this Report, the Trustees have not incurred any compensation for their service as CPF directors.

In addition to processing the Trust's claims, the CPF continues to process claims on a contract basis for the Keene Creditors Trust, the Raytech Corporation Asbestos Personal Injury Settlement Trust, the UGL Trust and the Bondex Trust. As of December 31, 2019, the UNR Asbestos-Disease Trust ceased asbestos claims processing operations. The CPF has continued on a month-to-month administrative trust operation contract for the first quarter of

2020 to assist the UNR Trust with wind down operations. The UNR Trust expects to cease all operation in April 2020.

The CPF continues to actively monitor any bankruptcy filings that may result in the creation of 524(g) trusts in order to evaluate potential new business opportunities for the CPF.

V. Cost Control

The Trustees and the CPF continually look for ways to reduce the Trust's costs while enhancing the quality of claims processing. Trust operating expenses in 2019 were approximately $4.0 million, which was 11% lower than the budgeted amount and approximately 7% less than 2018 operating expenses. Approximately 65% of all operating expenses are directly attributable to claims processing. Claims processing expenses totaled $2.57 in 2019, $2.78 million in 2018, and $3.11 million in 2017.

VI. Financial Statements

The Trust's audited financial statements for the year ended December 31, 2019 are attached as Exhibit A and the CPF's audited financial statements for the year ended December 31, 2019 are attached as Exhibit B.

Dated: Cleveland, Ohio
April 8, 2020

s/ James J. McMonagle

James J. McMonagle, Trustee (Chairperson), for himself and for Stephen A. Madva, Trustee, and Laura R. Walker, Trustee

Exhibit A

EAGLE-PICHER INDUSTRIES, INC.
PERSONAL INJURY SETTLEMENT TRUST

Special-Purpose Consolidated Financial Statements
and
Report of Independent Auditors

Years Ended December 31, 2019 and 2018

EAGLE-PICHER INDUSTRIES, INC.
PERSONAL INJURY SETTLEMENT TRUST

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REPORT OF INDEPENDENT AUDITORS

To the Trustees of
Eagle-Picher Industries, Inc.
Personal Injury Settlement Trust

We have audited the accompanying special-purpose consolidated financial statements (Financial Statements) of Eagle-Picher Industries, Inc. Personal Injury Settlement Trust, which comprise the special-purpose consolidated statements of net assets as of December 31, 2019 and 2018, and the related special-purpose consolidated statements of operations and changes in net assets for the years then ended, and the related notes to the special-purpose consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with the special-purpose basis of accounting; this includes determining that the special-purpose basis of accounting is an acceptable basis for preparation of the financial statements in these circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Financial Statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Financial Statements referred to above present fairly, in all material respects, the consolidated net assets of the Eagle-Picher Industries, Inc. Personal Injury Settlement Trust as of December 31, 2019 and 2018, and the related statements of operations and changes in net assets for the years then ended in conformity with the special-purpose basis of accounting described in Note 2.

Emphasis of Matter

We draw attention to Note 2 of the Financial Statements, which describes the basis of accounting. The Financial Statements are prepared on a special-purpose basis of accounting and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. The special-purpose basis of accounting has been used in order to present the amount of equity presently available to current and future claimants to the Trust. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended solely for the use of the Trustees, beneficiaries of the Trust, and the United States Bankruptcy Court for the Southern District of Ohio, Western Division, and should not be used for any other purpose.

BKM Sowan Horan, LLP

Addison, Texas
April 7, 2020

EAGLE-PICHER INDUSTRIES, INC.
PERSONAL INJURY SETTLEMENT TRUST

Special-Purpose Consolidated Statements of Net Assets

	December 31, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	$ **2,217,025**	$ 4,537,093
Investments	**347,426,621**	326,197,012
Investment income receivable	**2,532,591**	2,643,328
Prepaid federal taxes	**146,214**	276,893
Total assets	$ **352,322,451**	$ 333,654,326
LIABILITIES		
Settled but unpaid claims	$ **12,791,263**	$ 11,281,753
Accounts payable and accrued expenses	**263,793**	185,154
Due to Claims Processing Facility, Inc.	**311,799**	335,153
Deferred income tax liability	**41,149,816**	28,087,157
Total liabilities	**54,516,671**	39,889,217
Net assets	**297,805,780**	293,765,109
Net liabilities and net assets	$ **352,322,451**	$ 333,654,326

See accompanying notes to special-purpose consolidated financial statements.

EAGLE-PICHER INDUSTRIES, INC.

PERSONAL INJURY SETTLEMENT TRUST

Special-Purpose Consolidated Statements of
Operations and Changes in Net Assets

	Years ended December 31,	
	2019	2018
Investment Income (Loss)		
Tax-exempt interest income	$ **5,750,314**	$ 6,194,418
Taxable interest and dividend income	**3,975,629**	3,613,530
Net realized capital gain	**341,178**	10,557,054
Net unrealized capital gain (loss)	**35,304,485**	(28,084,015)
Total investment income (loss)	**45,371,606**	(7,719,013)
Operating Expenses		
General and administrative expenses	**437,092**	376,826
Claims processing and administration	**2,571,558**	2,776,002
Professional fees	**310,586**	460,896
Investment related expenses	**667,111**	674,819
Total operating expenses	**3,986,347**	4,288,543
Income (loss) before tax expense	**41,385,259**	(12,007,556)
Income tax benefit (expense)	**(13,193,338)**	6,692,793
Net increase (decrease) in net assets from operations	**28,191,921**	(5,314,763)
Claims settled	**(24,151,250)**	(20,001,193)
Net increase (decrease) in net assets	**4,040,671**	(25,315,956)
Net assets, beginning of year	**293,765,109**	319,081,065
Net assets, end of year	$ **297,805,780**	$ 293,765,109

See accompanying notes to special-purpose consolidated financial statements.

Note 1 - Description of Trust

The Eagle-Picher Industries, Inc. Personal Injury Settlement Trust (the Trust) was established on November 29, 1996, as an Ohio trust, pursuant to the Third Amended Consolidated Plan of Reorganization for Eagle-Picher Industries, Inc. (Eagle-Picher), dated August 28, 1996, as modified (the Plan). The Trust's investment assets are held in an investment partnership, EPPIST Investment Partnership, in which the Trust is a 99.9% partner. A wholly owned subsidiary of the Trust, EPPIST LLC, is a 0.1% partner. The following description of the Trust provides only general information. Readers should refer to the Trust Agreement and the Plan for a complete description of the provisions of the Trust.

The purpose of the Trust is to assume any and all liabilities of Eagle-Picher with respect to any and all Asbestos Personal Injury Claims and Lead Personal Injury Claims (hereinafter jointly referred to as Toxic Personal Injury Claims) and to use the assets and income of the Trust to pay bona fide Toxic Personal Injury Claims in accordance with the provisions set forth in the Trust Agreement, the Eagle-Picher Industries, Inc. Asbestos Injury Claims Resolution Procedures (CRP), and any Lead Personal Injury Claims procedures adopted pursuant to the Trust Agreement.

The Trustees are responsible for supervising and administering the Toxic Personal Injury Claims resolution process. The Trust will use its net assets for the Trust's general and administrative expenses and for settlement of Toxic Personal Injury Claims as defined in the Plan.

The Trust will terminate in accordance with Trust Agreement article 7.2.

Note 2 - Summary of Significant Accounting Policies

Basis of accounting

The Trust's special-purpose consolidated financial statements are prepared using special-purpose accounting methods adopted by the Trustees, which differ from accounting principles generally accepted in the United States of America (GAAP). The special-purpose accounting methods were adopted in order to communicate to the beneficiaries of the Trust the net assets available to pay claims and to pay for the operating expenses of the Trust. Since the accompanying financial statements and transactions are not based upon GAAP, accounting treatment applied by other parties to these same transactions may differ as to timing and amount. These special-purpose accounting methods and the differences from GAAP include the following:

Note 2 - Summary of Significant Accounting Policies – (Continued)

Basis of accounting – continued

- The special-purpose consolidated financial statements are prepared using the accrual basis of accounting, except as otherwise described herein.

- These special-purpose consolidated financial statements do not include a statement of cash flows.

- Future fixed liabilities and contractual obligations entered into by the Trust are recorded directly against net assets. Under GAAP, liabilities and contractual obligations are recorded only as incurred.

- The Trust records the liability for Toxic Personal Injury Claims when a signed release has been received from the claimant. Under GAAP, a liability would be recorded for an estimate of the amount to be paid for claims that have been incurred but not reported and for those claims that have been submitted but not yet approved for payment by the Trust.

- Payments for fixed assets and prepaid insurance are expensed as incurred. Under GAAP, payments for fixed assets are capitalized and depreciated or amortized over the useful lives of the assets.

- The Trust processes claims through its wholly owned subsidiary, Claims Processing Facility, Inc. (CPF) (see Note 7). The Trust recognizes claims processing expenses in an amount equal to net operating expenses of CPF and records a Due to CPF until reimbursement is made to the entity. GAAP would require consolidating the financial results of CPF.

Principles of Consolidation

The special-purpose consolidated financial statements include EPPIST Investment Partnership and EPPIST LLC, which are under common control of the Trust. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and cash equivalents

Cash and cash equivalents include commercial paper, short-term bills and notes, and other highly liquid marketable securities. These securities had original maturities of three months or less when purchased.

Note 2 - Summary of Significant Accounting Policies – (Continued)

Investments and related income

Debt and equity securities are recorded at fair value as determined by the most recently traded price of each security at the balance sheet date, and the related securities transactions are recorded on a trade-date basis. Investment income is recognized when earned and realized gains and losses on security dispositions are recognized on the specific identification method of accounting. The changes in unrealized gains and losses resulting from recording investments at fair value are included on the special-purpose consolidated statements of operations and changes in net assets.

Concentrations of credit risk

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

The Trust's investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investments, it is at least reasonably possible that significant changes in risks in the near term may materially affect the amounts reported in the special-purpose consolidated financial statements. To mitigate this risk, the Trust has established a formal investment policy that provides for diversification in high quality debt and equity instruments and establishes standards to invest the Trust's assets. In addition, the Trust routinely reviews their asset allocation model as well as their portfolio performance with their investment advisors.

Use of estimates

The preparation of special-purpose consolidated financial statements in conformity with the basis of accounting described above, requires the Trust to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and the disclosure of contingent assets and liabilities at the date of the special-purpose consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the fair value of investments and the provision for income taxes. Actual results could differ from those estimates.

Note 2 - Summary of Significant Accounting Policies – (Continued)

Fair value

The Trust measures its investments at fair value, according to a hierarchy of valuation techniques. The following are the levels of the hierarchy and a brief description of the type of valuation information ("inputs") that qualifies an investment at each level:

- Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 - Inputs other than Level 1 that are based on observable market data. These include: quoted prices for similar assets in active markets, quoted prices for identical assets in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc.) and inputs that are derived from or corroborated by observable markets.
- Level 3 - Developed from unobservable data that are not corroborated by market data.

Income taxes

The Trust is classified as a Qualified Settlement Fund pursuant to the Internal Revenue Code (IRC) and Regulations thereunder. As a result, the Trust is subject to federal income taxes based on modified gross income. In computing modified gross income, the Trust is not allowed a deduction for claim settlement payments. The Trust is not subject to Ohio state income taxes, as the Trust's income is not subject to the Ohio Commercial Activity Tax. Further, there does not appear to be any basis for the Trust to be treated as a taxable entity in any other state. As a result, the special-purpose consolidated financial statements do not include any provision or liability for state income taxes.

Income taxes are provided for the tax effects of transactions reported in the special-purpose consolidated financial statements and consist of taxes currently due plus deferred taxes. Deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of the changes in tax laws and rates on the date of enactment.

Note 2 - Summary of Significant Accounting Policies – (Continued)

Income taxes – continued

The amount of income taxes the Trust pays is subject to ongoing audits by federal authorities. The Trust's estimate of the potential outcome of any uncertain tax issues is subject to management's assessment of relevant risks, facts, and circumstances existing at that time. The Trust uses a more likely than not threshold for financial statement recognition and measurement of tax position taken or expected to be taken in a tax return. To the extent that the Trust's assessment of such tax position changes, the change in estimate is recorded in the period in which the determination is made. The Trust reports tax-related interest and penalties as a component of income tax expense and operating expenses, respectively.

Subsequent events

The Trust has evaluated events and transactions subsequent to the date of the special-purpose consolidated financial statements for matters requiring recognition or disclosure in the special-purpose consolidated financial statements. The accompanying special-purpose consolidated financial statements consider events through April 7, 2020, the date on which the special-purpose consolidated financial statements were available to be issued. See Note 8.

Note 3 - Investments

The Trust had a cumulative net unrealized holding gain on investments of approximately $111,214,000 and $75,909,000 at December 31, 2019 and 2018, respectively. Investments consisted of the following as of December 31:

	2019			
	Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Tax-exempt municipal bonds	$ 178,936,150	$ 10,312,866	$ (538)	$ 189,248,478
Equity securities	56,433,496	100,384,641	(44,773)	156,773,364
Preferred stock	359,849	584,114	-	943,963
Other	-	4,669	-	4,669
Non-government-backed collateralized mortgage obligations	483,015	685	(27,553)	456,147
	$ 236,212,510	$ 111,286,975	$ (72,864)	$ 347,426,621

Note 3 - Investments – (Continued)

	2018			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Tax-exempt municipal bonds	$ 196,849,614	$ 4,909,099	$ (628,167)	$ 201,130,546
Equity securities	52,499,838	71,496,607	(328,079)	123,668,366
Preferred stock	359,849	504,978	-	864,827
Other	-	2	-	2
Non-government-backed collateralized mortgage obligations	578,552	-	(45,281)	533,271
	$ 250,287,853	$ 76,910,686	$ (1,001,527)	$ 326,197,012

The fair value of investments in equity securities and preferred stock is primarily based on quoted market prices in active markets. When quoted market prices are not available and for investments in tax-exempt municipal bonds, unit trust equity, and non-government-backed collateralized mortgage obligations, fair value is estimated by reference to fair values for similar securities or by discounting cash flows at an appropriate risk rate taking into consideration the varying degrees of risk specific to each financial asset. In categorizing the tax-exempt municipal bonds by rating, the lowest rating from Fitch, Moody’s, or Standard and Poor’s was used.

Note 3 - Investments – (Continued)

Fair value measurements recorded on a recurring basis at December 31, 2019 were as follows:

	Level 1	Level 2	Level 3	Total
Tax-exempt municipal bonds	**$ -**	**$ 189,248,478**	**$ -**	**$ 189,248,478**
Equity securities	**156,773,364**	**-**	**-**	**156,773,364**
Preferred stock	**943,963**	**-**	**-**	**943,963**
Other	**-**	**4,669**	**-**	**4,669**
Non-government-backed collateralized mortgage obligations	**-**	**456,147**	**-**	**456,147**
Total	**$ 157,717,327**	**$ 189,709,294**	**$ -**	**$ 347,426,621**

Fair value measurements recorded on a recurring basis at December 31, 2018 were as follows:

	Level 1	Level 2	Level 3	Total
Tax-exempt municipal bonds	$ -	$ 201,130,546	$ -	$ 201,130,546
Equity securities	123,668,366	-	-	123,668,366
Preferred stock	864,827	-	-	864,827
Other	-	2	-	2
Non-government-backed collateralized mortgage obligations	-	533,271	-	533,271
Total	$ 124,533,193	$ 201,663,819	$ -	$ 326,197,012

Note 3 - Investments – (Continued)

Maturities of the Trust's tax-exempt municipal bonds at December 31, 2019 are as follows:

	Fair Value	Cost	Net Unrealized Gain
Due in 1 year or less	$ 7,143,094	$ 7,114,991	$ 28,103
Due after 1 year through 5 years	43,150,746	41,269,389	1,881,357
Due after 5 years through 10 years	61,601,089	57,380,825	4,220,264
Due after 10 years through 20 years	67,950,659	64,089,664	3,860,995
Due after 20 years through 30 years	9,402,890	9,081,281	321,609
Total	$ 189,248,478	$ 178,936,150	$ 10,312,328

Note 4 - Income Taxes

The Trust reports its income to the Internal Revenue Service as a designated settlement fund which is taxed at the highest rate applicable to trusts under Section 1(e) of the IRC, which was 37% as of December 31, 2019, and 2018, respectively.

For net operating loss carryforwards (NOLs) created in years beginning after December 31, 2017, the NOLs will be limited to a reduction of 80% of modified taxable income without expiration. NOLs prior to January 1, 2018 will carry forward 20 years and there is no limitation in the reduction of modified taxable income.

Note 4 - Income Taxes – (Continued)

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

	Years Ended December 31, 2019	2018
Modified taxable income	$ **453,724**	$ 9,853,430
Tax rate	**37%**	37%
Tax expense generated on modified taxable income	**167,878**	3,645,769
True up prior year estimates	**(37,199)**	52,524
Deferred income tax expense (benefit)	**13,062,659**	(10,391,086)
Net federal tax expense (benefit)	$ **13,193,338**	$ (6,692,793)

The income tax expense differs from the amount that would be calculated by applying statutory tax rates to income before income tax expense due to the fact that certain income of the Trust is not subject to tax and certain expenses incurred by the Trust are not deductible for income tax purposes. The Trust has not recognized any income tax liability or expense related to the review of uncertain tax positions.

All of the Trust's deferred tax liabilities are attributable to net unrealized gains on investments at December 31, 2019 and 2018. For the year ended December 31, 2019, the Trust made no cash payments for federal income taxes. For the year ended December 31, 2018, the Trust made cash payments of $3,500,000 for federal income taxes.

Note 5 - Liability for Toxic Personal Injury Claims

From inception through December 31, 2019 and 2018, the Trust received approximately 681,700 and 671,800 asbestos disease claims, respectively. No lead personal injury claims have been filed with the Trust. Claim payments for the years ended December 31, 2019 and 2018 were approximately $22,642,000 and $20,431,000, respectively. The total number of such claims to be filed and the aggregate value of all Toxic Personal Injury Claims are not determinable at this time. Moreover, the Trust's responsibility is to pay only that percentage of total claim value that it can afford to pay. Thus, no liabilities have been recorded in the accompanying special-purpose consolidated financial statements other than those that have been settled but unpaid. Although the aggregate value of present and future claims is not determinable, the Trustees, in accordance with the Trust Agreement, periodically retain experts for the purpose of calculating a payment percentage, which is reviewed by the Trustees on a regular basis. Effective November 1, 2015, the Trustees approved a change in the payment percentage from 28% to 33%. The most recent review of the payment percentage was performed during 2017, at which time the Trustees approved maintaining the payment percentage at 33%.

The projected liquidation value of claims which have been received but not settled is not determinable at this time, nor is it anticipated that this amount will be determinable in future years.

The net assets represent current funding available for the Trust's general and administrative expenses and for all current and future claimants for which no fixed liability has been established. Net assets are subject to fluctuations due to changes in the fair value of the Trust's investments.

Note 6 - Trustees and Trustees' Advisory Committee

The Trust Agreement permits the Trustees to be compensated for providing administrative and certain professional services for the Trust. In addition, the Trust Agreement requires the Trustees to consult with a Trustees' Advisory Committee (TAC) on certain administrative matters before the Trustees can implement action on behalf of the Trust. The TAC members are compensated for providing these consultative services. For the years ended December 31, 2019 and 2018, the Trust incurred Trustee and TAC fees of approximately, $354,000 and $349,000, respectively. The Trust also maintains liability insurance for Trustees and Officers.

Note 7 - Claims Processing Facility, Inc. (CPF)

The Trust is the sole corporate owner of CPF. The purpose of CPF is to process claims on behalf of the Trust and on behalf of other trusts CPF may contract with.

For the years ended December 31, 2019 and 2018, claims administration and processing expenses incurred at CPF was approximately $2,572,000 and $2,776,000, respectively. The related cash payments made to CPF for the years ended December 31, 2019 and 2018 amounted to approximately $2,595,000 and $2,276,000, respectively.

Note 8 - Subsequent events

The outbreak of coronavirus disease 2019 (COVID-19) presents various global risks. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management of the Trust is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, vendors, and industry. Given the daily evolution of the COVID-19 outbreak and the responses to curb its spread, the Trust is not able to estimate the effects, if any, of the COVID-19 outbreak on its results of operations and financial condition.

SUPPLEMENTAL INFORMATION

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CONSULTANTS

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTAL INFORMATION

To the Trustees of
Eagle-Picher Industries, Inc.
Personal Injury Settlement Trust:

We have audited the special-purpose consolidated financial statements (Financial Statements) of the Eagle-Picher Industries, Inc. Personal Injury Settlement Trust (the Trust) as of and for the years ended December 31, 2019 and 2018, and our report thereon dated April 7, 2020, which expressed an unmodified opinion on the Financial Statements, appears on pages one and two. Our audit was conducted for the purpose of forming an opinion on the Financial Statements as a whole. The supplemental schedules of general and administrative expenses and balance due to Claims Processing Facility, Inc. are presented for purposes of additional analysis and are not a required part of the Financial Statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Financial Statements. The information has been subjected to the auditing procedures applied in the audit of the Financial Statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Financial Statements or to the Financial Statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the Financial Statements as a whole.

BKM Sowan Horan, LLP

Addison, Texas
April 7, 2020

EAGLE-PICHER INDUSTRIES, INC.

PERSONAL INJURY SETTLEMENT TRUST

Schedules of General and Administrative Expenses

	Years ended December 31,	
	2019	2018
Trustee and TAC fees	$ **353,728**	$ 349,081
Insurance	**68,815**	10,490
Meeting costs, travel, and reimbursed expenses	**11,393**	13,705
Other general and administrative	**3,156**	3,550
Total General and Adminstrative Expenses	$ **437,092**	$ 376,826

EAGLE-PICHER INDUSTRIES, INC.
PERSONAL INJURY SETTLEMENT TRUST

Schedules of Due to Claims Processing Facility, Inc. (CPF)

	Years ended December 31,	
	2019	2018
Due to (from) CPF, beginning of year	$ **335,153**	$ (164,893)
Cash payments to CPF	**(2,594,913)**	(2,275,956)
CPF net operating expenses	**2,571,559**	2,776,002
Due to CPF, end of year	$ **311,799**	$ 335,153

Exhibit B

CLAIMS PROCESSING FACILITY, INC.

Financial Statements
(Income Tax Basis)
with
Report of Independent Auditors

Years Ended December 31, 2019 and 2018

CLAIMS PROCESSING FACILITY, INC.

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Claims Processing Facility, Inc.

We have audited the accompanying financial statements (income tax basis) of Claims Processing Facility, Inc. (the Company), which comprise the statements of financial condition as of December 31, 2019 and 2018, and the related statements of operations, and cash flows for the years then ended, and the related notes to the financial statements. All of these financial statements are prepared using the income tax basis of accounting.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the income tax basis of accounting described in Note 2; this includes determining that the income tax basis is an acceptable basis for the preparation of the financial statements in these circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Financial Statements

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and cash flows for the years then ended, in accordance with the basis of accounting the Company uses for income tax purposes as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting the Company uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Restriction on Use

This report is intended solely for the use of management of the Company, the Directors, Eagle-Picher Industries, Inc. Personal Injury Settlement Trust, and the United States Bankruptcy Court for the Southern District of Ohio, Western Division, and should not be used for any other purpose.

BKM Sowan Horan, LLP

Addison, Texas
April 7, 2020

CLAIMS PROCESSING FACILITY, INC.

Statements of Financial Condition

(Income Tax Basis)

	December 31, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	$ **527,080**	$ 578,079
Accounts receivable	**118,525**	56,226
Due from Eagle-Picher Industries, Inc. Personal Injury Settlement Trust	**311,799**	335,153
Prepaid expenses	**126,820**	115,468
Fixed assets at cost, less accumulated depreciation	**53,415**	94,704
	$ **1,137,639**	$ 1,179,630
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accrued expenses	$ **61,231**	$ 103,222
Stockholders' equity		
Common stock, $0.01 par value per share; 300 shares authorized, 150 shares issued and outstanding	**2**	2
Additional paid-in capital	**1,076,406**	1,076,406
Total stockholders' equity	**1,076,408**	1,076,408
	$ **1,137,639**	$ 1,179,630

See accompanying notes to the financial statements.

CLAIMS PROCESSING FACILITY, INC.

Statements of Operations
(Income Tax Basis)

	Years Ended December 31,	
	2019	2018
Revenues		
Claims processing revenue	$ **3,201,673**	$ 3,227,142
Interest income	**4,621**	12,819
Total revenues	**3,206,294**	3,239,961
Expenses		
Salaries and related items	**2,504,871**	2,382,927
Depreciation	**53,806**	75,247
General and administrative	**273,093**	282,688
Leases	**203,902**	271,415
Professional fees	**114,956**	170,696
Insurance	**53,250**	53,577
Total operating expenses	**3,203,878**	3,236,550
Income before tax expense	**2,416**	3,411
Tax expense	**2,416**	3,411
Net income	$ **-**	$ -

See accompanying notes to the financial statements.

CLAIMS PROCESSING FACILITY, INC.

Statements of Cash Flows
(Income Tax Basis)

	Years Ended December 31, 2019	2018
Cash flows from operating activities:		
Net income	$ -	$ -
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation expense	**53,806**	75,247
Gain on disposal of fixed assets	**-**	(50)
Changes in operating assets and liabilities:		
Accounts receivable	**(62,299)**	(16,048)
Prepaid expenses	**(11,352)**	(16,879)
Accrued expenses	**(41,991)**	(99)
Due from Eagle-Picher Industries, Inc. Personal Injury Settlement Trust	**23,354**	(500,046)
Net cash used in operating activities	**(38,482)**	(457,875)
Cash flows from investing activities:		
Purchase of fixed assets	**(12,517)**	(46,329)
Proceeds from sale of fixed assets	**-**	50
Net cash used in investing activities	**(12,517)**	(46,279)
Net decrease in cash	**(50,999)**	(504,154)
Cash and cash equivalents, beginning of year	**578,079**	1,082,233
Cash and cash equivalents, end of year	$ **527,080**	$ 578,079
Supplemental cash flow information:		
Cash paid for income taxes	$ **3,000**	$ 2,000

See accompanying notes to the financial statements.

Note 1 - Description of the Company

Claims Processing Facility, Inc. (CPF) is wholly owned by Eagle-Picher Industries, Inc. Personal Injury Settlement Trust (EPI) and processes personal injury claims on behalf of EPI and various other asbestos settlement trust clients. Claim processing contracts with trust clients expire through December 31, 2021. Some of these agreements contain language that provides for an automatic annual renewal upon the stated expiration date, unless either party provides written notice within a specified period prior to the expiration date. In addition to claims processing services, CPF also provides trust administration services to one of the trusts under an agreement that expires on March 31, 2020.

Note 2 - Summary of Significant Accounting Policies

Basis of presentation

CPF's financial statements have been prepared on the basis of accounting used for federal income tax reporting under the Internal Revenue Code (IRC). This method was adopted to better reflect the underlying economics of the organization, which is to provide at-cost claims processing services for EPI. These practices differ in some respects from accounting principles generally accepted in the United States of America (GAAP). Such differences include: (1) collection losses on accounts receivable generally are not recognized until they are realized, (2) the methods and lives used for computing depreciation for fixed assets, (3) rent expense is not recognized on a straight-line basis, (4) consolidation accounting and variable interest entities, and (5) accounting for deferred income taxes as well as uncertain tax positions. Accordingly, the accompanying financial statements are not intended to present financial information and results of operations in accordance with GAAP.

Cash and cash equivalents

Cash and cash equivalents consist of amounts invested in a money market fund. Interest income is recognized when earned. CPF maintains its cash and cash equivalents at one financial institution that is insured by the Federal Deposit Insurance Company up to $250,000. At times during the year, cash balances may exceed this limit. CPF has not experienced any credit losses in such accounts and does not believe they are exposed to any significant risk of loss.

Accounts receivable

Accounts receivable are reported at the amount outstanding for services rendered to trust clients. Charges to earnings for uncollectible balances are recognized when management has exhausted reasonable collection efforts. CPF believes that all accounts receivable will be fully collected. Accordingly, no allowance for doubtful accounts is required.

Note 2 - Summary of Significant Accounting Policies – (Continued)

Due from EPI

Due from EPI consists of amounts not yet reimbursed to CPF for net operating expenses.

Fixed assets

Depreciation on the majority of the fixed assets is provided under the Accelerated Cost Recovery System (ACRS) and Modified ACRS (MACRS) as amended in the IRC. These methods depreciate using the double-declining balance or straight-line methods over the estimated useful lives. The life of these assets can range from three to thirty-nine years.

Under ACRS and MACRS, the recovery period may be longer or shorter than that which would be utilized if the economic useful life, as determined under GAAP, was applied in the computation of the annual depreciation charge to operations. Repairs and maintenance costs are charged to expense when incurred.

Materials and supplies are expensed in the year they are first used. Repairs and maintenance costs are charged to expense when incurred applying the de minimis safe harbor capitalization policy and routine maintenance rules based on the applicable unit of property to maintain property in ordinary efficient operating condition.

Revenue recognition

Claims processing revenue is recognized as services are rendered which are based on the contractual terms of the claims processing contracts. In addition, CPF also recognizes revenue for certain services such as trust client onboarding as these services are rendered.

Income taxes

Income taxes are recorded by CPF in accordance with federal and state income tax regulations applicable to a C-corporation. The Company's taxable income (loss) is subject to examination by federal and state taxing authorities. The Company reports tax-related interest and penalties as a component of general and administrative expenses on the statement of operations. There were no penalties or interest during the years ended December 31, 2019 and 2018.

Subsequent events

The Company evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through April 7, 2020, the date on which the financial statements were available to be issued. See Note 9.

Note 3 - Due From EPI

Due from (to) EPI consisted of the following:

	December 31,	
	2019	2018
Beginning of year	$ **335,153**	$ (164,893)
Cash reimbursements from EPI	**(2,594,913)**	(2,275,956)
CPF net operating expenses	**2,571,559**	2,776,002
End of year	$ **311,799**	$ 335,153

Note 4 - Prepaid Expenses

Prepaid expenses consisted of the following:

	December 31,	
	2019	2018
Insurance	$ **57,964**	$ 49,024
Lease expense	**44,359**	42,633
Supplies and other	**24,497**	23,811
	$ **126,820**	$ 115,468

Note 5 - Fixed Assets

Fixed assets, net consisted of the following:

	December, 31	
	2019	2018
Data processing equipment	$ **265,283**	$ 285,926
Data processing software	**972,480**	972,480
Office furniture and machines	**417,191**	405,034
Leasehold improvements and other	**7,683**	7,684
	1,662,637	1,671,124
Less accumulated depreciation	**(1,609,222)**	(1,576,420)
	$ **53,415**	$ 94,704

For the year ended December 31, 2019 and 2018 depreciation expense on fixed assets was approximately $54,000 and $75,000, respectively.

Note 6 - Income Taxes

In 2019 and 2018, CPF recorded the following current income taxes, which are all included in tax expense in the accompanying statements of operations:

	December 31,	
	2019	2018
Federal income tax	$ **843**	$ 2,262
State income tax	**1,573**	1,149
	$ **2,416**	$ 3,411

Note 7 - CPF Retirement Savings Plan

CPF has a retirement savings plan (CPF Retirement Savings Plan) for the benefit of all employees who meet certain eligibility requirements. CPF made the following contributions to the plan: (1) quarterly contributions based on a percentage of each eligible participant's paid compensation, which amounted to $155,508 for the year 2019 and $139,075 for the year 2018; and (2) discretionary matching contributions based on a percentage of the participants' deferral amount, which amounted to $34,128 for the year 2019 and $35,277 for the year 2018. The CPF Retirement Savings Plan permits all eligible employees to defer up to 100% of their annual compensation, subject to the legal maximum in effect during the year. The CPF Retirement Savings Plan is in compliance with the most recent requirements of the IRC.

Note 8 - Lease Commitments

CPF rents office space under a noncancelable lease agreement which expired on December 31, 2018. The lease was amended effective October 1, 2017, extending the expiration date to May 31, 2024. The amendment included a free rent provision covering the first six months of the lease. In addition to monthly base rent, the lease also requires CPF to pay a proportionate share of operating expenses and property taxes.

The accounting treatment for this lease reflects CPF's tax basis methodology for accounting. Under accounting principles generally accepted in the United States of America, the incentive above would have been amortized over the term of the lease agreement.

Future minimum rental commitments under the lease at December 31, 2019, are as follows:

Years Ending December 31,		Amount
2020	$	202,072
2021		209,225
2022		216,378
2023		223,531
2024		95,373
	$	946,579

Note 9 - Subsequent events

The outbreak of coronavirus disease 2019 (COVID-19) presents various global risks. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management of CPF is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, vendors, industry, and employees. Given the daily evolution of the COVID-19 outbreak and the responses to curb its spread, CPF is not able to estimate the effects, if any, of the COVID-19 outbreak on its results of operations and financial condition.