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

In Re: EAGLE-PICHER INDUSTRIES, INC., *et al.*, Debtors.	Consolidated Case No. 1-91-10100 Chapter 11 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, 2018

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, 2018, 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.

Summary

Under this Court's supervision, the Trust has processed more than 669,994 claims over the past twenty years. In 2018, through the Trust's ownership of the Claims Processing Facility, Inc. (the "CPF"), the Trust received a total of 9,325 asbestos-disease claims; processed to allowance or disallowance a total of 9,019 asbestos-disease claims; and made payments to asbestos victims or their survivors totaling approximately $20.4 million. Valid malignant claims made up approximately 88% 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, 2018 was approximately $822 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 $293.8 million, and at the time of the filing of this report net assets were valued at approximately $300.9 million.

Together, current assets and past distributions total well more than $1.1 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 three in-person meetings and one telephonic meeting during 2018. 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

Following a Request-for-Proposal process conducted in early 2018, the Trustees retained 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 was recommended by management and selected by the Trustees for its 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 2018, 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 161 third-party subpoenas in 2018.

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, the CPF is responding to a motion to compel compliance with a subpoena regarding over 400,000 claimants in connection with the bankruptcy of Rapid-American Corp., pending in the Southern District of New York.

III. <u>Asset Management</u>

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 over 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 2018 was 8% short-term bonds, 54% total-return bonds, and 38% 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, 2018 was 7% in short-term bonds, 55% in total-return bonds, and 38% in equities (21% in the Russell 1000 Index portfolio and 17% 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's investment advisor recommended creating a cash equivalents portfolio consisting of very short-term bonds as well revising the target allocations for the Trust's remaining investment portfolios. The new allocations of 12% in short-term bonds, 48% in total-return bonds, and 40% in equities were approved by the Trustees in 2018 and implemented in January of 2019.

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:

	2018	2017	2016
Short-term bond portfolio	1.5%	1.5%	0.7%
Intermediate-term bond portfolio	1.3%	4.3%	0.2%
Equity:			
Russell 1000 Index portfolio	-4.2%	23.1%	11.9%
S&P ADR Index portfolio	-13.0%	21.4%	5.7%
Total Return	**-2.4%**	**11.2%**	**3.8%**

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 2018 returns of the portfolios closely mirrored the 2018 returns of those indices, which were -4.8% for the Russell 1000 Index and -13.0% for the S&P ADR Index.

The Trust's investment portfolio incurred negative overall returns in 2018, primarily due to the significant downturn of equity markets in December. The recovery of financial markets during the first quarter of 2019 produced positive investment returns for the

Trust that exceeded its 2018 investment losses. As of April 15, 2019, the Trust's investment portfolio was approximately $348.4 million.

From 1998 until 2016, the Trust was not required to pay any federal income taxes because it was able to offset its capital gains tax obligations by carrying forward operating and capital losses. In 2017, the Trust exhausted all of its remaining tax loss carry forwards and began making quarterly estimated federal tax payments. Those payments totaled $3.5 million in 2018.

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 claim option is designed, in part, for claimants who can easily be determined by the Trust to have a valid non-malignant injury claim and who wish to have a fixed payment now, subject to a limited release retaining the right to receive a further payment if the claimant is subsequently diagnosed as having an asbestos-related malignancy. The DCP claim option is also available for malignant claims, using a fixed payment schedule. The DCP payment schedule is a one-time payment as follows:

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

Claims under the IR claim option 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. The filing option is the claimant's choice.

B. Claims Processing Results

The CPF, on behalf of the Trust, received a total of 9,325 individual asbestos personal injury claims in 2018, of which 5,139 sought DCP and 4,186 sought IR. Claims filed or received over the past three years were as follows:

	2018	2017	2016
Total claims received	**9,325**	**10,496**	**16,958**
Discounted Cash Payment	5,139	5,678	12,485
Individualized Review	4,186	4,818	4,473

The ratio of non-malignant to malignant claims filings was approximately 1.36 to 1 in 2018 compared to a ratio of 1.81 to 1 in 2017, 2.55 to 1 in 2016, and 4.71 to 1 from inception through December 31, 2018. Approximately 88% of all dollars paid in 2018 went to claimants with malignant diseases.

During 2018, the CPF processed a total of 9,019 claims to allowance or initial disallowance, with a backlog at year-end of 392 claims. The Trust paid approximately $20.4 million in 2018 to asbestos victims in settlement of their claims. These figures over the past three years were as follows:

	2018	2017	2016
Claims processed to allowance or initial disallowance	9,019	11,131	16,328
Claims paid (in millions)	$20.4	$22.8	$28.3
Claims backlog at year-end	392	86	717

As of December 31, 2018, the CPF, on behalf of the Trust, has received a total of 671,759 individual asbestos personal injury claims since inception. Of these 671,759 claims, the CPF has processed to allowance or initial or final disallowance 669,994 claims, including 1,373

Trust-processed prepetition settled claims. The Trust has paid a total of approximately $822.1 million on allowed claims.

The Trust also processed approximately 2,669 disallowance responses during 2018. The initial disallowance rate in 2018 was 68%. 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 2018, the CPF, on behalf of the Trust, received 5,139 DCP claims and processed to allowance or initial disallowance a total of 4,932 DCP claims. Upon initial review, the CPF allowed approximately 30% of DCP claims reviewed in 2018 and initially disallowed approximately 70%. Claimants have one year following initial disallowance to correct any deficiency in the claim. The Trust paid a total of $1.8 million on allowed DCP claims during 2018, bringing the total paid to claimants on DCP claims over the life of the Trust to $124.6 million.

2. Individualized Review Claims

The CPF, on behalf of the Trust, received 4,186 claims requiring individualized review during the Report period. The CPF processed to allowance or initial disallowance 4,087 IR claims in 2018, of which approximately 32% were allowed and 68% 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 $18.6 million on allowed IR claims in 2018, bringing the total paid on such claims over the life of the Trust to $693.4 million.

C. Alternative Dispute Resolution

Only one claim had an arbitration decision rendered in the Trust's Alternative Dispute Resolution ("ADR") program in 2018, and it was settled in favor of the claimant.

As of December 31, 2018, a total of 1,139 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 position prevailed in approximately 82% of these cases.

At year-end, 13 claims were pending appeal of a Nonbinding Evaluation by Document award. Claimants' counsel has notified the Trust of its intent to bring 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. All of these claims have been pending appeal for a number of years.

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

	2018	2017	2016
Total ADR awards	**1**	**1**	**1**
Trust's position prevailed	0	1	1
Claimant's position prevailed	1	0	0
Claims pending in ADR	**1**	**2**	**1**

In addition, at the close of the Report period, one claimant had a pending request to invoke the ADR process. This number 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, the UNR Asbestos-Disease Trust, and the Bondex Trust.

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 2018 were approximately $4.3 million, which was 4% lower than the budgeted amount and approximately 9% less than 2017 operating expenses. Approximately 65% of all operating expenses are directly attributable to claims processing. Claims processing expenses totaled $2.78 million in 2018, $3.11 million in 2017, and $3.01 million in 2016.

VI. Financial Statements

The Trust's audited financial statements for the year ended December 31, 2018 are attached as Exhibit A and the CPF's audited financial statements for the year ended December 31, 2018 are attached as Exhibit B.

Dated: Cleveland, Ohio
April 18, 2019

/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

Year Ended December 31, 2018 and 2017

EAGLE-PICHER INDUSTRIES, INC.
PERSONAL INJURY SETTLEMENT TRUST

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying special-purpose consolidated 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, 2018, and the related special-purpose consolidated statements of operations and changes in net assets for the year then ended, and the related notes to the special-purpose consolidated financial statements.

Management's Responsibility for the 2018 Special-Purpose Consolidated Financial Statements

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

Auditor's Responsibility for the 2018 Special-Purpose Consolidated Financial Statements

Our responsibility is to express an opinion on these special-purpose consolidated financial statements based on our audit. We conducted our audit 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 special-purpose consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special-purpose consolidated 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 special-purpose consolidated 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 on the 2018 Special-Purpose Consolidated Financial Statements

In our opinion, the special-purpose consolidated 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, 2018, and the related statement of operations and changes in net assets for the year 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 special-purpose consolidated financial statements, which describes the basis of accounting. The special-purpose consolidated 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.

Prior Period Special-Purpose Consolidated Financial Statements

The special-purpose consolidated financial statements of Eagle-Picher Industries, Inc. Personal Injury Settlement Trust as of December 31, 2017 were audited by other auditors whose report dated April 17, 2018, expressed an unmodified opinion on those statements.

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 11, 2019

EAGLE-PICHER INDUSTRIES, INC.

PERSONAL INJURY SETTLEMENT TRUST

Special-Purpose Consolidated Statements of Net Assets

	December 31, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	**$ 4,537,093**	$ 5,541,740
Investments	**326,197,012**	360,665,749
Investment income receivable	**2,643,328**	2,710,517
Advances to Claims Processing Facility, Inc.	**-**	164,893
Prepaid federal taxes	**276,893**	475,186
Total assets	**$ 333,654,326**	$ 369,558,085
LIABILITIES		
Settled but unpaid claims	**$ 11,281,753**	$ 11,711,830
Accounts payable and accrued expenses	**185,154**	286,947
Due to Claims Processing Facility, Inc.	**335,153**	-
Net deferred income tax liability	**28,087,157**	38,478,243
Total liabilities	**39,889,217**	50,477,020
Net assets	**293,765,109**	319,081,065
Net liabilities and net assets	**$ 333,654,326**	$ 369,558,085

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, 2018	Years ended December 31, 2017
Investment Income (Loss)		
Tax-exempt interest income	$ **6,194,418**	$ 6,070,072
Taxable interest and dividend income	**3,613,530**	3,814,232
Net realized capital gain	**10,557,054**	11,689,622
Net unrealized capital gain (loss)	**(28,084,015)**	17,280,854
Total investment income (loss)	**(7,719,013)**	38,854,780
Operating Expenses		
General and administrative expenses	**376,826**	445,385
Claims processing and administration	**2,776,002**	3,114,494
Professional fees	**460,896**	441,632
Investment related expenses	**674,819**	690,503
Total operating expenses	**4,288,543**	4,692,014
Income (loss) before tax expense	**(12,007,556)**	34,162,766
Income tax expense (benefit)	**(6,692,793)**	8,420,355
Net increase (decrease) in net assets from operations	**(5,314,763)**	25,742,411
Claims settled	**20,001,193**	22,349,314
Net increase (decrease) in net assets	**(25,315,956)**	3,393,097
Net assets, beginning of year	**319,081,065**	315,687,968
Net assets, end of year	$ **293,765,109**	$ 319,081,065

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:

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

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

Basis of accounting - continued

- 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). Payments to this entity are accounted for as advances to CPF and expensed by the Trust as the funds are expensed by CPF. 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. 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.

Reclassifications

Certain reclassifications have been made to prior year balances to conform with current year presentation.

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 11, 2019, the date on which the special-purpose consolidated financial statements were available to be issued.

Note 3 - Investments

The Trust had a cumulative net unrealized holding gain on investments of approximately $75,909,000 and $103,993,000 at December 31, 2018 and 2017, respectively. Investments consisted of the following as of December 31:

	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
Rights/warrants	-	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

Note 3 - Investments – (Continued)

	2017			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Tax-exempt municipal bonds	$ 198,041,671	$ 7,825,652	$ (242,785)	$ 205,624,538
Equity securities	57,579,068	96,115,056	(78,646)	153,615,478
Preferred stock	362,289	419,744	-	782,033
Rights/warrants	1,696	12	-	1,708
Non-government-backed collateralized mortgage obligations	688,268	-	(46,276)	641,992
	$ 256,672,992	$ 104,360,464	$ (367,707)	$ 360,665,749

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.

EAGLE-PICHER INDUSTRIES, INC.
PERSONAL INJURY SETTLEMENT TRUST

Notes to Special-Purpose Consolidated Financial Statements

Note 3 - Investments – (Continued)

Fair value measurements - continued

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
Rights/warrants	-	2	-	2
Non-government-backed collateralized mortgage obligations	-	533,271	-	533,271
Total	$ 124,533,193	$ 201,663,819	$ -	$ 326,197,012

Fair value measurements recorded on a recurring basis at December 31, 2017 were as follows:

	Level 1	Level 2	Level 3	Total
Tax-exempt municipal bonds	$ -	$ 205,624,538	$ -	$ 205,624,538
Equity securities	153,615,478	-	-	153,615,478
Preferred stock	782,033	-	-	782,033
Rights/warrants	-	1,708	-	1,708
Non-government-backed collateralized mortgage obligations	-	641,992	-	641,992
Total	$ 154,397,511	$ 206,268,238	$ -	$ 360,665,749

Note 3 - Investments – (Continued)

Maturities of the Trust's tax-exempt municipal bonds at December 31, 2018 are as follows:

	Fair Value	Cost	Unrealized Gain (Loss)
Due in 1 year or less	$ 3,234,229	$ 3,217,609	$ 16,620
Due after 1 year through 5 years	45,530,050	44,393,764	1,136,286
Due after 5 years through 10 years	63,942,690	62,070,904	1,871,786
Due after 10 years through 20 years	73,904,554	72,606,591	1,297,963
Due after 20 years through 30 years	10,256,084	10,295,657	(39,573)
Due after 30 years	4,262,939	4,265,089	(2,150)
Total	$ 201,130,546	$ 196,849,614	$ 4,280,932

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% and 39.6% as of December 31, 2018, and 2017, respectively.

On December 22, 2017, Public Law No. 115-97 generally known as Tax Cut and Jobs Act of 2017 (TCJA), was enacted into law. The TCJA included a number of changes to existing U.S. tax laws that impact the Trust, most notably a reduction of the Trust's maximum tax rate from 39.6% to 37% and adjustments to the terms of net operating loss (NOL) carryforwards. For 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 under pre-TCJA law and there is no limitation in the reduction of modified taxable income. As a result of TCJA, the Trust revised the deferred tax liabilities as required due to changes in the statutory rate.

EAGLE-PICHER INDUSTRIES, INC.
PERSONAL INJURY SETTLEMENT TRUST

Notes to Special-Purpose Consolidated Financial Statements

Note 4 - Income Taxes – (Continued)

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

	Years Ended December 31,	
	2018	2017
Modified taxable income	$ **9,853,430**	$ 2,631,717
Tax rate	**37%**	39.6%
Tax expense generated on modified taxable income	**3,645,769**	1,042,160
True up prior year estimates	**52,524**	(12,324)
Deferred income tax expense (benefit)	**(10,391,086)**	10,094,396
Deferred income tax expense (benefit) on rate changes	**-**	(2,703,877)
Net federal tax expense (benefit)	$ **(6,692,793)**	$ 8,420,355

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.

During the year ended December 31, 2018, the Trust made cash payments for federal income taxes of $3,500,000. Due to large realized gains recognized during 2017, all capital loss and net operating loss carryforwards were extinguished during 2017. The Trust paid federal income taxes of $1,505,000 during 2017, resulting in an overpayment of federal income taxes of $475,186 which was carried forward to 2018.

As of December 31, 2018 and 2017, deferred tax liabilities are attributable to net unrealized gains on investments.

Note 5 - Liability for Toxic Personal Injury Claims

From inception through December 31, 2018 and 2017, the Trust received approximately 671,800 and 662,400 asbestos disease claims, respectively. No lead personal injury claims have been filed with the Trust. Claim payments for the years ended December 31, 2018 and 2017 were approximately $20,431,000 and $22,779,000, 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, 2018 and 2017, the Trust incurred Trustee and TAC fees of approximately, $349,000 and $350,000, respectively. The Trust also maintains liability insurance for Trustees and Officers.

Note 7 - Claims Processing Facility, Inc.

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, 2018 and 2017, claims administration and processing expenses incurred at CPF was approximately $2,776,000 and $3,114,000, respectively.

Agreements entered into in connection with establishment of CPF require, among other matters, contributions to working capital in proportion to expected usage of the claims facility. The related cash payments made to CPF for the years ended December 31, 2018 and 2017 amounted to approximately $2,276,000 and $3,035,000, respectively.

SUPPLEMENTAL INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

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

We have audited the special-purpose consolidated financial statements of the Eagle-Picher Industries, Inc. Personal Injury Settlement Trust (the Trust) as of and for the year ended December 31, 2018, and our report thereon dated April 11, 2019, which expressed an unmodified opinion on the 2018 financial statements, appears on pages one and two. Our audit was conducted for the purpose of forming an opinion on the special-purpose consolidated financial statements as a whole. The supplemental schedules of general and administrative expenses and advances (due) to Claims Processing Facility, Inc. are presented for purposes of additional analysis and are not a required part of the special-purpose consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the special-purpose consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the special-purpose consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special-purpose consolidated financial statements or to the special-purpose consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2018 information is fairly stated in all material respects in relation to the special-purpose consolidated financial statements as a whole. The 2017 supplemental schedules of general and administrative expenses and prepaid working capital – Claims Processing Facility, Inc. on pages 18 and 19 were subjected to the auditing procedures applied in the 2017 audit of the basic special-purpose consolidated financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2017 special-purpose consolidated financial statements as a whole.

BKM Sowan Horan, LLP

Addison, Texas
April 11, 2019

EAGLE-PICHER INDUSTRIES, INC.

PERSONAL INJURY SETTLEMENT TRUST

Schedules of General and Administrative Expenses

	Years ended December 31,	
	2018	2017
Trustee and TAC fees	$ **349,081**	$ 349,525
Insurance	**10,490**	68,438
Meeting costs, travel, and reimbursed expenses	**13,705**	23,290
Other general and administrative	**3,550**	4,132
Total General and Adminstrative Expenses	$ **376,826**	$ 445,385

EAGLE-PICHER INDUSTRIES, INC.

PERSONAL INJURY SETTLEMENT TRUST

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

	Years ended December 31,	
	2018	2017
Advances to CPF, beginning of year	$ **164,893**	$ 244,191
Cash payments to CPF	**2,275,956**	3,035,196
CPF claims processing expenses	**(2,776,002)**	(3,114,494)
Advances (Due) to CPF, end of year	$ **(335,153)**	$ 164,893

Exhibit B

CLAIMS PROCESSING FACILITY, INC.

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

Years Ended December 31, 2018 and 2017

CLAIMS PROCESSING FACILITY, INC.

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BKM SOWAN HORAN
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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 statement of financial condition as of December 31, 2018, and the related statements of operations, and cash flows for the year 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 2018 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 2018 Financial Statements

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 on the 2018 Financial Statements

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, 2018, and the results of its operations and cash flows for the year 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.

Prior Period Financial Statements

The financial statements of the Company as of December 31, 2017 were audited by other auditors whose report dated April 17, 2018, expressed an unmodified opinion on those statements.

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 11, 2019

CLAIMS PROCESSING FACILITY, INC.

Statements of Financial Condition

(Income Tax Basis)

	December 31, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	$ **578,079**	$ 1,082,233
Accounts receivable	**56,226**	40,178
Due from Eagle-Picher Industries, Inc.		
Personal Injury Settlement Trust	**335,153**	-
Prepaid expenses	**115,468**	98,589
Fixed assets at cost, less accumulated depreciation	**94,704**	123,622
	$ **1,179,630**	$ 1,344,622
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accrued expenses	$ **103,222**	$ 103,321
Advances from Eagle-Picher Industries, Inc.		
Personal Injury Settlement Trust	**-**	164,893
Total liabilities	**103,222**	268,214
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
	$ **1,179,630**	$ 1,344,622

See accompanying notes to the financial statements.

CLAIMS PROCESSING FACILITY, INC.

Statements of Operations

(Income Tax Basis)

	Years Ended December 31, 2018	2017
Revenues		
Claims processing revenue	$ **3,227,142**	$ 3,687,451
Interest income	**12,819**	5,726
Total revenues	**3,239,961**	3,693,177
Expenses		
Salaries and related items	**2,382,927**	2,879,985
Depreciation	**75,247**	90,712
General and administrative	**282,738**	269,226
Leases	**271,415**	233,563
Professional fees	**170,696**	162,286
Insurance	**53,577**	54,269
Total operating expenses	**3,236,600**	3,690,041
Gain on disposal of fixed assets	**(50)**	(208)
Total expenses	**3,236,550**	3,689,833
Income before tax expense	**3,411**	3,344
Tax expense	**3,411**	3,344
Net income	$ **-**	$ -

See accompanying notes to the financial statements.

CLAIMS PROCESSING FACILITY, INC.

Statements of Cash Flows

(Income Tax Basis)

	Years Ended December 31, 2018	2017
Cash flows from operating activities:		
Net income	$ -	$ -
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expense	**75,247**	90,712
Gain on disposal of fixed assets	**(50)**	(208)
Changes in operating assets and liabilities:		
Accounts receivable	**(16,048)**	28,681
Prepaid expenses	**(16,879)**	16,345
Accrued expenses	**(99)**	6,560
Deferred revenue	**(500,046)**	(79,299)
Net cash provided by (used in) operating activities	**(457,875)**	62,791
Cash flows from investing activities:		
Purchase of fixed assets	**(46,329)**	(48,698)
Proceeds from sale of fixed assets	**50**	930
Net cash used in investing activities	**(46,279)**	(47,768)
Net increase (decrease) in cash	**(504,154)**	15,023
Cash and cash equivalents, beginning of year	**1,082,233**	1,067,210
Cash and cash equivalents, end of year	$ **578,079**	$ 1,082,233
Supplemental cash flow information:		
Cash paid for income taxes	$ **2,000**	$ 4,000

See accompanying notes to the financial statements.

CLAIMS PROCESSING FACILITY, INC.

Notes to 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 between August 1, 2019 and 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 December 31, 2019.

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)

Advances (due) from EPI

Advances (due) from EPI consists of cash paid for operating expenses by EPI based on CPF's operating requirements.

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 recorded based on the net cost of the claims processed during the period.

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, 2018 and 2017.

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 11, 2019, the date on which the financial statements were available to be issued.

Note 3 - Lease Commitments

CPF entered into a noncancelable lease for office space, effective November 1, 2005, which had an amended expiration date of December 31, 2018. The lease was further amended effective October 1, 2017, extending the expiration date to May 31, 2024. The amendment to the lease includes 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, 2018, are as follows:

Years Ending December 31,		Amount
2019	$	194,919
2020		202,072
2021		209,225
2022		216,378
2023		223,531
Thereafter		95,373
	$	1,141,498

Note 4 - 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 $139,075 for the year 2018 and $175,790 for the year 2017; and (2) discretionary matching contributions based on a percentage of the participants' deferral amount, which amounted to $35,277 for the year 2018 and $41,627 for the year 2017. 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 5 - Fixed Assets

Fixed assets, net consisted of the following:

	December, 31	
	2018	2017
Data processing equipment	$ **285,926**	$ 337,811
Data processing software	**972,480**	1,016,435
Office furniture and machines	**405,034**	406,418
Other	**7,684**	7,684
	1,671,124	1,768,348
Less accumulated depreciation	**(1,576,420)**	(1,644,726)
	$ **94,704**	$ 123,622

For the year ended December 31, 2018 and 2017 depreciation expense on fixed assets was $75,247 and $90,712, respectively.

Note 6 - Advances (Due) From EPI

Below is a summary of the cash advanced, the revenue earned, and the advances (due from EPI) balance for the years ended December 31, 2018 and 2017:

	December 31,	
	2018	2017
Advances from EPI, beginning of year	**164,893**	244,192
Cash advanced from EPI	**2,275,956**	3,035,195
EPI claims processing revenue	**(2,776,002)**	(3,114,494)
Advances (due) from EPI, end of year	$ **(335,153)**	$ 164,893

Note 7 - Income Taxes

In 2018 and 2017, CPF recorded the following current income taxes, which are all included in tax expense in the accompanying statements of operations:

	December 31,	
	2018	2017
Federal income tax	$ **2,262**	$ 2,960
State income tax	**1,149**	384
	$ **3,411**	$ 3,344