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

In Re: EAGLE-PICHER INDUSTRIES, INC., DAISY PARTS, INC., TRANSCOIL, INC., MICHIGAN AUTOMOTIVE RESEARCH CORPORATION, EAGLE-PICHER MINERALS, INC. AND HILLSDALE TOOL AND MANUFACTURING CO., Debtors.	Consolidated Case No. 1-91-10100 Chapter 11 Hon. Burton Perlman, U.S.B.J.

ANNUAL REPORT AND ACCOUNT OF RUTH R. McMULLIN, DAVID L. McLEAN, AND JAMES J. McMONAGLE, AS TRUSTEES OF THE EAGLE-PICHER INDUSTRIES, INC. PERSONAL INJURY SETTLEMENT TRUST, FOR THE YEAR ENDED DECEMBER 31, 2011

Purpose of Report

Ruth R. McMullin (Chairperson), David L. McLean, and James J. McMonagle (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

61825769_1

Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/1

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, 2011, 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 582,000 claims over the past fifteen years. In 2011, through the Trust's ownership of the Claims Processing Facility, Inc. (the "CPF"), the Trust received a total of 15,631 asbestos-disease claims; processed to allowance or disallowance a total of 14,418 asbestos-disease claims; and made payments to asbestos victims totaling approximately $36.7 million. Valid malignant claims continue to make up an increasing percentage 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, 2011 was approximately $628.2 million.

In addition, 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 and Trust staff held quarterly conference calls with the Trust's investment advisor and 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 $404.6 million.

The Trustees and Trust management also worked with expert consultants during the Report Period to update the actuarial forecast for the many factors affecting future claims

payments, as well as the invested assets available to make those payments. Based on the advice of these expert consultants and after consulting with the Trustees' Advisory Committee, the Trustees lowered the payment percentage from 38.0% to 31.0% effective November 1, 2011.

These activities and others are described in more detail below.

I. Meetings of the Trustees

The Trustees held four meetings in person during 2011. The Trustees' Advisory Committee participated in all of the meetings. In addition, the Audit Committee held a separate meeting in person.

II. Trust Administration

The Trustees continued to retain as auditors the firm of Sikich, LLP, as tax consultant the firm of Deloitte & Touche LLP and as insurance broker the firm of Marsh & McLennan, Inc.

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

- Ms. McMullin, as Chairperson, devoted significant time to management of the Trust staff, to communicating with the Trust's investment advisor and investment managers, and to her duties as a member of the Trust's and CPF's Audit Committees;
- Mr. McMonagle continued to monitor developments with respect to legislation, litigation, and bankruptcies of asbestos companies potentially affecting the Trust; and
- Mr. McLean served as Chair of the Audit Committee for the Trust and for the CPF. He also worked with Trust staff on the Trust's and CPF's insurance programs.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/4

The Trustees and Trust staff continued to monitor developments in asbestos litigation. In 2011 this included, among other things, monitoring and taking appropriate steps in connection with allegations and judicial determinations concerning the reliability of physicians and others providing medical evidence of asbestos-related disease.

The Trust responded to approximately 195 subpoenas in 2011. 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 providing notice to the claimant. Generally, the Trust received reimbursement for responding to the subpoenas.

Consistent with the Trust's long-standing policy, the Trust did not divulge any medical information or trust settlement amounts in responding to the subpoenas and, to the extent that any of the subpoenas requested such information, the Trust took action to quash or otherwise oppose the request. As referenced in the Trust's 2010 annual report, the Trust and CPF filed an objection in the Garlock Sealing Technologies, LLC bankruptcy pending in the Western District of North Carolina opposing disclosure of the Trust's entire claims database. That objection remained pending through the Report Period.

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. 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 15% of the portfolio in taxable and/or 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; and (4) an equity portfolio composed of American Depository Receipts ("ADR's") representing ownership interest in securities of over 250 large capitalization companies in developed markets outside the U.S., benchmarked to the Standard & Poor's ADR Index.

Upon the advice of the Trust's investment advisor, the Trust's target investment allocation during 2011 was 10% short-term bonds, 58% total-return bonds, and 32% 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, 2011 was 7.6% in short-term bonds, 57.4% in total-return bonds, and 34.0% in equities (23.2% in the Russell 1000 Equity Portfolio and 11.8% in the S&P ADR Portfolio).

The Trust continued to retain as investment managers J.P. Morgan Asset Management to manage the short-term bond portfolio, Standish Mellon Asset Management 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, the Trustees met regularly in person with Cambridge Associates, and had in person meetings with all investment managers.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/6

B. Investment Performance

Investment returns over the past three years were as follows:

	2011	2010	2009
Short-term bond portfolio	0.3%	1.0%	2.6%
Intermediate-term bond portfolio	9.3%	3.4%	9.6%
Equity:			
Russell 1000 Index portfolio	1.5%	16.0%	28.3%
S & P ADR Index portfolio	-10.8%	7.0%	36.5%
Total Return	**4.1%**	**6.0%**	**13.4%**

Both the short-term and intermediate-term bond portfolio 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 all but mirrored the returns of those indices, which were 1.5% for the Russell 1000 Index and -10.6% for the S&P ADR.

IV. Claims Processing

A. Claim Filing Options

A claimant has the option to file either a DCP (Discounted Cash Payment) or an IRC (Individualized Review Claim) claim form. The DCP is designed, in part, for claimants who can easily be determined by the Trust to have a valid nonmalignant injury claim and who wish to have a fixed payment now and a limited release retaining the right to receive a further payment if the injured should subsequently be 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 is a one-time payment as follows:

Mesothelioma	$6,500
Lung Cancer	$2,000

Other Cancer	$1,000
Non-malignant	$400

For an IRC claim, the claim is reviewed using tort system principles and a confidential, proprietary claim valuation model. This option is available for all disease categories. Trust management has advised claimants counsel that, based on current facts and circumstances including the Trust's current payment percentage, the IRC 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 15,631 individual asbestos personal injury claims in 2011, of which 7,011 sought discounted cash payment and 8,620 sought individualized review. Claims over the past three years were as follows:

	2011	2010	2009
Total claims received	**15,631**	**11,499**	**9,136**
Discounted cash payment	7,011	3,233	3,045
Individualized review	8,620	8,266	6,091

The ratio of non-malignant to malignant claim filings was approximately 1.83 to 1 in 2011, compared to a ratio of 1.56 to 1 in 2010 and 1.22 to 1 in 2009 and down from over 5.89 to 1 from inception through December 31, 2011. Approximately 83.7% of all dollars paid in 2011 went to claimants with malignant diseases.

During 2011, the CPF processed a total of 14,418 claims to allowance or initial disallowance, with a backlog at year-end of 3,681 claims. The Trust paid approximately $36.7 million in 2011 to asbestos victims in settlement of their claims. These figures over the past three years were as follows:

	2011	2010	2009
Claims processed to allowance or initial disallowance	14,418	12,154	6,896
Claims paid (in millions)	$36.7	$36.3	$23.8
Claims backlog at year-end	3,681	2,371	3,044

As of December 31, 2011, the CPF, on behalf of the Trust, has received since inception a total of 586,198 individual asbestos personal injury claims. Of these 586,198 claims, the CPF has processed to allowance or initial or final disallowance a total of 582,517 claims. The Trust has paid a total of approximately $628.2 million on allowed claims.

The Trust also processed during 2011 approximately 3,065 disallowance responses. The initial disallowance rate increased in 2011 to 60.5%, compared to initial disallowance rates ranging from 43.6% to 47.3% during the years 2008 to 2010 and 54.8% from inception of the Trust. The higher initial disallowance rate in 2011 was due primarily to a large group of DCP non-malignant claims from one law firm (approximately 20% of total reviewed claims in 2011) that had a 99% initial disallowance rate. If the claims from this one law firm are excluded, the initial disallowance rate in 2011 was 50.9%. The principal source of disallowances is proof of exposure to Eagle-Picher asbestos-containing product that do not comply with the requirements of the Claims Resolution Procedures. Since the inception of the Trust, the historical cure rate for disallowances is approximately 35.3%. The average cure rate over the past five years has decreased to 26.8%.

1. Discounted Cash Payment Claims

During 2011 the CPF on behalf of the Trust received 7,011 discounted cash payment claims and processed to allowance or initial disallowance a total of 6,176 discounted cash payment claims.* Upon initial review, the CPF allowed approximately 22.5% of DCP claims reviewed in 2011 and initially disallowed approximately 77.5%. Claimants have one year following initial disallowance to correct any deficiency in the claim. The Trust paid a total of $2.3 million on allowed discounted cash payment claims during 2011, bringing the total paid to claimants on discounted cash payment claims over the life of the Trust to $110.4 million.

2. Individualized Review Claims

The CPF on behalf of the Trust received 8,620 claims requiring individualized review during the Report Period. The CPF processed to allowance or initial disallowance 8,242 IRC claims in 2011, of which approximately 52.5% were allowed and 47.5% were initially disallowed.* (As noted above, claimants have one year following initial disallowance to correct any deficiency in the claim.) The Trust paid a total of $34.4 million on allowed individualized review claims in 2011, bringing the total paid on such claims to $513.6 million.

---

* The number processed includes claims filed in previous years.

* The number processed includes claims filed in previous years.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/10

C. Alternative Dispute Resolution

Four claims went to decision in Alternative Dispute Resolution ("ADR") in 2011, with two being settled in favor of the Trust and two in favor of the claimants.

As of December 31, 2011, a total of 1,074 individual claims (including 345 claims consolidated into a single proceeding) had gone to decision through the Trust's Evaluation by Document Alternative Dispute Resolution program. The Trust's position prevailed in approximately 81% of these cases.

At year end, 14 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, however, 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 several years.

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

	2011	2010	2009
Total ADR awards	**4**	**0**	**2**
Trust's position prevailed	2	0	2
Claimant's position prevailed	2	0	0
Claims pending in ADR	43	28	25

In addition, at the close of the Report Period 29 claimants had initiated dispute resolution or had pending a request to invoke the process, compared to 14 claims as of December 31, 2010.

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 attending CPF board and committee meetings,

but 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 service as CPF directors.

In their capacity at CPF directors, the Trustees reappointed William B. Nurre as President of the CPF and reappointed Melanie K. Impastato, Esq. as Secretary of the CPF. Mr. Nurre and Ms. Impastato receive no compensation for their service as officers of the CPF beyond their ordinary compensation as CPF employees.

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, and the UNR Trust.

A copy of the audited financial statements of the CPF for the year ended December 31, 2011 is attached as Exhibit B.

V. Payment Percentage

Pursuant to Section IV of the Claims Resolution Procedures, the Trust reassessed during the Report Period the percentage to be paid on allowed individualized review claims. The Trustees last formally assessed the percentage in the fall of 2009. In keeping with Section 5.8 of the Trust Agreement authorizing the Trustees' good faith reliance on the opinion of experts, the Trust retained expert consultants Dr. B. Thomas Florence of Analysis Research Planning Corporation and Dr. Mark Peterson of Legal Analysis Systems, Inc. to analyze current information and trends on claims filings, claims resolution, investment results, and any other relevant factors, and to make updated recommendations regarding the payment percentage.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/12

Based on the recommendations from the expert consultants and after consulting with the Trustees' Advisory Committee, the Trustees lowered the payment percentage from 38.0% to 31.0% effective November 1, 2011. The decrease in the payment percentage was primarily the result of an increase in the projection of claim filings over the remaining life of the Trust.

Attached as Exhibit C is the Trust's letter to claimants' counsel notifying them of the payment percentage change.

VI. Cost Control

The Trust and the CPF continued to monitor costs closely. Trust operating expenses were approximately $177,000 more in 2011 than 2010, primarily due to actuarial costs. Claims processing expenses, roughly 63% of total operating expenses, increased from $2.95 million in 2010 to $3.05 million in 2011, but remained low relative to expenses for the past five years ($5.36 million in 2006, $3.89 million in 2007, $3.41 million in 2008 and $3.22 million in 2009).

Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/13

VII. Financial Statements

The Trust's audited financial statements for 2011 are attached as Exhibit A.

Dated: New York, New York

April 23, 2012

David L. McLean, Trustee, for himself and for Ruth R. McMullin, Trustee (Chairperson), and James J. McMonagle, Trustee

61825769_1

Exhibit A

EAGLE-PICHER INDUSTRIES, INC.
PERSONAL INJURY SETTLEMENT TRUST

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Years Ended
December 31, 2011 and 2010

Sikich.
Certified Public Accountants & Advisors

Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/16

CONTENTS

	Page(s)
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	
Special-Purpose Statements of Net Assets	4
Special-Purpose Statements of Operations and Changes in Net Assets	5
Notes to Special-Purpose Financial Statements	6-15
SUPPLEMENTARY INFORMATION	
INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION	16
Schedules of General and Administrative Expenses	17
Schedules of Prepaid Working Capital - Claims Processing Facility, Inc.	18

Eagle-Picher Asbestos Trust Annual Reports, 2011 annual report
ACL Doc 14344 · Page 17 of 53
Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/17

Certified Public Accountants & Advisors

Sikich®

Members of American Institute of
Certified Public Accountants

1415 W. Diehl Road, Suite 400 • Naperville, IL 60563

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Eagle-Picher Industries, Inc.
Personal Injury Settlement Trust
Cincinnati, Ohio

We have audited the accompanying special-purpose statements of net assets of Eagle-Picher Industries, Inc. Personal Injury Settlement Trust (the Trust) as of December 31, 2011 and 2010, and the related special-purpose statements of operations and changes in net assets for the years then ended. These special-purpose financial statements are the responsibility of the Trustees. Our responsibility is to express an opinion on these special-purpose 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 audits to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. We were not engaged to perform an audit of the Trust's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2, the accompanying special-purpose financial statements have been prepared for the purpose of complying with Section 3.2 of the Trust Agreement dated November 29, 1996, and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the accompanying special-purpose financial statements referred to above present fairly, in all material respects, the net assets of the Trust at December 31, 2011 and 2010, and its changes in net assets for the years then ended, on the basis of accounting described in Note 2.

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.

Sikich LLP

Naperville, Illinois
March 16, 2012

Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/18

FINANCIAL STATEMENTS

Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/19

EAGLE-PICHER INDUSTRIES, INC.

PERSONAL INJURY SETTLEMENT TRUST

SPECIAL-PURPOSE STATEMENTS OF NET ASSETS

December 31, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents (Note 3)	$ 17,114,006	$ 18,800,885
Investments in debt and equity securities (Note 4)	411,062,251	433,376,280
Prepaid working capital - Claims Processing Facility, Inc.	534,093	283,329
TOTAL ASSETS	$ 428,710,350	$ 452,460,494
LIABILITIES AND NET ASSETS		
LIABILITIES		
Settled but unpaid claims	$ 12,002,724	$ 14,025,595
Accounts payable	69,336	72,861
Accrued expenses	197,234	207,196
ADR fee liability	47,250	44,750
Lease commitments payable	25,169	39,000
Net deferred income tax liability (Note 5)	11,732,613	10,570,802
Total liabilities	24,074,326	24,960,204
NET ASSETS	404,636,024	427,500,290
TOTAL LIABILITIES AND NET ASSETS	$ 428,710,350	$ 452,460,494

See accompanying notes to special-purpose financial statements.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/20

EAGLE-PICHER INDUSTRIES, INC.
PERSONAL INJURY SETTLEMENT TRUST

SPECIAL-PURPOSE STATEMENTS OF
OPERATIONS AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2011 and 2010

	2011	2010
INVESTMENT INCOME		
Tax-exempt interest income	$ 9,709,950	$ 10,693,324
Taxable interest and dividend income	3,792,643	3,241,492
Net realized capital gain (loss)	(2,671,512)	(5,447,240)
Net unrealized capital gain	7,009,960	17,527,788
Total investment income	17,841,041	26,015,364
OPERATING EXPENSES		
General and administrative expenses	606,247	628,149
Claims processing and administration	3,052,496	2,953,541
Professional fees	477,784	345,408
Investment related expenses	739,266	767,605
Total operating expenses	4,875,793	4,694,703
INCOME BEFORE TAX EXPENSE	12,965,248	21,320,661
Income tax expense (Note 5)	(1,162,311)	(3,789,272)
NET INCREASE IN NET ASSETS FROM OPERATIONS	11,802,937	17,531,389
Claims settled	(34,667,203)	(41,368,616)
NET INCREASE (DECREASE) IN NET ASSETS	(22,864,266)	(23,837,227)
NET ASSETS, BEGINNING OF YEAR	427,500,290	451,337,517
NET ASSETS, END OF YEAR	$ 404,636,024	$ 427,500,290

See accompanying notes to special-purpose financial statements.

EAGLE-PICHER INDUSTRIES, INC.
PERSONAL INJURY SETTLEMENT TRUST

NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

December 31, 2011 and 2010

1. DESCRIPTION OF THE 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 LLC, in which the Trust is a 99.9% partner and a wholly-owned subsidiary of the Trust 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, 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.

2. BASIS OF ACCOUNTING AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Trust's 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 include the following:

Eagle-Picher Asbestos Trust Annual Reports, 2011 annual report
ACL Doc 14344 · Page 22 of 53
Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/22

EAGLE-PICHER INDUSTRIES, INC.
PERSONAL INJURY SETTLEMENT TRUST
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS (Continued)

2. BASIS OF ACCOUNTING AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

a. Future fixed liabilities and contractual obligations entered into by the Trust are recorded directly against net assets. Accordingly, the future minimum rental commitments for noncancelable operating leases have been recorded as a deduction from net assets. Under GAAP, liabilities and contractual obligations are recorded only as incurred.

b. 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.

c. 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.

d. Both 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. Interest income receivable is included in the carrying value of investments. At December 31, 2011 and 2010, interest income receivable was $3,955,965 and $4,289,713, respectively. 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 statements of operations and changes in net assets.

e. The Trust processes claims through its wholly-owned subsidiary, Claims Processing Facility, Inc. (CPF) (see Note 10). Payments to this entity are accounted for as prepaid working capital and expensed by the Trust as the funds are expensed by CPF. No investment in CPF was recorded by the Trust as would be required by GAAP.

Eagle-Picher Asbestos Trust Annual Reports, 2011 annual report
ACL Doc 14344 · Page 23 of 53
Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/23

EAGLE-PICHER INDUSTRIES, INC.
PERSONAL INJURY SETTLEMENT TRUST
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS (Continued)

2. BASIS OF ACCOUNTING AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of special-purpose 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 financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

The Trust follows the authoritative guidance issued by the Financial Accounting Standards Board (FASB) which defines fair value, establishes a framework for measuring fair value by providing a hierarchy used to classify the source of the information measuring fair value, and expands disclosures about fair value measurements.

Assets and liabilities carried at fair value are classified and disclosed in one of the following categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Income Taxes

The Trust follows authoritative guidance issued by the Financial Accounting Standards Board (FASB) that clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold of more-likely-than-not to be sustained upon examination. Measurement of the tax uncertainty occurs if the recognition threshold has not been met. This guidance also addresses derecognition, classification, interest and penalties, disclosure, and transition.

In the normal course of business, the Trust is subject to examination by taxing authorities. The Trust's tax returns for years subsequent to the fiscal year ended December 31, 2007 are open, by statute, for review by authorities. However, at present, there are no ongoing income tax audits or unresolved disputes with the tax authorities with which the Trust currently files or has filed.

Eagle-Picher Asbestos Trust Annual Reports, 2011 annual report
ACL Doc 14344 · Page 24 of 53
Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/24

EAGLE-PICHER INDUSTRIES, INC.
PERSONAL INJURY SETTLEMENT TRUST
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS (Continued)

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, which include commercial paper, short-term bills and notes, and other highly liquid marketable securities, were $17,114,006 and $18,800,885 as of December 31, 2011 and 2010, respectively. These securities had original maturities of three months or less when purchased.

4. INVESTMENTS

Investments in debt and equity securities consisted of the following as of December 31, 2011 and 2010:

2011	Cost	Fair Value
Tax-exempt municipal bonds	$ 242,804,574	$ 261,378,771
Equity securities	97,947,944	147,127,818
Preferred stock	1,453,298	1,695,600
Non-government-backed collateralized mortgage obligations	1,454,065	860,062
TOTAL INVESTMENTS	$ 343,659,881	$ 411,062,251

2010	Cost	Fair Value
Tax-exempt municipal bonds	$ 271,641,955	$ 278,844,303
Equity securities	98,220,916	151,202,237
Preferred stock	1,484,017	2,215,709
Non-government-backed collateralized mortgage obligations	1,636,949	1,114,031
TOTAL INVESTMENTS	$ 372,983,837	$ 433,376,280

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 Asbestos Trust Annual Reports, 2011 annual report
ACL Doc 14344 · Page 25 of 53
Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/25

EAGLE-PICHER INDUSTRIES, INC.
PERSONAL INJURY SETTLEMENT TRUST
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS (Continued)

4. INVESTMENTS (Continued)

The Trust follows the authoritative guidance issued by the FASB which expands disclosure of major security types based on the nature and risks of the securities.

Fair value measurements recorded on a recurring basis at December 31, 2011 and 2010 were as follows:

2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	TOTAL
Tax-exempt bonds				
AAA rated	$ -	$ 31,674,160	$ -	$ 31,674,160
AA- to AA+ rated	-	131,810,555	-	131,810,555
A- to A+ rated	-	70,377,597	-	70,377,597
BBB- to BBB+ rated	-	22,664,775	-	22,664,775
Ba1/BBB- rated	-	4,851,684	-	4,851,684
Total tax-exempt bonds	-	261,378,771	-	261,378,771
Equity securities				
International	48,379,019	-	-	48,379,019
Consumer discretionary	13,158,036	-	-	13,158,036
Consumer staples	9,181,775	-	-	9,181,775
Energy	11,471,915	-	-	11,471,915
Financial services	15,075,988	-	-	15,075,988
Health care	11,360,365	-	-	11,360,365
Materials	4,498,354	-	-	4,498,354
Industrials	11,064,003	-	-	11,064,003
Technology	16,306,661	-	-	16,306,661
Utilities/telecommunications	6,631,702	-	-	6,631,702
Total equity securities	147,127,818	-	-	147,127,818
Preferred stock	1,695,600	-	-	1,695,600
Non-government-backed collateralized mortgage obligations	-	860,062	-	860,062
TOTAL INVESTMENTS	$ 148,823,418	$ 262,238,833	$ -	$ 411,062,251

Eagle-Picher Asbestos Trust Annual Reports, 2011 annual report
ACL Doc 14344 · Page 26 of 53
Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/26

EAGLE-PICHER INDUSTRIES, INC.
PERSONAL INJURY SETTLEMENT TRUST
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS (Continued)

4. INVESTMENTS (Continued)

2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	TOTAL
Tax-exempt bonds				
AAA rated	$ -	$ 42,236,721	$ -	$ 42,236,721
AA- to AA+ rated	-	138,016,760	-	138,016,760
A- to A+ rated	-	69,633,637	-	69,633,637
BBB- to BBB+ rated	-	24,217,546	-	24,217,546
Ba1/BBB- rated	-	4,739,639	-	4,739,639
Total tax-exempt bonds	-	278,844,303	-	278,844,303
Equity securities				
International	53,245,894	-	-	53,245,894
Consumer discretionary	12,376,461	-	-	12,376,461
Consumer staples	8,278,307	-	-	8,278,307
Energy	11,590,787	-	-	11,590,787
Financial services	16,409,478	-	-	16,409,478
Health care	10,520,280	-	-	10,520,280
Materials	4,862,426	-	-	4,862,426
Industrials	11,338,860	-	-	11,338,860
Technology	16,316,999	-	-	16,316,999
Utilities/Telecommunications	6,262,745	-	-	6,262,745
Total equity securities	151,202,237			151,202,237
Preferred stock	2,215,709	-	-	2,215,709
Non-government-backed collateralized mortgage obligations	-	1,114,031	-	1,114,031
TOTAL INVESTMENTS	$ 153,417,946	$ 279,958,334	$ -	$ 433,376,280

Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/27

EAGLE-PICHER INDUSTRIES, INC.
PERSONAL INJURY SETTLEMENT TRUST
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS (Continued)

5. INCOME TAXES

The Trust is classified as a Qualified Settlement Fund pursuant to the Internal Revenue Code 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 financial statements do not include any provision or liability for state income taxes.

The components of the income tax expense are as follows:

	December 31,	
	2011	2010
Current	$ 500	$ -
Deferred	1,161,811	3,789,272
TOTAL TAX EXPENSE	$ 1,162,311	$ 3,789,272

Federal income taxes have been determined using the statutory federal tax rate for Qualified Settlement Funds of 35% on all taxable income.

There were no federal income taxes paid or recovered in 2011 and 2010 for the Trust. At December 31, 2011, the Trust had net operating loss carryforwards of approximately $18,525,000 originating in years 2003 through 2011 that begin to expire in 2023.

Significant components of deferred tax assets and liabilities are as follows:

	December 31,	
	2011	2010
Capital loss carryforwards	$ (5,374,347)	$ (4,439,318)
Net operating loss carryforwards	(6,483,862)	(6,127,216)
Net unrealized gain on securities	23,590,822	21,137,336
NET DEFERRED TAX LIABILITY	$ 11,732,613	$ 10,570,802

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.

Eagle-Picher Asbestos Trust Annual Reports, 2011 annual report
ACL Doc 14344 · Page 28 of 53
Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/28

5. INCOME TAXES (Continued)

Realization of the deferred tax asset is dependent upon the Trust's ability to generate sufficient future taxable income. Management believes that it is more-likely-than-not that sufficient taxable income will be generated in future years to realize the recorded deferred tax asset of the Trust. Future taxable income of the Trust is based on management's forecast of operating results and investment returns and there can be no assurance that such results will be achieved.

6. LEASE COMMITMENTS

In 2010, the Trust entered into a noncancelable, three-year lease for office space. The future minimum rental commitment under the lease is $14,210 for 2012, and $12,137 for 2013. The future minimum rental commitments for the noncancelable lease have been recorded as a deduction from net assets as described in Note 2.

7. LIABILITY FOR TOXIC PERSONAL INJURY CLAIMS

From inception through December 31, 2011 and 2010, the Trust received approximately 586,300 and 570,700 asbestos disease claims, respectively. No lead personal injury claims have been filed with the Trust. Claim payments for the years ended December 31, 2011 and 2010 were $36,690,074 and $36,283,090, 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 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, 2011, the Trustees approved a change in the payment percentage from 38% to 31%. No changes to the payment percentage were made in 2010.

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.

Eagle-Picher Asbestos Trust Annual Reports, 2011 annual report
ACL Doc 14344 · Page 29 of 53
Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/29

8. LIABILITY INSURANCE FOR TRUSTEES AND OFFICERS

In 2011, the Trust purchased liability insurance for the Trustees and Officers for which it paid $29,441 in premiums. The current policy term is May 31, 2011 to May 31, 2012. The Trust's accounting policy is to expense rather than capitalize any assets which will not be available to pay future Toxic Personal Injury Claims expenses of the Trust. As of December 31, 2011 and 2010, prepaid premiums on this policy are approximately $12,265 and $12,265, respectively, and have been expensed in the accompanying financial statements.

9. 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.

As such, the Trust has incurred the following expenses for the years ended December 31, 2011 and 2010:

	2011	2010
Trustee and TAC fees	$ 305,024	$ 295,413

10. CLAIMS PROCESSING FACILITY, INC.

Effective April 16, 1998, the Trust entered into an agreement with UNR Asbestos Disease Claims Trust (UNR Trust), pursuant to which the Trust purchased, for $2,000,000, an undivided 80% interest in the claims processing assets of UNR Trust and, jointly with UNR Trust, contributed the claims processing assets to a new company, Claims Processing Facility, Inc. (CPF). Thereafter, the Trust and UNR Trust each owned 50% of the stock of CPF, which was organized as a cooperative under the United States income tax laws. The purpose of CPF was to process claims on behalf of the Trust and UNR Trust. Both trusts entered into long-term contracts with CPF for the processing of claims. The contracts originally had a termination date of December 31, 2003. Both the Trust and UNR Trust extended to December 31, 2004, their respective claims processing contracts with CPF, and the contracts automatically renewed to December 31, 2005. Both trusts and CPF agreed, effective December 31, 2003, that UNR Trust could terminate its claims processing contract with CPF upon six months' written notice on or after June 30, 2004. On March 20, 2006, CPF received written notice of termination of the UNR Trust's Claims Processing Agreement. The effective date of the termination was September 30, 2006, and the Trust became the sole owner of CPF.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/30

10. CLAIMS PROCESSING FACILITY, INC. (Continued)

For the years ended December 31, 2011 and 2010, claims administration and processing expenses incurred at CPF totaled $3,053,246 and $2,953,541, respectively. Claims administration and processing expenses for the Trust for the years ended December 31, 2011 and 2010, net of certain income items not recorded at CPF, totaled $3,052,496 and $2,953,541, 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, 2011 and 2010 amounted to $3,304,010 and $2,299,867, respectively.

11. SUBSEQUENT EVENTS

The Trust has evaluated subsequent events through March 16, 2012, which was the date that these financial statements were available for issuance, and determined that there were no significant nonrecognized subsequent events through that date.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/31

Sikich®

Certified Public Accountants & Advisors

Members of American Institute of Certified Public Accountants

1415 W. Diehl Road, Suite 400 • Naperville, IL 60563

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Trustees
Eagle-Picher Industries, Inc.
Personal Injury Settlement Trust
Cincinnati, Ohio

We have audited the special-purpose financial statements of Eagle-Picher Industries, Inc. Personal Injury Settlement Trust as of and for the period ended December 31, 2011 and 2010, and our report thereon dated March 16, 2012, which expressed an unqualified opinion on those special-purpose financial statements appears on page 3. Our audits were conducted for the purpose of forming an opinion on the special-purpose financial statements as a whole. The supplemental schedules of general and administrative expenses and schedules of prepaid working capital are presented for purposes of additional analysis and are not a required part of the special-purpose 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 financial statements. The information has been subjected to the auditing procedures applied in our audits of the special-purpose financial statements and certain additional procedures, including comparing and reconciling directly to the underlying accounting and other records used to prepare the special-purpose financial statements or to the special-purpose 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 special-purpose financial statements as a whole.

Sikich LLP

Naperville, Illinois
March 16, 2012

Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/32

SUPPLEMENTARY INFORMATION

EAGLE-PICHER INDUSTRIES, INC.

PERSONAL INJURY SETTLEMENT TRUST

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES

December 31, 2011 and 2010

	2011	2010
Trustee and TAC fees	$ 305,024	$ 295,413
Payroll (including benefits, taxes, and bonuses)	218,787	215,617
Leases	2,280	44,652
Insurance	32,040	32,312
Meeting costs, travel, and reimbursed expenses	27,823	21,780
Other general and administrative	20,293	18,375
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	$ 606,247	$ 628,149

(See independent auditor's report.)

Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/34

EAGLE-PICHER INDUSTRIES
PERSONAL INJURY SETTLEMENT TRUST

SCHEDULES OF PREPAID WORKING CAPITAL -
CLAIMS PROCESSING FACILITY, INC.

December 31, 2011 and 2010

	2011	2010
Prepaid working capital, beginning of year	$ 283,329	$ 937,003
Cash payments to CPF	3,304,010	2,299,867
CPF claims processing expenses	(3,053,246)	(2,953,541)
PREPAID WORKING CAPITAL, END OF YEAR	$ 534,093	$ 283,329

(See independent auditor's report.)

Exhibit B

CLAIMS PROCESSING FACILITY, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the Years Ended
December 31, 2011 and 2010

Sikich
Certified Public Accountants & Advisors

Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/37

CONTENTS

	Page(s)
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	
Special-Purpose Statements of Financial Condition	4
Special-Purpose Statements of Operations	5
Special-Purpose Statements of Cash Flows	6
Notes to Special-Purpose Financial Statements	7-12

Eagle-Picher Asbestos Trust Annual Reports, 2011 annual report
ACL Doc 14344 · Page 38 of 53
Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/38

Certified Public Accountants & Advisors

Sikich®

Members of American Institute of
Certified Public Accountants

1415 W. Diehl Road, Suite 400 • Naperville, IL 60563

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Claims Processing Facility, Inc.
Naperville, Illinois

We have audited the accompanying special-purpose statements of financial condition of Claims Processing Facility, Inc. (CPF) as of December 31, 2011 and 2010, and the related special-purpose statements of operations and cash flows for the years then ended. These financial statements are the responsibility of CPF's management. 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 of material misstatement. We were not engaged to perform an audit of CPF's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CPF's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2, the accompanying special-purpose financial statements have been prepared primarily on a tax basis of accounting and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the accompanying special-purpose financial statements referred to above present fairly, in all material respects, the financial position of CPF at December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 2.

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

Sikich LLP

Naperville, Illinois
March 16, 2012

Eagle-Picher Asbestos Trust Annual Reports, 2011 annual report
ACL Doc 14344 · Page 39 of 53
Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/39

FINANCIAL STATEMENTS

Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/40

CLAIMS PROCESSING FACILITY, INC.

SPECIAL-PURPOSE STATEMENTS OF FINANCIAL CONDITION

December 31, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	$ 855,699	$ 566,230
Intangible asset, less accumulated amortization (Note 5)	188,013	333,572
Fixed assets at cost, less accumulated depreciation (Note 6)	269,771	281,174
Prepaid expenses	104,667	125,224
Interest and other receivables	313,412	143,674
TOTAL ASSETS	$ 1,731,562	$ 1,449,874
LIABILITIES AND STOCKHOLDER'S EQUITY		
LIABILITIES		
Deferred revenue (Note 2)	$ 534,093	$ 283,329
Accrued expenses	121,061	90,137
Total liabilities	655,154	373,466
STOCKHOLDER'S EQUITY		
Common stock	2	2
Additional paid-in capital	1,076,406	1,076,406
Total stockholder's equity	1,076,408	1,076,408
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 1,731,562	$ 1,449,874

See accompanying notes to financial statements.

CLAIMS PROCESSING FACILITY, INC.

SPECIAL-PURPOSE STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2011 and 2010

	2011	2010
REVENUES		
Claims processing revenue	$ 3,768,156	$ 3,553,842
Interest income	160	135
Total revenues	3,768,316	3,553,977
EXPENSES		
Salaries and related items (Notes 4 and 9)	2,817,097	2,656,372
Depreciation and amortization (Notes 5 and 6)	350,866	355,944
General and administrative	162,629	140,726
Leases (Note 3)	319,731	302,681
Professional fees	60,903	40,098
Insurance (Note 8)	46,129	45,822
Total operating expenses	3,757,355	3,541,643
Loss on disposal of fixed assets	232	2,867
Total expenses	3,757,587	3,544,510
INCOME BEFORE TAX EXPENSE	10,729	9,467
Tax expense (Note 7)	10,729	9,467
NET INCOME	$ -	$ -

See accompanying notes to financial statements.

Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/42

CLAIMS PROCESSING FACILITY, INC.

SPECIAL-PURPOSE STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ -	$ -
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	350,866	355,944
Loss on disposal of fixed assets	232	2,867
(Increase) decrease in assets		
Prepaid expenses	20,557	10,116
Interest and other receivables	(169,738)	138,658
Increase (decrease) in liabilities		
Deferred revenue	250,764	(653,674)
Accrued expenses	30,924	(1,208)
Net cash from operating activities	483,605	(147,297)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase of fixed assets	(196,849)	(186,835)
Proceeds from sale of fixed assets	2,713	-
Net cash from investing activities	(194,136)	(186,835)
CASH FLOWS FROM FINANCING ACTIVITIES		
None	-	-
Net cash from financing activities	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	289,469	(334,132)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	566,230	900,362
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 855,699	$ 566,230
Supplemental disclosure		
Income taxes paid	$ 13,800	$ 10,799

See accompanying notes to financial statements.

CLAIMS PROCESSING FACILITY, INC.

NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

December 31, 2011 and 2010

1. DESCRIPTION OF BUSINESS

Claims Processing Facility, Inc. (CPF) commenced operations in 1998 as a corporation operating on a cooperative basis (within the meaning of Section 1381(a)(2) of the Internal Revenue Code (IRC) of 1986, as amended). CPF was formed by two trusts, Eagle-Picher Industries, Inc. Personal Injury Settlement Trust (EPI) and UNR Asbestos-Disease Claims Trust (UNR) (collectively, the member trusts). UNR sold an undivided 80% interest in its claim processing facility and fixed assets (the Facility) to EPI for $2,000,000. Concurrently, both EPI and UNR contributed their respective ownership in the Facility to CPF in exchange for one-half of CPF's authorized capital stock (150 shares of common stock each). In addition, EPI and UNR each entered into a contract (the Agreement) with CPF to receive at-cost claims processing services.

On March 20, 2006, UNR gave CPF formal notice of its decision to terminate the Agreement. Pursuant to the terms of the Agreement, the termination was effective on September 30, 2006. Pursuant to CPF's by-laws, UNR's 150 shares of stock (par value $0.01) in CPF were canceled on March 28, 2007.

Effective October 1, 2006, CPF signed a claims processing agreement with UNR to process its asbestos personal injury claims and handle trust administration matters on a third-party contract basis for a period commencing October 1, 2006 and ending December 31, 2008. The agreement has been extended two times, the first time until December 31, 2010 and the second time until December 31, 2012. The agreement automatically renews for an additional two-year period unless either party provides 90-day written notice prior to the expiration of the term.

In 2005, CPF signed a claims processing agreement with the Keene Creditors Trust to process its asbestos personal injury claims on a third-party contract basis for a period commencing April 7, 2006 and ending April 7, 2009. In 2008, the agreement was extended until April 1, 2011. The agreement automatically renews for an additional one-year period unless either party provides 60-day written notice prior to the expiration of the term. The agreement automatically renewed through April 1, 2013, as notice otherwise was not provided.

Eagle-Picher Asbestos Trust Annual Reports, 2011 annual report
ACL Doc 14344 · Page 44 of 53
Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/44

1. DESCRIPTION OF BUSINESS (Continued)

In 2009, CPF signed a claims processing agreement with Raytech Asbestos Personal Injury Settlement Trust to process its asbestos personal injury claims on a third-party contract basis for a period commencing January 15, 2010 and ending January 15, 2013. The agreement automatically renews for an additional one-year period unless either party provides 60-day written notice prior to the expiration of the term.

2. BASIS OF ACCOUNTING AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

CPF's special-purpose financial statements are prepared primarily using the tax method of accounting. This method was adopted to better reflect the underlying economics of the organization when initially formed, which was to provide at-cost claims processing services for its members and should therefore not produce a significant amount of taxable income.

Cash and Cash Equivalents

Cash equivalents consist of amounts invested in a money market fund. Interest income is recognized when earned.

Intangible Asset

The intangible asset (see Note 5) is amortized on a straight-line basis over the 15-year maximum period allowed for tax purposes.

Fixed Assets

Depreciation of fixed assets, principally office furniture, office equipment, data processing equipment, and software, is provided for on the declining balance tax method.

Deferred Revenue

Cash for operating expenses is provided by EPI, based on CPF's operating requirements. Claims processing revenue is recorded based on the net cost of the claims processed during the period.

Eagle-Picher Asbestos Trust Annual Reports, 2011 annual report
ACL Doc 14344 · Page 45 of 53
Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/45

2. BASIS OF ACCOUNTING AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Below is a summary of the cash advanced, the revenue earned, and the deferred revenue balance for the years ended December 31, 2011 and 2010:

	2011	2010
Deferred revenue, beginning of year	$ 283,329	$ 937,003
Cash advanced	3,304,010	2,299,867
EPI claims processing revenue	(3,053,246)	(2,953,541)
Deferred revenue, end of year	$ 534,093	$ 283,329

3. LEASE COMMITMENTS

CPF entered into a noncancelable lease for office space, effective November 1, 2005, which had an expiration date of March 31, 2011. The lease was amended, effective August 31, 2009. The amendment reduced the size of the rentable space and extended the expiration date to August 31, 2015. The amendment to the lease includes one incentive provision:

- A free rent provision covering the four months of the lease after CPF had returned the agreed upon space to the landlord. This provision reduced CPF's rent expense by approximately $13,710 during the year ended December 31, 2010.

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

Future minimum rental commitments under the lease at December 31, 2011, are as follows:

Year Ending December 31,	
2012	$ 180,613
2013	187,766
2014	194,919
Thereafter	133,523
TOTAL	$ 696,821

Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/46

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 $173,462 for the year 2011 and $167,205 for the year 2010; and (2) discretionary matching contributions based on a percentage of the participants' deferral amount, which amounted to $35,145 for the year 2011 and $34,597 for the year 2010. The CPF Retirement Savings Plan permits all eligible employees to defer up to 50% 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.

5. INTANGIBLE ASSET

In 1998, CPF recorded an intangible asset of $2,183,382 that represents the difference between the total value ($2,500,000) of the Facility contributed by EPI and UNR, as discussed in Note 1, and the fair market value of its underlying fixed assets of $316,618. For the years ended December 31, 2011 and 2010, CPF amortized $145,559, respectively, of the intangible asset.

The intangible asset consists of the following as of December 31, 2011 and 2010:

	2011	2010
Original intangible asset	$ 2,183,382	$ 2,183,382
Accumulated amortization	(1,995,369)	(1,849,810)
NET BOOK VALUE	$ 188,013	$ 333,572

Amortization expense for the next two years is as follows:

2012	$ 145,559
2013	42,454

Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/47

6. FIXED ASSETS

Fixed assets are recorded at cost and primarily consist of the following as of December 31, 2011 and 2010:

	2011	2010
Data processing equipment	$ 456,877	$ 491,471
Data processing software	1,495,903	1,457,300
Office furniture and machines	447,295	447,295
Other	9,994	9,994
Subtotal	2,410,069	2,406,060
Accumulated depreciation	(2,140,298)	(2,124,886)
TOTAL	$ 269,771	$ 281,174

Depreciation expense on fixed assets was $205,307 and $210,385 in 2011 and 2010, respectively.

7. INCOME TAXES

CPF has adopted the authoritative guidance issued by the Financial Accounting Standards Board (FASB) that clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold of more-likely-than-not to be sustained upon examination. Measurement of the tax uncertainty occurs if the recognition threshold has not been met. This guidance also addresses de-recognition, classification, interest and penalties, disclosure, and transition.

In the normal course of business the CPF is subject to examination by taxing authorities. The CPF's tax returns for years subsequent to the fiscal year ended December 31, 2007 are open, by statute, for review by authorities. However, at present, there are no ongoing income tax audits or unresolved disputes with the tax authorities with which the CPF currently files or has filed.

Income taxes are recorded by CPF in accordance with income tax regulations applicable to a regular corporation. In 2011 and 2010, CPF recorded the following taxes, which are all included in tax expense in the special-purpose statements of operations:

	2011	2010
Federal income tax	$ 6,312	$ 6,208
State income tax	4,417	3,259
TOTAL	$ 10,729	$ 9,467

Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/48

8. LIABILITY INSURANCE

Effective May 31, 2011 and 2010, EPI purchased employment practices insurance, errors and omissions insurance, and fiduciary liability insurance. CPF is an insured party under all of the policies. The combined premiums were $28,068 and $30,492 for one year of coverage effective May 31, 2011 and 2010, respectively, and $26,034 and $28,185 of the premiums were allocated to and paid by CPF. As of December 31, 2011 and 2010, a prepaid expense of $10,848 and $14,078, respectively, is included in the special-purpose statement of financial condition related to the policies maturing May 31, 2012 and 2011.

Effective September 30, 2006, CPF purchased directors and officers insurance. A premium of $40,500 was paid for a run-off policy expiring September 30, 2012. As of December 31, 2011 and 2010, a prepaid expense of $5,990 and $13,976, respectively, is included in the special-purpose statement of financial condition related to the directors and officers policy.

During the years 2011 and 2010, EPI carried and paid for Trustees and Officers insurance, and CPF's directors and officers were insured parties under the policy.

9. SUBSEQUENT EVENTS

CPF has evaluated subsequent events through March 16, 2012, which was the date that these financial statements were available for issuance, and determined that there were no significant nonrecognized subsequent events through that date.

Eagle-Picher Asbestos Trust Annual Reports, 2011 annual report
ACL Doc 14344 · Page 49 of 53
Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/49

Exhibit C

EAGLE-PICHER PERSONAL INJURY SETTLEMENT TRUST

William B. Nurre
Executive Director

November 1, 2011

Dear Claimants' Counsel:

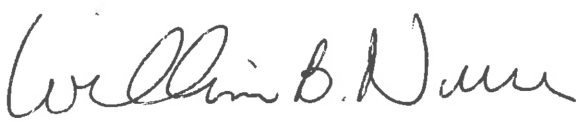
The Trustees have approved, effective November 1, 2011, a decrease in the payment percentage from **38.0% to 31.0%**. The decrease in the payment percentage is primarily the result of an increase in the projection of claim filings over the remaining life of the Trust.

The Trustees are required to reconsider the payment percentage at least every two years, consistent with the requirement of treating present and future claimants as equitably as reasonably possible. The Trustees last reset the payment percentage to 38.0% in December 2007 and chose to maintain that percentage in intervening years based on, among other things, advice from their expert consultants.

As always, the decision to change the payment percentage is based on the evaluation of updated information and actuarial forecasts regarding claim filings trends, settlement values, asset performance, and other factors that determine what fraction of Eagle-Picher settlement value of each allowable claim the Trust can afford to pay. As in prior years, the Trustees relied on advice from their actuarial and financial experts, who have a long history of working with trust similar to ours, as well as on the advice and consent of our Trustees Advisory Committee. As you know, even with continued good management of Trust assets, the Trust will never be able to pay more than a percentage of the fair value of individual claimants' claims.

Should you have any questions, please contact Melanie Impastato (630-281-6522 or melanie.impastato@cpf-inc.com) or Teena Mandele (630-281-6501 or teena.mandele@cpf-inc.com) at the Claims Processing Facility.

Sincerely,



GENERAL AND ADMINISTRATIVE OFFICE:
30 Garfield Place, Suite 730
Cincinnati, OH 45202
Phone & Fax: 513-412-5590

CLAIMS PROCESSING FACILITY:
East-West Tech Center
1771 West Diehl Road, Suite 220
Naperville, IL 60563
Phone: 630-281-6500 Fax: 630-281-6485

BOARD OF TRUSTEES:
Ruth R. McMullin
James J. McMonagle
David L. McLean

Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/51

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

In Re: EAGLE-PICHER INDUSTRIES, INC., DAISY PARTS, INC., TRANSICOIL, INC., MICHIGAN AUTOMOTIVE RESEARCH CORPORATION, EAGLE-PICHER MINERALS, INC. AND HILLSDALE TOOL AND MANUFACTURING CO., Debtors.	Consolidated Case No. 1-91-10100 Chapter 11 Judge Perlman

CERTIFICATE OF SERVICE

I, Christopher K. Kiplok, hereby certify:

1. I am a member of the Bar of the State of New York and I am a partner of Hughes Hubbard & Reed LLP, counsel for the Trustees of the Eagle-Picher Industries Personal Injury Settlement Trust.

2. On April 25, 2012, I served copies of the Notice of Hearing and Application for Order Approving Annual Report and Account of Ruth R. McMullin, David L. McLean, and James J. McMonagle, as Trustees of the Eagle-Picher Industries Personal Injury Settlement Trust, for the year ended December 31, 2011 and all attachments thereto on the persons listed on the following service list by causing to be mailed a true copy thereof, securely enclosed in a post-paid, properly addressed wrapper, in the mail box under the exclusive care and custody of the United States Postal Service at Bowling Green Station, New York, New York.

Dated: New York, New York
April 25, 2012

/s/ Christopher K. Kiplok
Christopher K. Kiplok

61814334_2

Service List

Gene Locks, Esq.
Locks Law Firm LLC
The Curtis Center
601 Walnut Street, Suite 720 East
Philadelphia, PA 19106

Robert B. Steinberg, Esq.
Rose, Klein & Marias
801 South Grand Avenue
Los Angeles, CA 90017-4645

Stephen Karotkin, Esq.
Weil, Gotshal & Manges
767 Fifth Avenue
New York, NY 10153-0101

Edmund J. Adams, Esq.
Frost Brown Todd LLC
2500 PNC Center
201 East Fifth Street
Cincinnati, OH 45202-4182

Eagle-Picher Industries, Inc.
Legal Department
5850 Mercury Drive
Dearborn, MI 48126

Monica V. Kindt, Esq.
Assistant United States Trustee
36 East 7th Street
Suite 2030
Cincinnati, OH 45202

61814334_2

Published by AsbestosClaims.Law
asbestosclaims.law/library/14344/53