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, 2017

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

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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, 2017, 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.

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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 660,975 claims over the past twenty years. In 2017, through the Trust's ownership of the Claims Processing Facility, Inc. (the "CPF"), the Trust received a total of 10,496 asbestos-disease claims; processed to allowance or disallowance a total of 11,131 asbestos-disease claims; and made payments to asbestos victims or their survivors totaling approximately $22.8 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, 2017 was approximately $802 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 $319.1 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.

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I. Meetings of the Trustees

The Trustees held four regular meetings in person during 2017. The Trust's Executive Director, Trustees' Advisory Committee and the Trust's investment advisor participated in all of the regular meetings. In addition, the Audit Committee held a separate meeting in person.

II. Trust Administration

The Trustees continued to retain the firm of Sikich, LLP as auditors, the firm of Deloitte Tax LLP as tax consultant, and the firm of Marsh USA as insurance broker. Throughout 2017, 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 considerable time individually on 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 claims determinations, the Trust's and CPF's insurance programs, advised on claims filing trends and related developments, and assisted the CPF in pursuing additional asbestos personal injury claims processing opportunities.

- Ms. Walker continued as Chair of the Audit Committee, assisted in the professional development of the Trust's Executive Director, and assisted the CPF in pursuing additional asbestos personal injury claims processing opportunities.

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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 federal Furthering Asbestos Claim Transparency (FACT) Act of 2017 has been approved by the United States House of Representatives and is currently being considered by the United States Senate. The FACT Act, as currently drafted, proposes to require reporting by 524(g) trusts of claims and payment information, and in certain circumstances mandates that trusts respond to discovery requests in asbestos-related litigation.

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 169 third-party subpoenas in 2017.

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 Trust and CPF are meeting and conferring with insurers who subpoenaed the CPF for Trust records regarding over 400,000 claimants in connection with the bankruptcy of Rapid-American, Corp. Furthermore, the two subpoenas that

were served on the Trust in connection with the Garlock Sealing Technologies, LLC bankruptcy—that were previously objected to and resulted in no document production during a stay—were withdrawn following the confirmation of the Garlock bankruptcy plan.

III. Asset Management

A. Investment Allocation

The Trust continued to implement the investment strategy developed over time in reliance on the advice of Cambridge Associates, LLC. The invested assets of the Trust are allocated among four portfolios: (1) a short-term bond portfolio composed primarily of short-term tax-exempt bonds; (2) a total-return bond portfolio composed primarily of intermediate-term tax-exempt bonds, with up to 10% of the portfolio in below-investment-grade fixed income securities; (3) an equity portfolio composed of shares of United States companies with medium-to-large capitalization benchmarked to the Russell 1000 Index; and (4) an equity portfolio composed of American Depository Receipts representing ownership interest in securities of 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 2017 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, 2017 was 6.9% in short-term bonds, 51.0% in total-return bonds, and 42.1% in equities (23.1% in the Russell 1000 Index portfolio and 19.0% in the S&P ADR Index portfolio).

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The Trust continued to retain as investment managers J.P. Morgan Asset Management Inc. to manage the short-term bond portfolio, Standish Mellon Asset Management Company LLC 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 meetings with all three investment managers.

B. Investment Performance

Investment returns over the past three years were as follows:

	2017	2016	2015
Short-term bond portfolio	1.5%	0.7%	0.6%
Intermediate-term bond portfolio	4.3%	0.2%	3.0%
Equity:			
Russell 1000 Index portfolio	23.1%	11.9%	1.2%
S&P ADR Index portfolio	21.4%	5.7%	-9.1%
Total Return	**11.2%**	**3.8%**	**0.3%**

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 2017 returns of the portfolios closely mirrored the 2017 returns of those indices, which were 21.7% for both the Russell 1000 Index and the S&P ADR Index.

Since 1998, the Trust has not been required to pay any federal income taxes because it has been able to offset its capital gains tax obligations by carrying forward operating and capital losses. During 2017, the Trust exhausted all of its remaining tax loss carry forwards

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and began making quarterly estimated federal tax payments. Those payments totaled $1.5 million in 2017.

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 Claim ("IRC"). The DCP 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 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 IRC 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 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 10,496 individual asbestos personal injury claims in 2017, of which 5,678 sought DCP and 4,818 sought IRC. Claims filed or received over the past three years were as follows:

	2017	2016	2015
Total claims received	**10,496**	**16,958**	**8,258**
Discounted Cash Payment	5,678	12,485	2,633
Individualized Review Claim	4,818	4,473	5,625

The ratio of non-malignant to malignant claims filings was approximately 1.81 to 1 in 2017 compared to a ratio of 2.55 to 1 in 2016, 1.18 to 1 in 2015, and 4.82 to 1 from inception through December 31, 2017. Approximately 88% of all dollars paid in 2017 went to claimants with malignant diseases.

During 2017, the CPF processed a total of 11,131 claims to allowance or initial disallowance, with a backlog at year-end of 86 claims. The Trust paid approximately $22.8 million in 2017 to asbestos victims in settlement of their claims. These figures over the past three years were as follows:

	2017	2016	2015
Claims processed to allowance or initial disallowance	11,131	16,328	8,740
Claims paid (in millions)	$22.8	$28.3	$25.1
Claims backlog at year-end	86	717	82

As of December 31, 2017, the CPF, on behalf of the Trust, has received a total of 662,434 individual asbestos personal injury claims since inception. Of these 662,434 claims, the CPF has processed to allowance or initial or final disallowance a total of 660,975 claims, including 1,373 Trust-processed prepetition settled claims. The Trust has paid a total of approximately $802 million on allowed claims.

The Trust also processed approximately 3,020 disallowance responses during 2017. The initial disallowance rate in 2017 was 68.5%. This initial disallowance rate is more in line with the historical Trust experience than the 85% rate in 2016, which was driven by a large number of claims filed by two firms, which were nearly all disallowed and eventually withdrawn. 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 33%.

1. Discounted Cash Payment Claims

During 2017, the CPF, on behalf of the Trust, received 5,678 DCP claims and processed to allowance or initial disallowance a total of 5,712 DCP claims. Upon initial review, the CPF allowed approximately 35% of DCP claims reviewed in 2017 and initially disallowed approximately 65%. Claimants have one year following initial disallowance to correct any deficiency in the claim. The 2017 acceptance percentages are in line with the Trust's historical experience, whereas the 6% acceptance rate in 2016 was an anomaly due to the large number of claims filed in 2016, discussed above. The Trust paid a total of $1.5 million on allowed DCP claims during 2017, bringing the total paid to claimants on DCP claims over the life of the Trust to $122.7 million.

2. Individualized Review Claims

The CPF, on behalf of the Trust, received 4,818 claims requiring individualized review during the Report period. The CPF processed to allowance or initial disallowance 5,419 IRCs in 2017, of which approximately 26% were allowed and 74% were initially disallowed. The IRC disallowance rate increased significantly in 2017 due to the disallowance of a large

percentage of nonmalignant filings. As noted above, claimants have one year following initial disallowance to correct any deficiency in their claim. The Trust paid a total of $21.3 million on allowed IRCs in 2017, bringing the total paid on such claims over the life of the Trust to $674.8 million.

C. Alternative Dispute Resolution

Only one claim had an arbitration decision rendered in the Trust's Alternative Dispute Resolution ("ADR") program in 2017, and it was settled in favor of the Trust.

As of December 31, 2017, a total of 1,138 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:

	2017	2016	2015
Total ADR awards	**1**	**1**	**15**
Trust's position prevailed	1	1	13
Claimant's position prevailed	0	0	2
Claims pending in ADR	**2**	**1**	**1**

In addition, at the close of the Report period, two claimants had a pending request to invoke the ADR process. Although double the amount of the last two years, this number remains low, because more claims with pending ADR requests were 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. Payment Percentage

During 2017, pursuant to Section IV of the Claims Resolution Procedures and upon the recommendation of expert actuarial consultants and Trust management, the Trust reassessed the percentage to be paid on allowed individualized review claims. 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 consultant Dr. B. Thomas Florence of Ankura Consulting Group, LLC to analyze current information on claims filings, claims resolution, investment results, economic projections, and any other relevant factors, and to make an updated recommendation regarding the payment percentage. Based on the written recommendation of Dr. Florence, and after consulting with the Trustees' Advisory Committee, the Trustees maintained the payment

percentage at 33.0%. Attached as Exhibit A is the Trust's letter to claimants' counsel notifying them of these developments.

In addition, effective November 29, 2017, the Trustees, on notice to all beneficiaries and interested parties and with the unanimous support of the Trustees' Advisory Committee, amended Section IV of the Claims Resolution Procedures (Annex B to the Trust Agreement) to require a payment percentage study every three years instead of every two years. The Trustees retain the authority to conduct a payment percentage study more frequently, as they deem appropriate. The Trustees determined that the amendment would improve Trust administration. As the number of claims received by the Trust is declining, having a longer payment percentage study cycle provides for a more significant set of information on which to base the study. A three-year payment percentage study cycle also brings the Trust in line with other 524(g) trusts, the vast majority of which evaluate their payment percentage every three years. Reducing the frequency of payment percentage studies will save the Trust approximately $90,000 to $150,000 per study. Further, the Trust now has twenty years of experience internally monitoring incoming claims, reflected in twice-yearly reports, and Trust staff will be able to identify any issues that might cause the Trustees to conduct a payment percentage study more frequently than once every three years.

VI. 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 2017 were approximately $187,866 (3.9%) lower than the budgeted amount and approximately 1.3% less than 2016 operating expenses. Approximately 66% of all operating expenses are directly

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attributable to claims processing. Claims processing expenses totaled $3.11 million in 2017, $3.01 million in 2016, and $3.24 million in 2015.

VII. Financial Statements

The Trust's audited financial statements for the year ended December 31, 2017 are attached as Exhibit B and the CPF's audited financial statements for the year ended December 31, 2017 are attached as Exhibit C.

Dated: Cleveland, Ohio
April 24, 2018

/s/ James J. McMonagle

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

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Exhibit A

EAGLE-PICHER PERSONAL INJURY SETTLEMENT TRUST

Melanie K. Impastato, Esq.
Executive Director

November 1, 2017

Dear Claimants' Counsel:

Following a recently completed actuarial study, the Eagle-Picher Trustees have approved maintaining the current payment percentage of 33.0%.

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

We are pleased that the payment percentage has not decreased, but there is no guarantee that the current level can be maintained, since much depends on the economy and on the future rate of filings of valid claims and developments in the tort system. Trust management continues to expect that Individualized Review Claims ("IRC") settlement values will generally be greater than Discount Cash Payment ("DCP") values for valid, compensable malignant injury claims. Claimants may continue to select either the IRC or DCP claim filing option.

We look forward to continuing to work with you. Should you have any questions, please contact Teena Mandele teena.mandele@cpf-inc.com (630-281-6501) or me melanie.impastato@cpf-inc.com (630-281-6522) at the Claims Processing Facility.

Sincerely Yours,

Melanie K. Impastato

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1771 West Diehl Road, Suite 220
Naperville, IL 60563
630-281-6522
Fax 630-281-6722

CLAIMS PROCESSING FACILITY:
East-West Corp. Center
1771 West Diehl Road, Suite 220
Naperville, IL 60563
630-281-6500
Fax: 630-281-6486

BOARD OF TRUSTEES:
James J. McMonagle
Stephen A. Madva
Laura R. Walker

Exhibit B

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EAGLE-PICHER INDUSTRIES, INC.
PERSONAL INJURY SETTLEMENT TRUST

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2017 and 2016



EAGLE-PICHER INDUSTRIES, INC.
PERSONAL INJURY SETTLEMENT TRUST
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying special-purpose consolidated financial statements of Eagle-Picher Industries, Inc. Personal Injury Settlement Trust (the Trust), which comprise the special-purpose consolidated statements of net assets as of December 31, 2017 and 2016, and the related special-purpose consolidated statements of operations and changes in net assets for the years then ended, and the related notes to the special-purpose consolidated financial statements.

Management's Responsibility for the 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 financial reporting provisions of Section 3.2 of the Trust Agreement dated November 29, 1996, as described in Note 2. 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

Our responsibility is to express an opinion on these special-purpose consolidated 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 special-purpose consolidated financial statements are free of 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 special-purpose consolidated financial statements.

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

Opinion

In our opinion, the accompanying special-purpose consolidated financial statements referred to above present fairly, in all material respects, the consolidated net assets of Eagle-Picher Industries, Inc. Personal Injury Settlement Trust at December 31, 2017 and 2016, and its consolidated changes in net assets for the years then ended, on the basis of accounting described in Note 2.

Basis of Accounting

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 the basis of the financial reporting provisions of Section 3.2 of the Trust Agreement dated November 29, 1996, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the Trust Agreement. Our opinion is not modified with respect to that matter.

Restriction on Use

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

Sikich LLP

Naperville, Illinois
April 17, 2018

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SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

EAGLE-PICHER INDUSTRIES, INC.
PERSONAL INJURY SETTLEMENT TRUST

SPECIAL-PURPOSE CONSOLIDATED STATEMENTS OF NET ASSETS

December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents (Note 2)	$ 5,541,740	$ 5,589,924
Investments (Note 4)	363,376,266	353,256,535
Prepaid working capital - Claims Processing Facility, Inc.	164,893	244,191
Prepaid federal taxes	475,186	-
TOTAL ASSETS	$ 369,558,085	$ 359,090,650
LIABILITIES AND NET ASSETS		
LIABILITIES		
Settled but unpaid claims	$ 11,711,830	$ 12,141,909
Accounts payable and accrued expenses	286,947	173,071
Net deferred income tax liability (Note 5)	38,478,243	31,087,702
Total liabilities	50,477,020	43,402,682
NET ASSETS	319,081,065	315,687,968
TOTAL LIABILITIES AND NET ASSETS	$ 369,558,085	$ 359,090,650

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

For the Years Ended December 31, 2017 and 2016

	2017	2016
INVESTMENT INCOME		
Tax-exempt interest income	$ 6,070,072	$ 6,332,380
Taxable interest and dividend income	3,814,232	3,688,231
Net realized capital gain	11,689,622	227,906
Net unrealized capital gain	17,280,854	3,383,483
Total investment income	38,854,780	13,632,000
OPERATING EXPENSES		
General and administrative expenses	445,385	555,657
Claims processing and administration	3,114,494	3,009,414
Professional fees	441,632	507,211
Investment related expenses	690,503	679,589
Total operating expenses	4,692,014	4,751,871
INCOME BEFORE TAX EXPENSE	34,162,766	8,880,129
Income tax expense (Note 5)	8,420,355	1,002,618
NET INCREASE IN NET ASSETS FROM OPERATIONS	25,742,411	7,877,511
Claims settled	22,349,314	24,856,506
NET INCREASE (DECREASE) IN NET ASSETS	3,393,097	(16,978,995)
NET ASSETS, BEGINNING OF YEAR	315,687,968	332,666,963
NET ASSETS, END OF YEAR	$ 319,081,065	$ 315,687,968

See accompanying notes to special-purpose consolidated financial statements.

EAGLE-PICHER INDUSTRIES, INC.
PERSONAL INJURY SETTLEMENT TRUST

NOTES TO SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

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 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, 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:

a. 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.

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

Basis of Accounting (Continued)

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. The Trust processes claims through its wholly owned subsidiary, Claims Processing Facility, Inc. (CPF) (see Note 8). Payments to this entity are accounted for as prepaid working capital and expensed by the Trust as the funds are expensed by CPF. GAAP would require consolidating the financial results of CPF.

In addition, a statement of cash flows has not been presented as would be required for financial statements presented in accordance with GAAP.

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.

Investments

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. 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.

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

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. 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

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.

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3. CONCENTRATION OF CREDIT RISK

The Trust maintains cash balances at one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At December 31, 2017 and 2016, uninsured balances totaled $251,065 and $969,059, respectively.

4. INVESTMENTS

Investments in debt and equity securities consisted of the following as of December 31, 2017 and 2016:

	2017	2016
Tax-exempt municipal bonds	$ 208,126,208	$ 204,777,126
Equity securities	153,823,932	147,010,246
Preferred stock	782,216	805,345
Rights/warrants	1,708	1,737
Non-government-backed collateralized mortgage obligations	642,202	662,081
TOTAL INVESTMENTS	$ 363,376,266	$ 353,256,535

At December 31, 2017 and 2016, interest income receivable included in total investments was $2,710,517 and $2,745,391, respectively.

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.

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

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

4. INVESTMENTS (Continued)

Fair value measurements recorded on a recurring basis at December 31, 2017 and 2016 were as follows:

	December 31, 2017			
	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	$ -	$ 20,583,437	$ -	$ 20,583,437
AA- to AA+ rated	-	101,520,654	-	101,520,654
A- to A+ rated	-	75,208,684	-	75,208,684
BBB- to BBB+ rated	-	10,813,433	-	10,813,433
Total tax-exempt bonds	-	208,126,208	-	208,126,208
Equity securities				
International	69,065,678	-	-	69,065,678
Consumer discretionary	12,561,555	-	-	12,561,555
Consumer staples	5,497,440	-	-	5,497,440
Energy	5,352,914	-	-	5,352,914
Financial services	17,588,272	-	-	17,588,272
Health care	10,920,597	-	-	10,920,597
Materials	3,615,351	-	-	3,615,351
Industrials	8,825,765	-	-	8,825,765
Technology	16,747,409	-	-	16,747,409
Utilities/telecommunications	3,648,951	-	-	3,648,951
Total equity securities	153,823,932	-	-	153,823,932
Preferred stock	782,216	-	-	782,216
Non-government-backed collateralized mortgage obligations	-	642,202	-	642,202
Rights/warrants	-	1,708	-	1,708
TOTAL INVESTMENTS	$ 154,606,148	$ 208,770,118	$ -	$ 363,376,266

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

4. INVESTMENTS (Continued)

	December 31, 2016			
	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	$ -	$ 24,671,963	$ -	$ 24,671,963
AA- to AA+ rated	-	95,789,702	-	95,789,702
A- to A+ rated	-	72,027,263	-	72,027,263
BBB- to BBB+ rated	-	12,288,198	-	12,288,198
Total tax-exempt bonds	-	204,777,126	-	204,777,126
Equity securities				
International	60,843,320	-	-	60,843,320
Consumer discretionary	12,141,819	-	-	12,141,819
Consumer staples	6,647,269	-	-	6,647,269
Energy	6,438,269	-	-	6,438,269
Financial services	17,998,869	-	-	17,998,869
Health care	11,073,505	-	-	11,073,505
Materials	3,265,610	-	-	3,265,610
Industrials	9,250,186	-	-	9,250,186
Technology	14,859,182	-	-	14,859,182
Utilities/telecommunications	4,492,217	-	-	4,492,217
Total equity securities	147,010,246	-	-	147,010,246
Preferred stock	805,345	-	-	805,345
Non-government-backed collateralized mortgage obligations	-	662,081	-	662,081
Rights/warrants	-	1,737	-	1,737
TOTAL INVESTMENTS	$ 147,815,591	$ 205,440,944	$ -	$ 353,256,535

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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 consolidated financial statements do not include any provision or liability for state income taxes.

The components of the income tax expense, which can be seen on the special-purpose consolidated statements of operations and changes in net assets are as follows:

	December 31,	
	2017	2016
Current income tax expense	$ 1,029,815	$ -
Deferred income tax expense	7,390,540	1,002,618
TOTAL TAX EXPENSE	$ 8,420,355	$ 1,002,618

The federal income tax rate for Qualified Settlement Funds decreased from 39.6% to 37% effective January 1, 2018 as a result of the Tax Cuts and Jobs Act, which was enacted on December 22, 2017. The net deferred income tax liability of the special-purpose consolidated statements of net assets is calculated at 37% on December 31, 2017 and 39.6% on December 31, 2016. The Trust has recorded a tax benefit of $2,703,877 due to the re-measurement of the deferred tax liabilities.

At December 31, 2016, the Trust had a net capital loss carryforward totaling approximately $998,000 originating in 2015. At December 31, 2016, the Trust had net operating loss carryforwards of approximately $7,213,000 originating in years 2008 through 2016 that begin to expire in year 2028. 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.

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5. INCOME TAXES (Continued)

Significant components of deferred tax assets (liabilities), which can be seen on the special-purpose consolidated statements of net assets, (calculated by applying the appropriate federal tax rate to the unrealized gain on securities) are as follows:

	December 31, 2017	December 31, 2016
Capital loss carryforwards	$ -	$ 395,120
Net operating loss carryforwards	-	2,856,058
Net unrealized gain on securities	(38,478,243)	(34,338,880)
NET DEFERRED TAX LIABILITY	$ (38,478,243)	$(31,087,702)

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.

6. LIABILITY FOR TOXIC PERSONAL INJURY CLAIMS

From inception through December 31, 2017 and 2016, the Trust received approximately 662,400 and 651,900 asbestos disease claims, respectively. No lead personal injury claims have been filed with the Trust. Claim payments for the years ended December 31, 2017 and 2016 were $22,779,393 and $28,257,131, 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.

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7. 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, 2017 and 2016:

	2017	2016
Trustee and TAC fees	$ 349,525	$ 340,472

The Trust also maintains liability insurance for the Trustees and Officers.

8. CLAIMS PROCESSING FACILITY, INC.

The Trust is the sole corporate owner of Claims Processing Facility, Inc. (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, 2017 and 2016, claims administration and processing expenses incurred at CPF totaled $3,114,494 and $3,013,414, respectively. Claims administration and processing expenses for the Trust for the years ended December 31, 2017 and 2016, net of certain income items not recorded at CPF, totaled $3,114,494 and $3,009,414, 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, 2017 and 2016 amounted to $3,035,196 and $3,011,791, respectively.

9. SUBSEQUENT EVENTS

The Trust has evaluated subsequent events through April 17, 2018, which was the date that these special-purpose consolidated financial statements were available for issuance, and determined that there were no significant nonrecognized subsequent events through that date.

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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 consolidated financial statements of Eagle-Picher Industries, Inc. Personal Injury Settlement Trust as of and for the years ended December 31, 2017 and 2016, and our report thereon dated April 17, 2018 appears on pages 3-4. Our audits were 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 schedules of prepaid working capital 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 our audits of the special-purpose consolidated financial statements and certain additional procedures, including comparing and reconciling 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 information is fairly stated in all material respects in relation to the special-purpose consolidated financial statements as a whole.

Sikich LLP

Naperville, Illinois
April 17, 2018

SUPPLEMENTARY INFORMATION

EAGLE-PICHER INDUSTRIES, INC.
PERSONAL INJURY SETTLEMENT TRUST

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES

For the Years Ended December 31, 2017 and 2016

	2017	2016
Trustee and TAC fees	$ 349,525	$ 340,472
Payroll (including benefits, taxes, and bonuses)	-	144,470
Leases	-	(888)
Insurance	68,438	39,860
Meeting costs, travel, and reimbursed expenses	23,290	15,257
Other general and administrative	4,132	16,486
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	$ 445,385	$ 555,657

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EAGLE-PICHER INDUSTRIES, INC.
PERSONAL INJURY SETTLEMENT TRUST

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

For the Years Ended December 31, 2017 and 2016

	2017	2016
Prepaid working capital, beginning of year	$ 244,191	$ 245,815
Cash payments to CPF	3,035,196	3,011,790
CPF claims processing expenses	(3,114,494)	(3,013,414)
PREPAID WORKING CAPITAL, END OF YEAR	$ 164,893	$ 244,191

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Exhibit C

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CLAIMS PROCESSING FACILITY, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2017 and 2016



CLAIMS PROCESSING FACILITY, INC.
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Claims Processing Facility, Inc., which comprise the Statements of Financial Condition as of December 31, 2017 and 2016, and the related Statements of Operations and Cash Flows for the years then ended, and the related Notes to the Financial Statements. All of these financial statements are prepared using the income tax basis of accounting.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the income tax basis of accounting described in Note 2; this includes determining that the income tax basis of accounting is an acceptable basis for the preparation of the financial statements in the 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

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.

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

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

Opinion

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Claims Processing Facility, Inc. at December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, in accordance with the basis of accounting Claims Processing Facility, Inc. 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 Claims Processing Facility, Inc. uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Restriction on Use

This report is intended solely for the use of management of Claims Processing Facility, Inc., 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.

Sikich LLP

Naperville, Illinois
April 17, 2018

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FINANCIAL STATEMENTS

CLAIMS PROCESSING FACILITY, INC.

STATEMENTS OF FINANCIAL CONDITION

For the Years Ended December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 1,082,233	$ 1,067,210
Accounts receivable	40,178	68,859
Prepaid expenses	98,589	114,934
Fixed assets at cost, less accumulated depreciation (Note 5)	123,622	166,358
TOTAL ASSETS	$ 1,344,622	$ 1,417,361
LIABILITIES AND STOCKHOLDER'S EQUITY		
LIABILITIES		
Accrued expenses	$ 103,321	$ 96,761
Deferred revenue (Note 2)	164,893	244,192
Total liabilities	268,214	340,953
STOCKHOLDER'S EQUITY		
Common stock, $0.01 par value, 300 shares authorized, 150 shares issued and outstanding	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	$ 1,344,622	$ 1,417,361

See accompanying notes to financial statements.

CLAIMS PROCESSING FACILITY, INC.

STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2017 and 2016

	2017	2016
REVENUES		
Claims processing revenue	$ 3,687,451	$ 3,576,925
Interest income	5,726	1,292
Total revenues	3,693,177	3,578,217
EXPENSES		
Salaries and related items (Note 4)	2,863,976	2,777,275
Depreciation (Note 5)	90,712	104,031
General and administrative	285,235	274,987
Leases (Note 3)	233,563	264,101
Professional fees	162,286	102,409
Insurance	54,269	55,627
Total operating expenses	3,690,041	3,578,430
Gain on disposal of fixed assets	(208)	(2,930)
Total expenses	3,689,833	3,575,500
INCOME BEFORE TAX EXPENSE	3,344	2,717
Tax expense (Note 6)	3,344	2,717
NET INCOME	$ -	$ -

See accompanying notes to financial statements.

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CLAIMS PROCESSING FACILITY, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ -	$ -
Adjustments to reconcile net income to net cash from operating activities		
Depreciation	90,712	104,031
Gain on disposal of fixed assets	(208)	(2,930)
(Increase) decrease in assets		
Accounts receivable	28,681	(25,432)
Prepaid expenses	16,345	(3,094)
Increase (decrease) in liabilities		
Accrued expenses	6,560	55,504
Deferred revenue	(79,299)	(1,623)
Net cash from operating activities	62,791	126,456
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(48,698)	(95,115)
Proceeds from sale of fixed assets	930	2,999
Net cash from investing activities	(47,768)	(92,116)
CASH FLOWS FROM FINANCING ACTIVITIES		
None	-	-
Net cash from financing activities	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,023	34,340
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,067,210	1,032,870
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,082,233	$ 1,067,210
SUPPLEMENTAL DISCLOSURE		
Income taxes paid	$ 4,000	$ -

See accompanying notes to financial statements.

CLAIMS PROCESSING FACILITY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

1. DESCRIPTION OF BUSINESS

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, 2018 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, 2018.

2. BASIS OF ACCOUNTING AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

CPF's financial statements are prepared using the accrual basis of accounting CPF uses for federal income tax reporting. This method was adopted to better reflect the underlying economics of the organization, which is to provide at-cost claims processing services for EPI. The basis differs from accounting principles generally accepted in the United States of America primarily because collection losses on accounts receivable generally are not recognized until they are realized. In addition, the periods used to calculate depreciation under the declining balance method are prescribed by the Internal Revenue Code (IRC) rather than estimated useful lives.

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable are reported at the amount outstanding. 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.

Fixed Assets

Depreciation of fixed assets with a cost of $5,000 or more and a useful life of one year or more, principally office furniture, office equipment, data processing equipment, and software, is provided for on the declining balance tax method.

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CLAIMS PROCESSING FACILITY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

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

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.

Below is a summary of the cash advanced, the revenue earned, and the deferred revenue balance for the years ended December 31, 2017 and 2016:

	2017	2016
Deferred revenue, beginning of year	$ 244,192	$ 245,815
Cash advanced	3,035,195	3,011,791
EPI claims processing revenue	(3,114,494)	(3,013,414)
DEFERRED REVENUE, END OF YEAR	$ 164,893	$ 244,192

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, 2017, are as follows:

Year Ending December 31,	
2018	$ 141,272
2019	194,919
2020	202,072
2021	209,225
2022	216,378
Thereafter	318,905
TOTAL	$ 1,282,771

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CLAIMS PROCESSING FACILITY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

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 $175,790 for the year 2017 and $176,572 for the year 2016; and (2) discretionary matching contributions based on a percentage of the participants' deferral amount, which amounted to $41,627 for the year 2017 and $38,781 for the year 2016. 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.

5. FIXED ASSETS

Fixed assets are recorded at cost and consist of the following as of December 31, 2017 and 2016:

	2017	2016
Data processing equipment	$ 337,811	$ 345,739
Data processing software	1,016,435	992,448
Office furniture and machines	406,418	406,483
Other	7,684	7,684
Subtotal	1,768,348	1,752,354
Accumulated depreciation	(1,644,726)	(1,585,996)
TOTAL	$ 123,622	$ 166,358

Depreciation expense on fixed assets was $90,712 and $104,031 in 2017 and 2016, respectively.

6. INCOME TAXES

Income taxes are recorded by CPF in accordance with income tax regulations applicable to a regular corporation. In 2017 and 2016, CPF recorded the following taxes, which are all included in tax expense in the Statements of Operations:

	2017	2016
Federal income tax	$ 2,960	$ 1,598
State income tax	384	1,119
TOTAL	$ 3,344	$ 2,717

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7. CONCENTRATION OF CREDIT RISK

CPF maintains cash balances at one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At December 31, 2017 and 2016, the uninsured balance totaled $1,096,321 and $1,070,671 respectively.

8. SUBSEQUENT EVENTS

CPF has evaluated subsequent events through April 17, 2018, 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.

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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.

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, Inc. Personal Injury Settlement Trust.

2. On April 24, 2018, I served copies of the Notice of Hearing and Application for Order Approving Annual Report and Account of the Trustees of the Eagle-Picher Industries, Inc. Personal Injury Settlement Trust for the Year Ending December 31, 2017 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 24, 2018

/s/ Christopher K. Kiplok
Christopher K. Kiplok

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