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**Campbell & Levine, LLC**
Attorneys at Law

May 20, 2021

2021 MAY 24 AM 8:38

***VIA FEDERAL EXPRESS***
United States Bankruptcy Court, District of New Jersey
Attn.: Robert Heim, Courtroom Services Supervisor
Martin Luther King, Jr. Federal Building
50 Walnut Street
Newark, NJ 07102

Re: In re: Hercules Chemical Company, Inc.; Case No. 08-27822 (MS)

Dear Mr. Heim:

Hope that you are well. It is that time of the year again.

Please see attached a copy of the Notice of Filing Annual Report and Claims Summary for the Hercules Chemical Company, Inc. Asbestos Trust for the fiscal year ending December 31, 2021. Can you ask someone to put this on the docket for us?

The assistance is greatly appreciated. Please let me know if you have any questions.

Sincerely,

Mark T. Hurford

/mth

{C1162140.1 }



*Hercules Chemical Asbestos Trust Annual Reports, 2020 annual report*
ACL Doc 13921 · Page 1 of 29
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2021 MAY 24 AM 8:39
JEANNE A. NAUGHTON

**IN THE UNITED STATES BANKRUPTCY COURT**
**FOR THE DISTRICT OF NEW JERSEY**

| | | |
|---|---|---|
| In re: | ) | |
| | ) | Chapter 11 |
| HERCULES CHEMICAL COMPANY, INC. | ) | |
| | ) | Case No. 08-27822 (MS) |
| Reorganized Debtor. | ) | |

**NOTICE OF FILING ANNUAL REPORT AND CLAIMS SUMMARY**

The Hercules Chemical Company, Inc. Asbestos Trust (the "Trust") hereby files its Audited Financial Statements for the fiscal year ending December 31, 2020 and an Annual Report for the period covered by the Audited Financial Statements. The Annual Report and Financial Statements are attached hereto as Exhibit 1.

Pursuant to the provisions of the Hercules Chemical Company, Inc. Asbestos Trust Agreement, the Trust is providing copies of the Annual Report and the Financial Statements to the Reorganized Debtor, the Trust Advisory Committee, the Legal Representative and the United States Trustee.

Date: May 20, 2021

CAMPBELL & LEVINE, LLC

*/s/ Mark T. Hurford*

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-and-

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Pittsburgh, PA 15219
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*Counsel to the Hercules Chemical Company, Inc. Asbestos Trust*

{C1162141.1 }

# EXHIBIT 1




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**IN THE UNITED STATES BANKRUPTCY COURT**
**FOR THE DISTRICT OF NEW JERSEY**

| | | |
|---|---|---|
| In re: | ) | |
| | ) | Chapter 11 |
| HERCULES CHEMICAL COMPANY, INC. | ) | |
| | ) | Case No. 08-27822 (MS) |
| Reorganized Debtor. | ) | |

# ANNUAL REPORT AND ACCOUNT OF THE HERCULES CHEMICAL COMPANY, INC. ASBESTOS TRUST FOR THE FISCAL YEAR ENDING DECEMBER 31, 2020

Michael F. Rooney, the Trustee of the Hercules Chemical Company, Inc. Asbestos Trust (the "Trust"), created pursuant to the First Amended Chapter 11 Plan of Reorganization for Hercules Chemical Company, Inc., dated as of October 13, 2009, as amended or modified (the "Plan") submits this Annual Report, Financial Statements, and Claims Summary for the fiscal year ended December 31, 2020.[1]

## I. INTRODUCTION

The purpose of this Annual Report is to comply with the reporting requirements of the Hercules Chemical Company, Inc. Asbestos Trust Agreement (the "Trust Agreement") and to report to the Court on the actions taken by the Trustee on behalf of the Trust during the period January 1, 2020 to December 31, 2020 (the "Reporting Period").

Section 2.2(b) of the Trust Agreement provides:

> The Trustee shall timely account to the Bankruptcy Court as follows:
>
> (i) The Trustee shall cause to be prepared and filed with the Bankruptcy Court, as soon as available, and in any event within one hundred and twenty (120) days following the end of each fiscal year, an annual report (the "Annual Report") containing financial statements of the Trust (including without limitation a balance sheet of the 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 Trustee and accompanied by an opinion of such firm as to the fairness of the financial statements' presentation of the cash and investments

[1] Capitalized terms not otherwise provided herein shall have the meaning ascribed to them in the Plan.




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available for the payment of Trust Claims and as to the conformity of the financial statements with generally accepted accounting principles. The Trustee shall provide a copy of such report to the Debtor, the TAC and the Legal Representative when such reports are filed with the Bankruptcy Court.

(ii) Simultaneously with the delivery of each set of financial statements referred to in Section 2.2(b)(i) above, the Trustee shall cause to be prepared and filed with the Bankruptcy Court a report containing a summary regarding the number and type of Trust Claims disposed of during the period covered by the financial statements. The Trustee shall provide a copy of such report to the Debtor, the TAC and the Legal Representative when such report is filed.

(iii) All materials required to be filed with the Bankruptcy Court by this Section 2.2(c) shall be available for inspection by the public in accordance with procedures established by the Bankruptcy Court and shall be filed with the United States Trustee.

The Trust Agreement further provides for the inclusion of a description of the amounts paid to the Trustee, members of the Trust Advisory Committee ("TAC"), and the Legal Representative in the accounts filed with the Bankruptcy Court. See Sections 5.5(c), 6.6, and 7.6 of the Trust Agreement.

## II. BACKGROUND

On August 22, 2008, Hercules Chemical Company, Inc. (the "Debtor") filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the Western District of Pennsylvania. By Order dated September 17, 2008, the case was transferred to the United States Bankruptcy Court for the District of New Jersey (the "Bankruptcy Court"). On December 22, 2009, the Bankruptcy Court entered a Report and Recommendation for Entry of: (A) Findings of Fact and Conclusions of Law with Respect to the First Amended Chapter 11 Plan of Reorganization for Hercules Chemical Company, Inc., and (B) Confirmation Order. On January 6, 2010, the United States District Court for the District of New Jersey entered an order confirming the Plan. On February 9, 2010 (the "Effective Date"), the Plan became effective and the Trustee began to operate the Trust.

Article V, Paragraph 5.1 and Article 11, Section 11.1 of the Plan provide for the funding of the Trust. The purpose of the Asbestos Trust is to (a) assume all liability for all Trust Claims, (b) preserve, hold, manage and maximize the Asbestos Trust Assets for use in paying and otherwise satisfying Trust Claims and paying the Asbestos Trust Expenses, (c) provide for the allowance or disallowance and, if appropriate, satisfaction of all Trust Claims in accordance with the Trust Distribution Procedures, and (d) otherwise comply in all respects with the requirements of a trust set forth in § 524(g)(2)(B) of the Bankruptcy Code, all in accordance with the Plan and the Trust Agreement. See Section 1.2 of the Trust Agreement.

## III. TRUST ADMINISTRATION

### A. Trustee

Michael F. Rooney served as the Trustee of the Trust during the Reporting Period.

#### 1. Meetings

During the Reporting Period, the Trustee held meetings with the TAC and FCR. Each meeting was telephonic and was attended by the Legal Representative and at least a quorum of the TAC. In addition to these meetings, the Trustee conducted telephonic meetings with advisors and counsel for such purposes as addressing Trust policies and claims processing matters and devoted considerable time to Trust matters outside of scheduled meetings. Activities included the pursuit of insurance rights, monitoring trust assets with investment managers, exercising oversight over the investment of Trust assets through discussions with the Trust's investment managers, communicating with claimants or their counsel regarding the processing of claims and the continual monitoring of the claims and investment processes.

### 2. Compensation

The compensation and expenses paid to the Trustee during the Reporting Period is set forth in the Trust's financial statements attached hereto as Exhibit "A." The inclusion of this information in the Trust's financial statements satisfies the requirements of Section 5.5(c) of the Trust Agreement. All payments related to Trustee compensation and expense reimbursements were made in accordance with the Trust Agreement.

### B. Trust Advisory Committee

Deirdre Pacheco, Bruce E. Mattock and Paul M. Matheny served the members of the TAC during the Reporting Period.

No compensation was paid to the members of the TAC during the Reporting Period.

### C. Legal Representative

Gary Nelson served as the Legal Representative (the "Legal Representative") during the Reporting Period. The amount paid to the Legal Representative during the Reporting Period, for services rendered during telephonic Trust meetings and related services, was $4,680.00. This information statement satisfies the requirements of Section 7.6 of the Trust Agreement. All distributions related to Legal Representative compensation and expense reimbursements were made in accordance with the Trust Agreement.

### D. Claims Processing

MFR Claims Processing, Inc. ("MFR Claims") processed the Trust's claims during the reporting period.

### E. Investment Management

During the Reporting Period, Wilmington Trust Company served as the Trust's investment management advisory firm. During the Reporting Period, the Trustee monitored the


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investments on a continual basis. The Trust's invested assets are allocated in compliance with the Trust's investment guidelines.

**F. General Counsel**

Campbell & Levine, LLC of Pittsburgh, Pennsylvania and Wilmington, Delaware served as general counsel to the Trust during the Reporting Period.

**G. Insurance Coverage Matters**

Prior to the effective date of the Plan, Hercules Chemical Company, Inc. ("Hercules") reached settlement agreements with many, but not all, of its historical insurance companies with respect to coverage for Hercules's asbestos-related claims. Upon the effective date, pursuant to the Plan, the Trust received the right to pursue and receive the benefits and proceeds of the Asbestos Insurance Policies, which includes coverage under certain of Hercules's historical insurance policies.

In 2011, the Trust entered into an agreement to sell an allowed claim against an insolvent insurance company. Pursuant to the agreement, the Trust received $2,501,250 in January 2012.

In 2016, the Trust entered into a settlement agreement with one insurance company and received payment of $46,219. The Trust may receive an additional payment(s) in the future.

In 2019, the Trust received a supplemental payment from one insurance company in the amount of $9,243.80.

In 2020, the Trust received a payment from one insurance company in the amount of $550,000.

The Trust has continued settlement efforts with an insurance company concerning coverage for Hercules's asbestos-related claims. The Trust is continuing to pursue coverage as of the date

of this report. The Trust also had communications with certain excess insurers. Gilbert LLP is counsel to the Trust in connection with those efforts.

## IV. ANNUAL REPORT AND ACCOUNT

### A. Summary of Claims

Following the formation of the Trust, the Trustee obtained the requisite consent of the Legal Representative and the TAC Members on the form of the releases and the Claims Materials, as well as the Payment Percentage. Thereafter, the Trust distributed the release agreement for Pre-Petition Liquidated Claims to counsel to the holders of those claims. The Trust began to accept Unliquidated Trust Claims on May 8, 2011.

#### a. Since Inception of Trust

As of December 31, 2020, the Trust had received nine executed releases for Pre-Petition Liquidated Trust Claims, of a total fifty-three Pre-Petition Liquidated Trust Claims pending. As of December 31, 2020, the Trust paid nine for Pre-Petition Liquidated Trust Claims, totaling $85,010.57.

As of December 31, 2020, the Trust had received 7,757 Unliquidated Trust Claims and had paid a total of 1,432 claims. After application of the payment percentage and applicable sequencing adjustment, the Trust paid approximately $5,511,794 to asbestos victims in settlement of their Unliquidated Trust Claims.

#### b. During the Reporting Period

During the Reporting Period, the Trust received 1,568 Unliquidated Trust Claims and paid a total of 159 claims. After application of the payment percentage and applicable sequencing adjustments, the Trust paid approximately $431,361 to asbestos victims in settlement

of their Unliquidated Trust Claims during the Reporting Period. A summary of the claims processed and paid by disease category is attached hereto as Exhibit "B."

**B. Financial Information**

The Trust's audited financial statements for the Reporting Period are attached hereto as Exhibit "A." The financial statements were audited by Sklar Carmosin & Company, Certified Public Accountants.

Date: May 20, 2021

**CAMPBELL & LEVINE, LLC**

*/s/ Mark T. Hurford*
Mark T. Hurford
222 Delaware Avenue, Suite 1620
Wilmington, DE 19801
Tel. 302.426.1900
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-and-

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Tel. 412.261.0310
Fax 412.261.5066

*Counsel to the Hercules Chemical Company, Inc. Asbestos Trust*

# EXHIBIT A

SKLAR CARMOSIN & company • CERTIFIED PUBLIC ACCOUNTANTS

# HERCULES CHEMICAL COMPANY, INC.
# ASBESTOS TRUST

## SPECIAL-PURPOSE FINANCIAL STATEMENTS

## YEARS ENDED DECEMBER 31, 2020 AND 2019

SKLAR CARMOSIN

& company • CERTIFIED PUBLIC ACCOUNTANTS

***Report of Independent Certified Public Accountants***

Trustees
Hercules Chemical Company, Inc.

We have audited the accompanying financial statements of Hercules Chemical Company, Inc. Asbestos Trust ("the Trust"), which comprise the statements of net claimants' equity as of December 31, 2020 and 2019, and the related statements of changes in net claimants' equity, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's responsibility for the financial statements**
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Trust's other basis of accounting; this includes 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust'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.

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**Opinion**
In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities of Hercules Chemical Company, Inc. Asbestos Trust as of December 31, 2020 and 2019, and the changes in net claimants' equity and cash flows for the years then ended in accordance with the Trust's other basis of accounting.

**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 Trust's other basis of accounting, 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 this matter.

Sklar, Carmosin & Company

Sklar Carmosin & Company
Certified Public Accountants
April 29, 2021


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# HERCULES CHEMICAL COMPANY, INC. ASBESTOS TRUST

## STATEMENTS OF NET CLAIMANTS' EQUITY
## DECEMBER 31, 2020 AND 2019

| | 2020 | 2019 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | $1,171,522 | $ 506,850 |
| Available for Sale Investments | 4,269,377 | 4,845,482 |
| Accrued Interest Income | 23,900 | 32,286 |
| TOTAL ASSETS | 5,464,799 | 5,384,618 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | 11,881 | 26,225 |
| Claims Payable | 395,969 | 141,323 |
| TOTAL LIABILITIES | 407,850 | 167,548 |
| NET CLAIMENTS' EQUITY | $5,056,949 | $5,217,070 |

See accompanying notes and independent auditor's report.


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# HERCULES CHEMICAL COMPANY, INC. ASBESTOS TRUST

## STATEMENTS OF CHANGES IN NET CLAIMANTS' EQUITY
## YEARS ENDED DECEMBER 31, 2020 AND 2019

| | 2020 | 2019 |
|---|---|---|
| REVENUE: | | |
| Administrative Fee Income | $ 8,870 | $ 20,635 |
| Interest Income - Investments | 106,064 | 119,165 |
| Dividend Income | 1,090 | 5,889 |
| Gain (Loss) on Investments | 54,291 | 89,118 |
| TOTAL REVENUE | 170,315 | 234,807 |
| OPERATING EXPENSES: | | |
| Bank Charges | 121 | 138 |
| Claims Processing Fees | 35,980 | 39,688 |
| Insurance | 26,775 | 25,500 |
| Investment Management and Custodian Fees | 12,598 | 14,025 |
| Professional Fees | 98,955 | 240,518 |
| Trustee Fees | 20,000 | 20,000 |
| TOTAL OPERATING EXPENSES | 194,429 | 339,869 |
| CHANGES IN CLAIMANTS' EQUITY | (24,114) | (105,062) |
| NET CLAIMANTS' EQUITY - BEGINNING OF PERIOD | 5,217,070 | 5,824,454 |
| Contributions to Claimants' Equity | 550,000 | - |
| Distributions from Claimants' Equity | (686,007) | (502,322) |
| NET CLAIMANTS' EQUITY - END OF PERIOD | $5,056,949 | $5,217,070 |

See accompanying notes and independent auditor's report.

# HERCULES CHEMICAL COMPANY, INC. ASBESTOS TRUST

## STATEMENTS OF CASH FLOWS
## YEARS ENDED DECEMBER 31, 2020 AND 2019

| | 2020 | 2019 |
|---|---|---|
| CASH INFLOWS | | |
| Administrative Income | $ 8,870 | $ 20,635 |
| Investment Income | 115,540 | 156,106 |
| Contributions to Claimant's Equity | 550,000 | - |
| Sales and Maturities of Securities | 2,961,712 | 1,993,000 |
| TOTAL CASH INFLOWS | 3,636,122 | 2,169,741 |
| CASH OUTFLOWS | | |
| Disbursements for Trust Operating Expenses | 208,773 | 327,585 |
| Claims Paid | 431,361 | 476,371 |
| Purchases of Investment and Accrued Interest | 2,331,316 | 1,255,400 |
| TOTAL CASH OUTFLOWS | 2,971,450 | 2,059,356 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 664,672 | 110,385 |
| CASH AND CASH EQUIVALENTS - BEGINNING | 506,850 | 396,465 |
| CASH AND CASH EQUIVALENTS - ENDING | $1,171,522 | $ 506,850 |

See accompanying notes and independent auditor's report.


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HERCULES CHEMICAL COMPANY, INC. ASBESTOS TRUST

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

## NOTE 1 – DESCRIPTION OF TRUST

The Hercules Chemical Company, Inc. Asbestos Trust (the Trust), organized pursuant to the laws of the State of Delaware, was established according to the First Amended Plan of Reorganization for Hercules Chemical Company, Inc. The purpose of the Asbestos Trust is to (a) assume all liability for all Trust Claims, (b) preserve, hold, manage and maximize the Asbestos Trust Assets for use in paying and otherwise satisfying Trust Claims and paying the Asbestos Trust Expenses, (c) provide for the allowance or disallowance and, if appropriate, satisfaction of all Trust Claims in accordance with the Trust Distribution Procedures, and (d) otherwise comply in all respects with the requirements of a trust set forth in §524(g)(2)(B) of the Bankruptcy Code, all in accordance with the Plan and the Trust Agreement.

The Trust was initially funded with the Asbestos Trust Assets, including, but not limited to, cash and a Promissory Note from Hercules Chemical Company, Inc., as well as rights to pursue and receive the benefits and proceeds from Asbestos Insurance Policies. (See Note 9)

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

***Basis of Presentation***
The Trust's financial statements are prepared using special-purpose accounting methods that differ from accounting principles generally accepted in the United States of America. The special-purpose accounting methods were adopted in order to present the amount of equity available for payment of current and future claims. These special-purpose accounting methods are as follows:

a) The financial statement is prepared using the accrual method of accounting as modified below.

b) The funding received from Hercules Chemical Company, Inc. and its liability insurers is recorded directly to claimants' net equity. These funds do not represent income of the Trust. Distributions to the claimants are reported as deductions from claimants' net equity and do not represent expenses of the Trust.

c) Costs of non-income producing assets, which will be exhausted during the life of the Trust and are not available for satisfying claims, are expensed when incurred. These costs include prepaid expenses such as insurance.

HERCULES CHEMICAL COMPANY, INC. ASBESTOS TRUST

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d) Available-for-sale securities are recorded at market. All interest and dividend income on available-for-sale securities, net of investment expenses, is included in investment income on the Statements of Changes in Net Claimants' Equity. Net realized and unrealized gain and losses on available-for-sale securities are recorded as a separate component on the Statements of Changes in Net Claimants' Equity.

***Cash and Cash Equivalents***
Cash and cash equivalents include demand deposit accounts and cash invested in money market funds.

***Claims Payable***
The liability reflected in the Statements of Net Claimants' Equity represents settled but unpaid claims and outstanding offers. A claims liability is recorded once an offer is made to the claimant at an amount equal to the expected pro rata payment. No liability is recorded for future claim filings and filed claims on which no offer has been made. Claims payable includes processed, but unpaid pre-petition claims.

***Estimates***
The preparation of financial statements in conformity with special-purpose accounting methods described above requires Trust management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to net claimants' equity during the reporting periods. Accordingly, actual results may differ from those estimates.

***Subsequent Events***
In preparing these financial statements, the Trust has evaluated events and transactions for potential recognition or disclosure through April 29, 2021, the date the financial statements were available to be issued.




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HERCULES CHEMICAL COMPANY, INC. ASBESTOS TRUST

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

## NOTE 3 – INVESTMENTS

Investment securities are recorded at market value. Various inputs may be used to determine the value of the company's investments. These inputs are summarized in the three broad levels listed below. The input levels or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Level 1: Quoted prices in active markets for identical securities
Level 2: Observable inputs other than level 1 quoted prices
Level 3: Unobservable inputs

Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment spreads, credit risk, and others.

At December 31, 2020 and 2019, the investments consisted of the following:

| | TOTAL | LEVEL 2 |
|---|---|---|
| 2020 | | |
| U.S. Government Agency Bonds | $ 250,533 | $ 250,533 |
| Corporate and Foreign Bonds | 4,018,844 | 4,018,844 |
| TOTAL | $4,269,377 | $4,269,377 |
| | | |
| 2019 | | |
| | | |
| Corporate and Foreign Bonds | $4,845,482 | $4,845,482 |
| TOTAL | $4,845,482 | $4,845,482 |

The unrealized gain or (loss) on investments at December 31, 2020 and 2019 was as follows:

| | MARKET VALUE | AMORTIZED COST | UNREALIZED GAIN OR (LOSS) |
|---|---|---|---|
| 2020 | | | |
| US Corporate Agency Bonds | $ 250,533 | $ 249,875 | $ 658 |
| Corporate and Foreign Bonds | 4,018,844 | 3,940,988 | 77,856 |
| TOTAL | $4,269,377 | $4,190,863 | $78,514 |

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HERCULES CHEMICAL COMPANY, INC. ASBESTOS TRUST

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 3 – INVESTMENTS *(continued)*

| | MARKET VALUE | AMORTIZED COST | UNREALIZED GAIN OR (LOSS) |
|---|---|---|---|
| 2019 | | | |
| Corporate and Foreign Bonds | $4,845,482 | $4,807,005 | $38,477 |
| TOTAL | $4,845,482 | $4,807,005 | $38,477 |

The Trust had realized gains of $14,254 and $972 during the years ended December 31, 2020 and 2019, respectively.

NOTE 4 – CLAIM LIABILITIES

Under the Trust Disbursement Procedures, claimants receive payment equal to the approved payment percentage (6.7% for claims where the Trust received all documentation prior to 11:59 PM Eastern Time on March 29, 2019, and for claims after that the percentage is 4.7%) of the liquidated value of the claim. The payment percentage may be adjusted upward or downwards from time to time by the Asbestos Trust with the consent of the Trust Advisory Committee and the Legal Representative for Future Asbestos Claimants to reflect the then-current estimates of the Asbestos Trust's assets and liabilities, as well as then-estimated value of then-pending and future claims. If the Trustee, with proper consent, makes a determination to increase the payment percentage, the Trustee shall then make supplemental payments to all claimants who previously liquidated their claim against the Asbestos Trust and received payment based on a lower percentage.

The Trust distinguishes between claims that were resolved prior to the establishment of the Trust and claims received using the Trust Procedures after the creation of the Trust (Trust Claims).

The liability at December 31, 2020 and 2019 consisted of pre-petition claims to be paid at 6.7% and claims payable to be paid at 4.7% of the award plus interest from the date that is one year after the petition date as follows:

See independent auditor's report.


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HERCULES CHEMICAL COMPANY, INC. ASBESTOS TRUST

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 4 – CLAIM LIABILITIES *(continued)*

| | CLAIMS | PRE-PETITION CLAIMS | INTEREST | TOTAL |
|---|---|---|---|---|
| 2020 | | | | |
| Liquid Value | $8,345,100 | $52,750 | | |
| Payment Percentage (4.7%) | $ 392,220 | $ 3,534 | $215 | $395,969 |
| 2019 | | | | |
| Liquid Value | $2,927,100 | $52,750 | | |
| Payment Percentage (4.7%) | $ 137,574 | $ 3,534 | $215 | $141,323 |

NOTE 5 – NET CLAIMANTS' EQUITY

The distributions from claimants' equity consist of the following:

| | 2020 | 2019 |
|---|---|---|
| Distributions Paid | $431,361 | $476,371 |
| Distributions (Payable) to Claimants | 254,646 | 25,951 |
| | $686,007 | $502,322 |

NOTE 6 – INCOME TAXES

For federal income tax purposes, the Trust is taxed as a Qualified Settlement Fund (QSF). Income and expenses associated with the QSF are taxed in accordance with Section 468B of the Internal Revenue Code, which obligates the Trust to pay for any federal income tax liability imposed upon the QSF. The statutory income tax rate for the QSF is 37% for the years ended December 31, 2020 and 2019.

The Trust accounts for income taxes in accordance with the Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*. SFAS No. 109 requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between book and tax basis of assets and liabilities.




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HERCULES CHEMICAL COMPANY, INC. ASBESTOS TRUST

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 6 – INCOME TAXES *(continued)*

The provision for income taxes consist of the following for the year ended December 31, 2020 and 2019:

| | 2020 | 2019 |
|---|---|---|
| Deferred Income Tax Expense | $(8,922) | $(41,422) |
| Valuation Allowance | 8,922 | 41,422 |
| Income Tax Expense | $ - | $ - |

The deferred tax asset consists of the following:

| | 2020 | 2019 |
|---|---|---|
| (Loss) Carryforwards | $664,811 | $643,486 |
| Unrealized (Gain) Loss - Investments | (29,050) | (14,236) |
| Valuation Allowance | (635,761) | (629,250) |
| | $ - | $ - |

A valuation allowance has been taken against the deferred tax asset, as it is unclear if the loss carryforwards will eventually be used.

NOTE 7 – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2020 and 2019, pursuant to a trust services agreement, the Trust incurred claims processing expenses of $35,980 and $39,688, respectively to a corporation owned 100% by the Trustee.

NOTE 8 – CONCENTRATION AND CREDIT RISK

The Trust's investments are in professionally managed portfolios. Such investments are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Trust's investment account balances and the amounts reported in the special-purpose Statements of Net Claimants' Equity and Statements of Changes in Net Claimants' Equity.

See independent auditor's report.


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HERCULES CHEMICAL COMPANY, INC. ASBESTOS TRUST

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

## NOTE 9 – CONTINGENCY

Pursuant to the First Amended Chapter 11 Plan of Reorganization for Hercules Chemical Company, Inc., the Trust received, among other things, the (i) rights to pursue and receive the benefits and proceeds of the Asbestos Insurance Policies, and (ii) rights to pursue and receive recovery from or as a result of any Asbestos Insurance Action with respect to the Asbestos Insurance Policies against any Asbestos Insurance Company that is not a Settling Asbestos Insurance Company. Some of these insurance companies are now in insolvency proceedings.

The Trust is currently pursuing these assets.

No amounts have been recognized in the Statements of Net Claimants' Equity or the Statements of Changes in Net Claimants' Equity as a result of these potential insurance proceeds.

During the year ended December 31, 2020, the Trust settled with one insurance carrier. That carrier paid a settlement amount of $550,000 to the Trust which is included in the Statements of Changes in Net Claimants' Equity as a contribution to claimants' equity.




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# EXHIBIT B


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**MFR Claims Processing, Inc.**
**Summary of Claims Filed by Status**
**Hercules Chemical Company, Inc. Asbestos Personal Injury Trust**
**As of December 31, 2020**

| | TDP Claims | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Incomplete Not Notified | Incomplete - Notified of Deficiency | Pending Review | Pending Review - Prior Intake Def. Notice | Deficient / Pending Notice | Deficient / Notified | Qualified - Prior Deficiency Notice | Qualified - No Prior Deficiency Notice | Outstanding Offer Made | Payable | Paid | Closed w/o Notice | Closed after Notice | Total | |
| Non-Malignant Disease (Level I) | 2 | 5 | 1 | - | - | 74 | 7 | 11 | - | 1 | 17 | 266 | 202 | 568 | **7.32%** |
| Severe Asbestosis (Level II) | 1 | 1 | - | - | - | 3 | 2 | 8 | - | - | 10 | 189 | 63 | 267 | **3.44%** |
| Other Cancer (Level III) | 3 | 3 | - | - | - | 1 | 3 | 3 | - | - | 6 | 162 | 60 | 235 | **3.03%** |
| Lung Cancer (Level VI) | 3 | 25 | 9 | 1 | - | 19 | 48 | 175 | 17 | 9 | 197 | 2,328 | 867 | 3,475 | **44.80%** |
| Mesothelioma (Level V) | 8 | 6 | 19 | 1 | 1 | 28 | 170 | 1,146 | 43 | 71 | 1,202 | 1,329 | 427 | 3,135 | **40.42%** |
| Not Specified | - | - | - | - | - | - | - | - | - | - | - | 77 | - | 77 | **0.99%** |
| Total: | 17 | 40 | 29 | 2 | 1 | 125 | 230 | 1,343 | 60 | 81 | 1,432 | 4,351 | 1,619 | 7,757 | **100.00%** |
| **% of Grand Total:** | **0.22%** | **0.52%** | **0.37%** | **0.03%** | **0.01%** | **1.61%** | **2.97%** | **17.31%** | **0.77%** | **1.04%** | **18.46%** | **56.09%** | **20.87%** | **100.00%** | |


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**IN THE UNITED STATES BANKRUPTCY COURT**
**FOR THE DISTRICT OF NEW JERSEY**

| | | |
|---|---|---|
| In re: | ) | |
| | ) | Chapter 11 |
| HERCULES CHEMICAL COMPANY, INC. | ) | |
| | ) | Case No. 08-27822 (MS) |
| Debtor. | ) | |

**CERTIFICATE OF SERVICE**

I, Mark T. Hurford, of Campbell & Levine, LLC, hereby certify that on May 20, 2021, I caused a copy of the *Notice of Filing of Annual Report and Claims Summary* to be served upon the attached service list in the manner indicated.

CAMPBELL & LEVINE, LLC

Dated: May 20, 2020

*/s/ Mark T. Hurford*
Mark T. Hurford
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Wilmington, DE 19801
(302) 426-1900
mhurford@camlev.com

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**Hercules Annual Report**
**Service List**

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