**UNITED STATES BANKRUPTCY COURT**
**FOR THE DISTRICT OF MARYLAND**
**(Baltimore Division)**

| | | |
|---|---|---|
| In re: | ) | |
| | ) | Case No. 02-54152 |
| PORTER-HAYDEN COMPANY, | ) | |
| | ) | |
| Debtor. | ) | Chapter 11 |
| | ) | |

**NOTICE OF FILING ANNUAL REPORT AND ACCOUNT**

The Porter Hayden Bodily Injury Trust (the "Trust") hereby files its Annual Report for the period of January 1, 2021, through December 31, 2021. Pursuant to the provisions of the Porter Hayden Bodily Injury Trust Agreement, the Trust is providing copies of the Annual Report and Account to the Trust Advisory Committee, the Legal Representative, the Reorganized Debtor and the United States Trustee.

Respectfully submitted,

/s/
Paul M. Nussbaum, Bar No. 04394
Gardner M. Duvall, Bar No. 09823
Aaron L. Casagrande, Bar No. 28518
Whiteford, Taylor & Preston, LLP
Seven Saint Paul Street
Baltimore, Maryland 21202
410-347-8700

Co-counsel for Porter Hayden Bodily Injury Trust

/s/
Philip E. Milch, Esquire
Campbell & Levine, LLC
1700 Grant Building 310 Grant Street
Pittsburgh, PA 15219
412-261-0310

Co-counsel for Porter Hayden Bodily Injury Trust

## CERTIFICATE OF SERVICE

**I HEREBY CERTIFY** that on this 2nd day of May, 2022, a copy of the Annual Report and Account of the Porter Hayden Bodily Injury Trust for the year ending December 31, 2021, was sent by first-class mail, postage prepaid to:

William Burgy, Esquire
Law Offices of Peter T. Nicholl
36 South Charles Street, Suite 1700
Baltimore, Maryland 21201

Armand J. Volta, Jr., Esquire
Law Offices of Peter G. Angelos
100 N. Charles St., 22nd Floor
Baltimore, MD 21201-3804

Deirdre Woulfe Pacheco, Esquire
Wilentz, Goldman & Spitzer, P.A.
90 Woodbridge Center Drive, Suite 900
Woodbridge, NJ 07095

Philip A. Pahigian
6 Stonehedge Court
Little Silver, NJ 07739

/s/
Gardner M. Duvall, Bar No. 09823
Whiteford, Taylor & Preston, LLP
Seven Saint Paul Street
Baltimore, Maryland 21202
410-347-8700

Co-counsel for Porter Hayden Bodily Injury Trust

**UNITED STATES BANKRUPTCY COURT**
**FOR THE DISTRICT OF MARYLAND**
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| PORTER-HAYDEN COMPANY, | ) | |
| | ) | |
| Debtor. | ) | Chapter 11 |
| | ) | |

**ANNUAL REPORT AND ACCOUNT OF THE PORTER HAYDEN BODILY INJURY TRUST FOR THE YEAR ENDING DECEMBER 31, 2021**

The Trustee of the Porter Hayden Bodily Injury Trust (the "Trust"), T. Dennis Feeley (the "Trustee"), hereby submits this Annual Report and Account of the Trust for the year ending December 31, 2021. The Trust was created pursuant to the Porter Hayden Company's Third Amended Plan of Reorganization, as modified (the "Plan"), which was confirmed by the United States Bankruptcy Court on July 5, 2006, and affirmed by the United States District Court for the District of Maryland on July 7, 2006.

## I. INTRODUCTION

The purpose of this Annual Report is to fulfill the financial reporting requirements of the Porter Hayden Bodily Injury Trust Agreement (the "Trust Agreement") and to report on the actions taken and obligations incurred on behalf of the Trust during the period January 1, 2021, through December 31, 2021 (the "Reporting Period").

On March 15, 2002, Porter Hayden Company ("Porter Hayden") filed its voluntary petition for relief under Chapter 11 of the Bankruptcy Code. Reorganization was confirmed on July 5, 2006, and the Plan became effective upon the execution of the Trust Agreement on October 13, 2006 (the "Effective Date"). The Trust was funded with the reissued stock of Porter Hayden shortly after the Effective Date. As owner of Porter Hayden's stock and pursuant to the

terms of the Plan, the Trust controls the assets of Porter Hayden. The purpose of the Trust is to evaluate and resolve, on behalf of Porter Hayden, the liabilities of Porter Hayden and its predecessors in interest, for all Asbestos Bodily Injury Claims.[1] To achieve this purpose, the Trust uses its assets and income to pay both present and future asbestos Claimants in accordance with both the Trust Agreement and the Trust Distribution Procedures (TDP) and in such a way that holders of Asbestos Personal Injury Claims are treated fairly, equitably, and reasonably in light of the limited assets available to satisfy the Claims.

This Annual Report is filed in compliance with Section 2.2(c) of the Trust Agreement, which provides as follows:

> (c) 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 or otherwise made publicly available, 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 containing *inter alia* 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 available for the payment of claims and as to the conformity of the financial statements with generally accepted accounting principles. The Trustee shall promptly provide a copy of such report to the TAC and the Legal Representative.
>
> > (ii) Simultaneously with delivery of each set of financial statements referred to in Section 2.2(c)(i) above, the Trustee shall cause to be prepared and filed with the Bankruptcy Court or otherwise made publicly available a report containing a summary regarding the number and type of claims disposed of during the period covered by the financial statements. The Trustee shall promptly provide a copy of such report to the TAC and the Legal Representative.

[1] All capitalized terms used but not defined herein have the meaning defined in the Plan.

(iii) All materials required to be prepared by this Section 2.2(c) shall be made available for inspection by the public.

## II. TRUST ADMINISTRATION

### A. THE TRUSTEE

The Trustee is the initial Trustee identified in the Plan and the Trust Agreement, T. Dennis Feeley, President of the settler, Porter Hayden Company. During the Reporting Period the Trust held four formal meetings: January 21, 2021; April 21, 2021; July 21, 2021; and October 20, 2021. Outside of these meetings, the Trustee worked daily on various activities described below. The Trustee's compensation was agreed to by the Trust Advisory Committee (the TAC) and the Legal Representative for those individuals whose Claims will become known in the future. The Trustee's compensation is reflected at Exhibit 1. The Trustee is the only executive officer of the Trust. The Trust is physically located in the space occupied by Porter Hayden. The Trustee also maintains an office in his home, at no expense to the Trust.

### B. THE LEGAL REPRESENTATIVE

The Legal Representative is the initial legal representative identified in the Plan and the Trust Agreement, Philip A. Pahigian. Mr. Pahigian served as the Legal Representative during the reporting period. Exhibit 1 reflects the compensation of the Legal Representative.

### C. TRUST ADVISORY COMMITTEE

Deirdre Woulfe Pacheco, Esq., Armand J. Volta, Jr., Esq., and William Burgy, Esq. served as members of the TAC during the Reporting Period. Exhibit 1 reflects the compensation of the members of the Trust Advisory Committee.

### D. CLAIMS REVIEW

The Trust has retained Verus Claims Services, LLC, of Lawrenceville, New Jersey ("Verus"), to review Claims for the Trust.

### E. INVESTMENT MANAGEMENT

The Trust retained Wells Fargo Private Bank of Baltimore, Maryland, to serve as the Trust's investment advisor. Wells Fargo Private Bank advises the Trustee on asset allocation, cash flow modeling, and the selection and oversight of individual investment managers for investable portions of the Trust's portfolio. In accordance with the recommendation of Wells Fargo Private Bank, the Trust's investable assets are split among short-term investments in government paper, cash, and corporate bonds, and among longer term investments, with the remainder invested in cash and equivalents, and real assets.

## III. ANNUAL REPORT & ACCOUNT

### A. OVERVIEW

The Trust retained Dixon Hughes Goodman, LLP ("Dixon Hughes") to perform financial auditing of the Trust and of Porter Hayden. In addition, the Trust secured appropriate insurance coverage for general liability, workers' compensation, and directors' and officers' liability. Finally, the Trust responded to third-party requests for individual Asbestos Personal Injury Claim files.

### B. FINANCES OF THE TRUST

All assets of the Trust, including assets held by the Trust and Porter Hayden, are reflected in the attached financial statements, which have been audited by Dixon Hughes. The financial statements were prepared in accordance with generally accepted accounting practices and special purpose accounting methods, as applicable to the respective accounts. The preparation of the financial statement by an independent accounting firm and the filing of it with the Bankruptcy Court satisfies the requirement of Article 2.2(c)(iii) of the Trust Agreement.

Dixon Hughes' audits of the Trust and Porter Hayden are attached hereto as Exhibits 2 and 3. Net claimants' equity in the Trust at the end of 2021 is $34,887,496. *See* Exhibit 2 at p.

4. At the end of 2021, Porter Hayden had retained earnings in the amount of $204,112 and cash in the amount of $529,414. *See* Exhibit 3 at pp. 3-4.

### C. CLAIMS PROCESSING

During the Reporting Period, the Trust received 2,015 new Asbestos Bodily Injury Claims for review. Of the cumulative claims received since inception of claim filing, 419 Claims were paid for the first time during the Reporting Period. The payments made during the Reporting Period total $11,786,732, which includes supplement payments for previously paid Claims. In 2021 the Trust increased its Payment Percentage by one-third. A summary of Claims disposition for the Reporting Period is provided at Exhibit 4.

Since the inception of claiming on September 8, 2008 through the end of the Reporting Period, the Trust has received a total of 150,356 Asbestos Bodily Injury Claims for review. Of the cumulative claims received since inception of claim filing, 42,161 Claims have been paid. The cumulative payments made total $44,675,948, after application of the Payment Percentage. 105,345 Claims were closed without payment as a result of various deficiencies, deferrals, or withdrawals. Processing is ongoing for the remainder of the Claims received. A summary of Claims disposition from inception of claim filing to the close of the Reporting Period is provided at Exhibit 4.

### E. LITIGATION INVOLVING THE TRUST

The Trust has coordinated with Verus in responding to certain third-party subpoenas for Trust claim data, which pose no direct financial threat to Trust assets.

Respectfully submitted,

/s/

Paul M. Nussbaum, Bar No. 04394
Gardner M. Duvall, Bar No. 09823
Aaron L. Casagrande, Bar No. 28518
Whiteford, Taylor & Preston, LLP
Seven Saint Paul Street
Baltimore, Maryland 21202
410-347-8700

Co-counsel for Porter Hayden Bodily Injury Trust

/s/

Philip E. Milch, Esquire
Campbell & Levine, LLC
1700 Grant Building 310 Grant Street
Pittsburgh, PA 15219
412-261-0310

Co-counsel for Porter Hayden Bodily Injury Trust

**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY** that on this 2nd day of May, 2022, a copy of the Annual Report and Account of the Porter Hayden Bodily Injury Trust for the year ending December 31, 2021, was sent by first-class mail, postage prepaid to:

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100 N. Charles St., 22nd Floor
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Deirdre Woulfe Pacheco, Esquire
Wilentz, Goldman & Spitzer, P.A.
90 Woodbridge Center Drive, Suite 900
Woodbridge, NJ 07095

Philip A. Pahigian
6 Stonehedge Court
Little Silver, NJ 07739

/s/
Gardner M. Duvall, Bar No. 09823
Whiteford, Taylor & Preston, LLP
Seven Saint Paul Street
Baltimore, Maryland 21202
410-347-8700

Co-counsel for Porter Hayden Bodily Injury Trust

**EXHIBIT 1**

COMPENSATION OF TRUSTEE, TRUST ADVISORY COMMITTEE AND LEGAL REPRESENTATIVE
for
REPORTING PERIOD JANUARY 1, 2021 THROUGH DECEMBER 31, 2021

| Position | Compensation |
|---|---|
| Trustee (combined compensation as Trustee and President of Porter Hayden Company) | $ 269,649.00, plus benefits |
| Trust Advisory Committee | |
| Deirdre Woulfe Pacheco | $ 0.00 |
| Armand J. Volta, Jr. | $ 0.00 |
| William Burgy | $ 0.00 |
| Legal Representative | $ 39,837.50 |

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# Porter Hayden Bodily Injury Trust

## Financial Statements

**Years Ended December 31, 2021 and 2020**

**DHG is registered in the U.S. Patent and Trademark Office to Dixon Hughes Goodman LLP.**

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**DHG is registered in the U.S. Patent and Trademark Office to Dixon Hughes Goodman LLP.**

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# Independent Auditors' Report

The Trustee
Porter Hayden Bodily Injury Trust

***Opinion***
We have audited the financial statements of Porter Hayden Bodily Injury Trust (the "Trust"), which comprise the statements of net claimants' equity, as of December 31, 2021 and 2020, and the related statements of changes in net claimants' equity for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Porter Hayden Bodily Injury Trust as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with special-purpose accounting methods that differ from accounting principles generally accepted in the United States of America ("U.S. GAAP").

***Basis for Opinion***
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Porter Hayden Bodily Injury Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Basis of Accounting***
We draw attention to Note 2 of the special-purpose financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting Porter Hayden Bodily Injury Trust uses to communicate to beneficiaries of the Trust the equity available to satisfy current and future claims, 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.

***Responsibilities of Management for the Financial Statements***
Management is responsible for the preparation and fair presentation of the financial statements in accordance with the special-purpose basis of accounting described in Note 2; this includes determining that the special-purpose 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Porter Hayden Bodily Injury Trust ability to continue as a going concern within a one-year period after the date of the financial statements are available to be issued.

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***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Porter Hayden Bodily Injury Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Porter Hayden Bodily Injury Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Restriction on Use***

Our report is intended solely for the information and use of management, the Trustee, and the Trust Advisory Committee and is not intended to be and should not be used for anyone other than these specified parties.

Dixon Hughes Goodman LLP

**Tysons, VA**
**April 27, 2022**

**Porter Hayden Bodily Injury Trust**
**Statements of Net Claimants' Equity**
**December 31, 2021 and 2020**

| | 2021 | 2020 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | **$ -** | $ 1,435,128 |
| Accrued interest receivable | **172,779** | 161,269 |
| Prepaid expenses | **25,128** | 25,125 |
| Investments available-for-sale, at fair value | **39,827,746** | 49,110,069 |
| Investment in Porter Hayden Company | **836,613** | 1,030,601 |
| Total assets | **40,862,266** | 51,762,192 |
| **LIABILITIES AND NET CLAIMANTS' EQUITY** | | |
| Accrued expenses | **100,801** | - |
| Bank overdraft | **540,064** | - |
| Filing fees escrow account | **40,116** | 43,912 |
| Due to Porter Hayden Company | **315,755** | 271,676 |
| Income taxes payable | **79,707** | 787,133 |
| Deferred tax liability | **4,898,327** | 5,462,255 |
| Total liabilities | **5,974,770** | 6,564,976 |
| Net claimants' equity | **$ 34,887,496** | $ 45,197,216 |

**See accompanying notes.**

**Porter Hayden Bodily Injury Trust**
**Statements of Changes in Net Claimants' Equity**
**Years Ended December 31, 2021 and 2020**

| | 2021 | 2020 |
|---|---|---|
| Net claimants' equity at beginning of year | **$ 45,197,216** | $ 42,916,166 |
| Additions to net claimants' equity | | |
| Interest and dividends | **970,728** | 881,803 |
| Net realized gain on sale of investments | **5,962,214** | 2,213,629 |
| Net unrealized appreciation on investments | **-** | 3,641,193 |
| Records request fees | **1,311** | 100 |
| Total additions | **6,934,253** | 6,736,725 |
| Deductions from net claimants' equity | | |
| Decrease in investment in Porter Hayden Company, Inc. | **193,988** | 180,731 |
| Net unrealized depreciation on investments | **1,336,401** | - |
| Claims paid | **12,702,610** | 951,024 |
| Insurance premiums | **70,291** | 71,510 |
| Investment fees | **238,716** | 240,453 |
| Office and other expense | **6,104** | 2,877 |
| Professional fees | **358,863** | 212,563 |
| Rent | **33,702** | 29,478 |
| Salaries and employee benefits | **270,185** | 228,629 |
| Total deductions | **15,210,860** | 1,917,265 |
| Net increase (decrease) in net claimants' equity | **(8,276,607)** | 4,819,460 |
| Net claimants' equity at end of year, before income taxes | **36,920,609** | 47,735,626 |
| Income tax expense | **(2,033,113)** | (2,538,410) |
| Net claimants' equity at end of year, after income taxes | **$ 34,887,496** | $ 45,197,216 |

**See accompanying notes.**

# Notes to Financial Statements

## 1. Nature and Operations of Trust

### *Description of trust*

The Porter Hayden Bodily Injury Trust (the “Trust”) is a Qualified Settlement Fund that was established pursuant to the Debtor’s Third Amended, Second Modified Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, (the “Plan”) for the bankruptcy of Porter Hayden Company, (“Porter Hayden’) and confirmed by Court Order dated July 5, 2006. The purpose of the Trust is to assume the liabilities of Porter Hayden and its predecessors in interest, for all Asbestos Bodily Injury Claims, and to use the assets and income of the Trust to pay both present and future asbestos claimants in accordance with the Porter Hayden Bodily Injury Trust Agreement and the Porter Hayden Company Asbestos Trust Distribution Procedures in such a way that holders of Asbestos Bodily Injury Claims are treated fairly, equitably, and reasonably in light of the limited assets available to satisfy such claims.

The Trust was established on October 13, 2006, the effective date of the Plan (“Effective Date”).

### *Funding of the trust*

Pursuant to the Plan, the Trust is funded with (a) 100% of the capital stock of Porter Hayden, and (b) the following assets, which shall be remitted by Porter Hayden upon request, if any, of the Trust, with the consent of Porter Hayden, such consent not to be unreasonably withheld:

i. Asbestos Insurance Action Recoveries and/or payments made by Settling Asbestos Insurance Companies if received by Porter Hayden on or after the Effective Date;

ii. Payments from the Manville Trust on or after the Effective Date;

iii. Cash received by Porter Hayden on or after the Effective Date;

iv. Porter Hayden's Asbestos Insurance Rights; and,

v. Porter Hayden's Asbestos Insurance Policies and all rights pursuant thereto.

On the Effective Date, all authorized shares of the Porter Hayden common stock were issued to the Trust.

## 2. Summary of Significant Accounting Policies

### *Basis of accounting*

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 ("U.S. GAAP"). The special-purpose accounting methods are being used to better communicate to the beneficiaries of the Trust the equity available to satisfy current and future claims. These special-purpose accounting methods are summarized as follows:

1. The financial statements are prepared using the accrual basis of accounting.




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2. The funding received from Porter Hayden has been recorded directly to net claimants' equity. These funds do not represent taxable income to the Trust. Settlement offers paid for asbestos claims are reported as deductions in net claimants' equity and do not represent tax-deductible expenses of the Trust.

3. Cash and cash equivalents are recorded at cost.

4. Porter Hayden, which is wholly owned by the Trust, has not been consolidated in the accompanying financial statements, but has instead been presented at the underlying net book value of Porter Hayden at December 31, 2021 and 2020.

5. Fair Value of Financial Instruments

   The carrying values of financial instruments approximate their respective fair values.

6. Investments

   The Trust classifies its investments in marketable securities with readily determinable fair values as investments available-for-sale in accordance with Accounting Standards Codification ("ASC") Topic 320, Accounting for Certain Investments in Debt and Equity Securities. Available-for-sale securities consist of debt and equity securities not classified as trading securities or as securities to be held to maturity. The Trust has classified all of its investments as available-for-sale. Unrealized holding gains and losses on available-for-sale securities are reported as a net amount in additions (deductions) from net claimants' equity until realized. Gains and losses on the sale of available-for sale securities are determined using the specific identification method.

   The Trust's investments consist primarily of money market accounts, common stocks, corporate bonds and government agency bonds.

   Declines in the fair value of individual securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The related write-downs are recorded as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Trust to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

   The Trust recognizes premiums and discounts through income on the date of sale or maturity of the specific investment rather than through an adjustment to yield over the term of the security.

***Use of estimates***

The preparation of financial statements requires 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 period. Actual results could differ from those estimates.

***Concentration of credit risk***

The Trust maintains its cash with financial institutions which at times may exceed federally insured limits. The Trust has not experienced any losses in such accounts and management does not believe it is exposed to any significant credit risk with respect to cash.




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***Settlement of insurance litigation***

As part of the Plan, Porter Hayden and the Trust are pursuing claims against various insurance companies that provided coverage to Porter Hayden over the period of its operations. The nature of any recovery from litigation is speculative. As such, the Trust will not recognize any amount as due until there is an award by a court or finalization of a settlement and Porter Hayden determines to fund the Trust with some or all of such amounts due.

***Investment in Porter Hayden Company***

The Trust is the sole shareholder of the Porter Hayden common stock. The accounts of Porter Hayden have not been consolidated in the accompanying financial statements for the following reasons:

i. the interest is held solely to pay asbestos injury claims, and

ii. the objective of the financial statements is to communicate the equity available over the life of the Trust to current and future claimants.

As such, the Trust believes that recording the interest at the underlying net book value of Porter Hayden is appropriate. As such, the net loss of Porter Hayden is recorded as a decrease in the Trust's investment in Porter Hayden Company on the statements of net claimants' equity.

***Net claimants' equity***

The Plan contains procedures for the distribution of the Trust's limited assets. Under the Plan, the Trust forecasts its anticipated sources and uses of cash until the last projected future claim has been paid. A pro rata payment percentage is then calculated such that the Trust will have no remaining assets or liabilities after the last future claimant receives his/her pro rata share.

***Income taxes***

Funds received by the Trust from Porter Hayden and disbursements paid to settle asbestos claims are neither taxable nor deductible by the Trust. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Management considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential changes that management believes are more likely than not to occur upon examination by tax authorities. Interest and penalties on uncertain tax positions are recognized as a component of income tax expense.




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## 3. Investments Available-For-Sale

A summary of investments available-for-sale as of December 31, 2021 and 200 is as follows:

| | 2021 | | | |
|---|---|---|---|---|
| | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Corporate obligations | $ 1,377,040 | $ 44,203 | $ 12,627 | $ 1,408,616 |
| Mortgage-backed securities | 636,365 | 5,797 | 4,798 | 637,364 |
| Domestic | 1,820,429 | - | 11,423 | 1,809,006 |
| Municipal bonds | 12,533,763 | 9,983 | 108,873 | 12,434,873 |
| Equity securities | 8,808,962 | 10,224,858 | 218,906 | 18,814,914 |
| Hedge investments | 1,900,000 | 1,145,707 | - | 3,045,707 |
| Other real estate investments | 1,143,089 | 534,177 | - | 1,677,266 |
| | $ 28,219,648 | $ 11,964,725 | $ 356,627 | $ 39,827,746 |

| | 2020 | | | |
|---|---|---|---|---|
| | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| U.S. Government obligations | $ 4,729,049 | $ 184,034 | $ 1,059 | $ 4,912,024 |
| Corporate obligations | 9,501,402 | 661,482 | 11,145 | 10,151,739 |
| Mortgage-backed securities | 1,122,453 | 25,385 | 1,279 | 1,146,559 |
| Domestic | 1,857,500 | - | - | 1,857,500 |
| Municipal bonds | 3,223,533 | 69,513 | 5,477 | 3,287,569 |
| Equity securities | 12,224,763 | 11,160,704 | 118,652 | 23,266,815 |
| Hedge investments | 1,923,754 | 803,515 | - | 2,727,269 |
| Other real estate investments | 1,583,115 | 179,000 | 1,521 | 1,760,594 |
| | $ 36,165,569 | $ 13,083,633 | $ 139,133 | $ 49,110,069 |

Investment income for the years ended December 31, 2021 and 2020 consists of the following:

| | 2021 | 2020 |
|---|---|---|
| Interest and dividends | $ 970,728 | $ 881,803 |
| Net unrealized (depreciation) appreciation on investments | (1,336,401) | 3,641,193 |
| Gain on sale of investments | 5,962,214 | 2,213,629 |
| | $ 5,596,541 | $ 6,736,625 |

During the years ended December 31, 2021 and 2020, the Trust sold securities for total proceeds of approximately $31,253,000 and $21,677,000, respectively. As of December 31, 2021 and 2020, management has evaluated investments in an unrealized loss position for other than temporary impairment. As the trust has the ability to hold and does not expect to sell these securities for the foreseeable future and it is more likely than not that the Trust will not be required to sell these securities, no declines are deemed to be other than temporary.




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As of December 31, 2021 and 2020, unrealized losses on securities were comprised of the following based on the length of time that the securities have been in a loss position:

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | More than 12 months | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Corporate obligations | $ 403,872 | $ 12,627 | $ - | $ - | $ 403,872 | $ 12,627 |
| Mortgage-backed securities | 246,822 | 4,162 | 10,322 | 636 | 257,144 | 4,798 |
| Equity securities | 1,084,429 | 169,940 | 431,470 | 48,966 | 1,515,899 | 218,906 |
| Domestic mutual fund | 1,809,006 | 11,423 | - | - | 1,809,006 | 11,423 |
| Municipal bonds | 11,661,776 | 104,896 | 720,768 | 3,977 | 12,382,544 | 108,873 |
| | $ 15,205,905 | $ 303,048 | $ 1,162,560 | $ 53,579 | $ 16,368,465 | $ 356,627 |

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | More than 12 months | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| U.S. Government obligations | $ 460,219 | $ 1,059 | $ - | $ - | $ 460,219 | $ 1,059 |
| Corporate obligations | 734,488 | 433 | 467,108 | 10,712 | 1,201,596 | 11,145 |
| Mortgage-backed securities | - | - | 37,050 | 1,279 | 37,050 | 1,279 |
| Equity securities | 957,879 | 115,945 | 49,865 | 2,707 | 1,007,744 | 118,652 |
| Municipal bonds | 1,039,412 | 5,477 | - | - | 1,039,412 | 5,477 |
| Other real estate investments | 48,259 | 1,521 | - | - | 48,259 | 1,521 |
| | $ 3,240,257 | $ 124,435 | $ 554,023 | $ 14,698 | $ 3,794,280 | $ 139,133 |

The estimated maturities of investments in fixed-income obligations as of December 31, 2021 and 2020 are as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Cost | Fair Value | Cost | Fair Value |
| Maturities: | | | | |
| Maturity within 1 year | $ - | $ - | $ 565,000 | $ 568,520 |
| Between 1 - 2 years | 783,438 | 784,754 | 1,730,000 | 1,800,957 |
| Between 3 - 5 years | 4,235,576 | 4,255,533 | 4,830,000 | 5,229,202 |
| Between 6 - 10 years | 5,674,816 | 5,619,276 | 8,121,631 | 9,198,317 |
| Between 11 - 15 years | 2,578,280 | 2,558,038 | 1,139,868 | 1,325,713 |
| Between 16 - 20 years | - | - | 372,577 | 396,398 |
| Over 20 years | 1,275,058 | 1,263,252 | 927,992 | 978,785 |
| | $ 14,547,168 | $ 14,480,853 | $ 17,687,068 | $ 19,497,892 |




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## 4. Fair Value of Financial Instruments

ASC Topic 820, *Fair Value of Financial Instruments*, establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

**Level 1:** Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

**Level 2:** Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

**Level 3:** Significant unobservable inputs that reflect a reporting entity's own assumptions that market participants would use in pricing an asset or liability.

***U.S. government obligations, corporate obligations, mortgage-backed securities, and municipal bonds***

These instruments are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing the value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those corporate bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

***Hedge funds***

The Trust's investments in hedge funds are valued at NAV based on the Trust's proportionate share of the hedge funds' fair value. The hedge funds invest primarily in master funds, which, in turn, invest in limited partnerships, equity and debt securities of U.S. and non-U.S. corporations, futures contracts, options, options on futures, and other securities. The funds allocate gains, losses, and expenses to investors based on the ownership percentage as described in the respective fund agreements to determine the NAV.

***Equity securities, domestic mutual funds, and other real estate investments***

Equity securities and other real estate investments are publicly traded investments and are valued daily at the closing price reported on the active market on which the individual securities are traded.

The fair values of securities available-for-sale are determined by obtaining quoted prices on nationally recognized exchanges (Level 1 inputs). Assets measured at fair value on a recurring basis are summarized below:

| | Total Investments | Quoted Prices In Active Markets for for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| December 31, 2021 | | | | |
| Corporate obligations | **$ 1,408,616** | **$ 1,408,616** | **$ -** | **$ -** |
| Mortgage-backed securities | **637,364** | **-** | **637,364** | **-** |
| Domestic mutual fund | **1,809,006** | **1,809,006** | **-** | **-** |
| Municipal bonds | **12,434,873** | **-** | **12,434,873** | **-** |
| Equity securities | **18,814,914** | **18,814,914** | **-** | **-** |
| Other real estate investments | **1,677,266** | **1,677,266** | **-** | **-** |
| Total assets in the fair value hierarchy | **36,782,039** | **$ 23,709,802** | **$ 13,072,237** | **$ -** |
| Investments measured at net asset value (a) | **3,045,707** | | | |
| Total investments | **$ 39,827,746** | | | |

| | Total Investments | Quoted Prices In Active Markets for for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| December 31, 2020 | | | | |
| U.S. Government obligations | $ 4,912,025 | $ - | $ 4,912,025 | $ - |
| Corporate obligations | 10,151,739 | 10,151,739 | - | - |
| Mortgage-backed securities | 1,146,559 | - | 1,146,559 | - |
| Domestic mutual fund | 1,857,500 | 1,857,500 | - | - |
| Municipal bonds | 3,287,569 | - | 3,287,569 | - |
| Equity securities | 23,266,816 | 23,266,816 | - | - |
| Other real estate investments | 1,760,591 | 1,760,591 | - | - |
| Total assets in the fair value hierarchy | 46,382,799 | $ 37,036,646 | $ 9,346,153 | $ - |
| Investments measured at net asset value (a) | 2,727,270 | | | |
| Total investments | $ 49,110,069 | | | |

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of net claimants' equity.

The following table summarizes investments of which fair value is measured using the NAV per share practical expedient as of December 31, 2021 and 2020:

| | 2021 Fair value | 2020 Fair value | Unfunded Commitments | Redemption Frequency (if Currently Eligible) | Redemption Notice Period |
|---|---|---|---|---|---|
| ABS Global Long Short ASP Fund (b) | **$ 1,048,408** | $ 976,489 | $ - | Quarterly | 95 days |
| Corbin Pinehurst ASP Fund (b) | **1,997,299** | 1,724,750 | - | Quarterly | 95 days |
| FTI Consulting Inc Com | **-** | 26,301 | - | Quarterly | 95 days |
| Total | **$ 3,045,707** | $ 2,727,270 | | | |

(b) This class includes investments in feeder funds. The feeder funds invests substantially all of its assets in a single underlying master fund or multiple master funds. The master fund receives a capital account balance statement for each of its underlying investments. The master fund then calculates a net asset value which includes the profit/loss for each of its investments, the master fund's expenses, including incentive fees, and capital activity including investor subscriptions and redemptions during the period.

(c) This investment is an investment that seeks capital appreciation principally through investing in investment funds managed by third-party investment managers that employ a variety of alternative investment strategies. These investment strategies allow the investment managers the flexibility to use leveraged and/or short-sale positions to take advantage of perceived inefficiencies across the global markets.

There were no transfers between levels 1, 2, or 3 for the years ended December 31, 2021 or 2020.

## 5. Income Taxes

The provision for income tax expense as of December 31 consists of:

| | 2021 | 2020 |
|---|---|---|
| Current | | |
| U.S. Federal | **$ 2,102,204** | $ 823,253 |
| State | **494,837** | 182,302 |
| | **2,597,041** | 1,005,555 |
| Deferred | **(563,928)** | 1,532,855 |
| Income tax expense (benefit) | **$ 2,033,113** | $ 2,538,410 |

Temporary differences between the amounts reporting in the financial statements and tax bases of assets and liabilities result in deferred taxes. The types of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows for the years ended December 31:




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| | 2021 | 2020 |
|---|---|---|
| Deferred tax liabilities: | | |
| Unrealized gain on available for sale investment securities | $ **4,898,327** | $ 5,462,255 |

A reconciliation of the provision for income taxes from the statutory federal income tax rate to the effective income tax rate is as follows:

| | 2021 | 2020 |
|---|---|---|
| Tax at statutory federal income tax rate | **37.0%** | 37.0% |
| Tax effect of: | | |
| State income taxes, net of federal benefit | **-3.0%** | -3.0% |
| Other nondeductible items | **8.25%** | 8.25% |
| Income tax expense | **42.2%** | 42.2% |

## 6. Subsequent Events

The Trust evaluated events for recognition or disclosure as subsequent events through April 27, 2022, which is the date the financial statements were available to be issued.




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# Porter Hayden Company
# (A Wholly-Owned Subsidiary of the Porter Hayden Bodily Injury Trust)

## Financial Statements

**Years Ended December 31, 2021 and 2020**

**DHG is registered in the U.S. Patent and Trademark Office to Dixon Hughes Goodman LLP.**

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# Independent Auditors' Report

Board of Directors
Porter Hayden Company (A Wholly Owned Subsidiary of the Porter Hayden Bodily Injury Trust)
Baltimore, MD

***Opinion***
We have audited the accompanying financial statements of Porter Hayden Company (the "Company"), a wholly-owned subsidiary of the Porter Hayden Bodily Injury Trust, which comprise the balance sheets as of December 31, 2021 and 2020, the related statements of operations and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Porter Hayden Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent Porter Hayden Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Porter Hayden Company ability to continue as a going concern within a one-year period after the date of the financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Financial Statements***
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Porter Hayden Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Porter Hayden Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Dixon Hughes Goodman LLP

**Tysons, VA**
**April 27, 2022**

**Porter Hayden Company**
**(A Wholly Owned Subsidiary of the Porter Hayden Bodily Injury Trust)**
**Balance Sheets**
**December 31, 2021 and 2020**

| | 2021 | 2020 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash | **$ 529,414** | $ 772,479 |
| Prepaid expenses | **7,872** | 10,478 |
| Due from Porter Hayden Bodily Injury Trust | **316,867** | 272,787 |
| Total current assets | **854,153** | 1,055,744 |
| Property and equipment, at cost | | |
| Furniture and equipment | **13,015** | 13,015 |
| Less accumulated depreciation | **(13,015)** | (13,015) |
| Net value of property and equipment - at cost | **-** | - |
| Other assets: | | |
| Security deposit | **670** | 670 |
| Total assets | **$ 854,823** | $ 1,056,414 |
| **LIABILITIES AND STOCKHOLDER'S EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | **$ 2,188** | $ 14,307 |
| Accrued expenses | **26,705** | 22,188 |
| Total liabilities | **28,893** | 36,495 |
| Stockholder's Equity: | | |
| Common stock, $1 par value; 5,000 shares authorized, 100 shares issued and outstanding | **100** | 100 |
| Paid-in capital | **621,718** | 621,718 |
| Retained earnings | **204,112** | 398,101 |
| Total stockholder's equity | **825,930** | 1,019,919 |
| Total liabilities and stockholder's equity | **$ 854,823** | $ 1,056,414 |

**See accompanying notes.**

**Porter Hayden Company**
**(A Wholly Owned Subsidiary of the Porter Hayden Bodily Injury Trust)**
**Statements of Operations and Retained Earnings**
**Years Ended December 31, 2021 and 2020**

| | 2021 | 2020 |
|---|---|---|
| Revenues: | | |
| Interest income | **$ 156** | $ 931 |
| Total revenues | **156** | 931 |
| Expenses: | | |
| Salaries | **111,498** | 96,704 |
| Employee benefits | **35,655** | 35,482 |
| Accounting | **17,000** | 14,077 |
| Pension | **7,530** | 19,010 |
| Rent | **6,578** | 6,030 |
| Taxes - payroll | **5,747** | 3,743 |
| Postage and telephone | **2,458** | 2,212 |
| Supplies | **391** | 217 |
| Bank/investment fees | **4,619** | 2,135 |
| Taxes - other | **461** | 332 |
| Meals and entertainment | **-** | 50 |
| Miscellaneous expense | **2,208** | 558 |
| Total expenses | **194,145** | 180,550 |
| Net loss | **(193,989)** | (179,619) |
| Retained earnings, beginning of period | **398,101** | 577,720 |
| Retained earnings, end of period | **$ 204,112** | $ 398,101 |

**See accompanying notes.**

**Porter Hayden Company**
**(A Wholly-Owned Subsidiary of the Porter Hayden Bodily Injury Trust)**
**Statements of Cash Flows**
**Years Ended December 31, 2021 and 2020**

| | 2021 | 2020 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net loss | **$ (193,989)** | $ (179,619) |
| Adjustments to reconcile loss to net cash used by operating activities: | | |
| Prepaid expenses | **2,606** | (1,834) |
| Due from Porter Hayden Bodily Injury Trust | **(44,080)** | 62 |
| Accounts payable | **(12,119)** | 12,619 |
| Accrued expenses | **4,517** | (129) |
| Net cash used by operating activities | **(243,065)** | (168,901) |
| Net decrease in cash | **(243,065)** | (168,901) |
| Cash, beginning of period | **772,479** | 941,380 |
| Cash, end of period | **$ 529,414** | $ 772,479 |

**See accompanying notes.**

# Notes to Financial Statements

## 1. Summary of Significant Accounting Policies

### *Nature of business*

Porter Hayden Company (the "Company") was a distributor of pipe coverings and a contractor which installed pipe coverings until 1989. Since 1989, the Company has been engaged in the management of claims related to potential asbestos liabilities. The Company was previously a defendant in numerous asbestos related cases. The Company's only activity is to defend and manage those claims, seek insurance coverage for those claims, and pay asbestos claims and related claim expenses. The Company emerged from bankruptcy in the United States Bankruptcy Court for the District of Maryland in July of 2006.

### *Plan of reorganization*

The Third Amended Plan of Reorganization (the "Plan") of Porter Hayden Company ("Porter Hayden") was confirmed by Court Order dated July 5, 2006. On October 13, 2006, the Plan became effective pursuant to its terms and conditions (the "Effective Date"). The Plan created the Porter Hayden Bodily Injury Trust (the "Trust") and provides that the Trust will assume Porter Hayden's liability for all Asbestos Bodily Injury Claims. The Plan also provides that the holders of asbestos claims are permanently enjoined from pursuing their claims against Porter Hayden. The Trust, on the Effective Date, received 100% of the voting shares of the reorganized debtor, Porter Hayden. As of December 31, 2021, the Company cannot reasonably estimate its asbestos related liabilities.

In accordance with the Plan, all resources and equity of Porter Hayden will eventually accrue to the Trust for payment of claims and other expenses.

### *Use of estimates*

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts. These estimates may change in the near term.

### *Concentrations of credit risk*

Porter Hayden had cash on deposit with various financial institutions at December 31, 2021 and 2020 which at varying times throughout these years exceeded federally insured limits.

### *Property and equipment*

Expenditures for maintenance, repairs and minor renewals are charged against income as incurred. Expenditures for additions, improvements, replacements and major renewals are added to property and equipment accounts.




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Depreciation for financial statement purposes is calculated primarily on the straight-line method over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Furniture and equipment | 5 - 7 years |

***Income taxes***

Management considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for, or discloses, potential changes that management believes are more likely than not to occur upon examination by tax authorities. Management has not identified any uncertain tax positions in filed income tax returns that require recognition or disclosure in the accompanying financial statements. The Company recognizes interest and penalties related to uncertain tax positions as part of income tax expense.

***Evaluation of subsequent events***

The Company has evaluated subsequent events through April 27, 2022, which is the date these financial statements were available to be issued.

## 2. Income Taxes

As of December 31, 2021, the Company has net operating loss carryforwards of approximately $1,472,884. As generation of taxable income in future periods is uncertain, a full valuation allowance has been placed on the loss carryforwards. The current net operating loss carryforwards begin to expire in 2031.

## 3. Retirement Plan

The Company sponsors a money purchase retirement plan for its eligible employees. Contributions to the plan for the years ended December 31, 2021 and 2020 were $7,530 and $19,010, respectively.

## 4. Operating Lease

The Company leases its office space under an operating lease which expired June 30, 2013 and is currently operating under a month to month lease. Rental expense for the years ended December 31, 2021 and 2020 was $6,578 and $6,030, respectively.

## 5. Bankruptcy

As previously discussed, Porter Hayden filed for bankruptcy under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Maryland. Porter Hayden filed for bankruptcy in 2002 due to lawsuits and liabilities relating to asbestos claims. The reorganization created a reorganized debtor (ROD) and a Trust. Porter Hayden received no insurance proceeds nor indemnity claim proceeds for the years ended December 31, 2021 and 2020. The receipts and claims are expected to continue for several decades. Expenses of the ROD include ordinary operating expenses and payments to Trust beneficiaries.




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## 6. Commitments and Contingencies

The Company is a beneficiary of a settlement in 1995 of the Manville Personal Injury Settlement Trust (the "Manville Trust"). The Company is a Subclass 3 Beneficiary of the Manville Trust. The Manville Trust was created in 1988 as part of the court-approved bankruptcy reorganization of Johns-Manville Corporation and related entities. The Manville Trust indemnifies the Company as a distributor of Manville asbestos - containing products. The Manville Trust's liabilities were reorganized in 1994 due to claims of all beneficiaries far exceeding the original estimate.

The Manville Trust is governed by its Trust Distribution Process ("Manville TDP") which details the process for payment of claims. The Manville TDP limits the amounts and timing of payments by the Manville Trust to the Company. The Company anticipates recoveries from the Manville Trust and insurance payments to pay in whole or part its liabilities for product liability lawsuits. However, the Manville Trust indemnity payments to the Company are hard to predict, as they depend on the total amount of indemnifiable payments of the Company's liabilities, and the funds available to the Manville Trust to distribute pro rata among its beneficiaries. As a result, a probable amount of actual liability to the Company cannot be estimated at the present time.

Additionally, the Company anticipates that the $529,414 cash on hand at December 31, 2021 will be paid to claimants and also be used for operating expenses.

## 7. Qualified Settlement Fund

The Company will periodically make contributions to Porter Hayden Bodily Injury Trust. A qualified settlement fund (QSF) is a fund created by the defendant to transfer settlement proceeds that will service the plaintiff lawsuits. The defendant is able to deduct for tax purposes amounts paid to the QSF at the time of cash payment prior to the ultimate allocation of the funds to the plaintiffs. The use of the QSF reduces the risk of insolvency by the debtor and allows time for an agreement of allocation and negotiation of claims. The Company made no qualified settlement fund contributions to Porter Hayden Bodily Injury Trust for the years ended December 31, 2021 and 2020.




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**Porter Hayden Bodily Injury Trust Claims Disposition**
**As of Decmber 31, 2021**

| | Year Ended | | | | |
|---|---|---|---|---|---|
| **New Claims** | 12/31/2021 | 12/31/2020 | 12/31/2019 | Inception - 12/31/2018 | Inception - 12/31/2021 |
| Bilateral Asbestos-Related Non-malignant (Level I) | 201 | 305 | 405 | 98,548 | 99,459 |
| Disabling Severe Asbestosis (Level II) | 42 | 49 | 55 | 4,586 | 4,732 |
| Other Cancer (Level III) | 89 | 166 | 119 | 5,920 | 6,294 |
| Lung Cancer (Level IV) | 878 | 952 | 660 | 19,950 | 22,440 |
| Mesothelioma (Level V) | 623 | 790 | 591 | 10,729 | 12,733 |
| No Disease Specified | 182 | 269 | 483 | 3,764 | 4,698 |
| **Total for New Claims:** | 2,015 | 2,531 | 2,313 | 143,497 | 150,356 |
| **Paid Claims** | | | | | |
| Bilateral Asbestos-Related Non-malignant (Level I) | 151 | 261 | 337 | 32530 | 33,279 |
| Disabling Severe Asbestosis (Level II) | 0 | 9 | 11 | 870 | 890 |
| Other Cancer (Level III) | 67 | 52 | 89 | 1712 | 1,920 |
| Lung Cancer (Level IV) | 136 | 130 | 204 | 3600 | 4,070 |
| Mesothelioma (Level V) | 65 | 79 | 101 | 1757 | 2,002 |
| No Disease Specified | - | - | - | - | - |
| **Total Claims Paid:** | 419 | 531 | 742 | 40,469 | 42,161 |
| **Closed Without Payment** | | | | | |
| Bilateral Asbestos-Related Non-malignant (Level I) | 220 | 285 | 911 | 63,848 | 65,264 |
| Disabling Severe Asbestosis (Level II) | 54 | 56 | 59 | 3,610 | 3,779 |
| Other Cancer (Level III) | 78 | 103 | 95 | 3,881 | 4,157 |
| Lung Cancer (Level IV) | 781 | 743 | 634 | 15,309 | 17,467 |
| Mesothelioma (Level V) | 516 | 654 | 487 | 8,455 | 10,112 |
| No Disease Specified | 159 | 293 | 443 | 3,671 | 4,566 |
| **Total Claims Closed Without Payment:** | 1,808 | 2,134 | 2,629 | 98,774 | 105,345 |
| **Amounts Paid** * | | | | | |
| Bilateral Asbestos-Related Non-malignant (Level I) | $ 2,610,544 | $ 53,174 | $ 76,115 | $ 7,772,175 | $ 10,512,008 |
| Disabling Severe Asbestosis (Level II) | $ 338,370 | $ 9,848 | $ 12,600 | $ 992,661 | $ 1,353,479 |
| Other Cancer (Level III) | $ 228,078 | $ 15,490 | $ 28,504 | $ 562,861 | $ 834,932 |
| Lung Cancer (Level IV) | $ 1,658,725 | $ 126,825 | $ 219,691 | $ 4,075,844 | $ 6,081,084 |
| Mesothelioma (Level V) | $ 6,951,015 | $ 745,691 | $ 903,021 | $ 17,294,718 | $ 25,894,444 |
| No Disease Specified | $ - | $ - | $ - | $ - | $ - |
| **Total Amount Paid:** | $ 11,786,732 | $ 951,027 | $ 1,239,930 | $ 30,698,258 | $ 44,675,948 |

***General Note:***

"New Claims" figures include claims which were inactive (either incomplete or deferred) and claims pending review as of the end of each annual period.

* Includes Supplemental Payments from 2016 Payment Percentage increase 1.8% to 3.0% and 2021 increase from 3.0% to 4.0%