IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

In re:	Chapter 11
Sepco Corporation,	Case No. 16-50058 (AMK)
Debtors.	

NOTICE OF FILING

PLEASE TAKE NOTICE that, on April 28, 2021, the Annual Report of the Sepco Asbestos Personal Injury Trust for the Period from June 8, 2020 to December 31, 2020, was filed electronically by Stutzman, Bromberg, Esserman & Plifka, A Professional Corporation with the United States Bankruptcy Court for the Northern District of Ohio, Easter Division.

Date: April 28, 2021

STUTZMAN, BROMBERG, ESSERMAN & PLIFKA, A Professional Corporation

By: */s/ Kaitlyn C. Fletcher*

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COUNSEL FOR THE SEPCO ASBESTOS PERSONAL INJURY TRUST

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CERTIFICATE OF SERVICE

I, Kaitlyn C. Fletcher, hereby certify that on the 28th day of April, 2021, I served a true and correct copy of the Annual Report of the Sepco Asbestos Personal Injury Trust for the Period June 8, 2020 to December 31, 2020 and Exhibit A thereto by electronic mail on the members of the Trust Advisory Committee (Thomas W. Bevan, James L. Ferraro, Beth A. Gori, Christopher R. Guinn, Robert E. Shuttlesworth and Lauren E. Williams) and their counsel (Ann McMillan) and the Future Claimants' Representative (Lawrence Fitzpatrick) and his counsel (Ed Harron and Sara Beth Kohut).

/s/ *Kaitlyn C. Fletcher*_____

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

In re:	Chapter 11
Sepco Corporation,	Case No. 16-50058 (AMK)
Debtors.	

ANNUAL REPORT OF THE SEPCO ASBESTOS PERSONAL INJURY TRUST FOR THE PERIOD FROM JUNE 8, 2020 TO DECEMBER 31, 2020

I. INTRODUCTION

Alan B. Rich, the Trustee of the Sepco Asbestos Personal Injury Trust (the "**Trust**"), created pursuant to the *Second Amended Plan of Reorganization, as Modified, for Sepco Corporation Under Chapter 11 of the Bankruptcy Code*, as supplemented by that certain *Supplement to Second Amended Plan of Reorganization, as Modified, for Sepco* (collectively the "**Plan**"),[1] hereby files this Annual Report[2] of the Sepco Asbestos Personal Injury Trust for the year ending December 31, 2020 (the "**Annual Report**").[3]

[1] Capitalized terms not otherwise defined herein shall have the meanings ascribed to the in the Plan.

[2] Pursuant to the *ORDER (I) GRANTING FINAL DECREE CLOSING THE CHAPTER 11 CASE AND (II) TERMINATING CLAIMS AND NOTICING SERVICES* (Docket No. 787), the Clerk of the Court shall accept for filing on the docket of Sepco Corporation's case (Case No. 16-50058 (AMK)), without the requirement that the Trust seek to reopen Sepco Corporation's case, any pleading or report submitted by the Trust, or the Trustee for the Trust.

[3] The Trust became effective on June 8, 2020. This Annual Report concerns the period from June 8, 2020 through December 31, 2020 (the "**Reporting Period**").

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II. REPORTING REQUIREMENTS

The purpose of this Annual Report is to fulfill the reporting requirements of the Sepco Asbestos Personal Injury Trust Agreement (the "**Trust Agreement**").

A. FINANCIAL STATEMENTS

Section 2.2(c)(i) of the Trust Agreement requires the Annual Report to include the following:

> [F]inancial statements of the Asbestos Trust (including, without limitation, a balance sheet of the Asbestos 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.

Because the financial statements of the Trust cover only a partial year due to the timing of the effective date of the Trust, the Trustee and the Trust constituents waived the requirement of preparing audited financial statements for the year ending 2020. Attached as **Exhibit A** is a copy of the Sepco Asbestos Personal Injury Trust unaudited financial statements for the period June 8, 2020 to December 31, 2020 prepared by the Trust's accountant, Morrison & Morrison, Ltd.

Under Section 3.3 of the Trust Agreement, the Trust reports payments for the Trust expenses. The Trust's operating expenses are listed in the Special-Purpose Statement of Changes in Net Claimants' Equity, attached hereto.

B. CLAIMS SUMMARY

Section 2.2(c)(ii) of the Trust Agreement requires the Trust to provide a summary regarding the number and type of claims disposed of during the period covered by the

financial statements. The Trust began accepting Asbestos Claims on December 7, 2020. There were no Asbestos Claims paid by the Trust during the Reporting Period.[4]

C. COMPENSATION AND EXPENSES OF THE TRUSTEE, TAC AND FCR

Pursuant to Sections 4.5(c), 5.6 and 6.5 of the Trust Agreement, the Annual Report shall also include a description of the amounts paid during the Reporting Period to the Trustee, the Delaware Trustee, the Trust Advisory Committee, and the Future Claimants' Representative. The Trust refers the Court to the Special-Purpose Statement of Changes in Net Claimants' Equity in the Trust's financial statements, attached hereto.

Date: April 28, 2021

STUTZMAN, BROMBERG, ESSERMAN & PLIFKA, A Professional Corporation

By*: /s/ Kaitlyn C. Fletcher*_____

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COUNSEL FOR THE SEPCO ASBESTOS PERSONAL INJURY TRUST

[4] MFR Claims Processing, Inc. serves as the Trust's claims processor.

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EXHIBIT A

Sepco Asbestos Personal Injury Trust Unaudited Financial Statements For The

Period June 8, 2020 To December 31, 2020

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SEPCO ASBESTOS PERSONAL INJURY TRUST

SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND
ACCOUNTANTS' COMPILATION REPORT

DECEMBER 31, 2020 AND FOR THE PERIOD
JUNE 8, 2020 (DATE OF FORMATION)
TO DECEMBER 31, 2020

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MORRISON & MORRISON LTD.
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

ACCOUNTANTS' COMPILATION REPORT

To the Trustee of
Sepco Asbestos Personal Injury Trust

Management is responsible for the accompanying special-purpose financial statements of the Sepco Asbestos Personal Injury Trust (the "Trust", organized in the State of Delaware), which comprise the special-purpose statement of net claimants' equity as of December 31, 2020, and the related special-purpose statement of changes in net claimants' equity for the period June 8, 2020 (date of formation) to December 31, 2020, and the related notes to the financial statements in accordance with the special-purpose basis of accounting. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the special-purpose financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these special-purpose financial statements.

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The special-purpose financial statements were prepared on a special-purpose basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The special-purpose basis of accounting has been used in order to present the amount of equity presently available to current and future claimants and the changes in net claimants' equity during the period.

This report is intended solely for the information and use of the management of the Trust, the Trustee, the beneficiaries of the Trust and the United States Bankruptcy Court for the Northern District of Ohio Eastern Division and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which, upon filing with the United States Bankruptcy Court for the Northern District of Ohio Eastern Division, is a matter of public record.

Morrison & Morrison, Ltd.

April 26, 2021

222 S. RIVERSIDE PLAZA, SUITE 2730, CHICAGO, IL 60606
P 312.346.2141 | F 312.346.2183 | W morrmorr.com

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SEPCO ASBESTOS PERSONAL INJURY TRUST

SPECIAL-PURPOSE STATEMENT OF NET CLAIMANTS' EQUITY
DECEMBER 31, 2020

See Accountants' Compilation Report

ASSETS

Cash and cash equivalents	
Unrestricted	$ 1,142,176
Restricted	20,950
Investments in marketable securities	18,998,965
Investment in common stock of Sepco Corporation	400,000
Accrued interest and dividend income	113,912
Purchased interest	28,931
Prepaid expenses	9,415
Total assets	$ 20,714,349

LIABILITIES AND NET CLAIMANTS' EQUITY

Accrued expenses	$ 107,500
Claims processing deposits	20,950
Total liabilities	128,450
Net claimants' equity	$ 20,585,899

The accompanying notes are an integral part of this special-purpose financial statement.

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SEPCO ASBESTOS PERSONAL INJURY TRUST

SPECIAL-PURPOSE STATEMENT OF CHANGES IN NET CLAIMANTS' EQUITY
FOR THE PERIOD JUNE 8, 2020 (DATE OF FORMATION) TO DECEMBER 31, 2020

See Accountants' Compilation Report

Net Claimants' Equity, June 8, 2020 (date of formation)		$ -
Additions		
Received at formation -		
Cash - insurance settlements	$ 19,750,000	
Common stock of Sepco Corporation	400,000	
Residual cash from Qualified Settlement Fund	259,547	20,409,547
Cash from reorganized Sepco Corporation		100,000
Net gain on investments in marketable securities, net of management fees, custody fees and bond amortization		485,203
Interest and dividend income		216,000
Total additions		21,210,750
Deductions		
Legal fees		340,723
Future Claimants' Representative fees and expenses		81,332
Trustee fees and expenses		57,159
Trust Advisory Committee counsel fees and expenses		26,510
Claims processing fees		25,567
Trustee fiduciary fee		25,000
Consulting fees		24,666
Accounting fees		14,996
Insurance expense		9,312
Financial consulting		8,440
Miscellaneous expenses		5,472
Delaware Trustee fees and expenses		4,768
Foreign tax expense		906
Total deductions		624,851
Net Increase in Net Claimants' Equity		20,585,899
Net Claimants' Equity, December 31, 2020		$ 20,585,899

The accompanying notes are an integral part of this special-purpose financial statement.

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SEPCO ASBESTOS PERSONAL INJURY TRUST

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

See Accountants' Compilation Report

NOTE 1 - Nature of Trust

Description of Trust

The Sepco Asbestos Personal Injury Trust (the "Trust") was established in accordance with the Second Amended Plan of Reorganization (the "Plan") of Sepco Corporation ("Sepco") pursuant to Chapter 11 of the United States Bankruptcy Code. The purpose of the Trust is:

i) to assume all liabilities and responsibility for all Asbestos Personal Injury Claims ("Claims");

ii) to direct the processing, liquidation and payment of all Claims in accordance with the Plan, the Trust Distribution Procedures ("TDP"), and the Confirmation Order;

iii) to preserve, hold, manage, and maximize the assets of the Trust for use in paying and satisfying Claims;

iv) to use the Trust's assets and income to pay holders of all Claims in accordance with the Trust Agreement and the TDP in such a way that such holders of Claims are treated fairly, equitably, and reasonably in light of the finite assets available to satisfy such claims, and

v) to comply in all respects with the requirements for a trust set forth in Section 524(g)(2)(B) of the Bankruptcy Code.

The Trust was established on June 8, 2020, the Effective Date of the Plan ("Effective Date") and is a Qualified Settlement Fund under Internal Revenue Code Section 468B for holders of Claims ("Qualified Settlement Fund"). The Trust operates as the Sepco Asbestos Personal Injury Trust.

Pursuant to the Plan, at formation of the Trust, Sepco transferred its rights under insurance policies to the Trust, including $19,750,000 from two insurers and also transferred the residual balance in the Qualified Settlement Fund ("QSF funds") totaling $259,547. Finally, the Trust received a 100% common stock interest in Sepco Corporation, the reorganized debtor, with an initial fair value of $400,000 (see Note 3). Sepco Corporation is obligated to refund to the Trust any surplus funds after the post-effective date expenses are paid and in December 2020, paid $100,000 to the Trust.

The Trust is governed by a Trust Agreement and TDP that establish the framework and criteria for allowance and payment of Claims by the Trust. The Trust Agreement and TDP were approved by the United States District and Bankruptcy Courts as part of the Plan. There are five disease levels specified in the TDP. Each claimant who meets the medical and exposure requirements of the TDP for a particular disease level may apply for expedited review and a specified payment amount. Certain claimants also have an alternative, under the TDP, to submit additional documentation and request a more expansive review of their Claim (Extraordinary Claim Review Process).

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NOTE 1 - Nature of Trust – (Continued)

Description of Trust - continued

The Trust's assets consist primarily of cash and cash equivalents, investments in marketable securities, and common stock of Sepco Corporation, which, with the earnings or losses on such investments, are intended to be totally consumed by the allowance and payment of claims and operation of the Trust. The percentage amount of each allowed claim that will actually be paid will be determined by projections of total allowed Claims and operational expenses of the Trust, on the one hand, and total assets and net earnings or losses on the other. The Trust began accepting Claims on December 7, 2020. The initial payment percentage has been set at 10% and is subject to review and adjustment, in accordance with the Trust Agreement and the TDP. The Trustee is a fiduciary and is responsible for administering the Trust and the Trust's assets in accordance with the Trust Agreement and the Plan.

Termination

The Trust Agreement (Section 7.2) provides that the Trust shall automatically terminate on the date ("Dissolution Date") ninety (90) days after the first to occur of the following events:

- The date on which the Trustee decides to dissolve the Trust because (A) the Trustee deems it unlikely that any new asbestos claims will be filed against the Trust, (B) all asbestos claims duly filed with the Trust have been liquidated and paid to the extent provided in the Trust Agreement and TDP, or disallowed by a final, non-appealable order, to the extent possible based upon the funds available through the Plan and (C) twelve (12) consecutive months have elapsed during which no new asbestos claims have been filed with the Trust.

- If the Trustee has procured and has in place irrevocable insurance policies and has established claims handling agreements and other necessary arrangements with suitable third parties adequate to discharge all expected remaining obligations and expenses of the Trust in a manner consistent with the Trust Agreement and the TDP, the date on which the Bankruptcy Court enters an order approving such insurance and other arrangements and such order becomes a final order, or

- To the extent that any rule against perpetuities shall be deemed applicable to the Trust, that date which is twenty-one (21) years less ninety-one (91) days after the death of the last survivor of all of the descendants of the late Joseph P. Kennedy, Sr., father of the late President John F. Kennedy, living on the date of the Trust agreement.

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NOTE 1 - Nature of Trust – (Continued)

Termination - continued

On the Dissolution Date or as soon as reasonably practicable, after the wind-up of the Trust's affairs by the Trustee and payment of all the Trust's liabilities have been provided for as required by applicable law, all remaining assets shall be applied to such charitable purposes, if practicable, which shall be related to the treatment of, research on, or the relief of individuals suffering from asbestos-related disorders and such charitable organizations should not have any relationship with Sepco.

Following the dissolution and distribution of the assets of the Trust, the Trust shall terminate and the Trustee shall execute and file a Certificate of Cancellation.

NOTE 2 - Summary of Significant Accounting Policies

Basis of accounting

The Trust's special-purpose financial statements are prepared using special-purpose accounting methods that differ from accounting principles generally accepted in the United States of America (GAAP). The special-purpose accounting methods are being used to better communicate the equity available to satisfy current and future claims. Since the accompanying special-purpose financial statements and transactions are not based upon GAAP, accounting treatment by other parties for these same transactions may differ as to timing and amount. These special-purpose accounting methods and the differences from GAAP are summarized as follows:

- The special-purpose financial statements are prepared using the accrual basis of accounting, except as otherwise described herein.
- The statement of net claimants' equity is not classified, resulting in no separation between current and noncurrent assets.
- These special-purpose financial statements do not include a statement of cash flows.
- Cash and cash equivalents are recorded at cost with accrued income shown separately.
- The funding received from reorganized Sepco Corporation, insurance settlements and the QSF funds have been recorded directly to net claimants' equity. These funds do not represent taxable income to the Trust. Payments to claimants are reported as deductions from net claimants' equity and do not represent tax-deductible expenses of the Trust.
- No liability is recorded for future claims filings and filed claims on which no offer has been made. Net claimants' equity represents funding available to pay present and future claims on which no liability has been recorded.

NOTE 2 - Summary of Significant Accounting Policies - (Continued)

Basis of accounting – continued

- The Trust's investments in marketable debt securities are considered as available for sale. The unrealized holding gains (losses) on these investments are included in net gain on investments in marketable securities, net of management fees and bond amortization on the accompanying statement of changes in net claimants' equity. Under GAAP, the unrealized holding gains (losses) on available for sale investments would be included as a component of net claimants' equity reported as accumulated other comprehensive income (loss).

- The investment in the common stock of Sepco Corporation is reported at the value of the Corporation's 33.33% ownership interest in a limited liability company, which owns commercial real estate, and is the most recent information available to the Trust. The common stock was included in Sepco's Plan of Reorganization. Under GAAP, since the Trust owns 100% of the common stock in Sepco Corporation, the Trust would consolidate the financial results of Sepco Corporation and all significant intercompany balances and transactions would be eliminated upon consolidation.

Use of estimates

The preparation of special-purpose financial statements in conformity with the special-purpose accounting method requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the special-purpose financial statements and the reported amounts of additions and deductions from net claimants' equity during the reporting periods. Significant items subject to such estimates and assumptions include the carrying value of financial instruments and investments, and deferred income tax expense. Actual results could differ from those estimates.

Financial instruments

The Trust's financial instruments are cash and cash equivalents, accrued interest and dividend income, investments in marketable securities, the investment in Sepco Corporation and accrued expenses. The carrying amount of cash and cash equivalents, accrued interest and dividend income, and accrued expenses approximate their fair values based on their short-term nature. The carrying amount of marketable securities is based on fair value. The carrying amount of the investment in Sepco Corporation approximates fair value based on management's estimates.

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NOTE 2 - Summary of Significant Accounting Policies - (Continued)

Cash and cash equivalents

The Trust consider all highly liquid debt instruments purchased with an original maturity value of three months or less to be cash equivalents. Unrestricted cash and cash equivalents at December 31, 2020, are as follows:

Money market funds	
Goldman Sachs government fund	$ 616,105
BBVA	526,071
Total	$ 1,142,176

At December 31, 2020, restricted cash represents filing fees received from claimants, which will be refunded if the claim is accepted and retained by the Trust if the claim does not qualify for payment.

Concentrations of credit risk

Financial instruments, which potentially subject the Trust to concentrations of credit risk, consist primarily of cash and cash equivalents, investments in marketable securities and the investment in common stock of Sepco Corporation. The Trust maintains its cash and cash equivalents in accounts that are not federally insured but considers them to be of high credit quality. The Trust has not experienced any losses in such accounts, and it does not believe it is exposed to any significant credit risk.

The Trust's investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level or risk associated with investments, it is at least reasonably possible that significant changes in risks in the near term may materially affect the amounts reported in the financial statements. However, the Trust has a formal investment policy of placing investments in high-quality financial institutions.

Investments in marketable securities and related income

Investments in marketable securities are reported at fair value in the special-purpose statement of net claimants' equity and changes in the fair value of investments, as well as realized and unrealized gains and losses are included in net gain on investments in marketable securities, net of management fees, custody fees and bond amortization reported in the special-purpose statement of changes in net claimants' equity. Purchases and sales of marketable securities are recorded on the trade date.

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NOTE 2 - Summary of Significant Accounting Policies - (Continued)

Investments in marketable securities and related income - continued

Realized gains and losses on disposals of investments are determined by the specific identification method. Interest and dividend income are recognized on the accrual basis. For the period June 8, 2020 (date of formation) to December 31, 2020, investment management fees of $8,468, custody fees of $4,054 and bond amortization of $30,478 are included in net gain on investments in marketable securities, net of management fees, custody fees and bond amortization in the accompanying statement of changes in net claimants' equity.

Investments considered to be permanently impaired in value are written down to their estimated net realizable value and the write down is recorded as a realized loss on investments. Unrealized losses that are other-than-temporary based upon management's estimates using quantitative and qualitative criteria are recognized as realized investment losses. Actual results could differ from those estimates.

Investment in the common stock of Sepco Corporation

The investment in common stock of Sepco Corporation is reported at the value of the Corporation's 33.33% ownership interest in a limited liability company, which owns commercial real estate. Changes in fair market value of the investment, if any, will be included in net gain or loss in investment in common stock of Sepco Corporation in the special-purpose statement of changes in net claimants' equity.

Claims processing deposits

Claims processing deposits represent filing fees collected for each unliquidated claim, which will be refunded by the Trust if the claim is paid.

Net claimants' equity

The Trust, under the adopted special-purpose accounting convention, does not record the liability for future claims expected to be filed over the life of the Trust. The net claimants' equity is available for (i) the payments of allowed asbestos-related claims and (ii) operational expenses of the Trust.

Income taxes

Deferred tax assets and liabilities are recorded based on temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established when it is likely that the deferred tax assets may not be realized. No provision for state income taxes was recorded because, as a Delaware trust, the Trust has no state income tax return filing obligation and is not obligated to pay state income taxes. Funds received by the Trust from insurance settlements, Sepco Corporation, the QSF and distributions paid to settle asbestos claims are not taxable or deductible by the Trust.

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NOTE 2 - Summary of Significant Accounting Policies - (Continued)

Income taxes - continued

The Trustee's estimate of the potential outcome of any uncertain tax issues is subject to management's assessment of relevant risks, facts, and circumstances existing at that time. The Trust uses a more likely than not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. To the extent that the Trustee's assessment of such tax position changes, the change in estimate is recorded in the period in which the determination is made. The Trust reports tax-related interest and penalties as a component of income tax expense and operating expenses, respectively. The Trust has recognized no increase in assets or liabilities for unrecognized tax benefits or expenses.

Subsequent events

The Trust has evaluated events and transactions subsequent to the date of the financial statements for matters requiring recognition or disclosure in the special-purpose financial statements. The accompanying special-purpose financial statements consider events through April 26, 2021, the date on which the financial statements were available to be issued. See Note 8.

NOTE 3 – Investment in common stock of Sepco Corporation

The Trust owns 100% of the issued and outstanding common stock of Sepco Corporation (the "Corporation"). The Corporation has a 33.33% ownership interest in a limited liability company ("LLC") with a purchase price of $400,000. The LLC owns commercial real estate located in Pennsylvania. The common stock was received as part of the Plan of Reorganization in June 2020. The Corporation will fund the Trust with any surplus funds after paying the Corporation's operating expenses.

Activity for the investment in common stock of Sepco Corporation for the period June 8, 2020 (date of formation) to December 31, 2020, is as follows:

Balance at June 8, 2020 (formation of the Trust)	$ 400,000
Net unrealized gain or loss in Sepco Corporation	-
Balance at December 31, 2020	$ 400,000

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NOTE 4 – Investments in Marketable Securities

Fair value measurements

The Trust measures its investments, at fair value, according to a hierarchy of valuation techniques. The following are the levels of the hierarchy and a brief description of the type of valuation information ("inputs") that qualifies an investment for each level:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments in Level I include mutual funds and listed equity securities.

Level 2 – Pricing inputs are other than quoted market prices included in Level I, however, are observable indirectly for the investment. The Trust includes its municipal bonds in Level II, because these pricing inputs are indirectly evident through interest rates for commonly quoted credit risks.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. The Trust does not carry any Level III investments.

The valuations of the Trust's investments in marketable securities by the above fair value hierarchy levels and the corresponding cost of the investments as of December 31, 2020 are as follows:

	December 31, 2020			
	Level	Market Value	Cost	Unrealized Gains
Equity securities -				
Mutual funds	I	$ 4,903,198	$ 4,416,008	$ 487,190
Municipal bonds	II	14,095,767	14,055,207	40,560
Total		$ 18,998,965	$ 18,471,215	$ 527,750

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NOTE 4 – Investments in Marketable Securities – (Continued)

Maturities of the Trust's debt securities at December 31, 2020 are as follows:

	Market Value	Cost	Unrealized Gains (Losses)
Due in one year or less	$ -	$ -	$ -
Due after one year through five years	3,648,424	3,658,048	(9,624)
Due after five years through ten years	6,959,560	6,917,699	41,861
Due after ten years through twenty years	2,690,169	2,679,583	10,586
Due after twenty years	797,614	799,877	(2,263)
Total	$ 14,095,767	$ 14,055,207	$ 40,560

NOTE 5 – Taxation

The Trust reports its income to the Internal Revenue Service as a designated settlement fund which is taxed at the highest rate applicable to trusts under Section I(e) of the Internal Revenue Code, which was 37% for the period June 8, 2020 (date of formation) to December 31, 2020. For net operating losses (NOLs) created in years beginning after December 31, 2017, the carryforward of NOLs will be limited to a reduction of 80% of modified taxable income without expiration.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted into law. The Cares Act made a number of changes to U.S. tax laws for tax years beginning before 2021. These changes include the removal of the limitation that NOLs could be used to offset no more than 80% of taxable income and the allowance for the carryback of losses arising in tax years 2018, 2019 and 2020 to each of the five tax years preceding the loss year. Unused losses from these years may be carried forward indefinitely.

The Trust's federal income tax expense for the period June 8, 2020 (date of formation) to December 31, 2020, is calculated as follows:

Modified taxable loss	$ (569,350)
Tax rate	37.0%
Federal income tax benefit	(210,660)
Deferred federal income tax expense	195,268
Valuation allowance	15,392
Net income tax expense	$ -

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NOTE 5 – Taxation – (Continued)

Temporary differences between financial reporting income and taxable income generate deferred tax assets and liabilities as of December 31, 2020, as follows:

Net operating loss carryforward	$	210,660
Unrealized gain on investments		(195,268)
Valuation allowance		(15,392)
Net deferred tax liability	$	-

At December 31, 2020, the Trust had $210,660 of net operating loss carryforwards with no expiration date. The amount of income taxes the Trust pays is subject to ongoing audits by federal authorities.

NOTE 6 – Trust Advisory Committee and Future Claimants' Representative

The Trust Agreement sets forth the role and responsibility of the Trust Advisory Committee ("TAC") and the Future Claimants' Representative ("FCR"). The members of the TAC serve in a fiduciary capacity representing all holders of present Asbestos Claims ("Current Claimants"). The Trustee is required to consult with or obtain the consent of the TAC on certain matters identified in the Trust Agreement and the TDP. The TAC is comprised of six attorneys who are engaged by Current Claimants.

The FCR serves in a fiduciary capacity, representing the interests of the individuals who may file an Asbestos Claim in the future, but who at this time are unknown to the Trust (Future Asbestos Claimants). His role, in part, is to protect rights of the Future Asbestos Claimants. The Trustee is required to consult with or obtain the consent of FCR on certain matters identified in the Trust Agreement and the TDP.

NOTE 7 – COVID-19 Pandemic Impact

In early 2020, the World Health Organization declared the rapidly spreading coronavirus disease (COVID-19) outbreak a pandemic. This pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. The Trust considered the impact of COVID-19 on the assumptions and estimates used and determined that there were no material adverse impacts on the Trust's financial condition, liquidity and operations at December 31, 2020. The Trust is not aware of any specific event or circumstance that would require an update of its estimates for judgments or a revision of the carrying value of its assets or liabilities as of the date of issuance of the financial statements. These estimates may change, as new events occur and additional information is obtained.

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SEPCO ASBESTOS PERSONAL INJURY TRUST

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

See Accountants' Compilation Report

NOTE 8 – Subsequent Event

The bankruptcy case of Sepco Corporation was closed on February 22, 2021.

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