

**PERRINE DUPONT SETTLEMENT CLAIMS OFFICE
ATTN: EDGAR C. GENTLE, CLAIMS ADMINISTRATOR
C/O SPELTER VOLUNTEER FIRE DEPARTMENT OFFICE**

**55 B Street
P. O. BOX 257
Spelter, West Virginia 26438
(304) 622-7443
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June 15, 2016

VIA HAND DELIVERY

The Honorable Thomas A. Bedell
Circuit Judge of Harrison County
301 West Main Street, Room 321
Clarksburg, West Virginia 26301

**Re: The Perrine DuPont Settlement - June 22, 2016 8:30 A.M. Hearing on
Distribution of Remediation Fund Surplus; Our File No. 4609-1{DD-90}**

Dear Judge Bedell:

I hope this report finds the Court well.

The purpose of this letter is to provide a report to the Court in preparation for the above Hearing. On May 26, 2016, we mailed to the owners of the 992 properties that participated in the Settlement Remediation Program the Notice of Hearing and Questionnaire in Exhibit A.

By the June 8, 2016 deadline, we received 281 responses to the Questionnaire, and we summarize the results below.

**QUESTION A: DO YOU THINK ADDITIONAL FUNDS SHOULD BE SPENT
TO FIX THE ISSUES ADDRESSED BELOW? IF YOU
AGREE, CHECK ALL THAT YOU THINK SHOULD BE
FIXED OR THE BOX BELOW THE TABLE FOR NO
REPAIRS.**

Page 3 of the Notice in the Exhibit A lists the issues that would be addressed, which include grading alleys, paving roads in addition to those already being paved under the previously approved Road Improvement Program, and sidewalk repairs. All issues to be addressed are in Zone 1 A. The total cost of the repairs is approximately \$200,000 plus \$135 per square yard for sidewalk installation.

54 Claimants voted for the repairs, and 199 voted against.

The 54 Claimants voting favorably for the repairs indicated which ones they prefer, for a total of 440 votes. Their itemized preferences are given below:

<u>Number of Votes</u>	<u>Description of Repair</u>
23	Enlarge 2 nd St. Drain, grade alley behind churches and install drains
37	Fix drains at "C" St and 3 rd
39	Install drain at 7 th St and "B" St
42	Repair drain on upper "B" St
28	Install additional drain on lower "A" St
24	Drain ditch by 3 1/2 St Alley North
25	Regrade and stone alley that runs parallel to Maple & River Rd in Erie
27	Pave Shingleton Road
27	Pave 4 1/2 St Alley North
27	Pave River Road
34	Correct flow at concrete ditch near bridge in Spelter
29	Repair area with slotted drain at "A" and 2 nd St
31	Clean out all ditches
31	Pave section in front of Post Office
16	Repair sidewalk adjoining A and install new sidewalks

QUESTION B: DO YOU BELIEVE THAT CLAIMANTS WITH ZONE 1A PROPERTIES (ZONE CLOSEST TO SMELTER SITE) SHOULD GET A HIGHER AMOUNT OF MONEY THAN CLAIMANTS WITH PROPERTIES IN ZONES FARTHER FROM THE SMELTER SITE (ZONES 1B,2 AND 3)?

85 Claimants voted yes and 191 voted no. This division of votes closely tracks the distribution of Claimants between these two groups, as most Claimants voted in their own interests.

On the one hand, a Court order dated June 27, 2011 states that "any extra remediation funds shall be distributed equally to all participants in the property remediation program". On the other hand, Zone 1A required the most remediation, with both soil and interior house remediation being carried out.

QUESTION C: DO YOU AGREE THAT EACH CLAIMANT IS ENTITLED TO ONE SHARE OF THE REMAINING MONEY, NO MATTER HOW MANY PROPERTY CLAIMS THEY HAVE?

203 Claimants voted yes and 76 voted no. Again, these votes closely track what portion of Claimants has only one property compared to those who have more than one property.

From one perspective, each participating Claimant family went through the annoyance and inconvenience of the Remediation Program. However, the number of properties was critical in determining the amount of the Settlement Fund, and, ultimately, the resulting amount of the surplus now to be distributed.

QUESTION D: DO YOU THINK THAT FOR ZONE 1A, WHERE SOIL AND HOUSES WERE REMEDIATED, A HOUSE AND SOIL SHOULD BE COUNTED AS ONE CLAIM OR SEPARATELY?

52 Claimants thought that the house and the soil should each be counted, so that a Zone 1A property would be counted twice, compared to property in other Zones, where only interior house remediation was done. 218 voted against this concept.

Each perspective has merit. The soil contamination in Zone 1A was a major factor in leading to the resolution of the case favorably for the Class. However, all participating families should be rewarded for being part of the Class Area remediation, to the mutual benefit of all community members.

QUESTION G: SHOULD THE NON-PARTICIPANTS RECEIVE A PORTION OF THE SURPLUS?

As indicated in Exhibit A, while 992 Claimant families participated in the Settlement Remediation Program, 235 declined to do so, after being cautioned in writing that, by not participating, they were waiving any rights to the benefits of the Settlement.

The Questionnaire was only sent to participating Claimant families, with only 12 voting to pay something to the non-participants, and 263 voting to pay them nothing.

Though there is merit in not paying the non-participants anything, because they did not participate in the Settlement and waived their right to any Settlement benefits, their being part of the Class that led to the Settlement enhanced the size of the Settlement Fund. And, their not participating in the Settlement is the major reason why there is a surplus at all.

An analogy may be found in the MDL 926 Breast Implant Settlement, where timely registrants received a \$5,000 Advance Payment, and late registrants (with these Claimants here being very late indeed), receiving only \$1,000.

In preparation for the Hearing, we asked Claimants if they planned to attend. 82 indicated that they planned to do so, and 208 indicated that they did not.

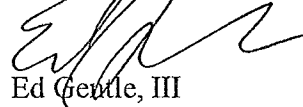
At the Hearing, we will have available an alphabetical list of those Claimants who expressed an interest in attending the Hearing, so that each may be requested to provide his or her point of view, if they care so to do.

In conclusion, we would like to thank the Settlement Community for their participation in the Remediation Program, and for their thoughtful input with respect to the distribution of the Remediation Fund Surplus.

June 15, 2016
Page 4

Thank you for the Court's consideration.

Yours very truly,

A handwritten signature in black ink, appearing to read 'Ed Gentle, III', written over the typed name.

Ed Gentle, III
Settlement Administrator

ECGIII/kah
Enclosure

cc: (w/out Enclosures)
Participating Claimants

EXHIBIT A

INVITATION TO JUNE 22, 2016, 8:30 A.M. HEARING
ON DISTRIBUTION OF REMEDIATION FUND SURPLUS AND QUESTIONNAIRE
ON DISTRIBUTION OF SURPLUS

PERRINE DUPONT SETTLEMENT CLAIMS OFFICE
ATTN: EDGAR C. GENTLE, CLAIMS ADMINISTRATOR
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Dear Claimant:

The Perrine/Dupont Property Remediation Program is coming to an end. The soil remediation is complete and house remediation is expected to be complete by the end of June, 2016. The Settlement Office will remain open through March 31, 2017 as there will still be some wrap-up items that will continue to be worked on. We are happy to report that we are projecting a Remediation Fund surplus of approximately \$4 Million, as detailed in the attached May 17, 2016 memorandum (Attachment A). The purpose of this letter is to invite you to a hearing on the use of the surplus, to update you with respect to your Settlement, and to ask for your VOLUNTARY input and comments on the questionnaire below regarding the use of the surplus as we try to design a Claimant Surplus Payout Program that is fair.

Over the years we've held numerous town hall meetings asking for feedback from you, our Claimant. At the most recent one on March 25, 2016 we gathered some votes regarding different surplus payout options and obtained more information from the claimants regarding additional repair requests (discussed below). We've also held numerous Claimants' Committee meetings over the last 6 months to help guide the Road Resurfacing project as well as some wrap-up items.

PREVIOUS TOWN HALL MEETINGS

As previously stated we held a series of town hall meetings on March 25, 2016. For those who were not able to attend, those meetings generated feedback on how the remaining Remediation Settlement funds should be distributed as well as a list of additional road repairs requested for Zone 1A where the soil remediation occurred.

At those meetings there was some informal voting regarding some key issues to how the remaining Remediation Settlement funds will be distributed. The Settlement office is aware that many families outside of Zone 1 and working families were not able to attend. Through this VOLUNTARY QUESTIONNAIRE we ask for your input regarding these very important matters.

From this questionnaire we will generate a report for the Court. We have also scheduled a Fairness Hearing with Judge Bedell who oversees this case. This Fairness Hearing will give every claimant the opportunity to speak directly with Judge Bedell to voice their concerns and opinions regarding the surplus payout. **THIS HEARING IS SCHEDULED FOR JUNE 22, 2016 AT 8:30 AM.** Whether you come to the hearing or not, please take the time to fill out the below questionnaire and return **PAGES 1 THROUGH 7 OF THIS LETTER** to the office in the pre-addressed and stamped envelope. Your participation is greatly appreciated.

ROAD REPAIR AND RESURFACING AND OTHER ZONE 1A IMPROVEMENTS

The Road Resurfacing for Zone 1A has been approved by the Court and the winning bidder, J.F. Allen, has signed a contract for the paving. This is standard practice for Remediation Settlements where heavy equipment is used on paved roads. The Court will decide whether the additional repairs brought up in the March 25th town hall meetings are to be implemented. If the Court approves them, they will be completed (additional discussion below) before the paving project will start. Completion of the paving is expected by the end of the Fall, 2016. Please note the resurfacing is only for Zone 1A where heavy equipment was used, which encompasses the towns of Spelter and Erie.

There were fifteen (15) possible additional road repairs brought up in the town hall meetings and in suggestions brought to the Settlement office leading up to the meeting. These repairs have been priced by J.F. Allen Corp. The repairs range from repair of existing drainage to cleaning out of ditches. The estimated cost for the additional repairs comes to approximately \$200,000.00 (not including sidewalk installation which is \$135.00 per square yard). A complete list of repairs, the number of received votes for that repair in the town hall meetings, and the bid for that repair can be found below. These repairs are not set in stone but are pending court approval. Through this questionnaire we will also give you the opportunity to voice your feelings about them.

Currently the remaining Remediation Settlement funds are projected to be approximately \$4 Million. This remaining money takes into account the road resurfacing for Zone 1A as well as assumes the Court approves the additional repairs below.

A. DO YOU THINK ADDITIONAL FUNDS SHOULD BE SPENT TO FIX THE ISSUES ADDRESSED BELOW? IF YOU AGREE, CHECK ALL THAT YOU THINK SHOULD BE FIXED OR THE BOX BELOW THE TABLE FOR NO REPAIRS.

Yes Box Check	Description	Yes Votes at Town Meeting	Cost
	Enlarge 2nd St. drain; grade alley behind churches; install drains	1	\$56,278.50
	Fix drains at "C" St and 3rd	3	\$13,955.00
	Install drain at 7th St and "B" St	7	\$10,915.00
	Repair Drain on upper "B" St	10	\$9,783.00
	Install additional drain on lower "A" St	2	\$17,811.00
	Drain ditch by 3 1/2 St. Alley North	1	\$14,685.00
	Regrade and stone alley that runs parallel to Maple and River Rd in Erie	1	\$4,280.00
	Pave Shingleton Road	1	\$2,880.00
	Pave 4 1/2 St Alley North	3	\$4,988.25
	Pave River Road	1	\$9,537.81
	Correct flow at concrete ditch near bridge in Spelter	2	\$8,973.75
	Repair area with slotted drain at "A" and 2nd St	2	\$5,397.00
	Clean out all ditches (NO TESTING OR DISPOSAL FEES; ESTIMATE ADDITIONAL \$5,000)	2	(+) \$25,228.50
	Pave section in front of Spelter Post Office	1	\$1,841.10
	Repair sidewalk adjoining A and install new sidewalks	1	\$135/ square yard

☐

No, I do not feel that any money should be spent on additional road/drainage repairs

DISTRIBUTION OF REMAINING SETTLEMENT FUNDS

As previously stated, we estimate remaining funds to be approximately \$4 Million once paving work repairs and improvements are complete. Once all paving and approved repair and improvement work is complete the remaining surplus funds will be distributed to the Claimants, and possibly also the Non-Participants (defined below). IT WILL ALSO BE IN SATISFACTION OF ANY REMAINING REPAIRS OR

OTHER CLAIMS YOU BELIEVE WERE CAUSED BY THE REMEDIATION PROGRAM. How that money will be divided up will ultimately be decided by Judge Bedell, but we would like your input regarding some key issues. SOME GUIDELINES REGARDING WHO COUNTS AS A CLAIMANT FOR THE DISTRIBUTION ARE AS FOLLOWS:

- If you participated in the clean-up (house or soil) you are a claimant.
- If you had your property tested and it tested clean you are a claimant.
- If you had your property tested and it tested dirty but chose NOT to participate in the remediation you ARE NOT a claimant.

There are 992 properties that participated in the Remediation Program. Another 235 properties were eligible to participate but their owners elected not to participate. These are referred to as the "Non-Participants".

A court order dated June 27, 2011 states that "any extra remediation funds shall be distributed equally to all participants in the property remediation program". In the town hall meetings many suggested that Zone 1A should get more or all of the remaining money since they are at the center of the remediation.

- B. DO YOU BELIEVE THAT CLAIMANTS WITH ZONE 1A PROPERTIES (ZONE CLOSEST TO SMELTER SITE) SHOULD GET A HIGHER AMOUNT OF MONEY THAN CLAIMANTS WITH PROPERTIES IN ZONES FARTHER OUT FROM THE SMELTER SITE (ZONES 1B, 2, and 3)

☐

YES, Zone 1A Claimants should get more than Claimants further from the smelter site.

☐

NO, I do not think Zone 1A Claimants should be given more money.

If your answer is NO, please describe your preferred alternative:

(For example: Pay all claimants in all zones equally)

- C. DO YOU AGREE THAT EACH CLAIMANT IS ENTITLED TO ONE SHARE OF THE REMAINING MONEY, NO MATTER HOW MANY PROPERTY CLAIMS THEY HAVE?

☐

YES, I agree each property Claimant should count as one share.

☐

NO, I think if a Claimant owns multiple properties that participated then he or she is entitled to multiple shares of the remaining money.

D. DO YOU THINK THAT FOR ZONE 1A, WHERE SOIL AND HOUSES WERE REMEDIATED, A HOUSE AND SOIL SHOULD BE COUNTED AS ONE CLAIM OR SEPERATELY?

☐

YES, if you had both house and soil claim you should receive double the payout.

☐

NO, one house and soil property should only count once.

We are considering distributing the surplus payment checks at the Settlement Office. This would ensure that we can obtain and verify current information, including current property ownership and addresses. Because payments in this case are for inconvenience and annoyance, the IRS requires that we issue a Form 1099-MISC when payments exceed \$600. We are projecting the surplus payments will be in excess of \$600 per property. If they do exceed \$600, we will issue a Form 1099-MISC to you, or if Claimants are paid jointly, to the first person listed on the check. Based on IRS taxability rules, which will be included with your check, you will be required to report, and may be required to pay tax, on the surplus payment(s). We are not tax advisors, however, it might be advantageous to set aside a portion of the surplus payment until you have filed your 2016 tax return. You should consult with your tax advisor regarding your specific situation. The Settlement will be responsible for filling out the Form 1099-MISC and issuing it to you before the January 31, 2017 deadline. An IRS publication on the tax treatment of settlement payments is in Attachment C.

E. WOULD YOU BE WILLING TO PICK UP YOUR SURPLUS CHECK IN PERSON AT THE SETTLEMENT OFFICE AND ENSURE WE HAVE COMPLETE AND UPDATED RECORDS?

☐

YES

☐

NO

If NO, please explain your reasoning below: _____

QUESTIONNAIRE COMPILATION AND HEARING WITH JUDGE BEDELL

The Settlement office will work to compile the results of the survey above for a written report to Judge Bedell.

You are entitled to attend the June 22, 2016 8:30 A.M. hearing to address the Court on these issues.

F. DO YOU PLAN TO ATTEND THE HEARING?

☐

NO.

☐

YES. My Name and address are: _____

CLAIMANT CLASS AUDIT AND FINALIZATION

In late 2015 the Settlement undertook an internal audit of all registered claims to ensure all eligible and registered properties were remediated. The Settlement also asked the Court to set an Absolute Bar Date against any future claims. After the Court established an Absolute Bar Date of December 16, 2015 the Settlement held three (3) Town Hall meetings on December 16, 2015 as a "last call" for any additional claims. The Court admitted the last ten (10) late registrants and barred any future claims citing "...sufficient notice has been provided to the Property Claimant Class and sufficient time has passed since the filing of Property claims period began and expired for all interested Class Members to file a claim". (Attachment B).

Therefore, the Non-Participants and their 235 properties are barred from participation in the Remediation Program.

G. SHOULD THE NON-PARTICIPANTS RECEIVE A PORTION OF THE SURPLUS?

☐

YES.

☐

NO.

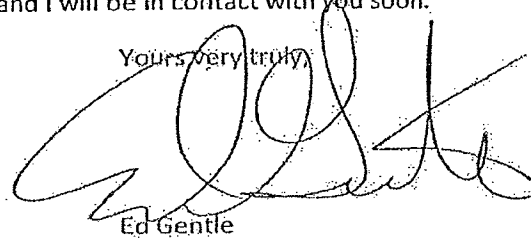
DEADLINES AND CONCLUSION

Please fill out the above questionnaire and return pages 1 through 7 of this letter in the pre-addressed and stamped envelope provided. **THE DEADLINE FOR YOUR VOTES TO BE COUNTED IS JUNE 8, 2016.** If you would like to drop off your questionnaire in person the Settlement Claims Office is open 8:30 am to 5:00 pm Monday through Friday. If you're there outside of regular business hours please

feel free to drop your questionnaire in the locked, black mailbox beside the door. The Settlement office is located in the rear of the Spelter Volunteer Fire Department in Spelter, WV.

We appreciate your input in this case and I will be in contact with you soon.

Yours very truly,

A handwritten signature in black ink, appearing to read 'Ed Gentle', written over the closing 'Yours very truly,'.

Ed Gentle

Claims Administrator

Attachment A

MEMORANDUM

TO: Edgar C. Gentle, III, Esq.

FROM: Terry D. Turner, Jr., Esq.
Mr. Joseph L. Roberta, CPA

DATE: May 17, 2016

RE: Perrine-DuPont Property Remediation Qualified Settlement Fund (the "Remediation Fund") - Calculation of Reserve for Remediation Costs in Zones 1 and 2, Revenue Requirement to Remediate Zone 3, and Possible Remediation Fund Surplus; Our File No. 4609-1 (DD-51)

The purpose of this memorandum is to provide you with: (i) support for our calculation of the estimated reserve for remediation costs in Zones 1 and 2; (ii) the estimated revenue requirement for remediation in Zone 3; and (iii) an updated comparison of the Remediation Fund accrual balance at May 17, 2016 with the projected remaining Remediation Fund expenses, assuming a project end date of March 31, 2017.

I. ESTIMATED RESERVE FOR REMEDIATION COSTS IN ZONES 1 AND 2

Remediation costs would include the cost of cleaning dirty soil properties in Zone 1A and cleaning dirty houses in Zones 1 and 2. Attached to the reserve calculation in Exhibit A is a spreadsheet prepared by Jennifer Nowby, which identifies the dirty soil properties in Zone 1A and dirty houses in Zones 1 and 2, which we used as the basis of our calculation.

A. Zone 1A Dirty Soil Properties Available for Cleaning¹

- A-1 The estimated cost for cleaning dirty soil is approximately \$40,000 per property, but Jennifer indicates there are 0 remaining soil properties, so the cost is \$0.
- A-2 There are 2 additional soils in Zone 1A that have been cleaned (or partially cleaned) by NCM and partially paid, with the remaining cost for cleaning the soils equaling \$25,285.
- A-3 In their latest invoices, CORE Environmental Services, Inc. is charging \$358 per property for surface soil sampling and analysis and \$770 per property for soil texture sampling, but Jennifer indicates that neither of the 2 additional soil properties will require further testing, so the sampling costs are \$0.

¹ A total of 2 soils remain in Zone 1A, with: (i) 1 soil being retested and found to be clean, but the property owner is requesting \$40,000, as he believes the initial dirty test results were accurate and he wants compensation; and (ii) 1 soil has been cleaned and approved for payment, but approximately \$9,000 in potential soil repairs remain. There is also an inaccessible lot that tested dirty, but can't be cleaned, with a final annoyance payment of \$4,000 still to be paid.

A-4 Claimant annoyance payments are generally \$4,000 per property, but Jennifer's spreadsheet shows 1 claimant will receive \$4,000, 1 claimant will receive \$8,000 and \$4,000 is owed for the inaccessible lot. If the \$40,000 and \$9,000 in additional claims are approved, the total payments to claimants could be \$63,000.

A-5 Claimant per diem payments are estimated based on the Settlement paying claimants for being out of their houses for up to 8 days. The per diem amount is \$100 per day. 0 dirty properties * 8 days * \$100 per day equals \$0.

A-6 Claimant relocation payments are estimated based on the Settlement paying claimants for being out of their houses for up to 8 days. The claimant relocation amount is estimated at \$115 per night. 0 dirty properties * 8 days * \$115 per day equals \$0.

A-7 Property technical advisor and project administration costs are estimated at 10% of all of the above-mentioned remediation expenses. $(\$25,285 + \$65,000) * 10\%$ equals \$9,029.

Total budgeted costs for Zone 1A Soils are \$92,314.

B. Dirty Houses in Zone 1 Available for Cleaning

B-1 NCM contract costs for cleaning dirty houses in Zone 1 are \$15,130 per house. 3 dirty houses² at \$15,130 equal \$45,390.

B-2 There is 1 additional house in Zone 1 that has been cleaned or partially cleaned by NCM, with the remaining cost for this house equaling \$3,026.

B-3 In their latest invoices, CORE Environmental Services, Inc. is charging \$709 per house for dust wipe sampling and analysis. For re-sampling³, they utilize the ratio of 3 houses sampled equate to billing for 1 house. For budget purposes, we are assuming each house is re-sampled 3 times, which effectively doubles the number of houses billed. 3 dirty houses * 2 * \$709 equals \$4,254.

B-4 Claimant annoyance payments are \$400 per house. 4 dirty houses at \$400 equal \$1,600. If the \$8,000 in home repairs are paid directly to the property owners, the total payments will be \$9,600.

² A total of 4 houses in Zone 1 may require remediation, with: (i) 3 houses that haven't been cleaned; and (ii) 1 house that has been cleaned with final annoyance still to be paid. There are also 2 completed houses where the owners are claiming approximately \$8,000 in home repairs related to the remediation process.

³ Please note that the Remediation Fund has been paying CORE for the costs of re-sampling, although such re-sampling costs appear to be the responsibility of NCM. Currently, these re-sampling costs paid by the Remediation Fund are in excess of \$100,000.

B-5 Claimant per diem payments are estimated based on the Settlement paying claimants for being out of their houses for up to 8 days. The per diem amount is \$100 per day. 3 dirty houses * 8 days * \$100 per day equals \$2,400.

B-6 Claimant relocation payments are estimated based on the Settlement paying claimants for being out of their houses for up to 8 days. The claimant relocation amount is estimated at \$115 per night. 3 dirty houses * 8 days * \$115 per day equals \$2,760.

B-7 Property technical advisor and project administration costs are estimated at 10% of all of the above-mentioned remediation expenses. $(\$45,390 + \$3,026 + \$4,254 + \$9,600 + \$2,400 + \$2,760) * 10\%$ equals \$6,743.

Total budgeted costs for Zone 1 Houses are \$74,173.

C. Dirty Houses in Zone 2 Available for Cleaning

C-1 NCM contract costs for cleaning dirty houses in Zone 2 are \$9,880 per house. 1 dirty house⁴ at \$9,880 equal \$9,880.

C-2 There are 2 additional houses in Zone 2 that have been cleaned or partially cleaned by NCM, with the remaining costs for cleaning these houses being \$3,952.

C-3 In their latest invoices, CORE Environmental Services, Inc. is charging \$709 per house for dust wipe sampling and analysis. For re-sampling³, they utilize the ratio of 3 houses sampled equate to billing for 1 house. For budget purposes, we are assuming each house is re-sampled 3 times, which effectively doubles the number of houses billed. 1 dirty house * 2 * \$709 equal \$1,418.

C-4 Claimant annoyance payments are \$400 per house. 3 dirty houses at \$400 equal \$1,200.

C-5 Claimant per diem payments are estimated based on the Settlement paying claimants for being out of their houses for up to 8 days. The per diem amount is \$100 per day. 1 dirty house * 8 days * \$100 per day equals \$800.

C-6 Claimant relocation payments are estimated based on the Settlement paying claimants for being out of their houses for up to 8 days. The claimant relocation amount is estimated at \$115 per night. 1 dirty house * 8 days * \$115 per night equals \$920.

C-7 Property technical advisor and project administration costs are estimated at 10% of all of the above-mentioned remediation expenses. $(\$9,880 + \$3,952 + \$1,418 + \$1,200 + \$800 + \$920) * 10\%$ equals \$1,817.

⁴ A total number of 3 houses in Zone 2 may receive remediation, with: (i) 1 house that has not been cleaned; and (ii) 2 houses that have been cleaned, with final annoyance still to be paid.

Total budgeted costs for Zone 2 Houses are \$19,987.

D. Contingency

Calculated at 5% of total costs, equaling \$9,674.

Looking at the grand total of all expenses, we estimate that the reserve needed to complete remediation in Zones 1 and 2, including a 5% contingency reserve, is approximately \$203,148.

II. ESTIMATED REVENUE REQUIREMENT FOR
ZONE 3 REMEDIATION EXPENSES

Attached as Exhibit B please find a spreadsheet calculating the projected revenue requirement for remediating dirty houses in Zone 3. As you can see from the spreadsheet, there are an estimated 11 dirty houses, resulting in projected remediation costs of \$58,630.

E-1 NCM contract costs for cleaning dirty houses in Zone 3 are \$9,830 per house. 2 dirty houses⁵ at \$9,830 equals \$19,660.

E-2 There are 9 additional houses in Zone 3 that have been cleaned or partially cleaned by NCM, with the remaining cost for these houses equaling \$21,626.

E-3 In their latest invoices, CORE Environmental Services, Inc. is charging \$709 per house for dust wipe sampling and analysis. For re-sampling⁵, they utilize the ratio of 3 houses sampled equate to billing for 1 house. For budget purposes, we are assuming each house is re-sampled 3 times, which effectively doubles the number of houses billed. 2 dirty houses * 2 * \$709 equals \$2,836.

E-4 Claimant annoyance payments are \$400 per house. 8 dirty houses at \$400 equals \$3,200.

E-5 Claimant per diem payments are estimated based on the Settlement paying claimants for being out of their houses for up to 8 days. The per diem amount is \$100 per day. 2 dirty houses * 8 days * \$100 per day equals \$1,600.

E-6 Claimant relocation payments are estimated based on the Settlement paying claimants for being out of their houses for up to 8 days. The claimant relocation amount is estimated at \$115 per night. 2 dirty houses * 8 days * \$115 per night equals \$1,840.

E-7 Property technical advisor and project administration costs are estimated at 10% of

⁵ A total number of 11 houses in Zone 3 may receive remediation, with: (i) 2 houses that have not been cleaned; and (ii) 9 houses that have been cleaned, with 6 homeowners to receive payment after sign-off and 3 homeowners having already been paid.

all of the above-mentioned remediation expenses. $(\$19,660 + \$21,626 + 2,836 + \$3,200 + \$1,600 + \$1,840) * 10\%$ equals \$5,076.

E-8 Contingency reserve calculated at 5% of total costs for remediating Zone 3 dirty houses equals \$2,792.

III. COMPARISON OF MAY 17, 2016 REMEDIATION FUND
ACCRUAL BALANCE WITH PROJECTED REMAINING REMEDIATION FUND
EXPENSES ASSUMING A PROJECT END DATE OF MARCH 31, 2017

As shown in Exhibit C, the Remediation Fund Projection of Remaining Remediation Fund Expenses and Possible Surplus table, when compared to the projected remaining expenses for the life of the Remediation Fund with a Contingency of 5%, the Remediation Fund accrual balance appears to be sufficient at this time, with a possible \$4.4 Million surplus for the Remediation Fund.

Let us know if you need anything further concerning this matter.

TDTjt/
Attachments

EXHIBIT A

Perrine-DuPont Property Remediation Qualified Settlement Fund
Calculation of Reserve for Remediation Costs in Zones 1 and 2

A <u>Dirty Soil Properties Available For Cleaning</u>		
A-1	NCM Demolition and Remediation, LP	\$
A-2	NCM Demolition and Remediation, LP	\$ 25,285
A-3	CORE Environmental Services, Inc.	\$
A-4	Claimant Annoyance Payments	\$ 65,000
A-5	Claimant Per Diem	\$
A-6	Claimant Relocation	\$
A-7	Project Administration	\$ 9,029
Subtotal		\$ 99,314
B <u>Dirty Houses in Zone 1 Available For Cleaning</u>		
B-1	NCM Demolition and Remediation, LP	\$ 45,390
B-2	NCM Demolition and Remediation, LP	\$ 3,026
B-3	CORE Environmental Services, Inc.	\$ 4,254
B-4	Claimant Annoyance Payments	\$ 9,600
B-5	Claimant Per Diem	\$ 2,400
B-6	Claimant Relocation	\$ 2,760
B-7	Project Administration	\$ 6,743
Subtotal		\$ 74,173
C <u>Dirty Houses in Zone 2 Available For Cleaning</u>		
C-1	NCM Demolition and Remediation, LP	\$ 9,880
C-2	NCM Demolition and Remediation, LP	\$ 3,952
C-3	CORE Environmental Services, Inc.	\$ 1,418
C-4	Claimant Annoyance Payments	\$ 1,200
C-5	Claimant Per Diem	\$ 800
C-6	Claimant Relocation	\$ 920
C-7	Project Administration	\$ 1,817
Subtotal		\$ 19,987
D Contingency Reserve		\$ 9,674
Grand Total		<u>\$ 203,148</u>

Perrine DuPont
Remaining Properties by Zone
as of 05/12/16

Classification	Zone 1A Total Soils	Zone 1A Houses	Zone 1B Houses	Zone 2 Houses	Zone 3 Houses	Zones 1A, 1B, 2 & 3 Grand Total Houses
Released to NCM	0	1	2	1	2	6
Totals to Possibly be Cleared - NCM, Core, Per Diem, Annoyance & Miscellaneous						6
Clean Houses - Not Paid - \$400	n/a	1	0	2	9	
Clean Soils - Not Paid - \$4,000 & \$8,000	n/a	n/a	n/a	n/a	n/a	n/a

* Clean Houses - Not Paid (In addition to final payment, other fees may still be due.)

1. 17-04-275 A+B	0	3	To Be Mailed	17-04-275 A+B	Signed Off 04/25/16	Check cut on 05/10/16	
2. 17-04-275 A+B	0	3	To Be Mailed	17-04-275 A+B	Signed Off 04/25/16	Check cut on 05/10/16	\$400
3. 17-04-275 A+B	0	3	To Be Paid \$400	17-04-275 A+B	Signed Off 04/25/16		\$400
4. 17-04-275 A+B	1,966	3	To Be Paid \$400	17-04-275 A+B	Signed Off 05/04/16		\$400
5. 17-04-275 A+B	1,966	3	To Be Paid \$400	17-04-275 A+B	Signed Off 05/04/16		\$400
6. 17-04-275 A+B	1,966	3	To Be Paid \$400	17-04-275 A+B	Signed Off 05/04/16		\$400
7. 17-04-275 A+B	1,966	3	To Be Paid \$400	17-04-275 A+B	To Be Signed Off		\$400
8. 17-04-275 A+B	1,966	3	To Be Paid \$400	17-04-275 A+B	To Be Signed Off	Only \$400 payment for this property 17-04-275 A+B, but separate NCM and CORE charges	\$200
9. 17-04-275 A+B	1,966	3	To Be Paid \$200	17-04-275 A+B	To Be Signed Off	Only \$400 payment for this property 17-04-275 A+B, but separate NCM and CORE charges	\$200
10. 17-04-275 A+B	1,966	3	To Be Paid \$400	17-04-275 A+B	Signed Off 05/03/16		\$400
11. 17-04-275 A+B	1,966	3	To Be Paid \$400	17-04-275 A+B	To Be Signed Off		\$400
12. 17-04-275 A+B	1,966	3	To Be Paid \$400	17-04-275 A+B	To Be Signed Off		\$400

** Clean Soils - Paid & Not Paid (In addition to final payment, other fees may still be due.)

1. 17-04-275 A+B	0	1A	To Be Paid \$4,000	17-04-275 A+B	NOT SIGNED OFF	No NCM Costs	\$4,000
2. 17-04-275 A+B	0	1A	To Be Paid \$8,000	17-04-275 A+B	NOT SIGNED OFF	No NCM Costs	\$8,000

NOTES:

1. 17-04-275 A+B HAS ASKED FOR HALF OF WHAT IT WOULD HAVE COST TO CLEAN THE ORIGINALLY DIRTY PORTION OF HIS PROPERTY, OR \$40,000. WE ARE FIGHTING THIS AND MAY NEED TO GO TO COURT REGARDING HIS REQUEST/DEMAND.	\$40,000
2. 17-04-275 A+B (IN ZONE 1A) HAS ASKED FOR HOUSE REPAIRS TOTALY \$7,000 RELATED TO SOIL REMEDIATION. I AM UNSURE IF THIS WILL BE PAID BY NCM OR THE SETTLEMENT.	\$7,000
3. 17-04-275 A+B (IN ZONE 1A) HAVE BEEN APPROVED FOR APPROXIMATELY \$9,000 OF SOIL REPAIRS. I AM UNSURE IF THIS WILL BE PAID BY NCM OR THE SETTLEMENT.	\$9,000
4. 17-04-275 A+B (IN ZONE 1A) WILL BE RECEIVING APPROXIMATELY \$800 WORTH OF MATERIALS FOR HIM TO APPLY TO HIS SOIL. I AM UNSURE IF THIS WILL BE PAID BY NCM OR THE SETTLEMENT.	\$800
THERE ARE A HANDFUL OF OTHER CLAIMANTS WITH COMPLAINTS PENDING. I AM UNSURE ABOUT COSTS ASSOCIATED WITH THESE OTHER PROPERTIES, SO I HAVE ESTIMATED COSTS AT \$20,000.	\$20,000
ESTIMATED COSTS FOR MARC GLASS & DOUG FORI INSPECTIONS AND PET FEES	\$25,000
ROAD RESURFACING	\$250,000
ROAD REPAIRS (OPTIONAL) ESTIMATED ACTUAL COST -> \$195,553.91	\$200,000
NCM'S REQUEST FOR "WAITING ON TEST RESULTS"	\$30,000
DISPUTED WATER BILL	\$40,000
FINAL ANNOYANCE PAYMENT FOR INACCESSIBLE SOIL LOT	\$4,000
FINAL PER DIEM PAYMENTS & OUTSTANDING HOTEL CHARGES (ESTIMATED - SEE DETAILED SPREADSHEET)	\$35,385
	\$676,785

≤ ① 34,285
≤ ② 52,000

EXHIBIT B

Perrine-DuPont Property Remediation Qualified Settlement Fund
Calculation of Reserve For Remediation Costs In Zone3

E	<u>Dirty Houses In Zone 3 Available For Cleaning</u>		
E-1	NCM Demolition and Remediation, LP	\$	19,660
E-2	NCM Demolition and Remediation, LP	\$	21,626
E-3	CORE Environmental Services, Inc.	\$	2,836
E-4	Claimant Annoyance Payments	\$	3,200
E-5	Claimant Per Diem	\$	1,600
E-6	Claimant Relocation	\$	1,840
E-7	Project Administration	\$	<u>5,076</u>
	Subtotal	\$	55,838
E-8	Contingency Reserve	\$	<u>2,792</u>
	Grand Total	\$	<u>58,630</u>

EXHIBIT C

Perrine-DuPont Property Remediation Qualified Settlement Fund
Projection of Remaining Remediation Fund Expenses and Possible Surplus
Assuming a Project End Date of March 31, 2017

Estimated May 17, 2016 Remediation Fund Accrual Balance	\$ 7,021,000
Less: Estimated Reserve for Remediation Costs ¹ in Zones 1 and 2 (See Exhibit A)	\$ (203,148)
Less: Zone 3 Revenue Requirement for Remediation Costs ¹ (See Exhibit B)	\$ (58,630)
Less: Reserve for Possible Road Deterioration Litigation	\$ (450,000)
Less: Claims Administrator Related Expenses (\$150,000 per month * 11 months, plus \$25,000 for the Dividend month)	\$ (1,675,000)
Less: Outside Auditor for Three Years (2015, 2016 and 2017) ²	\$ (90,000)
Less: Reserve for Contingencies (5%)	<u>\$ (123,839)</u>
Possible Remediation Fund Surplus	<u>\$ 4,420,383</u>

¹ Remediation costs consist of NCM remediation, claimant relocation, post-remediation sampling, claimant annoyance, technical advisor, and project administration expenses.

² This amount is based on the actual audit fees listed in the 2015 audit engagement letter, with 90% of such fees being paid by the Remediation Fund.

Attachment B

Mail
RECEIVED
12/3/16

IN THE CIRCUIT COURT OF HARRISON COUNTY, WEST VIRGINIA

LENORA PERRINE, et al.,

Plaintiffs,

v.

Case No. 04-C-296-2

Judge Thomas A. Bedell

E. I. DUPONT DE NEMOURS &
COMPANY, et al.,

Defendants.

ORDER ADMITTING ONE (1) ADDITIONAL ZONE 1A PROPERTY CLAIMANT AND
TEN (10) LATE PROPERTY CLAIMANTS AND FOREVER BARRING ADDITIONAL
LATE FILED PROPERTY REMEDIATION CLAIMS RECEIVED AFTER DECEMBER
16, 2015 AND CLOSING THE LIST OF PARTICIPATING PROPERTY CLAIMANTS
IN THE SETTLEMENT'S PROPERTY CLEAN-UP PROGRAM

Presently before the Court is the Claims Administrator's February 1, 2016, Report requesting an Order admitting the soil property of Claimant, ~~Robert S. Reynolds~~ who was incorrectly classified as a Zone 1B Claimant (house remediation only) when he is actually a Zone 1A Claimant (soil and house remediation), and admitting ten (10) Late Claimants and forever barring additional late filed Property Remediation Claims received after December 16, 2015, and establishing the final list of participating Property Claimants in the Settlement's Property Clean-Up Program, barring all others who have not filed a claim.

The Claims Administrator reports that the Court entered an Order Permanently Barring Late Filed Property Remediation Claims Received After December 16, 2015, and Establishing an Absolute Bar Date of December 16, 2015, Without Appeal Rights, on November 24, 2015. Since that time and prior to the Absolute Bar Date of December 16, 2015, the Claims Administrator inadvertently classified ~~Robert S. Reynolds~~ property as Zone 1B when it is in Zone 1A, and has received

requests from Claimants regarding 10 properties to be admitted to the Property Clean-Up Program, namely; [REDACTED]

The Claims Administrator also reports that a total of 1003 Claimants have been enrolled in the Property Clean-Up Program, as depicted in an Exhibit 5 to his Report. This list shows [REDACTED] to be in Zone 1A and includes the aforementioned 10 late Claimants.

After a careful review of the Claims Administrator's Report, the Court hereby determines that any additional Property claims received by the Claims Office after December 16, 2015, shall be denied by the Claims Administrator, with there being no appeal therefrom. Furthermore, after a careful review of the Claims Administrator's Report and in consideration of the Court's desire to favor inclusion, the Court hereby determines that [REDACTED] property is classified as Zone 1A Property entitled to soil remediation if it is contaminated, as well as house remediation, which was already completed, and those 10 Claimants who submitted their claims late but prior to December 16, 2015, shall be and are hereby admitted to the Property Clean-Up Program, and includes those names listed in Exhibit 5 of the Claims Administrator's Report, namely: [REDACTED] as a Zone 1A Claimant, [REDACTED]

The Court finds that sufficient notice has been provided to the Property Claimant Class and sufficient time has passed since the filing of Property claims period began and expired for all interested Class Members to file a claim. Furthermore, the Claims Administrator has reported that Town Hall Meetings were held on December 16, 2015, allowing Property Claimants one final opportunity to enroll in the Property Clean-Up Program, with Notices of the Town Hall Meetings

being published in The Exponent Telegram and mailed to all Property Class Members who have filed claims, had their properties tested with the test results being positive but did not have them cleaned or otherwise qualified for the Property Clean-Up Program, but have not registered to participate.

IT IS SO ORDERED.

The Clerk of this Court shall provide certified copies of this Order to the following:

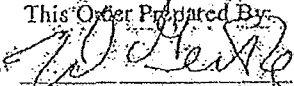
David B. Thomas, Esq.
James S. Arnold, Esq.
Thomas Combs & Spann, PLLC
P. O. Box 3824
Charleston, WV 25338
DuPont's Finance Committee Representative

Virginia Buchanan, Esq.
Levin, Papantonio, Thomas, Mitchell,
Rafferty & Proctor, P.A.
P.O. Box 12308
Pensacola, FL 32591
Plaintiffs' Class Finance Committee Representative

Meredith McCarthy, Esq.
901 West Main Street
Bridgeport, WV 26330
Plaintiffs' Class Finance Committee Proxy

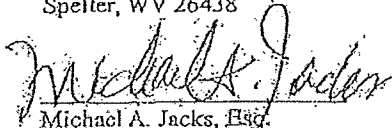
Edgar C. Gentle, III, Esq.
Settlement Claims Office
P.O. Box 257
Spelter, WV 26438
Claims Administrator

This Order Prepared By:


Edgar C. Gentle, III, Esq.
Gentle, Turner, Sexton & Harbison
P.O. Box 257
Spelter, WV 26438

Date:

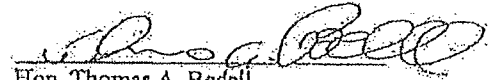
2-1-2016


Michael A. Jacks, Esq.
W. Va. Bar No. 11044
Jacks Legal Group, P.L.L.C.
United Federal Credit Union Building
3467 University Avenue, Suite 200
Morgantown, WV 26505

Date:

2-1-2016

ENTER this 2 day of FEBRUARY, 2016.

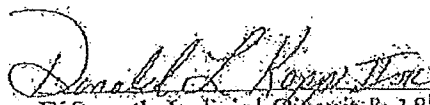


Hon. Thomas A. Bedell
Circuit Judge of Harrison County,
West Virginia

STATE OF WEST VIRGINIA
COUNTY OF HARRISON, TO-WIT

I, Donald L. Kopp II, Clerk of the Fifteenth Judicial Circuit and the 18th
Family Court Circuit of Harrison County, West Virginia, hereby certify the
foregoing to be a true copy of the ORDER entered in the above styled action
on the 2 day of February, 2016.

IN TESTIMONY WHEREOF, I hereunto set my hand and affix
the Seal of the Court this 2 day of February, 2016.


Fifteenth Judicial Circuit & 18th Family Court
Circuit Clerk
Harrison County, West Virginia

PERRINE DUPONT SETTLEMENT CLAIMS OFFICE
EDGAR C. GENTLE, CLAIMS ADMINISTRATOR
SPELTER VOLUNTEER FIRE DEPARTMENT OFFICE
55 B Street
P. O. BOX 257
Spelter, West Virginia 26438
(304) 622-7443
(800) 345-0837
www.perrinedupont.com
perrinedupont@gbandslaw.com

February 1, 2016

CONFIDENTIAL
VIA HAND DELIVERY

FILED IN 15TH
CIRCUIT COURT
2016 FEB - 1 P 4:10

The Honorable Thomas A. Bedell
Circuit Judge of Harrison County
301 West Main Street, Room 321
Clarksburg, West Virginia 26301

Re: The Perrine-DuPont Settlement - Final List of Property Remediation Claims
Following Absolute Bar Date; Our File No. 4609-1 (DD-31)

Dear Judge Bedell:

I hope you are well.

The purpose of this Report is to update the Court on matters relating to the Absolute Bar Date Order respecting the submission of Property Claims, entered by this Court on November 24, 2015, a copy of which is in Exhibit 1, and related matters, as we finalize the list of Property Remediation Claimants. The Court will recall that the Absolute Bar Date Order set December 16, 2015, as the final date to accept late registration forms for the Property Clean-Up Program. The Order provides that any claims received after December 16, 2015, will be denied, with no right to appeal the decision.

Town Hall meetings were held on December 16, 2015, at the Spelter Fire Station, providing Claimants one final chance to enroll in the Property Clean-Up Program.

Prior to the Town Hall meetings, your Claims Administrator published a Legal Notice of the Town Hall Meetings and Final Bar Date in The Exponent Telegram, on December 3, 2015, December 9, 2015 and December 12, 2015. A copy of the Legal Notice is in Exhibit 2. In an additional attempt to notify Claimants of their final chance to enroll in the Property Clean-Up Program, your Claims Administrator, on December 10, 2015, mailed letters in the form of Exhibit

Page 2

The original period for filing a claim for property remediation lasted from July 11, 2011, through October 10, 2011. To encourage further participation in the Property Remediation Program, this sign-up period was formally extended by this Court through December 10, 2011, and the Spelter Claims Office continued accepting claims through January of 2012, and processed those claims as if they were timely filed.

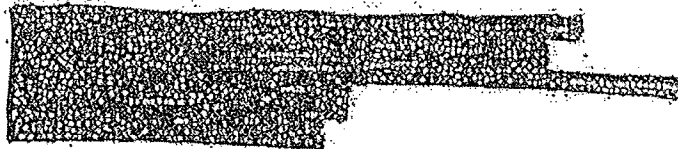
The Property Clean-Up Program is winding up. In order for Zones 1 and 2 to be complete, there remain two (2) Zone 1A late Court-admitted houses, three (3) late Court-admitted Zone 1B houses, and three (3) late Court-admitted Zone 2 houses. Zone 3 is still being worked on.

We therefore recommend that ~~Gregory~~ be allowed to participate in the Soil Remediation Program, which is the heart of the Property Remediation Program, and his soil is now being tested.

1. [REDACTED]
2. [REDACTED]
3. [REDACTED]
4. [REDACTED]
5. [REDACTED]

February 1, 2016
Page 3

6.
7.
8.
9.
10.



These Property Claimants notified the Claims Office of their desire to participate in the Property Clean-Up Program on or before the December 16, 2015 Absolute Bar Date. As such, your Claims Administrator proposes that these Claimants be admitted to the Property Clean-Up Program by Order of this Court. However, your Claims Administrator requests that all future late Claimants be forever barred from participating in this Settlement and the Property Clean-Up Program.

Attached in Exhibit 5 is the final list of Eligible Property Remediation Program Claimants whose properties have been remediated or whose properties are to be remediated to complete the Property Clean-Up Program (including ~~properties in Zone 1A~~ Zone 1A soil property and the above ten late Claimants).

Your Claims Administrator respectfully presents this list to the Court for the Court's approval as being the entire list of Participating Property Claimants in the Property Clean-Up Program.

The attached proposed Order provides that, due to the Absolute Bar Date Order entered by this Court on November 24, 2015, the Claims Administrator mistakenly classifying ~~properties in Zone 1B~~ property as Zone 1B and not Zone 1A, and based upon the response by Property Claimants either by mail, by telephone or in person at the Town Hall Meetings on December 16, 2015, ~~properties in Zone 1A~~ soil property is to be included and the 10 Property Claimants listed above are to be admitted, with all other late Property Claimants being forever barred from the Settlement. Furthermore, the Order provides that the list of Property Claimants in Exhibit 5 is the final and complete list of Eligible Property Claimants in the Settlement's Property Clean-Up Program.

The proposed Order was reviewed with the Finance Committee, and they have no objections.

Thank you for your consideration of this matter.

Yours very truly,

Edgar E. Gentile, III
Claims Administrator

Attachment C

Settlements — Taxability

If you receive proceeds from settlement of a lawsuit, you may have questions about whether you must include the proceeds in your income. This publication provides information about whether you must include the proceeds of certain kinds of settlements in your income. Whether you must include the settlement proceeds in your income depends on all the facts and circumstances in your case.

A settlement payment may consist of multiple elements that have been allocated by the parties. For example, an agreement may include allocations to back pay, emotional distress, and attorneys' fees. Generally, the IRS will not disturb an allocation if it is consistent with the substance of the settled claims.

Personal physical injuries or physical sickness

- If you receive a settlement for personal physical injuries or physical sickness and did not take an itemized deduction for medical expenses related to the injury or sickness in prior years, the full amount is non-taxable. Do not include the settlement proceeds in your income.

BUT

- If you receive a settlement for personal physical injuries or physical sickness, you must include in income that portion of the settlement that is for medical expenses you deducted in any prior year(s) to the extent the deduction(s) provided a tax benefit. If part of the proceeds is for medical expenses you paid in more than one year, you must allocate on a pro rata basis the part of the proceeds for medical expenses to each of the years you paid medical expenses. See Recoveries in Publication 525 for details on how to calculate the amount to report. The tax benefit amount should be reported as "Other Income" on line 21 of Form 1040.

Emotional distress or mental anguish

- The proceeds you receive for emotional distress or mental anguish originating from a personal physical injury or physical sickness are treated the same as proceeds received for Personal physical injuries or physical sickness above.

BUT

- If the proceeds you receive for emotional distress or mental anguish do not originate from a personal physical injury or physical sickness, you must include them in your income. However, the amount you must include is reduced by: (1) amounts paid for medical expenses attributable to emotional distress or mental anguish not previously deducted and (2) previously deducted medical expenses for such distress and anguish that did not provide a tax benefit. Attach to your return a statement showing the entire settlement amount less related medical costs not previously deducted and medical costs deducted for which there was no tax benefit. The net taxable amount should be reported as "Other Income" on line 21 of Form 1040.

Lost wages or lost profits:

- If you receive a settlement in an employment-related lawsuit; for example, for unlawful discrimination or involuntary termination, the portion of the proceeds that is for lost wages (i.e., severance pay, back pay, front pay) is taxable wages and subject to the social security wage base and social security and Medicare tax rates in effect in the year paid. These proceeds are subject to employment tax withholding by the payor and should be reported by you as "Wages, salaries, tips, etc." on line 7 of Form 1040.
- If you receive a settlement for lost profits from your trade or business, the portion of the proceeds attributable to the carrying on of your trade or business is net earnings subject to self-employment tax. These proceeds are taxable and should be included in your "Business income" reported on line 12 of Form 1040. These proceeds are also included on line 2 of Schedule SE (Form 1040) when figuring self-employment tax. For more information about reporting self-employment income and paying self-employment tax, see Publication 334, Tax Guide for Small Business (For Individuals Who Use Schedule C or C-EZ).



Settlements — Taxability (continued)

Loss-in-value of property

- Property settlements for loss in value of property that are less than the adjusted basis of your property are not taxable and generally do not need to be reported on your tax return. However, you must reduce your basis in the property by the amount of the settlement.
- If the property settlement exceeds your adjusted basis in the property, the excess is income. For more information, see the Instructions for Schedule D, (Form 1040) Capital Gains and Losses and the Instructions for Form 4797, Sales of Business Property.

Interest: Interest on any settlement is generally taxable as "Interest Income" and should be reported on line 8a of Form 1040.

Punitive Damages: Punitive damages are taxable and should be reported as "Other Income" on line 21 of Form 1040, even if the punitive damages were received in a settlement for personal physical injuries or physical sickness.

Some settlement recipients may need to make estimated tax payments if they expect their tax to be \$1,000 or more after subtracting credits & withholding. Information on estimated taxes can be found in IRS Publication 505, Tax Withholding and Estimated Tax, and in Form 1040-ES, Estimated Tax for Individuals.

For additional information, see Publication 525, Taxable and Nontaxable Income, visit our website at www.irs.gov, or call toll-free at 1-800-829-1040.

All of the forms and publications referenced in this publication are available from the IRS at www.irs.gov. Paper copies can be ordered by calling 1-800-829-3676 (1-800-TAX-FORM).