

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	
)	Chapter 11
MALLINCKRODT PLC)	
)	Case No. 20-12522 (JTD)
Reorganized Debtor. ¹)	
)	

**NOTICE OF FILING OF THE ANNUAL REPORT OF THE
MALLINCKRODT OPIOID PERSONAL INJURY TRUST**

TO THE BANKRUPTCY COURT, PERSONAL INJURY COMMITTEE, THE NAS REPRESENTATIVE, THE FUTURE CLAIMANTS' REPRESENTATIVE, AND THE OFFICE OF THE UNITED STATES TRUSTEE FOR THE DISTRICT OF DELAWARE:

PLEASE TAKE NOTICE that, in accordance with Section 2.2 (e)(iii) of the Mallinckrodt Opioid Personal Injury Trust Agreement dated as of June 16, 2022 (the "Trust Agreement"), Edgar C. Gentle, III, in his capacity as the Mallinckrodt Opioid Personal Injury Trust Trustee (the "Trustee"), has filed through his undersigned Counsel an Annual Report for the period of April 7, 2022 (inception) through December 31, 2022 (the "2022 Annual Report"), attached hereto as Exhibit 1². As further required by Section 2.2 (e)(v) of the Trust Agreement, the 2022 Annual Report will be posted on the Mallinckrodt Opioid Personal Injury Trust website at www.mnkpitrust.com.

¹ The Reorganized Debtor in this chapter 11 case is Mallinckrodt plc. On May 3, 2023, the Court entered an order closing the chapter 11 cases of the Reorganized Debtor's debtor affiliates. A complete list of the debtor affiliates in these chapter 11 cases may be obtained on the website of the Reorganized Debtor's claims and noticing agent at <http://restructuring.ra.kroll.com/Mallinckrodt>. The Reorganized Debtor's mailing address is 675 McDonnell Blvd., Hazelwood, Missouri 63042.

² This Report is being filed now, because we only recently received our 2022 outside Audit Report from FORVIS, a condition precedent to the submission of the Annual Report (Trust Agreement, Section 2.2 (e)(iii)).

Dated: January 4, 2024

CROSS & SIMON, LLC

/s/ Christopher P. Simon

Christopher P. Simon (No. 3697)

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*Counsel to Edgar C. Gentle, III, Trustee for the
Mallinckrodt Opioid Personal Injury Trust*

EXHIBIT 1

Annual Report for the Period of April 7, 2022 (inception) through December 31, 2022

**Mallinckrodt Opioid Personal Injury Trust
Annual Report
For the Reporting Period of
April 7, 2022 (Inception) through December 31, 2022**

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December 21, 2023

Mallinckrodt Opioid Personal Injury Trust

**Annual Report for Period
April 7, 2022 (Inception) through December 31, 2022**

Introduction

The Mallinckrodt Opioid Personal Injury Trust (the “Trust”) was established pursuant to the Chapter 11 Plan confirmed in the bankruptcy cases of Mallinckrodt plc, *In re Mallinckrodt plc*, Case No. 20-12522 (Bankr. D. Del.) (the “Plan”).¹ The Plan was confirmed by Order dated March 2, 2022, and the Plan and the Trust both became effective June 16, 2022, although the Trust was formally established as a Qualified Settlement Fund on April 7, 2022.

The Trust’s primary responsibilities are to assume all liabilities and responsibility for all of Mallinckrodt’s Personal Injury/Neonatal Abstinence Syndrome (“NAS”) Claims, to resolve and make distributions in respect of such Allowed Non-NAS PI Claims and Allowed NAS PI Claims, and use the Trust Assets and income to meet its obligations.

Pursuant to Section 2.2(e)(iii) of the Trust Agreement, the Trust is obligated to prepare and provide Annual Reports on the financial condition of the Trust to the PI Committee, the NAS Representative, and the Future Claimants’ Representative.

Reporting Period Activities - April 7, 2022 (inception) through December 31, 2022 (the “Period”)

For the Period, the Trust has undertaken the activities necessary to ensure efficient functioning, including, but not limited to, the following:

¹ Capitalized terms used but not herein defined shall have the meaning ascribed to them in the Plan.

- Accounting, Financial Reporting, and Tax:

A lifetime budget for the Trust was developed by the Trustee, in collaboration with the Personal Injury Committee, the Future Claimants' Representative, and the NAS Representative.

The Trust worked with AoN, an insurance broker, to provide indemnity insurance coverage for the various Trust fiduciaries, including their Counsel.

Trustee personnel maintained the Trust books and records, reconciled Trust bank accounts, handled and managed Trust disbursements (as approved by the Trustee and the Trust Personal Injury ("PI") Committee), and other Trust financial and accounting tasks. The Trustee developed internal accounting control procedures, which were reviewed by the Trust Financial Advisor. Trustee personnel monitored Trust expenses for Year One of the lifetime budget for the Trust (with the Trust Budget being developed by the Trustee, in collaboration with the PI Committee, the Future Claimants' Representative, and the NAS Representative).

- Claimant Notice Program: On September 22, 2022, the Trust employed a marketing firm to run a Google Ads campaign for noticing purposes. This noticing period ran from October 2022 through January 24, 2023. During the noticing period, the Trust received monthly analytics reporting including key word searches, impressions, conversations into website clicks, and various other forms of data.
- Claims and Claimant Contacts: Trustee personnel processed and scored claims, with the Trustee providing the Parties with weekly updates concerning the numbers of claims submitted and claimant contacts. The Trustee also drafted Trust claims payment protocols.
- Computer Programmer: The Trust engaged Hagimo as its Computer Programmer, to build and refine the Trust claims database of personal injury claims and to engineer that database to automatically populate claim form data received from the law firms.

In addition, the Trust Computer Programmer developed and continued to revise a Trust website to provide information to pro se and represented claimants on the claims process and payment criteria, with the Trust Computer Programmer creating the web portal through which claimants may submit their claim forms.

- Request for Proposal for Audit and Tax Return Services: The Trust issued a Request for Proposal for Audit and Tax Returns Services, resulting in the engagement of Forvis, LLP.
- Requests for Proposal for Financial Advisor Services: The Trust issued Requests for Proposal to engage Financial Advisors, resulting in the engagement of NERA and FTI Consulting.

Financial Update

During the Period, the Trust received \$37,292,273.99 and disbursed \$6,937,262.41, for a net receipt of \$30,355,011.58. At December 31, 2022, the Trust also recorded an unrealized gain on investments, in the amount of \$272,842.38, resulting in a \$30,627,853.96 ending Trust balance, on a modified cash basis.

The Trust's receipts were comprised of (i) \$432,325.00 in advance funding from the Debtors, (ii) \$36,786,425.00 on account of the Initial Opioid MDT II Payment from Mallinckrodt via the Opioid Master Disbursement Trust II, and (iii) \$73,523.99 of interest income. On December 9, 2022, the Trust received notice of the monetization of New Opioid Warrants by the Opioid Master Disbursement Trust II, which could have resulted in a cash payment to the Trust of approximately \$360,000.00, but these funds were not released by the Opioid Master Disbursement Trust II until the Third Quarter of 2023.

After the formation of the Trust, the Trust's disbursements during the Period were comprised of \$6,937,262.41 on account of Trust expenses.

The Trust's ending balance for Cash and Cash Equivalents and Investments was \$30,794,238.98 At that time: (i) \$29,982,455.19 was held in U.S. Government obligations; (ii) \$454,617.60 was held in the IntraFi Financial Network Deposited Account²; (iii) \$357,017.44 was held in a Commercial Interest-Bearing Checking Account, and (iv) \$148.75 was held in a Brokerage Money Market Account.

Refer to Appendices 1, 2, and 3 for additional financial details

Claims Update

The Trust provides multiple options for the submission of PI Claims. Pro Ses have the option to submit a claim through the Claims Portal in addition to mailing, emailing, or faxing the claim. The Law Firms have these same options as well as a Bulk Data Import and a Bulk Document Submission option that can be used separately or in tandem.

The Trust began receiving claims on August 1, 2022. From that date through December 31, 2022, the Trust had received 21,632 claims for processing. Of the claims received, 20,801 were Non-NAS PI Claims and 831 were NAS PI Claims. Although a number of claims had been submitted, not all were ready for review as some did not include the required, signed claim form, and others did not include the required supporting documentation needed to score the claim. Of the 21,632 claims received, a total of 17,653 claims were ready for review (17,623 Non-NAS PI Claims and 30 NAS PI Claims), with the remaining 3,979 not yet ready for review. At Period end, 8,853 claims had been reviewed.

² This account earns interest and is 100% FDIC-insured.

Mallinckrodt Opioid Personal Injury Trust

Appendices

APPENDIX 2
MALLINCKRODT OPIOID PERSONAL INJURY TRUST
SCHEDULE OF RECEIPTS COLLECTED,
EXPENSES PAID AND CHANGES IN TRUST BALANCE
April 7, 2022 (Inception) - December 31, 2022
(On a Modified Cash Basis)

A. RECEIPTS:

Defendant Funding	\$ 37,218,750.00
Interest Income - Brokerage - Huntington Securities	\$ 10,862.77
Interest Income - Checking - Huntington Bank	\$ 2,703.44
Interest Income - IntraFi Network Deposits - Huntington Bank	<u>\$ 59,957.78</u>
TOTAL RECEIPTS	<u>\$ 37,292,273.99</u>

B. DISBURSEMENTS:

Ad Hoc Group Counsel and Professional Fees ¹	\$ 1,129,316.36
Claimant Notification	\$ 24,900.00
Computer Programmer (Hagimo)	\$ 261,390.00
Delaware Trustee (Wilmington Trust)	\$ 11,740.00
Director & Officers Liability Insurance (AoN)	\$ 40,000.00
Econometrician (NERA)	\$ 7,723.50
Financial Advisor (FTI Consulting)	\$ 33,705.03
Future Claimants' Representative Fees	\$ 95,677.10
Lien Administrator Fees (Massive)	\$ 4,300,000.00
PI Committee Fees	\$ 22,016.87
Trust and Claims Administrator Fees and Expenses	<u>\$ 1,010,793.55</u>
TOTAL DISBURSEMENTS	<u>\$ 6,937,262.41</u>

¹ This amount consists of the following: (i) \$634,094.70 paid to ASK, LLP and \$209,655.00 paid to Andrews & Thornton for services rendered in serving as counsel to the Ad Hoc Group during the Compensation Period; (ii) \$35,566.66 paid to ASK, LLP as reimbursement for payments made to A. M. Saccullo Legal, LLC, as local Delaware counsel to the Ad Hoc Group; and (iii) \$125,000.00 paid to Levenfeld Pearlstein, LLC and \$125,000.00 paid to Martzell, Bickford & Centola for services rendered in serving on the Ad Hoc Committee of NAS Children.

APPENDIX 2
MALLINCKRODT OPIOID PERSONAL INJURY TRUST
SCHEDULE OF RECEIPTS COLLECTED,
EXPENSES PAID AND CHANGES IN TRUST BALANCE
April 7, 2022 (Inception) - December 31, 2022
(On a Modified Cash Basis)

C. NONCASH ITEM:

Unrealized Gain on Investments ²	<u>\$ 272,842.38</u>
TOTAL RECEIPTS OVER (UNDER) TOTAL DISBURSEMENTS OF THE MNK TRUST	<u>\$ 30,627,853.96</u>

² This amount represents the excess of Fair Market Value at December 31, 2022 over the original cost of the investments.

APPENDIX 3
Mallinckrodt Opioid Personal Injury Trust
Trust Settlement Administration Budget
Budget-to-Actual Expense Comparison for Year One

	Advances Plus Year One Budget (4/7/22 - 6/15/23)	Year One Actual (4/7/22 - 12/31/22)	Year One Budget Remaining	Percent of Budget Remaining
Trust and Claims Administrator Fees and Expenses ¹	\$ 1,961,829.85	\$ 1,010,793.55	\$ 951,036.30	48.48%
Professional Fees/Costs				
IT Developer (Hagimo)	\$ 286,200.00	\$ 261,390.00	\$ 24,810.00	8.67%
Econometrician (Nera)	\$ 180,000.00	\$ 7,723.50	\$ 172,276.50	95.71%
Directors & Officers Liability Insurance	\$ 40,000.00	\$ 40,000.00	\$ -	0.00%
Financial Advisor (FTI (Guy Davis))	\$ 200,000.00	\$ 33,705.03	\$ 166,294.97	83.15%
Future Claimants' Representative (including FCR Counsel and Forecaster)	\$ 600,000.00	\$ 95,677.10	\$ 504,322.90	84.05%
Lien Administrator (Massive) ¹	\$ 4,365,900.00	\$ 4,300,000.00	\$ 65,900.00	1.51%
NAS Neonatologist Expert (Dr. Hocker)	\$ 15,000.00	\$ -	\$ 15,000.00	100.00%
NAS Representative (including NAS Representative Counsel)	\$ 45,000.00	\$ -	\$ 45,000.00	100.00%
Nomos	\$ 60,000.00	\$ -	\$ 60,000.00	100.00%
Notice By Publication	\$ 41,000.00	\$ 24,900.00	\$ 16,100.00	39.27%
Outside Financial Audit and Income Tax Return Review	\$ 50,000.00	\$ -	\$ 50,000.00	100.00%
Trust Advisory PI Committee	\$ 206,479.00	\$ 22,016.87	\$ 184,462.13	89.34%
Trustee (Delaware) Fee	\$ 6,250.00	\$ 11,740.00	\$ (5,490.00)	0.00%
Total Professional Fees/Costs	\$ 6,095,829.00	\$ 4,797,152.50	\$ 1,298,676.50	21.30%
Total Fees and Expenses, All Phases	\$ 8,057,658.85	\$ 5,807,946.05	\$ 2,249,712.80	27.92%
5% Contingency Reserve for Unknown Expenses - Year One Budget	\$ 381,266.69	\$ -	\$ 381,266.69	100.00%
Total Fees and Expenses, All Phases, Including Contingency Reserve	\$ 8,438,925.54	\$ 5,807,946.05	\$ 2,630,979.49	31.18%
Expenses Outside of Trust Settlement Administration Budget				
Ad Hoc Group Counsel and Professional Fees	\$ -	\$ 1,129,316.36		
		\$ 6,937,262.41		

¹ The Advances Budget includes \$234,000.00 for Trust and Claims Administrator Fees and Expenses and \$198,325.00 for Lien Administrator Fees. The Advances Budget was received in two installments, with \$216,163.00 being received on April 18, 2022 and \$216,162.00 being received on May 2, 2022.

Appendix 4

Independent Auditor's Report as of December 31, 2023 (Forvis)

APPENDIX 1
MALLINCKRODT OPIOID PERSONAL INJURY TRUST
STATEMENT OF ASSETS, LIABILITIES AND TRUST BALANCE
At December 31, 2022
(On a Modified Cash Basis)

ASSETS**CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents - Brokerage - Huntington Securities	\$ 148.75
Cash and Cash Equivalents - Checking - Huntington Bank	\$ 357,017.44
Cash and Cash Equivalents - IntraFi Network Deposits - Huntington Bank *	<u>\$ 454,617.60</u>
TOTAL CASH AND CASH EQUIVALENTS	\$ 811,783.79

INVESTMENTS

Brokerage - Huntington Securities **	<u>\$ 29,982,455.19</u>
TOTAL INVESTMENTS	<u>\$ 29,982,455.19</u>
TOTAL ASSETS	<u>\$ 30,794,238.98</u>

LIABILITIES AND TRUST BALANCE

Accounts Payable ***	\$ 166,385.02
Trust Balance	<u>\$ 30,627,853.96</u>
TOTAL LIABILITIES AND TRUST BALANCE	<u>\$ 30,794,238.98</u>

* This investment option ensures 100% FDIC protection.

** This amount reflects the Fair Market Value of: (i) a \$1,545,000.00 U.S. Treasury bill maturing on June 1, 2023 with an annual yield of 4.67%; and (ii) a \$28,662,000.00 U. S. Treasury bill maturing on March 2, 2023 with an annual yield of 3.29%.

*** This amount consists of: (i) \$3,079.00 to Frankel Wyron, LLP for December 2022 FCR fees; (ii) \$155,000.00 for December 2022 Trust and Claims Administrator fees and expenses; (iii) \$2,249.32 to FTI Consulting, Inc. for December 2022 Financial Advisor fees; (iv) \$4,166.70 to Young, Conaway, Stargatt & Taylor, LLP for November and December 2022 FCR Professional fees; and (v) \$1,890.00 to NERA for October and November 2022 Econometrician fees.

The Mallinckrodt Opioid Personal Injury Trust

Independent Auditor's Report and Financial Statements – Modified Cash Basis

December 31, 2022



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Independent Auditor's Report

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Claims Administrator

Sean T. Higgins, Esq.
Andrews & Thornton, Attorneys at Law
Trust Advisory Personal Injury Committee Member

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ASK, LLP
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Kevin W. Thompson, Esq.
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NAS Representative

Stephen H. Wussow, Esq.
Thompson Barney Law
NAS Representative

Opinion

We have audited the accompanying financial statements of The Mallinckrodt Opioid Personal Injury Trust (the "Trust"), which comprise the statement of assets, liabilities and trust balance – modified cash basis as of December 31, 2022, and the related statement of revenue collected, claims and expenses paid and changes in trust balance – modified cash basis for the period from April 7, 2022 through December 31, 2022, and the related notes to the financial statements.



Basis for Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and trust balance of the Trust as of December 31, 2022, and its revenues and expenses and changes in trust balance for the period from April 7, 2022 through December 31, 2022 in conformity with the modified cash basis of accounting as described in Note 2.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As discussed in Note 4 to the financial statements, no future cash fundings will be received from Mallinckrodt PLC, thus limiting the funding available to pay claimants and administrative expenses of the Trust. Our opinion is not modified with respect to this 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 modified cash basis of accounting described in Note 2; this includes determining that the modified cash 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 – modified cash basis, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern within one year after the date that the financial statements – modified cash basis are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements – modified cash basis as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 the 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 the 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

This report is intended solely for the information and use of the Trustee, the addressees, and the United States Bankruptcy Court for the District of Delaware and is not intended to be, and should not be, used by anyone other than these specified parties, unless designated by these parties.

FORVIS,LLP

**Charleston, West Virginia
November 13, 2023**

The Mallinckrodt Opioid Personal Injury Trust
Statement of Assets, Liabilities and Trust Balance – Modified Cash Basis
December 31, 2022

ASSETS

Current assets:

Cash and cash equivalents	\$ 811,784
Investments, at fair value (Note 3)	<u>29,982,455</u>

Total assets	<u><u>\$ 30,794,239</u></u>
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LIABILITIES AND TRUST BALANCE

Current liabilities:

Accounts payable	\$ 166,385
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Trust balance	<u>30,627,854</u>
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Total liabilities and trust balance	<u><u>\$ 30,794,239</u></u>
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The Mallinckrodt Opioid Personal Injury Trust
Statement of Revenue Collected, Claims and Expenses Paid and Changes in Trust Balance –
Modified Cash Basis
Period from April 7, 2022 through December 31, 2022

Revenue collected:	
Debtors funding	\$ 37,218,750
Interest income	73,524
	<u>37,292,274</u>
Total revenues collected	
	<u>37,292,274</u>
Claims and expenses paid or accrued:	
General and administrative expenses	4,682,011
Professional fees	1,244,457
Trustee and Claims Administrator fees	1,010,794
	<u>6,937,262</u>
Total claims and expenses paid or accrued	
	<u>6,937,262</u>
Noncash item:	
Unrealized gain on investments	272,842
	<u>272,842</u>
Total noncash item	
	<u>272,842</u>
Excess of revenue collected over claims and expenses paid or accrued and increase in trust balance	
	<u>30,627,854</u>
Trust balance:	
Beginning of period	<u>-</u>
End of period	<u>\$ 30,627,854</u>

The Mallinckrodt Opioid Personal Injury Trust
Notes to Financial Statements

Notes to Financial Statements

1. Description of The Trust

On March 2, 2022, the United States Bankruptcy Court for the District of Delaware entered an Order Confirming the Fourth Amended Joint Plan of Reorganization of Mallinckrodt PLC And Its Debtor Affiliates Under Chapter 11 of the Bankruptcy Code¹, dated as of February 18, 2022 (the "Plan"). The Mallinckrodt Opioid Personal Injury Trust (the "Trust") was formally established as a Qualified Settlement Fund on April 7, 2022. The Plan became effective as of June 16, 2022 (the "Effective Date") and allows for the Trust to, upon the Effective Date of the Plan, i) assume all liability for the Personal Injury ("PI") and Neonatal Abstinence Syndrome ("NAS") PI claims against Mallinckrodt PLC and its subsidiaries that are channeled to the Trust, ii) collect Plan distributions to be made to the Trust for the Claims Share, iii) administer the PI and NAS Claims, iv) make distributions to Holders of the Claims in accordance with the PI Trust Documents, and v) carry out other matters as set forth in the PI Trust Documents.

The Plan called for the establishment of the Opioid Master Disbursement Trust II ("Opioid MDTII"), which was established as a "qualified settlement fund" within the meaning of the Treasury Regulations issued under section 468B of the Internal Revenue Code. Among other things, Opioid MDTII receives payments from the Debtors and makes distributions to the holders of certain beneficial interests in Opioid MDTII. The Trust has a 9.925% beneficial interest in Opioid MDTII. Under the modified cash basis of accounting, the Trust only records transactions when money is actually received from or paid to Opioid MDTII.

Under the terms of the Plan dated February 18, 2022, the Trust received approximately \$432,000 in advanced funding from Mallinckrodt PLC (the "Debtors") in April and May 2022 to be used for Trust fees and expenses incurred before the Plan reached its Effective Date.

On June 17, 2022, the Trust received approximately \$36,800,000 of additional funding from the Opioid Master Disbursement Trust II.

The Plan also called for Opioid MDTII to form a wholly-owned subsidiary, MNK Opioid Abatement Fund, LLC ("MOAF"), which they would designate to be issued the New Opioid Warrants on behalf of the Debtors, and they would distribute ownership interests in MOAF to the Opioid Creditor Trusts. The New Opioid Warrants were a form of consideration received by Opioid MDTII from Mallinckrodt PLC pursuant to the Plan. Upon receipt of the New Opioid Warrants, each interest holder was credited with capital contributions equal to the fair market value of the property deemed to be contributed to MOAF by the applicable interest holder. Per the MOAF Operating Agreement, MOAF was established as a partnership, with the Trust having a 9.925% ownership interest. For tax purposes, the Trust reports 9.925% of MOAF's net profits on its annual income tax return. Under the modified cash basis of accounting, the Trust only records transactions when money is actually received from MOAF or payments are made to MOAF.

In December 2022, the Opioid MDTII Trustees, acting in their capacities as Managers of MOAF, monetized the New Opioid Warrants in exchange for a \$4,000,000 cash payment from Mallinckrodt PLC. After certain transaction costs and fees, plus accrued interest, the Trust's share of the cash payment was approximately \$360,000. Under the modified cash basis of accounting, the Trust recorded this cash payment when it received the distribution of funds from MOAF, which was August 29, 2023.

¹ Capitalized terms as defined in the Plan

**The Mallinckrodt Opioid Personal Injury Trust
Notes to Financial Statements**

No future cash fundings will be received from Mallinckrodt PLC. Due to the Debtors' deteriorating financial situation since emerging from bankruptcy in June 2022, the seven additional payments to the Trust were cancelled, and the Debtors and the Opioid MDT II Trust agreed to a new Restructuring Agreement that changed the original funding terms and liabilities, so that the Trust would only receive one more payment from the Debtors, instead of the seven that were originally contemplated. As part of the Restructuring Agreement, the Debtors voluntarily refiled for bankruptcy on August 27, 2023. Under this new Restructuring Agreement, the Trust received one final payment of approximately \$24,812,500 on August 29, 2023 to compensate approved claimants after paying administrative expenses.

2. Significant Accounting Policies***Basis of presentation***

The Trust's financial statements are prepared using the modified cash basis of accounting, whereby cash receipts and disbursements are recorded as cash is received or paid, except for the recognition of changes in the fair value of investments and certain accounts payable. Trust receivables, estimated claims liabilities and claim receivables arising from claim overpayments, if any, which are material to the determination of financial position and results of operations, in conformity with accounting principles generally accepted in the United States of America, have not been estimated and are not recorded in the accounts of the Trust. Accordingly, the financial statements do not and are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. Additionally, a statement of cash flows has not been included.

Use of estimates

The preparation of financial statements in conformity with the basis of accounting described above requires the Trustee to make various estimates that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, as well as the reported amounts of revenues collected and claims and expenses paid. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include short-term, highly-liquid investments both readily convertible to known amounts of cash or so near maturity at acquisition (three months or less) that there is an insignificant risk of change in value because of change in interest rates. Cash equivalents are stated at cost, which approximates fair value.

Investments

Investments are recorded at fair value as determined by quoted market prices. Unrealized gains and losses, if any, are shown as noncash items in the statement of revenue collected, claims and expenses paid, and changes in trust balance. Realized gains and losses are computed under the specific identification method.

Accounts payable

Accounts payable consist of certain Trustee and Claims Administrator fees and claims of claimants charged to the Trust during the year and paid after year-end. Accounts payable includes approximately \$155,000 payable to the Trustee and Claims Administrator at December 31, 2022.

Tax status

The Trust maintains that, for federal income tax purposes, it is a Qualified Settlement Fund under Section 468B of the Internal Revenue Code of 1986, as amended (the "Code"), due to its having been established pursuant to a Court Order to satisfy certain legal claims, with all of its assets having been segregated from the assets of the Debtors to whom these claims relate. As provided by Treasury Regulations promulgated under Section 468B of the Code, the "modified gross income" of the Trust is subject to federal income tax up to the maximum trust rate in

The Mallinckrodt Opioid Personal Injury Trust
Notes to Financial Statements

effect under Section 1(e) of the Code, which was 37% for the 2022 tax year. Modified gross income is gross income computed with several modifications. Amounts transferred to the Trust by, or on behalf of, the Debtors are generally excluded from Trust income. In addition, payments of Plaintiff attorney fees or claimant claims made against the Trust and expenses incurred by, or on behalf of, specific claimants or Debtors are generally not deductible in computing modified gross income for federal income tax purposes. The Trust is required to operate on a calendar year basis and under the accrual method of accounting for federal income tax purposes. At December 31, 2022, the Trust had a net operating loss carryforward approximating \$7,900,000 for federal income tax purposes. Net operating loss carryforwards will begin to expire in 2032.

The Trust has adopted authoritative guidance on accounting for uncertainty in income taxes. The guidance clarifies the accounting for the recognition and measurement of the benefits of individual tax positions in the financial statements. Tax positions must meet a recognition threshold of more likely than not in order for the benefit of those tax positions to be recognized in the Trust's financial statements. The Trust has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2022. The Trust has identified its federal tax return and its state tax return in Alabama as major tax jurisdictions, as defined.

The Trust records income tax expense (or benefit) associated with amounts payable (or receivable) under current federal income taxes and does not record a provision for (or benefit from) deferred taxes. Accordingly, there is no provision for deferred taxes associated with changes in cumulative unrealized gains and losses on investments. The income taxes associated with gains on investments will be recorded in the Trust's financial statements when the net gains are realized (i.e. the securities are sold) and the income taxes payable become currently payable.

Subsequent events

The Trust has evaluated the effect subsequent events would have on the financial statements through November 13, 2023, which is the date the financial statements were available to be issued. See Note 1 for subsequent event related to Trust funding.

3. Fair Value Measurements

Authoritative guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy under authoritative guidance are as follows:

- Level 1:** Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date;
- Level 2:** Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;
- Level 3:** Inputs that are unobservable.

In accordance with the requirements of authoritative guidance, the Trust has categorized its financial instruments based on the priority of the inputs to the valuation technique based on a three-level hierarchy.

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The following table presents the financial assets carried on the statement of assets, liabilities, and trust balance - modified cash basis by level within the valuation hierarchy as of December 31, 2022:

	Financial Assets at Fair Value			Total
	Level 1	Level 2	Level 3	
U.S. Treasury Securities	\$ 29,982,455	\$ -	\$ -	\$ 29,982,455

4. Commitments and Contingencies

Cash balances in excess of FDIC insurance

The Trust maintains cash in demand deposit accounts with federally insured banks. At times, the balances in these accounts may be in excess of the federally insured limits of \$250,000 per federally insured bank.

Funding Sufficiency

No future cash fundings will be received from Mallinckrodt PLC. Due to the Debtors' deteriorating financial situation since emerging from bankruptcy in June 2022, the seven additional payments to the Trust under the original funding terms were cancelled, and the Debtors and the Opioid MDT II Trust agreed to a new Restructuring Agreement that changed the original funding terms and liabilities, so that the Trust would only receive one more payment from the Debtors, instead of the seven that were originally contemplated. As part of the Restructuring Agreement, the Debtors voluntarily refiled for bankruptcy on August 27, 2023.

Under this new Restructuring Agreement, the Trust received one final payment of approximately \$24,812,500 on August 29, 2023, to compensate approved claimants after paying administrative expenses. Therefore, the total contributions received by the Trust from the Debtors approximated \$62,391,000, instead of the original \$170,710,000 that was to be received under the original Restructuring Agreement. Thus, the amount of funding available to pay claimants and expenses of the Trust are limited to the aforementioned amounts received from the Debtor, plus additional amounts, if any, distributed from Opioid MDT II Trust per the paragraph below. Per the terms of the Trust, the Trustee has the ability to under the claims Trust distribution procedures to establish and or change payment amounts based on the number of claimants and amount of remaining funding available.

The Trust may receive additional payments from the Opioid MDT II Trust's pursuit of other assets, like insurance, but the amount to be received, if any, is impossible to predict and is unknown.

CERTIFICATE OF SERVICE

I, Christopher P. Simon, hereby certify that January 4, 2024, a true and correct copy of the foregoing *Notice of Filing of the Annual Report of the Mallinckrodt Opioid Personal Injury Trust* was served upon all interested parties via CM/ECF and the parties listed on the attached service list by electronic mail.

/s/ Christopher P. Simon _____
Christopher P. Simon (No. 3697)

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