

# MANVILLE PERSONAL INJURY SETTLEMENT TRUST

TRUSTEES:

Robert A Falise, Esquire  
Chairman and Managing Trustee  
*Orchid, Florida*

Frank J. Macchiarola, Esquire  
*Brooklyn, New York*

Mark A. Peterson, Esquire  
*Thousand Oaks, California*

April 30, 2009

## **BY FEDERAL EXPRESS**

Honorable Jack B. Weinstein  
Senior Judge, U. S. District Court  
Eastern District of New York  
225 Cadman Plaza East  
Brooklyn, NY 11201

Honorable Burton R. Lifland  
U.S. Bankruptcy Court  
Southern District of New York  
Alexander Hamilton Custom House  
One Bowling Green  
New York, NY 10004-1208

Dear Judge Weinstein and Judge Lifland:

Enclosed are chambers' copies of the Financial Statements and Report of the Manville Personal Injury Settlement Trust ("the Trust") for the quarter ending March 31, 2009, filed pursuant to Sections 3.02(d)(ii) and (iii) of the Trust Agreement, which were electronically filed today with the Clerk of the United States Bankruptcy Court for the Southern District of New York.

## **OPERATIONS**

During the first quarter of 2009, the Trust received 4,853 new claim filings compared to 1,776 for the same period of 2008. The malignant filing population has accounted for approximately 40% of the total for the first quarter of 2009 claim filings compared to 68% for the first quarter of 2008. The percentage decrease in malignancies is attributed to the sharp increase in the filing of unimpaired non-malignant Level 2 claims.

The Trust settled 3,749 claims for \$30.4 million during the first quarter 2009 compared to 1,582 claim settlements for \$14.8 million during the same period of 2008. The average settlement amount for the first quarter of 2009 and 2008 was approximately \$8,100 and \$9,300, respectively. Once again, the decrease in the average settlement amount is due principally to the higher percentage of non-malignancy claims settled during the first quarter 2009.

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On March 31, 2009, the Trust had 3,747 claims pending claimant response to an outstanding offer or denial, 1,450 claims for which the 360 day offer or denial response period had expired (but which could still be reactivated without re-filing the claim), 11,842 claims in process and 698,480 settled claims. When combined with 91,073 withdrawn claims (unsettled claims for which offers were not accepted or deficiencies not cured), as of March 31, 2009 the Trust had received 806,592 claims and had made total claim payments of approximately \$3.9 billion. Included in the \$3.9 billion of claim payments is the recent payment to approximately 257,800 claimants a total of \$338.7 million due to the increase in the first quarter of 2008 of the pro rata share that required a retrospective payment to all claimants who have received 5% pro rata payments. Out of the total \$365.6 million retrospective liability representing approximately 282,000 claimants, 24,300 claimants and \$26.9 million remains unpaid as of March 31, 2009.

#### **FINANCIAL SUMMARY**

Net operating expenses for the three months ended March 31, 2009 and 2008 were \$1.4 million and \$1.7 million, respectively. The decrease in net operating expenses is principally due to the reduction in personnel costs associated with downsizing of CRMC in mid 2008. Operating expenses are net of Other Income of \$54,000 and \$100,000 for the quarters ended March, 2009 and 2008, respectively. Other Income received by the CRMC is used to reduce the overall processing costs of the Trust.

As of March 31, 2009 Net Claimants' Equity was \$925 million compared to \$1.3 billion at the same time last year. During the three months ended March 31, 2009, the Trust made approximately \$33.7 million in claim payments compared to \$158 million for the first quarter of 2008. Greater claim payments in the first quarter of 2008 were principally due to the pro rata adjustment payments discussed above. A net negative return for investments during the period of \$52.6 million was principally due to unrealized portfolio losses during the quarter.

#### **ASSET MANAGEMENT**

For the three months ended March 31, 2009 and March 31, 2008, the Trust's total investment returns were approximately -4.9% and -5.4%, respectively. The total returns during the same periods on the Trust's equity (U.S. and non-U.S.) investments were approximately

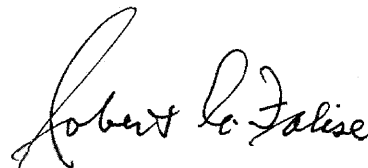
-10.8% and -9.8%, respectively. By way of comparison, the currency half-hedged MSCI World Index, a broad equity index of 23 developed markets including the U.S., returned approximately -11.0% and -10.5% during the first quarters of 2009 and 2008, respectively. The total returns on fixed income investments including cash equivalents were 0.9% in the first quarter of 2009 versus 1.8% in the first quarter of 2008.

The securities markets have been extremely volatile during the first quarter of 2009. While most indexes were down about 25% at some point during the quarter, they significantly improved during the last month of quarter. Accordingly, as of March 31, 2009, the market value of the Trust's investments, including accrued interest and dividends, was approximately \$977 million. A modification in our asset allocation has been made so that about \$470 million (48%) was in diversified equities, \$457 million (47%) in fixed income securities and the remaining \$50 million (5%) was in cash equivalents.

As a result, although the Trust's investments were down significantly during the first quarter, they ended the quarter close to the same level at the end of the quarter as at year-end 2008, net of claim payments and expenses.

Throughout the quarter, the Trustees, in consultation with the Select Counsel for the beneficiaries and the Legal Representative of Future Claimants, have continuously monitored the Trust's assets and liabilities engaging outside experts to assist us in forecasting these assets and liabilities in order to determine whether any adjustment to the pro rata percentage of payments was needed. At the end of the quarter, we determined that no such adjustment is presently needed. However, we continue to monitor the issue with our constituency advisors using highly regarded outside experts to assist us in this uncertain financial environment.

Yours very truly,

A handwritten signature in black ink, reading "Robert A. Falise". The signature is written in a cursive style with a large, looping initial "R".

Robert A. Falise  
Chairman and Managing Trustee

Enclosure

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

<hr/> <hr/>	)	In Proceedings For A
In re	)	Reorganization Under
JOHNS-MANVILLE CORPORATION,	)	Chapter 11
et al.,	)	
	)	Case Nos. 82 B 11656 (BRL)
Debtors	)	Through 82 B 11676 (BRL)
<hr/> <hr/>	)	Inclusive

FINANCIAL STATEMENTS AND REPORT OF  
MANVILLE PERSONAL INJURY SETTLEMENT TRUST  
FOR THE PERIOD ENDING MARCH 31, 2009  
PURSUANT TO SECTIONS 3.02(d)(ii) and (iii)  
OF THE TRUST AGREEMENT

Sections 3.02(d)(ii) and (iii) of the Trust Agreement provide that the Trustees shall prepare and file with the Court within 30 days following the end of each of the first three quarters of each Fiscal Year a quarterly report containing certified financial statements and a summary of certain additional information, including the number of Trust Claims Liquidated and the average amount per Trust Claim paid or payable, the amount of investment income earned by the Trust, and the amount of Trust Expenses incurred by the Trust. The attached Financial Statements for the Period January 1, 2009 through March 31, 2009 and the exhibits thereto are

Submitted in satisfaction of the requirements that the Trust file a quarterly report. Exhibits I, II and III of the Financial Statements set forth the specific items of information required by Sections 3.02(d)(iii)(w),(y) and (z) of the Trust Agreement.

Respectfully submitted,

MANVILLE PERSONAL INJURY  
SETTLEMENT TRUST

By:     /s/ David T. Austern      
David T. Austern  
General Counsel  
Manville Personal Injury  
Settlement Trust  
3110 Fairview Park Dr. Ste. 200  
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(703) 205-0835

Dated: April 30, 2009  
Falls Church, VA

CERTIFICATE OF SERVICE

I, David T. Austern, hereby certify that on April 30, 2009, I caused a true and complete copy of the Financial Statements for the Period Ending March 31, 2009 pursuant to Sections 3.02(d)(ii) and (iii) of the Manville Personal Injury Settlement Trust Agreement to be served by first class mail, postage prepaid, to the entities named on the service list annexed hereto.

      /s/ David T. Austern        
David T. Austern

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**SPECIAL-PURPOSE CONSOLIDATED  
FINANCIAL STATEMENTS WITH  
SUPPLEMENTARY INFORMATION**

**MANVILLE PERSONAL  
INJURY SETTLEMENT TRUST**

**MARCH 31, 2009 AND 2008**

## **MANVILLE PERSONAL INJURY SETTLEMENT TRUST**

The special purpose consolidated financial statements included herein are unaudited. In the opinion of the management of the Trust, the accompanying special purpose consolidated financial statements present fairly, subject to normal year-end adjustments, the consolidated net claimants' equity as of March 31, 2009 and 2008 and the consolidated changes in net claimants' equity and cash flows for the three months ended March 31, 2009 and 2008 presented on the special-purpose basis of accounting described in Note 2, which accounting methods have been applied on a consistent basis.

/signed/ Mark E. Lederer  
Mark E. Lederer  
Chief Financial Officer

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST**  
**SPECIAL-PURPOSE CONSOLIDATED STATEMENTS OF NET CLAIMANTS' EQUITY**  
**AS OF MARCH 31, 2009 AND 2008**

	<b>2009</b>	<b>2008</b>
<b>ASSETS:</b>		
Cash equivalents and investments (Note 2)		
Restricted (Note 7)	\$61,300,000	\$59,700,000
Unrestricted	911,257,878	1,515,178,688
Total cash equivalents and investments	972,557,878	1,574,878,688
Accrued interest and dividend receivables	4,739,855	6,643,618
Deposits and other assets	2,506,522	622,786
Total assets	979,804,255	1,582,145,092
<b>LIABILITIES:</b>		
Accrued expenses	2,871,646	7,347,918
Deferred income taxes (Note 8)		29,670,000
Unpaid claims (Notes 3, 5 and Exh. III)		
Outstanding offers	19,452,258	13,576,057
Settled, not paid	3,666,074	2,464,999
Pro rata adjustment payable - personal injury	26,903,393	221,190,619
Lease commitments payable (Note 4)	2,444,798	2,952,557
Total liabilities	55,338,169	277,202,150
<b>NET CLAIMANTS' EQUITY (Note 5)</b>	<b>\$924,466,086</b>	<b>\$1,304,942,942</b>

The accompanying notes are an integral part of these special-purpose consolidated statements.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST  
SPECIAL-PURPOSE CONSOLIDATED STATEMENTS OF CHANGES IN NET CLAIMANTS' EQUITY  
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**

	<b>2009</b>	<b>2008</b>
<b>NET CLAIMANTS' EQUITY, BEGINNING OF YEAR</b>	<b>\$1,004,885,805</b>	<b>\$1,778,033,708</b>
<b>ADDITIONS TO NET CLAIMANTS' EQUITY:</b>		
Net decrease in outstanding claim offers	3,937,028	
Decrease in lease commitments payable (Note 4)	128,499	125,380
Total additions	4,065,527	125,380
<b>DEDUCTIONS FROM NET CLAIMANTS' EQUITY:</b>		
Investment loss (Exhibit I)	52,581,361	81,505,452
Net operating expenses (Exhibit II)	1,436,315	1,738,695
Provision (benefit) for income taxes	(137,500)	3,477,300
Net increase in outstanding claim offers		5,898,016
Claims settled for personal injury claims	30,406,620	14,759,700
Pro rata adjustment for personal injury claims (Note 5)		365,736,012
Codefendant pro rata adjustment and claims settled	198,450	100,971
Total deductions	84,485,246	473,216,146
<b>NET CLAIMANTS' EQUITY, END OF YEAR</b>	<b>\$924,466,086</b>	<b>\$1,304,942,942</b>

The accompanying notes are an integral part of these special-purpose consolidated statements.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST**  
**SPECIAL-PURPOSE CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**

	<b>2009</b>	<b>2008</b>
<b>CASH INFLOWS:</b>		
Investment income receipts	\$8,989,040	\$13,636,210
Net realized gains (losses) on investment securities	(8,073,002)	11,829,052
Decrease in deposits and other assets		121,518
Total cash inflows	916,038	25,586,780
<b>CASH OUTFLOWS:</b>		
Claim payments made	33,691,776	158,274,740
Co-defendant claim payments	1,125,622	100,971
Total claim payments	34,817,398	158,375,711
Disbursements for Trust operating expenses and income taxes paid	1,345,835	1,750,571
Increase in deposits and other assets	143,162	
Total cash outflows	36,306,395	160,126,282
<b>NET CASH (OUTFLOWS) INFLOWS</b>	(35,390,357)	(134,539,502)
<b>NON-CASH CHANGES:</b>		
Net unrealized (losses) gains on investment securities	(53,150,376)	(125,291,186)
<b>NET (DECREASE) INCREASE IN CASH EQUIVALENTS AND INVESTMENTS</b>	(88,540,733)	(259,830,688)
<b>CASH EQUIVALENTS AND INVESTMENTS BEGINNING OF YEAR</b>	1,061,098,611	1,834,709,376
<b>CASH EQUIVALENTS AND INVESTMENTS END OF YEAR</b>	\$972,557,878	\$1,574,878,688

The accompanying notes are an integral part of these special-purpose consolidated statements.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST**  
**NOTES TO SPECIAL-PURPOSE CONSOLIDATED FINANCIAL**  
**STATEMENTS**  
**AS OF MARCH 31, 2009 AND 2008**

**(1) DESCRIPTION OF THE TRUST**

The Manville Personal Injury Settlement Trust (the Trust), organized pursuant to the laws of the state of New York with its office in Pound Ridge, New York, was established pursuant to the Manville Corporation (Manville or JM) Second Amended and Restated Plan of Reorganization (the Plan). The Trust was formed to assume Manville's liabilities resulting from pending and potential litigation involving (i) individuals exposed to asbestos who have manifested asbestos-related diseases or conditions, (ii) individuals exposed to asbestos who have not yet manifested asbestos-related diseases or conditions and (iii) third-party asbestos-related claims against Manville for indemnification or contribution. Upon consummation of the Plan, the Trust assumed liability for existing and future asbestos health claims. The Trust's initial funding is described below under "Funding of the Trust." The Trust's funding is dedicated solely to the settlement of asbestos health claims and the related costs thereto, as defined in the Plan. The Trust was consummated on November 28, 1988.

In December 1998, the Trust formed a wholly-owned corporation, the Claims Resolution Management Corporation (CRMC), to provide the Trust with claim processing and settlement services. Prior to January 1, 1999, the Trust provided its own claim processing and settlement services. CRMC began operations on January 1, 1999 in Fairfax, Virginia and subsequently relocated to Falls Church, Virginia. The accounts of the Trust and CRMC have been consolidated for financial reporting purposes. All significant intercompany balances and transactions between the Trust and CRMC have been eliminated in consolidation.

The Trust was initially funded with cash, Manville securities and insurance settlement proceeds. Since consummation, the Trust has converted the Manville securities to cash and currently holds no Manville securities.

**(2) SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Presentation**

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

- (1) The financial statements are prepared using the accrual basis of accounting.
- (2) The funding received from JM and its liability insurers was recorded directly to net claimants' equity. These funds do not represent income of the Trust.

Settlement offers for asbestos health claims are reported as deductions in net claimants' equity and do not represent expenses of the Trust.

- (3) Costs of non-income producing assets, which will be exhausted during the life of the Trust and are not available for satisfying claims, are expensed as they are incurred. These costs include acquisition costs of computer hardware, software, software development, office furniture and leasehold improvements.
- (4) Future fixed liabilities and contractual obligations entered into by the Trust are recorded directly against net claimants' equity. Accordingly, the future minimum rental commitments outstanding at period end for non-cancelable operating leases, net of any sublease agreements, have been recorded as deductions to net claimants' equity.
- (5) The liability for unpaid claims reflected in the special-purpose consolidated statements of net claimants' equity represents settled but unpaid claims and outstanding settlement offers. Post-Class Action complaint claims' liability is recorded once a settlement offer is made to the claimant (Note 3) at the amount equal to the expected pro rata payment. No liability is recorded for future claim filings and filed claims on which no settlement offer has been made. Net claimants' equity represents funding available to pay present and future claims on which no fixed liability has been recorded.
- (6) Investment securities are recorded at fair value. All interest and dividend income on investment securities, net of investment expenses are included in investment income on the special-purpose consolidated statements of changes in net claimants' equity. Realized and unrealized gains and losses on investment securities are combined and recorded on the special-purpose consolidated statements of changes in net claimants' equity.

Realized gains/losses on investment securities are recorded based on the security's original cost. At the time a security is sold, all previously recorded unrealized gains/losses are reversed and recorded net, as a component of other unrealized gains/losses in the accompanying consolidated statements of changes in net claimants' equity.

The preparation of financial statements in conformity with the special-purpose accounting methods described above requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to net claimants' equity during the reporting period. Actual results could differ from those estimates. The most significant estimates with regard to these financial statements relate to unpaid claims, as discussed in Notes 3 and 5.

Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 presentation. These reclassifications have no effect on the previously recorded balance of net claimants' equity

**(b) Cash Equivalents and Investments**

At March 31, 2009 and 2008, the Trust has recorded all of its investment securities at fair value, as follows:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Restricted				
Cash equivalents	\$934,943	\$ 934,943	\$2,033,083	\$ 2,033,083
U.S. Govt. obligations	18,152,420	18,406,609	18,261,089	18,941,427
Corporate and other debt	6,263,379	6,338,748	3,849,132	3,773,669
Equities – U.S.	<u>32,145,268</u>	<u>35,619,700</u>	<u>21,324,043</u>	<u>34,951,821</u>
Total	<u>\$57,496,010</u>	<u>\$61,300,000</u>	<u>\$45,467,347</u>	<u>\$59,700,000</u>
	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Unrestricted				
Cash equivalents	\$56,258,605	\$56,258,606	\$112,704,026	\$112,704,026
U.S. Govt. obligations	253,368,762	262,784,885	266,646,482	274,140,008
Corporate and other debt	170,376,374	158,849,729	217,791,995	216,701,223
Equities – U.S.	478,059,746	357,289,929	648,816,423	783,063,901
Equities – International	<u>91,595,982</u>	<u>76,074,729</u>	<u>85,647,398</u>	<u>128,569,530</u>
Total	<u>\$1,049,659,469</u>	<u>\$911,257,878</u>	<u>\$1,331,606,324</u>	<u>\$1,515,178,688</u>

The Trust invests in two types of derivative financial instruments. Equity index futures are used as strategic substitutions to cost effectively replicate the underlying index of its domestic equity investment fund. At March 31, 2009, the fair value of these instruments was approximately \$3.9 million and was included in investments on the special-purpose consolidated statement of net claimants' equity. Foreign currency forwards are utilized for both currency translation purposes and to economically hedge against the currency risk inherent in foreign equity issues and are generally for periods up to 90 days. At March 31, 2009, the Trust held \$38.6 million in net foreign currency forward contracts. The unrealized gain on these outstanding currency forward contracts of approximately \$0.9 million is offset by an equal unrealized loss due to currency exchange on the underlying international securities. These net amounts are recorded in the special-purpose consolidated statement of net claimants' equity at March 31, 2009.

(c) **Fixed Assets**

The cost of non-income producing assets that will be exhausted during the life of the Trust and are not available for satisfying claims are expensed as incurred. Since inception, the cost of fixed assets expensed, net of disposals, include:

Acquisition of furniture and equipment	\$ 350,400
Acquisition of computer hardware and software	841,100
Computer software development (e-Claims)	<u>2,361,100</u>
Total	<u>\$3,552,600</u>

These items have not been recorded as assets, but rather as direct deductions to net claimants' equity in the accompanying special-purpose consolidated financial statements. The cost of fixed assets, net of proceeds on disposals that were expensed during the years ended March 31, 2009 and 2008 was approximately \$30,000 and \$32,000 respectively.

**(3) UNPAID CLAIMS**

The Trust distinguishes between claims that were resolved prior to the filing of the class action complaint on November 19, 1990, and claims resolved after the filing of that complaint. Claims resolved prior to the complaint (Pre-Class Action Claims) were resolved under various payment plans, all of which called for 100% payment of the full liquidated amount without interest over some period of time. However, between July 1990 and February 1995, payments on all claims except qualified exigent health and hardship claims were stayed by the courts. By court order on July 22, 1993 (which became final on January 11, 1994), a plan submitted by the Trust was approved to immediately pay, subject to claimant approval, a discounted amount on settled, but unpaid Pre-Class Action Claims, in full satisfaction of these claims. The discount amount taken, based on the claimants who accepted the Trust's discounted offer, was approximately \$135 million.

The unpaid liability for the Post-Class Action claims represents outstanding offers made in First-in, First-out (FIFO) order to claimants eligible for settlement after November 19, 1990. Under the Trust Distribution Process (TDP) (Note 5), claimants receive an initial pro rata payment equal to a percentage of the liquidated value of their claim. The Trust remains liable for the unpaid portion of the liquidated amount only to the extent that assets are available after paying all claimants the established pro rata share of their claims. The Trust makes these offers electronically for law firms that file their claims electronically (e-filers), or in the form of a check made payable to the claimant and/or claimant's counsel for claimants that file their proof of claim on paper. E-filers may accept their offers electronically and the Trust records a settled, but unpaid claim at the time of acceptance. Paper filers may accept their offer by depositing the check. An unpaid claim liability is recorded once an offer is made. The unpaid claim liability remains on the Trust's books until accepted or expiration of the offer after 360 days. Expired offers may be reinstated if the claimant accepts the original offer within two years of offer expiration.

#### **(4) COMMITMENTS**

In April 2003, the CRMC executed an early termination of its old lease in Fairfax, Virginia and signed a new 10-year lease through September 2013 for its offices in Falls Church, Virginia. CRMC may terminate the new lease at the end of the seventh lease year (September 2010) upon proper notification and payment of certain unamortized leasing costs. The lease was executed with CRMC conditioned upon the Trust's guarantee of future lease payments.

Future minimum rental commitments under this operating lease, as of March 31, 2009, are as follows:

<u>Calendar Year</u>	<u>Amount</u>
2009	388,700
2010	530,114
2011	543,387
2012	557,017
2013	<u>425,580</u>
	<u>\$2,444,798</u>

This obligation has been recorded as a liability in the accompanying special-purpose consolidated statement of net claimants' equity.

#### **(5) NET CLAIMANTS' EQUITY**

A class action complaint was filed on behalf of all Trust beneficiaries on November 19, 1990, seeking to restructure the methods by which the Trust administers and pays claims. On July 25, 1994, the parties signed a Stipulation of Settlement that included a revised the TDP. The TDP prescribes certain procedures for distributing the Trust's limited assets, including pro rata payments and initial determination of claim value based on scheduled diseases and values. The Court approved the settlement in an order dated January 19, 1995 and the Trust implemented the TDP payment procedures effective February 21, 1995.

During the second and third quarters of 2002, the Selected Counsel for the Beneficiaries (SCB) and Legal Representative of Future Claimants (Legal Representative) and the Trust met to discuss amending the TDP. As a result of these meetings, in late August 2002, the parties agreed to TDP amendments that are now contained in what is referred to as the "2002 TDP". The 2002 TDP principally changes the categorization criteria and scheduled values for the scheduled diseases.

Prior to the commencement of the class action in 1990, the Trust filed a motion for a determination that its assets constitute a "limited fund" for purposes of Federal Rules of Civil Procedure 23(b)(1)(B). The Courts adopted the findings of the Special Master that the Trust is a "limited fund". In part, the limited fund finding concludes that there is a substantial probability that estimated future assets of the Trust are and will be insufficient to pay in full all claims that have been and will be asserted against the Trust.

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

Prior to the implementation of the TDP, the Trust conducted its own research and monitored studies prepared by the Courts' appointee regarding the valuation of Trust assets and liabilities. Based on this valuation, the TDP provided for an initial 10% payment of the liquidated value of then current and estimated future claims (pro rata payment percentage). As required by the TDP, the Trust has periodically reviewed the values of its projected assets and liabilities to determine whether a revised pro rata payment percentage should be applied. In June 2001 the pro rata percentage was reduced from 10% to 5%.

In January 2008, the Trust completed its review of the Trust's projected assets and liabilities. Based upon this review, the Trustees approved an increase in the pro rata percentage from 5% to 7.5%. This proposed change received the required concurrence of the SCB and the Legal Representative in early March 2008. Under the TDP any claimant who received less than the current pro rata percentage is entitled to receive a retroactive payment sufficient to increase their previous payment percentage to the current pro rata percentage. Accordingly, the Trust recorded a liability of \$365.7 million for approximately 282,000 personal injury claimants eligible to receive a retro active payment. Through March 31, 2009, the Trust has paid approximately 258,000 claimants a total of \$339 million and approximately \$26.9 million remains unpaid.

The Trust will continue to periodically update its estimate of the pro rata payment percentage based on updated assumptions regarding its future assets and liabilities and, if appropriate, propose changes in the pro rata payment percentage.

## **(6) EMPLOYEE BENEFIT PLANS**

The Trust established a tax-deferred employee savings plan under Section 401(k) of the Internal Revenue Code, with an effective date of January 1, 1988. The plan allows employees to defer a percentage of their salaries within limits set by the Internal Revenue Code with the Trust matching contributions by employees of up to 6% of their salaries. The total employer contributions and expenses under the plan were approximately \$43,300 and \$56,900 for the years ended March 31, 2009 and 2008, respectively.

## **(7) RESTRICTED CASH EQUIVALENTS AND INVESTMENTS**

In order to avoid the high costs of director and officer liability insurance, the Trust ceased purchasing such insurance in 1991 and, with the approval of the United States Bankruptcy Court for the Southern District of New York, the Trust established a segregated security fund of \$30 million and, with the additional approval of the United States District Court for the Southern and Eastern Districts of New York, an additional escrow fund of \$3 million from the assets of the Trust, which are devoted exclusively to securing the obligations of the Trust to indemnify the former and current Trustees and officers, employees, agents and representatives of the Trust. Also, a \$15 million escrow and security fund was established to secure the obligations of the Trust to exclusively indemnify the current Trustees, whose access to the other security funds is subordinated to the former Trustees. Upon the

final order in the Class Action litigation (Note 3), the \$15 million escrow and security fund was reduced by \$5 million. Pursuant to Section 5.07 of the Plan, Trustees are entitled to a lien on the segregated security and escrow funds to secure the payment of any amounts payable to them through such indemnification. Accordingly, in total, \$43 million has been transferred from the Trust's bank accounts to separate bank escrow accounts and pledge and security agreements have been executed perfecting those interests. The investment earnings on these escrow accounts accrue to the benefit of the Trust.

Additionally, as a condition of the tax agreement between JM and the Trust discussed in Note 8, the Trust was required to transfer \$30 million in cash to an escrow account to secure the payment of its future income tax obligations post settlement of the transaction. The escrow account balance may be increased or decreased over time. As of March 31, 2009, securities with a market value of \$23.3 million were held by an escrow agent, of which \$18.3 million is reported as restricted in accordance with the agreement.

## **(8) INCOME TAXES**

For federal income tax purposes, JM had elected for the qualified assets of the Trust to be taxed as a Designated Settlement Fund (DSF). Income and expenses associated with the DSF are taxed in accordance with Section 468B of the Internal Revenue Code, which obligates JM to pay for any federal income tax liability imposed upon the DSF. In addition, pursuant to an agreement between JM and the Trust, JM is obligated to pay for any income tax liability of the Trust. In a separate agreement between the Trust and JM to facilitate the sale of JM to a third party, JM paid the Trust \$90 million to settle the JM obligation to the Trust. In return, the Trust terminated JM's contractual liability for income taxes of the DSF and agreed to indemnify JM in respect for all future income taxes of the Trust and established an escrow fund to secure such indemnification. The statutory income tax rate for the DSF is 15%. As a New York domiciled trust, the Trust is not subject to state income taxes. CRMC files separate federal and state corporate income taxes returns.

The Trust records deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the book and tax basis of assets and liabilities. As of March 31, 2009 and 2008, the Trust has recorded a net deferred tax liability for net unrealized gains on investment securities of approximately \$0 and \$29.7 million, respectively. As of March 31, 2009 and 2008, the Trust recorded net deferred tax assets of \$228,500 and \$360,900, representing temporary differences primarily due to expensing asset acquisitions for financial reporting purposes, accrued vacation and deferred compensation. The deferred tax assets are included in other assets in the accompanying consolidated statement of net claimants' equity. As of March 31, 2009 and 2008, the Trust has income taxes receivable of \$2.1 million and income taxes payable of \$3.4 million, respectively. These amounts are included with deposits and other assets or accrued expenses on the consolidated statements of net claimants' equity as of March 31, 2009 and 2008, respectively.

**(9) PROOF OF CLAIM FORMS FILED**

Proof of claim forms filed as March 31, 2009 and 2008 with the Trust are as follows:

	<u>2009</u>	<u>2008</u>
Claims filed	806,592	790,073
Withdrawn <sup>(1)</sup>	(91,073)	(89,555)
Expired offers <sup>(2)</sup>	<u>(1,450)</u>	<u>(2,475)</u>
Active claims	714,069	698,043
Settled claims	<u>(698,480)</u>	<u>(683,898)</u>
Claims currently eligible for settlement	<u>15,589</u>	<u>14,145</u>

- (1) Principally claims that have received a denial notification and the claim is in an expired status for more than two years. These claims must be refiled to receive a new offer.
- (2) Claims that received a Trust offer or denial, but failed to respond within the specified response period, usually 360 days. As of March 31, 2009 and 2008, approximately 670 and 1,070 respectively, of the claims with expired offers are still eligible to accept their original offer with a payment value of \$4.0 million and \$4.0 million, respectively. All claims with expired offers may be reactivated upon written request by the claimant and will be eligible for a new offer at the end of the FIFO queue.

# **MANVILLE PERSONAL INJURY SETTLEMENT TRUST**

The following exhibits are provided in accordance with Article 3.02 (d)(iii) of the Manville Personal Injury Settlement Trust Agreement.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST  
SPECIAL-PURPOSE CONSOLIDATED INVESTMENT INCOME  
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>INVESTMENT INCOME</b>		
Interest	\$ 5,321,928	\$ 8,143,083
Dividends	3,723,562	5,464,024
Total interest and dividends	<u>9,045,490</u>	<u>13,607,107</u>
Net realized gains (losses)	(8,073,002)	11,829,052
Net unrealized (losses) gains, net of the change in deferred income taxes (Note 8)	(53,150,375)	(106,501,187)
Investment expenses	<u>(403,474)</u>	<u>(440,424)</u>
<b>TOTAL INVESTMENT (LOSS) INCOME</b>	<u><u>\$ (52,581,361)</u></u>	<u><u>\$ (81,505,452)</u></u>

The accompanying notes are an integral part of this exhibit.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST  
SPECIAL-PURPOSE CONSOLIDATED NET OPERATING EXPENSES  
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>NET OPERATING EXPENSES:</b>		
Personnel costs	\$ 803,253	\$ 1,030,877
Office general and administrative	205,165	156,733
Travel and meetings	22,448	30,242
Board of Trustees	197,637	136,728
Professional fees	211,162	384,430
Net fixed asset purchases	29,724	32,032
Web hosting and other EDP costs	20,765	67,555
Other income	(53,839)	(99,902)
	<hr/>	<hr/>
<b>TOTAL NET OPERATING EXPENSES</b>	<b>\$ 1,436,315</b>	<b>\$ 1,738,695</b>
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MANVILLE PERSONAL INJURY SETTLEMENT TRUST  
SCHEDULE OF LIQUIDATED CLAIMS  
SINCE CONSUMMATION (NOVEMBER 28, 1988)  
THROUGH MARCH 31, 2009

Exhibit III  
Page 1 of 2

	<u>Number</u>	<u>Amount</u>	<u>Average Payment Amount</u>
<b><u>Trust Liquidated Claims</u></b>			
<b>Pre-Class Action Complaint November 19, 1990 and Before-</b>			
Full Liquidated Claim Value	27,590	\$1,187,852,399	
Present Value Discount (1)		<u>(135,306,535)</u>	
Net Settlements	27,590	1,052,545,864	
Payments	<u>(27,590)</u>	<u>(1,052,545,864)</u>	<u>\$38,150</u>
Unpaid Balance	<u>0</u>	<u>\$0</u>	
<b>Post-Class Action Complaint After November 19, 1990-</b>			
Offers Made at Full Liquidated Amount	673,879	\$32,804,104,130	
Reduction in Claim Value (2)		<u>(29,925,461,234)</u>	
Net Offer Amount	673,879	2,878,642,896	
Offers Accepted	<u>(670,890)</u>	<u>(2,859,190,638)</u>	<u>\$4,262</u>
Outstanding Offers	2,989	19,452,258	
Offers Accepted, Not Paid	786	3,666,074	
Pro rata Adjustment Payable	<u>24,310</u>	<u>26,903,393</u>	<u>\$1,107</u>
Unpaid Balance	<u>28,085</u>	<u>50,021,725</u>	
<b>Total Trust Liquidated Claims</b>	<u>698,480</u>	<u>3,911,736,502</u>	<u>\$5,600</u>
<b><u>Manville Liquidated Claims Paid (3)</u></b>	<u>158</u>	<u>\$24,946,620</u>	
<b><u>Co-Defendant Liquidated Claims (4)</u></b>			
Settlement Claim Value		\$93,119,610	
Investment Receipts (5)		2,624,732	
Payments		<u>(95,744,342)</u>	
Unpaid Balance Pro Rata Adjustment		<u>\$0</u>	

- (1) The unpaid liability for Pre-Class Action Complaint claims has been reduced based upon a plan approved by the Courts in January, 1994 which requires the Trust to offer to pay a discounted amount in full satisfaction of the unpaid claim amount.
- (2) Under the TDP, Post Class Action Complaint claims have been reported at a pro rata percentage of their liquidated value.
- (3) Manville Liquidated Claims refers to Liquidated AH Claims (as defined in the Plan) which the Trust has paid pursuant to an order of the United States Bankruptcy Court for the Southern District of New York dated January 27, 1987.
- (4) Number of personal injury claimants not identifiable.
- (5) Investment receipts of separate investment escrow account established for the sub-class beneficiaries per the Stipulation of Settlement, net of income taxes.

The accompanying notes are an integral part of this exhibit.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST  
SCHEDULE OF LIQUIDATED CLAIMS  
FOR THE THREE MONTHS ENDED MARCH 31, 2009**

Exhibit III  
Page 2 of 2

	<u>Number</u>	<u>Amount</u>	<u>Average Payment Amount</u>
<b><u>Trust Liquidated Claims</u></b>			
<b>Post-Class Action Complaint After November 19, 1990 (1)</b>			
Offers Outstanding as of December 31, 2008	2,446	\$23,389,286	
Net Offers Made (2)	4,292	26,469,592	
Offers Accepted	<u>(3,749)</u>	<u>(30,406,620)</u>	<u>\$8,111</u>
Offers Outstanding as of March 31, 2009	2,989	19,452,258	
Offers Accepted, Not Paid as of March 31, 2009	<u>786</u>	<u>3,666,074</u>	
Payable as of March 31, 2009	<u><u>3,775</u></u>	<u><u>\$23,118,332</u></u>	
<b><u>Pro Rata Adjustment</u></b>			
Payable as of December 31, 2008	27,358	31,238,559	
Payments and adjustments	<u>(3,048)</u>	<u>(4,335,166)</u>	<u>\$1,422</u>
Payable as of March 31, 2009	<u><u>24,310</u></u>	<u><u>\$26,903,393</u></u>	
<b><u>Co-Defendant Liquidated Claims</u></b>			
Payable as of December 31, 2008		\$927,172	
Settled		198,450	
Pro rata adjustment		0	
Paid pro rata adjustment		(927,172)	
Paid settled 2008		<u>(198,450)</u>	
Payable as of March 31, 2009		<u><u>\$0</u></u>	

(1) Under the TDP, Post Class Action Complaint claims have been reported at a pro rata percentage of their liquidated value.

(2) Represents payment offers made during the period net of rejected and expired offers.

The accompanying notes are an integral part of this exhibit.