

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

TRUSTEES:

July 30, 2009

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

BY FEDERAL EXPRESS

Frank J. Macchiarola, Esquire
Brooklyn, New York

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

Mark A. Peterson, Esquire
Thousand Oaks, California

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 June 30, 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 second quarter of 2009, the Trust received 4,978 new claim filings compared to 3,830 for the same period of 2008. The malignant filing population has accounted for approximately 31% of the total for the second quarter of 2009 claim filings compared to 54% for the second quarter of 2008. The percentage decrease in malignancies is attributed to the increase in the filing of unimpaired non-malignant Level 2 claims.

The Trust settled 4,709 claims for \$30.2 million during the second quarter of 2009 compared to 2,871 claim settlements for \$19.2 million during the same period of 2008. The average settlement amount for the second quarter of 2009 and 2008 was approximately \$6,100 and \$6,700, respectively. Once again, the decrease in the average settlement amount is due principally to the higher percentage of non-malignancy claims settled during the second quarter 2009.

4 Trinity Pass
P.O. Box 288
Pound Ridge, NY 10576
Phone: (914) 764-4700
Fax: (914) 764-4709

On June 30, 2009, the Trust had 3,327 claims pending claimant response to an outstanding offer or denial, 1,399 claims for which the 360 day offer or denial response period had expired (but which could still be reactivated without re-filing the claim), 12,026 claims in process and 703,458 settled claims. When combined with 91,375 withdrawn claims (unsettled claims for which offers were not accepted or deficiencies not cured), as of June 30, 2009 the Trust had received 811,585 claims and had made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 258,000 claimants a total of \$339.5 million due to the increase in the pro rata share that required a retrospective payment to all claimants who had previously received 5% pro rata payments. Out of the total \$365.6 million retrospective liability representing approximately 282,000 claimants, 24,400 claimants and \$26.6 million remains unpaid as of June 30, 2009.

FINANCIAL SUMMARY

Net operating expenses for the three and six months ended June 30, 2009 were \$1.1 million and \$2.6 million, compared to \$1.8 million and \$3.5 million for the same quarters in 2008, respectively. The decrease in net operating expenses is principally due to the reduction in personnel costs associated with the reorganization of CRMC in mid 2008. Personnel costs are down approximately \$900,000 or 35% for the first half of 2009 when compared to the same period 2008. Operating expenses are net of Other Income of \$40,000 and \$93,000 for the three and six months ended June 30, 2009.

During the three and six months ended June 30, 2009, the Trust made approximately \$29.5 million and \$63.4 million in claim payments, respectively. For the same quarters in 2008, the Trust made claim payments of \$172.5 million and \$330.8 million. The large claim payments in 2008 were due to the retrospective pro rata adjustment payments discussed above. As of June 30, 2009 Net Claimants' Equity was approximately \$1.0 billion compared to \$1.3 billion at the same time in 2008, after deductions of \$120.7 million for claims, income taxes and net operating expenses for the twelve months ended June 30, 2009.

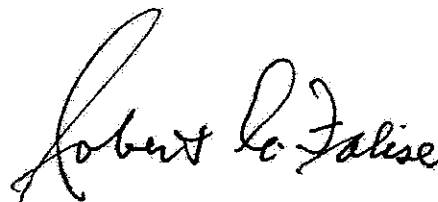
ASSET MANAGEMENT

For the six months ended June 30, 2009 and June 30, 2008, the Trust's total investment returns were 4.4% and -6.5%, respectively. The total returns during the same periods on the equity portion of the Trust's investments were 4.8% and -11.3%, respectively. By way of comparison, the Russell 3000 Index, a broad index of U.S. stocks, returned 4.2% and -11.1% during the first halves of 2009 and 2008, respectively. The total returns on the Trust's fixed income investments including cash equivalents were 3.4% in the first half of 2009 versus 1.6% in the first half of 2008.

As of June 30, 2009, the market value of the Trust's investments, including accrued interest and dividends, was approximately \$1,039 million, of which approximately \$533 million (51%) was in diversified equities, \$448 million (43%) in fixed income securities and the remaining \$58 million (6%) in cash equivalents.

During the last six months, the Trustees, together with representatives of the Select Counsel for the Beneficiaries and the Futures Representative, have consulted and met with prominent economists and major professional asset managers to evaluate the future impact of the recent adverse and volatile security markets on the Trust's future pro rata payment and investment policies. At the beginning of the second quarter, the Trustees decided to: continue, for the time being, the present 7.5% pro rata payment schedule; moderately adjust the Trust's asset allocation; and closely monitor the economy and security markets. That monitoring process is continuing in collaboration with representatives of the Trust's constituencies and the economists retained for that purpose by the Trust.

Yours very truly,



Robert A. Falise
Chairman and Managing Trustee

Enclosure

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

FINANCIAL STATEMENTS AND REPORT OF
MANVILLE PERSONAL INJURY SETTLEMENT TRUST
FOR THE PERIOD ENDING JUNE 30, 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 April 1, 2009 through June 30, 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
P.O. Box 12003
Falls Church, Virginia 22031
(703) 205-0835

Dated: July 30, 2009
Falls Church, VA

CERTIFICATE OF SERVICE

I, David T. Austern, hereby certify that on July 30, 2009, I caused a true and complete copy of the Financial Statements for the Period Ending June 30, 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

Professor Lester Brickman
BENJAMIN CARDOZO SCHOOL OF LAW
Brookdale Center
55 Fifth Avenue
New York, NY 10003

Paul M. Matheny, Esq.
Bruce McElhone, Esq.
LAW OFFICES OF PETER ANGELOS
One Charles Center
100 N. Charles St.
Baltimore, MD 21201-3812

Stephen J. Carroll
RAND Institute
1776 Main St.
P.O. Box 2138
Santa Monica, CA 90437-2138

Francis Lawall, Esq.
PEPPER HAMILTON LLP
3000 Two Logan Square
18th & Arch Streets
Philadelphia, PA 19103

Diana G. Adams, Esq.
UNITED STATES TRUSTEE
33 Whitehall St., 21st Fl.
Suite 210C
New York, NY 10004

Joseph F. Rice, Esq.
MOTLEY RICE LLC
28 Bridgeside Blvd.
Mt. Pleasant, SC 29464

Matthew P. Bergman, Esq.
BERGMAN, SENN, PAGELER & FROCKT
17526 Vashon Highway, SW
Vashon, WA 98070

Barbara J. Stutz, Esq.
BUNDA STUTZ & DEWITT
3295 Levis Commons Blvd.
Perrysburg, OH 43551

Francine R. Rabinovitz
HAMILTON, RABINOVITZ
& ALSCHULER, INC.
36656 Highway 1, Coast Route
Monterey, CA 93940

Raji Bhagavatula
MILLIMAN USA
One Penn Plaza, 38th Fl.
New York, NY 10119

Robert Steinberg, Esq.
ROSE, KLEIN & MARIAS
801 So. Grand Avenue, 18th Fl.
Los Angeles, CA 90017

Leslie G. Fagen, Esq.
PAUL, WEISS, RIFKIND, WHARTON
1285 Avenue of the Americas
New York, NY 10019

Maria Keane, Esq.
PAUL, WEISS, RIFKIND, WHARTON
1285 Avenue of the Americas
New York, NY 10019

Elihu Inselbuch, Esq.
CAPLIN & DRYSDALE
375 Park Avenue, 35th Fl.
New York, NY 10152-3500

Ann C. McMillan, Esq.
CAPLIN & DRYSDALE
One Thomas Circle, NW
Suite 1100
Washington, DC 20005

Russell Budd, Esq.
BARON & BUDD
3102 Oak Lawn Avenue
Dallas, TX 75219

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

**MANVILLE PERSONAL
INJURY SETTLEMENT TRUST**

JUNE 30, 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 June 30, 2009 and 2008 and the consolidated changes in net claimants' equity and cash flows for the three months and six months ended June 30, 2009 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
CONSOLIDATED STATEMENTS OF NET CLAIMANTS' EQUITY
AS OF JUNE 30, 2009 AND 2008**

	2009	2008
ASSETS:		
Cash equivalents and investments (Note 2)		
Restricted (Note 7)	\$61,300,000	\$59,700,000
Unrestricted	973,761,265	1,321,898,291
Total cash equivalents and investments	1,035,061,265	1,381,598,291
Accrued interest and dividend receivables	4,310,057	5,363,167
Deposits and other assets	5,887,065	607,741
Total assets	1,045,258,387	1,387,569,199
LIABILITIES:		
Accrued expenses	2,930,832	2,993,390
Deferred income taxes (Note 8)		24,160,000
Unpaid claims (Notes 3, 5 and Exh. III)		
Outstanding Offers	15,558,324	17,356,062
Settled, not paid	4,761,508	4,093,264
Pro rata adjustment payable - personal injury	26,591,364	66,240,195
Lease commitments payable (Note 4)	2,316,299	2,827,176
Total liabilities	52,158,327	117,670,087
NET CLAIMANTS' EQUITY (Note 5)	\$993,100,060	\$1,269,899,112

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

MANVILLE PERSONAL INJURY SETTLEMENT TRUST
CONSOLIDATED STATEMENTS OF CHANGES IN NET CLAIMANTS' EQUITY
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2009

	Three Months Ended 6/30/09	Six Months Ended 6/30/09
NET CLAIMANTS' EQUITY, BEGINNING OF PERIOD	<u>\$924,466,086</u>	<u>\$1,004,885,805</u>
ADDITIONS TO NET CLAIMANTS' EQUITY:		
Investment income (Exhibit I)	93,758,374	41,177,013
Decrease in outstanding claim offers	3,893,934	7,830,962
Decrease in lease commitments payable (Note 4)	128,499	256,998
Total additions	<u>97,780,807</u>	<u>49,264,973</u>
DEDUCTIONS FROM NET CLAIMANTS' EQUITY:		
Net operating expenses (Exhibit II)	1,117,657	2,553,972
Provision (benefit) for income taxes	(2,288,200)	(2,425,700)
Claims settled	30,232,013	60,638,633
Contribution and indemnity claims settled	85,363	283,813
Total deductions	<u>29,146,833</u>	<u>61,050,718</u>
NET CLAIMANTS' EQUITY, END OF PERIOD	<u>\$993,100,060</u>	<u>\$993,100,060</u>

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

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2009**

	<u>Three Months Ended 6/30/09</u>	<u>Six Months Ended 6/30/09</u>
CASH INFLOWS:		
Investment income receipts	\$8,425,522	\$17,414,562
Total cash inflows	<u>8,425,522</u>	<u>17,414,562</u>
CASH OUTFLOWS:		
Claim payments made	29,448,609	63,140,385
Contribution and indemnity claim payments	85,362	1,210,984
Total cash claim payments	<u>29,533,971</u>	<u>64,351,369</u>
Disbursements for Trust operating expenses and income taxes paid	1,136,400	2,344,735
Increase in deposits and other assets	817,344	1,098,006
Net realized losses on investment securities	22,286,429	30,359,431
Total cash outflows	<u>53,774,144</u>	<u>98,153,541</u>
NET CASH OUTFLOWS	(45,348,622)	(80,738,979)
NON-CASH CHANGES:		
Net unrealized gain on investment securities	<u>107,852,009</u>	<u>54,701,633</u>
NET INCREASE (DECREASE) IN CASH EQUIVALENTS AND INVESTMENTS	62,503,387	(26,037,346)
CASH EQUIVALENTS AND INVESTMENTS BEGINNING OF PERIOD	<u>972,557,878</u>	<u>1,061,098,611</u>
CASH EQUIVALENTS AND INVESTMENTS END OF PERIOD	<u>\$1,035,061,265</u>	<u>\$1,035,061,265</u>

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

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
NOTES TO SPECIAL-PURPOSE CONSOLIDATED FINANCIAL
STATEMENTS
AS OF JUNE 30, 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 June 30, 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	\$67,142	\$ 67,142	\$1,796,059	\$ 1,796,059
U.S. Govt. obligations	17,240,076	17,369,334	18,478,901	18,783,651
Corporate and other debt	8,348,283	8,544,913	4,077,513	4,032,698
Equities – U.S.	<u>25,784,626</u>	<u>35,318,611</u>	<u>21,918,492</u>	<u>35,087,592</u>
Total	<u>\$51,440,127</u>	<u>\$61,300,000</u>	<u>\$46,270,965</u>	<u>\$59,700,000</u>
	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Unrestricted				
Cash equivalents	\$63,166,037	\$63,166,037	\$70,775,225	\$70,775,225
U.S. Govt. obligations	237,184,182	243,602,363	251,942,762	253,391,827
Corporate and other debt	172,725,054	170,888,004	220,072,578	216,648,320
Equities – U.S.	448,897,326	403,624,019	546,610,617	654,311,033
Equities – International	<u>88,394,132</u>	<u>92,480,842</u>	<u>84,860,202</u>	<u>126,771,886</u>
Total	<u>\$1,010,366,731</u>	<u>\$973,761,265</u>	<u>\$1,174,261,384</u>	<u>\$1,321,898,291</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 June 30, 2009, the fair value of these instruments was approximately \$4.6 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 June 30, 2009, the Trust held \$46.2 million in net foreign currency forward contracts. The unrealized loss on these outstanding currency forward contracts of approximately \$0.1 million is offset by an equal unrealized gain 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 June 30, 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	\$ 309,300
Acquisition of computer hardware and software	805,400
Computer software development (e-Claims)	<u>2,361,100</u>
Total	<u>\$3,475,800</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 three and six months ended June 30, 2009 was approximately \$4,000 and \$33,700, 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 June 30, 2009, are as follows:

<u>Calendar Year</u>	<u>Amount</u>
2009	260,203
2010	530,114
2011	543,387
2012	557,016
2013	<u>425,579</u>
	<u>\$2,316,299</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 June 30, 2009, the Trust has paid approximately 258,000 claimants a total of \$339.1 million and approximately \$26.6 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 \$30,400 and \$73,600 for the three and six months ended June 30, 2009, 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 June 30, 2009, securities with a market value of \$27.1 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 June 30, 2009 and 2008, the Trust has recorded a net deferred tax liability for net unrealized gains on investment securities of approximately \$0 and \$24.2 million, respectively. As of June 30, 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 June 30, 2009 and 2008, the Trust has income taxes receivable of \$5.4 million and \$0.1 million, respectively. These amounts are included with deposits and other assets on the consolidated statements of net claimants' equity as of June 30, 2009 and 2008, respectively.

(9) PROOF OF CLAIM FORMS FILED

Proof of claim forms filed as June 30, 2009 and 2008 with the Trust are as follows:

	<u>2009</u>	<u>2008</u>
Claims filed	811,585	793,903
Withdrawn (1)	(91,375)	(90,121)
Expired offers (2)	<u>(1,399)</u>	<u>(2,056)</u>
Active claims	718,811	701,726
Settled claims	<u>(703,458)</u>	<u>(686,769)</u>
Claims currently eligible for settlement	<u>15,353</u>	<u>14,957</u>

- (1) Principally claims that have received a denial notification and the claims are 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 June 30, 2009 and 2008, approximately 670 and 960 respectively, of the claims with expired offers are still eligible to accept their original offer with a payment value of \$3 million and \$4 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
CONSOLIDATED INVESTMENT INCOME
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2009**

	<u>Three Months Ended 6/30/09</u>	<u>Six Months Ended 6/30/09</u>
INVESTMENT INCOME		
Interest	\$ 4,823,958	\$ 10,145,886
Dividends	3,756,333	7,479,895
Total interest and dividends	<u>8,580,291</u>	<u>17,625,781</u>
Net realized (losses)	(22,286,429)	(30,359,431)
Net unrealized gains, net of the change in deferred income taxes (Note 8)	107,852,008	54,701,633
Investment expenses	<u>(387,496)</u>	<u>(790,970)</u>
TOTAL INVESTMENT INCOME (LOSS)	<u>\$ 93,758,374</u>	<u>\$ 41,177,013</u>

The accompanying notes are an integral part of this exhibit.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
CONSOLIDATED NET OPERATING EXPENSES
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2009**

	<u>Three Months Ended 6/30/09</u>	<u>Six Months Ended 6/30/09</u>
NET OPERATING EXPENSES:		
Personnel costs	\$ 728,969	\$ 1,532,222
Office general and administrative	110,827	315,992
Travel and meetings	11,274	33,722
Board of Trustees	129,442	327,079
Professional fees	154,654	365,816
Net fixed asset purchases	3,969	33,693
Computer and other EDP costs	18,160	38,925
Other income	(39,638)	(93,477)
	<hr/>	<hr/>
TOTAL NET OPERATING EXPENSES	\$ 1,117,657	\$ 2,553,972
	<hr/>	<hr/>

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SCHEDULE OF LIQUIDATED CLAIMS
SINCE CONSUMMATION (NOVEMBER 28, 1988)
THROUGH JUNE 30, 2009**

Exhibit III
Page 1 of 2

	<u>Number</u>	<u>Amount</u>		<u>Average Payment Amount</u>
<u>Trust Liquidated Claims</u>				
Pre-Class Action Complaint November 19, 1990 and Before-				
Full Liquidated Claim Value	27,590	\$1,187,852,399		
Present Value Discount (1)		(135,306,535)		
Net Settlements	27,590	1,052,545,864		
Payments	(27,590)	(1,052,545,864)		<u>\$38,150</u>
Unpaid Balance	0	\$0		
Post-Class Action Complaint After November 19, 1990-				
Offers Made at Full Liquidated Amount	678,588	\$33,153,963,730		
Reduction in Claim Value (2)		(30,248,982,755)		
Net Offer Amount	678,588	2,904,980,975		
Offers Accepted	(675,868)	(2,889,422,651)		<u>\$4,275</u>
Outstanding Offers	2,720	15,558,324		
Offers Accepted, Not Paid	768	4,761,508		
Pro rata Adjustment Payable	24,359	26,591,364		
Unpaid Balance	27,847	46,911,196		
Total Trust Liquidated Claims	<u>703,458</u>	<u>3,941,968,515</u>		<u>\$5,604</u>
<u>Manville Liquidated Claims Paid (3)</u>	<u>158</u>	<u>\$24,946,620</u>		
<u>Co-Defendant Liquidated Claims (4)</u>				
Settlement Claim Value		\$93,204,973		
Investment Receipts (5)		2,624,732		
Payments, Net of Returned Settlement (6)		(95,829,705)		
Unpaid Balance		<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.
- (6) Per the terms of the MacArthur Fund Principles of the 1995 TDP, upon successful insurance litigation, the MacArthur Group returned \$10 million plus the change in value.

The accompanying notes are an integral part of this exhibit.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SCHEDULE OF LIQUIDATED CLAIMS
FOR THE THREE MONTHS ENDED JUNE 30, 2009**

Exhibit III
Page 2 of 2

	<u>Number</u>	<u>Amount</u>	<u>Average Payment Amount</u>
<u>Trust Liquidated Claims</u>			
Post-Class Action Complaint After November 19, 1990 (1)			
Offers Outstanding as of March 31, 2009	2,989	\$19,452,258	
Net Offers Made (2)	4,709	26,338,079	
Offers Accepted	<u>(4,978)</u>	<u>(30,232,013)</u>	<u>\$6.073</u>
Offers Outstanding as of June 30, 2009	2,720	15,558,324	
Offers Accepted, Not Paid as of June 30, 2009	<u>768</u>	<u>4,761,508</u>	
Payable as of June 30, 2008	<u>3,488</u>	<u>\$20,319,832</u>	
<u>Pro Rata Adjustment</u>			
Payable as of March 31, 2009	24,310	26,903,393	
Net Payments/Reversals (3)	<u>49</u>	<u>(312,029)</u>	
Payable as of June 30, 2009	<u>24,359</u>	<u>\$26,591,364</u>	
<u>Co-Defendant Liquidated Claims</u>			
Payable as of March 31, 2009		\$0	
Settled		85,363	
Paid		<u>(85,363)</u>	
Payable as of June 30, 2009		<u>\$0</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.
- (3) Claim payments net of funds returned and adjustments.

The accompanying notes are an integral part of this exhibit.