

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

February 28, 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 Audited Financial Statements and Report of the Manville Personal Injury Settlement Trust ("the Trust") for the year ending December 31, 2008, filed pursuant to Sections 3.02(d)(i) 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

For the year ended December 31, 2008 the Trust settled approximately 12,400 claims for \$85.7 million compared to 10,100 claims for \$47.6 million for the year ended December 31, 2007. The average settlement amount for the years ended December 31, 2008 and 2007 was approximately \$6,900 and \$4,700, respectively. The increase in the average settlement amount is principally due the 50% increase in the pro rata percentage.

Furthermore, the Trust had paid approximately 255,000 claimants a total of \$335 million, or, 91% of the \$365.7 million retrospective pro rata payment required as a result of an increase in

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

in the pro rata payments from 5% to 7.5% in March 2008. As of December 31, 2008, the remaining pro rata liability is approximately \$31.2 million to 27,000 claimants.

On December 31, 2008, the Trust had 3,175 claims pending claimant response to an outstanding offer or denial, 1,609 claims for which the 360 day offer or denial response period had expired (but which could still be reactivated without re-filing the claim), 11,389 claims in process and 694,731 settled claims. When combined with 90,835 withdrawn claims (unsettled claims for which offers were not accepted or deficiencies not cured), as of December 31, 2008 the Trust had received 801,739 claims and had made total claim payments of approximately \$3.9 billion.

FINANCIAL SUMMARY

Net operating expenses for the years ended December 31, 2008 and 2007 were \$5.8 million and \$5.4 million, respectively. The increase in net operating expenses between 2008 and 2007 is principally due to reorganization costs associated with downsizing of CRMC during 2008 and over a \$400,000 reduction in Other Income. Operating expenses are net of Other Income of \$230,000 for 2008 and \$650,000 for 2007. Other Income received by the Claims Resolution Management Corporation ("CRMC") is derived from claim processing and consulting services to other claims processing entities. Other Income received by the CRMC is used to reduce the overall processing costs of the Trust.

As of December 31, 2008 Net Claimants' Equity was approximately \$1.066 billion compared to \$1.8 billion the same time last year. The \$800 million reduction in Net Claimants' Equity is principally due to a reduction of investments of approximately \$288 million, net of the associated change in deferred income taxes, and the settlement of over \$450 million in claims which includes the aforementioned additional retrospective pro rata adjustment of approximately \$366 million.

ASSET MANAGEMENT

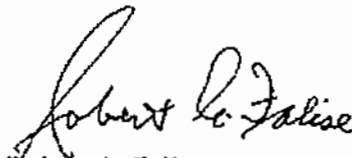
For the years ended December 31, 2008 and December 31, 2007, the Trust's total investment returns were -22.1% and 6.0%, respectively. The total returns during the same

periods on the Trust's equity (U.S. and non-U.S.) investments were -37.9% and 5.7%, respectively. By way of comparison, the currency-half hedged MSCI World Index, which is a broad equity index of 23 developed markets including the U.S., returned approximately -39.7% and 6.9% during 2008 and 2007, respectively. The total returns on fixed income investments including cash equivalents were 4.0% in 2008 versus 6.5% in 2007.

As of December 31, 2008, after liquidating \$415 million of assets throughout the year to pay for all the claim payments described above, the market value of the Trust's investments, including accrued interest and dividends, was approximately \$1,066 million, of which approximately \$528 million (50%) was in diversified equities, \$492 million (46%) in fixed income securities and the remaining \$46 million (4%) in cash equivalents.

The Trustees, in consultation with the Select Counsel for the Beneficiaries and Legal Representative of Future Claimants, have been reexamining the current pro rata payment percentage in the light of the uncertain present and future economic outlook and its effect on the Trust's investments. The Trustees hope to make in the near future any needed recommendation for an adjustment in the pro rata percentage of payments.

Yours very truly,

A handwritten signature in cursive script that reads "Robert A. Falise".

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 DECEMBER 31, 2008
PURSUANT TO SECTIONS 3.02(d)(i) and (iii)
OF THE TRUST AGREEMENT

The attached Financial Statements for the Period Ending December 31, 2008 with Auditors' Report and the exhibits thereto are filed herewith pursuant to Sections 3.02(d)(i) and (iii) of the Manville Personal Injury Trust Agreement.

Respectfully submitted,

MANVILLE PERSONAL INJURY
SETTLEMENT TRUST

Dated: Falls Church, Virginia
February 28, 2009

By: /s/ David T. Austern
David T. Austern
General Counsel
3110 Fairview Park Dr. Ste. 200
P.O. Box 12003
Falls Church, Virginia 22042
(703) 204-9300

CERTIFICATE OF SERVICE

I, David T. Austern, hereby certify that on February 28, 2009, I caused a true and complete copy of the Financial Statements for the Period Ending December 31, 2008 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

**AUDITED SPECIAL-PURPOSE CONSOLIDATED
FINANCIAL STATEMENTS WITH
SUPPLEMENTAL INFORMATION**

**MANVILLE PERSONAL
INJURY SETTLEMENT TRUST**

DECEMBER 31, 2008 AND 2007

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

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INDEPENDENT AUDITOR'S REPORT

To the Trustees
Manville Personal Injury Settlement Trust
Pound Ridge, New York

We have audited the accompanying special-purpose consolidated statements of net claimants' equity of Manville Personal Injury Settlement Trust (the Trust, organized in the state of New York) as of December 31, 2008 and 2007 and the related special-purpose consolidated statements of changes in net claimants' equity and cash flows for the years then ended. These special-purpose consolidated financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these special-purpose consolidated financial statements and supplementary information based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2, these special-purpose consolidated financial statements were prepared on a special-purpose basis of accounting and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. The special-purpose basis of accounting has been used in order to communicate the amount of equity presently available to current and future claimants.

In our opinion, the accompanying special-purpose consolidated financial statements of Manville Personal Injury Settlement Trust as of and for the years ended December 31, 2008 and 2007 are fairly presented, in all material respects, on the basis of accounting described in Note 2.

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

Argy, Wiltse & Robinson, P.C.

McLean, Virginia
February 20, 2009

MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SPECIAL-PURPOSE CONSOLIDATED STATEMENTS OF NET CLAIMANTS' EQUITY
AS OF DECEMBER 31, 2008 AND 2007

	2008	2007
ASSETS:		
Cash equivalents and investments (Note 2)		
Restricted (Note 7)	\$ 61,300,000	\$ 59,700,000
Unrestricted	999,798,611	1,775,009,376
Total cash equivalents and investments	1,061,098,611	1,834,709,376
Accrued interest and dividend receivables	5,090,080	7,321,986
Deposits and other assets	2,363,359	685,665
Total assets	1,068,552,050	1,842,717,027
LIABILITIES:		
Accrued expenses	2,921,867	4,032,696
Deferred income taxes (Note 8)		48,460,000
Unpaid claims (Notes 3, 5 and Exh. III)		
Outstanding offers	23,389,286	7,678,041
Settled, not paid	2,616,064	1,434,645
Pro rata adjustment payable - personal injury	31,238,559	
Pro rata adjustment payable - co-defendant claims	927,172	
Lease commitments payable (Note 4)	2,573,297	3,077,937
Total liabilities	63,666,245	64,683,319
NET CLAIMANTS' EQUITY (Note 5)	\$ 1,004,885,805	\$ 1,778,033,708

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 YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
NET CLAIMANTS' EQUITY, BEGINNING OF YEAR	\$ 1,778,033,708	\$ 1,741,502,894
ADDITIONS TO NET CLAIMANTS' EQUITY:		
Investment income (Exhibit I)		99,690,135
Decrease in lease commitments payable (Note 4)	504,640	492,300
Total additions	504,640	100,182,435
DEDUCTIONS FROM NET CLAIMANTS' EQUITY:		
Investment loss (Exhibit I)	288,156,290	
Net operating expenses (Exhibit II)	5,820,633	5,367,920
Provision for income taxes	9,278,800	9,922,200
Net increase in outstanding claim offers	15,711,245	230,374
Claims settled for personal injury claims	85,762,333	47,646,174
Pro rata adjustment for personal injury claims (Note 5)	365,736,012	
Co-defendant pro rata adjustment and claims settled	3,187,230	484,953
Total deductions	773,652,543	63,651,621
NET CLAIMANTS' EQUITY, END OF YEAR	\$ 1,004,885,805	\$ 1,778,033,708

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 YEARS ENDED DECEMBER 31, 2008 AND 2007**

	2008	2007
CASH INFLOWS:		
Investment income receipts	\$ 46,856,121	\$ 52,255,204
Net realized gains on investment securities	23,286,007	18,634,797
Decrease in deposits and other assets	215,906	65,474
Total cash inflows	70,358,034	70,955,475
CASH OUTFLOWS:		
Claim payments made	419,078,367	47,128,629
Co-defendant claim payments	2,260,058	484,953
Total claim payments	421,338,425	47,613,582
Disbursements for Trust operating expenses and income taxes paid	18,086,946	16,649,159
Total cash outflows	439,425,371	64,262,741
NET CASH (OUTFLOWS) INFLOWS	(369,067,337)	6,692,734
NON-CASH CHANGES:		
Net unrealized (losses) gains on investment securities	(404,543,428)	32,761,060
NET (DECREASE) INCREASE IN CASH EQUIVALENTS AND INVESTMENTS	(773,610,765)	39,453,794
CASH EQUIVALENTS AND INVESTMENTS, BEGINNING OF YEAR	1,834,709,376	1,795,255,582
CASH EQUIVALENTS AND INVESTMENTS, END OF YEAR	\$ 1,061,098,611	\$ 1,834,709,376

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 DECEMBER 31, 2008 AND 2007

(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 special-purpose 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 2007 financial statements have been reclassified to conform to the 2008 presentation. These reclassifications have no effect on the previously recorded balance of net claimants' equity

(b) Cash Equivalents and Investments

At December 31, 2008 and 2007, the Trust has recorded all of its investment securities at fair value, as follows:

	2008		2007	
	Cost	Fair Value	Cost	Fair Value
Restricted				
Cash equivalents	\$ 246,268	\$ 246,268	\$ 77,599	\$ 77,599
U.S. Govt. obligations	16,699,585	17,209,130	20,790,900	21,278,552
Corporate and other debt	7,996,859	7,865,163	2,747,465	2,731,614
Equities – U.S.	<u>30,203,005</u>	<u>35,979,439</u>	<u>20,477,666</u>	<u>35,612,235</u>
Total	<u>\$55,145,717</u>	<u>\$61,300,000</u>	<u>\$44,093,630</u>	<u>\$59,700,000</u>
	2008		2007	
	Cost	Fair Value	Cost	Fair Value
Unrestricted				
Cash equivalents	\$ 54,115,885	\$ 54,115,885	\$ 76,642,830	\$ 76,642,830
U.S. Govt. obligations	268,259,963	278,585,204	300,260,087	305,121,346
Corporate and other debt	189,259,868	176,756,748	259,890,232	259,854,516
Equities – U.S.	481,976,522	404,043,186	746,925,276	986,554,066
Equities – International	<u>93,787,881</u>	<u>86,297,588</u>	<u>83,801,118</u>	<u>146,836,618</u>
Total	<u>\$1,087,400,119</u>	<u>\$999,798,611</u>	<u>\$1,467,519,543</u>	<u>\$1,775,009,376</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 December 31, 2008, the fair value of these instruments was approximately \$2.8 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 December 31, 2008, the Trust held \$45.3 million in net foreign currency forward contracts. The unrealized loss on these outstanding currency

forward contracts of approximately \$2.6 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 December 31, 2008.

(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 December 31, 2008 and 2007 was approximately \$45,000 and \$19,100 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 December 31, 2008, are as follows:

<u>Calendar Year</u>	<u>Amount</u>
2009	\$ 517,197
2010	530,115
2011	543,388
2012	557,017
2013	<u>425,580</u>
	<u>\$2,573,297</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 most recent 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 December 31, 2008, the Trust has paid approximately 255,000 claimants a total of \$334 million and approximately \$31.2 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 \$180,100 and \$183,900 for the years ended December 31, 2008 and 2007, 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 December 31, 2008, securities with a market value of \$26.0 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 December 31, 2008 and 2007, the Trust has recorded a net deferred tax liability of approximately \$0 million and \$48.5 million, respectively from net unrealized gains on investment securities. As of December 31, 2008 and 2007, 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 December 31, 2008 and 2007, the Trust has income taxes receivable of \$1,959,500 and \$65,900, respectively. These amounts are included with deposits and other assets on the consolidated statements of net claimants' equity as of December 31, 2008 and 2007, respectively.

(9) PROOF OF CLAIM FORMS FILED

Proof of claim forms filed as December 31, 2008 and 2007 with the Trust are as follows:

	<u>2008</u>	<u>2007</u>
Claims filed	801,739	788,297
Withdrawn (1)	(90,835)	(88,763)
Expired offers (2)	<u>(1,609)</u>	<u>(3,012)</u>
Active claims	709,295	696,522
Settled claims	<u>(694,731)</u>	<u>(682,316)</u>
Claims currently eligible for settlement	<u>14,564</u>	<u>14,206</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 December 31, 2008 and 2007, approximately 800 and 1,200 respectively, of the claims with expired offers are still eligible to accept their original offer with a payment value of \$3.8 million and \$3.0 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
SUPPLEMENTAL INFORMATION**

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



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Trustees
Manville Personal Injury Settlement Trust
Pound Ridge, New York

Our audits were made for the purpose of forming an opinion on the basic special-purpose consolidated financial statements for the years ended December 31, 2008 and 2007 taken as a whole in accordance with the basis of accounting described in Note 2 of such statements. The supplemental information on pages 12 to 15 is presented for purposes of additional analysis and is not a required part of the basic special-purpose consolidated financial statements. The supplemental information for the years ended December 31, 2008 and 2007 has been subjected to the auditing procedures applied in the audit of the basic special-purpose consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic special-purpose consolidated financial statements taken as a whole.

Argy, Wiltse & Robinson, P.C.

McLean, Virginia
February 20, 2009

MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SUPPLEMENTAL SCHEDULE OF SPECIAL-PURPOSE CONSOLIDATED INVESTMENT INCOME
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Exhibit I

	2008	2007
INVESTMENT INCOME		
Interest	\$ 26,865,036	\$ 30,091,234
Dividends	19,430,833	25,174,972
Total interest and dividends	46,295,869	55,266,206
Net realized gains	23,286,007	18,634,797
Net unrealized (losses) gains, net of the change in deferred income taxes (Note 8)	(356,083,428)	27,851,060
Investment expenses	(1,654,738)	(2,061,928)
TOTAL INVESTMENT (LOSS) INCOME	\$ (288,156,290)	\$ 99,690,135

See independent auditor's report on supplemental information.

MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SUPPLEMENTAL SCHEDULE OF SPECIAL-PURPOSE CONSOLIDATED NET OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Exhibit II

	2008	2007
NET OPERATING EXPENSES:		
Personnel costs	\$ 3,933,643	\$ 3,923,888
Office general and administrative	687,728	754,482
Travel and meetings	101,203	147,459
Board of Trustees	535,190	430,571
Professional fees	584,444	458,076
Net fixed asset purchases	44,950	19,145
Web hosting and other EDP costs	167,050	287,571
Other income	(233,575)	(653,272)
	\$ 5,820,633	\$ 5,367,920
TOTAL NET OPERATING EXPENSES	\$ 5,820,633	\$ 5,367,920

See independent auditor's report on supplemental information.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SUPPLEMENTAL SCHEDULE OF LIQUIDATED CLAIMS
SINCE CONSUMMATION (NOVEMBER 28, 1988
THROUGH DECEMBER 31, 2008)**

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)		
Unpaid Balance	0	\$ 0		\$ 38,150
Post-Class Action Complaint After November 19, 1990-				
Offers Made at Full Liquidated Amount	669,587	\$32,452,184,619		
Reduction in Claim Value (2)		(29,600,011,315)		
Net Offer Amount	669,587	2,852,173,304		
Offers Accepted	(667,141)	(2,828,784,018)		\$ 4,240
Outstanding Offers	2,446	23,389,286		
Offers Accepted, Not Paid	460	2,616,064		
Pro rata Adjustment Payable	27,358	31,238,559		\$ 1,142
Unpaid Balance	30,264	57,243,909		
Total Trust Liquidated Claims	694,731	3,881,329,882		\$ 5,587
<u>Manville Liquidated Claims Paid (3)</u>	158	\$ 24,946,620		
<u>Co-Defendant Liquidated Claims (4)</u>				
Settlement Claim Value		\$ 92,921,160		
Investment Receipts (5)		2,624,732		
Payments		(94,618,720)		
Unpaid Balance Pro Rata Adjustment		\$ 927,172		

- (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.

See independent auditor's report on supplemental information.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SUPPLEMENTAL SCHEDULE OF LIQUIDATED CLAIMS SINCE CONSUMMATION
(NOVEMBER 28, 1998 THROUGH DECEMBER 31, 2008)**

	<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 December 31, 2007	1,593	\$ 7,678,041	
Net Offers Made (2)	13,268	101,473,578	
Offers Accepted	<u>(12,415)</u>	<u>(85,762,333)</u>	<u>\$ 6,908</u>
Offers Outstanding as of December 31, 2008	2,446	23,389,286	
Offers Accepted, Not Paid as of Dec. 31, 2008	<u>460</u>	<u>2,616,064</u>	
Payable as of December 31, 2008	<u>2,906</u>	<u>\$ 26,005,350</u>	
<u>Pro Rata Adjustment</u>			
Initial Liability	282,149	\$ 365,736,012	
Payments and adjustments	<u>(254,791)</u>	<u>(334,497,453)</u>	<u>\$ 1,313</u>
Remaining Liability as of December 31, 2008	<u>27,358</u>	<u>\$ 31,238,559</u>	
<u>Co-Defendant Liquidated Claims</u>			
Payable as of December 31, 2007		\$ 0	
Settled 2008		100,971	
Pro rata adjustment		3,086,259	
Paid pro rata adjustment		(2,159,087)	
Paid settled 2008		<u>(100,971)</u>	
Payable as of December 31, 2008		<u>\$ 927,172</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.