

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

TRUSTEES:

February 27, 2012

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

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

Frank J. Macchiarola, Esquire
Brooklyn, New York

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 years ending December 31, 2011 and 2010, 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

For the year ended December 31, 2011 the Trust settled approximately 32,400 personal injury claims for \$141.1 million compared to 23,400 claims for \$127.4 million for the year ended December 31, 2010. The average settlement amount for the years ended December 31, 2011 and 2010 was approximately \$4,400 and \$5,400, respectively. For the years ended December 31, 2011 and 2010, the Trust received approximately 33,400 and 28,300 claims, respectively.

Since inception of the Trust in November 1988, the Trust has received over 790,400 personal injury claims, net of approximately 94,000 withdrawn claims, and has settled approximately 769,100. During that time the Trust has paid almost \$4.3 billion in personal injury claims and \$96.7 million in Co-defendant claims. As of December 31, 2011, the Trust's Net Claimants' Equity is \$885 million.

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FINANCIAL SUMMARY

Net operating expenses for years ended December 31, 2011 and 2010 were \$4.3 million and \$4.8 million, respectively. Operating expenses are net of Other Income of \$505,600 for the year ended December 31, 2011 and \$238,800 for year ended December 31, 2010. Other Income includes payments received for claim processing services for the US Mineral and C.E. Thuston trusts and the Travelers Statutory Direct Action Settlement Funds by CRMC. Other income received by CRMC is used to reduce the total operating expenses of the Manville Trust.

During the years ended December 31, 2011 and 2010, the Trust made approximately \$140.6 million and \$140.8 million in claim payments, respectively. Claims payments in 2010 included approximately \$13.6 million in pro rata adjustment payments. For the years ended December 31, 2011 and 2010, net investments added approximately \$19.4 million and \$90.6 million, respectively, to Net Claimants' Equity. After claim settlements, taxes and operating expenses, Net Claimants' Equity as of December 31, 2011 was approximately \$885 million compared to \$1.02 billion at year end 2010.

The Trustees, for the time being, have maintained the pro rata share distribution at 7.5% after adjusting it several times in the past, but because the Trust is a liquidating trust and in view of the current investment environment, they have, together with the Legal Representative of Future Claimants and the Select Counsel for the Beneficiaries, begun an examination of alternative ways to control the outflow of funds to prepare for the payment of future claims, as is provided in the Trust Agreement. We hope to adopt such a plan early in 2012.

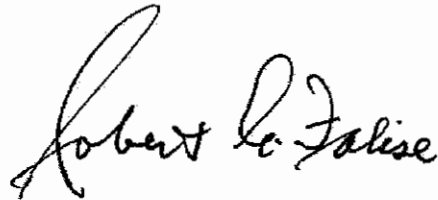
ASSET MANAGEMENT

For the twelve months ended December 31, 2011 and December 31, 2010, the Trust's total investment returns were +1.5% and +10.1%, respectively. For the year of 2011, the total return on the Trust's U.S. equity investments was +1.2%, the total return on the Trust's non-U.S. equity investments was -11.8%, and the total return on the Trust's fixed income investments including cash equivalents was +4.3%.

Honorable Jack B. Weinstein
Honorable Burton R. Lifland
February 27, 2012
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As of December 31, 2011, the market value of the Trust's investments, including accrued interest and dividends, was approximately \$931 million, of which approximately \$501 million (54%) was in diversified domestic and foreign equities and \$430 million (46%) in domestic fixed income securities.

Yours very truly,

A handwritten signature in black ink that reads "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

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, 2011
PURSUANT TO SECTIONS 3.02(d)(i) and (iii)
OF THE TRUST AGREEMENT

The attached Financial Statements for the Period Ending December 31, 2011 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	By: <u>/s/ David T. Austern</u>
	February 27, 2012	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 27, 2012, I caused a true and complete copy of the Financial Statements for the Period Ending December 31, 2011 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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**AUDITED SPECIAL-PURPOSE CONSOLIDATED
FINANCIAL STATEMENTS WITH
SUPPLEMENTAL INFORMATION**

**MANVILLE PERSONAL
INJURY SETTLEMENT TRUST**

DECEMBER 31, 2011 AND 2010

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, 2011 and 2010, and the related special-purpose consolidated statements of changes in net claimants' equity and of 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 special-purpose consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of December 31, 2011 and 2010 and the results of its changes in net claimants' equity and its cash flows for the years then ended in conformity with 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 24, 2012

MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SPECIAL-PURPOSE CONSOLIDATED STATEMENTS OF NET CLAIMANTS' EQUITY
AS OF DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS:		
Cash equivalents and investments (Note 3)		
Restricted (Note 9)	\$51,700,000	\$51,000,000
Unrestricted	876,546,914	1,011,310,337
Total cash equivalents and investments	928,246,914	1,062,310,337
Accrued interest and dividend receivables	3,178,553	3,691,340
Deposits and other assets	366,933	1,147,028
Total assets	931,792,400	1,067,148,705
LIABILITIES:		
Accrued expenses	2,209,227	2,613,046
Deferred income taxes (Note 10)	21,524,000	25,385,000
Unpaid personal injury claims (Notes 5, 7 and Exh. III)		
Outstanding offers	18,062,669	19,133,738
Settled, not paid	3,323,070	2,551,732
Pro rata adjustment payable	121,506	253,849
Co-defendant claims payable	200,064	
Lease commitment payable (Note 6)	1,168,792	1,387,319
Total liabilities	46,609,328	51,324,684
NET CLAIMANTS' EQUITY (Note 7)	\$885,183,072	\$1,015,824,021

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

MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SPECIAL-PURPOSE CONSOLIDATED STATEMENTS OF CHANGES IN NET CLAIMANTS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
NET CLAIMANTS' EQUITY, BEGINNING OF YEAR	<u>\$1,015,824,021</u>	<u>\$1,059,226,461</u>
ADDITIONS TO NET CLAIMANTS' EQUITY:		
Investment income (Exhibit I)	19,428,435	90,623,691
Decrease in outstanding claim offers	1,071,069	
Reduction in personal injury pro rata liability		7,383,919
Decrease in lease commitments payable (Note 6)	218,527	395,114
Total additions	<u>20,718,031</u>	<u>98,402,724</u>
DEDUCTIONS FROM NET CLAIMANTS' EQUITY:		
Net operating expenses (Exhibit II)	4,308,238	4,803,408
Provision for income taxes	5,566,200	4,223,300
Increase in outstanding claim offers		4,735,318
Personal injury claims settled	141,071,337	127,363,240
Co-defendant claims settled	413,205	679,898
Total deductions	<u>151,358,980</u>	<u>141,805,164</u>
NET CLAIMANTS' EQUITY, END OF YEAR	<u>\$885,183,072</u>	<u>\$1,015,824,021</u>

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

MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SPECIAL-PURPOSE CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
CASH INFLOWS:		
Investment income receipts	\$24,367,673	\$27,161,323
Net realized gains on investment securities	17,473,489	6,491,871
Decrease in deposits and other assets		4,992,940
Total cash inflows	41,841,162	38,646,134
CASH OUTFLOWS:		
Personal injury claim payments	140,432,342	140,157,144
Co-defendant claim payments	213,141	679,898
Total claim payments	140,645,483	140,837,042
Disbursements for Trust operating expenses and income taxes	9,479,294	9,486,562
Increase in deposits and other assets	36,252	
Total cash outflows	150,161,029	150,323,604
NET CASH OUTFLOWS	(108,319,867)	(111,677,470)
NON-CASH CHANGES:		
Net unrealized (losses) gains on investment securities	(25,743,556)	67,652,368
NET DECREASE IN CASH EQUIVALENTS AND INVESTMENTS	(134,063,423)	(44,025,102)
CASH EQUIVALENTS AND INVESTMENTS BEGINNING OF YEAR	1,062,310,337	1,106,335,439
CASH EQUIVALENTS AND INVESTMENTS END OF YEAR	\$928,246,914	\$1,062,310,337

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

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

(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. 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. Since the accompanying consolidated special-purpose financial statements and transactions are not based upon GAAP, accounting treatment by other parties for these same transactions may differ as to timing and amount. 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 5) 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, and realized and unrealized gains and losses on investment securities are included in investment income 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.
- (7) 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.

(b) Use of Estimates

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 5 and 7.

(c) Subsequent Events

The Trust has evaluated its December 31, 2011 special-purpose consolidated financial statements for subsequent events through February 24, 2012, the date the special-purpose consolidated financial statements were available to be issued. The Trust is not aware of any subsequent events which would require recognition or disclosure in the special-purpose consolidated financial statements.

(3) CASH EQUIVALENTS AND INVESTMENTS

At December 31, 2011 and 2010, the Trust has recorded all of its investment securities at fair value, as follows:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Restricted				
Cash equivalents	\$193,146	\$ 193,146	\$1,601,623	\$ 1,601,623
U.S. Govt. obligations	7,430,262	7,516,161	17,848,500	17,988,942
Corporate and other debt	19,744,497	19,926,045	7,277,353	7,537,123
Equities - U.S.	<u>13,503,137</u>	<u>24,064,648</u>	<u>12,932,257</u>	<u>23,872,312</u>
Total	<u>\$40,871,042</u>	<u>\$51,700,000</u>	<u>\$39,659,733</u>	<u>\$51,000,000</u>
	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Unrestricted				
Cash equivalents	\$75,434,505	\$75,434,505	\$69,434,339	\$69,434,339
U.S. Govt. obligations	139,909,820	146,096,162	170,847,117	174,446,373
Corporate and other debt	175,232,474	178,962,126	206,404,700	212,567,235
Equities - U.S.	291,047,791	397,071,435	318,668,625	435,567,107
Equities - International	<u>62,259,882</u>	<u>78,982,686</u>	<u>88,060,867</u>	<u>119,295,283</u>
Total	<u>\$743,884,472</u>	<u>\$876,546,914</u>	<u>\$853,415,648</u>	<u>\$1,011,310,337</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, 2011, the fair value of these instruments was approximately \$4.1 million and was included in investments on the special-purpose consolidated statements of net claimants' equity. Foreign currency forwards are utilized for both currency translation purposes and to economically hedge against some of the currency risk inherent in foreign equity issues and are generally for periods up to 90 days. At December 31, 2011, the Trust held \$38.7 million in net foreign currency forward contracts. The unrealized loss on these outstanding currency forward contracts of approximately \$0.2 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 statements of net claimants' equity as of December 31, 2011.

The Trust invests in professionally managed portfolios that contain common shares of publicly traded companies, U.S. government obligations, U.S. and international equities, corporate and other debt, and money market funds. Such investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Trust's account balance in the future and the amounts reported in the accompanying special-purpose consolidated financial statements.

(4) 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	\$242,800
Acquisition of computer hardware and software	377,600
Computer software development (e-Claims)	<u>2,361,100</u>
Total	<u>\$2,981,500</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.

(5) 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 7), 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.

(6) COMMITMENT

In September 2009, the CRMC executed an early termination of its Falls Church, Virginia office space lease effective September 30, 2010. Subsequently, CRMC signed a new 5-year office lease effective October 1, 2010 at its same location for approximately one-half of the existing space. CRMC has a 5-year option at expiration of its current lease in September 2015.

Future minimum rental commitments under this operating lease, as of December 31, 2011, are as follows:

<u>Calendar Year</u>	<u>Amount</u>
2012	\$299,388
2013	308,330
2014	317,561
2015	<u>243,513</u>
	<u>\$1,168,792</u>

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

(7) 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.

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%.

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.

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 retroactive payment. As of December 31, 2011, the Trust has paid all but approximately 7,100 eligible claimants. It is expected that most of these claimants will not be located. During the year ended December 31, 2010, the Trust reduced the liability for the pro rata adjustment by \$7.4 million and added the amount back to Net Claimants' Equity.

The Trust recently completed its review of the pro rata percentage based upon new claim forecasts and asset projections. At this time, the Trustees elected to keep the current pro rata percentage at 7.5 %, subject to monitoring of both claim filings and the Trust Corpus.

(8) EMPLOYEE BENEFIT PLAN

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 \$112,000 and \$149,500 for the years ended December 31, 2011 and 2010 respectively.

(9) RESTRICTED CASH EQUIVALENTS AND INVESTMENTS

In order to avoid the high costs of director and officer liability insurance (approximately \$2.5 million in 1990), 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 and CRMC. 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 5), 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 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 10, 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, 2011, securities with a market value of \$39.5 million were held by an escrow agent, of which \$8.7 million is reported as restricted in accordance with the agreement.

(10) 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 subsequent 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.

As of December 31, 2011, the Trust has recorded a net deferred tax liability of approximately \$21.5 million from net unrealized gains on investment securities. As of December 31, 2011 and 2010, the Trust recorded net deferred tax assets of \$159,000 and \$158,000, 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, 2011 and 2010, the Trust has income taxes receivable of \$294,000 and \$816,000, respectively. These amounts are included with other assets as of December 31, 2011 and 2010 on the consolidated statements of net claimants' equity.

(11) PROOF OF CLAIM FORMS FILED

Proof of claim forms filed as December 31, 2011 and 2010 with the Trust are as follows:

	<u>2011</u>	<u>2010</u>
Claims filed	884,311	850,794
Withdrawn (1)	(93,863)	(93,001)
Expired offers (2)	<u>(1,584)</u>	<u>(1,219)</u>
Active claims	788,864	756,574
Settled claims	<u>(769,128)</u>	<u>(736,767)</u>
Claims currently eligible for settlement	<u><u>19,736</u></u>	<u><u>19,807</u></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, 2011 and 2010, approximately 610 and 660 respectively, of the claims with expired offers are still eligible to accept their original offer with a payment value of \$1.8 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

SUPPLEMENTAL INFORMATION

DECEMBER 31, 2011 AND 2010

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, 2011 and 2010 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, 2011 and 2010 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 24, 2012

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SUPPLEMENTAL SCHEDULE OF SPECIAL-PURPOSE CONSOLIDATED INVESTMENT INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
INVESTMENT INCOME		
Interest	\$ 12,239,466	\$ 15,922,023
Dividends	13,018,113	12,237,785
Total interest and dividends	<u>25,257,579</u>	<u>28,159,808</u>
Net realized gains	17,473,489	6,491,871
Net unrealized (losses) gains, net of the change in deferred income taxes (Note 10)	(21,882,556)	57,504,368
Investment expenses	<u>(1,420,077)</u>	<u>(1,532,356)</u>
TOTAL INVESTMENT INCOME	<u>\$ 19,428,435</u>	<u>\$ 90,623,691</u>

The accompanying notes are an integral part of this exhibit.

EXHIBIT II**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SUPPLEMENTAL SCHEDULE OF SPECIAL-PURPOSE CONSOLIDATED NET OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
NET OPERATING EXPENSES:		
Personnel costs	\$ 2,844,103	\$ 3,285,791
Office general and administrative	279,070	576,660
Travel and meetings	82,573	70,134
Board of Trustees	531,583	520,311
Professional fees	888,347	473,096
Net fixed asset purchases	82,793	31,768
Web hosting and other EDP costs	105,361	84,434
Other income	(505,592)	(238,786)
	<hr/>	<hr/>
TOTAL NET OPERATING EXPENSES	\$ 4,308,238	\$ 4,803,408

The accompanying notes are an integral part of this exhibit.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SUPPLEMENTAL SCHEDULE OF LIQUIDATED CLAIMS
SINCE CONSUMMATION (NOVEMBER 28, 1988)
THROUGH DECEMBER 31, 2011**

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		<u>\$0</u>	
Post-Class Action Complaint After November 19, 1990-			
Offers Made at Full Liquidated Amount	745,372	\$37,260,357,373	
Reduction in Claim Value (2)		(34,031,957,600)	
Net Offer Amount	745,372	3,228,399,773	
Offers Accepted	(741,538)	(3,210,337,104)	<u>\$4,329</u>
Outstanding Offers	3,834	18,062,669	
Offers Accepted, Not Paid	547	3,323,070	
Unpaid Balance	4,381	<u>\$21,385,739</u>	
Total Trust Liquidated Claims	<u>769,128</u>	<u>\$4,262,882,968</u>	<u>\$5,542</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		\$94,298,076	
Investment Receipts (5)		2,624,732	
Payments		(96,722,744)	
Payable		<u>\$200,064</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
SUPPLEMENTAL SCHEDULE OF LIQUIDATED CLAIMS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Exhibit III
Page 2 of 2

<u>Trust Liquidated Claims</u>	<u>Number</u>	<u>Amount</u>	<u>Average Payment Amount</u>
Post-Class Action Complaint After November 19, 1990 (1)			
Offers Outstanding as of December 31, 2010	5,810	\$19,133,738	
Net Offers Made (2)	30,385	140,000,268	
Offers Accepted	<u>(32,361)</u>	<u>(141,071,337)</u>	<u>\$4,359</u>
Offers Outstanding as of December 31, 2011	3,834	18,062,669	
Offers Accepted, Not Paid as of Dec. 31, 2011	<u>547</u>	<u>3,323,070</u>	
Payable as of December 31, 2011	<u>4,381</u>	<u>\$21,385,739</u>	

Co-Defendant Liquidated Claims

Payable as of December 31, 2010	\$0
Settled 2011	413,205
Paid 2011	<u>(213,141)</u>
Payable as of December 31, 2011	<u>\$200,064</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.