

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

April 27, 2012

TRUSTEES:

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 quarter ending March 31, 2012, 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 first quarter of 2012 the Trust settled approximately 6,300 claims for \$32.5 million compared to 11,600 claim settlements for \$38.4 million for the same time period in 2011. The average settlement amount for the first quarter of 2012 and 2011 was approximately \$5,200 and \$3,300, respectively. The lower average settlement amount in the first quarter of 2011 is due to settling a larger percentage of non-malignancy claims when compared to the first quarter of 2012. For the first quarter of 2012, 87% of all claim payments were paid to claimants with a malignancy disease compared to 74% for the first quarter of 2011.

Inception-to-date, the Trust has received 891,411 claims, including 93,997 claims that have subsequently been withdrawn and 12,133 evaluated without value. Therefore, the Trust has evaluated 785,281 claims with a liquidated value of roughly \$ 39.3 billion. This resulted in the

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Trust payment of 773,990 claims totaling approximately \$ 4.3 billion. Malignancies accounted for 16 % of all payments.

FINANCIAL SUMMARY

Net operating expenses for the three months ended March 31, 2012 and 2011 were \$1.1 million and \$970,000, respectively. Other Income, which is reported as a reduction of operating expenses, was \$62,000 and \$193,400 for the quarters ended March, 2012 and 2011, respectively. The first quarter of 2011 included significant claim processing work for a Statutory Settlement fund which was a non-recurring project generating almost \$140,000 of Other Income for Claims Resolution Management Corporation (CRMC), a wholly owned subsidiary of the Trust. Other income earned by CRMC is used to reduce the total operating expenses of the Manville Trust.

Net Claimants' Equity was \$881 million as of December 31, 2011 and \$903 million as of March 31, 2012. During the quarter ended March 31, 2012, investments added approximately \$60 million to Net Claimants' Equity while claim settlements, operating and income tax expenses reduced Net Claimants' Equity by approximately \$39 million. For the quarters ended March 31, 2012 and 2011, total claim payments were \$31.0 million and \$33.9 million, respectively.

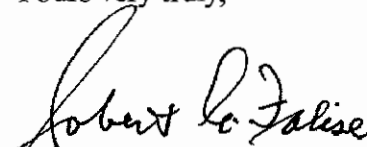
In January 2012, the Trustees with concurrence from Trust constituents, approved a maximum annual payment (MAP) provision to the Trust Distribution Process, similar to provisions approved by other asbestos trusts. The purpose of the MAP provision is to protect against dissipation of the Trust assets by capping the amount of settlements paid in a year in order not to jeopardize the Trust's ability to pay future claims and to serve as a warning system for cash flow problems that might require an adjustment to the pro rata payment rate.

ASSET MANAGEMENT

For the three months ended March 31, 2012 and March 31, 2011, the Trust's total investment returns were +7.1% and +3.2%, respectively. During the first quarter of 2012, the total return on the Trust's U.S. equity investments was +12.8%, the total return on the Trust's non-U.S. equity investments was +10.6%, and the total return on the Trust's fixed income investments including cash equivalents was +0.7%.

As of March 31, 2012, the market value of the Trust's investments, including accrued interest and dividends, was approximately \$963 million, of which approximately \$564 million (58%) was in diversified domestic and foreign equities and \$400 million (42%) in domestic fixed income securities.

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 MARCH 31, 2012
PURSUANT TO SECTIONS 3.02(d)(ii) and (iii)
OF THE TRUST AGREEMENT

Sections 3.02(d)(ii) and (iii) of the Trust Agreement provide that the Trustees shall prepare and file with the Court within 30 days following the end of each of the first three quarters of each Fiscal Year a quarterly report containing certified financial statements and a summary of certain additional information, including the number of Trust Claims Liquidated and the average amount per Trust Claim paid or payable, the amount of investment income earned by the Trust, and the amount of Trust Expenses incurred by the Trust. The attached Financial Statements for the Period January 1, 2012 through March 31, 2012 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: April 27, 2012
Falls Church, VA

CERTIFICATE OF SERVICE

I, David T. Austern, hereby certify that on April 27, 2012, I caused a true and complete copy of the Financial Statements for the Period Ending March 31, 2012 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**

MARCH 31, 2012 AND 2011

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

The special purpose consolidated financial statements included herein are unaudited. In the opinion of the management of the Trust, the accompanying special purpose consolidated financial statements present fairly, subject to normal year-end adjustments, the consolidated net claimants' equity as of March 31, 2012 and 2011 and the consolidated changes in net claimants' equity and cash flows for the three months ended March 31, 2012 and 2011, presented on the special-purpose basis of accounting described in Note 2, which accounting methods have been applied on a consistent basis.

/signed/ David T. Austern
David T. Austern
General Counsel

MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SPECIAL-PURPOSE CONSOLIDATED STATEMENTS OF NET CLAIMANTS' EQUITY
AS OF MARCH 31, 2012 AND 2011

| | 2012 | 2011 |
|---|----------------------|------------------------|
| ASSETS: | | |
| Cash equivalents and investments (Note 3) | | |
| Restricted (Note 9) | \$51,700,000 | \$51,000,000 |
| Unrestricted | 909,055,630 | 1,009,793,008 |
| Total cash equivalents and investments | 960,755,630 | 1,060,793,008 |
| Accrued interest and dividend receivables | 3,343,856 | 4,122,307 |
| Deposits and other assets | 311,707 | 505,450 |
| Total assets | 964,411,193 | 1,065,420,765 |
| LIABILITIES: | | |
| Accrued expenses | 3,109,989 | 2,579,314 |
| Deferred income taxes (Note 10) | 30,200,000 | 29,312,000 |
| Unpaid claims (Notes 5, 7 and Exh. III) | | |
| Outstanding offers | 22,323,866 | 18,086,018 |
| Settled, not paid | 4,834,425 | 7,564,869 |
| Pro rata adjustment payable - personal injury | 111,819 | 239,224 |
| Lease commitment payable (Note 6) | 1,094,500 | 1,387,319 |
| Total liabilities | 61,674,599 | 59,168,744 |
| NET CLAIMANTS' EQUITY (Note 7) | \$902,736,594 | \$1,006,252,021 |

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

MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SPECIAL-PURPOSE CONSOLIDATED STATEMENTS OF CHANGES IN NET CLAIMANTS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

| | 2012 | 2011 |
|---|----------------------|------------------------|
| NET CLAIMANTS' EQUITY, BEGINNING OF PERIOD | \$881,322,072 | \$1,015,824,021 |
| ADDITIONS TO NET CLAIMANTS' EQUITY: | | |
| Investment income (Exhibit I) | 60,222,967 | 29,666,018 |
| Net decrease in outstanding claim offers | | 1,047,720 |
| Decrease in lease commitments payable (Note 6) | 74,292 | |
| Total additions | 60,297,259 | 30,713,738 |
| DEDUCTIONS FROM NET CLAIMANTS' EQUITY: | | |
| Net operating expenses (Exhibit II) | 1,122,502 | 973,585 |
| Provision for income taxes | 913,600 | 961,200 |
| Net increase in outstanding claim offers | 4,261,197 | |
| Claims settled for personal injury claims | 32,499,954 | 38,350,953 |
| Contribution and indemnity claims settled | 85,484 | |
| Total deductions | 38,882,737 | 40,285,738 |
| NET CLAIMANTS' EQUITY, END OF PERIOD | \$902,736,594 | \$1,006,252,021 |

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

MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SPECIAL-PURPOSE CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

| | 2012 | 2011 |
|--|---------------|-----------------|
| CASH INFLOWS: | | |
| Investment income receipts | \$5,068,243 | \$5,648,336 |
| Net realized gains on investment securities | 2,056,932 | 1,310,686 |
| Decrease in deposits and other assets | 55,226 | 641,577 |
| Total cash inflows | 7,180,401 | 7,600,599 |
| CASH OUTFLOWS: | | |
| Claim payments made | 30,998,286 | 33,920,579 |
| Co-defendant claim payments | 285,549 | 0 |
| Total claim payments | 31,283,835 | 33,920,579 |
| Disbursements for Trust operating expenses and income taxes paid | 1,227,233 | 1,945,875 |
| Total cash outflows | 32,511,068 | 35,866,454 |
| NET CASH (OUTFLOWS) | (25,330,667) | (28,265,855) |
| NON-CASH CHANGES: | | |
| Net unrealized gains on investment securities | 57,839,383 | 26,180,387 |
| NET INCREASE (DECREASE) IN CASH EQUIVALENTS AND INVESTMENTS | 32,508,716 | (2,085,468) |
| CASH EQUIVALENTS AND INVESTMENTS BEGINNING OF PERIOD | 928,246,914 | 1,062,878,476 |
| CASH EQUIVALENTS AND INVESTMENTS END OF PERIOD | \$960,755,630 | \$1,060,793,008 |

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

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

NOTES TO THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2012 AND 2011

(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.

(3) CASH EQUIVALENTS AND INVESTMENTS

At March 31, 2012 and 2011, the Trust has recorded all of its investment securities at fair value, as follows:

| | 2012 | | 2011 | |
|--------------------------|----------------------|----------------------|----------------------|------------------------|
| | Cost | Fair Value | Cost | Fair Value |
| Restricted | | | | |
| Cash equivalents | \$504,520 | \$ 504,520 | \$1,339,044 | \$ 1,339,044 |
| U.S. Govt. obligations | 7,922,763 | 7,996,323 | 18,291,045 | 18,368,394 |
| Corporate and other debt | 19,140,782 | 19,396,658 | 7,227,766 | 7,470,460 |
| Equities - U.S. | <u>12,008,806</u> | <u>23,802,499</u> | <u>12,500,386</u> | <u>23,822,102</u> |
| Total | <u>\$39,576,871</u> | <u>\$51,700,000</u> | <u>\$39,358,241</u> | <u>\$51,000,000</u> |
| | | | | |
| | 2012 | | 2011 | |
| | Cost | Fair Value | Cost | Fair Value |
| Unrestricted | | | | |
| Cash equivalents | \$84,224,007 | \$84,224,007 | \$41,321,636 | \$41,321,636 |
| U.S. Govt. obligations | 117,186,658 | 120,794,841 | 168,487,331 | 171,903,063 |
| Corporate and other debt | 160,713,450 | 165,626,888 | 205,114,565 | 210,290,524 |
| Equities - U.S. | 295,140,002 | 451,365,573 | 321,982,109 | 464,707,644 |
| Equities - International | <u>62,583,859</u> | <u>87,044,321</u> | <u>89,113,783</u> | <u>121,570,141</u> |
| Total | <u>\$719,847,976</u> | <u>\$909,055,630</u> | <u>\$826,019,424</u> | <u>\$1,009,793,008</u> |

The Trust invests in two types of derivative financial instruments. Equity index futures are used as strategic substitutions to cost effectively replicate the underlying index of its domestic equity investment fund. At March 31, 2012, the fair value of these instruments was approximately \$4.6 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 March 31, 2012, the Trust held \$43.5 million in net foreign currency forward contracts. The unrealized loss on these outstanding currency forward contracts of approximately \$55,000 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 March 31, 2012.

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 | 390,550 |
| Computer software development (e-Claims) | <u>2,361,100</u> |
| Total | <u>\$2,994,450</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 March 31, 2012, are as follows:

| <u>Calendar Year</u> | <u>Amount</u> |
|----------------------|--------------------|
| 2012 | \$225,096 |
| 2013 | 308,330 |
| 2014 | 317,561 |
| 2015 | <u>243,513</u> |
| | <u>\$1,094,500</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, 2010, 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 \$43,300 and \$23,400 for the three months ended March 31, 2012 and 2011 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 March 31, 2012, securities with a market value of \$44.6 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 March 31, 2012, the Trust has recorded a net deferred tax liability of approximately \$30.2 million from net unrealized gains on investment securities. As of March 31, 2012 and 2011, 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 March 31, 2012 and 2011, the Trust has income taxes payable of \$620,000 and \$145,000, respectively. These amounts are included with accrued expenses as of March 31, 2012 and 2011 on the consolidated statements of net claimants' equity.

(11) PROOF OF CLAIM FORMS FILED

Proof of claim forms filed as March 31, 2012 and 2011 with the Trust are as follows:

| | <u>2012</u> | <u>2011</u> |
|--|----------------------|----------------------|
| Claims filed | 891,411 | 862,376 |
| Withdrawn (1) | (93,997) | (93,158) |
| Expired offers (2) | <u>(709)</u> | <u>(1,225)</u> |
| Active claims | 796,705 | 767,993 |
| Settled claims | <u>(775,389)</u> | <u>(748,343)</u> |
| Claims currently eligible for settlement | <u><u>21,316</u></u> | <u><u>19,650</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 March 31, 2012 and 2011, approximately 710 and 540 respectively, of the claims with expired offers are still eligible to accept their original offer with a payment value of \$1.8 million and \$2.8 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

MARCH 31, 2012 AND 2011

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

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SPECIAL-PURPOSE CONSOLIDATED INVESTMENT INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011**

| | <u>2012</u> | <u>2011</u> |
|---|----------------------|----------------------|
| INVESTMENT INCOME | | |
| Interest | \$ 2,435,674 | \$ 3,288,029 |
| Dividends | 3,020,335 | 3,163,759 |
| Total interest and dividends | <u>5,456,009</u> | <u>6,451,788</u> |
| Net realized gains | 2,056,932 | 1,310,686 |
| Net unrealized gains, net of the change in deferred income taxes (Note 10) | 53,024,383 | 22,253,387 |
| Investment expenses | <u>(314,357)</u> | <u>(349,843)</u> |
| TOTAL INVESTMENT INCOME | <u>\$ 60,222,967</u> | <u>\$ 29,666,018</u> |

The accompanying notes are an integral part of this exhibit.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SPECIAL-PURPOSE CONSOLIDATED NET OPERATING EXPENSES
FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011**

| | <u>2012</u> | <u>2011</u> |
|-------------------------------------|---------------------|-------------------|
| NET OPERATING EXPENSES: | | |
| Personnel costs | \$ 741,198 | \$ 707,012 |
| Office general and administrative | 66,765 | 35,395 |
| Travel and meetings | 10,877 | 20,283 |
| Board of Trustees | 122,023 | 118,971 |
| Professional fees | 198,459 | 227,064 |
| Net fixed asset purchases | 32,020 | 36,196 |
| Web hosting and other EDP costs | 12,950 | 22,030 |
| Other income | (61,790) | (193,366) |
| | <hr/> | <hr/> |
| TOTAL NET OPERATING EXPENSES | \$ 1,122,502 | \$ 973,585 |
| | <hr/> | <hr/> |

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SUPPLEMENTAL SCHEDULE OF LIQUIDATED CLAIMS
SINCE CONSUMMATION (NOVEMBER 28, 1988)
THROUGH MARCH 31, 2012**

Exhibit III
Page 1 of 2

| | Number | Amount | Average Payment Amount |
|---|------------------|-------------------------|------------------------------|
| Trust Liquidated Claims | | | |
| Pre-Class Action Complaint November 19, 1990 and Before- | | | |
| Full Liquidated Claim Value | 27,590 | \$1,187,852,399 | |
| Present Value Discount (1) | | <u>(135,306,535)</u> | |
| Net Settlements | 27,590 | <u>1,052,545,864</u> | |
| Payments | <u>(27,590)</u> | <u>(1,052,545,864)</u> | \$38,150 |
| Unpaid Balance | <u>0</u> | <u>\$0</u> | |
| | | | |
| Post-Class Action Complaint After November 19, 1990- | | | |
| Offers Made at Full Liquidated Amount | 751,883 | \$37,453,121,623 | |
| Reduction in Claim Value (2) | | <u>(32,508,118,033)</u> | |
| Net Offer Amount | 751,883 | 3,265,160,924 | |
| Offers Accepted | <u>(747,799)</u> | <u>(3,242,837,058)</u> | \$4,337 |
| Outstanding Offers | 4,084 | 22,323,866 | |
| Offers Accepted, Not Paid | <u>1,422</u> | <u>4,834,425</u> | |
| Unpaid Balance | <u>5,506</u> | <u>27,158,291</u> | |
| | | | |
| Total Trust Liquidated Claims | <u>775,389</u> | <u>4,295,382,922</u> | \$5,540 |
| | | | |
| Manville Liquidated Claims Paid (3) | <u>158</u> | <u>\$24,946,620</u> | |
| | | | |
| Co-Defendant Liquidated Claims (4) | | | |
| Settlement Claim Value | | \$94,383,561 | |
| Investment Receipts (5) | | 2,624,732 | |
| Payments | | <u>(97,008,293)</u> | |
| Payable | | <u>\$0</u> | |

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

The accompanying notes are an integral part of this exhibit.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SUPPLEMENTAL SCHEDULE OF LIQUIDATED CLAIMS
FOR THE THREE MONTHS ENDED MARCH 31, 2012**

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, 2011 | 3,834 | \$18,062,669 | |
| Net Offers Made (2) | 6,511 | 36,761,151 | |
| Offers Accepted | (6,261) | (32,499,954) | <u>\$5,191</u> |
| Offers Outstanding as of March 31, 2012 | 4,084 | 22,323,866 | |
| Offers Accepted, Not Paid as of March 31, 2012 | 1,422 | 4,834,425 | |
| Payable as of March 31, 2012 | <u>6,635</u> | <u>\$27,158,291</u> | |

Co-Defendant Liquidated Claims

| | |
|---------------------------------|------------|
| Payable as of December 31, 2011 | \$200,064 |
| Settled | 85,484 |
| Paid | (285,549) |
| Payable as of March 31, 2012 | <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.