

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, 2016
PURSUANT TO SECTIONS 3.02(d)(i) and (iii)
OF THE TRUST AGREEMENT

The attached Financial Statements for the Period Ending December 31, 2016 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, 2017

By: /s/ Jared S. Garelick
Jared S. Garelick
General Counsel
3120 Fairview Park Dr. Ste. 200
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CERTIFICATE OF SERVICE

I, Jared S. Garelick, hereby certify that on February 28, 2017, I caused a true and complete copy of the Financial Statements for the Period Ending December 31, 2016 pursuant to Sections 3.02(d)(ii) and (iii) of the Manville Personal Injury Settlement Trust Agreement to be served by email, to the entities named on the service list annexed hereto.

____ /s/ Jared S. Garelick _____
Jared S. Garelick

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Manville Personal Injury Settlement Trust

Consolidated Special-Purpose Financial
Statements with Supplementary Information
Years Ended December 31, 2016 and 2015

Manville Personal Injury Settlement Trust

Consolidated Special-Purpose Financial Statements with Supplementary
Information

Years Ended December 31, 2016 and 2015

Manville Personal Injury Settlement Trust

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Independent Auditor's Report

Trustees
Manville Personal Injury Settlement Trust
Pound Ridge, New York

We have audited the accompanying consolidated special-purpose financial statements of the Manville Personal Injury Settlement Trust and its subsidiary (the Trust) (a statutory Trust created under the laws of the State of New York), which comprise the consolidated special-purpose statements of net claimants' equity as of December 31, 2016 and 2015, and the related consolidated special-purpose statements of changes in net claimants' equity and the consolidated special-purpose statements of cash flows for the years then ended, and the related notes to the consolidated special-purpose financial statements.

Management's Responsibility for the Special-Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated special-purpose financial statements in accordance with the basis of accounting as described in Note 1 to the consolidated special-purpose financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated special-purpose financial statements 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 consolidated special-purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated special-purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated special-purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated special-purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated special-purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated special-purpose financial statements referred to above present fairly, in all material respects, the assets and liabilities of the Manville Personal Injury Settlement Trust and subsidiary as of December 31, 2016 and 2015, and the results of its changes in net claimants' equity and its cash flows for the years then ended, in accordance with the basis of accounting described in Note 1 to the consolidated special-purpose financial statements.

Basis of Accounting

We draw attention to Note 1 of the consolidated special-purpose financial statements, which describes the basis of accounting. As described in Note 1, these consolidated special-purpose financial statements were prepared on a special-purpose basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter. The special-purpose basis of accounting has been used in order to communicate the amount of net assets presently available to fund current and future claims.

Restriction of Use

Our report is intended solely for the information and use of the management of the Trust, the Trustees, the Legal Representatives of Future Claimants, Selected Counsel for the Beneficiaries, 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.

BDO USA, LLP

McLean, Virginia
February 27, 2017

Consolidated Special-Purpose Financial Statements

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

CONSOLIDATED SPECIAL-PURPOSE STATEMENTS OF NET CLAIMANTS' EQUITY

<i>December 31,</i>	2016	2015
Assets		
Cash equivalents and investments (Note 2)		
Restricted (Note 8)	\$ 42,600,000	\$ 44,500,000
Unrestricted	695,232,001	724,288,989
Total cash equivalents and investments	737,832,001	768,788,989
Accrued interest and dividend receivables	1,922,060	1,981,034
Deposits and other assets	410,003	382,508
Total assets	\$ 740,164,064	\$ 771,152,531
Liabilities		
Accrued expenses	\$ 2,935,146	\$ 522,823
Deferred income taxes (Note 9)	36,727,501	36,622,000
Unpaid personal injury claims (Notes 4, 6 and Exh. III)		
Outstanding offers	4,153,851	6,666,687
Settled, not paid	13,424,376	8,079,959
Pro rata adjustment payable	122,290	118,490
Indemnity claims payable	-	128,330
Lease commitment payable (Note 5)	1,538,101	1,683,689
Total liabilities	58,901,265	53,821,978
Net claimants' equity (Note 6)	\$ 681,262,799	\$ 717,330,553

See accompanying notes to the consolidated special-purpose financial statements.

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

CONSOLIDATED SPECIAL-PURPOSE STATEMENTS OF CHANGES IN NET CLAIMANTS' EQUITY

<i>Years Ended December 31,</i>	2016	2015
Net claimants' equity beginning of the year	\$ 717,330,553	\$ 789,079,076
Additions to net claimants' equity		
Investment income (Exhibit I)	53,076,717	13,851,783
Insurance settlement proceeds	-	2,836,875
Decrease in outstanding claim offers	2,512,836	3,484,445
Decrease in lease commitments payable (Note 5)	145,588	243,513
Total additions	55,735,141	20,416,616
Deductions from net claimants' equity		
Net operating expenses (Exhibit II)	2,966,991	3,814,324
Provision for income taxes	7,352,664	6,236,400
Personal injury claims settled	81,239,895	81,972,715
Co-defendant claims settled	243,345	141,700
Total deductions	91,802,895	92,165,139
Net claimants' equity end of year	\$ 681,262,799	\$ 717,330,553

See accompanying notes to the consolidated special-purpose financial statements.

MANVILLE PERSONAL INJURY SETTLEMENT TRUST
CONSOLIDATED SPECIAL-PURPOSE STATEMENTS OF CASH FLOWS

<i>Years Ended December 31,</i>	2016	2015
Cash inflows		
Investment income receipts	\$ 15,770,742	\$ 16,504,044
Net realized gains on investment securities	36,819,393	29,943,949
Insurance settlement proceeds	-	2,836,875
Decrease in deposits and other assets	-	84,404
Total cash inflows	52,590,135	49,369,272
Cash outflows		
Personal injury claim payments	75,891,676	76,699,705
Co-defendant claim payments	371,675	13,370
Increase in deposits and other assets	27,495	-
Total claim payments	76,290,846	76,713,075
Disbursements for Trust operating expenses and income taxes	7,959,096	12,219,665
Total cash outflows	84,249,942	88,932,740
Net cash outflows	(31,659,807)	(39,563,468)
Non-cash changes		
Net unrealized gains (losses) on investment securities	702,819	(37,936,617)
Net decrease in cash equivalents and investments	(30,956,988)	(77,500,085)
Cash equivalents and investments beginning of the year	768,788,989	846,289,074
Cash equivalents and investments end of year	\$ 737,832,001	\$ 768,788,989

See accompanying notes to the consolidated special-purpose financial statements.

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

NOTES TO THE CONSOLIDATED SPECIAL-PURPOSE FINANCIAL STATEMENTS

1. Organization and Summary of Significant Special-Purpose Accounting Policies

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 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.

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 of America. 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 generally accepted accounting principles (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.

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

NOTES TO THE CONSOLIDATED SPECIAL-PURPOSE FINANCIAL STATEMENTS

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 consolidated special-purpose 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 6) 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 consolidated special-purpose statements of changes in net claimants' equity. Realized and unrealized gains and losses on investment securities are combined and recorded on the consolidated special-purpose 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.

Use of Estimates

The preparation of the consolidated 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 4 and 6.

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

NOTES TO THE CONSOLIDATED SPECIAL-PURPOSE FINANCIAL STATEMENTS

2. Cash Equivalents and Investments

At December 31, 2016 and 2015, the Trust has recorded all of its investment securities at fair value, as follows:

<i>Restricted</i>	2016		2015	
	Cost	Fair Value Restricted	Cost	Fair Value Restricted
<i>Description</i>				
Cash equivalents	\$ 375,586	\$ 375,586	\$ 326,047	\$ 326,047
U.S. Govt. obligations	10,263,406	10,168,674	9,069,056	9,057,388
Corporate and other debt	19,558,284	19,520,652	22,979,815	22,795,727
Equities - U.S.	4,518,028	12,535,088	4,685,295	12,320,838
Total	\$ 34,715,304	\$ 42,600,000	\$ 37,060,213	\$ 44,500,000

<i>Unrestricted</i>	2016		2015	
	Cost	Fair Value Unrestricted	Cost	Fair Value Unrestricted
<i>Description</i>				
Cash equivalents	\$ 33,974,020	\$ 33,974,020	\$ 15,744,280	\$ 15,744,280
U.S. Govt. obligations	97,776,428	98,112,756	85,549,703	86,231,301
Corporate and other debt	143,709,237	143,607,377	169,711,582	168,156,818
Equities - U.S.	131,256,090	340,645,769	169,125,491	378,035,074
Equities - International	51,549,519	78,892,079	47,449,385	76,121,516
Total	\$ 458,265,294	\$ 695,232,001	\$ 487,580,441	\$ 724,288,989

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, 2016, the fair value of these instruments was approximately \$2.9 million and was included in investments on the consolidated special-purpose 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, 2016, the Trust held \$39.5 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 consolidated special-purpose statements of net claimants' equity at December 31, 2016.

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

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

NOTES TO THE CONSOLIDATED SPECIAL-PURPOSE FINANCIAL STATEMENTS

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 consolidated special-purpose statements of net claimants' equity and consolidated special-purpose statements of changes in net claimants' equity.

3. 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:

	2016	2015
Acquisition of furniture and equipment	\$ 231,591	\$ 258,500
Acquisition of computer hardware and software	336,083	237,000
Computer software development (e-Claims)	2,361,100	2,361,100
	<u>\$ 2,928,774</u>	<u>\$ 2,856,600</u>

These items have not been recorded as assets, but rather as direct deductions to net claimants' equity in the accompanying consolidated special-purpose financial statements.

4. 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 6), 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 by sending an offer letter and a form release 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, then makes payment upon receipt of an acceptable signed release. Paper filers may accept their offer by submitting an acceptable signed release, upon receipt of which the Trust sends a 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.

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

NOTES TO THE CONSOLIDATED SPECIAL-PURPOSE FINANCIAL STATEMENTS

5. Commitments

In August 2014, CRMC signed a 7-year and 7-month office lease effective October 1, 2015 at a similar location in Falls Church, Virginia. The new lease provides 7 months free rent and an option for early termination after 5 years and 7 months, subject to an early termination fee.

Future minimum rental commitments under this operating lease, as of December 31, 2016, are as follows:

Years ending December 31,

2017	\$	224,117
2018		230,826
2019		237,746
2020		244,880
2021		252,225
Thereafter		348,307
	\$	1,538,101

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

6. 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 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,

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

NOTES TO THE CONSOLIDATED SPECIAL-PURPOSE FINANCIAL STATEMENTS

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 a 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.

In January 2012, the Trustees amended the 2002 TDP to include a provision requiring the Trust to determine the Maximum Annual Payment (MAP) amount, which limits the amount of claim payments in any one year based upon its projections of assets and liabilities at the current pro rata percentage. Once the claim payments in any one year reach the annual MAP amount, the Trust ceases claim payments and any unpaid claims are carried over to the next year and placed at the front of the FIFO payment queue.

In August 2014, the Trust completed a review of the Trust's projected assets and liabilities. Based upon this review, the Trustees approved a decrease in the pro rata percentage from 7.5% to 6.25%. This change received the required concurrence of the SCB and Legal Representative. All claimants receiving offers after August 15, 2014, were paid a pro rata percentage of 6.25%.

In November 2016, the Trust completed a review of the Trust's projected assets and liabilities. Based upon this review, the Trustees approved a decrease in the pro rata percentage from 6.25% to 5.1%. This change received the required concurrence of the SCB and Legal Representative. All claimants receiving offers after November 4, 2016, were paid a pro rata percentage of 5.1%.

7. 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 \$165,300 and \$184,100 for the years ended December 31, 2016 and 2015, respectively.

The Trust and CRMC (collectively, the Employer) established a nonqualified, unfunded deferred compensation plan in accordance with Section 409A of the Internal Revenue Code, with an effective date of November 1, 1995. The plan was most recently amended and restated effective January 1, 2005 and is maintained primarily for the purpose of providing deferred compensation to senior management. The plan allows participants to defer up to 100% of any bonuses and any

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

NOTES TO THE CONSOLIDATED SPECIAL-PURPOSE FINANCIAL STATEMENTS

other incentive compensation paid during the year, as well as up to 25% of their base salaries. Participant accounts are credited monthly with a hypothetical rate of return based on the investment options offered by the Employer and chosen by the participant. However, the Employer is not obligated to purchase any investments selected. Any and all payments made to participants pursuant to the plan shall be made from the general assets of the Employer. All participant accounts under the plan shall be for bookkeeping purposes only and do not represent claims against specific assets of the Employer. The plan does not create a trust of any kind or a fiduciary relationship. Other than calculating and applying hypothetical rates of return to participant accounts, no other Employer contributions shall be made. For the years ended December 31, 2016 and 2015, deferred compensation expense due to participant-elected investment returns totaled approximately \$2,700 and \$1,500, respectively. As of December 31, 2016 and 2015, deferred compensation liabilities totaled approximately \$92,000 and \$89,000, respectively. There were no employee contributions to the plan the years ended December 31, 2016 and 2015.

8. 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. Pursuant to this authority, the Trust currently maintains \$30 million in a separate escrow account for the purpose of securing the obligation of the Trust to indemnify former and current Trustees. 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 9, 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, 2016, securities with a market value of \$45.6 million were held by an escrow agent, of which \$12.6 million is reported as restricted in accordance with the agreement.

9. 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 tax returns.

As of December 31, 2016 and 2015, the Trust has recorded a net deferred tax liability from net unrealized gains on investment securities of approximately \$36.7 and \$36.6 million, respectively. As of December 31, 2016 and 2015, the Trust had income taxes payable of \$1.3 million and

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

NOTES TO THE CONSOLIDATED SPECIAL-PURPOSE FINANCIAL STATEMENTS

prepaid income taxes of \$0.7 million, respectively. These amounts are included with accrued expenses as of December 31, 2016 and 2015, respectively, on the consolidated statements of net claimants' equity.

10. Proof of Claim Forms Filed

Proof of claim forms filed as December 31, 2016 and 2015 with the Trust are as follows:

	2016	2015
Claims filed	1,001,159	984,347
Withdrawn (1)	(102,342)	(100,535)
Expired offers (2)	(2,746)	(879)
Active claims	896,071	882,933
Settled claims	(884,649)	(860,100)
Claims currently eligible for settlement	11,422	22,833

(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, 2016 and 2015, approximately 464 and 879 respectively, of the claims with expired offers are still eligible to accept their original offer with a payment value of \$0.7 and \$1.5 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.

11. Subsequent Events

The Trust has evaluated its December 31, 2016 consolidated special-purpose financial statements for subsequent events through February 27, 2017, the date the consolidated special-purpose financial statements were available to be issued. The Trust is not aware of any subsequent events which would require recognition or disclosure in the consolidated special-purpose financial statements.

Supplementary Information

Years Ended December 31, 2016 and 2015

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



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Independent Auditor's Report on Supplementary Information

Trustees
Manville Personal Injury Settlement Trust
Pound Ridge, New York

Our audit of the consolidated special-purpose financial statements included in the preceding section of this report was conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of those financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated special-purpose financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated special-purpose financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated special-purpose financial statements or to the consolidated special-purpose financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated special-purpose financial statements as a whole.

BDO USA, LLP

February 27, 2017

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MANVILLE PERSONAL INJURY SETTLEMENT TRUST

SUPPLEMENTARY SCHEDULE OF CONSOLIDATED SPECIAL-PURPOSE INVESTMENT INCOME

<i>Years Ended December 31,</i>	2016	2015
Investment income		
Interest	\$ 5,658,580	\$ 6,548,244
Dividends	11,004,552	10,724,554
Total interest and dividends	16,663,132	17,272,798
Net realized gains	36,819,393	29,943,949
Net unrealized (losses) gains, net of the change in deferred income taxes (Note 9)	597,319	(32,245,617)
Investment expenses	(1,003,127)	(1,119,347)
Total investment income	\$ 53,076,717	\$ 13,851,783

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

SUPPLEMENTARY SCHEDULE OF CONSOLIDATED SPECIAL-PURPOSE NET OPERATING EXPENSES

<i>Years Ended December 31,</i>	2016	2015
Net operating expenses		
Personnel costs	\$ 3,782,736	\$ 3,498,783
Office, general and administrative	481,124	611,692
Travel and meetings	86,972	86,265
Board of Trustees	405,541	515,679
Professional fees	523,787	600,647
Net fixed asset purchases	117,432	99,369
Web hosting and other EDP costs	93,383	91,631
Other income	(2,523,984)	(1,689,742)
Total net operating expenses	\$ 2,966,991	\$ 3,814,324

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

EXHIBIT III
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SUPPLEMENTARY SCHEDULE OF LIQUIDATED CLAIMS

SINCE CONSUMMATION (NOVEMBER 28, 1988)
THROUGH DECEMBER 31, 2016

	Number	Amount	Average
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)	-	(135,306,535)	
Net Settlements	27,590	1,052,545,864	
Payments	(27,590)	(1,052,545,864)	\$ 38,150
Unpaid Balance	-	\$ -	
Post-Class Action Complaint After November 19, 1990-			
Offers Made at Full Liquidated Amount	858,458	\$ 44,349,331,504	
Reduction in Claim Value (2)	-	(40,622,245,894)	
Net Offer Amount	858,458	3,727,085,610	
Offers Accepted	(857,059)	(3,722,931,759)	\$ 4,344
Outstanding Offers	1,399	4,153,851	
Offers Accepted, Not Paid	4,192	13,424,376	
Unpaid Balance	5,591	\$ 17,578,227	
Total Trust Liquidated Claims	884,649	\$ 4,775,477,623	\$ 5,398
Manville Liquidated Claims Paid (3)	158	\$ 24,946,620	
Co-Defendant Liquidated Claims (4)			
Settlement Claim Value		\$ 95,278,008	
Investment Receipts (5)		2,624,732	
Payments		(97,902,740)	
Payable		\$ -	

- (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.

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

EXHIBIT III
Page 2 of 2

SUPPLEMENTARY SCHEDULE OF LIQUIDATED CLAIMS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Number	Amount	Average
Trust Liquidated Claims			
Post-Class Action Complaint After November 19, 1990 (1)			
Offers Outstanding as of December 31, 2015	2,107	\$ 6,666,687	
Net Offers Made (2)	21,581	78,727,059	
Offers Accepted	(22,289)	(81,239,895)	\$ 3,645
Offers Outstanding as of December 31, 2016	1,399	4,153,851	
Offers Accepted, Not Paid as of Dec. 31, 2016	4,192	13,424,376	
Payable as of December 31, 2016	5,591	\$ 17,578,227	
Co-Defendant Liquidated Claims			
Payable as of December 31, 2015		\$ 128,330	
Settled 2016		243,345	
Paid 2016		(371,675)	
Payable as of December 31, 2016		\$ -	

(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.