the Manville Retiree

Manville Retirees Association

June 1993

Dick Von Wald Speaks to Retirees

On April 22, Dick Von Wald, Senior Vice Pres., General Counsel & Secretary, Manville Corp., spoke to Manville retirees in Denver. We are very appreciative to Dick for bringing us up to date on many items of interest. Note: Dick's talk has been edited to fit the newsletter format.

I want to catch everyone up on the plan of reorganization. While we came out of bankruptcy in 1988, we will be dealing with this a long time ... so the next time I am back, we'll [talk] about it again.

You will recall there were two trusts set up—one to deal with property damage claims and one to deal with personal injury claims.

Property Damage Trust

The Property Damage Trust, in essence, is now going to a holding pattern. They paid out all their initial funding to property damage claimants and [are] now just waiting to see if there will be any money left over from the Personal Injury Trust. That's all they are going to do ... It is unlikely that there will be any money left from the Personal Injury Trust.

Personal Injury Trust

The personal injury Trust was formed at the same time. It began operating in 1989. When we got to 1990, the Trust was already out of its initial funding. That is when the Weinstein process started. We talked about that last year and we'll talk about it today and I suppose we'll talk about it next year.

In May of 1990, Judge Weinstein ... put a stay in place to prevent the Trust from paying any more claims until it resolved its imbalance between the Trust liabilities and its assets. Judge Weinstein was trying to settle about 200 cases that arose from the naval shipyards. He couldn't do it because the Trust said they were out of money. He put a stay in place and started what we call the "Weinstein process" which involves trying to develop a new way to handle claims ... A class action was filed in New York to restructure how the Trust pays the claims.

The original design was to pay one hundred cents on the dollar... It became clear immediately the Trust couldn't do that. When we came out of bankruptcy, people were thinking that there might be 100,000 claims in total in all of history. The Trust now has over 200,000 claims and they are still coming in at 1,000 a month . It might be as many as 600,000. There is never going to be enough money to pay one hundred cents on the dollar.

> "The Trust now has over 200,000 claims and they are still coming in at 1,000 a month ..."

That's what triggered the need to restructure how the Trust pays the claims, to make it clear they don't have to pay one hundred cents. The original target was forty-five cents. That was what the class action was all about.

Dividend Agreement

At the same time, we entered into a dividend agreement called the Master Agreement, or dividend agreement, or financial restructuring. That was a vehicle through which the company committed itself to pay a series of dividends over six or seven years totaling up to $650,000,000 to all shareholders, not just the Trust.

The dividend agreement was entered into in November 1990. It was subject, however, to the successful conclusion of the class action.

Class Action Approval Appealed

The class action to restructure how the Trust pays its claims was approved in 1991. It was appealed, however. The Trust was still sitting there, not paying claims except for the very severe hardship claims. The key argument of the appeal was that not everyone was properly represented in the class action. ... there was only one group of representatives involved ... there were five plaintiff's lawyers who tried to represent all the class members. The co-defendants—the Owens-Cornings, the Owens-Illinois, the Certainteeds ... said, "Foul! You can't have plaintiff's lawyers representing my interest in the Trust situation."

... the co-defendants appealed on that basis. A group of plaintiffs also argued that you can't change the plan from one hundred cent to a forty-five cent payout. In December 1992, the appellate court reversed Judge Weinstein and sent the case back. The court said the co-defendants were so opposite of the plaintiffs, that you can't have plaintiff's lawyers representing the co-defendants. The decision did not touch the injunction, however.

Shortly after the decision came out, a petition for a rehearing was filed. ... [which] asked the court to clarify its decision in a way that would be helpful to the parties over the case returned to Judge Weinstein.

Dividend Paid

This all happened in December. By that time, we had accumulated a lot of cash—the idea being we would enter into the dividend program fairly soon. ... We entered into a detailed analysis to determine what to do with this money, even though the class action settlement had been turned down. The Board made the decision that the best use of those funds was to pay a dividend to all stockholders. (The Trust now owns 80% of the common stock in the company and thus would receive 80%.) The dividend was paid in December at $1.04 per share. There were no preferred dividends paid under the reorganization—the dividends on the preferred do not begin until 1994. ... It will be triggered next year at approximately $2.70 a share.

> "The Board made the decision that the best use of those funds was to pay a dividend to all stockholders."

... remember that the company is not a party to the class action. It is a lawsuit by a group of plaintiffs against the Trust to restructure how it pays its claims. There is a lot of work going on by the Trust and plaintiff's group to restructure this settlement so when the case gets back to Weinstein, progress will go a little more quickly and a trial can be avoided.

Claims Delayed

Keep in mind that a lot of the cases that are before this Trust were filed before 1982 and haven't been paid any money yet. It is a tragedy. A lot of the people who have filed claims have passed away. It is a shame.

At some point the Trust will begin paying claims. It will soon have $500,000,000 in cash but they can't pay claims until the class action thing is finally settled.

> "A lot of the people who have filed claims have passed away. It is a shame."

New Dividend Agreement

While the class action process continues, we are in the process of discussing with the Trust a new dividend agreement. I suspect it will be very similar to the one we had ... , calling for a series of dividends over a certain number of years. We do have money put away for the second dividend. We built the business plan around being able to meet those dividend obligations. So we are ready to make the second dividend payment.

Questions & Answers After the Talk

Q: ***When does the Trust take control*** *of the Manville Board.*

A: November 28, 1992 the Trust's voting rights kicked in. In December, they converted their preferred stock to common so, as of that time, they own 80% of the stock. So the Trust controls the Company. Two trustees were added initially to the Manville Board and now we have three. We also had been planning for the first annual shareholders' meeting where the Trust will vote its full 80%. That comes up in June. ... the Trust will vote its full 80% for a slate of directors ... the Company has agreed on a slate of directors.

Q: *Has the Trust indicated* ***how they will diversify their assets?***

A: ... they clearly will do that. When and how are the unknown factors ... the Trust will soon have over five hundred million dollars in cash that it can't pay out so there is little pressure at this point on the Trust to turn their other assets into cash. The other assets ... include [the] 80% of common stock which they own. Over some time period, these will be converted into cash to pay claims. That was the original plan of reorganization and it is going to happen. But the big questions are how and when. This is going to be so much driven by the market—the economic conditions and the demands on the Trust for cash.

It Will Happen! ... It was the original design and the design has not changed. That's a major reason we have restructured the Company with Manville Corporation at the top and two principal subsidiaries—Riverwood and Schuller. That has been done to create maximum flexibility for the organization and for the Trust ... to liquefy assets—it can be done with the least amount of pain to the organization. That was designed because, if you can't sell all of Manville at one time, ... maybe you can sell two business units.

> **"That was designed because, if you can't sell all of Manville ... maybe you can sell two business units."**

The restructuring is not quite there yet, but within another year the holding company should be down to 100 or less people in total. The holding company is designed to deal with the Trust, ... the external environment, [and] what we call "legacies"—old businesses, old claims, clean up costs at Waukegan, etc. The two business units [were] set up to deal only with their day-to-day operations.

Q: *Of the many, many claims being projected, whether it be three or four or five or six hundred thousand, has anyone projected out* ***what the liability might be?***

A: The answer to that is yes and no. We don't know how many more over 200,000 there will be. At some point, it doesn't make any difference. They are still coming at approximately one thousand per month. The Trust thinks the severity of disease is

> **"... there will be so many claims out there that the Trust is always going to be short of money."**

dropping off, so they are seeing an increase in the less severe diseases. They are also seeing an increase in mesothelioma which is a little unexpected.

My own guess is that at some point, the rate of new claims will start leveling off and dropping, but there will be so many claims out there that the Trust [will] be short of money. The Trust has been talking about a 45¢ plan. They are now really talking something less than that if there are 600,000 claims out there.

Q: *What is* ***the status of the warrants*** *offered as part of the ... settlement?*

A: In the bankruptcy, some of the creditors were issued common stock, preferred stock and warrants. Warrants are just ... an option to buy common stock at $9.40 a share. They will be in place until June of 1996 when they will disappear if they haven't been exercised.

Q: ***Status of the Pension Plan?***

A. The short answer is [that] the pension plan is fully funded at this point. Anyone wanting more details should call us and we will be happy to help. The Pension assets are generating a return of approximately 8%. The Pension Benefit Guarantee Corporation does, at this point, guarantee the benefit from these plans... currently a maximum of $2,024 a month. That goes up every year—that is the number for 1993. As the inflation rate goes up, this rate goes up too.

Q: ***Retiree Medical?***

A: Nothing new to report on that one. We are continuing to look at both Manville retiree medical and Manville active medical programs. It is clear something is going to have to be done to contain costs over time. We haven't reached a conclusion on what is right and what we ought to do yet ... We will keep reporting back to you as that evolves ...

> **"It is clear something is going to have to be done to contain costs over time."**

Q: ***When will the new program take effect?*** *Will that be in 1994?*

A: We don't know what the timing would be but, yes, that would be the next logical benchmark.

Q: *With all the restructuring, where did the responsibility for* ***the liability for the retiree medical*** *end up?*

A: Riverwood took its own pension plan with it. Manville and Schuller retained their own.

Q: ***Not pension - health plan?***

A: Both. Riverwood will have its own health plan. Manville and Schuller is still one entity. That hasn't changed.

Q: *The last time this was discussed, the question arose as to whether ... it might be better to have* ***the retiree medical plan responsibility*** *with the parent corporation as opposed to Schuller in the event that there was a split made between those two.*

A: We are still in the evaluation process of that, but right now it is [with] the parent [corporation] because there is no difference between Manville and Schuller. But we are continuing to evaluate this structure.

Q: *Has Manville taken a huge* ***accounting charge necessary for retiree benefits?***

A: Yes, we did—last year. We took a $246,000,000 charge. It is interesting to watch when the earnings reports are coming out and see the enormous charges that are being recorded by most companies. That's where we are on the retiree medical. It's an ongoing process. We will get back to you and will communicate—over-communicate on this issue before anything is put in place.

Q: *What is* ***the status of Stillwater?***

A: It is a platinum and palladium operation [in Montana] which is a joint venture between Chevron and Manville ... we are looking for the best possible way to deal with that ... valuable long, long, long term asset. It is the only major deposit of platinum/palladium in the free world. But ... those time frames [for return on investment] are ten, twenty, thirty years ... that is not the kind of investment that is appropriate on an ongoing basis.

Q: *What about* ***foreign asbestos claims?***

A: We do not have foreign asbestos claims other than in Canada ... in British Columbia. There are currently approximately 60 Canadian claims filed [against Manville]. The first trial is scheduled for October, 1994.

Q: ***How do you deal with these claims?***

A: The issue that surrounds these claims is whether or not the bankruptcy and injunction is good outside the U.S.. It is up to the foreign court to decide .... We don't know whether the British Columbia courts will ... recognize the bankruptcy. At this point we feel comfortable about our ability to deal with them. We may have to try this issue. There are 8000 total claims from outside the U.S. filed with the Trust. If we have a problem in Canada, the same problem will arise later in other countries.

Q: *With people dying, won't* ***the number of claims decrease?***

> **"In most states and most countries [when] the claimant dies, ... the claim transfers to their estate."**

A: In most states and most countries [when] the claimant dies, ... the claim transfers to their estate. The mortality rate doesn't help out a lot. The claims still go on.

Q: *What about* ***... fraudulent claims?***

A: The claimants have to be able to verify and substantiate that they have an asbestos related disease and that they have been exposed to a Manville product or to a Manville related product. The individual also has to have medical certification and substantiation ....

On another subject, last year we tried ... asking congress to adopt a bill that says that the injunction is permanent... (We have that order from the courts in New York.) We got through the Senate - 97 to 0. It got hung up in the House on the very last day of the session and we had to pull it at the eleventh hour. We got some objections from Labor ... [which] had absolutely nothing to do with the injunction. It had to do with a dispute with the Trust on some claims .... The bankruptcy legislation has been refiled and the first hearing is coming Monday.

Q: *In the 10K ... there is a notation ... that* ***some board members*** *who are now retired* ***received an increase in their retirement benefits.*** *Could you explain...?*

A: ... back around the bankruptcy time (1988-89) ... the Board was reconsidering its ... annual retainer. I think ... it was $18,000 a year. There were [three] directors ... close to retirement.

The Board decided to increase the retainer for the active directors ... based upon what comparable companies were paying ... the appropriate level was $25,000. ... they did not approve it for those three people. Then, down the road someone said, “Why didn’t they do that? It was silly not to raise it for three people who were going to retire in two months.” So they ... raised it ...

Q: ***Mutual Benefit*** *- what was supposed to happen in January?*

A: The court was to begin the confirmation process of the rehabilitation plan that was filed. Essentially the plan authorized payments over five years beginning in the year 2000 with ... an amortized piece of principal plus accrued interest.

“The only question now is what will be the accrued interest.”

I am told this can slide up to seven years depending on the situation that Mutual Benefit finds itself in the year 2000. It is designed, however, to pay out to all beneficiaries the full amount of their benefit as of December 31, 1991 plus accrued interest. The only question now is what will be the accrued interest. At this point in time it is based on these rates:

1991 - Contract rate that was accrued 1992 - 4%, 1993 - 3.5%, 1994 - 3.5%

Beyond 1994 it will be decided each year [but can be zero percent up.] You have heard ... that it is designed to be 3.5% or 3.0% and ... the intent is that 3.5% is going to be the ongoing target ... but there is no guarantee it will be that level.

The next steps are resolution of the banks’ challenges and confirmation of the plan. There could be a cash out option but .. not .. until the courts confirm this plan. At that point I understand individuals would be given the option to cash out their investment for 55% of the 1991 balance and forfeit the rest of it.

Q: *Are the* ***benefits from Mutual Benefit to be pre-tax or post- tax?***

A: [the] return of the principal amount ... is a post-tax contribution by everyone. The interest is taxable income so as these payments come in, the interest component will be taxable but, of course, the returned principal will not be.

Q: ***Can a loss be claimed*** *for income tax purposes?*

A: Only if you received less than your principal amount.

Q: ***Are payments by Mutual Benefit guaranteed?***

A: Assuming the plan is confirmed by the courts, the benefits will be guaranteed either by a state guarantee fund or by a consortium of insurance companies.

Q: ***Is the election of 55% a tax loss?***

A: Maybe, but I recommend you talk to your tax advisor.

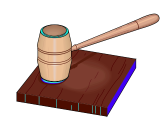
Q: *Is there a* ***statute of limitation for claims?***

A: No. The claims are perfected, so anyone who has a claim for one of these funds the claim is perfected.

Q: *It was my understanding that in an effort to give relief to employees, particularly retired employees with smaller balances in that account, that perhaps* ***Manville would accept the frozen funds as collateral*** *and charge the holder a rate (for those who cannot take a 55% discount).*

A: ... there has been conversation around that kind of a structure but I am not aware of any decision to do it.

Annual Meeting



Bill Snyder

Littleton, Colorado
May 25, 1993:

The annual meeting of the Manville Retirees Association was held at the Littleton Elks Club. There were 100 members in attendance. The president, Ed Bettinardi, called the meeting to order at 1:34pm.

He asked the secretary, Bill Snyder, if any nominations had been received from the field. Bill reported that none had been received. Ed then explained, as stated in the previous newsletter, that since the only nominations were the slate submitted by the Nominating Committee, the Association was avoiding the cost of a mailed ballot. He asked for a motion to have the secretary cast one ballot for those nominated. The motion was made by Tom Corridan and was variously seconded. The vote was unanimous. The officers and directors elected and their terms were:

Dan Gallagher - Vice-President &

Director (2 yrs)
Ed Stoltz - Treasurer & Director (2 yrs)
Barney Coleman - Director (2 yrs)
Lou Gallo - Director (2 yrs)
John Leasher - Director (2 yrs)
Emma Lee - Director (1 yr)
Hugh Jackson - Director (1 yr)

The other officers and directors who continue in office for one more year are:

Ed Bettinardi - President & Director
Bill Snyder - Secretary & Director
Fern Bengtson - Editor & Director
Tom Winter - Director

There being no other business the meeting was adjourned. Following the meeting there was an informal question and discussion period led by Ed Bettinardi.

Respectfully submitted,
Bill Snyder, Secretary

Manville Retirees Association
Statement of Financial Condition
as of
December 31, 1992

Cash in Bank	$46,606.47
Deposit with attorney	2,735.00
Total Assets	$49,341.47
Liabilities, recorded (1)	$0.00
Membership Equity	$49,341.47
	$49,341.47

Statement of
Revenue and Expenses

Membership Contributions	$51,124.19
Interest	652.43
	$51,776.62
Expenses (2)	2,435.15
	$49,341.47

Footnotes:
(1) No liabilities are recorded at this time. All known expenses were paid through Dec. 31, 1992
(2) Expenses represent the purchase of software, data services, mailing cost, legal research and other general expenses.

Vincent P. Fitzgerald
Certified Public Accountant

April 22, 1993

Directors
Manville Retirees Association
1952 Ridge Road
Littleton, Colorado

I have reviewed the records of the Association which commenced in June 1992. The records at this time essentially consist of bank accounts and documents of original entry.

Certain limited tests were performed to attest to the validity of these records and the reasonableness of the accompanying financial statements prepared from these records.

The statements reasonably represent the financial condition of the Association at December