SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1981 — Commission file number 1-9247

Manville Corporation

(Exact name of registrant as specified in its charter)

Delaware	84-0856796
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Ken-Caryl Ranch, Denver, Colorado	80217
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code 303-978-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock ($2.50 par value)	New York Stock Exchange
Cumulative Preferred Stock ($5.40 Series) ($1.00 par value)	New York Stock Exchange
7.85% Sinking Fund Debentures Due 2004	New York Stock Exchange
9.70% Notes Due 1985	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No__

As of February 12, 1982, there were approximately 23,569,000 shares of the registrant's sole class of common stock outstanding. The aggregate market value of the voting stock held by nonaffiliates of the registrant as of February 12, 1982 was approximately $377,200,000.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents or portions thereof filed with the Securities and Exchange Commission are incorporated herein by reference:

(1) The Company's 1982 proxy statement filed pursuant to Regulation 14A is incorporated by reference into Parts I and III of this report.

(2) The Company's 1981 Annual Report to Shareholders for fiscal year ended December 31, 1981 is incorporated by reference into Parts I, II and IV of this report.

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ITEM 3. LEGAL PROCEEDINGS

Occupational Health and Product Liability Litigation

At December 31, 1981, Johns-Manville Corporation and/or several of its subsidiary companies ("J-M" or "Johns-Manville") was a defendant or co-defendant in approximately 9,300 lawsuits brought by approximately 12,800 plaintiffs in which the plaintiffs allege damage to their health principally as a result of exposure to asbestos fiber either (i) during manufacturing operations in which asbestos fiber was used as a raw material, or (ii) in the course of handling products containing asbestos.

During 1981, J-M received an average of approximately 400 new cases per month brought by an average of approximately 525 new plaintiffs per month, which represents a significant increase over the 1980 average of 222 new cases and 387 new plaintiffs per month and the 1979 average of 141 new cases and 196 new plaintiffs per month. During 1981, a total of 802 cases representing 1,463 plaintiffs were the subject of final dispositions with J-M's share of the disposition costs being an average of approximately $15,430 per claim. Included within the cases disposed of during 1981 is one group settlement involving 683 plaintiffs. All disposition cost references exclude legal expenses. This average is slightly lower than Johns-Manville's historical average of approximately $15,940 per plaintiff for all years prior to 1981. Combining the claims disposed of in 1981 with all claims disposed of prior to 1981 (approximately 1,800 claims representing 2,475 plaintiffs) results in an average disposition cost to-date of approximately $15,640 per claim, substantially all of which has been charged to applicable insurance maintained by Johns-Manville. These disposition costs do not include the verdicts in 20 cases which are presently on appeal. The average judgment against J-M in these 20 cases is approximately $223,360.

During 1981, J-M was, for the first time, found liable by juries for punitive damages in five separate asbestos-related actions. More specifically, in *Moran v. Johns-Manville*, the United States District Court in Cleveland, Ohio rendered a judgment against J-M for $850,000, consisting of $350,000 compensatory and $500,000 in punitive damages. In *Neal v. Johns-Manville*, a consolidation of fifteen plaintiffs, the United States District Court (Eastern District) in Philadelphia, Pennsylvania found J-M liable for both punitive and compensatory damages. The court and jury considered damage issues for each plaintiff individually. Judgments were rendered in favor of fourteen plaintiffs and averaged $26,492 per plaintiff in compensatory damages. Punitive damages were awarded in eleven of these cases and averaged $31,200 per plaintiff. In the *Noecker* case, also tried in Pennsylvania, the jury returned a verdict in favor of the plaintiff and awarded $550,000 in compensatory damages and $50,000 in punitive damages. With respect to *Moran*, J-M has filed an appeal to the United States Court of Appeals for the Sixth Circuit. With respect to *Neal* and *Noecker*, J-M has filed appropriate post-trial motions. Should J-M not receive satisfactory relief as a result of such motions, it intends to appeal the *Neal* and *Noecker* decisions. J-M believes it has substantial grounds for such appeals.

On July 31, 1981, a jury in Jacksonville, Florida returned a verdict against J-M in *Janssens v. Johns-Manville* and awarded $1,107,600 in compensatory damages and $750,000 in punitive damages to the plaintiffs. J-M feels such damages are grossly excessive and unsupported by the evidence. The case has been appealed, and J-M believes there are numerous and substantial grounds for appeal.

In December 1981, a New Jersey jury returned a verdict in favor of *James Fischer* for $207,180 in compensatory damages and $300,000 in punitive damages. The portion of the verdict assessed against J-M was $128,064 and $240,000 for compensatory and punitive damages, respectively. Motions seeking post-trial relief have been filed. If relief is not granted, an appeal is planned. J-M believes there are substantial grounds for appeal.

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J-M anticipates an increasing number of cases proceeding to trial in the future and thus there continues the uncertainty as to whether punitive damages will be assessed against J-M in any significant amount. J-M continues to believe, however, that it has substantial defenses to punitive damage claims, and no new evidence has been presented to support punitive damage allegations.

As discussed in more detail below, J-M believes that it has substantial defenses to the pending asbestos-health claims. However, the continued growth in the number of asbestos cases being filed against J-M and the level of disposition costs, now including punitive damages, have increased uncertainties concerning the future volume of asbestos cases and associated disposition costs of present and future cases. Because of these uncertainties, and the uncertainties arising out of the associated insurance litigation described below, the eventual outcome of this litigation cannot be predicted at this time nor can the ultimate liability to J-M, after application of available insurance, be reasonably determined in accordance with applicable accounting standards. As no such determination of loss can be made, no liability has been recorded in the financial statements. Depending on the manner and time in which these uncertainties with respect to J-M are resolved, the resulting costs to J-M and thus Manville Corporation could be substantial.

The plaintiffs in these pending asbestos-health cases typically fall into one of three categories:

(i) Persons who handled finished products manufactured by J-M and, typically, a number of other manufacturers, which contained asbestos and emitted dust when handled;

(ii) Employees of J-M subsidiaries who were exposed to asbestos while working at J-M facilities where asbestos fiber was used as a raw material in the production of finished goods; or

(iii) Employees of other companies who were exposed to asbestos fiber which was purchased directly or indirectly from J-M and, typically, a number of other suppliers, and used by such companies to produce finished goods.

The majority of the lawsuits have been brought by plaintiffs in the first category, typically insulation workers and other persons who installed or, for other reasons, handled or otherwise were exposed to asbestos insulation or other products containing asbestos acquired directly or indirectly from J-M and, in most cases, a number of other suppliers. The majority of plaintiffs in this category were employed as shipyard workers either directly by the federal government or by private shipyards under federal government contract and control, and were exposed to asbestos fiber in the course of construction, renovation and repair of ships, particularly during World War II. The litigation has disclosed that disease following such shipyard exposure resulted from poor working conditions in the shipyards over which J-M had no control.

This first category of plaintiffs typically allege that J-M and the other defendants failed in their duty to warn of the possible hazards associated with inhalation of asbestos fiber contained in dust emanating from such products. J-M believes that the preponderance of these asbestos-related injuries originated from exposure to asbestos dust in occupational settings many years ago. During the periods of alleged injurious exposure, medical and scientific authorities, government officials and companies supplying products containing asbestos fiber believed that the standard for dust levels for asbestos as recommended by the U.S. Public Health Service did not constitute a hazard to the health of workers handling asbestos-containing insulation products. Accordingly, J-M maintains that there was no basis for product warnings or hazard controls until the results of scientific studies linking pulmonary disease in asbestos insulation workers with asbestos exposure were made public in 1964. Thereafter, appropriate warnings were given, including warning labels on packages, instruction booklets and seminars for insulation contractors and, ultimately, asbestos-containing insulation products were discontinued by J-M.

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The second category of plaintiffs consists of current and former employees of J-M subsidiaries who were exposed to asbestos fiber in connection with J-M's asbestos mining, milling or manufacturing operations. With respect to these plaintiffs, it is J-M's position that applicable federal and state workers' compensation statutes provide the exclusive remedy against the subsidiary employer for employment-related injuries in most of these actions. In cases brought by current and former employees of J-M in California, Illinois, Louisiana, New Jersey and Texas, some plaintiffs seek to avoid the limitations of this remedy by suing outside of the applicable workers' compensation statutes. Recently, the California Supreme Court ruled that in California such plaintiffs may, under certain conditions, be entitled to maintain such actions. In that decision, the Court held that in situations where an employee alleges that (1) his employer fraudulently concealed from the employee his diseases or injury and the cause of such disease or injury and (2) such fraud or concealment resulted in aggravation or harm to the employee, then the employee has the right to maintain an action directly against the employer and not be limited to the remedy provided by the applicable workers' compensation statutes. The immediate effect of this decision will be to allow California employees of J-M subsidiaries to maintain actions directly against the subsidiary employer under these limited conditions. Recovery by the employees will require proof of such fraud and aggravation. J-M believes it has substantial defenses to such allegations of fraud and aggravation.

The Louisiana cases are, in part, predicated upon Louisiana statutes permitting so-called executive liability actions, which have been brought against several past and present employees of J-M. J-M believes it has substantial defenses to these cases.

Typically, suits in this second category also name, as defendants, J-M and J-M subsidiaries other than the employer subsidiary. The claim of a J-M employee to proceed outside workers' compensation statutes against J-M and particular non-employer subsidiaries of J-M remains unresolved, but J-M believes that applicable workers' compensation statutes provide appropriate defenses to many aspects of such claims and that there are substantial defenses to other aspects of these claims.

The third category of plaintiffs consists of employees of other companies which used in their manufacturing operations asbestos fiber supplied by J-M and, in most cases, other suppliers. With respect to these actions, J-M maintains that the companies to which it sold asbestos fiber had the same limited knowledge as J-M of the potentially harmful effects of excessive exposure to asbestos dust in factory operations, and that, accordingly, J-M had no duty to advise such companies of risks of which they were already aware. Therefore, J-M maintains that the duty, if any, to warn of or protect against any hazards of exposure to airborne dust containing asbestos fiber rested with the plaintiffs' employers. The several actions brought by plaintiffs in this category include claims by approximately 683 former employees of Raybestos-Manhattan, Inc. against J-M and numerous other defendants. This is the largest single group of claims in this category. A settlement of these 683 claims has been effected in the United States District Court for the District of New Jersey.

It is J-M's belief that the asbestos-health claims and lawsuits pending and which may arise in the future relate to events and conditions existing in prior years. More specifically, J-M believes, based on the following factors and assumptions, that since at least the beginning of 1978, no significant new potential liabilities have been created for J-M with respect to diseases known to be related to asbestos and arising from asbestos fiber or asbestos-containing products manufactured or sold by J-M:

—That since the mid-1970's, J-M has sold asbestos fiber in the United States only in pressure pack, block form or other similar condition and not in a loose form;

—That by 1973, J-M had ceased domestic manufacture of thermal insulation products containing asbestos which are the products principally involved in disease claims made against J-M;

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—That the Occupational Safety and Health Administration established a maximum exposure standard for asbestos fiber of 5 fibers per cubic centimeter in 1972 and lowered that standard to 2 fibers per cubic centimeter in 1976. It is assumed that compliance with such standards in the work place was achieved within a reasonable time following such promulgation and is continuing to-date; and

—With respect to any use not complying with the OSHA asbestos standards, J-M's defensive posture with respect to claims arising out of such environments will be significantly enhanced.

At March 9, 1982, there were included within the cases pending against J-M a series of indemnity actions and six purported class actions which are described in more detail below.

Indemnity Actions.

Included in the cases pending against J-M, are a number of claims by former employees of Johns-Manville against former contract physicians of J-M alleging that the physicians failed to advise such employees that they had contracted pulmonary disease associated with their exposure to asbestos fiber. In each case, the defendant physician seeks indemnity from J-M against any damages which may be awarded the plaintiffs. In addition, in each case the physician seeks general damages of $2,000,000 and punitive damages of $10,000,000 for breach of contract, misrepresentation and emotional distress. One physician was an unsuccessful defendant in an earlier case brought by a former employee on the same grounds, in which a judgment of $383,026 was awarded to the plaintiff. The physician is presently seeking indemnification from J-M against the judgment in this case.

There are also two independent actions in which manufacturers of products containing asbestos seek indemnification from J-M for sums paid by these manufacturers in separate cases on the grounds that J-M supplied asbestos which was incorporated into their products. J-M believes it has substantial defenses to these indemnity actions.

Purported Class Actions.

J-M is a defendant in six purported class actions, three of which are suits brought by plaintiffs in the second category described above—present and former employees of J-M subsidiaries who during the course of their employment in J-M's facilities were exposed to asbestos fiber. These employee and former-employee cases and the remaining purported class actions are summarized as follows:

(i) Three purported class actions brought on behalf of all present and former employees of J-M's Manville, New Jersey plant wherein the plaintiffs in one case each seek $500,000,000 in damages and in the remaining two the plaintiffs seek unspecified general, special and punitive damages;

(ii) Three purported class actions involving the third category of plaintiffs—those who allege injury due to exposure during manufacturing operations to asbestos fiber supplied to their employers by J-M and other defendants. The plaintiffs in these cases each seek unspecified compensatory and punitive damages.

Matters Relating to Insurance Coverage.

J-M has maintained over the years various policies of insurance in differing amounts to protect J-M against the cost of liability for product-related personal injury or property damage. In years prior to 1976, the insurance purchased was typically in layers with J-M retaining a small self-insured deductible and purchasing a primary layer of coverage and one or more layers of excess coverage. Subsequent to 1976, for product-related liability, J-M has retained larger self-insured layers and in some cases additional per claim deductibles.

The correct interpretation of a number of provisions of the various policies of insurance has been a matter of dispute between J-M and its primary and excess insurers. In addition, other questions have arisen as to the existence of insurance coverage in the 1934–1951 period. On March 31, 1980, J-M

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filed a declaratory judgment action in the Superior Court of the State of California for the City and County of San Francisco seeking to have such questions resolved by that court. All of J-M's domestic carriers (both primary and excess) and two of J-M's Canadian primary insurers are presently named as defendants in the California action. In March 1981, J-M's California action was, by court order, consolidated in a "coordinated" proceeding with three similar California actions involving other asbestos manufacturers and their insurers. The scope and effect of this coordination have not yet been determined.

The San Francisco action involves certain issues which are also being litigated in separate proceedings pending in Canada and Massachusetts. The Massachusetts action filed in the United States District Court for the District of Massachusetts concerns the existence of primary insurance coverage and all of the insurance coverage issues described in the following paragraph for the limited period 1934-1951. With respect to coverage placed with Canadian insurers, the California court previously stayed proceedings against one of J-M's Canadian insurers due to the existence of a separate Canadian action brought in Canada by that insurer. However, the court has granted a motion to intervene filed by one of J-M's domestic primary carriers and has allowed this carrier to proceed against the previously excluded Canadian carrier.

The principal issues involved in the domestic actions (San Francisco and Boston) are interpretations as to the kind of property damages insured against, the dates of occurrence of property damage, the dates of occurrence of asbestos-related disease, the satisfaction by J-M of any duty it may have had to disclose to carriers knowledge it may have had with respect to the harmful effects of excessive exposure to asbestos fiber and asbestos-containing products, and the method of allocation of coverage to the asbestos-health claims.

J-M is also in litigation in Canada with one of its primary carriers concerning coverage of its Canadian entities. The issue involved in this suit is limited to J-M's duty to disclose to that carrier knowledge it may have had with respect to the harmful effects of excessive exposure to asbestos fiber and dust from asbestos-containing products and the existence of asbestos-health claims against J-M prior to the issuance of the insurance policies.

A resolution of such issues by the San Francisco court, the court in Canada and the court in Massachusetts will provide J-M and its insurance carriers with an improved ability to assess the impact of the cost of insured events including asbestos-related personal injury claims. While any litigation involves uncertainties, J-M believes that its position with respect to these issues is sound and in accord with the increasing weight of judicial precedent.

On April 2, 1981, J-M was notified by its principal primary insurance carrier that the limits of its primary coverage had been exhausted and J-M must look to its excess (or umbrella) insurance for reimbursement of costs and expenses associated with the asbestos-health litigation. While J-M does maintain substantial amounts of excess coverage, J-M does not agree that its primary coverage has been properly exhausted and is continuing to work with the primary and excess carriers to resolve this matter pending ultimate resolution of the litigation described above. At the present time, only one excess carrier is providing current funding for such costs and expenses. The funding amounts to an average of approximately 35% of the total with the balance being advanced by J-M. J-M believes that substantially all of the amounts paid by it to-date will be recoverable from its insurance carriers.

To protect its interests in light of the above-described insurance litigation, J-M instituted suit against its principal broker, Marsh & McLennan, Inc., on November 23, 1981 in the Superior Court for the State of California, for the City and County of San Francisco. Among the issues to be resolved in this litigation is whether Marsh & McLennan, Inc. breached its obligations to obtain appropriate insurance coverage for J-M.

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Securities Litigation.

J-M is also a defendant in a purported class action commenced May 4, 1979 by a shareholder in the United States District Court for the Southern District of New York. The complaint charges violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The plaintiff alleges misrepresentations in, and material omissions from, J-M's published documents with respect to matters relating to J-M's potential liability as a result of asbestos-related health litigation. The class purported to be represented by the plaintiff consists of all persons who bought J-M's common stock between April 1, 1975 and October 15, 1978 and who owned such stock on October 15, 1978. The damages claimed are in an unspecified amount representing the loss suffered through purchases of common stock at market prices allegedly inflated by J-M's violations of the securities law, followed by a decline in the market value of the common stock allegedly resulting from disclosure of relevant facts in October 1978. J-M denies that it has made the alleged misrepresentations and omissions, and believes that it has substantial defenses to these charges.

In May 1981, various matters concerning this litigation were submitted to the District Court for rulings. On November 13, 1981, the District Court issued its rulings on two such matters: 1) the court granted the plaintiff's motion for class certification; and 2) the court denied Johns-Manville's motion for summary judgment. If permission is granted from the United States District Court and the Second Circuit Court of Appeals, Johns-Manville will file an interlocutory appeal to the Second Circuit Court of Appeals seeking a reversal of the District Court's rulings as to class certification and J-M's motion for summary judgment. On February 25, 1982, Johns-Manville filed the formal request with the District Court for permission to file an interlocutory appeal. It is expected that the District Court will not rule on this request until at the earliest the end of May 1982.

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