LEGAL PRESENTATION

BOARD OF DIRECTORS MEETING

AUGUST 4, 1982

DENVER, COLORADO

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Abrams v. Johns-Manville

Filed: May 4, 1979

Court: United States District Court for the Southern District of New York

Plaintiff: Individual and all persons who purchased J-M stock during the period of April 1, 1975 through October 15, 1978 and who owned J-M stock on October 15, 1978.

Complaint: J-M misrepresented to the public that it had substantial defenses to the asbestos litigation, and that it had adequate insurance.

Due to misrepresentations by J-M, the market price was artificially high when these people purchased stock and that when the market later perceived the severity of the asbestos situation, the price of the stock dropped.

Damages: Plaintiff seeks lost value in the stock. Asserting the total damages are near $300 million.

Status: Class has been certified and notices will be going out to all members of the class including Manville employees.

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Abrams v. Johns-Manville

This action was commenced on May 4, 1979, in the United States District Court for the Southern District of New York on behalf of plaintiff and all persons who owned Johns-Manville Corporation ("J-M") common stock on October 15, 1978, and had purchased such stock during the period April 1, 1975, through October 15, 1978.

The central allegation of the complaint is that JM knowingly misrepresented in 10-K forms and annual reports during 1974-1977 that it had substantial defenses to asbestos related tort suits. Although plaintiff has since conceded that she never saw the JM documents which contain the alleged misrepresentations, the complaint alleges that plaintiff purchased her JM stock "in reliance on the integrity of the market" which, in turn, was allegedly adversely affected by the alleged misrepresentations and omissions in the JM documents. The complaint asserted claims based on Section 11 of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934, and Rule 10b-5 thereunder.

Determination of plaintiff's motion to have this suit certified as a class action was held in abeyance for approximately two and one-half years while JM made motions to dismiss the complaint (which resulted in dismissal of the Section 11 claim) and to disqualify a law firm which was acting as co-counsel to plaintiff (which succeeded in forcing that law firm to withdraw from this action).

Last May, JM simultaneously moved for summary judgment and submitted papers in opposition to the class motion. The principal ground in each instance was that plaintiff's claim under Rule 10b-5 must fail since her deposition testimony established that in purchasing JM stock plaintiff relied upon a certain newspaper article describing tax benefits of installing insulation, not on the "integrity of the market". Nevertheless, the district court held that plaintiff had stated a case of "fraud on the market" sufficient to withstand summary judgment and overruled JM's contention that because of plaintiff's non-reliance, she was an atypical representative of the proposed class, which would disqualify her from acting as a class representative and prevent certification of the case as a class action.

Thus, the case is proceeding as a class action, with discovery currently being conducted in preparation for a trial within approximately twelve months.

A class notice will shortly be mailed to all persons (including Manville employees) who held JM stock on October 15, 1978, and who purchased such shares between April 1, 1975, and October 15, 1978.

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ASBESTOS HEALTH LITIGATION SUMMARY

The following is a brief summary of the materials contained in this Section:

1. Litigation Volume.

As indicated on the first two charts, our litigation volume continues to grow from year to year. During the first six months of 1982 we continued to receive more lawsuits on the average per month than we received during 1981. The average number of plaintiffs per month has dropped slightly however. This trend is consistent with our view that the volume of cases will continue at a fairly high level for sometime.

2. Disposition Cost Summary.

This table depicts the changes in disposition costs for Asbestos Health litigation cases over time. As is evidenced from the table, we have seen a significant growth in the average disposition costs (which excludes legal expenses) from 1981 to 1982. The numbers in parentheses include verdicts on appeal and the numbers without parentheses exclude such verdicts.

3. Cost Information By Disease.

The three graphs following the Disposition Cost Summary chart depict the changes in disposition costs of Asbestos Health Litigation over time by the various diseases involved. These charts are based upon smoothing techniques such that extreme changes on a monthly or daily basis are smoothed to develop some trend in the data. The dotted line on each chart is the average disposition cost (excluding defense costs and punitive damages) but including all cases disposed whether for zero or for a large amount of money. The solid line on each chart depicts the average dispostion cost (excluding defense costs and punitive damages) but also excluding all cases in this disease catagory which were disposed of for no payment by the Company. The current average disposition cost for the various diseases as of this point in time are as follows:

Mesothelioma - $75,000 per case

Lung Cancer - $45,000 per case

Asbestosis - $25,000 per case

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4. Average Disposition Costs Are Rising.

This next table charts the average disposition cost (excluding defense costs but including all appeals) for the various diseases over time indicating the growth of costs and also the disparity from one disease to the other. The average dispostion cost from 1981 to 1982 (from $17,770 to $29,210) grew approximately 64%.

5. Trial Experience.

The Trial Experience table details the number of cases tried during the indicated time periods and the average cost to Johns-Manville excluding defense costs. Our defense costs are currently running approximately $65,000 per case for each case tried.

6. Trial Summary.

This table details the number of cases tried to date and our record with respect to those cases.

7. Punitive Damages - Trial Results.

The first punitive damage award against Johns-Manville arose in 1981 followed by four others during the year for an average of $376,000 per case. In the first half of 1982 we also had punitive damages assessed against the Company in five cases with the average per case rising to $844,000. During 1981 we tried a total of 34 cases and had 5 punitive damage verdicts. During the first half of 1982 we have tried 33 cases and had 5 punitive damage verdicts and thus the ratio of punitive damage verdicts to total trials is running at approximately the same level. As a general rule punitive damages are not insurable.

Summary - Asbestos Litigation Significant Developments

This table summarizes all the previous tables and includes some new information on the second page which is of interest.

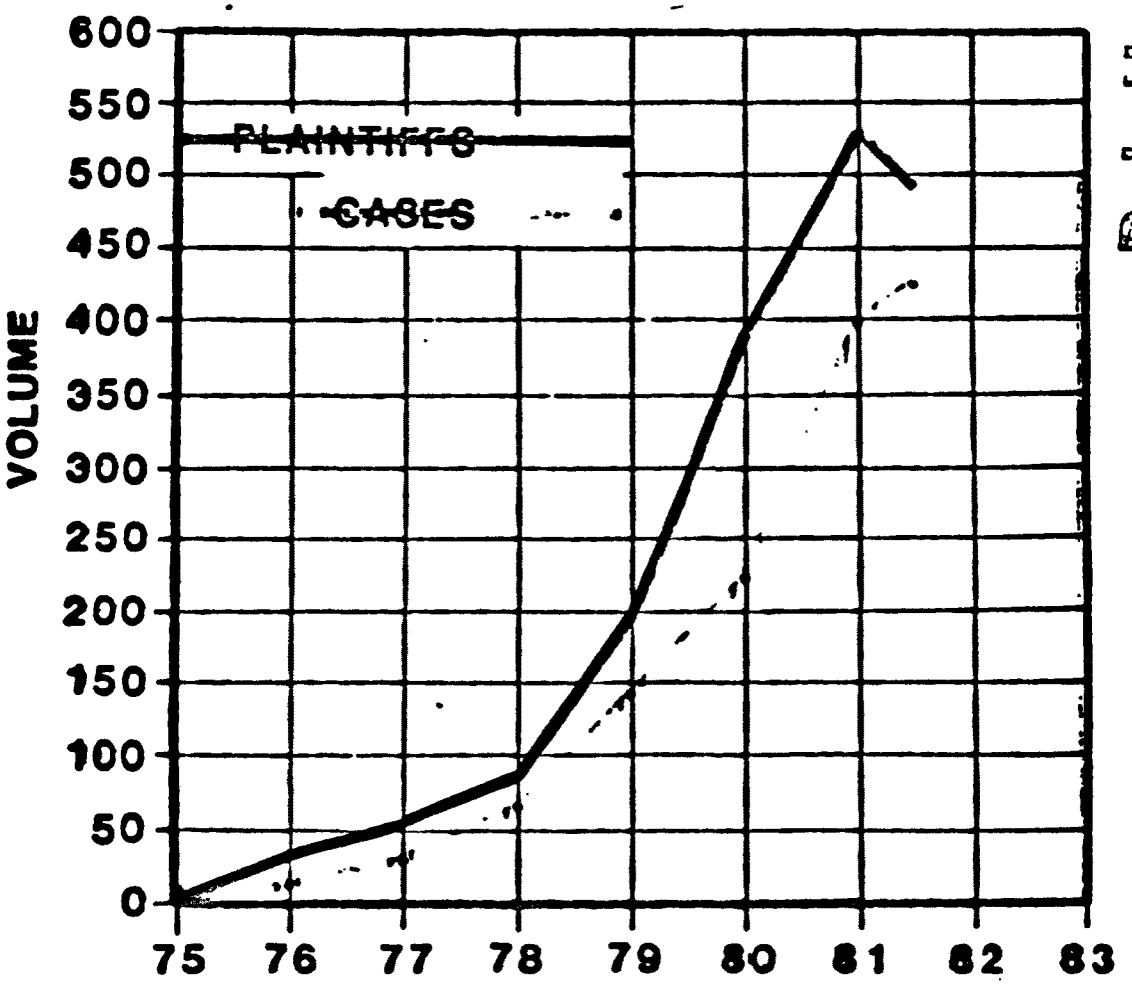
8. Asbestos Removal Cases.

During the last two months the Company has received four separate lawsuits relating to the removal of asbestos materials from public buildings and schools. These cases are detailed on the table at the end of the Asbestos Litigation Section. In addition to these four cases, the Company has received information that the City of Los Angeles (representing approximately 13,000 schools) and the State of Tennessee are both considering similar actions.

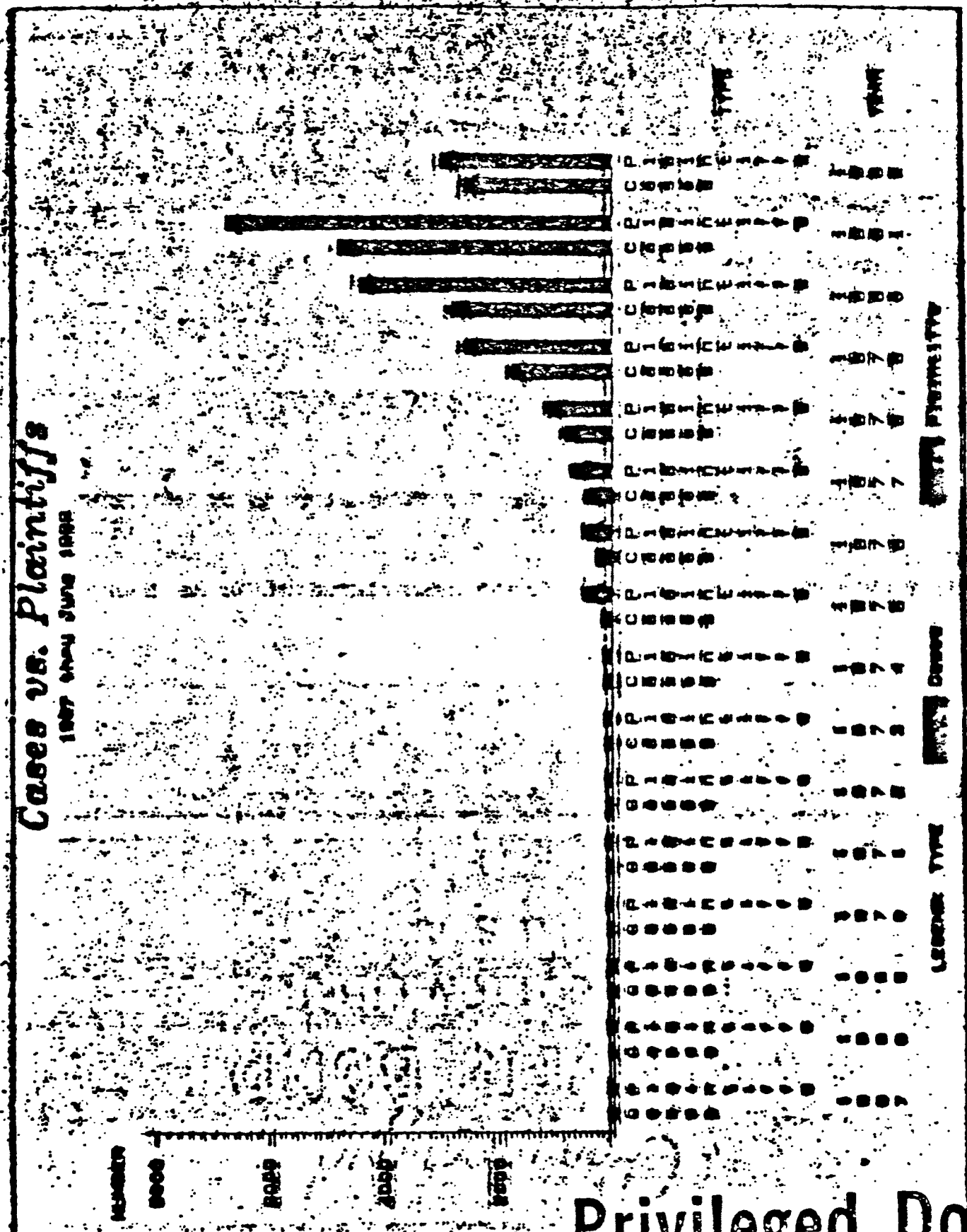
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Litigation Volume

YEAR	AVERAGE PER MONTH CASES	PLAINTIFFS
1976	13	31
1977	30	52
1978	65	83
1979	140	196
1980	222	387
1981	397	525
1982 (First 6 Months)	425	492



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DISPOSITION COST SUMMARY

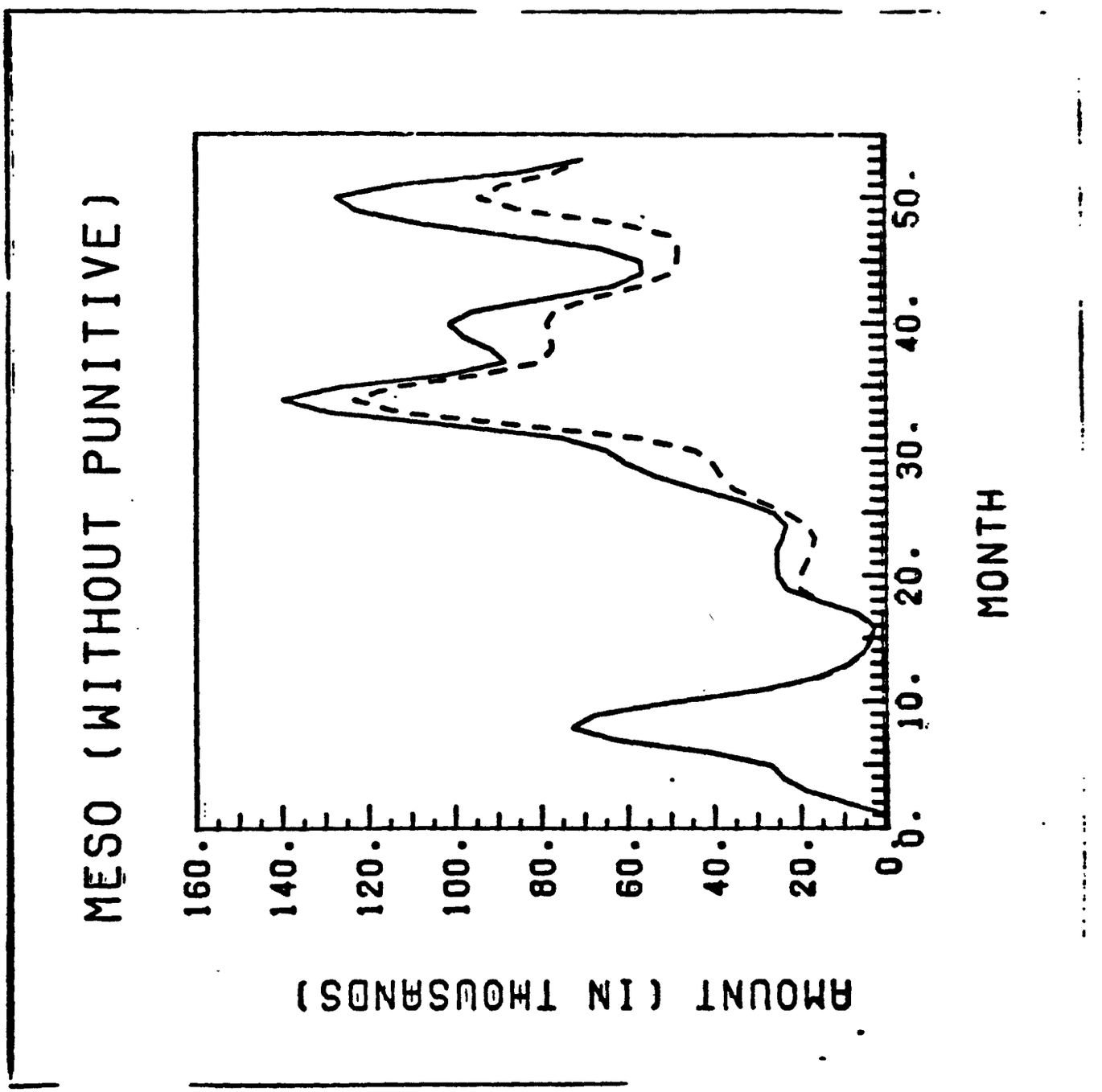
YEAR	NO. OF PLAINTIFFS	AVERAGE COST PER PLAINTIFF[A] TOTAL	J-M SHARE
Pre-1976	28	40,135	13,904
1976	21	71,244	17,544
1977	25	46,217	11,015
1978	119	71,437	21,632
1979	227	35,025	12,106
1980	471	68,759 (71,011)[B]	22,710 (24,359)[B]
1981	1912	28,528 (31,753)[B]	15,018 (17,596)[B]
1982 (1st Qtr.)	316	24,434 (35,370)[B]	13,941 (23,954)[B]
1982 (2nd Qtr.)	399	35,651 (48,561)[B]	22,357 (33,692)[B]

A - Excludes legal expenses.

B - Includes 26 verdicts now on appeal.

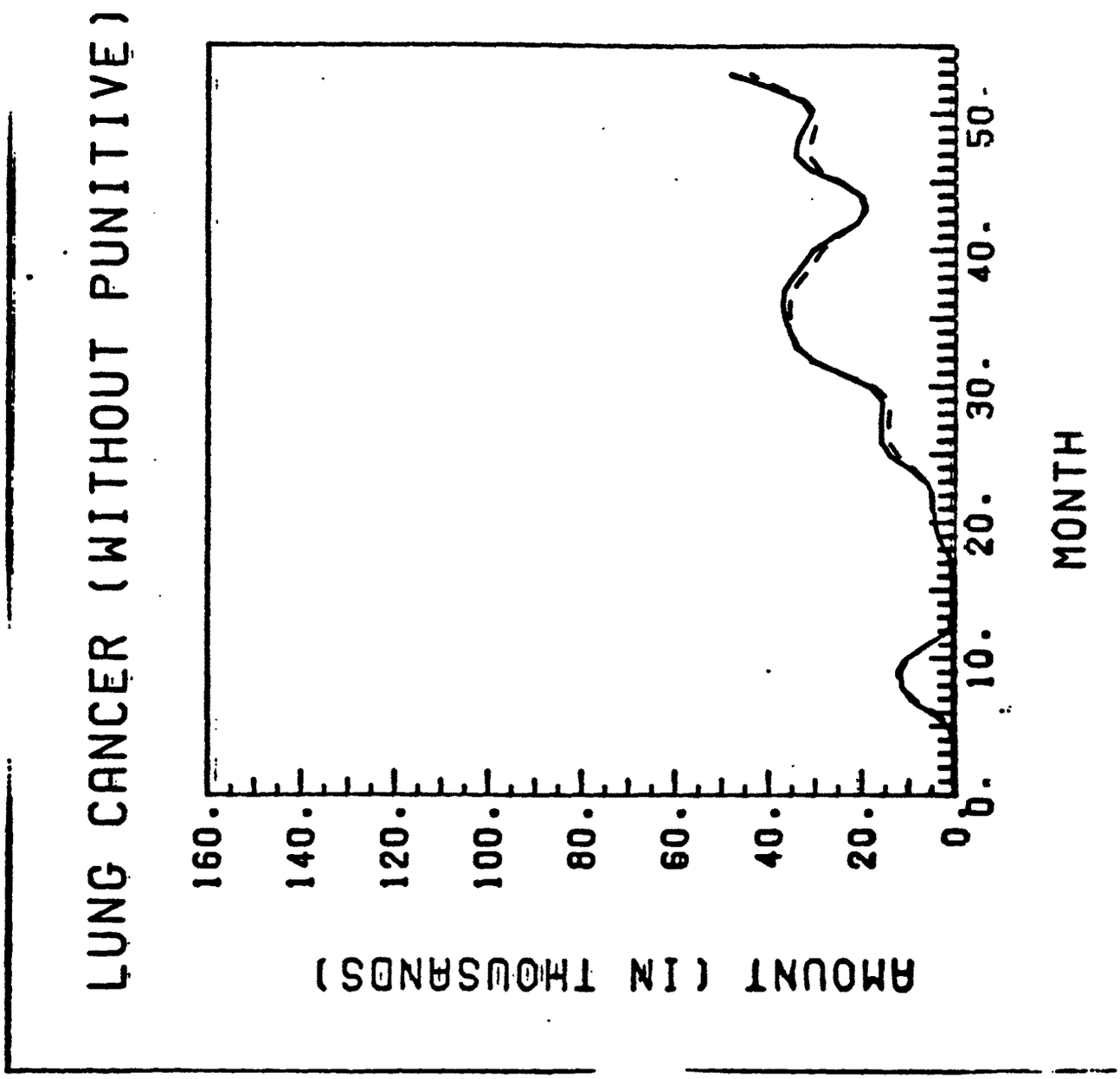
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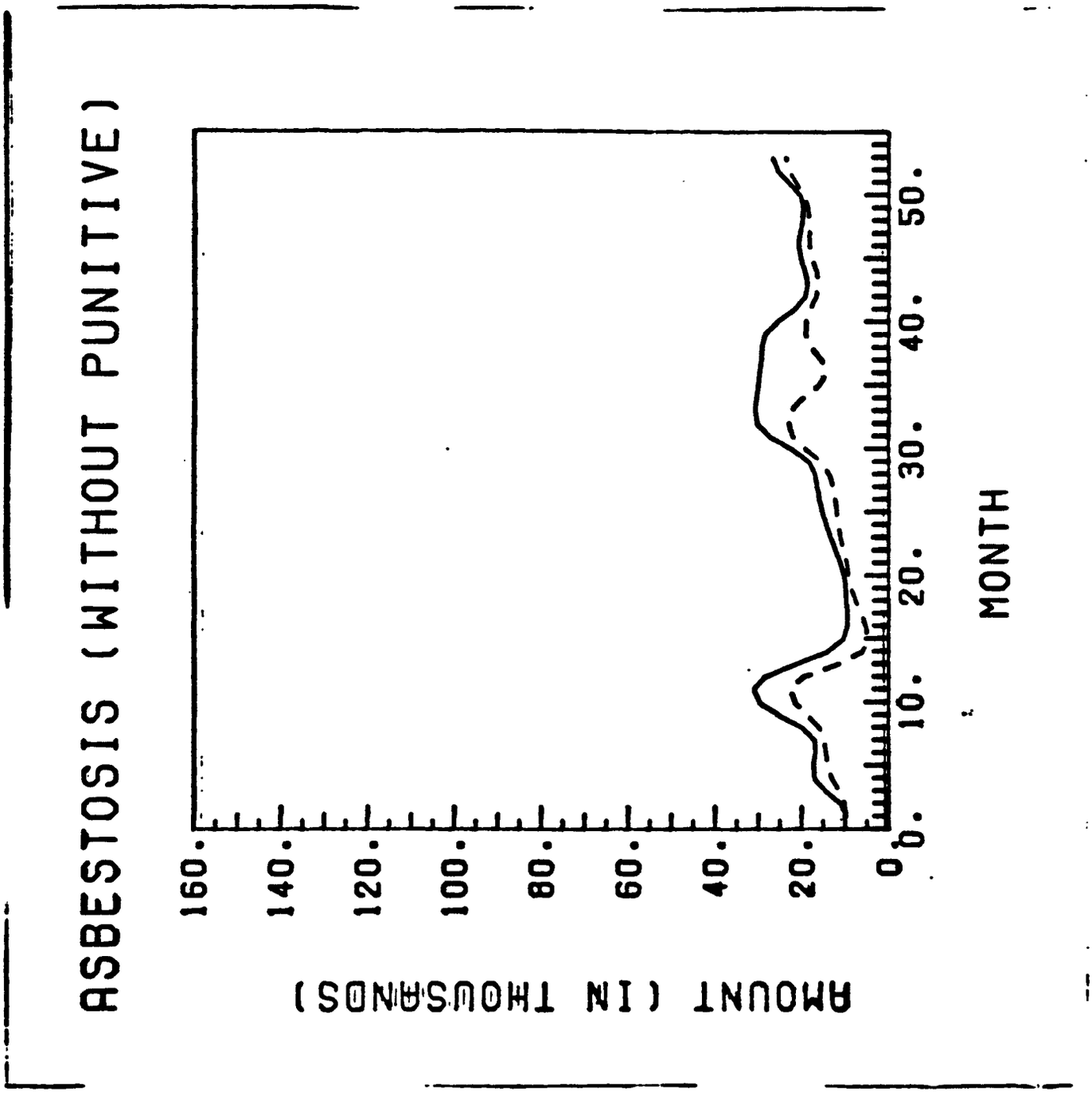
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AVERAGE DISPOSITION COSTS,
FOR MAJOR DISEASE CATEGORIES, ARE RISING
(Excluding Defense Costs)

	1980	1981	1982
Meso	$ 65,270	$ 61,940	$ 139,970
Lung Cancer	27,160	35,460	90,240
Other Cancer	10,290	16,250	22,280
Asbestosis	22,080	20,230	25,650
Other Disease	18,900	2,860	20,000
None Specified	8,340	34,260	1,160
AVERAGE	$ 24,590	$ 17,770	$ 29,210
NO. DISPOSED	(469)	(1,913)	(719)
TOTAL	$11,532,000	$33,994,000	$21,002,000

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TRIAL SUMMARY

92 Cases Tried

53 Verdicts for Plaintiffs (24 on appeal)

38 Verdicts for Defendants (2 on appeal)

1 Mistrial

1 Plaintiff verdict decided for J-M on appeal, case remanded

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TRIAL EXPERIENCE

Year	Number of Cases Ex/Appeals	Number of Cases Incl/Appeals	J-M Average Share/Case Ex. Appeals	J-M Average Share/Case Incl. Appeals
1974	1	1	$ 9,750	$ 9,750
1975	1	1	214,079	214,079
1976	2	2	5,500	5,500
1977	4	4	1,686	1,686
1978	4	4	71,000	71,000
1979	6	6	141,583	141,583
1980	5	6	50,000	174,862
1981	22	34	27,674	175,812
1982	20	33	21,515	254,424

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TRIAL RESULTS

Punitive Damages

Year	Number of Cases	Average of Punitive Damages
1981	5	$ 376,600
1982	5	844,000

Summary

Of 44 courts to consider punitive damages, only 10 have returned a verdict of punitive damages.

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SUMMARY

ASBESTOS LITIGATION SIGNIFICANT DEVELOPMENTS

1) VOLUME:

YEAR	CASES	MONTHLY AVERAGES PLAINTIFFS
Pre-1979	101	175
1980	231	364
1981	397	558
1982 (through 2nd quarter)	425	492
Total - Received to Date	13,247	19,061
Total - Open as of 6/30/82	10,977	15,542

2) COSTS:

OVERALL AVERAGES

Excluding Defense Costs

YEAR	NUMBER OF PLAINTIFFS	J-M AVERAGE	
Pre-1980	420	15,132	
1980	471	22,710	(24,359)
1981	1912	15,018	(17,596)
1982-1st Qtr.	316	13,941	(23,954)
2nd Qtr.	399	22,357	(33,692)

Current Average Costs By Disease

	Damages	Defense	Total
Meso	75,000	7,500	82,500
Lung Cancer	45,000	7,500	52,500
Asbestosis	25,000	7,500	32,500
All Diseases	32,500	7,500	40,000

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3) TRIALS

	Total	1982
Won	38	13
Lost	53	20
	91	33

PUNITIVE DAMAGES AWARDED IN 1982 --

- HANSEN $1,000,000
- BUNCH $220,000
- DORELL $1,000,000
- JACKSON $500,000
- CAVETT $1,500,000

4) CLASS ACTIONS

A) NO CHANGE -- NO CLASS HAS YET BEEN CERTIFIED

5) NEW JERSEY SUPREME COURT ELIMINATED STATE OF THE ART DEFENSE.

6) COLLATERAL ESTOPPEL HAS BEEN DENIED BY THE U.S. FIFTH CIRCUIT COURT OF APPEALS.

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Asbestos Removal Cases

Schools and Public Buildings

History

1. June 14, 1980: Asbestos School Hazard Detection and Control Act passed identifying asbestos hazard in schools and requiring Attorney General to report on responsibility.

2. September 21, 1981: Attorney General's Asbestos Liability Report to Congress published. Urged school districts to seek counsel to initiate lawsuits for removal. Report specifically identified Johns-Manville as a major supplier of asbestos.

3. May 27, 1982: EPA issued final rule on asbestos materials in schools requiring schools to do certain things including identification of asbestos, instruction to employees and inspection. (110,000 schools estimated)

4. Result: Six lawsuits have now been filed.

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Asbestos Removal Cases

1. School District of Lancaster vs. Asarco, Johns-Manville, et al.
   Class action on behalf of all public and private educational entities in the State of Pennsylvania seeking removal of asbestos material.

2. City of Erie vs. Asarco, Johns-Manville, et al.
   Class action on behalf of all government entities which own or administer buildings in Pennsylvania seeking removal of asbestos, plus other damages.

3. School District of Philadelphia vs. Johns-Manville, et al.
   Suit by school district for removal of asbestos.

4. Richland County School District vs. Johns-Manville, et al.
   Seeks removal of asbestos from all schools in the state of South Carolina.

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INSURANCE LITIGATION SUMMARY

The following is a brief summary of the materials contained in this Section:

1. The first chart is a chart of the insurance coverages Johns-Manville believes it has commencing in 1934 and running through 1980. All of this coverage is the subject of various items of litigation described in the next chart. The total amount of insurance from 1934 through 1980 aggregates in excess of $600 million.

2. The second chart of this section details the five items of litigation the Company is currently involved in and relating to its insurance coverages. The less significant item of litigation is the San Francisco litigation under item four which encompasses substantially all of our insurance coverages detailed on the preceding table. This litigation, which was filed in March of 1980, is now not expected to reach final judgement until late 1987.

The Boston case under item one is proceeding toward trial some time in 1983. Decisions with respect to the this case are being made at this time as Boston represents the only jurisdiction in the United States to adopt a manifestation type of coverage theory. Johns-Manville is espousing an exposure type of coverage theory.

The Montreal case described under item two is proceeding towards trial in May of 1983 and we continue to be very optimistic about the results of that case.

3. In connection with the insurance litigation we have commenced settlement discussions with a number of the parties involved in the San Francisco case. More specifically, we have been in settlement discussions with the Home Insurance Company (representing approximately 20% of the total coverages). Those discussions are nearing the point in time when final agreement will be achieved with the Home Insurance Company. Assuming such agreement is reached, final settlement with the Home involves the Home Insurance Company receiving approval from all of its reinsurers. While we do not know the total number of companies and individuals involved in this reinsurance, we expect that the number is in excess of 50 individual parties. We are doing everything possible in attempts to achieve this settlement and receipt of funds before the end of year. If such settlement is forthcoming, it will result in approximately $65 million in cash being paid to the Company of which $40 million would be free for immediate use by the Company and the other $25 million being potentially subject to restriction.

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Manville Legal Department Presentation to the Board on Asbestos Litigation (1982)
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19[illegible]-1945	1945-1947	1947-1951	1[illegible]-1953	[illegible]3-1960	1960-[illegible]3	1963-1965
[C.U.]	C.U. 150,000* (25,000-PD)	Travelers 500,000 (100,000-PD)	Travelers 500,000 (100,000-PD)	Travelers 500,000 (100,000-PD)	Travelers 500,000 (100,000-PD)	Travelers 500,000 (100,000-PD)
		[Peerless] (Limits Unknown)	[London Mkt.] 2,000,000*	Lloyds 1,000,000*	[C.U.] 1,000,000	Home 7,000,000
				Lloyds 4,000,000	Lloyds 4,000,000	7,500,000
					$5,500,000	

1965-1971	1971-1972	1972-1975	1975-1976	1976-1977	1977-1978	1978-1979	1979-1980
Travelers 500,000 (100,000-PD)	Travelers 500,000 (100,000-PD)	Travelers 500,000 (PD-250,000- 1,000,000-1974-5	Travelers 2,000,000	Self-Insured $3,500,000	Rocky Mountain 5,000,000	Rocky Mountain 12,500,000 (3,500,000)**	Self-Insured $12,500,000 (3,500,000)**
Home 10,000,000	Home 10,000,000	Home 10,000,000	Home 4,000,000	Manhattan 3,000,000	United Ins. via Rocky Mtn. 1,000,000	Lloyds 5,000,000	Lloyds 5,000,000
INA CNA C.U. 15,000,000	INA CNA C.U. 15,000,000	Midland 15,000,000	Northbrook 15,000,000	Northbrook 5,000,000	Northbrook 7,000,000	Lloyds 5,000,000	Lloyds 5,000,000
$25,500,000	Midland 10,000,000	Home CNA 10,000,000	Lexington 5,000,000	Colombia 5,000,000	Northbrook 5,000,000	Lloyds Lexington National Union 15,000,000	Lloyds National Union ISLIC 15,000,000
	$35,500,000	$35,500,000	Home Aetna 10,000,000	National Union 5,000,000	Puritan National Union 5,000,000	AIU The Aetna 10,000,000	The Aetna AIU Midland 10,000,000
			$37,000,000	Lexington American Re 5,000,000	Lexington American Re 5,000,000	Prudential Re AIU American Re National Union 15,000,000	Gibralter AIU National Union Northeastern ISLIC Lexington Centaur 15,000,000
				Granite State The Aetna 10,000,000	The Aetna Granite State 10,000,000	$62,500,000	
				Granite State Prudential Re First State Highlands 15,000,000	Granite State Prudential Re National Union Puritan 15,000,000		National Union Lloyds Granite State INSCO [Missing Policy] 10,000,000
				Puritan 2,000,000	National Union 2,000,000		72,500,000
				$53,500,000	$55,000,000		

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LEGEND
[Insurer] — Policy Missing or Incomplete
* — No annual aggregates for BI. Figures shown are per person or "any one accident or occurrence" where there are no separate per person limits.
** — Non Asbestos Products

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INSURANCE LITIGATION

1. BOSTON — COMMERCIAL UNION VS. JOHNS-MANVILLE
   - A) Filed: January 4, 1979
   - B) Coverage: 1934 - 1948 Primary U.S.
   - C) $37 Million Plus Costs of Defense

2. MONTREAL — CANADIAN INDEMNITY VS. CANADIAN J-M
   - A) Filed: August 8, 1979
   - B) Coverage: 1970 - 1976 Canadian Primary
   - C) $8 Million

3. TORONTO — J-M CANADA VS. SUN ALLIANCE
   - A) Filed: November 2, 1979
   - B) Coverage: 1946 - 1970 Canadian Primary
   - C) $12 Million

4. SAN FRANCISCO — JOHNS-MANVILLE VS. THE HOME
   - A) Filed: March 31, 1980
   - B) Coverage: 1947 - 1980 Primary and Excess - U.S. and Canada
   - C) $500 - $600 Million

5. SAN FRANCISCO — JOHNS-MANVILLE VS. MARSH & MCLENNAN
   - A) Filed: November 23, 1981
   - B) Broker Negligence
   - C) General Damage Plus 700 Million Punitive

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PROJECTION SUMMARY

The following is a brief summary of the materials in this Section:

1. The first table contains a summary of seven independent studies done by individuals in the past attempting to project annual cancer deaths associated with asbestos. These projections range from 68,000 annual cancer deaths per year down to 4,000 annual cancer deaths per year. Substantially all of the studies include asbestos related annual cancer deaths through the year 2000 and many of them project cancer deaths associated with asbestos exposure beyond the year 2000.

In a later table we have indicated the results of the Company's sponsored studies in comparison with each of the seven listed on this first table.

2. Pages two and three of this section contain a chronological summary of the statements made by Johns-Manville Corporation concerning Asbestos Health litigation. These are the statements prepared and submitted by the Company with its Annual Reports filed with the Securities and Exchange Commission each year. In summary fashion, the statements run from "No Statement" in 1977 to "No Material Adverse Effect" in 1978 and in 1979 culminating with "The ultimate liability cannot be estimated with any degree of reliability... the cost to the Company could be substantial". This is the current statement being used by the Company as late as the Annual Report for 1981. One of the central questions we must face of course is are we now in a position that "such amounts can be reasonably estimated". If so, the proper accounting treatment must be resolved.

3. Projection Summary.

This table summarizes the cost projections made by the Comany at various points in time commencing in 1980. Under the 1980 catagory, the "STAT" column is merely a statistical projection of cases over a period of time using curve fitting techniques. The internal projections were projections made by the Legal Department.

4. Chronology of Projection Projects.

This table details the chronology of events leading to completion of the Epidemiological study and associated cost projections described later in this material.

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5. Lag Committee Members.

This table identifies the participants in the Litigation Analysis Group established to assist the Company in a number of litigation projects, initially with respect to insurance settlements. It is out of this group the projection studies evolved. This group has been extensively involved in all aspects of the projections including critique, analyses and modifications as necessary. Further, this group has been involved in considering alternative responses the corporation may make to the results of the analyses.

6. Consultants and Experts.

This table and the two pages following identify the principal consultants involved in the projection projects and the individuals from each of the groups principally involved. The first two groups, Epidemiology Resources, Inc. and Statistics & Epidemiology Research Corporation were involved in the development of the disease projections for the future. The third and fourth groups being Lexecon Inc. and Sarat/Kritzer were employed to assist us in evaluating the propensity of individuals developing diseases in the future to acutally bring a lawsuit against the Company.

7. Meso Lawsuits, Number of Asbestosis Lawsuits and Rate of Lung Cancer Lawsuits.

These three graphs depict the projections of new lawsuits to be filed under the various disease catagories out into the future. These graphs result from a combination of the disease projection work done by the Epidemiologists with the propensity to sue work done by the Lexecon and Sarat/Kritzer groups. The numbers shown for 1981 are actual numbers with the projections keyed from that point on. With respect to each of the diseases excecpt for Mesothelioma, we are projecting a sharp drop off in the number of lawsuits commencing almost immediately. For Mesothelioma, we are expecting a gradual rise through approximately 1990 or 1991 and then a drop off through the year 2001. The projections done include projecting lawsuits beyond the year 2001, however, we have stopped all projections at that point.

The numbers on each graph are the number of new lawsuits each year.

8. Disease Projection Comparative Table.

This is a repeat of the first table in the Section now adding the Company's projection of diseases. It is important to note that the Company's projection of diseases for cancer include not just deaths but also disabilities. It is our understanding that the seven other studies relate only to deaths and therefore the Company's number may be inflated slightly as it includes more potential claimants.

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The significance of this chart is that the Company's projection of asbestos related cancer deaths and disabilities is significantly below any of the other studies done by other groups.

9. Cost Assumptions.

The cost assumptions are the result of the smoothing techniques applied to historical cost data. In each case, the average used is slightly below the current average experience by the Company for each of the diseases. Please refer back to the three graphs under the Asbestos Litigation section for reference.

The current average defense cost is the current average cost experienced by the Company to defend cases from start to completion via settlement or other disposition.

10. LAG Projection.

This table summarizes the projection completed by the Company. This projection is of course based upon the Epidemiological studies described previously, the cost estimates described earlier and certain other conservative assumptions described later in this section.

11. Projection Summary.

This table summarizes the projections made by the Company since 1980 including the most recent ones. The 1982 projections include an Internal projection which was made on the basis of assuming that by the end of 1982 we will have received one-half of all lawsuits ever to be received and further assuming that our current cost averages will stay at approximately the current rate out into the future. The LAG projection is of course the projection summarized on the preceeding page.

12. Conservative Assumptions.

This table identifies some of the conservative assumptions built in the projection. Where possible, we have attempted to base the analyses on conservative assumptions and believe that we have in fact done so.

13. Cash Flow Analysis

This table details a cash flow scenario for disposition of the currently pending cases together with disposition of the cases anticipated to be received in the future (based upon the LAG projections). It also assumes collection of $65 million in 1982 and $50 million between 1983 and 1984 from Insurance companies through settlement of pieces of the insurance litigation. The bulk of the insurance proceeds are anticipated to be received by late 1987.

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14. Accounting Treatment

This sheet is merely a hypothetical illustration of one method of accounting treatment for the Asbestos litigation contingency. This treatment assumes that we must record the probable liability for the backlog of existing cases as of December 31, 1982. Against that propably liability we offset available insurance leaving a net positive position of insurance. This treatment also assumes that then each quarter into the future we must record the probable liability associated with the cases received during that quarter. Based upon our projections for 1983 this would result in approximately $41 million being recorded each quarter with a total net write-off for the year of $145 million.

If this treatment were in fact adopted by the Company and acceptable to the accounting profession, each year into the future we would record on a quarterly basis the probable liability to the Company of newly filed cases.

15. Effective Backlog.

The final table is another potential accounting treatment done for illustration purposes only. This treatment assumes that we must record all the cases received by the end of 1982 together with all of the cases to be received during the year 1983 on the assumption that at least through 1983 receipt of cases is probable. Based upon this assumption and applying the average disposition cost developed as part of the Lag projections results in a total impact of $715 million against which available insurance could be offset. We currently have an estimated $570 million worth of insurance to be available to the Company over a period of time. If we would not be required to present value the insurance coverages we would end up with a $145 million earnings impact under this scenario. If we must present value the insurance coverages prior to offsetting against cost, this would raise the write-off to approximately $325 - $350 million.

It must be emphasized that this accounting treatment page and the previous one are merely hypothetical assumptions at this point in time.

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DISEASE PROJECTION COMPARATIVE TABLE

STUDY	ANNUAL CANCER DEATHS	CUMULATIVE TOTAL BY YEAR 2000*
1. CALIFANO "Estimates Paper"	68,000	1,360,000
2. SELIKOFF	9,000-12,500	180,000-250,000**
3. HOGAN & HOEL	12,000	300,000** (Since 1975)
4. NICHOLSON	8,500-10,000	185,000**
5. MAC AVOY	4,500-12,000	135,000-726,000** (by 2010)
6. SCHWEIKER COMMENTS	4,000-12,000	NO PROJECTION
7. ENTERLINE	4,000-4,500	80,000-90,000

* 1980-2000
** Projects deaths beyond 2000

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Manville Legal Department Presentation to the Board on Asbestos Litigation (1982)
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STATEMENTS CONCERNING ASBESTOS HEALTH LITIGATION, LIABILITY THEREFROM, and INSURANCE COVERAGE THEREFORE, FROM ANNUAL REPORTS 1977-1981

YEAR	NUMBER OF CLAIMS	
1977	(540)1	NO STATEMENT
1978	1500	Management believes that policies of insurance maintained provide adequate coverage for any amounts the Company may be obligated to pay as a result of the pending asbestos health cases with the possible exception of actions by employees of the Company and of punitive damages directly alleged against the Company in some cases. In the opinion of Management, any ultimate liability will not have a material adverse effect on the Company's consolidated financial position or results of operations.
1979	4100 (2707)	Same statement as 1978
1980	9300 (5087)	The growth in these two areas (volume and costs) has significantly increased the uncertainties as to the future number of similar claims which J-M may receive, and the future disposition costs of the pending and future claims... Because of the uncertainties associated with the abestos/ health litigation, and in spite of the substantial defenses the Company believes it has with respect to these claims, the eventual outcome of the asbestos/health litigation cannot be predicted at this time and the ultimate liability of the Company after application of available insurance cannot be "estimated with any degree of reliability."(2) No reasonable estimate of loss can be made an no liability has been recorded in the financial statements. Liabilities, if any, relating to asbestos/health litigation will be recorded in accordance with
1981	12,800 (9300)	

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generally accepted accounting principles when such amounts can be reasonably estimated. Depending on how and when these uncertainties are resolved, the cost to the Company could be substantial.

(1) Figures in parentheses represent cases, those without parentheses represent plaintiffs. These figures were not shown in the Annual Report until 1980.

(2) Quoted language is the '80 language. The '81 language is "reasonably determined in accordance with Financial Accounting Standards Board Statement No. 5, Accounting for Contingencies."

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PROJECTION SUMMARY

	1980[A]		1981[B]
	STAT.	INTERNAL	INTERNAL
PLAINTIFFS	18,963	15,500	32,500
COST/ PLAINTIFF	$63,500	$62,900	$46,925
	$1,204.2	$974.9	$1,525.1
- INSURANCE	600.0	600.0	698.0
NET COST	$604.2	$374.9	$827.1

A 1980 - 5,000 Plaintiffs at time of Projection. Projection for 10 years.

B 1981 - 10,000 Plaintiffs at time of Projection. Projection for 10 years.

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CHRONOLOGY OF PROJECTION PROJECTS

March, 1981:	Von Wald memo re need for projection of future asbestos-health cases.
April-May, 1981:	Counsel work with H,S&E to develop protocol.
May, 1981:	H,S&E contacts consulting epidemiology research groups and evaluates proposals from them.
June, 1981:	Epidemiology Research, Inc. (E.R.I.) of Boston is selected as consultant and outlines 3-phase approach.
July 27, 1981:	E.R.I. presents their phase 1 analysis: Preparation of Methodology for initial projection of number of diseased persons to J-M legal staff, outside counsel and H,S&E.
August-December, 1981:	The Phase 2 survey - Nationwide re prevalence of occupational exposure to asbestos is structured.
January-February, 1982:	Dr. Alec Walker of E.R.I. becomes involved in the integration of phases 1 and 2 and develops an analytical model to predict future disease, using current mesothelioma statistics to "back calculate" the size of the exposed workforce still living which would have had to exist for such current disease to manifest. Using actuarial methods and known exposure-disease incidence curves, future diseases can be calculated.
March 1, 1982:	First E.R.I. presentation methodology and conclusions to L.A.G.
April, 1982:	Lexecon, Inc., and Sarat/Kritzer selected to undertake propensity analysis. Search begins for consultants to conduct peer review of E.R.I. methodology.
May, 1982:	Professors Breslow (Biostatistics) and Weiss (Epidemiology) of the University of Washington and members of the Statistics and Epidemiology Research Corporation (S.E.R.C.), are selected as consultants to confirm E.R.I. methodology.
July, 1982:	Work on all projects culminates in presentations to L.A.G. by the epidemiologists (E.R.I., and S.E.R.C.) and the propensity to sue analysits (Lexecon and the Sarat group)

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LAG COMMITTEE MEMBERS

Richard B. Von Wald, Chairman

	MEMBERS
Davis Polk & Wardwell New York, New York	James W. B. Benkard, Partner
	Stephen H. Case, Partner
Martori, Meyer, Hendricks & Victor Phoenix, Arizona	Paul J. Meyer, Senior Partner
	James B. Scarboro, Partner
Heller, Ehrman, White & McAuliffe San Francisco, California	Curtis M. Caton, Senior Partner
Litigation Risk Analysis Menlo Park, California	Marc B. Victor, President
Manville Corporation	G. Earl Parker, Senior Vice President Law & Public Affairs and Secretary
	Dennis H. Markusson, Assistant Corporate Counsel
	Christina K. Bearman, Associate Corporate Counsel

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CONSULTANTS & EXPERTS

1. Epidemiology Resources, Inc.
   Boston, Massachusetts

   E.R.I., is a unique health Research firm focusing on the planning, conduct and interpretation of epidemiologic studies.

2. Statistics & Epidemiology Research Corporation,
   Seattle, Washington

   S.E.R.C. is a research firm comprised of scientists, academics and consultants from the University of Washington and Seattle area.

3. Lexecon Inc.
   Chicago, Illinois

   Lexecon Inc. is an economics-based consulting group which specializes in providing legal-economic services.

4. Sarat/Kritzer

   Professors Sarat and Kritzer are joint authors and researchers in the area of propensity to claim in disputes involving consumer complaints, product claims and automobile accidents.

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Manville Legal Department Presentation to the Board on Asbestos Litigation (1982)
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1.	Epidemiology Resources, Inc. Boston, Massachusetts E.R.I., is a unique health Research firm focusing on the planning, conduct and interpretation of epidemiologic studies.	Dr. Alexander Walker	Ph.D. ., Epidemiology Harvard School of Public Health M.D., Harvard School of Public Health M.P.H., Assistant Professor of Epidemiology, Harvard School of Public Health
		Dr. Kenneth Rotham	Ph.D ., Epidemiology and Biostatistics, Harvard School of Public Health M.P.H., Harvard School of Public Health D.M.D., Dental Medicine Harvard School Dental Medicine Associate Professor of Epidemiology, Harvard School of Public Health
2.	Statistics & Epidemiology Research Corporation, Seattle, Washington S.E.R.C. is a research firm comprised of scientists, academics and consultants from the University of Washington and Seattle area.	Dr. Noel Weiss	Ph.D ., Epidemiology and Biostatistics, Harvard School of Public Health M.P.H., Harvard School of Public Health M.D., Stanford University Professor of Epidemiology, University of Washington
		Dr. Norman Breslow	Ph.D., Biostatistics Stanford University Professor of Biostatistics, University of Washington
3.	Lexecon Inc. Chicago, Illinois Lexecon Inc. is an economics-based consulting group which	Dennis W. Carlton	Ph.D., Economics Massachusetts Institute of Technology M.S., Operations Research Massachusetts Institute of

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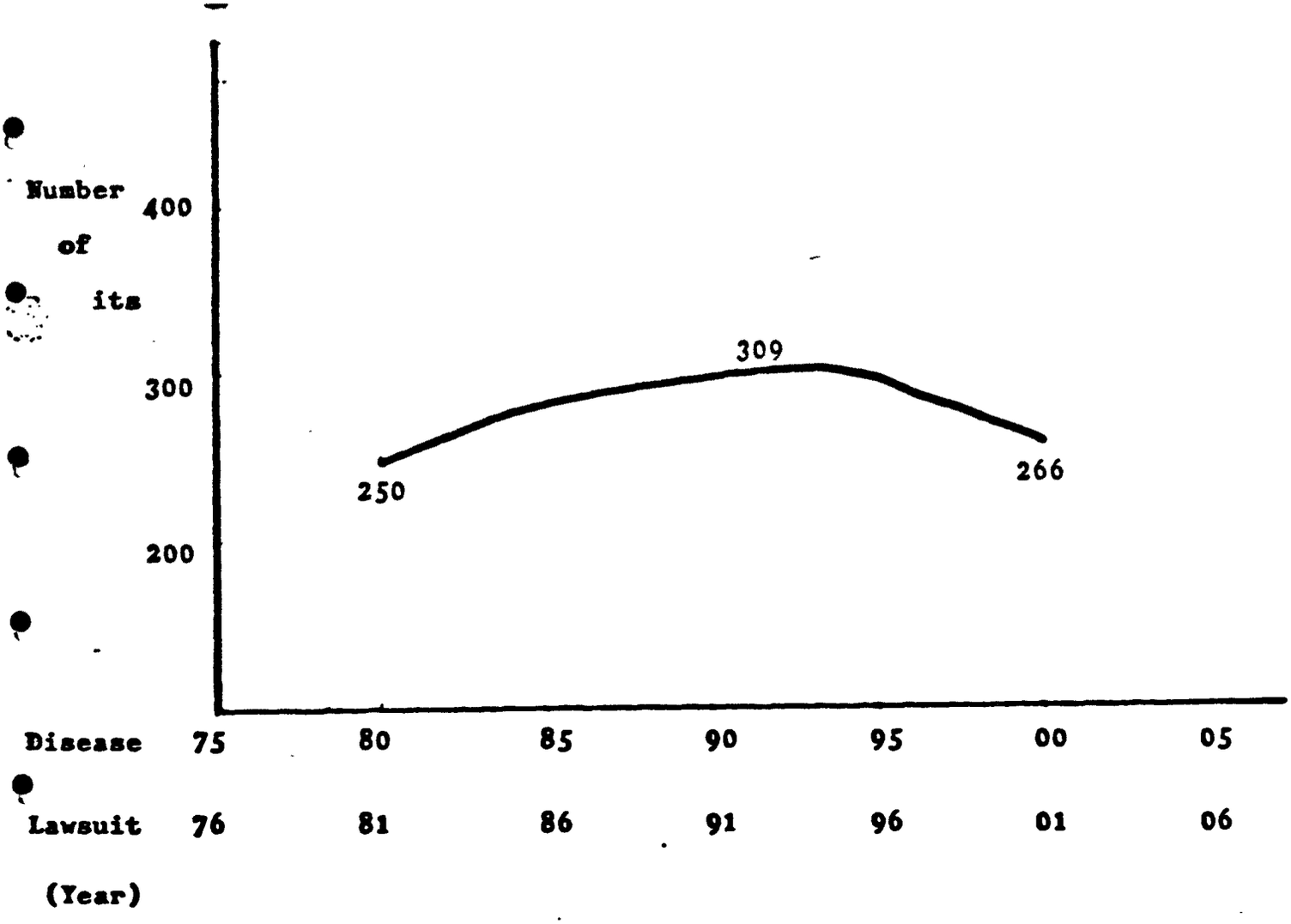
Manville Legal Department Presentation to the Board on Asbestos Litigation (1982)
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specializes in providing legal-economic services.		Technology B.A., Economics and Applied Math, Harvard University Professor of Economics, University of Chicago, Law School
	Elisabeth M. Landes	Ph.D., Economics, Columbia University Graduate Study, Economics, University of Chicago A.B., Mathematics, Radcliffe College Senior Economist, Lexecon Inc.
4. Sarat/Kritzer Professors Sarat and Kritzer are joint authors and researchers in the area of propensity to claim in disputes involving consumer complaints, product claims and automobile accidents.	Austin D. Sarat	Ph.D., Political Science, University of Wisconsin M.A., Political Science University of Wisconsin Associate Professor of Political Science, Amherst College
	Herbert M. Kritzer	Ph.D., Political Science, University of North Carolina Associate Professor of Political Science, University of Wisconsin

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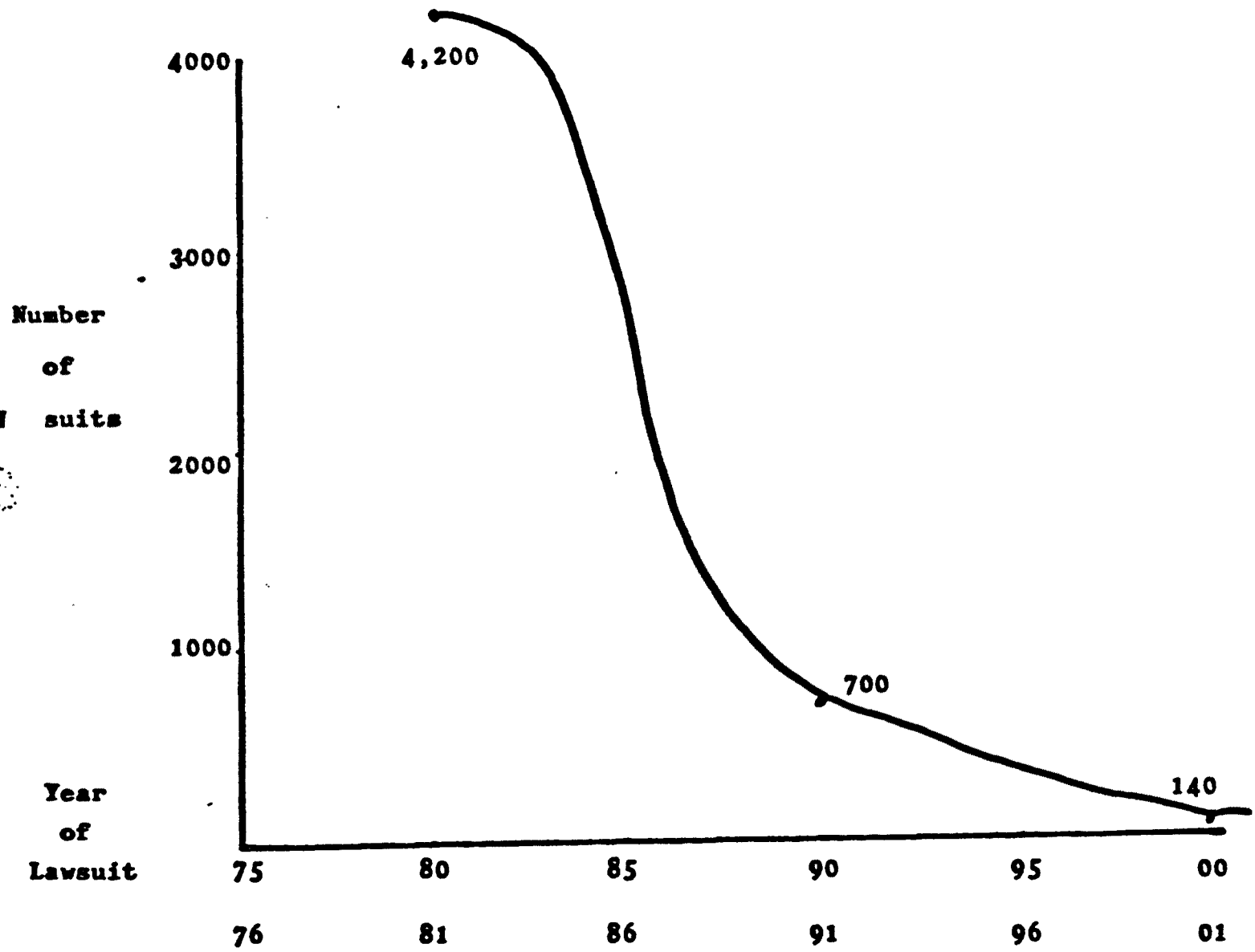
HIGH RATE OF MESO LAWSUITS WILL CONTINUE EVEN WITHOUT FURTHER INCREASES IN PROPENSITY TO SUE



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NUMBER OF ASBESTOSIS (INCLUDING ALL NON-CANCER) LAWSUITS WILL BE SUBSTANTIAL IN NEXT 5 YEARS, BUT WILL DROP OFF RAPIDLY THEREAFTER

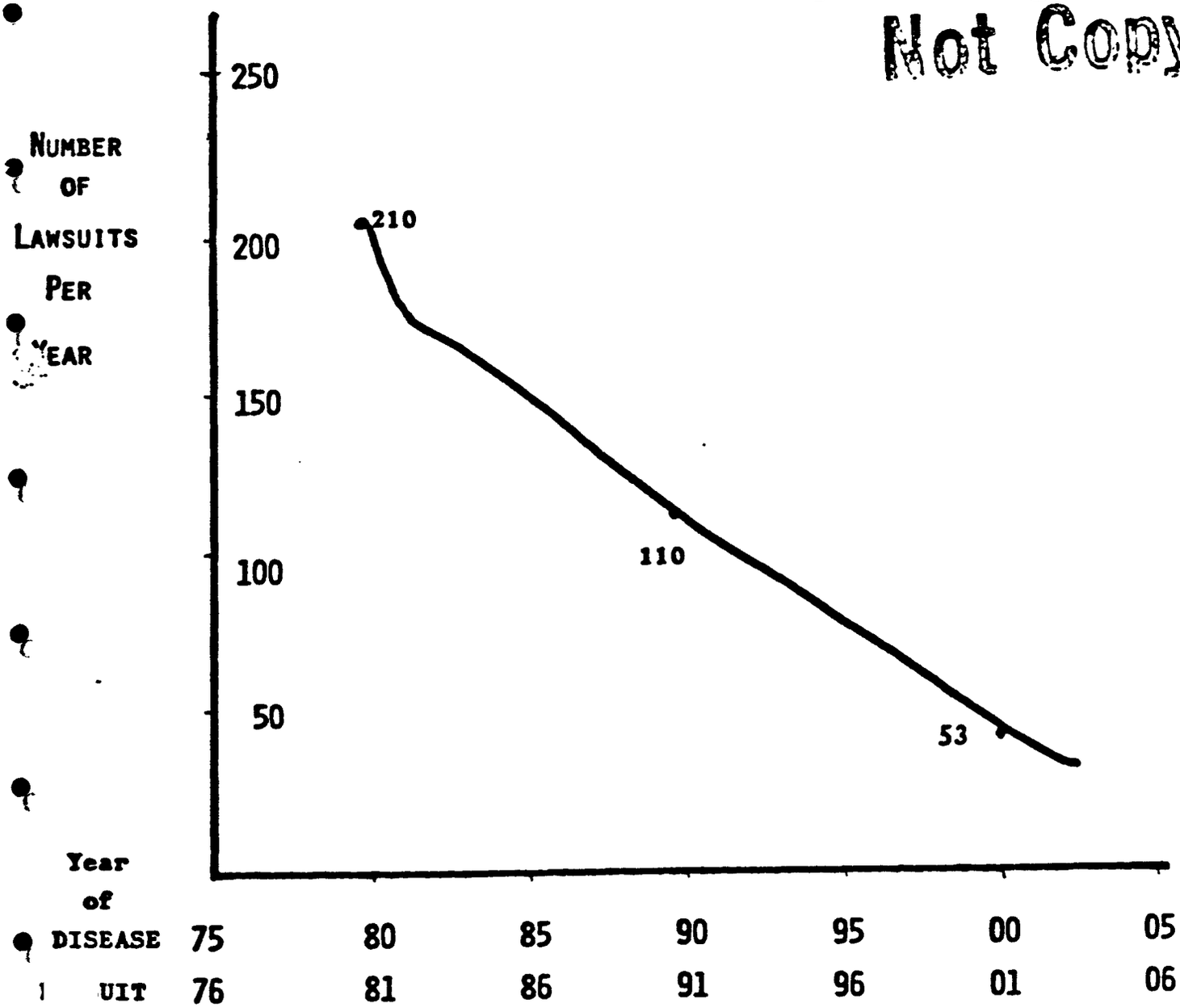


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RATE OF LUNG CANCER LAWSUITS WILL DECLINE ABOUT 5% PER YEAR ASSUMING NO FURTHER INCREASE IN PROPENSITY TO SUE

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DISEASE PROJECTION COMPARATIVE TABLE

STUDY	ANNUAL CANCER DEATHS	CUMULATIVE TOTAL BY YEAR 2000*
1. CALIFANO "Estimates Paper"	68,000	1,360,000
2. SELIKOFF	9,000-12,500	180,000-250,000**
3. HOGAN & HOEL	12,000	300,000** (Since 1975)
4. NICHOLSON	8,500-10,000	185,000**
5. MAC AVOY	4,500-12,000	135,000-726,000** (by 2010)
6. SCHWEIKER COMMENTS	4,000-12,000	NO PROJECTION
7. ENTERLINE	4,000-4,500	80,000-90,000
8. J-M	3,120	62,387**

* 1980-2000
** Projects deaths beyond 2000

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COST ASSUMPTIONS

Average per Plaintiff

	Meso	Lung Cancer	Asbestosis
Current Average[a] damages	$75,000	$45,000	$25,000
Current average defense costs	$7,500	$7,500	$7,500
Total	$82,500	$52,300	$32,500

[a] Based on Kritzer smoothing

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LAG PROJECTION
(August 4, 1982)
($000)

	NO. OF LAWSUITS	AVERAGE DISPOSITION COSTS	AVERAGE DEFENSE COSTS	TOTAL
MESO				
12/31/81				
Backlog	569	75.0	7.5	$ 46,900
1982-2001	5,777	75.0	7.5	476,600
LUNG CANCER				
12/31/81				
Backlog	506	45.0	7.5	26,200
1982-2001	2,304	45.0	7.5	121,000
ASBESTOSIS				
Thru 3/81	8,208	25.0	-	205,100
4/1/81-12/31/81	3,036	25.0	7.5	98,700
1982-2001	27,210	25.0	7.5	884,300
				$1,858,000

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PROJECTION SUMMARY

($000)

	1980 [A]		1981 [B]	1982 [C]	
	STAT.	INTERNAL	INTERNAL	INTERNAL	LAG
'LAINTIFFS	18,963	15,500	32,500	44,000	47,600
COST/ PLAINTIFF	$63,500	$62,900	$46,925	$39,000	$39,000
	1,204.2	974.9	1,525.1	1,716.0	1,858.8
- INSURANCE	600.0	600.0	698.0	600.0	600.0
ET COST	$604.2	$374.9	$827.1	$1,116.0	$1,258.8

A 1980 - 5,000 Plaintiffs at time of Projection. Projection for 10 years.

B 1981 - 10,000 Plaintiffs at time of Projection. Projection for 10 years.

C 1982 - 16,000 Plaintiffs at time of Projection. Projection for 20 years.

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ALL PROJECTIONS BASED ON

CONSERVATIVE ASSUMPTIONS

1. PROPENSITY TO SUE HELD CONSTANT
2. "CERTIFIABLE" ASBESTOSIS CASES ONLY
3. FULL INSURANCE RECOVERY AND FULL RECOVERY FROM TRAVELERS ON DUTY TO DEFEND PENDING CASES
4. NO ESCALATION OF COSTS OVER TIME
5. NO PUNITIVE DAMAGES

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CASH FLOW ANALYSIS

($000,000)

	82	83	84	85	86	87	88	89	90
ASBESTOSIS	50.6	64.2	91.1	130.5	160.6	172.3	107.1	87.5	66.2
MES	12.4	14.6	19.1	25.9	19.5	23.3	23.7	24.2	24.8
LUNG CANCER	6.7	7.6	9.6	12.3	7.8	8.9	8.6	8.1	7.7
INTERNAL	10.0	12.0	13.0	14.0	15.0	15.0	10.0	10.0	10.0
TAL	79.7	98.4	132.8	182.7	202.9	219.5	149.4	129.8	108.7
LESS INSURANCE	65.0	25.0	25.0	-	-	432.0	-	-	-
TOTAL NET	14.7	73.4	107.8	182.7	202.9	(212.5)	149.4	129.8	108.7
SUMM.NET	14.7	88.1	195.9	378.6	581.5	369.0	518.4	648.2	756.9

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ACCOUNTING TREATMENT

($000,000)

1982 -	Record Backlog	$(549.3)
	- Insurance Offset	570.0
	Net Position Balance of Insurance	20.7
1983 -	Record Each Quarter as it is Completed	
	1st Quarter	(41.3)
	- Insurance Offset	20.7
		(20.6)
	2nd Quarter	(41.3)
	- Insurance Offset	-
		(41.3)
	3rd Quarter	(41.3)
	- Insurance Offset	-
		(41.3)
	4th Quarter	(41.3)
	- Insurance Offset	-
		(41.3)
	Total Write Off for Year	$(144.5)

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EFFECT OF BACKLOG

(12/31/82)

($000)

	No. of Lawsuits	Avg. Disposition Cost	Total
Meso	819	87.5	71,800
Lung Cancer	692	52.5	36.5
Asbestosis	8,208	25.0	205.2
	7,211	32.5	235.8
			$ 549.3

Including 1983

Meso	259	87.5	22.7
Lung Cancer	176	52.5	9.2
Asbestosis	4,100	32.5	133.3
			165.2
		Total 1982, 1983	$714.5

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