Report of Special Committee Regarding Asbestos Litigation

Assignment:

To review the presently available information bearing on pending and prospective asbestos-related health claims and to make recommendations to the Board of Directors with respect thereto.

Procedures Followed:

Davis Polk & Wardwell, counsel to the Committee, retained Robert O.F. Bixby, a partner of Price Waterhouse & Co., to serve as the Committee's independent adviser on accounting matters relating to its assignment. The members of the Committee and Mr. Bixby were furnished with substantial written materials, including Company prepared analyses and statistical data on asbestos health litigation, insurance coverage and insurance litigation, a comprehensive report by Epidemiology Resources, Inc. ("ERI") relating to potential asbestos-related claims over the years 1982-2002, studies made by others on related subjects and results of studies made by the Company's Litigation Analysis Group. After receipt of these materials, Messrs. Schroeder, May and Tucker held meetings in New York City on August 16 and 17 and Messrs. Schroeder and Tucker met on August 18. Mr. Zwick had firm commitments to be in California all that week and subsequent commitments forced him to resign from the Committee. Mr. Bixby was present at meetings on August 16 and 17.

At the initial meeting on August 16 the Committee met with Dr. Alexander Walker, head of ERI. Also present were Mr. Marc Victor of Litigation Risk Analysis Incorporated, Messrs. Parker, Von Wald, Beasley and Johannes from the Company and Stephen Case of Davis Polk & Wardwell. The ERI report and related reports and other matters bearing on projections of numbers of claims and costs were discussed at length.

On August 17 Messrs. Schroeder, May and Tucker and Mr. Bixby met with Messrs. Victor, Parker, Von Wald, Beasley and Johannes. The subjects discussed were the Company's present and prospective cash positions, the possible necessity for secured borrowings and the implications of the financial covenants in the Company's Term Loan

Published by AsbestosClaims.Law
asbestosclaims.law/library/24168/1

and Revolving Credit Agreement if a large reserve for asbestos claims were to be required. The financial covenants in the Company's public debt instruments were also discussed.

Mr. Von Wald reviewed various matters related to the Company's insurance coverage and Mr. Victor reviewed various cash flow charts and related matters.

Mr. Bixby reviewed for the Committee the requirements under FASB 5 regarding accrual of reserves for contingencies and discussed the same as applied to the pending and probable health litigation. He expressed his opinion that on the basis of the information and discussions to date he would conclude that the standards of FASB 5 had been sufficiently satisfied to require that a reserve be established of the low end of the estimated range of liability with appropriate footnote disclosure.

The various available alternatives were discussed at length.

Mr. May was obliged to leave the meeting. Mr. Michael Crames of Levin & Weintraub, reorganization specialists, was invited to join the meeting. Mr. Crames briefed those present with various aspects of a proceeding under Chapter 11 of the Bankruptcy Act as applied to Manville's present situation and the consequences of a Chapter 11 filing. Also discussed were the consequences of a worsening litigation and financial situation.

On August 18 Messrs. Schroeder and Tucker met again with the Manville financial, accounting and legal representatives. The pros and cons of the alternatives of a Chapter 11 proceeding or continuing to carry on the business on the present basis with a write off of such size as to require bank consent to avoid default, providing bank and public debt with security, the contingent nature of the insurance funds, the contingent nature of legislation, and the prospects of survival absent legislation were discussed. A consensus was developed that Chapter 11 was the course more likely to result in maintaining viable business operations and preservation of assets. Mr. Parker was authorized to retain Levin & Weintraub as special Chapter 11 counsel and to prepare a preliminary plan for filing. Mr. Schroeder left at noon to brief Mr. May on developments and informed him of the further deliberations.

On August 23 Messrs. Tucker and Schroeder convened with Messrs. McKinney, Parker, Von Wald, Beasley, Johannes and Boardman, Mr. Case of Davis Polk and Messrs. Crames and Perkiel of Levin & Weintraub.

Report of the Special Committee of Manville's Board Regarding Asbestos Litigation (1982)
ACL Doc 24168 · Page 2 of 3
Published by AsbestosClaims.Law
asbestosclaims.law/library/24168/2

On August 24 the Committee reconvened with Mr. Schroeder and Mr. Tucker present and the matter was discussed in detail. Preparations for presenting the Committee's report to the Board were made.

The Committee met on August 25 with Messrs. Schroeder, Tucker and May in attendance. The Committee's report was reviewed and Board presentations were finalized.

Recommendation:

The Committee recommends that the Board of Directors authorize the immediate filing of a petition in Chapter 11 as the action best calculated to conserve the Company's assets and businesses and, therefore, the best action to protect the rights of shareholders, creditors and actual and potential claimants.

8/25/82

J. P. Schroeder

J. P. Schroeder, Chairman

William F. May

William F. May

William D. Tucker, Jr.

William D. Tucker, Jr.

Report of the Special Committee of Manville's Board Regarding Asbestos Litigation (1982)
ACL Doc 24168 · Page 3 of 3
Published by AsbestosClaims.Law
asbestosclaims.law/library/24168/3