

Our Single, Simple Purpose—
To Be The Best Supplier
Our Customers Deal With
Day to Day

Manville

1984 Annual Report and Form 10-K

Manville Facts

Manville Corporation is a diversified international manufacturing and natural resources supplier with primary businesses in insulation, forest products, roofing and mining. Headquartered in Denver, Colorado, the Company continues businesses begun 126 years ago. Manville Corporation and 17 of its subsidiaries are currently operating under reorganization provisions of Chapter 11 of the Federal Bankruptcy Code.

Manville is:

- the producer of the broadest line of thermal insulation products in the world
- the developer and world's largest producer of fiber glass mat
- a leading national manufacturer of fiber glass shingles and roll roofing
- a major producer of beverage carrierboard
- the world's largest producer of diatomite, a filtering agent used for beverages, pharmaceuticals and foods

The New York Stock Exchange listed Company and its subsidiaries employ 20,200 persons worldwide and have total assets of over \$2 billion. Manville operates more than 70 plants and mines, approximately one-third of which are outside of the United States.

Financial Highlights

(Thousands of dollars except per share amounts)

Years Ended December 31	1984	1983	1982	1981	1980
Net Sales from Continuing Operations	\$1,814,184	\$1,729,465	\$1,684,588	\$1,895,247	\$1,913,221
Earnings (Loss) from Continuing Operations	\$ 77,227	\$ 60,126	\$ (20,953)	\$ 49,458	\$ 68,734
Funds Provided by Continuing Operations	\$ 178,543	\$ 138,375	\$ 101,733	\$ 101,795	\$ 154,775
Long-Term Debt and Redeemable Preferred Stock	\$ 384,367	\$ 304,860	\$ 312,749	\$ 808,420	\$ 819,573
Total Assets	\$2,339,134	\$2,253,262	\$2,236,104	\$2,297,814	\$2,338,159
Per Common Share Data:					
Earnings (Loss) from Continuing Operations	\$2.18	\$1.47	\$(1.93)	\$1.06	\$1.94
Dividends	—	—	\$.68	\$1.92	\$1.92

Notes:

(1) The results of discontinued operations have been segregated from the net sales and earnings information for 1980 through 1983. Refer to Notes 18 and 19 in Notes to Consolidated Financial Statements.

(2) Long-Term Debt subsequent to 1981 does not include obligations of the corporations then in Chapter 11. Refer to Notes 1, 5 and 6 in Notes to Consolidated Financial Statements and ITEM 3. LEGAL PROCEEDINGS.

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Form 10-K

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the fiscal year ended **December 31, 1984**

Commission file number 1-8247

Securities and Exchange Commission
Washington, D.C. 20549

Manville Corporation

A Delaware Corporation
I.R.S. Employer Identification No. 84-0856796

Ken-Caryl Ranch, P.O. Box 5108, Denver, Colorado 80217
Telephone (303) 978-2000

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

Common Stock \$2.50 par value	Registered: New York Stock Exchange, Inc.
Cumulative Preferred Stock \$5.40 Series \$1.00 par value	Registered: New York Stock Exchange, Inc.
7.85% Sinking Fund Debentures Due 2004	Registered: New York Stock Exchange, Inc.
9.70% Notes Due 1985	Registered: New York Stock Exchange, Inc.

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 ☒ No ☐

Based solely on the New York Stock Exchange, Inc. average sales price as of March 15, 1985, the aggregate market value of the voting stock held by nonaffiliates of the registrant was approximately \$177,000,000.

As of March 15, 1985, there were approximately 24,000,000 shares of the registrant's sole class of common stock outstanding.

Manville Corporation* 1984 Annual Report and Form 10-K

This 1984 Annual Report to Shareholders incorporates data required in Manville's Form 10-K. Our integrated document is designed to provide investors and other interested parties with the latest comprehensive information on Manville. For ease of reference, significant financial information is consolidated in the initial portion of this report. Manville has filed with the Securities and Exchange Commission only that material referenced below in the Table of Contents.

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*"Manville" or "the Company" when used herein refers to Manville Corporation, incorporated in the State of Delaware in 1981, including where applicable, its consolidated subsidiaries or where the context requires Johns-Manville Corporation and its consolidated subsidiaries prior to October 30, 1981.

March 25, 1985

Dear Shareholder:

During the year, Manville Corporation significantly improved its operating performance. With a five percent increase over 1983 revenues, the Company was able to increase its income from operations by twenty-four percent. This performance attests to the Company's ability to produce quality products and services, as well as to the continuing efforts of all employees to meet customers' needs day after day. These results also compare favorably with those of many of our competitors.

While we are pleased with the results for 1984, we will not be satisfied with this progress. Our commitment to continue to be a supplier of quality products and services, while maintaining costs and expenses at an optimum level, will continue unabated. The measure of our success in the future will depend largely on our ability to produce steady improvement in sales and earnings in the coming years.

In a letter to employees earlier this year, the Company's statement of purpose was described as a single simple goal: to be the best supplier our customers deal with day to day. Our objective is to be the best, not just occasionally or in some aspects of what we do as a supplier, but the best every day in every way important to our customers. We are undertaking new programs as well as enhancing existing programs which will help our employees to be even more sensitive to the needs of our customers. Our commitment to filling those needs fully and efficiently is one that we make not only to ourselves and to our customers, but to all those who associate with the Company.

In addition to being a year of improved operating results, 1984 was a year of change. Five new Directors were added to the Board. They are Aaron A. Gold, J. T. Hulce, James N. Land, Jr., Gene E. Phillips and Randall D. Smith. J. Jacques Beauchemin, a Director since 1969, resigned from the Board for health reasons.

Additionally, a new executive organization, which will focus on improving operations of the Company, was announced in November 1984. Josh Hulce was named President; Charles DeBiase, Executive Vice President, Operations; and Tom Stephens, Executive Vice President, Finance and Administration. This new organizational structure will provide for an orderly succession of management.

With regard to the Chapter 11 reorganization proceedings, management continues to devote considerable attention to the complex legal proceedings and to the development of a fair and equitable plan of reorganization. Our objective continues to be the negotiation of a plan that is fair to creditors and shareholders and that will provide fair compensation for valid asbestos-related claims, while preserving the company as a viable operation. A description of the complex negotiations is set forth in some detail in this report. We continue to be hopeful that a satisfactory resolution will ultimately be achieved.

In August 1984, the Bankruptcy Court appointed Leon Silverman of the law firm of Fried, Frank, Harris, Shriver & Jacobson to act as a representative for the unknown number of individuals exposed to asbestos who in the future may manifest an asbestos-related disease or condition. This appointment has been challenged by several groups involved in the reorganization proceedings. Mr. Silverman will participate with representatives of the Company, commercial creditors, equity holders, codefendants and others in negotiation of a plan of reorganization.

Manville continues to press forward with its lawsuits against the federal government. Approximately half of the asbestos-related lawsuits filed against Manville involve insulation workers and others who were exposed to asbestos while employed as shipyard workers under the supervision and control of the U.S. Navy. Evidence shows that excessive asbestos exposure in shipyards, over which the Company had no control, was known by the Navy, especially during World War II. The first trial in which the Company is seeking monetary recovery for payments made by it to shipyard workers injured as a result of the government's negligence is scheduled for the summer of 1985.

In July 1984, the Bankruptcy Court authorized Manville to establish a deadline for filing certain claims, primarily those involving alleged property damage. Under the Bankruptcy Code, only those holders of claims who filed proofs of claim by the deadline may pursue those claims subsequent to that date. Although the merit and value of such claims will be determined in the bankruptcy proceedings, the action allows the Company to accumulate data on potential claims and to better assess any proposed plan of reorganization. Approximately 6,000 proofs of claim for alleged asbestos removal property damage aggregating over \$31.1 billion have been processed through March 22, 1985 in the reorganization proceedings. The vast majority of these claims involve asbestos-containing spray-on insulation or molded pipe insulation. The Company maintains that it should not be held liable for these property damage claims. It neither manufactured nor sold sprayed-on insulation. The Company also believes that there is no health hazard arising from properly maintained molded pipe insulations. These claims and other legal and factual issues are now pending in the Bankruptcy Court.

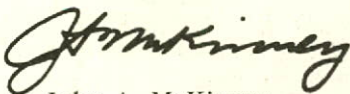
In the litigation pending against the Company's insurance carriers, settlements were reached with six insurance companies totaling \$426 million. Of that sum, \$314 million will be paid upon confirmation of a plan of reorganization, and the remainder will be paid as health claims are allowed. The California trial with the remaining 21 insurance companies began on March 4. At issue is the correct interpretation of provisions or coverage of the various policies of insurance. Additional information on insurance-related matters and the Company's reorganization proceedings is provided in Item 3. Legal Proceedings of this report.

On the legislative front, there is a growing awareness in Congress that the U.S. Navy played a key role in the excessive exposure of thousands of shipyard workers and that the claims of those individuals for compensation should be paid by the government. A new bill for compensating asbestos workers was introduced in Congress on March 20. Under this bill, a nationwide system for compensating injured asbestos workers would be established with all responsible parties, asbestos producers, insurance companies and the federal government, paying a share of the costs. Manville stands ready to pay its share of any fair and equitable compensation system; however, it is time for the government to stand up to its responsibility and to provide properly for those whose injuries are due to government negligence. To the extent that the government does pay its obligations, the burden on industry will be reduced and properly so. Thus, shareholders have a stake in supporting legislation to resolve this national tragedy.

There are substantial uncertainties facing the Company as to its ultimate liability for asbestos-health personal injury claims, asbestos removal property damage claims and other claims. The resolution of these claims could have a material adverse effect on the Company. Due to the uncertainties regarding claims and litigation pending against the Company, the Company's common and preferred stocks must be considered highly speculative investments involving a very high degree of risk to investors. Dividends on both classes of stock have not been paid since the second quarter of 1982, and it is uncertain when Manville will be able to resume such payments even after emergence from Chapter 11. Additionally, any plan of reorganization could result in substantial dilution or cancellation of the Company's stocks, the extent of which is unknown at this time.

The management of Manville wishes to express its deepest appreciation to all employees for their continued support. The loyalty and commitment of the Manville family, while seeking resolution to what is clearly a societal problem, must be unsurpassed in American industry. Also, we wish to thank the many shareholders, retirees, friends, neighbors, customers, suppliers and others in the business community for their numerous and continued expressions of support.

Sincerely yours,



John A. McKinney
Chairman of the Board and
Chief Executive Officer

Manville Corporation

Management's Discussion and Analysis of Results of Operations and Financial Condition

On August 26, 1982, Manville Corporation and substantially all of its United States and Canadian consolidated subsidiaries, including Manville Forest Products Corporation ("MFP") and two Canadian companies that are no longer in reorganization, filed separate petitions seeking reorganization under Chapter 11 of the Bankruptcy Reform Act of 1978. Manville Corporation and the seventeen subsidiaries still in reorganization are referred to hereafter as the "Debtor Corporations". Under Chapter 11, substantially all litigation and other claims against the Debtor Corporations at the date of the filings have been stayed while the Debtor Corporations continue business operations as debtors-in-possession. The following discussion and analysis should be read in conjunction with PART I, ITEM 1. BUSINESS and ITEM 3. LEGAL PROCEEDINGS plus PART II, ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Results of Operations

During 1983 the Company sold its asbestos fiber operation and during 1982 sold its U.S. pipe operations. Accordingly, effects of the discontinued operations have been segregated in the consolidated results of operations.

The following comparisons of "1984 vs. 1983" and "1983 vs. 1982" have been prepared after eliminating the effects of the discontinued operations.

1984 vs. 1983

Net sales of \$1.81 billion were up \$85 million (5%) from 1983, resulting principally from volume increases in certain product lines combined with moderate selling price increases in most markets. Residential housing starts in the U.S. increased slightly between 1984 and 1983, but nonresidential construction markets were much stronger, reflecting the normal delayed reaction to an improved economy. Overall, the Company's construction insulation sales showed volume improvement over 1983. Although pricing in the wood industry declined, the Company's sales volume improved markedly.

The Company achieved significant volume increases in fiber glass nonconstruction markets along with substantial selling price improvement in the paper products markets. Less positive results occurred in the

end product roofing markets due to severe price competition. Although comparisons of reported results for most overseas markets were negatively impacted by the stronger U.S. dollar, the Brazilian paper-making operation improved in 1984. This was due in part to an improvement in Brazil's export markets and also due to 1983 being adversely affected by extensive flooding.

The slight drop in 1984 other revenues from 1983 was due to the inclusion in 1983 of a \$7.6 million refund of prior years' utility costs that was somewhat offset in 1984 by increased interest income. Other revenues in 1984 and 1983 benefitted from interest earned on cash balances held pending resolution of the Chapter 11 proceedings.

The 1984 cost ratio improvement (77.2% vs. 79.2% in 1983) primarily resulted from increased capacity utilization from significant volume increases. Improved product mix in 1984 along with moderate selling price increases in most product lines also contributed to the cost ratio improvement.

Excluding costs incurred in 1984 for a special advertising and promotional campaign and savings realized from reduced funding of the Company's major pension plans, selling, general and administrative expenses increased 4.7% between 1984 and 1983, compared to an approximate 4% U.S. inflation rate for 1984.

The Company achieved a \$39 million (24%) increase in income from operations in comparison to 1983 on an \$85 million (5%) net sales increase. Improved profit margins and expense controls were the main factors. Additionally, in 1984 the Company changed actuarial assumptions for computing pension costs of the U.S. and Canadian plans to more properly reflect anticipated investment-portfolio returns. This change increased income from operations by \$13.5 million.

The \$4.5 million decrease in interest expense from 1983 principally resulted from the accrual in 1983 of sixteen months (August 26, 1982 to December 31, 1983) of interest expense on MFP unsecured debt and trade payable claims. The accrual was made in anticipation of the emergence of MFP from Chapter 11 proceedings which became final in 1984. Interest expense on MFP obligations has been accrued in 1984 in the normal

course of business. While operating under the protection of Chapter 11, interest expense on unsecured obligations of the Debtor Corporations has not been recorded.

The continuing activity of the Company toward resolution of the insurance litigation issue coupled with increases associated with workers' compensation claims were the principal reasons for the increase in asbestos health costs year to year. In contrast, Chapter 11 expenses remained relatively constant in 1984.

The 1984 effective income tax rate of 42.9% increased in comparison to the 1983 tax rate of 40.1%. A relatively flat level of capital gains and tax credits in comparison to higher pre-tax income caused this increase.

The Company's net earnings have been affected in various ways by the Chapter 11 proceedings. Some major effects include:

- additional expenses related to legal and professional fees directly associated with the proceedings,
- expenses avoided by the stay of litigation against the Debtor Corporations,
- added interest income earned on temporary investment of cash balances and
- reduced interest expense on debt obligations held or which may have been required by the Debtor Corporations.

The Company estimates that the above items have had a net positive effect on reported earnings and, in addition, believes that sales and operating results have been negatively affected, to an indeterminable degree, by the Chapter 11 filing.

1983 vs. 1982

The 3% increase in net sales over 1982 levels reflected an improvement in the U.S. economy offset by decreases in international sales. As the U.S. economy recovered from the recession which had been experienced since late 1979, the Company's volume of shipments of U.S. manufactured products rose 9% from the level in 1982 with virtually no change in selling prices. Increases in residential insulation, roofing and wood products were largely due to increased housing starts. Commercial construction markets did not recover to the same extent. Consequently, there were volume declines in the industrial lighting and commercial insulation markets. Net sales in 1983 were adversely

affected by the Company's withdrawal from some low margin paper markets. Results in 1983 were also lower than 1982 due to the disposition of the Belgian subsidiaries in the fourth quarter of 1982 and extensive flooding at the Brazilian paper-making location during the third quarter of 1983.

Other revenues increased almost \$30 million over 1982 levels. Interest income increased \$19.4 million from the 1982 level, mainly due to the investment of a higher level of temporary cash balances. In addition, during 1983 the Company received a \$7.6 million refund relating to prior years' utility costs.

Despite achieving production cost efficiencies, the inability to raise selling prices in line with cost price increases caused the ratio of cost of sales to net sales to remain relatively flat between 1983 and 1982. In 1982 the level of inventory was reduced and a significant LIFO benefit was realized. In 1983 there were no significant decrements from the 1982 inventory level; consequently no comparable LIFO benefit was realized.

The \$4.8 million increase in 1983 selling, general and administrative expense was the result of several factors. Savings continued in 1983 from the 1982 staff reduction program but were offset by increases in the cost of employee benefits and normal inflation factors.

Fiber glass research and development projects were primarily responsible for the \$7 million increase in research, development and engineering expense from 1982 to 1983.

The 15% increase in income from operations in 1983 compared to 1982 was due to the increased revenues partially offset by increased costs and expenses.

Upon filing for reorganization under Chapter 11 on August 26, 1982, the Company suspended the accrual of interest on unsecured debt obligations. In December 1983, based upon the probability of MFP emerging from Chapter 11 in 1984, a \$13.1 million accrual for sixteen months of interest expense on unsecured debt and trade payable claims of this subsidiary was recorded.

Asbestos health costs rose by \$4.3 million between 1982 and 1983. In 1983, expenses associated with the insurance litigation issue more than offset the suspension of asbestos-health claim settlements and legal expenses. Although workers' compensation claims are not currently affected by the Chapter 11 proceedings, substantially all pending lawsuits against the Debtor Corporations at the date of the filings have been stayed.

The wide disparity between Chapter 11 expenses for 1983 and 1982 was caused by twelve months of extensive activity in 1983 versus four months of moderate activity in 1982.

The Company recorded two major unusual items during 1982:

- a \$37.8 million net earnings charge for loss on dispositions of various operations and asset impairments and
- a \$20.2 million after-tax provision for employee separation and retirement incentive costs.

These items combined to reduce net earnings by \$58 million, or \$2.43 per common share. For additional information relating to these charges, see Notes to Consolidated Financial Statements.

The 1983 effective income tax rate of 40.1% decreased from the 1982 tax rate of 47.9%, excluding asset dispositions and impairments and the retirement incentive cost accrual. The decrease resulted from a relatively flat level of U.S. state and local tax and lower tax on foreign income combined with higher pre-tax earnings.

Capital Resources and Liquidity

The Company defines liquidity as its ability to generate sufficient cash flow to meet all of its obligations and commitments. In addition, considerations of liquidity include the ability to obtain bank credit lines and other types of debt and equity financing and to convert into cash those assets which are no longer required to meet existing objectives. Therefore liquidity cannot be considered separately from capital resources which consist of current or potentially available funds for use in achieving long-range objectives.

Prior to filing Chapter 11, the Company utilized capital resources in three principal areas: (1) for working capital requirements, (2) to construct or acquire property, plant and equipment and related assets and (3) as a return to shareholders and lenders on their investments.

Any current discussion of Manville's liquidity or capital resource position is qualified by the context of the Chapter 11 proceedings.

The Company's Chapter 11 filings were precipitated by contingent liabilities resulting from litigation and claims, whether or not currently asserted, by persons seeking damages for injuries alleged to have resulted from exposure to asbestos fiber or asbestos-containing

products manufactured or sold by one or more subsidiaries of the Company. In addition to asbestos-health related claims, the Company is alleged to be liable, to some as yet unascertained extent, for asbestos removal property damage claims (for which approximately 6000 proofs of claim aggregating \$31.1 billion have been processed through March 22, 1985 in the reorganization proceedings) and other claims described in greater detail in PART I, ITEM 3. LEGAL PROCEEDINGS. There is substantial uncertainty whether, in the absence of a confirmed Chapter 11 plan of reorganization, the Debtor Corporations (with or without insurance) would have sufficient resources over the long term to pay these claims and other liabilities in full when due. The filings were not based on Manville's inability at the time to fund normal operating liabilities either on a short- or long-term basis; therefore, the following discussion of capital resources and liquidity presents a somewhat unusual position compared to that normally associated with many bankruptcy filings and should be read in conjunction with Note 1—Chapter 11 Proceedings in Notes to Consolidated Financial Statements and PART I, ITEM 3. LEGAL PROCEEDINGS. Any confirmed plan or plans of reorganization could impose both short- and long-term cash requirements on the Company which could materially affect its liquidity position in the future.

A separate confirmed plan of reorganization for MFP became final in 1984, whereby approximately \$37 million was paid to creditors. In conformity with the terms of the MFP plan, approximately \$5 million, representing the final payment on the claims of impaired creditors in excess of \$10,000, was paid in January 1985. The remaining MFP pre-petition debt was restored to the original contract terms and payment schedules.

During 1984, in connection with the confirmation of the MFP plan of reorganization, a \$30 million revolving credit arrangement was established with five banks. This line was established to ensure the ability to fund seasonal working capital requirements of MFP. As of December 31, 1984 no amounts had been drawn against this line.

Information is included at PART I, ITEM 3. LEGAL PROCEEDINGS regarding the most recent data concerning concepts for plans of reorganization and data concerning settlements with insurance companies which are subject to Bankruptcy Court approval. Numerous uncertainties exist regarding the content and timing of an ultimate plan of reorganization, which is

dependent upon the negotiation and agreement of creditors, equity holders, the Company and the approval of the Bankruptcy Court.

Until confirmation of a plan of reorganization which determines the amount and manner of payment or other disposition of the litigation and claims, there can be no assurance that the Debtor Corporations' liabilities will not be found to exceed their assets. This could result in claims being provided for at less than 100% of their value, claims being paid without interest and the equity of the Company's common and preferred shareholders being diluted or cancelled. It is impossible to predict the actual recovery which the various classes of creditors and shareholders will realize. As a result, both the common and preferred stocks should be considered highly speculative investments with a very high degree of risk to the investor.

While operating under Chapter 11 constraints, no dividends have been or will be declared on the Company's preferred or common stocks. It is uncertain when Manville Corporation will be able to resume dividend payments even after emergence from Chapter 11. In addition, the Company anticipates that the following restrictions and constraints will remain in place:

- limitations on the movement of cash to subsidiaries not included in the Chapter 11 proceedings,
- limitations on the Company's alternatives with respect to the investment of funds,
- prior Bankruptcy Court approval of significant capital expenditure projects or acquisitions outside the normal course of business,
- prior Bankruptcy Court approval of any pre-petition obligation payments,
- certain restrictions on cash generated from divestitures and Bankruptcy Court approval prior to disposing of significant assets,
- requirements to place funds in escrow for warranty, bonding and other special needs and
- limitations on the Company's ability to borrow funds, if necessary, at competitive rates.

As of December 31, 1984 the Company's domestic portfolio included \$242 million invested in short-term securities, pending resolution of the Chapter 11

proceedings. The amount invested is principally cash generated since the date of the Chapter 11 filings and relates to the deferral of payment of certain trade payables, principal and interest due on debt instruments and other claims. The remainder represents cash generated from operations and from the Company's program of identifying and disposing of those assets which are no longer required to meet existing objectives. In connection with the Chapter 11 proceedings the Company has placed certain funds in escrowed accounts and segregated other amounts on the books and records of the Company. These funds totalled \$178 million as of December 31, 1984 and relate principally to proceeds from the sale of assets. Although the Company received Bankruptcy Court approval for temporary use of certain of these funds in the ordinary course of its business, there has been no such use.

Capital expenditure programs continue to relate primarily to the replacement of machinery and improving productivity and cost efficiencies for existing operations. Since the Chapter 11 filing, major capital expenditures not in the ordinary course of business have been reviewed by the creditors' committees and approved by the Bankruptcy Court.

Substantial uncertainties exist concerning the eventual outcome and ultimate liability to the Company with respect to the asbestos-health and asbestos removal property damage issues and the related Chapter 11 proceedings. The Company's objective in the Chapter 11 proceedings is to develop a plan of reorganization which achieves the highest possible recoveries for all creditors and shareholders and results in a capital structure which will allow for sufficient cash flows after reorganization to meet creditors' obligations and to fund future capital expenditures and operations. There can be no assurance, however, that the Company will be able to achieve this objective, and the extent to which a plan of reorganization will provide for creditors and shareholders is uncertain at this time.

Since the Chapter 11 filing date, the Company has worked within the confines of the Chapter 11 proceedings and operated substantially in the normal course of business. The Company anticipates that the efforts on the part of the creditors' and shareholders' committees and the Company will enable operations to progress in 1985.

Manville Corporation
Consolidated Balance Sheets

December 31, 1984 and 1983
(Thousands of dollars)

Assets	1984	1983
Current Assets		
Cash (including time deposits of \$5,742 in 1984, \$14,621 in 1983) (Note 3)	\$ 9,309	\$ 19,180
Marketable securities, at cost (approximates market) (Note 3)	276,061	240,094
Receivables (net of allowances of \$8,026 in 1984, \$8,998 in 1983)		
Trade	254,302	233,303
Other	30,939	44,343
Inventories (Notes 2b and 4)	164,398	140,886
Prepaid expenses	17,288	21,902
Total Current Assets	752,297	699,708
Property, Plant and Equipment, at cost (Note 2c)		
Land and land improvements	96,395	97,202
Buildings	308,421	302,909
Machinery and equipment	1,120,733	1,056,009
	1,525,549	1,456,120
Less, Accumulated depreciation and depletion	512,590	471,868
	1,012,959	984,252
Timber and timberlands, less cost of timber harvested	391,886	395,004
Property, plant and equipment, net	1,404,845	1,379,256
Other Assets (principally long-term receivables)	181,992	174,298
	\$2,339,134	\$ 2,253,262
Liabilities		
Current Liabilities		
Accounts payable	\$ 102,097	\$ 93,867
Compensation and employee benefits	80,643	65,142
Short-term debt	20,188	13,716
Income taxes	17,720	9,503
Other accrued liabilities	35,108	26,174
Total Current Liabilities (Note 5)	255,756	208,402
Liabilities Subject To Chapter 11 Proceedings (Note 5)	574,432	712,766
Long-Term Debt (Notes 5 and 6)	83,567	4,060
Other Non-Current Liabilities (Note 5)	66,720	60,791
Deferred Income Taxes (Notes 2e and 17)	161,832	135,579
	1,142,307	1,121,598
Contingencies and Commitments (Notes 1 and 7)		
Preferred Stock (Note 1)		
Cumulative Preferred Stock, \$1.00 par, authorized 10,000,000 shares; Redeemable \$5.40 series, at stated value of \$65 per share; issued and outstanding: 1984 and 1983—4,627,689 shares (Note 8)	300,800	300,800
Common Shareholders' Equity (Note 1)		
Common Stock, \$2.50 par, authorized 50,000,000 shares; issued: 1984 and 1983—24,068,902 shares (Note 9)	60,172	60,172
Capital in Excess of Par (Note 9)	178,400	178,400
Earnings Reinvested	712,538	635,313
Cumulative Currency Translation Adjustments (Note 10)	(52,989)	(40,918)
Cost of Treasury Stock, 1984—68,660 shares, 1983—68,944 shares (Note 9)	(2,094)	(2,103)
	896,027	830,864
	\$2,339,134	\$ 2,253,262

The accompanying notes are an integral part of the consolidated financial statements.

Manville Corporation

Consolidated Statements of Operations and Earnings Reinvested

for the Years Ended December 31 (Note 2a)
(Thousands of dollars except per share amounts)

Operations	1984	1983	1982
Revenues			
Net sales	\$1,814,184	\$1,729,465	\$1,684,588
Other income, net (Note 11)	59,291	61,474	32,449
Total	1,873,475	1,790,939	1,717,037
Costs and Expenses			
Cost of sales	1,399,884	1,370,434	1,328,911
Selling, general and administrative	237,925	223,817	218,992
Research, development and engineering	35,596	35,245	28,246
Total	1,673,405	1,629,496	1,576,149
Income from Operations	200,070	161,443	140,888
Asbestos Health Costs (Note 13)	26,066	20,429	16,103
Interest Expense (Notes 1 and 14)	21,155	25,694	51,545
Chapter 11 Costs	17,255	18,318	2,090
Loss (Gain) on Dispositions of Assets and Asset Impairments (Note 15)	267	(3,403)	46,299
Employee Separation and Retirement Incentive Costs (Note 16)			37,322
Earnings (Loss) from Continuing Operations Before Income Taxes	135,327	100,405	(12,471)
Income Taxes (Notes 2c and 17)			
Current	29,771	23,473	16,854
Deferred	28,329	16,806	(8,372)
Total	58,100	40,279	8,482
Earnings (Loss) from Continuing Operations	77,227	60,126	(20,953)
Earnings (Loss) from Discontinued Operations			
Asbestos fiber, net of income tax expense of \$5,547 and \$23,253, respectively (Note 18)		7,068	(66,723)
Pipe, net of income tax benefit of \$6,296 (Note 19)			(7,079)
Loss on Pipe Disposition, net of income tax benefit of \$270 (Note 19)			(2,829)
Net Earnings (Loss)	\$ 77,227	\$ 67,194	\$ (97,584)
Earnings Reinvested			
Earnings Reinvested at Beginning of Year	\$ 635,313	\$ 568,322	\$ 695,362
Net Earnings (Loss)	77,227	67,194	(97,584)
Dividends on Preferred Stock (Notes 1 and 8)			(12,495)
Dividends on Common Stock (Note 1)			(16,096)
Loss on Dispositions of Treasury Stock (Note 9)	(2)	(203)	(865)
Earnings Reinvested at End of Year	\$ 712,538	\$ 635,313	\$ 568,322
Earnings (Loss) Per Common Share (Notes 2f and 9)			
Continuing Operations	\$2.18	\$1.47	\$(1.93)
Discontinued Operations			
Asbestos fiber		.29	(2.80)
Pipe			(.41)
Net Earnings (Loss)	\$2.18	\$1.76	\$(5.14)

The accompanying notes are an integral part of the consolidated financial statements.

Manville Corporation

Consolidated Statements of Changes in Financial Position

for the Years Ended December 31 (*Note 2a*)

(Thousands of dollars)

	1984	1983	1982
Funds Provided By			
Earnings (Loss) from Continuing Operations	\$ 77,227	\$ 60,126	\$ (20,953)
Items Not Affecting Funds			
Depreciation and depletion	79,372	76,394	73,997
Deferred income taxes (non-current portion)	28,665	(2,235)	(17,427)
Provisions for the dispositions of assets	958	9,915	33,878
Provision for retirement incentive costs			27,637
Other, net	(7,679)	(5,825)	4,601
Funds Provided from Continuing Operations	178,543	138,375	101,733
Earnings from Discontinued Asbestos Fiber Operation,			
Net of Items Not Affecting Funds (<i>Note 18</i>)		8,906	6,288
Loss from Discontinued Pipe Operations,			
Net of Items Not Affecting Funds (<i>Note 19</i>)			(2,676)
Loss on Pipe Disposition, Net of Items Not			
Affecting Funds (<i>Note 19</i>)			22,671
	178,543	147,281	128,016
Increase (Decrease) in Compensation and Employee Benefits	15,501	1,908	(14,243)
Decrease (Increase) in Other Receivables	13,404	39	(6,449)
Increase in Other Non-Current Liabilities	11,202	6,175	330
Increase (Decrease) in Other Accrued Liabilities	8,934	(2,598)	(29,259)
Increase (Decrease) in Accounts Payable	8,230	8,000	(34,428)
Increase (Decrease) in Income Taxes	8,217	(22,041)	1,209
Dispositions of Property, Plant and Equipment	7,423	25,195	16,514
Issuance of Long-Term Debt	6,727		5,780
Increase (Decrease) in Short-Term Debt	6,472	1,824	(17,545)
Decrease (Increase) in Prepaid Expenses	4,614	(5,319)	2,227
Issuance of Common Stock, Including Treasury Stock	7	115	5,721
	269,274	160,579	57,873
Funds Used For			
Additions to Property, Plant and Equipment	121,769	110,696	61,283
Decrease (Increase) in Liabilities Subject To			
Chapter 11 Proceedings	56,277	23,733	(219,818)
Increase (Decrease) in Inventories	23,512	(10,993)	(59,250)
Increase (Decrease) in Trade Receivables	20,999	(33,105)	(22,294)
Reduction in Long-Term Debt	8,834	6,890	21,907
Increase in Other Assets	5,617	25,048	34,622
Dividends on Common Stock (<i>Note 1</i>)			16,096
Dividends on Preferred Stock (<i>Note 1</i>)			12,495
	237,008	122,269	(154,959)
Less, Net Change in Non-Current Assets, Non-Current Liabilities and			
 Common Shareholders' Equity Resulting from Exchange Rate Changes	6,170	(3,766)	21,728
Increase in Cash and Marketable Securities (<i>Note 3</i>)	\$ 26,096	\$ 42,076	\$ 191,104

The accompanying notes are an integral part of the consolidated financial statements.

Manville Corporation

Notes to Consolidated Financial Statements

Note 1—Chapter 11 Proceedings

On August 26, 1982, Manville Corporation and twenty of its subsidiaries filed separate petitions for reorganization under Chapter 11 of the Bankruptcy Reform Act of 1978 (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). The filings were precipitated by contingent liabilities resulting from pending and potential litigation involving: (i) individuals exposed to asbestos who have manifested asbestos-related diseases or conditions (holders of "A-H Claims") and (ii) individuals exposed to asbestos who have not yet manifested asbestos-related diseases or conditions (holders of "Future A-H Claims"). The Bankruptcy Court confirmed a joint plan of reorganization for Johns-Manville Canada Inc. and Johns-Manville Amiante Canada Inc. (the stock of which was sold to a third party in 1983) in December 1983 and a separate plan of reorganization for Manville Forest Products Corporation ("MFP") in March 1984. Under Chapter 11, substantially all litigation and claims against Manville and the seventeen remaining debtor corporations (the "Debtor Corporations") at the date of the filings have been stayed while the Debtor Corporations continue business operations as debtors-in-possession. Interest expense on unsecured obligations of the Debtor Corporations has not been accrued in the consolidated financial statements since the date of the filing of the petitions for reorganization.

The reorganization proceedings are discussed in this report at PART I, ITEM 3. LEGAL PROCEEDINGS, including information on the Debtor Corporations' proposed joint plan of reorganization, an alternative proposal for a consensual joint plan of reorganization, partial settlements of the litigation pending against the Debtor Corporations' insurance carriers and proofs of claim filed against the Debtor Corporations.

In addition to A-H Claims and Future A-H Claims, the Debtor Corporations are alleged to be liable, to some as yet unascertained extent, for claims for damages asserted by or on behalf of owners of property in which asbestos-containing products are located (for which approximately 6,000 proofs of claim aggregating over \$31.1 billion have been processed through March 22, 1985 in the reorganization proceedings) (the "Asbestos Property Damage Claims") as well as: (a) claims for contribution

and indemnity allegedly owing from the Debtor Corporations to other entities which have been, are being or will be sued for asbestos-related personal injury or property damage, (b) claims for personal injury or property damage arising from other products sold by the Debtor Corporations and (c) other non-product claims (collectively the "Other Claims").

There is substantial uncertainty whether, in the absence of a confirmed Chapter 11 plan of reorganization, the Debtor Corporations (with or without insurance) would have sufficient resources to pay the A-H Claims, Future A-H Claims, Asbestos Property Damage Claims, Other Claims and other liabilities (collectively the "Claims"), whether or not currently asserted, in full when due.

In addition to the uncertainties which existed at the time the Chapter 11 proceedings were commenced, substantial uncertainties exist in the context of such proceedings which preclude any reasonable estimate at this time of the ultimate cost of the Claims to the Debtor Corporations. These uncertainties, including those relating to insurance coverage issues, are discussed at PART I, ITEM 3. LEGAL PROCEEDINGS of this report.

Because of these uncertainties, the eventual disposition of the Claims cannot be predicted at this time and the ultimate cost to the Debtor Corporations, after application of estimated insurance recoveries, cannot be reasonably determined in accordance with Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies". Accordingly, while the ultimate liability of the Debtor Corporations could have a material adverse effect on Manville Corporation's consolidated financial position and future results of operations, no liability has been recorded in the consolidated financial statements.

Management's objective in the Chapter 11 proceedings is to achieve the highest possible recoveries for all creditors and shareholders consistent with the Debtor Corporations' ability to pay and continuation of their businesses. There can be no assurance at this time that the liabilities of the Debtor Corporations will not be found to exceed their assets under any proposed plan of reorganization presently under consideration by the Debtor Corporations. This could result in claims being provided for at less than 100% of their face value, claims being paid without interest and could result in the dilution or cancellation of Manville Corporation's common

and preferred stocks. It is impossible at this time to predict the actual recovery which different classes of creditors and shareholders will realize.

Due to the *uncertainties* regarding the asbestos-health, asbestos property damage and other litigation and claims pending against the Company and their ultimate means of resolution in the Company's reorganization proceedings, Manville Corporation's common and preferred stocks should be considered highly speculative investments with a very high degree of risk to the investor. Dividends have not been declared or paid on the Company's preferred or common stocks since August 26, 1982 and will not be declared or paid during the pendency of the reorganization proceedings. It is uncertain when Manville Corporation will be able to resume dividend payments even after emergence from Chapter 11. In addition, an alternative structure for a proposed consensual joint plan of reorganization presently under discussion among the Debtor Corporations and various constituencies would, if adopted in its present form, result in substantial dilution to the holders of outstanding Manville Corporation common stock. Until confirmation of a plan of reorganization which determines the amount and manner of payment or other disposition of such litigation and claims and the treatment of Manville Corporation's equity interests, the value of the Company's common and preferred stocks will continue to be uncertain.

Note 2—Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries.

Investments in associated companies in which the Company's voting stock interest is 50% or less, and where it is deemed that the Company's ownership gives it significant influence over operating and financial policies, are recorded on the equity basis. All other investments are carried at the lower of cost or net realizable value.

The effects of the discontinued operations have been segregated in the consolidated statements of operations and changes in financial position for 1983 and 1982.

(b) Inventories

Inventories are stated at the lower of cost, principally on the last-in, first-out basis (LIFO), or market.

(c) Property, Plant and Equipment, and Depreciation

Gains and losses from the normal retirement or replacement of property, plant and equipment are reflected in accumulated depreciation with no effect on current period earnings. Gains and losses arising from abnormal dispositions are included in operations currently.

Depreciation and amortization are computed using the straight-line method based on estimated useful lives of the related assets. Depletion of mineral properties is calculated using the unit-of-production method. Expenditures for replacements and betterments are capitalized, while maintenance and repairs are charged against operations as incurred. The Company is engaged in a reforestation program which was initiated in 1972. Currently, the Company uses a 30 year rotation cycle which will convert its natural forest to timber plantations over approximately the next eighteen years. Cost of timber harvested is based on the unit cost rates calculated using the total estimated yield of timber to be harvested during the conversion period and the unamortized timber costs.

(d) Pensions and Other Postretirement Benefits

The Company and its subsidiaries have pension plans covering substantially all of their employees, who are generally eligible to participate in these plans after no more than one year of service. Pension costs, as actuarially determined, are funded as accrued with the exception of the 1982 early retirement program. Past and prior service costs are amortized over periods of up to thirty years.

In addition to providing pension benefits, the Company provides certain health and life insurance benefits for substantially all retired U.S. and Canadian employees. Health care benefits for U.S. retirees are self-funded while Canadian health care and all life insurance coverage is provided through insurance companies. These benefits are expensed as incurred.

(e) Income Taxes

Income taxes are provided at rates applicable in the countries in which the income is earned.

The investment tax credits granted by various countries are accounted for as reductions of income tax expense in the year in which the related capital expenditures become eligible for investment benefit under applicable tax regulations.

Deferred income taxes are provided on items recognized in different periods for financial reporting purposes than for income tax purposes. Deferred income taxes result principally from the use of accelerated methods of depreciation for tax purposes.

Deferred income taxes are also provided on such undistributed earnings of subsidiaries outside the United States as the Company anticipates it will receive as dividends.

(f) Earnings (Loss) per Common Share

Earnings (loss) per common share is computed using the weighted average number of common shares outstanding during the applicable period. For purposes of this computation, preferred dividend requirements continue to be deducted, although no dividends have been declared or accrued since the second quarter of 1982.

Note 3—Cash and Marketable Securities

In connection with the Chapter 11 proceedings the Company has placed certain funds in escrowed accounts and segregated other amounts on the books and records of the Company. These funds totalled \$178 million and \$143 million at December 31, 1984 and 1983, respectively, and principally relate to proceeds from the sale of assets.

Note 4—Inventories

The major classes of inventories were as follows:

	(Thousands of dollars)	
	1984	1983
Finished goods and goods-in-process	\$ 91,653	\$ 70,560
Raw materials	47,841	45,724
Supplies	24,904	24,602
	\$ 164,398	\$ 140,886

The approximate excess of current values over amounts for financial reporting purposes were \$107,235,000 and \$100,763,000 at December 31, 1984 and 1983, respectively.

Note 5—Liabilities Subject To Chapter 11 Proceedings

The Current Liabilities, Long-Term Debt and Other Non-Current Liabilities reflected on the Company's consolidated balance sheets relate to post-petition liabilities of the corporations then under the protection of the Chapter 11 filing and/or obligations not subject to Chapter 11 proceedings. The principal categories of claims included in Liabilities Subject To Chapter 11 Proceedings were as follows (include amounts which subsequently may be paid in accordance with the Chapter 11 proceedings):

	(Thousands of dollars)	
	1984	1983
Debt and other borrowings:		
Secured:		
Mortgage on headquarters building	\$ 66,518	\$ 67,081
Industrial revenue bonds	20,093	33,158
Other	471	5,520
	87,082	105,759
Unsecured	343,203	427,291
Accounts payable	76,406	86,061
Other accrued claims	67,741	93,655
	\$ 574,432	\$ 712,766

Substantially all of the debt and other borrowings shown above are in default and were immediately due and payable upon the Chapter 11 filing under the terms of the various borrowing agreements. Most such debt, however, cannot be paid or restructured until the conclusion of the Chapter 11 proceedings.

The December 31, 1983 Liabilities Subject To Chapter 11 Proceedings included approximately \$140 million related to MFP. In connection with the emergence of MFP from Chapter 11 proceedings in 1984, this amount was reclassified to the applicable short- and long-term liability captions and \$37 million was paid to creditors.

Note 6—Long-Term Debt

Upon final confirmation of the MFP plan of reorganization in 1984, the long-term debt of MFP was restored to original terms and reclassified from Liabilities Subject To Chapter 11 Proceedings.

Long-term debt consisted of the following:

	(Thousands of dollars)	
	1984	1983
Notes payable to insurance companies, 9.27% to 9.625%, due 1985 through 1996	\$68,714	
Capitalized lease obligations (principally relating to industrial revenue bonds at 6.25% to 8.0%), due 1985 through 2007	13,359	
Collateralized notes, 7.5% to CD rate (12.86% at December 31, 1984), due 1985 through 1987	7,542	
Foreign subsidiaries' mortgages and loans, 8.18% to 13.55%, due 1985 through 1997	5,300	\$5,613
	94,915	5,613
Less, Current maturities	11,348	1,553
	\$83,567	\$4,060

Long-term debt maturities at December 31, 1984 were as follows:

	(Thousands of dollars)
1985	\$11,348
1986	10,874
1987	8,621
1988	6,955
1989	6,755
After 1989	50,362
	\$94,915

The Long-Term Debt reflected on the Company's consolidated balance sheets relates to obligations not subject to Chapter 11 proceedings.

Note 7—Leases

Total rental expense charged to continuing operations was \$16,855,000 in 1984, \$15,478,000 in 1983 and \$18,266,000 in 1982.

At December 31, 1984 minimum rental commitments of the Company and its subsidiaries under long-term noncancellable operating leases were as follows:

	(Thousands of dollars)
1985	\$ 8,283
1986	6,473
1987	4,200
1988	2,789
1989	1,879
After 1989	8,177
	\$31,801

Note 8—Cumulative Preferred Stock

For a discussion concerning the effects of the Chapter 11 proceedings on the equity holdings of the Company, please refer to Note 1—Chapter 11 Proceedings, PART I, ITEM 3. LEGAL PROCEEDINGS and PART II, ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SECURITY HOLDER MATTERS.

During the Chapter 11 proceedings, the Company will not make any payments to satisfy dividend or mandatory sinking fund requirements on its cumulative preferred stock. Under the original mandatory sinking fund provision, the Company was required to redeem the \$5.40 series shares between 1987 and 2009 at \$65 per share plus accrued dividends. The annual redemption requirements consisted of varying percentages applied to the number of outstanding shares on October 20, 1986 as follows: 5% annually from 1987 through 1996, 4% annually from 1997 through 2007, 3% in 2008 and all remaining shares in 2009.

Preferred stock dividends have not been declared or accrued since the second quarter of 1982. At December 31, 1984 the cumulative amount of dividends that has not been declared or accrued is approximately \$62,500,000 (\$13.50 per preferred share).

Note 9—Common Stock

Activity relating to common stock was as follows:

	(Thousands of dollars)				
	Common Stock		Capital in	Treasury Stock	
	Shares	Amount	Excess of Par Amount	Shares	Amount
Balance at January 1, 1982	23,640,675	\$59,102	\$173,950	114,020	\$3,487
Issued in connection with:					
Employee stock purchase plan	428,227	1,070	4,450		
Employee stock ownership plan				(34,260)	(1,045)
Deferred compensation plans				(1,603)	(49)
Treasury stock purchased				1,232	28
Balance at December 31, 1982	24,068,902	60,172	178,400	79,389	2,421
Issued in connection with:					
Employee stock ownership plan				(10,258)	(313)
Deferred compensation plans				(187)	(5)
Balance at December 31, 1983	24,068,902	60,172	178,400	68,944	2,103
Issued in connection with:					
Deferred compensation plans				(284)	(9)
Balance at December 31, 1984	24,068,902	\$60,172	\$178,400	68,660	\$2,094

For a discussion concerning the effects of the Chapter 11 proceedings on the equity holdings of the Company, please refer to Note 1—Chapter 11 Proceedings, PART I, ITEM 3. LEGAL PROCEEDINGS and PART II, ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SECURITY HOLDER MATTERS.

Prior to the Chapter 11 filings, as part of the Company's incentive programs, stock options were granted to certain key employees to purchase shares of the Company's common stock. While operating under the restrictions of Chapter 11, no stock options have been granted or exercised. The options expire ten years, and are exercisable one year, after the date of grant. Stock appreciation rights were granted on some stock options and were designed to permit an option holder, in lieu of exercising an option, to receive in cash or common stock an amount equal to the excess of the market price of the common stock on the date the right is exercised

over the option price of the related option. There were no charges to operations for the three years in the period ended December 31, 1984 relating to the programs. In addition, there would be no dilution of earnings per common share with respect to shares issuable under the above plans.

At December 31, 1984, 274,609 options (including 110,400 subject to stock appreciation rights) were outstanding at prices ranging from \$10.00 to \$34.50 per common share. During 1984, 14,093 options were cancelled and none were exercised. At December 31, 1984 there were 397,600 shares reserved for issuance under these plans.

Weighted average common shares outstanding used to compute earnings (loss) per common share were 24,000,000 in 1984, 23,992,000 in 1983 and 23,825,000 in 1982.

Note 10—Foreign Currency Exchange and Translation

An analysis of changes in the Cumulative Currency Translation Adjustments included in Common Shareholders' Equity at December 31, 1984 and 1983 is as follows:

	(Thousands of dollars)	
	1984	1983
Cumulative currency translation adjustments as of January 1	\$(40,918)	\$(39,234)
For the year ended December 31:		
Currency translation adjustments	(12,159)	(11,186)
Income taxes related to currency translation adjustments	88	53
Recognition of losses applicable to asset dispositions		9,449
Cumulative currency translation adjustments as of December 31	\$(52,989)	\$(40,918)

The 1983 recognition of losses applicable to asset dispositions principally related to the sale of Johns-Manville Canada Inc. and Johns-Manville Amiante Canada Inc.

Included in the 1982 results from continuing operations was \$4 million of foreign currency transactional gains. The effect of foreign currency transactions on 1984 and 1983 earnings was not material.

Note 11—Other Income, Net

Other income, net consisted of the following:

	(Thousands of dollars)		
	1984	1983	1982
Interest income	\$33,569	\$31,613	\$12,244
Exploration rights income	8,774	8,850	8,937
Prior years' utility costs refund		7,569	
Other	16,948	13,442	11,268
	\$59,291	\$61,474	\$32,449

Note 12—Pensions and Other Postretirement Benefits

Total pension expense from continuing operations was \$6,731,000 in 1984, \$18,203,000 in 1983 and \$21,566,000 in 1982.

Accumulated plan benefits and plan net assets of the Company's defined benefit plans covering U.S. employees were as follows:

	(Thousands of dollars)	
	January 1	
	1984	1983
Actuarial present value of accumulated plan benefits:		
Vested	\$469,380	\$481,968
Nonvested	17,605	16,884
	\$486,985	\$498,852
Market value of net assets available for benefits, including balance sheet accruals	\$625,422	\$577,600

In 1984 the Company changed actuarial assumptions for computing pension costs for the U.S. and Canadian plans, principally increasing interest assumptions, approximately 2.5 percentage points, to more properly reflect anticipated investment-portfolio returns. Accordingly, pension expense for 1984 was reduced by \$13.5 million resulting in an increase to net earnings of \$7.0 million, or \$.29 per common share.

The actuarial present value of accumulated plan benefits was calculated using 8% and 9% assumed rates of return for the various plans for 1984 and an 8% assumed rate of return for 1983. Pension plans covering the Company's employees located outside of the U.S. are not subject to reporting requirements similar to those of ERISA and, accordingly, the asset and benefit information as calculated and presented above is not available. For such plans the net assets and balance sheet accruals exceed the actuarially computed values of vested benefits.

In addition to providing pension benefits, the Company and its subsidiaries provide certain health and life insurance benefits for substantially all retired U.S. and Canadian employees. The charge to operations in 1984 for both U.S. and Canadian retirees amounted to \$10.6 million. The comparable data for 1983 and 1982 is not available.

Note 13—Asbestos Health Costs

Asbestos health costs consisted of the following:

	(Thousands of dollars)		
	1984	1983	1982
Insurance			
litigation	\$ 14,541	\$ 12,123	\$ 3,523
Workers'			
compensation	7,021	5,901	4,538
Other asbestos			
health costs	4,504	2,405	8,042
	<u>\$ 26,066</u>	<u>\$ 20,429</u>	<u>\$ 16,103</u>

Note 14—Manville Forest Products Plan of Reorganization

During the fourth quarter of 1983 Manville Forest Products Corporation, a wholly-owned subsidiary of Manville Corporation, filed a separate plan of reorganization. Accordingly, a \$7.1 million charge was made to 1983 earnings from continuing operations for interest expense accruals from August 26, 1982 to December 31, 1983.

In connection with the 1984 emergence of MFP from Chapter 11 proceedings, a \$30 million revolving credit arrangement with five banks was established. This was done to ensure the ability to fund seasonal working capital requirements of MFP. As of December 31, 1984, no amounts had been drawn against this line.

Note 15—Loss (Gain) on Dispositions of Assets and Asset Impairments

Although amounts for 1984 and 1983 were not material, included in earnings from continuing operations for 1982 was a \$37.8 million charge associated with the provisions for the loss on dispositions of various operations and asset impairments. This charge was principally comprised of a provision for the loss on the sale of the Company's Belgian subsidiaries, a charge for the planned disposition costs of a roofing insulation plant in Alexandria, Indiana, a write-down of a minority interest holding in Mexico and the estimated loss on the sale of certain assets of a joint venture in Idaho. The Company also recorded a \$4 million provision for the permanent impairment in the carrying value of its investment in two subsidiaries located in Mexico.

Note 16—Employee Separation and Retirement Incentive Costs

In 1982 the Company adopted Statement of Financial Accounting Standards No. 74, "Accounting for Special Termination Benefits Paid to Employees" which resulted in a charge to earnings from continuing operations of \$13.8 million relating to the Company's 1982 staff reduction program. Also in 1982, the Company recorded a \$6.4 million charge to earnings from continuing operations for employee separation costs.

Note 17—Income Taxes

Earnings (loss) from continuing operations before income taxes and the related income tax expense consisted of the following:

	(Thousands of dollars)		
	1984	1983	1982
Earnings (loss) from continuing operations before income taxes:			
U.S.	\$ 93,719	\$ 70,592	\$ (32,069)
Foreign	41,608	29,813	19,598
	<u>\$ 135,327</u>	<u>\$ 100,405</u>	<u>\$ (12,471)</u>

Income tax expense on continuing operations:

Current

U.S. federal	\$ 3,260	\$ 3,383	\$ (6,685)
U.S. state and local	4,898	4,271	5,547
Foreign	21,613	15,819	17,992
	<u>29,771</u>	<u>23,473</u>	<u>16,854</u>

Deferred

U.S.	27,864	16,628	(5,710)
Foreign	465	178	(2,662)
	<u>28,329</u>	<u>16,806</u>	<u>(8,372)</u>

Income tax expense on continuing operations

	\$ 58,100	\$ 40,279	\$ 8,482
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The cumulative undistributed earnings of subsidiaries outside the United States on which the Company had not provided deferred income taxes at December 31, 1984 were approximately \$100,000,000.

Deferred income tax expense from continuing operations consisted of the following:

	(Thousands of dollars)		
	1984	1983	1982
Excess of tax over financial statement depreciation	\$16,769	\$17,232	\$15,285
Undistributed earnings of foreign subsidiaries	1,900	(1,300)	(1,823)
Investment tax credit carryforward	(463)	(4,976)	
Provisions for asset dispositions	(88)	6,140	(10,550)
Provision for retirement incentive costs	2,053	2,053	(12,703)
Income recognition of exploration rights	4,036	4,071	4,111
MFP interest expense	6,026	(6,026)	
Other, net	(1,904)	(388)	(2,692)
	\$28,329	\$16,806	\$ (8,372)

The effective income tax rate on consolidated pre-tax earnings (loss) from continuing operations differs from the U.S. federal statutory income tax rate for the following reasons:

	% of Pre-Tax Earnings		
	1984	1983	1982
U.S. federal statutory rate	46.00%	46.00%	46.00%
Increase (decrease) resulting from:			
Capital gains on timber	(4.76)	(5.46)	53.88
U.S. investment tax credit	(3.49)	(3.98)	20.60
U.S. state and local taxes, net of federal benefit	1.94	2.30	(23.85)
Foreign income taxed at higher rates	1.92	2.51	(44.89)
Minimum tax on preference items	1.37	1.59	(15.23)
Miscellaneous permanent differences, principally depletion and interest	(0.69)	(4.00)	9.89
Difference between U.S. federal statutory rate and effective rates on dispositions and asset impairments			(103.14)
Other, net	0.64	1.16	(11.27)
	42.93%	40.12%	(68.01)%

The 1982 effective rate of (68.01)% represents tax expense on a pre-tax loss.

The investment tax credit carryforward for income tax reporting purposes at December 31, 1984 was approximately \$10.0 million and is comprised of credits generated in 1984 and 1983 of \$5.2 million and \$4.8 million, respectively.

Note 18—Discontinued Asbestos Fiber Operation

Effective July 1, 1983, for approximately \$117 million (Canadian), Johns-Manville Corporation completed the sale of Johns-Manville Canada Inc. and Johns-Manville Amiante Canada Inc., wholly-owned subsidiaries engaged in the business of mining, milling and distributing asbestos fiber. Approximately \$70 million (Canadian) was deferred and is payable over a projected five-year period out of 85.5% of available cash flows from the asbestos fiber operation. Based upon the discounted value of projected cash flows in comparison to the carrying value, no significant gain or loss was recognized for financial reporting purposes from this transaction. The purchase price will be adjusted in the event actual cash flows are different, but in no event will the purchase price exceed \$150 million (Canadian).

Included in the 1982 results from discontinued operations was a \$78.1 million provision for the permanent impairment in the carrying amount of the assets of the open-pit mining operation. The 1982 provision was made as a result of the commercial recoverability of asbestos ore at the mine being adversely affected by weak demand and projected costs of overburden removal programs.

Note 19—Discontinued Pipe Operations

In December 1982 the Company sold eight U.S. manufacturing facilities and their related inventories which represented substantially all of the assets included in the Company's Pipe Products and Systems business segment. The \$55 million sales price was reduced by \$10.5 million for the assumption of industrial revenue bonds.

Note 20—Business Segment Information

See "Consolidated Major Business Segments and Geographic Areas Information" on pages 19 and 20.

Note 21—Unaudited Supplemental Information on Changing Prices

See "Supplemental Information on Changing Prices" on pages 21 - 23 for required disclosure of selected financial information concerning the effects of specific price changes on a business enterprise.

Management's Report

The accompanying consolidated financial statements have been prepared by Management in conformity with generally accepted accounting principles appropriate under the circumstances. The representations in the financial statements and the fairness and integrity of such statements are the responsibility of Management. All of the other financial information in the Annual Report to Shareholders is consistent with that in the financial statements.

The financial statements necessarily include some amounts that are based on Management's best estimates and judgments. Management believes that the financial statements reflect in all material respects the substance of transactions which should be included and appropriately account for or disclose all material uncertainties. Uncertainties exist concerning the eventual outcome of the Chapter 11 proceedings and the ultimate cost of asbestos-related litigation as described in Note 1 of the Notes to Consolidated Financial Statements. Changes, if any, in liabilities or equity structure required by a plan of reorganization would be recorded in accordance with generally accepted accounting principles.

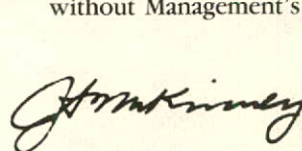
The consolidated financial statements prepared by Management have been examined in accordance with generally accepted auditing standards by Coopers & Lybrand, Independent Certified Public Accountants, whose report is also presented.

Manville maintains internal accounting control systems to provide reliable financial information for the preparation of financial statements, to safeguard assets against loss or unauthorized use and to ensure proper authorization and accounting for all transactions. Management is responsible for maintenance of these systems, which is accomplished through communication of

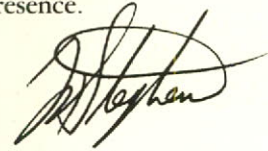
established written codes of conduct, systems, policies and procedures; employee training; and appropriate delegation of authority and segregation of responsibilities. To further ensure compliance with established standards and procedures, the Company maintains a substantial program of internal audits.

In establishing and maintaining its internal accounting control systems, Management considers the inherent limitations of the various control procedures and weighs their cost against the benefits derived. Management believes that existing internal accounting control systems are achieving their objectives and that they provide reasonable assurance concerning the accuracy of the financial statements.

Oversight of Management's financial reporting and internal accounting control responsibilities is exercised by the Board of Directors, through an Audit Committee which consists solely of outside directors. The Audit Committee meets periodically with financial management, internal auditors and the independent accountants to ensure that each is meeting its responsibilities and to discuss matters concerning auditing, internal accounting control and financial reporting. The independent accountants and the Company's internal audit department have free access to meet with the Audit Committee without Management's presence.



John A. McKinney
Chairman of the Board
and Chief Executive Officer



W. T. Stephens
Executive Vice President,
Finance and Administration

Accountants' Report

To the Shareholders and Directors of
Manville Corporation:

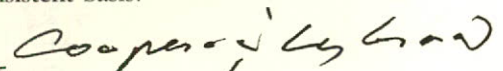
We have examined the consolidated balance sheets of Manville Corporation as of December 31, 1984 and 1983, and the related consolidated statements of operations and earnings reinvested and changes in financial position for each of the three years in the period ended December 31, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in Note 1 to the consolidated financial statements, Manville Corporation and certain of its subsidiaries are defendants in a substantial number of asbestos-health legal actions and may be liable for asbestos removal property damage claims and other claims. On August 26, 1982, Manville Corporation and substantially all of its United States and Canadian subsidiaries filed separate petitions for reorganization under Chapter 11 of

the Bankruptcy Reform Act of 1978 because of contingent liabilities resulting from pending and potential litigation related to the asbestos-health issue. The ultimate liability resulting from these matters cannot presently be reasonably estimated.

In our opinion, the financial statements referred to above present fairly the consolidated results of operations and changes in financial position of Manville Corporation for each of the three years in the period ended December 31, 1984, and, subject to the effects of adjustments that might have been required had the outcome of the uncertainties referred to in the preceding paragraph been known, the consolidated financial position of Manville Corporation at December 31, 1984 and 1983, in conformity with generally accepted accounting principles applied on a consistent basis.

February 5, 1985
Denver, Colorado



Manville Corporation

Consolidated Major Business Segments and Geographic Areas Information
(Thousands of dollars)

	Years Ended December 31		
	1984	1983	1982
Revenues (Note c)			
Fiber Glass Products	\$ 780,380	\$ 720,044	\$ 609,010
Forest Products	450,849	426,914	435,634
Nonfiber Glass Insulations	203,340	209,325	231,571
Roofing Products	189,645	227,524	210,701
Industrial and Specialty Products and Services	253,773	248,393	285,318
Corporate revenues, net	38,661	34,819	13,983
Elimination of intersegment sales (Note a)	(43,173)	(76,080)	(69,180)
	<u>\$1,873,475</u>	<u>\$1,790,939</u>	<u>\$1,717,037</u>
Income (Loss) From Operations (Note c)			
Fiber Glass Products	\$ 115,109	\$ 96,628	\$ 75,244
Forest Products	63,214	53,201	48,091
Nonfiber Glass Insulations	15,858	9,131	11,341
Roofing Products	(10,821)	(10,104)	(6,451)
Industrial and Specialty Products and Services	21,584	18,467	27,825
Corporate expense, net	(4,476)	(6,448)	(22,003)
Eliminations and adjustments (Note d)	(398)	568	6,841
	<u>\$ 200,070</u>	<u>\$ 161,443</u>	<u>\$ 140,888</u>
Depreciation and Depletion (Note c)			
Fiber Glass Products	\$ 25,906	\$ 25,425	\$ 25,519
Forest Products	34,755	32,476	28,791
Nonfiber Glass Insulations	6,097	6,035	7,104
Roofing Products	3,219	3,437	3,449
Industrial and Specialty Products and Services	5,780	5,519	6,325
Corporate	3,615	3,502	2,809
	<u>\$ 79,372</u>	<u>\$ 76,394</u>	<u>\$ 73,997</u>
Additions to Property, Plant and Equipment			
Fiber Glass Products	\$ 49,957	\$ 36,708	\$ 15,496
Forest Products	46,600	48,800	26,788
Nonfiber Glass Insulations	6,020	3,826	5,340
Roofing Products	5,908	5,458	2,292
Industrial and Specialty Products and Services	13,047	10,218	8,254
Pipe Products and Systems (Note c)			2,678
Asbestos Fiber (Note c)			143
Corporate	237	5,686	292
	<u>\$ 121,769</u>	<u>\$ 110,696</u>	<u>\$ 61,283</u>
Assets			
	1984	December 31 1983	1982
Fiber Glass Products	\$ 605,859	\$ 568,552	\$ 548,724
Forest Products	843,468	824,486	813,600
Nonfiber Glass Insulations	156,578	161,625	176,660
Roofing Products	121,064	118,047	113,336
Industrial and Specialty Products and Services	190,211	175,753	181,080
Asbestos Fiber (Note c)			63,226
Corporate (Note e)	536,672	519,142	462,288
Eliminations and adjustments (Note d)	(114,718)	(114,343)	(122,810)
	<u>\$2,339,134</u>	<u>\$2,253,262</u>	<u>\$2,236,104</u>

Revenues (Notes c and f)	Years Ended December 31		
	1984	1983	1982
United States	\$ 1,542,090	\$ 1,453,235	\$ 1,343,720
Foreign	312,261	320,382	378,517
Corporate revenues, net	38,661	34,819	13,983
Elimination of intergeographic sales (Note b)	(19,537)	(17,497)	(19,183)
	<u>\$ 1,873,475</u>	<u>\$ 1,790,939</u>	<u>\$ 1,717,037</u>

Income (Loss) From Operations (Notes c and f)			
United States	\$ 166,282	\$ 136,730	\$ 114,497
Foreign	38,687	30,576	41,542
Corporate expense, net	(4,476)	(6,448)	(22,003)
Eliminations and adjustments (Note d)	(423)	585	6,852
	<u>\$ 200,070</u>	<u>\$ 161,443</u>	<u>\$ 140,888</u>

Assets (Note f)	December 31		
	1984	1983	1982
United States	\$ 1,583,749	\$ 1,594,477	\$ 1,486,921
Foreign	333,914	356,500	410,219
Corporate (Note e)	536,672	416,896	462,288
Eliminations and adjustments (Note d)	(115,201)	(114,611)	(123,324)
	<u>\$ 2,339,134</u>	<u>\$ 2,253,262</u>	<u>\$ 2,236,104</u>

Notes:

(a) Intersegment sales were as follows (at prices approximating market):

	Years Ended December 31		
	1984	1983	1982
Fiber Glass Products	\$39,000	\$59,153	\$48,851
Forest Products	35	12,327	11,216
Nonfiber Glass Insulations	118	95	
Roofing Products	582	1,538	2,111
Industrial and Specialty Products and Services	3,438	2,967	7,002
	<u>\$43,173</u>	<u>\$76,080</u>	<u>\$69,180</u>

(b) Intergeographic sales (at prices approximating market) principally relate to U.S. sales to the Company's foreign segment.

(c) In 1983 the Company sold its asbestos fiber operation and in 1982 the Company sold its U.S. pipe operations. Consequently, effects of the discontinued operations were segregated in the consolidated results of operations (see Notes 18 and 19).

(d) Includes the elimination of intersegment and intergeographic inventory profits and the adjustment of business segment and geographic inventories, which are carried at standard costs, to the historical inventory bases used in consolidation.

(e) Corporate assets are principally cash, marketable securities, prepaid income taxes, investments, long-term receivables and a portion of property, plant and equipment.

(f) With the sale of the Canadian asbestos fiber operation, the classification of geographic area information was changed to United States and Foreign.

Manville Corporation

Supplemental Information on Changing Prices (Unaudited)

The following summarized financial information sets forth the estimated effects of changing prices on the Company utilizing the computational method prescribed by the Financial Accounting Standards Board (FASB). The standards, as amended, require a presentation of certain financial statement items on a "current cost" basis which considers changes in specific prices that may vary from the rate of change in the general purchasing power of the dollar. Also reported is a gain in purchasing power from maintaining a net monetary liability position.

The amounts presented have been adjusted to reflect current cost depreciation, current year liquidations of last-in, first-out (LIFO) inventories and the restatement of that portion of cost of sales using other inventory valuations to the appropriate bases. The current cost depreciation and depletion expense approximates the annual amortization that would have been incurred had the Company replaced its total service potential in prop-

erty, plant and equipment during 1984. These amounts have been computed using various construction and equipment indices.

The restated amounts reflect effects of changes in specific prices which increase the nominal dollar profit that assets must earn over their useful lives to maintain and recover the present-day value of the original investment. The computations do not reflect technological and other differences arising in the replacement of assets or the revised pricing strategies that would be in effect had the Company and its competitors begun business during the current year.

Because of the experimental nature of the methods involved in accounting for changing prices and the number of assumptions and approximations used in its calculations, the Company cautions against simplistic use of this data.

Manville Corporation

Consolidated Statements of Earnings Adjusted for Changing Prices

for the Year Ended December 31, 1984
(Thousands of dollars)

	As Reported in Conventional Statements (Historical Cost)	Adjusted for Changes in Specific Prices (Current Cost)
Revenues	<u>\$1,873,475</u>	<u>\$1,873,475</u>
Cost of Sales	1,399,884	1,435,357
Other Operating Expenses	273,521	277,404
Nonoperating Expenses	<u>64,743</u>	<u>64,743</u>
Total	<u>1,738,148</u>	<u>1,777,504</u>
Earnings from Continuing Operations Before Income Taxes	135,327	95,971
Income Taxes	<u>58,100</u>	<u>58,100</u>
Earnings from Continuing Operations	<u>\$ 77,227</u>	<u>\$ 37,871</u>
Gain from Decline in Purchasing Power of Net Monetary Liabilities		<u>\$ 27,064</u>
Increase in General Price Level of Invento- ries and Property, Plant and Equipment Held During the Year	\$ 93,517	
Increase in Specific Prices of Inventories and Property, Plant and Equipment Held During the Year	<u>58,967</u>	
Excess of Increase in General Price Level Over Increase in Specific Prices of Inventories and Property, Plant and Equipment Held During the Year	<u>\$ 34,550</u>	
Historical Cost versus Current Cost at December 31, 1984:		
Inventories	<u>\$ 164,398</u>	<u>\$ 275,171</u>
Property, Plant and Equipment, Net of Accumulated Depreciation and Depletion	<u>\$1,404,845</u>	<u>\$2,123,626</u>

Five Year Summary of Selected Supplemental Financial Data
Adjusted for Effects of Changing Prices
for the Years Ended December 31
(All dollar figures are in average 1984 dollars)
(Thousands of dollars except per share amounts)

	1984	1983	1982	1981	1980
Current Cost Information					
Earnings (Loss) from Continuing Operations	\$ 37,871	\$ 14,715	\$ (89,286)	\$ 3,864	\$ 40,224
Earnings (Loss) Per Common Share from Continuing Operations	\$.54	\$ (.48)	\$ (.487)	\$ (1.07)	\$.39
Excess of Increase in General Price Level Over Change in Specific Prices of Inventories and Property, Plant and Equipment Held During the Year	\$ 34,550	\$ 65,502	\$ 475,655	\$ 51,482	\$ 86,601
Net Assets at Year End	\$1,701,517	\$1,667,566	\$1,659,205	\$2,146,854	\$ 2,204,834
Translation Adjustment	\$ (16,903)	\$ (6,443)	\$ (21,971)	\$ (14,172)	
Other Information					
Revenues	\$1,873,475	\$1,867,162	\$1,847,700	\$2,210,764	\$ 2,447,453
Gain from Decline in Purchasing Power of Net Monetary Liabilities	\$ 27,064	\$ 28,756	\$ 38,777	\$ 93,885	\$ 147,668
Dividends Per Common Share			\$.73	\$ 2.19	\$ 2.42
Market Price Per Common Share at Year End	\$57 $\frac{1}{8}$	\$11 $\frac{1}{4}$	\$107 $\frac{1}{8}$	\$16 $\frac{1}{2}$	\$29 $\frac{3}{4}$
Average Consumer Price Index (CPI-U)	311.1	298.4	289.1	272.4	246.8

Notes:

(a) Current cost information was estimated as follows:

Inventories—standard manufacturing costs that reflect current cost depreciation or lower recoverable amount.

Property, Plant and Equipment—land at regional market quotations, precious metals used in manufacturing at current producers' market prices, and buildings, machinery and equipment at construction cost or other indices specific to the type of asset or lower recoverable amount. Timber and timberlands have been included as adjusted to reflect general price level changes.

Cost of Sales—for inventories using the LIFO method, cost of sales for financial reporting purposes was adjusted for current cost depreciation and LIFO liquidations; for inventories using other methods, cost of sales for financial reporting purposes was adjusted for current cost depreciation and time lag between incurring inventory costs and their subsequent conversion into sales revenue.

Depreciation and Depletion—estimated on a straight-line basis using the same useful lives and salvage values as for historical financial reporting purposes; average current cost of plant and equipment at the beginning and end of the year was used as a basis for depreciation expense.

Restatement of foreign operations and assets included in these estimates was based principally on local indices and exchange rates prevailing at the balance sheet date.

(b) Depreciation and depletion expense has been allocated between cost of sales and other operating expenses. The aggregate amount of 1984 depreciation and depletion expense from continuing operations calculated under the current cost basis is \$118.6 million.

(c) In accordance with the standards, the amount of income tax expense in the computations of earnings adjusted for changes in specific prices is the same as that charged against earnings in the conventional financial statements. No adjustments have been made for any timing differences that might be deemed to arise as a result of the use of different bases.

(d) The gain from decline in purchasing power of net monetary liabilities is the net amount of gains and losses in purchasing power resulting from holding more monetary liabilities (those obligations determinable in amount without reference to future prices) than cash or claims to cash in an inflationary period.

(e) Earnings (loss) per common share is computed using the weighted average number of common shares outstanding during the applicable period. For purposes of this computation, cumulative preferred dividend requirements continue to be deducted although no dividends have been declared or accrued since the second quarter of 1982.

Summary Mining Information — Diatomite
for the Years Ended December 31
(Tons are stated in thousands)

	1984	1983	1982	1981	1980
Proven ore reserves (tons)	9,308	8,627	9,039	9,047	9,670
Processed production (tons)	359	345	318	337	340
Remaining life (years)	25	20-25	20-25	20-25	25-30
Average market price per ton	\$191	\$181	\$183	\$185	\$167

Manville Corporation
Selected Quarterly Financial Data (Unaudited)

(Thousands of dollars except per share amounts)

Results of continuing operations for the four quarters of 1984 and 1983 are shown below:

Quarter		Net Sales	Gross Profit	Earnings	Earnings (Loss) Per Common Share
1984 —	First	\$ 410,092	\$ 90,811	\$12,746	\$.27
	Second	456,519	106,398	18,075	.49
	Third	491,106	110,604	28,207	.92
	Fourth	456,467	106,487	18,199	.50
	Total	<u>\$1,814,184</u>	<u>\$414,300</u>	<u>\$77,227</u>	<u>\$ 2.18</u>
1983 —	First	\$ 402,818	\$ 86,998	\$16,590	\$.43
	Second	441,778	95,044	22,011	.66
	Third	453,490	92,755	20,324	.59
	Fourth	431,379	84,234	1,201	(.21)
	Total	<u>\$1,729,465</u>	<u>\$359,031</u>	<u>\$60,126</u>	<u>\$ 1.47</u>

Notes:

(a) During the second quarter of 1984 the Company changed actuarial assumptions for computing pension costs for the U.S. and Canadian plans, principally revising interest assumptions to more properly reflect anticipated investment portfolio returns. The effect on the quarters was as follows:

	Earnings (millions)	Earnings per Common Share
First	—	—
Second	\$2.2	\$.09
Third	1.8	.08
Fourth	3.0	.12
Total	<u>\$7.0</u>	<u>\$.29</u>

(b) Effective July 1, 1983 the Company sold its asbestos fiber operation. The 1983 quarterly results shown above exclude the effects of the discontinued operation.

(c) During the fourth quarter of 1983 Manville Forest Products Corporation, a wholly-owned subsidiary of Manville Corporation, filed a separate plan of reorganization. Accordingly, a \$7.1 million charge was made to earnings from continuing operations for interest expense on unsecured debt from August 26, 1982 to December 31, 1983.

PART I

ITEM 1. BUSINESS

Introduction

Manville Corporation is a diversified international manufacturing and natural resources supplier with primary businesses in insulation, forest products, roofing and mining. The Company supplies the broadest line of thermal insulation products and is the largest supplier of fiber glass mat in the world. The Company is a leading national supplier of fiber glass shingles and roll roofing. Manville is also a major national supplier of beverage carrierboard, and the world's largest supplier of diatomite, a mineral used as an industrial filtering agent and filler.

Manville's business segments consist of the manufacture and sale of fiber glass products, nonfiber glass insulation products, forest products, roofing products and industrial and specialty products and services. The manufacture of fiber glass products is the largest of these businesses. Insulation and continuous strand are the types of fiber glass which are produced. The fiber glass and nonfiber glass insulations businesses place Manville in the position of offering the broadest line of insulation products in the world. The roofing products segment supplies both residential shingles and nonresidential roofing products. The manufacturing portion of the industrial and specialty products segment consists of lighting products, sealing components and several other product lines.

The Company's forest products business segment consists of vertically integrated operations from timber plantations to lumber, plywood and wood chips. The wood chips are further processed into wood pulp, which is used in the production of coated and uncoated paperboard and kraft paper. The paperboard and paper are sold to other manufacturers and are used by the Company to produce beverage carriers, folding cartons, paper bags and, in Brazil, corrugated containers.

The Company also mines and processes diatomite and perlite, which are included as part of the industrial and specialty products and services segment. These minerals are used in some of the Company's manufacturing businesses and are also sold to other industrial users.

Significant Developments

In 1984, significant management changes occurred at Manville. J. Jacques Beauchemin resigned as a Director of the Company for health reasons. Four outside Directors joined the Company's Board of Directors: Aaron A. Gold, James N. Land, Jr., Gene E. Phillips and Randall D. Smith. J. T. Hulce, formerly a Senior Vice President, was named President and a Director of the Company. Charles J. DeBiase was appointed to the position of Executive Vice President, Operations, and W. Thomas Stephens was appointed to the position of Executive Vice President, Finance and Administration. In conjunction with these management changes, the Company is concentrating on an identity reflecting its main operating philosophy: to be the best supplier our customers deal with day to day.

Manville has been completely out of the business of mining, milling and selling asbestos fiber since 1983. During the third quarter of 1983, the Company completed the sale of Johns-Manville Amiante Canada Inc. and Johns-Manville Canada Inc., which operated the Jeffrey Asbestos Mine and related mill at Asbestos, Quebec, Canada. At the end of 1982, the Company's United States pipe operations, including its asbestos-cement pipe business, were divested, and in early 1983 the Belgian asbestos-cement operations were sold. The Company no longer uses any significant amount of asbestos fiber in its manufacturing operations. The few remaining asbestos-containing products have minimal dust potential in manufacture, installation or use. Other materials have been substituted for asbestos in a number of products and further substitution efforts are underway.

As previously reported, on August 26, 1982, Manville Corporation and twenty of its subsidiaries filed separate petitions for reorganization under Chapter 11 of the Bankruptcy Reform Act of 1978 in the United States Bankruptcy Court for the Southern District of New York. The filings were precipitated

by contingent liabilities resulting from pending and potential litigation involving: (i) individuals exposed to asbestos who have manifested asbestos-related diseases or conditions and (ii) individuals exposed to asbestos who have not yet manifested asbestos-related diseases or conditions. The Bankruptcy Court confirmed a joint plan of reorganization for Johns-Manville Amiante Canada Inc. and Johns-Manville Canada Inc. (the stock of which was sold to a third party in 1983) in December 1983 and a separate plan of reorganization for Manville Forest Products Corporation in March 1984. Under Chapter 11, substantially all litigation and claims pending against Manville and its seventeen remaining debtor corporations at the date of the filings have been stayed while these corporations continue business operations as debtors-in-possession. While these debtor corporations are authorized to operate their businesses in the ordinary course, as debtors-in-possession, they may not engage in transactions outside the ordinary course of business without approval of the Bankruptcy Court. Additionally, restrictions have been placed on certain cash transactions, which are discussed at page 6 in Management's Discussion and Analysis of Results of Operations and Financial Condition.

The reorganization proceedings are discussed in detail in this report at ITEM 3. LEGAL PROCEEDINGS, including information on the Company's proposed joint plan of reorganization, an alternative proposal for a consensual joint plan of reorganization and proofs of claim filed in the reorganization proceedings. The Company executed settlement agreements with three of its principal insurers in 1984 and with three additional insurers in early 1985, which are also discussed at ITEM 3. In the first settlement, the Company will receive \$314,415,000 in full satisfaction of its insurance coverage claims against the Home Insurance Company, the Travelers Indemnity Company and certain British companies, including Lloyds of London. In the second settlement, certain asbestos-related claims will be funded up to a total of \$111,800,000 by Insurance Company of North America, Midland Insurance Company and Allstate Insurance Company (successor of Northbrook Excess & Surplus Insurance Company). Both of these settlements are subject to Bankruptcy Court approval and certain other conditions. The coordinated trial against certain of the Company's other insurance carriers began on March 4, 1985 in San Francisco, California.

Major Business Segments

Financial information by business segments and by geographic areas can be found in this report at pages 19 and 20. The Company's five business segments are: Fiber Glass Products, Forest Products, Nonfiber Glass Insulations, Roofing Products and Industrial and Specialty Products and Services. The Company is currently analyzing its business segments in light of relatively recent major divestments. Upon completing this analysis, the Company expects to reclassify its business segments in 1985.

FIBER GLASS PRODUCTS BUSINESS SEGMENT

The principal products in the Fiber Glass Products Business Segment are:

Acoustical Insulation	Filter Tubes and Cartridges
Aerospace Insulation	Manufactured Housing
Air Conditioning Ducts,	Insulation
Wrap, Liner Insulation	Pipe Insulation
and Accessories	Pre-Engineered
Air Filtration Media	Insulation
Appliance Insulation	Residential Insulation
Automotive Headliners,	Roofing Mat
Hoodliners and Molded Parts	Sliver and Yarn
Chopped Strand and Reinforcement Fiber	Specialty Fiber
Commercial Insulation	Specialty Mat

The Company produces the two forms of fiber glass produced in the industry, insulation (or wool fiber glass) and continuous strand fiber glass filament. Fiber glass insulation, both thermal and acoustical,

is used in the construction and retrofitting of residences (including manufactured houses) and commercial, industrial and institutional buildings. Thermal and acoustical fiber glass insulation is also used to insulate aircraft, appliances, automobiles and pipes. Manville also manufactures fiber glass air ducts and systems for heating and air conditioning systems. These fiber glass ducts continue to make inroads into a market which has traditionally been dominated by sheet metal ducts.

In 1984, the Company began a capital investment project to convert part of its Penbryn, New Jersey fiber glass operation to a special rotary process. This energy efficient process is expected to reduce manufacturing costs significantly at this location. Fiber glass thermal insulation will continue to be produced principally in blanket form. The Company now has similar rotary manufacturing units in California, Georgia and Kansas. The addition of this special rotary unit at the Penbryn, New Jersey facility will enhance the Company's competitive position in the building insulation and industrial production markets in the northeast portion of the United States.

The Company continues to be involved in developing technologically advanced insulation for the United States space program. At the start of the space shuttle program, the Company developed a high purity quartz fiber which was a primary ingredient of the insulating tiles used on the early shuttle vehicles. The Company successfully developed Quilite® flexible, high purity silica fiber insulating blanket, which is now being used in place of the tiles in many areas of the spacecraft. These and other new insulations developed for space vehicles are being adapted by the Company for commercial uses particularly in high temperature processes such as in metals processing.

Continuous strand fiber glass filament is used to produce fiber glass roofing mat for use in the Company's roofing products and for sale to other roofing manufacturers. Fiber glass mat is lightweight and resistant to deterioration and has substantially replaced organic and asbestos felt mats in roofing shingles and built-up roofing. The Company believes it is the world's largest producer of fiber glass mat. Continuous strand fiber glass filaments are sold to other mat manufacturers and are also sold as reinforcement fibers in products serving the automotive and gypsum wallboard markets. Specialty mats made from these fibers are sold to different industries which include battery separators, carpeting, foam insulation, reinforced plastics and vinyl flooring. Specialty continuous strand fiber is used in the manufacture of batteries and specialty papers. These specialty mats and fibers are engineered to provide specific properties to meet the needs and specifications of individual manufacturers.

The principal raw materials used to manufacture fiber glass are aluminous materials, borate minerals, lime, phenolic resin, sand and soda ash. Production of fiber glass materials is maintained at an approximately level rate throughout the year. Demand for the Company's fiber glass products tends to be seasonal, resulting in inventory increases during winter and spring and decreases during the construction season.

These products are typically sold directly to users (applicators, contractors and manufacturers) and to distributors (dealers, retailers and wholesalers).

The principal methods of competition include distribution, price, product performance, quality, service and warranty. The Company believes that its products are competitive in each of these areas. Based upon industry statistics available to it, the Company believes it is the second largest producer of fiber glass insulation and the third largest producer of continuous strand fiber glass in the United States. Other large producers include Owens-Corning Fiberglas Corporation and Certain-Teed Corporation and, for continuous strand fiber glass, PPG Industries, Inc. In addition, there are several small fiber glass producers as well as nonfiber glass insulation manufacturers which compete in the same markets.

The Company has eleven fiber glass manufacturing plants in the United States (two plants each in California and Ohio, and one plant each in Georgia, Indiana, Kansas, New Jersey, Tennessee, Texas and West Virginia). Two fiber glass manufacturing plants are located in each of Canada and Germany, and one plant each in Argentina, France and Singapore. In addition, there are four support facilities in the United States. Additional information on these facilities is contained at ITEM 2. PROPERTIES .

FOREST PRODUCTS BUSINESS SEGMENT

The principal products in the Forest Products Business Segment are:

Beverage Carriers	Kraft Bags and Sacks
Clay Coated and Uncoated	Kraft Paper
Unbleached Kraft Paperboard	Lumber
Corrugated Containers (Brazil)	Plywood
Corrugating Medium Paper	Specialty Coatings and
Folding Cartons	Laminations

The Company's forest products operations can be divided into two major categories, paper products and wood products, with facilities in the United States and Brazil.

In the United States, paper and paperboard are produced at the Company's pulp and paper mill near West Monroe, Louisiana. This facility consists of a pulp mill, power and chemical processing equipment and several paper-making machines. At the present time, five of the seven available paper machines are in operation. The mill currently produces coated and uncoated unbleached paperboard and kraft and corrugating medium paper. These products are sold to other manufacturers and are used by the Company to manufacture beverage carriers, folding cartons, and grocery (kraft) bags and sacks. A significant portion of the paper and paperboard produced at the Louisiana mill is converted into packaging products in the Company's plants. The Brazilian paper operations are discussed later in this section.

Beverage carriers for the soft drink and beer markets are produced at plants in California, Illinois, Louisiana and Ohio. The Illinois facility and a facility in Clinton, Mississippi produce folding cartons. The Clinton, Mississippi operations were acquired in December 1984. In Louisiana, the Company owns a grocery bag and sack plant and a specialty coating and lamination plant. These packaging facilities convert paper and paperboard from the Company's mill, as well as purchased raw materials, into a variety of packaging end uses.

The Company's wood products operations include the manufacture of lumber and plywood from southern pine. Lumber and plywood products are sold principally in the south, south central and midwestern sections of the United States to both retail and wholesale building material dealers. In August 1984, the Company sold its particleboard operations located in Lillie, Louisiana. The Company owns and operates lumber and plywood facilities in Huttig, Arkansas and Joyce, Louisiana. The Company's line of lumber products extends from 2" x 4" studs to wide dimension lumber and 1" boards. Plywood products include MDO (medium density overlay), sheathing grades and specialty grades.

The Company owns approximately 589,000 acres of timberland in Arkansas, Louisiana and Texas (see ITEM 2. PROPERTIES—Timber Resources). These timberlands supply raw materials for the Company's lumber and plywood plants. Pulpwood from these lands, together with residual wood chips from the lumber and plywood plants, supplied over half of the wood fiber requirements of the West Monroe pulp and paper mill in 1984. The balance of the wood chip and pulpwood requirements is purchased from other sources.

The Company sells its paper products and wood products primarily in the industrial production and consumer staple markets. Distribution is accomplished primarily by direct sales and on a distributor and wholesale basis.

The Company's forest products businesses are subject to moderate seasonality with demand usually increasing in the spring and summer. Inventories for wood products are maintained at minimum levels, while inventories for paper products fluctuate, being subject to modest seasonality.

In Brazil, the Company's forest products operations consist of a pulp and paper mill and a multi-wall bag plant in Igaras, and corrugated container plants in Itajai and Jundiai. The Brazilian operations are supported by 130,000 acres of fee-owned or leased land near the Company's pulp and paper mill. This timberland is capable of supplying substantially all of the present pulp wood requirements of the

Igaras pulp and paper mill. Residual materials and by-products generated from processing the timber also supply much of the energy consumed in the operations of the pulp and paper mill.

The Company competes in the United States and Brazil with many companies having products with similar uses. Competition in the sale of paper and wood products is focused primarily on servicing the customer by offering products which meet the customer's performance and delivery requirements at competitive prices.

During the third quarter of 1981, the Company granted Florida Exploration Company the right to explore for oil and gas on Louisiana acreage in which the Company owns mineral interests. The Company receives an annual fee during the five year term of the agreement. As Florida Exploration Company leases acreage covered by the agreement, the Company receives royalty income from the oil, gas and associated hydrocarbons produced and severed from the leased acreage. This agreement expires in the third quarter of 1986.

NONFIBER GLASS INSULATIONS BUSINESS SEGMENT

The principal products in the Nonfiber Glass Insulations Business Segment are:

Calcium Silicate Insulations and Accessories	Metal Encapsulated Aerospace and Industrial Insulations
Insulating Fire Brick	Perlite and Foam Insulation Boards
Insulation Contracting	Refractory Fiber, Blankets and Molded Shapes
Marine and Industrial Insulation Boards	

This business segment includes a wide variety of products used to insulate equipment, commercial and industrial facilities and industrial processes.

Calcium silicate insulations are used wherever both mechanical strength and the capacity to withstand high temperatures are required, such as the insulation of petrochemical plants and power plants. This product is produced at plants in Illinois and New Jersey, and in Brazil and Canada. Insulating fire brick is used in applications up to 3200°F and is produced at plants in Italy and Pennsylvania. The application of thermal insulation on mechanical systems in nonresidential buildings and on industrial processes constitutes the insulation contracting business. This business operates out of twenty different locations in the United States. Marine and industrial insulation boards are produced at a plant in Massachusetts. Approximately one-half of these board products have been converted to nonasbestos composition, and work is continuing on the complete elimination of asbestos from these products.

Metal encapsulated aerospace and industrial insulations are produced at a plant in New Jersey. Perlite and foam insulation boards are used primarily as roof insulation for new and existing commercial, industrial and institutional buildings. Plants are located in France and in Illinois, Mississippi and Virginia. Perlite from the Company's New Mexico mine is used in the production of this insulation. Refractory fiber, blankets and molded shapes are used wherever insulations capable of withstanding temperatures up to 2600°F are required. These products are used in such diverse applications as appliances, boilers, catalytic converters in automobiles, and furnaces. Plants producing refractory fiber are located in France and Illinois. Other plants which produce products from refractory fiber are located in France and New Jersey.

The principal raw materials used to manufacture refractory fiber are alumina and silica sand. The materials for calcium silicate insulations include glass and polyester fibers, lime and silica. The principal raw materials used to produce perlite and foam insulation boards include newsprint, perlite and urethane chemicals.

The Company maintains approximately a three month supply of inventory on certain products due to production lead time. These are make-to-stock businesses that, except for perlite and foam insulation boards, are generally not seasonal. Although the demand for perlite and foam insulation boards is tied somewhat to business cycles in the construction industry, it is balanced to some extent by retrofit demand. Nonetheless, inventory generally increases during the winter months and decreases during the construction season.

The Company's nonfiber glass insulation products are sold primarily to dealers, distributors and wholesalers as well as to end users. The principal methods of competition include distribution, price, product performance, service and warranty. Reliable statistics pertaining to competitive positions in this business segment are not available.

ROOFING PRODUCTS BUSINESS SEGMENT

The principal products in the Roofing Products Business Segment are:

Built-Up Roofing Products and Systems	Fiber Glass Shingles
Fiber Glass Residential Roll Roofing	Roof Coatings and Accessories
	Single Ply Membrane Roofing Systems

Sales of fiber glass roofing shingles, which are used principally in the roofing of residential buildings, is the largest element of the revenues generated by the Company's roofing products business. The second largest element of this segment's revenues is represented by sales of roofing products and systems for factories, institutions and other large commercial buildings. The balance of the revenues is derived from the sale of roof coatings and accessories, which are supplied as components to other roofing manufacturers or builders. The Company has completed a program to expand its capacity to produce fiber glass mat and has improved its ability to convert the mat into roll roofing and roofing shingles. The principal raw materials used to manufacture roofing products are asphalt, fiber glass mat (included in the fiber glass business segment) and stone granules.

Roofing products is a make-to-stock business. The demand for roofing products is divided between reroofing existing buildings and new construction. Reroofing demand is seasonal but relatively stable, while the demand for roofing products for new structures is both seasonal and cyclical. Inventory is normally maintained at a two to four week supply during the construction season increasing to a one to two month supply during the winter months; however, these levels were higher in 1984. The Company's roofing products are sold to dealers, distributors and end users. The Company has roofing manufacturing plants in California, Georgia, Illinois, Louisiana, New Jersey and Texas plus an accessory plant in Maine.

The principal methods of competition include distribution, price, product performance, service and warranty with price often dominating. The Company believes that its roofing products are competitive in these areas. On the basis of available statistics, the Company believes that there is no single competitor or small group of competitors who have a major share of the roofing industry.

INDUSTRIAL AND SPECIALTY PRODUCTS AND SERVICES BUSINESS SEGMENT

The principal products and services included in the Industrial and Specialty Products and Services Business Segment are:

Diatomite Filter Aids and Filler Materials	Mechanical, Molded, Rope and Sheet Packings
Engineering Services	Oil Seals
Expansion Joints	Perlite Ore
Industrial and Architectural Sheets	Polyvinyl Chloride Pipe (Canada)
Industrial, Commercial, Highway and Outdoor Lighting Fixtures and Accessories	Synthetic Silicates

The Company believes that it is the world's largest supplier of diatomite. This mineral is mined at the Company's California mine as well as at mines in France, Iceland and Spain (see ITEM 2. PROPERTIES—Mining). Diatomite is used as filter media to separate solids from liquids in a variety of industrial

processes, including water purification, and the removal of impurities in beverages, chemical processing and food products. In addition, diatomite and synthetic silicates are used as functional fillers in such products as agricultural diluents, catalytic carriers, paint, paper, plastics and polishes.

Engineering services provided by the Company's Glaswerk Schuller subsidiary in West Germany include design, installation, manufacturing, specification and start-up of complete fiber glass mat machines and components.

The sealing components business consists of various expansion joint, packing and sealing product lines. The business also provides engineering technology for the control and prevention of fluid leakage in the industrial production market. The major thrust of this business is directed toward the elimination of asbestos and development of new nonasbestos containing products. Most of the new nonasbestos products have been introduced into the market place and are being well-received.

Industrial and architectural sheets, which are produced in New Hampshire, are supplied to manufacturers of a variety of end products such as exterior wall panels for commercial buildings and laboratory table tops. Some of these products have already been converted to a new generation of mineral panel products which do not contain asbestos. Research is continuing to complete the conversion.

The Company's Holophane lighting systems business is a leader in the design of energy efficient lighting products. The Holophane business manufactures and markets lighting fixtures and accessories for commercial, emergency, highway, industrial and outdoor applications. This business has six plants in the United States (one each in California and New Jersey and four in Ohio) as well as two plants in Canada and one each in England and Mexico. The Holophane business continued to demonstrate its leadership in energy-efficient lighting by continuing to promote the new product lines introduced in 1983 and by introducing two new lines in 1984. These lines include: Classics™ commercial lighting, Primalume® and Enduralume® industrial lighting, Predator® floodlights for lighting hazardous areas, Sign-Vue® advertising and highway sign lighting, and HMST™ High Mast System Luminaires for highway interchanges.

The Company mines perlite at its surface mine in No Agua, New Mexico and processes ore at plants in Colorado and England. Perlite is a volcanic mineral, which expands up to twenty times its original volume when heated. Because it is characterized by low density, low water absorption, low thermal conductivity and high sound absorption, it is an effective insulating material. Perlite is an important component of ceiling tiles, filter aids and roof insulation boards. The Company uses processed perlite in its own manufacturing operations and sells perlite ore to other industrial users.

The Company also manufactures and markets polyvinyl chloride (PVC) pipe and accessories in Canada. These products are used in construction projects ranging from residential developments to industrial and municipal water, sewer and drainage systems. The Company has two pipe manufacturing plants in Canada.

The Company's lighting systems and Canadian PVC pipe businesses are affected by seasonality in the construction industry and thus have corresponding inventory patterns. The other businesses in this segment are generally nonseasonal. Most of these businesses produce to stock except for some special items which are made to order. The Company maintains inventories of certain products at a three to five month supply due to production lead time. The Company distributes these products by selling directly to dealers and distributors, to the end user and, to a minor extent, on a retail basis. The principal methods of competition include distribution, price, product performance, product quality, service and warranty. The market position of this segment of the Company's businesses cannot be accurately determined since it is a heterogeneous product grouping serving diverse markets.

Raw Material Availability

From time to time, the Company has experienced difficulties in obtaining sufficient quantities of various raw materials used in the production of its products. Raw materials are presently readily available and, unless unusual developments occur, the Company anticipates no interruption in raw material availability

in 1985. There can be no assurance that adequate supplies of all raw materials will be available in the future. However, the Company believes that it has taken reasonable precautions for the continuous supply of its critical raw materials.

Energy Supplies

Many of the Company's operations, particularly its fiber glass and forest products operations, use substantial amounts of energy, including electricity, fuel oil, natural gas, propane and wood fuel. The Company has supply contracts for most of its energy requirements. While there can be no absolute assurance that adequate supplies of these and other fuels will be available to the Company in the future, the Company believes that it has taken reasonable precautions to ensure that its energy needs will be met. Toward this end, the Company has self-help natural gas drilling programs in Ohio to supplement gas deliveries to its Ohio fiber glass plants and may, from time to time, increase these programs or expand into other areas as the Company's needs warrant or as conditions permit. For instance, the Company is investigating whether to reactivate additional self-help natural gas drilling programs to serve the Company's California and Kansas fiber glass manufacturing facilities. The Company has initiated a number of natural gas purchase contracts directly with producers and has arranged to have the gas transported to several of its using locations at significant savings over a period of years. The Company also owns and operates a thirty-five mile natural gas pipeline in Louisiana which acts as a collection network for gas to the West Monroe, Louisiana complex. Current supplies of gas meet substantially all of the present yearly requirements of the West Monroe complex. Any excess gas supplies are sold to third parties. In addition, a substantial percentage of the balance of energy consumed at the Company's manufacturing facilities at West Monroe is generated from the use of by-products or residual materials from the manufacturing processes.

Patents

The Company presently owns, controls or holds licenses to approximately 800 United States and 1,000 foreign patents. While the Company regards its patents and licenses as valuable, it does not consider any of its business segments to be materially dependent upon any single patent or license.

Research Expenditures

The Company expended approximately \$32 million in 1984, \$33 million in 1983 and \$26 million in 1982 on Company-sponsored research activities related to the development and improvement of its products and services.

Environmental Regulations

All of the Company's domestic operations are subject to a variety of federal environmental laws and regulations. The most significant of these are the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Federal Clean Air Act, the Federal Clean Water Act and the Resource Conservation and Recovery Act, and the regulations promulgated thereunder, all of which are administered by the United States Environmental Protection Agency ("EPA"). These laws and regulations impose limitations on atmospheric emissions, discharges to domestic waters and disposal of hazardous materials. In addition, certain state and local jurisdictions have adopted regulations that may be more stringent than corresponding federal regulations.

The operations of the Company are also subject to regulation by the Occupational Safety and Health Administration ("OSHA") relating to health and safety standards for employee work environments. OSHA investigations and proposals dealing with materials such as asbestos, fibrous glass, formaldehyde, silica and noise are currently underway. Because of ongoing Company programs in these areas, the impact on the Company's operations of these proposals should be limited. The Company's plants and certain products which it ships into commerce are subject to the "hazard communication" regulation recently promulgated by OSHA. This regulation will become effective in November 1985. Several states have

also enacted or adopted "right-to-know" laws or regulations, which like the federal hazard communication regulation, are concerned primarily with providing notice to workers of the chemical hazards of materials used in the work place. Procedures are being implemented to ensure compliance with the regulations and laws applicable to the Company. The Company's United States mines are also regulated by the Federal Mining Safety and Health Act which governs the working environment of mining employees.

Compliance with these and other laws has resulted in certain expenditures by the Company to improve or replace environmental quality control equipment, to secure federal and state permits for expansion of existing buildings and construction of new facilities, and to study and mitigate certain waste disposal sites. At the present time, the costs necessitated by environmental compliance measures have not been material to the Company's financial or competitive position. However, the exact nature of environmental control problems which the Company may encounter in the future cannot be predicted, primarily because of the increasing number, complexity and changing character of the standards being promulgated by federal and state authorities. For a discussion of pending environmental proceedings and activities see ITEM 3. LEGAL PROCEEDINGS.

Employees

As of December 31, 1984, the Company employed 20,200 persons. Approximately 8,750 of these employees are covered by collective bargaining agreements in the United States and Canada. During 1984, twelve labor agreements were negotiated, and only one work stoppage occurred. Approximately 1,200 United States and Canadian employees are covered by seven separate labor agreements that expire during 1985.

ITEM 2. PROPERTIES

Headquarters

The Company's headquarters, which consists of 750,000 square feet of floor space, and its principal research and development facility, which consists of 300,000 square feet of floor space, are located on the Ken-Caryl Ranch near Denver, Colorado. The headquarters building is subject to a mortgage loan of approximately \$66.5 million.

Manufacturing Facilities

A description of the major plants and properties owned and operated by the Company's principal operating subsidiaries is set forth below. Additional information on the Company's mining operations is provided in the subsection following the description of manufacturing facilities.

<u>Location & Nature of Property</u>	<u>Approx. No. of Sq. Feet of Floor Space</u>	<u>Business Segment</u>	<u>Products Manufactured or Use of Facility</u>
(I) UNITED STATES			
Huttig, AR 8 one-story manufacturing buildings with offices and 1 one-story office building	481,864	Forest Products	Lumber; plywood.
Tucson, AZ 1 one-story manufacturing and office building	43,000	Fiber Glass Products	Components for fiber glass manufacturing equipment.
Bakersfield, CA 1 one-story manufacturing and office building and 1 one-story office building	230,000	Forest Products	Beverage carriers.
Corona, CA 1 multi-story manufacturing, office and warehouse building and 1 two-story service building	396,300	Fiber Glass Products	Acoustical, aerospace, commercial, manufactured housing, pipe, pre-engineered building and residential insulation; air conditioning ducts, wrap, liner insulation and accessories; air filtration media.
Lompoc, CA 17 multi-story production buildings; 5 one-story warehouse buildings; 6 one-story laboratories; 4 multi-story bulk handling buildings; 5 one-story office buildings; 2 one-story lunch and locker room buildings and 9 one-story shops	932,290	Industrial and Specialty Products and Services	Diatomite filter aids and filler materials; synthetic silicates.
Pittsburg, CA 2 one-story manufacturing buildings; 1 two-story office building with attached one-story warehouse and 3 one-story warehouses	303,100	Roofing Products	Built-up roofing products and systems; fiber glass residential roll roofing; fiber glass shingles.
Willows, CA 1 one-story manufacturing building and warehouse; 1 one-story office building and 1 one-story warehouse	593,800	Fiber Glass Products	Acoustical, commercial, manufactured housing and residential insulation.
Antonito, CO 1 one-story office building; 1 one-story shop; laboratory and 2 miscellaneous one-story buildings	9,780	Industrial and Specialty Products and Services	Perlite ore.

<u>Location & Nature of Property</u>	<u>Approx. No. of Sq. Feet of Floor Space</u>	<u>Business Segment</u>	<u>Products Manufactured or Use of Facility</u>
Savannah, GA 2 one-story manufacturing buildings; 1 boiler house; 1 one-story office building; 3 one-story warehouses; 1 one-story maintenance facility and 1 one-story operations building	383,298	Roofing Products	Built-up roofing products and systems; fiber glass residential roll roofing; fiber glass shingles; oxidized asphalt for internal use only.
Winder, GA 1 one-story manufacturing, office and warehouse building	610,000	Fiber Glass Products	Acoustical, commercial, manufactured housing, pre-engineered building and residential insulation; air conditioning ducts, wrap, liner insulation and accessories.
Kankakee, IL 1 one-story manufacturing and office building	156,800	Forest Products	Beverage carriers; folding cartons.
Rockdale, IL 1 one-story manufacturing, office and warehouse building	385,400	Nonfiber Glass Insulations	Perlite and foam insulation boards.
Waukegan, IL 5 one-story manufacturing buildings; 1 one-story office building; 7 one-story warehouses and 1 steam generating plant	1,684,499	Industrial and Specialty Products and Services, Nonfiber Glass Insulations, Roofing Products	Industrial and architectural sheets; rope and sheet packings; calcium silicate insulations and accessories; refractory fiber, blankets and molded shapes; built-up roofing products and systems; fiber glass residential roll roofing; fiber glass shingles; roof coatings and accessories.
Richmond, IN 1 multi-story manufacturing building and miscellaneous office buildings and warehouses	505,435	Fiber Glass Products	Acoustical, appliance, commercial and residential insulation.
McPherson, KS 1 multi-story manufacturing and warehouse building and 1 one-story office building	650,000	Fiber Glass Products	Acoustical, commercial, manufactured housing, pre-engineered building and residential insulation.
Joyce, LA 10 one-story manufacturing buildings; 2 office buildings and other miscellaneous buildings	583,000	Forest Products	Lumber; plywood.
Marrero, LA 1 one-story office building; 1 one-story manufacturing building and boiler house	285,636	Roofing Products	Built-up roofing products and systems; fiber glass residential roll roofing; fiber glass shingles; roof coatings and accessories.

<u>Location & Nature of Property</u>	<u>Approx. No. of Sq. Feet of Floor Space</u>	<u>Business Segment</u>	<u>Products Manufactured or Use of Facility</u>
West Monroe, LA 1 multi-story manufacturing building; 5 one-story manufacturing buildings; 1 two-story office building; 2 one-story office buildings; 1 one-story research facility and miscellaneous buildings	1,371,640	Forest Products	Beverage carriers; clay coated and uncoated unbleached kraft paperboard; corrugating medium paper; kraft bags and sacks; kraft paper; specialty coatings and laminations.
North Billerica, MA 2 two-story manufacturing buildings	213,380	Nonfiber Glass Insulations	Marine and industrial insulation boards.
Lewiston, ME 1 one-story manufacturing, office and warehouse building	36,200	Roofing Products	Roof accessories.
Clinton, MS 1 one-story manufacturing and office building	107,500	Forest Products	Folding cartons.
Natchez, MS 2 one-story manufacturing buildings; 1 office building; 2 one-story warehouses and boiler house	534,672	Nonfiber Glass Insulations	Perlite and foam insulation boards.
Laurinburg, NC 1 one-story manufacturing and office building	105,135	Industrial and Specialty Products and Services	Mechanical and molded packings.
Nashua, NH 3 one-story manufacturing and office buildings and 1 one-story warehouse	285,856	Industrial and Specialty Products and Services	Industrial and architectural sheets.
Edison, NJ 1 one-story manufacturing, office and warehouse building	86,535	Fiber Glass Products	Pipe insulation fittings.
Edison, NJ 1 one-story manufacturing, office and warehouse building	84,000	Industrial and Specialty Products and Services	Plastic lenses for lighting fixtures.
Manville, NJ 9 one-story manufacturing buildings; 1 two-story office building; 1 electric steam generating building; 4 warehouses and 4 miscellaneous service buildings	2,135,545	Industrial and Specialty Products and Services, Nonfiber Glass Insulations, Roofing Products	Expansion joints; mechanical, molded, rope and sheet packings; oil seals; calcium silicate insulations and accessories; metal encapsulated aerospace and industrial insulations; refractory fiber, blankets and molded shapes; built-up roofing products and systems; fiber glass residential roll roofing; fiber glass shingles; roof coatings and accessories.
Penbryn, NJ 1 multi-story manufacturing, office and warehouse building and silo storage buildings	407,200	Fiber Glass Products	Acoustical, commercial, manufactured housing, pre-engineered building and residential insulation.

<u>Location & Nature of Property</u>	<u>Approx. No. of Sq. Feet of Floor Space</u>	<u>Business Segment</u>	<u>Products Manufactured or Use of Facility</u>
No Agua, NM 1 six-story mill building; 1 one-story office and shop building and 8 miscellaneous one-story buildings	40,550	Industrial and Specialty Products and Services	Perlite ore.
Cincinnati, OH 1 one-story manufacturing and warehouse building and 1 office building	283,000	Forest Products	Beverage carriers; folding cartons.
Defiance, OH 6 one-story manufacturing buildings; 7 one-story warehouses; 1 three-story warehouse; 2 two-story office buildings; 2 one-story office buildings; 1 one-story maintenance building and several miscellaneous buildings	1,030,000	Fiber Glass Products	Acoustical, commercial, manufactured housing, pipe, pre-engineered building and residential insulation; air conditioning ducts, wrap, liner insulation and accessories; automotive headliners, hoodliners and molded parts; filter tubes and cartridges; glass marbles for internal use only.
Newark, OH 1 one-story manufacturing building; 1 one-story manufacturing and warehouse building; 2 two-story office buildings and miscellaneous buildings	359,670	Industrial and Specialty Products and Services	Industrial, commercial, highway and outdoor lighting fixtures and accessories.
Pataskala, OH 1 one-story manufacturing, office and warehouse building	23,100	Industrial and Specialty Products and Services	Ballasts and electronic circuits for lighting fixtures.
Springfield, OH 1 one-story manufacturing and office building and 1 one-story warehouse building	49,000	Industrial and Specialty Products and Services	Die and sand casting of aluminum components for lighting fixtures.
Utica, OH 1 one-story manufacturing, office and warehouse building	110,000	Industrial and Specialty Products and Services	Formed metal parts and poles for lighting.
Waterville, OH 1 two-story manufacturing building with attached one-story warehouse; 1 batch storage building and silos; 1 water treatment building and other miscellaneous buildings; 1 gas meter building and 25 one-story laboratory, manufacturing, office and warehouse buildings	667,205	Fiber Glass Products	Aerospace insulation; chopped strand and reinforcement fiber; roofing mat; sliver and yarn; specialty fiber; specialty mat.
Zelienople, PA 1 two-story manufacturing building; 8 two-story maintenance shops and warehouses and 1 one-story office building	217,200	Nonfiber Glass Insulations	Insulating fire brick.
Etowah, TN 1 multi-story manufacturing building with attached single-story office building and several miscellaneous buildings	357,900	Fiber Glass Products	Chopped strand and reinforcement fiber; roofing mat.

<u>Location & Nature of Property</u>	<u>Approx. No. of Sq. Feet of Floor Space</u>	<u>Business Segment</u>	<u>Products Manufactured or Use of Facility</u>
Cleburne, TX 1 one-story manufacturing, office and warehouse building and silo storage and mixing building	356,000	Fiber Glass Products	Acoustical, commercial, manufactured housing, pre-engineered building and residential insulation; air conditioning ducts, wrap, liner insulation and accessories; glass marbles for internal use only.
Ft. Worth, TX 2 one-story manufacturing buildings; 3 warehouses; 1 office building; 1 boiler house; 2 storage buildings and miscellaneous buildings	117,400	Roofing Products	Built-up roofing products and systems; fiber glass residential roll roofing; fiber glass shingles.
Richmond, VA 1 one-story manufacturing building with two-story office	88,000	Fiber Glass Products	Laminated and coated facings for use on fiber glass products.
Woodstock, VA 1 one-story manufacturing, office and warehouse building	328,000	Nonfiber Glass Insulations	Perlite and foam insulation boards.
Marshfield, WI 1 one-story office and warehouse building	72,000	Fiber Glass Products	Warehouse.
Parkersburg, WV 2 two-story office and storage buildings; 2 two-story warehouses; 7 one-story manufacturing buildings; 2 two-story pump houses; 19 one-story maintenance buildings and 3 one-story warehouses	430,000	Fiber Glass Products	Acoustical, aerospace, commercial, manufactured housing and pre-engineered building insulation; air filtration media; automotive headliners, hoodliners and molded parts; glass marbles for internal use only.

(II) CANADA

Fort Saskatchewan, Alberta 1 one-story manufacturing building; 1 warehouse building and 1 office building	80,098	Industrial and Specialty Products and Services	Polyvinyl chloride pipe.
Innisfail, Alberta 1 one-story manufacturing and warehouse building; 1 two-story office building and 8 silos	147,776	Fiber Glass Products	Acoustical, commercial, manufactured housing, pre-engineered building and residential insulation.
Brampton, Ontario 1 one-story manufacturing, office and warehouse building	90,000	Industrial and Specialty Products and Services	Industrial, commercial, highway and outdoor lighting fixtures and accessories.
Scarborough, (Toronto) Ontario 1 one-story manufacturing building including boiler house, office and warehouse	214,177	Nonfiber Glass Insulations	Calcium silicate insulations and accessories.
Brossard, Quebec 1 one-story manufacturing and warehouse building and attached two-story office	223,900	Fiber Glass Products, Industrial and Specialty Products and Services	Acoustical, commercial, manufactured housing, pipe, pre-engineered building and residential insulation; air filtration media; polyvinyl chloride pipe.

<u>Location & Nature of Property</u>	<u>Approx. No. of Sq. Feet of Floor Space</u>	<u>Business Segment</u>	<u>Products Manufactured or Use of Facility</u>
St. Hyacinthe, Quebec 1 one-story manufacturing, office and warehouse building	38,600	Industrial and Specialty Products and Services	Commercial and outdoor lighting fixtures and accessories.
(III) INTERNATIONAL			
Buenos Aires, D.F., Argentina 1 one-story warehouse	20,000	Industrial and Specialty Products and Services	Diatomite filter aids and filler materials.
Matheu, Buenos Aires Province, Argentina 1 one-story manufacturing building	63,000	Fiber Glass Products	Acoustical, appliance, commercial and pre-engineered building insulation; air conditioning ducts, wrap, liner insulation and accessories.
Igarás, State of Santa Catarina, Brazil 5 manufacturing buildings; 1 office building and miscellaneous office and support facilities	410,000	Forest Products	Clay coated and uncoated unbleached kraft paperboard; kraft paper; multi-wall bags; paperboard.
Itajai, State of Santa Catarina, Brazil 1 manufacturing and office building	86,000	Forest Products	Corrugated containers.
Jundiai, State of Sao Paulo, Brazil 2 manufacturing buildings with offices	178,000	Forest Products	Corrugated containers.
Paulinia, State of Sao Paulo, Brazil 1 one-story manufacturing building and 1 one-story office building	47,200	Nonfiber Glass Insulations	Calcium silicate insulations and accessories.
Hessle, Humberside, England 1 one-story manufacturing and office building	34,300	Industrial and Specialty Products and Services	Perlite filter aids and filler materials.
Milton Keynes, England 1 two-story manufacturing, office and warehouse building	33,000	Industrial and Specialty Products and Services	Painting and assembly of lighting fixtures and accessories.
Murat, Department of Cantal, France 1 one-story manufacturing building; 2 one-story warehouses and 1 one-story office building	77,000	Industrial and Specialty Products and Services	Diatomite filter aids and filler materials.
Rueil Malmaison, Department of Haute de Seine, France 1 two-story office building	20,000	Fiber Glass Products, Industrial and Specialty Products and Services, Nonfiber Glass Insulations	Offices.

<u>Location & Nature of Property</u>	<u>Approx. No. of Sq. Feet of Floor Space</u>	<u>Business Segment</u>	<u>Products Manufactured or Use of Facility</u>
Saint Avold, Moselle Department, France 1 two-story office and manufacturing building; 1 one-story auxiliary building and 1 one-story warehouse	281,000	Fiber Glass Products	Acoustical, aerospace, commercial, pre-engineered building and residential insulation.
Saint Marcellin-en-Forez, Loire Department, France 1 one-story manufacturing building; 1 one-story office building; 1 two-story warehouse and 1 one-story miscellaneous building	138,000	Nonfiber Glass Insulations	Refractory fiber, blankets and molded shapes.
Wissembourg, Bas Rhine Department, France 4 one-story manufacturing buildings; 3 one-story auxiliary buildings and 1 one-story office building	296,653	Nonfiber Glass Insulations	Perlite insulation boards; refractory fiber, blankets and molded shapes.
Karlstein, Bavaria, Germany 1 one-story manufacturing building and 1 one-story warehouse	49,300	Fiber Glass Products	Roofing and specialty mat.
Wertheim-Main, Bavaria, Germany 4 multi-story office buildings; 8 one-story manufacturing buildings; 2 multi-story warehouses; 1 one-story warehouse and several miscellaneous buildings	366,580	Fiber Glass Products, Industrial and Specialty Products and Services	Glass marbles for internal use only; roofing mat; sliver and yarn; specialty mat; engineering services.
Casalpusterlengo, Lombardy, Italy 1 one-story manufacturing building	153,000	Nonfiber Glass Insulations	Insulating fire brick.
Tultitlan, Mexico (96% owned by Company) 1 one-story manufacturing, office and warehouse building	56,500	Industrial and Specialty Products and Services	Plastic lenses, lighting fixtures and aluminum components.
Jurong Town, Singapore 1 one-story manufacturing building and 1 two-story office building	52,500	Fiber Glass Products	Acoustical, appliance, commercial, pipe and pre-engineered building insulation; air conditioning ducts, wrap, liner insulation and accessories.
Alicante, Spain 2 multi-story manufacturing buildings; 3 one-story warehouses; 2 one-story office buildings and 3 miscellaneous buildings	69,411	Industrial and Specialty Products and Services	Diatomite filter aids and filler materials.

Substantially all of the buildings are adequate and suitable for the business of the Company, have been well maintained, are in sound operating condition and are in regular use. The Company also leases certain facilities, warehouses and office space throughout the United States and in foreign countries. Except for the Kankakee, Illinois and Clinton, Mississippi facilities, which are controlled under long-term leases, all of the above facilities are owned in fee.

Mining

The Company is engaged in mining and processing diatomite. Moreover, the Company is engaged on a continuing basis in other mineral exploration and has mining claims and leases in various locations throughout the world. As referenced in the Significant Developments section of this report, the Company divested its asbestos mining operation in 1983. Production and ore reserve information for the Company's mining operations is provided at page 23 of this report.

Diatomite

The Company believes that it is the world's largest producer of diatomite. Diatomite is used as an industrial filtering and purifying agent, and as a functional filler in paints, plastics and polishes. The Company's principal diatomite mine is located near Lompoc, California. The Company also holds a 39.8% interest in Kisilidjan h.f., a company which owns a diatomite mine in Lake Myvatn, Iceland. Seismic phenomenon may affect the future economics of this operation. The Company also owns a 40% interest in a diatomite mine located in Jalisco State, Mexico; a 100% interest in a diatomite mine located in Murat, France; and a 100% interest in a diatomite mine located in the Province of Alicante, Spain.

Platinum Group Metals Mining Claims

The Company holds unpatented mining claims along an approximately twenty-eight mile length of mineralized zone in the Stillwater Complex in Sweetgrass, Park and Stillwater counties in Montana. Over the last fifteen years, the Company has delineated concentrations of platinum group metals in this zone in quantities of possible economic interest. The Company and Chevron U.S.A., Inc. formed a partnership in 1979 for further evaluation and possible development of these mining claims. The Company has leased its unpatented mining claims in Montana to the partnership. On March 17, 1984, the Company, Chevron U.S.A. and Anaconda Minerals Company, a division of Atlantic Richfield Company, entered into a partnership agreement, Stillwater Mining Company, for a three-way venture in a limited area of interest in the Stillwater valley. A decision on whether to proceed with production is expected to be made by this partnership in 1985. If the decision is to proceed, initial production in the limited area of interest could occur in 1987. For so long as the Company remains in Chapter 11, court approval may be required in the event the Company elects to participate in a production decision or production operations.

Platinum group metals, which consist of iridium, osmium, palladium, platinum, rhodium and ruthenium, are among the scarcest of metallic elements and are used in the electrical and electronics industries, petroleum refining, the production of catalytic exhaust systems, and many other manufacturing operations and uses.

Timber Resources

The Company owns approximately 589,000 acres of timberland in Arkansas, Louisiana and Texas which it manages as a raw material base for its domestic paper and wood products operations. The Company operates its southern pine forests on a sustained yield basis. In 1972, the Company initiated a forestry program to increase the yield from its domestic pine forests. For 1984, this program involved approximately 20,000 acres. As a result of this program, it is expected that the volume growth of the Company's pine timberlands will more than double during this thirty-year cycle. The Company also holds long-term leases to approximately 11,000 acres of timberland in Arkansas and Louisiana.

The Company also owns or controls under long-term leases approximately 130,000 acres of land near Igaras, Santa Catarina State, Brazil, which includes 95,000 acres of pine plantations that could supply substantially all of the Brazilian pulp and paper mill's future wood requirements.

Other Properties

The Company is continuing to develop portions of the 10,000 acre Ken-Caryl Ranch near Denver, Colorado and 1,550 acres of real estate in Bernards and Bedminster Townships, New Jersey for residential and commercial use.

ITEM 3. LEGAL PROCEEDINGS

Reorganization Proceedings Under Chapter 11 of the Bankruptcy Reform Act of 1978

On August 26, 1982, Manville Corporation and twenty of its subsidiaries filed separate petitions for reorganization under Chapter 11 of the Bankruptcy Reform Act of 1978 (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). The filings were precipitated by contingent liabilities resulting from pending and potential litigation involving: (i) individuals exposed to asbestos who have manifested asbestos-related diseases or conditions (holders of "A-H Claims") and (ii) individuals exposed to asbestos who have not yet manifested asbestos-related diseases or conditions (holders of "Future A-H Claims"). As discussed below, two Canadian companies, the stock of which was sold in 1983, and Manville Forest Products Corporation are no longer in reorganization. Manville Corporation and the seventeen subsidiaries which are still in reorganization are referred to in such context as the "Debtor Corporations".

Under Chapter 11, substantially all litigation against the Debtor Corporations has been stayed while the Debtor Corporations continue business operations as debtors-in-possession. While the Debtor Corporations, as debtors-in-possession, are authorized to operate their businesses in the ordinary course, they may not engage in transactions outside the ordinary course of business without approval of the Bankruptcy Court.

As of March 22, 1985, four official creditors' committees had been formed and approved in the Debtor Corporations' Chapter 11 proceedings: a committee of commercial (trade and institutional) creditors, a committee representing asbestos-health claimants, a committee representing codefendants in the asbestos-health litigation, and a committee representing preferred and common shareholders. All of these committees (except the committee of codefendants) are entitled to counsel and the services of other approved professionals at the expense of the Debtor Corporations. In addition, claimants seeking damages against the Debtor Corporations for the removal of asbestos-containing products from various school buildings have been actively participating in the reorganization proceedings as an unofficial committee. As discussed below, the Bankruptcy Court also appointed a representative for the holders of Future A-H Claims, and this representative is entitled to counsel and the services of other approved professionals at the expense of the Debtor Corporations.

The subsidiary Debtor Corporations are:

Allan-Deane Corporation	Manville Export Corporation
Johns-Manville Corporation	Manville International Canada, Inc.
Johns-Manville Idaho, Inc.	Manville International Corporation
Johns-Manville International Corporation	Manville Investment Corporation
Johns-Manville Sales Corporation	Manville Products Corporation
Ken-Caryl Ranch Corporation	Manville Properties Corporation
Manville Building Materials Corporation	Manville Service Corporation
Manville Canada Inc.	Sunbelt Contractors, Inc.
Manville Canada Service Inc.	

Immediately prior to the Chapter 11 filings, litigation was pending against the Company on behalf of approximately 16,500 persons seeking damages for injuries alleged to have resulted from exposure to asbestos fiber or asbestos-containing products manufactured or sold by the Company. The Company was receiving at that time an average of approximately 425 new cases per month, brought by an average

of approximately 500 new plaintiffs per month, and was vigorously defending these lawsuits. The litigation relating to the A-H Claims is described below under the heading, *Occupational Health and Product Litigation*. Until 1982, uncertainties associated with the resolution of A-H Claims and Future A-H Claims precluded the Company from making any reasonable quantification of the ultimate loss that would result to the Company from these claims. In August 1982, studies commissioned by the Company were completed which enabled the Company to make a reasonable quantification of its potential liability for A-H Claims and Future A-H Claims if resolved in the conventional tort system.

On the basis of epidemiological and statistical studies completed in 1982, using conservative assumptions favorable to it, the Company projected that more than 32,000 additional asbestos-health related lawsuits would be filed against it by the year 2001. These reports also resulted in the conclusion that the Company's disposition costs for A-H Claims and Future A-H Claims, if resolved through conventional tort litigation, would average \$40,600 per claim (which amount includes approximately \$7,500 for defense costs) for the projected period. If the disposition cost (including legal fees) of the A-H Claims and Future A-H Claims were to average approximately \$40,600 per claim as projected, the aggregate cost of disposing of such claims through conventional tort litigation would be at least \$1.9 billion. As of December 31, 1984, the Company's historical average disposition cost for all asbestos-health related claims disposed of by the Company (approximately 4,260 claims) was approximately \$16,810 per claim, exclusive of legal costs. This disposition cost average includes the cost of cases disposed of at no cost to the Company (such as jury verdicts in favor of the Company, dismissals due to the expiration of the statute of limitations or duplicate filings) and certain cases settled prior to August 26, 1982 that have not yet been paid due to the reorganization proceedings, but excludes twenty-four verdicts subject to post-trial motions and appeals filed by the Company which were pending at August 26, 1982.

Absent filing for protection under Chapter 11, the Company would have been required to record a liability for the projected cost of the A-H Claims and Future A-H Claims in accordance with Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies". Such a liability would have substantially eliminated the Company's net worth and would have enabled lenders to accelerate substantially all of the Company's medium and long-term debt. This would have severely threatened the continued viability of the Company's operations. The Company believes that filing for reorganization under Chapter 11 was the only reasonable course of action to preserve the Company's operations and to provide for equitable satisfaction of creditors' claims, including those of asbestos-health claimants, and the equitable treatment of its shareholders.

The Debtor Corporations have been informed that additional claims continue to be filed at the rate of approximately 500 per month against certain codefendants in the asbestos-health litigation. Based upon this rate, if the petitions for reorganization had not been filed, approximately 14,000 additional asbestos-health related claims would have been filed against the Debtor Corporations from August 26, 1982 through December 31, 1984. There is substantial uncertainty whether, in the normal course of business, the Debtor Corporations (with or without insurance) would have had sufficient resources to pay the A-H Claims, Future A-H Claims and other liabilities, whether or not currently asserted, in full when due.

Since August 26, 1982, approximately 650 lawsuits representing 1,225 asbestos-health related claims have actually been filed against one or more of the Debtor Corporations, excluding proofs of claims filed in the Chapter 11 proceedings. The Debtor Corporations believe these lawsuits were filed in violation of the Bankruptcy Court's restraining order and the automatic stay provisions of the Bankruptcy Code. As to the actions instituted after August 26, 1982, counsel to the plaintiffs have been so notified and have been requested to dismiss the lawsuits as to the Debtor Corporations without limiting the plaintiff's right to file a claim in the Bankruptcy Court. Except for a limited number of applications to the Bankruptcy Court to lift the stay, the plaintiffs in these actions have not pursued their claims against the Debtor Corporations in local judicial forums. The Debtor Corporations will continue to seek enforcement of the stay provisions of the Bankruptcy Code and orders of the Bankruptcy Court relating to pending litigation.

Upon motion of the plaintiffs, the Bankruptcy Court has allowed certain asbestos-health cases that were on appeal as of August 26, 1982 to proceed to appellate review. These cases are discussed below under the heading, *Occupational Health and Product Litigation*. The Bankruptcy Court has denied applications to lift the stay in substantially all of the other cases.

In early January 1985, a law firm representing certain asbestos-health claimants filed a purported class action, *In re: Blank, Rome, Comisky & McCauley Asbestos Cases and Other Similarly Situated Cases*, seeking declaratory relief in the United States District Court for the Eastern District of Pennsylvania. In this action, the plaintiff law firm seeks a declaratory judgment that the automatic stay provisions of the Bankruptcy Code do not bar post-petition claims which arose after the filing date of petitions for reorganization by the Debtor Corporations, UNR Industries, Inc., Amatek Corporation and Brunswick Fabricators, Inc. As a result of stay enforcement proceedings filed in the Bankruptcy Court by the Debtor Corporations, the law firm amended its complaint in the Pennsylvania action to delete any reference to the Debtor Corporations. The Blank, Rome firm has requested the Bankruptcy Court to issue an order which will be binding upon the insurance carriers of the Debtor Corporations to the effect that statutes of limitations are tolled for all asbestos-health claims pending against the Debtor Corporations.

As of March 22, 1985, approximately 16,450 proofs of claim filed against the Debtor Corporations in the reorganization proceedings had been processed. Approximately 3,250 of the 16,450 proofs of claim do not specify the amount of the claim against the Debtor Corporations. The aggregate asserted value of the approximately 13,200 claims which specify amounts is \$45.2 billion. (Excluded from this data are proofs of claim previously filed against Manville Forest Products Corporation and the Company's two former Canadian subsidiaries.) The Debtor Corporations consider the gross asserted value stated in these proofs of claim to be a totally unreliable estimate of their liability for these claims.

Approximately 6,000 of the 16,450 proofs of claim consist of contested asbestos-related personal injury claims. The gross asserted value of the asbestos-related personal injury claims specifying amounts is approximately \$12.5 billion. Approximately 1,600 asbestos-related personal injury proofs of claim were filed by claimants who are among the parties in the 16,500 asbestos-related lawsuits and claims pending against the Debtor Corporations. All of these claims will ultimately be determined as to amount in a manner to be determined at a later time by the courts and disposed of pursuant to a confirmed plan of reorganization.

The Bankruptcy Court has established bar dates, discussed further below, for certain claimants, including those alleging property damage claims. As of March 22, 1985, approximately 6,100 property damage claims seeking approximately \$31.5 billion had been processed. These property damage claims are included in the above data detailing the total proofs of claim processed through March 22, 1985. Claimants seeking recovery for the cost of removing asbestos or asbestos-containing products constitute the overwhelming percentage of these property damage claims (the "Asbestos Property Damage Claims"). These claims are discussed below under the heading *Asbestos Removal Lawsuits and Claims*. Approximately 5,000 Asbestos Property Damage Claims have been received but not yet processed and, therefore, are not reflected in the above data. The Company believes that once this information is processed, the total gross amount of damages included in all of the property claims may exceed \$50 billion. The Debtor Corporations consider the gross asserted value stated in these proofs of claim to be a totally unreliable estimate of their liability for these claims. All of these claims will ultimately be determined as to amount in a manner to be determined at a later time by the courts and disposed of pursuant to a confirmed plan of reorganization. In the meantime, pursuant to an order from the Bankruptcy Court, the Company has commenced preliminary and limited discovery with regard to the Asbestos Property Damage Claims.

On July 16, 1984, the Bankruptcy Court authorized the Debtor Corporations to establish an

October 31, 1984 deadline ("bar date") for filing certain claims against the Debtor Corporations in the bankruptcy proceedings and to commence a program of notifying potential holders of such claims of the existence of the bar date. Under the Bankruptcy Code, holders of claims who fail to file proofs of claim by the bar date are barred from asserting their claims against the Debtor Corporations subsequent to that date. Although the merit and value of these claims will be determined in the bankruptcy proceedings, the bar date will allow the Debtor Corporations to accumulate data on potential claims and to provide for allowed claims in a plan of reorganization. Claimants required to file by the October 31, 1984 bar date included: (1) those who had not already filed a proof of claim in accordance with the Bankruptcy Code, and (2) those whose claim was not listed in the Debtor Corporations' list of claims. On the motion of certain parties who allege Asbestos Property Damage Claims, the Bankruptcy Court extended the bar date for these claimants to January 31, 1985. The Bankruptcy Court further extended the bar date to March 1, 1985 for a defined group of claimants (principally certain hospitals, Los Angeles County, for and on behalf of its citizens and residents, and members of the National Association of Counties) for filing Asbestos Property Damage Claims. The Bankruptcy Court also allowed the State of Wyoming to file its proof of claim for alleged property damage by February 4, 1985. Claimants not required to file proofs of claim by the October 31, 1984, January 31, 1985 or March 1, 1985 bar dates include: persons with asbestos health-related personal injury claims, certain bondholders, shareholders, holders of workers' compensation claims, and holders of certain roofing product warranty claims.

Motions to dismiss Manville's reorganization cases were heard by the Bankruptcy Court on January 5, 1984. On January 23, 1984, the Bankruptcy Court issued its order denying these motions to dismiss. In its opinion, the Bankruptcy Court stated that the motions to dismiss were based on "unsubstantiated conclusory charges" and that liquidation of the Debtor Corporations would be "wasteful and inefficient". On January 30, 1984, the committee representing asbestos-health claimants and other parties in interest appealed the Bankruptcy Court's order to the United States District Court for the Southern District of New York. The District Court on March 27, 1984 dismissed appeals of, and denied the committee representing asbestos-health claimants and the other parties leave to appeal, the Bankruptcy Court's decision. Certain of these parties filed motions in the District Court seeking a rehearing on this matter and, in the alternative, certification for leave to appeal this decision to the United States Court of Appeals for the Second Circuit. The District Court denied these motions in July 1984. On July 2, 1984, one committee petitioned the United States Court of Appeals for the Second Circuit for a writ of mandamus to require immediate appellate review by the District Court of this matter. On November 19, 1984, the petition was denied.

Future Asbestos-Health Related Claims and Other Claims and Uncertainties

A substantial question has arisen whether individuals exposed to asbestos who have not yet manifested asbestos-related diseases or conditions ("Future A-H Claims") have claims cognizable in the Debtor Corporations' Chapter 11 proceedings or, if not, whether such claimants can nevertheless be provided for in a plan of reorganization. If Future A-H Claims are not "claims" as defined in the Bankruptcy Code or if they cannot at least be provided for in the Debtor Corporations' plan of reorganization, it is doubtful that the Debtor Corporations can achieve a totally comprehensive plan of reorganization. On January 23, 1984, the Bankruptcy Court held that holders of Future A-H Claims are at least "parties in interest" within the meaning of the Bankruptcy Code and authorized the appointment of a legal representative to represent their interests in the Debtor Corporations' proceedings. This decision does not determine the issue of whether Future A-H Claims are cognizable as claims within the meaning of the Bankruptcy Code. On March 27, 1984, the United States District Court for the Southern District of New York dismissed appeals of, and denied the committee representing asbestos-health claimants and other parties in interest leave to appeal, the Bankruptcy Court's January 23, 1984 decision. Certain of these parties filed motions in the District Court seeking a rehearing on this matter. These motions were denied by the District Court in July 1984.

On July 26, 1984, the Bankruptcy Court issued a ruling that a representative of future claimants would be appointed and that such representative would be an individual who would exercise the functions

of an official creditors' committee. In August 1984, the Bankruptcy Court appointed Leon Silverman, a member of the New York City law firm of Fried, Frank, Harris, Shriver & Jacobson, as such representative. Notices of appeal of such appointment were filed with the United States District Court for the Southern District of New York. The Debtor Corporations moved to dismiss such appeals. On December 7, 1984, the District Court determined to grant leave for the appeal to proceed. Appellants and an *amicus* filed papers with the District Court which argued the issue of whether Future A-H Claims are claims as defined in the Bankruptcy Code. The Debtor Corporations and two committees filed replies with the District Court asserting that the issue was not before the District Court on the appeal. On March 15, 1985, the District Court affirmed the Bankruptcy Court's decision on this matter.

On March 25, 1983, in the Chapter 11 proceedings relating to UNR Industries, Inc., another company involved in asbestos-health related litigation, the United States District Court for the Northern District of Illinois denied the application of UNR Industries, Inc. seeking the appointment of a legal representative for an unknown number of individuals exposed to asbestos who in the future may manifest asbestos-related disease and who in turn might file claims for their injuries. UNR Industries, Inc. appealed the District Court's ruling on this matter in 1983 to the United States Court of Appeals for the Seventh Circuit, which concluded this ruling was not yet appealable. In so ruling, the Seventh Circuit indicated some possible disagreement with the reasoning of the District Court regarding the status of future asbestos-health claimants in bankruptcy proceedings.

In response to a motion for reconsideration filed by UNR Industries, Inc., the Bankruptcy Court for the Northern District of Illinois held on February 28, 1985 that a legal representative should be appointed in the UNR Industries, Inc. proceedings to represent individuals with unmanifested asbestos-related disease. The Bankruptcy Court specifically declined to decide, among other things, whether these individuals held claims within the meaning of the Bankruptcy Code, but indicated that it possessed jurisdiction over the UNR debtors and might also possess equitable authority to require those debtors to make provision for such individuals in a plan of reorganization. This decision has been appealed by certain parties to these proceedings. The Bankruptcy Court for the Northern District of Illinois stated it was in accord with the decision reached by the Bankruptcy Court in the Manville reorganization proceedings which, as stated above, held that individuals with unmanifested asbestos-related disease are parties in interest who are entitled to be heard in the bankruptcy proceedings.

On May 26, 1983, in the Chapter 11 proceedings relating to Amatex Corporation, another company involved in asbestos-health related litigation, the Bankruptcy Court for the Eastern District of Pennsylvania issued a report to the United States District Court for the Eastern District of Pennsylvania recommending that a similar application of Amatex Corporation seeking the appointment of a legal representative be denied. The *Amatex* report was submitted to the District Court, which adopted the conclusions of the report. The ruling of the District Court was appealed to the United States Court of Appeals for the Third Circuit. In February 1985, the Third Circuit reversed the decision of the District Court holding that future claimants are parties in interest and should have a voice in the reorganization proceedings. The Third Circuit also concluded it was unnecessary to determine at that time whether future claimants have claims cognizable under the Bankruptcy Code.

In addition to A-H Claims, Future A-H Claims and Asbestos Property Damage Claims, the Debtor Corporations are alleged to be liable, to some as yet unascertained extent, for (a) claims for contribution and indemnity allegedly owing from the Debtor Corporations to other entities which have been, are being or will be sued for asbestos-related personal injury or property damage, (b) claims for personal injury or property damage arising from other products sold by the Debtor Corporations and (c) other nonproduct claims (collectively, the "Other Claims").

In addition to the uncertainties which existed at the time the Chapter 11 proceedings were commenced, substantial uncertainties exist in the context of such proceedings. These uncertainties preclude any reasonable estimate at this time of the ultimate cost of the A-H Claims, Future A-H Claims, Asbestos Property Damage Claims and Other Claims (collectively, the "Claims") to the Debtor Corporations.

The uncertainties include:

- the resolution of the number of and cost attributable to all A-H Claims, Future A-H Claims and Asbestos Property Damage Claims,
- the method by which the A-H Claims, Future A-H Claims and Asbestos Property Damage Claims will be determined as to amount and satisfied,
- the effect of the Chapter 11 filing and attendant publicity on the number and asserted amounts of Claims,
- the amount of insurance proceeds ultimately available to apply toward the disposition of the Claims once litigation pending against the Debtor Corporations' insurance carriers (discussed further below) is resolved,
- the method by which the Other Claims will be determined as to amount and satisfied,
- the final resolution of various proceedings and motions pending in the Bankruptcy Court, and
- the impact of congressional legislation enacted in 1984 regarding the jurisdiction and operation of the Bankruptcy Court.

Because of these uncertainties, the eventual disposition of the Claims cannot be predicted at this time and the ultimate cost to the Debtor Corporations, after application of the Debtor Corporations' estimated insurance recoveries, cannot be reasonably determined in accordance with Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies". Accordingly, while the ultimate liability of the Debtor Corporations could have a material adverse effect on Manville Corporation's consolidated financial position and future results of operations, no such liability has been recorded in the consolidated financial statements.

Management's objective in the Chapter 11 proceedings is to achieve the highest possible recoveries for all creditors and shareholders consistent with the Debtor Corporations' ability to pay and continuation of their businesses. There can be no assurance at this time that the liabilities of the Debtor Corporations will not be found to exceed their assets under any proposed plan of reorganization presently under consideration by the Debtor Corporations. This could result in claims being provided for at less than 100% of their value, claims being paid without interest and could result in the dilution or cancellation of Manville Corporation's common and preferred stocks. It is impossible at this time to predict the actual recovery which different classes of creditors and shareholders will realize. Dividends have not been and will not be declared or paid on Manville Corporation's common or preferred stocks during the pendency of the reorganization proceedings. Furthermore, it is uncertain when Manville Corporation will be able to resume dividend payments even after emergence from Chapter 11. Until confirmation of a plan of reorganization for the Debtor Corporations which determines the amount and manner of payment or other disposition of such claims and litigation and the treatment of Manville Corporation's equity interests, the value of Manville Corporation's common and preferred stocks will continue to be uncertain. As a result, both the common and preferred stocks should be considered highly speculative investments with a very high degree of risk to the investor.

Bankruptcy in General

The discussion below summarizes various significant aspects of the Chapter 11 proceedings, but is not intended to be an exhaustive survey. For additional information regarding these proceedings and their effect on the Debtor Corporations, reference should be made to the Bankruptcy Code, applicable case law and the official court record of these proceedings in the Bankruptcy Court.

The provisions of Chapter 11 contemplate that a debtor-in-possession will negotiate with creditors and other interested parties to achieve a plan of reorganization that will ultimately be confirmed by the bankruptcy court. A debtor-in-possession is authorized to operate its business in the ordinary course subject to the restrictions provided in the Bankruptcy Code and those imposed by the bankruptcy court. Additionally, the various committees appointed by a bankruptcy court have the right to review and object to certain business transactions and to participate in the formulation process leading to a plan of reorganization. These committees are charged with the responsibility of protecting the interests of their respective constituencies and assuring that the assets of the debtor's estate are preserved.

The Bankruptcy Code prohibits creditors who are subject to the jurisdiction of the Bankruptcy Court from attempting to obtain possession of a debtor's property, either by commencement or continuation of lawsuits or otherwise, unless the bankruptcy court terminates or modifies the automatic stay that arose upon the filing of the petitions or otherwise authorizes payments by the debtor. Except in certain limited circumstances, including certain asbestos-health cases that were on appeal as of August 26, 1982, the automatic stay enjoining all actions accruing against the Debtor Corporations prior to August 26, 1982 has been continued in full force and effect and has been extended by additional orders entered by the Bankruptcy Court.

A debtor-in-possession has the right, subject to bankruptcy court approval and certain other limitations, to assume or reject certain executory contracts and unexpired leases. In this context, "assumption" means that the debtor agrees to pay all prepetition amounts due and perform its obligations under the contract or lease, and "rejection" means that the debtor is relieved from its obligations to perform further under the contract or lease and is subject only to a claim for damages for the breach thereof. Any damages resulting from rejection are treated as a general unsecured claim in the reorganization proceedings. The Debtor Corporations have from time to time in the Chapter 11 proceedings exercised their rights to assume or reject, and they continue to study the remaining executory contracts and unexpired leases to determine whether assumption or rejection is appropriate. The Debtor Corporations have until a plan of reorganization is confirmed to assume or reject such contracts and unexpired leases.

The Bankruptcy Code may require that payments be made to certain creditors holding secured claims to protect adequately such creditors' interest in collateral that continues to be used by a debtor-in-possession. The Debtor Corporations continue to evaluate the positions of their secured creditors to determine the extent, if any, to which payments in respect of adequate protection are appropriate. In certain instances, the Debtor Corporations have made payments in respect of adequate protection to secured creditors, including payments to the mortgagee of the Company's headquarters near Denver, Colorado. Depending upon the ultimate outcome of the reorganization proceedings and the value of such creditors' collateral, if any, creditors in the Debtor Corporations' reorganization proceedings may not be entitled to claim interest on their claims for the period after August 26, 1982.

The Bankruptcy Code permits a bankruptcy court to appoint a trustee on the request of any creditor, equity security holder, committee or other party in interest. In order for a trustee to be appointed, a requesting party must show cause, such as gross mismanagement by current management, or show that such appointment is in the best interest of the creditors and equity security holders in the case. On December 19, 1983, the committee representing asbestos-health claimants filed a motion in the Bankruptcy Court requesting the Court to appoint a trustee and to reduce the salaries of certain of Manville Corporation's officers and the fees of its Directors. On its own motion, the committee representing asbestos-health claimants withdrew this motion from the Bankruptcy Court on February 28, 1984.

For 120 days after the date of the filing of a voluntary Chapter 11 petition, a debtor-in-possession has the exclusive right to propose and file a plan of reorganization with the bankruptcy court. If a debtor-in-possession files a plan of reorganization during the 120-day exclusive period, no other party may file a plan of reorganization until 180 days after the date of filing of the Chapter 11 petition. Until the end of this 180-day period, the debtor-in-possession has the exclusive right to solicit acceptances of the plan. The bankruptcy court may extend the 120- and 180-day periods for cause shown.

If a debtor-in-possession fails to file a plan during the exclusive period or if any plan that has been filed by the debtor-in-possession has not been accepted during the exclusive solicitation period by each class of creditors and equity security holders who are impaired by such plan, any party in interest may file a proposed plan of reorganization. Additionally, if the bankruptcy court were to appoint a trustee, the exclusive period, if not previously terminated, would terminate. Unimpaired creditors are considered unaffected by a plan of reorganization and, therefore, only impaired creditors and equity holders may vote on a plan of reorganization. "Impairment" typically exists where the claim or interest of a creditor

or equity holder is considered compromised under the provisions of the Bankruptcy Code or applicable case law.

Before solicitations of acceptances or rejections of any plan of reorganization may be made, the Bankruptcy Code requires that a disclosure statement approved by the bankruptcy court and a copy or summary of the plan be sent to those who are being solicited. Before approving a disclosure statement, the bankruptcy court must determine that the disclosure statement contains "adequate information," a term defined by the Bankruptcy Code to mean information of a kind and in sufficient detail to permit a hypothetical reasonable investor, typical of the class being solicited, to make an informed judgment about the plan.

To be accepted by a class of creditors, a plan must be accepted in writing by creditors who hold at least two-thirds in amount and more than one-half in number of all allowed claims of each class held by creditors who actually vote. To be accepted by a class of equity security holders, the plan must be accepted in writing by equity security holders who hold at least two-thirds of the securities held by the equity security holders in such class who actually vote.

After impaired classes of creditors and equity security holders have voted on the proposed plan, the bankruptcy court must consider whether to confirm the plan. Before confirming a plan, the bankruptcy court must find, among other things, that: (i) each impaired class of creditors and equity security holders will, pursuant to the plan, receive at least as much as such class would receive upon liquidation of the debtor, (ii) each impaired class of creditors and equity security holders has accepted the plan by the requisite vote and (iii) confirmation of the plan is not likely to be followed by the liquidation or need for further financial reorganization of the debtor or any successor unless the plan proposes such liquidation or reorganization. These requirements may necessitate provision in full for senior classes of creditors before any provisions are made for junior classes of creditors or equity security holders, or for senior equity security holders before any provisions are made for junior equity security holders.

If any impaired class of creditors or equity security holders does not accept a plan but all of the other requirements of the Bankruptcy Code are met, the proponent of the plan may invoke the so-called "cram-down" provisions of the Bankruptcy Code. Under these provisions, the bankruptcy court may confirm a plan notwithstanding the nonacceptance of the plan by an impaired class of creditors or equity security holders if certain requirements of the Bankruptcy Code are met.

Plans of Reorganization for the Original Debtor Corporations

On November 21, 1983, Manville Corporation filed a proposed joint plan of reorganization in the Bankruptcy Court for itself and the remaining seventeen Debtor Corporations (the "Joint Plan"). The Joint Plan provides, among other things, for the evaluation of asbestos-health claims by use of objective medical criteria applied to a scale of benefits. The Joint Plan also contemplates that the Bankruptcy Court will disallow contingent fee contracts between asbestos-health claimants and their lawyers and will instead allow reasonable payment to such counsel for services actually rendered. The Bankruptcy Court has approved extensions of the Debtor Corporations' exclusive time period for soliciting acceptances of the Joint Plan and for filing a disclosure statement relating to the Joint Plan. The Debtor Corporations' current extension of such exclusive periods expires on May 20, 1985. It may be necessary for the Debtor Corporations to seek additional extensions of these time periods from the Bankruptcy Court. It is unknown at this time whether such extensions will be granted and when the Debtor Corporations will file a disclosure statement on any plan of reorganization. The committee representing asbestos-health claimants and one codefendant in the asbestos-health related litigation have filed motions in the Bankruptcy Court to terminate the Debtor Corporations' exclusive period relating to the plan of reorganization and to prohibit solicitation of acceptances to the proposed Joint Plan.

While the Joint Plan remains the only plan of reorganization officially filed with the Bankruptcy Court, an alternative structure for a proposed consensual joint plan of reorganization for the Debtor Corporations was the subject of discussions during 1984 among creditor groups, equity representatives and

the Debtor Corporations' representatives. The proposal last under discussion contemplated the creation of a trust fund to satisfy asbestos-health claims and the emergence of Manville operating companies from Chapter 11 free from asbestos-related liabilities. The trust fund would be funded by a combination of cash and cash equivalents, the proceeds recovered or to be recovered by the Debtor Corporations from their insurance carriers (discussed below under the caption, *Insurance Litigation*) and some percentage of the common equity interest in the Manville parent which would emerge from Chapter 11 under this proposal. Under this framework, the current holders of the outstanding common stock of Manville Corporation would have their interests substantially diluted. No constituency accepted this proposal and various constituencies actively opposed some or all of the terms of the proposal. The Debtor Corporations cannot predict whether a consensual plan will be achieved in the reorganization proceedings. Accordingly, the timing and the terms of any plan of reorganization that will ultimately be confirmed by the Bankruptcy Court are equally uncertain at this time.

On March 26, 1984, a separate plan of reorganization for Manville Forest Products Corporation ("MFP") was confirmed. The MFP plan of reorganization classified the claims against MFP into the following categories: (i) claims of secured creditors, (ii) claims of general unsecured creditors (including trade creditors and participants in certain deferred compensation plans), (iii) claims of the institutions holding certain promissory notes of MFP and (iv) certain priority administrative claims which arose after the filing of MFP's bankruptcy petition. The MFP plan did not affect Manville's sole ownership of MFP. Holders of claims in categories (i), (iii) and (iv) above were not impaired under the MFP plan and were therefore not entitled to vote on the MFP plan. Holders of claims in category (ii) above were impaired because some of them received payment on only a portion of their claims on the effective date of the plan with the balance to be paid not later than January 31, 1985. These payments have been made. This summary of the MFP plan of reorganization is qualified by reference to that plan.

On December 13, 1983, the Bankruptcy Court confirmed a joint plan of reorganization for Johns-Manville Canada Inc. and Johns-Manville Amiante Canada Inc., the two Canadian subsidiaries the stock of which was sold to a third party in September 1983. The order of confirmation became final and nonappealable on December 24, 1983.

Jurisdictional Issues

On June 28, 1982, the Supreme Court of the United States decided *Northern Pipeline Construction Co. v. Marathon Pipe Line Co.*, calling into question the jurisdictional provisions of the Bankruptcy Code. In July 1984, the Bankruptcy Amendments and Federal Judgeship Act of 1984 was enacted to address, among other things, the jurisdictional issues raised by the United States Supreme Court in *Northern Pipeline Construction Co. v. Marathon Pipe Line Co.* The legislation continues the operation of the bankruptcy courts as part of the federal district courts. It also provides that unliquidated or contingent personal injury tort or wrongful death claims do not constitute "core proceedings" under the jurisdiction of the bankruptcy court and that such claims will be tried, if trial is necessary, in the district court in which the bankruptcy case is pending or in the district where the claim arose. Literal application of this legislation would require its provisions to be applied to pending bankruptcy filings, such as the Debtor Corporations'. However, the Debtor Corporations believe that the intent of members of the House and Senate Conference Committee submitting this legislation was to exclude the application of this provision to pending bankruptcy proceedings. Certain conferees included statements in the Congressional Record to confirm this intention. Two asbestos-health claimants alleging claims against the Debtor Corporations made separate motions before the United States District Court for the Southern District of New York to have their claims tried in a district court. The District Court denied the first motion on the grounds that it was "premature". The second motion was referred to the judge who ruled on the first motion. In December 1984, the District Court denied the second motion. On January 11, 1985, the movant in the first motion served notice of an appeal of the District Court's denial to the United States Court of Appeals for the Second Circuit. This appeal was voluntarily withdrawn on February 4, 1985. In the UNR Industries, Inc. reorganization proceedings, discussed above, the District

Court for the Northern District of Illinois on November 7, 1984 rejected a motion to transfer asbestos claims pending against that company to district courts until at least some time in the future.

The Debtor Corporations believe the legislation will have no material impact on their reorganization proceedings; however, it is uncertain whether the legislation will be applied retroactively. If the Debtor Corporations do not arrive at a consensual plan of reorganization, the application of this legislation to the Debtor Corporations reorganization proceedings could adversely affect the timing and nature of these proceedings in the event that contingent asbestos-health claims were referred to the various federal district courts for trial.

Occupational Health and Product Litigation

As of December 31, 1984, the Company and several of its subsidiaries were defendants or codefendants in approximately 12,450 lawsuits brought by approximately 17,450 plaintiffs in which the plaintiffs allege damage to their health principally as a result of exposure to asbestos fiber either during manufacturing operations in which asbestos fiber was used as a raw material or in the course of handling products containing asbestos. Information on asbestos-related proofs of claim filed against the Company and asbestos-related lawsuits filed against the Company and certain codefendants after August 26, 1982 is provided in the preceding section captioned, *Reorganization Proceedings under Chapter 11 of the Bankruptcy Reform Act of 1978*.

During 1982, approximately 1,120 asbestos-health related claims were disposed of at an average cost per claim to the Company of \$19,225 excluding legal expenses and cases on appeal by the Company. This disposition cost average for 1982 is higher than the Company's cumulative average through December 31, 1981 of \$16,075 per claim excluding legal expenses and cases on appeal. The cumulative average for all claims disposed of through December 31, 1984 (a total of approximately 4,260 claims) is \$16,810 per claim excluding legal expenses and cases on appeal as of August 26, 1982. The Company's average disposition cost for asbestos-health related claims represents the average cost of all such claims disposed of by the Company during the indicated periods, including case dispositions without cost to the Company (such as jury verdicts in favor of the Company, dismissals due to the expiration of the statute of limitations or duplicate filings) and, for periods after August 26, 1982, certain cases settled prior to August 26, 1982 but not yet paid due to the reorganization proceedings. Substantially all asbestos-health related disposition costs and legal expenses have been charged to applicable insurance maintained by the Company. A description of the Company's litigation against certain of its insurers for, among other things, refusing to pay asbestos-health costs and expenses is provided below under the caption, *Insurance Litigation*.

As stated, the disposition costs referred to above do not include the verdicts in approximately twenty-four cases which were subject to post-trial motions or appeals brought by the Company prior to August 26, 1982. Including these twenty-four verdicts in the Company's historical disposition cost results in an average through December 31, 1984 of approximately \$19,750 per claim, excluding legal expenses.

In 1981, the Company was for the first time found liable by juries for punitive damages in five separate asbestos-health related actions. Punitive damages are not insurable under the laws of certain states. During the first half of 1982, the Company was found liable for punitive damages in five additional cases. Of these ten cases, eight remain subject to post-trial motions or appeals filed by the Company. The average of the punitive damages awarded against the Company in these ten cases (one of which involved eleven plaintiffs) is approximately \$616,000 per case.

Substantially all lawsuits against the Company have been stayed except certain lawsuits on appeal, which are discussed below under the caption, *Asbestos-Health Cases on Appeal*. On October 4, 1983, the committee representing asbestos-health claimants and other parties in interest filed separate motions in the Bankruptcy Court seeking to have the automatic stay provisions lifted as to all asbestos-health claims pending against the Company to allow such claims to be prosecuted outside the Bankruptcy Court. The Company opposes the relief sought in these motions and will urge the Bankruptcy Court

to deny them. On May 20, 1985, the Bankruptcy Court will schedule the date on which it will hear these motions. In January 1985, the Bankruptcy Court issued a temporary restraining order against a Pennsylvania law firm which filed a declaratory judgment action in the United States District Court for the Eastern District of Pennsylvania. In that action, the plaintiff law firm sought to have the District Court declare that the automatic stay provisions of the Bankruptcy Code did not bar asbestos-health claimants whose disease manifested after certain debtors filed for reorganization from pursuing their claims in local courts. This matter is discussed above at page 44. Additionally, limited discovery involving the Company is taking place in certain plant worker cases where employees and former employees of the Company are proceeding against other codefendants. The United States District Court for the Southern District of New York ruled that in such cases, the Company must respond to discovery requests where the information is in the sole custody and control of the Company, and such information is essential to the defense of the other codefendants.

In early 1983, the Bankruptcy Court issued an order preventing asbestos-health litigants from proceeding directly against the Company's insurers in pending asbestos-health lawsuits. This order was affirmed by the United States District Court for the Southern District of New York in January 1984, which held that insurance affecting the estates of the Debtor Corporations was "property" within the meaning of the Bankruptcy Code.

General Information

The plaintiffs in the asbestos-health related cases typically fall into one of three categories:

- (i) Persons who handled finished products manufactured by the Company and, in most cases, a number of other manufacturers, which contained asbestos and emitted asbestos dust when handled,
- (ii) Employees of subsidiaries of the Company who were exposed to asbestos while working at the Company's 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 purchased directly or indirectly from the Company and typically a number of other suppliers, which fiber was used by the plaintiffs' employers 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 were exposed to asbestos insulation or other products containing asbestos acquired from the Company 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 the Company had no control.

This first category of plaintiffs typically allege that the Company and 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. The Company believes 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 dust levels for asbestos recommended by the United States Public Health Service did not constitute a hazard to the health of workers handling asbestos-containing insulation products. Accordingly, the Company has maintained that there was no basis for product warnings or special 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 labels on packages, instruction booklets and

seminars for insulation contractors. Ultimately, asbestos-containing insulation products were discontinued by the Company.

The second category of plaintiffs consists of current and former employees of the Company's subsidiaries who were exposed to asbestos fiber in connection with the Company's asbestos milling or manufacturing operations. With respect to these plaintiffs, it is the Company's position that in most of these actions, applicable federal and state workers' compensation statutes provide the exclusive remedy against the subsidiary employer for employment-related injuries. In cases brought by current and former employees of the Company's subsidiaries in California, Illinois, Louisiana, New Jersey and Texas, some plaintiffs seek to avoid the limitations of this remedy by suing outside the applicable workers' compensation statutes.

The California Supreme Court ruled in 1980 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 (i) his employer fraudulently concealed from the employee his disease or injury and the cause of such disease or injury and (ii) such fraudulent concealment resulted in aggravation of existing injury or harm to the employee, then the employee has the right to maintain an action directly against the employer and is not limited to the remedy provided by the applicable workers' compensation statutes. Absent the automatic stay of litigation imposed by the Chapter 11 filings, this decision would allow California employees of the Company's subsidiaries to maintain actions directly against the subsidiary employer under these limited conditions. Recovery by the employees would require proof of such fraud and aggravation. The Company believes its subsidiaries have substantial defenses to any such allegations of fraud and aggravation.

Suits in this second category also typically name as defendants, the Company and certain subsidiaries of the Company other than the employer subsidiary. The right of a Company employee to proceed outside workers' compensation statutes against the Company and particular nonemployer subsidiaries of the Company remains unresolved, but the Company 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 asbestos fiber in their manufacturing operations supplied by the Company and, in most cases, other suppliers. With respect to these actions, the Company maintains that the companies to which it sold asbestos fiber had the same knowledge as the Company of any potentially harmful effects of excessive exposure to asbestos dust in factory operations and that, accordingly, the Company had no duty to advise such companies of risks of which they were already aware. Therefore, the Company 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 Company believes the asbestos-health claims pending and which may arise in the future relate to events and conditions existing in prior years. More specifically, the Company believes, based on at least the following factors and assumptions, that since at least the beginning of 1978, no significant new potential liabilities have been created for it with respect to diseases known to be related to asbestos and arising from asbestos fiber or asbestos-containing products manufactured or sold by the Company:

- from the mid-1970's to 1983 (when the Company's asbestos fiber mine was sold), the Company sold asbestos fiber in the United States only in pressure pack, block form or other similar conditions and not in loose form,
- by 1973, the Company had ceased domestic manufacture of thermal insulation products containing asbestos which are the products principally involved in disease claims made against the Company,

- the Occupational Safety and Health Administration established a maximum exposure standard for asbestos fiber of 2 fibers per cubic centimeter in 1976. Compliance with such standards in the work place was achieved at the Company's facilities within a reasonable time following such promulgation thus reducing exposure to asbestos, and
- with respect to asbestos or asbestos-containing products used by others and which use did not comply with the Occupational Safety and Health Administration asbestos standards, the Company's defensive posture with respect to claims arising out of such environments will be significantly enhanced.

Indemnity Actions

Included in the cases pending against the Company are claims by former contract physicians of the Company seeking indemnity with respect to claims brought by approximately forty former employees of the Company alleging that the physicians failed to advise the employees that they had contracted pulmonary diseases associated with their exposure to asbestos fiber. Prior to the Company's filing for reorganization, the Company had reached a settlement of the indemnity claims alleged by these physicians. The impact of the reorganization proceedings on this settlement is uncertain at this time.

In two independent actions, manufacturers of asbestos-containing products seek indemnification from the Company for sums paid by these manufacturers in separate cases on the grounds that the Company supplied asbestos which was incorporated into the products of these manufacturers. Both of these actions have been stayed as a result of the Company's Chapter 11 proceedings. One of these manufacturers also filed an action in the Bankruptcy Court seeking such indemnification from the Company and its insurers. This action has been stayed upon the motion of the Company. It is not presently anticipated that this case will proceed in the near future. The Company believes it has substantial defenses to these indemnity actions.

Purported Asbestos-Health Related Class Actions

The Company is a defendant in seven purported asbestos-health related class actions, including four suits brought by plaintiffs in the second category described above—present and former employees of subsidiaries of the Company, who during the course of their employment were exposed to asbestos fiber. The employee and former-employee cases consist of four purported class actions brought on behalf of all present and former employees of the Company's Manville, New Jersey plant wherein the plaintiffs in one case each seek \$500,000,000 in damages and the plaintiffs in the remaining three cases seek unspecified general, special and punitive damages. The remaining three purported class actions have been brought by plaintiffs in the third category described above—those who allege injury during manufacturing operations due to exposure to asbestos fiber supplied to their employers by the Company and other defendants. The plaintiffs in these cases each seek unspecified compensatory and punitive damages. The Company believes it has substantial defenses to all these actions, which are presently stayed due to the Chapter 11 proceedings.

Director, Officer and Employee Actions

As of December 31, 1984, there were approximately 270 cases involving approximately 910 plaintiffs pending in at least three jurisdictions against present and former directors, officers and employees of the Company seeking damages against such defendants in their individual capacities for injuries allegedly suffered by individuals exposed to asbestos fiber. The Company believes that these present and former directors, officers and employees have substantial defenses to the allegations of the complaints. Pursuant to the terms of its by-laws, the Company owes a duty to defend and indemnify such former and present directors, officers and employees and is providing legal representation for the benefit of each named defendant in these actions. The impact of the Bankruptcy Code and any proposed plan of reorganization on these cases is uncertain at this time. The Company has in place policies of

insurance covering these claims; however, the insurance carriers are presently contesting the availability of coverage. A discussion regarding the Company's litigation against its insurers and partial settlements of that litigation is provided below under the caption, *Insurance Litigation*.

On March 16, 1984, the Company's Board of Directors authorized the creation of an advisory committee for past and present Manville directors, officers and employees to consider and evaluate whether such persons' individual rights may be affected by the reorganization proceedings. Under the Company's by-laws, these individuals may have rights to independent counsel, at the Company's expense, as to matters arising within the scope of their duties and employment. In May 1984, the Bankruptcy Court authorized the retention of counsel for this advisory committee. Proofs of claim have been filed in the reorganization proceedings on behalf of past and present directors, officers and employees of the Company to protect rights of indemnification and contribution inuring to these individuals under the Company's resolutions, by-laws and applicable state law.

In August 1983, the Bankruptcy Court extended the stay to lawsuits pending against present and former directors, officers and employees of the Company. Appeals to this decision were denied by the United States District Court for the Southern District of New York in January 1984. In September and October 1983, the Bankruptcy Court issued orders clarifying the application of this stay as applied to discovery proceedings against present directors, officers and employees who are named as defendants in these lawsuits.

Asbestos-Health Cases on Appeal

With respect to all asbestos-health related cases filed against the Company through August 26, 1982, ninety-six cases proceeded to trial resulting in fifty-four verdicts rendered in favor of the plaintiffs, forty-one verdicts in favor of the Company and one mistrial. The verdicts in twenty-four of these trials were subject to post-trial motions or appeals brought by the Company prior to August 26, 1982. Additionally, the verdicts in nine of these trials were subject to post-trial motions or appeals filed by the plaintiffs prior to August 26, 1982. As discussed below, through December 31, 1984, the Bankruptcy Court authorized thirteen of the cases on appeal to proceed to appellate review, including eight cases in which punitive damages had been awarded to the plaintiffs.

As stated above, substantially all lawsuits against the Company have been stayed. However, the Bankruptcy Court has allowed, upon motion of the plaintiffs, certain asbestos-health related cases pending on appeal to proceed to appellate review. If a plaintiff's verdict is affirmed by the appellate court, this will result in an uncontested claim against the Company, which unless bonded will be satisfied under the provisions of a confirmed plan of reorganization. If a new trial is ordered, the case will remain contested and be subject to the provisions of a plan of reorganization addressing all such pending asbestos-health claims. Supersedeas bonds have been posted in a number of the cases presently on appeal. Where bonded, verdicts affirmed by appellate courts will be satisfied from the proceeds of such bonds. Any proof of claim filed by the bonding company to recover payments made under the bonds will be classified as a general unsecured claim in the reorganization proceedings. Other cases which are presently on appeal, whether or not bonded, may follow a similar course of action if the plaintiffs in these cases seek authorization from the Bankruptcy Court to proceed to appellate review.

Six asbestos-health lawsuits have proceeded through appellate review since the commencement of the Chapter 11 proceedings. The United States Court of Appeals for the Sixth Circuit on October 26, 1982 affirmed the lower court's verdict in *Moran v. Johns-Manville Corp.* (N.D. Ohio), in which the Company was found liable for \$350,000 in compensatory damages and \$500,000 in punitive damages. A supersedeas bond had been posted by the Company in the *Moran* appeal, and the bonding company paid the plaintiff under the terms of the bond. In *Fischer v. Johns-Manville Sales Corp.*, the plaintiff recovered a judgment of \$207,180 in compensatory damages and \$300,000 in punitive damages. On January 31, 1984, the Appellate Division of the New Jersey Superior Court affirmed the plaintiff's recovery of \$92,500 in compensatory damages, interest from the time of judgment and \$300,000 in punitive damages. The Company's portion of this award is \$88,064 in compensatory damages and \$240,000

in punitive damages, plus approximately \$25,000 in interest. In May 1984, the Supreme Court of New Jersey granted the Company's request to review this decision as to the punitive damages award. On November 5, 1984, the Supreme Court of the State of New Jersey heard oral arguments on this appeal. The Court has not yet rendered its decision on this matter.

In 1982, a jury returned a verdict of \$391,500 in compensatory damages and \$625,000 in punitive damages against the Company and another codefendant in *Jackson v. Johns-Manville Sales Corp.*, an asbestos-health related action tried in the United States District Court for the Southern District of Mississippi. The plaintiff, a former Mississippi shipyard worker, sought compensatory and punitive damages for contracting asbestosis, for the future probability of contracting cancer or other ailments, and for mental anguish arising from the fear of contracting cancer in the future. The Company appealed this verdict to the United States Court of Appeals for the Fifth Circuit, which appeal was allowed to proceed pursuant to an order of the Bankruptcy Court. On March 23, 1984, the Fifth Circuit reversed this verdict on a number of grounds and also held that punitive damages were not recoverable in asbestos-health related actions under the laws of the State of Mississippi. In July 1984, the Fifth Circuit voted to rehear en banc the *Jackson* case, and oral arguments were heard in September 1984. On January 21, 1985, the Fifth Circuit held that state law rather than federal common law governs issues arising in diversity asbestos litigation. The Fifth Circuit certified issues relating to punitive and prospective damages to the Mississippi Supreme Court for a determination under state law, and declined to certify to the United States Supreme Court, as urged by the dissent, the issue of whether federal common law should be developed to govern asbestos litigation nationwide.

In June 1984, the Fifth Circuit Court of Appeals affirmed the plaintiffs' right to recover a reduced award of compensatory and punitive damages from the Company in *Hansen v. Johns-Manville Products Corp.*, a case tried in 1982 in the United States District Court for the Southern District of Texas. At trial, the jury awarded the plaintiffs \$1,060,000 in compensatory damages and \$1,000,000 in punitive damages. The Fifth Circuit ruled punitive damages could be recovered by a plaintiff under the laws of the State of Texas; however, the Court also ruled the damages awarded were excessive and remanded the case to the lower court with instructions to grant a new trial solely on damages if the plaintiffs rejected a reduced award of \$290,000 in compensatory damages and \$300,000 in punitive damages. In July 1984, the plaintiffs requested the Fifth Circuit to rehear arguments en banc as to the Court's remittitur of the plaintiffs' damages. On September 12, 1984, the Fifth Circuit denied the plaintiffs' motion to rehear this matter en banc. In December 1984, the plaintiffs petitioned the Supreme Court of the United States seeking a reversal of the Fifth Circuit's opinion. The Company also filed a cross petition seeking a writ of certiorari. On March 18, 1985, the Supreme Court denied both of these petitions.

On July 26, 1984, the Fifth Circuit Court of Appeals affirmed the trial verdict of \$750,000 in compensatory damages rendered in *Halphen v. Fibreboard Corporation*, a case brought by a shipyard worker who contracted mesothelioma. In this opinion, the Fifth Circuit ruled that the state of the art defense in strict liability actions was barred under Louisiana law. In August 1984, the Company, a codefendant in this action, filed a petition requesting the Fifth Circuit to rehear this matter. In January 1985, the Fifth Circuit (en banc) certified this issue to the Louisiana Supreme Court.

On September 26, 1984, the District Court of Appeals, First District, for the State of Florida affirmed the jury verdict rendered in *Janssens v. Johns-Manville Sales Corporation*, an action brought by a shipyard worker who contracted asbestosis, and his wife. The Janssens were awarded \$1,107,600 in compensatory damages and \$750,000 in punitive damages plus interest and costs. The verdict was secured by a bond pending the appeal. The Company has petitioned the Supreme Court of Florida to review the lower courts' decisions in this action. The Supreme Court of Florida has not yet ruled on this petition.

As of December 31, 1984, the Bankruptcy Court had granted motions to lift the stay in seven other asbestos-health related cases on appeal. During 1984, two of these cases were settled, *Arceneaux v. Johns-Manville Corp.* and *Directo v. Johns-Manville Corp.* with the bonding company paying the plaintiffs in these actions \$42,000 and \$120,000, respectively. One of the five remaining cases presently proceeding to appellate review involves an appeal by a plaintiff from a \$12,000 verdict against the

Company. In the four remaining cases which were appealed by the Company, the average award of compensatory damages against the Company is \$455,000. In three of these four cases, punitive damages were awarded to the plaintiffs at an average of \$600,000 per case.

*Asbestos-Health Related Litigation Against the
United States Government*

The majority of asbestos-related lawsuits filed against the Company involve insulation workers and other persons who installed or, for other reasons, handled or were exposed to asbestos insulation or other products acquired from the Company 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. Evidence obtained by the Company indicates that exposure to excessive concentrations of asbestos occurred as a result of the government's knowing noncompliance with governmental standards on asbestos in shipyards and other places over which the Company had no control.

In 1981, the Company filed an action against the United States of America in the United States District Court for the Northern District of California seeking to recover all or a portion of a settlement paid to a former federal employee who was allegedly injured by exposure to asbestos while working at the Long Beach, California and Mare Island Naval shipyards. In early 1983, the District Court dismissed a portion of the Company's suit because it had not previously filed for administrative relief under the Federal Tort Claims Act. The Company subsequently filed an administrative claim and moved to file an amended complaint containing causes of action similar to those which previously had been dismissed. On January 6, 1984, the District Court ruled that the Company could proceed on its amended complaint against the government after finding that the Company had filed an adequate administrative claim. The District Court rejected the government's argument that the Company's amended complaint was barred by the exclusivity provisions of the Federal Employees Compensation Act and rejected the government's contention that its only obligation was to the federal employee and not to any third party such as the Company. The District Court concluded that the government's position had been rejected by the Supreme Court of the United States in *Lockheed Aircraft Corp. v. United States of America*. Another motion to dismiss this action was filed by the government, which was heard by the District Court in October 1984. The District Court has not yet ruled on this motion. The Company's lawsuit against the United States has been rescheduled for trial in June 1985.

The Company has filed three lawsuits against the United States of America in the United States Claims Court in Washington D.C. claiming, among other things, breach of express and implied-in-fact contracts. The first action was filed on July 19, 1983 and seeks approximately \$1 million in damages sustained by the Company in connection with persons whose only exposure to asbestos occurred in government-owned or government-controlled shipyards during World War II. On November 16, 1983, the Company filed a second action seeking to recover \$2.5 million from the United States of America for damages incurred by the Company in connection with lawsuits filed by persons whose sole exposure to asbestos occurred in government-owned or government-controlled shipyards during or after 1964. On January 3, 1984, the Company filed a third action against the United States seeking to recover \$36 million in damages incurred by the Company in connection with lawsuits filed by persons whose exposure to asbestos was not limited to the time periods covered in the previous lawsuits. The United States has filed answers to all three of the Company's complaints, denying liability and seeking to have the complaints dismissed. The United States has also included an alleged counterclaim or setoff seeking \$33 billion in damages from the Company in the first action and a setoff of any amounts sought to be recovered in the other two actions. The Company believes its cases are well-grounded in fact and in law, that it has substantial defenses to the government's alleged counterclaims or setoffs and that such are unfounded. The parties are engaging in extensive discovery proceedings in all three of these actions. The Claims Court has scheduled these actions for trial in January 1986.

On April 27, 1984, the Company filed two additional lawsuits against the United States of America in the United States District Court for the District of Colorado seeking to recover \$97,500 in settlements paid to two former shipyard workers and legal expenses incurred in the underlying cases. These lawsuits seek recovery from the United States under the Federal Tort Claims Act on the basis that the government negligently and knowingly disregarded its own safety and health standards and failed to maintain safe shipyard working conditions, resulting in injuries to shipyard employees. The government challenged the venue of these cases in Colorado. In January 1985, the District Court denied the government's motion to change venue. The government then filed a motion requesting the District Court to certify the issue of venue to the United States Court of Appeals for the Tenth Circuit. The District Court has not yet ruled on this motion. The District Court has scheduled these actions for trial in September 1985.

The Company anticipates filing additional lawsuits in federal district courts against the government with respect to underlying asbestos-health related cases in which it believes the government has liability. Evidence obtained by the Company indicates that exposure to excessive concentrations of asbestos occurred as a result of the government's knowing noncompliance with governmental standards on asbestos during World War II.

In January 1984, UNR Industries, Inc., a company in reorganization due to asbestos-health related liabilities, filed a lawsuit against the United States government seeking in excess of \$60 million paid by that company in expenses and claims to persons exposed to asbestos. The complaint was filed in the United States Claims Court and asserts that the government knew about and ignored the dangers of asbestos before purchasing huge amounts of asbestos-containing insulation products from UNR's predecessor during the World War II shipbuilding efforts. The claims filed by UNR Industries, Inc. against the government are not inconsistent with those filed by the Company in its actions against the government. In addition, similar litigation has been brought by other manufacturers of asbestos-containing products including Pittsburg Corning Corporation, Eagle-Picher Corp., Fibreboard Corp., GAF Corporation and Keene Corporation, a subsidiary of Bairnco Corporation.

Asbestos Removal Lawsuits and Claims

As of August 26, 1982, three purported class actions were pending against the Company by various school districts or local entities seeking compensatory damages in an unspecified amount, and in two of these cases, punitive damages, for the plaintiffs' cost of detecting, analyzing, repairing or removing asbestos-containing materials from various school buildings located throughout the plaintiffs' states. Also as of August 26, 1982, the Company was named as a defendant in an action filed by a school district seeking \$3 million in compensatory damages and punitive damages in an unspecified amount for the cost of removing asbestos materials from the buildings within that school district. All four of these actions have been stayed as to the Company since the commencement of the Chapter 11 proceedings.

During 1983, the Company was notified of two claims by parties seeking removal or recovery for the cost of removal of asbestos-containing materials in certain school districts. In one action, compensatory damages of \$780,000 and punitive damages in an unspecified amount are sought for the alleged negligence of the Company in providing asbestos fiber to a manufacturer of acoustical plaster products installed in the plaintiff's school buildings. The Company also received in 1983 an advisory letter from a school district notifying it that the school district was removing asbestos-containing materials from its school buildings and requesting the Company to undertake such removal or to reimburse the district for its costs in removing these materials. These claimants were informed that attempts to proceed against the Company were in violation of the stay provisions of the Bankruptcy Code. The claimants have not proceeded against the Company, and such claims are effectively stayed at this time.

The Company believes that it has substantial defenses to all of these actions and claims. With respect to the three class actions, the Company believes there are uncertainties as to whether there are sufficient grounds to certify these cases as class actions. It is not possible for the Company to estimate the potential liability should any of the above suits or claims be decided adversely to it or should additional claims be asserted by other parties on the same or similar grounds. The Company has been

informed that but for the institution of its Chapter 11 proceedings, it would have been named as a defendant in a number of similar actions.

As explained at page 44 above, holders of alleged asbestos removal property damage claims were required to file proofs of claim in the Company's reorganization proceedings by January 31, 1985. On February 8, 1985, the Bankruptcy Court extended the bar date for a limited class of claimants (principally hospitals, Los Angeles County, for and on behalf of its citizens and residents, and members of the National Association of Counties) to March 1, 1985 for filing property damage claims. The Bankruptcy Court also allowed the State of Wyoming to file its proof of claim for alleged property damage by February 4, 1985. At March 22, 1985, approximately 6,100 property damage claims filed against the Debtor Corporations seeking approximately \$31.5 billion had been processed. Claimants seeking recovery for the cost of removing asbestos or asbestos-containing products constitute the overwhelming percentage of these property damage claims. Of the total 6,100 property damage claims processed, approximately 6,000 proofs of claim allege asbestos removal property damage totaling \$31.1 billion. Of these 6,000 claims, approximately 5,250 seek approximately \$14.5 billion on behalf of public and private schools, and approximately 700 proofs of claim seek \$16.6 billion on behalf of governmental entities and public and private property owners. Approximately 5,000 asbestos removal property damage claims have been received but not yet processed and, therefore, are not reflected in the above data. The Company believes that once this information is processed, the total gross dollar amount of damages included in all of the property damage claims may exceed \$50 billion.

While the law remains unsettled in this area, the Company believes it has substantial legal and factual defenses to these claims and the above-described lawsuits, which will be pursued through appropriate proceedings in the Bankruptcy Court. The vast majority of the claims filed against the Company appear to involve asbestos-containing spray-on insulation or molded pipe insulation. The Company maintains that it should not be held liable for these property damage claims. It neither manufactured nor sold sprayed-on insulation. The Company also believes that there is no health hazard arising from properly maintained molded pipe insulations. Further, limited preliminary discovery conducted by the Company to-date with respect to five asbestos property damage proofs of claim has revealed that: (1) the claims are generally not based upon objective data; (2) the claimants have been largely unable to confirm the presence of the Company's products in their properties; (3) little or no testing has been conducted to determine the actual amount of asbestos materials present in the claimants' properties; (4) little or no testing has been conducted to determine whether any health hazard exists as a result of the presence of asbestos materials in the claimants' properties, and such testing that has been conducted has typically not revealed any present health hazard; and (5) the damages sought in the claims are typically calculated using speculative estimates of costs of removal of asbestos material, which are multiplied by the total square footage contained in the claimants' buildings without any substantial effort to determine the percentage of that total square footage which actually contains asbestos materials.

Even assuming there is any legal or factual basis to support the asbestos property damage claims, the Company believes that the total amounts claimed against it are grossly overstated and speculative in nature. However, material adverse effects to the Company's consolidated financial position may result if significant amounts are ultimately recovered by asbestos removal property damage claimants in the reorganization proceedings. All of these claims will be determined as to validity and amount, if any, in a manner to be determined by the courts and disposed of pursuant to a confirmed plan of reorganization.

Other Product Claims

Rescon Claims

Prior to filing for reorganization, a number of claims were pending against the Company alleging breaches of warranty and other claims resulting from the defectiveness of Rescon, an exterior wall covering used as a substitute for stucco finishes. Except as described below, Rescon claims pending against the Company have been automatically stayed by the filing of the petitions for reorganization. Holders of

Rescon claims were required to file proofs of claim in the Company's reorganization proceedings by January 31, 1985 otherwise they are barred from thereafter asserting such claims.

In three Rescon cases, which were consolidated for trial in a state court in San Diego, California, a jury returned a verdict in 1982 against the Company and awarded \$5,183,000 in compensatory damages to Costa Viva Homeowners Association, \$685,000 to Orleans East Homeowners Association and \$126,000 to U.S. Capital Corp (Global Properties). An appeal from this verdict was filed by the Company prior to the filing of the reorganization petitions, which appeal was secured by a bond. The automatic stay was lifted as to the consolidated action by agreement of the parties and by order of the Bankruptcy Court, which allowed the Company's appeal to proceed to appellate review. On March 22, 1984, the Fourth Appellate District Court for the State of California affirmed the plaintiffs' verdict in this action. This verdict has been satisfied from the proceeds of the bond, and the bonding company has filed a proof of claim in the Bankruptcy Court as a general unsecured creditor to recover payments made under the bond. Over the Company's objection, the bonding company paid the plaintiffs in this consolidated action an additional \$500,000 sought as delay damages. The Company will vigorously contest the proof of claim for this additional amount filed by the bonding company in the reorganization proceedings.

A substantial portion of the Rescon claims filed against the Company were insured by the Home Insurance Company. Coverage issues relating to these claims were settled as a part of the agreement reached with the Home Insurance Company and two other groups of insurance carriers. This settlement agreement, which is discussed at page 63 of this report, must be approved by the Bankruptcy Court before it can be consummated. The Company cannot determine the effect that the reorganization proceedings and a confirmed plan of reorganization will have on the liquidation of Rescon claims and the application of the insurance settlement proceeds to individual product liability actions.

Formaldehyde-Related Claims

As of August 26, 1982, approximately thirty lawsuits were pending against Manville Forest Products Corporation ("MFP") for alleged personal injuries or for contribution and indemnification claims arising out of exposure to formaldehyde contained in particleboard manufactured or sold by MFP. MFP disputes its liability and believes it has substantial defenses to these actions and claims. Prior to filing for reorganization, MFP settled three cases involving formaldehyde-related claims for an average of less than \$2,000 per case excluding legal costs. MFP tried one similar case, and judgment was entered in its favor. There is no assurance, however, that MFP will be able to resolve pending claims for similar amounts. A judgment in excess of \$350,000 (including punitive damages) was entered against codefendants of MFP in a similar case in 1983 in the United States District Court (N.D. Texas); however, this judgment was reversed by the United States Court of Appeals for the Fifth Circuit on jurisdictional grounds. It is anticipated that this case will be refiled in state court. In 1983, a Colorado federal jury entered a verdict against several defendants who supplied formaldehyde-containing products to the mobile home industry, *Alley v. Gubser*. The District Court reduced the jury's verdict to \$200,000 of which \$150,000 was for punitive damages. MFP was not a party to this lawsuit.

In the context of MFP's reorganization proceedings, approximately forty-eight proofs of claim aggregating \$46.5 million were filed against MFP seeking recovery on formaldehyde-related claims. Some of these claims have been identified as duplicate claims and at least one proof of claim was withdrawn after settlement of the underlying action and release of MFP from any liability. As discussed below, thirteen of the proofs of claim were settled or dismissed in March 1985. The remaining claims are unsecured, contested claims against MFP which will ultimately be resolved as to liability, if any, and liquidated as to amount. MFP does not know at this time the forum or method by which these claims will be resolved. However, it considers the gross value stated in the proofs of claim to be an unreliable measure of any exposure which may ultimately result to MFP from these claims.

MFP filed objections in the Bankruptcy Court in December 1984 as to all of the formaldehyde-related proofs of claim filed against it and requested the Bankruptcy Court to disallow these claims. The claimants were required to respond to these objections by January 21, 1985. As to these claims, all claimants except two responded by January 21, 1985. The Bankruptcy Court held a hearing on all of the formaldehyde-related claims on March 5, 1985. At this time, two claims have been dismissed. The Bankruptcy Court has also remanded one of the formaldehyde-related claims to state court for resolution and has approved the settlement of eleven other formaldehyde-related claims for a nonmaterial amount to MFP. As to the remaining formaldehyde-related claims, MFP is attempting to negotiate settlements of these claims. Any claims not settled by April 23, 1985 may be dismissed, remanded by the Bankruptcy Court to state court, retained by the Bankruptcy Court or referred to federal district court for liquidation. Based upon presently known information, it is the Company's opinion that any liability resulting to MFP from these claims will not have a material adverse effect on the Company's consolidated financial position.

MFP is a party to six formaldehyde-related lawsuits and is aware of fifteen customer complaints filed prior to August 26, 1982 seeking an aggregate recovery of approximately \$2.2 million for which proofs of claim were not filed in the Bankruptcy Court. MFP believes such claimants are prohibited from pursuing their claims against MFP since they failed to file proofs of claim in the Bankruptcy Court. MFP has also received notification of approximately seven claims or lawsuits asserted after the confirmation date of MFP's plan of reorganization, which claim MFP is liable for formaldehyde-related claims. It is MFP's position that by operation of law and the terms of the Confirmation Order entered in MFP's reorganization proceedings, such claims are discharged. Counsel to these claimants have been requested to voluntarily dismiss any such complaint or claim filed against MFP.

Thirty-nine persons also filed proofs of claim against MFP for personal injury arising out of exposure to asbestos or asbestos-containing products manufactured or sold by affiliates of MFP. MFP filed objections in the Bankruptcy Court in December 1984 seeking to have all thirty-nine of the asbestos-related proofs of claim filed against it disallowed by the Bankruptcy Court. The Bankruptcy Court will schedule a hearing on these claims at some future date. MFP continues to believe it is not liable for any of these asbestos-related claims. MFP believes the ultimate resolution of all of the above-described claims will not materially adversely affect MFP's ability to perform its obligations under its plan of reorganization.

Plaintiffs in five separate actions seek to recover damages from subsidiaries of the Company other than MFP for injuries or property damage allegedly caused by formaldehyde-containing products manufactured by such subsidiaries. The average of compensatory damages sought to be recovered in four of these actions is \$440,000 per case and an unspecified amount of compensatory damages is sought in the fifth case. Also in four of these cases, punitive damages are claimed at an average of \$700,000 per case. The Company believes it has substantial defenses to all of these actions, which have been stayed due to the reorganization proceedings.

Pipe Claim

On February 3, 1984, the Company was informed that the State of Massachusetts filed a \$7.5 million proof of claim in the Bankruptcy Court for alleged "actual and reasonably expected damages" to the State and some forty-two local entities resulting from the alleged defectiveness of vinyl-lined asbestos-cement pipe purchased between 1968 and 1980 from the Company. The State of Massachusetts has asserted that due to the Company's alleged breaches of implied warranties and statutory violations, tetrachloroethylene leached out of the pipe and into drinking water supplies. According to the State, the asbestos content of the pipe is not at issue in this claim. The Company presently has no information, other than that filed in the State's claim and published in news articles, regarding the foundation for this claim, which is subject to the stay provisions of the Bankruptcy Code and the reorganization proceedings.

Insurance Litigation and Related Issues

Insurance Litigation

The Company has maintained over the years various policies of insurance in differing amounts to protect the Company against the cost of casualty liability for product-related personal injury or property damage and nonproduct-related liability. In years prior to 1976, the insurance purchased was typically in layers with the Company retaining a small deductible and purchasing a primary layer of casualty coverage and one or more layers of excess coverage. Subsequent to 1976, for casualty liability (both product and nonproduct), the Company has retained larger self-insured layers and, in most 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 the Company and its primary and excess insurers. In addition, other questions have arisen as to the existence of insurance coverage in the years from 1922 to 1951. On March 31, 1980, the Company 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. Except for recent settlements with six principal carriers (discussed below), all of the Company's carriers with coverage at issue (both primary and excess) are presently named as defendants in the California action. In March 1981, the Company's California action was consolidated in a "coordinated" proceeding with similar California actions involving three other asbestos manufacturers and their insurers. Since that time, a fourth action was added to the coordinated proceeding. The other manufacturers in this litigation are Armstrong World Industries, Inc., Fibreboard Corp., GAF Corporation and Nicolet, Inc.

Procedural motions resulted in the disqualification of one judge and the withdrawal of a second judge from this action. A third judge was appointed in October 1982, and a challenge to this appointment was denied on February 16, 1983. Following extensive discovery, the trial of this litigation began on March 4, 1985. The first phase of this litigation will resolve whether policies exist for certain years in which the complete policies are unavailable and, if so, the terms of such policies. This phase of the trial will not address the legal interpretation to be given to the insurance policies. The Company is the last manufacturer to present its case on these issues and expects to present its evidence by mid-1985. The California Court has not yet determined the issues to be addressed in subsequent phases of the trial.

On March 2, 1983, the California Court permitted the Company to amend its complaint against its insurance carriers in this action. The amended complaint alleges that through an intentional and wrongful course of conduct, a number of the Company's insurance carriers denied insurance coverage for asbestos-health related claims filed against the Company. The amended complaint seeks, among other things, \$5 billion in punitive damages against these insurers. In early 1985, the California Court ruled that punitive damages could not be recovered by Nicolet, Inc. for the alleged bad faith actions of one of its insurers, Insurance Company of North America, in relation to insurance coverage of asbestos claims. The Court held that under Pennsylvania law, which controlled because the insurance company was based in that state, such damages were not recoverable.

The San Francisco action involves certain issues which, as of August 26, 1982, were also being litigated in separate proceedings pending in Canada and Massachusetts. The Massachusetts action, filed by Commercial Union Insurance Company in the United States District Court for the District of Massachusetts, concerns the existence of primary insurance coverage and the insurance coverage issues described below for the limited period from 1934 to 1951. As a result of the commencement of the Chapter 11 proceedings, the Massachusetts action was stayed. During the fourth quarter of 1982, the insurer in the Massachusetts action filed a complaint in the Bankruptcy Court seeking to have the stay lifted with respect to its action. The Bankruptcy Court refused to lift the stay imposed under the Bankruptcy Code, and this decision was affirmed by the United States District Court for the Southern District of New York. Although this action will not proceed in the Massachusetts forum, the California Court in the San Francisco action permitted the Company to amend its complaint during the first quarter of 1983, which has the effect of allowing the Company to proceed in San Francisco against the carrier involved in the Massachusetts action.

The litigation in Canada involves one of the Company's primary Canadian carriers, Canadian Indemnity Company, for the approximate period from 1970 to 1976. This action was tried to a Canadian Court during the fourth quarter of 1983. At trial, the primary issue presented to the Court was whether Canadian Indemnity Company could void the insurance issued on the ground that the Company's former Canadian subsidiary allegedly failed to disclose, at the time of the insurance application and its renewal, the existence of medical literature on the health effects of asbestos exposure to insulation workers. The Canadian Court has not yet issued its opinion in this action. The Company believes the Canadian action will not be adversely affected by the United States bankruptcy proceedings. In the event the Canadian action is disposed of in the Company's favor, additional issues concerning this coverage will be litigated in the San Francisco insurance action in which the Canadian carrier is also a party defendant. As to this Canadian carrier, the San Francisco action against this carrier, including discovery proceedings, has been stayed pending disposition of the Canadian action. The Company is not currently proceeding to trial as to the Canadian carrier in the San Francisco action. However, the action in San Francisco against the Canadian carrier is expected to proceed at some time after the Canadian Court has issued its opinion, subject to appeals filed in that action, assuming the opinion is favorable to the Company.

The principal issues involved in the San Francisco action are the existence of coverage, the dates of occurrence of asbestos-related bodily injury, the satisfaction by the Company of any duty it may have had to disclose to carriers the Company's knowledge of health risks posed by exposure to asbestos and the existence of claims for personal injury related to asbestos fiber and asbestos-containing products, the method of allocation of coverage, the carriers' duty to defend, the amount of coverage available for asbestos-related and other claims for certain policy years, the interpretation of policy provisions relating to nonproduct coverage, interpretations as to the kinds of property damages insured against and the dates of occurrence of property damage. Additionally, some carriers have alleged that certain otherwise insured personal injury and property damage claims against the Company may be excluded from coverage because the Company's knowledge of the potential for such claims made them other than "unexpected and unintended" occurrences.

A resolution of the issues raised in the insurance-related actions will provide the Company and its carriers with an improved ability to assess the impact of the cost of insured events including asbestos-related claims. The Company believes its position with respect to the insurance and related issues is sound and in accord with the weight of judicial precedent.

On April 2, 1981, the Company was notified by its principal primary insurance carrier that the limits of its primary coverage had been exhausted and the Company must look to its excess (or umbrella) insurance for reimbursement of costs and expenses associated with the asbestos-health litigation. Subsequent to the commencement of the California insurance litigation, only one excess carrier provided current funding for such costs and expenses. The funding amounted to an average of approximately 38% of the total indemnity payments and 35% of legal expenses with the balance being advanced by the Company. The Company believes that substantially all the amounts paid by it to-date are recoverable from its insurers; however, the Company has not yet recovered such amounts from its insurers. The Company is unable to determine at this time the effect which the Chapter 11 proceedings, and in particular any confirmed plan of reorganization, will have on the application of insurance proceeds to individual claims. Timely resolution of the insurance coverage issues discussed above with one or more insurers may be critical to the completion and approval of a plan of reorganization. In this regard, efforts to accelerate such resolution are being made.

As of July 18, 1984, the Company entered into a settlement agreement with three of its principal insurance carriers, the Home Insurance Company, the Travelers Indemnity Company and more than 100 subscribing syndicates at Lloyd's of London and British companies. Pursuant to the terms of the settlement, the Company will receive \$314,415,000 (with interest on such amount after December 31, 1985) in full satisfaction of its claims against the settling insurers with respect to the policies issued by them, whether or not such claims are asbestos-related. The California litigation among these parties has been

dismissed without prejudice. As described below, the settlement has been submitted to the Bankruptcy Court for review and approval. If the settlement agreement is approved by the Bankruptcy Court, payment of the \$314,415,000 will be made at the later date of December 31, 1985 or entry of a final order confirming a plan of reorganization for the Debtor Corporations, the timing of which cannot presently be estimated. Upon such payment, the California litigation among the settling parties will be dismissed with prejudice. The allocation of the insurance proceeds to individual claims will be determined in accordance with a confirmed plan of reorganization.

As noted above, the \$314,415,000 payment under the settlement agreement will be made only after a plan of reorganization has been confirmed by the Bankruptcy Court. The terms of the settlement agreement also require the issuance of an injunction prohibiting any person or entity from asserting claims against the settling insurers related to the insurance policies and coverage which are the subject of the settlement agreement; the "channeling" of any such claims so that they can only be asserted against the settlement payment, and the indemnification of the settling insurers for any such claims made against the settling insurers. This summary is qualified by reference to the settlement agreement, a copy of which is available upon request.

On July 19, 1984, the Bankruptcy Court refused to issue a temporary restraining order sought by committees representing asbestos-health litigants and codefendants seeking to prevent execution of this settlement agreement by the Company without prior Bankruptcy Court approval thereof. The Bankruptcy Court has delayed until May 20, 1985 the hearing on the Company's application seeking the Bankruptcy Court's approval of the settlement. Among the legal issues to be argued at this hearing are whether the settlement agreement is illusory because of indemnification provisions in favor of the settling insurers, and whether it impermissibly seeks to establish the terms of a plan of reorganization and the status and rights of future asbestos-health claimants. If such approval is not received, the settlement agreement provides the settlement will terminate, and the parties may reinstitute litigation to resolve the insurance issues.

On February 4, 1985, the Company announced a further settlement with three additional carriers, Allstate Insurance Company (successor of Northbrook Excess & Surplus Insurance Company), Insurance Company of North America and Midland Insurance Company. The settlement calls for these carriers to fund certain asbestos-related health claims as they are presented up to a total of \$111,800,000. Under the agreement, the California litigation among these parties has been dismissed without prejudice and will be dismissed with prejudice as to each settling insurer upon payment by such insurers of its respective portion of the \$111,800,000. Payments by the settling insurers under the agreement will not commence until, among other things: a plan of reorganization has been confirmed by the Bankruptcy Court; the funds received pursuant to the July 18, 1984 settlement with Travelers Indemnity Company, Home Insurance Company and certain syndicates at Lloyd's of London and British companies, and certain other funds, have been used to satisfy claims; and certain payments have been made with respect to specific coverage periods. The terms of the settlement agreement also require the issuance of an injunction prohibiting any person or entity from asserting claims against the settling insurers related to the insurance policies and coverages which are the subject of the settlement agreement and limiting the duties and obligations of the settling insurers to any person with respect to the policies to such duties and obligations as are imposed by the settlement agreement. This summary is qualified by reference to the settlement agreement, a copy of which is available upon request. As with the \$314,415,000 settlement, this settlement is subject to approval by the Bankruptcy Court. The Company is pursuing negotiations with the remaining carriers in the litigation pending in California.

To protect its interests in light of the above-described insurance litigation, the Company instituted suit against its former principal broker, Marsh & McLennan, Inc., on November 23, 1981 in the Superior Court for the State of California, City and County of San Francisco. The Company seeks to recover in this action damages sustained by the Company as a result of any negligence, malpractice or breaches of duty by the broker with respect to the Company's insurance coverage. On September 29, 1982, certain underwriters in the coordinated insurance action filed a motion seeking to join this broker

action to the coordinated proceeding pending in California Superior Court in San Francisco, and that motion was granted in April 1983. The California Court has not yet determined when this broker action will proceed in the coordinated litigation.

Asbestos Claims Facility

In mid-1984, representatives of certain asbestos manufacturers, excluding the Company, and certain insurers agreed to the concept of establishing a nonprofit Asbestos Claims Facility to resolve asbestos cases in a unified manner on a nationwide basis (the "Wellington Plan"). As a part of this Plan, disputes between the manufacturers and their insurers regarding insurance coverage of asbestos-health claims would be resolved. On October 11, 1984, the Company became a conditional subscriber to the Wellington Plan. The conditional sign-up is the first of a number of steps designed to enable the Company to make a final determination on whether to participate in the Wellington Plan should it be finalized and become operational. One of the express conditions to the Company's subscription is that Manville be able to continue efforts to resolve its insurance disputes and to integrate the results of any settlements with its insurance carriers into the Plan. Another significant unresolved area is how and whether the Company's reorganization under Chapter 11 will interface with the Wellington Plan. The Company is among thirty-three current or former asbestos-producing companies and twenty-two insurance companies that have conditionally subscribed to the Wellington Plan. On February 28, 1985, six asbestos producers and six insurance firms announced a schedule for exchanging information and establishing a victim-compensation facility by mid-1985.

Ideal Mutual Insurance Company

On December 26, 1984, the New York Supreme Court issued an Order of Rehabilitation, apparently due to insolvency, directing the Superintendent of Insurance of the State of New York to take possession and control of all assets of Ideal Mutual Insurance Company ("Ideal"). In connection with this order, the Court issued a restraining order prohibiting the prosecution of any proceedings and the filing of claims against Ideal. On February 7, 1985, an order of liquidation was issued in the Ideal proceedings. The liquidation proceedings are expected to take a considerable amount of time.

Ideal issued policies of insurance to the Company for the years from July 1, 1977 through June 30, 1983, inclusive. Coverage was issued for automobile, general liability and workers' compensation. The per occurrence limits of coverage for bodily injury and property damage under these policies is \$2 million, combined single limit, with annual aggregates imposed for certain types of coverage. Ideal reinsured with other insurance companies the overwhelming percentage of the primary coverage issued by Ideal to the Company.

The Company is in the process of assessing the ramifications to it of the liquidation of Ideal. The Company believes its workers' compensation coverage will be satisfied through applicable state workers' compensation guarantee funds. The Company believes that as to pending nonworkers' compensation claims insured by Ideal, there will be no material adverse effect on the Company's consolidated financial position should the Company be required to satisfy any of these claims because of Ideal's failure to pay.

Securities Litigation

The Company is a defendant in *Abrams v. Johns-Manville Corp.*, a class action commenced on 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 10(b)-5 promulgated thereunder. The plaintiff alleges misrepresentations in, and material omissions from, the Company's published documents on matters bearing on its potential asbestos-health related claims and liabilities. The class purported to be represented by the plaintiff consists of all persons who bought the Company'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 the Company's common stock at market prices allegedly inflated by the

Company's alleged violations of the securities laws, followed by a decline in the market value of the common stock allegedly resulting from disclosure of relevant facts in October 1978. The Company denies that it 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 matters. The District Court granted the plaintiff's motion for class certification and denied the Company's motion for summary judgment. Class notices were being prepared for mailing and limited discovery had been scheduled as of August 26, 1982. This case has been automatically stayed by the Company's filing for reorganization under the Bankruptcy Code.

On September 8, 1982, an action was instituted by Jeffrey and Linda Herrmann against eight present Directors and two former Directors of Manville Corporation in the United States District Court for the District of Colorado, *Herrmann v. Beauchemin*. The complaint seeks relief on behalf of the named plaintiffs and a purported class of all persons who purchased the Company's common stock between June 1978 and August 1982. The complaint charges violations of Sections 11, 12(2) and 15 of the Securities Act of 1933 and Sections 10(b) and 15 of the Securities Exchange Act of 1934 and Rule 10(b)-5 promulgated thereunder. The plaintiffs allege misrepresentations in, and material omissions from, the Company's published documents with respect to the Company's alleged dependence on asbestos fiber sales, the potential adverse effect to the Company of the asbestos-health related litigation and the August 1982 filing for reorganization by the Company. The damages claimed are in an unspecified amount representing the loss suffered through purchases of the Company's common stock at market prices allegedly inflated from the violation of the securities laws.

The Company believes that these present and former Directors have substantial defenses to the allegations of the complaint. Legal representation is being provided in the *Herrmann* action pursuant to insurance policies of the Company. The carriers are presently providing such coverage pursuant to a full reservation of rights. The ultimate impact of the Chapter 11 proceedings on this case is uncertain at this time. In granting the Company's motion for a preliminary injunction staying the *Herrmann* litigation, the Bankruptcy Court concluded on January 10, 1983 that a stay of the *Herrmann* litigation was "necessary and appropriate" to provide debtor protection under the Bankruptcy Code. Proofs of claim have been filed in the reorganization proceedings on behalf of these defendants to protect rights of indemnification and/or contribution inuring to these individuals under the Company's resolutions, by-laws and applicable state law.

Environmental Proceedings

From time to time, the Company receives enforcement inquiries under state and federal environmental laws. In 1980, the Company received orders from the New Hampshire Bureau of Solid Waste Management to assist certain owners of real estate in Hudson, New Hampshire with the closure of inactive asbestos waste disposal sites on the owners' land. The State of New Hampshire subsequently referred this matter to the United States Environmental Protection Agency ("EPA") for disposition. In 1981, the EPA brought suit against the Company and the owners in the United States District Court for New Hampshire. The Company believes it has substantial defenses to liability for any costs associated with closure of the sites. At the time of the filing of the Chapter 11 petitions, the United States District Court on its own motion entered an order staying the continuation of the suit.

The Company's landfill at its Waukegan, Illinois facility has been added to the National Priorities List pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"). The Company submitted comments stating why this facility should not have been included on the National Priorities List. Nevertheless, the Company has proposed and is working with applicable environmental agencies to develop an appropriate remedial program for the landfill and does not anticipate that its involvement in this matter will have a material adverse effect on its financial position.

In July 1984, the EPA notified the Company that it believes the Company may be responsible under CERCLA for the costs of cleaning up an asbestos disposal site in Iron Horse Industrial Park, Billerica, Massachusetts. The EPA also notified the Company that it may be liable under CERCLA for costs associated with other investigative and remedial action at this site. The entire Iron Horse Industrial Park site is included on the National Priorities List. In late 1984, the EPA announced that it had expended approximately \$1.1 million from Superfund to complete corrective action at the asbestos landfill. The Company believes it has substantial defenses to any liability for such costs.

The Company is also informed of certain environmental problems (including in certain cases, the purported application of state law equivalents of CERCLA) associated with former disposal sites (most of which were never owned by the Company) in California, Colorado, Illinois, Indiana, Louisiana, Michigan and Ohio. The ultimate impact of the Company's Chapter 11 proceedings on these matters is uncertain at this time. The Company does not presently anticipate that any involvement at these locations will have a material adverse effect on its financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The security holders of the Company were not requested to vote on any matter during 1984.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCK HOLDER MATTERS

Information concerning the Company's shareholders and capital stock, including market information, is contained on the inside back cover of this report under the caption "Shareholder Information". As indicated on that page, the Company's common and preferred stocks are subject to delisting at any time because, due to its Chapter 11 proceedings, the Company is not in compliance with certain rules of the New York Stock Exchange, Inc.

A two year history of high and low sales prices for the Company's capital stocks is provided on the inside back cover of this report under the table captioned "Comparative Stock Data". Restrictions on the Company's ability to pay dividends while it is in Chapter 11 are described in Management's Discussion and Analysis of Results of Operations and Financial Condition at page 6 of this report and on the inside back cover. The Company's reorganization proceedings and the potential effect of these proceedings on the Company's common and preferred stocks are discussed in ITEM 3. LEGAL PROCEEDINGS.

ITEM 6. SELECTED FINANCIAL DATA

The information required by ITEM 6 is provided on the inside front cover of this report.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The information required by ITEM 7 is provided commencing at page 3 of this report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by ITEM 8 is provided as follows:

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ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Inapplicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Directors

The name, age (as of December 31, 1984) and business experience of each Director of Manville Corporation presently serving in such capacity is provided below. Each Director of Manville Corporation shall hold office until the next Annual Meeting or until his successor is duly elected and qualified. Mr. J. Jacques Beauchemin retired as a Director of the Company in late 1984 for health reasons.

George C. Dillon
*Chairman of the Board
and Chief Executive Officer,
Butler Manufacturing
Company*
Director since 1969
Age: 62

Mr. Dillon was graduated from Harvard College in 1943 and the Harvard Graduate School of Business in 1948, after serving in the U.S. Navy during World War II. He joined Butler Manufacturing Company in 1951 and was elected Corporate Secretary in 1954, Treasurer in 1960, Vice President in 1961 and President in 1967. On January 1, 1975, he was named Chairman of the Board and President of that company. On December 11, 1978, he was elected Chairman of the Board and Chief Executive Officer. Butler Manufacturing Company is engaged in the manufacture of pre-engineered buildings and equipment for industry and agriculture. Mr. Dillon is a member of the Board of Directors of Phelps Dodge Corporation and the Newhall Land and Farming Company. He also is a member of the Board of Overseers, Harvard University, the Board of Trustees of the Mayo Foundation in Rochester, Minnesota and the Midwest Research Institute. Mr. Dillon is Chairman of the Audit Committee.

Robert L. Geddes
*Principal, Geddes Brecher
Qualls Cunningham:
Architects, Princeton, N.J.*
Director since 1969
Age: 61

Educated at Yale and the Harvard Graduate School of Design, Mr. Geddes was Dean of the School of Architecture at Princeton University from 1965 to 1982 and has been an active architect in the Cities of Princeton and Philadelphia with the firm, Geddes Brecher Qualls Cunningham, since 1954. Among his major designs are buildings for the Institute for Advanced Study at Princeton, the University of Pennsylvania, Southern Illinois University and Mobil Oil Corporation, and urban designs for the City of Philadelphia and the State of New Jersey. He is a Fellow of the American Institute of Architecture and a Director of Butler Manufacturing Company.

Aaron A. Gold
*Chairman of the Board
and President,
Oxford First Corporation*
Director since 1984
Age: 65

Mr. Gold has been Chairman of the Board and President of Oxford First Corporation, a financial services company in Philadelphia, since 1950. Mr. Gold has served as the Regional Director of Continental Bank in Philadelphia, as Chairman of the Executive Committee and a Director of Data Access Systems, Inc. and as a Director of Windon Capital Management, Inc.

J. T. Hulce
President,
Manville Corporation
Director since 1984
Age: 42

Mr. Hulce was appointed President and elected a Director of Manville Corporation in late 1984. Formerly a Senior Vice President of the Company and President of Manville Products Group, Mr. Hulce is responsible for the Company's general operations, including marketing, sales and staff functions. Mr. Hulce joined Manville's Legal Department in 1972 and in 1975 began a variety of management assignments. In addition to his most recent duties with Manville Products Group, he served as general manager of the Industrial Specialties Division, Vice President of Corporate Purchasing and Assistant to the President, assisting in corporate long-term planning and acquisition activities. Prior to joining Manville, Mr. Hulce practiced law for five years with firms in Philadelphia and Denver. Mr. Hulce is a 1964 graduate of Northwestern University and a 1967 graduate of the University of Michigan Law School.

William C. Janss
Chairman of the Board,
Janss Corporation
Director since 1972
Age: 66

Mr. Janss is former Chairman of the Board of Sun Valley Company, Inc. which owned and operated the Sun Valley ski resort in Idaho from 1968 until its sale in 1977. He formerly was President of Janss Cattle Industries, operating cattle feed yards and farming in the Southwest and in Hawaii. A 1940 graduate of Stanford University and a member of the U.S. Olympic Ski Team, Mr. Janss currently is Chairman of the Board of Janss Corporation, which is engaged in land development and commercial and energy-related operations.

James N. Land, Jr.
Independent Corporate
Financial Consultant
Director since 1984
Age: 55

Mr. Land was educated at Lehigh University in Bethlehem, Pennsylvania, receiving his degree in economic statistics in 1952. He served in the military from 1952 to 1954. Mr. Land was associated with the investment banking firm of the First Boston Corporation from 1956 until 1976 and was a Director and member of the Executive Committee of that company. Since 1976, he has been an independent financial advisor based in Short Hills, New Jersey. Mr. Land is currently a Director of Raytheon Company, NWA Inc., Northwest Airlines, Inc. and Castle & Cooke, Inc.

John A. Love
Chairman of the Board,
Ideal Basic Industries, Inc.
Director since 1976
Age: 68

Mr. Love earned his law degree from the University of Denver in 1941. After serving in the U.S. Navy from 1941 to 1945, he entered the private practice of law in Colorado. In 1962, Mr. Love was elected Governor of the State of Colorado. He was re-elected twice to that office. In 1973, Mr. Love was appointed the first Director of the newly created Federal Energy Policy Office. Mr. Love joined Ideal Basic Industries, Inc. in 1974, and he is presently Chairman of the Board. Ideal Basic Industries, Inc. is engaged in the production of cement and the mining of potash. Mr. Love is a Director of Ideal Basic Industries, Inc., Frontier Airlines, Inc., United Banks of Colorado, Inc., Great West Life Assurance Company and Golden Cycle Corporation, and is a member of the American and Colorado Bar Associations.

William F. May
*President of the Statue
of Liberty-Ellis Island
Foundation,
Former Dean, Graduate School
of Business Administration,
New York University,
Former Chairman and Chief
Executive Officer,
American Can Company
Director since 1967*
Age: 69

Mr. May joined American Can Company in 1938. In 1965, he was named Chairman and Chief Executive Officer of this packaging, consumer products and resource recovery company serving in that capacity until his retirement in 1980. He served as Dean of the Graduate School of Business Administration of New York University from 1980 until 1984. Mr. May graduated from the University of Rochester (N.Y.) in 1937 as a chemical engineer and is a member of Phi Beta Kappa. He attended the Advanced Management Program at Harvard and holds honorary degrees from Clarkson College of Technology, Livingston University, Lafayette College and Oklahoma Christian College. Mr. May is a member of the Board of Directors of American Can Company, Bankers Trust Company, Bankers Trust-New York Corporation, Business International Corporation, New York Times Company, Phibro-Salomon, Inc., and U.S. Surgical Corp., and is a Trustee of the Committee for Economic Development. Mr. May serves as Chairman of the Compensation Committee.

John A. McKinney
*Chairman of the Board
and Chief Executive Officer,
Manville Corporation
Director since 1974*
Age: 61

Mr. McKinney graduated from the U.S. Naval Academy in 1945 and from Georgetown University Law School in 1951. Also in 1951, he was admitted to practice law in the District of Columbia and joined Johns-Manville Corporation as a patent lawyer. Mr. McKinney was appointed President of Johns-Manville Corporation in 1976 and Chief Executive Officer in 1977. In 1979, he was named Chairman of the Board and Chief Executive Officer. Upon the 1981 reorganization of the Johns-Manville corporate structure, Mr. McKinney was appointed Chairman of the Board and Chief Executive Officer of Manville Corporation, and also held the office of President from September 1982 until December 1984.

George B. Munroe
*Chairman of the Board,
Phelps Dodge Corporation
Director since 1969*
Age: 63

After graduation from Dartmouth College in 1943, Mr. Munroe graduated from Harvard Law School and Christ Church, Oxford where he was a Rhodes Scholar. Mr. Munroe joined Phelps Dodge Corporation in 1958 and, after serving in a number of executive positions, he was named Chief Executive Officer in 1969. Phelps Dodge Corporation is engaged in the business of mining copper and other metals and manufacturing copper products. He is also a Director of Manufacturers Hanover Corporation, Manufacturers Hanover Trust Company, New York Life Insurance Company and Santa Fe Southern Pacific Corporation, and a Trustee of Dartmouth College and of The Metropolitan Museum of Art. Mr. Munroe serves as Chairman of the Committee on Board Organization and Operation.

G. Earl Parker

*Senior Vice President,
Law and Public Affairs,
Manville Corporation*
Director since 1983
Age: 47

Mr. Parker is Senior Vice President, Law and Public Affairs, of Manville Corporation. A native of Pascagoula, Mississippi, Mr. Parker is a graduate of the University of Mississippi and the University of Mississippi Law School. He is admitted to practice law in Colorado, Mississippi, New York and the District of Columbia. Mr. Parker joined Johns-Manville in 1968 as an attorney and has held various positions, including Assistant Secretary, General Counsel, Vice President, Secretary and, most recently, Senior Vice President. In July 1983, he was elected to the Board of Directors of Manville Corporation. Prior to joining Manville, he had been in the private practice of law and had served as Assistant Secretary and Counsel of Schick Electric, Inc. Mr. Parker served to the rank of Captain in the U.S. Army with three years as Staff Judge Advocate at Fort Totten, New York. He holds memberships in Phi Alpha Delta Law Fraternity, Omicron Delta Kappa and Sigma Nu Fraternity. He is a Trustee of the Denver Symphony Orchestra.

Gene E. Phillips

*Chairman of the Board,
Southmark Corporation*
Director since 1984
Age: 47

Mr. Phillips is a graduate of Clemson University and holds an advanced degree in chemical engineering from Virginia Polytechnic Institute. After graduation from college and completion of a tour of duty in the army, he entered the real estate business. In 1977, he purchased a small real estate company which became Syntek Corporation and acted as its Chairman of the Board. In December 1980, Mr. Phillips was elected Chairman of the Board of Southmark Corporation (formerly C & S Realty) whose activities he currently directs.

John P. Schroeder

*Former Vice Chairman,
Morgan Guaranty Trust
Company of New York*
Director since 1967
Age: 66

Mr. Schroeder was graduated from Yale University in 1941. Following service in the U.S. Navy during World War II, he joined the former J.P. Morgan & Co., Inc. On December 31, 1978, he retired from his positions as Vice Chairman and a Director of both Morgan Guaranty Trust Company of New York, a commercial bank, and its holding company, J.P. Morgan & Co., Inc. Mr. Schroeder has been a Director of Phelps Dodge Corporation since 1965 and Gould, Inc. since 1978. He serves as Chairman of the Company's Executive and Finance Committees.

Randall D. Smith

*Controlling Person,
Smith-Vasiliou
Special Situations
Fund, L.P.;
Partner, Bear, Stearns
and Company*
Director since 1984
Age: 42

Mr. Smith graduated in 1965 from Cornell University where he received a B.S. degree. In 1967 he received a Masters in Business Administration from the Wharton School of Finance at the University of Pennsylvania. From 1971 to 1974, Mr. Smith was in the Arbitrage Department of Donaldson, Lufkin and Jenrett, Inc. He has been associated with Bear, Stearns and Company since 1974 and has been a limited partner since 1976. Mr. Smith is a general partner of Revere Limited Partnership, a Director of Revere Copper and Brass, Inc., and a controlling person of the Smith-Vasiliou Special Situations Fund, L.P. Mr. Smith has indicated his intention to leave Bear, Stearns and Company and establish his own firm.

William D. Tucker, Jr.
Senior Counsel,
Davis Polk & Wardwell
Director since 1982
Age: 67

Mr. Tucker is a graduate of the College of the Holy Cross and Harvard Law School. He joined the firm of Davis Polk & Wardwell in 1945 and was a partner of that firm from January 1, 1957 until October 1, 1983 on which date he became a Senior Counsel to the firm. He is a member of the American Bar Association, the New York State Bar Association and the Bar Association of The City of New York.

Charles J. Zwick
Chairman and Chief Executive
Officer,
Southeast Banking Corporation
Director since 1976
Age: 58

Mr. Zwick received his B.S. and M.S. degrees from the University of Connecticut and was awarded a Ph.D. in economics from Harvard University in 1954. From 1954 through 1956, Mr. Zwick was engaged as an instructor of economics at Harvard University. After serving in various capacities with The Rand Corporation from 1956 to 1965, he was appointed Assistant Director and later Director of the U.S. Office of Management and Budget. In 1969, Mr. Zwick was elected President and Chief Operating Officer of Southeast Banking Corporation, a bank holding company based in Miami, Florida. In 1979, he was appointed Chief Executive Officer of that company. In January 1982, he was named Chairman of the Board of the newly formed Southeast Bank, N.A. In June 1982, Mr. Zwick was named Chairman of the Board of Southeast Banking Corporation. Mr. Zwick also serves on the Board of Directors of Southern Bell Telephone and Telegraph Company and MasterCard International Inc.

Executive Officers of the Registrant

The name, age (as of December 31, 1984) and office of each executive officer of Manville Corporation presently serving in such capacity is listed below. The Company knows of no family relationship among them. Each of the executive officers has during the past five years served in a managerial or executive capacity with the Company except for Mr. H. W. Sherman. Mr. Sherman was previously the President of Sherman & Associates in 1983, ISA International from 1980 to 1981 and Boise-Cascade, Canada from 1969 to 1980.

<u>Officer</u>	<u>Age At December 31, 1984</u>	<u>Office</u>
John A. McKinney	61	Chairman of the Board, Chief Executive Officer and Director
J. T. Hulce	42	President and Director
Charles J. DeBiase	57	Executive Vice President
W. Thomas Stephens	42	Executive Vice President
John P. Cashman	44	Senior Vice President
S. Rollins Heath, Jr.	47	Senior Vice President
Charles L. Hite	48	Senior Vice President
G. Earl Parker	47	Senior Vice President and Director
Chester E. Shepperly	57	Senior Vice President
Harry W. Sherman	54	Senior Vice President
Chester J. Sulewski	55	Senior Vice President
James F. Beasley	40	Vice President and Treasurer
Roger H. Bengtson	47	Vice President
Robert A. Boardman	37	Secretary
Edwin D. Cox	64	Vice President
Eileen M. DeCoursey	52	Vice President
John F. Knoth	54	Vice President and Controller
Curtis G. Linke	42	Vice President
William B. Reitze	60	Vice President
Fred E. Schlachter	61	Vice President
William A. Sells, Jr.	51	Vice President
Andrew L. Sokal	54	Vice President
John H. Swensen	58	Vice President
Richard B. Von Wald	42	Vice President and Corporate Counsel

ITEM 11. EXECUTIVE COMPENSATION

Cash Compensation

The Cash Compensation Table sets forth the compensation paid in 1984 to (1) each of the five most highly paid executive officers of the Company presently serving in such capacity and (2) all executive officers of the Company as a group for services rendered during 1984. For purposes of the Cash Compensation Table, all compensation paid to executive officers holding such position at any time during 1984 has been included, as well as compensation paid to certain officers in 1984 prior to the time they were elected to office. No individual named in the Cash Compensation Table received personal benefits valued in excess of \$25,000 during 1984, and the value of personal benefits paid to all executive officers in 1984 did not exceed ten percent of the compensation reported for the group in the Cash Compensation Table.

CASH COMPENSATION TABLE

Name of individual or number of persons in group	Capacities in which served	Cash Compensation
John A. McKinney	Chairman and Chief Executive Officer	\$ 600,825
Charles J. DeBiase	Executive Vice President	294,525
G. Earl Parker	Senior Vice President	293,100
Chester E. Shepperly	Senior Vice President	280,050
Chester J. Sulewski	Senior Vice President	280,050
All executive officers as a group (25 persons)		5,217,859

EMPLOYEE COMPENSATION PLANS

Retirement Plan

Each of the individuals named in the Cash Compensation Table is a participant in the Manville Salaried Retirement Plan. The plan is a defined benefit plan that provides for payment of a retirement allowance to participants equal to the sum of (a) a percentage of the participant's five-year average final salary based upon Column A below, less such participant's social security benefit and multiplied by the ratio of the participant's years of contributory service to thirty-five years, and (b) a percentage of the participant's five-year average final salary based upon Column B below less the participant's social security benefit and multiplied by the ratio of the participant's years of noncontributory service to thirty-five years. This amount is reduced by 4% for each year that the participant is less than age 62. Salary, as defined in the plan, includes payments under the Corporate Bonus Plan. Pension benefits payable may be limited to the amounts allowed by the provisions of the Tax Equity and Fiscal Responsibility Act ("TEFRA"). For 1984, retirement benefits payable from the plan are generally limited under TEFRA to \$90,000. The Company has adopted a plan that provides for payment from corporate funds of the difference between the benefits earned pursuant to the Manville Salaried Retirement Plan and the qualified plan limitations imposed by TEFRA.

Average Final Salary	Column A (Contributory Service)	Column B (Noncontributory Service)
\$ 9,000	100%	100%
12,000	100%	97%
18,000	100%	85%
19,000	100%	83%
24,000	94%	74%
36,000	81%	57%
60,000	70%	41%
120,000	64%	32%
180,000 and over	62%	23%

The following table lists the estimated annual benefits as of December 31, 1984 payable upon normal retirement based upon different periods of service and rates of pay:

Five-Year Average Final Salary	Annual Allowance for Representative Years of Credited Service				
	15	20	25	30	35 or more
\$200,000	\$ 53,143	\$ 70,857	\$ 88,571	\$106,286	\$124,000
300,000	79,714	106,286	132,857	159,429	186,000
400,000	106,286	141,714	177,143	212,571	248,000
500,000	132,857	177,143	221,429	265,714	310,000
600,000	159,429	212,571	265,714	318,857	372,000
700,000	186,000	248,000	310,000	372,000	434,000

On December 31, 1984, the individuals named in the Cash Compensation Table who participated in the Manville Salaried Retirement Plan had the following years of credited service under the plan: J.A. McKinney—33; C.J. DeBiase—28; G.E. Parker—16; C.E. Shepperly—36; and C.J. Sulewski—32.

Thrift Plan

The Manville Salaried Employees Thrift Plan permits all salaried employees of the Company to make regular contributions up to six percent (and additional voluntary contributions up to ten percent) of his or her earnings into the participant's choice of three investment programs. A participant can elect to make regular contributions on a pre-tax basis under Section 401(k) of the Internal Revenue Code. The Company makes monthly contributions to a participant's account equal to a percentage of the regular contribution made by the participant. The percentage of Company contributions is determined by the net earnings per share of the Company's common stock, before extraordinary items, for the year preceding the quarter in which the monthly contributions are made.

If Net Earnings Per Share of Common Stock is:	Corporate Contribution Will Be
Over \$2.40.....	50%
\$2.11 to \$2.40.....	45%
\$1.81 to \$2.10.....	40%
\$1.51 to \$1.80.....	35%
\$1.21 to \$1.50.....	30%
Less than \$1.21.....	25%

Company contributions vest after they have been in a participant's account for twenty-four months or under certain circumstances specified in the plan. The terms of the plan specify a participant's rights regarding management and payment of funds, withdrawals and termination. During 1984, the Company contributed the following amounts to the accounts of the individuals named in the Cash Compensation Table: J.A. McKinney—\$9,681; C.J. DeBiase—\$4,698; G.E. Parker—\$4,673; C.E. Shepperly—\$4,513; and C.J. Sulewski—\$4,501. The Company contributed an aggregate of \$71,549 to the accounts of all executive officers in 1984.

Stock Options

As a prerequisite to participation in the now discontinued Long Term Incentive Unit Plan, all participants were required in 1981 to surrender stock options and related rights held under the 1971 Executive Incentive Program, including present officers who were also officers at that time. Four of the Company's present officers were not participants in the Long Term Incentive Unit Plan in 1981 and continue to hold options under the Program. As of December 31, 1984, these officers collectively held options to purchase 2,800 shares of the Company's common stock. These options do not have a currently realizable value, and none were exercised in 1984. One officer of the Company holds options to purchase 1,576 shares of the Company's common stock granted as substitute stock options issued in connection with the 1979 acquisition of Manville Forest Products Corporation (then Olinkraft, Inc.). No substitute options were exercised in 1984, nor do they have a current realizable value.

In 1982, a Stock Option Plan was approved by the Company's shareholders at its 1982 Annual Meeting. The plan was adopted to encourage officers and managerial employees to invest in the common stock of the Company to increase their interest in the successful performance of the Company. The Compensation Committee of the Board of Directors supervises the administration of the plan and is empowered to grant ordinary and incentive stock options for shares of the Company's common stock up to an aggregate of 600,000 shares, with a maximum grant of options to purchase 75,000 shares to any individual participant. Any option granted under the plan may include stock appreciation rights at the time of grant, but not thereafter. Stock options and stock appreciation rights granted under the plan cannot be exercised earlier than one year or later than ten years after the date granted, and must have an option price at least equal to fair market value at the date of grant. As defined in the plan, fair market value is the mean between the high and low trading prices of the common stock as reported on the New York Stock Exchange, Inc. tape. Under the plan, options and stock appreciation rights may be exercised only while the optionee is employed by the Company and are nontransferable except under limited circumstances. Shares purchased by participants upon exercising options may not be delivered until full payment of the option price is received by the Company.

Subsequent to the 1982 meeting, options to purchase the Company's common stock were granted, however, formal contracts have not been executed at this time by the grantees due to the uncertainties posed by the reorganization proceedings. None of these options have been exercised to-date. Under this plan, each of the five officers named in the Cash Compensation Table was granted options to purchase 8,600 shares of the Company's common stock, except for Mr. McKinney who was granted options to purchase 30,000 shares. All executive officers as a group, including named officers, were granted options to purchase 114,400 shares at a price of \$10.00 per share. The option price is based on the average high and low trading prices reported in the New York Stock Exchange, Inc. tape as of May 5, 1982, the date the options were granted. Certain of these options have been granted in tandem with stock appreciation rights.

Termination Agreements

In 1981, the Company executed agreements with certain key employees, including the officers named in the Cash Compensation Table, which provide that upon any termination of their employment, other than termination for cause, which occurs at least sixty days prior to or within two years following a change in control of the Company, the terminated employee will be entitled to receive termination payments equal to one month's salary at the rate in effect immediately prior to such termination for each year of credited service with the Company. The employee may, at his option, elect to defer receipt of the payments by reducing the amount by one-half and extending the period of payment to two months for each year of credited service with the Company. During the period for which payments are made, all benefits of employment are continued. For certain key employees who have rendered short-term service to the Company, the employee is entitled to receive a lump sum payment (rather than monthly payments) equal to twice the employee's then current annual salary upon any such termination. The effect of the Company's reorganization proceedings on these agreements is uncertain.

Directors' Fees

Directors who are also employees of the Company currently receive no fees for serving as a Director. All other Directors receive an annual retainer of \$14,000, a per meeting attendance fee of \$800 for each Board meeting attended and \$400 for each Committee of the Board meeting attended. During 1984, Mr. Schroeder received an additional annual retainer of \$14,000 for acting as Chairman of the Company's Executive and Finance Committees. The Company's reorganization proceedings have imposed additional demands on its Board of Directors, including certain appearances before the Bankruptcy Court and meetings with creditors and claimants of the Company for which a per diem payment of \$800 is made.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Beneficial Owners

The following table sets forth the identity of beneficial owners believed by the Company to own more than 5% of the outstanding shares of the Company's common stock as of March 15, 1985.

<u>Name and Address of Beneficial Owner</u>	<u>Amount of Beneficial Ownership</u>	<u>Nature of Beneficial Ownership</u>	<u>Percent of Common Stock Outstanding as of March 15, 1985</u>
Torray, Clark & Co. 6610 Rockledge Dr. Bethesda, MD 20817	4,328,400	Direct	18%

Torray Clark & Co., Inc. is an institutional investor registered under Section 203 of the Investment Advisers Act of 1940. Mr. Robert E. Torray is a controlling person of Torray Clark & Co., Inc., and thus may be considered the beneficial owner of shares held by that company. Mr. Torray does not hold directly any shares of the Company's common stock.

Security Ownership of Management

The following table sets forth the number of shares of common stock of the Company beneficially owned by all Directors and all executive officers and Directors as a group as of March 15, 1985. With respect to executive officers of the Company, the number of shares beneficially owned includes shares owned as of March 15, 1985 pursuant to the Manville Salaried Employees Thrift Plan. Unless otherwise indicated, each executive officer and Director has sole voting and investment power with respect to such shares. As of March 15, 1985, Directors held approximately 5.3% of the common stock of the Company. The shares owned by all Directors and executive officers as a group represent approximately 5.4% of the issued and outstanding shares of the Company's common stock.

<u>Name of Beneficial Owner</u>	<u>Common Shares Beneficially Owned</u>
George C. Dillon.....	100
Robert L. Geddes.....	100
Aaron A. Gold.....	50
J. T. Hulce.....	200
William C. Janss.....	100
James N. Land, Jr.....	200
John A. Love.....	200
William F. May.....	1,200
John A. McKinney.....	14,001
George B. Munroe.....	600
G. Earl Parker.....	100
Gene E. Phillips.....	165,000
John P. Schroeder.....	2,528
Randall D. Smith.....	1,092,600
William D. Tucker, Jr.....	200
Charles J. Zwick.....	200
All Directors and executive officers as a group (37).....	1,311,335

The shares beneficially owned by George B. Munroe include 300 shares held in trust for a relative of Mr. Munroe. Mr. Munroe is the residual beneficiary of such trust. The First National Bank of Joliet, Illinois, as trustee, has voting power over these shares. The shares beneficially owned by Gene E. Phillips include shares owned by Syntek Finance Corp., which is 90% owned by Syntek Investment Properties, Inc. Mr. Phillips owns 85% of Syntek Investment Properties, Inc.

At March 15, 1985, Mr. Smith held directly 54,900 shares of the Company's common stock, and GDS Partners, of which Mr. Smith is the sole general partner, held 54,400 shares. Also at March 15, 1985, Smith-Vasiliou Management Co., of which Mr. Smith is a director and controlling person, held 20,000 shares, and the Smith-Vasiliou Special Situations Fund, L.P. held 963,300 shares of the Company's common stock. The Fund's general partner is Smith-Vasiliou Associates, L.P. of which the Randall D. Smith Corporation is a general partner. Mr. Smith is the sole shareholder of Randall D. Smith Corporation. Mr. Smith has sole power to vote and dispose of the 54,900 shares he owns individually and the 54,400 shares owned by GDS Partners. He has shared power to vote and dispose of the remaining 983,300 shares of which he is deemed a beneficial owner.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In the ordinary course of its business, the Company purchases products and services from and sells products to a number of corporations with which Directors of the Company are affiliated as officers or directors. The Company did not receive during 1984, nor does it anticipate receiving during 1985, payments for property or services from any of such companies which exceeded or will exceed five percent of the Company's consolidated gross revenues for 1984. The Company did not make during 1984, nor does it anticipate making during 1985, payments for property or services to any such companies which exceeded or will exceed five percent of the consolidated gross revenues for the last full fiscal year of the applicable company. The Company is not indebted to any entity with which its Directors are affiliated in an amount which exceeds five percent of the Company's total consolidated assets. Mr. Tucker is a former senior partner of Davis Polk & Wardwell, outside counsel to the Company, and is currently a senior counsel to that firm.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Financial statements, financial statement schedules and exhibits filed in this report

1. Index to Financial Statements and Supplementary Data. See page 68.
2. Index to Financial Statement Schedules. See page 82.
3. Index to Exhibits required by Form 10-K. See page 89.

(b) Reports on Form 8-K

During the fourth quarter of 1984, Manville Corporation filed a report on Form 8-K with the Securities and Exchange Commission. The report on Form 8-K supplied information under Section 5 "Other Materially Important Events" and reported certain management changes at the Company.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Shareholders and Directors of
Manville Corporation:

Our report on the consolidated financial statements of Manville Corporation, which report is qualified for the reasons indicated therein, is included on page 18 of this 1984 Annual Report and Form 10-K. In connection with our examinations of such financial statements, we have also examined the related financial statement schedules listed in the Index to Financial Statement Schedules on page 82 of this 1984 Annual Report and Form 10-K.

In our opinion, based upon our examinations, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly the information required to be included therein.

February 5, 1985
Denver, Colorado

/s/ COOPERS & LYBRAND
COOPERS & LYBRAND

Manville Corporation

Index to Financial Statement Schedules

to Form 10-K for Fiscal Year Ended December 31, 1984

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X — Supplementary income statement information, for each of the three years in the period ended December 31, 1984	88

Manville Corporation

Schedule I—Marketable Securities

December 31, 1984
(Thousands of dollars)

<u>Col. A</u>	<u>Col. B</u>	<u>Col. C</u>	<u>Col. D</u>	<u>Col. E</u>
<u>Classification</u>	<u>Principal Amount</u>	<u>Cost</u>	<u>Market Value</u>	<u>Balance Sheet Amount</u>
U.S. government securities	\$126,670	\$118,444	\$119,950	\$118,444
Commercial paper	76,367	75,497	75,533	75,497
Other	83,349	82,120	81,660	82,120
	<u>\$286,386</u>	<u>\$276,061</u>	<u>\$277,143</u>	<u>\$276,061</u>

Manville Corporation
Schedule V—Property, Plant and Equipment
for the Years Ended December 31
(Thousands of dollars)

<u>Col. A</u>	<u>Col. B</u>	<u>Col. C</u>	<u>Col. D</u>	<u>Col. E</u>	<u>Col. F</u>
<u>Classification</u>	<u>Balance at Beginning of Period</u>	<u>Additions At Cost</u>	<u>Retirements</u>	<u>Other Deductions (a)</u>	<u>Balance at End of Period</u>
<u>1984</u>					
Land, including mineral properties, and land improvements	\$ 97,202	\$ 3,342	\$ 3,723	\$ (426)	\$ 96,395
Buildings	302,911	11,052	2,829	(2,713)	308,421
Machinery and equipment	1,056,007	100,674	26,101	(9,847)	1,120,733
	1,456,120	115,068	32,653	(12,986)	1,525,549
Timber and timberlands	395,004	6,701	22	(9,797)	391,886
	<u>\$ 1,851,124</u>	<u>\$ 121,769</u>	<u>\$ 32,675</u>	<u>\$ (22,783)</u>	<u>\$ 1,917,435</u>
<u>1983</u>					
Land, including mineral properties, and land improvements	\$ 108,002	\$ 2,210	\$ 12,590	\$ (420)	\$ 97,202
Buildings	331,802	6,718	32,462	(3,147)	302,911
Machinery and equipment	1,090,337	99,409	124,993	(8,746)	1,056,007
	1,530,141	108,337	170,045	(12,313)	1,456,120
Timber and timberlands	402,034	2,359	4	(9,385)	395,004
	<u>\$ 1,932,175</u>	<u>\$ 110,696</u>	<u>\$ 170,049</u>	<u>\$ (21,698)</u>	<u>\$ 1,851,124</u>
<u>1982</u>					
Land, including mineral properties, and land improvements	\$ 119,174	\$ 1,237	\$ 10,724	\$ (1,685)	\$ 108,002
Buildings	363,308	2,861	26,905	(7,462)	331,802
Machinery and equipment	1,202,490	53,348	139,488	(26,013)	1,090,337
	1,684,972	57,446	177,117	(35,160)	1,530,141
Timber and timberlands	406,205	3,837	581	(7,427)	402,034
	<u>\$ 2,091,177</u>	<u>\$ 61,283</u>	<u>\$ 177,698</u>	<u>\$ (42,587)</u>	<u>\$ 1,932,175</u>

Note:

- (a) Includes the current year translation effect of the Company's foreign operations and amounts for the cost of timber harvested.

Manville Corporation

**Schedule VI—Accumulated Depreciation, Depletion and
Amortization of Property, Plant and Equipment**

for the Years Ended December 31
(Thousands of dollars)

<u>Col. A</u>	<u>Col. B</u>	<u>Col. C</u>	<u>Col. D</u>	<u>Col. E</u>	<u>Col. F</u>
<u>Classification</u>	<u>Balance at Beginning of Period</u>	<u>Additions Charged to Costs and Expenses</u>	<u>Retirements</u>	<u>Other Changes Add (Deduct)(a)</u>	<u>Balance at End of Period</u>
<u>1984</u>					
Mineral properties and land improvements	\$ 36,134	\$ 2,624	\$ 2,450	\$ (115)	\$ 36,193
Buildings	102,350	10,099	2,494	(859)	109,096
Machinery and equipment	333,384	56,852	20,370	(2,565)	367,301
	<u>\$471,868</u>	<u>\$69,575</u>	<u>\$ 25,314</u>	<u>\$ (3,539)</u>	<u>\$512,590</u>
<u>1983</u>					
Mineral properties and land improvements	\$ 43,494	\$ 2,761	\$ 10,090	\$ (31)	\$ 36,134
Buildings	120,315	10,503	27,774	(694)	102,350
Machinery and equipment	382,903	55,395	102,920	(1,994)	333,384
	<u>\$546,712</u>	<u>\$68,659</u>	<u>\$140,784</u>	<u>\$ (2,719)</u>	<u>\$471,868</u>
<u>1982</u>					
Mineral properties and land improvements	\$ 43,669	\$ 3,435	\$ 5,109	\$ 1,499	\$ 43,494
Buildings	113,225	11,535	14,067	9,622	120,315
Machinery and equipment	367,853	61,931	72,535	25,654	382,903
	<u>\$524,747</u>	<u>\$76,901</u>	<u>\$ 91,711</u>	<u>\$ 36,775</u>	<u>\$546,712</u>

Note:

- (a) Includes the current year translation effect of the Company's foreign operations and in 1982 includes \$48,120 permanent impairment provision in the carrying amount of assets related to the Company's open-pit mining operation at Asbestos, Quebec, Canada.

Manville Corporation

Schedule VIII—Valuation and Qualifying Accounts and Reserves
for the Years Ended December 31
(Thousands of dollars)

<u>Col. A</u>	<u>Col. B</u>	<u>Col. C</u>		<u>Col. D</u>	<u>Col. E</u>
<u>Classification</u>	<u>Balance at Beginning of Period</u>	<u>Additions</u>		<u>Deductions (b)</u>	<u>Balance at End of Period</u>
		<u>Charged to Costs and Expenses</u>	<u>Charged to Other Accounts (a)</u>		
<u>1984</u>					
Allowances Reducing the Assets in the Balance Sheet:					
Doubtful accounts receivable	\$ 3,671	\$ 1,618		\$ 1,795	\$ 3,494
Cash discounts	1,236		\$ 15,203	15,228	1,211
Allowances	4,091		7,298	8,068	3,321
Total	<u>\$ 8,998</u>	<u>\$ 1,618</u>	<u>\$ 22,501</u>	<u>\$ 25,091</u>	<u>\$ 8,026</u>
<u>1983</u>					
Allowances Reducing the Assets in the Balance Sheet:					
Doubtful accounts receivable	\$ 4,066	\$ 2,300		\$ 2,695	\$ 3,671
Cash Discounts	1,649		\$ 15,240	15,653	1,236
Allowances	1,840		11,757	9,506	4,091
Total	<u>\$ 7,555</u>	<u>\$ 2,300</u>	<u>\$ 26,997</u>	<u>\$ 27,854</u>	<u>\$ 8,998</u>
<u>1982</u>					
Allowances Reducing the Assets in the Balance Sheet:					
Doubtful accounts receivable	\$ 3,474	\$ 4,077		\$ 3,485	\$ 4,066
Cash discounts	1,465		\$ 15,653	15,469	1,649
Allowances	2,115		10,167	10,442	1,840
Total	<u>\$ 7,054</u>	<u>\$ 4,077</u>	<u>\$ 25,820</u>	<u>\$ 29,396</u>	<u>\$ 7,555</u>

Notes:

(a) Charged against sales.

(b) Charges for which reserves were provided, net of recoveries.

Manville Corporation
Schedule IX—Short-Term Borrowings
for the Years Ended December 31
(Thousands of dollars)

<u>Col. A</u>	<u>Col. B</u>	<u>Col. C</u>	<u>Col. D</u>	<u>Col. E</u>	<u>Col. F</u>
Category of Aggregate Short-Term Borrowings	Balance at End of Period (a)	Weighted Average Interest Rate	Maximum Month-End Amount Outstanding During the Period	Average Amount Outstanding During the Period (b)	Weighted Average Interest Rate During the Period (c)
<u>1982</u>					
Commercial Paper	-0-		\$94,875	\$42,383	15.4%
Bank Borrowings	-0-		-0-	\$ 3,570	10.3%

Notes:

- (a) At August 26, 1982 the Company had \$61.2 million of commercial paper and bank borrowings outstanding, which is included in Liabilities Subject To Chapter 11 Proceedings. Subsequent to filing Chapter 11, the Company has not incurred any domestic short-term borrowing.
- (b) The average amount outstanding is based on the average monthly outstanding balance.
- (c) The weighted average interest rate is based on the monthly accrued interest divided by the average outstanding balance during each month.

Manville Corporation

Schedule X—Supplementary Income Statement Information

for the Years Ended December 31
(Thousands of dollars)

Col. A <u>Item</u>	Col. B		
	<u>Charged to Costs and Expenses</u>		
	1984	1983	1982
Maintenance and repairs	\$133,097	\$126,678	\$112,161
Taxes other than income and payroll	\$ 26,886	\$ 25,284	\$ 29,639
Advertising	\$ 23,110	\$ 11,729	\$ 12,797

MANVILLE CORPORATION

Exhibit Index To Form 10-K For Fiscal Year Ended December 31, 1983

<u>Exhibit</u>	<u>Page</u>
3. (a) Articles of Incorporation	Registrant's Articles of Incorporation are incorporated herein by reference to its Registration Statement on Form S-14 (File No. 2-73992), Exhibits 1 and 2(a) respectively.
(b) By-Laws as amended on December 7, 1984	Registrant's By-Laws as amended on December 7, 1984 were filed as an exhibit to its 1984 Annual Report on Form 10-K with the Securities and Exchange Commission on March 29, 1985. Copies of this exhibit are available from the Company upon written request.
11. Computation of Earnings (Loss) Per Common Share	90
13. Annual Report to Security Holders	Registrant's Annual Report to Shareholders for fiscal year ended December 31, 1983 has been substantially incorporated by reference into this Annual Report on Form 10-K as filed with the Securities and Exchange Commission on March 29, 1984.
22. Subsidiaries of Registrant	91

Manville Corporation
Computation of Earnings (Loss) per Common Share
 for the Years Ended December 31
 (Thousands except per share amounts)

	1984	1983	1982
Weighted Average Common Shares Outstanding	24,000	23,992	23,825
Earnings (Loss) from Continuing Operations	\$77,227	\$60,126	\$(20,953)
Less, Preferred Dividend Requirements:			
Declared and Paid			(12,495)
Undeclared	(24,990)	(24,990)	(12,495)
Earnings (Loss) from Continuing Operations after Deduction of Preferred Dividend Requirements	\$52,237	\$35,136	\$(45,943)
Earnings (Loss) from Discontinued Operations:			
Asbestos Fiber		\$ 7,068	\$(66,723)
Pipe			(9,908)
		\$ 7,068	\$(76,631)
Per Share Amount:			
Continuing Operations	\$2.18	\$1.47	\$(1.93)
Discontinued Operations			
Asbestos Fiber		.29	(2.80)
Pipe			(.41)
Net Earnings (Loss) Per Common Share	\$2.18	\$1.76	\$(5.14)

Note:

(a) Net earnings (loss) per common share assuming full dilution would be the same as above.

SUBSIDIARIES OF THE REGISTRANT

Subsidiaries of Manville and the jurisdiction in which each company was incorporated are listed below. Unless otherwise indicated parenthetically, all of the voting securities of each subsidiary are owned by the Company. A number of companies not important to an understanding of Manville's businesses have been omitted. Such subsidiaries in the aggregate would not constitute a significant subsidiary. The following subsidiaries are included in the Company's consolidated financial statements.

<u>Subsidiary</u>	<u>Jurisdiction of Incorporation</u>
JOHNS-MANVILLE CORPORATION	—New York
European Overseas Corporation	—Delaware
Johns-Manville India Limited	—Delaware
Johns-Manville International Corporation	—Delaware
Johns-Manville Sales Corporation	—Delaware
Manville Canada Inc.	—Ontario
Rocky Mountain International Insurance Ltd.	—Bermuda
MANVILLE BUILDING MATERIALS CORPORATION	—Delaware
MANVILLE FOREST PRODUCTS CORPORATION	—Delaware
Arkansas & Louisiana Missouri Railway Co.	—Louisiana
MANVILLE INTERNATIONAL CORPORATION	—Delaware
Glaswerk Schuller G.m.b.H.	—Germany
Holophane International Corporation	—Delaware
International Manville Corporation	—Delaware
Manville Australasia Pty. Ltd.	—Delaware
Manville de France S.A.	—France
Manville Deutschland G.m.b.H.	—Germany
Manville do Brazil Isolantes Termicos Ltda.	—Brazil
Manville Espanola S.A.	—Spain
Manville Europe Corporation	—Delaware
Manville Export Corporation	—Delaware
Manville (Great Britain) Ltd.	—United Kingdom
Manville h.f.	—Iceland
Manville Italiana S.p.A.	—Italy
Manville Japan Ltd.	—Japan
Manville Marketing Services Corporation	—Delaware
Manville Mexicana S.A. de C.V.	—Mexico
Manville Overseas Trade Corporation	—Delaware
Manville Singapore (Pte.) Ltd.	—Singapore
Manville Sudamericana Limitada	—Delaware
New Materials, Inc.	—New York
MANVILLE PRODUCTS CORPORATION	—Delaware
Holophane Europe Ltd.	—United Kingdom
Holophane S.A. de C.V. (98%)	—Mexico
MANFINANCE N.V.	—Netherlands Antilles
MANVILLE INVESTMENT CORPORATION	—Colorado
MANVILLE PRODUTOS FLORESTAIS LTDA.	—Brazil
Lages Reflorestamento Ltda.	—Brazil
Igaras-Servicos Agro-Florestais Ltd.	—Brazil
MANVILLE PROPERTIES CORPORATION	—Delaware
Allan-Deane Corporation	—Delaware
Ken-Caryl Ranch Corporation	—Delaware
Johns-Manville Idaho, Inc.	—Idaho
MANVILLE SERVICE CORPORATION	—Delaware
Manville Canada Service Inc.	—Ontario
SUNBELT CONTRACTORS, INC.	—Texas

POWER OF ATTORNEY

Know all men by these presents that each person whose signature appears below does hereby constitute and appoint **J. A. McKinney, G. E. Parker and R. A. Boardman**, and each of them, with full power to act without the other, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign all amendments to this report, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission granting unto said attorney-in-fact and agent, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents or any of them, or his substitute or substitutes, lawfully do or cause to be done by virtue hereof.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, in the City of New York, State of New York on the 1st day of March, 1985.

MANVILLE CORPORATION
(Registrant)

By: /s/ J. A. McKinney
J. A. McKinney
Chairman and Chief Executive
Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities indicated as of March 1st, 1985.

<u>Signature</u>	<u>Title</u>
Principal Executive Officer:	
..... /s/ J. A. McKinney (J. A. McKinney)	Chairman, Chief Executive Officer and Director
Principal Financial Officer:	
..... /s/ W. T. Stephens (W. T. Stephens)	Executive Vice President, Finance and Administration
Principal Accounting Officer:	
..... /s/ J. F. Knoth (J. F. Knoth)	Vice President and Controller

<u>Signature</u>	<u>Title</u>
Directors (other than above Officer-Director)	
/s/ George C. Dillon (George C. Dillon)	Director
/s/ Robert L. Geddes (Robert L. Geddes)	Director
/s/ Aaron A. Gold (Aaron A. Gold)	Director
/s/ J. T. Hulce (J. T. Hulce)	President and Director
/s/ James N. Land, Jr. (James N. Land, Jr.)	Director
/s/ William C. Janss (William C. Janss)	Director
/s/ John A. Love (John A. Love)	Director
/s/ William F. May (William F. May)	Director
/s/ George B. Munroe (George B. Munroe)	Director
/s/ G. Earl Parker (G. Earl Parker)	Senior Vice President and Director
/s/ Gene E. Phillips (Gene E. Phillips)	Director
/s/ John P. Schroeder (John P. Schroeder)	Director
/s/ Randall D. Smith (Randall D. Smith)	Director
/s/ William D. Tucker, Jr. (William D. Tucker, Jr.)	Director
/s/ Charles J. Zwick (Charles J. Zwick)	Director

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Shareholder Information

About Manville Stock

Manville had approximately 20,100 common and 19,300 preferred shareholders of record at March 1, 1985. Manville is registered on the New York Stock Exchange (symbol Man), and its stock is traded on the Boston, Cincinnati, Midwest, Pacific and Philadelphia exchanges. As a result of its Chapter 11 proceedings, the Company is not in compliance with certain rules of the New York Stock Exchange, Inc. Accordingly, both issues of the Company's stock as well as its debt securities are subject to delisting at anytime.

Annual Meeting

The Company has not scheduled a 1985 Annual Meeting of Shareholders due to the Chapter 11 proceedings.

Comparative Stock Data

	1984			1983		
	High	Low	Dividend**	High	Low	Dividend**
Market Prices Per Common Share*						
For the Quarters Ended						
March 31	13 ⁵ / ₈	9 ³ / ₄	—	13 ⁵ / ₈	10	—
June 30	11 ¹ / ₄	7 ⁵ / ₈	—	16 ⁵ / ₈	11 ¹ / ₈	—
September 30	9 ³ / ₈	6	—	15 ³ / ₄	10 ⁵ / ₈	—
December 31	7 ¹ / ₄	5 ⁵ / ₈	—	13 ³ / ₈	10	—
Market Prices Per Preferred Share*						
For the Quarters Ended						
March 31	28 ¹ / ₈	23 ¹ / ₂	—	24 ⁷ / ₈	17 ³ / ₄	—
June 30	28 ¹ / ₄	22 ¹ / ₂	—	33 ¹ / ₄	24 ¹ / ₈	—
September 30	24 ⁷ / ₈	20 ⁵ / ₈	—	29	26	—
December 31	22	18 ¹ / ₄	—	33 ³ / ₄	23 ³ / ₈	—

*The high and low sales price of the Company's common and preferred stock is based on the sales transactions reported by the New York Stock Exchange, Inc.

**No dividend has been declared on the Company's common or preferred stock since the filing of the Chapter 11 petitions. See Management's Discussion and Analysis of Results of Operations and Financial Condition.

Additional Information

Shareholders and other individuals interested in receiving additional information about the Company, may call (303) 978-3882 or write to:

Manville Corporation
Corporate Relations
Ken-Caryl Ranch
P.O. Box 5108
Denver, CO 80217

For product information
call (303) 978-4900 or
write to:
Manville Corporation
Product Information Center
Ken-Caryl Ranch
P.O. Box 5108
Denver, CO 80217

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