

Manville Trust

April 27, 2020 Payment Percentage Analysis

Manville TDP Sections H.1(d)-(f) direct the Trust regularly to reevaluate the *pro rata* payment percentage by re-estimating two items: its total assets and its total liabilities. Prior to the current financial collapse, experts for the Trust and its beneficiaries had already observed that despite higher Trust claims volumes the pro rata payment implied by their current forecasts was 4.9% to 5.0%, little changed from the Trusts current 5.1%.

With the economic turbulence that has accompanied the COVID-19 pandemic, the return on assets upon which the payment percentage calculations contained in the first paragraph were estimated are no longer valid. The Trust's historic returns have been far better than most other asbestos trusts because of the presence of equities in a significant proportion. Changes to equities have now been devalued over the last six weeks and many prognostications do not foresee a recovery for at least 18 months. The value of the Trust's assets has been changing by a material amount day by day. There will likely be further significant fluctuations before the market finally stabilizes.

The Trust has calculated what the implied payment percentage would have been from March 1 through April 15, 2020 daily based on its asset values at close of business. The calculation uses the 2020 WTW liability forecast and assumes that change to equities will not fully recover to pre-COVID-19 levels for some time. The average implied *pro rata* payment percentage over the period has been 4.3%.

The Trustees remain hopeful the stock market will stabilize and rebound so the percentage can be re-evaluated. For now, the Trust feels the prudent course of action is to lower the percentage to 4.3%. Because TDP Section H.2(a) permits the Trust to make a catch-up *pro rata* payment to claimants who received a lower percentage, the long-term risk to present claimants from too precipitous a drop in the payment percentage can be ameliorated if and when the economy and equity values stabilize at levels higher than now. The Trust will continue to monitor the value of its assets and its claim payments against the *pro rata* model in place, to determine whether the asset values have stabilized and an increase in the percentage is appropriate.

Any claim with an outstanding offer will remain at 5.1%. All new settlement offers will be at the reduced payment percentage of 4.3%.

The Manville Trustees