

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

TRUSTEES

Robert A. Falise, Esquire
Chairman and Managing Trustee
Vero, Florida

Louis Klein, Jr., Esquire
Stamford, Connecticut

Frank J. Macchiarola, Esquire
Brooklyn, New York

Honorable Christian E. Markey, Jr.
Los Angeles, California

February 27, 2004

BY FEDERAL EXPRESS

Honorable Jack B. Weinstein
Senior Judge, U. S. District Court
Eastern District of New York
225 Cadman Plaza East
Brooklyn, NY 11201

Honorable Burton R. Lifland
U.S. Bankruptcy Court
Southern District of New York
One Bowling Green
New York, NY 10004-1208

Dear Judge Weinstein and Judge Lifland:

Enclosed are chambers' copies of the Audited Financial Statements and Report of the Manville Personal Injury Settlement Trust ("the Trust"), for the quarter ending December 31, 2003, filed pursuant to Section 3.02(d)(i) and (iii) of the Trust Agreement, which were electronically filed today with the Clerk of the United States Bankruptcy Court for the Southern District of New York.

OPERATIONS

During 2003, the Trust received approximately 101,200 new claim filings. This represents approximately a 64% increase in volume from the almost 56,000 claims filed during 2002, making 2003 the highest volume year since Trust inception. Ninety percent of the 2003 claims were filed before October 10, 2003 pursuant to the 1995 Trust Distribution Process ("TDP"), after which claims could only be filed pursuant to the 2002 TDP. Filings pursuant to the 2002 TDP accounted for approximately 10,200 of the 2003 claim filings. More than 75% of the claims filed during 2003 were filed using the Trust's new e-Claims™ system and substantially all of such claims were settled within 90 days of their completed submission.

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At the end of 2003, the Trust had approximately 44,000 claims with pending offers or denials, 21,000 claims in process, and 5,000 inactive, unsettled claims due to lapsed offers and deficiency notices. Thus, as of December 31, 2003, the Trust had a claim population of approximately 667,500 claims.

FINANCIAL SUMMARY

Operating expenses for the year ended December 31, 2003, excluding income taxes, were \$8.9 million. Since implementation of the TDP in 1995, operating costs, excluding litigation and asset management expenses, have represented 3.3% of total Trust expenditures.

During 2003, the Trust settled over 85,600 claims for \$216 million compared to 68,700 claims for \$200 million during 2002. Claims paid in 2003, as noted below, totaled \$232 million. The average claim settlement value for 2003 was approximately \$2,500 compared to \$2,900 for the year 2002. Including approximately \$125 million paid to co-defendants, since inception the Trust has settled almost 597,000 claims for over \$3.2 billion.

As of December 31, 2003, the value of cash equivalents and investments, excluding \$6 million of accrued interest and dividends, was approximately \$1,646 million, of which \$1,022 million was invested in diversified equities, \$570 million in fixed income securities and the remaining \$54 million in cash equivalents. During 2003, the Trust incurred \$235 million in claim payments, \$11 million in expenses (including taxes), and \$14 million of realized net losses on investments.

ASSET MANAGEMENT

As of December 31, 2003, the market value of Trust investments, excluding accrued interest and dividends, was approximately \$1,642 million, of which approximately \$1,022 million (62%) was in diversified equities, \$570 million (35%) in fixed income securities and the remaining \$50 million (3%) in cash equivalents. This allocation of assets has been adopted to implement the Trust Agreement's mandate to "enhance and preserve Trust assets." As a result, during 2003, after \$235 million in claim payments, \$11 million in expenses (including taxes), and after realizing net losses of \$14 million on investments, the Trust nevertheless increased assets by nearly \$35 million. Total cash inflows increased by \$295 million, consisting of net unrealized gains of approximately \$249 million due to a strong rebound in the stock markets, and approximately \$46 million in investment income and other receipts.

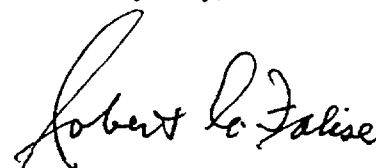
During the quarter and year ended December 31, 2003, the total returns on investments were approximately 7.6% and 19.2%, respectively. The quarterly and annual returns during the same period on the Trust's equity investments were about 12.4% and 31.4%, respectively. The Trust's fixed income

investments including cash equivalents also made positive contributions by returning 0.4% and 3.3% for the quarter and year ended 2003. Due to the strong performance of the stock markets and the liquidation of some fixed income investments for asset classes rebalancing purposes and to generate cash for claim payments, the Trust's allocation to equities rose to 62% as compared to 48% at the end of 2002, but still below the Trust's long-term equity target allocation of 65%.

Despite the quarter of a billion dollar increase in the Trust assets, the Trustees remain mindful that this is a liquidating trust as evidenced by claim payments totaling over \$415 million during 2002 and 2003. These payments require us to liquidate investments to replenish cash reserves and periodically to re-balance portfolio allocations in equity and fixed income investments.

We continue to monitor claim filings and asbestos-related activities with the goal of re-estimating the pro rata payment percentage when sufficient information is available. In that regard, as noted earlier, only about 10,000 claims were filed under the new 2002 TDP. Many of the still evolving trust distribution processes that will govern the operation of other new asbestos trusts appear to be similar in many respects to the 2002 TDP. We expect that having a reasonable estimate for the total amount and timing of payments by new trusts will be vitally important in making reasonable assumptions as to how many claims might be received by this Trust in the future. Thus, while the dramatically lower number of filings pursuant to the 2002 TDP is a hopeful sign that the restructured distribution process may be operating as expected, future potential recoveries from other sources, most notably the emerging asbestos trusts, may stimulate filings with this Trust and therefore alter that expectation. We have discussed implications of these and other developments with the Futures Representative for the Trust, and stand ready to do so with the Selected Counsel for the Beneficiaries and the Special Advisor to the Trust at their convenience.

Yours very truly,



Robert A. Falise
Chairman and Managing Trustee

Enclosure

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re)
) In Proceedings For A
) Reorganization Under
JOHNS-MANVILLE CORPORATION,)
) Chapter 11
et al.,)
)
) Case Nos. 82 B 11656 (BRL)
Debtors.)
) Through 82 B 11676 (BRL)
) Inclusive

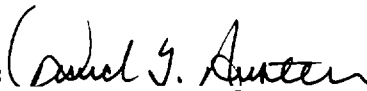
FINANCIAL STATEMENTS AND REPORT OF
MANVILLE PERSONAL INJURY SETTLEMENT TRUST
FOR THE PERIOD ENDING DECEMBER 31, 2003
PURSUANT TO SECTIONS 3.02(d)(i) and (iii)
OF THE TRUST AGREEMENT

The attached Financial Statements for the Period Ending
December 31, 2003 with Auditors' Report and the exhibits thereto
are filed herewith pursuant to Sections 3.02(d)(i) and (iii) of
the Manville Personal Injury Trust Agreement.

Respectfully submitted,

MANVILLE PERSONAL INJURY
SETTLEMENT TRUST

Dated: Falls Church, Virginia
February 27, 2004

By: 

David T. Austern
General Counsel
3110 Fairview Park Dr. Ste. 200
P.O. Box 12003
Falls Church, Virginia 22042
(703) 204-9300

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

Special-Purpose Consolidated Financial Statements

As of December 31, 2003 and 2002 with Report of Independent Auditors



Report of Independent Auditors

To the Trustees of
Manville Personal Injury Settlement Trust

We have audited the accompanying special-purpose consolidated statements of net claimants' equity of Manville Personal Injury Settlement Trust (the Trust, organized in the state of New York) as of December 31, 2003 and 2002, and the related statements of changes in net claimants' equity and cash flows for the years then ended. These special-purpose consolidated financial statements and the exhibits referred to below are the responsibility of the Trust's management. Our responsibility is to express an opinion on these special-purpose consolidated financial statements and exhibits based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2, these special-purpose consolidated financial statements were prepared on a special-purpose basis of accounting and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States. The special-purpose basis of accounting has been used in order to communicate the amount of equity presently available to current and future claimants.

In our opinion, the accompanying special-purpose consolidated financial statements of Manville Personal Injury Settlement Trust as of and for the years ended December 31, 2003 and 2002, are fairly presented, in all material respects, on the basis of accounting described in Note 2.

Our audits were made for the purpose of forming an opinion on the special-purpose consolidated financial statements taken as a whole. The supplementary schedules at Exhibits I, II, and III are presented for purposes of additional analysis and are not a required part of the special-purpose consolidated financial statements. This information has been subjected to the auditing procedures applied in our audits of the special-purpose consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the special-purpose consolidated financial statements taken as a whole.

This report is intended solely for the information and use of the management of the Trust, the Trustees, the beneficiaries of the Trust, and the United States Bankruptcy Court for the Southern District of New York and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report which, upon filing with the United States Bankruptcy Court for the Southern District of New York, is a matter of public record.

Ernst + Young LLP

January 30, 2004

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
CONSOLIDATED STATEMENTS OF NET CLAIMANTS' EQUITY
AS OF DECEMBER 31, 2003 AND 2002**

	2003	2002
ASSETS:		
Cash equivalents and investments (Note 2)		
Available-for-sale		
Restricted (Note 7)	\$71,355,014	\$64,705,645
Unrestricted	1,574,498,838	1,542,786,420
Total cash equivalents and investments	1,645,853,852	1,607,492,065
Accrued interest and dividend receivables	6,062,666	6,355,575
Deposits and other assets	2,407,299	4,349,856
Total assets	1,654,323,817	1,618,197,496
LIABILITIES:		
Accrued expenses	3,429,090	2,687,715
Unpaid claims (Notes 3, 5 and Exh. III)		
Settled, not paid - Pre-Class Action		613,073
Outstanding Offers - Post Class Action	58,240,374	49,576,000
Settled, not paid - Post Class Action	6,343,653	20,427,675
Lease commitments payable (Note 4)	4,922,420	666,114
Total liabilities	72,935,537	73,970,577
NET CLAIMANTS' EQUITY (Note 5)	\$1,581,388,280	\$1,544,226,919

The accompanying notes are an integral part of these consolidated statements.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
CONSOLIDATED STATEMENTS OF CHANGES IN NET CLAIMANTS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	2003	2002
NET CLAIMANTS' EQUITY, BEGINNING OF PERIOD	\$1,544,226,919	\$1,924,901,736
ADDITIONS TO NET CLAIMANTS' EQUITY:		
Investment income (Exhibit I)	44,521,936	57,076,066
Decrease in lease commitments payable (Note 4)		617,232
Net realized and unrealized gains on available-for-sale securities	234,760,871	
Total additions	279,282,807	57,693,298
DEDUCTIONS FROM NET CLAIMANTS' EQUITY:		
Operating expenses (Exhibit II)	8,867,995	8,223,826
Provision for income taxes (Exhibit II)	3,486,300	3,358,828
Claims settled	215,957,110	200,146,876
Contribution and indemnity claims settled	889,361	1,015,208
Increase in lease commitments payable (Note 4)	4,256,306	
Net increase in outstanding claim offers	8,664,374	5,082,382
Net realized and unrealized losses on available-for-sale securities		220,540,995
Total deductions	242,121,446	438,368,115
NET CLAIMANTS' EQUITY, END OF PERIOD	\$1,581,388,280	\$1,544,226,919

The accompanying notes are an integral part of these consolidated statements.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	2003	2002
CASH INFLOWS:		
Investment income receipts	44,508,760	60,461,327
Decrease in deposits and other assets	1,942,557	
Total cash inflows	46,451,317	60,461,327
CASH OUTFLOWS:		
Claim payments made	230,654,205	180,120,901
Contribution and indemnity claim payments	889,360	1,017,426
Total cash claim payments	231,543,565	181,138,327
Increase in deposits and other assets		4,155,237
Net realized losses on available-for-sale securities	14,040,017	25,420,360
Disbursements for Trust operating expenses and income taxes	11,306,836	10,964,199
Total cash outflows	256,890,418	221,678,123
NET CASH (OUTFLOWS)	(210,439,101)	(161,216,796)
NON-CASH CHANGES:		
Net unrealized gains (losses) on available-for-sale securities	248,800,888	(195,120,636)
NET (DECREASE) IN CASH EQUIVALENTS AND INVESTMENTS AVAILABLE-FOR-SALE	38,361,787	(356,337,432)
CASH EQUIVALENTS AND INVESTMENTS AVAILABLE-FOR-SALE, BEGINNING OF PERIOD	1,607,492,065	1,963,829,497
CASH EQUIVALENTS AND INVESTMENTS AVAILABLE-FOR-SALE, END OF PERIOD	\$1,645,853,852	\$1,607,492,065

The accompanying notes are an integral part of these consolidated statements.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2003 AND 2002**

(1) DESCRIPTION OF THE TRUST

The Manville Personal Injury Settlement Trust (the Trust), organized pursuant to the laws of the state of New York with its office in Katonah, New York, was established pursuant to the Manville Corporation (Manville or JM) Second Amended and Restated Plan of Reorganization (the Plan). The Trust was formed to assume Manville's liabilities resulting from pending and potential litigation involving (i) individuals exposed to asbestos who have manifested asbestos-related diseases or conditions, (ii) individuals exposed to asbestos who have not yet manifested asbestos-related diseases or conditions and (iii) third-party asbestos-related claims against Manville for indemnification or contribution. Upon consummation of the Plan, the Trust assumed liability for existing and future asbestos health claims. The Trust's initial funding is described below under "Funding of the Trust." The Trust's funding is dedicated solely to the settlement of asbestos health claims and the related costs thereto, as defined in the Plan. The Trust was consummated on November 28, 1988.

In December 1998, the Trust formed a wholly-owned corporation, the Claims Resolution Management Corporation (CRMC), to provide the Trust with claim processing and settlement services. Prior to January 1, 1999, the Trust provided its own claim processing and settlement services. CRMC began operations on January 1, 1999 in Fairfax, Virginia. The accounts of the Trust and CRMC have been consolidated for financial reporting purposes. All significant transactions between the Trust and CRMC have been eliminated in consolidation.

The Trust was initially funded with cash, Manville securities and insurance settlement proceeds. Since consummation, the Trust has converted the Manville securities to cash and currently holds no Manville securities.

(2) SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The Trust's financial statements are prepared using special-purpose accounting methods that differ from accounting principles generally accepted in the United States. The special-purpose accounting methods were adopted in order to communicate to the beneficiaries of the Trust the amount of equity available for payment of current and future claims. These special-purpose accounting methods are as follows:

- (1) The financial statements are prepared using the accrual basis of accounting.
- (2) The funding received from JM and its liability insurers was recorded directly to net claimants' equity. These funds do not represent income of the Trust. Settlement offers for asbestos health claims are reported as deductions in net claimants' equity and do not represent expenses of the Trust.

- (3) Costs of non-income producing assets, which will be exhausted during the life of the Trust and are not available for satisfying claims, are expensed as they are incurred. These costs include acquisition costs of computer hardware, software, software development, office furniture and leasehold improvements.
- (4) Future fixed liabilities and contractual obligations entered into by the Trust are recorded directly against net claimants' equity. Accordingly, the future minimum rental commitments outstanding at period end for non-cancelable operating leases, net of any sublease agreements, have been recorded as deductions to net claimants' equity.
- (5) The liability for unpaid claims reflected in the statements of net claimants' equity represents settled but unpaid claims and outstanding settlement offers. Post-Class Action complaint claims' liability is recorded once a settlement offer is made to the claimant (Note 3) at the amount equal to the expected pro rata payment. No liability is recorded for future claim filings and filed claims on which no settlement offer has been made. Net claimants' equity represents funding available to pay present and future claims on which no fixed liability has been recorded.
- (6) Available-for-sale securities are recorded at market. All interest and dividend income on available-for-sale securities, net of investment expenses are included in investment income on the statements of changes in net claimants' equity. Realized and unrealized gains and losses on available-for-sale securities are recorded as separate components on the statements of changes in net claimants' equity.

Realized gains/losses on available-for-sale securities are recorded based on the security's original cost. At the time a security is sold, all previously recorded unrealized gains/losses are reversed and recorded net, as a component of other unrealized gains/losses in the accompanying statements of changes in net claimants' equity.

The preparation of financial statements in conformity with the special-purpose accounting methods described above requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to net claimants' equity during the reporting period. Actual results could differ from those estimates. The most significant estimates with regard to these financial statements relate to unpaid claims, as discussed in Notes 3 and 5.

(b) Cash Equivalents and Investments

At December 31, 2003 and 2002, the Trust has recorded all its investment securities at market value, as follows:

	2003		2002	
	Cost	Market	Cost	Market
Restricted				
Cash equivalents	\$4,816,526	\$ 4,816,526	\$4,177,712	\$4,177,712
U.S. Govt. obligations	7,577,826	7,481,525	9,770,957	10,052,071
Corporate and other debt	8,423,471	8,541,621	5,936,066	6,148,503
Equities – U.S.	38,639,895	50,515,342	47,428,513	44,327,359
Total	\$59,457,718	\$71,355,014	\$67,313,248	\$64,705,645
Unrestricted				
Cash equivalents	\$48,958,178	\$48,958,178	\$192,500,241	\$192,500,241
U.S. Govt. obligations	260,999,093	262,752,451	225,069,408	234,467,302
Corporate and other debt	286,183,997	291,486,181	304,059,046	313,776,539
Equities – U.S.	872,269,116	877,605,600	870,836,342	659,835,277
Equities – International	91,127,959	93,696,428	97,850,278	72,951,061
Total	\$1,559,538,343	\$1,574,498,838	\$1,690,315,315	\$1,542,786,420

The maturities of the Trust's available-for-sale securities at market value (excluding cash equivalents and equities) are as follows:

	Less Than 1 Year	After 1 Year Through 5 Years	After 5 Years Through 10 Years	After 10 Years
U.S. govt. obligations	\$29,115,774	\$ 87,950,638	\$ 48,940,939	\$ 104,226,625
Corporate and other debt	21,285,933	157,076,843	62,258,413	59,406,613
Total	\$50,401,707	\$ 245,027,481	\$111,199,352	\$ 163,633,238

The Trust invests in two types of derivative financial instruments. Equity index futures are used as strategic substitutions to cost effectively replicate the underlying index of its domestic equity investment fund. At December 31, 2003, the fair value of these instruments was approximately \$6.8 million and was included in investments available-for-sale on the statement of net claimants' equity. Foreign currency forwards are utilized for both currency translation purposes and to economically hedge against the currency risk inherent in foreign equity issues and are generally for periods up to 90 days. At December 31, 2003, the Trust held at market value approximately \$137.9 million in sell currency forward contracts offset by approximately \$139.9 million in buy currency forward contracts. The unrealized loss on these outstanding currency forward contracts of approximately \$2.0 million is principally offset by corresponding unrealized gain due to currency exchange on the underlying securities being hedged. These amounts are recorded in the statement of net claimants' equity at December 31, 2003.

(c) **Fixed Assets**

The cost of non-income producing assets that will be exhausted during the life of the Trust and are not available for satisfying claims are expensed as incurred. Since inception, the cost of fixed assets expensed, net of disposals, include:

Acquisition of furniture and equipment	\$ 952,347
Acquisition of computer hardware and software	1,961,739
Computer software development (e-Claims)	2,361,065
Leasehold improvements	72,965
Total	\$5,348,116

These items have not been recorded as assets, but rather as direct deductions to net claimants' equity in the accompanying consolidated financial statements. The cost of fixed assets, net of proceeds on disposals that were expensed during the years ended December 31, 2003 and 2002 was approximately \$252,569 and \$285,000, respectively.

Depreciation expense related to asset acquisitions using accounting principles generally accepted in the United States would have been approximately \$1,118,200 and \$501,300 for the years ended December 31, 2003 and 2002, respectively.

(3) UNPAID CLAIMS

The Trust distinguishes between claims that were resolved prior to the filing of the class action complaint on November 19, 1990, and claims resolved after the filing of that complaint. Claims resolved prior to the complaint (Pre-Class Action Claims) were resolved under various payment plans, all of which called for 100% payment of the full liquidated amount without interest over some period of time. However, between July 1990 and February 1995, payments on all claims except qualified exigent health and hardship claims were stayed by the courts. By court order on July 22, 1993 (which became final on January 11, 1994), a plan submitted by the Trust was approved to immediately pay, subject to claimant approval, a discounted amount on Pre-Class Action Claims, in full satisfaction of these claims. The discount amount taken, based on the claimants who accepted the Trust's discounted offer, was approximately \$135 million.

The unpaid liability for the Post-Class Action claims represents outstanding offers made in First-in, First-out (FIFO) order to claimants eligible for settlement after November 19, 1990. Under the TDP (Note 5), claimants receive an initial pro rata payment equal to a percentage of the liquidated value of their claim. The Trust remains liable for the unpaid portion of the liquidated amount only to the extent that assets are available after paying all claimants the established pro rata share of their claims. The Trust makes these offers electronically for law firms that file their claims electronically (e-filers), or in the form of a check made payable to the claimant and/or claimant's counsel for claimants that file their proof of claim with paper. E-filers may accept their offers electronically and the Trust records a settled, but unpaid claim at the time of acceptance. Paper filers may accept their offer by depositing the check. An unpaid claim liability is recorded once an offer is made. The unpaid claim liability remains on the Trust's books until accepted or expiration of the offer after 360 days. Expired offers may be reinstated if the claimant accepts the original offer. As of December 31, 2003 and 2002, there were approximately \$13.7 million and \$20.5 million, respectively, of expired offers eligible to be reinstated.

(4) COMMITMENTS AND CONTINGENCIES

Operating Leases

In April 2003, the CRMC executed an early termination of its old lease and a new 10-year lease through September 2013 for its offices in Falls Church, Virginia. CRMC may terminate the new lease at the end of the seventh lease year upon proper notification and payment of certain unamortized leasing costs. The lease was executed with CRMC conditioned upon the Trust's guarantee of future lease payments.

Future minimum rental commitments under this operating lease, as of December 31, 2003, are as follows:

Calendar Year	<u>Amount</u>
2004	403,303
2005	468,605
2006	480,275
2007	492,301
2008	504,638
2009	517,198
2010	530,115
2011	543,388
2012	557,017
2013	<u>425,580</u>
	\$4,922,420

This obligation has been recorded as a liability in the accompanying financial statements.

(5) NET CLAIMANTS' EQUITY

A class action complaint was filed on behalf of all Trust beneficiaries on November 19, 1990, seeking to restructure the methods by which the Trust administers and pays claims. On July 25, 1994, the parties signed a Stipulation of Settlement that included a revised Trust Distribution Process (the TDP). The TDP prescribes certain procedures for distributing the Trust's limited assets, including pro rata payments and initial determination of claim value based on scheduled diseases and values. The Court approved the settlement in an order dated January 19, 1995. Though six appeals were filed with the Court of Appeals, no stay was granted and the Trust implemented the TDP payment procedures effective February 21, 1995. On February 21, 1996, the Court of Appeals affirmed the decision.

Prior to the commencement of the class action in 1990, the Trust filed a motion for a determination that its assets constitute a "limited fund" for purposes of Federal Rules of Civil Procedure 23(b)(1)(B). The Courts adopted the findings of the Special Master that the Trust is a "limited fund". In part, the limited fund finding concludes that there is a substantial probability that estimated future assets of the Trust are and will be insufficient to pay in full all claims that have been and will be asserted against the Trust.

The TDP contains certain procedures for the distribution of the Trust's limited assets. Under the TDP, the Trust forecasts its anticipated annual sources and uses of cash until the last projected future claim has been paid. A pro rata payment percentage is calculated such that the Trust will have no remaining assets or liabilities after the last future claimant receives his/her pro rata share.

Prior to the implementation of the TDP, the Trust conducted its own research and monitored studies prepared by the Courts' appointee regarding the valuation of Trust assets and liabilities. Based on this valuation, the TDP provided for an initial 10% payment of the liquidated value of then current and estimated future claims (pro rata payment percentage). As required by the TDP, the Trust has periodically reviewed the values of its projected assets and liabilities to determine whether a revised pro rata payment percentage should be applied. The most recent estimate began in 2000 and was concluded in September of 2001. Following its review and consultation with the Selected Counsel for the Beneficiaries (SCB), the Legal Representative of Future Claimants (Legal Representative) and Special Advisor to the Trust (Special Advisor), the Trust proposed to the SCB and Future Representative that the pro rata payment percentage be reduced from 10% to 5%, beginning generally with claims filed after October of 2000. The SCB and Legal Representative consented to the Trust's request that, pending a final resolution of this issue and without prejudice to their rights to dispute the issue in binding arbitration, the Trust may make offers and pay claims based upon a 5% pro rata payment percentage.

During the second and third quarters of 2002, the SCB and Legal Representative and the Trust met to discuss amending the TDP. As a result of these meetings, in late August 2002, the parties agreed to TDP amendments that are now contained in what is called the "2002 TDP". The 2002 TDP principally changes the categorization criteria and scheduled values for the scheduled diseases. Until October 10, 2003, claimants could file claims pursuant to the original TDP ("1995 TDP") provided that (i) the claim was filed prior to October 10, 2003 and (ii) the claimant's date of diagnosis was prior to September 1, 2002. Otherwise, claims must be filed pursuant to the 2002 TDP. Pending receipt of sufficient claim filing information to revise the estimate of the pro rata percentage, the Trust, SCB and Legal Representative agreed that the Trust will continue to pay 5% pro rata payment on the liquidated value of resolved 1995 TDP and 2002 TDP claims.

Thereafter, the Trust will continue to periodically update its estimate of the pro rata payment percentage based on updated assumptions regarding its future assets and liabilities and, if appropriate, propose additional changes in the pro rata payment percentage. Management of the Trust believes that adequate information upon which to reasonably update such assumptions is not yet available and estimates that the next revision to the pro rata percentage will be completed sometime in 2004.

(6) EMPLOYEE BENEFIT PLANS

The Trust established a tax-deferred employee savings plan under Section 401(k) of the Internal Revenue Code, with an effective date of January 1, 1988. The plan allows employees to defer a percentage of their salaries within limits set by the Internal Revenue Code with the Trust matching contributions by employees of up to 6% of their salaries. The total employer contributions and expenses under the plan were approximately \$202,600 and \$192,500 for the years ended December 31, 2003 and 2002, respectively.

(7) RESTRICTED CASH EQUIVALENTS AND INVESTMENTS

In order to avoid the high costs of director and officer liability insurance the Trust ceased purchasing such insurance in 1991 and with the approval of the United States Bankruptcy Court for the Southern District of New York, the Trust established a segregated security fund of \$30 million and, with the additional approval of the United States District Court for the Southern and Eastern Districts of New York, an escrow fund of \$3 million from the assets of the Trust, which are devoted exclusively to securing the obligations of the Trust to indemnify the former and current Trustees and officers, employees, agents and representatives of the Trust. In addition, a \$15 million escrow and security fund was established to secure the obligations of the Trust to exclusively indemnify the current Trustees, whose access to the other security funds is subordinated to the former Trustees. Upon the final order in the Class Action litigation (Note 3), the \$15 million escrow and security fund was reduced by \$5 million. Pursuant to Section 5.07 of the Plan, Trustees are entitled to a lien on the segregated security and escrow funds to secure the payment of any amounts payable to them through such indemnification. Accordingly, in total, \$43 million has been transferred from the Trust's bank accounts to separate bank escrow accounts and pledge and security agreements have been executed perfecting those interests. The investment earnings on these escrow accounts accrue to the benefit of the Trust.

As a condition of the tax agreement between JM and the Trust discussed in Note 8 below, the Trust was required to transfer \$30 million in cash to an escrow account to secure the payment of its future income tax obligations post settlement of the transaction. The escrow account balance may be increased or decreased over time. As of December 31, 2003, securities with a market value of \$28.4 million were held by an escrow agent in accordance with the agreement. These funds have been reported as restricted investments.

(8) INCOME TAXES

For Federal income tax purposes, JM had elected for the qualified assets of the Trust to be taxed as a Designated Settlement Fund (DSF). Income and expenses associated with the DSF are taxed in accordance with Section 468B of the Internal Revenue Code, which obligates JM to pay for any federal income tax liability imposed upon the DSF. In addition, pursuant to an agreement between JM and the Trust, JM is obligated to pay for any income tax liability of the Trust. In a separate agreement between the Trust and JM, JM paid the Trust \$90 million to settle JM's obligation to the Trust. In return, the Trust terminated JM's contractual liability for income taxes of the DSF and agreed to indemnify JM in respect for all future income taxes of the Trust. The statutory income tax rate for the DSF is 15%.

The Trust accounts for income taxes in accordance with the Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." SFAS No. 109 requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the book and tax basis of assets and liabilities. As of December 31, 2003 and 2002, the Trust has recorded a net deferred tax asset of \$297,500 and \$81,000, representing temporary differences primarily due to expensing asset acquisitions for financial reporting purposes, accrued vacation and deferred compensation. The deferred asset is included in other assets in the accompanying consolidated statement of net claimants' equity.

(9) PROOF OF CLAIM FORMS FILED

Proof of claim forms have been filed with the Trust as follows:

	As of <u>12/31/03</u>	As of <u>12/31/02</u>
Claims filed	692,566	591,299
Withdrawn ⁽¹⁾	(25,432)	
Expired offers ⁽²⁾	<u>(5,052)</u>	<u>(37,767)</u>
Active claims	662,082	553,532
Settled claims	<u>(596,533)</u>	<u>(510,925)</u>
Claims currently eligible for settlement	<u>65,549</u>	<u>42,607</u>

(1) Principally claims that have received a denial notification and the claim has been in an expired status for more than two years. These claims must be refiled to receive a new offer.

(2) Claims that received a Trust offer or denial, but failed to respond within the specified response period, usually 360 days. As of December 31, 2003 and 2002, approximately 4,900 and 7,200 respectively, of the claims with expired offers are still eligible to accept their original offer with a payment value of \$13.7 million and \$20.5 million, respectively. The claims may be reactivated upon written request by the claimant and be eligible for a new offer at the end of the FIFO queue.

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

The following exhibits are provided in accordance with Article 3.02 (d)(iii) of the Manville Personal Injury Settlement Trust Agreement.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
CONSOLIDATED INVESTMENT INCOME
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	2003	2002
INVESTMENT INCOME		
Interest	\$ 30,525,821	\$ 43,777,630
Dividends	16,601,445	15,754,832
Total investment income	47,127,266	59,532,462
Investment expenses	(2,605,330)	(2,456,396)
TOTAL	\$44,521,936	\$57,076,066

The accompanying notes are an integral part of this exhibit.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
CONSOLIDATED OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	2003	2002
OPERATING EXPENSES:		
Personnel costs	\$5,378,080	\$4,125,790
Office general and administrative	808,057	1,246,049
Travel and meetings	179,231	210,601
Board of Trustees	382,017	642,109
Professional fees	1,424,284	1,305,006
Net fixed asset purchases	252,569	284,655
Computer and other EDP costs	443,757	409,616
TOTAL OPERATING EXPENSES	8,867,995	8,223,826
Income tax provision	3,486,300	3,358,828
TOTAL	\$12,354,295	\$11,582,654

The accompanying notes are an integral part of this exhibit.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SCHEDULE OF LIQUIDATED CLAIMS
SINCE CONSUMMATION (NOVEMBER 28, 1988)
THROUGH DECEMBER 31, 2003**

Exhibit III
Page 1 of 2

	<u>Number</u>	<u>Amount</u>	<u>Average Payment Amount</u>
Trust Liquidated Claims			
Pre-Class Action Complaint November 19, 1990 and Before-			
Full Liquidated Claim Value	27,589	\$1,187,852,399	
Present Value Discount (1)		(135,306,535)	
Net Settlements	27,589	1,052,545,864	
Payments	(27,589)	(1,052,545,864)	<u>\$38.151</u>
Unpaid Balance	0	\$0	
Post-Class Action Complaint After November 19, 1990-			
Offers Made at Full Liquidated Amount	592,951	\$26,530,121,884	
Reduction in Claim Value (2)		(24,383,878,571)	
Net Offer Amount	592,951	2,146,243,313	
Offers Accepted	(568,944)	(2,088,002,939)	<u>\$3,670</u>
Offers Accepted, Not Paid	3,204	6,343,653	
Unpaid Balance	27,211	64,584,027	
Total Trust Liquidated Claims	596,533	3,140,548,803	<u>\$5,265</u>
Manville Liquidated Claims Paid (3)	158	\$24,946,620	
Co-Defendant Liquidated Claims (4)			
Settlement Claim Value		\$97,931,534	
Investment Receipts (5)		2,624,732	
Payments		(100,556,266)	
Unpaid Balance		\$0	

- (1) The unpaid liability for Pre-Class Action Complaint claims has been reduced based upon a plan approved by the Courts in January, 1994 which requires the Trust to offer to pay a discounted amount in full satisfaction of the unpaid claim amount
- (2) Under the TDP, Post Class Action Complaint claims have been reported at a pro rata percentage of their liquidated value
- (3) Manville Liquidated Claims refers to Liquidated AH Claims (as defined in the Plan) which the Trust has paid pursuant to an order of the United States Bankruptcy Court for the Southern District of New York dated January 27, 1987
- (4) Number of personal injury claimants not identifiable.
- (5) Investment receipts of separate investment escrow account established for the sub-class beneficiaries per the Stipulation of Settlement, net of income taxes

The accompanying notes are an integral part of this exhibit.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SCHEDULE OF LIQUIDATED CLAIMS
FOR THE YEAR ENDED DECEMBER 31, 2003**

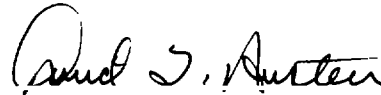
	<u>Number</u>	<u>Amount</u>	<u>Average Payment Amount</u>
Trust Liquidated Claims			
Pre-Class Action Complaint November 19, 1990 and Before-			
Payable as of December 31, 2002	26	\$613,073	
Withdrawn	(20)	(\$403,273)	
Paid (1)	(6)	(209,800)	
Payable as of December 31, 2003	0	\$0	
Post-Class Action Complaint After November 19, 1990- (2)			
Offers Outstanding as of December 31, 2002	17,579	\$49,576,000	
Net Offers Made (3)	92,056	225,024,757	
Offers Accepted/Paid	(85,628)	(216,360,383)	<u>\$2.527</u>
Offers Outstanding as of December 31, 2003	24,007	\$58,240,374	
Offers Accepted, Not Paid as of December 31, 2003	3,204	6,343,653	
Payable as of December 31, 2003	27,211	\$64,584,027	
Total Trust Liquidated Claims	85,608	\$216,763,656	<u>\$2.532</u>
Co-Defendant Liquidated Claims			
Payable as of December 31, 2002		\$0	
Settled		889,360	
Paid		(889,360)	
Payable as of December 31, 2003		\$0	

- (1) During the period the dollar amount of paid claims includes fully and partially paid claims. The number of paid claims represents only fully paid claims
- (2) Under the TDP, Post Class Action Complaint claims have been reported at 10% or 5% of their liquidated value.
- (3) Represents payment offers made during the period net of rejected and expired offers.

The accompanying notes are an integral part of this exhibit.

CERTIFICATE OF SERVICE

I, David T. Austern, hereby certify that on or before February 27, 2004, I caused a true and complete copy of the Audited Financial Statements and Report of Manville Personal Injury Settlement Trust for the Period Ending December 31, 2003 Pursuant to Sections 3.02(d)(i) and (iii) of the Trust Agreement to be served by first class mail, postage prepaid, to the entities named on the service list annexed hereto.


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