

MANVILLE PERSONAL INJURY TRUST

TRUSTEES

Robert A. Falise, Esquire
General Managing Trustee
Vero, Florida

July 30, 2004

Lois Klein, Jr., Esquire
Stamford, Connecticut

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

Frank J. Macchiarola, Esquire
Brooklyn, New York

William C. Christian E. Mahey, Jr.
Los Angeles, California

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

Dear Judge Weinstein and Judge Lifland:

Enclosed are chambers' copies of the Financial Statements and Report of the Manville Personal Injury Settlement Trust ("the Trust"), for the quarter ending June 30, 2004, filed pursuant to Section 3.02(d)(ii) 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 the second quarter of 2004, the Trust received approximately 3,500 new claim filings pursuant the 2002 Trust Distribution Process ("TDP"), bringing the total new claim filings for 2004 to just over 7,400 compared to 2003 filings under the 1995 Trust Distribution Process of 19,800 and 37,200, respectively. We attribute the low claim filing rate to three factors: 1) the more stringent exposure and medical criteria defined in the TDP and lower scheduled values for most non-malignancy claims; 2) the slow pace in which new trusts are being formed; and 3) the uncertainty surrounding national asbestos legislation.

During the second quarter of 2004, the Trust settled over 11,700 claims for almost \$34.0 million compared to 18,900 claims for \$52.6 million during the same period in 2003. The

average claim settlement value for the quarters ended June 30, 2004 and 2003 was \$2,893 and \$2,786, respectively. Year-to-date settlements are approximately 34,500 compared to settlements of 35,200 in the comparable period of 2003.

On June 30, 2004, the Trust had approximately 26,700 pending offers or denials and 10,700 claims in process. When combined with approximately 71,100 withdrawn claims (unsettled claims in which offers or deficiencies lapsed) on June 30, 2004, the Trust had a total claim population of 742,100 claims. The Trust has settled approximately 623,400 claims for a total of \$3.3 billion, of which approximately 13,000 claims have been settled and paid \$109.2 million under the 2002 TDP.

FINANCIAL SUMMARY

Operating expenses for the quarters ended June 30, 2004 and 2003, excluding income taxes, were \$1.9 million for both periods. Operating expenses for the first six months of 2004 and 2003 were \$3.6 million and \$3.7 million, respectively. Operating expenses for the six months ended June 30, 2004 are more than 50% less than operating expenses for the same period in 2001 before the advent of the e-Claims processing system. Since implementation of the former TDP in 1995, operating costs, excluding litigation and asset management expenses, have averaged 3.3% of total Trust expenditures.

For the three and six months ended June 30, 2004, CRMC received \$87,400 and \$263,200 income from data sales and claim processing and consulting services, respectively. These receipts are used to increase the assets available for payment to the Trust's beneficiaries by reducing overall claims processing costs.

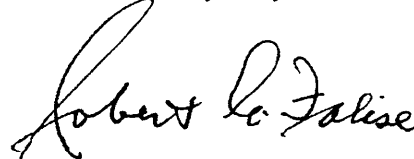
ASSET MANAGEMENT

As of June 30, 2004, the market value of Trust investments, including accrued interest and dividends, was approximately \$1,614 million, of which approximately \$1,017 million (63%) was in diversified equities, \$555 million (34%) in fixed income securities and the remaining \$42 million (3%) in cash equivalents. For the first six months of 2004, after \$73 million in claim payments and \$6 million in expenses (including income taxes), the Trust's investments decreased by only \$38 million due to total cash inflows of \$26 million (principally investment receipts) and \$15 million in net unrealized gains.

For the three and six months ended June 30, 2004, the total return on investment was approximately .02% and 2.5%, respectively. The total return on the Trust's fixed income and equity investments was approximately -1.5% on fixed income and 1.3% on equity for the three months ended June 30, 2004 and .2% on fixed income and 3.8% on equity for the six months ended June 30, 2004. Because to date relatively few claims have been filed, the Trust's cash reserves should be sufficient to meet anticipated cash requirements in 2004, although the Trust expects to raise additional cash in late 2004 in advance of expected 2005 payments. As of June 30, 2004, the Trust had approximately \$36 million in outstanding offers and settled but unpaid claims, plus over 10,000 claims in-process. The Trust continues to expect to make approximately \$100 million in claim payments in 2004.

The Trust has received responses to its request for proposals to update its future claim forecast, the first step in the preparing the re-estimate of the pro rata payment percentage. The staff is evaluating these proposals and considering whether conditions are right to recommend a re-estimate at this time. In that regard, the most critical question is whether the current (low) level of non-malignant claim filings is a reasonable basis upon which to forecast future claims and if not, when would the conditions be right to proceed. While we anticipated that the more stringent medical criteria and reduced Scheduled Values in the amended TDP for unimpaired or marginally impaired claimants would lead to lower numbers of such claims being filed, the magnitude of the reduction suggests that other forces may also be at work, such as the uncertainty of federal legislation and the ongoing controversies in the existing asbestos-related bankruptcies. It may be prudent to delay the re-estimate if doing so might result in a more accurate re-estimate. We will continue to keep you and representatives of our beneficiaries informed.

Yours very truly,

A handwritten signature in black ink, appearing to read "Robert A. Falise". The signature is fluid and cursive, with a large initial "R" and "F".

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 JUNE 30, 2004
PURSUANT TO SECTIONS 3.02(d)(ii) and (iii)
OF THE TRUST AGREEMENT

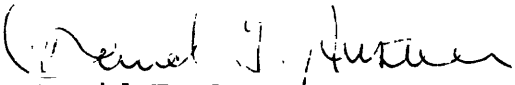
Sections 3.02(d)(ii) and (iii) of the Trust Agreement provide that the Trustees shall prepare and file with the Court within 30 days following the end of each of the first three quarters of each Fiscal Year a quarterly report containing certified financial statements and a summary of certain additional information, including the number of Trust Claims Liquidated and the average amount per Trust Claim paid or payable, the amount of investment income earned by the Trust, and the amount of Trust Expenses incurred by the Trust. The attached Financial Statements for

the Period April 1, 2004 through June 30, 2004 and the exhibits thereto are submitted in satisfaction of the requirements that the Trust file a quarterly report. Exhibits I, II and III of the Financial Statements set forth the specific items of information required by Sections 3.02(d)(iii)(w), (y) and (z) of the Trust Agreement.

Respectfully submitted,

MANVILLE PERSONAL INJURY
SETTLEMENT TRUST

Dated: Falls Church, Virginia
July 30, 2004

By: 
David T. Austern
General Counsel
Manville Personal Injury
Settlement Trust
3110 Fairview Park Dr.
Ste. 200
P.O. Box 12003
Falls Church, Virginia 22031
(703) 205-0835

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

The consolidated financial statements included herein are unaudited. In the opinion of the management of the Trust, the accompanying consolidated financial statements present fairly, subject to normal year-end adjustments, the consolidated net claimants' equity as of June 30, 2004 and 2003 and the consolidated changes in net claimants' equity and cash flows for the three months and six months ended June 30, 2004 presented on the special-purpose basis of accounting described in Note 2, which accounting methods have been applied on a consistent basis.

/signed/ Mark E. Lederer
Mark E. Lederer
Chief Financial Officer

MANVILLE PERSONAL INJURY SETTLEMENT TRUST
CONSOLIDATED STATEMENTS OF NET CLAIMANTS' EQUITY
AS OF JUNE 30, 2004 AND 2003

	2004	2003
ASSETS:		
Cash equivalents and investments (Note 2)		
Available-for-sale		
Restricted (Note 7)	\$72,445,624	\$67,506,065
Unrestricted	1,534,982,642	1,546,681,441
Total cash equivalents and investments	1,607,428,266	1,614,187,506
Accrued interest and dividend receivables	5,790,533	5,738,952
Deposits and other assets	546,940	2,481,851
Total assets	1,613,765,739	1,622,408,309
LIABILITIES:		
Accrued expenses	3,456,413	2,388,900
Unpaid claims (Notes 3, 5 and Exh. III)		
Settled, not paid - Pre-Class Action	0	613,073
Outstanding Offers - Post Class Action	30,512,740	49,282,762
Settled, not paid - Post Class Action	5,872,933	2,982,200
Lease commitments payable (Note 4)	4,731,170	5,018,045
Total liabilities	44,573,256	60,284,980
NET CLAIMANTS' EQUITY (Note 5)	\$1,569,192,483	\$1,562,123,329

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 THREE AND SIX MONTHS ENDED JUNE 30, 2004

	Three Months Ended 6/30/04	Six Months Ended 6/30/04
NET CLAIMANTS' EQUITY, BEGINNING OF PERIOD	\$1,595,741,646	\$1,581,388,280
ADDITIONS TO NET CLAIMANTS' EQUITY:		
Investment income (Exhibit I)	10,819,046	21,424,506
Decrease in lease commitments payable (Note 4)	95,625	191,250
Net reduction in outstanding claim offers	8,000,534	27,133,273
Net realized and unrealized gains on available-for-sale securities		17,442,382
Total additions	18,915,205	66,191,411
DEDUCTIONS FROM NET CLAIMANTS' EQUITY:		
Operating expenses (Exhibit II)	1,934,057	3,670,602
Provision for income taxes (Exhibit II)	1,285,242	3,010,142
Claims settled	34,284,961	71,706,464
Net realized and unrealized losses on available-for-sale securities	7,960,108	
Total deductions	45,464,368	78,387,208
NET CLAIMANTS' EQUITY, END OF PERIOD	\$1,569,192,483	\$1,569,192,483

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

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2004**

	Three Months Ended 6/30/04	Six Months Ended 6/30/04
CASH INFLOWS:		
Investment income receipts	11,680,099	21,465,452
Net realized gains on available-for-sale securities		2,500,491
Decrease in deposits and other assets	66,544	1,860,360
Total cash inflows	11,746,643	25,826,303
CASH OUTFLOWS:		
Claim payments made	34,767,248	72,465,859
Contribution and indemnity claim payments	305,686	305,686
Total cash claim payments	35,072,934	72,771,545
Net realized losses on available-for-sale securities	194,885	
Disbursements for Trust operating expenses and income taxes	2,798,872	6,422,234
Total cash outflows	38,066,691	79,193,779
NET CASH (OUTFLOWS)	(26,320,048)	(53,367,476)
NON-CASH CHANGES:		
Net unrealized gains (losses) on available-for-sale securities	(7,765,224)	14,941,890
NET (DECREASE) IN CASH EQUIVALENTS AND INVESTMENTS AVAILABLE-FOR-SALE	(34,085,272)	(38,425,586)
CASH EQUIVALENTS AND INVESTMENTS AVAILABLE-FOR-SALE, BEGINNING OF PERIOD	1,641,513,538	1,645,853,852
CASH EQUIVALENTS AND INVESTMENTS AVAILABLE-FOR-SALE, END OF PERIOD	\$1,607,428,266	\$1,607,428,266

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

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2004 AND 2003**

(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 June 30, 2004 and 2003, the Trust has recorded all its investment securities at market value, as follows:

	2004		2003	
	Cost	Market	Cost	Market
Restricted				
Cash equivalents	\$4,109,338	\$ 4,109,338	\$4,148,764	\$4,148,764
U.S. Govt. obligations	7,448,456	7,246,376	10,389,978	10,438,570
Corporate and other debt	9,532,265	9,510,996	5,977,558	6,185,362
Equities – U.S.	37,397,946	51,578,914	43,438,712	46,733,369
Total	\$58.488.006	\$72.445.624	\$63.955.012	\$67.506.065
	2004		2003	
	Cost	Market	Cost	Market
Unrestricted				
Cash equivalents	\$67,625,362	\$67,625,362	\$107,154,777	\$107,154,777
U.S. Govt. obligations	273,074,129	270,795,571	235,300,630	241,486,205
Corporate and other debt	233,567,393	232,584,516	281,995,589	294,253,206
Equities – U.S.	840,602,647	865,335,268	943,914,129	826,149,730
Equities – International	92,271,050	98,641,925	92,461,080	77,637,523
Total	\$1.507.140.581	\$1.534.982.642	\$1.660.826.205	\$1.546.681.441

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 June 30, 2004, the fair value of these instruments was approximately \$8.8 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 June 30, 2004, the Trust held at market value approximately \$144.6 million in sell currency forward contracts offset by approximately \$145.2 million in buy currency forward contracts. The unrealized loss on these outstanding currency forward contracts of approximately \$0.6 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 June 30, 2004.

(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	\$ 962,596
Acquisition of computer hardware and software	1,974,133
Computer software development (e-Claims)	2,361,065
Leasehold improvements	72,965
Total	\$5,370,759

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 three and six months ended June 30, 2004 was approximately \$11,300 and 21,600, respectively.

Depreciation expense related to asset acquisitions using accounting principles generally accepted in the United States would have been approximately \$159,700 and \$317,700 for the three and six months ended June 30, 2004, 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 within two years of offer expiration.

(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 June 30, 2004, are as follows:

Calendar Year	Amount
2004	212,053
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	425,580
	\$4,731,170

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.

(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 \$49,300 and \$108,900 for the three and six months ended June 30, 2004, 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 June 30, 2004, securities with a market value of \$29.4 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 June 30, 2004 and 2003, the Trust has recorded a net deferred tax asset of \$297,500 and \$85,000, 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 6/30/04	As of 6/30/03
Claims filed	742,100	670,149
Withdrawn ⁽¹⁾	(71,093)	(41,618)
Expired offers ⁽²⁾	(10,170)	(35,304)
Active claims	660,837	593,227
Settled claims	(623,391)	(545,485)
Claims currently eligible for settlement	<u>37,446</u>	<u>47,742</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 June 30, 2004 and 2003, approximately 4,800 and 6,400 respectively, of the claims with expired offers are still eligible to accept their original offer with a payment value of \$12.7 million and \$18.2 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 THREE AND SIX MONTHS ENDED JUNE 30, 2004**

	Three Months Ended 6/30/04	Six Months Ended 6/30/04
INVESTMENT INCOME		
Interest	\$ 6,897,382	\$ 14,029,290
Dividends	4,569,704	8,731,892
Total investment income	11,467,086	22,761,182
Investment expenses	(648,040)	(1,336,676)
TOTAL	\$10,819,046	\$21,424,506

The accompanying notes are an integral part of this exhibit.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
CONSOLIDATED OPERATING EXPENSES
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2004**

	Three Months Ended 6/30/04	Six Months Ended 6/30/04
OPERATING EXPENSES:		
Personnel costs	\$1,100,446	\$2,204,630
Office general and administrative	160,013	354,013
Travel and meetings	33,253	76,787
Board of Trustees	109,196	208,132
Professional fees	409,629	582,231
Net fixed asset purchases	11,348	21,597
Computer and other EDP costs	110,172	223,212
TOTAL OPERATING EXPENSES	1,934,057	3,670,602
Income tax provision	1,285,242	3,010,142
TOTAL	\$3,219,299	\$6,680,744

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 JUNE 30, 2004**

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	608,403	\$27,352,552,043	
Reduction in Claim Value (2)		(25,161,979,893)	
Net Offer Amount	608,403	2,190,572,150	
Offers Accepted	(595,802)	(2,160,059,410)	<u>\$3,625</u>
Offers Accepted, Not Paid	2,197	5,872,933	
Unpaid Balance	14,798	36,385,673	
Total Trust Liquidated Claims	623,391	3,212,605,274	<u>\$5,153</u>
Manville Liquidated Claims Paid (3)	158	\$24,946,620	
Co-Defendant Liquidated Claims (4)			
Settlement Claim Value		\$86,187,220	
Investment Receipts (5)		2,624,732	
Payments, net of Receivable from Co-defendant		(88,811,952)	
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 QUARTER ENDED JUNE 30, 2004**

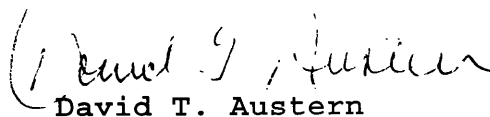
Exhibit III
Page 2 of 2

	Number	Amount	<u>Avg.</u> Payment Amount
Trust Liquidated Claims			
Post-Class Action Complaint After November 19, 1990- (1)			
Offers Outstanding as of March 31, 2004	14,688	\$38,513,274	
Net Offers Made (2)	9,657	26,284,427	
Offers Accepted	(11,744)	(34,284,961)	<u>\$2,919</u>
Offers Outstanding as of June 30, 2004	12,601	30,512,740	
Offers Accepted, Not Paid as of June 30, 2004	2,197	5,872,933	
Payable as of June 30, 2004	14,798	\$36,385,673	
Co-Defendant Liquidated Claims			
Payable as of March 31, 2004		\$0	
Settled		305,686	
Paid		(305,686)	
Payable as of June 30, 2004		\$0	

- (1) Under the TDP, Post Class Action Complaint claims have been reported at a pro rata percentage of their liquidated value.
- (2) Represents payment offers made during the period net of rejected and expired offers.

CERTIFICATE OF SERVICE

I, David T. Austern, hereby certify that on July 30, 2004, I caused a true and complete copy of the Financial Statements and Report of Manville Personal Injury Settlement Trust for the Period Ending June 30, 2004 Pursuant to Sections 3.02(d)(ii) 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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