

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 28, 2005

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
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 December 31, 2004, filed pursuant to Sections 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

For the year ended December 31, 2004, the Trust received new claim filings of 14,600. In contrast, in 2003, when law firms could file claims pursuant to either the 1995 or the 2002 Trust Distribution Process (TDP), claim filings were approximately 100,900. We attribute the comparatively low rate of claim filings in 2004 to three factors: 1) the more stringent exposure and medical criteria in the 2002 TDP and lower scheduled values for most non-malignant claims;

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2) the slow pace at which new asbestos trusts are being formed; and 3) the uncertainty surrounding national asbestos legislation. Other factors of which we are unaware may also be influencing the comparatively low claim filing rate.

During the year ended December 31, 2004, the Trust settled almost 42,600 claims for \$117.3 million compared to 85,600 claims for \$216.4 million during the same period in 2003. The average claim settlement value for the years ended December 31, 2004 and 2003 was \$2,770 and \$2,530, respectively. During 2004 the Trust resolved most of the remaining backlog of claims filed pursuant to the original 1995 TDP, as well as, many claims filed pursuant to the ongoing 2002 TDP. Of the over 10,000 claims that were both filed and resolved in 2004 pursuant to the 2002 TDP, malignancy claimants represented about 25% of the claimants, but received approximately 85% of the monies paid.

On December 31, 2004, the Trust had approximately 12,200 pending offers or denials, 15,700 expired claims and 10,800 claims in process. When combined with approximately 71,400 withdrawn claims (unsettled claims in which offers or deficiencies lapsed), on December 31, 2004 the Trust had a total claim population of 749,288 claims. The Trust has settled 639,000 claims for approximately \$3.4 billion.

FINANCIAL SUMMARY

Operating expenses for the years ended December 31, 2004 and 2003, excluding income taxes and net of \$434,600 in 2004 and \$343,500 income received by the Claims Resolution Management Corporation (CRMC), the Trust's operating facility, from services performed for other claims payors, were \$6.57 million and \$8.52 million, respectively. Operating expenses for 2004 represent a 23% reduction from 2003 operating costs and a 66% reduction from 2001 operating costs. Since implementation of the 1995 TDP, operating costs, excluding litigation and asset management expenses, have averaged 4.1% of total Trust expenditures.

The Trust is continuing its effort through CRMC, to develop income from data sales, claim processing for other entities, and consulting services using its experience and state of the art systems to increase the assets available for payment to the Trust's beneficiaries by offsetting overall claims processing costs.

ASSET AND LIABILITY MANAGEMENT

For the years ended December 31, 2004 and December 31, 2003, the Trust's total return on investment was approximately 9.0% and 19.2%, respectively. The total return during the same periods on the Trust's equity investments was approximately 12.5% and 31.4%, respectively. By way of comparison, the Russell 3000 index, a broad index of U.S. stocks, returned 12.0% and 31.1% during 2004 and 2003, respectively. In contrast, the total return on fixed income investments for these years was little changed, 2.8% in 2004 versus 3.3% in 2003.

As of December 31, 2004, the market value of Trust investments, including accrued interest and dividends, was approximately \$1,668 million, of which approximately \$1,102 million (66%) was in diversified equities, \$550 million (33%) in fixed income securities and the remaining \$16 million (1%) in cash equivalents. For the full year 2004, despite \$123 million in claim payments and \$14 million in other disbursements (expenses, income taxes and net realized losses), the Trust's investments increased by nearly \$17 million as cash inflows of \$58 million, principally from investment receipts, combined with over \$95 million in net unrealized gains on investments, more than offset the aforementioned cash outflows.

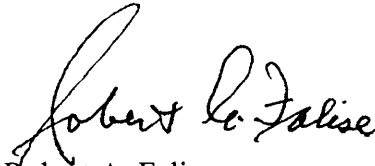
Claim payments declined throughout 2004 as the large backlog of unresolved claims filed pursuant to the original, 1995 TDP were settled and paid. Based on the 2004 average rate of about 1,200 claim filings per month with an average liquidated value of about \$67,000 per claim, future monthly claim payments would average about \$4 million per month or \$50 million on an annualized basis in 2005, less than 40% of what was paid in 2004. However, this assumes among other things, a continuation of the relatively low rate of claim filing and that the pro rata payment percentage, currently 5%, remains unchanged. Every 1% increase in the pro rata payment percentage, such as from 5% to 6%, requires about \$112 million payment to claimants who previously settled at 5%. Therefore, the amount of claims paid in 2005 will be largely determined by the results of the re-estimate of the pro rata payment percentage.

In that regard, the Trust has retained Tillinghast, a business unit of the consulting and actuarial firm Towers Perrin, to provide new future claim projections. The Trust expects the new projections will be finished by the end of March and the re-estimate of pro rata payment

Honorable Jack B. Weinstein
Honorable Burton R. Lifland
February 28, 2005
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percentage available shortly thereafter. Implementation of any change in the percentage is dependent upon the consent of Selected Counsel for the Beneficiaries and the Representative for Future Claimants.

Yours very truly,

A handwritten signature in black ink, reading "Robert A. Falise". The signature is written in a cursive style with a large, looping initial "R".

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, 2004
PURSUANT TO SECTIONS 3.02(d)(i) and (iii)
OF THE TRUST AGREEMENT

The attached Financial Statements for the Period Ending
December 31, 2004 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 28, 2005

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, 2004 and 2003 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, 2004 and 2003, and the related statements of changes in net claimants' equity and cash flows for the years then ended. These special-purpose consolidated financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these special-purpose consolidated financial statements 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and 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 have been 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, 2004 and 2003, present fairly, in all material respects, the information set forth therein 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

February 11, 2005

MANVILLE PERSONAL INJURY SETTLEMENT TRUST
CONSOLIDATED STATEMENTS OF NET CLAIMANTS' EQUITY
AS OF DECEMBER 31, 2004 AND 2003

	2004	2003
ASSETS:		
Cash equivalents and investments (Note 2)		
Available-for-sale		
Restricted (Note 7)	\$74,765,551	\$71,355,014
Unrestricted	1,587,812,212	1,574,498,838
Total cash equivalents and investments	1,662,577,763	1,645,853,852
Accrued interest and dividends receivable	5,591,318	6,062,666
Deposits and other assets	673,439	2,407,299
Total assets	1,668,842,520	1,654,323,817
LIABILITIES:		
Accrued expenses	3,503,820	3,429,090
Deferred income taxes	18,062,100	
Unpaid claims (Notes 3, 5 and Exh. III)		
Outstanding Offers - Post Class Action	15,471,046	58,240,374
Settled, not paid - Post Class Action	1,197,997	6,343,653
Lease commitments payable (Note 4)	4,519,117	4,922,420
Total liabilities	42,754,080	72,935,537
NET CLAIMANTS' EQUITY (Note 5)	\$1,626,088,440	\$1,581,388,280

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, 2004 AND 2003

	2004	2003
NET CLAIMANTS' EQUITY, BEGINNING OF PERIOD	\$1,581,388,280	\$1,544,226,919
ADDITIONS TO NET CLAIMANTS' EQUITY:		
Investment income (Exhibit I)	46,315,820	44,521,936
Decrease in lease commitments payable (Note 4)	403,303	
Net decrease in outstanding claim offers	42,769,328	
Return of contribution claim (Note 10)	10,000,000	
Net realized and unrealized gains on available-for-sale securities, net of deferred income taxes (Note 8)	76,362,225	234,760,871
Total additions	175,850,676	279,282,807
DEDUCTIONS FROM NET CLAIMANTS' EQUITY:		
Operating expenses (Exhibit II)	7,002,481	8,867,995
Provision for income taxes	5,724,620	3,486,300
Claims settled	117,877,144	215,957,110
Contribution and indemnity claims settled	546,271	889,361
Increase in lease commitments payable (Note 4)		4,256,306
Net increase in outstanding claim offers		8,664,374
Total deductions	131,150,516	242,121,446
NET CLAIMANTS' EQUITY, END OF PERIOD	\$1,626,088,440	\$1,581,388,280

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, 2004 AND 2003**

	2004	2003
CASH INFLOWS:		
Investment income receipts	\$46,763,338	\$44,508,760
Return of contribution claim (Note 10)	10,000,000	
Decrease in deposits and other assets	1,733,860	1,942,557
Total cash inflows	58,497,198	46,451,317
CASH OUTFLOWS:		
Claim payments made	123,022,800	230,654,205
Contribution and indemnity claim payments	546,271	889,360
Total cash claim payments	123,569,071	231,543,565
Net realized losses on available-for-sale securities	1,084,057	14,040,017
Disbursements for Trust operating expenses and income taxes paid	12,628,541	11,306,836
Total cash outflows	137,281,669	256,890,418
NET CASH (OUTFLOWS)	(78,784,471)	(210,439,101)
NON-CASH CHANGES:		
Net unrealized gains on available-for-sale securities	95,508,382	248,800,888
NET INCREASE IN CASH EQUIVALENTS AND INVESTMENTS AVAILABLE-FOR-SALE	16,723,911	38,361,787
CASH EQUIVALENTS AND INVESTMENTS AVAILABLE-FOR-SALE, BEGINNING OF PERIOD	1,645,853,852	1,607,492,065
CASH EQUIVALENTS AND INVESTMENTS AVAILABLE-FOR-SALE, END OF PERIOD	\$1,662,577,763	\$1,645,853,852

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, 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 and subsequently relocated to Falls Church, 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 combined and recorded 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, 2004 and 2003, the Trust has recorded all of its investment securities at market value, as follows:

	2004		2003	
	Cost	Market	Cost	Market
Restricted				
Cash equivalents	\$2,710,682	\$ 2,710,682	\$4,816,526	\$4,816,526
U.S. Govt. obligations	9,810,586	9,712,425	7,577,826	7,481,525
Corporate and other debt	8,805,176	8,723,479	8,423,471	8,541,621
Equities – U.S.	34,893,738	53,618,965	38,639,895	50,515,342
Total	\$56,220,182	\$74,765,551	\$59,457,718	\$71,355,014
	2004		2003	
	Cost	Market	Cost	Market
Unrestricted				
Cash equivalents	\$27,355,740	\$27,355,740	\$48,958,178	\$48,958,178
U.S. Govt. obligations	264,212,775	264,137,119	260,999,093	262,752,451
Corporate and other debt	249,551,033	249,026,535	286,183,997	291,486,181
Equities – U.S.	852,903,194	938,289,180	872,269,116	877,605,600
Equities – International	89,968,665	109,003,638	91,127,959	93,696,428
Total	\$1,483,991,407	\$1,587,812,212	\$1,559,538,343	\$1,574,498,838

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	\$16,336,062	\$ 112,598,958	\$ 44,099,961	\$ 100,814,563
Corporate and other debt	16,628,276	119,134,677	59,565,375	62,421,686
Total	\$32,964,338	\$ 231,733,635	\$103,665,336	\$ 163,236,249

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, 2004, the fair value of these instruments was approximately \$11.7 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, 2004, the Trust held \$53.0 million in net foreign currency forward contracts. The unrealized loss on these outstanding currency forward contracts of approximately \$1.3 million is offset by corresponding unrealized gain due to currency exchange on the underlying securities being hedged. These net amounts are recorded in the statement of net claimants' equity at December 31, 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	\$ 963,540
Acquisition of computer hardware and software	2,009,445
Computer software development (e-Claims)	2,361,065
Leasehold improvements	74,890
Total	\$5,408,940

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, 2004 and 2003 was approximately \$57,900 and \$252,600, respectively.

Total depreciation expense related to asset acquisitions using accounting principles generally accepted in the United States would have been approximately \$641,200 and \$646,000 for the years ended December 31, 2004 and 2003, 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 settled, but unpaid 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 on 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 in Fairfax Virginia and signed 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 (September 2010) 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, 2004, are as follows:

Calendar Year	Amount
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
	\$4,519,117

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) and based upon the increase in the number of claims being filed with the Trust, 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. In the event a new higher pro rata share is agreed to, the Trust is obligated to make, as cash is available, a subsequent additional pro rata payment to all Trust beneficiaries with liquidated claims whose previous cumulative pro rata share was less than the existing or the new higher pro rata share.

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 provides more stringent exposure requirements and medical criteria and changes the 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. Based on the claims filed through December 31, 2004, the Trust believes it has adequate information to re-estimate the pro rata percentage payment. The re-estimate is expected to be completed during in the first half of 2005. Pending the re-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 \$202,600 and \$202,600 for the years ended December 31, 2004 and 2003, 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 additional 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. Also, 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.

Additionally, as a condition of the tax agreement between JM and the Trust discussed in Note 8, 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, 2004, securities with a market value of \$31.8 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 to facilitate the sale of JM to a third party, JM paid the Trust \$90 million to settle the JM 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 and established an escrow fund to secure such indemnification. The statutory income tax rate for the DSF is 15%, as set forth in the TRA of 1986.

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, 2004, the Trust has recorded a net deferred tax liability of \$18.1 million, from net unrealized gains on available-for-sale securities. For the year ended December 31, 2003, no deferred income taxes were reported on unrealized gains at year end. As of December 31, 2004 and 2003, the Trust recorded net deferred tax assets of \$348,600 and \$297,500, representing temporary differences primarily due to expensing asset

acquisitions for financial reporting purposes, accrued vacation and deferred compensation. The deferred tax assets are included in other assets in the accompanying consolidated statement of net claimants' equity.

(9) PROOF OF CLAIM FORMS FILED

Proof of claim forms filed as December 31, 2004 and 2003 with the Trust are as follows:

	<u>2004</u>	<u>2003</u>
Claims filed	749,288	692,566
Withdrawn ⁽¹⁾	(71,462)	(25,432)
Expired offers ⁽²⁾	(15,705)	(5,052)
Active claims	662,121	662,082
Settled claims	(639,145)	(596,533)
Claims currently eligible for settlement	22,976	65,549

- (1) Principally claims that have received a denial notification and the claim is 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, 2004 and 2003, approximately 6,900 and 4,900 respectively, of the claims with expired offers are still eligible to accept their original offer with a payment value of \$15.7 million and \$13.7 million, respectively. All claims with expired offers may also be reactivated upon written request by the claimant and be eligible for a new offer at the end of the FIFO queue.

(10) MACARTHUR FUND PRINCIPLES

The 1995 TDP established a separate fund of \$10 million to be available to pay legal fees and expenses of outside counsel of the MacArthur Group in its claims or litigation against current and/or former insurance companies. The MacArthur Group alleged that they were entitled to further insurance coverage for asbestos related losses. If such insurance litigation was successful, then the Trust would be entitled to reimbursement for the amount of funds expended plus interest. Upon the conclusion of successful litigation in 2004, the Trust received \$10 million plus interest of \$2.4 million. The recovery of the \$10 million was recorded as an addition to Net Claimant's Equity and the interest was recorded as interest income.

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, 2004 AND 2003**

	2004	2003
INVESTMENT INCOME		
Interest (Note 10)	\$ 29,553,197	\$ 30,525,821
Dividends	19,307,620	16,601,445
Total investment income	48,860,817	47,127,266
Investment expenses	(2,544,997)	(2,605,330)
TOTAL	\$46,315,820	\$44,521,936

The accompanying notes are an integral part of this exhibit.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
CONSOLIDATED OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	2004	2003
OPERATING EXPENSES:		
Personnel costs	\$4,424,442	\$5,378,080
Office general and administrative	718,371	808,057
Travel and meetings	139,405	179,231
Board of Trustees	408,131	382,017
Professional fees	822,709	1,424,284
Net fixed asset purchases	57,854	252,569
Computer and other EDP costs	431,569	443,757
TOTAL OPERATING EXPENSES	\$7,002,481	\$8,867,995

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, 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	616,428	\$27,951,261,970	
Reduction in Claim Value (2)		(25,729,910,841)	
Net Offer Amount	616,428	2,221,351,129	
Offers Accepted	(611,556)	(2,205,880,083)	<u>\$3,607</u>
Offers Accepted, Not Paid	515	1,197,997	
Unpaid Balance	5,387	16,669,043	
Total Trust Liquidated Claims	639,145	\$3,258,425,947	<u>\$5,098</u>
Manville Liquidated Claims Paid (3)	158	\$24,946,620	
Co-Defendant Liquidated Claims (4)			
Settlement Claim Value		\$88,477,805	
Investment Receipts (5)		2,624,732	
Payments, Net of Returned Settlement (6)		(91,102,537)	
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.
- (6) Per the terms of the MacArthur Fund Principles of the 1995 TDP, upon successful insurance litigation, the MacArthur Group returned \$10 million plus the change in value (Note 10).

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, 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 December 31, 2003	24,007	\$58,240,374	
Net Offers Made (2)	23,477	75,107,816	
Offers Accepted	(42,612)	(117,877,144)	<u>\$2,766</u>
Offers Outstanding as of December 31, 2004	4,872	15,471,046	
Offers Accepted, Not Paid as of Dec. 31, 2004	515	1,197,997	
Payable as of December 31, 2004	5,387	\$16,669,043	
Co-Defendant Liquidated Claims (3)			
Payable as of December 31, 2003		\$0	
Settled		546,271	
Paid		(546,271)	
Payable as of December 31, 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.
- (3) Settled and paid amounts exclude the \$10 million received from the MacArthur Group (Note 10)

CERTIFICATE OF SERVICE

I, David T. Austern, hereby certify that on February 28, 2005, I caused a true and complete copy of the Financial Statements and Report of The Manville Personal Injury Settlement Trust for the Period Ending December 31, 2004 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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