

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

TRUSTEES:

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

Louis Klein, Jr., Esquire
Stamford, Connecticut

Frank J. Macchiarola, Esquire
Brooklyn, New York

April 30, 2007

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 March 31, 2007, filed pursuant to Sections 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 first quarter 2007, the Trust received approximately 4,100 new claim filings with the malignant population accounting for 31% compared to approximately 2,700 for the same period of 2006 with a malignant population of 40%.

During the first quarter of 2007, the Trust settled approximately 3,400 claims for \$14.9 million compared to approximately 3,100 claim settlements for \$14.6 million during the same period of 2006. In 2007, approximately 87% of the amount of all claim payments went to claimants diagnosed with a malignancy disease compared to 88% for the first quarter of 2006.

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The average claim settlement amount in 2007 and 2006 was approximately \$4,300 and \$4,600, respectively.

On March 31, 2007, the Trust had 3,105 claims pending claimant response to an outstanding offer or denial, 5,119 claims for which the 360 day offer or denial response period had expired (but which could still be reactivated without refiling the claim), 12,535 claims in process and 675,640 settled claims. When combined with 85,950 withdrawn claims (unsettled claims for which offers were not accepted or deficiencies not cured within a period of two years, for which refiling would be required), as of March 31, 2007 the Trust had received 782,349 claims and had made total claim payments of approximately \$3.4 billion. Nevertheless, Trust asset management has resulted in Net Claimants' Equity being almost the same (\$1.8 billion) as when the Trust was established.

FINANCIAL SUMMARY

Net operating expenses for the quarter ended March 31, 2007 and 2006 were \$1.56 million and \$1.63 million, respectively, a reduction of approximately \$70,000. Operating expenses are net of Other Income of \$137,000 for the quarter ended March 31, 2007 compared to \$90,000 for the same period in 2006. Other Income received by the Claims Resolution Management Corporation ("CRMC") is for providing claim processing and consulting services to other claims processing entities and licensing Trust data. The Trustees are exploring opportunities for consolidating CRMC's operations with other claims facilities in order to achieve greater efficiencies. Other Income received by the CRMC is used to reduce the overall processing costs of the Trust.

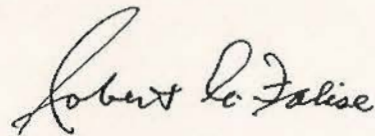
During the quarter ended March 31, 2007, Net Claimants' Equity increased by approximately \$7.7 million. Though the Trust paid approximately \$14.9 million in claims, investment income, net of investment expenses, added \$28.7 million in value, before current income taxes. The Trust recorded \$12.7 million in interest and dividends and over \$16.5 million in net realized and unrealized gains.

ASSET MANAGEMENT

For the three months ended March 31, 2007 and March 31, 2006, the Trust's total investment returns were approximately 1.7% and 3.9%, respectively. The total returns during the same periods on the Trust's equity investments were approximately 1.7% and 6.1%, respectively. By way of comparison, the Russell 3000 index, a broad index of U.S. stocks, returned about 1.3% and 5.3% during the first quarters of 2007 and 2006, respectively. The total return on fixed income investments including cash equivalents was 1.5% in the first quarter of 2007 versus 0.3% in the first quarter of 2006.

As of March 31, 2007, the market value of the Trust's investments, including accrued interest and dividends, was approximately \$1,813 million, of which approximately \$1,185 million (65%) was in diversified equities, \$573 million (32%) in fixed income securities and the remaining \$55 million (3%) in cash equivalents.

Yours very truly,

A handwritten signature in cursive script that reads "Robert A. Falise".

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 MARCH 30, 2007
PURSUANT TO SECTIONS 3.02(d)(ii) and (iii)
OF THE TRUST AGREEMENT

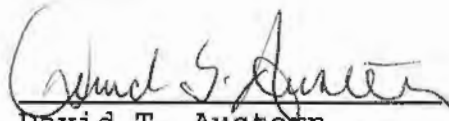
Sections 3.02(d)(ii) and (iii) of the Trust Agreement provide that the Trustees shall prepare and file with the Court within 30 days following the end of each of the first three quarters of each Fiscal Year a quarterly report containing certified financial statements and a summary of certain additional 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 January 1, 2007 through March 31, 2007 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

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

Dated: April 30, 2007
Falls Church, VA

CERTIFICATE OF SERVICE

I, David T. Austern, hereby certify that on April 30, 2007, I caused a true and complete copy of the Financial Statements for the Period Ending March 31, 2007 pursuant to Sections 3.02(d)(ii) and (iii) of the Manville Personal Injury Settlement Trust Agreement to be served by first class mail, postage prepaid, to the entities named on the service list annexed hereto.

A handwritten signature in cursive script, appearing to read "David T. Austern", written over a horizontal line.

David T. Austern

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MANVILLE PERSONAL INJURY SETTLEMENT TRUST

**Special-Purpose Consolidated Financial Statements
As of March 31, 2007 and 2006**

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 March 31, 2007 and 2006 and the consolidated changes in net claimants' equity and cash flows for the three months ended March 31, 2007 and 2006 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 MARCH 31, 2007 AND 2006**

| | 2007 | 2006 |
|---|------------------------|------------------------|
| ASSETS: | | |
| Cash equivalents and investments (Note 2) | | |
| Available-for-sale | | |
| Restricted (Note 7) | \$54,200,000 | \$53,500,000 |
| Unrestricted | 1,752,851,299 | 1,659,672,146 |
| Total cash equivalents and investments | 1,807,051,299 | 1,713,172,146 |
| Accrued interest and dividend receivables | 6,444,960 | 6,515,137 |
| Deposits and other assets | 562,078 | 528,609 |
| | | |
| Total assets | 1,814,058,337 | 1,720,215,892 |
| LIABILITIES: | | |
| Accrued expenses | 7,355,636 | 5,317,690 |
| Deferred income taxes (Note 8) | 44,201,000 | 30,343,000 |
| Unpaid claims (Notes 3, 5 and Exh. III) | | |
| Outstanding Offers | 8,598,966 | 9,053,378 |
| Settled, not paid | 1,223,855 | 1,546,521 |
| Lease commitments payable (Note 4) | 3,447,930 | 3,931,189 |
| | | |
| Total liabilities | 64,827,387 | 50,191,778 |
| NET CLAIMANTS' EQUITY (Note 5) | \$1,749,230,950 | \$1,670,024,114 |

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 MONTHS ENDED MARCH 31, 2007 AND 2006**

| | 2007 | 2006 |
|---|------------------------|------------------------|
| NET CLAIMANTS' EQUITY, BEGINNING OF PERIOD | \$1,741,502,894 | \$1,631,697,081 |
| ADDITIONS TO NET CLAIMANTS' EQUITY: | | |
| Investment income (Exhibit I) | 28,737,091 | 56,317,609 |
| Decrease in lease commitments payable (Note 4) | 122,307 | 119,323 |
| Net decrease in outstanding claim offers | | 336,743 |
| Total additions | 28,859,398 | 56,773,675 |
| DEDUCTIONS FROM NET CLAIMANTS' EQUITY: | | |
| Net operating expenses (Exhibit II) | 1,556,499 | 1,626,183 |
| Provision for income taxes | 3,512,000 | 1,701,000 |
| Claims settled | 14,911,544 | 14,569,094 |
| Net increase in outstanding claim offers | 1,151,299 | |
| Contribution and indemnity claims settled | | 550,365 |
| Total deductions | 21,131,342 | 18,446,642 |
| NET CLAIMANTS' EQUITY, END OF PERIOD | \$1,749,230,950 | \$1,670,024,114 |

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

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006**

| | 2007 | 2006 |
|---|-----------------|-----------------|
| CASH INFLOWS: | | |
| Investment income receipts | \$12,025,059 | \$10,536,137 |
| Net realized gains on available-for-sale securities | 12,865,319 | 1,556,560 |
| Decrease in deposits and other assets | 123,174 | |
| Total cash inflows | 25,013,552 | 12,092,697 |
| CASH OUTFLOWS: | | |
| Claim payments made | 14,604,790 | 13,764,734 |
| Contribution and indemnity claim payments | | 550,365 |
| Total cash claim payments | 14,604,790 | 14,315,099 |
| Increase in deposits and other assets | | 2,443 |
| Disbursements for Trust operating expenses and income taxes paid | 2,948,534 | 1,986,767 |
| Total cash outflows | 17,553,324 | 16,304,309 |
| NET CASH OUTFLOWS | 7,460,228 | (4,211,612) |
| NON-CASH CHANGES: | | |
| Net unrealized gains on available- for-sale securities | 4,335,489 | 50,905,934 |
| NET INCREASE IN CASH EQUIVALENTS AND INVESTMENTS AVAILABLE-FOR-SALE | 11,795,717 | 46,694,322 |
| CASH EQUIVALENTS AND INVESTMENTS AVAILABLE-FOR-SALE, BEGINNING OF PERIOD | 1,795,255,582 | 1,666,477,824 |
| CASH EQUIVALENTS AND INVESTMENTS AVAILABLE-FOR-SALE, END OF PERIOD | \$1,807,051,299 | \$1,713,172,146 |

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, 2007 AND 2006**

(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 intercompany balances and 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 consolidated 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 consolidated statements of changes in net claimants' equity. Realized and unrealized gains and losses on available-for-sale securities are combined and recorded on the consolidated 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 consolidated 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.

Certain amounts in the 2006 financial statements have been reclassified to conform to the 2007 presentation. These reclassifications have no effect on the previously recorded balance of net claimants' equity.

(b) **Cash Equivalents and Investments**

At March 31, 2007 and 2006, the Trust has recorded all of its investment securities at market value, as follows:

| | 2007 | | 2006 | |
|--------------------------|------------------------|------------------------|------------------------|------------------------|
| | Cost | Market | Cost | Market |
| Restricted | | | | |
| Cash equivalents | \$943,358 | \$ 943,358 | \$2,149,430 | \$ 2,149,430 |
| U.S. Govt. obligations | 19,500,708 | 19,551,338 | 14,400,747 | 14,292,588 |
| Corporate and other debt | 2,358,622 | 2,344,256 | 5,359,925 | 5,260,329 |
| Equities – U.S. | <u>18,049,668</u> | <u>31,361,048</u> | <u>6,539,578</u> | <u>31,797,653</u> |
| Total | <u>\$40,852,356</u> | <u>\$54,200,000</u> | <u>\$28,449,680</u> | <u>\$53,500,000</u> |
| Unrestricted | | | | |
| Cash equivalents | \$66,092,946 | \$66,092,946 | \$59,221,407 | \$59,221,407 |
| U.S. Govt. obligations | 248,962,243 | 247,453,873 | 251,036,362 | 245,441,203 |
| Corporate and other debt | 288,930,617 | 287,653,012 | 290,653,113 | 283,453,219 |
| Equities – U.S. | 784,514,696 | 1,011,281,534 | 800,665,557 | 951,713,026 |
| Equities – International | <u>83,027,810</u> | <u>140,369,934</u> | <u>80,859,806</u> | <u>119,843,291</u> |
| Total | <u>\$1,471,528,312</u> | <u>\$1,752,851,299</u> | <u>\$1,482,436,245</u> | <u>\$1,659,672,146</u> |

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 March 31, 2007, the fair value of these instruments was approximately \$13.7 million and was included in investments available-for-sale on the consolidated 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 March 31, 2007, the Trust held \$69.9 million in net foreign currency forward contracts. The unrealized loss on these outstanding currency forward contracts of approximately \$0.8 million is offset by an equal unrealized gain due to currency exchange on the underlying international securities. These net amounts are recorded in the consolidated statement of net claimants' equity at March 31, 2007.

(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 | \$ 341,600 |
| Acquisition of computer hardware and software | 791,100 |
| Computer software development (e-Claims) | <u>2,361,100</u> |
| Total | <u>\$3,493,800</u> |

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 months ended March 31, 2007 and 2006 was approximately \$5,200 and \$0, respectively.

Total depreciation expense related to asset acquisitions using accounting principles generally accepted in the United States would have been approximately \$134,700 and \$138,200 for the three months ended March 31, 2007 and 2006, 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 Trust Distribution Process (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

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 March 31, 2007, are as follows:

| <u>Calendar Year</u> | <u>Amount</u> |
|----------------------|--------------------|
| 2007 | \$ 369,994 |
| 2008 | 504,638 |
| 2009 | 517,198 |
| 2010 | 530,115 |
| 2011 | 543,388 |
| 2012 | 557,017 |
| 2013 | <u>425,580</u> |
| | <u>\$3,447,930</u> |

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 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 and the Trust implemented the TDP payment procedures effective February 21, 1995.

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 referred to as the "2002 TDP". The 2002 TDP principally changes the categorization criteria and scheduled values for the scheduled diseases.

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 pro rata percentage was changed in June 2001 when the pro rata percentage was reduced from 10% to 5%. The most recent estimate began in 2005 and was concluded in March 2006. Following 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 with concurrence of the SCB and the Legal Representative, the Trust will continue to make offers and pay claims based upon a 5% pro rata payment percentage. The Trust will periodically update its estimate of the pro rata payment percentage based on updated assumptions regarding its future assets and liabilities and, if appropriate, propose 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 \$56,700 and \$55,500 for the three months ended March 31, 2007 and 2006, 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 March 31, 2007, securities with a market value of \$39.6 million were held by an escrow agent, of which \$11.2 million is reported as restricted in accordance with the agreement.

(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 a New York domiciled trust, the Trust is not subject to state income taxes. CRMC is subject to federal and Virginia corporate income taxes, its state of residence.

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 March 31, 2007 and 2006, the Trust has recorded a net deferred tax liability of approximately \$44.2 million and \$30.3 million, respectively from net unrealized gains on available-for-sale securities. As of March 31, 2007 and 2006, the Trust recorded net deferred tax assets of \$345,200 and \$319,500, 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. As of March 31, 2007 and 2006, the Trust has income taxes payable of \$3.5 million and \$1.7 million, respectively. These amounts are included with accrued expenses on the consolidated statements of net claimants' equity.

(9) PROOF OF CLAIM FORMS FILED

Proof of claim forms filed as March 31, 2007 and 2006 with the Trust are as follows:

| | <u>2007</u> | <u>2006</u> |
|--|------------------|------------------|
| Claims filed | 782,349 | 770,357 |
| Withdrawn ⁽¹⁾ | (85,950) | (73,638) |
| Expired offers ⁽²⁾ | <u>(5,119)</u> | <u>(16,419)</u> |
| Active claims | 691,280 | 680,290 |
| Settled claims | <u>(675,644)</u> | <u>(663,121)</u> |
| Claims currently eligible for settlement | <u>15,636</u> | <u>17,169</u> |

- (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 March 31, 2007 and 2006, approximately 1,660 and 6,100 respectively, of the claims with expired offers are still eligible to accept their original offer with a payment value of \$4.0 million and \$17.0 million, respectively. All claims with expired offers 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 MONTHS ENDED MARCH 31, 2007 AND 2006**

| | <u>2007</u> | <u>2006</u> |
|--|-----------------------------|-----------------------------|
| INVESTMENT INCOME | | |
| Interest | \$ 6,788,793 | \$ 7,145,981 |
| Dividends | 5,959,772 | 4,992,873 |
| Total interest and dividends | <u>12,748,565</u> | <u>12,138,854</u> |
| Net realized gains | 12,865,319 | 1,556,560 |
| Net unrealized gains, net of the change in deferred income taxes (Note 8) | 3,684,489 | 43,269,934 |
| Investment expenses | <u>(561,282)</u> | <u>(647,739)</u> |
| TOTAL INVESTMENT INCOME | <u><u>\$ 28,737,091</u></u> | <u><u>\$ 56,317,609</u></u> |

The accompanying notes are an integral part of this exhibit.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
CONSOLIDATED NET OPERATING EXPENSES
FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006**

| | <u>2007</u> | <u>2006</u> |
|-------------------------------------|----------------------------|----------------------------|
| NET OPERATING EXPENSES: | | |
| Personnel costs | \$ 1,024,894 | \$ 1,003,602 |
| Office general and administrative | 201,918 | 176,610 |
| Travel and meetings | 16,536 | 13,343 |
| Board of Trustees | 215,730 | 139,309 |
| Professional fees | 159,227 | 311,495 |
| Net fixed asset purchases | 5,234 | - |
| Computer and other EDP costs | 70,416 | 71,954 |
| Other income | <u>(137,456)</u> | <u>(90,130)</u> |
| TOTAL NET OPERATING EXPENSES | <u>\$ 1,556,499</u> | <u>\$ 1,626,183</u> |

MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SCHEDULE OF LIQUIDATED CLAIMS
SINCE CONSUMMATION (NOVEMBER 28, 1988)
THROUGH MARCH 31, 2007

Exhibit III
Page 1 of 2

| | <u>Number</u> | <u>Amount</u> | | <u>Average Payment Amount</u> |
|---|-----------------------|-----------------------------|--|---------------------------------------|
| <u>Trust Liquidated Claims</u> | | | | |
| Pre-Class Action Complaint November 19, 1990 and Before- | | | | |
| Full Liquidated Claim Value | 27,590 | \$1,187,852,399 | | |
| Present Value Discount (1) | | <u>(135,306,535)</u> | | |
| Net Settlements | <u>27,590</u> | <u>1,052,545,864</u> | | |
| Payments | <u>(27,590)</u> | <u>(1,052,545,864)</u> | | <u>\$38,150</u> |
| Unpaid Balance | <u>0</u> | <u>\$0</u> | | |
| | | | | |
| Post-Class Action Complaint After November 19, 1990- | | | | |
| Offers Made at Full Liquidated Amount | 650,428 | \$30,480,467,890 | | |
| Reduction in Claim Value (2) | | <u>(28,127,317,882)</u> | | |
| Net Offer Amount | <u>650,428</u> | <u>2,353,150,008</u> | | |
| Offers Accepted | <u>(648,054)</u> | <u>(2,344,551,043)</u> | | <u>\$3,618</u> |
| Offers Accepted, Not Paid | <u>332</u> | <u>1,223,855</u> | | |
| Unpaid Balance | <u>2,706</u> | <u>9,822,821</u> | | |
| | | | | |
| Total Trust Liquidated Claims | <u><u>675,644</u></u> | <u><u>3,397,096,907</u></u> | | <u><u>\$5,028</u></u> |
| | | | | |
| <u>Manville Liquidated Claims Paid (3)</u> | <u>158</u> | <u>\$24,946,620</u> | | |
| | | | | |
| <u>Co-Defendant Liquidated Claims (4)</u> | | | | |
| Settlement Claim Value | | \$89,248,977 | | |
| Investment Receipts (5) | | 2,624,732 | | |
| Payments, Net of Returned Settlement (6) | | <u>(91,873,709)</u> | | |
| Unpaid Balance | | <u>\$0</u> | | |

- (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.

The accompanying notes are an integral part of this exhibit.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SCHEDULE OF LIQUIDATED CLAIMS
FOR THE THREE MONTHS ENDED MARCH 31, 2007**

Exhibit III
Page 2 of 2

| <u>Trust Liquidated Claims</u> | <u>Number</u> | <u>Amount</u> | <u>Average Payment Amount</u> |
|--|----------------|---------------------|---------------------------------------|
| Post-Class Action Complaint After November 19, 1990 (1) | | | |
| Offers Outstanding as of December 31, 2006 | 2,031 | \$7,447,667 | |
| Net Offers Made (2) | 3,774 | 16,062,842 | |
| Offers Accepted | <u>(3,431)</u> | <u>(14,911,544)</u> | <u>\$4,346</u> |
| Offers Outstanding as of March 31, 2007 | 2,374 | 8,598,966 | |
| Offers Accepted, Not Paid as of Mar. 31, 2007 | <u>332</u> | <u>1,223,855</u> | |
| Payable as of March 31, 2007 | <u>2,706</u> | <u>\$9,822,821</u> | |
| <u>Co-Defendant Liquidated Claims</u> | | | |
| Payable as of December 31, 2006 | | \$0 | |
| Settled | | 0 | |
| Paid | | <u>0</u> | |
| Payable as of March 31, 2007 | | <u>\$0</u> | |

- (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.

The accompanying notes are an integral part of this exhibit.