

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

TRUSTEES:

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

Louis Klein, Jr., Esquire
Stamford, Connecticut

Frank J. Macchiarola, Esquire
Brooklyn, New York

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

April 30, 2004

BY FEDERAL EXPRESS

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

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

Dear Judge Weinstein and Judge Lifland:

Enclosed are chambers' copies of the Financial Statements and Report of the Manville Personal Injury Settlement Trust ("the Trust"), for the quarter ending March 31, 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 first three months of 2004, the Trust received 4,000 new claim filings pursuant to the new 2002 Trust Distribution Process ("TDP") compared to approximately 18,000 filed under the 1995 TDP during the same period of 2003, and the Trust settled over 15,100 claims in the quarter compared to 15,700 in last year's first quarter. Although claim filings under the TDP have been mandatory for only six months, it is our belief that the significant decline in claim filings is partly due to the more stringent exposure and medical criteria defined in the TDP and

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lower scheduled values for almost all non-malignancy claims. It is unclear, however, whether the reduced rate of filings will continue or whether the rate will increase after law firms that represent Trust claimants adapt to the new criteria in the TDP.

During the past two years, the Trust has made a substantial investment in the establishment of an effective and efficient e-Claims system that has reduced its per claim costs and CRMC's staff from over 80 to 38 as claim volume escalated, enabling CRMC to process over 100,000 claims last year. Although significant progress has been made in reducing CRMC's operating costs, substantial further reductions are limited because a minimum core investment in staffing, information technology and overhead is necessary to support claims processing. Therefore, if the current lower rate of filings continues, the Trust will have to increase significantly the amount of external income generated by its Claims Resolution Management Corporation ("CRMC") to reduce its operating costs per claim. The Trustees are confident that CRMC's e-Claims system is the best-established method to handle large numbers of claims, and the over 80 law firms representing over 80% of all claims filed in 2003 and 2004 using the system agree. The Trustees also believe that CRMC will have several opportunities to efficiently process claims of emerging asbestos trusts under shared conditions.

At the end of the first quarter, the Trust had approximately 32,000 pending offers or denials and 15,000 claims in process. When combined with approximately 70,000 withdrawn claims (inactive, unsettled claims in which offers or deficiencies lapsed), the Trust, on March 31, 2004, had a total claim population of just over 738,700 claims. The Trust has settled approximately 611,000 claims for a total of \$3.3 billion, of which approximately 13,000 claims were valued and paid \$109.2 million under the 2002 TDP and approximately \$88 million was paid to co-defendants.

FINANCIAL SUMMARY

Operating expenses for the quarters ended March 31, 2004 and 2003, excluding income taxes, were \$1.7 million and \$1.8 million, respectively. During the quarter, CRMC received significant external income from data sales and claim processing services. These receipts are used to increase the assets available for payment to the Trust's beneficiaries by reducing overall

claims processing costs. Since implementation of the former TDP in 1995, operating costs, excluding litigation and asset management expenses, have represented 3.3% of total Trust expenditures.

During the first quarter of 2004, the Trust settled over 15,100 claims for \$37.4 million compared to 15,700 claims for \$42.0 million for the same period in 2003. The average claim settlement value for the quarters ended March 31, 2004 and 2003 was \$2,476 and \$2,676, respectively.

ASSET MANAGEMENT

As of March 31, 2004, the market value of Trust investments, excluding accrued interest and dividends, was approximately \$1,642 million, of which approximately \$1,003 million (61%) was in diversified equities, \$572 million (35%) in fixed income securities and the remaining \$67 million (4%) in cash equivalents. During the first quarter of 2004, after \$38 million in claim payments and \$2 million in expenses (including taxes), the Trust's investments decreased by only \$4 million due to total cash inflows consisting of investment receipts of \$10 million, net realized gains of \$3 million and \$23 million in net unrealized gains.

Largely due to the Trust's active management of various investment interests in John Manville Corporation, which was our largest asset, the Trust has paid its beneficiaries \$3.3 billion over the years since its inception and today has net claimants' equity (the amount available for payment of current and future claims) almost equal to its net claimants' equity when it was created. Since the sale of Johns Manville Corporation to Berkshire Hathaway in 2001 however, there can be no assurance that such performance will continue.

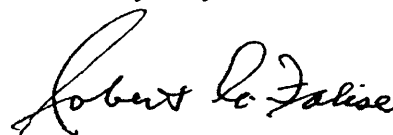
For the quarter ended March 31, 2004, the total return on investment was approximately 2.2%. The quarterly return during the same period on the Trust's equity and fixed income investments were approximately 2.5% and 1.7%, respectively. During the quarter, the Trust continued its liquidation of investments in advance of the payment of claims and expenses. Due to the recent slowdown in claim filings, total claim payments have diminished relative to the same quarter last year. However, because the Trust has already paid \$38 million in the first quarter of this year and at the end of the quarter still had a backlog of unpaid claims with a

Honorable Jack B. Weinstein
Honorable Burton R. Lifland
April 30, 2004
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minimum value of \$77 million and new claims continue to be filed and many will be paid this year, the Trust expects to make \$100 million or more in claim payments in 2004.

No significant change in asset allocation targets is anticipated before the Trust completes its next re-estimate of the *pro rata* payment percentage. In that regard, the Trust has requested proposals from several recognized experts to update its future claim forecast, the first step in preparing the re-estimate. Assuming that after consulting with the experts the Trust believes the data and conditions exist upon which a reasonable forecast can be prepared, the re-estimate could be completed this year.

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 MARCH 31, 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

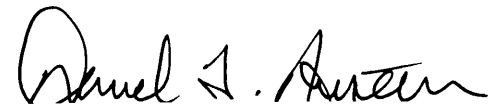
the Period January 1, 2004 through March 31, 2004 and the exhibits thereto are submitted in satisfaction of the requirements that the Trust file a quarterly report. Exhibits I, II and III of the Financial Statements set forth the specific items of information required by Sections 3.02(d)(iii)(w),(y) and (z) of the Trust Agreement.

Respectfully submitted,

MANVILLE PERSONAL INJURY
SETTLEMENT TRUST

Dated: Falls Church, Virginia
April 29, 2004

By:



David T. Auster
General Counsel
Manville Personal Injury
Settlement Trust
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P.O. Box 12003
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(703) 205-0835

CERTIFICATE OF SERVICE

I, David T. Austern, hereby certify that on or before April 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 March 31, 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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MANVILLE PERSONAL INJURY SETTLEMENT TRUST

Special-Purpose Consolidated Financial Statements As of March 31, 2004 and 2003

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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, 2004 and 2003 and the consolidated changes in net claimants' equity and cash flows for the three months ended March 31, 2004 and 2003 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, 2004 AND 2003

	2004	2003
ASSETS:		
Cash equivalents and investments (Note 2)		
Available-for-sale		
Restricted (Note 7)	\$71,992,709	\$64,086,566
Unrestricted	1,569,520,829	1,460,331,961
Total cash equivalents and investments	1,641,513,538	1,524,418,527
Accrued interest and dividend receivables	6,786,765	7,594,096
Deposits and other assets	613,483	3,909,240
Total assets	1,648,913,786	1,535,921,863
LIABILITIES:		
Accrued expenses	3,171,165	2,524,789
Unpaid claims (Notes 3, 5 and Exh. III)		
Settled, not paid - Pre-Class Action		613,073
Outstanding Offers - Post Class Action	38,513,274	45,534,202
Settled, not paid - Post Class Action	6,660,906	6,882,056
Lease commitments payable (Note 4)	4,826,795	499,585
Total liabilities	53,172,140	56,053,705
NET CLAIMANTS' EQUITY (Note 5)	\$1,595,741,646	\$1,479,868,158

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, 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)	10,605,460	11,415,100
Decrease in lease commitments payable (Note 4)	95,625	166,529
Net reduction in outstanding claim offers	19,132,739	4,041,798
Net realized and unrealized gains on available-for-sale securities	25,402,490	
Total additions	55,236,314	15,623,427
DEDUCTIONS FROM NET CLAIMANTS' EQUITY:		
Operating expenses (Exhibit II)	1,736,545	1,835,952
Provision for income taxes (Exhibit II)	1,724,900	510,500
Claims settled	37,421,503	42,004,623
Net realized and unrealized losses on available-for-sale securities		35,631,113
Total deductions	40,882,948	79,982,188
NET CLAIMANTS' EQUITY, END OF PERIOD	\$1,595,741,646	\$1,479,868,158

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, 2004 AND 2003**

	2004	2003
CASH INFLOWS:		
Investment income receipts	9,785,353	10,179,354
Net realized gains on available-for-sale securities	2,695,376	
Decrease in deposits and other assets	82,194	440,616
Total cash inflows	12,562,923	10,619,970
CASH OUTFLOWS:		
Claim payments made	37,698,611	54,658,643
Contribution and indemnity claim payments	0	0
Total cash claim payments	37,698,611	54,658,643
Net realized losses on available-for-sale securities		6,103,884
Disbursements for Trust operating expenses and income taxes	1,911,740	2,512,152
Total cash outflows	39,610,351	63,274,679
NET CASH (OUTFLOWS)	(27,047,428)	(52,654,709)
NON-CASH CHANGES:		
Net unrealized gains (losses) on available-for-sale securities	22,707,114	(29,527,229)
NET (DECREASE) IN CASH EQUIVALENTS AND INVESTMENTS AVAILABLE-FOR-SALE	(4,340,314)	(82,181,938)
CASH EQUIVALENTS AND INVESTMENTS AVAILABLE-FOR-SALE, BEGINNING OF PERIOD	1,645,853,852	1,606,600,465
CASH EQUIVALENTS AND INVESTMENTS AVAILABLE-FOR-SALE, END OF PERIOD	\$1,641,513,538	\$1,524,418,527

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 March 31, 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	\$3,275,312	\$ 3,275,312	\$3,709,004	\$3,709,004
U.S. Govt. obligations	8,402,521	8,313,632	10,826,552	11,029,542
Corporate and other debt	9,294,813	9,443,647	5,607,732	5,789,061
Equities – U.S.	37,873,086	50,960,118	47,364,782	43,558,959
Total	\$58,845,732	\$71,992,709	\$67,508,070	\$64,086,566
	2004		2003	
	Cost	Market	Cost	Market
Unrestricted				
Cash equivalents	\$64,011,515	\$64,011,515	\$132,802,781	\$132,802,781
U.S. Govt. obligations	278,965,443	283,874,739	247,594,199	255,345,059
Corporate and other debt	264,053,702	270,045,049	291,163,051	300,841,999
Equities – U.S.	836,724,702	854,448,981	942,436,273	705,358,697
Equities – International	89,347,539	97,140,545	94,384,478	65,983,425
Total	\$1,533,102,901	\$1,569,520,829	\$1,708,380,782	\$1,460,331,961

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, 2004, the fair value of these instruments was approximately \$6.8 million and was included in investments available-for-sale on the statement of net claimants' equity. Foreign currency forwards are utilized for both currency translation purposes and to economically hedge against the currency risk inherent in foreign equity issues and are generally for periods up to 90 days. At March 31, 2004, the Trust held at market value approximately \$144.0 million in sell currency forward contracts offset by approximately \$143.0 million in buy currency forward contracts. The unrealized gain on these outstanding currency forward contracts of approximately \$1.0 million is principally offset by corresponding unrealized loss due to currency exchange on the underlying securities being hedged. These amounts are recorded in the statement of net claimants' equity at March 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	\$ 962,596
Acquisition of computer hardware and software	1,962,784
Computer software development (e-Claims)	2,361,065
Leasehold improvements	72,965
Total	\$5,359,410

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, 2004 and 2003 was approximately \$10,200 and \$24,500, respectively.

Depreciation expense related to asset acquisitions using accounting principles generally accepted in the United States would have been approximately \$157,900 and \$156,900 for the three months ended March 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 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 March 31, 2004, are as follows:

Calendar Year	Amount
2004	307,678
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
	\$4,826,795

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

(5) NET CLAIMANTS' EQUITY

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

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

The TDP contains certain procedures for the distribution of the Trust's limited assets. Under the TDP, the Trust forecasts its anticipated annual sources and uses of cash until the last projected future claim

has been paid. A pro rata payment percentage is calculated such that the Trust will have no remaining assets or liabilities after the last future claimant receives his/her pro rata share.

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

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

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

(6) EMPLOYEE BENEFIT PLANS

The Trust established a tax-deferred employee savings plan under Section 401(k) of the Internal Revenue Code, with an effective date of January 1, 1988. The plan allows employees to defer a percentage of their salaries within limits set by the Internal Revenue Code with the Trust matching contributions by employees of up to 6% of their salaries. The total employer contributions and expenses under the plan were approximately \$59,600 and \$55,100 for the three months ended March 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 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 March 31, 2004, securities with a market value of \$29.0 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 March 31, 2004 and 2003, the Trust has recorded a net deferred tax asset of \$173,000 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 3/31/04	As of 3/31/03
Claims filed	738,728	650,349
Withdrawn ⁽¹⁾	(70,900)	(41,172)
Expired offers ⁽²⁾	<u>(9,380)</u>	<u>(37,378)</u>
Active claims	658,448	571,799
Settled claims	(611,647)	526,621)
Claims currently eligible for settlement	<u>46,801</u>	<u>45,178</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 March 31, 2004 and 2003, approximately 4,200 and 7,100 respectively, of the claims with expired offers are still eligible to accept their original offer with a payment value of \$12.1 million and \$20.1 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 MONTHS ENDED MARCH 31, 2004 AND 2003**

	2004	2003
INVESTMENT INCOME		
Interest	\$ 7,131,908	\$ 8,225,719
Dividends	4,162,188	3,795,305
Total investment income	11,294,096	12,021,024
Investment expenses	(688,636)	(605,924)
TOTAL	\$10,605,460	\$11,415,100

The accompanying notes are an integral part of this exhibit.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
CONSOLIDATED OPERATING EXPENSES
FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003**

	2004	2003
OPERATING EXPENSES:		
Personnel costs	\$1,104,184	\$1,041,944
Office general and administrative	194,000	260,128
Travel and meetings	43,534	26,125
Board of Trustees	98,936	89,033
Professional fees	172,602	283,174
Net fixed asset purchases	10,249	24,535
Computer and other EDP costs	113,040	111,013
TOTAL OPERATING EXPENSES	1,736,545	1,835,952
Income tax provision	1,724,900	510,500
TOTAL	\$3,461,445	\$2,346,452

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 MARCH 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	598,265	\$26,530,121,884	
Reduction in Claim Value (2)		(24,365,834,161)	
Net Offer Amount	598,265	2,164,287,723	
Offers Accepted	(584,058)	(2,125,774,449)	<u>\$3,640</u>
Offers Accepted, Not Paid	2,759	6,660,906	
Unpaid Balance	16,966	45,174,180	
Total Trust Liquidated Claims	611,647	3,178,320,313	<u>\$5,196</u>
Manville Liquidated Claims Paid (3)	158	\$24,946,620	
Co-Defendant Liquidated Claims (4)			
Settlement Claim Value		\$85,881,534	
Investment Receipts (5)		2,624,732	
Payments, net of Receivable from Co-defendant		(88,506,266)	
Unpaid Balance		\$0	

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

The accompanying notes are an integral part of this exhibit.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SCHEDULE OF LIQUIDATED CLAIMS
FOR THE QUARTER ENDED MARCH 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	24,488	\$58,240,375	
Net Offers Made (2)	5,314	17,694,402	
Offers Accepted	(15,114)	(37,421,503)	<u>\$2,476</u>
Offers Outstanding as of March 31, 2004	14,688	38,513,274	
Offers Accepted, Not Paid as of Mar. 31, 2004	2,759	6,660,906	
Payable as of March 31, 2004	17,447	\$45,174,180	
Co-Defendant Liquidated Claims			
Payable as of December 31, 2003		\$0	
Settled		0	
Paid		0	
Payable as of March 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.