

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

July 29, 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 June 30, 2005, 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 second quarter of 2005, the Trust received approximately 6,000 new claim filings bringing the total new claim filings for 2005 to approximately 11,200 compared to 3,500 for the second quarter and 7,400, for the first half of 2004. This dramatic increase of 51% in year-to-date claim filings indicates that law firms are beginning to adapt to the more stringent filing criteria of the 2002 Trust Distribution Process ("TDP").

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During the second quarter 2005, the Trust settled approximately 6,400 claims for \$20.4 million compared to 11,700 claims for \$34.0 million during 2004. The average claim settlement value for the second quarter 2005 and 2004 was \$3,200 and \$2,900, respectively. The variance between the 2005 and 2004 settlement numbers and the average claim settlement values continue to reflect the changes made in the TDP compared to the 1995 TDP, particularly as it decreased the proportion of nonmalignancy claims compared to malignancies.

On June 30, 2005, the Trust had approximately 9,970 pending offers or denials, 16,480 expired claims, 11,020 claims in process and settlements of 651,200, for approximately \$3.4 billion. When combined with approximately 74,697 withdrawn claims (unsettled claims in which offers or deficiencies lapsed), on June 30, 2005 the Trust has had a total claim population of 763,367 claims.

FINANCIAL SUMMARY

Net operating expenses for the six months ended June 30, 2005 and 2004 were \$3.02 million and \$3.41 million, respectively, excluding income taxes and net of income of \$552,200 in 2005 and \$263,200 in 2004 received by the Claims Resolution Management Corporation (CRMC), the Trust's operating facility. Net operating costs for the first six months of 2005 represent an 11% reduction from 2004 net operating costs for the same period. The decrease in net operating costs is principally due to the \$289,000 increase in CRMC income compared to the first six months of 2004. Since implementation of the 1995 TDP, operating costs, excluding litigation and asset management expenses, have averaged 4.2% of total Trust expenditures.

The Trust is continuing its effort to develop CRMC income from data sales, claim processing for other entities, and consulting services using its experience and 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 six months ended June 30, 2005 and 2004, the Trust's total return on investment was approximately .9% and 2.5%, respectively. The total return during the same periods on the Trust's equity investments was approximately .5% and 3.8%, respectively. By way of comparison, the Russell 3000 index, a broad index of U.S. stocks, returned about 0% and 3.6%

during the first six months of 2005 and 2004, respectively. The total return on fixed income investments for the same periods was 1.8% in 2005 versus .2% in 2004.

As of June 30, 2005, the market value of Trust investments, including accrued interest and dividends, was approximately \$1,639 million, of which approximately \$1,050 million (64%) was in diversified equities, \$560 million (34%) in fixed income securities and the remaining \$29 million (2%) in cash equivalents. During the first six months of 2005, cash outflows exceeded inflows by almost \$15 million, and cash equivalents and investments decreased by almost \$29 million, due to net unrealized losses on the investment portfolio of \$14 million. Over \$36 million was paid on claims during the first six months. Based on the current future claim forecasts (see below), claim filings and payments are expected to significantly increase.

The Tillinghast business of Towers, Perrin, Foster & Crosby, Inc. ("Tillinghast") has recently completed an actuarial analysis of Trust future asbestos claims experience. Tillinghast's projections by disease level for each year from 2005 through 2054 were based on a review of historical claim filings against the Trust, the potential impact of changes in the 2002 TDP, various epidemiological studies regarding future asbestos claims, and asbestos litigation trends. Tillinghast estimated a range from about 600,000 to 1.5 million future claims, with a point estimate of approximately 900,000 claims.¹ The range was based on scenarios, reflecting various assumptions regarding the effect of the change from the 1995 TDP to 2002 TDP standards, filing rates by disease, and the ratios of nonmalignant claims relative to malignant claims over time. The point estimate is a weighted average of the 14 scenarios, reflecting Tillinghast's judgment regarding the relative likelihood of each forecast.

While claim filings are expected to increase substantially, the higher Scheduled Value assigned to mesothelioma claims and lower Scheduled Values assigned to unimpaired and less severely impaired non-malignancy claims, combined with stricter medical and exposure criteria in the 2002 TDP, is expected to result in approximately one-half to three-quarters of the total

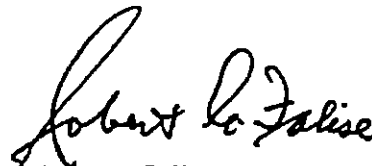
¹ Tillinghast notes that projections of future claim filings are inherently uncertain and that actual claim filings may fall outside of the estimated range. Additionally, Tillinghast relied upon information provided by CRMC and did not independently audit or verify this information, although they did review it for reasonableness and internal consistency.

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Honorable Burton R. Lifland
July 29, 2005
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payments being made to claimants with malignancies. Over 75% of the dollar amount for claims settled and paid during the first six months of 2005 were for malignancies.

Based on the above claims forecasts and other assumptions, the Trust has made a preliminary re-estimate of the current pro rata payment percentage. This re-estimate is being discussed with the Special Advisor to the Trust, the Counsel to the Selected Counsel for the Beneficiaries and the Futures Representative before concluding such re-estimate.

Yours very truly,

A handwritten signature in black ink that reads "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

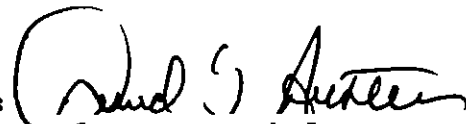
the Period April 1, 2005 through June 30, 2005 and the exhibits thereto are submitted in satisfaction of the requirements that the Trust file a quarterly report. Exhibits I, II and III of the Financial Statements set forth the specific items of information required by Sections 3.02(d)(iii)(w), (y) and (z) of the Trust Agreement.

Respectfully submitted,

MANVILLE PERSONAL INJURY
SETTLEMENT TRUST

Dated: Falls Church, Virginia
July 29, 2005

By:



David T. Austern
General Counsel
Manville Personal Injury
Settlement Trust
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Ste. 200
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MANVILLE PERSONAL INJURY SETTLEMENT TRUST

**Special-Purpose Consolidated Financial Statements
As of June 30, 2005 and 2004**

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

The consolidated financial statements included herein are unaudited. In the opinion of the management of the Trust, the accompanying consolidated financial statements present fairly, subject to normal year-end adjustments, the consolidated net claimants' equity as of June 30, 2005 and 2004 and the consolidated changes in net claimants' equity and cash flows for the three and six months ended June 30, 2005 presented on the special-purpose basis of accounting described in Note 2, which accounting methods have been applied on a consistent basis.

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

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
CONSOLIDATED STATEMENTS OF NET CLAIMANTS' EQUITY
AS OF JUNE 30, 2005 AND 2004**

	2005	2004
ASSETS:		
Cash equivalents and investments (Note 2)		
Available-for-sale		
Restricted (Note 7)	\$74,913,396	\$72,445,624
Unrestricted	1,558,733,760	1,534,982,642
Total cash equivalents and investments	1,633,647,156	1,607,428,266
Accrued interest and dividend receivables	5,659,481	5,790,533
Deposits and other assets	708,328	546,940
Total assets	1,640,014,965	1,613,765,739
LIABILITIES:		
Accrued expenses	4,138,072	3,456,413
Deferred income taxes (Note 8)	15,580,000	
Unpaid claims (Notes 3, 5 and Exh. III)		
Outstanding Offers - Post Class Action	11,592,756	30,512,740
Settled, not paid - Post Class Action	2,870,787	5,872,933
Lease commitments payable (Note 4)	4,286,262	4,731,170
Total liabilities	38,467,877	44,573,256
NET CLAIMANTS' EQUITY (Note 5)	\$1,601,547,088	\$1,569,192,483

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

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
CONSOLIDATED STATEMENTS OF CHANGES IN NET CLAIMANTS' EQUITY
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2005**

	Three Months Ended 6/30/05	Six Months Ended 6/30/05
NET CLAIMANTS' EQUITY, BEGINNING OF PERIOD	\$1,592,244,477	\$1,626,088,440
ADDITIONS TO NET CLAIMANTS' EQUITY:		
Investment income (Exhibit I)	11,250,759	21,852,818
Decrease in lease commitments payable (Note 4)	116,428	232,855
Net reduction in outstanding claim offers	1,429,189	3,878,290
Insurance proceeds	592,191	592,191
Net realized and unrealized gains on available-for sale securities, net of deferred income taxes (Note 8)	19,573,365	
Total additions	32,961,932	26,556,154
DEDUCTIONS FROM NET CLAIMANTS' EQUITY:		
Operating expenses (Exhibit II)	1,629,013	3,024,959
Provision for income taxes (Exhibit II)	1,604,000	3,513,200
Claims settled	20,426,308	37,752,580
Net realized gains and unrealized losses on available-for sale securities, net of deferred income taxes (Note 8)		6,806,767
Total deductions	23,659,321	51,097,506
NET CLAIMANTS' EQUITY, END OF PERIOD	<u>\$1,601,547,088</u>	<u>\$1,601,547,088</u>

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

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2005**

	Three Months Ended 6/30/05	Six Months Ended 6/30/05
CASH INFLOWS:		
Investment income receipts	11,494,454	21,846,600
Net realized gains on available-for-sale securities	1,142,689	4,716,609
Insurance proceeds	592,191	592,191
Decrease in deposits and other assets	281,495	
Total cash inflows	13,510,829	27,155,400
CASH OUTFLOWS:		
Claim payments made	19,026,608	36,004,209
Contribution and indemnity claim payments	75,580	75,580
Total cash claim payments	19,102,188	36,079,789
Increase in deposits and other assets		34,889
Disbursements for Trust operating expenses and income taxes	4,452,927	5,965,851
Total cash outflows	23,555,115	42,080,529
NET CASH (OUTFLOWS)	(10,044,286)	(14,925,129)
NON-CASH CHANGES:		
Net unrealized gains (losses) on available- for-sale securities	21,425,674	(14,005,478)
NET INCREASE (DECREASE) IN CASH EQUIVALENTS AND INVESTMENTS AVAILABLE-FOR-SALE	11,381,388	(28,930,607)
CASH EQUIVALENTS AND INVESTMENTS AVAILABLE-FOR-SALE, BEGINNING OF PERIOD	1,622,265,768	1,662,577,763
CASH EQUIVALENTS AND INVESTMENTS AVAILABLE-FOR-SALE, END OF PERIOD	\$1,633,647,156	\$1,633,647,156

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

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2005 AND 2004**

(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 June 30, 2005 and 2004, the Trust has recorded all of its investment securities at market value, as follows:

	2005		2004	
	Cost	Market	Cost	Market
Restricted				
Cash equivalents	\$2,285,711	\$ 2,285,711	\$4,109,338	\$4,109,338
U.S. Govt. obligations	11,551,239	11,451,818	7,448,456	7,246,276
Corporate and other debt	7,762,300	7,657,108	9,532,265	9,510,996
Equities – U.S.	<u>34,505,211</u>	<u>53,518,759</u>	<u>37,397,947</u>	<u>51,578,914</u>
Total	<u>\$56,104,461</u>	<u>\$74,913,396</u>	<u>\$58,488,006</u>	<u>\$72,445,624</u>
	2005		2004	
	Cost	Market	Cost	Market
Unrestricted				
Cash equivalents	\$46,509,353	\$46,509,353	\$67,625,362	\$67,625,362
U.S. Govt. obligations	260,008,852	259,305,210	273,074,129	270,795,571
Corporate and other debt	259,601,252	257,994,631	233,567,393	232,584,516
Equities – U.S.	809,063,926	882,347,986	840,602,647	865,335,268
Equities – International	<u>93,998,616</u>	<u>112,576,580</u>	<u>92,271,050</u>	<u>98,641,925</u>
Total	\$1,469,181,999	\$1,558,733,760	\$1,507,140,581	\$1,534,982,642

The Trust invests in two types of derivative financial instruments. Equity index futures are used as strategic substitutions to cost effectively replicate the underlying index of its domestic equity investment fund. At June 30, 2005, the fair value of these instruments was approximately \$7.1 million and was included in investments available-for-sale on the statement of net claimants' equity. Foreign currency forwards are utilized for both currency translation purposes and to economically hedge against the currency risk inherent in foreign equity issues and are generally for periods up to 90 days. At June 30, 2005, the Trust held \$56.8 million in net foreign currency forward contracts. The unrealized gain on these outstanding currency forward contracts of approximately \$1.6 million is offset by corresponding unrealized loss due to currency exchange on the underlying securities being hedged. These net amounts are recorded in the statement of net claimants' equity at June 30, 2005.

(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	\$ 378,195
Acquisition of computer hardware and software	766,476
Computer software development (e-Claims)	2,361,065
Leasehold improvements	<u>74,890</u>
Total	<u>\$3,580,626</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 and six months ended June 30, 2005 was approximately \$13,200 and \$15,600, respectively.

Total depreciation expense related to asset acquisitions using accounting principles generally accepted in the United States would have been approximately \$164,700 and \$328,100 for the three and six months ended June 30, 2005, 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 June 30, 2005, are as follows:

Calendar Year	<u>Amount</u>
2005	\$235,750
2006	480,275
2007	492,301
2008	504,638
2009	517,198
2010	530,115
2011	543,388
2012	557,017
2013	425,580
	<u>\$4,286,262</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 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.

The Tillinghast business of Towers, Perrin, Foster & Crosby, Inc. recently completed an actuarial analysis of future asbestos claims experience for the Trust. Based on these forecasts and other assumptions, the Trust has made a preliminary re-estimate of the pro rata payment percentage. This re-estimate is being discussed with the Special Advisor to the Trust and representatives of the beneficiaries whose concurrence is required to confirm the current 5% payment or make any adjustments.

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 \$44,200 and \$99,300 for the three and six months ended June 30, 2005, 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. Based on a formula in the tax agreement, the escrow account balance may be increased or decreased over time. As of June 30, 2005, securities with a market value of \$31.9 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 fourth 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 June 30, 2005, the Trust has recorded a net deferred tax liability of \$15.6 million, from net unrealized gains on available-for-sale securities. In addition, as of June 30, 2005, the Trust recorded net deferred tax assets of \$473,100 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 June 30, 2005 with the Trust are as follows:

	<u>6/30/05</u>	<u>6/30/04</u>
Claims filed	760,482	742,100
Withdrawn ⁽¹⁾	(71,805)	(71,093)
Expired offers ⁽²⁾	<u>(16,480)</u>	<u>(10,170)</u>
Active claims	672,197	660,837
Settled claims	<u>(651,210)</u>	<u>(623,391)</u>
Claims currently eligible for settlement	<u>20,987</u>	<u>37,446</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 June 30, 2005 and 2004, approximately 7,400 and 4,800 respectively, of the claims with expired offers are still eligible to accept their original offer with a payment value of \$17 million and \$13 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 AND SIX MONTHS ENDED JUNE 30, 2005**

	Three Months Ended 6/30/05	Six Months Ended 6/30/05
INVESTMENT INCOME		
Interest	\$ 6,535,145	\$ 12,764,157
Dividends	5,290,868	10,279,239
Total investment income	11,826,013	23,043,396
Investment expenses	(575,254)	(1,190,578)
TOTAL	\$11,250,759	\$21,852,818

The accompanying notes are an integral part of this exhibit

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
CONSOLIDATED OPERATING EXPENSES
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2005**

	Three Months Ended 6/30/05	Six Months Ended 6/30/05
OPERATING EXPENSES:		
Personnel costs	\$930,995	\$1,888,155
Office general and administrative	141,135	314,928
Travel and meetings	30,991	46,535
Board of Trustees	92,067	245,123
Professional fees	475,746	870,899
Net fixed asset purchases	13,207	15,635
Computer and other EDP costs	96,821	195,855
Other Income	(151,949)	(552,171)
TOTAL OPERATING EXPENSES	1,629,013	3,024,959
Income tax provision	1,604,000	3,513,200
TOTAL	\$3,233,013	\$6,538,159

The accompanying notes are an integral part of this exhibit.

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SCHEDULE OF LIQUIDATED CLAIMS
SINCE CONSUMMATION (NOVEMBER 28, 1988)
THROUGH JUNE 30, 2005**

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	627,028	\$28,464,038,038	
Reduction in Claim Value (2)		(26,208,888,199)	
Net Offer Amount	627,028	2,255,149,839	
Offers Accepted	(623,620)	(2,243,557,083)	<u>\$3,598</u>
Offers Accepted, Not Paid	1,242	2,870,787	
Unpaid Balance	4,850	14,463,543	
Total Trust Liquidated Claims	651,209	3,296,102,947	<u>\$5,062</u>
Manville Liquidated Claims Paid (3)	158	\$24,946,620	
Co-Defendant Liquidated Claims (4)			
Settlement Claim Value		\$88,553,385	
Investment Receipts (5)		2,624,732	
Payments, Net of Returned Settlement (6)		(91,178,117)	
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

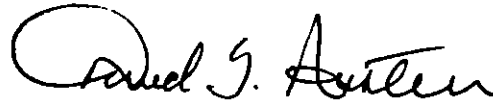
**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SCHEDULE OF LIQUIDATED CLAIMS
FOR THE QUARTER ENDED JUNE 30, 2005**

	<u>Number</u>	<u>Amount</u>	<u>Avg. Payment Amount</u>
Trust Liquidated Claims			
Post-Class Action Complaint After November 19, 1990- (1)			
Offers Outstanding as of March 31, 2005	3,981	\$13,021,945	
Net Offers Made (2)	5,789	18,921,539	
Offers Accepted	(6,362)	(20,350,728)	<u>\$3,199</u>
Offers Outstanding as of June 30, 2005	3,408	11,592,756	
Offers Accepted, Not Paid as of June 30, 2005	1,242	2,870,787	
Payable as of June 30, 2005	4,650	\$14,463,543	
 Co-Defendant Liquidated Claims			
Payable as of March 31, 2005		\$0	
Settled (3)		75,580	
Paid		<u>75,580</u>	
Payable as of June 30, 2005		<u><u>\$0</u></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

CERTIFICATE OF SERVICE

I, David T. Austern, hereby certify that on July 29, 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 June 30, 2005 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.

A handwritten signature in cursive script that reads "David T. Austern". The signature is written in dark ink and is positioned above the printed name.

David T. Austern

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