

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

October 31, 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 September 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 third quarter of 2005, the Trust received approximately 4,800 new claim filings bringing the total new claim filings for 2005 to approximately 16,000 compared to 3,800 for the third quarter and 11,300, for the first nine months of 2004. This increase of 42% in year-to-date claim filings indicates that law firms are adapting to the more stringent filing criteria of the 2002 Trust Distribution Process ("TDP").

1110 Foreview Park Drive
Suite 200
P.O. Box 12033
Falls Church, Virginia 22040-0203
Phone 703-271-6300
Fax 703-271-0249

During the third quarter 2005, the Trust settled approximately 5,500 claims for \$19.1 million compared to 8,500 claims for \$25.5 million during 2004. The average claim settlement value for the third quarter 2005 and 2004 was \$3,581 and \$3,009, 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 September 30, 2005, the Trust had approximately 5,300 pending offers or denials, 15,480 expired claims, 14,320 claims in process and settlements of 656,716, for approximately \$3.4 billion. When combined with approximately 73,461 withdrawn claims (unsettled claims in which offers or deficiencies lapsed), on September 30, 2005 the Trust has had a total claim population of 765,249 claims.

FINANCIAL SUMMARY

Net operating expenses for the nine months ended September 30, 2005 and 2004 were \$4.5 million and \$5.0 million, respectively, excluding income taxes and net of income of \$770,200 in 2005 and \$359,600 in 2004 received by the Claims Resolution Management Corporation (CRMC), the Trust's operating facility. Net operating costs for the first nine months of 2005 represent a 10% reduction from 2004 net operating costs for the same period. The decrease in net operating costs is principally due to the \$410,700 increase in CRMC income compared to the first nine 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.

Honorable Jack B. Weinstein
Honorable Burton R. Lifland
October 31, 2005
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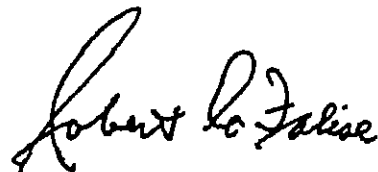
ASSET AND LIABILITY MANAGEMENT

For the nine months ended September 30, 2005 and 2004, the Trust's total return on investment was approximately 3.9% and 2.0%, respectively. The total return during the same periods on the Trust's equity investments was approximately 5.2% and 1.9%, respectively. By way of comparison, the Russell 3000 index, a broad index of U.S. stocks, returned about 4% and 1.6% during the first nine months of 2005 and 2004, respectively. The total return on fixed income investments for the same periods was 1.8% in 2005 versus 2.2% in 2004.

As of September 30, 2005, the market value of Trust investments, including accrued interest and dividends, was approximately \$1,664 million, of which approximately \$1,079 million (65%) was in diversified equities, \$560 million (34%) in fixed income securities and the remaining \$24 million (1%) in cash equivalents. During the first nine months of 2005, cash outflows exceeded inflows by almost \$24 million, but cash equivalents and investments decreased by only \$5 million, due to net unrealized gains on the investment portfolio of about \$19 million. Over \$57 million was paid on claims during the first nine months.

The Trust remains hopeful that Selected Counsel for the Beneficiaries and the Legal Representative for Future Claimants will conclude their reviews of the Trust's re-estimate of the pro rata payment percentage in the near future. In the meantime, the Trust continues to pay claims using the interim 5% payment percentage.

Yours very truly,



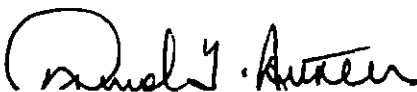
Robert A. Falise
Managing Trustee

Enclosures

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: Falls Church, Virginia
October 31, 2005

MANVILLE PERSONAL INJURY SETTLEMENT TRUST

**Special-Purpose Consolidated Financial Statements
As of September 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 September 30, 2005 and 2004 and the consolidated changes in net claimants' equity and cash flows for the three and nine months ended September 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 SEPTEMBER 30, 2005 AND 2004**

	2005	2004
ASSETS:		
Cash equivalents and investments (Note 2)		
Available-for-sale		
Restricted (Note 7)	\$76,261,637	\$71,872,748
Unrestricted	1,581,444,639	1,508,097,986
Total cash equivalents and investments	1,657,706,276	1,579,970,734
Accrued interest and dividend receivables	5,935,633	5,821,843
Deposits and other assets	734,483	537,135
Total assets	1,664,376,392	1,586,329,712
LIABILITIES:		
Accrued expenses	4,447,368	3,089,593
Deferred income taxes (Note 8)	20,750,000	
Unpaid claims (Notes 3, 5 and Exh. III)		
Outstanding Offers - Post Class Action	10,607,231	21,785,708
Settled, not paid - Post Class Action	1,314,156	2,366,909
Lease commitments payable (Note 4)	4,169,835	4,635,545
Total liabilities	41,288,590	31,877,755
NET CLAIMANTS' EQUITY (Note 5)	\$1,623,087,802	\$1,554,451,957

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 NINE MONTHS ENDED SEPTEMBER 30, 2005

	Three Months Ended 9/30/05	Nine Months Ended 9/30/05
NET CLAIMANTS' EQUITY, BEGINNING OF PERIOD	\$1,601,547,088	\$1,626,088,440
ADDITIONS TO NET CLAIMANTS' EQUITY:		
Investment income (Exhibit I)	10,701,146	32,553,964
Decrease in lease commitments payable (Note 4)	116,427	349,282
Net reduction in outstanding claim offers	985,525	4,863,815
Insurance proceeds		592,191
Net realized and unrealized gains on available-for sale securities, net of deferred income taxes (Note 8)	33,170,599	26,363,832
Total additions	44,973,697	64,723,084
DEDUCTIONS FROM NET CLAIMANTS' EQUITY:		
Operating expenses (Exhibit II)	1,453,834	4,478,793
Provision for income taxes (Exhibit II)	2,172,800	5,686,000
Claims settled	19,806,349	57,558,929
Total deductions	23,432,983	67,723,722
NET CLAIMANTS' EQUITY, END OF PERIOD	\$1,623,087,802	\$1,623,087,802

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 NINE MONTHS ENDED SEPTEMBER 30, 2005**

	Three Months Ended 9/30/05	Nine Months Ended 9/30/05
CASH INFLOWS:		
Investment income receipts	10,356,855	32,203,455
Net realized gains on available-for-sale securities	5,309,488	10,026,097
Insurance proceeds		592,191
Total cash inflows	15,666,343	42,821,743
CASH OUTFLOWS:		
Claim payments made	21,259,981	57,264,190
Contribution and indemnity claim payments	103,000	178,580
Total cash claim payments	21,362,981	57,442,770
Increase in deposits and other assets	26,155	61,044
Disbursements for Trust operating expenses and income taxes	3,249,200	9,215,051
Total cash outflows	24,638,336	66,718,865
NET CASH (OUTFLOWS)	(8,971,993)	(23,897,122)
NON-CASH CHANGES:		
Net unrealized gains on available- for-sale securities	33,031,113	19,025,635
NET INCREASE (DECREASE) IN CASH EQUIVALENTS AND INVESTMENTS AVAILABLE-FOR-SALE	24,059,120	(4,871,487)
CASH EQUIVALENTS AND INVESTMENTS AVAILABLE-FOR-SALE, BEGINNING OF PERIOD	1,633,647,156	1,662,577,763
CASH EQUIVALENTS AND INVESTMENTS AVAILABLE-FOR-SALE, END OF PERIOD	\$1,657,706,276	\$1,657,706,276

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

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 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 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 September 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	\$3,238,350	\$ 3,238,350	\$3,257,811	\$3,257,811
U.S. Govt. obligations	11,284,331	11,115,987	9,046,274	8,907,254
Corporate and other debt	7,254,735	7,101,002	8,945,429	8,906,538
Equities – U.S.	<u>33,486,993</u>	<u>54,806,298</u>	<u>37,359,367</u>	<u>50,801,145</u>
Total	<u>\$55,264,409</u>	<u>\$76,261,637</u>	<u>\$58,608,881</u>	<u>\$71,872,748</u>
	2005		2004	
	Cost	Market	Cost	Market
Unrestricted				
Cash equivalents	\$44,106,028	\$44,106,028	\$32,934,749	\$32,934,749
U.S. Govt. obligations	245,979,441	241,464,914	227,381,585	227,253,934
Corporate and other debt	275,925,139	272,706,627	299,722,286	302,081,897
Equities – U.S.	817,438,700	919,173,089	841,889,293	847,873,321
Equities – International	<u>77,600,751</u>	<u>103,993,981</u>	<u>92,464,203</u>	<u>97,954,085</u>
Total	<u>\$1,461,050,059</u>	<u>\$1,581,444,639</u>	<u>\$1,494,392,116</u>	<u>\$1,508,097,986</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 September 30, 2005, the fair value of these instruments was approximately \$7.7 million and was included in investments available-for-sale on the statement of net claimants' equity. Foreign currency forwards are utilized for both currency translation purposes and to economically hedge against the currency risk inherent in foreign equity issues and are generally for periods up to 30 days. At September 30, 2005, the Trust held \$52.8 million in net foreign currency forward contracts. The unrealized gain on these outstanding currency forward contracts of approximately \$0.8 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 September 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	\$ 378,420
Acquisition of computer hardware and software	774,753
Computer software development (e-Claims)	2,361,065
Leasehold improvements	<u>74,891</u>
Total	<u>\$3,589,129</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 nine months ended September 30, 2005 was approximately \$8,500 and \$24,100, respectively.

Total depreciation expense related to asset acquisitions using accounting principles generally accepted in the United States would have been approximately \$164,500 and \$493,400 for the three and nine months ended September 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 September 30, 2005, are as follows:

Calendar Year	<u>Amount</u>
2005	\$119,323
2006	480,275
2007	492,301
2008	504,638
2009	517,198
2010	530,115
2011	543,388
2012	557,017
2013	<u>425,580</u>
	<u>\$4,169,835</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 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 \$43,700 and \$143,000 for the three and nine months ended September 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 September 30, 2005, securities with a market value of \$33.3 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 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 September 30, 2005, the Trust has recorded a net deferred tax liability of \$20.7 million, from net unrealized gains on available-for-sale securities. In addition, as of September 30, 2005, the Trust recorded net deferred tax assets of \$473,100, 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 September 30, 2005 and 2004 with the Trust are as follows:

	<u>9/30/05</u>	<u>9/30/04</u>
Claims filed	765,247	745,908
Withdrawn (1)	(73,461)	(71,371)
Expired offers (2)	<u>(15,478)</u>	<u>(13,039)</u>
Active claims	676,308	661,498
Settled claims	<u>(656,716)</u>	<u>(631,822)</u>
Claims currently eligible for settlement	<u>19,592</u>	<u>29,676</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 September 30, 2005 and 2004, approximately 6,200 and 6,000 respectively, of the claims with expired offers are still eligible to accept their original offer with a payment value of \$14 million and \$15 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 NINE MONTHS ENDED SEPTEMBER 30, 2005**

	Three Months Ended 9/30/05	Nine Months Ended 9/30/05
INVESTMENT INCOME		
Interest	\$ 6,609,814	\$ 19,373,971
Dividends	4,707,353	14,986,592
Total investment income	11,317,167	34,360,563
Investment expenses	(616,021)	(1,806,599)
TOTAL	\$10,701,146	\$32,553,964

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

	Three Months Ended 9/30/05	Nine Months Ended 9/30/05
OPERATING EXPENSES:		
Personnel costs	\$946,938	\$2,835,093
Office general and administrative	164,389	479,317
Travel and meetings	8,069	54,604
Board of Trustees	111,430	356,553
Professional fees	335,889	1,206,788
Net fixed asset purchases	8,502	24,137
Web hosting and other EDP costs	96,673	292,528
Other Income	(218,056)	(770,227)
TOTAL OPERATING EXPENSES	1,453,834	4,478,793
Income tax provision	2,172,800	5,686,000
TOTAL	\$3,626,634	\$10,164,793

**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SCHEDULE OF LIQUIDATED CLAIMS
SINCE CONSUMMATION (NOVEMBER 28, 1988)
THROUGH SEPTEMBER 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	632,270	\$28,980,750,349	
Reduction in Claim Value (2)		(26,706,882,686)	
Net Offer Amount	632,270	2,273,867,663	
Offers Accepted	(629,127)	(2,263,280,432)	<u>\$3,597</u>
Offers Accepted, Not Paid	447	1,314,156	
Unpaid Balance	3,590	11,921,387	
Total Trust Liquidated Claims	656,716	3,315,806,296	<u>\$5,049</u>
Manville Liquidated Claims Paid (3)	158	\$24,946,820	
Co-Defendant Liquidated Claims (4)			
Settlement Claim Value		\$88,656,385	
Investment Receipts (5)		2,624,732	
Payments, Net of Returned Settlement (6)		(91,281,117)	
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

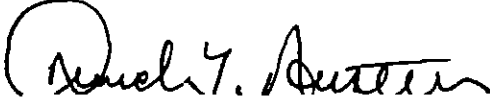
**MANVILLE PERSONAL INJURY SETTLEMENT TRUST
SCHEDULE OF LIQUIDATED CLAIMS
FOR THE QUARTER ENDED SEPTEMBER 30, 2005**

	<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 June 30, 2005	3,408	\$11,592,756	
Net Offers Made (2)	5,241	18,717,824	
Offers Accepted	(5,506)	(19,703,349)	<u>\$3,579</u>
Offers Outstanding as of Sept. 30, 2005	3,143	10,607,231	
Offers Accepted, Not Paid as of Sept. 30, 2005	447	1,314,156	
Payable as of September 30, 2005	3,590	\$11,921,387	
 Co-Defendant Liquidated Claims			
Payable as of June 30, 2005		\$0	
Settled (3)		103,000	
Paid		<u>103,000</u>	
Payable as of September 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 October 31, 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 September 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.


David T. Austern

Professor Lester Brickman
Benjamin Cardozo School of Law
Brookdale Center
55 Fifth Avenue
New York, NY 10003

Matthew P. Bergman, Esq.
Bergman, Senn, Pageler & Frockt
17526 Vashon Highway, SW
Vashon, WA 98070

Leslie G. Fagen, Esq.
PAUL, WEISS, RIFKIND, WHARTON
1285 Avenue of the Americas
New York, NY 10019

Paul M. Matheny, Esq.
Bruce McElhone, Esq.
LAW OFFICES OF PETER ANGELOS
One Charles Center
100 N. Charles St.
Baltimore, MD 21201-3812

Barbara J. Stutz, Esq.
BUNDA STUTZ & DEWITT
One SeaGate
Suite 650
Toledo, OH 43604

Stephen J. Carroll
RAND Institute
1776 Main St.
P.O. Box 2138
Santa Monica, CA 90437-2138

Mark Peterson, Esq.
Legal Analysis Systems
970 Calle Arroyo
Thousand Oaks, CA 91360

Francine R. Rabinovitz
Hamilton, Rabinovitz & Alschuler, Inc.
38656 Highway 1, Coast Route
Monterey, CA 93940

Elihu Inselbuch, Esq.
CAPLIN & DRYSDALE
399 Park Avenue, 27th Fl.
New York, NY 10022

Francis Lawall, Esq.
PEPPER HAMILTON LLP
3000 Two Logan Square
18th & Arch Streets
Philadelphia, PA 19103

Raji Bhagavatula
Milliman USA
One Penn Plaza, 38th Fl.
New York, NY 10119

Russell Budd, Esq.
BARON & BUDD
3102 Oak Lawn Avenue
Dallas, TX 75219

Deirdre A. Martini, Esq.
UNITED STATES TRUSTEE
33 Whitehall St., 21st Fl.
Suite 210C
New York, NY 10004

Robert Steinberg, Esq.
ROSE, KLEIN & MARIAS
801 So. Grand Avenue, 18th Fl.
Los Angeles, CA 90017