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March 27, 2015

The Honorable Harvey Bartle, III  
United States District Court for the  
Eastern District of Pennsylvania  
16614 U.S. Courthouse  
601 Market Street  
Philadelphia, PA 19106

**RE: In re: Diet Drugs Products Liability Litigation, MDL No. 1203**

Dear Judge Bartle:

Enclosed is a copy of the AHP Settlement Trust's Annual Report which was filed today on the Court's ECF system.

Respectfully,

Jules S. Henshell

JSH/cjf  
Enclosure

cc: Martin Rudolph, Trustee

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

IN RE DIET DRUGS )  
(PHENTERMINE/FENFLURAMINE/  
DEXFENFLURAMINE) PRODUCTS )  
LIABILITY LITIGATION )


MDL No. 1203

SHEILA BROWN, *et al.* v. AMERICAN )  
HOME PRODUCTS CORPORATION, *et al.* )

CIVIL ACTION NO. 99-20593

**REPORT OF THE AUDIT OF THE AHP SETTLEMENT TRUST  
FOR THE YEAR ENDED DECEMBER 31, 2014**

Pursuant to paragraph 2 of Court Approved Procedure 8, the AHP Settlement Trust hereby files this Report of the audited financial statements of the Trust for the year ended December 31, 2014.

  
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Jules S. Henshell  
Semanoff Ormsby Greenberg & Torchia, LLC  
2617 Huntingdon Pike  
Huntingdon Valley, PA 19006  
(215) 887-3754  
for AHP Settlement Trust

Dated: March 27, 2015

# **AHP Settlement Trust**

Financial Report  
December 31, 2014

**Contents**

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Independent Auditor's Report	1-2
<b>Financial Statements</b>	
Statements of net assets available for claims	3
Statements of changes in net assets available for claims	4
Statements of cash flows	5
Notes to financial statements	6-10

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## Independent Auditor's Report

To the Trustee of the  
AHP Settlement Trust  
Conshohocken, Pennsylvania

### Report on the Financial Statements

We have audited the accompanying financial statements of AHP Settlement Trust which comprise the statements of net assets available for claims as of December 31, 2014 and 2013, and the related statements of changes in net assets available for claims and cash flows for the years then ended and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AHP Settlement Trust as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*McGladrey LLP*

Blue Bell, Pennsylvania  
March 25, 2015

**AHP Settlement Trust****Statements of Net Assets Available for Claims  
December 31, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 12,773,356	\$ 13,355,027
Subrogation Fund, Cash and Cash Equivalents	6,763,148	6,793,948
Due From Wyeth	-	1,092,341
Prepaid Expenses and Other Assets	378,778	393,820
<b>Total assets</b>	<b>19,915,282</b>	<b>21,635,136</b>
<b>Liabilities</b>		
Accounts Payable and Accrued Expenses	440,438	635,178
Claims in Course of Settlement	1,138,204	3,648,292
Common Benefit Fee Refunds Payable	-	251,010
<b>Total liabilities</b>	<b>1,578,642</b>	<b>4,534,480</b>
<b>Net assets available for claims</b>	<b>\$ 18,336,640</b>	<b>\$ 17,100,656</b>

See Notes to Financial Statements.

**AHP Settlement Trust****Statements of Changes in Net Assets Available for Claims  
Years Ended December 31, 2014 and 2013**

	2014	2013
<b>Additions</b>		
Settlement funds	\$ 18,590,916	\$ 23,914,766
Court ordered termination of trust obligations	1,903,652	-
Investment and other income	45,513	10,562
<b>Total additions</b>	<b>20,540,081</b>	<b>23,925,328</b>
<b>Deductions</b>		
Benefit payments	15,111,241	19,943,792
Litigation expense reimbursements	1,055,593	109,320
Claims administration expenses	2,025,692	2,388,215
General and administrative expenses	1,111,571	1,769,629
<b>Total deductions</b>	<b>19,304,097</b>	<b>24,210,956</b>
<b>Increase (decrease) in net assets available for claims</b>	<b>1,235,984</b>	<b>(285,628)</b>
<b>Net Assets Available for Claims</b>		
Beginning	17,100,656	17,386,284
Ending	<b>\$ 18,336,640</b>	<b>\$ 17,100,656</b>

See Notes to Financial Statements.



**AHP Settlement Trust****Statements of Cash Flows****Years Ended December 31, 2014 and 2013**

	2014	2013
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets available for claims	\$ 1,235,984	\$ (285,628)
Adjustments to reconcile increase (decrease) in net assets available for claims to net cash used in operating activities:		
Depreciation	23,603	25,628
Court ordered termination of trust obligations	1,903,652	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Attorney fees paid from Subrogation Fund	30,800	48,101
Due from Wyeth	1,092,341	(573,531)
Prepaid expenses and other assets	(8,561)	42,175
Increase (decrease) in:		
Accounts payable and accrued expenses	(194,740)	112,639
Claims in course of settlement	(4,413,740)	525,079
<b>Net cash used in operating activities</b>	<u>(581,671)</u>	<u>(105,537)</u>
<b>Decrease in cash and cash equivalents</b>	<b>(581,671)</b>	<b>(105,537)</b>
<b>Cash and Cash Equivalents</b>		
Beginning	<u>13,355,027</u>	<u>13,460,564</u>
Ending	<u><u>\$ 12,773,356</u></u>	<u><u>\$ 13,355,027</u></u>

See Notes to Financial Statements.

**AHP Settlement Trust****Notes to Financial Statements**

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**Note 1. Description of the Trust**

The AHP Settlement Trust (the Trust) was established by order of The United States District Court for the Eastern District of Pennsylvania on September 2, 2000, effective as of September 1, 2000. It is a Qualified Settlement Fund as described in Section 468B of the Internal Revenue Code and Regulations thereunder. The Trust's fiscal year ends on December 31.

On November 18, 1999, American Home Products Corporation (AHP) which, on March 11, 2002 changed its name to Wyeth, and representatives of a purported class and subclasses in litigation which was pending in various courts and arising from the marketing, sale, distribution and use of the diet drugs Pondimin(R) and Redux(TM) (the Diet Drugs) agreed to and proposed a nationwide class action settlement to resolve claims against AHP and other released parties on the terms set forth in a Settlement Agreement, as subsequently amended (the Settlement Agreement). The Settlement Agreement called for the creation of a settlement trust to receive the funds to be paid by AHP pursuant to the Settlement Agreement and to administer the provision of benefits to the settlement class under the terms of the Settlement Agreement. The Settlement Agreement calls for monies held in the Trust's estate to be invested as directed by the Trustee.

The maximum additional amount as of December 31, 2014 and 2013 that Wyeth may be called upon to pay for the purpose of funding Matrix benefits is approximately \$1.33 billion and \$1.35 billion, respectively, adjusted pursuant to the Settlement Agreement. On January 18, 2002, Wyeth established a Security Fund to partially guarantee this obligation. At December 31, 2014 and 2013, the Security Fund had an approximate market value of \$27.49 million and \$34.42 million, respectively.

Any assets remaining at the end of the Trust's term are to be donated to heart research facilities.

This Description of the Trust is not intended to be a legal interpretation of the benefits available to class members or others; nor is it a legal description of the obligations of any parties to the Settlement Agreement. A complete description of the rights and benefits of any parties and class members must be derived from the Settlement Agreement as amended and associated Pre-Trial Orders. All applicable documents can be found at [www.settlementdietdrugs.com](http://www.settlementdietdrugs.com).

**Note 2. Summary of Significant Accounting Policies**

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Trust to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents:** Cash and cash equivalents include all highly liquid investments with original maturities of three months or less. Cash equivalents consist primarily of funds invested in United States Treasury Bills and in money market accounts invested in United States Treasury obligations.

**Concentration of credit risks:** The Trust maintains its cash and cash equivalents in bank deposits, money market accounts and in United States Treasury Bills. The balances maintained in the non-interest bearing checking accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, these balances might exceed federally insurable limits. The Trust believes it mitigates the risk by depositing cash with financial institutions complying with the requirements of the settlement agreement. The Trust has not experienced any losses in these accounts, and believes it is not exposed to any significant credit risk on cash.

**AHP Settlement Trust****Notes to Financial Statements**

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**Note 2. Summary of Significant Accounting Policies (Continued)**

**Property:** Property, including computer software, is recorded at cost. Depreciation and amortization are computed using the straight-line method over estimated useful lives ranging from two to five years. Property is included in prepaid expenses and other assets in the accompanying statement of net assets available for claims.

**Income taxes:** The Trust is organized as a qualified settlement fund as described in Section 468B of the Internal Revenue Code and Regulations thereunder. As a result, the Trust is subject to federal income taxes based on modified gross income, as defined by the Internal Revenue Code. The Trust is subject to state income taxes only in the State of New Jersey, based upon a negotiated percentage.

Guidance on accounting for uncertainties in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance the Trust may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

During the years ended December 31, 2014 and 2013, the Trust incurred no federal or state tax expense or benefit. The Trust records interest and penalties associated with unrecognized tax benefits, if any, as additional income taxes in the statement of changes in net assets available for claims.

**Benefit payments:** Benefit payments are recorded as an expense when approved for payment by the Trust.

**Claims in course of settlement:** Claims in course of settlement are accruals for claims that have completed all phases of the claim payment review process, including approval, but have not yet been paid.

**Claims administration expenses:** Claims administration expenses represent costs associated with the settlement and payment of claims.

**Note 3. Settlement Funds Received**

During 2014 and 2013, the Trust received settlement funds from the following sources:

	2014	2013
Wyeth	\$ 18,590,916	\$ 23,914,766

**AHP Settlement Trust****Notes to Financial Statements****Note 4. Property**

A summary of property at December 31, 2014 and 2013 is as follows:

	2014	2013
Equipment	\$ 22,220	\$ 22,220
Computer systems/software	2,919,024	2,914,824
Furniture and fixtures	15,152	15,152
Leasehold improvements	113,546	113,546
	<u>3,069,942</u>	<u>3,065,742</u>
Less accumulated depreciation and amortization	3,040,532	3,016,929
	<u>\$ 29,410</u>	<u>\$ 48,813</u>

**Note 5. Income Taxes**

The Trust had approximately \$252 million and \$249 million of net operating loss carryforwards for income tax purposes as of December 31, 2014 and 2013, respectively. The carryforwards expire in 2019 through 2029.

The Trust had a deferred tax asset of approximately \$88 million and \$87 million at December 31, 2014 and 2013, respectively, arising primarily from the carryforward of the net operating losses. The Trust recorded a valuation allowance for the entire deferred tax asset as it is uncertain that the deferred tax asset will be realized.

Management evaluated the Trust's tax positions and concluded that the Trust had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Trust is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2011.

**Note 6. Leases**

The Trust leases office and storage facilities under an operating lease. On December 14, 2010, the Trust executed an amendment to its facilities lease. Under the terms of the amended lease, the Trust reduced the size of its office facilities and extended the term of the office facility to February 2016 and the term of the storage facility to December 2013. The lease amendment became effective on February 11, 2011. Rental expense under the facilities lease was \$76,941 and \$153,698 for the years ended December 31, 2014 and 2013, respectively.

The following is a schedule of future minimum lease payments on noncancelable operating leases as of December 31, 2014:

Years Ending December 31.

2015	\$ 88,051
2016	10,522
	<u>\$ 98,573</u>

**AHP Settlement Trust****Notes to Financial Statements**

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**Note 7. Subrogation Fund**

On March 21, 2001, the Court that is supervising the Settlement ordered the Trust to set aside \$7 million from Fund B in a separate account that may, subject to further proceedings, be utilized in the event that the United States government establishes an interest in proceeds of Matrix awards made to class members. The reserve arises from a determination made by the Court on the question of whether it was necessary for the Trust to await a determination of whether certain class members owed money to the government before the Trust could make benefit payments to those class submembers. The Court determined that it was not necessary for the Trust to do so, yet ordered the Trust to set aside the reserve described herein. The reserve may be distributed only upon order of the Court. The Settlement Agreements provided that this fund shall also be available to Wyeth as a further indemnity from and against any claims, suits or demands asserted by any Third Party Payor arising out of, or relating to, the payment of medical expenses or provision of medical services by such Third Party Payor, or the failure of the Fund Administrator or Wyeth to pay the Third Party Payor.

During 2008, the Trust retained the services of a law firm to assist with Medicare issues relating to claims for Matrix Compensation Benefits. On December 22, 2008, the Court approved a Stipulation permitting the Trust to pay the related fees and expenses from the Subrogation Fund. During 2014 and 2013, the Trust paid fees from the Subrogation Fund in the amount of \$30,800 and \$48,100, respectively.

**Note 8. Retirement Plan**

The Trust has a retirement plan under which eligible employees may defer a portion of their annual compensation, pursuant to Section 401(k) of the Internal Revenue Code. All permanent employees with at least six months of service and who have attained the age of 21 are eligible to participate. Effective May 1, 2009, any Trust contributions are discretionary. The Trust did not make any contributions to the plan for 2014 and 2013.

**Note 9. Severance Benefit Plans**

The Trust established a Severance Benefit Plan covering full-time employees. According to the provisions of the plan, eligible employees may receive severance payments under certain conditions upon termination of employment. The amount of the severance payments is based on the length of the employee's service as well as the employee's position level. Severance payments range from one week to twelve weeks of the employee's salary as of the date of termination.

The Trust established an Executive Retention Plan covering certain executives employed by the Trust. The retention benefits to be paid to certain executives upon termination of employment is twelve months of the executive's salary as of the date of termination.

**Note 10. Uncertainties**

**Claims and availability of funds to pay them from the net assets of the trust:** The ultimate liability for all claims is not determinable at this time. Net assets available for claims at December 31, 2014 and 2013 represent excess of funding received for claims and administrative expenses over amounts paid.

The deadlines for filing of some claims have not yet come to pass, and there are class members who are seeking relief from certain deadlines that have come to pass.



**AHP Settlement Trust****Notes to Financial Statements**

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**Note 10. Uncertainties (Continued)**

Net assets available for the payment of Matrix claims and associated administrative expenses at December 31, 2014 and 2013, are to be supplemented, pursuant to the Settlement Agreement in effect at that date, by contributions from Wyeth or withdrawals from the Security Fund as and when it becomes necessary to have additional funds to pay claims and to maintain an Administrative Reserve. The maximum amount required to be paid by Wyeth or that may be made available to the Trust from the Security Fund may or may not be sufficient to pay all claims for Matrix benefits that have been or will be submitted to the Trust and that are, upon processing and review, determined to be valid and well founded.

**Court jurisdiction:** The Court that has jurisdiction over the Trust and the administration of the Settlement Agreement has ordered that it retains continuing jurisdiction to, among other things, interpret and enforce the Settlement Agreement in accordance with its terms. Pursuant to its continuing jurisdiction, the Court has imposed and may impose certain financial obligations on the Trust that are not foreseen at this time, and could approve certain amendments to the Settlement Agreement that would provide material benefits to the Trust and its beneficiaries or otherwise materially alter the operations and financial position of the Trust.

**Note 11. Termination of Trust Obligations in Relation to Un-cashed Checks**

On November 5, 2010, the Court issued Pretrial Order No. 8559 approving Court Approved Procedure 16 (CAP 16). CAP 16 established procedures to be followed by the Trust in connection with un-cashed benefit checks issued to Class Members. Under provisions of CAP 16, the Trust's obligation to honor a check or otherwise satisfy the underlying obligation will terminate on the later of four years from the date the check was issued or four years from the date of the Order approving CAP 16. During 2014, the Trust recorded as income \$1,903,652 for un-cashed checks issued prior to 2010.

**Note 12. Litigation Expense Reimbursement**

On June 28, 2013, the Court approved the Joint Petition for an Award of Attorney Fees and Expense Reimbursements Relating to Common Benefit Work Performed from January 1, 2012 through December 31, 2012. The Court ordered the Trust to pay \$103,435 to the Escrow Agent for the MDL 1203 Fee and Cost Account to reimburse the account for expense reimbursements previously paid. The Court also ordered the Trust to reimburse certain joint fee applicants \$5,885 for previously unreimbursed litigation expenses incurred and paid by them.

On June 17, 2014, the Court approved the Joint Petition for an Award of Attorney Fees and Expense Reimbursements Relating to Common Benefit Work Performed from January 1, 2013 through December 31, 2013. The Court ordered the Trust to pay \$24,731 to the Escrow Agent for the MDL 1203 Fee and Cost Account to reimburse the account for expense reimbursements previously paid. The Court also ordered the Trust to pay certain joint fee applicants \$1,030,862 for fees and previously unreimbursed litigation expenses incurred and paid by them.

**Note 13. Subsequent Events**

The Trust has evaluated its subsequent events (events occurring after December 31, 2014) through March 25, 2015 which represents the date the financial statements were issued.

**CERTIFICATE OF SERVICE**

Jules S. Henshell hereby certifies that on March 27, 2015, he caused a true and correct copy of the Report of the Audit of the AHP Settlement Trust for the Year Ended December 31, 2014, to be filed with and made available for viewing and downloading on the Court's ECF system and to be further served by first-class mail upon the following:

Arnold Levin, Esquire  
Michael D. Fishbein, Esquire  
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Jules S. Henshell  
For AHP Settlement Trust