

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

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

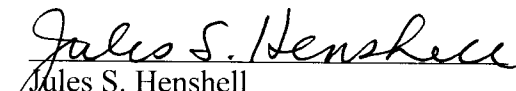
MDL No. 1203

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, 2011**

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, 2011.


Jules S. Henshell
AHP Settlement Trust
1100 East Hector Street
Suite 450
Conshohocken, PA 19428
(610) 729-7927

Date: March 20, 2012

AHP Settlement Trust

Financial Report
December 31, 2011

AHP Settlement Trust

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Independent Auditor's Report

To the Trustee of the
AHP Settlement Trust
Conshohocken, Pennsylvania

We have audited the accompanying statements of net assets available for claims of AHP Settlement Trust as of December 31, 2011 and 2010, and the related statements of changes in net assets available for claims and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010 and the changes in its net assets available for claims and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Blue Bell, Pennsylvania
March 13, 2012

AHP Settlement Trust**Statements of Net Assets Available for Claims
December 31, 2011 and 2010**

	2011	2010
Assets		
Cash and cash equivalents	\$ 14,383,945	\$ 14,758,127
Subrogation Fund - cash and cash equivalents	6,873,849	6,907,600
Due from Wyeth	1,440,970	2,846,193
Prepaid expenses and other assets	508,014	521,840
Total assets	23,206,778	25,033,760
Liabilities		
Accounts payable and accrued expenses	749,536	936,567
Claims in course of settlement	4,841,031	6,597,929
Common benefit fee refunds payable	251,010	251,010
Total liabilities	5,841,577	7,785,506
Net assets available for claims	\$ 17,365,201	\$ 17,248,254

See Notes to Financial Statements.

AHP Settlement Trust**Statements of Changes in Net Assets Available for Claims
Years Ended December 31, 2011 and 2010**

	2011	2010
Additions		
Settlement funds	\$ 35,708,068	\$ 42,439,319
Investment and other income	5,194	16,889
	<hr/>	<hr/>
Total additions	35,713,262	42,456,208
Deductions		
Benefit payments	30,818,975	35,716,563
Litigation expense reimbursements	80,145	792,745
Claims administration expenses	1,782,333	2,297,902
General and administrative expenses	2,885,316	3,993,870
Loss on disposal of assets	29,546	-
	<hr/>	<hr/>
Total deductions	35,596,315	42,801,080
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Increase (decrease) in net assets available for claims	116,947	(344,872)
Net assets available for claims:		
Beginning	17,248,254	17,593,126
	<hr/>	<hr/>
Ending	\$ 17,365,201	\$ 17,248,254
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See Notes to Financial Statements.

AHP Settlement Trust**Statements of Cash Flows****Years Ended December 31, 2011 and 2010**

	2011	2010
Cash Flows from Operating Activities		
Increase (decrease) in net assets available for claims	\$ 116,947	\$ (344,872)
Adjustments to reconcile increase (decrease) in net assets available for claims to net cash provided by (used in) operating activities:		
Depreciation	55,241	86,494
Loss on disposal of assets	29,546	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Attorney fees paid from Subrogation Fund	33,752	29,100
Due from Wyeth	1,405,223	(427,386)
Prepaid expenses and other assets	29,967	22,138
Increase (decrease) in:		
Accounts payable and accrued expenses	(210,943)	228,507
Claims in course of settlement	(1,756,898)	801,999
Common benefit fee refunds payable	-	(31,688)
Net cash provided by (used in) operating activities	(297,165)	364,292
Cash Flows from Investing Activities		
Purchase of equipment	(77,491)	(19,920)
Proceeds from sale of fixed assets	474	-
Net cash used in investing activities	(77,017)	(19,920)
Increase (decrease) in cash and cash equivalents	(374,182)	344,372
Cash and cash equivalents, beginning	14,758,127	14,413,755
Cash and cash equivalents, ending	\$ 14,383,945	\$ 14,758,127

See Notes to Financial Statements.

AHP Settlement Trust

Notes to Financial Statements

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.

On July 2, 2010, the Court approved the Tenth Amendment to the Settlement Agreement. The significant provisions of the Tenth Amendment are as follows:

- Required Wyeth to pay an additional \$12.5 million to the Cardiovascular Medical Research and Education Fund;
- Obligates Wyeth to continue making periodic payments into the Settlement Fund until the Maximum Available Fund B Amount is exhausted or there are no class members who remain eligible to receive Matrix Compensation Benefits;
- Reduced the amount of the Security Fund;
- Formally established deadlines for Fund A benefits. The Trust shall not process or pay any claim for Fund A benefits after December 31, 2011, except in certain circumstances;
- Contains a guarantee from Pfizer, of which Wyeth became a wholly-owned indirect subsidiary on October 16, 2009.

The maximum additional amount as of December 31, 2011 and 2010 that Wyeth may be called upon to pay for the purpose of funding Matrix benefits is approximately \$1,412,770,408 and \$1,366,640,242, respectively, adjusted pursuant to the Settlement Agreement. On January 18, 2002, Wyeth established a Security fund to partially guarantee this obligation. At December 31, 2011 and 2010, the Security Fund had an approximate market value of \$370 million.

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.

AHP Settlement Trust

Notes to Financial Statements

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 and in non-interest bearing checking accounts.

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 Code. The Trust is subject to state income taxes only in the State of New Jersey, based upon a negotiated percentage.

On January 1, 2009, the Trust adopted the accounting standard on accounting for uncertainty in income taxes, which 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, 2011 and 2010, the Trust incurred no federal or state tax expense or benefit. The Trust records interest and penalties associated with unrecognized tax benefits 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.

AHP Settlement Trust**Notes to Financial Statements**

Note 3. Settlement Funds Received

During 2011 and 2010, the Trust received settlement funds from the following sources:

	2011	2010
Wyeth	<u>\$ 35,708,068</u>	<u>\$ 42,439,319</u>

Note 4. Property

A summary of property at December 31, 2011 and 2010 is as follows:

	2011	2010
Equipment	\$ 19,524	\$ 319,461
Computer systems/software	2,914,824	3,854,691
Furniture and fixtures	19,089	93,350
Leasehold improvements	125,506	71,014
	<u>3,078,943</u>	<u>4,338,516</u>
Less accumulated depreciation and amortization	2,966,368	4,242,083
	<u>\$ 112,575</u>	<u>\$ 96,433</u>

Note 5. Income Taxes

The Trust had approximately \$241,004,000 and \$236,316,000 of net operating loss carryforwards for income tax purposes as of December 31, 2011 and 2010, respectively. The carryforwards expire in 2019 through 2029.

The Trust had a deferred tax asset of \$84,356,000 and \$82,709,000 at December 31, 2011 and 2010, 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.

On January 1, 2009, the Trust adopted the accounting standard on accounting for uncertainty in income taxes. 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 2008.

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 approximately \$155,108 and \$300,500 for the years ended December 31, 2011 and 2010, respectively.

AHP Settlement Trust**Notes to Financial Statements**

Note 6. Leases (Continued)

The following is a schedule of future minimum lease payments on noncancelable operating leases as of December 31, 2011:

<u>Years Ending December 31,</u>		
2012	\$	152,645
2013		152,991
2014		76,170
2015		76,170
2016		9,521
	<u>\$</u>	<u>467,497</u>

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 2011 and 2010, the Trust paid fees from the Subrogation Fund in the amount of \$33,750 and \$29,100, 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, full-time 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. Trust contributions to the plan were \$6,000 and \$0 for 2011 and 2010 respectively.

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 nine 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 range from nine to twelve months of the executive's salary as of the date of termination.

AHP Settlement Trust

Notes to Financial Statements

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, 2011 and 2010 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.

Net assets available for the payment of Matrix claims and associated administrative expenses at December 31, 2011 and 2010, 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. Common Benefit Fee Refunds Payable

In accordance with the Settlement Agreement, the total gross Matrix payments due Class Members were reduced by 9.0%. This amount was maintained outside of the Trust in a Common Benefit Attorney escrow pending the award of fees to certain attorneys designated in the Settlement Agreement as Class Counsel or as Common Benefit Attorneys.

On April 8, 2008 the Court awarded Common Benefit fees in the aggregate amount of \$163.1 million which represents approximately 6.4% of the amount that Wyeth was legally obligated to pay to Fund B for the benefit of the Class. The Court directed the Trust to distribute the remaining 2.6% (approximately \$51.1 million) to Class Members or their individual attorneys. The amount of undistributed refunds payable at December 31, 2011 and 2010 was \$251,010.

The total gross Matrix payments paid to Class Members after April 8, 2008 are reduced by 6.4%. These amounts are maintained outside of the Trust in the Common Benefit Attorney escrow.

Note 12. Litigation Expense Reimbursement

On August 19, 2010, the Court approved the Joint Petition for an Award of Attorney Fees and Expense Reimbursements Relating to Common Benefit Work Performed from April 1, 2007 through December 31, 2009. The Court ordered the Trust to pay \$740,155 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 \$52,590 for previously unreimbursed litigation expenses incurred and paid by them.

AHP Settlement Trust

Notes to Financial Statements

Note 12. Litigation Expense Reimbursement (Continued)

On June 2, 2011, the Court approved the Joint Petition for an Award of Attorney Fees and Expense Reimbursements Relating to Common Benefit Work Performed from January 1, 2010 through December 31, 2010. The Court ordered the Trust to pay \$75,448 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 \$4,697 for 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, 2011) through March 13 2012 which represents the date the financial statements were issued.

CERTIFICATE OF SERVICE

Jules S. Henshell hereby certifies that on March 20, 2012, he caused a true and correct copy of the Report of the Audit of the AHP Settlement Fund for the Year Ended December 31, 2011, 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
Levin, Fishbein, Sedran & Berman
510 Walnut Street, Suite 500
Philadelphia, PA 19106

Orran Brown, Esquire
BrownGreer PLC
115 S. 15th Street
Suite 400
Richmond, VA 23219-4209

Gregory P. Miller, Esquire
Drinker, Biddle & Reath, LLP
One Logan Square
18th and Cherry Streets
Philadelphia, PA 19103-6996

Stanley M. Chesley, Esquire
Jean M. Geoppinger, Esquire
Waite, Schneider, Bayless, Chesley Co., L.P.A.
1513 Central Trust Tower
One West Fourth Street
Cincinnati, OH 45202

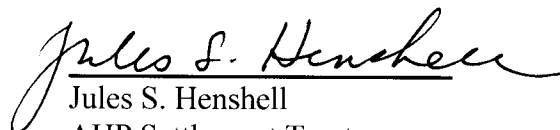
John J. Cummings, III, Esquire
Cummings, Cummings & Dudenhefer
416 Gravier Street
New Orleans, LA 70130

Michael T. Scott, Esquire
Reed Smith LLP
2500 One Liberty Place
Philadelphia, PA 19103-7301

Gene Locks, Esquire
Locks Law Firm
601 Walnut Street, Suite 720 East
Philadelphia, PA 19106

Charles R. Parker, Esquire
Yetter Coleman LLP
909 Fannin, Suite 3600
Houston, TX 77010

Sol Weiss, Esquire
Anapol, Schwartz, Weiss, Cohen, Feldman
& Smalley P.C.
1710 Spruce Street
Philadelphia, PA 19103


Jules S. Henshell
AHP Settlement Trust