

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

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

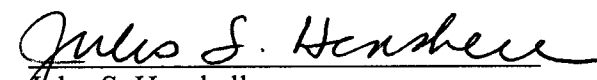
MDL No. 1203

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

CIVIL ACTION No. 99-20593

**REPORT OF THE AUDIT OF THE SETTLEMENT FUND AND SECURITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

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; the Settlement Fund; and the escrow accounts in effect under the Settlement Agreement for the year ended December 31, 2006.



Jules S. Henshell
Executive Director for Legal Affairs
AHP Settlement Trust
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Date: April 2, 2007

McGladrey & Pullen
Certified Public Accountants

AHP Settlement Trust

Financial Report
December 31, 2006

AHP Settlement Trust

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Trustee of the
AHP Settlement Trust
Philadelphia, Pennsylvania

We have audited the accompanying statements of net assets available for claims of AHP Settlement Trust as of December 31, 2006 and 2005 and the related statements of changes in net assets available for claims and cash flows for the years ended 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, 2006 and 2005, and the results of its operations 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 30, 2007

AHP Settlement Trust

**Statements of Net Assets Available for Claims
December 31, 2006 and 2005**

	2006	2005
Assets		
Cash and cash equivalents	\$ 38,118,342	\$ 22,804,519
Funds held in escrow	6,998,754	7,041,146
Accrued interest receivable	309,286	223,018
Due from Wyeth	7,829,954	17,064,164
Prepays expenses and other assets	965,754	1,816,475
Total assets	54,222,090	48,949,322
Liabilities		
Accounts payable and accrued expenses	1,876,756	3,822,655
Claims in course of settlement	32,482,361	27,564,940
Total liabilities	34,359,117	31,387,595
Net assets available for claims	\$ 19,862,973	\$ 17,561,727

See Notes to Financial Statements.

AHP Settlement Trust

**Statements of Changes in Net Assets Available for Claims
Years Ended December 31, 2006 and 2005**

	2006	2005
Additions		
Settlement funds from Wyeth	\$ 446,460,292	\$ 297,868,581
Investment income	3,447,401	1,766,955
Net unrealized appreciation on investments	-	51,623
	<u>449,907,693</u>	<u>299,687,159</u>
Deductions		
Benefit payments	426,587,957	271,392,133
Claims administration expenses	11,914,315	16,218,005
General and administrative expenses	9,104,175	11,744,459
	<u>447,606,447</u>	<u>299,354,597</u>
Increase in net assets available for claims	2,301,246	332,562
Net assets available for claims:		
Beginning	<u>17,561,727</u>	<u>17,229,165</u>
Ending	<u>\$ 19,862,973</u>	<u>\$ 17,561,727</u>

See Notes to Financial Statements.

AHP Settlement Trust

Statements of Cash Flows
Years Ended December 31, 2006 and 2005

	2006	2005
Cash Flows from Operating Activities		
Increase in net assets available for claims	\$ 2,301,246	\$ 332,562
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	815,618	1,239,478
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Funds held in escrow	42,392	(93,993)
Accrued interest receivable	(86,268)	(178,767)
Due from Wyeth	9,234,210	9,590,167
Prepaid expenses and other assets	85,497	190,012
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,945,899)	(2,428,863)
Claims in course of settlement	4,917,421	436,121
	<hr/>	<hr/>
Net cash provided by operating activities	15,364,217	9,086,717
Net cash used in investing activities, purchases of equipment	<hr/> (50,394)	<hr/> (52,538)
	<hr/>	<hr/>
Increase in cash and cash equivalents	15,313,823	9,034,179
Cash and cash equivalents, beginning	<hr/> 22,804,519	<hr/> 13,770,340
Cash and cash equivalents, ending	<hr/> \$ 38,118,342	<hr/> \$ 22,804,519

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 Board of Trustees of the Trust, subject to certain provisions and limitations set forth in the Settlement Agreement and in a Settlement Trust Agreement that was later approved by the Court that has jurisdiction over administration of the terms of the Settlement Agreement.

Two funds, "Fund A" and "Fund B," were merged on January 31, 2003 into a single fund designated as the "Settlement Fund" pursuant to a Revised Fifth Amendment to the Settlement Agreement. Though it was determined by the Parties to be highly unlikely, if the cost of Fund A benefits and administration of such benefits exceeds the amount transferred from Fund A at the time of the merger, Wyeth will be required to deposit funds necessary to meet certain obligations associated with the former Fund A upon request from the Trust without reducing the Maximum Available Fund B Amount, which is described below.

Certain class members will be entitled to recover compensatory damages pursuant to a settlement "Matrix" in the event that the class member develops more serious levels of regurgitation and/or other specified conditions by the end of the year 2015. In addition, there are certain conditions under which individuals have had the right to opt out of the settlement and to pursue a claim for compensatory damages in the tort system, subject to certain limitations.

On January 18, 2002, Wyeth established a Security Fund with \$370 million in assets. Pursuant to the Fifth Amendment, dated November 21, 2002, Wyeth deposited additional assets having a value of \$535.2 million into the Security Fund. As of December 31, 2006 and 2005, this Security Fund had an approximate market value of \$954.7 million and \$948.3 million, respectively.

On June 6, 2005, a Joint Motion to Approve and Implement the Ninth Amendment to the Nationwide Class Action Settlement was filed. This order, approved by the Court on July 1, 2005 among other conditions, appoints a new sole Trustee who shall administer all claims by Class Members for any type of benefit under the Settlement Agreement (except benefits subject to administration by the Fund Administrator under the Seventh Amendment), and shall perform all duties of the Trustees and/or Claims Administrator under the Settlement Agreement pursuant to (i) Court-Approved Procedures agreed upon by the Parties and approved by the Court, after affording notice and an opportunity to be heard concerning such proposed Procedures to all interested persons and/or (ii) as otherwise ordered by the Court.

AHP Settlement Trust

Notes to Financial Statements

Note 1. Description of the Trust (Continued)

On June 22, 2005, the Trust filed an Application for Confirmation of Interim Account and Discharge of Trustees, Trust Executive Director and Trust Officers through December 31, 2004, which was granted on August 18, 2004. This entitled the former Trustees "discharge as Trustees as of December 31, 2004," approved and confirmed the Trustees' interim account as of that same date, and entitled Trustees' discharge from liability in connection with their service through December 31, 2004. On July 27, 2006, a Second Application for Confirmation of Trustees' Interim Account and Discharge of Former Trustees, Trust Executive Director and Trust Officers was granted by the Court. This entitled the former remaining Trustees "discharge as Trustees for the period January 1, 2005 through July 31, 2005," approved and confirmed the Trustees' interim account as of that same date, and entitled Trustees' discharge from liability in connection with their service through July 31, 2005.

On May 16, 2006, the U.S. District Court for the Eastern District of Pennsylvania granted Final Judicial Approval to the Seventh Amendment to the Nationwide Class Action Settlement Agreement. As a result, there is a substantial decrease in the number of Level I and Level II Matrix Claims that would have been the financial obligations of the Trust. Higher Level Matrix Claims will remain the financial responsibility of the Trust, under an arrangement whereby some of those claims will become the subject of additional commitments or agreements to fund from Wyeth, even if this results in a contribution by Wyeth to the Trust that exceeds the amount of contributions to which Wyeth is currently committed. Approximately 2,000 Level I and Level II Matrix claimants have chosen to opt-out of the proposed Seventh Amendment and have their claims processed by the Trust. In addition to the effect on Matrix claims, the Seventh Amendment created a Category Two Payment benefit in lieu of the ability to seek Matrix Level I and II benefits. A substantial portion of this benefit was adjudicated in 2006 as the deadline to submit supporting documentation was December 18, 2006. See the Seventh Amendment for further details on how it may affect other material aspects of the financial standing of the Trust.

With the Sixth Amendment, Wyeth was given the right to elect that certain claims be adjudicated and paid if the balance of the Maximum Available Fund B Amount falls below \$255 million. The Seventh Amendment changes this by providing that when the Maximum Available Fund B Amount falls below \$255 million, the Trust shall pay Matrix Compensation Benefits only with respect to claims for Seventh Amendment Matrix Compensation Benefits and Supplemental Claims as those terms are defined in the Seventh Amendment.

The maximum additional amount as of December 31, 2006 that Wyeth may be called upon to pay for the purpose of funding Matrix benefits is \$1,271,004,754, adjusted pursuant to the Settlement Agreement, which calls for accretions on the adjusted amount at 1.5% per quarter less potential credits against such amounts arising from payments and from certain opt out and other credits.

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 consists primarily of overnight repurchase agreements.

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 on the proportion of claimants that reside in New Jersey.

Benefit Payments: Benefit payments are recorded as 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 and are recorded as expense when incurred.

Allocation of Expenses: Expenses incurred by the Trust are allocated between Fund A, Fund B and Seventh Amendment Category Two processing either directly, where applicable, or as outlined in the Trust Agreement and Settlement Agreement. The allocation of expenses had no bearing on the amount of net assets available for claims at December 31, 2006 and 2005 except that administrative expenses incurred in connection with processing and payment of Seventh Amendment Category Two expenses were required to be split in half and reallocated back to Fund A and Fund B for funding purposes in 2006. In 2006, this resulted in a reduction of approximately \$750,000 to the maximum additional amount that Wyeth may be called upon to pay for the purpose of funding Matrix Claims.

Note 3. Investments

Investment income is as follows for the years ended December 31, 2006 and 2005:

	2006	2005
Gross investment income		
Investments	\$ -	\$ 151,246
Cash and cash equivalents	3,447,401	1,615,709
	<u>\$ 3,447,401</u>	<u>\$ 1,766,955</u>

AHP Settlement Trust

Notes to Financial Statements

Note 3. Investments (Continued)

Investment expenses were \$193,191 and \$147,196 for the years ended December 31, 2006 and 2005, respectively. Investment expenses are included in general and administrative expenses in the statements of changes in net assets available for claims.

Note 4. Funds Held in Escrow

Subrogation Escrow: The Trust has been ordered by the Court to set aside \$7 million in an escrow account, which may be used to satisfy certain obligations that may arise as a result of claims that may be made by governmental agencies and entities in the nature of subrogation (Note 8). Release of funds from this escrow account is permitted only upon a final order of the Court that is not subject to appeal.

Funds held in escrow are invested in U.S. Government and Agency securities. They are stated at market value and are based on quoted market prices.

Common Benefit Attorney Escrow: In accordance with the Settlement Agreement, the total gross Matrix payments due Class Members is reduced by nine percent. This amount is maintained outside of the Trust in a Common Benefit Attorney escrow. All or a portion of such amount may be awarded to certain attorneys designated in the Settlement Agreement as Class Counsel or as Common Benefit Attorneys. The portion not awarded to Class Counsel or to Common Benefit Attorneys will be distributed to Class Members or their individual attorneys.

Note 5. Property

A summary of property at December 31, 2006 and 2005 is as follows:

	2006	2005
Equipment	\$ 430,992	\$ 411,648
Computer systems/software	5,341,205	5,351,508
Furniture and fixtures	326,293	326,293
Leasehold improvements	115,299	84,249
	<u>6,213,789</u>	<u>6,173,698</u>
Less: accumulated depreciation and amortization	5,949,038	5,135,995
	<u>\$ 264,751</u>	<u>\$ 1,037,703</u>

Note 6. Income Taxes

The Trust had approximately \$201,788,790 of net operating loss carryforwards for income tax purposes as of December 31, 2006. The carryforwards expire in 2019 through 2026.

The Trust had a deferred tax asset of \$70,626,077 and \$64,654,396 at December 31, 2006 and 2005, 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.

AHP Settlement Trust

Notes to Financial Statements

Note 7. Leases

The Trust leases office space and uses certain equipment under various operating leases. Rental expense under such arrangements was approximately \$426,957 and \$1,788,307 for the years ended December 31, 2006 and 2005, respectively.

The following is a schedule of future minimum lease payments on noncancelable operating leases as of December 31, 2006:

For the Year Ended December 31,	
2007	\$ 353,448
2008	58,908
	<u>\$ 412,356</u>

Note 8. Subrogation

On March 21, 2001, the Court that is supervising the Settlement ordered the Trust to set aside \$7 million from Fund B in escrow 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 Seventh Amendment 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.

Note 9. 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. The Trust matches 100 percent of the employee's contributions up to 3 percent of employee's overall compensation, and 50 percent of employee's contribution between 3 and 5 percent of employee's overall compensation for each plan year. All permanent, full-time employees with at least six months of service and who have attained the age of 21 are eligible to participate. Trust contributions to the plan amounted to \$111,984 and \$117,783 for the years ended December 31, 2006 and 2005, respectively.

Note 10. 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 six months to twelve months of the executive's salary as of the date of termination.

AHP Settlement Trust

Notes to Financial Statements

Note 11. 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, 2006 and 2005 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, 2006, are to be supplemented, pursuant to the Settlement Agreement as in effect at that date, by contributions from AHP 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.

CERTIFICATE OF SERVICE

Jules S. Henshell hereby certifies that on April 2, 2007, he caused a true and correct copy of the Report of the Audit of the Settlement Fund for the Year Ended December 31, 2006 to be filed with and made available for viewing and downloading with the Court's ECF system and to be further served by first-class mail upon the following:

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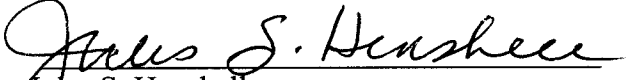
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