

**PERRINE DUPONT SETTLEMENT CLAIMS OFFICE
ATTN: EDGAR C. GENTLE, CLAIMS ADMINISTRATOR
C/O SPELTER VOLUNTEER FIRE DEPARTMENT OFFICE**

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October 9, 2012

CONFIDENTIAL AND IN CAMERA

The Honorable Thomas A. Bedell (VIA HAND DELIVERY)
Circuit Judge of Harrison County
301 West Main Street, Room 321
Clarksburg, West Virginia 26301

Virginia M. Buchanan, Esq. (VIA E-MAIL)
Levin, Papantonio, Thomas, Mitchell, Rafferty & Proctor, P.A.
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Pensacola, FL 32591

David B. Thomas, Esq. (VIA E-MAIL)
James S. Arnold, Esq. (VIA E-MAIL)
Thomas Combs & Spann, PLLC
P. O. Box 3824
Charleston, WV 25338

Meredith H. McCarthy, Esq. (VIA E-MAIL)
Guardian Ad Litem for Children
901 West Main Street, Suite 201
Bridgeport, WV 26330

**RE: The Perrine-DuPont Settlement - 2011 Audit Report for the Settlement; Our
File Nos. 4609-1 {NN-1}**

Dear Judge Bedell, Finance Committee Members and Meredith:

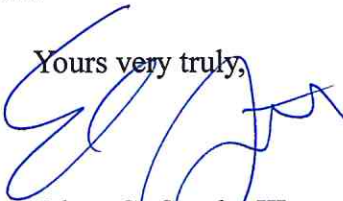
Enclosed please find the 2011 Audit Report to the Finance Committee of the Perrine-DuPont Property Remediation and Medical Monitoring Qualified Settlement Funds, prepared by Dixon Hughes Goodman, LLP (the "Auditors"), finding that the Settlement's financial statements present fairly, in all material respects, the assets, liabilities and fund balance of the Settlement as of December 31, 2011, and the related revenue collected, claims and expenses paid, and changes in

fund balance for the year ending December 31, 2011, on an accrual basis of accounting.

As more fully explained in the attached, September 25, 2012 memorandum, please note that the Auditors recommended one (1) audit adjustment for the Settlement's 2011 Financial Statements respecting The Perrine DuPont Medical Monitoring Qualified Settlement Fund (the "Medical Monitoring Fund") in the amount of \$104,820, increasing the Medical Monitoring Fund's accounts payable balance at December 31, 2011, because of accrued 2011 expenses that were not paid by the end of 2011. Such an audit adjustment by auditors to the accounts payable balance is typical, as financial statements are prepared shortly after the end of the calendar year and prior to accounting for all known expenses.

Please let me know if you have any questions.

Yours very truly,



Edgar C. Gentle, III
Claims Administrator

ECGIII/av
Attachments

cc: (via e-mail)(confidential)(with attachments)
Terry D. Turner, Esq.
Diandra S. Debrosse, Esq.
Katherine A. Harbison, Esq.
Paige F. Osborn, Esq.
Michael A. Jacks, Esq.
Mr. Billy Sublett
William S. ("Buddy") Cox, Esq.
J. Keith Givens, Esq.
McDavid Flowers, Esq.
Farrest Taylor, Esq.
Ned McWilliams, Esq.
Perry B. Jones, Esq.
Angela Mason, Esq.

Report to the Finance Committee of

**The Perrine-Dupont
Property Remediation and
Medical Monitoring
Qualified Settlement Fund**

December 31, 2011



DIXON HUGHES GOODMAN^{LLP}

positively unique



DIXON HUGHES GOODMAN LLP

Table of Contents

Contacts	1
Required Auditor Communications.....	2
Communication of Internal Control Related Matters.....	5
Appendix A - Management Representation Letter.....	7





DIXON HUGHES GOODMAN LLP

Contacts

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Required Auditor Communications

August 27, 2012

To the Finance Committee

The Perrine-Dupont Property Remediation Qualified Settlement Fund and
The Perrine-DuPont Medical Monitoring Qualified Settlement Fund

We have audited the financial statements of The Perrine-Dupont Property Remediation and Medical Monitoring Qualified Settlement Funds under the Modified Cash Basis of Accounting for the year ended December 31, 2011, and have issued our report thereon dated August 27, 2012. Professional standards require that we provide you with information about our responsibilities in accordance with auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 11, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Funds are described in Note B to the financial statements. We noted no transactions entered into by the Funds during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate was the fair value of investments for the Funds.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of the fair value of investments in Note 3 to the financial statements due to the significance of investments in the Funds.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.





Required Auditor Communications

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audits, other than those that are trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements. There were no corrected misstatements for The Property Remediation Qualified Settlement Fund. The corrected misstatement for the Medical Monitoring Qualified Settlement Fund is summarized below:

	Increase to Liabilities	Increase to Expenses	Decrease to Revenues collected in excess of claims and expenses paid
Claim Expenses	\$104,820	\$104,820	(\$104,820)

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audits.

Management Representations

We have requested certain representations from management that are included in the management representation letters included in Appendix A.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Funds' financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Funds' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.





DIXON HUGHES GOODMAN LLP

Required Auditor Communications

This information is intended solely for the use of the Finance Committee and management of the Funds' and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Dixon Hughes Goodman LLP





Communication of Internal Control Related Matters

To the Finance Committee
The Perrine-Dupont Property Remediation Qualified Settlement Fund

In planning and performing our audit of the financial statements of The Perrine-Dupont Property Remediation Qualified Settlement Fund (the "fund") under the Modified Cash Basis (the "fund") as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses by exist that have not been identified.

This communication is intended solely for the information and use of management, the finance committee, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Dixon Hughes Goodman LLP

Charleston, West Virginia
August 27, 2012





Communication of Internal Control Related Matters

To the Finance Committee
The Perrine-DuPont Medical Monitoring Qualified Settlement Fund

In planning and performing our audit of the financial statements of The Perrine-Dupont Medical Monitoring Qualified Settlement Fund (the "fund") under the Modified Cash Basis (the "fund") as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Fund's internal control to be significant deficiencies:

Unrecorded Expenses

During the course of the audit, medical monitoring expenses recorded in 2012 approximating \$105,000 were determined to be related to 2011, resulting in an audit adjustment. We recommend management establish policies and procedures to perform a search for unrecorded expenses to allow management to estimate expenses that have been incurred prior to year end, but not yet invoiced or paid as of year-end.

This communication is intended solely for the information and use of management, the finance committee, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Dixon Hughes Goodman LLP

Charleston, West Virginia
August 27, 2012





Appendix A – Management Letter Representation

PERRINE DUPONT SETTLEMENT CLAIMS OFFICE
ATTN: EDGAR C. GENTLE, CLAIMS ADMINISTRATOR
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perrinedupont@gtandslaw.com

August 27, 2012

Dixon Hughes Goodman LLP
707 Virginia Street, East
Chase Tower, Suite 1700
PO Box 1747
Charleston, WV 25326

Re: **The Perrine-DuPont Medical Monitoring and Property Remediation
Qualified Settlement Funds (the "Funds") – Management Representation
Letter for the 2011 Audits; Our File No. 4609-1 {NN-1}**

Gentlemen:

We are providing this letter in connection with your audits of the Statements of Assets, Liabilities, and Fund Balance – Modified Cash Basis of The Perrine-DuPont Property Remediation Qualified Settlement Fund and The Perrine-DuPont Medical Monitoring Qualified Settlement Fund (the "Funds") as of December 31, 2011 and the related Statements of Revenue Collected, Claims and Expenses Paid, and Changes in Fund Balance – Modified Cash Basis and supplementary schedules for the years then ended, for the purpose of expressing an opinion as to whether these financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Funds in conformity with the modified cash basis of accounting as described in Note 2 to the financial statements. We confirm that we are responsible for the fair presentation in the financial statements of financial position and results of operations in conformity with the modified cash basis of accounting. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.





Appendix A – Management Letter Representation

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The financial statements referred to above are fairly presented in conformity with the modified cash basis of accounting as described in Note 2 to the financial statements.
2. We have made available to you all:
 - a. Financial records and related data.
 - b. Minutes of the meetings of stockholders, directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries.
3. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. All audit adjustments proposed by you, material and immaterial, have been recorded. There are no unrecorded differences.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the Funds involving (a) management, (b) employees who have significant roles in internal controls, or (c) others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Funds received in communications from employees, former employees, analysts, regulators, short sellers, or others.
9. The Funds have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
10. The following have been properly recorded or disclosed in the financial statements:
 - a. Related-party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the Funds are contingently liable.
11. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that "near term" means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Funds vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.





Appendix A – Management Letter Representation

12. There are no:
 - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed.
13. The Funds have satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
14. There are no arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements.
15. The Funds are qualified settlement funds under Section 468B of the Internal Revenue Code. We have evaluated the Fund's tax positions and have determined that the Funds do not have any material uncertain tax positions.
16. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
17. We represent to you the following for the Funds' fair value measurements and disclosures:
 - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
18. In regards to the nonattest services performed by you, (income tax return review) we have:
 - a. Made all management decisions and performed all management functions.
 - b. Designated an individual with suitable skill, knowledge, or experience to oversee the services.
 - c. Evaluated the adequacy and results of the services performed.
 - d. Accepted responsibility for the results of the services.
 - e. Established and maintained internal controls, including monitoring ongoing activities.
19. We acknowledge our responsibility for presenting the supplementary schedules of Pre-implementation and post-implementation Statement of Assets, Liabilities, and Fund balance and Statement of Revenue Collected, Claims and Expenses Paid, and Changes in Fund





Appendix A – Management Letter Representation

Balance (the "Supplementary Schedules") in accordance with the modified cash basis of accounting as described in Note 2 to the financial statements, and we believe that the supplementary schedules, including their form and content are fairly presented in accordance with the modified cash basis of accounting as described in Note 2 to the financial statements.

20. We acknowledge that we did not engage you to examine evidence regarding the validity of claimant benefits paid by the Claims Administrator, the ability for the Defendant to meet their financial obligation, or to present a statement of cash flows in the financial statements referred to above.

We have evaluated subsequent events through the date of this letter, which is the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

 9-17-12
Ed Gentle, Claims Administrator

 9/17/12
Joseph Roberto, Accountant



**The Perrine-DuPont
Property Remediation
Qualified Settlement Fund**

**FINANCIAL STATEMENTS
(Including Independent Auditors'
Report Thereon)**

December 31, 2011

The Perrine-DuPont Property Remediation Qualified Settlement Fund

TABLE OF CONTENTS

	Page No.
Independent Auditors' Report	1
Financial Statements-Modified Cash Basis	
Statement of Assets, Liabilities, and Fund Balance-Modified Cash Basis	3
Statement of Revenue Collected, Claims and Expenses Paid, and Changes in Fund Balance-Modified Cash Basis	4
Notes to Financial Statements	5



DIXON HUGHES GOODMAN^{LLP}
Certified Public Accountants and Advisors

INDEPENDENT AUDITORS' REPORT

The Honorable Thomas A. Bedell
Circuit Judge of Harrison County

Edgar C. Gentle, III, Esq.
Claims Administrator

James S. Arnold, Esq.
David B. Thomas, Esq.
DuPont Representatives on the Settlement Finance Committee

Virginia Buchanan, Esq.
Plaintiff Class Representative on the Settlement Finance Committee

Meredith McCarthy, Esq.
Guardian Ad Litem for Children

We have audited the accompanying statement of assets, liabilities, and fund balance of the Perrine-DuPont Property Remediation Qualified Settlement Fund (the "Fund") as of December 31, 2011, and the related statements of revenue collected, claims and expenses paid, and changes in fund balance for the year then ended, all prepared on the modified cash basis of accounting. These financial statements are the responsibility of the Claims Administrator. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were not engaged to and did not assess DuPont De Nemours and Company, et al. (the "Defendants") ability to meet their financial obligations to contribute to the Fund. Accordingly, we were unable to determine the adequacy of disclosures included in the footnotes to the accompanying financial statements regarding risks and uncertainties involving the Defendants' ability to contribute to the Fund as required by the Court.

We were not engaged to and did not test the validity of claimant benefits paid by the Claims Administrator. Such payments are made by the Claims Administrator upon Court approval. Accordingly, we were unable to determine the appropriateness of the claims and the accuracy of the claimant benefit payments made by the Claims Administrator.

As described in Note 2, these financial statements were prepared on the basis of cash receipts and disbursements, modified to recognize changes in the fair value of investments, accrued investment income, certain receivables, accounts payable, and certain accrued liabilities (modified cash basis), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The Fund declined to present a statement of cash flows for the year ended December 31, 2011. Presentation of such statement summarizing the Fund's operating, investing, and financing activities is required by accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of such adjustments or disclosures, if any, as might have been determined to be necessary had we been able to examine evidence regarding the uncertainty of the Defendants' ability to meet their financial obligations as required by the Court, had we been able to examine evidence regarding the validity of claimant benefits paid by the Claims Administrator, and the omission of a statement of cash flows, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance of the Perrine-DuPont Property Remediation Qualified Settlement Fund as of December 31, 2011, and the related revenue collected, claims and expenses paid, and changes in fund balance for the year then ended, on the basis of accounting as described in Note 2.

This report is intended solely for the information and use of the Claims Administrator, the addressees, and or the Circuit Court of Harrison County, West Virginia to distribute as it deems appropriate. It is not to be referred to or distributed for any purposes to anyone who is not designated by the Circuit Court of Harrison County, West Virginia or the Claims Administrator.

Dixon Hughes Goodman LLP

Charleston, West Virginia
August 27, 2012

THE PERRINE-DUPONT PROPERTY REMEDIATION QUALIFIED SETTLEMENT FUND
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE
MODIFIED CASH BASIS OF ACCOUNTING (NOTE 2)
December 31, 2011

	<u>2011</u>
ASSETS	
Cash	\$ 9,674,978
Investments, at fair value (Note 3)	<u>24,529,950</u>
Total current assets	34,204,928
Property and equipment, net	<u>16,596</u>
Total assets	<u><u>\$ 34,221,524</u></u>
LIABILITIES AND FUND BALANCE	
Accounts payable	\$ 219,074
Other payables	1,825
Fund Balance	<u>34,000,625</u>
Total liabilities and fund balance	<u><u>\$ 34,221,524</u></u>

THE PERRINE-DUPONT PROPERTY REMEDIATION QUALIFIED SETTLEMENT FUND
STATEMENT OF REVENUE COLLECTED, CLAIMS AND EXPENSES PAID, AND CHANGES IN FUND
BALANCE MODIFIED CASH BASIS OF ACCOUNTING (NOTE 2)
For the year ended December 31, 2011

	2011
REVENUE COLLECTED	
Investment income	\$ 13,917
Defendant funding	66,000,000
Total revenue collected	<u>66,013,917</u>
CLAIMS AND EXPENSES PAID OR ACCRUED	
Plaintiffs' class counsel fees and expenses	30,481,236
General, office, and administration expenses	92,024
Travel expenses	25,043
Claims administrator and special master fees	822,645
Finance Committee fees and expenses	32,479
Guardian Ad Litem fees and expenses	12,313
Property clean up technical advisor	94,393
Property questionnaire and fairness hearings	28,532
Property soil/house testing expenses	162,505
Property claimant annoyance and inconvenience payments	<u>258,620</u>
Total claims and expenses paid or accrued	<u>32,009,790</u>
Excess of revenue collected over claims and expenses paid or accrued	34,004,127
NONCASH ITEMS	
Depreciation expense	<u>3,502</u>
Total noncash items	<u>3,502</u>
Increase in fund balance	34,000,625
FUND BALANCE	
Beginning of period	<u>-</u>
End of period	<u><u>\$ 34,000,625</u></u>

THE PERRINE-DUPONT PROPERTY REMEDIATION QUALIFIED SETTLEMENT FUND
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2011

NOTE 1. DESCRIPTION OF THE FUND

On December 23, 2010, the Honorable Thomas Bedell, Circuit Judge for the Circuit Court of Harrison County, West Virginia, entered an Order Establishing Qualified Settlement Funds in *Perrine, et al. v. E.I. DuPont Nemours and Company, et al.*, ordering the establishment of The Perrine-DuPont Property Remediation Qualified Settlement Fund (the "Fund") under Internal Revenue Code of 1986 as amended Section 468B. This fund was formed to administer a class action settlement wherein it was alleged that the Defendants released hazardous substances from the Spelter Smelter facility onto private real property in the class area and that these substances have health risks.

On January 4, 2011, the Fund was funded by the Defendant for \$66 million for the purposes of paying for property remediation services and attorneys' fees and expenses of Plaintiffs' Counsel. On June 27, 2011, the Court entered an Order establishing the Property Remediation (Clean-Up) Program which: (1) defined the potentially contaminated properties as the soil on Class Member property in Class Area Zone 1A (and later including Zone 1B) and the houses on Class Member property in the entire Class Area; (2) authorized the Claims Administrator to procure companies to test and/or clean Class Area houses and soil via a public bidding process; and (3) authorizing annoyance and inconvenience payments to claimants participating in the clean-up program consisting of (a) \$5,000 per property to owners of eligible, occupied properties in Zone 1A receiving soil clean-up services, and (b) \$500 per home or commercial structure to owners of eligible houses within the Class Area receiving house clean-up services. In accordance with the Property Remediation (Clean-Up) Program Order, soil and house testing began in November 2011, and remediation of soil and houses began in June 2012.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Fund's financial statements are prepared using the modified cash basis of accounting, whereby cash receipts and disbursements are recorded as cash is received or paid, except for the recognition of changes in the fair value of investments, accrued investment income, certain receivables, accounts payable, and certain accrued liabilities. Settlement fund receivables, estimated claims liabilities and claim receivables arising from claim overpayments, if any, which are material to the determination of financial position and results of operations, in conformity with accounting principles generally accepted in the United States of America, have not been estimated and are not recorded in the accounts of the Fund. Accordingly, the financial statements do not and are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires the Claims Administrator to make various estimates that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, as well as the reported amounts of revenues collected and claims and expenses paid. Actual results could differ from those estimates.

THE PERRINE-DUPONT PROPERTY REMEDIATION QUALIFIED SETTLEMENT FUND
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2011

Cash

Cash and cash equivalents include short-term, highly liquid investments both readily convertible to known amounts of cash or so near maturity at acquisition (three months or less) that there is an insignificant risk of change in value because of change in interest rates. Cash equivalents are stated at cost, which approximates fair value.

Investments

Investments are recorded at fair value as determined by quoted market prices. All investments are considered trading securities. Unrealized gains and losses, if any, are shown as noncash items in the statement of revenue collected, claims and expenses paid, and changes in fund balance. Realized gains and losses are computed under the specific identification method. Losses and gains on investments for the year ended December 31, 2011 resulted in a net gain of \$10,382. All investments are current with maturity within the next year.

Property and Equipment

Property and equipment additions are recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Property and equipment, net consisted of the following at December 31, 2011:

Automobiles	\$ 10,771
Office Furniture and Equipment	9,327
Less Accumulated Depreciation	3,502
Total	<u>\$ 16,596</u>

Accounts Payable

Accounts payable consist of certain claims administrator fees and claims of claimants charged to the Fund during the year and paid after year-end.

Tax Status

The Fund maintains that, for federal income tax purposes, it is a Qualified Settlement Fund under Section 468B of the Internal Revenue Code of 1986, as amended (the "Code"), due to its having been established pursuant to a Court Order to satisfy certain legal claims, with all of its assets having been segregated from the assets of the Defendants to whom these claims relate. As provided by Treasury Regulations promulgated under Section 468B of the Code, the "modified gross income" of the Fund is subject to federal income tax at the maximum trust rate in effect under Section 1 (e) of the Code, which was 35% for the 2011 tax year. Modified gross income is gross income computed with several modifications. Amounts transferred to the Fund by, or on behalf of, a Defendant are generally excluded from Fund income. In addition, payments of Plaintiff attorney fees or claimant claims made against the Fund and expenses incurred by, or on behalf of, specific claimants or defendants are generally not deductible in computing modified gross income for federal income tax purposes. The fund is required to operate on a calendar year basis and under the accrual method of accounting for federal income tax purposes. At December 31, 2011, the Fund had net operating loss carryforwards of

THE PERRINE-DUPONT PROPERTY REMEDIATION QUALIFIED SETTLEMENT FUND
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2011

\$1,259,519 for 2011 federal income tax purposes. Net operating loss carryforwards will begin to expire in 2031.

The Fund has adopted authoritative guidance on accounting for uncertainty in income taxes. The guidance clarifies the accounting for the recognition and measurement of the benefits of individual tax positions in the financial statements. Tax positions must meet a recognition threshold of more likely than not in order for the benefit of those tax positions to be recognized in the Fund's financial statements. The Fund has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2011. The Fund has identified its federal tax return and its state tax return in West Virginia as major tax jurisdictions, as defined. Fiscal years ending on or after December 31, 2011 remain subject to examination by these tax jurisdictions.

Subsequent Events

The Fund has evaluated subsequent events through August 27, 2012, which represents the date the financial statements were available to be issued.

NOTE 3. FAIR VALUE MEASUREMENTS

Authoritative guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under authoritative guidance as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date;

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 - Inputs that are unobservable.

In accordance with the requirements of authoritative guidance, the Fund has categorized its financial instruments based on the priority of the inputs to the valuation technique based on a three-level hierarchy.

The following presents the financial assets carried on the Statement of Assets, Liabilities, and Fund Balance by level within the valuation hierarchy as of December 31, 2011:

	Financial Assets at Fair Value at Reporting Date Using			Fair Value
	Level 1	Level 2	Level 3	
U.S. Treasury Securities	<u>\$24,529,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$24,529,950</u>
Total	<u>\$24,529,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$24,529,950</u>

THE PERRINE-DUPONT PROPERTY REMEDIATION QUALIFIED SETTLEMENT FUND
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2011

NOTE 4. COMMITMENTS AND CONTINGENCIES

Cash Balances in Excess of FDIC Insurance

The Fund maintains cash in demand deposit accounts with federally insured banks. At times, the balances in these accounts may be in excess of federally insured limits.

NOTE 5. SUBSEQUENT EVENT

Subsequent to year end the Fund entered into an agreement with a construction company to remediate the affected property. The agreement allows for up to \$14,820,000 to be paid through December 31, 2014. This amount is based on the known remediated properties and will increase ratably if there are more remediated properties.



**The Perrine-DuPont
Medical Monitoring
Qualified Settlement Fund**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
(Including Independent Auditors'
Report Thereon)**

December 31, 2011

The Perrine-DuPont Medical Monitoring Qualified Settlement Fund

TABLE OF CONTENTS

	Page No.
Independent Auditors' Report	1
Financial Statements-Modified Cash Basis	
Statement of Assets, Liabilities, and Fund Balance - Modified Cash Basis	3
Statement of Revenue Collected, Claims and Expenses Paid, and Changes in Fund Balance - Modified Cash Basis	4
Notes to Financial Statements	5
Supplementary Information	
Supplementary Schedule of Pre-Implementation and Post-Implementation Statement of Assets, Liabilities, and Fund Balance	9
Supplementary Schedule of Pre-Implementation and Post-Implementation Statement of Revenue Collected, Claims and Expenses Paid, and Changes in Fund Balance	10



DIXON HUGHES GOODMAN^{LLP}
Certified Public Accountants and Advisors

INDEPENDENT AUDITORS' REPORT

The Honorable Thomas A. Bedell
Circuit Judge of Harrison County

Edgar C. Gentle, III, Esq.
Claims Administrator

James S. Arnold, Esq.
David B. Thomas, Esq.
DuPont Representatives on the Settlement Finance Committee

Virginia Buchanan, Esq.
Plaintiff Class Representative on the Settlement Finance Committee

Meredith McCarthy, Esq.
Guardian Ad Litem for Children

We have audited the accompanying statement of assets, liabilities, and fund balance of the Perrine-DuPont Medical Monitoring Qualified Settlement Fund (the "Fund") as of December 31, 2011, and the related statements of revenue collected, claims and expenses paid, and changes in fund balance for the year then ended, all prepared on the modified cash basis of accounting. These financial statements are the responsibility of the Claims Administrator. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were not engaged to and did not assess DuPont De Nemours and Company, et al. (the "Defendants") ability to meet their financial obligations to contribute to the Fund. Accordingly, we were unable to determine the adequacy of disclosures included in the footnotes to the accompanying financial statements regarding risks and uncertainties involving the Defendants' ability to contribute to the Fund as required by the Court.

We were not engaged to and did not test the validity of claimant benefits paid by the Claims Administrator. Such payments are made by the Claims Administrator upon Court approval. Accordingly, we were unable to determine the appropriateness of the claims and the accuracy of the claimant benefit payments made by the Claims Administrator.

As described in Note 2, these financial statements were prepared on the basis of cash receipts and disbursements, modified to recognize changes in the fair value of investments, accrued investment income, certain receivables, accounts payable, and certain accrued liabilities (modified cash basis), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The Fund declined to present a statement of cash flows for the year ended December 31, 2011. Presentation of such statement summarizing the Fund's operating, investing, and financing activities is required by accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of such adjustments or disclosures, if any, as might have been determined to be necessary had we been able to examine evidence regarding the uncertainty of the Defendants' ability to meet their financial obligations as required by the Court, had we been able to examine evidence regarding the validity of claimant benefits paid by the Claims Administrator, and the omission of a statement of cash flows, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance of the Perrine-DuPont Medical Monitoring Qualified Settlement Fund as of December 31, 2011, and the related revenue collected, claims and expenses paid, and changes in fund balance for the year then ended, on the basis of accounting as described in Note 2.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules of Pre-implementation and Post-implementation Statement of Assets, Liabilities, and Fund Balance and Statement of Revenue Collected, Claims and Expenses Paid, and Changes in Fund Balance are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Claims Administrator, the addressees, and or the Circuit Court of Harrison County, West Virginia to distribute as it deems appropriate. It is not to be referred to or distributed for any purposes to anyone who is not designated by the Circuit Court of Harrison County, West Virginia or the Claims Administrator.

Dixon Hughes Goodman LLP

Charleston, West Virginia
August 27, 2012

THE PERRINE-DUPONT MEDICAL MONITORING QUALIFIED SETTLEMENT FUND
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE
MODIFIED CASH BASIS OF ACCOUNTING (NOTE 2)
December 31, 2011

	<u>2011</u>
ASSETS	
Cash	\$ 1,056,792
Investments, at fair value (Note 3)	2,449,784
Other receivables	<u>1,825</u>
Total current assets	3,508,401
Property and equipment, net	<u>16,596</u>
Total assets	<u><u>\$ 3,524,997</u></u>
LIABILITIES AND FUND BALANCE	
Accounts payable	\$ 295,632
Fund Balance	<u>3,229,365</u>
Total liabilities and fund balance	<u><u>\$ 3,524,997</u></u>

THE PERRINE-DUPONT MEDICAL MONITORING QUALIFIED SETTLEMENT FUND
STATEMENT OF REVENUE COLLECTED, CLAIMS AND EXPENSES MODIFIED CASH BASIS OF
ACCOUNTING (NOTE 2)
For the year ended December 31, 2011

	<u>2011</u>
REVENUE COLLECTED	
Defendant funding	
Pre-Implementation date funding	\$ 4,000,000
Post-Implementation date funding	2,789,985
Investment income	<u>2,800</u>
Total revenue collected	<u>6,792,785</u>
CLAIMS AND EXPENSES PAID OR ACCRUED	
Expenses and claims pre-implementation	
Cash payments to claimants	2,289,200
General and office expenses	71,659
Travel expenses	23,134
Claims Administrator and Special Master fees	734,258
Third Party Administrator fees and expenses	158,301
Finance Committee fees and expenses	66,029
Guardian Ad Litem fees and expenses	51,900
Administrative expenses	27,314
Expenses and claims post-implementation	
Cash payments to claimants	47,047
General and office expenses	3,588
Travel expenses	1,698
Claims administrator fees	16,876
Administrative expenses	<u>68,914</u>
Total claims and expenses paid or accrued	<u>3,559,918</u>
Excess of revenue collected over claims and expenses paid or accrued	3,232,867
NONCASH ITEMS	
Depreciation expense	<u>3,502</u>
Total noncash items	<u>3,502</u>
Increase in fund balance	3,229,365
FUND BALANCE	
Beginning of period	<u>-</u>
End of period	<u><u>\$ 3,229,365</u></u>

THE PERRINE-DUPONT MEDICAL MONITORING QUALIFIED SETTLEMENT FUND
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2011

NOTE 1. DESCRIPTION OF THE FUND

On December 23, 2010, the Honorable Thomas Bedell, Circuit Judge for the Circuit Court of Harrison County, West Virginia, entered an Order Establishing Qualified Settlement Funds in *Perrine, et al. v. E.I. DuPont Nemours and Company, et al.*, ordering the establishment of The Perrine-DuPont Property Medical Monitoring Qualified Settlement Fund (the "Fund") under Internal Revenue Code of 1986 as amended Section 468B. This fund was formed to administer a class action settlement wherein it was alleged that the Defendants released hazardous substances from the Spelter Smelter facility onto private real property in the class area and that these substances have health risks.

Under the terms of the November 19, 2010 Memorandum of Understanding, which led to the settlement above, the Pre-Implementation Date Funding, which was received by the Fund on January 4, 2011, in the amount of \$4 million is to be used for Fund fees and expenses incurred before Medical Monitoring is implemented (with implementation occurring on November 1, 2011) and to make cash payments to claimants. DuPont is required to deposit monies annually, as needed, into the Fund to cover the implementation costs of the medical monitoring program, with DuPont making its first Post-Implementation Date Funding on October 31, 2011 in the amount of approximately \$2.8 million.

By Order dated February 10, 2011, the Court approved an initial cash payment of \$200 to the Perrine Medical Monitoring Class Members who registered and had their membership in the Class verified (the "Verified Registrants") with the Court, subsequently increasing the Verified Registrant cash payment to \$400 by Order dated April 28, 2011. The final count of Verified Registrants is 5,890, with 4,169 Verified Registrants electing to participate in medical monitoring. After all Pre-Implementation Date expenses had been accrued, the Court, by Order dated June 28, 2012, authorized the Claims Administrator to issue a final dividend payment of \$55 to all Verified Registrants.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Fund's financial statements are prepared using the modified cash basis of accounting, whereby cash receipts and disbursements are recorded as cash is received or paid, except for the recognition of changes in the fair value of investments, accrued investment income, certain receivables, accounts payable, and certain accrued liabilities. Settlement fund receivables, estimated claims liabilities and claim receivables arising from claim overpayments, if any, which are material to the determination of financial position and results of operations, in conformity with accounting principles generally accepted in the United States of America, have not been estimated and are not recorded in the accounts of the Fund. Accordingly, the financial statements do not and are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

THE PERRINE-DUPONT MEDICAL MONITORING QUALIFIED SETTLEMENT FUND
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2011

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires the Claims Administrator to make various estimates that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, as well as the reported amounts of revenues collected and claims and expenses paid. Actual results could differ from those estimates.

Cash

Cash and cash equivalents include short-term, highly liquid investments both readily convertible to known amounts of cash or so near maturity at acquisition (three months or less) that there is an insignificant risk of change in value because of change in interest rates. Cash equivalents are stated at cost, which approximates fair value.

Investments

Investments are recorded at fair value as determined by quoted market prices. All investments are considered trading securities. Unrealized gains and losses, if any, are shown as noncash items in the statement of revenue collected, claims and expenses paid, and changes in fund balance. Realized gains and losses are computed under the specific identification method. Losses and gains on investments for the year ended December 31, 2011 amounted to a net gain of \$782. All investments are current with maturity within the next year.

Property and Equipment

Property and equipment additions are recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Property and equipment, net consisted of the following at December 31, 2011:

Automobiles	\$ 10,771
Office Furniture and Equipment	9,327
Less Accumulated Depreciation	3,502
Total	<u>\$ 16,596</u>

Accounts Payable

Accounts payable consist of certain claims administrator fees and claims of claimants charged to the Fund during the year and paid after year-end.

Tax Status

The Fund maintains that, for federal income tax purposes, it is a Qualified Settlement Fund under Section 468B of the Internal Revenue Code of 1986, as amended (the "Code"), due to its having been established pursuant to a Court Order to satisfy certain legal claims, with all of its assets having been segregated from the assets of the Defendants to whom these claims relate. As provided by Treasury Regulations promulgated under Section 468B of the Code, the "modified gross income" of the Fund is subject to federal income tax at the maximum trust rate in effect under Section 1 (e) of the Code, which was 35% for the 2011 tax year. Modified gross income is gross income computed with several modifications. Amounts transferred to the Fund by, or on behalf of, a Defendant are generally excluded from Fund income. In addition,

THE PERRINE-DUPONT MEDICAL MONITORING QUALIFIED SETTLEMENT FUND
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2011

payments of Plaintiff attorney fees or claimant claims made against the Fund and expenses incurred by, or on behalf of, specific claimants or defendants are generally not deductible in computing modified gross income for federal income tax purposes. The fund is required to operate on a calendar year basis and under the accrual method of accounting for federal income tax purposes. At December 31, 2011, the Fund had net operating loss carryforwards of \$1,224,345 for 2011 federal income tax purposes. Net operating loss carryforwards will begin to expire in 2031.

The Fund has adopted authoritative guidance on accounting for uncertainty in income taxes. The guidance clarifies the accounting for the recognition and measurement of the benefits of individual tax positions in the financial statements. Tax positions must meet a recognition threshold of more likely than not in order for the benefit of those tax positions to be recognized in the Fund's financial statements. The Fund has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2011. The Fund has identified its federal tax return and its state tax return in West Virginia as major tax jurisdictions, as defined. Fiscal years ending on or after December 31, 2011 remain subject to examination by these tax jurisdictions.

Subsequent Events

The Fund has evaluated subsequent events through August 27, 2012, which represents the date the financial statements were available to be issued.

NOTE 3. FAIR VALUE MEASUREMENTS

Authoritative guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under authoritative guidance as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date;

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 - Inputs that are unobservable.

In accordance with the requirements of authoritative guidance, the Fund has categorized its financial instruments based on the priority of the inputs to the valuation technique based on a three-level hierarchy.

THE PERRINE-DUPONT MEDICAL MONITORING QUALIFIED SETTLEMENT FUND
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2011

The following presents the financial assets carried on the Statement of Assets, Liabilities, and Fund Balance by level within the valuation hierarchy as of December 31, 2011:

	Financial Assets at Fair Value at Reporting Date Using			Fair Value
	Level 1	Level 2	Level 3	
U.S. Treasury Securities	\$ 2,449,784	\$ -	\$ -	\$ 2,449,784
Total	\$ 2,449,784	\$ -	\$ -	\$ 2,449,784

NOTE 4. COMMITMENTS AND CONTINGENCIES

Cash Balances in Excess of FDIC Insurance

The Fund maintains cash in demand deposit accounts with federally insured banks. At times, the balances in these accounts may be in excess of federally insured limits.

SUPPLEMENTAL SCHEDULES

THE PERRINE-DUPONT MEDICAL MONITORING QUALIFIED SETTLEMENT FUND
SUPPLEMENTARY SCHEDULE OF PRE-IMPLEMENTATION DATE FUNDING AND POST-IMPLEMENTATION DATE FUNDING
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE
December 31, 2011

	Pre- Implementation Date Funding	Post- Implementation Date Funding	TOTAL
ASSETS			
Cash	\$ 457,058	\$ 599,734	\$ 1,056,792
Investments, at fair value (Note 3)	270,000	2,179,784	2,449,784
Other receivables	1,825	-	1,825
Total current assets	728,883	2,779,518	3,508,401
Property and equipment, net	16,596	-	16,596
Total assets	\$ 745,479	\$ 2,779,518	\$ 3,524,997
LIABILITIES AND FUND BALANCE			
Accounts payable	\$ 168,288	\$ 127,344	\$ 295,632
Fund Balance	577,191	2,652,174	3,229,365
Total liabilities and fund balance	\$ 745,479	\$ 2,779,518	\$ 3,524,997

See independent auditors' report on supplementary information.

**THE PERRINE-DUPONT MEDICAL MONITORING QUALIFIED SETTLEMENT FUND
SUPPLEMENTARY SCHEDULE OF PRE-IMPLEMENTATION DATE FUNDING AND POST-IMPLEMENTATION DATE FUNDING
STATEMENT OF REVENUE COLLECTED, CLAIMS AND EXPENSES PAID, AND CHANGES IN FUND BALANCE
For the year ended December 31, 2011**

	Pre- Implementation Date Funding	Post- Implementation Date Funding	Total
REVENUE COLLECTED			
Defendant funding	\$ 4,000,000	\$ 2,789,985	\$ 6,789,985
Investment income	2,488	312	2,800
Total revenue collected	4,002,488	2,790,297	6,792,785
CLAIMS AND EXPENSES PAID OR ACCRUED			
Cash payments to claimants	2,289,200	47,047	2,336,247
General and office expenses	71,659	3,588	75,247
Travel expenses	23,134	1,698	24,832
Claims Administrator fees and Special Master fees	734,258	16,876	751,134
Third Party Administrator fees and expenses	158,301	-	158,301
Finance Committee fees and expenses	66,029	-	66,029
Guardian Ad Litem fees and expenses	51,900	-	51,900
Administrative expenses	27,314	68,914	96,228
Total claims and expenses paid or accrued	3,421,795	138,123	3,559,918
Excess of revenue collected over claims and expenses paid or acci	580,693	2,652,174	3,232,867
NONCASH ITEMS			
Depreciation expense	3,502	-	3,502
Total noncash items	3,502	-	3,502
Increase in fund balance	577,191	2,652,174	3,229,365
FUND BALANCE			
Beginning of period	-	-	-
End of period	\$ 577,191	\$ 2,652,174	\$ 3,229,365

See independent auditors' report on supplementary information.



MEMORANDUM

September 25, 2012

TO: Edgar C. Gentle, III, Esq.

FROM: Terry D. Turner, Jr., Esq. *TT*
Joseph L. Roberta, CPA *JLR*

RE: The Perrine-DuPont Property Remediation Qualified Settlement Fund and the
Perrine-DuPont Medical Monitoring Qualified Settlement Fund (the "Funds")
- 2011 Audit Adjustment; Our File No. 4609-1 {NN-1}

We have reviewed the attached, Report to the Finance Committee of the Funds, dated December 31, 2011, prepared by Dixon Hughes Goodman, LLP (the "Auditors"). The Auditors noted a corrected misstatement for the Perrine-DuPont Medical Monitoring Qualified Settlement Fund, consisting of an audit adjustment to increase accounts payable and the associated increase in expenses at December 31, 2011, in the total amount of \$104,820.

An increase in accounts payable is a typical audit adjustment. At December 31, 2011, the Funds will record an amount to accounts payable for all known expenses that relate to the 2011 calendar year, but remain unpaid at December 31, 2011. We accrued such expenses when preparing the Fourth Quarter 2011 financial statements for the Funds, but these financial statements were required to be finalized by January 31, 2012 for the outside audit, leaving open the possibility that some 2011 expenses wouldn't arrive until after January 31, 2012 and not be included in the year-end accounts payable amount. Approximately \$58,000 of the \$104,820 audit adjustment was for expenses that were received and paid in March 2012, but a portion of the invoices related back to December 2011.

The remaining \$46,820 relate to medical monitoring provider payments, remitted by CTI Administrators in January, February and March 2012, but relate to claims in calendar year 2011. CTI Administrators only sends a listing of the checks issued to each medical monitoring provider, not a detail of the claims or specifically, the date of the claims, for which each provider is paid. The Auditors requested additional information for all payments to providers in the period of January through March 2012 and were able to break out the \$46,820 in payments that related back to 2011.

An audit adjustment involving an increase in accounts payable is really a timing difference, and we disagree that such an adjustment is a significant deficiency in internal controls for the Funds. The \$104,820 in expenses would have been shown as expenses in 2012, but the Auditors moved them to 2011 because that is when the actual expenses were incurred. In future audits, we will request additional information from CTI Administrators, so that we can obtain a more accurate cut-off for medical monitoring provider payments at year-end. We will also review the accounts payable balance at year-end and try to identify any vendors that might not have sent invoices to the Funds for expenses that relate to the year being audited.

/jlr