PERRINE DUPONT SETTLEMENT CLAIMS OFFICE
ATTN: EDGAR C. GENTLE, CLAIMS ADMINISTRATOR
C/O SPELTER VOLUNTEER FIRE DEPARTMENT OFFICE
55 B Street
P. O. BOX 257
SPELTER, West Virginia 26438
(304) 622-7443
(800) 345-0837
www.perrinedupont.com
perrinedupont@gtandslaw.com

October 2, 2013

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.
P.O. Box 12308
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 - 2012 Audit Report for the Settlement; Our File No. 4609-1 {NN-4}

Dear Judge Bedell, Finance Committee Members and Meredith:

Enclosed please find the 2012 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, 2012, and the related revenue collected, claims and expenses paid, and changes in fund balance for the year ending December 31, 2012, on an accrual basis of accounting.

Please let me know if you have any questions.

Yours very truly,

Edgar C. Gentle, III
Claims Administrator

ECGIII/tdt
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.
Angela Mason, Esq.

Report to the Finance Committee of

The Perrine-DuPont Property Remediation and Medical Monitoring Qualified Settlement Funds

December 31, 2012

DIXON HUGHES GOODMAN LLP

positively unique

DIXON HUGHES GOODMAN LLP

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July 16, 2013

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 modified cash basis financial statements of The Perrine-DuPont Property Remediation and Medical Monitoring Qualified Settlement Funds ("the Funds") under the Modified Cash Basis of Accounting for the year ended December 31, 2012, and have issued our report thereon dated July 16, 2013. 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 November 30, 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 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. 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 and related disclosures relate to the fair value of investments for the Funds.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The schedule included in Appendix A as an attachment to the management representations letter summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. There were no corrected misstatements.

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 audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter 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.

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 of
The Perrine-DuPont Property Remediation Qualified Settlement Fund

In planning and performing our audit of the modified cash basis financial statements of The Perrine-DuPont Property Remediation Qualified Settlement Fund (the "Fund") as of and for the year ended December 31, 2012, 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 modified cash basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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.

Sincerely,

Dixon Hughes Goodman LLP

Charleston, West Virginia
July 16, 2013

Communication of Internal Control Related Matters

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

In planning and performing our audit of the modified cash basis financial statements of The Perrine-DuPont Medical Monitoring Qualified Settlement Fund (the "Fund") as of and for the year ended December 31, 2012, 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 modified cash basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 deficiency in the Fund's internal control to be a significant deficiency:

Unrecorded Expenses

During the course of the audit, medical monitoring expenses recorded in 2013 approximating $10,000 were determined to be related to 2012, resulting in passed 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
July 16, 2013

GENTLE, TURNER, SEXTON, DEBROSSE & HARBISON
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TELEPHONE (205) 716-3000
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*ALSO ADMITTED IN FLORIDA
**ONLY ADMITTED IN WEST VIRGINIA

July 16, 2013

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

This representation letter is provided in connection with your audits of the modified cash basis financial statements of The Perrine-DuPont Property Remediation Qualified Settlement Fund and The Perrine-DuPont Medical Monitoring Qualified Settlement Fund (the "Funds"), which comprise the statements of assets, liabilities, and fund balance – modified cash basis as of December 31, 2012 and 2011 and the related statements of revenue collected, claims and expenses paid, and changes in fund balance – modified cash basis and supplementary schedules- modified cash basis for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the 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.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 30, 2012 for presenting the financial statements in conformity with the modified cash basis of accounting as described In Note 2.

2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

4. The following have been properly accounted for and disclosed in the financial statements:
   a. Related-party relationships and 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 Company is contingently liable

5. 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.

6. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

7. We believe that the effects of the uncorrected misstatements and omitted disclosures in the financial statements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

8. 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 U.S. GAAP.
   d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

9. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

Information Provided

10. We have provided you with:
    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
    b. Additional information that you have requested from us for the purpose of the audit.
    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

11. All transactions have been recorded in the accounting records and are reflected in the financial statements.

12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13. We have no knowledge of any fraud or suspected fraud affecting the Funds involving:
    a. Management.
    b. Employees who have significant roles in internal control.
    c. Others where the fraud could have a material effect on the financial statements.

Page 2

14. We have no knowledge of any allegations of fraud or suspected fraud affecting the Funds' financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.

15. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.

16. The Funds have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

17. There are no arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements.

18. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

19. 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. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed

20. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

21. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

22. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

23. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims. Additionally there have been no changes since our legal representation response letter dated June 13, 2013.

24. The Funds has satisfactory title to all owned assets and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

25. 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.

26. 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 Change in Fund Balance 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 is fairly presented in accordance with the modified cash basis of accounting as described in Note 2 to the financial statements. The methods of measurement and presentation of the supplementary schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. The consolidating information of the pre and post implementation information is for purposes of additional analysis of the financial statements

Page 3

rather than to present the financial position and results of operations of pre and post implementation funding.

27. In regards to the nonattest services provided services performed by you, (income tax return review) we have:
    a. Assumed all management responsibilities.
    b. Overseen the service, by designating an individual, within senior management, who possess suitable skill, knowledge, or experience.
    c. Evaluated the adequacy and results of the services performed.
    d. Accepted responsibility for the results of the services.
    e. Evaluated and maintained internal controls, including monitoring ongoing activities.

28. We acknowledge that we did not engage you to examine evidence regarding the validity of claimant benefits paid by the Claims Administrator, or the ability for the Defendant to meet their financial obligations to contribute to the Funds, and we declined 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.

Ed Gentle, Claims Administrator

Joseph Roberta

Joseph Roberta, Accountant

Attachments included:
•Schedule of Uncorrected Misstatements

Page 4

SUMMARY OF UNCORRECTED MISSTATEMENTS

DESCRIPTION	Cause	ASSETS	LIABILITIES	BEGINNING EQUITY	P&L	ENDING EQUITY
Factual						-
Some amounts paid to the Medical Monitoring Fund's third party administrator for 2012 processing expenses were not included in AP as of year-end.	There is an unusually long lag time between the date the expense is incurred and the date paid. CTI Administrators sends Joe Roberta a bi-weekly report of payments. Adjustments are made to AP for several months, but after the final TB is prepared in late March, no further adjustments are typically made.		(2,074)		2,074	-
Some amounts paid by the Medical Monitoring Fund's third party administrator for 2012 claimant expenses were not included in AP as of year-end.	There is an unusually long lag time between the date the expense is incurred and the date paid. CTI Administrators sends Joe Roberta a bi-weekly report of payments. Adjustments are made to AP for several months, but after the final TB is prepared in late March, no further adjustments are typically made.		(7,298)		7,298	-
						-
						-
						-
Judgmental						-
						-
						-
						-
						-
						-
Projected						-
						-
						-
						-
						-
						-
C/Y PRETAX UNCORRECTED MISSTATEMENTS		-	(9,372)	-	9,372	-
C/Y NET EFFECT OF UNCORRECTED MISSTATEMENTS		-	(9,372)	-	9,372	-
EFFECT OF P/Y UNCORRECTED MISSTATEMENTS						
TOTAL UNCORRECTED MISSTATEMENTS		-	(9,372)	-	9,372	(9,372)
FINANCIAL STATEMENT CAPTION TOTALS		2,070,308	(90,542)		1,249,599	(1,979,766)
NET UNCORRECTED MISSTATEMENTS AS % OF F/S CAPTIONS		0%	10%		1%	0%

Page 1 of 1

The Perrine-DuPont Medical Monitoring Qualified Settlement Fund

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION-MODIFIED CASH BASIS

(Including Independent Auditors' Report Thereon)

December 31, 2012 and 2011

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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 financial statements of the Perrine-DuPont Medical Monitoring Qualified Settlement Fund (the "Fund"), which comprise the statements of assets, liabilities, and fund balance-modified cash basis as of December 31, 2012 and 2011, and the related statements of revenue collected, claims and expenses paid, and changes in fund balance-modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. Except as discussed in the following paragraphs, 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 from material misstatement.

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

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

Basis for Qualified Opinion

We were not engaged to and did not assess the ability of DuPont De Nemours and Company, et al. (the "Defendants'") 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 or oversight. Accordingly, we were unable to determine the appropriateness of the claims and the accuracy of the claimant benefit payments made by the Claims Administrator.

Qualified Opinion

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 and had we been able to examine evidence regarding the validity of claimant benefits paid by the Claims Administrator, 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, 2012 and 2011, and the related revenue collected, claims and expenses paid, and changes in fund balance for the years then ended, on the modified cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are 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. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the modified cash basis financial statements as a whole. The supplementary schedules of Pre-Implementation Date Funding and Post-Implementation Date Funding Statements of Assets, Liabilities, and Fund Balance-Modified Cash Basis and Statements of Revenue Collected, Claims and Expenses Paid, and Changes in Fund Balance-Modified Cash Basis are presented for purposes of additional analysis and are not a required part of the modified cash basis 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 modified cash basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the modified cash basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the modified cash basis 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 modified cash basis financial statements as a whole.

This report is intended solely for the information and use of the Claims Administrator, the addressees, and 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
July 16, 2013

THE PERRINE-DUPONT MEDICAL MONITORING QUALIFIED SETTLEMENT FUND
STATEMENTS OF ASSETS, LIABILITIES, AND FUND BALANCE-MODIFIED CASH BASIS OF ACCOUNTING
December 31, 2012 and 2011

		2012		2011
ASSETS				
Cash	$	**2,057,214**	$	1,056,792
Investments, at fair value (Note 3)		**-**		2,449,784
Other receivables		**-**		1,825
Total current assets		**2,057,214**		3,508,401
Property and equipment, net		**13,094**		16,596
Total assets	$	**2,070,308**	$	3,524,997
LIABILITIES AND FUND BALANCE				
Accounts payable	$	**90,542**	$	295,632
Fund Balance		**1,979,766**		3,229,365
Total liabilities and fund balance	$	**2,070,308**	$	3,524,997

THE PERRINE-DUPONT MEDICAL MONITORING QUALIFIED SETTLEMENT FUND
PAID, AND CHANGES IN FUND BALANCE

For the years ended December 31, 2012 and 2011

	2012	2011
REVENUE COLLECTED		
Defendant funding		
Pre-Implementation date funding	$ -	$ 4,000,000
Post-Implementation date funding	-	2,789,985
Investment income	**6,866**	2,800
Total revenue collected	**6,866**	6,792,785
CLAIMS AND EXPENSES PAID OR ACCRUED		
Expenses and claims pre-implementation		
Cash payments to claimants	**391,093**	2,289,200
General and office expenses	-	71,659
Travel expenses	-	23,134
Claims Administrator and Special Master fees	**99,540**	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	**46,513**	27,314
Expenses and claims post-implementation		
Cash payments to claimants	**278,457**	47,047
General and office expenses	**20,120**	3,588
Travel expenses	**5,424**	1,698
Claims administrator fees	**116,620**	16,876
Guardian Ad Litem fees and expenses	**3,875**	-
Administrative expenses	**291,321**	68,914
Total claims and expenses paid or accrued	**1,252,963**	3,559,918
(Deficiency) excess of revenue collected over claims and expenses paid or accrued	**(1,246,097)**	3,232,867
NONCASH ITEMS		
Depreciation expense	**3,502**	3,502
Total noncash items	**3,502**	3,502
(Decrease) increase in fund balance	**(1,249,599)**	3,229,365
FUND BALANCE		
Beginning of period	**3,229,365**	-
End of period	**$ 1,979,766**	$ 3,229,365

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, with the Defendants strenuously denying those allegations.

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 was implemented (with implementation occurring on November 1, 2011) and to make cash payments to claimants. This contribution is called the Pre-Implementation Date Funding. DuPont is required to deposit additional monies annually, or 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 Pre-Implementation Date funding dividend payment of $55 to all Verified Registrants, representing the balance of the Pre-Implementation Date Funding, less a small administrative reserve.

The Post-Implementation Date Funding is used to pay for the settlement medical monitoring program, which began on November 1, 2011, the first round of testing. There will be 14 more rounds of testing, to be done every two years. During the first round of testing, approximately half of the claimants who signed up for medical monitoring were tested. The second round of testing is scheduled to begin on November 1, 2013.

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.

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. At December 31, 2012, $26,558 and $2,030,656 are the cash and cash equivalents balances for the Pre-Implementation and Post-Implementation Date funding, respectively.

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, 2012 and 2011 amounted to a net gain of $216 and $782, respectively.

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:

	2012	2011
Automobiles	**$ 10,771**	$ 10,771
Office Furniture and Equipment	**9,327**	9,327
Less Accumulated Depreciation	**7,004**	3,502
Total	**$ 13,094**	$ 16,596

At December 31, 2012 and 2011, all property and equipment was owned by the Pre-Implementation Date Funding.

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 2012 and 2011 tax years. 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, 2012 and 2011, the Fund had net operating loss carryforwards of $1,805,589 and $1,224,345, respectively, for 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, 2012. 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 July 16, 2013, which represents the date the financial statements were available to be issued.

NOTE 3. FAIR VALUE MEASURMENTS

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			
	Level 1	**Level 2**	**Level 3**	**Fair Value**
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.

SUPPLEMENTARY 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-MODIFIED CASH BASIS

December 31, 2012

	Pre-Implementation Date Funding	Post-Implementation Date Funding	Total
ASSETS			
Cash	$ 26,558	$ 2,030,656	$ 2,057,214
Total current assets	26,558	2,030,656	2,057,214
Property and equipment, net	13,094	-	13,094
Total assets	$ 39,652	$ 2,030,656	$ 2,070,308
LIABILITIES AND FUND BALANCE			
Accounts payable	$ 2,650	$ 87,892	$ 90,542
Fund Balance	37,006	1,942,760	1,979,766
Total liabilities and fund balance	$ 39,656	$ 2,030,652	$ 2,070,308

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-MODIFIED CASH BASIS
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

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-MODIFIED CASH BASIS
For the year ended December 31, 2012

	Pre-Implementation Date Funding	Post-Implementation Date Funding	Total
REVENUE COLLECTED			
Investment income	$ 463	$ 6,403	$ 6,866
Total revenue collected	463	6,403	6,866
CLAIMS AND EXPENSES PAID OR ACCRUED			
Cash payments to claimants	391,093	278,457	669,550
General and office expenses	-	20,120	20,120
Travel expenses	-	5,424	5,424
Claims Administrator fees and Special Master fees	99,540	116,620	216,160
Guardian Ad Litem fees and expenses	-	3,875	3,875
Administrative expenses	46,513	291,321	337,834
Total claims and expenses paid or accrued	537,146	715,817	1,252,963
Excess of revenue collected over claims and expenses paid or accrued	(536,683)	(709,414)	(1,246,097)
NONCASH ITEMS			
Depreciation expense	3,502	-	3,502
Total noncash items	3,502	-	3,502
Decrease in fund balance	(540,185)	(709,414)	(1,249,599)
FUND BALANCE			
Beginning of period	$ 577,191	$ 2,652,174	$ 3,229,365
End of period	$ 37,006	$ 1,942,760	$ 1,979,766

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-MODIFIED CASH BASIS
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 accrued	580,693	2,652,174	3,232,867
NONCASH ITEMS			
Depreciation expense	3,502	-	3,502
Total noncash items	3,502	-	3,502
Decrease 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

The Perrine-DuPont Property Remediation Qualified Settlement Fund

FINANCIAL STATEMENTS-MODIFIED CASH BASIS
(Including Independent Auditors' Report Thereon)

December 31, 2012 and 2011

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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 financial statements of the Perrine-DuPont Property Remediation Qualified Settlement Fund (the "Fund"), which comprise the statements of assets, liabilities, and fund balance – modified cash basis as of December 31, 2012 and 2011, and the related statements of revenue collected, claims and expenses paid, and changes in fund balance-modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. Except as discussed in the following paragraphs, 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 from material misstatement.

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

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

Basis for Qualified Opinion
We were not engaged to and did not assess the ability of DuPont De Nemours and Company, et al. (the "Defendants'") 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 or oversight. Accordingly, we were unable to determine the appropriateness of the claims and the accuracy of the claimant benefit payments made by the Claims Administrator.

Qualified Opinion
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 and had we been able to examine evidence regarding the validity of claimant benefits paid by the Claims Administrator, 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, 2012 and 2011, and the related revenue collected, claims and expenses paid, and changes in fund balance for the years then ended, on the modified cash basis of accounting as described in Note 2.

Basis of Accounting
We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are 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. Our opinion is not modified with respect to that matter.

This report is intended solely for the information and use of the Claims Administrator, the addressees, and 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
July 16, 2013

THE PERRINE-DUPONT PROPERTY REMEDIATION QUALIFIED SETTLEMENT FUND
STATEMENTS OF ASSETS, LIABILITIES, AND FUND BALANCE-
MODIFIED CASH BASIS OF ACCOUNTING
December 31, 2012 and 2011

	2012	2011
ASSETS		
Cash	$ 921,804	$ 9,674,978
Investments, at fair value (Note 3)	24,992,893	24,529,950
Total current assets	25,914,697	34,204,928
Property and equipment, net	13,094	16,596
Total assets	$ 25,927,791	$ 34,221,524
LIABILITIES AND FUND BALANCE		
Accounts payable	$ 310,815	$ 219,074
Other payables	-	1,825
Fund Balance	25,616,976	34,000,625
Total liabilities and fund balance	$ 25,927,791	$ 34,221,524

THE PERRINE-DUPONT PROPERTY REMEDIATION QUALIFIED SETTLEMENT FUND
STATEMENTS OF REVENUE COLLECTED, CLAIMS AND EXPENSES PAID, AND CHANGES IN FUND BALANCE-MODIFIED CASH BASIS OF ACCOUNTING
For the years ended December 31, 2012 and 2011

	2012	2011
REVENUE COLLECTED		
Investment income	$ 16,343	$ 13,917
Defendant funding	-	66,000,000
Total revenue collected	16,343	66,013,917
CLAIMS AND EXPENSES PAID OR ACCRUED		
Plaintiffs' class counsel fees and expenses	-	30,481,236
General, office, and administration expenses	81,420	92,024
Consulting fees	48,719	-
Travel expenses	30,712	25,043
Franchise tax	12,656	-
Claims administrator and special master fees	1,328,300	822,645
Finance Committee fees and expenses	19,210	32,479
Audit and income tax return fees	16,549	-
Guardian Ad Litem fees and expenses	-	12,313
Property clean up technical advisor	65,484	94,393
Property questionnaire and fairness hearings	-	28,532
Property soil/house testing expenses	6,060,010	162,505
Property claimant annoyance and inconvenience payments	733,430	258,620
Total claims and expenses paid or accrued	8,396,490	32,009,790
(Deficiency) excess of revenue collected over claims and expenses paid or accrued	(8,380,147)	34,004,127
NONCASH ITEMS		
Depreciation expense	3,502	3,502
Total noncash items	3,502	3,502
(Decrease) increase in fund balance	(8,383,649)	34,000,625
FUND BALANCE		
Beginning of period	34,000,625	-
End of period	$ 25,616,976	$ 34,000,625

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, with the Defendants strenuously denying those allegations.

On January 4, 2011, the Fund was funded by the Defendants for $66 million for the purposes of paying for property remediation services and attorneys' fees and expenses of Plaintiffs' Counsel. No additional funding by the Defendants is required. 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 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 of the Class Area receiving soil clean-up services, and (b) $500 per house or commercial structure to owners of eligible houses or commercial structure within the entire Class Area receiving house or commercial structure 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. This is a closed fund, with no further Defendants' contributions being required.

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.

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, 2012 and 2011 resulted in a net gain of $15,172 and $10,382, respectively, which is included in investment income in the accompanying statements of revenue collected, claims and expenses paid, and changes in fund balance – modified cash of accounting.

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:

	2012	2011
Automobiles	**$ 10,771**	$ 10,771
Office Furniture and Equipment	**9,327**	9,327
Less Accumulated Depreciation	**7,004**	3,502
Total	**$ 13,094**	$ 16,596

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 2012 and 2011 tax years. 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, 2012 and 2011, the Fund had net operating loss carryforwards of $8,899,330 and $1,259,519, respectively, for 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, 2012. 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 July 16, 2013, which represents the date the financial statements were available to be issued.

NOTE 3. FAIR VALUE MEASURMENTS

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, 2012:

	Financial Assets at Fair Value at Reporting Date Using			
	Level 1	**Level 2**	**Level 3**	**Fair Value**
U.S. Treasury Securities	$24,992,893	$ -	$ -	$24,992,893
Total	$24,992,893	$ -	$ -	$24,992,893

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			
	Level 1	Level 2	Level 3	Fair Value
U.S. Treasury Securities	$24,529,950	$ -	$ -	$24,529,950
Total	$24,529,950	$ -	$ -	$24,529,950

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.

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 may increase ratably if there are more remediated properties.