

**The West Anniston
Medical Clinic, Inc.**

**Financial Statements
December 31, 2009 and 2008**

The West Anniston Medical Clinic, Inc.
Index
December 31, 2009 and 2008

	Page(s)
Report of Independent Auditors	1
Financial Statements	
Statements of Financial Position	2
Statements of Operations	3
Statements of Cash Flows	4
Notes to Financial Statements	5-10

Report of Independent Auditors

To The Honorable Paul W. Greene and the Board of Directors of
The West Anniston Medical Clinic, Inc.
Birmingham, Alabama

In our opinion, the accompanying statement of financial position and the related statements of operations and changes in net assets and of cash flows present fairly, in all material respects, the financial position of The West Anniston Medical Clinic, Inc. (the "Organization") as of December 31, 2009 and 2008, and the results of its operations and changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Organization's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

December 8, 2010

The West Anniston Medical Clinic, Inc.
Statements of Financial Position
December 31, 2009 and 2008

	2009	2008
Assets		
Current assets		
Cash and cash equivalents	\$ 3,903,747	\$ 5,737,481
Investments, at fair value	2,299,954	-
Note receivable due from Quality of Life Health Services, Inc.	210,000	265,000
Total assets	<u>\$ 6,413,701</u>	<u>\$ 6,002,481</u>
Liabilities and Net assets		
Accounts payable	<u>\$ 249,171</u>	<u>\$ 56,885</u>
Total liabilities	<u>249,171</u>	<u>56,885</u>
Net assets		
Unrestricted	1,024,498	916,206
Temporarily restricted	5,140,032	5,029,390
Total net assets	<u>6,164,530</u>	<u>5,945,596</u>
Total liabilities and net assets	<u>\$ 6,413,701</u>	<u>\$ 6,002,481</u>

The accompanying notes are an integral part of these financial statements.

The West Anniston Medical Clinic, Inc.
Statements of Operations
Years Ended December 31, 2009 and 2008

	2009	2008
Changes in unrestricted net assets		
Revenues and gains		
Interest income	\$ 16,780	\$ 132,793
Plaintiffs' Counsel and Settlement Administrator contributions	75,458	92,350
Unrealized gain on investments	16,054	-
Total unrestricted revenues and gains	<u>108,292</u>	<u>225,143</u>
Net assets released from restrictions		
Satisfaction of program restrictions	2,389,358	2,060,794
Total net assets released from restrictions	<u>2,389,358</u>	<u>2,060,794</u>
Total unrestricted revenues, gains, and other support	2,497,650	2,285,937
Expenses and losses		
Operations (Note 6)	2,090,799	1,521,080
Grant (Note 6)	36,993	293,949
Community project (Note 6)	-	63,904
Management and general	261,566	181,861
Total expenses	<u>2,389,358</u>	<u>2,060,794</u>
Increase in unrestricted net assets	<u>108,292</u>	<u>225,143</u>
Changes in temporarily restricted net assets		
Contributions	2,500,000	2,500,000
Reimbursement income	-	301,407
Net assets released from restrictions	<u>(2,389,358)</u>	<u>(2,060,794)</u>
Increase in temporarily restricted net assets	<u>110,642</u>	<u>740,613</u>
Increase in net assets	218,934	965,756
Net assets		
Beginning of year	<u>5,945,596</u>	<u>4,979,840</u>
End of year	<u>\$ 6,164,530</u>	<u>\$ 5,945,596</u>

The accompanying notes are an integral part of these financial statements.

The West Anniston Medical Clinic, Inc.
Statements of Cash Flows
Years Ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities		
Increase in net assets	\$ 218,934	\$ 965,756
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Accounts payable	192,286	(54,085)
Unrealized gain on investment	(16,054)	-
Note receivable from Quality of Life Health Services, Inc.	55,000	(265,000)
Net cash provided by operating activities	<u>450,166</u>	<u>646,671</u>
Cash flows from investing activities		
Investment in US Treasuries	<u>(2,283,900)</u>	<u>-</u>
Net cash used by investing activities	<u>(2,283,900)</u>	<u>-</u>
Net (decrease) increase in cash	(1,833,734)	646,671
Cash and cash equivalents		
Beginning of the year	<u>5,737,481</u>	<u>5,090,810</u>
End of year	<u>\$ 3,903,747</u>	<u>\$ 5,737,481</u>

The accompanying notes are an integral part of these financial statements.

The West Anniston Medical Clinic, Inc.
Notes to Financial Statements
December 31, 2009 and 2008

1. Description of Organization

The West Anniston Medical Clinic, Inc. (the "Organization") was established as a result of the *Antonia Tolbert, et al. v. Monsanto Company, Pharmacia Corporation, and Solutia, Inc.*, and the *Geraldine Oliver v. Monsanto Company, Pharmacia Corporation, and Solutia Inc.*, September 9, 2003 case settlement, approved by the Court's September 9, 2003 Final Judgment, for approximately 18,000 individual plaintiffs. The judgment was entered in the amount of \$300,000,000, payable in the amount of \$275,000,000 to the Tolbert Qualified Settlement Fund and \$25,000,000 to be used to fund a medical clinic in West Anniston, Calhoun County, Alabama. The \$25,000,000 was ordered to be paid in 10 annual installments beginning on August 26, 2004, and continuing on approximately the 26th day of August of each year thereafter, up to and including approximately August 26, 2013. The Organization was ordered to use this \$2,500,000 annual installment paid by the defendants to fund the Medical Clinic.

As part of the settlement in accordance with the September 9, 2003 Final Judgment, and in addition to the \$200 million, Pfizer Inc., provided a \$2,000,000 grant ("Grant") to establish or improve a community health clinic in West Anniston. The grant money was used for capital improvements of Quality of Life Health Services, Inc. ("QOL") and Dr. Angela Martin's ("Dr. Martin") clinic.

2. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed in the preparation of the financial statements of the Organization.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less, excluding amounts limited as to use by trust and indenture agreements. During the first quarter of 2009, to protect Organization assets from any potential risk that Wachovia Bank may fail, the Organization purchased approximately \$5 million in laddered United States Treasury Bills, with the balance of the Organization's assets being in a Money Market Fund. The Organization continues to purchase United States Treasury Bills as these Treasury Bills mature, and to fund its liquidity needs by replenishing the Money Market Fund, as necessary.

The Organization has certain deposits which have exceeded Federal Depository Insurance Corporation ("FDIC") limits at certain financial institutions.

Investments

Investments are recorded at fair value as determined by quoted market prices. The Company invests in United States Treasury Bills.

Interest Income

Interest income represents interest realized and recognized on certain cash accounts held at financial institutions.

The West Anniston Medical Clinic, Inc.
Notes to Financial Statements
December 31, 2009 and 2008

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, pursuant to correspondence from the Internal Revenue Service. As such, no provision for federal income taxes has been included in the accompanying financial statements.

Subsequent Events

The Organization has evaluated subsequent events through December 8, 2010, which represents the date the financial statements were available to be issued.

Recently Issued Accounting Pronouncements

On January 1, 2008, the Organization adopted new accounting guidance on fair value measurements for financial assets and liabilities. The new guidance defines fair value, establishes criteria to be considered when measuring fair value, and enhances disclosure requirements about fair value measurements. As of January 1, 2009 the Organization adopted the guidance related to certain non-financial assets and liabilities. There was no impact on the Organization's financial statements from adopting the authoritative guidance on fair value measurements.

In August 2009, the authoritative guidance on measuring the fair value of liabilities was revised to clarify that a quoted price in an active market for the identical liability is a Level 1 measurement for that liability when no adjustment to the quoted price is required. In the absence of a Level 1 measurement, an entity must use one or more of the valuation techniques prescribed by the guidance to estimate fair value (in a manner consistent with the principles in the authoritative guidance). The valuation techniques use (a) the quoted price of either the identical liability when traded as an asset, similar liabilities, or similar liabilities when traded as assets, or (b) another valuation technique that is consistent with the principles in the authoritative guidance (e.g., a market approach or an income approach), including a technique either based on the amount an entity would pay to transfer the identical liability or the amount an entity would receive to enter into an identical liability. The Organization implemented the revised authoritative guidance for the year ended December 31, 2009, which did not have a material impact on the Organization's financial statements.

During the year ended December 31, 2009, the Organization adopted accounting guidance which establishes principle and requirements for subsequent events. The required disclosure is included in Note 2.

In June 2009, the Financial Accounting Standards Board ("FASB") established the FASB Accounting Standards Codification to become the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. This source of accumulative guidance was effective for financial statements issued for interim and annual periods ending after September 15, 2009. The implementation of the new source of authoritative guidance did not have any material impact on the Organization's financial statements.

The West Anniston Medical Clinic, Inc.
Notes to Financial Statements
December 31, 2009 and 2008

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 are as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Company 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 Organization has categorized its financial instruments based on the priority of the inputs to the valuation technique based on a three-level hierarchy.

The following table presents the financial assets carried on the Statement of Financial Position by level within the valuation hierarchy as of December 31, 2009:

Error! Not a valid link.

The financial assets disclosed above were valued using the market approach.

4. Note Receivable

In June 2008, the Organization accepted a note receivable for \$301,407 from Quality of Life Health Services, Inc. ("QOL"), in settlement of a claim by the Organization against QOL for alleged overbilling, based on an outside audit report. Payments of \$5,000 related to the note are due monthly through June 1, 2013. The note is collateralized by QOL's Medical Clinic project receivables due from CTIA Administrators, Inc., CareMark, and the Organization. At December 31, 2009 and 2008, the receivable balance was \$210,000 and \$265,000, respectively.

5. Contributions

On September 9, 2003, in the *Final Judgment and Order in Tolbert, et al. v. Monsanto Company, et al. and Oliver, et al. v. Monsanto Company, et al.*, payments by the Defendants of \$25 million in ten equal annual installments were approved to fund a medical clinic in West Anniston, Calhoun County, Alabama, and a \$2 million Grant by Pfizer, Inc. was approved to establish or improve a community health clinic in West Anniston.

The West Anniston Medical Clinic, Inc.
Notes to Financial Statements
December 31, 2009 and 2008

In January 2005, in the *Agreement for Medical Clinic Grant for The West Anniston Medical Clinic, Inc.* (the "Agreement"), the \$2 million Grant from Pfizer was agreed to be used to fund the build out of the clinics of QOL for adult claimants and Dr. Martin for children claimants. Of the \$2 Million, 77.3%, equaling \$1,546,000 was used to make capital improvements to QOL's clinic for adults, and the remaining 22.7%, equaling \$454,000, was used to make capital improvements to Dr. Martin's clinic for children. It was also agreed that operations would be funded on an annual basis. Medical Clinic operations began in June 2005. For the first year, beginning with the effective date of the Agreement, the \$2.5 million available for operations was allocated such that \$1,932,500, or 77.3%, would fund overhead for the operations of QOL's clinic and \$567,500, or 22.7%, would fund overhead for the operations of Dr. Martin's clinic. Operations funding was to be paid in four equal installments, less surplus not expended in the previous quarter, being made after timely submission of each clinic's Quarterly Operating Account Report.

Initially, the Medical Clinic project was run under the wholesale model noted above, under which QOL and Dr. Martin received quarterly contributions to their overhead for providing medical care to claimants and, in the case of QOL, prescription drugs for claimants quarterly.

In the summer of 2006, it became apparent that Medical Clinic operations under this wholesale model would cost more than the annual \$2.5 million contributions available for operations under the 2003 Final Judgment. Therefore, in accordance with the Court's May 18, 2006 and December 19, 2006 Orders, provisioning of Medical Clinic services was transitioned from a wholesale model to a retail model similar to that provided by a Health Management Organization ("HMO"), with the Medical Clinic receiving written confirmation from the Alabama Department of Insurance that such retail model provisioning is not insurance and is not subject to the Alabama Department of Insurance's jurisdiction. At December 1, 2006 and at April 1, 2007, respectively, the Medical Clinic transitioned from a wholesale to a retail model with respect to pharmaceutical provisioning and then medical and dental primary care provisioning. Under the retail model, CareMark was initially the Pharmacy Benefit Manager for the pharmaceutical benefit, which is available at QOL and approximately twenty more pharmacies in Calhoun County, Alabama. CareMark was replaced by Navitus Health Solutions LLC on December 1, 2009. In addition, CTIA is the Third Party Administrator of the retail model for the primary care medical and dental benefit provided to registered claimant-patients by QOL and Dr. Martin, under which they are paid at negotiated retail rates for units of primary dental and medical health care in accordance with CPC Codes, by CTIA at negotiated rates. Thus far, the retail model costs are within the \$2.5 million annual budget. As a result, there is a preliminary projection that the life of the Medical Clinic project will be of the originally anticipated ten (10) years, projecting to terminate at June 2015.

The West Anniston Medical Clinic, Inc.
Notes to Financial Statements
December 31, 2009 and 2008

On February 26, 2007, the Organization received the first of two grant checks, totaling \$170,250, from the Andrus Family Fund and the Surdna Foundation. The Organization received additional funds of \$14,000 from various contributors to be spent on activities related to this grant. The grant's purpose was to provide the funding for the Organization to partner with the Alabama Civil Justice Foundation and the Community Foundation of Calhoun County, to utilize the Collaborative Change Approach to reconnect Anniston, Alabama, in and through the development of a youth-based initiative. Through the development of Anniston Reconnecting - a Catalyst for Healing ("ARCH"), a community reconciliation strategy focused on collectively developing a sustainable youth initiative to be formulated, planned and implemented over a period of three years. Community reconciliation was necessary because, despite the positive and progressive nature of the Tolbert Qualified Settlement Fund, the City of Anniston remained mired in despair, anger and gridlock due to environmental contamination, financial disparities and racial discord. The youth-based initiative was viewed as a way to restore hope to the community.

On February 29, 2008, the Organization's contractual obligation related to the ARCH grant ended in accordance with the grant agreement. Excess funding of \$47,500 was returned to the Surdna Foundation on March 26, 2008 by the Organization in accordance with requirements under the ARCH grant agreement.

From October 1, 2009 through October 31, 2010, a surplus in the Tolbert Qualified Settlement Fund was used to make Medical Clinic pharmacy and primary care co-pays previously made by claimant-patients. This practice ceased at November 1, 2010 when the surplus was exhausted. The temporary payment of Medical Clinic co-pays by the surplus greatly stimulated Medical Clinic usage.

The Organization had temporarily restricted net assets related to these contributions in the amounts of \$5,140,032 and \$5,029,390 at December 31, 2009 and 2008, respectively.

6. Expenses

In accordance with the Agreement, the Organization provides funding for the retail operations of the QOL clinic and Dr. Martin's clinic, by paying for units of dental and medical primary health care service, much like an HMO, through CTIA, and also paid Pharmacy Benefit Manager fees to CareMark f/k/a PharmaCare and then Navitus, which replaced CareMark at December 1, 2009 ("the Operations"). The Organization also provided funding for the capital improvements of these two clinics under the Grant. At December 31, 2009, the capital improvement grant of Pfizer has been paid in full. In accordance with the ARCH grant, the Organization provided funding for the community project in Anniston through the grant end date on February 29, 2008. As of December 31, 2009, the ARCH grant is complete. Expenses related to these activities for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Operations	\$ 2,090,799	\$ 1,521,080
Grant	36,993	293,949
Community project	-	63,904
	<u>\$ 2,127,792</u>	<u>\$ 1,878,933</u>

The West Anniston Medical Clinic, Inc.
Notes to Financial Statements
December 31, 2009 and 2008

7. Net Assets Released from Restrictions

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the Agreement for the medical clinic grant for the Organization.

	2009	2008
Purpose restrictions accomplished		
Operations	\$ 2,090,799	\$ 1,521,080
Grant	36,993	293,949
Community project	-	63,904
Management and general	261,566	181,861
	<u>\$ 2,389,358</u>	<u>\$ 2,060,794</u>