

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

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

MDL NO. 1203

THIS DOCUMENT RELATES TO: SHEILA BROWN, ET
AL. V. AMERICAN HOME PRODUCTS CORPORATION

CIVIL ACTION
No. 99-20593

**ANNUAL REPORT OF THE CARDIOVASCULAR MEDICAL RESEARCH AND
EDUCATION FUND, INC. FOR THE YEAR ENDED DECEMBER 31, 2007**

I. INTRODUCTION

The Class Action Settlement authorized the creation of the Cardiovascular Medical Research & Education Fund, Inc. (“CMREF” or “the Fund”) for purposes of financing “medical research related to treatment and cure of Primary Pulmonary Hypertension...” See Bylaws of the Cardiovascular Medical Research & Education Fund, Inc. at § 2.B (appended as Exhibit “B” to the Fifth Amendment approved by the Court in Pretrial Order No. 2677). The CMREF is required to furnish an annual report to the Court following the close of the Foundation’s fiscal year. *Id.* at § 6.N(I). This is the Annual Report of the CMREF for the year ended December 31, 2007.

II. FINANCIAL REPORT

Attached as Exhibit “A” to this Annual Report are the compiled financial statements of the CMREF prepared by the Certified Public Accountants employed by the Fund. These reports show the assets and liabilities of the CMREF as of the end of the Fund’s fiscal year, the principal changes in assets and liabilities, the revenue and receipts of the Fund, and the expenses and

disbursements made by the Fund.

III. GRANTEE ACTIVITIES

As set forth in the previous Annual Reports filed by the Fund, CMREF has sponsored a nationwide group of researchers with the main goal of uncovering the causes and pathogenesis of Idiopathic Pulmonary Arterial Hypertension (IPAH)¹ in pursuit of the prevention and cure of this disease. This group was funded to operate as a coordinated research network and has done so as the “Pulmonary Hypertension Breakthrough Initiative” or “PHBI.”

Efforts to uncover the causes of IPAH have heretofore been handicapped by the lack of appropriate human lung tissues for histological, immunohistological, gene microarray, proteomic, metabolic and cell culture studies. Unfortunately, open-lung biopsy is dangerous and thus not a reasonable avenue to obtain lung tissues in IPAH patients. Obtaining post-mortem tissue from IPAH patients is problematic and logistics preclude harvesting lungs from these patients in a timely manner that would allow for adequate tissue preparation and cell culture. Consequently, lungs explanted from patients with IPAH undergoing lung transplantation provide the only real opportunity to obtain lung tissues that can be further processed to yield high quality study materials. Therefore, the main priority of the PHBI has been to establish Transplant and Preparation Centers (“TPCs”) to provide and bank explanted lung tissues and blood samples from IPAH and other lung transplant patients to be used for research. Under the study protocols adopted by the PHBI, prepared cells, lung tissue and blood from the TPCs are to be stored and managed by Processing Centers at the University of Pennsylvania, Johns Hopkins and the

¹ “Idiopathic Pulmonary Arterial Hypertension” is the nomenclature currently used by the medical profession to describe Primary Pulmonary Hypertension.

University of Alabama. Associated relevant clinical data are to be maintained by the Data Coordinating Center (DCC) at the University of Michigan. The stored clinical specimens and relevant clinical data will be distributed to researchers within the network and used for research designed to better understand IPAH.

During 2007, the PHBI project finished its planning and protocol development phase and went live with patient enrollment, database entry, and sample collections. The first transplant involving tissue harvested for inclusion in the PHBI network took place in September of 2007. In addition, during 2007 there were 50 patients newly enrolled in the PHBI database, 59 blood draws occurred in 24 distinct patients, and 10 patients underwent lung transplantation and had tissue harvested for the PHBI network.

The CMREF is pleased with the progress made by its grantees in establishing the Pulmonary Hypertension Breakthrough Initiative and continues to believe that it will produce research that will facilitate a better understanding of IPAH that will lead to an improved treatments and a better prognosis for those who suffer from this disease.

/s/ Joseph Loscalzo, M.D., Ph.D.
JOSEPH LOSCALZO, M.D., PH.D., PRESIDENT

/s/ Stuart Land
STUART LAND, ESQUIRE, SECRETARY

/s/ Michael D. Fishbein
MICHAEL D. FISHBEIN, ESQUIRE, TREASURER

CERTIFICATE OF SERVICE

I, Michael D. Fishbein, Esquire, do hereby certify that a true and correct copy of the attached Annual Report of the Cardiovascular Medical Research and Education Fund, Inc. for the Year Ended December 31, 2007, was filed electronically this 30th day of May, 2008 and is available for viewing and downloading from the ECF System of the United States District Court for the Eastern District of Pennsylvania.

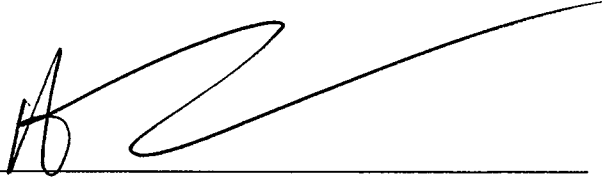
The undersigned further certifies that a true and correct copy has been served upon the following, via United States Postal Service, first class mail:

Orran L. Brown, Esquire
BROWN GREER, PLC
115 South 15th Street, Suite 400
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One Logan Square
18th and Cherry Sts.
Philadelphia, PA 19103

Dated: May 30, 2008



MICHAEL D. FISHBEIN, ESQUIRE

EXHIBIT A

**THE CARDIOVASCULAR MEDICAL RESEARCH
AND EDUCATION FUND, INC.
(A non-profit organization)**

FINANCIAL STATEMENTS

DECEMBER 31, 2007

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HEFFLER, RADETICH & SAIITTA_{LLP}
— CERTIFIED PUBLIC ACCOUNTANTS —

To the Board of Trustees
The Cardiovascular Medical Research and Education Fund, Inc.
Philadelphia, Pennsylvania

We have compiled the accompanying statement of financial position of the Cardiovascular Medical Research and Education Fund, Inc. (a non-profit organization) as of December 31, 2007, and the related statements of activities and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of the Trustees. We did not audit or review the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Heffler, Radetich & Saitta, LLP

Philadelphia, Pennsylvania
April 25, 2008

THE CARDIOVASCULAR MEDICAL RESEARCH AND EDUCATION FUND, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007

ASSETS

Cash and Cash Equivalents \$ 21,023,928

TOTAL ASSETS \$ 21,023,928

LIABILITIES

Accrued Excise Tax \$ 856

NET ASSETS

Unrestricted Net Assets 21,023,072

TOTAL LIABILITIES AND NET ASSETS \$ 21,023,928

See accompanying notes and accountants' report

THE CARDIOVASCULAR MEDICAL RESEARCH AND EDUCATION FUND, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

UNRESTRICTED REVENUE	
Dividend Income	\$ 1,087,148
Gain on Sales of Investments	43,279
	<u>1,130,427</u>
Total Unrestricted Revenue	<u>1,130,427</u>
 EXPENSES	
Management & General	
Bank Charges	9,963
Insurance	6,485
Meeting Reimbursement	24,604
Miscellaneous	868
Office Supplies	400
Payroll	25,000
Per Diem Subcontractors	1,000
Professional Fees - Accounting	5,500
Professional Fees - Website	3,500
Taxes - Excise Tax	11,304
Taxes - Payroll	2,014
Telephone	3,608
Computer Repairs	165
Payroll Service Charges	1,149
Program Services	
Awards & Grants	3,732,242
Payroll	25,000
Taxes - Payroll	2,014
	<u>3,854,816</u>
Total Expenses	<u>3,854,816</u>
DECREASE IN UNRESTRICTED NET ASSETS	(2,724,389)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	23,747,461
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 21,023,072

See accompanying notes and accountants' report

THE CARDIOVASCULAR MEDICAL RESEARCH AND EDUCATION FUND, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007

Cash flows from operating activities	
Decrease in Net Assets	\$ (2,724,389)
Adjustments to reconcile decrease in Net Assets to net cash used in operating activities:	
Gain on Sales of Investments	(43,279)
Decrease in dividend Income Receivable	34,206
Decrease in accrued expenses	(1,992)
	<hr/>
Net cash used in operating activities	(2,735,454)
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Cash flows from investing activities	
Proceeds from sale of Investments	15,835,025
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Net cash provided by investing activities	15,835,025
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Net increase in cash and cash equivalents	13,099,571
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Cash and cash equivalents at beginning of year	7,924,357
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Cash and cash equivalents at end of year	<u><u>\$ 21,023,928</u></u>

See accompanying notes and accountants' report

THE CARDIOVASCULAR MEDICAL RESEARCH AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Cardiovascular Medical Research and Education Fund (the Fund) is a non-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Fund has been established to carry out part of the Nationwide Class Action Settlement Agreement ("Settlement Agreement") with American Home Products Corporation. The Settlement Agreement requires the creation of the Fund to carry out medical research and education related to the treatment and cure of primary pulmonary hypertension, a disease which is nearly always fatal.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation

The Fund applies the provisions of Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions

The Fund also applies the provisions of SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Under SFAS No. 116, such contributions are required to be reported as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities are stated at fair value. All gains and investment income are unrestricted.

THE CARDIOVASCULAR MEDICAL RESEARCH AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Fund is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and, accordingly, has made no provision for federal income taxes in the accompanying financial statements. As a Private Foundation, the Fund is subject to federal excise tax on net investment income as defined by the IRC.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Fund maintains its cash balances at various financial institutions. These accounts, at times, may exceed federally insured limits.

NOTE 3 - SET-ASIDE DISTRIBUTION

The Fund is required to distribute 5% of its net assets to specific projects each year in order to avoid incurring excise tax. For the year ended December 31, 2007, in accordance with Section 4942 (f)(2)(c) of the Internal Revenue Code, the Fund has elected to "set-aside" its required distribution. The calculated "set-aside" distribution is \$1,187,515. Such distributions will be recognized at such time as unconditional promises to give by the Fund are made.