

BIKINI CLAIMS TRUST FUND  
SEPTEMBER 30, 2011  
AND  
SEPTEMBER 30, 2010

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MILLER, ENGEL & TIERNEY LLP  
CERTIFIED PUBLIC ACCOUNTANTS

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**MILLER, ENGEL & TIERNEY LLP**

CERTIFIED PUBLIC ACCOUNTANTS

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November 7, 2011

INDEPENDENT AUDITORS' REPORT

M & T Bank, Trustee  
Bikini Claims Trust Fund

We have audited the accompanying Statements of Financial Condition of the BIKINI CLAIMS TRUST FUND, as of September 30, 2011 and 2010, and the related Statements of Income, Trust Equity and Cash Flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the BIKINI CLAIMS TRUST FUND as at September 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



MILLER, ENGEL & TIERNEY LLP

BIKINI CLAIMS TRUST FUND  
STATEMENT OF FINANCIAL CONDITION

ASSETS

	<u>AS OF</u>	
	SEPTEMBER	SEPTEMBER
	<u>30, 2011</u>	<u>30, 2010</u>
Money Funds	\$ 116,569	\$ 419,224
Dividends and Interest Receivable	49,901	49,997
Investment in Marketable Equity Securities — Note 2	48,161,976	48,794,211
Investment in Partnerships — Note 3	<u>260,849</u>	<u>363,950</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 48,589,295</u>	 <u>\$ 49,627,382</u>

LIABILITIES AND TRUST EQUITY

LIABILITIES

Accrued Expenditures	\$ 4,619	\$ 4,340
TRUST EQUITY - EXHIBIT "B"	<u>48,584,676</u>	<u>49,623,042</u>
 <u>TOTAL LIABILITIES AND TRUST EQUITY</u>	 <u>\$ 48,589,295</u>	 <u>\$ 49,627,382</u>

BIKINI CLAIMS TRUST FUND  
STATEMENT OF TRUST EQUITY

	<u>TRUST EQUITY</u>	<u>ACCUMULATED OTHER COMPREHENSIVE INCOME</u>	<u>TOTAL</u>
Balance — September 30, 2009	\$ <u>47,672,277</u>	\$ <u>6,801,020</u>	\$ <u>54,473,297</u>
<u>COMPREHENSIVE INCOME:</u>			
Net Income — Exhibit "C"	\$ 5,093,914	\$ — —	\$ 5,093,914
Net Decrease in Unrealized gains on securities	<u>— —</u>	<u>(252,457)</u>	<u>(252,457)</u>
<u>Total Comprehensive Income</u>	\$ 5,093,914	\$ (252,457)	\$ 4,841,457
Distributions — People of Bikini Nuclear Claims Distribution	<u>(3,143,149)</u>	<u>— —</u>	<u>(3,143,149)</u>
Balance — September 30, 2010	\$ <u>49,623,042</u>	\$ <u>6,548,563</u>	\$ <u>56,171,605</u>
<u>COMPREHENSIVE INCOME:</u>			
Net Income — Exhibit "C"	\$ 2,755,779	\$ — —	\$ 2,755,779
Net Decrease in Unrealized gains on securities	<u>— —</u>	<u>(3,209,940)</u>	<u>(3,209,940)</u>
<u>Total Comprehensive Income (Loss)</u>	\$ 2,755,779	\$ (3,209,940)	\$ (454,161)
Distributions — People of Bikini Nuclear Claims Fund Distribution	<u>(3,794,145)</u>	<u>— —</u>	<u>(3,794,145)</u>
Balance — September 30, 2011	\$ <u>48,584,676</u>	\$ <u>3,338,623</u>	\$ <u>51,923,299</u>



BIKINI CLAIMS TRUST FUND  
STATEMENT OF CASH FLOWS

	<u>FOR THE YEAR ENDED</u>	
	<u>SEPTEMBER</u> <u>30, 2011</u>	<u>SEPTEMBER</u> <u>30, 2010</u>
<u>CASH FLOWS FROM TRUST ACTIVITIES</u>		
Net Income — Exhibit "C"	\$ 2,755,779	\$ 5,093,914
Adjustment to Reconcile Net Income to Net Cash Provided by Trust Activities:		
(Increase) Decrease in:		
Interest and Dividends Receivable	96	16,734
Investment in Marketable Securities	632,235	(5,167,450)
Investment in Partnerships	103,101	2,514,035
Increase (Decrease) in:		
Accrued Expenditures	<u>279</u>	<u>(620)</u>
<u>Net Cash From (Used by) Trust Activities</u>	<u>\$ 3,491,490</u>	<u>\$ 2,456,613</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Distributions	<u>(3,794,145)</u>	<u>(3,143,149)</u>
<u>Net Cash From (Used by) Financing Activities</u>	<u>\$ (3,794,145)</u>	<u>\$ (3,143,149)</u>
<u>NET INCREASE (DECREASE) IN CASH</u>	<u>\$ (302,655)</u>	<u>\$ (686,536)</u>
<u>CASH - BEGINNING</u>	<u>419,224</u>	<u>1,105,760</u>
<u>CASH - ENDING</u>	<u>\$ 116,569</u>	<u>\$ 419,224</u>

BIKINI CLAIMS TRUST FUND  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - THE TRUST AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bikini Claims Trust Fund (the Trust) was created pursuant to the Agreement Between the Government of the United States and the Government of the Marshall Islands for the Implementation of Section 177 of the Compact of Free Association ("Compact Section 177 Agreement"), which came into effect on October 21, 1986, as part of the Compact of Free Association Act of 1985, Public Law 99-239.

Article I, Section 1 of the Compact Section 177 Agreement created a \$150,000,000 Trust Fund (the "Fund") "to provide, in perpetuity, a means to address past, present and future consequences of the Nuclear Testing Program. . . ." The Fund provided annual proceeds of at least \$18,000,000, which were disbursed pursuant to a schedule set forth in Article II of the Agreement.

Under Article II, Section 2, of the Compact Section 177 Agreement, \$5,000,000 of the \$18,000,000 in annual proceeds were disbursed in quarterly amounts of \$1,250,000 beginning in January of 1986 and ending in October of 2001 to the Bikini Distribution Authority. Article II, Section 2 provides that these 60 quarterly payments of \$1,250,000 are "in payment of claims arising out of the Nuclear Testing Program for loss or damage to property and person of the people of Bikini only. . . ." The section states that these funds are to be "distributed, placed in trust or otherwise invested as the Bikini Distribution Authority may determine consistent with this Agreement." The Agreed Minute attached to the Section 177 Agreement provides the basis for provisions of Article VII of the Bikini Claims Trust Fund Agreement concerning distribution of Fund payments and net income.

The Trust was amended on July 25, 2002 retroactive to the quarter ended March 31, 2002 to allow for quarterly distributions of 1.25% of the Corpus of the Trust based on the average market value of the Trust for the previous three fiscal years. The Trust also distributes rebates received from investment charges.

The Trust Agreement was amended in August of 2005 to allow for a 3% distribution in lieu of the 1.25% quarterly distribution in the event of an unforeseen natural disaster or other similar circumstance to occur no more frequently than every three years, provided the value of the trust fund has increased as of the preceding fiscal year ends.

Assets and liabilities and revenue and expenditures are recognized on the accrual basis of accounting.

The Trust is exempt from all Federal and local income taxes. Therefore, the Trust pays no taxes and has no tax liability.

The Statement of Financial Condition has not been segregated between current and noncurrent classifications. The classifications between current and noncurrent investments cannot be determined as the Trust buys and sells investments depending on market conditions.



BIKINI CLAIMS TRUST FUND  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - THE TRUST AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Statement of Cash Flows treats distributions to the people of Bikini as financing activities as they are not considered revenue and expenditure activities. Cash equivalents are considered to be investments in cash reserves, certificates of deposit and money market funds.

The trust maintains its cash balances with MTB Funds. The funds are not insured by the Federal Deposit Insurance corporation. At September 30, 2011 and 2010 the Trust's uninsured cash balances were \$116,569 and \$419,224, respectively.

Cash flows from Trust activities reported on the Statement of Cash Flows include all investment activities of the Trust.

Recognized gain or loss on the sale of marketable securities is recorded utilizing the first-in first-out method of accounting. Pursuant to the trust document, capital gains and losses are considered income by the trust.

The Trust paid no interest during the year ended September 30, 2011 or September 30, 2010.

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments are stated at cost; if a decline in market value is considered other than temporary the cost is adjusted for the impairment.

NOTE 2 - INVESTMENT IN MARKETABLE EQUITY SECURITIES

The market value of the marketable equity securities was \$51,501,906 at September 30, 2011 and \$55,222,359 at September 30, 2010. The Trust had net unrealized gains in marketable equity securities of \$3,339,930 at September 30, 2011 and \$6,428,148 at September 30, 2010, respectively. At September 30, 2011 the net unrealized gains consisted of \$4,303,787 of gains in accumulated other comprehensive income, and \$963,857 of net unrealized loss, which are considered to be temporary and therefore the cost was not adjusted for the impairment. At September 30, 2010 the net unrealized gains consisted of all gains in accumulated other comprehensive income. The fair market value of equity securities was derived from readily available market quotations. Proceeds of sales of marketable equity securities were \$5,980,783 and \$17,559,892 during the years ended September 30, 2011 and 2010, respectively.

BIKINI CLAIMS TRUST FUND  
NOTES TO FINANCIAL STATEMENTS

NOTE 3 — INVESTMENT IN PARTNERSHIPS

This amount represents the adjusted cost in partnerships as of September 30, 2011 and September 30, 2010. The market value of these partnerships was \$259,542 at September 30, 2011 and \$484,365 at September 30, 2010, and accordingly the trust had unrealized losses of \$1,307 at September 30, 2011 and unrealized gains of \$120,415 at September 30, 2010 included in accumulated other comprehensive income, respectively. The unrealized loss at September 30, 2011 was considered to be temporary and therefore the cost was not adjusted for the impairment. These partnerships were substantially liquidated during the year ended September 30, 2010, with proceeds of \$4,471,315 and continued to be liquidated throughout the year ended September 30, 2011 with proceeds of \$226,671 during the year ended September 30, 2011.

NOTE 4 — SUBSEQUENT EVENTS

Subsequent events were evaluated to the Financial Statement issuance date of November 7, 2011.