General American Mutual Holding Company in Liquidation

Accountants' Report and Combined Financial Statements

December 31, 2008

BKD LLP
CPAs & Advisors

General American Mutual Holding Company in Liquidation

December 31, 2008

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Independent Accountants' Report

Special Deputy Liquidator
General American Mutual Holding Company
in Liquidation
Kansas City, Missouri

We have audited the accompanying combined statement of net assets of General American Mutual Holding Company in Liquidation and the related Settlement Funds 1 and 2 (the Company) as of December 31, 2008, and the related combined statements of changes in net assets, and cash receipts and cash disbursements for period November 30, 1999 through December 31, 2008. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

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

As described in Note 1, the Company's policy is to prepare its combined financial statements on the basis of accounting required by Missouri statutes for insurance companies in liquidation, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The Company currently records income taxes paid or recovered on a cash basis rather than the accrual basis as required by the Missouri statutes for insurance companies in liquidation discussed above.

In our opinion, except for the omission of the estimated Federal and state income taxes recoverable and payable and the related income tax footnote disclosures, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Company as of December 31, 2008, and the results of its operations and its cash flows for the period then ended in conformity with the basis of accounting as described in Note 1.

BKD, LLP

November 30, 2009

General American Mutual Holding Company
In Liquidation
Combined Statement of Net Assets
December 31, 2008

Assets

Cash	$ (7,976)
Short-term investments	
U.S. Government and agency securities	149,868,703
Municipal bonds	3,530,000
Market Value Adjustment (MVA)	360,873
Total short-term investments	153,759,576
Accrued investment income	159,163
Equipment, furnishings and supplies	33,803
Depreciation on equipment, furnishings and supplies	(25,668)
Equipment, furnishings and supplies, net	8,135
Total unrestricted assets	153,918,898
Restricted assets	14,429,974
Total assets	$ 168,348,872

Liabilities

Unpaid member distribution checks	$ 10,998,808
Total liabilities	10,998,808
Excess of assets over liabilities	157,350,064
Total	$ 168,348,872

General American Mutual Holding Company
In Liquidation
Combined Statement of Changes in Net Assets
For the Period November 30, 1999 through December 31, 2008

	Period from November 30, 1999 to December 31, 2008
Net Assets at Beginning of Period	$ -
Increases in Net Assets	
Proceeds from sale of GenAmerica Corporation to MetLife	1,204,630,176
Taxes	
2000 federal income tax	32,317,725
Recovery of taxes previously paid	57,413,876
Income tax reciepts from pre-closing payments	32,849,860
Proceeds from MetLife for 1999 income tax refund	33,705,000
Proceeds from MetLife recovery of taxes previously paid	43,717,670
Proceeds from 1999 income tax refund	33,705,000
Federal and state income tax refunds	1,761,230
Other income - Tax penalties refund from IRS	139,204
Other income - refund of interest and penalty	9,356,702
Total tax income	244,966,267
Settlements	
Proceeds from legal settlements	242,505,000
Settlement of Article VIII claims	35,872,550
Total settlement income	278,377,550
Investment activity	
Interest and dividend income	230,984,723
Unrealized appreciation in investments	17,935,985
Realized gain on sale of investments	5,302,530
Total investment income	254,223,238
Total increase in net assets	1,982,197,231

General American Mutual Holding Company
In Liquidation
Combined Statement of Changes in Net Assets (Continued)
For the Period November 30, 1999 through December 31, 2008

		Period from November 30, 1999 to December 31, 2008
Decreases in Net Assets		
Liquidating distributions to members (Class 9)	$	1,381,885,937
Administrative expenses (Class 1)		
Policy holder notification expenses		10,521,485
Legal fees		9,979,201
Accounting and actuarial fees		8,304,210
Special deputy receiver fees		2,700,000
Payroll and related taxes		1,079,285
Employee benefits		213,232
Rent and related expenses		174,295
Office expenses		307,857
Consulting fees		35,852
		33,315,417
Tax expenses (Class 2)		
Quarterly federal and state income tax repayments		93,285,565
Pre-closing federal income tax prepayments, including penalty and interest		53,562,476
Federal and state income tax payments		46,549,565
Repayment to GALIC for recovery of taxes previously paid		43,717,670
Repayment to GALIC for 1999 income tax refund		33,705,000
		270,820,276
Settlement expenses (Class 1)		
Expenses associated with lawsuit settlement		67,461,253
MetLife indemnity		41,487,601
Rubenstein defense		1,286,574
		110,235,428
Investment expenses (Class 1)		
Investment fees		9,574,806
Unrealized depreciation of investments		17,575,112
Realized loss on sale of investments		1,315,811
		28,465,729
Interest expense (Class 1)		124,380
Total decrease in net assets		1,824,847,167
Net Assets at End of Period	$	157,350,064

General American Mutual Holding Company
In Liquidation
Combined Statement of Receipts
For the Period November 30, 1999 through December 31, 2008

		Period from November 30, 1999 to December 31, 2008
Receipts		
Advance from GALIC	$	5,000,000
Proceeds from sale of General American Corporation to MetLife		1,204,630,176
Tax receipts		
Recovery of taxes previously paid		91,367,831
Proceeds from MetLife for 1999 income tax refund		33,705,000
Proceeds from MetLife for recovery of taxes previously paid		43,717,670
Proceeds from 1999 income tax refund		33,705,000
Income tax receipts from pre-closing payments		32,849,860
Refund of interest expense from the IRS		9,356,637
Refund of tax penalties from the IRS		139,269
Deposit from GALIC for expected income tax liability for 2000		125,000
		244,966,267
Settlement receipts		
Lawsuit settlements		242,505,000
Settlement of Article VIII claims with MetLife		35,872,550
		278,377,550
Interest and dividend receipts		276,734,833
Total before proceeds from investment sales and maturities		2,009,708,826
Proceeds from Sales and Maturities of		
Short-term investments (net)		65,571,275,794
Bonds		45,113,039,005
Total proceeds from investment sales and maturities		110,684,314,799
Total Receipts	**$**	**112,694,023,625**

General American Mutual Holding Company
In Liquidation
Combined Statement of Disbursements
For the Period November 30, 1999 through December 31, 2008

		Period from November 30, 1999 to December 31, 2008
Disbursements		
Repayment of GALIC note	$	5,000,000
Interim distributions to members		1,370,887,128
Administrative expenses		
Policy holder notification expenses		10,521,485
Legal fees		9,979,201
Accounting and actuarial fees		8,304,210
Special deputy receiver fees		2,700,000
Payroll and related taxes		1,079,285
Office expenses		272,124
Employee benefits		213,232
Rent and related expenses		174,295
Acquisition of fixed assets		35,733
Consulting fees		35,852
		33,315,417
Tax payments		
Estimated income tax payments		87,166,495
Repayment of 1999 income tax refund to GALIC		33,705,000
Repayment of amended income tax refund to GALIC		43,717,670
Pre-closing federal income tax payments, including penalty and interest		53,562,476
Quarterly federal and state income tax payments		38,678,654
2000 federal income tax payment, including penalty and interest		12,486,269
2003 federal and state income tax payments		1,503,712
		270,820,276
Legal expenses		
Legal fees associated with legal settlement		68,747,827
MetLife Article 10 indemnification claims		39,484,455
Expenses associated with MetLife		2,003,146
		110,235,428

General American Mutual Holding Company
In Liquidation
Combined Statement of Disbursements (Continued)
For the Period November 30, 1999 through December 31, 2008

	Period from November 30, 1999 to December 31, 2008
Investment expenses	
Purchased interest	$ 42,726,328
Investment expenses	9,574,806
	52,301,134
Interest expense	124,380
Total disbursements and disbursements before investment purchases	1,842,683,763
Investment purchases	
Short-term investments	65,605,883,362
Bonds	45,245,464,476
Stocks	-
Total investment purchases transactions	110,851,347,838
Total Disbursements	112,694,031,601
Net decrease in cash	(7,976)
Cash at Beginning of Period	-
Cash at End of Period	$ (7,976)

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

On September 17, 1999, General American Mutual Holding Company ("GAMHC") was placed into rehabilitation by the Missouri Department of Insurance ("DOI"). GAMHC entered into a $1,200,000,000 stock purchase agreement ("SPA") with Metropolitan Life Insurance Company ("MetLife") on August 26, 1999, to sell the common stock of GenAmerica Corporation, a subsidiary of GAMHC and parent company of General American Life Insurance Company ("GALIC") to MetLife. In accordance with the SPA, the funds, once received by GAMHC, were to be held in an account fund which could be used to indemnify MetLife with respect to outstanding claims and losses as set forth in the SPA, and to pay certain taxes and expenses of GAMHC as set forth in the SPA, including those associated with a future liquidation. The SPA was closed on January 6, 2000.

GAMHC was placed into receivership on September 17, 1999, by an Order of the Circuit Court of Cole County, Missouri ("receivership court"). In conjunction with this court order the control of the assets and liabilities of GAMHC was transferred to the Director of the DOI, now known as the Department of Insurance, Financial Institutions and Professional Registration ("DIFP"). The Director of DIFP became the statutory Receiver for GAMHC. On December 1, 1999, the Receiver appointed Albert A. Riederer as Special Deputy Receiver ("SDR") and this appointment was approved by the receivership court.

In 2002, GAMHC's SDR, with the approval of the receivership court, established General American Qualified Settlement Fund #1 ("QSF1") to receive proceeds from a settlement with the insurance company that wrote the policy covering the Directors and Officers of GALIC. During 2004, GAMHC established General American Qualified Settlement Fund #2 ("QSF2") in the same manner to receive proceeds from a settlement with KPMG. Subsequent settlements with Morgan Stanley and Goldman Sachs were shared between GAMHC and QSF2. QSF1 was operated from October 2002 through November 2007 at which time the proceeds from QSF1 were distributed to the Eligible Members of GAMHC. QSF2 is still active as of December 31, 2008.

The liquidation of GAMHC was ordered by the receivership court on May 23, 2002, and is being conducted in accordance with Missouri statutes governing insurance insolvency proceedings. The principal but not exclusive activities of GAMHC since it was ordered into receivership have been the investing of the proceeds of the SPA, pursuing claims against those responsible for the liquidity crisis and damages suffered by GALIC and GAMHC and its members, and distributing net assets to the Eligible Members.

Principles of Accounting

The combined financial statements are prepared using the basis of accounting required by the Missouri statutes for companies in liquidation, which is a basis of accounting other than generally accepted accounting principles and, accordingly, certain accounting policies differ from accounting principles generally accepted in the United States of America. Only those assets that are within the possession of the Company and other known amounts for which ultimate realization by the Company is expected to occur, primarily investments and cash, funds held and interest income receivable, are recorded. Accordingly, these financial statements do not include certain receivables or certain liabilities. Liabilities that have been acknowledged by the Company are prioritized into nine creditor classes in accordance with Missouri statutes governing insurance insolvencies. (See discussion on pages 10 and 11)

“Restricted” is a term used to denote certain assets held and managed by the Liquidator for parties of interest. The right of ownership to these assets is conditional up on future events. Accordingly, such amounts are shown separately where appropriate.

Principles of Combination

The combined financial statements include the accounts of the GAMHC and QSF1 and QSF2. All significant intercompany accounts and transactions have been eliminated in combination.

Use of Estimates

The preparation of combined financial statements in conformity with the accounting basis discussed previously 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 combined financial statements and the reported amounts of increases and decreases in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Short-Term Investments

The Company considers all cash in non-interest bearing accounts and cash held in the Company’s offices as cash in the combined financial statements. At December 31, 2008, short-term investments consisted primarily of a money market mutual fund, U.S. Government and agency securities and municipal bonds with initial maturities less than one year that are held at Central Bank and US Bank.

The financial institutions holding the Company’s cash accounts are participating in the FDIC’s Transaction Account Guarantee Program. Under that program, through December 31, 2013, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account.

Effective October 3, 2008, the FDIC’s insurance limits increased to $250,000. The increase in federally insured limits is currently set to expire December 31, 2013. At December 31, 2008, the Company’s interest-bearing cash accounts at Central Bank and US Bank do not exceed federally insured limits.

Bonds

Bonds with an initial maturity of one year or more are required to be accounted for at fair market value. Unrealized gains and losses are recorded direct to net assets where realized gains and losses, based on the specifically identified cost of the security, are included separately in the change in net assets. Premiums and discounts are recognized using the interest method over the period to maturity.

Restricted Assets

Restricted assets are required to be accounted for at fair market value and represent those investments accounts that are jointly-held by the Company and MetLife under the terms of their settlement agreement dated June 12, 2007 that restricts the use of funds to expenses related to the MetLife indemnity claims. In a letter dated October 10, 2007, the parties agreed to limit the funds required to be held at $15,000,000. The restricted asset balance at December 31, 20008 totaled $14,429,974. See also discussion regarding claims against the Company assets below.

Claims Against the Company Assets

On January 13, 2003, the Company received a summary of "Three Year Indemnity Claims" from MetLife (MetLife Claims). This summary was required by the Plan of Organization. The MetLife Claims included two categories: Article VIII – Income Taxes and Article X – Other Claims. The Article VIII claims were settled in 2003 and the Article X claims were settled in 2007.

No filed or pending claims are outstanding at December 31, 2008. The filed or pending claims could have a material impact on the financial statements. See Note 4 related to counterclaim related to lawsuit filed against attorneys.

Priority of Claims and Distributions to Creditors

GAMHC distributes funds to policyholders/creditors in accordance with Missouri Revised Statutes Section 375.1218, which now governs asset distributions from the GAMHC estate. The statute establishes the following classes of creditors:

Class 1: Payment of the costs and expenses of administration during rehabilitation and liquidation including but not limited to the following:

1. The actual and necessary costs of preserving and recovering the assets of the insurer and costs necessary to store records required to be preserved;
2. Compensation for all authorized services rendered in the rehabilitation and liquidation;
3. Any necessary filing fees;
4. The fees and mileage payable to witnesses;
5. Authorized reasonable attorney's fees and other professional services rendered in the rehabilitation and liquidation.

Class 2: Payment of all claims under policies including such claims of the federal or any state or local government for losses incurred ("loss claims"), including third party claims and all claims of a guaranty association or foreign guaranty association, including reasonable allocated loss adjustment expenses and all claims of a life and health insurance guaranty association of foreign guaranty association, which covers claims of life and health insurance policies, relating to the handling of such claims.

Class 3: Payment of claims by the United States government other than those claims included in Class 2.

Class 4: Payment of reasonable compensation for some employee services performed prior to liquidation.

Class 5: Payment of claims for unearned premiums under nonassessable policies, premium refunds, claims of general creditors including claims of ceding and assuming reinsurers.

Class 6: Claims of any state or local government except under Class 2.

Class 7: Late filed claims other than under Class 8 and 9.

Class 8: Payment of surplus notes and similar obligations.

Class 9: Claims of shareholders.

During the period from November 30, 1999 through December 31, 2008, payments reflected in the combined statement of changes in net assets were primarily for administrative, settlement, interest and investment expenses (Class1), income taxes (Class 2) and distributions to members (Class 9).

Property and Equipment

Property and equipment are depreciated over the estimated useful life of each asset. Annual depreciation is primarily computed using the straight-line method.

Income Taxes

The Special Deputy Liquidator has engaged third parties (GALIC for the years ended December 31, 1998, 1999, and 2000 and CBIZ from December 31, 2001 to 2008) to prepare their Federal and State income tax returns. Due to the very complex nature of taxation of companies in liquidation and the fact that several of the tax returns are currently pending review and approval by both the IRS and the Missouri Department of Revenue, the Special Deputy Liquidator has elected to record income taxes on a cash basis as he believes there is significant uncertainty around the ultimate amounts that will be collected upon final resolution by the IRS and Missouri Department of Revenue.

The basis of accounting established by Missouri statutes for insurance companies in liquidation requires that these amounts be recorded on an accrual basis in the accompanying financial statements.

Based on the tax returns filed, prepared by third parties, the Company has requested refunds totaling approximately $9,027,000 for years ended prior to December 31, 2007. They also owe approximately $23,411,000 to the Federal government and are due a refund of approximately $8,000 from the State of Missouri based on the income tax returns filed in March 2009 for the year ended December 31, 2008.

The Company, QSF1 and QSF2 file separate income tax returns.

Note 2: Investments

Short-term Investments and Restricted Assets

The costs and fair values of short-term investments and restricted assets are as follows:

	2008
Amortized cost	$ 167,828,677
Unrealized gain	360,873
Unrealized loss	-
	$ 168,189,550

Presented in the statement of net assets as follows:

Short-term investments	$ 153,759,576
Restricted assets	14,429,974
	$ 168,189,550

Proceeds from the sales of short-term investments and bonds were $110,711,009,526 for period ended December 31, 2008. Gross gains of $5,302,530 and gross losses of $1,315,811 were realized and included in the change in net assets for the period ended December 31, 2008.

Note 3: Disclosures About Fair Value of Financial Instruments

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, which was subsequently incorporated into the FASB Accounting Standards Codification (ASC) as Topic 820. Topic 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Topic 820 has been applied prospectively as of the beginning of the year.

Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the inputs and valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying combined statement of net assets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Short-term Investments and Restricted Assets

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities includes a money market fund. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include U.S. government and agency securities and municipal bonds. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy of which the client has none.

Fair value is based on quoted market prices, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

The following table presents estimated fair values of the Company's financial instruments at December 31, 2008.

	Level 1	Level 2	Level 3	Total
Financial Assets				
Money Market Fund	$ 21,454,119	$ -	$ -	$ 21,454,119
U.S. Government and agency securities	-	143,205,431	-	143,205,431
Municipal Bonds	-	3,530,000	-	3,530,000
Total	$ 21,454,119	$146,735,431	$ -	$168,189,550

Note 4: Subsequent Events

On May 25, 2009, the Company brought suit against Dewey & LeBoeuf, LLP and Richard Liddy, its former attorneys. The Liquidator and Special Deputy Liquidator on behalf of GAMHC and its members have filed an affirmative claim against its former law firm for professional negligence, breach of fiduciary, duty and conflict of interest. The claim filed requests actual damages in an amount that is fair and reasonable, disgorgement of the former attorney's profits and fees received in connection with the various matters, punitive damages at or in excess of three billion dollars ($3,000,000,000), the Liquidators' costs herein incurred and such other and further relief as the Court deems just and proper. The former law firm has filed a counterclaim which seeks declaratory relief, but no money damages. The Company's attorneys, under the direction of the Liquidator and Special Deputy Liquidator, have filed a motion to dismiss the counterclaim by the former attorneys.

On November 17, 2009, the Company made its fourth distribution to members totaling $74,999,253. The funds came from GAMHC and QSF2.

Subsequent events have been evaluated through November 30, 2009, which is the date the financial statements were issued.