General American Mutual Holding Company in Liquidation

Accountants' Report and Combined Financial Statements

December 31, 2010

BKD LLP
CPAs & Advisors

General American Mutual Holding Company
in Liquidation
December 31, 2010

Contents

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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, 2010, and the related combined statements of changes in net assets and cash receipts and cash disbursements for the year then ended and for the periods from November 30, 1999 to December 31, 2009 and November 30, 1999 to December 31, 2010. 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, 2010, and the results of its operations and its cash flows for the year then ended and for the periods from November 30, 1999 to December 31, 2009 and from November 30, 1999 to December 31, 2010 in conformity with the basis of accounting as described in Note 1.

BKD, LLP

July 14, 2011

General American Mutual Holding Company
in Liquidation
Combined Statement of Net Assets
December 31, 2010

Assets

		December 31, 2010
Cash	$	142,650
Short-term investments		
U.S. Government and agency securities, at cost		54,633,362
Market Value Adjustment (MVA)		6,688
Total short-term investments		54,640,050
Accrued investment income		5,444
Equipment, furnishings and supplies		32,258
Depreciation on equipment, furnishings and supplies		(28,415)
Equipment, furnishings and supplies, net		3,843
Total unrestricted assets		54,791,987
Restricted assets		14,513,414
Total assets	$	69,305,401

Liabilities

Accrued liabilities	$	305,846
Unpaid member distribution checks		6,030,707
Total liabilities		6,336,553
Excess of assets over liabilities		62,968,848
Total	$	69,305,401

General American Mutual Holding Company in Liquidation

Combined Statements of Changes in Net Assets

For the Year Ended December 31, 2010 and the Periods from November 30, 1999 to December 31, 2009 and December 31, 2010

	Year Ended December 31, 2010	Period From November 30, 1999 to December 31, 2009	Period From November 30, 1999 to December 31, 2010
Net Assets at Beginning of Period	$ 61,383,506	$ -	$ -
Increases in Net Assets			
Proceeds from sale of GenAmerica Corporation to MetLife	-	1,204,630,176	1,204,630,176
Taxes			
2000 federal income tax	-	32,317,725	32,317,725
Recovery of taxes previously paid	-	57,413,876	57,413,876
Income tax reciepts from pre-closing payments	-	32,849,860	32,849,860
Proceeds from MetLife for 1999 income tax refund	-	33,705,000	33,705,000
Proceeds from MetLife recovery of taxes previously paid	-	43,717,670	43,717,670
Proceeds from 1999 income tax refund	-	33,705,000	33,705,000
Federal and state income tax refunds	3,878,597	7,003,215	10,881,812
Other income - Tax penalties refund from IRS	-	139,204	139,204
Other income - refund of interest and penalty	1,498,936	9,610,465	11,109,401
Total tax income	5,377,533	250,462,015	255,839,548
Settlements			
Proceeds from legal settlements	-	242,505,000	242,505,000
Settlement of Article VIII claims	-	35,872,550	35,872,550
Total settlement income	-	278,377,550	278,377,550
Investment activity			
Interest and dividend income	163,561	231,594,783	231,758,344
Unrealized appreciation in investments	8,865	17,935,985	17,944,850
Realized gain on sale of investments	-	5,302,530	5,302,530
Total investment income	172,426	254,833,298	255,005,724
Total increases in net assets	5,549,959	1,988,303,039	1,993,852,998

General American Mutual Holding Company in Liquidation

Combined Statements of Changes in Net Assets (Continued)

For the Year Ended December 31, 2010 and the Periods from November 30, 1999 to December 31, 2009 and December 31, 2010

	Year Ended December 31, 2010	Period From November 30, 1999 to December 31, 2009	Period From November 30, 1999 to December 31, 2010
Decreases in Net Assets			
Liquidating distributions to members (Class 9)	$ -	$ 1,456,885,190	$ 1,456,885,190
Administrative expenses (Class 1)			
Policy holder notification expenses	741,037	12,171,364	12,912,401
Legal fees	1,234,891	10,350,629	11,585,520
Accounting and actuarial fees	191,789	8,617,333	8,809,122
Special deputy receiver fees	300,000	3,025,000	3,325,000
Payroll and related taxes	86,632	1,164,313	1,250,945
Employee benefits	32,483	245,008	277,491
Rent and related expenses	28,200	198,044	226,244
Office expenses	23,135	334,753	357,888
Consulting fees	-	35,852	35,852
	2,638,167	36,142,296	38,780,463
Tax expenses (Class 2)			
Quarterly federal and state income tax repayments	-	93,285,565	93,285,565
Pre-closing federal income tax prepayments, including penalty and interest	-	53,562,476	53,562,476
Federal and state income tax payments	1,230,920	69,988,569	71,219,489
Repayment to GALIC for recovery of taxes previously paid	-	43,717,670	43,717,670
Repayment to GALIC for 1999 income tax refund	-	33,705,000	33,705,000
	1,230,920	294,259,280	295,490,200
Settlement expenses (Class 1)			
Expenses associated with lawsuit settlement	-	67,585,734	67,585,734
MetLife indemnity	-	41,533,015	41,533,015
Rubenstein defense	-	1,286,574	1,286,574
	-	110,405,323	110,405,323
Investment expenses (Class 1)			
Investment fees	95,530	9,846,028	9,941,558
Unrealized depreciation of investments	-	17,938,163	17,938,163
Realized loss on sale of investments	-	1,318,873	1,318,873
	95,530	29,103,064	29,198,594
Interest expense (Class 1)	-	124,380	124,380
Total decreases in net assets	3,964,617	1,926,919,533	1,930,884,150
Change in Net Assets for the Period	1,585,342	61,383,506	62,968,848
Net Assets at End of Period	$ 62,968,848	$ 61,383,506	$ 62,968,848

General American Mutual Holding Company in Liquidation

Combined Statements of Cash Receipts and Disbursements

For the Year Ended December 31, 2010 and the Periods from November 30, 1999 to December 31, 2009 and December 31, 2010

	Year Ended December 31, 2010	Period From November 30, 1999 to December 31, 2009	Period From November 30, 1999 to December 31, 2010
Receipts			
Advance from GALIC	$ -	$ 5,000,000	$ 5,000,000
Proceeds from sale of General American Corporation to MetLife	-	1,204,630,176	1,204,630,176
Tax receipts			
Recovery of taxes previously paid	3,878,597	96,609,816	100,488,413
Proceeds from MetLife for 1999 income tax refund	-	33,705,000	33,705,000
Proceeds from MetLife for recovery of taxes previously paid	-	43,717,670	43,717,670
Proceeds from 1999 income tax refund	-	33,705,000	33,705,000
Income tax receipts from pre-closing payments	-	32,849,860	32,849,860
Refund of interest expense from the IRS	1,498,936	9,610,400	11,109,336
Refund of tax penalties from the IRS	-	139,269	139,269
Deposit from GALIC for expected income tax liability for 2000	-	125,000	125,000
	5,377,533	250,462,015	255,839,548
Settlement receipts			
Lawsuit settlements	-	242,505,000	242,505,000
Settlement of Article VIII claims with MetLife	-	35,872,550	35,872,550
	-	278,377,550	278,377,550
Interest and dividend receipts	170,061	277,492,112	277,662,173
Total before proceeds from investment sales and maturities	5,547,594	2,015,961,853	2,021,509,447
Proceeds from sales and maturities of			
Short-term investments (net)	4,187,616,486	71,233,639,602	75,421,256,088
Bonds	-	45,113,039,005	45,113,039,005
Total proceeds from investment sales and maturities	4,187,616,486	116,346,678,607	120,534,295,093
Total Receipts	$ 4,193,164,080	$ 118,362,640,460	$ 122,555,804,540

General American Mutual Holding Company in Liquidation

Combined Statements of Cash Receipts and Disbursements (Continued)

For the Year Ended December 31, 2010 and the Periods from November 30, 1999 to December 31, 2009 and December 31, 2010

	Year Ended December 31, 2010	Period From November 30, 1999 to December 31, 2009	Period From November 30, 1999 to December 31, 2010
Disbursements			
Repayment of GALIC note	$ -	$ 5,000,000	$ 5,000,000
Interim distributions to members	19,712,963	1,431,141,520	1,450,854,483
Administrative expenses			
Policy holder notification expenses	1,258,662	11,529,772	12,788,434
Legal fees	1,170,233	10,304,819	11,475,052
Accounting and actuarial fees	216,539	8,571,172	8,787,711
Special deputy receiver fees	300,000	2,975,000	3,275,000
Payroll and related taxes	86,632	1,164,313	1,250,945
Office expenses	21,005	296,685	317,690
Employee benefits	32,483	245,008	277,491
Rent and related expenses	28,200	198,044	226,244
Acquisition of fixed assets	434	35,867	36,301
Consulting fees	-	35,852	35,852
	3,114,188	35,356,532	38,470,720
Tax payments			
Estimated income tax payments	1,230,920	87,166,495	88,397,415
Repayment of 1999 income tax refund to GALIC	-	33,705,000	33,705,000
Repayment of amended income tax refund to GALIC	-	43,717,670	43,717,670
Pre-closing federal income tax payments, including penalty and interest	-	53,562,476	53,562,476
Quarterly federal and state income tax payments	-	62,117,658	62,117,658
2000 federal income tax payment, including penalty and interest	-	12,486,269	12,486,269
2003 federal and state income tax payments	-	1,503,712	1,503,712
	1,230,920	294,259,280	295,490,200
Legal expenses			
Legal fees associated with legal settlement	-	68,872,308	68,872,308
MetLife Article 10 indemnification claims	-	39,484,455	39,484,455
Expenses associated with MetLife	-	2,048,560	2,048,560
	-	110,405,323	110,405,323

General American Mutual Holding Company in Liquidation

Combined Statements of Cash Receipts and Disbursements (Continued)

For the Year Ended December 31, 2010 and the Periods from November 30, 1999 to December 31, 2009 and December 31, 2010

	Year Ended December 31, 2010	Period From November 30, 1999 to December 31, 2009	Period From November 30, 1999 to December 31, 2010
Investment expenses			
Purchased interest	$ 16,778	$ 42,726,328	$ 42,743,106
Investment expenses	95,530	9,846,028	9,941,558
	112,308	52,572,356	52,684,664
Interest expense	-	124,380	124,380
Total disbursements and disbursements before investment purchases	24,170,379	1,928,859,391	1,953,029,770
Investment purchases			
Short-term investments	4,168,824,810	71,188,342,834	75,357,167,644
Bonds	-	45,245,464,476	45,245,464,476
Total investment purchases transactions	4,168,824,810	116,433,807,310	120,602,632,120
Total Disbursements	4,192,995,189	118,362,666,701	122,555,661,890
Net increase (decrease) in cash	168,891	(26,241)	142,650
Cash at Beginning of Period	(26,241)	-	-
Cash at End of Period	$ 142,650	$ (26,241)	$ 142,650

General American Mutual Holding Company in Liquidation

Notes to Combined Financial Statements

December 31, 2010

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, 2010.

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 upon future events. Accordingly, such amounts are shown separately where appropriate.

Principles of Combination

The combined financial statements include the accounts of the GAMHC, QSF1 (while active) 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, 2010, short-term investments consisted primarily of U.S. Government and agency securities with initial maturities less than one year that are held at Central Bank and US Bank.

The financial institution holding the Company's cash accounts is participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2010, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to $250,000 for interest bearing cash accounts. At December 31, 2010, the Company's interest-bearing cash accounts at Central Bank and US Bank do not exceed federally insured limits.

Restricted Assets

Restricted assets are required to be accounted for at fair market value and represent those investment 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, 2010 totaled $14,513,414. 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 known filed or pending claims are outstanding at December 31, 2010. Any potential 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.

Payments reflected in the combined statement of changes in net assets were primarily for administrative, settlement, interest and investment expenses (Class 1), 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 2010) 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 federal and state income tax returns filed, prepared by third parties, and the related proposed settlements with the State of Missouri, the Company has requested net refunds totaling approximately $4,700,000 for years ended prior to December 31, 2010. Also, upon final disposition of all amounts due or refundable for federal and state tax income returns, it is anticipated that the Company will owe MetLife approximately $1,128,000. This relates to refunds received for tax periods ended on or before December 31, 1999 under the terms of the 2003 Settlement Agreement.

The Company 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:

	2010
Total amortized cost	$ 69,146,776
Unrealized gain	6,715
Unrealized loss	(27)
Net unrealized gains	6,688
Total fair value	$ 69,153,464

Presented in the statement of net assets as follows:

	2010
Short-term investments	$ 54,640,050
Restricted assets	14,513,414
Total fair value	$ 69,153,464

Proceeds from the sales and maturities of short-term investments and bonds was $4,187,616,486 for the year ended December 31, 2010. There were no gains or losses realized for the year ended December 31, 2010.

Note 3: Disclosures About Fair Value of Financial Instruments

ASC Topic 820, *Fair Value Measurements*, 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 specifies 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. When 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. 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, 2010.

	Level 1	Level 2	Level 3	Total
Financial Assets				
U.S. Government and agency securities	$ -	$ 69,153,464	$ -	$ 69,153,464

Note 4: Litigation

On May 25, 2009, the Company brought suit against Dewey & LeBoeuf, LLP (successor to LeBoeuf, Lamb, Greene & Macrae, LLP), its former attorneys and Richard Liddy, former CEO of General American. 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 have filed a motion to dismiss the counterclaim by the former attorneys and the motion was granted. The dismissal of the counterclaim has been affirmed by the Court of Appeals and the Defendant has asked the Supreme Court to take transfer of the appeal. The Supreme Court has not yet accepted or denied the request.

Note 5: Subsequent Events

Subsequent events have been evaluated through July 14, 2011, which is the date the combined financial statements were available to be issued.