General American Mutual Holding Company in Liquidation

Accountants' Report and Combined Financial Statements

December 31, 2011

BKD LLP
CPAs & Advisors

General American Mutual Holding Company
in Liquidation
December 31, 2011

Contents

BKD LLP
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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, 2011, 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, 2010 and November 30, 1999 to December 31, 2011. 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, 2011, 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, 2010 and from November 30, 1999 to December 31, 2011 in conformity with the basis of accounting as described in Note 1.

BKD, LLP

June 18, 2012

General American Mutual Holding Company in Liquidation

Combined Statement of Net Assets

December 31, 2011

Assets

	December 31, 2011
Cash	$ 221,463
Short-term investments	
U.S. Government and agency securities, at cost	53,644,539
Market Value Adjustment (MVA)	4,065
Total short-term investments	53,648,604
Equipment, furnishings and supplies	33,159
Depreciation on equipment, furnishings and supplies	(28,271)
Equipment, furnishings and supplies, net	4,888
Total unrestricted assets	53,874,955
Restricted assets	13,403,396
Total assets	$ 67,278,351

Liabilities

Accrued liabilities	$ 358,467
Unpaid eligible member distribution checks	3,839,525
Total liabilities	4,197,992
Excess of assets over liabilities	63,080,359
Total	$ 67,278,351

General American Mutual Holding Company
in Liquidation

Combined Statements of Changes in Net Assets
For the Year Ended December 31, 2011 and the
Periods from November 30, 1999 to December 31, 2010 and December 31, 2011

	Year Ended December 31, 2011	Period From November 30, 1999 to December 31, 2010	Period From November 30, 1999 to December 31, 2011
Net Assets at Beginning of Period	$ 62,968,848	$ -	$ -
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	3,905,831	10,881,812	14,787,643
Other income - Tax penalties refund from IRS	-	139,204	139,204
Other income - refund of interest and penalty	1,134,287	11,109,401	12,243,688
Total tax income	5,040,118	255,839,548	260,879,666
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	54,148	231,758,344	231,812,492
Unrealized appreciation in investments	-	17,944,850	17,944,850
Realized gain on sale of investments	-	5,302,530	5,302,530
Total investment income	54,148	255,005,724	255,059,872
Total increases in net assets	5,094,266	1,993,852,998	1,998,947,264

General American Mutual Holding Company
in Liquidation

Combined Statements of Changes in Net Assets (Continued)
For the Year Ended December 31, 2011 and the
Periods from November 30, 1999 to December 31, 2010 and December 31, 2011

	Year Ended December 31, 2011	Period From November 30, 1999 to December 31, 2010	Period From November 30, 1999 to December 31, 2011
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	1,133,318	12,912,401	14,045,719
Legal fees	1,100,304	11,585,520	12,685,824
Accounting and actuarial fees	166,207	8,809,122	8,975,329
Special deputy receiver fees	285,147	3,325,000	3,610,147
Payroll and related taxes	88,294	1,250,945	1,339,239
Employee benefits	35,469	277,491	312,960
Rent and related expenses	28,200	226,244	254,444
Office expenses	19,455	357,888	377,343
Consulting fees	-	35,852	35,852
	2,856,394	38,780,463	41,636,857
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	927,014	71,219,489	72,146,503
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
	927,014	295,490,200	296,417,214
Settlement expenses (Class 1)			
Expenses associated with lawsuit settlement	-	67,585,734	67,585,734
MetLife indemnity	1,128,190	41,533,015	42,661,205
Rubenstein defense	-	1,286,574	1,286,574
	1,128,190	110,405,323	111,533,513
Investment expenses (Class 1)			
Investment fees	68,536	9,941,558	10,010,094
Unrealized depreciation of investments	2,621	17,938,163	17,940,784
Realized loss on sale of investments	-	1,318,873	1,318,873
	71,157	29,198,594	29,269,751
Interest expense (Class 1)	-	124,380	124,380
Total decreases in net assets	4,982,755	1,930,884,150	1,935,866,905
Change in Net Assets for the Period	111,511	62,968,848	63,080,359
Net Assets at End of Period	$ 63,080,359	$ 62,968,848	$ 63,080,359

General American Mutual Holding Company
in Liquidation

Combined Statements of Cash Receipts and Disbursements
For the Year Ended December 31, 2011 and the
Periods from November 30, 1999 to December 31, 2010 and December 31, 2011

	Year Ended December 31, 2011	Period From November 30, 1999 to December 31, 2010	Period From November 30, 1999 to December 31, 2011
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	3,905,831	100,488,413	104,394,244
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	1,134,287	11,109,336	12,243,623
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
	5,040,118	255,839,548	260,879,666
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	59,592	277,662,173	277,721,765
Total before proceeds from investment sales and maturities	5,099,710	2,021,509,447	2,026,609,157
Proceeds from sales and maturities of			
short-term investments (net)	2,708,168,747	75,421,256,088	78,129,424,835
Bonds	-	45,113,039,005	45,113,039,005
Total proceeds from investment sales and maturities	2,708,168,747	120,534,295,093	123,242,463,840
Total Receipts	$ 2,713,268,457	$ 122,555,804,540	$ 125,269,072,997

General American Mutual Holding Company in Liquidation

Combined Statements of Cash Receipts and Disbursements (Continued)
For the Year Ended December 31, 2011 and the Periods from November 30, 1999 to December 31, 2010 and December 31, 2011

	Year Ended December 31, 2011	Period From November 30, 1999 to December 31, 2010	Period From November 30, 1999 to December 31, 2011
Disbursements			
Repayment of GALIC note	$ -	$ 5,000,000	$ 5,000,000
Interim distributions to members	2,191,182	1,450,854,483	1,453,045,665
Administrative expenses			
Policy holder notification expenses	1,094,950	12,788,434	13,883,384
Legal fees	1,082,351	11,475,052	12,557,403
Accounting and actuarial fees	170,290	8,787,711	8,958,001
Special deputy receiver fees	285,147	3,275,000	3,560,147
Payroll and related taxes	88,294	1,250,945	1,339,239
Office expenses	16,421	317,690	334,111
Employee benefits	35,469	277,491	312,960
Rent and related expenses	28,200	226,244	254,444
Acquisition of fixed assets	3,696	36,301	39,997
Consulting fees	-	35,852	35,852
	2,804,818	38,470,720	41,275,538
Tax payments			
Estimated income tax payments	927,014	88,397,415	89,324,429
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
	927,014	295,490,200	296,417,214
Legal expenses			
Legal fees associated with legal settlement	-	68,872,308	68,872,308
MetLife Article 10 indemnification claims	1,128,190	39,484,455	40,612,645
Expenses associated with MetLife	-	2,048,560	2,048,560
	1,128,190	110,405,323	111,533,513

General American Mutual Holding Company
in Liquidation

Combined Statements of Cash Receipts and Disbursements (Continued)
For the Year Ended December 31, 2011 and the
Periods from November 30, 1999 to December 31, 2010 and December 31, 2011

	Year Ended December 31, 2011	Period From November 30, 1999 to December 31, 2010	Period From November 30, 1999 to December 31, 2011
Investment expenses			
Purchased interest	$ -	$ 42,743,106	$ 42,743,106
Investment expenses	68,536	9,941,558	10,010,094
	68,536	52,684,664	52,753,200
Interest expense	-	124,380	124,380
Total disbursements and disbursements before investment purchases	7,119,740	1,953,029,770	1,960,149,510
Investment purchases			
Short-term investments	2,706,069,904	75,357,167,644	78,063,237,548
Bonds	-	45,245,464,476	45,245,464,476
Total investment purchases transactions	2,706,069,904	120,602,632,120	123,308,702,024
Total Disbursements	2,713,189,644	122,555,661,890	125,268,851,534
Net increase in cash	78,813	142,650	221,463
Cash at Beginning of Period	142,650	-	-
Cash at End of Period	$ 221,463	$ 142,650	$ 221,463

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 an accounting firm. Subsequent settlements with other parties 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 was substantially distributed to Eligible Members during 2009.

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 and QSF2 (while active). 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, 2011, 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.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to $250,000. At December 31, 2011, the Company's cash accounts did not exceed federally insured limits.

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.

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, 2011 totaled $13,403,396. 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, 2011. Any potential filed or pending claims could have a material impact on the financial statements.

Priority of Claims and Distributions to Creditors

GAMHC distributes funds to Eligible Members/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 2011) 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.

During 2011, the Company received tax refunds relating to prior years totaling approximately $3,906,000 plus interest totaling approximately $1,134,000. The Company had requested refunds totaling approximately $4,700,000. At December 31, 2011, the estimated refundable taxes totaled approximately $323,000. Also, in 2011, the Company paid MetLife approximately $1,128,000 relating to refunds received for tax periods ended on or before December 31, 1999 under the terms of the 2003 Settlement Agreement.

The Company, QSF1 and QSF2 filed (while they were active) 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:

	2011
Total amortized cost	$ 67,047,935
Unrealized gain	4,065
Unrealized loss	-
Net unrealized gains	4,065
Total fair value	$ 67,052,000

Presented in the statement of net assets as follows:

	2011
Short-term investments	$ 53,648,604
Restricted assets	13,403,396
Total fair value	$ 67,052,000

Proceeds from the sales and maturities of short-term investments and bonds totaled $2,708,168,747 for the year ended December 31, 2011. There were no gains or losses realized for the year ended December 31, 2011.

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, 2011.

	Level 1	Level 2	Level 3	Total
Financial Assets				
U.S. Government and agency securities	$ -	$ 67,052,000	$ -	$ 67,052,000

Note 4: Subsequent Events

Since September 17, 1999 through December 31, 2011, the Special Deputy Receiver and his legal advisors have filed numerous lawsuits and claims to protect the interest of the Company and its Eligible Members. These claims and lawsuits have all been resolved and subsequent to year end, the Special Deputy Receiver and his legal advisors have entered into an agreement to finalize the one remaining claim outstanding.

The Special Deputy Receiver is not aware of any claims or litigation pending that should result in a material settlement in favor of or against the Company.

As a result, the Special Deputy Receiver has determined that the Company will make its final distribution to its Eligible Members in the latter part of June 2012 for an estimated $68,000,000.

Subsequent events have been evaluated through the date of the Independent Accountants' Report, which is the date the combined financial statements were available to be issued.