

**MUTUAL BENEFITS KEEP POLICY TRUST**

**STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE - INCOME TAX BASIS  
AS OF SEPTEMBER 30, 2015  
AND  
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT**

MUTUAL BENEFITS KEEP POLICY TRUST

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## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Trustee of  
Mutual Benefits Keep Policy Trust

Management is responsible for the accompanying statement of assets, liabilities and fund balance – income tax basis of Mutual Benefit Keep Policy Trust (the “Trust”) as of September 30, 2015, in accordance with the income tax basis of accounting, and for determining that the income tax basis of accounting is an acceptance financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the statement of assets, liabilities and fund balance – income tax basis nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the statement of assets, liabilities, and equity – income tax basis.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared in accordance with the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user’s conclusions about the Trust’s assets, liabilities, and fund balance. Accordingly, the financial statements are not designed for those who are not informed about such matters.

  
AHEARN, JASCO + COMPANY, P.A.  
Certified Public Accountants

Pompano Beach, Florida  
October 6, 2017

**MUTUAL BENEFITS KEEP POLICY TRUST**  
**STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE - INCOME TAX BASIS**  
**AS OF SEPTEMBER 30, 2015**

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ASSETS

Cash and cash equivalents - trust policy and contingency reserves	\$ 7,689,780
Due from investors - premium payment loans	126,264
Restricted cash and cash equivalents - payment of insurance policy premiums	15,649,288
Restricted cash and cash equivalents - payment of death benefits from matured insurance policies	2,565,305
Restricted cash and cash equivalents - policy disposition	13,036
Policy disposition proceeds receivable	522,126
Restricted investments - payment of insurance policy premiums	<u>1,590,006</u>
	<u>\$ 28,155,805</u>
 TOTAL ASSETS	

LIABILITIES AND FUND BALANCE

Accounts payable	\$ 322,531
Due to servicer	198,587
Due to investors for unused portion of premiums	353,248
Due to investors for payment of death benefits from matured policies	2,581,602
Due to insurance companies for payment of insurance premiums	<u>16,936,298</u>
 TOTAL LIABILITIES	 20,392,266
 Fund balance	 <u>7,763,539</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 28,155,805</u>

See selected notes to financial statement and independent accountants' compilation report.

**MUTUAL BENEFITS KEEP POLICY TRUST**  
**SELECTED INFORMATION - SUBSTANTIALLY ALL DISCLOSURES REQUIRED BY THE**  
**INCOME TAX BASIS OF ACCOUNTING ARE NOT INCLUDED**  
**SEPTEMBER 30, 2015**

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(See independent accountants' compilation report)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***BUSINESS ACTIVITY***

The Mutual Benefits Keep Policy Trust ("the Trust") was created on September 25, 2009 (the "closing date") pursuant to a Trust Agreement executed between the Receiver for Mutual Benefits Corp., a Florida corporation, Viatical Services, Inc. a Florida corporation and Viatical Benefactors LLC, a Delaware limited liability company (collectively the "Receivership Entities") and the Trustee. The Receiver is the receiver for the Receivership Entities under Case No.: 04-60573 CIV-MORENO in the United States District Court for the Southern District of Florida (the "Court").

The Receiver sold the assets of the Receivership Entities to Litai Assets, LLC. Simultaneously with the closing of the sale of the Receivership Entities' assets to Litai Assets, LLC, the Receiver assigned and transferred to the Trustee, the Trust assets consisting of insurance policies (the "Keep Policies"), insurance policy files and cash, and assigned to the Trustee certain rights and responsibilities with respect to the management of the Trust's assets.

In connection with the sale of the Receivership Entities' assets to Litai Assets, LLC, the Receiver authorized and directed the Trustee to enter into a servicing agreement with Litai Assets, LLC (the "Servicer") to manage the portfolio of the Keep Policies and the policy files, collect funds necessary to service the Keep Policies, and pay premiums due on the Keep Policies. The servicing agreement with the Servicer has a five year term and contains provisions for two renewal periods of two years each at the election of either the Servicer or the Trustee.

***OPERATIONS OF THE TRUST***

The Trust agreement authorized the creation of multiple bank accounts to maintain the various operations of the Trust as follows:

***Cash and Cash Equivalents - Trust Policy and Contingency Reserves***

The cash and cash equivalents - trust policy and contingency reserves accounts represent the balance of the cash held by the Trustee in its operating accounts and represent the balance of service charges and fees billed by the Receiver to the Keep Policy investors as authorized pursuant to the September 17, 2005 order of the Court. These reserves may be used to provide contingency loans for shortfalls in premium payments received from investors, to pay policy administration subsidies to the Servicer and to cover general operating expenses of the Trust.

***Restricted Cash and Cash Equivalents - Payment of Insurance Policy Premiums***

The restricted cash and cash equivalents - payment of insurance policy premiums account maintains all premiums and administrative fee payments received from investors. Disbursements from this account are made to insurance carriers for required premium payments, to the Servicer for administrative fees, and to investors for the reimbursement of unearned premiums on matured policies.

***Restricted Cash and Cash Equivalents - Payment of Death Benefits from Matured Insurance Policies***

The restricted cash and cash equivalents - payment of death benefits from matured insurance policies account maintains all proceeds received from insurance carriers for all death benefit claims made by the Trustee on behalf of the investors. Disbursements from this account are made to the respective investors on matured policies, to the Internal Revenue Service for U.S. federal income tax withholding, and to the Servicer for death benefit claim processing fees.

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**SEPTEMBER 30, 2015**

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(See independent accountants' compilation report)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*OPERATIONS OF THE TRUST (CONTINUED)*

*Restricted Cash and Cash Equivalents - Policy Disposition*

The restricted cash and cash equivalents - policy disposition account maintains the proceeds for all fractional and whole policy interests reallocated to other investors for non-payment of required premiums. Disbursements are made from this account to the following: 1) to former investors on the respective policy being reallocated to other investors for any previously paid but unearned premiums at the time of disposition, 2) to the payment of the insurance policy premiums account for funds collected from the reallocated investors for unpaid premiums and administrative fees, 3) to the Servicer for the provision of policy disposition services and 4) to the cash and cash equivalents - trust policy and contingency reserves accounts for any remaining proceeds after disbursements to former investors, to the restricted cash and cash equivalents - payment of insurance policy premiums accounts, and to the Servicer.

*BASIS OF ACCOUNTING*

The accompanying statement of assets, liabilities and fund balance has been prepared on the accrual basis of accounting used by the Trust for federal income tax reporting purposes. That basis differs from accounting principles generally accepted ("GAAP") in the United States of America primarily because of the valuation of the investments, as the investments are reported at historical cost instead of fair value. Other differences in the basis of accounting include, but are not limited to, the following: timing of the recognition of accruals, recording of allowances and reserves, and disclosures including contingencies, concentrations, subsequent events, and uncertainties.

*USE OF ESTIMATES*

The preparation of financial statements in conformity with the income tax basis of accounting 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.

*CONCENTRATIONS OF CREDIT RISK*

Financial instruments that potentially subject the Trust to concentrations of credit risk consist principally of cash and cash equivalents, investments and amounts due from investors for premium payment loans.

*Cash and Cash Equivalents*

The Trust maintains deposit balances at financial institutions that, from time to time, may exceed federally insured limits. The Trust maintains its cash at high quality financial institutions, which the Trust believes limits these risks. At September 30, 2015, approximately \$17,048,000 of cash, at fair value, was uninsured. Of this amount, approximately \$3,510,000 represented checks that have not been presented to the bank for payment as of September 30, 2015.

The Trust considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents as of September 30, 2015 consisted of money market funds invested in U.S. government securities and certificates of deposits. The Trust maintains its cash equivalent investment accounts at four financial institutions and may be subject to insurance by

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SIPC, Securities Investor Protection Corporation, subject to various limitations. At September 30, 2015, approximately \$3,190,000 at fair value was held in these accounts.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Investments***

The Trust maintains investment accounts with four financial institutions, which is not insured by the FDIC. These funds were invested in U.S. government agency bonds and mutual funds invested in obligations of the U.S. government and U.S. Government agencies that may be subject to insurance by SIPC, subject to various limitations. At September 30, 2015, approximately \$7,013,000 of fair value were held in these accounts.

***Due from Investors - Premium Payment Loans***

Due from investors - premium payment loans, consists of amounts due from investors for policy premium loans for policies in which amounts billed to the investors by the Servicer was less than the requisite premium to keep the respective insurance policies in effect through the next insurance policy cycle. Premium payment loans are recouped at the time the Servicer bills the respective investors for premium payments for the subsequent year's billing cycle.