

MUTUAL BENEFITS KEEP POLICY TRUST

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
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 financial statements of Mutual Benefit Keep Policy Trust (the "Trust"), which comprise the statement of assets, liabilities and fund balance – tax basis as of December 31, 2021, and the related statement of revenues and expenses – tax basis for the year then ended in accordance with the tax basis of accounting, and for determining that the tax basis of accounting is an acceptable 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 financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The financial statements are prepared in accordance with the tax basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared in accordance with the 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, fund balance, revenues and expenses. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Ahearn, Jasco + Company, P.A.

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

Pompano Beach, Florida
August 25, 2022

MUTUAL BENEFITS KEEP POLICY TRUST
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE - TAX BASIS
AS OF DECEMBER 31, 2021

ASSETS

CURRENT ASSETS:

Cash and cash equivalents - trust policy and contingency reserves	\$	504,664
Due from investors - premium payment loans		607,026
Restricted cash and cash equivalents - payment of insurance policy premiums		5,818,141
Restricted cash and cash equivalents - payment of death benefits from matured insurance policies		1,286,686
Restricted cash and cash equivalents - policy disposition		324,733
Policy disposition proceeds receivable		449,813
Prepaid portfolio sale fees		100,000
Unclaimed funds		260,710
Due from servicer		403
Investment earnings receivable		18

TOTAL CURRENT ASSETS		9,352,194
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RESTRICTED INVESTMENTS:

Payment of insurance policy premiums		248,000
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TOTAL ASSETS	\$	9,600,194
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LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES:

Accounts payable	\$	730,263
Due to investors for payment of death benefits from matured policies		1,385,465
Due to insurance companies for payment of insurance premiums		5,776,122

TOTAL CURRENT LIABILITIES		7,891,850
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FUND BALANCE		1,708,344
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TOTAL LIABILITIES AND FUND BALANCE	\$	9,600,194
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See selected notes to financial statement and independent accountants' compilation report.

MUTUAL BENEFITS KEEP POLICY TRUST
STATEMENT OF REVENUE AND EXPENSES - TAX BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

REVENUES:

Proceeds from policy interest dispositions	\$ 156,560
Investment income	59,437
Other revenues	<u>194,311</u>
 TOTAL REVENUE	 <u>410,308</u>

EXPENSES:

Trustee fees	180,302
Accounting	509,073
Legal	1,504,665
Servicer fees	131,245
Billing and collections software	150,000
Trustee insurance	86,769
Wind down expenses	18,119
Consulting expense	14,125
Bank service fees	13,130
File scanning	8,575
Website portal	7,850
Miscellaneous	<u>644</u>
 TOTAL EXPENSES	 <u>2,624,497</u>

NET LOSS	<u><u>\$ (2,214,189)</u></u>
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See selected notes to financial statement and independent accountants' compilation report.

MUTUAL BENEFITS KEEP POLICY TRUST
SELECTED INFORMATION - SUBSTANTIALLY ALL DISCLOSURES REQUIRED BY
THE TAX BASIS OF ACCOUNTING ARE NOT INCLUDED
DECEMBER 31, 2021

(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 was 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 was discharged on September 21, 2018 and the receivership was closed.

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 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 had an initial five-year term. On October 13, 2020, the Court approved an extension of the servicing agreement until the later of March 31, 2021 or ten days after the Court enters an Order on a motion to approve a new servicing agreement.

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. 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 unutilized premiums.

MUTUAL BENEFITS KEEP POLICY TRUST
SELECTED INFORMATION - SUBSTANTIALLY ALL DISCLOSURES REQUIRED BY
THE TAX BASIS OF ACCOUNTING ARE NOT INCLUDED
DECEMBER 31, 2021

(See independent accountants' compilation report)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS OF THE TRUST (CONTINUED)

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.

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 forfeited and sold for non-payment of required premiums. Disbursements are made from this account to the following: 1) to former investors on their respective policy interest(s) being forfeited and sold to other investors for any previously paid but unutilized premiums at the time of disposition, 2) to the insurance policy premiums account for funds collected from the forfeited policy interests' purchaser 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. Actual results could differ from those estimates.

MUTUAL BENEFITS KEEP POLICY TRUST
SELECTED INFORMATION - SUBSTANTIALLY ALL DISCLOSURES REQUIRED BY
THE TAX BASIS OF ACCOUNTING ARE NOT INCLUDED
DECEMBER 31, 2021

(See independent accountants' compilation report)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 December 31, 2021, approximately \$7,615,000 of cash, at fair value, was uninsured. Of this amount, approximately \$3,663,000 represented checks that have not been presented to the bank for payment as of December 31, 2021.

The Trust considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents as of December 31, 2021 consisted of money market funds invested in U.S. government securities. The Trust maintains its cash equivalent investment accounts at one financial institution and is subject to insurance by SIPC, Securities Investor Protection Corporation, subject to various limitations. At December 31, 2021, approximately \$2,085,000 at fair value was held in these accounts.

Investments

The Trust maintains an investment account with one financial institution with funds invested in a certificate of deposit and is subject to insurance provided by the SIPC, subject to various limitations. At December 31, 2021, approximately \$249,000 of fair value was held in this account.

Due from Investors - Premium Payment Loans

Due from investors - premium payment loans, consist of loans funded by Trustee Policy and Contingency reserves for policy premium loans on policies for which amounts paid by investors was less than the required premium. Such loans are recouped by the Trust when: 1) the Servicer bills the respective investors in the subsequent billing cycle, 2) there is a policy maturity and the loan has not otherwise been repaid, or 3) when the policy interest is forfeited and sold. In instances wherein a policy interest is sold after a new premium coverage period has commenced, that portion of the premium loan for the period between the new premium coverage period date and the sale date may not be recouped.

NOTE 2 - PREPAID SALE FEES

Prepaid Sale Fees

Prepaid Portfolio Sale Fees represent a retainer paid to consultants of the Trust to administer the sale of policies owned by the Trust which is expected to close in 2022. The prepaid portfolio sales fees will be applied towards the final amount incurred by the Trust for the sale of the portfolio policies.

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DECEMBER 31, 2021

(See independent accountants' compilation report)

NOTE 3 - SUBSEQUENT EVENTS

Sale of Policies Portfolio

On June 29, 2022, the US Court for the Southern District of Florida entered an order approving the Trustee's Motion to Approve Procedures for Sale of Policies in Connection with Trust Termination (the "Order"). As a result of the Order, the policy auction is scheduled to occur on September 15, 2022.