

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 04-60573-CIV-MORENO/SIMONTON

SECURITIES AND EXCHANGE  
COMMISSION

Plaintiff,

v.

MUTUAL BENEFITS CORP.  
JOEL STEINGER a/k/a JOEL  
STEINER, LESLIE STEINGER a/k/a  
LESLIE STEINER, PETER  
LOMBARDI and STEVEN STEINER,

Defendants,

VIATICAL BENEFACTORS, LLC,  
VIATICAL SERVICES, INC.  
KENSINGTON MANAGEMENT, INC.  
RAINY CONSULTING CORP.,  
TWIN GROVES INVESTMENTS, INC.,  
P.J.L. CONSULTING, INC., SKS  
CONSULTING, INC. and CAMDEN  
CONSULTING, INC.,

Relief Defendants.

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**TWENTY SIXTH REPORT OF RECEIVER:  
(2007 FINANCIAL STATEMENTS & REPORT ON CASH DEPOSITS)**

Roberto Martinez, court-appointed receiver (the "Receiver") of Mutual Benefits Corp., Viatical Benefactors, LLC, Viatical Services, Inc., and Anthony Livoti, Jr. and Anthony Livoti, Jr. P.A. (the "Receivership Entities") solely in their capacity as trustee files this Twenty Sixth Report of Receiver to advise the Court and the MBC investors regarding the following matters:

**Colson Hicks Eidson**

255 Aragon Avenue, 2nd Floor, Coral Gables, Florida 33134-5008 Telephone: (305) 476-7400 Fax: (305) 476-7444

**Calendar Year 2007:**  
**Financial Statements for the Receivership Entities**

Attached to this Report as Exhibit A are the Financial Statements for the Receivership Entities for the calendar year ending December 31, 2007. The financial statements are unaudited, and the data is derived from the Receivership Entities' accounting records and bank statements.

**Report on Receivership Entities' Cash Deposits**

The Receivership Entities presently have approximately \$128 million in cash or "cash equivalent" deposits in various bank accounts. In light of recent events involving the national economy, U.S. financial institutions and the U.S. equity and credit markets, the Receiver is providing this update to the Court and the MBC investors on the status of those deposits. All of the cash deposits maintained by the Receivership Entities are held at Northern Trust Bank, N.A. ("Northern Trust"). Northern Trust has been identified recently by at least one financial industry analyst as among "5 banks safe from the storm," and has been described as having "one of the best fundamental performance records in the business." *MSN Money*, 9/8/2008.

None of the Receivership funds are invested in investment products such as mutual funds, equities or other types of investment vehicles. Rather, the funds are maintained in cash or "cash equivalent" accounts. Specifically, the deposits are maintained in traditional Money Market Accounts or in Repurchase Agreement ("Repo") Accounts with Northern Trust. A Repo Account is an account where the cash deposits made by the depositor (here, the Receivership Entities) are not just secured as a general obligation of the Bank but are also collateralized or secured by securities invested in by the bank with those cash deposits. Northern Trust has confirmed to the Receiver that the

investments purchased by Northern Trust as collateral for the its Repo Accounts are in U.S. Government agency securities, and primarily Federal Home Loan Bank ("FHLB") bonds. In addition, the U.S. Treasury Department today announced the establishment of a temporary guaranty program for U.S. money market funds under which the U.S. Treasury, for the next year, will insure the holdings of any publicly offered eligible money market fund. In short, the Receiver has taken all reasonable precautions to protect the funds held by the Receivership Entities.

DATED: September 19, 2008

Respectfully submitted,

s/ROBERTO MARTINEZ  
ROBERTO MARTINEZ  
RECEIVER

s/CURTIS B. MINER - Fla. Bar No. 885681  
CURTIS B. MINER  
Colson Hicks Eidson  
255 Aragon Avenue, 2<sup>nd</sup> Floor  
Coral Gables, Florida 33134  
Telephone: (305) 476-7400  
Facsimile: (305) 476-7444

*Counsel for Receiver Roberto Martinez*

**Colson Hicks Eidson**

255 Aragon Avenue, 2nd Floor, Coral Gables, Florida 33134-5008 Telephone: (305) 476-7400 Fax: (305) 476-7444

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on this 19th day of September 2008, I electronically filed the foregoing document with the Clerk of the Court using CM/ECF. I also certify that the foregoing document is being served this day on all counsel of record identified on the attached Service List in the manner specified, either via transmission of Notices of Electronic Filing generated by CM/ECF or in some other authorized manner for those counsel of parties who are not authorized to receive electronically Notices of Electronic Filing.

s/CURTIS MINER

**Colson Hicks Eidson**

255 Aragon Avenue, 2nd Floor, Coral Gables, Florida 33134-5008 Telephone: (305) 476-7400 Fax: (305) 476-7444

**SERVICE LIST OF RECEIVER**

VIA ELECTRONIC MAIL		
<p>Amie Riggle Berlin, Esq.                      Senior Trial Counsel                      Securities &amp; Exchange Commission                      801 Brickell Avenue, Suite 1800                      Miami, Florida 33131                      Fax: (305) 536-4154                      E-mail: <a href="mailto:berlina@sec.gov">berlina@sec.gov</a></p> <p><i>Counsel for Securities &amp; Exchange Commission</i></p>	<p>Michael A. Hanzman, Esq.                      Kevin Love, Esq.                      Hanzman Criden Chaykin &amp; Rolnick                      Commercebank Center                      220 Alhambra Circle, Suite 400                      Coral Gables, FL 33134                      Fax: (305) 357-9050                      E-mail: <a href="mailto:klove@hanzmancrیدن.com">klove@hanzmancrیدن.com</a></p> <p><i>Counsel for Scheck Investments LP.</i></p>	<p>Glenn S. Gitomer                      McCausland Keen &amp; Buckann                      259 N. Radnor-Chester Road                      Suite 160 - Radnor Court                      Radnor, PA 10987-5240</p>
<p>John H. Genovese, Esq.                      Genovese Joblove &amp; Battista, P.A.                      100 S.E. 2<sup>nd</sup> Street, 36<sup>th</sup> Floor                      Miami, Florida 33131                      Fax: (305) 349-2310  <i>Counsel for Great West Growth, LLC, et al.</i></p>	<p>Victor M. Diaz, Jr., Esq.                      Podhurst Orseck Josefsberg et al.                      City National Bank Building                      25 West Flagler St., Suite 800                      Miami, FL 33130                      Fax: (305) 358-2382                      E-mail: <a href="mailto:vdiaz@podhurst.com">vdiaz@podhurst.com</a></p> <p><i>Counsel for Scheck Investments LP.</i></p>	<p>J. David Hopkins, Esq.                      Lord, Bissell &amp; Brook LLP                      Suite 1900, The Proseceium                      1170 Peachtree Street, N.E.                      Atlanta, Georgia 30309                      Fax: (404) 872-5547                      E-mail: <a href="mailto:dhopkins@lordbissell.com">dhopkins@lordbissell.com</a></p> <p><i>Counsel for Traded Life Policies Ltd.</i></p>
<p>Craig Rasile, Esq.                      Hunton &amp; Williams                      E-Mail: <a href="mailto:azaron@hunton.com">azaron@hunton.com</a>  <a href="mailto:crasile@hunton.com">crasile@hunton.com</a>  <a href="mailto:agitomer@mkbattorneys.com">agitomer@mkbattorneys.com</a></p> <p><i>Counsel for Charitable Concepts, Inc.</i></p>	<p>Robert C. Gilbert, Esq.                      220 Alhambra Circle, Suite 400                      Coral Gables, FL 33134-5174                      Fax: (305) 529-1612                      E-mail: <a href="mailto:rgilblaw@aol.com">rgilblaw@aol.com</a></p> <p><i>Special Counsel for Scheck Investments LP, et al.</i></p>	<p>Hilarie Bass, Esq.                      Jacqueline Becerra, Esq.                      Greenberg Traurig P.A.                      1221 Brickell Avenue                      Miami, Florida 33131                      Fax: (305) 579-0717                      E-mail: <a href="mailto:bccorral@gtlaw.com">bccorral@gtlaw.com</a>  <a href="mailto:bassh@gtlaw.com">bassh@gtlaw.com</a></p> <p><i>Counsel for Union Planters Bank, N.A.</i></p>
<p>Mayra Calzadilla, Esq.                      Steel Hector &amp; Davis                      200 S. Biscayne Blvd, 41<sup>st</sup> Floor                      Miami, FL 33131                      Fax: (305) 577-7001                      E-mail: <a href="mailto:mayra.calzadilla@steelhector.com">mayra.calzadilla@steelhector.com</a></p> <p><i>Counsel for Transamerica Occidental Life</i></p>	<p>Edward M. Mullins, Esq.                      Daniela Friedman, Esq.                      Astigarraga Davis Mullins                      &amp; Grossman, P.A.                      701 Brickell Ave., 16<sup>th</sup> Floor                      Miami, FL 33131                      Fax: (305) 372-8202                      E-mail: <a href="mailto:emullins@astidavis.com">emullins@astidavis.com</a>  <a href="mailto:dfriedman@astidavis.com">dfriedman@astidavis.com</a></p> <p><i>Co-counsel for Life Settlement Holding, A.G.</i></p>	<p>David Levine, Esq.                      Jeffrey Schneider, Esq.                      Tew Cardenas LLP                      The Four Seasons Tower, 15<sup>th</sup> Floor                      1441 Brickell Avenue                      Miami, FL 33131                      Fax: (305) 536-1116                      E-mail: <a href="mailto:jes@tewlaw.com">jes@tewlaw.com</a>  <a href="mailto:dml@tewlaw.com">dml@tewlaw.com</a></p> <p><i>Counsel Patricia Cook, et al</i></p>
<p>Brian J. Stack, Esq.                      Stack Fernandez Anderson &amp; Harris,                      P.A.                      1200 Brickell Avenue, Suite 950                      Miami, FL 33131-3255                      Fax: (305) 371-0002                      E-mail: <a href="mailto:bstack@stackfernandez.com">bstack@stackfernandez.com</a></p> <p><i>Counsel for Traded Life Policies Ltd.</i></p>	<p>Christopher J. Klein                      Baur &amp; Klein, P.A.                      100 N. Biscayne Blvd. 21st Floor                      Miami, FL 33132                      Fax: (305) 371-4380                      E-mail: <a href="mailto:cklein@worldwidelaw.com">cklein@worldwidelaw.com</a></p> <p><i>Co-counsel for Life Settlement Holding, A.G.</i></p>	<p>Eric Blisley, Esq.                      Krupnick Campbell Matone Roselli                      Buser et al                      700 SE 3rd Ave Ste 100                      Fort Lauderdale Florida 33161                      E-Mail: <a href="mailto:ecellisley@krupnicklaw.com">ecellisley@krupnicklaw.com</a></p> <p><i>Counsel for Certain Investors</i></p>

**Colson Hicks Eidson**

255 Aragon Avenue, 2nd Floor, Coral Gables, Florida 33134-5008 Telephone: (305) 476-7400 Fax: (305) 476-7444

	<p>Daniel S. Mandel, Esq. Mandel, Weisman, Heimberg &amp; Brodie, P.A. Boca Corporate Center 2101 N.W. Corporate Blvd Boca Raton, FL 33431 E-Mail: <a href="mailto:Dmandel@mandelweisman.com">Dmandel@mandelweisman.com</a></p> <p>Joseph A. Patella, Esq. 450 Lexington Avenue New York, New York 10017 E-mail: <a href="mailto:JosephPatella@andrewskurth.com">JosephPatella@andrewskurth.com</a> <i>Counsel for American Express Tax &amp; Business Services, Inc.</i></p>	<p>William J. Gallwey, III, Esq. Shutts &amp; Bowen LLP 201 So. Biscayne Blvd., Suite 1500 Miami, FL 33131 <i>Tel: (305) 347-7312</i> <a href="mailto:wgallwey@shutts.com">wgallwey@shutts.com</a> <i>Counsel for Hartford Life &amp; Annuity Ins. Co.</i></p>
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**Colson Hicks Eidson**

255 Aragon Avenue, 2nd Floor, Coral Gables, Florida 33134-5008 Telephone: (305) 476-7400 Fax: (305) 476-7444

**Exhibit A**

**(2007 Financial Statements)**

Mutual Benefits Corporation and Affiliated Entities and Accounts Under Receivability Control  
 Combining Balance Sheet  
 December 31, 2007 (Unaudited)

**ASSETS**

Current Assets:	Mutual Benefits Corporation	Northern Trust Bank Premium Accounts	Vitalica Beneficiaries, LLC	Vitalica Services, Inc.	Eliminations	Receivability (Total)
Cash Available for Operations (Note 2)	\$ 1,501,240	\$ 3,467,826	\$ 12,185	\$ 2,541,819	-	\$ 4,055,244
Cash for Premiums on Vitalicals Sold to Investors (Note 3)	-	-	-	-	-	3,467,826
Cash Received from investors for Premiums (Note 4)	-	-	-	17,448,405	-	17,448,405
Cash Received in Excess of Policy Requirements	-	-	-	2,706,402	-	2,706,402
Cash Held for Premium Payments on Sold Policies (Note 5)	-	-	-	111,227	-	111,227
Accounts Receivable (Note 6)	-	-	-	-	-	-
Note Receivable - Officer (Note 7)	-	-	-	-	-	-
Receivable from Fractional Sales or Maturities	1,944,318	10,811,667	-	748,368	(13,096,676)	748,368
Due from Receivability Entity (Note 8)	19,536,946	-	-	340,651	-	-
Restricted Cash from Death Benefit Proceeds (Note 9)	-	-	-	-	-	-
Total Current Assets	<u>\$ 21,982,504</u>	<u>\$ 14,279,493</u>	<u>\$ 12,185</u>	<u>\$ 23,856,912</u>	<u>\$ (13,096,676)</u>	<u>\$ 47,074,418</u>
Office Furniture and Equipment, net (Note 10)	17,469	-	-	428,628	-	446,097
Other Assets:						
Proceeds from Sales of Policies (Note 11)	25,132,550	-	-	-	-	25,132,550
Funds Held - Other (Note 12)	27,979,816	-	-	-	-	27,979,816
Investments in Policies, at Cost (Note 13)	1,892,141	-	-	-	-	1,892,141
Deposits (Note 14)	129,026	-	-	36,053	-	165,079
Total Assets	<u>\$ 76,633,506</u>	<u>\$ 14,279,493</u>	<u>\$ 12,185</u>	<u>\$ 24,361,593</u>	<u>\$ (13,096,676)</u>	<u>\$ 102,190,101</u>

**LIABILITIES AND SHAREHOLDER'S EQUITY**

Current Liabilities:	Accounts Payable and Accrued Expenses (Notes 15, 18)	Funds Held from Death Benefit Proceeds (Note 9)	Due to Receivability Entity (Notes 8, 9)	Funds Held for Premiums on Vitalicals Sold to Investors (Note 3)	Funds held for Premiums Payable to Insurance Co's. (Note 4)	Total Long Term Liabilities
Accounts Payable and Accrued Expenses (Notes 15, 18)	\$ 665,744	-	-	-	-	\$ 665,744
Funds Held from Death Benefit Proceeds (Note 9)	17,860,828	-	-	-	-	17,860,828
Due to Receivability Entity (Notes 8, 9)	927,659	77,461	24,566	12,067,000	-	13,096,676
Funds Held for Premiums on Vitalicals Sold to Investors (Note 3)	-	-	-	2,706,402	-	2,706,402
Funds held for Premiums Payable to Insurance Co's. (Note 4)	-	14,202,032	-	7,841,789	-	22,043,821
Total Long Term Liabilities	<u>\$ 19,675,231</u>	<u>\$ 14,279,493</u>	<u>\$ 24,566</u>	<u>\$ 22,147,679</u>	<u>\$ (13,096,676)</u>	<u>\$ 43,630,283</u>
Long Term Liabilities:						
Funds Held - Sale of Policies (Note 11)	25,132,550	-	-	-	-	25,132,550
Funds Held - Other (Note 12)	27,979,816	-	-	-	-	27,979,816
Investments in Policies Held for Restricted Use (Note 13)	1,392,141	-	-	-	-	1,392,141
Pre-Receivability Obligations	2,362,720	-	-	-	-	2,362,720
Settlement Payable (Note 13)	1,320,066	-	-	-	-	1,320,066
Total Long Term Liabilities	<u>\$ 58,187,293</u>	<u>\$ 14,279,493</u>	<u>\$ 24,566</u>	<u>\$ 22,147,679</u>	<u>\$ (13,096,676)</u>	<u>\$ 101,817,576</u>
Shareholder's Equity (Deficit):						
Common Stock	100	-	100	-	-	300
Additional Paid-In Capital	19,900	-	50,000	-	-	69,900
Retained Earnings (Accumulated Deficit)	(1,229,018)	-	(62,471)	1,613,814	-	302,325
Total Shareholder's Equity (Deficit)	<u>(1,229,018)</u>	<u>\$ 14,279,493</u>	<u>\$ 12,185</u>	<u>\$ 24,361,593</u>	<u>\$ (13,096,676)</u>	<u>\$ 102,190,101</u>
Total Liabilities and Shareholder's Equity (Deficit)						



Mutual Benefits Corporation and Affiliated Entities and Accounts Under Receivership Control  
 Combining Statements of Operations and Retained Earnings (Accumulated Deficit)  
 Year Ended December 31, 2007 (Unaudited)

	Mutual Benefits Corporation	Mutual Benefactors LLC	Medical Services Inc.	Eliminations	Receivership (Total)
<b>Revenues:</b>					
Policy Servicing Fees (Note 16)	\$ -	\$ -	\$ 2,751,416	\$ -	\$ 2,751,416
<b>Operating Expenses:</b>					
Salaries and Consulting	364,143	-	1,710,387	-	2,074,530
Copying and Office Expenses	9,615	102	92,204	-	101,921
Depreciation and Amortization	-	-	25,021	-	25,021
Insurance	13,716	-	160,385	-	174,101
Licenses and Permits	489	-	1,632	-	2,121
Medical Records and Exams	7,246	-	13,272	-	20,518
Other	4,507	282	3,788	-	8,577
Penalties	-	-	37,991	-	37,991
Postage and Delivery	6,438	-	235,010	-	241,448
Rent - Equipment	2,339	-	12,797	-	15,136
Rent - Office	-	-	140,694	-	140,694
Security	-	-	33,128	-	33,128
Telephone	-	(75)	27,022	-	26,947
Utilities	-	-	25,105	-	25,105
Total Operating Expenses:	<u>408,418</u>	<u>384</u>	<u>2,518,436</u>	<u>-</u>	<u>2,927,238</u>
Income (Loss) From Operations	(408,418)	(384)	232,980	-	(175,822)
<b>Other Income</b>					
Other Income (Loss) - Primarily interest	453,592	289	739,902	-	1,193,783
<b>Other Expenses:</b>					
Write-Off of Uncollectible Receivables (Note 7)	1,283,797	-	-	-	1,283,797
Receivership Expenses (Note 18)	1,577,786	14,556	1,446,504	-	3,038,846
Income (Loss) before Taxes	(2,815,409)	(14,651)	(473,622)	-	(3,304,682)
Federal, State and Local Taxes	-	(8,410)	38,054	-	29,644
Net Income (Loss)	(2,815,409)	(6,241)	(511,676)	-	(3,334,326)
Retained Earnings (Accumulated Deficit) - Beginning of the Year	1,567,391	(56,231)	2,125,490	-	3,636,650
Retained Earnings (Accumulated Deficit) - End of the Period	<u>\$ (1,249,018)</u>	<u>\$ (62,472)</u>	<u>\$ 1,613,814</u>	<u>\$ -</u>	<u>\$ 302,324</u>

**Mutual Benefits Corporation and Affiliated Entities and Accounts Under Receivership Control**  
**Notes to Combining Financial Statements**  
**December 31, 2007 (Unaudited)**

**Note 1. Basis Of Preparation.** The *Combining Balance Sheet of Mutual Benefits Corporation and Affiliated Entities and Accounts Under Receivership Control* include the following entities and accounts (referred to collectively as "MBC et. al"): Mutual Benefits Corporation ("MBC"), Northern Trust Bank Premium Accounts, Viatical Benefactors LLC ("VBLLC"), and Viatical Services Inc. ("VSI.") The *Combining Statements of Operations and Retained Earnings of Mutual Benefits and Affiliated Entities and Accounts Under Receivership Control* include the following entities and accounts: Mutual Benefits Corporation ("MBC"), Viatical Benefactors LLC ("VBLLC"), and Viatical Services Inc. ("VSI").

The combining financial statements were not prepared in accordance with GAAP (the notes herein describe the basis of accounting methods used), but are based upon MBC et. al. continuing as a going concern wherein the assets will be realized and liabilities will be paid in the ordinary course of business. Additionally, MBC et al. has elected to present selected note disclosures to the combining financial statements and has omitted the combining statement of cash flows.

On May 4, 2004, the United States Southern District Court entered a Temporary Restraining Order (the "TRO"), in part restraining MBC and VBLLC from engaging in new business. At the same time, the Court entered its Order Appointing Receiver, which among other things appointed the Receiver and directed him to take control of the Receivership Entities. While the ultimate resolution of the entities' status remain uncertain, there is substantial doubt that the entities will be able to continue as going concerns. The accompanying financial statements do not include any adjustments to present the entities on a liquidating basis and such adjustments could be material.

**Note 2. Cash Available for Operations.** Cash available for operations initially arose primarily from funds that were in the operating and money market accounts of the Receivership Entities at the time the receivership was put in place. MBC has depleted these funds over the course of the Receivership. On June 29, 2004, an order was entered by the Court giving the Receiver the authority to pay insurance premiums for all policies from the various premium escrow accounts including premiums for those policies that were previously paid out of the MBC operating account. As such, the Receiver paid premiums previously paid out of the MBC operating account, first, using funds from the VSI Northern Trust Premium Reserve account and then from the Union Planters Premium Accounts.

On September 6, 2005, the Court ordered that Union Planters (now known and hereinafter referred to as Regions Bank) should release the accrued interest in the premium escrow accounts to the MBC Operating Account. It was also directed to release future interest income in the premium escrow accounts to the MBC Operating Account. The funds in these accounts were transferred to Northern Trust Bank on February 1, 2006. The Receiver was authorized to use the interest to fund continuing Receivership operations. In 2007, \$264,942 was earned as interest on these funds. At December 31, 2007, \$77,461 of this interest, representing the interest earned on these funds in the third and fourth Quarters of 2007, had not yet been transferred to the Receiver's Operating Account at MBC.

On September 17, 2005, the Court ordered that investors be polled to determine if they wished to continue to maintain their interest in a policy, sell the interest or surrender it. Investors that voted to keep their interest in the policy were advised that they would be charged fees to cover the viatical management administration expenses on an on-going basis. These annual fees are designed to provide VSI with the funds necessary to support its operations. During the third quarter of 2006, VSI began to invoice investors for their administration fees. As of December 31, 2007, \$6,719,157 of fees had been billed to the investors and \$5,279,337 in payments had been received. The remaining unpaid administration fees were written off to a reserve account.

**Note 3. Cash For Premiums On Viaticals Sold To Investors & Funds Held For Premiums On Viaticals Sold To Investors.** At the time life insurance policies were sold to investors, a portion of the Investors' funds were paid into various premium accounts to pay life insurance policy premiums during the insured's projected life expectancy. Over the course of this Receivership, it became apparent that: (a.) a significant number of insureds outlived the life expectancy that was represented to the respective investors by MBC; (b.) the premiums set aside for such policies have been exhausted; (c.) in order to continue to fund these insurance policies, MBC used premium funds that were received from other investors that purchased other policies and to a lesser extent other sources of funds (e.g., policy dividends, proceeds from demutualization of insurance policies, etc.); and (d.) that significant additional insureds have and will likely continue to outlive the life expectancies represented by MBC. The combining financial statements do not reflect any reserves or other adjustment related to these potential circumstances.

Policies sold to investors by MBC in the early years (1994 - 1997) were historically paid out of MBC's operating account. (Effective June 29, 2004, pursuant to Court order, these premiums were subject to reimbursement using funds from premium accounts then maintained by Regions Bank.) Beginning in 1996, Anthony Livoti, as trustee, entered into an agreement with MBC whereby he agreed to pay premiums using investor funds that were segregated at the time of closing and transferred to various accounts under his control. (Once these funds were exhausted in mid-January

**Mutual Benefits Corporation and Affiliated Entities and Accounts Under Receivership Control**  
**Notes to Combining Financial Statements**  
**December 31, 2007 (Unaudited)**

2005, the Receiver obtained Court authorization to make premium payments on the Livoti policies using funds then maintained at Regions Bank.) In June 2002, MBC entered into an escrow agreement with American Express Business Services, Inc. ("AMEX") whereby, among other services, AMEX set up a premium account at Bank of America to pay premiums with investor funds identified and transferred at the time of closing. Upon entering into an agreement with Regions Bank in approximately April, 2003, most funds held at Bank of America were transferred to Regions Bank, along with any future investor funds identified for the payment of premiums on new policies.

In February 2006, the Receiver consolidated the remaining premium funds held by Bank of America and Regions Bank into accounts maintained at Northern Trust Bank and began making premium payments for all policies, including the policies sold to investors by MBC in the early years, out of these accounts.

**Note 4: Cash Received from Investors for Premiums and Funds Held for Restricted Use**

The Court has ordered that investors are responsible for the premiums on Keep Policies beyond life expectancies after June 30, 2006. During 2007, VSI began the process of invoicing investors for their share of premiums on policies. While VSI continues to make payments of premiums from the Northern Trust Accounts, it is calculating the amounts due back to the premium accounts for funds paid on behalf of investors for premiums after June 30, 2006. Premium invoices being sent to investors consequently reflect premiums due as well as reimbursement for funds advanced for premiums on policies after June 30, 2006. Investors were sent an initial invoice for their pro rata share of the premiums ("Initial Billing Cycle"). Investors had 45 days to make their payment or forfeit their interest in the policy. After the 45 day period elapsed, a second round of invoices ("Shortfall") was mailed to the investors for the balance of any premium due in order to maintain the policy in force and any remaining reimbursement of premium to the Northern Trust Accounts.

The following chart reflects the status as of May 31, 2008 for premium funds received from investors as part of the first cycle of premium billings:

Funds Received from Investors	
Initial Billing	\$32,646,208
Shortfall Billing	11,525,212
MBC Premium Account Advances	1,546,817
Dividends and Other	<u>74,892</u>
<b>Total Funds Received:</b>	<b><u>45,793,129</u></b>
Disbursements:	
Reimbursements Paid to MBC Premium Account	24,967,810
Payments to Insurance Companies	13,036,515
Refund of Excess funds to Investors	<u>2,344,961</u>
<b>Total Funds Disbursed:</b>	<b><u>40,349,286</u></b>
<b>Funds On Hand at May 31, 2008:</b>	<b><u>5,443,843</u></b>
Due to Investors	488,557
Due to MBC Premium Account	3,132,793
Due to Insurance Companies for Future Premiums	<u>1,822,493</u>
<b>Total</b>	<b><u>5,443,843</u></b>

**Note 5. Cash held for Premiums on Sold Policies.** As a condition to the sale of the portfolios of insurance policies, VSI continued to service the premium payments on the policies for the benefit of the purchasers of the portfolios. VSI estimated the premiums payable on these policies and the purchasers funded a separate bank account maintained solely for the payment of premiums for the policies within the portfolios.

**Note 6. Accounts Receivable.** On September 17, 2005, the Court ordered that investors be polled to determine if they wished to maintain their interest in a policy, sell the interest or surrender it. Investors that voted to keep their interest in the policy were advised that they would be charged fees to cover the viatical management administration expenses on

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an on-going basis. These annual fees are designed to provide VSI with the funds necessary to support its operations. During the third quarter of 2006, VSI began to invoice investors for their administration fees. As of December 31, 2007, fees of \$6,719,157 had been billed to investors and \$5,279,337 of cash had been received. Investors had 45 days to pay the fees or lose their interest in the death benefit. As of December 31, 2007, all administration invoices to investors had reached their due dates. All unpaid invoices were written off to an allowance account established for estimated uncollectible receivables.

**Note 7. Note Receivable - Officer.** The Receiver and the SEC jointly reached a settlement with Steven K. Steiner, the former Vice President of MBC, and his associated consulting companies, Camden Consulting Inc. and SKS Consulting, Inc. The settlement was approved by the Court, and the terms of this settlement require Steiner to pay a total of \$3,925,000 to the Receiver. Steiner has paid the first installment of \$750,000, as required by the settlement, with the remaining \$3,175,000 due on or before April 10, 2008. Based on this settlement, the Note Receivable was considered to no longer be collectible.

**Note 8. Due to/from Receivership Entity.**

Description	Receivable / (Payable)		
	MBC	Northern Trust Premium Accounts	VSI
(a.) Allocation of Operating Expenses	(250,568)		250,568
(b.) Interest from Premium Accounts	77,461	(77,461)	
(c.) Reimbursement of Premiums Funds		10,224,311	(10,224,311)
(d.) Allocation of Professional fees	1,842,301		(1,842,301)
(e.) Death Benefit Premium Reimbursements	(586,968)	586,968	
(e.) Death Benefit - Administration Fees	(90,123)		90,123

Consists of the following items: (a.) During the second quarter of 2005, the Receivership consolidated the operations of the entities into one location. During the third and fourth quarters of 2006, certain expenses were paid in full by VSI. A portion of these net costs, \$250,568 were allocated to MBC by VSI and had not been paid; (b.) As stated in Note 2, the Court has ordered that interest on funds in the premium escrow accounts be used to fund the operations of the receivership. Interest in the amount of \$77,461 was earned in the third and fourth quarters of 2007 and had not been transferred to the MBC operating account from the premium accounts; (c.) The Receiver continues to pay premiums from the Northern Trust Bank Premium Accounts. At December 31, 2007, \$9,475,943 of the funds received from investors and held by VSI was estimated to be due to the Northern Trust Bank Premium Accounts. After a policy completes its billing cycle, premium receipts and expenditures are reconciled to determine the final allocation of funds for amounts due to insurance companies and the amount due to reimburse the Northern Trust Premium Accounts. Additionally, the Northern Trust Premium Accounts advanced \$748,368 to pay the portion of premiums on policies that had been forfeited from investors; (d.) All professional fees are paid by MBC. An allocation is made to the various Receivership entities based upon the services provided. (e.) MBC receives death benefit proceeds from insurance companies prior to distribution to the investors. Before any funds are distributed, a determination is made regarding any funds due either to the Premium Accounts at Northern Trust for premium reimbursements or transfers to the VSI operating account for unpaid administration fees. As of December 31, 2007, funds totaling \$586,968 and \$90,123 were due to the Northern Trust Premium Accounts and to the VSI operating account, respectively.

**Note 9. Restricted Cash from Death Benefit Proceeds.** Funds received from insurance policy maturity claims have been deposited into a separate interest bearing account at Northern Trust Bank. These funds include death benefit proceeds, interest on death benefits paid by the insurance companies, return of unearned insurance premiums and interest on the funds in the account paid by the bank. On September 14, 2005, the Court ordered that all death benefits be paid to investors along with any accrued interest. Upon the maturity of the policy, the Receiver has been notifying investors that their policies have matured and has requested that investors return the appropriate tax forms to allow the

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Receiver to determine U.S. federal income tax to be withheld, if applicable, and to disburse the funds. As of December 31, 2007, the Receiver has received Death Benefit proceeds and interest in the amount of \$128,400,864. Through December 31, 2007, MBC had processed disbursements in the amount of \$109,059,022 to return these funds to investors. At December 31, 2007, the funds held for death benefits were \$18,536,948 with \$17,860,828 being held as due to investors and \$676,120 as due to other MBC entities for reimbursement of premiums, collection of administration fees and other miscellaneous reasons. MBC continues to distribute death benefit proceeds and the interest earned on these funds to investors.

**Note 10. Office Furniture and Equipment, net.** VSI's information systems were not historically designed to conduct billing activities nor the reallocation of investor interests in policies. In order to comply with the Court's order on the disposition of policies, VSI initiated a project to develop a new premium billing and tracking system to allow investors to be billed for administration fees and for premium amounts due. While certain features of the system were being used in 2006, the system is not expected to be fully implemented until the first quarter of 2008. As of December 31, 2007, approximately \$757,000 in costs had been incurred in developing the system.

**Note 11. Proceeds from Sales of Policies.** On September 17, 2005, the Court ordered that investors be polled to determine if they wished to continue to maintain their interest in a policy, sell the interest or surrender it. If a majority of the voting investors on a particular policy voted to sell or surrender, the policy was identified as a Self policy. Self policies were segregated into several portfolios for sale by auction. MBC continued to pay premiums on policies until the closing date of the sale of each of the portfolios. MBC closed on the sale of two groups of policies in 2007. The first group of policies was sold on July 7, 2007. MBC received gross proceeds from the sale in the amount of \$13,422,388. The second group of policies was sold on November 20, 2007. MBC received gross proceeds of \$11,396,359 from the sale. These proceeds were deposited into a separate interest-bearing account at Northern Trust. As of December 31, 2007, these funds had earned interest of \$313,803. Upon receiving instructions from the Court, MBC plans to distribute the funds, net of administration expenses and reimbursed premiums, to the investors on these sold policies.

**Note 12. Other Funds Being Held.** MBC received funds of \$695,425 from the federal government in connection with the settlement of a pre-receivership forfeiture action. Additionally, MBC has received funds from its joint settlement with the Brinkley McNerny law firm in the amount of \$7,485,016, payments on settlements reached with certain defendants in the amount of \$2,250,000, a settlement reached with its auditing firm in the amount of \$3,500,000 and from settlements reached with the SEC in the amount of \$11,487,049. These funds, which total \$27,979,816 as of December 31, 2007, inclusive of accrued interest and other miscellaneous items, are to be distributed to investors and creditors of MBC pursuant to a plan of distribution to be authorized by the Court. An equal and offsetting liability has been established for these funds pending their ultimate disposition.

**Note 13. Investments in Policies at Cost and Settlement Payable.** MBC has acquired interests in various policies over time by refunding monies to investors. Its interest in these policies are stated at MBC's cost of \$1,392,141. It is anticipated at this time that any assets realized from the sale/maturity of these investments will be distributed in some manner to investors of MBC. As the value of the assets is dependent upon the payment of premiums and such premium funds are being depleted, an equal and offsetting reserve has been established for these assets. As policies mature, and death benefits are realized, the Receiver will recognize the gains and other income received. During 2007, 22 of these policies were sold as part of the group of policies mentioned in Note 11. These policies were recorded on the books of MBC at a cost of \$453,985. MBC will determine the appropriate gain or loss on the sale of these policies pending the final determination of the disposition of the sales proceeds.

Under the terms of a Settlement Agreement dated June 2003, as amended, the Company was previously obligated to pay to certain parties a principal amount of \$2,165,000. This payment was to repurchase investments in the death benefits of life insurance policies. These policies are part of the amount reflected in Investment in Policies at Cost. It was determined that as of the date of the Receivership, no additional interest was to be earned on the note. As such, all interest accruals after May 5, 2004 have been reversed. Payments made to the investor, as a result of the maturity of an investment, have reduced the amount owed to the investor to \$1,320,066 at December 31, 2007.

Additionally, eight policies were not fully placed with investors as of May 5, 2004. The unplaced portion of these investments represented \$2,960,167 of the total death benefits of these policies which is \$84,902,500. On certain of these policies, no funds were received for payment of premiums. Based on life expectancies projected by MBC prior to the Receivership, \$9,176,704 should have been deposited in the Regions Bank premium account. However, because of the timing of the Receivership, this \$9,176,704 was not transferred from the Purchase Escrow Accounts. The Court has determined that the Purchase Escrow Accounts are outside of the Receivership. Nonetheless, the need to fund the premiums on these policies through their original life expectancies or until the policies are sold remains an obligation of the Receivership.

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As a result of the investor election process, a majority of voting investors elected to keep their interests in four of these policies. The face value of these four policies totals \$22,856,800 and MBC's portion of the death benefits is \$1,009,992. Should MBC not pay the premiums due on these policies, it will forfeit its rights to the death benefits. A majority of voting investors elected to sell four policies with a combined face value of \$62,045,700. The face value attributable to MBC's ownership interest is \$51,950,175. Premiums will continue to be paid on these policies until they are sold.

MBC has no cost basis in those policies that were not fully placed with investors as of May 5, 2004. As such, these policies are reflected on MBC's financial statements at their \$0 cost. However, certain additional amounts may be realized upon their sale/maturity. The value of these investments, and any gain/loss realized, will be determined upon their disposition.

**Note 14. Lease Deposits and Other Assets.** Includes approximately \$154,026 in certificates of deposit securing various State bonds in conjunction with licenses and an additional \$24,395 securing various deposits on MBC / VSI's facility.

**Note 15. Accounts Payable.** Accounts Payable represents only those payables where the Receiver has made a determination that the payment of which provides on-going and/or necessary benefits to the Receivership. Amounts representing obligations that existed or were caused to be incurred prior to the Receivership have been included in the Other Liabilities Section under Pre-Receivership Obligations.

**Note 16. Unearned Viatical Management Services.** Beginning on July 1, 2006, the Court ordered that investors be billed for fees sufficient to support the cost of operations required to provide viatical management services on policies where investors elected to maintain their interests in the death benefits. In connection with this Order, VSI estimated the annual expenses necessary to support operations required to maintain the investors' interests and has billed investors for administrative fees needed to fund the anticipated expenditures. As of December 31, 2006, VSI had invoiced most of the investors attached to policies for which investors have elected to maintain their policy interest ("Keeps"). By June 30, 2007, most of these invoices had reached their due dates allowing VSI to estimate the total administration fees received for the initial billing cycle.

VSI has elected to record all fees as unearned upon receipt and to recognize income over the course of the 12 months following June 30, 2006. Accordingly, VSI has recognized one-twelfth of the total unearned administration fees as earned each month beginning with July of 2006. Because of the higher than anticipated rate of participation of investors in the continuation of policies, VSI determined that it would delay the billing of additional administration fees for 6 months and have the administration period coincide with VSI's fiscal year.

**Note 17. Due From Escrow Agent.** Pursuant to an order issued by the Court in February 2005, funds paid by the investor into the various purchaser escrow accounts of MBC are not considered assets of the company and are being held in the purchaser escrow accounts pending distribution of these funds to the investors. The Court has ordered that the pre-closing investment funds not used to purchase interest in insurance policies be returned to the original investors. The disbursement of these funds has been managed by Regions Bank. As MBC neither has control nor plays any role with regard to the disbursement of these funds, they are no longer being reflected on these financial statements.

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**Note 18. Professional Fees and Costs.** The Receiver has retained various professionals to support the operations of the Receivership. Fees that have been approved by the court but have not yet been paid have been recorded as liabilities of the Receivership entities. Fees, listed below under Pending Approval, have not been approved by the court and are not included in Accrued Expenses. The following chart reflects the status of professional fees as of August 1, 2008.

App. #	Application Period	Date Submitted	Fees Requested	Costs Requested	Amount Requested	Fees Awarded	Costs Awarded	Date Awarded	Total Amt. Awarded	Date/Amount Paid
<b>Allen Norton &amp; Bleu</b>										
1	5/6/04 - 6/18/04	7/2/2004	10,493.75	51.53	10,545.28	10,493.00	53.15	7/6/2004	10,546.15	7/13/2004 10,546.15
2	6/19/04 - 9/30/04	12/15/2004	1,762.50	267.39	2,029.89	1,762.50	262.39	7/12/2005	2,024.89	9/14/2005 2,024.89
3	10/1/04 - 5/31/05	10/18/2005	9,275.00	260.53	9,535.53	9,000.00	260.00	10/21/2005	9,260.00	11/4/2005 9,260.00
4	6/1/05 - 12/31/05	3/9/2006	3,827.50	11.68	3,839.18	3,488.32	11.68	5/8/2006	3,500.00	5/25/2006 3,500.00
5	6/1/06 - 12/31/06	5/21/2007	2,127.50	262.68	2,390.18	2,127.50	262.28	10/31/2007	2,390.18	11/2/2007 2,390.18
<b>TOTAL</b>			<b>\$27,486.25</b>	<b>\$848.81</b>	<b>\$28,335.06</b>	<b>\$26,871.32</b>	<b>\$849.50</b>		<b>\$27,721.22</b>	<b>\$27,721.22</b>
<b>Berkowitz Dick Pollack &amp; Birant</b>										
1	5/4/04 - 6/18/04	10/18/2005	228,589.43	-	228,589.43	228,589.00	-	10/22/2004	228,589.00	11/15/2004 228,589.00
2	6/19/04 - 9/30/04	12/15/2004	193,806.45	-	193,806.45	193,806.45	-	6/1/2005	193,806.45	6/15/2005 193,806.45
3	10/1/04 - 1/31/05	3/16/2005	266,723.10	-	266,723.10	256,723.10	-	6/1/2005	266,723.10	9/7/2005 266,723.10
4	2/1/05 - 5/31/05	7/29/2005	201,446.10	107.00	201,553.10	180,000.00	107.00	8/18/2005	180,107.00	9/7/2005 180,107.00
5	6/1/05 - 9/30/05	11/4/2005	168,136.20	-	168,136.20	120,000.00	-	12/22/2005	120,000.00	1/5/2006 120,000.00
6	10/1/05 - 12/31/05	3/9/2006	177,779.25	190.00	177,969.25	149,810.00	190.00	3/28/06 and 5/5/06	150,000.00	4/7/2006 150,000.00
7	1/1/06 - 9/30/06	10/25/2006	563,457.83	0.00	563,457.83	490,000.00	\$0.00	2/21/2007	490,000.00	2/22/2007 490,000.00
8	10/1/06 - 12/31/06	3/22/2007	248,706.00	2,487.98	251,193.98	247,512.02	2,487.98	5/7/2007	250,000.00	5/12/2007 250,000.00
9	1/1/07 - 5/31/07	7/6/2007	659,815.88	0.00	659,815.88	\$500,000.00	\$0.00	9/7/2007	500,000.00	9/5/2007 500,000.00
10	6/1/07 - 9/30/07	11/6/2007	498,807.00	0.00	498,807.00	300,000.00	0.00	1/8/2008	300,000.00	1/5/2008 300,000.00
11	10/1/07 - 11/30/07	3/14/2008	240,319.13	0.00	240,319.13	200,000.00	0.00	8/22/2008	200,000.00	8/23/2008 200,000.00
12	12/1/07 - 12/31/07	5/14/2008	101,080.13	0.00	101,080.13	\$100,000.00	\$0.00	8/27/2008	100,000.00	8/28/2008 100,000.00
13	1/1/08 - 1/31/08	6/3/2008	158,592.38	\$0.00	158,592.38	\$150,000.00	\$0.00	8/27/2008	150,000.00	8/28/2008 150,000.00
14	2/1/08 - 2/29/08	7/3/2008	144,219.38	\$0.00	144,219.38	\$120,000.00	\$0.00	8/27/2008	120,000.00	8/28/2008 120,000.00
15	3/1/08 - 3/31/08	7/29/2008	134,784.66	\$0.00	134,784.66	\$100,000.00	\$0.00	8/27/2008	100,000.00	8/28/2008 100,000.00
<b>TOTAL</b>			<b>\$ 3,985,262.94</b>	<b>\$ 2,784.98</b>	<b>\$ 3,988,047.92</b>	<b>\$ 3,346,440.57</b>	<b>\$ 2,784.98</b>		<b>\$ 3,349,225.55</b>	<b>\$ 3,349,225.55</b>
<b>Bilzin Sumberg Baena Price &amp;...</b>										
1	2/4/05 - 6/28/05	10/18/2005 resubmitted	36,132.00	110.31	36,242.31	36,132.00	110.31	2/9/2006	36,242.31	2/7/2006 36,242.31
2	9/25/05 - 12/31/05	11/22/05	36,262.00	132.28	36,394.28	30,000.00	132.00	5/3/2006	30,132.00	5/12/2006 30,132.00
3	1/1/06 - 4/30/06	7/26/2006	44,703.50	240.20	44,943.70	40,000.00	240.00	10/25/2006	40,240.00	10/25/2006 40,240.00
4	5/1/06 - 9/30/06		38,085.80	141.94	38,227.74	\$38,000.00	\$141.94	2/21/2007	\$38,141.94	2/22/2007 38,141.94
5	10/4/06 - 2/28/07	3/21/2007	30,212.10	914.34	31,126.44	\$29,085.66	\$914.34	10/31/2007	\$30,000.00	11/2/2007 30,000.00
6	3/7/07 - 2/29/08	4/22/2008	23,177.80	107.03	23,284.83	\$23,177.80	\$107.03	8/27/2008	\$23,284.83	8/28/2008 23,284.83
<b>TOTAL</b>			<b>\$208,573.20</b>	<b>\$1,646.10</b>	<b>\$210,219.30</b>	<b>\$196,395.46</b>	<b>\$1,645.62</b>		<b>\$198,041.08</b>	<b>\$198,041.08</b>

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Note 18. Professional Fees and Costs. (Cont'd)

App. #	Application Period	Date Submitted	Fees Requested	Costs Requested	Amount Requested	Fees Awarded	Costs Awarded	Date Awarded	Total Amt. Awarded	Date Paid	Amount Paid
<b>Colson Hicks Eidson</b>											
1	5/4/04 - 6/18/04	7/2/2004	220,751.50	6,709.88	227,461.38	74,000.00	6,709.00	10/22/2002	80,709.00	11/5/2004	80,709.00
						146,751.00	-	12/13/2004	146,751.00	1/6/2005	146,751.00
2	6/19/04 - 9/30/04	12/15/2004	287,905.00	9,771.19	297,676.19	287,905.00	9,771.19	6/12/2005	297,676.19	9/7/05	297,676.19
3	10/1/04 - 1/31/05	3/17/2005	371,496.00	30,264.16	401,760.16	371,496.00	30,264.16	6/12/2005	401,760.16	9/7/2005	401,760.16
4	2/1/05 - 5/31/05	7/20/2005	320,323.75	16,565.65	336,889.40	300,000.00	16,565.00	8/18/2005	316,565.00	9/7/2005	316,565.00
5	6/1/06 - 9/30/06	11/9/2006	244,126.50	20,537.69	264,664.19	240,000.00	20,537.69	2/16/2006	260,537.69	11/2/2006	216,000.35
6	10/1/05 - 12/31/05	3/7/2006	215,142.50	26,936.15	242,078.65	205,000.00	26,936.15	5/5/2006	231,936.15	2/28/2006	260,537.69
								5/2/06		5/18/2006	121,936.15
								corrects prior order			
7	1/1/06 - 5/31/06	7/26/2006	372,588.50	25,275.99	397,864.49	300,000.00	25,275.00	10/25/2006	325,275.00	5/31/2006	110,000.00
8 (Amended)	6/1/06 - 1/31/07	5/21/2007	148,498.00	14,693.31	163,191.31	135,306.69	\$14,693.31	10/31/2007	150,000.00	10/26/2006	325,275.00
9	2/1/07 - 1/30/07	12/6/2007	294,900.00	27,522.47	322,422.47	250,000.00	\$27,522.47	12/19/2007	277,522.47	11/2/2007	150,000.00
TOTAL			\$2,475,731.75	\$178,276.49	\$2,654,008.24	\$2,310,458.69	\$178,273.97		\$2,488,732.66		2,488,732.66

App. #	Application Period	Date Submitted	Fees Requested	Costs Requested	Amount Requested	Fees Awarded	Costs Awarded	Date Awarded	Total Amt. Awarded	Date Paid	Amount Paid
<b>The Garden City Group</b>											
1	5/4/04 - 6/18/04	7/2/2004	50,195.54	750.00	50,945.54	50,195.00	750.00	10/25/2004	50,945.00	11/5/2004	50,945.00
2	6/19/04 - 9/30/04	12/7/2004	48,491.94	566.26	49,058.20	40,000.00	-	7/12/2005	40,000.00	9/7/2005	32,000.00
3	10/1/04 - 1/31/05	3/24/2005	79,149.35	909.14	80,058.49	79,149.35	909.14	8/18/2005	80,058.49	9/7/2005	64,000.00
4	2/1/05 - 9/30/05	11/4/2005	85,759.91	2,614.62	88,374.53	80,000.00	2,614.00	12/22/2005	82,614.00	1/5/2006	82,614.00
5	10/1/05 - 12/31/05	3/10/2006	25,833.17	1,472.33	27,305.50	25,000.00	1,472.00	5/3/2006	26,472.00	5/25/2006	26,472.00
6	1/1/06 - 12/31/2006	3/21/2007	353,084.76	137,726.93	492,811.69	350,000.00	137,726.00	7/10/2007	487,726.00	7/12/2007	\$487,726.00
7	1/1/07 - 5/31/2007	11/6/2007	66,755.11	99,795.73	166,548.84	50,000.00	99,793.73	1/8/2008	149,793.73	1/9/2008	\$149,793.73
8	6/1/07 - 12/31/07	5/14/2008	22,522.69	16,639.19	39,161.88	22,522.69	16,639.19	8/27/2008	39,161.88	8/28/2008	\$39,161.88
TOTAL			733,792.47	260,472.00	994,264.47	696,867.94	259,904.96		956,771.10		956,771.10

App. #	Application Period	Date Submitted	Fees Requested	Costs Requested	Amount Requested	Fees Awarded	Costs Awarded	Date Awarded	Total Amt. Awarded	Date Paid	Amount Paid
<b>Integrity Plus Services</b>											
1	5/4/04 - 6/18/04	7/15/2004	183,780.30	6,909.17	190,689.47	183,780.00	6,909.00	10/22/2004	190,689.00	11/5/2004	190,689.00
2	6/19/04 - 9/30/04	12/27/2004	81,237.50	1,295.77	82,533.27	81,237.50	1,295.77	6/12/2005	82,533.27	6/15/2004	52,722.17
3	10/1/04 - 2/4/05	3/24/2005	54,125.00	1,432.73	55,557.73	54,125.00	1,432.73	6/12/2005	55,557.73	6/15/2005	29,811.10
4	2/7/05 - 5/31/05	8/19/2005	28,075.00	980.88	29,055.88	25,000.00	980.00	8/30/2005	25,980.00	10/28/2005	25,980.00
5	06/01/05 - 10/31/05	11/22/2005	30,525.00	1,040.47	31,565.47	25,000.00	1,040.00	2/18/2006	26,040.00	2/21/2006	26,040.00
6	11/01/05 - 2/17/06	3/8/2006	11,500.00	387.87	11,887.87	10,000.00	387.00	5/3/2006	10,387.00	5/25/2006	10,387.00
7	2/27/06 - 5/26/06	7/26/2006	8,275.00	296.37	8,571.37	8,275.00	296.37	10/25/2006	8,571.37	10/25/2006	8,571.37
8	6/1/06 - 5/14/07	5/21/2007	35,575.00	2,491.26	38,066.26	32,508.74	2,491.26	10/31/2007	35,000.00	11/2/2007	35,000.00
9	5/14/07 - 5/2/08	5/8/2008	48,875.00	3,130.00	52,005.00	48,875.00	3,130.00	8/27/2008	52,005.00	8/28/2008	52,005.00
TOTAL			\$481,967.80	\$17,964.52	\$500,932.32	\$468,801.24	\$17,962.13		\$486,763.37		\$486,763.37



Mutual Benefits Corporation and Affiliated Entities and Accounts Under Receivership Control  
 Notes to Combining Financial Statements  
 December 31, 2007 (Unaudited)

Note 18. Professional Fees and Costs. (Cont'd)

Kozjak Tropin & Throckmorton, PA		7/8/2004	359,813.47	22,227.52	376,040.99	118,000.00	22,252.00	10/22/2004	140,252.00	11/5/2004	140,252.00
1	5/4/04 - 6/18/04 (1st amendment)					235,813.00	-	12/15/2004	235,813.00	12/17/2004	235,813.00
2	6/19/04 - 9/30/04	12/7/2004	196,416.65	29,051.41	225,468.06	170,948.59	29,051.41	6/1/2005	200,000.00	9/7/2005	200,000.00
3	10/1/04 - 1/31/05	3/11/2005	103,976.05	8,224.12	112,200.17	91,775.88	8,224.12	6/1/2005	100,000.00	9/7/2005	100,000.00
4	2/1/05 - 6/30/05	7/27/2005	146,465.25	11,383.42	157,848.67	100,000.00	11,383.00	8/18/2005	111,383.00	9/7/2005	111,383.00
5	7/1/05 - 9/30/05	11/14/05	70,213.75	2,887.23	73,100.98	50,000.00	2,887.00	2/8/2006	52,887.00	2/21/2006	52,887.00
6	10/1/05 - 12/31/05	3/8/2006	64,020.00	1,898.05	65,918.05	48,101.95	1,898.05	5/3/2006	50,000.00	5/25/2006	50,000.00
7	1/1/06 - 5/31/06	8/2/2006	89,429.50	3,659.35	93,088.85	\$80,000.00	\$3,659.00	10/25/2006	83,659.00	10/25/2006	83,659.00
8	6/1/06 - 12/31/06	2/13/2007	104,951.50	6,782.67	111,734.17	\$99,000.00	\$6,782.67	5/7/2007	105,782.67	5/8/2007	\$105,782.67
9	1/1/07 - 10/31/07	12/12/2007	209,069.00	6,231.55	215,300.55	180,000.00	6,231.55	12/19/2007	186,231.55	12/20/2007	186,231.55
10	11/1/07 - 2/29/08	3/17/2008	75,744.25	979.94	76,724.19	-	-	-	-	-	-
TOTAL			\$1,414,099.42	\$93,325.26	\$1,507,424.68	\$1,173,639.42	\$92,368.80		\$1,266,008.22		\$1,266,008.22
Rachlin Cohen & Holtz											
1	5/5/05 - 6/25/04	7/15/2004	33,588.28	134.50	33,692.78	33,588.00	134.00	10/22/2004	33,692.00	11/5/2004	33,692.00
2	6/26/04 - 9/30/04	12/17/2004	7,762.50	-	7,762.50	7,762.50	-	7/12/2005	7,762.50	9/7/2005	7,762.50
TOTAL			\$41,320.78	\$134.50	\$41,455.28	\$41,320.50	\$134.00		\$41,454.50		\$41,454.50

**Exhibit B**

**(Schedule of Cash Deposits)**

Mutual Benefits Corporation						
Cash & Cash Equivalents						
Account Balances as of September 18, 2008						
		<u>Disbursement</u>	<u>Repo</u>	<u>Money Mkt</u>	<u>Anchor MM</u>	<u>Totals</u>
	<u>Northern Trust</u>					
<b>MBC</b>						
	NT Premium Payment Account	\$51,997				
	NT Premium Escrow REPO Account		\$3,055,615			
	NT Premium Payment REPO Account		0			
	NT Operating Account	15,000				
	NT Operating REPO Account		60,198			
	NT Death Benefit Disbursement Account	15,000				
	NT Death Benefit Disbursement REPO Account		6,858,570			
	NT U.S. Treasury Account			\$948,027		
	NT AmEx Interest Account			54,890		
	NT Asset Recovery Account		47,298,296			
	NT Brinkley-McNerney Trust Account			77,063		
	NT Portfolio Proceeds Account		26,222,721			
<b>VSI</b>						
	NT VSI Operating REPO Account		3,168,134			
	NT VSI Operating Account	10,000				
	NT VSI Premium Payment Account	0				
	NT VSI Premium Payment REPO Account		21,865			
	NT VSI Receiver's Premium Account		1,993,982			
	NT VSI Death Benefit Disbursement Account		12,160,526			
	NT VSI Death Benefit Disbursement Account	20,000				
	NT VSI Premium Contingency REPO Account		889,142			
	NT-VSI Receiver's Premium Account - Shortfall		449,297			
	NT-VSI Investor Funds Clearing Account		19,531,847			
	NT-VSI Receiver's Shortfall Disbursement Account	0				
	NT-VSI Acheron Premium Payment Account				\$327,988	
	NT-VSI Auction Proceeds Disbursement Account				4,427,006	
	<b>Total</b>	<b>\$111,997</b>	<b>\$121,710,193</b>	<b>\$1,079,980</b>	<b>\$4,754,994</b>	<b>\$127,657,164</b>
	<u>Other Banks</u>					
	B of A AmEx Purchase Escrow Account			\$356,492		
	B of A AmEx Tax & Business Service Account			804,160		
	South Trust (Wachovia) Travel Account	\$1,519				
	<b>Totals</b>	<b>\$1,519</b>		<b>\$1,160,642</b>		<b>\$1,162,161</b>
	<b>Grand Totals</b>	<b>\$113,516</b>	<b>\$121,710,193</b>	<b>\$2,240,622</b>	<b>\$4,754,994</b>	<b>\$128,819,325</b>