

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
Miami Division**

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

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

MUTUAL BENEFITS CORP., *et al*,

Defendants.

TRUSTEE’S FEBRUARY 2021 STATUS REPORT REGARDING WIND DOWN

Barry Mukamal, as Trustee (“Trustee”) of the Mutual Benefits Keep Policy Trust (“Trust”), submits this Status Report in accordance with the Court’s *Report and Recommendation on Motion by Acheron Capital, Ltd. for Order Directing (A) the Wind Down and End of the Mutual Benefits Keep Policy Trust and (B) Disbursement of Certain Assets to the Non-Acheron Related Investors in Keep Policies (“Acheron’s Wind Down Motion”) (DE 2593) and on Trustee’s Amended Motion to Authorize the Initiation of Trust Wind Down and Termination (“Trustee’s Amended Wind Down Motion”) (DE 2640) [D.E. 2723]*, and the Court’s *Order Adopting Magistrate Judge’s Report and Recommendation and Denying Acheron’s Wind Down Motion and Granting the Trustee’s Amended Motion to Authorize Initiation of Trust Wind Down and Termination [D.E. 2825]* (collectively, the “Wind Down Order”). Attached hereto is an updated report of the information provided to the Court since the Trustee’s initial Status Report was filed on January 19, 2021 [D.E. 2851].

Following the status conference on February 10, 2021, and pursuant to the Court's February 11, 2021 Order Setting Video Status Conference [D.E. 2868], the Court has directed the filing of a more detailed status report by March 15, 2021 (the "March Status Report"). As discussed at the status conference, the Trustee expects the March Status Report to contain a more detailed and robust discussion of updates both as to the timing and process for Trust wind-down. The Court has also directed that the status reports should include information regarding "the Trustee's preparatory efforts for the Trust's eventual wind down." Pursuant thereto, the Trustee notes that the steps originally proposed by the Trustee, as summarized by the Court in its Report and Recommendation, were the following:

- 1) communicate with Keep Policy Investors about preparations for the Trust's termination;
- 2) value the Keep Policies in anticipation, if necessary, of their sale;
- and 3) seek-out as many options as reasonably possible to offer to Keep Policy Investors during the period preceding termination and liquidation of the Trust's assets.

[D.E. 2723, p. 20].

Since the Report and Recommendation, the Trustee initially had to respond to an Objection by Acheron Capital, Ltd. to the Court's Report and Recommendation [D.E. 2736], which, after being fully briefed, the Court rejected, entering its Order adopting the Report and Recommendation [D.E. 2825].,

Substantively, in connection with the preparatory efforts for wind down, the Trustee, since the Report and Recommendation was entered, has proceeded primarily with the process of valuing – or, more precisely, taking steps to enhance the value of – the Keep Policies by proceeding with the process of selectively obtaining updated life expectancy reports on certain policies, and working with a broker to explore the options for marketing and sale of the Keep Policies upon Trust wind down and termination. The Trustee has not yet provided any communication to Keep Policy Investors about Trust termination in that such communications would be premature until

timing and process are more definite. The opportunity to enhance options available to Keep Policy Investors in the period prior to termination and liquidation of the Trust – including, for example, making more information available to Keep Policy Investors online and enabling online payments – have been precluded by the Trust’s inability to effectuate the intended change in primary servicer.

In addition, the Trustee has been engaged in an ongoing and continuous process of evaluating the Trust’s sources and uses of funds and the projected timeline for Trust wind down and termination, and will be providing an updated timeline and more detailed proposals for Trust termination by the time of filing of the March Status Report, if not sooner.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing was served on February 15, 2021 on counsel for all the parties by using the CM/ECF system. I certify that all participants in the case are registered CM/ECF users and that service will be accomplished by the CM/ECF system.

s/ David L. Rosendorf
David L. Rosendorf

Mutual Benefits Keep Policy Trust

As of February 1, 2021 ^[1]

3a The amount of Overpayment Balance account (as of January 1, 2021) ^[2] 3,105,708

3b Amount of funds currently available to pay expenses (as of January 1, 2021) ^[2]

Cash / Money Market Accounts	412,508
Fixed Income investments	2,693,199
Total Overpayment Funds	3,105,708

3c The most recent total amount of monthly operating expenses 239,566

3d Estimated average run-rate of monthly Trust operating expenses

	Feb 2021 - Mar 2021	Apr 2021 - Dec 2021
Operating Expenses ^[3]	67,400	67,400
Enhanced Oversight	29,000	29,000
Investor Subsidy ^[4]	50,500	50,500
Subtotal ^[5]	146,900	146,900
Litigation ^[6]	97,500	48,750
Estimated Average Monthly Run-Rate	244,400	195,650

3e Total amount of money owed to Trustee and other professionals 236,578

3f Estimated minimum number of policy interests needed to rationalize costs for those interests 150 - 300

The current number of policies and policy interests the Trust is servicing:			
Current # of policies the Trust is servicing			1,304
Total Face Value	MBC Victims	Acheron ^[7]	Total
HIV	53,504,016	79,335,863	132,839,879
Non-HIV	32,064,940	86,770,820	118,835,760
Total	85,568,956	166,106,683	251,675,639
%	34.00%	66.00%	
Current number of policy interests the Trust is servicing			
	MBC Victims	Acheron ^[8]	Total
	2,175	1,210	3,385

Mutual Benefits Keep Policy Trust

As of February 1, 2021 ^[1]

Notes:

- 1) Provided pursuant to the Court's Report and Recommendation dated July 27, 2020 (ECF #2723) affirmed and adopted by the Court November 16, 2020 (ECF #2825). As of February 1, 2021 unless otherwise indicated.
- 2) The February 1, 2021 reconciled balance for the Contingency Account had not been received from the servicer at the time this report was prepared. Therefore, this report reflects the Trust's Overpayment account "as of the latest reconciliation" (e.g. - January 1, 2021) consistent with the Court's directive for reporting same. (DE #2659).
- 3) Excludes policy disposition commissions which reduce the Trust's net proceeds on policy interest sales.
- 4) Assumes that the Trust will continue providing the Investor Subsidy.
- 5) Prior reports to the Court included estimated amounts for backup servicing to be incurred in 2021. As the arbitration relating to the servicing agreement is not scheduled to complete until as late as December 2021, it is currently not anticipated that backup servicing fees will be incurred in 2021.
- 6) Estimated litigation expenditures for 2021 are generally unchanged from prior reports to the Court. However, the estimated amounts have been spread over the remainder of the year to account for the fact that the trial in the 2018 litigation is now scheduled for September and the arbitration relating to servicing is not scheduled to complete until as late as December 2021.
- 7) Includes policies 100%-owned by Acheron. Policy transfer documents required by the carriers to effect the ownership change from the Trust to Acheron Portfolio Trust are currently being processed by the servicer.
- 8) Some policy interests owned by former Acheron entities Avernus Portfolio Trust, Lorenzo Tonti 2006 Trust and Styx Portfolio Trust have not yet been retitled as and merged with Acheron Portfolio Trust by the Servicer. The Servicer has advised that the retitling/merger will occur as applicable invoices are prepared.