

Annual Report for the Combined Estate of
RETIREMENT VALUE, LLC & HILL COUNTRY FUNDING LLC
Year Ending December 31, 2021

This report summarizes the Estate's financial position as of **December 31, 2021**.

The Estate began the Year with about \$6.5 million in cash, policies worth about \$15.4 million and litigation recoveries. During the year, the estate's largest expense was \$5.5 million in portfolio premiums; and its largest collection was \$4.5 million in death benefits.¹ The Estate ended the year with \$5.5 million in cash, \$12¼ million in accounts receivable²; policies worth \$12.6 million, and the uncollected litigation recoveries. The Estate's sources and uses of cash since the receivership's inception and for the year are summarized below.

Cash			
	<i>5/5/10 thru 12/31/2020</i>	<i>1/01/2021 thru 12/31/2021</i>	<i>Since Inception</i>
Beginning Balance	\$23,150,192	\$6,517,363	\$23,150,192
<i>Plus</i>			
Death Benefits	\$47,746,497	\$4,500,000	\$52,246,497
Asset Sale/Recovery	\$3,307,897	\$62,095	\$3,369,993
Litigation	\$9,850,984		\$9,850,984
Interest Rec'd	\$1,075,170	\$110,829	\$1,185,999
Interest accrued			
<i>Sub total</i>	\$61,980,548	\$4,672,924	\$66,653,472
<i>Less</i>			
Premiums Paid	(\$51,243,965)	(\$5,469,746)	(\$56,713,710)
RV Mortgage (P&I)	(\$45,488)		(\$45,488)
Taxes	(\$4,261,916)	(\$17,779)	(\$4,279,694)
Fees and Expenses	(\$11,273,539)	(\$195,674)	(\$11,469,213)
3rd Party Disb.	(\$950,929)		(\$950,929)
Distributions	(\$10,837,541)		(\$10,837,541)
<i>Sub total</i>	(\$78,613,377)	(\$5,683,198)	(\$84,296,575)
Ending Balance	\$6,517,363	\$5,507,090	\$5,507,090

As of December 31, 2021, the Estate held 31 policies on 28 individuals with an aggregate face value of \$77.25 million. Since inception, the Estate has had 23 maturities (18 decedents). ***There were seven maturities (three lives) during FY 2021 in the aggregate amount of \$14,750,000.*** The table below reflects the portfolio's actual mortalities through December 31, 2021:

¹ The \$4,500,000 in death benefits collected consist of (i) \$2,000,00 outstanding in Accounts Receivable at the end of FY 2020, and (ii) \$2,500,000 from 2021 maturities.

² The circumstances surrounding two decedents (six of the policies) gave rise to disputes with the respective carriers. The disputes represent the outstanding \$12,250,000 in Accounts Receivable.

Insurance Portfolio Profile

	<u># of Policies</u>	<u># of Lives</u>	<u>Face Value</u>
As of May 5, 2010	54	46	\$141,585,000
Maturities (prior periods)	16	15	49,585,000
Maturities (this Year)	7	3	14,750,000
As of December 31, 2021	31	28	\$77,250,000

The portfolio's valuation was last updated as of May 31, 2019. Its estimated fair market value is based on the net present value of the future stream of cash flows (i.e., the payment of projected premiums, collections of death benefits, etc.) discounted to the valuation date. The policies remaining in the portfolio as of December 31, 2021, had an estimated fair market value, based on an 18% discount rate, of \$12.6 million.

Total approved investor claims against the Estate are \$80.4 million; of which \$11 million have been paid and \$69.4 million remain outstanding. Through December 31, 2021, investors have recovered about 13.7% of their initial investment.

The most readily apparent proxy for the claims' current value is their estimated participation in an immediate liquidation of the Estate's assets. The table below reflects the potential recovery from liquidation per dollar of claim: (i) as to the investors' total claim, taking into account the \$11 million in prior distributions; and (ii) as to the outstanding claim balances.

Liquidation Analysis (as of December 31, 2021)

	<u>Total Investor Claims</u>	<u>Outstanding Investor Claims</u>
Assets		
Policies (as of 12/31/21)	\$12,615,049	\$12,615,049
Claims Pending Collection	12,250,000	12,250,000
Cash On Hand	5,507,090	5,507,090
Prior Distributions	<u>10,931,872</u>	<u>0</u>
Est Liquidation Value	41,304,011	30,372,139
Claims	80,354,220	69,422,347
Liquidation Recovery per \$ Claimed	\$0.51	\$0.44

A maturity does not automatically translate into a distribution to the claimants. In order to collect the \$99 million in the portfolio's face value outstanding as of May 31, 2019, the Estate anticipates paying an additional \$52 million in premiums. The May 2019 stochastic analysis further indicates that in order to adequately reserve for 97.5% of the modelled circumstances, the estate's premium reserves should be \$16 million. The Estate's premium reserve was then \$11.2 million. The Estate must use the death benefits from earlier maturities to reload the reserves so that it can pay future premiums. The Estate can only make cash distributions when the premium reserves are sufficient to ensure that the Estate is able to make premium payments, even if the portfolio underperforms. The estate's cash-on-hand does not currently support a distribution.