

**Quarterly Report for the Combined Estate of
RETIREMENT VALUE, LLC & HILL COUNTRY FUNDING LLC
As of Quarter Ending September 30, 2022 (3Q2022)**

COVID 19 – We continue to experience operational difficulties due to the coronavirus pandemic. For example, many local vital records offices are still operating remotely, making it more difficult to obtain death certificates. At this point, however, we do not anticipate that the pandemic will materially impact the portfolio's performance.

The Estate began the quarter with approximately \$7.5 million in cash, policies worth about \$14.1 million and \$12.25 million in accounts receivable. During the quarter, the estate's largest expense was \$1.4 million in premiums; and its largest collection was \$1.5 million in death benefits. The Estate ended the quarter with \$7.3 million in cash, policies worth approximately \$14.1 million, \$12,250,000 in accounts receivable¹, and the uncollected litigation recoveries. The Estate's sources and uses of cash since the receivership's inception and for the quarter are summarized below.

Cash

		5/5/10 thru 6/30/2022	7/1/2022 thru 9/30/2022	Since Inception
Beginning Balance		\$23,150,192	\$7,502,710	\$23,150,192
	<i>Plus</i>			
	Death Benefits	\$56,996,497	\$1,500,000	\$58,496,497
	Asset Sale/Recovery	\$3,484,993	\$146,000	\$3,630,993
	Litigation	\$9,850,984	\$0	\$9,850,984
	Interest Rec'd	\$1,228,550	\$26,604	\$1,255,155
	Interest accrued	\$0	\$0	
	<i>Sub total</i>	\$71,561,023	\$1,672,604	\$73,233,628
	<i>Less</i>			
	Premiums Paid	(\$59,536,290)	(\$1,442,915)	(\$60,979,205)
	RV Mortgage (P&I)	(\$45,488)	\$0	(\$45,488)
	Taxes	(\$4,295,765)	(\$44)	(\$4,295,809)
	Fees and Expenses	(\$11,542,493)	(\$454,116)	(\$11,996,609)
	3rd Party Disb.	(\$950,929)	\$0	(\$950,929)
	Distributions	(\$10,837,541)	\$0	(\$10,837,541)
	<i>Sub total</i>	(\$87,208,506)	(\$1,897,074)	(\$89,105,580)
Ending Balance		\$7,502,710	\$7,278,240	\$7,278,240

As of the end of this quarter, the Estate held 27 policies on 24 individuals with an aggregate face value of \$71,000,000. Since inception, the Estate has had 27 maturities. **We identified zero (0) mortalities this quarter.** The table below reflects the portfolio's actual mortality performance through Sept 30, 2022:

¹ The circumstances surrounding two decedents (six of the policies) gave rise to disputes with the respective carriers. The disputes represent \$12,250,000 of the outstanding 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)	27	22	\$70,585,000
Maturities (this quarter)	-	-	-
As of September 30, 2021	27	24	\$71,000,000

The Receiver last updated the policies' valuation as of September 30, 2022. The 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 at an 18% discount rate. The policies remaining as of have estimated fair market value of \$14,144,136.

Total approved investor claims against the Estate are \$80.4 million; of which \$11 million has been paid and \$69.4 million remain outstanding. Through September 30, 2022, 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 per dollar of claim from liquidation: (i) as to the investors' total claim, taking into account the \$11 million in prior distributions; and (ii) as to remaining assets and remaining claim balances.

Liquidation Analysis (as of September 30, 2022)

		<u>Total Investor Claims</u>	<u>Outstanding Investor Claims</u>
Assets			
	Policies (as of 6/30/22)	\$14,144,136	\$14,144,136
	Claims Pending Collection	12,250,000	\$12,250,000
	Cash On Hand	7,278,240	\$7,278,240
	Prior Distributions	<u>10,931,872</u>	<u>0</u>
Est Liquidation Value		44,604,248	33,672,376
Claims		80,354,220	69,422,347
Liquidation Recovery per \$ Claimed		\$0.56	\$0.49

Please be aware that a maturity does not automatically translate into a distribution to the claimants. In order to collect the \$71 million remaining in the portfolio's face value, the Estate anticipates paying an additional \$38 million in premiums over the next 25 years. The September 2019 stochastic analysis indicates that the estate's premium reserves should be \$18 million in order to adequately reserve for 97.5% of the modelled circumstances. Assuming 100% collection of the accounts receivable in litigation, the Estate would have \$19.5 million of cash-on-hand. 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.

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