

**Quarterly Report for the Combined Estates of
RETIREMENT VALUE, LLC & HILL COUNTRY FUNDING LLC**

Quarter Ending March 31, 2015 (1Q2015)

In order to improve communications with the estates' claimants, the Receiver is undertaking to publish quarterly summary reports regarding the Estate's financial condition. This report summarizes the Estate's financial position as of March 31, 2015.

The Estate's assets consist primarily of life insurance and cash. The Receiver assumed control of the Estate on May 5, 2010, with 49 policies with an estimated fair market value of \$6.7 million (assuming an 18% discount rate) and \$23.1 million in cash. The Hill Country Funding and Retirement Value estates were subsequently combined increasing the number of policies to 54. Total approved investor claims against the Estate are \$80.4 million; of which \$8.5 have been paid and \$71.9 are outstanding. **No additional distributions were made during this Quarter.**

Total Claims

Investor Claims	Approved	Prior Distributions	Outstanding
Retirement Value	\$76,406,903.75	\$(8,053,639.14)	\$68,353,264.61
Hill Country Funding	<u>3,955,088.59</u>	<u>(432,151.75)</u>	<u>3,522,936.84</u>
Total	\$80,361,992.34	\$(8,485,790.89)	\$71,876,201.45

As of the end of the calendar quarter, the Estate holds 49 policies on 41 individuals with an aggregate face value of \$121.6 million. Through 12/31/14, the Estate has had 4 maturities; two of which were on policies insuring the same individual. **Policy LFG735-030510-AS (JSSRV007) with a \$5,000,000.00 face value, matured on March 20, 2015.** We were notified of the insured's demise in April, promptly obtained the Death Certificate, filed the requisite claim, and are awaiting receipt of the death benefits. The portfolio's actual mortality performance through 3/31/2015 is tabulated below:

Insurance Portfolio Profile

	# of Policies	# of Lives	Face Value
As of May 5, 2010	54	45	\$141,585,000.00
Maturities (prior periods)	4	3	15,000,000.00
Maturities (this Quarter)	1	1	5,000,000.00
As of 3/31/15	49	41	\$121,585,000.00

The Estate does not routinely incur the expense of updating the policies valuations. 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 December 31, 2014 at the discount rates indicated. As of 12/31/14, the estimated fair market value for the remaining policies, assuming an 18% discount rate, was \$13.9 million.

Valuation

	<i>Discount Rate</i>		
	<i>16%</i>	<i>18%</i>	<i>20%</i>
Portfolios NPV as of 12/31/14	\$15,712,784.68	\$13,957,562.09	\$12,460,815.41
<i>Less maturities</i>	<i>(463,532.08)</i>	<i>(418,155.62)</i>	<i>(379,408.15)</i>
Adjusted NPV	\$15,249,252.60	\$13,539,406.47	\$12,081,407.26

The Estate has received \$15.1 million in death benefits and \$5,000,000 are pending. In addition, the Receiver and his team have introduced an additional \$12.5 million in cash into the Estate. Moreover, though the Receiver is unwilling to undertake any investment risk with the cash on hand, he has sought out the highest available interest rates from FDIC insured institutions in order to enhance the portfolio's performance. The Estate has paid aggregated premiums in excess of \$21 million, made distributions to investors of \$8.5 million and is holding \$9.8 million in cash. An additional \$5,000,000 in cash is anticipated, pending collection of the recent maturity. The Estate's sources and uses of cash and cash position as of the end of 1Q2015 are tabulated below.

Cash

	<i>Through 12/31/14</i>	<i>This Quarter</i>
Beginning Balance	23,150,192.47	11,270,757.84
<i>Plus</i>		
Death Benefits	15,161,496.52	0.00
Asset Sale/Recovery	2,623,131.70	
Litigation	9,504,209.32	129,385.18
Interest Rec'd	243,239.46	1,150.90
Interest accrued	<u>0.00</u>	<u>14,597.48</u>
<i>Sub total</i>	<i>27,532,077.00</i>	<i>145,133.56</i>
<i>Less</i>		
Premiums Paid	(19,991,015.05)	(1,180,287.69)
RV Mortgage (P&I)	(45,487.56)	
Taxes	(432,630.41)	(406,825.00)
Fees and Expenses	(9,588,667.56)	(48,519.43)
3rd Party Disb.	(950,928.89)	-
Distributions	<u>(8,402,782.16)</u>	<u> </u>
<i>Sub total</i>	<i>(39,411,511.63)</i>	<i>(1,635,632.12)</i>
Ending Balance	11,270,757.84	9,780,259.28

The Court's Plan of Distribution anticipates net distributable cash flow from this portfolio of between \$.080 to \$1.20 per dollar invested, with an expected distribution of \$1.00. That is not to say that the claimants have recovered 100% of their initial investment.

The most readily apparent proxy for the claims' current value should be their estimated participation in an immediate liquidation of the Estate's assets. The Estate's assets, if immediately liquidated, would yield approximately \$0.46 per dollar claimed, \$0.11 of which have already been distributed to the claimants. ***If the policies were liquidated for \$13.5 million, the pending \$5,000,000 death benefit claim collected, and the proceeds combined with the Estate's cash on hand of \$9.8 million, the Estate would have approx. \$28.3 million with which to pay the \$71.9 million of outstanding investor claims -- roughly \$0.39 per dollar of remaining claim.*** The table below reflects the potential recovery from liquidation per dollar of claim: (i) as to the investors' Total Claim, taking into account the \$8.5 million in prior Distribution; and (ii) as to remaining assets and remaining claim balances.

Liquidation Analysis

	<u>Total</u> <u>Investor Claims</u>	<u>Outstanding</u> <u>Investor Claims</u>
Assets	<i>Comb. Estates</i>	<i>Comb. Estates</i>
Policies	\$13,957,562.09	\$13,957,562.09
Claims Pending Collection	5,000,000.00	5,000,000.00
Cash On Hand	9,753,368.55	9,753,368.55
Prior Distributions	<u>8,485,790.89</u>	<u>0.00</u>
Est. Liquidation Value	36,778,565.90	28,292,775.02
Investor Claims	\$80,361,992.34	\$71,876,201.45
Recovery/\$ if liquidated	<u>\$0.46</u>	<u>\$0.39</u>

Until 100% of the investor-claimant's approved claims are remitted, the Estate will treat all distributions as repayment of principal. Please note however that the Estate anticipates paying over \$71 million in premiums. With only \$9.7 million on hand, the Estate must use the death benefits from earlier maturities to cover its premium deficit. This means that the Estate's receipt of cash does not automatically translate into a distribution to the claimants. The Estate can only make cash distributions when its premium reserves are sufficient to ensure that the Estate does not compromise its ability to make premium payments.