

The Trustee’s Corner

Thank you for taking the time to read the February 2018 issue of the Life Partners Position Holder Trust (PHT) investor newsletter.

In recent podcasts and newsletters, I have communicated to you that we are focused on making aggressive payments against the \$55 million exit loan facility that was needed to transition the debtors out of bankruptcy and into a Trust operating for the benefit of its investors. It’s important to eliminate this obligation as quickly — and responsibly — as possible so that we can begin making cash distributions to the PHT unit holders and to the IRA Partnership for distribution to its members.

In 2018, we have already paid down the exit loan facility by an additional \$10 million, bringing the outstanding principal balance to \$25 million. We remain optimistic about our ability to entirely pay off this facility in the first half of 2018.

There is an item I have addressed in previous newsletters, but in light of a number of inquiries we continue to receive from investors, it bears repeating. LPI’s Plan of Reorganization is adamant that the PHT must actually receive the CFH investor’s remittance by the 60th day following the invoice date. **The envelope’s postmark date does not count.** Unfortunately, the Plan does not give me any leeway on this matter, I have no discretion in this regards, and the Plan provides no grace period. If we do not receive an investor’s payment within the mandatory 60-day window; I must default the corresponding CFH position into the PHT’s pool. Please take this admonition seriously and pay your premiums early so you’re not relying on the speed of the postal service.

Finally, I want to thank you for your feedback on the monthly newsletters and the revamped PHT website ([www.LPI-PHT.com](http://www.LPI-PHT.com)), as well as your suggestions for how to improve these communications. Please continue to send any ideas for the newsletter or the website to our communications consultant (Daryn Teague, [dteague@teaguecommunications.com](mailto:dteague@teaguecommunications.com)). Meanwhile, if you have suggestions for additional information or reports that could be provided on the Investor Portal maintained by Magna Servicing, I’d ask you send those directly to my office ([trustee@lpi-pht.com](mailto:trustee@lpi-pht.com)).

Sincerely,

LPI POSITION HOLDER TRUST
Eduardo S. Espinosa
Trustee

Inside this issue

The Trustee’s Corner .....1
Upcoming Events .....1
Action Items .....2
Trust Update .....3-5
Cost of Insurance increases.....3
Tax documents .....3
Life Partners, Inc .....3-4
Life Partners Position Holder Trust .....4
Unit holders in the PHT and IRA Partnership .....4-5
PHT website enhancements .....5
Investor Portal upgrade .....5
Portfolio at Glance .....6
How to Contact Us .....7

Upcoming Events

- March 12th:
March 2018 LPI PHT Newsletter to be published
• March 16th
1st Quarter LPI PHT Investor Podcast available for download
• April 16th
April 2018 LPI PHT Newsletter to be published



## Action Items

### What we need from you?

- **Please access the PHT investor portal ([www.magnaservicing.com](http://www.magnaservicing.com)), review your account statements, read the e-mails we send and check the PHT website from time to time.** The PHT Trustee uses these tools to provide important information about your investment to you. We've made a real effort to provide the important information in a concise, clear and timely manner.
- **Please update your contact information.** We are still having a number of mails and emails returned as undeliverable. You can change your contact information through the Investor Portal ([www.magnaservicing.com](http://www.magnaservicing.com)) or by contacting Customer Service ([custsrv@magnaservicing.com](mailto:custsrv@magnaservicing.com)).
- UNLESS YOU ARE AN IRA INVESTOR ONLY, please visit the PHT investor portal ([www.magnaservicing.com](http://www.magnaservicing.com)), review your account information, and confirm that we have received your W-9 form. **If we have not received your W-9, please send this form to us right away** so we can send you the appropriate tax documents for your account.
- Please pay the premiums on the policies you own as reflected in any invoices you received. Please do not send a partial payment and please do not delay beyond the 60-day payment window you will be provided. **As a reminder, the PHT must receive your check by the 60<sup>th</sup> day.** Please do not wait until the last minute to send your check. Remember the postmark date does not count.

# Trust Update

## Cost of Insurance increases

Over the past several years, a number of major life insurance companies have announced increases to the “Cost of Insurance” (COI) charges on some of their life insurance policies. Some of these increases have been modest, but some of them have been substantial — as much as 200 percent. The result of these COI increases is that the owners of the affected policies are hit with higher premiums than they expected when they purchased the policy.

The PHT is not immune from these industry developments. Over the course of the bankruptcy, Life Partners received notice that some of the policies it owned were subject to COI increases. These increases are reflected in the current premium estimates used by the PHT to make premium calls.

Since the Effective Date, the PHT has continued to receive notice of COI increases in the portfolio, notably:

- Lincoln National (formerly Jefferson Pilot) has raised the COI on some insurance policies that it issued. There are three of the affected policies (\$2.1 million in face value) in the portfolio.
- Phoenix Life Insurance has raised the COI on some of its insurance policies. These increases will not take effect until 2021. There are 17 of these policies (\$43 million in face value) in the portfolio.

In addition, a recent story in The Life Settlements Report indicated that John Hancock will soon be raising the COI on certain policies. Statements from the New York Department of Financial Services suggest that this report is true. There are 42 of these policies (\$202 million) in the portfolio.

A number of policy holders have sued insurers over COI increases and various lawsuits on this issue are pending across the country. In

addition, various trade organizations in the life settlement industry (such as the Life Insurance Settlement Association and the Institutional Longevity Markets Association) have been actively engaged in efforts to stop or rollback the COI increases.

At this time, we do not know the effect of the COI increases on the portfolio. However, it is likely that premiums will increase on some of the policies in the portfolio. The PHT is monitoring these events closely to evaluate their impact on the portfolio and to determine what action the PHT should take.

The Trustee wants you to be aware of this issue and prepared well in advance of any impacts, but otherwise there is nothing to be done at this time and no need to contact customer service for additional information. We will report more specific information to you as circumstances warrant.

## Tax Documents

The PHT is in the process of sending out tax documents for 2017. Our goal is to provide the PHT’s tax documents to you in time to file your federal tax returns by April 17, 2018, the national tax deadline.

So far, we have sent out Forms 1099 for payments by Life Partners, Inc. and the PHT during 2017.

### *- Life Partners, Inc.*

In early February, the PHT on behalf of Life Partners, Inc. sent out the following forms to investors who received payments in 2017 related to pre-effective maturities, including in certain instances checks that were originally issued in 2016 but were cancelled and reissued in 2017:

- Form 1099-MISC – This form reports payments made in 2017 related to pre-effective maturities (including MFF Loan repayments).
- Form 1099-INT – This form reports interest paid in 2017 on the MFF Loan.

## Trust Update

Please note that, in some cases, the Form 1099s from Life Partners, Inc. were erroneously sent directly to investors in IRAs. The PHT has identified these investors and has: (i) sent corrected Form 1099s that reflect zero (\$0.00) dollars paid to these investors; and (ii) sent Form 1099s to the IRA custodians reflecting money paid to the IRAs. If you believe that you received a Form 1099 from Life Partners, Inc. by mistake and did not receive a corrected Form 1099, please contact the Trustee at (214) 698-7893 or at trustee@lpi-pht.com. Please do not contact Magna Servicing or the Trustee's counsel directly.

As we did in the Form 1099s for 2016, the PHT did not determine each investors' taxable income. Instead, as allowed by IRS regulations, we have reported the total amount paid to each investor. Each individual investor must determine his or her taxable income taking into account all of the costs incurred in purchasing and maintaining the positions, any previous write-offs and the effect, if any, of the transactions required by the Plan.

### *- Life Partners Position Holder Trust*

In early February, the PHT sent out the following Forms 1099 to the holders of New IRA Notes and to Continuing Fractional Holders who experienced a maturity:

- Form 1099-INT – This form reports interest paid on the New IRA Notes. If the notes are held by an IRA, we addressed the Form 1099 to the IRA custodian. If the New IRA Notes are held outside of IRAs, we sent the Form 1099-INT directly to the corresponding investor.
- Form 1099-R – This form reports maturity payments made to Continuing Fractional Holders in 2017 (including investors who successfully completed the Option 4 conversion).

We report only the gross amount paid to the Continuing Fractional Holders. The Position Holder Trust has not attempted — and will not attempt — to determine any Continuing

Fractional Holder's taxable income resulting from a maturity. It is the responsibility of the Continuing Fractional Holder to keep track of whatever costs it incurred in purchasing and maintaining its position, as well as the effect of the Plan and the bankruptcy on its positions.

### *- Unit holders in the PHT and IRA Partnership*

The PHT and the IRA Partnership will shortly be sending their corresponding tax documents to their unit holders. The tax documents for 2017 are in the same form as the tax documents that we sent for 2016.

Holders of units in the PHT will receive a Grantor Trust Statement. These statements show the investor's share of the Trust's income and deductible expenses. You will need to include the information on the Grantor Trust Statements in your personal tax returns. You should contact a tax advisor if you are unsure how to report your share of the PHT's taxable gain or loss on your taxes.

Holders of units in the IRA Partners will receive a Schedule K-1. The K-1 shows the investor's share of the Partnership's income and deductible expenses. There are two areas of the K-1 that require some explanation:

- The percentage interest in the IRA Partnership shown in Section J is calculated by dividing the total number of units that the investor (or its IRA) owns in the Partnership by the total number of outstanding Partnership Units.
- The amount of capital shown in Section L is the value of the investor's share (based on the percentage interest shown in Section J) of the assets that the Partnership contributed to the Position Holder Trust. The change reflects the gain or loss in value from January 1, 2017 to December 31, 2017. Section L does NOT reflect the investor's tax basis or the amount that the investor invested in LPI.

The IRA Partnership will send Schedule K-1s to: (i) the IRA custodians, for the investors who hold IRA Partnership units in IRAs; and (ii) directly to the investor, for investors who hold IRA Partnership units outside of IRAs.

## Trust Update

The IRA Partnership will send Schedule K-1s to: (i) the IRA custodians, for the investors who hold IRA Partnership units in IRAs; and (ii) directly to the investor, for investors who hold IRA Partnership units outside of IRAs.

Investors who hold IRA Partnership units outside of their IRAs will need to include information from the Schedule K-1 on their personal income tax returns. You should contact a tax advisor if you are unsure how to report your share of the IRA Partnership's taxable gain or loss on your taxes.

Please remember that the Trustee cannot provide you with tax, financial or legal advice. For a more detailed discussion of the Plan's tax consequences, you should refer to Article XXVI of the Disclosure Statement (dated June 22, 2016), which you can find on the Plan Documents page of the PHT website ([www.lpi-PHT.com](http://www.lpi-PHT.com)).

Once you receive your tax documents, please review them and the Disclosure Statement with your advisors or tax preparer.

### PHT website enhancements



In recent weeks, we made several revisions to the PHT website ([www.lpi-PHT.com](http://www.lpi-PHT.com)) to make the site more accessible and easier to navigate. One significant change was made in response to investor requests for improved visibility into maturities.

We have added new tools to the Maturities Tables published on the site. The Maturities

Tables are now sortable and searchable, which should make it easier for you to monitor policies in which you have an ownership interest. In addition, we changed the data fields for the tables so they allow you to see the date we received funds for new maturities and the date we distributed funds on those policies. Finally, we added a new "Date Posted" column for each maturity so you will be able to quickly identify all recently posted maturities. All of these data fields are now sortable for your convenience.

We will continue to refine the content on the site based on your feedback.

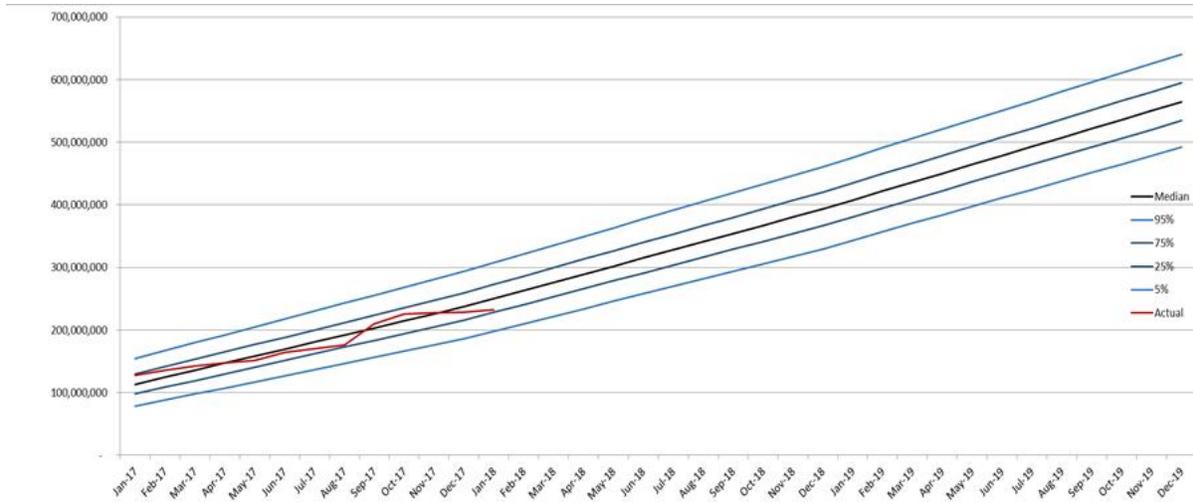
### Investor Portal upgrade

Meanwhile, Magna Servicing is putting the final touches on a variety of upgrades to the PHT Investor Portal. With this new upgrade to the portal ([www.magnaservicing.com](http://www.magnaservicing.com)), you will be able to run current account statements and create a variety of useful reports. Magna will notify you when the enhanced portal is live.



## Portfolio at a Glance

For the last three months, maturities have been lower than expected: November 2017, \$1,645,570; December 2017, \$1,229,073; and January 2018, \$3,866,776. That maturities will exceed projections in some months and fall below them in other months is to be expected. It is the sort of variation that separates real life from statistical models.



As you can see by comparing the red actual line to the black median line, the portfolio's actual performance over time is sometimes better than expected and sometimes worse. But, the overall trend of the actual line follows the median staying within the inner blue lines. This is what we want to see; it means that the portfolio is generally performing in accordance with expectations for maturities.

One thing that we would like to note about these projections. In the newsletters, we track the maturities in the portfolio against a model that is similar to that used to create Exhibit C to the Disclosure Statement, which was the basis for the Plan. For purposes of the valuation of the portfolio for the Trust's financial statements, we use a different model that is intended to be a proxy for market value as required by Generally Accepted Accounting Principles. As a result, the projections used in the newsletter do not provide valid information as to the value of the portfolio.

## Questions and Updates

We routinely post updates and new information on [www.LPI-PHT.com](http://www.LPI-PHT.com). Moreover, prior communications including copies of this newsletter and the Trustee's prior webinars are available for download on the news page. We encourage you to access the website as a primary reference source.

We're happy to answer any additional questions you may have. Please note that it's likely you will receive a faster response if you contact us by email.

## How to Contact Us

For questions regarding your individual account, please contact:

### **Magna Servicing**

P.O. Box 23226

Waco, TX 76702

Phone: 800-368-5569

Email: [custsrv@magnaservicing.com](mailto:custsrv@magnaservicing.com)

For questions regarding the administration of the Plan of Reorganization, please contact:

### **Eduardo Espinosa, LPI PHT Trustee**

1717 Main Street, Suite 4200

Dallas, Texas 75201

Phone: 214-698-7893

Email: [trustee@lpi-pht.com](mailto:trustee@lpi-pht.com)

