Life Partners IRA Holder Partnership LLC

2017 EXPLANATION OF TAX REPORTING INFORMATION – GIVE TO YOUR TAX PREPARER

The LIFE PARTNERS POSITION HOLDER TRUST ("the PHT" or "the Trust") was formed pursuant to the Revised Third Amended Joint Chapter 11 Plan of Liquidation confirmed on November 1, 2016, for the benefit of creditors with certain allowed claims. As part of the Plan of Liquidation, IRA accounts that held Allowed Claims and Fractional Positions in policies contributed some or all of these assets into Life Partners IRA Holder Partnership LLC (the "IRA Partnership") in exchange for interests in the LLC.

General Tax information

The IRA Partnership receives a grantor statement from the PHT setting forth its pro rata portion of the PHT's items of income, gain, loss, deduction, and credit. The IRA Partnership issues a Schedule K-1 to each interest holder of the IRA Partnership. The holders of IRA Partnership interests are required to take into account their share of the items reported on the IRA Partnership's K-1 in filling out their individual tax returns.

Please provide this letter to your tax advisor and consult with such professionals to determine the federal and state impact, if any, to your personal income tax situation. This information is provided for information purposes and is not tax advice. Please consult your tax advisor about how you should report this information.

Interest Holders which are IRA Accounts

IRA accounts are generally exempt from federal income taxation unless there is unrelated business taxable income ("UBTI"). For calendar 2017, the UBTI computed for the IRA Partnership is a negative amount. As a result, IRA Holders of Interests in the IRA Partnership have no tax reporting obligation for 2017 arising from the 2017 K-1 from the IRA Partnership.

Interest Holders which are not IRA Accounts

Types of Income and Deductions Reported

You should report the **ordinary income** from line 11A of your K-1 on line 4 of page of 1 of Schedule E for Form 1040. This income is not subject to self-employment tax. Please select '8' for the type of property and input 'other portfolio income'. The activity is not a passive activity under Code Section 469.

You should report the **dividend income** from line 6A of your K-1 on Form 1040, page 1, line 9a and on line 5 of Schedule B of Form 1040, if required. These dividends are not qualified dividends reported on Form 1040, page 1, line 9b.

You should report the **interest income** from line 5 of your K-1 on Form 1040, page 1, line 8a and on line 1 of Schedule B of Form 1040, if required.

You should deduct **legal and professional fees** from line 13L of your K-1 on line 10 of page 1 of Schedule E for Form 1040.

You should deduct **investment interest expense** from line 13H of your K-1 on line 13 of page 1 of Schedule E for Form 1040.

Individual and trust beneficiaries should use Form 4952 to compute the amount of deductible investment interest expense. Your share of the Trust's interest expense should be reported on line 1 of Form 4952. The sum of your ordinary portfolio income, your interest income, and your dividend income should be input on line 4a of Form 4952. Your deduction for legal and professional fees should be entered on line 5 of Form 4952. The computations on Form 4952 may limit the amount of interest expense you can deduct on line 13 of page 1 of schedule E.

Taxable Income does not Equal Cash Distributions Received

You are required to report your share of taxable items on your tax return even though the net amount of taxable items does not equal the amount of cash, if any, distributed to you during the year. Typically, the amount of cash distributed to you and the amount of net taxable items reported to you will be different from each other every year.