LPI Position Holder Trust Newsletter

March 2018 Issue

The Trustee's Corner

Welcome to the March 2018 issue of the Life Partners Position Holder Trust (PHT) investor newsletter. Thank you for taking the time to read some of the updates for this month.

I'd like to start by providing an encouraging status report on the pay-down of the exit loan that was needed to transition the debtors out of bankruptcy. As you may recall, the initial balance on that credit facility was $55 million, bearing interest at a rate of 11 percent. With the $5 million payment that I expect to authorize this month, we will have reduced the balance on the loan to $20 million, keeping us on track to pay off the exit facility in the first half of 2018. This is very important progress as we will be able to begin making cash distributions to the PHT unit holders — and to the IRA Partnership for distribution to its members — once that loan is eliminated.

Of course, our ability to pay down the loan is determined by the amount of cash in the Trust at any given time as a result of policy maturities. This is driven largely by when deaths occur, when we learn of them and when we collect from the insurer. Maturities on policies owned by the Trust are off to a slow start in 2018. If that trend continues, I may need to modify the timetable for paying off the loan.

Finally, I want to make you aware of a change in the law firm where I now practice. I am now a partner in the Dallas office of Akerman LLP. Akerman has an outstanding reputation for its expertise in Receivership and Trustee engagements, which allows me to plug into a dedicated team of legal professionals with expertise in this unique niche. My colleague, Michael Napoli, continues in his role as Trustee's Counsel and has also moved to Akerman as a partner in the Dallas office.

Please review the news updates that follow so you are informed about some of the important developments with the Trust. Thank you very much for your interest.

Sincerely,

LPI Position Holder Trust
Eduardo S. Espinosa
Trustee

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Upcoming Events

- **March 20th:**

  1st Quarter LPI PHT Investor Podcast available for download

- **April 16th**

  April 2018 LPI PHT Newsletter to be published

- **May 14th**

  May 2018 LPI PHT Newsletter to be published

Action Items

What we need from you?

- Please pay the premiums on the positions that you own, as reflected in any invoices you received. Do not send a partial payment and do not delay beyond the 60-day payment window. **As a reminder, the PHT must receive your check by the 60th day.** LPI's Plan of Reorganization requires that the PHT must actually receive the CFH investor's remittance by the 60th day following the invoice date. **Your envelope's postmark date does not count.** 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.

- **Please access the PHT investor portal (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**. You can change your contact information through the Investor Portal (www.magnaservicing.com) or by contacting Customer Service (custsrv@magnaservicing.com).

- UNLESS YOU ARE AN IRA INVESTOR ONLY, please visit the PHT investor portal (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 send any ideas for the monthly newsletter or the PHT website to our communications consultant, Daryn Teague, at dteague@teaguecommunications.com. If you have suggestions for additional information or reports that could be provided on the Investor Portal maintained by Magna Servicing, please send those directly to the Trustee's office (trustee@lpi-pht.com).

Trust Update

Valuing units in the PHT

We have received a number of questions about the value of the PHT units. These questions have ranged from the effect of the Exit Facility on the value of the units to the Trustee's expectations as to the value of the units in the future. As we have mentioned a number of times, the PHT does not price or value its units or those of the IRA Partnership.

Investors can calculate the book value of the units from information that is available in the PHT's financial statements. The formula is a simple one: Divide the PHT's net worth (assets minus liabilities) by the number of units outstanding. According to the most recent quarterly report (dated September 30, 2017), the PHT had a net worth of $240,194,687 and 1,154,518,519 units outstanding. Doing the math results in a value of $0.208/unit for PHT and IRA Partnership units. The $35 million owed on the Exit Facility as of September 30, 2017 is equivalent to $0.03/unit.

The next financial statement to be filed will be the PHT's annual statement (its Form 10-K), which is due on April 2, 2018. In its annual statement, the PHT will state its net worth and the number of PHT units outstanding. Investors will then be able to calculate a book value of the PHT units as of the end of last year.

Do we expect the book value of the units to increase over time? No. While the book value of the units may fluctuate over time depending upon changes in the value of the portfolio and the amount of cash on hand at the end of calendar quarter (the date of the filed financial statements), we do not expect the book value of the units to increase over time. To the contrary, we expect that the book value of the units to decrease over the long run. Let me explain.

The book value is based on the current assets held by the PHT, primarily its portfolio of positions in insurance policies. As policy positions mature, they drop out of the portfolio and turn into cash. The PHT will either spend the cash (mainly on premiums) or distribute it to the unit holders as allowed by the Plan. The value of the PHT's assets will, thus, decline over time. The book value of the units, which is tied to the assets, will also decline over time.

That the value of the PHT units will decline over time is expected. The PHT is a liquidating trust. Its goal is to liquidate its positions in policies over time as policies mature. When it has excess cash available, the PHT will make a distribution.

As to distributions, we're still optimistic that the exit facility can be paid off in the first half of this year and that the Trustee can make a cash distribution to investors in 2018. Whether or not, we can make a distribution depends upon maturities in the portfolio. As we have noted for several months now, maturities for the last two months of 2017 and the first two months of 2018 have been slow. While we expect this trend to reverse itself, we do not know when that will occur.

Trust Update

Consequences of defaulting on premium payments

Continuing Fractional Holders are required to pay premiums on each position once a year. Failure to make this payment on time is a default. Upon a default, the position on which the premium was due is contributed to the PHT in exchange for PHT units. The defaulting investor will no longer hold the Continuing Fractional position, will no longer be required to pay premiums on it and will not receive a portion of the policy's proceeds when the insured dies. Instead, the investor will participate in the PHT along with all of the other PHT unit holders receiving a pro rata share of any distributions from the PHT.

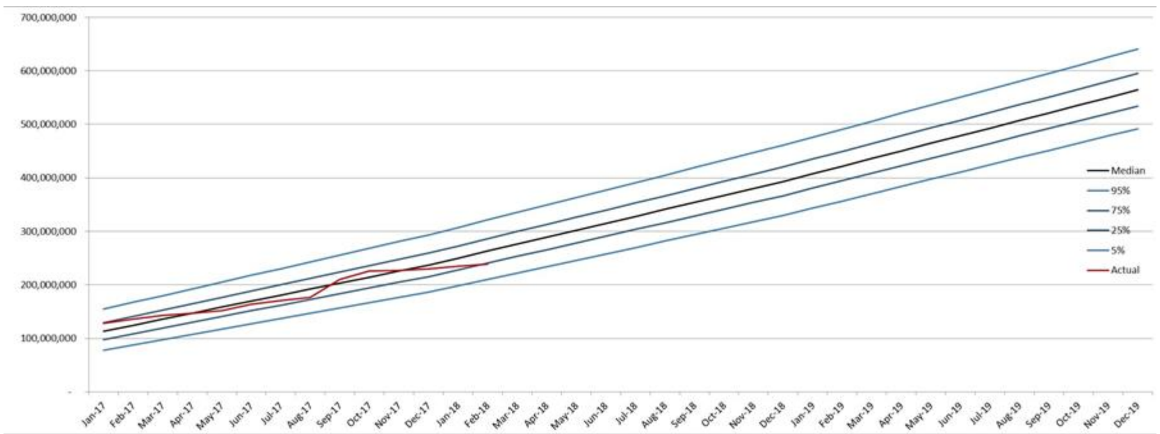
Currently, the exchange rate upon a default is $1 of expected death benefit for 1 PHT unit. For example, a position with an expected death benefit of $10,000 will be exchanged for 10,000 PHT units. This the same exchange rate used for investors who originally elected to receive PHT units instead of a Continuing Fractional Position. Beginning with the premium invoices to be issued in June 2018, the default penalties in the Plan will begin to apply. The new exchange rate is based upon maturities and distributions that occurred prior to the date of default (the date the missed premium payment was due). We do know that the exchange rate will be less than $1 of expected death benefit for 0.8 PHT unit. Thus, a position with an expected death benefit of $10,000 will be exchanged for less than 8,000 PHT units.

PHT & IRA Partnership tax documents

The PHT and the IRA partnership are pass-through entities for tax purposes. Accordingly, PHT Unitholders will receive Grantor Letters and IRA Partnership Unitholders will receive K-1s; each reporting the respective unitholder's pro-rata allocation of income and expenses. The Grantor Letters were mailed to the investors beginning on March 15 and the K-1s will be mailed the week of March 19. Since the information may seem somewhat overwhelming, we asked the PHT's outside accounting firm to prepare a brief discussion regarding the information reflected in Grantor Letters (PHT) and the K-1s (IRA Partnership) and its application. In either instance, the 2017 Explanation Of Tax Reporting Information is available at [www.LPI-PHT.com.](http://www.LPI-PHT.com)

Portfolio at a Glance

Maturities remained low in February, approximately $4 million, but we identified additional maturities in December and January raising their totals to $3.1 million and $4.7 million respectively. All three months remain significantly below expectations. At this point, we believe that these differences reflect normal statistical variation among months. We do not believe that several bad months in a row indicates that there is a problem with the projections or with death tracking. In that regard, we have had $5.1 million in maturities during the first week of March.



The red actual line is below the median and starting to cross the first of the lower blue lines. This means that cumulative maturities are significantly below expectations for 2018 but not beyond the range of anticipated results. Remember, we had a similar lull in maturities last year and finished the year almost exactly on target.

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.

Frequently Asked Questions

Here are brief answers to some of the frequently asked questions (FAQs) we've received in the past month:

Q: What is the schedule for the public financial reports the PHT is now required to file with the Securities and Exchange Commission (SEC)?

A: For the first three quarters of the year (ending March 31, June 30 and September 30), we file a Form 10-Q (quarterly report). The Form 10-Q is due 45 days after the end of the quarter. For the fourth quarter (ending December 31), we file a Form 10-K. The Form 10-K is audited and much more detailed than the Form 10-Qs filed after the first three quarters. The Form 10-K is due 90 days after the end of the year. This year our Form 10-K is due on April 2, 2018.

You can get copies of these documents from SEC.gov or from the PHT website's Investor Relations page.

Frequently Asked Questions

Here are brief answers to some of the frequently asked questions (FAQs) we've received in the past month:

Q: During the reorganization, I elected Option 4 to convert my IRA position to a Cash position. Now I feel as though I am being taxed twice. Can you explain?

A: If you believe that you are paying more tax than you should, you need to hire a tax advisor to assist you in dealing with the IRS. Neither the Trustee nor his counsel can give you tax advice.

As a general matter, distributions from a traditional IRA are taxable. In addition, if you were under age 59½ when you received the distribution, you may have to pay an additional 10% penalty. You will receive a Form 1099-R from your IRA custodian for the year that you received the distribution. For further information, you should review **IRS Publication 590-B**.

In addition, when the Continuing Fractional Position matures, you will have to pay taxes on your gain from the investment. For the year in which one of your CFH positions matures, the PHT will send a Form 1099-R to you stating the total amount of money that we paid to you.

Q: I received a 1099 form that indicates I received a distribution from my IRA, but I did not receive any funds. How do I obtain a corrected 1099 or an explanation for this tax liability?

A: Your IRA custodian is responsible for sending Form 1099-Rs for any distributions from IRAs. If you have a question about a distribution from your IRA or a Form 1099-R related to such a distribution, you will need to address it to your IRA custodian.

Q: I've heard you use the terms "the Pool" and "the Portfolio" in investor updates, are they the same? If not, what is the difference between them?

A: The two terms are not the same. "The Pool" refers to all of the policy positions that the PHT owns. We use the term "The Pool" because it is shorter and easier to say than "all of the policy positions that the PHT owns." In contrast, we use "the Portfolio" to refer to the insurance policies that the PHT shares with the Continuing Fractional Holders. The Pool is the PHT's share of the Portfolio.

The PHT owns a position in every insurance policy in the Portfolio. It obtained its positions as a result of the elections each of the investors made. The Continuing Fractional Holders and the New IRA Note holders each contributed 5% of their positions to the Pool. The PHT unit holders and the IRA Partnership unit holders each contributed 100% of their positions to the Pool. In the case of the New IRA Note holders and the IRA Partnership unit holders, their contributions were made indirectly through the IRA Partnership. In addition, Continuing Fractional Holders who fail to pay a premium call on a position contribute that position into the Pool in exchange for PHT units.

It's important to remember that investors no longer own the positions (or pieces of positions) that they contributed to the Pool and are not entitled to payment when those positions mature. At the same time, they are no longer required to pay premiums on those positions. Instead, each investor has a shared interest in the Pool, alongside thousands of fellow investors. The PHT will distribute excess cash to the investors who participate in the pool either directly through PHT units or indirectly through IRA Partnership units.

Questions and Updates

We routinely post updates and new information on www.LPI-PHT.com. In addition, prior investor communications -- including copies of this newsletter and the Trustee's prior investor presentations -- are available on the "Investor Relations" tab. We encourage you 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

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

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