FORGE INSURANCE

Date: May 10, 2023

Subject: Year-End 2022 Update

Dear Shareholders:

I am writing to provide you with some updates on Forge Group, Inc. (the "Company", "we", or "Forge"). 2022 was a very exciting year at Forge! We completed the conversion stock offering and related transactions on March 11, 2022. This was a major milestone for the Company, and we are very excited about our future. We have added an investor relations area to our website where you can access information related to the Company (e.g., press releases, financial filings, etc.).

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Financial Disclosures

As a reminder, we conducted our initial stock offering pursuant to an exemption in the Securities Act of 1933 called Regulation A, known as a "Reg A+ offering". As a Reg A+ issuer, we make financial disclosure filings with the SEC on a **semi-annual basis**. Our annual financial report is filed on Form 1-K and our semi-annual report is filed on Form 1-SA. On May 1, 2023, we filed our 2022 Form 1-K with the SEC. You can find this filing on the SEC website (search for "Forge Group, Inc.") or on our company page on the OTC website.

Since the offering and related transactions closed on March 11, 2022, the financial results for the twelve months ended December 31, 2022, are (i) the stand-alone results of Forge Insurance Company from January 1, 2022, through March 10, 2022, and (ii) the financial results of the combined "group" from March 11, 2022, through December 31, 2022. The "group" is comprised of Forge Group, Inc., the stock corporation of which you are a shareholder, and its wholly-owned subsidiaries: (i) Forge Insurance Company ("FIC"), a licensed insurance company that converted from mutual to stock form (previously named Amalgamated Casualty Insurance Company) and (ii) Forge Risk Management, Inc. ("FRM"), FIC's affiliated insurance agency that was acquired by the Company concurrently with the closing of the stock offering (previously named American Risk Management, Inc.).

The transaction-related activities added some "noise" to our 2022 financial results. There were one-time transaction-related items which totaled approximately $8.0 million, including the $7.3 million policyholder dividend which was paid to eligible members as part of the mutual-to-stock conversion. These items were contemplated in the "pro forma" financial exhibits our Form 1-A offering statement, but they do introduce some "noise" when looking at our headline 2022 GAAP income statement results. Consistent with the prior update letter, we have rearranged our GAAP income statement (see **Exhibit 2**) so that it is easier to review the results of our "ongoing business". As we move into 2023, our financial statements should get quite a bit simpler.

As of December 31, 2022, our adjusted book value per common share equivalent was $19.79[1] and our adjusted tangible book value per common share equivalent was $17.44[2]. Please note that these are non-GAAP metrics; however, they are metrics that the board and management team use to evaluate overall long-term corporate performance and we believe they will also be helpful for our shareholders over time.

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[1] See Appendix for more information on this non-GAAP metric.
[2] See Appendix for more information on this non-GAAP metric.

Business Overview

Before reviewing our financial results, I thought it would be helpful to articulate how our board and management think about the business from a financial standpoint. As you'll see in the exhibits included in the Appendix (which are the same as those presented in my prior update letter), from a financial standpoint, we think about the business as having a few "components" (and I have tried to sync the presentation of the financial exhibits in the Appendix in a manner consistent with this framework):

1. **Insurance operations.** This is the core operating business. Nearly all our resources are focused on positioning our insurance operations to generate a sustainable underwriting margin. Currently, we are generating an underwriting loss. This is due to our expense ratio, which is currently higher than our long-term target because we have deliberately invested in our business ahead of revenue growth. To achieve sustainable underwriting profitability, we need to achieve meaningful premium revenue growth (which will lower our expense ratio) while continuing to deliver an acceptable loss ratio. The focus in our insurance operations today is **profitable growth**. In **Exhibit 2**, we have isolated the GAAP revenues and expenses associated with our "insurance operations".

2. **Real estate operations.** In 2015, we sold our office building and realized a large taxable gain. We made the decision to reinvest the proceeds into real estate assets to be held as investments in our investment portfolio, thereby deferring payment of the tax liability associated with the gain (i.e., 1031 like-kind exchange). Along with an operating partner, we purchased 3 commercial properties in the District of Columbia. The properties are wholly owned by ACIC Consolidated Properties, LLC ("ACIC Properties"). We own 92.3% of ACIC Properties and our operating partner owns the remaining 7.7%. The properties we acquired are well situated in the District of Columbia and are occupied by tenants on long-term leases that are largely "triple-net" (i.e., tenant is responsible for various property expenses as well as general property maintenance and upkeep). ACIC Properties paid approximately $40 million for the 3 properties and financed the purchases with a combination of (i) approximately $10 million of equity (in our case, the pre-tax proceeds from the sale of our office building) and (ii) approximately $30 million of non-recourse commercial mortgage debt. ACIC Properties has been self-financing historically, with rental income receipts exceeding debt service payments and operating expenses. From an accounting standpoint, the properties have historically generated a GAAP loss due primarily to non-cash depreciation expense. Since we purchased these properties, we have repaid approximately $3 million of mortgage debt principal and accumulated approximately $1 million of cash and net working capital. We view these properties as long-term investments. Our focus is ensuring that the properties remain leased, efficiently financed, and generating positive cash flow. Over time, we hope these investments provide a good source of value for shareholders. In **Exhibit 2**, we have isolated the GAAP revenues and expenses associated with the "real estate operations".

3. **Realized and unrealized gains on investments.** Our investment portfolio is an important economic driver. Our investment portfolio is principally financed by: (i) "borrowed funds" from policyholders (which we refer to as our "net insurance liabilities" in **Exhibit 3**) and (ii) "owned funds" (i.e., stockholders' equity). Our investment portfolio supports the following core business objectives, in order of priority: (i) support insurance liabilities, (ii) generate income, and (iii) capital growth. We generally invest those assets financed with "borrowed funds" (i.e., assets that support Objective 1) in securities that are liquid, have good credit quality, and have a similar duration profile to our insurance liabilities. With those assets financed by "owned funds" (i.e., assets that support Objectives 2 and 3), we invest in assets that we believe will provide good income, capital growth, or some combination of both. A portion of these assets are invested in public equities and actively managed funds that own public equities. Our investments in public equities (and actively managed funds that own public equities) are "marked to market" at each balance sheet date and changes in market value from period-to-period are reflected in our income statement (net unrealized gains or losses on equity securities). Owning equities adds some volatility to our income statement, as our equity holdings, over shorter time periods, generally move in sympathy with the overall "stock market". We generally hold our fixed income securities to maturity, barring any material change in the credit profile of the

underlying issuer. Likewise, we generally do not "trade" in and out of our equity investments, although we do sell equity securities from time to time for various security-specific reasons. In **Exhibit 2**, we have isolated the GAAP income statement items associated with (i) security sales (net realized gains and losses) and (ii) the periodic fluctuation in value of our equity investments (net unrealized gains and losses on equity securities).

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Operations Update

We continue to make progress toward executing our long-term plan, which is expanding our capabilities within the commercial auto insurance segment and building a consistently profitable underwriting operation. I'll discuss a few important areas here:

- **Brand.** During 2022 we commenced a full brand "reboot" and we have launched the "Forge Insurance" brand in the marketplace. Our long-term goal is to create a brand that is authentic and resonates with our customers. Over time, we believe that creating a recognizable and authentic brand will have positive implications for our business financially in the form of customer acquisition and retention. As I mentioned in my prior update letter, branding is a long-term initiative. Over time, we will make investments in our brand; right now, we are taking some low-cost "baby steps", primarily in the digital marketing area.

- **Product.** Historically, we have focused on the public automobile business class segment within the commercial automobile insurance line. Vehicles within the public automobile business class segment are used to transport passengers from one location to another. In this business class segment, operation of the commercial vehicle is generally the primary source of business revenue. In 2021, we began developing commercial automobile insurance products targeting additional business class segments, namely trade and service providers such as electricians, plumbers, and carpenters (collectively, the "small business class segment"), that our research has indicated present lower loss risk and other favorable business characteristics. In the small business class segment, operation of the commercial vehicle is generally not the primary source of business revenue; rather, the commercial vehicle is used as a tool in the overall business. We believe our total market opportunity in the small business segment is approximately $12 billion of annual premium revenue. We have developed our "first generation" product for the small business class segment and it has been filed in 26 states and approved in 23 states – giving us tremendous runway to expand our business for the foreseeable future. Premium revenue from the "small business class segment" will commence in earnest in 2023, thanks in large part to the product work done over the past 2 years as well as the progress we have made in the technology area (discussed below). We are very excited to start to see a financial return on these investments in 2023.

- **Distribution.** We have built a small but highly effective business development team at Forge, and they continue to build the "top of the funnel". We continued to increase the number of individual insurance agencies with which we have a distribution contract ("contracted distribution partners") during 2022. The number of contracted distribution partners is an important metric that we track, as we believe it is a good leading indicator for prospective policy application submissions and, in turn, premium revenue. In our most recent SEC disclosures, we have reported on the number of active distribution partners (i.e., those distribution partners with which we have written business), as this is ultimately the best metric to gauge how effectively we are broadening our distribution reach. In 2022, we had 54 active distribution partners, compared to 39 active distribution partners in 2021, or an increase in the number of active distribution partners of 38%. We expect this number to increase meaningfully in the coming years as we roll out the "small business class segment" product on our new technology platform (which will include a digital agent portal to facilitate, for the first time, real-time transacting).

- **Technology.** As I mentioned in my prior update letter, for better or worse all roads lead through technology. Technology is at the heart of our business and for us to execute our plan, we need a fully integrated digital insurance operating platform, or a "full-stack digital platform" in industry parlance. In the personal lines insurance world (e.g., personal auto, homeowners, etc.), having a full-stack digital platform is generally viewed as "table stakes". While our current technology platform has served us well for the past 10+ years, our business (i.e., product design, distribution system, data analytics demands, etc.) has evolved, and so have our technology requirements. We have been operating in a quasi-digital environment at Forge for several years, with many labor-intensive processes still being performed manually. Our success to date is a testament to the hard work of our associates and the high-quality personal service they deliver to our distribution partners. Progress in our technology area has accelerated after a frustrating start to 2022, which I discussed in my prior update letter. This has been our primary strategic focus for the past 12+ months, and we are very close to launching our new full-stack digital platform. This will be a transformational moment for Forge; it is hard to overstate how impactful this will be across all areas of our business. While progress in the technology area has been slower than we'd hoped, the Forge team has rallied. They have worked tirelessly to implement the new technology platform and build a roadmap to transition our existing business onto the new platform – all while continuing to deliver profitable premium growth and keeping us "on track" financially. As I mentioned in my prior update letter, the new technology platform will allow us to launch our "small business class segment" product, which is critical. It will also deliver meaningful workflow efficiencies, which in turn should allow us to grow our premium revenue meaningfully without commensurate increases in our fixed operating expenses (allowing us to improve our expense ratio and overall operating margins). I am incredibly excited about the launch of the new technology platform and am appreciative of the tremendous resilience the Forge team has shown in the face of some adversity in the technology area over the past year.

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Financial Update

Below is a summary of key operating metrics for the twelve months ended December 31, 2022. I've included operating metrics from the first half of 2022 (1H22) and second half of 2022 (2H22) so that you can see how the business has progressed over the course of the year:

(dollars in thousands)	For the 6 months ended June 30, 2022	For the 6 months ended December 31, 2022	Current vs. Prior Period (%)	For the 12 months ended December 31, 2022
Gross premiums written	4,699	7,451	58.6%	12,150
Net premiums written	4,422	7,103	60.6%	11,525
Net premiums earned	4,375	5,028	14.9%	9,402
Net investment income	457	700	53.3%	1,157
<u>Operating ratios</u>				
Loss and loss adjusting expense ratio	52.4%	44.1%	-8.3%	48.0%
Expense ratio	88.7%	76.6%	-12.1%	82.2%
Combined ratio	**141.1%**	**120.7%**	**-20.4%**	**130.2%**
Less: Investment ratio	-10.4%	-13.9%	-3.5%	-12.3%
Operating ratio	**130.7%**	**106.8%**	**-23.9%**	**117.9%**
See Appendix for more detail.				

Below is some brief commentary on the key operating metrics:

- **Premiums written and earned.** Gross premiums written were $7.5 million in 2H22, which represents a change of +58.6% versus 1H22. This is primarily the result of: (i) an increase in new business (which is largely the result of the good work our business development team has done to increase the number of active distribution partners) and (ii) an improvement in business retention (which is largely the result of good work done by our insurance operations team). Net premiums written were $7.1 million in 2H22, which represents a change of +60.6% versus 1H22. Reinsurance rates have increased, and we do expect the portion of gross premiums we "cede" to reinsurance companies under our reinsurance agreements to increase in 2023. Net premiums earned were $5.0 million in 2H22, which represents a change of +14.9% compared to 1H22. There is a lag between when premium is "written" and when it is "earned", as premium revenue is recognized ratably over the term of the policy.

- **Loss and loss adjustment expense ratio (loss ratio)[3].** Our loss ratio was 48.0% for the full year; it was -8.3% in 2H22 compared to 1H22. At a high level, our loss ratio is primarily the result of how our <u>actual</u> claims frequency and claims severity experience materializes relative to our <u>expectations</u> (which are reflected in our risk selection and policy pricing). In 2022, claims frequency continued to be stable and relatively low, which is a tribute to our underwriting team. In addition, claims severity remained stable. As I mentioned in my prior update letter, because we are a small company at this stage, our loss ratio, particularly over shorter measurement periods (e.g., 6 months), is less predictable. However, I continue to be very pleased with our current loss ratio performance.

- **Expense ratio[4].** Our expense ratio remains elevated currently; it was 82.2% for the full year 2022. As I mentioned in my prior update letter, most commercial property and casualty insurance companies operate at an expense ratio of approximately 30-35% – and that is our long-term goal. As you'll recall, a portion of our operating expenses are more variable in nature and generally increase (or decrease) with premium revenue on a proportionate basis. The remaining portion of our operating expenses are comprised of expenses that are more fixed in nature. These expenses should not increase on a proportionate basis with premium revenue. This should, in turn, lead to a lower expense ratio over time as we grow our premium revenue. You'll see that the expense ratio was 76.6% in 2H22, which represents a change of -12.1% compared to 1H22, as we continued to grow our premium revenue while maintaining cost discipline. We believe that this trend should continue. In addition, once we have transitioned our existing policies onto our new technology platform, our technology costs will likely decrease as we will no longer incur the costs associated with maintaining two technology platforms.

- **Combined ratio[5] and operating ratio[6].** As I mentioned in my prior update letter, our first financial milestone will be achieving an operating ratio of 100%. As you'll recall, at an operating ratio of 100%, we will be operating at approximately "breakeven" and book value erosion should come to an end, all other things held constant. From there, our second financial milestone will be achieving a combined ratio of 100%. Once we reach a combined ratio of 100%, all our net investment income will "fall to the bottom line" and, instead of subsidizing underwriting losses, contribute to book value growth. Once we reach a combined ratio of 100%, we will look to drive our combined ratio below 100%, with the goal of delivering sustainable underwriting profits. When we have both business engines contributing to the bottom line (i.e., underwriting and investments), our consolidated returns on equity will start to get interesting. This is our goal – but we need to walk before we can run. As I mentioned in my prior update letter, we are in the early innings of our business plan, but I am confident in the team we have in place, and I believe we are investing behind a large and profitable market opportunity. We should reach each of these milestones if we can successfully (i) increase premium revenue and maintain cost discipline (which will lower our expense ratio) and (ii) maintain an acceptable loss ratio. A key focus internally is ensuring our loss ratio remains at acceptable levels as we grow our premium revenue. The management team will continue to be acutely focused on how our <u>actual</u> claims frequency

[3] Loss and loss adjusting expenses divided by net premiums earned.
[4] Operating expenses divided by net premiums earned.
[5] Sum of loss and loss adjusting expense ratio and expense ratio.
[6] Combined ratio minus the investment ratio.

and claims severity experience materializes relative to our expectations and react accordingly. Our combined ratio was 120.7% in 2H22, which represents a change of -20.4% in 2H22 compared to 1H22 due to both a lower loss ratio and a lower expense ratio in 2H22 compared to 1H22. Our investment ratio[7] improved in 2H22 compared to 1H22 as we made investments in income producing securities after the March 2022 offering closing, which generated a full six months of return in 2H22. Our operating ratio was 106.8% in 2H22, which represents a change of -23.9% in 2H22 compared to 1H22. We are making good progress toward reaching the first financial milestone.

2022 presented a volatile investment environment. Along with many others, we experienced unrealized losses on our investment securities. For the full year 2022, both equities and bonds declined in value; the S&P 500 Index was down approximately 20% and the U.S. Aggregate Bond Index was down approximately 13%. We were fortunate to have a larger-than-normal cash position at the end of March and increased our investments in fixed maturity securities and added to our investments in equities during 2022. Gross investment income on fixed maturity securities (including redeemable preferred stock) was +44.9% in 2H22 compared to 1H22. This is the result of: (i) a higher balance of average earning assets in 2H22 compared to 1H22 (+12.9%) and (ii) higher yields on new assets acquired due to the increase in prevailing interest rates. As I noted earlier in this letter, we generally hold our fixed maturity securities to maturity, barring any material change in the credit profile of the underlying issuer. As a result, we should "recoup" any unrealized losses on these securities over time. Our equities (perpetual preferred, common stocks, and other assets) generated a total return of -25.4% for 2022. Most of our equities (and investments in funds that own equities) have a "small cap" bias – and smaller companies have underperformed their larger peers of late. Over longer periods, we do believe that smaller companies provide greater return potential. We expect that our allocation to equities will provide solid returns and growth in book value over the long term (although performance over shorter measurement periods will be volatile).

We plan to hold our 2023 shareholder meeting sometime this fall, likely the first or second week of September. You will receive formal notice ahead of the meeting, along with meeting materials. All are welcome to attend, and it would be great to meet with shareholders in person if your schedule permits. Thank you for your support and your investment in Forge.

Forge on!

Patrick Bracewell
Chairman & CEO

[7] Net investment income divided by net premiums earned.

Special Note Regarding Forward Looking Statements

Certain information contained in this report includes forward-looking statements. The statements herein which are not historical reflect our current expectations and projections about our company's future results, performance, liquidity, financial condition, prospects and opportunities and are based upon information currently available to our company and our management and our interpretation of what is believed to be significant factors affecting the businesses, including many assumptions regarding future events.

Forward-looking statements are generally identifiable by use of the words "may," "should," "expect," "anticipate," "estimate," "believe," "intend," or "project" or the negative of these words or other variations on these words or comparable terminology. Actual results, performance, liquidity, financial condition, prospects and opportunities could differ materially from those expressed in, or implied by, these forward-looking statements as a result of various risks, uncertainties and other factors. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including matters described in this report generally. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this report will in fact occur.

Undue reliance should not be placed on any forward-looking statements. Except as expressly required by the federal securities laws, there is no undertaking to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

Special Note Regarding Non-GAAP Financial Exhibits

We believe that the non-GAAP financial exhibits included in the Appendix provide important and useful information for our shareholders. We use these non-GAAP measures for internal planning purposes and to evaluate our ongoing operations and performance. These non-GAAP financial measures are presented as supplemental information and not as alternatives to any GAAP financial measures.

Appendix

Non-GAAP Financial Exhibits

Exhibit 1: Adjusted Book Value and Tangible Book Value Per Common Share Equivalent

"Adjusted book value per common share equivalent" and "adjusted tangible book value per common share equivalent" are non-GAAP metrics and are not intended to be an expression of the Company's opinion of the value of its common stock.

	As of	
(dollars in thousands except for per-share items)	**June 30, 2022**	**December 31, 2022**
Calculation of Numerators		
Total equity	47,495	45,932
Less: Noncontrolling interest	(705)	(708)
GAAP book value	**46,790**	**45,224**
Less: Accumulated other comprehensive (income) loss (AOCI)	1,993	2,810
GAAP book value excluding AOCI	**48,783**	**48,035**
Add: Theoretical proceeds from exercise of options [1]	1,800	1,800
Add: Non-GAAP real estate adjustments, net [2]	3,217	3,663
Adjusted book value (numerator)	**53,800**	**53,497**
Less: Goodwill and other intangibles	(6,507)	(6,343)
Adjusted tangible book value (numerator)	**47,293**	**47,154**
Calculation of Denominator		
Common shares outstanding	2,050	2,050
Common shares issuable upon conversion of Series A Preferred Stock [3]	458	458
Common shares underlying restricted stock awards outstanding [4]	15	15
Common shares issuable upon exercise of outstanding options [5]	180	180
Common share equivalents (denominator)	**2,703**	**2,703**
Non-GAAP Measures		
Adjusted book value per common share equivalent [6]	**$19.90**	**$19.79**
Adjusted tangible book value per common share equivalent [7]	**$17.49**	**$17.44**

Footnotes

[1] Proceeds that would be received from the exercise of outstanding stock options (vested and unvested).

[2] Intended to represent Company's interest in real estate investments at historical cost. See Exhibit 5.

[3] Common shares issuable upon conversion of the Company's Series A Preferred Stock.

[4] Common shares underlying restricted stock awards outstanding (vested and unvested).

[5] Common shares underlying outstanding stock options (vested and unvested).

[6] Adjusted book value (numerator) divided by common share equivalents (denominator).

[7] Adjusted tangible book value (numerator) divided by common share equivalents (denominator).

Exhibit 2: Simplified Income Statement

The "Simplified Income Statement" exhibit is a non-GAAP presentation of "income (loss) before income taxes" and is based on the Company's condensed consolidated statements of earnings. This exhibit separates the Company's core insurance operations (including investment income earned on income-generating securities) from the following other activities and items: real estate operations, the impact of net realized and unrealized gains (losses) on investment securities, certain non-recurring items related to the offering and related transactions, and certain other non-recurring items.

	For the 6 months ended		For the 12 months ended
(dollars in thousands)	**June 30, 2022**	**December 31, 2022**	**December 31, 2022**
Insurance operations			
Revenues			
Net premiums earned	4,375	5,028	9,402
Revenues	**4,375**	**5,028**	**9,402**
Expenses			
Loss and loss adjusting expense	2,292	2,219	4,511
Operating expenses [1]	3,881	3,850	7,731
Expenses	**6,173**	**6,068**	**12,242**
Underwriting gain (loss)	**(1,799)**	**(1,041)**	**(2,839)**
Add: Net investment income	457	700	1,157
Income (loss) before income taxes	**(1,342)**	**(341)**	**(1,682)**
Operating ratios			
Loss and loss adjusting expense ratio	52.4%	44.1%	48.0%
Expense ratio	88.7%	76.6%	82.2%
Combined ratio	**141.1%**	**120.7%**	**130.2%**
Less: Investment ratio	-10.4%	-13.9%	-12.3%
Operating ratio	**130.7%**	**106.8%**	**117.9%**
Other activities			
Real estate operations [2]	(87)	(89)	(176)
Net realized and unrealized gains (losses)	(1,869)	(105)	(1,973)
Non-recurring transaction items [3]	(8,049)	(5)	(8,053)
Other non-recurring items [4]	401	-	401
Income (loss) before income taxes	**(9,604)**	**(199)**	**(9,803)**
Consolidated			
Income (loss) before income taxes	**(10,946)**	**(539)**	**(11,485)**

Footnotes

[1] See Exhibit 6 for GAAP reconciliation.

[2] See Exhibit 6 for GAAP reconciliation.

[3] See Exhibit 6 for GAAP reconciliation.

[4] See Exhibit 6 for GAAP reconciliation.

Exhibit 3: Simplified Balance Sheet

The "Simplified Balance Sheet" exhibit is a non-GAAP presentation of the Company's condensed consolidated balance sheet. In this exhibit, the Company's real estate investments have been presented on a "net basis" (i.e., net of non-recourse mortgage notes payable) and certain other balance sheet items have been grouped together to facilitate a more simplified presentation.

	As of	
(dollars in thousands)	**June 30, 2022**	**December 31, 2022**
Assets		
Adj. Cash and equivalents [1]	6,794	5,582
Fixed maturities and redeemable preferred, at fair value	28,232	27,551
Perpetual preferred and common stocks (incl. other), at fair value	7,508	7,426
Real estate, net of noncontrolling interest [2]	8,451	8,481
Net cash and investments	**50,985**	**49,040**
Net operating and other assets (liabilities) [3]	2,071	3,566
Goodwill and other intangibles	6,507	6,343
Total assets	**59,562**	**58,949**
Liabilities & Equity		
Net insurance liabilities [4]	12,772	13,725
Total equity, net of noncontrolling interest	46,790	45,224
Total liabilities and equity	**59,562**	**58,949**

Footnotes

[1] Excludes restricted cash and cash and net working capital at real estate entities. See Exhibit 7 for GAAP reconciliation.

[2] See Exhibit 7 for GAAP reconciliation.

[3] See Exhibit 8 for GAAP reconciliation.

[4] See Exhibit 8 for GAAP reconciliation.

Exhibit 4: Investment Portfolio Summary

The "Investment Portfolio Summary" exhibit contains a non-GAAP presentation of the Company's investment portfolio and includes certain investment-related metrics. In this exhibit, the Company's real estate investments have been presented on a "net basis" (i.e., net of non-recourse mortgage notes payable). In addition, fixed maturity securities and redeemable preferred stock have been presented at amortized cost (vs. fair value).

	As of December 31, 2022	
(dollars in thousands)	**$ Value**	**% Total**
Allocation summary		
Adj. Cash and equivalents [1]	5,582	11.0%
Fixed maturities and redeemable preferred, at amortized cost	29,355	57.7%
Perpetual preferred and common stocks (incl. other)	7,426	14.6%
Real estate, net of noncontrolling interest [2]	8,481	16.7%
Cash and investments	**50,845**	**100.0%**

Performance summary

	For the 6 months ended		For the 12 months ended
(dollars in thousands)	**June 30, 2022**	**December 31, 2022**	**December 31, 2022**
Fixed maturities and redeemable preferred			
Beginning, amortized cost	22,672	29,205	22,672
Ending, amortized cost	29,205	29,355	29,355
Average, amortized cost	**25,938**	**29,280**	**26,013**
Investment income	486	704	1,189
% Income return (6-month periods annualized)	**3.7%**	**4.8%**	**4.6%**
Perpetual preferred and common stocks (incl. other)			
Beginning, fair value	8,669	7,508	8,669
Ending, fair value	7,508	7,426	7,426
Average, fair value	**8,088**	**7,467**	**8,048**
Investment income	57	90	147
Unrealized gains (losses) on equity securities, net	(1,888)	(303)	(2,191)
Total return	(1,831)	(214)	(2,045)
% Total return (6-month periods not annualized)	**-22.6%**	**-2.9%**	**-25.4%**
Real estate			
Real assets (Non-GAAP) [3]	40,275	40,300	40,300
Notes payable (Non-GAAP) [4]	28,465	28,129	28,129
Income from real estate held for investment (annualized)	2,373	2,299	2,336
Annualized income as % Real assets (Non-GAAP)	5.9%	5.7%	5.8%
EBITDA (annualized) [5]	2,192	2,164	2,178
Debt service (annualized) [6]	1,860	1,848	1,848
Debt service coverage (EBITDA ÷ debt service)	1.2 x	1.2 x	1.2 x

Footnotes

[1] Excludes restricted cash and cash and net working capital at real estate entities. See Exhibit 7 for GAAP reconciliation.

[2] See Exhibit 7 for GAAP reconciliation.

[3] Non-GAAP metric intended to show the real estate at its historical cost basis. Reconciliation provided in Exhibit 5.

[4] Gross principal amount of notes payable. Reconciliation provided in Exhibit 5.

[5] Equal to income from real estate held for investment (annualized) minus real estate operating expenses (annualized).

[6] Monthly debt service at end of period (annualized).

Exhibit 5: Non-GAAP Real Estate Adjustments

The "Non-GAAP Real Estate Adjustments" contains certain non-GAAP adjustments and metrics intended to present the value of the Company's interest in its real estate investments at historical cost. These non-GAAP adjustments and metrics are not intended to be an expression of the Company's opinion of the value of its real estate investments.

	As of	
(dollars in thousands)	**June 30, 2022**	**December 31, 2022**
Real estate held for the production of income, net	30,539	30,181
Add: Leases in place	2,916	2,767
Add: Deferred rent [1]	2,120	2,215
Real assets (GAAP)	**35,575**	**35,164**
Add: Accumulated depreciation [2]	4,905	5,288
Add: Accumulated amortization [3]	1,915	2,064
Less: Deferred rent	(2,120)	(2,215)
Real assets (Non-GAAP) [4]	**40,275**	**40,300**
Notes payable, net (GAAP)	**27,249**	**26,961**
Add: Unamortized finance costs	1,216	1,168
Notes payable (Non-GAAP) [5]	**28,465**	**28,129**
Net real assets (Non-GAAP) [6]	11,811	12,171
Less: Net real assets (GAAP) [7]	(8,325)	(8,203)
Non-GAAP adjustments [8]	3,485	3,968
Less: Noncontrolling interest [9]	(268)	(306)
Non-GAAP real estate adjustments, net	**3,217**	**3,663**

Footnotes

[1] Cumulative difference between actual cash receipts and rental income recorded on a straight-line basis.
[2] Accumulated depreciation on real estate held for the production of income.
[3] Accumulated amortization on leases in place.
[4] Approximation of total cost basis of real estate investments.
[5] Gross principal amount of notes payable.
[6] Real assets (non-GAAP) minus notes payable (non-GAAP).
[7] Real assets (GAAP) minus notes payable (GAAP).
[8] Difference between non-GAAP and GAAP net real assets
[9] Portion of non-GAAP adjustments attributable to 7.7% owned by operating partner.

Exhibit 6: Reconciliation of Certain Items in Simplified Income Statement

This exhibit provides a reconciliation of certain items presented in Exhibit 2. These items have been reconciled to their most comparable GAAP financial measures.

	For the 6 months ended		For the 12 months ended
(dollars in thousands)	June 30, 2022	December 31, 2022	December 31, 2022
Operating expenses			
Policy acquisition costs and other operating expenses	3,433	3,579	7,011
Related party commissions	410	-	410
Lease expense	87	195	282
Less: Sublease income	(48)	(92)	(140)
Depreciation and amortization (excl. real estate) [1]	109	164	273
Less: Service fee and other income	(110)	4	(106)
Operating expenses	**3,881**	**3,850**	**7,731**
Real estate operations			
Income from real estate held for investment	1,187	1,150	2,336
Less: Depreciation and amortization (real estate) [2, 3]	(532)	(532)	(1,063)
Less: Real estate operating expense	(91)	(68)	(159)
Less: Interest expense	(652)	(639)	(1,291)
Income (loss) before income taxes	**(87)**	**(89)**	**(176)**
Non-recurring transaction items			
Policyholder dividend	(7,300)	(5)	(7,305)
Settlement loss on acquisition	(749)	-	(749)
Income (loss) before income taxes	**(8,049)**	**(5)**	**(8,053)**
Other non-recurring items			
Gain on extinguishment of related party loan	401	-	401
Income (loss) before income taxes	**401**	**-**	**401**

Footnotes

[1] Total depreciation and amortization minus depreciation and amortization attributable to real estate.

[2] Depreciation of real estate held for the production of income.

[3] Amortization of leases in place.

Exhibit 7: Reconciliation of Certain Items in Simplified Balance Sheet

This exhibit provides a reconciliation of certain items presented within Exhibit 3. These items have been reconciled to their most comparable GAAP financial measures.

	As of	
(dollars in thousands)	**June 30, 2022**	**December 31, 2022**
Real estate, net of noncontrolling interest		
Noncontrolling interest	705	708
Noncontrolling interest ownership (%)	7.7%	7.7%
Members' equity (100%)	9,156	9,189
Less: Noncontrolling interest	(705)	(708)
Real estate, net of noncontrolling interest	**8,451**	**8,481**
Adj. Cash and equivalents		
Real estate held for the production of income, net	30,539	30,181
Leases in place	2,916	2,767
Deferred rent	2,120	2,215
Less: Notes payable	(27,249)	(26,961)
Net real assets (GAAP)	8,325	8,203
Members' equity (100%)	9,156	9,189
Less: Net real assets (GAAP)	(8,325)	(8,203)
Total cash and net working capital (real estate entities)	830	986
Less: Restricted cash	(204)	(210)
Cash and net working capital (real estate entities)	626	776
Cash and cash equivalents	7,420	6,358
Less: Cash and net working capital (real estate entities)	(626)	(776)
Adj. Cash and equivalents	**6,794**	**5,582**

Exhibit 8: Reconciliation of Certain Items in Simplified Balance Sheet

This exhibit provides a reconciliation of certain items presented within Exhibit 3. These items have been reconciled to their most comparable GAAP financial measures.

	As of	
(dollars in thousands)	**June 30, 2022**	**December 31, 2022**
Net operating assets (liabilities)		
Accrued investment income	231	267
Premiums and reinsurance balances receivable	3,589	5,458
Ceded unearned premiums	248	43
Deferred policy acquisition costs	116	214
Other assets	1,095	807
Operating assets	**5,279**	**6,790**
Reinsurance balances payable	155	49
Accrued expenses	1,388	1,471
Other liabilities	613	504
Operating lease liability, net	837	870
Less: Right of use asset	-	(149)
Defined benefit plan unfunded liability	215	479
Operating liabilities	**3,208**	**3,224**
Net operating assets (liabilities)	**2,071**	**3,566**
Net insurance liabilities		
Unpaid losses and loss adjusting expenses	9,951	8,480
Unearned premiums	4,444	6,315
Less: Reinsurance balances recoverable on unpaid losses	(1,623)	(1,070)
Net insurance liabilities	**12,772**	**13,725**