**Date:** October 19, 2023

**Subject:** Mid-Year 2023 Update

Dear Shareholders:

I am writing to provide you with some updates on Forge Group, Inc. (the "Company", "we", or "Forge"). During 1H23, we passed the 1-year anniversary mark of our initial stock offering! I am **very pleased** with the progress we have made, and I am appreciative of your support.

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**Operations Update**

We continue to make progress toward executing our long-term business plan, which is expanding our capabilities within the commercial auto insurance segment and building a consistently profitable underwriting operation. As I have mentioned in prior letters, the team at Forge has been hard at work making progress across various dimensions of the business, namely:

- **Brand.** We continue to make low-cost investments in the Forge brand – primarily in the digital marketing area. In addition, our business development professionals have been in the field flying the Forge flag at various agent-focused conferences. We produced our first marketing video which will be located on our digital agent portal. Our agent portal has been branded **FIRE** (Forge Insurance Rating Engine). I'll discuss FIRE in a bit more detail later in the letter.

- **Product.** Our first-generation small business commercial auto product has been filed and approved in all the states in our target geographies. This is a project that began in 2021 and allows us to expand our business into 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.

- **Distribution.** We continued to increase the number of individual insurance agencies with which we have a distribution contract ("contracted distribution partners") during 1H23. 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 1H23, we had 77 active distribution partners, compared to 44 active distribution partners in 1H22, which represents an increase of 75%. We expect this number to increase meaningfully as we move forward – and we expect the broad-based launch of the FIRE agent portal to have a material positive impact on this metric.

- **Technology.** As I mentioned in my prior update letters, for better or worse all roads lead through technology. After considerable work, in late May, we launched our new fully integrated digital insurance operating platform, or "full-stack digital platform" in industry parlance. It has been a long (and at times, frustrating) road to get to this point, and I am incredibly proud of the team's resilience, focus, and hard work. **This marks a major strategic milestone, and it positions Forge to scale meaningfully in the coming years.** We are currently in the process of converting "legacy" business (e.g., policies, claims, etc.) to the new platform and expect this conversion to be completed by year-end. Since the launch of the new platform, we have seen considerable productivity gains (e.g., our capacity to issue quotes has increased by approximately 50% with no additional staffing). This is particularly impressive as the operations team is, in addition to quoting new and renewal business, simultaneously executing the tech system conversion. Once again, we expect this conversion to be completed by year-end, which will free up additional operational capacity as we head into 2024. In addition, a small team is working with our technology partner to finalize the digital agent portal (again, branded **FIRE**). We expect that FIRE will be broadly launched by year-end. The agent portal will allow us to "activate" a large pool of contracted distribution partners that (i) are conditioned to working through a digital portal (not an underwriting email inbox) and (ii) are particularly active in the small business class segment where we expect to grow in the coming years. Once we have broadly launched FIRE to our contracted distribution partners, we expect quoting activity and productivity (e.g., premium revenue per FTE) to increase meaningfully.

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## People Updates

Driving all the operational progress is a fantastic group of Forge associates. We take pride in being "small but mighty" as we look to get to scale; we are lean in terms of headcount, but our associates are all highly productive. Every associate at Forge has had a meaningful impact on our continued positive trajectory. We had a handful of important people-related developments this summer.

In July, Richard Hutchinson, who served as our President and Chief Operating Officer, transitioned to the role of Strategic Adviser. Richard will continue to support Forge and be a valuable resource for us in his new capacity. As you may recall, Richard joined us at the beginning of 2021 after several months of collaboration. Richard is a first-class operator and has been instrumental in guiding our operations over the last ~ 2.5 years. This was particularly critical during 2021 and 2022 as, during this period, I was largely focused on managing the mutual-to-stock conversion transaction. Thanks to Richard's leadership, we were able to pursue parallel paths of (i) executing the long-term business plan and making meaningful progress across all dimensions of our business while (ii) completing our transition from a mutual insurer to a shareholder-owned corporation (culminating in our initial stock offering in March 2022). Richard has decided to pursue an exciting career opportunity (which in no way competes with Forge) and, as a result, has transitioned from a day-to-day role to his current role of Strategic Adviser. While I will miss working with Richard on a day-to-day basis, I'm excited about the next phase of our partnership. And, importantly, I do not expect Forge to miss a beat. Our business is well positioned, and we have a deep and talented senior leadership team, which has recently been bolstered with some new additions (discussed below). Richard remains a "friend of Forge" and one of our largest individual shareholders. We will continue to benefit from Richard's considerable experience. I'd like to publicly thank Richard for all his work over the last ~ 2.5 years and wish him great success in his new venture!

In July and August, we welcomed Dale Willis and Stephanie Taylor to the senior leadership team (bios can be found here). Dale is heading up our product area and one of his core responsibilities will be to ensure that our growth is profitable and that actual product economics (i.e., loss ratio) are in line with expected product economics. Dale brings to Forge considerable industry experience and comes to us at a critical time – as we begin launching our "small business commercial auto" products in the marketplace in earnest via our new tech platform. I'm thrilled to welcome Dale. Stephanie Taylor joined us as our CFO – and we are delighted to have her at Forge. Stephanie brings considerable experience leading teams and will be focused on process improvement and team development in the finance and accounting area – which will help us "up our game" in terms of business analytics and financial planning.

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## Financial Update

During 1H23, we continued to see the positive financial impact of the investments made in the business over the past 18 months. I expect this trend to continue. Below is a summary of key operating metrics for the six months ended June 30, 2023 and 2022, respectively:

| *(dollars in thousands)* | **For the 6 months ended June 30, 2022** | **2023** | **Current vs. Prior Period (%)** |
|---|---|---|---|
| Gross premiums written | 4,699 | 8,546 | 81.8% |
| Net premiums written | 4,422 | 7,878 | 78.2% |
| Net premiums earned | 4,375 | 6,715 | 53.5% |
| Net investment income | 457 | 725 | 58.7% |
| **<u>Operating ratios</u>** | | | |
| Loss and loss adjusting expense ratio | 52.4% | 62.4% | 10.0% |
| Expense ratio | 88.7% | 63.9% | -24.9% |
| **Combined ratio** | **141.1%** | **126.3%** | **-14.8%** |
| Less: Investment ratio | -10.4% | -10.8% | -0.4% |
| **Operating ratio** | **130.7%** | **115.5%** | **-15.2%** |

See Appendix for more detail.

Below is some brief commentary on the key operating metrics:

- **Premiums written and earned.** Gross premiums written were $8.5 million in 1H23, which represents a change of +81.8% 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), (ii) an improvement in business retention (which is largely the result of good work done by our insurance operations team), and (iii) rate increases on renewal business. We continue to get good traction with agents looking for commercial auto insurance alternatives for their clients. Net premiums written were $7.9 million in 1H23, which represents a change of +78.2% versus 1H22. Reinsurance rates have increased (which impacts the amount of premiums we cede to reinsurers and, therefore, retain on a net basis). We made some modifications to our reinsurance treaty at renewal (June 1, 2023) and for the current treaty year we will be increasing our net retention by $100,000, which will somewhat offset the impact of higher reinsurance rates. We primarily purchase reinsurance to dampen earnings volatility (vs. a homeowners' insurer that may purchase catastrophe reinsurance for capital protection). Because we are small, our business is inherently more volatile and any one large claim can have an impact on periodic financial results. As we grow larger, our loss results will become more predictable, and we will have more flexibility in how we structure our reinsurance program. Net premiums earned were $6.7 million in 1H23, which represents a change of +53.5% compared to 1H22. There is a lag between when premium is "written" and when it is "earned", as premium revenue is earned ratably over the term of the policy. In short, premium revenue growth has accelerated and we have very solid momentum as we had into the second half of 2023.

- **Loss and loss adjustment expense ratio (loss ratio)[1].** Our loss ratio was 62.4% in 1H23, which was +10.0% compared to 1H22. In 1H23, claims frequency continued to be stable and in line with our expectations. 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 pleased with our current loss ratio performance and the performance in 1H23 is in-line with our expectations and targets.

[1] Loss and loss adjusting expenses divided by net premiums earned.

- **Expense ratio[2].** As you know from prior letters, we are focused on scaling our expenses through profitable premium revenue growth. This will, in turn, lower our expense ratio and provide a path to sustainable underwriting profitability. Our expense ratio continues to be above our long-term target, but we are making meaningful progress. Our expense ratio for 1H23 was 63.9%, which represents a change of -24.9% compared to 1H22 and -12.7% compared to 2H22. As I have mentioned in prior update letters, 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. With the delivery of our tech platform in 1H23, we are well positioned to continue to leverage our fixed costs.

- **Combined ratio[3] and operating ratio[4].** As I mentioned in prior update letters, 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 prior update letters, 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. Our combined ratio was 126.3% in 1H23, which represents a change of -14.8% compared to 1H22 due to a lower expense ratio in 1H23 compared to 1H22 (which was somewhat offset by an increase in our loss ratio in 1H23 compared to 1H22). Our investment ratio[5] improved in 1H23 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 1H23. Our operating ratio was 115.5% in 1H23, which represents a change of -15.2% compared to 1H22. We remain focused on reaching the first financial milestone of an operating ratio of 100%.

- **Investment performance.** Gross investment income on fixed maturity securities (including redeemable preferred stock) was +53.4% in 1H23 compared to 1H22. This is the result of: (i) a higher balance of earning assets in 1H23 compared to 1H22 (we started 1H23 with a balance of fixed maturity securities that was +29.5% compared to the starting balance in 1H22) and (ii) higher yields on new securities acquired due to the increase in prevailing interest rates. As I discussed prior letters, 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 (or give back any unrealized gains) on these securities over time. Our equities (perpetual preferred, common stocks, and other assets) generated a total return of +8.7% for 1H23. Most of our equities (and investments in funds that own equities) have a "small cap" bias. The stocks of 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

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

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).

- **Book value per share.** As of June 30, 2023, our adjusted book value per common share equivalent was $19.46[6] and our adjusted tangible book value per common share equivalent was $17.19[7]. 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.

We are holding our 2023 shareholder meeting on November 2, 2023. You should have received formal notice 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

[6] See Appendix for more information on this non-GAAP metric.
[7] See Appendix for more information on this non-GAAP metric.

## 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.

| *(dollars in thousands except for per-share items)* | **As of December 31, 2022** | **As of June 30, 2023** |
|---|---|---|
| **Calculation of Numerators** | | |
| Total equity | 45,932 | 45,504 |
| Less: Noncontrolling interest | (708) | (713) |
| **GAAP book value** | **45,224** | **44,791** |
| Less: Accumulated other comprehensive (income) loss (AOCI) | 2,810 | 2,644 |
| **GAAP book value excluding AOCI** | **48,035** | **47,435** |
| Add: Theoretical proceeds from exercise of options [1] | 1,800 | 2,014 |
| Add: Non-GAAP real estate adjustments, net [2] | 3,663 | 3,834 |
| **Adjusted book value (numerator)** | **53,497** | **53,283** |
| Less: Goodwill and other intangibles | (6,343) | (6,210) |
| **Adjusted tangible book value (numerator)** | **47,154** | **47,073** |
| **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 | 30 |
| Common shares issuable upon exercise of outstanding options [5] | 180 | 200 |
| **Common share equivalents (denominator)** | **2,703** | **2,738** |
| **Non-GAAP Measures** | | |
| **Adjusted book value per common share equivalent [6]** | **$19.79** | **$19.46** |
| **Adjusted tangible book value per common share equivalent [7]** | **$17.44** | **$17.19** |

**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 June 30, | |
|---|---|---|
| *(dollars in thousands)* | **2022** | **2023** |
| **Insurance operations** | | |
| **Revenues** | | |
| Net premiums earned | 4,375 | 6,715 |
| **Revenues** | **4,375** | **6,715** |
| **Expenses** | | |
| Loss and loss adjusting expense | 2,292 | 4,192 |
| Operating expenses [1] | 3,881 | 4,288 |
| **Expenses** | **6,173** | **8,480** |
| **Underwriting gain (loss)** | **(1,799)** | **(1,765)** |
| Add: Net investment income | 457 | 725 |
| **Income (loss) before income taxes** | **(1,342)** | **(1,040)** |
| **Operating ratios** | | |
| Loss and loss adjusting expense ratio | 52.4% | 62.4% |
| Expense ratio | 88.7% | 63.9% |
| **Combined ratio** | **141.1%** | **126.3%** |
| Less: Investment ratio | -10.4% | -10.8% |
| **Operating ratio** | **130.7%** | **115.5%** |
| **Other activities** | | |
| Real estate operations [2] | (87) | (84) |
| Net realized and unrealized gains (losses) | (1,869) | 478 |
| Non-recurring transaction items [3] | (8,049) | - |
| Other non-recurring items [4] | 401 | - |
| **Income (loss) before income taxes** | **(9,604)** | **394** |
| **Consolidated** | | |
| **Income (loss) before income taxes** | **(10,946)** | **(646)** |

**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)* | **December 31, 2022** | **June 30, 2023** |
| **Assets** | | |
| Adj. Cash and equivalents [1] | 5,582 | 4,745 |
| Fixed maturities and redeemable preferred, at fair value | 27,551 | 28,475 |
| Perpetual preferred and common stocks (incl. other), at fair value | 7,426 | 7,890 |
| Real estate, net of noncontrolling interest [2] | 8,481 | 8,550 |
| **Net cash and investments** | **49,040** | **49,661** |
| Net operating and other assets (liabilities) [3] | 3,566 | 5,120 |
| Goodwill and other intangibles | 6,343 | 6,210 |
| **Total assets** | **58,949** | **60,990** |
| **Liabilities & Equity** | | |
| Net insurance liabilities [4] | 13,725 | 16,200 |
| Total equity, net of noncontrolling interest | 45,224 | 44,791 |
| **Total liabilities and equity** | **58,949** | **60,991** |

**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 | |
|---|---|---|
| | June 30, 2023 | |
| *(dollars in thousands)* | **$ Value** | **% Total** |
| **Allocation summary** | | |
| Adj. Cash and equivalents [1] | 4,745 | 9.3% |
| Fixed maturities and redeemable preferred, at amortized cost | 30,070 | 58.7% |
| Perpetual preferred and common stocks (incl. other) | 7,890 | 15.4% |
| Real estate, net of noncontrolling interest [2] | 8,550 | 16.7% |
| **Cash and investments** | **51,255** | **100.0%** |

**Performance summary**

| | For the 6 months ended June 30, | |
|---|---|---|
| *(dollars in thousands)* | **2022** | **2023** |
| **Fixed maturities and redeemable preferred** | | |
| Beginning, amortized cost | 22,672 | 29,355 |
| Ending, amortized cost | 29,205 | 30,070 |
| **Average, amortized cost** | **25,938** | **29,713** |
| Investment income | 486 | 745 |
| **% Income return (6-month periods annualized)** | **3.7%** | **5.0%** |
| **Perpetual preferred and common stocks (incl. other)** | | |
| Beginning, fair value | 8,669 | 7,426 |
| Ending, fair value | 7,508 | 7,890 |
| **Average, fair value** | **8,088** | **7,658** |
| Investment income | 57 | 60 |
| Unrealized gains (losses) on equity securities, net | (1,888) | 604 |
| Total return | (1,831) | 664 |
| **% Total return (6-month periods not annualized)** | **-22.6%** | **8.7%** |
| **Real estate** | | |
| Real assets (Non-GAAP) [3] | 40,300 | 40,054 |
| Notes payable (Non-GAAP) [4] | 28,129 | 27,771 |
| Income from real estate held for investment (annualized) | 2,373 | 2,224 |
| Annualized income as % Real assets (Non-GAAP) | 5.9% | 5.6% |
| EBITDA (annualized) [5] | 2,192 | 2,019 |
| Debt service (annualized) [6] | 1,860 | 1,908 |
| Debt service coverage (EBITDA ÷ debt service) | 1.2 x | 1.1 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)* | **December 31, 2022** | **June 30, 2023** |
| Real estate held for the production of income, net | 30,181 | 29,849 |
| Add: Leases in place | 2,767 | 2,635 |
| Add: Deferred rent [1] | 2,215 | 2,294 |
| **Real assets (GAAP)** | **35,164** | **34,779** |
| Add: Accumulated depreciation [2] | 5,288 | 5,620 |
| Add: Accumulated amortization [3] | 2,064 | 1,950 |
| Less: Deferred rent | (2,215) | (2,294) |
| **Real assets (Non-GAAP) [4]** | **40,300** | **40,054** |
| | | |
| **Notes payable, net (GAAP)** | **26,961** | **26,650** |
| Add: Unamortized finance costs | 1,168 | 1,121 |
| **Notes payable (Non-GAAP) [5]** | **28,129** | **27,771** |
| | | |
| Net real assets (Non-GAAP) [6] | 12,171 | 12,283 |
| Less: Net real assets (GAAP) [7] | (8,203) | (8,129) |
| **Non-GAAP adjustments [8]** | 3,968 | 4,154 |
| Less: Noncontrolling interest [9] | (306) | (320) |
| **Non-GAAP real estate adjustments, net** | **3,663** | **3,834** |

**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 June 30, | |
|---|---|---|
| *(dollars in thousands)* | **2022** | **2023** |
| **Operating expenses** | | |
| Policy acquisition costs and other operating expenses | 3,433 | 4,241 |
| Related party commissions | 410 | - |
| Lease expense | 87 | 106 |
| Less: Sublease income | (48) | (82) |
| Depreciation and amortization (excl. real estate) [1] | 109 | 134 |
| Less: Service fee and other income | (110) | (110) |
| **Operating expenses** | **3,881** | **4,288** |
| **Real estate operations** | | |
| Income from real estate held for investment | 1,187 | 1,112 |
| Less: Depreciation and amortization (real estate) [2, 3] | (579) | (511) |
| Less: Real estate operating expense | (91) | (102) |
| Less: Interest expense | (604) | (583) |
| **Income (loss) before income taxes** | **(87)** | **(84)** |
| **Non-recurring transaction items** | | |
| Policyholder dividend | (7,300) | - |
| Settlement loss on acquisition | (749) | - |
| **Income (loss) before income taxes** | **(8,049)** | **-** |
| **Other non-recurring items** | | |
| Gain on extinguishment of related party loan | 401 | - |
| **Income (loss) before income taxes** | **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)* | **December 31, 2022** | **June 30, 2023** |
| **Real estate, net of noncontrolling interest** | | |
| Noncontrolling interest | 708 | 713 |
| Noncontrolling interest ownership (%) | 7.7% | 7.7% |
| Members' equity (100%) | 9,189 | 9,264 |
| Less: Noncontrolling interest | (708) | (713) |
| **Real estate, net of noncontrolling interest** | **8,481** | **8,550** |
| **Adj. Cash and equivalents** | | |
| Real estate held for the production of income, net | 30,181 | 29,849 |
| Leases in place | 2,767 | 2,635 |
| Deferred rent | 2,215 | 2,294 |
| Less: Notes payable | (26,961) | (26,650) |
| Net real assets (GAAP) | 8,203 | 8,129 |
| Members' equity (100%) | 9,189 | 9,264 |
| Less: Net real assets (GAAP) | (8,203) | (8,129) |
| Total cash and net working capital (real estate entities) | 986 | 1,134 |
| Less: Restricted cash | (210) | (220) |
| Cash and net working capital (real estate entities) | 776 | 914 |
| Cash and cash equivalents | 6,358 | 5,659 |
| Less: Cash and net working capital (real estate entities) | (776) | (914) |
| **Adj. Cash and equivalents** | **5,582** | **4,745** |

## 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)* | December 31, 2022 | June 30, 2023 |
| **Net operating assets (liabilities)** | | |
| Accrued investment income | 267 | 238 |
| Premiums and reinsurance balances receivable | 5,458 | 6,141 |
| Ceded unearned premiums | 43 | 95 |
| Deferred policy acquisition costs | 214 | 254 |
| Prepaid expenses and other assets | 807 | 1,783 |
| **Operating assets** | **6,790** | **8,510** |
| Reinsurance balances payable | 49 | - |
| Accrued expenses | 1,471 | 1,691 |
| Other liabilities | 504 | 547 |
| Operating lease liability, net | 870 | 802 |
| Less: Right of use asset | (149) | (146) |
| Defined benefit plan unfunded liability | 479 | 497 |
| **Operating liabilities** | **3,224** | **3,391** |
| **Net operating assets (liabilities)** | **3,566** | **5,120** |
| **Net insurance liabilities** | | |
| Unpaid losses and loss adjusting expenses | 8,480 | 9,936 |
| Unearned premiums | 6,315 | 7,530 |
| Less: Reinsurance balances recoverable on unpaid losses | (1,070) | (1,266) |
| **Net insurance liabilities** | **13,725** | **16,200** |