

Butterfly 2013 Trust (GRAT)  
 Memorandum Regarding 12/31/14 Requirements  
 January 15, 2015

On December 31 2013, Jeffrey E. Epstein (the "Taxpayer" or "Grantor") transferred 1000 shares (100%) of Mort, Inc. (the "Mort Shares") to the Butterfly 2013 Trust (a Grantor Retained Annuity Trust ("GRAT")), in which the Taxpayer retained a "qualified annuity interest" within the meaning of "Treasury Regulation" section 25.2702-3, constituting a "qualified interest" within the meaning of IRC Section 2702(b)(1). A copy of the GRAT is attached hereto as Exhibit A.

The term of the GRAT is 2 years. The Taxpayer retained the right to receive during the GRAT term, on the first anniversary of the funding of the GRAT, a fixed amount equal to 51.50391% of the initial fair market value (as finally determined for federal gift tax purposes) of the property transferred by the taxpayer to the GRAT and, on the second anniversary of the funding of the GRAT, a fixed amount equal to 100% of the of the amount to which he was entitled to receive on the first anniversary of the funding date. Given the initial fair market value of \$10 million, the annuity payments are \$5,150,391. Any amount not able to be paid in cash on the first anniversary date will be paid by returning Mort Shares to the Grantor at the then fair market value.

CONCLUSION:

Mort, Inc. is valued at \$15,668,692 (see below computation) at 12/31/14. The GRAT Annuity payment will be effected by returning 328.705 Mort Inc shares to the Grantor.

Computation of Value of Mort Inc., and shares transferred in lieu of Annuity payment:

Series 5 pfd Value**	\$11.26756 x 695,301 Shs =	\$7,834,346
Common Value	(equal to Preferred Value)	<u>\$ 7,834,346</u>
Total Value of Mort, Inc.		\$15,668,692
Annuity Payment on December 31, 2014		\$ 5,150,391
Percentage of Mort Shares necessary to transfer the Annuity Payment Value to Taxpayer		32.8705%
Number of shares to be transferred (1,000 x 32.8705%)		328.705

\*\*Explanation of Valuation at December 31, 2013:

The initial purchase of AliphCom Stock by Mort, Inc. was as follows:

Series 5 Preferred	695,301 Shares	X \$7.19113 =	\$5,000,000
Common Stock	1,260,233 Shares	X \$3.96792 =	<u>\$5,000,000</u>
Total Value at date of purchase and inception of GRAT at 12/31/13			<u>\$10,000,000</u>

During the latter part of 2014, there was a new AliphCom Series 6 Preferred Offering of Shares which was sold to new purchasers at a share value of \$11.26756 per share. Therefore using the same offering price, this would give the Series 5 Preferred shares the same value per share, \$11.26756. In addition, Since Common Stock held was of equivalent value on the initial purchase, it is assumed that the value of the Common Stock Holdings are equal to the Preferred Holdings.