



ROCKEFELLER & CO.

Rockefeller Financial Services, Inc. and Subsidiary

**Consolidated Financial Statements for the
Years Ended December 31, 2015 and 2014
and Independent Auditors' Report**

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ROCKEFELLER FINANCIAL SERVICES, INC. AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Rockefeller Financial Services, Inc.:

We have audited the accompanying consolidated financial statements of Rockefeller Financial Services, Inc. and its subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rockefeller Financial Services, Inc. and its subsidiary as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

March 30, 2016

ROCKEFELLER FINANCIAL SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2015 AND 2014

(Dollars in Thousands, Except Par Values)

| | 2015 | 2014 |
|--|-------------------|------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 65,081 | \$ 71,312 |
| Restricted cash | - | 600 |
| Held-to-maturity investment securities | 21,222 | 11,591 |
| Trading securities | 6,084 | 3,004 |
| Receivables and accrued revenue | 3,159 | 2,146 |
| Income taxes receivable | 486 | - |
| Investments in partnerships | 299 | 684 |
| Property and equipment, net of accumulated depreciation and amortization of \$7,133 in 2015 and \$12,073 in 2014 | 1,771 | 3,391 |
| Deferred tax assets, net | 20,428 | 72 |
| Other | 3,326 | 2,839 |
| Assets held for sale | 2,513 | - |
| TOTAL ASSETS | \$ 124,369 | \$ 95,639 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| LIABILITIES: | | |
| Payables and accrued liabilities | \$ 16,483 | \$ 15,665 |
| Income taxes payable | - | 18 |
| Deferred rent expense | 1,642 | 2,855 |
| Accrued postretirement benefits | 3,694 | 4,353 |
| Liabilities held for sale | 1,462 | - |
| Total liabilities | 23,281 | 22,891 |
| COMMITMENTS AND CONTINGENCIES (Note 14) | | |
| STOCKHOLDERS' EQUITY: | | |
| Class A common stock, \$1 par value; authorized: 50,000 shares; issued and outstanding: 36,800 shares | 37 | 37 |
| Class B common stock, \$1 par value; authorized: 100,000 shares; issued: 2015, 75,242 shares; 2014, 74,847 shares; outstanding: 2015, 74,869 shares; 2014, 74,112 shares | 75 | 75 |
| Additional paid-in capital | 137,085 | 135,362 |
| Note receivable from Class A stockholder | (1,600) | (1,600) |
| Accumulated deficit | (35,731) | (61,487) |
| Accumulated other comprehensive income | 1,847 | 1,491 |
| Treasury stock, at cost (Class B common): 2015, 373 shares; 2014, 735 shares | (625) | (1,130) |
| Total stockholders' equity | 101,088 | 72,748 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 124,369 | \$ 95,639 |

The accompanying notes are an integral part of these consolidated financial statements.

ROCKEFELLER FINANCIAL SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands)

| | 2015 | 2014 |
|---|------------------|-----------------|
| REVENUE | | |
| Investment management fees | \$ 49,852 | \$ 47,890 |
| Professional and administrative services fees | 24,082 | 26,533 |
| Trust and estate services fees | 14,984 | 15,075 |
| Gains on trading securities | 73 | 180 |
| Partnership income | 39 | 52 |
| Interest and other | 461 | 570 |
| Total revenue | <u>89,491</u> | <u>90,300</u> |
| EXPENSES | | |
| Employee compensation and benefits | 56,693 | 55,749 |
| Professional fees | 6,751 | 7,167 |
| Occupancy | 6,921 | 7,033 |
| General and administrative | 5,153 | 5,040 |
| Marketing and communication | 5,056 | 4,673 |
| Travel and entertainment | 1,177 | 975 |
| Depreciation and amortization | 1,170 | 1,396 |
| Loss on asset held for sale | 989 | - |
| Total expenses | <u>83,910</u> | <u>82,033</u> |
| Income before income taxes | 5,581 | 8,267 |
| INCOME TAX (BENEFIT) PROVISION | <u>(20,175)</u> | <u>586</u> |
| NET INCOME | <u>\$ 25,756</u> | <u>\$ 7,681</u> |

The accompanying notes are an integral part of these consolidated financial statements.

ROCKEFELLER FINANCIAL SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands)

| | 2015 | 2014 |
|--------------------------------------|------------------|-----------------|
| NET INCOME | <u>\$ 25,756</u> | <u>\$ 7,681</u> |
| Other comprehensive income (loss): | | |
| Postretirement benefit plans: | | |
| Net gain arising during the year | 716 | 80 |
| Amortization of prior service credit | - | (37) |
| Amortization of net gain | <u>(122)</u> | <u>(166)</u> |
| | 594 | (123) |
| Deferred income taxes | <u>238</u> | <u>14</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) | <u>356</u> | <u>(137)</u> |
| TOTAL COMPREHENSIVE INCOME | <u>\$ 26,112</u> | <u>\$ 7,544</u> |

The accompanying notes are an integral part of these consolidated financial statements.

ROCKEFELLER FINANCIAL SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2015 AND 2014

(Dollars in Thousands)

| | Class A Common Stock | Class B Common Stock | Additional Paid-in Capital | Note Receivable From Class A Stockholder | Accumulated Deficit | Accumulated Other Comprehensive Income | Treasury Stock, at Cost | Total |
|--|----------------------------|----------------------------|----------------------------------|---|------------------------|---|-------------------------------|-------------------|
| BALANCE, JANUARY 1, 2014 | \$ 37 | \$ 72 | \$ 132,359 | \$ - | \$ (69,168) | \$ 1,628 | \$ (65) | \$ 64,863 |
| Distributions of 3,421 Class B shares | | 3 | (603) | | | | 662 | 62 |
| Repurchases of 1,123 Class B shares | | | 82 | | | | (1,727) | (1,645) |
| Loan made to Class A stockholder | | | | (1,600) | | | | (1,600) |
| Stock-based compensation expense | | | 3,426 | | | | | 3,426 |
| Tax benefit from exercise of stock options | | | 98 | | | | | 98 |
| Net income | | | | | 7,681 | | | 7,681 |
| Other comprehensive loss | | | | | | (137) | | (137) |
| BALANCE, DECEMBER 31, 2014 | <u>37</u> | <u>75</u> | <u>135,362</u> | <u>(1,600)</u> | <u>(61,487)</u> | <u>1,491</u> | <u>(1,130)</u> | <u>72,748</u> |
| Distributions of 1,259 Class B shares | | | (1,304) | | | | 1,347 | 43 |
| Repurchases of 502 Class B shares | | | 54 | | | | (842) | (788) |
| Stock-based compensation expense | | | 2,973 | | | | | 2,973 |
| Tax benefit from exercise of stock options | | | - | | | | | - |
| Net income | | | | | 25,756 | | | 25,756 |
| Other comprehensive income | | | | | | 356 | | 356 |
| BALANCE, DECEMBER 31, 2015 | <u>\$ 37</u> | <u>\$ 75</u> | <u>\$ 137,085</u> | <u>\$ (1,600)</u> | <u>\$ (35,731)</u> | <u>\$ 1,847</u> | <u>\$ (625)</u> | <u>\$ 101,088</u> |

The accompanying notes are an integral part of these consolidated financial statements.

ROCKEFELLER FINANCIAL SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands)

| | 2015 | 2014 |
|--|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 25,756 | \$ 7,681 |
| Adjustments to reconcile net income to net cash provided by operating activities - | | |
| Deferred income tax (benefit) expense | (20,638) | 88 |
| Stock-based compensation expense | 2,973 | 3,426 |
| Depreciation and amortization | 1,170 | 1,396 |
| Deferred rent expense | (468) | (35) |
| Loss on asset held for sale | 385 | - |
| Partnership income | (39) | (52) |
| Investment management performance fees | (15) | (317) |
| Other, net | (38) | (22) |
| Net changes in assets and liabilities - | | |
| Trading securities | (3,080) | (1,186) |
| Receivables and accrued revenue | (1,047) | 242 |
| Income taxes receivable/payable | (504) | 108 |
| Other assets | (814) | 771 |
| Payables and accrued liabilities | 1,587 | (700) |
| Accrued postretirement benefits | (65) | (124) |
| Total adjustments | <u>(20,593)</u> | <u>3,595</u> |
| Net cash provided by operating activities | <u>5,163</u> | <u>11,276</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Net changes in restricted cash | 66 | 67 |
| Purchases of held-to-maturity investment securities | (21,110) | (22,988) |
| Maturities of held-to-maturity investment securities | 11,500 | 22,500 |
| Withdrawals and distributions from partnerships | 439 | 783 |
| Purchases of property and equipment | <u>(1,050)</u> | <u>(182)</u> |
| Net cash (used in) provided by investing activities | <u>(10,155)</u> | <u>180</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Issuance of additional Class B common stock shares | 43 | 62 |
| Loan made to Class A stockholder | - | (1,600) |
| Purchases of treasury stock (Class B shares) | <u>(788)</u> | <u>(1,645)</u> |
| Net cash used in financing activities | <u>(745)</u> | <u>(3,183)</u> |
| Net (decrease) increase in cash and cash equivalents | (5,737) | 8,273 |
| CASH AND CASH EQUIVALENTS, JANUARY 1 | <u>71,312</u> | <u>63,039</u> |
| CASH AND CASH EQUIVALENTS, DECEMBER 31 | <u>\$ 65,575</u> | <u>\$ 71,312</u> |

Continued on next page.

The accompanying notes are an integral part of these consolidated financial statements.

ROCKEFELLER FINANCIAL SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued) YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands)

| | 2015 | 2014 |
|---|--------|--------|
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| Income taxes paid | \$ 874 | \$ 383 |
| Issuance of Class B common stock shares for vested restricted stock units and exercised stock options | 2,069 | 5,200 |

The accompanying notes are an integral part of these consolidated financial statements.

ROCKEFELLER FINANCIAL SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

(Dollars in Thousands, Except Par, Unit and Share Values)

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Rockefeller Financial Services, Inc. ("RFS") and its wholly-owned subsidiary, Rockefeller & Co., Inc. ("Rock. & Co." and together, the "Company"), provide individual clients and institutions, including Rockefeller family members, other families and individuals, trusts and estates, foundations, endowments and investment funds, with a broad range of wealth management services. These services include portfolio management, fiduciary and financial advisory, information management, tax and accounting, as well as various administrative services. Rock. & Co. is an investment adviser registered with the United States Securities and Exchange Commission. Rock. & Co. wholly owns Rokit Solutions, LLC ("RSLLC"), the Company's information management business, as well as two limited purpose trust companies, one nationally chartered and one operating in Delaware. On December 24, 2015, Rock. & Co. entered into an agreement to sell RSLLC to an unaffiliated party, and to engage RSLLC subsequently to provide information management services to the Company (see Notes 2, 3 and 15).

RFS's sole voting (Class A) stockholder is The Family Trust Established Under Indenture Dated December 21, 1979 (the "Family Trust"), which was established for the benefit of the descendants of the six children of John D. Rockefeller, Jr. and the spouses of such descendants. Nonvoting (Class B) common stock is held by RIT Capital Partners, plc ("RIT"), a London-listed investment trust (see Note 7), as well as by members of the Rockefeller family and various trusts established for their benefit, certain directors of the Company and key employees through vested awards made under the Rockefeller Financial Services, Inc. Stock Incentive Plan (the "SIP") (see Note 8).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP")

As of December 31, 2015, RSLLC was an asset held for sale and, accordingly, its assets and liabilities were written down to their fair value as of that date, which is the value at which they were sold on February 1, 2016. In addition, the Company recognized, as of December 31, 2015, all direct costs incurred to complete the sale transaction.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires Management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates and assumptions and such differences could be material.

Reclassification

A previously reported 2014 amount has been reclassified to conform with the 2015 presentation. This reclassification was limited to the consolidated Balance Sheets and footnote 6 and did not impact the other consolidated financial statements. Specially, the Company reclassified \$634 of "Software Applications, net" to "Property and Equipment, net."

Principles of Consolidation

The Company consolidates all entities that it controls through a majority voting interest. All intercompany transactions and balances have been eliminated in consolidation. The Company's consolidated financial statements do not include the accounts of the investment partnerships for which the Company serves as general partner, since the limited partners hold substantive rights which are sufficient to overcome a presumption of control by the general partner.

Accounting standards related to variable interest entities ("VIEs") specify the approach to be taken in identifying VIEs and determining the primary beneficiary, require continuous assessment of the involvement with VIEs and provide a deferral for interests in an entity that meets specific conditions. As required under these standards, the Company performs a consolidation analysis for entities that qualify for such deferral in accordance with previously issued guidance on VIEs. The Company's involvement with its investment partnerships is such that all of the specified conditions for deferral are met.

Asset Held for Sale

As of December 31, 2015, Management determined that RSLLC was a long-lived asset held for sale. Therefore, as of that date, the subsidiary's assets and liabilities were re-measured at the lower of their carrying amount or fair value less direct costs to sell. As a result, the Company recognized a loss, which is reported as a separate line item in the consolidated Statements of Operations. RSLLC's assets and liabilities have been segregated in the December 31, 2015 consolidated Balance Sheet.

Revenue Recognition

The Company's fees revenue is generally recognized as services are provided to clients.

Investment management fees represent charges to clients' managed accounts, investment partnerships and advised and subadvised mutual funds for portfolio management, asset allocation and related financial advisory services. These fees are most commonly determined as a percentage of the fair value of the assets under management. The Company can earn performance fees from certain of the investment partnerships in accordance with specific investment agreement terms. The Company recognizes performance fee revenue at the point when it is certain that the fee income has been earned.

Professional and administrative services fees represent revenue from providing information management, tax and accounting, payroll and employee benefits administration and other administrative services to clients. These fees are based on either fixed fee agreements or billed actual hours expended by the Company's employees in providing the services. Fees

for information management and tax and accounting services provided to investment funds are based on the fair value of the assets administered.

Trust and estate services fees encompass charges to the trust subsidiaries' clients for both portfolio management and trust or estate administration. Fees from trusts are generally calculated as a percentage of the fair value of assets under administration. The Company's fees for the administration of estates may be subject to approval by the relevant state surrogate's court, which is granted only following the actual provision of most or all of the services. In such cases, the Company recognizes fee revenue at the point when it becomes fixed and determinable.

Cash and Cash Equivalents

Cash and cash equivalents consist of interest-bearing and noninterest-bearing unrestricted deposit accounts with banks, and U.S. Treasury money market mutual funds on which there are no withdrawal restrictions and which are carried at their fair value (the net asset value as reported by the fund manager).

Restricted Cash

Restricted cash represents funds held in a bank savings account as required collateral for a letter of credit. The Company may not draw on this balance (see Note 14).

Held-to-Maturity Investment Securities

Held-to-maturity investment securities consist of U.S. Treasury Bills and Notes with remaining maturities upon acquisition in excess of three months, which the Company has the positive intent and ability to hold to maturity. These are carried at amortized cost.

Trading Securities and Related Gains/Losses

Trading securities consist of Company-owned global and U.S. portfolios of exchange traded equity securities, a domestic fixed income portfolio and a mortgage-backed securities mutual fund, each of which are carried at fair value using quoted market prices. Gains/losses on trading securities include all realized and unrealized gains/losses.

Investments in Partnerships and Related Income/Losses

The Company has general partner interests in limited partnerships in which it serves as Managing Partner. These general partner interests are accounted for using the equity method of accounting, with the results reported in the Company's consolidated statements of operations as partnership income/losses.

The limited partnerships invest in marketable securities, which are valued at quoted market prices, as well as in unaffiliated partnerships which invest in unquoted securities, with the latter carried at fair value as estimated by each partnership's general partner in the absence of readily ascertainable market values. Because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values which would have been used had a ready market for the investments existed, and such differences could be material.

Property and Equipment, including Depreciation and Amortization

Property and equipment are carried at cost less accumulated depreciation and amortization. Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful life of the improvement or the remaining term of the lease. Information technology and other equipment, as well as furniture, are depreciated using the straight-line method, over the assets' estimated useful lives, which range from three to eight years. Lease-signing incentives received in the form of leasehold improvements, furniture or equipment are capitalized at their estimated fair value and amortized or depreciated using the same lives and methods as if purchased.

Expenditures for the purchase or multi-year licensing of software are capitalized and amortized on a straight-line basis, generally over the license term (if applicable) or periods ranging from 36 – 96 months. For internal-use computer software development projects, which were completed by June 30, 2011, the Company capitalized both external and direct internal costs (employee compensation and benefits) for qualifying processes of the projects' application development stage. There were no such development projects subsequent to that date.

Stock-Based Compensation Expense

The SIP provides for the issuance of various equity-based incentive awards (see Note 8). Awards made through December 31, 2015 had vesting criteria ranging from immediate vesting to a service-vesting criterion of up to 51 months of continuous service. The compensation cost resulting from these awards is measured using the fair value at the date of grant and is either recognized immediately or amortized on a straight-line basis over the vesting period, depending on each award's terms. This cost is charged to employee compensation and benefits expense and credited to additional paid-in capital, a component of stockholders' equity.

Note Receivable from Class A Stockholder

On December 1, 2014, RFS made a \$1,600 term loan to the Family Trust (see Note 9). The note receivable balance arising from this loan is an element of stockholders' equity, because not all of its terms are comparable to those which would be expected to be available to the borrower from unaffiliated sources of funds.

Postretirement Benefits

The Company recognizes the underfunded status of its defined benefit postretirement plans – measured as the difference between the benefit obligation and the fair value of plan assets – as a balance sheet liability. In addition, unrecognized actuarial gains and losses and unrecognized prior service costs and credits are recognized as the sole component of accumulated other comprehensive income, an element of stockholders' equity. The changes in these unrecognized amounts are reported, net of deferred income taxes, in the consolidated statements of comprehensive income.

Treasury Stock

Shares of RFS Class B common stock which, upon repurchase, are deemed likely to be reissued are classified as treasury stock and carried at their cost. Upon reissuance, the

treasury stock account is relieved at the weighted average cost of all shares held. Gains are credited to additional paid-in capital. Losses are charged to the same account to the extent of prior gains recorded; losses in excess of prior gains are charged to accumulated deficit.

Income Taxes

Deferred income taxes are provided for the temporary difference between the financial reporting basis and tax basis of the Company's assets and liabilities as well as for net operating loss carryforwards. Deferred tax assets result principally from recording certain expenses and charges in the consolidated financial statements which are not currently deductible for tax purposes. Deferred tax liabilities result principally from items which are currently deductible for tax purposes but have not yet been expensed or charged in the consolidated financial statements. A valuation allowance is recorded to offset the carrying amounts of deferred tax assets unless it is more likely than not such assets will be realized.

The Company evaluates uncertain tax positions by monitoring published rulings from federal, state and local taxing authorities for their potential applicability to and impacts upon the tax positions taken in its income tax returns. If the Company considers that a tax position is "more-likely-than-not" to be sustained upon audit, based solely on the technical merits of the position, it recognizes the tax benefit. The Company measures the recognized tax benefit by determining the largest amount that is greater than 50 percent likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. To the extent that the Company's estimates change or the final tax outcome of these matters should be different than the amounts recorded, the differences will impact the income tax provision in the period in which such determinations are made.

The Company recognizes any income tax-related penalties and interest as part of its income tax provision in the consolidated statements of operations.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued a new accounting standard in order to clarify the principles for revenue recognition. This new standard requires revenue to be recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for contracted goods or services. This accounting standard is effective for the Company in 2018, with early adoption conditionally permitted. Management is currently assessing the impact this accounting standard will have on the Company's consolidated financial statements.

In August 2014, the FASB issued a new accounting standard on determining when and how to evaluate and disclose going-concern uncertainties in the financial statements. The new standard requires that Management evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are available to be issued. An entity must then make certain disclosures if conditions or events raise substantial doubt about its ability to continue as a going concern. This new standard is effective for the Company's 2016 consolidated financial statements. Management is currently evaluating the impact of adopting this standard.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

In January 2016, the FASB issued a new accounting standard on leases that requires entities recognize on their balance sheet an asset representing the right to use the underlying asset over the lease term and a lease liability representing the obligation to make lease payments. The standard also requires disclosure of qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. This new standard will be effective for the Company in 2020, with early adoption permitted. Management is currently assessing the impact this accounting standard will have on the Company's consolidated financial statements.

3. ASSET HELD FOR SALE

The terms of Rock. & Co.'s agreement for the sale of RSLLC called for sale proceeds equal to RSLLC's net worth as of January 31, 2016. In total, the Company realized a loss of \$989 on the sale, which represented its costs to sell. As part of the sale agreement, Rock. & Co. engaged RSLLC to provide information management services to the Company for a period of five years.

As of December 31, 2015, the assets and liabilities of RSLLC, stated at their respective fair value amounts, were as follows:

| | |
|---|-----------------|
| ASSETS | |
| Cash and cash equivalents | \$ 494 |
| Restricted cash | 534 |
| Receivables and accrued revenue | 25 |
| Property and equipment, net of accumulated depreciation and amortization of \$3,662 | 1,115 |
| Other | 345 |
| TOTAL ASSETS HELD FOR SALE | <u>\$ 2,513</u> |
| LIABILITIES | |
| Payables and accrued liabilities | \$ 726 |
| Deferred rent expense | 736 |
| TOTAL LIABILITIES HELD FOR SALE | <u>\$ 1,462</u> |

RSLLC's future minimum lease commitments, excluding escalation, for its office premises are listed below. These amounts are included in those reported in Note 14.

| | |
|------|----------|
| 2016 | \$ 1,007 |
| 2017 | 1,088 |
| 2018 | 1,095 |
| 2019 | 1,034 |
| 2020 | 900 |

At December 31, 2015, RSLLC had a \$534 letter of credit as required security for an office sublease with a remaining term of five years. The letter of credit has automatic annual extensions and a final expiration date of no later than January 31, 2021. The sublease

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

provides for annual \$67 reductions in the letter of credit security for the next two years, after which it will remain at \$400 for the balance of the sublease term. The letter of credit was collateralized by a restricted cash deposit.

4. HELD-TO-MATURITY INVESTMENT SECURITIES

The amortized cost and fair value of the held-to-maturity investment securities as of December 31, 2015 and 2014 were as follows:

| | <u>Amortized Cost</u> | <u>Gross Unrealized</u> | | <u>Fair Value</u> |
|--|---------------------------|-------------------------|----------------|-------------------|
| | | <u>Gains</u> | <u>Losses</u> | |
| 2015 | | | | |
| U.S. Treasury Bills due within one year | \$ 21,122 | \$ - | \$ (18) | \$ 21,104 |
| U.S. Treasury Note due within one year | 100 | - | - | 100 |
| | <u>\$ 21,222</u> | <u>\$ -</u> | <u>\$ (18)</u> | <u>\$ 21,204</u> |
| 2014 | | | | |
| U.S. Treasury Bills due within one year | \$ 11,490 | \$ - | \$ (8) | \$ 11,482 |
| U.S. Treasury Note due after one year through three years | 101 | - | - | 101 |
| | <u>\$ 11,591</u> | <u>\$ -</u> | <u>\$ (8)</u> | <u>\$ 11,583</u> |

At both dates, the securities' fair values were determined using quoted prices.

At both December 31, 2015 and 2014, a \$100 (face value) U.S. Treasury Note was pledged to a state Treasurer, as a requirement to provide trust services in that state.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories, based on inputs:

Level I – Assets are valued at unadjusted quoted prices for identical assets in active markets that the Company has the ability to access.

Level II – Assets are valued at quoted prices for similar or identical assets in inactive markets.

Level III – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Company's assets at fair value as of December 31, 2015 and 2014:

| | <u>Level I</u> | <u>Level II</u> | <u>Level III</u> | <u>Total</u> |
|------------------------------------|------------------|-----------------|------------------|------------------|
| <i>2015</i> | | | | |
| Cash equivalents: | | | | |
| Registered investment companies - | | | | |
| U.S. Treasury money market | \$ 13,461 | \$ - | \$ - | \$ 13,461 |
| Trading securities: | | | | |
| Common stock | 4,411 | - | - | 4,411 |
| Debt: | | | | |
| U.S. corporate | - | 240 | - | 240 |
| U.S. government and federal agency | - | 91 | - | 91 |
| U.S. state and municipal | - | 96 | - | 96 |
| Foreign government and agency | - | 34 | - | 34 |
| Registered investment companies: | | | | |
| Mortgage-backed securities | 1,106 | - | - | 1,106 |
| U.S. government and federal agency | 106 | - | - | 106 |
| | <u>5,623</u> | <u>461</u> | <u>-</u> | <u>6,084</u> |
| | <u>\$ 19,084</u> | <u>\$ 461</u> | <u>\$ -</u> | <u>\$ 19,545</u> |
| <i>2014</i> | | | | |
| Cash equivalents: | | | | |
| Registered investment companies - | | | | |
| U.S. Treasury money market | \$ 20,372 | \$ - | \$ - | \$ 20,372 |
| Trading securities: | | | | |
| Common stock | 1,375 | - | - | 1,375 |
| Debt: | | | | |
| U.S. corporate | - | 243 | - | 243 |
| U.S. government and federal agency | - | 139 | - | 139 |
| U.S. state and municipal | - | 93 | - | 93 |
| Foreign government and agency | - | 34 | - | 34 |
| Registered investment companies: | | | | |
| Mortgage-backed securities | 1,062 | - | - | 1,062 |
| U.S. government and federal agency | 58 | - | - | 58 |
| | <u>2,495</u> | <u>509</u> | <u>-</u> | <u>3,004</u> |
| | <u>\$ 22,867</u> | <u>\$ 509</u> | <u>\$ -</u> | <u>\$ 23,376</u> |

During the years ended December 31, 2015 and 2014, there were no asset transfers among the Level I, Level II or Level III categories.

For cash, restricted cash and receivables, the carrying amounts approximate fair value, because of their short-term nature.

6. PROPERTY AND EQUIPMENT

At December 31, 2015 and 2014, property and equipment consisted of the following:

| | 2015 | 2014 |
|--|-----------------|-----------------|
| Leasehold improvements | \$ 5,297 | \$ 5,174 |
| Software applications | 2,497 | 3,922 |
| Information technology and other equipment | 3,804 | 4,464 |
| Furniture | 2,084 | 1,904 |
| | <u>13,682</u> | <u>15,464</u> |
| Accumulated depreciation and amortization | <u>(10,796)</u> | <u>(12,073)</u> |
| Property and equipment, net | <u>\$ 2,886</u> | <u>\$ 3,391</u> |

7. COMMON STOCK

RFS's Certificate of Incorporation provides that, if dividends are declared, any dividend will be divided equally among all shares of RFS, so that each share of its Class A and Class B common stock will receive the same dividend.

With the exception of those shares owned by RIT, awardees under the SIP and certain Company directors, all shares of both the RFS Class A (voting) common stock and Class B (nonvoting) common stock are held subject to the terms of a Shareholders' Agreement (the "Agreement"), under which shares may be sold, transferred, pledged or otherwise disposed of or encumbered only to other Rockefeller family members or their closely affiliated entities. The Agreement provides RFS with a right of first refusal in the event of a proposed transfer of any of the Class A or Class B shares, with the exception of certain transfers within a stockholder's family group. The Agreement also gives each stockholder the right to require RFS to repurchase all, but not part, of the stockholder's shares if the stockholder or his/her descendants ceases to be a client of the Company, and to require the repurchase of all or part of the stockholder's shares on January 1 of each year, with the latter being subject to a determination by the Board that cash is available to fund the purchase as well as an overall annual ceiling of ten percent of all outstanding shares of either Class A or Class B stock, as applicable. RFS has the right under the Agreement to repurchase Class A or Class B shares at any time and, in certain specified situations, it may do so on other than a prorata basis. Where RFS has the right or obligation to repurchase its issued shares, the Agreement provides that RFS may assign its position to members of the Rockefeller family or to another entity controlled by the Family Trust.

RIT entered into a stockholders agreement with RFS and the Family Trust. This agreement confers upon RIT certain rights, including: the right to designate two directors to the Board, the right to required consent over both certain extraordinary transactions and amendments to various of RFS's corporate governance provisions, and preemptive rights.

8. STOCK INCENTIVE PLAN

The Board established the SIP in order to allow key employees and other individuals affiliated with the Company to obtain equity ownership in RFS in order to further incentivize such individuals to create long-term shareholder value. The Board has reserved a total of 29,342 Class B common stock shares for issuance pursuant to SIP awards and it designated its Compensation Committee to administer the SIP, including the determination of the type, amount and terms of awards to be made under the SIP and the interpretation of its provisions. With a scheduled ten-year life, the SIP will terminate on March 31, 2018 unless sooner terminated by the Board; however, rights under any award granted before such date shall survive the termination of the SIP itself. As of December 31, 2015, 21,995 Class B common stock shares remained available for issuance under the SIP.

Equity-based incentives which may be granted under the SIP are stock options, restricted stock, restricted stock units ("RSUs") and stock appreciation rights. The Compensation Committee determines the structure of each SIP award, including the vesting terms. Unvested awards are forfeited upon the termination of employment or service.

Upon termination of services, RFS has the right to require SIP award recipients to sell back to RFS their seasoned Class B shares (i.e., those having been owned in excess of six months), and certain recipients have the right to require RFS to repurchase their seasoned shares, in both cases, at the shares' fair value on the date of repurchase.

The Compensation Committee approved a 2014 Liquidity Program pursuant to the SIP, under which, during a specified offering period, eligible participants could elect to sell back to RFS, at fair value, up to 30% of their seasoned Class B shares acquired pursuant to SIP awards. The 2014 Liquidity Program contained a \$5,000 aggregate limit on all repurchases, and certain senior officers of RFS were not eligible to participate. Participant elections were made and the Company subsequently repurchased from SIP participants 223 of its Class B shares pursuant to the 2014 Liquidity Program.

Option awards have been granted with an exercise price equal to the appraised fair value of RFS's Class B common stock at the date of grant; those option awards vest over up to 51 months of continuous service and have 10-year contractual terms. RSU awards have been granted with a fair value equal to the appraised fair value of the Class B shares; vest over up to 51 months, and have no expiration date. Upon vesting, RSUs convert to RFS Class B common stock shares at a one-to-one conversion ratio. Under certain conditions, all SIP awards provide for accelerated vesting in the event of a change in control, as defined in the SIP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

A summary of the status of options at December 31, 2015 and 2014 and activity for the years then ended is as follows:

| Options | Share Equivalents | Average Exercise Price | Remaining Contractual Term (years) | Aggregate Intrinsic Value |
|----------------------------------|------------------------------|---------------------------------------|---|--|
| Outstanding at January 1, 2014 | 6,152 | \$ 1,699 | | |
| Exercised | (55) | 1,496 | | \$ 2 |
| Expired | (616) | 1,889 | | |
| Forfeited | (39) | 1,380 | | |
| Outstanding at December 31, 2014 | 5,442 | 1,681 | 5.2 | 470 |
| Exercised | (39) | 1,380 | | 12 |
| Expired | (100) | 1,782 | | |
| Forfeited | (13) | 1,380 | | |
| Outstanding at December 31, 2015 | 5,290 | 1,683 | 4.2 | 56 |
| Exercisable at: | | | | |
| December 31, 2015 | 5,238 | \$ 1,686 | 4.2 | 48 |
| December 31, 2014 | 5,312 | \$ 1,689 | | |

A summary of the status of RSUs at December 31, 2015 and 2014 and activity for the years then ended is as follows:

| Restricted Stock Units | Share Equivalents | Weighted Average Grant Date Fair Value |
|---|------------------------------|---|
| Outstanding at January 1, 2014 | 3,530 | \$ 1,467 |
| Granted | 2,302 | 1,538 |
| Vested, and converted to Class B shares | (3,326) | 1,472 |
| Forfeited | (116) | 1,458 |
| Outstanding at December 31, 2014 | 2,390 | 1,529 |
| Granted | 2,133 | 1,677 |
| Vested, and converted to Class B shares | (1,195) | 1,529 |
| Forfeited | (37) | 1,539 |
| Outstanding at December 31, 2015 | 3,291 | 1,626 |

In 2015, the Company recorded \$2,973 of employee compensation expense related to SIP awards, and recognized a related income tax net benefit of \$1,196. In 2014, the Company recorded \$3,426 of employee compensation expense related to SIP awards, and recognized a related income tax net benefit of \$1,523.

As of December 31, 2015, there was \$2,545 of total unrecognized employee compensation expense related to unvested awards granted under the SIP. That cost is expected to be recognized over the years 2016 – 2018. The total fair value of shares converted from vesting RSUs during 2015 and 2014 was \$2,003 and \$5,115, respectively. Cash payments made during 2015 and 2014 for the repurchase of Class B shares with respect to minimum required withholding taxes totaled \$518 and \$958, respectively.

9. NOTE RECEIVABLE FROM CLASS A STOCKHOLDER

On December 1, 2014, RFS made a \$1,600 non-amortizing term loan to the Family Trust, its sole voting stockholder. Under the terms of the loan agreement and the related term loan note, the full outstanding principal and any accrued interest thereon is due and payable on December 1, 2021, the loan's maturity date, and the note accrues interest at 3.00% per annum, payable annually. The loan is a full recourse obligation of the Family Trust, but not its trustees. The loan may be prepaid, at any time or from time to time, in whole or in part with accrued and unpaid interest to the date of prepayment, without penalty or premium, at the option of the Family Trust. There are no restrictions on the use of loan proceeds.

Under the terms of the loan agreement, a credit facility for borrowings up to an aggregate cumulative amount of \$1,600 that had been previously granted by RFS to the Family Trust was cancelled on December 1, 2014. No borrowings had been drawn under that credit facility.

10. POSTRETIREMENT BENEFITS

Defined Contribution Retirement Plan

Regular employees of the Company with at least six months of service participate in the Rockefeller 401(k) Savings and Retirement Plan (the "401(k) plan"), a trusteed, defined contribution retirement plan. The Company makes an automatic contribution equal to three percent of each employee's salary and matches 100 percent of participating employees' 401(k) plan contributions, up to four percent of salary. No portion of the Company's matching contribution account vests until the employee has completed three years of service, at which point it becomes 100 percent vested. All other components of the Company's contributions are 100 percent vested at all times.

The Company's expense (included in employee compensation and benefits expense) with respect to the 401(k) plan was \$1,832 in 2015 and \$1,805 in 2014.

Retiree Medical

Eligible employees of the Company qualify to participate in the Company's group comprehensive medical plan for retirees upon their retirement at age 55 or over with at least 5 years of service. This plan, which is contributory, pays eligible reasonable and

customary medical expenses incurred by covered retirees and their eligible dependents, after a stated deductible has been met. Participating retirees under the age of 65 are subject to a reduced level of co-insurance for out-of-network services. For retired participants eligible for Medicare, the retiree medical benefit is a "wrap-around" program designed to integrate with Medicare Parts A, B and D standard plans. Additionally, once a covered retiree is eligible for Medicare, benefits are reduced by any amount the retiree is eligible to receive from Medicare regardless of whether the retiree receives Medicare benefits. Participants became eligible for a maximum employer contribution of 80% based on age and years of service at December 31, 2005. All eligible disabled employees receiving long-term disability benefits as well as their eligible dependents who met the above requirements are similarly eligible for postretirement medical benefits. The Company has not funded its obligation for this benefit.

Eligibility for the employer-provided contribution is limited to regular employees of the Company who had retired by December 31, 2005 or who, by that same date, had either attained the age of 40 or completed ten years of service. The employer-provided contribution was frozen at three percent for each completed year of service as of December 31, 2005, and those with a minimum of ten completed years of service whose combined age plus years of service equaled 50 or more received an additional 15% employer-provided contribution, while those age 50 or older with less than ten years of service received an additional six percent employer-provided contribution.

The Company includes in the calculation of its projected benefit obligation for the retiree medical benefit the nondeductible 40% federal excise tax to be charged, beginning in 2020, on medical insurance premiums in excess of specified amounts. This excise tax reflects provisions of The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (the "Affordable Care Act") and related federal regulations.

For the year ended December 31, 2015, the Company's retiree benefit obligation was reduced by a \$713 actuarial gain. This gain was primarily attributable to the combined effects of lower premiums and a 0.35% increase in the discount rate.

Retiree Life Insurance

Eligible employees of the Company qualify upon retirement at age 55 or over with at least 5 years of service for postretirement group life insurance coverage. Eligibility is determined on the same basis as for the retiree medical benefit. Prior to the fifth anniversary of retirement, retiree life insurance equals the amount in force at retirement, up to a maximum of \$50. On the fifth anniversary date, life insurance is fixed at \$10. The Company's obligation for postretirement life insurance coverage is funded with a major insurance company, in the form of a contractual deposit administration fund on which interest is credited. This fund's balance, the use of which is governed by state insurance regulations, is restricted to the payment of life insurance premiums and benefits. The Company's assumption as to the expected long-term rate of return on this asset was determined on the basis of the fund's historical returns, particularly the long-term trend of such returns.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following tables report combined data concerning the Company's retiree medical and retiree life insurance benefit plans as of and for each of the years ended December 31, 2015 and 2014.

| | 2015 | 2014 |
|---|-------------------|-------------------|
| Change in benefit obligation: | | |
| Benefit obligation at January 1 | \$ 4,811 | \$ 4,817 |
| Service cost | 3 | 3 |
| Interest cost | 168 | 189 |
| Actuarial gain | (713) | (49) |
| Benefits paid | <u>(152)</u> | <u>(149)</u> |
| Benefit obligation at December 31 | <u>4,117</u> | <u>4,811</u> |
| Change in plan assets: | | |
| Fair value of plan assets at January 1 | 458 | 463 |
| Actual return on plan assets | 15 | 42 |
| Employer contributions | 102 | 102 |
| Benefits paid | <u>(152)</u> | <u>(149)</u> |
| Fair value of plan assets at December 31 | <u>423</u> | <u>458</u> |
| Funded status | (3,694) | (4,353) |
| Unrecognized actuarial net gain | <u>(1,565)</u> | <u>(971)</u> |
| Net amount recognized | <u>\$ (5,259)</u> | <u>\$ (5,324)</u> |
| Amount recognized components: | | |
| Accrued benefit liability | \$ (3,694) | \$ (4,353) |
| Accumulated other comprehensive income | <u>(1,565)</u> | <u>(971)</u> |
| Net amount recognized | <u>\$ (5,259)</u> | <u>\$ (5,324)</u> |
| Weighted-average assumptions used to determine benefit obligations as of December 31: | | |
| Discount rates: | | |
| Medical benefit | 4.15% | 3.80% |
| Life Insurance benefit | 4.10 | 3.75 |
| Health care cost trend rate: | | |
| 2015 | (1.50)% | 7.50% |
| 2016 | 7.50 | 7.00 |
| 2017 | 7.00 | 6.50 |
| 2018 | 6.50 | 6.00 |
| 2019 | 6.00 | 5.50 |
| 2020 | 5.50 | 5.00 |
| 2021 and thereafter | 5.00 | 5.00 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

| | 2015 | 2014 |
|---|--------------|----------------|
| Weighted-average assumptions used to determine net periodic benefit cost: | | |
| Discount rates: | | |
| Medical benefit | 3.80% | 4.65% |
| Life Insurance benefit | 3.75 | 4.60 |
| Expected long-term rate of return on plan assets | 2.75 | 2.75 |
| Health care cost trend rate: | | |
| 2015 | 7.50% | 7.50% |
| 2016 | 7.00 | 7.00 |
| 2017 | 6.50 | 6.50 |
| 2018 | 6.00 | 6.00 |
| 2019 | 5.50 | 5.50 |
| 2020 and thereafter | 5.00 | 5.00 |
| Effect of a 1.00% change in health care cost trend rate: | | |
| 1.00% increase - | | |
| Effect on total of service and interest cost components | \$ 25 | \$ 24 |
| Effect on postretirement benefit obligation | 600 | 710 |
| 1.00% decrease - | | |
| Effect on total of service and interest cost components | (20) | (19) |
| Effect on postretirement benefit obligation | (484) | (573) |
| Components of net periodic benefit expense (credit): | | |
| Service cost | \$ 3 | \$ 3 |
| Interest cost | 168 | 189 |
| Expected return on plan assets | (12) | (12) |
| Amortization of prior service credit | - | (37) |
| Recognized actuarial net (gain) loss | (122) | (166) |
| Net periodic benefit cost* | <u>\$ 37</u> | <u>\$ (23)</u> |

*Included in employee compensation and benefits expense in the consolidated Statements of Operations.

Accumulated other comprehensive (income) element expected to be recognized in net periodic benefit cost during 2016:

| | |
|------------------------------------|----------|
| Amortization of actuarial net gain | \$ (169) |
|------------------------------------|----------|

The Company estimates that, during 2016, it will contribute \$102 to the retiree medical benefit plan and \$— to the retiree life insurance benefit plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following estimated future combined retiree medical and life insurance benefit payments are expected to be made by the Company's plans in the years indicated:

| | |
|-----------|--------|
| 2016 | \$ 151 |
| 2017 | 158 |
| 2018 | 173 |
| 2019 | 183 |
| 2020 | 202 |
| 2021-2025 | 1,134 |

11. INCOME TAXES

The components of the income tax (benefit) provision were as follows:

| | 2015 | 2014 |
|---|--------------------|----------------|
| Current: | | |
| Federal | \$ 37 | \$ 75 |
| State and local | 426 | 423 |
| Total current | <u>463</u> | <u>498</u> |
| Deferred: | | |
| Federal | 1,019 | 3,161 |
| State and local | 1,987 | (515) |
| | 3,006 | 2,646 |
| Change in deferred tax assets valuation allowance | <u>(23,644)</u> | <u>(2,558)</u> |
| Total deferred | <u>(20,638)</u> | <u>88</u> |
| Income tax (benefit) provision | <u>\$ (20,175)</u> | <u>\$ 586</u> |

For both 2015 and 2014, with the exception of an amount attributable to the SIP, the utilization of net operating loss carryforwards eliminated the Company's current federal income tax liability.

During the year ended December 31, 2015, Management determined that a valuation allowance for the Company's deferred tax assets was no longer required, and the full amount of that allowance was reversed.

The Company's income tax (benefit) provision differed from the amount computed by applying the statutory U.S. federal income tax rate of 34%. For both 2015 and 2014, this difference was due primarily to changes in the deferred tax assets valuation allowance and, to a far lesser extent, state and local taxes.

The Company files a consolidated U.S. federal income tax return and, where permitted, combined state and local income tax returns. The Company's federal returns are no longer subject to audit for years prior to 2010, while its principal state and local returns are no longer subject to audit for years prior to 2012.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Company's deferred taxes at December 31 were as follows:

| | 2015 | 2014 |
|--------------------------|------------------|-----------------|
| Deferred tax assets | \$ 20,677 | \$ 24,661 |
| Valuation allowance | <u>-</u> | <u>(23,644)</u> |
| | 20,677 | 1,017 |
| Deferred tax liabilities | <u>(249)</u> | <u>(945)</u> |
| Deferred tax assets, net | <u>\$ 20,428</u> | <u>\$ 72</u> |

At December 31, 2015, the Company's gross deferred tax assets related principally to NOL carryforwards, accrued incentive compensation, stock-based compensation, accrued postretirement benefits and deferred rent expense, while the gross deferred tax liabilities were primarily attributable to a life insurance policy. At December 31, 2014, the Company's gross deferred tax assets related principally to the same factors, while the gross deferred tax liabilities were primarily attributable to capitalized software, partnership income and a life insurance policy.

At December 31, 2015, the Company had federal, New York State, New York City, and combined other state NOL carryforwards of approximately \$13,000, \$50,000, \$45,000 and \$7,000, respectively. These expire in the years 2028 through 2035.

At December 31, 2014, the only portion of the Company's net deferred tax assets for which a valuation allowance had not been recorded was the local income tax benefits of one of its trust company subsidiaries.

12. ROCK. & CO. SUBSIDIARIES' REGULATORY CAPITAL AND LIQUIDITY REQUIREMENTS, AND DIVIDEND RESTRICTIONS

The Company's nationally chartered limited purpose trust bank is subject to a variety of minimum capital amounts and ratios, as well as minimum liquidity requirements. Taken together, these requirements call for a total minimum capital and liquidity amount of \$7,500. Additionally, this subsidiary may not declare dividends in excess of the sum of its current-year earnings plus retained net income of the two immediately preceding years without the approval of the Office of the Comptroller of the Currency.

Delaware banking regulations require limited purpose trust companies to maintain capital funds (stockholder's equity) at a level no less than the greater of 0.25% of total discretionary assets under administration, or specified absolute dollar amounts, thereby limiting the availability of the subsidiary's retained earnings for the payment of dividends. Under such regulations, the Company's Delaware-chartered trust company's required minimum stockholder's equity was \$4,303 and \$4,339 at December 31, 2015 and 2014, respectively.

As of December 31, 2015 and 2014, each of these subsidiaries was in compliance with the respective minimum capital and liquidity regulations to which they were subject.

13. RELATED PARTIES

The Company provides services to clients which include Rockefeller family members, other RFS stockholders, affiliated investment partnerships, trusts and estates, Company directors and employees, and other entities which are related parties. Company directors as well as a Trustee of the Family Trust are employed by firms that provide professional services to the Company. Year-end balances as well as revenue and expenses with related parties are summarized below, excluding those disclosed elsewhere in either these notes or the consolidated financial statements.

| | 2015 | 2014 |
|---|--------|--------|
| Receivables and accrued revenue | \$ 755 | \$ 656 |
| Other assets | 112 | 7 |
| Payables and accrued liabilities | 1,589 | 1,559 |
| Investment management fees | 27,624 | 27,940 |
| Professional and administrative services fees | 16,239 | 16,137 |
| Trust and estate services fees | 7,716 | 7,256 |
| Interest and other revenue | 64 | 4 |
| Professional fees | 1,449 | 1,030 |
| Other expense categories | 194 | 228 |

The above professional fees for each year included \$50 paid to RFS's non-executive Chairman to act as liaison between various Rockefeller family members who are the Company's clients and certain trusts of which these clients are beneficiaries.

At December 31, 2015 and 2014, the Company held shares in a mortgage-backed securities mutual fund, which was classified as trading securities, with a market value of \$1,106 and \$1,062, respectively. The Chairman of the Trustees of the Family Trust and an immediate family member of that person, on a combined basis, own a substantial percentage of the outstanding voting securities of the investment adviser to this mutual fund and the immediate family member is Chief Executive Officer of such investment adviser.

14. COMMITMENTS AND CONTINGENCIES

Commitments

The Company has operating leases and subleases for its office premises which are subject to escalation based on increases in the lessors' operating costs and property taxes. The Company subleases a portion of one of its premises. The future minimum lease commitments, excluding escalation, as well as the committed sublease income, are listed below:

| <u>Year</u> | <u>Total</u> | <u>Sublease Income</u> | <u>Net Lease Commitments</u> |
|-------------|--------------|----------------------------|--------------------------------------|
| 2016 | \$ 5,434 | \$ 144 | \$ 5,290 |
| 2017 | 5,519 | 97 | 5,422 |
| 2018 | 5,398 | - | 5,398 |
| 2019 | 2,817 | - | 2,817 |
| 2020 | 1,413 | - | 1,413 |
| 2021 - 2026 | 1,586 | - | 1,586 |

For the years ended December 31, 2015 and 2014, the Company's total minimum rent expense was \$5,747 and \$6,043, respectively, while its variable rent expense totaled \$963 and \$489, respectively. In addition, other revenue included sublease income of \$145 and \$137 in 2015 and 2014, respectively.

At December 31, 2015, the Company had a \$534 letter of credit as required security for an office sublease with a remaining term of five years. The letter of credit had automatic annual extensions and a final expiration date of no later than January 31, 2021. The sublease provided for annual \$67 reductions in the letter of credit security for the next two years, after which it would remain at \$400 for the balance of the sublease term. The letter of credit was collateralized by a restricted cash deposit.

At December 31, 2015, the Company had employment agreements with certain key employees which specify minimum annual incentive compensation. The minimum payment amounts specified under these agreements, for services to be rendered subsequent to December 31, 2015, was \$590, all of which was for services to be rendered in 2016.

Contingencies

From matters arising in the ordinary course of business, the Company at times may be subject to actual, pending or threatened litigation, claims or assessments. Although there can be no assurance of the outcome of such matters, in the opinion of Management, as of December 31, 2015, the Company had no potential liabilities related to any such matters which would, either individually or in the aggregate, materially affect its consolidated financial statements.

15. SUBSEQUENT EVENTS

Management has reviewed and evaluated all significant events and transactions that occurred after the December 31, 2015 consolidated balance sheet date and through March 30, 2016, the date that these consolidated financial statements were available to be issued. The following are the subsequent events that require disclosure in this report.

On February 1, 2016, Rock. & Co. closed on the sale of RSLLC under the agreement it had entered into on December 24, 2015. This resulted in reductions as of that date of approximately \$3,300 and \$2,100 in the Company's consolidated total assets and liabilities, respectively.

Effective February 1, 2016, the Compensation Committee approved the issuance of a total of 7,033 new restricted stock unit awards to SIP participants. These awards are scheduled to vest over either 36 months or 60 months, and will result in incremental stock-based compensation expense of approximately \$2,700 in each of the first three full years of their term and approximately \$1,300 in each of years four and five. The three-year award agreements incorporate a qualifying retirement provision that would provide for continued vesting on their original scheduled vesting dates, notwithstanding any continuous employment or service conditions, subject to the award holder's execution of a release of claims, a non-compete agreement and compliance with applicable restrictive covenants. A qualifying retirement is a termination of employment due to a participant's resignation after having attained a specified total of combined age plus years of service with the Company.

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