

**[DRAFT FOR DISCUSSION PURPOSES ONLY]**

[Date of Signing]

Cascade Investment, LLC  
**[CASCADE TO PROVIDE ADDRESS]**

Re: Transaction between [ENTITY OF BORIS NIKOLIC] and Cascade Investment, LLC

Set forth below in this letter agreement are the principal terms and conditions for the transaction (the "Transaction") between **[ENTITY OF BORIS NIKOLIC]** ("Nikolic") and Cascade Investment, LLC ("Cascade") entered into on the Trade Date specified below. This letter agreement evidences a complete and binding agreement between Nikolic and Cascade to the terms of the Transaction to which this letter agreement relates. This letter agreement constitutes a "Confirmation" as referred to in the Master Agreement (as hereinafter defined). This letter agreement shall supplement, form part of and be subject to an agreement in the form of the 1992 ISDA Master Agreement (the "Master Agreement", a copy of which has been made available to all parties) as if we had executed an agreement in that form (but without any Schedule except for the elections of the laws of the State of Washington as the governing law and of United States Dollars as the Termination Currency) on the Trade Date of the Transaction.

The definitions and provisions contained in the Master Agreement, and, as may be applicable, the 2002 ISDA Equity Derivatives Definitions (the "Equity Definitions") and the 2006 ISDA Definitions (the "2006 Definitions"), each as published by the International Swaps and Derivatives Association, Inc., are incorporated herein. In the event of any inconsistency between the Equity Definitions, the 2006 Definitions, the Master Agreement and this letter agreement, then this letter agreement shall govern for the purposes of the Transaction. This letter agreement supersedes any and all prior written or oral agreements in relation to the Transaction. The Transaction evidenced by this letter agreement shall be the only Transaction forming part of the Master Agreement.

1. **General Terms of the Transaction.** For purposes of the Transaction:

(a) The "Trade Date" and "Effective Date" of the Transaction shall be the date of Cascade's execution of this letter agreement.

(b) The "Scheduled Termination Date" of the Transaction shall be the date of the ten (10) year anniversary of the Trade Date.

(c) A "Business Day" shall mean any day, other than a Saturday or Sunday, on which commercial banks are open for business in New York.

(d) The "Calculation Agent" shall be Nikolic. Determinations and calculations by the Calculation Agent shall be made in good faith in a commercially reasonable manner and shall be binding absent manifest error. Cascade agrees that the Calculation Agent is not acting as a fiduciary for or as an advisor to Cascade in respect of the Calculation Agent's actions as Calculation Agent in connection with the Transaction.

2. **Notional Portfolio Investment Terms.** In connection with the Notional Portfolio Investment (as hereinafter defined) in the Transaction, the following terms shall apply:

(a) The "Notional Portfolio Investment Payer" shall be Cascade.

(b) The "Notional Portfolio Amount" of the Transaction shall be One Hundred Million U.S. Dollars (\$100,000,000) and the "Notional Portfolio Investment" in the Transaction shall be a One Hundred Million U.S. Dollar (\$100,000,000) fixed portfolio of specified assets as set forth on Schedule A annexed hereto and incorporated herein. **[ASSETS TO BE DETERMINED] [Adjustments, if any, to be made to the Notional Portfolio Amount and/or the Notional Portfolio Investment (including the assets thereof specified on Schedule A) shall be as provided in Section 2(j) hereof.]**

(c) As of any relevant Valuation Date (as hereinafter defined), the "Notional Portfolio Investment Return" shall be a percentage equal to the percentage of the Total Return on the Notional Portfolio Investment on the relevant Valuation Date, minus the percentage of the Average Return of Cascade's entire investment portfolio on that same Valuation Date.

(d) **[The Total Return on the Notional Portfolio Investment shall be calculated as follows:][QUESTIONS: IN DETERMINING TOTAL RETURN OF NOTIONAL PORTFOLIO INVESTMENT, YOU ARE COMPARING ASSET VALUE AS OF THE VALUATION DATE TO THE ASSET VALUE AS OF A PRIOR DATE. WHAT IS THAT PRIOR DATE? ARE YOU ALWAYS COMPARING TO THE INITIAL TRADE DATE OR DO YOU COMPARE ANNUALLY AND UPDATE THE VALUES EACH YEAR, OR DO YOU COMPARE TO THE LAST TIME YOU DID A VALUATION AND REDEMPTION? ARE YOU CALCULATING RETURN FOR EACH SEPARATE DEAL OR FOR THE PORTFOLIO AS A WHOLE?]**

(e) **[The Average Return of Cascade's entire investment portfolio shall be calculated as follows:][QUESTIONS: IN DETERMINING AVERAGE RETURN OF CASCADE'S ENTIRE INVESTMENT PORTFOLIO, YOU ARE COMPARING THE VALUE OF THE INVESTMENT PORTFOLIO AS OF THE**

**VALUATION DATE TO THE VALUE OF THE INVESTMENT PORTFOLIO AS OF A PRIOR DATE. WHAT IS THAT PRIOR DATE? ARE YOU ALWAYS COMPARING TO THE INITIAL TRADE DATE OR DO YOU COMPARE ANNUALLY AND UPDATE THE VALUES EACH YEAR, OR DO YOU COMPARE TO THE LAST TIME YOU DID A VALUATION AND REDEMPTION? DO YOU CALCULATE AVERAGE RETURN EACH TIME A DEAL IS COMPLETED?]**

**(f)** For purposes of calculating the Total Return of the Notional Portfolio Investment as of any relevant Valuation Date and the Average Return of Cascade's entire investment portfolio as of that Valuation Date, the assets in the Notional Portfolio Investment and Cascade's investment portfolio shall be valued in accordance with the Valuation Methodologies described on Schedule B annexed hereto and incorporated herein.

**(g)** A "Valuation Date" shall mean each of the following: (1) any Partial Elective Termination Date that Nikolic may elect from time to time (as provided in Section 2(h) below); (2) the Final Elective Termination Date (if elected by Nikolic as provided in Section 2(h) below); (3) an Extraordinary Termination Date (as defined in Section 4 hereof); (4) the Early Termination Date (as defined in the Master Agreement); and (5) the Scheduled Termination Date.

**(h) Elective Termination**

(1) Notwithstanding any other termination provision contained in this letter agreement or the Master Agreement and so long as no Termination Event or Event of Default (as defined in the Master Agreement) has occurred and is then continuing with respect to Nikolic, Nikolic may, from time to time, give irrevocable notice to Cascade (an "Elective Termination Notice") of an early termination of this Transaction, in whole (herein referred to as a "Final Elective Termination") or in part (herein referred to as a "Partial Elective Termination").

(2) Such Elective Termination Notice (which will be oral telephonic notice, if practicable, and otherwise written notice) must be given by Nikolic to Cascade no later than 17:00 hours, New York time on or before the last business day of any calendar week, or it will be deemed effective on the last business day of the immediately next succeeding calendar week. Nikolic will execute and deliver a written confirmation confirming the substance of any such telephonic Elective Termination Notice within one (1) business day after the date of that telephonic Elective Termination Notice; provided, however, that failure to provide such written confirmation will not affect the validity of Nikolic's telephonic Elective Termination Notice.

(3) Nikolic shall state in any such Elective Termination Notice (A) the date on which such Elective Termination is to be effective in

accordance with Section 2(h)(2) above; and (B) whether such Elective Termination is to be the Final Elective Termination or a Partial Elective Termination, and, in the case of a Partial Elective Termination, the portion of the Notional Portfolio Investment which is subject to such Partial Elective Termination, which shall be expressed as a percentage of the Notional Portfolio Investment, and an absolute dollar amount[, and may also specify particular assets of the Notional Portfolio Investment as to which such Partial Elective Termination is to be effective.]

**[NOTE: PLEASE CLARIFY WHAT IT MEANS TO PARTIALLY TERMINATE? WILL THE NOTIONAL PORTFOLIO AMOUNT AND NOTIONAL PORTFOLIO INVESTMENT BE REDUCED AFTER EACH PARTIAL ELECTIVE TERMINATION? CAN A PARTIAL ELECTIVE TERMINATION BE MADE AT THE END OF ANY WEEK, WHETHER OR NOT A DEAL HAS RECENTLY CLOSED, SUCH AS, FOR EXAMPLE, TWO MONTHS AFTER A DEAL CLOSES? WHAT HAPPENS IF BORIS PARTIALLY TERMINATES RIGHT BEFORE AN EVENT THAT REDUCES THE VALUE OF THE NOTIONAL PORTFOLIO INVESTMENT, SUCH THAT BORIS RECEIVED A REDEMPTION PAYMENT BASED ON A HIGHER RETURN THAN WAS ACTUALLY OR CAN BE REALIZED AS A RESULT OF SUCH EVENT? WHAT IF NO DEAL HAS CLOSED BUT FAIR VALUES HAVE GONE UP AND BORIS DESIRES TO PARTIALLY TERMINATE? DOES BORIS HAVE TO SPECIFY AS TO WHICH ASSETS HE IS PARTIALLY TERMINATING, SUCH THAT THOSE ASSETS ARE REMOVED FROM THE NOTIONAL PORTFOLIO INVESTMENT OR DOES BORIS SIMPLY SPECIFY A DOLLAR AMOUNT OR PERCENTAGE THAT IS APPLIED TO ALL THE ASSETS IN THE NOTIONAL PORTFOLIO INVESTMENT ON A PRORATA BASIS. IF RETURNS ARE CALCULATED NOT ON A DEAL BY DEAL BASIS, BUT AS A WHOLE, WHAT ADJUSTMENTS NEED TO BE MADE, FOR EXAMPLE, TO FAIRLY ACCOUNT FOR ANY CALCULATED RETURNS THAT DIFFER BETWEEN VARIOUS VALUATION AND REDEMPTION DATES IN THE SAME YEAR?]**

(4) The effective date of any such Partial Elective Termination shall herein be referred to as a "Partial Elective Termination Date", and the effective date of the Final Elective Termination, if any, shall herein be referred to as the "Final Elective Termination Date".

(i) Within three (3) business days after each Valuation Date (a "Portfolio Investment Redemption Date"), Cascade shall pay to Nikolic an amount equal to the "Portfolio Investment Redemption Amount", which shall be calculated as follows:

**[TO BE DETERMINED]**

(j) [The following adjustments shall be made as, when and in the manner provided below:

- (1) [Adjustments to Notional Portfolio Amount]
- (2) [Adjustments to Notional Portfolio Investment]

(3) [Adjustments to Total Return of Notional Portfolio Investment]

(4) [Adjustments to Average Return of Cascade's entire investment Portfolio]

[NOTE: SEE ISSUES ABOVE REGARDING ADJUSTMENTS TO NOTIONAL PORTFOLIO AMOUNT AND NOTIONAL PORTFOLIO INVESTMENT, CALCULATIONS OF AND ADJUSTMENTS TO TOTAL RETURN OF NOTIONAL PORTFOLIO INVESTMENT AND AVERAGE RETURN OF CASCADE'S ENTIRE INVESTMENT PORTFOLIO, PARTIAL ELECTIVE TERMINATIONS AND WHAT IS ACTUALLY TERMINATED, AND HOW TO CALCULATE THE AMOUNT OF THE PAYMENT TO BORIS IN THE EVENT OF A COMPLETE OR PARTIAL TERMINATION (WHICH IS DEFINED ABOVE AS THE "PORTFOLIO INVESTMENT REDEMPTION AMOUNT."].

3. **FLOATING AMOUNT TERMS.** In connection with the Floating Amount (as hereinafter defined) in the Transaction, the following terms shall apply:

(a) The "Floating Amount Payer" shall be Nikolic and the "Floating Amount" shall be the accrued Interest payable by the Floating Amount Payer as and when provided in this letter agreement.

(b) The "Notional Amount" shall be equal to the Notional Portfolio Amount, as adjusted from time to time as provided in Section 2(j) hereof. For purposes of this Section 3, the "Interest Rate" shall be **[TO BE DETERMINED]** per annum, the Designated Maturity Date shall be the Scheduled Termination Date, "Cash Settlement" shall be applicable, "Compounding" shall not be applicable, and the "Settlement Currency" shall be United States Dollars.

(c) Interest shall accrue on the Notional Amount at the Interest Rate, and the Floating Amount, which shall be equal to all then accrued and unpaid interest, shall be paid by Nikolic to Cascade within three (3) business days after the first to occur of: (1) the Scheduled Termination Date; (2) the Early Termination Date; (3) the Extraordinary Termination Date (as hereinafter defined); and (4) the Final Elective Termination Date. **[2 QUESTIONS: FIRST, HAVE WE DETERMINED FOR CERTAIN THAT WE WILL REQUIRE BORIS TO BE SUBJECT TO THE FLOATING AMOUNT PAYMENT REQUIREMENT?**

**AND SECONDLY, IF SO, WILL THERE BE ANY FLOATING AMOUNT PAYMENTS BY BORIS AT THE TIME OF ANY PARTIAL ELECTIVE TERMINATIONS BY BORIS, OR WILL THE FLOATING AMOUNT PAYMENT BE DUE ONLY AT THE TIME OF COMPLETE TERMINATION OF THE TRANSACTION? IF FLOATING AMOUNT PAYMENTS WILL BE DUE AT THE TIME OF PARTIAL ELECTIVE TERMINATIONS, THEN INSTEAD OF PROVIDING THAT ACCRUED AND UNPAID INTEREST WOULD BE PAYABLE ON THE FIRST TO OCCUR OF THE SCHEDULED**

**TERMINATION DATE, THE EARLY TERMINATION DATE, THE EXTRAORDINARY TERMINATION DATE AND THE FINAL TERMINATION DATE, I WOULD CHANGE SECTION 3(C) TO PROVIDE THAT ALL ACCRUED AND UNPAID INTEREST SHALL BE PAID ON EACH PORTFOLIO INVESTMENT REDEMPTION DATE, WHICH WOULD COVER THE ABOVE FOUR COMPLETE TERMINATION SCENARIOS, AS WELL AS EACH PARTIAL ELECTIVE TERMINATION.]**

**4. Extraordinary Termination Events.**

The Transaction shall terminate effective immediately upon the occurrence of either of the following events (the "Extraordinary Termination Date"):

- (a) the death of Bill Gates; or
- (b) the separation of Boris Nikolic from employment with Cascade.

**5. Collateral.**

Requirements, if any, of either party to this letter agreement to provide collateral to secure its obligations under this letter agreement shall be as provided in Schedule C annexed hereto and incorporated herein. **[PLEASE CONSIDER WHETHER THERE WILL BE ANY COLLATERAL REQUIREMENTS IMPOSED ON EITHER PARTY TO THIS AGREEMENT]**

**6. Consequences of Event of Default and Termination Event.**

(a) Upon the occurrence of an Event of Default under Section 5(a)(vii) (Bankruptcy) of the Master Agreement with respect to Cascade: (1) the provisions of Section 6(a) of the Master Agreement relating to "Automatic Early Termination" shall apply; (2) the provisions of Section 2(a)(iii) of the Master Agreement shall not apply with respect to any payment or delivery obligation of Cascade or Nikolic; (3) no payments shall be due by the parties pursuant to Section 6 of the Master Agreement (and for these purposes Section 6(c)(ii) shall not apply); and (4) the amounts payable by the parties shall be determined, instead, pursuant to the provisions of this letter agreement.

(b) Upon the occurrence of any other Event of Default or Termination Event: (1) the Relevant Party may, by notice to the other party hereto, designate any day on or after the date of such notice as the Early Termination Date; (2) the provisions of Section 2(a)(iii) of the Master Agreement shall not apply with respect to any payment or delivery obligation of Nikolic or Cascade; (3) no payments shall be due by the parties pursuant to Section 6 of the Master Agreement (and for these purposes Section 6(c)(ii) shall not apply); and (4) the amounts

payable by the parties shall be determined, instead, pursuant to the provisions of this letter agreement.

**(c)** As used herein, the term "Relevant Party" means: (1) following the occurrence of an Event of Default (other than an Event of Default under Section 5(a)(vii) (Bankruptcy) of the Master Agreement) with respect to Cascade, Nikolic; (2) following the occurrence of a Termination Event, the party hereto, or each of the parties hereto, eligible to designate the Early Termination Date as a result of such Termination Event pursuant to the provisions of the Master Agreement; and (3) in all other circumstances, Cascade.

## **7. Other Provisions.**

**(a)** Each party hereto shall provide its financial account details (including wire transfer instructions) to the other party hereto to enable such other party to make any payments required hereunder.

**(b)** The "Office" of each of Nikolic and Cascade for the Transaction shall be the address provided at the end of this letter agreement beneath the signature lines of each such party hereto; neither Nikolic nor Cascade is a "Multibranch Party" for purposes of this Agreement.

**(c)** After the completion of three deals with respect to assets included in the Fixed Portfolio of Specified Assets comprising the Notional Portfolio Investment, Cascade and Nikolic will engage in a milestone review of this letter agreement and the Transaction.

**(d)** Interest shall automatically accrue on all amounts that become due and payable to a party under this letter agreement and/or the Master Agreement from the date they become due at a default rate of Twenty-Four Percent (24%) per annum, or if such rate exceeds the maximum rate allowed by applicable law, then the maximum rate allowed by applicable law. Such interest at such default rate shall be paid upon demand by the party to whom payment is overdue.

**(f)** Any party determined to be in breach of this letter agreement and/or the Master Agreement shall pay all fees, costs and expenses (including, without limitation, attorneys fees and disbursements) incurred by the non-breaching party to enforce the provisions of this letter agreement and/or the Master Agreement, or any right or obligation hereunder or thereunder.

**(g)** Each party hereto has made the decision (on its own behalf or through independent professional advice) to enter into the Transaction and this letter agreement and has determined that the Transaction is suitable in light of such party's investment objectives, financial position and expertise. Each such party (on its own behalf or through independent professional advice) is capable of understanding and assessing the merits of the Transaction and understands and

accepts, the terms, conditions and risks of the Transaction. Neither party hereto has relied on any communications, representations or other information (whether oral, electronic or written) furnished by or on behalf of the other party hereto, or any director, officer, manager, member, employee, or other agent or representative thereof (collectively, "Representatives"), in making the decision to enter into the Transaction. Neither party hereto has received any legal, regulatory, tax, business, investment, financial or accounting advice from the other party hereto or any of its Representatives in connection with the Transaction, and each party hereto is relying solely on the advice of its own advisors for such matters. Neither party hereto has provided to the other party hereto any guaranty or other assurance as to the expected results of the Transaction, except that each such party shall comply fully with its obligations hereunder.

**(h)** Neither party hereto may transfer, pledge, assign or encumber the Transaction or its rights and obligations under this letter agreement, in whole or in part, without the prior written consent of the other party hereto.

**(i)** Any notice, including any "written notice", required or permitted by this letter agreement, or any other communication in respect of this letter agreement, may be given in any manner described below (unless specifically stated otherwise in any relevant provision of this letter agreement) to the address or number or in accordance with the email details provided for each party hereto on the signature lines below, which notice or communication shall be deemed effective as hereinafter provided:

(A) if in writing and delivered in person or by personal courier, on the date it is delivered or delivery is attempted;

(B) if sent by facsimile transmission, on the date it is transmitted, provided that the sender is able to demonstrate transmission through a written transmission report generated by the sender's facsimile transmission machine;

(C) if sent by certified or registered mail, return receipt requested, on the date it is delivered or delivery is attempted; or

(D) if sent by email, on the date it is delivered;

unless the date of that delivery or attempted delivery is not a Business Day, or that notice or communication is delivered (or delivery is attempted) or transmitted after the close of business on a Business Day, in which case it will be deemed given and effective on the first following day that is a Business Day. Notwithstanding the foregoing, notices that are required hereunder to contain specific information shall only become effective if they contain the required information.

**(j)** This letter agreement will be governed by and construed in accordance with the laws of the State of Washington (without reference to the conflicts of law principles thereof).

Please confirm your acceptance of the provisions contained in this letter agreement by causing a duly authorized representative of Cascade to execute this letter agreement in the space provided below, whereupon the provisions of this letter agreement shall become a binding agreement between Cascade and Nikolic, enforceable in accordance with the terms hereof.

Very truly yours,

**[ENTITY OF BORIS NIKOLIC]**

By: \_\_\_\_\_

**Boris Nikolic**  
**[Title]**  
1107 1<sup>st</sup> Avenue  
Seattle, WA 98101  
**[Fax No.]**  
**[Email Address]**

ACCEPTED AND AGREED:

**CASCADE INVESTMENT, LLC**

By: \_\_\_\_\_

**[Name]**  
**[Title]**  
**[Address]**

**[Fax No.]**  
**[Email Address]**

**SCHEDULE A**

**SCHEDULE OF ASSETS IN NOTIONAL PORTFOLIO INVESTMENT**

**[SEE ATTACHED PAGE - TO BE PROVIDED]**

**SCHEDULE B**

**VALUATION METHODOLOGY**

**[SEE ATTACHED]**

## VALUATION METHODOLOGY

### 1. EQUITY SECURITIES TRADED ON EXCHANGES AND IN THE NASDAQ STOCK MARKET AND OVER-THE-COUNTER EQUITY SECURITIES.

Equity securities traded on exchanges or included in the NASDAQ Stock Market are valued at their last sale prices reported on the day as of which the value is being determined, or if a security did not trade on such day, the last sale price on the next preceding day on which a sale price was reported. Over-the-counter securities for which last sale prices are not reported through the NASDAQ Stock Market generally are valued at their last sale prices reported on the day as of which the value is being determined unless such securities have been determined by Nikolic to be illiquid, in which case such securities are valued at their last reported bid prices if held long and their last reported asked prices if sold short.

### 2. OPTIONS ON EXCHANGE-TRADED EQUITY SECURITIES AND OVER-THE-COUNTER OPTIONS NOT TRADED ON AN EXCHANGE.

Options on equity securities traded on exchanges are valued at their last reported mid-price on the day as of which the value is being determined. Over-the-counter options that are not traded on an exchange are valued in good faith by Nikolic based on pricing models developed by Nikolic that consider the time value of money, volatility, and the current market and contractual prices of the underlying financial instruments.

### 3. PRIVATELY HELD, ILLIQUID EQUITY SECURITIES.

In valuing privately held, illiquid equity securities of an issuer, the value of the issuer's total equity will be determined by Nikolic using the methods discussed below and, in the event that there are multiple classes of equity of that issuer, then, using the allocation methods discussed below, the total equity will be allocated among the various classes of equity securities of the issuer to determine the value of the relevant class of equity security.

The most common methods that will be used to determine the value of the total equity of the issuer of privately held, illiquid securities are as follows:

**Income Approach.** This approach focuses on the income-producing capability of a business. The income approach estimates value based on the expectation of future cash flows that a company will generate – such as cash earnings, cost savings, tax deductions, and the proceeds from disposition. These cash flows are discounted to the present using a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation, and risks associated with the particular investment. The selected discount rate is generally based on rates of return available from alternative investments of similar type, quality, and risk.

**Market Approach.** This approach measures the value of an asset or business through an analysis of recent sales or offerings of comparable investments or assets. When applied to the valuation of equity interests, consideration is given to the financial condition and operating performance of the issuer being appraised relative to those of publicly traded entities operating in the same or similar lines of business, potentially subject to corresponding economic, environmental, and political factors and considered to be reasonable investment alternatives. The market approach can be applied by utilizing one or both of the following methods:

- **Public Company Market Multiple Method (“PCMMM”).** This methodology focuses on comparing the subject issuer to guideline publicly traded entities. In applying this method, valuation multiples are: (i) derived from historical or forecasted operating data of selected guideline entities; (ii) evaluated and / or adjusted based on the strengths and weaknesses of the subject issuer relative to the selected guideline entities; and (iii) applied to the appropriate operating data of the subject issuer to arrive at a value indication.
- **Similar Transactions Method.** This methodology utilizes valuation multiples based on actual transactions that have occurred in the subject issuer’s industry or related industries to arrive at an indication of value. These derived multiples are then adjusted and applied to the appropriate operating data of the subject issuer to arrive at an indication of value.

**Cost Approach.** This approach measures the value of an asset by the cost to reconstruct or replace it with another of like utility. When applied to the valuation of equity interests in businesses, value is based on the net aggregate fair market value of the issuer’s underlying individual assets. The technique entails a restatement of the balance sheet of the enterprise, substituting the fair market value of its individual assets and liabilities for their book values. The resulting approach is reflective of a 100% ownership interest in the business. This approach is frequently used in valuing holding companies or capital-intensive firms. It is not necessarily an appropriate valuation approach for companies having significant intangible value or those with little liquidation value.

Once the value of the issuer’s total equity is determined, in the event that there are multiple classes of equity securities of the issuer, then the value of that total equity will be allocated among the various classes of equity securities to determine the value of the relevant class of equity security, using any one or more of the following most common used allocation methods:

**Option Pricing Method (“OPM”).** This approach allows for the allocation of a company’s equity value among the various equity capital owners (e.g., preferred and common shareholders). The OPM uses the preferred shareholders’ liquidation preferences, participation rights, dividend policy, and conversion rights to determine how proceeds from a liquidity event shall be distributed among the various ownership classes at a future date. As stated in AICPA guidelines:

*“The option pricing method treats common stock and preferred stock as call options on the enterprise’s value, with exercise prices based on the liquidation preference of the preferred stock. Under this method, the common stock has value only if the funds available for distribution to shareholders exceed the value of the liquidation preference at the time of a liquidity event (for example, merger or sale), assuming the enterprise has funds available to make a liquidation preference meaningful and collectible by the shareholders...Thus, common stock is considered to be a call option with a claim on the enterprise at an exercise price equal to the remaining value immediately after the preferred stock is liquidated...the common implicitly considers the effect of the liquidation preference as of the future liquidation date, not as of the valuation date.”*

**Probability Weighted Expected Return Method (“PWERM”).** This approach involves the estimation of future potential outcomes for the company, as well as values and probabilities associated with each respective potential outcome. The per share value of each class of equity determined using this approach is ultimately based upon probability-weighted per share values resulting from the various future scenarios, which can include an IPO, merger or sale, dissolution, or continued operation as a private company. As stated in AICPA guidelines:

*“Under a probability-weighted expected return method, the value of the common stock is estimated based on upon an analysis of future values for the enterprise assuming various future outcomes. Share value is based upon the probability-weighted present value of expected future investment returns, considering each of the possible future outcomes available to the enterprise, as well as the rights of each share class.”*

**Current Value Method.** This approach involves allocating the company’s current value among the various capital owners based on their respective liquidation preferences and conversion, dividend, and other rights under the assumption that all capital owners act in a manner that maximizes their financial return. Unlike the OPM and the PWERM approaches, this methodology is not forward-looking, and therefore fails to consider the possibility that the value of the company and the individual share classes will increase or decrease between the valuation date and a future date when the

shareholders receive a return on their investment (e.g., through a liquidity event such as an IPO or sale/merger). As stated in AICPA guidelines:

*“Because the current-value method focuses on the present and is not forward-looking, the task force believes its usefulness is limited primarily to two types of circumstances. The first occurs when a liquidity event in the form of an acquisition or dissolution of the enterprise is imminent, and expectations about the future of the enterprise as a going concern are virtually irrelevant. The second occurs when an enterprise is at such an early stage of its development that (a) no material progress has been made on the enterprise’s business plan, (b) no significant common equity value has been created in the business above the liquidation preference on the preferred shares, and (c) there is no reasonable basis for estimating the amount and timing of any such common equity value above the liquidation preference that might be created in the future.”*

#### **4. EXCHANGE TRADED FUTURES AND OPTION CONTRACTS.**

Futures and option contracts traded on exchanges are valued at their settlement prices on the day as of which the value is being determined; provided, however, that, if a futures or option contract could not be liquidated on such day due to the operation of daily price fluctuation limits or other rules of the exchange on which such contract is traded or otherwise, the settlement price on the first subsequent day on which such contract could be liquidated will be the value of such contract for such day.

#### **5. FOREIGN EXCHANGE SPOT AND FORWARD CONTRACTS AND OPTIONS, OFF-EXCHANGE OPTION CONTRACTS, INTEREST RATE AND CREDIT DEFAULT SWAPS, AND SWAPTIONS.**

Foreign exchange spot and forward contracts and options, off-exchange option contracts, interest rate and credit default swaps, and swaptions are valued in good faith by Nikolic based on pricing models developed by Nikolic or broker quotations.

#### **6. COMMODITY FORWARD CONTRACTS AND COMMODITY AND EQUITY SWAPS.**

Commodity forward contracts and commodity and equity swaps are valued based on the settlement prices of the underlying instruments (in accordance with the valuation methods above). In the absence of a Settlement Price, valuations are determined using broker quotations.

**7. FIXED INCOME SECURITIES.**

Fixed income securities are valued using prices published by independent vendors, which in turn utilize prices supplied by brokers. High-Yield and distressed debt is valued using broker quotations and independent pricing services, if available.

**8. INVESTMENTS IN INVESTMENT COMPANIES AND INVESTMENT FUNDS.**

Investments in investment companies and investment funds are valued at the net asset values reported by such investment companies and investment funds.

**9. ADDITIONAL VALUATION ADJUSTMENTS.**

In the absence of quoted values or when quoted values are deemed by Nikolic not to be representative of market values for positions, such positions are recorded at fair value in accordance with guidelines determined in good faith by Nikolic, and any unrealized appreciation or depreciation generally is included in such values.

**SCHEDULE C**  
**COLLATERAL OBLIGATIONS**  
**[SEE ATTACHED]**