

EMPIRE

VALUATION CONSULTANTS, LLC

PRIVATE & CONFIDENTIAL

June 24, 2014

Alan S. Halperin, Esq.
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Dear Mr. Halperin:

You have requested Empire Valuation Consultants, LLC ("Empire") to estimate the fair market value of a 37.75% limited partnership interest (the "Interest") in Black Family Partners, LP ("BFP" or the "Partnership") as of October 25, 2013 (the "Valuation Date"). It is our understanding that this report will be used by Mr. Leon Black for estate planning purposes.

This report is an Appraisal Report as defined in Standards Rule 10 of The Appraisal Foundation's Uniform Standards of Professional Appraisal Practice ("USPAP"), which specifically applies to the preparation of valuation reports of business interests. This report has also been prepared in accordance with the American Institute of Certified Public Accountants Statement on Standards for Valuation Services 1: Valuation of a Business, Business Ownership Interest, Security, or Intangible Asset.

Valuation Summary

Based on the following review and analysis, and subject to the attached Statement of Limiting Conditions, it is our estimate that the fair market value of a 37.75% limited partnership interest in Black Family Partners, LP is reasonably stated as \$940,000,000 as of October 25, 2013.

Methodology

BFP has been valued on a going concern basis. Since the Partnership is closely-held, and thus without a public market for its ownership interests, this appraisal was conducted according to guidelines established by the Internal Revenue Service (“IRS”) and USPAP, and in conformity with the American Society of Appraisers’ Principles of Appraisal Practice and Code of Ethics, together with other standards that were deemed relevant to this engagement.

This appraisal considered all pertinent factors outlined in USPAP Standards Rule 9 and IRS Revenue Ruling 59-60, including, but not limited to, the following:

- the nature and history of BFP;
- the financial and economic conditions affecting the general economy, the Partnership, and its industry;
- the past results, current operations, and future prospects of BFP;
- the earning capacity and dividend-paying capacity of the Partnership;
- the economic benefit to the Partnership of both its tangible and intangible assets;
- the market price of actively traded interests in public entities engaged in the same or similar lines of business as BFP, as well as sales of ownership interests in entities similar to the Partnership;
- the prices, terms, and conditions of past sales of ownership interests in BFP; and
- the impact on the value of ownership interests in BFP resulting from the existence of buy-sell and option agreements, investment letter stock restrictions, restrictive shareholders agreements, or other such agreements.

In defining “fair market value,” IRS Revenue Ruling 59-60 refers to Section 25.2512-1 of the Gift Tax Regulations. Fair market value is described therein as the price at which ownership interests would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of relevant facts.

Sources of Information

Information used in determining the fair market value of the Interest was provided by the documents and sources listed below:

- A copy of BFP's Amended Limited Partnership Agreement, dated May 17, 2007 as amended December 2009 (the "BFP Agreement");
- A copy of BFP's pro forma tax returns, prepared from Mr. Leon Black's personal tax returns, for the years ending December 31, 2009 through 2012;
- Documents and information regarding BFP's assets are presented in Appendix A;
- Conversations and correspondence regarding BFP, its management policies, financial status and investments with Ms. Eileen Alexanderson ("Management"); and
- Other reviews, analyses, and research as were deemed necessary.

Partnership Profile

BFP operated as an investment holding company. The Partnership was formed on May 17, 2007. As of the Valuation Date, the Partnership's primary asset was a 45.9% interest in BRH Holdings LP ("BRH"). BRH owned 87.27% of AP Professional Holdings LP ("Holdings"), which held 61.68% of the Apollo Operating Group ("AOG") units. Details about AOG are fully discussed later in this report.¹ The Partnership was also invested in co-investment funds managed by Apollo Global Management LLC and its consolidated affiliates (the "Company" or "Apollo"). In addition to the Apollo co-investment entities, BFP was invested in additional private investment funds and companies. Additionally, BFP has issued multiple promissory notes. The Partnership's investments are detailed below.

Based on capital account balances available as of the Valuation Date, the Partnership had an aggregate book value of \$3.5 billion. BFP had net income of \$327.4 million in 2012. The Partnership has historically made distributions. BFP does not have audited financial statements. Pro forma financial statements for BFP, prepared from Mr. Black's income tax returns, are presented in Exhibits A through C.

¹ Percentages based on Apollo Global Management LLC's 10-Q filing as of September 30, 2013.

A. BFP Ownership

As of the Valuation Date, BFP's ownership was as presented in the following table.

Table I
BFP Ownership

Partner	Type	Interest
Black Family GP, LLC	GP ²	0.0000%
AIF IV Management Inc.	LP ³	0.0000%
Judah 2009-A Investment Trust	LP	7.8903%
Black Family 1997 Trust	LP	4.6595%
LDB 2011 LLC	LP	7.1685%
Leon Black	LP	80.2817%
Total		100.0000%

B. Apollo Operating Group

According to its most recent SEC filing, Apollo is a global alternative investment manager whose predecessor was founded in 1990. Its primary business is to raise and invest private equity, capital markets and real estate funds as well as managed accounts, on behalf of pension and endowment funds, as well as other institutional and high net worth individual investors. For these investment management services, Apollo receives management fees generally related to the amount of assets under management, transaction and advisory fees for the investments made and carried interest income related to the performance of the respective funds that it manages. Apollo has three primary business segments:

- **Private Equity ("PE"):** PE funds primarily invest in control equity and related debt instruments, convertible securities and distressed debt investments;
- **Capital Markets ("CM"):** CM funds primarily invest in non-control debt and non-control equity investments, including distressed debt securities; and
- **Real Estate ("RE"):** RE funds primarily invest in legacy commercial mortgage-backed securities, commercial first mortgage loans, mezzanine investments and other commercial real estate-related debt investments. Additionally, the Company sponsors real estate funds that focus on

² General Partner

³ Limited Partner

opportunistic investments in distressed debt and equity recapitalization transactions.

Apollo was formed as a Delaware limited liability company on July 3, 2007 and completed a reorganization of its predecessor businesses on July 13, 2007 (the "Reorganization"). Apollo is managed and operated by its manager, AGM Management, LLC, which in turn is wholly-owned and controlled by Leon Black, Joshua Harris and Marc Rowan (the "Managing Partners"). See Appendix B for an organizational diagram for Apollo and its ownership structure, described below.

As of September 30, 2013, Apollo owned, through three intermediate holding companies that include APO Corp., a Delaware corporation that is a domestic corporation for U.S. Federal income tax purposes, APO Asset Co., LLC ("APO Asset"), a Delaware limited liability company that is a disregarded entity for U.S. Federal income tax purposes, and APO (FC), LLC ("APO (FC)"), an Anguilla limited liability company that is treated as a corporation for U.S. Federal income tax purposes (collectively, the "Intermediate Holding Companies"), 38.32% of the economic interests of, and operated and controlled all of the businesses and affairs of, the Apollo Operating Group, as general partners.

AP Professional Holdings, L.P., a Cayman Islands exempted limited partnership ("Holdings"), is the entity through which the Managing Partners and certain of Apollo's other partners, and their related parties, (the "Contributing Partners") indirectly own (through Holdings) Apollo Operating Group units hold AOG Units. Holdings owned AOG Units that represent 61.68% of the economic interests in the Apollo Operating Group as of September 30, 2013.

Apollo also entered into an exchange agreement with Holdings that allows the partners in Holdings, subject to the vesting and minimum retained ownership requirements and transfer restrictions set forth in the partnership agreements of the Apollo Operating Group, to exchange their AOG Units for the Company's Class A shares on a one-for-one basis up to four times each year, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. A limited partner must exchange one partnership unit in each of the ten Apollo Operating Group partnerships to effect an exchange for one Class A share.

On April 4, 2011, Apollo completed the initial public offering ("IPO") of its Class A shares. Apollo received net proceeds from the initial public offering of approximately \$382.5 million, which was used to acquire additional AOG Units. Shares of Apollo traded between \$33.41 and \$34.86 per share and closed at \$33.56 per share on the Valuation Date, with the mean value being \$34.14 per share.

C. Description of Assets

BFP was invested in cash, multiple Apollo funds, Apollo Operating Group units through BRH and Holdings and a non-Apollo hedge fund. Details regarding the assets are provided below. A summary of the capital account balance for each interest is presented in Exhibit D.

Cash and Marketable Securities: The Partnership had a checking account held at Bank of America with a balance of \$32.8 million as of the Valuation Date. Additionally, BFP had a brokerage account with JP Morgan, which held \$11,270 in cash, \$455,200 in Environmental Solutions World stock (Ticker:ESWW),⁴ \$5.2 million in Apollo Investment Corp.⁵ stock (603,632 shares with a mean value of \$8.59 per share) and \$0.8 million in AP Alternative Assets, LP⁶ stock (28,730 shares with a mean value of \$29.70 per share) as of the Valuation Date.

Apollo Private Equity Investment Funds: BFP participated in Apollo's PE funds, specifically AIF III, AIF IV, AIF V and AIF VI. For each fund, BFP invested in a related co-investor entity established for Apollo affiliates and employees to participate in Apollo's individual PE funds. As of the Valuation Date, the Partnership had a capital account balance in ACIII, ACIV, ACV and ACVI. The Partnership's co-invest interests were not subject to management or carried interest fees. In effect, they earned the underlying fund's return on investment, net of any non-fee fund expenses. BFP's capital account balances in ACIII, ACIV, ACV and ACVI were \$2.6 million, \$0.5 million, \$3.9 million and \$42.2, respectively, at the Valuation Date.

BFP also retained a 36% interest (720.5 of 2,000 points) in AIF III's general partner's carried interest. As of the Valuation Date, the capital account related to the carry points for AIF III was a deficit of \$5.0 million, i.e. the general partner was subject to a clawback based on the market value of AIF III's remaining asset.

The AIF funds employed a 1.5% management fee and 20% carried interest fee structure. The management fees could vary based on life-cycle of the fund. Carried interest was subject to an 8% preferred for its fee-paying limited partners. The funds generate value through: (1) classic buyouts; (2) distressed buyouts; and (3) corporate partner buyouts. The fund's limited partners could not withdraw, and

⁴ BFP held 11,380 shares in ESWW. The shares were thinly traded with a most recent closing price of \$40 per share.

⁵ Apollo Investment Corp. ("AINV") is a publicly traded business development company ("BDC") managed by Apollo.

⁶ AP Alternative Assets, LP ("AAA") is a publicly traded investment company managed by Apollo. The company is listed on the Amsterdam stock exchange.

transfers required the permission of the respective fund GP entity. The fund size for AIF III, AIF IV, AIF V and AIF VI was \$1.5 billion, \$3.6 billion, \$5 billion and \$10.1 billion, respectively. ACIII, ACIV, ACV and ACVI were bound to invest and divest at the same time as AIF III, AIF IV, AIF V and AIF VI, respectively. AIF III, AIF IV and AIF V were all on extension in order to liquidate remaining positions. ACIII, ACIV, ACV and ACVI had no control over the funds, or their selection or timing of investment acquisitions or divestitures. Withdrawal from ACIII, ACIV, ACV and ACVI was not permitted and transfers required the consent of the respective managing members.

Table II
Apollo Private Equity Co-Invest Entities

Entity	Capital Account Value ⁷	Term Expiration
ACIII	\$2,554,400	The underlying fund was on extension. At the Valuation Date there was no indication when the portfolio company would be sold. ⁸
ACIV	\$546,624	The underlying fund was on indefinite extension. There was no indication when the portfolio companies would be sold.
ACV	\$3,938,673	The underlying fund was on contractual extension. There was no indication when the portfolio companies would be sold.
ACVI	\$42,153,773	The fund's term expires January 12, 2016.

Apollo Capital Market Fund Interests: ASC and AVC are invested in capital market funds affiliated with Apollo. Apollo's capital market funds held securities from all portions of a portfolio company's capital structure, with a focus on distressed companies. BFP's interests in ASC and AVC were not subject to management or performance fees. While ASC's and AVC's legal agreements did not dictate specific provisions for withdrawal, Apollo's Management indicated that members of ASC and AVC were allowed to make monthly withdrawal requests. As of the Valuation Date, BFP was able to withdraw its capital from both ASC and AVC effective October 31, 2013.

⁷ Based on September 30, 2013 quarterly account statements. Capital account balances were adjusted to account for distributions and contributions made between the capital account date and the Valuation Date.

⁸ As of the writing of this report, Empire was informed by BFP that Apollo liquidated the remaining portfolio company held by ACIII and AIF III in March 2014.

Table III
Apollo Capital Market Co-Invest Entities

Entity	Capital Account Value ⁹
ASC	\$2,801,160
AVC	\$7,765,568

FCI II: BFP made a \$25 million commitment to FCI II on June 21, 2013. FCI II co-invests in FCI Fund as a Schedule I limited partner. The fund had its first capital call in July 2013, for which the Partnership contributed \$5,509,642, of which \$4,096,340 was returned after a subsequent close. BFP's net capital contribution to FCI II is \$1.4 million. FCI Fund purchased a portfolio of 67 life insurance policies from a European bank with a total policy face amount of \$371 million for approximately \$27 million. The balance of BFP's future capital contributions are expected to be for premiums, fees and expenses. The Partnership's interest in FCI II was not subject to management or carried interest fees. In effect, it earned the underlying fund's return on investment, net of any non-fee fund expenses. BFP's capital account balance was \$1.6 million at the Valuation Date.

FCI Fund employed a 0.5% management fee and 10% carried interest fee structure. The management fees could vary based on life-cycle of the fund. Carried interest was subject to a 6% preferred for its fee-paying limited partners. The fund's limited partners could not withdraw, and transfers required the permission of the fund GP. FCI II had no control over the fund, or its selection or timing of investment acquisitions or divestitures. Withdrawal from FCI II was not permitted and transfers required the consent of the general partner.

AP Technology Partners LLC ("ATPT"): ATPT is a venture capital fund launched by Apollo principals and managing partners. BFP has a nominal capital account balance of \$13,863. The fund has been inactive for years and was not expected to resume investment activities. All remaining assets in ATPT were considered side pocket investments.

Apollo Ownership Interests: The Partnership has an indirect ownership position in the Apollo Operating Group through AOG Units held through BRH. In total BFP held 92,727,166 AOG Units. At the Valuation Date, Apollo's stock closed at \$33.56 per share, with a mean value of \$34.14 per share. AOG Units could be exchanged for Class A shares at various future dates.¹⁰ The agreements governing the AOG Units are discussed in greater detail below. The impact of the agreement

⁹ Based on September 30, 2013 monthly account statements.

¹⁰ 7.5% of the block of AOG Units became exchangeable on March 29, 2013.

provisions was considered in the estimation of fair market value for the AOG Units. On an unadjusted basis the capital account value of the AOG units was \$3,165,705,447.¹¹ In addition to the AOG Units held, the Partnership also received an annual payment from Apollo in connection with the tax receivable agreement (“TRA”) associated with Apollo ownership sold in the July 2007 transaction which resulted from the reorganization of Apollo and its listing on GSTRUE.¹²

Non-Apollo Investment Interests: BFP’s other investments included interests in four fixed-term private equity funds, five evergreen hedge funds, four development stage/private companies and multiple promissory notes. All of these investments were non-controlling and non-marketable, and subject to certain restrictions. None of the funds made regular distributions. Each subset is described further below.

Private-Equity Funds: These investments were subject to transfer restrictions (i.e. requires fund general partner consent), and withdrawal was not permitted prior to the end of the fund’s term. Distributions were only anticipated upon the harvest of underlying investments, and the timing and amount of distributions would be determined by each fund’s manager or general partner. A summary of key information associated with these funds is presented in the following table.

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¹¹ Based on the mean value per share of \$34.14.

¹² GSTRUE is a secondary market for qualified institutional and individual investors. Apollo stopped trading on GSTRUE after its public listing in 2011.

Table IV
Non-Apollo Private Equity Investments – Key Terms

Entity	BFP's Capital Account Value ¹³	Description	Fee Structure ¹⁴	Term Expiration
HAO	\$3,796,002	As of the Valuation Date, BFP contributed \$4.6 million of a \$6.0 million commitment. The fund is focused on investments in Asia, with a focus on China.	2%/20%	12/5/2015
SWF	\$18,224,766	As of the Valuation Date, BFP contributed \$20.0 million of a \$20.0 million commitment. The fund is focused on timberland properties in the southeastern United States.	1%,15%	5/1/2018
WCP	\$2,416,630	As of the Valuation Date, BFP contributed \$4.7 million of a \$5.0 million commitment. The fund is focused on active minority investments located in emerging markets, with a focus on BRIC. ¹⁵	2%/20%	2/23/2019
TEN4	\$253,746	As of the Valuation Date, BFP contributed \$156,356 of a \$1.5 million commitment. The fund is targeting \$1 million investments in growth stage "Big Data" companies. Total fund size is \$25 million.	2%/20%	4/1/2023

Hedge Funds: The evergreen funds allowed withdrawal of capital based on a combination of lock-up periods and limited opportunities to withdraw (e.g. annually, quarterly). Although the interests were subject to transfer and other restrictions, the withdrawal rights were considered to be most important. A summary of key information associated with the evergreen funds is presented in the following table.

¹³ Based on September 30, 2013 quarterly account statements. Capital account balances were adjusted to account for distributions and contributions made between the capital account date and the Valuation Date.

¹⁴ Stated annually, as "management fee percentage/performance fee percentage."

¹⁵ Brazil, Russia, India and China.

Table V
Non-Apollo Hedge Fund Investments – Key Terms

Entity	BFP's Capital Account Value ¹⁶	Description	Fee Structure ¹⁷	Withdrawal Date ¹⁸
ACP	\$15,807,245	Debt focused special situations fund.	1.5%/20%	12/31/2013
CVRF	\$17,544,966	Debt and equity event-driven fund.	1.5%/20%	12/31/2013
KSC	\$1,004,326	Global long/short credit and event-driven fund.	1.5%/20%	12/31/2013
LC	\$32,572,504	Long only equity fund.	1.75%/0%	12/31/2013
MG	\$22,755,420	Arbitrage fund	0% ¹⁹ /20%	12/30/2013

iCrete: iCrete LLC had developed proprietary technology for mixing concrete. BFP held a Class B interest in iCrete. According to the Partnership's 2012 K-1, BFP had a capital account balance of \$1.3 million and a capital sharing percentage of 0.849%. iCrete had a \$5.8 million members' deficit as of December 31, 2012 and has been unprofitable since inception.

KUE: Knowledge Universe Education L.P. was a holding company with a portfolio of development stage secondary education companies. The carrying value of BFP's interest in KUE was estimated to be \$33.6 million based on its 2012 K-1 capital account balance. Per BFP's K-1, the Partnership had a 1.4289% capital interest. KUE's aggregate book value of equity was \$803.5 million as of December 31, 2012. On October 15, 2013 BFP received a \$1.4 million distribution from KUE. The distribution was considered a return of contributions to KUE's investors, though not 100%. The KUE Agreement was amended August 9, 2013. The amendment reflected that a KUE has a target exit date of October 2015 through an IPO. If an IPO is not successfully KUE will wind down by October 2017 through some other means.

ESWW: ESWW, through its wholly-owned subsidiaries, is engaged in the designing, developing, manufacturing and selling of emissions control technologies. The

¹⁶ Based on September 30, 2013 monthly account statements.

¹⁷ Stated annually, as "management fee percentage /performance fee percentage."

¹⁸ Withdrawal date represents when BFP was allowed to withdraw its capital from the underlying fund as of the Valuation Date based on the provisions of the respective underlying fund agreement. This applies only to ACP, CVRF, LC and MG. BFP has submitted a withdrawal request to KSC. Full withdrawal will be based on the final December 31, 2013 capital account balance.

¹⁹ There is no management fee, However, partners bear pro rata levels of fund expenses.

company also provides emissions testing and environmental certification services with its primary focus on the North American on-road and off-road diesel retrofit market. ESWW manufactures and markets a line of catalytic emission control and enabling technologies for a number of applications. ESWW is focused on the international medium duty and heavy duty diesel engine market for on-road and off-road vehicles, as well as the utility engine, mining, marine, locomotive and military industries. ESWW also offers engine and after treatment emissions verification testing and certification services. In 2013, BFP invested \$2.9 million in ESWW in the form of a convertible note.²⁰ The note pays 10% simple interest, semi-annually. The note will convert at a rate of \$80 per share to common equity on March 22, 2018, or sooner if a majority of the note holders elect to convert the note to common stock.

Rally Labs: Rally Labs LLC markets and distributes an over-the-counter drug called Blowfish, which is an effervescent, morning-after hangover remedy. BFP invested \$200,000 on June 28, 2013 as part of Rally Labs effort to raise to \$2 million in investment capital in order to finance its general business operations and marketing initiatives to support a national rollout. The Partnership bought 20,000 units at a price per unit of \$10.00. The total offering was 200,000 units. The full allotment of units offered by the company represents 25% of the Rally Lab's fully-diluted capitalization.

Related Party Receivables: The Partnership has issued 17 promissory notes. There are 11 outstanding notes with Leon Black, totaling \$56.4 million, the Black Family 1997 Trust has two notes totaling \$8.2 million, PLB LLC has two notes totaling \$3.2 million. One note totaling \$25.0 million is due from Narrow Holdings LLC. BFP also had a promissory note due from AIF IV Management Inc. in the amount of \$7,469,203. Note terms end between March 13, 2014 and August 5, 2016. Annual interest rates are between 0.18% and 0.32% for 15 of the notes. One note, due from the 1997 Trust, is related to Phaidon and charges 3.0% interest annually. All notes are interest only with principal payments due at the end of each note's term. Additionally, BFP opened a \$15.0 million credit line to Phaidon Global which was drawn \$5.5 million at the Valuation Date. Interest on the Phaidon Global credit line was 1-month LIBOR plus 200 basis points. The credit line is available through September 2014.

Liabilities: BFP had no liabilities at the Valuation Date, with the exception of the clawback liability related to carried interest points for AIF III.

²⁰ The total aggregate offering was \$4,596,929.

Summary: Based on the most recent capital account statements and holdings information provided by Apollo and BFP Management, the Partnership's total assets had an aggregate market value of \$3.5 billion. Since BFP had only a \$5.0 clawback liability its aggregate partners' capital was \$3.5 billion (based on the mean value per share of Apollo at \$34.14, AINV's stock at \$8.59 and AAA's stock at \$29.35 as of the Valuation Date). See Exhibit D.

Valuation adjustments necessary to reflect the market value of the Partnership's individual assets taking into consideration various restrictions that hinder BFP's control over the assets and lack of a ready market to dispose of or trade its assets is considered in detail in the valuation section of this report.

D. BFP Agreement Provisions

BFP was formed pursuant to Delaware Revised Uniform Limited Partnership Act (the "Act"). The BFP Agreement dictates the rights, responsibilities and restrictions placed on the Interest. A summary of key provisions impacting the fair market value of the Interest is presented below.

- **Management:** The Partnership shall be managed solely at the discretion of the GP (i.e. Black Family GP, LLC). (7.1-7.2.) No LP shall have the ability to act on behalf of the Partnership in its capacity as such. (7.6.) There are no restrictions on the actions of the GP, and the GP may not be removed. (7.4.) Upon an event of withdrawal by the GP, a successor GP shall be appointed by a majority in interest of the LPs. (7.7.)
- **P&L Allocations and Distributions:** P&L allocations shall be made on a pro rata basis. (5.2.) The timing and amount of distributions shall be determined by the GP in its sole and absolute discretion. Such distributions are based on sharing ratios. (5.4.)
- **Costs:** Any costs incurred by the GP on behalf of the Partnership for its operations shall be reimbursed by the Partnership. (Article 4.)
- **Restrictions on Transfer:** Transfers of economic interests are permitted. However, no transferee shall become a partner without the prior written consent of the GP. (9.1.) Upon death, a partner's economic rights shall be transferred to his legal representative. (9.3.) In addition to the required consent of the GP, other administrative tasks must be completed in order to effect the admission of a transferee as a substitute LP. (9.4.)

- **Restrictions on Withdrawal:** Any Partner may withdraw any portion of his, her, or its capital account at any time. Upon such withdrawal, the Partnership shall distribute to such Partner *assets* of the Partnership with an aggregate fair market value equal to (i) the value of all of the assets of the Partnership, multiplied by (ii) such Partner's Sharing Ratio, multiplied by (iii) the percentage of such Partner's capital account being withdrawn by such Partner. If the Partnership's assets consist of assets other than cash or marketable securities, the FMV shall be determined by a qualified appraiser selected by the GP. (3.4.)
- **Books and Information:** The GP shall cause complete books and records to be maintained at the principal offices of the Partnership. Such records shall be open to inspection and examination of all partners in person or by their duly authorized representatives, who have the right to make copies at their own expense during normal business hours. (8.1.) The GP may, but is not required to, have annual financial statements prepared. Such statements need not be audited. If prepared, copies of such statements shall be delivered to the LPs. (8.2.) The Partnership's accountants shall prepare all federal, state and local income tax returns for the Partnership. (8.3(a).)
- **Dissolution:** The Partnership will be dissolved at such time as the first of the following should occur: (1) the bankruptcy or dissolution of the GP; (2) the determination of the GP to dissolve the Partnership; (3) the entry of a decree of judicial dissolution; (4) any event under the act sufficient to cause dissolution. (10.1.)
- **Amendment:** The Agreement may only be amended by the unanimous agreement of the Partners. (12.1.)

AOG Unit Agreement Provisions

The Interest and AOG Units are subject to provisions of multiple agreements. The impact of these agreements is that the value of an AOG Unit will vary from the value of a share of Apollo's Class A stock, based on the restrictions and benefits imposed on the AOG Units. Transfer and exchange restrictions remove the ability to participate in a liquid market. The TRA outlines how the tax benefit derived from an AOG Unit exchange is shared between the exchanging unit holder and Apollo.

Empire reviewed the key agreements, as well as the summary for each agreement that is included in Apollo's S-1. The descriptions provided below are paraphrased

from the content provided in the S-1, and are intended to have the meaning conveyed therein.

A. The Exchange Agreement

BFP entered into an exchange agreement with Holdings which provides for the exchange of AOG Units owned by Holdings for Class A shares of Apollo. Subject to certain procedures and restrictions²¹ and upon 60 days' written notice prior to a designated quarterly date, each of Holdings' owners²² has the right to cause Holdings to exchange the AOG Units owned indirectly by such owner for BFP Class A shares. The Class A shares received in the exchange would then be sold immediately at the prevailing market price, or at a lower acceptable price, and the net proceeds distributed to the owner affecting the exchange. In connection with the exchange, BFP's interest in the AOG Units will be correspondingly increased and the voting power of the Class B share will be correspondingly decreased.

B. The Principals Agreement

The Principals Agreement provides that each Managing Partner's Pecuniary Interest²³ in the AOG Units that he holds indirectly through Holdings shall be subject to vesting. The Managing Partners own Holdings in accordance with their respective sharing percentages. Pursuant to the Principals Agreement, the AOG Units attributable to each of Messrs. Harris and Rowan will vest in 60 equal monthly installments. The AOG Units attributable to Mr. Black in which BFP has an indirect interest will vest in 72 equal monthly installments. Although the Principals Agreement was entered into on July 13, 2007, AOG's Managing Partners are credited for their employment as of January 1, 2007 for purposes of its vesting provisions.

C. The Shareholder Agreement

While the Exchange Agreement allows for quarterly exchanges of AOG Units into Class A shares of BFP, the Shareholder Agreement restricts the amount and timing of such exchanges involving a Managing Partner's aggregate equity interest ("Equity Interests") via its transfer restrictions. These restrictions are described below.

²¹ Restrictions include the vesting schedules applicable to the Managing Partners, as well as any applicable transfer restrictions and lock-up agreements.

²² Including Managing Partners, contributing partners, and certain transferees thereof.

²³ Pecuniary Interest - With respect to each Managing Partner, the number of AOG units that would be distributable to such Managing Partner assuming that Holdings were liquidated and its assets distributed in accordance with its governing agreements.

No Managing Partner²⁴ may affect cumulative transfers of Equity Interests, representing more than:

1. 0.0% of his Equity Interests at any time prior to the second anniversary of the date on which the registration statement of which the S-1 forms a part became effective (the "shelf effectiveness date"), i.e. March 29, 2011;
2. 7.5% of his Equity Interests at any time on or after the second anniversary and prior to the third anniversary of the shelf effectiveness date;
3. 15% of his Equity Interests at any time on or after the third anniversary and prior to the fourth anniversary of the shelf effectiveness date;
4. 22.5% of his Equity Interests at any time on or after the fourth anniversary and prior to the fifth anniversary of the shelf effectiveness date;
5. 30% of his Equity Interests at any time on or after the fifth anniversary and prior to the sixth anniversary of the shelf effectiveness date; or
6. 100% of his Equity Interests at any time on or after the sixth anniversary of the shelf effectiveness date.

Certain transfers were not subject to the restrictions described above, including transfers: (1) from one founder to another founder; (2) to a permitted transferee of such Managing Partner; and (3) in connection with a sale by one or more of the Managing Partners in one or a related series of transactions resulting in the Managing Partners owning or controlling, directly or indirectly, less than 50.1% of the economic or voting interests in Apollo or AOG, or any other person exercising control in Apollo or the AOG by contract, which would include a transfer of control of their manager.

D. Tax Receivable Agreement

In the event that an exchange pursuant to the Exchange Agreement is a taxable transaction, Apollo Management Holdings, L.P. and the AOG entities that it controls will make a Section 754 election which may result in an adjustment to the tax basis of a portion of the assets owned by the AOG at the time of the exchange. The taxable exchanges may result in increases in the tax depreciation and amortization deductions from depreciable and amortizable assets, as well as an increase in the tax basis of other assets, of AOG that otherwise would not have been available. A portion of any increase in depreciation and amortization tax

²⁴ This applies to Managing Partners and their permitted transferees.

deductions, as well as the increase in the tax basis of such other assets, will reduce the amount of tax that APO Corp. would otherwise be required to pay on future income.

Additionally, Apollo's acquisition of AOG Units in such an exchange may result in increases in tax deductions and tax basis that reduces the amount of tax that APO Corp. would otherwise be required to pay in the future. This occurred in connection with the Apollo's acquisition of AOG Units from the Managing Partners in the strategic investors' transaction in July 2007.

The TRA requires APO Corp. to pay the Managing Partner (or to a permitted transferee of such Managing Partner, i.e. BFP) or contributing partner involved in such an exchange 85% of the amount of actual cash savings, if any, in U.S. Federal, state, local and foreign income tax that APO Corp. realizes²⁵ as a result of these increases in tax deductions and tax basis, and certain other tax benefits, including imputed interest expense. APO Corp. expects to benefit from the remaining 15% of actual cash savings, if any, in income tax that it realizes.

For purposes of the TRA, cash savings in income tax will be computed by comparing APO Corp.'s actual income tax liability to the amount of such taxes that APO Corp. would have been required to pay had there been no increase to the tax basis of the tangible and intangible assets of the applicable AOG entity as a result of the transaction and had APO Corp. not entered into the TRA. The tax savings achieved may not ensure that APO Corp. has sufficient cash available to pay the tax liability or generate additional distributions to its investors. Also, APO Corp. may need to incur additional debt to repay the TRA if its cash flows are not met.

The term of the TRA will continue until all such tax benefits have been utilized or expired, unless APO Corp. exercises the right to terminate the TRA by paying an amount based on the present value of payments remaining to be made under the agreement with respect to units that have been exchanged or sold and units which have not yet been exchanged or sold. The present value of remaining payments will be determined based on certain assumptions, including that APO Corp. would have sufficient taxable income to fully utilize the deductions that would have arisen from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement.

No payments will be made if a Managing Partner or contributing partner elects to exchange his or her AOG Units in a tax-free transaction. In the event that other

²⁵ Or is deemed to realize in the case of an early termination payment by APO Corp. or a change of control.

of Apollo's current or future subsidiaries become taxable as corporations and acquire AOG Units in the future, or if Apollo becomes taxable as a corporation for U.S. Federal income tax purposes, each will become subject to a tax receivable agreement with substantially similar terms.

Economic, Industry and Company Outlook

In the appraisal of any company, the general economic factors prevailing at the valuation date, as well as those foreseen then, must be considered. Assimilation of these facts and forecasts provides insight into the economic climate in which investors are dealing. Although individual factors may or may not have a direct impact upon a particular industry, the overall economy and its outlook have a strong influence on how investors perceive investment opportunities.

A. Domestic Economic Outlook

For this analysis, the general economic climate and outlook for the domestic economy that prevailed through the Valuation Date was considered. This section of the report contains an overview of selected economic factors, such as gross domestic product ("GDP"), inflation, United States ("U.S.") monetary and fiscal policy, corporate earnings, and unemployment.

According to Value Line,²⁶ while first quarter GDP growth was just 1.1%, GDP grew 2.5% through June, and 2.8% in the third quarter of 2013. Unfortunately, some of the more recent growth pick-up included increases that could not be sustained, including June's gains in consumer spending. Moving into 2013's fourth quarter, those spending gains weakened slightly, due to strength in inventory building. Based on the improving trends in employment, housing, consumer expenditures, and business outlays, and taking note of the costs of the earlier government shutdown, Value Line predicted that the nation's aggregate output would show an increase of a little more than 2% in the final period of 2013. Value Line believed that the shutdown would strip a few tenths of a percentage point off of GDP growth in the fourth quarter. Assuming no further government shutdown in the coming months, the economy was positioned to pick up slowly but steadily over the following quarters, with growth edging up toward 3% by the end of 2014, but averaging closer to 2.5% for the year. A resumption of the upswing in housing, additional gains in business investment, further modest employment increases, and a corresponding reduction in the U.S. jobless rate underscored Value Line's positive expectations for 2014.

²⁶ *Quarterly Economic Review*, Value Line Publishing LLC ("Value Line"), November 22, 2013.

Inflation: The possibility of deflation remained on the minds of some Federal Reserve governors, as they continued an easy money course in the hopes of minimizing the deflation risk. Value Line considered deflation risk to be relatively small, especially after four years of uninterrupted economic growth. Still, the long-term goal of the Federal Reserve was to keep inflation in the 2% range. The central bank was relatively unconcerned about upward price pressure, and was unlikely to change its position in the near term. Value line believed that, in the intermediate-term, inflation would stay benign. Eventually, though, the aggressive monetary easing undertaken by the central bank, including the historic levels of bond buying, would pressure prices upward. The magnitude and timeframe of that future pressure were difficult to predict.

Interest Rates: Because the Federal Reserve was not preoccupied with containing inflation, it could focus on its other mandate, namely, fostering maximum employment. Despite a strong 204,000 increase in non-farm payrolls in October, there remained ample room for improvement. If the October payroll increase rate were sustained, it would reduce the jobless rate. Accordingly, the historically low level of interest rates was likely to persist through at least 2014. Short-term interest rates, which the Fed controlled directly via its federal funds target, were anticipated to be held near zero over that span. Longer-term interest rates, in particular, the benchmark 10-year Treasury note, which were used to set mortgage rates, ranged from 2.4% to 2.8%; Value Line expected a modest, albeit steady, climb back toward the 4.0% level by the end of the decade. Importantly, rates were not expected to increase quickly enough to derail the housing recovery.

Corporate Profits: As of November 2013, the third-quarter earnings season had concluded for the most part, and aggregate results were relatively good. Of note, most companies met or exceeded their profit targets, though many of those targets were reduced over the course of the three-month period. Such a pattern, moreover, had been in place for many quarters. An already strong stock market was, if anything, given more energy by the concluding earnings season. Looking ahead, Value Line expected with small but steady overall profit growth in the final quarter of 2013 and during 2014.

Other Economic Indicators: For the years 2013 through 2015, Value Line hypothesized the economic environment as shown in the table below:

Table VI
National Economic Indicator Annual Projections

Annual Statistics	2013	2014	2015
GDP Growth (%)	1.7%	2.5%	3.0%
Unemployment Rate (%)	7.5%	7.2%	6.4%
Housing Starts (millions of units)	0.91	1.15	1.44
Oil Prices ²⁷	\$100.20	\$98.00	\$100.00
Long-Term Treasury Bond Rate (%)	3.5%	4.0%	4.3%
Prime Rate (%)	3.3%	3.5%	3.6%
AAA Corporate Bond Rates (%)	4.3%	4.9%	5.2%
Personal Savings Rate (%)	4.4%	4.9%	5.4%

Summary: In sum, Value Line maintained a cautious outlook for the final quarter of 2013 due to the recent government shutdown, expecting further improvement in 2014, as well as increases in GDP growth above 3% during 2015, 2016, and 2017.

B. International Economy²⁸

Europe: The European Union returned to positive GDP growth in 2013. Following a slow and still vulnerable expansion of economic activity during the remainder of 2013, growth was set to become gradually more domestic demand-driven and more robust in the course of 2014 and into 2015. In the aftermath of the crisis deleveraging, financial fragmentation, elevated uncertainty and rebalancing needs continued to hurt growth. Its impact was however expected to gradually subside over the forecast horizon as progress was made with the correction of the accumulated macroeconomic imbalances, and domestic demand was expected to take over as the main engine of growth.

External demand was expected to pick up over the coming quarters, but less than previously forecasted, on account of a weakened outlook for growth in emerging market economies and the appreciation of the euro. Reflecting the carry-over from the weakness of economic activity last winter, GDP in annual terms was expected to remain unchanged in the EU and contract by 0.5% in the euro area in 2013. Next year, economic activity was projected to expand by 1.5% in the EU and

²⁷ Represents a dollar volume weighted average of oil prices (U.S. Refiners' Cost) throughout the year, rather than an explicit projection of spot prices.

²⁸ Sources for this outlook include: (1) European Commission's ("EC") *European Economic Forecast*, July 2013; and (2) The World Bank's ("WB") *East Asia and Pacific Economic Update*, published October 2013.

1.0% in the euro area before accelerating to 2.0% and 1.75%, respectively, in 2015.

Unemployment stabilized at high levels for the past half year, as employment losses have tapered off. Employment expectations in manufacturing and services have started improving from low levels. However, an early turnaround of the labor market was not expected. Rather, employment was set to follow the recovery of GDP growth with a lag as firms have scope to increase hours worked before hiring new staff. Economic uncertainty also weighed on hiring decisions. Employment in the EU and the euro area was projected to expand by 0.25% in 2014, which will not yet be sufficient to curb high unemployment. In 2015, employment growth was set to accelerate to 0.75% in both areas, resulting in a slight reduction of unemployment to 10.75% in the EU and 11.75% in the euro area. The differences in labor-market performance across Member States were expected to remain extremely large, with unemployment expected to range from 5.0% in Austria to 26.5% in Spain in 2014.

After a continuous decline in the past two years, gross fixed capital formation increased in the second quarter of 2013, by 0.2% over the first quarter. The breakdown of investment shows a rebound of machinery and equipment investment, while construction investment continued to decline in the EU and stabilized in the euro area, driven by a strong contraction in non-residential investment. In the short term, overall uncertainty and ongoing deleveraging as well as still adverse financing conditions for the non-financial corporate sector, notably in some Member States was expected to continue to dampen investment spending. Construction investment was likely to remain weak in the remainder of the year. Overall for 2013, gross fixed capital formation was expected to still decline, mainly reflecting carry-over effects from the start of the year.

Going forward, gross fixed capital formation was expected to rebound in 2014 and beyond. This projection was mainly supported by equipment investment. Capital additions were expected to benefit from higher domestic and external demand, strengthening business confidence and lower uncertainty, the need to gradually replace ageing capital equipment, steadily easing financing condition, and increasing corporate profits as the general economy recovered.

Private consumption increased by 0.2% and 0.1% respectively in the EU and the euro area in the second quarter of 2013, showing positive growth for the first time since fall 2011. While sector data was not available at the cut-off date, this development might mirror a slowdown in the pace of decline in households' real disposable income due to higher wages, low inflation and a more moderate fiscal drag. The improvement of consumer confidence in the second quarter was also

expected to have a positive impact on the saving rate. In the second half of 2013, private consumption was expected to grow only slightly, in line with weak real disposable income growth and high precautionary saving. On the other hand retail trade and consumer confidence indicators improved substantially during the third quarter, now above their long-term averages.

Government consumption increased in the second quarter of 2013, after stalling in the previous quarter. As significant consolidation needs subsist in some Member States, aggregate public consumption was, however, set to fall in the short term in both the EU and the Euro area. For 2013 as a whole, government consumption was projected to remain broadly constant in both the EU and the euro area. With weaker consolidation needs, public consumption was expected to increase modestly in 2014 and 2015 at a rate well below GDP growth.

The EC believed that economic activity in the EU was permanently affected by the crisis, due to slow post-crisis adjustment and a long-lasting deterioration in financing conditions. On a more positive note, potential growth, estimated at only 0.5% in the EU in 2013, was expected to recover gradually over time with a declining structural unemployment and normalizing investment activity. Despite the level shift in EU GDP, its growth dynamics were not likely to be affected in the long term.

Asia: According to the WB, the strengthening of global growth momentum would help developing East Asia maintain a growth rate in excess of 7%. In China, growth was expected to meet the official indicative target of 7.5% in 2013, 0.8 percentage points lower than the WB's April projection. In the medium term, China's growth was expected to remain bounded between 7.5% and 7.7%, as government authorities' emphasized productivity and innovation, while rebalancing demand from investment towards consumption. GDP Growth in developing East Asia, excluding China, was expected to decline from 6.2% in 2012 to 5.2% by the end of 2013, before rebounding to 5.3% and 5.7% in 2014 and 2015, respectively.

The recovery in the Association of Southeast Asian Nations ("ASEAN") countries, which included a few high-income countries, would be more gradual, with expected growth of 5.1% for 2013, 5.1% for 2014, and 5.4% for 2015. Notwithstanding the modest decline in growth in 2013, the East Asia Pacific ("EAP") region was predicted to contribute nearly two-fifths of global growth and one-third of global trade, a larger share than that of any other region in the world. Adjusting to weaker terms of trade and tighter financial conditions, Indonesia's growth rate was expected to be moderate in 2013. The adjustment would carry into the following year, for which growth was revised downward by over one percentage point, due to modest investment. The WB's largest downward adjustment was for Thailand, which entered into technical recession in the second quarter of 2013. However, growth

during the second-half of 2013 was expected to improve, due to strong revival in exports and robust private consumption.

Weak performance in the first half of 2013, underpinned by poor exports, was likely to push down growth in Malaysia, the most trade-intensive economy in developing East Asia. Fiscal consolidation and delays in public investment caused the WB to revise growth downward for 2014. Vietnam was on track to grow modestly in 2013. Growth would remain slow through the following year, with slight gains in macroeconomic stabilization that were subject to several downside risks, including more activist policies that, if pursued, would fuel inflationary pressures and undermine stability. In contrast, the Philippines was expected to maintain its growth momentum into the near- to medium-term, spurred on by strong private consumption, itself growing on the back of healthy remittances and a robust business process outsourcing industry, as well as by a planned doubling of public infrastructure spending by 2016.

Overall, the WB revised baseline growth projections upward for both 2013 and 2014. They expected growth to further accelerate in 2015, with most EAP economies growing at the same or a modestly higher rate in 2015 as compared to 2014 levels. While WB predicted East Asia to expand more slowly than it had in previous forecasts, the area was positioned to continue leading other regions, contributing more to global growth than any other region of the world in 2013.

C. Capital Markets Overview

Economic Conditions:²⁹ Second quarter U.S. gross domestic product (“GDP”) numbers were finalized during 2013’s third quarter (“Q3”) and indicated that the economy continued to advance.

- The unemployment rate improved gradually, falling from 7.4% to 7.3%. Unemployment fell to a four-year low, but job growth remained disappointing with 169,000 jobs added in August.
- GDP growth rose to 2.5% from the initial estimate of 1.7% for the second quarter. However, it remained below the pace needed to provide a self-sustaining recovery independent of ongoing Federal Reserve (“The Fed”) action. The Fed announced its intentions to continue its bond-buying program for the immediate future.

²⁹ Managers Investment Group, *Financial Markets Review and Outlook Third Quarter 2013*.

- Outside of the U.S., the European Central Bank indicated that interest rates would be kept low for an extended period of time in an effort to promote growth in the Euro Zone. In emerging markets, Brazil, Russia, India and China (“The BRICS”) announced a \$100 billion currency reserve fund, designed to protect the markets in the event of a financial market shock.

Public Markets Performance: Equity markets reported gains above 5.0% in Q3, as measured by most broad market benchmarks. Most of the U.S. equity outperformance was concentrated in September as a result of the Fed retracting its intentions to taper its quantitative easing program. Meanwhile, the bond markets experience some relief after a difficult second quarter. A summary of recent performance for select indices is presented in the following table.

Table VII³⁰
Index Performance – Period Ended September 30, 2013

Index	Q3 2013	YTD	1-year	3-year	5-year
<i>S&P 500</i>	5.2%	19.8%	19.3%	16.3%	10.0%
<i>Russell 2000</i>	10.2%	27.7%	30.1%	18.3%	11.2%
<i>MSCI World</i>	8.2%	17.3%	20.2%	11.8%	7.8%
<i>Barclays Capital Aggregate</i>	0.6%	-1.9%	-1.7%	2.9%	5.4%
<i>Barclays Capital High Yield</i>	2.3%	3.7%	7.1%	9.2%	13.5%

- Domestic markets, as measured by the *S&P 500 Index* (“S&P 500”), returned 5.2% in Q3, after recording a 2.9% gain in the second quarter. Small-capitalization equities outperformed large-capitalization equities and reported strong performance in the U.S., with a return of 10.2% as measured by the *Russell 2000 Index*.
- Developed Foreign markets experienced a strong rebound, as the *MSCI EAFE Index* from -1.0% in the second quarter to 11.6% advanced in Q3. Foreign emerging markets also recovered, gaining 5.8%, as measured by the *MSCI Emerging Markets Index*.
- Yields on the 10-year Treasury bond reached levels not seen since the summer of 2011. Yields came close to reaching the symbolically significant 3.0% level before pulling back in late September and ending the quarter at 2.6%.

³⁰ The Concord Advisory Group Ltd., *September 2013 Market Performance Review*.

- After two consecutive quarters of negative performance, the broad *Barclays Capital Aggregate Bond Index* gained 0.6% in Q3.
- Corporates as measured by the *Barclays U.S. Corporate Master Index*, bounced back modestly and gained 0.9% in Q3. Outside of the U.S., fixed income markets reversed weakness experienced in the past three quarters as the *Barclays Global Aggregate ex-U.S. Index* returned 4.4% for the quarter.

Volatility: Volatility, as measured by the *Chicago Board Options Exchange Volatility Index* (“VIX”),³¹ indicated that investors remained relatively confident that the equity market would remain stable. The index averaged 14.3 for the quarter.

- During Q3, the VIX ranged from 11.8 to 17.0. The VIX closed at 16.6 at the end of September 2013, in line with 16.9 at the end of the second quarter.
- For comparative purposes, the VIX rose above 80 during the depths of the financial crisis in November 2008, but resettled below 25 for most of the periods since then. The gauge has risen above 45 only three times since late 2008: in May 2010 (amidst the flash crash), and twice in the second half of 2011 (August and October).

Private Equity Performance:³² Private equity funds in the U.S. remained positive through the second quarter of 2013, marking the fourth consecutive quarter of positive returns.

Table VIII
U.S. Private Equity Index Returns

Index	Q2 2013	1-year	3-year	5-year
U.S. Private Equity	3.0%	15.6%	15.5%	8.2%

- The *Cambridge Associates U.S. Private Equity Index* (“PE Index”) returned 3.0% in the quarter ending June 30, 2013, a moderate decrease from the 4.5% return in the previous quarter. The quarterly PE Index performance outperformed the S&P 500 at the end of 2012, lagged the index’s 10.6%

³¹ The VIX is a key measure of expected movement, in either direction, of near-term volatility in S&P 500 Index option prices. Investors believe that a high VIX reading (above 30) translates into a greater degree of market uncertainty, while a low reading (below 20) is consistent with greater stability.

³² Cambridge Associates LLC, *U.S. Private Equity Index and Selected Benchmark Statistics for Quarter Ending June 30, 2013*. Latest available publication as of the Valuation Date.

return for the first quarter of 2013, and landed in-line with the S&P 500 in the second quarter of 2013. The PE Index 1-year return was 15.6% and trailed the S&P 500's annual return of 20.6%.

Hedge Fund Performance:³³ Hedge funds experienced a robust recovery from a subpar second quarter, as *Preqin's Overall Hedge Fund Benchmark* gained 3.2% in Q3. The benchmark's strong third quarter performance pushed the index's year-to-date return to 7.2%.

- Long/short funds and event driven strategies led Q3 performance, while relative value and macro strategies were less favorable. Asia-Pacific focused hedge funds continued to experience impressive performance while North America-focused and Europe-focused hedge funds also reported a strong Q3.

Middle Market M&A Activity:³⁴ Middle market volume remained light in the second quarter of 2013 as a result of the high volume of transactions pushed forward at the end of 2012 in an effort to avoid rising taxes.

- Middle market transaction volume increased by 2.0% over the first quarter, but fell 7.0% on a year-over-year basis. While M&A activity was lackluster for the first half of 2013, favorable market dynamics were expected to support increased volume going forward.
- Middle market transaction multiples increased from 7.7x in the first quarter to 8.0x in the second quarter.
- GF Data reported that the middle market average equity contribution for transactions with enterprise values between \$10 million and \$250 million was 47.1% for the first half of 2013.
- The debt multiple (total debt-to-EBITDA) in middle market transactions with enterprise values between \$10 million and \$250 million averaged 3.7x in the second quarter of 2013. These, and other M&A summary statistics, can be found in the table below.

³³ Preqin Ltd.'s ("Preqin") *Quarterly Hedge Fund Update*, Q3 2013.

³⁴ Quarton Partners ("Quarton"), *Middle Market Transaction Update*, Third Quarter 2013.

Table IX
Summary M&A Statistics

Year/ Quarter	Purchase Multiple	Debt Multiple	Equity Contribution
2009	5.8x	2.8x	54.1 %
2010	7.2x	3.0x	51.9%
2011	7.5x	3.4x	47.4%
2012	7.2x	3.4x	47.5 %
Q2 2013	8.0x	3.7x	47.1 %

Flow of Capital: An analysis of fund flows information indicated that bond funds reported net outflows over the last four months as investors continued to favor equity and hybrid funds. The following table is a summary of mutual fund capital flows for recent measurement periods.

Table X³⁵
Flow of Capital (in billions of USD)

Year/Quarter	Mutual Funds		
	Equity	Hybrid	Bond
2008	\$(234)	\$(18)	\$28
2009	\$(9)	\$23	\$376
2010	\$(37)	\$23	\$241
2011	\$(98)	\$84	\$239
3Q 2012	\$(52)	\$16	\$86
4Q 2012	\$(70)	\$3	\$66
1Q 2013	\$66	\$25	\$69
2Q 2013	\$10	\$20	\$(36)
3Q 2013	\$29	\$17	\$(58)

IPOs:³⁶ The global IPO market showed a 79.4% year-over-year increase in IPO volume in Q3. North America led IPO issuance, accounting for 53.0% of all IPO proceeds. However, global IPO proceeds declined 9.6% year-over-year, due to the absence of multi-billion dollar IPOs from emerging markets, which faced economic slowdown.

³⁵ <http://www.ici.org/research/stats/>.

³⁶ Renaissance Capital, LLC, *Global IPO 3Q 2013 Quarterly Review*.

- Global IPO proceeds were \$19.0 billion in Q3 2013. This represented a decline of over \$20 billion from the previous quarter and a decline of \$2 billion from the same quarter in 2012.
- IPO returns were exceptionally strong for the quarter, averaging 23.4% globally. Returns were led by North America, where IPOs rose 29.9% on average.

Table XI
Summary of Global IPO Data

	2009	2010	2011	2012	Q2 2013	Q3 2013
Number of Deals	179	479	339	203	73	61
Total Proceeds (B)	\$106.0	\$234.4	\$137.9	\$99.6	\$39.6	\$19.0
Median Size (MM)	\$212.9	\$205.1	\$209.7	\$215.3	\$256.0	\$252.0

Secondary Market Activity: 2013's first half generated the lowest level of secondary transaction volume in private funds since the first half of 2009. The low number of deals was a result of positive stock market returns, positive cash flows from private equity funds, and persistent uncertainty regarding economic, political, regulatory and market conditions. According to NYPPEX,³⁷ secondary interest transaction volume declined approximately 61.0% from the first half of 2012, to \$10.1 billion in the first half of 2013. For private funds, secondary median bid prices increased approximately 5.4% to 77.0 from December 31, 2012. Secondary median price increases were highest for secondary interests in fund of funds as more investment advisors and wealthy clients entered the secondary market as purchasers. The lowest priced sector was venture, which increased 4.8%.

In the second half of 2013, NYPPEX estimated that secondary market interest transaction volume would increase approximately 26.0% from the first half of the year. This was expected to generate approximately \$23.2 billion in secondary volume for 2013, a 12.0% decline relative to 2012. Sell side drivers were anticipated to be the current large pipelines for secondary transactions and attractive secondary prices.

The following table includes median bids, by sector, on a year-over-year basis as of December 31, 2012.

³⁷ NYPPEX Holdings, LLC's ("NYPPEX") *IH2013 Secondary Market Valuation Trends and Outlook for Private Funds & Companies Worldwide*.

Table XII
Median Secondary Bids by Sector

Sector	12/31/2010 (% of NAV)	12/31/2011 (% of NAV)	12/31/2012 (% of NAV)	6/30/2013 (% of NAV)	% Change
Buyout	83.7%	83.4%	87.3%	88.3%	+1.2%
Venture	75.1%	65.6%	69.2%	72.5%	+4.8%
Fund of Funds	56.4%	61.0%	60.6%	72.0%	+18.8%
Real Estate	52.4%	62.1%	65.2%	75.1%	+15.3%
Distressed Debt	69.6%	66.8%	76.0%	78.9%	+3.9%
Natural Resources	55.6%	69.9%	80.8%	83.7%	+3.6%
Hedge Funds	90.1%	77.4%	80.6%	82.7%	+2.7%
All Fund Sectors	69.0%	69.5%	73.1%	77.0%	+5.4%

NYPPEX also provides information regarding the average times for transactions to complete. The following table illustrates the year-over-year changes in transactions trends.

Table XIII
NYPPEX Transaction Speeds

Period	NYPPEX Bid Accuracy (Execution vs. Bid)	Days Offered (Launch to Price Match)	Days in Settlement (Price Match to Settlement)	Days in Market (Launch to Settlement)
1H2013	<u>+1.66%</u>	19.6	43.5	63.2
1H2012	<u>+3.04%</u>	16.9	31.6	48.5

D. Private Equity Industry Outlook

This third quarter 2013 PE industry outlook contains an analysis of the following: (1) an overview of the industry; (2) recent performance trends; and (3) asset flows. Each topic is discussed below.

Industry Overview: PE involves investments in privately held companies. For most investors, PE investing is accomplished through illiquid, long-term partnerships, i.e., funds, which are formed by PE firms. Funds are generally closed-end with finite lives, usually ten to fifteen years. Investors typically participate in the asset class through one of three ways: (1) direct investment in private companies; (2) investment in private equity funds, which pool capital and invest in private companies; or (3) investment in a fund of funds (“FOFs”), which pools capital and invest in funds. Direct funds and FOFs are typically structured as closed-end

limited partnerships, and encompass three phases: (1) fundraising; (2) investment; and (3) realization. Funds are generally structured with an annual management fee ranging from 1.5% to 3.0%. In addition to management fees, PE fund managers are usually entitled to participate in the limited partners' profits from the investments. The profit participation, or carried interest, on most direct funds is 20%, although in certain instances, it can be higher or lower.

Performance: According to *Cambridge Associates, LLC* ("Cambridge"), U.S. private equity capital funds maintained positive returns through the second quarter. Cambridge's PE Index, which is presented in the following table, provides market returns as of June 30, 2013 (latest available as of the Valuation Date),³⁸ together with comparisons of select indices.³⁹

Table XIV
Market Returns as of June 30, 2013

Index	Q2 2013	1-Year	3-Year	5-Year
<i>U.S. Private Equity Index</i>	3.0%	15.6%	15.5%	8.2%
<i>Barclay's Capital Gov't/Credit Bond Index</i>	-2.5%	-0.6%	3.9%	5.3%
<i>Dow Jones Industrial Average</i>	2.9%	18.9%	18.2%	8.6%
<i>Dow Jones U.S. Small Cap Index</i>	1.4%	24.3%	19.4%	9.6%
<i>Dow Jones U.S. TopCap Index</i>	2.8%	21.0%	18.7%	7.1%
<i>Nasdaq Composite</i>	4.2%	16.0%	17.3%	8.2%
<i>Russell 1000</i>	2.7%	21.2%	18.6%	7.1%
<i>Russell 2000</i>	3.1%	24.2%	18.7%	8.8%
<i>S&P 500</i>	2.9%	20.6%	18.5%	7.0%
<i>Wilshire 500</i>	2.8%	21.1%	18.4%	7.2%

The PE Index returned 3.0% in the quarter ending June 30, 2013, a moderate decrease from the 4.5% return in the previous quarter. The quarterly PE Index performance greatly exceeded that of the S&P 500 at the end of 2012, fell behind the equity index's 10.6% return for the first quarter of 2013, and landed in-line with the S&P 500 in the second quarter of 2013. The PE Index 1-year return was 15.6%, falling below S&P's annual return of 20.6%.

³⁸ Private equity performance is net to limited partners, i.e., after management fee and carry. General partners typically have up to 120 days to provide limited partners with financial data. Hence, there is generally a "lag" in performance reporting.

³⁹ Cambridge Associates, LLC *U.S. Private Equity Index and Selected Benchmark Statistics: June 30, 2013*.

The following table presents annualized, one-year return data for funds with vintage years 2000 through 2011.

Table XV
Private Equity Returns⁴⁰ 2000 to 2011

Vintage Year	Mean Net to LPs	Median Net to LPs	Number of Funds
2000	12.9%	11.7%	78
2001	23.7%	20.8%	24
2002	15.3%	15.8%	34
2003	15.1%	11.0%	37
2004	11.5%	9.6%	65
2005	8.5%	8.7%	90
2006	10.8%	10.8%	79
2007	10.9%	10.5%	93
2008	13.7%	11.6%	68
2009	16.4%	11.3%	31
2010	13.2%	10.5%	28
2011	0.7%	-2.7%	44

As shown in the following table, PE performance has been positive for each of the periods studied. The 5-year return encompassed the financial crisis and recessionary years from late 2008 through mid-2010, explaining the relatively low return trend for this period. The high 3-year return was a result of the period starting at the market bottom of the recession, while 1-year returns benefited from a moderately slow, lengthy recovery. Returns include all vintage years reporting data for the applicable measurement period.

⁴⁰ Returns are net of fees, expenses, and carried interests.

Table XVI
Private Equity Multi Year Returns⁴¹

Duration (years)	Returns
1	15.6%
3	15.5%
5	8.2%
10	14.1%
15	11.3%
20	13.4%
25	13.2%

A Pepperdine University (“Pepperdine”) survey⁴² analyzed, among other items: (1) minimum return thresholds required to qualify for capital in various market segments; (2) accessibility of capital; and (3) required rates of return by market segments, which are presented in the table below. It was noted that, as the size of the loan or investment increases, the cost of borrowing or financing from any of the following sources tends to decline.

Table XVII
Pepperdine Required Rates of Return

Market Segment	Median Required Rate of Returns
Banks, \$1M Loan	6.8%
Banks, \$100M Loan	5.5%
Asset-Backed Lenders, \$1M Loan	8.5%
Asset-Backed Lenders, \$100M	3.5%
Mezzanine Funds, EBITDA of \$1M	22.0%
Mezzanine Funds, EBITDA of \$25M	14.5%
Private Equity Groups, EBITDA of \$1M	30.0%
Private Equity Groups, EBITDA of \$50M	24.0%
Venture Capital Firms, Startup	28.0%
Venture Capital Firms, Later Stage	20.5%

Asset Flow:⁴³ According to *PitchBook Data, Inc.* (“PitchBook”), private equity professionals have been gradually rebuilding their pipelines and steadily increasing

⁴¹ Pooled end-to-end returns, net of fees, expenses, and carried interest based on 944 funds formed between 1986 and 2011.

⁴² Paglia, Dr. John K. *Private Capital Markets Project 2013 Capital Markets Report*, 4Q 2012.

⁴³ Pitchbook Data, Inc., *4Q 2013 Private Equity Breakdown*, October 9, 2013.

their pace of investment since the significant decline in deal flow at the beginning of 2013. While deal flow remained below average quarterly totals from the past three years, investors completed 489 transactions in the third quarter, a 16.0% increase from the previous quarter. Capital invested climbed 6.0% from \$81.7 billion to \$87.0 billion, the second highest quarterly total in the last year and a half. Numerous factors conducive to deal-making remained in place, but there were also headwinds, including the recent government shutdown and a looming fight over the debt ceiling. Several interesting trends transpired through 2013 that have changed the general PE landscape and include a shift away from platform buyouts to more add-on acquisitions and minority deals, a rapid increase in valuation-to-EBITDA multiples for buyout deals, and an strong comeback in secondary buyouts.

Purchase price multiples reached a median low of 7.7x in 2009 and slowly rebounded through 2012 before quickly accelerating to a decade high of 10.7x in the third quarter of 2013. High valuations were a major contributor to the light deal flow experienced so far in 2013. The run-up in prices was the result of many factors including willing lenders providing debt at low interest rates, aging dry powder and the continued dearth of attractive opportunities. Meanwhile, debt and equity levels have increased to the highest levels in the past decade, with median debt- and equity-to-EBITDA multiples of 6.2x and 4.5x, respectively.

Investors continued to set their sights on smaller deals as growth equity transactions grew in popularity. The number of small transactions, deals of \$25 million and less, represented 47.0% of total PE activity in the third quarter of 2013. However, the recent strength of small transactions did not detract from mega-deals, as PE firms executed ten deals of \$1 billion or more in the quarter. This was the second highest quarterly total since the beginning of 2012.

E. Hedge Fund Industry Outlook

This third quarter 2013 hedge fund industry outlook contains an analysis of the following: (1) an overview of the industry; (2) the overall performance of the industry; and (3) asset flows. Each topic is discussed below.

Industry Overview: Hedge funds are private investment vehicles that may employ long, short, and leveraged investments while attempting to earn consistent, risk-adjusted returns, in all market conditions. Hedge funds are unregulated investment vehicles open only to high net worth individuals and institutional investors. Credit Suisse defines large hedge funds as those with over \$500 million of assets under management ("AUM"). Middle-tier funds manage AUM between \$150 million and \$500 million, while small hedge funds are those with less than \$150 million. Historically, hedge funds have charged between a 1.5% and 2.0% management fee

and a 16.0% to 20.0% performance fee. The performance fee is typically subject to a high watermark.

Performance:⁴⁴ According to Preqin,⁴⁵ hedge funds enjoyed a robust recovery from a subpar second quarter 2013. July and September represented two of the three strongest months for returns from hedge funds in 2013. Hedge funds posted net gains of 3.24% in the third quarter 2013, raising the benchmark to 7.17% for the year. Event Driven strategies and Long/Short Equity strategies continued to outperform other hedge fund strategies in third quarter 2013. Their performance contributed to gains in the overall hedge fund benchmark in the third quarter.

As measured by the *Credit Suisse/Standard & Poor's Capital IQ* ("S&P") *Dow Jones Hedge Fund Index* (the "DJCS Index"), all but two sub-strategies of the index maintained positive returns for the month of September 2013. Of the sub strategies, long/short equity and dedicated short bias posted the most substantial changes in the third quarter 2013. Long/Short Equity and Dedicated Short Bias recorded a 3.5% gain and a 10.9% loss, respectively, for the third quarter. Long/Short Equity also experienced the largest returns year-to-date, while dedicated short bias also suffered the largest losses year-to-date.

The following table illustrates the performance of each sector in the *DJCS Index*.

[SPACE LEFT BLANK INTENTIONALLY]

⁴⁴ The S&P Dow Jones Credit Suisse Hedge Fund Index is compiled by Credit Suisse Hedge Index LLC and S&P Dow Jones Indexes, the marketing name of CME Group Index Services, LLC. It is an asset-weighted hedge fund index and includes only funds, as opposed to separate accounts. The DJCS Index uses the Credit Suisse database, which tracks over 9,000 funds, and consists of only funds with a minimum of \$50 million under management, a 12-month track record, and audited financial statements. It is calculated and rebalanced on a monthly basis, and shown net of all performance fees and expenses.

⁴⁵ Preqin, *The Preqin Quarterly Update: Hedge Funds*, Q3 2013.

Table XVIII
HF Index Performance Statistics by Sector

Strategy	September 2013	YTD	Avg. Annualized Performance	Annualized Volatility
Convertible Arbitrage	0.2%	5.4%	6.6%	1.4%
Dedicated Short Bias	-5.5%	-21.9%	-37.0%	11.3%
Emerging Markets	1.3%	4.2%	3.8%	2.9%
Equity Market Neutral	0.9%	3.9%	4.8%	6.7%
Event Driven	1.5%	10.2%	12.3%	3.1%
Fixed Income Arbitrage	0.5%	2.5%	4.5%	0.5%
Global Macro	0.8%	1.5%	0.7%	3.1%
Long/Short Equity	2.6%	10.7%	14.7%	6.9%
Managed Futures	-0.2%	-7.4%	-14.9%	4.6%
Multi Strategy	1.4%	6.6%	11.2%	2.5%
DJCS Index	1.3%	5.4%	6.6%	3.3%

Asset Flow: According to Hedge Fund Research, Inc. (“HFR”),⁴⁶ total capital invested in the global hedge fund industry surged to a fifth consecutive quarterly record in the third quarter 2013, driven by the highest inflows in over two years and eclipsing another milestone of industry expansion. Hedge fund capital rose to \$2.51 trillion in the third quarter 2013, an increase of \$94 billion over the prior quarter, with growth distributed across all strategy areas. Investors allocated over \$23 billion of net new capital to hedge funds in the third quarter 2013, the highest quarterly inflows since the second quarter 2011. Third quarter inflows were led by Equity Hedge (“EH”) strategies, as investors allocated over \$10.6 billion to EH funds in the quarter, the highest quarterly inflow for the strategy since prior to the financial crisis of 2008. The inflow increased total capital invested in EH strategies to \$686 billion, returning EH to the largest concentration of hedge fund capital two quarters after it had been surpassed by fixed income-based Relative Value Arbitrage.

Mirroring the trend from the prior quarter, flows were positive across the entire spectrum of fund sizes, though they were concentrated in the industry’s most established firms. Funds below \$1 billion in AUM experienced combined inflows of approximately \$3.6 billion while the industry’s largest firms, those in excess of \$5 billion in AUM, recorded net inflows of \$18.7 billion. Firms between \$1 and \$5 billion experienced inflows of \$1.1 billion.

⁴⁶ Hedge Fund Research, Inc. *Hedge Fund Assets Surpass New Milestone in Third Quarter*, October 18, 2013.

F. Company Outlook

As of the Valuation Date, the financial position and performance was tied tightly to the performance of Apollo related investments funds focused primarily in private equity and the Partnership's ownership participation in Apollo through the AOG units. Uncertainty surrounding the future performance of Apollo and its funds was also uncertainty for BFP.

Valuation of Black Family Partners, LP

A. Introduction

Generally, there are three commonly used approaches, to determine the value of a company/asset, none of which is necessarily superior to the others. These three approaches are the Income, Market and Cost Approaches. The nature of the business, industry, and economic circumstances of the particular company/asset being valued at the specific valuation date, as well as the availability of data will dictate which approach(es) will ultimately be used in determining the company's/asset's value.

B. Valuation Methodologies

The following discussion summarizes the most generally accepted valuation methodologies that are extensions of the income and market approaches. It also discusses using a balance sheet-based approach to valuation.

1. Income Approach

Discounted Cash Flows Methodology ("DCF"): The discounted future income methodology can use cash flows as a basis to forecast the income which the business or asset will generate. Thereafter, an aggregate present value is calculated for the future cash flows using a required rate of return known as the discount rate. The strength of this methodology is that it facilitates the analysis of operational practices and their impact upon the business' value. Its weakness, however, is that it relies heavily upon projections of cash flows or net income which, for some firms, are difficult to make with any accuracy.

The DCF method was applied to value certain BFP assets represented by expected future cash flow sources. For BFP, as an investment holding company, an asset based approach was considered more appropriate.

Capitalization of Income Methodology: The capitalization of income methodology utilizes historical results to determine the value of a company's owners' capital. Note that income here is a broadly defined term that can include free cash flow and other financial measures that might be reasonable proxies for free cash flow. An income base is first derived, and then capitalized (i.e., divided) by a separately computed required rate of return, or capitalization rate. For the cap rate to be appropriate, it must correspond to the specific inputs used in developing the income base.

Generally, this methodology is considered a reasonable one to use in valuing a going concern when a company's historical cash flows, at least if adjusted, are considered to be a good proxy for that expected in the future. However, its application weakens when a company's historical income, even when adjusted, is not considered to be a good proxy for that expected in the future.

This method was not applied in the valuation of BFP or its assets. Again, as an investment holding company, the method most appropriate was an asset-based method.

2. Market Approach

Guideline Company Methodology: The objective of the guideline company methodology is to identify business entities that have publicly traded securities, as well as business and financial risks, which are comparable to those of the entity being valued. The pricing multiples of the selected public companies are then used to derive a market value for the owners' capital of the company under analysis.

For an investment holding company, comparison with similar publicly traded investment companies, such as closed-end funds, is generally considered appropriate. There are two important pricing multiples that can be derived from the freely traded shares in investment holding companies: (1) discount to net asset value ("NAV"); and (2) price to yield. Discount (or premium) to NAV is calculated by dividing the company's market price by its reported NAV per share, and then subtracting the result (as a percentage) from 100%. A discount to NAV is also referred to as an investment company discount ("ICD"). The other important pricing measure for public investment holding companies, particularly for those that earn substantial income (e.g., municipal bonds, utility stocks, commercial real estate) and pay out most of this income, is yield (i.e., the dividend per share divided by the market price per share). When either of these pricing measures is applied to the closely held investment company's corresponding financial figures, the end result is the fully marketable value of owners' capital on a non-controlling (i.e., minority) interest basis.

This methodology was applied, in conjunction with a variant of the NAV method, described below, to derive the fair market value of BFP.

Guideline Transaction Methodology: The guideline transaction analysis valuation methodology is a variation of the guideline company methodology, and it looks to transactions involving acquisitions of control in similar entities to determine a value for a particular business. The pricing multiples of the selected transactions are used to derive a market value of invested capital for the company under analysis.

No published transaction data was available concerning an interest in the Partnership or its assets. Therefore, the guideline transaction methodology was not applied directly in valuing the Interest.

3. Asset Accumulation Method

The asset accumulation method ("AAM") focuses primarily on the balance sheet. It requires restatement of the company's assets and liabilities in order to reflect their market values. Using this method, the value of the subject enterprise's equity is equal to the market values of its assets less its liabilities. The general method of individual asset and liability revaluation has also been referred to as the net asset value method, the adjusted net asset value method, the adjusted book value method, and the asset build-up method.

Application of this method will typically indicate the value of 100% of the subject company equity on a controlling ownership interest basis. However, the method's relevance generally weakens when valuing an operating company whose value is best reflected as a going concern. Exceptions are when sale of the company's net assets is considered highly probable, when the realizable value of its net assets equals, or exceeds, the value of its distributions to its owners, or when the company's value is tied directly to the value of its underlying investments.

Note that unless otherwise noted, use of this method assumes that transaction and built-in gains tax costs are reflected in the consideration of the discounts for lack of control and marketability.

Because the Interest is an investment in an investment holding company, the value of its underlying assets and any related liabilities are important to an investor. This is true even though a minority interest is being valued, and such an interest obviously does not have the right to liquidate the partnership or its assets. Therefore, the AAM was used to determine the minority value of the Interest.

C. Valuation Summary

The AAM was used to value the Interest. First, the adjusted book value of BFP's assets (except cash and marketable securities) were calculated. The summary of which is presented in Exhibit D.

The assets were placed in three groups. The first group consisted of the interests in fixed-term funds,⁴⁷ most of which were not expected to liquidate for several years after the Valuation Date. The most recent available capital account balances were used as a starting point, reflecting the pro rata NAV in each fund associated with the subject interests. A restriction period discount was then applied to reflect the rights and restrictions associated with each investment, together with its economic characteristics. Application of this adjustment resulted in a cash equivalent value (i.e. fair market value) that was included in the derivation of BFP's adjusted book value ("ABV"). This analysis is presented in Exhibits E-1 through E-3.

The second group consisted of BFP's interest in the capital market funds.⁴⁸ The capital market investments, i.e. hedge funds, are subject to risk⁴⁹ between the Valuation Date and their earliest possible withdrawal dates. One quantitative method to assist in determining the restriction period discount applicable to the subject interests is to estimate the costs that would be incurred by an investor if he were to attempt to "hedge" his position over the restriction period. In other words, if an investor is restricted from selling his interest should he change his outlook (or the stock price begins dropping), he would want protection (a hedge) from potential losses that could be incurred during the restriction period, yet would not want to give up the upside potential, as that is the reason for the investment in the first place. This provides a reasonable tool to estimate at least the liquidity-related portion of the restriction period discount. However, it was considered that this method of estimating a restriction period discount would only result in a "floor" value for the discount. Several factors contribute to this, including, but not limited to, the following: (1) to the extent that they are available, volatility metrics for hedge funds are generally based on monthly (not daily) reported data, which may lead to a smoothing of volatility measures over time; (2) volatility metrics based on historical investment returns only provide a measure of the historical risk of the underlying investment portfolio, but do not measure the business risk of the fund itself; (3) these measures do not account for risks associated with the fund general partner's right to suspend or curtail withdrawals in certain situations; (4)

⁴⁷ ACIII, ACIV, ACV, ACVI, HAO, SWF, WCP and TEN4.

⁴⁸ ASC, AVC, FCI II, ACP, CVRF, KSC, LC and MG.

⁴⁹ Risks included factors that could affect future performance of each fund. Risk factors may include, but are not limited to, the fund remaining a going concern, the fund maintaining the same investment strategy, regulatory issues, or a change in investment manager.

such an analysis cannot capture the adverse impact of a gate, which generally limits withdrawals to a certain percentage of fund assets; and (5) perhaps most importantly, public investment vehicles that would be required for an investor to implement a perfect hedge against an illiquid asset such as a hedge fund interest simply do not exist. Despite these complications, a theoretical put option model was considered as one indicator to use in estimating a restriction period discount for the unrestricted portions of the capital market interests. In addition, certain restricted stock data was also considered, largely because the put option model implicitly does not account for certain risks outlined above. The put option model and the restricted stock data are discussed further below. This analysis is presented in Exhibits F-1 through F-3.

Additionally, the fair market value of AOG Units held by the Partnership was estimated based on a restricted stock analysis that employed a put option model to estimate a restriction period discount applicable to the AOG Units and the TRA benefit payable to BFP pursuant to the TRA agreement. A DCF analysis was employed to value both the existing TRA payment stream and potential future TRA benefit from the AOG units held by BFP at the Valuation Date. These analyses are presented in Exhibits G-1 through H-2.

Once BFP's adjusted book value was estimated, the pro rata ABV associated with the Interest was calculated. Next, a combined discount for lack of control and lack of marketability was applied to estimate the fair market value ("FMV") of the Interest.

Valuation of Fixed-Term Fund Interests

In assessing the fair market value of the Company's underlying PE fund investments the capital account balance associated with each interest was used as a starting point. An appropriate restriction period discount was then applied to account for the economic characteristics of the interest, its performance, and the investment risks associated with the underlying investment fund, together with the rights and restrictions attributable to the interest as described in the fund's governing documents. Market and general economic conditions at the Valuation Date were also a consideration.

In estimating an appropriate restriction period discount to apply to the Partnership's underlying PE fund investments, we considered the economic and financial risks of each investment as a prospective investor may perceive them. In addition to each fund's vintage year, investment strategy, portfolio composition and other descriptive information provided earlier in this report, several risk factors were considered, including, but not limited to, the following: (1) remaining term; (2) stage of

lifecycle; (3) remaining capital commitment; (4) cumulative returns; (5) distributions; (6) preferred returns to limited partners, if any; and (7) potential carried interest payments to the general partner, if any. The general impact of each on the selected restriction period discount is discussed below.

On a relative basis, estimated restriction period discounts would be greater for funds with: (1) longer remaining terms, which would also suggest that the funds were earlier in the fund cycle and could have greater investment risk; (2) larger unfunded capital commitments, which could reduce the number of potential buyers;⁵⁰ (3) capital appreciation as the expected source of value creation, as investors in funds expected to create value through cash flow (i.e., debt service income or rental income) were likely to receive distributions earlier than investors in otherwise similar funds that were invested for capital appreciation; (4) lower distributions as a percentage of contributed capital and net multiples of contributed capital, both of which could suggest a lack of strong historical performance; and (5) no preferred return, which would provide less of a return to limited partners before carried interest payments could be made to general partners or managers.

In selecting a reasonable restriction period discount to be applied to each of the Company's underlying private investments, several benchmarks were considered. These included, but were not limited to, the following: (1) discounts to NAV associated with publicly-traded closed-end investment companies ("CEICs"); (2) restricted stock studies; and (3) the limited market data available for the private equity interests in the secondary market. Each is described further below.

- **CEIC Samples:** Two closed-end fund samples were developed: (1) business development companies ("BDCs") and CEICs invested in underlying private equity investments; and (2) capital appreciation securities. The BDC sample included nine domestic closed-end funds invested primarily in mezzanine debt, private equity and venture capital securities. Implied discounts to NAV ranged from a premium of 8.5% to 44.3%, with median and mean observed discounts of 9.0% and 12.2% for the sample. Note that discounts for equity focused funds had discounts between 19.1% and 44.3%. The capital appreciation sample had implied discounts that ranged between 7.8% and 19.9%, with mean and median implied discounts of 12.1% and 12.4% respectively. Note that the CEICs in the capital appreciation sample invested in publicly traded equity securities. See Exhibits I-1 and I-2.

⁵⁰ In addition to the fact that the landscape of potential willing buyers would be limited to "accredited investors" in most situations, any potential buyer would need to have the capacity to fund future capital calls.

- **Restricted Stock Studies:** Addendum 4 to this report describes the results of several restricted stock studies which encompass several hundred restricted stock transactions that were completed between 1966 and 2008. Addendum 4 demonstrates that restricted stock discounts have declined over time as Rule 144 resale provisions have become less restrictive. Median restricted stock discounts for studies involving transactions completed prior to 1990, involving minimum required holding periods of at least two years, generally range from 25% to 45%. Median discounts associated with these studies are generally concentrated between 30% and 35%.
- **Secondary Market Data:** As described in the “Capital Markets Overview” section of this report, limited secondary market transaction data is available from NYPPEX. Median bids for all fund sectors had implied discounts to NAV of 23.0%.

Application of the PE Analysis: Application of a selected restriction period discount to each PE interest resulted in their respective market values, which were then included in the derivation of the Company’s ABV.

BFP’s existing PE interest included four Apollo co-investor interests, and four non-Apollo related PE fund interests. Details regarding the funds were presented earlier in the report. All funds, except SWF, had remaining capital that could be called. ACIII, ACIV, ACV, ACVI, HAO and WCP were only likely to have fund related expenses called. SWF was fully funded. TEN4 was newly formed and would have substantial capital calls, relative to the commitment, in the next few years. Apollo related PE interests did not pay management or carried interest fees. All of the PE fund interests were restrictive in that transfers were not allowed without the fund general partner’s consent and withdrawals were not permitted. The Partnership did not have the ability to influence the future investments or divestitures of its holdings.

The primary risk factor for the interests was the likely remaining term of each fund. The term, in addition to the other risk characteristics of the interests, were considered in the selection of the appropriate restriction period discounts. The following table summarizes the estimated cash equivalent value of the PE interests.

Table XIX
Selected Restriction Period Discounts

Entity	Remaining Term (yrs.)	Capital Account	Selected Discount	Market Value, rounded
ACIII	2.00	\$2,554,400	25%	\$1,920,000
ACIV	2.00	\$546,624	25%	\$410,000
ACV	2.00	\$3,938,673	25%	\$2,950,000
ACVI	2.22	\$42,153,773	25%	\$31,620,000
HAO	2.11	\$3,796,002	30%	\$2,660,000
SWF	4.52	\$18,224,766	30%	\$12,760,000
WCP	5.33	\$2,416,630	35%	\$1,570,000
TEN4	9.44	\$253,746	35%	\$160,000

See Exhibit D for summary details of BFP's ABV and Exhibits E-1 through E-3 for PE restriction period discount details.

Valuation of Capital Market Interests

The Partnership has three Apollo related evergreen fund interests (ASC, AVC and FCI II) and five non-Apollo related interests (ACP, CVRF, KSC, LC and MG). Empire's analysis began by segregating the capital accounts between unrestricted capital, which had liquidity rights with knowable withdrawal dates, and side-pocket investments, which had no liquidity rights or known term.

A summary of the capital account balance for each capital market fund interest is presented in Exhibit F-1. Also included in Exhibit F-1 is each interest's allocation between side-pocketed investments and liquid investments available for withdrawal proceeds or requests.

Put Option Analysis: The Partnership is subject to risk with respect to the unrestricted capital between the Valuation Date and the earliest possible withdrawal dates. One quantitative method to assist in determining the restriction period discount applicable to the Partnership's underlying investments is to estimate the costs that would be incurred by an investor if he were to attempt to "hedge" his position over the restriction period. In other words, if an investor is restricted from selling his interest should he change his outlook (or the stock price begins dropping), he would want protection (a hedge) from potential losses that could be incurred during the restriction period, yet would not want to give up the upside potential, as that is the reason for the investment in the first place. This provides

a reasonable tool to estimate at least the liquidity-related portion of the restriction period discount.

However, it was considered that this method of estimating a restriction period discount would only result in a “floor” value for the discount. Several factors contribute to this, including, but not limited to, the following: (1) to the extent that they are available, volatility metrics for hedge funds are generally based on monthly (not daily) reported data, which may lead to a smoothing of volatility measures over time; (2) volatility metrics based on historical investment returns only provide a measure of the historical risk of the underlying investment portfolio, but do not measure the business risk of the fund itself; (3) these measures do not account for risks associated with the fund general partner’s or managing member’s right to suspend or curtail withdrawals in certain situations; (4) such an analysis cannot capture the adverse impact of a gate, which generally limits withdrawals to a certain percentage of fund assets; and (5) perhaps most importantly, public investment vehicles that would be required for an investor to implement a perfect hedge against an illiquid asset such as a hedge fund interest simply do not exist.

Due to these complications, it was considered that the application of an adjustment to each investment’s capital account value based on a put option analysis only captured a portion of the overall risks associated with the investment, and did not result in the fair market value of the underlying investment. Instead, it was recognized that the investments remained subject to material business risks that were not captured by such an adjustment.

Black Scholes Option Pricing Model Description: A put option gives the holder the right, but not the obligation, to sell a stock at a fixed price (a “strike” or “exercise” price) to a buyer. This type of option rises in value as the underlying stock price drops below the price at which the holder can sell it. The greater the drop in price, the more valuable the right to sell the shares at a fixed, higher price, becomes. A put option, with an exercise price equal to the capital account balance as of the Valuation Date, can be used to hedge a stock holding from downward price drops, since the value of the put rises to offset any drop in the stock price. The two assets combined, at expiration, should approximately equal the value of the stock position at the time the hedge was put in place, net of the costs related to the hedge.

The Black-Scholes option model for valuing call options (the right but not the obligation to buy a share of stock at a fixed price) was developed by Fisher Black and Myron Scholes in the 1970s. The model is widely used in the pricing of options in the public markets, in risk-management (hedging), and in the accounting for compensation options under Financial Accounting Standards Board (“FASB”)

guidelines. The model, using short sales and borrowings, reflects results assuming that the option value is equal to the security price, times a probability (that the ending price will exceed the strike price), minus the present value of the exercise price, times a probability.

In valuing a put option, the output of the Black-Scholes model can be modified to determine the probability of a downward movement in a stock's price over time (relevant to a put), as opposed to an upward movement in the price (relevant to a call). To do so, the model's probabilities are changed to their reciprocals, and certain signs are changed to make the stock position assumed by the model a short position, instead of a long position with borrowed funds. These adjustments result in a put option model.⁵¹

The model has six inputs that determine value: (1) stock price; (2) exercise price; (3) risk-free rate; (4) the life, or term, of the option; (5) expected volatility; and (6) dividend yield. The first three inputs are easily observable; the impact of the last three inputs requires further discussion, as do the manner in which they were derived.

1. **Asset Price:** The value of the underlying asset or stock. In this case, the unrestricted capital account balance of the Partnership's interest in a fund.
2. **Exercise Price:** The price at which the holder of the option could sell the underlying asset upon exercise of the option. In this situation, the exercise price is equal to the asset price.
3. **Risk Free Rate:** The risk rate used in the model is the continuously compounded risk-free rate for the term corresponding to the length of time remaining on an option. The appropriate yield was benchmarked by the return on U.S. Treasury securities having maturities that correspond with the term of the option. The *Federal Reserve Statistical Release H.15* was used to determine the appropriate risk-free rate.
4. **Term of the Option:** The term, or expected remaining life, of an option also has a significant impact on value. The longer the expected remaining life, the longer the stock has to potentially rise or fall to greater extent, making the option more valuable. A longer term option on a high volatility stock can have significant value, whether it is a put or a call option.

⁵¹ Model based on article by James R. Mountain, *Journal of Accountancy*, January 1996.

In this case, the term would be the period of time between the Valuation Date and the earliest possible withdrawal date after the Valuation Date.

5. **Volatility:** The volatility of the underlying stock price has a significant impact on the value of an option. Volatility is a measure of how far up or down a stock could potentially go over a given period of time, based on the historical day-to-day trading patterns. Higher volatility increases the value of both call and put options. The higher the volatility, the higher the possible profits from owning an option and, hence, the higher the option's value. This relationship is somewhat counterintuitive, as the prospect of high volatility and greater investment risk generally lowers equity prices. The key difference, relative to equity pricing, is the limited downside risk of an option, which gives its owner the right *but not the obligation* to sell.

Empire was provided with historical return and volatility specific to BFP's investments, as well as comparable benchmark hedge fund index returns and volatility were considered in estimated volatility for each subject interest.

6. **Dividends:** Dividend payments impact value, but to a much lesser extent. Dividend payments reduce the value of a call option and increase the value of a put option, because cash flows out of the company to its shareholders but not to the option holders. The net result is that the prospective growth in the stock value of the company is slowed. When dividends are to be paid before the option expires, it is necessary to adjust the formula.

In general, BFP's fund investments did not make regular distributions unless it is associated with investor withdrawals. As a result, dividend yield was assumed to be 0%.

The Black-Scholes put option implied discounts are presented in Exhibit F-2. Other factors were also considered.

Other Factors: The analysis outlined above indicates a theoretical cost of a protective put option of the value of the underlying security. However, the full cost incurred to hedge the value of the capital accounts until they could be redeemed would also include: (1) transaction costs associated with establishing such custom put options, or a series of custom put options, over the stated period of time; (2) the financial counter-party in the put transaction would require compensation for assuming the risk associated with incomplete financial information resulting from the investments' private status; (3) payment methods that may be

employed by the funds, i.e. payments may not be in cash; and (4) delayed and staggered payment after capital withdrawal from the funds.

The total implied restriction period discount implied by the Black-Scholes put option pricing model and consideration for other factors is presented in Exhibit F-2.

Restricted Stock Data: Restricted stock studies were sought for use in determining one possible benchmark for the discounts appropriate for application to each investment. Relevant restricted stock studies are summarized and described in Addendum 4 to this report.

Overview: The restricted stock studies demonstrate that discounts do exist to compensate investors for their relative inability to liquidate an investment over the course of a given holding period. The statistics associated with the studies fell within a reasonably close range, although variation of implied discounts was noted within each of the studies. Variations in observed discounts were generally attributed to company-specific (i.e., investment specific) factors. The restricted stock study data also supports the notion that discounts declined when holding periods were reduced, which can be anticipated based on accepted financial theory.

Based on these studies, we estimated that the discounts appropriate for lock-up periods of two years could be as high as 33%. While data points underlying the specific studies suggested that discounts could range much higher, it was considered that such high levels of discounts were frequently observed with investments that were subject to high levels of stock price volatility or business risk. As a result, the overall median restricted stock discount of approximately 33% for a two-year holding period was considered a reasonable upper boundary for use in this analysis.

TVA Study – Holding Period Analysis: Addendum 4 includes a description of a study completed by Trugman Valuation Associates, Inc. (“TVA”) that was published in the fall of 2009. After a detailed screening process, TVA identified 80 transactions occurring between January 1, 2007 and August 19, 2008. The summary statistics associated with this study are presented at the beginning of Addendum 4.

As a component of its study, TVA completed a holding period analysis by analyzing the impact of contractual registration rights on implied discounts. TVA indicated that a large majority of the 80 transactions in the study had registration rights. TVA performed additional research to verify the actual registration date, and calculated the number of days between the transaction date and the actual registration date. If no registration statement was filed with respect to a specific transaction, TVA assumed that the securities remained unregistered for the entire

required holding period.⁵² TVA separated this data into quartiles, resulting in the statistics shown in the following table.

Table XX
TVA Analysis of Registration Rights

Quartile	Days Before Registration	Average Discount	Median Discount	Standard Deviation
1	0-31 days	11.6%	10.0%	8.0%
2	32-63 days	14.3%	12.9%	11.3%
3	64-185 days	20.4%	15.9%	18.4%
4	185+ days	26.9%	18.8%	18.6%

TVA's registration rights analysis suggests that implied discounts are positively correlated to implied holding periods, and provides useful information to assist in the development of benchmark discounts for holding periods up to six months. This analysis implies that holding period discounts even for short periods of time can be relatively significant. Although this information is helpful, the lack of block size and volatility data associated with each quintile makes the data difficult to interpret. For example, registered shares may still be subject to trading restrictions depending on the block size. Therefore, it is not clear based on the published data that the subject blocks of stock would be fully liquid upon registration. Further, discounts are generally recognized to increase as volatility increases, and the data presented does not permit an assessment of the relative impact of volatility on the observed discount.

Analysis of FMV Study Data: Addendum 4 describes the 2007 edition of the *FMV Restricted Stock Study*TM (the "2007 Discount Study") in detail, together with Empire's analysis of the underlying transaction data. To provide some additional data that will assist in developing benchmark discounts to account for the illiquidity of hedge fund investments, we refer to Empire's analysis of stock price volatility on implied discounts. This is considered relevant given the relatively low volatility that may be associated with hedge fund investments in comparison to many of the companies included in the data set.

As described further in Addendum 4, the 475 transactions in the 2007 Discount Study were filtered and sorted based on certain key variables, including volatility. The sorted data included 285 transactions, and was divided into quintiles. The lowest quintile of volatility data had historical stock price volatility ranging from 2.8% to 53.2%, with an average of 39.3%. Implied discounts associated with this

⁵² 365 days prior to the change in Rule 144 on February 15, 2008, and 182 days thereafter.

quintile ranged from 0% to 84.3%. This quintile reflected a median discount of 12.9%, as compared to a discount of 21.3% for the 280 remaining transactions for which volatility data was available.

Conclusion: The overall restricted stock study data suggests that discounts are clearly applicable to account for lock-up periods during which an investment cannot be sold. The holding period analysis conducted by TVA provided the most relevant data for short periods. However, it must be considered that the underlying securities in these transactions may not be fully liquid upon registration, whereas a hedge fund investor generally has liquidity as of a given withdrawal date. Further, the underlying stock price volatility associated with the transactions in the TVA Study is likely to be higher than the volatility associated with the subject hedge funds. Taking these and other factors into account, we estimated a reasonable range of discounts likely applicable to investments with lock-up periods up to two years. This is shown in the following table.

Table XXI
Estimated Restriction Period Discounts

Lock-up Period	Estimated Discount Range
0-1 Months	1-5 %
1-6 Months	5-7 %
6-12 Months	7-10 %
13-18 Months	11-25 %
19-24 Months	26-33 %

It should be recognized that these estimated ranges are likely to overlap; i.e., the restriction period discount ultimately appropriate to a specific investment is dependent on the attributes of that particular investment.

Application of the Capital Market Analysis: Application of a selected restriction period discount to each capital market fund interest resulted in their respective market values, which were then included in the derivation of the Partnership's ABV.

Side-pocket investments were considered to be more like a PE investment. As such, side-pocket portions of the capital account balances were discounted based on methods described above with respect to PE investments. Note, FCI II had an unfunded capital commitment balance of approximately \$23.4 million. All other investments considered did not have required capital contributions in the foreseeable

future. The following table summarizes the estimated cash equivalent value of the capital market interests.

Table XXII
Selected Restriction Period Discounts – Capital Market Funds

Entity	Side Pocket Capital	Unrestricted Capital	Selected Side Pocket RPD ⁵³	Selected Liquid Capital RPD	Market Value
ASC	\$145,301	\$2,655,859	30%	1.00%	\$2,730,000
AVC	\$212,062	\$7,553,506	30%	1.00%	\$7,630,000
FCI II	\$1,626,445	\$0	30%	n/a	\$1,140,000
APTP	\$13,863	\$0	30%	n/a	\$10,000
ACP	\$0	\$15,807,245	n/a	4.00%	\$15,170,000
CVRF	\$0	\$17,544,966	n/a	4.00%	\$16,840,000
KSC	\$0	\$1,004,326	n/a	4.00%	\$960,000
LC	\$0	\$32,572,504	n/a	5.00%	\$30,940,000
MG	\$0	\$22,755,420	n/a	4.00%	\$21,850,000

See Exhibit D for summary details of BFP's ABV and Exhibits F-1 through F-3 for capital market fund restriction period discount details.

Valuation of Miscellaneous Interests

A. Valuation of Interest in iCrete

iCrete was a development stage company whose primary product was proprietary software for the concrete industry. As of the Valuation Date, iCrete has yet to be profitable and its ability to survive as a going concern was not certain. BFP had no ability to cause an exit event for the company's current investors and the company had a perpetual term. Additionally, BFP could not sell or transfer its interest in iCrete in the interim without written consent from its managing member. As such, a combined discount of 35% for lack of control and marketability was applied to BFP's capital account balance. Therefore, the fair market value of BFP's interest in iCrete was estimated to be \$867,951 [$\$1,335,310 \times (1 - 35\%)$]. See Exhibit D.

B. Valuation of Interest in KUE

KUE was a development stage holding company whose subsidiaries were for profit education companies for the 'K through 12' level. BFP's capital account balance

⁵³ Restriction Period Discount

indicated a price-to-book value for KUE of approximately 2.9 times. Comparable guideline companies have price-to-book ratios between 0.2 times and 13.2 times, with a mean and median of 3.7 times and 2.9 times. Therefore, BFP's capital account balance was considered indicative of a fully marketable minority value for the subject interest. BFP had no ability to cause an exit event for the company's current investors and the company had a perpetual term. Additionally, BFP could not sell or transfer its interest in KUE in the interim without written consent from its managing member. KUE did make its first distribution to its investors during the third quarter of 2013. Further, the company is seeking to complete an IPO by October 2015, or if an IPO does not occur, some other exit event by October 2017. As such, a combined discount of 25% for lack of marketability was applied to BFP's capital account balance of \$33,770,566. Therefore, the fair market value of BFP's interest in KUE was estimated to be \$25.33 million [$\$33,770,566 \times (1 - 25\%)$]. See Exhibit D.

C. Valuation of Interest in ESWW Convertible Note

The ESWW convertible note had a face value of \$2,941,093. The notes have a conversion price of \$80 per common share. The note has an annual interest rate of 10% paid semi-annually in March and September. The note matures March 22, 2018. The estimated value of the ESWW convertible note is based on the sum of the conversion value of the note's face value plus the present value of expected future interest payments. Based on a share price of \$40 per share the estimated market value of the ESWW convertible note was \$2.53 million, rounded, at the Valuation Date.

D. Valuation of Interest in Rally

Rally was a development stage company whose primary product was an over the counter hangover remedy. BFP had no ability to cause an exit event for the company's current investors and the company had a perpetual term. Additionally, BFP could not sell or transfer its interest in Rally in the interim without written consent from its managing member. As such, a combined discount of 35% for lack of control and marketability was applied to BFP's capital account balance. Therefore, the fair market value of BFP's interest in Rally was estimated to be \$130,000 [$\$200,000 \times (1 - 35\%)$]. See Exhibit D.

Valuation of Apollo Ownership Interests

At the Valuation Date, the Partnership held the following ownership interests in Apollo and the Apollo Operating Group. The mean between the high and the low of Apollo's stock was \$34.14 per share on the Valuation Date.

Table XXIII
Apollo Ownership Units

Unit Type	# of Units	Grant Date	Unrestricted Value
AOG	92,727,166	7/13/2007	\$3,165,705,447

The AOG Units were restricted from trading. By definition, restricted shares cannot be considered as marketable as freely tradable shares. Therefore, in order to determine the market value of the units, the impact of these restrictions must be considered and incorporated into the valuation.

Empirical studies indicate that the factors which most influence the size of the lack of marketability discounts applicable to a block of restricted stock are: (1) the length of time which the stock has to be held (time value of money) before sale (resale restrictions); (2) the volatility of the security (risk); (3) the size of the block and the stock's available trading float; (4) the capitalization size and creditworthiness of the corporation; and (5) the outlook for the company, its industry, and its relative position therein.

The analysis for the AOG Units is presented below. A put option analysis, as described previously was applied to estimate the appropriate restriction period discount. Additionally, the TRA benefit associated with AOG Units is considered and valued separately below. The DCF method was applied to value the TRA benefit.

A. Apollo Operating Group Units

The AOG Units were subject to a schedule that restricted their trading established in July 2007 when Apollo was formed through the consolidation of the Apollo operating group. Again, according to the Exchange Agreement, AOG Units would be exchangeable into Class A Apollo shares. Since Apollo had successfully completed its IPO the restriction period had officially begun and the restriction period was known for the Partnership's AOG Units. Based on annual delivery on March 29 that began in 2013 and will go through 2017, a put option analysis could be modeled for each block of AOG Units delivered or available for exchange. As of the Valuation Date, BFP's first tranche was exchangeable, but due to the insider status of Leon Black and his affiliation with the Partnership, the 6.9 million exchangeable AOG units were still subject to SEC Rule 144 trading restrictions.

Again, the Black-Scholes option pricing model was previously discussed. Specific input parameters used for the put option model are presented in Exhibit G-1. These

included: (1) block value; (2) exercise price; (3) term; (4) volatility; (5) dividend yield; and (6) risk-free rate.

An incremental adjustment for other factors not captured by the theoretical implied discount derived from the put option model was added to the implied discount and ranged between 1.5% and 3.5%. Overall, implied discounts for the restriction period imposed on the AOG Units ranged between 8.3% and 32.0%. Applying the implied discounts to the appropriate AOG unit blocks resulted in a restriction period adjusted market value of \$2.28 billion for BFP's AOG Units. See Exhibit G-1.

As noted above, the AOG Units have an associated TRA benefit derived from the tax shield provided upon exchange to APO Corp. The value of the TRA benefit is calculated in the following section.

B. AOG Unit TRA Tax Shield

As with many complex assets, the TRA could be valued using different methods or inputs. In this instance, valuing an explicitly projected future cash flow stream for the TRA, incorporating the myriad of assumptions for Apollo's status upon future conversions (e.g., future share price values, tangible asset values, business segment breakouts related to the TRA, existence and timing of IPO, etc.) was viewed as being highly unreliable and purely speculative in nature. In order to simplify the analysis, it was assumed the exchange occurs immediately at today's price and known facts about the business. A present value for the amortization benefit was then calculated.

Since this derived value would not begin flowing for a number of years (3.1 years on a weighted average basis based on conversion restrictions as discussed earlier), the TRA value was assumed to be locked-up for that period of time. This treats the asset similar to a restricted stock that could, in fact, fluctuate up or down in value over the 3.1 years. The TRA value could go up or down if any of many things, including the following, change: company share price, business mix, tangible versus intangible assets, future interest/discount rates, etc. To account for this restriction period, a lack of liquidity/marketability discount was calculated and applied to the present value of the TRA derived below, again similar to the put option analysis approach applied to the AOG Units (excluding the TRA benefit) in the previous section. While one can argue there are other methods one might use, this was considered to provide a reasonable estimate of this portion of the value of the AOG Units.

Projected TRA Cash Flows: In order to complete a DCF analysis, it is necessary to develop an explicit forecast for TRA cash flows, together with a required rate of

return by which those cash flows can be discounted back to their present value. The TRA cash flows are derived from the step-up in basis upon the exchange of the AOG Units into Class A shares for sale. Again, according to Management, the basis of the AOG Units is \$0. Therefore, upon an exchange of the Units, the price per Class A share multiplied by the number of Units exchanged for Class A shares represents the step-up in basis.

The value of Apollo's Class A shares is derived from the expected future cash flows attributed to its ownership of APO Asset Co., LLC and APO Corp. However, the tax benefit derived by the step-up in basis upon the exchange of the AOG Units is realized only by APO Corp. According to internal reports provided by Apollo regarding fair value of reporting units in the Apollo Operating Group, APO Corp. accounted for approximately 69.9% of Apollo's value. Consequently, the aggregate value amortizable due to a future exchange is estimated to be \$2.4 billion. This amount is amortizable over a 15-year period, or \$147.6 million per year. This results in an annual tax benefit of \$59.6 million per year based on an effective tax rate of 40.35%. The effective tax rate is based on Management's projections for the statutory federal and state corporate tax rates. See Exhibit G-3.

To the extent that APO Corp. does not have sufficient taxable income to fully recognize the amortization expense derived from the exchange, the remaining balance can be carried over as a net operating loss carry-forward until such time as a sufficient taxable income amount is earned where the expense can be charged and a tax benefit realized.

The cash flows attributable to the tax benefit of an exchange of the AOG Units have been determined. Next, an appropriate discount rate must be applied in order to determine the present value of the TRA's tax benefit.

Derivation of Required Rate of Return: The discount rate to be derived for the tax benefit of the TRA represents the required rate of return which an investor would demand at a point in time in order to invest in the TRA asset. This discount rate reflects current rates of return seen in the public capital markets plus a number of company- and industry-specific factors.

The appropriate required rate of return for the TRA is based on Apollo's cost of equity, since the tax benefit is based on taxable income, i.e. after debt service.

The equity discount rate to be derived for an entity's cash flows represents the required rate of return that an investor would demand at a point in time in order to hold an ownership interest in its capital. This discount rate reflects current rates of

return seen in the public capital markets plus a number of company- and industry-specific factors.

Additionally, market-based rates of return at the Valuation Date are summarized in the following table. Details regarding the selection of discount rates based on comparable guideline companies are presented in Exhibit H-1 and H-2.

Table XXIV
Summary of Required Rates of Return

Source	Required Rate of Return
20-year U.S. Treasury Rate (risk-free rate) ⁵⁴	3.30%
Prime Rate ⁵⁵	3.25%
Large Cap Stocks ⁵⁶	9.41%
Small Cap Stocks ⁵⁷	15.61%

The discount rate, or the rate of return that investors require, incorporates the following elements:

- A “risk-free rate,” which generally is the rate available on instruments considered to have no default risk, such as U.S. Treasuries. The risk-free rate compensates the investor for renting out their money and for the expected loss of purchasing power (inflation) during the holding period.
- A premium for risk, which incorporates the degree of uncertainty as to the realization of the expected return. The risk premium includes: (1) systematic risk related to the movements in returns on the investment market in general; and (2) unsystematic risk, which is risk specific to the subject investment.

This discount rate reflects current rates of return seen in the public capital markets, plus a number of company- and industry-specific factors.

⁵⁴ Federal Reserve Statistical Release H.15.

⁵⁵ Ibid.

⁵⁶ *Stocks, Bonds, Bills and Inflation: Valuation Edition 2013 Yearbook*, Ibbotson Associates, 2013, Chicago, Illinois. For large capitalization stocks the calculation is a sum of the risk-free rate and the expected returns of 6.11% realized on large capitalization stocks over the risk-free rate. Small capitalization stocks, which are riskier by virtue of their smaller revenue and income base and capitalization, have returned an additional 6.20% above the return witnessed for large capitalization stocks.

⁵⁷ Ibid.

Capital Asset Pricing Model ("CAPM"): The cost of equity estimate was developed with the CAPM. The CAPM is a model that is commonly used to obtain discount rates for valuation purposes. The basic logic of the CAPM model is that a company's risk premium is determined by the sensitivity of its stock price, i.e. equity value, to the price changes of the market as measured by an appropriate broad-based index, e.g. S&P 500 ("systematic risk," measured by *Beta*). This model has been one of the primary underpinnings of applied work in finance due to its simple, intuitive logic and ease of application.

The model used to develop our estimates of cost of equity is as follows:

$$K_e = R_f + R_p (\beta) + R_{sm}$$

Where:

K_e	=	Cost of Equity
R_f	=	Risk free rate of return
R_p	=	Market Risk Premium
R_{sm}	=	Small Company Risk Premium
β	=	Sensitivity of the security to changes in the market

The cost of equity, K_e was identified based upon publicly available information. Betas of a group of selected U.S.-traded guideline companies were obtained from the *Bloomberg Network*. The betas were first unlevered based upon the respective firms' capital structures and an unlevered beta was selected for Apollo to use as a proxy for the three GP entities considered in this section. Then, the selected beta was relevered based upon the guideline companies' debt-to-equity ratios and Apollo's expected long-term debt-to-equity ratio. See Exhibit H-1.

The resulting cost of equity of 13.1% is based upon an unlevered beta factor of 1.4. The determination of the cost of equity using the CAPM is included in Exhibit H-2.

Asset Specific Risk Adjustments: Again, the unadjusted equity rate of 13.1% selected above is without consideration of asset specific risk factors for the TRA. Therefore, in order to reflect asset-specific risks, an additional risk adjustment must be considered for application to the equity discount rate derived above. Risk factors relevant to the revenue stream are discussed below.

- The exact timing of the future tax benefits is based on achieving sufficient taxable income necessary to receive the tax benefit over the minimum period of 15 years.
- The taxable income sufficient to fully recognize the TRA tax benefit may be impacted by the exchange of other AOG Units with similar tax receivable agreements, as well as the existing tax benefit resulting from the restructuring of AOG and subsequent 144A sale in 2007.
- TRA payments are on par with unsecured debt, and are senior to dividend payments to AOG Class A shares.

Based on the risk factors cited above, a TRA specific discount rate of 13% was selected.

Conclusion of Fully Marketable Value of TRA: Applying the discount rate of 13% to the forecasted TRA tax benefit cash flows results in the present value of the incremental benefit at \$384.7 million. The calculated benefit related to the exchange of the AOG Units is shared 85% by the AOG Unit-holder and 15% by APO Corp (a wholly-owned subsidiary of Apollo.) Therefore, the fully marketable value attributable to the TRA associated with the AOG Units is \$327.0 million.

Put Option Analysis – TRA: The put option analysis described above with respect to the restriction period of the AOG Units was applied to determine the restriction period discount for the TRA. Below are the specific inputs utilized to derive the cost of hedging the TRA with a put option as of the Valuation Date. See also Exhibit G-4.

- **Current Stock Price and Exercise Price:** \$327.0 million per the analysis discussed above and presented in Exhibit G-4.
- **Volatility:** 40% was selected as the volatility input. This figure was determined after analyzing the historical and implied volatilities of the comparable guideline companies and reviewing the Company's volatility assumptions as stated in its SEC filings. A sample set of guideline companies' volatility measures was gathered and is presented in Exhibit D-2.
- **Dividend yield:** 0% was used as this is a hypothetical situation. Since the option holder will get any dividends paid since they own the underlying shares, their position is not harmed by such payments.

- **Term:** The term used was based on the schedule provided by the Exchange Agreement. Based on the Exchange Agreement, the Units can be exchanged after the expiration of a two-year lock-up following the successful pricing of the Company's IPO. The exchange is subject to a schedule that allows the Unit-holder to exchange 7.5% of the aggregate Units held in each of four successive years. The remaining 70% of the Units can be exchanged in the fifth year following the initial lock-up. Again, the first tranche was exchangeable as of the Valuation Date, but was subject to SEC Rule 144. The weighted average age of an exchange (and SEC Rule 144 for the first tranche) is 3.1 years. This is the period which the hypothetical buyer would have to wait before effectively beginning to realize the benefit of the TRA payments.
- **Risk-free Rate:** The Valuation Date yield of 0.59%, on a continuously compounded basis, for U.S. Treasury notes of 3-years was used.

The theoretical cost of a put option for the Units calculated to be 26.56% of the fully marketable value of the TRA. See Exhibit G-4. The TRA was not publicly traded (like the Class A shares).

Therefore, based on the implied lack of marketability discount from the put option analysis, Empire selected 27% for the lack of marketability discount applicable to the fully marketable value of the TRA. Applying a 27% lack of marketability discount to the fully marketable value of \$327.0 million for the TRA results in a fair market value estimate of \$239.0 million, rounded for the TRA associated with the AOG Units. See Exhibit G-3.

C. 2007 Transaction TRA Benefit

Management provided projections for existing TRA dividend payment liability.⁵⁸ The aggregate projected TRA dividend payments and pro rata 41.68%⁵⁹ share attributable to BFP are presented in Exhibit G-5. Next, an appropriate discount rate must be applied in order to determine the present value of the TRA dividends.

⁵⁸ The term 'existing' is used to distinguish it from the potential TRA tax benefit associated with the 92.7 million AOG units discussed in the previous sections of this report. Whereas the existing TRA tax benefit amount, and to a large extent timing, are known, it is not the case for the potential TRA tax benefit associated with the possible future sale of AOG units.

⁵⁹ The pro rata share of 41.68% is based on the historical sharing ratio attributable to BFP at the July 2007 transaction that triggered the TRA benefit. The 2013 dividend will be different due to under-allocation to BFP in prior years.

As estimated above, Apollo's cost of equity was 13.1%. Pursuant to the TRA, dividend payments made pursuant to the agreement are always subordinate to any debt payments Apollo may have at the Valuation Date or in the future. This argues for a rate of return of at least a high-yield corporate bond.⁶⁰ At the same time, the dividend payments were considered less risky than Apollo's cost of equity since the TRA dividend did have a contractual claim on the Company's cash flows prior to any shareholder distributions. As such a reasonable range to consider for the discount rate applicable to the existing TRA benefit was between 6.5% and 13.1%. The projected existing TRA dividend payments were considered more like debt than equity. Therefore, Empire selected 10% as the required rate of return to apply to the projected existing TRA dividend payments.

Concluded Value of the Existing TRA Dividends: A 10% discount rate was applied to BFP's projected pro rata share of existing TRA dividends. The present value of BFP's aggregate TRA dividend was \$98.0 million. See Exhibit G-5.

Valuation of Black Family Partners, LP

A. BFP's Adjusted Book Value

As discussed above, a willing buyer would typically assess the value of BFP's capital on the basis of its underlying assets. Thus, it is reasonable to utilize AAM as a valuation method.

Book value, unadjusted, is another name for the shareholders' equity account as it appears on the balance sheet. Again, ABV as a willing buyer would assess it involves determining the value of a company's bundle of assets, less its liabilities, but before transaction costs.

This analysis began by using the Partnership's Valuation Date balance sheet. In doing so, each asset and liability was assessed to determine its estimated market value as of the Valuation Date. A summary of the Partnership's assets and liabilities adjusted to reflect their market values as of the Valuation Date is summarized below. In general the adjustments made to stated capital account balances reflect the restrictions imposed upon BFP and its inherent inability to realize the stated capital account balance value of its assets. Detailed analyses regarding the adjustments were discussed above.

- **Cash:** The Partnership had a checking account with \$32.7 million and a money market account with \$11,270. An adjustments was made to the

⁶⁰ BB rated corporate bonds had an average yield of 6.50% at the Valuation Date.

checking account for a distribution declared on October 24, 2013 from WCP, received October 28, 2013.

- **AINV Stock:** The Company held 603,632 shares of AINV stock. The stock closed at \$8.58 per share on the Valuation Date, with a mean value of \$8.59 per share. Therefore, the block of stock had a value of \$5.2 million (based on the mean per share value) at the Valuation Date.
- **ESWW Stock:** The Company held 11,380 shares of ESWW stock. The stock closed at \$40.00 per share on the Valuation Date, with a mean value of \$40.00 per share. Therefore, the block of stock had a value of \$455,200 (based on the mean per share value) at the Valuation Date.
- **AAA Stock:** The Company held 28,730 shares of AAA stock. The stock closed at \$29.20 per share on the Valuation Date, with a mean value of \$29.35 per share. Therefore, the block of stock had a value of \$0.84 million (based on the mean per share value) at the Valuation Date.
- **PE/Fixed-Term Entity Direct Interests:** The PE interests were direct investments in various Apollo private equity funds and non-Apollo private equity funds. The capital account balances were adjusted, as summarized in detail previously in this report. The following table presents the capital account balance and adjusted book value of each interest.

Table XXV
PE/Fixed-Term Fund Interests

Entity	Capital Account Balance	Adjusted Book Value, rounded
ACIII	\$2,554,400	\$1,920,000
ACIV	\$546,624	\$410,000
ACV	\$3,938,673	\$2,950,000
ACVI	\$42,153,773	\$31,620,000
HAO	\$3,796,002	\$2,660,000
SWF	\$18,224,766	\$12,760,000
WCP	\$2,416,630	\$1,570,000
TEN4	\$253,746	\$160,000

- **Capital Market/Hedge Funds:** The Partnership had investments in five Apollo related funds and one unrelated fund. The following table presents the capital account balance and adjusted book value of each interest.

Table XXVI
Capital Market Fund Interests

Entity	Capital Account Balance	Adjusted Book Value, rounded
ASC	\$2,801,160	\$2,730,000
AVC	\$7,765,568	\$7,630,000
FCI II	\$1,626,445	\$1,140,000
APTP	\$13,863	\$10,000
ACP	\$15,807,245	\$15,170,000
CVRF	\$17,544,966	\$16,840,000
KSC	\$1,004,326	\$960,000
LC	\$32,572,504	\$30,940,000
MG	\$22,755,420	\$21,850,000

- **Apollo Operating Group Ownership:** The Partnership, through BRH and Holdings, holds a block of AOG Units. AOG Unit ownership has significant restrictions regarding when the Partnership is able to sell the respective units. These details were discussed previously. Additionally, the AOG Units have the TRA which provided an economic benefit to the Partnership via its indirect ownership of the AOG Units not captured by Apollo's stock price.

Table XXVII
Apollo Operating Group Interests

Entity	Capital Account Balance	Adjusted Book Value
AOG Units (w/o TRA)	\$3,165,705,447	\$2,280,000,000
TRA Benefit (future)	\$0	\$239,000,000
TRA Benefit (existing)	\$0	\$98,000,000

- **Miscellaneous Interests:** A summary of the Partnership's other assets is presented in the following table.

Table XXVIII
Miscellaneous Interests

Entity	Capital Account Balance	Adjusted Book Value, rounded
iCrete LLC	\$1,335,310	\$867,951
Knowledge Universe Education LP	\$33,770,566	\$25,327,924
ESWW Convertible Note	\$2,941,093	\$2,530,537
Rally Labs, LLC	\$200,000	\$130,000

- **Related Party Receivables:** No adjustments were made to BFP's related party note balances or receivables.
- **Liabilities:** The Partnership's only liability at the Valuation Date was a clawback liability of \$5.0 million related to carried interest points from AIF III.

Based on the estimated market value of BFP's assets and liabilities, the Partnership's ABV can be stated at \$2,937,235,870, or \$1,108,806,541 for a pro rata 37.75% limited partnership interest. See Exhibit D.

B. Discount for Lack of Control and Marketability

The appraisal of any business is as much an art as a science. One reason that the value of a closely-held business is never completely objective is that much of this value lies in less quantifiable factors, such as marketability and control. The value that was derived above using the asset accumulation method is a fully controlling, fully marketable value. However, a minority shareholder of BFP has neither a control position nor a ready market for his or her interest.

The following discussion will address the factors which are considered relevant when determining appropriate discounts for control and lack of marketability. It should be noted that the criteria used to determine each discount individually can overlap. As such, although the following discussion addresses each discount separately, a combined discount for lack of control and marketability was applied to the freely tradable value of BFP's equity to determine its fair market value.

1. Discount for Lack of Control

When valuing a company, a valuation methodology which utilizes required rates of return from the public market is generally assumed to be a minority interest value. However, when consideration is given for a controlling interest position, as is the

case when using the asset accumulation method, the controlling interest holder has the ability to exercise the prerogatives of control (e.g., the ability to set dividends and salaries, and make daily business decisions). The value of this control is usually recognized by a premium over the non-controlling interest valuation, as is demonstrated by the transaction data cited below. Since a non-controlling interest position is being valued, some discount for lack of control, or the inverse of the stated premiums, must be considered.

The application of a discount for lack of control is particularly warranted in appraising limited partnership and non-managing membership interests in investment holding companies. Even without overt restrictions, a holding company interposes itself between an owner and the investment assets, thus creating administrative costs that would otherwise not be present. If an investor can purchase the same investment assets directly, without a discount there is no incentive for that investor to buy an interest in a holding company at its pro rata capital account value. The owners of non-controlling interests lack the ability to control operations, make or determine the level of distributions, or force dissolution.

In order to benchmark an appropriate discount for lack of control to use in valuing a non-managing membership interest, several benchmarks were considered. These included: (i) generic evidence of lack of control; and (ii) a sample of CEIC's invested in U.S Government and Agency bonds.

Mergerstat Data: Publicly traded stocks are by definition freely tradable interests. Thus, when a bidder seeks control of a public company, a premium over its stocks' market pricing is usually paid. This is because certain prerogatives, or levels of control, are transferred with percentages of ownership above 50%, such as the authority to:

- Determine management compensation and perquisites;
- Declare and pay dividends;
- Sell or acquire assets and/or liabilities;
- Change the articles of incorporation or by-laws; and
- Liquidate, dissolve, sell, or recapitalize the company.

In determining an enterprise value, then, the incremental value of control is usually recognized by a premium over the non-controlling interest valuation, as is demonstrated by the transactions cited below. Conversely, the use of an asset-based valuation method is implicitly assumed to generate a 100% controlling interest, or enterprise, value. Since a non-controlling interest is under analysis, however, the

inverse of these stated premiums⁶¹ should be considered representative of the diminution of value due to lack of control.

A publication by FactSet Mergerstat LLC (“Mergerstat”), entitled *Mergerstat® Review 2013* was surveyed for comparatively generic evidence of the discounts appropriate for lack of control in companies. Mergerstat tracks merger and acquisition activity for public companies. For all industries over the five years 2008 to 2012: (i) the mean control premiums paid over a stock’s market pricing varied from 46.2% to 58.7%; (ii) the median premiums varied from 34.6% to 39.8%; and (iii) the five-year transaction-weighted average of the median premium was 37%. This latter premium corresponds to a discount for lack of control of 27% ($1 - [1 \div (1 + 37.0\%)]$).

Additionally, information from Mergerstat’s® *Third Quarter 2013 Control Premium Study* (the “Premium Study”) was considered. It reported that, between October 1, 2012 and September 30, 2013, there were 478 transactions across all industries in which control was acquired, with a median premium of 33.3% and a mean premium of 48.0%. These premiums mathematically correspond to respective lack of control discounts of 25.0% and 32.4%.

Closed-End Investment Company Benchmark: Discounts to NAV, or ICDs, associated with publicly traded closed-end funds or limited partnerships provide estimates that can serve as a base to determine a reasonable proxy for a lack of control discount. Generally, ICDs tend to be lower for funds with diversified portfolios of low risk assets (i.e., U.S. government and agency securities). ICDs tend to increase as the portfolios become more risky (equities and private investments) or less diversified (either concentrated in one industry or with a concentration in a specific security).

A sample of four CEICs invested primarily in government bonds and securities is presented in Exhibit I-3. ICDs associated with this sample ranged between 5.8% and 14.8%, with a median ICD of 11.8% and an average ICD of 11.3%. The sample’s median yield was 3.5%.

2. Discount for Lack of Marketability

a. Background

Since there is no public market for the Partnership’s stock, we applied a lack of marketability discount to account for the illiquid nature of the stock. In selecting

⁶¹ Implied discount for lack of control equals $1 - (1 \div [1 + \text{control premium}])$.

an appropriate discount for lack of marketability, we performed both a qualitative and quantitative analysis. The qualitative analysis involved an assessment of key factors impacting marketability, as well as relevant restricted stock studies. The quantitative assessment involved analyzing restricted stock data based on key financial measures that influence the degree of marketability for the interest in question.

b. Restricted Stock Studies – Qualitative Assessment

As part of the qualitative analysis, we reviewed restricted stock studies covering transactions between 1966 and 2008. These studies are summarized in Addendum 4 of this report. The studies, which cover several hundred transactions over the specified time period, concluded that mean or median lack of marketability discounts typically range between 25% and 35%.

It is important to note that all shares of restricted stock observed in these studies would be tradable (subject to blockage issues) on an established public exchange following the expiration of a defined restriction period.⁶² As the required holding period decreased from two years to one year, observed restricted stock discounts declined. This is consistent with financial theory that the required discount should decline as holding period restrictions are relaxed.

However, changes in the securities laws which have resulted in shorter required holding periods do not make the older restricted stock studies obsolete. In contrast to restricted stock, which can trade on an exchange once the restricted period has lapsed, shares of most privately-held companies will never have access to such a market because the characteristics of those businesses do not make them candidates for public stock offerings. As a result, the observed discounts in the pre-1990 restricted stock studies (i.e., when the restrictions were most stringent) provide a useful comparison along with the more current studies.

c. Estimated Lack of Marketability Discount - Qualitative Analysis

- The impact of the qualitative factors on marketability is determined after reviewing many factors including, but not limited to, the factors discussed below.

⁶² Due to changes in securities law over time, the initial restriction period declined from two years to one year in 1997. Prior to that, the adoption of Rule 144A in 1990 provided partially improved liquidity, but did not modify the two-year holding period requirement. The initial required restriction period was reduced to one year effective April 1997 and further shortened, to six months, effective February 2008.

- **Level of Distributions:** A company with a history of paying consistent distributions is generally considered more marketable than one that does not have such a history.

BFP was invested in fixed-term funds, evergreen funds and development stage companies, assets seeking capital appreciation. BFP's interest in BRH (comprised of the AOG Units owned through Holdings and TRA dividend payments) provided a potential source of capital appreciation and a source of cash dividends. While BFP received cash dividends, the proceeds have historically been used to make additional investments with entities not related to Apollo. However, the Partnership has recently begun to make distributions of unreserved cash. Distribution amounts and timing are at the discretion of the general partner. Accordingly, there is no formal policy in place for distributions, and a limited partner cannot assume or expect distributions at any given time (or at all). If made, any distributions must be pro rata among all members. This situation tends to enhance the marketability of the subject interest.

- **Information Access & Reliability:** A purchaser of a non-controlling interest has to accept the information provided, and that information can often be curtailed by the general partners or managers. Concern about this issue is mitigated somewhat when management has a history of providing the minority owners with audited financial statements and/or access to the company's books and records.

The Partnership does not prepare audited financial statements or file its own tax return. This situation tends to reduce the marketability of the subject interest.

- **Transfer and Withdrawal Restrictions:** The ability of an investor to transfer or liquidate his interest, along with the time required to do so, is a major factor in assessing the appropriate discount for lack of marketability.

BFP permits transfers without the prior written consent of the general partner. However, the consent of the general partner is required for such transferee to be admitted as a partner of BFP. Although BFP does provide for the withdrawal of capital, all such withdrawals would be made in-kind at the discretion of the general partner. To be clear, a partner requesting a withdrawal of capital would receive assets upon withdrawal, and the assets distributed would be selected at the discretion of the general partner. Since at the Valuation Date BFP had significant unfunded capital commitments in the fixed-term funds, there would be no incentive for the general partner to

distribute cash in the event that a withdrawal was requested; all available cash was required to meet capital commitments. Therefore, distributed assets were expected to be illiquid. There was no way to exit or redeem capital for the underlying investments representing approximately 90% of BFP's adjusted asset value. This situation was significantly less attractive than one in which a withdrawing partner was required to receive cash or marketable securities upon a withdrawal. This combination of factors tends to reduce the marketability of the Interest. However, the reduction in marketability of the Interest was mitigated by the ability to at least withdraw assets.

- **Expected Holding Period:** The length of the expected holding period of the interest impacts marketability; the longer the expected holding period, the less marketable an asset will be. For example, the presence of a near-term exit event, such as dissolution, an IPO, or a sale/merger, generally improves marketability. While the existence of legal restrictions may adversely impact an owner's ability to sell, the absence of such restrictions does not necessarily improve marketability if there is no active public market in which an asset can be sold. Separately, to the extent that the owner of an equity interest in a subject company has a contractual or legal right to "put" the stock back to the company or the other owners, the marketability of an interest is typically improved.

Probability of an Exit Event: BFP does not have a specific term and the Partnership is not considering liquidation. This situation tends to reduce the marketability of the Interest.

Existence of Put Rights: BFP's partners do not specifically possess put rights. This situation tends to reduce the marketability of the Interest.

- **Historical Trading Activity:** To the extent that arms' length transaction activity exists involving shares of the subject company's stock, marketability may be improved.

Empire is not aware of any historical trading activity involving limited partnership interests in BFP. This situation tends to reduce the marketability of the subject interest.

d. Restricted Stock Study Data – Quantitative Assessment

In 2007, FMV Opinions updated *The FMV Restricted Stock Study*^{TM63} (referred to here as the “2007 Discount Study”), which contains 475 restricted stock transactions occurring from 1980 to 2005, and provides data on approximately 50 variables for each transaction. The market reference price used to calculate the discount is the average of the highest and lowest share price for the month of the transaction. The overall average discount in the 2007 Discount Study data is 22.3%, while the median discount is 19.5%.⁶⁴ Several conclusions reached by the 2007 Discount Study are listed in Addendum 4.

The underlying data from the 2007 Discount Study can be used to estimate a discount for lack of marketability for closely-held companies. The 2007 Discount Study recommends using a two-step process in which: (1) a quantitative analysis of the company-specific risk factors results in an “as if” publicly traded Restricted Stock Equivalent Discount;⁶⁵ and (2) a second quantitative analysis is used to estimate an incremental discount above the Restricted Stock Equivalent Discount to recognize the similar illiquidity characteristics between privately-held companies and large blocks of restricted stock to estimate a Private Company Discount Increment. We followed this process for the quantitative part in estimating the lack of marketability discount.

e. Summary Findings from the 2007 Discount Study Data

Please see Addendum 4 for a description of how we analyzed the data, and the conclusions drawn, from the 2007 Discount Study. Some of the more significant findings from this analysis are highlighted below.

Analysis of Size Metrics: As shown in Exhibit J-1, implied restricted stock discounts are inversely related to a company’s size, measured as revenue, market value, book value or total assets.

⁶³ *Determining Discounts for Lack of Marketability: A Companion Guide to the FMV Restricted Stock Study*.TM FMV Opinions, Inc., 2007.

⁶⁴ The reported overall discounts are based on the full data set of 475 transactions.

⁶⁵ For this step, we limited the sample to transactions involving block sizes of 20% or less of a firm’s outstanding stock following the restricted stock transaction. Due to the relatively long periods generally required to liquidate larger blocks of restricted stock following the expiration of the initial restriction period, larger blocks of restricted stock in the 2007 Discount Study tend to have illiquidity characteristics more similar to stock in privately-held companies (in blocks of any size), for which no market exists. Therefore, an adjustment based on the differential discounts between small and large blocks of restricted stock is appropriate to estimate a discount for lack of marketability.

Analysis of Risk Metrics: Discounts are positively correlated with volatility, given that a greater lack of marketability discount would be demanded by an investor for taking on greater risk. See Exhibit J-2.

Analysis of Profitability Metrics: Discounts are inversely related to net profit margins. See Exhibit J-2.

Dividend Payments: As shown in Exhibit J-2, discounts for dividend paying firms are less than for those not paying dividends.

f. Quantitative Analysis Based on 2007 Discount Study

Restricted Stock Equivalent Discount: The previously identified variables were considered in calculating the Restricted Stock Equivalent Discount. Each of the inputs was analyzed to identify the relevant quintile for each metric. The median observed restricted stock discount from the appropriate quintile was then selected for that measure. This is described in greater detail below.

- **Historical Financial Metrics:** These metrics were based on the subject entity's most recent annual financial results.

Regarding net profit margin and dividends, the analysis was based on whether or not the subject company was: (1) profitable or not profitable; and (2) dividend paying or non-dividend paying.⁶⁶ BFP was both profitable and distributing on a regular basis during the period reviewed.

- **Market Value of Equity:** This is equivalent to the aggregate marketable minority interest value of the subject entity's equity derived in Empire's analysis.
- **Volatility:** Empire reviewed the volatility measures for Apollo and comparable companies since the AOG Units through BRH and Holdings were the largest holding of the Partnership. See Exhibit G-2. Based on these observations we selected 40% as a reasonable estimate for the Partnership's expected volatility.

Exhibit J-3 summarizes the calculation of the Restricted Stock Equivalent Discount estimated to be reasonable for BFP. In deriving this discount, the results of the analysis of each metric were weighted as follows: (1) 25% to size factors, equally

⁶⁶ In the event that the subject company is a pass-through entity, the company would be considered to be "dividend-paying" if it paid dividends or distributions in excess of those required for the payment of related income taxes.

weighted between revenue and market value of equity;⁶⁷ (2) 25% to volatility; (3) 25% to profitability; and (4) 25% to dividend policy.

As a result of this analysis, a reasonable Restricted Stock Equivalent Discount for BFP was estimated at 13.9%. Again, see Exhibits J-1 through J-3.

Private Company Discount Increment.⁶⁸ A Private Company Discount Increment was selected based primarily on an analysis of the differential discounts between large and small block transactions and also considers the qualitative factors impacting marketability.

As shown in Exhibit J-4, a range of Private Company Discount Increments of 1.49 times to 1.94 times the Restricted Stock Equivalent Discount was calculated. This calculation is based on a comparison of: (1) the median Restricted Stock Equivalent Discount of 22% for all 285 transactions involving less than 20% of the post-transaction shares outstanding; and (2) the minimum and maximum observed median discounts for block sizes in excess of 20% shown in Exhibit J-4.

Applying the range of Private Equity Discount Increments to the selected Restricted Stock Equivalent Discount of 13.9% for BFP indicates that a reasonable discount for lack of marketability would range from 21% to 27%, rounded, with a mid-point of 24%.

C. Conclusion

Empire selected a combined discount for incremental lack of control and marketability based on the foregoing review and analysis, including but not limited to: (i) a member's ability to withdraw from the Partnership, per the Agreement provisions described above; (ii) restriction period discounts applied to the Company's assets; and (iii) the market based evidence for discounts of lack of control and lack of marketability, a combined discount for lack of control and marketability of 15% was considered appropriate. Applying a 15% discount to the fully marketable value of \$1,108,806,541 results in a fair market value of \$940,000,000 for a 37.75% non-managing membership interest as of the Valuation Date. [$\$1,108,806,541 \times (1 - 15\%)$.] See Exhibit D.

⁶⁷ The Partnership's book value metrics were based on tax returns and not considered indicative of BFP's actual size from a financial perspective.

⁶⁸ See Addendum 4 for further detail regarding the Private Company Discount Increment.

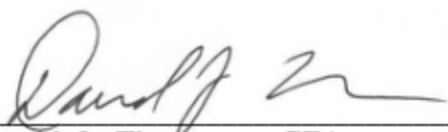
Valuation Summary

Given the foregoing review and analysis, and subject to the attached Statement of Limiting Conditions, it is our estimate that the fair market value of a 37.75% limited partnership interest in Black Family Partners, LP is reasonably stated as \$940,000,000 as of October 25, 2013. It is our understanding that this report will be by Mr. Leon Black for estate planning purposes.

This appraisal is not intended for any other purpose nor for any other users and the sharing of the contents herein is not permitted without the express written consent of Empire Valuation Consultants, LLC. Empire has no obligation to update this appraisal for information that comes to our attention after the date of this report.

Respectfully submitted,

Empire Valuation Consultants, LLC



David J. Thompson, CFA
Manager



Scott A. Nammacher, ASA, CFA
Managing Director

STATEMENT OF LIMITING CONDITIONS

1. Financial statements and other related information provided by or on behalf of the client entity or its representatives, in the course of this engagement, have been accepted without any verification as fully and correctly reflecting the enterprise's business conditions and operating results for the respective periods, except as specifically noted herein. Empire Valuation Consultants, LLC has not audited, reviewed, or compiled the financial information provided to us and, accordingly, we express no audit opinion or any other form of assurance on this information.

2. Public information and industry and statistical information have been obtained from sources we believe to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information. Information used was limited to that available on or before the Valuation Date, or which could be reasonably ascertained as of that date. We reserve the right to make such adjustments to the valuation herein reported as may be required by consideration of additional or more reliable data that may become available subsequent to the issuance of this report.

3. We do not provide assurance on the achievability of the results forecasted by the client entity because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.

4. The conclusion of value arrived at herein is based on the assumption that the current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of the enterprise through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed.

5. This report and the conclusion of value arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. They may not be used for any other purpose or by any other party for any purpose. Furthermore the report and conclusion of value are not intended by Empire Valuation Consultants, LLC and should not be construed by the reader to be investment advice in any manner whatsoever. The conclusion of value represents the considered opinion of Empire Valuation Consultants, LLC, based on information furnished to them by the client entity and other sources.

6. Neither all nor any part of the contents of this report (especially the conclusion of value, the identity of any valuation specialist(s), or the firm with which such valuation specialists are connected or any reference to any of their professional designations) should be disseminated to the public through advertising

media, public relations, news media, sales media, mail, direct transmittal, or any other means of communication without the prior written consent and approval of Empire Valuation Consultants, LLC.

7. Future services regarding the subject matter of this report, including, but not limited to testimony or attendance in court, shall not be required of Empire Valuation Consultants, LLC unless previous arrangements have been made in writing.

8. Empire Valuation Consultants, LLC is not an environmental consultant or auditor, and it takes no responsibility for any actual or potential environmental liabilities. Any person entitled to rely on this report, wishing to know whether such liabilities exist, or the scope and their effect on the value of the property, is encouraged to obtain a professional environmental assessment. Empire Valuation Consultants, LLC does not conduct or provide environmental assessments and has not performed one for the subject property.

9. Empire Valuation Consultants, LLC has not determined independently whether the client entity is subject to any present or future liability relating to environmental matters (including, but not limited to CERCLA/Superfund liability) nor the scope of any such liabilities. Empire Valuation Consultants, LLC's valuation takes no such liabilities into account, except as they have been reported to Empire Valuation Consultants, LLC by the client entity or by an environmental consultant working for the client entity, and then only to the extent that the liability was reported to us in an actual or estimated dollar amount. Such matters, if any, are noted in the report. To the extent such information has been reported to us, Empire Valuation Consultants, LLC has relied on it without verification and offers no warranty or representation as to its accuracy or completeness.

10. Empire Valuation Consultants, LLC has not made a specific compliance survey or analysis of the subject property to determine whether it is subject to, or in compliance with, the Americans with Disabilities Act of 1990, and this valuation does not consider the effect, if any, of noncompliance.

11. No change of any item in this appraisal report shall be made by anyone other than Empire Valuation Consultants, LLC, and we shall have no responsibility for any such unauthorized change.

12. Unless otherwise stated, no effort has been made to determine the possible effect, if any, on the subject business due to future Federal, state, or local legislation, including any environmental or ecological matters or interpretations thereof.

13. If prospective financial information approved by management has been used in our work, we have not examined or compiled the prospective financial information and therefore, do not express an audit opinion or any other form of assurance on the prospective financial information or the related assumptions. Events and

circumstances frequently do not occur as expected and there will usually be differences between prospective financial information and actual results, and those differences may be material.

14. We have conducted interviews with the current management of the client entity concerning the past, present, and prospective operating results of the company, as applicable for this analysis.

15. Except as noted, we have relied on the representations of the owners, management, and other third parties concerning the value and useful condition of all equipment, real estate, investments used in the business, and any other assets or liabilities, except as specifically stated to the contrary in this report. We have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances or that the client entity has good title to all assets.

16. The fee established for the formulation and reporting of these conclusions is not contingent upon the value or other opinions presented.

17. Neither the appraiser nor any officer or employee of Empire Valuation Consultants, LLC has any interest in the property appraised.

18. We assume that there are no hidden or unexpected conditions of the assets valued that would adversely affect value.

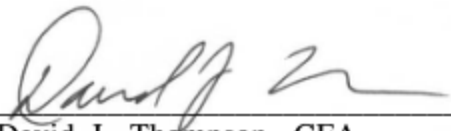
19. No opinion is intended for matters which require legal or specialized expertise, investigation or knowledge, beyond that customarily employed by appraisers.

CERTIFICATION OF APPRAISERS

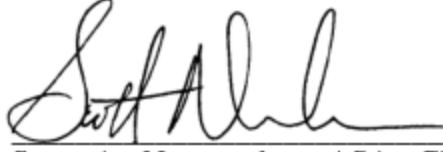
We the appraisers certify that, to the best of our knowledge and belief:

1. Our analyses, opinions and conclusions were developed, and this report was prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
2. All statements of fact contained in this report are true and correct.
3. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusions.
4. Neither Empire nor any of its employees has, to the best of our knowledge, either a present or intended financial interest in the entity that is the subject of this report, in any affiliates that may exist, or with respect to the parties involved.
5. Empire has performed services as an appraiser regarding the property that is the subject of this report one time within the three-year period immediately preceding acceptance of this assignment.
6. We have no bias with respect to the entity that is the subject of this report or to the parties involved with this assignment.
7. Empire's engagement in this assignment was not contingent upon developing or reporting predetermined results.
8. The professional fee paid to Empire for the preparation of this report is not contingent upon its conclusion, including: developing or reporting a predetermined value or direction of value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
9. No one provided significant business appraisal assistance to the persons signing this certification, unless specifically stated herein.

The American Society of Appraisers has a mandatory recertification program for all of its Accredited Senior Appraisers. The senior members signing below, designated by the "ASA," are in compliance with that program.



David J. Thompson, CFA
Manager



Scott A. Nammacher, ASA, CFA
Managing Director

June 24, 2014

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Valuation Services

Empire Valuation Consultants, LLC provides valuations to business owners, attorneys, accountants, commercial bankers, investment bankers, trust departments, insurance agents, and financial planners, among others. **Empire's** consultants have prepared or managed the preparation of over 15,000 appraisals for the following reasons:

- Buy/Sell Agreements
- Gifting Programs
- Estate Taxes
- Mergers & Acquisitions
- Blocks of Publicly Traded Securities
- Employee Stock Ownership Plans (ESOPs)
- Redemptions
- Recapitalizations
- Going Private Transactions
- Stock Option Plans
- Dissenting Shareholder Suits
- Fairness Opinions
- Intellectual Property
- Purchase Price Allocation

Other Financial Services

Litigation Support & Expert Testimony

Empire can assist you with research and litigation support and its professionals are available to provide expert testimony in matters involving questions of valuation.

ESOP Feasibility Studies & Preliminary Valuations

Empire is available to work with our client's team of financial advisors or participate in independent feasibility studies and preliminary valuation reviews in connection with ESOP formation planning.

DAVID J. THOMPSON, CFA

Academic Degrees

- M.B.A. University of New South Wales & University of Sydney, Australian Graduate School of Management, Finance, Dean Scholarship winner, 2005
- Ed.M. University at Buffalo, Secondary Mathematics Education, 1997
- B.A. University at Buffalo, Mathematics, with distinction, magna cum laude 1994

Employment

- Empire Valuation Consultants, Rochester, New York
Manager, 2011 - Present
Senior Valuation Associate, 2008 - 2011
Valuation Associate, 2006 - 2008
- Idea Connections Consulting, Inc., Rochester, New York
Vice President of Operations, 2002 - 2003 and 2005 - 2006
- IKON Office Solutions, Buffalo New York
Senior Application Developer, 1998 - 2002

Experience

David is a Chartered Financial Analyst. Since joining Empire, David has been involved in hundreds of business valuations covering a diverse array of industries. He has been involved in the valuation of various classes of equity and debt, family limited partnerships, limited liability companies, intangible assets, purchase price allocations and stock options. These valuations have been for estate and gift tax reporting, employee stock ownership plan administration, acquisitions, recapitalizations, matrimonial litigation, general corporate reporting, and SEC reporting. He has extensive experience with the valuation hedge fund and private equity fund management companies and general partners.

Prior to joining Empire, David worked as Vice President of Operations at Idea Connections where he was responsible for financial analysis and projections, effective cost control, project management and assisted in the negotiations for the separation of the group from its parent company. While with IKON he developed workflow and document management applications for private companies and government agencies.

SCOTT A. NAMMACHER, ASA, CFA

Academic Degrees

- M.B.A. New York University Graduate School of Business, Finance, 1985
- B.S. University of Minnesota, Business, 1977

Employment

Principal and Managing Director, Empire Valuation Consultants, LLC, New York, New York, 1992-Present

Manager, Financial Valuations, Arthur Andersen & Co., New York, 1990-1991

V.P., Marigold Capital Development, Investment Banking Div. of Marigold Enterprises, Greenwich, Connecticut, 1989-1990

Manager - Domestic Finance, PepsiCo, Inc. Purchase, New York, 1985-1989

Experience

Mr. Nammacher is an Accredited Senior Appraiser (ASA) of the American Society of Appraisers and is a Chartered Financial Analyst (CFA). He has over 20 years of experience in financial consulting and business valuations. He has valued the equity, debt, warrants, NOLs, etc. of publicly and privately held businesses for acquisitions, divestitures, stock repurchases, estate and gift tax reporting, buy/sell agreements, recapitalizations, and general corporate planning purposes. Mr. Nammacher has also developed business plans and financing packages, and has been involved in completed transactions totaling over \$1.5 billion. In addition, he played key roles in the successful launch of a new business publication.

Mr. Nammacher has testified as an expert witness in U.S. Tax Court, U.S. Bankruptcy Court, Delaware Chancery Court and other courts and arbitration settings around the country, and published a book and several articles on "junk bonds." He also received the prestigious "Graham & Dodd Scroll Award" from the *Financial Analysts Journal* for outstanding financial writing relating to a cover story he co-authored.

He served two terms as an elected member of the American Society of Appraisers' Business Valuation Committee, the oversight entity for the business valuation arm of the ASA. He has spoken on valuation issues around the country and has chaired an annual valuation conference in New York City for over 17 years. He co-chaired the first joint AICPA/ASA valuation conference ever presented.

LACK OF MARKETABILITY BENCHMARK STUDIES

Table I
Overview of Restricted Stock Studies¹

Study	Years Covered	# of Transactions	Mean Discount	Median Discount
Two-Year Holding Period				
<u>Studies Ending Pre-1990</u>				
SEC, Overall Average	1966-1969	398	25.8%	24.0%
SEC, Non-reporting OTC Companies	1966-1969	112	N/A	32.6%
Gelman	1968-1970	89	33.0%	33.0%
Trout	1968-1972	60	33.5%	N/A
Moroney	Unknown ²	146	35.5%	33.0%
Maher	1969-1973	33	35.4%	33.3%
Standard Research Consultants	1978-1982	28	N/A	45.0%
Hertzel & Smith	1980-1987	106	20.1%	13.3%
Willamette Management Associates	1981-1984	33	N/A	31.2%
Silber	1981-1988	69	33.8%	35.0%
<u>Studies Ending After 1990</u>				
FMV Opinions, Inc. (Pre-3/1/1997) ³	1980 - Feb. 1997	196	N/A	21.0%
Management Planning, Inc.	1980-1995	49	27.7%	28.9%
Management Planning, Inc.	1980-1996	53	27.0%	25.0%
Bruce Johnson	1991-1995	72	20.0%	N/A
Columbia Financial Advisors, Inc.	1996-1997	23	21.0%	14.0%
One-Year Holding Period				
Columbia Financial Advisors, Inc.	1997-1998	15	13.0%	9.0%
FMV Opinions, Inc.	3/1/97-11/15/07	165	N/A	20.5%
Trugman Valuation Associates, Inc.	1/1/07-11/15/07	46	17.9%	14.7%
Six Month Holding Period				
Trugman Valuation Associates, Inc.	11/16/07-12/31/08	34	18.4%	14.4%
FMV Opinions, Inc.	11/16/07-12/31/08	11	N/A	15.0%

¹ Citations are included with the subsequent description of each study.

² Although the years covered in this study are likely to be 1969-1972, no specific years were given in the published account.

³ The results of the FMV Opinions, Inc. studies for all holding periods exclude transactions with registration rights, as well as those which took place at implied premiums.

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The restricted stock studies are divided into three primary groups: (1) studies ending before May 1997, when the required holding period under SEC⁴ Rule 144 was two years; (2) studies ending after May 1997, when the required holding period was reduced to one year, and prior to November 15, 2007; (3) studies including transactions after November 15, 2007, when the SEC announced that the required holding period would be reduced to six months.⁵ The first group is subdivided into two categories, before 1990 and after 1990. In 1990, the SEC adopted Rule 144A, which relaxed the SEC filing restrictions on private transactions. The rule allows qualified institutional investors to trade unregistered securities among themselves without filing registration statements, which improved liquidity.

As noted above, the rule change which reduced the Rule 144 required holding period to six months was announced by the SEC on November 15, 2007, and would take effect 60 days after its publication in the *Federal Register*. The rule was published in the *Federal Register* on December 17, 2007,⁶ and took effect on February 15, 2008. Therefore, although the rule did not take effect until February 15, 2008, the pending rule change would have been a consideration to potential buyers after its announcement on November 15, 2007.

The studies are discussed further in the following sections of this document.

Institutional Investor Study:⁷ The SEC published study #77-287 in 1971, called the “Institutional Investor Study.” The Institutional Investor Study examined the amount of discount at which transactions in restricted stock, or letter stock, took place compared to the prices of identical but unrestricted stock on the open market from 1966 through 1969.

The study shows that the discounts on the letter stocks were the least for New York Stock Exchange (“NYSE”) listed stocks, but increased, in order, for American Stock Exchange (“ASE”) listed stocks, over-the-counter (“OTC”) reporting companies and OTC non-reporting companies. For OTC non-reporting companies, the largest number of restricted stock transactions fell in the 30% to 40% discount range. Slightly over 56% of the OTC non-reporting companies experienced discounts greater than 30% on the sale of their restricted stock. A little over 30% of the OTC reporting companies experienced discounts over 30%, and over 52% experienced discounts over 20%. The following table segments the data observed by the SEC according to the size of the discount.

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⁴ Securities and Exchange Commission.

⁵ “SEC Votes to Adopt Three Rules to Improve Regulation of Smaller Businesses.” www.sec.gov/news/press/2007/2007-233.htm.

⁶ *Federal Register*, Vol. 72, No. 241., pg. 71551. December 17, 2007.

⁷ “Discounts Involved in Purchases of Common Stock (1966-1969),” *Institutional Investor Study Report of the Securities and Exchange Commission*, H.R. Doc. No. 64, Part 5, 92d Congress., 1st Session. 1971, pp. 2444-2456.

Table II
Institutional Investors Study Data

Discount (Premium)	Number of Transactions	Percent of Study Total
-15.0% to 0.0%	26	6.5%
0.1% to 10.0%	67	16.8%
10.1% to 20.0%	78	19.6%
20.1% to 30.0%	77	19.3%
30.1% to 40.0%	67	16.8%
40.1% to 50.0%	35	8.8%
50.1% to 80.0%	48	12.1%
-15.0% to 80.0% (total)	398	100.0%

The magnitude of the discount for restricted securities from the trading price of the unrestricted securities was generally related to the factors listed below.

- **Earnings:** Earnings played the most significant role in determining the discounts at which these stocks were sold from the current market price. The degree of risk of an investment is determined more by earnings patterns, rather than sales patterns.
- **Sales:** Companies with the largest sales volumes received the smallest discounts and the companies with the smallest sales volumes received the largest discounts.
- **Trading Market:** Discounts were greatest on restricted stocks with unrestricted counterparts traded over-the-counter, followed by those with unrestricted counterparts listed on the ASE, while the discounts for those stocks with unrestricted counterparts listed on the NYSE were the smallest.

Gelman Study:⁸ Milton Gelman conducted a study analyzing the prices paid by four closed-end investment companies specializing in restricted securities investments. Based on an analysis of 89 transactions between 1968 and 1970, Gelman found both the mean and median discounts to be 33%. Almost 60% of the transactions were at discounts of 30% or more, and over one-third were at discounts of 40% or more.

Trout Study:⁹ Robert Trout studied 60 transactions involving the purchase of restricted stock by mutual funds between 1968 and 1972. He observed a mean discount of 33.5%.

⁸ Gelman, Milton. "An Economist-Financial Analyst's Approach to Valuing Stock of a Closely Held Company," *Journal of Taxation*, June 1972, pp. 353-354.

⁹ Trout, Robert R. "Estimation of the Discount Associated with the Transfer of Restricted Securities," *Taxes*, June 1977, pp. 381-385.

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Moroney Study:¹⁰ In an article published in 1973, Robert Moroney presented the results of his study of the prices paid in 146 transactions for restricted securities by 10 registered investment companies. The mean discount in these transactions was 35.5%, and the median discount was 33%.

Maher Study:¹¹ In 1976, Michael Maher published the results of a study of restricted stock discounts in 33 transactions taking place from 1969 to 1973. He found that the mean discount was 35.4%. The median discount calculated to be 33.3%.

Standard Research Consultants Study:¹² In 1983, Standard Research Consultants conducted a study of 28 private placements of common stock from October 1978 through June 1982. A median discount of 45% was observed.

Hertzel & Smith:¹³ In a 1993 article published in the *Journal of Finance*, Hertzel & Smith analyzed a sample of 106 private placements from the 1980-1987 period with overall average and median discounts of 20.1% and 13.3%, respectively. A lower average discount was observed for registered shares. The authors theorized that the discounts observed in private placements can be explained as compensation to the investors for costs they incurred to reduce asymmetries of information. The authors performed regression analysis on the data to test their theory. They regressed the discount on a number of variables associated with increased uncertainty about firm value, such as evidence of distress or high market-to-book ratios.

Willamette Management Associates (“Willamette”) Study:¹⁴ Willamette Management Associates analyzed private placements of restricted stocks that occurred during the period from January 1, 1981 to May 31, 1984. Most of these transactions occurred in 1983. Willamette identified 33 arm’s length transactions during that period for which an unrestricted publicly traded equivalent was available. The median implied discount for the 33 transactions in this study was 31.2%.

Silber Study:¹⁵ In 1991, William Silber published the results of a study of restricted stock discounts in 69 transactions taking place between 1981 and 1988. He found that the mean discount was 33.8% and median was 35%. This study found larger discounts when the size of the restricted stock block was large in proportion to the total shares outstanding. Additionally, the study indicated that firms with higher revenues, earnings and market capitalizations are associated with lower discounts.

¹⁰ Moroney, Robert E. “Most Courts Overvalue Closely Held Stocks,” *Taxes*, March 1973, pp. 144-154.

¹¹ Maher, J. Michael. “Discounts for Lack of Marketability for Closely-Held Business Interests,” *Taxes*, September 1976, pp. 562-571.

¹² “Revenue Ruling 77-287 Revisited,” *SRC Quarterly Reports*, Spring 1983, pp. 1-3.

¹³ Hertzel, M. and R. Smith (1993), “Market Discounts and Shareholder Gains for Placing Equity Privately,” *Journal of Finance*, 48, 459-485.

¹⁴ *Valuing a Business: The Analysis and Appraisal of Closely Held Companies* (Fifth Edition), Shannon P. Pratt and Alina V. Niculita (New York: McGraw Hill: 2008), p. 425.

¹⁵ Silber, William L. “Discounts on Restricted Stock: The Impact of Illiquidity on Stock Prices,” *Financial Analysts Journal*, July-August 1991, pp. 60-64.

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FMV Opinions, Inc. (“FMV”): FMV has produced several studies involving the sale of restricted stocks, and certain statistics related to the sale of restricted stocks during the different Rule 144 restriction periods is presented in summary in the table at the beginning of this addendum. The study published by FMV in 2007 is discussed in detail in the main body of our report.

In November 2009, Lance Hall of FMV gave a teleconference presentation in connection with Business Valuation Resources¹⁶ in which he indicated that FMV’s database had been updated to include a total of 597 arm’s length transactions between 1980 and 2008. The update included the addition of more than 120 new transactions.

FMV screened the 597 transactions to remove those which occurred at implied premiums or included registration rights, resulting in 372 transactions. FMV sorted the 372 transactions in a time sequence, breaking them down into three groups based on the Rule 144 required holding period. The results are presented in the following table.

Table III
FMV November 2009 Data – Statistics

Transaction Dates	Number of Transactions	Volatility	Median Discount
Prior to 3/1/1997	196	71.2%	21.0%
3/1/97 to 11/15/07	165	86.4%	20.5%
After 11/16/07	11	72.7%	15.0%

FMV also analyzed the relationship of several factors to the implied discounts. In summary, FMV found that implied restricted stock discounts are negatively correlated with the subject entities’ market value, revenues, earnings and profit margin, dividend payout ratio, total assets, book value of shareholders’ equity, stock price per share trading volume, and the dollar value of the block sold. FMV found that implied restricted stock discounts are positively correlated with the subject entities’ market to book ratio and unrestricted stock price volatility, as well as the subject block size relative to trading volume, the subject block size as a percentage of shares outstanding and the level of forward-looking market volatility.

Management Planning, Inc. (“MPI”) Study: The MPI study was published in *The Handbook of Advanced Business Valuation*¹⁷ in 2000. Some of its key findings, discussed

¹⁶ Hall, Lance S. “Looking at the New Data in the FMV Restricted Stock Study™ and How to Use it!” November 11, 2009.

¹⁷ Oliver, Robert P. and Meyers, Roy H. “Discounts Seen in Private Placements of Restricted Stock: The Management Planning Inc. Long-Term Study (1980-1996),” Chapter 5 in *The Handbook of Advanced Business Valuation*, Robert F. Reilly and Robert P. Schweihs, eds. (New York: McGraw-Hill, 2000).

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below, were summarized in *Business Valuation Discounts and Premiums*¹⁸ and *Valuing a Business: The Analysis and Appraisal of Closely Held Companies* (Fifth Edition).¹⁹

MPI studied private placements for the period from January 1, 1980 to December 31, 1996. MPI began with 231 transactions, excluding transactions involving the following:

- Companies with sales volume under \$3 million, as well as all start-up or developmental stage companies;
- Companies with share prices for their publicly traded common stock below \$2;
- Companies with inadequate information about the private transaction or the company itself;
- Companies that were not profitable in the year prior to the transaction; and
- Transactions involving registration rights.

This resulted in 53 remaining transactions, 52 of which occurred at a discount to the market price. The average implied discount was about 27% and the median implied discount was about 25%.

The final screening criteria removed 27 transactions which included registration rights. These transactions had a median implied discount of 9.1% and an average implied discount of 12.8%. The median and average discounts associated with these 27 transactions relative to the median and average discounts of the 53 transactions without registration rights demonstrate the perceived value of liquidity created by the registration rights, as reflected in the lower discounts.

The authors of the study analyzed several variables believed to have an impact on the magnitude of implied discounts, and concluded the following:

- Private transactions of larger companies (as measured by either revenue or earnings) have lower discounts than smaller companies, on average;
- Private transactions of companies with stronger growth (as measured by either revenues or earnings) have lower discounts than companies with slower growth, on average;
- Private transactions of companies with better revenue or earnings stability have smaller discounts than those of companies with less stability, on average;

¹⁸ *Business Valuation Discounts and Premiums*, Pratt, Shannon P. (New York: John Wiley & Sons, Inc.: 2001), pp. 102-104.

¹⁹ *Valuing a Business: The Analysis and Appraisal of Closely Held Companies* (Fifth Edition), Pratt, Shannon P. and Niculita, Alina V. (New York: McGraw Hill: 2008), pp. 425-427.

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- Private transactions that involve blocks that are relatively small, compared to trading volume or the number of shares outstanding, have lower discounts than blocks of stock that are large relative to trading volume and shares outstanding, on average; and
- Private transactions occur at lower discounts in cases where the publicly traded counterpart showed more price stability than in cases where there was less price stability, on average.

This study superseded a similar study completed by MPI that was first published in Mercer's *Quantifying Marketability Discounts*,²⁰ which included 49 transactions between January 1, 1980 and December 31, 1995. The mean and median implied discounts associated with these 49 transactions were 27.7% and 28.9%, respectively.

Bruce Johnson Study:²¹ Mr. Johnson conducted a restricted stock study in which he examined 72 transactions that occurred between 1991 and 1995. These transactions exhibited a median implied discount of 20%.

Columbia Financial Advisors, Inc. ("CFAI") Study:²² CFAI conducted a study of the sale of restricted securities in the U.S. in which they examined 23 private common equity placements over the period January 1, 1996 through April 30, 1997. The resulting mean discount was 21% and median discount was 14%. A similar study was repeated over the period January 1997 through December 1998 in which 15 transactions were identified. The mean discount was 13% and median discount was 9%.

Trugman Valuation Associates, Inc. ("TVA") Study:²³ The intent of the TVA Study was to analyze implied restricted stock discounts associated with transactions that took place between January 2007 and December 2008. After a detailed screening process, TVA identified 80 transactions occurring between January 1, 2007 and August 19, 2008. Notably, TVA did not find any transactions that met its search criteria between August 19, 2008 and December 31, 2008, which encompasses the period of the financial market collapse in September and October 2008.

Separately, Empire sorted the transactions and broke the data set into two groups: (1) transactions that took place on or before November 15, 2007; and (2) transactions after November 15, 2007. Again, on November 15, 2007, the SEC announced the pending change in the Rule 144 required holding period from one year to six months. The statistics associated with each data set are shown in the following table.

²⁰ Quantifying Marketability Discounts. Mercer, Christopher Z. (Peabody Publishing, LP: 1997), Chapter 12.

²¹ "Restricted Stock Discounts: 1991-1995," *Shannon Pratt's Business Valuation Update* (March 1999): 1-5.

²² Aschwald, Kathryn F., "Restricted Stock Discounts Decline as Result of 1-Year Holding Period," *Shannon Pratt's Business Valuation Update*, May 2000, pp. 1-5.

²³ Harris, William. "Trugman Valuation Associates, Inc. (TVA) Restricted Stock Study," *Business Valuation Review*, Volume 28, No. 3.

Table IV
TVA Study Data - Statistics

Transaction Dates	Number of Transactions	Mean Discount	Median Discount	Standard Deviation
1/1/07 – 11/15/07	46	17.9%	14.7%	14.8%
11/16/07 – 8/19/08 ²⁴	34	18.4%	14.4%	16.9%
Overall	80	18.1%	14.4%	15.6%

TVA analyzed the data to assess the correlation between the size of the implied discount and several factors, including, but not limited to, the following: (1) volatility;²⁵ (2) debt ratio; (3) trading volume; (4) shares placed per average volume (i.e., block size); (5) share turnover;²⁶ (6) market capitalization; (7) trailing twelve month revenue; (8) total assets; (9) book value of equity; and (10) days until registration. TVA found that historical stock price volatility was the main driver in the magnitude of the implied discounts based on its regression analysis. Although TVA considered the explanatory power of most other variables to be weaker, it noted that the directional trends suggested by the correlation coefficients were consistent with expectations. In general, TVA's quartile analysis by variable suggested that:

- The magnitude of implied discounts was positively correlated with measures of risk, such as volatility and debt ratios;
- The magnitude of implied discounts was negatively correlated with measures of liquidity, such as trading volume and share turnover;
- The magnitude of implied discounts was positively correlated with shares placed per average volume, or block size, as well as days until registration; and
- The magnitude of implied discounts was negatively correlated with measures of size, including market capitalization, revenue, total assets and book value.

TVA did not analyze the impact of dividend paying history on implied discounts, primarily because a significant majority of the 80 transactions involved non-dividend paying companies. Due to the extremely small number of companies in the sample which paid dividends, TVA concluded that such an analysis was unlikely to produce meaningful results.

TVA also completed a holding period analysis by analyzing the impact of contractual registration rights on implied discounts. TVA indicated that a large majority of the 80 transactions in the study had registration rights. TVA performed additional research to verify the actual registration date, and calculated the number of days between the transaction date and the actual registration date. If no registration statement was filed with

²⁴ No transactions occurred between August 19, 2008 and December 31, 2008.

²⁵ As measured by one year annualized historical daily price volatility.

²⁶ Average volume divided by total shares outstanding.

respect to a specific transaction, TVA assumed that the securities remained unregistered for the entire required holding period.²⁷ TVA separated this data into quartiles, resulting in the statistics shown in the following table.

Table V
TVA Analysis of Registration Rights

Quartile	Days Before Registration	Average Discount	Median Discount	Standard Deviation
1	0-31 days	11.6%	10.0%	8.0%
2	32-63 days	14.3%	12.9%	11.3%
3	64-185 days	20.4%	15.9%	18.4%
4	185+ days	26.9%	18.8%	18.6%

TVA's registration rights analysis suggests that implied discounts are positively correlated to implied holding periods. The growth in the standard deviation for each quartile also appears to be consistent with the notion that risk increases as the required holding period grows. However, Empire noted that the exact period of time between the transaction date and the registration date may not have been known in all cases at the time the transactions took place.

Quantitative Analysis of FMV Database

A. FMV Restricted Stock Study – Quantitative Assessment

In 2007, FMV Opinions updated *The FMV Restricted Stock Study*^{TM28} (the “2007 Discount Study”). The 2007 Discount Study, which contains 475 restricted stock transactions occurring from 1980 to 2005, provides data on approximately 50 variables for each transaction. The market reference price used to calculate the discount is the average of the highest and lowest share price for the month of the transaction. The overall average discount in the 2007 Discount Study data is 22.25%, while the median discount is 19.45%.²⁹ Several conclusions reached by the 2007 Discount Study are listed below.

1. Average and median discounts do not vary significantly across industries. This conclusion is based upon an analysis of 327 underlying transactions³⁰ by primary SIC grouping. This supports the assertion that the most important determinants of marketability are: (1) company-specific risk factors; and (2) the differential in observed discounts between small and large blocks of restricted stock.
2. Observed discounts tend to increase in periods of overall economic and financial uncertainty.

²⁷ 365 days prior to the change in Rule 144 on February 15, 2008, and 182 days thereafter.

²⁸ *Determining Discounts for Lack of Marketability: A Companion Guide to the FMV Restricted Stock Study*.TM FMV Opinions, Inc., 2007.

²⁹ The reported overall discounts are based on the full data set of 475 transactions.

³⁰ The data in this analysis excludes transactions with registration rights and transactions in which premiums were observed, resulting in a sample size of 327 transactions.

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3. Observed discounts tend to be inversely related to measures of company size, including revenue, book value, market value and total assets; i.e., as these measures increase, discounts tend to decrease. Companies which tend to have larger revenues, book value, market value or total assets will tend to be more financially stable than smaller companies, suggesting a lower degree of financial risk.
4. Observed discounts tend to increase with a decrease in stock prices, particularly if the stock price drops below a threshold that would trigger de-listing. The declining stock price is perceived as a measure of increased risk.
5. The 2007 Discount Study identified the market-to-book ("MTB") ratio as a measure of balance sheet risk not tied directly to firm size. It was observed that discounts tended to increase as: (1) MTB ratios increased above the range of 1.0 times to 2.0 times, suggesting that firms having a high market value relative to their asset base are more risky; and (2) MTB ratios declined below 1.0 times, suggesting that firms with a market value below book value or firms with a negative book value are more risky.
6. Observed discounts tend to increase as stock price volatility increases. Stock price volatility is an observable measure of risk. As risk increases, discounts can be expected to increase.
7. Observed discounts tend to be inversely related to profitability. No clear relationship was identified between the absolute dollar value of firm profit and observed discounts. However, profitable firms (as measured by net profit margin) were observed to have lower observed discounts than firms which were not profitable.
8. Dividend-paying firms tend to have lower observed discounts than non-dividend paying firms.
9. The size of the block of restricted stock being sold impacts the expected holding period because of the limitations imposed by Rule 144 following the expiration of the initial restriction period; i.e., larger blocks of restricted stock are frequently subject to the "dribble-out" provisions of Rule 144, which limit the number of shares that can be sold in a given three-month period. As a result, the required holding period generally increases with block size. Observed discounts increase as the expected holding period increases, with holding periods expressed in terms of block size. In the valuation of interests in closely-held companies, *regardless of the block size of the subject interest in the closely-held company*, the transactions in the data set involving large blocks of restricted stock become most comparable because they represent the most illiquid blocks of restricted stocks being traded.

The underlying data from the 2007 Discount Study can be used to estimate a discount for lack of marketability for closely-held companies. The 2007 Discount Study recommends using a two-step process in which: (1) a quantitative analysis of the company-specific risk factors results in an "as if" publicly traded restricted stock discount (the "Restricted Stock

Equivalent Discount”); and (2) a second quantitative analysis is used to estimate an incremental discount above the Restricted Stock Equivalent Discount to recognize the similar illiquidity characteristics between privately-held companies and large blocks of restricted stock (the “Private Company Discount Increment”).

Empire considered the results of the 2007 Discount Study to determine discounts for lack of marketability that would be reasonable to apply in valuing privately-held businesses. We then applied the two-step process described in the preceding paragraph to estimate a reasonable discount for lack of marketability to apply in valuing the subject interest.

We applied the quantitative analysis described in the first step using a sample of the most liquid restricted stock transactions to estimate a Restricted Stock Equivalent Discount, limiting the sample to transactions involving block sizes of 20% or less of a firm’s outstanding stock following the restricted stock transaction.³¹ We then estimated a range of Private Company Discount Increments based on the discount differential between small and large block restricted stock transactions.

B. Empire’s Analysis of the 2007 Discount Study Data

The 2007 Discount Study dataset included 475 transactions. Again, the discounts observed in the study data are calculated from the difference between the price for the restricted shares and the average of the highest and lowest market prices of the company’s shares for the month of the transaction.

Empire first reduced the sample to 438 transactions by removing 37 transactions which occurred at a premium to the average monthly price. These transactions were removed because it was considered to be highly likely that observed premiums were due to material company-specific or transaction-specific factors, as an illiquidity premium is counterintuitive and not consistent with financial theory.

Empire further reduced the data set by excluding 109 transactions in which the subject block of restricted stock included registration rights. It is recognized that registration rights improve marketability, and that the shares of closely-held companies do not have such rights. This screen reduced the sample set to 329 transactions.

The remaining sample of 329 transactions was separated into two groups, based on block size, using a break point between the small and large block samples of 20% of the subject firm’s outstanding stock following the transaction. There were 285 transactions involving blocks of less than 20%, and 44 transactions involving blocks greater than 20%.

³¹ Because of the relatively long periods generally required to liquidate larger blocks of restricted stock following the expiration of the initial restriction period, larger blocks of restricted stock in the 2007 Discount Study data set tend to have illiquidity characteristics more similar to stock in privately-held companies (in blocks of any size), for which no market exists. Therefore, an adjustment based on the differential discounts between small and large blocks of restricted stock is appropriate to estimate a discount for lack of marketability.

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Finally, the 285 transactions involving blocks less than 20% were sorted based on the following metrics selected by Empire: (1) revenue; (2) market value; (3) book value; (4) total assets; (5) volatility; (6) net profit margin; and (7) dividends. In selecting these metrics, several factors were considered, including, but not limited to, the following: (1) analysis of revenue, market value, book value, total assets and volatility produced clear trends in observed discounts across quintiles in the data set; (2) there were clear differences in median observed discounts between profitable and unprofitable firms, as measured by net profit margin; and (3) there were clear differences in median observed discounts between dividend-paying and non-dividend paying firms. Additional measures of profitability were not included in the selected metrics because the determinant of financial risk appeared to be profitability versus lack of profitability, rather than the relative magnitude of profit margins, and because this test could be applied to all firms.

Empire opted not to utilize the MTB ratio as a measure of risk because it was recognized that challenges exist in interpreting the data and applying it appropriately. Recall that the 2007 Discount Study observed that discounts increased as MTB ratios increased, as well as when they declined below 1.0 times. While an MTB ratio below 1.0 times likely indicates financial distress, high MTB ratios will not necessarily be caused by balance sheet risk. For example, a service business may have very stable cash flows and a low asset base. If the market places value on the company's stable cash flows, it is likely that the company will exhibit an MTB ratio in excess of 1.0 times. As a result, one cannot assume that a high MTB ratio is a clear indicator of financial risk.

The results of Empire's analysis are summarized below.

Analysis of Size Metrics: Implied restricted stock discounts are inversely related to a company's size, measured as revenue, market value, book value or total assets. This is demonstrated by the trend in the median discounts for each quintile.

Analysis of Risk Metrics: Discounts are positively correlated with volatility, given that a greater lack of marketability discount would be demanded by an investor for taking on greater risk.

Analysis of Profitability Metrics: Discounts are inversely related to net profit margins. Many of the companies in the data set are start-up firms which have not yet reached profitability. For the 85 companies with a net profit margin greater than 0%, the median discount was 15.4%. This compared to a median of 24.4% for companies with negative margins.

Dividend Payments: Finally, discounts for dividend paying firms are less than for those not paying dividends. This result also likely reflects the fact that dividends provide shareholders with more immediate economic returns, partially mitigating the impact of illiquidity. A company's dividend history and expectations for dividends going forward should therefore be considered, as a richer payout policy provides an early form of liquidity.

Analysis of Block Size Comparisons: In addition to the initial holding period requirements under Rule 144, restricted stock is subject to 'dribble out' provisions following

the expiration of the holding period. This provision limits the volume of quarterly resales to the greater of: (1) one percent of the total shares outstanding; or (2) the average weekly trading volume for the four weeks preceding the sale. Therefore, a 20% block could take up to five years after the expiration of the initial required holding period to fully resell. Because of the relatively long periods generally required to liquidate larger blocks of restricted stock following the expiration of the initial restriction period, larger blocks of restricted stock in the 2007 Discount Study data set tend to have illiquidity characteristics more similar to stock in privately-held companies (in blocks of any size), for which no market exists.

As described earlier, there were 44 transactions involving blocks of more than 20%. These were reviewed, and segmented further as block size increased up to 40% and greater. This additional segmentation further reflects that observed median discounts tend to increase with block size.

Table VI
Block Size Comparative Analysis

	Observations	Median Discount
More than 40%	4	42.6%
More than 35%	5	41.9%
More than 30%	11	41.9%
More than 25%	21	37.3%
More than 20%	44	32.8%
20% or Less	285	22.0%

The median discount for blocks less than 20% was 22%, while median discounts for transactions involving larger blocks ranged from 32.8% to 42.6%. These results demonstrate that larger blocks of restricted stock are more illiquid than smaller blocks of restricted stock.

As noted earlier, larger blocks of restricted stock (i.e., blocks representing more than 20% of post-transaction shares outstanding) are considered to be more similar to the securities of privately-held companies (in blocks of any size) due to the liquidity issues they face. Therefore, if a Restricted Stock Equivalent Discount is estimated based on an analysis of the subject company's financial risk characteristics relative to small blocks of restricted stock (i.e., blocks representing less than 20% of post-transaction shares outstanding), an adjustment based on the differential discounts between small and large blocks of restricted stock is appropriate to estimate a discount for lack of marketability. As discussed previously, this is referred to as the Private Company Discount Increment.

C. Quantitative Analysis Based on 2007 Discount Study

Based on Empire's analysis of the 2007 Discount Study data, we estimated a reasonable range of discounts for lack of marketability. In doing so, an estimated Restricted Stock

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Equivalent Discount was developed by comparing the subject's financial metrics to the size, risk, profitability and distribution paying metrics analyzed by Empire in the previous section. Next, a range of Private Company Discount Increments was developed based on the block size analysis described earlier. This results in an estimated range of reasonable discounts for lack of marketability for the subject interest.

Restricted Stock Equivalent Discount: The seven variables which were identified and described earlier are considered in the calculation of the Restricted Stock Equivalent Discount. They include measures of size (revenue, market value, book value and total assets), volatility, net profit margin, and dividends.

Private Company Discount Increment: As discussed earlier, the selection of the Restricted Stock Equivalent Discount was based upon an analysis of the subject's financial characteristics relative to the financial characteristics of transactions involving blocks of restricted stock representing less than 20% of the post-transaction shares outstanding. However, it was shown earlier that transactions involving large blocks of restricted stock (i.e., greater than 20% of the post-transaction shares outstanding) have illiquidity characteristics more in common with the equity of closely-held companies. This is because the volume limitations imposed by Rule 144 following the expiration of the initial restriction period generally prevent large blocks of restricted stock from being sold quickly; i.e., the liquidity issues associated with larger blocks of restricted stock are generally much more significant than those associated with smaller blocks of restricted stock due to the Rule 144 volume limitations.

A Private Company Discount Increment was applied to the subject interest based on: (1) an analysis of the differential discounts between large and small block transactions; and (2) an analysis of the qualitative factors impacting marketability. Results from Empire's quantitative analysis as it pertains to the subject company are summarized in the narrative of the valuation report.

Apollo Entities

Sources of Information for Black Family Partners LP Investments

Information used in determining the fair market value of BFP's investment holdings was provided by the documents and sources listed below.

A. Cash & Brokerage Accounts

- A copy of the month ending October 31, 2013 bank statements for BFP's cash account with Bank of America (the "BOA Account");
- A copy of the month ending October 31, 2013 bank statements for BFP's cash account with U.S. Trust (the "UST Account");

B. Apollo Operating Group ("AOG Units")

- A signed copy of the Amended and Restated Tax Receivable Agreement by and among APO Corp., Apollo Principal Holdings II, LP ("APH II"), Apollo Principal Holdings IV, LP ("APH IV"), Apollo Principal Holdings VI, LP ("APH VI"), Apollo Principal Holdings VIII, LP ("APH VIII"), Apollo Management Holdings ("AMH") and any other entity or persons which APO Corp acquired an interest from, dated May 6, 2013 (the "TRA");
- A signed copy of Apollo's Amended and Restated Limited Liability Company Agreement, dated July 13, 2007 (the "Apollo Agreement");
- A signed copy of the Agreement Among Principals, dated July 13, 2007 (the "Principals Agreement");
- A signed copy of the Amended and Restated Exchange Agreement, dated May 6, 2013 (the "Exchange Agreement");
- A signed copy of the Shareholders Agreement, dated July 13, 2007, and a signed copy of the First Amendment and Joinder, dated August 18, 2009, by and among Apollo, AP Professional Holdings L.P., BRH Holdings L.P., Black Family Partners L.P., MJR Foundation LLC, Leon D. Black, Marc J. Rowan and Joshua Harris (the "Shareholder Agreement");
- A copy of BRH Holdings, L.P.'s ("BRH") initial Exempted Limited Partnership Agreement, dated July 13, 2007 (the "BRH Agreement"); and
- Conversations and correspondence with Wendy Dulman, the Company's Tax Director, Jessica Lomm of Apollo's Legal Group, and Michael Caruso, Elliot

Apollo Entities

Sources of Information for Black Family Partners LP Investments

Becker and Wayne Huang of Apollo's Budget Group (collectively, "Apollo Management");

C. Apollo Co-Invest Entities

The Co-Invest Entities¹ are invested in funds affiliated with Apollo. In addition to a schedule of pro rata capital account balances for the Co-Invest Entities prepared by Apollo as of the Valuation Date, Empire received the following documents:

- **Apollo Co-Investors III, LLC ("ACIII"):** (1) a copy of ACIII's operating agreement dated March 17, 1995 (the "ACIII Agreement"); (2) a copy of the underlying fund's audited financial statements for the year ending December 31, 2011 and 2012; and (3) copies of underlying fund documents, including: (i) the Amended and Restated Limited Partnership Agreements of Apollo Investment Fund III, LP, dated March 31, 1995, and the first amendment to this agreement, dated March 17, 2010; (ii) Apollo Overseas Partners III, L.P., dated March 31, 1995, and the first amendment to this agreement, dated March 17, 2010; and (iv) Apollo UK Partners III, L.P., dated March 31, 1995, and the first amendment to this agreement, dated March 17, 2010 (collectively these entities are "AIF III").
- **Apollo Co-Investors IV, LLC ("ACIV"):** (1) a copy of ACIV's operating agreement, dated April 21, 1998 (the "ACIV Agreement"); (2) a copy of the underlying fund's audited financial statements for the year ending December 31, 2011 and 2012; and (3) copies of the underlying fund documents, including: (i) the Amended and Restated Limited Partnership Agreement of Apollo Investment Fund IV, L.P., dated April 21, 1998, and the first, second and third amendments to this agreement, dated August 1, 2007, March 17, 2010 and March 17, 2010, respectively; and (ii) the Amended and Restated Limited Partnership Agreement of Apollo Overseas Partners IV, L.P., dated April 21, 1998, and the first, second and third amendments to this agreement, dated February 29, 2008, March 17, 2010 and March 17, 2010, respectively (collectively these entities are "AIF IV").
- **Apollo Co-Investors V, LLC ("ACV"):** (1) a copy of ACV's operating agreement, dated October 26, 2000 (the "ACV Agreement"); (2) a copy of the underlying fund's audited financial statements for the year ending December 31, 2011 and 2012; and (3) copies of the underlying fund

¹ Collectively, ACIII, ACIV, ACV, ACVI, AVC, ASC and FCI II are referred to as the "Co-Invest Entities."

Apollo Entities

Sources of Information for Black Family Partners LP Investments

documents, including: (i) the Amended and Restated Limited Partnership Agreement of Apollo Investment Fund V, L.P., dated April 19, 2002, and the first and second amendments to this agreement, dated August 1, 2007 and March 17, 2010, respectively; (ii) the Amended and Restated Limited Partnership Agreement of Apollo Overseas Partners V, L.P., dated April 30, 2002, and the first and second amendments to this agreement, dated February 29, 2008 and March 17, 2010, respectively; (iii) the Amended and Restated Limited Partnership Agreement of Apollo Netherlands Partners V(A), L.P., dated July 31, 2001, and the first, second and third amendments to this agreement, dated February 29, 2008, March 17, 2010 and March 29, 2012, respectively; (iv) the Amended and Restated Limited Partnership Agreement of Apollo Netherlands Partners V(B), L.P., dated July 31, 2001, and the first, second and third amendments to this agreement, dated February 29, 2008, March 17, 2010 and March 29, 2012, respectively; and (v) the Amended and Restated Limited Partnership Agreement of Apollo German Partners V GMBH & Co. KG, dated July 13, 2001, and an unnumbered, third, fourth and fifth amendment to this agreement, dated July 10, 2002, February 29, 2008, March 7, 2007, December 31, 2007 and March 17, 2010, respectively (collectively these entities are “AIF V”).

- **Apollo Co-Investors VI (A), LLC (“ACVI”):**² (1) a copy of ACVI’s operating agreement, dated June 15, 2005 and amended as of August 26, 2005; (the “ACVI Agreement”); (2) a copy of the underlying fund’s audited financial statements for the year ending December 31, 2011 and 2012; and (3) copies of the underlying fund documents, including: (i) the Amended and Restated Limited Partnership Agreement of Apollo Investment Fund VI, L.P., dated August 26, 2005, and the first and second amendments to this agreement, dated August 1, 2007 and March 17, 2010, respectively; (ii) the Amended and Restated Limited Partnership Agreement of Apollo Overseas Partners VI, L.P., and the first and second amendments to this agreement, dated February 29, 2008 and March 17, 2010, respectively; (iii) the Amended and Restated Limited Partnership Agreement of Apollo Overseas Partners (Delaware) VI, L.P., and the first and second amendments to this agreement, dated December 31, 2007 and March 17, 2010, respectively; (iv) the Amended and Restated Limited Partnership Agreement of Apollo Overseas Partners (Delaware 892) VI, L.P., and the first and second amendments to this agreement, dated December 31, 2007 and March 17, 2010, respectively; and (v) the Amended and Restated Limited Partnership Agreement of Apollo

² ACVI is formerly known as Apollo Co-Investors VI, LLC

Apollo Entities

Sources of Information for Black Family Partners LP Investments

Overseas Partners (Germany) VI, L.P., dated August 26, 2005 (collectively these entities are “AIF VI”).

- **Apollo VIF Co-Investors, LLC (“AVC”):**³ (1) a copy of AVC’s operating agreement dated August 26, 2005 (the “AVC Agreement”); (2) a copy of the underlying fund’s audited financial statements for the year ending December 31, 2011 and 2012; and (3) a copy of the Fourth Amended and Restated Limited Partnership Agreement of Apollo Value Investment, L.P. (the underlying fund), dated June 1, 2007.
- **Apollo SOMA Co-Investors, LLC (“ASC”):** (1) a copy of ASC’s operating agreement, dated February 16, 2007, and the First Amendment to this agreement dated September 27, 2007 (the “ASC Agreement”); (2) a copy of the underlying fund’s audited financial statements for the year ending December 31, 2011 and 2012; and (3) a copy of the Seventh Amended and Restated Limited Partnership Agreement of the Apollo Strategic Value Fund, L.P.,⁴ dated September 1, 2009.
- **FCI Co-Investors II (A), L.P. (“FCI II”):** (1) a copy of BFP’s initial capital call letter, dated July 3, 2013; (2) a signed copy of FCI II’s subscription agreement, dated June 21, 2013; (3) a copy of a distribution notice (return of capital), dated September 19, 2013; (4) a copy of Financial Credit Investment II, L.P.’s (“FCI Fund”) private placement memorandum, dated July 2013; and (5) a copy of FCI Fund’s amended and restated exempted limited partnership agreement, dated July 29, 2013.

D. Investments Not related to Apollo

- **Anchorage Capital Partners (“ACP”):** (1) a copy of BFP’s capital account statement for ACP, dated September 30, 2013; (2) a copy of ACP’s quarterly update letter, dated September 30, 2013; (3) a copy of BFP’s subscription document for ACP, dated June 30, 2009; (4) a copy of the private placement memorandum (“Memorandum”) and Memorandum supplement for ACP, dated June 2007 and June 2009, respectively;
- **Canyon Value Realization Fund (“CVRF”):** (1) a copy of BFP’s capital account statement for CVRF, dated September 30, 2013; (2) a copy of

³ AVC is formerly known as Apollo DIF Co-Investors, LLC.

⁴ The strategic opportunity managed account (“SOMA”) invests pari passu with the Apollo Strategic Value Fund, L.P. ASC is co-invested with SOMA.

Apollo Entities

Sources of Information for Black Family Partners LP Investments

CVRF's investor update letter for the quarter ended September 30, 2013; (3) a copy of BFP's subscription document for CVRF, dated July 1, 2009; and (4) a copy of the Memorandum for CVRF, dated March 2008;

- **King Street Capital ("KSC"):** (1) a copy of BFP's capital account statement for KSC, dated September 30, 2013; (2) a copy of KSC's investor update letter for the quarter ended September 30, 2013 (3) a copy of BFP's subscription document for KSC, dated July 1, 2009; (4) a copy of the Memorandum for KSC, dated January 2009; and (5) a copy of KSC's Ninth Amended and Restated Agreement of Limited Partnership, dated May 1, 2010 (the "KSC Agreement").
- **Lone Cascade, LP ("LC"):** (1) a copy of BFP's capital account statement for LC, dated September 30, 2013; (2) a copy of LC's investor update letter, dated October 14, 2013;⁵ (3) a copy of BFP's subscription document for LC, dated December 19, 2007; and (4) a copy of the Memorandum for LC, dated October 2006.
- **Millennium Group USA ("MG"):** (1) a copy of BFP's capital account statement for MG, dated September 30, 2013; (2) a copy of BFP's subscription document for MG, dated June 30, 2009; and (3) a copy of the Memorandum for MG, dated April 2009.
- **HAO Capital Fund II, LP ("HAO"):** (1) a copy of HAO's quarterly report and financial statements, dated September 30, 2013; (2) a copy of BFP's capital account statement, dated September 30, 2013; and (3) a copy of HAO's Amended and Restated Agreement of Exempted Limited Partnership, dated December 5, 2007 (the "HAO Agreement").
- **Sustainable Woodlands Fund II, LP ("SWF"):** (1) a copy of BFP's capital account statement for SWF, dated September 30, 2013; (2) a copy of the Memorandum for SWF, dated May 15, 2009; (3) a copy of the Amended and Restated Limited Partnership Agreement of SWF, dated May 1, 2008 (the "SWF Agreement"); and (4) a copy of the quarterly investor update (unaudited financial statements) for the quarter ended September 30, 2013.

⁵ Performance information through August 31, 2013 is included.

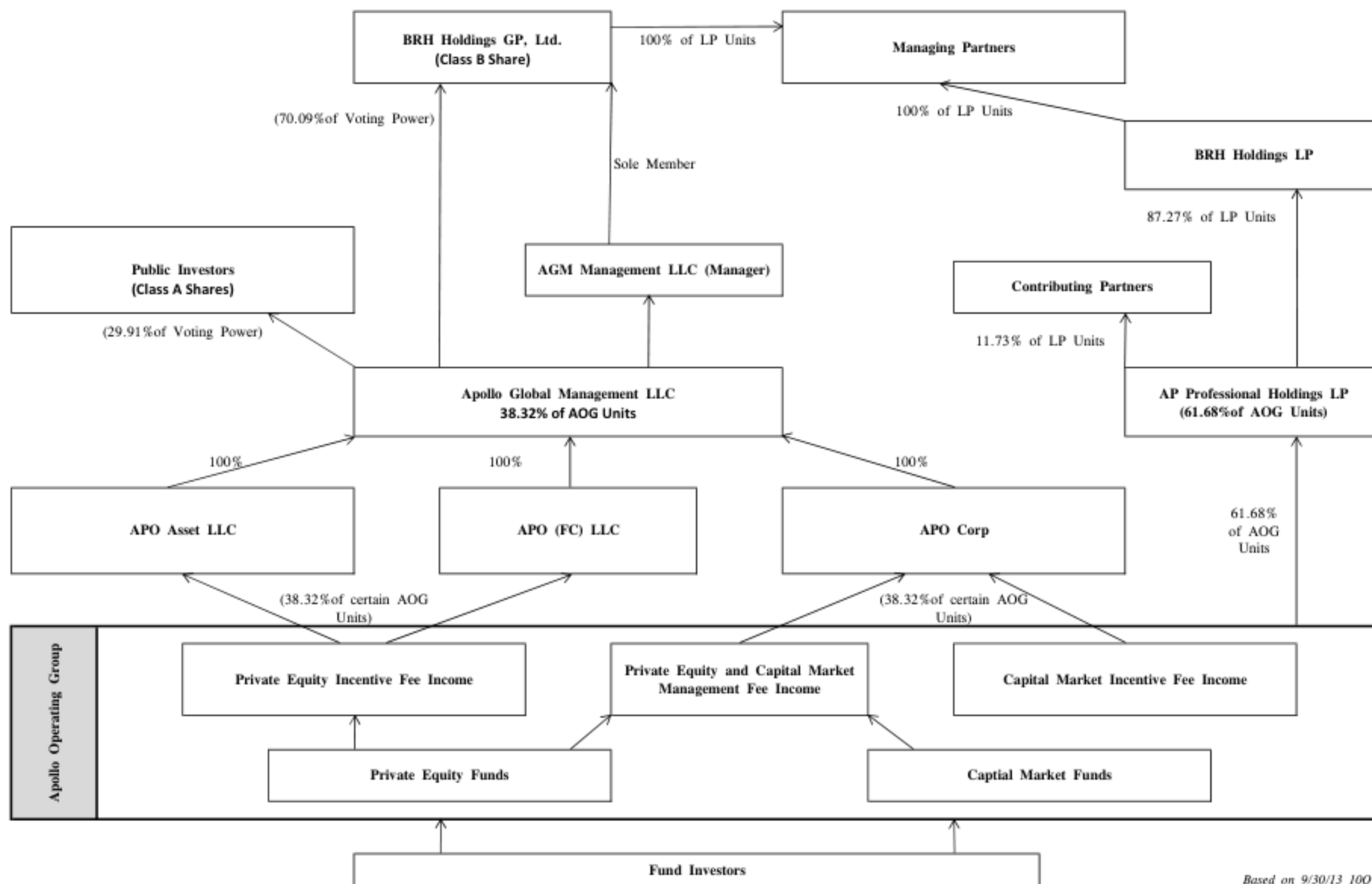
Apollo Entities

Sources of Information for Black Family Partners LP Investments

- **Wolfensohn Capital Partners, LP (“WCP”):** (1) a copy of BFP’s capital account statement for WCP, dated September 30, 2013; (2) a copy of the Memorandum and Memorandum supplement for WCP, dated April 2007 and February 2008, respectively; and (3) a copy of the quarterly investor update (unaudited financial statements) for the quarter ended September 30, 2013.
- **Tenfore Holdings Fund I, LP (“TEN4”):**⁶ (1) correspondence with BFP’s capital calls for TEN4 between April 12, 2013 and the Valuation Date; (2) a copy of TEN4’s limited partnership agreement, dated April 1, 2013; and (3) a copy of TEN4’s private placement memorandum, dated February 2013.
- **iCrete LLC (“iCrete”):** (1) a copy of a memorandum from iCrete, dated December 11, 2007 containing a company overview, an amendment to the operating agreement for iCrete and Class B subscription documents; (2) a copy of BFP’s federal K-1 tax document for the year ending December 31, 2012 from iCrete; and (3) a copy of audited financial statements for iCrete for the year ended December 31, 2012.
- **Knowledge Universe Education, LP (“KUE”):** (1) a copy of KUE’s second amended and restated limited partnership agreement, dated August 9, 2013 (2) a copy of the subscription document for KUE dated May 21, 2007; (3) a copy of the audited financial statements for the years ended December 31, 2011 and 2012; and (4) a copy of BFP’s federal K-1 tax document for the year ending December 31, 2012;
- **Environmental Solutions Worldwide (“ESWW”):** A copy of the prospectus for a convertible promissory note issued by ESWW (the “Borrower”), dated February 14, 2014.
- **Rally Labs, LLC (“Rally”):** (1) a signed copy of BFP’s subscription agreement for Rally, dated June 27, 2013; (2) a copy of Rally’s private placement memorandum, dated May 24, 2013; and (3) a signed copy of Rally’s operating agreement, dated June 27, 2013.

⁶ Tenfore Holdings Fund I, LP is formerly known as Northgate Holdings Fund I, LP.

Apollo Operating Group Ownership Structure



Based on 9/30/13 10Q

COMPARATIVE INCOME STATEMENTS**BLACK FAMILY PARTNERS, LP****FOR THE YEARS ENDED DECEMBER 31,**

	HISTORY 2009	HISTORY 2010	HISTORY 2011	HISTORY 2012
Interest Income	39,886,173	39,559,148	33,249,458	50,219,778
Dividends	1,627,995	2,276,840	7,417,671	27,525,302
Portfolio Income	3,058,819	3,403,283	4,774,754	10,060,768
Passthrough Income	0	0	2,119,698	133,861
Net Short-Term Capital Gain (Loss)	6,554,802	20,437,720	6,212,510	4,584,881
Net Long-Term Capital Gain (Loss)	(17,836,001)	20,885,007	70,875,303	219,985,333
TOTAL REVENUES	33,291,788	86,561,998	124,649,394	312,509,923
Depreciation	(1,453)	5,488	0	5
Deductions Related to Portfolio Income	6,373,108	8,880,968	8,173,457	10,634,735
Charitable Contributions	120,372	181	108,728	1,722
Travel and Entertainment	524,956	0	7,642	473,595
Total Operating Expenses	7,016,983	8,886,637	8,289,827	11,110,057
NET OPERATING INCOME	26,274,805	77,675,361	116,359,567	301,399,866
Ordinary Income from Partnerships	21,603,971	(1,161,368)	14,762,810	52,580,261
Interest Expense	(17,102,172)	(5,657,423)	(20,509,986)	(24,876,987)
Real Estate Income	327	4,249	5,455	17,113
Election Expenditures	0	(919,361)	(919,833)	(734,176)
Foreign Taxes	(1,165,147)	(66,945)	(930,893)	(1,028,670)
Total Other Income (Expense)	3,336,979	(7,800,848)	(7,592,447)	25,957,541
PRE-TAX INCOME	29,611,784	69,874,513	108,767,120	327,357,407
Provision (Benefit) for Taxes	0	0	0	0
NET INCOME	29,611,784	69,874,513	108,767,120	327,357,407

Financial Statements compiled using the records of Raich, Ende, Malter & Co LLP and are presented on a non-GAAP basis.

COMPARATIVE BALANCE SHEETS
BLACK FAMILY PARTNERS, LP
FOR THE YEARS ENDED DECEMBER 31,

	HISTORY 2009	HISTORY 2010	HISTORY 2011	HISTORY 2012
ASSETS				
Cash and Equivalents	33,820,889	56,286,395	13,289,724	18,748,910
Accrued Interest	62,496	0	0	0
Investments	964,895,987	987,923,724	965,786,061	1,139,271,686
Total Current Assets	998,779,372	1,044,210,119	979,075,785	1,158,020,596
Loans Receivable	45,000,000	0	75,000,000	136,000,000
Due To/From LBF Holdings, LLC	280,983,533	0	0	0
Apollo Investment Corp Stocks	0	8,319,017	8,318,966	8,319,017
Other Assets	0	0	0	5,081,091
Total Other Assets	325,983,533	8,319,017	83,318,966	149,400,108
TOTAL ASSETS	1,324,762,905	1,052,529,136	1,062,394,751	1,307,420,704
LIABILITIES & PARTNERS' CAPITAL				
Total Liabilities	0	0	0	78,200
Partners' Capital Accounts	1,324,762,905	1,052,529,136	1,062,394,751	1,307,342,504
Total Partners' Capital	1,324,762,905	1,052,529,136	1,062,394,751	1,307,342,504
TOTAL LIABILITIES & PARTNERS' CAPITAL	1,324,762,905	1,052,529,136	1,062,394,751	1,307,420,704

Financial Statements compiled using the records of Raich, Ende, Malter & Co LLP and are presented on a non-GAAP basis.

COMPARATIVE CASH FLOW STATEMENTS**BLACK FAMILY PARTNERS, LP****FOR THE YEARS ENDED DECEMBER 31,**

	HISTORY 2010	HISTORY 2011	HISTORY 2012
CASH FLOW FROM OPERATING ACTIVITIES			
Net Income	69,874,513	108,767,120	327,357,407
Adjustments to reconcile Net Income to Net Cash			
Provided from Operating Activities			
Depreciation	5,488	0	5
(Inc.) Dec. in Accrued Interest	62,496	0	0
(Inc.) Dec. in Loans Receivable	45,000,000	(75,000,000)	(61,000,000)
(Inc.) Dec. in Other Assets	0	0	(5,081,091)
Inc. (Dec.) in Total Liabilities	0	0	78,200
Net Cash Provided By (Used In) Operating Activities	114,942,497	33,767,120	261,354,521
CASH FLOW FROM INVESTING ACTIVITIES			
Capital Expenditures	(5,488)	0	(5)
Investments	(23,027,737)	22,137,663	(173,485,625)
Apollo Investment Corp Stocks	(8,319,017)	51	(51)
Due To/From LBF Holdings, LLC	280,983,533	0	0
Net Cash Provided By (Used In) Investing Activities	249,631,291	22,137,714	(173,485,681)
CASH FLOW FROM FINANCING ACTIVITIES			
Contributions	0	93,466,375	0
Distributions	(342,109,052)	(192,367,880)	(82,409,654)
Prior Year Adjustment	770	0	0
Net Cash Provided By (Used In) Financing Activities	(342,108,282)	(98,901,505)	(82,409,654)
NET INCREASE (DECREASE) IN CASH	22,465,506	(42,996,671)	5,459,186
Beginning Cash	33,820,889	56,286,395	13,289,724
Ending Cash	56,286,395	13,289,724	18,748,910

Financial Statements compiled using the records of Raich, Ende, Malter & Co LLP and are presented on a non-GAAP basis.

CALCULATION OF NET ASSET VALUE

BLACK FAMILY PARTNERS, LP

AS OF OCTOBER 25, 2013

ASSETS	SUPPORTING EXHIBIT	CAPITAL ACCOUNT BALANCE	MARKET ADJUSTMENTS	ADJUSTED BOOK VALUE	% of Assets
Cash & Marketable Securities					
Bank of America - Checking Account	n/a	\$32,773,060	\$15,942	\$32,789,002	1.1%
JP Morgan Brokerage Account - Cash	n/a	\$11,270	\$0	\$11,270	0.0%
JP Morgan Brokerage Account - Apollo Investment Corp. (Ticker:AINV)	n/a	\$5,185,199	\$0	\$5,185,199	0.2%
JP Morgan Brokerage Account - Environmental Solutions World (Ticker:ESWW)	n/a	\$455,200	\$0	\$455,200	0.0%
JP Morgan Brokerage Account - AP Alternative Assets L.P. (Ticker:AAA.NA)	n/a	\$843,226	\$0	\$843,226	0.0%
Apollo Fixed Term Entities (Private Equity Direct Interests)					
Apollo Co-Investors III, LLC	E-1 through E-3	\$2,554,400	(\$634,400)	\$1,920,000	0.1%
Apollo Co-Investors IV, LLC	E-1 through E-3	\$546,624	(\$136,624)	\$410,000	0.0%
Apollo Co-Investors V, LLC	E-1 through E-3	\$3,938,673	(\$988,673)	\$2,950,000	0.1%
Apollo Co-Investors VI (A), LLC	E-1 through E-3	\$42,153,773	(\$10,533,773)	\$31,620,000	1.1%
Non-Apollo Fixed Term Entities (Private Equity Direct Interests)					
HAO Capital Fund II LP	E-1 through E-3	\$3,796,002	(\$1,136,002)	\$2,660,000	0.1%
Sustainable Woodlands Fund II, LP	E-1 through E-3	\$18,224,766	(\$5,464,766)	\$12,760,000	0.4%
Wolfsen Capital Partners LP	E-1 through E-3	\$2,416,630	(\$846,630)	\$1,570,000	0.1%
Tenfore Holdings Fund I, LP (formerly known as Northgate Holdings Fund I, LP)	E-1 through E-3	\$253,746	(\$93,746)	\$160,000	0.0%
Apollo Capital Market Funds (Hedge Fund Direct Investments)					
Apollo SOMA Co-Investors, LLC	F-1 through F-3	\$2,801,160	(\$71,160)	\$2,730,000	0.1%
Apollo VIF Co-Investors, LLC	F-1 through F-3	\$7,765,568	(\$135,568)	\$7,630,000	0.3%
FCI Co-Investors II (A), LP	F-1 through F-3	\$1,626,445	(\$486,445)	\$1,140,000	0.0%
AP Technology Partners	F-1 through F-3	\$13,863	(\$3,863)	\$10,000	0.0%
Non-Apollo Capital Market Funds (Hedge Fund Direct Investments)					
Anchorage Capital Partners	F-1 through F-3	\$15,807,245	(\$637,245)	\$15,170,000	0.5%
Canyon Value Realization Fund	F-1 through F-3	\$17,544,966	(\$704,966)	\$16,840,000	0.6%
King Street Capital	F-1 through F-3	\$1,004,326	(\$44,326)	\$960,000	0.0%
Lone Cascade, LP	F-1 through F-3	\$32,572,504	(\$1,632,504)	\$30,940,000	1.1%
Millennium Group USA	F-1 through F-3	\$22,755,420	(\$905,420)	\$21,850,000	0.7%
BRH Holdings (Apollo Operating Group)					
Apollo Operating Group units	G-1	\$3,165,705,447	(\$885,705,447)	\$2,280,000,000	77.5%
Tax Receivable Agreement (TRA) Benefit for Apollo Operating Group units,	G-3	\$0	\$239,000,000	\$239,000,000	8.1%
TRA Dividend - July 2007 Transaction	G-5	\$0	\$98,000,000	\$98,000,000	3.3%
Miscellaneous Interests					
iCrate LLC		\$1,335,310	(\$467,359)	\$867,951	0.0%
Knowledge Universe Education LP		\$33,770,566	(\$8,442,642)	\$25,327,924	0.9%
ESWW Convertible Note		\$2,941,093	(\$410,556)	\$2,530,537	0.1%
Rally Labs, LLC		\$200,000	(\$70,000)	\$130,000	0.0%
Related Party Receivables (includes interest receivable)					
Due from Leon D. Black		\$56,407,447	\$0	\$56,407,447	1.9%
Due from Black Family 1997 Trust		\$8,160,208	\$0	\$8,160,208	0.3%
Due from PLB LLC		\$3,203,546	\$0	\$3,203,546	0.1%
Due from Narrow Holdings		\$25,025,781	\$0	\$25,025,781	0.9%
Due from AIF IV Management		\$7,469,203	\$0	\$7,469,203	0.3%
Due from - Phaidon Global Credit Line		\$5,516,006	\$0	\$5,516,006	0.2%
TOTAL ASSETS		\$3,524,778,673	(\$582,536,173)	\$2,942,242,500	100%
LIABILITIES & PARTNERS' CAPITAL					
TOTAL LIABILITIES					
Apollo Advisors III, LP (GP Carry Clawback Liability)		\$5,006,630	\$0	\$5,006,630	
PARTNERS' CAPITAL		\$3,519,772,043	(\$582,536,173)	\$2,937,235,870	
TOTAL LIABILITIES & CAPITAL		\$3,524,778,673	(\$582,536,173)	\$2,942,242,500	
Adjusted Book Value				\$2,937,235,870	
Pro Rata ABV of Subject Interest				\$1,108,806,541	
Less: Combined Discount for Lack of Control and Marketability				(\$166,320,981)	
Fair Market Value of a 37.75% Limited Partnership Interest				\$942,485,560	
Pro Rata Fair Market Value of a 37.75% Limited Partnership Interest, rounded				\$940,000,000	

PRIVATE EQUITY INVESTMENTS - CAPITAL ACCOUNT ANALYSIS

BLACK FAMILY PARTNERS, LP

AS OF OCTOBER 25, 2013

#	Fund Name	Total Capital Commitment	Total Capital Contributed	Distributions Since Inception	% of Capital Called (1)	Adjusted Capital Account Balance (2)
L.P. Investment Positions						
1	Apollo Co-Investors III, LLC	\$39,778,654	\$47,578,702	\$68,340,059	120%	\$2,554,400
2	Apollo Co-Investors IV, LLC	\$26,099,000	\$26,816,435	\$42,813,129	103%	\$546,624
3	Apollo Co-Investors V, LLC	\$23,647,681	\$34,648,327	\$67,813,380	147%	\$3,938,673
4	Apollo Co-Investors VI (A), LLC	\$45,949,073	\$60,406,459	\$53,014,494	131%	\$42,153,773
5	HAO Capital Fund II LP	\$6,000,000	\$4,620,000	\$832,566	77%	\$3,796,002
6	Sustainable Woodlands Fund II, LP	\$20,000,000	\$20,000,000	\$449,620	100%	\$18,224,766
7	Wolfensohn Capital Partners LP	\$5,000,000	\$4,714,937	\$1,909,704	94%	\$2,416,630
8	Tenfore Holdings Fund I, LP (formerly known as Northgate Holdings Fund I, LP)	\$1,500,000	\$156,356	\$0	10%	\$253,746
Total Capital Account Balance						\$73,884,614

(1) Certain distributions were recallable, allowing for called amounts greater than 100%.

(2) The most recent quarterly capital account balance was adjusted to reflect contributions and distributions after the statement date and as of the Valuation Date.

PRIVATE EQUITY INVESTMENTS - RISK ANALYSIS

BLACK FAMILY PARTNERS, LP

AS OF OCTOBER 25, 2013

Valuation Date

10/25/2013

#	Fund Name	Contractual Termination Date	Total Extensions Possible (in years)	Estimated Years Remaining in Term	Lifecycle Stage (1)	Primary Investment Structure (2)	Expected Cause of Growth in Value	(\$) Remaining Capital Commitment (3)	(%) Remaining Capital Commitment	Distributed Cash as a % of Contributed Capital (4)	Net Multiple of Contributed Capital (5)	Preferred Return %	Carried Interest %
L.P. Investment Positions													
1	Apollo Co-Investors III, LLC	3/17/2005	N/A	2.00	VC/H	D	App	\$6,108,915	-19.6%	143.6%	1.5	0.0%	0.0%
2	Apollo Co-Investors IV, LLC	9/30/2010	N/A	2.00	VC/H	D	App	\$127,203	-2.7%	159.7%	1.6	0.0%	0.0%
3	Apollo Co-Investors V, LLC	4/30/2012	N/A	2.00	VC/H	D	App	\$1,487,047	-46.5%	195.7%	2.1	0.0%	0.0%
4	Apollo Co-Investors VI (A), LLC	1/12/2016	2.00	2.22	VC/H	D	App	\$4,015,754	-31.5%	87.8%	1.6	0.0%	0.0%
5	HAO Capital Fund II LP	12/5/2015	2.00	2.11	VC/H	D	App	\$1,380,000	23.0%	18.0%	1.0	8.0%	20.0%
6	Sustainable Woodlands Fund II, LP	5/1/2018	4.00	4.52	VC/H	D	App	\$0	0.0%	2.2%	0.9	8.0%	15.0%
7	Woffensohn Capital Partners LP	2/23/2019	3.00	5.33	VC/H	D	App	\$285,063	5.7%	40.5%	0.9	8.0%	20.0%
8	Tenfore Holdings Fund I, LP (formerly known as Northgate Holdings Fund I, LP)	4/1/2023	2.00	9.44	VC/H	D	App	\$1,343,644	89.6%	0.0%	1.6	0.0%	20.0%

(1) I = Investment Stage; VC/H = Value Creation/Harvest Stage

(2) FOF = Fund of Funds; D = Direct

(3) Includes recallable distributions.

(4) (Distributed Cash) divided by (Capital Contributions)

(5) (Distributed Cash + Capital Account Balance) divided by (Capital Contributions)

PRIVATE EQUITY INVESTMENTS - SUMMARY OF FAIR MARKET VALUES
BLACK FAMILY PARTNERS, LP
AS OF OCTOBER 25, 2013

#	Fund Name	Selected Restriction Period Discount	Capital Account Balance	Less: Selected Restriction Period Discount	10/25/13 Estimated Fair Market Value, rounded
L.P. Investment Positions					
1	Apollo Co-Investors III, LLC	25%	\$2,554,400	(\$638,600)	\$1,920,000
2	Apollo Co-Investors IV, LLC	25%	\$546,624	(\$136,656)	\$410,000
3	Apollo Co-Investors V, LLC	25%	\$3,938,673	(\$984,668)	\$2,950,000
4	Apollo Co-Investors VI (A), LLC	25%	\$42,153,773	(\$10,538,443)	\$31,620,000
5	HAO Capital Fund II LP	30%	\$3,796,002	(\$1,138,801)	\$2,660,000
6	Sustainable Woodlands Fund II, LP	30%	\$18,224,766	(\$5,467,430)	\$12,760,000
7	Wolfensohn Capital Partners LP	35%	\$2,416,630	(\$845,821)	\$1,570,000
8	Tenfore Holdings Fund I, LP (formerly known as Northgate Holdings Fund I, LP)	35%	\$253,746	(\$88,811)	\$160,000
Total Fair Market Value of Private Equity Interests, rounded					\$54,050,000

CAPITAL MARKET/HEDGE FUNDS - CAPITAL ACCOUNT SUMMARY
BLACK FAMILY PARTNERS, LP
AS OF OCTOBER 25, 2013

Valuation Date

10/25/2013

Fund Name	Capital Account Balance	Sidepocket Amount	Unrestricted Capital Amount
Apollo SOMA Co-Investors, LLC	\$2,801,160	\$145,301	\$2,655,859
Apollo VIF Co-Investors, LLC	\$7,765,568	\$212,062	\$7,553,506
FCI Co-Investors II (A), LP	\$1,626,445	\$1,626,445	\$0
AP Technology Partners	\$13,863	\$13,863	\$0
Anchorage Capital Partners	\$15,807,245	\$0	\$15,807,245
Canyon Value Realization Fund	\$17,544,966	\$0	\$17,544,966
King Street Capital	\$1,004,326	\$0	\$1,004,326
Lone Cascade, LP	\$32,572,504	\$0	\$32,572,504
Millennium Group USA	\$22,755,420	\$0	\$22,755,420
Total	\$101,891,497	\$1,997,671	\$99,893,826

CAPITAL MARKET/HEDGE FUNDS - UNRESTRICTED CAPITAL ANALYSIS**BLACK FAMILY PARTNERS, LP**

AS OF OCTOBER 25, 2013

	Apollo SOMA Co-Investors, LLC	Apollo VIF Co-Investors, LLC	Anchorage Capital Partners	Canyon Value Realization Fund	Lone Cascade, LP	Millennium Group USA
Capital Account Balance at Valuation Date (Unrestricted)	\$2,655,859	\$7,553,506	\$15,807,245	\$17,544,966	\$32,572,504	\$22,755,420
Earliest Withdrawal Date	10/31/2013	10/31/2013	12/31/2013	12/31/2013	12/31/2013	12/31/2013

PUT OPTION ANALYSIS**INPUT VARIABLES**

Unrestricted Capital Balance (Most Recent Available)	\$2,655,859	\$7,553,506	\$15,807,245	\$17,544,966	\$32,572,504	\$22,755,420
Exercise Price	\$2,655,859	\$7,553,506	\$15,807,245	\$17,544,966	\$32,572,504	\$22,755,420
Term (years)	0.02	0.02	0.18	0.18	0.18	0.18
Volatility	13.50%	13.50%	7.50%	7.50%	15.00%	5.00%
Annual Rate of Quarterly Dividends	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Continuously Compounded Risk Free Rate	0.02%	0.02%	0.03%	0.03%	0.03%	0.03%
Discount Implied by Black Scholes Model	0.69%	0.69%	1.28%	1.28%	2.56%	0.85%
Plus: Adjustment for Other Factors	0.25%	0.25%	0.50%	0.50%	0.50%	0.50%
Estimated Discount Based on Put Analysis	0.90%	0.90%	1.80%	1.80%	3.10%	1.40%

RESTRICTED STOCK STUDY - QUALITATIVE ANALYSIS

Estimated Discount Based on Qualitative Analysis	1.00%	1.00%	6.00%	6.00%	6.00%	6.00%
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HOLDING PERIOD SUMMARY ANALYSIS

Selected Liquidity Discount for Holding Period	1.0%	1.0%	4.0%	4.0%	5.0%	4.0%
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CAPITAL MARKET/HEDGE FUNDS - HOLDING PERIOD DISCOUNT SUMMARY**BLACK FAMILY PARTNERS, LP****AS OF OCTOBER 25, 2013**

Valuation Date 10/25/2013

Fund Name	Sidepocket Discount %	Unrestricted Capital Discount %	Sidepocket			Primary Tranche			Balance, less Lock-up Period Discount Value (A+B)
			Sidepocket Amount	Less: Lock-up Period Discount	Balance, less Lock-up Period Discount (A)	Unrestricted Capital Amount	Less: Lock-up Period Discount	Balance, less Lock-up Period Discount (B)	
Apollo SOMA Co-Investors, LLC	30%	1.00%	\$145,301	(\$43,590)	\$101,711	\$2,655,859	(\$26,559)	\$2,629,300	\$2,730,000
Apollo VIF Co-Investors, LLC	30%	1.00%	\$212,062	(\$63,619)	\$148,443	\$7,553,506	(\$75,535)	\$7,477,971	\$7,630,000
FCI Co-Investors II (A), LP	30%	0.00%	\$1,626,445	(\$487,934)	\$1,138,512	\$0	\$0	\$0	\$1,140,000
AP Technology Partners	30%	0.00%	\$13,863	(\$4,159)	\$9,704	\$0	\$0	\$0	\$10,000
Anchorage Capital Partners	0%	4.00%	\$0	\$0	\$0	\$15,807,245	(\$632,290)	\$15,174,955	\$15,170,000
Canyon Value Realization Fund	0%	4.00%	\$0	\$0	\$0	\$17,544,966	(\$701,799)	\$16,843,167	\$16,840,000
King Street Capital	0%	4.00%	\$0	\$0	\$0	\$1,004,326	(\$40,173)	\$964,153	\$960,000
Lone Cascade, LP	0%	5.00%	\$0	\$0	\$0	\$32,572,504	(\$1,628,625)	\$30,943,879	\$30,940,000
Millennium Group USA	0%	4.00%	\$0	\$0	\$0	\$22,755,420	(\$910,217)	\$21,845,203	\$21,850,000
Total Fair Market Value of Capital Market Fund Investments									\$97,270,000

**APOLLO OPERATING GROUP UNITS
BLACK FAMILY PARTNERS, LP**

AS OF OCTOBER 25, 2013

	(Delivered, subject to 144 Volume Restrictions)	March 29 Annual Delivery of AOG Units			
	2013	2014	2015	2016	2017
AOG Units to be delivered	6,954,537	6,954,537	6,954,537	6,954,537	64,909,016
Percent of initial block delivered	7.5%	7.5%	7.5%	7.5%	70.0%
Share Price at Valuation Date	\$34.14	\$34.14	\$34.14	\$34.14	\$34.14
Restricted Value of Delivered Shares	\$237,427,909	\$237,427,909	\$237,427,909	\$237,427,909	\$2,215,993,813
Aggregate AOG Units, Unrestricted Value	\$3,165,705,447				
INPUT VARIABLES					
Unrestricted Block Value	\$237,427,909	\$237,427,909	\$237,427,909	\$237,427,909	\$2,215,993,813
Exercise Price	\$237,427,909	\$237,427,909	\$237,427,909	\$237,427,909	\$2,215,993,813
Estimated Term (years)	0.18	0.68	1.68	2.68	3.93
Volatility	40.00%	40.00%	40.00%	40.00%	40.00%
Annual Rate of Quarterly Dividends	0.00%	0.00%	0.00%	0.00%	0.00%
Continuously Compounded Risk Free Rate	0.03%	0.10%	0.22%	0.59%	0.95%
Discount Implied by Black Scholes Model	6.83%	13.06%	20.23%	24.70%	28.49%
Plus: Adjustment for Other Factors	1.50%	2.00%	2.50%	3.00%	3.50%
Estimated Discount Based on Put Analysis	8.30%	15.10%	22.70%	27.70%	32.00%
Selected Liquidity Discount for Lock-up Period	8.30%	15.10%	22.70%	27.70%	32.00%
AOG Units, Unrestricted Value	\$237,427,909	\$237,427,909	\$237,427,909	\$237,427,909	\$2,215,993,813
Less: Restriction Period Discount	(\$19,706,516)	(\$35,851,614)	(\$53,896,135)	(\$65,767,531)	(\$709,118,020)
AOG Units, Estimated Restriction Adjusted Value	\$217,721,392	\$201,576,294	\$183,531,773	\$171,660,378	\$1,506,875,793
Aggregate AOG Units, Estimated Restriction Adjusted Value	\$2,281,365,631				
Aggregate AOG Units, Estimated Restriction Adjusted Value, rounded	\$2,280,000,000				

APOLLO GLOBAL MANAGEMENT, LLC - VOLATILITY**BLACK FAMILY PARTNERS, LP****AS OF OCTOBER 25, 2013**

Company	Ticker	1 yr.	2 yr.	3 yr.	5 yr	IMPLIED VOLATILITY
Och-Ziff Capital Management	OZM	27.8%	34.5%	34.7%	44.4%	31.8%
Blackstone	BX	31.3%	33.2%	38.0%	56.5%	28.2%
Fortress Investment Group LLC	FIG	35.4%	39.4%	45.0%	85.8%	45.3%
Kohlberg Kravis Roberts & Co.	KKR	23.6%	29.6%	36.7%	n/a	25.7%
Apollo Global Management	APO	34.4%	37.5%	n/a	n/a	36.0%
The Carlyle Group	CG	34.2%	n/a	n/a	n/a	33.4%
Mean		31.1%	34.8%	38.6%	62.2%	33.4%
Median		32.7%	34.5%	37.4%	56.5%	32.6%
Min		23.6%	29.6%	34.7%	44.4%	25.7%
Max		35.4%	39.4%	45.0%	85.8%	45.3%

Selected Volatility for Apollo Global Management, LLC**40.0%**

*Volatility data from the Bloomberg Network

Note: Per Apollo Global Management LLC's 9/30/2013 10Q filing, management expected annual volatility of 45%.

APOLLO OPERATING GROUP - TAX RECEIVABLE AGREEMENT **BLACK FAMILY PARTNERS, LP**

AS OF OCTOBER 25, 2013

Number of Shares	92,727,166
Price per Share	<u>\$34.14</u>
Value of Block	\$3,165,705,447
Value Attributable to APO Corp.	<u>69.9%</u>
	\$2,214,203,723

Annual Amortization (15 yr.)	\$147,613,582
Effective Tax Rate (Per Management)	40.35%
Discount Rate	13%

(\$millions)

Year	TRA Amortization	TRA Tax Shield	Days	PV Factor	Present Value of TRA Tax Benefit
1	\$147,613,582	\$59,562,080	365	0.88	\$52,709,805
2	\$147,613,582	\$59,562,080	730	0.78	\$46,645,846
3	\$147,613,582	\$59,562,080	1,096	0.69	\$41,265,689
4	\$147,613,582	\$59,562,080	1,461	0.61	\$36,518,309
5	\$147,613,582	\$59,562,080	1,826	0.54	\$32,317,088
6	\$147,613,582	\$59,562,080	2,191	0.48	\$28,599,193
7	\$147,613,582	\$59,562,080	2,557	0.42	\$25,300,547
8	\$147,613,582	\$59,562,080	2,922	0.38	\$22,389,865
9	\$147,613,582	\$59,562,080	3,287	0.33	\$19,814,040
10	\$147,613,582	\$59,562,080	3,652	0.29	\$17,534,548
11	\$147,613,582	\$59,562,080	4,018	0.26	\$15,512,104
12	\$147,613,582	\$59,562,080	4,383	0.23	\$13,727,526
13	\$147,613,582	\$59,562,080	4,748	0.20	\$12,148,253
14	\$147,613,582	\$59,562,080	5,113	0.18	\$10,750,666
15	\$147,613,582	\$59,562,080	5,479	0.16	\$9,510,679
					<u>\$384,744,159</u>
Aggregate Present Value of TRA Tax Benefit, rounded					\$384,740,000
TRA Tax Benefit Sharing Percentage				85%	
Net Unrestricted TRA Tax Benefit Available to Block					\$327,029,000
Less: Restriction Period Discount (from Exhibit G-4)				27%	<u>(\$88,297,830)</u>
Net Fair Market Value of TRA Tax Benefit Available to Block, rounded					<u>\$239,000,000</u>

APOLLO OPERATING GROUP UNITS
BLACK FAMILY PARTNERS, LP
AS OF OCTOBER 25, 2013

Estimated Restricted TRA Value	\$327,029,000
Weighted Average Restriction Period (yrs.)	3.1

INPUT VARIABLES

Unrestricted Block Value	\$327,029,000
Exercise Price	\$327,029,000
Estimated Term (years)	3.1
Volatility	40.00%
Annual Rate of Quarterly Dividends	0.00%
Continuously Compounded Risk Free Rate	0.59%
Put Option Value	\$86,849,477
Discount Implied by Black Scholes Model	26.56%

Selected Restriction Period Discount for TRA Value	27%
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APOLLO OPERATING GROUP - TAX RECEIVABLE AGREEMENT
BLACK FAMILY PARTNERS, LP
AS OF OCTOBER 25, 2013

Effective Entity Ownership of Existing TRA **41.68%**
Discount Rate** 10%

(\$millions)

Payment for Fiscal Year***	Aggregate Existing TRA Payments*	Effective Entity Ownership of Existing TRA	Entity Pro Rata Share	Days	PV Factor	Present Value of TRA Tax Benefit
2013	\$29,631,261	44.05%	\$13,053,998	67	0.98	\$12,827,601
2014	\$28,763,115	41.68%	\$11,987,935	432	0.89	\$10,709,115
2015	\$31,276,125	41.68%	\$13,035,311	797	0.81	\$10,586,147
2016	\$31,750,169	41.68%	\$13,232,884	1,163	0.74	\$9,767,084
2017	\$33,385,585	41.68%	\$13,914,495	1,528	0.67	\$9,336,523
2018	\$35,444,666	41.68%	\$14,772,682	1,893	0.61	\$9,011,237
2019	\$38,038,627	41.68%	\$15,853,797	2,258	0.55	\$8,791,554
2020	\$41,614,271	41.68%	\$17,344,059	2,624	0.50	\$8,741,320
2021	\$47,707,862	41.68%	\$19,883,756	2,989	0.46	\$9,110,286
2022	\$37,731,640	41.68%	\$15,725,851	3,354	0.42	\$6,550,208
2023	\$12,965,663	41.68%	\$5,403,849	3,719	0.38	\$2,046,216
2024	\$4,455,370	41.68%	\$1,856,916	4,085	0.34	\$639,049
2025	\$1,530,992	41.68%	\$638,089	4,450	0.31	\$199,632
2026	\$526,092	41.68%	\$219,265	4,815	0.28	\$62,363
2027	\$180,780	41.68%	\$75,346	5,180	0.26	\$19,482
2028	\$62,121	41.68%	\$25,891	5,546	0.23	\$6,084
2029	\$21,347	41.68%	\$8,897	5,911	0.21	\$1,901
2030	\$7,335	41.68%	\$3,057	6,276	0.19	\$594
	\$375,093,021		\$157,036,078			\$98,406,397

Concluded Pro Rata Present Value of Existing TRA Benefit dividends

\$98,000,000

*Projected TRA related amortization dividend based on Management's projections. This value is 85% of the expected tax savings.

** Based on a review of: (i) 15 yr corporate bond yields (BB yield was 6.5% as of the Valuation Date); (ii) Apollo Operating Group's cost of equity; and (iii) asset specific risk factors.

*** Distribution of TRA Dividend received by Black Family Partners by April 15 of the subsequent year. E.g. Fiscal 2013 dividend will be received by April 15, 2014. 2013 annuity payment has a higher percentage share due to past TRA payment overallocation to other individuals and entities.

BETA CALCULATION**APOLLO GLOBAL MANAGEMENT, LLC****AS OF OCTOBER 25, 2013**

Peer Group Data as of

10/25/2013

Company Name	Symbol	Beta*	R ²	Share Price	Shares Outstanding (MM)	MV of Equity (\$MM)	LT Debt (\$MM)	Preferred (\$MM)	MVIC (\$MM)	Tax Rate**	Debt/Equity
Och-Ziff Capital Management	OZM	1.31	40.9%	\$12.57	452.146	\$5,683	\$385.14	\$0.00	\$6,068.61	45.0%	6.8%
Blackstone	BX	1.67	47.7%	\$26.71	1,116.695	\$29,827	\$1,665.97	\$0.00	\$31,492.89	45.0%	5.6%
Fortress Investment Group LLC	FIG	2.27	37.4%	\$8.74	489.103	\$4,275	\$0.00	\$0.00	\$4,274.76	38.5%	0.0%
Apollo Global Management, LLC	APO	1.38	37.5%	\$33.56	374.938	\$12,583	\$728.27	\$0.00	\$13,311.18	41.0%	5.8%
Kohlberg Kravis Roberts & Co.	KKR	1.44	49.4%	\$23.65	700.104	\$16,557	\$992.95	\$0.00	\$17,550.42	39.0%	6.0%
The Carlyle Group, LP	CG	0.88	10.5%	\$29.86	311.420	\$9,299	\$923.20	\$0.00	\$10,222.20	40.0%	9.9%
Oaktree Capital Group, LLC	OAK	0.92	16.8%	\$56.54	151.061	\$8,541	\$585.71	\$0.00	\$9,126.69	39.0%	6.9%
Average		1.41	34%			12,395.1	754.5	0.0	13,149.5	41.1%	5.8%
Median		1.38	38%			9,299.0	728.3	0.0	10,222.2	40.0%	6.0%

Unlevered Beta Calculation***

$$B_u = B_d / (1 + ((1 - t)(D/E)))$$

Using Beta, tax rate and the industry's debt to equity ratio, the reported betas are first unlevered below and then relevered in the calculation to the right.

Och-Ziff Capital Management	=	1.26
Blackstone	=	1.62
Fortress Investment Group LLC	=	2.27
Apollo Global Management, LLC	=	1.33
Kohlberg Kravis Roberts & Co.	=	1.39
The Carlyle Group, LP	=	N/A
Oaktree Capital Group, LLC	=	N/A
Overall Average	=	1.58
Overall Median	=	1.39
Selected	=	1.40

Relevered Beta Calculation

B	=	$B_u(1 + ((1 - t)(D/E)))$
Bu	=	1.40
D/E	=	5.8%
t	=	40.35%
B	=	1.45

Industry Debt/Total Capital Calculations

Debt/Total Inv. Capital	5.5%
Equity/Total Inv. Capital	94.5%

Tax Rate Calculation

Combined Tax Rate	40.35%
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Notes:

*Source: Bloomberg Network

**Tax rate for OZM and BX is based on SEC Filing notes indicating that tax distribution are made based on the highest marginal combined tax rate for a New York City, New York resident, approximately 45%.

However, it was further noted that the mix of income derived from foreign versus domestic sources would impact the actual effective tax rate.

***Insufficient trading data for relevant KKR, APO and CG beta calculations.

CAPM SUMMARY
APOLLO GLOBAL MANAGEMENT, LLC
AS OF OCTOBER 25, 2013

The cost of equity capital using the Capital Asset Pricing Model (CAPM) is as follows:

$$Re = Rf + (\beta \times (Rm - Rf)) + Rsm$$

Where:

Rf	=	Return on a risk-free asset
β	=	Beta - a measure of the systematic risk of the firm compared to the risk of an investment in a fully diversified stock market portfolio
$Rm - Rf$	=	The market risk premium defined as the expected return required for investing in a fully diversified portfolio (Rm) less the risk-free rate (Rf)
Rsm	=	Small stock premium

We then calculated the Re as follows:

Variable	Value	Source
Rf	3.30%	20-yr treasury bond rate
$Rm - Rf$	6.00%	Equity Risk Premium
β	1.45	Computed Beta, see Page 3
Rsm	1.14%	Ibbotsons Low-Cap Company Stock Premium (Deciles 3-5)

$$Re = Rf + (\beta \times (Rm - Rf)) + Rsm$$

$$= 3.30\% + [6.00\% \times 1.45] + 1.14\%$$

$$Re = 13.1\%$$

**PRICE & HISTORICAL VOLATILITIES OF PUBLICLY TRADED
BUSINESS DEVELOPMENT COMPANIES AND CEICS INVESTED PRIMARILY IN PRIVATE EQUITY
AS OF OCTOBER 25, 2013**

#	COMPANY	TICKER	TYPE OF ENTITY (1)	PRICE 10/25/2013 (2)	NAV PER SHARE (2,3)	DISCOUNT FROM/ (PREMIUM OVER) NAV	5-YEAR VOLATILITY (2)
1	Ares Capital Corporation	ARCC	BDC	\$17.59	\$16.21	-8.5%	39.8%
2	Apollo Investment Corporation	AINV	BDC	\$8.58	\$8.16	-5.1%	59.5%
3	TICC Capital Corp.	TICC	BDC	\$10.14	\$9.75	-4.0%	30.7%
4	MCG Capital Corp.	MCGC	BDC	\$5.24	\$5.14	-1.9%	73.3%
5	Gladstone Capital Corp.	GLAD	BDC	\$8.93	\$9.81	9.0%	42.2%
6	American Capital, Ltd.	ACAS	BDC	\$14.29	\$19.54	26.9%	84.8%
7	RENN Global Entrepreneurs Fund, Inc.	RCG	CEIC	\$1.47	\$2.64	44.3%	44.6%
8	MVC Capital, Inc.	MVC	CEIC	\$14.04	\$17.36	19.1%	30.6%
9	Capital Southwest Corporation	CSWC	BDC	\$32.59	\$46.71	30.2%	35.9%
AVERAGE						12.2%	49.0%
MEDIAN						9.0%	42.2%
MINIMUM						-8.5%	30.6%
MAXIMUM						44.3%	84.8%

¹ "BDC" denotes a business development company, and "CEIC" denotes a closed-end investment company, invested in private equity.

² Source: Bloomberg Network for BDCs; CEFCConnect.com for CEICs. Closing Prices.

³ Funds 1 through 5 are focused on debt securities, while funds 6 through 9 are focused on equity securities.

⁴ NAVs per share for the BDCs are as of 9/30/2013. NAVs per share for the CEICs are as of the Valuation Date.

PRICE & DIVIDEND YIELDS FOR PUBLICLY-TRADED CLOSED END FUNDS
PRIMARILY INVESTED IN CAPITAL APPRECIATION SECURITIES
AS OF OCTOBER 25, 2013

#	COMPANY ¹	TICKER	PRICE 10/25/13	NAV PER SHARE ³	DISCOUNT FROM/ (PREMIUM OVER) NAV ³	LTM TOTAL DISTRIBUTION ²	LTM DISTRIBUTION YIELD	5-YEAR VOLATILITY ³
1	Adams Express	ADX	\$12.90	\$15.07	14.4%	\$0.20	1.6%	22.0%
2	BlackRock S&P Quality Rankings	BQY	\$12.82	\$14.43	11.2%	\$0.92	7.2%	25.3%
3	Cohen & Steers Dividend Majors	DVM	\$14.38	\$16.35	12.0%	\$0.92	6.4%	29.8%
4	Denali Fund	DNY	\$20.02	\$25.00	19.9%	\$0.36	1.8%	29.1%
5	Eagle Capital Growth	GRF	\$7.72	\$8.47	8.9%	\$0.36	4.7%	36.4%
6	General American Investors	GAM	\$35.40	\$41.42	14.5%	\$2.00	5.7%	27.5%
7	Nuveen Core Equity Alpha	JCE	\$16.25	\$17.62	7.8%	\$1.08	6.6%	22.9%
8	Source Capital Inc	SOR	\$63.48	\$70.45	9.9%	\$3.00	4.7%	30.1%
9	Tri-Continental Corporation	TY	\$19.15	\$22.37	14.4%	\$0.65	3.4%	23.8%
10	Zweig Fund	ZF	\$14.09	\$16.00	11.9%	\$0.88	6.2%	21.6%
11	Zweig Total Return	ZTR	\$13.49	\$15.07	10.5%	\$1.01	7.5%	17.2%
AVERAGE					12.3%		5.1%	26.0%
MEDIAN					11.9%		5.7%	25.3%
MINIMUM					7.8%		1.6%	17.2%
MAXIMUM					19.9%		7.5%	36.4%

¹Sample was created using funds listed in *Barron's*

²Information from CEFConnect.com

³Information from Bloomberg, closing prices.

**PRICE & DIVIDEND YIELDS FOR PUBLICLY-TRADED CLOSED END FUNDS
INVESTED PRIMARILY IN GOVERNMENT BONDS AND SECURITIES
AS OF OCTOBER 25, 2013**

#	COMPANY ¹	TICKER	PRICE 10/25/13	NAV PER SHARE ³	DISCOUNT FROM/ NAV ³	LTM DIVIDEND INCOME ²	LTM INCOME YIELD	5-YEAR VOLATILITY ³
1	AllianceBernstein Income Fund	ACG	\$7.13	\$8.37	14.8%	\$0.42	5.8%	13.8%
2	BlackRock Enhanced Gov Fund	EGF	\$14.49	\$15.38	5.8%	\$0.48	3.3%	9.2%
3	BlackRock Income Trust	BKT	\$6.65	\$7.40	10.1%	\$0.33	5.0%	9.8%
4	Federated Enhanced Treasury In	FTT	\$13.03	\$14.96	12.9%	\$0.13	1.0%	N/A
5	Western Asset Inflation Manage	IMF	\$16.42	\$18.38	10.7%	\$0.60	3.7%	9.6%
6	Western/Claymore Infl Lnkd Sec	WIA	\$11.75	\$13.58	13.5%	\$0.10	0.8%	10.9%
					AVERAGE			
					MEDIAN			
						11.3%	3.3%	10.7%
						11.8%	3.5%	9.8%
					MINIMUM			
					MAXIMUM			
						5.8%	0.8%	9.2%
						14.8%	5.8%	13.8%

¹Sample was created using funds listed in *Barron's*

²Information from CEFCConnect.com

³Information from Bloomberg, closing prices.

QUANTITATIVE FINANCIAL RISK ANALYSIS
BLACK FAMILY PARTNERS, LP

MEASURES OF COMPANY SIZE

A. Revenue

	Revenue (\$MM)			Discount			
	Low	High	Average	Low	High	Average	Median
Top Quintile	48.19	1,791.45	240.61	0.0%	53.3%	17.5%	14.7%
Second Quintile	13.49	47.45	26.02	0.0%	84.3%	21.0%	15.1%
Third Quintile	5.01	13.00	9.16	0.0%	59.2%	23.3%	20.8%
Fourth Quintile	0.63	4.81	2.42	0.0%	70.0%	29.6%	26.1%
Bottom Quintile	0.00	0.59	0.18	0.0%	81.0%	29.2%	27.8%

B. Market Value of Equity

	Market Value (\$MM)			Discount			
	Low	High	Average	Low	High	Average	Median
Top Quintile	159.71	5,726.14	521.98	0.0%	64.2%	17.8%	13.2%
Second Quintile	90.13	157.88	117.12	0.0%	56.8%	18.5%	14.7%
Third Quintile	44.68	89.34	67.10	0.0%	84.3%	25.2%	24.4%
Fourth Quintile	23.33	44.63	32.04	0.0%	81.0%	32.1%	30.9%
Bottom Quintile	2.02	22.96	13.05	0.0%	59.2%	26.9%	25.9%

C. Book Value of Equity

	Book Value (\$MM)			Discount			
	Low	High	Average	Low	High	Average	Median
Top Quintile	35.90	789.38	130.52	0.0%	53.3%	14.0%	11.2%
Second Quintile	12.15	35.69	23.48	0.0%	84.3%	20.0%	15.4%
Third Quintile	4.96	11.72	7.53	0.0%	70.0%	27.3%	25.9%
Fourth Quintile	1.50	4.60	2.77	2.3%	61.5%	28.2%	27.3%
Bottom Quintile	-26.40	1.49	-1.59	0.0%	81.0%	31.1%	28.9%

D. Book Value of Total Assets

	Total Assets (\$MM)			Discount			
	Low	High	Average	Low	High	Average	Median
Top Quintile	74.04	12,471.37	980.53	0.0%	84.3%	17.1%	13.2%
Second Quintile	26.59	72.54	47.10	0.0%	64.2%	16.5%	12.8%
Third Quintile	9.83	26.42	16.43	2.3%	60.1%	23.4%	22.7%
Fourth Quintile	4.02	9.83	7.07	0.0%	70.0%	29.9%	27.8%
Bottom Quintile	0.00	4.00	2.28	0.0%	81.0%	33.7%	33.3%

QUANTITATIVE FINANCIAL RISK ANALYSIS
BLACK FAMILY PARTNERS, LP

MEASURES OF RISK & PROFITABILITY

A. EQUITY VOLATILITY ^{1, 2, 3}

	Volatility			Discount			
	Low	High	Average	Low	High	Average	Median
Top Quintile	110.8%	2024.7%	203.9%	0.0%	81.0%	37.1%	35.5%
Second Quintile	83.9%	110.2%	97.1%	1.9%	55.6%	26.6%	26.6%
Third Quintile	72.4%	82.0%	76.5%	0.0%	64.2%	20.4%	17.0%
Fourth Quintile	54.0%	71.2%	61.1%	0.0%	53.3%	19.6%	18.1%
Bottom Quintile	2.8%	53.2%	39.3%	0.0%	84.3%	16.2%	12.9%

B. NET PROFIT MARGIN

	Net Profit Margin			Discount			
	Low	High	No.	Low	High	Average	Median
Margin > 0%	0%	536%	85	0.0%	84.3%	20.2%	15.4%
Margin < 0%	-58225%	0%	185	0.0%	81.0%	26.5%	24.4%
No Data Reported	N/A	N/A	15	N/A	N/A	N/A	N/A

C. DIVIDENDS

	Dividend Yield			Discount			
	High	Average	No.	Low	High	Average	Median
Dividend Paying	17.9%	4.8%	19	0.0%	38.0%	14.7%	13.4%
Non-Dividend Paying	N/A	N/A	266	0.0%	84.3%	24.8%	23.0%

Notes:

¹ Volatility is defined as the annualized standard deviation of the continuously compounded rate of return on the company's common stock. *The standard deviation was calculated using the change in weekly closing prices over the one-year period prior to the transaction date.*

² Includes 280 transactions. Volatility was not reported with 5 transactions.

³ Implied discounts are positively correlated with volatility, and negatively correlated with size metrics.

ESTIMATED RESTRICTED STOCK EQUIVALENT DISCOUNT
BLACK FAMILY PARTNERS, LP

BASED ON QUANTITATIVE FINANCIAL RISK ANALYSIS

Metric	Exhibit	Company Measure	Implied Quintile	Median Discount	Weighting	Weighted Average
<u>Size Metrics</u>						
Revenue (\$MM)	EXHIBIT J-1	\$312.5	Top Quintile	14.7%	12.50%	1.8%
Market Value of Equity (\$MM)	EXHIBIT J-1	\$2,957.4	Top Quintile	13.2%	12.50%	1.7%
Book Value of Equity (\$MM)	EXHIBIT J-1	\$3,519.8	Top Quintile	11.2%	0.00%	0.0%
Total Assets (\$MM)	EXHIBIT J-1	\$3.2	Bottom Quintile	33.3%	0.00%	0.0%
<u>Other Metrics</u>						
Equity Volatility (%)	EXHIBIT J-2	40%	Bottom Quintile	12.9%	25.00%	3.2%
Profitable (Based on Net Profit Margin) ¹	EXHIBIT J-2	Y	N/A	15.4%	25.00%	3.8%
Dividend-Paying ¹	EXHIBIT J-2	Y	N/A	13.4%	25.00%	3.4%
ESTIMATED RESTRICTED STOCK EQUIVALENT DISCOUNT (TO EXHIBIT J-4)					100.0%	13.9%

Notes:

¹ Y = Yes; N = No.

**ESTIMATED PRIVATE COMPANY DISCOUNT INCREMENT
BLACK FAMILY PARTNERS, LP**

BASED ON BLOCK SIZE ILLIQUIDITY ANALYSIS

	% Shares Placed			Discount			
	Low	High	No.	Low	High	Average	Median
More than 40%	40.2%	42.9%	4	40.2%	42.9%	42.1%	42.6%
More than 35%	38.9%	42.9%	5	32.3%	62.4%	46.8%	41.9%
More than 30%	30.4%	42.9%	11	9.9%	72.4%	44.3%	41.9%
More than 25%	25.0%	42.9%	21	1.7%	72.4%	33.5%	37.3%
More than 20%	20.2%	42.9%	44	1.7%	91.3%	31.8%	32.8%
20% or Less	0.1%	19.8%	285	0.0%	84.3%	24.1%	22.0%

Summary	Low	Mid	High
Minimum or Maximum or Median for blocks >20%	32.8%	37.7%	42.6%
Divided by Median for Blocks < 20%	22.0%	22.0%	22.0%
Multiplicative Adjustment Factors for Private Company Discount Increment¹	1.49	1.71	1.94
Times: Estimated Restricted Stock Equivalent Discount (see EXHIBIT J-3)	13.9%	13.9%	13.9%
Implied Reasonable Range of Private Company Discounts²	20.7%	23.8%	26.9%
Blocks > 20%, excluding blocks with registration rights			

Implied Reasonable Range of Discounts for Lack of Marketability	21.0%	27.0%
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Notes:

¹ Equal to min or max median discount for block sizes > than 20% divided by median discount for block sizes < 20%.

² Equal to multiplicative adjustment factor times the restricted stock equivalent discount.