

LDB 2011 LLC

Valuation of a 25% non-managing membership interest

As of June 30, 2014

EMPIRE
VALUATION CONSULTANTS, LLC

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August 11, 2015

Alan S. Halperin, Esq.
Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas, Suite 3115
New York, NY 10019-6064

Dear Mr. Halperin:

You have engaged Empire Valuation Consultants, LLC (“Empire”) to estimate the fair market value of a 25% non-managing membership interest (the “Interest”) in LDB 2011 LLC (“LDB” or the “Company”) as of June 30, 2014 (the “Valuation Date”). It is our understanding that this valuation will be used by you in advising your client for estate planning purposes.

For purposes of this report, fair market value is defined in accordance with Treasury Regulations established for income, estate and gift taxes 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.

Executive Summary

The estimated fair market value of the Interest as of the Valuation Date is \$23,000,000. The primary valuation method employed in the analysis was the adjusted book value method. A full description of how the valuation was performed is provided later in this report.

Valuation Standards

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.

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 LDB;
- the financial and economic conditions affecting the general economy, the Company, and its industry;
- the past results, current operations, and future prospects of LDB;
- the earning capacity and dividend-paying capacity of the Company;
- the economic benefit to the Company 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 LDB, as well as sales of ownership interests in entities similar to the Company;
- the prices, terms, and conditions of past sales of ownership interests in LDB; and
- the impact on the value of ownership interests in LDB resulting from the existence of buy-sell and option agreements, investment letter stock restrictions, restrictive shareholders agreements, or other such agreements.

Sources of Information

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

- Copies of the Company's internally prepared financial statements for the fiscal years ended December 31, 2011 through 2013 and the six-months ended June 30, 2014;
- A copy of LDB's Amended and Restated Limited Liability Company Agreement, dated June 30, 2014 (the "LDB Agreement");
- A copy of the J.P. Morgan brokerage account statement outlining the cash and marketable securities held in the account as of June 30, 2014;

- Copies of the 2013 Schedule K-1 for each of the following entities: (1) AIF II, L.P. (“AIF II”); (2) AP SHL Investors, LLC (“AP SHL”); (3) AP Technology Partners, L.P. (“AP Tech”); (4) Apollo Investment Fund, L.P. (“AIF”); (5) Apollo Real Estate Investment Fund, LP (“REIF”); (6) AREIF III Transfer Members, LLC (“REIF III”); (7) AREIF IV Co-Invest, LLC (“REIF IV”); (8) BHM Investors, LLC (“BHM”); (9) Microbes Investors, LLC (“Microbes”); (10) PAM Centre, L.P. (“PAM”); and (11) Viropro Investors, LLC (“Viropro”);
- A copy of an internally prepared capital account statement for REIF, REIF, III, and REIF IV;
- For LDB's investment in FCI Co-Investors I (A), L.P. (“FCI”), copies of: (1) the June 30, 2014 capital account statement; (2) FCI's amended and restated partnership agreement, dated February 15, 2011; and (3) FCI's audited financial statements for the year ended December 31, 2013.
- For LDB's investment in Quadrangle Capital Partners LP (“QCP”), copies of: (1) the June 30, 2014 capital account statement; (2) QCP's amended and restated limited partnership agreement, dated May 23, 2000; and (3) QCP's audited financial statements for the year ended December 31, 2013.
- For LDB's investment in Quadrangle (Access) Capital Partners LP (“QACP”), a copy of the June 30, 2014 capital account statement.
- For LDB's investment in Quadrangle (Offshore) Capital Partners LP (“QOCP”), a copy of the June 30, 2014 capital account statement.
- For LDB's investment in Searchlight Capital, L.P. (“Searchlight”), copies of: (1) the June 30, 2014 capital account statement; (2) Searchlight's second amended and restated limited partnership agreement, dated December 29, 2011; and (3) Searchlight's audited financial statements for the year ended December 31, 2013.
- For LDB's investment in Searchlight Capital AIV I, L.P. (“Searchlight AIV”), copies of: (1) the June 30, 2014 capital account statement; and (2) Searchlight AIV's audited financial statements for the year ended December 31, 2013.
- A signed copy of the appraisal of a Selected Group of Works (the “Fine Art”) held by LDB, prepared by Sotheby's Inc. as of June 23, 2014 (the “Fine Art Appraisal”);
- A signed copy of the Valuation Agreement for the Fine Art Appraisal outlining that no blockage discount was applied to the Fine Art included in the Fine Art Appraisal;

- A copy of PLB, LLC's ("PLB") Limited Liability Company Agreement, dated October 2, 2012 (the "PLB Agreement");
- A copy of Phaidon Global, LLC's ("Phaidon Global") Limited Liability Company Agreement, dated August 15, 2013 (the "Phaidon Global Agreement");
- A copy of Phaidon, LLC's ("Phaidon") Limited Liability Company Agreement, dated June 24, 2014 (the "Phaidon Agreement");
- A copy of the valuation report prepared by Empire outlining the fair market value of a 100% controlling interest in Phaidon Press Limited ("Phaidon Limited"), held by LDB through a series of holding companies, with an effective date of June 30, 2014 (the "Phaidon Limited Report");
- Balance sheets as of June 30, 2014 for the following entities: (1) JMWT Bidco LTD ("Bidco"); (2) JMWT Midco LTD ("Midco"); (3) JMWT Topco LTD ("Topco"); (4) JMWT Acquisition LLP ("Acquisition", along with Bidco, Midco, and Topco, the "JMWT Entities"); (5) Phaidon; (6) Regan Arts, LLC ("Regan"); (7) Phaidon Global; and (8) PLB;
- Conversations and correspondence regarding LDB, its management policies, financial status and investments with Mr. Richard Joslin, Elysium Management LLC's CFO, and Mr. Richard D'Agostino of Elysium Management LLC (collectively referred to as "Management"); and
- Other reviews, analyses, and research as were deemed necessary.

Business Profile

LDB operated as an investment holding company. The Company was formed on June 9, 2011. As of the Valuation Date, the Company's assets included: (1) the Fine Art; (2) cash; (3) a number of private equity investments; (4) a 14.925% non-managing interest in PLB; (5) receivables from related entities; (6) a J.P. Morgan brokerage account that included a number of marketable securities; and (7) a number of restricted investments that consisted of direct investments and private equity investments that were past their term and only held the remaining unliquidated assets. Details regarding the Company's investments are outlined further in this report. As of the Valuation Date, the Company's only liability was a distribution payable to members. As of the Valuation Date, the Company had total

assets with a book value of \$377.6 million,¹ rounded and total liabilities with a book value of \$14,329. While LDB made a material distribution of notes in 2013, historically the Company did not pay cash distributions in an amount that is greater than the members' pass-through tax liability. Please refer to Exhibits A through C for further details.

A. Ownership

LDB's ownership as of the Valuation Date is presented in the following table.

LDB Ownership

Owner	Percentage
BEB 2011 Trust	25%
JMB 2011 Trust	25%
ASB 2011 Trust	25%
VRB 2011 Trust	25%
Total	100%

B. Description of Assets and Liabilities

LDB was invested in cash, marketable securities, multiple private equity investments, restricted investments, the Fine Art, a 14.925% non-managing membership interest in PLB, and receivables from related parties. 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 Company had a J.P. Morgan brokerage account that had a cash balance of \$25.2 million and marketable securities. The marketable securities included 24 publicly traded capital appreciation securities. The market value of the publicly traded equities, based on the average trading price as of the Valuation Date, was \$5.1 million.

Private Equity Investments: The Company had investments in FCI, QCP, QACP, QOCP, Searchlight, and Searchlight AIV. Details regarding each of the private equity investments are outlined below.

- **FCI:** The capital account balance for LDB's investment in FCI was \$18.5 million as of the Valuation Date. LDB had a capital commitment of \$25.0 million, of which \$12.6 million had been contributed. FCI invests substantially all of its

¹ Total assets as presented on Exhibit B of \$377.6 million is inclusive of an interest in Black Family Partners LP that had an estimated value of \$233.9 million. Further, Management stated that LDB contributed its interest in Black Family Partners LP to LDB 2014 LLC (an entity wholly-owned by LDB) and then LDB distributed its interest in LDB 2014 LLC to the members of LDB. However, the interest in LDB 2014 LLC (which held the interest in Black Family Partners LP) had not been removed from the Company's balance sheet as of the Valuation Date. As a result, "Private Investments", as presented in Exhibit B, include the interest in LDB 2014 LLC.

investable assets in Financial Credit Investment I, L.P. (“FCI LP”). FCI LP carries out its investment activities through a special purpose vehicle, Financial Credit Investment I Limited (“FCI I Limited”). FCI I Limited is primarily invested in life insurance settlements. As such, FCI I Limited makes premium payments on the insurance policies and will receive proceeds at the time of death of the insured. Future capital calls to fund insurance premiums are expected for this investment. FCI (as well as the underlying funds) does not have a contractual termination date. However, given the nature of the investment, it was reasonable to consider that FCI’s term would extend to 10 years or beyond the Valuation Date.

- **QCP, QACP, and QOCP (collectively, the “Quadrangle Entities”):** The capital account balances for LDB’s investments in QCP, QACP, and QOCP were \$278,289, \$125,977, and \$409,182, respectively, as of the Valuation Date. QACP and QOCP were alternative investment vehicles for QCP. For QCP, LDB had a capital commitment of \$427,638, of which \$425,044 had been contributed. For QACP, LDB had a capital commitment of \$193,585, of which \$192,411 had been contributed. For QOCP, LDB had a capital commitment of \$628,777, of which \$624,964 had been contributed. Future capital calls were not expected for these investments. QCP has a contractual termination date of May 23, 2010 which can be extended for up to two additional 1-year terms based on the terms of QCP’s agreement. However, limited partners agreed to two 1-year extensions to May 23, 2014. In 2014, LP’s delegated their authority to the LP Advisory Committee to consider extending the fund for an additional year through May 23, 2015. As alternative investment vehicles, QACP’s and QOCP’s terms correspond with QCP. QCP’s limited partners paid a 1.75% management fee and 20% carried interest fee and received an 8% preferred return.
- **Searchlight and Searchlight AIV:** The capital account balance for LDB’s investments in Searchlight and Searchlight AIV were \$776,558 and \$168,712, respectively, as of the Valuation Date. Searchlight AIV was alternative investment vehicle for Searchlight. For Searchlight and Searchlight AIV, LDB had a combined capital commitment of \$2.0 million, of which \$812,823 had been contributed. Future capital calls were not expected for these investments. Searchlight has a contractual termination date of March 30, 2022 which can be extended for up to two additional 1-year terms based on the terms of Searchlight’s agreement. As an alternative investment vehicle, Searchlight AIV’s term corresponds with Searchlight. Searchlight’s limited partners paid a 20% carried interest fee and received an 8% preferred return. Searchlight AIV’s limited partners do not pay management and carried interest fees and do not receive a preferred return.

Restricted Investments: The Company had restricted investments in AIF II, AP SHL, AP Tech, AIF, REIF, REIF III, REIF IV, BHM, Microbes, PAM, and Viropro. Capital account balances for each as of the Valuation Date are presented in the following table.

Restricted Investment Capital Account Balances as of the Valuation Date

Restricted Investment	Capital Account Balance
AIF II	\$0
AP SHL	\$0 ²
AP Tech	\$174,459
AIF	\$225
REIF	\$183,325
REIF III	\$25,308
REIF IV	\$735,778
BHM	\$159,692
Microbes	\$142,916
PAM	\$0 ²
Viropro	\$300,000
Total	\$1,721,703

LDB's investments in AIF II, AP SHL, AP Tech, AIF, REIF, REIF III, and REIF IV were investments in private equity funds that had completed their respective terms and were in wind-up. The remaining assets held by these private equity funds were considered side-pocket assets. A date for liquidation of side-pocket assets, distribution of proceeds to each private equity funds' respective limited partners, and wind-up of the private equity funds was not known as of the Valuation Date. As a limited partner in each, LDB had limited ability to enforce liquidation and distribution of proceeds from each private equity funds' side-pocket investments.

LDB's investments in BHM, Microbes, PAM, and Viropro were direct investments in holding companies. Each holding company held an interest in an operating company. No information on operations and profitability for each of the operating companies is provided to the members/partners of the respective holding company. As a non-managing member or limited partner in each holding company, LDB had limited ability to influence the operations of the underlying operating companies. An exit event and return of capital was not expected in the near term for LDB's investments in BHM, Microbes, PAM, and Viropro.

Fine Art: As of the Valuation Date, the Company held collector quality art. According to the Fine Art Appraisal, the fair market value of the Fine Art held by LDB was \$74,750,000 as of June 23, 2014. In addition, the Valuation Agreement for the Fine Art Appraisal stated that Sotheby's Inc. did not consider the applicability of a blockage discount for the Fine Art.

² Schedule K-1 presented a negative capital account balance.

The following table presents each piece of the fine art and that appraised value as outlined in the Fine Art Appraisal.

Fine Art and Respective Appraised Value

Piece/Title/Artist	Market Value
The Parable of the Wise and Foolish Virgins (1825) William Blake	\$2,500,000
Portrait de Fernand Leger (1930) Alexander Calder	\$2,500,000
L 'Esprit veille (Te Aarii Vahine) (Circa 1899) Paul Gauguin	\$2,500,000
Woman (1951) Willem De Kooning	\$3,500,000
Church Façade IV, Domburg (1914) Piet Mondrian	\$2,500,000
Composition with Color Planes and Gray Lines 1 (1918) Piet Mondrian	\$15,000,000
Untitled (1946) Barnett Newman	\$3,000,000
Deux femmes (1907-1908) Pablo Picasso	\$5,000,000
Jeune homme et cheval (1906) Pablo Picasso	\$2,500,000
Verre, pipe et paquet de tabac (1914) Pablo Picasso	\$2,000,000
Flusslandschaft mit zwei Bäumen (1913) Egon Schiele	\$25,000,000
Au divan japonais (1887-1888) Georges Seurat	\$6,000,000
Le chien noir (Étude pour Un Dimanche à La Grande Jatte) (1884-1885) Georges Seurat	\$1,750,000
Study of a Seated Woman (date not presented) Jean-Antoine Watteau	\$1,000,000
Total	\$74,750,000

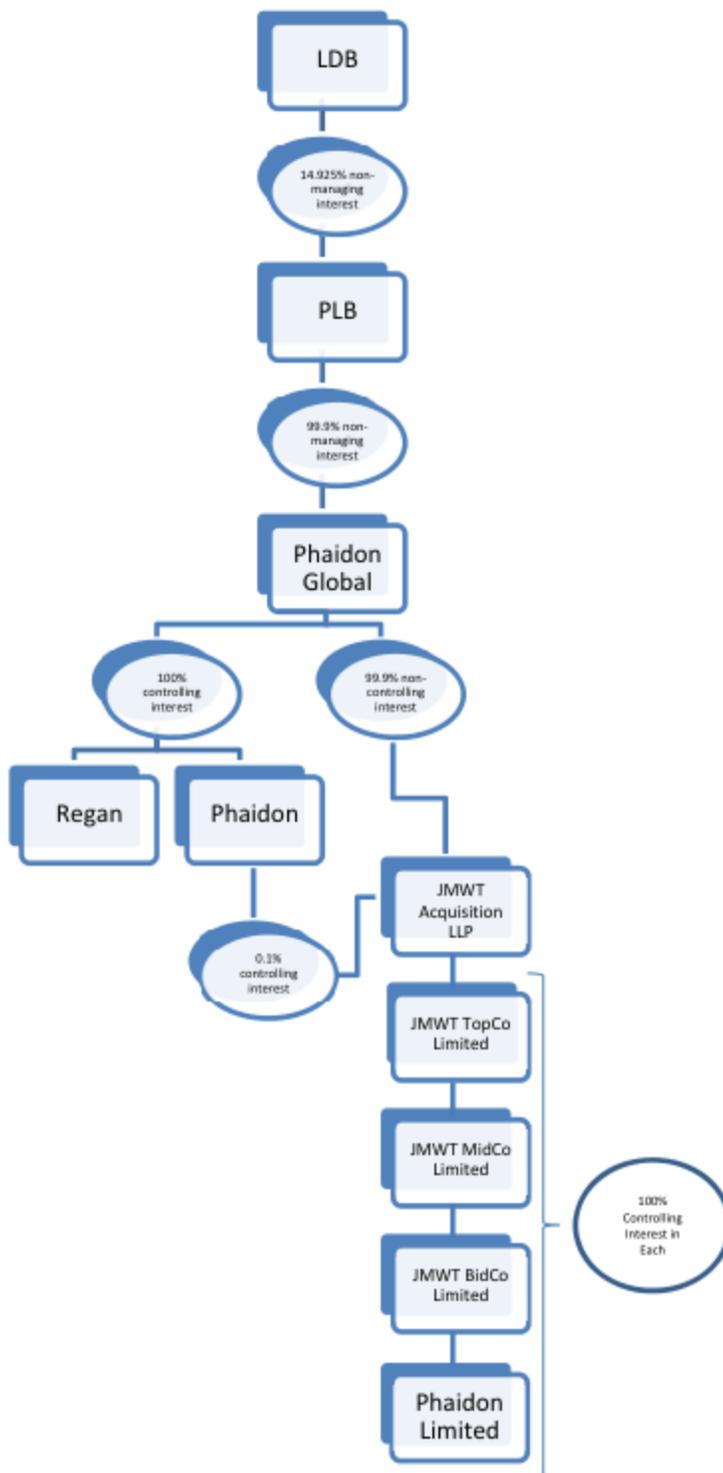
PLB: As of the Valuation Date, the Company held a 14.925% non-managing membership interest in PLB. The book value of the investment in PLB was \$9.9 million as of the Valuation Date. PLB is a holding company whose primary asset is a 99.9% non-managing membership interest in Phaidon Global. PLB's primary liability as of the Valuation Date was \$3.2 million due to Black Family Partners LP. See Exhibit G-8 for further details.

Phaidon Global holds 100% interests in Regan and Phaidon and a 99.9% interest in Acquisition. According to Management, Regan has very limited operations and has not been active for a material amount of time.

Phaidon holds a 0.1% interest in Acquisition. According to Management, Phaidon does not have any other assets and has no liabilities. Through Topco, Midco, and Bidco, a series of wholly-owned holding companies, Acquisition holds a 100% interest in Phaidon Limited. Phaidon Limited is an operating company that is a global publisher of books focused on the creative arts with over 1,500 titles in print as of the Valuation Date. Specifically, Phaidon Limited produces books on art, photography, design, architecture, fashion, food and cookery, travel, and illustrated books for children. Phaidon Limited is headquartered in London, U.K. For further details on Phaidon Limited, please refer to the Phaidon Limited Report. LDB's indirect ownership of Phaidon Limited through PLB, Phaidon Global, Phaidon, and the JMWT Entities is presented in the following diagram.

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Phaidon Limited's Ownership Structure



Related Party Receivables: As of the Valuation Date, the Company had related party receivables from the BEB 2011 Trust and the JMB 2011 Trust in the amounts of \$3.3 million and \$6.0 million, respectively. According to Management, the amounts receivable reflected their market value and were expected to be fully collectible as of the Valuation Date.

Liabilities: As of the Valuation Date, LDB's only liability was a \$14,329 distribution payable to members.

Summary: Based on the most recent capital account statements, Schedule K-1, and/or information provided by Management, the Company's total assets had an aggregate market value of \$144.3 million.^{3&4} Since LDB's only liability was a \$14,329 distribution payable to members, its aggregate members' capital was \$144.2 million. See Exhibit D.

Valuation adjustments necessary to reflect the market value of the Company's individual assets taking into consideration various restrictions that hinder LDB'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.

C. LDB Agreement Provisions

LDB was formed pursuant to Delaware Limited Liability Company Act (the "Act"). The LDB 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 business affairs of the Company shall be managed by the managers. The managers may appoint officers of the Company who shall be authorized to perform actions on behalf of the Company. The managers may remove any officer at any time, without cause. (Section 8.1.1). There shall always be at least one manager. Each manager shall hold office until their death, incapacity, resignation or removal (Section 8.2). A majority in interest of the members may designate another entity or person to serve as an additional manager or as a successor manager. As a condition precedent to a designated person or entity becoming an additional or successor manager, such entity or person must qualify for the position of manager. A successor or additional manager shall

³ Based on the book value of \$9.9 million for LDB's investment in PLB.

⁴ The variance between the total assets as presented on Exhibit B of \$377.6 million and Exhibit D of \$144.3 million is largely driven by an interest in Black Family Partners LP. According to Management, the interest in Black Family Partners LP had an estimated value of \$233.9 million. Further, Management stated that LDB contributed its interest in Black Family Partners LP to LDB 2014 LLC (an entity wholly-owned by LDB) and then LDB distributed its interest in LDB 2014 LLC to the members of LDB. However, the interest in LDB 2014 LLC (which held the interest in Black Family Partners LP) had not been removed from the Company's balance sheet as of the Valuation Date. As a result, assets as presented in Exhibit B include the interest in LDB 2014 LLC while the assets as presented on Exhibit D do not include the interest in LDB 2014 LLC.

qualify as a manager if such entity or person provides the members with a statement that it, he or she agrees to become a manager and to be bound by all of the terms and conditions of the LDB Agreement as a manager. However, if any member who is an individual makes a gratuitous transfer of all or a portion of his or her interest, such transferor member may not in his or her individual capacity serve as a manager and if then serving, shall immediately cease to serve as a manager (Section 8.3). The members holding at least two-thirds interest may, by vote or written consent, remove any acting manager at any time, without cause (Section 8.4.2). If there is more than one manager serving at any time and an action is to be taken by the managers (or the Company), such action shall be taken by the managers, unanimously, or, if there are more than two managers, with the agreement of a majority of such managers (Section 11.1). The LDB Agreement identifies Barry J. Cohen as the manager (Definitions section).

- **Distributions:** Distributions shall be made to the members at the times and in the aggregate amounts determined in the sole discretion of the managers (Section 5.1). No member shall be required to make additional contributions (Section 3.2).
- **Disclosure of Information:** The books of the Company shall be open to the inspection and examination of all members, in person or by their duly authorized representatives, at reasonable times. The books of the Company shall be maintained based on generally accepted accounting principles, consistently applied (Section 10.2). At the request of any member, the Company shall furnish the members with a copy of the Company's financial statements for the current or any prior fiscal year and with a statement of such member's capital account, as reflected on the books of the Company. Each member shall also be supplied with all information with respect to the Company required in connection with the preparation of such member's tax returns (Section 10.3).
- **Right of Withdrawal:** No member may withdraw from the Company or reduce their capital account. No member shall be entitled to receive or be credited with any interest on the balance in their capital account at any time (Section 6.5.1). However, at the request of a particular member, the managers may, but are not required to, redeem the withdrawing member's interest, in whole or in part, by distributing assets to such withdrawing member, the fair market value of which is to be determined by the managers (Section 6.5.2).
- **Death Consequences:** The death, incapacity, liquidation, dissolution, or entry of an order for relief in a bankruptcy case of a member shall not dissolve the Company. In any such event, the successors, assigns, executors, administrators or personal representatives of such former member shall have all the rights of a member in respect of distributions, allocations and capital, but shall not become a member unless a majority in interest (excluding interests held by the former member) of the remaining members consent and the assignee agrees to the terms of

the LDB Agreement and has agreed to pay all reasonable expenses relating to admission. The estate of a deceased former member shall be deemed to be the assignee of such former member's interest and such estate shall be bound in all respects by the deceased former member's obligations to the Company (Section 8.6.1).

- **Amendment of Agreement:** The LDB Agreement may be amended from time to time upon the unanimous written consent of the members. Notwithstanding the foregoing, the administrative provisions in the LDB Agreement may be amended solely by the managers (Section 11.2).
- **Reimbursement of Expense:** The managers shall be entitled to reimbursement from the Company funds for any reasonable out of pocket costs or expenses incurred by the managers in the conduct of Company business (Section 8.9).
- **Transfer Restrictions:** No member or any assignee has the right to sell, assign, or otherwise transfer all or any part of its interest (Section 6.1). However, members may sell, assign, pledge or otherwise transfer all or any part of their interest to an eligible person⁵ (Section 6.2 and Definitions section). Transfers to anyone other than an eligible person requires: (1) a bona fide written offer; (2) notification to each member that the member desires to sell their interest; and (3) an offer to sell the interest to current members on the same terms as the written offer (Section 6.1). Upon transfer, the transferee may not be admitted as a substituted member unless the transferee agrees to the terms of the LDB Agreement and has agreed to pay all reasonable expenses relating to admission (Section 9.1).
- **Dissolution:** The term of the Company will be perpetual unless dissolved upon the occurrence of: (1) the unanimous consent of the members; (2) at any time there are no members; or (3) the entry of a decree of judicial dissolution (Sections 1.5 and 7.1).

D. PLB Agreement Provisions

- **Management:** The business and affairs of PLB shall be managed by a manager (Section 16.a). The members shall appoint the manager and may remove the manager at any time with or without cause. A person appointed as manager shall serve until the earlier of his death, resignation or removal. Upon the occurrence of

⁵ Defined by the LDB Agreement as: (1) members; (2) Leon D. Black and his descendants; (3) the spouse of any member or Leon D. Black and his descendants; (4) the estate of any member; (5) trusts for the benefit of a member or Leon D. Black and his descendants, qualified charitable organizations, spouse of a member or Leon D. Black and his descendants, and descendants of members; (6) a beneficiary of any trust which is a member; and (7) any entity all the beneficial owners of which are persons or entities previously described as an eligible person.

any such event, the members shall promptly appoint a replacement manager. The members appoint John J. Hannan as the initial manager (Section 16.b).

- **Distributions:** Distributions shall be made to the members at the times and in the aggregate amounts determined by the manager (Section 14). Members are not required to make any additional capital contribution to PLB (Section 11).
- **Disclosure of Information:** The manager shall keep or cause to be kept complete and accurate books of account and records with respect to PLB's business. The members and their duly authorized representatives shall have the right to examine PLB's books, records and documents during normal business hours. PLB, and the manager on behalf of PLB, shall not have the right to keep confidential from the members any information that the manager would otherwise be permitted to keep confidential from the members pursuant to Section 18-305(c) of the Act (Section 22).
- **Transfer and Withdrawal Restrictions:** The PLB Agreement did not outline any provision regarding transfers or withdrawals. Therefore, the transfer and withdrawal provisions of the Act were considered. A limited liability company interest is assignable in whole or in part except as provided in a limited liability company agreement. The assignee of a member's limited liability company interest shall have no right to participate in the business and affairs of a limited liability company except as provided in a limited liability company agreement and upon the approval of all the members of the limited liability company other than the member assigning his interest (Section 18-702 of the Act). One or more additional members may be admitted to PLB with the written consent of the members. The admission of an additional member shall be effective upon its execution of an instrument signifying its agreement to be bound by the terms and conditions of the PLB Agreement (Section 20). Unless a limited liability company agreement provides otherwise, a member may not resign from a limited liability company prior to the dissolution and winding up of the limited liability company (Section 18-603 of the Act).
- **Dissolution:** PLB will be dissolved upon the earliest to occur of: (1) the written consent of the members; (2) at any time there are no members unless PLB is continued in accordance with the Act; or (3) the entry of a decree of judicial dissolution (Section 21.a).

E. Phaidon Global Agreement Provisions

- **Management:** The business and affairs of Phaidon Global shall be managed by a manager (Section 16.a). The members shall appoint the manager and may remove the manager at any time with or without cause. A person appointed as manager shall serve until the earlier of his death, resignation or removal. Upon the

occurrence of any such event, the members shall promptly appoint a replacement manager. The members appoint JMWT LLC as the initial manager (Section 16.b).

- **Distributions:** Distributions shall be made to the members at the times and in the aggregate amounts determined by the manager (Section 14). Members are not required to make any additional capital contribution to Phaidon Global (Section 11).
- **Disclosure of Information:** The manager shall keep or cause to be kept complete and accurate books of account and records with respect to Phaidon Global's business. The members and their duly authorized representatives shall have the right to examine Phaidon Global's books, records and documents during normal business hours. Phaidon Global, and the manager on behalf of Phaidon Global, shall not have the right to keep confidential from the members any information that the manager would otherwise be permitted to keep confidential from the members pursuant to Section 18-305(c) of the Act (Section 22).
- **Transfer and Withdrawal Restrictions:** The Phaidon Global Agreement did not outline any provision regarding transfers or withdrawals. Therefore, the transfer and withdrawal provisions of the Act were considered. A limited liability company interest is assignable in whole or in part except as provided in a limited liability company agreement. The assignee of a member's limited liability company interest shall have no right to participate in the business and affairs of a limited liability company except as provided in a limited liability company agreement and upon the approval of all the members of the limited liability company other than the member assigning his interest (Section 18-702 of the Act). One or more additional members may be admitted to Phaidon Global with the written consent of the members. The admission of an additional member shall be effective upon its execution of an instrument signifying its agreement to be bound by the terms and conditions of the Phaidon Global Agreement (Section 20). Unless a limited liability company agreement provides otherwise, a member may not resign from a limited liability company prior to the dissolution and winding up of the limited liability company (Section 18-603 of the Act).
- **Dissolution:** Phaidon Global will be dissolved upon the earliest to occur of: (1) the written consent of the members; (2) at any time there are no members unless Phaidon Global is continued in accordance with the Act; or (3) the entry of a decree of judicial dissolution (Section 21.a).

F. Phaidon Agreement Provisions

- **Management:** The business and affairs of Phaidon shall be managed by a manager (Section 15.a). The members shall appoint the manager and may remove the manager at any time with or without cause. A person appointed as manager

shall serve until the earlier of his death, resignation or removal. Upon the occurrence of any such event, the members shall promptly appoint a replacement manager. The members appoint JMWT LLC as the initial manager (Section 15.b).

- **Distributions:** Distributions shall be made to the members at the times and in the aggregate amounts determined by the Manager (Section 13). Members are not required to make any additional capital contribution to Phaidon (Section 11).
- **Disclosure of Information:** The manager shall keep or cause to be kept complete and accurate books of account and records with respect to Phaidon's business. The members and their duly authorized representatives shall have the right to examine Phaidon's books, records and documents during normal business hours. Phaidon, and the manager on behalf of Phaidon, shall not have the right to keep confidential from the members any information that the manager would otherwise be permitted to keep confidential from the members pursuant to Section 18-305(c) of the Act (Section 21).
- **Transfer and Withdrawal Restrictions:** The Phaidon Agreement did not outline any provision regarding transfers or withdrawals. Therefore, the transfer and withdrawal provisions of the Act were considered. A limited liability company interest is assignable in whole or in part except as provided in a limited liability company agreement. The assignee of a member's limited liability company interest shall have no right to participate in the business and affairs of a limited liability company except as provided in a limited liability company agreement and upon the approval of all the members of the limited liability company other than the member assigning his interest (Section 18-702 of the Act). One or more additional members may be admitted to Phaidon with the written consent of the members. The admission of an additional member shall be effective upon its execution of an instrument signifying its agreement to be bound by the terms and conditions of the Phaidon Agreement (Section 19). Unless a limited liability company agreement provides otherwise, a member may not resign from a limited liability company prior to the dissolution and winding up of the limited liability company (Section 18-603 of the Act).
- **Dissolution:** Phaidon will be dissolved upon the earliest to occur of: (1) the written consent of the members; (2) at any time there are no members unless Phaidon is continued in accordance with the Act; or (3) the entry of a decree of judicial dissolution (Section 20.a).

Economic, Capital Markets, and Private Equity Outlooks

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. Economic and industry outlooks relevant to Phaidon Limited are incorporated in the Phaidon Limited Report and are reported there.

A. General Economy⁶

According to Value Line, the United States (“U.S.”) economy experienced stable growth through the second half of 2013, reporting GDP growth of 4.1% and 2.6% in the third and fourth quarters, respectively. Strong inventory expansion followed by greater consumer spending drove growth through the end of the year. The U.S. economy then waned through the first quarter of 2014 as a result of major disruptions from a series of storms and plunging temperatures, slowdown in inventory investment, a pullback in exports, a decelerating housing market and a reversal in non-residential fixed investments. GDP was reported to increase by 0.1% in the first quarter. However, the U.S. economy was expected to gain traction through the second half of 2014 as employment gains were expected to strengthen, exports were anticipated to rise, business capital investments were projected to grow, and a partial revival in housing was forecast to occur. Industrial production remained in question and retail performance was tepid, but Value Line believed that there was enough underlying strength in the U.S. economy for GDP growth of 3.0% for the second quarter of 2014. Thereafter, the job market was expected to continue to firm up, following the 288,000 positions that were added in April 2014. In addition, the housing market was projected to regain momentum and non-residential fixed investment was forecast to make gains. GDP growth was predicted to marginally exceed the 3.0% mark in the final half of 2014 and hold in this range through 2015.

Inflation: Inflation was of limited concern as of May 2014 since producer and consumer prices remained well below the Federal Reserve’s (the “Fed”) stated average target of 2.0%. The Fed maintained a forgiving monetary policy due to the absence of pricing pressures and the intermittent threat of deflation. The newly appointed Fed Chair, Janet Yellen, stated that the factors contributing to the softness in inflation over the past year were transitory and inflation was projected to return to the Fed’s target of 2.0% by the end of the year. The Fed was likely to respond by raising short-term interest rates in 2015. Value Line projected that prices would increase modestly over the horizon, but a repeat of the serious pricing problems faced in the 1970s and 1980s was unlikely.

Interest Rates: As with inflation, the outlook for interest rates over the next several years was fairly benign. Short-term interest rates, which the central bank controlled directly through the federal funds rate target, remained near zero but were forecast to begin a multi-year ascent in 2015. The rise in short-term interest rates was anticipated to be slow and measured in light of the very low inflation backdrop that was expected for the late decade. Longer-term interest rates, a key influence on the housing market, were also projected to rise gradually. If the housing market does not revive as anticipated, a restrain

⁶ *Quarterly Economic Review*, Value Line Publishing LLC (“Value Line”), May 23, 2014.

on the broader recovery could further delay the Fed's timetable for gradually increasing interest rates.

Corporate Profits: Earnings in the first quarter of 2014 were strong compared to meek projections for the period. A clear majority of companies reported profits that were above the mean estimate, while approximately half reported revenues above expectation. However, a number of corporations issued negative earnings guidance for the second quarter. Value Line predicted that the dramatic earnings gains recorded in the early years of the business upturn would not translate to the future. However, it was probable that corporate profits will acquit themselves through the rest of the year. Assuming the economy gains additional traction in 2015, income was forecast to push forward at a stronger pace, but not without occasional resistance within selective sectors.

Other Economic Indicators: For the years 2014 through 2016, Value Line forecasted the economic environment as shown in the table below.

U.S. National Economic Indicator Annual Projections

Annual Statistics	2014	2015	2016
GDP Growth (%)	2.3%	3.2%	3.4%
Unemployment Rate (%)	6.5%	6.0%	5.6%
Housing Starts (millions of units)	1.02	1.39	1.55
Oil Prices ⁷	\$98.25	\$92.50	\$95.00
Long-Term Treasury Bond Rate (%)	3.8%	4.3%	4.5%
Prime Rate (%)	3.5%	5.3%	5.5%
AAA Corporate Bond Rates (%)	4.4%	4.8%	5.5%
Personal Savings Rate (%)	4.0%	4.4%	5.0%

Summary: In conclusion, Value Line reported increased activity in the U.S. economy in the latter half of 2014, and predicted that, despite a brief slowdown in the first quarter of 2014, robust growth would continue through 2015.

B. Capital Markets Overview

Economic Conditions:⁸ GDP for the first quarter of 2014 increased at an annual rate of 2.6%, which was below the 4.1% annual rate registered in 2013's fourth quarter.

- The unemployment rate continued to improve, falling from 7.0% to 6.7% through February. Employers added 175,000 new jobs in February, a decrease from the 203,000 jobs added in November 2013.

⁷ Represents a dollar volume weighted average of oil prices (U.S. Refiners' Cost) throughout the year, rather than an explicit projection of spot prices.

⁸ AMG Funds, *Financial Markets Review and Outlook First Quarter 2014*.

- A recovering labor market and improving economy contributed to the Fed’s decision to begin tapering its quantitative easing program (“QE3”). However, the Fed intended to hold short-term interest rates low until significant economic hurdles were met.
- Outside of the U.S., tensions between Russia and the Ukraine dominated the headlines. The situation caused many Western investors to avoid the inherent risk in that market given current tensions in the region. Russia’s equity markets sold off sharply during the first quarter.

Public Markets Performance: After a strong 2013, equity markets delivered mixed results for the first quarter of 2014. Early in the quarter, major equity benchmarks were down 5.0% as concerns about the impact of slowing emerging markets along with the onset of tapering of QE3. While the *S&P 500 Index* (“*S&P 500*”) finished in positive ground for the quarter, returning 1.8%, the *Dow Jones Industrial Average* had a slightly negative quarter, returning -0.2%.

A summary of recent performance for select indices is presented in the following table.

Index Performance – Period Ended March 31, 2014⁹

Index	Q1 2014	YTD	1-year	3-year	5-year
<i>S&P 500</i>	1.81%	1.81%	21.86%	14.66%	21.16%
<i>Russell 2000</i>	1.12%	1.12%	24.9%	13.18%	24.31%
<i>MSCI EAFE</i>	0.66%	0.66%	17.56%	7.21%	16.01%
<i>MSCI World</i>	1.26%	1.26%	19.07%	10.23%	18.28%
<i>Barclays Capital Aggregate</i>	1.84%	1.84%	-0.10%	3.75%	4.80%
<i>Barclays Capital Credit</i>	2.91%	2.91%	1.01%	5.80%	8.90%

- Domestic markets, as measured by the *S&P 500* returned 1.8% in the first quarter, after recording a 10.5% gain in the fourth quarter of 2013. Small-capitalization equities returned more than 24.9% for the year, as measured by the *Russell 2000*, but were outperformed by large-capitalization equities in the fourth quarter.
- Developed foreign markets fell in the first quarter of 2014, returning only 0.7%, compared to 11.6% in the third quarter of 2013 and 6.0% in the fourth quarter, as measured by the *MSCI EAFE Index*.
- Yield on the 10-year Treasury bond was 2.7% as of March 31, 2014, down slightly from the fourth quarter of 2013.
- After negative returns in 2013, bonds, as measured by the broad *Barclays Capital Aggregate Bond Index* gained 1.84% in the first quarter of 2014.

⁹ The Concord Advisory Group Ltd., *March 2014 Market Performance Review*.

- Corporates reported strong performance in the first quarter of 2014, returning 2.9%, as measured by the *Barclays Credit Bond Index*. The index reported 1.0% return over the last year.

Volatility: Volatility, as measured by the *Chicago Board Options Exchange Volatility Index* (“VIX”),¹⁰ indicated that investors remained relatively confident that the equity market would remain stable.

- During the first quarter of 2014, the VIX ranged from 12.1 to 21.4. The VIX closed at 13.9 on the last day of the first quarter. The average in the first quarter was 14.8, which was slightly higher than the fourth quarter 2013 average of 14.2.
- 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:¹¹ Private equity funds in the U.S. remained positive through the end of 2013, marking the sixth consecutive quarter of positive returns.

U.S. Private Equity Index Returns

Index	Q4 2013	1-year	3-year	5-year
U.S. Private Equity	6.7%	20.6%	14.9%	15.8%

- The *Cambridge Associates U.S. Private Equity Index* (“PE Index”) returned 6.7% in the quarter ending December 31, 2013. The quarterly PE Index landed in-line with the S&P 500 in the second and third quarters of 2013, but fell slightly behind in the last quarter of the year. The PE Index 1-year returned 20.6% in 2013 and trailed the *S&P 500’s* 2013 return of 32.4%.

Hedge Fund Performance:¹² As measured by the *Credit Suisse/Standard & Poor’s Capital IQ* (“S&P”) *Dow Jones Hedge Fund Index* (the “DJCS Index”), seven of the ten sub-strategies of the index recorded negative returns for the month of March 2014, resulting in a -0.5% return for the broad hedge fund index.

- The only strategies that reported positive earnings were convertible arbitrage, dedicated short bias, and fixed income arbitrage. In December 2013, the only sub-strategy to record a negative return was dedicated short bias.

¹⁰ 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.

¹¹ Cambridge Associates LLC, *U.S. Private Equity Index and Selected Benchmark Statistics for Quarter Ending December 31, 2013*. Latest available publication as of the Valuation Date.

¹² *S&P Dow Jones Credit Suisse Hedge Fund Index*, March 2014.

Middle Market M&A Activity:¹³ Middle market merger and acquisition activity accelerated throughout 2013 with volume increasing 19.0% in the fourth quarter of 2013. This activity was fueled by the abundance of capital available in the debt markets and historically low interest rates. Leverage multiples increased to their highest level since 2007. The increased leverage available was enabling financial buyers to compete more aggressively for assets, ultimately driving up purchase price valuations.

- Middle market transaction volume increased by 19.0% in the fourth quarter of 2013. The transaction environment was expected to remain favorable heading into 2014 with historically low interest rates and ample cash reserves from strategic and financial investors.
- Middle market transaction multiples increased from 7.4x in the third quarter to 7.6x in the fourth quarter.
- GF Data reported that the middle market average equity contribution for transactions with enterprise values below \$50 million was 45.6% for the fourth quarter of 2013, up from 41.2% through year-end 2012.
- The debt multiple (total debt-to-EBITDA) in middle market transactions with enterprise values below \$50 million averaged 4.8x in the fourth quarter of 2013, down from 5.4x in the third quarter. These, and other M&A summary statistics, can be found in the table below. The purchase multiple is calculated based on transactions between \$10 and \$250 million, while the debt multiple and equity contribution are based on transactions with EBITDA below \$50 million.

Summary M&A Statistics

Year/ Quarter	Purchase Multiple	Debt Multiple	Equity Contribution
2009	5.8x	3.3x	45.6%
2010	7.2x	4.2x	44.8%
2011	7.5x	4.3x	40.7%
2012	7.2x	4.5x	41.2%
Q4 2013	7.6x	4.8x	45.6%

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¹³ Quarton Partners (“Qarton”), *Middle Market Transaction Update*, First Quarter 2014.

Flow of Capital: An analysis of fund flows information indicated that bond funds reported net outflows over the last seven 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.

Flow of Capital (in billions of USD)¹⁴

Year/Quarter	Mutual Funds		
	Equity	Hybrid	Bond
2009	\$(9)	\$23	\$376
2010	\$(37)	\$23	\$241
2011	\$(98)	\$84	\$239
2012	\$(154)	\$46	\$303
1Q 2013	\$66	\$25	\$69
2Q 2013	\$10	\$20	\$(36)
3Q 2013	\$32	\$17	\$(58)
4Q 2013	\$43	\$15	\$(59)
1Q 2014	\$54	\$16	\$18

IPOs:¹⁵ Following a very active 2013, the global IPO market continued its fast pace in the first quarter of 2014. North American first quarter 2014 proceeds were \$34.1 billion, up 76.7% year-over-year. IPO proceeds in the first quarter were led by the Asia Pacific and Europe regions, which accounted for 41.0% and 35.0% of quarterly proceeds, respectively.

- Global IPO proceeds were \$34.1 billion in the first quarter of 2014, a 76.7% increase year-over-year.
- IPO returns were exceptionally strong for the quarter, averaging 19.5% globally. Returns were led by Asia Pacific and North America, where IPOs rose 23.9% on average.

Summary of Global IPO Data

	2010	2011	2012	2013	1Q 2014
Number of Deals	479	339	203	303	81
Total Proceeds (B)	\$234.4	\$137.9	\$99.6	\$137.8	\$34.1
Median Size (MM)	\$205.1	\$209.7	\$215.3	\$256.9	\$221

¹⁴ <http://www.ici.org/research/stats/>.

¹⁵ Renaissance Capital, LLC, *Global IPO 1Q 2014 Quarterly Review*.

Secondary Market Activity: For private funds, secondary transaction activity was a tale of two halves in 2013. The first half of 2013 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. However, the second half of 2013 was active as sellers decided to seize secondary market prices that exceeded 2007 pre-crisis levels. According to NYPPEX,¹⁶ secondary interest transaction volume declined approximately 7.2% overall in 2013, to \$24.5 billion. Buyout funds were estimated to account for 46.0% of the secondary volume in private funds worldwide for the year, followed by real estate funds at 16.0% and funds of funds at 9.0%. For private funds, secondary median bid prices increased approximately 9.1% to 76.3% of net asset value. 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.

Sellers of large fund portfolios increasingly sought price executions at or near par in 2013 in an effort to minimize the recognition of losses on sales. This trend resulted in more structured transactions, such as deferred payments and distribution preferences, to provide secondary buyers with an opportunity to generate attractive returns. NYPPEX projected that in addition to more innovative structured transactions being utilized in 2014, sellers of large portfolios would increasingly consider derivative instruments, particularly when the seller's objective is to remove specific risk.

For 2014, NYPPEX projected that secondary transaction volume in private companies worldwide would increase approximately 56.0% as private equity firms exit and institutions increase target allocations to secondary direct investments in search of higher returns. Secondary high bids were forecast to decline approximately 4.0% and secondary median bids were anticipated to fall 9.0%, driven by an increase in supply from banks and insurance companies with tail end funds and small client funds. In addition, investors were expected to become more selective if net asset values decline and net cash distributions become negative.

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¹⁶ NYPPEX Holdings, LLC's ("NYPPEX") 2014 Secondary Market Valuation Trends and Outlook for Private Funds & Companies Worldwide, March 2014.

The following table includes median secondary bids, by sectors, on a year-over-year basis.

Median Secondary Bids by Sector

Sector	12/31/2010 (% of NAV)	12/31/2011 (% of NAV)	12/31/2012 (% of NAV)	12/31/2013 (% of NAV)	% Change
Buyout	83.7%	83.4%	87.3%	90.8%	+4.1%
Venture	75.1%	65.6%	69.2%	72.6%	+5.0%
Fund of Funds	56.4%	61.0%	60.6%	72.2%	+19.1%
Real Estate	52.4%	62.1%	65.2%	72.5%	+11.2%
Distressed Debt	69.6%	66.8%	76.0%	81.4%	+7.2%
Natural Resources	55.6%	69.9%	80.8%	86.5%	+7.0%
Hedge Funds	90.1%	77.4%	80.6%	83.2%	+3.2%
All Fund Sectors	69.0%	69.5%	73.1%	76.3%	+9.1%

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

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)
2013	+1.66%	17.7	43.1	60.8
2012	+3.92%	16.0	32.9	48.8
2011	+3.33%	17.2	26.3	41.0

In response to the 2008 financial crisis, new regulations were introduced to establish higher standards for risk and operations management, capital adequacy, and asset valuation in 2013. These regulations included Basel III, Solvency II, the Volcker Rule, the U.K. Alternative Investment Fund Managers Directive (“AIFMD”), and were expected to have a significant impact on investors, alternative investment fund managers, and their respective auditors and legal advisors. NYPPEX anticipated that banks in Europe, North America and Asia would be forced to reduce their holdings in private equity assets in order to increase Tier I Capital ratios and to increase capital solvency ratios. In addition, the Volcker Rule was also expected to force banks to sell or spinoff private equity funds and hedge fund in an effort to emphasize traditional banking services. Finally, NYPPEX believed that AIFMD would significantly increase operating expenses for general partners, which in turn, was projected to cause divestitures of tail end funds and fund restructuring.

C. Private Equity Industry Outlook

This first quarter 2014 private equity (“PE”) industry outlook contains an analysis of the following: (1) an overview of the industry; (2) recent performance trends; (3) asset flows; and (4) secondary market activity. 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 third quarter. Cambridge’s *Private Equity Index* (the “PE Index”), which is presented in the following table, provides market returns as of December 31, 2013 (latest available as of the Valuation Date),¹⁷ together with comparisons of select indices.¹⁸

Market Returns as of December 31, 2013

Index	Q4 2013	1-Year	3-Year	5-Year
<i>U.S. Private Equity Index</i>	6.7%	20.6%	14.9%	15.8%
<i>Barclay’s Capital Gov’t/Credit Bond Index</i>	-0.03%	-2.4%	3.6%	4.4%
<i>Dow Jones Industrial Average</i>	10.2%	29.7%	15.7%	16.7%
<i>Dow Jones U.S. Small Cap Index</i>	8.6%	34.7%	15.9%	22.3%
<i>Dow Jones U.S. TopCap Index</i>	10.2%	32.9%	16.2%	18.4%
<i>Nasdaq Composite</i>	10.7%	38.3%	16.3%	21.5%
<i>Russell 1000</i>	10.2%	33.1%	16.3%	18.6%
<i>Russell 2000</i>	8.7%	38.8%	15.7%	20.1%
<i>S&P 500</i>	10.5%	32.4%	16.2%	17.9%
<i>Wilshire 500</i>	10.1%	33.1%	16.0%	18.6%

The PE Index returned 6.7% in the quarter ending December 31, 2013, a moderate increase from the 5.1% return in the previous quarter. The quarterly PE Index landed in-line with the S&P 500 in the second and third quarter of 2013, but fell slightly behind in the last quarter of the year. The PE Index 1-year return was 20.6% and trailed the S&P 500’s annual return of 32.4% as of the fourth quarter.

¹⁷ 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.

¹⁸ Cambridge Associates, LLC *U.S. Private Equity Index and Selected Benchmark Statistics: December 31, 2013*.

The following table presents annualized, one-year return data for funds with vintage years 2001 through 2012.

Private Equity Returns¹⁹ 2001 to 2012

Vintage Year	Mean Net to LPs	Median Net to LPs	Number of Funds
2001	23.3%	20.9%	27
2002	16.0%	16.8%	35
2003	14.5%	11.0%	37
2004	11.4%	10.2%	67
2005	8.8%	9.4%	93
2006	11.2%	11.0%	81
2007	12.4%	11.2%	96
2008	17.8%	14.5%	70
2009	18.5%	14.6%	35
2010	17.2%	14.0%	30
2011	10.4%	8.2%	55
2012	-15.9%	-2.4%	37

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, and also includes the tepid and moderate recovery through 2012. The high 1-year was a result of the strong pickup in the recovery through 2013. Returns include all vintage years reporting data for the applicable measurement period.

Private Equity Multi Year Returns²⁰

Duration (years)	Returns
1	20.6%
3	14.9%
5	15.8%
10	14.0%
15	12.1%
20	13.6%
25	13.6%

A Pepperdine University (“Pepperdine”) survey²¹ analyzed, among other items: (1) minimum return thresholds required to qualify for capital in various market segments; (2)

¹⁹ Returns are net of fees, expenses, and carried interests.

²⁰ Pooled end-to-end returns, net of fees, expenses, and carried interest based on 1,054 funds formed between 1986 and 2011.

²¹ Paglia, Dr. John K. *Private Capital Markets Project 2014 Capital Markets Report*, 4Q 2013.

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.

Pepperdine Required Rates of Return

Market Segment	Median Required Rate of Returns
Banks, \$1M Loan	5.5%
Banks, \$50M Loan	3.5%
Asset-Backed Lenders, \$1M Loan	8.3%
Asset-Backed Lenders, \$50M	6.1%
Mezzanine Funds, EBITDA of \$1M	21.0%
Mezzanine Funds, EBITDA of \$25M	11.2%
Private Equity Groups, EBITDA of \$1M	28.3%
Private Equity Groups, EBITDA of \$50M	19.7%
Venture Capital Firms, Startup	28.0%
Venture Capital Firms, Later Stage	22.5%

Asset Flow:²² According to *PitchBook Data, Inc.* (“PitchBook”), private equity deal making in the U.S. dropped slightly in the first quarter of 2014, falling from 633 closed deals and \$151 billion in capital invested for the fourth quarter of 2013 to 589 transactions and \$108 billion invested. However, these levels remained in line with quarterly deal flow totals from the previous three years. Despite a difficult deal-sourcing environment as purchase price multiples climbed, deal making was strong. Indicators that PE deal making should continue to remain strong in 2014 included the high level of dry powder and continued strength on the fundraising front. Private equity investors increasingly shifted their attention towards smaller investments, particularly add-ons. In fact, add-ons accounted for 59.0% of all buyouts in the first quarter, reaching an all-time high and accounted for 42.0% of all overall deal activity. This was a significant climb from the 35.0% measured in 2013.

Purchase price multiples reached a median low of 7.7x in 2009 and slowly rebounded through 2012 before quickly accelerating to 10.0x in 2013. The trend toward higher multiples continued in the first quarter of 2014 significantly, jumping to 11.6x. The median debt-to-EBITDA multiple jumped to 6.8x in the first quarter, another decade high and a pronounced increase over the 6.5x recorded in 2013. The median debt-to-EBITDA multiples in 2013 and the first quarter of 2014 easily eclipsed the 5.7x average from the boom years of 2006 to 2008. However, firms used significantly less leverage in the first quarter than they did in 2013. Debt as a percentage of deal size decreased to 58.0%, its first dip below the 60.0% mark since 2011, most likely attributable to the push toward smaller transactions.

²² Pitchbook Data, Inc., *2Q 2014 U.S. Private Equity Breakdown Report*, April 9, 2014.

Over the last few years there has been a clear trend toward smaller transactions for PE investors. This was a result of the significant increase in add-ons and minority deals, which together represented 66.0% of overall deal activity in the first quarter, continuing an upward trend over the combined 61.0% in 2013 and 57.0% in 2012. Transactions of less than \$500 million accounted for 55.0% of all capital invested in the first quarter and deals under the \$1 billion mark accounted for 89.0% of all invested capital. The percentage of deals under \$25 million remained fairly steady over the years. From 2006 to 2008, sub-\$25 million deals consistently accounted for approximately 35.0% to 38.0% of all deal activity. Post 2009, that percentage has hovered in the low 4.0% range.

D. Fine Art Outlook²³

According to BAA, the worldwide auction art market continued to respond to global economic uncertainty with an incline of 1.3% in the *MEI Moses World All Art Index* ("M&M Index"), at year-end 2013. The index significantly underperformed the almost 35% gain in equities. Additionally, the average ten year Compound Annual Return ("CAR") for art was 7.0% while the S&P 500 index was slightly higher at 8.5%. The almost 50% gain the S&P 500 TR over the last two years compared to the flat performance of the M&M Index for the same period has caused these CAR differentials to rise dramatically to levels not seen for many years.

All the world collecting category indexes showed a weakening position in art versus equities through the year. The returns of the individual items that made up each of the indexes showed similar results. Knowing the purchase and sale price for each of the 3745 objects added to the Fine Art database for 2013 allows for the computation of the CAR for each object as well as the average of those individual object returns. This resulted in a below average CAR of 6.4%. Equal sums invested in the S&P 500 TR index for the same holding period as the art objects yielded an average CAR of 8.4%. This was not surprising since the equity indexes were at an all-time high.

Many investors and collectors were interested in wealth preservation rather than only equity returns as a comparable measure for their allocation to art in their wealth portfolio. Thus, as with equities, it was possible to compute the change in the consumer price index for equal holding periods as each art object in our database. Then a comparison can be made of the average results to see which performed better. In January 2014 when mostly old masters were for sale, there were seven items that had been held for over 225 years and produced an average CAR of 3.5% while the change in the US CPI for these periods was about 2%. There were 79 works with auction intervals between 30 and 146 years and their average CAR was 6.12%. This was more than twice the CPI value for equivalent holding periods but only 60% of the returns achievable by investing equal sums in the S&P 500 Index.

²³ Sources for this outlook include: (1) Beautiful Asset Advisors, LLC's ("BAA") *Insights on Art Market Financial Performance in 2013*, February 2014; and (2) BAA's *Insights on Art Market Financial Performance through May 2014*, June 7, 2014.

Knowing the purchase and sale price for each of the 690 objects added to the Mei Moses database in May 2014, the compound annual return for each object and the average of those individual object returns was computed. The result is an average CAR of 7.6% which is almost 10% above the average CAR of the entire 40,000 repeat sale pair database. The average CAR of equal sums invested in the S&P 500 TR index for the same holding period as the May 2014 art objects was 9.1%.

The analysis of the financial returns available in the art market clearly showed that there were periods of time when the M&M Index outperformed total return equity indexes. On a total return and a risk adjusted return basis this was especially true over the last ten and 20 years. However equities clearly outperformed the M&M Index from both performance perspectives over the last 40 years. The performance of the M&M Index, from a returns and risk per unit of return perspective, was close to the equity index over the last 60 years.

Valuation Overview

The purpose of the valuation section is to incorporate the information considered and/or presented previously into a quantitative representation, thus assigning a value to the ownership privileges of the closely-held entity. The valuation methodology reflects the analyst's expectation of how free and open capital markets would assign value to the economic activities of the business asset under analysis.

A. General Valuation Methods

Generally, there are three commonly used approaches to determine the value of a company. These three approaches are the Income, Market and Asset (or 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.

The **Income Approach** uses valuation techniques to estimate value based on an expected stream of benefits, such as earnings or cash flow. Two common methods under this approach are the capitalization of benefits method, which is based on adjusted historical results, and the discounted future benefits method. In the capitalization of benefits method, a representative benefit level is divided by an appropriate capitalization factor to convert the benefit to a value.²⁴ In the discounted future benefits method, benefits are estimated for each of several future periods. These benefits are converted to value by applying an appropriate discount rate and using present value calculations.

For LDB, as an investment holding company, an asset based approach was considered more appropriate. However, an income approach was used to estimate the value of LDB's indirect interest in Phaidon Limited. For more details, please refer to the Phaidon Limited Report.

²⁴ This is the inverse of applying valuation multiples in a market approach.

The **Market Approach** uses prices and other relevant information generated by market transactions involving guideline companies. For example, valuation techniques consistent with the market approach often use market multiples derived from a set of guideline companies. Multiples might lie in ranges with a different multiple for each guideline company. The selection of where within the range the appropriate multiple falls requires judgment, considering factors specific to the measurement (qualitative and quantitative).

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 an asset based approach, described below, to derive the fair market value of the Interest.

The **Asset (or Cost) Approach** determines the value of a business based on the value of its assets net of liabilities. Typically the asset-based approach should be considered in valuations conducted at the enterprise level or involving:

- When valuing an investment or real estate holding company; or
- When the market value of an entity’s net assets materially exceeds the value derived under the income or market approaches.

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 Company or its assets. Therefore, an asset accumulation approach (“AAM”) was used to determine the minority value of the Interest.

B. Outline of Valuation Process

As previously mentioned, the AAM was used to value the Interest. First, the adjusted book value of LDB's assets (except cash and receivables) was calculated. The summary of which is presented in Exhibit D.

The assets were placed in four groups: (1) capital appreciation securities; (2) fixed-term funds; (3) restricted investments; and (4) miscellaneous interests. Details for each are outlined below.

The first group consisted of capital appreciation securities held in a brokerage account. The most recent statement for the brokerage account was used to identify the adjusted book value ("ABV") of the capital appreciation securities.

The second group consisted of interests in fixed-term funds,²⁵ 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 LDB's ABV. This analysis is presented in Exhibits E-1 through E-3.

The third group consisted of LDB's interests in restricted investments. These investments were either investments in fixed-term funds or direct investments in illiquid assets. The fixed-term funds in this group have reached their maturity and the only assets held by each fund are side-pocket investments. Liquidation of the side-pocket investments and distribution of those proceeds was not expected in the near future and an expected date was not known as of the Valuation Date. The direct investments consist of minority positions in holding companies that hold investments in private operating companies. Information available to LDB on the operations is limited to an annual Schedule K-1. In addition, liquidation of each holding company's respective underlying operating company was not expected in the near future and an expected date was not known as of the Valuation Date. Based on these factors, each of these investments was considered a restricted investment. A restriction period discount was applied to each restricted investment. Application of this adjustment resulted in a cash equivalent value (i.e. fair market value) that was included in the derivation of LDB's ABV.

The fourth group consisted of the interest in the Fine Art and the investment in PLB. As previously mentioned, the Fine Art consisted of collector quality art. According to the Fine Art Appraisal, the fair market value of the Fine Art held by LDB was \$74,750,000 as of June 23, 2014. In addition, the Valuation Agreement for the Fine Art Appraisal stated that Sotheby's Inc. did not consider the applicability of a blockage discount for the Fine Art. Therefore, the value concluded by the Fine Art Appraisal was included in the derivation of LDB's ABV. PLB is a holding company that has a 99.9% non-managing membership interest in Phaidon Global. Phaidon Global holds interests in Regan and Phaidon. Through the JMWT Entities, Phaidon holds a 100% interest in Phaidon Limited. Using the AAM, the ABV of LDB's interest in PLB (and its underlying assets) was estimated. The Phaidon

²⁵ FCI, QCP, QACP, QOCP, Searchlight, and Searchlight AIV.

Limited Report was used to estimate the value of PLB's interest (through a series of holding companies) in Phaidon Limited. This analysis is presented in Exhibits H-1 through H-8.

Once LDB's adjusted book value was estimated, the pro rata ABV associated with the Interest was calculated. Next, a discount for lack of control and lack of marketability were applied sequentially (i.e. multiplicatively) to estimate the fair market value of the Interest.

Valuation of LDB's Assets and Liabilities

A. 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 Company'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;²⁶ (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.

²⁶ 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.

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 8.8% to a discount of 38.5%, with mean and median observed discounts of 11.8% and 10.3% for the sample. Note that discounts for equity focused funds had discounts between 20.7% and 38.5%. The capital appreciation sample had implied discounts that ranged between 1.9% and 19.1%, with mean and median implied discounts of 11.7% and 11.2% respectively. Note that the CEICs in the capital appreciation sample invested in publicly traded equity securities. See Exhibits F-1 and F-2.
- **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 23.7%.

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.

FCI: In selecting the restriction period discount applicable to FCI, it was considered that: (1) FCI's term does not have a specific expiration date and that a term of 10-years, or longer, was considered reasonable; (2) FCI expected to generate returns through capital appreciation; (3) the Company had contributed 50% of its capital commitment; (4) further capital contributions were expected in the future to fund insurance premiums; (5) since

inception, FCI had distributed \$8,474,291, which represented 67.4% of contributed capital; and (6) the investment in FCI exhibited a net multiple of contributed capital of 2.1 times; See Exhibits E-1 and E-2.

Taking these and other factors into consideration, including the provisions of FCI's governing documents and relevant market data available at the Valuation Date, an estimated restriction period discount of 30% was considered reasonable for this interest. Applying a 30% restriction period discount to the capital account balance of \$18,490,092 resulted in a fair market value of \$12,940,000, rounded, for the Company's interest in FCI as of the Valuation Date. See Exhibit E-3.

Quadrangle Entities: In selecting the restriction period discount applicable to the Quadrangle Entities, it was considered that: (1) the Quadrangle Entities' initial term has expired and has been extended beyond the extensions permitted by the QCP agreement; (2) QCP's LP's delegated their authority to the LP Advisory Committee to consider extending the fund for an additional year through May 23, 2015; (3) the Quadrangle Entities expected to generate returns through capital appreciation; (4) the Company had contributed 99% of its capital commitment; (5) since inception, the Quadrangle Entities had distributed \$1.9 million, which represented 155.4% of contributed capital; (6) the investment in the Quadrangle Entities exhibited a net multiple of contributed capital of 2.2 times; and (7) QCP's limited partners paid a 1.75% management fee and 20% carried interest fee and received an 8% preferred return. See Exhibits E-1 and E-2.

Taking these and other factors into consideration, including the provisions of QCP's governing documents and relevant market data available at the Valuation Date, an estimated restriction period discount of 25% was considered reasonable for these interests. Applying a 25% restriction period discount to the capital account balances of \$278,289, \$125,977, and \$409,182, for QCP, QACP, and QOCP, respectively, resulted in fair market values of \$210,000, \$90,000, and \$310,000, each rounded, for the Company's interests in QCP, QACP, and QOCP, respectively, as of the Valuation Date. See Exhibit E-3.

Searchlight: In selecting the restriction period discount applicable to Searchlight and Searchlight AIV, it was considered that: (1) Searchlight's initial term expires on March 20, 2022; (2) Searchlight's term can be extended up to two years; (3) Searchlight expected to generate returns through capital appreciation; (4) the Company had contributed 41% of its capital commitment in Searchlight and Searchlight AIV; (5) since inception, Searchlight and Searchlight AIV had not paid any cash distributions to its partners; (6) the investment in Searchlight exhibited a net multiple of contributed capital of 1.1 times and the investment in Searchlight AIV exhibited a net multiple of contributed capital of 1.3 times; and (7) Searchlight and Searchlight AIV's limited partners paid a 20% carried interest fee and received an 8% preferred return. See Exhibits E-1 and E-2.

Taking these and other factors into consideration, including the provisions of Searchlight and Searchlight AIV's governing documents and relevant market data available at the Valuation Date, an estimated restriction period discount of 35% was considered reasonable

for these interests. Applying a 35% restriction period discount to the capital account balances of \$776,558 and \$168,712, for Searchlight and Searchlight AIV, respectively, resulted in fair market values of \$500,000 and \$110,000, each rounded, for the Company's interests in Searchlight and Searchlight AIV, respectively, as of the Valuation Date. See Exhibit E-3.

Summary: The following table summarizes the previously discussed factors related to the fixed-term investments.

Selected Restriction Period Discounts

Entity	Remaining Term (yrs.)	Capital Account	Selected Discount	Market Value, rounded
FCI	N/A	\$18,490,092	30%	\$12,940,000
QCP	2.00	\$278,289	25%	\$210,000
QACP	2.00	\$125,977	25%	\$90,000
QOCP	2.00	\$409,182	25%	\$310,000
Seachlight	7.75	\$776,558	35%	\$500,000
Searchlight AIV	7.75	\$168,712	35%	\$110,000

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

B. Valuation of Restricted Investments

As previously discussed, LDB's had a number of restricted investments. These investments were either investments in fixed-term funds or direct investments in illiquid assets. The fixed-term funds in this group have reached their maturity and held only side-pocket investments. Liquidation of the side-pocket investments and distribution of those proceeds was not expected in the near future and an expected date was not known as of the Valuation Date. The direct investments consist of minority positions in holding companies that hold investments in private operating companies. These investments provided LDB with limited information and liquidation of each holding company's respective underlying operating company was not expected in the near future and an expected date was not known as of the Valuation Date. Based on these factors, each of these investments was considered a restricted investment. Based on restricted stock studies, a restriction period discount was applied to each restricted investment.

Restricted Stock Data: Restricted stock studies were sought for use in determining a 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.²⁷ TVA separated this data into quartiles, resulting in the statistics shown in the following table.

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.

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

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 2013 edition of the *FMV Restricted Stock Study*TM (the “2013 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 779 transactions in the 2013 Discount Study were filtered and sorted based on certain key variables, including volatility. The sorted data included 345 transactions, and was divided into quintiles. The lowest quintile of volatility data had historical stock price volatility ranging from 19.0% to 55.7%, with an average of 42.4%. Implied discounts associated with this quintile ranged from 0% to 84.6%. This quintile reflected a median discount of 13.1%, as compared to a discount of 20.0% for the 337 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. Therefore, it was considered reasonable to estimate a range of discounts applicable to investments with lock-up periods up to two years. This is shown in the following table.

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 Restricted Investment Analysis: Application of a selected restriction period discount to each restricted investment resulted in their respective market values, which were then included in the derivation of the Company's ABV. Given: (1) that the fixed-term restricted investments were beyond their contractual term and held only side-pocket investments; (2) the direct restricted investments provided limited financial information and liquidation of each holding company's respective underlying operating company was not expected in the near future; and (3) an expected date for liquidation of the side-pocket investments (fixed-term investments) and operating companies (direct restricted investments) was not known as of the Valuation Date, a restriction period discount of 30% was considered reasonable to apply to the capital account balance for each of the restricted investments. The following table summarizes the estimated cash equivalent value of the restricted investments.

Selected Restriction Period Discounts – Capital Market Funds

Entity	Capital Account	Restriction Period Discount	Market Value, rounded
AIF II	\$0	n/a	\$0
AP SHL	\$0	n/a	\$0
AP Tech	\$174,459	30%	\$122,100
AIF	\$225	30%	\$160
REIF	\$183,325	30%	\$128,300
REIF III	\$25,308	30%	\$17,700
REIF IV	\$735,778	30%	\$515,000
BHM	\$159,692	30%	\$111,800
Microbes	\$142,916	30%	\$100,000
PAM	\$0	n/a	\$0
Viropro	\$300,000	30%	\$210,000

C. Valuation of PLB

As previously mentioned, LDB held a 14.925% non-managing interest in PLB. In addition, PLB is a holding company whose primary asset is a 99.9% non-managing membership interest in Phaidon Global. Phaidon Global holds 100% interests in Regan and Phaidon and a 99.9% interest in Acquisition. Phaidon holds the remaining 0.1% interest in Acquisition. According to Management, Phaidon does not have any other assets and has no liabilities. Through Topco, Midco, and Bidco, a series of wholly-owned holding companies, Acquisition holds a 100% interest in Phaidon Limited.

This analysis began by using the balance sheets for the JMWT Entities, Phaidon, Regan, Phaidon Global, and PLB. In doing so, each asset and liability for each holding company was assessed to determine its estimated market value as of the Valuation Date. Please see Exhibits G-1 through G-8 for each entity's balance sheet as of the Valuation Date.

Using the ABV approach, the valuation of LDB's interest in PLB starts with calculating the ABV of Bidco, which holds a 100% interest in Phaidon Limited. The ABV for each of the wholly-owned holding companies is then calculated and then applied to each holding companies' respective parent. The following refers to Exhibit H-1 through H-8.

The ABV of Bidco is calculated to estimate the pro rata capital account balance of Midco's 100% interest in Bidco. As of the Valuation Date, Bidco's primary asset was its 100% interest in Phaidon Limited. Based on the Phaidon Limited Report, the book value of Bidco's investment in Phaidon Limited was adjusted to \$19,200,000.²⁸ No adjustments were made to Bidco's other assets and liabilities. Given this adjustment, Bidco's ABV can be stated at \$15,610,610 at the Valuation Date. Therefore, the pro rata ABV of Midco's interest in Bidco is estimated to be \$15,610,610, which is a fully controlling and fully marketable value. See Exhibit H-1.

The ABV of Midco is calculated to estimate the pro rata capital account balance of Topco's 100% interest in Midco. As of the Valuation Date, Midco's primary asset was its 100% interest in Bidco. Based on the pro rata ABV of Midco's interest in Bidco, the book value of Midco's investment in Bidco was adjusted to \$15,610,610. No adjustments were made to Midco's other assets and liabilities. Given this adjustment, Midco's ABV can be stated at negative \$7,748,233 at the Valuation Date. Therefore, the pro rata ABV of Topco's interest in Midco is estimated to be negative \$7,748,233, which is a fully controlling and fully marketable value. See Exhibit H-2.

The ABV of Topco is calculated to estimate the pro rata capital account balance of Acquisition's 100% interest in Topco. As of the Valuation Date, Topco's primary asset was its 100% interest in Midco. Based on the pro rata ABV of Topco's interest in Midco, the book value of Topco's investment in Midco was adjusted to negative \$7,748,233. No adjustments were made to Topco's other assets and liabilities. Given this adjustment, Topco's ABV can be stated at negative \$7,748,233 at the Valuation Date. Therefore, the pro rata ABV of Acquisition's interest in Topco is estimated to be negative \$7,748,233, which is a fully controlling and fully marketable value. See Exhibit H-3.

The ABV of Acquisition is calculated to estimate the pro rata capital account balance of Phaidon's 0.1% interest and Phaidon Global's 99.9% interest in Acquisition. As of the Valuation Date, Acquisition's primary asset was its 100% interest in Topco. Based on the pro rata ABV of Acquisition's interest in Topco, the book value of Acquisition's investment in Topco was adjusted to negative \$7,748,233. No adjustments were made to Acquisition's other assets and liabilities. Given this adjustment, Acquisition's ABV can be stated at \$15,610,609 at the Valuation Date. Therefore, the pro rata ABV of Phaidon's 0.1% interest in Acquisition is estimated to be \$19,200, which is a fully controlling and fully marketable value. The pro rata ABV of Phaidon Global's 99.9% interest in Acquisition is estimated to be \$19,180,800, which is a non-controlling and fully marketable value. See Exhibit H-4.

²⁸ Please refer to the Phaidon Limited Report for further details regarding the valuation of Phaidon Limited.

The ABV of Phaidon is calculated to estimate the pro rata capital account balance of Phaidon Global's 100% interest in Phaidon. As of the Valuation Date, Phaidon's primary asset was its 0.1% interest in Acquisition. Based on the pro rata ABV of Phaidon's interest in Acquisition, the book value of Phaidon's investment in Acquisition was adjusted to \$19,200. Phaidon had no other assets or liabilities. Given this adjustment, Phaidon's ABV can be stated at \$19,200 at the Valuation Date. Therefore, the pro rata ABV of Phaidon Global's interest in Phaidon is estimated to be \$19,200, which is a fully controlling and fully marketable value. See Exhibit H-5.

The ABV of Regan is calculated to estimate the pro rata capital account balance of Phaidon Global's 100% interest in Regan. As of the Valuation Date, Regan had limited operations and according to Management, the value of Regan was based on its assets less its liabilities. Based on conversations with Management, no adjustments were made to Regan's assets and liabilities. Therefore, Regan's ABV can be stated at \$303,880 at the Valuation Date and the pro rata ABV of Phaidon Global's interest in Regan is estimated to be \$303,880, which is a fully controlling and fully marketable value. See Exhibit H-6.

The ABV of Phaidon Global is calculated to estimate the pro rata capital account balance of PLB's 99.9% interest in Phaidon Global. As of the Valuation Date, Phaidon Global's primary assets were its 100% interests in Phaidon and Regan and 99.9% interest in Acquisition. Based on the pro rata ABV of Phaidon Global's interests in Phaidon, Regan and Acquisition, the book value of Phaidon Global's investments in Phaidon, Regan, and Acquisition were adjusted to \$19,200, \$303,880, and \$19,180,800, respectively. No adjustments were made to Phaidon Global's other assets and liabilities. Given these adjustments, Phaidon Global's ABV can be stated at \$17,917,900 at the Valuation Date. Therefore, the pro rata ABV of PLB's 99.9% interest in Phaidon Global is estimated to be \$17,899,982. While this is a non-controlling interest, a lack of control discount was not applied to PLB's interest in Phaidon Global. See Exhibit H-7.

Finally, the ABV of PLB is calculated to estimate the pro rata capital account balance of LDB's 14.925% interest in PLB. As of the Valuation Date, PLB's primary asset was its 99.9% interest in Phaidon Global. Based on the pro rata ABV of PLB's interest in Phaidon Global, the book value of PLB's investment in Phaidon Global was adjusted to \$17,899,982. No adjustments were made to PLB's other assets and liabilities. Given these adjustments, PLB's ABV can be stated at \$15,151,304 at the Valuation Date. Therefore, the pro rata ABV of LDB's 14.925% interest in PLB is estimated to be \$2,300,000, rounded. While this is a non-controlling interest, a lack of control discount was not applied to LDB's interest in PLB. See Exhibit H-8.

D. Valuation of Cash, Marketable Securities, Fine Art, and Receivables

No discounts were applied to the cash, marketable securities, Fine Art, and related party receivables held by LDB as of the Valuation Date. Therefore, the book value as presented on the Company's balance sheet was considered to accurately reflect each asset's ABV.

E. Liabilities

The Company's only liability as of the Valuation Date was distributions payable in the amount of \$14,329. No adjustment was made to the liability.

Valuation of LDB 2011 LLC

A. LDB's Adjusted Book Value

As discussed above, a willing buyer would typically assess the value of LDB'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 Company'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 Company'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 LDB and its inherent inability to realize the stated capital account balance value of its assets. Detailed analyses regarding the adjustments were discussed above.

- **Cash and Marketable Securities:** The Company had a J.P. Morgan brokerage account that had a cash balance of \$25.2 million and marketable securities. No adjustments were made to the cash and marketable securities account balances.
- **PE/Fixed-Term Entity Direct Interests:** The PE interests were direct investments in various 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.

PE/Fixed-Term Fund Interests

Entity	Capital Account Balance	Adjusted Book Value, rounded
FCI	\$18,490,092	\$12,940,000
QCP	\$278,289	\$210,000
QACP	\$125,977	\$90,000
QOCP	\$409,182	\$310,000
Searchlight	\$776,558	\$500,000
Searchlight AIV	\$168,712	\$110,000

- **Restricted Investments:** Based on the previously discussed analysis regarding this group of assets, a 30% restriction period discount was applied to each of the restricted investments. The following table presents the capital account balance and adjusted book value of each interest.

Restricted Investments

Entity	Capital Account Balance	Adjusted Book Value, rounded
AIF II	\$0	\$0
AP SHL	\$0	\$0
AP Tech	\$174,459	\$122,100
AIF	\$225	\$160
REIF	\$183,325	\$128,300
REIF III	\$25,308	\$17,700
REIF IV	\$735,778	\$515,000
BHM	\$159,692	\$111,800
Microbes	\$142,916	\$100,000
PAM	\$0	\$0
Viropro	\$300,000	\$210,000

- **Fine Art:** As of the Valuation Date, the Company held collector quality art. According to the Fine Art Appraisal, the fair market value of the Fine Art held by LDB was \$74,750,000 as of June 23, 2014. Therefore, an adjustment was made to the book value of the Fine Art to equate the adjusted book value to the value concluded in the Fine Art Appraisal.
- **PLB:** The adjusted book value for PLB was set to \$2.3 million based on LDB's pro rata capital account balance, through a series of holding companies, and the concluded value of Phaidon Limited as outlined in the Phaidon Limited Report.
- **Related Party Receivables:** No adjustments were made to LDB's related party receivables.
- **Liabilities:** The Company's only liability at the Valuation Date was a distribution payable in the amount of \$14,329.

Based on the estimated market value of LDB's assets and liabilities, the Company's ABV can be stated at \$132,032,702, or \$33,008,176 for a pro rata 25% limited partnership interest. See Exhibit D.

B. Investment Company Discount

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, two samples of CEIC's invested in Capital Appreciation securities and U.S. Government and Agency bonds and securities were reviewed. These samples were selected to reflect the fact that the assets held by LDB were similar to capital appreciation securities or were marked to cash equivalent values.

Closed-End Investment Company Benchmark: Discounts to NAV, or investment company discounts ("ICD"), 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).

While no CEICs were identified that ideally matched LDB's investment portfolio, there has been interest among investors to utilize fine art as an investment vehicle. One of the more prominent drivers of this movement began with a research paper published by Jianging Mei and Michael Moses ("M&M"), two professors at New York University's Stern School of Business. In this paper, M&M developed an index of repeat sales of artwork sold at major auction houses in the U.S. using pricing records obtained from the New York Public Library and the Watson Library at the Metropolitan Museum of Art. The universe of data, albeit limited, encompasses more than 5,000 pricing pairs occurring since 1953. Some paintings had multiple re-sales that occurred over many years. However, each re-sale pair was considered as its own unique data point. The M&M study resulted in the creation of the

M&M Index. For the period considered by the M&M index, starting in 1960, the annualized compound rate of return of the Index has been found to track closely with that of the S&P 500. Therefore, to derive an ICD for LDB's non-controlling interest on a fully marketable basis, a market approach was utilized whereby a reasonably comparable group of publicly traded CEICs was selected and the public pricing of these funds was used to determine an ICD appropriate for the Company's non-controlling interests.

To determine an ICD to apply, a sample of capital appreciation CEICs were chosen as proxies for the Fine Art and marketable securities. For the remaining assets, a sample of government bonds and securities CEICs were considered. We analyzed the following attributes of both the Company and the CEICs: (1) size; (2) portfolio diversification; (3) liquidity of underlying investments; (4) whether or not the portfolios are professionally managed; and (5) dividend yield. The relevant statistics are as follows. See Exhibits F-2 and F-3 for additional detail.

Closed-End Fund Samples

CEIC Sample	Discount from NAV		Dividend Yield	
	Median	Mean	Median	Mean
Capital Appreciation	11.2%	11.7%	1.0%	1.2%
Government Bonds and Securities	8.9%	8.7%	3.9%	3.6%

A weighted average of the selected ICD for each sample was calculated based on the relative weights of the Company's asset classes. The following table highlights the weighting factors used to determine a base ICD of 9.0%, rounded.

Weighted ICD Used to Discount Portfolio

Position	Percent of Portfolio	Selected ICD ²⁹	Weighted Average ICD
Cash	19.1%	5.0%	1.0%
Marketable Securities	3.8%	11.2%	0.4%
Fixed-term/PE Investments	10.7%	5.0%	0.5%
Restricted Investments	0.9%	5.0%	0.0%
Fine Art	56.7%	11.2%	6.3%
PLB	1.7%	5.0%	0.1%
Receivables	7.1%	5.0%	0.4%
Total, rounded	100.0%		9.0%

²⁹ The median discount from NAV for the capital appreciation sample was selected as the ICD for marketable securities and the Fine Art. The remaining assets are either cash or have been discounted to a cash equivalent basis. Based on the median discount from NAV for the government bonds and securities sample, 5% was considered a reasonable ICD for these assets.

Using a 9% ICD, the non-controlling fully marketable value of the Interest is reasonably stated at \$30,037,440. [$\$33,008,176 \times (1 - 0.09)$] See Exhibit D.

C. Discount for Lack of Marketability

1. Background

Since there is no public market in which the Interest can be sold, we applied a discount for lack of marketability (“DLOM”) to account for its illiquid nature. In selecting an appropriate DLOM, 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.

2. Restricted Stock Studies – Qualitative Assessment

As part of the qualitative analysis, we reviewed restricted stock studies covering transactions between 1966 and 2013. 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.³⁰ 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.

3. 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.

³⁰ 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.

According to the LDB Agreement, distributions shall be made to the members at the times and in the aggregate amounts determined in the sole discretion of the managers. As presented on Exhibit C, the Company has not historically made cash distributions in an amount that is greater than the members' pass-through tax liability. The distribution of notes in the amount of \$20.8 million in 2013 was considered by Management to be a non-recurring event. This combination of factors tends to increase the DLDM.

- **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.

According to the LDB Agreement, the books of the Company shall be open to the inspection and examination of all members and maintained based on generally accepted accounting principles, consistently applied. In addition, each member shall also be supplied with all information with respect to the Company required in connection with the preparation of such member's tax returns. However, financial information is not required to be audited or prepared by an external accountant. This combination of factors tends to be neutral with respect to the DLDM.

- **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 DLDM.

According to the LDB Agreement, no member or any assignee has the right to sell, assign, or otherwise transfer all or any part of interest without a bona fide written offer, notification to each member, and an offer to sell the interest to current members on the same terms as the written offer. In regards to withdrawals, no member may withdraw from the Company or reduce their capital account. This combination of factors tends to increase the DLDM.

- **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.

According to the LDB Agreement, term of the Company is perpetual unless dissolved upon the unanimous consent of the members. In addition, liquidation of LDB's assets and termination of the Company was not expected in the near-term. While the LDB Agreement did not provide for members to put their interest to the Company, at the request of a particular member, the managers may, but are not required to, redeem the withdrawing member's interest, by distributing assets to such withdrawing member. This combination of factors tends to increase the DLOM.

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

As of the Valuation Date, there were no historical transactions of interests in the Company. This combination of factors tends to be neutral with respect to the DLOM.

Based on the qualitative analysis above, as well as the range of discounts for lack of marketability from the studies in Addendum 4, we believe that a DLOM between 25% and 35% is appropriate for the subject interest.

4. Restricted Stock Study Data – Quantitative Assessment

In 2013, FMV Opinions updated *The FMV Restricted Stock Study*^{TM31} (referred to here as the “2013 Discount Study”), which contains 779 restricted stock transactions occurring from 1980 to 2013, 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 2013 Discount Study data is 18.6%, while the median discount is 14.6%.³² Several conclusions reached by the 2013 Discount Study are listed in Addendum 4.

The underlying data from the 2013 Discount Study can be used to estimate a DLOM for closely-held companies. The 2013 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;³³ and (2) a second quantitative

³¹ *Determining Discounts for Lack of Marketability: A Companion Guide to the FMV Restricted Stock Study*.TM FMV Opinions, Inc., 2013 (data used within study current through March 2013).

³² The reported overall discounts are based on the full data set of 779 transactions.

³³ 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 2013 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.

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.

5. Summary Findings from the 2013 Discount Study Data

Please see Addendum 4 for a description of how we analyzed the data, and the conclusions drawn, from the 2013 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.

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.

6. Quantitative Analysis Based on 2013 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.

Therefore, an adjustment based on the differential discounts between small and large blocks of restricted stock is appropriate to estimate a DLOM.

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.³⁴

The Company reported net operating income in 2013 and reported a net operating loss for the 6-months ended June 30, 2014. However, unrealized gains and losses comprised the vast majority of net operating income and losses. In addition, the Fine Art was approximately 56% of the Company's ABV as of the Valuation Date and was not considered an income producing asset.

As previously discussed, the Company has not historically made cash distributions in an amount that is greater than the members' pass-through tax liability. The distribution of notes in the amount of \$20.8 million in 2013 was considered by Management to be a non-recurring event.

- **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:** Volatility was estimated at 13.0% after an analysis of the volatilities of relevant samples.³⁵

Exhibit J-3 summarizes the calculation of the Restricted Stock Equivalent Discount. In deriving this discount, the results of the analysis of each metric were weighted as follows: (1) a 33⅓% weighting on the market value of equity metric; (2) a 33⅓% weighting on the equity volatility metric; and (3) a 33⅓% weighting on the dividend metric. Given the assets held by LDB at the Valuation Date, no weight was applied to the revenue, book value of equity, total assets, and profitability metrics.

As a result of this analysis, a reasonable Restricted Stock Equivalent Discount for LDB was estimated at 15.6%. Again, see Exhibits J-1 through J-3.

Private Company Discount Increment:³⁶ 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 1.27 times to 2.12 times the Restricted Stock Equivalent Discount was calculated. This calculation is based on a comparison of: (1) the median Restricted Stock Equivalent Discount of 20% for

³⁴ 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.

³⁵ The selected volatility was based on the weighted average volatility of the median volatility from the CEIC samples. See Exhibit I.

³⁶ See Addendum 4 for further detail regarding the Private Company Discount Increment.

all 345 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 15.6% for LDB indicates that a reasonable DLOM would range from 20% to 33%, rounded, with a mid-point of 26%.

7. Concluded Discount for Lack of Marketability / Fair Market Value

In addition to the range of discounts implied by the application of the Private Company Discount Increment described above (20% to 33%), the qualitative analysis described earlier was also considered, which indicated a range of lack of marketability discounts from 25% to 35%. Although dividend payments are considered directly in the derivation of the Restricted Stock Equivalent Discount, the magnitude of distributions was not specifically considered in that analysis and has been determined to be an important factor impacting marketability. As previously discussed, the Company has not historically made cash distributions in an amount that is greater than the members' pass-through tax liability.

After assessing all factors, we applied a 25% DLOM in valuing the Interest. Applying a 25% discount to the fully marketable value of \$30,037,440 results in a fair market value of \$23,000,000, rounded, for a 25% non-managing membership interest as of the Valuation Date. [$\$30,037,440 \times (1 - 25\%)$.] See Exhibit D.

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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 25% non-managing interest in LDB 2011 LLC is reasonably stated as \$23,000,000, as of June 30, 2014. It is our understanding that this valuation will be used by you in advising your client for estate planning purposes.

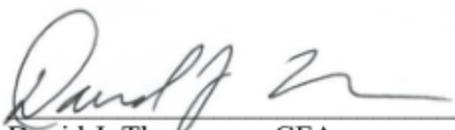
This appraisal is not intended for any other purpose nor for any other users and the sharing of the contents herein is not permitted without the express written consent of Empire Valuation Consultants, LLC. Empire has no obligation to update this appraisal for information that comes to our attention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

Respectfully submitted,

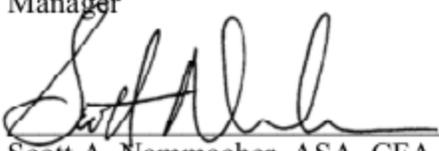
Empire Valuation Consultants, LLC



Jeffrey T. Schultz
Senior Valuation Associate



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.

Addendum 1-3

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

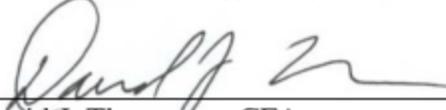
We the appraisers certify that, to the best of our knowledge and belief:

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 no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report 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.

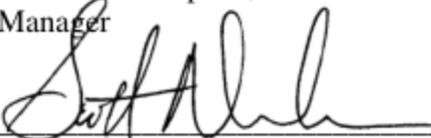
The American Society of Appraisers has a mandatory recertification program for all of its Accredited Senior Appraisers. The senior members signing below, designated by the "ASA," are in compliance with that program.



Jeffrey T. Schultz
Senior Valuation Associate



David J. Thompson, CFA
Manager



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Managing Director

August 11, 2015

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JEFFREY T. SCHULTZ

Academic Degrees

- M.B.A. University of Rochester, William E. Simon Graduate School of Business Administration, Finance, 2004
- B.S. Rochester Institute of Technology, College of Business, Manufacturing and Materials Management, 1996

Employment

Empire Valuation Consultants, Rochester, New York
Senior Valuation Associate, 2006 – Present.

Ontario and Trumansburg Telephone Cos., Phelps, NY
Customer Service and Sales Manager, 2004 – 2006.

Rochester Gas and Electric Corp., Rochester, NY
Subprocess Owner, 1980 – 2003.

Experience

Mr. Schultz joined Empire Valuation Consultants in 2006, bringing with him strong quantitative and financial analysis experience, as well as significant operational, managerial and consulting skills.

While at Rochester Gas and Electric, he was responsible for creating and providing testimony for gas and electric rate cases. Mr. Schultz' work also involved developing detailed analysis that highlighted the costs, projected savings, and net present value for numerous technology deployments.

Mr. Schultz is a former Board Member of the Wayne Central School District Board of Education. During his tenure, he acted as the Board's President, Vice President, and Chairperson for the District's Audit Committee.

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

Overview of Restricted Stock Studies¹

Study	Years Covered	# of Transactions	Mean Discount	Median Discount
Two-Year Holding Period (Pre-1990)				
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	146	35.5%	33.0%
Maher	1969-1973	33	35.4%	33.3%
Standard Research Consultants	1978-1982	28	N/A	45.0%
FMV Opinions, Inc. (2013) ²	1980-1989	58	23.2%	23.2%
Management Planning, Inc. (2011)	Pre-1990	79	30.5%	32.3%
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%
Two-Year Holding Period (Post-1990)				
FMV Opinions, Inc. (2013)	1990 – 3/31/97	141	23.5%	21.0%
Management Planning, Inc. (2011)	1990 – 4/30/97	110	25.1%	22.5%
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. (2013)	4/1/97-11/15/07	169	25.3%	21.1%
Management Planning, Inc. (2011)	5/1997 – 2/2008	164	20.8%	16.6%
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%
Management Planning, Inc.(2011)	2/2008 – 2009	49	5.9%	5.0%
FMV Opinions, Inc. (2013)	11/16/07-2013	27	17.8%	14.4%
Stout Risius Ross, Inc.	9/2005 to 5/2010	98	10.9%	9.3%

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

² The results of the FMV Opinions, Inc. studies for all holding periods exclude transactions which took place at implied premiums, as well as those which included registration rights.

Addendum 4-2

The restricted stock studies are divided into three primary groups: (1) studies ending before May 1997, when the required holding period under SEC³ 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.⁴ 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, 2007,⁵ 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:⁶ 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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³ Securities and Exchange Commission.

⁴ “SEC Votes to Adopt Three Rules to Improve Regulation of Smaller Businesses.” www.sec.gov/news/press/2007/2007-233.htm.

⁵ *Federal Register*, Vol. 72, No. 241., pg. 71551. December 17, 2007.

⁶ “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.

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:⁷ 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:⁸ 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%.

⁷ Gelman, Milton. "An Economist-Financial Analyst's Approach to Valuing Stock of a Closely Held Company," *Journal of Taxation*, June 1972, pp. 353-354.

⁸ Trout, Robert R. "Estimation of the Discount Associated with the Transfer of Restricted Securities," *Taxes*, June 1977, pp. 381-385.

Moroney Study:⁹ 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%. Although the years covered in this study are likely to be 1969-1972, no specific years were given in the published account.

Maher Study:¹⁰ 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:¹¹ 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:¹² 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:¹³ 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:¹⁴ 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.

⁹ Moroney, Robert E. “Most Courts Overvalue Closely Held Stocks,” *Taxes*, March 1973, pp. 144-154.

¹⁰ Maher, J. Michael. “Discounts for Lack of Marketability for Closely-Held Business Interests,” *Taxes*, September 1976, pp. 562-571.

¹¹ “Revenue Ruling 77-287 Revisited,” *SRC Quarterly Reports*, Spring 1983, pp. 1-3.

¹² Hertzel, M. and R. Smith (1993), “Market Discounts and Shareholder Gains for Placing Equity Privately,” *Journal of Finance*, 48, 459-485.

¹³ *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.

¹⁴ Silber, William L. “Discounts on Restricted Stock: The Impact of Illiquidity on Stock Prices,” *Financial Analysts Journal*, July-August 1991, pp. 60-64.

Addendum 4-5

Additionally, the study indicated that firms with higher revenues, earnings and market capitalizations are associated with lower discounts.

Bruce Johnson Study:¹⁵ 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:¹⁶ 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:¹⁷ 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.

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 ¹⁸	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;¹⁹ (2) debt ratio; (3)

¹⁵ “Restricted Stock Discounts: 1991-1995,” *Shannon Pratt’s Business Valuation Update* (March 1999): 1-5.

¹⁶ 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.

¹⁷ Harris, William. “Trugman Valuation Associates, Inc. (TVA) Restricted Stock Study,” *Business Valuation Review*, Volume 28, No. 3.

¹⁸ No transactions occurred between August 19, 2008 and December 31, 2008.

¹⁹ As measured by one year annualized historical daily price volatility.

Addendum 4-6

trading volume; (4) shares placed per average volume (i.e., block size); (5) share turnover;²⁰ (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 respect to a specific transaction, TVA assumed that the securities remained unregistered for the entire required holding period.²¹ TVA separated this data into quartiles, resulting in the statistics shown in the following table.

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²⁰ Average volume divided by total shares outstanding.

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

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.

MPI 2011 Study:²² In 2011, MPI updated its prior discount study by including additional private placement transactions from 2000 to September 2009 and performing additional analyses of the data. The number of included transactions expanded from approximately 220 in the original MPI Study covering the 1980 to 1999 period to 1,863 between 1980 and 2009. Note that MPI excluded companies whose closing price was less than \$1.00 as these stocks were deemed to be speculative.

The study's authors asserted that private placement discounts are a function of company-specific factors, transaction-specific factors, and contemporaneous market conditions. For each transaction, MPI collected the following information: (1) transaction data such as transaction date, transaction price, stock price prior to the transaction, registration status, block size, and holding period; (2) issuer-specific data such as market capitalization, stock volatility and operating and financial metrics; and (3) market data such as stock market indices and interest rates. Then each transaction was classified based on registration status, registered, unregistered, or agreement to register, both at the transaction date and at the expiration of the holding period.

Initial Findings: MPI's initial findings that registration status and historical time periods had a meaningful impact on the implied discount. Each is discussed below.

Registration Status: Of the 1,863 transactions in the study, 402 were unregistered, 203 were registered, and 1,258 either had registration rights or agreements to register at a later date or were subsequently registered. As shown in the table below, the unregistered shares had the highest average discount, shares with some registration rights or were later registered exhibited a somewhat lower average discount, and registered shares had the lowest discount.

²² Angrist, E., H. Curtiss, III and D. Kerrigan, "Regression Analysis and Discounts for Lack of Marketability," *Business Valuation Review*, Volume 30, Number 1, pp. 36-48.

Discounts by Registration Status

Status	Observations	Average Discount
Unregistered	402	22.1%
Registration Rights/Agreements or Later Registered	1,258	15.0%
Registered	203	8.7%
Total	1,863	15.9%

Time Period: Transactions in unregistered shares were divided into four distinct time periods that match the changes in holding period restrictions: (i) prior to 1990 (time period I); (ii) between 1990 and April 1997 (time period II); (iii) between May 1997 and February 2008 (time period III); and (iv) after February 2008 (time period IV). The discounts by time period are shown in the following table.

Discounts by Time Period

Time Period	Observations	Average Discount	Median Discount
Pre-1990	79	30.5%	32.3%
1990-4/1997	110	25.1%	22.5%
5/1997 – 2/2008	164	20.8%	16.6%
Post 2/2008	49	5.9%	5.0%
Total	402	22.1%	19.6

Regression Analysis & Conclusions: MPI performed a detailed regression analysis to measure the impact of a variety of factors, including: (1) registration status; (2) market conditions during the time period in which the transaction occurred, as measured by the 30-year Treasury yield and the S&P Twelve-Month Index; (3) the company's stock price volatility; (4) the company's market capitalization; (5) the volatility of the S&P; and (6) several company-specific factors, including price-to-book ratios, revenue, and prior year earnings. MPI had the observations listed below upon the completion of its study.

1. The changes in SEC Rule 144 holding periods have had a significant impact on private placement discounts, with sharp decreases in discounts as the holding period shortened.
2. Unregistered shares without the prospect of being registered in the near term resulted in large private placement discounts.
3. Private placement discounts were also affected by market conditions, as measured by yield on the 30-year Treasury (higher yields lead to lower discounts) and performance of the S&P 500 (stronger performance in the prior year leads to higher discounts).

Addendum 4-9

4. The relationship between market capitalization and private placement discounts has varied over the years. Prior to 1997 (during the two year holding periods), there was a significant relationship between size and private placement discounts. After 1997, size seems to have less of an impact.
5. Volatility in the company's stock price had a significant impact on the private placement discount, as higher volatility leads to larger discounts.
6. Lastly, revenue, earnings, stock market volatility and industry factors had little impact on the private placement discounts.

Stout Risius Ross, Inc. ("SRR") Restricted Stock Study:²³ In 2011, Stout Risius Ross, Inc. published *The SRR Restricted Stock Study* (the "*SRR Study*"). The SRR Study included restricted stock transactions that had announcement dates between September 2005 and May 2010. According to SRR, this study: (1) provided updated data and analysis to measure the impact of the reduction in Rule 144 holding period from twelve months to six months, which was enacted on February 15, 2008; (2) helped to quantify, since the data included the financial crisis of 2008, the way in which restricted stock discounts change during different market environments and in periods of heightened volatility; and (3) provided a more robust and comprehensive data set by including numerous ways to analyze factors such as size, growth, profitability, risk, and financial market conditions.

Screening Criteria: In order to minimize factors other than lack of marketability that could contribute to the restricted stock discount, SRR utilized the following screening criteria: (1) determination that the company was not a development-stage company; (2) establishment of a minimum \$1.00 stock price to remove the companies that were likely trading at a speculative price; (3) exclusion of financially distressed companies; (4) requirement of minimum six-month average daily trading volume greater than 10,000 shares in order to consider only actively traded companies; (5) removal of transactions between related parties; (6) exclusion of transactions involving financial institutions which may have issued restricted stock under duress in order to satisfy regulatory capital requirements; and (7) removal of transactions involving significant control attributes such as board seats.

Initial Findings: Based on the above criteria, 98 transactions involving companies in a variety of industries were selected. The price at which the transactions were consummated was then compared with the price one day prior to the transaction announcement date. Overall, these transactions exhibited average and median discounts of 10.9% and 9.3%, respectively.

Quantity of transactions over time: During market turmoil, companies often find it difficult to complete private placement transactions because there are fewer interested investors. During the financial crisis during the fourth quarter of 2008 and first quarter of 2009, there were no transactions that occurred that satisfied SRR's screening criteria.

²³ *The SRR Restricted Stock Study*. Stout Risius Ross, Inc., 2011.

Addendum 4-10

Discounts by industry: SRR noted that different industries exhibited varying discounts. For example, the 18 transactions involving manufacturing companies exhibited an average discount of 14.6% while the 10 transactions involving transportation, communication, and utilities companies exhibited an average discount of 7.9%.

Discounts prior to and after Rule 144 change: SRR noted that the 73 transactions prior to enactment of the Rule 144 change in 2008 had median and average discounts of 9.3% and 10.6%, while the 25 transactions after had median and average discounts of 11.1% and 11.5%. This is contrary to what one would expect when the holding period was shortened from one year to six months. Additional factors may explain this trend, as discussed below.

1. Transaction activity declined drastically during the financial crisis in 2008. As a result, the small sample size after the rule change makes it difficult to draw effective conclusions.
2. The volatility for the overall stock market and the companies in the study increased significantly after 2008. It is possible that the increased market volatility offset any decrease in the discount attributable to the shortened holding period.
3. The majority of transactions in the study included registration rights granted to the acquirer. The presence of registration rights mitigates any impact from the Rule 144 change as someone who has been granted registrations rights within six months would not be impacted by the change.

Statistical Analysis: In addition to the comparisons of discounts to industry and time period, SRR also performed two statistical analyses of the data. First, a linear regression was performed with the independent variable being company specific factors and the dependent variable being the restricted stock discount. Factors that were statistically significant at the 5% level were deemed to exhibit a “very strong” relationship. However, due to the nature of private placement transactions, few factors were significant at the 5% level. Therefore, a quartile analysis was also performed to determine if there were any apparent linear relationships for the remaining factors. Those factors that showed a consistently increasing trend (i.e., each subsequent quartile exhibited an equal or greater average discount than the prior quartile) were deemed to exhibit a “strong” relationship, those factors that showed a generally increasing trend (e.g., the third and fourth quartiles exhibited larger average discounts than the first and second quartiles) were deemed to exhibit a “moderate” relationship.

Very Strong Relationships: The following factors exhibited very strong relationships with the restricted stock discount.

1. *Volatility:* Investors were expected to demand larger discounts for companies with greater volatility. Volatility was determined to be significant at the 5% level and consistently increased from the first quartile to the fourth quartile, increasing from 6.3% to 16.6% as shown below.

Annualized Volatility

	1	2	3	4
Quartile Range	<36.7%	36.7% to 47.9%	47.9% to 68.9%	>68.9%
Average Discount	6.3%	8.7%	13.4%	16.6%
Median Discount	7.0%	8.5%	14.4%	16.1%

2. *Block size*: Larger blocks were expected to warrant a higher discount since it would take longer for an investor to liquidate them after the expiration of Rule 144 holding period. Block size (as measured by the shares placed as a percentage of shares outstanding) was determined to be significant at the 5% level and exhibited a very strong linear relationship as shown below.

Block Size

	1	2	3	4
Quartile Range	<6.6%	6.6% to 13.3%	13.3% to 19.3%	>19.3%
Average Discount	6.5%	10.6%	12.2%	14.2%
Median Discount	6.5%	9.1%	9.5%	12.4%

3. *Dividends*: Transactions involving dividend-paying companies were expected to feature lower discounts as consistent, meaningful dividends provide a current return and reduce the importance of an uncertain future liquidity event. The companies that paid a dividend traded at an average discount of 7.4% while discounts for non-dividend-paying companies were higher at 11.9%. The results were deemed to be significant at the 5% level and are summarized in the following table.

Dividends

	Dividends	No Dividends
# of Transactions	23	75
Average Dividend Yield	5.2%	0.0%
Average Discount	7.4%	11.9%
Median Discount	7.7%	10.1%

Strong Relationship: Companies with higher profitability were viewed as more stable and therefore investors were expected to require a smaller discount for these companies.

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LTM EBITDA Margin

	1	2	3	4
Quartile Range	>30.2%	11.9% to 30.2%	5.0% to 11.9%	<5.0%
Average Discount	9.0%	10.3%	11.9%	12.2%
Median Discount	7.5%	9.3%	9.9%	11.0%

Moderate Relationships: The following factors exhibited moderate relationships with the restricted stock discount.

1. *Growth:* Companies with higher growth were expected to exhibit lower discounts since investors are compensated for their longer holding period with growth during that time period. SRR reviewed 21 growth factors and nearly every growth factor exhibited a moderate relationship. The strongest relationship related to EBITDA growth over the last fiscal year (“LFY”) as shown below.

LFY EBITDA Growth

	1	2	3	4
Quartile Range	>88.4%	32.0% to 88.4%	2.2% to 32.0%	<2.2%
Average Discount	9.5%	10.0%	10.2%	11.9%
Median Discount	7.8%	10.1%	9.9%	10.6%

2. *Size:* Larger companies were expected to exhibit lower discounts since they are subject to less risk because they have established products and customers and greater liquidity. SRR considered various size metrics, including revenues, earnings, enterprise value, book value of equity, market capitalization, and total assets. The majority of these metrics resulted in a moderate relationship with the transaction discount.
3. *Leverage:* Companies with lower financial leverage were generally perceived as less risky and therefore were expected to exhibit lower discounts. SRR considered various leverage ratios, including interest coverage and debt/EBITDA. The majority of the leverage ratios predicted on interest coverage resulted in a moderate relationship, with the three-year average interest coverage ratio exhibiting the strongest relationship as shown below.

3-Year Average EBIT/Interest Expense

	1	2	3	4
Quartile Range	>13.2x	2.8x to 13.2x	0.7x to 2.8x	<0.7x
Average Discount	7.9%	11.8%	11.8%	12.2%
Median Discount	7.7%	13.3%	9.5%	9.2%

Conclusion: Overall, the transactions SRR analyzed exhibited average and median discounts of 10.9% and 9.3%, respectively, which were generally lower than restricted stock discounts from prior years when holding periods were longer. SRR also concluded that the Rule 144 change appeared to have had minimal impact on private placement discounts due to the registration rights attached to these transactions. Additionally, the global financial crisis resulted in a drastic decline in private placement transactions due to investors' flight to quality. Lastly, SRR concluded that the most reliable factors influencing the transaction discounts were volatility, block size, dividends, profitability, growth, and size.

Quantitative Analysis of FMV Database

A. FMV Restricted Stock Study

Overview: In 2013, FMV updated *The FMV Restricted Stock Study*^{TM 24} (the "2013 Discount Study"). At March 2013, the 2013 Discount Study contained data on 779 restricted stock transactions occurring from 1980 to 2013. The study provided data on approximately 50 variables for each transaction. FMV used multiple techniques to define the market reference price including: (1) the stated discount, if explicitly in the language describing the transaction; (2) the closing market price as of the date prior to the agreement date; or (3) the closing market price as of the day prior to either the announcement date or the closing date, whichever occurred first. For many transactions in the 2013 Discount Study, only the month of the transaction, rather than the exact transaction date, was specified. In those instances, FMV used the highest and lowest average stock price for the month of the transaction.

Analysis: In its analysis, FMV eliminated all transactions which occurred at a premium to the market price. It is assumed that these transactions had deal-specific characteristics that were available to a specific investor, and are not generally representative of the overall market for restricted stocks. When transactions involving premiums are excluded, the sample set declines to 715 transactions. This group of 715 transactions exhibited an average restricted stock discount of 21%, and a median restricted stock discount of 16.1%. A summary of transactions by time periods, which coincides with changes in the Rule 144 holding period, is presented in the following table.

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²⁴ *Determining Discounts for Lack of Marketability: A Companion Guide to The FMV Restricted Stock Study.*TM FMV Opinions, Inc., 2013 (data within study current through March 2013).

FMV Restricted Stock Study Transactions²⁵

Time Period	Observations	Median Discount
Pre-1990	65	23.7%
1990 - 3/31/97	178	21.1%
4/1/97 - 11/15/07	342	15.7%
11/16/07 - 2013	130	12.0%
Total	715	16.1%

Several conclusions reached by the 2013 Discount Study are listed below.

1. The median discounts varied slightly across industries. This conclusion is based upon an analysis of 715 underlying transactions by primary SIC grouping. However, FMV noted that differences between observed discounts were more the result of differing key financial data than from the SIC group itself. 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.
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 with 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 be higher for companies with lower market values of equity. The market capitalization is perceived as a measure of increased financial risk.
5. Observed discounts tend to be inversely related to profitability. No clear relationship was identified between the absolute dollar value of a firm profit and observed discounts. However, profitable firms (as measured by net profit margin) were observed to have lower discounts than firms which were not profitable.
6. Dividend-paying firms have lower observed discounts than non-dividend paying firms.
7. The 2013 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 MTB ratios increased. Additionally, firms with a market value below book value, or firms with a negative book value, were also considered more risky.

²⁵ Excluding transactions that transacted at a premium.

8. 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.
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 limits 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 transaction 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.

Registration Rights Analysis: FMV indicated that registration rights may be negotiated with the issuing company to provide for possible liquidity prior to the end of the required holding period. The presence of registration rights agreements tends to improve the liquidity of restricted stock. When the data in FMV’s study is adjusted to remove transactions including registration rights, the trend in the implied discounts tends to confirm this conclusion. This is presented in the table below.

FMV Restricted Stock Study Transactions²⁶

Time Period	Observations	Median Discount
Pre-1990	58	23.2%
1990 - 3/31/97	141	21.0%
4/1/97 - 11/15/07	169	21.1%
11/16/07 - 2013	27	14.4%
Total	395	20.2%

B. Empire’s Analysis of the 2013 Discount Study Data

Overview: The underlying data from the 2013 Discount Study can be used to estimate a discount for lack of marketability for closely-held companies. The 2013 Discount Study recommends using a multi-step process in which: (1) a quantitative analysis of the company-specific risk factors result 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”).

²⁶ Excluding transactions that transacted at a premium and those that included registration rights.

Empire analyzed the data set in the 2013 Discount Study as guidance in estimating discounts for lack of marketability for certain interests in 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 interests.

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.²⁷ We then estimated a range of Private Company Discount Increments based on the discount differential between small and large block restricted stock transactions.

Analysis: The 2013 Discount Study dataset included 779 transactions. Between the time when FMV published the 2013 Discount Study and when Empire analyzed the underlying data (September 2013), three additional transactions were added to database. As such, 782 transactions were considered in Empire's analysis. Again, the discounts observed in the study data are calculated from the difference between the price for the restricted shares and one of the following, depending on the level of pricing disclosure: (1) the stated discount, if explicitly stated in the language describing the transaction; (2) the closing market price as of the date prior to the agreement date; (3) the closing market price as of the day prior to either the announcement date or the closing date, whichever occurred first; or (4) the average of the highest and lowest market price of the company's shares for the month of the transaction if the specific transaction date was not disclosed.

Empire first reduced the sample to 717 transactions by removing 65 transactions which occurred at a premium. 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 320 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 397 transactions.

The remaining sample of 397 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

²⁷ Because of the relatively long periods generally required to liquidate larger blocks of restricted stock following the expiration of the initial restricted period, larger blocks of restricted stock in the 2013 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.

firm's outstanding stock following the transaction. There were 345 transactions involving blocks of less than 20%, and 52 transactions involving blocks greater than 20%.

Finally, the 345 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. While an MTB ratio below 1.0 times may indicate financial distress, high MTB ratios will not necessarily be caused by balance sheet risk. For example, a service business may have 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.

Conclusions: 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 91 companies with a net profit margin greater than 0%, the median discount was 14.5%. This compared to a median of 22.6% for the 229 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.

Block Size Analysis: In addition to the initial holding period requirements under Rule 144, restricted stock is subject to a “dribble out” provision 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.²⁸ Therefore, a 20% block could take up to five years after the expiration of the initial holding period to fully resell. Because of the relatively long periods generally required to liquidate larger blocks of restricted stocks following the expiration of the initial restriction period, larger blocks of restricted stock in the 2013 Discount Study data set tend to have illiquidity characteristics more similar to stock in privately-held companies (in blocks of any size), or which no market exists.

As described earlier, there were 52 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.

Block Size Comparative Analysis

	Observations	Median Discount
More than 40%	5	42.3%
More than 35%	6	40.4%
More than 30%	12	41.6%
More than 25%	23	38.5%
More than 20%	52	25.5%
20% or Less	345	20.0%

The median discount for blocks less than 20% was 20.0%, while median discounts for transactions involving larger blocks ranges from 25.5% to 42.3%. 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

²⁸ For OTCBB and Pink Sheets companies, only the 1% of outstanding metric applies.

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 2013 Discount Study

Based on Empire's analysis of the 2013 Discount Study data, we estimated a reasonable range of discounts for lack of marketability. In doing so, an estimated Restricted Stock 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.

COMPARATIVE INCOME STATEMENTS**LDB 2011 LLC****FOR THE YEARS ENDED DECEMBER 31,**

	HISTORY 2011	HISTORY 2012	HISTORY 2013	6-Months 6/30/2014
Ordinary Business Income	4,081,573	24,975,428	0	0
Dividend Income	40,394	114,633	102,029	60,075
Unrealized Gains and Losses	0	0	142,152,726	(11,045,316)
TOTAL REVENUES	4,121,967	25,090,061	142,254,755	(10,985,241)
Bank Charges	60	160	360	140
Legal and Accounting Fees	0	231,229	35,000	0
Insurance	0	0	21,038	0
Other	0	3,245	0	0
Total Operating Expenses	60	234,634	56,398	140
NET OPERATING INCOME	4,121,907	24,855,426	142,198,357	(10,985,381)
Interest Income	55,186	201,246	6,991	13,182
Interest Expense	(20,844)	(309)	0	0
Non-tax Return of Capital	0	533,910	0	0
Miscellaneous Receipts	3,602	216,059	116,947	0
Total Other Income (Expense)	37,944	950,906	123,938	13,182
PRE-TAX INCOME	4,159,852	25,806,333	142,322,295	(10,972,199)
Provision (Benefit) for Taxes	0	0	0	0
NET INCOME	4,159,852	25,806,333	142,322,295	(10,972,199)

COMPARATIVE BALANCE SHEETS
LDB 2011 LLC
FOR THE YEARS ENDED DECEMBER 31,

	HISTORY 2011	HISTORY 2012	HISTORY 2013	HISTORY 6/30/2014
ASSETS				
Checking and Savings	17,183,956	248,600	8,453,916	25,180,846
Total Current Assets	17,183,956	248,600	8,453,916	25,180,846
Receivables	0	11,318	9,366,566	9,378,176
Loans and Exchange	354,182	(367,608)	0	0
Equity Securities	1,889,108	7,850,756	4,077,601	5,068,941
Private Investments	119,957,227	151,294,436	284,071,674	255,360,634 (1)
Fine Art	57,894,282	57,894,282	72,750,000	72,750,000
Investment in PLB, LLC	0	0	9,909,828	9,909,283
Total Other Assets	180,094,800	216,683,184	380,175,669	352,467,034
TOTAL ASSETS	197,278,756	216,931,784	388,629,585	377,647,880
LIABILITIES & MEMBERS' EQUITY				
Accounts Payable	0	0	13,932	14,329
Total Current Liabilities	0	0	13,932	14,329
TOTAL LIABILITIES	0	0	13,932	14,329
Capital - BEB 2011 Trust	48,279,726	47,781,363	61,573,339	97,144,314
Capital - ASB 2011 Trust	48,279,726	47,781,363	61,573,339	97,149,314
Capital - JMB 2011 Trust	48,279,726	47,781,363	61,573,339	97,144,314
Capital - VRB 2011 Trust	48,279,726	47,781,363	61,573,339	97,149,314
Net Income	4,159,852	25,806,333	142,322,297	(10,953,706)
Total Members' Equity	197,278,756	216,931,784	388,615,653	377,633,551
TOTAL LIABILITIES & MEMBERS' EQUITY	197,278,756	216,931,784	388,629,585	377,647,880

(1) Private Investments is inclusive of an interest in Black Family Partners LP that had an estimated value of \$233.9 million. Further, Management stated that LDB 2011 LLC contributed its interest in Black Family Partners LP to LDB 2014 LLC (an entity wholly owned by LDB) and then LDB 2011 LLC distributed its interest in LDB 2014 LLC to the members of LDB 2011 LLC. However, the interest in LDB 2014 LLC (which held the interest in Black Family Partners LP) had not been removed from the Company's balance sheet as of the Valuation Date. As a result, Private Investments includes the interest in LDB 2014 LLC.

COMPARATIVE CASH FLOW STATEMENTS**LDB 2011 LLC**

FOR THE YEARS ENDED DECEMBER 31,

	HISTORY 2012	HISTORY 2013	6-Months 6/30/2014
CASH FLOW FROM OPERATING ACTIVITIES			
Net Income	25,806,333	142,322,295	(10,972,199)
Adjustments to reconcile Net Income to Net Cash Provided from Operating Activities			
(Inc.) Dec. in Receivables	(11,318)	(9,355,248)	(11,611)
(Inc.) Dec. in Loans and Exchange	721,790	(367,608)	0
(Inc.) Dec. in Equity Securities	(5,961,648)	3,773,155	(991,340)
(Inc.) Dec. in Private Investments	(31,337,209)	(132,777,238)	28,711,040
(Inc.) Dec. in Fine Art	0	(14,855,718)	0
(Inc.) Dec. in Investment in PLB, LLC	0	(9,909,828)	545
Inc. (Dec.) in Accounts Payable	0	13,932	397
Net Cash Provided By (Used In) Operating Activities	(10,782,052)	(21,156,257)	16,736,833
CASH FLOW FROM INVESTING ACTIVITIES			
Capital Expenditures	0	0	0
Net Cash Provided By (Used In) Investing Activities	0	0	0
CASH FLOW FROM FINANCING ACTIVITIES			
Distribution of Cash	0	(167,260)	(10,000)
Distribution of Notes	0	(20,820,221)	0
Contribution of Securities	959,760	0	0
Change in Accounting Method	0	50,349,054	0
Other Capital Adjustment	(7,113,064)	0	97
Net Cash Provided By (Used In) Financing Activities	(6,153,304)	29,361,573	(9,903)
NET INCREASE (DECREASE) IN CASH			
Beginning Cash	17,183,956	248,600	8,453,916
Ending Cash	248,600	8,453,916	25,180,846

CALCULATION OF ADJUSTED BOOK VALUE**LDB 2011 LLC**

AS OF JUNE 30, 2014

	SUPPORTING EXHIBIT	CAPITAL ACCOUNT BALANCE	MARKET ADJUSTMENTS	ADJUSTED BOOK VALUE	% of Assets
ASSETS					
Cash					
JP Morgan - Cash	n/a	\$25,180,846	\$0	\$25,180,846	19.1%
Marketable Securities					
JP Morgan Brokerage Account - Capital Appreciation Securities	n/a	\$5,072,948	\$0	\$5,072,948	3.8%
Fixed Term Entities (Private Equity Direct Interests)					
FCI Co-Investors I (A), LP	Exhibits E-1 through E-3	\$18,490,092	(\$5,550,092)	\$12,940,000	9.8%
Quadrangle Capital Partners LP	Exhibits E-1 through E-3	\$278,289	(\$68,289)	\$210,000	0.2%
Quadrangle (Access) Capital Partners LP	Exhibits E-1 through E-3	\$125,977	(\$35,977)	\$90,000	0.1%
Quadrangle (Offshore) Capital Partners LP	Exhibits E-1 through E-3	\$409,182	(\$99,182)	\$310,000	0.2%
Searchlight Capital, L.P.	Exhibits E-1 through E-3	\$776,558	(\$276,558)	\$500,000	0.4%
Searchlight Capital AIV I, L.P.	Exhibits E-1 through E-3	\$168,712	(\$58,712)	\$110,000	0.1%
Restricted Investments (1)					
AIF II, L.P.		\$0	\$0	\$0	0.0%
AP SHL Investors, LLC		\$0	\$0	\$0	0.0%
AP Technology Partners, L.P.		\$174,459	(\$52,338)	\$122,100	0.1%
Apollo Investment Fund, L.P.		\$225	(\$67.50)	\$160	0.0%
Apollo Real Estate Investment Fund, LP		\$183,325	(\$54,997.50)	\$128,300	0.1%
AREIF III Transfer Members, LLC		\$25,308	(\$7,592.40)	\$17,700	0.0%
AREIF IV Co-Invest, LLC		\$735,778	(\$220,733.40)	\$515,000	0.4%
BHM Investors, LLC		\$159,692	(\$47,907.60)	\$111,800	0.1%
Microbes Investors, LLC		\$142,916	(\$42,874.80)	\$100,000	0.1%
PAM Centre, L.P.		\$0	\$0	\$0	0.0%
Viropro Investors, LLC		\$300,000	(\$90,000)	\$210,000	0.2%
Miscellaneous Interests					
Fine Art		\$72,750,000	\$2,000,000	\$74,750,000	56.6% (2)
PLB, LLC	Exhibit H-8	\$9,909,283	(\$7,609,283)	\$2,300,000	1.7%
Receivables					
Due from BEB 2011 Trust		\$3,331,880	\$0	\$3,331,880	2.5%
Due from JMB 2011 Trust		\$6,046,297	\$0	\$6,046,297	4.6%
TOTAL ASSETS		\$144,261,767	(\$12,214,604)	\$132,047,031	100%
LIABILITIES & MEMBERS' CAPITAL					
Distribution Payable		\$14,329	\$0	\$14,329	
TOTAL LIABILITIES		\$14,329	\$0	\$14,329	
MEMBERS' CAPITAL		\$144,247,438	(\$12,214,604)	\$132,032,702	
TOTAL LIABILITIES & CAPITAL		\$144,261,767	(\$12,214,604)	\$132,047,031	
Adjusted Book Value				\$132,032,702	
Pro Rata ABV of Subject Interest		25%		\$33,008,176	
Less: Investment Company Discount	Exhibit I		9%	(\$2,970,736)	
Fully Marketable Value of a 25% Limited Partnership Interest				\$30,037,440	
Less: Discount for Lack of Marketability	Exhibit J-4		25%	(\$7,509,360)	
Fair Market Value of a 25% Limited Partnership Interest				\$22,528,080	
Pro Rata Fair Market Value of a 25% Limited Partnership Interest, rounded				\$23,000,000	

(1) Discount of 30% applied to each restricted investment.

(2) Appraised value of \$74,750,000 per appraisal prepared by Sotheby's.

PRIVATE EQUITY INVESTMENTS - CAPITAL ACCOUNT ANALYSIS

LDB 2011 LLC

AS OF JUNE 30, 2014

#	Fund Name	Total Capital Commitment	Total Capital Contributed	Distributions Since Inception	% of Capital Called (1)	Capital Account Balance (2)
L.P. Investment Positions						
1	FCI Co-Investors I (A), LP	\$25,000,000	\$12,578,606	\$8,474,291	50%	\$18,490,092
2	Quadrangle Capital Partners LP	\$427,638	\$425,044	\$660,368	99%	\$278,289 (3)
3	Quadrangle (Access) Capital Partners LP	\$193,585	\$192,411	\$298,938	99%	\$125,977 (3)
4	Quadrangle (Offshore) Capital Partners LP	\$628,777	\$624,964	\$970,972	99%	\$409,182 (3)
5	Searchlight Capital, L.P.	\$1,689,903	\$686,796	\$0	41%	\$776,558
6	Searchlight Capital AIV I, L.P.	\$310,097	\$126,027	\$0	41%	\$168,712
Total Capital Account Balance						\$20,248,810

(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.

(3) The interests in QCP, QACP, and QOCP were received from a related entity. Upon transfer, the contributed capital and distribution history was no longer available. As of December 31, 2010, prior to the transfer, nearly all of the capital commitment had been met and distributions were in excess of the contributed capital. Capital commitment, contributed capital, and distributions reflect the capital account statement as of December 31, 2010.

PRIVATE EQUITY INVESTMENTS - RISK ANALYSIS

LDB 2011 LLC

AS OF JUNE 30, 2014

Valuation Date 6/30/2014

#	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 % Contributed Capital (4)	Net Multiple of Contributed Capital (5)	Preferred Return %	Carried Interest %
L.P. Investment Positions													
1	FCI Co-Investors I (A), LP	N/A (6)	N/A (6)	10 plus years (6)	VC/H	D	App	\$12,421,394	49.7%	67.4%	2.1	0.0%	0.0%
2	Quadrangle Capital Partners LP	6/30/2016	N/A (7)	2.00	VC/H	D	App	\$2,594	0.6%	155.4%	2.2	8.0%	20.0%
3	Quadrangle (Access) Capital Partners LP	6/30/2016	N/A (7)	2.00	VC/H	D	App	\$1,174	0.6%	155.4%	2.2	8.0%	20.0%
4	Quadrangle (Offshore) Capital Partners LP	6/30/2016	N/A (7)	2.00	VC/H	D	App	\$3,813	0.6%	155.4%	2.2	8.0%	20.0%
5	Searchlight Capital, L.P.	3/30/2022	2.00	7.75	VC/H	D	App	\$1,003,107	59.4%	0.0%	1.1	8.0%	20.0%
6	Searchlight Capital AIV I, L.P.	3/30/2022	2.00	7.75	VC/H	D	App	\$184,070	59.4%	0.0%	1.3	8.0%	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)

(6) FCI Co-Investors I (A) LP was formed on February 15, 2011 and is invested in Financial Credit Investment I LP. Financial Credit Investment I LP's only investment is a note receivable from Financial Credit Investment I Limited that is due in 2111. Financial Credit Investment I LLC is primarily invested in life insurance settlements. Financial Credit Investment I LLC will continue to make premium payments on the life insurance settlements until a death benefit is received. While FCI Co-Investors I (A) LP (and the underlying funds) do not have a predetermined liquidation date, it was considered reasonable to assume a remaining term of at least 10 years for valuation purposes.

(7) The initial term of the funds was not to exceed May 23, 2012. However, limited partners agreed to two 1-year extensions to May 23, 2014. In 2014, LPs delegated their authority to the LP Advisory Committee to consider extending the fund for an additional year through May 23, 2015.

PRIVATE EQUITY INVESTMENTS - SUMMARY OF FAIR MARKET VALUES

LDB 2011 LLC

AS OF JUNE 30, 2014

#	Fund Name	Selected Restriction Period Discount	Capital Account Balance	Less: Selected Restriction Period Discount	Estimated Fair Market Value
L.P. Investment Positions					
1	FCI Co-Investors I (A), LP	30%	\$18,490,092	(\$5,547,028)	\$12,940,000
2	Quadrangle Capital Partners LP	25%	\$278,289	(\$69,572)	\$210,000
3	Quadrangle (Access) Capital Partners LP	25%	\$125,977	(\$31,494)	\$90,000
4	Quadrangle (Offshore) Capital Partners LP	25%	\$409,182	(\$102,296)	\$310,000
5	Searchlight Capital, L.P.	35%	\$776,558	(\$271,795)	\$500,000
6	Searchlight Capital AIV I, L.P.	35%	\$168,712	(\$59,049)	\$110,000
Total Fair Market Value of Private Equity Interests					\$14,160,000

**PRICE & HISTORICAL VOLATILITIES OF PUBLICLY TRADED
BUSINESS DEVELOPMENT COMPANIES AND CEICs INVESTED PRIMARILY IN PRIVATE EQUITY
AS OF JUNE 30, 2014**

#	COMPANY	TICKER	TYPE OF ENTITY (1)	PRICE 06/30/2014 (2)	NAV PER SHARE (2,3)	DISCOUNT FROM/ (PREMIUM OVER) NAV	5-YEAR VOLATILITY (2)
1	Ares Capital Corp.	ARCC	BDC	\$17.86	\$16.42	-8.8%	22.6%
2	Apollo Investment Corp.	AINV	BDC	\$8.61	\$8.67	0.7%	32.7%
3	TICC Capital Corp.	TICC	BDC	\$9.90	\$9.78	-1.2%	23.5%
4	MCG Capital Corp.	MCGC	BDC	\$3.92	\$4.37	10.3%	41.3%
5	Gladstone Capital Corp.	GLAD	BDC	\$10.06	\$9.79	-2.8%	28.3%
6	American Capital Ltd.	ACAS	BDC	\$15.29	\$19.29	20.7%	45.6%
7	RENN Global Entrepreneurs Fund, Inc.	RCG	CEIC	\$1.47	\$2.39	38.5%	34.2%
8	MVC Capital Inc.	MVC	BDC	\$12.95	\$16.42	21.1%	21.7%
9	Capital Southwest Corp.	CSWC	BDC	\$36.01	\$49.98	28.0%	25.2%
				AVERAGE		11.8%	30.6%
				MEDIAN		10.3%	28.3%
				MINIMUM		-8.8%	21.7%
				MAXIMUM		38.5%	45.6%

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 the most recent available quarter. NAVs per share for the CEICs are as of the Valuation Date.

**PRICE & DIVIDEND YIELDS FOR PUBLICLY-TRADED CLOSED END FUNDS
INVESTED PRIMARILY IN CAPITAL APPRECIATION SECURITIES
AS OF JUNE 30, 2014**

#	COMPANY ¹	TICKER	PRICE 06/30/14	NAV PER SHARE ³	DISCOUNT FROM NAV ³	LTM DIVIDEND INCOME ²	LTM INCOME YIELD	5-YEAR VOLATILITY ³
1	Adams Express	ADX	\$13.75	\$16.07	14.4%	0.20	1.5%	17.1%
2	Denali Fund	DNY	\$21.46	\$26.52	19.1%	0.09	0.4%	17.7%
3	Eagle Capital Growth	GRF	\$7.93	\$8.85	10.4%	0.14	1.7%	26.3%
4	General American Investors	GAM	\$36.82	\$43.45	15.3%	0.18	0.5%	18.3%
5	Nuveen Core Equity Alpha	JCE	\$18.17	\$18.53	1.9%	0.11	0.6%	17.0%
6	Source Capital Inc	SOR	\$69.98	\$77.56	9.8%	0.00	0.0%	19.9%
7	Tri-Continental Corporation	TY	\$20.98	\$24.40	14.0%	0.68	3.3%	16.3%
8	Zweig Fund	ZF	\$15.65	\$17.62	11.2%	0.15	1.0%	15.6%
9	Zweig Total Return	ZTR	\$14.39	\$15.81	9.0%	0.32	2.2%	10.8%
			AVERAGE		11.7%		1.2%	17.6%
			MEDIAN		11.2%		1.0%	17.1%
			MINIMUM		1.9%		0.0%	10.8%
			MAXIMUM		19.1%		3.3%	26.3%

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

²Information from CEFCConnect.com.

³Information from Bloomberg, closing prices.

**PRICE & DIVIDEND YIELDS FOR PUBLICLY-TRADED CLOSED END FUNDS
 INVESTED PRIMARILY IN GOVERNMENT BONDS AND SECURITIES
 AS OF JUNE 30, 2014**

#	COMPANY ¹	TICKER	PRICE 06/30/14	NAV PER SHARE ³	DISCOUNT FROM/ NAV ³	LTM DIVIDEND INCOME ²	LTM INCOME YIELD	5-YEAR VOLATILITY ³
1	AllianceBernstein Income Fund	ACG	\$7.52	\$8.42	10.7%	\$0.42	5.6%	8.2%
2	BlackRock Enhanced Gov Fund	EGF	\$14.29	\$15.21	6.0%	\$0.43	3.0%	6.7%
3	BlackRock Income Trust	BKT	\$6.64	\$7.33	9.4%	\$0.32	4.8%	7.2%
4	Federated Enhanced Treasury In	FTT	\$13.49	\$14.74	8.5%	\$0.15	1.1%	8.1%
			AVERAGE		8.7%		3.6%	7.5%
			MEDIAN		8.9%		3.9%	7.6%
			MINIMUM		6.0%		1.1%	6.7%
			MAXIMUM		10.7%		5.6%	8.2%

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

²Information from CEFCConnect.com.

³Information from Bloomberg, closing prices.

COMPARATIVE BALANCE SHEETS
JMWT BIDCO LTD
AS OF JUNE 30, 2014

	<u>HISTORY</u> <u>6/30/14</u>
<u>ASSETS</u>	
Total Current Assets	<u>0</u>
Net Fixed Assets	<u>0</u>
Investment in Phaidon Press Limited	73,665,922
Due from JMWT MidCo	70,076,532
Other Assets	<u>0</u>
Total Other Assets	<u>143,742,454</u>
TOTAL ASSETS	<u><u>143,742,454</u></u>
<u>LIABILITIES & PARTNERS' EQUITY</u>	
Total Current Liabilities	<u>0</u>
Payable to JMWT Acquisition LLP	73,665,922
Total Other Liabilities	<u>73,665,922</u>
TOTAL LIABILITIES	<u>73,665,922</u>
Share Capital	70,076,532
Total Partners' Equity	<u>70,076,532</u>
TOTAL LIABILITIES & PARTNERS' EQUITY	<u><u>143,742,454</u></u>

COMPARATIVE BALANCE SHEETS
JMWT MIDCO LTD
AS OF JUNE 30, 2014

	<u>HISTORY</u> <u>6/30/14</u>
<u>ASSETS</u>	
Total Current Assets	<u>0</u>
Net Fixed Assets	<u>0</u>
Investment in JMWT BidCo Ltd	70,076,532
Due from JMWT TopCo.	46,717,689
P&L Reserves	2,803,061
Total Other Assets	<u>119,597,282</u>
TOTAL ASSETS	<u><u>119,597,282</u></u>
<u>LIABILITIES & PARTNERS' EQUITY</u>	
Total Current Liabilities	<u>0</u>
Payable to JMWT BidCo	70,076,532
Loans from Group Undertakings Plus Accrued Interest	2,803,061
Total Other Liabilities	<u>72,879,593</u>
TOTAL LIABILITIES	<u>72,879,593</u>
Share Capital	46,717,689
Total Partners' Equity	<u>46,717,689</u>
TOTAL LIABILITIES & PARTNERS' EQUITY	<u><u>119,597,282</u></u>

COMPARATIVE BALANCE SHEETS
JMWT TOPCO LTD
AS OF JUNE 30, 2014

	<u>HISTORY</u> <u>6/30/14</u>
<u>ASSETS</u>	
Total Current Assets	<u>0</u>
Net Fixed Assets	<u>0</u>
Investment in JMWT MidCo Ltd	46,717,689
Due from JMWT Acquisition LLP	46,717,689
Other Assets	<u>0</u>
Total Other Assets	<u>93,435,378</u>
TOTAL ASSETS	<u><u>93,435,378</u></u>
<u>LIABILITIES & PARTNERS' EQUITY</u>	
Total Current Liabilities	<u>0</u>
Payable to JMWT MidCo	46,717,689
Other Liabilities	<u>0</u>
Total Other Liabilities	<u>46,717,689</u>
TOTAL LIABILITIES	<u>46,717,689</u>
Share Capital	46,717,689
Total Partners' Equity	<u>46,717,689</u>
TOTAL LIABILITIES & PARTNERS' EQUITY	<u><u>93,435,378</u></u>

COMPARATIVE BALANCE SHEETS
JMWT ACQUISITION LLP
AS OF JUNE 30, 2014

	<u>HISTORY</u> <u>6/30/14</u>
<u>ASSETS</u>	
Total Current Assets	<u>0</u>
Net Fixed Assets	<u>0</u>
Investment in JMWT TopCo Ltd	46,717,689
Due from JMWT BidCo	73,665,922
Accrued Interest Receivable	<u>2,803,061</u>
Total Other Assets	123,186,672
TOTAL ASSETS	<u><u>123,186,672</u></u>
<u>LIABILITIES & PARTNERS' EQUITY</u>	
Total Current Liabilities	<u>0</u>
Payable to JMWT TopCo	46,717,689
P&L Reserves	<u>2,803,061</u>
Total Other Liabilities	49,520,750
TOTAL LIABILITIES	<u>49,520,750</u>
Share Capital	<u>73,665,922</u>
Total Partners' Equity	<u>73,665,922</u>
TOTAL LIABILITIES & PARTNERS' EQUITY	<u><u>123,186,672</u></u>

COMPARATIVE BALANCE SHEETS
PHAIDON LLC
AS OF JUNE 30, 2014

	<u>HISTORY</u> <u>6/30/2014</u>
<u>ASSETS</u>	
Investment in JMWT Acquisition LLP	66,002 (1)
Total Current Assets	<u>66,002</u>
TOTAL ASSETS	<u>66,002</u>
<u>LIABILITIES & MEMBERS' EQUITY</u>	
TOTAL LIABILITIES	<u>0</u>
Contribution - Phaidon LLC	66,002
Total Members' Equity	<u>66,002</u>
TOTAL LIABILITIES & MEMBERS' EQUITY	<u>66,002</u>

(1) According to Management, a balance sheet was not available for Phaidon LLC. Management stated that Phaidon LLC's only asset was its 0.1% interest in JMWT Acquisition LLP and that there were no liabilities. The book value of \$66,002 for the 0.1% interest in JMWT Acquisition Corp is based on the purchase price paid for the acquisition of Phaidon Press Ltd. See the Phaidon Press Report for further details.

COMPARATIVE BALANCE SHEETS
REGAN ARTS LLC
AS OF JUNE 30, 2014

	<u>HISTORY</u> <u>6/30/2014</u>
<u>ASSETS</u>	
Checking and Savings	349,290
Total Current Assets	<u>349,290</u>
TOTAL ASSETS	<u><u>349,290</u></u>
<u>LIABILITIES & MEMBERS' EQUITY</u>	
Accounts Payable	19,457
Credit Cards	25,953
Total Current Liabilities	<u>45,410</u>
Total Other Liabilities	<u>0</u>
TOTAL LIABILITIES	<u>45,410</u>
Contribution - Phaidon Global LLC	1,500,000
Retained Earnings	(1,196,120)
Total Members' Equity	<u>303,880</u>
TOTAL LIABILITIES & MEMBERS' EQUITY	<u><u>349,290</u></u>

COMPARATIVE BALANCE SHEETS
PHAIDON GLOBAL LLC
AS OF JUNE 30, 2014

	<u>HISTORY</u> <u>6/30/2014</u>
<u>ASSETS</u>	
Checking and Savings	2,755,660
Investment - JMWT Acquisition LLP	69,135,798
Investment - Phaidon LLC	66,002
Investment - Regan Arts LLC	1,500,000
Phaidon Press Ltd 5 Year Loans	4,394,142
Total Current Assets	<u>77,851,602</u>
TOTAL ASSETS	<u><u>77,851,602</u></u>
<u>LIABILITIES & MEMBERS' EQUITY</u>	
Line of Credit - Due to BFP	8,735,782
Total Current Liabilities	<u>8,735,782</u>
Total Other Liabilities	<u>0</u>
TOTAL LIABILITIES	<u>8,735,782</u>
Net Income	(28,115)
Retained Earnings	(57,865)
PLB LLC	69,135,798
JMWT LLC	66,002
Total Members' Equity	<u>69,115,820</u>
TOTAL LIABILITIES & MEMBERS' EQUITY	<u><u>77,851,602</u></u>

COMPARATIVE BALANCE SHEETS**PLB LLC****AS OF JUNE 30, 2014**

	<u>HISTORY</u> <u>6/30/2014</u>
<u>ASSETS</u>	
Cash and Equivalents	459,912
Investment in Phaidon Global LLC	69,049,904
Total Current Assets	<u>69,509,816</u>
TOTAL ASSETS	<u><u>69,509,816</u></u>
<u>LIABILITIES & MEMBERS' EQUITY</u>	
Due to Black Family Partners LP	3,208,131
Due to JMWT LLC	459
Total Current Liabilities	<u>3,208,590</u>
Total Other Liabilities	<u>0</u>
TOTAL LIABILITIES	<u>3,208,590</u>
LDB 2011 LLC	10,000,000
Black 1997 Trust	54,000,000
1997 GST Exempt	3,000,000
Members' Equity	(604,158)
Net Income	(94,616)
Total Members' Equity	<u>66,301,226</u>
TOTAL LIABILITIES & MEMBERS' EQUITY	<u><u>69,509,816</u></u>

CALCULATION OF ADJUSTED BOOK VALUE**JMWT BIDCO LTD****AS OF JUNE 30, 2014**

	HISTORY 2013	MARKET ADJUSTMENTS	ADJUSTED BOOK VALUE
ASSETS			
Total Current Assets	0	0	0
Net Fixed Assets	0	0	0
Intangible Assets	0		0
Investment in Phaidon Press Limited	73,665,922	(54,465,922)	19,200,000 (1)
Due from JMWT MidCo	70,076,532		70,076,532
Other Assets	0		0
Total Other Assets	143,742,454	(54,465,922)	89,276,532
TOTAL ASSETS	143,742,454	(54,465,922)	89,276,532
LIABILITIES & PARTNERS' EQUITY			
Total Current Liabilities	0	0	0
Payable to JMWT Acquisition LLP	73,665,922		73,665,922
Total Other Liabilities	73,665,922	0	73,665,922
TOTAL LIABILITIES	73,665,922	0	73,665,922
Share Capital	70,076,532	(54,465,922)	15,610,610
Total Partners' Equity	70,076,532	(54,465,922)	15,610,610
TOTAL LIABILITIES & PARTNERS' EQUITY	143,742,454	(54,465,922)	89,276,532

Pro Rata Capital Account Balance of Subject Interest **\$15,610,610**

Pro Rata Capital Account Balance of Subject Interest (to Exhibit H-2)	\$15,610,610
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(1) From Phaidon Limited Report, Exhibit F.

CALCULATION OF ADJUSTED BOOK VALUE**JMWT MIDCO LTD****AS OF JUNE 30, 2014**

	HISTORY 2013	MARKET ADJUSTMENTS	ADJUSTED BOOK VALUE
ASSETS			
Total Current Assets	0	0	0
Net Fixed Assets	0	0	0
Intangible Assets	0		0
Investment in JMWT BidCo Ltd	70,076,532	(54,465,922)	15,610,610 (1)
Due from JMWT TopCo.	46,717,689		46,717,689
P&L Reserves	2,803,061		2,803,061
Total Other Assets	119,597,282	(54,465,922)	65,131,360
TOTAL ASSETS	119,597,282	(54,465,922)	65,131,360
LIABILITIES & PARTNERS' EQUITY			
Total Current Liabilities	0	0	0
Payable to JMWT BidCo	70,076,532		70,076,532
Loans from Group Undertakings Plus Accrued Interest	2,803,061		2,803,061
Total Other Liabilities	72,879,593	0	72,879,593
TOTAL LIABILITIES	72,879,593	0	72,879,593
Share Capital	46,717,689	(54,465,922)	(7,748,233)
Total Partners' Equity	46,717,689	(54,465,922)	(7,748,233)
TOTAL LIABILITIES & PARTNERS' EQUITY	119,597,282	(54,465,922)	65,131,360

Pro Rata Capital Account Balance of Subject Interest (\$7,748,233)

Pro Rata Capital Account Balance of Subject Interest (to Exhibit H-3)	(\$7,748,233)
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(1) From Exhibit H-1.

CALCULATION OF ADJUSTED BOOK VALUE
JMWT TOPCO LTD
AS OF JUNE 30, 2014

	HISTORY 2013	MARKET ADJUSTMENTS	ADJUSTED BOOK VALUE
ASSETS			
Total Current Assets	0	0	0
Net Fixed Assets	0	0	0
Intangible Assets	0		0
Investment in JMWT MidCo Ltd	46,717,689	(54,465,922)	(7,748,233) (1)
Due from JMWT Acquisition LLP	46,717,689		46,717,689
Other Assets	0		0
Total Other Assets	93,435,378	(54,465,922)	38,969,456
TOTAL ASSETS	93,435,378	(54,465,922)	38,969,456
LIABILITIES & PARTNERS' EQUITY			
Total Current Liabilities	0	0	0
Payable to JMWT MidCo	46,717,689		46,717,689
Other Liabilities	0		0
Total Other Liabilities	46,717,689	0	46,717,689
TOTAL LIABILITIES	46,717,689	0	46,717,689
Share Capital	46,717,689	(54,465,922)	(7,748,233)
Total Partners' Equity	46,717,689	(54,465,922)	(7,748,233)
TOTAL LIABILITIES & PARTNERS' EQUITY	93,435,378	(54,465,922)	38,969,456
Pro Rata Capital Account Balance of Subject Interest			(\$7,748,233)

Pro Rata Capital Account Balance of Subject Interest (to Exhibit H-4)	(\$7,748,233)
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(1) From Exhibit H-2.

CALCULATION OF ADJUSTED BOOK VALUE
JMWT ACQUISITION LLP
AS OF JUNE 30, 2014

	HISTORY 2013	MARKET ADJUSTMENTS	ADJUSTED BOOK VALUE
ASSETS			
Total Current Assets	0	0	0
Net Fixed Assets	0	0	0
Intangible Assets	0		0
Investment in JMWT TopCo Ltd	46,717,689	(54,465,922)	(7,748,233) (1)
Due from JMWT BidCo	73,665,922		73,665,922
Accrued Interest Receivable	2,803,061		2,803,061
Total Other Assets	123,186,672	(54,465,922)	68,720,750
TOTAL ASSETS	123,186,672	(54,465,922)	68,720,750
LIABILITIES & PARTNERS' EQUITY			
Total Current Liabilities	0	0	0
Payable to JMWT TopCo	46,717,689		46,717,689
P&L Reserves	2,803,061		2,803,061
Total Other Liabilities	49,520,750	0	49,520,750
TOTAL LIABILITIES	49,520,750	0	49,520,750
Share Capital	73,665,922	(54,465,922)	19,200,000
Total Partners' Equity	73,665,922	(54,465,922)	19,200,000
TOTAL LIABILITIES & PARTNERS' EQUITY	123,186,672	(54,465,922)	68,720,750
Pro Rata Capital Account Balance of Subject Interest			\$19,200,000

Pro Rata Capital Account Balance of 0.1% Interest (to Exhibit H-5)	\$19,200
Pro Rata Capital Account Balance of 99.9% Interest (to Exhibit H-7)	\$19,180,800

(1) From Exhibit H-3.

CALCULATION OF ADJUSTED BOOK VALUE
PHAIDON LLC
AS OF JUNE 30, 2014

	<u>HISTORY</u> <u>6/30/2014</u>	<u>MARKET</u> <u>ADJUSTMENTS</u>	<u>ADJUSTED BOOK</u> <u>VALUE</u>
<u>ASSETS</u>			
Investment in JMWT Acquisition LLP	66,002	(46,802)	19,200 (1)
Total Current Assets	<u>66,002</u>	<u>(46,802)</u>	<u>19,200</u>
TOTAL ASSETS	<u>66,002</u>	<u>(46,802)</u>	<u>19,200</u>
<u>LIABILITIES</u>			
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>
Contribution - Phaidon LLC	66,002	(46,802)	19,200
Total Members' Equity	<u>66,002</u>	<u>(46,802)</u>	<u>19,200</u>
TOTAL LIABILITIES & MEMBERS' EQUITY	<u>66,002</u>	<u>(46,802)</u>	<u>19,200</u>
Pro Rata Capital Account Balance of Subject Interest			\$19,200
Pro Rata Capital Account Balance of Subject Interest (to Exhibit H-7)			\$19,200

(1) From Exhibit H-4.

CALCULATION OF ADJUSTED BOOK VALUE
REGAN ARTS LLC
AS OF JUNE 30, 2014

	HISTORY 6/30/2014	MARKET ADJUSTMENTS	ADJUSTED BOOK VALUE
ASSETS			
Checking and Savings	349,290		349,290
Total Current Assets	349,290	0	349,290
Net Fixed Assets	0	0	0
Total Other Assets	0	0	0
TOTAL ASSETS	349,290	0	349,290
LIABILITIES			
Accounts Payable	19,457		19,457
Credit Cards	25,953		25,953
Total Current Liabilities	45,410	0	45,410
Total Other Liabilities	0	0	0
TOTAL LIABILITIES	45,410	0	45,410
Contribution - Phaidon Global LLC	1,500,000		1,500,000
Retained Earnings	(1,196,120)	0	(1,196,120)
Total Members' Equity	303,880	0	303,880
TOTAL LIABILITIES & MEMBERS' EQUITY	349,290	0	349,290

Pro Rata Capital Account Balance of Subject Interest **\$303,880**

Pro Rata Capital Account Balance of Subject Interest (to Exhibit H-7)	\$303,880
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CALCULATION OF ADJUSTED BOOK VALUE
PHAIDON GLOBAL LLC
AS OF JUNE 30, 2014

	HISTORY 6/30/2014	MARKET ADJUSTMENTS	ADJUSTED BOOK VALUE
ASSETS			
Checking and Savings	2,755,660		2,755,660
Investment - JMWT Acquisition LLP	69,135,798	(49,954,998)	19,180,800 (1)
Investment - Phaidon LLC	66,002	(46,802)	19,200 (2)
Investment - Regan Arts LLC	1,500,000	(1,196,120)	303,880 (3)
Phaidon Press Ltd 5 Year Loans	4,394,142		4,394,142
Total Current Assets	77,851,602	(51,197,920)	26,653,682
Net Fixed Assets	0	0	0
Total Other Assets	0	0	0
TOTAL ASSETS	77,851,602	(51,197,920)	26,653,682
LIABILITIES			
Line of Credit - Due to BFP	8,735,782		8,735,782
Total Current Liabilities	8,735,782	0	8,735,782
Total Other Liabilities	0	0	0
TOTAL LIABILITIES	8,735,782	0	8,735,782
Net Income	(28,115)		(28,115)
Retained Earnings	(57,865)	(51,197,920)	(51,255,785)
PLB LLC	69,135,798		69,135,798
JMWT LLC	66,002		66,002
Total Members' Equity	69,115,820	(51,197,920)	17,917,900
TOTAL LIABILITIES & MEMBERS' EQUITY	77,851,602	(51,197,920)	26,653,682
Pro Rata Capital Account Balance of Subject Interest (99.9%)			\$17,899,982
Pro Rata Capital Account Balance of Subject Interest (to Exhibit H-8)			\$17,899,982

(1) From Exhibit H-4.

(2) From Exhibit H-5.

(3) From Exhibit H-6.

CALCULATION OF ADJUSTED BOOK VALUE**PLB LLC****AS OF JUNE 30, 2014**

	HISTORY 6/30/2014	MARKET ADJUSTMENTS	ADJUSTED BOOK VALUE
ASSETS			
Cash and Equivalents	459,912		459,912
Investment in Phaidon Global LLC	69,049,904	(51,149,922)	17,899,982 (1)
Total Current Assets	69,509,816	(51,149,922)	18,359,894
Net Fixed Assets	0	0	0
Total Other Assets	0	0	0
TOTAL ASSETS	69,509,816	(51,149,922)	18,359,894
LIABILITIES			
Due to Black Family Partners LP	3,208,131		3,208,131
Due to JMWT LLC	459		459
Total Current Liabilities	3,208,590	0	3,208,590
Total Other Liabilities	0	0	0
TOTAL LIABILITIES	3,208,590	0	3,208,590
LDB 2011 LLC	10,000,000	(7,738,625)	2,261,375 (2)
Black 1997 Trust	54,000,000	(41,788,494)	12,211,506
1997 GST Exempt Members' Equity	3,000,000 (604,158)	(2,321,577) 604,158	678,423 0
Net Income	(94,616)	94,616	0
Total Members' Equity	66,301,226	(51,149,922)	15,151,304
TOTAL LIABILITIES & MEMBERS' EQUITY	69,509,816	(51,149,922)	18,359,894
Pro Rata Capital Account Balance of Subject Interest			\$2,261,375
Pro Rata Capital Account Balance of Subject Interest, Rounded (to Exhibit D)			\$2,300,000

(1) From Exhibit H-7.

(2) The market adjustment for each member reflects their pro rata portion of the market adjustment to assets, members' equity, and net income. Specific to LDB 2011 LLC, the adjustment of (\$7,738,625) equals $((\$51,149,922) * 14.9254\%) + ((\$604,158) * 14.9254\%) + ((\$94,616) * 14.9254\%)$. The adjustment for the other members was calculated using their respective percentage interest.

INVESTMENT COMPANY DISCOUNT & VOLATILITY**LDB 2011 LLC****AS OF JUNE 30, 2014**

	Reference Exhibit(s)	% of Assets	Selected Asset ICD		Selected Asset Specific Volatility (2)
ASSETS					
Cash	Exhibit F-3	19.1%	5.0%	(1)	7.6%
Marketable Securities	Exhibit F-2	3.8%	11.2%		17.1%
Fixed Term Entities (Private Equity Direct Interests)	Exhibit F-3	10.7%	5.0%	(1)	7.6%
Restricted Investments	Exhibit F-3	0.9%	5.0%	(1)	7.6%
Fine Art	Exhibit F-2	56.6%	11.2%		17.1%
PLB, LLC	Exhibit F-3	1.7%	5.0%	(1)	7.6%
Receivables	Exhibit F-3	7.1%	5.0%	(1)	7.6%
			8.7%		13.3%

Selected ICD and Volatility, rounded (to Exhibits D and J-3, respectively)	9.0%	13.0%
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(1) While the mean and median discount to NAV for the Government Bonds and Securities sample (Exhibit F-3) were 8.7% and 8.9%, respectively, 5.0% was selected as a reasonable ICD for this analysis.

(2) This is an estimated upper-bound for the equity volatility of the Company's investment portfolio. Asset correlation was not known and would likely reduce the portfolio volatility, unless all assets were perfectly correlated.

QUANTITATIVE FINANCIAL RISK ANALYSIS**LDB 2011 LLC****AS OF VALUATION DATE****MEASURES OF COMPANY SIZE****A. Revenue**

	Revenue (\$MM)			Discount			
	Low	High	Average	Low	High	Average	Median
Top Quintile	\$50.1	\$7,859.1	\$360.2	0.0%	55.0%	18.3%	14.7%
Second Quintile	\$12.8	\$49.9	\$26.5	0.0%	84.6%	20.6%	14.5%
Third Quintile	\$4.4	\$12.6	\$8.6	0.0%	59.2%	20.9%	18.3%
Fourth Quintile	\$0.6	\$4.4	\$2.3	0.0%	70.0%	28.1%	25.7%
Bottom Quintile	\$0.0	\$0.6	\$0.1	0.0%	80.8%	26.5%	24.1%

B. Market Value of Equity

	Market Value (\$MM)			Discount			
	Low	High	Average	Low	High	Average	Median
Top Quintile	\$190.5	\$5,726.1	\$664.7	0.0%	65.8%	17.6%	12.8%
Second Quintile	\$98.1	\$184.7	\$132.6	0.0%	56.8%	16.9%	12.8%
Third Quintile	\$50.2	\$98.0	\$76.2	2.3%	84.6%	25.8%	24.1%
Fourth Quintile	\$25.1	\$50.0	\$34.5	0.0%	80.8%	29.1%	27.3%
Bottom Quintile	\$2.0	\$24.4	\$14.1	0.0%	59.2%	24.9%	22.8%

C. Book Value of Equity

	Book Value (\$MM)			Discount			
	Low	High	Average	Low	High	Average	Median
Top Quintile	\$39.6	\$789.4	\$162.0	0.0%	65.8%	15.0%	11.2%
Second Quintile	\$14.2	\$39.6	\$26.4	0.0%	84.6%	18.4%	14.8%
Third Quintile	\$5.5	\$14.2	\$8.5	0.0%	70.0%	25.7%	24.7%
Fourth Quintile	\$1.6	\$5.4	\$3.1	0.0%	57.9%	25.7%	26.1%
Bottom Quintile	(\$76.2)	\$1.6	(\$2.6)	0.0%	80.8%	29.6%	26.0%

D. Book Value of Total Assets

	Total Assets (\$MM)			Discount			
	Low	High	Average	Low	High	Average	Median
Top Quintile	\$79.2	\$12,471.4	\$1,027.8	0.0%	84.6%	16.7%	13.2%
Second Quintile	\$29.6	\$78.5	\$50.6	0.0%	65.8%	17.2%	12.8%
Third Quintile	\$10.7	\$28.8	\$17.6	0.0%	56.7%	21.4%	19.6%
Fourth Quintile	\$4.4	\$10.5	\$7.4	0.0%	70.0%	27.2%	26.5%
Bottom Quintile	\$0.0	\$4.4	\$2.4	0.0%	80.8%	31.8%	30.6%

QUANTITATIVE FINANCIAL RISK ANALYSIS

LDB 2011 LLC

AS OF VALUATION DATE

MEASURES OF RISK & PROFITABILITY

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

	Volatility			Discount			
	Low	High	Average	Low	High	Average	Median
Top Quintile	115.2%	2024.7%	208.5%	0.0%	80.8%	34.9%	32.8%
Second Quintile	86.1%	114.2%	100.7%	0.0%	55.6%	25.3%	24.7%
Third Quintile	73.0%	86.0%	78.8%	0.0%	64.2%	20.3%	17.5%
Fourth Quintile	55.9%	73.0%	64.6%	0.0%	53.2%	17.9%	15.0%
Bottom Quintile	19.0%	55.7%	42.4%	0.0%	84.6%	15.4%	13.1%

B. NET PROFIT MARGIN

	Net Profit Margin			Discount			
	Low	High	Count	Low	High	Average	Median
Margin > 0%	0.1%	66.9%	91	0.0%	84.6%	19.4%	14.5%
Margin < 0%	-58225.0%	-0.1%	229	0.0%	80.8%	24.6%	22.6%
No Data Reported	N/A	N/A	25	N/A	N/A	N/A	N/A

C. DIVIDENDS

	Dividend Yield			Discount			
	Median	Average	Count	Low	High	Average	Median
Dividend Paying	3.5%	5.0%	26	0.0%	38.0%	13.2%	13.1%
Non-Dividend Paying	N/A	N/A	319	0.0%	84.6%	23.7%	20.9%

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 337 transactions. Volatility was not reported with 8 transactions.

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

ESTIMATED RESTRICTED STOCK EQUIVALENT DISCOUNT**LDB 2011 LLC****AS OF VALUATION DATE****BASED ON QUANTITATIVE FINANCIAL RISK ANALYSIS**

Metric	Exhibit	Company Measure	Implied Quintile	Median Discount	Weighting	Weighted Average
Sized Metrics						
Revenue (\$MM)	EXHIBIT J-1	-\$10.99	Bottom Quintile	24.1%	0.00%	0.0%
Market Value of Equity (\$MM)	EXHIBIT J-1	\$120.15	Second Quintile	12.8%	33.33%	4.3%
Book Value of Equity (\$MM)	EXHIBIT J-1	\$144.25	Top Quintile	11.2%	0.00%	0.0%
Total Assets (\$MM)	EXHIBIT J-1	\$144.26	Top Quintile	13.2%	0.00%	0.0%
Other Metrics						
Equity Volatility (%)	EXHIBIT J-2	13.0%	Bottom Quintile	13.1%	33.33%	4.4%
Profitable (Based on Net Profit Margin) ¹	EXHIBIT J-2	Y	N/A	14.5%	0.00%	0.0%
Dividend-Paying ¹	EXHIBIT J-2	N	N/A	20.9%	33.33%	7.0%
ESTIMATED RESTRICTED STOCK EQUIVALENT DISCOUNT (TO EXHIBIT J-4)					100.0%	15.6%

Notes:¹ Y = Yes; N = No

ESTIMATED PRIVATE COMPANY DISCOUNT INCREMENT**LDB 2011 LLC****AS OF VALUATION DATE****BASED ON BLOCK SIZE ILLIQUIDITY ANALYSIS**

	% Shares Place			Discount			
	Low	High	Count	Low	High	Average	Median
More than 40%	40.4%	48.0%	5	10.6%	62.3%	42.1%	42.3%
More than 35%	39.3%	48.0%	6	0.0%	62.3%	35.0%	40.4%
More than 30%	30.4%	48.0%	12	0.0%	72.4%	40.9%	41.6%
More than 25%	25.0%	48.0%	23	0.0%	72.4%	33.8%	38.5%
More than 20%	20.2%	48.0%	52	0.0%	91.3%	30.2%	25.5%
20% or Less	0.10%	19.8%	345	0.0%	84.6%	22.9%	20.0%

Summary

	Low	Mid	High
Range of Median Discounts for Blocks > 20%	25.5%	33.9%	42.3%
Divided by Median for Blocks < 20%	20.0%	20.0%	20.0%
Multiplicative Adjustment Factors for Private Company Discount Increment ¹	1.27	1.69	2.12
Times: Estimated Restricted Stock Equivalent (see EXHIBIT J-3)	15.6%	15.6%	15.6%
Implied Range of Private Company Discounts ²	19.8%	26.4%	33.0%
Blocks > 20%, excluding blocks with registration rights			
Implied Reasonable Range of Discounts for Lack of Marketability	20.0%		33.0%

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.