OCTOBER 9, 2015

PROPOSAL TO SERVE LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

RESPONSE TO THE REQUEST FOR PROPOSAL – PRIVATE EQUITY FUND INVESTMENT MANAGEMENT FEES, EXPENSES, AND CARRIED INTEREST RECALCULATION AND VERIFICATION SERVICES

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CRITICAL THINKING
AT THE CRITICAL TIME™

FTI CONSULTING

Forensic and Litigation Consulting

October 9, 2015

Christopher J. Wagner
Principal Investment Officer - Private Equity
LACERA
Gateway Plaza
300 North Lake Avenue, Suite 850
Pasadena, CA 91101-4199

Dear Mr. Wagner,

FTI Consulting ("FTI") is pleased to submit a proposal to the Los Angeles County Employees Retirement Association ("LACERA") in response to the Request For Proposal - Private Equity Fund Investment Management Fees, Expenses, and Carried Interest Recalculation and Verification Services (the "RFP"). Our firm has unique skills, talent and expertise in the tasks and functional areas outlined in the enclosed proposal that will provide significant value to LACERA.

The enclosed proposal demonstrates our capabilities with regard to verifying and recalculating investment management fees, expenses, and carried interest. FTI has a depth of expertise advising clients on a broad spectrum of private equity consulting engagements.

Our proposal relates solely to the Retrospective Task as defined in scope of services contained in the RFP. FTI has committed, as part of the proposal, to make available a dedicated team of highly qualified professionals to service LACERA. FTI will utilize our deeply talented and experienced professionals in order to recalculate previously paid investment management fees, expenses and carried interest for the selected sample of existing private equity funds.

Thank you for your consideration of our proposal.

Sincerely,

Scott Friedland
Senior Managing Director

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212.841.9379 telephone | 212.841.9350 fax | scott.friedland@ fticonsulting.com

TABLE OF CONTENTS

1. Describe your firm, including year of formation, and original and current ownership structure. Describe the division of your firm that will perform these services: is it a distinct group? If so, describe its reporting structure within the larger firm and its contribution (revenue as a percentage of overall firm revenue) to the overall business, at inception and today. If the division performing the services called for by this RFP is not distinct, then provide the contribution of this type of project (revenue as percentage of overall firm revenue) at firm inception and today.

Overview

FTI Consulting, Inc. ("FTI Consulting", "we" or the "Firm") is a global advisory firm that helps companies and their stakeholders protect and enhance enterprise value in an increasingly complex economic, legal, and regulatory environment. FTI Consulting is a publicly traded company (NYSE: FCN) with $2 billion in enterprise value. The FTI Consulting network is truly global in scope and has a presence in all the major financial centers in the world. We deploy more than 4,000 employees in 24 countries from every major financial center to every corner of the globe so that we can serve our clients wherever challenges and opportunities arise.

FTI Consulting was founded in 1982 as a sole proprietorship by Dan Luczak in a small warehouse in Annapolis, Maryland. Mr. Luczak revolutionized the presentation of technical courtroom evidence with computer models that helped courtroom staff and jury members understand the technical merits of cases. Since its inception in 1982, FTI Consulting has served over 1,300 clients on approximately 3,600 engagements, including some of the world's largest institutional limited partners and 85 percent of all Fortune 500 corporations.

Business Segments

FTI Consulting's business is organized around five core practices:

- Corporate Finance;
- Forensic and Litigation Consulting;
- Economic Consulting;
- Technology; and

- Strategic Communications.

FTI Consulting works closely with its clients to help them anticipate, understand, manage and overcome complex business matters arising from such factors as the economy, financial and credit markets, governmental regulation and legislation and litigation. FTI Consulting assists clients in addressing a broad range of business issues, such as due diligence, mergers and acquisitions (M&A), restructuring (including bankruptcy), financing and credit issues, valuation, interim management, forensic accounting and litigation services, antitrust matters, electronic discovery, management and retrieval of electronically stored information, reputation management and strategic communications. FTI Consulting also provides services to help its clients to take advantage of economic, regulatory, financial and other business opportunities. The table below summarizes select services FTI Consulting provides under each business segment.

Corporate Finance	Economic Consulting	Forensic & Litigation Consulting	Strategic Communications	Technology
Private Equity Advisory	Antitrust & Competition Economics	Compliance, Monitoring & Receivership	Creative Engagement	Computer Forensics & Investigations
Transaction Advisory Services	Business Valuation	Financial & Enterprise Data Analytics	Corporate Communications	Discovery Consulting
Performance Improvement	Intellectual Property	Dispute Advisory Services	Financial Communications	E-discovery Software & Services
Restructuring/Turnaround Services	International Arbitration	Forensic Accounting & Advisory Services	Public Affairs	
Valuation & Financial Advisory Services	Labor & Employment	Global Risk & Investigations Practice	Strategy Consulting & Research	
Interim Management	Public Policy	Intellectual Property		
Investment Banking	Regulated Industries	Trial Services		
Bankruptcy Support Services	Securities Litigation & Risk Management			

Forensic and Litigation Consulting Segment Overview

FTI will staff the engagement primarily with professionals in our Forensic and Litigation Consulting ("FLC") Segment. As previously mentioned, our FLC segment is one of five core segments of the firm. For the fiscal year ended 12/31/2014, FLC revenues accounted for approximately 27% of all firm revenue. [1]

FTI's FLC practice is a leading provider of multidisciplinary, independent dispute advisory, investigative, data analytics and forensic accounting services to the global business and legal community. FLC combines end-to-end capabilities with unmatched qualifications in all types of disputes, investigations, risk mitigation and litigation. Its consultants are among the most experienced in the industry in complex matters and have been intimately involved in some of the world's most high profile cases. Our areas of expertise include:

[1] FTI does not have a separate practice solely dedicated to providing the services requested by LACERA. Accordingly, the requested revenue data is not available.

Investigations and Forensic Accounting

FTI Consulting's global Investigations and Forensic Accounting team provides a broad range of multidisciplinary expertise that enables its clients to overcome corporate governance challenges, assess enterprise risk and respond to disputes. FTI Consulting experts conduct independent corporate internal investigations on a variety of issues from whistleblower allegations, fraud, financial misstatement or inadequate disclosure investigations, to foreign corruption risk assessments, transactional due diligence, business intelligence, and other internal and external fact-gathering services. FTI Consulting is a leading provider of independent technical accounting and SEC advisory services to domestic and foreign entities, and works with its clients to test internal controls or to design and monitor corporate compliance programs.

FTI Consulting employs on a worldwide basis a diverse group of senior professionals, many of whom have backgrounds as former prosecutors and law enforcement officials, or accountants formerly from within the Big 4 accounting firms, and regulatory bodies such as the PCAOB, and the Chief Accountant's Office and the Division of Enforcement at the U.S. Securities and Exchange Commission.

FTI Consulting can independently lead and fully execute investigations on its client's behalf, or augment as needed those investigations led by its client's counsel and internal corporate governance teams. In both instances, FTI Consulting provides cost-effective and phased solutions, enabling investigations to be resolved quickly and efficiently in a collaborative manner.

Disputes

FTI Consulting's dispute advisory services include independent valuations, damages analysis and quantification, expert testimony and trial services such as trial graphics, jury consulting and technology. FTI Consulting offers industry expertise in regulated industries such as insurance and financial services; and offers an unparalleled depth of subject matter experts in issues involving intellectual property, post-acquisition disputes, securities litigation, class action litigation, claims administration, government contracting, and construction disputes, among many others.

Data Analytics

FTI Consulting has a dedicated team of seasoned data professionals, with specific expertise in the areas of data collection, analysis and management in the financial services sector. Members of this team possess the required financial services industry knowledge, as well as project management and data collection/analysis/reporting experience to assist CalPERS with the services considered in this RFI. FTI Consulting is unique among its competitors in the industry in terms of the size and composition of its data analytics team.

Global Risk and Investigations

FTI Consulting conducts fact gathering and risk mitigation through business and litigation intelligence and transactional due diligence services. FTI Consulting's Global Risk and Investigations group has superior expertise in complex factual and financial investigations, anti-bribery and corruption investigations, risk assessments, and compliance program and remediation services. FTI Consulting combines teams of former federal prosecutors, regulators, law enforcement and intelligence officials with forensic accountants, certified fraud examiners and computer forensic specialists.

2. Describe the firm's background and experience directly related to the services (as specified in Exhibits B and C) LACERA is seeking. What is your firm's competitive advantage?

Relevant Experience

FTI is currently retained by the manager of one of the largest pension funds in the United States to perform an operational due diligence review of several large private equity managers in areas that were identified by the SEC as potential areas of risk. FTI performed an onsite review of the private equity managers in areas including but not limited to fee calculations in accordance with policies, disclosure of fees, valuation policy and procedures, financial reporting policies and legal compliance. FTI's review included interviews of key management, review of all relevant policies and procedures, recalculation of fees, expenses and carried interest and review of sample valuations and calculations to evidence that policies and procedures were followed. Our review resulted in various observations and recommendations to enhance the client's due diligence questionnaire.

Between 2011 and 2014, FTI was engaged by the same pension fund to assess compliance with the operating agreements governing private equity funds, primarily with regard to management fees, investment valuations, and carried interest. FTI reviewed the calculation methodologies prescribed in the operating agreements and assessed whether management fees and carried interest amounts were appropriate. In addition, FTI analyzed capital call notices and distribution notices that were received by and traced the amounts called and distributed to notices received from the underlying funds. FTI also independently confirmed distribution amounts with underlying fund managers.

FTI has in-depth experience working with sponsors of private equity funds and publicly-traded companies in evaluating adherence to the provisions of operative agreements. FTI assists clients by performing retrospective verification as well as ongoing monitoring of investor capital accounts (capital contributions, capital distributions, income/loss allocations, asset management and other type fees.) FTI is free of conflicts relating to investments, in both appearance and in fact, as FTI is not a money manager and does not manage proprietary or customer accounts. FTI is often retained to assist in investigations of alleged violations of regulatory and compliance mandates.

Our Competitive Advantage

FTI Consulting believes its success is driven by a combination of long-standing competitive strengths, including:

Preeminent Practices and Professionals

FTI Consulting's business segments include some of the preeminent practices and professionals in the industry. In December 2013, The Deal LLC's Bankruptcy League Tables ranked FTI's Corporate Finance/Restructuring segment as both the number one crisis management firm and debtor crisis management firm based on the number of active cases as of September 30, 2013. FTI's Economic Consulting segment includes six former chief economists of the Antitrust Division of the Department of Justice, as well as numerous other high-profile academic affiliates, including three Nobel Prize winners. In May 2013, FTI Consulting's Technology segment was recognized as a leader in the Gartner Magic Quadrant for E-discovery Software and the Firm's Ringtail® e-discovery software was named by KM World Magazine to its "Trend-Setting Product Award" and "100 Companies that Matter in Knowledge Management" lists in 2013.

Portfolio of Elite Clients

FTI Consulting provides services to a diverse group of clients, including global Fortune 500 companies, FTSE 100 companies, global banks, and local, state and national governments and agencies in the U.S. and other countries.

Depth of Relationships

FTI Consulting derives a substantial portion of its business from repeat clients or referrals. Many of the Firm's client relationships are longstanding and include multiple contact points within an organization, increasing the depth and continuity of these relationships. FTI Consulting focuses on cultivating relationships with financial institutions and law firms, private equity firms and other constituents in the corporate marketplace in order to maintain its prominence in the industry and further enhance the services it provides to its clients.

Team Structure

FTI Consulting assembles small, teams with highly experienced professionals and senior level team members throughout each engagement in order to provide the highest levels of client service and cost effectiveness. The engagement teams utilize resources with specialized industry or technical expertise as needed.

Integrated Approach

FTI uses a full-service integrated team approach to incorporate its financial, accounting, tax and industry expertise into each valuation engagement. In addition, its international valuation expertise, intangible asset, real estate, and machinery and equipment valuation expertise allow the engagement team to seamlessly integrate FTI's resources into the specific analyses and successfully respond to client needs.

FTI's breadth of resources also enables it to pair industry and technical specialists with investment banking professionals on transactional engagements, resulting in:

- Better ability to understand and convey to potential buyers and financing sources a company's key business drivers;
- Less up-front time needed to understand and articulate a company's key business drivers
- Enhanced ability to identify the appropriate acquirers and funding sources and to communicate with each party the unique attributes of the company;
- Keen insight into company valuation / fundamentals for each potential buyer / lender, which often translates into a higher sales price / better terms; and
- Unique capability to contact the key decision maker at each prospective buyer / lender due to the contacts FTI professionals in each vertical have developed.

Intellectual capital

FTI Consulting is able to achieve its success because it has an unrivaled pool of talent which includes former chief executives and political leaders, top ranking economists, banking and securities experts, certified turnaround specialists, former SEC professionals, certified public accountants, certified fraud examiners, chartered financial analysts and corporate investigation specialists. As a result, FTI Consulting is able to bring to bear expertise to the full spectrum of financial and transactional challenges faced by companies, boards of directors, private equity sponsors, creditor constituencies and other parties-at-interest.

3. Describe similar consulting engagements that your firm has performed within the past five years. Provide a list of similar consulting engagements that are current (in-process) and slated (your firm has been engaged, though has not commenced work) – client names may be redacted, though project scope in terms of resource requirement, timing, and deliverables should be described.

Large Public Pension Fund

FTI is currently retained by the manager of one of the largest pension funds in the United States to perform an operational due diligence review of several large private equity managers in areas that were identified by the SEC as potential areas of risk. FTI performed an onsite review of the private equity managers in areas including but not limited to fee calculations in accordance with policies, disclosure of fees, valuation policy and procedures, financial reporting policies and legal compliance. FTI's review included interviews of key management, review of all relevant policies and procedures, recalculation of fees, expenses and carried interest and review of sample valuations and calculations to evidence that policies and procedures were followed. Our review resulted in various observations and recommendations to enhance the client's due diligence questionnaire.

Between 2011 and 2014, FTI was engaged by the same pension fund to assess compliance with the operating agreements governing private equity funds, primarily with regard to management fees, investment valuations, and carried interest. FTI reviewed the calculation methodologies prescribed in the operating agreements and assessed whether management fees and carried interest amounts were appropriate. In addition, FTI analyzed capital call notices and distribution notices that were received by and traced the amounts called and distributed to notices received from the underlying funds. FTI also independently confirmed distribution amounts with underlying fund managers.

Privately-owned private equity investment firm

FTI is currently retained by a privately owned real estate investment fund with over $10 billion in Assets Under Management ("AUM"). FTI was engaged to verify the accuracy of the historical performance of the private equity firm's funds over a multiyear period. Our services include:

- Obtaining an understanding of the Funds' operating agreements and of their distribution provisions.
- Verifying the mathematical accuracy of the calculation of the performance of the funds, as prepared by the Client. Testing the property-level gross cash flows, confirming that the total gross cash flows for each investment were properly captured in the aggregate, by Fund, including layering in fund-level debt service.
- Verifying that the projected gross level and net level Internal Rate of Return ("IRR") is in accordance with the funds' operating agreements within the fund's models.
- Confirming the calculation of gross IRR, and projected distributions of combined funds and issuing a report that summarizes the work performed and our conclusions.

Global Investment Bank

FTI was engaged to perform a forensic investigation of a breakdown in internal controls and processes for an executive management compensation plan where certain members of management were provided with additional compensation based on a share of the carried interest in hundreds of real estate partnerships. Over $50 million cash distributions were erroneously paid to executive management over a five-year period from this plan. The company had erroneously recorded these excess cash distributions as receivables on its balance sheet.

The engagement required the review and analysis of multiple years of underlying real estate partnership data in order to recalculate the carried interests in each partnership and the amounts overpaid to each employee. FTI determined how the overpayment occurred by reviewing and analyzing domestic and foreign accounting records and by interviewing employees across multiple functional departments, and documented our observations accordingly.

FTI also analyzed the federal income tax impact on previously filed partnership tax returns and the effect on the parent company's corporate tax accrual and its previously filed tax returns.

FTI advised the Company of our findings and worked with the Company's internal auditors to revise internal controls to address issues related to compensation plans created as a partnership between the Company and its managers. FTI also worked with the Company to determine the impact of these overpayments on the parent company's publicly filed financial statements, based on Generally Accepted Accounting Procedures.

The Praedium Group (ongoing services):

FTI has been retained by The Praedium Group ("Client"), a privately-held real estate investment firm specializing in sponsoring and managing private equity funds, as well as other separate investment vehicles that invest in middle-market assets, each generally between $10 and $75 million in total cost, particularly in North America, and with an historical focus on the Midwest and Pacific Northwest regions. Since 1991, this client has invested approximately $9.3 billion of capital on behalf of its investors. FTI has been retained to provide outsourced financial reporting services on a monthly, quarterly and annual basis. Our services include:

- Reviewing the funds' partnership agreements, as well as the funds' offering documents to obtain information regarding accounting and other matters required for FTI to perform the services.
- Recording the following:
    - Contributions (Capital Calls) from partners
    - Distributions to partners including return of and on capital as defined in the partnership agreements
    - Operating expenses
    - Fair value adjustments, based on valuations from third providers (asset appraisals) run through property-level waterfall models and reviewed by Client
    - Asset Management fees based upon committed our outstanding capital
    - Investment transactions - purchases and sales, based on data feed from Client's cash records
    - Investment income

    - Interest and dividend income
- Tracking remaining commitments
- Computing allocation of profits and losses (including preferred returns and carried interest) on a per partner basis
- Maintaining detailed work paper packages on behalf of our Client that document the following:
    - Waterfall calculation and support
    - Balance sheet investment values provided by Client via third party pricing services
    - Management fee support
    - Capital account roll forwards
    - Individual partner's Capital Account statements on a current period and inception to date basis

Asset Manager that is the sponsor of over $76 billion of open and closed end funds (engaged but work yet to commence):

FTI has been retained to perform quarterly and annual financial reporting and other consulting services for a closed-end fund that invests in first mortgage loans on commercial real estate, commercial mortgage backed securities ("CMBS"), including CMBS B-Pieces; subordinated commercial mortgage loans, including B-Notes; and mezzanine loans secured by equity interests in commercial real estate. Our services include procedures similar to those described above for the Praedium Group.

4. List institutional clients (public and private pension funds, endowments, and foundations) served by your firm relating to this type of consulting service including:

a. Name and type (i.e., public fund, corporate plan, foundation, endowment, etc.) of organization

b. Total assets under management

c. Asset allocation

d. Client mandate

e. Dates of consulting service

Name	AUM	Asset Allocation	Client Mandate	Dates
CalPERS	$300B	53.6% Global Equity 9.6%Private equity 18.3% Income 10% Real Assets 1.1% Other (as of 3/31/15)	Confidential	Multiple engagements from 2011 – present
The Praedium Group	$2.2B	100% Real Assets	**See response to Question 3**	Current
Apollo Global Real Estate Management	$8.9B	100% Real and Real Estate Finance Assets	Confidential	Current
Western Asset Mortgage Capital Corp	$3.9B	100% Real and Real Estate Finance Assets	FTI acts as outsourced corporate accounting group for this externally managed mortgage REIT	Current
Invesco Real Estate Advisors	$20B	100% Real and Real Estate Finance Assets	FTI acts as outsourced corporate accounting group for this externally managed mortgage REIT	Current
CalSTRS	$184B	57.3% Global Equity 15.5% Fixed Income 11.7% Real Estate 11.5% Private equity 2.5% Cash 1.5% Other (As of 6/30/14)	Confidential	October '15 to Present

4. Provide three references for which you have provided comparable management fee recalculation, verification, and validation consulting services. Provide name, title, and contact information of individuals that can attest to the quality of your firm's work.

Name	Organization	Title	Phone	Email
Réal Desrochers	CalPERS	Managing Investment Director	(916)795-1282	Real_Desrochers@CalPERS.ca.gov
Christine Gogan	CalPERS	Senior Portfolio Manager	(916) 795-9738	Christine_Gogan@calpers.ca.gov
Marte Castanos	CalPERS	General Counsel	(916) 795-3675	Marte_Castanos@CalPERS.CA.GOV
Ronald Strobl	The Praedium Group	CFO/CCO	(212) 224-5626	Rstrobl@praediumgroup.com
Stuart Rothstein	Apollo Global Real Estate Management	Partner and COO	(212) 822-0722	srothstein@apollolp.com
Steven Sherwyn	Western Asset Mortgage Capital Corp	CFO/ Treasurer	(212) 601-6269	Steven.sherwyn@westernassetmcc.com
Lee Phegley	Invesco Real Estate Advisors	CFO	N/A	leephegley@invesco.com

5. Provide the name and title of each key staff member that may potentially work on this project and describe their competency, knowledge, and qualifications with particular emphasis on experience related to the recalculation, verification, and validation of private equity management fees, expenses, and carried interest.

Please refer to Appendix A for the biographies of the FTI professionals listed below who may work on this project. All individuals have experience with the recalculation, verification, and validation of private equity management fees, expenses, and carried interest and were involved in the projects discussed in our response to question 3.

Name	Title
Scott Friedland	Senior Managing Director
Phil Stern	Senior Managing Director
Scott Carnahan	Senior Managing Director
Glenn Myers	Managing Director
Michael Garibaldi	Senior Director
Clara Chin	Senior Director
Duane Campbell	Senior Director
Jahn Brodwin	Senior Managing Director
Mark Chertok	Senior Managing Director
Ingrid Noone	Senior Managing Director
Kenneth O'Brien	Managing Director

6. Provide an organizational chart and corresponding table to identify all full-time professionals, part-time professionals, and consultants engaged in providing services to your client base. Provide the tenure (year joined) of each employee.

As previously mentioned, FTI employs over 4,000 client service professionals based in over 24 countries worldwide. The table below lists the estimated headcount in various service areas. The services requested by LACERA would be categorized as "Investment/Operational Due Diligence".

Service Area	Total number of employees at the firm employed in this area
Investment/Operational Due Diligence	>100
General Investment, Portfolio Analysis, Monitoring and Research	>50
Financial and Banking Consulting Services	>40
Tax and Accounting Services	>130

7. Provide a table describing turnover (departures and new joiners) over the past five years; next to each individual's name, include their title at the time of departing or joining your firm, the year that they joined, and year they departed (if relevant), as well as the reason for the personnel change (hire or departure).

The requested information is confidential. As previously mentioned, FTI employs over 4,000 client service professionals based in over 24 countries worldwide.

The table below summarizes some of the firm's most noteworthy changes in leadership and strategic acquisitions within the past 5 years

Date/Year	Event
1/20/2014	Steven H. Gunby became President and CEO of FTI Consulting
8/25/2014	David Johnson joins FTI leadership as Chief Financial Officer
8/25/2014	Holly Paul joins FTI leadership as Chief Human Resources Officer
8/25/2014	Paul Linton joins FTI leadership as Chief Strategy and Transformational Officer
2011	FTI Consulting acquires LECG adding 200 client service professionals from Europe Latin America and the United States
2010	FTI Consulting acquires FSA Asia Advisory Limited, expanding the Firm's corporate finance, restructuring and turnaround capabilities in Asia

8. Provide the method that your firm will use to select the sample size of funds from the private equity portfolio for the recalculation of past management fees, expenses, and carried interest paid to the general partner of the fund, and, carried interest received by LACERA, for the Retrospective Task. In addition, describe the process that your firm will use to obtain the information and data as specified in Exhibit B.

First, FTI will compile the complete universe of funds managed by the Top 40 managers as identified by LACERA. The required sample size will be a function of that number, as well as the client's and FTI's view of the required level of precision and confidence for the estimate resulting.

For example, at a level of precision of ± 5%, and a level of confidence of ± 5% ("we can be 95% sure that the overall incidence of misconduct will be within ± 5% of our estimate"): If 200 funds meet the foregoing requirement, a sample of 132 is needed, whereas if only 50 do, a sample of 45 is needed, required sample size as a proportion of the population being an asymptotic function of the size of the population.

It is important to note that under this procedure (and granted certain commonly-employed assumptions), we can be certain that the sample will be representative only of all funds meeting the manager requirement imposed.

FTI will obtain the information and data necessary to perform the required services from LACERA or the fund managers. LACERA likely has "books and records" rights for its investments. Accordingly, if LACERA does not have the necessary information, LACERA can exercise its rights to obtain such data from the fund managers/General Partners (or designate FTI as an agent to obtain the information).

9. Provide the method that your firm will use to conduct the continuous monitoring, validating, and reconciling of all capital call and distribution notices to ensure that each notice meets the limited partnership's terms and conditions for the On-Going Task. In addition, describe the process that your firm will use to obtain the information and data as specified in Exhibit C.

Not applicable. FTI's proposal pertains solely to the Retrospective Task as defined in the RFP.

10. Provide two sample reports resulting from similar consulting services performed by your firm.

Sample reports are provided in Appendix B.

11. Describe any known or perceived conflicts of interest which may result if your organization were engaged to perform this consulting service. Has your firm provided consulting or money management services to LACERA or Los Angeles County within the past five years? If so, please describe.

FTI has not provided investment consulting or money management services to LACERA or Los Angeles County within the past five years.

FTI is a global firm and, through its practice groups and affiliated entities, provides a variety of services to third parties on a non-exclusive basis including by way of example and not limitation, Forensic and Litigation Consulting, Technology Services, Corporate Finance/Restructuring, Economic Consulting, and Strategic Communications. Prior to accepting a new engagement, we conduct a case-by-case evaluation which takes into consideration a number of criteria including:

- The nature of the engagement and the issues presented.
- The type of services being requested.
- The nature and extent of our relationship with the involved clients and which of our various business segments are used by those clients.
- The nature and subject matter relationship of prior engagements for the involved clients or on identical or closely related issues.
- The adequacy of FTI's ability to protect client information.

Additionally, both Compass Lexecon and FTI Technology are wholly-owned subsidiaries of FTI Consulting, Inc. Except in unusual circumstances, we view these practice areas as separate, and absent a legal conflict of interest, available to all clients on any matters.

FTI may institute ethical screen procedures in situations where its experts or consultants are engaged in matters which may be perceived as either adverse to a client or related to another client matter. These ethical screen procedures (which are recognized as appropriate tools by courts) protect sensitive client information from unauthorized access by, or disclosure to, persons who are not part of the client engagement team.

FTI Consulting is not an accounting firm and does not provide audit services. As such, its professionals are able to serve as independent advisors without many of the limitations on their ability to provide advice and with limited conflicts of interest. This provides a significant competitive advantage over FTI Consulting's competitors in the field.

12. State the all-inclusive fee (including out-of-pocket-cost) your firm will charge to perform the Retrospective Task. Provide an estimated time of completion.

FTI's fees for the Retrospective Task are estimated to be $350,000. This estimate assumes that 40 funds (one fund from each of the Top 40 Managers) will be selected for testing. In addition, should significant discrepancies arise that require further investigation, FTI professionals will be billed at hourly rates to be agreed upon between FTI and LACERA prior to commencing any additional procedures

13. State the fee (including out-of-pocket-cost) your firm will charge to perform the On-Going Task.

Not applicable. FTI's proposal pertains solely to the Retrospective Task as defined in the RFP.

APPENDIX A – BIOGRAPHIES

Scott D. Friedland, CPA/ABV, CFA, CFE

Senior Managing Director — Forensic & Litigation Consulting

scott.friedland@fticonsulting.com

Three Times Square

11th Floor

New York, NY 10036

Tel: +1 212 841 9379

Fax: +1 212 841 9350

CERTIFICATIONS

Certified Public Accountant, New York

Accredited in Business Valuation

Chartered Financial Analyst

Certified Fraud Examiner

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants

Association of Certified Fraud Examiners

CFA Institute

Institute of Business Appraisers

New York Society of Security Analysts

New York State Society of Certified Public Accountants

EDUCATION

B.S. in Economics, Wharton School of the University of Pennsylvania

Scott Friedland is a Senior Managing Director in the FTI Consulting Forensic & Litigation Consulting practice and is based in New York. For the past 15 years, Mr. Friedland has provided auditing, accounting and investigative expertise to attorneys in litigated and arbitrated disputes. Mr. Friedland has provided advice in matters involving purchase price disputes, shareholder disputes, accountant malpractice, fraudulent conveyances, financial services and banking litigation, business interruption, breach of contract and fraudulent financial reporting. He has provided expert testimony, has assisted counsel in independent corporate investigations and has served as the accountant to the receiver of several companies. Mr. Friedland is the responsible officer of Enterprise Mortgage Acceptance Company (EMAC), a former originator and servicer of CMOs.

Mr. Friedland has been involved in investigations and matters where accounting malpractice was alleged in the performance of audits of publicly traded companies in a variety of industries including manufacturing, waste management, retail and financial services. Mr. Friedland has analyzed claims of malpractice involving security prices in hedge funds, interest rate swaps and swaptions.

Mr. Friedland has more than 17 years public accounting experience in audit and consulting services. Most recently, he was a senior manager in the dispute consulting practice of Deloitte & Touche before joining FTI Consulting in 2000. Mr. Friedland has experience with a broad range of industries including financial services, banking, real estate, entertainment, retail, health care and not-for-profit organizations. He has been involved with the audits of companies in regards with initial public stock and debt offerings and annual and quarterly registration statements for foreign and domestic publicly traded companies. Mr. Friedland was also a senior financial analyst for a regional real estate developer and operator.

Mr. Friedland is a frequent lecturer on accounting, auditing and valuation topics. He has co-written “Managing Risks in Interest Rate Swaps” for Barron’s and authored “Marking to Myth” for PEI Manager.

Mr. Friedland holds a B.S. in economics from the Wharton School of the University of Pennsylvania. He is a Certified Public Accountant, a Certified Fraud Examiner, and a Chartered Financial Analyst. Mr. Friedland is a member of the American Institute of Certified Public Accountants, Association of Certified Fraud Examiners, CFA Institute, Institute of Business Appraisers, New York Society of Security Analysts, and New York State Society of Certified Public Accountants. He is also a former officer and director for Transportation Alternatives, a not-for-profit organization.

Philip H. Stern, J.D.

Senior Managing Director – Forensic & Litigation Consulting

Philip.Stern@fticonsulting.com

Three Times Square

11th Floor

New York, NY 10036

Tel: +1 212 841 9342

CERTIFICATIONS

Licensed to practice law in The State of New York

The United States Supreme Court

The United States District Court for the Southern District New York

The Eastern District New York

PROFESSIONAL AFFILIATIONS

ABA Health Law Section

American Bar Association

Association of Corporate Counsel

International Association of Independent Private Sector Inspector Generals

New York Bar Association

NYSBA Health Law Section

NYSBA Commercial & Federal Litigation Section

EDUCATION

B.A., History and Political Science, Alfred University

J.D., New York University School of Law

Philip Stern is a Senior Managing Director at FTI Consulting and is based in New York. Mr. Stern has 43 years of private sector consulting and federal, state and city government experience in corporate and banking fraud, financial institutions fraud, litigation consulting, and crisis management.

Mr. Stern has considerable experience in matters involving corporate and health-care fraud, antitrust investigations, bankruptcy fraud, government fraud, intellectual property theft and regulatory compliance violations. He has also performed large-scale international internal investigations and fraud investigations involving millions of dollars in lost and diverted funds. Mr. Stern headed FTI Consulting's Independent Examiner Team monitoring AML compliance by Bank of New York/ Mellon under their Non-Prosecution Agreements. Mr. Stern's team was responsible for oversight and assessment of the Bank's compliance program, including AML surveillance, KYC processes, and suspicious activity reporting. The team reported compliance to the US Attorneys' offices for the EDNY, SDNY and the Western District of Pennsylvania, as well as various federal and state regulators. Mr. Stern was retained by the Trustee on Bernard L. Madoff Investment Securities matter as co-leader of the global FTI Consulting team providing investigative support to the Trustee and his counsel.

Prior to joining FTI Consulting in 2000, Mr. Stern served as Senior Managing Director and Counsel at Decision Strategies/Fairfax International (DSFX), an international private investigation and security consulting company. During his 11 years with the firm, he conducted fraud investigations in the U.S. and internationally. Prior to joining DSFX, Mr. Stern was the Long Island Regional Director of the New York State Special Prosecutor's Office in charge of investigating and prosecuting fraud in the $10 billion Medicaid supported health care delivery system. In addition, Mr. Stern served as a Special Assistant United States Attorney in the Southern District of New York from 1986 to 1989. In this role, he was responsible for prosecuting joint federal/state crimes against the government-funded Medicaid system.

Mr. Stern gained valuable experience from 1975 to 1988 as Deputy Regional Director in the New York State Attorney General's office. Prior to that, Mr. Stern served as Administrative Assistant to the Commissioner of the New York City Department of Investigation, where he directed major investigations and prosecutions of white-collar corruption in city, state, and federal government programs.

Mr. Stern has written articles on issues involving corporate governance, fraud prevention and compliance. His articles, "IPSIG's: One Solution to Ensure International Transparency" and "Compliance Programmes and International Corporate Misconduct," were published in Director's Monthly by the National Association of Corporate Directors in May 1998 and Transparency International Newsletter in June 1996, respectively. "Private Search Warrants for Civil Fraud: Authorities from the Intellectual Property Field" was published in Civil Prosecution News in 1994.

Mr. Stern is a frequent media commentator in the national press, including television and radio, and a frequent speaker on topics such as terrorism, fraud, security, asset tracing, investigative techniques, Sarbanes-Oxley, electronic discovery and trial techniques.

Mr. Stern holds a B.A. in history and political science from Alfred University and a J.D. from the New York University School of Law. He is licensed to practice law in State of New York and various federal courts, including the United States Supreme Court and United States District Court for the Southern District New York and Eastern District New York.

Scott W. Carnahan, CPA

Senior Managing Director — Forensic & Litigation Consulting

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CERTIFICATIONS

Certified Public Accountant, California

PROFESSIONAL AFFILIATIONS

American Institute Certified Public Accountants

California Society of Certified Public Accountants

PennyMac Mortgage Investment Trust (PMT) 2009 to present

EDUCATION

MBA, Accounting and Securities, University of California- Irvine

B.A., Economics, University of California- Irvine

Scott Carnahan is a Senior Managing Director at FTI Consulting and is based in Los Angeles. Mr. Carnahan has over 30 years accounting, consulting and management experience in the financial institutions industry. He is a Certified Public Accountant, and his background includes a CPA and Partner in accounting, audit and advisory services with KPMG LLP from 1982 through 2007, where he focused extensively on financial institutions and mortgage lending clients.

At KPMG Mr. Carnahan served as a Partner based in Southern California with responsibilities that included Audit Engagement Partner and specialized consulting for numerous large and small banks and other financial institutions. He also served as a National Director of KPMG's Advisory Services, directing audit and consulting resources on major projects nationally, and consulting on complex and structured transactions, loss analysis, regulatory compliance capital markets and valuations at some of the largest banks and financial institutions in the U.S.

Mr. Carnahan has provided financial, regulatory compliance and accounting consulting services to a variety of financial institutions and lending organizations. He has also served as an expert witness and litigation consultant on financial institutions accounting, reporting, financial and damages matters, loan loss policies/practices, valuations, and complex/structured transactions. In addition he previously served as interim CFO at a publicly traded mortgage finance company, and as President of a national mortgage lender. He is currently a Board of Trustee member for a public mortgage REIT.

Professional Experience

Carnahan Black Pearl Consulting (2007 – 2014)

Principal & Financial Consultant

Firm providing consulting to financial institutions as well as litigation consulting/expert witness services. Consults with banks, finance and mortgage companies re: financial reporting, capital/debt adequacy and restructuring, accounting issues and rules, financial asset valuations (loans, securities, mortgage), etc. Litigation consulting and expert witness assignments have encompassed accounting practices/standards, loan and other asset purchase/sale transactions, loans/securities valuations and losses, etc.

KPMG, LLP (1982 – 1998; 2000 – 2007)

National Director of Advisory Services, Structured Finance Group (1997/8; 2000 - 07)

- Conceived, developed and led nationwide group providing structured finance and complex transaction consulting services to financial institutions and KPMG financial institution audit teams.

- Services included specialized expertise for analysis, accounting and audits at some of the largest banks, lenders and specialty finance companies in the U.S. Scope included complex transactions, due diligence, valuations, loan loss allowance/reserve analysis and methodologies. Activities involved over $2 trillion of structured transactions and many trillions in securities, servicing portfolios and other complex transactions.

Audit Partner: Los Angeles, CA (1991-1997)

- Directed and guided audit teams of professionals on engagements for audits, initial public offerings (IPO), mergers and acquisitions (M&A) and bank and thrift regulatory compliance consulting services. Clients included a large number of large and small banks, mortgage banks and other financial institutions.
- Served as National Instructor for technical training in asset/loan portfolio valuation, risk management, credit analysis securities, derivatives, and hedge accounting. Extensive model development for analysis of complex structured finance transactions. Assisted financial institutions in numerous IPOs and M&A due diligence

Audit Manager/Staff, Los Angeles, CA (1982-1991)

Position of increasing responsibility from entry level Auditor to Senior Audit Manager. Performed and directed audit and consulting engagements, specialized in banks, financial institutions and investment companies.

DITECH.COM (1998 – 1999)

President

Recruited to national prime mortgage bank with retail origination and servicing operations. Led exploration of IPO market and eventual sale to GMAC. Direct responsibility for operations, underwriting, CFO/financial management, and technology.

Expert Testimony

- *Bank of America v. ABN AMRO BANK N.V.*, Deposition
- *FDIC v. IndyMac Bank Officers*, Deposition and Testimony
- *FDIC v. County Bank Directors*, Testimony
- *Equity Bank v. U.S. Bank National Association,* Deposition

Publications

- Published article in *Journal of Structured Finance* “Home Equity Line of Credit Securitization: Issuer Issues”, fall 2005.

Jahn Brodwin

Senior Managing Director

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About

Jahn Brodwin is a Senior Managing Director at FTI Consulting and is based in New York. Mr. Brodwin is in charge of the firm's Real Estate Solutions practice New York office. He advises the firm's public and private clients on debt and equity transactions, real estate acquisitions, property and corporate due diligence and capital markets matters. Mr. Brodwin has expertise in all property types, including retail, office, residential, hospitality and industrial.

Mr. Brodwin has more than 25 years of broad-based financial, accounting and SEC experience. He has earned a national reputation for guiding noteworthy transactions in the real estate and financial services industries and has assisted companies through public and private offerings.

Prior to joining FTI Consulting, Mr. Brodwin was with Ernst & Young’s, Kenneth Leventhal Real Estate Group where he focused on auditing, REIT IPOs and financial due diligence, as well as forensic accounting.

Mr. Brodwin is a frequent speaker at conferences and seminars around the country and is often quoted in industry publications. Some of his topics have included real estate opportunity fund formations, financial due diligence, general real estate market conditions and compensation structuring.

Mr. Brodwin holds a B.A. in accounting from the State University of New York, and is a Certified Public Accountant in New York and New Jersey. He is a member of NAIOP, NAREIT, the Urban Land Institute and the American Institute of Certified Public Accountants.

Certifications

Certified Public Accountant, New Jersey, New York

Professional Affiliations

American Institute of Certified Public Accountants

National Association of Industrial and Office Properties (NAIOP)

National Association of Real Estate Investment Trusts (NAREIT)

New Jersey State Society of Certified Public Accountants

New York State Society of Certified Public Accountants

Urban Land Institute

Education

B.A. in Accounting, State University of New York in Old Westbury

Mark Chertok

Senior Managing Director

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Certifications

Certified Public Accountant, New York

Professional Affiliations

American Institute of Certified Public Accountants

New York State Society of Certified Public Accountants

Education

B.S. in Accounting, New York University

About

Mark Chertok is a Senior Managing Director at FTI Consulting and is based in New York. Mr. Chertok is a member of the FTI Real Estate Solutions practice where he directs the Financial Outsourcing group.

Mr. Chertok is a well-known expert in the real estate industry. Mr. Chertok has over 20 years of experience in forensic accounting and real estate partnership dispute issues. Most recently, Mr. Chertok led a forensic investigation for a large investment bank related to cash distributions from a series of real estate funds and the related foreign tax payments made by those funds. The investigation also included an assessment of the bank's underlying internal controls over these processes. He has over 30 years of experience within the domestic and international real estate and financial services industries and is widely regarded for his expertise in outsourcing, crisis management, investigations, and forensic analysis, real estate finance, IPOs, M&A and due diligence. Mr. Chertok also has extensive experience working-out complex defaulted real estate loans.

Prior to joining FTI Consulting, Mr. Chertok worked as an independent financial consultant with such companies as Petra Capital, Ruben Companies, Ladder Capital Finance and MUUS Asset Management. Prior to this he served as the executive vice president and CFO for the El-Ad Group in New York, a fully-integrated real estate company that acquires, redevelops, converts, develops, and owns primarily residential properties for sale or rent in urban, high-density markets in the United States and Canada. Prior to El-Ad, Mr. Chertok was Chief Financial Officer of NorthStar Realty Finance Corp., a mortgage real estate investment trust and NorthStar Capital Investment Corp. where he led its successful IPO in 2004. Prior to Northstar, he was the chief financial officer and a principal of Emmes & Company LLC, an opportunistic real estate investment company. Previous to Emmes Mr. Chertok was a partner at two public accounting firms, Margolin, Winer & Evens LLP and Laventhol & Horwath and was involved in all aspects of client service including accounting, tax and management advisory services, with a specialization in providing services to the real estate industry.

Mr. Chertok holds a B.S. in accounting from New York University, and is a Certified Public Accountant in New York. He is a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants.

Ingrid R. Noone

Certifications

Certified Public Accountant, New Jersey

Professional Affiliations

American Institute of Certified Public Accountants

Industrial/Commercial Real Estate Women (ICREW)

International Council of Shopping Centers (ICSC)

National Association of Industrial and Office Properties (NAIOP)

National Association of Real Estate Investment Trusts (NAREIT)

New Jersey State Society of Certified Public Accountants

Education

B.S. in Accounting, Rutgers University School of Business

Senior Managing Director

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About

Ingrid R. Noone is a Senior Managing Director at FTI Consulting and is based in Roseland, NJ. Ms. Noone is a member of the FTI Real Estate Solutions practice. She has over 20 years of experience focused exclusively on the real estate industry. Ms. Noone advises the firm's real estate clients in key areas including debt and equity transactions, transaction structuring, property and corporate due diligence, real estate development and strategic business planning. She has extensive experience in accounting outsourcing and financial reporting for real estate joint ventures and funds including cash flow modeling, waterfall computations, asset valuation, and fair value reporting of real estate assets and return analyses. Ms. Noone has also advised clients on internal controls and accounting policies and procedures. Ms. Noone has advised many clients on transaction disputes within partnership structures and has worked on various forensic assignments. In addition, she has structured working capital settlements in corporate level acquisitions. Ms. Noone has worked on many of the real estate industry's leading transactions serving clients such as Anglo Irish Bank, Beacon Capital Partners, Broadway Partners, Canada Pension Plan Investment Board, Gramercy Capital Corp., Investcorp Properties Ltd, JP Morgan Real Estate, Mack-Cali Realty Corp., SL Green Realty Corp., Stonehenge Partners, TD Bank, and Westbrook Partners, LLC.

Ms. Noone began her career at The Schonbraun McCann Group, a dedicated real estate accounting and consulting firm, in the assurance and tax compliance area where she focused primarily on real estate owners, operators and developers and developed a strong background in related accounting and tax issues. She then transitioned to the firm's transactions group and was named a partner in 2003.

Ms. Noone holds a B.S. in accounting from Rutgers University School of Business and is a Certified Public Accountant in New Jersey. She is a member of the American Institute of Certified Public Accountants and the New Jersey State Society of Certified Public Accountants as well as NAREIT, ICREW, ICSC and NAIOP.

Glenn D. Meyers, Ph.D.

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PROFESSIONAL AFFILIATIONS

American Economic Association

EDUCATION

Ph.D., Economics, with Honors, Columbia University (Herbert H. Lehman Fellow)

B.A., Economics, *cum laude*, Columbia College

Dr. Meyers is a Managing Director at FTI Consulting and is based in New York. He specializes in the application of economic, financial and statistical analysis to issues arising in commercial disputes, regulatory policy formulation and enforcement, and corporate strategic planning. He has authored studies, advised governments, and submitted expert testimony in federal court, state and county courts, arbitration and regulatory proceedings, and before the U.S. Senate. In a wide range of disputes relating to securities, intellectual property, antitrust, international trade, and general contract law, he has provided economic and related analyses addressing both liability and damages. With respect to corporate planning, he has advised companies on economic aspects of mergers and acquisitions, regulatory compliance, overseas investment, and human resource development. Industries studied in depth include financial services, manufacturing, chemicals and pharmaceuticals, transportation and distribution, construction, energy, telecommunications, electronics, and agriculture.

Dr. Meyers received his Ph.D. in economics, with Honors, at Columbia University, where he was a Herbert H. Lehman Fellow (concentration in the subjects of Industrial Organization and International Trade and Finance). He received his B.A. degree in economics, cum laude, at Columbia College. He has served on the adjunct faculties of Columbia University and Fordham University School of Law, and is a member of the American Economic Association.

Kenneth J. O’Brien

Managing Director

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Certifications

Certified Public Accountant, New Jersey

Professional Affiliations

American Institute of Certified Public Accountants

New Jersey Society of Certified Public Accountants

Education

B.S and M.S. in Accounting, Rutgers University

About

Kenneth J. O’Brien is a Managing Director at FTI Consulting and is based in Roseland, NJ. Mr. O’Brien is a member of the Real Estate Solutions practice and specializes in Financial Outsourcing services. He has over 16 years of public accounting experience and has focused exclusively in the real estate industry for the past 11 years. During this time, Mr. O’Brien’s responsibilities have included auditing, tax consulting, financial due diligence and advisory services for public and private real estate companies and real estate funds.

Mr. O’Brien has SEC, GAAP and income tax basis financial reporting experience. He manages a group that acts as the outsourced accounting department for both public and privately held real estate and real estate finance companies. Mr. O’Brien has managed financial statement conversion projects for private companies going public and has developed and managed the implementation of accounting and financial reporting systems for publicly traded mortgage REITs. He also acts as the outsourced CFO/controller for certain of his clients.

Prior to joining FTI Consulting, Mr. O’Brien was with O’Reilly, Baime, Walch, Backer & Company, LLC, a certified public accounting firm which merged into The Schonbraun McCann Group, a dedicated real estate advisory firm that was acquired by FTI Consulting. His responsibilities included providing attest and non-attest services to clients of various industries.

Mr. O’Brien holds a B.S. and M.S. in accounting from Rutgers University and is a Certified Public Accountant in New Jersey. He is a member of both the New Jersey Society of Certified Public Accountants and the American Institute of Certified Public Accountants.

Michael Garibaldi, CPA

Senior Director — Forensic & Litigation Consulting

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CERTIFICATIONS

Certified Public Accountant

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants

California Society of Certified Public Accountants

EDUCATION

B.S., Business Administration, California Polytechnic State University – San Luis Obispo

Richmond American International University – Florence, Italy; coursework in International Business and Economics

Michael Garibaldi is a Senior Director at FTI Consulting and is based in San Francisco. He uses his experience in accounting and finance to manage complex commercial litigation engagements and forensic accounting investigations. Prior to joining FTI Consulting, Mr. Garibaldi was a Senior Consultant in the Forensic Accounting practice at LECG.

Mr. Garibaldi began his career as an auditor at PricewaterhouseCoopers, where he managed audit engagements for clients concentrated in the investment management industry. Specifically, Mr. Garibaldi focused on financial statement and internal controls/Sarbanes-Oxley audits of public and private asset managers, mutual funds, hedge funds, and not-for-profit entities.

Mr. Garibaldi's litigation and dispute advisory services experience includes assisting domestic and international clients in high-stakes commercial disputes. He assists in-house and external counsel in matters involving accounting analysis and the economics and financial analyses of complex transactions and damages resulting from a variety of civil claims.

Mr. Garibaldi has served clients in a wide array of industries, including financial services, oil and gas, life sciences, software, and sports and entertainment. In addition, Mr. Garibaldi serves as the client service director for one of the largest public pension funds in the United States. In this role, he has provided myriad forensic accounting, compliance, and investigative services.

Mr. Garibaldi graduated with honors from California Polytechnic State University – San Luis Obispo, where he earned a B.S. in business administration, with concentrations in public accounting and financial management. Mr. Garibaldi is also an Adjunct Professor at Golden Gate University, where he teaches a forensic accounting course on conducting independent corporate financial investigations. Mr. Garibaldi is a Certified Public Accountant.

Clara Chin, CPA, CFE

Senior Director- Forensic and Litigation Consulting

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Certifications
Certified Public Accountant, Maine

Certified Fraud Examiner

Professional Affiliations
New York State Society of Certified Public Accountants

American Institute of Certified Public Accountants

Association of Certified Fraud Examiners

Education
B.A. in Economics, Barnard College

M.S. in Accounting, Queens College at CUNY

Clara Chin is a Senior director in the FTI Consulting Forensic and Litigation Consulting segment and is based in New York. Ms. Chin has over 5 years of experience in providing consulting services related to financial services and banking litigation, accountant malpractice, fraudulent conveyances, breach of contract, fraudulent financial reporting, violations of the Foreign Corrupt Practices Act ("FCPA") and other litigation matters.

Prior to joining FTI Consulting, Ms. Chin was a Senior Associate in PwC's Assurance practice in New York. During her PwC career in audit, Ms. Chin supported audit engagements of investment management companies with securities pricing and portfolio valuations. In addition, Ms. Chin has experience as an Associate in PwC's International Tax practice in New York.

Ms. Chin holds a B.S. in economics from Barnard College and a M.S. in accounting from Queens College. She is a Certified Public Accountant in Maine and a Certified Fraud Examiner. She is a member of the American Institute of Certified Public Accountants, New York State Society of CPAs and Association of Certified Fraud Examiners.

Professional Experience

Forensic Accounting and Financial Investigations

- Investigation of FCPA violations for a defensive security products manufacturer. Investigation involved analysis of six years of financial data in multiple locations, the results of which were reported to the Department of Justice and the SEC.
- Audit committee investigation into whistleblower allegations involving a reinsurance company. Investigation included analysis of deposit accounting, risk transfer provision assessment, prospective v. retroactive accounting for reinsurance contracts and corresponding electronic evidence review.
- Audit committee investigation involving allegations of channel stuffing, trade loading and sales with guaranteed rights for the Korean subsidiary of an SEC registrant. Investigation involved analysis of five years of data and electronic evidence review, the results of which were reported to the SEC.
- Audit committee investigation of South American subsidiary of an SEC registrant. Involved analysis of seven years of financial data to investigate alleged manipulation of earnings through reserve accounts, revenue recognition issues and misappropriation of assets.
- Independent internal investigation surrounding the defalcation and embezzlement by a former employee of an insurance company, including a review of the company's internal control procedures. Investigative findings, including observations and recommendations surrounding the lack of internal controls, were delivered to the Audit Committee.
- Independent investigation in conjunction with the New York City Department of Investigation concerning the embezzlement of subsidy payments by a former employee of a city agency. Investigative findings, including internal control recommendations, were delivered to the Department of Investigations.

- Audit Committee investigation surrounding potential improper revenue recognition by a multinational data warehousing company. Performed analyses on the accounts receivables and accounts payable to determine whether bribe payments were made in violation of the FCPA and determined compliance with revenue recognition guidelines.
- Audit Committee investigation surrounding alleged bribery by a multinational liquor company to a South Korean tax official. Analysis included interviews of key individuals, and the review of thousands of travel and entertainment expenses for evidence of potential illegal payments to government officials in violation of FCPA guidelines.
- Performed a forensic review of the budget and use of specific tax funds of a New York municipality over several years, including a report of internal control recommendations for budgeting and approval processes.

Expert Witness and Litigation Support

- Preparation of solvency analysis and expert report in relation to alleged fraudulent conveyance of property owned by a bankrupt hospital. Involved a solvency analysis at multiple dates and corresponding analysis of relevant causation factors.
- Preparation of a valuation analysis and expert rebuttal report related to a privately held paper cutter manufacturing business.
- Preparation of a damage analysis and expert rebuttal report related to an alleged breach of contract matter between a hair care distribution company and its supplier.
- Assisted in a breach of contract matter involving sales and delivery agreements for a uranium mining concern. Calculated breach of contract damages according to the agreements. Also assisted in the preparation of expert report, deposition of witnesses and critique of opposing expert reports.
- Preparation of a solvency analysis and expert rebuttal report related to the redemption of trust preferred shares by the collateral manager.
- Litigation support involving the hedge fund of a failed investment bank. Analyzed procedures related to approval of proprietary trades and assessed existence of trade manipulation.
- Valuation of swaps of a failed investment bank to assist with the settlement process between the bank and its counterparties.

Employment History

FTI Consulting, Director, New York, January 2007 - present

FTI Consulting, Senior Consultant, New York, June 2005 – December 2006

PwC, Senior Associate, New York, October 2003 – June 2005

PwC, Associate, New York, January 2001 – October 2003

Duane Campbell

Senior Director – Forensic & Litigation Consulting

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CERTIFICATIONS

Chartered Financial Analyst (CFA)

PROFESSIONAL AFFILIATIONS

Member, Chartered Financial Analyst Institute (CFA Institute)

EDUCATION

MBA, University of Maryland, Smith School of Business

B.A, Economics and Business Administration, McDaniel College

Duane Campbell is a Senior Director at FTI Consulting and is based in the firm's Los Angeles office.

Duane uses his deep experience and background in forensic accounting and finance to assist his clients in dealing with complex and sensitive issues arising from internal and independent forensic accounting investigations, business disputes, litigation and alternative dispute resolution involving, among other things, improper accounting, potential fraud, theft or misappropriation of funds.

Duane's industry experience includes financial services, insurance, media, consumer packaged goods, technology, telecommunications and the not-for-profit sector. Duane has served as a trusted advisor in a forensic investigative capacity for a wide range of clients including the U.S. Attorney's Office, state regulatory bodies, boards of directors, executive management, and both internal and external counsel.

Duane holds an MBA from the University of Maryland, College Park, and B.A. in economics and business administration from McDaniel College in Westminster Maryland.

Duane also holds the CFA designation from the Chartered Financial Analyst Institute.

Professional Experience

Forensic Accounting, Investigations and Financial Restatements

- Performed an investigation into the suspicions of fraud and theft committed by the former owners of a large, privately held stock transfer agent. The investigation was conducted at the request of the company's state regulators and was overseen jointly by outside counsel, executive management of the company, and a special committee of the company's board of directors. Investigative procedures included more than 80 hours of extensive interviews of more than 25 current and former employees of the company, including the former owners and former executives. In addition, we performed a complex funds tracing exercise related to hundreds of thousands of transactions, amounting to trillions of dollars, which were conducted over the course of 4 years. Other investigative procedures involved an analysis of the company's historical financial statements, public records searches of targeted individuals and related parties, email and electronic document reviews, systems and data-mapping procedures, and various analyses and data analytics performed on archived, historical data sets. Our interim findings and observations were presented periodically, both orally and in writing to the state regulators, company management and the company's board of directors. Investigative findings on the matter were also used to assist separate but related arbitration procedures in addition to inquiries by the US Attorney's Office. Our written report of procedures and findings is currently under review and examination of the company's state regulators.

- Performed an investigation into the compensation of the former CEO of a large non-profit organization, related to certain disputes and a settlement agreement between the former CEO and the organization's Board of Directors. Procedures involved determining the amount of, if any, compensation that was owed to or owed by the organization's former CEO after termination. We also performed procedures to determine the tax-related effects on the CEO's practice of deferring his compensation in the absence of a formal deferred compensation plan. Lastly, we performed an analysis of the travel and entertainment expenses of certain officers of the company to determine if the expenses should be treated as taxable compensation, based on whether they were appropriately substantiated and had a legitimate business purposes.
- Performed investigative procedures related to alleged fraud and theft by a leading official of a non-profit religious organization. Procedures involved an analysis of the flow of funds, into and out of the organization's various bank accounts, an analysis of donations received by the organization, and several interviews of senior officials in the organization.
- Performed an investigation of the revenue recognition practices of a manufacturer of watches and electronics. Procedures were performed to determine whether or not the company had been recording quarterly revenue in a different period to that in which product had been shipped/revenue was actually earned. Investigative procedures were also performed to determine whether or not there were any control weaknesses and/or fraudulent activity which resulted in intentional manipulation of the company's recognition of revenue on a quarterly basis.
- Performed a financial analysis of the accounting books and records of a real estate property in order to assist our client, a commercial tenant with its negotiation of a renewed lease. Procedures involved verifying expenses reported on the property's general ledger through a series of testing procedures, and an analysis of escalation clauses in the lease agreement.
- Performed a profit & loss statement carve-out exercise on behalf of a local television network and distributor of sports and sports entertainment, in order to assist contract renegotiations between the network and an NBA basketball team. We were tasked with performing an independent analysis of the sports network's allocation of revenue and net profit attributable to various sports franchises represented by the network. Included in our procedures were analyses of cable subscription contracts, advertising revenue and the allocation of various expenses to the sports franchises represented by the network.
- Assisted outside counsel to the Audit Committee of the Board of Directors of a retailer of stationery and office products in a special investigation of the retailer's accounting for vendor rebates. Our work included assisting with interviews of company personnel involved in negotiating contracts with vendors, stratified sampling and testing of transactions to assess whether the accounting for selected transactions was appropriate based on the supporting contemporaneous documentation, measuring error rates to determine whether additional sampling and testing was necessary, quantifying the impact of incorrectly booked transactions on quarterly and annual earnings, and reporting our findings to outside counsel, the Audit Committee of the Board of Directors, and executive management.
- Managed an alter ego investigation on behalf of a large investment bank seeking to pierce the corporate veil related to the owners of an insolvent organization which had issued instruments which were purchased by the investment bank. Procedures were designed to test the degree of capitalization of the insolvent entity, whether or not significant transactions into which it entered were arms-length transactions, the degree of separateness between the insolvent entity and its owners and various other indicators of an alter-ego scenario.
- Managed a funds tracing investigation related to an alleged theft and defalcation of funds by a senior manager in the benefits department of a multinational producer of electronics and appliances. Procedures included an analysis of the flow of funds into and out of the alleged perpetrator's bank accounts, in addition to interviews of several professionals employed by the electronics manufacturer. The results of the investigation were used by the US Attorney's office to ultimately indict the perpetrator of the fraud, who was eventually sentenced to approximately 5 years in prison
- Investigated the loan files and subprime mortgage underwriting procedures of a regional mortgage lender to determine the presence of fraud and other unethical underwriting procedures. The investigation consisted of an analysis of a

portfolio of subprime mortgages, to determine adherence to written policies and procedures for appraisals, approvals, sellers' commissions and various other documentation, in addition to a review of the email communication of several professionals involved in the underwriting process, to determine the existence of fraud, manipulation and intentional violations of policies and procedures.

- Performed a stock options backdating and fraud investigation of a large software producer to determine the need for a restatement of financial results. The results of our findings were used to estimate the impact of compensation expense recorded during the scope period of the investigation, and ultimately determine the need for a restatement of the software producer's profit and loss statements.
- Performed a complex accounting and fraud investigation of the revenue recognition practices related to certain products issued by a multinational insurance provider in order to determine if the level of risk transfer associated with the products warranted the observed recognition of revenue.
- Assisted with the Chapter 11 reorganization procedures of a large healthcare services provider by modeling profit and loss statements in a sensitivity analysis model for contract negotiations with its outside vendors related to certain healthcare services.
- Assisted with a complex accounting investigation of a government assisted mortgage lender, related to alleged income smoothing and inappropriate accounting procedures of "other than temporary impairment"

Business Disputes, Litigation and Alternative Dispute Resolution

- Performed a profitability and cash flow analysis of a non-profit organization, in relation to acquisition procedures and disputes over the appropriate distribution of sales proceeds related to the acquisition. Procedures were performed to determine the amount of sales proceeds owed to our client after sale of the company, based on the company's assets, profitability and the terms of the purchase and sale agreement.
- Performed a royalty audit related to sales of licensed product by an international technology company. The royalty audit was performed pursuant to a dispute between the technology company and its licensor over alleged unpaid royalties. The royalty audit was performed based on agreed upon procedures set forth by an arbitrator as part of a settlement agreement. Procedures included verification of sales, purchases and manufacture of licensed products, vendors, customers and various license agreements, and recalculation of royalty expenses and liabilities based on formulas set forth in the appropriate license agreements.
- Performed extensive procedures in order to assist the accounting referee in ruling over a working capital dispute between a large multinational media company and an acquisition target. Issues which were subject to dispute included various elements of revenue recognition, in particular applying GAAP guidance related to the timing and impact of subsequent events on the purchaser's and seller's individual calculations of working capital.
- Performed a funds tracing exercise/investigation on behalf of a real estate association to determine the existence of fraud, theft or other misappropriation of funds by the association's developer. Investigation procedures were performed as part of an ongoing litigation involving the home owners association and the deceased developer. Claims made against the developer included a fraudulent conveyance and misappropriation of funds which were intended for upkeep and development of the real estate property. We were tasked with analyzing the flow of funds across the developer's various trust accounts, to determine whether in fact funds intended for the upkeep of the property were misappropriated by the developer and his family.
- Managed a funds tracing investigation pursuant to an alleged misappropriation of insurance premiums by a senior agent of a multinational insurance company. Our findings were ultimately used by the insurance company to determine their claim for damages against the agent. Procedures involved an analysis of the flow of funds into and out of the agent's bank accounts to determine premiums which were not remitted by the agent to the insurance company, and a calculation of interest owed on premium which we determined to be misappropriated. Our expert report was relied

upon in pre-trial proceedings which led to a settlement between the insurance company and the agent in an amount which was favorable to our client.

Relevant Employment History

- FTI Consulting, Senior Director, 2014 to present
- Grant Thornton LLP, Manager/Senior Manager 2010 to 2014
- Huron Consulting Group, Associate/Manager 2005 to 2010

APPENDIX B – SAMPLE REPORTS

Report to

[redacted]

Regarding

Private Equity Compliance Review

June 10, 2015

This report is to be considered confidential and use thereof is restricted to [redacted]
We have no obligation to update this report for events and circumstances occurring after the date of this report.

Contents

INTRODUCTION

FTI Consulting, Inc. ("FTI") was retained by [redacted] to perform onsite compliance review relating to certain specified areas of the following private equity firms (collectively as "PE Firms"): [redacted], [redacted], [redacted], [redacted] and [redacted].

The results of our work performed to date and the relevant observations are memorialized in this report ("Report"). In the individual sections of this Report, we set forth the documents reviewed and the procedures performed for each area of inquiry.

SCOPE OF SERVICE

Our procedures performed were set forth in the [redacted] Letter of Engagement [redacted], and as discussed below in this report, our detailed regulatory and compliance review addresses the following areas:

1. Assessment of the severity of SEC examination findings if applicable, and controls and enhancements implemented in response.
2. Assessment of the severity of most recent mock exam or compliance review findings if applicable, and controls and enhancements implemented in response.
3. Management fee calculation; including the offsets and determining whether it is in accordance with the LPA; acceleration or continuation of fees after exit.
4. Transaction Fees or other types of fees and any payments, including those made to affiliates, (other than those applied as management fee offsets) and determination of whether they should not be subject to management fee offset, and are in accordance with relevant policies and agreements (including LPA), and review any related disclosures.
5. Contribution and proceed distributions and determination of whether they follow the waterfall in the LPA.
6. Cross-fund investments and policies, procedures and related disclosures.

7. Allocation of fund fees and expenses in accordance with the LPA or other policies and related disclosures.
8. Valuation processes at year end and at interim periods, including any valuations that are performed at non-reporting periods.
9. Compliance with [redacted] side letter and Placement Agent Disclosure form and the process for ensuring compliance with side letter agreements.
10. Key financial reporting processes and relevant policies and procedures.
11. Recent material changes to firm-level policies and procedures related to compliance, valuation, management fees, distributions, expense and investment allocation, and fee reimbursements any.

DISCLAIMER

The information contained herein has been prepared based upon financial and other data obtained by FTI Consulting, Inc. ("FTI") from the PE Firms. FTI further relied on the assurance of management and staff of the PE Firms that they were unaware of any facts that would make the information provided to FTI by them incomplete or misleading.

The work performed has been limited to the specific activities that you requested. Other analyses may be necessary for you to adequately formulate a basis to support your conclusions, regarding any actions, which may or may not be taken by [redacted]. Any decisions resulting from the findings in this Report rest entirely with [redacted] – we make no representation as to the adequacy of the work performed for you.

With respect to any financial information, historic or prospective, our work did not constitute an examination, review or compilation in accordance with standards established by the American Institute of Certified Public Accountants ("AICPA"). Further, the work involved cannot be expected to identify errors, irregularities or illegal acts, including fraud or defalcations that may exist. Accordingly, FTI cannot and does not express an opinion or any other form of assurance on the financial information and does not assume any responsibility for the accuracy or correctness of the historical and projected financial data, information and assessments upon which the Report is presented. Additionally, we make no representations regarding questions of legal interpretation. The analyses we have performed should not be taken to supplant any additional analyses that you should undertake in your consideration of these findings.

PROCEDURES PERFORMED

FTI prepared and [redacted] approved Work Plan (Appendix H) and Management Questionnaire (Appendix G) as a guideline for our onsite compliance review. The Work Plan details the documents requested and specific review and testing procedures to address each of the areas described in our scope of services.

FTI reviewed documents received from [redacted] including the LPA, fund audited financial statements, advisory board reports and capital account statements and then we provided the Management Questionnaire to point person(s) at each of the PE Firms as identified by [redacted]. FTI also chose a sample fund and portfolio company to test calculations of, but not limited to, the allocation of fees, investment allocations, management fees and distributions. In some cases and after consultation with us, the PE Firm chose a different portfolio company that was more relevant to our testing.

FTI met with personnel at each PE Firm (See Appendix F for comprehensive list of personnel), which included the PE Firm's private equity compliance and finance personnel, such as their private equity chief compliance officer and private equity chief financial officer, and other PE Firm personnel as deemed necessary.

For each area of our scope, FTI requested and reviewed relevant documents, which included, but were not limited to: Limited Partnership Agreement ("LPA"), financial statements, sample calculations and policy and procedures related to: compliance, valuation, management fees, distributions, expense and investment allocation, and fee reimbursements. In certain instances, we had follow-up communications with the PE Firms after our site visit, either because not all information was readily available during our visit (e.g. [redacted]) or we had additional questions after analyzing the data we received (e.g. [redacted].) Additional detail of documents reviewed specific to each PE Firm is included in the Appendices A-E.

FINDINGS

Our findings and observations are summarized in the matrix below, followed by more in depth discussion in the following section. Check marks (*√*) indicate that the PE Firm satisfactorily met our test without exception.

Topic	Procedures	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
SEC Exam	SEC exam	√	√	*No Exam during relevant period*	*No Exam*	*N/A (Not SEC Registered)*
	Addressed deficiencies (if any)	√	√	*No Exam during relevant period*	*No Exam*	*N/A (Not SEC Registered)*
Mock Exam/ Compliance Review	Mock exam or compliance review	√	√	√	√	*None*
	Addressed recommendations (if any)	√	*One exception. See below for details*	√	√	*None*
Management fee calculation, including offsets	Year end management fee with offsets provided	√	√	√	√	√
	Agreed calculation to LPA	√	√	√	√	√
	Tested Calculations (no exceptions noted)	√	√	√	√	√
	Manager cannot continue to earn fees on exited investments	√	√	√	√	√
	Offsets that exceed management fees do not benefit GP/Affiliates	√	√	√	√	√
	No fees that give rise to conflict of interest	√	√	√	√	√
	Manager cannot accelerate fees upon exit	*Fees partially offset. See detail below*	*Fees offset. See detail below*	*Monitoring Fees upon IPO. See detail below*	√	√

Topic	Procedures	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Portfolio company transaction fees and payments, other than those applied as (flowing to) management fee offsets	Provided detail for fees (including salary and travel) other than those that offset	√	√	√	√	√
	No related/affiliated party that receive payment from portfolio companies, if yes details of affiliated companies payments provided	[redacted] *See detail below* √	[redacted] *See detail below* √	√ √	[redacted] *See detail below* √	√ √
	Agreed to terms of LPA/ Other Policies or Agreements	√	√	√	√	√
	Basis for fee is at cost or market rates	√	*Historical Overhead Cost. See detail below*	√	√	√
	Basis for fee precludes double charge across any co-invest vehicles	√	√	√	√	√
	Disclosures	*No Disclosure of amounts paid and Price Terms*	*No Disclosure regarding Price Terms*	√	√	*No Disclosure regarding Price Terms*
	No significant change to relevant policy or procedure	√	√	√	√	√
Distributions of capital contributions and investment proceeds; waterfall distributions	Agreed to terms of the LPA	√	√	√	√	√
	Tested Calculations (no exceptions noted)	√	√	√	√	√
	No significant change to relevant policy or procedure	√	√	√	√	√
Cross-fund investments	Received example of cross fund investment	√	√	√	√	√

Topic	Procedures	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
	Agreed cross fund allocation to terms of LPA	√	√	√	√	√
	Tested Allocations (no exceptions noted)	√	√	√	√	√
	Disclosures of Allocation Methodology	*Not disclosed. See detail below*	*Not disclosed. See detail below*	*Not disclosed. See detail below*	*Not disclosed. See detail below*	*Not disclosed. See detail below*
	New fund cannot invest in portfolio company in existing fund	*Allowed. See detail below*	*Allowed. See detail below*	*Allowed. See detail below*	*Allowed. See detail below*	*Allowed. See detail below*
	No significant change to relevant policy or procedure	√	√	√	√	√
Allocation of fund fees and expenses	Received allocation of fund income/ expenses	√	√	√	√	*N/A*
	Agreed to terms of the LPA/Policies	√	√	√	√	√
	Tested Calculations (no exceptions noted)	√	√	√	√	*N/A*
	Disclosures of Allocation Methodology	*No disclosure*	*No disclosure*	*No disclosure*	*No disclosure*	*N/A*
	No significant change to relevant policy or procedure	√	√	√	√	√
Valuation	Received sample valuations at quarter and year end	√	√	√	√	√
	Agreed valuation methodology to terms of valuation policy	√	√	√	√	√
	Tested valuation at different period ends for Consistency	√	√	√	√	√
	IRR calculated only quarter end	√	√	√	√	√

Topic	Procedures	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
	Third Party Review	√	√	√	√	*No Third Party Review*
	No significant change to relevant policy or procedure	√	√	√	√	√
Key financial reporting processes	Review Policies/Procedures	√	√	√	√	√
	No significant change to relevant policy or procedure	√	√	√	√	√
	SOC1/SSEA16/ SOX	√	√	√	√	√
Compliance with [redacted] Side Letter and Placement Agent Disclosure	Confirmed compliance with Side Letter and PAD	√	√	√	√	√
	Confirmed PAD was completed if placement agent was used	√	√	√	√	√
	Formal Process for Side Letter Compliance Review	*No formal process*	√	*No formal process*	√	√
	No significant change to relevant policy or procedure related to Side Letters	√	√	√	√	√
Additional Inquiries	No undisclosed changes to LPA	√	√	√	√	√
	Notice was given for all events that require notice	√	√	√	√	√

DRAFT

[redacted] Review Project

Management Fees, Distributions, and Carried Interest

[redacted]

CONFIDENTIAL

May 2013

[redacted]

Table of Contents

Overview

- As directed by [redacted], FTI performed procedures with regard to the following [redacted] investment vehicles managed by [redacted]
  - [redacted]
    - Operating Agreement, February 1, 1999
  - [redacted]
    - Operating Agreement, June 9, 2000
  - [redacted]
    - Operating Agreement, June 18, 2001

- Procedures were focused primarily on the following areas:
  - Management Fees
  - Distributions
  - Carried Interest

- FTI had weekly meetings with [redacted] and provided updates regarding procedures performed and findings and observations.

Overview

Documents Examined

- FTI sent an initial document request list to [redacted]
  - [redacted] provided the documents it had maintained in its archives, and [redacted] provided the items that [redacted] did not have.
  - FTI sent several follow up requests to [redacted] for additional items, including supporting documents for the sample items selected for testing.
- At our request, [redacted] provided documents from the underlying funds to provide evidentiary support for a) the amounts reported as distributions from underlying funds,[1] and b) the cost of investments in underlying funds.[2]
  - As examples, evidentiary support could take the form of
    - a letter from [redacted], a fund held by [redacted], indicating the amount of the distribution made by [redacted] to [redacted]; or
    - a page of a financial statement documenting the cost of the underlying fund's investments.
    - This evidentiary matter was provided to us by [redacted]

[1] The Distribution Notices provided to [redacted] include letters received from underlying funds indicating the amounts of such distributions.
[2] The reported cost of the underlying funds' investments was used by [redacted] in the calculation of management fees. This methodology will be discussed in a subsequent section.

[redacted]

- We discussed with [redacted] the possibility of confirming directly with the underlying funds regarding these distributions to [redacted], and the reported cost of investments that was utilized by [redacted] in calculating management fees. At the direction of [redacted] at this time, FTI has not confirmed any information directly with underlying funds.

- The Year-End 2012 Financial Statements were not made available to FTI during this project. As such, the September 30, 2012 financial statements were the most recent financials that were examined.

  - [redacted] provided distribution notices through the end of 2012. As a result, FTI was able to include Q4 2012 distribution notices in the population of distributions to be sampled for detailed test work. In addition, FTI received support for and tested management fees charged through Q4 2012.

- Carried interest has been allocated but not paid to [redacted] at this time for several underlying turn-key investments of [redacted]. However, we have been informed by [redacted] that there is a high likelihood that these allocated carried interest charges will be paid to [redacted] during 2013. As [redacted] is presently awaiting the delivery of 2012 K-1s for many of these funds, by the end of August 2013, [redacted] anticipates the final reporting of these carried interest charge calculations. At this time, [redacted] has not provided the calculations for the payment of the allocated carried interest.

Summary Observations and Findings

Management Fees

Methodology to Calculate Unreturned Portfolio Partnership Capital

- Beginning in 2009, [redacted] unilaterally changed the methodology it used to calculate Unreturned Portfolio Partnership Capital, which is a component of management fees for [redacted]

  - The revised methodology does not comply with the provisions of the operating agreements.

  - [redacted] did not directly notify [redacted] of this change in methodology. There appears to be no written communication from [redacted] to [redacted] on this change. We have been provided with a [redacted] email that may imply that this subject might have been discussed with [redacted] in July 2008.

  - This revised [redacted] treatment appears to be favorable to [redacted]. In other words, it has had the effect of reducing management fees charged to [redacted] for [redacted] during 2005 - 2008. This change in procedure has had no effect on the management fees charged to [redacted] for [redacted] through 2008. It is unclear whether such treatment had the effect of reducing management fees charged to [redacted] for [redacted] in periods subsequent to 2008. [redacted] may consider follow up on this subject for the periods 2009 – present.

  - This subject is reviewed in more detail in the Management Fees section following in this report.

[redacted] Error – [redacted]

- In Q1 2012, management fees in [redacted] were reduced by $30,843 to correct for [redacted] error in the previous years' calculations".
  - The error related to incorrect information that was initially provided by [redacted] to [redacted] The correct information resulted in lower management fees for [redacted]. As a result, [redacted] applied a credit in Q1 2012.
  - While this true-up ultimately corrected the fees that were changed, it does not appear that [redacted] was notified of the initial error or the subsequent correction.

Distributions

- The amounts distributed by the [redacted] funds appear to be accurate and complete.
- The methodology employed by [redacted] to make such distributions appears to comply with the provisions of the operating agreements.

Carried Interest

- There has been no carried interest allocated or paid in [redacted] as of September 30, 2012.
- Per the [redacted] operating agreement, the carried interest calculation for the [redacted] turn-key investment is a function of returns in excess of an index rate. Though the [redacted] archives document a reference to a S&P 500 index rate for this investment, it appears that Amendment #9 to the [redacted] operating agreement references a "Wilshire 2500" index rate for the calculation of carried interest on this investment.

  - We have obtained the Wilshire 2500 index rate from the publicly-available archives of the Federal Reserve of St. Louis, noting that this Wilshire 2500 index rate differs from the Wilshire 2500 index rate that [redacted] utilized in the carried interest calculations for this investment. A comparison of these two rates is provided in **Appendix E**. Had the Wilshire 2500 index rates from the publicly-available archives of the Federal Reserve of St. Louis been used to calculate carried interest, the amounts of carried interest that have been allocated and paid to [redacted] may be different.
  - We are currently awaiting additional supporting documents from [redacted] to determine whether the discrepancy in the Wilshire 2500 index rates has caused any material differences in the amounts of carried interest related to [redacted] that have been allocated and paid.
  - This subject is outlined in more detail in the Carried Interest section of this report.

- Other than the foregoing, [redacted] appears to be in compliance with the carried interest methodology outlined in the operating agreement.

[redacted]

Fund Overview

[redacted]

- Formed February 1, 1999
- Comprises two members [redacted] and [redacted]
- Invests in:
  - Funds (Fund Program)
  - VC backed portfolio companies (Direct Program)
  - Newly-formed private equity funds (Turn-Keys)
- In February 2012, [redacted] extended the term of the fund to February 1, 2013.[3]
  - Term may be further extended at [redacted] discretion

The fund reported the following at September 30, 2012:

[redacted]

- Refer to **Appendix A** for the complete Summary of Investments at September 30, 2012.

[3] [redacted] Amendment #17, dated 2/1/12, is the most recent amendment that was provided.

[redacted]

[redacted]

- Formed June 9, 2000
- Comprises two members: [redacted] and [redacted]
- Invests in:
  - Venture capital and private equity funds (Portfolio Funds), including both
    - New management teams (New Fund Investments)
    - Follow-on investments with funds managed by teams with whom [redacted] has already invested (Follow-on Fund Investments)
- In June 2012, [redacted] extended the term of the fund to June 9, 2013.
  - Term may be further extended at [redacted] discretion
- The fund reported the following at September 30, 2012:

[redacted]

- Refer to **Appendix B** for the complete Summary of Investments at September 30, 2012.

[redacted]

- Formed June 18, 2001
- Comprises two members: [redacted] and [redacted]
- Invests in:
  - Venture capital and private equity funds (Portfolio Funds), including both
    - New management teams (New Fund Investments)
    - Follow-on investments with funds managed by teams with whom [redacted] has already invested (Follow-on Fund Investments)
- The term of the fund is through June 18, 2013.
  - Term may be further extended at [redacted] discretion
- The fund reported the following at September 30, 2012:

[redacted]

- Refer to **Appendix C** for the complete Summary of Investments at September 30, 2012.

I. Management Fees

A. Overview

- During the first 6 years of the funds' lives, management fees were based on a dollar amount that is specified in the operating agreement.
- After this period, management fees were calculated based on the following formula:

  The lesser of:

  (x) 0.1875% of [redacted] Capital Percentage of the Aggregate Capital Commitment

  or

  (y) 0.375% of [redacted] Capital Percentage of the Aggregate Unreturned Portfolio Partnership Capital

B. Sampling & Testing Methodology

[redacted]

- Management fees for the years 1999 through 2011 were reviewed during the [redacted] Project Review.
- In accordance with [redacted] amendments #16 and #17 to the operating agreement, there were no management fees charged in 2012.

[redacted]:

- FTI selected a sample of [redacted] quarterly management fees that were charged from inception through Q4 2012, as follows:
  - For periods prior to 2011: Randomly selected one quarter per year for testing (for a total of 11 quarters for [redacted]
  - For 2011 & 2012: Selected all quarters for testing (for a total of 8 quarters each for [redacted]

For each period selected, FTI performed the following procedures:

Procedure 1: Obtained the capital call notice sent from [redacted]

During periods when annual management fees were fixed in amount, as defined by the operating agreement (from 2000 to 2006 for [redacted] and from 2001 to 2007 for [redacted], the following procedures #2 and #3 were performed:

Procedure 2: Recalculated quarterly management fees according to terms of the operating agreement, and taking into account subsequent amendments to the operating agreement

Procedure 3: Agreed management fees as recalculated by FTI to the respective capital call notice

During periods when annual management fees were calculated based on a formula (from 2007 to 2012 for [redacted] and from 2008 to 2012 for [redacted], the following procedures #4 - #9 were performed:

[4] Management fees were charged to [redacted] by way of a capital call.

[redacted]

Procedure 4: Agreed management fees per the respective capital call notice to the "Management Fee Calculation" worksheet obtained from [redacted]

Procedure 5: Agreed the methodology used on the "Management Fee Calculation" worksheet to terms of the operating agreement and amendments

Procedure 6: Verified the mathematical accuracy of the "Management Fee Calculation" worksheet

Procedure 7: Agreed the key inputs of the "Management Fee Calculation" to underlying support[5]

Procedure 8:

For fees charged in 2007 and 2008 for [redacted]; and 2008 for [redacted] the key input of the management fee calculation (Unreturned Portfolio Partnership Capital) was calculated as: Capital Contributed less Return of Capital (not including distributions of profits or income) in accordance with the operating agreement.

For fees charged in 2009 – 2012, "Unreturned Portfolio Partnership Capital" was calculated as [redacted] pro rata portion of the current cost of the investment as calculated on the [redacted] "Cost Basis" worksheet, an additional supporting schedule created by [redacted]. FTI tested the "Cost Basis" worksheet, by randomly selecting a sample of 10 underlying funds from the worksheet and performing the following additional procedures:

- Agreed Total Committed Capital and Current Cost to the underlying fund's financial statements
- Agreed Total Primary Pool Commitment to [redacted] financial statements
- Recalculated [redacted] portion of the cost

[5] Underlying support that was examined included financial statements, operating agreements and amendments, and additional supporting schedules.

[redacted]

Management fee offset

Per the terms of amendments to the operating agreements made in February 2007 (Amendment #7 for [redacted] and Amendment #4 for [redacted]), management fees are reduced by a management fee offset amount.

This management fee offset for [redacted] is equal to Deemed Capital Contributions, which is defined to be the excess of (a) aggregate Capital Contributions that [redacted] would have been required to make over (b) the amounts actually contributed by [redacted]. In other words, the management fee offset provides for a credit to [redacted] for contributions that were made by [redacted] on behalf of [redacted].

The [redacted] operating agreement and related amendments do not provide for a management fee offset mechanism for [redacted]. In response to our request for information on this subject, [redacted] responded that they had not requested the ability to use management fee offset in [redacted].

Procedure 9: FTI obtained one quarterly management fee offset calculation from [redacted] and performed the following additional procedures:

- Agreed the management fee offset amount per the [redacted] calculation to the respective capital call notice
- Verified the mathematical accuracy of the management fee offset calculation
- Reviewed the management fee offset calculation for compliance with the operating agreement and amendments

C. Findings and Observations

- [redacted] unilaterally reinterpreted the intent of the operating agreement and changed the methodology used to calculate management fees for [redacted].

- After the sixth anniversary of the fund, the management fee calculation switches from being based on a dollar amount specified in the operating agreement to an amount calculated by way of a formula.

- Beginning in year 7, management fees are calculated based on a "tiered approach" as the lesser of:

  (x) 0.1875% of [redacted] Capital Percentage of the Aggregate Capital Commitment

  or

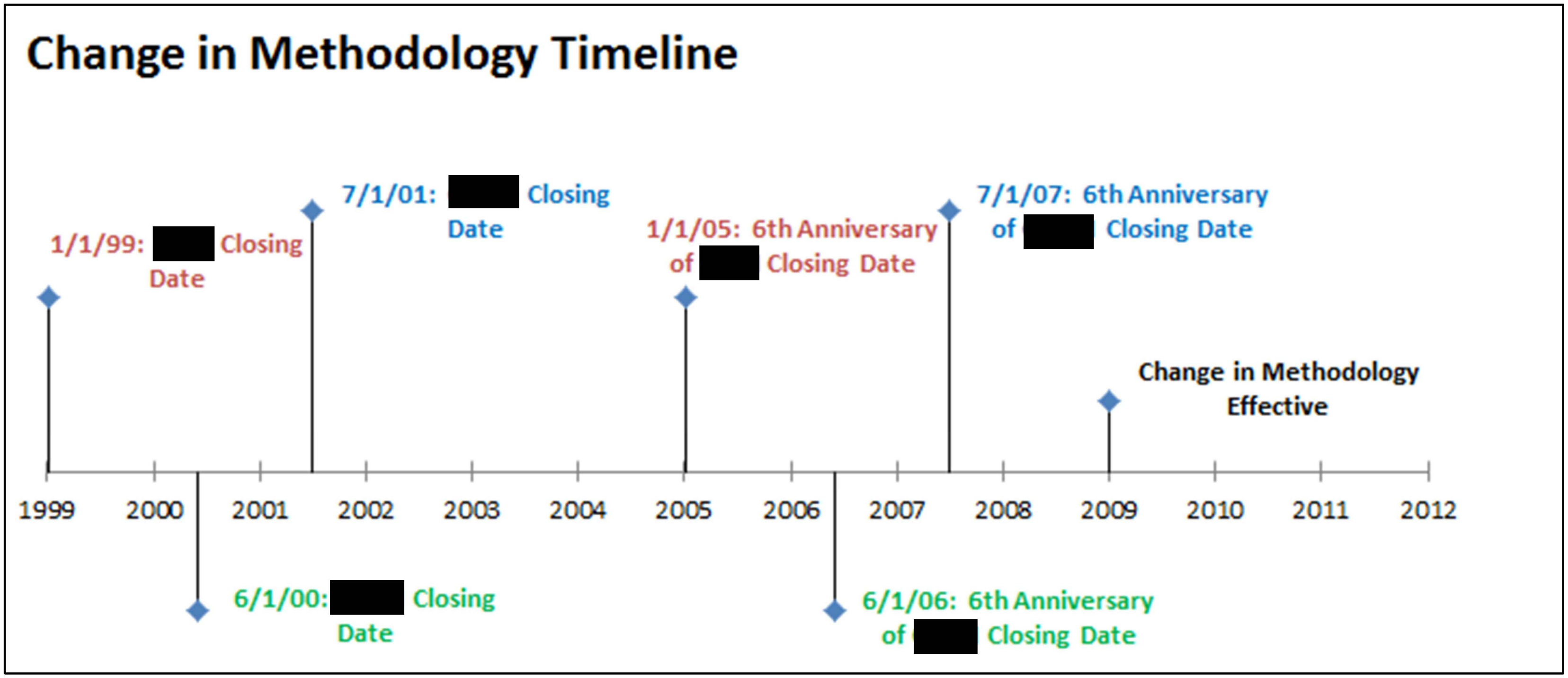
  (y) 0.375% of [redacted] Capital Percentage of the Aggregate Unreturned Portfolio Partnership Capital

- The methodology change is relevant to the (y) component of the calculation: In other words, the methodology change has to do with [redacted] interpretation of the definition of Aggregate Unreturned Portfolio Partnership Capital.

  - The Operating Agreement defines Unreturned Portfolio Partnership Capital as follows:

"Unreturned Portfolio Partnership Capital" means, with respect to each Fund Investment, the amount by which the aggregate capital contributions by the Company to such Fund Investment in respect of the Primary Fund Investment exceeds the aggregate amount of distributions by such Fund Investment to the Company in respect of the Primary Fund Investment and in the form of a return of capital (and not a distribution of profits or income). The Manager contemplates that the amount of distributions by a Fund Investment to the Company in the form of a return (and not a distribution of profit or income) will be reflected in the financial statements of the applicable Portfolio Partnership prepared by the general partner or manager thereof.

- Beginning in 2009, [redacted] decided to change their calculation of the (y) component. Instead of using Unreturned Portfolio Partnership Capital as defined in the operating agreement, [redacted] unilaterally determined that the cost basis of investments was the appropriate metric to use to calculate management fees. Refer to the timeline below:



- [redacted] believes that the management fee calculation was intended to be "based on the cost of the investment still 'in the ground.'"

- Per [redacted], the definition of Unreturned Portfolio Partnership Capital in the [redacted] operating agreements "did not truly capture the intent of the agreement[s]" in two ways:

    1. Using the language as drafted would cause management fees to be calculated on all contributions, including contributions used to pay underlying fund managers' fees and expenses. In addition, to the extent a portfolio company was sold and the cash was not distributed, management fees would be calculated on cash on the underlying fund's books.

    2. Fund managers did not always provide sufficient details of the character of all distributions. [redacted] provided the following example: "For example, if they invested $2.0M in a company and sold it for $1.5M, they would state that $1.5M is return of capital. They wouldn't always tell you that $2.0M was return of capital and $0.5M was a realized capital loss."

- It would appear to us that the operating agreement language works in an effective manner when investments are made and generate profits. The difficulty appears to arise for [redacted] for investments in which losses have been incurred. As a result, [redacted] felt compelled to devise a workaround.

➢ Despite the "problems" [redacted] encountered in using the language in the operating agreement with respect to Unreturned Portfolio Partnership Capital, it does not appear that [redacted] made any attempt to redraft this operating agreement provision by way of an amendment.

- For example, we note that there exists numerous amendments made to the [redacted] funds' operating agreements, including 17 amendments alone in [redacted][7]

➢ [redacted] has stated that they did not raise this subject directly with [redacted], but believed they discussed this matter with [redacted] in July of 2008.

[7] [redacted] Amendment #17, dated 2/1/12, is the most recent amendment that was provided

- [redacted] provided email correspondence which indicates that [redacted] and [redacted] set up a call to discuss "management fees." However, there is no evidence to indicate whether or not this specific issue was discussed.
  - FTI has not contacted [redacted] about this subject.

➢ [redacted] performed a partial retrospective analysis to compare the fees that were charged using Unreturned Portfolio Partnership Capital verses the fees that would have been charged under the cost basis approach. The following summarizes the conclusions on the subject for the three [redacted] funds:

[redacted]

- As shown below, for [redacted] compared the two approaches and concluded that the revised methodology using cost basis was more conservative (i.e., more favorable for [redacted]) [redacted] recorded a $65,183.76 credit at 12/31/08 to account for the change in methodology.

[redacted]

[redacted]

- [redacted] did not perform a prospective analysis comparing the two methods in 2009 – 2010 [8] to ensure the cost basis approach was still favorable to [redacted].
    - Based on discussions with [redacted], they believe the cost basis approach would result in lower fees to [redacted] during these periods.

[redacted]

- [redacted] provided a similar analysis for [redacted] and [redacted] for 2008, however, the (x) component of the management fee calculation was lower than (y) during 2008, regardless of which methodology was used to calculate (y).[9] As such, no credit was necessary to be given to [redacted] for [redacted] or [redacted] in this year.
- [redacted] did not perform an analysis comparing the two methods in Q3 2006, Q4 2006, or 2007 for [redacted] or for Q3 2007 or Q4 2007 for [redacted]. Nor did [redacted] perform a prospective analysis comparing the two methods in 2009 – 2012 to ensure the cost basis approach was still favorable to [redacted].
- Based on discussions with [redacted], they believe the cost basis approach would not have an effect on management fees in 2006 and 2007.
- In addition, [redacted] believes that the cost basis approach has either no effect or has resulted in lower fees to [redacted] during 2009 - 2012.

[8] In accordance with [redacted] operating amendments #16 and #17, there were no management fees charged in 2011 or 2012.
[9] The cost basis approach in 2008 for [redacted] and [redacted] did result in a lower fee than the Unreturned Portfolio Partnership Capital approach. However, (x) was still lower than (y) in both of these calculations.

II. Distributions

A. Sampling & Testing Methodology

- FTI selected a sample from the population of all distribution notices sent from [redacted] to [redacted] over the lives of the funds through 2012 as follows:
  - Randomly selected a sample of 10 distribution notices from each of the three funds, for a total sample size of 30

- For each distribution notice selected, FTI performed the following procedures:

  Procedure 1: Verified the mathematical accuracy of the total net amount of distributions per the distribution notice

  Procedure 2: Agreed the gross distribution amount per the distribution notice to the "Distribution Details" worksheet that [redacted] had previously obtained from [redacted]

  Procedure 3: Agreed individual total distributions per the [redacted] "Distribution Details" worksheet to supporting documents [redacted] provided us that had been received by [redacted] from the underlying fund making the distribution to [redacted][10] We have consulted with [redacted] regarding directly confirming this information with the underlying funds, and at this time at [redacted]' request, we have not communicated directly with the underlying funds regarding distributions.

[10] [redacted] provided [redacted] with a presentation entitled, [redacted], dated February 27, 2013. This presentation contains a '2013 Sale List', denoting a list of fund investments currently identified to be liquidated. Our test work of 30 sample net distributions included 8 individual distributions from funds that were listed on this sale list.

[redacted]

Procedure 4: Recalculated the allocation of each distribution between investment pools[11] within the funds based on capital commitments

For example, if [redacted] had committed $90M to Investment A in the Primary Pool, and had later committed $10M to Investment A as part of the First Supplemental Pool; and in year X, Investment A distributed $10 to [redacted], we would test and recalculate to ensure this $10 distribution was allocated 90% to the Primary Pool and 10% to the First Supplemental Pool.

Following this example, [redacted] would have committed $480M to the [redacted] Primary Pool, and [redacted] committed $4.8M to the [redacted] Primary Pool. The allocation of distributions within the [redacted] Primary Pool is based on Unreturned Capital Contributions. [redacted] commitments to the First and Second Supplemental Pools represented 100% of the capital commitments to these pools. As a result, [redacted] would receive 100% of the distributions from the First Supplemental and Second Supplemental Pools. In contrast, [redacted] would receive their proportionate share of their Unreturned Capital Contributions to the Primary Pool alongside [redacted] proportionate share. The testing of these allocations is found in procedure #5.

Procedure 5: To test the allocation of Primary Pool distributions between [redacted] and [redacted], FTI performed the following additional procedures:

[11] [redacted] have the following investment pools: Primary Pool, First Supplemental Pool, and Second Supplemental Pool. [redacted] only has a Primary Pool.

Underlying funds in the [redacted] program

- First, obtained from [redacted] one distribution allocation calculation with respect to underlying funds in the [redacted] fund program, verifying that the calculation was based on Unreturned Capital Contributions for the respective [redacted] fund program in accordance with the operating agreement. We then obtained underlying support from [redacted] comprising a schedule of all cash flows with respect to the underlying investments in order to determine the Unreturned Capital Contributions of [redacted] and [redacted], respectively.

- Second, we further tested this calculation by comparing it to an alternative calculation that was based on capital commitments, noting that this test confirmed results, within 0.046%.

[redacted] Turn-keys

- First, obtained from [redacted] a distribution allocation calculation for each of the three turn-key investments in [redacted], which on that date made distributions (in this case, [redacted]. With respect to this information, verified that the calculations were based on Unreturned Capital Contributions for the respective [redacted] turn-key investment in accordance with the operating agreement. We then obtained underlying support from [redacted] comprising a schedule of all cash flows with respect to the underlying investments in order to determine the Unreturned Capital Contributions of [redacted] and [redacted], respectively.

- Second, we further tested these calculations by comparing it to alternative calculations that were based on capital commitments, noting that this test confirmed results, within 0.001%.

For all sampled [redacted] distributions

- FTI verified the reasonableness of all sampled distribution allocations by calculating the allocation for each sampled distribution based on capital commitments (which closely approximates the calculation based on Unreturned Capital Contribution) and verified that the FTI recalculated allocation amounts were materially consistent with the actual allocation amounts per distribution notice

Procedure 6: Agreed all other line items per the [redacted] distribution notice (e.g. Capital Call,[12] Recallable Return of Capital, etc.) to supporting schedules contained in [redacted] archives that were previously obtained from [redacted].

Procedure 7: With respect to additional line items denoted on the [redacted] supporting schedules that had been contained in [redacted] archives, we agreed these individual items to documents from the underlying funds, which documents were also in [redacted] archives, which [redacted] had previously obtained from [redacted]. We have consulted with [redacted] regarding directly confirming this information with the underlying funds, and at this time at [redacted] request, we have not communicated directly with the underlying funds regarding distributions, capital calls, recycled distributions, recallable returns of capital, etc.

B. Findings and Observations

- [redacted] appear to be in compliance with the distribution methodologies outlined in their respective operating agreements.

[12] Six (or 20%) of the net distributions selected as sample items included capital calls (which FTI performed additional procedures over, ensuring the capital being called was supported by underlying fund documents, for example notices from underlying funds calling such capital and such notices were in the archives of [redacted]).

[redacted]

III. Carried Interest

A. Overview

[redacted]

- At September 30, 2012, cumulative allocations of carried interest to [redacted] amounted to $1.5 million. As of September 30, 2012, $896,154 of carried interest had been paid to [redacted]. The following provides a break-down of these amounts:

[redacted] Carried Interest

	Cumulative Allocated Carried Interest as of 9/30/12	Cumulative Carried Interest Paid to Manager as of 9/30/12
[redacted]		
- Public Series	$675,649	$675,649
- Private Series	221,527	221,477
[redacted]	186,051	
[redacted].	252,112	
[redacted]	183,668	
Total	**$1,519,007**	**$897,126**

- Carried interest related to [redacted] public series was allocated in 2004 and has since been paid. Carried interest related to [redacted] private series is continuing to be allocated and paid, through 2012.[13]

  - An outline of relevant sections of the [redacted] operating agreement and amendments with respect to the calculation of carried interest and other calculations applicable to the [redacted] fund is found at **Appendix D**.

- There has been no carried interest allocated or paid in [redacted] through September 30, 2012.

B. Testing Methodology

[redacted]

- For carried interest that has been paid to [redacted]

Procedure 1: Obtained the "2012 Q3 [redacted] workbook from [redacted]

Procedure 2: Agreed carried interest calculated per the workbook to the September 30, 2012 [redacted] financial statements

Procedure 3: Verified the mathematical accuracy of the calculation of carried interest in the workbook

[13] Amendment #11 to [redacted] provides for the deferral of payment of carried interest until recovery of losses that have been incurred on other investments. [redacted] commonly refers to this recovery of losses as "filling the buckets." Unlike the other funds for which carried interest has been allocated, [redacted] is not subject to this "filling the buckets" analysis because under Amendment #11, it is not part of the "Designated Portfolio" which is subject to this "filling the buckets."

[redacted]

Procedure 4: Reviewed the methodology used in the calculation of carried interest in the workbook for compliance with terms of the operating agreement and amendments

Procedure 5: Agreed the key inputs of the carried interest calculation (such as IRR, carried interest share, management fees, gains and losses, index rate of return, etc.) to underlying support[14]

- For carried interest that has been allocated but not paid as of September 30, 2012 [redacted], and [redacted]

Procedure 1: Obtained the respective Q3 2012 "Waterfall Calcs" workbooks from [redacted]

Procedure 2: Agreed carried interest calculated per the workbook to the financial statements

Procedure 3: Verified the mathematical accuracy of the calculation of carried interest in the workbook

Procedure 4: Reviewed the methodology used in the calculation of carried interest in the workbook for compliance with terms of the operating agreement and amendments

Procedure 5: Agreed the key inputs of the carried interest calculation to underlying support[15]

Procedure 6: Obtained and reviewed the '2012 Q3 Schedule to determine carry by pool & filling buckets' from [redacted]

[14] Underlying support that was examined included [redacted] financial statements, operating agreements and amendments, and additional [redacted] supporting schedules.
[15] Underlying support that was examined included operating agreements and amendments and additional supporting schedules.

[redacted]

C. Findings and Observations

- We noted that [redacted] has calculated carried interest with respect to [redacted] as a function of fund returns that are in excess of a "Wilshire Index."

- We have ascertained that the [redacted] calculations are based on an index called the "Wilshire Index." In response to our inquiry, [redacted] has indicated that this Wilshire index is the Wilshire 2500 index, a "… customized index that [redacted] obtained directly from Wilshire."

- Per the [redacted] operating agreement, the carried interest calculation for the [redacted] turn-key investment is a function of returns in excess of an index rate. Though the [redacted] archives document a reference to a S&P 500 index rate for this investment, it appears that Amendment #9 to the [redacted] operating agreement references a "Wilshire 2500" index rate for the calculation of carried interest on this investment.

  - The [redacted] archives with respect to amendment #9 includes a memorandum that states the following with respect to the index to be used to calculate carried interest on [redacted]:

    > **Carried Interest: 3% of all profits, provided that performance exceeds the S&P 500 benchmark. The carry will be calculated and paid in a manner identical to the carry on the [redacted] hedge fund investment, with a portion of the carry held in a restricted account.**

  - Amendment #9 in [redacted] archives contains a reference to "Exhibit R" which provides the following with respect to the index to be used to calculate carried interest in [redacted]:

    > **"Applicable Index Rate of Return" for any period, means a positive (or negative) number equal to the nominal percentage appreciation (or depreciation) in the Wilshire 2500 Index during such period.**

- We have obtained the Wilshire 2500 index rate from the archives of the Federal Reserve of St. Louis, noting that this Wilshire 2500 index rate differs from the Wilshire 2500 index rate that [redacted] utilized in the carried interest calculations for this investment.
  - Had the Wilshire 2500 index rates from the publicly-available archives of the Federal Reserve of St. Louis been used to calculate carried interest, the amounts of carried interest that have been allocated and paid to [redacted] may be different.
  - We are currently awaiting additional supporting documents from [redacted] to determine whether the discrepancy in the Wilshire 2500 index rates has caused any material differences in the amounts of carried interest related to [redacted] that have been allocated and paid.
- **Appendix E** depicts the Wilshire 2500 index that FTI obtained from the archives of the Federal Reserve of St. Louis, with a comparison to the Wilshire 2500 index utilized by [redacted] in its carried interest calculations.
- Other than the foregoing, the fund appears to be in compliance with the carried interest methodology outlined in the operating agreement.
- We have been informed by [redacted] that there is a high likelihood that the allocated carried interest charges will be paid to [redacted] during 2013. As [redacted] is presently awaiting the delivery of 2012 K-1s for many of these funds, by the end of August 2013, [redacted] anticipates the final reporting of these carried interest charge calculations. At this time, [redacted] has not provided the calculations for the payment of the allocated carried interest.
  - This will result in an additional $621,881 of carried interest paid to [redacted].

[redacted]

Appendix A – [redacted] September 30, 2012 Summary of Investments

[redacted]

(A Limited Liability Company)

Summary of Investments
(Unaudited)

September 30, 2012

	Date of Initial Investment	Total Fund Size[1]	Total Commitment	Contributed	Transaction Costs+	Distributions	Flow through from Investments Realized Gain (Loss)	Flow through from Investments Unrealized Gain (Loss)**	Remaining Value***	Total Value	Multiple[2]	Fund IRR*#
<u>Active</u>												
[redacted]												

[redacted]

(A Limited Liability Company)

Summary of Investments, continued
(Unaudited)

September 30, 2012

1 The total fund size reflected is determined based on the specific legal fund to which [redacted] commitment is made.

2 Multiple is calculated as Total Value divided by Contributed.

3 Represents a $5,000,000 commitment in the fund (as a result of [redacted] secondary purchase, actual commitment is $4,974,666).

4 Represents a $2,100,000 commitment in the fund (as a result of [redacted] secondary purchase, actual commitment is $2,398,836).

\+ Transaction Costs include $94,977 of expenses related to the secondary sales process.

Internal rate of return is calculated based upon the actual dates of cash flows and quarter-end valuations.

n.a. Not applicable

* Fund IRR calculations include amounts contributed, interest costs for going into a fund late, if applicable, and distributions. The calculations do not include legal due diligence costs or expenses related to the secondary sales process.

** For active investments, unrealized gain (loss) also includes any unrealized loss related to Transactions Costs. For exited investments, Transaction Costs are included in realized gain (loss).

*** Remaining Value represents the sum of Contributed, Transaction Costs, Realized Gain (Loss) and Unrealized Gain (Loss) less Distributions.

Note: Remaining cost, as disclosed in the Balance Sheets, represents the sum of Contributed, Transaction Costs and Realized Gain (Loss) less Distributions.

Note: Other Remaining Interests includes those funds whose individual remaining values are less than 0.1% of total members' commitments.

Note: Exited includes those funds or direct portfolio company investments whose individual remaining values are equal to zero, are currently in escrow or liquidation status, or have been sold subsequent to September 30, 2012.

Appendix B – [redacted] September 30, 2012 Summary of Investments

[redacted]

(A Limited Liability Company)

Summary of Investments
(Unaudited)

September 30, 2012

Portfolio Funds	Date of Initial Investment	Total Fund Size [1]	Total Commitment	Contributed	Transaction Costs+	Distributions	Flow through from Portfolio Funds: Realized Gain (Loss)	Flow through from Portfolio Funds: Unrealized Gain (Loss)**	Remaining Value***	Total Value	Multiple[2]	Fund IRR*#
[redacted]												

[redacted]

(A Limited Liability Company)

Summary of Investments, continued
(Unaudited)

September 30, 2012

Portfolio Funds	Date of Initial Investment	Total Fund Size [1]	Total Commitment	Contributed	Transaction Costs+	Distributions	Flow through from Portfolio Funds: Realized Gain (Loss)	Flow through from Portfolio Funds: Unrealized Gain (Loss)**	Remaining Value***	Total Value	Multiple[2]	Fund IRR*#
[redacted]												

[redacted]

(A Limited Liability Company)

Summary of Investments, continued
(Unaudited)

September 30, 2012

1 The total fund size reflected is determined based on the specific legal fund to which [redacted] commitment is made.

2 Multiple is calculated as Total Value divided by Contributed.

3 Total fund size is €431.2 million (converted at a blended rate to $528,569,109).

4 Actual commitment is €10 million. U.S. dollar commitment will fluctuate based on foreign exchange rates.

5 Multiple and Fund IRR in Euros, without adjustments related to foreign exchange movements, as of September 30, 2012, are 2.93X and 30.6%, respectively.

6 Represents a $7,500,000 commitment in the fund (as a result of [redacted] secondary purchase, actual commitment is $7,175,000).

7 Total fund size is SEK 1,670,805,837 (converted at a blended rate to $222,383,167).

8 Actual commitment is SEK 50 million. Commitment is fully funded.

9 Multiple and Fund IRR in Swedish Krona, without adjustments related to foreign exchange movements, as of September 30, 2012, are 1.32X and 5.4%, respectively.

10 The $10.9 million commitment is comprised of $10 million for capital and an estimate of $0.9 million for management fees. At September 30, 2012, $9,260,830 of capital and $847,547 of management fees had been contributed.

11 The $33,656,440 commitment is comprised of $26,380,109 for capital and $7,276,331 for management fees, all of which has been funded.

\+ Transaction Costs include $240,851 of expenses related to the secondary sales process.

\# Internal rate of return is calculated based upon the actual dates of cash flows and quarter-end valuations.

* Fund IRR calculations include amounts contributed, interest costs for going into a fund late, if applicable, and distributions. The calculations do not include legal due diligence costs or expenses related to the secondary sales process.

** For active investments, unrealized gain (loss) also includes any unrealized loss related to Transactions Costs. For exited investments, Transaction Costs are included in realized gain (loss).

*** Remaining Value represents the sum of Contributed, Transaction Costs, Realized Gain (Loss) and Unrealized Gain (Loss) less Distributions.

Note: Remaining cost, as disclosed in the Balance Sheets, represents the sum of Contributed, Transaction Costs and Realized Gain (Loss) less Distributions.

Note: Other Remaining Interests includes those Portfolio Funds whose individual remaining values are less than 0.1% of total members' commitments.

Note: Exited Funds includes those Portfolio Funds whose individual remaining values are equal to zero, are currently in escrow or liquidation status, or have been sold subsequent to September 30, 2012.

Appendix C – [redacted] September 30, 2012 Summary of Investments

[redacted]

(A Limited Liability Company)

Summary of Investments
(Unaudited)

September 30, 2012

Portfolio Fund	Date of Initial Investment	Total Fund Size[1]	Total Commitment	Contributed	Transaction Costs	Distributions	Flow through from Portfolio Funds: Realized Gain (Loss)	Flow through from Portfolio Funds: Unrealized Gain (Loss)**	Remaining Value***	Total Value	Multiple[2]	Fund IRR# *
[redacted]												

[redacted]

(A Limited Liability Company)

Summary of Investments, continued
(Unaudited)

September 30, 2012

Portfolio Fund	Date of Initial Investment	Total Fund Size[1]	Total Commitment	Contributed	Transaction Costs	Distributions	Flow through from Portfolio Funds Realized Gain (Loss)	Flow through from Portfolio Funds Unrealized Gain (Loss)**	Remaining Value***	Total Value	Multiple[2]	Fund IRR# *
[redacted]												

[redacted]

(A Limited Liability Company)

Summary of Investments, continued
(Unaudited)

September 30, 2012

1 The total fund size reflected is determined based on the specific legal fund to which [redacted] commitment is made.
2 Multiple is calculated as Total Value divided by Contributed.
3 Total fund size is £102,000,000 (converted at a blended rate to $182,256,931).
4 Actual commitment is £10 million. U.S. dollar commitment will fluctuate based on foreign exchange rates.
5 Multiple and Fund IRR in British Pounds, without adjustments related to foreign exchange movements, are 2.74X and 28.7%, respectively, at September 30, 2012.
6 Represents a $7,500,000 commitment in the fund (as a result of [redacted] secondary purchase, actual commitment is $4,708,196).
7 Represents a $15,625,000 commitment in the fund (as a result of [redacted] secondary purchase, actual commitment is $12,017,762).
8 Total fund size is €278,000,000 (converted at a blended rate to $378,305,033).
9 Actual commitment is €8 million. U.S. dollar commitment will fluctuate based on foreign exchange rates.
10 Multiple and Fund IRR in Euros, without adjustments related to foreign exchange movements, are 1.38X and 9.2%, respectively, at September 30, 2012.
11 Total fund size is €201,035,533 (converted at a blended rate to $266,310,070).
12 Actual commitment is €4 million. U.S. dollar commitment will fluctuate based on foreign exchange rates.
13 Multiple and Fund IRR in Euros, without adjustments related to foreign exchange movements, are 1.61X and 11.7%, respectively, at September 30, 2012.
Internal Rate of Return is calculated based upon the actual dates of cash flows and quarter-end valuations.
* Fund IRR calculations includes interest costs for going into a fund late and distributions, if applicable. The calculations do not include legal due diligence costs.
** Unrealized Gain (Loss) also includes any unrealized loss related to Transactions Costs.
*** Remaining Value represents the sum of Contributed, Transaction Costs, Realized Gain (Loss) and Unrealized Gain (Loss) less Distributions.

Note: Remaining cost, as disclosed in the Balance Sheets, represents the sum of Contributed, Transaction Costs and Realized Gain (Loss) less Distributions.

Appendix D – Discussion Points on [redacted] Carried Interest and other Calculations

[redacted] Carried Interest

- As of September 30, 2012, [redacted] was the only investment in [redacted] for which carried interest had been allocated *and* paid.
- [redacted] originally comprised two components: a public series, and a private series.
  - The carried interest for the public series was allocated in 2004 and has since been paid.
    - [redacted] disposed of its interest in the public series in 2004.
  - The carried interest for the private series continues to be allocated and paid.[1]
- As of September 30, 2012, only a small amount of capital ($6,129) was still invested in [redacted].
- [redacted] is a unique investment. The following amendments were made to the [redacted] operating agreement with respect to [redacted].

Amendment 9 and the underlying [redacted] Agreement – March 2001

Management Fees with respect to [redacted]

- $250,000 per year for six years, $125,000 thereafter
  - The fee will be reduced proportionately, but in no event below $50,000, if there is a partial withdrawal of [redacted] initial capital investment in [redacted]
- [redacted] informed us that the management fee negotiated with respect to [redacted] is lower than what is typically charged for [redacted] other turn keys, due to [redacted] hedge fund structure.

[1] Amendment #11 to the [redacted] operating agreement provides for the deferral of payment of carried interest until recovery of losses that have been incurred on other investments. [redacted] commonly refers to this recovery of losses as "filling the buckets." Unlike the other funds for which carried interest has been allocated, [redacted] is not subject to this "filling the buckets" analysis because under Amendment #11, it is not part of the "Designated Portfolio" which is subject to this "filling the buckets."

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Carried Interest

- 3% of the excess of the Pre-Carry Company Interest Value over the High Water Mark, provided that the Pre-Carry Company Interest Value is equal to or greater than the Wilshire 2500 index[2]

Incentive Fee

- [redacted] is required to pay a 15% incentive fee to the managers of [redacted]
  - This is a 5% reduction in fees compared to what is typically paid to other managers (i.e. 20%).
  - With respect to the 5% reduction in incentive fees, [redacted] is to be allocated 50% of this 5% reduction in fees.
  - We obtained the underlying [redacted] Agreement and verified these amounts.
  - We requested of [redacted] an example of the payment of this reduction of incentive fee. In the distribution notice provided to [redacted] and the supporting calculation provided by [redacted] we noted that [redacted] was allocated 50% of this 5% reduction in incentive fees.

Turn-Key Fee

- [redacted] is designated as a "Major Investor" and receives reduced Management Fee Rates from [redacted].
- Annual management fees charged to [redacted] are 1.2% of the fair value of the Applicable Net Assets,[3] compared to 1.5% that is typically charged to other investors.
  - [redacted] is allocated a portion of [redacted] investment equal to the value of the reduced amount of management fees (0.3%).
  - We obtained the underlying [redacted] Agreement and verified these amounts.
  - We requested of [redacted] an example of the payment of this turn-key fee. In the distribution notice provided to [redacted] and the supporting calculation provided by [redacted], we noted that [redacted] was allocated 100% of this 0.3% reduction in management fees.

[2] Refer to the main section of the report for a discussion involving differences found in the Wilshire 2500 index.
[3] [redacted] is required to pay the managers of [redacted] a Base Management Fee at the following quarterly rates: 0.3% of the fair value of the Applicable Net Assets of the fund up to and including $600,000,000 of fair value; and 0.175% of fair value of the Applicable Net Assets in excess of $600,000,000.

- Per the underlying [redacted] Agreement, the reduced rate (i.e., 1.2% instead of 1.5%) was set to expire on March 31, 2004.[4] In other words, beginning on April 1, 2004, [redacted] would be required to pay an Incremental Management Fee at the quarterly rate below:
  - 0.075% of the fair value of the Applicable Net Assets of the fund (i.e., 0.3% annually)
- However, per discussion with [redacted] as well as review of [redacted] Quarterly Account Statements[5] that were provided by [redacted],[6] the rate continues to be 1.2%. As such, [redacted] is still allocated a portion of [redacted] investment equal to the value of the reduced amount of management fees (0.3%).

Amendment 12 – April 2004

- Provides for revised economic arrangements because the public series portion of the [redacted] investment was disposed of in March 2004.
- $108.8M was withdrawn from [redacted] on or before March 2004 – this amendment provides for the distributable amounts to [redacted] and [redacted].

Amendment 13 – December 2004

- [redacted] may purchase additional securities of entities which are already included in the private series ("[redacted] Follow-On Investments").
- [redacted] is permitted to co-invest with [redacted] in connection with any [redacted] Follow-On Investment up to an amount necessary for [redacted] to maintain its ownership percentage in such entity prior to such follow-on.

[4] This expiration date is also noted in a March 2001 memorandum from [redacted] that was attached to [redacted] amendment #9 in [redacted] archives.
[5] [redacted] provided the [redacted] Quarterly Account Statements for the first quarter of 2007 through the second quarter of 2008.
[6] As noted in the body of the report, at the direction of [redacted] at this time, FTI has not confirmed any information directly with underlying funds.

Appendix E – Wilshire 2500 Index Comparison

Appendix E - Wilshire 2500 Index Comparison

[redacted]