

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

SECURITIES AND EXCHANGE)	
COMMISSION,)	
)	
Plaintiff,)	
)	
v.)	Case No. 4:12-cv-00080-CEJ
)	
BURTON DOUGLAS MORRISS, et al.,)	
)	
Defendants, and)	
)	
MORRISS HOLDINGS, LLC,)	
)	
Relief Defendant.)	

MEMORANDUM OF LAW IN SUPPORT OF RECEIVER’S MOTION FOR APPROVAL OF SALE OF INTERESTS IN CLEARBROOK GLOBAL ADVISORS LLC

In keeping with the principal objectives of the Receivership, *i.e.*, to administer and manage the business affairs, funds, assets, choses in action, and other property of the Receivership Entities,¹ to marshal and safeguard the Receivership assets, and to take such actions as are necessary for the protection of the investors, the Receiver respectfully requests that the Court enter an Order² approving the Receiver’s sale of certain interests in Clearbrook Global Advisors LLC (“Clearbrook”). The Receiver seeks to sell interests in Clearbrook³ held in the name of two Receivership Entities, MIC VII, LLC (“MIC”) and Acartha Technology Partners, LP (“ATP”), and one special purpose vehicle managed by Acartha, Clearbrook Acquisition, LLC (“Acquisition”). Subject to the approval of the Court, the sale (redemption) of the interests will

¹ As used herein, the capitalized term “Receivership Entities” refers to Acartha Group, LLC, Acartha Technology Partners, LP, MIC VII, LLC, and Gryphon III Investments, LLC.

² A proposed order is attached hereto as **Exhibit A**.

³ The Receiver will refer to the subject interests as “interests” in this Memorandum.

yield a total payment of \$100,000 following the execution of the Redemption Agreement, a copy of which is attached hereto as **Exhibit B**.

I. Background

A. The Receivership

On January 17, 2012, the United States Securities and Exchange Commission (the “SEC”) filed its *Complaint for Injunctive and Other Relief* (the “Complaint”) against Burton Douglas Morriss (“Morriss”), Acartha Group, LLC (“Acartha”), ATP, MIC, Gryphon III Investments, LLC (“Gryphon”), and Morriss Holdings, LLC (“Morriss Holdings”)⁴ in this Court as Case No. 4:12-cv-00080-CEJ (the “SEC Case”). ECF No. 1. In the Complaint and other papers filed by the SEC on January 17, 2012, the SEC alleged various securities laws violations by the SEC Defendants.

Also, on January 17, 2012, the SEC moved for the immediate appointment of a receiver over the Receivership Entities to (i) administer and manage the business affairs, funds, assets, choses in action and other property of the Receivership Entities, (ii) act as sole and exclusive managing member or partner of the Receivership Entities, (iii) maintain sole authority to administer any and all bankruptcy cases in the manner determined to be in the best interests of the Receivership Entities’ estates, (iv) marshal and safeguard all of the assets of the Receivership Entities, and (v) take whatever actions are necessary for the protection of investors. The Court entered the requested relief by order dated January 17, 2012 (the “Receivership Order”). *See* ECF No. 16.

As established in the Receivership Order, the Receiver is charged with

tak[ing] immediate possession of all property, assets and estate of every kind of the [Receivership] Entities whatsoever and wheresoever located, including but not

⁴ Morriss, Acartha, ATP, MIC, Gryphon III, and Morriss Holdings are collectively referred to as the “SEC Defendants.”

limited to all offices maintained by the [Receivership] Entities'[,] rights of action, books, papers, data processing records, evidence of debt, bank accounts, savings accounts, certificates of deposit, stocks, bonds, debentures and other securities, mortgages, furniture, fixtures, office supplies and equipment, and all real property of the [Receivership] Entities, wherever situated, and to administer such assets as is required in order to comply with the directions contained in this Order, and to hold all other assets pending further Order of this Court..."

Id. at 2. The Receiver also is "authorized, solely and exclusively, to operate and manage the businesses and financial affairs of [the Receivership Entities] and the Receiver Estates." *Id.* at 8.

B. Redemption (Sale) of Interests

One of the Receiver's primary activities has been the daily work of managing the Receivership's investment assets (illiquid interests in various portfolio concerns). Since the inception of the Receivership proceeding, the Receiver has managed interests in portfolio concerns in varying stages of development. Over time, each of the portfolio companies has continued to require additional venture capital investments or other financing to maintain and sustain growth, and the Receiver has engaged in the time-consuming process of monitoring and facilitating the capital calls and financing needs of the portfolio concerns. With respect to the Receivership Entities' investment in Clearbrook, the Receiver has monitored Clearbrook's financial status, considered exit plans, and handled tax and corporate compliance matters.

Clearbrook was founded in 2005. Clearbrook is a holding company that owns six, wholly-owned subsidiaries through which Clearbrook provides investment advisory services and securities brokerage services to institutions, pension plans, endowments, foundations, family offices, and high net worth individuals. Clearbrook's subsidiaries are as follows: Clearbrook Investment Consulting, LLC ("CIC"), Clearbrook Investment Solutions, LLC ("CIS"), Clearbrook Discretionary Investment Services, LLC ("CDIS"), and CbF Advisors, LLC ("CbF") are registered investment advisors. Managed Account Services, LLC ("MAS") is a broker-dealer

and is registered with the SEC and the Financial Industry Regulatory Authority ("FINRA"). CDIS LP, LLC serves as the Managing Member of CDIS Core Fund LLC ("CDIS Core Fund"), a private partnership sponsored by Clearbrook.

Following her appointment as Receiver, former management informed the Receiver that MIC, ATP, and Acquisition provided investment funds to Clearbrook. MIC and ATP are two of the four Receivership Entities. Acquisition, however, is one of a number of special purpose vehicles ("SPV") managed by Acartha. Acquisition is made up of two equal members: MIC and a single individual investor. According to information made available by Clearbrook, Receivership holdings in Clearbrook in the Series B Preferred shares are as follows:

MIC	718,750 Units
ATP	159,722 Units
<u>Acquisition</u>	<u>479,166 Units</u>
<i>TOTAL</i>	1,357,638 Units

Clearbrook has offered to redeem the Receivership interests in Clearbrook for the price and on the terms set forth in the attached Redemption Agreement (**Exhibit B**). Thus, in keeping with the directives of the Court and the authorities granted to the Receiver, the Receiver now seeks this Court's approval for Clearbrook's redemption of the interests held by MIC, ATP, and Acquisition in Clearbrook.

II. Argument

A. The Redemption Agreement is Reasonable and Permissible Under Existing Authority

Pursuant to the Receivership Order, the Court authorized the Receiver to, among other things, administer and manage the business affairs, funds, assets, choses in action, and other property of the Receivership Entities, marshal and safeguard the assets of the Receivership Entities, and take such actions as are necessary for the protection of investors. ECF No. 16 at 1; *see also Scholes v. Lehmann*, 56 F.3d 750, 755 (7th Cir. 1995) (receiver's "object is to maximize

the value of the [Receivership assets] for the benefit of their investors and any creditors”). The Court also authorized the Receiver to take immediate possession of all property, assets, and estates of every kind of the Receivership Entities whatsoever and wheresoever located, and hold such assets pending further order of the Court. *See* ECF No. 16 at 1.

Now, in the execution of her sole and exclusive duty to manage the assets of the Receivership Entities and maximize the value of those assets for the benefit of the investors and any creditors, the Receiver seeks this Court’s approval of the Redemption Agreement. The Redemption Agreement provides for Clearbrook’s redemption of all interests in Clearbrook held by MIC, ATP, and Acquisition for the total redemption price of \$100,000, divided as follows:

MIC (718,750 Units)	\$52,941.21
ATP (159,722 Units)	\$11,764.69
Acquisition (479,166 Units)	\$35,294.10

The Redemption Agreement further provides for mutual releases by MIC, ATP, Acquisition, and Clearbrook of claims and liabilities arising out of or relating to the Receivership’s interests in Clearbrook.

The funds recovered under the terms of the Redemption Agreement will increase the liquid assets of the Receivership estate by a sum that has been endorsed by a qualified expert, increase the funds available for a distribution to allowed claimants, and avoid the risk of future dilution and diminution of the Receivership’s interests in Clearbrook. Approval of the transaction also will reduce the cost to the Receivership estate of managing and monitoring the Receivership’s interest in Clearbrook. Once the redemption is accomplished, the Receivership estate will no longer incur fees and expenses related to the management of the Clearbrook interests (e.g., review of financial statements and other information provided by Clearbrook,

registration with CT Corporation for Acquisition, payment of Delaware franchise taxes for Acquisition, review and production of K-1s for Acquisition).

B. Sale (Redemption) of the Interests in Clearbrook

A receiver's sale of personal property is governed by 28 U.S.C. § 2004, which directs that any personalty (personal property) sold under order or decree of a court of the United States be sold in accordance with 28 U.S.C. § 2001, unless the court orders otherwise. Section 2001, in turn, provides that realty (real property) shall be sold either at public sale or private sale, on terms and conditions set by the statute.

Here, the Receiver is proposing to sell the Receivership's interests in Clearbrook by private sale. Therefore, pursuant to Section 2004, the Receiver must follow the statutory procedures of Section 2001, unless the Court orders otherwise. Section 2001(b) permits property to be sold in a private sale, provided that three separate appraisals have been conducted, the terms are published in a circulated newspaper ten days prior to sale, and the sale price is not less than two-thirds of the valued price. Because of the circumstances of the proposed sale (redemption) and the nature of the property being sold, the Receiver requests that the Court use its statutorily-granted discretion to approve the proposed sale (redemption) even though it does not follow the procedural dictates of Section 2001.

A court's "power to supervise an equity receivership and to determine the appropriate action to be taken in the administration of the receivership is extremely broad. It is a recognized principle of law that the district court has broad powers and wide discretion to determine the appropriate relief in an equity receivership." *SEC v. Hardy*, 803 F.2d 1034, 1037 (9th Cir. 1986); *Sec. & Exch. Comm'n v. Goldfarb*, No. C 11-00938 WHA, 2013 WL 4504271, at *2 (N.D. Cal. Aug. 21, 2013). When dealing with the sale of property, Sections 2001 and 2004 set out a

“preferential course to be followed.” *Tanzer v. Huffines*, 412 F.2d 221, 222 (3d Cir. 1969). For the sale of personal property, however, Section 2004 gives the receivership court discretion to authorize a sale outside of the statutory scheme. *See* 28 U.S.C. § 2004; *Tanzer*, 412 F.2d at 223 (court’s decision to authorize sale of stock outside statutory scheme reviewed for abuse of discretion). Courts have exercised this discretion when the personalty for sale is stock or other similar assets. *See Tanzer*, 412 F.2d 221; *Goldfarb*, 2013 WL 4504271 (selling interest in limited liability company); *U.S. v. Kerner*, No. 00-75370, 2003 WL 22905202 (E.D. Mich. Oct. 24, 2003) (selling stock). When a sale procedure outside the statutory scheme is proposed, the court should consider whether the price for which the asset is proposed to be sold is the “best price under the circumstances.” *Goldfarb*, 2013 WL 4504271, at *2, citing *Tanzer*, 412 F.2d at 223.

Here, the Receiver is selling (obtaining redemption of) interests in Clearbrook, a private company. The Receiver’s ability to market the interests is limited. The interests are shares in a privately-held company and a potential (and serious) buyer would require information about both Clearbrook and related diligence that Clearbrook is not under any obligation to provide. Thus, the pool of potential buyers consists of those individuals and entities who already have diligence or the right to request information sufficient to make an informed decision about the value of the Receivership interests. It would be very difficult for the Receiver to interest a third party not already a shareholder or otherwise familiar with Clearbrook in making an offer. Here, Clearbrook plans to redeem the interests. Clearbrook is part of limited universe of conceivable buyers for these interests, and as of the filing of this Motion, the Receiver has not received any other offers.

The Receiver engaged an expert, H. Edward Morris, Jr. of CliftonLarsonAllen LLP, to assist the Receiver in determining the reasonableness of the redemption price to be paid by Clearbrook. Mr. Morris has opined that:

- 1) The calculation of the redemption price of \$100,000 for the Clearbrook Series B preferred units (“Units”) held by MIC (718,750 Units), Units held by Acquisition (479,166 Units), and Units held by ATP (159,722 Units) (collectively a total of 1,357,638 Units which was 49.3% of total Units outstanding in December 2015) for \$100,000 (\$0.073657 per Unit) is reasonable based upon the available information.
- 2) As the \$100,000 amount was a negotiated value based upon arm’s length negotiations between the Receiver and Clearbrook, **it is my opinion and recommendation that the Receiver accept the \$100,000 offer for all the Holders’ Units.**

Valuation Report, attached hereto as **Exhibit C** in redacted form and incorporated by reference herein.⁵ Mr. Morris reached his conclusion after reviewing the InCap Group Inc. (“InCap”) Report (attached to the Valuation Report as Appendix B). He reviewed the methodology used in the InCap Report, considered that it was prepared by qualified valuation analysts, and determined that the InCap Report’s conclusion was consistent with the facts and circumstances presented therein. Mr. Morris also considered other information to reach his conclusion, including two offers to redeem Series B preferred units (the type of interests held by the Receivership) for \$0.00109 and \$0.003 per unit (offers that would have resulted in a lower redemption price for the Receivership interests). The full analysis and conclusion of Mr. Morris can be found in his Valuation Report (**Exhibit C**).

⁵ The Receiver is filing an unredacted version of the Valuation Report with the Court and requesting that the Court maintain the unredacted Valuation Report under seal. The Valuation Report contains sensitive financial and other nonpublic information about Clearbrook that may place Clearbrook at a competitive disadvantage if made public through this filing. At the request of Clearbrook, the Receiver has made selected redactions of confidential business information. The unredacted version of the Valuation Report will be available to investors on the secure investor website.

Significantly, Mr. Morriss outlined the downside risks to the Receiver should she forgo this opportunity to sell the interests back to Clearbrook. These risks include, but are not limited to, the potential that Clearbrook shareholders may object to a future redemption, the general and continuing risk of a decline in the economy, and the risk of unforeseen events. Thus, Mr. Morris concluded that the offered redemption value of \$100,000 for the Receivership's interests was significantly higher than the InCap calculated value of \$0.00. Further, since the \$100,000 offer for the Receivership's interests was a negotiated value based upon arm's length negotiations between the Receiver and Clearbrook, Mr. Morris concluded and recommended that the Receiver accept the \$100,000 offer for the Receivership's interests. The Receiver submits that Mr. Morris's conclusions support a finding that the proposed redemption price for the Receivership's interests in Clearbrook represents the "best price" for the interests "under the circumstances." *See Goldfarb*, 2013 WL 4504271, at *2, citing *Tanzer*, 412 F.2d at 223.

Given the nature, quality, and value of the interests, the Receiver believes that the terms and conditions of the proposed redemption by Clearbrook are the best available to the Receivership and will be beneficial to the allowed claimants to the Receivership Entities because the redemption will increase the liquid assets of the estate for potential distribution. The proposed redemption also is beneficial to the sole individual member of Acquisition because the member will receive a distribution. Moreover, the Receiver's expert has opined that, based upon the information made available to him, the proposed redemption is reasonable.

As such, the Receiver respectfully requests that the Court exercise its statutory discretion to exempt the proposed sale from the strictures of Section 2001's private sale requirements and authorize the Receiver to consummate Clearbrook's redemption of the Receivership's interests in Clearbrook. For the reasons summarized in the Valuation Report prepared by Mr. Morris, the

redemption is in the best interests of the Receivership estate and will further the objectives of the Receivership.

III. Service of the Motion

The Receiver is serving a copy of this motion on all counsel of record. Out of an abundance of caution, the Receiver also is serving certain interested parties (the “Interested Parties”) via electronic mail. The Receiver considers the Interested Parties to be those Receivership Entity investors whose filed claims have been recommended for allowance by the Receiver. Furthermore, as she has done with previous motions, the Receiver will post a copy of the motion, memorandum, and exhibits on the Receivership’s public website. In addition, the Receiver will post the complete and unredacted filing on the secure investor website.

IV. Conclusion

For all the foregoing reasons, the Receiver respectfully requests that the Court enter an Order approving the Redemption Agreement as reasonable, fair, and equitable, authorizing the Receiver’s consummation of the redemption of the Receivership’s interests in Clearbrook by Clearbrook in accordance with the Redemption Agreement, and granting the Receiver such other and further relief as is just and appropriate under the circumstances.

Dated: May 17, 2016

Respectfully Submitted,

THOMPSON COBURN LLP

By /s/ Kathleen E. Kraft

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CERTIFICATE OF SERVICE

I hereby certify that on May 17, 2016, I electronically filed the foregoing with the Clerk of the Court through the Court's CM/ECF system which will send a notice of electronic filing to all counsel of record receiving electronic service.

I further certify that I served the foregoing document via electronic mail on all Interested Parties (as defined in this Memorandum).

/s/ Kathleen E. Kraft

EXHIBIT A

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION**

SECURITIES AND EXCHANGE)	
COMMISSION,)	
)	
Plaintiff,)	
)	
v.)	Case No. 4:12-cv-00080-CEJ
)	
BURTON DOUGLAS MORRISS, et al.,)	
)	
Defendants, and)	
)	
MORRISS HOLDINGS, LLC,)	
)	
Relief Defendant.)	

**ORDER APPROVING RECEIVER’S SALE OF
INTERESTS IN CLEARBROOK GLOBAL ADVISORS LLC**

This matter is before the Court on the *Motion for Approval of Sale of Interests in Clearbrook Global Advisors LLC* and memorandum in support thereof (Dkt. Nos. __, __; the “Motion”) filed by Claire M. Schenk, the court-appointed receiver (“Receiver”) for Acartha Group, LLC, Acartha Technology Partners, LP, MIC VII, LLC, and Gryphon Investments III, LLC (collectively, the “Receivership Entities”). On May 17, 2016, the Receiver filed the Motion, seeking Court approval of the Receiver’s sale of certain interests held by the Receivership in Clearbrook Global Advisors LLC (“Clearbrook”) through a redemption by Clearbrook.

Having fully considered the Motion, any oppositions thereto, and being duly advised as to the merits, the Court hereby finds that good grounds exist to authorize the Receiver’s sale outside the statutory scheme set forth in 28 U.S.C. §§ 2001 and 2004. *See Tanzer v. Huffines*, 412 F.2d 221 (3d Cir. 1969); *Sec. & Exch. Comm’n v. Goldfarb*, No. C 11-00938 WHA, 2013 WL 4504271 (N.D. Cal. Aug. 21, 2013); *U.S. v. Kerner*, No. 00-75370, 2003 WL 22905202

(E.D. Mich. Oct. 24, 2003). The Court further finds that the offer by Clearbrook to purchase the Receivership's interests in Clearbrook, as detailed in the Motion and exhibits thereto, represents the best price for the interests under the circumstances. Therefore,

IT IS HEREBY ORDERED THAT

1. The Motion is **GRANTED** in its entirety.
2. The Receiver is authorized to sell the Receivership's interests in Clearbrook Global Advisors LLC on the terms and conditions set forth in the Motion and in Exhibit B to the Motion.

SO ORDERED this the ___ day of _____, 2016.

**THE HONORABLE CAROL E. JACKSON
UNITED STATES DISTRICT COURT JUDGE**

EXHIBIT B

SERIES B PREFERRED UNIT
REDEMPTION AGREEMENT

THIS REDEMPTION AGREEMENT, dated as of May ____, 2016 (this “Agreement”) is made by and between CLEARBROOK GLOBAL ADVISORS LLC, a Delaware limited liability company (“Clearbrook”), and MIC VII, LLC (“MIC VII”), Clearbrook Acquisition, LLC (“Acquisition”), and Acartha Technology Partners, LLC (“ATP”). MIC VII, Acquisition and ATP are each sometimes referred to herein as a “Holder” and together as the “Holders”. Clearbrook and Holders are sometimes each referred to herein as a “Party” and together as the “Parties”.

R E C I T A L S

WHEREAS, MIC VII is the record and beneficial holder of 718,750 Series B Preferred Units of Clearbrook (the “Units”), Acquisition is the record and beneficial holder of 479,166 Units and ATP is the record and beneficial holder of 159,722 Units;

WHEREAS, on January 17, 2012, MIC VII, ATP and Acartha Group, LLC (“Acartha”) were placed into receivership by the United States District Court for the Eastern District of Missouri, and Ms. Claire M. Schenk, Esq. of the firm Thompson Coburn LLP was appointed to serve as the receiver (the “Receiver”) for MIC VII, ATP and Acartha, with Acartha serving as the manager of Acquisition; and

WHEREAS, Clearbrook desires to redeem the Units from Holders, and each Holder desires to have Clearbrook redeem its Units, in accordance with the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual conditions and covenants contained in this Agreement, and for other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, it is hereby stipulated, consented to and agreed by and among the Parties as follows:

A G R E E M E N T

SECTION 1. Redemption; Payment of Redemption Price; Effective Date. Clearbrook hereby agrees to redeem all of the Units of each Holder for the redemption price set forth beneath such Holder’s signature to this Agreement (the “Redemption Price”). The Redemption Price will be paid to such Holder no later than three business days after the date of this Agreement in accordance with the wiring payment instructions to be provided by the Receiver. The date on which the Redemption Price is paid to a Holder is referred to herein as the “Effective Date” with respect to such Holder.

SECTION 2. Satisfaction, Discharge and Release.

(a) Clearbrook hereby agrees to pay, and each Holder hereby agrees to accept, the Redemption Price payable for such Holder’s Units in full satisfaction of any and all distributions or other consideration such Holder may be entitled to receive from, and of any and all

obligations such Holder may have to, Clearbrook with respect to the Units. Effective as of the Effective Date, each Holder will cease to be a member of Clearbrook, and such Holder will assign, transfer, convey and deliver to Clearbrook all of such Holder's right, title and interest in and to the Units free and clear of all liens, pledges, claims, options, charges or encumbrances of any type.

(b) Effective as of the Effective Date, each Holder hereby releases and forever discharges Clearbrook and its past and present members, managers, officers, employees, consultants, advisors and affiliates from any and all demands, claims, liabilities, debts, causes of action, actions, judgments, and suits, whether arising out of Clearbrook's limited liability company agreement or based in law or equity, which such Holder ever had, now has or hereafter can, shall or may have for, upon, or by reason of any matter, cause or thing whatsoever, whether or not known or unknown, relating to or arising under the Units, except for demands, claims, liabilities, debts, causes of action, actions, judgments, and suits, arising under this Agreement.

(c) Effective as of the Effective Date, Clearbrook hereby releases and forever discharges the Receiver, her attorneys, accounts and other agents, and each Holder and its past and present members, shareholders, directors, managers, officers, employees, consultants, advisors and affiliates from any and all demands, claims, liabilities, debts, causes of action, actions, judgments, and suits, whether arising out of Clearbrook's limited liability company agreement or based in law or equity, which Clearbrook ever had, now has or hereafter can, shall or may have for, upon, or by reason of any matter, cause or thing whatsoever, whether or not known or unknown, relating to or arising under the Units, except for demands, claims, liabilities, debts, causes of action, actions, judgments, and suits, arising under this Agreement.

SECTION 3. Representations and Warranties of Holders. Each Holder represents and warrants to Clearbrook that:

(a) Such Holder is the sole and beneficial owner of the Units being redeemed from such Holder hereunder, the Units represent all of Holder's interests in Clearbrook, the Units are free and clear of all liens, pledges, security interests and other encumbrances, and such Holder is not party to any agreement that prohibits or otherwise restricts such Holder from entering into or performing its obligations under this Agreement;

(b) Such Holder has duly executed and delivered this Agreement, has obtained all authorizations and consents necessary for such Holder to enter into and perform its obligations under this Agreement, and that this Agreement constitutes the legally binding obligations of such Holder; and

(c) Such Holder (i) has carefully read this Agreement and clearly understands this Agreement and each of its terms; (ii) fully and unconditionally consents to the terms of this Agreement; (iii) has had the benefit and advice of counsel of their own selection; (iv) has executed this Agreement, freely, with knowledge, and without influence or duress; (v) has not relied upon any other representations, either written or oral, express or implied, made to them by any party except as expressly set forth herein; and (vi) has received adequate consideration for its obligations under this Agreement.

SECTION 4. Representations and Warranties of Clearbrook. Clearbrook represents and warrants to each Holder that:

(a) Clearbrook has duly executed and delivered this Agreement, has obtained all authorizations and consents necessary for Clearbrook to enter into and perform its obligations under this Agreement, and that this Agreement constitutes the legally binding obligations of Clearbrook; and

(b) Clearbrook (i) has carefully read this Agreement and clearly understands this Agreement and each of its terms; (ii) fully and unconditionally consents to the terms of this Agreement; (iii) has had the benefit and advice of counsel of their own selection; (iv) has executed this Agreement, freely, with knowledge, and without influence or duress; (v) has not relied upon any other representations, either written or oral, express or implied, made to it by any party except as expressly set forth herein; and (vi) has received adequate consideration for its obligations under this Agreement.

SECTION 5. Miscellaneous. This Agreement contains all of the agreements of the Parties hereto with respect to the subject matter hereof and no prior agreement, understanding or representation pertaining to any such matter shall be effective for any purpose. No provision of this Agreement may be amended except in writing signed by the Parties hereto. This Agreement may be executed in any number of counterparts with the same effect as if all Parties hereto had signed the same document. All such counterparts shall be construed together and shall constitute one instrument. The terms and provisions hereof shall be binding upon and inure to the benefit of the Parties hereto, their transferees, representatives, successors and assigns. This Agreement shall be construed and interpreted in accordance with the laws of the State of New York. The Parties agree that venue shall only be proper in the federal courts located in the Borough of Manhattan, New York City. The captions and headings of the numbered paragraphs of this Agreement are inserted solely for the convenience of the Parties and are not a part of this Agreement and shall have no effect upon the construction or interpretation of any part hereof. If any provision of this Agreement or the application thereof to any person or circumstances shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

[Signatures of Following Page]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

CLEARBROOK GLOBAL ADVISORS LLC MIC VII, LLC.

By: _____ By: _____

Series B Preferred Units: 718,750

Redemption Price: \$52,941.21

CLEARBROOK ACQUISITION, LLC.

By: _____

Series B Preferred Units: 479,166

Redemption Price: \$35,294.10

ACARTHA TECHNOLOGY PARTNERS, LLC

By: _____

Series B Preferred Units: 159,722

Redemption Price: \$11,764.69

REDACTED



CliftonLarsonAllen LLP
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630-573-8600 | fax 630-573-0798
www.claconnect.com

May 6, 2016

Ms. Claire M. Schenk
Receiver for Acartha Group, LLC, et al.
Thompson Coburn LLP
One US Bank Plaza
St. Louis, Missouri 63101

**RE: MIC VII, LLC, Acartha Technology Partners, L.P.
and Clearbrook Acquisition, LLC**

Dear Ms. Schenk:

You have engaged CliftonLarsonAllen LLP ("I" or the "Firm"), to comment on:

- 1) The calculation of the redemption price of the Clearbrook Global Advisors LLC Series B preferred units held by MIC VII, LLC ("MIC"), Acartha Technology Partners, LP ("ATP"), and Clearbrook Acquisition, LLC ("Acquisition") (collectively the "Holder and/or Holders"), by and through Claire M. Schenk as Receiver over the Holders ("Receiver"); and
- 2) The reasonableness of the offer by Clearbrook Global Advisors LLC ("Clearbrook") to redeem the Clearbrook Series B preferred units owned by the Holders for a total price of \$100,000.

In summary, it is my opinion that:

- 1) The calculation of the redemption price of \$100,000 for the Clearbrook Series B preferred units ("Units") held by MIC (718,750 Units), Units held by Acquisition (479,166 Units) and Units held by ATP (159,722 Units) (collectively a total of 1,357,638 Units which was 49.3% of total Units outstanding in December 2015) for \$100,000 (\$0.073657 per Unit) is reasonable based upon the available information.
- 2) As the \$100,000 amount was a negotiated value based upon arm's length negotiations between the Receiver and Clearbrook, it is my opinion and recommendation that the Receiver accept the \$100,000 offer for all the Holders' Units.

The purpose of the attached report is to document the basis for my opinions which are based on the available information as of the date of the report, my education, my experience, and my specialized training. I reserve the right to amend, revise, or update my opinions for information or analysis subsequently provided to the Receiver, the Court, and/or me as part of this matter.

I have performed my engagement in accordance with the Statement on Standards for Consulting Services, No. 1, of the American Institute of Certified Public Accountants. Portions of this report, including the documents cited in the report and/or the attached appendices to this report, may be

REDACTED

Ms. Claire M. Schenk
Receiver for Acartha Group, LLC, et al.
Expert Report of H. Edward Morris, Jr., ASA, CPA/ABV
May 6, 2016

used to supplement or highlight my testimony, if any, during depositions and/or trial. I may also prepare demonstrative exhibits based on this report for use as necessary in any such testimony.

This report is prepared in connection with the possible redemption by Clearbrook its Series B preferred units owned by MIC, Acquisition and ATP and was requested by Ms. Claire M. Schenk as Receiver for the Holders and should not be used for any other purpose.

Respectfully submitted,



H. Edward Morris, Jr.
ASA, CPA/ABV
Director
CliftonLarsonAllen LLP

REDACTED

Ms. Claire M. Schenk
Receiver for Acartha Group, LLC, et al.
Expert Report of H. Edward Morris, Jr., ASA, CPA/ABV
May 6, 2016

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REDACTED

Ms. Claire M. Schenk
Receiver for Acartha Group, LLC, et al.
Expert Report of H. Edward Morris, Jr., ASA, CPA/ABV
January 5, 2016

1. Qualifications and Other Disclosures

My professional qualifications include:

- I am a Certified Public Accountant (CPA) (1976) licensed in the state of Illinois.
- I have received the following accreditations in the areas of business valuation:
 - Accredited Senior Appraiser (ASA) awarded by the American Society of Appraisers; and
 - Accredited in Business Valuation (ABV) awarded by the American Institute of Certified Public Accountants.

I am a current member of the American Society of Appraisers, the American Institute of Certified Public Accountants, and the Midwest Business Brokers and Intermediaries.

I am an instructor of business valuation principles courses BV201 (Introduction to Business Valuation) and BV202 (The Income Approach to Value) for the American Society of Appraisers and was a contributing author of the BV202 course.

My professional and business experience includes:

- I am currently a Director at CliftonLarsonAllen LLP, a national accounting firm. Immediately prior to joining CliftonLarsonAllen LLP, I was a Director at Grant Thornton, LLP; a Shareholder of Corbett Duncan & Hubly, PC; and a Manager at the Condon Group Ltd.
- Prior to joining The Condon Group, I was self-employed for approximately 17 years as follows:
 - Founded an international distribution joint venture (1994);
 - Founded an Internet startup (1993) specializing in creating and hosting Internet web sites;
 - Purchased and functioned as the owner/operator of a series of manufacturing companies in the 1980's and early 1990's; and
 - Founded a consulting firm (1986) specializing in Leveraged Buyout (LBOs) transactions involving manufacturing and service companies primarily working with Private Equity Groups.
- I began my career as an auditor at PriceWaterhouse Coopers LLP (eight years) which included auditing large international companies while living in Johannesburg, South Africa (three years).
- I have earned the following college degrees: Associate in Applied Science – Chemical Technology from Purdue University (1973) and Bachelor of Science in Accounting from Indiana University (1975).

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My *curriculum vitae* and other disclosures are included in **Appendix A** to this report. My fees are not dependent or contingent in any way upon my opinions or the outcome of this litigation. My fees are rendered on an hourly basis. No final billing has been rendered at this time. My billing rate in this matter is \$375 per hour.

2. Background

On January 17, 2012, in the case captioned Securities and Exchange Commission v. Burton Douglas Morriss, et al., Case No. 4:12-cv-00080-CEJ (E.D. Mo. 2012) (the "Receivership Proceedings"), the United States District Court for the Eastern District of Missouri (the "Receivership Court") entered an Order appointing Claire M. Schenk as Receiver over certain investment entities, including ATP and MIC (the "Order Appointing Receiver").

During 2013 through April 2016 negotiations took place by and among the Receiver, on behalf of the Holders, and Clearbrook regarding the potential redemption of the Clearbrook Series B preferred units owned by the Holders. As part of the negotiations, Clearbrook provided the Receiver with certain information which has been provided to me and is the basis for my opinions. The information provided and relied upon includes:

1. Limited Liability Company Agreement of Clearbrook Global Advisors, LLC;
2. First Amendment to Limited Liability Company Agreement of Clearbrook Global Advisors, LLC;
3. Agreement and Plan of Merger dated June 14, 2010 between Clearbrook Financial, LLC and Clearbrook Global Advisors, LLC;
4. InCap Group Inc. report regarding the valuation of Clearbrook Global Advisors, LLC as of December 31, 2014 (see **Appendix B**);
5. 2015 K-1's for each of the Holders prepared by Clearbrook;
6. Clearbrook Cap Table as of February 2012;
7. Clearbrook Cap Table as of March 7, 2013;
8. Clearbrook Cap Table as of December 28, 2015;
9. Preferred Unit Holder Correspondence dated December 16, 2013 offering to redeem per Series B unit for \$0.00109;
10. Redemption Notice dated June 15, 2015 offering to redeem Series B units for \$0.003 per Series B unit;
11. Draft Series B Preferred Unit Redemption Agreement date May ____, 2016, offering to redeem all Holders' Series B Preferred Units for a total of \$100,000 (\$0.073657 per Unit).

3. History and Financial Condition of Clearbrook Global Advisors LLC¹

The following paragraphs were extracted from the InCap Group, Inc. Valuation of Clearbrook Global Advisors, LLC dated December 31, 2014:

"Clearbrook was founded in 2005. As noted, Clearbrook is a holding company that owns six, wholly-owned subsidiaries. Clearbrook Investment Consulting, LLC ("CIC"), Clearbrook

¹ Source was the InCap Group, Inc. valuation report, pages 3 and 4.

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Investment Solutions, LLC ("CIS"), Clearbrook Discretionary Investment Services, LLC ("CDIS") and CbF Advisors, LLC ("CbF") are registered investment advisors. Managed Account Services, LLC ("MAS") is a broker-dealer and is registered with the SEC and the Financial Industry Regulatory Authority ("FINRA"). CDIS LP, LLC serves as the Managing Member of CDIS Core Fund LLC, a private partnership sponsored by Clearbrook. Through its wholly-owned subsidiaries, Clearbrook provides investment advisory services and securities brokerage services to institutions, pension plans, endowments, foundations, family offices and high net worth individuals."

[REDACTED]

[REDACTED]

4. Proposed Redemption

In April 2016, the Receiver tentatively agreed to accept \$100,000 for all the Holders' Units effective in May 2016. Clearbrook provided a copy of the InCap Group Inc. fair market value of Clearbrook Global Advisors, LLC as of December 31, 2014 ("InCap Report"). A copy of the InCap Report is attached as **Appendix B**. According to InCap's website:²

"InCap Group is a financial services firm engaged in investment banking. Most of our work is for asset management firms, wealth management firms, mutual fund companies, FinTech companies, securities brokers, hybrid broker-dealers/investment advisors and bank trust departments (collectively referred to as "Investment Businesses"). We provide Merger and Acquisition ("M&A") advice, capital raising services, valuations and fairness and/or fiduciary opinions for companies in the aforementioned sectors. Much of our business is for medium-sized and smaller businesses -- generally those with \$5.0 billion or less in client assets and that generally have between 10 and 100 employees. InCap Group is one of a handful of investment banking firms in the United States that specializes in Investment Businesses of that size. InCap Group is on the select list of M&A and Valuation firms recommended by the three largest Investment Business custodians in the United States: Schwab Advisor Services, Pershing LLC and Fidelity Institutional Wealth Services. We also have a long-time relationship with Ashland Partners, one of the leading providers of GIPS services."

"InCap Group provides valuations to financial services firms, including asset managers, wealth managers, mutual fund sponsors, FinTech companies, securities brokers, hybrid broker-dealers/investment advisors and bank trust departments. We have many years of experience in

² www.incapgroup.com.

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valuing these businesses. We bring real world experience – both management and operational – to bear in valuing a business. We have experience with valuing individual books of business, privately-held companies, and minority stakes in publicly-traded businesses. We look at a wide array of quantitative and qualitative factors in determining the value of a business. We seek never to lose track of the ultimate question in this context: At what price would a ready, willing and able buyer and a ready, willing and able seller be willing to transfer cash and/or other appropriate consideration in exchange for the business or an equity stake in the business. We generally use a combination of comparable company, comparative transaction and discounted cash flow models to determine the valuation. Our valuations have enabled our clients – company owners, investors and others – to put a dollar figure on what a business is actually worth, to understand where the business fits within the industry landscape, and to make faster and more efficient decisions with regards to buying, selling, or merging. Moreover, our company valuations have helped in matters of tax/estate planning as well as for litigation support.”

The InCap report contained following statement which indicated a \$0.00 value for the Series B Preferred units as follows:³

“Using the Sum of the Parts analysis, and without giving effect to costs associated with the sales process,

No proceeds would be available for holders of the Series B Preferred or for the holders of Common Units.”

I considered the methodology used in the InCap Report reasonable based on the information contained therein, that the InCap Report was prepared by qualified valuation analysts, and that the conclusion reached in the InCap Report was consistent with the facts and circumstances presented therein. Further, Clearbrook

. Additionally, the InCap Report’s conclusions with respect to the Series B Preferred units are consistent with Clearbrook’s previous offers of \$0.00109⁵ and \$0.003⁶ per Unit.

It is important to note that in my opinion, there are substantial ongoing downside risks⁷ to the redemption of the Units by Clearbrook which include:

- 1) The risk that other Clearbrook shareholders will reject future Unit redemption offers if the current offer is rejected by the Receiver;
- 2) The risk that the value of Clearbrook’s Units

³ InCap Report, pages 2 and 3.

⁴ Based upon K-1s prepared by Clearbrook.

⁵ Preferred Unit Holder Correspondence dated December 16, 2013.

⁶ Redemption Notice dated June 15, 2015

⁷ By downside risk, it is my opinion that the future value of the Units is much more likely to decline as compared to the possibility the value of the Units will increase.

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- 3) The risk of a decline in the U.S. economy and stock market that could impact the value of all advisory services securities and client defections; and
- 4) The risk of unforeseen events that could impact the value and/or ability of Clearbrook to redeem the securities owned by the Holders.

Accordingly, for purposes of this engagement, I concluded the InCap Report could be relied upon in the determination of a “floor value” of \$0.00 and that the offered redemption value of \$100,000 for all the Holders’ Units was significantly higher than the calculated value of \$0.00 in the InCap Report. Since the \$100,000 offer for the Units was a negotiated value based upon arm’s length negotiations between the Receiver and Clearbrook, it is my opinion and recommendation that the Receiver accept the \$100,000 offer for all the Holders’ Units.

5. Valuation Considerations

Valuation is not an exact science subject to precise formula, but is based on relevant facts, elements of common sense, informed judgment, and reasonableness. Therefore, precise rules for determining the value of closely held business interests cannot be prescribed.

It is generally agreed that appraisal methods fall into three general categories: 1) Asset Approach, 2) Income Approach, and 3) Market Approach. However, it is not unusual for each of the approaches to use elements of other approaches in order to reach a conclusion of value. Each of these methods will be discussed individually.

The Asset Approach is a method of determining a value of assets and/or equity interests using one or more methods based directly on the value of the assets of the business, less liabilities. It is analogous to the cost approach of other disciplines. This approach can include the value of both tangible and intangible assets. However, this approach is often unnecessary in the valuation of a profitable operating company as a going concern, as the tangible and intangible assets are automatically included, in aggregate, in the Market and Income Approaches to value.

The Income Approach is a general method of determining a value indication of a business, asset, or equity interest using one or more methods wherein a value is determined by converting anticipated benefits. Depending on the nature of the business, asset, or security being appraised, as well as other factors, anticipated benefits may be reasonably represented by such items as net cash flow, dividends, and various forms of earnings. Conversion of those benefits may be accomplished by either capitalization or discounting techniques. A capitalized returns method tends to be the more appropriate valuation method when it appears that current operations are indicative of future operations, assuming a normal growth rate. However, if the earnings of a business, as adjusted for normalized income and expense items, are low or negative, an earnings approach should not be used.

The Market Approach is a general method of determining a value indication of a business or equity interest using one or more methods that compare the subject to similar investments that have been sold. It has its theoretical basis in the principle of substitution, which states that the value of an object tends to be determined by the cost of acquiring an equally desirable substitute. Market transactions in business, business ownership interests, or securities can provide objective, empirical

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Receiver for Acartha Group, LLC, et al.
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data for developing value measures to apply in business valuation. Such comparisons provide a reasonable basis for estimation to the relative investment characteristics of the asset being valued. Ideal guideline assets are in the same industry and use as the asset being valued, but if there is insufficient transactional evidence available in the same industry or use, it may be necessary to consider assets with an underlying similarity of relevant investment characteristics such as markets, products, growth, cyclical variability, and other salient factors.

It is the valuation analyst's task to analyze the pertinent information regarding the subject interest and apply accepted methodologies, as well as experience and judgment, to reach a supportable conclusion. In this matter, my analysis was limited to the information provided and focused on the InCap Report and the methodology used therein.

Accordingly, for purposes of this engagement, I concluded the InCap Report could be relied upon in the determination of a "floor value" of \$0.00 and that the offered redemption value of \$100,000 for all the Holders' Units was a negotiated value based upon arm's length negotiations between the Receiver and Clearbrook. Therefore, the value of the Holders' Units as of the date of this report and for purposes of this engagement is \$100,000.

6. Engagement Limitations

No portion of my report or work should be understood to contain legal opinions or advice. The scope of my work is limited and does not include an audit, examination, review, or compilation of financial statements as those terms are defined in standards promulgated by the American Institute of Certified Public Accountants and, accordingly, I express no such opinion on the financial information used or other information I received during the course of my work.

Other than the work documented in this report, I have not independently verified the accuracy of the information I considered or the underlying data.

Additional information may become available to me and/or I may be asked to consider additional report(s) of other expert(s) and comment on those reports relating to this matter. Consequently, I reserve the right to revise my opinions after consideration of any such additional information.

Respectfully submitted,



H. Edward Morris, Jr.
ASA, CPA/ABV
Director
CliftonLarsonAllen LLP

REDACTED

APPENDIX A

H. Edward Morris, Jr., ASA, CPA/ABV

CliftonLarsonAllen LLP

Director
Oak Brook, IL

630-954-8151
Ed.Morris@CLAconnect.com



Profile

Ed is the National Director of Transfer Pricing Group at CliftonLarsonAllen. He is a CPA in the State of Illinois, ABV – Accredited in Business Valuation, a CFF – Certified in Financial Forensics, and an ASA – Accredited Senior Appraiser. Ed is a former small-business owner, and has over 20 years of experience providing transfer pricing and business valuation services. He serves clients in a variety of industries, including: manufacturing; distribution; insurance; technology (Internet & software); construction; children's toys; and professional services.

Testimony experience

- 2015, Thomas Neuhengen, Plaintiff v. Global Experience Specialists, Inc. et al., Defendants
 - Circuit Court of Cook County Illinois, Law Division
 - Defendant – Personal injury
- 2014, Mary S. Hannah vs. Estate of Arthur Wondrasek, Jr., et al.
 - Circuit Court of the Eighteenth Judicial Circuit, Dupage County, Illinois
 - Plaintiff – Post divorce dispute regarding value of a business
- 2014, Tracy Davis vs. Iowa Pacific Holdings, LLC
 - Circuit Court of Cook County Illinois, Chancery Division
 - Defendant – Shareholder dispute
- 2013, Phillip Kile, Sr. Plaintiff, v. International Truck and Engine Corporation, Defendant
 - Circuit Court of the Eighteenth Judicial Circuit, Dupage County, Illinois
 - Defendant – purchase price dispute
- 2011, Lana Radakovic vs. Dusan Radakovic
 - Circuit Court of Cook County, Illinois
 - Defendant – divorce related valuation of a business
- 2010, Tracy Davis vs. Iowa Pacific Holdings, LLC
 - Circuit Court of Cook County Illinois, Chancery Division
 - Defendant – Shareholder dispute
- 2010, Gold Canyon Mining and Construction, et al. vs. American Asphalt & Grading Company, et al.,
 - Arbitration hearing testimony
 - Defendant – post acquisition dispute
- 2008, Marcia Roubik, et al. vs. V. Clint Mellen, et al.
 - Circuit Court of the 18th Judicial Circuit, Dupage County, Illinois
 - Plaintiff – lost profits and economic damages
- 2008, Michael R. Conners, vs. Wolverine Trading, LLC
 - Circuit Court of Cook County, Illinois
 - Plaintiff – employment compensation
- 2008, Thomas Bloom vs. Michelle Bloom
 - Circuit Court of Dupage County, Illinois
 - Defendant – divorce related valuation of a business

- ~~REDACTED~~ B. Williams, et al. vs. Edward G. Gardner, et al.
 - Circuit Court of Cook County, Illinois
 - Plaintiff – compensation for professional services
- 2004, Insure One Independent Insurance Agency, LLC, et al. vs. James P. Hallberg, et al.
 - Circuit Court of Cook County, Illinois
 - Defendant – lost profits and economic damages
- 2004, Collision Revision of Plainfield, Inc., et al., vs. International Refinishing Products, Inc.
 - Circuit Court of the 12th Judicial Circuit, Will County, Illinois
 - Defendant – lost profits
- 2004, Emery Associates, Inc. vs. Alexeter Technologies, LLC
 - Circuit Court for the 19th Judicial Circuit, Lake County, Illinois
 - Defendant – lost profits and economic damages
- 2003, Chicago District Council of Carpenters Pension Fund, et al., vs. Reinke Insulation Company
 - Northern District of Illinois, Eastern Division
 - Defendant (Counter Plaintiff) – lost business value and lost profits

Education/professional involvement

- Bachelor of Science in Accounting, magna cum laude, Indiana University
- Associate Degree in Chemical Technology, Purdue University.
- The American Society of Appraisers
- Midwest Business Brokers & Intermediaries
- American Institute of Certified Public Accountants
- Illinois CPA Society

Civic organizations

- Seven Bridges Courts Association, Board Member
- ACCION Chicago – Audit Committee Member

REDACTED

APPENDIX B



December 31, 2014

Mr. Elliott Wislar
Chief Executive Officer
Clearbrook Global Advisors, LLC
825 Third Avenue
31st Floor
New York, New York 10022

RE: Valuation of Clearbrook Global Advisors, LLC

Dear Mr. Wislar:

You have asked for our opinion concerning the fair market value of Clearbrook Global Advisors, LLC, a Delaware limited liability company (“Clearbrook” or the “Company”).¹ We have reviewed data provided to us by you and your colleagues. We have also reviewed information about similar businesses and have performed analyses of that information. We have valued Clearbrook as a stand-alone company (both with and without its existing debt) and we have valued each of Clearbrook’s businesses as stand-alone businesses. As described in greater detail below, the purpose of this latter analysis is to determine the value of each individual business if it were to be sold off, most likely to a firm that is in that line of business and is at scale. We have also examined Clearbrook’s capital structure to determine the value of the stakes of each of the firm’s stakeholders.

A. Conclusion

In our opinion, the fair market value of Clearbrook as a stand-alone company is [REDACTED]. The firm has [REDACTED].

¹ Clearbrook Global Advisors, LLC is a holding company that owns six operating subsidiaries, each of which is wholly owned by Clearbrook. Except as otherwise noted herein, this letter applies to Clearbrook and all of its wholly-owned subsidiaries. Clearbrook’s wholly-owned subsidiaries are: Clearbrook Investment Consulting, LLC; Clearbrook Investment Solutions, LLC; Clearbrook Discretionary Investment Services, LLC; CDIS LP, LLC, CbF Advisors, LLC and Managed Account Services, LLC.

Mr. Elliott Wislar
 Chief Executive Officer
 Clearbrook Global Advisors, LLC
 December 31, 2014
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[REDACTED]

We have also analyzed Clearbrook considering its value if it were to sell off its various business lines to one or more competitors that are at scale in each of Clearbrook’s business lines (a “Sum of the Parts” analysis). As such, we believe a Buyer or Buyers would value each line of Clearbrook’s business assuming that line of business could be added to the Buyer(s) business and further assuming that the Buyer was at scale in that line of business and that the Buyer was earning median profit margins for that line of business. Based on this analysis, we believe that Clearbrook’s individual business lines have the following values:

Investment Consulting:	[REDACTED]
Outsourced Chief Investment Officer (“OCIO”):	[REDACTED]
Fund of Hedge Funds:	[REDACTED]
Securities Brokerage:	[REDACTED]
TOTAL:	[REDACTED]

We believe that each line of Clearbrook’s business should be valued as described above. However, for Clearbrook to recognize these values, it would have to undertake a sales process which would take time and effort. The costs of that sales process would need to be deducted from the gross sales proceeds recognized by selling off the parts of the business. We estimate that the sales process would require between 15% and 20% of the sales proceeds.

We have also considered the value of Clearbrook in the context of its capital structure.

[REDACTED]

	Value of Issued Units	Accrued Preferred Return	Total
Series A-1 Preferred:	[REDACTED]	[REDACTED]	[REDACTED]
Series A-2 Preferred:	[REDACTED]	[REDACTED]	[REDACTED]
Series B Preferred:	[REDACTED]	[REDACTED]	[REDACTED]
		TOTAL:	[REDACTED]

Using the Sum of the Parts analysis, and without giving effect to costs associated with the sales process, [REDACTED]

[REDACTED]

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Chief Executive Officer
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asset allocation and investment manager recommendations and will generally have authority to execute transactions on the client's behalf regarding separately managed account managers, mutual funds, exchange traded funds ("ETFs"), hedge funds, private equity funds, real estate investment trusts ("REITs") and other investments it deems appropriate for the client. CIS retains discretion as to the time, price and amount for these transactions. CIS generally does not recommend individual securities to its clients.

CDIS is an SEC-registered investment advisor. [REDACTED]
[REDACTED] CDIS provides investment supervisory services to the CDIS Core Fund LLC, a Delaware series limited liability company ("CDIS Core"), which is a fund of hedge funds (FofHF"). There are currently two clients in CDIS Core.

CbF is an investment advisor registered with the Commonwealth of Pennsylvania. [REDACTED]
[REDACTED] CbF provides its clients with investment advice and services and administers a separately managed account platform. In particular, it provides investment advice with respect to the mix of mutual funds, ETFs, closed-end funds, and individual securities provided through one of its several platforms. CbF's primary business involves sponsoring a wrap program, called the "Open Access Program", which provides other investment advisors and financial services firms with access to and administration of managed account solutions, including separately managed accounts ("SMAs") and unified management accounts ("UMAs"). Client accounts in the Open Access Program are opened through CbF's affiliated broker-dealer, Managed Account Services, LLC ("MAS").

MAS is an SEC- and FINRA-registered broker-dealer. [REDACTED]
[REDACTED] MAS is a fully disclosed introducing broker-dealer which clears securities transactions through and holds client accounts at First Clearing, LLC, a subsidiary of Wells Fargo & Company.

D. Company's Financial Results

The following table displays the firm's revenues, expenses and EBITDA in each year since its founding. Data for 2014 has been calculated by annualizing the first 10 months of the year. We think using the first 10 months data is more appropriate than using the current monthly run rate, given the possibility of month-to-month variances. [REDACTED]
[REDACTED]

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[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]. More detailed financial results are attached hereto as Attachment A.

E. Financial Analysis

We have analyzed Clearbrook based on its historical financial performance, on its current financial performance and on our projections of its future financial performance. In addition to examining Clearbrook's financial results, we have compared Clearbrook to other firms which we determined to be comparable for which we have transaction information. We have also looked at public company comparables (making adjustments for illiquidity and size). We have also conducted a Sum of the Parts analysis to determine what each of Clearbrook's business lines would be worth if each was sold off to a Buyer. Finally, we have examined payments and distributions to Clearbrook's various stakeholders in the event that the parts of the business would be sold off. A discussion of this analysis follows.

1. Private Company Comparable Transaction Analysis

We have valued Clearbrook by comparing two of its key metrics to those of private companies that have previously been sold and that are comparable to Clearbrook. Those metrics are earnings and total revenue. In certain circumstances, we would compare a subject company's AUM to the AUM of comparable companies that have been sold, but we did not do that in this case because Clearbrook advises on large pension plans, but does not charge a fee that is proportionate to the pension plans' AUM. As a result, a comparison with companies that charge fees based on AUM would be misleading. [REDACTED]
[REDACTED]

[REDACTED] See Attachment B.

The comparable companies we analyzed sold for a price that translates into a multiple of 9.72x EBITDA. [REDACTED]

[REDACTED] The comparable companies we analyzed sold for a price that translates into a multiple of 2.28x Revenue. [REDACTED]
[REDACTED]
[REDACTED]

Despite the significant spread between the results of the private company EBITDA and the private company Revenue valuation methods, we think both are relevant to the ultimate valuation of Clearbrook. The multiple of EBITDA recognizes that some Buyers will focus on a firm's actual, existing stream of earnings. [REDACTED]

[REDACTED] The multiple of Revenues recognizes that some Buyers will focus

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Chief Executive Officer
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on the size of the business that the Seller has built. [REDACTED]
[REDACTED] We believe both of these values are relevant to Clearbrook's valuation and we have used each in calculating the actual valuation of Clearbrook (see discussion below).

2. Public Company Comparable Analysis

We have also valued Clearbrook by comparing two of its key metrics to those of public companies. As with the Private Company Comparable Transaction Analysis (above), those metrics are earnings and total revenue. See Attachment C. In certain circumstances, we would compare a subject company's AUM to the AUM of comparable public companies, but, as with the Private Company Comparable Analysis, we did not do that in this case because Clearbrook advises on large pension plans, but does not charge a fee that is proportionate to the pension plans' AUM. As a result, a comparison with companies that charge fees based on AUM would be misleading.

The comparable public companies are valued at a price that translates into a multiple of 11.1x EBITDA. [REDACTED]
[REDACTED] The comparable companies we analyzed were valued at 4.08x Revenue. [REDACTED]
[REDACTED] We have applied two discounts to this amount since Clearbrook is a private company and the companies we are comparing it to are publicly-traded. The first is a discount of 30% for lack of liquidity (i.e., an investment in Clearbrook is illiquid while an investment in a public company is liquid). We have also applied a discount of 25% for size. Much larger businesses generally sell for a premium when compared to considerably smaller businesses and the public company comparables are much larger than Clearbrook. [REDACTED]
[REDACTED].

Despite the significant spread between the results of the public company EBITDA and the public company Revenue valuation methods, we think both are relevant to the ultimate valuation of Clearbrook. As discussed above, the multiple of EBITDA recognizes that some Buyers will focus on a firm's actual, existing stream of earnings. [REDACTED]
[REDACTED] The multiple of Revenues recognizes that some Buyers will focus on the size of the business that the Seller has built. [REDACTED]
[REDACTED] We believe both of these values are relevant to Clearbrook's valuation and we have used each in calculating the actual valuation of Clearbrook (see discussion below).

3. Discounted Cash Flow Analysis

We have also applied the Discounted Cash Flow method of valuation to Clearbrook. This methodology looks at the earnings which a company is expected to generate over its

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lifetime and discounts future earnings to adjust for the fact that a dollar of earnings today is worth more than a dollar of earning in the future. In order to apply this method, we have projected Clearbrook's financials for the period between 2015 and 2020. See Attachment D. According to these projections, [REDACTED]. Thereafter, [REDACTED]. We project that Clearbrook [REDACTED]. We have applied a cost of equity of [REDACTED] and a termination growth rate (after 2020) of [REDACTED]. We calculated the cost of equity based on a Beta of [REDACTED], a Market Risk Premium of [REDACTED] and a Private Company Premium of [REDACTED]. [REDACTED]

4. Company Valuation

In order to determine a valuation for Clearbrook, we have conducted a weighted average of the methods described above. We believe the private company comparable analysis is the most important, so we have weighed it at 50% (25% for the multiple of EBITDA analysis and 25% for the multiple of Revenue analysis). We have assigned a 25% weight to the public company comparable analysis (12.5% for the multiple of EBITDA and 12.5% for the multiple of Revenue). We have assigned a weighting of 25% to the Discounted Cash Flow analysis. Applying these weighting, [REDACTED]. This value assumes Clearbrook continues as a going concern and would reflect the value that the owners of Clearbrook could expect to receive if they sold the business in whole to a third party which was ready, willing and able to purchase Clearbrook. See Attachment E.

5. Sum of the Parts

We have also valued Clearbrook based on the assumption that the Company would sell off each of its lines of business to a Buyer which is already in that line of business and which is at scale. We have made this determination by considering Clearbrook's revenues in each of its lines of business and applying median profit margins for the line of business (see following chart).

	2014 (in 000's)				
	Traditional Consulting	OCIO	FoF	BD	
Revenues	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Net Margin	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
EBITDA	[REDACTED]	[REDACTED]			

As noted above, we believe that each line of Clearbrook's business should be valued as described below. However, for Clearbrook to recognize these values, it would have to undertake a sales process which would take time and effort. The costs of that sales process would need to

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be deducted from the gross sales proceeds recognized by selling off the parts of the business. We estimate that the sales process would require between 15% and 20% of the sales proceeds.

a. Investment Consulting

Clearbrook's Investment Consulting line of business has revenues of [REDACTED]. As referenced in the chart above, we believe that the median profit margin in this business is 20%. We have then compared Clearbrook's Investment Consulting to a group of private and public companies which we have determined to be similar. The median multiple of revenue for the comparable private companies was 2.28 and the median multiple of EBITDA was 9.72. For the public company comparables, the multiple of revenue was 4.08 and the multiple of EBITDA was 11.0. As with the company analysis, above, we applied a discount of 30% for lack of liquidity and 25% for size. We used each of these four methodologies and weighted each one evenly (25% each). [REDACTED]

[REDACTED] See Attachment F.

b. Outsourced Chief Investment Officer ("OCIO")

Clearbrook's OCIO line of business has revenues of [REDACTED]. We believe that the median profit margin in this business is 20%. We compared Clearbrook's OCIO business to a group of private companies which we have determined to be similar. The median multiple of revenue for the comparable private companies was 2.43 and the median multiple of EBITDA was 10.0. We also looked at the ratio of AUM to transaction price. The median ratio of AUM to price was 1.29%. [REDACTED]

[REDACTED] We weighed each of these methodologies equally. We did not compare Clearbrook's OCIO line of business to public companies because we determined that Clearbrook's OCIO business is too small to make a public company comparison valid. [REDACTED]

[REDACTED] See Attachment G

c. Fund of Hedge Funds ("FofHF")

Clearbrook's Fund of Hedge Funds ("FofHF") line of business has revenues of \$[REDACTED]. We believe that the median profit margin in this business is 22%. We compared Clearbrook's FofHF business to a group of private companies which we have determined to be similar. The median multiple of revenue for the comparable private companies was 2.57 and the median multiple of EBITDA was 9.41. We also looked at the ratio of AUM to transaction price. The median ratio of AUM to price was 2.86%. [REDACTED]

[REDACTED]. We weighed each of these methodologies equally. We did not compare Clearbrook's FofHF line of business to public companies because we determined that Clearbrook's FofHF business is too small to make a public company comparison valid. [REDACTED]

[REDACTED] See Attachment H.

Mr. Elliott Wislar
Chief Executive Officer
Clearbrook Global Advisors, LLC
December 31, 2014
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d. Broker-Dealer

Clearbrook's Broker-Dealer line of business has revenues of [REDACTED]. We believe that the median profit margin in this business is 10%. We compared Clearbrook's Broker-Dealer business to a group of private companies which we have determined to be similar. The median multiple of revenue for the comparable private companies was .84 and the median multiple of EBITDA was 11.19. [REDACTED]

[REDACTED] We weighed both of these methodologies equally. We did not compare Clearbrook's Broker-Dealer line of business to public companies because we determined that Clearbrook's Broker-Dealer business is too small to make a public company comparison valid. [REDACTED]

[REDACTED] See Attachment I.

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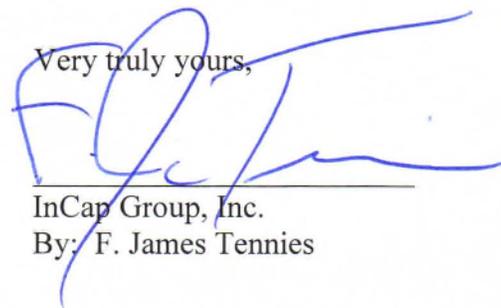
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[REDACTED]

Please let us know if you have questions concerning the foregoing.

Very truly yours,



InCap Group, Inc.
By: F. James Tennies