

DOCKET NO.: FST CF 15-5014808-S) SUPERIOR COURT
)
WILLIAM A. LOMAS,) JUDICIAL DISTRICT OF
) STAMFORD/NORWALK
Plaintiffs,)
) AT STAMFORD
versus)
)
PARTNER WEALTH MANAGEMENT, LLC)
KEVIN G. BURNS, JAMES PRATT-HEANEY,)
AND WILLIAM P. LOFTUS)
)
Defendants.)

AFFIDAVIT OF JEFF FUHRMAN

STATE OF CONNECTICUT)
) ss. Westport
COUNTY OF FAIRFIELD)

JEFF FUHRMAN, being duly sworn, deposes and states:

1. I am over eighteen years of age and believe in the obligation of an oath. I am the Chief Financial Officer (“CFO”) and Chief Operating Officer (“COO”) of LLBH Private Wealth Management, LLC (“LLBH”), an affiliated company of the defendant, Partner Wealth Management, LLC (“PWM”), and, as such, have personal knowledge of the statements made herein.

* * *

2. In connection with my duties as CFO and COO to LLBH, I conducted a compensation shortfall analysis pursuant to Section 7.7(a) of the Partner Wealth Management, LLC Agreement, effective as of January 1, 2015 (the “2015 PWM Agreement”). (My analysis would be the same under Section 8.12(a) of the PWM LLC Agreement dated November 30, 2009 (the “2009 PWM Agreement”).

3. Based on my analysis, taking into consideration the expected Management Fee (as defined in the Management Agreement) and expenses to be incurred in 2016, I have concluded that as a result of the aggregate payments that the remaining Members are expected to pay in 2016 in connection with Lomas' application for a prejudgment remedy (including expected payments directly to Lomas and into escrow), that the remaining Members of PWM, Kevin Burns, William Loftus, and James Pratt-Heaney, will experience a "Compensation Shortfall," as that term is defined in Section 7.7(a) of the 2015 PWM Agreement (and as defined Section 8.12(a) of the 2009 PWM Agreement).

4. Under Section 7.7(a) of the 2015 PWM Agreement (and Section 8.12(a) of the 2009 PWM Agreement), "the Company or the remaining Members may, upon their sole discretion, defer (or reduce the amount of) any such installment payments [due to a withdrawing Member] during a period of 'Compensation Shortfall.'"

5. The 2015 PWM Agreement (and the 2009 PWM Agreement) defines "Compensation Shortfall" to "mean a decline in the Company's financial performance for any fiscal year(s), such that the amount of compensation from the Company paid to non-selling Members is more than twenty-five percent (25%) less than the average compensation paid by the Company (or its predecessor) to the non-selling Members during the three (3) fiscal year period (hereinafter, 'Base Period') immediately preceding the occurrence of the event which resulted in the Company's obligation to make such installment payments."

6. The event which resulted in the Company's obligation to make payments to Mr. Lomas was the effective date of Mr. Lomas' withdrawal from PWM, which occurred on January 14, 2015. Therefore, the Base Period is calculated by reference to fiscal years 2012, 2013, and 2014.

7. Attached hereto is a true and correct copy of the analysis I prepared showing the Compensation Shortfall for 2016. Taking into consideration the expected Management Fee and expenses to be incurred in 2016, including the anticipated aggregate payments to be made this year in connection with Mr. Lomas' withdrawal, whether to be paid directly to Mr. Lomas or into escrow, and which are expected to exceed \$1.02 million, the remaining Members are expected to experience a 50% Compensation Shortfall when compared with the Base Period for 2016. (Indeed, in 2015 it was higher and the Compensation Shortfall was 58%.)

* * *

8. In my capacity as CFO and COO, I am aware of when client funds are deposited and withdrawn. Confidential Client No. 1 withdrew nearly all of his assets – approximately \$15.5 million – in May 2015; and Confidential Client No. 2 withdrew all of his assets – approximately \$25.5 million – beginning in August 2015. Confidential Client No. 1 has subsequently returned approximately \$1.5 million to LLBH to manage.

9. Therefore, the net withdrawal of assets by Confidential Clients Nos. 1 and 2 is approximately \$40 million.

10. In connection with PWM's claims that Lomas has been unlawfully soliciting clients, in my role as CFO and COO I have prepared an analysis of the damages caused by the withdrawal of funds by Confidential Client Nos. 1 and 2.

11. A fair estimate of the average annual advisory fees on \$40 million of assets under management is 70 basis points ("bps"). Thus, the estimated average annual advisory fee to LLBH is \$280,000 ($= \$40,000,000 \times .0070$).

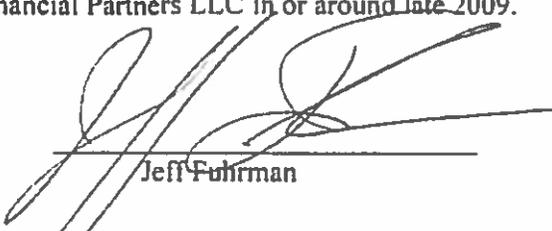
12. LLBH's earnings before partner compensation ("EBPC") margin on fees is roughly 70%, meaning that after expenses are deducted, the EBPC would equal approximately

\$196,000 (= \$280,000 x. 0.7).

13. PWM is entitled under the Management Agreement to 52.5% of LLBH's EBPC, meaning that of the \$196,000 of the net fees, PWM would expect to receive \$102,900 per annum (= \$196,000 x .525).

14. The value of the \$102,900 per annum is to be valued by using generally accepted accounting principles. The yearly fee of \$102,900 that PWM would expect to receive from \$40 million in assets under management is accounted for as a customer list and is, therefore, assumed to have a 10 year life (event though the fee could conceivably be paid on the assets in perpetuity). $\$102,900/\text{annum} \times 10 \text{ years} = \$1,029,000$. Thus, the estimated damages for the withdrawal of \$40 million in billable assets is \$1,029,000.

15. With respect to the foregoing analysis, it is my understanding that this is the same valuation metric that the Principals used in connection with the valuation of customer lists when they entered into the transactions with Focus Financial Partners LLC in or around late 2009.

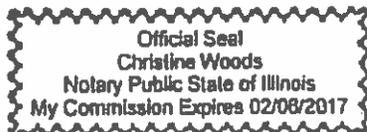


Jeff Fuhrman

Subscribed and sworn to this 3 day of June, 2016.



Notary Public



Partner Wealth Management, LLC
 Compensation Analysis: 2012 to 2016

	Year Ending December 31,				
	2012	2013	2014	2015	2016
Pro Forma Net Income	2,519,240	2,479,696	3,163,739	1,715,333	1,788,394
Estimated Tax Rate	45%	45%	45%	45%	45%
Estimated Tax Liability Per Partner	291,163	286,714	363,641	417,291	413,289
Pro Forma Estimated After-Tax Income Per Partner	338,647	333,210	427,293	154,486	182,842
Base Period (Pro Forma Estimated After-Tax Income Per Partner Average of 2012 to 2014)	-	-	366,383	366,383	366,383
Compensation Surplus/(Shortfall)	-	-	-	(58%)	(50%)