EXHIBIT E

Subject to Motion for Impoundment
MEMORANDUM

TO: Berkshire Museum Board of Trustees
FROM: Anne Engel, Bailey Hoar, and Liz Pugh, TDC
SUBJECT: Berkshire Museum - Core Capitalization Needs
DATE: April 13, 2016

Overview

As part of Phase I of the Master Planning process, the TDC team agreed to work with the Berkshire Museum to identify some preliminary estimates for an “opening bid,” the baseline capital needs the Museum would require if there were no significant change in the Museum’s current business model or operations. In other words, this exercise seeks to answer the question: Before the Museum seeks to change any core interpretation, what level of capitalization would it require to stabilize its operations on multiple dimensions?

For the purposes of this exercise, we considered capitalization as encompassing recovery capital, facilities capital, and balance sheet strengthening (endowment, working capital, operating reserve). By way of background, we are defining these terms as follows:

I. **Recovery capital:** Helps organizations with negative net worth and/or structural deficits to recover and maintain operations. Recovery capital often takes the form of funds to pay down evergreen lines of credit, or reduce facilities-related debt that cannot be sustained as part of the current business model. In other cases, organizations may need funds to reduce overly high levels of accounts payable.

II. **Facilities capital:** A cash fund that organizations with facilities or significant leasehold improvements maintain to realize long-term facilities replacement plans. Facilities reserves may take the form of a time-delimited sinking fund that is intended to cover all or part of specific expected repairs/upgrades and/or a fund that creates an additional cushion for unexpected capital maintenance needs. Alternately, it may be a facilities-specific endowment sized to provide an ongoing draw for capital maintenance needs over time.

III. **Balance sheet strengthening:** Funds to support organization’s operations and provide financial sustainability. We considered three types of balance sheet resources:

- **Endowments** ensure the longevity of organizations with long-term time horizons through investment earnings dedicated to ongoing costs, such as maintenance of a collection or historic building. Endowments are most typically thought of as permanently restricted funds, i.e. the organization is legally prohibited from using principal. However, many nonprofits take technically unrestricted dollars and essentially create a board-designated fund that is acting as endowment, which then provides an additional draw to support current operations.
- **Working capital** funds smooth cash flow bumps that arise from predictable business cycles, and help to mitigate everyday risk. For example, working capital can provide a cash cushion for a museum to support operations when admissions are lower.

- Unlike working capital, **operating reserves** are held in order to protect against unexpected downturns. In other words, they provide an organizational cushion for the “rainy day.” Often, the risks that operating reserves help to mitigate can be identified but not predicted—for example, an operating reserve can help minimize the impact of a major donor loss.

**Assumptions**

Before we discuss each of these in greater detail, we provide an overview of our key assumptions for this exercise.

- As noted above, in this opening bid scenario, **the Museum is not reimagining its core interpretive experience or business model**, and as such, we take as a given both the aquarium and theater.

- **We have also not included any funds towards change capital** at this time. Change capital represents resources critical for organizations transitioning to a new business model. Change capital funds serve two purposes—subsidizing current operations during a transitional period, and making other early investments in strategies aimed at boosting long-term revenues.

- Under the scope of the opening bid, **the Museum would pursue a set of necessary capital maintenance projects that must be completed within the next 5-7 years**. As you will see below, we have grouped these into priority tiers. In addition, we assume that a long-term goal should be to reduce the future need for capital campaign fundraising by establishing a facilities endowment.

- With respect to facilities, **we have used any available past estimates inflated to 2018 dollars, with an additional 10% contingency**. If this information was not available, EXP and Jeff Noble have made preliminary suggestions as to a rough cost. As we move forward in the process, we would recommend that the Museum seek another round of bids for potential projects deemed to go forward in order to more accurately size the facilities need.

- In this scenario, we assume that the size and scope of the collection would remain essentially unchanged. There is some level of board agreement that it is not appropriate to continue to indefinitely store the collections in the current set-up, which is both overcrowded and prone to mold. Based on this, **we posit that the best minimalist solution would be to expand the collections storage area** by moving the staff offices out from the basement as well as adding in new environmental controls and storage racks.

- Given the need to move staff to make way for additional collections space, **we posit that it would be necessary to add a second floor over the SABIC and Hickey classrooms for office space**, as proposed in the Museum’s 2008 facilities plan. A key side benefit is that the staff would finally be co-located, and working in similar office conditions. For the purposes of this exercise we have considered collections storage upgrades and this buildout as two parts of a single facilities expense.

- It is worth noting that the cost of these upgrades have raised for us questions around the **comparative cost of off-site storage and/or off-site offices as an alternative solution**. We have done an initial comparison of these potential solutions below, but would recommend that the Board explore the economics of off-site options in the near future.
Summary of capitalization needs

In the sections of the memo that follow, we walk through each element of the opening bid in detail. Overall, the analysis indicates a total capitalization need of $32.9M with $7.3M in available resources, resulting in the need for an additional $25.6M in new funds. Please note that in this memo, we are focused on quantifying the overall need, and not developing a strategy for funding this need. For example, we have not included pledges from the Museum's current ongoing capital campaign, but would assume that current and potential pledges might be available as resources to lower the overall incremental need.

The $32.9M opening bid is summarized as follows:

<table>
<thead>
<tr>
<th>Recovery capital</th>
<th>Potential need</th>
<th>Current resources</th>
<th>Incremental need</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce accounts payable</td>
<td>$168,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repay debt</td>
<td>$1,777,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total recovery capital</td>
<td>$1,945,000</td>
<td></td>
<td>$1,945,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Facilities</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Necessary facilities updates (Tier 1)</td>
<td>$5,659,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Necessary facilities updates (Tier 2)</td>
<td>$349,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term facilities endowment</td>
<td>$3,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total facilities</td>
<td>$9,008,000</td>
<td></td>
<td>$9,008,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Balance sheet</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment</td>
<td>$20,310,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working capital</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total balance sheet</td>
<td>$21,947,000</td>
<td>$7,289,000</td>
<td>$14,658,000</td>
</tr>
</tbody>
</table>

| TOTAL BASELINE NEED       | $ 32,900,000   | $ 7,289,000       | $ 25,611,000     |

We recognize that this is a significant sum. In developing these numbers we have sought to align to the assumptions of the opening bid, while being thoughtfully conservative in putting forward estimates that would not leave the Museum in a high-risk position. We do however recognize that institutions each have their own degree of risk tolerance, and we look forward to discussing how you see these numbers and the level of risk the Museum should take going forward.
Timeline for discussion
Due to the scope of the Museum’s capitalization needs and the significant role capital needs are likely to play in the process, we wanted to share and review these estimates with you in advance of the May 6-7 Board Retreat. To that end, we have set forth the following timeline for review:

- Week of 4/18 – TDC to hold two open conference calls for Board members to gain clarification and share feedback (completed 4/20/16) – questions by email are also welcomed. The calls will be held on:
  - Tuesday 4/19 – 3pm EST
  - Thursday 4/21 – 10am EST

  Board members can dial in using the following conference call number:
  - 617-631-8605
  - Participant Pin: 20377

- We will bring this feedback to the Finance Committee Meeting (4/22/16) with the hopes that we can achieve a shared understanding of need and broad agreement about order of magnitude

We would note again that this is an “opening bid” subject to further refinement over the coming months. For example, the facilities estimates would require additional input from consultation with architects before being finalized, and endowment need would of course hinge upon the scale and scope of the final business model. Our primary goal in this exercise is to reach an initial consensus on how to think of the size and scope of the Museum’s capital needs in the event that nothing changes.

We hope you view this memo as a starting point for subsequent conversations about the opening bid during the week of 4/18/16 conference calls. As you review, we ask that you reflect on the following questions:

- Do you agree with the core assumptions that have been made? What changes would you suggest?
- For the facilities expenses:
  - Do you agree with the proposed tiering and definitions? What changes would you suggest?
  - Do you agree with the lists of projects that have been included in each tier? What would you keep in each tier? What would you move? Are there any missing projects?
  - For purposes of calculating the “opening bid,” what tiers should be included?
  - Should we be considering other potential facilities alternatives with respect to collections storage and offsite space? What advantages and disadvantages do you see in these on and offsite options?
  - Should the Museum pursue more definitive estimates around facilities expenses at this time?

Thank you in advance for your thoughtful review – we look forward to getting your feedback.
I. Recovery capital

Recovery capital often takes the form of funds to pay down evergreen lines of credit, or reduce facilities-related debt that cannot be sustained as part of the current business model. In other cases, organizations may need funds to reduce overly high levels of accounts payable.

In the Museum’s case, we recommend deploying recovery capital to repay outstanding debts and reduce the amount of liability from accounts payable.

<table>
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<tr>
<td>Less current resources</td>
<td>$ -</td>
</tr>
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<td>Total recovery capital need</td>
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</tr>
</tbody>
</table>

Debt Repayment

As of the Museum’s 2015 audited financial statements, the Museum has $1.77M in debt in the form of an amount due on Line of Credit. For comparison, in 2014, the Museum owed $1.3M on its Line of Credit. At the current time, the Museum does not have a strategy for repaying this Line of Credit. As such to put the Museum on solid financial footing for the future, it would be preferable to eliminate this debt by repaying the Line of Credit.

Accounts Payable

While the Museum ended FY 15 with $373,000 in accounts payable, its A/P over the last three fiscal years has averaged $461,000. At these levels, the Museum’s A/P is approximately two months’ of operating expenses. To ensure positive ongoing relationships with vendors, we would suggest the Museum set a goal of A/P no higher than one month’s operating expenses. To reach this level, the Museum would require a one-time infusion of $168,000, which would reduce the $373,000 in A/P at the end of FY 15 to $205,000, a level equivalent to one month’s operating expenses in FY 15.

3 FY15 $373,000; FY14 $761,000; FY13 $249,000
II. Facilities

The Museum has two areas of facilities needs: known capital maintenance projects, as well as the establishment of a facilities endowment to fund future maintenance needs.

Known capital maintenance

The Museum’s facility is aging and requires ongoing maintenance in order to continue to ensure the integrity of the collection as well as its overall operations. As noted above, we assume that there are no changes to the Museum’s interpretive experience and because of this, our facilities estimates only include aspects of the core building that must be addressed. However, we also see that within this core facilities need there are differing priority tiers within the opening bid:

- **Tier 1:** Required projects for the Museum to stabilize and maintain operations for 5-7 years.
- **Tier 2:** Basic upgrades to the aquarium and theater. Both of these features represent a conundrum: Their conditions are reaching a point that is not operationally sustainable, but this baseline scenario calls for no major upgrades in approach. However, if the Museum opts to make some replacements to ensure operational sustainability, the associated dollars are significant enough that it raises questions as to potential return on investment. We established this second tier in acknowledgement of this set of conflicting factors.
- **Tier 3:** Frequently discussed facilities investments that do not appear to be an absolute requirement for the next five to seven years. We have included these for reference in this document but they are not included in the core $32.9M capitalization need, pending input from the board.

<table>
<thead>
<tr>
<th>Facilities</th>
<th>Potential need</th>
</tr>
</thead>
<tbody>
<tr>
<td>Necessary facilities updates (Tier 1)</td>
<td>$5,659,000</td>
</tr>
<tr>
<td>Necessary facilities updates (Tier 2)</td>
<td>$349,000</td>
</tr>
<tr>
<td>Long-term facilities endowment</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Less current resources</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total facilities needs</strong></td>
<td><strong>$9,008,000</strong></td>
</tr>
<tr>
<td>Necessary facilities updates (Tier 3)</td>
<td>$859,000</td>
</tr>
</tbody>
</table>
Tier 1 Upgrades
Definition: Required projects for the Museum to stabilize and maintain operations for 5-7 years.

<table>
<thead>
<tr>
<th>Necessary Facilities Upgrade – Tier 1</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(available estimates inflated to 2018 with 10% contingency)</td>
<td></td>
</tr>
<tr>
<td>Loading dock / freight elevator</td>
<td>$486,000</td>
</tr>
<tr>
<td>Loading dock / freight elevator (new regulations)</td>
<td>$229,000</td>
</tr>
<tr>
<td>Security systems</td>
<td>$117,000</td>
</tr>
<tr>
<td>Update walls on 1st and 2nd stories</td>
<td>$737,000</td>
</tr>
<tr>
<td>Convert upstairs kitchen</td>
<td>$58,000</td>
</tr>
<tr>
<td>Exterior upgrades</td>
<td>$172,000</td>
</tr>
<tr>
<td>HVAC upgrades</td>
<td>$18,000</td>
</tr>
<tr>
<td>Waterproof perimeter walls</td>
<td>$229,000</td>
</tr>
<tr>
<td>Update basement for collections storage</td>
<td>$3,613,000</td>
</tr>
<tr>
<td>Renovate office and collections space</td>
<td>$801,000</td>
</tr>
<tr>
<td>Collections ventilation system</td>
<td>$229,000</td>
</tr>
<tr>
<td>Upgrade collections storage racks</td>
<td>$572,000</td>
</tr>
<tr>
<td>Add second floor space above classrooms</td>
<td>$2,011,000</td>
</tr>
</tbody>
</table>

Tier 1 Total $5,659,000

Loading dock/freight elevator
The existing elevator isn’t designed for carrying freight and therefore using it to move works throughout the museum is difficult. The Museum would convert the existing loading dock to a freight elevator by replacing the scissor lift with a chain driven platform to move pieces from the basement to the 1st, 2nd, and 3rd floors, bringing pieces of the collection directly into gallery spaces with greater ease.

This estimate was made in 2013 and since then, newer regulations around upgrades of this type have emerged that would increase the cost of the project. We have accounted for the additional regulations’ cost with a second line item.

Security systems
There is a significant need to upgrade the Museum’s security systems and better protect the collection. The true cost would depend upon the number of closed-circuit cameras needed.

Update walls on 1st and 2nd stories
The galleries on the 2nd story where the Museum’s most fragile works that require critical conservation and care are displayed, are enclosed by perimeter walls only. This results in condensation (“weeping”) that is unsuitable for the collection. In order to meet gallery quality standards and eliminate condensation, these walls would be updated with insulation and weatherproofing.

While the first story walls are not home to such fragile objects as those on the second, the walls also require additional insulation for greater consistency in temperature control throughout the building.
**Convert upstairs kitchen**

The upstairs kitchen is not up-to-code/functional for catering or other use, but it is adjacent to gallery space. Given its current lack of function as a kitchen, it would be advisable to convert the space back to a black box state for use as additional gallery space, for meetings, as conference room space, or for another use. Given such a conversion, the space could still be used for staging by caterers.

**Exterior upgrades**

One area of continued discussion at the Museum is enhancing visibility on Route 7, the most trafficked intersection in all of the Berkshires. Looking forward, increasing visibility is advisable to stabilizing the Museum’s business. Potential improvements might include an LED marquee and re-landscaping of exterior green spaces in order to present the best possible public face for the institution.

**HVAC upgrades**

Several of the Museum’s heating elements require upgrade and replacement in order to maintain temperatures. These include: unit heater in the loading dock; education storage room heater; front foyer air curtain; SABIC Classroom and other classroom duct heaters. Please note, $2,000 of the total estimated cost of these HVAC upgrades is associated with the loading dock area, and could potentially be absorbed within a new bid for the larger freight elevator/loading dock project down the line.

**Waterproofing perimeter walls**

The perimeter wall on the south side of the building has unique moisture issues resulting in an interior environment that perpetrates mildew and mold, that would be mitigated by waterproofing. This would necessitate excavation and sealing of the below grade walls.

**Updating collections storage and staff spaces**

The Museum’s basement presents two interconnected issues: overcrowding and microclimate issues for the collections putting them at risk for deterioration, and sub-optimal staff office conditions that impact morale and restrict collaboration.

As noted above, the opening bid assumes these issues will be resolved through onsite upgrades by expanding collections storage in the basement and putting in a second floor to house staff above the SABIC and Hickey classrooms.

However, the $3.6M price tag associated with retrofitting the basement for adequate collections storage and concomitant addition to the second floor for replacement office space raises questions of alternative, similarly priced solutions to be considered in lieu of the onsite solution.

In this section, we would like to briefly recap the thinking behind the onsite storage solution as articulated in this opening bid, and share currently available information relating to offsite solutions.

**Onsite upgrades**

The first option would be upgrading the Museum’s basement area to provide adequate collections storage. As the majority of staff offices are also located in this basement area, basement space is at an even greater premium, subjecting the collections to further overcrowding. To fix this problem would require several facilities upgrades to ensure the collection is adequately protected and preserved from mold, overcrowding, and other damage:

- Renovate basement from partially office space into exclusively collections storage
• Improvements to the ventilation system
• Upgrades to rack storage system to put more space between the walls and the collection

In addition, if the collections storage space in the basement were to expand, the museum would need to add second floor offices above SABIC and Hickey classrooms for Museum staff. This solution, as summarized in the above table, would cost approximately $3.6M.

Off-site storage alternatives

The Museum and Berkshire Historical Society engaged Agricola Corporation to perform a study of potential joint storage options, which culminated in a June 2015 report. We have used this report as an initial point of comparison for potential off-site storage options. A summary of key points from the report follows:

• According to the report, the Museum's collection requires 6,000 square feet to ensure sufficient space. The layout of the basement now allows for 3,000 square feet of collections storage.
• This evaluation was done in support of a potential partnership around storage between the Museum and the Berkshire Historical Society.

At the time of the writing of June 2015 report, there were several available properties in the region that could provide adequate space for relocating some or all of the Museum's collection. Three properties with at least 6,000 square feet of space (only two of which are located in Pittsfield) would all cost upwards of $2M to purchase and adequately build out (cost estimates as of 2015). If we apply the same inflation and contingency rules as we did to our facilities estimates, an offsite solution at each of these properties would cost about $2.3M. As a result, we wanted to raise the question of whether offsite storage could be more economical. However, we would note that the $3.6M from the above solution also includes addressing staff office conditions.

Another variation on the offsite alternatives would be pursuing nearby offsite office and collections storage, beyond the Museum's current footprint. There are some potential options within the Museum's immediate vicinity, but we do not have sufficient data to evaluate the cost of this option in relation to others.

We have posited that upgrading the current collections storage system is a necessary component of any opening bid. We would underscore that the estimates above are rough, and have been extrapolated from a variety of sources. As such, we would strongly encourage the board and the Museum to study these options in greater depth within the near future to get a better sense of the economics on each.
 Tier 2 Upgrades
Definition: Baseline upgrades to stabilize operations in the aquarium and theater.

<table>
<thead>
<tr>
<th>Necessary Facilities Upgrade – Tier 2</th>
<th>Total (available estimates inflated to 2018 with 10% contingency)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Theater upgrades</td>
<td>$263,000</td>
</tr>
<tr>
<td>Core upgrades to aquarium experience</td>
<td>$86,000</td>
</tr>
<tr>
<td>Tier 2 Total</td>
<td>$349,000</td>
</tr>
</tbody>
</table>

**Theater upgrades**
The Museum’s theater facility and technology are dated. The projection system is so outdated that the Museum is restricted to only 5% of available titles. We have evaluated how much of an investment is required in this program space, given no change in the business model. At minimum, new seating and a DTS digital projection system would ensure viability of this business line. Currently the Museum has $150,000 in gifts and pledges in hand to support an upgrade, should the theater continue to be used according to current operations.

**Upgrades to aquarium experience**
The basement aquarium space requires some basic upgrades to stabilize visitor experience. At minimum, this would necessitate a contemporary refresh of the exhibit area, including: some new graphics, appropriate aquarium habitats, Association of Zoos and Aquariums (AZA) acceptable back of the house area, and light touch low tech interactives.

There has also been discussion around dropping the floor of the aquarium, which would add an additional 900 square feet of space to this program. However, this alternative option is not necessary for stabilizing conditions in the same way that the above upgrades are. We have included the estimated cost of this alternative upgrade as a separate line item within Tier 3.

 Tier 3 Upgrades
Definition: Frequently discussed facilities investments that do not appear to be an absolute requirement for the next five to seven years.

<table>
<thead>
<tr>
<th>Necessary Facilities Upgrade – Tier 3</th>
<th>Total (available estimates inflated to 2018 with 10% contingency)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Floor on second floor</td>
<td>$117,000</td>
</tr>
<tr>
<td>Refinish terrazzo floors on first floor</td>
<td>$24,000</td>
</tr>
<tr>
<td>Drop aquarium floor</td>
<td>$333,000</td>
</tr>
<tr>
<td>Crane Room improvements</td>
<td>$157,000</td>
</tr>
<tr>
<td>Winterize or cover side entrance ramp</td>
<td>$57,000</td>
</tr>
<tr>
<td>Curb cut at loading dock</td>
<td>$57,000</td>
</tr>
<tr>
<td>Connect sewer to city line</td>
<td>$114,000</td>
</tr>
<tr>
<td>Tier 3 Total</td>
<td>$859,000</td>
</tr>
</tbody>
</table>
Floor on second floor
The hardwood floors on the second story are unable to be sanded down any further, and as such the 12,000-15,000 square feet will likely require replacement within the next 5-7 years.

Refinish 1st story terrazzo floors
This item was included in Phase III of the Museum’s 2008 Facilities Plan. This upgrade is analogous in nature to the upstairs hardwood floors in that it is not immediately clear at what time the floors will become unusable. It is possible that this work can be done piecemeal.

Drop Aquarium floor
See explanation from Tier II Aquarium upgrades above.

Crane Room improvements
The Crane Room, a beautiful and historic centerpiece of the Museum, is generally in stable condition, however, improvements and upgrades are likely on the horizon. These upgrades would include refinishing of the wooden walls, improvements to ceiling lighting, replacing the floor, and sound dampening acoustic panels.

Winterize or cover side entrance ramp
The ramp that leads to the side entrance of the Museum is metal and uncovered and in the wintertime it becomes unusable due to impenetrable ice. While not a requirement to stabilize operations, it would be beneficial to cover or winterize this ramp.

Curb cut for large trailer access to loading dock
Large tractor trailers cannot access the Museum’s loading dock due to the position of the curb. When the above Tier I loading dock/freight elevator project were completed, it would be beneficial for the museum to cut the curb in this area to allow larger trailers access to the loading dock.

Connect sewer to city line
The Museum’s sewer line is functional, but it would be favorable to connect to the city’s sewer line in front of the building, rather than continue to utilize the current 300 foot connection from 1903.

Facilities Endowment
Like many museums, the Berkshire Museum is facilities intense in its current operation, with a steady stream of capital maintenance needs that crop up over time. A facilities endowment holds the potential to reduce or eliminate the need for future capital campaigns. The opening bid assumes the Museum would create a facilities endowment of $3M that would cover $150,000 annual contribution towards ongoing facilities upgrades. This level of funding is equivalent to four months depreciation. The staff estimates that this annual contribution would be sufficient to maintain facilities upgrades as necessary, assuming the Tier I projects above are completed. Developing a long-term maintenance schedule would help the Museum confirm and refine this number further.
III. Balance sheet

<table>
<thead>
<tr>
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<td><strong>Less current resources</strong></td>
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<td>$14,658,000</td>
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</tbody>
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**Endowment**

As the Board is aware, the Museum has historically had structural deficits supported by available unrestricted cash which is nearly exhausted. In TDC’s 2015 memo on the Museum’s capitalization needs, we found the structural deficit to be $871,000 per year. In looking at the latest audit and consulting with staff, we would revise slightly upward to $923,000 per year.

If the business model remains unchanged, which is a core assumption of this exercise, and no additional contributed or earned income is available, the Museum would need an endowment sized at $20.3M to create a draw that would cover the existing structural deficit of $923,000 per year.

However, the Museum currently has $7.3M in endowment, made up of three component pieces:

- $6.7M - Keep Crane Fund
- $324,000 - Permanently Restricted Net Assets (Nash Endowment, Ruth P. Boraski Children’s Fund)
- $272,000 - Berkshire Museum Endowment Fund

Given the available resources above, the Museum would need to secure an additional $13M in endowment to close the structural deficit gap on an ongoing basis.

**Working Capital**

Working capital funds smooth cash flow bumps that arise from predictable business cycles. Currently, the Museum does not have sufficient funds to easily manage cash flow needs, nor an existing Line of Credit that can be drawn on, leading to constrained liquidity. For purposes of the opening bid, we have posited a level of working capital equivalent to two months of operating expenses which would imply a working capital need of $409,000.

**Operating Reserve**

Operating reserves act as the “rainy day fund” that help cover completely unexpected events, or provide a cushion for potential known risks in the environment should they come into play. For purposes of this analysis, we will assume that the desired level of operating reserves is equivalent to four to six months of operating expenses which would translate into $1.2M in funds. We have pegged this number at this level in part because the opening bid does not assume a regular surplus for the Museum.
EXHIBIT F

Subject to Motion for Impoundment
Collections description

The Museum’s collections include a diverse array of more than 35,000 objects from every continent, encompassing:

- Fine art and sculpture
  - Hudson River School holdings
  - Alexander Calder (site specific mobiles and nine original toys)
- Natural science specimens
  - 50% of the total objects in the collection
  - Representations of Berkshire ecosystems, fossil collections, meteorite
- Artifacts from American History
  - Matthew Henson’s fur suit and sledge
  - Nathaniel Hawthorne’s writing desk
- Ancient artifacts
  - Egyptian mummy
  - Babylonian cuneiform tablet shards
- Living collections
  - Aquarium
Collections valuation: Background

• The Museum contacted Christie's and Sotheby's to get a valuation of the collection in 2015
  • Visited in July 2015
  • Issued reports in July and October of 2015
  • These reports have been made available to the Board
Collections valuation: Context

- Of the 35,000+ items in the Museum’s collection:
  - Christie’s valued 503 (296 objects, 207 artworks)
  - Sotheby’s valued 270 (63 objects, 207 artworks)
  - Total unique number of objects valued: 585

- The auction houses evaluated objects with the highest values, those they would be best positioned to assist with selling
Collections valuation: Process

- Of the 585 items valued by Christie's and Sotheby's:
  - 172 were examined by both
  - 323 by Christie's only
  - 90 by Sotheby's only
- For all objects valued by both auction houses, we calculated:
  - Average of the low estimated values
  - Average of high estimated values
  - Composite average estimated values
Collections valuation

Estimated Value of Collections – from Sotheby's and Christie's Valuations

Low average  
High average  
Composite average

Low average

High average

Composite average

$120,000,000
$100,000,000
$80,000,000
$60,000,000
$40,000,000
$20,000,000
$0

Top 20 objects  
Next 20 objects  
Remaining collections valued (n= 545)
Key decision points

• Today, does the Board agree in principle to the following?
  • The art market is unpredictable and there is significant uncertainty around any valuation of the collection
  • Given available information, the auction houses have estimated the total market value of 585 items in the collection as between $54M and $95M
    • Of these, 40 objects are valued between $47M and $85M total
  • Board members have been provided access to the valuations from both the auction houses

• Tomorrow, we will discuss the following questions:
  • What other information does the Board need to have at this point in time regarding collections valuation?
EXHIBIT T

Subject to Motion for Impoundment
## Decision making implications

### Scenario summaries

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>Opening Bid</th>
<th>Bronze</th>
<th>Silver</th>
<th>Wind down</th>
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</thead>
<tbody>
<tr>
<td><strong>Experiences</strong></td>
<td>No change</td>
<td>No change</td>
<td>Modest refresh</td>
<td>Major upgrades</td>
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<td><strong>Engagement</strong></td>
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<td>Supports new strategy</td>
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<td><strong>Accessibility</strong></td>
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<td>Fix current structural deficit</td>
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<tr>
<td><strong>Collections management</strong></td>
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<tr>
<td><strong>Architectural</strong></td>
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<td>Baseline + 2nd floor over classrooms</td>
<td>Limited changes</td>
<td>Capacity for major changes</td>
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</tbody>
</table>

10/24/2015

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