Appraisal of a 1.00% Interest In:

XYZ, LLC

Date of Valuation: September 30, 2017

Report Date: December 4, 2017

Performed by:

Matthew B. Cassedy, MBA, CBA, CVA, CMEA, MAFF

Analytic Business Appraisers, LLC

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For further information contact:

Matthew B. Cassedy
Analytic Business Appraisers, LLC
7272 E. Indian School Road, Suite 540
Scottsdale, AZ 85251
Telephone 480.857.7449
www.AnalyticbusinessAppraisers.com

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OPINION LETTER

December 4, 2017

Mr. Jeffrey Jones
XYZ, LLC
1234 Alpine Avenue
Los Angeles, CA 90067

Re: Appraisal of a 1.00% Interest in XYZ, LLC

Dear Mr. Jones,

In fulfillment of our agreement, I am pleased to transmit herewith the summary narrative report of my appraisal of the above referenced interest in XYZ, LLC (the “Company”) which holds property located at 702-710 El Toro Boulevard, Los Angeles, CA 91602 (the “Property). The valuation of the Interest required the valuation of the asset. In this regard, I have been provided a copy of the Restricted Report of the XYZ, prepared by Mr. John Smith, Analytic Business Appraisers, LLC with a September 30, 2017 date of value. The appraisal summary of the Property is incorporated into this report and analysis by reference herein. This report and the referenced appraised value set forth my value conclusion, along with supporting data and reasoning that form the basis of my opinion. The interest is more completely described herein.

The purpose of this appraisal is to estimate the Fair Market Value of the above referenced interest in the Company. The report was prepared for Mr. Jeffrey Jones, to determine the fair market value for estate and tax planning purposes. The value opinion reported is qualified by certain definitions, limiting conditions, and certifications, which are set forth in the report.

As agreed upon with the client prior to the preparation of this appraisal, this report is the result of the scope of work set forth in the appraisal. I have gathered the market data and made the necessary studies in connection with the subject interest in the Company. My analyses, opinions, and conclusions were developed, and this report has been prepared by the codes of professional ethics and standards of the National Association of Certified Valuation Analysts Professional Standards (NACVA) and in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP). Under the Assumptions and Limiting Conditions as set forth in the report, I analyzed the information obtained. This appraisal process led me to the professional opinion that the rounded FAIR MARKET VALUE for the 1.00% interest in the Company, on September 30, 2017 is **$96,400.**

Sincerely yours,

Matthew Cassedy, MBA, CBA, CVA, CMEA, MAFF, MAFF
Analytic Business Appraisers, LLC

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1 EXECUTIVE SUMMARY

Governing Standard:	USPAP
Purpose:	Tax and Estate Planning
Standard of Value:	fair market value
Premise of Value:	value as a going concern
Client Name:	Mr. Jeffrey Jones
Interest Valued:	1.00%
Valuation Date:	September 30, 2017
Report Date:	December 4, 2017
Appraiser Name:	Matthew Cassedy, MBA, CBA, CVA, CMEA, MAFF, MAFF
Appraiser Firm:	Analytic Business Appraisers, LLC
Conclusions of Value - ROUNDED:	$96,400

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2 INTRODUCTION

Analytic Business Appraisers, LLC was engaged to appraise the Fair Market Value of a 1.00% non-controlling interest in XYZ, LLC (the "Company").

2.1 Purpose

The valuation of the Company was requested for estate and tax purposes. This report and the conclusions contained herein should not be used for any purpose or date other than that stated above.

2.2 Standard of Value

The standard of value used was Fair Market Value, defined in Revenue Ruling 59-60 as:

> …the price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of the relevant facts.

With regard to Fair Market Value, it is important to note:

> In most interpretations of fair market value, the willing buyer and willing seller are hypothetical persons dealing at arm's length rather than any "particular" buyer or seller. In other words, a price would not be considered representative of fair market value if influenced by special motivations not characteristic of a typical buyer or seller.[1]

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Revenue Ruling 59-60 provides the general approach, methods and factors to be considered in valuing interests in closely held entities for estate planning purposes. It specifies the following as being factors that should be considered in deriving a Fair Market Value:

1. The nature of the business and the history of the enterprise from its inception.
2. The economic outlook in general and the condition and outlook of the specific industry in particular.
3. The book value of the stock and the financial condition of the business.
4. The earning capacity of the company.
5. The dividend-paying capacity.
6. Whether or not the enterprise has goodwill or other intangible value.
7. Sales of stock and the size of the block of stock to be valued.
8. The market price of corporations engaged in the same or a similar line of business having their stocks actively traded in a free and open-market, either on an exchange or over-the-counter.[2]

[1] Shannon Pratt, Valuing A Business, 3d ed., (Homewood, IL: Richard D. Irwin, Inc., 1996), 24.
[2] Internal Revenue Service, *Revenue Ruling 59-60*, Section 4, paragraph .01

Within the use of this report Fair Market Value makes the following assumptions:

1. The prospective buyer is not a synergistic buyer and is prudent and purchasing the business for profit (a synergistic buyer purchases for the benefit of similar enterprises he may have an interest in).
2. The business is going concern and liquidation is not the intention.
3. The business is to be sold for cash or cash equivalent.
4. The business will be held on the market for a reasonable period of time allowing all potential buyers to have access to the properties availability.

2.3 Principal Sources of Information

We relied on information provided by the client and have assumed it to be true and correct. We have not performed independent auditing procedures and provide no assurances, expressed or implied, regarding the accuracy of the information provided by others.

The information upon which our determination of value was based included the following:

1. A real estate appraisal of the asset property located at 702-710 El Toro Boulevard, Los Angeles, CA 91602, prepared Mr. John Smith, of Analytic Business Appraisers, LLC with a September 30, 2017 date of value.
2. First Amended and Restate Operating Agreement of XYZ LLC, effective April 10, 2017.
3. Internally prepared balance sheet as of September 30, 2017.

2.4 Intended User and Use of Appraisal

The appraisal report is to be used by Mr. Jeffrey Jones, his client, and other specific intended users including client's accountant and legal counsel and appropriate government tax authorities, in determining the value of the subject interest for assistance in tax and estate planning. According to federal and state law, this appraisal will conform to all of the appraisal standards set by federal law (IRS Valuation Guidelines), state law, and USPAP, as well as the "Standards of Professional Appraisal Practice" and the "Code of Professional Ethics" of the Appraisal Institute.

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3 Assumptions and Limiting Conditions

The valuation presented in this report is contingent on the following limiting conditions and those stated in the body of the report.

1. The financial information furnished to the appraiser is assumed to be correct and reliable but no responsibility is assumed for its accuracy.
2. All facts and data set forth in the report are true and accurate to the best of the appraiser's knowledge and belief. We have not knowingly withheld or omitted anything from our report affecting our value estimate.
3. Possession of this report or a copy thereof does not carry with it a right of publication, nor may it be used for any other purpose by any person but the client for whom it was prepared, without the prior written consent of the appraiser or the client.
4. None of the contents of this valuation report shall be conveyed to any third party or to the public through any means without the express written consent by Matthew Cassedy of Analytic Business Appraisers, LLC.
5. No investigation of titles to the properties or any claims on ownership of the properties by any individuals or company has been undertaken. Unless otherwise stated in our report, title is assumed to be clear and free of encumbrances and as provided to the appraiser.
6. Unless otherwise provided for in writing and agreed to by both parties in advance, the extent of the liability for the completeness or accuracy of the data, opinions, comments, recommendations, or conclusions shall not exceed the amount paid to the appraisers for professional fees and, then, only to the party or parties for whom this report was originally prepared.
7. The various estimates of value presented in this report apply to the appraisal only and may not be used out of the context presented herein. Any other use of this report may lead the user to an incorrect conclusion for which Matthew Cassedy, appraiser, Analytic Business Appraisers, LLC assumes no responsibility.
8. The appraisal estimate of Fair Market Value reached in this report is necessarily based on the definition of Fair Market Values as stated in the Disclosures. An actual transaction may be concluded at a higher value or lower value depending on the circumstances surrounding the company, the appraised business interest or the motivations and knowledge of both the buyer and sellers at that time Matthew Cassedy, appraiser Analytic Business Appraisers, LLC, makes no guarantees as to what values individual buyers and sellers may reach in an actual transaction.
9. It should be specifically noted that the valuation assumes the business will be competently managed and maintained by financially sound owners over the expected period of ownership. This appraisal engagement does not entail an evaluation of management effectiveness, nor are we responsible for future marketing efforts and other management or ownership actions upon which actual results will depend.
10. No opinion is intended to be express for matters that require legal or other specialized expertise, investigation, or knowledge beyond that customarily employed by appraisers valuing businesses.
11. It is assumed that there are no regulations of any government entity to control or restrict the use of the underlying assets, unless specifically referred to in the report, and that the underlying assets will not operate in violation of any applicable governmental regulation, codes, ordinances or statutes.
12. Valuation reports may contain prospective financial information, estimates, or opinions that represent the view of the appraiser about reasonable expectations at a particular point in time, but such information, estates, or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved or that specific events will occur.

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13. We assume that there are no hidden or unexpected conditions of the business that would adversely affect value, other than as indicated in this report.
14. Hazardous substances, if present, can introduce an actual or potential liability that will adversely affect the marketability and value of a business. Such liability may be in the form of immediate recognition of existing hazardous conditions, or future liability that could stem from the release of currently nonhazardous contaminants. In the development of the opinion of value, no consideration was given to such liability or its impact on value. We have not taken into account any and all future environmental considerations and potential liability.
15. This appraisal engagement is for the valuation of 1.00% interest in XYZ, LLC.

It is possible that additional contingent and limiting conditions will be required, and the client agrees that all conditions disclosed by the appraiser will be accepted as incorporated into the appraiser's report.

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4 Description of XYZ, LLC

4.1 Subject Company

The First Amended and Restated Operating Agreement of XYZ LLC, a California limited liability company ("Agreement") is effective as of April 10, 2017 ("Effective Date") by and among the Members listed on Exhibit "A" and who signed the Agreement (collectively, the "Members"). The Articles of Organization for XYZ LLC (the "Company") were filed with the California Secretary of State on October 4, 2005.

The Company's existence commenced on October 4, 2005 and will continue in existence until terminated as provided in the Agreement.

The purpose of the Company is to engage in any lawful activity for which a limited liability company may be organized under the Act. Notwithstanding the foregoing, without the unanimous consent of the Members, the Company shall not engage in any business other than the following: (i) the ownership, management, leasing and operation of that certain commercial property located in Los Angeles, California (the "Property"); and (ii) to engage in such other activities with respect to the Property as may be necessary and/or appropriate to carry out the foregoing purposes.

Relevant portions of the Agreement that impact the control and value of the subject interest include, but are not necessarily limited to the following:

ARTICLE 5 – MANAGEMENT AND CONTROL OF THE COMPANY.

Management of the Company by the Managers. The business and affairs of the Company shall be managed by the Managers. The Managers shall have full, complete and exclusive authority, power, and discretion to manage and control the business and affairs of the Company, to make all decisions regarding those matters, to perform any and all other acts or activities customary or incident to the management of the Company's business and affairs, and to execute all documents, contracts and agreements to implement the decisions made by the Managers. The Managers are authorized to sign all contracts and incur obligations on behalf of the Company or obligate the Company to perform obligations under contracts. The Managers are authorized to endorse checks, drafts, or other evidence of indebtedness made payable to the order of the Company, and the Managers are authorized to sign any checks, drafts, and other instruments obligating the Company to pay money. The signature of one Manager alone shall be sufficient to take any action, execute any document, or as permitted under this Agreement.

5.1 Election of Managers.

5.1.1. Number, Term and Qualifications. The Company shall initially have two (2) Managers. Each Manager shall serve until the earlier of: (a) the Manager's resignation, retirement, death or disability; (b) the Manager's removal in accordance with Section 5.1.3 below; and (c) the expiration of the Manager's term as Manager if a specific term has been designated by a Majority. Upon the resignation or removal of a Manager, a new Manager shall be appointed by a Majority for a term expiring with the appointment of a successor or a term expiring at a definite time specified by a Majority in connection with the appointment.

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5.2 Limitations on Power of the Managers. The Managers shall not have authority hereunder to cause the Company to engage in any transaction described in this Agreement or the Act as requiring the vote, consent or approval of the Members.

ARTICLE 7 – TRANSFER OF INTERESTS

7.1 Restrictions on Transfer. Except after compliance with Sections 7.8 and 7.9 below, no Member shall Transfer all or any part of that Member's Membership Interest, except with the prior written consent of the Managers, which consent may be given or withheld, conditioned or delayed (as allowed by this Agreement or the Act), as the Managers may determine, in the Managers' sole and absolute discretion. Transfers in violation of this Article 7 shall be effective only to the extent set forth in Section 7.7 below.

ARTICLE 10 – DISSOLUTION AND WINDING UP

10.1 Dissolution. The Company shall dissolve, its assets disposed of, and its affairs wound up on the first to occur of the following (each, a "Dissolution Event"): (i) upon the entry of a decree of judicial dissolution pursuant to Section 17707.03 of the Act; (ii) upon a unanimous vote of the Members; (iii) the sale of all or substantially all of the assets of the Company; or (iv) the happening of any event that makes it unlawful or impossible to carry on the business of the Company.

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4.2 Membership

Please see below for the current Membership Interests.

Exhibit "A"

NAMES AND ADDRESSES OF MEMBER AND MANAGERS
AND
MEMBER'S PERCENTAGE INTEREST

Members	Member's Address	Member's Interest
Mary Smith, Trustee of Trust A under the Cohen Family Trust dated April 23, 1987	c/o Mary Smith 250 First Drive, #2102 Palm Desert, CA 92122-5630	49.0%
Mary Smith, Trustee of Trust B under the Cohen Family Trust dated April 23, 1987	c/o Mary Smith 250 First Drive, #2102 Palm Desert, CA 92122-5630	6.0%
Jeffrey D. Jones, Trustee of the Jeffrey D. Jones Separate Property Trust dated March 6, 2017	c/o Jeffrey D. Jones 105 Second Street San Diego, CA 90075	22.5%
Drew J. Jones, Trustee Drew J. Jones Revocable Separate Property Trust dated April 10, 2017	c/o Drew J. Jones 310 Third Street Los Angeles, CA 90075	22.5%
		100.0%

MANAGERS:

Jeffrey D. Jones
105 Second Street
San Diego, CA 90075

Drew J. Jones
310 Third Street
Los Angeles, CA 90075

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4.3 Company Overview

Based upon information provided on the balance sheet, it showed a cash balance of $66,826 and tenant security deposits of $96,983. The Company's assets consist of the property located 702-710 El Toro Boulevard, Los Angeles, CA 91602. There is no mortgage on the Property.

4.4 Subject Property Description

The subject property is located at 702-710 El Toro Boulevard, Los Angeles, CA 91602 and is known as XYZ. The subject property is comprised of 4 single-story, masonry buildings, built in 1974. The site is zoned M2-1 for Light Industrial uses, and encompasses a land area of 4.29-acres, or 186,732 square feet. The subject property is configured for, and operating as a multi-tenant industrial park. The property was 100% occupied with 17 tenants at time of inspection. The unit sizes range from 3,500 square feet to 10,000 square feet. There are approximately 186 on-site parking spaces. The improvements reflect an overall average Class C construction quality. The foundation is concrete slab, wood-framed, masonry walls and flat roofs. The interior floors are a mix of sealed concrete, ceramic time, wood, carpet, brick and vinyl. The walls are painted drywall with wood beams and dropdown ceilings in office areas, with a minimum of one restroom in each unit. The buildings and grounds are well maintained.

The subject property has a chronological age of 43 years and an effective age of approximately 15 years. According to the Marshall Valuation Service cost guide, buildings of this type and quality have an expected life of 50 years. Therefore, the remaining economic life (expected life minus effective age) is about 35 years.

The value of the property was determined to be $14,700,000.[3]

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[3] Alvarado Consulting, Inc. Restricted Report, 702-710 El Toro Boulevard, Los Angeles, Los Angeles County, CA 91602, prepared by Mr. John Smith with a date of value of September 30, 2017.

4.5 Net Asset Value (NAV)

An initial step in analyzing the Company's holdings is to calculate its net asset value (NAV). The NAV of Company is the amount for which a controlling interest could liquidate the underlying assets and liabilities, excluding transaction costs. The NAV of the Company is computed by adding the total market value of the assets and subtracting from this amount any of its liabilities or debts.

Below is the chart showing the calculation of the Net Asset Value for the Company.

ASSETS		
Cash In Checking	$66,826	[1]
Real Estate	$14,700,000	[2]
TOTAL ASSETS	$14,766,826	
LIABILITIES		
Mortgage on Property	$0	
Tenant Security Deposits	$96,983	[1]
TOTAL LIABILITIES	$96,983	
NET ASSET VALUE	$14,669,844	

[1] Balance Sheet for XYZ, LLC

[2] Real Estate Appraisal prepared by Mr. John Smith, Alvarado Consulting, Inc., September 30, 2017 DOV

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5 Economic and Industry Outlook

The economic and industry conditions that affect a corporation as outlined in Revenue Ruling 59-60 define the environment that the subject company is competing within. Having a solid understanding of the economic and industry conditions determines how the subject company stacks up to its industry peers and help opine the relative strength of the organization.

5.1 National Economy

August 2017 National Economic Report: Summary

After a July in which the U.S. economy registered one of its brightest months in years, August yielded a much more mixed picture. Most prominently, the economy in the second quarter achieved a 3.1% annualized growth rate (upwardly revised from the previous estimate of 3.0% growth and from the initial growth estimate of 2.6%)—the first time gross domestic product (GDP) growth had topped 3.0% since Q2 2015. This second-quarter performance also was in line with President Trump's goal of a 3.0% annual growth rate. In contrast, after two months of solid gains, the U.S. labor market pulled back in August, with the economy adding only 156,000 new jobs vs. 180,000 expected. June's and July's robust gains also were trimmed back by a combined 41,000 positions. At the same time, after having declined from 4.8% in January to 4.3% in May, the unemployment rate ticked back up to 4.4% in August, where it had been in June.

Other concerns persist. Although the budget deficit for FY 2015 hit a seven-year low, the FY 2016 deficit rose by 33.8% to $587.4 billion and is projected to hit $702 billion in FY 2017. Likewise, both Federal spending and taxation, which again reached new highs last year, were on track for another record-high year. In other areas, on the positive side, all five major consumer-confidence indices posted gains (following four months of mixed to negative results), productivity growth accelerated, corporate profit levels improved, wages edged up, and crude oil prices fell. On the negative side, U.S. stocks rose and fell throughout August, ending the month about where they started, industrial production dropped, auto sales tumbled for an eighth consecutive month, new-home sales, existing-home sales, and housing starts all declined for a second straight month, retail sales were down, consumer prices rose by 0.4%, and retail gasoline prices increased.

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U.S. Economic Growth Further Accelerates in Second Quarter

Growth of the U.S. economy accelerated in the second quarter as consumers continued to increase their spending and businesses continued to boost investment. According to a September 28 report from the U.S. Department of Commerce, gross domestic product (GDP) growth for the April-to-June period came in at 3.1% in the Department's third estimate for the quarter. The new 3.1% estimate—the fastest quarterly pace since the first quarter of 2015—was up a notch from the previous estimate of 3.0% growth and substantially above the initial estimate of 2.6% growth, and was more than 2-1/2 times the final 1.2% growth rate for the first quarter. The second-quarter pace further beat analysts' forecasts of a 3.0% revised second-quarter rate.

U.S. Job Market Pulls Back in August

After two months of solid, initially-reported 200,000-plus jobs gains, the U.S. labor market pulled back in August. The U.S. Labor Department announced on September 1 that the economy added only 156,000 new jobs in August vs. the 180,000 economists surveyed by Reuters had expected. In addition to missing estimates, previous months' jobs totals also were cut. June's originally-reported 231,000 jobs gain was reduced to 210,000, while July's initially-estimated 209,000 jobs gain was downwardly revised to 189,000. At the same time, after having declined from 4.8% in January to 4.3% in May, the unemployment rate ticked back up to 4.4% in August, where it had been in June.

Budget Deficit Up in FY 2016

After topping $1 trillion each year from FY 2009 to FY 2012, the Federal budget deficit fell from FY 2012's $1.08 trillion to $438.9 billion in FY 2015, which ended on September 30, 2015. However, the deficit jumped back up to $587.4 billion in FY 2016, which ended on September 30, 2016—an increase of 33.8% over the FY 2015 level. So far, during the first 11 months of FY 2017, the budget deficit—projected to hit $702 billion for the full year—is $673.7 billion, or about 15% higher than for the same time period last year.

U.S. National Debt Holds at $19.845 Trillion in August

After hitting a record $19.908 trillion in November, the U.S. national debt ended 2016 by slipping to $19.749 trillion. Thereafter, the debt climbed to $19.960 trillion on February 28. But by March 31, it had declined to $19.846 trillion—a falloff of $114 billion—and then held close to that level through August, finishing the month at $19.845 trillion.

Federal Spending and Tax Collections Appear Ready to Set New Records

After hitting all-time records in FY 2016, both Federal spending and Federal tax revenues appeared on track to lodge new records again in FY 2017, which ends on September 30. Through 11 months of the 2017 fiscal year, spending looks to top $4 trillion for the first time ever, and taxes are running slightly ahead of last year's pace.

Stocks Ride Roller Coaster in August

U.S. stocks rode a roller coaster in August that left them at the end of the month largely where they were at the beginning. August actually started off strong, with the Dow Jones Industrial Index closing above 22,000 for the first time ever. Stocks thereafter tumbled mid-month, but sneaked back above month-open levels by August's end. Specifically, the Dow, which had surged from 21,349.63 on June 30 to 21,891.12 on July 31, edged up further to 21,948.10 on August 31, a gain of 0.3%. Likewise, the S&P 500, which had climbed from 2,423.41 on June 30 to 2,470.30 on July 31, ticked up to 2,471.65 on August 31, a gain of less than 0.1%. And the NASDAQ, which had risen from 6,140.42 on June 30 to 6,348.12 on July 31, climbed further to 6,428.66 on August 31, a rise of 1.3%.

Corporate Profits Up Strong in Second Quarter

Corporate profits are on pace to post two consecutive quarters of double-digit growth for the first time since 2011. With 73% of the S&P 500 reporting earnings above estimates, Bloomberg has labeled Q2 "the best earnings season for U.S. companies in 13 years."

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Industrial Production Falls in August

After six straight monthly increases, U.S. industrial production fell in August. Overall, industrial production was down by 0.9% during the month vs. a forecast 0.1% gain.

Productivity Growth Accelerates in Second Quarter

While the initial estimate for U.S. productivity for Q1 2017 came in at negative 0.6%, later government updates showed that the measure had edged up by an upwardly revised 0.1% in the first quarter and by an upwardly revised 1.5% in the second quarter.

U.S. Auto Sales Fall Again in August

U.S. auto sales dove in August for an eighth consecutive month. Overall, automakers sold 1.48 million new vehicles during the month, a 1.9% decline vs. the same month a year ago. August's annualized 16.14 million-unit rate was the lowest this year.

New- and Existing-Home Sales, Along with Housing Starts, Decline in August

For a second straight month, new-home sales, existing-home sales, and housing starts in August all fell, intensifying concerns about the ongoing strength of the U.S. housing market. New-home sales were down by 3.4% on the month, while housing starts declined by 0.8% and existing-home sales slid by 1.7%.

Consumer-Confidence Measures Turn Positive Again

After mixed to negative readings for the past four months, five top consumer-confidence indices all turned positive again in August. Most notably, the Conference Board's index was up for a second straight month, while the Bloomberg index hit a 16-year high.

Hourly Wages Edge Up in August

After steadily increasing from December to July, U.S. hourly wages in August rose once again, although meagerly, climbing to $26.39 per hour from July's unchanged $26.36 per hour, an increase of less than 0.1%.

Consumer Spending Edges up by 0.1% in August

Following gains in each of March through July, U.S. consumer spending inched up by a mere 0.1% in August, the U.S. Commerce Department said on September 29.

Retail Sales Fall by 0.2% in August

After rebounding with a 0.6% monthly gain in July following two straight monthly declines, U.S. retail sales unexpectedly fell again in August, dipping by 0.2%.

Consumer Prices Jump by 0.4% in August

The U.S. Consumer Price Index (CPI) for all goods jumped by 0.4% in August after being unchanged in June and climbing by 0.1% in July. The index for all items less food and energy increased by 0.2% in August after rising by 0.1% in each of June and July.

Crude Oil Prices Fall, Gasoline Prices Increase in August

After rising from $46.03 per barrel on June 30 to $50.21 per barrel on July 31, U.S. crude oil prices slipped back down to $47.26 per barrel on August 31. In contrast, after falling to $2.20 per gallon on June 26, its lowest mark since last December 19, the average retail price of regular unleaded fuel in the United States climbed back to $2.27 per gallon on July 31 and, thereafter, to $2.32 per gallon on August 31.

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5.2 Local Economy and Real Estate Outlook

Los Angeles Industrial Market, First Quarter 2017[4]

LA industrial market vacancy ticks down to record-low of 1.1%

Over 1.2 million square feet of industrial space absorbed in the first quarter

In the first quarter 2017, the Los Angeles industrial real estate market began the year where it left off in 2016 with over 1.2 million square feet of net absorption. As the regional economy continues to grow, demand for industrial space has remained strong, leading to historic lows in space availability and vacancy. While 5.6 million square feet is now under construction, this constitutes just 0.7% of the LA metro area's massive industrial base, meaning that the market will remain severely supply constrained in 2017 regardless of how the overall economy performs.

ECONOMY

US economic growth remains steady, led by strong consumer spending

According to the Bureau of Economic Analysis, US consumer spending was up 4.8% on an annualized basis in February which is now the strongest reported year-over-year growth in consumer spending since before the Great Recession. In terms of domestic manufacturing, the March PMI reading of 57.2 signaled an expansion in the manufacturing sector and continued expectations of economic growth moving forward. Loaded container volumes for the Port of Los Angeles and Port of Long Beach in the first two months of 2017 of 1.8 million TEUs was up 0.1% over the same period 2016. As the Southern California regional economy continue to outperform the rest of the nation, expect industrial space demand in Los Angeles to remain high.

SUPPLY AND DEVELOPMENT

Over 5.6 million square feet of industrial space is now under construction

Over 840,000 square feet of new space was delivered to the market in the first quarter, while over 5.6 million square feet of industrial space is now under construction. Of this amount, 15% is currently pre-leased and the general market sentiment is that most buildings will be leased prior to completion or leased/ sold very shortly after completion due to intense demand for newer buildings. As mentioned in previous reports, the overall market remains mostly built out. Therefore, expect infill industrial development to remain relatively low with many long-term owners increasingly deploying value-add strategies on their existing properties in order to re-position to modern logistics or high-tech manufacturing use.

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[4] file:///C:/Users/Windows/Downloads/West%20-%20Los%20Angeles%20Industrial%20Outlook%20-%20Q1%202017.pdf

DEMAND

Industrial demand begins 2017 with 1.2 million square feet of net absorption

Demand for industrial space was positive for the fifteenth consecutive quarter at just over 1.2 million square feet. Since the market began its recovery in 2011, nearly 38 million square feet of industrial space in the region has been absorbed as the recovery in global trade volume and strong consumer spending has directly led to extremely high demand for warehouse and manufacturing space. With many retailers and their logistics partners increasingly looking for "last mile" warehousing, especially in response to the rapid growth in e-commerce, expect no slowdown in industrial space demand in the LA market in 2017 absent a global macroeconomic shock and/or major changes to international trade policy.

VACANCY

Total vacancy rate ticks down to yet another all-time low of just 1.1%

The total vacancy rate decreased 10 basis points to just 1.1%, which is now the lowest vacancy level ever reported. With sublease vacancy (just 405,736 square feet) virtually non-existent, vacancy levels within the region's industrial markets range from a low of just 0.9% in the 158.5-million-square-foot San Gabriel Valley market to a high of just 2.4% in the 52.6-million square-foot Ventura County market. As demand has remained strong and new expected supply continues to be relatively low, vacancy levels are forecasted to continue to decline in 2017 from their already record lows.

RENTAL RATES

Direct weighted average asking rental rate increases to $0.75 per square foot

The direct weighted average asking rental rate market-wide increased to $0.75 per square foot per month (up 4.2% year over year) which continues to be the highest level that has ever been reported in the Los Angeles industrial market. Since bottoming out in 2010, the average industrial rental rate has increased by 44% market-wide as demand has surged due to an expanding US economy and a recovery in container volumes at the Ports of Los Angeles and Long Beach. As a result, expect rental rate growth to remain solid as new supply continues to be constrained.

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INVESTMENT MARKET

Industrial investment sales volume at $570.2 million in the first quarter 2017

The Los Angeles industrial market reported a total of $570.2 million in sales in the first quarter, which was up 24% from the $459.1 million in industrial sales reported a year ago. Investor interest in the Los Angeles industrial market remains high, but with interest rates forecasted to rise in 2017, expect more cooling in pricing as average cap rates tick up. Nevertheless, expect a healthy amount of investment sales activity as the industrial property sector has increasingly become sought after on the part of investors due to favorable market fundamentals and perceived long-term safety.

OUTLOOK

LA industrial market begins 2017 strong with very little signs of slowdown

In the first three months of 2017, the Los Angeles industrial market continues to be the most supply-constrained industrial real estate market in the US. While the amount of speculative development now underway constitutes an 11-year high, it still only accounts for less than 1% of the region's massive industrial real estate inventory, most of which has increasingly become functionally obsolete. Although concerns over a global macroeconomic shock and rising protectionist sentiment are valid, the overall industrial market continues to see no slowdown with strongly positive market fundamentals and expected record pricing of new stabilized projects in the months ahead.

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6 Financial Analysis

6.1 Income Forecast

The valuation of a company is based upon its expected earnings. Based upon Internal Revenue Service Revenue Ruling 59-60, known as the Bible of Business Valuation, "valuation is in essence a prophecy as to the future and must be based on facts available on or before the appraisal date."[5]

The appraiser has prepared a projection of the Property based upon the proforma financial data provided in the real estate appraisal, and the forecasted economic conditions that will affect the future performance of the subject property. The appraiser is required to interpret all factors into the determination of a forecast for the subject.

A long-term growth rate of 5% has been chosen to reflect the asset value growth based upon the current market conditions for industrial real estate in the Los Angeles area fact that the term of the Lease is in 2018 and it is unknown if the tenant will take the 2 5-year options.

See table on the following page for the revenue forecast.

SAMPLE

[5] Internal Revenue Service, *Revenue Ruling 59-60*, Section 3, Approach to Valuation, paragraph .03

Table 6.1.1

Revenue	
Potential Gross Income	$1,086,982
Less: Vacancy & Collection Loass	$54,349
Effective Gross Income	**$1,032,633**
Operating Expenses	
Real Estate Taxes	$174,866
Insurance	$37,250
Utilities	$20,150
General & Administrative	$1,200
Management Fees	$41,305
Reserves	$20,653
Total Operating Expenses	**$295,424**
CASH FLOW	**$737,209**

* *Expenses as stated in the real estate appraisal prepared by Mr. John Smith, ACI, September 30, 2017 DOV, pg. 42.*

SAMPLE

Revenue Stream

	Growth Rate		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue												
Growth Rate												
Revenue	**3.00%**		$1,032,633	$1,063,612	$1,095,520	$1,128,386	$1,162,238	$1,197,105	$1,233,018	$1,270,008	$1,308,109	$1,347,352
Expenses	**1.50%**		$295,424	$299,855	$304,353	$308,918	$313,552	$318,256	$323,029	$327,875	$332,793	$337,785
Net Cash Flow			$737,209	$763,757	$791,167	$819,467	$848,685	$878,849	$909,988	$942,134	$975,316	$1,009,567
Net PV Factor			0.889	0.791	0.704	0.626	0.557	0.495	0.440	0.392	0.348	0.310
Present Value			$655,705	$604,214	$556,701	$512,865	$472,428	$435,132	$400,738	$369,024	$339,786	$312,833
Minority Ownership Cash Flow		1.00000%	$6,557	$6,042	$5,567	$5,129	$4,724	$4,351	$4,007	$3,690	$3,398	$3,128

7 Valuation Approaches Considered

The value of an interest in the Company is based primarily upon the future benefits that can be derived from the ownership of an interest in the Company. A widely recognized valuation authority offers the following:

> Since the value of a business interest depends on its future benefits, direct implementation of the correct theoretical approach to valuation requires a quantified forecast of the benefits considered relevant in the case, be they earnings, cash flows, dividends, or some other form of return."[6]

In the case of the Company the benefits of owning the subject interest in XYZ, LLC include any distributions made from available cash flow and/or remaining proceeds if the property was liquidated. Determining a value of the subject interest in the Company, in accordance with Revenue Ruling 59-60, required consideration of three approaches to determining value. They are commonly referred to as the Income Approach, the Market Approach and the Asset Approach. Their application as they apply to the subject interest in the Company is discussed below.

7.1 Income Approach

From the perspective of an ownership in the Company, the benefits of ownership are limited primarily to the income generating and distribution paying capacity of the Company. The Income Approach to value typically derives a value either through the capitalization of historical earnings or the discounting of future earnings. Capitalization of earnings is a method of dividing a stabilized cash flow by the difference between an investor's required rate of return and estimated long term growth. This method is typically used when a company's future operations are not expected to change significantly from its current normalized operations, and when future returns are expected to grow at a relatively predictable rate. If earnings are expected to be materially different in the future, a discounted future cash flow method is more appropriate.

Under the Income Approach, the benefits of ownership are defined by the anticipated future income from distributions or capital gains that can reasonably be expected. This method is used extensively by investors in both public and private investments. Because a 1.00% interest in the Company typically cannot exercise exclusive control over the operations or the liquidation of the underlying assets, the Income Approach was selected as an appropriate method to use in determining the value of the subject interest in the Company.

SAMPLE

[6] Shannon Pratt, Valuing A Business, 2d ed., (Homewood, IL: Richard D. Irwin, Inc., 1989), 35

7.2 Market Approach

The Market Approach results in values based upon comparisons between the subject entity and similar entities traded in a free and open market (i.e., publicly traded companies). Revenue Ruling 59-60 states that:

> …in valuing unlisted securities, the value of stock or securities of corporations engaged in the same or similar line of business which are listed on an exchange should be taken into consideration along with all other factors.

The Market Approach assumes the value of the subject interest in the Company can be determined from analyzing recent sales of minority interests in comparable public entities. Private minority interests in real estate were also obtained and used as a basis for comparison to the Company. Due to the size and asset allocation of the Company, no publicly traded companies were identified that were found to be sufficiently comparable to the Company. However, several publicly held Real Estate Investment Trusts (REIT's) that trade in the secondary market were identified. These entities were used as comparable guideline entities.

The comparable public entities are professionally managed and hold investments in income producing real estate that maintained no interest bearing debt to net asset value. Consideration of these publicly held entities was made for valuation purposes from the perspective of determining a value of the Company based on alternative investments that could be acquired that were comparable to the asset allocation of the Company.

Accordingly, the Market Approach was used for the valuation of the subject interest in the Property.

7.2.1 Market Approach - Price to Net Asset Value Method

This Market Approach is used to value closely held real estate held as in the case of the subject Company. The information in this report is provided by Partnership Profiles, LLC. They are the leading and most respected provider of privately held sales of interests in Real Estate Investment Trusts (REIT's) and Privately Held Real Estate Partnerships. The best source for this information is the Minority Interest Discount Database provided by Partnership Profiles, Inc. This database has detailed information on over 350 partnerships that own direct interests in real estate. The database has provided comprehensive financial information since 1994 on publicly-held limited partnership interests traded in the secondary market and is updated in the fourth quarter of every year. This information in the Minority Interest Discount Database can be directly compared to a non-controlling interest in a closely held company or corporation owning real estate. It is important to ascertain the compatibility of this data with the subject company you are analyzing. A test to see that you are looking at an interest that is a non-controlling interest is the following:

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1. Cannot control the distribution of any income generated by the entity.
2. Cannot control the reinvestment of earnings.
3. Cannot sell the underlying assets.
4. Cannot force the liquidation of the company.
5. Cannot withdraw from the company, and
6. Cannot control compensation of the management of the entity.

A privately-held corporation-company and a publicly-held interest differ primarily in the marketability and transferability of the interest. It is also likely that the investor in a publicly-held security would have greater assurance of the distribution of earnings due to the higher level of scrutiny. Additionally, publicly-held limited partnership interests are traded in a secondary market, whereas no such market exists for a privately-held interest in a closely held partnership or corporation.[7]

7.3 Asset Based Approach

The Asset Based Approach assumes that the value of an interest is determined based on the value of the underlying assets owned by the entity. It is used when the subject entity holds significant tangible assets, the entity is not labor intensive and the assets are not primarily comprised of intangible assets. The Asset Based Approach focuses on the value of a company's assets under a hypothetical sale scenario instead of its earnings potential.

A major assumption in using this approach is that the owner of the interest can reasonably expect to realize the value of the assets in the future. A well respected valuation text notes:

> If the consultant plans to value a partial interest in the subject company using the NAV method, there is another important consideration. The subject ownership interest should be able to cause the sale of the company's assets…Accordingly, the NAV method is more appropriate for valuing controlling interests than minority interests. If the subject interest is a minority interest, the consultant should consider using the price/net asset value method instead of the NAV method.[8]

The subject interest in the Company is a non-controlling interest. Therefore, an owner does not possess the ability to force the sale of the Company's assets. As suggested above, if the subject interest cannot force the sale of the assets, the value should be determined using the Price to NAV method, which is a derivation of the Market Approach. The absence of these elements of control, which include the inability to partition or sell the underlying assets of the company, makes the use of the Asset Based Approach to value inappropriate. Therefore, this approach to value was not used.

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[7] Bruce A. Johnson, ASA, Spencer J. Jefferies, James R. Park, ASA, Comprehensive Guide for the Valuation of Family Limited Partnerships, 4th Edition, pages 27-28.
[8] Jay E. Fishman and Others, Guide to Business Valuations, (Fort Worth, TX: Practitioners Publishing Company, 2014), 7-2.

8 Calculation of Value

As noted above, both the Income Approach and Market Approach were used to determine the value of a non-controlling interest in the Company. Consideration of marketability issues was made after the reconciliation of the two approaches. For ease of discussion purposes, the value of a 1% non-controlling interest was determined initially, and was subsequently converted into the value of the subject interest.

The value of the 1.00% non-controlling member interest in the Company is discussed at the conclusion of this report.

8.1 Income Approach – The Discounted Cash Flow Method

Because the subject interest in the Company is non-controlling and does not possess the exclusive ability to sell the underlying assets owned by the Company, an investor would look primarily to a return from distributions of available cash flow. Using the Income Approach, the value of a limited ownership interest in the Company was derived based upon expected return.

The importance of the payment of dividends or distributions to a non-controlling owner is supported by the court's opinion in the Estate of Sidney Katz.

> Since the absence of a ready market severely limits capital gains possibilities, a hypothetical willing purchaser would be required to look almost exclusively to dividends for a return on his investment.[9]

The discounted cash flow method of the Income Approach was utilized to determine the value of a limited ownership interest in the Company. The discounted cash flow method forecasts future cash flow based on an estimated earnings stream of the ownership. The future benefits are then discounted to present value using a required rate of return (discount rate) based on the risks associated with the subject interest and the cost of debt.

8.1.1 Discount Rate

The rate of return, or discount rate, is defined as the return a hypothetical buyer expects and requires from an investment. In a competitive environment where investors have alternative investment options, the discount rate reflects the opportunity cost of an investment. Opportunity cost is defined as the expected return that would be earned on the next best investment. Since a hypothetical buyer has many alternative investment choices, it is important to base any determination of a discount rate for an entity on measureable alternative investments with comparable levels of risk. The best measure of alternate investment choices can be derived from the public market.

SAMPLE

[9] Idell A. Howitt, "Estate of Sidney Katz," Federal Tax Valuation Digest, (27 T.C.M. 825-1968), 68-3.

Small Company Stocks	16.90%
Real Estate Investment Trusts	13.50%
Large Company Stocks	12.10%
Long-Term Corporate Bonds	6.30%
Long-Term Government Bonds	5.90%
U.S. Treasury Bills	3.50%

Deducting the long term government bond income return from the long term historical REIT total return over a comparative time period results in a real estate risk premium. It is important to ensure that comparative time periods are used in the calculation and that the time period used is a sufficiently long period of time to eliminate the impact of short term volatility or changes in interest rates. [10] The rate of return for the real estate investment trusts (REIT) is the average annual total return for equity REITs for the period extending from 1972 to 2016, based upon published data obtained from the National Association of Real Estate Investment Trusts. The Build Up Method is based on the theory that the discount rate is comprised of several factors starting with the risk free rate. In total, these factors determine the total return an investor would demand in comparison to alternative investments.

8.1.2 Build Up Method

Build Up Method
= Risk Free Rate
+ Real Estate Risk Premium
+ Specific Risk Premium

The first calculation of a discount rate using the Build Up Method relied on rates of return for REITs to determine the real estate risk premium. The initial step in this process was to determine the rate of return an investor would require on a risk-free investment. Ibbotson Associates, a well-regarded authority which publishes historical rate of return information for publicly traded securities, suggests the use of the 20 year Treasury Bond rate. The rate used was 2.63.[11]

SAMPLE

Added to the risk-free rate is a real estate risk premium since the primary asset of the Company is real estate. As shown in Table 8.1.2.2 below, the real estate risk premium is calculated by subtracting the average income return for long term government bonds of 6.7%, derived from Table 8.1.2.1, from the average return for REITs over the same time period of 13.5%, as shown in Table 8.1.2.1. Accordingly, the real estate risk premium was determined to be 6.8%.

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[10] Partnership Profiles, Inc., 2017 Rate of Return Study, 14.

[11] https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yieldYear&year=2017

The final step in determining the discount rate is to adjust this rate depending on whether the subject interest exhibits more risk or less risk than a diversified portfolio of publicly traded REITs. In comparison, publicly traded REITs generally:

- Have a greater diversification of properties,
- Own investment grade properties,
- Use debt to finance operations,
- And have greater depth of management.

In addition, a REIT has the statutory requirement to pay out 90% of taxable income in the form of distributions to minority shareholders.[12] The owners of the Company are under no such requirement. Considering the above factors, a specific risk premium adjustment of 3.0% was deemed reasonable due primarily to the lack of asset diversification. As shown below, the discount rate applicable to the Company was determined to be 12.4%.

Table 8.1.2.1

Real Estate Risk Premium Over Past 13 Years

Year	Avg Equity REIT Return Since 1972		Avg LT Govt Bond Income Return Since 1972		Real Estate Risk Premium Since 1972
2003	14.2%	-	7.9%	=	6.3%
2004	14.7%	-	7.9%	=	6.8%
2005	14.7%	-	7.8%	=	6.9%
2006	15.2%	-	7.7%	=	7.5%
2007	14.4%	-	7.6%	=	6.8%
2008	13.0%	-	7.5%	=	5.5%
2009	13.4%	-	7.4%	=	6.0%
2010	13.7%	-	7.3%	=	6.4%
2011	13.6%	-	7.2%	=	6.4%
2012	13.8%	-	7.1%	=	6.7%
2013	13.5%	-	7.0%	=	6.5%
2014	13.8%	-	6.9%	=	6.9%
2015	13.6%	-	6.8%	=	6.8%
2016	13.5%	-	6.7%	=	6.8%

Source: 2017 Rate of Retun Study, Publicly-Held Real Estate Limited Partnerships and Real Estate Investment Trusts, Parnternship Profiles, Inc. pg 14

SAMPLE

Table 8.1.2.2

Build Up Method - REIT Return		
20 Year U.S. Treasury Bond		2.63% [1]
Real Estate Risk Premium		
Long Term Average Return for REITs	13.5% [2]	
Long Term Average Government Bond Income Return	6.7% [2]	
		6.8%
Specific Risk Adjustment		3.0%
Discount Rate for Net Cash Flow		12.4%

[1] https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yieldYear&year=2017

[2] Source: 2017 Rate of Retun Study, Publicly-Held Real Estate Limited Partnerships and Real Estate Investment Trusts, Parnternship Profiles, Inc. pg 14

[12] Fishman, 14-14.

8.1.3 Discounted Cash Flow Projection

Revenue for the Company was projected with a long-term growth rate of 3.0% based upon the current rent, as well as a 1.5% growth in expenses. As stated previously a long-term growth rate of 5% has been chosen to reflect the asset value growth of the underlying real estate value. This reflects an anticipated level growth rate, taking out the peaks and valleys that real estate markets experience in their cyclical highs and lows.

8.1.3.1 Discounted Cash Flow Projection – 5 Year Model

Table 8.1.3.1.1

Discount Rate	12.4%					
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Terminal**
Revenue	$1,032,633	$1,063,612	$1,095,520	$1,128,386	$1,162,238	
Expenses	$295,424	$299,855	$304,353	$308,918	$313,552	
Operating Income	$737,209	$763,757	$791,167	$819,467	$848,685	
Sale of Real Estate	$0	$0	$0	$0	$0	$17,793,116 *
Net Cash Flow	$737,209	$763,757	$791,167	$819,467	$848,685	$17,793,116

Present Value Calculation for 1% Non-controlling, Marketable Interest

	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Terminal**
Net Cash Flow	$7,372	$7,638	$7,912	$8,195	$8,487	$177,931
Present Value Factor	0.8894	0.7911	0.7036	0.6259	0.5567	0.5567
Net Cash Flow x PVF	$6,557	$6,042	$5,567	$5,129	$4,724	$99,047
Value of a 1% Non-controlling, Marketable Interest				**$127,066**		

* A sales fee of 5% has been included in the Terminal Value calculation.

SAMPLE

8.1.3.2 Discounted Cash Flow Projection – 10 Year Model

Table 8.1.3.2.1

Discount Rate	12.4%										
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**	**Terminal**
Revenue	$1,032,633	$1,063,612	$1,095,520	$1,128,386	$1,162,238	$1,197,105	$1,233,018	$1,270,008	$1,308,109	$1,347,352	
Expenses	$295,424	$299,855	$304,353	$308,918	$313,552	$318,256	$323,029	$327,875	$332,793	$337,785	
Operating Income	$737,209	$763,757	$791,167	$819,467	$848,685	$878,849	$909,988	$942,134	$975,316	$1,009,567	
Sale of Real Estate	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$22,717,357 *
Net Cash Flow	$737,209	$763,757	$791,167	$819,467	$848,685	$878,849	$909,988	$942,134	$975,316	$1,009,567	$22,717,357

Present Value Calculation for 1% Non-controlling, Marketable Interest

	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**	**Terminal**
Net Cash Flow	$7,372	$7,638	$7,912	$8,195	$8,487	$8,788	$9,100	$9,421	$9,753	$10,096	$227,174
Present Value Factor	0.8894	0.7911	0.7036	0.6259	0.5567	0.4951	0.4404	0.3917	0.3484	0.3099	0.3099
Net Cash Flow x PVF	$6,557	$6,042	$5,567	$5,129	$4,724	$4,351	$4,007	$3,690	$3,398	$3,128	$70,394
Value of a 1% Non-controlling, Marketable Interest					**$116,988**						

* A sales fee of 5% has been included in the Terminal Value calculation.

SAMPLE

In this appraiser's opinion the value of the Company is held in the both the asset and the cash flow. An estimated time horizon between 5 to 10 years was set as a probable range of values of when the Company may liquidate its real estate holdings.

8.2 Market Approach

Revenue Ruling 59-60 advocates the consideration of sale transactions of comparable companies that occur between unaffiliated buyers and sellers. This is noted as follows:

> As a generalization, the prices of stocks which are traded in volume in a free and active market by informed person's best reflect the consensus of the investing public as to what the future holds for the corporations and industries...[13]

A minority interest in a publicly registered stock or a publicly registered limited partnership interest is comparable to a privately held interest in the Company for several reasons. Among other factors, in either, the owner of such an interest:

1. Cannot control the distribution of earnings.
2. Cannot control the reinvestment of earnings.
3. Cannot sell the underlying assets.
4. Cannot force the liquidation of the Company.
5. Cannot withdraw from the Company.
6. Cannot control or manage the activities of the entity.

The interests differ primarily in the degree of assurance that an owner would have regarding the distribution of earnings and in the marketability of the interest. It is probable that the investor in the publicly registered security would have greater assurance of the distribution of earnings due to the higher level of scrutiny or possible regulatory requirements. Additionally, publicly registered interests are typically traded on a secondary exchange, whereas no public market exists for a privately held interest in the Company.

An examination of publicly held real estate limited partnerships that trade in the secondary market was conducted to identify guideline entities that were similar to the Company in terms of risk and return. The analysis included a review of over 300 real estate partnerships from the Partnership Profiles Minority Interest Discount Database. This database provides comprehensive financial information regarding publicly traded limited partnership interests from 1994 to 2016. From the partnerships in the database, a search was conducted for publicly held partnerships with the following attributes.

1. The partnerships owned and managed equity interests in real estate.
2. The partnerships had no to low levels of debt relative to NAV.
3. The partnerships had not announced definitive plans to liquidate.
4. The partnerships generated modest levels of cash flow.

SAMPLE

[13] Revenue Ruling 59-60.

Of the partnerships examined, five were identified as being comparable to the Property based on the financial characteristics shown below.

The operations and history of the five guideline partnerships can be found in the Edgar Filings at the U.S. Securities and Exchange Commission, http://www.sec.gov/edgar.shtml.

Market Approach

Program	NAV*	Borr/ NAV	GCF/ NAV	Price/ NAV
	* - in millions			
AEI Income & Growth Fund 24 LLC	$19	0.0%	5.8%	0.799 : 1
AEI Income & Growth Fund 26	$13	0.0%	5.7%	0.880 : 1
AEI Net Lease Income & Growth Fund XX	$12	0.0%	4.7%	0.872 : 1
AEI Income & Growth Fund XXI	$19	0.0%	4.8%	0.810 : 1
AEI Income & Growth Fund XXII	$12	0.0%	4.7%	0.864 : 1
Average	$15	0.0%	5.1%	0.845 : 1
	$14.7		5.0%	
NAV of 1% Interest				$146,698
Applicable Price to NAV Ratio			x	0.845 : 1
Value of a 1% Non-controlling, Marketable Interest				**$123,960**

Source: www.PartnershipProfiles.com, Minority Interest Database. This database provides detailed data on over 377 publicly held limited partnerships showing actively traded limited partnership information.

SAMPLE

As shown above, the guideline partnerships were generally comparable to the Company. To select an appropriate Price to NAV ratio, the Company's characteristics were compared to the guideline partnerships as follows:

- Partnerships that contain a greater number of properties generally represent less risk to an investor because they are more diversified. Since the Company holds fewer properties and is not geographically diversified, an investment in the Company would be considered to have increased risk.

- Businesses that rely on high levels of debt tend to be riskier than those that do not use leverage. The guideline partnerships above are similar to the subject Company as they carry no to low debt.

- When the risks between investments are deemed comparable, investments with a higher return are considered more desirable by investors. The average return for the guideline partnerships was 5.1%. The Property's return of 5.0%, as measured by gross cash flow as a percentage of NAV, was similar to the average return of the guideline partnerships.

- Investors that anticipate the liquidation of a partnership can reasonably expect to receive capital gains from the sale of properties and the distribution of income from the partnership's underlying assets in addition to any income generated by the partnership's assets. As noted, neither the guideline partnerships nor the Company were expected to liquidate in the near term. Consequently, this factor was not considered.

In the Market Approach actual empirical transaction data has been used from publicly-held funds owing similar types of assets. This allows a more real world comparison by using pricing multiples such as Price to Net Asset Value to derive an estimated non-controlling, marketable value for an interest in a closely held enterprise. By identifying actual transactions involving comparable entities and demonstrating that third-party investors price such investments at a discount from Net Asset Value, practitioners can empirically support their valuation conclusion using the Market Approach. Again, the key is to use transaction data for comparable entities in terms of the type of assets, capital structure, cash distribution characteristics and liquidation horizon.[14]

Considering the above factors, a Price to NAV ratio approximating the average in 2016 was deemed appropriate. Accordingly, a Price to NAV ratio of 0.845 : 1 was applied to the NAV of the Company. This resulted in a non-controlling, marketable value of a 1% interest of $123,960. The value derived using the Market Approach reflects a value at which a 1% non-controlling interest in the Company would trade between a hypothetical buyer and hypothetical seller provided that a public market existed in which the interest could be sold.

SAMPLE

[14] Bruce A. Johnson, ASA, Spencer J. Jefferies, James R. Park, ASA, Comprehensive Guide for the Valuation of Family Limited Partnerships, 4th Edition, page 40.

8.3 Reconciliation

Both the Income and Market Approaches were used to determine the value of a non-controlling, marketable interest in the Company.

The Income Approach – DCF 5 Year resulted in a value of $127,066. The Income Approach - DCF 10 Year resulted in a value of $116,988. These combined for an averaged value of $122,027.

The Market Approach resulted in a value of $123,960.

The values generated by the Income Approach and Market Approach provided a reasonable range of value of a 1% non-controlling interest on a marketable basis. Therefore, the value derived by the Income Approach was given equal consideration to the value derived using the Market Approach to determine a value of a non-controlling, marketable interest.

Income Approach - 5 Year	$127,066	x	1	=	$127,066
Income Approach - 10 Year	$116,988	x	1	=	$116,988
			2		$244,054
				÷	2
Value of 1% Noncontrolling, Marketable Interest - Income Approach					$122,027
Income Approach	$122,027	x	1	=	$122,027
Market Approach	$123,960	x	1	=	$123,960
			2		245,987
				÷	2
Value of 1% Noncontrolling, Marketable Interest					$122,994

Accordingly, we determined the value of a 1% interest in the Company on a non-controlling, marketable basis to be $122,994 as of September 30, 2017.

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9 CONSIDERATION OF DISCOUNTS

It is commonly recognized and well documented that an interest that lacks elements of control generally sells at a price less than a similar interest that does have control. Also, an interest that is not readily marketable generally trades at a price lower than a similar interest that is readily marketable.

When an interest lacks certain elements of control and marketability, two discounts are generally appropriate. They are commonly referred to as the discount for lack of control and the discount for lack of marketability.

9.1 Discount for Lack of Control

With regard to a discount for lack of control, the value derived using the Income Approach was based on the present value of cash flows available to a non-controlling owner. The Market Approach used Price to NAV ratios of non-controlling interests to determine a value. These approaches were deemed to adequately give consideration to the lack of control of an owner of the subject interest in the Company, therefore, no additional discount for lack of control was warranted.

9.2 Discount for Lack of Marketability

The Income Approach uses rate of returns from publicly held investments. The Market Approach uses pricing multiples (price to Net Asset Value ratios obtained from publicly held investments). Both approaches result in a value estimate that reflects a marketable investment. In the instance of a non-marketable investment, such as the Company, it is necessary to add an adjustment for lack of marketability, or Discount for Lack of Marketability. The following quote from Aswath Damodaran of the New York Stern School of Business sums up the concept behind the Discount for Lack of Marketability.

> *"You can sell any asset, no matter how illiquid it is perceived to be, if you are willing to accept a lower price for it. Consequently, we should not categorize assets into liquid and illiquid assets but allow for a continuum on liquidity."*

The purpose of the marketability discount is to recognize and quantify the effect on value attributable to the inability to convert a privately held interest into liquid funds as quickly as a publicly traded security. Revenue Ruling 77-287 recognizes the lack of marketability for an interest in a privately held business.

> Whether the shares are privately held or publicly traded affects the worth of the shares to the holder. Securities traded on a public market generally are worth more to investors than those that are not traded on a public market.[15]

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[15] Revenue Ruling 77-287.

The Company is not publicly registered and a public and secondary market does not exist for an interest in the Company. The inability to readily sell an interest in the Company increases the Company's exposure to changing market conditions and increases their risk. Because of the lack of marketability and the resulting increased risk associated with ownership of a privately held interest, an investor typically demands a higher return or yield in comparison to a similar but publicly traded interest. Consequently, the privately held interest trades at a discount or a value less than it would if it were publicly traded.

Discounts for lack of marketability reflected in studies of restricted stock have ranged from premiums of 10% to discounts of 90%. Several of the studies are discussed in the Appendix of this report. The averages noted in the studies range from approximately 20% to 45%. The size of the discounts associated with lack of marketability are generally correlated to the risk and investor would inherit in light of the inability to liquidate the interest. Factors that would cause an interest to trade at a premium or low marketability discount would include the following:

- Minimal volatility in the value of the underlying assets,
- Above average expectations for future yield,
- A proven and stabilized history of income,
- Certainty of distributions or expectation of capital appreciation,
- Limited time period on restriction of ability to sell the interest,
- Favorable outlook for future growth of the entity.

Factors that would cause an interest to trade at a discount towards the higher end of the range would include the following:

- Volatile in terms of the value of the underlying interests,
- Questionable ability to generate a return on investment,
- Small size in relation to other investments,
- Unable to generate a satisfactory level of income for distribution of earnings or to support future growth in operations.
- Investments in industries that were viewed unfavorably by the investing public.

Regarding the above, the Company would be expected to have a limited level of volatility but would have the expectation for the continued generation of income. This suggests a low to moderate discount for lack of marketability. However, unlike restricted securities that have a limited period before which they can be traded publicly, an interest in the Company would be less marketable than an interest in a comparable guideline entity due to the lack of a public market in which to trade the interest. Therefore, a hypothetical investor would not be willing to pay an equivalent price, but rather would purchase the privately held interest for something less than a comparable alternative investment that was traded in the secondary market.

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It is well recognized that as risk increases, the required return increases. Because of the increased risk of an investment in the Company in comparison to publicly traded entities due to the lack of marketability, a hypothetical investor would require an increased return. Investors purchasing illiquid investments face the following question:

> How much more of a return is required over marketable investments to compensate for the lack of marketability of this investment?

In valuing an interest in the Company, compensating the investor for increased risk can be accomplished either by increasing the required return or by the application of a discount for lack of marketability. The application of the discount for lack of marketability increases the effective return on investment to compensate the owner of the interest for the risks associated with the ownership of a nonmarketable interest. In the Company, before an adjustment for lack of marketability, the subject interest had an average return of 12.5%.[16]

To determine the size of the discount, three studies were examined that measure the increase in the return required compensating investors that hold illiquid versus liquid securities or investments with longer term risk horizons.

9.2.1 Private Equity vs. Public Equity Returns

The first study examined the increase in return required by investors in private equities versus public equities. To measure the difference, the historical 30-year arithmetic returns between private equity investments and publicly traded equity investments were analyzed.

For the publicly traded equity investments, the historical returns were measured using information published by Duff & Phelps in the 2017 SBBI Yearbook.[17] For privately held equity investments, the historical returns were measured using the Cambridge Associates LLC U.S. Venture Capital Index®.[18] This index tracks the historical performance of over 1,600 funds that invest primarily in small, minority interests in privately held entities. As reflected below, the long term return for private equity interests was 18.4% vs. 13.4% for publicly traded small stocks. Comparing the returns resulted in an increased return of 5.0%, which equated to a 37.3% increase in return as shown below.

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[16] This rate of return was calculated using the average yield from the five year and ten year forecasts from the Income Approach and the non-controlling, marketable value of $122,994 discussed in the previous section.
[17] Duff & Phelps, LLC, 2017 SBBI Yearbook, (Hoboken, NJ: Wiley & Sons, Inc., 2017), 2-13.
[18] Cambridge Associates LLC, U.S. Venture Capital Index® and Selected Benchmark Statistics, (Boston, MA: Cambridge Associates, Inc., 12/31/2016), 8.

Comparing these returns resulted in an increase in return of 5.8 percentage points, which equates to a 45.0% increase in return as shown below.

	25 Years
LT Return - Privately Held Companies	18.7%
LT Return - Publicly Traded Small Stocks	12.9%
Difference	5.8%
Incremental Return as a Percent	45.0%

For this study, it is recognized that the long term returns for privately held companies are derived from venture capital investments which may reflect other investment risks in addition to horizon risk. However, this is the closest measure available that provides comparable rate of return information that indicates the increased risk demanded by investors for longer holding periods.

9.2.2 Restricted Stock Returns

The second study examined the increase in return demanded by investors of restricted stocks as compared to the same shares of stock traded on an active exchange. Restricted stock of a public company is identical to its counterpart that is traded on a major exchange except that restricted stock cannot be openly traded for a designated period of time. Restricted stock is usually issued by a company to raise capital while avoiding the costs of registering with the Securities and Exchange Commission.

Prior to 1990, the stock of small companies could be sold by a public company without making a public offering. The securities sold in this type of transaction were subject to certain restrictions which stated that the stock could not be resold without being registered with the SEC or qualifying for a Rule 144 exemption. Originally, Rule 144 allowed the limited resale of unregistered securities after a holding period of 2 years. In 1990, the SEC implemented new regulations that allowed qualified institutional investors to trade restricted stock among themselves without filing registration documents. This new rule, called Rule 144A, effectively created a limited market for the purchase and sale of these restricted stocks and increased liquidity for restricted stocks. In 1997, the SEC reduced the Rule 144 holding period from 2 years to 1 year. This change further increased the liquidity of restricted stocks.

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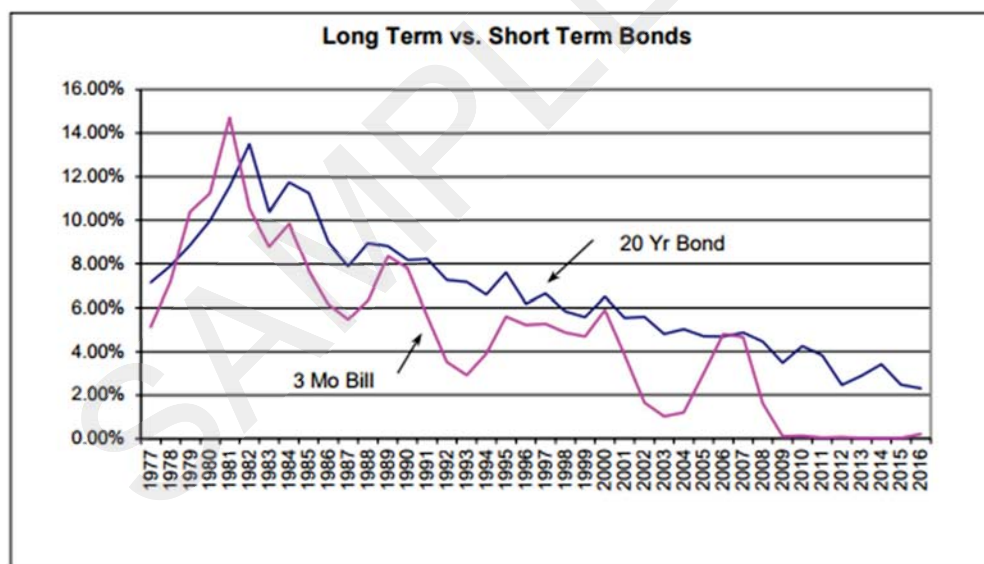
In order to measure the increase in return that investors required between publicly traded shares of stock and restricted shares of stock in the same company, the return for the restricted stock and publicly traded stock were measured by earnings per share as a percent of the market price. Based on 25 transactions using the underlying data from the Johnson Restricted Stock Study that was published in the March 1999 issue of Shannon Pratt's Business Valuation Update, the average increase between the return using the restricted stock price and the return using the publicly traded price was 29.5%.[19]

9.2.3 Long Term vs. Short Term Bond Horizons[20]

The third study examined horizon risk between short term and long term government bonds. Horizon risk was used as a proxy to measure the increased return that investors demand to compensate for the increased risk during the holding period of long term bonds as compared to short term bonds. For example, while long term bonds can be sold quickly, an investor must hold the bond to maturity to be guaranteed the return of the original investment in the event interest rates rise. Therefore, investors require a higher rate of return to compensate for the uncertainty of the longer holding period. With the exception of a few years, bond investors required an increased return over the past forty years as reflected in the following chart.



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[19] Spencer Jefferies, et. Al., Comprehensive Guide for the Valuation of Family Limited Partnerships, 4th ed., (Dallas, TX: Partnership Profiles, Inc., 2011), 127-129.
[20] Partnership Profiles, Inc., Comprehensive Guide for the Valuation of Family Limited Partnerships, 4th Edition, (Argyle, TX: Partnership Profiles, Inc., 2011), 129-131.

The average variance in income return between short term Treasury Bills and long term Treasury Bonds over forty years is shown below:

	40 Year Average
20-Year Treasury Bond	6.7%
3-Month Treasury Bill	4.7%
Difference	2.0%
Incremental Return as a Percent	42.6%

This differential represents an incremental increase in yield between short term and long term investments in risk-free securities. In other words, investors have demanded a higher rate of return (in this case, a 42.6% higher return) for the additional risk of the extended holding period.

Comparatively, an interest in a privately held security that cannot be sold in a secondary market is a riskier investment that may also need to be held for an extended period of time due to the lack of a ready market.

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9.3 Summary

The results of the 2017 Discount for Lack of Marketability Study demonstrate that, in general, an increase in the required rate of return ranges from approximately 30% to 45% to adequately compensate investors for the risk of illiquid investments:

Studies	Average Incr Return
Private Equity vs. Public Equity Returns	37.3%
Restricted Stock Transactions	29.5%
LT vs. ST Bond Horizon Risk	42.6%

Comparing these findings with the research that has been conducted since 2006 indicates a similar range of results for the average increase in the required rate of return.[21,22,23]

	Increase in Rate of Return					
Studies	2006	2011	2015	2016	2017	AVG
Private Equity vs. Public Equity Returns	34.6%	45.2%	55.7%	42.5%	37.3%	43.1%
Restricted Stock Transactions	29.5%	29.5%	29.5%	29.5%	29.5%	29.5%
LT vs. ST Bond Horizon Risk	35.5%	34.3%	43.3%	48.8%	42.6%	40.9%

Based on these three studies, it is apparent that investors demanded an approximately 30% to 45% higher rate of return for the additional risk of holding a nonmarketable investment or being exposed to increased risk over the holding period.

Due to the risk associated with an interest in the Company resulting from the lack of liquidity, an increase in the return would be required. Discounting the non-controlling, marketable value by 21.6% effectively increases an interest's return to 17.4% which was deemed reasonable in comparison to alternative investments to compensate the investor for illiquidity and the additional risks associated with ownership of the privately held interest.

Value of 1% Noncontrolling, Marketable Interest		$122,994
Discount for Lack of Marketability	21.6%	($26,567)
Value of 1% Noncontrolling, marketable Interest		$96,427

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[21] Spencer Jefferies, et. al., Comprehensive Guide for the Valuation of Family Limited Partnerships, 3rd ed., Dallas, TX Partnership Profiles, Inc., 2006), 133.
[22] 2014 Discount for Lack of Marketability Study – Partnership Profiles Report #9, (Dallas, TX: Partnership Profiles, Inc., 2016) 5.
[23] Spencer Jefferies, et. al., Comprehensive Guide for the Valuation of Family Limited Partnerships, 4th ed., 132.

10 CONCLUSION

Based upon our analysis of both the income considerations of the Company and the Price to NAV ratio of publicly held alternative investments, we determined the value of a 1% non-controlling, interest to be $96,427 as of September 30, 2017, subject to the information provided and the assumptions contained in this report.

As previously noted, the purpose of this valuation is to determine an estimate of the fair market value of a 1.00% non-controlling interest for tax and estate planning and reporting purposes. Accordingly the value of a 1.00% interest in the Company was determined to be $96,400 (rounded) as of September 30, 2017.

Value of 1% Noncontrolling, marketable Interest		$96,427
Times Percentage Interest	x	1.00
FMV of a 1.00% Interest		**$96,427**
FMV of a 1.00% Interest (Rounded)		**$96,400**

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The following table shows 100% values in the final calculation. The discount from NAV is calculated as 1-(Discounted NAV/NAV). Using this calculation, the discount from NAV for the Company was determined to be 34.3%.

Final Member Interest Value Calculation

Net Asset Value of XYZ, LLC		$14,669,844
Discount for Lack of Control (DLOC)	16.2%	$2,370,477
Market Value		$12,299,366
Discount for Lack of Marketability (DLOM)	21.6%	$2,656,663
Discounted Net Asset Value		$9,642,703
Interest in XYZ, LLC	1.00%	$96,427
	Rounded	**$96,400**
Discount from NAV		**34.3%**

11 OPINION OF FAIR MARKET VALUE OF A NON-CONTROLLING, MARKETABLE 1.00% MEMBER INTEREST

Based upon the facts and circumstances of the valuation and subject to the limitations in both conditions and scope listed in this report, my opinion of the resultant rounded fair market value of a non-controlling, marketable 1.00% interest in XYZ, LLC as of September 30, 2017 is:

$96,400

Ninety-Six Thousand Four Hundred Dollars

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Appendix A: Valuation Certification and Signature of the Analyst

Appraiser's Certification

I certify to the best of my knowledge and belief:

1. That to the best of the appraiser's knowledge, the statements of fact contained in the report are true and correct.

2. That the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is the appraiser's personal, unbiased professional analyses, opinions and conclusions.

3. The appraiser, Matthew Cassedy has no interest in the Company.

4. The appraiser's compensation is not contingent upon any action or event resulting from the analyses, opinions, or conclusions in, or the use of, the report.

5. That the appraiser's analyses, opinions, and conclusions were developed and that the report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

6. That no one provided significant professional assistance to the person signing this report.

Copies of this report must be signed below by the appraiser in blue ink in order to be authorized and complete.

Matthew B. Cassedy, MBA, CBA, CVA, CMEA, MAFF
Analytic Business Appraisers, LLC

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Appendix B: Professional Qualifications of the Appraiser

Matthew B. Cassedy, MBA, CVA, CBA, CMEA, MAFF has experience as a business appraiser and litigation support with over 10 years of valuation and financial forensic experience. He is President of Analytic Business Appraisers, LLC which is a valuation and litigation support firm that supports attorneys and their clients with fraud investigations and forensic business valuation. He has provided expert witness testimony in Maricopa County Superior Court and the U.S. Bankruptcy Court, District of Arizona. Matthew also consults for ValuSource Corporation providing technical appraisal support to their CPA and business appraisal clients and is an instructor for the National Association of Certified Valuators and Analysts (NACVA). He serves on the Board of Directors, as well as being Treasurer, for the AZ Business Brokers Association, Inc. (AZBBA). Matthew is a credentialed member of 3 of the nation's premier forensic accounting and business valuation certifying associations, the Institute of Business Appraisal (IBA), the National Association of Certified Valuators and Analysts (NACVA), as well as the NEBB Institute, where he is certified to appraise machinery and equipment. He earned his MBA from the Monterey Institute of International Studies and graduated from Chapman University with his BS in Business, with minors both in Accounting and Finance.

EXPERT WITNESS TESTIMONY:

- 1/27/2021- Teodorescu v Teodorescu, Maricopa County Superior Court
- 12/18/2019- Noriega v. Noriega, Maricopa County Superior Court
- 11/26/2018 - Higley Sterling Properties, a foreign LLC v. MCS Ventures II, PC – Maricopa County Superior Court
- 11/27/2018 – Sullivan v. Sullivan – Maricopa County Superior Court
- 10/03/2018 – Belote v. Belote – Mohave County Superior Court
- 07/08/2015 – Lowther v. Danisi – United States Bankruptcy Court for the District of Arizona
- 07/10/2015 – Militello v. Militello – Maricopa County Superior Court
- 12/23/2014 – Townsley v. Townsley – Maricopa County Superior Court

EXPERIENCE:

- **(2012 to Present) President, Analytic Business Appraisers, LLC,** www.AnalyticBusinessAppraisers.com **a Business and Machinery/Equipment Appraisal Firm located in Chandler, AZ**
  Matthew is a Master Analyst in Financial forensics (MAFF) and a Certified Valuation Analyst (CVA) with the National Association of Certified Valuators and Analysts www.nacva.org. He is also a Certified Business Appraiser (CBA) with accreditation from the Institute of Business Appraisers www.go_iba.org, a Certified Machinery and Equipment Appraiser (CMEA) certified through www.nebbinstitute.org.

  Expertise in the following areas (list not all inclusive):
    - Litigation support
    - Forensic investigations of missing funds
    - Partnership dispute valuations
    - Wholly Owned and Minority Business Valuations
    - Machinery and Equipment Appraisals
    - Estate Planning Valuations
    - IRS Gift Valuations

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- **(March 2015 to Present) Technical Consultant and Trainer, ValuSource Corporation,** www.valusource.com
    - Matthew provides technical consulting on valuation methods and procedures using the ValuSource platform. He also conducts training for appraisers interested in expanding their knowledge in the field of appraisal.
- **(2003 to 2012) President and Business Broker, Cassedy & Associates, LLC**
    - Specializing in small business Valuation and brokerage in California and Arizona
- **(2000 to 2003 part-time) Assistant Professor, Hartnell College, Salinas, CA**
    - Taught Business Management in Spanish to Spanish-only speaking students.
    - Taught a basic business plan-writing course in Spanish to Spanish-only speaking students.
    - Taught Principles of Accounting
    - Taught Advanced Placement in Small Business Management to North Monterey County High School students.
- **(1998 to 2000) Position: Special research projects in business and entrepreneurial studies, Monterey Institute of International Studies, Monterey, CA**
    - Tutored students on business plan writing as a graduate student working to complete his MBA, assisted the business department's entrepreneurial department head. This included Excel© spreadsheet modeling and PowerPoint© presentations. This position also required extensive work with outside companies writing their business plan for a new business venture or business expansion.

EDUCATION:

- **(1998 to 2000) MBA, Monterey Institute of International Studies, Monterey, CA**
    - Specialization in Entrepreneurial Studies
    - Speaks Spanish Fluently
- **(April – August 1999) Technológico de Monterrey Querétaro, Mexico**
    - Studied Spanish and Latin American Business as part of the MBA curriculum
- **(1978-1984) B.S., Business, Chapman University, Orange, CA**
    - Emphasis in Finance, Accounting and Real Estate

PROFESSIONAL CERTIFICATIONS:

- Certified Business Appraiser, CBA, The Institute of Business Appraisers
- Certified Valuation Analyst, CVA, National Association of Certified Valuators and Analysts
- Master Analyst in Financial Forensics, MAFF, National Association of Certified Valuators and Analysts
- Certified Machinery / Equipment Appraiser, CMEA, NEBB Institute

AWARDS AND ACKNOWLEDGEMENTS:

- 2019 Outstanding Member Award – National Association of Certified Valuators and Analysts
- Outstanding Service to AZBBA 2018

FEE SCHEDULE:

- Provided upon request.

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Appendix C: Studies and Court Cases

A source of information on minority interest discounts and control premia is trust and estate sales. Most of this information was derived from firsthand experience of H. Calvin Coolidge as a bank trust officer. Overall, he states that:

> *"A number of years of experience has demonstrated that it is extremely difficult to find any market for minority interests..., despite efforts to do so...On the relatively rare occasions when an offer is made to buy a minority interest, it is almost always for an amount far less than the fiduciary and the beneficiary expect to get."*[24]

He conducted two studies with the first in 1975, and the second in 1983. In his 1975 study he reviewed 30 transactions of minority interests. He found that the average transaction price was 36 percent below the book value. In his 1983 study he found discounts at an even higher amount. The average discount for the two studies combined was approximately 40 percent.

It must be noted that the 40% represents a cumulative discount for a minority interest and lack of marketability. Therefore, using trust and estate studies is only a basis for a range for the combination of both minority and marketability discounts.

Sale Price Discount Empirical Data

A number of empirical studies have quantified the actual price discounts associated with real estate undivided interest actual sale transactions.

What do these empirical studies conclude? The published studies generally indicate that fractional interests in properties that generate significant income tend to sell for a below average price discount. The published studies also generally indicate that larger fractional interests (i.e., a greater than a 50 percent ownership interest) tend to sell for a below average price discount.

Several of these published studies of real estate fractional interest empirical sale data are summarized below.

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[24] H. Calvin Coolidge, "Fixing Value of Minority Interest in Business: Actual Sales Suggest Discount as High as 70%," Estate Planning, Spring 1975, pp. 141

Harris-McCormick-Davis Study

In an article that appeared in the American Society of Appraisers publication Valuation, in December 1983, the authors described a survey of undivided fractional interest sale transactions.[25]

The real estate fractional interest sale transactions were between unrelated buyers primarily located in the Southeast. The 21 sale transactions in the survey indicated an average price discount of 32.05 percent, with a standard deviation price discount of 8.29 percent.

The sale transaction price adjustments range from a price premium of 5.56 percent to a price discount of 86.95 percent. Both of these two extreme fractional interest sale transactions were considered to be "unusual circumstances" and were discarded from the analysis by the authors.

Healy Study

Martin J. Healy Jr. prepared a study of undivided fractional interest sale transactions that was published in The Appraisal Journal in July 1988.[26]

The Healy study involved "nearly 100" fractional interest sale transactions, all "primarily in the vicinity of Portland, Oregon." Healy found numerous non-arm's-length motives for a number of the undivided interest sale transactions. Therefore, Healy rejected some of the sale data as not being characteristic of arm's-length market sale transactions.

Of the real estate fractional interest sale transactions that were retained in the relevant sample, the average price discount was 23.5 percent; and, the range of price discounts was between 3 percent and 52 percent.

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Peter Patchin Study

Peter J. Patchin, CRE, MAI, authored a study of real estate undivided fractional interest sales that was published in Real Estate Issues, Fall/Winter 1988 edition.[27]

Patchin collected fractional interest sale transactions from real estate appraisers' records for properties located in Minnesota, Texas, California, and other states in the Southwest.

The total number of fractional interest sale transactions in the Patchin study was 54, with some 29 of these sale transactions being apartment limited partnership interests. The average price discount associated with this study of fractional interest sales was 36.8 percent. The range of price discounts of fractional interest sales was between zero percent and 82.4 percent.

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[25] Don L. Harris, Philip A. McCormick, and W.D. Davis Sr., "The Valuation of Partial Interests in Real Estate," ASA Valuation, December 1983.
[26] Martin J. Healy Jr., "Valuation of Partial Interests," The Appraisal Journal, July 1988.
[27] Peter J. Patchin, "Market Discounts for Undivided Minority Interests in Real Estate," Real Estate Issues, Fall/Winter 1988.

Peterson-Hansen-Klafter Study

In a private study for a client, real estate appraiser William D. Peterson, MAI, SRPA, of Tucson, Arizona, prepared an analysis of arm's-length sale transactions in undivided interests in real estate. The fractional interest sale transactions occurred in the Tucson area from 1980 through 1986. Peterson also included data from a study provided by John T. Hansen, MAI, and Mark H. Klafter, MAI, based on sale transactions in the same area through 1983.

The number of real estate fractional interest sale transactions included in the Peterson study totaled 13, and the average price discount indicated by these transactional data was approximately 50 percent. The range of the sale price discounts was from 23.4 percent to 83.45 percent.

It should be noted that the Tucson, Arizona, real estate market was experiencing an unstable real estate investment climate during the analysis time period.

FMV Opinions Study

The FMV Opinions study included real estate undivided interest sale transactions that occurred over a 20-year period. The FMV Opinions study included 30 such undivided interest sale transactions. The study concluded a mean price discount of 34.8 percent and a median price discount of 32.5 percent.[28]

Humphrey Study

Walter and Bruce Humphrey, two real estate appraisers in Northwest Florida, conducted a study of some 24 real estate fractional interest sale transactions.[29] Based on these undivided interest sale transactions, the overall price discounts ranged from zero percent to 67 percent.

The Humphreys did not develop a central tendency price discount from the study data. However, the Humphreys suggested a formula for quantifying a fractional interest price discount. And, the Humphreys suggested that 50 percent was the threshold price discount for undivided interests. In the Humphrey study, undivided fractional interests included a significant number of undeveloped land sales and farm land transactions.

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[28] Lance Hall, "Should the IRS Surrender Cost-to-Partition Discounts for Undivided Interests?", Valuation Strategies, January/February 1998.

[29] Walter H. Humphrey and Bruce B. Humphrey, "Unsyndicated Partial Interest Discounting," The Appraisal Journal, July 1997.

Eckhoff Accountancy Corporation Study

This accounting firm study, led by firm partner Ted Israel, analyzed 61 real estate fractional interest sale transactions for its database of undivided interests.[30]

The fractional interest properties were located in seven states and included:

1. undeveloped land,
2. agricultural properties, and
3. commercial and multifamily residential rental properties.

In the Eckhoff Accountancy Corporation study, the average price discount was 37 percent, and the median price discount was 38 percent.

Willamette Management Associates Studies

Willamette Management Associates (WMA) prepared a number of fractional interest price discount studies in various parts of the country. These studies were conducted both independently and in conjunction with local real estate appraisers.

In one study, WMA reviewed all real estate transfer tax records for two counties in the state of Washington for a one-year period during 1985–86. Of a total of approximately 23,000 real estate transactions, only 50 (0.22 percent, or one in every 460 transactions) were undivided interest sale transactions.

WMA analysts then interviewed the parties to each of these sale transactions in order to determine the arm's-length nature of the sale transactions.

Of the 50 real estate fractional interest sales, only nine sale transactions were at arm's length. The average price discount associated with this group of sale transactions was approximately 15 percent, with a range of a 16 percent price premium to a 55 percent price discount.

The WMA comparison was based on using the total real estate property tax assessment value, which typically lags the actual sale price of properties by approximately 10 percent, due to the typical one-year or longer lag in property tax assessment updates in this area.

Therefore, the total indicated price discount adjustment implied in the WMA study is on the order of 25 percent. This price discount conclusion is consistent with other WMA studies that concluded average price discounts equal to and greater than 25 percent. In summary, the empirical evidence from all of these empirical studies supports the principle of a price discount adjustment to the prorata fee simple market value of the real estate undivided interests.

The central tendency of the price discounts concluded in these various studies falls within a range of between 15 and 35 percent.

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[30] Ted Israel, "Discounts on Undivided Interests in Real Estate," Valuation Strategies, May/June 2003.

Selected Judicial Precedent Involving Fractional Interest Price Adjustments

The courts have considered a variety of quantitative and qualitative considerations in the judicial determination of the value of real estate undivided ownership interests. Some of these judicial considerations include the following:

- the appropriateness of the fee simple interest real estate appraisals, the selected real estate valuation approaches and methods, the selected capitalization rates, and so forth
- the sales of comparable real estate undivided fractional interests
- the number of co-owners of the subject real estate
- the amount of time required to realize income from the subject real estate or to achieve a rate of return on the subject property investment
- the time and the cost to partition the subject real estate
- the lack of management of the subject real estate
- the lack of liquidity of the subject real estate fractional interest

No single real estate fractional interest valuation method is universally accepted by the courts. In addition, the level of the valuation price adjustments allowed by the courts has varied on a case-by-case basis.

Some courts have cited the relative lack of control and lack of marketability of a real estate undivided interest when compared with a real estate fee simple ownership. Other courts have focused solely on the out-of-pocket expenses associated with a partition legal action.

The following discussion summarizes several court cases that involve the valuation of a real estate fractional interest.

1. Estate of Forbes v. Commissioner.[31] The real estate undivided interests at issue included (1) a 42 percent undivided interest in 3,321 acres and (2) a 42.9 percent undivided interest in 2,033 acres. The taxpayer applied a 30 percent fractional interest price discount.

   The Internal Revenue Service (the "Service") applied an 18 percent fractional interest price discount. The court accepted the taxpayer expert's recommendation for a 30 percent price discount.

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[31] Estate of Forbes v. Commissioner, T.C. Memo 2001-72 (Mar. 23, 2001).

2. Estate of Williams v. Commissioner.[32]

   The decedent owned a 50 percent undivided interest in Florida timberland. The court accepted the taxpayer's 44 percent total price discount from the appraised fee simple interest market value.

   The 44 percent price discount was based on a lack of control discount of 30 percent and a lack of marketability discount of 20 percent, with the two valuation discounts applied in succession.

   This judicial decision ignored the position often taken by the Service that any discount from the appraised fee simple interest market value should be limited to the estimated cost of a partition legal action.

   The court considered the potential $413,000 in property partition costs and real estate commissions of 10 percent that would be incurred upon the partition and/or sale of the property in its determination of the discount for lack of control.

   The court viewed the lack of comparable undivided interest sale transactions as in indication of the lack of marketability of the subject interest.

   The Service expert testified that a business appraiser was not qualified to value the subject undivided fractional interests.

   The court disagreed with the Service expert, stating that the taxpayer expert "was an experienced business appraiser who has given expert opinions in valuing fractional interests in partnerships, businesses and real property."

3. Estate of Barge v. Commissioner.[33]

   The taxpayer requested that the court apply a price discount of 50 percent to the appraised fee simple value of the property in order to calculate the real estate undivided interest value. In its decision, the court used a cost to partition analysis to calculate the undivided interest value.

   The court-determined value resulted in an effective undivided interest price discount of 26 percent from the appraised fee simple interest market value.

4. Shepard v. Commissioner.[34]

   The taxpayer presented three real estate appraisers to support the taxpayer's valuation of the leased timberland. Two of the appraisers applied price discounts for undivided interests of 27 percent and 15 percent, respectively.

   The Service presented one appraiser who appraised the value of the land in fee simple interest with no price discount for lack of control or for lack of marketability.

   The court ultimately concluded that the appropriate price discount for the undivided interest was 15 percent.

SAMPLE

[32] Estate of Williams v. Commissioner, T.C. Memo 1998-59 (Feb. 12, 1998).
[33] Estate of Barge v. Commissioner, T.C. Memo 1997-188 (Apr. 23, 1997).
[34] Shepherd v. Commissioner, 115 T.C. 376 (2000).

The Service expert concluded that the price discount should be limited to the estimated cost to partition. The court rejected the opinion of the Service expert as "failing to give adequate weight to other reasons for discounting a fractional interest in the leased land, such as lack of control in managing and disposing of the property."

5. Estate of Della Walker van Loben Sels v. Commissioner,[35] allowed a 60 percent fractional interest price discount for an undivided (tenancy in common) interest in 11 tracts of timberland.

   The undivided interests ranged in ownership interest from 2.48134975 percent to 25.82349 percent.

6. Estate of George W. Youle v. Commissioner,[36] allowed a 12.59 percent fractional interest discount for a 50 percent undivided tenancy in common interest in 254 acres of farmland where no comparable sale transactions were introduced by the estate's expert.

7. Estate of Wildman v. Commissioner.[37]
   This decision allowed a total 40 percent valuation adjustment for the decedent's 20 percent undivided tenant in common interest in 1,212.4 acres of farmland. The 40 percent price discount consisted of (1) a 15 percent discount for minority interest, plus (2) an additional 10 percent discount to reflect (a) the lack of ownership of the irrigation facilities and (b) the fact that the interest is not comprised of contiguous portions of land, plus (3) an additional 15 percent lack of marketability discount.

   The additional 15 percent discount was taken because (1) the restrictions in the agreement on the decedent's sale or transfer of her interest created an impediment that a hypothetical buyer would consider and would require some adjustment to the seller's offering price, and (2) the terms of the agreement could generate controversy and litigation, i.e., a partition action.

8. Samuel J. LeFrak v. Commissioner.[38] Samuel L. LeFrak ("LeFrak") and his wife resided in Woodmere, New York. Mr. LeFrak was a builder, developer, and manager of rental real estate in New York City, and held interests in over 200 parcels of real property during 1976. The buildings were held in corporate, partnership, and sole proprietorship form, and were operated through the LeFrak Organization, which Mr. LeFrak directed and controlled.

   Toward the end of 1976, because LeFrak was aging and because real estate values in New York City were low due to poor economic conditions, petitioner decided to make gifts to his children.

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[35] Estate of Della Walker van Loben Sels v Commissioner, T.C. Memo 1986-501 (Oct. 2, 1986).
[36] Estate of George W. Youle v. Commissioner, T.C. Memo 1989-138 (Mar. 30, 1989).
[37] Estate of Wildman v. Commissioner, T.C. Memo 1989-667 (Dec. 21, 1989).
[38] Samuel J. LeFrak v. Commissioner, T.C. Memo 1993-526 (Nov. 16, 1993).

On December 30, 1976, for the purpose of making gifts, LeFrak conveyed interests in 22 buildings, consisting of 20 apartment buildings and two office buildings located in the boroughs of Queens and Brooklyn (hereinafter sometimes referred to as "the buildings"), to his children individually or to trusts created for their benefit. The apartment buildings were subject to the New York City rent stabilization laws, while the office buildings were not.

Prior to the conveyances, 20 of the buildings were held by petitioner individually and operated as sole proprietorships, and 2 were held by partnerships in which petitioner held a 96 percent interest and his children (or trusts for their benefit) held the remaining 4 percent.

On December 30, 1976, LeFrak formed 20 partnerships with his children or their trustees. Each of the partnerships was to own and operate one of the 20 buildings which were formerly held by him individually as sole proprietorships.

Each of the buildings was conveyed to LeFrak and the donees as tenants in common, doing business as the particular partnership formed to hold the respective building conveyed. The deeds were recorded on December 30, 1976.

A Business Certificate for Partners for each partnership was filed with the County Clerk of Queens County on December 30, 1976. LeFrak conveyed to each donee a 7.5-percent interest in each of the buildings, subject to the outstanding mortgages.

The conveyances of the buildings were made to Richard LeFrak individually, and to trusts for the benefit of each of petitioner's daughters, of which petitioners and another individual were the trustees.

Accordingly, after the conveyances, petitioner owned a 70 percent interest while the donees together owned the remaining 30 percent.

The Service determined deficiencies in federal gift tax against LeFrak and his wife for the taxable quarter ended December 31, 1976, in the amount of $342,658. The Service increased the deficiencies determined in the notice of deficiency by $73,229 for each petitioner.

The issues presented for decision in the case are as follows:

a. whether the interests transferred to several donees by petitioner Samuel J. LeFrak were interests in partnerships or in real property;
b. the value of the buildings in which interests were transferred; and
c. whether petitioners are entitled to a discount for minority interest and lack of marketability in valuing the transferred interests.

However, there was a dispute about the type of interest petitioner actually gave to the donees. LeFrak contends, and the Service respondent ("respondent") determined in the statutory notice of deficiency, that petitioner transferred partnership interests to the donees.

After the pleadings were filed, however, the Service respondent amended the answer to assert that LeFrak actually transferred fractional interests in the real estate, rather than partnership interests.

Respondent's contention is based on the fact that the deeds conveying the buildings named petitioner and the donees as grantees and that they held the buildings as tenants in common.

SAMPLE

Respondent also argues that LeFrak's treatment of each of the transactions for financial, accounting, and tax purposes was consistent with a transfer of real estate, not partnership interests. Respondent contends that the buildings were conveyed to the partnerships subsequent to the gifts in issue, arguing that LeFrak was the sole owner of 20 of the buildings when he made the gifts.

The end decision ultimately allowed a 30 percent combined minority interest and lack of marketability discount for the subject undivided real estate interests.

9. Estate of Alto B. Cervin v. Commissioner.[39] This decision allowed a 20 percent fractional interest price discount for:
   a. an undivided 50 percent interest in 657.3+/- acres of farmland and
   b. an undivided 50 percent interest in a homestead.

10. Estate of Eileen K. Brocato v. Commissioner.[40] Eileen K. Brocato (the "decedent") died on April 12, 1993. At the time of her death, she resided in San Anselmo, California. The decedent was predeceased by her husband, Mr. John Brocato.

    Under the terms of Mr. Brocato's will, his estate passed into a testamentary trust for the benefit of the decedent until her death. Upon the decedent's death, the remainder of Mr. Brocato's estate was distributed predominantly to his sisters, Nina Cimarelli and Anne Ghiselli.

    Decedent's estate passed under the decedent's trust (the "Eileen K. Brocato Living Trust"). Under the terms of the decedent's trust, the decedent's grandchildren and the children of Nina Cimarelli and Anne Ghiselli received outright monetary gifts.

    The remainder was distributed as follows: one-third in trust for the benefit of Anne Ghiselli, one-third in trust for the benefit of decedent's son Thomas Brocato, one-sixth in trust for the benefit of Nina Cimarelli and one-sixth in trust for the benefit of her husband Alfred Cimarelli.

    At the time of death, the decedent's trust included eight apartment buildings and one duplex. The combined FMV before
    discount was $10,432,000. The properties were appraised by David P. Rhoades & Associates, Inc. ("Rhoades").

    On June 26, 1995, a Service engineer issued a review report concluding that the values before counts determined by Rhoades were acceptable, but the amounts of the discounts were unacceptable. The Service determined a deficiency of $1,373,797 in estate tax.

    The court eventually allowed a 20 percent fractional interest discount, but also had to resolve the proper amount of blockage discount to apply to the Brocato properties.

SAMPLE

[39] Estate of Alto B. Cervin v. Commissioner, T.C. Memo 1994-550 (Oct. 31, 1994).
[40] Estate of Eileen K. Brocato v. Commissioner, T.C. Memo 1999-424 (Dec. 29, 1999).

11. Estate of Eileen K. Stevens v. Commissioner.[41] The court allowed a 25 percent fractional interest price discount for an undivided 50 percent interest in commercial real estate subject to a lease. Specifically, the court determined that:
    a. the fair market value of the Kmart property was $5,300,000 and
    b. the decedent's 50 percent undivided interest had a value of $1,987,500 after a 25 percent lack of marketability discount.

    The 50 percent undivided interest in the Walgreens property had a fair market value of $1,335,000 before a 25 percent price discount, resulting in a tax return value of $1,001,250.

    Finally, the 50 percent undivided interest in the Wells Fargo property had a fair market value of $493,975 before a 25 percent price discount, resulting in a tax return value of $370,481.

12. Estate of John L. Baird & Estate of Sarah W. Baird v. Commissioner.[42] John L. Baird ("John") and Sarah-W. Baird ("Sarah") were husband and wife.

    At the time of their deaths on December 18, 1994, and November 2, 1995, John and Sarah held a 21.54 percent and 26.15 percent interests respectively in a family trust (created in 1977).

    The trust owned 16 noncontiguous tracts of Louisiana timberland. The trust was intended to keep the 16 parcels held by family members in undivided ownership.

    The trust provided for the sale of an interest, but only with the written consent of all of the beneficiaries. The 16 parcels ranged in size from 2 acres to 320 acres, and most of it was best suited as timberland. Approximately 140 of the 2,957 acres had some potential for residential development. Less than one-half of an acre had residential development as its highest and best use.

    John's estate reported the fair market value of his one-half community property interest in the 21.54 percent interest in the trust at $707,972, after applying a 25 percent fractional interest price discount.

    In an amended estate tax return, a refund was claimed on the basis of an increased fractional interest discount of 50 percent.

    After applying the 50 percent fractional interest price discount, the reported fair market value was $550,378 instead of
    $707,972.

    John's estate increased the price adjustment to 50 percent in response to the 50 percent used by
    Sarah's estate in determining the fractional interest value.

    The Service valuation expert (who was specifically found not to be qualified to assist the court) determined the date of death fair market value of John's 21.54 percent interest to be $975,091 and Sarah's 26.25 percent interest to be $1,290,211.

SAMPLE

[41] Estate of Eileen K. Stevens v. Commissioner, T.C. Memo 2000-53 (Feb. 18, 2000).
[42] Estate of John L. Baird & Estate of Sarah W. Baird v. Commissioner, T.C. Memo 2001-258 (Sept. 28, 2001).

The parties agreed that the fair market value of the 16 parcels of timberland, before price adjustments, on John's date of death was $4,685,333 and on Sarah's date of death was $5,091,285.

The court allowed a 60 percent fractional interest price adjustment for John's 21.54 percent and Sarah's 26.15 percent fractional interests.

In arriving at this fractional interest price adjustment, the court agreed with the taxpayer experts that 55 percent was the mean or average amount by which fractional interests in Louisiana timberland were discounted.

The court further discounted the interests an additional 5 percent to reflect:

a. the poor management of the subject property and
b. disagreements among the remaining family members.

13. Estate of Pearl I. Amlie v. Commissioner.[43] A 15 percent fractional interest price discount was applied by the court to the taxpayer's 7/12ths and 50 percent interest in two parcels of farmland.

14. Campanari v. Commissioner.[44] At her death, the decedent owned undivided 113 interests in 5 parcels of real property in New York City.

    The taxpayer claimed the following valuation discounts: 12 percent for lack of control and 12 percent for lack of marketability.

    In the court's decision, both the lack of control associated with a fractional property interest and the lack of marketability of a fractional property interest are mentioned.

    However, these two valuation adjustments are not differentiated in the court's allowed overall price discount.

15. Fawcett v. Commissioner.[45] The subject interest was a 50 percent undivided interest in a ranch. The court agreed with a "reduction to reflect the undivided nature of the decedent's interest."

    However, the court combined the total price discount in with a number of other factors. This decision recognized the appearance of control despite the fact that the valuation subject was a fractional ownership interest.

SAMPLE

[43] Estate of Pearl I. Amlie v. Commissioner, T.C. Memo 2006-16 (Apr. 17, 2006).
[44] Campanari v. Commissioner, 5 T.C. 448 (1945).
[45] Fawcett v. Commissioner, 64 T.C. 889 (1975).

16. Gunn v. Commissioner.[46] The subject interest was two 50 percent undivided interests in an apartment building owned by four people (two married couples). Upon the couple's divorce, the family law court awarded the husband and wife a 25 percent undivided interest each. The property could not be partitioned, and a sale of the property was ordered by the court. The court concluded that a price discount was not applicable.

17. Mooneyham v. Commissioner.[47] The subject interest was a gift of a 50 percent undivided interest in real property. The taxpayer claimed a price discount of 15 percent. The taxpayer did not make a distinction between the minority ownership position, the lack of marketability of a fractional interest, or the costs of partition, although all these factors are mentioned as being present.

    The court strongly criticized both the attorneys and the experts for presenting very poor substantiation of their arguments for price discounts.

18. Pillsbury v. Commissioner.[48] The decedent owned (1) a 77 percent undivided interest in one parcel of real property and (2) a 50 percent undivided interest in another parcel of real property. The taxpayer claimed a price discount of 15 percent on each parcel.

    Both the lack of control associated with a minority interest and the lack of marketability of a fractional interest are mentioned in the total judicial decision.

    However, these two valuation adjustments are not differentiated in the total price discount that was allowed by the court. The court refused to allow a price discount higher than the claimed discount of 15 percent.

19. Van Loben Sels v. Commissioner.[49] The decedent owned undivided interests in California in:
    a. certain real property and
    b. land, timber, and mineral rights.

    The taxpayer claimed a price discount of 60 percent. The court concluded that a minority interest discount is applicable to an undivided interest in real property just as in a closely held business. The court settled on a 60 percent discount for lack of control, but admitted to heavy emphasis on the lack of marketability of the undivided interests.

    The court provided a list of the "disabilities" of an undivided ownership interest:
    a. the number of other co-owners
    b. the time required to realize income from the land (use) and the return on the investment
    c. the time and cost to partition, and
    d. any prior sales of the subject undivided interest (and the estimated price discount on such sales).

SAMPLE

[46] Gunn v. Commissioner, 49 T.C. 38 (1967).
[47] Mooneyham v. Commissioner, T.C. Memo 1991-178 (Apr. 17, 1991).
[48] Pillsbury v. Commissioner, T.C. Memo 1992-425 (July 27, 1992).
[49] Estate of Della Walker van Loben Sels v. Commissioner, T.C. Memo 1986-501 (Oct. 2, 1986).

20. Whitehead v. Commissioner.[50] The subject interest was a 50 percent undivided interest in a ranch. The taxpayer claimed a price discount of 14 percent.

    The judicial decision commented on the following factors:

    a. The lack of access to the subject property (i.e., the lack of a road)
    b. the effect of the impairment due to an undivided interest

    The weight given to these two factors in the allowed price discount was not explained in the judicial decision.

SAMPLE

[50] Whitehead v. Commissioner, T.C. Memo 1974-53 (Mar. 5, 1974).