90 PERCENT LIMITED PARTNERSHIP INTEREST
IN
SANDALS ENTERPRISES, LP

VALUATION REPORT

SEPTEMBER 19, 2020

June 7, 2021

Brown & Brown, LLC
123 Village Square
City, SC 29123
Attn: Harvey Brown, Esq.

Re: Valuation of a 90 percent limited partnership interest in Sandals Enterprises, LP

Dear Mr. Brown:

We have performed a valuation engagement, as that term is defined in the *Statement on Standards for Valuation Services* ("SSVS") of the Association of International Certified Professional Accountants of a 90 percent limited partnership interest in Sandals Enterprises, LP as of September 19, 2020. This valuation was performed solely to be used for estate tax purposes; the resulting conclusion of value should not be used for any other purpose or by any other party for any purpose. This valuation engagement was conducted in accordance with the SSVS, as well as *Uniform Standards of Professional Appraisal Practice* promulgated by The Appraisal Foundation and the *Business Valuation Standards* of the American Society of Appraisers. The estimate of value that results from a valuation engagement is expressed as a conclusion of value.

Based on our analysis, as described in this valuation report, which must be signed in blue ink by the valuation analyst to be authentic, the conclusion of value of a 90 percent limited partnership interest in Sandals Enterprises, LP as of September 19, 2020 is:

FOUR MILLION, TWO HUNDRED TWENTY-THREE THOUSAND DOLLARS
($4,223,000)

This conclusion is subject to the Statement of Assumptions and Limiting Conditions found in Appendix 2 and to the Valuation Analyst's Representation found in Appendix 3. We have no obligation to update this report or our conclusion of value for information that comes to our attention after the date of this report.

Respectfully submitted,

TRUGMAN VALUATION ASSOCIATES, INC.

Gary R. Trugman
CPA/ABV, FASA, MVS

GRT/bjj
Attachments

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INTRODUCTION

DESCRIPTION OF THE ASSIGNMENT

Trugman Valuation Associates, Inc. ("TVA") was retained by Harvey Brown, Esq. on behalf of Brown & Brown, LLC ("The Client" and "The Intended User")[1] to perform a business valuation of a 90 percent limited partnership interest in Sandals Enterprises, LP ("Sandals" or "The LP") as of September 19, 2020, the date of death of Carol H. Jones.

The purpose of this valuation is to determine the fair market value of the interest to be used for reporting values for estate tax purposes. The scope of work for this valuation was not limited in any way and all relevant data and methodologies have been considered and presented in this report. This assignment meets all of the requirements under *Statement on Standards for Valuation Services* promulgated by the American Institute of Certified Public Accountants, as well as the USPAP promulgated by The Appraisal Foundation and the *business valuation standards* of the American Society of Appraisers.

DEFINITION OF FAIR MARKET VALUE

Section 20.2031(b) of the Federal Estate and Gift Tax Regulations defines fair market value as:

> ...the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

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[1] The *Uniform Standards of Professional Appraisal Practice* ("USPAP") requires the identity of "The Client" and "The Intended User" to be disclosed.

This definition of fair market value is the most widely used in valuation practice. Also implied in this definition is that the value is to be stated in cash or cash equivalents and that the property would have been exposed on the open market for a long enough period of time to allow market forces to interact to establish the value.

VALUATION METHODOLOGIES

There are two fundamental bases on which a company may be valued:

1. As a going concern and
2. As if in liquidation.

The value of a company is deemed to be the higher of the two values determined under a going concern or a liquidation premise. This approach is consistent with the valuation concept of highest and best use, which requires a valuation analyst to consider the optimal use of the assets being valued under current market conditions. If a business will command a higher price as a going concern then it should be valued as such. Conversely, if a business will command a higher price if it is liquidated, then it should be valued as if in orderly liquidation. Also considered are the rights of the interest being valued. This valuation will be performed on a going concern basis.

GOING CONCERN VALUATION

Going concern value assumes that the company will continue in business and looks to the enterprise's earnings power and cash generation capabilities as indicators of its fair market value. There are many acceptable methods used in business valuation today. The foundation for business valuation arises from what has been used in valuing real estate for many years. The three basic approaches that must be considered by the valuation analyst are:

1. The Market Approach,
2. The Asset-Based Approach and
3. The Income Approach.

Within each of these approaches there are many acceptable valuation methods available for use by the valuation analyst. Valuation standards suggest that a valuation analyst test as many methods as may be applicable to the facts and circumstances of the property being valued. It is then up to the valuation analyst's informed judgment as to how these values will be reconciled in deriving a final estimate of value.

THE MARKET APPROACH

The market approach is fundamental to valuation as fair market value is determined by the market. Under this approach, the valuation analyst attempts to find guideline companies traded on a public stock exchange, in the same or a similar industry as the valuation subject, that provides the valuation analyst with the ability to make a comparison between the pricing multiples that the public company trades at and the multiple that is deemed appropriate for the valuation subject.

Another common variation of this approach is to locate entire companies that have been bought and sold in the marketplace, publicly-traded or closely-held, that provide the valuation analyst with the ability to determine the multiples that resulted from the transaction. These multiples can then be applied to the valuation subject, with or without adjustment, depending on the circumstances.

THE ASSET-BASED APPROACH

The asset-based approach, sometimes referred to as the cost approach, is an asset-oriented approach rather than a market-oriented approach. Each component of a business is valued separately and summed up to derive the total value of the enterprise.

The valuation analyst estimates value, using this approach, by estimating the cost of duplicating or replacing the individual elements of the business property being valued, item by item, asset by asset.

The tangible assets of the business are valued using this approach, although it cannot be used alone as many businesses have intangible value as well, to which this approach cannot easily be applied.

THE INCOME APPROACH

The income approach, sometimes referred to as the investment value approach, is an income-oriented approach rather than an asset or market-oriented approach. This approach assumes that an investor could invest in a property with similar investment characteristics, although not necessarily the same business.

The computations using the income approach generally determine that the value of the business is equal to the present value of the future benefit stream to the owners. This is accomplished by either capitalizing a single-period income stream or by discounting a series of income streams based on a multi-period forecast.

Since estimating the future income of a business is at times considered to be speculative, historic data is used as a starting point in several of the acceptable methods under the premise that history will repeat itself. The future cannot be ignored, however, since valuation is a prophecy of the future.

REVENUE RULING 59-60 - VALUATION OF CLOSELY-HELD STOCKS

Among other factors, the valuation analyst considered all elements listed in Internal Revenue Service ("IRS") Ruling 59-60 which provides guidelines for the valuation of closely-held stocks. Revenue Ruling 59-60 states that all relevant factors should be taken into consideration, including the following:

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 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 the stock and the size of the block of stock to be valued.
8. The market price of stocks 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.

Revenue Ruling 65-192 expanded the applicability of Revenue Ruling 59-60 by stating:

> The general approach, methods and factors outlined in Revenue Ruling 59-60, C.B. 1959-1, 237, for use in valuing closely-held corporate stocks for estate and gift tax purposes are equally applicable to valuations thereof for income and other tax purposes and also in determinations of the fair market values of business interests of any type and of intangible assets for all tax purposes.

Furthermore, the applicability of Revenue Ruling 59-60 has been considered equally applicable to noncorporate entities. Since determining the fair market value of a business interest is the question at issue, one must understand the circumstances of the particular business. There is no set formula to the approach to be used that will be applicable to the different valuation issues that arise. Often, a valuation analyst will find wide differences of opinion as to the fair market value of a particular business or business interest. In resolving such differences, one should recognize that valuation is not an exact science. Revenue Ruling 59-60 states that "a sound valuation will be based on all relevant facts, but the elements of common sense, informed judgment and reasonableness must enter into the process of weighing those facts and determining their aggregate significance."

The fair market value of specific equity interests in an unlisted business will vary as general economic conditions change. Uncertainty as to the stability or continuity of the future income from the business decreases its value by increasing the risk of loss in the future. The valuation of equity interests in a company with uncertain future prospects is a highly speculative procedure. Judgment is related to all of the factors affecting its value.

There is no single formula acceptable for determining the fair market value of a closely-held business and therefore, the valuation analyst must look to all relevant factors in order to establish the business' fair market value as of a given date.

In Section 5 of Revenue Ruling 59-60, it states:

> The valuation of closely held corporate stock entails the consideration of all relevant factors as stated in section 4. Depending upon the circumstances in each case, certain factors may carry more weight than others because of the nature of the company's business. To illustrate:
>
> (a) Earnings may be the most important criterion of value in some cases whereas asset value will receive primary consideration in others. In general, the appraiser will accord primary consideration to earnings when valuing stocks of companies which sell products or services to the public; conversely, in the investment or holding type of company, the appraiser may accord the greatest weight to the assets underlying the security to be valued.
>
> (b) The value of the stock of a closely held investment or real estate holding company, whether or not family owned, is closely related to the value of the assets underlying the stock. For companies of this type the appraiser should determine the fair market values of the assets of the company. Operating expenses of such a company and the cost of liquidating it, if any, merit consideration when appraising the relative values of the stock and the underlying assets. The market values of the underlying assets give due weight to potential earnings and dividends of the particular items of property underlying the stock, capitalized at rates deemed proper by the investing public at the date of appraisal. A current appraisal by the investing public should be superior to the retrospective opinion of an individual. For these reasons, adjusted net worth should be accorded greater weight in valuing the stock of a closely held investment or real estate holding company, whether or not family owned, than any of the other customary yardsticks of appraisal, such as earnings and dividend paying capacity.

THE NATURE OF THE BUSINESS AND THE HISTORY OF THE ENTERPRISE FROM ITS INCEPTION

Sandals was formed on May 6, 2008 as a Georgia Limited Partnership under the Georgia Revised Uniform Limited Partnership Act. The LP is an asset holding company and its primary assets include a 24.75 percent interest in Moon Investment Partners, LP ("Moon Investment Partners" or "MIP") and a commercial retail property located at 123 Some Blvd. in Some City, South Carolina. The property is occupied by a tenant, which has been the tenant since July 19, 2000.

On August 12, 2008, the partners of Sandals entered into an Agreement of Limited Partnership ("The Sandals Agreement"). Pertinent sections of The Sandals Agreement are discussed in the following pages.

TERM OF THE PARTNERSHIP

The Term of The LP began with the filing of the Certificate of Limited Partnership and will continue until December 31, 2058. The LP may continue beyond that date by unanimous consent of all of the partners.

MANAGEMENT

The general partner is responsible for the exclusive management, operation and control of all of the business affairs of The LP. According to Article VII, Section E of The Sandals Agreement, the General Partner has the power to perform the following:

1. to sell, exchange, assign, convey, lease and/or transfer legal and equitable title to the Partnership Property on terms and conditions deemed reasonable by the General Partner;

2. to acquire, utilize for Partnership Purposes, and operate, improve, and develop any Partnership Property;

3. to retain, without liability, any property in the form in which received without regard to its productivity or the proportion that any one asset or class of assets may bear to the whole;

4. to register or take title to Partnership assets in the name of the Partnership or as Trustee, with or without disclosing the identity of a principal, or to permit the registration of securities in 'street name' under a custodial arrangement with an established securities brokerage firm, trust department, or other custodian;

5. to borrow money, finance, refinance, or otherwise incur obligations for the account of the Partnership and to pledge, mortgage, and grant security interests in the Property or any part of it;

6. to carry out the Partnership Purposes through corporations, limited liability companies, trusts, or other partnerships or entities;

7. to compromise claims against the Partnership;

8. to make an election under any tax law in the manner the General Partner deems advisable, the election or failure to elect of which shall not result in a loss of standing to maintain a cause of action against the General Partner;

9. to execute and/or accept any instrument, conveyance, or agreement incident to the Partnership's business or Property without the joinder, ratification, or consent of the Partners;

10. to pay all reasonable Partnership debts, obligations, and expenses;

11. to perform the Partnership's obligations, and to exercise all of the Partnership's rights, under any agreement to which the Partnership or any Partnership nominee is a party;

12. to lend funds to or borrow funds from any Partner on terms and conditions deemed reasonable by the General Partner;

13. to advance any monies to the Partnership required for the business of the Partnership, but with no obligation to do so;

14. to acquire and determine the amounts of insurance coverages required by the Partnership Purposes, Property, and/or business;

15. to enter into contracts and business undertakings to further the Partnership Purposes;

16. to open and maintain bank and investment accounts and arrangements, drawing checks and other orders for the payment of

money, and designating individuals with authority to sign or give instructions with respect to those accounts and arrangements;

17. to maintain the Partnership Property in good order;

18. to collect sums due the Partnership;

19. to invest and reinvest Property to accomplish Partnership Purposes;

20. to make distributions of Distributable Cash subject to other provisions of this Agreement; and

21. to execute and file certificates or instruments required or permitted by the Act and any other laws of the State of Georgia or any other jurisdiction where the Partnership does business.

According to Article VII, Section F, the following actions require unanimous consent of all of the partners (both general and limited):

1. to incur total Partnership indebtedness in excess of one hundred percent (100%) of the fair market value of all the Partnership Property;

2. prior to the actual dissolution of the Partnership, sell substantially all the Property in liquidation or cessation of business;

3. to compromise any claim or dispute having an amount or value in issue in excess of ten percent (10%) of the total net value of the Property;

4. to confess a judgment against the Partnership;

5. to do any act in violation of this Agreement;

6. to possess Property or assign the right of the Partnership or its Partners in specific Property for other than a Partnership Purpose;

7. to make, execute, or deliver any assignment for the benefit of creditors or an assignment based on the assignee's promise to pay the debts of the Partnership; or

8. to do any act for which the consent of the Limited Partners is required by the Act.

Additional actions that require unanimous consent of all of the partners are discussed in Article VII, Section G of The Sandals Agreement as follows:

1. to terminate, liquidate and wind up the Partnership, except as otherwise provided in Article XVI, Section A of this Agreement;

2. to admit additional or substitute Partners;

3. to do any act that would make it impossible to carry on the Partnership Purposes and business;

4. to engage in any business activity other than that consistent with any Partnership Purpose; and

5. to amend this Agreement, except as provided for elsewhere in this Agreement.

According to Article VII, Section H, the general partner is entitled to a reasonable level of annual compensation. The general partner’s compensation may be adjusted by a majority vote of the limited partners.

VOTING BY LIMITED PARTNERS

The voting rights of the limited partners is discussed in Article VII, Section N of The Sandals Agreement as follows:

> Limited Partners (but not any unadmitted assignee) shall have the right to vote upon the following matters:
>
> a. Removal of the General Partner;
>
> b. Election of a successor General Partner;
>
> c. Termination and dissolution of the Partnership;
>
> d. Amendment of this Agreement;
>
> e. Extension of the Partnership term; and
>
> f. Any matter requiring the vote of the Limited Partners as set out elsewhere in this Agreement or in the Act.

All of the above actions require unanimous consent. Therefore, the subject interest has the ability to vote on the above matters, but lacks voting control. According to Article VII, Section P, paragraph 2, an Advisory Committee may be formed with the vote of 70 percent of the limited partner interests. If an Advisory Committee is formed, the general partner shall discuss the business and affairs of The LP with the Advisory Committee on an annual basis. The Advisory Committee is not authorized to take any action on behalf of The LP or compel any partner to take an action.

OWNERSHIP AND CAPITAL CONTRIBUTIONS

As of the valuation date, ownership and initial capital contributions in The LP are as follows:

Partner	Partner Type	Initial Capital Contributions (Per Sandals Agreement)	Ownership
Sandals, Inc.	General	$ 30,000	1%
Dennis Jackson, as Trustee for the Carol H. Jones Family Trust No. I	Limited	270,000	9%
Yvonne Jackson, as Trustee for the Carol H. Jones Family Trust No. II	Limited	2,700,000	90%
Total		**$ 3,000,000**	**100%**

The decedent owned the 90 percent limited partner interest through a revocable trust. The other 9 percent limited partnership interest is owned by an irrevocable trust that was gifted by the decedent approximately 10 years ago. Sandals, Inc., the general partner, is owned by the same irrevocable trust that owns the 9 percent interest.

Partners are required to make additional capital contributions at the discretion of the general partner.

DISTRIBUTIONS AND ALLOCATIONS

According to Article X of The Sandals Agreement, profits and losses of The LP are allocated as follows:

1. First, Losses shall be allocated to the Partners in accordance with their Sharing Ratios but only to the extent of their Capital Accounts.

2. Second, remaining Losses shall be allocated to the General Partner.

3. Third, Profits shall be allocated to Partners in accordance with their Sharing Ratios.

When distributions are made, the distributable cash of The LP is given to the partners on a pro rata basis in accordance with their ownership percentages. Decisions regarding the timing and amount of distributions are made by the general partner.

TRANSFER RESTRICTIONS

A partner may not transfer his or her interest in The LP without prior written unanimous consent of all of the partners. Transfer restrictions are further discussed in Article XIII, Section B of The Sandals Agreement as follows:

> **B. Transferability Limitations**. The ownership and transfer or assignment of a Partnership Interest is further subject to the following limitations:
>
> **1. Death of a General Partner.** The death of an individual General Partner will automatically convert said individual's General Partnership Interest to a Limited Partnership Interest.
>
> **2. Transfer by a Limited Partner to a Permitted Transferee**. A Limited Partner who is (1) an individual, (2) a trust with an individual beneficiary who has a limited or unlimited power of appointment at death, or (3) a General Partner whose death converted the General Partner's General Partnership Interest to a Limited Partnership Interest, may transfer the Limited Partnership interest to a Permitted Transferee who will become an Assignee of the Partnership Interest. The transfer may be accomplished pursuant to one of the following: (1) the properly probated Last Will and Testament of a Partner; (2) a transfer to a Permitted Transferee; (3) the exercise of a limited or unlimited power of appointment or beneficiary designation of any trust; or (4) a written and acknowledged assignment and designation of beneficiary delivered by the Partner to a General Partner prior to the death of the Partner, effective as of such Partner's death or that of the beneficiary.

DISSOLUTION

According to Article XVI of The Sandals Agreement:

A. Events of Dissolution. The happening of any one of the following events shall work an immediate dissolution of the Partnership:

1. an event of withdrawal of a General Partner described in Section 14-9-801 of the Georgia Code;

2. agreement to dissolve the Partnership by Unanimous Consent;

3. entry of a decree of judicial dissolution under Section 14-9-802 of the Georgia Code;

4. expiration of the term of the Partnership as stated in Article VI if not extended as therein allowed; or

5. death, dissolution or bankruptcy of the last remaining General Partner.

THE ECONOMIC OUTLOOK IN GENERAL AND THE CONDITION AND OUTLOOK OF THE SPECIFIC INDUSTRY IN PARTICULAR

Generally, business performance fluctuates with the economy. Just as a strong economy can improve overall business performance and value, a declining economy can have the opposite effect. Businesses can be affected by global, national and local events. Changes in regulatory environments, political climate and market and competitive forces can also have a significant impact on business. For these reasons, it is important to analyze and understand the prevailing economic environment when valuing a closely-held business. Since the valuation process is a "prophecy of the future," it is imperative that the valuation analyst review the economic outlook as it would impact the valuation subject.

NATIONAL ECONOMY

According to advance estimates released by the Department of Commerce's Bureau of Economic Analysis ("BEA"), real gross domestic product ("GDP"), the output of goods and services produced by labor and property located in the United States, decreased at an annualized rate of 32.9 percent during the second quarter of 2020, outpacing the 5 percent decrease in the first quarter of 2020. The contradictions during the first and second quarters of 2020 follow annualized GDP growth of 2.4 percent in the fourth quarter of 2019. The annualized GDP contraction of 32.9 percent during the second quarter of 2020 is marginally greater than economists' projections of a 31.9 percent contraction. GDP grew 2.2 percent during 2019, compared to growth of 3 percent in 2018 and 2.3 percent in 2017.[2]

Personal consumption spending represents approximately 70 percent of total economic activity and is a primary component of overall economic growth. Real personal consumption spending fell 34.6 percent in the second quarter of 2020, following an increase of 1.6 percent in the fourth quarter of 2019 and a decrease of 6.9 percent in the first quarter of 2020, respectively. According to the BEA, durable goods purchases decreased by 1.4

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[2] Mercer Capital, *The National Economic Review,* Second Quarter 2020.

percent in the second quarter of 2020, following an increase of 3.1 percent in the fourth quarter of 2019 and a decrease of 12.5 percent in the first quarter of 2020.[3]

The coronavirus outbreak and the measures undertaken to contain its spread continued to have substantial effects on economic activity in the United States and abroad. The information available at the time of the Federal Open Market Committee's ("FOMC") July 28 and 29 meetings suggested that U.S. economic activity had picked up in May and June following sharp declines in March and April. However, it appeared that real GDP had decreased at a historically rapid rate in the second quarter. Labor market conditions improved considerably in June, but the improvements over May and June were modest relative to the substantial deterioration seen in March and April. Consumer price inflation remained well below the rates that prevailed early in the year.[4]

Total nonfarm payroll employment expanded robustly in June, as it did in May, but the gains in those two months offset only about one-third of the jobs lost in March and April. The unemployment rate moved down further to 11.1 percent, but it continued to be far above its level at the beginning of the year. Both the labor force participation rate and the employment-to-population ratio increased further in June. Initial claims for unemployment insurance benefits continued to decrease through the middle of July, but the pace of declines had slowed in recent weeks. In addition, weekly estimates of private-sector payrolls constructed by the FOMC's staff using data provided by the payroll processor ADP, along with some other high-frequency measures, suggested that employment gains had slowed since mid-June but likely were still strong.[5]

With interest rates cut virtually to zero, the Federal Reserve relied on new lending programs in the second quarter of 2020 to stimulate the U.S. economy. On April 9, the Federal Reserve announced three new emergency lending facilities to implement the relief provided

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3 Ibid.

4 Federal Open Market Committee, "Minutes of the Federal Open Market Committee," July 28-29, 2020 <http://www.federalreserve.gov/monetarypolicy/files/ fomcminutes20200728.pdf> (accessed May 18, 2021).

5 Ibid.

by the CARES Act and support the work of the Treasury Department and the Small Business Administration.[6]

On September 14, 2020, Consensus Economics, Inc. surveyed a panel of prominent U.S. economic and financial forecasters for their predictions on a range of key economic variables. These forecasts are presented in Table 1.

TABLE 1
QUARTERLY FORECASTS

	2020		2021				2022	
	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.
Real Gross Domestic Product*	24.9	5.5	4.6	4.2	3.8	3.7	3.2	3.2
Real Disposable Personal Income*	-14.6	-3.2	-6.3	-0.3	2.0	1.5	3.6	1.4
Real Personal Consumption*	31.7	5.3	4.0	4.1	4.1	3.9	3.2	3.2
Real Business Investment*	5.8	3.9	4.8	5.1	5.5	5.2	5.2	5.9
Industrial Production*	30.6	8.4	6.1	4.9	4.6	4.2	3.7	3.6
Consumer Prices*	4.0	1.7	2.0	2.0	2.2	2.3	2.2	2.2
Producer Prices*	5.7	2.1	2.2	2.6	2.5	2.7	2.6	2.5
Unemployment Rate, %	9.6	8.3	7.7	7.2	6.8	6.4	5.9	5.6

* % change from prior quarter, seasonally adjusted annual rate.
[1] End Quarter.
Source: Consensus Economics Inc., *Consensus Forecasts - USA,* September 2020: 5.

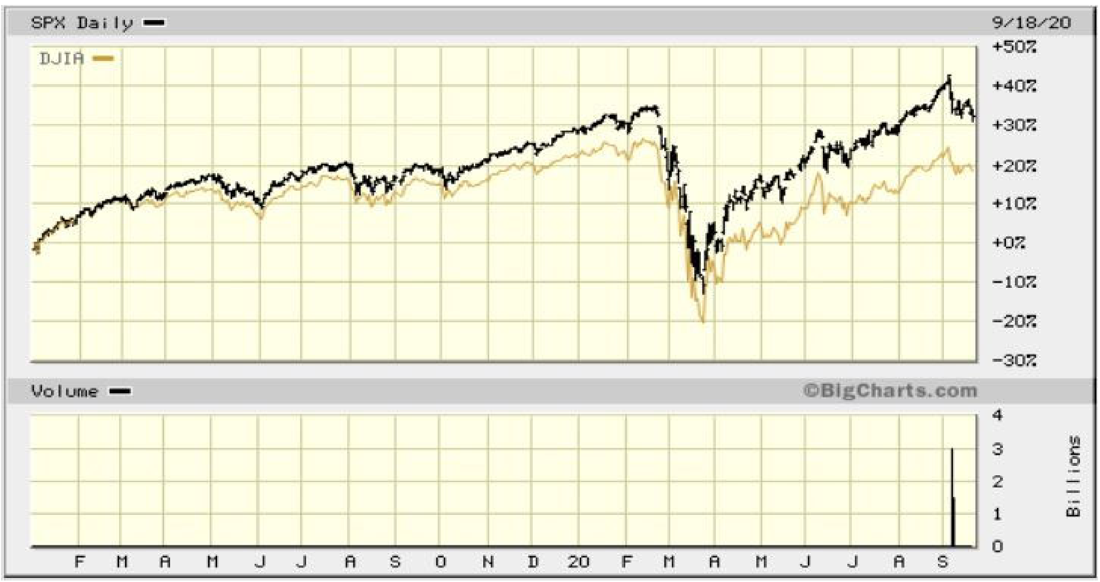
Consensus Economics' forecasts indicate that real GDP is expected to bounce back in the third quarter before gradually decelerating and stabilizing at 3.2 percent. Disposable income is forecast to continue to decline in the near term before moderately increasing beginning in the third quarter of 2021. Personal consumption and industrial production are also forecast to increase moderately over the next several quarters. Consumer price inflation is forecast to be relatively stable between 1.7 and 2.3 percent and the unemployment rate is forecast to gradually decrease.

6 *The National Economic Review*.

EQUITY MARKETS

Volatility in the stock markets has been elevated throughout 2020 as a result of the COVID-19 pandemic. A summary of the trends of the S&P 500 Index and the Dow Jones Industrial Average appears in Figure 1.

FIGURE 1
S&P 500 INDEX AND DOW JONES INDUSTRIAL AVERAGE
2019 TO SEPTEMBER 18, 2020



Source: bigcharts.marketwatch.com

The stock indices bottomed out in March and have been gradually recovering since. The recovery has been driven by positive news about multiple vaccines in various stages of testing, which provides the investing public with hope that the world will overcome the pandemic. Congress has yet to finalize a new coronavirus relief bill as aid to state and local governments is reportedly the biggest obstacle.[7]

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[7] NASDAQ, "August 2020 Review and Outlook," September 2, 2020 <https://www.nasdaq.com/articles/august-2020-review-and-outlook-2020-09-02> (accessed May 22, 2021).

According to FactSet, 84 percent of companies in the S&P 500 have reported earnings per share above the consensus estimates, which markets the highest percentage on record going back to the third quarter of 2008. Technology, materials, healthcare and industrials had the highest percentage of companies reporting earnings per share above estimates. FactSet also noted that consensus estimates were lowered at record high levels prior to the second quarter. The blended earnings growth rate declined by a record 31.8 percent, year-over-year in the second quarter, however, that was better than the expected decline of 45 percent. Blended revenue of the companies in the S&P 500 declined by 8.7 percent over the prior year, the largest decline since the third quarter of 2009. The forward 12-month price to earnings ratio for the S&P 500 is 22.8. This is above the five-year average of 17.1 and the 10-year average of 15.4. A summary of the performance of the major U.S. stock indices appears in Figure 2.[8]

FIGURE 2
STOCK INDICES

US Indices	August %	YTD %	Q3 %	vs. 52-week High	vs. 52-week Low
Nasdaq 100	11.2%	39.6%	30.3%	-0.5%	78.8%
Russell 1000 Growth	10.3%	30.5%	27.8%	-0.5%	78.1%
Nasdaq Composite	9.7%	32.1%	30.9%	-0.5%	77.6%
Dow Jones Industrials	7.9%	1.3%	18.5%	-3.9%	56.1%
Russell 3000	7.2%	9.4%	22.0%	-0.4%	62.3%
S&P 500	7.2%	9.7%	20.5%	-0.4%	59.7%
Russell Microcap	6.0%	-4.9%	30.5%	-7.7%	68.4%
Russell 2000	5.6%	-5.5%	25.4%	-8.9%	61.6%
Russell 1000 Value	4.1%	-9.4%	14.3%	-12.3%	45.2%
S&P Midcap 400	3.5%	-5.5%	24.1%	-8.7%	63.0%

The Nasdaq 100 was the top performer in August and finished the month with a total return of 39.6 percent year to date, while rebounding 78.8 percent from its March lows. The Dow Jones Industrials and the S&P 500 wrapped up their best August performance since 1986. The S&P 500 joined the Nasdaq 100 in returning to new all-time highs, while the blue-chip Dow Jones remains less than 4 percent from its all-time high. Although the small cap

[8] Ibid.

Russell 2000 and S&P 400 Midcap underperformed, on an absolute basis, these indices still performed well. [9]

The Russell 1000 Growth Index outperformed the Russell 1000 Value Index by its widest margin since March. Growth is outperforming value by a record 40 percentage points year to date, which is 14 percentage points above the prior record out performance of 25.8 percent in 1999.[10]

A breakdown of stock market performance by sector appears in Figure 3.

FIGURE 3
STOCK PERFORMANCE BY SECTOR[11]

GICS Sectors	August %	YTD %	Q3 %	vs. 52-week High	vs. 52-week Low
Technology	12.0%	36.0%	30.5%	-0.6%	81.2%
Consumer Disc.	9.5%	28.0%	32.9%	-0.6%	89.0%
Communications	9.1%	16.1%	20.0%	-1.5%	57.1%
Industrials	8.6%	-3.3%	17.0%	-8.7%	62.4%
Staples	4.7%	5.7%	8.1%	-0.3%	36.6%
Basic Materials	4.4%	4.1%	26.0%	-1.6%	64.5%
Financials	4.3%	-17.4%	12.2%	-20.0%	42.6%
Healthcare	2.7%	7.3%	13.6%	-0.4%	46.8%
REITs	-0.1%	-4.3%	13.1%	-13.4%	44.7%
Energy	-1.0%	-39.3%	30.5%	-42.7%	54.5%
Utilities	-2.6%	-6.7%	2.7%	-16.8%	35.5%

At the sector level, Technology was the leader followed by Consumer Discretionary and Communications. Arguably more impressive was Industrials, which registered its second best monthly performance since January 2019. Within the Industrials sector, The Dow Jones Transportation Index gained 12.2 percent for its best monthly performance since October 2011. The stock market is viewed as a leading indicator and the strong August

9 Ibid.

10 Ibid.

11 Ibid.

gains by Industrials and Transports may be signaling that economic data is going to improve in the back half of 2020.[12]

Despite the positive news in August, there are still some downside risks. With the U.S. presidential election less than two months away, some investors remain cautious due to economic policy uncertainty. Renewed trade tensions between the U.S. and China have added to those concerns after both countries reached a deal in January that brought a truce in a tariff war.[13]

Investors are also waiting for more economic aid after unemployment benefits and other stimuli that Congress passed earlier expired. Investors say such stimulus is critical to the economy, but partisan disagreements have Congress at an apparent impasse.[14]

MUNICIPAL BOND MARKETS

According to PIMCO, elevated supply in the municipal market triggered the reversal of a nearly two-month downward trend in yields. Investors saw municipal yields end the month up from 3 to 19 basis points as the AAA Municipal Market Data ("MMD") curve steepened. Bonds with a 10-year maturity closed out August at 0.81 percent, up 16 basis points from July's historic month-end low of 0.65 percent. Taxable municipal debt continues to represent a sizable component of total issuance in this low rate environment, comprising nearly one-third of the $41.3 billion brought to market in August. Year-to-date issuance now totals $293.9 billion, with taxable issuance accounting for $86.6 billion.[15] A summary of municipal bond yields in comparison to Treasury bond yields appears in Figure 4.

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12 Ibid.

13 Jessica Menton, "Is the Stock Market Headed for Another Crash? Not likely but more volatility could be ahead, experts say", *USA Today*, September 10, 2020 <https://www.usatoday.com/story/money/2020/09/10/stock-market-economy-recession-coronavirus-pandemic-recovery/5757282002/> (accessed May 22, 2021).

14 Ibid.

15 PIMCO, "Monthly Municipal Market Update," *Municipal Monthly*, August 2020.

FIGURE 4
MUNICIPAL BOND MARKET SNAPSHOT[16]

	Muni yields (MMD AAA)			U.S. Treasury yields			Muni taxable equivalent**	
	Yield	MTD change	YTD change	Yield	MTD change	YTD change	Yield	Spread
2-year	0.16%	0.03%	-0.88%	0.13%	0.02%	-1.43%	0.27%	0.14%
5-year	0.26%	0.03%	-0.83%	0.26%	0.04%	-1.42%	0.44%	0.18%
10-year	0.81%	0.16%	-0.63%	0.71%	0.17%	-1.20%	1.37%	0.66%
30-year	1.56%	0.19%	-0.53%	1.47%	0.27%	-0.91%	2.64%	1.17%

$293.9B	-$4.9B	+$15.2B	3.31%	0.27%	-63 bps	-120 bps
YTD muni issuance	M/M muni issuance	YTD muni fund flows	YTD IG return	YTD HY return	YTD change in 10yr muni yield	YTD change in 10yr Treasury yield

Investment grade municipals and high yield municipals moved in opposite directions in August. While the Bloomberg Barclays Municipal Bond Index was down 0.47 percent for the month, the Bloomberg Barclays High Yield Municipal Bond Index returned 0.26 percent. Year-to-date total returns for the two indices now stand at 3.31 percent and 0.27 percent, respectively.[17]

With August's increase in the one-year municipal/Treasury ratio, this figure now stands at 100 percent or greater across all parts of the maturity curve. The one-year ratio ended the month at 125 percent (up from 92 percent at the end of July), the two-year ratio ended the month at 123 percent (up from 118 percent), the five-year ratio at 100 percent (down from 105 percent), and the 10-year ratio at 114 percent (down from 120 percent). Further out along the curve, ratios decreased slightly with the 20-year ratio ending the month at 110 percent (down slightly from 119 percent) and the 30-year ratio at 106 percent (down slightly from 114 percent).[18]

The Bloomberg Barclays Municipal Bond Index returned negative 0.47 percent in August, signifying the first month of negative returns for the municipal market since April. Municipal funds saw a nearly $12 billion influx in August, including the second-highest weekly inflow

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16 Ibid.

17 Ibid.

18 Ibid.

($5.4 billion) since 2010. However, municipal market dynamics in the first half of the month were distinct from those in the latter half. The first half of the month saw heightened levels of reinvestment capital outweighing primary market sales – a tailwind for the municipal market that we generally observe during the summer months. Strong demand pressured municipal yields, with the 10-year AAA municipal yield reaching a record low of 0.58 percent around mid-month. This imbalance appeared to evaporate in the latter half of the month. Given expectations for net positive supply in September, municipal yields pivoted upward, changing direction for the first time since June. The 10-year AAA municipal yield climbed to 0.81 percent to close the month.[19]

Another factor that impacts the municipal bond markets is individual state budgets. According to Northern Trust Asset Management, state budgets were adversely impacted by pandemic uncertainty but the long-term outlook remains positive. Entering the pandemic, states held a record median of 10 percent of revenues in reserves. Attention to building reserves following the 2008 recession has proven vital in supporting state spending since the beginning of the pandemic. Ultimately, state revenue losses for the fiscal year ended June 30, 2020 ranged from as low as 2 percent to a high of 18 percent on an annualized basis. Federal support in the CARES Act impacted states disproportionately, comprising anywhere from 5 percent to 70 percent of tax revenues.[20]

State budgets vary dramatically based on the nature of revenues, impact of the shutdown, reliance on tourism, timing and nature of the latest budget projection, and the number of coronavirus cases. At the close of June, most states projected 2 percent to 25 percent revenue shortfalls in 2021. These shortfalls are expected to be managed utilizing reserves, borrowing, expense cuts and federal funding. For most states, this can be done without borrowing externally. Tourism dependent states are experiencing greater revenue shortfalls and the recovery for these states is expected to be slower.[21]

[19] Ibid.

[20] Northern Trust Asset Management, "Municipal Bonds, 2021 U.S. States Outlook," July 17, 2020.

[21] Ibid.

LOCAL ECONOMY AND REAL ESTATE MARKETS

Sandals and MIP's primary real estate assets are commercial real estate in Some City 1, Some County 1, Some County 2 and Some County 3 Counties, South Carolina. Therefore, it is important to consider local economic conditions.

Population projections for counties in which the entities hold real estate are presented in Table 2.

TABLE 2
POPULATION PROJECTIONS

	Projections				
County	**2019**	**2020**	**2025**	**2030**	**2035**
County 1	192,315	195,910	213,985	231,950	248,860
County 2	29,580	30,185	33,390	37,060	40,895
County 3	86,090	85,250	80,950	76,480	71,710

Source: South Carolina Revenue and Fiscal Affairs Health and Demographics Biostatics.

County 1 and County 2 are expected to experience steady population growth over the long-term, while County 3 is expected to experience a population decrease over the long term. From 2019 to 2035, the population in County 1 and County 2 is forecast to increase by 29.4 percent and 38.3 percent, respectively, while the population in County 3 County is forecast to decrease by 16.7 percent.

Next, we analyzed the unemployment rates for the metropolitan statistical areas ("MSAs") in which each county is located. Historic unemployment rates from 2014 through August 2020 are presented in Table 3.

TABLE 3
UNEMPLOYMENT RATE

MSA	2014	2015	2016	2017	2018	2019	August 2020
MSA 1	5.6	5.4	4.5	4.0	3.3	2.6	4.8
MSA 2	7.3	7.1	5.9	5.1	4.5	4.0	6.9

Source: Bureau of Labor Statistics.

The unemployment rate has dropped almost 50 percent from its peak in 2014, with the exception of 2020, which is due to the COVID-19 pandemic. The rate is slightly lower than that of the U.S. overall.

As unemployment declined, total personal income for the MSAs increased, which is presented in Table 4.

TABLE 4
PERSONAL INCOME
(THOUSANDS OF DOLLARS)

MSA	2015	2016	2017	2018	2019
MSA 1	$ 33,415,217	$ 34,429,439	$ 36,139,195	$ 37,355,418	$ 39,006,819
MSA 2	15,311,057	16,418,302	17,496,097	18,928,980	20,121,637

Source: Bureau of Economic Analysis.

Total personal income increased about 17 percent for MSA 1 and 31 percent for the MSA 2 from 2015 to 2019.

With respect to the commercial real estate outlook, according to the real estate appraisal for the City 1 property:

> Development in the area has been growing over the past year and the residential development has been has been increasing over the past few years and, if the current economic factors stay the same, commercial development will follow the residential development.

The real estate appraisal also notes that the current economic climate in the area is widely perceived as being favorable for continued economic activity within the region. With respect to the City 3 property, the real estate appraisal notes that the market area is “stable.”

SUMMARY AND OUTLOOK

Overall, the outlook for Sandals and the entity’s underlying investments is positive. The U.S. economy appears to be recovering from the pandemic and the investing public seems to be optimistic that vaccines will be available in the near future. Equity markets have rebounded strongly after bottoming out in March and earnings reports were better than anticipated. Municipal bond market indicators and the local economy and real estate markets appear to be stabilizing.

THE BOOK VALUE OF THE STOCK AND THE FINANCIAL CONDITION OF THE BUSINESS

Sandals's historic balance sheets appear in Schedule 1 at the back of this report. In addition to cash, The LP's assets consist of the following:

- *Note Receivable Due From Y&D Jackson Enterprises LP* - The note due from Y&D Jackson Enterprises LP has an outstanding balance of $202,314. This note accrues interest at a 6 percent interest rate, compounded monthly. A balloon payment of $218,425, consisting of all outstanding principal and accrued interest is due on November 30, 2020.

- *Note Receivable Due From Jones* - This note accrues interest at a 6 percent interest rate, compounded monthly. As of the valuation date, the note had a balance of $511,721. Payments have been made on this note on a monthly basis. A final balloon payment of $519,436 is due on November 29, 2020.

- *Note Receivable Due From Coin Laundry* - This note also accrues interest at a 6 percent annual rate, compounded monthly. The outstanding balance was $62,203 as of September 19, 2020. A final balloon payment of $66,701.97 is due on October 30, 2020.

- *Note Receivable Due From Another Laundry, LLC* - This note accrues interest at an annual rate of 5 percent, compounded monthly and had a balance of $278,087 as of the valuation date. A final balloon payment of $294,377 is due on November 1, 2021.

- *Due From Sandals, Inc*. - The LP had a balance due from its general partner of $4,798. This note does not accrue interest.[22]

- *24.75 Percent Interest in Moon Investment Partners* - Sandals's largest asset is The LP's 24.75 percent interest in Moon Investment Partners. MIP's primary assets

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[22] The balance of this loan was determined to have an immaterial impact on the overall valuation. Therefore, we did not restate the advances to fair market value.

include a marketable securities portfolio, cash and real estate. A more detailed discussion of this entity will follow in the section of the report titled “Valuation of a 24.75 Percent Interest in Moon Investment Partners.”

- *Real Estate* - Sandals also owns a retail commercial property in Some City, South Carolina. The real estate property consists of retail and office space containing 2,435 square feet, warehouse space consisting of 6,273 square feet and a covered bay area containing 1,220 square feet. The property is occupied by a tenant.

- *The LP’s* sole liability consisted of a partner loan due to Sandals Family Trust No. II. The partner loan due to the trust had a balance of $1,825,409 as of the valuation date.

As of the valuation date, Sandals had a book value of $7,472,289. This does not reflect the fair market value of The LP’s assets as of September 19, 2020. The fair market value balance sheet adjustments appear in Table 5.

TABLE 5
BALANCE SHEET
ADJUSTMENTS TO FAIR MARKET VALUE

	August 31, 2020	**Adjustments**	**Adjusted September 19, 2020**
Current Assets			
Cash[1]	$ 374,577	$ 16,137	$ 390,714
Notes Receivable	1,054,326	-	1,054,326
Due From Sandals, Inc.[2]	4,798	(4,798)	-
Investment in MIP[3]	6,356,394	(1,667,456)	4,688,938
Real Estate[4]	1,507,603	(482,603)	1,025,000
TOTAL ASSETS	**$ 9,297,698**	**$ (2,138,720)**	**$ 7,158,979**
Liabilities			
Due to Partner[2]	$ 1,825,409	$ (1,825,409)	$ -
Total Equity	7,472,289	(313,311)	7,158,979
TOTAL LIABILITIES AND EQUITY	**$ 9,297,698**	**$ (2,138,720)**	**$ 7,158,979**

Note: Figures may not add due to rounding.

1. Sandals's cash account was updated to reflect the balances as of September 19, 2020.

2. Amounts due to and from partners were reclassified as equity.

3. The LP's investment in MIP was adjusted to reflect the fair market value of the interest as of September 19, 2020. The valuation of this interest is discussed in the section of the report titled "Valuation of a 24.75 percent interest in Moon Investment Partners."

4. The LP's real estate was adjusted to reflect the market value of the property as of the valuation date. The real estate value was obtained from an appraisal performed by Randy Long, Sr. of Long Appraisal.

Based on the adjustments to the balance sheet, the adjusted book value of Sandals was $7,158,979 as of September 19, 2020.

THE EARNING CAPACITY OF THE COMPANY

Sandals's historic income statements appear in Schedule 2 at the back of this report. The LP's income consists of passthrough interest, dividend and capital gains from its investment in MIP, interest income from its notes receivable and rental income from The LP's real estate. The LP's historic earnings have fluctuated, ranging from $204,745 to $539,264 over the period analyzed. From 2015 through 2019, The LP's net income averaged $328,967. Therefore, The LP has had earning capacity in the past and this trend is expected to continue on a prospective basis. This will be considered in our analysis.

THE DIVIDEND[23] PAYING CAPACITY OF THE COMPANY

The LP paid distributions of $115,991 in 2015 and $202,700 in 2018. Distributions were not paid in the other years that were analyzed. This indicates that Sandals does not have a consistent history of paying distributions. The subject interest does not have control over the timing or amount of distributions. This will be considered in our analysis.

[23] Throughout this report, the terms “dividends” and “distributions” will be used interchangeably.

WHETHER OR NOT THE ENTERPRISE HAS GOODWILL OR OTHER INTANGIBLE VALUE

Goodwill is a term applied to an intangible asset and may be defined as “those elements of a business that cause customers to return and that usually enable the business to generate profit in excess of a reasonable return on all other assets of a business.” It may also include work force in place value, information base, noncompete agreements, know-how and licenses.

Asset holding companies, such as Sandals, do not generate goodwill value; therefore, there is no intangible value associated with the entity at the valuation date.

SALES OF THE STOCK AND THE SIZE OF THE BLOCK OF STOCK TO BE VALUED

Revenue Ruling 59-60 suggests that the valuation analyst consider whether there have been any previous sales of interests in the entity being appraised and the size of the block to be valued. There have been no previous arm's-length sales of interests in Sandals.

In this instance, the analyst is valuing a 90 percent limited partner interest in The LP. This interest is considered to be a noncontrolling interest because an owner of a 90 percent limited partner interest cannot participate in controlling or managing the affairs of Sandals The analysis that follows takes this into consideration.

This interest is also considered to be nonmarketable because there is no active market for the equity and the interests cannot be readily converted to cash. This will also be considered in our analysis.

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THE MARKET PRICE OF STOCKS OF CORPORATIONS ACTIVELY TRADED IN THE PUBLIC MARKET

The final factor of the eight listed in Revenue Ruling 59-60 is a market comparison between the valuation subject and other companies in the same or a similar line of business that are traded on public stock exchanges. This is the basis of the market approach to valuation.

The analyst gathered data on closed-end funds ("CEFs") as of September 19, 2020 from CEF Connect. CEFs are more comparable to Sandals because, like The LP, they have a limited number of shares available. A number of CEFs were located that specialized in real estate, however, no funds located were similar enough to Sandals in terms of size and diversification to be used as a basis for comparison.

Due to the lack of similarity of these funds to Sandals, we did not use any of them as guideline companies.

VALUATION CALCULATIONS

As mentioned previously, the three approaches to valuation considered in this valuation are:

1. The Market Approach
2. The Asset-Based Approach and
3. The Income Approach.

The narrative that follows discusses the valuation methods employed within each approach.

THE MARKET APPROACH

The analyst researched CEFs to locate those that could be used as guideline companies in our analysis. The analyst was unable to locate any funds that could be used as proxies and therefore, was unable to apply the market approach in this valuation.

THE ASSET-BASED APPROACH

ADJUSTED BOOK VALUE METHOD

Revenue Ruling 59-60 states, "[T]he value of the stock of a closely-held investment or real estate holding company, whether or not family owned, is closely related to the value of the assets underlying the stock." Therefore, the asset-based approach, specifically the adjusted net asset value method, was applied to determine the value of Sandals.

It has previously been determined that the adjusted book value of The LP is $7,158,979. This reflects the value of The LP on a control, marketable basis. The valuation subject is a 90 percent, noncontrolling, nonmarketable interest in the entity. Therefore, a discount for lack of control ("DLOC") and a discount for lack of marketability ("DLOM") have been considered to be applicable to this interest. The derivation of these discounts is discussed in the "Premiums and Discounts" section of this report. Applying the applicable discounts results in the following indication of value on a noncontrolling, nonmarketable basis:

Indication of Value - Control, Marketable	$	7,158,979
Less: DLOC (12.60%)		(902,031)
Indication of Value - Noncontrolling, Marketable	$	6,256,947
Less: DLOM (25.00%)		(1,564,237)
Indication of Value - Noncontrolling, Nonmarketable	**$**	**4,692,710**

Note: Figures may not add due to rounding.

THE INCOME APPROACH

The income approach assumes that an investor could invest in a property with similar investment characteristics as the valuation subject, although not necessarily the same business. The computations using the income approach generally determine that the value of a business is equal to the present value of a stream of future benefits payable to the owners. This is accomplished by either capitalizing a single period income stream or by discounting a series of income streams based on a multi-period forecast. The latter calculation is performed in cases where growth has not yet stabilized, as often happens in new companies or rapidly growing companies.

In this instance, The LP's earnings consist of rental income from real estate, interest income from notes receivable, dividends, gains and losses on the sale of assets from its 24.75 percent interest in MIP, which primarily owns a portfolio of marketable securities. As discussed earlier in this report, The LP has had earnings capacity in the past and this trend is expected to continue going forward. However, the passthrough earnings from The LP's interest in MIP has been volatile and as a result, we determined that a future level of income that could be generated on a consistent basis into the future, could not be quantified with a reasonable degree of certainty. Therefore, the income approach was not performed.

RECONCILIATION OF VALUES

Based on the indication of value derived using the asset-based approach, the value of The LP on a noncontrolling, nonmarketable basis was determined to be $4,692,710. The valuation subject is a 90 percent limited partnership interest. Therefore, the value of the subject interest was determined to be $4,223,439 ($4,692,710 x 90%) or $4,223,000 on a rounded basis.

PREMIUMS AND DISCOUNTS

VALUATION PREMIUMS AND DISCOUNTS IN GENERAL

The final value reached in the valuation of a closely-held business may be more or less than the value that was calculated using the various methods of valuation that are available. The type and size of the premium(s) or discount(s) will vary depending on the starting point. The starting point will depend on which methods of valuation were used during the valuation, as well as other factors, such as the sources of the information used to derive multiples or the discount rate and normalization adjustments. These premiums and discounts will also depend on the standard of value applied in the valuation.

CONTROL PREMIUM

In a fair market value valuation, the pro rata value of a controlling interest in a closely-held company is said to be worth more than the value of a noncontrolling interest due to the prerogatives of control that follow the controlling shares. An investor will generally pay more (a premium) for the rights that are considered to be part of the controlling interest. Valuation professionals recognize these prerogatives of control, which continue to hold true today and are considered in assessing the size of a control premium. In this assignment, the valuation subject is a noncontrolling interest. Therefore, a control premium is not applicable.

DISCOUNT FOR LACK OF CONTROL

In a fair market value valuation, a DLOC is a reduction in the control value of the valuation subject to reflect the fact that a noncontrolling owner cannot control the daily activities or policy decisions of an enterprise, thus reducing its value. The size of the discount will depend on the size of the interest being valued, the amount of control it might have, the owner's ability to liquidate the company and other factors.

A DLOC is basically the opposite of a premium for control. This type of discount is used to obtain the value of a noncontrolling interest in the valuation subject, when a control value is the starting point. The starting point is determined based on the method of valuation and the normalization adjustments made.

A DLOC can be mathematically calculated using control premiums that are measured in the public market. Data about control premiums are not available for closely-held businesses, so the valuation analyst uses transactions from the public stock market to act as a gauge as to the amount of premium paid in transactions involving buyouts. This data is tracked by several sources. The most widely used is *Mergerstat® Review*, which is published annually by FactSet Mergerstat, LLC and contains information about sales of operating companies. However, the valuation subject is an interest in a closely-held real estate holding entity and the data from *Mergerstat® Review* is not relevant.

A noncontrolling owner is disadvantaged due to the lack of legal rights that correspond to its ownership. Other than proving that a noncontrolling owner is "oppressed," which is a legal concept beyond the qualifications of a valuation analyst, there is little that a noncontrolling owner can do to control his or her investment. Therefore, a DLOC is deemed appropriate for this type of interest.

Discounts will be greater for an interest in a privately-held business than in a public company because it is more difficult to sell a noncontrolling interest when there is virtually no market for the shares. This additional element of discount will be addressed separately in the DLOM section.

There are many factors that can impact the degree of control a noncontrolling owner has over the operations. When the control elements are not available to the ownership interest being valued, the value is reduced accordingly. The information in Table 6 summarizes some of the factors that might influence the value of minority interests relative to controlling interests:

TABLE 6
FACTORS AFFECTING THE DEGREE OF CONTROL

Factors That May Increase a Minority Discount or a Control Premium

- The presence of nonvoting stock.
- An extreme lack of consideration for the interests of minority stockholders on the part of the company's management, board of directors, and/or majority owners.

Factors That May Decrease a Minority Interest Discount or a Control Premium

- The presence of enough minority interest votes to elect or have meaningful input on electing one or more directors in a company with cumulative voting.
- The presence of enough minority interest votes to block certain actions (subject to state statutes and/or articles of incorporation).
- The presence of state statutes granting certain minority stockholder rights.

Factors That May Increase OR Decrease a Minority Interest Discount or a Control Premium

- The distribution of other shares (e.g., two shares when two others own 49 shares each are more valuable than two shares when 49 others own two shares each).
- The level of distributions, if any.

Source: Adapted from Thomson Reuters Checkpoint *PPC's Guide to Business Valuations*, 2018: 8-19.

In this valuation, the control marketable value of The LP was determined to be $7,158,979. However, to realize this value, an investor would have to be able to gain access to and liquidate, the underlying assets of the entity. If noncontrolling owners were afforded this level of control, a noncontrolling interest might well be worth a pro rata share of the control marketable value. However, this is not the case. The Sandals Agreement specifically limits control by requiring the unanimous consent of all of the partners to sell the assets of the entity. The basis for lack of control adjustments for a noncontrolling interest arises from a range of factors that include:

- A noncontrolling limited partner cannot control the day-to-day management or operation of the entity.

- A noncontrolling limited partner cannot control the amount or timing of income distributions.

- A noncontrolling limited partner does not have specific claims on the underlying assets of the entity and cannot compel the dissolution of the entity or the liquidation of its underlying assets.

- A noncontrolling limited partner cannot change the management of the entity.

- A noncontrolling limited partner cannot amend the agreement.

- A noncontrolling limited partner cannot elect successor managers.

The adjusted book value method develops a freely-traded, control value of the entity's net assets and does not provide an indication of value for a noncontrolling interest in the entity. A DLOC is appropriate because a noncontrolling interest in The LP represents an indirect ownership interest in the underlying assets owned by the entity. A noncontrolling owner has no right or authority to act for or bind the entity, no control over the day-to-day conduct of the entity, policy or investment decisions, or the amount or timing of distributions to be made and cannot decide the timing or amount of the sale of the entity's assets.

A method of estimating a DLOC is to draw a parallel between The LP's portfolio and CEFs. Hundreds of CEFs are available for numerous investment options. Prices paid for publicly-traded shares in a CEF represent noncontrolling interests in fully-marketable securities. Therefore, if the net asset value of a CEF can be determined and compared with the freely-traded price of the fund, it can be determined when and under what conditions the market affords a discount (or premium) to the net asset value of a noncontrolling interest in the fund.

Unlike open-end mutual funds, CEFs issue a fixed number of shares. Therefore, investors must buy shares from other investors, not the fund itself. These CEFs mirror the motivations of buyers and sellers and offer empirical evidence for the determination of the appropriate magnitude of the DLOC to be applied.

We located CEFs by category from *CEF Connect*. We obtained price and discount date for the CEFs as of September 19, 2020 from TagniFi. With respect to Sandals's equity interest in MIP, equity-focused CEFs were used as a proxy to determine the DLOC. A summary of the equity CEFs appears in Table 7.

TABLE 7
EQUITY CEFs

Fund	Ticker	Price Per Share	NAV Per Share	Premium/ (Discount)
ADAMS DIVERSIFIED EQUITY FUND INC.	ADX	15.99	18.67	-14.35%
CORNERSTONE STRATEGIC VALUE FUND INC.	CLM	10.91	9.50	14.84%
CORNERSTONE TOTAL RETURN FUND INC. (THE)	CRF	10.76	9.16	17.47%
CENTRAL SECURITIES CORPORATION	CET	29.00	35.90	-19.22%
BOULDER GROWTH & INCOME FUND INC.	BIF	10.28	12.36	-16.83%
MILLER/HOWARD HIGH INCOME EQUITY FUND OF BENEFICIAL INTEREST	HIE	6.36	7.32	-13.11%
LIBERTY ALL-STAR GROWTH FUND INC.	ASG	7.38	6.78	8.85%
LIBERTY ALL-STAR EQUITY FUND	USA	6.00	6.45	-6.98%
GABELLI EQUITY TRUST INC. (THE)	GAB	5.23	5.08	2.95%
GABELLI DIVIDEND & INCOME TRUST OF BENEFICIAL INTEREST	GDV	18.70	21.77	-14.10%
THE GABELLI GO ANYWHERE TRUST OF BENEFICIAL INTEREST	GGO	11.34	11.54	-1.73%
GENERAL AMERICAN INVESTORS INC.	GAM	34.27	41.27	-16.96%
ROYCE VALUE TRUST INC.	RVT	12.87	15.10	-14.77%
ROYCE MICRO-CAP TRUST INC.	RMT	7.92	9.48	-16.46%
SPROTT FOCUS TRUST INC.	FUND	6.17	7.31	-15.73%
NUVEEN CORE EQUITY ALPHA FUND OF BENEFICIAL INTEREST	JCE	12.71	14.02	-9.34%
THE HERZFELD CARIBBEAN BASIN FUND INC.	CUBA	3.68	4.89	-24.74%
SPECIAL OPPORTUNITIES FUND INC	SPE	12.32	14.13	-12.81%
EAGLE CAPITAL GROWTH FUND INC.	GRF	7.12	9.05	-21.33%
NEUBERGER BERMAN REAL ESTATE SECURITIES INCOME FUND INC.	NRO	3.78	4.04	-6.44%
COHEN & STEERS QUALITY INCOME REALTY FUND INC	RQI	11.25	12.20	-7.79%
COHEN & STEERS TOTAL RETURN REALTY FUND INC.	RFI	12.66	12.44	1.77%
COHEN & STEERS REIT AND PREFERRED AND INCOME FUND INC.	RNP	19.95	22.19	-10.09%
CBRE CLARION GLOBAL REAL ESTATE INCOME FUND	IGR	6.08	7.44	-18.28%
ABERDEEN GLOBAL PREMIER PROP.FUND OF BENEFICIAL INTEREST	AWP	4.76	5.60	-15.00%
PRINCIPAL REAL ESTATE INCOME FUND OF BENEFICIAL INTEREST	PGZ	11.33	14.12	-19.76%
NUVEEN REAL ESTATE INCOME FUND OF BENEFICIAL INTEREST	JRS	7.70	8.81	-12.60%
JOHN HANCOCK HEDGED EQUITY & INCOME FUND OF BENEFICIAL INTEREST	HEQ	10.72	12.00	-10.67%
LAZARD GLOBAL TOTAL RETURN AND INCOME FUND	LGI	15.89	17.74	-10.43%
THE EUROPEAN EQUITY FUND INC.	EEA	9.64	11.18	-13.77%

TABLE 7
EQUITY CEFs

Fund	Ticker	Price Per Share	NAV Per Share	Premium/ (Discount)
GABELLI GLOBAL SMALL & MID CAP VALUE TRUST OF BENEFICIAL INTEREST	GGZ	10.12	12.52	-19.17%
FIRST TRUST DYNAMIC EUROPE EQUITY INC. FUND OF BENEFICIAL INTEREST	FDEU	10.53	12.29	-14.32%
JOHN HANCOCK TAX-ADVANTAGED GLOBAL SHAREHOLDER YIELD FUND OF BENEFICIAL INTEREST	HTY	5.20	6.08	-14.47%
CLOUGH GLOBAL EQUITY FUND OF BENEFICIAL INTEREST	GLQ	11.42	13.48	-15.28%
CALAMOS LONG/SHORT EQUITY & DYNAMIC INCOME TRUST	CPZ	15.14	18.35	-17.28%
EATON VANCE TAX-ADVANTAGED GLOBAL DIVIDEND INCOME FUND OF BENEFICIAL INTEREST	ETG	15.34	17.03	-9.92%
ABERDEEN TOTAL DYNAMIC DIVIDEND FUND	AOD	8.02	9.28	-13.58%
ABERDEEN GLOBAL DYNAMIC DIVIDEND FUND	AGD	9.43	10.70	-11.87%
WELLS FARGO GLOBAL DIVIDEND OPPORTUNITY FUND	EOD	4.33	4.97	-12.88%
VOYA INFRASTRUCTURE INDUSTRIALS AND MATERIALS FUND OF BENEFICIAL INTEREST	IDE	9.59	11.42	-16.02%
ROYCE GLOBAL VALUE TRUST INC.	RGT	12.15	13.93	-12.78%
Low				-24.74%
25th Percentile				-16.24%
Mean				-11.10%
Median				-13.58%
75th Percentile				-9.63%
High				17.47%
Standard Deviation				8.89%
Coefficient of Variation				-80.09%

For Sandals's related party notes, we analyzed the implied discounts for high yield bond CEFs which are summarized in Table 8.

TABLE 8
HIGH YIELD BOND FUNDS

Fund	Ticker	Price Per Share	NAV Per Share	Premium/ (Discount)
NUVEEN CREDIT OPPORTUNITIES 2022 TARGET TERM FUND OF BENEFICIAL INTEREST	JCO	8.09	8.22	-1.6%
NUVEEN MORTGAGE AND INCOME FUND	JLS	19.26	21.51	-10.5%
NEUBERGER BERMAN HIGH YIELD STRATEGIES FUND	NHS	11.19	11.88	-5.8%
NUVEEN CORPORATE INCOME NOVEMBER 2021 TARGET TERM FUND	JHB	9.05	9.41	-3.8%
NUVEEN CORPORATE INCOME 2023 TARGET TERM FUND	JHAA	9.40	9.70	-3.1%

TABLE 8
HIGH YIELD BOND FUNDS

Fund	Ticker	Price Per Share	NAV Per Share	Premium/ (Discount)
RIVERNORTH SPECIALTY FINANCE CORPORATION	RSF	15.12	17.32	-12.7%
RIVERNORTH/DOUBLELINE STRATEGIC OPPORTUNITY FUND INC.	OPP	13.85	15.01	-7.7%
PIONEER DIVERSIFIED HIGH INCOME FUND INC.	HNW	13.58	14.55	-6.7%
PIONEER HIGH INCOME FUND INC.	PHT	8.24	8.85	-6.9%
WESTERN ASSET MORTGAGE OPPORTUNITY FUND INC.	DMO	13.65	14.23	-4.1%
WESTERN ASSET GLOBAL HIGH INCOME FUND INC	EHI	9.86	10.42	-5.4%
WESTERN ASSET HIGH INCOME FUND II INC.	HIX	6.69	7.01	-4.6%
WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.	HIO	5.07	5.36	-5.4%
WESTERN ASSET HIGH YIELD DEFINED OPPORTUNITY FUND INC.	HYI	14.74	15.55	-5.2%
WELLS FARGO INCOME OPPORTUNITIES FUND	EAD	7.55	8.52	-11.4%
EATON VANCE 2021 TARGET TERM TRUST OF BENEFICIAL INTEREST	EHT	9.60	9.85	-2.5%
NEW AMERICA HIGH INCOME FUND INC. (THE)	HYB	8.47	9.46	-10.5%
MFS INTERMEDIATE HIGH INCOME FUND	CIF	2.36	2.41	-2.1%
MFS CHARTER INCOME TRUST	MCR	8.35	8.78	-4.9%
KKR INCOME OPPORTUNITIES FUND	KIO	13.76	14.72	-6.5%
GUGGENHEIM CREDIT ALLOCATION FUND OF BENEFICIAL INTEREST	GGM	18.20	17.70	2.8%
IVY HIGH INCOME OPPORTUNITIES FUND OF BENEFICIAL INTEREST	IVH	12.23	13.73	-10.9%
CREDIT SUISSE ASSET MANAGEMENT INCOME FUND INC.	CIK	2.95	3.27	-9.8%
CREDIT SUISSE HIGH YIELD BOND FUND	DHY	2.16	2.42	-10.7%
BNY MELLON HIGH YIELD STRATEGIES FUND	DHF	2.78	3.13	-11.2%
BLACKROCK 2022 GLOBAL INCOME OPPORTUNITY TRUST OF BENEFICIAL INTEREST	BGIO	8.65	8.83	-2.0%
ALLIANCEBERNSTEIN GLOBAL HIGH INCOME FUND	AWF	10.81	12.33	-12.3%
APOLLO TACTICAL INCOME FUND INC.	AIF	13.01	15.34	-15.2%
BLACKROCK CORPORATE HIGH YIELD FUND INC.	HYT	11.06	11.42	-3.2%
BARINGS GLOBAL SHORT DURATION HIGH YIELD FUND OF BENEFICIAL INTERESTS	BGH	13.69	15.26	-10.3%
BROOKFIELD REAL ASSETS INCOME FUND INC.	RA	17.05	19.21	-11.2%
INVESCO HIGH INCOME 2023 TARGET TERM FUND OF BENEFICIAL INTEREST	IHIT	7.80	8.21	-5.0%
INVESCO HIGH INCOME 2024 TARGET TERM FUND OF BENEFICIAL INTEREST NO PAR VALUE PER SHARE	IHTA	7.89	8.37	-5.7%
INVESCO HIGH INCOME TRUST II	VLT	12.73	14.31	-11.0%
FIRST TRUST HIGH INCOME LONG SHORT FUND OF BENEFICIAL INTEREST	FSD	14.26	15.85	-10.0%
FIRST TRUST HIGH YIELD OPPORTUNITIES 2027 TERM FUND	FTHY	20.53	20.65	-0.6%
PGIM HIGH YIELD BOND FUND INC.	ISD	14.04	16.02	-12.4%
PGIM GLOBAL HIGH YIELD FUND INC.	GHY	13.61	15.64	-13.0%
BARINGS PARTICIPATION INVESTORS	MPV	11.17	13.00	-14.1%
BARINGS CORPORATE INVESTORS	MCI	12.97	14.33	-9.5%

TABLE 8
HIGH YIELD BOND FUNDS

Fund	Ticker	Price Per Share	NAV Per Share	Premium/ (Discount)
EAGLE POINT INCOME COMPANY INC.	EIC	13.80	14.78	-6.6%
Low				-15.18%
25th Percentile				-10.98%
Mean				-7.40%
Median				-6.67%
75th Percentile				-4.36%
High				2.82%
Standard Deviation				4.15%
Coefficient of Variation				-56.06%

With respect to The LP's real estate, we only located eight CEFs that were focused on real estate, but these funds are not directly invested in real estate assets. Therefore, CEFs were not used in our analysis of the discount applicable to the real estate.

Another proxy located was real estate limited partnership ("RELP") data compiled by Partnership Profile, Inc. ("PPI") in its online minority interest database. This database includes 46 publicly-registered real estate programs whose units (or shares) traded in the secondary market during various two-month periods from December 1, 2018 through September 30, 2019.

A summary of the discount data is summarized in Table 9.

TABLE 9
PPI RELP DISCOUNT DATA

Partnership	Number of Properties	Price to NAV	Discount	NAV	Revenue	Types of Properties	Borrowings /NAV	Yield /NAV
AEI Income & Growth Fund 24 LLC	8	0.787	21.30%	16,703,520	1,406,000	TNL	0.00%	5.70%
AEI Income & Growth Fund 25	14	0.897	10.30%	30,303,020	2,138,000	TNL	0.00%	5.40%
AEI Income & Growth Fund 26	8	0.832	16.80%	11,140,618	965,000	TNL	0.00%	3.30%
AEI Income & Growth Fund XXI	14	0.871	12.90%	15,327,897	1,044,000	TNL	0.00%	5.10%
AEI Net Lease Income & Growth Fund XX	17	0.883	11.70%	17,867,560	1,404,000	TNL	0.00%	6.20%
Benefit Street Partners Realty Trust (f/k/a Realty Finance Trust)	93	0.782	21.80%	736,944,563	82,288,000	MTG	231.90%	7.70%
Black Creek Diversified Property Fund (f/k/a Dividend Capital Diversified Property Fund)	99	0.882	11.80%	955,219,600	190,325,000	C,R	105.30%	5.10%
Carey Watermark Investors	34	0.87	13.00%	1,450,728,426	613,887,000	HTL	94.70%	5.50%
Carter Validus Mission Critical REIT	58	0.788	21.20%	975,826,202	60,125,000	TNL	23.20%	6.00%
Carter Validus Mission Critical REIT II	70	0.81	19.00%	1,262,312,739	177,332,000	TNL	65.20%	7.10%
CNL Healthcare Properties	144	0.71	29.00%	1,389,964,370	311,929,000	C, HLTH, MF	53.50%	2.60%
Cole Credit Property Trust IV	909	0.786	21.40%	2,693,449,075	431,276,000	TNL	93.90%	7.20%
Cole Credit Property Trust V	136	0.742	25.80%	331,855,764	54,352,000	TNL	105.60%	6.00%
Cole Office & Industrial REIT (CCIT II)	36	0.829	17.10%	743,276,834	106,612,000	TNL	81.40%	5.70%
Corporate Property Associates 18 - Global "A"	58	0.906	9.40%	1,276,593,121	216,716,000	TNL	97.40%	7.20%
DiVall Insured Income Properties 2	30	0.854	14.60%	17,586,400	1,392,000	TNL	0.00%	NSD
Griffin - American Healthcare REIT III	171	0.772	22.80%	1,851,112,622	1,136,508,000	C, HLTH, MF	78.40%	6.40%
Griffin - American Healthcare REIT IV	80	0.865	13.50%	660,692,423	84,467,000	C,MF	44.20%	6.30%
Griffin Capital Essential Asset REIT	56	0.853	14.70%	1,671,164,461	336,634,000	C	81.50%	6.90%
Griffin Capital Essential Asset REIT II	27	0.874	12.60%	745,799,860	106,394,000	C	65.70%	5.70%
Healthcare Trust Inc. (f/k/a American Realty Capital Healthcare Trust II)	166	0.746	25.40%	1,609,361,810	362,429,000	C,HLTH,MF	66.70%	4.90%
Highlands REIT	22	0.543	45.70%	305,091,046	44,006,000	C,R,MF,LAND	11.60%	0.00%
Hines Global REIT	34	0.831	16.90%	1,647,840,410	310,411,000	C,R,MF	41.10%	0.00%

TABLE 9
PPI RELP DISCOUNT DATA

Partnership	Number of Properties	Price to NAV	Discount	NAV	Revenue	Types of Properties	Borrowings /NAV	Yield /NAV
Hospitality Investors Trust (f/k/a American Realty Capital Hospitality Trust)	136	0.613	38.70%	360,429,924	606,059,000	HTL	480.70%	0.00%
Industrial Property Trust	278	0.849	15.10%	2,181,842,820	241,299,000	C	70.80%	4.60%
Inland Real Estate Income Trust	59	0.733	26.70%	711,106,311	129,217,000	R	99.70%	6.00%
InvenTrust Properties (f/k/a Inland American Real Estate Trust)	86	0.573	42.70%	2,287,675,225	242,674,000	C,HTL,MF,R	24.70%	2.30%
KBS Real Estate Investment Trust II	26	0.806	19.40%	923,000,730	143,374,000	C	45.20%	5.00%
KBS Real Estate Investment Trust III	27	0.79	21.00%	2,133,836,713	428,474,000	C,MF,R	102.90%	5.40%
KBS Strategic Opportunity REIT	27	0.702	29.80%	662,214,553	97,671,000	C,MF,LAND,R	100.20%	0.30%
KBS Strategic Opportunity REIT II	9	0.777	22.30%	292,507,702	70,649,000	C, HTL, MF, R	112.40%	1.00%
Lightstone Value Plus Real Estate Investment Trust	50	0.827	17.30%	280,228,560	40,171,000	C,HTL,MF,R	53.70%	5.90%
Lightstone Value Plus Real Estate Investment Trust II	23	0.856	14.40%	178,740,000	80,656,000	HTL,R	86.20%	7.00%
Lightstone Value Plus Real Estate Investment Trust III	11	0.758	24.20%	134,514,310	33,967,000	HTL,MF	59.20%	0.00%
Lightstone Value Plus REIT V (f/k/a Behringer Harvard Opportunity REIT II)	18	0.702	29.80%	198,464,026	28,245,000	C,HTL,MF,MW	71.30%	0.00%
Moody National REIT II	14	0.73	27.00%	248,031,520	80,841,000	HTL	93.00%	7.50%
New York City REIT (f/k/a American Realty Capital New York City REIT)	6	0.662	33.80%	627,866,476	62,843,000	C,R,PK	47.60%	0.00%
North Star Healthcare Income	664	0.461	53.90%	1,338,317,021	303,302,000	C, HLTH, MF	111.60%	0.00%
Phillips Edison & Company (f/k/a Phillips Edison Grocery Center REIT I)	236	0.693	30.70%	3,105,813,300	430,392,000	R	79.30%	6.00%
Smartstop Self Storage REIT (f/k/a Strategic Storage Trust II)	83	0.844	15.60%	617,969,250	80,412,000	MW	125.40%	5.60%
Steadfast Apartment REIT	34	0.79	21.00%	819,305,008	169,963,000	MF	129.00%	5.70%
Steadfast Apartment REIT III	10	0.799	20.10%	194,100,573	37,910,000	MF	145.10%	6.70%
Steadfast Income REIT	65	0.754	24.60%	701,711,307	141,989,000	MF	99.40%	5.90%
Strategic Realty Trust	20	0.737	26.30%	63,658,932	6,751,000	R	54.70%	4.10%

TABLE 9
PPI RELP DISCOUNT DATA

Partnership	Number of Properties	Price to NAV	Discount	NAV	Revenue	Types of Properties	Borrowings /NAV	Yield /NAV
Summit Healthcare REIT	14	0.647	35.30%	65,169,178	10,236,000	HLTH,MF	101.40%	0.00%
The Parking REIT	43	0.537	46.30%	164,224,205	22,100,000	PK	96.50%	0.00%
Average	92		23.15%	841,454,130	176,592,065		81.12%	4.33%
25th Percentile	18		15.00%	190,260,430	36,924,250		44.95%	1.65%
Median	35		21.25%	681,962,930	91,069,000		78.85%	5.50%
75th Percentile	88		27.50%	1,351,228,858	257,831,000		100.50%	6.10%

Types of Properties:

TNL	=	Triple Net Lease
R	=	Retail
C	=	Commercial
MF	=	Multi-Family
HTL	=	Hotel
LAND	=	Vacant Land
MW	=	Mini-Warehouse
MH	=	Mobile Home
MTG	=	Mortgage
PK	=	Parking Garage

The average and median discounts were 23.15 percent and 21.25 percent, respectively. In comparison to the RELPs, Sandals is smaller, less diversified and lacks the professional management and regulatory oversight of the management of the real estate portfolio. These factors would warrant a higher DLOC. However, the 90 percent limited partner has blocking power to prevent actions that require a unanimous vote. This factor would warrant a lower DLOC. Therefore, we used the median discount of 21.25 percent as a starting point.

When using PPI's price-to-value discount data, it is important to understand what this discount actually represents. PPI discusses this as follows:

> **<u>Discount for Marketability vs. Lack of Control</u>**
>
> For appraisers using data from this survey to value a nonlisted, noncontrolling interest in an entity owning real estate, the issue is not whether discounts are applicable when valuing such an interest, since such discounts clearly exist in the real world and can be empirically observed, but how much of the price-to-value discounts applicable to secondary market trading in limited partnerships and REITs reflects lack of marketability versus lack of control considerations. Indeed, the question most often posed to PPI by business valuation professionals, real estate appraisers and CPAs when using data from the annual discount surveys published by PPI to determine discounts for minority interests in real estate assets is how much of the overall price-to-value discount reflects *lack of marketability* versus *lack of control*.
>
> Although it is not possible to precisely quantify the amount of discount attributable to marketability versus lack of control considerations, it is the opinion of PPI, along with many appraisers, that most of the overall discount is due to lack of control issues. Here's why: While the secondary market is not a recognized securities exchange, it is a market where there are multiple bidders who stand ready to purchase the units of virtually any publicly-registered partnership or REIT that has value. And this has been the case for many years now, as evidenced by more than $1.8 billion of transactions that have occurred in this market from 1994 to 2019. As previously discussed, it is typically not a matter of whether the units of a partnership or REIT can be sold, but a matter of how long it takes to complete the sale and deliver the net sale proceeds into the hands of the seller.
>
> PPI has reviewed various methods for measuring the extent to which the total price-to-value discounts observed in the secondary market reflect marketability issues. One of these analyses considered the amount of time it takes to sell a publicly-held limited partnership or REIT interest in the secondary market and pay the net proceeds to the seller. (As previously noted, CTT has stated that the average amount of time required to actually

> disburse funds to a seller in this market is approximately 44 days from the date of sale.) Simply using the time-value-of-money approach, this analysis suggests that a relatively small portion of the overall discount is due to marketability. Specifically, the estimated portion of the discount for marketability is less than 10% of the overall discount.[24]

Therefore, we reduced the median discount of 21.25 percent by 10 percent to 19.10 percent on a rounded basis to account for the estimated portion of the discount that is attributable to marketability factors.

We used the median implied discounts for the various categories as a starting point. A weighted average DLOC was calculated based on the percentage of total fair market value of The LP made up of each category. The weighted average DLOC calculation appears in Table 10.

TABLE 10
WEIGHTED AVERAGE DLOC

	Fair Market Value	% of Total	DLOC Category	DLOC	Weighted Average DLOC
Cash & Deposits	$ 390,714	5.5%	None	0.00%	0.00%
Investment in MIP	4,688,938	65.5%	Equity CEFs	13.58%	8.89%
Notes Receivable, Net	1,054,326	14.7%	High Yield Bond CEFs	6.67%	0.98%
Real Estate	1,025,000	14.3%	RELPs	19.10%	2.73%
Total	**$ 7,158,979**	**100.0%**			**12.61%**
Rounded					**12.60%**

Note: Figures may not add due to rounding.

We considered various qualitative factors that impact the weighted average DLOC. The LP lacks the professional management and regulatory oversight of the publicly traded CEFs and RELPs. These factors warrant an increase to the weighted average DLOC. However, a 90 percent limited partner interest has blocking power and some voting control over

24 Partnership Profiles, Inc., *2019 Executive Summary on Partnership Re-Sale Discounts*.: 20.

matters that require a majority vote of the limited partners. All factors considered, no adjustments were made to the weighted average DLOC.

DISCOUNT FOR LACK OF MARKETABILITY

A DLOM is used to compensate for the difficulty of selling shares of stock that are not traded on a stock exchange compared with those that can be traded publicly. If an investor owns shares in a public company, he or she can pick up the telephone, call a broker, and generally convert the investment into cash within three days. That is not the case with an investment in a closely-held business. Therefore, publicly-traded stocks frequently have an element of liquidity that closely-held shares do not. This is the reason that a DLOM may be applied. It is intended to reflect the market's perceived reduction in value for not providing liquidity to the owner. Also, it is important to understand that liquidity is not an on-off switch, where you either have it or you do not. Rather, liquidity is a continuum where there are varying degrees in both the public market and for private companies.

A DLOM may also be appropriate when the shares have either legal or contractual restrictions placed upon them. These may be in the form of restricted stock, restrictions resulting from buy-sell agreements, bank loan restrictions or other types of contracts that restrict the sale of the shares.

DLOM - QUALITATIVE ANALYSIS

This section of the report includes a discussion and analysis of qualitative factors that should be considered when quantifying the DLOM.

RESTRICTED STOCK STUDIES

One of the most common sources of data for determining an appropriate level of a DLOM is studies involving restricted stock purchases. Revenue Ruling 77-287 refers to the

Institutional Investor Study Report of the Securities and Exchange Commission, which addresses restricted stock issues.[25] Many studies have updated this report.

Restricted stock (or letter stock, as it is sometimes called) is stock issued by a corporation that is not registered with the U.S. Securities and Exchange Commission ("SEC") and cannot be readily sold into the public market. The stock is frequently issued when a corporation is first going public, making an acquisition or raising capital. Corporations issue restricted stock rather than tradable stock mainly to avoid downward pressure on their stock price when an excessive number of shares are available for sale at any one time and to avoid the costs of registering the securities with the SEC.

The registration exemption on restricted stocks is granted under Section 4(2) of the 1933 Securities Act. The intent of this section is to provide "small" corporations with the ability to raise capital without incurring the costs of a public offering. Regulation D, a safe harbor regulation that became effective in 1982, falls under Section 4(2) and provides uniformity in federal and state securities' laws regarding private placements of securities. Securities bought under Regulation D are subject to restrictions, the most important being that the securities cannot be resold without either registration under the act or an exemption.[26] The exemptions for these securities are granted under Rule 144, which states:

> Rule 144 (17 C.F.R. 230.144 1980) allows the limited resale of unregistered (restricted) securities after a minimum holding period of two years. Resale is limited to the higher of 1 percent of outstanding stock or average weekly volume over a 4 week period prior to the sale, during any three month period. There is no quantity limitation after a four year holding period.[27]

Therefore, to sell their stock on the public market, holders of restricted stock must either register their securities with the SEC or qualify for a Rule 144 exemption. A holder of restricted stock can, however, trade the stock in a private transaction. Historically, when traded privately, the restricted stock transaction was usually required to be registered with

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[25] "Discounts Involved in Purchases of Common Stock (1966-1969)," *Institutional Investor Study Report of the Securities and Exchange Commission*, H.R. Doc. No. 64, Part 5, 92d Cong., 1st Sess. 1971: 2444-2456.

[26] Kasim L. Alli and Donald J. Thompson II, "The Value of the Resale Limitation on Restricted Stock: An Option Theory Approach," *Valuation* (1991): 23.

[27] Ibid.: 23.

the SEC. However, in 1990, the SEC adopted Rule 144A, which relaxed the SEC filing restrictions on private transactions. The rule allows qualified institutional investors to trade unregistered securities among themselves without filing registration statements. The primary purpose of Rule 144A was to make it easier for institutions that were prohibited from dealing in illiquid securities to buy and sell debt securities from large publicly-traded corporations privately without the need for extensive SEC filings. In 1997, this rule was changed again, shortening the required holding period for these stocks to one year. In 2007, this rule was revised again, further shortening the holding period to six months effective in 2008.

A summary of the changes to Rule 144 is contained in Table 11.

TABLE 11
CHANGES TO RULE 144

	Notes	1971 - 1983	1983 - 1990	1990 - 1997	1997 - 2007	2008 -
Announced Date		n/a	n/a	n/a	2/20/1997	11/15/2007
Effective Date	[a]	1/11/1972	9/23/1983	4/1/1990	4/29/1997	2/15/2008
Affiliates						
Initial Holding Period						
Reporting Issuers		2 Years	2 Years	2 Years	1 Year	6 Months
Nonreporting Issuers		2 Years	2 Years	2 Years	1 Year	1 Year
Tacking?	[b]	No	No	Yes	Yes	Yes
Volume Limitations	[c]					
Reporting Issuers		Indefinitely	Indefinitely	Indefinitely	Indefinitely	Indefinitely
Nonreporting Issuers		Indefinitely	Indefinitely	Indefinitely	Indefinitely	Indefinitely
Non-Affiliates						
Initial Holding Period						
Reporting Issuers		2 Years	2 Years	2 Years	1 Year	6 Months
Nonreporting Issuers		2 Years	2 Years	2 Years	1 Year	1 Year
Tacking?	[b]	No	No	Yes	Yes	Yes
Volume Limitations	[c][d]					
Reporting Issuers - Current		Indefinitely	3 Years	3 Years	2 Years	6 Months
Reporting Issuers - Noncurrent		Indefinitely	3 Years	3 Years	2 Years	1 Year
Nonreporting Issuers		Indefinitely	3 Years	3 Years	2 Years	1 Year

Highlighted items signify changes to Rule 144 versus the immediately prior period.
[a] Amendments to Rule 144 are applicable to securities acquired before or after the Effective Date.
[b] Allows purchases by nonaffiliates to tack the prior nonaffiliate owner's holding period onto his/her own.
[c] For exchange-listed and Nasdaq-quoted securities, up to the greater of: (i) 1% of the outstanding shares of the same class being sold; or (ii) the average reported weekly trading volume during the four weeks preceding each sale. For OTC securities (OTCBB and Pink Sheets), up to 1% of the outstanding shares of the same class being
[d] Time period includes the Initial Holding Period. As an example, between 1997 and 2008, after one year nonaffiliates may begin to sell shares in accordance with Rule 144's volume limitations. After one additional year (two years total from the date of acquisition of the restricted shares), the shares may be sold freely.

The overall effect of these regulations on restricted stock is that when the shares are issued, the corporation is not required to disclose a price and on some occasions, even when they are traded, the values of the restricted securities are not required to be a matter of public record.

Various studies have been performed relating to restricted stocks. Each of these studies attempts to quantify the discount taken against the freely-traded price of noncontrolling shares in the public market. A list of the more frequently cited studies is included in Table 12.

TABLE 12
RESTRICTED STOCK STUDIES

Study	Years Covered In Study	Average Discount (%)
SEC Overall Average[a]	1966-1969	25.8
SEC Non-Reporting OTC Companies[a]	1966-1969	32.6
Gelman Study[b]	1968-1970	33.0
Trout Study[c]	1968-1972	33.5[i]
Moroney Study[d]	[h]	35.6
Maher Study[e]	1969-1973	35.4
Standard Research Consultants[f]	1978-1982	45.0[i]
Willamette Management Associates[g]	1981-1984	31.2[i]
Silber Study[j]	1981-1988	33.8
FMV Study[k]	1979-April 1992	23.0
FMV Restricted Stock Study[l]	1980-1997	22.3
Management Planning Study[m]	1980-1995	27.7
Bruce Johnson Study[n]	1991-1995	20.0
Columbia Financial Advisors[o]	1996-February 1997	21.0
Columbia Financial Advisors[o]	May 1997-1998	13.0
MPI Updated Study[p]	2000-2007	14.6
Trugman Valuation Associates[q]	2007-2008	18.1
Trugman Valuation Associates[q]	January-November 2007	17.6
Trugman Valuation Associates[r]	November 2007-2010	15.9
Stout Updated Study[s]	1980-September 19, 2020	20.6
Pluris DLOM Database[t]	2001-2012	22.4
SRR Restricted Stock Study[u]	September 2005-May 2010	9.3

Notes:

[a] From "Discounts Involved in Purchases of Common Stock (1966-1969)," *Institutional Investor Study Report of the Securities and Exchange Commission*. H.R. Doc. No. 64, Part 5, 92d Cong., 1st Sess. 1971: 2444-2456.

[b] From Milton Gelman, “An Economist-Financial Analyst’s Approach to Valuing Stock of a Closely Held Company,” *Journal of Taxation*, June 1972: 353-354.

[c] From Robert R. Trout, “Estimation of the Discount Associated with the Transfer of Restricted Securities,” *Taxes*, June 1977: 381-385.

[d] From Robert E. Moroney, “Most Courts Overvalue Closely-held Stock,” *Taxes*, March 1973: 144-154.

[e] From J. Michael Maher, “Discounts for Lack of Marketability for Closely-Held Business Interests,” *Taxes*, September 1976: 562-571.

[f] From “Revenue Ruling 77-287 Revisited,” *SRC Quarterly Reports*, Spring 1983: 1-3.

[g] From Willamette Management Associates study (unpublished).

[h] Although the years covered in this study are likely to be 1969-1972, no specific years were given in the published account.

[I] Median discounts.

[j] From William L. Silber, “Discounts on Restricted Stock: The Impact of Illiquidity on Stock Prices,” *Financial Analysts Journal*, July-August 1991: 60-64.

[k] Lance S. Hall and Timothy C. Polacek, “Strategies for Obtaining the Largest Discount,” *Estate Planning*, January/February 1994: 38-44. In spite of the long time period covered, this study analyzed just over 100 transactions involving companies that were generally not the smallest capitalization companies. It supported the findings of the *SEC Institutional Investor Study* in finding that the discount for lack of marketability was higher for smaller capitalization companies.

[l] Espen Robak and Lance S. Hall, “Bringing Sanity to Marketability Discounts: A New Data Source,” *Valuation Strategies*, July/August 2001: 6-13, 45-46.

[m] Robert P. Oliver and Roy H. Meyers, “Discounts Seen in Private Placements of Restricted Stock: The Management Planning, Inc. Long-Term Study (1980-1995)” published in Chapter 5 of Robert F. Reilly and Robert P. Schweihs, eds. *The Handbook of Advanced Business Valuation* (New York: McGraw-Hill, Inc., 2000).

[n] Bruce Johnson, “Restricted Stock Discounts, 1991-1995,” *Shannon Pratt’s Business Valuation Update,* March 1999: 1-3. Also, “Quantitative Support for Discounts for Lack of Marketability,” *Business Valuation Review*, December 1999: 152-155.

[o] Kathryn Aschwald, “Restricted Stock Discounts Decline as a Result of 1-Year Holding Period,” *Shannon Pratt’s Business Valuation Update*, May 2000: 1-5. This study focuses on the change in discounts as a result of the holding period reduction from two years to one year.

[p] From *MPI Perspectives*, Winter 2009.

[q] William Harris, “Trugman Valuation Associates, Inc. (“TVA”) Restricted Stock Study,” *Business Valuation Review*, Fall 2009: 128-139.

[r] William Harris, “Trugman Valuation Associates, Inc. (“TVA”) Restricted Stock Study - An Update,” *Business Valuation Review*, Winter 2011: 132-139.

[s] Stout Database, through September 19, 2020.

[t] From Espen Robak, “An Updated Approach to Marketability Discounts: Evidence from the Pluris DLOM Database,” *Valuation Strategies*, May/June 2010.

[u] Aaron M. Stumpf, Robert L. Martinez and Christopher T. Stallman, “The Stout Risius Ross Restricted Stock Study: A Recent Examination of Private Placement Transactions from September 2005 through May 2010,” *Business Valuation Review*, Spring 201: 7-19.

SEC INSTITUTIONAL INVESTOR STUDY

As part of a major study of institutional investor actions performed by the SEC, the amount of discount at which transactions in restricted stock took place compared to the price of otherwise identical but unrestricted stock on the open market was addressed. The report introduced the study with the following discussion about restricted stock:

> Restricted securities are usually sold at a discount from their coeval market price, if any, primarily because of the restrictions on their resale. With the information supplied by the respondents on the purchase prices of the common stock and the dates of transaction, the Study computed the implied discounts in all cases in which it was able to locate a market price for the respective security on the date of the transaction.[28]

The data in the study shows that about half of the transactions, in terms of real dollars, took place at discounts ranging from 20 to 40 percent.

The discounts were lowest for those stocks that would be tradable when the restrictions expired on the New York Stock Exchange and highest for those stocks that could be traded in the over-the-counter market when the restrictions expired. For those whose market would be over-the-counter when the restrictions expired, the average discount was approximately 35 percent. When considering closely-held companies whose shares had no prospect of any market, the discount would have to be higher.

The research from the SEC’s *Institutional Investor Study Report* was the foundation for SEC Accounting Series Release No. 113, dated October 13, 1969 and No. 118, dated December 23, 1970, which require investment companies registered under the Investment

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[28] “Discounts Involved in Purchases of Common Stock (1966-1969),” *Institutional Investor Study Report of the Securities and Exchange Commission*, House Document No. 92-64, Part 5, 92d Congress, 1st Session, 1971: 2444.

Company Act of 1940 to disclose their policies about the cost and valuation of their restricted securities. As a result of the study, there is now an ongoing body of data about the relationship between restricted stock prices and their freely-tradable counterparts. This body of data can provide empirical benchmarks for quantifying marketability discounts.

GELMAN STUDY

In 1972, Milton Gelman, with National Economic Research Associates, Inc., published the results of his study of prices paid for restricted securities by four closed-end investment companies specializing in restricted securities investments.[29] Gelman used data from 89 transactions from between 1968 and 1970 and found that both the average and median discounts were 33 percent and that almost 60 percent of the purchases were at discounts of 30 percent and higher. This data is consistent with the SEC study.

MORONEY STUDY

An article published in the March 1973 issue of *Taxes*,[30] authored by Robert E. Moroney of the investment banking firm Moroney, Beissner & Co., contained the results of a study of the prices paid for restricted securities by 10 registered investment companies. The study included 146 purchases at discounts ranging from 3 to 90 percent, with an average discount of approximately 33 percent. Despite the fairly broad range, the average discount was in line with the other studies.

In this article, Moroney compared the evidence of actual cash transactions with the lower average discounts for lack of marketability determined in some previous estate and gift tax cases. He stated that there was no evidence available about the prices of restricted stocks at the times of these other cases that could have been used as a benchmark to help quantify these discounts. However, he suggested that higher discounts for lack of marketability should be allowed in the future as more relevant data becomes available. He stated,

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[29] Milton Gelman, "Economist-Financial Analyst's Approach to Valuing Stock of a Closely Held Company," *Journal of Taxation*, June 1972: 353-354.

[30] Robert E. Moroney, "Most Courts Overvalue Closely Held Stocks," *Taxes*, March 1973: 144-156.

> Obviously the courts in the past have overvalued minority interests in closely held companies for federal tax purposes. But most (probably all) of those decisions were handed down without benefit of the facts of life recently made available for all to see.
>
> Some appraisers have for years had a strong gut feeling that they should use far greater discounts for non-marketability than the courts had allowed. From now on those appraisers need not stop at 35 per cent merely because it's perhaps the largest discount clearly approved in a court decision. Appraisers can now cite a number of known arm's length transactions in which the discount ranged up to 90 per cent.[31]

Approximately four years later, Moroney authored another article in which he stated that courts have started to recognize higher discounts for lack of marketability:

> The thousands and thousands of minority holders in closely held corporations throughout the United States have good reason to rejoice because the courts in recent years have upheld illiquidity discounts in the 50% area.*
>
> **Edwin A. Gallun*, CCH Dec. 32,830(M), 33 TCM 1316 (1974) allowed 55%. *Est. of Maurice Gustave Heckscher*, CCH Dec. 33,023, 63 TC 485 (1975) allowed 48%. Although *Est. of Ernest E. Kirkpatrick*, CCH Dec. 33,524(M), 34 TCM 1490 (1975) found per share values without mentioning discount, expert witnesses for both sides used 50%–the first time a government witness *recommende*d 50%. A historic event, indeed![32]

MAHER STUDY

J. Michael Maher, with Connecticut General Life Insurance Co., conducted another interesting study on DLOMs for closely-held business interests. The results of this well-documented study were published in the September 1976 issue of *Taxes*.[33] Using an approach that was similar to Moroney's, Maher compared prices paid for restricted stocks with the market prices of their unrestricted counterparts. The data used covered the five-year period from 1969 through 1973. The study showed that "the mean discount for lack of marketability for the years 1969 to 1973 amounted to 35.43 percent."[34] In an attempt to

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[31] Ibid.: 154.

[32] Robert E. Moroney, "Why 25% Discount for Nonmarketability in One Valuation, 100% in Another?" *Taxes*, May 1977: 320.

[33] J. Michael Maher, "Discounts for Lack of Marketability for Closely Held Business Interests," *Taxes*, September 1976: 562-571.

[34] Ibid.: 571.

eliminate abnormally high and low discounts, Maher eliminated the top and bottom 10 percent of the purchases. The results showed an average discount of 34.73 percent, almost the exact same discount that was derived without the top and bottom items removed.

Maher's remarks are a good learning tool, as he distinguished between a DLOM and a DLOC. He said,

> The result I have reached is that most appraisers underestimate the proper discount for lack of marketability. The results seem to indicate that this discount should be about 35%. Perhaps this makes sense because by committing funds to restricted common stock, the willing buyer (a) would be denied the opportunity to take advantage of other investments, and (b) would continue to have his investment at the risk of the business until the shares could be offered to the public or another buyer is found.
>
> The 35% discount would *not* contain elements of a discount for a minority interest because it is measured against the current fair market value of securities actively traded (other minority interests). Consequently, appraisers should also consider a discount for a minority interest in those closely held corporations where such a discount is applicable.[35]

TROUT STUDY

The next study was performed by Robert R. Trout who was with the Graduate School of Administration, University of California, Irvine and Trout, Shulman & Associates. Trout's study of restricted stocks covered the period from 1968 to 1972 and addressed purchases of these securities by mutual funds. Trout attempted to construct a financial model that would provide an estimate of the discount appropriate for a private company's stock.[36] Creating a multiple regression model involving 60 purchases, Trout measured an average discount of 33.45 percent for restricted stock from freely-traded stock.

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[35] Ibid.: 571.

[36] Robert R. Trout, "Estimation of the Discount Associated with the Transfer of Restricted Securities," *Taxes*, June 1977: 381-385.

STANDARD RESEARCH CONSULTANTS STUDY

In 1983, Standard Research Consultants analyzed private placements of common stock to test the current applicability of the SEC's *Institutional Investor Study*.[37] Standard Research studied 28 private placements of restricted common stock from October 1978 through June 1982. Discounts ranged from seven to 91 percent, with a median of 45 percent, a bit higher than seen in the other studies.

Only four of the 28 companies studied had unrestricted common shares traded on either the American Stock Exchange or the New York Stock Exchange and their discounts ranged from 25 to 58 percent, with a median of 47 percent, which was not significantly different from the 45 percent median of the remaining companies that traded in the over-the-counter market.

WILLAMETTE MANAGEMENT ASSOCIATES, INC. STUDY

Willamette Management Associates analyzed private placements of restricted stocks for the period January 1, 1981 through May 31, 1984.[38] In discussing the study, Willamette stated that the early part of this unpublished study overlapped the last part of the Standard Research study, but there were very few transactions that took place during the period of overlap. According to the discussion of the study in *Valuing a Business*, most of the transactions in the study took place in 1983.

Willamette identified 33 applicable transactions that could be classified with reasonable confidence as arm's-length transactions and for which the price of the restricted shares could be compared directly with the price of trades in otherwise identical but unrestricted shares of the same company at the same time. The median discount for the 33 restricted stock transactions compared to the prices of their freely-tradable counterparts was 31.2 percent, a little bit lower than the other studies, but substantially lower than the study by Standard Research.

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[37] "Revenue Ruling 77-287 Revisited," *SRC Quarterly Reports*, Spring 1983: 1-3.

[38] Shannon P. Pratt, et al., *Valuing a Business*, Fifth Edition: 425.

In *Valuing a Business*, Pratt attributed the slightly lower average percentage discounts for private placements during this time to the somewhat depressed prices in the public stock market, which in turn were in response to the recessionary economic conditions prevalent during most of the period of the study. Taking this into consideration, the study basically supports the long-term average discount of 35 percent for transactions in restricted stock compared with the prices of their freely-tradable counterparts.

SILBER RESTRICTED STOCK STUDY

In 1991, another study of restricted stock was published, which included transactions from the period 1981 through 1988. This study, by William L. Silber, substantiated the earlier restricted stock studies, finding an average price discount of 33.75 percent.[39] Silber identified 69 private placements involving common stock of publicly-traded companies. The restricted stock in this study could be sold under Rule 144 after a two-year holding period. Silber, like Trout, tried to develop a statistical model to explain the price differences between securities that differ in resale provisions. Silber concluded that the discount on restricted stock varies directly with the size of the block of restricted stock relative to the amount of publicly-traded stock issued by the company. He found that the discounts were larger when the block of restricted stock was large compared to the total number of shares outstanding. Silber also noted that the size of the discount was inversely related to the creditworthiness of the issuing company.

STOUT ONLINE DATABASE

Stout analyzed slightly more than 100 transactions involving companies tending to have larger capitalizations. As reported in other studies, discounts tend to be higher among smaller companies and lower with larger companies.

Stout has been updating its study and it is now an online database containing over 750 transactions that took place between 1980 and September 19, 2020. Excluding transactions that occurred at a premium, the average discount is 20.6 percent and the median discount is 15.8 percent. The study found that smaller, less profitable entities, with

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[39] William L. Silber, “Discounts on Restricted Stock: The Impact of Illiquidity on Stock Prices,” *Financial Analysts Journal*, July - August 1991: 60-64.

a higher degree of income and balance sheet risk and greater stock volatility tend to issue restricted stock at higher discounts.

MANAGEMENT PLANNING, INC. STUDY

The primary criteria for Management Planning, Inc.'s study was to identify companies that had made private placements of unregistered common shares that would, except for the restrictions on trading, have similar characteristics to that company's publicly-traded shares. Companies included in the study had to have more than $3 million in annual sales and be profitable for the year immediately prior to the private placement. The companies had to be domestic corporations, not considered to be in "a development stage" and the common stock of the issuing companies had to sell for at least $2 per share.

Management Planning analyzed 200 private transactions involving companies with publicly-traded shares. Of the 200, 49 met the base criteria described. Of these, the average mean discount was 27.7 percent, while the average median discount was 28.8 percent.[40]

A more detailed analysis of the Management Planning study indicated a large range of discounts relative to the sample companies, due to varying degrees of revenues, earnings, market share, price stability and earnings stability. The average revenues for the companies selected for review were $47.5 million, however, the median revenues were $29.8 million, indicating that the average sales figure was impacted by a few companies that were significantly larger than the others. The average discount for companies with revenues less than $10 million was 32.9 percent.

In 2008, Management Planning preformed another study of private placements that took place between 2000 and 2007. They began with 2,000 transactions and settled on 1,600. The average discount was 14.6 percent. Of these companies, 100 had registered the stock and the average discount was 9.5 percent.

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[40] Z. Christopher Mercer, *Quantifying Marketability Discounts*, (Peabody Publishing L.P., Memphis, NT; 1997): 345-363.

BRUCE JOHNSON STUDY

Bruce Johnson studied 72 private placement transactions that occurred from 1991 through 1995, covering the first half of the decade after the Rule 144 restrictions were relaxed. The range was a 10 percent premium to a 60 percent discount, with an average discount for these 72 transactions of 28 percent. The results seem to indicate that discounts are lower when the holding period is shorter.

COLUMBIA FINANCIAL ADVISORS, INC. RESTRICTED STOCK STUDIES

Columbia Financial Advisors, Inc. ("CFAI") conducted an analysis of restricted securities from January 1, 1996 to April 30, 1997 that were transacted. Using 23 private common equity placement transactions (eight involving restricted securities and 15 involving private placements with no registration rights), the average discount was 21 percent, with a median discount of 14 percent. The 1990 adoption of Rule 144A seemed to have had an effect on these discounts.

CFAI conducted a second study to assess the effects of another change to Rule 144 as of April 29, 1997, when mandatory holding periods were reduced from two years to one year. CFAI analyzed 15 transactions where the stock was privately placed. The average discount for this group was 13 percent, with a median of 9 percent. These discounts were clearly impacted by the shorter holding period.

TRUGMAN VALUATION ASSOCIATES, INC. RESTRICTED STOCK STUDIES

TVA conducted an analysis of private placements of restricted stock for 2007 and 2008. Analyzing 80 transactions, the average discount was 18.1 percent and the median discount was 14.4 percent. The TVA Restricted Stock Study was the first study published after the Rule 144 holding period was reduced to six months, which became effective on February 15, 2008.

TVA performed a more detailed analysis of the 80 private placement transactions by examining the impact that certain variables had on the magnitude of the implied discounts. The study analyzed variables related to risk, liquidity, size, earning capacity and contractual rights.

The first part of the analysis included an examination of the linear relationships between the different variables and the magnitude of the implied discounts. These linear relationships were measured by performing a correlation analysis, which is a statistical technique that can show how strongly pairs of variables are related. The correlation analysis revealed that stock price volatility, which in this instance was measured by the stock's one-year annualized, historical daily price volatility, had a solid linear relationship with the magnitude of the implied discount. In this instance, stock price volatility had an R-squared statistic of 0.60, which means that 60 percent of the variation in the implied discounts included in the sample are explained by the price volatility of the underlying security.

Other variables that had notable relationships with the size of the discount included the exchange the stock was traded on, the number of shares placed in relation to the stock's trading volume and the period of time in which the stock remained unmarketable. Stocks traded on the Over-the-Counter Bulletin Board Exchange, transactions with a large number of shares placed in relationship to the stock's trading volume and stocks that remained unmarketable for longer periods of time, on average, had higher discounts.

The second part of the analysis performed by TVA consisted of dividing the data into four quartiles based on the different variables. This analysis revealed that discounts tend to be higher for transactions with longer holding periods, transactions involving financially distressed companies and transactions involving illiquid offerings.

TVA concluded that although the 18.1 percent average implied discount falls below the range of previous studies, various company-specific and transaction-specific factors can warrant a discount significantly higher or lower than the average.

In 2011, TVA published an update to its restricted stock study, which analyzed data from 2007 to 2010. The purpose of this update was to analyze the impact of the changes to the Rule 144 holding period, as well as to update the statistical analysis that was performed in the first study. The restricted stock study update included an analysis of 136 transactions. Forty-seven of these transactions took place before the change to the Rule 144 holding period, while 89 transactions took place after the rule change. The average and median discounts were 17.9 and 14.8 percent, respectively, before the rule change and 15.9 and 14.2 percent, respectively, after the rule change.

While decreases in the average and median discounts took place before and after the rule change, the decreases were not as drastic as one would expect. A possible explanation for this is the level of volatility that was present in the marketplace during these two time periods. In late 2008 and the beginning of 2009, stock market volatility, as measured by the Chicago Board of Options Exchange Volatility Index ("VIX"), was extremely high in comparison to 2007. Considering that the change to the Rule 144 holding period was announced in November 2007 and became effective in February 2008, the transactions that occurred after the rule change took place during a more highly volatile market.

PLURIS STUDY

In this study, Pluris analyzed 1,016 private placements of unregistered common stock from the first quarter of 2007 through the third quarter of 2009. After eliminating certain transactions based on the analysis criteria selected, Pluris studied 681 transactions. Pluris found that the average discount for these transactions was 18.8 percent, while the median was 18.6 percent. Similar to the findings of other studies, Pluris found that the highest discount quintile had lower than average market capitalization, higher volatility and greater market-to-book ratios.

STOUT RISIUS ROSS STUDY

The Stout Risius Ross ("SRR") study included transactions from September 2005 through May 2010. After screening these transactions based on a number of selected criteria, SRR analyzed 98 transactions. Based on these transactions, the average discount was 10.9 percent and the median discount was 9.3 percent.

SRR analyzed various factors and how they affect the DLOM. A strong relationship was found between subject company volatility, block size, dividends and profitability. Growth, size and leverage showed a moderate relationship, while financial distress, recent price performance and registration rights did not show any type of conclusive relationship.

REVENUE RULING 77-287

In Revenue Ruling 77-287, the IRS specifically recognized the relevance of the data about discounts for restricted stocks. The purpose of the ruling was "to provide information and guidance to taxpayers, IRS personnel and others concerned with the valuation, for Federal tax purposes, of securities that cannot be immediately resold because they are restricted from resale pursuant to Federal security laws."[41] The ruling specifically acknowledges the conclusions of the SEC's *Institutional Investor Study* and the values of restricted securities purchased by investment companies as part of the "relevant facts and circumstances that bear upon the worth of restricted stock."

All of the studies regarding restricted stock deal with noncontrolling blocks of stock in public companies. Therefore, the restricted stock studies may be a useful guide in assessing a DLOM for a noncontrolling interest. The average DLOM ranges between 25 and 45 percent based on the studies discussed.

STOUT DLOM CALCULATOR™[42]

One of the models used in this valuation is the Stout DLOM Calculator™ created by SRR, the author of the Stout Restricted Stock Study ("Stout Study"). This tool includes 759 transactions that occurred between 1980 and September 19, 2020.

Most of the transactions in the Stout Study were discovered through searches using a number of sources, including Security Data Corp., SDC; EDGAR and EDGAR Pro; Dow Jones News Retrieval; Disclosure CompactD/SEC and S&P Corporate Transactions Records. More recent transactions come from Sagient Research, a data research company that compiles PIPE transactions. For each transaction identified, Stout states that it reviewed all relevant public filings and exhibits thereto, including but not limited to forms 8K, 10K, 10Q, S-1, S-3, S-4, stock purchase agreements and registration rights agreements. Overall, thousands of private placement transactions were reviewed during the construction of the Stout Study. Transactions were eliminated from the study for the following reasons:

1. The transaction was not a private placement of unregistered shares (i.e., the stock was registered prior to the transaction date), or the

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[41] Revenue Ruling 77-287 (1977-2 C.B. 319), Section I.

[42] The information about this product is provided in "Stout Restricted Stock Study Companion Guide" (Business Valuation Resources: 2019).

stock was registered and became fully marketable within 30 days of the transaction.

2. The private placement included debt, preferred stock, convertible preferred stock, or some kind of hybrid equity-derivative security (the security issued must be identical to the publicly traded common stock in all respects other than its unregistered status).

3. The private placement was issued as part of a stock-warrant unit or had warrants attached, or detachable warrants or options were issued with the common stock.

4. The transaction did not close (i.e., was announced and later withdrawn).

5. The stock was not traded on a domestic exchange; the underlying company is a 6-K filing foreign company (as opposed to an 8-K filing domestic company).

6. The stock traded below $1 for the entire month of the transaction, or the trading volume is extremely low.

7. We were unable to determine the private placement discount because significant pieces of information were unavailable, such as the following:

    a. The market reference price for the fully liquid shares was unavailable;
    b. The private placement transaction price was unavailable; and
    c. Only the net transaction proceeds to the issuer were reported publicly (net of unknown transaction costs and fees), not the gross purchase price.

8. There were special contractual arrangements between buyer and seller limiting either the economic upside or downside of the buyer (e.g., an agreement to increase the number of shares purchased if the market trading price were to fall below a certain level within some specified period of time).

9. The stock was issued in connection with a strategic business relationship, a merger or acquisition, in exchange for services or in connection with any other transaction that could cast doubt on the fair market value of the restricted stock.

10. The lead purchaser in the transaction was, based on explicit language provided in the issuer's public filings (or, if not explicitly stated, based on our best judgment considering all available evidence), a ‘related party’ or received one or more seats on the issuer's board of directors as a result of the transaction.

11. Transactions indicating premiums (negative discounts) in the study were removed. While we do not have access to the underlying

> purchase contracts, we believe that many of these premiums may be the result of an investment opportunity not available to other investors or an unidentifiable relationship with the seller.[43]

Using the Stout DLOM Calculator™, the DLOM is calculated by dividing the difference between the private placement price and the market reference price by the market reference price. The market reference price is represented by the high-low average stock price for the month of the transaction because for many transactions in the study, only the month of the transaction, not the exact transaction date, is specified.

The issue is to determine which company-specific and broader market variables are relevant determinants of the DLOM. In general, these variables relate to the issuer's risk profile, the degree of liquidity of the privately-placed stock and the overall level of stock market volatility around the time of the transaction.

Each transaction in the Stout Study occurring after June 1990 includes a VIX variable, which represents the level of expected future volatility in equity markets around the time of the transaction. Many valuation analysts have determined that a public company's stock price volatility is a key determinant of the DLOM. The real issue, however, is that the volatility of private company stock can be extremely difficult (if not impossible) to estimate. In response to this dilemma, Stout has made an empirical connection between DLOMs and overall stock market volatility, making it possible to incorporate stock market volatility as a consideration when determining DLOMs for noncontrolling, nonmarketable interests in private companies. This is especially important for valuations with valuation dates during 2008 and 2009, when stock markets demonstrated unprecedented levels of volatility and when, as a result, investors fled to the safety of highly liquid, low volatility assets such as short-term Treasury bills.

The main conclusions of the Stout Study are that the magnitude of the DLOM is

Negatively correlated with:

1. The issuing firm's market value of equity;
2. The issuing firm's revenues;
3. The issuing firm's total assets;
4. The issuing firm's book value of shareholders' equity; and

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43 Ibid.: 17.

5. The issuing firm's net profit margin.

Positively correlated with:

1. The issuing firm's MTB ratio;
2. The issuing firm's stock price volatility;
3. The block size of the placement, described as a percentage of the total ownership; and
4. The level of market volatility prevailing as of the transaction date, as measured by VIX.[44]

When valuing noncontrolling interests in privately-held entities, valuation analysts often use a valuation framework with three different levels of value: control; noncontrolling, marketable (publicly-traded equivalent); and noncontrolling, nonmarketable (private equity). However, the difference between the public and private levels of value can be further refined by another, intermediate, level of value-the restricted stock equivalent value. This is helpful because there is no empirical data available that provides a directly observable measure of the difference between the public and private equity levels of value. Through this more detailed framework, we can measure the DLOM for noncontrolling interests in private companies more accurately by first determining the discount applicable as if the company was a public company issuing restricted stock through an empirical comparison with actual restricted stock issuers. From there, we can determine a discount increment to account for the greater illiquidity of private company stock versus typical restricted stock in public companies.

There are several important differences between restricted stock in public companies and private company interests. However, the difference is one of degree and not of kind. That is, interests in private entities and the restricted stock of public entities are both illiquid securities. Furthermore, in both cases, their illiquidity is a function of being cut off from public markets. In the case of restricted stock, this condition is a temporary one, whereas for private entities it is more long-lasting and in many cases, even permanent. It is important to note that both restricted stock in public companies and interests in private entities may generally be sold at any time in private transactions. What they each lack is access to public markets.

An analysis of the Stout Study data suggests that the most important determinants of the DLOM are (1) the issuing firm's financial and market risk; (2) the level of stock market

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[44] Ibid.: 25.

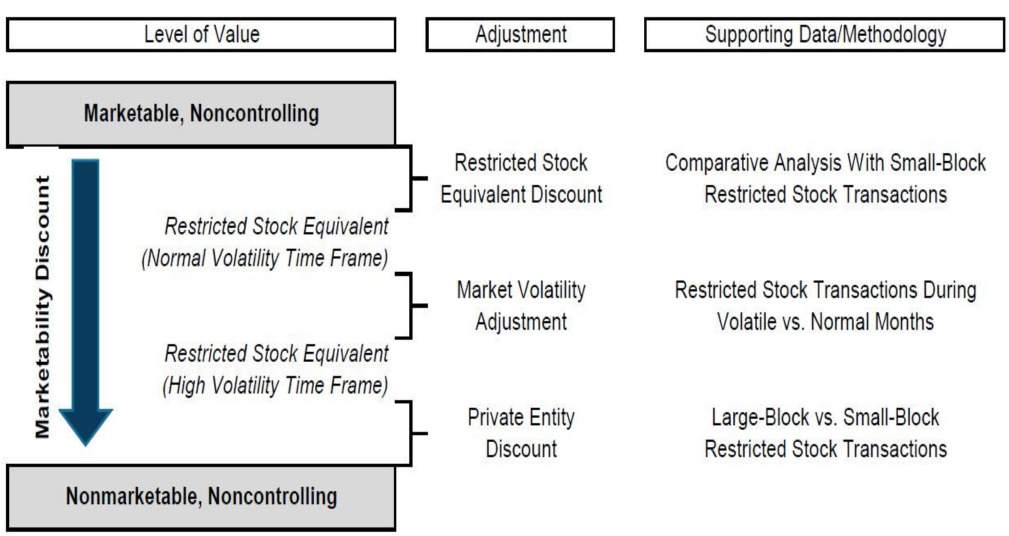
volatility prevailing around the transaction date and (3) the degree of liquidity of the securities. Accordingly, Stout's determination of the appropriate DLOM for noncontrolling interests in private companies involves a three-step analysis:

1. *Restricted stock equivalent discount (RSED)* – The discount applicable to the shares (or other equity interest) in a private company, as if they were typical restricted shares in a public company. The determination of the RSED is based on a comparative analysis of the subject company and the companies in the study issuing small blocks of restricted stock (less than 30% shares placed).

2. *Market volatility adjustment* – The adjustment to the RSED required in the event that equity markets demonstrate unusually high volatility around a given valuation date. The adjustment factor is derived from a comparison of the transactions in the study occurring during months with normal trailing six-month average VIX values versus those occurring during months with very high trailing six-month average VIX values. The result of applying the market volatility adjustment to the RSED is the adjusted restricted stock equivalent discount, referred to hereinafter as the *'ARSED.'*

3. *Private equity discount (PED)* – The discount required for a private entity, which reflects the fact that interests in private entities are significantly less liquid than all but the most illiquid issues (i.e., the largest blocks) of restricted stock in public companies. The adjustment to go from the ARSED to the PED is based on the adjustment factors derived from the comparison of discounts associated with small-block versus large-block transactions in the study.

These three steps relate to the alternative levels of value framework as shown in the following diagram.



We used the Stout DLOM Calculator™ by inserting the following financial data of Sandals into the calculator:

Market Value of Equity[1]	$ 6,300,000
Revenues	760,000
Total Assets	7,200,000
Partners' Equity	7,200,000
Net Income	530,000

[1] Marketable value for the subject company as determined in this valuation.

The next step in the analysis is to determine the appropriate amount of weight to apply to each metric. In determining the appropriate weights, the valuation analyst gave higher consideration to the balance sheet metrics. Sandals is an asset-holding company, so balance sheet values are important factors.

Based on the financial metrics entered, the calculator determined the restricted stock equivalent discount ("RSED") for Sandals as follows:

	Subject Company Value	Stout Study Quintile	Discount Indication	Selected Weight
Size Characteristics				
Market Value (000s)	$ 6,300	5th Quintile	23.5%	2
Revenues (000s)	760	5th Quintile	20.0%	1
Total Assets (000s)	7,200	5th Quintile	27.3%	3
Profitability Characteristics				
Net Profit Margin	69.7%	1st Quintile	11.1%	1
Weighted Average Indicated RSED			**22.8%**	

The next step is to adjust the RSED using the market's volatility over the six months leading up to the valuation date. As of the valuation date, stock market volatility was elevated.

Therefore, we adjusted the RSED by the median market volatility adjustment of 1.25, resulting in a market volatility adjusted RSED of 28.5 percent.

The Stout DLOM Calculator™ uses an adjustment factor that takes the subject company value from the restricted stock equivalent level of value to the private equity (noncontrolling, nonmarketable) level of value. This adjustment factor is based on an analysis of the largest (most illiquid) blocks of restricted stock in the Stout Study and involves comparing the discount indications for large block transactions with those for small block transactions. Stout notes that the large block transactions most resemble private equity due to the illiquid nature of these shares. Stout goes on to state:

> Unlike differing percentage noncontrolling interests in public companies, which have differing degrees of liquidity due to the factors discussed above, differing percentage noncontrolling interests in private entities generally have similar degrees of liquidity. Furthermore, the degree of liquidity of typical noncontrolling interests in private companies is most similar to the degree of liquidity of large blocks of restricted stock in public companies. Therefore, a large-block comparison is appropriate for noncontrolling-interest private entity valuations of any percentage interest because of the more similar degree of illiquidity.
>
> **Exhibit 16. Discounts Associated With Block Sizes Greater Than 30% Versus Those Associated With Block Sizes Less than 30%**

Block Size and Discounts

In Millions of U.S. Dollars

	Median Statistics	
% Shares	Total Assets	Discount
0%-10%	$43.5	14.7%
10%-20%	49.9	15.5%
20%-30%	35.9	20.1%
30%-40%	46.0	33.2%
>40%	17.1	39.2%

[a] Adjusted for inflation as of January 2019.

> As shown in Exhibit 16, the discounts associated with block sizes greater than 30% are substantially greater than those associated with block sizes less than 30%. There are differences in company financial characteristics between the small- and large-block groups, such as company size

(measured by total assets, for example) that may account for a portion of the observed difference in discounts. Accordingly, in determining the appropriate PED adjustment factor, we first determine the RSED applicable to each large-block transaction. The RSED analysis is based only on a comparison between the subject company and issuers of small blocks of restricted stock. We then compare the actual discount for each large-block transaction with the indicated RSED and calculate a multiplicative adjustment factor related to that transaction. For example, if the RSED is indicated at 15.0%, and the actual transaction discount is 30.0%, the multiplicative adjustment factor would be 2.0 (30.0%/15.0%). We perform this calculation for all large-block transactions, which produces the output in Exhibit 17.

Exhibit 17. Calculating Multiplicative Adjustment Factor for All Large-Block Transactions

PED Adjustment	
	Median Multiplicative Adj. Factor
40^{th} Percentile	1.60
Median	1.90
60^{th} Percentile	2.00

As shown by the fact that the multiplicative adjustment factors are greater than 1.00, the RSED significantly underestimates the actual transaction discounts for large-block transactions. Accordingly, we determine that, for very illiquid interests, such as investments in private entities, a multiplicative adjustment factor range between 1.60x and 2.00x is appropriate to apply to the RSED to determine the PED. We note that, in certain circumstances, applying this range of adjustment factors may yield very high discounts (i.e., greater than 50%). While this may be appropriate, we also consider the fact that, in the study, only 6.1% of all transactions and 20.0% of large-block transactions have discounts greater than 50%. The distribution of discounts is presented in Exhibit 18.

Exhibit 18. Distribution of Discounts

	Discounts		
Percentile	All Transactions	Small Blocks	Large Blocks
10th	3.9%	3.9%	6.9%
20th	7.4%	7.3%	13.7%
30th	9.9%	9.6%	20.0%
40th	12.8%	12.5%	26.6%
50th	15.8%	15.4%	38.8%
60th	20.1%	20.0%	40.3%
70th	25.9%	25.0%	42.9%
80th	33.3%	32.4%	50.5%
90th	43.1%	41.8%	63.1%
100th	91.3%	91.3%	87.0%

The appropriate adjustment factor to derive the PED is selected from the ranges derived from these adjustment factors, giving consideration to all of the available data and all relevant factors. For most valuations, absent strong arguments to the contrary, the PED for the subject interest is likely to be drawn from the midpoint or median of the multiplicative range. An example of this analysis is provided in Exhibit 19.

Exhibit 19. Determining the PED From the Appropriate Adjustment Factor

PED Calculation - Example			
RSED/ARSED			**20.0%**
	40th Percentile	**Median**	**60th Percentile**
Indicated Adjustment Factor	1.60	1.90	2.00
Indicated Private Entity Discount	32.0%	38.0%	40.0%

In this instance, we did not apply the adjustment factors to the discount as we determined that the valuation subject was not comparable to a block of illiquid restricted stock. However, we still must consider Sandals's dividend paying history. According to Stout:

> *Dividend yield* – Liquidity represents the ease of converting an asset into cash. For publicly traded stock, this typically occurs through the sale of the

> securities for cash. In addition, anticipated dividends impact the liquidity of the publicly traded security and are incorporated in the stock price by market participants. A private entity that pays significant and consistent dividends has greater liquidity attributes relative to a non-dividend-paying company. That is, the presence of dividends shortens the duration of the security. The subjects of the transactions contained in the study generally do not pay dividends. Accordingly, to the extent the subject company pays consistent, material distributions, this attribute has a downward impact on the DLOM, all else held constant.

This will be considered in our final determination of the DLOM.

PRE-INITIAL PUBLIC OFFERING STUDIES

Another manner in which the business valuation community and users of its services determine discounts for lack of marketability is with the use of closely-held companies that underwent an initial public offering ("IPO") of its stock. In these instances, the value of the closely-held stock is measured before and after the company went public.

ROBERT W. BAIRD & CO. STUDIES

Robert W. Baird & Co., a regional investment banking firm has conducted 11 studies over time periods ranging from 1980 through 2000, comparing the prices in closely-held stock transactions when no public market existed with the prices of subsequent IPOs in the same stocks. Based on the studies, the average discount has been 47 percent, while the median discount is 48 percent.

WILLAMETTE MANAGEMENT ASSOCIATES STUDY

A similar private, unpublished study has been performed by Willamette Management Associates. Based on these studies, which were performed from 1975 through 2002, the average discounts ranged from a low of 8 percent to a premium of 195.8 percent.

VALUATION ADVISORS' LACK OF MARKETABILITY DISCOUNT STUDY

The Valuation Advisors' Lack of Marketability Discount Study™ compares the IPO stock price to pre-IPO common stock, common stock options and convertible preferred stock prices. The study is a web-based tool used to quantify lack of marketability discounts and includes more than 9,000 pre-IPO transactions from 1985 through 2019. A closer analysis of the data contained in the database revealed that the pre-IPO discounts ranged from a premium of 7,564 percent to a discount of 100 percent. Due to the wide range of these discounts, we did not use this data when considering the selection of the DLOM.

CONCLUSION - QUALITATIVE ANALYSIS

As far back as 1977, through Revenue Ruling 77-287, the IRS recognized the effectiveness of restricted stock study data in providing useful information for the quantification of discounts for lack of marketability. The Baird, Willamette and Valuation Advisors' studies of transactions in closely-held stocks did not exist at that time, but the IRS and the courts have been receptive to using this data to assist in quantifying discounts for lack of marketability. The pre-IPO studies are proof that larger discounts can be justified than those quoted from the restricted stock studies.

One of the best explanations of why a DLOM varies from case to case was included in an article published by Robert E. Moroney entitled "Why 25% Discount for Nonmarketability in One Valuation, 100% in Another?"[45] In Moroney's article, he points out 11 factors that should be considered in the application of a DLOM. These factors are as follows:

1. High dividend yield: Companies that pay dividends tend to be more marketable than companies that do not.

2. Bright growth prospects: Companies that have bright growth prospects are easier to sell than companies that do not. This makes them more marketable.

3. Swing value: If a block of stock has swing value, it may be more marketable than the typical small block of stock. This swing value could include a premium. This can be emphasized where a 2 percent interest exists with two 49 percent interests. The 2 percent interest can be worth quite a bit to either 49 percent interest if it will give that interest control of the company.

4. Restrictions on transfer: Restrictions on transfer make the stock less marketable due to the difficulty in selling them.

5. Buy-sell agreements: Buy-sell agreements can go either way. The agreement can create a market for the stock, making it more

[45] *Taxes*, May 1977.

marketable, or the agreement can restrict the sale making it less marketable.

6. Stock's quality grade: The better the quality of the stock, the more marketable it will be. This can be evidenced by comparing the subject company to others for supporting strengths and weaknesses.

7. Controlling shareholder's honesty: The integrity of the controlling shareholder can make a big difference regarding the ability to sell a partial interest in a company. If the controlling shareholder tends to deal with the other shareholders honestly, the other interests in that company tend to be more marketable.

8. Controlling shareholder's friendliness: Similar to the shareholder's honesty, the manner in which he or she deals with others can make the stock more marketable.

9. Prospects for the corporation: If a corporation has good prospects for the future, it will generally be more marketable.

10. Prospects for the industry: A company that is in an industry with good prospects will also generally be more marketable.

11. Mood of the investing public: When the investing public is bullish, they are more readily willing to make an investment. This can increase the marketability.

The factors that affect the subject interests are as follows:

Dividend Yield: The LP has paid distributions in two out of the past five years. The inconsistent distribution history was considered to be a negative factor that increases the DLOM.

Growth Prospects: Th LP's growth prospects are dependent upon conditions in the real estate and financial markets. The outlooks were positive overall as of the valuation date. This was considered to be a positive factor that reduces the DLOM.

Degree of Control: The valuation subject is a noncontrolling interest that lacks control. This was considered in the derivation of the DLOC.

Restrictions on Transfer: The subject interest is restricted by The Sandals Agreement. This is a negative factor that increases the DLOM.

Buy/Sell Agreements: There are no buy-sell agreements. This further limits the market for the subject interest and increases the DLOM.

Stock Quality Grade: If the valuation subject was publicly traded, it would be considered a low quality grade investment due to its smaller size, low dividend yield and lack of diversification in comparison to its publicly traded counterparts. This is a negative factor that increases the DLOM.

Mood of the Investing Public: Investor sentiment was upward trending as of the valuation date but still below levels at the beginning of the year. This factor was considered to be neutral.

DLOM - QUANTITATIVE ANALYSIS

Another methodology used to quantitatively determine the DLOM is stock option models. As an additional methodology to quantify the DLOM, the valuation analyst looked at the Black-Scholes option pricing model. David B.H. Chaffe III reflects on the use of option pricing models to estimate the costs of marketability as follows:

> When provided with an option to sell, otherwise non-marketable shares are given marketability. (For instance, we see this type of provision in Employee Share Ownership Plans where, in such cases, marketable level values are found).
>
> Following this logic, the cost or price of the option to sell (a put option) represents all (or a major portion) of the discount to be taken from the marketable price to price the non-marketable shares.[46]

This writer indicates that the cost of marketability is similar to buying a put option on the underlying security. The put option gives the investor the right to sell a stock at some point in the future, which reflects marketability. J. Michael Julius and Matthew R. Crow of Mercer

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[46] David B.H. Chaffe III, "Option Pricing as a Proxy for Discount for Lack of Marketability in Private Company Valuations," *Business Valuation Review*, Vol. 12, No. 4 (December 1993): 182.

Capital, Inc. agree in their article titled, "Why Not Black-Scholes Rather Than The QMDM?" where they state:

> We find the Black-Scholes option pricing model useful when valuing options on publicly traded securities and restricted stocks with registered counterparts.[47]

An equity interest in Sandals is in essence a restricted holding in a company. In this case, the interests have not been restricted by the SEC, but instead by the private nature of the entity. The restrictions on the equity are based on the lack of a public market. While this is not a pure case of where a stock option model applies, it can provide us with a reasonable basis for a discount.

Due to the fact that there are no publicly-traded equity options on Sandals, we turned to publicly-traded proxies. We determined that the most appropriate proxy to use would be the VIX index which measures the volatility of the overall market

Using the Black-Scholes option pricing model, we calculated the values of put options using the VIX, as this serves as a proxy for Sandals. By purchasing an "at the money" put option, an investor can protect the market price of his or her investment by locking in the market price of his or her position, which defends against a drop in market value.

In calculating the value of put options for The LP, we used the Black-Scholes option pricing model with the following inputs:

- The noncontrolling, marketable value of Sandals was used as the value of the stock and the exercise price.

- A term of five years was used to estimate the long-term holding period for a noncontrolling interest in a closely-held business.

- The VIX index as of September 19, 2020 was input into the model as the volatility estimate.

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[47] J. Michael Julius, ASA, CFA and Matthew R. Crow, A.M., "Why Not The Black-Scholes Option Pricing Model Rather Than The QMDM," Z. Christopher Mercer, ASA, CFA, *Quantifying Marketability Discounts* (Memphis: Peabody, 1997): 403.

- The risk-free rate was estimated based on the yield on a five-year treasury note, which approximates the term of the option.

Based on the assumptions, the DLOM using the put option model was calculated as shown in Table 13.

TABLE 13
BLACK-SCHOLES CALCULATION

INPUT VARIABLES		
Market Value of Equity ($Mil):		6.28
Exercise Price ($Mil):		6.28
Term (In Years):		5
Volatility (Annual):		27.99%
Risk-Free Rate:		0.29%
INTERMEDIATE COMPUTATIONS		
Present Value of Stock Ex-Dividend	$	6.28
Present Value of Exercise Price	$	6.19
Cumulative Volatility		0.6258
PUT OPTION		
Proportion of Stock Present Value		-36.84%
Proportion of Exercise Price PV		61.40%
Put Option Value	$	1.49
DLOM		**23.68%**

Based on these inputs, the implied DLOM was 23.68 percent. This discount serves as a proxy for the cost of liquidity for an investor in Sandals.

The largest assumption in the option pricing model is that the future volatility of VIX will resemble the past.

SUMMARY OF DLOMS

The studies described on the previous pages indicate that when an investor does not have access to an active, liquid market, her investment is worth less. An investor in Sandals does not have access to an active, liquid market and therefore, these studies have relevance as they are objective information and data that measures the loss in value due to illiquidity. However, some of the studies were old and performed over 20 years ago during considerably different economic environments. Therefore, we focused on the more recent studies that included data since 2005.

A seller, on the other hand, would gain liquidity and the ability to determine his or her own investments. The ability to obtain control and liquidity has value to a seller that might cause him to reduce the selling price.

A summary of the DLOMs derived from the various methods appears below:

Black-Scholes	23.7%
Stout DLOM Calculator	28.5%
Recent Restricted Stock Studies	9.3%-18.1%

The implied illiquidity discounts summarized above provide guidance about the reduction in value that would be required in a hypothetical transaction of an interest in Sandals as of September 19, 2020. A noncontrolling owner would not be able to realize the pro rata share of The LP's adjusted book value as of the valuation date. Therefore, a DLOM is warranted.

We used the DLOM indication of 28.5 percent from the Stout Study as a starting point. However, as previously discussed, most of the companies included in the Stout Study do not pay dividends and are mostly unprofitable. Sandals has some history of distributions and The LP has earning capacity. Therefore, we lowered the DLOM to 25 percent, which falls in between the Black-Scholes Model and the Stout Calculator.

VALUATION OF A 24.75 PERCENT LIMITED PARTNER INTEREST IN MOON INVESTMENT PARTNERS

THE NATURE OF THE BUSINESS AND THE HISTORY OF THE ENTERPRISE FROM ITS INCEPTION

Moon Investment Partners was formed on May 6, 2008 as a Georgia Limited Partnership under the Georgia Revised Uniform Limited Partnership Act. MIP operates as an asset holding company and the entity's assets primarily consist of marketable securities, notes receivable and real estate.

On August 12, 2008, the partners of MIP entered into an Agreement of Limited Partnership ("The MIP Agreement"). The language in The MIP Agreement related to the term of the partnership, management, voting, distributions and allocations, transfer restrictions and dissolution is the same as the provisions in The Sandals Agreement. These sections have been summarized in an earlier section of this report and is incorporated herein.

As of the valuation date, ownership and initial capital contributions in MIP are as follows:

Partner	Partner Type	Initial Capital Contributions (Per MIP Agreement)	Ownership
Moon Management Services, Inc.	General	$ 120,000	1.00%
Y&D Jackson Enterprises, LP	Limited	2,970,000	24.75%
R.E. Jones Enterprises, LP	Limited	2,970,000	24.75%
R.G. Jones Enterprises, LP	Limited	2,970,000	24.75%
Sandals	Limited	2,970,000	24.75%
Total		**$ 12,000,000**	**100.00%**

THE ECONOMIC OUTLOOK IN GENERAL AND THE CONDITION AND OUTLOOK OF THE SPECIFIC INDUSTRY IN PARTICULAR

The national economic, regional economic, equity market, municipal bond market and local real estate market outlooks have been discussed in an earlier section of this report and is incorporated herein.

THE BOOK VALUE OF THE STOCK AND THE FINANCIAL CONDITION OF THE BUSINESS

Moon Investment Partner's historic balance sheet appears in Schedule 3 at the back of this report. MIP's portfolio consist of cash, equities, corporate bonds, municipal bonds, preferred stock, related party loans receivable and real estate. The entity owns marketable securities both directly and through River Holdings, MIP's wholly owned subsidiary. The related party loans receivable are non-interest bearing. MIP's largest real estate asset is a 9,020 square foot retail property located at 468 Stan Smith Boulevard in Some City 3, South Carolina. The property is leased to a big tenant. The entity also owns three vacant land parcels and has made deposits for the purchase of two additional land parcels but the closings had not been finalized as of the valuation date.

MIP had a book value of $25,433,104 as of September 19, 2020. This does not reflect the fair market value of The LP's assets. The fair market value balance sheet adjustments appear in Table 14.

TABLE 14
BALANCE SHEET ADJUSTMENTS

	September 19, 2020	**Adjustments**	**Adjusted** 2020
Current Assets			
Cash[1]	$ 457,041	$ 1,604,624	$ 2,061,665
Marketable Securities[2]	17,921,089	(854,160)	17,066,928
Total Current Assets	$ 18,378,130	$ 750,464	$ 19,128,594
Fixed Assets[3]			
Land	$ 107,560	$ (107,560)	$ -
Building & Improvements	1,056,134	113,866	1,170,000
Vacant Land Lots	110,814	63,686	174,500
Gross Fixed Assets	$ 1,274,508	$ 69,992	$ 1,344,500
Accumulated Depreciation	235,822	(235,822)	-
Net Fixed Assets	$ 1,038,686	$ 305,814	$ 1,344,500

TABLE 14
BALANCE SHEET ADJUSTMENTS

	September 19, 2020	**Adjustments**	**Adjusted** 2020
Other Assets			
Security Deposits	$ 10,000	$ -	$ 10,000
Notes Receivable	6,006,288	-	6,006,288
Total Other Assets	$ 6,016,288	$ -	$ 6,016,288
TOTAL ASSETS	**$ 25,433,104**	**$ 1,056,278**	**$ 26,489,382**
Total Liabilities	$ -		$ -
Total Partners' Equity	25,433,104	1,056,278	26,489,382
TOTAL LIABILITIES AND EQUITY	**$ 25,433,104**	**$ 1,056,278**	**$ 26,489,382**

Note: Figures may not add due to rounding.

1. MIP maintains a bank account and also holds cash in several of its investment portfolios. The cash contained in the entity's investment portfolios is recorded on the balance sheet under marketable securities. We adjusted the cash on the balance sheet to reflect the entity's total cash balance from all of its accounts as of September 19, 2020. A summary of the cash balance by account appears in Table 15.

TABLE 15
CASH BALANCE AS OF 9/19/2020

Account	**Balance as of 9/19/2020**
Cash in Bank	$ 457,041
Raymond James	580,772
Morgan Stanley	42,122
River Holdings (TD Ameritrade)	981,730
Total	**$ 2,061,665**

2. Marketable securities were adjusted to reflect the fair market values of the assets as of September 19, 2020. The entity has brokerage accounts with Raymond James, Morgan Stanley and TD Ameritrade. The TD Ameritrade account is owned by River Holdings, MIP's wholly owned subsidiary. A breakdown of the marketable securities by account and by type appears in Table 16.

TABLE 16
MARKETABLE SECURITIES

Account		**Value as of 9/19/2020**
Raymond James:		
Corporate Bonds	$	326,309
Equities		12,845,451
Municipal Bonds		3,621,196
Accrued Interest		34,998
Preferred		78,879
Morgan Stanley:		
Riverview Opportunistic LP Hedge Fund		29,067
River Holdings:		
Equities		131,029
Total	**$**	**17,066,928**

Note: Figures may not add due to rounding.

3. The retail property was adjusted to reflect its market value as of the valuation date. The market value was obtained from a real estate appraisal performed by Some City 3 Appraisal Service, Inc. In addition to the retail property, MIP owns three vacant land parcels. The market values for the land parcels were estimated based on the tax assessed values of the properties as they were considered to be relatively immaterial as compared to the other asset holdings of this entity.

Based on the adjustments to the balance sheet, the adjusted book value of MIP was $26,489,382.

THE EARNING CAPACITY OF THE COMPANY

MIP's historic income statements appear in Schedule 4 at the back of this report. The LP's income consists of interest, dividend and capital gains income from its portfolio of marketable securities, as well as rental income from the entity's real estate. MIP's historic net income is summarized below:

Year	Net Income
2015	$ 724,338
2016	316,195
2017	805,955
2018	316,895
2019	1,495,847

The entity's net income has fluctuated over the period analyzed, ranging from $316,895 to $1,495,847. The reason for these wide fluctuations in reported income is the timing of the sales of assets when the entity recognizes its gains and losses. MIP has had earnings capacity in the past and this is likely to continue on a prospective basis. However, the value of the underlying assets is considerably more important than the earnings, since earnings can be changed based on the timing of the sales.

THE DIVIDEND PAYING CAPACITY OF THE COMPANY

MIP has historically paid distributions as follows:

Year	Distributions
2015	$ 595,575
2016	93,268
2017	97,393
2018	435,000
2019	187,194

Based on Moon Investment Partners' five-year average distributions of $281,686 and a net asset value of $26,489,382, the implied yield to net asset value ratio is 1.06 percent. Therefore, although the entity has dividend paying capacity, the dividend yield is low in comparison to its net asset value. This will be considered in our analysis.

WHETHER OR NOT THE ENTERPRISE HAS GOODWILL OR OTHER INTANGIBLE VALUE

Asset holding companies such as MIP do not generate goodwill value; therefore, there is no intangible value associated with the entity at the valuation date.

SALES OF THE STOCK AND THE SIZE OF THE BLOCK OF STOCK TO BE VALUED

There have been no previous arm's-length sales of interests in MIP. In this instance, the analyst is valuing a 24.75 percent limited partner interest in MIP. This interest is considered to be a noncontrolling, nonmarketable interest.

THE MARKET PRICE OF STOCKS OF CORPORATIONS ACTIVELY TRADED IN THE PUBLIC MARKET

We were unable to locate any CEFs with portfolio characteristics that were similar enough to MIP to use in a market approach.

VALUATION CALCULATIONS

The three approaches to valuation were considered in this valuation. The narrative that follows discusses the valuation methods employed within each approach.

THE MARKET APPROACH

The analyst researched CEFs to locate those that could be used as guideline companies in our analysis. The analyst was unable to locate any funds that could be used as proxies and therefore, was unable to apply the market approach in this valuation.

THE ASSET-BASED APPROACH

ADJUSTED BOOK VALUE METHOD

It has previously been determined that the adjusted book value of MIP is $26,489,382. This reflects the value of the entity on a control, marketable basis. The valuation subject is a 24.75 percent, minority, nonmarketable interest in the entity. Therefore, a DLOC and a DLOM have been considered to be applicable to these interests. The derivation of these discounts is discussed in the “Premiums and Discounts - MIP” section of this report.

Applying the applicable discounts results in the following indication of value on a noncontrolling nonmarketable basis.

Indication of Value - Control, Marketable	$	26,489,382
Less: DLOC (10.60%)		(2,807,874)
Indication of Value - Noncontrolling, Marketable	$	23,681,507
Less: DLOM (20.00%)		(4,736,301)
Indication of Value - Noncontrolling, Nonmarketable	**$**	**18,945,206**

Note: Figures may not add due to rounding.

THE INCOME APPROACH

Moon Investment Partners' historic earnings has been volatile and as a result, we determined that the entity's "foreseeable future earnings" could not be quantified with a reasonable degree of certainty. Furthermore, although MIP has paid distributions historically, the entity's divident yield is low in comparison to its net asset value. Therefore, the income approach was not performed.

RECONCILIATION OF VALUES

Based on the indication of value derived using the asset-based approach, the value of Moon Investment Partners on a noncontrolling, nonmarketable basis was determined to be $18,945,206. The valuation subject is a 24.75 percent limited partnership interest. Therefore, the value of the subject interest was determined to be $4,688,938.

PREMIUMS AND DISCOUNTS-MIP

The valuation subject is a 24.75 percent noncontrolling, nonmarketable interest in MIP. Thee derivation of the DLOC and DLOM for MIP is discussed as follows.

DLOC

We calculated a weighted average DLOC based on the entity's asset mix as shown in Table 17.

TABLE 17
WEIGHTED AVERAGE DLOC - MIP

	Fair Market Value	% of Total	DLOC Category	DLOC	Weighted Average DLOC
Cash & Deposits	$ 2,071,665	7.8%	None	0.00%	0.00%
Equities	13,005,547	49.1%	Equity CEFs	13.58%	6.67%
Corporate Bonds	326,309	1.2%	Investment Grade Bond CEFs	4.62%	0.06%
Municipal Bonds	3,656,194	13.8%	Municipal Bond CEFs	9.23%	1.27%
Preferred Stock	78,879	0.3%	Preferred Stock CEFs	-0.43%	0.00%
Dollar General Property	1,170,000	4.4%	RELPs	19.10%	0.84%
Vacant Lots	174,500	0.7%	Non-distributing RELPs	32.40%	0.21%
Loans Receivable	6,006,288	22.7%	High Yield Bond CEFs	6.67%	1.51%
Total	**$ 26,489,382**	**100.0%**			**10.57%**
Rounded					**10.60%**

Note: Figures may not add due to rounding.

The median implied DLOC for equity CEFs, high yield bond CEFs and RELPs were determined to be 13.58 percent, 6.67 percent and 19.10 percent, respectively in an earlier section of this report.

Investment grade bond CEFs were used as a proxy for The LP's related party notes receivable. A summary of these CEFs appear in Table 18.

TABLE 18
INVESTMENT GRADE BOND CEFs

Fund	Ticker	Price Per Share	NAV Per Share	Premium/ (Discount)
BLACKROCK INCOME TRUST INC. (THE)	BKT	6.14	6.29	-2.38%
ANGEL OAK DYNAMIC FINANCIAL STRATEGIES INCOME TERM TRUST OF BENEFICIAL INTEREST	DYFN	18.33	20.16	-9.08%
BLACKROCK ENHANCED GOVERNMENT FUND INC.	EGF	13.24	13.48	-1.85%
BLACKROCK CREDIT ALLOCATION INCOME TRUST	BTZ	13.98	15.17	-7.84%
BLACKROCK CORE BOND TRUST	BHK	15.98	16.24	-1.60%
INVESCO BOND FUND	VBF	20.07	21.33	-5.91%
MFS GOVERNMENT MARKETS INCOME TRUST	MGF	4.66	4.80	-2.92%
JOHN HANCOCK INVESTORS TRUST	JHI	16.45	17.31	-4.97%
JOHN HANCOCK INCOME SECURITIES TRUST	JHS	15.45	16.03	-3.62%
FIRST TRUST MORTGAGE INCOME FUND OF BENEFICIAL INTEREST	FMY	13.54	14.54	-6.88%
PUTNAM MASTER INTERMEDIATE INCOME TRUST	PIM	4.13	4.33	-4.62%
PIMCO CORPORATE & INCOME OPPORTUNITY FUND	PTY	16.14	12.73	26.79%
PIMCO CORPORATE & INCOME STRATEGY FUND	PCN	15.98	13.05	22.45%
PIMCO STRATEGIC INCOME FUND INC.	RCS	6.31	6.18	2.10%
NUVEEN MULTI-MARKET INCOME FUND (MA)	JMM	7.00	7.65	-8.50%
WESTERN ASSET BOND FUND SHARE OF BENEFICIAL INTEREST	WEA	13.48	14.35	-6.06%
WESTERN ASSET INFLATION-LINKED INCOME FUND	WIA	12.79	14.04	-8.90%
WESTERN ASSET INFLATION-LINKED OPPORTUNITIES & INCOME FUND	WIW	11.53	13.43	-14.15%
WESTERN ASSET INVESTMENT GRADE INCOME FUND INC.	PAI	16.29	15.74	3.49%
WESTERN ASSET INVESTMENT GRADE DEFINED OPPORTUNITY TRUST INC.	IGI	21.29	21.63	-1.57%
INSIGHT SELECT INCOME FUND	INSI	20.75	21.99	-5.64%
Low				-14.15%
25th Percentile				-7.36%
Mean				-1.98%
Median				-4.62%
75th Percentile				-1.59%
High				26.79%
Standard Deviation				9.47%
Coefficient of Variation				-477.43%

MIP also owns a portfolio of municipal bonds. Municipal bond CEFs were used as a proxy for this category and this data is summarized in Table 19.

TABLE 19
MUNICIPAL BOND CEFs

Fund	Ticker	Price Per Share	NAV Per Share	Premium/ (Discount)
EATON VANCE MUNICIPAL INCOME 2028 TERM TRUST OF BENEFICIAL INTEREST	ETX	20.56	21.02	-2.19%
EATON VANCE MUNICIPAL INCOME TRUST EATON VANCE NATIONAL MUNICIPAL OPPORTUNITIES TRUST	EOT	19.81	20.92	-5.31%
FEDERATED HERMES PREMIER MUNICIPAL INCOME FUND	FMN	12.86	14.77	-12.93%
INVESCO MUNICIPAL TRUST	VKQ	11.45	12.96	-11.65%
INVESCO TRUST FOR INVESTMENT GRADE MUNICIPALS (DE)	VGM	11.85	13.36	-11.30%
INVESCO MUNICIPAL OPPORTUNITY TRUST	VMO	11.65	12.95	-10.04%
INVESCO ADVANTAGE MUNICIPAL INCOME TRUST II OF BENEFICIAL INTEREST (DE)	VKI	10.27	11.57	-11.24%
INVESCO MUNICIPAL INCOME OPPORTUNITIES TRUST	OIA	6.89	7.39	-6.77%
INVESCO QUALITY MUNICIPAL INCOME TRUST	IQI	11.63	13.10	-11.22%
INVESCO VALUE MUNICIPAL INCOME TRUST	IIM	14.12	15.92	-11.31%
MFS MUNICIPAL INCOME TRUST	MFM	6.11	7.11	-14.06%
NEUBERGER BERMAN MUNICIPAL FUND INC.	NBH	14.28	14.66	-2.59%
MAINSTAY MACKAY DEFINED TERM MUNICIPAL OPPORTUNITIES FUND	MMD	19.98	19.89	0.45%
MFS INVESTMENT GRADE MUNICIPAL TRUST	CXH	9.16	10.36	-11.58%
MFS HIGH INCOME MUNICIPAL TRUST	CXE	4.48	5.15	-13.01%
MFS MUNICIPAL INCOME TRUST	CMU	4.09	4.64	-11.85%
NUVEEN SELECT TAX FREE INCOME PORTFOLIO	NXP	14.66	15.74	-6.86%
NUVEEN MUNICIPAL INCOME FUND INC.	NMI	10.78	10.98	-1.82%
NUVEEN SELECT TAX FREE INCOME PORTFOLIO II	NXQ	13.80	15.04	-8.24%
NUVEEN SELECT TAX FREE INCOME PORTFOLIO III	NXR	15.14	16.24	-6.77%
NUVEEN SELECT MATURITIES MUNICIPAL FUND	NIM	9.81	10.53	-6.84%
BLACKROCK MUNICIPAL INCOME TRUST II	BLE	13.02	14.14	-7.92%
BLACKROCK LONG-TERM MUNICIPAL ADVANTAGE TRUST OF BENEFICIAL INTEREST	BTA	11.21	11.97	-6.35%
BLACKROCK MUNIHOLDINGS FUND INC.	MHD	14.60	16.03	-8.92%
BLACKROCK MUNIVEST FUND INC.	MVF	8.52	9.16	-6.99%
BLACKROCK MUNIVEST FUND II INC.	MVT	13.22	14.42	-8.32%
BLACKROCK MUNIYIELD FUND INC.	MYD	13.02	14.13	-7.86%
BLACKROCK MUNI INTERMEDIATE DURATION FUND INC	MUI	13.50	15.23	-11.36%
BLACKROCK MUNIHOLDINGS QUALITY FUND II INC.	MUE	11.82	13.33	-11.33%
BLACKROCK MUNIYIELD QUALITY FUND III INC	MYI	12.81	14.31	-10.48%
BLACKROCK MUNIYIELD QUALITY FUND INC.	MQY	13.81	15.47	-10.73%
BLACKROCK MUNIYIELD QUALITY FUND II INC.	MQT	11.98	13.60	-11.91%

TABLE 19
MUNICIPAL BOND CEFs

Fund	Ticker	Price Per Share	NAV Per Share	Premium/ (Discount)
BLACKROCK MUNIASSETS FUND INC	MUA	13.02	13.70	-4.96%
BLACKROCK MUNIHOLDINGS INVESTMENT QUALITY FUND OF BENEFICIAL INTEREST	MFL	12.79	13.96	-8.38%
BLACKROCK MUNICIPAL 2030 TARGET TERM TRUST	BTT	23.24	25.20	-7.78%
BNY MELLON STRATEGIC MUNICIPALS INC.	LEO	7.58	8.19	-7.45%
BNY MELLON MUNICIPAL INCOME INC.	DMF	8.06	8.88	-9.23%
BLACKROCK MUNICIPAL INCOME QUALITY TRUST OF BENEFICIAL INTEREST	BYM	13.17	14.77	-10.83%
BLACKROCK INVESTMENT QUALITY MUNICIPAL TRUST INC. (THE)	BKN	14.27	15.52	-8.05%
BLACKROCK MUNICIPAL INCOME TRUST	BFK	12.62	13.67	-7.68%
ALLIANCEBERNSTEIN NATIONAL MUNICIPAL INCOME FUND INC	AFB	12.73	14.68	-13.28%
DELAWARE INVESTMENTS NATIONAL MUNICIPAL INCOME FUND	VFL	12.08	14.08	-14.20%
DTF TAX-FREE INCOME INC.	DTF	13.52	15.33	-11.81%
DWS MUNICIPAL INCOME TRUST	KTF	10.52	12.15	-13.42%
DWS STRATEGIC MUNICIPAL INCOME TRUST	KSM	10.67	12.11	-11.89%
EATON VANCE MUNICIPAL BOND FUND OF BENEFICIAL INTEREST $.01 PAR VALUE	EIM	12.45	13.59	-8.39%
EATON VANCE MUNICIPAL INCOME TRUST	EVN	11.85	13.34	-11.17%
BNY MELLON STRATEGIC MUNICIPAL BOND FUND INC.	DSM	7.00	7.89	-11.28%
BNY MELLON MUNICIPAL BOND INFRASTRUCTURE FUND INC.	DMB	12.30	13.86	-11.26%
NUVEEN ENHANCED MUNICIPAL VALUE FUND OF BENEFICIAL INTEREST	NEV	13.43	14.88	-9.74%
NUVEEN AMT-FREE MUNICIPAL CREDIT INCOME FUND	NVG	14.73	16.39	-10.13%
NUVEEN MUNICIPAL HIGH INCOME OPPORTUNITY FUND $0.01 PAR VALUE PER SHARE	NMZ	12.55	13.32	-5.78%
NUVEEN AMT-FREE MUNICIPAL VALUE FUND	NUW	15.16	16.43	-7.73%
NUVEEN MUNICIPAL CREDIT INCOME FUND	NZF	14.36	15.90	-9.69%
NUVEEN AMT-FREE QUALITY MUNICIPAL INCOME FUND OF BENEFICIAL INTEREST PAR VALUE $.01	NEA	13.58	15.06	-9.83%
NUVEEN MUNICIPAL CREDIT OPPORTUNITIES FUND	NMCO	13.40	13.83	-3.11%
NUVEEN QUALITY MUNICIPAL INCOME FUND	NAD	13.71	15.30	-10.39%
NUVEEN INTERMEDIATE DURATION MUNICIPAL TERM FUND OF BENEFICIAL INTEREST	NID	13.09	13.77	-4.94%
NUVEEN INTERMEDIATE DURATION QUALITY MUNICIPAL TERM FUND OF BENEFICIAL INTEREST	NIQ	13.16	14.15	-7.00%
NUVEEN MUNICIPAL VALUE FUND INC.	NUV	9.75	10.34	-5.71%
PIMCO MUNICIPAL INCOME FUND III OF BENEFICIAL INTEREST	PMX	10.79	10.79	0.00%
PIMCO MUNICIPAL INCOME FUND II OF BENEFICIAL INTEREST	PML	12.63	11.94	5.78%
PIMCO MUNICIPAL INCOME FUND	PMF	12.40	12.69	-2.29%
PIONEER MUNICIPAL HIGH INCOME ADVANTAGE FUND INC.	MAV	10.23	11.69	-12.49%
PIONEER MUNICIPAL HIGH INCOME FUND INC.	MHI	10.98	12.53	-12.37%
PUTNAM MANAGED MUNICIPAL INCOME TRUST	PMM	7.00	7.77	-9.91%
PUTNAM MUNICIPAL OPPORTUNITIES TRUST	PMO	12.20	13.12	-7.01%

TABLE 19
MUNICIPAL BOND CEFs

Fund	Ticker	Price Per Share	NAV Per Share	Premium/ (Discount)
RIVERNORTH MANAGED DURATION MUNICIPAL INCOME FUND INC.	RMM	18.55	17.94	3.40%
RIVERNORTH OPPORTUNISTIC MUNICIPAL INCOME FUND INC.	RMI	20.01	21.50	-6.93%
WESTERN ASSET INTERMEDIATE MUNI FUND INC	SBI	8.49	9.85	-13.81%
WESTERN ASSET MANAGED MUNICIPALS FUND INC.	MMU	11.71	13.09	-10.54%
WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.	MHF	7.08	7.75	-8.65%
WESTERN ASSET MUNICIPAL PARTNERS FUND INC.	MNP	13.61	15.82	-13.97%
Low				-14.20%
25th Percentile				-11.32%
Mean				-8.54%
Median				-9.23%
75th Percentile				-6.85%
High				5.78%
Standard Deviation				4.01%
Coefficient of Variation				-46.95%

Preferred stock CEFs were used as a proxy for MIP's portfolio of preferred stocks. This data is summarized in Table 20.

TABLE 20
PREFERRED STOCK CEFs

Fund	Ticker	Price Per Share	NAV Per Share	Premium/ (Discount)
NUVEEN PREFERRED AND INCOME TERM FUND OF BENEFICIAL INTEREST	JPI	23.17	23.14	0.13%
NUVEEN PREFERRED AND INCOME 2022 TERM FUND OF BENEFICIAL INTEREST	JPT	23.16	23.24	-0.34%
NUVEEN PREFERRED & INCOME OPPORTUNITIES FUND	JPC	8.74	9.08	-3.74%
NUVEEN PREFERRED & INCOME SECURITIES FUND	JPS	9.05	9.32	-2.90%
COHEN & STEERS SELECT PREFERRED AND INCOME FUND INC.	PSF	27.02	25.60	5.55%
COHEN & STEERS LIMITED DURATION PREFERRED AND INCOME FUND INC.	LDP	24.38	24.84	-1.85%
JOHN HANCOCK PREMIUM DIVIDEND FUND	PDT	12.65	12.56	0.72%
JOHN HANCOCK PREFERRED INCOME FUND OF BENEFICIAL INTEREST	HPI	19.43	18.50	5.03%
JOHN HANCOCK PFD INCOME FUND II PFD INCOME FUND II	HPF	18.19	18.18	0.06%
JOHN HANCOCK PREFERRED INCOME FUND III PREFERRED INCOME FUND III	HPS	16.25	16.26	-0.06%

TABLE 20
PREFERRED STOCK CEFs

Fund	Ticker	Price Per Share	NAV Per Share	Premium/ (Discount)
FLAHERTY & CRUMRINE PREFERRED AND INCOME SECURITIES FUND INCORPORATED	FFC	21.86	19.87	10.02%
FLAHERTY & CRUMRINE TOTAL RETURN FUND INC	FLC	22.64	21.21	6.74%
FLAHERTY & CRUMRINE PREFERRED AND INCOME FUND INCORPORATED	PFD	16.25	13.98	16.24%
FLAHERTY & CRUMRINE PREFERRED AND INCOME OPPORTUNITY FUND INCORPORATED	PFO	2.28	11.58	6.04%
FLAHERTY & CRUMRINE DYNAMIC PREFERRED AND INCOME FUND INC.	DFP	27.25	25.61	6.40%
FIRST TRUST INTERMEDIATE DURATION PREFERRED & INCOME FUND OF BENEFICIAL INTEREST	FPF	22.14	22.89	-3.28%
Low				-3.74%
25th Percentile				-1.47%
Mean				2.80%
Median				0.43%
75th Percentile				6.31%
High				16.24%
Standard Deviation				5.33%
Coefficient of Variation				190.65%

With respect to MIP's vacant land holdings, we analyzed RELP data from PPI's *2019 Executive Summary Report on Re-Sale Discounts*. First, we focused our analysis on land partnerships, since the assets of these RELPs most closely resembled Moon Investment Partners' vacant land holdings. The PPI report stated the following with respect to undeveloped land partnerships:

> **Undeveloped Land Programs**
>
> Long-time users of this annual survey will notice that there are no programs owning strictly undeveloped land in this year's survey. These programs have become scarce over the years due to liquidations, such that the 2015 through 2017 surveys featured only one undeveloped land program. That one program, Inland Land Appreciation Fund II, has been liquidated, having sold its last remaining land parcel on March 5, 2018.
>
> As evidenced in previous price-to-value discount surveys published by PPI, interests in undeveloped land programs that do not generate operating cash distributions are typically priced at the upper end of the discount spectrum, much like non-distributing real estate programs that own improved, income-producing properties but do not pay cash distributions, as discussed

> above under 'Equity - Non-Distributing' programs. This is because they have the same distribution characteristics. Therefore, appraisers using data in this survey to value a noncontrolling interest in undeveloped land with no prospects or likelihood for a near-term liquidation should consider historical pricing for undeveloped land programs as well as price-to-value discount data for 'Equity - Non-Distributing' programs.[48]

As the quote above indicates, PPI no longer contains data for undeveloped land partnerships as all of the partnerships that had been tracked by the study have been liquidated. Therefore, we also analyzed discounts for non-distributing equity partnerships in addition to the undeveloped land partnerships. PPI describes non-distributing partnerships as follows:

> The programs in this category own improved, income-producing real estate but do not pay operating cash distributions, typically due to high debt loads, leasing issues, and/or property improvement funding needs. In some cases, it may be that the interest is structured such that it is not entitled to distributions from operating cash flow, but only distributions resulting from the sale or refinancing of assets. (This would be the case with respect to the 'Class B' and 'Class TP' interests issued by the 'Wells Real Estate Fund' partnerships that were included in these annual surveys in prior years.)
>
> The average price-to-value discount of 44% for the 12 programs in this group is up from an average discount of 36% in last year's survey which included nine programs in this category. Average discounts for the years 2015 through 2019, which ranged from 33% to 38%, represent a marked decline in price-to-value discounts for non-distributing programs which were very consistent at 46% to 47% in each of these surveys from 2011 through 2014.[49]

Based on the discussion in the PPI study, we analyzed discounts for both undeveloped land partnerships and non-distributing partnerships. A summary of the discounts for each of these categories appears in Table 21.

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48 Partnership Profiles, Inc., *2020 Executive Summary Report on Re-Sale Discounts*: 17-18.

49 Ibid. 14.

TABLE 21
RELP DISCOUNTS

Year	Land Partnerships	Non-distributing Partnerships
2010	39%	39%
2011	55%	46%
2012	61%	46%
2013	56%	46%
2014	43%	47%
2015	21%	38%
2016	25%	33%
2017	35%	35%
2018	n/a	36%
2019	n/a	36%

The discounts for the land partnerships ranged from 21 percent to 61 percent from 2010 to 2017. In 2017, the last year in which data was tracked by PPI, the average discount was 35 percent. The discounts for non-distributing partnerships ranged from 33 percent to 47 percent. During the past three years, the discounts for non-distributing partnerships have been consistent and were in line with the undeveloped land partnership discount in 2017. Therefore, we used the discount of 36 percent for non-distributing partnerships as a starting point. No adjustments were made to the average discounts as we determined that a noncontrolling limited partnership interest in Moon Investment Partners did not have any more or less control than a minority interest in a RELP. As previously discussed, there is some marketability factors that are included in the implied discounts published by PPI. Therefore, we reduced the discount of 36 percent by 10 percent to 32.40 percent to account for the estimated portion of the discount that is attributable to marketability factors.

Based on our analysis, the weighted average DLOC for MIP was calculated as shown in Table 22.

TABLE 22
WEIGHTED AVERAGE DLOC - MIP

	Fair Market Value	% of Total	DLOC Category	DLOC	Weighted Average DLOC
Cash & Deposits	$ 2,071,665	7.8%	None	0.00%	0.00%
Equities	13,005,547	49.1%	Equity CEFs	13.58%	6.67%
Corporate Bonds	326,309	1.2%	Investment Grade Bond CEFs	4.62%	0.06%
Municipal Bonds	3,656,194	13.8%	Municipal Bond CEFs	9.23%	1.27%
Preferred Stock	78,879	0.3%	Preferred Stock CEFs	-0.43%	0.00%
Dollar General Property	1,170,000	4.4%	RELPs	19.10%	0.84%
Vacant Lots	174,500	0.7%	Non-distributing RELPs	32.40%	0.21%
Loans Receivable	6,006,288	22.7%	High Yield Bond CEFs	6.67%	1.51%
Total	**$ 26,489,382**	**100.0%**			**10.57%**
Rounded					**10.60%**

Note: Figures may not add due to rounding.

Next, we considered various qualitative factors that might warrant an adjustment to the weighted average DLOC. The subject interest lacks the professional management and regulatory oversight of the CEFs and RELPs. These factors could warrant an increase to the weighted average DLOC. However, a 24.75 percent limited partner interest has some voting influence on actions that require 100 percent of the votes of the limited partners. Therefore, no adjustment was made to the weighted average DLOC.

DLOM

We performed a qualitative and quantitative analysis to derive the DLOM for Moon Investment Partners. First, we used the Stout DLOM calculator using MIP's financial characteristics. The results of this analysis appear below.

	Subject Company Value	Stout Study Quintile	Discount Indication	Selected Weight
Size Characteristics				
Market Value (000s)	$ 23,700	5th Quintile	23.5%	2
Revenues (000s)	1,900	4th Quintile	20.9%	1
Total Assets (000s)	26,300	4th Quintile	20.8%	3
Profitability Characteristics				
Net Profit Margin	78.9%	1st Quintile	11.1%	1
Weighted Average Indicated RSED			**20.2%**	

The next step is to adjust the RSED using the market's volatility over the six months leading up to the valuation date. As of the valuation date, stock market volatility was elevated. Therefore, we adjusted the RSED by the median market volatility adjustment of 1.25, resulting in a market volatility adjusted RSED of 25.3 percent.

We also considered the implied DLOM using the Black-Scholes Model, which was determined to be 23.68 percent in an earlier section of this report.

The implied DLOMs using the Stout Calculator and the Black-Scholes Model were used as a starting point. We also considered the following factors:

Dividend Yield - MIP has paid distributions in each of the past five years. Although, the dividend yield is low compared to the entity's net asset value, it is favorable in comparison to the companies that are included in the Stout Study. This was considered to be a positive factor that reduces the DLOM.

Growth Prospects - The entity's growth prospects are dependent upon growth in the stock and bond markets. The outlooks were favorable as of the valuation date. This is a positive factor that reduces the DLOM.

Degree of Control - The valuation subject is a noncontrolling interest. This factor was considered in the derivation of the DLOC.

Restrictions on Transfer - The subject interest is restricted by The MIP Agreement. This is a negative factor that increases the DLOM.

Buy-Sell Agreements - There are no buy-sell agreements. This limits the marketplace for the interest.

Stock Quality Grade - The valuation subject is an investment in an entity that owns a well diversified portfolio of marketable securities and real estate. However, the dividend yield is low compared to alternative investments in the marketplace. This factor was considered to be neutral.

Mood of the Investing Public - Investor sentiment was improving as of the valuation date as the world economy was emerging from the COVID-19 pandemic. This was considered to be a positive factor that reduces the DLOM.

Based on our analysis of the qualitative factors listed above, a DLOM of 20 percent was deemed appropriate, which falls slightly below the implied discounts using the Black-Scholes Model and Stout Calculator.

SANDALS ENTERPRISES, LP
BALANCE SHEET
AS OF

	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	August 31, 2020
Current Assets						
Cash	$ 358,662	$ 342,908	$ 508,328	$ 685,572	$ 228,817	$ 374,577
Notes Receivable	550,000	725,000	725,000	625,000	897,153	1,054,326
Due from SELP	2,086	3,411	4,798	4,798	4,798	4,798
Equity in Moon Investment Partners LP	5,492,852	5,637,282	6,084,812	5,582,660	6,356,394	6,356,394
Total Current Assets	$ 6,403,600	$ 6,708,601	$7,322,938	$6,898,030	$7,487,162	$7,790,095
Fixed Assets						
Land	$ 316,310	$ 316,310	$ 316,310	$ 316,310	$ 316,310	$ 316,310
Building & Improvements	1,692,009	1,692,009	1,692,009	1,709,429	1,709,429	1,709,429
Gross Fixed Assets	$ 2,008,319	$2,008,319	$2,008,319	$2,025,739	$2,025,739	$2,025,739
Accumulated Depreciation	298,262	341,645	385,028	445,831	489,214	518,136
Net Fixed Assets	$ 1,710,057	$1,666,674	$1,623,291	$1,579,908	$1,536,525	$1,507,603
Total Other Assets	$ -	$ -	$ -	$ -	$ 197,736	$ -
TOTAL ASSETS	**$8,113,658**	**$8,375,276**	**$8,946,231**	**$8,477,942**	**$9,221,423**	**$9,297,698**
Current Liabilities	$ -	$ -	$ -	$ 1,500	$ -	$ -
Long-Term Liabilities	2,241,259	2,174,259	2,117,823	2,116,604	1,875,409	1,825,409
Total Liabilities	$ 2,241,259	$2,174,259	$2,117,823	$2,118,104	$1,875,409	$1,825,409
Total Partners' Equity	5,872,399	6,201,017	6,828,408	6,359,838	7,346,014	7,472,289
TOTAL LIABILITIES AND EQUITY	**$8,113,658**	**$8,375,276**	**$8,946,231**	**$8,477,942**	**$9,221,423**	**$9,297,698**

*Figures may not add due to rounding

Schedule 2-1

SANDALS ENTERPRISES, LP
INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31,

	2015	2016	2017	2018	2019
Revenues	$ 180,436	$ 183,627	$ 171,359	$ 190,733	$ 195,646
Operating Expenses					
Auto Expense	$ -	$ -	$ 111	$ -	$ -
Bank Charges	30	-	-	15	75
Charitable Contributions	1	-	-	-	-
Depreciation	44,199	43,974	43,749	60,803	43,388
Legal Fees	2,450	2,550	2,675	2,750	3,425
Management Fees	4,502	9,121	4,660	14,225	7,288
Miscellaneous	223	600	11	-	-
Office Expenses	-	1,911	-	-	-
Repairs and Maintenance	-	-	-	7,898	7,244
Association Dues	1,439	2,836	-	-	2,835
Total Operating Expenses	$ 52,844	$ 60,992	$ 51,206	$ 85,691	$ 64,255
Operating Income	$ 127,592	$ 122,635	$ 120,153	$ 105,042	$ 131,391
Other Income					
Interest Income	$ 89,728	$ 91,679	$ 108,925	$ 121,738	$ 130,448
Dividend Income	69,237	74,928	67,423	69,246	62,174
Gain on Sale of Assets	166,149	65,828	130,362	138,747	214,257
Other Income	522	(182)	428	236	68,844
Net income from rental real estate	6,112	16,269	9,327	17,293	23,070
Total Other Income	$ 331,748	$ 248,522	$ 316,465	$ 347,260	$ 498,793
Other Expenses					
Interest Expense	$ 251	$ 586	$ 14	$ 748	$ -
Loss on Sale of Assets	51,980	47,687	-	120,961	-
Pass Through Loss from Moon	46,829	59,394	59,265	88,848	56,367
Investment Expenses	28,633	29,550	31,371	31,644	31,206
Property Tax	693	715	727	703	737
Pass Through Nondeductible	21	248	36	1,232	45
Foreign Taxes	697	864	2,341	3,127	2,565
Other Expenses	-	4,115	273	294	-
Total Other Expenses	$ 129,104	$ 143,159	$ 94,027	$ 247,557	$ 90,920
Total Other Income	$ 202,644	$ 105,363	$ 222,438	$ 99,703	$ 407,873
NET INCOME	**$ 330,236**	**$ 227,998**	**$ 342,591**	**$ 204,745**	**$ 539,264**

MOON INVESTMENT PARTNERS, LP
BALANCE SHEET
AS OF

	December 31, 2015	2016	2017	2018	2019	September 19, 2020
Current Assets						
Cash	$ 152,980	$ 116,500	$ 221,053	$ 671,682	$ 338,242	$ 457,041
Marketable Securities	18,108,367	17,098,351	17,292,669	16,331,791	19,471,021	17,921,089
Accounts Receivable	-	23,256	-	-	-	-
Investments-MHP	446,762	439,666	431,087	413,166	-	-
Total Current Assets	$ 18,708,109	$ 17,677,773	$ 17,944,809	$ 17,416,639	$ 19,809,263	$ 18,378,130
Fixed Assets						
Land	$ 107,560	$ 107,560	$ 107,560	$ 107,560	$ 107,560	$ 107,560
Building & Improvements	1,056,134	1,056,134	1,056,134	1,056,134	1,056,134	1,056,134
Vacant Land Lots	109,314	109,814	109,814	109,814	109,814	110,814
Gross Fixed Assets	$ 1,273,008	$ 1,273,508	$ 1,273,508	$ 1,273,508	$ 1,273,508	$ 1,274,508
Accumulated Depreciation	113,966	141,045	168,124	195,203	222,282	235,822
Net Fixed Assets	$ 1,159,042	$ 1,132,463	$ 1,105,384	$ 1,078,305	$ 1,051,226	$ 1,038,686
Other Assets						
Security Deposits	$ -	$ -	$ -	$ -	$ -	$ 10,000
Notes Receivable	2,712,028	4,403,415	6,009,227	4,539,975	5,382,130	6,006,288
Due from Affiliates	5,000	-	13,500	13,500	-	-
Total Other Assets	$ 2,717,028	$ 4,403,415	$ 6,022,727	$ 4,553,475	$ 5,382,130	$ 6,016,288
TOTAL ASSETS	**$ 22,584,179**	**$ 23,213,651**	**$ 25,072,920**	**$ 23,048,419**	**$ 26,242,619**	**$ 25,433,104**
Partners' Equity	$ 22,584,179	$ 23,213,651	$ 25,072,920	$ 23,048,419	$ 26,242,619	$ 25,433,104
TOTAL LIABILITIES AND EQUITY	**$ 22,584,179**	**$ 23,213,651**	**$ 25,072,920**	**$ 23,048,419**	**$ 26,242,619**	**$ 25,433,104**

MOON INVESTMENT PARTNERS, LP
INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31,

	2015	2016	2017	2018	2019
Revenues					
Rental Income	$ 95,702	$ 118,645	$ 118,959	$ 95,702	$ 95,702
Capital Gains	671,311	265,973	526,718	560,594	865,683
Capital Loses	(210,021)	(192,673)	-	(488,731)	-
Dividend Income	279,745	302,740	272,415	279,781	251,207
Interest Income (Taxable and Non-Taxable)	271,398	263,280	348,836	405,926	377,459
Section 1231 Gains (Losses)	(573)	(734)	1,729	(1,468)	277,868
Total Revenues	$1,107,562	$ 757,231	$1,268,657	$ 851,804	$ 1,867,919
Operating Expenses					
Charitable Contributions	$ 3	$ 1,000	$ 2	$ 1,000	$ -
Depreciation	30,374	29,465	28,556	27,079	27,101
Entertainment	76	-	144	-	182
Insurance - General	281	281	304	304	304
Legal Fees	10,200	13,226	10,466	13,020	13,170
Management Fees	301,809	352,672	363,203	359,419	226,481
Miscellaneous	184	7,976	-	-	1,374
Office Expenses	-	-	-	363	-
Penalties	-	-	-	3,977	-
Professional Fees	3,400	4,408	3,489	-	-
Repairs and Maintenance	500	-	-	-	-
Taxes - Other	25,742	2,889	49,451	3,217	(20,658)
Travel	76	-	144	-	182
Transfer Fee	380	-	-	-	-
Foreign Tax	2,817	3,490	9,459	12,633	10,362
Portfolio	-	1,465	-	-	-
Investment	-	-	-	1,188	-
Other: RJ…..	-	-	-	126,820	124,571
Total Operating Expenses	$ 375,842	$ 416,872	$ 465,218	$ 549,020	$ 383,069
Operating Income	$ 731,720	$ 340,359	$ 803,439	$ 302,784	$ 1,484,850
Other Income					
Other Income	$ -	$ -	$ -	$ -	$ 49
Passthrough gain Morgan Stanley	85	-	-	-	-
Morgan Stanley	2,683	2,391	-	2,420	873
North Haven Credit Partners	-	163	55	-	-
Net income from real estate	-	-	4,383	14,713	13,204
Total Other Income	$ 2,768	$ 2,554	$ 4,438	$ 17,133	$ 14,126

MOON INVESTMENT PARTNERS, LP
INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31,

	2015	2016	2017	2018	2019
Other Expenses					
Interest Expense	$ 1,013	$ 2,369	$ 57	$ 3,022	$ 2,500
Net loss from real estate	9,122	5,169	-	-	-
Passthrough loss Morgan Stanley	7	-	-	-	-
Passthrough Nondeductible	8	-	1	-	-
Other Expenses	-	19,180	44	-	629
Passthrough loss Riverview	-	-	422	-	-
Riverview	-	-	1,158	-	-
Morgan Stanley	-	-	240	-	-
Total Other Expenses	$ 10,150	$ 26,718	$ 1,922	$ 3,022	$ 3,129
Total Other Income (Expenses)	$ (7,382)	$ (24,164)	$ 2,516	$ 14,111	$ 10,997
NET INCOME	**$ 724,338**	**$ 316,195**	**$ 805,955**	**$ 316,895**	**$ 1,495,847**

Note: Figures may not add due to rounding.

SOURCES OF INFORMATION UTILIZED

Numerous sources of information were used to complete this business valuation. These were as follows:

1. Form 1065, U.S. Return of Partnership Income for Sandals Enterprises, LP for 2015.
2. Form 1065, U.S. Return of Partnership Income for Sandals Enterprises, LP for 2016.
3. Form 1065, U.S. Return of Partnership Income for Sandals Enterprises, LP for 2017.
4. Form 1065, U.S. Return of Partnership Income for Sandals Enterprises, LP for 2018.
5. Form 1065, U.S. Return of Partnership Income for Sandals Enterprises, LP for 2019.
6. Form 1065, U.S. Return of Partnership Income for Moon Investment Partners, LP for 2015.
7. Form 1065, U.S. Return of Partnership Income for Moon Investment Partners, LP for 2016.
8. Form 1065, U.S. Return of Partnership Income for Moon Investment Partners, LP for 2017.
9. Form 1065, U.S. Return of Partnership Income for Moon Investment Partners, LP for 2018.
10. Form 1065, U.S. Return of Partnership Income for Moon Investment Partners, LP for 2019.
11. Sandals Enterprises, LP balance sheet as of December 31, 2016 and 2015.
12. Sandals Enterprises, LP profit and loss for the years ended December 31, 2016 and 2015.
13. Sandals Enterprises, LP balance sheet as of December 31, 2018 and 2017.
14. Sandals Enterprises, LP profit and loss for the years ended December 31, 2018 and 2017.
15. Sandals Enterprises, LP balance sheet as of December 31, 2019 and 2018.

SOURCES OF INFORMATION UTILIZED

16. Sandals Enterprises, LP profit and loss for the years ended December 31, 2019 and 2018.

17. Sandals Enterprises, LP balance sheet as of August 31, 2020.

18. Sandals Enterprises, LP profit and loss for the eight months ended August 30, 2020.

19. Sandals Enterprises, LP balance sheet as of September 19, 2020.

20. Sandals Enterprises, LP profit and loss for the period January 1 through September 19, 2020.

21. Moon Investment Partners, LP balance sheet as of December 31, 2016 and 2015.

22. Moon Investment Partners, LP profit and loss for the year ended December 31 2016.

23. Moon Investment Partners, LP balance sheet as of December 31, 2018 and 2017.

24. Moon Investment Partners, LP profit and loss for the year ended December 31, 2018.

25. Moon Investment Partners, LP statement of assets, liabilities and owner's equity-tax basis as of September 30, 2020 and 2019.

26. Moon Investment Partners, LP balance sheet as of December 31, 2019.

27. Moon Investment Partners, LP profit and loss for the year ended December 31, 2019.

28. Moon Investment Partners, LP balance sheet as of September 19, 2020.

29. Certificate of Limited Partnership for Sandals Enterprises, LP dated May 6, 2008.

30. Agreement of Limited Partnership of the Sandals Enterprises, LP dated August 12, 2008.

31. Certificate of Limited Partnership for Moon Investment Partners, LP dated May 6, 2008.

32. Agreement of Limited Partnership of the Moon Investment Partners, LP dated August 12, 2008.

SOURCES OF INFORMATION UTILIZED

33. 2020 Federal Summary Depreciation Schedule for Sandals Enterprises, LP.

34. 2019 Federal Summary Depreciation Schedule for Moon Investment Partners, LP.

35. 2020 Federal Summary Depreciation Schedule for Moon Investment Partners, LP.

36. Amortization schedules for all Sandals Enterprises LP's loans.

37. Promissory Note for $475,490.28 between Some Laundry, LLC and Sandals Enterprises, L.P. dated May 25, 2011.

38. Transaction history detail report for Sandals Enterprises, LP loan with Some Laundry, LLC.

39. Loan calculations for Sandals Trust II loan to Some Laundry, LLC.

40. Amortization Schedule for Sandals Enterprises LP loan with Some Laundry, LLC.

41. Amortization Schedule for Sandals Enterprises LP loan with Coin Laundry.

42. Amortization Schedule for Sandals Enterprises LP and Y&D Jackson Enterprises.

43. Raymond James linked account summary for Moon Investment Partners from July 31 to August 31, 2020.

44. Raymond James linked account summary for Moon Investment Partners from August 31 to September 30, 2020.

45. Date of death account valuation for Moon Investment Partners prepared by Raymond James.

46. Ameritrade statement for River Holdings, LLC for August 2020.

47. Ameritrade statement for River Holdings, LLC for September 2020.

48. Settlement Statement for purchase of 109 acres on Road, City, SC dated September 30, 2020 and Irrevocable Assignment of Lease between Seller and Moon Investment Land Holdings, LLC dated September 30, 2020.

SOURCES OF INFORMATION UTILIZED

49. Settlement Statement for purchase of 484 acres on Other Road in City, SC dated October 30, 2020 and Irrevocable Assignment of Lease between Seller and Moon Investment Land Holdings, LLC dated October 30, 2020.

50. Public record for Moon Investment Partners, LP 4.27 acres located at Hwy 12 & 408 Parcel A.

51. Public record for Moon Investment Partners, LP 4.51 acres located at Par. C, Par. B FKA Lots 3,15, Sec. 23.

52. Public record for Moon Investment Partners, LP 6.4 acres located at Par. Lot 3, Plant.

53. Appraisal by Long Appraisal of Real Property located at Blvd., City, SC as of September 19, 2020.

54. City 3 Appraisal Service, Inc. appraisal of real property located at 362 Stan Smith Blvd., City 3, SC as of September 19, 2020.

55. Other items referenced throughout this report.

Appendix 2-1

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

This valuation is subject to the following assumptions and limiting conditions:

1. The conclusion of value arrived at herein is valid only for the stated purpose as of the date of the valuation.

2. Financial statements and other related information provided by the business or its representatives, in the course of this engagement, have been accepted without any verification as fully and correctly reflecting the enterprise's business conditions and operating results for the respective periods, except as specifically noted herein. Trugman Valuation Associates, Inc. has not audited, reviewed, or compiled the financial information provided to us and, accordingly, we express no audit opinion or any other form of assurance on this information.

3. Public information and industry and statistical information have been obtained from sources we believe to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.

4. We do not provide assurance on the achievability of the results forecasted by or for the subject company because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.

5. The conclusion of value arrived at herein is based on the assumption that the current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of the enterprise through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed.

6. This report and the conclusion of value arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. They may not be used for any other purpose or by any other party for any purpose. Furthermore the report and conclusion of value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The conclusion of value represents the considered opinion of Trugman Valuation Associates, Inc., based on information furnished to them by the subject company and other sources.

7. Neither all nor any part of the contents of this report (especially the conclusion of value, the identity of any valuation specialist(s), or the firm with which such

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

valuation specialists are connected or any reference to any of their professional designations) should be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other means of communication without the prior written consent and approval of Trugman Valuation Associates, Inc.

8. Future services regarding the subject matter of this report, including, but not limited to testimony or attendance in court, shall not be required of Trugman Valuation Associates, Inc. unless previous arrangements have been made in writing.

9. Trugman Valuation Associates, Inc. is not an environmental consultant or auditor, and it takes no responsibility for any actual or potential environmental liabilities. Any person entitled to rely on this report, wishing to know whether such liabilities exist, or the scope and their effect on the value of the property, is encouraged to obtain a professional environmental assessment. Trugman Valuation Associates, Inc. does not conduct or provide environmental assessments and has not performed one for the subject property.

10. Trugman Valuation Associates, Inc. has not determined independently whether the subject company is subject to any present or future liability relating to environmental matters (including, but not limited to CERCLA/Superfund liability) nor the scope of any such liabilities. Trugman Valuation Associates, Inc.'s valuation takes no such liabilities into account, except as they have been reported to Trugman Valuation Associates, Inc. by the subject company or by an environmental consultant working for the subject company, and then only to the extent that the liability was reported to us in an actual or estimated dollar amount. Such matters, if any, are noted in the report. To the extent such information has been reported to us, Trugman Valuation Associates, Inc. has relied on it without verification and offers no warranty or representation as to its accuracy or completeness.

11. Trugman Valuation Associates, Inc. has not made a specific compliance survey or analysis of the subject property to determine whether it is subject to, or in compliance with, the American Disabilities Act of 1990, and this valuation does not consider the effect, if any, of noncompliance.

12. No change of any item in this valuation report shall be made by anyone other than Trugman Valuation Associates, Inc., and we shall have no responsibility for any such unauthorized change.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

13. Unless otherwise stated, no effort has been made to determine the possible effect, if any, on the subject business due to future Federal, state, or local legislation, including any environmental or ecological matters or interpretations thereof.

14. We have conducted interviews with the current management of the subject company concerning the past, present, and prospective operating results of the company. Except as noted, we have relied on the representations of these individuals.

15. Except as noted, we have relied on the representations of the owners, management, and other third parties concerning the value and useful condition of all equipment, real estate, investments used in the business, and any other assets or liabilities, except as specifically stated to the contrary in this report. We have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances or that the entity has good title to all assets.

16. All facts and data set forth in the report are true and accurate to the best of the valuation analyst's knowledge and belief. We have not knowingly withheld or omitted anything from our report affecting our value estimate.

17. Possession of this report, or a copy thereof, does not carry with it the right of publication of all or part of it, nor may it be used for any purpose without the previous written consent of the valuation analyst, and in any event only with proper authorization. Authorized copies of this report will be signed in blue ink by a director of Trugman Valuation Associates, Inc. Unsigned copies, or copies not signed in blue ink, should be considered to be incomplete.

18. 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 and/or conclusions shall not exceed the amount paid to the valuation analysts for professional fees and, then, only to the party(s) for whom this report was originally prepared.

19. The conclusion reached in this report is based on the standard of value as stated and defined in the body of the report. An actual transaction in the business or business interest may be concluded at a higher value or lower value, depending on the circumstances surrounding the company, the subject business interest and/or the motivations and knowledge of both the buyers and sellers at that time. Trugman Valuation Associates, Inc. makes no guarantees as to what values individual buyers and sellers may reach in an actual transaction.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

20. No opinion is intended to be expressed for matters that require legal or other specialized expertise, investigation or knowledge beyond that customarily employed by valuation analysts valuing businesses.

Valuation of 90 percent limited partnership interest in Sandals Enterprises, LP

VALUATION ANALYST'S REPRESENTATION

We represent that, to the best of our knowledge and belief:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- we have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.
- we have performed no services, as a valuation analyst or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this business valuation.
- our analyses, opinions, and conclusions were developed and this report has been prepared in conformity with the *Statement on Standards for Valuation Services No.* 1, promulgated by the Association of International Certified Professional Accountants, the *Uniform Standards of Professional Appraisal Practice*, promulgated by the Appraisal Foundation and the business valuation standards of the American Society of Appraisers.
- The Association of International Certified Professional Accountants and The American Society of Appraisers have a mandatory recertification program for all of its senior accredited members. All senior accredited members of our firm are in compliance with all of these organizations' programs.
- no one provided significant business and/or intangible asset valuation assistance to the person signing this certification other than William Harris.

GARY R. TRUGMAN, C.P.A./A.B.V., F.A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Experience

President of Trugman Valuation Associates, Inc., a firm specializing in business valuation, economic damages and litigation support services. Business valuation experience includes a wide variety of assignments including closely-held businesses, professional practices and thinly traded public companies. Industries include but are not limited to security, automotive, funeral homes, health care, securities brokerage and financial institutions, retail, restaurants, manufacturing, trucking, service and professional business establishments. Assignments have also included the valuation of stock options and various types of intangible assets.

Business valuation, economic damages and litigation support services have been rendered for a variety of purposes including, but not limited to family law matters, business damages, lender liability litigation, buy-sell agreements, shareholder litigation, estate and gift tax matters, buying and selling businesses, malpractice litigation, wrongful death, sexual discrimination, age discrimination, wrongful termination, workers' compensation and breach of contract. Additional litigation services include reasonable compensation analysis for tax and non-tax assignments. Representation in litigation includes plaintiff, defendant, mutual and court-appointed neutral.

Court Testimony. Has been qualified as an expert witness in State Courts of Florida, New Jersey, New York, Pennsylvania, California, Connecticut, Michigan and Federal District Court in Newark, New Jersey; Hammond, Indiana; Atlanta, Georgia; Arlington, Virginia and New York, New York as well as in Bankruptcy Court in Dallas, Texas and has performed extensive services relating to court testimony. Testimony has also been provided in arbitration cases before the National Association of Securities Dealers and the American Stock Exchange, as well as other forms of arbitration.

Court Appearances. Has appeared in the following courts: *Florida* • Santa Rosa, Palm Beach, Polk, Lee, Broward, Miami-Dade, Leon, Pinellas, Duval, Collier and Escambia. *New Jersey* • Morris, Atlantic, Sussex, Bergen, Burlington, Passaic, Mercer, Middlesex, Monmouth, Essex, Hunterdon, Warren, Hudson and Union. *New York* • Bronx, Kings and Westchester. *Connecticut* • Fairfield, Milford/Ansonia and Middlesex. *Pennsylvania* • Montgomery, Lehigh, Philadelphia and Chester. *Massachusetts* • Middlesex. *Indiana* • Marion. *California* • San Jose. *Michigan* • Ottawa.

Court Appointments. Has been court appointed in New Jersey's Morris, Sussex, Essex, Union, Hunterdon, Somerset, Monmouth, Middlesex, Passaic, Warren, Bergen and Hudson counties by numerous judges, as well as Orange County, Florida and Cass County, Minnesota.

Mutual Expert. Regularly serves as a mutually-agreed upon expert.

Professional Designations

- **CPA**: Licensed in Florida (*1996*), New Jersey (1978) and New York (*1977*). (NJ and NY are inactive.)
- **ABV**: Accredited in Business Valuation designated by The American Institute of Certified Public Accountants *(1998).* Reaccredited in 2016.
- **MCBA:** Master Certified Business Appraiser designated by The Institute of Business Appraisers, Inc. (1999). Original certification (CBA) in 1987. Reaccredited in 2013. (Retired August 1, 2017).
- **FASA**: Accredited Senior Appraiser designated by the American Society of Appraisers (*1991*). Reaccredited in 2021. Received Fellow designation in 2021.

Appendix 4-2

GARY R. TRUGMAN, C.P.A./A.B.V., F.A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Education

- Masters in Valuation Sciences, Lindenwood College, St. Charles, MO (*1990*). Thesis topic: *Equitable Distribution Value of Small Closely-Held Businesses and Professional Practices.*
- B.B.A. in Accountancy, Bernard M. Baruch College, New York, NY (*1977*).

Faculty

- *National Judicial College,* Reno, Nevada 1997 through 2018.

Appraisal Education

- *7-Hour USPAP Update Course for Business Valuation*, American Society of Appraisers, 2021
- *2020 Forensic & Valuation Services Conference*, Association of International Certified Professional Accountants
- 2019 *Forensic & Valuation Services Conference*, American Institute of Certified Public Accountants
- *2018 Advanced Business Valuation Conference*, American Society of Appraisers, 2018.
- *Forensic & Valuation Services Conference 2017*, Las Vegas, NV, American Institute of CPAs, 2017.
- *Forensic & Valuation Services Conference 2016*, Nashville, TN, American Institute of CPAs, 2016.
- *2016 Advanced Business Valuation Conference*, Boca Raton, FL, American Society of Appraisers, 2016.
- *2015 AICPA Forensic and Valuation Services Conference*, Las Vegas, NV, American Institute of Certified Public Accountants, 2015.
- *Business Valuation Conference*, Harrisburg, PA, Pennsylvania Institute of Certified Public Accountants, 2015.
- *2015 Advanced Business Valuation Conference*, Las Vegas, NV, American Society of Appraisers, 2015.
- *2015 Business Valuation and Litigation Conference*, Louisville, KY, KY Society of Certified Public Accountants, 2015.
- *2015 Valuation, Forensic Accounting and Litigation Services Conference*, Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants, 2015.
- *AICPA Forensic & Valuation Services Conference 2014*, New Orleans, LA, American Institute of Certified Public Accountants, 2014.
- *2014 Business Valuation Conference,* Louisville, KY, KY Society of Certified Public Accountants, 2014.
- *2014 Valuation, Forensic Accounting and Litigation Services Conference,* Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants, 2014.
- *2013 AICPA Forensic and Valuation Services Conference,* Las Vegas, NV, American Institute of Certified Public Accountants, 2013.
- *2013 ASA Advanced Business Valuation Conference*, San Antonio, TX, American Society of Appraisers, 2013.
- *AICPA Forensic and Valuation Services Conference,* Orlando, FL, American Institute of Certified Public Accountants, 2012.
- *TSCPA Southeastern FVS Conference,* Nashville, TN, Tennessee Society of Certified Public Accountants, 2012.

GARY R. TRUGMAN, C.P.A./A.B.V., F.A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Appraisal Education

- *ASA Advanced Business Valuation Conference,* Phoenix, AZ, American Society of Appraisers, 2012.
- *Business Valuation Symposium,* Chicago, IL, IL Society of Certified Public Accountants, 2012.
- *AICPA National Business Valuation Conference*, Las Vegas, NV, American Institute of Certified Public Accountants, 2011.
- *Valuation, Forensic Accounting and Litigation Services Conference*, FL Institute of Certified Public Accountants, Ft. Lauderdale, FL, 2011.
- *AICPA National Business Valuation Conferenc*e, Washington, DC, American Institute of Certified Public Accountants, 2010.
- *Valuation for SFAS 123R/IRC 409A,* South Beach Miami, FL, American Society of Appraisers, 2010.
- *2010 ASA-CICBV Business Valuation Conference*, South Beach Miami, FL, American Society of Appraisers and Canadian Institute of Certified Business Valuers, 2010.
- *AICPA National Business Valuation Conference,* San Francisco, CA, American Institute of Certified Public Accountants, 2010.
- *The NACVA/IBA 2010 Annual Consultants' Conference*, Miami Beach, FL, National Association of Certified Valuation Analysts and The Institute of Business Appraisers, 2010.
- *FICPA Valuation, Forensic Accounting and Litigation Services Conference*, Ft. Lauderdale, FL, Florida Institute of CPAs, 2010.
- *AICPA National Business Valuation Conference,* San Francisco, CA, American Institute of Certified Public Accountants, 2009.
- *FICPA Valuation, Forensic Accounting and Litigation Services Conference*, Ft. Lauderdale, FL, Florida Institute of CPAs, 2009.
- *2008 AICPA/ASA National Business Valuation Conference*, Las Vegas, NV, American Institute of CPAs and American Society of Appraisers, 2008.
- *NJ Law and Ethics*, Webcast, New Jersey Society of CPAs, 2008.
- *AICPA National Business Valuation Conference*, New Orleans, LA, American Institute of Certified Public Accountants, 2007.
- *FCG Conference,* New Orleans, LA, Financial Consulting Group, 2007.
- *Advanced Business Valuation Conference,* San Diego, CA, American Society of Appraisers, 2007.
- *IBA Symposium 2007,* Denver, CO, The Institute of Business Appraisers, 2007.
- *FICPA Valuation, Accounting and Litigation Services Conference*, Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants, 2007.
- *AICPA National Business Valuation Conference,* Austin, TX, American Institute of Certified Public Accountants, 2006.
- *FCG Conference*, Austin, TX, Financial Consulting Group, 2006.
- *Personal Goodwill,* BV Resources Telephone Conference, 2006.
- *FICPA Valuation, Accounting and Litigation Services Conference,* Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants, 2006.
- *Valuation^2*, Las Vegas, NV, American Institute of Certified Public Accountants and American Society of Appraisers, 2005.
- *AICPA National Business Valuation Conference*, Orlando, FL, American Institute of Certified Public Accountants, 2004.

GARY R. TRUGMAN, C.P.A./A.B.V., F.A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Appraisal Education

- *23rd Annual Advanced Business Valuation Conference*, San Antonio, TX, American Society of Appraisers, 2004.
- *2004 National Business Valuation Conference,* Las Vegas, NV, Institute of Business Appraisers, 2004.
- *New Jersey Law and Ethics Course,* Parsippany, NJ, New Jersey Society of Certified Public Accountants, 2004.
- *22nd Annual Advanced Business Valuation Conference,* Chicago, IL, American Society of Appraisers, 2003.
- *AICPA National Business Valuation Conference*, New Orleans, LA, American Institute of Certified Public Accountants, 2002.
- *Brown v. Brown: The Most Important Equitable Distribution Decision Since Painter*, Fairfield, NJ, New Jersey Institute for Continuing Legal Education, 2002.
- *2001 National Business Valuation Conference,* Las Vegas, NV, American Institute of Certified Public Accountants, 2001.
- *2001 Share the Wealth Conference,* Orlando, FL, The Institute of Business Appraisers, 2001.
- *2000 National Conference on Business Valuation,* Miami, FL, American Institute of Certified Public Accountants, 2000.
- *19th Annual Advanced Business Valuation Conference*, Philadelphia, PA, American Society of Appraisers, 2000.
- *Hot Issues in Estate and Gift Tax Returns: What do the Auditors Look For?,* Fairfield, NJ, New Jersey Institute for Continuing Legal Education, 2000.
- Has performed extensive reading and research on business valuation and related topics.

Lecturer

- *Extreme Uncertainty: How Valuation Experts Should Respond to Today's Volatility and Risk,* Business Valuation Resources, 2020.
- *Valuation and Covid-19 Update: BVR Townhall and Q&A*, Business Valuation Resources, 2020.
- *Discounted Cash Flow: Speculative or Convincing*, Business Valuation Resources, 2020.
- *What Should We Be Doing to Value That Company in Light of COVID-19?*, Minnesota Society of CPAs, 2020.
- *Valuation Report Writing Workshop*, Forensic & Valuation Services Conference, 2020.
- *Transaction Method - Maneuvering the Databases*, Forensic & Valuation Services Conference, 2020.
- *Valuation Report Writing Workshop*, Forensic & Valuation Services Conference, 2019.
- *Introduction to Valuation Methodologies,* Forensic & Valuation Services Conference, 2019.
- *Report Writing*, Las Vegas, NV, Forensic & Valuation Services Conference, 2017.
- *Valuation and Common Sense*, Nashville, TN, Forensic & Valuation Services Conference, 2016.
- *Navigating the Family Law Minefield*, Nashville, TN, Forensic & Valuation Services Conference, 2016.
- *Multi Discipline Mock Trial*, Boca Raton, FL, Advanced Business Valuation Conference, 2016.
- *The Do's and Don't of Expert Witnessing*, Lake of Ozarks, MO, Missouri Society of CPAs Annual Conference, 2016.

GARY R. TRUGMAN, C.P.A./A.B.V., F.A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Lecturer

- *The Do's and Don't of Expert Witnessing*, Baltimore, MD, 2016 MD Society of CPAs Forensic and Valuation Services Conference, 2016.
- *Income Approach*, Las Vegas, NV, 2015 AICPA Forensic and Valuation Services Conference, 2015.
- *Panel Discussion: CAPM vs. Build-Up Model,* Harrisburg, PA, PA Business Valuation Conference, 2015.
- *You Think You Have Problems? Try Forecasting for a Smaller Business,* Harrisburg, PA, PA Business Valuation Conference, 2015.
- *Do's and Don'ts of Expert Testimony,* Las Vegas, NV, ASA 2015 Advanced Business Valuation Conference, 2015.
- *The Income Approach,* Louisville, KY, KY 2015 Business Valuation and Litigation Conference, 2015.
- *The Good, the Bad & the Ugly of Valuing Small Businesses: Everything you Want to Know But are Afraid to Ask*, Glen Allen, VA, VSCPA's Business Valuation, Fraud & Litigation Services Conference, 2014.
- *The ABCs of the Income Approach,* Savannah, GA, ASA International Appraisers Conference, 2014.
- *Hot Topics in Business Valuation,* Louisville, KY, KY Business Valuation Conference, 2014.
- *Tax Affecting Pass Through Entities: Where Are We Today and Do the Models Really Work?,* Louisville, KY, KY Business Valuation Conference, 2014.
- *Valuation Reports*, Webcast, American Institute of Certified Public Accountants, 2014.
- *Tax Effecting S Corporations and Pass Through Entities*, Ft. Lauderdale, FL, 2014 Valuation, Forensic Accounting and Litigation Services Conference, 2014.
- *Alternative Strategies for Deriving Minority Interest Values in Operating Companies*, Las Vegas, NV, 2013 AICPA Forensic and Valuation Services Conference, 2013.
- *DLOMs - Let's Get Practical!*, Las Vegas, NV, 2013 AICPA Forensic and Valuation Services Conference, 2013.
- *Do's and Don'ts of Expert Testimony*, Brentwood, TN, Tennessee Society of CPAs' Business Valuation Conference, 2013.
- *Discounts for Lack of Marketability - Where Are We?*, Brentwood, TN, Tennessee Society of CPAs' Business Valuation Conference, 2013.
- *Expert Witness : Tips and Techniques to Defend Your Position*, San Antonio, TX, 2013 ASA Advanced Business Valuation Conference, 2013.
- *Hot Topics in Business Valuation*, Louisville, KY, Kentucky Society of CPAs' Business Valuation Conference, 2013.
- *The Income Approach: Should You Use Equity or Invested Capital?*, Louisville, KY, Kentucky Society of CPAs' Business Valuation Conference, 2013.
- *Personal Goodwill and Covenants Not to Compete,* Chicago, IL, Illinois Chapter of the National Association of Certified Valuators and Analysts, 2013.
- *Discounts and Premiums,* Chicago, IL, Illinois CPA Society Business Valuation Conference, 2013.
- *Marketing Your BV Practice,* Chicago, IL, Illinois CPA Society Business Valuation Conference, 2013.
- *Personal Goodwill,* Baltimore, MD, Maryland Association of CPAs Business Valuation Conference, 2013.

GARY R. TRUGMAN, C.P.A./A.B.V., F.A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Lecturer

- *Valuations in Matrimonial Law*, Orlando, FL, Florida Chapter of the Association of Family & Conciliation Courts Conference, 2013.
- *Valuing the Small Business,* Nashville, TN, TSCPA Southeastern FVS Conference, 2012.
- *Personal vs. Enterprise Goodwill: Where Are We and How Do I Deal With it?,* Orlando, FL, AICPA Forensic and Valuation Services Conference, 2012.
- *The Capitalized Cash Flow Method of the Income Approach,* Orlando, FL, AICPA Forensic and Valuation Services Conference, 2012.
- *Hardball with Hitchner,* Orlando, FL, AICPA Forensic and Valuation Services Conference, 2012.
- *Litigation Support: Does the Job Manage You or Should You Manage the Job?,* Phoenix, AZ, ASA Advanced Business Valuation Conference, 2012.
- *You Think You Have Problems? Try Forecasting for a Smaller Business,* Phoenix, AZ, ASA Advanced Business Valuation Conference, 2012.
- *A Potpourri of Business Valuation Topics,* Chicago, IL National Association of Certified Valuators and Analysts, 2012.
- *Medical Practice Valuations,* Louisville, KY, Kentucky Society of CPAs Healthcare Conference, 2012.
- *Business Valuation Practice Administration,* Chicago, IL, Business Valuation Symposium, 2012.
- *Valuing Covenants Not to Compete*, Las Vegas, NV, AICPA National Business Valuation Conference, 2011.
- *Practical Applications of the Market Approach (co-presenter)*, Las Vegas, NV, AICPA National Business Valuation Conference, 2011.
- *Management and Marketing of a Valuation Practice (co-presenter)*, Las Vegas, NV, AICPA National Business Valuation Conference, 2011.
- *Using Forecasts in Business Valuation*, New York, NY, NY State Society of Certified Public Accountants, 2011.
- *Using Forecasts in Business Valuation*, Ft. Lauderdale, FL, FL Institute of Certified Public Accountants, 2011.
- *Developing Discount and Capitalization Rates,* Washington, DC, AICPA National Business Valuation Conference, 2010.
- *Applications of Standards,* Washington, DC, AICPA National Business Valuation Conference, 2010.
- *Defining The Engagement,* Washington, DC, AICPA National Business Valuation Conference, 2010.
- *Small Business Valuation Including Personal and Professional Goodwill*, Chicago, IL, Illinois CPA 2010 Family Law Conference, 2010.
- *Business Valuation During Crazy Economic Times,* Naples, FL, Get Away Convention, New Jersey Society of CPAs, 2010.
- *Forecasting: The Good, The Bad & the Ugly - Valuation the Public vs. the Private Company*, South Beach Miami, FL, 2010 ASA-CICBV Business Valuation Conference, 2010.
- *Other Valuation Adjustments - What Should We Do With Them?*, Miami Beach, FL, The NACVA/IBA 201 Annual Consultants' Conference, 2010.
- *Working in a Distressed Economy*, Ft. Lauderdale, FL, FICPA Valuation, Forensic Accounting and Litigation Services Conference, 2010.
- *Thinking Outside the Box: Using the Market Approach to Develop a Cost of Capital,* Ft. Lauderdale, FL, FICPA Valuation, Forensic Accounting and Litigation Services Conference, 2010.

GARY R. TRUGMAN, C.P.A./A.B.V., F.A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Lecturer

- *Using Forecasts in Business Valuation,* San Francisco, CA, AICPA National Business Valuation Conference, 2009.
- *Thinking Outside the Box: Using the Market Approach to Develop a Cost of Capital,* San Francisco, CA, AICPA National Business Valuation Conference, 2009.
- *Complying with Standards and Writing a Good Report,* San Francisco, CA, AICPA National Business Valuation Conference, 2009.
- *Exit Strategies for Increasing Your Business' Selling Price*, Orlando and Ft. Lauderdale, FL, FICPA Accounting Show/FABExpo, 2009.
- *So You Want to be an Expert Witness?,* Orlando and Ft. Lauderdale, FL, FICPA Accounting Show/FABExpo, 2009.
- *Business Valuation During Crazy Times*, Ft. Lauderdale and Tampa, FL, CPAs in Industry Conference, 2009.
- *Fishman, Mard and Trugman on Divorce Valuations*, Webinar, Financial Consulting Group, 2009.
- *Ask the Experts*, Ft. Lauderdale, FL, FICPA Valuation, Forensic Accounting and Litigation Services Conference, 2009.
- *SSVS1 and the Very Small Business*, Ft. Lauderdale, FL, FICPA Valuation, Forensic Accounting and Litigation Services Conference, 2009.
- *Hardball with Hitchner*, Las Vegas, NV, 2008 AICPA/ASA National Business Valuation Conference, 2008.
- *Valuing Small Main Street (Mom & Pop) Businesses*, Las Vegas, NV, 2008 AICPA/ASA National Business Valuation Conference, 2008.
- *Construction Firm Valuation Issues: What You Need to Know,* Orlando, FL, FICPA Construction Industry Conference, 2008.
- *How to Build a Valuable Practice,* Ft. Lauderdale, FL, FICPA Practice Management Conference, 2008.
- *AICPA Statement on Standards for Valuation Services*, Tallahassee, FL, Tallahassee Chapter of the FICPA, 2008.
- *Keeping Yourself Out of Trouble as an Appraiser,* IBA Teleconference, 2008.
- *Business Valuation for Litigation*, Detroit, MI, MACPA's 2008 Litigation & Business Valuation Conference, 2008.
- *Current Issues in Business Valuation and Litigation Support... And the Beat Goes On*, Detroit, MI, MACPA's 2008 Litigation & Business Valuation Conference, 2008.
- *Personal Goodwill,* Orlando, FL, American Academy of Matrimonial Lawyers, 2008.
- *Valuing the Very Small Business*, Teleconference, Business Valuation Resources, 2008.
- *Personal Goodwill - What to Do With It*, Teleconference, Institute of Business Appraisers, 2008.
- *Discount and Cap Rates - Are They Really Such a Mystery*?, Teleconference, Institute of Business Appraisers, 2008.
- *Ask the Experts,* Ft. Lauderdale, FL, FICPA Valuation, Accounting and Litigation Services Conference, 2008.
- *Tax Effecting S Corporations and Other Flow Through Entities*, Ft. Lauderdale, FL, FICPA Valuation, Accounting and Litigation Services Conference, 2008.
- *Dream the Impossible Dream: Can Specific Company Risk Really Be Quantified?,* New Orleans, LA, AICPA National Business Valuation Conference, 2007.

GARY R. TRUGMAN, C.P.A./A.B.V., F.A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Lecturer

- *Hardball with Hitchner*, New Orleans, LA, AICPA National Business Valuation Conference, 2007.
- *Valuing Small Business and Personal and Professional Goodwill*, New Orleans, LA, FCG Conference, 2007.
- *Personal Goodwill*, Richmond, VA, VASCPA Business Valuation Conference, 2007.
- *Expert Witness - A Primer*, Orlando, FL, FICPA FABExpo, 2007.
- *Personal Goodwill: Does the Non-Propertied Spouse Really Lose the Battle?,* Ft. Lauderdale, FL, Florida Bar Family Law Section, 2007.
- *Do's and Don't's of Expert Testimony*, Ft. Lauderdale, FL, FICPA Valuation, Accounting and Litigation Services Conference, 2007.
- *Valuing Small Businesses for Divorce*, Austin, TX, AICPA National Business Valuation Conference, 2006.
- *Ask the Experts*, Austin, TX, AICPA National Business Valuation Conference, 2006.
- *Changes to the 2006 USPAP*, Overland Park, KS, Kansas Valuation Conference, 2006.
- *Tax Effecting S Corporations and Other Flow Through Entities*, Overland Park, KS, Kansas Society of CPAs Valuation Conference, 2006.
- *Valuation Discounts*, Minneapolis, MN, MN Society of CPAs Valuation Conference, 2006.
- *Malpractice and Business Valuation*, Minneapolis, MN, MN Society of CPAs Valuation Conference, 2006.
- *Mock Trial - Being an Expert Witness*, Woodbridge, NJ, NJ Divorce Conference, 2006.
- *Expert Reports Used in Divorce*, Las Vegas, NV, AICPA Divorce Conference, 2006.
- *Ask the Expert*, Ft. Lauderdale, FL, FICPA Valuation, Accounting and Litigation Services Conference, 2006.
- *Valuing the Very Small Company*, Las Vegas, NV, Valuation^2, American Institute of Certified Public Accountants and American Society of Appraisers, 2005.
- *Being an Effective Witness*, Las Vegas, NV, Valuation^2, American Institute of Certified Public Accountants and American Society of Appraisers, 2005.
- *Divorce Valuation versus Other Valuations*, Richmond, VA, Virginia Society of CPA's Conference, 2005.
- *Hot Topics in Business Valuation*, Cleveland, OH, SSG, 2005.
- *Valuing Small Businesses and Professional Practices,* Atlanta, GA, George Society of CPAs' Super Conference, 2005.
- *Personal Goodwill in a Divorce Setting,* Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants' Valuation & Litigation Services Conference, 2005.
- *The Market Approach*: *Case Study,* Orlando, FL, American Institute of CPAs, 2004.
- *Valuing Professional Practices*, Orlando, FL, American Institute of CPAs, 2004.
- *How to Develop Discount Rates,* Ft. Lauderdale, FL, Florida Institute of CPAs Valuation and Litigation Conference, 2004; Detroit, MI, MI Valuation Conference, 2004.
- *To Tax or Not to Tax - That is the Question: Tax Effecting S Corporations,* Chicago, IL, Illinois Business Valuation Conference, 2004.
- *Controversial Topics,* Richmond, VA, VA Valuation and Litigation Conference, 2004.
- *Guideline Company Methods: Levels of Value Issues,* Telephone Panel, Business Valuation Resources, 2004.

GARY R. TRUGMAN, C.P.A./A.B.V., F.A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Lecturer

- *Small Business Case Study,* Phoenix, AZ, American Institute of Certified Public Accountants National Business Valuation Conference, 2003; Ft. Lauderdale, FL, Florida Institute of CPAs, 2004.
- *Valuation Issues - What You Need to Know,* San Antonio, TX, AICPA National Auto Dealer Conference, 2003.
- *Professional Practice Valuations,* Tampa, FL, The Florida Bar - Family Law Section, 2003.
- *Business Valuation Basics,* Orlando, FL, The Florida Bar Annual Meeting, 2003.
- *Business Valuation for Divorce,* Orlando, FL, The Florida Bar Annual Meeting, 2003.
- *Business Valuation in a Litigation Setting,* Las Vegas, NV, CPAmerica International, 2003.
- *The Transaction Approach - How Do We Really Use It?*, Tampa, FL, American Society of Appraisers International Conference, 2003.
- *Advanced Testimony Techniques,* Chicago, IL, Illinois Business Valuation Conference, 2003.
- *To Tax or Not to Tax? Issues Relating to S Corps and Built-In Gains Taxes,* Washington, DC, Internal Revenue Service, 2003.
- *Issues for CPAs in Business Valuation Reports,* New Orleans, LA, American Institute of Certified Public Accountants, 2002.
- *Guideline Public Company Method: Minority Versus Control – Dueling Experts,* New Orleans, LA, American Institute of Certified Public Accountants, 2002.
- *To Tax or Not To Tax? - That Is The Question,* Minneapolis, MN, Minnesota Society of Certified Public Accountants, 2002.
- *Pressing Problems and Savvy Solutions When Retained by the Non-Propertied Spouse,* Las Vegas, NV, American Institute of Certified Public Accountants/American Academy of Matrimonial Lawyers, 2002.
- *The Transaction Method - IBA Database,* Atlanta, GA, Financial Consulting Group, 2002.
- *Valuation Landmines - How Not To Get In Trouble,* Washington, DC, 2002 Annual Business Valuation Conference, The Institute of Business Appraisers, 2002.
- *Guest Lecturer on Business Valuation,* New York, NY, Fordham Law School, 2002.
- *Guideline Company Analysis,* Chicago, IL, Illinois CPA Foundation, 2002.
- *Guideline Company Analysis,* Las Vegas, NV, American Institute of Certified Public Accountants, 2001.
- *Discount and Capitalization Rates,* Bloomington, MN, Minnesota Society of CPAs, 2001.
- *Valuation Premiums and Discounts,* Louisville, KY, Kentucky Tax Institute, 2001.
- *Business Valuation,* St. Louis, MO, Edward Jones, 2001.
- *Business Valuation for Marital Dissolutions,* Dublin, OH, Ohio Supreme Court, 2001.
- *Testimony Techniques,* Chicago, IL, Illinois CPA Society, 2001.
- *Valuing the Very Small Business,* Chicago, IL, Illinois CPA Society, 2001.
- *Valuations in Divorce*, Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants, 2001.
- *Valuation Land Mines To Watch Out For,* Miami, FL, American Institute of Certified Public Accountants, 2000.
- *Ask the Experts - Discounts and Premia,* Miami, FL, American Institute of Certified Public Accountants, 2000.
- *Understanding a Financial Report,* Columbia, SC, South Carolina Bar Association, 2000.

GARY R. TRUGMAN, C.P.A./A.B.V., F.A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Lecturer

- *Business Damages*, Columbia, SC, South Carolina Bar Association, 2000.
- *A Fresh Look at Revenue Rulings 59-60 and 68-609,* New Orleans, LA, Practice Valuation Study Group, 2000.

Instructor

- *Valuation Potpourri: Concentrating on the Small Business*, National Association of Certified Valuation Analysts, Hartford, CT, 2011.
- *Advanced Topics in Business Valuation,* American Society of Appraisers, Bethesda, MD, 2010; Washington, D.C., 2011.
- *Principles of Business Valuation - Part 1,* American Society of Appraisers, Atlanta, GA, 2009; Las Vegas, NV, 2010; Annapolis, MD, 2010; Bethesda, MD, 2011.
- *Essentials of Business Appraisal,* The Institute of Business Appraisers, Ft. Lauderdale, FL, 2008.
- *Business Valuation Basics,* New Jersey Judicial Conference, Teaneck, NJ, 2007.
- *Standards and Ethics: An Appraiser's Obligation,* The Institute of Business Appraisers, Denver, CO, 2007.
- *Principles of Valuation - Part 2,* American Society of Appraisers, Austin, TX, 2005; Chicago, IL, 2006; Brooklyn, NY, 2006; Herndon, VA 2007; Chicago, IL, 2007, 2008; Deloitte & Touche, NY, 2007; Arlington, VA, 2008; Houston, TX, 2009.
- *Small Business Valuation: A Real Life Case Study,* American Institute of Certified Public Accountants, Rocky Hill, CT, 2005; Richmond, VA, 2005; Columbia, MD, 2005; Providence, RI, 2007.
- *Valuation Discount and Capitalization Rates*, *Valuations Premiums and Discounts,* Rhode Island Society of CPAs, Providence, RI, 2004.
- *Mergers and Acquisitions*, Rhode Island Society of CPAs, Providence, RI, 2004.
- *Valuing a Small Business: Case Study,* Rhode Island Society of CPAs, Providence, RI, 2004.
- *Discounts & Premiums in a Business Valuation Environment,* American Institute of Certified Public Accountants, Roseland, NJ, 2004; Rocky Hill, CT, 2005.
- *Advanced Cost of Capital Computations,* American Society of Certified Public Accountants, Rhode Island, 2004; New Jersey, 2004.
- *Fundamentals of Business Valuation - Part 2,* American Institute of Certified Public Accountants, Atlanta, GA, 2004.
- *Splitting Up is Hard to Do: Advanced Valuation Issues in Divorce and Other Litigation Disputes,* American Institute of Certified Public Accountants, Providence, RI, 2002.
- *Fundamentals of Business Valuation - Part 1,* American Institute of Certified Public Accountants, Dallas, TX, 2001.
- *Advanced Topics,* The Institute of Business Appraisers, Orlando, FL, 2001.
- *Business Valuation,* Federal Judicial Center, Washington, DC, 2001.
- *Business Issues: Business Valuation-State Issues; Marital Dissolution; Shareholder Issues and Economic Damages,* National Judicial College, Charleston, SC, 2000.
- *Business Valuation for Marital Dissolutions,* National Judicial College, San Francisco, CA, 2000.
- *Business Valuation Workshop,* 2000 Spring Industry Conference, American Institute of Certified Public Accountants, Seattle, WA, 2000.

GARY R. TRUGMAN, C.P.A./A.B.V., F.A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Instructor

- *Developing Discount & Capitalization Rates,* The Institute of Business Appraisers, Phoenix, AZ, 2000.
- *Financial Statements in the Courtroom (Business Valuation Component),* American Institute of Certified Public Accountants for the National Judicial College, Texas, 1997; Florida, 1997, 1998, 2001, 2003, 2013, 2014; Louisiana, 1998, 1999; Nevada, 1999, 2001; South Carolina, 2000, 2006; Georgia, 2000; Arizona, 2001; New York, 2002; Colorado, 2003; Ohio, 2003; New Jersey, 2005, 2007, 2013; Illinois, 2008.
- *Preparing for AICPA's ABV Examination Review Course,* American Institute of Certified Public Accountants, New York, 1997, 2000, 2001; Pennsylvania, 1998; Kansas, 1998; Maryland, 2000, 2001; Massachusetts, 2000; Virginia, 2002.
- *Business Valuation Theory,* New Jersey, 1994, 1995, 1996, 1997, 1999, 2000, 2002; Rhode Island, 2004.
- *Business Valuation Approaches and Methods,* New Jersey, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2002; North Carolina, 1997, 1999, 2000; Louisiana, 1997, 1998; Massachusetts, 1997, 1998, 1999; Pennsylvania, 1997; New York, 1997, 2000; Indiana, 1997; Connecticut, 1997, 2000; Ohio, 1998; Rhode Island, 1999, 2003.
- *Business Valuation Discount Rates, Capitalization Rates, Valuation Premiums and Discounts,* New Jersey, 1998, 2000, 2002; North Carolina, 1997, 1999, 2000; Louisiana, 1997; Massachusetts, 1997, 1998; Rhode Island, 1997, 1999; Indiana, 1997; Connecticut, 1997, 2000.
- *Principles of Valuation: Introduction to Business Valuation,* American Society of Appraisers, 1998, 1999, 2001, 2002.
- *Principles of Valuation: Business Valuation Methodology,* American Society of Appraisers, 1992, 1993, 1995, 1996, 1997, 1998, 1999, 2001.
- *Principles of Valuation: Case Study,* American Society of Appraisers, 1993, 1999, 2000, 2001, 2002, 2003.
- *Principles of Valuation: Selected Advanced Topics,* American Society of Appraisers, 1992, 1994, 1995, 1996, 1998, 2002.

Organizations

- American Society of Appraisers.
- American Institute of Certified Public Accountants.
- Florida Institute of Certified Public Accountants.

Awards

- Received "Fellow" designation by the American Society of Appraisers in 2021 for service to the profession.
- Presented with the "Volunteer of the Year Award" by the American Institute of Certified Public Accountants in 2011 for outstanding service in furthering the goals of the business valuation profession.
- Presented with the "Outstanding Chair Award" by the Florida Institute of Certified Public Accountants in June 2007 for service to the 2006-2007 Valuation, Forensic Accounting and Litigation Services Section.

GARY R. TRUGMAN, C.P.A./A.B.V., F.A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Awards

- Presented with the “Hall of Fame Award” by the American Institute of Certified Public Accountants in December 1999 for dedication towards the advancement of the business valuation profession.
- Presented with the “Fellow Award” by The Institute of Business Appraisers Inc., in January 1996 for contributions made to the profession.

Professional Appointments

- *The Institute of Business Appraisers, Inc.,* Former Regional Governor for the Mid-Atlantic Region consisting of Delaware, Kentucky, Maryland, New Jersey, Pennsylvania, Ohio, Virginia and West Virginia.
- *The American Society of Appraisers Chapter 73,* Treasurer, 1996-1997.

Past Committee Service

- Chair - ASA Constitution and By-Laws Committee.
- Chairman - ASA International Ethics Committee.
- Chairman - ASA Business Valuation Education Committee.
- 2015 Advanced Business Valuation Conference Committee, American Society of Appraisers.
- ASA Business Valuation Committee.
- 2011 AICPA Business Valuation Conference Committee.
- AICPA ABV Examination Task Force.
- 2010 ASA BV Education Subcommittee.
- 2010 AICPA Business Valuation Conference Committee.
- Chairman of Disciplinary and Ethics Committee -The Institute of Business Appraisers, Inc. (committee established 1989).
- Chairman of Valuation, Forensic Accounting and Litigation Services Section - Florida Institute of CPAs.
- AICPA Committee with the Judiciary.
- AICPA ABV Credential Committee.
- AICPA Management Consulting Services Division, Executive Committee.
- Chairman of the Valuation Standards Subcommittee - NJ Society of Certified Public Accountants Litigation Services Committee.
- Matrimonial Subcommittee, NJ Society of Certified Public Accountants Litigation Services Committee.
- Co-Chair of Courses and Seminars for Certified Public Accountants Subcommittee - NJ Society of Certified Public Accountants.
- Education Committee, The Institute of Business Appraisers, Inc.
- Chairman of Education Committee - North Jersey Chapter of American Society of Appraisers.
- AICPA Subcommittee on Business Valuation & Appraisal.
- International Board of Examiners, American Society of Appraisers.
- Qualifications Review Committee, The Institute of Business Appraisers, Inc.

GARY R. TRUGMAN, C.P.A./A.B.V., F.A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Editor

- Editorial Advisor for *Business Valuation Update,* Business Valuation Resources, LLC
- Editorial Advisor for *Financial Valuation and Litigation Expert*, Valuation Products and Services.
- Former Editorial Advisor for *CPA Expert*, American Institute of Certified Public Accountants.
- Former Editorial Advisor for *The Journal of Accountancy*, American Institute of Certified Public Accountants.
- Former Editorial Advisor of *BV Q&A*, Business Valuation Resources.
- Former Editorial Board of *CPA Litigation Service Counselor*, Harcourt Brace, San Diego, CA.
- Former Editorial Board of *Business Valuation Review*, American Society of Appraisers, Herndon, VA.

Author

- *Answering Tough Cross-Examination Questions,* Financial Valuation and Litigation Expert (June/July 2019).
- *Should You Ever Use the MCAPM to Value Small-Sized Businesses?*, Financial Valuation and Litigation Expert (December 2016/January 2017).
- Contributing author to *How to Be a Successful Expert Witness: SEAK's A-Z Guide to Expert Witnessing*, SEAK (2014).
- Contributing author to *How to Write an Expert Witness Report,* SEAK (2014).
- Co-author of course entitled *Advanced Topics in Business Valuation*, American Society of Appraisers (2011).
- Course entitled *Principles of Business Valuation: Part 1*, American Society of Appraisers (2010).
- Co-author of *How Should You Value Closely Held Businesses During Crazy Times?*, Business Valuation Update (August 2009).
- *Essentials of Valuing a Closely Held Business*, American Institute of CPAs (2008).
- *Practical Solutions to Problems in Valuing the Very Small Business*, Business Valuation Update (2008).
- Course entitled *Standards and Ethics: An Appraiser's Obligation*, The Institute of Business Appraisers (2007).
- Course entitled *Small Business Valuation: A Real Life Case Study*, American Institute of Certified Public Accountants (2005).
- *Guideline Public Company Method - Control or Minority Value?*, Shannon Pratt's Business Valuation Update (2003).
- *Signed, Sealed, Delivered*, Journal of Accountancy (2002).
- *A CPA's Guide to Valuing a Closely Held Business*, American Institute of Certified Public Accountants (2001).
- Course entitled *Business Issues - State Courts*, National Judicial College, Reno, NV (2000).
- *Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses,* American Institute of Certified Public Accountants, First Edition (1998), Second Edition (2002), Third Edition (2008), Fourth Edition (2012), Fifth Edition (2017).
- Contributing author to *The Handbook of Advanced Business Valuation*, McGraw-Hill (1999).
- Course entitled *Valuation Issues in Divorce Settings,* American Institute of Certified Public Accountants (1997).

GARY R. TRUGMAN, C.P.A./A.B.V., F.A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Author

- Co-author of course entitled *Accredited Business Valuer Review Course* (Market Approach Chapter), American Institute of Certified Public Accountants (1997).
- *Understanding Business Valuations,* The Institute of Continuing Legal Education (1997).
- Six Day Business Valuation Series consisting of *Business Valuation Theory*, *Valuation Approaches & Methods* and *Advanced Topics in Business Valuation* (1994, 1995.)
- *Valuation of a Closely-Held Business*, Practice Aid, American Institute of Certified Public Accountants (1993).
- Co-author of *Guide to Divorce Engagements*, Practitioners Publishing Company, Fort Worth, TX (1992).
- *A Threat to Business Valuation Practices*, *Journal of Accountancy* (December 1991).
- Course entitled *Advanced One Day Seminar,* The Institute of Business Appraisers, Inc. (1991).
- Course entitled *Understanding Business Valuation for the Practice of Law*, Institute of Continuing Legal Education in NJ.
- *An Appraiser's Approach to Business Valuation, Fair$hare*, Prentice Hall Law & Business (July & August, 1991).
- *What is Fair Market Value? Back to Basics, Fair$hare*, Prentice Hall Law & Business (June 1990).

Technical Reviewer

- Shannon P. Pratt and Alina V. Niculita, *Valuing a Business: The Analysis and Appraisal of Closely Held Companies, 5th Edition (McGraw Hill: New York, 2008).*
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- James R. Hitchner, *Financial Valuation: Applications and Models*, *1st Edition* (Wiley Finance: New Jersey, 2003).
- Jay E. Fishman, Shannon P. Pratt and Williams J Morrison, *Standards of Value: Theory and Applications* (John Wiley & Sons, Inc.: New Jersey), 1st edition, 2007; 2nd edition, 2013.

WILLIAM HARRIS, ASA, CFA
PROFESSIONAL QUALIFICATIONS

Experience

Director at Trugman Valuation Associates, Inc. specializing in the valuation of businesses and intangible assets. Valuation experience includes a wide variety of assignments including closely-held businesses, professional practices, early stage companies, thinly traded public companies, intangible assets, and derivatives. Industries include but are not limited automotive, construction, health care, financial institutions, retail, restaurants, manufacturing, trucking, service, and professional business establishments. Assignments have also included the valuation of stock options, preferred stock, debt securities, and various types of intangible assets. Business valuation, economic damages and litigation support services have been rendered for a variety of purposes including, but not limited to shareholder litigation, financial reporting, employee stock option plans ("ESOP"), estate and gift tax matters, buying and selling businesses, family law matters, business damages, buy-sell agreements, malpractice litigation, wrongful termination, workers' compensation and breach of contract. Additional litigation services include reasonable compensation analysis for tax and non-tax assignments.

Professional Designations

- ASA: Accredited Senior Appraiser designated by the American Society of Appraisers (2013). Reaccredited in 2021.
- CFA: Chartered Financial Analyst designated by the CFA Institute (2012).

Education

- M.S., Finance, Chapman Graduate School of Business at Florida International University, 2007.
- B.S., Business Administration, Belk College of Business at the University of North Carolina at Charlotte, 2006.

Appraisal Education

- *USPAP for Business Valuation*, Webcast, American Society of Appraisers, 2021.
- *International Conference*, Live Webcast, American Society of Appraisers, 2020.
- *Advanced Business Valuation Conference*, New York, NY, American Society of Appraisers, 2019.

WILLIAM HARRIS, ASA, CFA
PROFESSIONAL QUALIFICATIONS

Appraisal Education

- *Advanced Business Valuation Conference*, Live Webcast, American Society of Appraisers, 2018.
- *The Impact of TCJA on Cost of Capital*, Live Webcast, American Society of Appraisers, 2018.
- *Advanced Business Valuation Conference*, Houston, TX, American Society of Appraisers, 2017.
- *National USPAP Update Course*, Webinar, McKissock, 2016-2017.
- *Advanced Business Valuation Conference*, Boca Raton, FL, American Society of Appraisers, 2016.
- *Expert Witness Bootcamp*, Hollywood, FL, National Association of Certified Valuators and Analysts, 2015.
- *Advanced Business Valuation Conference*, Las Vegas, NV, American Society of Appraisers, 2015.
- *AICPA Forensic and Valuation Services Conference,* New Orleans, LA, American Institute of Certified Public Accountants, 2014.
- *AICPA Forensic and Valuation Services Conference,* Las Vegas, NV, American Institute of Certified Public Accountants, 2013.
- *Special Topics in the Valuation of Intangible Assets,* Reston, VA, American Society of Appraisers, 2013.
- *AICPA Forensic and Valuation Services Conference,* Orlando, FL, American Institute of Certified Public Accountants, 2012.
- *Valuation of Intangible Assets,* Skokie, IL, American Society of Appraisers, 2012.
- *AICPA National Business Valuation Conference,* Las Vegas, NV, American Institute of CPAs, 2011.
- *The Correct Way to Use Ibbotson and Duff and Phelps Risk Premium Data*, Webinar, Valuation Products and Services, 2011.
- *USPAP for Business Valuation,* South Beach Miami, FL, American Society of Appraisers, 2010.
- *Advanced Topics in Business Valuation*, Bethesda, MD, American Society of Appraisers, 2010.

WILLIAM HARRIS, ASA, CFA
PROFESSIONAL QUALIFICATIONS

Appraisal Education

- *AICPA National Business Valuation Conference*, San Francisco, CA, American Institute of CPAs, 2009.
- *The Market Approach*, Skokie, IL, American Society of Appraisers, 2009.
- *The Income Approach*, Orlando, FL, American Society of Appraisers, 2009.
- *Introduction to Business Valuation*, Minneapolis, MN, American Society of Appraisers, 2008.

Author

- Author of "Trugman Valuation Associates, Inc. (TVA) Restricted Stock Study*," Business Valuation Review* (Fall 2009).
- Co-Author of "How Should You Value Closely Held Businesses During These Crazy Times?," *Business Valuation Update* (August 2009).
- Author of "Trugman Valuation Associates, Inc. (TVA) Restricted Stock Study - An Update*," Business Valuation Review* (Winter 2011).
- Contributing Author to "Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses," American Institute of Certified Public Accountants, Fourth Edition (2012).
- Contributing Author to "Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses," American Institute of Certified Public Accountants, Fifth Edition (2017).

Organizations

- American Society of Appraisers.
- CFA Institute.
- CFA Society of Miami.

Committee Service

- CFA Institute, Practice Analysis Working Body Member, Fiscal Year 2021