45 PERCENT AND 10 PERCENT MEMBER INTERESTS IN GREEN INVESTMENTS, LLC

VALUATION REPORT

OCTOBER 31, 2020

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INTRODUCTION

DESCRIPTION OF THE ASSIGNMENT

Trugman Valuation Associates, Inc. was retained by Steve Smith, Esq. on behalf of Lawyers, PLLC ("The Client" and "The Intended User")[1] to perform a business valuation of a 45 percent and a 10 percent member interest in Green Investments, LLC ("Green" or "The LLC") as of October 31, 2020.

The purpose of this valuation is to determine the fair market values of the interests to be used to support a gift of the interest for estate and gift 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 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 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 and securities. Since determining the fair market value of a business 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

Green was formed on May 28, 2019 as a Florida Limited Liability Company pursuant to the Florida Revised Limited Liability Company Act. On May 28, 2019, the members of The LLC entered into an Operating Agreement. Upon formation, the members of The LLC were the John William Roberts Trust and the Karen Gwen Roberts Trust, each owning a 50 percent interest in Green. On October 31, 2020, the Scott Matthew Roberts 2020 Irrevocable Trust u/a/d October 23, 2020, the Lauren Gwen Schwartz 2020 Irrevocable Trust u/a/d October 23, 2020 and the Roberts Family 2020 Irrevocable Trust u/a/d October 23,2020, acquired interests in The LLC. After these transfers, ownership in Green was as follows:

Member	Ownership Interest
Scott Matthew Roberts 2020 Irrevocable Trust, u/a/d October 23, 2020	45%
Lauren Gwen Schwartz 2020 Irrevocable Trust, u/a/d October 23,2020	45%
Roberts Family 2020 Irrevocable Trust, u/a/d October 23, 2020	10%
TOTAL	**100%**

On October 31, 2020, the members of Green entered into an Amended and Restated Operating Agreement (“The Amended and Restated Operating Agreement”), which replaced the original Operating Agreement. Pertinent sections of The Amended and Restated Operating Agreement are discussed below.

PURPOSE OF THE LLC

The purpose of The LLC is to conduct any business or activity that may be conducted by a limited liability company organized pursuant to the Florida Revised Limited Liability Company Act. As of the valuation date, Green operated as a real estate holding company.

TERM OF THE LLC

The term of The LLC shall continue in perpetuity, unless its existence is terminated earlier pursuant to Article 11 of The Amended and Restated Operating Agreement, which states:

> The Company shall be dissolved only upon the occurrence of the following events:
>
> (a) the sale of all or substantially all of the assets of the Company to any Person that is not a Related Party;
>
> (b) by unanimous written consent of all Members;
>
> (c) at any time there are no Members; however, the Company is not dissolved and is not required to be wound up if, within 90 days after the event that terminated the Interest of the last remaining Member, the personal or other legal representative of the last remaining Member agrees in writing to continue the Company and agrees to the admission of the personal representative of such Member or its nominee or designee to the Company as a Member, effective as of the occurrence of the event that terminated the Interest of the last remaining Member; or
>
> (d) as otherwise required by law.

Section 605.0701 of the Florida Limited Liability Act lists the following events for dissolution:

> **605.0701 Events causing dissolution.** A limited liability company is dissolved and its activities and affairs must be wound up upon the occurrence of the following:
>
> (1) An event or circumstance that the operating agreement states causes dissolution.
>
> (2) The consent of all the members.
>
> (3) The passage of 90 consecutive days during which the company has no members, unless:
>
> > (a) Consent to admit at least one specified person as a member is given by transferees owning the rights to receive a majority of distributions as transferees at the time the consent is to be effective; and

(b) At least one person becomes a member in accordance with the consent.

(4) The entry of a decree of judicial dissolution in accordance with s. 605.0705.

(5) The filing of a statement of administrative dissolution by the department pursuant to s. 605.0714.

MANAGEMENT OF THE LLC

According to Section 5.1 of The Amended and Restated Operating Agreement, Green’s operations are controlled by the manager of The LLC. As of the valuation date, the managers of Green are Scott Matthew Roberts and Lauren Gwen Schwartz. In the event that either Scott Matthew Roberts or Lauren Gwen Schwartz fail or cease to act as a manager, the other may serve as the sole manager. Successor Manager(s) are elected by a majority vote of the members.

The powers of the managers are discussed in Section 5.1(b) of The Amended and Restated Operating Agreement and are as follows:

(i) to operate and manage the Company and the Company's Property in a manner determined by the Managers, acting together, to be consistent with the purposes as set forth in this Agreement;

(ii) to sell or accept any offer to sell, lease, assign, exchange or otherwise transfer or convey the Property of the Company;

(iii) to sell or otherwise dispose of at one time all or substantially all of the Company's Property;

(iv) to acquire, enter into and pay for any contract of insurance which the Managers, acting together, reasonably deem necessary and proper for the protection of the Company, for the conservation of the Property of the Company or for any purpose beneficial to the Company;

(v) to select, employ, and dismiss such employees, attorneys, brokers, consultants, managers and accountants or such other experts and advisers on behalf of the Company, as the Managers, acting together, may deem necessary or advisable, and determine their compensation and other terms of employment or hiring;

> (vi) to bring or defend, pay, collect, compromise, arbitrate, resort to legal action, or otherwise adjust claims or demands of or against the Company; and
>
> (vii) to perform or cause to be performed all of the Company's obligations under any agreement to which the Company is a party.

Section 5.1 of The Amended and Restated Operating Agreement contains a list of actions that cannot be performed without the consent of all members, including:

> (i) to borrow money or issue evidences of indebtedness and to execute on behalf of the Company, any and all agreements, contracts, documents, certifications, and instruments necessary or convenient in connection with the management, maintenance, and operation of the Company's Property including, but not limited to checks, drafts, notes or other negotiable instruments, mortgages or deeds of trust, security agreements, financing statements, documents providing for the acquisition, mortgage, (including the refinancing, modification, consolidation or extension of any such mortgage or other indebtedness) pledge or disposition of property, assignments, bills of sale, leases and any other documents necessary or appropriate, in the opinion of the Managers to carry out the business of the Company.
>
> (ii) knowingly do any act in contravention of this Agreement;
>
> (iii) knowingly do any act which would make it impossible to carry on the ordinary business of the Company, except as otherwise provided in this Agreement;
>
> (iv) possess Company Property, or assign rights in specific Company Property, other than for a Company purpose;
>
> (v) cause the Company to voluntarily take any action that would cause a Bankruptcy of the Company; or
>
> (vi) take any action to dissolve the Company.

DISTRIBUTIONS

The payment of distributions is discussed in Section 8.1 of The Amended and Restated Operating Agreement and states:

> Except as provided in Article II hereof, relating to the dissolution and liquidation of the Company, the Company will determine its Net Cash From

Operations from time to time and such amounts shall be distributed at such time determined by the Managers, acting together. All distributions of Net Cash From Operations shall be made to the Members in proportion to their Interests.

TRANSFER RESTRICTIONS

Transfer restrictions are discussed in Article 9. The Amended and Restated Operating Agreement allows transfers to Permitted Transferees, which are listed as follows:

(ii) A 'Permitted Transferee' of a Member is any Person who is:

a. Any other Member;

b. Any Person approved as a Permitted Transferee by the consent of Members that are not Transferring Members;

c. Any Person who is a Personal Representative (as hereinafter described) of a Transferring Member;

d. Any Person who is a member of the Immediate Family (as hereinafter described) of a Member;

e. Any Person who is a trust for the benefit of a Member and/or one or more members of the Immediate Family of a Member;

f. The trustee(s) of any trust holding properties with respect to which members of the Immediate Family of a Member actuarially comprise more than seventy-five percent (75%) of the beneficial ownership;

g. Any Person which is wholly-owned by a Member or Permitted Transferee;

h. Any partnership or entity with respect to which members of the Immediate Family of a Member or trusts for the benefit of members of the Immediate Family of a Member actuarially comprise more than seventy-five percent (75%) of the beneficial ownership;

i. In the case of a Member that is a trust, any Person(s) that is a beneficiary of such trust;

j. Any sub-trust created under the Scott Matthew Roberts 2020 Irrevocable Trust u/a/d October 23, 2020, the Lauren Gwen

Schwartz 2020 Irrevocable Trust u/a/d October 23, 2020 or the Roberts Family 2020 Irrevocable Trust u/a/d October 23, 2020; or,

k. In the case of a Member that is a limited liability company or partnership, any Person(s) that is a member or partner of the limited liability company or partnership, as applicable.

Green's operates as a real estate holding company whose primary assets are commercial real estate in City2, Broward County, Florida; City3, Seminole County, Florida; City4, Pinellas County, Florida and City1, Lee County, Florida.

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, increased at an annualized rate of 33.1 percent during the third quarter of 2020 after decreasing at an annualized rate of 31.4 percent in the second quarter of 2020. The swings in annualized GDP growth during the second and third quarters of 2020 follow a decline in annualized GDP of 5 percent in the first quarter of 2020. The annualized GDP increase of 33.1 percent during the third quarter of 2020 is greater than economists' projections of growth of 28.5 percent. GDP grew 2.2 percent in 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 increased 40.7 percent in the third quarter of 2020, following decreases of 6.9 percent and 33.2 percent in the first and second quarters, respectively. According to the BEA, durable goods purchases increased by 82.2 percent in the third

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[2] Mercer Capital's *The National Economic Review,* Third Quarter 2020.

quarter of 2020, following decreases of 12.5 percent and 1.7 percent in the first and second quarters, respectively.[3]

According to the Federal Open Market Committee ("FOMC") at its September 15 and 16 meetings, total nonfarm payroll employment expanded strongly in July and August, although payrolls had regained only about half of the jobs lost at the onset of the pandemic. The unemployment rate moved down further to 8.4 percent in August. The labor force participation rate rose and the employment-to-population ratio increased further in July and August. Initial claims for unemployment insurance benefits continued to move down through early September, but the pace of declines had slowed. In addition, weekly estimates of private-sector payrolls constructed by the FOMC's staff using data provided by the payroll processor ADP suggested that employment gains likely were still solid from mid-August to early September.[4]

During FOMC meetings in the third quarter of 2020, the Federal Reserve reiterated its commitment to support the economy through aggressive monetary policy. Though no new policy steps or programs were announced during the third quarter, the FOMC voted to leave rates unchanged in a range between 0 percent and 0.25 percent at its July and September meetings. Of note, the FOMC did outline the necessary economic conditions under which it would consider raising the benchmark rate in its press release following the September meeting.[5]

On October 12, 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.

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3 Ibid.

4 Federal Open Market Committee, "Minutes of the Federal Open Market Committee," September 15-16, 2020 <http://www.federalreserve.gov/monetarypolicy/files/fomcminutes20200915.pdf> (accessed December 7, 2020).

5 *The National Economic Review*.

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*	28.7	4.5	3.6	3.7	3.4	3.4	2.8	3.0
Real Disposable Personal Income*	-14.4	-3.6	-7.4	0.6	0.9	1.9	2.6	2.9
Real Personal Consumption*	35.4	4.7	3.5	3.9	3.9	3.7	2.8	2.9
Real Business Investment*	9.5	3.5	3.8	3.9	4.4	4.6	4.7	5.6
Industrial Production*	34.0	6.9	4.8	4.0	3.9	3.7	3.4	3.6
Consumer Prices*	5.2	1.9	2.0	2.0	2.2	2.1	2.1	2.1
Producer Prices*	7.1	1.9	2.0	2.6	2.6	2.7	2.4	2.3
Unemployment Rate, %	8.8	7.7	7.3	7.0	6.7	6.3	6.0	5.7

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

Consensus Economics' forecasts indicate that real GDP is expected to decelerate in the near term before stabilizing at 3 percent. Disposable income is forecast to increase moderately over the next several quarters. 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 2.0 and 2.2 percent and the unemployment rate is forecast to gradually decrease.

Overall, Green will operate in a moderate economic environment. The economy has recently suffered from the pandemic, however, the effects appear to be temporary and consistent economic growth is expected to resume over the longer term.

LOCAL ECONOMY

Green's primary assets are commercial real estate in City2, Broward County, Florida; City3, Seminole County, Florida; City4, Pinellas County, Florida and City1, Lee County, Florida. Therefore, it is important to consider local economic conditions.

Population projections for counties in which Green holds real estate are presented in Table 2.

TABLE 2
POPULATION PROJECTIONS

County	Estimate 2019	Projections 2020	2025	2030	2035	2040	2045
Broward	1,919,644	1,941,215	2,038,988	2,115,161	2,179,084	2,233,865	2,285,070
Seminole	471,735	478,823	510,710	535,588	556,881	574,718	590,424
Pinellas	978,045	984,925	1,014,418	1,035,645	1,051,332	1,066,631	1,080,639
Lee	735,148	752,776	835,496	904,654	961,431	1,010,872	1,056,637

Source: Bureau of Economics and Business Research.

Each of the counties in which The LLC holds real estate are expected to experience steady population growth over the long term. From 2020 to 2045, the population in Broward, Seminole, Pinellas and Lee County is forecast to increase by 0.82 percent, 1.05 percent, 0.46 percent and 1.71 percent, respectively.

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

TABLE 3
UNEMPLOYMENT RATE

MSA	2014	2015	2016	2017	2018	2019	October 2020
Miami-Fort Lauderdale-Pompano Beach	6.3	5.5	4.9	4.3	3.5	2.8	7.7
Orlando-Kissimmee-Sanford	5.4	5.2	4.5	3.9	3.4	3.0	8.0
Tampa-St. Petersburg-Clearwater	6.0	5.2	4.6	4.1	3.6	3.2	5.6
Cape Coral-Fort Myers	6.0	5.2	4.6	4.1	3.5	3.1	5.5

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
PER CAPITA PERSONAL INCOME
($ THOUSANDS OF DOLLARS)

MSA	2015	2016	2017	2018	2019
Miami-Fort Lauderdale-Pompano Beach	$ 306,032,168	$ 312,972,537	$ 339,588,933	$ 363,413,990	$ 375,944,348
Orlando-Kissimmee-Sanford	93,667,702	98,253,100	105,508,915	112,563,950	117,774,061
Tampa-St. Petersburg-Clearwater	128,732,079	133,477,350	141,265,900	149,314,487	156,253,370
Cape Coral-Fort Myers	32,477,798	34,758,296	36,788,238	38,547,795	40,119,053

Source: Bureau of Economic Analysis.

Total personal income increased about 23 percent for the Miami-Fort Lauderdale-Pompano Beach MSA, 26 percent for the Orlando-Kissimmee-Sanford MSA, 22 percent for the Tampa-St. Petersburg-Clearwater MSA and 24 percent for the Cape Coral-Fort Myers MSA from 2015 to 2019.

Overall, the properties owned by Green should benefit from the anticipated population growth and an anticipated rebound in income in the various local economic regions.

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

Green's historic balance sheet appears in Schedule 1 at the back of this report. The LLC's assets consist of cash and real estate. Green's real estate assets consist of the following properties.

- **5678 NW. 33rd St. City2, Broward County, Florida** - Single-tenant industrial office-warehouse property containing 20,316 square feet of rentable space.

- **91011 N. Design Ct. City3, Seminole County, Florida** - Single-tenant industrial property containing 5,250 square feet of rentable area.

- **1213 118th Ave. N. City4, Pinellas County, Florida** - Industrial property containing 6,000 square feet of rentable area. According to the real estate appraisal, the tenant in this property was a related party and as a result, the contract rents are below market value.

- **1234 Elephant Parkway, City1, Lee County, Florida** - 33,428 square foot industrial facility.

As of December 31, 2019, The LLC had a book value of $2,927,847. However, this does not reflect the fair market value of Green's assets as of the valuation date. The fair market value balance sheet adjustments appear in Table 5.

TABLE 5
BALANCE SHEET
ADJUSTMENTS

	December 31, 2019	Adjustments	Adjusted October 31, 2020
Current Assets			
Cash[1]	$ 64,205	$ 38,723	$ 102,928
Real Estate[2]	2,881,767	3,068,233	5,950,000
TOTAL ASSETS	**$ 2,945,972**	**$ 3,106,956**	**$ 6,052,928**

TABLE 5
BALANCE SHEET
ADJUSTMENTS

	December 31, 2019	Adjustments	Adjusted October 31, 2020
Liabilities			
Deposits	$ 18,125	$ -	$ 18,125
Total Equity	2,927,847	3,106,956	6,034,803
TOTAL LIABILITIES AND EQUITY	**$ 2,945,972**	**$ 3,106,956**	**$ 6,052,928**

1. Green's cash account was updated to reflect the balances as of October 31, 2020. The Company's cash balance was obtained from its bank statements.

2. The Company's real estate was adjusted to reflect the fair market values of the properties as of the valuation date. The fair market value of the real estate was obtained from real estate appraisals performed by Realty Resources and Appraisal, Inc. A summary of the real estate values appears below.

Property Address	Market Value
5678 NW 33rd Street	$ 1,900,000
91011 N Design Court	470,000
1213 118th Ave N	430,000
1234 Elephant Parkway	3,150,000
TOTAL	**$ 5,950,000**

Based on the adjustments to the balance sheet, the adjusted book value of Green was $6,034,803 as of October 31, 2020.

THE EARNING CAPACITY OF THE COMPANY

Green's 2019 income statement appears in Schedule 2 at the back of this report. The LLC generates income from its underlying real estate assets. In 2019, Green recognized a net loss of $34,825. However, in 2019, the real estate was only partially owned by The LLC. Green assumed full control of the properties in 2020. If Green had full ownership of the properties in 2019, The LLC would have generated a net profit of $35,468.

Based on these factors, we determined that The LLC's historic earning capacity was not reflective of the future earnings that a willing buyer would expect The LLC to generate on a prospective basis. Therefore, we prepared an income statement forecast based on the terms of Green's existing lease agreements and the fair rental values contained in the real estate appraisals. The forecast was prepared on a debt-free basis, since a hypothetical willing buyer could introduce a different capital structure into The LLC. The income statement forecast appears in Table 6.

TABLE 6
INCOME STATEMENT FORECAST

	2021	2022	2023	2024	2025
Rental Income	$ 544,652	$ 587,390	$ 600,312	$ 613,519	$ 627,016
Operating Expenses	(137,166)	(140,183)	(143,267)	(146,419)	(149,640)
Depreciation	(43,330)	(44,283)	(45,257)	(46,253)	(47,270)
Debt-Free Net Income	**$ 364,157**	**$ 402,923**	**$ 411,788**	**$ 420,847**	**$ 430,105**

Note: Figures may not add due to rounding.

The assumptions that went into the income statement forecast are as follows:

Rental Income - Forecast based on the terms of The LLC's current leases through the expiration dates of the leases. Once the leases expired, we assumed that the properties would be leased at market rental rates pursuant to the real estate appraisals. Based on our analysis, The LLC is expected to achieve market rental rates for all of its properties in 2025.

We adjusted rents for anticipated inflationary increases in future years. The rental income forecast is summarized in Table 7.

TABLE 7
RENTAL INCOME FORECAST
FOR THE YEARS ENDED OCTOBER 31,

	2021	2022	2023	2024	2025
5678 NW 33rd Street	$ 218,769	$ 244,389	$ 249,765	$ 255,260	$ 260,876
91011 N Design Court	49,875	50,972	52,094	53,240	54,411
1213 118th Ave N	45,869	49,488	50,577	51,689	52,827
1234 Elephant Parkway	230,140	242,541	247,876	253,330	258,903
TOTAL	**$ 544,652**	**$ 587,390**	**$ 600,312**	**$ 613,519**	**$ 627,016**

Note: Figures may not add due to rounding.

Operating Expenses - Primarily consist of property management expenses, real estate taxes and other miscellaneous expenses. Total operating expenses were increased by inflation in future years.

Depreciation Expense - Forecast based on inflationary increases in future years. This assumes that The LLC will incur ongoing replacement expenditures in future years.

Based on the income statement forecast, The LLC is expected to experience consistent and steady earnings growth from its rental properties. This will be considered in our analysis.

THE DIVIDEND[6] PAYING CAPACITY OF THE COMPANY

The LLC paid distributions of $49,665 in 2019. An indication of Green's future dividend paying capacity is The LLC's net cash flow. In order to estimate The LLC's net cash flow, we need to consider The LLC's future working capital and capital spending needs. The assumptions are as follows:

Working Capital - The LLC's only working capital item is cash. We assumed that Green would need to maintain cash reserves equal to three months of operating expenses.

Capital Expenditures - Capital expenditures were forecast to increase at an inflationary rate above The LLC's depreciation expense. This assumes that The LLC will replace its fixed assets at inflated costs on a prospective basis.

Based on these assumptions, net cash flow was forecast as shown in Table 8.

TABLE 8
NET CASH FLOW FORECAST
FOR THE YEAR ENDED OCTOBER 31,

	2021	2022	2023	2024	2025
Net Income	$ 364,157	$ 402,923	$ 411,788	$ 420,847	$ 430,105
Depreciation	43,330	44,283	45,257	46,253	47,270
Capital Expenditures	(44,283)	(45,257)	(46,253)	(47,270)	(48,310)
Increase in Working Capital	29,914	(754)	(771)	(788)	(805)
Net Cash Flow	**$ 393,117**	**$ 401,195**	**$ 410,021**	**$ 419,041**	**$ 428,260**

Note: Figures may not add due to rounding.

The net cash flow forecast indicates that Green is expected to continue to have dividend paying capacity on a prospective basis. This will be considered in our analysis.

[6] 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 Green 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 Green.

In this instance, the analyst is valuing a 45 percent and a 10 percent interest in The LLC. These interests are considered to be a noncontrolling interests because an owner of a 45 percent interest or a 10 percent interest in The LLC cannot take part in the control or management of the affairs of Green. 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 October 31, 2020 from CEF Connect. CEFs are more comparable to Green because, like The LLC, 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 Green in terms of size and diversification to be used as a basis for comparison.

Due to the lack of similarity of these funds to Green, none of them could be used 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, "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." Therefore, the asset-based approach, specifically the adjusted net asset value method, was applied to determine the value of Green.

It has previously been determined that the adjusted book value of The LLC is $6,034,803. This reflects the value of The LLC on a control, marketable basis. The valuation subjects are 45 percent and 10 percent, minority, nonmarketable interests 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 these interests. 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 at the entity level.

Indication of Value - Control, Marketable	$	6,034,803
Less: DLOC (19.10%)		(1,152,647)
Indication of Value - Noncontrolling, Marketable	$	4,882,156
Less: Discount for Lack of Marketability (27.70%)		(1,352,357)
Indication of Value - Noncontrolling, Nonmarketable	**$**	**3,529,799**

THE INCOME APPROACH

The income approach was performed using the discounted future benefits method.

DISCOUNTED FUTURE BENEFITS METHOD

The discounted future benefits method is one of the most theoretically correct methods of valuation. It is premised on the concept that value is based on the present value of all future benefits that flow to an owner of a property. These future benefits can consist of current income distributions, appreciation in the property or a combination of both. The formula for the discounted future benefits method is as follows:

$$\sum_{n=1}^{n=t} \frac{E_n}{(1+k)^n} = \frac{FV_{t+1}}{(1+k)^n}$$

Where

E	=	Forecasted benefit stream.
n	=	Year in which the benefit stream is achieved.
k	=	Required rate of return.
FV_{t+1}	=	Terminal value, which is the estimated value of the benefit stream after the forecast period.
t	=	Year of stabilization.

The formula appears much more complicated than it is. In essence, this valuation method requires a forecast to be made of future benefits, going out far enough into the future until an assumed stabilization occurs for the property being valued.

A forecast of net cash flow was derived in an earlier section of this report. In this instance, we forecasted The LLC's cash flows on a minority basis and did not make control adjustments to the capital structure. Therefore, the indication of value derived under the income approach represents a minority, marketable value. The valuation subject is a minority, nonmarketable interest in The LLC. Therefore, we must also consider the applicability of a DLOM. The derivation of the DLOM will be discussed in the "Premiums and Discounts" section of this report

Once the benefits stream has been forecast, the selection of a proper discount rate becomes necessary. Since the benefit stream being estimated will not occur until some time in the future, the future benefits must be discounted to the present value. In this instance, a discount rate of 10.80 percent has been deemed applicable (see section of this report entitled "Discount and Capitalization Rates"). This results in the value estimate of The LLC, at the entity level, being calculated as follows:

12 Months Ended October 31,	**Net Cash Flow**	**10.80% Present Value Factors**	**Present Value of Net Cash Flow**
2021	$ 393,117	0.9500	$ 373,461
2022	401,195	0.8574	343,984
2023	410,021	0.7738	317,274
2024	419,041	0.6984	292,658
2025	428,260	0.6303	269,932

12 Months Ended October 31,	Net Cash Flow	10.80% Present Value Factors	Present Value of Net Cash Flow
Terminal Value	5,089,325	0.6303	3,207,801
Indication of Value - Minority, Marketable			$ 4,805,112
Less: DLOM (27.70%)			(1,331,016)
Indication of Value- Minority, Nonmarketable			**$ 3,474,096**

Terminal Value is Calculated as Follows:

2025 Net Cash Flow		$ 428,260
1 Plus the Long Term Rate of Growth	x	1.022
Cash Flow for Capitalization		$ 437,682
Capitalization Rate	÷	8.60%
Terminal Value		**$ 5,089,325**

Note: Figures may not add due to rounding.

RECONCILIATION OF VALUES

Indications of value were derived using the income approach and the asset-based approach. In this instance, the values between these approaches were only 1.6 percent apart. Therefore, we placed 50 percent of the weight on each approach in order to derive the fair market value The LLC. The results appear in Table 9.

TABLE 9
RECONCILIATION OF VALUES

	Indication of Value	Weight	Weighted Value
Discounted Net Cash Flow	$ 3,474,096	50.00%	$1,737,048
Adjusted Book Value Method	3,529,799	50.00%	1,764,899
Conclusion of Value - Minority, Nonmarketable		**100.00%**	**$ 3,501,947**

The valuation assignment is to value a 45 percent interest and a 10 percent interest in The LLC. Therefore, the final conclusions of value for the valuation subjects appear in Table 10.

TABLE 10
CONCLUSION OF VALUE

		45 Percent Member Interest	10 Percent Member Interest
Estimate of Value of Green		$ 3,501,947	$ 3,501,947
Ownership Interest Being Valued	x	45.00%	10.00%
Value of Subject Interest		**$ 1,575,876**	**$ 350,195**
Rounded		**$ 1,576,000**	**$ 350,000**

DISCOUNT AND CAPITALIZATION RATES

Section 6 of Revenue Ruling 59-60 states:

> In the application of certain fundamental valuation factors, such as earnings and dividends, it is necessary to capitalize the average or current results at some appropriate rate. A determination of the proper capitalization rate presents one of the most difficult problems in valuation.

For the purpose of this valuation, we used the build-up method to develop discount rates, resulting in the following:

Appraisal Date Long-Term Treasury Bond Yield			1.43%[1]
Real Estate Risk Premium			
1974-2019 Distributing Partnerships	14.90%[2]		
1974-2019 Government Bond Income Return	- 6.50%[3]		
Average Market Return		+	8.40%
Adjustments for Other Risk Factors		+	1.00%[4]
Discount Rate for Net Income		=	**10.83%**
Rounded			**10.80%**

1. Federal Reserve, Market Yield on U.S. Treasury Securities at 20-year constant maturity as of October 31, 2020.

2. *Rate of Return Study*, Partnership Profiles, Inc. ("PPI"). The expected return for REITs traded in the secondary market from 1974 through 2019.

3. Long-Term Government Bonds: Income Returns, *Rate of Return Study*. The average income returns from 1974 through 2019.

4. Valuation analyst's judgment based on the analysis discussed throughout the report.

The components of the discount rate include a safe rate which indicates the fact that any investor would receive, at a bare minimum, an equivalent rate for a safe investment. In this particular instance, United States Treasury Bonds are used as an indication of a safe rate.

A real estate risk premium is added to the safe rate, which represents the premium that investors receive in the secondary market for REITs[7] over investors in long-term government bonds since the former is more risky.

We used data from the *Rate of Return Study* published by PPI. This study publishes rates of return on publicly-held real estate limited partnerships ("RELPs") and equity REITs, and provides insights into the rates of return on publicly-traded entities that invest in real estate assets. The expected rate of return on REITs was determined to be a good proxy for Green. This is due to the fact that REITs own and operate income producing real estate.

We also considered applying a specific company risk premium to account for factors specific to Green. In determining whether a specific company risk premium was appropriate, we considered the following factors:

1. Green is smaller and less diversified than the publicly-traded REITs. This increases the specific company risk premium.

2. Like the REITs, the subject company's cash flows are secured by valuable underlying real estate, which mitigates risk.

3. The subject has no debt which also mitigates the risk.

After considering all factors, a specific company risk premium of 1 percent was applied.

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[7] Since REIT returns were used as the basis for the discount rate, we did not tax-affect Green's historic earnings. REITs have tax advantages in the event that certain distribution thresholds are met. Therefore, in order to properly match the income stream with the rate of return, we did not tax-affect.

In order to calculate the capitalization rate, long-term growth is subtracted from the discount rate calculated above. In this instance, a long-term growth rate of 2.2 percent was selected which is in line with long-term inflation expectations.

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 subjects are noncontrolling interests. 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 11 summarizes some of the factors that might influence the value of minority interests relative to controlling interests:

TABLE 11
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).

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

In this valuation, the control marketable value of The LLC was determined to be $6,034,803. 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 Amended and Restated Operating Agreement specifically limits control by requiring the unanimous consent of all of the members to sell the assets of the entity. The basis for lack of control adjustments for a noncontrolling interest arises from a range of factors, which include:

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

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

- A noncontrolling member 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.

- Noncontrolling members cannot change the management of the entity.

- Noncontrolling members cannot amend the agreement.

- Noncontrolling members 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 a meaningful indication of value for a noncontrolling interest in the entity. A DLOC is appropriate because a noncontrolling interest in The LLC represents an indirect ownership interest in the underlying assets owned by the entity. A noncontrolling owner conveys 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.

Another method of estimating a DLOC is to draw a parallel between The LLC'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. In this instance, we only located eight CEFs that were focused on real estate and 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 RELP data compiled by 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 12.

TABLE 12
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 12
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%
Summit Healthcare REIT	14	0.647	35.30%	65,169,178	10,236,000	HLTH,MF	101.40%	0.00%

TABLE 12
PPI RELP DISCOUNT DATA

Partnership	Number of Properties	Price to NAV	Discount	NAV	Revenue	Types of Properties	Borrowings /NAV	Yield /NAV
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, Green 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 45 percent and 10 percent interests have swing vote power to effectuate actions that require a majority vote and blocking power to prevent actions that require a unanimous vote. These factors 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 2018. 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.[8]

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.

As a reasonableness test, we compared the minority, marketable indication of value derived under the income approach to the control, marketable value of The LLC that was derived under the asset-based approach. The difference between these two values is an implied DLOC. Based on the minority, marketable value of $4,805,112 derived under the income approach, and The LLC's net asset value of $6,034,803, the implied DLOC is 20.3 percent which is within a reasonable range of the 19.10 percent DLOC derived using the PPI data.

We also considered the differences in control prerogatives between a 45 percent interest and a 10 percent interest in The LLC. Both interests lack control but have swing value to effectuate actions that require a majority vote and the ability to block actions that require a unanimous vote. However, we determined that neither interest had more control than the other. Therefore, the same DLOC was used for both the 45 percent interest and the 10 percent interest.

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

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

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.[9] 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 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

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9 "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.

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.[10] 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.[11]

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 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 13.

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10 Kasim L. Alli and Donald J. Thompson, "The Value of the Resale Limitation on Restricted Stock: An Option Theory Approach," *Valuation* (1991): 22-33.

11 Ibid.: 23.

TABLE 13
CHANGES TO RULE 144

	1971 - 1983	1983 - 1990	1990 - 1997	1997 - 2007	2008 -
Announced Date	NA	NA	NA	2/20/97	11/15/07
Effective Date[1]	1/11/72	9/23/83	4/1/90	4/29/97	2/15/08
Affiliates					
Initial Holding Period					
Reporting Issuers	2 Years	2 Years	2 Years	1 Year	6 Months
Non-Reporting Issuers	2 Years	2 Years	2 Years	1 Year	1 Year
Tacking?[2]	No	No	Yes	Yes	Yes
Volume Limitations[3]					
Reporting Issuers	Indefinitely	Indefinitely	Indefinitely	Indefinitely	Indefinitely
Non-Reporting Issuers	Indefinitely	Indefinitely	Indefinitely	Indefinitely	Indefinitely
Non-Affiliates					
Initial Holding Period					
Reporting Issuers	2 Years	2 Years	2 Years	1 Year	6 Months
Non-Reporting Issuers	2 Years	2 Years	2 Years	1 Year	1 Year
Tacking?[2]	No	No	Yes	Yes	Yes
Volume Limitations[3, 4]					
Reporting Issuers - Current	Indefinitely	3 Years	3 Years	2 Years	6 Months
Reporting Issuers - Non-Current	Indefinitely	3 Years	3 Years	2 Years	1 Year
Non-Reporting Issuers	Indefinitely	3 Years	3 Years	2 Years	1 Year

Notes
General - Highlighted items signify changes to Rule 144 versus the immediately prior period.
1) Amendments to Rule 144 are applicable to securities acquired before or after the Effective Date.
2) Allows purchases by non-affiliates to tack the prior non-affiliate owner's holding period onto his/her own.
3) 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 (2) the average reported weekly trading volume during the four weeks prior to sale. For OTC securities (OTCBB and Pink Sheets), 1% of the outstanding shares of the same class being sold.
4) Time period includes the Initial Holding Period. As an example, between 1997 and 2008, after 1 year non-affiliates may begin to sell shares in accordance with Rule 144's volume limitations. After 1 additional year (2 years total from the date of acquisition of the restricted shares), the shares may be sold freely.

Source: *A Companion Guide To The FMV Restricted Stock Study*™ 2013 Edition, Available from BV Resources.com.

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 14.

TABLE 14
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-October 31,2020	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 October 31, 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.[12]

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.

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[12] "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, 92nd Cong., 1st Session, 1971: 2444.

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 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.[13] 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*,[14] 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

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

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

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,

> 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.[15]

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![16]

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*.[17] Using an approach that was similar to Moroney's, Maher compared prices paid for restricted stocks

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15 Ibid.: 151.

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

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

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."[18] In an attempt to 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 a discount is applicable.[19]

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.[20] 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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18 Ibid.: 571.

19 Ibid.: 571.

20 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*.[21] 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.[22] 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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[21] "Revenue Ruling 77-287 Revisited," *SRC Quarterly Reports*, Spring 1983: 1-3.

[22] 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.[23] 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 October 31, 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 a higher degree

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

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.[24]

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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24 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 Internal Revenue Service 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, Internal Revenue Service 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."[25] 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™[26]

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 9, 2019.

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:

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

26 The information about this product is provided in "Stout Restricted Stock Study: Companion Guide," 2018 Edition (Business Valuation Resources: 2018).

1. The transaction was not a private placement of unregistered shares (i.e., the stock was registered prior to the transaction date), or the 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.[27]

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;

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[27] Ibid.: 17.

3. The issuing firm's total assets;
4. The issuing firm's book value of shareholders' equity; and
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.[28]

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.

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[28] Ibid.: 25.

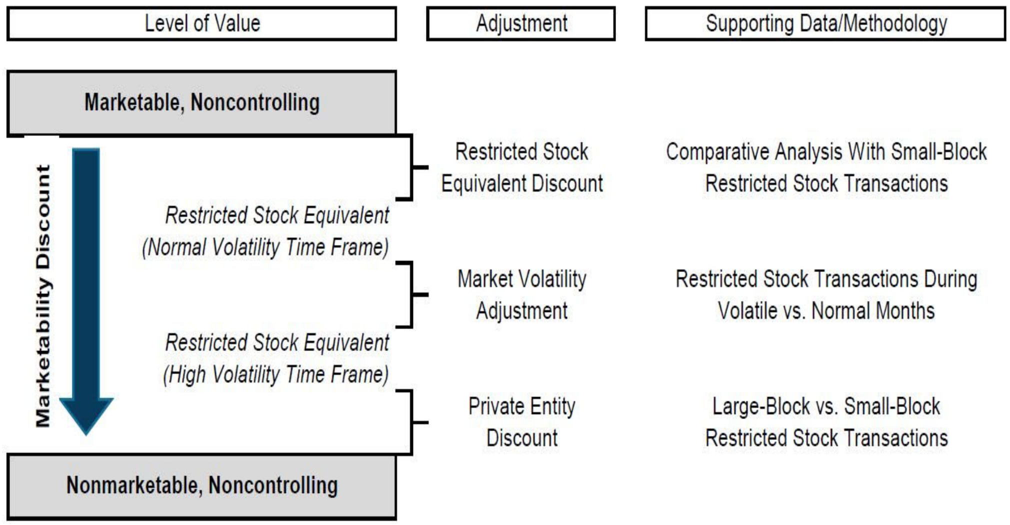
An analysis of the Stout Study data suggests that the most important determinants of the DLOM are (1) the issuing firm's financial and market risk; (2) the level of stock market volatility prevailing around the transaction date and (3) the degree of liquidity of the securities. Accordingly, Stout's determination 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 Green into the calculator:

Market Value of Equity[1]	$ 4,800,000
Revenues	212,000
Total Assets	6,050,000
Members' Equity	6,030,000
Net Income	35,000
Volatility[2]	41.5%

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

[2] 1-year annualized volatility for iShares Real Estate Index ("IYR")

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 volatility and profitability metrics. Previously published restricted stock studies indicate that the volatility metric has had the largest impact on the discounts. Profitability was also considered to account for Green's favorable profitability in comparison to the companies included in the restricted stock studies. We also gave weight to the size metrics based on the balance sheet. Green is an asset-holding company, so balance sheet values are also important factors.

Based on the financial metrics entered, the calculator determined the RSED for Green as follows:

	Subject Company Value	Stout Study Quintile	Discount Indication	Selected Weight
Size Characteristics				
Market Value (000s)	$ 4,800	5th Quintile	23.5%	2
Revenues (000s)	212	5th Quintile	20.0%	1
Total Assets (000s)	6,050	5th Quintile	27.3%	3
Balance Sheet Risk Characteristics				
Members' Equity (000s)	6,030	4th Quintile	24.9%	2
Market-To-Book Ratio	0.9	1st Quintile	10.9%	1
Profitability Characteristics				
Net Profit Margin	16.5%	1st Quintile	11.1%	5
Market Risk Characteristics				
Volatility	41.5%	1st Quintile	10.0%	5
Weighted Average Indicated Restricted Stock Equivalent Discount			**16.6%**	

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. However, we determined that an adjustment for general market volatility, over and above the real estate market volatility that we considered as part of the RSED, was not appropriate. Therefore, no additional market volatility adjustment was applied.

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 Placed	**Total Assets [a]**	**Discount**
0%-10%	$42.8	**14.8%**
10%-20%	49.8	**15.5%**
20%-30%	35.2	**20.1%**
30%-40%	45.2	**33.2%**
>40%	16.8	**39.2%**

[a] Adjusted for inflation as of January 2018.

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	1.65
Median	1.90
60^{th} Percentile	2.05

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 1.65x and 2.05x 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 6.2% 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**
10^{th}	3.9%	3.9%	6.9%
20^{th}	7.4%	7.4%	13.7%
30^{th}	9.9%	9.6%	20.0%
40^{th}	12.8%	12.6%	26.6%
50^{th}	15.8%	15.5%	38.8%
60^{th}	20.2%	20.0%	40.3%
70^{th}	26.1%	25.7%	42.9%
80^{th}	33.4%	32.5%	50.5%
90^{th}	43.1%	41.9%	63.1%
100^{th}	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	1.65	1.90	2.05
Indicated Private Entity Discount	33.0%	38.0%	41.0%

Using the multiplicative factors that were in effect as of the valuation date, the ARSED was adjusted to reflect a private equity discount. This is calculated in the following table:

Private Entity Discount Analysis[2]

Adjusted Restricted Stock Equivalent Discount		**16.6%**	
	40th Percentile	Median	60th Percentile
Indicated Multiplicative Adjustment Factor	1.60	1.90	2.00
Indicated Private Entity Discount Range	26.6%	31.5%	33.2%

However, we still must consider Green'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 Internal Revenue Service 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?"[29] 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 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.

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[29] *Taxes*, May 1977.

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 LLC was recently formed and has a limited history of paying distributions. However, the entity is expected to have dividend paying capacity on a prospective basis. This was considered to be a positive factor that reduces the DLOM.

Growth Prospects: The LLC should experience solid growth in the near term as the leases with tenants get renewed at market rates. Over the longer term, The LLC should benefit from the favorable local economic outlook. This was considered to be a positive factor that decreases 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 Amended and Restated Operating 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 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.[30]

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 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.[31]

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30 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.

31 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.

An equity interest in Green 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 Green, we turned to publicly-traded proxies. We determined that the most appropriate proxy to use would be the iShares Real Estate Index ("IYR") which includes a diversified portfolio of publicly-traded real estate stocks. IYR's stock was determined to be the best indication of the cost to buy a put option on the company's units if they were publicly-traded.

Using the Black Scholes option pricing model, we calculated the values of put options using the size adjusted volatility of IYR, as this serves as a proxy for Green. By purchasing an "at the money" put option on IYR, 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 on IYR, we used the Black-Scholes option pricing model with the following inputs:

- The traded per share values of IYR 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 minority interest in a closely-held business.

- The size-adjusted historic volatility of each IYR was input into the model. The volatility was calculated over a period of five years prior to the valuation date. The volatility was adjusted for size using data from the Duff & Phelps Risk Premium Report to account for The LLC's smaller size and lack of diversification in comparison to IYR.

- 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 15.

TABLE 15
BLACK-SCHOLES CALCULATION

INPUT VARIABLES		
Stock Price:		77.51
Exercise Price:		77.51
Term (In Years):		5
Volatility (Annual):		33.00%
Risk-Free Rate:		0.38%
INTERMEDIATE COMPUTATIONS		
Present Value of Stock Ex-Dividend	$	77.51
Present Value of Exercise Price	$	76.05
Cumulative Volatility		0.7379
PUT OPTION		
Proportion of Stock Present Value		-34.65%
Proportion of Exercise Price PV		63.43%
Put Option Value	$	21.38
Discount for Lack of Marketability		**27.70%**

Based on these inputs, the implied DLOM was 27.70 percent. This discount serves as a proxy for the cost of liquidity for an investor in Green.

The largest assumption in the option pricing model is that the future volatility of IYR 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, his investment is worth less. An investor in Green 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	27.7%
Stout DLOM Calculator	31.5%
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 Green as of October 31, 2020. A noncontrolling owner would not be able to realize the pro rata share of The LLC's adjusted book value as of the valuation date. Therefore, a DLOM is warranted.

We used the DLOM indication of 31.50 percent under 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. Therefore, since Green is expected to continue to have dividend paying capacity on a prospective basis, a lower discount is warranted. Therefore, we placed 100 percent of the weight on the 27.70 percent DLOM that was calculated using the Black-Scholes Model. This DLOM considers the volatility of the real estate markets and is based on a portfolio of REITs that consistently pay distributions. Therefore, we determined that a DLOM of 27.70 percent was appropriate.

GREEN INVESTMENTS, LLC
BALANCE SHEET
DECEMBER 31, 2019

Cash	$	64,205
Fixed Assets		
Land	$	441,425
Building & Improvements		3,951,752
Gross Fixed Assets	$	4,393,177
Accumulated Depreciation		1,511,410
Net Fixed Assets	$	2,881,767
TOTAL ASSETS	**$**	**2,945,972**
Liabilities	$	18,125
Total Equity		2,927,847
TOTAL LIABILITIES AND EQUITY	**$**	**2,945,972**

GREEN INVESTMENTS, LLC
INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2019

Rental Income	$ 212,096
Operating Expenses	
Depreciation	$42,397
Insurance - General	3,774
Management Fees	14,570
Miscellaneous	15,342
Repairs and Maintenance	14,394
Taxes - Other	65,824
Administrative Fees	2,850
Rent Allocation to Member Owner	70,311
Landscaping	7,950
Painting	9,400
HVAC	109
Total Operating Expenses	$ 246,921
NET LOSS	**$ (34,825)**

SOURCES OF INFORMATION UTILIZED

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

1. Form 1065, U.S. Return of Partnership Income for Green Investments, LLC for 2019.

2. Electronic Articles of Organization for Florida Limited Liability Company for Green Investments, LLC dated May 28, 2019.

3. Operating Agreement of Green Investments, LLC dated May 28, 2019.

4. Amended and Restated Operating Agreement of Green Investments, LLC dated October 31, 2020.

5. Bank of America Business Advantage checking statement for September 2020.

6. Bank of America Business Advantage checking statement for October 31, 2020.

7. Owner Monthly Report September 2020 prepared by Mayberry Commercial Management.

8. Restricted Appraisal Report for 1234 Elephant Parkway, City1, FL prepared by Appraisal, Inc. dated August 2020.

9. Appraisal of Real Property for 5678 NW 33rd St., City2, FL prepared by Realty Resources dated September 3, 2020.

10. Appraisal of Real Property for 91011 N. Design Ct., City3, FL prepared by Realty Resources dated September 8, 2020.

11. Appraisal of Real Property for 1213 118th Ave. N., City4, FL prepared by Realty Resources dated September 8, 2020.

12. 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.

Appendix 3-1

Valuation of a 45 percent and a 10 percent member interest in Green Investments, LLC

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*, promulgated by the American Institute of Certified Public 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 American Institute of Certified Public 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., 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 2013.
- **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).
- **ASA**: Accredited Senior Appraiser designated by the American Society of Appraisers (*1991*). Reaccredited in 2015.

GARY R. TRUGMAN, C.P.A./A.B.V., 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

- *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.
- *ASA Advanced Business Valuation Conference,* Phoenix, AZ, American Society of Appraisers, 2012.

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

Appraisal Education

- *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.
- *23rd Annual Advanced Business Valuation Conference*, San Antonio, TX, American Society of Appraisers, 2004.

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

Appraisal Education

- *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.
- *The Do’s and Don’t of Expert Witnessing*, Baltimore, MD, 2016 MD Society of CPAs Forensic and Valuation Services Conference, 2016.

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

Lecturer

- *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.
- *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.

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

Lecturer

- *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.
- *Using Forecasts in Business Valuation,* San Francisco, CA, AICPA National Business Valuation Conference, 2009.

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

Lecturer

- *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.
- *Hardball with Hitchner*, New Orleans, LA, AICPA National Business Valuation Conference, 2007.

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

Lecturer

- *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., 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., 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., 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

- 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.
- 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.

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

Awards

- 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.

Editor

- Editorial Advisor for *Business Valuation Update,* Business Valuation Resources, LLC
- Editorial Advisor for *Financial Valuation and Litigation Expert*, Valuation Products and Services.

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

Editor

- 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).
- Co-author of course entitled *Accredited Business Valuer Review Course* (Market Approach Chapter), American Institute of Certified Public Accountants (1997).

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

Author

- *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).*
- Shannon P. Pratt, Robert F. Reilly and Robert P. Schweihs, *Valuing a Business: The Analysis and Appraisal of Closely Held Companies, 4th Edition (McGraw Hill: New York, 2000).*
- Shannon P. Pratt, Robert F. Reilly and Robert P. Schweihs, *Valuing Small Businesses & Professional Practices, 3rd Edition (McGraw Hill: New York, 1998).*
- 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

Valuation Analyst at Trugman Valuation Associates, Inc. specializing in business valuation. Experience includes a variety of assignments including closely-held businesses, professional practices and thinly traded public companies. Industries include health care, retail, manufacturing, distributors and service.

Business valuation services have been rendered for a variety of purposes including, but not limited to, business damages, estate and gift tax matters and family law matters.

Professional Designations

- ASA: Accredited Senior Appraiser designated by the American Society of Appraisers (2013). Reaccredited in 2016.
- 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

- *Advanced Business Valuation Conference*, New York, NY, American Society of Appraisers, 2019.
- *Advanced Business Valuation Conference*, Live Webcast, American Society of Appraisers, 2018.
- *Advanced Business Valuation Conference*, Houston, TX, American Society of Appraisers, 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.

WILLIAM HARRIS, ASA, CFA
PROFESSIONAL QUALIFICATIONS

Appraisal Education

- *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.
- *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).

WILLIAM HARRIS, ASA, CFA
PROFESSIONAL QUALIFICATIONS

- 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).

Organizations

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