# THE BLACKWELL GROUP

Real Estate Appraisers and Consultants
www.theblackwellgroup.org

L. Deane Wilson, MA, ASA, AQB Certified USPAP Instructor    Robin G. Wilson, MAI


Today's Date, 2008

L. Deane Wilson
12345 Day Road
Your City, California 95949

RE: Fair Market Value of the 49.5% Fractional/Minority Interest held by the L. Deane Wilson Survivor's Trust of Today's Date, 2008.

Dear Mr. Wilson:

In accordance with your request, we have conducted an appraisal to estimate the market values of the freestanding multi-tenant office building located at 123 East Main Street, in the City of Grass Valley, California, and the multi-tenant industrial building located at 1234 & 3456 1st Avenue, Riverside, CA. These values were presented in appraisal reports dated April 25, 2008.

The purpose of these two appraisals was to estimate the 100% Market Value of the subject properties, "AS IS." The reports were intended for the exclusive use of L. Deane Wilson or his assigns, agents and/or affiliates. The effective date of the Market Value was February 2, 2008. The date of the property inspection was April 13, 2008.

The following document, labeled as Part B of the original appraisal, analyzes the fractional interests held by the Trust in both properties, discounting them appropriately. Based on the data gathered in the market along with our analyses, the subject properties have the following values.

| Property | 100% Leased Fee Value of Real Estate | 49.5% Fractional Interest | Total Discount | Discounted Value of Fractional Interest (Rounded |
|---|---|---|---|---|
| 1234-5670 1st Avenue, Riverside, CA | $3,490,000 | | | |
| 123 E. Main Street, Grass Valley, CA | $1,290,000 | | | |
| **TOTAL COMBINED VALUE** | **$4,780,000** | **$2,366,000** | **35%** | **$1,540,000** |


15698 Terren Court, Grass Valley, CA 95949    530-274-1414 voice    530-274-1551 fax
8175 Limonite Avenue, Suite A, Riverside, CA 92509    714-525-9350 voice    714-525-9550 fax

October 17, 2008

L. Deane Wilson

We will be happy to discuss the valuation process with you and/or your attorney and accountant. Please call with any questions.

Respectfully Submitted

THE BLACKWELL GROUP

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AQB Certified USPAP Instructor
Certified General Real Estate Appraiser
State of California License #AG009301

# PART B

**FAIR MARKET VALUE**
**OF THE 49.5% FRACTIONAL/MINORITY INTEREST**
**HELD BY THE L. DEANE WILSON SURVIVOR'S TRUST OF TODAY'S DATE, 2008**

## Description of the Trust

| | |
|---|---|
| **Trust Name and Type:** | L. Deane Wilson Survivor's Trust dated Today's Date, 2008. |
| **Property Types:** | Property 1 is a multi-tenant light industrial building in Riverside, CA; and<br>Property 2 is a multi-tenant office building in Grass Valley, CA |
| **Location:** | Property 1: 1234 & 5678 1st Avenue, Riverside, CA 95826<br>Property 2: 123 East Main Street, Grass Valley, CA, 95949 |
| **Real Estate and other assets**: | The only asset under consideration is real estate:<br>The real estate consists of two properties:<br>1. 1234 1st Avenue, Riverside, CA is a freestanding multi-tenant light industrial building that has 36,900 square feet and 5678 1st Avenue is a freestanding multi-tenant light industrial building that has 43,360 square feet.<br>2. 123 East Main Street is a freestanding multi-tenant office building that has 14,299 gross square feet<br>There are no other reported assets in the trust. |
| **Type and Percentage Interest Being Valued**: | The 49.5% minority interest held by the L. Deane Wilson Survivor's Trust. |
| **Definition of the Interest:** | **A minority interest.** A minority interest is generally defined as ownership of less than a 50% voting interest in an enterprise and is a non-managing interest. |

**Purpose, Client, and Intended Use:** The purpose of this appraisal is to develop an opinion of the fair market value of the minority interest on the effective date of value for estate tax use. The client is L. Deane Wilson. The intended users are the estate and its agents, and the Internal Revenue Service. All valuations must be made in accordance with the applicable provisions of the Internal Revenue Code of 1954 and the Federal Estate Tax and Gift Tax Regulations. Sections 2031(a), 2032 and 2512(a) of the 1954 Code (sections 811 and 1005 of the 1939 Code) require that the property to be included in the gross estate shall be taxed on the basis of the value of the property at the time of death of the decedent or the alternate date if so elected.

## Fair Market Value

Section 20.2031-1(b) of the Estate Tax Regulations (section 81.10 of the Estate Tax Regulations 105) and section 25.2512-1 of the Gift Tax Regulations (section 86.19 of Gift Tax Regulations 108) define fair market value, in effect, as the price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts. Court decisions frequently state in addition that the hypothetical buyer and seller are assumed to be able, as well as willing, to trade and to be well informed about the property and concerning the market for such property.

- **Date of Value and Date of Report -** The effective date of this valuation, the date for which value is concluded, is February 2, 2008, the date of the death of the surviving spouse. The date of the report is October 1, 2008
- **Trust Description** – According to the trust documents, the trust was formed in April 1996 in the State of California.
- **Real Estate Assets –** The trust owns no other real estate than previously described.
- **Distribution of Ownership** – The L. Deane Wilson Survivor's Trust owns a 49.5% minority interest in the previously described real estate. The Lady Wilson Marital Trust owns 49.5%. Father Wilson owns a 1% interest. There are no other observed potential influential partner interests and there have been no substantive changes in the trust since its inception.
- **Distribution History –** The distribution history of the subject properties' net income has been constant throughout the tenure of the property ownership.
- **Loans and Guarantee –** There are no reported loans or guarantees on behalf of the trust.

Allocations –

| | |
|---|---|
| Net cash flow: | In proportion to percentage interests |
| Profit and loss: | In proportion to percentage interests |
| Proceeds of sale: | In proportion to percentage interests |

**PART B**

## VALUATION OF THE PROPERTIES HELD IN THE TRUST.

According to the real estate appraisals performed by The Blackwell Group with a date of value of February 2, 2008, the market values are as follows:

**Property 1** – 1234 & 5678 1st Avenue, Riverside is valued in its Leased Fee Estate at $3,490,000, with an estimated Annual Net Operating Income of $227,028.

**Property 2** - 123 East Main Street, Grass Valley is valued in its Leased Fee Estate at $1,290,000, with an estimated Annual Net Operating Income of $90,421

## CALCULATION OF THE 49.5% FRACTIONAL/MINORITY INTEREST

As evidenced by the preceding discussion, the primary asset of the L. Deane Wilson Survivor's Trust is the real estate, and the only other asset is cash. The real estate value was estimated through a Complete Appraisal in Summary Format in compliance with The Uniform Standards of Professional Appraisal Practice (USPAP), which preceded this portion of the appraisal.

The reconciled annual cash flow of the combined properties is $369,829. Therefore, the 49.5% fractional/minority interest is $183,066. ($369,829 ×0.495 = $183,066).

The reconciled total asset value of the combined properties is $4,780,000. Therefore, the 49.5% fractional/minority interest is $2,366,000. ($4,780,000 × 0.49.5 = $2,366,000)

**FRACTIONAL/MINORITY INTERESTS HELD BY THE**
**L. DEANE WILSON SURVIVOR'S TRUST**

**49.5% OF NET ASSET VALUE = $2,366,000**
**49.5% OF CASH FLOWS = $183,066**

## VALUATION OF THE 49.5% FRACTIONAL/MINORITY INTEREST

There are three traditional valuation approaches in estimating the fair market value of a minority interest in a trust or limited partnership. They are the Cost (or Asset) Approach, the Market Approach, and the Income Approach. Sale data from publicly held limited partnerships can be directly compared to a non-controlling interest in a family trust owning real estate for several reasons. Most minority interests in family trusts: 1) Cannot control the distribution of earnings, 2) Cannot control the reinvestment of earnings, 3) Cannot sell the underlying assets, and 4) Cannot control or manage the activities of the entity. The Cost Approach is more appropriate for valuing controlling interests than minority interests, and thus, will not be used for valuing the minority interest in the subject.

## DISCOUNT FOR LACK OF CONTROL

After establishing the extent of the fractional/minority interest, discernment of the rights or lack thereof that are inherent in the fractional/minority interest of the trust or partnership is considered. Subsequently, valuation of those rights of the minority interest follows. A minority interest generally means that the fractional (i.e., minority) portion held has no direct claim on the overall entity's assets. No claim usually means the lack of some or all of the powers of control over the trust's or partnership's decisions. The lack of control diminishes the value in the market place, as the minority interest has no control over the income or expense or the buying/selling of trust or partnership assets. Most investors view this lack of control as increased risk over that of a controlling interest. Appropriately, most investors require a discount to the minority interest to reflect the additional risk caused by the lack of control. In addition to the lack of control, a minority interest in a trust or a limited partnership typically suffers from a lack of marketability. Publicly held limited partnerships, and their subsequent minority (i.e., fractional) interests, have an open market where they are bought and sold; whereas there is no such market for trusts or privately held limited partnerships, as they are considered 'non-marketable.' *"The absence of a market in which to buy or sell a family limited partnership interest causes it to trade at a lower price than a comparable interest that was marketable."* [1]

## MARKET APPROACH

The Market Approach involves comparing sales of private limited partnership interests and similar entities that are traded in an open market to estimate value. However, actual sales and the pertinent data of privately held limited partnerships or family trusts are not available through commercial data sources. Furthermore, critical information surrounding fractional or partial interests regarding these sales are rarely if ever reported. Limited partnerships are the basis for comparison because no sale data is available for family trusts. Conversely, however, there is sale information and the pertinent data reported on publicly held limited partnerships that have sold from which correlations to the subject can be examined. Various ratios within these public partnerships can be extracted and utilized in the estimation of the subject's most probable value. Two primary ratios that are most useful in the valuation process of a minority interest using the Market Approach are the Price-to-Net Asset Value Ratio and the Price-to-Gross Cash Flow Multiple. These ratios correspond to the price paid for public offerings that reflects the discounted price for the lack of control.

[1] *Comprehensive Guide for the Valuation of Family Limited Partnerships*, 2nd ed., Partnership Profiles, Inc., Dallas.

## PRICE TO NET ASSET VALUE (NAV)

The following table presents the Price to NAV Ratios from selected comparable transactions of Equity-Distributing Real Estate Partnerships that have Low to No Debt similar to the subject. A summary of the details are in the addenda of this report. Compete details regarding each partnership are kept in the appraiser's file.

| | PRICE TO NAV RATIOS (0.0:1) | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|
| 1 | ChrisKen Partners ~ | 0.883 | 0.795 | 0.813 | 0.833 | LIQ |
| 2 | DSI Realty Income Fund VII | NA | NA | NA | 0.841 | 0.715 |
| 3 | First Capital Income ~ Series XI | 0.765 | 0.849 | 0.858 | 0.758 | LIQ |
| 4 | Public Storage Properties V | NA | NA | NA | 0.823 | 0.766 |
| 5 | Wells Real Estate Fund VI-A | 0.734 | 0.887 | 0.832 | 0.830 | 0.880 |
| 6 | Wells Real Estate Fund VII-A | 0.743 | 0.909 | NSD | 0.849 | NSD |
| 7 | Wells Real Estate Fund VIII-A | 0.745 | 0.878 | 0.915 | 0.937 | 0.797 |
| 8 | Wells Real Estate Fund X-A | 0.792 | 0.918 | NSD | NSD | 0.826 |
| 9 | Wells Real Estate Fund XII-CP | NSD | NSD | NSD | NSD | 0.864 |
| | Average | 0.777 | 0.873 | 0.855 | 0.839 | 0.808 |
| | Median | 0.755 | 0.883 | 0.845 | 0.833 | 0.812 |

NA = Not Available, NSD = Not Sufficient Data, LIQ = Liquidated

As shown in the above table, the range of Price to NAV ratios for all the data over the past five years is 0.715 to 0.937. The average range for all the data over the same period is 0.777 to 0.873. Those highlighted and bolded in the above table are the most similar in regards to property types within their respective portfolios. They range from 0.734 to 0.937. The subject's whole NAV is $2,366,000, of which is assumed there is only minimal cash held for security deposits. The lowest NAV of these transactions is $11,639,442 (Comparable #3) and its Price to NAV is 0.758, however it reports 49% or $5,725,000 of its holdings in cash. The least cash position is Comparable #8 with 6.5% in cash and a NAV of $13,302,409. It reports a Price to NAV of 0.826. The other comparables have lessor similarity to the subject because of either their cash position and/or their total NAV. It appears that the Price to NAV is higher for those portfolios with the highest NAV and lower for those with lowest NAV. Based upon this data and analysis, the indicated Price to NAV for the subject falls within the range of 0.758 and 0.826 set by Comparables #3 and #8. Neither is more similar than the other. Therefore, we will apply a Price to NAV ratio of 0.800 to the subject's minority interest of 49.5%. The Price to NAV Ratio × NAV = Discounted Value for Lack of Control. 0.800 × $2,366,000 = $1,890,000 (rounded) is the indicated market derived Discounted Value for Lack of Control.

## PRICE TO GROSS CASH FLOW (GCF)

The following table presents the Price to GCF ratios from selected comparable transactions of Equity-Distributing Real Estate Partnerships that have Low to No Debt similar to the subject. A

summary of the details are in the addenda of this report. Compete details regarding each partnership are kept in the appraiser's file.

| | **PRICE TO GCF RATIOS** | **2004** | **2005** | **2006** | **2007** | **2008** |
|---|---|---|---|---|---|---|
| 1 | ChrisKen Partners ~ | 9.6 | 11.5 | 11.8 | 13.2 | LIQ |
| 2 | DSI Realty Income Fund VII | NA | NA | NA | 9.4 | 9.8 |
| 3 | First Capital Income ~ Series XI | 6.4 | 9.5 | 8.6 | 7.5 | LIQ |
| 4 | Public Storage Properties V | NA | NA | 10.1 | 11.7 | 10.8 |
| 5 | Wells Real Estate Fund VI-A | 8.4 | 9.4 | 10.6 | 9.2 | 11.0 |
| 6 | Wells Real Estate Fund VII-A | 8.4 | 8.7 | NSD | 8.9 | NSD |
| 7 | Wells Real Estate Fund VIII-A | 9.6 | 9.1 | 9.6 | 7.8 | 7.1 |
| 8 | Wells Real Estate Fund X-A | 8.3 | 8.1 | NSD | NSD | 10.4 |
| 9 | Wells Real Estate Fund XII-CP | NSD | NSD | NSD | NSD | 8.8 |
| | Average | 8.4 | 9.4 | 10.1 | 9.7 | 9.7 |
| | Median | 8.4 | 9.2 | 10.1 | 9.2 | 10.1 |

NA = Not Available, NSD = Not Sufficient Data, LIQ = Liquidated

The subject's 49.5% minority interest cash flow of $183,066 is the net operating income from the real estate. We were not provided with tax returns. Using the same comparables used in the Price to NAV discussion, a GCF Multiplier of 10 would be indicated. GCF × GCFM = indicated Discounted Value for Lack of Control. Therefore, $183,066 × 10 = $1,830,660 as the indicated Discounted Value for Lack of Control. This is rounded to $1,830,000.

## INCOME APPROACH

The Income Approach involves discounting the cash flows from the subject into a net present value. Because the subject's assets are comprised of real estate, with no other reported assets, we will apply the Build-Up Method in estimating the appropriate discount rate. We will build up the rate using financial data from Real Estate Investment Trusts and Partnership Returns.[2] Additionally, this rate will be compared to discount rates reported in the general real estate market.

## BUILD-UP METHOD - REITS

The key rates used to build up a discount rate are the Risk Free Rate, the Real Estate Risk Free Premium, often a Size Premium, and if necessary, a Property Specific Risk Premium.

Risk Free Rate – The risk free rate represents the rate of return an investor would require on a risk free investment. Government bonds are examples of risk free investments. Twenty-year Treasury bonds ranged from 8.02 in 1996 to 4.61% in 2007. As of February 2008, the monthly average was 4.75%.

REITs provide useful information that can provide assistance when calculating the real estate risk premium for the calculation of a discount rate.[3] The following table presents rate information for the past 10 years as calculated by the National Association of Real Estate Investment Trusts, NAREIT.

| Year | Equity REIT Return | Return Since 1972 |
|---|---|---|
| 1996 | 3.2% | 14.1% |
| 1997 | 15.3% | 14.2% |
| 1998 | 35.3% | 15.0% |
| 1999 | 20.3% | 15.2% |
| 2000 | -17.5% | 14.0% |
| 2001 | -4.6% | 13.3% |
| 2002 | 26.4% | 13.8% |
| 2003 | 13.9% | 13.8% |
| 2004 | 3.8% | 13.5% |
| 2005 | 37.1% | 14.2% |
| 2006 | 31.6% | 14.7% |
| 2007 | 12.2% | 14.7% |

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[2] All rates extracted from the 2008 Rate of Return Study, Publicly-Held Real Estate Limited Partnerships and Real Estate Investment Trusts. Partnership Profiles, Inc., and the St. Louis branch of the Federal Reserve Bank

[3] Bruce A. Johnson, James R. Park and Spencer Jefferies, Comprehensive Guide for the Valuation of Family Limited Partnerships, 2nd Ed. Dallas.

As evidenced by the above array, REIT returns have somewhat erratic returns from any given year to the next. However, since 1972 the long-term average annual return is considerably more stable at 14.7%.

Real Estate Risk Premium – Historical rates on long-term government bonds can be used in conjunction with the historical rate of return information on publicly held real estate limited partnerships to derive a real estate risk premium. The real estate risk premium is used as a component in the calculation of a discount rate.[4] Ibbotson Associates' Stocks, Bonds, Bills, and Inflation recommend the use of the 20-year Treasury bond for measuring long-term risk free rate.

The following table presents long-term government bond rate information for the past ten years as compiled by Ibbotson Associates.

| Year | Long Term Government Bond Return | Return Since 1972 |
|---|---|---|
| 1996 | 6.6% | 8.7% |
| 1997 | 7.6% | 8.6% |
| 1998 | 6.2% | 8.5% |
| 1999 | 6.6% | 8.5% |
| 2000 | 5.8% | 8.4% |
| 2001 | 5.6% | 8.3% |
| 2002 | 6.5% | 8.2% |
| 2003 | 5.5% | 8.1% |
| 2004 | 5.6% | 8.0% |
| 2005 | 4.8% | 7.9% |
| 2006 | 5.0% | 7.9% |
| 2007 | 4.6% | 7.8% |

The average REIT return over the past 33 years is 14.7% and the average Government Bond return has been 7.8%. Deducting the Government bond return from the REIT return equates to 6.9% as the implied premium for the real estate risk. (14.7% - 7.8% = 6.9%)

Size Premium – According to Ibbotson Associates, a size premium is necessary because the Capital Asset Pricing Model does not necessarily capture all the risks faced by those who invest in small companies. Most family trusts or private limited partnerships are much smaller than the average REIT, which is true for the subject, except that the California real estate market has outperformed the national market significantly. Additionally, the subject properties have enjoyed stable occupancies and stable expenses. Even though the Ibbotson data supports a size premium, we are of the opinion that because the California market is superior to the national market, and that the subject properties 'fit' investor expectations in regards to size for their market, we will not apply a size premium.

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[4] Ibid

Specific Risk Premium – This premium adjusts the rate build up for any additional risk or less risk than the subject under appraisement has versus a diversified portfolio of publicly traded REITs. Generally, publicly traded REITs have greater diversification, invest in financially larger assets, have better access to capital markets, possess greater geographically diversified markets, and have greater depth in management. Lastly, REITs have a statutory requirement to pay out 90% of taxable income in the form of dividends to the shareholders. There are no established studies that report specific risk rates. Application is based on the appraiser's judgment of the risks in the property under appraisement. Considerations can include the amount of debt, distribution history, marketability of the real estate as well as any other assets. Additional considerations can be the relationship between partners and the general partner. Specific Risk increments can be as small as zero percent to as much as ten percent.

Reviewing the subject for these concerns reveals that there are no reported debt problems; distributions are assumed consistent; there are no observed marketability concerns, and no problems between family members have been mentioned. Therefore, no property specific premium is applied in this specific case.

Reconciliation of the various rate components using the Build-Up Method based on REITs is shown below.

| **BUILD-UP METHOD- REITS** | | |
|---|---|---|
| 20 Year US Treasury Bond | | 4.75% |
| Real Estate Risk Premium | | |
| LT Avg Return for REITs | 14.7% | |
| LT Inc Return for Gov't Bonds | - 7.8% | |
| Net Return for Risk | | 6.9% |
| Size Risk Premium | | 0.0% |
| Specific Risk Premium | | 0.0% |
| **Discount Rate for Net Cash Flow** | | **11.65%** |

**BUILD-UP METHOD-PARTNERSHIP RETURNS**

The same methodology is applied in building up a discount rate as previously exhibited, with the exception that the Real Estate Risk Premium is calculated using expected returns in publicly held limited partnerships traded in the informal secondary market.

As reported by Partnership Profiles, the following table presents the historical expected rates of return for the past 10 years. These returns are on partnerships with low to moderate debt like the subject.

| **EXPECTED RATES OF RETURNS FOR DISTRIBUTING PARTNERSHIPS WITH NO TO LOW DEBT** | | |
|---|---|---|
| YEAR | OVERALL | NO TO LOW DEBT |
| 1996 | 19.4% | 19.1% |
| 1997 | 19.3% | 18.2% |
| 1998 | 21.1% | 19.5% |
| 1999 | 19.5% | 18.1% |
| 2000 | 19.5% | 19.0% |
| 2001 | 18.7% | 17.7% |
| 2002 | 21.0% | 20.5% |
| 2003 | 21.6% | 21.0% |
| 2004 | 19.3% | 18.9% |
| 2005 | 17.4% | 17.3% |
| 2006 | 17.5% | 16.3% |
| 2007 | 17.7% | 17.6% |
| **Averages** | **19.3%** | **18.6%** |

The average Partnership Return over the past 10 years is 18.6% and the average Government Bond is 7.8% (see page B 9). Deducting the Government bond from the Partnership Return equates to 10.8% as the implied premium for the real estate risk. (18.6% - 7.8% - 10.8%)

Reconciliation of the various rate components using the Build-Up Method based on REITs.

| **BUILD-UP METHOD- PARTNERSHIP RETURNS** | | |
|---|---|---|
| 20 Year US Treasury Bond | | 4.75% |
| Real Estate Risk Premium | | |
| LT Avg Return for Partnerships | 18.6% | |
| LT Inc Return for Gov't Bonds | - 7.8% | |
| Net Return for Risk | | 10.8% |
| Size Risk Premium | | 0.0% |
| Specific Risk Premium | | 0.0% |
| **Discount Rate for Net Cash Flow** | | **15.55%** |

*Family trusts and Public Partnerships are smaller than REITs and typically do not require a size premium

According to the preceding analysis, a discount rate of 11.65% is indicated when comparing REITs, and 15.55% is indicated when comparing Partnership Returns. The primary cause for the rate difference is due to the typical asset size of REITs compared to Partnerships. REITs, being much larger, are typically assumed to have less risk. Giving equal consideration to both produces a discount rate of 13.5%. This rate will be applied in the Income Approach on the following page.

## CONCLUSION OF DISCOUNT FOR LACK OF CONTROL

The indicated discounted value for Lack of Control via the Market Approach is $1,890,000 via Price to NAV and $1,830,000 via the Price to GCF. As shown on the table on the next page, the indicated discounted value for Lack of Control via the Income Approach is $1,834,000. Giving each equal weight, $1,850,000 is concluded as the Discounted Value of the subject caused by a Lack of Control. This equates to an effective discount of 22% from the trust's net asset value (discount = 1-[$1,850,000 ÷ $2,366,000]).

# DISCOUNTED CASH FLOW ANALYSIS

Market Rent

| INCOME | Sq. Ft. | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 6 | YEAR 7 | YEAR 8 | YEAR 9 | YEAR 10 | REVERSION |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Rental Income** | | | | | | | | | | | | |
| Belvedere | 80,260 | $ 371,748 | $ 382,900 | $ 394,387 | $ 406,219 | $ 418,406 | $ 430,958 | $ 443,887 | $ 457,203 | $ 470,919 | $ 485,047 | $ 499,598 |
| **POTENTIAL GROSS INCOME** | | **$ 371,748** | **$ 382,900** | **$ 394,387** | **$ 406,219** | **$ 418,406** | **$ 430,958** | **$ 443,887** | **$ 457,203** | **$ 470,919** | **$ 485,047** | **$ 499,598** |
| Less Vacancy | | $37,175 | $38,290 | $39,439 | $40,622 | $41,841 | $43,096 | $44,389 | $45,720 | $47,092 | $48,505 | $49,960 |
| **EFFECTIVE GROSS INCOME** | | **$ 334,573** | **$ 344,610** | **$ 354,949** | **$ 365,597** | **$ 376,565** | **$ 387,862** | **$ 399,498** | **$ 411,483** | **$ 423,827** | **$ 436,542** | **$ 449,638** |
| **EXPENSES** | | | | | | | | | | | | |
| Real Estate Taxes | | $ 39,150 | $ 39,933 | $ 40,732 | $ 41,546 | $ 42,377 | $ 43,225 | $ 44,089 | $ 44,971 | $ 45,870 | $ 46,788 | $ 47,724 |
| Special Assessments | | $ 3,309 | $ 3,375 | $ 3,443 | $ 3,512 | $ 3,582 | $ 3,653 | $ 3,726 | $ 3,801 | $ 3,877 | $ 3,955 | $ 4,034 |
| Utilities | | $ 13,500 | $ 13,905 | $ 14,322 | $ 14,752 | $ 15,194 | $ 15,650 | $ 16,120 | $ 16,603 | $ 17,101 | $ 17,614 | $ 18,143 |
| Insurance | | $ 5,800 | $ 5,974 | $ 6,153 | $ 6,338 | $ 6,528 | $ 6,724 | $ 6,926 | $ 7,133 | $ 7,347 | $ 7,568 | $ 7,795 |
| Management | | $ 16,729 | $ 17,231 | $ 17,747 | $ 18,280 | $ 18,828 | $ 19,393 | $ 19,975 | $ 20,574 | $ 21,191 | $ 21,827 | $ 22,482 |
| Contract Services | | $ 11,400 | $ 11,742 | $ 12,094 | $ 12,457 | $ 12,831 | $ 13,216 | $ 13,612 | $ 14,021 | $ 14,441 | $ 14,874 | $ 15,321 |
| Repairs & Maintenance | | $ 17,657 | $ 18,187 | $ 18,732 | $ 19,294 | $ 19,873 | $ 20,469 | $ 21,083 | $ 21,716 | $ 22,367 | $ 23,038 | $ 23,730 |
| **TOTAL EXPENSES** | | **$ 107,545** | **$ 110,346** | **$ 113,224** | **$ 116,179** | **$ 119,213** | **$ 122,330** | **$ 125,531** | **$ 128,819** | **$ 132,196** | **$ 135,664** | **$ 139,227** |
| **NET OPERATING INCOME** | | **$227,029** | **$234,264** | **$241,725** | **$249,418** | **$257,352** | **$265,532** | **$273,966** | **$282,664** | **$291,631** | **$300,878** | **$ 310,411** |
| **Rental Income** | | | | | | | | | | | | |
| Fairway | 9,930 | $ 155,429 | $ 160,092 | $ 164,895 | $ 169,841 | $ 174,937 | $ 180,185 | $ 185,590 | $ 191,158 | $ 196,893 | $ 202,800 | $ 208,884 |
| **POTENTIAL GROSS INCOME** | | **$ 155,429** | **$ 160,092** | **$ 164,895** | **$ 169,841** | **$ 174,937** | **$ 180,185** | **$ 185,590** | **$ 191,158** | **$ 196,893** | **$ 202,800** | **$ 208,884** |
| Less Vacancy | | $4,663 | $4,803 | $4,947 | $5,095 | $5,248 | $5,406 | $5,568 | $5,735 | $5,907 | $6,084 | $6,267 |
| **EFFECTIVE GROSS INCOME** | | **$ 150,766** | **$ 155,289** | **$ 159,948** | **$ 164,746** | **$ 169,689** | **$ 174,779** | **$ 180,023** | **$ 185,423** | **$ 190,986** | **$ 196,716** | **$ 202,617** |
| **EXPENSES** | | | | | | | | | | | | |
| Real Estate Taxes | | $ 13,230 | $ 13,495 | $ 13,764 | $ 14,040 | $ 14,321 | $ 14,607 | $ 14,899 | $ 15,197 | $ 15,501 | $ 15,811 | $ 16,127 |
| Insurance | | $ 3,800 | $ 3,914 | $ 4,031 | $ 4,152 | $ 4,277 | $ 4,405 | $ 4,537 | $ 4,674 | $ 4,814 | $ 4,958 | $ 5,107 |
| Maintenance | | $ 11,383 | $ 11,724 | $ 12,076 | $ 12,439 | $ 12,812 | $ 13,196 | $ 13,592 | $ 14,000 | $ 14,420 | $ 14,852 | $ 15,298 |
| Utilities | | $ 14,514 | $ 14,949 | $ 15,398 | $ 15,860 | $ 16,336 | $ 16,826 | $ 17,330 | $ 17,850 | $ 18,386 | $ 18,937 | $ 19,506 |
| Janitorial | | $ 3,130 | $ 3,224 | $ 3,321 | $ 3,420 | $ 3,523 | $ 3,629 | $ 3,737 | $ 3,850 | $ 3,965 | $ 4,084 | $ 4,206 |
| Management | | $ 7,538 | $ 7,764 | $ 7,997 | $ 8,237 | $ 8,484 | $ 8,739 | $ 9,001 | $ 9,271 | $ 9,549 | $ 9,836 | $ 10,131 |
| Misc. | | $ 6,750 | $ 6,953 | $ 7,161 | $ 7,376 | $ 7,597 | $ 7,825 | $ 8,060 | $ 8,302 | $ 8,551 | $ 8,807 | $ 9,071 |
| **TOTAL EXPENSES** | | **$ 60,345** | **$ 62,023** | **$ 63,749** | **$ 65,524** | **$ 67,349** | **$ 69,227** | **$ 71,157** | **$ 73,143** | **$ 75,185** | **$ 77,286** | **$ 79,446** |
| **NET OPERATING INCOME** | | **$90,421** | **$93,266** | **$96,199** | **$99,222** | **$102,339** | **$105,553** | **$108,865** | **$112,280** | **$115,801** | **$119,430** | **$ 123,171** |
| **COMBINED NET OPERATING INCOME** | | **$317,449** | **$327,530** | **$337,924** | **$348,641** | **$359,691** | **$371,084** | **$382,832** | **$394,944** | **$407,432** | **$420,307** | **$433,582** |
| **CASH FLOW ANALYSIS** | | | | | | | | | | | | |
| Real Estate Operations Cash Flow | | $ 317,449 | $ 327,530 | $ 337,924 | $ 348,641 | $ 359,691 | $ 371,084 | $ 382,832 | $ 394,944 | $ 407,432 | $ 420,307 | $ 433,582 |
| Adjustments | | | | | | | | | | | | |
| Add back real estate taxes | | $ 52,380 | $ 53,428 | $ 54,496 | $ 55,586 | $ 56,698 | $ 57,832 | $ 58,988 | $ 60,168 | $ 61,372 | $ 62,599 | $ 63,851 |
| **Adjusted Cash Flow** | | **$ 369,829** | **$ 380,957** | **$ 392,420** | **$ 404,227** | **$ 416,389** | **$ 428,916** | **$ 441,820** | **$ 455,112** | **$ 468,803** | **$ 482,906** | **$ 497,433** |
| Fractional Interest **(49.5%)** | | $ 183,066 | $ 188,574 | $ 194,248 | $ 200,092 | $ 206,112 | $ 212,314 | $ 218,701 | $ 225,280 | $ 232,058 | $ 239,039 | $ 246,229 |
| **Proceeds at Sale** | | | | | | | | | | | | |
| Reversionary Cap. Rate | | | | | | | | | | | * | 8.60% |
| Reversionary Value | | | | | | | | | | | | $2,863,132 |
| Less Sale Costs | | | | | | | | | | | | 7% |
| Net Sale Proceeds | | | | | | | | | | | | $2,662,713 |

| | |
|---|---|
| **PRESENT VALUE DISCOUNTED AT** | **13.50%** |
| Annual Cash Flows | $1,083,386 |
| Proceeds at Sale (10th Year of Cash Flow) | $750,526 |
| **TOTAL VALUE** | **1,833,912** |
| **Rounded** | **$1,834,000** |

*Cap Rate from Korpacz 4th Q 05

**Internal Rates of Return**

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Before DLOC** | **($2,366,000)** | **183066** | **188574** | **194248** | **200092** | **206112** | **212314** | **218701** | **225280** | **232058** | **2901752** | **9.49%** | **Actual IRR** |
| **After DLOC** | **($1,850,000)** | **183066** | **188558** | **194214** | **200041** | **206042** | **212223** | **218590** | **225148** | **231902** | **2901752** | **13.35%** | **Actual IRR** |
| **PLPs** | **($1,370,000)** | **183066** | **188558** | **194214** | **200041** | **206042** | **212223** | **218590** | **225148** | **231902** | **2901752** | **18.61%** | **Required IRR** |

**Sensitivity Analysis Base of $1,850,000**

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **10** | **($850,000)** | **183066** | **188558** | **194214** | **200041** | **206042** | **212223** | **218590** | **225148** | **231902** | **2901752** | **28.68%** | **Required IRR** |
| **7.5** | **($950,000)** | **183066** | **188558** | **194214** | **200041** | **206042** | **212223** | **218590** | **225148** | **231902** | **2901752** | **26.09%** | **Actual IRR** |
| **5** | **($1,065,000)** | **183066** | **188558** | **194214** | **200041** | **206042** | **212223** | **218590** | **225148** | **231902** | **2901752** | **23.60%** | **Actual IRR** |

## DISCOUNT FOR LACK OF MARKETABILITY

The preceding analysis exhibits the appropriate discount for a non-controlling, marketable basis inherent in trusts and private limited partnerships. However, a trust or a private limited partnership interest is not a marketable security and a reduction in value to compensate for a lack of marketability is warranted. In deriving a non-controlling, marketable estimate of value, the Income Approach used alternative rates of return from publicly held investments (REITs and publicly held limited partnership interests). The Market Approach used pricing multiples (Price to NAV ratios and Price to GCF multiples) of publicly held investments. Both the Income and Market Approaches resulted in a value that was based on comparisons with investments in the public market. Because trusts and private limited partnership interests are not marketable, it is necessary to adjust the values estimated by the Income and Market Approaches by some factor that reflects additional investment risk of holding an illiquid investment.

Some appraisers are of the opinion that a discount or partial discount for lack of marketability is inherent in the price at which limited partnership interests trade in the informal secondary market. This may be true in some respect. However, the fact still remains that a market *does exist* in which publicly held partnerships can be sold, whereas *no such market exists* for private trusts and private limited partnership interests, which makes them not marketable. Some of the factors affecting the marketability of a non-controlling limited partnership interest, which also applies to family trusts, include:

- No Public Market – Privately held, unregistered partnership and family trust interests do not trade on any recognized secondary market. This inherent lack of liquidity reduces the universe of buyers for such interests and negatively impacts the price paid for such interests.
- Distribution Policy – The level of historical distributions should impact marketability. For the owner of a non-controlling partnership interest, or the partner of a family trust, income from distributions is important because there is no capital market in which an investor can realize capital appreciation.[5] Therefore, the performance of the underlying asset and the efficacy of the management shown in favorable distributions can have a significant impact on marketability.
- Financial Resources – Public entities generally have greater access to sources of capital than limited partnerships. A dependence on bank and private financing for operations might limit expansion.

Some data sources can be used to establish an appropriate discount for the lack of marketability in many financial arenas. These include Restricted Stock and Pre-IPO Studies. Reviews of various publications that track such discounts reveal that discounts range from 35% to over 60% for the lack of marketability. (Please refer to the addenda for summary data.) However, their comparability to family or private limited partnerships is not well established. These studies are primarily based on portfolios that include very different assets and assets with much more volatility. Nonetheless, these

[5] Idell A. Howitt, "Estate of Sidney Katz," Federal Tax Valuation Digest, (27 T.C.M. 825-1968), 6-3

studies, along with many other studies,[6] prove that a discount for the lack of marketability is necessary, and that it has a significant influence on price. Furthermore, while the asset base is different, the studies do provide insight into the range of discounts.

One measure of the significance on price due to the lack of marketability involves comparing the subject's actual Internal Rate of Return (IRR) with those of marketable limited partnerships. As previously shown in the Income Approach, the subject's IRR is 9.49% before the discount for lack of control. The IRR after the DLOC is 13.5%. The long-term average IRR for Public Limited Partnerships is 18.6%. In order for the subject to compete with those that are marketable, the purchase price must be discounted to produce the necessary minimum equal to the most similar marketable product, which are publicly traded limited partnerships. As previously stated, publicly traded limited partnerships have produced an average IRR over that past ten years of 18.6%. These are partnerships with no to low debt like the subject.

Using a target yield of 18.6% in the subject's discounted cash flow, (this includes a discount for the lack of marketability), results in an indicted value of $1,370,000. This equates to an effective discount of 25% (after DLOC) for the lack of marketability. 25% discount = 1 – ($1,370,000 ÷ $1,834,000.)

As previously stated, in order for capital to be attracted to the subject, and to be competitive with marketable partnerships, the subject must produce a minimum competitive yield of 18.6%. The demand by investors for a higher return to compensate for illiquidity is demonstrated in the market for restricted stocks. According to Dennis Dolan, a trader of restricted securities states that the size of the discount for lack of marketability is directly related to the rate of return demanded by investors. Dolan stated that investors who buy and sell restricted stocks increase their required rate of return for an investment because of the restrictions that negatively impact liquidity. The incremental increase in the rate of return can be substantial and frequently exceeds 10%. Therefore, the discount for lack of marketability is a result of the incremental rate of return demanded by investors due to higher risk associated with illiquidity.

The following table shows the iterations using incremental increases in the internal rate of return and the effect on value.

| **Indicted Discount for Lack of Marketability** | | | |
|---|---|---|---|
| | **Discounted Values** | **IRR** | **Corresponding Discount for LOM** |
| Before DLOC | ($2,366,000) | 9.49% | N/A |
| After DLOC | ($1,850,000) | 13.35% | N/A |
| IRRs for PLPs (IRR Base) | ($1,370,000) | 18.61% | 26% |
| **Incremental Increase in Rate of Return** | | | |
| IRR at 10% Increase | ($850,000) | 28.68% | 54% |
| IRR at 7.5% Increase | ($950,000) | 26.09% | 49% |
| IRR at 5% Increase | ($1,065,000) | 23.60% | 42% |

[6] Read *Valuing Small Businesses & Professional Practices* 3rd ed., pages 450-462 as well as *Valuing a Business* 4th ed., pages 395-410

This discounted value (price) increases the return, which attempts to offset the additional risk inherent in a non-marketable limited partnership when compared to marketable partnerships. The discounted value of $1,370,000, or 42% from the appraised value, is the indicated minimum discounted value based on the market data, which includes the DLOC and the DLOM.

### QUALITATIVE ANALYSIS

The preceding analysis focused on the quantitative methods and techniques used in calculating the appropriate discount for the lack of control and the lack of marketability inherent in family trusts or private limited partnerships. The following analysis applies qualitative methodology as a secondary approach and as a test of soundness to the quantitative analysis for both the lack of control and lack of marketability.

The primary procedure in this analysis involves a ten-step ranking[7] of the subject's particular characteristics as they compare to the market. This procedure reviews the assets both in the whole and in the fractional interest. The following table presents the ten characteristics and the appropriate discount range assigned to each characteristic.

| **Appropriate Discounts for Fractional/Minority Interests** | | | |
|---|---|---|---|
| Factors that Affect the Partnership/Trust | Most Attractive | Neutral | Least Attractive |
| Relative risk of the partnership's/trust's asset(s) | 3% | 7% | 10% |
| Historical consistency of earnings | 3% | 6% | 9% |
| Condition of the partnership/trust's asset(s) | 2% | 3% | 5% |
| Partnership/trust's market's growth potential | 2% | 3% | 4% |
| Portfolio diversification | 1% | 1% | 2% |
| Strength of the partnership's/trust's management | 1% | 1% | 2% |
| Factors that Affect the Fractional/Minority Interests | | | |
| Magnitude of the fractional interest | 2% | 4% | 7% |
| Liquidity of the Interest | 2% | 4% | 6% |
| Ability to influence management | 0% | 1% | 1% |
| Ease of asset analysis | 0% | 0% | 1% |
| Aggregate discount | 16% | 30% | 47% |

#### Factors That Affect the Partnership/Trust Itself

1. ***Relative Risk of the Partnership's/Trust's Asset***. The relative dynamic risk of an asset within its asset class is an important consideration. A trophy office building that is leased to a Fortune 500 company is considered less risky than a small suburban office building or a small multi-tenant flex building, both occupied by local non-credit tenants. The guidelines for analysis of this factor are as follows: Low risk property types should be discounted 3%, while high-risk property types should

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[7] Brad Davidson, "Fractional Interest in Real Estate Limited Partnerships," *Appraisal Journal* (LX No. 2: 1992): 184-194. NOTE: Indexing for time integrated into assumptions based on the value premise being current.

be discounted at 10%. Average risk properties are typically discounted at or around 7%. The subject has a negative aspect, specifically the non-credit tenants that would rank it above the neutral and toward the high end of the risk spectrum. Nationally recognized financially strong tenants lessen the perceived risk inherent in their occupancy, while local non-credit tenants increase perceived risk. However, neither of the subject properties was built to attract national tenants; and neither is considered to be in a location that would attract the national tenants. These factors offset the negative potential for the lack of national tenants and serve as an argument for placing this property in the neutral percentile. Because of this analysis, a rate at neutral risk spectrum of 7% is justified.

2. *Historical Consistency of Distributions*. A track record of earnings and distributions is one of the most favorable attributes a partnership or trust can exhibit. The existence of such an historical record enhances the market value of the interest, while its absence lessens the interest's market value. A partnership or trust that demonstrates years of steady earnings and distribution growth should be discounted only 3%. However, highly inconsistent partnerships and trusts where earnings fluctuate or which have suffered an operating deficit within recent years, should be discounted 9%. An average performance is discounted 6%. The subject's historical distributions are based solely on the income produced by both properties. Those incomes appear stable with no erratic pattern and are considered average. This discussion supports an applied rate positioned at the most attractive end of the spectrum, which equates to 3%.

3. *Condition of the Partnership/Trust Asset*. The older the asset, the more likely it is that the trust or partnership will have to budget larger amounts for repair, maintenance and capital improvements. While the nature of these expenses is difficult to quantify for the future, an aging asset is considered riskier, and therefore, less attractive than a newer asset. An asset in excellent condition should be discounted at 2% while one in poor condition would be discounted at 5%. An asset in average condition should be discounted at 3%. Additionally, the physical and economic remaining life of a depreciating asset can influence potential buyers. The Riverside property was observed to be in average condition in the real estate appraisal portion of this report. The Grass Valley property was observed to be in good condition. The buildings are assumed to have been fully depreciated from a tax return standpoint. The appraisal report estimated the remaining economic life for the Riverside property to be 30 years and for the Grass Valley office at 30 to 35 years. There are no other reported assets to consider. Properties in good condition with longer remaining lives are classified at the lower end of the risk spectrum and those that are in average condition with remaining lives beyond the typical holding periods are ranked in the middle of the spectrum. The subject fits within this range. Therefore, a 2.5% discount factor is applied for this element.

4. *Partnership/Trust Market's Growth Potential*. The future of a real estate partnership or family trust is affected by the growth potential of its local and regional market. While markets are subject to cycles, certain markets have demonstrated consistent growth above the national average, while others have shown below-average growth. An asset located in a historically strong market is perceived to offer greater appreciation potential than if it were located in a weak market. The discount rate for this factor tends to mirror general commercial real estate growth, which, with some exception, historically ranges from no growth (zero percent) to just over five percent. As applied to the discount rate, the lower range reflects good growth while the upper range represents a declining

market. According to the appraisal report, as reported by knowledgeable local brokers, both the Riverside industrial market and the Grass Valley office market have shown signs of improvement. Although slightly, overall vacancy was improving and rental rates were up slightly. Conversely, net absorption has declined. In conclusion, both the area markets and property types should continue with slight but steady growth. A rate in the middle of the range at 3% is a reasonable conclusion.

5. *Portfolio Diversification*. Clearly, a well-diversified portfolio is more resilient to market weakness than is one that is undiversified. A well-diversified portfolio of properties according to both geographic region and asset type should be discounted at 1%, as should the average portfolio. A limited-asset portfolio should be discounted 2%. Because the trust has two different types of properties in two different geographical areas, it is considered a diversified portfolio and a rate in the most attractive category of 1% will be applied.

6. *Strength of the Partnership's/Trust's Management*. The capabilities and track records of management are important factors in determining the prospects for any trust or partnership. A management team that has an excellent record should be discounted at 1%. This is also true for the average management discount. These applications apply to much larger portfolios than the subject's assets. We were not provided with the financial records or tax returns of the trust. Basing management on the type of properties, there should not be much need for trust or partnership involvement, as management needs are minimal. Therefore, a rate of 1% is applied.

Factors That Affect the Fractional Interest

7. *Magnitude of the Fractional Interest*. When the market of potential investors is considered, a fractional interest can be uneconomically small, unattractively large, or appropriately sized. Real estate securities in generally recognized markets, such as REITs, have access to the largest investor pool; therefore, size is not a factor. Public partnerships, which are not traded in generally recognized markets, have access to a smaller investor pool. Institutional investors, however, have shown only modest interest in this market which is primarily made up of individual investors seeking to invest a few thousand dollars. Small is not a factor, whereas large (over $250,000) will find a sharply diminished market of potential buyers. Family trusts, such as the subject, which are neither traded in generally recognized markets nor traded by most of the secondary market firms, are considered to have the smallest market of all and are rarely traded. If the indicated market value of the fractional interest is appropriately sized, a discount element of 2% is warranted. If it is so large that the pool of possible investors is reduced, or so small that the due diligence costs become disproportionately great, the interest should be discounted 7%.

The subject's fractional portion (49.5% of the whole) is estimated at $2,366,000 which is considered very large. The large versus small theory is aimed primarily at institutional holdings where partnerships are bought and sold, with most of the partners unfamiliar with each other. Partnerships (being the only analogy to the family trust), where the holdings consist of only one or two properties, or are limited in property mix, tend to allow for much more intimate knowledge of the participants. Furthermore, when there is a limited portfolio base held in the partnership, or there are limited assets under consideration, the opportunity for much easier, but proportionately more expensive, marketing becomes available. Economies of scale do not play a role, as due diligence

costs for a smaller property portfolio is not proportionately less. It may well be true that marketing one-half of an existing partnership with one primary underlying asset, is considered straightforward and is considered to have an active cache of interested investors, and certainly the simplicity of the subject portfolio is easily understood and would not confuse potential knowledgeable investors. However, when the fractional interest is large, such as the subject is, the supply of interested investors dwindles. The size or magnitude of the fractional interest outweighs the benefit of an easily understood asset. The applied rate for this element is in the least attractive category and is assigned at 7%.

8. *Liquidity of the Interest*. Partnership securities listed on exchanges are considered the most liquid. Public partnerships are considered less liquid and private partnerships are considered the least liquid. A highly liquid fractional interest warrants a 2% discount and a highly illiquid interest would be discounted at 6%. From a prima fascia observation, the subject falls into the description of a highly illiquid (private partnership) interest. However, an interest in a property in an established area is not as difficult to liquidate as those with less marketable or unconventional properties. Hence, because the subject assets are conventional properties in well-established areas, a rate at the middle of the range, at 4%, is warranted for this element.

9. *Ability to Influence Management*. This discussion and consideration is an aside to the lack of control applied previously. The ability to control or influence the management of an investment has value. A fractional interest capable of influencing management of the asset, whether as a result of a large percentage owned, or familial or other non-economic interest, should be discounted 0%. An interest with no control should be discounted 1%. Based upon assumptions inherent in the trust document, anyone purchasing the fractional interest would have no control. A factor of 1% will be applied to the subject.

10. *Ease of Asset Analysis*. Clearly, an asset that is easier to analyze is more marketable. A partnership that owns several assets is thus more difficult to analyze. A fractional interest with ample and complete data available should have no discount, while an interest for which only the basic data (i.e., tax returns) are available should be discounted 1%. While the subject's financial data was not presented, consideration of the underlying assets and the public data available for interpretation, analysis, and thus quantification, presents an ease to the analysis, and thus supports a 0% discount for this element.

This approach involved a segregation of the various elements inherent with partnerships, applying an objective weighted discount for each. The resulting discount adds up to 29.5 percent. This is rounded to 30%.

## RECONCILIATION OF VALUES AFTER DISCOUNTS FOR BOTH LACK OF CONTROL AND LACK OF MARKETABILITY

| Type of Analysis | Discounted Value | Indicated Discount |
|---|---|---|
| Quantitative Analysis | $1,370,000 | 42% |
| Qualitative Analysis | $1,660,000 | 30% |
| **Final Opinion of Value** | **$1,540,000** | **35%** |

The preceding analysis incorporated both a quantitative and qualitative application of several appraisal approaches and methodologies in arriving at the indicated value for the 49.5% fractional and minority interest held by the L. Deane Wilson Survivor's Trust. Because there is no market for family trusts, and thus market data, neither analysis carries more weight than the other does. The quantitative is more precise, however, as it is based on the analogy to partnerships versus trusts. The qualitative is somewhat more subjective, but individualizes the discussion and analysis to be more property-specific. In conclusion, several factors not considered in one are considered in the other, and therefore, equal weight is given to both.