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VALUATION REPORT

Value of a 1 Percent Minority Interest in Real Estate LLC

As of December 31, 2012

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IMPORTANT NOTICES

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TERMS AND CONDITIONS

The business valuation result contained in this report is subject to the Appraisal Certification, and Statement of Contingent and Limiting Conditions. Appendix D of this report contains these documents.

SECTION 1: VALUATION SUMMARY

Ross & Company, CPA, herein referred to as Ross & Company, has been engaged to determine the value of a 1% minority interest in Real Estate LLC, as of December 31, 2012. The purpose of the valuation is for gifting of minority interests to family members. Real Estate LLC, herein referred to as Real Estate, is an LLC formed under the laws of the State of New York, and established on October 26, 2011.

OWNERSHIP AND VALUE

John Brown is the managing member of Real Estate LLC, which owns one condominium in Manhattan, New York and a 50% interest in ABC LLC, which owns 15 condominiums in Manhattan. The market value of the subject properties has been established by a real estate appraisal as of April 12, 2012. The fair market value of a 1 percent minority interest in Real Estate (on a non-controlling, non-marketable basis) as of December 31, 2012 is $23.403, as shown below.

Table 1-1: Value of a 1 Percent Minority interest in Real Estate as of 12/31/2012

Source: Ross & Company

Value of a 1 Percent Minority Interest in Real Estate LLC	Source/Formula	As of 12/31/2012
1) Net Asset Value of Real Estate LLC	Table 2-3 Net Asset Value	$ 4,553,969
2) Value of a 1% Minority Interest Before Discounts	Row 1 * 1%	$ 45,540
3) Calculation of Discount Due to Lack of Control	Table 4-5 Price to NAV Discount	31.69%
4) Reduction in Value due to Lack of Control Discount	Row 2 * Row 3	$ 14,432
5) Adjusted Net Asset Value (non-controlling, marketable basis)	Row 2 - Row 4	$ 31,180
6) Estimated Discount for Lack of Marketability and Transfer Restrictions	Section 4	25.00%
7) Reduction in Value due to Lack of Marketability and Transfer Restrictions Discount	Row 5 * Row 6	$ 7,777
8) Fair Market Value of a 1% Minority Interest (on a non-controlling, non-marketable basis)	Row 5 - Row 7	**$ 23,403**

VALUATION ASSIGNMENT TERMS AND CONDITIONS

Ross & Company is independent of Real Estate and related organizations, and neither Ross & Company nor I have any financial interest in the securities subject to appraisal. Our fee for this valuation is in no way influenced by the result of our valuation conclusion. This valuation report is prepared solely for the purpose stated herein.

The remaining sections and appendices further describe the analyses performed and the conclusions reached during this valuation. The attached certification, limitation of liability, statement of contingent and limited conditions, and qualifications are integral parts of this valuation opinion.

Glen Ross, CPA, CVA

Ross & Company CPA, PLLC

Date

SECTION 2: THE VALUATION ASSIGNMENT

DESCRIPTION OF REAL ESTATE

Real Estate was established on October 26, 2011 in the state of New York as an LLC. The entity owns one condominium in Manhattan, New York and a 50% interest in ABC LLC, which owns 15 condominiums in Manhattan. Real Estate's income comes from the rent from these properties.

We have been provided with the following documents pertaining to this valuation:

- Real Estate & ABC's Federal Tax Return for 2011
- Updated 2012 financial statements for Real Estate & ABC
- Real Estate Appraisals for the properties at 155 West 71st Street, New York, NY 10023.

OWNERSHIP AND MANAGEMENT

John Brown is the managing member of Real Estate and owns an 82% interest of the company.

RENTAL INCOME REVIEW

We have reviewed the rental income and expenses information from ABC's 2011 Federal I Tax Return. ABC's gross rents are $457,907. The company's net rental real estate income, gross rents less total expenses, is $163,973. ABC's expenses include the payment of legal and professional fees, taxes, insurance, and depreciation of fixed assets. A summary of this is shown below.

Table 2-1: Rental Real Estate Income and Expenses
Source: ABC 2011 Federal Tax Return

	2011
Gross Rents	$457,907
Expenses:	
Insurance	$3,550
Other expenses	$150,217
Taxes	$117,108
Depreciation	$23,059
Total Expenses	$293,934
Net Rental Real Estate Income	$163,973

DESCRIPTION OF ASSETS AND LIABILITIES

As of the valuation date, the assets of ABC primarily consist of real estate, and cash. The table below displays ABC's federal income tax return balance sheets for the tax year ending 2011.

Table 2-2: Balance Sheet
Source: Real Estate 2011 Federal Tax Return

Concepts		End of Tax Year
Line	**Assets**	**2011**
1	Cash	**$864,023**
9a	Buildings and other depreciable assets	**$661,140**
9b	Less accumulated depreciation	**$401,296**
9b	Net Buildings and other depreciable assets	**$259,844**
11	Land (net of any amortization)	**$119,657**
14	Total Assets	**$1,243,524**
	Liabilities and Shareholder's Equity	
20	Other liabilities	**$46,238**
21	Partners' capital	**$1,197,286**
22	Total liabilities and capital	**$1,243,524**

As of December 31, 2011, according to the federal tax return, ABC's assets consist of $864,023 in cash, $661,140 in fixed assets, and $119,657 in land.

According to the tax return's detailed information as of December 31, 2011, the liabilities of ABC consist of security deposits that amount to $46,238. In addition, there is $1,197,286 in the partners' capital accounts. The client has provided updated information stating that as of September 30, 2012, the company's cash level is $19,904, and security deposits payable of $60,938, which is applicable to the valuation date of December 31, 2012. Additionally, as of December 31, 2012 Real Estate had a cash balance of $239,588 and fixed assets of $593,350.

For the real estate holding, we have been provided with information on the properties' market values for 2012. Real Estate provided appraisals written by Charles J Kunzmann Inc. as of April 12, 2012.

The assets by account and type, as of the valuation date, are shown in the table below.

Table 2-3: Portfolio for Real Estate
Source: Account Statements for Real Estate as of December 31, 2012

	Market Value
Real Estate Assets-ABC LLC	
Condominium units	$7,503,000
Less: Security Deposits Payable	($60,938)
NAV of ABC LLC	$7,442,062
NAV for Real Estate LLC @ 50%	$3,721,031
Real Estate Assets-Real Estate LLC	
Condominium	$593,350
Cash	$239,588
NAV	$832,938
Total Net Asset Value	***$4,553,969***

DESCRIPTION OF REAL ESTATE

Real Estate owns one property located at 155 West Any Street, New York, NY and a 50% interest in ABC LLC that owns 15 properties located at the same address. According to an appraisal report as of April 12, 2012, completed by Charles Kunzmann of Charles J. Kunzmann Inc., the building was built over 72 years ago. The subject is located in an area of Manhattan known as the upper west side. The area is comprised primarily multifamily buildings and within close proximity are public transportation such as the subway station and bus station, and New York's two main airports, LaGuardia airport and JFK International Airport. We have relied on the professional opinion of the appraiser to determine the market value of leased fee interest, which is $8,096,350, for all of the real estate in question. The appraiser considered all approaches in the appraisal of Real Estate and ABC, and determined the sales comparison approach to be the most appropriate for these properties.

SECTION 3: THE U.S. ECONOMIC OUTLOOK [1]

GENERAL OVERVIEW

The contours of the global economy have changed dramatically in the last twelve months. Economic slowdowns in China, India, and Brazil coupled with financial fractures in the Euro zone, leaves the U.S. as one of the few economies that will be on an upward growth trajectory in the next six to twelve months. Although the U.S. economic recovery is modest by any measure of economic performance, two factors have developed that are likely to generate significant incremental economic demand over the next two years. The primary driver is the degree of excess inflation adjusted liquidity available to support the purchase of goods and services which in turn will drive employment. The second factor relates to the credit system which was severely damaged in the financial crisis and now has recovered allowing the excess liquidity to find its way to various parts of the capital markets. While housing has been a weak spot for some time, the bottom has been reached. Demand for housing will increase substantially over the next eighteen months, giving rise to strong demand for related consumer durables. In short, the economic expansion will likely increase at a faster pace during the second half of 2012 than in any time during the economic recovery to this point.

This more upbeat view will not likely be side tracked by election year politics or short-term factors impacting the price of oil which has increased significantly, driven by the Iranian trade embargo. Interest rates, which remain at historically low levels, will not increase significantly between now and year end. Inflation will also be contained. While faster pace economic activity is usually associated with rising inflation, this will not be the case in 2012. The central reason is that global demand will not be pressing up against global capacity. Put differently, national economic cycles are not in sync which reduces price pressures globally as weaker economies supply needed resources to economies that are expanding relatively faster. The U.S. economy is the primary beneficiary of these developments.

The upshot is that real economic growth in 2012 will be about 3.0% with growth in 2013 registering 3.6%. First, the growth in excess real liquidity (real M2 growth less its two year moving average) continues to expand at a rapid pace. This development always translates to a period of sustained real economic growth. Second, C&I loans have been increasing since August of 2011 indicating that the banking system has returned to a more healthy condition. Recent stress tests appear to support this conclusion. These factors normally support above trend economic growth.

The unemployment rate will fall below 8% by year-end. We expect inflation to stay below 2% for the remainder of 2012 but begin to increase during the first half of 2013 as inflationary expectations associated with renewed global expansion take hold. Both

[1] Based on the Terra-Firma Economics Semi-Annual Industry Forecast, Spring/Summer 2012

short- and long-term rates will begin rising during the first half of 2013, with long rates increasing by more than short rates.

Although there has been flight to the dollar, we view this as a relatively short-term phenomenon. In the longer term, we expect the dollar to depreciate against a market basket of currencies. There are three main factors driving this. The first is the increase in dollar availability associated with Fed actions. The second is a continuation by the world's central banks of diversifying their reserve base away from the dollar. The Yuan, which currently is loosely pegged to the dollar, has begun to trade, which means it is only a matter of time before the Yuan becomes part of the global reserve base. The dollar will continue to be the dominant reserve currency, but its status will diminish.

At this juncture, the major risks to this outlook are predominately political. The first takes the form of potential military hostilities with Iran being the major protagonist. The second emanates from the perceived fallout from global capital flows and open markets which place enormous pressures on U.S. business to compete. The inability and/or unwillingness of U.S. businesses to compete in a global market accompanied by lack of sustained employment growth creates incentives for affected constituencies to petition the government to protect them, at least temporarily, by limiting imports, restricting outsourcing to lower-wage countries, and preventing or limiting foreign ownership of U.S. assets.

In an election year with both political parties not inclined to cooperate on defining issues like taxes and the size of government, there is little that the public sector can do other than wait until we know the outcome of the Presidential election. Monetary easing by the Federal Reserve will do little to promote additional real growth given the economy is already awash with liquidity, and interest rates are already at historically low levels. Although the rest of the world is still dependent on U.S. economic activity, it is far less dependent than in the past. Developing economies in Asia and South America are expanding organically, albeit at a slower rate than last year, creating a demand for U.S. goods and services. We expect demand from developing countries to be a major economic force going forward.

GROSS DOMESTIC PRODUCT AND THE INFLATION OUTLOOK

Table 3-1 and Table 3-2 below present our forecast for real GDP growth and real GDP respectively.

Table 3-1: Real GDP Growth Forecast
Source: Spring/Summer 2012 Economic Forecast

	Actual				Real GDP Growth Forecast					
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Gross domestic product	-0.30%	-3.50%	3.00%	1.70%	3.05%	3.62%	3.51%	3.29%	3.40%	3.53%
Personal consumption expenditures	**-0.60%**	**-1.90%**	**2.00%**	**2.20%**	**3.32%**	**4.03%**	**3.64%**	**3.41%**	**3.69%**	**3.99%**
Durable goods	-4.90%	-5.40%	7.20%	8.20%	7.26%	7.75%	5.94%	5.57%	5.94%	6.00%
Nondurable goods	-1.20%	-1.80%	2.90%	1.70%	3.02%	6.04%	5.83%	5.48%	5.83%	6.04%
Services	0.40%	-1.40%	0.90%	1.40%	2.32%	2.52%	2.32%	2.12%	2.32%	2.67%
Gross private domestic investment	**-10.20%**	**-25.00%**	**17.90%**	**4.80%**	**4.35%**	**4.85%**	**5.54%**	**4.64%**	**4.65%**	**4.67%**
Fixed investment	-7.10%	-18.80%	2.60%	6.80%	4.54%	4.94%	5.64%	4.72%	4.73%	4.74%
Nonresidential	-0.80%	-17.80%	4.40%	8.80%	4.47%	4.57%	5.22%	4.18%	4.18%	4.18%
Structures	6.40%	-21.20%	-15.80%	4.60%	5.33%	6.77%	5.62%	4.99%	4.99%	4.99%
Equipment and software	-4.30%	-16.00%	14.60%	10.40%	2.98%	3.93%	5.10%	3.93%	3.93%	3.93%
Residential	-23.90%	-22.20%	-4.30%	-1.30%	4.58%	6.55%	7.44%	6.99%	6.99%	6.99%
Change in private inventories										
Net exports of goods and services	**8.80%**	**4.20%**	**-1.20%**	**1.80%**	**16.55%**	**18.12%**	**13.05%**	**8.69%**	**12.71%**	**15.99%**
Exports	6.10%	-9.40%	11.30%	6.70%	5.62%	6.45%	6.10%	5.74%	6.12%	8.10%
Goods	6.30%	-12.00%	14.40%	7.40%	6.77%	7.08%	6.77%	6.44%	6.77%	9.07%
Services	5.60%	-3.50%	5.00%	4.90%	2.75%	4.89%	4.40%	3.92%	4.40%	5.47%
Imports	-2.70%	-13.60%	12.50%	4.90%	7.69%	8.84%	7.64%	6.43%	7.69%	10.07%
Goods	-3.80%	-15.60%	14.80%	5.70%	8.35%	9.67%	8.35%	7.01%	8.35%	10.94%
Services	3.60%	-3.50%	2.90%	1.10%	3.74%	4.44%	3.73%	3.03%	3.73%	4.61%
Government consumption expenditures and gross investment	**2.60%**	**1.70%**	**0.70%**	**-2.10%**	**3.61%**	**3.89%**	**3.56%**	**3.10%**	**3.60%**	**4.20%**
Federal	7.20%	6.00%	4.50%	-1.90%	3.07%	3.23%	2.98%	2.46%	3.07%	4.01%
National defense	7.50%	5.80%	3.30%	-2.30%	2.26%	2.02%	1.37%	0.72%	1.36%	2.22%
Nondefense	6.50%	6.50%	7.10%	-1.20%	4.67%	5.57%	6.01%	5.56%	6.01%	6.95%
State and local	0.00%	-0.90%	-1.80%	-2.20%	3.57%	4.37%	3.96%	3.56%	3.97%	4.33%

Table 3-2: Real GDP Forecast in Billions of Dollars
Source: Spring/Summer 2012 Economic Forecast

	Actual				Real GDP Forecast					
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Gross domestic product	$13,161.90	$12,703.10	$13,088.00	$13,315.10	$13,721.00	$14,218.24	$14,717.12	$15,201.58	$15,718.22	$16,272.56
Personal consumption expenditures	**$9,211.70**	**$9,037.50**	**$9,220.90**	**$9,421.30**	**$9,734.44**	**$10,127.16**	**$10,495.61**	**$10,853.19**	**$11,254.13**	**$11,703.25**
Durable goods	$1,171.80	$1,108.30	$1,188.30	$1,285.40	$1,378.71	$1,485.51	$1,573.70	$1,661.42	$1,760.05	$1,865.60
Nondurable goods	$2,019.10	$1,983.40	$2,041.30	$2,075.80	$2,138.57	$2,267.64	$2,399.94	$2,531.54	$2,679.24	$2,840.93
Services	$6,017.00	$5,935.50	$5,991.80	$6,076.10	$6,217.15	$6,374.00	$6,521.97	$6,660.23	$6,814.84	$6,996.72
Gross private domestic investment	**$1,939.80**	**$1,454.20**	**$1,714.90**	**$1,797.30**	**$1,875.53**	**$1,966.47**	**$2,075.41**	**$2,171.63**	**$2,272.68**	**$2,378.80**
Fixed investment	$1,978.60	$1,606.30	$1,648.40	$1,761.00	$1,840.93	$1,931.87	$2,040.81	$2,137.03	$2,238.08	$2,344.20
Nonresidential	$1,537.60	$1,263.20	$1,319.20	$1,435.50	$1,499.66	$1,568.27	$1,650.16	$1,719.07	$1,790.89	$1,865.74
Structures	$466.40	$367.30	$309.10	$323.20	$340.42	$363.48	$383.90	$403.05	$423.16	$444.27
Equipment and software	$1,059.40	$889.70	$1,019.40	$1,125.70	$1,159.24	$1,204.79	$1,266.26	$1,316.02	$1,367.73	$1,421.47
Residential	$444.40	$345.60	$330.80	$326.30	$341.26	$363.60	$390.65	$417.97	$447.19	$478.47
Change in private inventories	-$36.30	-$144.90	$58.80	$34.60	$34.60	$34.60	$34.60	$34.60	$34.60	$34.60
Net exports of goods and services	**-$494.80**	**-$358.80**	**-$421.80**	**-$413.60**	**-$482.06**	**-$569.40**	**-$643.69**	**-$699.61**	**-$788.50**	**-$914.60**
Exports	$1,649.30	$1,494.00	$1,663.20	$1,774.20	$1,873.89	$1,994.83	$2,116.54	$2,238.03	$2,375.08	$2,567.46
Goods	$1,157.00	$1,018.60	$1,164.90	$1,251.70	$1,336.40	$1,431.06	$1,527.97	$1,626.38	$1,736.50	$1,893.96
Services	$492.30	$474.90	$498.80	$523.10	$537.49	$563.76	$588.57	$611.65	$638.57	$673.50
Imports	$2,144.00	$1,852.80	$2,085.00	$2,187.70	$2,355.95	$2,564.23	$2,760.23	$2,937.65	$3,163.58	$3,482.05
Goods	$1,784.80	$1,506.00	$1,729.30	$1,828.60	$1,981.25	$2,172.88	$2,354.27	$2,519.37	$2,729.68	$3,028.17
Services	$359.80	$347.20	$357.40	$361.20	$374.70	$391.35	$405.96	$418.28	$433.90	$453.89
Government consumption expenditures and gross investment	**$2,497.40**	**$2,539.60**	**$2,556.80**	**$2,502.70**	**$2,593.10**	**$2,694.01**	**$2,789.79**	**$2,876.37**	**$2,979.91**	**$3,105.10**
Federal	$971.10	$1,029.50	$1,075.90	$1,055.00	$1,087.36	$1,122.46	$1,155.94	$1,184.33	$1,220.74	$1,269.75
National defense	$657.70	$695.60	$718.30	$701.60	$717.47	$731.97	$742.00	$747.37	$757.55	$774.36
Nondefense	$313.30	$333.80	$357.70	$353.40	$369.89	$390.48	$413.94	$436.95	$463.19	$495.40
State and local	$1,528.10	$1,514.20	$1,487.00	$1,453.80	$1,505.74	$1,571.55	$1,633.86	$1,692.04	$1,759.17	$1,835.35

Real consumption expenditures will pick up momentum in 2012 as real incomes increase with expected increases in employment. We expect this to continue through 2013 and beyond. Residential construction spending declined in 2011, but we expect it to register substantive growth in 2012 and over the longer term. Non-residential investment will expand in 2012, led by equipment and software investment. New industrial and commercial building investment will expand in 2012. Outsourcing and the use of the internet, which allows workers to collaborate at a distance, have reduced the need to expand office space as the economy has expanded. In the long run, these developments will be less operative, and new industrial and office space will be required to house an expanding workforce.

Economic expansion will result in a widening trade deficit as imports continue to expand faster than exports. Dollar weakness will provide some impetus to exports and place upward pressure on import prices and hence inflation.

Table 3-3 below shows the inflation forecast for GDP and its components.

Table 3-3: Inflation Forecast

Source: Spring/Summer 2012 Economic Forecast

	Actual				Inflation Forecast					
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Gross domestic product	2.20%	1.10%	1.20%	2.10%	1.40%	1.80%	2.07%	2.50%	2.47%	2.47%
Personal consumption expenditures	3.30%	0.20%	1.80%	2.50%	1.84%	2.71%	3.14%	3.32%	3.54%	3.93%
Durable goods	-1.90%	-1.80%	-1.70%	-1.00%	2.60%	4.38%	5.03%	4.88%	5.03%	5.12%
Nondurable goods	5.70%	-2.90%	3.20%	6.10%	2.88%	3.04%	3.07%	3.65%	4.24%	5.05%
Services	3.40%	1.60%	1.90%	1.80%	1.80%	2.43%	2.88%	2.93%	2.98%	3.21%
Gross private domestic investment	1.10%	-1.00%	-1.60%	1.60%	1.80%	2.71%	3.22%	3.98%	3.89%	3.88%
Fixed investment	1.20%	-1.20%	-1.40%	1.30%	1.76%	2.79%	3.31%	4.06%	3.97%	3.95%
Nonresidential	2.00%	-0.60%	-1.60%	1.30%	2.29%	3.46%	3.26%	4.05%	3.93%	3.89%
Structures	4.90%	-2.60%	-1.10%	4.50%	4.78%	5.33%	4.96%	5.34%	5.71%	6.27%
Equipment and software	0.50%	0.50%	-1.80%	0.10%	2.53%	2.53%	2.53%	3.42%	3.07%	2.73%
Residential	-1.20%	-3.40%	-0.40%	1.20%	-0.40%	-0.15%	3.70%	4.33%	4.34%	4.36%
Change in private inventories	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net exports of goods and services	0.00%	0.00%	0.00%	0.00%	14.01%	16.52%	14.27%	11.28%	9.93%	9.28%
Exports	4.70%	-5.40%	4.40%	6.30%	5.29%	5.64%	6.24%	5.86%	5.91%	6.01%
Goods	5.00%	-6.80%	4.90%	7.30%	5.77%	6.51%	7.40%	6.66%	6.66%	6.66%
Services	4.10%	-2.20%	3.20%	3.90%	4.19%	3.37%	2.97%	3.37%	3.39%	3.41%
Imports	10.60%	-10.60%	6.10%	7.70%	7.63%	9.09%	9.13%	7.87%	7.94%	8.05%
Goods	11.60%	-12.40%	6.80%	8.70%	8.34%	9.95%	9.95%	8.34%	8.34%	8.34%
Services	5.80%	-2.20%	2.70%	3.00%	4.27%	3.57%	3.09%	3.58%	3.58%	3.58%
Government consumption expenditures and gross investment	4.90%	-0.30%	2.20%	3.10%	2.50%	3.01%	2.80%	3.02%	3.02%	3.05%
Federal	3.20%	-0.20%	2.40%	2.80%	3.26%	3.79%	3.63%	3.82%	3.83%	3.85%
National defense	3.60%	-0.70%	2.40%	3.10%	2.77%	3.61%	3.41%	3.61%	3.61%	3.61%
Nondefense	2.30%	0.90%	2.40%	2.30%	4.28%	4.15%	4.02%	4.15%	4.15%	4.16%
State and local	5.90%	-0.40%	2.10%	3.30%	2.39%	2.45%	2.21%	2.46%	2.46%	2.49%

The global energy picture has changed significantly in the last eighteen months. New sources of gas in the lower 48 have resulted in a major decline in natural gas prices. We expect that this incremental supply will moderate any upward price pressure emanating from substantial incremental demand for natural gas resulting from major energy users switching to natural gas from other sources like coal. Coal prices will likely decline as utilities and others move to cleaner and relatively less expensive energy sources. Oil prices will likely decline over the next several years, the current price run-up notwithstanding. Increased oil production from Canada will find its way to the U.S. In addition, technological advances that have reshaped the natural gas sector are also boosting domestic oil supply. In short, significant energy-induced inflation is not likely over the next several years even with the uptick in global economic growth that we expect by year end 2013.

Table 3-4 shows the projections for nominal GDP and its components.

Table 3-4: Nominal GDP Forecast in Billions of Dollars

Source: Spring/Summer 2012 Economic Forecast

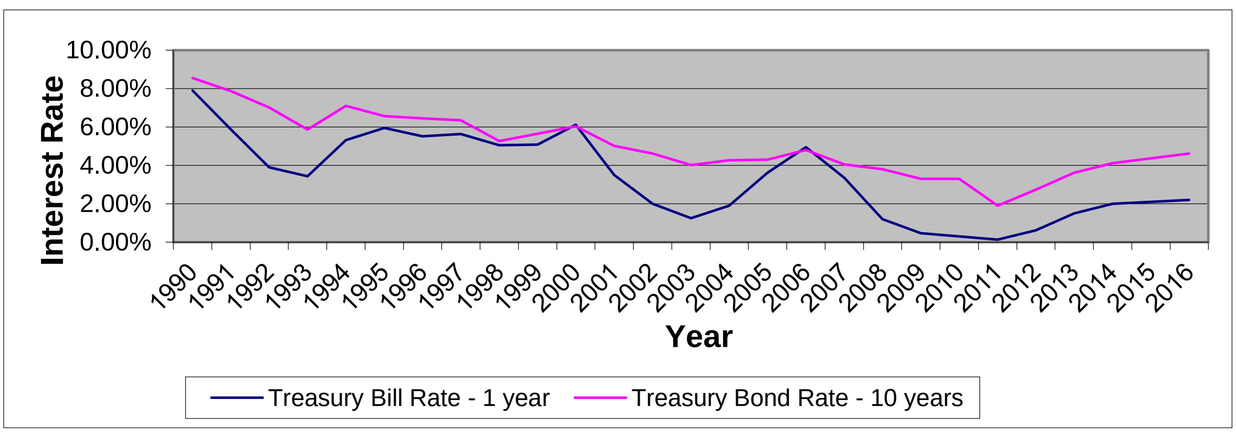
	Actual				Nominal GDP Forecast					
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Gross domestic product	**$14,291.50**	**$13,939.00**	**$14,526.50**	**$15,094.00**	**$15,771.50**	**$16,637.69**	**$17,578.56**	**$18,612.00**	**$19,720.15**	**$20,919.69**
Personal consumption expenditures	**$10,035.50**	**$9,866.10**	**$10,245.50**	**$10,726.00**	**$11,286.48**	**$12,059.62**	**$12,891.09**	**$13,772.99**	**$14,787.35**	**$15,981.98**
Durable goods	$1,108.90	$1,029.60	$1,085.50	$1,162.90	$1,279.80	$1,439.39	$1,601.50	$1,773.36	$1,973.08	$2,198.41
Nondurable goods	$2,272.80	$2,167.80	$2,301.50	$2,483.70	$2,632.55	$2,876.36	$3,137.78	$3,430.77	$3,784.99	$4,216.01
Services	$6,653.80	$6,668.70	$6,858.50	$7,079.40	$7,374.13	$7,743.87	$8,151.82	$8,568.86	$9,029.27	$9,567.57
Gross private domestic investment	**$2,087.60**	**$1,546.80**	**$1,795.10**	**$1,916.20**	**$2,035.50**	**$2,192.06**	**$2,387.99**	**$2,598.08**	**$2,824.82**	**$3,071.40**
Fixed investment	**$2,128.70**	**$1,707.60**	**$1,728.20**	**$1,870.00**	**$1,989.20**	**$2,145.76**	**$2,341.69**	**$2,551.78**	**$2,778.52**	**$3,025.10**
Nonresidential	**$1,656.30**	**$1,353.00**	**$1,390.10**	**$1,532.50**	**$1,637.66**	**$1,771.78**	**$1,925.04**	**$2,086.69**	**$2,259.29**	**$2,445.33**
Structures	$586.30	$449.90	$374.40	$409.50	$451.93	$508.27	$563.45	$623.14	$691.59	$771.59
Equipment and software	$1,070.00	$903.00	$1,015.70	$1,123.00	$1,185.73	$1,263.51	$1,361.58	$1,463.55	$1,567.70	$1,673.74
Residential	$472.40	$354.70	$338.10	$337.50	$351.55	$373.98	$416.66	$465.09	$519.23	$579.77
Change in private inventories	-$41.10	-$160.80	$66.90	$46.30	$46.30	$46.30	$46.30	$46.30	$46.30	$46.30
Net exports of goods and services	**-$709.70**	**-$391.50**	**-$516.90**	**-$578.70**	**-$768.99**	**-$1,058.41**	**-$1,367.20**	**-$1,653.55**	**-$2,048.69**	**-$2,596.94**
Exports	**$1,846.80**	**$1,583.00**	**$1,839.80**	**$2,085.50**	**$2,319.14**	**$2,608.14**	**$2,939.81**	**$3,290.87**	**$3,698.87**	**$4,238.69**
Goods	$1,297.50	$1,064.70	$1,277.80	$1,473.40	$1,663.83	$1,897.66	$2,176.08	$2,470.43	$2,813.32	$3,272.84
Services	$549.30	$518.40	$562.00	$612.10	$655.31	$710.48	$763.74	$820.44	$885.56	$965.85
Imports	**$2,556.50**	**$1,974.60**	**$2,356.70**	**$2,664.20**	**$3,088.13**	**$3,666.54**	**$4,307.01**	**$4,944.43**	**$5,747.57**	**$6,835.63**
Goods	$2,146.30	$1,587.30	$1,947.30	$2,237.90	$2,627.03	$3,167.75	$3,773.62	$4,375.20	$5,135.96	$6,172.97
Services	$410.10	$387.30	$409.40	$426.30	$461.10	$498.80	$533.39	$569.23	$611.61	$662.66
Government consumption expenditures and gross investment	**$2,878.10**	**$2,917.50**	**$3,002.80**	**$3,030.60**	**$3,218.50**	**$3,444.42**	**$3,666.67**	**$3,894.48**	**$4,156.68**	**$4,463.25**
Federal	**$1,080.10**	**$1,142.70**	**$1,222.80**	**$1,232.90**	**$1,312.09**	**$1,405.84**	**$1,500.34**	**$1,595.89**	**$1,708.01**	**$1,845.00**
National defense	$737.80	$774.90	$819.20	$824.90	$866.90	$916.37	$960.63	$1,002.55	$1,052.90	$1,115.17
Nondefense	$342.30	$367.80	$403.60	$407.90	$445.20	$489.46	$539.71	$593.34	$655.11	$729.83
State and local	$1,798.00	$1,774.80	$1,780.00	$1,797.70	$1,906.41	$2,038.58	$2,166.33	$2,298.60	$2,448.66	$2,618.25

THE INTEREST RATE OUTLOOK

Chart 3-5 shows the forecast for both the one-year Treasury Bill and the ten-year Treasury Bond.

Chart 3-5: Interest Rate Forecast

Source: Spring/Summer 2012 Economic Forecast



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1 year Treasury Bill:Year End	3.34%	1.20%	0.47%	0.29%	0.12%	0.62%	1.50%	2%	2.10%	2.20%
10 year Treasury Bond: Year End	4.04%	3.80%	3.30%	3.29%	1.89%	2.74%	3.62%	4.12%	4.37%	4.62%

Both short-term and long-term interest rates were at historically low levels in 2011, reflecting the extent of the economic weakness, an easing Fed policy, and increased funding to financial institutions. As the economy begins to recover, we expect rates to rise, with long rates reflecting an increase in expected inflation in response to a relatively easy monetary policy and a depreciating dollar.

SUMMARY

The U.S. economy will register stronger growth going forward than it did in the earlier years of the current economic expansion. Inflation and interest rates will increase but in the near-term these increases will likely be moderate.

The entity consists primarily of real estate, which generates income through rent in Brooklyn, New York. Rental rates are considered to have a resistance to economic downturns, whereas the real estate properties are generally deeply affected if sold during a recession. Taking all of this into consideration, we do not expect the asset values of Real Estate to decline significantly for the foreseeable future, even in the case of a double dip recession.

SECTION 4: VALUATION ANALYSIS

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

The corporation assets consist of $4,344,850 in real estate and $239,588 in cash. It has liabilities of $30,469**;** therefore its NAV is $4,553,969 as of December 31, 2012.

THE VALUE OF AN ECONOMIC INTEREST

The value of an economic interest in the corporation is its fair market value. Revenue Ruling 59-60 defines fair market value 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------- As a generalization, the prices of stocks which are traded in volume in a free and active market by the informed persons best reflect the consensus of the investing public as to what the future holds for the corporations and industries…[2]

A minority interest in a publicly held Limited partnership is comparable to a privately held limited interest in Real Estate for several reasons. Like a minority partner in a limited partnership or an investor in a closed end fund, a minority owner of Real Estate cannot:

1. Influence the distribution of earnings,
2. Influence the reinvestment of earnings,
3. Sell the underlying assets,
4. Control or manage the activities of the entity.

The minority interest in Real Estate and a publicly held closed end stock fund differ primarily in the degree of assurance that an owner would have regarding the distribution of earnings and in the marketability of the interest. It is probable that the investor in the

[2] Revenue Ruling 59-60

publicly held security would have greater assurance of the distribution of earnings due to the higher level of scrutiny.

We have reviewed the portfolio composition of Real Estate and examined sources of closed end funds to find funds with a similar portfolio mix and characteristics based on the composition shown in Table 2-3. The following sections summarize the guideline closed end funds that we found to be most comparable to the mix of assets in Real Estate.

We calculate the Price-to-NAV discount for each asset class in order to determine the Price-to-NAV for Real Estate.

REAL ESTATE PRICE-TO-NAV CALCULATION

Real Estate has several condominiums in New York, New York. Based on the information provided on this property, we have classified the real estate as commercial land with a total market value of $4,344,850.

An examination of publicly held limited partnerships was conducted in comparison to the real estate holdings of Real Estate in terms of type of asset, risk and return. The analysis included a review of over 260 publicly held real estate partnerships from the Partnership Profiles Minority Interest Discount Database. This database provides comprehensive financial information regarding publicly traded minority interests from 1994 to 2011. From the partnerships in the database, a search was conducted for publicly held partnerships with the following attributes.

1. The partnerships owned and managed equity interests in commercial land;
2. The partnerships had not announced definitive plans to liquidate;
3. The partnerships generate returns of around 5.68%;

Data was obtained from Partnership Profiles, Inc. (PPI), a company that provides financial and transaction data on publicly held limited partnerships and from the Partnership Profiles Minority Interest Discount Database. The Partnership Profiles recommended guideline partnerships for commercial land. Selected data from each of the guideline partnerships is summarized in the table below.

Table 4-1: Guideline Publicly Traded Real Estate Partnerships as of April/May 2012
Source: Partnership Profiles Inc.

Partnership Name	Price to NAV	Total NAV($)	Borrowings / NAV	Yield Based on NAV	Yield Based on Price	GCF/NAV
Wells Real Estate Fund IX-A	0.67800	$ 12,816,876	0.00%	0.00%	0.00%	2.70%
Wells Real Estate Fund XII-CP	0.60000	$ 12,719,618	0.00%	0.00%	0.00%	9.31%
Wells Real Estate Fund XIV-CP	0.62900	$ 13,931,715	0.00%	0.00%	0.00%	8.17%
Wells Real Estate Investment Trust II	0.83900	$ 3,734,219,012	39.39%	6.69%	7.97%	6.29%
Wells Real Estate Fund XIII-CP	0.60000	$ 12,088,606	0.00%	0.00%	0.00%	5.87%
Behringer Harvard REIT I	0.48300	$ 1,357,171,130	174.44%	2.16%	4.46%	2.97%
KBS Real Estate Investment Trust	0.50600	$ 920,521,616	250.75%	0.00%	0.00%	4.46%
Average for Publicly Traded Partnerships	0.6193	$ 866,209,796	66.37%	1.26%	1.78%	5.68%

For the valuation process we have based our Price-to-NAV calculation for Real Estate on the funds in the table above. A description of these funds can be found in Appendix C.

The guideline funds are closed-end real estate partnerships where the shares of the partnership are fixed. Hence, the purchase of shares by a new investor requires that an existing owner or owners sell an equivalent number of shares. In contrast, when shares of an open-end mutual fund are purchased, the fund creates new shares, which are sold to the investor at the share's net asset value. The number of open-end mutual fund shares outstanding increase by the amount of new shares created. Alternatively, when an investor desires to sell his/her position in the open-end fund, the shares are sold back to the fund at their net asset value. The shares outstanding of the open-end mutual fund are then reduced by the number of shares redeemed. In the case of open-end funds, the purchase and sale price is the fund's net asset value or NAV. Net asset value is defined as the market value of the assets less the value of liabilities divided by the number of fund shares outstanding. The upshot is that the share price of closed-end funds can sell at a discount or premium to their net asset value. Discounts emerge when the demand for the fund shares diminishes relative to supply of shares outstanding. Premiums emerge when the reverse develops.

Price-to-NAV ratios of the guideline limited partnerships ranged from 48.3% to 83.9% for the April/May 2012 values. Based on our review of this history, we concluded that the average of these guideline limited partnerships of 61.9% provides an appropriate benchmark Price-to-NAV.

We have updated the average Price-to-NAV ratio to make it consistent with the market conditions at the valuation date. We have done this by reviewing the extent to which the Price-to-NAV ratios of four closed-end real estate funds reported at the end of the month have changed between April 30, 2012 and November 30, 2012. The Price-to-NAV of the funds chosen reflect the various market factors that influence both prices and NAVs and therefore we believe they offer appropriate guidance as to how the Price-to-NAV ratios for the far less frequently traded guideline publicly traded limited real estate partnerships might change between April/May and the valuation date. Our assumption is that the average Price-to-NAV for the sample of limited partnerships would experience the same magnitude of change as that experienced by the average Price–to-NAV of the more frequently traded closed-end real estate funds.

We reviewed the Price-to-NAV ratios of an array of Closed-End Real Estate funds over April 2012 to December 2012. The overall trend indicated that there was not a large degree of dissimilarity between the April 30, 2012 and November 30, 2012 values.

The selected closed-end real estate funds used to update the average Price-to-NAV of the publicly traded real estate partnerships are shown below.

Table 4-2: Price-to-NAV for Selected Closed-End Funds
Source: Yahoo! Finance and SEC Filings

	RIT - Real Estate Income Fund Inc.	RQI - Cohen & Steers Quality Income Realty Fund, Inc.	JRS - Nuveen Real Estate Income Fund	NRO - Neuberger Berman Real Estate Securities Income Fund	Average Across Row
Start Date	**7/31/2002**	**5/25/2001**	**11/15/2001**	**10/31/2002**	
Date	**Price/NAV**	**Price/NAV**	**Price/NAV**	**Price/NAV**	**Price/NAV**
4/30/2012	0.90601	0.92552	1.02144	0.86957	0.93063
5/31/2012	0.89698	0.95096	1.04928	0.85537	0.93815
6/29/2012	0.88136	0.96491	1.01876	0.86471	0.93243
7/31/2012	0.91964	0.97014	1.05142	0.89734	0.95963
8/31/2012	0.95609	0.97660	1.09594	0.91271	0.98534
9/28/2012	0.96653	0.99537	1.10857	0.90421	0.99367
10/31/2012	0.92785	0.98597	1.10200	0.88224	0.97452
11/30/2012	0.94581	0.96984	1.06383	0.88975	0.96731
Increase from April 2012 to November 2012					0.0394

The results indicate that between April 30, 2012 and November 30, 2012, the Price-to-NAV increased by 3.94%. We would expect this relationship to hold for the average Price-to-NAV of the guideline real estate partnerships. Therefore, at the valuation date, the average Price-to-NAV for the guideline partnerships is estimated to have been 0.6437, as shown below.

Table 4-3: Build Up of Price-to-NAV of Real Estate Assets
Source: Ross & Company, CPA

1) Average of Guideline Partnerships	0.6193
2) Update Factor	1.0394
3) Baseline Price-to-NAV (Row 1 * Row 2)	0.6437
4) Discount (1-Row 3)	0.3563

Each publicly registered partnership was further analyzed by examining the partnership's annual reports filed with the Securities and Exchange Commission. The closed-end real estate funds are summarized in Appendix C.

PRICE-TO-NAV CALCULATIONS[3]

Closed End Funds Used for Cash

As of December 31, 2012, Real Estate has a total of $209,119 in net cash (cash less shareholders' loan), as described in Section 2. For calculating the Price-to-NAV discount, we found funds that invest in similar assets and calculated their average Price-to-NAV discount.

For this analysis, we have used the following closed end funds as proxies.

1.) **Federated Enhanced Treasury In (FTT)**
2.) **Alliance Bernstein Income Fund (ACG)**
3.) **Western/Claymore Infl-Lnk Opps (WIW)**
4.) **Western/Claymore Infl-Lnkd Sec (WIA)**
5.) **Western Asset Inflation Manage (IMF)**

We believe that these funds represent an accurate estimate of the appropriate discount needed when valuing the cash in Real Estate. They have been selected for the specific holdings that best approximate the portfolio held by Real Estate.

In the following table, the average Price-to-NAV for the above funds is shown.

Table 4-4: Price-to-NAV Calculation for Cash as of 12/31/2012

Source: Ross & Company, CPA

Ticker	Price	NAV	Price to NAV	Discount
FTT	$ 14.30	$ 15.81	90.45%	9.55%
ACG	$ 8.45	$ 9.42	89.70%	10.30%
WIW	$ 13.13	$ 14.90	88.12%	11.88%
WIA	$ 13.04	$ 14.71	88.65%	11.35%
IMF	$ 18.63	$ 20.12	92.59%	7.41%
		Average Price to NAV:	**89.90%**	
		Discount:	**10.10%**	

PRICE-TO-NAV ANALYSIS

To select an appropriate Price-to-NAV ratio, we compared Real Estate's investment characteristics to the guideline partnerships.

[3] Source: www.CEFConnect.com

Table 4-5: Build-up of Price-to-NAV
Source: Ross & Company

	Market Value	Price to NAV	Asset Class Adjustment (1 - Price to NAV Discount)
Real Estate Assets			
50% interest in ABC properties	$3,751,500		
100% interest in Real Estate properties	$593,350		
Less: Debt and Other Liabilites	$0		
Net Real Estate Value	$4,344,850	64.37%	35.63%
Cash	$239,588		
Less: Security Deposits Payable	$30,469		
Net Cash	$209,119	89.90%	10.10%
Net Asset Value	***$4,553,969***	***68.31%***	**31.69%**

Based on the above weighted average discount for minority interests, the appropriate discount to apply to the overall limited liability minority interests is 31.69%.

The Lack of Marketability/Liquidity Discount

Before calculating the final value of a minority interest in Real Estate, we need to develop an appropriate discount to reflect the fact that an economic interest in Real Estate cannot be easily sold or converted into cash. This discount is referred to as the liquidity or lack of marketability discount. A discussion of how this discount was arrived at follows.

The liquidity discount reduces the ownership value to reflect the fact that the ownership interest cannot be easily sold. Any potential buyer of the ownership value faces the risk that he/she cannot sell the ownership interest in a timely way because there are a limited number of potential buyers. This is to be contrasted to shares of stock that trade on the New York Stock Exchange for example. These shares can be readily purchased and sold and, except for rare cases, the price received will reflect the fair market value of these shares. Thus, the liquidity discount reflects the additional risk that the buyer faces because he/she may not be able to receive a price that would be obtained if ownership interest in Real Estate were sold in a highly liquid market.

Although much has been written on the liquidity discount and several organizations have routinely attempted to measure it, the values traditionally reported are far too high. The reason is that what is reported as a marketability or liquidity discount is really a private company discount. This private company discount reflects a number of factors that are not related to lack of liquidity. The differences between private firm valuations and those of public peers can occur because of differing cash flow growth prospects, timing of cash flows and differing ratios of debt to equity. The result is that reported discounts for marketability are too high and private company valuations that use them are too low. The table below offers evidence of the variation in private company discounts.

Table 4-6: Representative Studies That Attempt to Measure the Liquidity Discount
Source: Ross & Company

Author(s)	*Peer Review*	*Discount*	*Reported Dispersion*	*Type of Study*
William Silber	*Yes*	*35%*	*14% for large creditworthy companies; 50% for small firms with negative earnings*	*Restricted stock study*
M. Hertzel and Richard Smith	*Yes*	*Not Reported*	*.2 % - 43.7 %*	*Private Equity Study*
John Emory	*Yes*	*47%*	*Not Reported*	*Pre-IPO Study*
John Koeplin et.al.	*Yes*	*20.39%*	*Depending on the multiple used, discount varied from 0% based on sales revenue to 28.26% using the ratio of Enterprise Value to EBIT*	*Identified all acquisitions of private firms from 1984 to 1998*
Willamette Associates	*No*	*40.1%*	*Wide dispersion from a premium to a maximum discount of 99%*	*Pre-IPO Study*

Two of the two major studies that valuation experts often reference when developing a marketability discount were reviewed in a 2002 article in the Business Valuation Review by me. The author concludes the following:

- Recent research seems to suggest that the size of the marketability discount is in the neighborhood of 13.5% and more recent work has suggested it is as low as 7.23%. The regression models of Silber, and Hertzel and Smith have provided both the intellectual and empirical basis for these conclusions. These models were initially developed to study the determinants of the marketability discount. It has been suggested that they should now be used as a basis for forecasting the marketability discount. This paper demonstrates that these models should not be used for this purpose because the forecast errors are likely to be large. Moreover, based on the structure of these models and their prediction errors, it is not possible to state with any certainty that a 13.5% marketability discount is statistically different than a discount of say 25%. [4]

Our analysis indicates that the range within which the “true” marketability discount lies is quite wide, although the range is a function of a number of critical factors including firm size, and the level of interest rates at the valuation date. While the focus of Feldman’s article is on the research of Silber and Hertzel and Smith, the analysis is equally applicable to the studies conducted by Emory and Willamette Associates.

The Willamette results are the best known and as can be seen are generally consistent with those reported by other researchers. The problem with Willamette’s results is that

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[4] Stanley J. Feldman, *A Note on Using Regression Models to Predict the Marketability Discount*, **Business Valuation Review**, September, 2002, p.145.

their data is proprietary and Willamette has not disclosed this information for peer review and analysis by academic researchers. This is an important qualification. This creates the potential that the empirical work presented may simply be fraught with errors. The peer review process, while it does not completely remove this possibility, nevertheless, minimizes the potential for drawing incorrect conclusions due to errors related to measurement, research design, and statistical method. It is particularly important to utilize peer-reviewed research when one is valuing a private asset since many of the issues that arise have been addressed by finance scholars and for which there is a well-developed academic literature.

Based on Ross & Company's review of this research, we believe that a starting point for developing an appropriate marketability discount is 20 to 25%. This conclusion is based on two factors. First, the research controls for capital structure differences. Second, selection of the private company's public company peer was dictated by whether they were in the same four- digit SIC industry. In addition, the 20% starting point appears to be consistent with other academic research.

In a study by Sanger and McConnell[5] that measured the increase in share return occurring when a stock is listed on an exchange. The hypothesis is that improved liquidity emerges by exchange listing since the shares are now available to a larger group of investors. This results in permanent increase in the share price, which reflects the incremental return to increased marketability. Alternatively, one would also expect the stock price to fall if shares were de-listed. Their research first focuses on firms that were traded on the OTC, prior to the existence of the NASDAQ. The researchers wanted to estimate the size of the average incremental return that occurs when an OTC stock was listed on an exchange during the pre-NASDAQ period. Their results indicate that during the pre-NASDAQ period, the incremental return due to increased liquidity was 25.68%. This translates into a discount of approximately 20%[6], interestingly about what Koeplin reports using a completely different research methodology, different sample, and covering a different time frame. Moreover, Koeplin's research measured marketability discount for controlled transactions, which presumably would be subject to greater marketability discount due to large size than a minority interest, which is what is being measured in the Sanger and McConnell study.

Edelman and Baker[7] extend the work of Sanger and McConnell by examining the market behavior of common stocks transferring from the NASDAQ stock market to the New York Stock Exchange. With some caveats, their results suggest that low volume (low liquidity) NASDAQ stocks seem to increase in price when they switch to the New York

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[5] Gary C. Sanger and John J. McConnell, *Stock Exchange Listings, Firm Value, and Security Market Efficiency: The Impact of NASDAQ*, **The Journal of Financial and Quantitative Analysis**, Volume 21, Issue 1 (March, 1986), pp. 1-25.

[6] Assume that the share price before switch was $100. After the switch the price is $125.68. If the switch were reversed, the price would decline from a $125.68 to $100 or a discount of approximately 20 %(25.68/125.68 = 20.4%).

[7] Richard B. Edelman and H. Kent Baker, *The Impact of Company Pre-Listing Attributes on the Market Reaction to NYSE Listings*, **The Financial Review**, Vol. 28 No. 3, August, 1993, pp. 431-448.

Stock Exchange, while high volume (high liquidity) NASDAQ stocks that switch do not. In fact, the results indicate these stocks actually decline in price subsequent to the switch. This suggests that the incremental return of 25.86% reported by Sanger and McConnell might in fact be a good deal higher for relatively low volume OTC stocks. Although not statistically significant, Edelman and Baker report that low volume NASDAQ stocks that move to the New York Stock Exchange generally earn average incremental returns of 6.3%. While recognizing that this incremental return may result from more than just marketability, it does, nevertheless, suggest that low liquidity stocks that switch to a larger and better known exchange are likely to register permanent price gains. Based on these results, we conclude the following about the size of marketability discounts.

- Research seems to suggest that a base marketability discount should not exceed 20%.
- Increments above this 20% base should reflect unique characteristics of the interests being valued. For example, one would expect that firms whose shares were restricted in terms of the number and types of owners would be subject to an additional discount. S corporations, in contrast to their C counterparts, are characterized by these limitations, and therefore one would expect shares of S corporations to carry a greater marketability discount than shares of equivalent C corporations. Limited Partnerships also have limitations that could carry a greater marketability discount.
- Based on the Edelman study, one can think of S shares being analogous to low volume C shares that move from a less to a more liquid exchange. S shares have relatively lower trade volume than like C shares because restrictions limit the market for them and therefore they are less liquid than their C counterparts. The incremental 6.27% Edelman reports that emerges when low volume NASDAQ stocks switch to the New York Stock Exchange translates into a discount of about 6%. Edelman points out that a percentage of this incremental return is unrelated to improvements in marketability but related to signaling- investor's expectations that the firm has better prospects than initially thought prior to the exchange move. This means that the pure liquidity effect, which we are attempting to measure, is lower than 6.27%. Edelman states, but does not show, that signaling is the more dominant attribute. We conclude that the incremental return to liquidity is about 3.14%, or about half of the reported 6.27%. This translates to an incremental discount of 3%. Because S shares are less marketable than low volume C shares used in the Edelman study, we conclude that the incremental discount for these is an additional 2% for a total discount of 5%.

Discounts for lack of marketability in excess of the additional 5% already noted are based on incremental restrictions on the sale of shares that need to be valued. The S corporation form has a number of restrictions, including the number of shareholders and the types of shareholders. We have applied a 5% discount to the minority interest because of the S corporation restrictions on transfers of minority interests in addition to the 20% marketability discount from the Koeplin study. Thus, the marketability discount for this minority interest is 25%.

THE VALUE OF THE MINORITY INTEREST

The value of the minority interest in Real Estate is calculated in the table below.

Table 4-7: Valuation of the Minority interest as of December 31, 2012

Source: Ross & Company

Value of a 1 Percent Minority Interest in Real Estate LLC	**Source/Formula**	**As of 12/31/2012**
1) Net Asset Value of Real Estate LLC	Table 2-3 Net Asset Value	$ 4,553,969
2) Value of a 1% Minority Interest Before Discounts	Row 1 * 1%	$ 45,540
3) Calculation of Discount Due to Lack of Control	Table 4-5 Price to NAV Discount	31.69%
4) Reduction in Value due to Lack of Control Discount	Row 2 * Row 3	$ 14,432
5) Adjusted Net Asset Value (non-controlling, marketable basis)	Row 2 - Row 4	$ 31,180
6) Estimated Discount for Lack of Marketability and Transfer Restrictions	Section 4	25.00%
7) Reduction in Value due to Lack of Marketability and Transfer Restrictions Discount	Row 5 * Row 6	$ 7,777
8) Fair Market Value of a 1% Minority Interest (on a non-controlling, non-marketable basis)	Row 5 - Row 7	**$ 23,403**

Since the limited partnership data used to convert the net asset value to the price of an economic interest was based on Price-to-NAV of minority interests, no further discount for lack of control is needed.

APPENDIX A: PROFESSIONAL QUALIFICATIONS

GLEN A. ROSS, CPA CVA

Mr. Ross graduated from Long Island University-CW Post Campus in 1992 with a Bachelor of Science Degree. He received his CPA designation-New York State licensure in 1998 and received his Certified Valuation Analyst (CVA) designation in 2003.

Mr. Ross is a member of the New York State Society of Certified Public Accountants, the National Conference of Certified Public Accounting Practitioners and the National Association of Certified Valuation Analysts.

Mr. Ross has worked for the CPA firm of Ross & Ross, CPA since 1992 and became a Partner of said firm in 1998. In 2005, the firm changed names to Ross & Company CPA, PLLC. He has been active in fundraising for L.I. Cares, an organization dedicated to fighting hunger on Long Island, and has fed hundreds of families over the past few years. In 1999, Mr. Ross founded an online interactive advertising company. He acted as President and CEO of the company until it was sold in 2001. Also since 2001, Mr. Ross has been a member of the Executive Advisory Board of AccountStreet. This company provides specialized services to the accounting industry and CPAs.

In 2003 and 2004 Mr. Ross lectured on business valuations. His course, *Understanding & Using Business Valuations*, is approved for both CPE and CLE credit.

Mr. Ross has specialized knowledge and experience in the following industries and areas:

- Valuations of various entities and professional licenses including litigation support services.
- Forensic accounting in the determination of fraud and true economic value.
- Vast experience in taxation, tax planning and management advisory services for small, closely held businesses, new start-ups and going concern entities.
- Financial statement presentation and support.
- Computer consulting and integrated systems analysis.

Mr. Ross has worked on many major projects over the years including, but not limited to:

- Conducted and/or assisted in over 100 valuation engagements consisting of: Matrimonial disputes of closely held businesses, valuations of professional licenses, valuations of closely held businesses for estate taxes, gifting, buy/sell agreements and ESOPs.
- Mr. Ross was a Beta tester for “ValueSource Pro 2003” from John Wiley & Sons. This program is the leading valuation and financial analysis software in the country.
- Mr. Ross has prepared and/or analyzed financial statement projections and related analysis for start-up organizations and/or going concern entities.
- Since 1991, Mr. Ross has performed and/or assisted in over 100 certified audits for closely held businesses.

APPENDIX B: REAL ESTATE INFORMATION

Table B-1: Real Estate Balance Sheet
Source: Real Estate & ABC Federal Tax Returns and Ross & Company

Concepts		End of Tax Year
Line	**Assets**	**2011**
1	Cash	**$864,023**
9a	Buildings and other depreciable assets	**$661,140**
9b	Less accumulated depreciation	**$401,296**
9b	Net Buildings and other depreciable assets	**$259,844**
11	Land (net of any amortization)	**$119,657**
14	Total Assets	**$1,243,524**
	Liabilities and Shareholder's Equity	
20	Other liabilities	**$46,238**
21	Partners' capital	**$1,197,286**
22	Total liabilities and capital	**$1,243,524**

Table B-2: Real Estate Rental Real Estate Income and Expense
Source: Real Estate & ABC 2011 Federal Tax Return and Ross & Company

	2011
Gross Rents	$457,907
Expenses:	
Insurance	$3,550
Other expenses	$150,217
Taxes	$117,108
Depreciation	$23,059
Total Expenses	$293,934
Net Rental Real Estate Income	$163,973

APPENDIX C: CLOSED END FUND DESCRIPTIONS

Table C-1: Closed End Fund Descriptions
Source: Bloomberg

Name (Ticker)	Description
Cohen & Steers Qty Inc Realty (RQI)	Cohen & Steers Quality Income Realty Fund, Inc. is a non-diversified, closed-end management investment company incorporated in the USA. The Fund's objective is high current income. The Fund invests at least 90% of its total assets in common stocks, preferred stocks and other equity securities issued by real estate companies, such as 'real estate investment trusts.'
Nuveen Real Estate Income (JRS)	Nuveen Real Estate Income Fund is a non-diversified, closed-end management investment company incorporated in the USA. The Fund's objective is high current income with capital appreciation as a secondary objective. The Fund invests 90% of its assets in income producing common stocks, preferred stocks, convertible preferred stocks and debt securities issued by real estate companies.
LMP Real Estate Income (RIT)	LMP Real Estate Income Fund Inc. is a non-diversified, closed-end management investment company incorporated in the USA. The Fund's objective is high current income. The Fund invests at least 90% of its total assets in income-producing common shares, preferred shares, convertible preferred shares and debt securities of Real Estate Companies.
Neuberger Berman Real Est Sec (NRO)	Neuberger Berman Real Estate Securities Income Fund Inc is a closed-end management investment company incorporated in the USA. The Fund's investment objective is high current income, as well as capital appreciation. The Fund invests 90% of its total assets in income-producing common equity securities, preferred securities, securities convertible into equity securities and REITs.
FEDERATED ENHANCED TREASURY (FTT)	Federated Enhanced Treasury Income Fund is a closed-end fund incorporated in the USA. The Fund's objective is to provide current income with total return as a secondary objective. The Fund invests in a portfolio of U.S. Treasury securities and U.S. Government Agency securities.

ALLIANCEBERNSTEIN INC FUND (ACG)	ACM Income Fund, Inc. is a diversified, closed-end management investment company incorporated in the USA. The Fund's objective is high current income consistent with the preservation of capital. The Fund invests principally in US government obligations. The Fund may also invest a portion of its assets in other fixed income securities, including those issued by foreign governments.
WA/CLAY US INFL-LKD OPP&INC (WIW)	Western Asset/Claymore Inflation-Linked Opportunities & Income Fund is a diversified, closed-end management investment company incorporated in the USA. The Fund's objective is current income and capital appreciation. The Fund invests at least 80% of its total managed assets in inflation-linked securities.
WA/CLAY US INFL-LKD SEC&INC (WIA)	Western Asset/Claymore Inflation-Linked Securities & Income Fund is a diversified, closed-end management investment company incorporated in the USA. The Fund's primary investment objective is to provide current income. The Fund will invest at least 80% of its total assets in inflation-linked securities.
WESTERN ASSET INFLATION MANA (IMF)	Western Asset Inflation Management Fund Inc. is a newly organized, non-diversified closed-end management investment company incorporated in the USA. The Fund's primary investment objective is total return. Under normal market conditions, the Fund will invest 80% of its Managed Assets in inflation-protected securities issued by US and non-US governments.

Table C-2: Real Estate Partnership Descriptions
Source: PartnershipProfiles.com

Wells Real Estate Fund IX-A	Wells Real Estate Fund IX, L.P. (the "Partnership") is a Georgia public limited partnership with Leo F. Wells, III and Wells Partners, L.P. ("Wells Partners"), a Georgia nonpublic limited partnership, serving as its general partners (collectively, the "General Partners"). Wells Capital, Inc. ("Wells Capital") serves as the corporate general partner of Wells Partners. Wells Capital is a wholly owned subsidiary of Wells Real Estate Funds, Inc ("WREF"). Leo F. Wells, III is the president and sole director of Wells Capital and the sole director and sole owner of WREF. The Partnership was formed on August 15, 1994, for the purpose of acquiring,

	developing, constructing, owning, operating, improving, leasing, and managing income-producing commercial properties for investment purposes. Upon subscription, limited partners elected to have their units treated as Class A Units or Class B Units. Limited partners have the right to change their prior elections to have some or all of their units treated as Class A or Class B Units one time during each quarterly accounting period. Limited partners may vote to, among other things: (a) amend the partnership agreement, subject to certain limitations; (b) change the business purpose or investment objectives of the Partnership; (c) add or remove a general partner; (d) elect a new general partner; (e) dissolve the Partnership; (f) authorize a merger or a consolidation of the Partnership; and (g) approve a sale involving all or substantially all of the Partnership's assets, subject to certain limitations. A majority vote on any of the above-described matters will bind the Partnership without the concurrence of the General Partners. Each limited partnership unit has equal voting rights regardless of class. On January 5, 1996, the Partnership commenced a public offering of up to $35,000,000 of Class A or Class B limited partnership units ($10.00 per unit) pursuant to a Registration Statement filed on Form S-11 under the Securities Act. The offering was terminated on December 30, 1996, at which time the Partnership had sold approximately 2,935,931 Class A Units and 564,069 Class B Units, representing total limited partner capital contributions of $35,000,000.
Wells Real Estate Fund XII-CP	Wells Real Estate Fund XII, L.P. (the "Partnership," "we," "our" and "us") is a Georgia public limited partnership having Leo F. Wells, III and Wells Partners, L.P. ("Wells Partners"), a Georgia nonpublic limited partnership, serving as its general partners (collectively, the "General Partners"). Wells Capital, Inc. ("Wells Capital") serves as the corporate general partner of Wells Partners. Wells Capital is a wholly owned subsidiary of Wells Real Estate Funds, Inc. ("WREF"). Leo F. Wells, III is the president and sole director of Wells Capital and the sole director and sole owner of WREF. The Partnership was formed on September 15, 1998, for the purpose of acquiring, developing, constructing, owning, operating, improving, leasing and managing income-producing commercial properties for investment purposes. Upon subscription, limited partners elected to have their units treated as

	Cash Preferred Units or Tax Preferred Units. Thereafter, limited partners have the right to change their prior elections to have some or all of their units treated as Cash Preferred Units or Tax Preferred Units one time during each quarterly accounting period ("conversion elections"). Limited partners may vote to, among other things, (a) amend the partnership agreement, subject to certain limitations; (b) change our business purpose or investment objectives; (c) add or remove a general partner; (d) elect a new general partner; (e) dissolve the Partnership; (f) authorize a merger or a consolidation of the Partnership; and (g) approve a sale involving all or substantially all of our assets, subject to certain limitations. A majority vote on any of the matters described above will bind the Partnership without the concurrence of the General Partners. Each limited partnership unit has equal voting rights regardless of class. On September 15, 1998, the Partnership was organized under the laws of the state of Georgia. On March 22, 1999, we commenced an offering of up to $70,000,000 of Cash Preferred or Tax Preferred limited partnership units ($10.00 per unit) pursuant to a Registration Statement filed on Form S-11 under the Securities Act. The offering was terminated on March 21, 2001, at which time we had sold approximately 2,688,861 Cash Preferred Units and 872,258 Tax Preferred Units for total limited partner capital contributions of $35,611,192.
Wells Real Estate Fund XIV-CP	Wells Real Estate Fund XIV, L.P. (the "Partnership," "we," "our" or "us") is a Georgia public limited partnership with Leo F. Wells, III and Wells Capital, Inc. ("Wells Capital"), a Georgia corporation, serving as its general partners (collectively, the "General Partners"). Wells Capital is a wholly owned subsidiary of Wells Real Estate Funds, Inc. ("WREF"). Leo F. Wells, III is the president and sole director of Wells Capital and the sole director and sole owner of WREF. The Partnership was formed on October 25, 2002, for the purpose of acquiring, developing, owning, operating, improving, leasing, and managing income-producing commercial properties for investment purposes. Upon subscription, limited partners elected to have their units treated as Cash Preferred Units or Tax Preferred Units. Thereafter, limited partners have the right to change their prior elections to have some or all of their units treated as Cash Preferred Units or Tax Preferred Units one time during each quarterly

	accounting period ("conversion elections"). Limited partners may vote to, among other things: (a) amend the partnership agreement, subject to certain limitations; (b) change our business purpose or investment objectives; (c) add or remove a general partner; (d) elect a new general partner; (e) dissolve the Partnership; (f) authorize a merger or a consolidation of the Partnership; and (g) approve a sale involving all or substantially all of our assets, subject to certain limitations. A majority vote on any of the described matters will bind the Partnership, without the concurrence of the General Partners. Each limited partnership unit has equal voting rights, regardless of the class of the unit. On May 14, 2003, we commenced an offering of up to $45,000,000 of Cash Preferred or Tax Preferred limited partnership units ($10.00 per unit) pursuant to a Registration Statement filed on Form S-11 under the Securities Act. The offering was terminated on April 30, 2005, at which time we had sold approximately 2,531,031 Cash Preferred Units and 943,093 Tax Preferred Units representing total limited partner capital contributions of $34,741,238.
Wells Real Estate Investment Trust II	Wells Real Estate Investment Trust II, Inc. ("Wells REIT II") is a Maryland corporation that has elected to be taxed as a real estate investment trust ("REIT") for federal income tax purposes. Wells REIT II engages in the acquisition and ownership of commercial real estate properties, including properties that are under construction, are newly constructed, or have operating histories. Wells REIT II was incorporated on July 3, 2003, and commenced operations on January 22, 2004. Wells REIT II conducts business primarily through Wells Operating Partnership II, L.P. ("Wells OP II"), a Delaware limited partnership. Wells REIT II is the sole general partner of Wells OP II, and Wells OP II LP, LLC, a wholly owned subsidiary of Wells REIT II, is the sole limited partner of Wells OP II. Therefore, Wells REIT II owns 100% of the equity interests in, and possesses full legal control and authority over, the operations of Wells OP II. Wells OP II acquires, develops, owns, leases, and operates real properties directly, through wholly owned subsidiaries, or through joint ventures. References to Wells REIT II, "we," "us," or "our" herein shall include Wells REIT II and all subsidiaries of Wells REIT II, direct and indirect, and consolidated joint ventures. We typically invest in high-quality, income-generating office properties

	leased to creditworthy companies and governmental entities. As of December 31, 2011, we owned interests in 71 office properties and one hotel, which include 93 operational buildings, comprising approximately 22.6 million square feet of commercial space located in 23 states; the District of Columbia; and Moscow, Russia. Of these office properties, 68 are wholly owned and three are owned through consolidated joint ventures. As of December 31, 2011, the office properties were approximately 93.9% leased.
Wells Real Estate Fund XIII-CP	Wells Real Estate Fund XIII, L.P. (the "Partnership," "we," "our" and "us") is a Georgia public limited partnership with Leo F. Wells, III and Wells Capital, Inc. ("Wells Capital"), a Georgia corporation, serving as its general partners (collectively, the "General Partners"). Wells Capital is a wholly owned subsidiary of Wells Real Estate Funds, Inc. ("WREF"). Leo F. Wells, III is the president and sole director of Wells Capital and the sole director and sole owner of WREF. The Partnership was formed on September 15, 1998, for the purpose of acquiring, developing, owning, operating, improving, leasing, and managing income-producing commercial properties for investment purposes. Upon subscription for units, limited partners elected to have their units treated as Cash Preferred Units or Tax Preferred Units. Thereafter, limited partners have the right to change their prior elections to have some or all of their units treated as Cash Preferred Units or Tax Preferred Units one time during each quarterly accounting period ("conversion elections"). Limited partners may vote to, among other things: (a) amend the partnership agreement, subject to certain limitations; (b) change our business purpose or investment objectives of the Partnership; (c) add or remove a general partner; (d) elect a new general partner; (e) dissolve the Partnership; (f) authorize a merger or a consolidation of the Partnership; and (g) approve a sale involving all or substantially all of our assets, subject to certain limitations. A majority vote on any of the described matters will bind the Partnership without the concurrence of the General Partners. Each limited partnership unit has equal voting rights, regardless of which class of unit is selected. On March 29, 2001, we commenced an offering of up to $45,000,000 of Cash Preferred or Tax Preferred limited partnership units ($10.00 per unit) pursuant to a Registration Statement

	filed on Form S-11 under the Securities Act of 1933. The offering was terminated on March 28, 2003, at which time we had sold approximately 3,023,371 Cash Preferred Units and 748,678 Tax Preferred Units, representing total limited partner capital contributions of $37,720,487.
Behringer Harvard REIT I	Behringer Harvard Opportunity REIT I, Inc. (which may be referred to as the "Company," "we," "us," or "our") was incorporated in November 2004 as a Maryland corporation and has elected to be taxed, and currently qualifies, as a real estate investment trust ("REIT") for federal income tax purposes. We operate commercial real estate or real estate-related assets located in and outside the United States on an opportunistic basis. In particular, we have focused on acquiring properties with significant possibilities for short-term capital appreciation, such as those requiring development, redevelopment, or repositioning, or those located in markets and submarkets with higher volatility, lower barriers to entry, and high growth potential. We completed our first property acquisition in March 2006, and, as of December 31, 2010, we were invested in 21 assets including 11 wholly owned properties and four consolidated properties through investments in joint ventures. In addition, we are the mezzanine lender for one multifamily property. We also have non-rties that are accounted for using the equity method. Our investment properties are located in Arizona, California, Colorado, Minnesota, Missouri, Nevada, Texas, the Commonwealth of The Bahamas, London, England, the Czech Republic, Poland, Hungary, and Slovakia. During the year ended December 31, 2010, pursuant to a deed-in-lieu of foreclosure, we transferred ownership of Ferncroft Corporate Center, located in Middleton, Massachusetts, to the lender associated with this property.

KBS Real Estate Investment Trust	KBS Real Estate Investment Trust, Inc. (the "Company") is a Maryland corporation that was formed on June 13, 2005 to invest in a diverse portfolio of real estate properties and real estate-related investments. The Company elected to be taxed as a real estate investment trust ("REIT") beginning with the taxable year ended December 31, 2006 and it intends to operate in such a manner. As used herein, the terms "we," "our" and "us" refer to the Company and as required by context, KBS Limited Partnership, a Delaware limited partnership, which we refer to as our "Operating Partnership," and to their subsidiaries. We own substantially all of our assets and conduct our operations through our Operating Partnership, of which we are the sole general partner. Subject to certain restrictions and limitations, our business is managed by KBS Capital Advisors LLC ("KBS Capital Advisors"), our external advisor, pursuant to an advisory agreement. Our advisor owns 20,000 shares of our common stock. We have no paid employees.

APPENDIX D: CERTIFICATION AND CONDITIONS

APPRAISAL CERTIFICATION

We hereby certify the following statements regarding this business valuation:

- We have not personally inspected the assets, properties, or business interests encompassed by this appraisal.
- We have no present or prospective future interest in the assets, properties, or business interests that are the subject of this business valuation.
- We have no personal interest or bias with respect to the subject matter of this report or the parties involved.
- Our compensation for making the appraisal is in no way contingent upon the value reported or upon any predetermined value.
- To the best of our knowledge and belief, the statements of facts contained in this report, upon which the analyses, conclusions, and opinions expressed herein are based, are true and correct
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as promulgated by The Appraisal Foundation, except where noted.
- Subject to certain limitations the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of The Appraisal Institute, of the American Society of Appraisers, and of the other professional organizations, unless otherwise stated.
- We have not performed a historical analysis of the business's financial statements. We assume that the financial and related information supplied by the firm's representative reflects the normal operation of the business. To the extent this is not an accurate representation, the analysis and conclusions drawn are not valid and shall not be represented in any context that implicitly or explicitly suggests that Ross & Company and its representatives believe the business valuation to be accurate.

STATEMENT OF CONTINGENT AND LIMITING CONDITIONS

This appraisal is made subject to these general contingent and limiting conditions:

- □ We assume no responsibility for the legal description or matters including legal or title considerations. Title to the subject assets, properties, or business interests is assumed to be good and marketable unless otherwise stated.
- □ The subject assets, properties, or business interests are appraised free and clear of any or all liens or encumbrances unless otherwise stated.
- □ We assume responsible ownership and competent management with respect to the subject assets, properties, or business interests
- □ The information furnished by others is believed to be reliable. However, we issue no warranty or other form of assurance regarding its accuracy.
- □ We assume no hidden or unapparent conditions regarding its accuracy.
- □ We assume that there is full compliance with all applicable federal, state, and local regulations and laws unless the lack of compliance is stated, defined, and considered in the appraisal report.
- □ We assume that all required licenses, certificates of occupancy, consents, or legislative or administrative authority from any local, state, or national government, or private entity or organization have been or can be obtained or reviewed for any use on which the opinion contained in this report is based.
- □ Unless otherwise stated in this report, we did not observe, and we have no knowledge of, the existence of hazardous materials with regard to the subject assets, properties, or business interests. However, we are not qualified to detect such substances. We assume no responsibility for such conditions or for any expertise required to discover them.
- □ Possession of this report does not carry with it the right of publication. It may not be used for any purpose by any person other than the client whom it is addressed without our written consent and, in any event, only with proper written qualifications and only its entirety.
- □ We, by reason of this opinion, are not required to furnish a complete valuation report, or to give testimony, or to be in attendance in court with reference to the assets, properties, or business interests in question unless arrangements have been previously made.
- □ Neither all nor any part of the contents of this report shall be disseminated to the public through advertising, public relations, news, sales, or other media without our prior written consent and approval.
- □ The analyses, opinions, and conclusions presented in this report apply to this engagement only and may not be used out of context presented herein. This report is valid only for the effective date(s) specified herein and only for the purpose(s) specified herein.