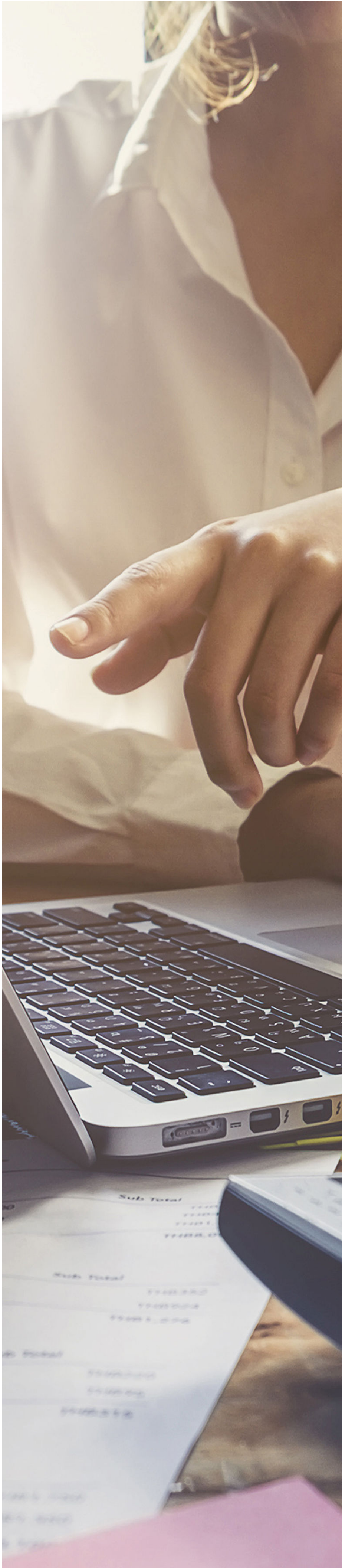

We have worked with business owners who sell to their trusts the real estate owned by their business prior to the sale of the business in order to retain the real estate as a family asset. If a business sale is in your future, now may be an advantageous time for an owner/user real estate sale.

Valuation of Minority Interests

Wealth transfer transactions typically constitute gifts of minority interests in funds, businesses and/or real estate. These interests most often carry limitations on the rights of the equity holders including restrictions on the marketability of the subject equity (*how a future sale of the equity may be conducted and who may own the equity*), as well as a lack of control (*ability to make business decisions such as hiring and firing employees, employee compensation, debt financing, and sale of the business*). Discounts for lack of marketability ("DLOM") and lack of control "(DLOC"), if applicable, result in a lower value for the interest than the pro-rata percentage of the whole.

Fund Investments

Interests in funds held by private equity investors as well as private equity management ("*Carried Interests*") are as suitable for gifting to tax beneficial entities as are minority investments in an operating business or real estate.

Carried Interests in funds that have not yet been invested have no visibility into the success of the fund at the time the fund is liquidated, typically five (5) to 10 years in the future. Since the fund has ROI goals, but also has uninvested cash that is not accessible for years into the future, a proper valuation of the carried interests is greatly discounted for lack of performance (*what year-over-year growth rate should be assigned to uninvested cash).*

Whether the fund has made investments or not, there are restrictions on who can purchase the interest ("DLOM") and there are typically liquidity restrictions (*one can't monetize the investment until the fund is liquidated*) that should be considered.

All these factors provide potential bases for discounts to the pro rata value of the investment in the underlying fund. These discounts reduce the FMV of the interest and therefore the value of the gift.

THE SOLUTION

Founded in 1932, Marshall & Stevens' application of quantitative and qualitative valuation analyses of interests in businesses, real estate, funds, etc. provides a clearer, more supportable indication of value, especially in challenging times.

We are regularly engaged to assist investors and their trusted advisors with valuations of interest in businesses, funds, and real estate in order to facilitate gifting of equity and debt into tax efficient vehicles (Trusts, Family Limited Partnerships, etc.).

For more information, please reach out to one of the professionals lists below.

Ralph Consola
Principal, Executive Managing Director
Business Development
213.233.1511
rconsola@marshall-stevens.com

Chicago
Gabriel Rodriguez 312.964.4724

Los Angeles
Darleen Armour, ASA 213.233.1517

New York
David Gaynor, ASA 212.575.2298
Simon Koo, CFA 646.438.8074

Tampa
Greg Feldman 813.345.5301
JC Feldman 813.345.5302