

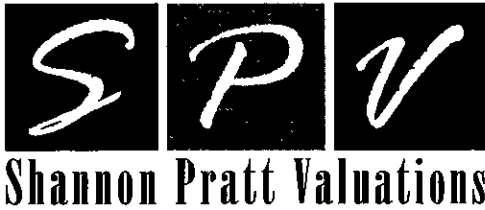
REPORT ON
VALUATION ISSUES IN
SUNWEST MANAGEMENT, INC.
RESTRUCTURING

Answers to Questions Posed by Hamstreet & Associates

Prepared by
Shannon Pratt Valuations, Inc.

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President & COO



July 8, 2009

Clyde Hamstreet
Hamstreet & Associates
One SW Columbia Street
Portland, OR 97258
(503) 223-6222

Dear Sir,

We transmit herewith our report on valuation issues in the restructuring of Sunwest Management, Inc. by Hamstreet & Associates.

The report provides our professional opinion as to three principal valuation issues raised by the restructuring, along with subsidiary and corollary questions, as posed by Hamstreet & Associates to Shannon Pratt Valuations in its letter dated June 30, 2009.

The assignment was performed in accordance with the *Uniform Standards of Professional Appraisal Practice (USPAP)* as promulgated by the Appraisal Standards Board of the Appraisal Foundation, and was done using conventional appraisal procedures.

We appreciate the opportunity to have been of service to you in this matter.

Sincerely,

Shannon P. Pratt
CFA, ARM, ABAR, FASA, MCBA, CM&AA

Alina Niculita
CFA, MBA

**SUNWEST MANAGEMENT, INC.
RESTRUCTURING**

**REPORT ON
VALUATION ISSUES**

Answers to Questions Posed by Hamstreet & Associates

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Shannon Pratt Valuations, Inc. (SPV) was retained by Hamstreet & Associates (Hamstreet) in connection with the restructuring by Hamstreet of Sunwest Management, Inc. to render a professional opinion on three key valuation issues and subsidiary or corollary issues, as set forth in a letter from Hamstreet to SPV dated June 30, 2009.

This report is organized according to the issues and subsidiary or corollary issues presented in Hamstreet's June 30, 2009 letter. Each issue is reproduced as stated in the letter, and SPV's response thereto follows.

Issue 1: Which of the following three strategies for dealing with the restructuring of the company is likely to offer the best overall recovery to investors and creditors, whose claims exceed \$700 million?

1. Orderly liquidation where all properties are sold over the next 6-10 months and net proceeds are returned to investors and other claimants on a pro rata basis.
2. Status quo operation—i.e., one management company managing 150 properties, half of which involve some 2000 TIC ownership interests—and use dividends and future sale rights to construct a large transaction in three years, distributing funds on some basis and adjusting for individual payments received by each TIC or other investor.
3. Combine all the properties into one corporate entity, such as a healthcare REIT, register the shares and have them publicly reported so there is some future liquidity for investors. The REIT would construct a transaction in three to five years that would monetize the investments.

In addition to providing your opinion and the reasoning behind it as to which scenario will provide the greatest return to investors, we would like you to address some corollary issues:

- What kind of delta in value are we looking at between the three plans? (Small, moderate, significant—to whatever degree of specificity you feel able to go.)
- What are the factors contributing to the difference in value between the plans, and what role does each play in the accretion or diminution of value? E.g.,
 - Time
 - Risk
 - Liquidity
 - Economies of scale
 - Purchasing
 - Employee benefits
 - Insurance
 - Ability to hire professional management (e.g., specialists such as dietitians, risk managers, quality control, IT systems, and CFO with strong financing and accounting skills and lender contacts)
 - Ability to negotiate favorable loan terms
 - Marketability

- Strategic and other synergies available to one large company vs. 150 separately owned facilities
- Publicly reporting company vs. private ownership.

INTRODUCTION

The country's demographics assure that the demand for assisted living will be explosive in the next three to five years. The average age in assisted living facilities is over 83 years old. The population of Americans over 85 is growing three times as fast as the average population in America. Moreover, the majority of people over 85 have one or more deficiencies in the activities of daily living (ADLs), which assisted living facilities are prepared to address.

While the economy has slowed the growth of people entering assisted living facilities somewhat in 2008, demographics virtually ensure a rapid increase in demand for assisted living in the next three to five years as "baby boomers" live longer and the population in need of assisted living increases rapidly.

80% of people entering an independent living facility come from an owner occupied house. As housing prices fall, independent senior living appears less affordable. This has less of a dampening impact on senior assisted living, since most of the people going to assisted living have need for help with one or more of their ADLs.

STRATEGIES

Liquidation

We believe that the strategy of orderly liquidation over 6 to 10 months is the least desirable. Both the stock market and the real estate market are currently depressed, and we believe that a full recovery will take two to three years. This year is not the time to sell assets to maximize value.

Status quo

The strategy of maintaining the status quo would carry all the current disadvantages and would not enhance value. See third strategy (Consolidation) for discussion of enhanced value.

Consolidation

We believe that consolidation is by far the best strategy to maximize value. Our rationale for this is summarized in the following section on factors contributing to differences in value.

Opinion as to Relative Value of Strategies

It is hard to quantify the economic value differences among the three possible strategies, but our expectation is that consolidation, along with public registration, will yield about five times as much value to the enterprise as liquidation. (There would have to be some constraints on how much stock anyone could sell to prevent flooding the market).

With respect to maintaining the status quo, this leaves some unwieldy problems. First, it impedes the transfer of money from one unit to another so as to greatly limit flexibility. Furthermore, any transaction involving a TIC requires unanimous consent of the members, which is time-consuming if not impossible. Consolidation eliminates these problems.

FACTORS CONTRIBUTING TO DIFFERENCES IN VALUE

Time

The quicker the strategy is determined, the better. Attorney and consultant fees can eat up the estate. Liquidation would take the longest. If maintaining the status quo, there inevitably will be ongoing disputes among the parties. This factor favors consolidation.

Once the proper strategy is in place, time favors holding good properties to give professional management chance to improve occupancy, increase rental rates, and reduce operating cost. Time also favors improved capital and stock markets and increasing demands for product. All this will increase value and recovery.

Risk

Consolidation obviously entails the least risk. In liquidation, the risk is enhanced by the blockage factor; that is, many units on the market at the same time have a depressing effect on the market, especially considering that the market for assisted living companies has been relatively inactive in the early months of 2009. The status quo involves continuing risk due to divisiveness among parties. Consolidation eliminates the risk of divisiveness and also lessens the overall risk because of diversification over a great number of units in various markets.

The following points favor consolidation as it reduces risk:

- A wrongful death or severe injury claim is much harder for an individual unit to absorb than when it is spread over a larger number of properties.
- Less impact from regional downturns or weather events.
- Ability to use cash freely across properties increases liquidity and financial strength, leading to stability and lower cost of capital. Without this ability, every weak property is a risk to the organization, i.e., foreclosures, payroll, etc.

Liquidity, Marketability, Public v. Private Ownership

This is the biggest advantage of consolidation in our opinion, especially if the consolidated company's shares will be registered in a publicly reporting company. Registering shares for public trading enhances value by a substantial amount. (See "Levels of Value," Exhibit 1.).

As references to Exhibit 1 and the following exhibits through Exhibit 9 show, there is a substantial difference in value and liquidity between a minority interest in a TIC or a minority interest in an LLC in one facility vs. a share in an REIT with 150 similar properties.

Many studies have been done comparing transactions in minority interest in private companies with transactions in stock of comparable public companies. All such studies show substantial differences, with private company stock discounts from comparable public stocks averaging about 35 to 50 percent. (See Exhibit 2).

Studies of minority interests in real estate indicated similar discounts. (See Exhibit 3).

The restructuring plan calls for a transaction in three to five years that would monetize the investments. Studies show consistently that public companies sell for higher financial metrics (e.g., price/earnings ratios) than do private companies. (See Exhibits 4 and 5).

Investors like "pure play" companies, that is, companies that engage in a single business. Example: conglomerate breakups—after breakup, combined companies sold at about 15% premium over their price as conglomerate. (For example, see Exhibits 6 and 7).

Also, we would tend to favor the REIT form for a public offering. The stock market recently seems inclined to favor REITS. (See Exhibits 8 and 9).

Economies of Scale

Large owner/operators enjoy some economies of scale in administration and purchasing. However, small assisted living facilities can buy into a cooperative purchasing entity, which offsets to some extent the purchasing power of the larger groups of facilities. The small owner/operator attempts to compete based on quality of service. Some of the benefits of the economies of scale that would accrue to a larger owner/operator include:

- Purchasing power.
- Savings in employee benefits.
- Savings and quality of financial, accounting, and management information systems.
- Risk management and insurance cost, particularly ability to self-insure.
- Ability to pay for training and education.
- In-house specialty staff such as dietician, nurse management, risk management, maintenance engineers, etc.

- Ability to institutionalize a system of continuous improvements changes and provide consistency of operations.

Ability to Hire Professional Management

A large, multi-geographic company has great advantages in the ability to attract professional management and specialists. For one thing, they can afford to hire the best because of the ability to spread the cost over many units. Also, a large organization offers talented people opportunities for advancement within the organization. Also, a multi-geographic organization can offer opportunities to transfer locations, for example, if the spouse is required to move to a particular city.

Issue 2: What are the various components of value on a facility basis, what is their proportional share of the facility's enterprise value, and how should this value be allocated to the various claims against the facility? For example, a TIC has an encumbered deed as a tenant in common to a specific piece of real-estate, but the TIC has no claim to the control of the facility, the license to operate, the resident contracts, the FF& E. Meanwhile, other investors have no collateral other than a promise to pay, and some TICs have lost their properties through foreclosure and only hold a securities claim against the company, payable in part through returns from the Harder-Fisher-Gutzler equity position.

In considering Issue 2, please opine on the following components of value, in addition to any others you may find pertinent:

- Control premium
- Minority/TIC discount
- What could the TIC interests be sold for?

PREMIUMS AND DISCOUNTS

Control Premiums

Control premiums and discounts for lack of control are mirror images of each other. This section discusses control premiums and the next section discusses discounts for lack of control.

Control shares are normally more valuable than minority shares because they contain a bundle of rights that minority shares do not enjoy. Following is a partial list of some of the rights that go with control shares that minority shares do not have:

1. Appoint or change operational management.
2. Appoint or change members of the board of directors.
3. Determine management compensation and perquisites.
4. Set operational and strategic policy and change the course of the business.
5. Acquire, lease, or liquidate business assets, including plant, property, and equipment.
6. Select suppliers, vendors, and subcontractors with whom to do business and award contracts.
7. Negotiate and consummate mergers and acquisitions.
8. Liquidate, dissolve, sell out, or recapitalize the company.
9. Sell or acquire treasury shares.
10. Register the company's equity securities for an initial or secondary public offering.
11. Register the company's debt securities for an initial or secondary public offering.
12. Declare and pay cash and/or stock dividends.
13. Change the articles of incorporation or bylaws.

14. Set one's own compensation (and perquisites) and the compensation (and perquisites) of related-party employees.
15. Select joint venturers and enter into joint venture and partnership agreements.
16. Decide what products and/or services to offer and how to price those products/services.
17. Decide what markets and locations to serve, to enter into, and to discontinue serving.
18. Decide which customer categories to market to and which not to market to.
19. Enter into inbound and outbound license or sharing agreements regarding intellectual properties.
20. Block any or all of the above actions.

The empirical evidence to quantify the control premium, or, conversely, the minority discount, is derived from the public market. There are several hundred public companies that are taken over each year, with most (about 85 percent) takeovers occurring at prices that represent a premium over the previous public trading price. There are two sources of control premium data, the *Mergerstat Review* and *Mergerstat/Shannon Pratt's Control Premium Study*. Both sets of control premium data relate acquisition prices of controlling interests in public companies to their previous public trading prices. The control premium is based on the "Mergerstat unaffected trading price," which may vary from the actual price the day before the close of the deal.

The *Mergerstat/Shannon Pratt's Control Premium Study* is an online database consisting of all takeovers of public companies resulting in over 50 percent ownership since 1998. As of July 1, 2009, it contained 6,939 transactions and is updated quarterly. The transactions are all completed deals and are presented as of the closing date rather than the announcement date.

Exhibit 10 presents the mean and median percentage premium paid in acquisitions of a controlling interest in public companies by year since 1998. We include in this exhibit all companies in the study in all industries. Sometimes, the acquisition price premium data presented in *Mergerstat Review* and the *Control Premium Study* report control event merger and acquisition transactions that have been consummated at a below-market price. These negative premiums are labeled as "negatives" in the database and in the exhibits in this report. We prefer to include these negative premiums in the data set, and also prefer to use medians over means, because means tend to be distorted by outliers. As a result, from Exhibit 10, we can see that the median control premium including negatives for all companies in all industries over the years 1998-2008 was 24 percent.

In Exhibit 11, we repeat the exercise of searching the Mergerstat database, but this time we limit our search to companies in industries related to Sunwest's operations. Specifically, we searched the database for companies in the following SIC and NAICS codes:

SIC 8051 Skilled Nursing Care Facilities
SIC 8052 Intermediate Care Facilities
SIC 8059 Nursing and Personal Care Facilities, Not Elsewhere Classified
SIC 8361 Residential Care

NAICS 623110 Nursing Care Facilities
NAICS 623220 Residential Mental Health and Substance Abuse Facilities
NAICS 623311 Continuing Care Retirement Communities
NAICS 623312 Homes for the Elderly

Our search resulted in 18 transactions over the last 11 years, and of the 18, only two took place at a negative premium in 1998. From Exhibit 11, we can see that the median control premium, including negatives for all companies in all above industries over the years 1998-2008, was 45.8 percent.

One note about the control premiums as reported in *Mergerstat Review* and *Mergerstat/Shannon Pratt's Control Premium Study* is that it is difficult, if not impossible, to sort out how much of this premium is for elements of control, and how much is for synergies between the seller and the buyer.

Discounts for Lack of Control

Discounts for lack of control account for the fact that a noncontrolling interest in a business does not have the prerogatives of control enumerated in the previous section on control premiums. As noted in the previous section, minority discounts are the mirror image of control premiums. Thus, much of the evidence to quantify control premiums can be used in reverse to quantify discounts for lack of control.

The formula for converting a control premium to an implied minority discount is:

$$\text{Lack of Control Discount} = 1 - [1/(1 + \text{Control Premium})]$$

Exhibit 12 is an expanded version of Exhibit 10, with four additional columns showing the implied minority discount for the control premium selected for each year. This exhibit shows that the implied minority discount for the last 11 years, using the median control premium including negatives of 24 percent is 19.2 percent and it includes all companies in all industries available in the study.

Exhibit 13 is an expanded version of Exhibit 11, where we show additional columns for the implied minority discount for the 18 companies identified in industries related to Sunwest. This exhibit shows that the implied minority discount for the last 11 years, using the median control premium including negatives of 45.8 percent, is 28.8 percent.

Discounts for Direct Undivided Ownership Interests in Real Estate¹

See Exhibit 3 for references to empirical data on discounts for fractional interests in real estate.

¹ *Valuing a Business*, 5th Edition, Shannon Pratt with Alina Niculita.

Real estate undivided ownership interest discounts tend to be considerably smaller than lack of control discounts for stocks or partnership interests. This probably is explained in large part by differences in the respective rights of the ownership interests. An owner of an individual ownership interest in real estate may sue for partition—that is, to have the property divided and to give each owner his or her pro rata share. If the court finds that the property is not divisible, then it may order the property to be sold. Owners of noncontrolling stock and partnership ownership interests have no such rights. It is interesting to note that the U.S. Tax Court has distinguished between (1) lack of control (i.e., minority interest) and (2) lack of marketability discounts for an undivided interest in real estate. The court has stated:

“A minority interest discount for an interest in real property may be allowed on account of the lack of control which accompanies co-ownership.” The minority interest discount should consider “the cost, uncertainty, and delays attendant upon partition proceedings. The marketability discount, by contrast, measures the diminution in value attributable to the lack of a ready market for the property.”²

Lack of Control and Marketability of TIC Interests

When a tenant in common (TIC) investor entered into an investment with Sunwest, the rights and restrictions associated with the TIC Interest were governed principally by three different agreements, as follows: the Master Lease Agreement, the Purchase Option Agreement, and the Tenancy in Common Agreement. Additionally, there is the Management and Consulting Agreement, which establishes Sunwest as the manager of the assisted living facilities.

The TIC interests suffer from lack of control, because the TIC investors in Sunwest deals gave up their right to control the use of the property to a Master Tenant under the long-term Master Lease Agreement. Additionally, Sunwest has control over the operations of the assisted living facilities according to the Management and Consulting Agreement.

The TIC interests suffer from lack of marketability, because the TIC investors gave up the right to sell, rent, mortgage, or transfer ownership in the property they own under the Master Lease Agreement for a long time (40 to 50 years). Additionally, the TIC investors also give up the absolute right to sell their interest by entering into Purchase Option Agreement, under which they give a Sunwest controlled entity an absolute purchase option to purchase the TIC investor's property, exercisable anytime 18 months after the TIC investors purchased their property interest.

Transfers in TIC interests are subject to a right of first refusal from the other TIC investors, who have 10 days to make an offer. If the seller does not accept any of the offers, he or she has 90 days in which to complete a sale for cash for a price higher than the offers received from the TICs.

The TIC investors have a right to a partition action, but before commencing such an action, they have to offer their interest for sale at a price equal to the fair market value of the interest to the other TIC investors. The fair market value of the TIC Interest is defined as: “The fair

² *Samuel J. LeFrak v. Commissioner*, 66 T.C.M. 1297 (1993).

market value of the property...multiplied by a percentage equal to the percentage ownership in the property represented by the fee interest.”

The TIC investors are entitled to cash in the form of rents, as owners of fractional interests in real estate during the term of the Master Lease term. In the case of the sale of the property, the sale proceeds first satisfy the mortgage loan on the property in proportion to each TIC member's interest, with the remainder being distributed to the TIC in proportion to their interest.

The above factors considerably exacerbate the discounts for lack of control and lack of marketability that would be applied in a valuation of the TIC interests.

Discounts from Net Asset Value for Limited Partnerships³

A limited partnership interest in a public real estate limited partnership is an investment in an entity that itself has an interest in an operating real estate project (e.g., office buildings, industrial/warehouse facilities, research and development facilities, business parks, apartments and retirement centers, shopping centers, outlet malls and other retail-use space, manufactured housing communities, mobile home parks, hotels and other lodging facilities, restaurants, and mini-warehouses/self-storage facilities).

Most market transactions in limited partnership interests in recent years have been at substantial price discounts from underlying net asset values. Unlike stocks, most limited partnerships sold in public offerings never develop a secondary public trading market. A few limited partnerships are exchanged in a limited market made by a few brokerage houses. Their number has been decreasing in recent years due to liquidation and lack of new public limited partnership offerings. Those that are still outstanding with some trading are tracked by an organization called Partnership Profiles, which publishes trading prices relative to estimates of underlying asset values. Therefore, unlike most stocks, where one body of empirical data helps to quantify lack of control discounts and another discount for lack of marketability, the discounts from net asset value for limited partnership transactions encompass aspects of both (1) the lack of control discount and (2) the lack of marketability discount. Shannon Pratt Valuations believes that most of the discount is due to lack of control.

The results shown in Exhibit 14 are from the 2004 issue of *The Partnership Re-Sale Discount Study* (the last one published under that format), from the highest distributions down through the lowest. The average discount from the pro-rata share of the net asset values ranged from 14 to 38 percent.

³ *Valuing a Business*, 5th Edition, Shannon Pratt with Alina Niculita.

Issue 3: Finally, if this is an area in which you have expertise, we would like your professional opinion about the following market factors:

- Cap rate on March 1, 2009, for assisted living facilities
- Interest rates over next 36 to 60 months
- Inflation over next 36 to 60 months
- Value of REITS, particularly healthcare REITS.

Capitalization Rate for Assisted Living Facilities

In order to estimate a capitalization rate (cap rate) for assisted living facilities as of March 1, 2009, we reviewed several sources of information for investors in senior living and healthcare entities. Specifically, we reviewed recent issues of two publications, *The Senior Care Investor* and *The Health Care M&A Monthly*, both of which report details on acquisitions in the industry. Additionally, we conducted discussions and obtained data from certain market participants in the healthcare merger and acquisition activity, specifically assisted living facilities. Exhibit 15 presents transaction data for several transactions in assisted living facilities at the end of 2008 and in 2009, before the valuation date of March 1, 2009. The notes below the exhibit include some comments about the fact that the earnings are sometimes estimated by the publishers of the publications based on current earnings, occupancy rates, and potential growth rates. Data necessary to compute the cap rate for the assisted living facilities is not available for all the transactions, but we show averages for the cap rate for all the available transactions, and for the transactions in 2009 separately. The averages for the cap rates in 2009 are slightly higher than the cap rates for the all the transactions. The median cap rate for 2009 transactions is in the low 9 percent range.

In addition to the publications above, we consulted with lenders involved in the healthcare industry, and obtained cap rates for different types of senior living facilities as of the last three quarters in 2008. These rates are presented in Exhibit 16. Additional data on the trend in capitalization rates are presented in Appendix C. For 2008, the average cap rate was 8.9 percent, while the median was 9 percent.

Also, we interviewed a buyer of senior living facilities about the level of the cap rates for such properties, and his response was that that the low 9 percent range is an aggressive rate, and that he typically sees rates in the double digits now, with most being the low 11 percent range.

Interest Rates

We believe that interest rates will go up moderately over the next 36 to 60 months. There are many conflicting sources of predictions on this issue, and we can document several sources if it would be useful to you.

Inflation

The Federal Open Market Committee (FOMC) in January issued the following predictions of inflation:

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Long-term</u>
0.3% to 1.0%	1% to 1.5%	.9% to 1.7%	1.7% to 2.0%

The 10-year inflation forecast of the Federal Reserve Bank of Philadelphia, known as the *Livingston Survey*, was 2.5% as of December 9, 2008 (the latest issued).

We tend to think the *Livingston Survey* is closer to the mark.

Value of Healthcare REITs

See Exhibit 8.

Also see statistics we compiled on Healthcare REITs in Appendix A.

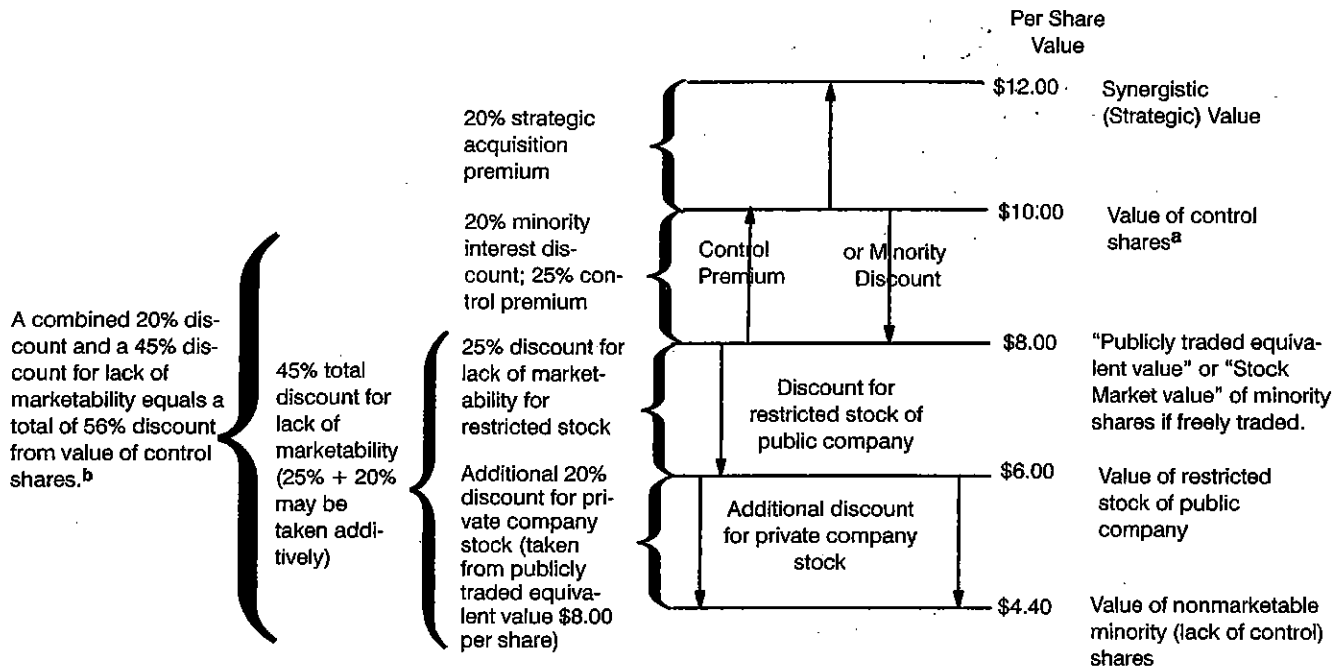
ADDITIONAL INFORMATION

We compiled some additional information which we thought you might find useful/interesting on the performance of assisted living facility stocks and REITs in the first five months of 2009, which we attach as Appendix B. The trend in cap rates for 1994 through 2008 is presented in Appendix C. Transactions completed in January and February of 2009 are presented in Appendix D.

LIST OF EXHIBITS

- Exhibit 1 – Levels of Value in Terms of Characteristics of Ownership
- Exhibit 2 – Summary of Empirical Studies on Restricted Stock Transactions
- Exhibit 3 – Discounts for Direct Undivided Ownership Interests in Real Estate
- Exhibit 4 – Public versus Private Company Acquisition Multiples
- Exhibit 5 – Differences between Private and Public Company Acquisition Price/Earnings Multiples
- Exhibit 6 – Nonhomogeneous Assets (“Portfolio”) Discounts
- Exhibit 7 – Non Pure Play Companies versus Pure Play Companies
- Exhibit 8 – REITs versus Pure Play Companies
- Exhibit 9 – REIT versus Operating Company Price Performance
- Exhibit 10 – Percent Mean and Median Premium Paid over Market Price – All Industries
- Exhibit 11 – Percent Mean and Median Premium Paid over Market Price – Selected Industries
- Exhibit 12 – Percent Premium Paid over Market Price and Implied Minority Discount – All Industries
- Exhibit 13 – Percent Premium Paid over Market Price and Implied Minority Discount – Selected Industries
- Exhibit 14 – Partnership Resale Discount Study Results
- Exhibit 15 – Transaction Data for Assisted Living Facilities
- Exhibit 16 – Capitalization Rates from Transactions Involving Major Appraisal Firms Specializing in the Industry

"Levels of Value" in Terms of Characteristics of Ownership



Notes:

- ^a Control shares in a privately held company may also be subject to some discount for lack of marketability, but usually not nearly as much as minority shares.
- ^b Minority and marketability discounts normally are multiplicative rather than additive. That is, they are taken in sequence:

\$ 10.00	Control Value
- 2.00	Less: Minority interest discount (.20 × \$10.00)
\$ 8.00	Marketable minority value
- 3.60	Less lack of Marketability discount (.45 × \$8.00)
\$ 4.40	Per share value of non-marketable minority shares

Source: Jay E. Fishman, Shannon P. Pratt and J. Clifford Griffith, *Guide to Business Valuations*, 19th edition. Fort Worth, Tex.: Practitioners Publishing Company, 2009, p. 8-15.

Summary of Empirical Studies on Restricted Stock Transactions

The 12 empirical studies cover several hundred restricted stock transactions spanning the late 1960s through 1998. Considering the number of independent researchers and the very long time span encompassing a wide variety of market conditions, the results are remarkably consistent, as summarized in Exhibit 17-7.

In many of the cases of restricted stock transactions tabulated in Exhibit 17-7, the purchaser of the stock had the right to register the stock for sale in the existing public market. Sometimes investors get a commitment from the issuer to register the securities at a certain future date. Sometimes investors have "demand" rights, where they can force the issuer to register the securities at a time of their choosing. Sometimes investors get "piggyback" rights where there is no obligation other than to include the securities on any future registration that the issuer undertakes. And, sometimes the purchaser has to rely on SEC Rule 144, where he or she can

Source: Shannon P. Pratt with Alina V. Niculita, *Valuing a Business: The Analysis and Appraisal of Closely Held Companies*, 5th edition. New York: McGrawHill, 2008, pp. 430-1, 440.

Exhibit 17-7

Summary of Restricted Stock Studies

Empirical Study	Years Covered in Study	Average Price Discount (%)
SEC overall average [a]	1966-1969	25.8
SEC nonreporting OTC companies [a]	1966-1969	32.6
Gelman [b]	1968-1970	33.0
Trout [c]	1968-1972	33.5
Moroney [d]	[k]	35.6
Maher [e]	1969-1973	35.4
Standard Research Consultants [f]	1978-1982	45.0 [1]
Willamette Management Associates [g]	1981-1984	31.2 [1]
Silber [h]	1981-1988	33.8
FMV Opinions, Inc. [i]	April 1992	23.0
Management Planning, Inc. [j]	1980-1996	27.1
Johnson (m)	1991-1995	20.0
Columbia Financial Advisors	1996-April 1997 (n)	21.0
Columbia Financial Advisors	May 1997-1998 (n)	13.0

- a. "Discounts Involved in Purchases of Common Stock (1966-1969)," *Institutional Investor Study Report of the Securities and Exchange Commission*, H.R. Doc. No. 64, Part 5, 92nd Congress, 1st Session, 1971, pp. 2444-56.
- b. Gelman, Milton, "An Economist-Financial Analyst's Approach to Valuing Stock in a Closely Held Company," *Journal of Taxation*, June 1972, p. 353.
- c. Trout, Robert R., "Estimation of the Discount Associated with the Transfer of Restricted Securities," *Taxes*, June 1977, pp. 381-85.
- d. Moroney, Robert E., "Most Courts Overvalue Closely Held Stocks," *Taxes*, March 1973, pp. 144-55.
- e. Maher, J. Michael, "Discounts for Lack of Marketability for Closely Held Business Interests," *Taxes*, September 1976, pp. 562-71.
- f. Pittock, William F., and Charles H. Stryker, "Revenue Ruling 77-276 Revisited," *SRC Quarterly Reports*, Spring 1983, pp. 1-3.
- g. Willamette Management Associates study (unpublished).
- h. Silber, William L., "Discounts on Restricted Stock: The Impact of Illiquidity on Stock Prices," *Financial Analysts Journal*, July-August 1991, pp. 60-64.
- i. Hall, Lance S., and Timothy C. Polacek, "Strategies for Obtaining the Largest Valuation Discounts," *Estate Planning*, January/February 1994, pp. 38-44.
- j. Oliver, Robert P., and Roy H. Meyers, "Discounts Seen in Private Placements of Restricted Stock: The Management Planning, Inc., Long-Term Study (1980-1996)" (Chapter 5) in Robert F. Reilly and Robert P. Schweih, eds. *The Handbook of Advanced Business Valuation* (New York: McGraw-Hill, 2000).
- k. Although the years covered in this study the likely to be 1969-1972, no specific years were given in the published account.
- l. Median discounts.
- m. Johnson, Bruce, "Restricted Stock Discounts, 1991-95," *Shannon Pratt's Business Valuation Update*, March 1999, p. 1-3; "Quantitative Support for Discounts for Lack of Marketability," *Business Valuation Review*, December 1999, pp. 152-155.
- n. Aschwald, Kathryn, F., "Restricted Stock Discounts Decline as Result of 1-Year Holding Period," *Shannon Pratt's Business Valuation Update*, May 2000, p. 1-5.

sell after one year if other parts of the rule are followed. In recent years, more transactions have occurred under SEC Rule 144(a), which relaxes some of the restrictions on such transactions, thus making the restricted securities more marketable. In any case, investors generally expect to be able to resell the stock in the public market in the foreseeable future.

The Internal Revenue Service specifically recognized the relevance of restricted stock transaction data as evidence for quantification of the discount for lack of marketability in Revenue Ruling 77-287. Revenue Ruling 77-287 is presented in Exhibit 17-8.

Exhibit 17-10

Valuation Advisors' Lack of Marketability Discount Study™
Transaction Summary Results by Year from 1999-2006

Time of Transaction Before IPO	1-90 Days	91-180 Days	181-270 Days	271-365 Days	1-2 Years
1999 Results					
Number of Transactions	148	174	103	91	174
Median Discount	30.8%	53.9%	75.0%	76.9%	82.0%
2000 Results					
Number of Transactions	129	176	116	91	141
Median Discount	28.7%	45.1%	61.5%	68.9%	76.6%
2001 Results					
Number of Transactions	15	17	18	17	48
Median Discount	14.7%	33.2%	33.4%	52.1%	51.6%
2002 Results					
Number of Transactions	9	13	7	16	36
Median Discount	6.2%	17.3%	21.9%	39.5%	55.0%
2003 Results					
Number of Transactions	12	22	24	21	44
Median Discount	28.8%	22.3%	38.4%	39.7%	61.4%
2004 Results					
Number of Transactions	37	74	63	59	101
Median Discount	16.7%	22.7%	40.0%	56.3%	57.9%
2005 Results					
Number of Transactions	18	59	58	62	99
Median Discount	14.8%	26.1%	41.7%	46.1%	45.5%
2006 Results					
Number of Transactions	25	76	69	72	106
Median Discount	20.7%	20.8%	40.2%	46.9%	57.2%
1999-2006 Transaction Results					
Number of Transactions	393	611	458	429	749
Median Discount	27.3%	37.5%	51.9%	61.7%	68.0%

SOURCE: The Valuation Advisors' *Discount for Lack of Marketability Database*. Database access is available at www.bvmarketdata.com. Used with permission. All rights reserved.

In many reported decisions, the U.S. Tax Court has recognized that discounts for lack of marketability for controlling ownership interests in closely held companies are appropriate. The courts have used language such as the following:

Even controlling shares in a nonpublic corporation suffer from lack of marketability because of the absence of a ready private placement market and the fact that flotation costs would have to be incurred if the corporation were to publicly offer its stock.²⁷

Similarly, in the marital dissolution situation, the spouse most actively involved in the closely held business usually gets the controlling ownership interest in the business. And the nonoperating spouse usually gets much more liquid assets, such as cash, marketable securities, and real estate.

²⁷ *Estate of Woodbury G. Andrews*, 79 T.C. 938 (1982).

Discounts for Direct Undivided Ownership Interests in Real Estate

Empirical market data on sales of fractional ownership interests in real estate are scarce. However, the available data do support the concept that fractional ownership interests in real estate, when they are sold, generally are priced at less than a pro rata portion of the market value of the total real estate parcel.

One study covered 54 undivided interests, with the undivided ownership interest price discounts ranging from zero to 82 percent, with a median price discount of 35 percent.⁷ Another study covered 21 undivided ownership interests, with the undivided ownership interest price discounts ranging from 5 to 94 percent, with a median price discount of 30 percent.⁸

Real estate undivided ownership interest discounts tend to be considerably smaller than lack of control discounts for stocks or partnership interests. This probably is explained in large part by differences in the respective rights of the ownership interests. An owner of an individual ownership interest in real estate may sue for partition—that is, to have the property divided and to give each owner

⁵ *Ibid.*, p. 141.

⁶ H. Calvin Coolidge, "Survey Shows Trend Toward Larger Minority Discounts," *Estate Planning*, September 1983, p. 282.

⁷ Peter J. Patchin, "Market Discounts for Undivided Minority Interest in Real Estate," *Real Estate issues*, Fall/Winter 1988, pp. 14-16.

⁸ Don L. Harris, Philip A. McCormick, and W.D. Davis Sr., "The Valuation of Partial Interests in Real Estate," *ASA Valuation*, December 1983, pp. 62-73.

Source: Shannon P. Pratt with Alina V. Niculita, *Valuing a Business: The Analysis and Appraisal of Closely Held Companies*, 5th edition. New York: McGrawHill, 2008, p. 407.

PUBLIC VERSUS PRIVATE COMPANY ACQUISITION MULTIPLES

There is a great deal of evidence that controlling interests in private companies should have a DLOM because they almost always are acquired at lower valuation multiples than are otherwise comparable public companies.

MERGERSTAT STATISTICS

In support of this hypothesis, proponents cite Mergerstat statistics, as shown in Exhibit 12.2.

PHILLIPS, FREEMAN STUDY⁸

John Phillips and Neill Freeman challenged this conclusion in a 1995 article examining a relevant selection of the Mergerstat data and presented their own conclusion as follows:

We confirmed that differences in size, industry, and profitability explain much of the difference between the P/E [price/earnings] multiples of different companies. Our results suggest that the difference between median public and private P/E multiples reflects differences between these variables in the composition of the two samples, public and private. Therefore, once adjustments are made for differences in size, profitability and industry, no additional adjustment for marketability appears justified for controlling interests.

The Phillips and Freeman research makes a worthwhile contribution to DLOM theory. However, it is neither comprehensive nor rigorous enough to answer once and for all

Exhibit 12.2 Median P/E Offered: Public versus Private, 1991-2007

Year	Acquisitions of Public Companies		Acquisitions of Private Companies	
1991	15.9	(93)	8.5	(23)
1992	18.1	(89)	17.6	(15)
1993	19.7	(113)	22.0	(14)
1994	19.8	(184)	22.0	(18)
1995	19.4	(239)	15.5	(16)
1996	21.7	(288)	17.7	(31)
1997	25.0	(389)	17.0	(83)
1998	24.0	(362)	16.0	(207)
1999	21.7	(434)	18.4	(174)
2000	18.0	(379)	16.0	(130)
2001	16.7	(261)	15.3	(80)
2002	19.7	(161)	16.6	(83)
2003	21.2	(198)	19.4	(107)
2004	22.6	(188)	19.0	(108)
2005	24.4	(230)	16.9	(127)
2006	23.7	(294)	21.4	(65)
2007	24.9	(300)	21.6	(64)

Source: *Mergerstat Review 2001, 2006, and 2008* (FactSet Mergerstat, LLC). To purchase, visit www.BVresources.com or call (503) 291-7963.

Note: () denotes number of transactions reporting P/E.

Source: Shannon P. Pratt, *Business Valuation Discounts and Premiums*, 2nd edition. Hoboken, New Jersey: John Wiley & Sons, 2009, pps. 207-210.

the question as to the impact of the public versus private company factor. Mergerstat collects and analyzes data for transactions over \$100 million, based entirely on data filed with the SEC. The *Mergerstat/BVR Control Premium Study* compiles information on public companies of all sizes that have been acquired. Data are assembled at BVMarket-Data.com regarding sales of both private and public companies under \$100 million, with data collected from business intermediaries as well as the SEC.

KOEPLIN, SARIN, AND SHAPIRO STUDY⁹

In a study published in 2000, John Koeplin, Atulya Sarin, and Alan Shapiro conducted a study of matched pairs of private and public company acquisitions between 1984 and 1998 (excluding financial companies and regulated utilities). Of the matched pairs, 87 percent were in the same 4-digit SIC code. Comparing growth of earnings, the earnings of the U.S. closely held companies grew faster than their publicly-traded counterparts in the three years prior to the registration.

Exhibit 12.3 compares the sizes of private versus public domestic firms in terms of sales and assets. Exhibit 12.4 shows the implied private company discount (PCD) in terms of median valuation multiples.

OFFICER STUDY¹⁰

In a study published in 2007, Micah Officer compares valuation multiples paid for the private firms and unlisted subsidiaries of public firms with multiples paid for public firms. He also broke it down between cash versus stock acquisitions.

Officer looks to see if the PCD is a function of alternative sources of liquidity for the selling owners. For example, during easy credit periods (lower spread between corporate interest rate and federal funds rate), the PCD is lower (PCD = 14 percent for closely held firms and 25 percent for unlisted subsidiaries) than during times of more costly debt financing (PCD = 23 percent for closely held firms and 34 percent for unlisted subsidiaries).

Exhibit 12.3 Descriptive Statistics of Sample Domestic Transactions
(Koeplin et al. Study)

	Private Firms (1)	Public Firms (2)
Net Sales	\$56.3	\$91.2
Assets	\$40.6	\$60.1

\$ millions

(1) Median of 84 closely held companies acquired.

(2) Median of 84 matched public companies acquired.

Exhibit 12.4 Private Company Discounts (Koeplin et al. Study)

	PCD (1)
Enterprise Value/EBIT	30%
Enterprise Value/EBITDA	18%
Enterprise Value/Sales	<1% (2)

(1) Based on median multiples for domestic acquisitions.

(2) Difference not statistically significant.

Public versus Private Company Acquisition Multiples

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Exhibit 12.5 Descriptive Statistics of Sample Transactions (Officer Study)

	Private Firms (1)	Unlisted Sub (2)	Public Firms (3)
Assets	\$52.5	\$255.2	\$292.6

\$ millions

- (1) Median of 417 closely held companies acquired.
 (2) Median of 416 unlisted subsidiaries acquired.
 (3) Median of 4,206 public firms acquired.

Exhibit 12.6 Private Company Discounts (Officer Study)

	Private Firms (1)	Unlisted Sub (2)
Average—cash acquisitions	22%	28%
Average—stock acquisitions	12%	28%
Average—overall	17%	28%

- (1) Based on average difference in multiples (price paid for equity to book value of equity, price paid for equity to earnings, enterprise value to EBITDA and enterprise value to sales) paid for private firms and comparable public firms (difference in arithmetic average of multiples).
 (2) Based on average difference in multiples (price paid for equity to book value of equity, price paid for equity to earnings, enterprise value to EBITDA and enterprise value to sales) paid for unlisted subs and comparable public firms (difference in arithmetic average of multiples).

While you might hypothesize that during periods of above average initial public offering (IPO) activity, the PCD might be lower (as going IPO is an alternative method of gaining liquidity), Officer finds no evidence that the PCD varies with IPO activity.

Exhibit 12.5 shows average sizes in terms of assets for private firms, unlisted subsidiaries, and public firms. Exhibit 12.6 shows the implied private company discounts broken down by cash acquisitions versus stock acquisitions.

DE FRANCO, GAVIOUS, JIN, AND RICHARDSON STUDY¹¹

In the most comprehensive study to date, contained in a 2007 working paper, Gus De Franco, Ilanit Gavius, Justine Jin, and Gordon Richardson compiled a database consisting of 664 acquired privately held companies from *Pratt's Stats* and 2225 acquired public firms from *Compustat*. Exhibit 12.7 shows the comparative sizes in terms of sales and assets.

The authors calculate the PCD in terms of capitalization rates (rather than multiples to ensure that the denominators are always positive numbers). They performed a multifactor regression analysis to control for differences in size, sales, growth, R&D expenditures as a

Exhibit 12.7 Descriptive Statistics of Sample Transactions (De Franco et al. Study)

	Private Firms (1)	Public Firms (2)
Net Sales	\$15.8	\$130.1
Assets	\$8.7	\$131.1

\$ millions

- (1) Median of 673 closely held companies acquired.
 (2) Median of 2,249 public companies acquired.

Exhibit 12.8 Private Company Discounts (De Franco et al. Study)

	PCD (1)
Enterprise Value/EBITDA	37%
Enterprise Value/Sales	21%

(1) Based on mean of capitalization rates.

percent of sales, and EBITDA as a percent of sales. Exhibit 12.8 shows the implied private company discount in terms of enterprise value to EBITDA and enterprise value to sales.

The results of these three studies are consistent with studies of the rates of return realized by shareholders of acquiring companies.¹² These studies generally conclude that shareholders of public acquiring firms benefit from the companies acquiring closely held firms or nonpublic subsidiaries of public firms when compared to shareholders of public acquiring firms acquiring public companies.

POSSIBLE EXPLANATIONS FOR PRIVATE COMPANY DISCOUNT

The relative size of the private companies was smaller than the public companies, and size of company has been positively correlated with size of valuation multiples.¹³ But all of the authors were aware of this, and each made attempts to control for size differences.

Relative Quality of Accounting

Public companies are subject to more stringent audit requirements than are private companies, so buyers probably view the public companies' accounting as more reliable. One study even showed that the stature of the accounting firm doing the audit was correlated with the multiples paid, even in public companies.¹⁴

Relative Exposure to Market

Probably the greatest reason for differences in multiples paid is the relative degree of exposure to the market. All public companies have exposure to the market through quotation systems, SEC filings, and various reporting services. Companies interested in making acquisitions can screen available databases in search of a company with the criteria they are looking for.

Few private companies enjoy such constant media exposure, especially in the financial press. Most keep their financial results top secret. And there is the confidentiality paradox of most control owners, who implore their investment banker or intermediary to "find me a buyer for my company, but don't let anyone know that it's for sale."

COURT TREATMENT OF CONTROLLING INTEREST DISCOUNTS FOR LACK OF MARKETABILITY

The U.S. Tax Court clearly has recognized DLOMs for controlling interests. In fact, when DLOMs have been an issue in the U.S. Tax Court, they have been accepted far more often than they have been rejected. The Tax Court statement quoted most often on

Differences between Private and Public Company Acquisition Price/Earnings Multiples

Every year, *Mergerstat Review* publishes a table presenting the average price/earnings multiples for the acquisitions of private companies for which they have data—compared with the average price/earnings multiples for the acquisitions of companies that had been publicly traded. Almost every year, the average price/earnings multiple for the acquisitions of private companies is significantly lower than the average price/earnings multiple for the acquisitions of public companies.

The public versus private acquisition price/earnings multiple table from the 2000 *Mergerstat Review* is presented in Exhibit 17-11.

Observers have hypothesized a number of reasons for this consistent and significant acquisition pricing differential. The most common reasons for this phenomenon are as follows:

1. Exposure to the market.
2. The quality of financial accounting and other information.
3. The size effect.

Exposure to the Market. The names and stock prices of publicly traded companies are published in hundreds of newspapers throughout the world every day. Publicly traded companies also issue many press releases every year with quarterly earnings and other information; these press releases are also published in hundreds of newspapers. Financial information on thousands of publicly traded companies is accessible online.

Source: Shannon P. Pratt with Alina V. Niculita, *Valuing a Business: The Analysis and Appraisal of Closely Held Companies*, 5th edition. New York: McGrawHill, 2008, pps. 443-4.

Exhibit 17-11

Median P/E* Offered Public versus Private 1990-2005.

Year	Acquisitions of Public Companies		Acquisitions of Private Companies	
1990	17.1	(117)	13.2	(36)
1991	15.9	(93)	8.5	(23)
1992	18.1	(89)	17.6	(15)
1993	19.7	(113)	22.0	(14)
1994	19.8	(184)	22.0	(18)
1995	19.4	(239)	15.5	(16)
1996	21.7	(288)	17.7	(31)
1997	25.0	(389)	17.0	(83)
1998	24.0	(362)	16.0	(207)
1999	21.7	(434)	18.4	(174)
2000	18.0	(379)	16.0	(130)
2001	16.7	(261)	15.3	(80)
2002	19.7	(161)	16.6	(83)
2003	21.2	(198)	19.4	(107)
2004	22.6	(188)	19.0	(108)
2005	24.4	(230)	16.9	(127)

() Denotes number of transactions reporting P/E.

*Excludes negative P/E multiples and P/E multiples larger than 100.

SOURCE: Mergerstat® Review 2006 (Santa Monica: FactSet Mergerstat, LLC, 2006). www.mergerstat.com. Used with permission. All rights reserved.

Publicly traded companies are required to file Forms 10-K, 10-Q, and 8-K, as well as other detailed financial information, with the SEC. Any company, or financial intermediary, interested in an acquisition in any industry has this list of publicly traded companies and the detailed financial information on them at its fingertips.

By contrast, there is no such comprehensive and reliable listing of closely held businesses. And privately owned businesses normally do not disclose financial data. Many privately owned businesses do not even disclose gross revenues. Therefore, acquisition seekers do not have privately owned businesses constantly exposed to them.

Business buyers have difficulty making a comprehensive list of available closely held businesses even if they attempt to do so. Generally, business buyers cannot get financial information regarding closely held businesses—short of a direct approach to the subject business, which they are often reluctant to take and which is often rebuffed. Often, private company sales are initiated by the seller, which may put downward pressure on the price paid for the private company.

Quality of Financial Accounting and Other Information. The SEC requirements for accounting information and other disclosures are far more stringent and extensive than what is required for an unqualified audit opinion under normal generally accepted accounting practices (GAAP) rules. Many analysts believe that this difference in the quantity and reliability of financial data has an impact on the differential in average price/earnings multiples paid for the acquisition of public companies versus the acquisition of private companies.

Chapter 19

Nonhomogeneous Assets ("Portfolio") Discounts

Portfolio Discount Principle

Empirical Evidence Supporting Portfolio Discounts

- Evidence from Actual Breakups

- Conglomerate Discounts from Estimated Breakup Value

- Evidence from Real Estate Holding Companies

How to Value Companies with Disparate Portfolios

- Separate Valuations Followed by a Discount

- Blended Multiples or Discount Rates Followed by a Discount

- Direct Use of Conglomerates

Quantifying the Portfolio Discount

Portfolio Discounts in the Courts

- Portfolio Discount Accepted

- Portfolio Discount Denied

Summary

A "portfolio discount" is applied, usually at the entity level, to a company or interest in a company that holds disparate operations or assets. This chapter explains the principle, discusses empirical evidence of its existence and magnitude, and offers some suggestions for applying it in practice. Finally, we note that it has been accepted by the U.S. Tax Court.

PORTFOLIO DISCOUNT PRINCIPLE

Investors generally prefer to buy "pure plays" rather than packages of dissimilar operations and/or assets. Therefore, companies or interests in companies that hold a non-homogeneous group of operations and/or assets frequently sell at a discount from the aggregate amount those operations and/or assets would sell for individually. The latter is often referred to as the breakup value. This disinclination to buy a miscellaneous assortment of operations and/or assets and the resulting discount from breakup value is often called the portfolio effect.

It is quite common for family-owned companies, especially multigenerational ones, to accumulate an unusual (and often unrelated) group of operations and/or assets over the years. This often happens when different decision makers acquire holdings that particularly interest them at different points in time. For example, a large privately owned company might own a life insurance company, a cable television operation, and a hospitality division.

The following have been suggested as some of the reasons for the portfolio discount:

- The diversity of investments held within the corporate umbrella
- The difficulty of managing the diverse set of investments
- The expected time needed to sell undesired assets
- Costs expected to be incurred upon sale of the investments
- The risk associated with disposal of undesired investments¹

The portfolio discount effect is especially important when valuing minority interests, because minority stockholders have no ability to redeploy underperforming or non-performing assets, nor can they cause a liquidation of the asset portfolio and/or a dissolution of the company. Minority stockholders give little or no weight to nonearning or low-earning assets in pricing stocks in a free and open, well-informed public market. Thus, the portfolio discount might be greater for a minority position, because the minority stockholder has no power to implement changes that might improve the value of the operations and/or assets, even if the stockholder desires to.

EMPIRICAL EVIDENCE SUPPORTING PORTFOLIO DISCOUNTS

Empirical evidence supporting the existence and quantification of the portfolio discount for minority interests is abundant in the public markets. This evidence falls into three distinct categories:

1. Increases in aggregate market value when a conglomerate company announces and/or completes a breakup or a tax-free spinoff
2. Analysts' estimates of breakup values of conglomerates compared to the conglomerate stocks' public trading prices
3. Differences in discounts from net asset value for real estate holding companies with homogeneous versus nonhomogeneous real estate holdings

EVIDENCE FROM ACTUAL BREAKUPS

Unquestionably, the breakup of conglomerates has created value for their stockholders in almost every instance. Quantifying this value increase (which would represent the portfolio discount from the post-breakup values) presents a measurement problem that defies precision. One might start with the conglomerate value the day before the announcement and compare it to the value the day after the announcement, or to the aggregate trading prices of the components when the breakup is effective, or to the aggregate trading values of the components at some time after the market has "seasoned" them.

None of the above procedures, however, reflects the extent of the value increase already reflected in the preannouncement price as a result of rumors of the breakup. For example, on February 14, 2001, Canadian Pacific announced plans to divide itself into five separate publicly traded companies. The *New York Times* reported, "Rumors over the last month about such a plan had lifted the stock price 25 percent."²

Empirical Evidence Supporting Portfolio Discounts

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Exhibit 19.1 Portfolio Discounts Implied by AT&T and ITT Breakups

Company	Low Before	Date of Breakup	Price Before	High After	Percent Increase	Implied Portfolio Discount*	10/23/95 Price
		Announcement					
AT&T	\$47.25	9/20/95	\$57.575	\$66.375	15.3%	13.3%	\$61.25
ITT	\$77.00	6/13/95	\$109.25	\$128.50	15.0%	13.0%	\$123.625

Source: Jamie Mikami, "AT&T Breakup Is Empirical Evidence of 'Portfolio Discount' Theory," *Shannon Pratt's Business Valuation Update* (November 1995): 8.

* $(1 - 1/(1 + \text{percent increase}))$

As illustrated in the AT&T example: $1 - \frac{1}{1+.153} \cong .133$

Two of the most widely publicized breakups were AT&T on September 20, 1995, and ITT on June 13, 1995. Exhibit 19.1 shows the implied portfolio discount based on the price immediately before the announcement and the aggregate prices of the components shortly after the breakups. This does not reflect any run-up in the stock prices prior to the announcements.

Another example is the announcement by Anheuser Busch that it would sell off its money-losing Eagle Snacks operation and its baseball subsidiary, consisting of the St. Louis National Baseball Club (the St. Louis Cardinals), Busch Memorial Stadium, and several nearby parking garages. The stock immediately experienced a favorable price reaction.³

A 1997 book titled *Breakup!: When Large Companies Are Worth More Dead Than Alive* posits that "the successful demerging of the most obvious corporate candidates in the United States alone would unlock \$1 trillion of value"⁴ otherwise trapped by the very nature of what the book calls multibusiness companies. The result in each case would be several single businesses, or what the authors call focused-business companies. Although the book focuses on large public companies, the principle is equally applicable to companies of all sizes, public or private.

Online searches yield dozens of examples of positive stock market price reactions to the announcement or completion of breakups of public conglomerates.

CONGLOMERATE DISCOUNTS FROM ESTIMATED BREAKUP VALUE

At the time of this writing, *Yahoo! Finance Market Guide* listed almost 32 public companies that are regarded in the financial industry as conglomerates. These are listed in Exhibit 19.2. From time to time, brokerage house analysts issue reports on these companies comparing their breakup values with their public trading prices.

Exhibit 19.3 summarizes a sampling of analysts' reports comparing stock price to estimated breakup value, showing the dates at which reports were issued.

EVIDENCE FROM REAL ESTATE HOLDING COMPANIES

An article on real estate holding companies made the point that the negative effect of a disparate portfolio applies to real estate holding companies, such as real estate investment trusts (REITs), as well as to operating companies: "REITs that enjoy geographic concentrations of their properties and specialize in specific types of properties, e.g., outlet malls, commercial office buildings, apartment complexes, shopping centers, golf courses . . . etc., are the most favored by investors. This is similar to investor preferences for the focused 'pure play' company in other industries."⁵

Non Pure Play Companies versus Pure Play Companies

Sunwest

Valuation Date : March 1, 2009

Market Approach - Market Comparable Comparison, MVIC Multiples

Pure Play Companies

Comparable Company	MVIC/ LTM Revenue	MVIC/ LTM EBITDA	MVIC/ LTM EBIT
ASSISTED LIVING CONCEPTS	1.4	6.8	11.4
BROOKDALE SENIOR LIVING	1.5	12.1	NE
CAPITAL SENIOR LIVING CP	1.2	8.0	14.5
EMERITUS CORP	2.2	14.3	392.6
FIVE START QLTY CARE INC	0.1	4.8	9.9
SUNRISE SENIOR LIVING	0.4	0.7	0.7
High	2.2	14.3	392.6
Low	0.1	0.7	0.7
Mean	1.1	7.8	85.8
Median	1.3	7.4	11.4
st dev	0.8	4.9	171.6
coef of var	0.68	0.63	2.00

Non Pure Play Companies

Comparable Company	MVIC/ LTM Revenue	MVIC/ LTM EBITDA	MVIC/ LTM EBIT
ADCARE HEALTH SYSTEMS	0.8	16.9	74.2
ADVOCAT INC	0.1	2.9	5.3
KINDRED HEALTHCARE INC	0.2	2.7	6.2
NATIONAL HEALTHCARE CORP	1.0	8.3	12.0
ODYSSEY HEALTHCARE INC	0.6	7.4	8.7
SKILLED HEALTHCARE GRP A	1.1	6.7	8.5
SUN HEALTHCARE GROUP	0.6	6.2	8.1
ENSIGN GROUP INC THE	0.6	4.8	5.8
High	1.1	16.9	74.2
Low	0.1	2.7	5.3
Mean	0.6	7.0	16.1
Median	0.6	6.4	8.3
st dev	0.3	4.5	23.6
coef of var	0.57	0.64	1.46

MVIC = Market Value of Invested Capital

LTM = Last Twelve Months

EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization

EBIT = Earnings Before Interest and Taxes

MVIC - REITs versus Pure Play Companies**Sunwest**

Valuation Date : March 1, 2009

Market Approach - Market Comparable Comparison, MVIC Multiples

Pure Play Companies

Comparable Company	MVIC/ LTM Revenue	MVIC/ LTM EBITDA	MVIC/ LTM EBIT
ASSISTED LIVING CONCEPTS	1.4	6.8	11.4
BROOKDALE SENIOR LIVING	1.5	12.1	NE
CAPITAL SENIOR LIVING CP	1.2	8.0	14.5
EMERITUS CORP	2.2	14.3	392.6
FIVE START QLTY CARE INC	0.1	4.8	9.9
SUNRISE SENIOR LIVING	0.4	0.7	0.7
High	2.2	14.3	392.6
Low	0.1	0.7	0.7
Mean	1.1	7.8	85.8
Median	1.3	7.4	11.4
st dev	0.8	4.9	171.6
coef of var	0.68	0.63	2.00

REITs

Comparable Company	MVIC/ LTM Revenue	MVIC/ LTM EBITDA	MVIC/ LTM EBIT
HEALTH CARE REIT INC	11.2	22.1	22.1
HCP INC	9.5	18.7	18.7
NATIONWIDE HEALTH PROP	9.4	17.4	17.4
UNIVERSAL HLTH RLTY I TR	14.0	31.1	31.1
NATIONAL HEALTH INVESTOR	9.7	12.1	12.1
OMEGA HEALTHCARE INVEST	7.9	13.5	13.5
LTC PROPERTIES INC	8.5	12.4	12.4
HEALTHCARE REALTY TRUST	8.0	34.0	34.0
MEDICAL PROPERTIES TRUST	6.7	11.7	11.7
CARE INVESTMENT TRUST	9.0	NE	NE
High	14.0	34.0	34.0
Low	6.7	11.7	11.7
Mean	9.4	19.2	19.2
Median	9.2	17.4	17.4
st dev	2.1	8.3	8.3
coef of var	0.22	0.43	0.43

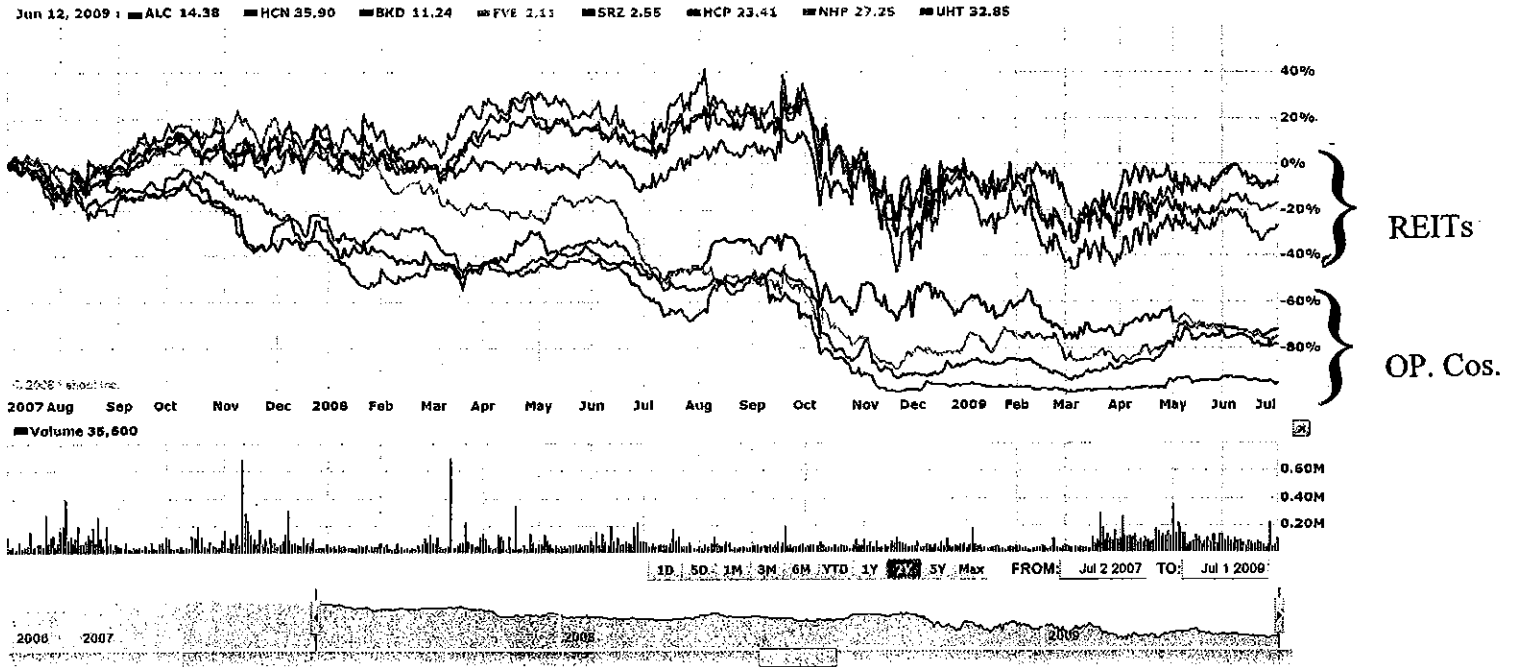
MVIC = Market Value of Invested Capital

LTM = Last Twelve Months

EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization

EBIT = Earnings Before Interest and Taxes

REIT versus Operating Company Price Performance



Source of price data: Yahoo Finance

**Percent Mean and Median Premium Paid over Market Price
ALL INDUSTRIES**

Year of Buyout	Mean Premium Paid (without negatives)	Median Premium Paid (without negatives)	Mean Premium Paid (with negatives)	Median Premium Paid (with negatives)
	<i>[a]</i>	<i>[a]</i>	<i>[a]</i>	<i>[a]</i>
1998	35.9%	29.3%	23.6%	22.7%
1999	46.5%	32.4%	40.0%	28.7%
2000	48.7%	37.1%	35.3%	28.9%
2001	52.1%	35.9%	34.0%	25.9%
2002	49.1%	34.0%	33.1%	24.6%
2003	53.9%	37.7%	46.2%	33.3%
2004	36.4%	26.2%	28.6%	22.5%
2005	33.1%	24.3%	23.1%	16.7%
2006	29.0%	20.5%	23.5%	17.2%
2007	27.0%	20.8%	20.9%	18.1%
2008	43.2%	31.4%	31.6%	25.7%
Average	41.4%	30.0%	30.9%	24.0%

Notes:

[a] Without negatives does not include public company sale transactions at *discounts* from their previous trading prices. *With negatives* does include such discount transactions.

Source: Compiled from *Mergerstat/Shannon Pratt's Control Premium Studies*, Valuing a Business, Fifth Edition, page 404, Shannon Pratt with Alina Niculita.

**Percent Mean and Median Premium Paid over Market Price
SELECTED INDUSTRIES [b]**

Year of Buyout	Mean Premium Paid (without negatives) [a]	Median Premium Paid (without negatives) [a]	Mean Premium Paid (with negatives) [a]	Median Premium Paid (with negatives) [a]	Total # of buyouts	# of buyouts at a negative premium
1998	27.3%	16.3%	13.3%	11.7%	5	2
1999	21.4%	21.4%	21.4%	21.4%	1	0
2000	76.3%	87.2%	76.3%	87.2%	3	0
2001	na	na	na	na	0	0
2002	98.2%	98.2%	98.2%	98.2%	1	0
2003	52.9%	52.9%	52.9%	52.9%	1	0
2004	49.3%	49.3%	49.3%	49.3%	1	0
2005	69.3%	69.4%	69.3%	69.4%	2	0
2006	31.1%	31.1%	31.1%	31.1%	1	0
2007	16.9%	16.9%	16.9%	16.9%	2	0
2008	20.1%	20.1%	20.1%	20.1%	1	0
Average	46.3%	46.3%	44.9%	45.8%	18	2

Notes:

[a] *Without negatives* does not include public company sale transactions at *discounts* from their previous trading prices. *With negatives* does include such discount transactions.

[b] Search for acquisition targets was based on specific SIC and NAICS codes, as follows:

Target SIC Code ('8051', '8052', '8059', '8361')

Target NAICS Code ('62311', '62322', '623311', '623312')

Source: Compiled from *Mergerstat/Shannon Pratt's Control Premium Studies*, www.bvmarketdata.com.

**Percent Premium Paid over Market Price and Implied Minority Discount
ALL INDUSTRIES**

Year of Buyout	Mean Premium		Median Premium		Mean Premium		Median Premium	
	Paid (without negatives)	Implied Minority Discount	Paid (without negatives)	Implied Minority Discount	Paid (with negatives)	Implied Minority Discount	Paid (with negatives)	Implied Minority Discount
	[a]	[b]	[a]	[b]	[a]	[b]	[a]	[b]
1998	35.9%	26.4%	29.3%	22.7%	23.6%	19.1%	22.7%	18.5%
1999	46.5%	31.7%	32.4%	24.5%	40.0%	28.6%	28.7%	22.3%
2000	48.7%	32.8%	37.1%	27.1%	35.3%	26.1%	28.9%	22.4%
2001	52.1%	34.3%	35.9%	26.4%	34.0%	25.4%	25.9%	20.6%
2002	49.1%	32.9%	34.0%	25.4%	33.1%	24.9%	24.6%	19.7%
2003	53.9%	35.0%	37.7%	27.4%	46.2%	31.6%	33.3%	25.0%
2004	36.4%	26.7%	26.2%	20.8%	28.6%	22.2%	22.5%	18.4%
2005	33.1%	24.9%	24.3%	19.5%	23.1%	18.8%	16.7%	14.3%
2006	29.0%	22.5%	20.5%	17.0%	23.5%	19.0%	17.2%	14.7%
2007	27.0%	21.3%	20.8%	17.2%	20.9%	17.3%	18.1%	15.3%
2008	43.2%	30.2%	31.4%	23.9%	31.6%	24.0%	25.7%	20.4%
Average	41.4%	29.0%	30.0%	22.9%	30.9%	23.4%	24.0%	19.2%

Notes:

[a] *Without negatives* does not include public company sale transactions at *discounts* from their previous trading prices. *With negatives* does include such discount transactions.

[b] Formula: $1 - \{1 / (1 + \text{Premium Paid})\}$.

Source: Compiled from *Mergerstat/Shannon Pratt's Control Premium Studies*, Valuing a Business, Fifth Edition, page 404. Shannon Pratt with Alina Niculita.

**Percent Premium Paid over Market Price and Implied Minority Discount
SELECTED INDUSTRIES [c]**

Year of Buyout	Mean Premium Paid	Implied Minority Discount	Median Premium Paid	Implied Minority Discount	Mean Premium Paid	Implied Minority Discount	Median Premium Paid	Implied Minority Discount	Total # of buyouts	# of buyouts at a negative premium
	(without negatives) [a]	[b]	(without negatives) [a]	[b]	(with negatives) [a]	[b]	(with negatives) [a]	[b]		
1998	27.3%	21.4%	16.3%	14.0%	13.3%	11.7%	11.7%	10.5%	5	2
1999	21.4%	17.6%	21.4%	17.6%	21.4%	17.6%	21.4%	17.6%	1	0
2000	76.3%	43.3%	87.2%	46.6%	76.3%	43.3%	87.2%	46.6%	3	0
2001	na	na	na	na	na	na	na	na	0	0
2002	98.2%	49.5%	98.2%	49.5%	98.2%	49.5%	98.2%	49.5%	1	0
2003	52.9%	34.6%	52.9%	34.6%	52.9%	34.6%	52.9%	34.6%	1	0
2004	49.3%	33.0%	49.3%	33.0%	49.3%	33.0%	49.3%	33.0%	1	0
2005	69.3%	40.9%	69.4%	41.0%	69.3%	40.9%	69.4%	41.0%	2	0
2006	31.1%	23.7%	31.1%	23.7%	31.1%	23.7%	31.1%	23.7%	1	0
2007	16.9%	14.5%	16.9%	14.5%	16.9%	14.5%	16.9%	14.5%	2	0
2008	20.1%	16.7%	20.1%	16.7%	20.1%	16.7%	20.1%	16.7%	1	0
Average	48.3%	29.5%	48.3%	28.1%	44.9%	28.6%	45.8%	28.8%	18	2

Notes:

[a] Without negatives does not include public company sale transactions at discounts from their previous trading prices.

With negatives does include such discount transactions.

[b] Formula: $1 - [1 / (1 + \text{Premium Paid})]$.

[c] Search for acquisition targets was based on specific SIC and NAICS codes, as follows:

Target SIC Code ('8051', '8052', '8059', '8361')

Target NAICS Code ('62311', '62322', '62331', '623312')

Source: Compiled from *Mergerstat/Shannon Pratt's Control Premium Studies*, www.bvmarketdata.com.

Shannon Pratt with Alina Niculita.

The Partnership Re-Sale Discount Study Results

Partnership Category	No. of Partnerships	Average Discount	Average Yield
Insured Mortgages	5	14%	9.10%
Triple-Net-Lease	23	14%	9.70%
Equity—Distributing (low or no debt)	15	16%	8.60%
Equity—Distributing (moderate to high debt)	19	29%	6.90%
Equity—Nondistributing	12	38%	0%
Undeveloped Land	5	33%	0%

Source: The Partnership Re-Sale Discount Study 2004.

Transaction data for assisted living facilities

Date	Seller	Buyer	Assets	Units	Price	EBITDA	Cap Rate	Per Bed	Source
Dec-08	The Place at Southpark	Seven D Bell & Company	1	110	\$ 8,000,000		\$	72,727	January 2009 The Healthcare M&A Monthly
Dec-08	Unknown	Five Star Quality Care (FVE)	7	601	\$ 44,000,000		\$	73,211	January 2009 The Healthcare M&A Monthly
Dec-08	HH-Hunt	Seven D Bell & Company	1	59	\$ 6,675,000	\$ 325,000	4.9%	113,136	January 2009 The Healthcare M&A Monthly
Dec-08	Sunwest	The Springfield Group	1	151	\$ 11,825,000	\$ 800,000	6.7%	78,311	January 2009 The Healthcare M&A Monthly
Dec-08	Unknown	Randall Residence	1	90	\$ 7,140,000		\$	79,333	February 2009 SeniorCare Investor
Jan-09	12 Oaks	Comerstone Growth and Income REIT	1	91	\$ 20,500,000		\$	225,275	January 2009 The Healthcare M&A Monthly
Jan-09	Unknown	Randall Residence	1	90	\$ 7,140,000		\$	79,333	January 2009 SeniorCare Investor
Jan-09	Unknown	Gryphon Realty Advisors	1	40	\$ 2,500,000	\$ 225,000	9.0%	62,500	January 2009 SeniorCare Investor
Feb-09	Sunwest	Lone Star Funds	45	3,554	\$ 364,000,000	\$ 32,760,000	9.0%	102,420	February 2009 SeniorCare Investor
Feb-09	Unknown	Medholdings	1	32	\$ 2,500,000	\$ 250,000	10.0%	78,125	February 2009 SeniorCare Investor
Feb-09	Ventias	Benchmark Assisted Living	4	403	\$ 59,700,000	\$ 4,989,500	8.5%	145,658	February 2009 SeniorCare Investor
Feb-09	Unknown	Unknown	1	60	\$ 3,275,000	\$ 400,000	12.2%	54,583	February 2009 SeniorCare Investor
Mar-09	CapitolHealth Group	Marquette General Hospital	1	40	\$ 2,750,000		\$	68,750	March 2009 The Healthcare M&A Monthly

Entire population:

Average	8.4%	\$	98,431
Median	8.8%	\$	78,822
Harmonic Mean	7.8%	\$	85,432

2009 acquisitions only:

Average	9.7%	\$	102,080
Median	9.0%	\$	78,729
Harmonic Mean	9.6%	\$	83,911

[1] We have estimated revenues for 2008 to be \$1.95 million with EBITDA of about \$325,000. We assume the buyer has higher forecasts for 2009... January 2009 The SeniorCare Investor, pp. 10-11.
 [2] We expect occupancy to rise, and if it gets to at least 85%, revenues and EBITDA would increase by \$750,000 and \$500,000, respectively, which would result in a pro forma cap rate closer to 7%.
 [3] Revenues and EBITDA are about \$1,055,000 and \$225,000, respectively, which results in a 9% cap rate... This is about as clean a deal as they come. January 2009 The SeniorCare Investor, p. 11.
 [4] So, using these assumptions, we derive annual revenues of about \$109 million and EBITDA of \$32.7 million, yielding a theoretical cap rate of about 9.0%. Could it have been as high as 10% in this market and under these circumstances? Yes, but we don't believe that it would have been as low as 8%, primarily because there are not enough bidders in this market for a portfolio of this size to drive the price up and the cap rate down. February 2009 The SeniorCare Investor, p. 4.
 [5] On current operations, the cap rate may be below 5%, and thus meaningless, but over 10% based on stabilized EBITDA but not including any additional cost to fill the empty units.
 [6] Assuming Benchmark was making money in excess of the lease payments, the actual EBITDAR cap rate would have been much higher, so we assume this was a fixed-price option or based on a formula.
 [7] ...our estimate is that with a 10% point increase in occupancy combined with higher rates, annualized EBITDA will increase to at least \$400,000, if not higher. February 2009 The SeniorCare Investor, p. 7.

Capitalization Rates from transactions involving major appraisal firms specializing in the industry

Q4 2008				
Property Type	Low	Average	High	# Transaction Involved
<i>Independent Living</i>	7.50%	8.70%	10.60%	19
<i>Assisted Living</i>	7.90%	9.30%	13.00%	50
Nursing Homes	9.40%	13.10%	14.00%	14
CCRCs	8.00%	9.00%	12.50%	8
Q3 2008				
Property Type	Low	Average	High	# Transaction Involved
<i>Independent Living</i>	6.50%	8.70%	13.00%	15
<i>Assisted Living</i>	7.10%	9.20%	12.20%	39
Nursing Homes	9.00%	12.75%	14.50%	46
CCRCs	8.00%	8.60%	9.30%	9
Q2 2008				
Property Type	Low	Average	High	# Transaction Involved
<i>Independent Living</i>	6.60%	7.80%	8.75%	13
<i>Assisted Living</i>	7.00%	9.00%	12.20%	82
Nursing Homes	10.00%	12.70%	15.00%	95
CCRCs	7.50%	8.70%	11.50%	20

Notes:

Data from The National Investment Center for the Senior's Housing and Care Industry <http://www.nic.org/research/kfi/capitalization.asp>, and discussions with Bank of the West Healthcare lending Division. CCRC is a Continuing Care Retirement Community.

APPENDIX A

STATISTICS ON HEALTHCARE REITS AS OF MARCH 1, 2009

SUNWEST

Valuation Date : March 1, 2009

Market Approach - Market Comparable Comparison

Company	Headquarters	Description
HEALTH CARE REIT INC	Toledo, OH	A real estate investment trust, which invests in senior housing and health care real estate. It also provides an array of property management and development services.
HCP INC	Long Beach, CA	A self-administered, real estate investment trust, which acquires, develops, leases, manages and disposes of healthcare real estate and provides financing to healthcare providers.
NATIONWIDE HEALTH PROP	Newport Beach, CA	A real estate investment trust that invests mainly in healthcare related senior housing, long-term care properties and medical office buildings.
UNIVERSAL HLTH RLTY I TR	King of Prussia, PA	The Company invests in health care and human service related facilities including acute care hospitals, behavioral healthcare facilities, rehabilitation hospitals, sub-acute facilities, surgery centers, childcare centers and medical office buildings.
NATIONAL HEALTH INVESTOR	Murfreesboro, TN	The Company is a real estate investment trust which invests in income-producing health care properties primarily in the long-term care industry.
OMEGA HEALTHCARE INVEST	Hunt Valley, MD	A real estate investment trust, which invests in income-producing healthcare facilities, mainly long-term care facilities located in the United States.
LTC PROPERTIES INC	Westlake Village, CA	A real estate investment trust which invests in long-term care and other health care related properties through mortgage loans, property lease transactions and other investments.
HEALTHCARE REALTY TRUST	Nashville, TN	A real estate investment trust that owns, acquires, manages, finances and develops income-producing real estate properties associated mainly with the delivery of outpatient healthcare services throughout the United States.
MEDICAL PROPERTIES TRUST	Birmingham, AL	The Company is a self-advised real estate investment trust which acquires, develops, leases and makes other investments in healthcare facilities providing state-of-the-art healthcare services.
CARE INVESTMENT TRUST	New York, NY	A real estate investment trust that focuses on originating and acquiring healthcare-related real estate and commercial mortgage debt.

SUNWEST

Valuation Date : March 1, 2009

Market Approach - Market Comparable Comparison, Last Twelve Months

Comparable Company	Quarter Ended	Latest Twelve Months (LTM)				Margins		
		Revenue	EBITDA	EBIT	Net Income	EBITDA	EBIT	Net Income
HEALTH CARE REIT INC	2009/03	\$581,368,000	\$285,835,000	\$285,835,000	\$139,705,000	50.9%	50.9%	24.9%
HCP INC	2009/03	1,173,053,000	594,141,000	594,141,000	200,674,000	50.6%	50.6%	17.1%
NATIONWIDE HEALTH PROP	2009/03	385,066,000	209,029,000	209,029,000	106,387,000	54.3%	54.3%	27.6%
UNIVERSAL HLTH RLTY I TR	2009/03	32,332,000	14,614,000	14,614,000	12,141,000	45.2%	45.2%	37.6%
NATIONAL HEALTH INVESTOR	2009/03	68,052,000	54,568,000	54,568,000	57,142,000	80.2%	80.2%	84.0%
OMEGA HEALTHCARE INVEST	2009/03	218,573,000	128,180,000	128,180,000	76,311,000	58.6%	58.6%	34.9%
LTC PROPERTIES INC	2009/03	69,226,000	47,117,000	47,117,000	27,377,000	68.1%	68.1%	39.5%
HEALTHCARE REALTY TRUST	2009/03	227,528,000	53,228,000	53,228,000	20,284,000	23.4%	23.4%	8.9%
MEDICAL PROPERTIES TRUST	2009/03	126,473,089	71,812,820	71,812,820	28,817,686	56.8%	56.8%	22.8%
CARE INVESTMENT TRUST	2009/03	20,947,000	(22,546,000)	(22,546,000)	(28,762,000)	-107.6%	-107.6%	-137.3%
	High	1,173,053,000	594,141,000	594,141,000	200,674,000	80.2%	80.2%	84.0%
	Low	20,947,000	-22,546,000	-22,546,000	-28,762,000	-107.6%	-107.6%	-137.3%
	Mean	288,261,809	143,597,882	143,597,882	64,007,669	38.0%	38.0%	16.0%
	Median	172,523,045	63,190,410	63,190,410	42,979,843	52.6%	52.6%	26.3%

SUNWEST

Valuation Date : March 1, 2009

Market Approach - Market Comparable Comparison, Last Fiscal Year

Comparable Company	Fiscal Year	Last Fiscal Year				Margins		
		Revenue	EBITDA	EBIT	Net Income	EBITDA	EBIT	Net Income
HEALTH CARE REIT INC	2008	\$551,214,000	\$280,390,000	\$280,390,000	\$127,038,000	50.9%	50.9%	23.0%
HCP INC	2008	1,185,896,000	602,946,000	602,946,000	183,199,000	50.8%	50.8%	15.4%
NATIONWIDE HEALTH PROP	2008	374,568,000	204,413,000	204,413,000	100,503,000	54.6%	54.6%	26.8%
UNIVERSAL HLTH RLTY I TR	2008	31,236,000	14,044,000	14,044,000	11,653,000	45.0%	45.0%	37.3%
NATIONAL HEALTH INVESTOR	2008	69,492,000	55,759,000	55,759,000	55,451,000	80.2%	80.2%	79.8%
OMEGA HEALTHCARE INVEST	2008	205,863,000	122,423,000	122,423,000	67,977,000	59.5%	59.5%	33.0%
LTC PROPERTIES INC	2008	69,357,000	47,306,000	47,306,000	27,485,000	68.2%	68.2%	39.6%
HEALTHCARE REALTY TRUST	2008	216,881,000	52,749,000	52,749,000	18,158,000	24.3%	24.3%	8.4%
MEDICAL PROPERTIES TRUST	2008	117,616,000	67,857,000	67,857,000	27,205,000	57.7%	57.7%	23.1%
CARE INVESTMENT TRUST	2008	17,986,000	(26,285,000)	(26,285,000)	(30,806,000)	-146.1%	-146.1%	-171.3%
	High	1,185,896,000	602,946,000	602,946,000	183,199,000	80.2%	80.2%	79.8%
	Low	17,986,000	-26,285,000	-26,285,000	-30,806,000	-146.1%	-146.1%	-171.3%
	Mean	283,990,900	142,160,200	142,160,200	58,787,300	34.5%	34.5%	11.5%
	Median	161,739,500	61,808,000	61,808,000	41,473,000	52.7%	52.7%	25.0%

SUNWEST

Valuation Date : March 1, 2009

Market Approach - Market Comparable Comparison, Prior Fiscal Year

Comparable Company	Fiscal Year	Prior Fiscal Year				Margins		
		Revenue	EBITDA	EBIT	Net Income	EBITDA	EBIT	Net Income
HEALTH CARE REIT INC	2007	\$486,022,000	\$259,024,000	\$259,024,000	\$100,057,000	53.3%	53.3%	20.6%
HCP INC	2007	1,073,971,000	542,143,000	542,143,000	139,633,000	50.5%	50.5%	13.0%
NATIONWIDE HEALTH PROP	2007	377,241,000	247,460,000	247,460,000	132,535,000	65.6%	65.6%	35.1%
UNIVERSAL HLTH RLTY I TR	2007	32,529,000	21,413,000	21,413,000	19,664,000	65.8%	65.8%	60.5%
NATIONAL HEALTH INVESTOR	2007	75,186,000	58,960,000	58,960,000	79,041,000	78.4%	78.4%	105.1%
OMEGA HEALTHCARE INVEST	2007	160,213,000	111,683,000	111,683,000	57,675,000	69.7%	69.7%	36.0%
LTC PROPERTIES INC	2007	74,790,000	52,996,000	52,996,000	30,773,000	70.9%	70.9%	41.1%
HEALTHCARE REALTY TRUST	2007	212,593,000	67,055,000	67,055,000	16,677,000	31.5%	31.5%	7.8%
MEDICAL PROPERTIES TRUST	2007	96,650,921	68,246,451	68,246,451	40,009,949	70.6%	70.6%	41.4%
CARE INVESTMENT TRUST	2007	12,916,000	(1,423,000)	(1,423,000)	(1,557,000)	-11.0%	-11.0%	-12.1%
	High	1,073,971,000	542,143,000	542,143,000	139,633,000	78.4%	78.4%	105.1%
	Low	12,916,000	-1,423,000	-1,423,000	-1,557,000	-11.0%	-11.0%	-12.1%
	Mean	260,211,192	142,755,745	142,755,745	61,450,795	54.5%	54.5%	34.9%
	Median	128,431,961	67,650,726	67,650,726	48,842,475	65.7%	65.7%	35.6%

SUNWEST

Valuation Date : March 1, 2009

Market Approach - Market Comparable Comparison, Growth

Comparable Company	Annual Growth [1]				5-Year Compounded Annual Growth [2]				
	Revenue	EBITDA	EBIT	Net Income	Revenue	EBITDA	EBIT	Net Income	
HEALTH CARE REIT INC	13.4%	8.2%	8.2%	27.0%	21.7%	15.6%	15.6%	15.2%	
HCP INC	10.4%	11.2%	11.2%	31.2%	29.0%	23.5%	23.5%	7.6%	
NATIONWIDE HEALTH PROP	-0.7%	-17.4%	-17.4%	-24.2%	18.7%	12.6%	12.6%	14.0%	
UNIVERSAL HLTH RLTY I TR	-4.0%	-34.4%	-34.4%	-40.7%	-4.0%	-13.5%	-13.5%	-14.4%	
NATIONAL HEALTH INVESTOR	-7.6%	-5.4%	-5.4%	-29.8%	-19.7%	-4.7%	-4.7%	0.4%	
OMEGA HEALTHCARE INVEST	28.5%	9.6%	9.6%	17.9%	22.8%	20.9%	20.9%	NM	
LTC PROPERTIES INC	-7.3%	-10.7%	-10.7%	-10.7%	0.9%	-0.7%	-0.7%	18.0%	
HEALTHCARE REALTY TRUST	1.9%	-21.3%	-21.3%	8.9%	-1.9%	-13.4%	-13.4%	-22.3%	
MEDICAL PROPERTIES TRUST	21.7%	-0.6%	-0.6%	-32.0%	77.6%	95.9%	95.9%	56.1%	
CARE INVESTMENT TRUST	39.3%	NM	NM	NM	NM	NM	NM	NM	
	High	39.3%	11.2%	11.2%	31.2%	77.6%	95.9%	95.9%	56.1%
	Low	-7.6%	-34.4%	-34.4%	-40.7%	-19.7%	-13.5%	-13.5%	-22.3%
	Mean	9.6%	-6.8%	-6.8%	-5.8%	16.1%	15.1%	15.1%	9.3%
	Median	6.2%	-5.4%	-5.4%	-10.7%	18.7%	12.6%	12.6%	10.8%

SUNWEST

Valuation Date : March 1, 2009

Market Approach - Market Comparable Comparison, Market Value

Comparable Company	Ticker Symbol	Fiscal Year End Month	Most Recent Quarter End	Shares Outstanding [1]	Price Per Share [2]	Market Value of Equity	Less: Cash [3]	Add: Debt [4]	Market Value of Invested Capital (MVIC)	Book Value of Common Equity	Book Value as % of MVIC	Total Assets
HEALTH CARE REIT INC	HCN	December	2009/03	111,129,000	\$30.77	\$3,419,439,330	\$0	\$2,869,087,000	\$6,308,526,330	\$3,151,393,000	50.0%	\$6,143,081,000
HCP INC	HCP	December	2009/03	253,975,000	18.27	4,640,123,250	0	6,471,048,000	11,111,169,250	\$4,844,089,000	43.6%	\$11,801,289,000
NATIONWIDE HEALTH PROP	NHP	December	2009/03	102,594,000	20.26	2,078,554,440	0	1,548,905,000	3,627,459,440	\$1,890,877,000	46.6%	\$3,419,980,000
UNIVERSAL HLTH RLTY I TR	UHT	December	2009/03	11,898,000	31.21	370,400,280	0	83,680,000	454,080,280	\$142,460,000	31.4%	\$229,538,000
NATIONAL HEALTH INVESTOR	NHI	December	2009/03	27,583,000	23.85	657,854,550	0	2,762,000	660,816,550	\$427,460,000	64.7%	\$449,884,000
OMEGA HEALTHCARE INVEST	OHI	December	2009/03	82,408,000	13.13	1,082,017,040	0	648,181,000	1,730,198,040	\$878,061,000	39.2%	\$1,354,802,000
LTC PROPERTIES INC	LTC	December	2009/03	23,174,000	17.06	395,348,440	0	189,935,000	585,283,440	\$287,477,000	45.7%	\$501,001,000
HEALTHCARE REALTY TRUST	HR	December	2009/03	59,308,000	14.49	859,387,410	0	952,735,000	1,812,122,410	\$784,327,000	43.8%	\$1,847,468,000
MEDICAL PROPERTIES TRUST	MPW	December	2009/03	80,144,000	3.49	279,702,560	0	583,246,000	842,948,560	\$690,086,000	81.9%	\$1,309,854,000
CARE INVESTMENT TRUST	CRE	December	2009/03	20,045,000	5.30	106,236,500	0	82,198,000	188,436,500	\$240,210,000	127.5%	\$332,420,000

Notes:

[1] As of most recent public filing.

[2] Share prices as of 3/1/2009.

[3] As of most recent public filing - Cash includes Marketable Securities.

[4] As of most recent public filing - Debt includes Preferred Equity, Capitalized Lease Obligations and Minority Interest.

SUNWEST

Valuation Date - March 1, 2009

Market Approach - Market Comparable Comparison, Selected Fundamentals

Comparable Company	Market Value of Invested Capital (MVIC)	Market Value of Equity (MVE)	LTM Revenue	Last FYE Revenue	Prior FYE Revenue	LTM EBITDA	Last FYE EBITDA	Prior FYE EBITDA	LTM EBIT	Last FYE EBIT	Prior FYE EBIT	LTM Net Income	Last FYE Net Income	Prior FYE Net Income	Book Value of Common Equity
HEALTH CARE REIT INC	\$6,308,526,330	\$3,419,438,330	\$581,368,000	\$551,214,000	\$466,022,000	\$285,835,000	\$280,390,000	\$259,024,000	\$285,835,000	\$280,390,000	\$259,024,000	\$139,705,000	\$127,036,000	\$100,057,000	\$3,151,383,000
HCP INC	11,111,169,250	4,840,123,250	1,173,053,000	1,195,806,000	1,073,971,000	594,141,000	602,946,000	542,143,000	594,141,000	602,946,000	542,143,000	\$280,874,000	\$183,199,000	\$139,833,000	4,844,069,000
NATIONWIDE HEALTH PROP	3,827,459,440	2,079,554,440	385,066,000	374,569,000	377,241,000	209,028,000	204,413,000	247,460,000	209,029,000	204,413,000	247,460,000	\$108,367,000	\$100,563,000	\$132,535,000	1,890,877,000
UNIVERSAL HLTH RLTY I TR	454,060,280	370,400,280	32,332,000	31,236,000	32,529,000	14,814,000	14,044,000	21,413,000	14,814,000	14,044,000	21,413,000	\$12,141,000	\$11,853,000	\$19,864,000	142,460,000
NATIONAL HEALTH INVESTOR	680,616,556	657,854,556	68,052,000	69,492,000	75,186,000	54,568,000	55,759,000	68,860,000	54,568,000	55,759,000	68,860,000	\$57,142,000	\$58,451,000	\$79,941,000	427,460,000
OMEGA HEALTHCARE INVEST	1,730,199,040	1,082,017,040	218,573,000	205,863,000	190,213,000	128,180,000	122,423,000	111,683,000	128,180,000	122,423,000	111,683,000	\$76,311,000	\$67,877,000	\$57,875,000	679,061,000
LTC PROPERTIES INC	585,283,440	395,346,440	69,226,000	69,357,000	74,790,000	47,117,000	47,306,000	52,989,000	47,117,000	47,306,000	52,989,000	\$27,377,000	\$27,465,000	\$30,773,000	267,477,000
HEALTHCARE REALTY TRUST	1,812,122,410	859,367,410	227,526,000	216,681,000	212,563,000	53,228,000	52,748,000	67,055,000	53,228,000	52,748,000	67,055,000	\$20,284,000	\$18,158,000	\$16,677,000	794,327,000
MEDICAL PROPERTIES TRUST	842,948,580	279,702,580	126,473,093	117,616,000	96,650,821	71,812,820	67,857,000	68,248,451	71,812,820	67,857,000	68,248,451	\$26,817,888	\$27,205,000	\$40,008,949	690,096,000
CARE INVESTMENT TRUST	188,438,500	106,236,500	20,947,000	17,988,000	12,916,000	(22,546,000)	(26,285,000)	(1,423,000)	(22,546,000)	(26,285,000)	(1,423,000)	(\$28,762,000)	(\$30,806,000)	(\$1,657,000)	240,210,000

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Valuation Date : March 1, 2009

Market Approach - Market Comparable Balance Sheets, EOY

	HEALTH CARE REIT INC	HCP INC	NATIONWID E HEALTH PROP	UNIVERSAL HLTH RLTY I TR	NATIONAL HEALTH INVESTOR	OMEGA HEALTHCA RE INVEST	LTC PROPERTIE S INC	HEALTHCA RE REALTY TRUST	MEDICAL PROPERTIE S TRUST	CARE INVESTMEN T TRUST
As of Date:	2008/12	2008/12	2008/12	2008/12	2008/12	2008/12	2008/12	2008/12	2008/12	2008/12
\$000's	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance Sheets										
Cash and Due from Banks	\$23,370	57,562	82,250	618	100,242	209	21,118	4,138	11,748	31,800
Restricted Cash	\$154,070	35,078	0	0	0	6,294	0	0	0	0
Investment Securities, Net	\$1,030	921,163	54,299	56,462	64,726	29,864	6,468	0	0	64,890
Loans	\$482,885	1,076,633	159,899	0	108,640	0	78,301	0	108,523	159,916
Allowance for Loans and Lease Losses	(\$7,500)	(241)	0	0	0	0	(760)	0	0	0
Premises and Equipment	\$5,378,794	8,710,091	2,910,101	154,649	181,332	1,120,158	372,142	1,634,364	1,141,631	105,130
Other Receivables	\$136,690	34,211	6,066	2,927	1,734	75,037	16,795	59,001	32,840	0
Accrued Interest	\$0	0	0	0	0	0	2,010	0	0	1,045
Intangible Assets	\$0	507,100	109,434	0	0	0	0	0	0	4,295
Other Assets	\$23,579	508,229	136,076	6,400	432	132,905	9,979	167,277	16,698	3,830
Total Assets	\$6,193,118	11,849,826	3,458,125	221,056	457,106	1,364,467	506,053	1,864,780	1,311,440	370,906
Interest Bearing Deposits	\$0	0	0	893	0	0	0	0	0	0
Short-Term Debt	\$0	2,263,943	0	0	0	63,500	0	0	0	0
Other Liabilities	\$107,157	292,839	0	3,196	115	28,282	5,015	83,837	29,755	8,151
Accrued Interest Payables	\$0	0	0	190	0	0	251	0	0	0
Other Payables	\$0	211,691	144,566	0	23,389	0	3,022	45,937	24,718	1,625
Minority Interest	\$10,603	206,569	81,460	167	0	0	3,134	0	243	0
Long Term Debt	\$2,863,772	3,673,513	1,491,432	71,692	3,987	484,697	38,753	940,188	638,366	119,998
Total Liabilities	\$2,981,532	6,648,555	1,697,458	76,128	27,491	576,479	48,175	1,069,960	693,082	129,774
Preferred Stock Equity	\$289,929	285,173	74,918	0	0	108,488	189,560	0	0	0
Common Par	\$104,635	253,601	10,228	119	276	8,238	231	592	65	21
Additional Paid In Capital	\$3,180,628	4,873,727	1,786,193	189,347	458,911	1,054,157	321,979	1,490,535	675,253	299,656
Cumulative Translation Adjustment	\$0	(798)	0	0	0	0	0	0	0	0
Retained Earnings	(\$361,453)	(130,088)	0	(44,538)	(40,360)	440,277	(588,192)	(689,846)	(56,698)	(50,215)
Treasury Stock	(\$5,145)	0	0	0	0	0	0	0	(262)	(8,330)
Other Equity Adjustments	\$2,992	(13,550)	(110,672)	0	0	(823,172)	534,300	(6,461)	0	0
Net Unrealized Loss/Gain on Investments	\$0	(68,814)	0	0	10,788	0	0	0	0	0
Total Equity	\$3,211,586	5,201,271	1,760,667	144,928	429,615	787,988	457,878	794,820	618,358	241,132
Total Liabilities & Shareholders' Equity	\$6,193,118	11,849,826	3,458,125	221,056	457,106	1,364,467	506,053	1,864,780	1,311,440	370,906

SUNWEST										
Valuation Date : March 1, 2009										
Market Approach - Market Comparable Balance Sheets Common Size, EOY										
	HEALTH CARE REIT INC	HCP INC	NATIONWID E HEALTH PROP	UNIVERSAL HLTH RLTY ITR	NATIONAL HEALTH INVESTOR	OMEGA HEALTHCA RE INVEST	LTC PROPERTIE S INC	HEALTHCA RE REALTY TRUST	MEDICAL PROPERTIE S TRUST	CARE INVESTMEN T TRUST
As of Date:	2008/12 %	2008/12 %	2008/12 %	2008/12 %	2008/12 %	2008/12 %	2008/12 %	2008/12 %	2008/12 %	2008/12 %
Balance Sheets										
Cash and Due from Banks	0.38%	0.49%	2.38%	0.28%	21.93%	0.02%	4.17%	0.22%	0.90%	8.57%
Restricted Cash	2.49%	0.30%	0.00%	0.00%	0.00%	0.46%	0.00%	0.00%	0.00%	0.00%
Investment Securities, Net	0.02%	7.77%	1.57%	25.54%	14.16%	2.19%	1.28%	0.00%	0.00%	17.49%
Loans	7.80%	9.09%	4.62%	0.00%	23.77%	0.00%	15.47%	0.00%	8.28%	43.11%
Allowance for Loans and Lease Loss	-0.12%	0.00%	0.00%	0.00%	0.00%	0.00%	-0.15%	0.00%	0.00%	0.00%
Premises and Equipment	86.85%	73.50%	84.15%	69.96%	39.67%	82.09%	73.54%	87.64%	87.05%	28.34%
Other Receivables	2.21%	0.29%	0.18%	1.32%	0.38%	5.50%	3.32%	3.16%	2.50%	0.00%
Accrued Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.40%	0.00%	0.00%	0.28%
Intangible Assets	0.00%	4.28%	3.16%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.16%
Other Assets	0.38%	4.29%	3.93%	2.90%	0.09%	9.74%	1.97%	8.97%	1.27%	1.03%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Interest Bearing Deposits	0.00%	0.00%	0.00%	0.40%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Short-Term Debt	0.00%	19.11%	0.00%	0.00%	0.00%	4.65%	0.00%	0.00%	0.00%	0.00%
Other Liabilities	1.73%	2.47%	0.00%	1.45%	0.03%	2.07%	0.99%	4.50%	2.27%	2.20%
Accrued Interest Payables	0.00%	0.00%	0.00%	0.09%	0.00%	0.00%	0.05%	0.00%	0.00%	0.00%
Other Payables	0.00%	1.79%	4.18%	0.00%	5.12%	0.00%	0.60%	2.46%	1.88%	0.44%
Minority Interest	0.17%	1.74%	1.78%	0.08%	0.00%	0.00%	0.62%	0.00%	0.02%	0.00%
Long Term Debt	46.24%	31.00%	43.13%	32.43%	0.87%	35.52%	7.26%	50.42%	48.68%	32.35%
Total Liabilities	48.14%	56.11%	49.09%	34.44%	6.01%	42.25%	9.52%	57.38%	52.85%	34.99%
Preferred Stock Equity	4.68%	2.41%	2.17%	0.00%	0.00%	7.95%	37.46%	0.00%	0.00%	0.00%
Common Par	1.69%	2.14%	0.30%	0.05%	0.06%	0.60%	0.05%	0.03%	0.00%	0.01%
Additional Paid In Capital	51.36%	41.13%	51.65%	85.66%	100.39%	77.26%	63.63%	79.93%	51.49%	80.79%
Cumulative Translation Adjustment	0.00%	-0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Retained Earnings	-5.84%	-1.10%	0.00%	-20.15%	-8.83%	32.27%	-116.23%	-36.99%	-4.32%	-13.54%
Treasury Stock	-0.08%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-0.02%	-2.25%
Other Equity Adjustments	0.05%	-0.11%	-3.20%	0.00%	0.00%	-60.33%	105.58%	-0.35%	0.00%	0.00%
Net Unrealized Loss/Gain on Investm	0.00%	-0.56%	0.00%	0.00%	2.36%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Equity	51.86%	43.89%	50.91%	65.56%	93.99%	57.75%	90.48%	42.62%	47.15%	65.01%
Total Liabilities & Shareholders' Equit	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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Valuation Date : March 1, 2009

Market Approach - Market Comparable Income Statements, EOY

	HEALTH CARE REIT INC	HCP INC	NATIONWID E HEALTH PROP	UNIVERSAL HLTH RLTY I TR	NATIONAL HEALTH INVESTOR	OMEGA HEALTHCA RE INVEST	LTC PROPERTIE S INC	HEALTHCA RE REALTY TRUST	MEDICAL PROPERTIE S TRUST	CARE INVESTMEN T TRUST
For LTM Ended:	2008/12	2008/12	2008/12	2008/12	2008/12	2008/12	2008/12	2008/12	2008/12	2008/12
\$000's	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Loans	0	0	0	0	9,666	0	9,708	2,207	0	15,794
Other Interest Income	40,063	156,752	24,980	0	0	9,802	2,087	2,440	29,872	395
Total Interest Income	40,063	156,752	24,980	0	9,666	9,802	11,795	4,647	29,872	16,189
Other Interest Expense	130,813	348,402	101,045	2,391	308	39,746	4,114	42,126	40,652	4,521
Total Interest Expense	130,813	348,402	101,045	2,391	308	39,746	4,114	42,126	40,652	4,521
Net Interest Income (Expense)	(90,750)	(191,650)	(76,065)	(2,391)	9,358	(29,944)	7,681	(37,479)	(10,780)	11,668
Provision for Loan Loss	94	0	0	0	0	0	0	0	0	0
Other Service Charges	0	5,923	0	0	0	0	0	0	0	0
Security Transactions	0	0	0	0	(410)	0	0	0	0	(4,668)
Other Non-Interest Income	511,151	1,023,221	349,588	31,236	60,236	196,061	57,562	212,034	87,744	6,465
Total Non-Interest Income	511,151	1,029,144	349,588	31,236	59,826	196,061	57,562	212,034	87,744	1,797
Salaries and Employee Benefits	47,193	75,686	26,051	0	3,585	11,701	0	23,514	24,198	6,623
Net Occupancy Expense	43,990	0	26,631	0	0	0	0	82,420	0	0
Other Non-Interest Expense	179,547	507,264	117,473	17,192	10,148	71,739	22,051	57,998	25,561	37,648
Total Non-Interest Expense	270,730	582,950	170,155	17,192	13,733	83,440	22,051	163,932	49,759	44,271
Special Income/Charges	2,094	(24,660)	4,641	0	0	(5,058)	0	7,535	0	0
Income Before Taxes	149,577	254,544	103,368	11,653	55,451	82,677	43,192	10,623	27,205	(30,806)
Income Taxes	1,306	4,292	0	0	0	(72)	0	0	0	0
Minority Interest	126	21,263	(131)	0	0	0	307	0	0	0
Net Income from Continuing Operations	150,239	204,329	108,140	11,653	55,451	77,691	42,885	18,158	27,205	(30,806)
Net Income from Discontinued Ops.	137,872	244,166	159,998	0	2,059	446	92	23,534	7,282	0
Net Income from Total Operations	288,111	448,495	268,138	11,653	57,510	78,137	42,977	41,692	34,487	(30,806)
Total Net Income	288,111	448,495	268,138	11,653	57,510	78,137	42,977	41,692	34,487	(30,806)
Preferred Dividends	23,201	21,130	7,637	0	0	9,714	15,390	0	0	0
Per Share Data										
Basic Weighted Shares	93,732	237,301	97,246	11,851	27,706	75,127	22,974	51,547	62,038	20,953
Basic EPS from Continuing Operations	1.36	0.77	1.03	0.98	2.00	0.93	1.24	0.35	0.44	(1.47)
Basic EPS from Total Operations	2.83	1.80	2.68	0.98	2.08	0.94	1.24	0.81	0.56	(1.47)
Diluted Weighted Shares	94,309	238,296	98,855	11,851	27,732	75,213	22,974	52,565	62,144	20,953
Diluted EPS from Continuing Operations	1.35	0.77	1.02	0.98	2.00	0.93	1.24	0.35	0.44	(1.47)
Diluted EPS from Total Operations	2.81	1.79	2.64	0.98	2.07	0.94	1.24	0.79	0.55	(1.47)
Dividends Paid Per Share	2.70	1.82	1.76	2.34	3.22	1.19	1.56	1.54	1.08	0.88

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Valuation Date : March 1, 2009

Market Approach - Market Comparable Income Statements Common Size, EOY

	HEALTH CARE REIT INC	HCP INC	NATIONWID E HEALTH PROP	UNIVERSAL HLTH RLTY I TR	NATIONAL HEALTH INVESTOR	OMEGA HEALTHCA RE INVEST	LTC PROPERTIE S INC	HEALTHCA RE REALTY TRUST	MEDICAL PROPERTIE S TRUST	CARE INVESTMEN T TRUST
For LTM Ended:	2008/12 %	2008/12 %	2008/12 %	2008/12 %	2008/12 %	2008/12 %	2008/12 %	2008/12 %	2008/12 %	2008/12 %
Income Statements (unadjusted)										
Loans	0.00%	0.00%	0.00%	0.00%	16.16%	0.00%	16.87%	1.04%	0.00%	878.91%
Other Interest Income	7.84%	15.23%	7.15%	0.00%	0.00%	5.00%	3.63%	1.15%	34.04%	21.98%
Total Interest Income	7.84%	15.23%	7.15%	0.00%	16.16%	5.00%	20.49%	2.19%	34.04%	900.89%
Other Interest Expense	25.59%	33.85%	28.90%	7.65%	0.51%	20.27%	7.15%	19.87%	48.33%	251.59%
Total Interest Expense	25.59%	33.85%	28.90%	7.65%	0.51%	20.27%	7.15%	19.87%	46.33%	251.59%
Net Interest Income (Expense)	-17.75%	-18.62%	-21.76%	-7.65%	15.64%	-15.27%	13.34%	-17.68%	-12.28%	649.30%
Provision for Loan Loss	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Service Charges	0.00%	0.58%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Security Transactions	0.00%	0.00%	0.00%	0.00%	-0.69%	0.00%	0.00%	0.00%	0.00%	-258.77%
Other Non-Interest Income	100.00%	99.42%	100.00%	100.00%	100.69%	100.00%	100.00%	100.00%	100.00%	359.77%
Total Non-Interest Income	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Salaries and Employee Benefits	9.23%	7.35%	7.45%	0.00%	5.99%	5.97%	0.00%	11.09%	27.58%	368.56%
Net Occupancy Expense	8.61%	0.00%	7.62%	0.00%	0.00%	0.00%	0.00%	38.87%	0.00%	0.00%
Other Non-Interest Expense	35.13%	49.29%	33.60%	55.04%	16.96%	36.59%	38.31%	27.35%	29.13%	2095.05%
Total Non-Interest Expense	52.96%	56.64%	48.67%	55.04%	22.95%	42.56%	38.31%	77.31%	56.71%	2463.61%
Special Income/Charges	0.41%	-2.40%	1.33%	0.00%	0.00%	-2.58%	0.00%	3.55%	0.00%	0.00%
Income Before Taxes	28.26%	24.73%	28.57%	37.31%	92.69%	42.17%	75.04%	5.01%	31.00%	-1714.30%
Income Taxes	0.28%	0.42%	0.00%	0.00%	0.00%	-0.04%	0.00%	0.00%	0.00%	0.00%
Minority Interest	0.02%	2.07%	-0.04%	0.00%	0.00%	0.00%	0.53%	0.00%	0.00%	0.00%
Net Income from Continuing Operations	29.39%	19.85%	30.83%	37.31%	92.69%	39.63%	74.50%	8.56%	31.00%	-1714.30%
Net Income from Discontinued Ops.	26.97%	23.73%	45.77%	0.00%	3.44%	0.23%	0.16%	11.10%	8.30%	0.00%
Net Income from Total Operations	56.37%	43.58%	76.70%	37.31%	96.13%	39.85%	74.66%	19.66%	39.30%	-1714.30%
Total Net Income	56.37%	43.58%	76.70%	37.31%	96.13%	39.85%	74.66%	19.66%	39.30%	-1714.30%

APPENDIX B

**ASSISTED LIVING FACILITY STOCKS AND REITS DURING FIRST FIVE MONTHS OF
2009**

During the first five months of 2009, seniors housing and skilled nursing stock prices were generally up as revenue per unit increased 3-5% over 2008 levels allowing companies to keep cash flow stable and/or growing in the current tough economic environment. Moreover, concerns regarding declines in occupancy rates seem to have been over-inflated, especially in light of declines in new facility development.

Company	Ticker	Price	Adj.P/E	%	Price	Adj.P/E	%
		12/31/2008	12/31/2008	Chg 2008	5/29/2009	5/29/2009	Chg 2009
Skilled Nursing							
Advocat	AVCA	2.95	7.5	-73	3.52	8.9	19
Ensign Group	ENSG	16.74	6.9	16	14.9	5.7	-11
Kindred Healthcare	KND	13.02	9	-48	13.13	6.7	1
National HealthCare	NHC	50.64	7.2	-2	38.41	8.4	-24
Skilled Healthcare Group	SKH	8.44	7.9	-42	9.41	7.3	11
Sun Healthcare	SUNH	8.85	7.7	-48	9.27	7.1	5
Assisted/Independent Living							
Assisted Living Concepts	ALC	4.15	8.9	-45	15.34	8	-26
Brookdale Senior Living	BKD	5.58	10.6	-80	11.59	10.5	108
Capital Senior Living	CSU	2.98	8.5	-70	4.43	9.4	49
Emeritus Assisted Living	ESC	10.03	12.2	-60	14.37	13.2	43
Five Star Quality Care	FVE	1.53	9.5	-82	2.11	9.4	38
Sunrise Senior Living	SRZ	1.68	NA	-95	2.41	NA	43

Total returns on healthcare REITs were likewise down in 2008, with only 3 of the 11 REITs posting positive returns when dividends are included. Overall, price declines for the 11 healthcare REITs averaged 13.1% as compared to a decline of 38.5% for the S&P 500.

During the first five months of 2009, average prices for healthcare REITs were down on average 4.9% as compared to a gain of 1.8% for the S&P 500.

Company	Ticker	Price	% Yield	%	Dividends	Price	% Yield	%
		12/31/2008	12/31/2008	Chg. 2008	2008	5/29/2009	5/29/2009	Chg. 2009
Care Investment Trust	CRE	7.79	8.7	-27	1.19	5.95	11.4	-24
HCP, Inc.	HCP	27.77	6.6	-20	2.28	23.23	7.9	-16
Health Care REIT	HCN	42.2	6.4	-6	2.72	34.25	7.9	-19
Healthcare Realty Trust	HR	12.48	6.6	-8	2.34	16.47	9.4	-32
LTC Properties	LTC	20.28	7.7	-19	1.54	20.81	7.5	3
National Health Investors	NHI	27.43	8	-2	0.76	26.43	8.3	-4
Nationwide Health Properties	NHP	28.72	6.1	-8	1.56	26.57	6.6	-8
Omega Healthcare Investors	OHI	15.97	7.5	0	1.4	15.97	7.5	0
Senior Housing Properties Trust	SNH	17.92	7.8	-21	1.82	16.75	8.4	-7
Universal Health Realty	UHT	32.91	7.1	-7	0.68	32.06	7.3	-3
Ventas	VTR	33.57	6.1	-26	2.05	30.36	6.8	-10

APPENDIX C
TRENDS IN CAPITALIZATION RATES (1994-2008)

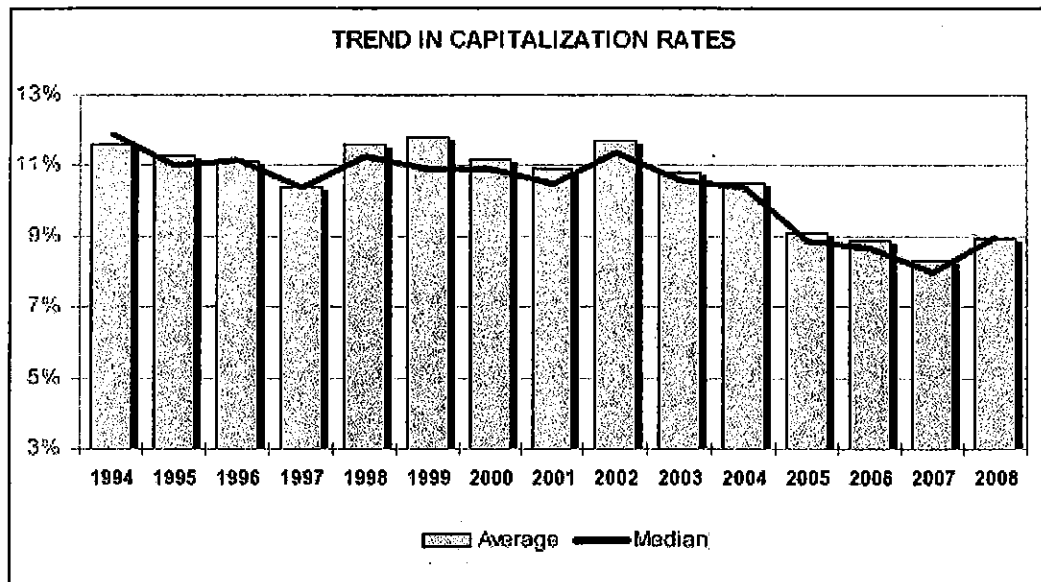
STATISTICS ON FINANCIAL INDICATORS

Trend in Capitalization Rates (1994 – 2008)

The capitalization rate for assisted and independent living communities is calculated in the same manner as for skilled nursing facilities, which is described previously in the nursing facility section of this Report under “Trend in Capitalization Rates.” The average rate in each of the years below is the combined average for assisted living and independent living facilities. Later in the Report they will be separated by property type.

From 2002 through 2007, seniors housing cap rates declined by an unprecedented 340 basis points as a result of strong investor demand, low interest rates, abundant debt and equity capital, and higher quality properties available for sale. One could easily argue that they never should have been as high as 11.8%, on average, but no one would win an argument as to where they should have bottomed out. As can be seen below, while the decline in seniors housing cap rates was somewhat steady, the decline seemed to plateau every two years, except for 2007 which was just a one-year bottom. By 2008, with the cost of debt rising amid a decrease in its availability, the five-year trend of decreasing cap rates finally came to an end. This was not a surprise, and the 60 basis point increase in cap rates was at the low end of the range of most people’s expectations, which implies that we may see another increase in 2009. High-quality properties will still command premium prices and aggressive cap rates, just not as aggressive as the two years prior to 2008.

The average cap rate, in the order shown below, is as follows: 11.6%, 11.3%, 11.1%, 10.4%, 11.6%, 11.8%, 11.2%, 10.9%, 11.7%, 10.8%, 10.5%, 9.1%, 8.9%, 8.3% and 8.9%. The median cap rate is as follows: 11.9%, 11.0%, 11.2%, 10.4%, 11.3%, 10.9%, 10.9%, 10.5%, 11.4%, 10.6%, 10.4%, 8.9%, 8.7%, 8.0% and 9.0%.



APPENDIX D

LONG-TERM CARE TRANSACTIONS IN JANUARY AND FEBRUARY OF 2009

Received

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Health Capital Consultants, LLC

TARGET:	<i>Five Centex skilled nursing facilities</i>	ACQUIRER:	<i>Real estate investor</i>
SECTOR:	Long-Term Care	SECTOR:	
LISTING:	Private	LISTING:	Private
LOCATION:	Panhandle of, Texas	CEO:	PHONE:
UNITS:	408 (beds)		FAX:
REVENUE:	\$11,500,000		, California
NET INCOME :	\$1,475,000 (EBITDA)	WEBSITE:	

TARGET DESCRIPTION :

Centex Management Company is selling five skilled nursing facilities with a combined total of 408 beds. At the time of sale, they were 58% occupied. Census was 70% Medicaid, 25% private pay and 5% Medicare.

ACQUIRER DESCRIPTION :

The buyer is a real estate investor and owner based in California.

ANNOUNCEMENT DATE: 1/30/2009
PRICE: \$11,000,000
TERMS: Not disclosed

PRICE PER UNIT: \$26,961
PRICE/REVENUE: 0.96
PRICE/INCOME: 7.46

COMMENTS:

The five facilities are located throughout the Texas Panhandle. They were built between 1958 and 1978, and have been upgraded with several renovations over the past 10 years. The buyer has leased them to a regional operator based in the Dallas-Fort Worth metroplex. The new operator plans to place a greater focus on therapy, which should tend to increase the Medicare census. Cash flow should also be improved by changes to Medicaid reimbursement in late 2008. Senior Living Investment Brokerage handled the transaction.

Source: The Health Care M&A Information Service
www.healthcaremanda.com

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TARGET:	Westminster Pines	ACQUIRER:	Regional operator
SECTOR:	Long-Term Care	SECTOR:	Long-Term Care
LISTING:	Nonprofit	LISTING:	Private
LOCATION:	Bradenton, Florida	CEO:	PHONE:
UNITS:	60		FAX:
REVENUE:	\$1,592,000		South, Florida
NET INCOME :	\$5,000 (EBITDA)	WEBSITE:	

TARGET DESCRIPTION :

A CCRC operator is selling Westminster Pines, a 60-unit assisted living facility. Built in 1989, the facility was 77% occupied at the time of sale.

ACQUIRER DESCRIPTION :

The buyer is an operator of seniors housing properties based in South Florida.

ANNOUNCEMENT DATE: 1/15/2009
PRICE: \$3,275,000
TERMS: Not disclosed

PRICE PER UNIT: \$54,583
PRICE/REVENUE: 2.06
PRICE/INCOME: 655.00

COMMENTS:

The seller originally acquired this facility from another not-for-profit in 2005 when it was basically an SSI facility that had lost its funding from the state. The current seller transitioned it to private pay, but could never stabilize it. It was the only stand-alone ALF owned by the current seller. The buyer plans to reposition the facility, focus on memory care and market it more strenuously. Senior Living Investment Brokerage handled the transaction.

Source: The Health Care M&A Information Service
www.healthcaremnda.com

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TARGET:	Brookridge Assisted Living Facility	ACQUIRER:	Capital Health Group, LLC
SECTOR:	Long-Term Care	SECTOR:	Private equity
LISTING:	Nonprofit	LISTING:	Private
LOCATION:	Marquette, Michigan	CEO:	Ken Assiran
UNITS:	40	PHONE:	410-342-3155
REVENUE:	\$1,247,000	FAX:	410-342-7101
NET INCOME :	\$221,000 (EBITDA)	1422 Clarkview Rd.	Baltimore, Maryland 21209
		WEBSITE:	http://www.capfundinc.com

TARGET DESCRIPTION :

Marquette General Hospital is selling Brookridge Assisted Living Facility, a 40-unit ALF. Built in 1998, at the time of sale it was 100% occupied.

ACQUIRER DESCRIPTION :

An affiliate of Capital Funding Group, Capital Health Group is a private equity company specializing in making debt and equity investments in the senior housing industry. Contact information below is for Capital Funding Group.

ANNOUNCEMENT DATE: 2/12/2009
PRICE: \$2,750,000
TERMS: Not disclosed

PRICE PER UNIT: \$68,750
PRICE/REVENUE: 2.21
PRICE/INCOME: 12.44

COMMENTS:

The seller also sold to the buyer an adjacent 34-acre parcel for an additional \$200,000, where the buyer may develop independent living units as well as additional assisted living units. Senior Living Investment Brokerage handled the transaction.

Source: The Health Care M&A Information Service
www.healthcaremnda.com

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TARGET:	Four senior care facilities	ACQUIRER:	The Ensign Group, Inc.
SECTOR:	Long-Term Care	SECTOR:	Long-Term Care
LISTING:	Nonprofit	LISTING:	NASDAQ: ENSG
LOCATION:	Englewood, Colorado	CEO:	Christopher Christensen
UNITS:	265 (beds)	PHONE:	949-487-9500
REVENUE:	\$11,500,000 (approximate)	FAX:	949-487-9400
NET INCOME :	\$1,500,000 (EBITDA)		27101 Puerta Real Mission Viejo, California 92691
		WEBSITE:	http://www.ensigngroup.net

TARGET DESCRIPTION :

American Housing Foundation of Marietta, Georgia is selling four Colorado senior care facilities: 128-bed Julia Temple Center and 48-unit Chateau des Mons in Englewood; 54-bed Arvada Nursing Center in Arvada; and 35-bed Littleton Manor in Littleton.

ACQUIRER DESCRIPTION :

The Ensign Group operates 65 senior care facilities in six Western states. On a trailing 12-month basis, ENSG generated revenue of \$469 million, EBITDA of \$58 million and net income of \$28 million.

ANNOUNCEMENT DATE: 2/3/2009
PRICE: \$10,856,000
TERMS: Not disclosed

PRICE PER UNIT: \$40,966
PRICE/REVENUE: 0.94
PRICE/INCOME: 7.24

COMMENTS:

This divestment allows the seller to exit the Colorado market. This acquisition adds 217 licensed (210 operational) skilled nursing and 48 licensed (38 operational) assisted living beds to ENSG's operations. The sales price was \$7.98 million for the Englewood facilities, \$1.7 million for the Arvada facility and \$1.23 million for the Littleton facility. The four had a combined occupancy rate of 86% at the time of acquisition.

Source: The Health Care M&A Information Service
www.healthcaremandata.com

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TARGET:	<i>Care Center of Opelika</i>	ACQUIRER:	<i>Not disclosed</i>
SECTOR:	Long-Term Care	SECTOR:	
LISTING:	Private	LISTING:	Private
LOCATION:	Opelika, Alabama	CEO:	PHONE:
UNITS:	212 (beds)		FAX:
REVENUE:	\$12,570,000		
NET INCOME :	\$550,000 (EBITDA)	WEBSITE:	

TARGET DESCRIPTION :

CareCorps Management is selling Care Center of Opelika, a 212-bed skilled nursing facility. Built in 1962, it was 90% occupied at the time of sale.

ACQUIRER DESCRIPTION :

The buyer is a small private company.

ANNOUNCEMENT DATE: 2/27/2009
PRICE: \$6,000,000
TERMS: In bankruptcy protection.

PRICE PER UNIT: \$28,302
PRICE/REVENUE: 0.48
PRICE/INCOME: 10.91

COMMENTS:

Built in 1962, the facility had a renovation and addition in 1976. It includes a 56-bed dementia unit and a 10-bed bariatric unit. It had some serious citations from the state and was a target for closure, all of which likely contributed to its entering bankruptcy protection. Marcus & Millichap represented the seller in this transaction.

Source: The Health Care M&A Information Service
www.healthcaremnda.com

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TARGET:	Carson Convalescent Center	ACQUIRER:	Not disclosed
SECTOR:	Long-Term Care	SECTOR:	Long-Term Care
LISTING:	Private	LISTING:	Private
LOCATION:	Carson City, Nevada	CEO:	PHONE:
UNITS:	73 (beds)		FAX:
REVENUE:	\$4,368,000		, California
NET INCOME :	\$270,000 (EBITDA)	WEBSITE:	

TARGET DESCRIPTION :

A private investment group is selling Carson Convalescent Center, a 73-bed skilled nursing facility. Built in 1965, it was 85% occupied at the time of sale.

ACQUIRER DESCRIPTION :

The buyer is a California-based multi-facility provider.

ANNOUNCEMENT DATE: 1/31/2009
PRICE: \$3,250,000
TERMS: Not disclosed

PRICE PER UNIT: \$44,521
PRICE/REVENUE: 0.74
PRICE/INCOME: 12.04

COMMENTS:

Although built in 1965, the building was significantly renovated in 2001. Healthcare Transactions Group initiated the transaction and provided exclusive advisory services to the seller.

Source: The Health Care M&A Information Service
www.healthcaremanda.com

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TARGET:	Harrisburg Care Center	ACQUIRER:	Petersen Health Care
SECTOR:	Long-Term Care	SECTOR:	Long-Term Care
LISTING:	Private	LISTING:	Private
LOCATION:	Harrisburg, Illinois	CEO:	Mark Petersen
UNITS:	68 (beds)	PHONE:	309-691-8113
REVENUE:	\$1,350,000	FAX:	309-691-8622
NET INCOME :			830 W. Trailcreek Drive Peoria, Illinois 61614
		WEBSITE:	http://www.petersenhealthcare.net

TARGET DESCRIPTION :

Harrisburg Care Center is a 68-bed skilled nursing facility.

ACQUIRER DESCRIPTION :

Petersen Health Care operates approximately 70 senior care facilities, primarily in Illinois, but also in Iowa and Missouri.

ANNOUNCEMENT DATE: 2/27/2009
PRICE: \$1,400,000
TERMS: Not disclosed

PRICE PER UNIT: \$20,588
PRICE/REVENUE: 1.04
PRICE/INCOME:

COMMENTS:

In its most recent fiscal year, the facility generated negative EBITDA of \$400,000 on revenue of \$1.35 million. The seller has a large portfolio of skilled nursing and assisted living facilities, so perhaps quality issues at the target facility, reflected in its low census, prompted its sale. Marcus & Millichap represented the seller in this deal. The buyer is an experienced operator in Illinois and can perhaps improve operations.

Source: The Health Care M&A Information Service
www.healthcaremanda.com

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TARGET:	<i>Rising Star Nursing Center</i>	ACQUIRER:	<i>Not disclosed</i>
SECTOR:	Long-Term Care	SECTOR:	
LISTING:	Private	LISTING:	Private
LOCATION:	Rising Star, Texas	CEO:	PHONE:
UNITS:	61 (beds)		FAX:
REVENUE:	\$1,360,000		, Texas
NET INCOME :	\$85,000 (EBITDA)	WEBSITE:	

TARGET DESCRIPTION :

Rising Star Nursing Center is a 61-bed skilled nursing facility. Built in 1965, the property was 50% occupied at the time of sale. It had census of 58% Medicaid, 14% private pay and 26% Medicare.

ACQUIRER DESCRIPTION :

The buyer is a small operator of one other seniors housing property in Texas.

ANNOUNCEMENT DATE: 2/25/2009
PRICE: \$850,000
TERMS: Not disclosed

PRICE PER UNIT: \$13,934
PRICE/REVENUE: 0.63
PRICE/INCOME: 10.00

COMMENTS:

The buyer expects to benefit from recent Medicaid changes in Texas enacted late in 2008. These changes may help the buyer boost census and revenue. Senior Living Investment Brokerage handled the transaction.

Source: The Health Care M&A Information Service
www.healthcaremnda.com

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TARGET:	Westside Care Center	ACQUIRER:	Petersen Health Care
SECTOR:	Long-Term Care	SECTOR:	Long-Term Care
LISTING:	Nonprofit	LISTING:	Private
LOCATION:	W. Frankfort, Illinois	CEO:	Mark Petersen PHONE: 309-691-8113
UNITS:	96 (beds)	830 W. Trailcreek Drive	FAX: 309-691-8622
REVENUE:	\$2,730,000	Peoria, Illinois 61614	
NET INCOME :	\$245,000	WEBSITE:	http://www.petersenhealthcare.net

TARGET DESCRIPTION :

Westside Care Center is a 96-bed skilled nursing facility. Built in 1979, it was 66% occupied at the time of sale.

ACQUIRER DESCRIPTION :

Petersen Health Care operates approximately 70 senior care facilities, primarily in Illinois, but also in Iowa and Missouri.

**ANNOUNCEMENT
DATE:** 2/27/2009
PRICE: \$1,800,000
TERMS: Not disclosed

PRICE PER UNIT: \$18,750
PRICE/REVENUE: 0.66
PRICE/INCOME: 7.35

COMMENTS:

This is one of two acquisitions that Petersen announced making at the same time; the other was a skilled nursing facility in Harrisburg, Illinois. The census of the facility was 67% Medicaid, 14% private pay and 19% Medicare. The buyer will try to improve census and revenues. Marcus & Millichap represented the seller in this deal.

Source: The Health Care M&A Information Service
www.healthcaremnda.com

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APPENDIX E
QUALIFICATIONS OF PRINCIPAL APPRAISERS

QUALIFICATIONS OF THE FIRM AND PRINCIPAL APPRAISERS

SHANNON P. PRATT, CFA, ARM, ABAR, FASA, MCBA, CM&AA

Dr. Shannon Pratt is the Chairman and CEO of Shannon Pratt Valuations, Inc. and is the founder and Editor Emeritus of Business Valuation Resources, LLC.

He has performed valuation assignments for the following purposes: transaction (acquisition, divestiture, reorganization, public offerings, public companies going private), taxation (federal income, gift, and estate and local ad valorem), financing (securitization, recapitalization, restructuring), litigation support and dispute resolution (including dissenting stockholder suits, damage cases, and corporate and marital dissolution cases), and management information and planning. He has also managed a variety of fairness opinion and solvency opinion engagements.

Dr. Pratt has testified on hundreds of occasions in such litigated matters as dissenting stockholder suits, various types of damage cases (including breach of contract, antitrust, and breach of fiduciary duty), divorces, and estate and gift tax cases.

PREVIOUS EXPERIENCE

Dr. Pratt was a professor of business administration at Portland State University from 1963 to 1969. During this time, he directed a research center known as the Investment Analysis Center, which worked closely with the University of Chicago's Center for Research in Securities Prices. He entered the business valuation profession in 1969.

EDUCATION

Doctor of Business Administration, Finance, Indiana University

Bachelor of Arts, Business Administration, University of Washington

PROFESSIONAL AFFILIATIONS

Dr. Pratt is an Accredited Senior Appraiser and Fellow (FASA), of the American Society of Appraisers (their highest designation), certified in Business Valuation and Appraisal Review and Management. He is also a Chartered Financial Analyst (CFA) of the Institute of Chartered Financial Analysts. He is certified in Appraisal Review and Management (ARM) by the American Society of Appraisers, and is Accredited in Business Appraisal Review

(ABAR) by the Institute of Business Appraisers. He is a Master Certified Business Appraiser (MCBA) of the Institute of Business Appraisers, a Master Certified Business Counselor (MCBC), and is Certified in Mergers and Acquisitions with The Alliance of Merger and Acquisition Advisors (CM&AA).

Dr. Pratt is a lifetime member emeritus of the Business Valuation Committee of the American Society of Appraisers. He is also a lifetime member emeritus of the Valuation Advisory Committee of The ESOP Association. He is a recipient of the magna cum laude award of the National Association of Certified Valuation Analysts for service to the business valuation profession. He is also the first life member of the Institute of Business Appraisers. He is a member and a past president of the Portland Society of Financial Analysts, the recipient of the 2002 Distinguished Achievement Award, and a member of the Association for Corporate Growth. Dr. Pratt is a past trustee of The Appraisal Foundation and is currently an outside director of Paulson Capital Corp., an investment banking firm.

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Books

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Publisher, *Mergerstat®/Shannon Pratt's Control Premium StudyTM*, an on-line database of acquisitions of public companies, 1995 - 2005.

Editor-in-Chief, *Shannon Pratt's Business Valuation Update®*, a monthly newsletter published by Business Valuation Resources, Portland, Oregon (also *Business Valuation Update Online*), 1995 - 2005.

Chapters and Articles

Chapters

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