

## INSTRUCTIONS:

### Use of the Fair Market Valuation Form:

- Use this form annually by March 31, so that Next Generation Trust Company may report to you and the IRS on the value of your account or any time that the value of an asset is being updated for our records.
- The form must be accompanied by supporting documentation to substantiate the value provided.

### Qualified Independent Third Party Valuator/Appraiser:

Because these valuations are used to determine the fair market value of a particular asset, a qualified, independent third party should complete the valuations/appraisals. To determine the valuation of your self-directed investment you may use a qualified, independent third party such as:

- Managing Partners
- Certified Appraisers
- Licensed Real Estate Agent or Broker
- Independent Valuation Company
- Qualified Knowledgeable Party

Below are various Internal Revenue Service guides to calculating fair market values. There may be other methods for determining the fair market value.

**Real estate:** For additional guidance to determine Fair Market Value see Internal Revenue Code 2512, Department of Treasury Regulations 25.2512-1, See Department of Treasury Regulation 25.2512-6 for further information concerning the valuation of other particular kinds of property. See §25.2702-6 for adjustments to valuations.

- The value of the property is the price at which such property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell, and both having reasonable knowledge of relevant facts. The value of a particular item of property is not the price that a forced sale of the property would produce. Nor is the fair market value of an item of property the sale price in a market other than that in which such item is most commonly sold to the public, taking into account the location of the item wherever appropriate. For providing an annual estimate of value for real estate the assessor's "market value" may be used only if adjusted. The assessed value plus/minus the local assessed value adjustments %. Adjust the "add-on" to the assessed value based on the documented local custom as this can vary from jurisdiction to jurisdiction. The estimated market value should be adjusted.

**Secured and unsecured notes, Deeds of trust and mortgages:** For additional guidance to determine Fair Market Value see Internal Revenue Code 2512 and/or Department of Treasury Regulations 25.2512-4.

- The fair market value of notes, secured or unsecured, is presumed to be the amount of unpaid principal, plus accrued interest to the date of the valuation, unless the accountholder establishes a lower value. Unless returned at face value, plus accrued interest, it must be shown by satisfactory evidence that the note is worth less than the unpaid amount (because of the interest rate, or date of maturity, or other cause), or that the note is uncollectible in part (by reason of the insolvency of the party or parties liable, or for other cause), and that the property, if any, pledged or mortgaged as security is insufficient to satisfy it.

**Private Stock, closely held corporations, stock of corporations where market quotations are not available:** For additional guidance to determine Fair Market Value see IRS Revenue Ruling 59-60 IRC Sec. 2031 (Also Section 2512.) For valuation of interests in businesses, see §25.2512-3. See §25.2512-2 and §§25.2512-4 through 25.2512-6 for further information concerning the valuation of other particular kinds of property. See §25.2702-6 for an adjustments to valuation.

- When a stock is closely held, is traded infrequently, or is traded in an erratic market, some other measure of value must be used. In many instances, the next best measure may be found in the prices at which the stocks of companies engaged in the same or a similar line of business are selling in a free and open market.

**Limited Liability Companies, Partnerships and joint ventures:** For additional guidance to determine Fair Market Value see Department of Treasury Regulations §25.2512-3. See §25.2512-2 and §§25.2512-4 through 25.2512-6. See §25.2702-6 for an adjustments to valuation.

- To arrive at an accurate valuation of any interest in a business which the accountholder transfers without an adequate and full consideration in money or money's worth. The fair market value of any interest in a business, is the net amount which a willing purchaser, whether an individual or a corporation, would pay for the interest to a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of the relevant facts. The net value is determined on the basis of all relevant factors including— (1) A fair appraisal as of the date of the valuation of all the assets of the business, tangible and intangible, including good will; (2) The demonstrated earning capacity of the business; (3) Complete financial and other data upon which the valuation is based should be submitted with the return, including copies of reports of examinations of the business made by accountants, engineers, or any technical experts as of or near the date of the valuation.

### Supporting Documentation

- Real Estate - Broker's Price Opinion or Comparative Market Analysis are acceptable. Tax assessments are not acceptable. Full appraisals are accepted but not required for Fair Market Valuations.
- Notes - Amortization Schedule showing the principal and interest payments is acceptable.
- Private Placements - Signed letter on company letterhead or a statement of value from a fund administrator are acceptable. K-1s are not acceptable.
- IRA/LLCs must include documentation on everything held within the LLC including any bank accounts, assets and liabilities.