

Form **990**

Return of Organization Exempt From Income Tax

OMB No 1545-0047

2010

Department of the Treasury
Internal Revenue Service

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Open to Public Inspection

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the **2010** calendar year, or tax year beginning **DEC 31, 2010** and ending **DEC 31, 2010**

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input checked="" type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization		D Employer identification number
	The Star Center Foundation		27-4386097
	Doing Business As		
	Number and street (or P.O. box if mail is not delivered to street address)	Room/suite	E Telephone number
5420 S Quebec Street, Ste 103			303-221-7827
City or town, state or country, and ZIP + 4		G Gross receipts \$ 330,000.	
Greenwood Village, CO 80111		H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
F Name and address of principal officer: Dr, Lucy Miller same as C above		H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No	
I Tax-exempt status: <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c)() (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		If "No," attach a list. (see instructions)	
J Website: www.starcenter.us		H(c) Group exemption number ▶	
K Form of organization: <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		L Year of formation: 2010	M State of legal domicile: CO

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities. STAR Center offers comprehensive services for clients and families living with Sensory Processing			
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets			
	3 Number of voting members of the governing body (Part VI, line 1a)	3	4	
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	4	
	5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	0	
	6 Total number of volunteers (estimate if necessary)	6	0	
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0.	
7b Net unrelated business taxable income from Form 990-B, line 34	7b	0.		
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year	
	9 Program service revenue (Part VIII, line 2g)	0.	330,000.	
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	0.	0.	
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	0.	0.	
	12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	0.	330,000.	
	Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	0.	0.
		14 Benefits paid to or for members (Part IX, column (A), line 4)	0.	0.
		15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	0.	0.
		16a Professional fundraising fees (Part IX, column (A), line 11e)	0.	0.
		b Total fundraising expenses (Part IX, column (D), line 25) ▶ 0.		
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f)		0.	0.	
18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)		0.	0.	
19 Revenue less expenses. Subtract line 18 from line 12		0.	330,000.	
Net Assets or Fund Balances		20 Total assets (Part X, line 16)	Beginning of Current Year	End of Year
	21 Total liabilities (Part X, line 26)	0.	372,121.	
	22 Net assets or fund balances. Subtract line 21 from line 20	0.	42,121.	

RECEIVED
 MAR 26 2012
 OGDEN UT
 IRS-OSSC

APR 10 2012
 SCANNED

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of officer	Date			
	<i>Lucy Miller</i>	3/20/12			
Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	PTIN
	GEORGE L. HOGE, CPA	GEORGE L. HOGE, CPA	02/16/12		
Preparer Use Only	Firm's name ▶ Whipplewood CPAs PC	Firm's EIN ▶			
	Firm's address ▶ 11852 Shaffer Drive, Bldg B Littleton, CO 80127	Phone no. (303) 989-7600			

May the IRS discuss this return with the preparer shown above? (see instructions) Yes No

5-16

2

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III

1 Briefly describe the organization's mission:
The Star Center Foundation is the premier clinic for Sensory Processing Disorder (SPD) and other sensory challenges in children, adolescents, and adults in the world.

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? Yes No
If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? Yes No
If "Yes," describe these changes on Schedule O.

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code: _____) (Expenses \$ _____ including grants of \$ _____) (Revenue \$ 330,000.)
Through its predecessor entity, the Star Center LLC, the organization sees over 200 children and families each year. The organization's clientele is about 60% local (Denver metro area) and 40% from other states and 15 foreign countries.

4b (Code: _____) (Expenses \$ _____ including grants of \$ _____) (Revenue \$ _____)

4c (Code: _____) (Expenses \$ _____ including grants of \$ _____) (Revenue \$ _____)

4d Other program services. (Describe in Schedule O.)
(Expenses \$ _____ including grants of \$ _____) (Revenue \$ _____)

4e Total program service expenses ▶

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A</i>	x	
2 Is the organization required to complete Schedule B, Schedule of Contributors?	x	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i>		x
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II</i>		x
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III</i>		
6 Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I</i>		x
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II</i>		x
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i>		x
9 Did the organization report an amount in Part X, line 21; serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV</i>		x
10 Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V</i>		x
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI</i>	x	
b Did the organization report an amount for investments - other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII</i>		x
c Did the organization report an amount for investments - program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII</i>		x
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX</i>	x	
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>		x
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X</i>		x
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII</i>		x
b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional</i>		x
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>		x
14a Did the organization maintain an office, employees, or agents outside of the United States?		x
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the United States? <i>If "Yes," complete Schedule F, Parts I and IV</i>		x
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? <i>If "Yes," complete Schedule F, Parts II and IV</i>		x
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? <i>If "Yes," complete Schedule F, Parts III and IV</i>		x
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I</i>		x
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i>		x
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i>		x
20a Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H</i>		x
b If "Yes" to line 20a, did the organization attach its audited financial statements to this return? Note. Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)		

Part IV Checklist of Required Schedules (continued)

	Yes	No
21 Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>		X
22 Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>		X
23 Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>		X
24a Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>		X
24b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		
24c Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?		
24d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		
25a Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>		X
25b Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>		X
26 Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>		X
27 Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>		X
28 Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):		
28a A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>		X
28b A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>		X
28c An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>		X
29 Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	X	
30 Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>		X
31 Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>		X
32 Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>		X
33 Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>		X
34 Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>		X
35 Is any related organization a controlled entry within the meaning of section 512(b)(13)?		X
a Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>		X
37 Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>		X
38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	X	

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response to any question in this Part V

Table with columns for question number, description, and Yes/No response. Includes questions 1a-14b regarding IRS filings and tax compliance.

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI

Section A. Governing Body and Management

	Yes	No
1a Enter the number of voting members of the governing body at the end of the tax year		
1b Enter the number of voting members included in line 1a, above, who are independent		
2 Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	X	
3 Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?		X
4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		X
5 Did the organization become aware during the year of a significant diversion of the organization's assets?		X
6 Does the organization have members or stockholders?		X
7a Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?		X
7b Are any decisions of the governing body subject to approval by members, stockholders, or other persons?		X
8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
a The governing body?	X	
b Each committee with authority to act on behalf of the governing body?	X	
9 Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		X

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

	Yes	No
10a Does the organization have local chapters, branches, or affiliates?		X
b If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?		
11a Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	X	
b Describe in Schedule O the process, if any, used by the organization to review this Form 990.		
12a Does the organization have a written conflict of interest policy? If "No," go to line 13		X
b Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?		
c Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done		
13 Does the organization have a written whistleblower policy?		X
14 Does the organization have a written document retention and destruction policy?		X
15 Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
a The organization's CEO, Executive Director, or top management official		X
b Other officers or key employees of the organization		X
If "Yes" to line 15a or 15b, describe the process in Schedule O. (See instructions.)		
16a Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?		X
b If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?		

Section C. Disclosure

- 17** List the states with which a copy of this Form 990 is required to be filed CO
- 18** Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you make these available. Check all that apply.
 Own website Another's website Upon request
- 19** Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public.
- 20** State the name, physical address, and telephone number of the person who possesses the books and records of the organization:
 The Organization - 303-221-7872
 5420 S Quebec Street #103, Greenwood Village, CO 80111-1902

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response to any question in this Part VII

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former** directors or trustees that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers, key employees, highest compensated employees, and former such persons.

Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
Dr. Lucy J. Whalen President/Exec. Director	40.00	X		X				0.	0.	0.
Dr. William R. Whalen Secretary	5.00	X		X				0.	0.	0.
Kathryn E. Miller Director	1.00	X						0.	0.	0.
Coles Whalen Director	1.00	X						0.	0.	0.

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

Table with 6 main columns: (A) Name and title, (B) Average hours per week, (C) Position (Individual trustee or director, Institutional trustee, Officer, Key employee, Highest compensated employee, Former), (D) Reportable compensation from the organization (W-2/1099-MISC), (E) Reportable compensation from related organizations (W-2/1099-MISC), (F) Estimated amount of other compensation from the organization and related organizations. Includes sub-totals for 1b, 1c, and 1d.

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 in reportable compensation from the organization 0

Table with 3 rows of questions (3, 4, 5) and 2 columns (Yes, No). Row 3: Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? Row 4: For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? Row 5: Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization?

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. NONE

Table with 3 columns: (A) Name and business address, (B) Description of services, (C) Compensation. Multiple empty rows for data entry.

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization 0

Part VIII Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1 a Federated campaigns	1a					
	b Membership dues	1b					
	c Fundraising events	1c					
	d Related organizations	1d					
	e Government grants (contributions)	1e					
	f All other contributions, gifts, grants, and similar amounts not included above	1f	330,000.				
	g Noncash contributions included in lines 1a-1f \$		330,000.				
	h Total. Add lines 1a-1f			330,000.			
	Program Service Revenue	2 a _____	Business Code				
b _____							
c _____							
d _____							
e _____							
f All other program service revenue							
g Total. Add lines 2a-2f							
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)						
	4 Income from investment of tax-exempt bond proceeds						
	5 Royalties						
	6 a Gross Rents	(i) Real	(ii) Personal				
		b Less: rental expenses					
		c Rental income or (loss)					
	d Net rental income or (loss)						
	7 a Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
		b Less: cost or other basis and sales expenses					
		c Gain or (loss)					
	d Net gain or (loss)						
	8 a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c). See Part IV, line 18	a					
		b Less: direct expenses	b				
		c Net income or (loss) from fundraising events					
9 a Gross income from gaming activities. See Part IV, line 19	a						
	b Less: direct expenses	b					
	c Net income or (loss) from gaming activities						
10 a Gross sales of inventory, less returns and allowances	a						
	b Less: cost of goods sold	b					
	c Net income or (loss) from sales of inventory						
Miscellaneous Revenue		Business Code					
11 a _____							
b _____							
c _____							
d All other revenue							
e Total. Add lines 11a-11d							
12 Total revenue. See instructions.				330,000.	0.	0.	0.

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns
 All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the U.S. See Part IV, line 21				
2 Grants and other assistance to individuals in the U.S. See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the U.S. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees				
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages				
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)				
9 Other employee benefits				
10 Payroll taxes				
11 Fees for services (non-employees):				
a Management				
b Legal				
c Accounting				
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other				
12 Advertising and promotion				
13 Office expenses				
14 Information technology				
15 Royalties				
16 Occupancy				
17 Travel				
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest				
21 Payments to affiliates				
22 Depreciation, depletion, and amortization				
23 Insurance				
24 Other expenses. Itemize expenses not covered above. (List miscellaneous expenses in line 24f. If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O.)				
a _____				
b _____				
c _____				
d _____				
e _____				
f All other expenses _____				
25 Total functional expenses. Add lines 1 through 24f	0.	0.	0.	0.
26 Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720). Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

		(A) Beginning of year		(B) End of year			
Assets	1	Cash - non-interest-bearing	0.	1	74,122.		
	2	Savings and temporary cash investments		2	81.		
	3	Pledges and grants receivable, net		3	5,115.		
	4	Accounts receivable, net		4			
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L		5			
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions)		6			
	7	Notes and loans receivable, net		7			
	8	Inventories for sale or use		8			
	9	Prepaid expenses and deferred charges		9			
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a	54,961.			
	10b	Less: accumulated depreciation	10b	26,364.	0.	10c	28,597.
	11	Investments - publicly traded securities		11			
	12	Investments - other securities. See Part IV, line 11		12			
	13	Investments - program-related. See Part IV, line 11		13			
	14	Intangible assets		14	129,743.		
	15	Other assets. See Part IV, line 11		0.	15	134,463.	
16	Total assets. Add lines 1 through 15 (must equal line 34)		0.	16	372,121.		
Liabilities	17	Accounts payable and accrued expenses		17	42,121.		
	18	Grants payable		18			
	19	Deferred revenue		19			
	20	Tax-exempt bond liabilities		20			
	21	Escrow or custodial account liability. Complete Part IV of Schedule D		21			
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		22			
	23	Secured mortgages and notes payable to unrelated third parties		23			
	24	Unsecured notes and loans payable to unrelated third parties		24			
	25	Other liabilities. Complete Part X of Schedule D		25			
	26	Total liabilities. Add lines 17 through 25		0.	26	42,121.	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets		27			
	28	Temporarily restricted net assets		28			
	29	Permanently restricted net assets		29			
	Organizations that do not follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds	0.	30	0.		
	31	Paid-in or capital surplus, or land, building, or equipment fund	0.	31	0.		
	32	Retained earnings, endowment, accumulated income, or other funds	0.	32	330,000.		
	33	Total net assets or fund balances	0.	33	330,000.		
	34	Total liabilities and net assets/fund balances	0.	34	372,121.		

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	330,000.
2	Total expenses (must equal Part IX, column (A), line 25)	2	0.
3	Revenue less expenses. Subtract line 2 from line 1	3	330,000.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	0.
5	Other changes in net assets or fund balances (explain in Schedule O)	5	0.
6	Net assets or fund balances at end of year. Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	330,000.

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII

- 1** Accounting method used to prepare the Form 990: Cash Accrual Other _____
 If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O
- 2a** Were the organization's financial statements compiled or reviewed by an independent accountant?
- b** Were the organization's financial statements audited by an independent accountant?
- c** If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?
 If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.
- d** If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both:
 Separate basis Consolidated basis Both consolidated and separate basis
- 3a** As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?
- b** If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits.

	Yes	No
2a		x
2b		x
2c		
3a		x
3b		

Form **990** (2010)

SCHEDULE A
(Form 990 or 990-EZ)

Public Charity Status and Public Support

OMB No 1545-0047

2010

Department of the Treasury
Internal Revenue Service

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

Open to Public Inspection

Name of the organization <p style="text-align: center;">The Star Center Foundation</p>	Employer identification number <p style="text-align: center;">27-4386097</p>
-------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions.

- The organization is not a private foundation because it is: (For lines 1 through 11, check only one box.)
- 1 A church, convention of churches, or association of churches described in section 170(b)(1)(A)(i).
 - 2 A school described in section 170(b)(1)(A)(ii). (Attach Schedule E.)
 - 3 A hospital or a cooperative hospital service organization described in section 170(b)(1)(A)(iii).
 - 4 A medical research organization operated in conjunction with a hospital described in section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state: _____
 - 5 An organization operated for the benefit of a college or university owned or operated by a governmental unit described in section 170(b)(1)(A)(iv). (Complete Part II.)
 - 6 A federal, state, or local government or governmental unit described in section 170(b)(1)(A)(v).
 - 7 An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in section 170(b)(1)(A)(vi). (Complete Part II.)
 - 8 A community trust described in section 170(b)(1)(A)(vi). (Complete Part II.)
 - 9 An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Complete Part III.)
 - 10 An organization organized and operated exclusively to test for public safety. See section 509(a)(4).
 - 11 An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2). See section 509(a)(3). Check the box that describes the type of supporting organization and complete lines 11e through 11h.
 - a Type I b Type II c Type III - Functionally integrated d Type III - Other
 - e By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2).
 - f If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box
 - g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?
 - (i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?
 - (ii) A family member of a person described in (i) above?
 - (iii) A 35% controlled entity of a person described in (i) or (ii) above?
 - h Provide the following information about the supported organization(s).

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-9 above or IRC section (see instructions))	(iv) Is the organization in col. (i) listed in your governing document?		(v) Did you notify the organization in col. (i) of your support?		(vi) Is the organization in col. (i) organized in the U.S.?		(vii) Amount of support
			Yes	No	Yes	No	Yes	No	
Total									

Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ►	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ►	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
11 Total support. Add lines 7 through 10						

12 Gross receipts from related activities, etc. (see instructions) 12

13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here ▶

Section C. Computation of Public Support Percentage

14 Public support percentage for 2010 (line 6, column (f) divided by line 11, column (f)) 14 %

15 Public support percentage from 2009 Schedule A, Part II, line 14 15 %

16a 33 1/3% support test - 2010. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶

b 33 1/3% support test - 2009. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶

17a 10% -facts-and-circumstances test - 2010. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization ▶

b 10% -facts-and-circumstances test - 2009. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization ▶

18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶

Part III Support Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ►	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")					330,000.	330,000.
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5					330,000.	330,000.
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						0.
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						0.
c Add lines 7a and 7b						0.
8 Public support (Subtract line 7c from line 6.)						330,000.

Section B. Total Support

Calendar year (or fiscal year beginning in) ►	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
9 Amounts from line 6					330,000.	330,000.
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11, and 12)					330,000.	330,000.
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here <input checked="" type="checkbox"/>						

Section C. Computation of Public Support Percentage

15 Public support percentage for 2010 (line 8, column (f) divided by line 13, column (f))	15	%
16 Public support percentage from 2009 Schedule A, Part III, line 15	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2010 (line 10c, column (f) divided by line 13, column (f))	17	%
18 Investment income percentage from 2009 Schedule A, Part III, line 17	18	%

- 19a 33 1/3% support tests - 2010.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization
- b 33 1/3% support tests - 2009.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization
- 20 Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990,
Part IV, line 6, 7, 8, 9, 10, 11, or 12.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public
Inspection

Name of the organization

The Star Center Foundation

Employer identification number

27-4386097

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

	(a) Donor advised funds	(b) Funds and other accounts
1 Total number at end of year		
2 Aggregate contributions to (during year)		
3 Aggregate grants from (during year)		
4 Aggregate value at end of year		
5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?		<input type="checkbox"/> Yes <input type="checkbox"/> No
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit?		<input type="checkbox"/> Yes <input type="checkbox"/> No

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

- 1 Purpose(s) of conservation easements held by the organization (check all that apply).
- Preservation of land for public use (e.g., recreation or education) Preservation of an historically important land area
- Protection of natural habitat Preservation of a certified historic structure
- Preservation of open space
- 2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year.
- | | Held at the End of the Tax Year |
|--------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|
| a Total number of conservation easements | 2a |
| b Total acreage restricted by conservation easements | 2b |
| c Number of conservation easements on a certified historic structure included in (a) | 2c |
| d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register | 2d |
- 3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶ _____
- 4 Number of states where property subject to conservation easement is located ▶ _____
- 5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? Yes No
- 6 Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year ▶ _____
- 7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ \$ _____
- 8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? Yes No
- 9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements.

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.

Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

- 1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items.
- b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items:
- (i) Revenues included in Form 990, Part VII, line 1 ▶ \$ _____
- (ii) Assets included in Form 990, Part X ▶ \$ _____
- 2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items:
- a Revenues included in Form 990, Part VIII, line 1 ▶ \$ _____
- b Assets included in Form 990, Part X ▶ \$ _____

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

3 Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply):

- a Public exhibition
- b Scholarly research
- c Preservation for future generations
- d Loan or exchange programs
- e Other _____

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV.

5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? Yes No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? Yes No

b If "Yes," explain the arrangement in Part XIV and complete the following table:

	Amount
1c	
1d	
1e	
1f	

- c Beginning balance
- d Additions during the year
- e Distributions during the year
- f Ending balance

2a Did the organization include an amount on Form 990, Part X, line 21? Yes No

b If "Yes," explain the arrangement in Part XIV.

Part V Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance					
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

2 Provide the estimated percentage of the year end balance held as:

- a Board designated or quasi-endowment _____ %
- b Permanent endowment _____ %
- c Term endowment _____ %

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization

by:

- (i) unrelated organizations
- (ii) related organizations

	Yes	No
3a(i)		
3a(ii)		
3b		

b If "Yes" to 3a(i), are the related organizations listed as required on Schedule R?

4 Describe in Part XIV the intended uses of the organization's endowment funds.

Part VI Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land				
b Buildings				
c Leasehold improvements				
d Equipment		54,961.	26,364.	28,597.
e Other				

Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10(c)) 28,597.

Part VII Investments - Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A)		
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
(I)		
Total. (Col (b) must equal Form 990, Part X, col (B) line 12.) ▶		

Part VIII Investments - Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Total. (Col (b) must equal Form 990, Part X, col (B) line 13.) ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1) Other Assets	134,463.
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
Total. (Column (b) must equal Form 990, Part X, col (B) line 15) ▶	
134,463.	

Part X Other Liabilities. See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Amount
(1) Federal income taxes	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
(11)	
Total. (Column (b) must equal Form 990, Part X, col (B) line 25.) ▶	

FIN 48 (ASC 740) Footnote. In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740).

Part XI Reconciliation of Change in Net Assets from Form 990 to Audited Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	
3	Excess or (deficit) for the year. Subtract line 2 from line 1	3	
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV.)	8	
9	Total adjustments (net). Add lines 4 through 8	9	
10	Excess or (deficit) for the year per audited financial statements. Combine lines 3 and 9	10	

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements	1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:		
	a Net unrealized gains on investments	2a	
	b Donated services and use of facilities	2b	
	c Recoveries of prior year grants	2c	
	d Other (Describe in Part XIV.)	2d	
	e Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:		
	a Investment expenses not included on Form 990, Part VIII, line 7b	4a	
	b Other (Describe in Part XIV.)	4b	
	c Add lines 4a and 4b	4c	
5	Total revenue. Add lines 3 and 4c. (This must equal Form 990, Part I, line 12.)	5	

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements	1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25:		
	a Donated services and use of facilities	2a	
	b Prior year adjustments	2b	
	c Other losses	2c	
	d Other (Describe in Part XIV.)	2d	
	e Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
	a Investment expenses not included on Form 990, Part VIII, line 7b	4a	
	b Other (Describe in Part XIV.)	4b	
	c Add lines 4a and 4b	4c	
5	Total expenses. Add lines 3 and 4c. (This must equal Form 990, Part I, line 18.)	5	

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4; Part X, line 2; Part XI, line 8; Part XII, lines 2d and 4b; and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

**SCHEDULE M
(Form 990)**

Noncash Contributions

OMB No 1545-0047

2010

Department of the Treasury
Internal Revenue Service

▶ **Complete if the organizations answered "Yes" on Form 990, Part IV, lines 29 or 30.**
▶ **Attach to Form 990.**

Open to Public Inspection

Name of the organization **The Star Center Foundation** Employer identification number **27-4386097**

Part I	Types of Property	(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1	Art - Works of art				
2	Art - Historical treasures				
3	Art - Fractional interests				
4	Books and publications				
5	Clothing and household goods				
6	Cars and other vehicles				
7	Boats and planes				
8	Intellectual property				
9	Securities - Publicly traded				
10	Securities - Closely held stock				
11	Securities - Partnership, LLC, or trust interests				
12	Securities - Miscellaneous				
13	Qualified conservation contribution - Historic structures				
14	Qualified conservation contribution - Other				
15	Real estate - Residential				
16	Real estate - Commercial				
17	Real estate - Other				
18	Collectibles				
19	Food inventory				
20	Drugs and medical supplies				
21	Taxidermy				
22	Historical artifacts				
23	Scientific specimens				
24	Archeological artifacts				
25	Other ▶ (Existing Busi)	X	0	330,000.	Business Valuation
26	Other ▶ ()				
27	Other ▶ ()				
28	Other ▶ ()				

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement **29** 1

	Yes	No
30a During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period? b If "Yes," describe the arrangement in Part II.		X
31 Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?	X	
32a Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions? b If "Yes," describe in Part II.		X
33 If the organization did not report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II.		

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on
Form 990 or 990-EZ or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2010

Open to Public
Inspection

Name of the organization

The Star Center Foundation

Employer identification number

27-4386097

Form 990, Part I, Line 1, Description of Organization Mission:

Disorder (SPD), ADHD, autistic spectrum disorders, feeding problems,

sensory-based learning difficulties, and other developmental and

behavioral issues.

Form 990, Part VI, Section A, line 2: All board members are family

members.

Form 990, Part VI, Section B, line 11: Copy of the 990 provided to board

in PDF format. Board reviewed form 1023 which has identical information

prior to filing.

Form 990, Part VI, Section C, Line 19: Governing documents, conflict of

interest policy, and financial statements are available to the public upon

request.

TAX PREPARER NOTES FOR INTERNAL REVENUE SERVICE

Explanation of amended tax return:

The organization is amending their return to reflect the results of a business valuation of the business enterprise contributed upon the entities formation.

See attached appraisal for correct valuation.

*Fair Market Value of a 100% Membership Interest
in*

STAR Center, LLC

Valuation Effective Date: December 31, 2010
Valuation Report Date: December 16, 2011

Prepared by



Member of the American Business Appraisers National Network™

TABLE OF CONTENTS

	Page
Executive Summary.....	3
List of Exhibits.....	4
Sources of Information.....	5
Assumptions and Limiting Conditions.....	6
Certification.....	8
I. Industry and Economic Analysis.....	9
A. Rehabilitation Therapy Services Industry Overview	
B. National Economic Overview	
C. Summary and Impact on Valuation	
II. Overview of the Business.....	15
A. Nature and History of the Business	
B. Ownership and Business Form	
C. Restrictions on Transfer	
D. Previous Sales of Membership Interests	
E. Organization and Management	
F. Competition	
G. Customer Base	
H. Summary and Impact on Valuation	

TABLE OF CONTENTS
(Continued)

	Page
III. Financial Performance Analysis	18
A. Historical Financial Performance	
B. Goodwill or Other Intangible Value	
C. Dividend Policy and History	
D. Performance Comparison to Industry	
E. Adjustments to Financial Statements	
F. Summary and Impact on Valuation	
IV. Valuation Analysis	24
A. Valuation Approaches	
B. Asset Approach	
C. Market Approach	
D. Income Approach	
E. Adjustment for Lack of Control	
F. Adjustment for Lack of Marketability	
G. Reconciliation and Final Opinion of Value	
V. Appraiser Background and Qualifications	42
Exhibits	43

EXECUTIVE SUMMARY

Apex Valuation Consulting LLC (hereafter, “the Appraiser”) conducted an analysis to determine the fair market value of a 100% membership interest (a controlling, non-marketable interest) in STAR Center, LLC (hereafter, “STAR Center” or “the Company”) as of December 31, 2010 (“the Valuation Date”). The Appraiser’s client is Bill Whalen and Lucy Jane Miller. This appraisal was conducted to assist with Dr. Whalen’s and Dr. Miller’s 2010 federal income tax return, as the client made a charitable contribution of all of the Company’s assets on December 31, 2010.

STAR Center is a leading treatment facility for children diagnosed with Sensory Processing Disorder (“SPD”) and other developmental and behavioral conditions that include significant sensory processing issues. The Company offers comprehensive services for individuals and families living with SPD, ADHD, autistic spectrum disorders, feeding problems, sensory-based learning difficulties, and other developmental and behavioral issues. Based in Greenwood Village, Colorado, this specialized occupational therapy clinic employs a staff of approximately twenty individuals. In 2010, the Company had revenues of over \$1.0 million.

The Appraiser estimated the fair market value for the subject ownership interest through the application of one valuation method – the Single-Period Capitalization Method.

As a result of this analysis and for reasons detailed in this appraisal report, the Appraiser estimates the fair market value of a 100% membership interest in STAR Center, LLC as of December 31, 2010 to be:

\$330,000

LIST OF EXHIBITS

- A. Historical Balance Sheets
- B. Balance Sheets (Common Sized)
- C. Balance Sheet Adjustments
- D. Historical Income Statements
- E. Income Statements (Common Sized)
- F. Income Statement Adjustments
- G. Ratio Analysis
- H. Estimation of the Weighted Average Cost of Capital
- I. Single-Period Capitalization Method

SOURCES OF INFORMATION

In the preparation of this report, the Appraiser relied on the following information:

- Internal financial statements prepared by Company management;
- Other reports and documents provided by Company management;
- Representations of Company management given verbally, in writing and via email;
- Economic and industry-specific information from both private and governmental sources, as identified;
- Empirical studies and compilations of investment data from private sources, as identified.

ASSUMPTIONS AND LIMITING CONDITIONS

The standard of value utilized in this valuation is “fair market value”. Fair market value is defined as the price at which the subject property would change hands between a willing buyer and a willing seller, when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts.¹

This appraisal report was prepared for the exclusive use of Bill Whalen and Lucy Jane Miller, their tax advisors, and the Internal Revenue Service. Under no circumstance is the report to be copied, reproduced or distributed to any other party without our express knowledge and prior written consent. This appraisal is only for the stated valuation effective date and only for the purpose and use stated herein. Any use other than for the effective date, purpose and use stated in this document is invalid and unauthorized.

The valuation process is not a finding of fact, it is a finding of opinion. It is not intended to disclose errors, irregularities or illegal acts (including fraud and defalcations) that may exist. It is supported by the research, analysis and informed and unbiased opinion of the appraiser. It contemplates facts and conditions existing as of the valuation date. Events and conditions occurring after that date have not been considered, and we have no obligation to update our report for such events and conditions. The valuation’s compatibility with a ruling of any court, arbiter, governmental agency or the agreement of others cannot be guaranteed.

To ensure compliance with requirements imposed by the IRS, any U.S. federal tax advice contained in this report (including any attachments and exhibits) is not intended or written to be used, and cannot be used for the purpose of (i) avoiding penalties under the Internal Revenue Code, or (ii) promoting, marketing or recommending to any other party any transaction or matter addressed herein.

For purposes of this analysis, the Appraiser has made no investigation of, and assumes no responsibility for the titles to (or any liens against) the property and/or stock of the Company. In addition, the Appraiser assumes there are no hidden or unexpected conditions that could affect the assets of the Company, and they accept no responsibility for discovering such conditions. The Appraiser hereby informs any readers of this report that no investigation of any contingent liabilities was made, and the values designated in this report do not consider any undisclosed liabilities.

¹ I.R.S. Revenue Ruling 59-60 and U.S. Treasury Regulations 25.2512-1 and 20.2031-1(b)

ASSUMPTIONS AND LIMITING CONDITIONS

(Continued)

A site visit of the Company's offices was conducted in conjunction with the preparation of this report. However, the Appraiser has no expertise in real estate or equipment appraisal or inspection. Readers of this report should consult experts in these disciplines if they deem it appropriate.

The Company and its management represents and warrant to us that the information they have supplied was complete and accurate to the best of their knowledge and that the financial statement information reflects the Company's results of operations and financial condition in accordance with generally accepted accounting principles, unless otherwise noted. The information supplied by management has been accepted as correct without further investigation, and the Appraiser had no reason to believe the information provided by the Company did not accurately represent historical performance. Representations later proven to be inaccurate may impact the values derived in this report.

For purposes of this analysis, the Appraiser has assumed the Company's full compliance with all applicable laws and regulations, including all applicable provisions of the Internal Revenue Code.

Neither the professionals who worked on this engagement nor the principals of Apex Valuation Consulting LLC have any present or contemplated future interest in the Company, any personal interest with respect to the parties involved, or any other interest that might prevent us from performing an unbiased valuation. Further, our compensation is not contingent on an action or event resulting from the analyses, opinions or conclusions in, or the use of, this report.

CERTIFICATION

I hereby certify the following:

- That to the best of my knowledge, the statements of fact contained in this report are true and correct.
- That the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, unbiased professional analyses, opinions, and conclusions.
- That I have no present or contemplated interest in the property that is the subject of this appraisal, and I have no personal interest or bias with respect to the parties involved.
- That my compensation is not contingent upon any action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.
- That my analyses, opinions, and conclusions were developed and that this report has been prepared in conformity with the Business Appraisal Standards and Code of Ethics of The Institute of Business Appraisers, the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers, and the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation.
- That I have not provided any services regarding the subject Company in the three years prior to accepting this assignment.
- That I am in compliance with The American Society of Appraisers' mandatory recertification program for all of its Senior members as well as The Institute of Business Appraisers' mandatory recertification program for all of its accredited members.
- That no one provided significant professional assistance to the individual whose signature appears below.
- That I, by virtue of my background, experience, education, and appraisal designations, am qualified to appraise businesses and interests in businesses, and have never been prohibited from practicing before the I.R.S.


Bryan DesMarteau, JD, CBA, ASA
Apex Valuation Consulting LLC

Dec. 16, 2011
Date

Authorized reports will be signed in blue ink by the Appraiser. Copies which do not bear said signature are unauthorized and incomplete.

I. INDUSTRY AND ECONOMIC ANALYSIS

A. Rehabilitation Therapy Services Industry Overview²

In the United States, the rehabilitation therapy services industry consists of about 30,000 establishments with combined annual revenue of about \$20 billion. Major companies include Select Medical, Physiotherapy Associates, RehabCare Group, and U.S. Physical Therapy. The industry is highly fragmented – the top 50 companies account for less than 25% of revenue.

Rehabilitation therapy practices treat patients suffering from physical, mental, emotional, or communication disabilities. Services are primarily provided by physical therapists (45% of therapists); occupational therapists (25%); and speech therapists (20%). Other services are provided by audiologists, and art, dance, or music therapists. Fees for patient services make up over 90% of industry revenues. Other revenues include lab test fees and sales of medical equipment and supplies, such as orthopedic appliances.

Physical therapists provide services that restore function, alleviate pain, and reduce permanent physical disabilities of patients suffering from injuries or illness. Treatment begins with a review of the patient's medical history and a test of the patient's physical condition. A treatment plan is documented that describes specific tasks and anticipated outcomes. Treatment often includes exercises to improve flexibility, strength, and endurance. Physical therapists also use massage, electrical stimulation, hot or cold treatment, and ultrasound to relieve pain. These treatments may also be performed by a physical therapist assistant supervised by a physical therapist.

Occupational therapists treat many of the same physical conditions as physical therapists, but also work with individuals suffering from mental or emotional disabilities. Their goal is to improve patients' ability to perform tasks in daily living and work environments, which can range from dressing and eating to using a computer or making to-do lists. Occupational therapists teach patients with permanent physical disabilities to use adaptive equipment, such as wheelchairs and aids for eating and dressing. Some therapists work with employers to arrange jobs for disabled individuals and identify modifications to the work environment to accommodate their needs.

Speech therapists, also called speech-language pathologists, work with people who have problems speaking correctly, such as lisping or stuttering, have problems understanding or producing language, want to modify an accent, have attention, memory, or problem-solving disorders, or have swallowing difficulties. These problems may result from stroke or brain injury, learning

² Industry research largely derived from U.S. Census Bureau, U.S. Bureau of Labor Statistics, and First Research, Inc.

I. INDUSTRY AND ECONOMIC ANALYSIS

(Continued)

disabilities, mental retardation, cerebral palsy, cleft palate, hearing loss, or emotional problems. Speech therapists assess each patient's condition and develop and deliver a treatment plan of exercises and drills tailored to their needs.

Demand for rehabilitation therapy services is driven by the aging U.S. population and medical advances that increase patient survival rates and prolong life. Customers for therapy services range from small children with physical or learning disabilities to elderly adults suffering from illness or mental deterioration. Victims of accidents span all age ranges. Medical developments that increase survival rates for trauma victims and babies born with severe birth defects create additional demand for rehabilitative services.

Therapy practices compete with similar services provided by hospitals, physician offices, nursing homes, home healthcare services, chiropractors, and educational institutions that employ their own therapists. Accurate and timely billing and reimbursement processes are critical for therapy practices, since nearly all services are paid for by managed care programs, commercial health insurance, Medicare/Medicaid, or workers' compensation insurance.

Referrals from physicians are the primary source of new patients for rehabilitation therapy practices. Other referral sources are patients, social workers, therapists at nursing homes, and physician practice administrators. To be eligible for reimbursement, Medicare and managed care plans require referral from a primary care physician. Many states have laws allowing some level of direct access by patients to physical therapists who meet certain eligibility requirements.

Treatments are usually charged per procedure. Physical therapy charges often range from \$85 to more than \$200 per visit, with an initial evaluation more than \$300. Speech-language therapy fees can typically range from \$50 to \$100, and occupational therapy visits \$50 to \$75 or more. Fees are heavily influenced by Medicare fee schedules, which set a limit upon benefits and proscribe some procedures. Managed care plans negotiate discounted rates for members.

Most therapy practices are subject to Medicare regulations and payment policies. Medicare regulates who can perform treatments, sets fees for treatments, and establishes annual caps on the amount paid for therapy services for each patient. These payment policies affect treatments for Medicare patients, but also influence payment policies of insurance companies.

The profitability of individual practices depends on efficient use of personnel. Large companies have some economies of scale in financial and administrative systems. Small firms compete by developing positive relationships with local healthcare providers and delivering superior customer service.

I. INDUSTRY AND ECONOMIC ANALYSIS

(Continued)

Marketing often includes the Yellow Pages and traditional advertising, but the main focus is on contact with physicians through local professional meetings and direct mailings. Physical therapy practices also market to insurance companies and directly to prospective patients. The Internet and social media have become increasingly important marketing tools.

Delivery of therapy services is labor-intensive, and payroll costs typically average about half of revenues. The number of patient visits per day per therapist drives revenue and is a key management metric. Accounts receivable can be high due to the lengthy reimbursement process from insurance companies and Medicare. Malpractice insurance can also be a significant expense for physical therapy practices.

States require therapists to complete an accredited educational program and pass a state or national licensing exam before they can practice. Most physical therapists have a master's degree in physical therapy and many also have a doctoral degree. A master's degree, which was already required for speech therapists, became a requirement for all occupational therapists in 2007.

Other issues of note include:

- Dependence on Referrals – Rehabilitation therapy practices generally rely on referrals from physicians and other healthcare providers for new patients. Therapists aren't recognized as "primary care providers" by managed care plans or Medicare, so patients must be referred by a physician to qualify for reimbursement. Therapists are lobbying for state and federal laws to eliminate referral requirements.
- Competition from Hospitals and Physicians – Hospitals and physician offices seeking to grow revenues are adding rehabilitation therapy. Rehabilitation therapy is a relatively easy service to add, since it does not require a large investment in specialized equipment or facilities. Competition from physicians is especially difficult for therapy practices, since physicians are their primary source of patient referrals.
- Combined Practices – Instead of competing with physician offices or chiropractors for patients, therapy practices may combine services with them. Some practices are providing therapists on contract to work in the physician's or chiropractor's office. Others are going further and combining office space, administrative systems, and marketing programs to offer patients a full range of integrated services.
- Market Specialization – Physical and occupational therapists can differentiate their practice from competing therapy providers by specializing in a particular area of therapy. Specialization allows therapists to focus marketing and referral cultivation efforts and better tailor their services to patient needs.

I. INDUSTRY AND ECONOMIC ANALYSIS (Continued)

- Therapist Availability – Growing demand for licensed therapists by therapy practices, hospitals, physician offices, and other healthcare providers has driven up wages and led to worker shortages in many markets. Average wages of therapy practices rose 5% in 2009 compared to the previous year, slightly more than the average increase in wages for all U.S. workers. Jobs for physical and occupational therapists are projected to grow much faster than the average for all occupations through 2016.
- Complementary Products, Services – Therapy practices can increase revenue by providing complementary products and services to patients. Selling portable exercise aids, such as stability balls or small free weights, generates additional revenue and increases patient convenience. Complementary services - such as massage therapy or Pilates or yoga classes – can increase patient loyalty.
- Healthcare Reform and Rehabilitation Therapy – The Patient Protection and Affordable Care Act of 2010 (PPACA) includes several new regulations that will affect rehabilitation therapy providers. The most critical change places a Medicare cap of \$1,860 per year on occupational, physical, and speech language therapy. Since many patients who receive rehabilitation treatments are elderly and are on Medicare, this could significantly affect revenues.

B. National Economic Overview

Generally, the national economy enjoyed a period of healthy expansion throughout most of this decade. But on December 1, 2008, the National Bureau of Economic Research (a private group of leading economists) officially declared that the U.S. economy had been in recession since December 2007. As of the Valuation Date, the national economy had “officially” emerged from its long, deep downturn. Although causes for optimism had emerged, many factors continued to weigh heavily on the nation’s economy.

Inflation-adjusted gross domestic product (GDP) increased at a weak 1.1% annual pace in 2001. This came after five consecutive years of annual GDP growth in the 3.7% - 4.5% range.³ The nation’s economy grew at a healthy pace in the middle portion of the decade. But in 2008, GDP growth turned negative. In 2009, GDP experienced its first substantial decline since 1982. Examined on a quarterly basis, the U.S. economy had resumed growth in mid-2009. This had aroused the suspicion that, although it is possible the nation could experience a “double dip” recession, the worst is likely behind us.

³ U.S. Department of Commerce’s Bureau of Economic Analysis, data available at <http://www.bea.doc.gov/bea/dn/home/gdp.htm>

I. INDUSTRY AND ECONOMIC ANALYSIS

(Continued)

Growth in Gross Domestic Product (constant dollars)

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
4.1%	1.1%	1.8%	2.5%	3.5%	3.1%	2.7%	1.9%	-0.3%	-3.5%

Source: U.S. Bureau of Economic Analysis

The national unemployment rate jumped significantly in 2008, from 5.0% in January to 7.3% by the end of the year. By October of 2009, the national unemployment rate was 10.1%. As of the end of 2010, the unemployment rate had receded a bit to 9.4%.⁴ However, unemployment and “underemployment” remained stubbornly high. Though spread across industry sectors, declines were sharpest in manufacturing, construction and finance. National Association of Business Economics (“NABE”) forecasters expect it will take at least until 2012 (and probably well beyond) to recoup jobs lost during the recession.

The Consumer Price Index (U.S. city average, all items) was a bit sporadic over the last twelve months, fluctuating anywhere between increases of 0.3% in July of 2010 to a decline of 0.2% in June 2010.⁵ This indicator of inflation typically increases 0.1% to 0.4% per month. Excluding the volatile food and energy sectors, this measure of the CPI has grown between -0.1% and 0.1% in the last twelve months. Overall, this indicates a modest level of inflation.

Despite concerns from a variety of Fed watchers that expansionary monetary policy is causing growing imbalances in the U.S. economy, Fed monetary policy remains decidedly expansionary. Per a November press release of the Federal Open Market Committee (“FOMC”) of the Federal Reserve, the Committee remains concerned by high unemployment, modest income growth, lower housing wealth, and tight credit coupled with weak investment in nonresidential structures, flat housing starts, and lack of employment growth. The result was an announcement by the FOMC that it intends to increase its holdings of long-term Treasuries by \$600 billion by second quarter of 2011, increasing the money supply significantly.⁶ As of the Valuation Date, the target Fed funds rate remained between zero and a quarter percent, with expectations for this range to be maintained for an extended period.

⁴ U.S. Department of Labor’s Bureau of Labor Statistics, unemployment data available at <http://www.bls.gov/cps/>

⁵ U.S. Department of Labor’s Bureau of Labor Statistics, CPI data available at <http://www.bls.gov/cpi/>

⁶ FOMC press release, November 3, 2010. Available at: <http://www.federalreserve.gov/newsevents/press/monetary/20101103a.htm>.

I. INDUSTRY AND ECONOMIC ANALYSIS

(Continued)

According to The Conference Board, an independent, not-for-profit economic research and analysis organization, the economy's near-term prospects are on an upward trend. Although there continues to be many areas of weakness, the index of leading economic indicators increased in November. During the six-month span through November 2010, the leading index increased 2.2%, which was significantly weaker than in the prior six-month period. As stated by The Conference Board, "the current behavior of the composite indexes and their components suggest that the economic expansion that began in mid-2009 will continue, and could even pick up slightly in the near term."⁷

NABE forecasters have trimmed their expectations for both the near-term and long-term U.S. economic outlook (although third quarter GDP data was not available at the time of the most recent NABE survey). Survey respondents, based on a variety of economic data, forecast real GDP growth of 2.6% for 2010 and 2011. The forecast indicates panelists expect the recovery to be atypically moderate against historical precedents. These sentiments were echoed by respondents to the Survey of Professional Forecasters conducted by the Philadelphia branch of the Federal Reserve Bank. This survey, the oldest of its kind, represents the responses of over 40 professional forecasters on a quarterly basis. Respondents to the Philadelphia Fed bank survey expected 2.9% growth in GDP for 2010 and somewhat slower growth of 2.7% for 2011. In each case, the data indicated a downward revision of prior expectations.⁸

C. Summary and Impact on Valuation

Overall, the combination of these industry-specific factors likely has a neutral impact on the Company's near-term prospects, but positive effect on its longer-term prospects. The combination of these macro economic factors suggests that the Company prospects are modestly positive.

⁷ The Conference Board, *U.S. Business Cycle Indicators*, released December 17, 2010.

⁸ *Survey of Professional Forecasters*, Federal Reserve Bank of Philadelphia, Third Quarter, 2010.

II. OVERVIEW OF THE BUSINESS

A. Nature and History of the Business

STAR Center is a leading treatment facility for children diagnosed with Sensory Processing Disorder and other developmental and behavioral conditions that include significant sensory processing issues. The Company offers comprehensive services for individuals and families living with SPD, ADHD, autistic spectrum disorders, feeding problems, sensory-based learning difficulties, and other developmental and behavioral issues. Based in Greenwood Village, Colorado, this specialized occupational therapy clinic employs a staff of approximately twenty individuals. Its 13,000 square foot facility includes labs and observation rooms, play therapy areas, a feeding clinic, and office and meeting space. The facility is leased from a third-party landlord. In 2010, the Company had revenues of over \$1.0 million.

STAR Center has a close relationship with the Sensory Processing Disorder Foundation (“the Foundation”). Both organizations were founded by Lucy Jane Miller, PhD, OTR, who is a leading authority on sensory processing disorder. The Foundation’s mission is research, education and advocacy for SPD. The two organizations share office space as well as a handful of staff members.

After eleven years at the University of Colorado medical school, Dr. Miller wanted to establish a clinic for researching SPD. In November of 2005, Dr. Miller and a colleague, Kate Minson, founded STAR Center (STAR is an acronym for “Sensory Treatment and Research”). In 2007, Dr. Miller bought out Ms. Minson’s 50% membership interest in the Company.

In 2010, Dr. Miller and her husband, Bill Whalen, decided to establish a non-profit entity to continue STAR Center’s pursuits. On the Valuation Date, The STAR Center Foundation was formed and Dr. Miller donated 100% of the Company’s assets to it.

B. Ownership and Business Form

The Company has one member, Lucy Jane Miller.

As of the Valuation Date, the Company was a Colorado limited liability company and was considered a “disregarded entity” for federal income tax purposes. On the Valuation Date, 100% of the Company’s assets were donated to a charitable organization called The STAR Center Foundation.

II. OVERVIEW OF THE BUSINESS (Continued)

C. Restrictions on Transfer

As the Company has only one member, there is no operating agreement or similar agreement that addresses the transferability of a membership interest in the Company. Thus, except for limitations imposed by the applicable federal and state securities laws, there are no restrictions on the ability of a member to transfer his or her interest in the Company.

D. Previous Sales of Membership Interests

In June 2007, the Company redeemed Kate Minson's 50% member interest for \$168,632. \$40,000 of the purchase price was payable in cash at closing, with the remainder evidenced by promissory notes of \$78,632 and \$50,000.

E. Organization and Management

As of the Valuation Date, the Company employed a full-time equivalent workforce of about twenty people. As of the Valuation Date, the Company's staff included four occupational therapists, an occupational therapist aide, two speech language pathologists, one pediatrician, one registered dietitian, one psychologist and several administrative support personnel. In addition, STAR Center regularly uses a number of independent contractors. It also employs, on a part-time basis, two individuals who divide their professional efforts between the STAR Center and the Foundation.

STAR Center's management team includes a Director (Lucy Jane Miller, the Company's founder), an Assistant Director, a Clinical Supervisor, a Feeding Director and an Operations Manager. Several of these individuals have been with the STAR Center since inception.

Again, Lucy Jane Miller, PhD, OTR, is an internationally recognized authority on sensory processing disorder. She has written two books, is often sought as a speaker, and has been featured in national media on the subject of SPD. Dr. Miller divides her professional efforts between STAR Center and the Foundation, which she founded three decades ago.

II. OVERVIEW OF THE BUSINESS (Continued)

F. Competition

Management indicates that there are a wide variety of clinics treating SPD, but none engaging in exactly the type of treatment offered by STAR Center. Most competitors are relatively small in comparison to the Company.

STAR Center's primary competitor is Children's Hospital Colorado, located in Denver. The hospital offers the full spectrum of health care services for children and adolescents, and has a large developmental clinic as well as a large occupational therapy clinic. It is significantly larger than STAR Center.

G. Customer Base

Although the STAR Center occasionally treats adults, its clients are primarily children between three and eleven years of age. Services are offered to individuals (and their families) living with SPD, ADHD, autistic spectrum disorders, feeding problems, sensory-based learning difficulties, and other developmental and behavioral issues.

The Company's clients are typically from upper-middle class families, as the STAR Center does not accept Medicaid or other forms of health insurance. Approximately 40% of clients are from outside of Colorado, including about 15% from outside of the United States.

In 2010, approximately 300 clients were treated at the STAR Center. This represented a full client load, and approximately 30 potential clients were turned away for lack of capacity. Thus, the Company's client base is highly diversified, with no single client representing a substantial portion of total revenues.

H. Summary and Impact on Valuation

Overall, the combination of these factors tends to indicate that the Company has attractive service offerings and a well established presence in its field. The Company has many competitors, but appears to have a strong point of differentiation. The Company has competent and experienced management. However, the STAR Center's reliance on a single individual represents a significant risk factor. Overall, the cumulative impact of these company-specific factors is positive.

III. FINANCIAL PERFORMANCE ANALYSIS

A. Historical Financial Performance

In the preparation of this report, the Appraiser analyzed internal financial statements for the fiscal years ending December 31, 2006 through December 31, 2010. This analysis was conducted to assess the financial condition of the Company, its ability to generate future earnings, and trends and factors impacting the level of risk inherent in the business and its future profitability.

The financial condition and performance of the Company is summarized on the following pages, and shown in detail in Exhibits A, B, D and E.

Balance Sheets

As shown in Exhibits A and B, the Company's financial condition appears to be solid:

- As of the Company's December 31, 2010 balance sheet, total assets (net of accumulated depreciation and amortization) equaled about \$242,000. Approximately \$74,000, or 30.6% of assets, was in cash. Most of the remainder was in property and equipment (11.5% of assets) and goodwill (52.4%).
- The Company appears to have a solid level of net working capital.
- The Company does not make use of long-term debt to finance operations. The Company did utilize debt for the redemption of Ms. Minson's membership interest, but as of the Valuation Date, this debt had been retired.
- As of the Valuation Date, the book value of the Company's equity was approximately \$200,000.

Income Statements

As shown in Exhibits D and E, STAR Center has experienced significant growth in revenue since 2006. Operating profits have grown as well, albeit at a slower rate. In 2006 (its first full year of operations), the Company had a substantial loss. Since that time, the Company has enjoyed a healthy operating profit.

- Despite the difficult economic environment of the last several years, revenues have grown. Between 2006 and 2010, revenues increased 136%, which equals a 24% compound annual growth rate (CAGR).
- Operating expenses (according to book) are up 46.5% since 2006. Over the last five years, operating expenses have ranged from 80.9% in 2008 to 141.9% of 2006 revenues.

III. FINANCIAL PERFORMANCE ANALYSIS

(Continued)

- As would be expected in a professional services firm, payroll expenses represent the largest portion of the Company's expense structure. Between 2006 and 2010, payroll (including contract labor) costs have run from about 66% to 96% of revenues. As the organization has grown, it appears to have benefited from economies of scale in terms of its labor costs.
- As a result of the factors discussed above, operating income (according to book) has ranged from a loss of approximately \$182,000 in 2006 to a profit of about \$95,000 in 2010.

B. Goodwill or Other Intangible Value

In analyzing the fair market value of an ownership interest in the Company, we considered the existence of goodwill or other intangible assets. Goodwill is defined as "that intangible asset arising as a result of name, reputation, customer loyalty, location, products, and similar factors not separately identified."⁹ Other intangible assets can include a wide variety of items, including patents and trademarks, copyrighted materials, customer lists, brand names, licenses, an assembled workforce, and many other elements that provide an economic benefit to the enterprise.

Revenue Ruling 59-60 states that, "In the final analysis, goodwill is based upon earning capacity. The presence of goodwill and its value, therefore, rests upon the excess of net earnings over and above a fair return on the net tangible assets." The following facts suggest that the Company has goodwill:

- Founded in 2005, STAR Center has a substantial history of successful operations;
- STAR Center appears to be profitable;
- The Company has limited tangible assets;
- The Company is led by a leading authority in the field, and draws its clients from across the U.S. and internationally.

⁹ *International Glossary of Business Valuation Terms*, July 2001

III. FINANCIAL PERFORMANCE ANALYSIS (Continued)

C. Dividend Policy and History

Since inception, the Company has not paid distributions to its members. STAR Center has no formal distribution policy.

D. Performance Comparison to Industry

The Company's financial performance indicators appear to be a bit stronger than the industry norm. The Company's balance sheet is solid, and would likely appear to be relatively strong if not for the STAR Center's large balance in goodwill. Despite what seem to be relatively high labor costs, profitability was very healthy in the most-recent year when compared to the industry average.

The Appraiser recognizes that any comparison of one business' performance to others in its industry has inherent limitations, and that the data used for such comparisons can be ambiguous. Still, comparing a business' performance to others in its industry can be useful in the valuation of privately-held businesses. As discussed below, the Appraiser has compared the Company's performance to the typical "occupational therapists" company with annual revenues between \$1.0 and \$2.5 million, as published by BizMiner¹⁰. This comparison is shown in detail in **Exhibit G**, and indicates the following:

Common-Sized Balance Sheet

- The Company's common-sized balance sheet indicates STAR Center has a fairly typical level of cash. This metric would be much stronger than the norm, if not for the book value of the Company's goodwill.
- The Company appears to have a normal level of inventory (STAR Center sells books and other resources in a small "store" in its lobby). Accounts receivable are relatively low.
- Fixed assets are also low, at about 11.5% of assets versus the industry average of about 36%. Management indicates that the STAR Center receives a considerable amount of donated equipment because of its mission and reputation.
- Combined, accounts payable and current notes/loans payable are a bit high in comparison to the typical firm in this industry.

¹⁰ BizMiner industry data available at <http://www.bizminer.com/>.

III. FINANCIAL PERFORMANCE ANALYSIS

(Continued)

- Long-term liabilities are low. Again, STAR Center recently retired the debt associated with the redemption of Ms. Minson's membership interest. Otherwise, it does not appear to make use of long-term debt.
- The book value of the Company's equity is somewhat stronger than average. The "typical" occupational therapist firm of similar size has equity of about 72% of assets, versus nearly 83% for STAR Center.

Common-Sized Income Statement

- The Company's gross profit margin percentage is relatively strong. In the most-recent twelve-month period, STAR Center's gross profit margin was 97.3% versus an industry average of 82.7%.
- Operating expenses are higher than the industry norm. STAR Center's expenses equaled 88.0% of revenues in the twelve months ending December 31, 2010, versus an industry norm of 73.9%.
- As of the most recent twelve months, the Company had an operating profit of 9.3%. BizMiner data suggests that the typical occupational therapist firm of this size had an operating profit margin of 8.8% last year. The Company's level of operating profitability is down a bit – over the last three years, this measure of profitability has averaged 9.6% of revenues.

Key Financial Ratios

- Current (current assets minus current liabilities) and quick (current assets excepting inventories, minus current liabilities) ratios are somewhat lower than the industry average.
- Relative to annual sales (i.e. revenues), accounts payable are a bit high.
- Total liabilities to net worth are relatively low.
- According to book, the Company enjoys a healthy return on assets, net worth and sales. Earnings before interest, taxes, depreciation and amortization ("EBITDA") as a percentage of sales are also comparable to industry norms.
- Total assets to sales appears to be typical of these types of firms, but fixed assets to net worth is low.
- STAR Center's net working capital to sales is fairly consistent with industry norms.

III. FINANCIAL PERFORMANCE ANALYSIS (Continued)

E. Adjustments to Financial Statements

Some adjustment or normalization of the historical financial statements is often required to develop statements relevant for valuation. Normalization is performed to adjust balance sheet items to reflect fair market values, to remove any assets/liabilities or revenues/expenses not directly related to the operation of the business, and to address non-recurring, extraordinary or unnecessary income or expense items on the income statement.

All adjustments to the financial statements are discussed below, and presented in detail in Exhibits C and F.

Balance Sheet Adjustments

- Several adjustments were made to the Company's fixed asset balances. These adjustments relate to certain purchase price allocations made as a result of the 2007 redemption of Ms. Minson's membership interest, as well as the accumulated amortization associated with these intangible assets.
- Goodwill was removed from the balance sheet. Similar to the adjustments discussed above, this reflects the fact that intangible assets are presented on the balance sheet primarily for tax accounting purposes.
- An "officer loan payable" was removed as a liability. According to the Company's CPA, this item is more accurately considered to be equity rather than debt.
- The Company's equity balance was adjusted to compensate for the adjustments described above, thus "balancing" the balance sheet.

Income Statement Adjustments

As shown in Exhibit F, multiple adjustments were made to the income statement of the Company to arrive at a normalized measurement of earnings before interest and taxes ("EBIT"). These adjustments help the appraiser to better understand the business' historical trends as well as the true profitability of the Company, from the perspective of a hypothetical purchaser of the subject ownership interest:

- Certain items presented on the income statement as "other income" were added to revenues and gross profit. These items relate to refunds for overpayments of unemployment and workers compensation insurance and an overpayment for certain "common area maintenance" charges.

III. FINANCIAL PERFORMANCE ANALYSIS

(Continued)

- Several adjustments were made to operating expenses to recognize their non-recurring nature. These non-recurring expenses relate to the redemption of Ms. Minson's ownership interest, a prior financial arrangement with the Foundation, and the anticipated relocation of the Company's facility in April 2011.
- An adjustment was made to recognize the interest expense associated with the debt from the Minson redemption. By definition, EBIT does not include interest expense.
- Two adjustments were made to bring compensation paid to Lucy Jane Miller to its estimated fair market value. Historically, Dr. Miller has been compensated at a level lower than what would normally be required to compensate the executive director of a similar organization. With the input of management, the Appraiser determined the estimated cost of an executive director to be \$100,000 to \$120,000. In light of the fact that Dr. Miller splits her professional time between the STAR Center and the Foundation, it was assumed that the Company would incur 50% of the expense associated with a "replacement" executive director, or approximately \$50,000.

F. Summary and Impact on Valuation

Overall, the combination of these financial considerations has a moderately positive impact on the value of Company.

IV. VALUATION ANALYSIS

A. Valuation Approaches

There are numerous methodologies for estimating the value of an interest in a privately-held business, each of which can be classified under one of three approaches to business appraisal:

- Asset Approach
- Market Approach
- Income Approach

In the selection of the appropriate method or methods to use in a valuation analysis, many factors need to be considered, including the nature of the business, statutes, regulations and case law, I.R.S. revenue rulings, and the factors impacting the profitability and marketability of the subject business enterprise. In this analysis, the Appraiser has considered various methods that fall under one of the three valuation approaches, as described below.

B. Asset Approach

The asset approach to business valuation is based upon the premise that the economic value of an asset can be determined by the cost of acquiring an equally desirable substitute. In order to determine the cost of substitution, various means can be used, including an analysis of the historical cost of the asset, the current cost of a suitable replacement asset, and the present market value of the assets of the firm. As suggested by the Internal Revenue Service in Revenue Ruling 59-60, in valuing investment or holding companies, the value of the underlying assets may be given greatest weight.

The assets of a business can be broken into two broad categories: tangible and intangible. The original purchase costs of the tangible assets are quantified on the firm's balance sheet, and these items can be adjusted to market values by real estate, equipment, and other specialized appraisal professionals. Intangible assets relate to brand names, customer relationships, goodwill, specialized know-how, investments in marketing by the business and its suppliers, and other items, and are more difficult to quantify.

IV. VALUATION ANALYSIS (Continued)

Methodologies Considered but Rejected

The Liquidation Value Method was rejected as inappropriate because liquidation is inconsistent with the nature of this valuation assignment and its premise of value. Additionally, there are no facts to suggest that liquidation is likely to occur in the foreseeable future.

The Net Asset Value Method was rejected as inappropriate because there is significant value added to the Company's products from labor.¹¹ This method is most appropriate for valuing investment companies, rather than operating businesses.

The Excess Earnings Method was rejected as inappropriate because the Company's investment in "net tangible assets" is minimal. This method is most appropriate for small "mom-and-pop" businesses and professional practices.¹²

For these reasons, the Appraiser dismissed methods based on an asset approach.

C. Market Approach

The market approach to business valuation assumes that the value of a business interest can be assessed by observing the value interests in the subject company yielded in prior transactions, or by the value at which "comparable" business interests are being exchanged in either the public or private markets. The latter methodology generally entails valuing the subject business interest based on comparable publicly-traded companies or transactions derived from a private transactional database. As stated by the Internal Revenue Service in Revenue Ruling 59-60, in valuing unlisted securities, the value of stock or securities of corporations engaged in the same or similar line of business which are listed on an exchange should be taken into consideration along with all other factors.

Methodologies Considered but Rejected

The Prior Transactions Method was rejected as inappropriate. As discussed in Section II. D., there was a transaction in a membership interest in the Company in 2007. However, this occurred over three years prior to the Valuation Date, at a time

¹¹ See Fishman, Jay E., et al. *Guide to Business Valuations (Fifteenth Edition)*. Fort Worth: Practitioners Publishing Company. §701.3

¹² *Ibid.* §704.1

IV. VALUATION ANALYSIS (Continued)

when the Company was significantly smaller and still fairly early in its stage of development. As a result, the Appraiser's assessment is that this transaction may not provide a reliable indication of value.

The Guideline Public Company Method was rejected as inappropriate because of the nature of the subject enterprise. Given the size of the Company and other factors, a comparison to publicly-traded enterprises would not provide a reasonable indication of value.

An examination of the Pratt's Stats transaction database yielded 25 transactions for companies in the "offices of physical, occupational and speech therapists" industry (NAICS 621340). However, only five of these transactions had taken place since the beginning of the economic recession in December 2007. Of these five, only one is of an occupational therapy practice. Given these facts, the Guideline Transactions Method may not produce a reliable indication of value for the subject company. Thus, the Appraiser rejected the Guideline Transactions Method to provide an indication of value.

For these reasons, the Appraiser dismissed methods based on a market approach.

D. Income Approach

The income approach to business valuation estimates the value of the economic benefits of ownership of a business either by discounting future expected income streams to a value in today's dollars, or by capitalizing a representative level of income into perpetuity. Thus, the income approach assumes that a buyer will pay the present value of the business' future income. As suggested by the Internal Revenue Service in Revenue Ruling 59-60, in valuing companies that sell goods and services, primary consideration should be given to earnings.

In the valuation of the subject interest, the Single-Period Capitalization method was deemed a more straightforward method under the income approach because of the nature of the available data and the fact that the Company's earnings have been relatively stable over the last several years.

Single-Period Capitalization Method

The Single-Period Capitalization Method estimates the anticipated returns to the owners by capitalizing a normalized level of earnings. This method has three key assumptions: 1) the subject company has a representative level of earnings, 2) this

IV. VALUATION ANALYSIS (Continued)

representative level of earnings will grow at a relatively constant rate into the future, and 3) this representative level of earnings will be realized for a long-period of time.

All three assumptions are reasonable, with respect to the subject company. The Company's earnings (as measured by normalized EBIT) have been relatively consistent over the last three years, ranging from about \$68,000 in the 2009 to \$77,000 in 2008. In 2010, this measure of earnings was approximately \$72,000. The average over these three periods also was approximately \$72,000.

The Company's earnings are reasonably expected to grow at a relatively consistent rate over time. Demand for the Company's services should continue to be driven by the recognition of SPD and the market's awareness of the STAR Center's unique treatment of it. An economic recovery may also support future growth, although demand for the Company's services appears to be relatively immune to the business cycle. Given the Company's significant history of operations and management's expectations, the most reasonable assumption going forward is to assume a relatively steady rate of growth over the long-term.

These factors lead the Appraiser to the conclusion that a solid level of growth in the Company's EBIT is the most reasonable expectation. Management does not prepare a long-term financial forecast, but it is expecting revenue growth of about 7% in 2011. Undoubtedly, operating expense will also increase. As estimated by First Research, growth prospects for the rehabilitation therapy services industry are expected to be "medium". In light of these facts, the Appraiser selected 4% as a reasonable proxy for long-term earnings growth.

Lastly, given the presumption that the business is a going-concern, the business should enjoy this level of earnings over a sufficiently long period of time. The Company has been in business since November 2005. As of January 1, 2011, it will continue its existence as a charitable organization. There are no facts to suggest that the Company will not continue as a going concern. Therefore, the representative level of earnings is reasonably expected to be realized for a sufficiently long time.

Having determined the appropriateness of the Single-Period Capitalization Method, a capitalization rate (cap-rate) must be determined. There are a variety of ways to do this, including:

- The "build-up" and capital asset pricing model methods, which are based on historical rates of return observed in publicly-traded markets. These methods develop a discount rate, which is then converted to a cap-rate.
- Various "factor weighting" methods.
- Methods based on actual transaction data.

IV. VALUATION ANALYSIS (Continued)

The build-up and capital asset pricing model methods are best suited for larger privately-held business because these companies often have many characteristics similar to publicly-traded companies. Factor weighting methods are sometimes appropriate for businesses like STAR Center's, but there is a significant degree of subjectivity in applying these methods and they are often applied to very small private companies. Given the lack of reliable multiples based on earnings, using actual transaction data to derive a cap-rate would be unreasonable. In light of these considerations, the Appraiser has chosen to use a build-up method in the development of the appropriate capitalization rate.

To estimate the appropriate capitalization rate under this method, one must first estimate the appropriate discount rate. A discount rate can be defined as the rate of return required by an investor for a particular investment given the nature of the investment and its level of risk. Because this is an indirect valuation of the Company's equity, the required return must reflect both the cost of debt to the subject company and the required return on equity invested. The two rates are combined to develop a total discount rate, or weighted average cost of capital (WACC), expressed by the following formula:

$$\text{WACC} = (\text{Percent of Debt to Total Capital} * \text{Cost of Debt}) + (\text{Percent of Equity to Total Capital} * \text{Equity Discount Rate})$$

The *cost of debt* is considered to be the after-tax interest rate the Company would likely pay for long-term debt. Banks are currently quoting interest rates on business loans for privately-held businesses with little tangible assets of approximately 2.50 basis points over the prime rate. The prime rate as of the Valuation Date was 3.25%. Therefore, the cost of debt on a pre-tax basis is estimated to be 5.75% (3.25 plus 2.50). Applying an estimated blended federal and state income tax rate of 23% indicates an after-tax (i.e. "tax-affected") cost of debt of 4.43%.

Under the build-up method, the discount rate to be used in the valuation of closely held company *equity* is commonly considered to be comprised of the following elements:

- The rate of return available in the market for "risk-free" investments, *plus*
- A premium for the risk associated with an investment in the publicly traded equity of large companies, *plus*
- A premium for the risk associated with an investment in smaller public companies, *plus*
- A premium for the unique risks associated with the specific company being evaluated.

IV. VALUATION ANALYSIS (Continued)

Thus, the equity discount rate is developed using a “build-up” method – an estimate of the market’s risk-free rate is added to the premiums for risk to arrive at the total discount rate associated with an investment in the business’ equity.

Risk-Free Rate – The risk-free rate of return, which is the base in the development of the equity discount rate, is commonly cited as the rate of return on the twenty-year U.S. Treasury bond. The return on the twenty-year bond as of the Valuation Date was 4.13%.

Equity Risk Premium – Investors demand a higher return for accepting the risk associated with owning stock versus an investment in a “risk-free” Treasury bond. Morningstar (formerly known as Ibbotson) data¹³, which is often referred to in the business valuation community, suggests the appropriate risk premium for publicly-traded large company stocks over the period 1926-2009 is equal to 5.20%.

Size Risk Premium – The risk associated with and the expected return demanded by investors in small company stocks has been shown to exceed that of large company stocks. Morningstar data shows that the average premium for “micro-capitalization” equity (defined as those companies having a market capitalization between \$1.0 and \$123.5 million) equals 10.01%.

Company-Specific Risk Premium – Individual companies have risk factors over and above the risk associated with the market for small-company public stock. These risk factors are numerous, and may include industry risks, market specific risks, customer specific risks, supplier specific risks, product specific risks, geographic risks, competitive risks, financial structure risks, key man risks, contingent liability risks, lack of marketability issues and others. There are no sources that provide empirical data for company-specific risk premiums – the level of premium is left to the analysis and professional judgment of the appraiser.¹⁴ However, it has been suggested that the *total* equity discount rate will typically be between 18% - 30% (on an after-tax basis).¹⁵

STAR Center has multiple risks relative to small, publicly-traded companies which have caused the Appraiser to place an additional premium on the discount rate. These risks include:

- Size – STAR Center is small relative to the “typical” micro-capitalization stock;

¹³ *Stocks, Bonds, Bills, and Inflation: 2010 Yearbook – Valuation Edition*. Chicago: Morningstar, Inc, 2010

¹⁴ Pratt, Shannon P. *Cost of Capital*. New York: 1998. 66.

¹⁵ Fishman, Jay E., et al. *Guide to Business Valuations*. Fort Worth: Practitioners Publishing Company. §502.34.

IV. VALUATION ANALYSIS (Continued)

- Access to capital – Given its size, status as a service company and limited tangible assets, the Company likely has limited access to traditional debt financing;
- Management – The Company’s management appears to be experienced and competent, but is relatively thin. Additionally, the Company appears to have a considerable degree of dependence on its founder and Director, Lucy Jane Miller.

On the other hand, the following facts are favorable, in terms of STAR Center’s risk profile:

- Profitability – Despite a difficult economic environment, the Company has achieved a solid level of operating profitability in the last several years;
- Earnings stability – The Company’s EBIT has been fairly steady in recent years;
- Leverage – STAR Center employs no use of debt financing;
- Client base – The Company appears to have a diversified client base. Given their demographics, these clients may be less susceptible to fluctuations in the economy;
- Industry stability – The rehabilitation therapy services industry would seem to be relatively less susceptible to general swings in the overall economy.

In consideration of these various risk factors, the Appraiser selected a company-specific risk premium of 3.0%.

Thus, the total equity discount rate is “built-up” to be 22.34%, which is at the lower third of the 18% - 30% range cited above, indicating that STAR Center exhibits a risk profile that is somewhat lower than the “typical” privately-held company.

As discussed above, the discount rate must reflect the cost of capital to both equity owners and debt holders – the cost of debt and the equity discount rate must be combined. This weighting of debt and equity must be in proportion to the “hypothetical” capital structure of STAR Center because the subject ownership interest (i.e. a 100% membership interest) has the ability to affect the Company’s capital structure – a controlling owner is assumed to employ an optimal mix of debt and equity financing. Given its limited available collateral and borrowing capacity, the Company’s hypothetical mix of debt and equity was assumed to be 25% debt and 75% equity.

Combining the equity discount rate of 22.34% with the cost of debt of 4.43% according to their respective proportions of the Company’s capital structure yields a WACC of 18% (rounded).

IV. VALUATION ANALYSIS (Continued)

The development of the cost of debt, the equity discount rate, and weighted average cost of capital is presented in detail in **Exhibit H**.

From the WACC, the capitalization-rate is calculated by subtracting a reasonable proxy for the long-term growth rate for the applicable level of earnings. As discussed above, this growth rate was estimated to be 4%. Thus, the capitalization rate to be applied under the Single-Period Capitalization Method was determined to be 14% ($18 - 4 = 14$).

The next step in this method involves the application of the cap-rate to the appropriate level of normalized income. When developing a cap-rate as above, the appropriate level of income is based on cash flow (i.e. EBIT), minus capital expenditures and net changes to working capital.

In light of its historical performance and management's estimate for 2011, the Appraiser views \$80,000 as a reasonable proxy for the Company's normalized EBIT. This gives substantial weight to the Company's average EBIT for 2008, 2009 and 2010, which equaled about \$72,000. It acknowledges management's estimate of revenues for 2011 of \$1,138,000 and its recent EBIT margin of 8% - this would equal EBIT of about \$91,000 for 2011 (\$1,138,000 times 0.08). Lastly, it considers the general growth trend of the STAR Center.

From this normalized level of EBIT, estimated income taxes at a combined federal and state rate of 23% are subtracted. Capital expenditure requirements were assumed to correlate to the Company's historical depreciation expense, and working capital requirements were assumed to equal to the industry norm (per the BizMiner database) of 5% of the projected change in revenues. These adjustments are made to arrive at the appropriate level of income to be capitalized, and are presented in **Exhibit I**.

The capitalization rate is now applied to the appropriate measure of income to provide an indication of value, as shown in **Exhibit I**. After subtracting the market value of the Company's interest-bearing debt (\$0), the result is an indicated value of equity of \$410,850.

Therefore, as indicated by this method, the value of a 100% equity interest in the Company (on a controlling, as if freely-traded basis) is \$410,850.

IV. VALUATION ANALYSIS (Continued)

E. Adjustment for Lack of Control

Minority shareholders, owning less than a controlling interest in a company, are typically unable to directly control a variety of corporate initiatives. These include:

- Board election and management appointment;
- Employment, compensation and perquisite plans;
- Dividend declaration and distribution;
- General business policies;
- Capital structure and leverage;
- Acquisition and/or liquidation of assets.

Because the minority owner has less control than a majority shareholder over these and other factors, purchasers usually will not pay as much for a minority ownership stake as they would for a controlling position, on a pro rata basis. The difference between these two values is commonly referred to as the discount for lack of control. Empirical studies of control premiums and discounts for lack of control commonly cited among business appraisers include studies performed by the financial firm of Houlihan, Lokey, Howard and Zukin and by the publication *Mergerstat Review*. Although these studies have their critics, they suggest discounts for lack of control can be in the range of 25% - 50%.¹⁶

The value indicated by the Single-Period Capitalization Method represents an interest that possesses control because of the nature of the forecasted earnings. This forecasted level of earnings reflects one that would be available to a controlling owner. As articulated by Shannon Pratt, one of the valuation industry's most prominent experts, "the question as to whether the result of discounting or capitalizing represents a minority or a control value depends primarily on *the nature of the cash flows being discounted or capitalized, rather than on the discount or capitalization rate*." (Pratt's emphasis).¹⁷ Therefore, the value indicated by this method is comparable to the subject ownership interest in terms of control, and no adjustment is necessary.

¹⁶ Fishman, Jay E., et al *Guide to Business Valuations* Fort Worth: Practitioners Publishing Company. §803.25.

¹⁷ Pratt, Shannon P. *Cost of Capital* New York: 1998. 131.

IV. VALUATION ANALYSIS

(Continued)

F. Adjustment for Lack of Marketability

The hypothetical buyer of a closely-held business interest normally prefers an investment that is readily convertible to cash (i.e. quickly and easily sold). By definition, an interest in a closely-held business is not readily convertible to cash because of the lack of a public market for such business interests. Additionally, contractual agreements often limit the transferability of a closely-held business interest. When applicable, a discount for lack of marketability recognizes that interests in closely-held businesses are relatively more difficult to sell than other, oftentimes publicly-traded business interests that are sold on free and open markets.

The value indicated by the Single-Period Capitalization Method represents an ownership interest that is relatively more marketable than the subject ownership interest being valued. The data used to develop the equity discount rate (based on rates of return realized from investments in publicly-traded stocks) was based on returns provided by assets of relatively greater marketability than the subject interest. Thus, it produced a level of value that is inconsistent with the marketability of the subject ownership interest. As a result, it becomes necessary to apply an adjustment for lack of marketability to this method's indicated value.

Many studies have been conducted which attempt to quantify the discount for lack of marketability. These studies generally fall within two categories - restricted stock studies and pre-IPO studies. The studies indicate a wide range of possible discounts, but the weight of the evidence suggests discounts in the range of 25% - 50%. The tables on the following pages detail the results of these studies.

IV. VALUATION ANALYSIS
(Continued)

Summary of Restricted Stock Studies

Study	Years Covered	Average Discount
	1966-1969	25.8%
	1966-1969	32.6%
	1968-1970	33.0%
	1968-1972	33.5%
	Probably 1969-1972	35.6%
	1969-1973	35.4%
	1978-1982	45.0%
	1981-1984	31.2%
	1981-1988	33.8%
	1979-Apr 1992	23.0%
	1980-1996	27.1%
	1991-1995	20.0%
	1996-Feb 1997	21.0%
	May 1997-1998	13.0%

Source Fishman, Jay E., et al *Guide to Business Valuations Fort Worth Practitioners Publishing Company* §803 39

18 "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 92d Congress, 1st Session 1971, pp. 2444-2456.

19 Ibid.

20 Gelman, Milton, "An Economist-Financial Analyst's Approach to Valuing Stock of a Closely Held Company", *Journal of Taxation*, June 1972, pp. 353-354.

21 Trout, Robert R., "Estimation of the Discount Associated with the Transfer of Restricted Securities", *Taxes*, June 1977, pp. 381-385.

22 Moroney, Robert E., "Most Courts Overvalue Closely Held Stocks", *Taxes*, March 1973, pp. 144-154.

23 Maher, J. Michael, "Discounts for Lack of Marketability for Closely-Held Business Interests", *Taxes*, September 1976, pp. 562-571.

24 "Revenue Ruling 77-287 Revisited", *SRC Quarterly Reports*, Spring 1983, pp. 1-3.

25 Willamette Management Associates study, unpublished.

26 Silber, William L., "Discounts on Restricted Stock: The Impact of Illiquidity on Stock Prices", *Financial Analysts Journal*, July-August 1991, pp. 60-64.

27 Hall, Lance S. and Timothy C. Polacek, "Strategies for Obtaining the Discount", *Estate Planning*, January/February 1994, pp. 38-44.

28 Oliver, Robert P. and Roy H. Meyers, "Discounts Seen in Private Placements of Restricted Stock: The Management Planning, Inc. Long-Term Study (1980-1996)", pub. in Chapter 5 of Robert F. Reilly and Robert P. Schweih, eds. *The Handbook of Advanced Business Valuation* (New York: McGraw-Hill, 2000)

29 Johnson, Bruce, "Restricted Stock Discounts, 1991-1995", *Shannon Pratt's Business Valuation Update*, March 1999, pp. 1-3.

30 Aschwald, Kathryn, "Restricted Stock Discounts Decline as a Result of 1-Year Holding Period", *Shannon Pratt's Business Valuation Update*, May 2000, pp. 1-5

31 Ibid.

IV. VALUATION ANALYSIS
(Continued)

Emory Pre-IPO Studies

Study	Number of IPO Prospectuses Reviewed	Number of Qualifying Transactions	Mean Discount	Median Discount
1980-1981	97	12	59%	68%
1985-1986	130	19	43%	43%
1987-1989	98	21	38%	43%
1989-1990	157	17	46%	40%
1990-1992	266	30	34%	33%
1992-1993	443	49	45%	43%
1994-1995	318	45	45%	47%
1995-1997	732	84	43%	41%
1997-2000	1,847	266	50%	52%
	4,088	543	46%	47%

Source: Fishman, Jay E., et al. *Guide to Business Valuations*. Fort Worth: Practitioners Publishing Company. §803.44

IV. VALUATION ANALYSIS (Continued)

Willamette Management Associates Pre-IPO Studies

Study	Number of		Median Discount
	Companies Analyzed	Transactions Analyzed	
1975-1978	17	31	52.5%
1979	9	17	62.7%
1980-1982	58	113	56.5%
1983	85	214	60.7%
1984	20	33	73.1%
1985	18	25	42.6%
1986	47	74	47.4%
1987	25	40	43.8%
1988	13	19	51.8%
1989	9	19	50.3%
1990	17	23	48.5%
1991	27	34	31.8%
1992	36	75	51.7%
1993	51	110	53.3%
1994	31	48	42.0%
1995	42	66	58.7%
1996	17	22	44.3%
1997	34	44	35.2%
1998	14	21	49.4%
1999	22	28	27.7%
2000	13	15	31.9%
2001	2	2	-195.8%
2002	5	7	76.2%

Source: Fishman, Jay E., et al. *Guide to Business Valuations*. Fort Worth: Practitioners Publishing Company §803.47

IV. VALUATION ANALYSIS (Continued)

A discussion of the key attributes of these studies, as well as other means of assessing the applicable adjustment for lack of marketability, is presented below.

Pre-IPO Studies

When a company initially goes public, the SEC requires disclosure of all company stock transactions for the prior three years. The pre-initial-public-offering (IPO) studies quantify the discount for lack of marketability by examining the difference between the public-market price at which the company issued a stock at the time of the IPO and the private-market price at which the company sold the stock before the IPO.

Shortcomings regarding the pre-IPO studies include:

- The discounts shown by the pre-IPO studies appear to be implausibly large. A discount of around 45% for pre-IPO private transactions (i.e. the "average" discount indicated in the Emory pre-IPO studies) implies that an investor could purchase a \$10.00 pre-IPO share for \$5.50, sell it for \$10.00 following the IPO, and thus earn an 82% rate of return. Assuming the private transaction takes place six months before the IPO (approximately the period of time in the Emory studies), it would imply an annual rate of return of 231%, which seems unreasonably high.
- Buyers of shares before the IPO are likely to be insiders who provide some services to the firm making the IPO. Thus, part of the discount may reflect compensation for these services rather than a discount for lack of marketability. Buyers of the stock at the time of the IPO are less likely to be insiders. Therefore, the sale price is less likely to be discounted to provide compensation for services performed.
- The IPO approach is subject to sample selection issues. Firms will choose to issue shares through an IPO when the firm's prospects are positive. Firms doing poorly will elect to delay or bypass the IPO, or ultimately may fail altogether. At the time of the private transaction, the market can only price the shares based on the market's probability assessment of the different possible outcomes. Once an IPO takes place, this uncertainty is resolved and only the successful (and hence higher-valued) firms issue shares.

The Appraiser finds the arguments against the use of the pre-IPO studies persuasive. Therefore, the Appraiser dismissed the use of the pre-IPO studies to estimate the adjustment for lack of marketability.

IV. VALUATION ANALYSIS (Continued)

Quantitative Marketability Discount Method (a.k.a. QMDM)

Z. Christopher Mercer, a nationally recognized valuation expert, developed a method to estimate the discount for lack of marketability that he has named the Quantitative Marketability Discount Model (QMDM).³² In applying this model, the analyst must estimate:

- The holding period for the investment;
- The expected return on the investment during the holding period;
- The growth in the underlying value of the investment during the holding period;
- The expected distributions to the minority owner during the holding period.

In light of these four assumptions, the analyst performs a type of discounted cash flow analysis to estimate the discount for lack of marketability. The primary shortcoming of the QMDM is that it is very difficult to estimate these four factors with any degree of reliability. In particular, the estimate the expected holding period of the investment is typically highly speculative. Therefore, the Appraiser dismissed the use the QMDM in assessing the applicable adjustment for lack of marketability.

Options Models

Recently, analysts have proposed using option-pricing theory (such as the calculation of a protective put) to estimate the discount for lack of marketability. Option pricing theory suggests that the longer the period of restricted marketability and the more volatile the underlying stock, the bigger the discount for lack of marketability. Proponents of this method suggest that if an investor holds restricted or non-marketable shares and buys a put option to sell the shares at an “as-if-freely-traded” fair market value, the investor has, in effect, purchased marketability.

Problems with the option method are:

- Put options are hedging instruments designed to lock in gain, not to cure marketability.
- Put options only address downside risk. This results in the investor owning a different “portfolio”, that is, a stock with a downside protection and an open upside, rather than a marketable share of stock.

³² Z. Christopher Mercer, *Quantifying Marketability Discounts - Developing and Supporting Marketability Discounts in the Appraisal of Closely Held Business Interests* (Tennessee: Peabody Publishing, 1997).

IV. VALUATION ANALYSIS (Continued)

- Option instruments are meant to address holding periods of three to 12 months, not long-term holding periods like that typically expected for an interest in a privately-owned company.
- For most holdings, put and call options simply are not available. Therefore, the option model is too theoretical, with too many subjective inputs.

The Appraiser believes that option pricing models have not yet been shown to be reliable primary methods for estimating the discount for lack of marketability for an interest in a privately-owned business. Therefore, the Appraiser dismissed this method.

Restricted Stock Studies

Many companies that have stock trading in public markets also have outstanding shares not registered for public trading or subject to restrictions. In all other respects, these shares are identical to their publicly-traded counterparts. Although investors cannot sell unregistered or restricted shares on the open market, blocks of shares can be sold in private transactions. Restricted stock studies compare the price of the restricted stock sales to the public-market trading price on the same day, and assume the price disparity is the result of lack of marketability. Thus, these studies provide a useful benchmark for the appropriate adjustment for lack of marketability.

The Appraiser believes these studies are more reliable than the other studies discussed above, and thus has relied on the restricted stock studies in estimating the appropriate adjustment for lack of marketability.

As presented in the table above, these studies indicate a range 13% to 45%. At least up until 1990, the typical discount appeared to fall around 30% to 35%. In 1990, the Securities Exchange Commission eliminated the requirement that all restricted stock transaction be registered with the SEC. It issued Rule 144A, which allows qualified institutional investors to trade unregistered securities among themselves without filing registration statements. This created a somewhat more liquid market for the unregistered securities, thus appearing to start a significant trend of reducing the average discounts observed in restricted stock transactions.³³

In 1997, the SEC announced that the required holding period for securities restricted pursuant to Rule 144 would be reduced from two years to one year. This significantly increased the liquidity of restricted stock. It appears that this furthered the trend

³³ Pratt, Shannon P. *Business Valuation Discounts and Premiums* New York: 2001 81

IV. VALUATION ANALYSIS (Continued)

of the reduction in the average discounts observed in restricted stock transactions.

In short, the reduction in the average discounts associated with transactions in restricted stock appear to be due to the enhanced liquidity provided by the SEC through these regulatory changes. Of course, such regulatory changes do not impact the liquidity of interests in privately-owned companies. As a result, the Appraiser views the discounts observed in the pre-1990 restricted stock studies as more reliable. Thus, according to these studies, the appropriate "starting point" in the assessment of the appropriate adjustment for lack of marketability appears to be about 30%.

The Appraiser also considered the specific facts and circumstances of the Company in assessing the appropriate adjustment for lack of marketability.

Among the factors that *inhibit* the marketability of the subject interest in STAR Center are:

- The Company's "stock" is not tradable on a public stock market;
- The Company has no history of paying dividends to its owners;
- The Company and its goodwill may be closely tied to its founder, who is also a key member of management.

Among the factors that *enhance* the marketability of the subject interest in STAR Center are:

- Despite the difficult economy, the Company has enjoyed considerable stability in its level of profitability over the last few years;
- In terms of balance sheet and income statement indicators, the Company appears to be comparable to or perhaps a bit stronger than its industry peers;
- The Company makes little to no use of debt financing;
- The Company operates in an industry and offers a service that is likely to be less susceptible to economic downturns;
- As of the Valuation Date, there are no operating, buy-sell, or other legal agreements that restrict the transfer of a membership interest in the Company;
- The subject interest represents one that possesses complete control over the enterprise.

IV. VALUATION ANALYSIS
(Continued)

In consideration of these factors, the Appraiser has selected a discount for lack of marketability of 20%. This discount is somewhat below the range of empirical data presented above. Although some of these factors represent substantial limitations on the marketability of an interest in the Company, there also are multiple factors that enhance the marketability of the subject interest.

G. Reconciliation and Final Opinion of Value

Having arrived at one indication of value under a single applicable valuation method, it is not necessary to reconcile disparate indicated values. However, the adjustment for lack of marketability discussed above must be applied. This calculation is presented in the table below:

Application of Valuation Adjustments

Valuation Method	Indicated Value	Adjustment for Control	Adjusted Value	Adjustment for Marketability	Estimated Value
Single-Period Capitalization	\$ 410,850	n/a	\$ 410,850	20%	\$ 328,680
Estimated Value (rounded)					\$ 330,000

Therefore, as a result of this analysis, the Appraiser estimates the fair market value of a 100% membership interest in STAR Center, LLC as of December 31, 2010 to be \$330,000.

V. APPRAISER BACKGROUND & QUALIFICATIONS

Bryan DesMarteau is the Managing Member of Apex Valuation Consulting LLC. He has been appraising interests in privately-held businesses since 1998. Since that time, he has performed appraisals for a variety of purposes, including business purchases and sales, shareholder disputes, marital dissolutions, financial reporting, and estate, gift and income tax activities. These engagements have involved early-stage, pre-revenue companies to those with nearly \$200,000,000 in annual revenue.

Mr. DesMarteau's professional credentials include the Accredited Senior Appraiser (in business valuation) designation (ASA), granted by the American Society of Appraisers, and the Certified Business Appraiser (CBA) designation, conferred by the Institute of Business Appraisers. Individuals earn these designations only after demonstrating high levels of valuation training and experience, and by proving their competence through a rigorous peer review process.

Mr. DesMarteau has served as an expert on behalf of both taxpayers and the Internal Revenue Service, and often speaks and publishes on business valuation issues. He was recently elected to a three-year term on the Institute of Business Appraisers' Accreditation Board.

Although he is not actively engaged in the practice of law, Mr. DesMarteau is a licensed attorney and is a member of the Colorado Bar Association. His prior experience includes working in mergers and acquisitions with a financial consulting boutique. He has a Bachelor of Science in Business Administration (in Finance) from the University of Denver and a Juris Doctor from the Creighton University School of Law.

Apex Valuation Consulting LLC

8101 Shaffer Parkway, Suite 200

Littleton, Colorado 80127

303-932-0112

www.apexvaluation.net

EXHIBITS

**Exhibit A
Historical Balance Sheets**

	Dec 31 2006	Dec 31 2007	Dec 31 2008	Dec 31 2009	Dec 31 2010
Current Assets					
Checking/Savings	\$ 28,744	\$ 3,785	\$ 7,887	\$ 40,753	\$ 74,122
Accounts Receivable	3,547	54	-	-	81
Undeposited Funds	-	-	1,823	63	3
Inventory Asset	30	-	481	5,227	5,112
Prepaid Expenses	826	826	-	-	-
Total Current Assets	33,147	4,665	10,191	46,043	79,318
Property & Equipment					
Equipment	-	9,313	9,313	9,313	9,313
Furniture & Fixtures	10,545	8,720	8,720	8,720	8,720
F&F - Minson Purchase	-	24,000	24,000	24,000	24,000
Leasehold Improvements	6,987	6,689	6,689	12,928	12,928
Non-Compete Agreement	-	25,000	25,000	25,000	25,000
Organization Costs	14,439	-	-	-	-
Accumulated Amortization	-	-	(15,210)	(25,624)	(25,624)
Accumulated Depreciation	(7,693)	(11,830)	(18,199)	(26,364)	(26,364)
Total Property & Equipment	24,278	61,892	40,313	27,973	27,973
Other Assets					
Logo	1,500	-	-	-	-
Goodwill - Star Purchase	-	127,081	127,081	127,081	127,081
Security Deposit	8,006	8,006	8,006	8,006	8,006
Total Other Assets	9,506	135,087	135,087	135,087	135,087
Total Assets	66,931	201,644	185,591	209,103	242,378
Current Liabilities					
Credit Cards	-	-	-	1,273	218
Accounts Payable	10,631	2,850	13,736	18,833	18,780
Accrued Sales Tax	22	-	550	615	434
Accrued Payroll Liabilities	9,061	-	2,086	2,477	2,024
DT Loan	-	17,000	6,420	1,420	-
Officer Loan Payable	123,274	114,841	57,177	37,260	20,665
Total Current Liabilities	142,988	134,691	79,969	61,878	42,121
Long-Term Debt (net of current)					
	-	108,981	69,239	23,348	-
Total Liabilities	142,988	243,672	149,208	85,226	42,121
Equity					
Miller Equity	50,116	(21,897)	(21,897)	(23,164)	(57,794)
Minson Equity	56,237	1	1	1	1
Opening Balance Equity	-	-	-	-	50
Retained Earnings	-	(55,244)	(20,133)	58,279	147,040
Net Income	(182,410)	35,112	78,412	88,761	110,960
Total Equity	(76,057)	(42,028)	36,383	123,877	200,257
Total Liabilities & Equity	\$ 66,931	\$ 201,644	\$ 185,591	\$ 209,103	\$ 242,378

Exhibit B
Balance Sheets (Common Sized)

	Dec 31 2006	Dec 31 2007	Dec 31 2008	Dec 31 2009	Dec 31 2010
Current Assets					
Checking/Savings	42.9%	1.9%	4.2%	19.5%	30.6%
Accounts Receivable	5.3%	0.0%	0.0%	0.0%	0.0%
Undeposited Funds	0.0%	0.0%	0.0%	0.0%	0.0%
Inventory Asset	0.0%	0.0%	0.3%	2.5%	2.1%
Prepaid Expenses	1.2%	0.4%	0.0%	0.0%	0.0%
Total Current Assets	49.5%	2.3%	5.5%	22.0%	32.7%
Property & Equipment					
Equipment	0.0%	4.6%	5.0%	4.5%	3.8%
Furniture & Fixtures	15.8%	4.3%	4.7%	4.2%	3.6%
F&F - Minson Purchase	0.0%	11.9%	12.9%	11.5%	9.9%
Leasehold Improvements	10.4%	3.3%	3.6%	6.2%	5.3%
Non-Complete Agreement	0.0%	12.4%	13.5%	12.0%	10.3%
Organization Costs	21.6%	0.0%	0.0%	0.0%	0.0%
Accumulated Amortization	0.0%	0.0%	-8.2%	-12.3%	-10.6%
Accumulated Depreciation	-11.5%	-5.9%	-9.8%	-12.6%	-10.9%
Total Property & Equipment	36.3%	30.7%	21.7%	13.4%	11.5%
Other Assets					
Logo	2.2%	0.0%	0.0%	0.0%	0.0%
Goodwill - Star Purchase	0.0%	63.0%	68.5%	60.8%	52.4%
Security Deposit	12.0%	4.0%	4.3%	3.8%	3.3%
Total Other Assets	14.2%	67.0%	72.8%	64.6%	55.7%
Total Assets	100.0%	100.0%	100.0%	100.0%	100.0%
Current Liabilities					
Credit Cards	0.0%	0.0%	0.0%	0.6%	0.1%
Accounts Payable	15.9%	1.4%	7.4%	9.0%	7.7%
Accrued Sales Tax	0.0%	0.0%	0.3%	0.3%	0.2%
Accrued Payroll Liabilities	13.5%	0.0%	1.1%	1.2%	0.8%
DT Loan	0.0%	8.4%	3.5%	0.7%	0.0%
Officer Loan Payable	184.2%	57.0%	30.8%	17.8%	8.5%
Total Current Liabilities	213.6%	66.8%	43.1%	29.6%	17.4%
Long-Term Debt (net of current)	0.0%	54.0%	37.3%	11.2%	0.0%
Total Liabilities	213.6%	120.8%	80.4%	40.8%	17.4%
Equity					
Miller Equity	74.9%	-10.9%	-11.8%	-11.1%	-23.8%
Minson Equity	84.0%	0.0%	0.0%	0.0%	0.0%
Opening Balance Equity	0.0%	0.0%	0.0%	0.0%	0.0%
Retained Earnings	0.0%	-27.4%	-10.8%	27.9%	60.7%
Net Income	-272.5%	17.4%	42.2%	42.4%	45.8%
Total Equity	-113.6%	-20.8%	19.6%	59.2%	82.6%
Total Liabilities & Equity	100.0%	100.0%	100.0%	100.0%	100.0%

Exhibit C
Balance Sheet Adjustments

	Dec 31, 2010 Actual	Adjustments	Dec 31, 2010 Adjusted	comments
Current Assets				
Checking/Savings	\$ 74,122	\$ -	\$ 74,122	
Accounts Receivable	81		81	
Undeposited Funds	3		3	
Inventory Asset	5,112		5,112	
Prepaid Expenses	-		-	
Total Current Assets	79,318	-	79,318	
Property & Equipment				
Equipment	9,313		9,313	
Furniture & Fixtures	8,720		8,720	
F&F - Minson Purchase	24,000	(24,000)	-	Intangible Assets
Leasehold Improvements	12,928		12,928	
Non-Compete Agreement	25,000	(25,000)	-	Intangible Assets
Organization Costs	-		-	
Accumulated Amortization	(25,624)	25,624	-	Amort associated with intangibles
Accumulated Depreciation	(26,364)		(26,364)	
Total Property & Equipment	27,973	(23,376)	4,597	
Other Assets				
Logo	-		-	
Goodwill - Star Purchase	127,081	(127,081)	-	Intangible Assets
Security Deposit	8,006		8,006	
Total Other Assets	135,087	(127,081)	8,006	
Total Assets	242,378	(150,457)	91,921	
Current Liabilities				
Credit Cards	218		218	
Accounts Payable	18,780		18,780	
Accrued Sales Tax	434		434	
Accrued Payroll Liabilities	2,024		2,024	
DT Loan	-		-	
Officer Loan Payable	20,665	(20,665)	-	Re-classified as equity
Total Current Liabilities	42,121	(20,665)	21,456	
Long-Term Debt (net of current)	-		-	
Total Liabilities	42,121	(20,665)	21,456	
Equity				
Miller Equity	(57,794)		(57,794)	
Minson Equity	1		1	
Opening Balance Equity	50		50	
Retained Earnings	147,040	(129,792)	17,248	Balancing adjustment
Net Income	110,960		110,960	
Total Equity	200,257	(129,792)	70,465	
Total Liabilities & Equity	\$ 242,378	\$ (150,457)	\$ 91,921	

Exhibit D

Historical Income Statements

	Jan - Dec 2006	Jan - Dec 2007	Jan - Dec 2008	Jan - Dec 2009	Jan - Dec 2010
Sales	\$ 435,158	\$ 674,617	\$ 803,429	\$ 896,507	\$ 1,027,281
Cost of Sales	179	9,621	73,143	49,724	27,941
Gross Profit	434,979	664,996	730,286	846,783	999,340
Operating Expenses					
Organizational Costs	-	9,824	-	-	-
Accounting & Legal	6,727	2,644	1,425	2,210	7,725
Amortization Expense	963	6,186	10,139	10,414	-
Bank Service Charges	30	10	81	221	164
Consulting Services	-	11,050	3,037	3,150	-
Contract Labor	5,078	3,549	13,094	71,004	140,740
Credit Card Fees	3,944	11,486	16,118	17,849	21,738
Depreciation Expense	1,685	9,234	11,440	8,165	-
Donations	-	-	-	-	50
Equip Lease - Server	1,210	1,844	864	1,263	896
Equip Lease - Copier	630	1,249	2,077	6,057	1,992
Finance Charges	226	1,768	-	52	222
Hiring Expenses	1,251	50	2,486	247	115
Insurance - Liability	1,538	3,080	2,454	2,316	2,316
Insurance - Workers Comp	2,310	3,476	1,988	2,700	3,063
Interest Expenses	-	5,111	15,800	4,407	74
Licenses, Dues, Permits	332	48	265	860	860
Marketing & Advertising	51,318	12,778	6,166	10,614	17,194
Moving Expenses	1,950	-	-	-	10,878
Office Expenses & Supplies	11,901	8,598	7,348	10,911	10,964
Payroll Expenses	411,331	437,755	451,765	485,721	540,866
Postage & Shipping	414	923	682	889	927
Printing	-	-	2,987	(325)	1,884
Property Taxes	-	1,489	376	399	341
Reimbursements/Reconciliation	659	-	(1)	2	1
Rent	41,080	70,972	82,848	105,914	121,572
Repairs and Maintenance	7,221	2,381	4,521	5,739	4,789
Research Contract	48,000	3,000	-	-	-
Sales Tax Expense	-	(49)	-	(2)	9
Staff Development & Training	218	779	2,305	2,022	1,709
Staff Expenses & Relations	263	2,209	271	417	483
Store Product	-	19	-	-	-
Telephone	7,215	3,784	3,358	3,481	2,765
Testing Expenses	3,974	3,078	3,460	3,493	3,964
Transportation Expense	-	526	318	-	-
Treatment Expenses	5,928	11,058	2,254	1,954	6,003
Total Operating Expenses	617,396	629,909	649,926	762,144	904,304
Operating Income	\$ (182,417)	\$ 35,087	\$ 80,360	\$ 84,639	\$ 95,036

Exhibit E

Income Statements (Common Sized)

	Jan - Dec 2006	Jan - Dec 2007	Jan - Dec 2008	Jan - Dec 2009	Jan - Dec 2010
Sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Sales	0.0%	1.4%	9.1%	5.5%	2.7%
Gross Profit	100.0%	98.6%	90.9%	94.5%	97.3%
Operating Expenses					
Organizational Costs	0.0%	1.5%	0.0%	0.0%	0.0%
Accounting & Legal	1.5%	0.4%	0.2%	0.2%	0.8%
Amortization Expense	0.2%	0.9%	1.3%	1.2%	0.0%
Bank Service Charges	0.0%	0.0%	0.0%	0.0%	0.0%
Consulting Services	0.0%	1.6%	0.4%	0.4%	0.0%
Contract Labor	1.2%	0.5%	1.6%	7.9%	13.7%
Credit Card Fees	0.9%	1.7%	2.0%	2.0%	2.1%
Depreciation Expense	0.4%	1.4%	1.4%	0.9%	0.0%
Donations	0.0%	0.0%	0.0%	0.0%	0.0%
Equip Lease - Server	0.3%	0.3%	0.1%	0.1%	0.1%
Equip Lease - Copier	0.1%	0.2%	0.3%	0.7%	0.2%
Finance Charges	0.1%	0.3%	0.0%	0.0%	0.0%
Hiring Expenses	0.3%	0.0%	0.3%	0.0%	0.0%
Insurance - Liability	0.4%	0.5%	0.3%	0.3%	0.2%
Insurance - Workers Comp	0.5%	0.5%	0.2%	0.3%	0.3%
Interest Expenses	0.0%	0.8%	2.0%	0.5%	0.0%
Licenses, Dues, Permits	0.1%	0.0%	0.0%	0.1%	0.1%
Marketing & Advertising	11.8%	1.9%	0.8%	1.2%	1.7%
Moving Expenses	0.4%	0.0%	0.0%	0.0%	1.1%
Office Expenses & Supplies	2.7%	1.3%	0.9%	1.2%	1.1%
Payroll Expenses	94.5%	64.9%	56.2%	54.2%	52.7%
Postage & Shipping	0.1%	0.1%	0.1%	0.1%	0.1%
Printing	0.0%	0.0%	0.4%	0.0%	0.2%
Property Taxes	0.0%	0.2%	0.0%	0.0%	0.0%
Reimbursements/Reconciliation	0.2%	0.0%	0.0%	0.0%	0.0%
Rent	9.4%	10.5%	10.3%	11.8%	11.8%
Repairs and Maintenance	1.7%	0.4%	0.6%	0.6%	0.5%
Research Contract	11.0%	0.4%	0.0%	0.0%	0.0%
Sales Tax Expense	0.0%	0.0%	0.0%	0.0%	0.0%
Staff Development & Training	0.1%	0.1%	0.3%	0.2%	0.2%
Staff Expenses & Relations	0.1%	0.3%	0.0%	0.0%	0.0%
Store Product	0.0%	0.0%	0.0%	0.0%	0.0%
Telephone	1.7%	0.6%	0.4%	0.4%	0.3%
Testing Expenses	0.9%	0.5%	0.4%	0.4%	0.4%
Transportation Expense	0.0%	0.1%	0.0%	0.0%	0.0%
Treatment Expenses	1.4%	1.6%	0.3%	0.2%	0.6%
Total Operating Expenses	141.9%	93.4%	80.9%	85.0%	88.0%
Operating Income	-41.9%	5.2%	10.0%	9.4%	9.3%

Exhibit F

Income Statement Adjustments

Ref	Jan - Dec 2006	Jan - Dec 2007	Jan - Dec 2008	Jan - Dec 2009	Jan - Dec 2010	comments
Revenues	\$ 435,158	\$ 674,617	\$ 803,429	\$ 896,507	\$ 1,027,281	
Add: Other Income	-	-	-	4,005	15,807	Presented as "other income"
Adjusted Revenues	<u>435,158</u>	<u>674,617</u>	<u>803,429</u>	<u>900,512</u>	<u>1,043,088</u>	
Cost-of-Sales	179	9,621	73,143	49,724	27,941	
Less						
Adjusted Cost of Sales	<u>179</u>	<u>9,621</u>	<u>73,143</u>	<u>49,724</u>	<u>27,941</u>	
Gross Profit	<u>434,979</u>	<u>664,996</u>	<u>730,286</u>	<u>846,783</u>	<u>999,340</u>	
Add: Other Income	-	-	-	4,005	15,807	Presented as "other income"
Adjusted Gross Profit	<u>434,979</u>	<u>664,996</u>	<u>730,286</u>	<u>850,788</u>	<u>1,015,147</u>	
Operating Expense (Book)	617,396	629,909	649,926	762,144	904,304	
Operating Income (Book)	<u>(182,417)</u>	<u>35,087</u>	<u>80,360</u>	<u>84,639</u>	<u>95,036</u>	
Adjustments to Operating Expenses						
Add Organizational Costs	-	9,824	-	-	-	Non-recurring expenses
Add Consulting Services	-	11,050	3,037	3,150	-	Non-recurring expenses
Add Interest Expenses	-	5,111	15,800	4,407	74	Pre-debt analysis
Add: Moving Expenses	1,950	-	-	-	10,878	Non-recurring expenses
Add: Officers' Compensation	13,884	17,492	24,793	19,917	-	Owner-related expenses
Less: Executive Director Comp	(44,265)	(45,634)	(47,045)	(48,500)	(50,000)	Assumed 50%/50% split
Add: Research Contract	48,000	3,000	-	-	-	Non-recurring expenses
Total Adjustments	<u>19,569</u>	<u>843</u>	<u>(3,415)</u>	<u>(21,026)</u>	<u>(39,048)</u>	
Operating Expenses (Adjusted)	<u>597,827</u>	<u>629,066</u>	<u>653,341</u>	<u>783,170</u>	<u>943,352</u>	
% of Adjusted Net Revenues	137.4%	93.2%	81.3%	87.0%	90.4%	
% change		5.2%	3.9%	19.9%	20.5%	
EBIT (Adjusted)	A-D \$ (162,848)	\$ 35,930	\$ 76,945	\$ 67,618	\$ 71,795	
% of Adjusted Net Revenues	-37.4%	5.3%	9.6%	7.5%	6.9%	
% change		-122.1%	114.2%	-12.1%	6.2%	

Exhibit G

Ratio Analysis

	Star Center (Actual)	Star Center (Adjusted)	Industry Average ¹
Common-Sized Balance Sheet			
Cash & Equivalents	30.6%	80.6%	29.6%
Accounts Receivable	0.0%	0.1%	5.0%
Inventory	2.1%	5.6%	2.6%
Other Current Assets	0.0%	0.0%	1.9%
Fixed Assets	11.5%	5.0%	36.2%
Other Non-Current Assets	55.7%	8.7%	24.8%
Accounts Payable	7.7%	20.4%	0.4%
Notes and Loans Payable	8.6%	0.2%	12.2%
Other Current Liabilities	1.0%	2.7%	1.2%
Long-Term Liabilities	0.0%	0.0%	14.0%
Net Worth	82.6%	76.7%	72.3%
Common-Sized Income Statement			
Net Sales	100.0%	100.0%	100.0%
Cost of Sales	2.7%	2.7%	17.3%
Gross Profit	97.3%	97.3%	82.7%
Operating Expenses	88.0%	90.4%	73.9%
Operating Profit	9.3%	6.9%	8.8%
Officers Compensation	n/a	n/a	13.9%
Salaries & Wages	66.4%	66.4%	20.4%
Rent	11.8%	11.8%	7.0%
Depreciation & Amortization	0.0%	0.0%	1.4%
Key Financial Ratios			
Current Ratio	1.9	3.7	2.8
Quick Ratio	1.8	3.5	2.5
Accounts Payable to Sales ¹	1.8%	1.8%	0.0%
Total Liabilities to Net Worth	0.21	0.30	0.38
EBITDA to Sales	9.3%	6.9%	10.2%
Pretax Return on Assets	39.2%	78.1%	40.5%
Pretax Return on Net Worth	47.5%	101.9%	56.1%
Pretax Return on Sales	9.3%	6.9%	8.6%
Total Assets to Sales	0.2	0.1	0.2
Cost of Sales to Inventory	5.5	5.5	31.4
Fixed Assets to Net Worth	0.1	0.1	0.5
Gross Profit to Sales	0.97	0.97	0.83
Net Working Capital to Sales	0.04	0.06	0.05

¹ "Occupational Therapists" firms with annual revenues between \$1M and \$2.5M per BizMiner

Exhibit H

Estimation of the Weighted Average Cost of Capital

As of December 31, 2010

Cost of Debt	
Borrowing Rate (1)	5.75%
Estimated Tax Rate (2)	23%
Tax-Affected Borrowing Rate (3)	4.43%
Estimated Cost of Debt	4.43%

Cost of Equity	
Risk-Free Rate (4)	4.13%
Equity Risk Premium (5)	5.20%
Size Risk Premium (6)	10.01%
Company-Specific Risk Premium (7)	3.00%
Estimated Cost of Equity	22.34%

Capital Structure (8)	
Debt	25%
Equity	75%

Calculation of the Weighted Average Cost of Capital

Source of Capital	After Tax Cost	% of Total Capital	Cost of Capital
Debt	4.43%	X 25%	= 1.11%
Equity	22.34%	X 75%	= 16.76%
Weighted Average Cost of Capital			17.86%

WACC (rounded) 18%

Notes:

- 1) Source Federal Reserve Statistical Release H 15, released 1/3/11, Prime Rate plus 250 basis points
- 2) Estimated effective income tax rate
- 3) Tax-affected borrowing rate calculated as the borrowing rate times (1 - estimated tax rate)
- 4) Source Federal Reserve Statistical Release H 15, released 1/3/11, Yield on 20-Year Treasury Bond as of 12/31/11
- 5) Source 2010 Ibbotson S&P Valuation Yearbook
- 6) Source 2010 Ibbotson S&P Valuation Yearbook (Decile 10b - Market Cap b/w \$1.0 million and \$123.5 million)
- 7) Qualitative Assessment
- 8) Based on the Company's hypothetical capital structure (rounded) as of the valuation date

Exhibit I

Single-Period Capitalization Method

Key Assumptions	
Income Tax Rate	23%
Discount Rate (WACC)	18%
Working Capital % of Total Sales	5%
Long-Term Growth Rate	4%

	<u>Single Period Capitalization</u>
Calculation of Net Cash Flow to Invested Capital	
Normalized EBIT	\$ 80,000
Normalized Operating Income	80,000
Interest Income (Expense)	-
Other Income (Expense)	-
Income Before Taxes	<u>80,000</u>
Less: Income Taxes	<u>(18,400)</u>
Net Income After Taxes	<u>61,600</u>
<u>Cash Flow Adjustments</u>	
Add: Depreciation	9,000
Less: Capital Expenditures	(10,000)
Less: Changes in Working Capital	(3,081)
Net Cash Flow to Invested Capital	<u>57,519</u>
Net Cash Flow to be Capitalized	\$ 57,519
Divided by Capitalization Rate	<u>14%</u>
Value of Invested Capital (controlling, as if freely-traded)	<u>410,850</u>
Interest-bearing Debt	-
Value of Equity (controlling, as if freely-traded)	<u>\$ 410,850</u>
Adjustment for Lack of Marketability	20%
Value of Equity (controlling, non-marketable)	\$ 328,680

- If you are filing for an **Additional (Not Automatic) 3-Month Extension**, complete only **Part II** and check this box **X**
- Note.** Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.
- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** (on page 1).

Part II	Additional (Not Automatic) 3-Month Extension of Time. Only file the original (no copies needed).	
Type or print File by the extended due date for filing your return. See instructions.	Name of exempt organization The Star Center Foundation	Employer identification number 27-4386097
	Number, street, and room or suite no. If a P.O. box, see instructions. 5420 S Quebec Street, Ste 103	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. Greenwood Village, CO 80111	

Enter the Return code for the return that this application is for (file a separate application for each return) 0 1

Application Is For	Return Code	Application Is For	Return Code
Form 990	01		
Form 990-BL	02	Form 1041-A	08
Form 990-EZ	01	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

STOP! Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

The Organization

- The books are in the care of **5420 S Quebec Street #103 - Greenwood Village, CO 80111-1902**
Telephone No. **303-221-7872** FAX No. _____
- If the organization does not have an office or place of business in the United States, check this box
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box . If it is for part of the group, check this box and attach a list with the names and EINs of all members the extension is for.
- 4** I request an additional 3-month extension of time until November 15, 2011.
- 5** For calendar year _____, or other tax year beginning DEC 31, 2010, and ending DEC 31, 2010.
- 6** If the tax year entered in line 5 is for less than 12 months, check reason: Initial return Final return
 Change in accounting period
- 7** State in detail why you need the extension _____
Information is not available to file an accurate return.

8a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	8a	\$	0.
b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868.	8b	\$	0.
c Balance due. Subtract line 8b from line 8a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	8c	\$	0.

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature _____ Title **President/Executive Director** Date _____