LIG ASSETS, INC.
A Rare Bargain

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LIG ASSETS, INC. (OTC:PK – LIGA - $0.01)	
Price Target: $0.20	Rating: Speculative Buy

COMPANY SNAPSHOT

LIG Assets, Inc. is an opportunistic provider of funding and financing for early-stage, high-growth businesses and real estate projects. The Company focuses primarily on income-producing properties in commercial and residential real estate whose cash flow and operating leverage contribute to the overall value of the entire LIG Assets enterprise. Properties currently generating cash flow for LIG Assets include nearly 300 residential properties throughout Texas. The Company also has business interests in other areas including entertainment, gaming and property in South America.

KEY STATISTICS

Price as of 5/13/13	$0.01
52 Wk High – Low	$0.06 – 0.0051
Est. Shares Outstanding	130.0M
Market Capitalization	$1.3M
3 Mo Avg Vol	2,280,000
Exchange	OTC:PK

COMPANY INFORMATION

LIG Assets, Inc.
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INVESTMENT HIGHLIGHTS

LIG Assets may be one of the most successful opportunistic investors and financiers of its size and its strategy could result in $3-4M in net profit this year. Such a return is 4x the current market cap, making LIG's share price a rare bargain.

The Company's core residential real estate business generates nearly $1M in annual income and its opportunistic minority investments and loans could result in as much as $2-3M in additional net profit this year alone.

Near term catalysts include a recently announced $1M+ gain on its movie finance venture in the coming months and the potential development and sale of various real estate properties.

Its current primary businesses include 300 income-producing residential properties, a key partnership in potentially major commercial real estate ventures, a casino project, and majority ownership of South American Properties Inc. (OTCPK – SAMP).

We should note that we purchased a nominal number of shares in the open market in November 2012 which marks the first time in 20 years that we have bought stock in any research-covered company.

We would not be surprised to see a cash dividend paid to shareholders related to the movie venture profit or a stock dividend for SAMP, which could provide solid returns for investors. In the absence of such events, if the Company earns $4M in net profit, the stock could trade up to a value of $28M, or $0.20 per share, which represents 7x estimated FY13 net income. We rate LIGA Speculative Buy.

COMPANY OVERVIEW

LIG Assets is a unique and yet misunderstood company. The Company traces its roots to the real estate and energy markets, but shifted its approach in 2010, when it began acquiring below-market value residential properties. Management elected to take advantage of an environment that offered high cash-generating properties at bargain basement prices, along with low interest rates. While a meaningful percentage of income was generated via relatively quick property purchase and sale transactions, management decided to hold properties for longer periods, as the intermediate timeframes appeared to offer even higher asset value increases.

At the same time, management realized that its wildly successful business model could be replicated in other industries outside of real estate. As a result, LIG began providing financing and entering into financial transactions in commercial real estate and a variety of other industries, including entertainment, gaming, and opportunities in South America.

For those investors that have been involved in the stock since last spring, a number of changes have occurred. Many early investors in the stock got on board in order to participate in the growth of the profitable residential real estate market and even greater growth through direct and indirect ownership of a LIG Asset portfolio company, SuiteMagic. <u>While management's focus remains on the real estate sector and occasional opportunties in other spaces, one of the reasons why it is misunderstood is because LIG behaves less like a publicly-traded asset play and more of a hedge fund comprised of limited partners seeking outsized returns.</u>

Most asset plays, or real estate project-oriented firms, are typically involved in their portoflio holdings for meaningful periods of time, generating income for years and then profiting from the sale of the assets. LIG takes what we would refer to as a core and satellite approach to its business model. The residential real estate business is considered core and is income-generating, and along with other proposed projects, has turnover but is somewhat steady in nature. The smaller, satellite portion is a high turnover approach to largely illiquid assets, which involve generating a series of short term gains. As a result, LIG tends to get involved in a variety of projects that produce positive capital returns, while the returns on the core side tend to be a mix of income gains and capital returns.

It is this approach which resulted in roughly $900,000 in net income in (unaudited) 2012 results, and could result in up to $4M in net profits this year, which is remarkable for a stock with a market cap of around $1M. At current levels, it is literally trading 1x FY12 earnings and based on the balance sheet, has a book value of $0.06 per share. **Clearly, whether one takes an operational approach or an asset-based approach, the stock is very undervalued.**

THE 5 HORSES

We divide the Firm's operations and holdings into 5 categories, or horses that will drive value via asset growth or income generation for the Company and shareholders. As noted above, considering LIG's core and satellite approach, holdings today may not be holdings tomorrow, and profits are used to engage in additional transactions.

Residential Real Estate:

The Company owns approximately 300 residential homes primarily in Texas that are income-producing via rents associated with these properties. They are managed by an affiliate and mortgages are held on all properties. From time to time, the Company sells some of these properties and adds new ones, while maintaining a similar profile in terms of home style, value, and associated debt. As of December 31, 2012, the properties were carried on the books at $22.6M, with debt of $16.2M. It is possible that the true value of the homes is carried at a discount to their true worth in May 2013, given the recent rise in home values in LIG's markets. In any event, absent a property-by-property breakdown, there appears to be considerable value in the Company based on the net value of these figures ($6.4M) alone.

Commercial Real Estate:

In late 2012, LIG announced a new key cog in its growth plans. The Company entered into a strategic alliance with Texas Real Estate Hedge Fund, LP to invest, acquire, manage and finance commercial real estate properties. The Texas Real Estate Hedge Fund, LP will focus on commercial real estate opportunities with valuations ranging from $3M to $100M with properties primarily located in the Southwest, West and Midwest sectors of the United States. The composition of these assets will cover Multifamily, Retail, Destination Hotel and Office properties. LIG Asset's and Texas Real Estate Hedge Fund's expertise, in association with a seasoned team from MMR Realty Advisors and Inter Continental Real Partners selectively analyze and underwrite the targeted acquisitions.

This strategic alliance, with a strong focus and many successful years of experience, has been developed with the opportunity to take positions in assets that are "Off Market" and can be acquired on a negotiated basis. Given the repositioning of the Commercial Mortgage-Backed Securities and the upcoming Commercial real estate maturities, LIG Assets and Texas Real Estate Hedge Fund, LP foresees significant opportunities in calendar year 2013 and beyond.

We should note that the Managing Director of Texas Real Estate Hedge Fund, LP, Victor F. Russell, has thirty-five years of expanding entrepreneurial experience in commercial real estate brokerage, acquisitions, development, appraisal reviews, finance and mortgage banking. Mr. Russell's past experience includes Managing Director for Bear Stearns / EMC real estate division with a valuation of over $1.6 billion dollars of REO's, nonperforming, sub-performing and performing pools of mortgages.

Earlier this year, LIG Assets and Texas Real Estate Hedge Fund, LP successfully executed a 16 year lease with a 4 year option for a total 20 year term on the first of ten planned locations with the new premium Terry's Supermarket concept. The initial location covers a 61,000 square foot building on 4.22 acres located in Carrollton, Texas and was purchased by LIG Assets for $3 million. This and future leases are projected to produce double digit cash on cash returns under a triple NNN Leasehold structure. A location for the second premium Terry's Supermarket has been targeted. This particular tenant is viewed as high quality and conservative in nature given its successful chain of grocery stores since 1995 with operations in Texas and Oklahoma.

Last month, LIG announced that it has closed its first real estate transaction with OM SHRI JJB, LLC to construct a new hotel. The current tract of land is on Gentry Pkwy in Tyler, Texas. Further details will be provided and management expects additional commercial retail projects to come on line this year.

LIG Entertainment:

On January 10, 2013, LIG Assets announced it had formed a new subsidiary (LIG Entertainment Management Inc.) to assist with the finance of low budget movies with the assistance of State Grants established to encourage filming it its home state of Texas. Even though this division is not the focus of LIG Assets and will not be in the future, it appears that it is now positioned to generate a strong return from the production of two feature length films. Based on initial interest from several parties in its "two film" movie deal, parent Company LIG Assets, Inc. estimates that it will enjoy profits of over $1 million. This transaction would be a tremendous short term return considering the asset is on the books for $1.2M and was executed less than a year ago. In our view, this is a one-time opportunity and it is not likely that the Company engages in these types of activities in the near future as it focuses its effort on the real estate side.

Gaming/Real Estate:

LIG recently announced today that it signed a contract to purchase a large commercial property in Cripple Creek, Colorado and expects the transaction to close within 30 days. The Property has attractive venues and is estimated at 50,000 square feet of revenue generating space. Additional details will be released after closing. The Company, which recently engaged a leading casino consultant, plans to lease the property to a casino and/or hotel operator at terms that will benefit tenant(s) while generating long term profits.

Cripple Creek is a hot bed for real estate and other entertainment and hospitality businesses. Cripple Creek is a short driving distance from Colorado Springs, Colorado, which is the headquarters for the United States Olympic Committee and the USA Olympic Training Center. Cripple Creek is more than 100 years old, and was founded during the booming Colorado Gold Rush, which attracted miners searching for their fortunes.

South American Properties:

The Company recently acquired controlling interest in a Firm that LIG renamed South American Properties, Inc. (OTCPK – SAMP). The new entity plans to acquire and develop real estate properties, and other income generating assets located in South America with a more specific focus on the country of Peru. For example, THCB plans to build a full service luxury marina called Colan Marina near the port of Paita in northern Peru. Colan Marina will be a planned full service marina and lake with 150 slips, dry dock facilities, maintenance and fuel service and full 24-hour security. The marina will be a man-made construction to be created by excavation of a salt flat bordering the emerald bay beach on the west and 100-foot cliffs on the east. A canal 24-meters wide and 200-meters long will connect the marina from the Pacific Ocean. Land has been purchased surrounding the lake portion as well as on top of the cliffs overlooking the marina location.

We do not view THCB as a core business and given that it is a publicly-traded entity, it is possible that management spins off its ownership in a stock dividend to shareholders. As a result, we view any progress on this front as a bonus rather than a key factor in valuation or profitability.

RISK FACTORS

In our view, LIGA's biggest risk is access to capital and financing. A secondary risk would be slowdowns in the real estate market, which we deem unlikely in the insulated Texas market. In addition, the Company has already secured important relationships in the commercial space which should help it overcome similar issues that might be more problematic for other firms. Execution risks noted above could push timetables, meaningful revenue generation and profitability out to a later date, or result in a smaller initial ramp, thus impacting LIGA revenue and income goals. The South American Properties entity could be viewed by some as a potential distraction but we believe that senior personnel's time will be adequately divided between core and non-core projects.

VALUATION AND CONCLUSION

In our view, LIG Assets can be assigned a valuation as an asset play or a profit center. In either event, the stock is surely undervalued. It carries a book value of $8M, or $0.06 per share and through its opportunistic business model that combines core income producing properties and relatively swift capital gain projects, LIG could generate $3-4M in net profit in 2013. Near term catalysts that lend credence to profit estimates include a recently announced $1M+ gain on its LIG Entertainment finance venture in the coming months and the potential development and sale of various real estate properties.

Looking ahead, we would not be surprised to see a cash dividend paid to shareholders related to the LIG Entertainment transaction or a stock dividend for SAMP, which when combined could provide solid returns for investors. In the absence of such events, if the Company earns $4M in net profit, the stock could trade up to a value of $28M, or $0.20 per share, which represents 7x estimated FY13 net income and a healthy discount to book value of $0.06.

Separately, we note that we purchased a nominal number of shares in the open market in 2012 which marks the first time in 20 years that we have bought stock in any research-covered company and should be viewed as evidence of our confidence that the stock is a rare bargain at current levels. Thus, we rate LIGA Speculative Buy.

Recent Trading History For LIGA

(Source: Stockta.com)

Analyst: Robert Goldman

Rob Goldman has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

Analyst Certification

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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It should be noted that Rob Goldman purchased a nominal number of shares in the open market in November 2012 and continues to hold these shares. These shares may be sold beginning 48 hours after of the issuance of this report although there are no plans to do so.

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