BUSINESS VALUATION STRATEGIES

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INSURANCE SERVICES SINCE 1974

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INTRODUCTION TO VALUATION CONCEPTS

Why do you need to know the value of your business, estate or assets? It might be to negotiate a sale, secure credit, settle a legal dispute or determine your tax liability. Or, as we'll see below, it might be for one of many other reasons — some of which you may not have even considered. Whatever your need, the valuator's task is the same: to use professionally accepted methods to arrive at a well-reasoned and defensible estimate of value.

In this booklet we explain basic valuation concepts, plus issues and strategies in the contexts of business, estate planning and litigation. The essential point to keep in mind is that value is determined by a complicated set of factors. For this reason, it is important to work with a valuation professional skilled in selecting and applying the appropriate methodology.

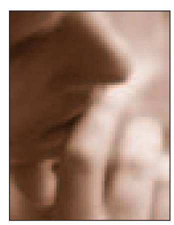
The information we present here is intended not as a substitute for professional valuation advice, but rather as both an introduction and a guide to the complex topic of business valuation. We encourage you to look it over and then call us with any questions you may have about the topics discussed, or about your own valuation needs. We would welcome the opportunity to be of assistance.

WHY YOU NEED PROFESSIONAL VALUATION SERVICES

Valuations can be helpful in many situations, including some you may not have even thought about:

You want to buy or sell a business. If you own a business, you may need to establish a reasonable estimate of what you can expect to receive. Valuators often use several methods to reflect how different types of potential buyers may view the business.

You are divorcing. In a divorce, valuation helps determine the distribution of assets between spouses. Divorces are often not amicable, and asset valuations can become the focus of the parties' animosity, so well-founded valuations that will withstand legal challenges are key.



You use gifts as a tax strategy in your estate plan. Transferring potentially appreciating assets to reduce your estate is a common estate planning strategy and still important to consider even with the changes under the Economic Growth and Tax Relief Reconciliation Act of 2001. An objective valuation that adheres to IRS regulations can help your gifts withstand IRS scrutiny.

You are liquidating your business. If you are declaring bankruptcy or seeking protection to reorganize, a valuation is necessary to determine creditor settlements and the availability of assets for distribution.

You are setting up a buy-sell agreement. Contractually determining what happens to company stock after a triggering event can help you avoid shareholder disputes and solve estate planning problems.

You are seeking business financing. An independent valuation can provide objective evidence of the value of your business and assets that can help you obtain financing from lenders and investors.

You are doing strategic planning. A business valuation can give you a good picture of your company's progress, strengths and weaknesses. It can provide a foundation for your planning that will help you develop realistic strategic objectives.

You require a fairness opinion. A fairness opinion usually addresses whether a proposed transaction is fair to shareholders or a group of noncontrolling shareholders from a financial point of view.

You need to comply with SFAS 141, 142 or 144. Over the last few years, there have been several major changes to the accounting standards that a valuation professional can help you with. If you've merged with or acquired another company, a business valuator can help you allocate your purchase price among the company's tangible assets, goodwill and other intangible assets in the most advantageous way possible. Beyond reporting business combinations in accordance with the recent changes, a valuation professional can help you determine your intangible assets' fair

THE MANY FACES OF VALUATION

You may need valuation services in even more situations than you expect. For instance:

TRANSACTION ANALYSIS

- Transaction planning for acquisition and divestiture
- Pricing
- Structuring buy-sell agreements
- Fairness or related-party opinions
- Employee Stock Ownership Plans (ESOPs)

FINANCIAL ADVISORY SERVICES

- Private offering document preparation for sale or for investors
- Financing studies for credit or a loan
- Target identification in an acquisition or merger
- Initial public offerings or incentive stock or option plans

MANAGEMENT REQUIREMENTS

- Stock options and restricted securities
- Economic value added
- Financial restructuring
- Corporate governance
- Strategic and market analysis
- Business plans
- Financial and regulatory reporting and business interruption

LITIGATION SUPPORT AND DISPUTE RESOLUTION

- Breach of contract
- Infringement
- Fraudulent conveyance
- Bankruptcy or reorganization
- Marital dissolution
- Product liability
- Dissenting stockholder or partner issues

TAXATION

- Gift and estate for planning or tax returns
- Purchase price allocation
- Transfer pricing
- Executive compensation
- Capital cost segregation

value and the extent of impairment on an ongoing basis. Your valuator can also help you properly record discontinued operations and the disposal of long-lived assets.

HOW TO RECOGNIZE A GOOD VALUATION REPORT

Valuation is as much art as science. Yet valuation is also a highly technical field. The ability to judge which valuation method is best suited to a company's needs and apply it to get an accurate picture of value requires experience and skill. Relying on a value determined by someone who doesn't have this expertise can lead to unpleasant surprises.

When you hire a valuator, consider his or her experience, professional credentials and general expertise. How can you decide whether a valuator's opinion of value will withstand IRS and legal challenges? One way is to request and examine redacted (names deleted) samples of the valuator's past valuation reports. Get to know the basics of what goes into a good valuation report so you can make well-informed decisions about your valuation needs. *(See "Valuation report at a glance" on page 5.)* Independence is another important criterion in light of the recent accounting scandals and the passing of the Sarbanes-Oxley Act of 2002.

Basic elements

A well-written valuation report usually begins with these elements:

A table of contents. An extensive amount of material is typically included in a full written report, so look for a table of contents to help you find specific items. The table of contents should include any item with a material effect on the valuation report.

An opinion letter. This should set forth basic information concerning the valuation engagement and its results. The opinion letter must:

- Identify the entity being valued,
- Contain the effective date of the valuation and date of issuance,
- Explain the purpose of the valuation,
- Identify the standard and premise of value,
- Describe the interest being valued,
- Present the valuation conclusion,
- Describe any report use limitations, and
- Be signed by the valuator.

A statement of limiting conditions and signed certification. The valuator needs to identify any limiting conditions regarding his or her estimate of value. Each valuation's specific limiting conditions vary and may be extensive. The valuator must also verify that he or she complied with several requirements, including that he or she performed the valuation independently, that the fee is not contingent on the valuation result, and whether he or she has a present or prospective interest in the property.

The body of the report

To support the valuation conclusion presented in the opinion letter, a valuator's report must include sufficient information to clearly communicate the thoughts, reasoning, methods, and information or data he or she relied on to reach it. Look for these items in the body of the report:

Purpose of the valuation. This is critical to the engagement. Although the valuator has stated the purpose in the opinion letter, restating it in the body of the report avoids confusion. For instance, if the opinion letter is misplaced or separated from the report and the report doesn't restate the purpose of the valuation, the valuator basing testimony on the report may be unable to serve as an expert witness in court.

Discussion of the valuation process and methodology. In addition to a description of the process and methods used in performing the valuation, this section should include the reasons the valuator selected them as well as the source or basis for determining key variables.

Description of the business and its history. Pertinent facts about the business are important to many users of the report. The valuator should describe the type of business entity (wholesaler, distributor, retailer), its history and organizational form (corporation, partnership), its services and products, its competition, the location of its operations, its markets, its management depth, and any other items relevant to a description of the business.

VALUATION REPORT AT A GLANCE

Here is a checklist of items a valuation report should include. Does the report have:

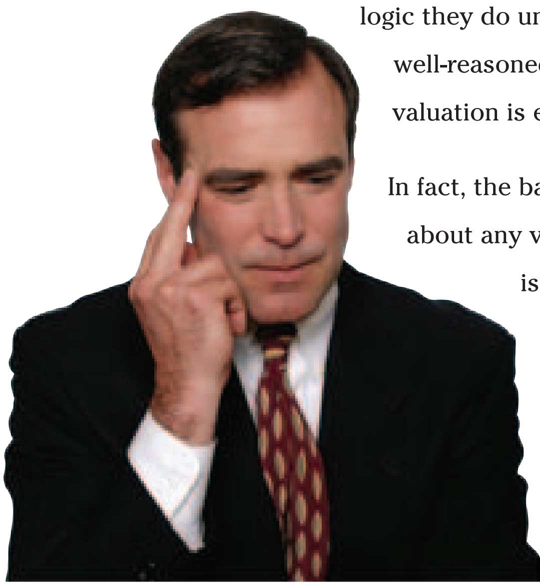
- An introduction, including the report's purpose, approach, limiting conditions and scope limitations?
- The company's background, including its history, ownership, management and physical facilities?
- An industry analysis, including the industry's structure, background and development as well as its current conditions, leaders and workforce?
- A local, national and international economic outlook?
- The valuation methods used, whether asset-based, market or income approaches?
- A financial analysis, including the results of operations and a balance sheet review of liquidity, leverage, efficiency and profitability?
- A discount analysis, including public offering studies and marketability discounts as well as a minority discount analysis of restrictive agreements and other pertinent factors?
- An estimate or conclusion of value incorporating an overview of control, minority interest and marketability as well as an explanation of the valuation methods used?
- A discussion of other items considered?
- An assessment of the company?

Description of ownership interests and related restrictions and agreements. Any issues involving control, marketability, minority interest and restrictions affect value and should be discussed.

Financial analysis. This should include the financial statements and other financial data the valuator used in the analysis, the source of the financial data, whether the data was adjusted and if so, what the adjustments were, the reasoning behind them, a description of the period the data covers, and the degree to which the valuator relied on the data. The valuator should discuss key factors concerning management performance, financial position and results of operations as well as evaluate a company's operating efficiency, leverage and profitability.

Keep it simple

A valuator needs to present the results of the valuation so that a layperson can easily understand them. If the judge, jury or IRS agent is unable to follow the logic in a valuation report, the results won't seem as credible as those from a report based on logic they do understand. Thus, a well-reasoned, well-presented valuation is essential.



In fact, the basic question about any valuation report is whether the information and documentation is sufficient to enable you to understand the report.

Ask yourself:

- Is the report logical?
- Does the report progress clearly from start to finish?
- Does the report contain any inconsistencies?
- Does the report support the conclusion of value?

THE VALUATION PROCESS

Let's take a closer look at types of value, the valuation process, factors affecting value, valuation methods and rules of thumb.

Value goes by many names

"Value" is a worthless term by itself because it can mean so many different things. A value found for one purpose may be entirely different from the value for another. Relying on the wrong type of value can be an expensive mistake. Understanding the differences between standards of value can help you interpret their relative worth in your situation:

Book value is not a standard of value at all. It is an accounting term for the total net assets minus total liabilities on the balance sheet. Intangible assets are usually excluded from book value.

Fair market value is defined as "the price at which the 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." The IRS set this definition and the standards for fair market value in Revenue Ruling 59-60. Fair market value is used for federal and state tax matters, including gift, estate, income and inheritance taxes.

Fair value is the statutory standard of value usually used in court cases involving dissenting shareholders and other types of litigation. The courts have reached little consensus on its meaning other than that it is not equated with fair market value. On the other hand, fair value is often used synonymously with fair market value in real estate appraisals.

Liquidation value is derived from the piecemeal sale of assets. The sale can be orderly or forced, which can affect the value. This value is typically at the low end of the value spectrum.

Intrinsic value (also called fundamental value) is an analytical judgment of value based on the perceived characteristics inherent in the investment, without regard to the identity or characteristics of a particular investor. It represents the "true" or "real" value of an asset. Security analysts compare the intrinsic value of a stock with its trading price to assess buying and selling opportunities.

Investment value is the value to a particular buyer or investor considering his or her specific personal circumstances and knowledge of the transaction and potential synergies it will create. Investment value can be higher or lower than fair market value.

Invested capital value/enterprise value is the fair market value of 100% of the equity plus the market value of long-term debt.

Equity value is the market value of all the assets of a business, including intangible assets, less liabilities.

Minority value is the value reflecting an ownership position of less than 50% or the inability to make final decisions concerning the company. A 50% owner may have negative control since he or she is in a position to stop actions by the other owners.

Noncontrolling value is the value of any nonvoting interest, such as limited partnership interests or nonvoting stock.

Control value is the additional value inherent in a majority or otherwise controlling interest, reflecting the power of control over the business.

Marketable value is the value of an equity assuming a pre-established market where that equity can be exchanged.

Private company value incorporates a discount from the marketable value owing to limitations on the equity's marketability. Know what base type of value you're starting with before any discounts or premiums are applied.

A valuation — step by step

Just how does a professional valuator decide which value he or she is looking for, sift through the vast amounts of data, and arrive at an appropriate value for a business or asset? To give you an idea, let's look at the basic steps involved in the typical valuation of a closely held business:

1. Define value. The first step is to define what value you are seeking. This definition depends, in part, on the valuation's purpose.

If you don't clearly define what value you are seeking, you may end up with a value that does not fit the purpose. *(See "Value goes by many names," beginning on page 6.)*

2. Gather data. The valuator gathers historical and projected financial, operational and economic information about the business, including the company's financial statements, tax returns, history of ownership changes and resumes of current management. The valuator examines the company's:

- Equipment and facility appraisals,
- Buy-sell agreements,
- Corporate records, budgets or forecasts,
- Customer and vendor lists,
- Detailed depreciation schedules,
- Copies of the notes payable,
- Documentation for any related party loans or leases,
- Officers' compensation,
- Schedule of capital requirements,
- Articles of incorporation, and
- Schedule of all intangible assets.

In addition, the valuator obtains information concerning any previous offers to buy the company or previous transactions in the stocks.

3. Determine the value. The valuator determines which valuation method or methods will provide the most accurate value for the company as a whole, based on the specifics of the situation. *(See "What methods do valuators commonly use?" on page 9.)* He or she then analyzes all of the information gathered about the business itself. At this point, the valuator may look at the value established for similar businesses as well as the economic climate for the industry and the region the company operates in.

4. Adjust the value. The valuator considers attributes that affect the value of the specific shares in question. These include their marketability, their attached voting rights, whether they represent a controlling interest in the company and any special circumstances relating to that company. Then to reflect these factors, he or she applies any discounts or premiums necessary.

Factors affecting value

When buying or selling a business, cash flow is important. But you may be surprised at some of the other factors that affect the company's price:

Economic trends. Economic conditions, especially costs of materials and availability of capital, can profoundly affect a company's continued profitability. Businesses whose goods' demand fluctuates widely may be more vulnerable to economic trends than businesses whose goods are staples or commodities.

Industry factors. Markets and channels of distribution as well as changes in production technology can greatly affect a company's future potential and have a major impact on value.

Competition. The number and nature of current and potential competitors and their ease of entry into a company's market can profoundly affect its success. A business buyer will certainly want to check out these factors.

Regulations. From a valuation standpoint, compliance and restriction to market entry may be particularly important. Also, current or anticipated zoning and licensing restrictions can substantially affect price.

Market position. Reputation, pricing policies and diversification of customer base all significantly affect a company's ability to generate earnings.

Intangibles. Intangibles such as an established name and reputation, a customer base, a skilled workforce and many others are what increase the value of a business above its tangible assets' fair market value. They can greatly increase a company's profitability.

Internal controls. The functioning of accounting and operational controls affects risk. If internal controls are faulty, then financial and other data could be as well.

DETERMINING THE VALUE OF HUMAN RESOURCES

Companies that compete on the basis of the quality of workers' capabilities know the importance of good personnel to a company's success. In fact, the value of a skilled work force is often the primary reason companies showing losses can be sold. Therefore, making a case for this value can be critical. On the other hand, if one person is so key to the business' success that his or her loss would severely hinder operations, the value of the company may be greatly reduced. No clear-cut formula for putting a price tag on human resources exists. A valuation consultant must assess both the value and the risks of the company's work force when determining its value.

What methods do valuators commonly use?

Why can't a company's value be determined by looking at its financial statements alone? First, business financial statements are usually prepared in accordance with generally accepted accounting principles (GAAP). GAAP relies on the historical cost of assets — or their market value at the time of acquisition — when determining costs. This conservatism works as an accounting principle but doesn't necessarily reflect the assets' current market value.

To find the value of a business, we rely on an economic principle:

The defined value (whatever value standard, such as fair market value, suits the valuation's purpose) of assets minus the defined value of liabilities equals the defined value of the business entity's equity.

When valuing a company, the financial statements are a starting point. But relying solely on financial statements to analyze a business's fiscal health may miss important information.

Valuators select their valuation methods according to the type of property or asset and the purpose of the valuation. Typically, a valuator chooses one primary method to derive the asset's value, and uses one or two others to serve as checks or supports of that value. The process of valuing a business is necessarily somewhat subjective. Valuation professionals may vary in their estimates by 30% or more. In using the various methods, even the same valuator may come up with several estimates. Here are some of the most common valuation approaches and methods:

Income approach. This approach capitalizes or discounts the company's expected income stream. It may use discounted cash flow analysis to estimate the present value of the future stream of net cash flows generated by the business. The valuator forecasts net cash flows or earnings for an appropriate period and then converts them to present value using a discount rate that reflects the company's risks.

The discounted cash flow or earnings method recognizes that a dollar today is worth more than one received in the future, discounting a company's projected earnings to adjust for real growth, inflation and risk. Variables to consider include:

- ***Starting point.*** Is the base period financial position (usually the current year) a representative year?
- ***Projected forecast.*** Is the company's future performance expected to be a continuation of established trends?
- ***Years projected.*** A normal forecast period is either three, five or 10 years. For a cyclical business, the forecast must incorporate a full cycle.
- ***Discount rate.*** This variable, along with the timing of future cash flows, provides the present value of cash flows or earnings over the life of the business and has a large effect on the valuation. Careful analysis of the appropriate discount rate is essential.

Market approach. This approach compares valuation multiples from acquisitions of similar businesses or from the stock prices of comparable publicly traded companies. The valuator adjusts the data to account for the differences between the subject company and the comparable firms. An adequate number of comparable companies is necessary to produce credible results.

To compute valuation multiples derived from an analysis of these companies, a valuator makes adjustments for comparability to the subject company. Some important factors include:

- ***Choice of companies.*** Two companies are rarely so similar that they can be directly compared. Therefore, the valuator should be ready to defend the selections by showing how the company is similar and how its fair market value has been adjusted to reflect differences.

- ***Adjusted value of companies.*** The valuator must adjust for differences in location, size, structure, growth, profitability, financing or other features.

Asset-based approach, also called adjusted book value method. This approach requires establishing the value of all assets and liabilities as a method of valuing the entire business. The identification and valuation of intangible assets is the most troublesome aspect of this method. *(See "Valuing intangible assets" below.)*

Rules of thumb: know the limits of valuation formulas

In deciding to sell their companies, many owners look for an easy way to determine value: a rule of thumb or formula. Hoping to avoid the expense and trouble of hiring a professional valuator, they use a value formula common to their business type. They assume determining a company's value can't be all that complicated. While you can use a rule of thumb to develop a rough test price and provide a weak form of market comparison for your small business, relying solely on this approach can cause serious problems. Remember, this is probably the most significant financial transaction of your life. If you overprice your business, you could lose qualified buyers, and if you underprice it, you could lose money. *(See Case study I above.)*

At best, a rule of thumb is merely a check on a properly derived value. If you need to know the value of your business, be sure to get professional valuation advice.

Case study I

HEARD IT THROUGH THE GRAPEVINE

Business owners using rules of thumb that they heard through the grapevine may be in trouble. For instance, suppose Teresa, a business owner, hears from an associate that Stan, Teresa's competitor, sold his business for three times earnings.

Teresa believes the "three times earnings" rule of thumb without asking questions. But Teresa doesn't know what type of earnings Stan used. Was it:

- Earnings before tax,
- Earnings after tax,
- Owner's discretionary cash flow, or
- Earnings before or after subtracting the owner's compensation?

Teresa also doesn't know the terms of Stan's deal. Were they all cash, or 10% down plus a personal note to the seller with no interest? Stan also might have under- or overreported the amount he received for the business, or the specific details of the transaction may have been lost when the story was retold.

For these and other reasons, using the rule of thumb she heard will lead Teresa to a highly erroneous estimate of her company's value.

VALUING INTANGIBLE ASSETS

What is an intangible asset? Webster's defines it as something "that represents value but has either no intrinsic value or no material being." The fact that intangible assets are lacking in material being makes identifying them and pinpointing their value difficult, yet such assets often play an important role in a company's value. So how do you determine the value of intangible assets? Let's consider some of the issues.

VALUING A NONCOMPETE AGREEMENT

The key to valuing a noncompete agreement is to determine the value of the earnings that might be lost if a former owner competes against the business. The valuator must consider such elements as the seller's age and health, the seller's importance to the business, and the reasonableness of the covenant's terms.

The value of a business' stock is closely tied to the ability to obtain a noncompete agreement from the seller. Failure to obtain the agreement may greatly diminish the value of the business.

Types of intangible assets

Many companies have intangible assets, and no list could ever be complete because intangibles can be unique to a specific business. But some are fairly common and can be found in many companies. These include:

Proprietary lists. Proprietary lists can include customer or client lists, patient lists or even mailing lists, whether they are made up of customers or prospects. Lists can be especially valuable to a business if the relationships they represent are ongoing. Consider, for example, a magazine's list of advertisers. The magazine may get 75% of its advertising revenue from the companies on that list, making it critical to the magazine's future profitability.

Beneficial contracts. Long-term contracts can add value to a company. For instance, a company may have a contract that allows it to sell its product or service for a higher-than-normal markup or to buy or lease items below market.

Patents and applications for patents. The worth of patents depends on the strength of the patent claim (which can be difficult to determine if the patent hasn't withstood litigation) and the patent's economic and legal life.

Copyrights. Copyrights are trickier to value than patents because, while they may have a long legal life, their practical value may be for only a short period. This is especially true for technical works that quickly become dated. The value of a copyright also depends on the author's previous success.

Trademarks and brand names. A brand name or trademark has value if it lets a company sell its product for a higher price or in greater quantity than its competition.

Subscriptions and service contracts. Subscriptions are especially important for newspapers, magazines and cable companies, because they derive most of their revenues from subscriptions. The longer both subscriptions and service contracts have been in effect, the more they are worth.

Franchise agreements. Franchises with long track records and well-recognized names have significantly greater value than newer, less well-known franchises. This is especially true in some industries, such as the hotel industry, that are dominated by franchises.

Software. Many companies have developed proprietary software that is specific to their business. If this software provides efficiencies and benefits that the business wouldn't have without the software, it is a separate asset.

Goodwill. Goodwill is the result of a company's name, reputation, customer loyalty, location, products, and other intangible attributes not separately identifiable. Under the new accounting standards, the value of goodwill must be separated from other intangible assets and tested annually for impairment (instead of being amortized over a 40-year period, as previously required).

Why value intangibles?

Intangible assets may need to be valued for a variety of reasons, including determining a fair license rate, calculating an amortization deduction, quantifying a charitable deduction, calculating an intercompany transfer price (related to federal or state income taxes), estimating damages in an infringement case or complying with SFAS 141 and 142.

Valuing intangible assets can also be an important part of determining the value of a business for marital dissolutions, gift tax determination, estate planning, shareholder rights cases, conversion from C corporation to S corporation status or sale of a business.

SUCCESSION AND ESTATE PLANNING

For the owners of many closely held companies, succession planning and estate planning are seen as largely synonymous. Business owners are bombarded with warnings about the large bite that estate taxes will take out of their assets when they die and are urged to give up control of their companies now to avoid these consequences. And rather than eliminating estate tax concerns, the Economic Growth and Tax Relief Reconciliation Act of 2001 — with its estate tax reductions and eventual, though not permanent, repeal — makes planning more important than ever. (For the purposes of this section, we are assuming business owners could face at least some estate tax liability.)

Plus, for those who have spent their lives building a business, retiring may not be easy. Many business owners don't have company-sponsored pension plans and have most of their money tied up in their businesses. If you are facing this situation, now is the time to start developing an exit strategy and estate plan that will maximize the value you receive from the business while minimizing the tax bite.

EXIT STRATEGIES

An exit strategy involves developing a plan for passing on responsibility for running the company, transferring ownership and extracting your money. Because a stable business is worth more than an unstable one, creating a seamless transition is essential to maximize your investment. This requires planning while the company is in good economic health. Here are the most common exit options:

Succession within the family. Many owners of closely held companies plan to pass their businesses on to family members or close relatives by:

- ***Giving interests to family members.*** By giving part of the business to the family members who are actively involved in it, you can reward them for their involvement. Then you can sell the remaining interest in the business and distribute money earned to the uninvolved family members.
- ***Selling the business to family members.*** This may be a good option if the family member succeeding you is not in your immediate family or if only one family member is involved in the business. Selling the business to that member will free up assets to be distributed more equitably throughout the family. This is also a good option if you need the proceeds of the sale for retirement. Selling to family members will keep the business in the family and may provide for a smoother transition.

Nonfamily succession. Sometimes ownership succession within the family is not an option for a closely held business. Even when looking outside the family for ownership succession, it is still important to begin planning early to maximize the value of your business at the time of sale. *(See "Selling a business" on page 19 for more information.)* Here are two other nonfamily options:

- ***Management buyout.*** Allowing management the option to buy your shares in the business is an excellent way to transfer ownership to a group that is dedicated to the business. This may be preferable to having an outside party assume ownership, especially if you are interested in having your business continue in the direction you had envisioned. Management buyout may provide for a smooth transition and little or no learning curve for the new owners.
- ***Employee Stock Ownership Plan (ESOP).*** Like the management buyout, an ESOP leaves the business in the hands of people you know are committed to the company. Whether you're planning for liquidity, looking for a tax-favored loan or supplementing an employee benefit program, an ESOP can offer you many advantages. But because valuation issues for an ESOP are unique, having a valuation done specifically for the ESOP is especially important before making a decision.

BUY-SELL AGREEMENTS

Many owners realize the importance of having buy-sell agreements in place for their closely held companies, but few realize the problems caused by poorly thought-out agreements. Failing to clearly define how the value is to be determined, and how often, can lead to disputes that may undo the benefit of having the agreement in place.

A buy-sell agreement is a powerful tool to help control a company's future. Contractually determining what happens to the company stock after a triggering event can help avoid shareholder disputes and can also solve owners' estate planning problems.

But a poorly thought-out buy-sell agreement may cause more problems than it solves. No single, surefire method of determining the price exists, nor is the price necessarily the same in all situations. But having a well thought-out and regularly updated valuation of the business is essential. Owners can set a price in several ways:

Objective formula. Many people like having a formula they can generally apply with some degree of certainty. While a formula has the advantage of being objective, it can pose difficulties because it may not capture the many subjective factors involved in arriving at a value.

Independent valuation. Because objective formulas cannot adequately capture all relevant valuation factors, many owners agree to use fair market value for the purchase price. They usually select one or more outside valuators to find the company's fair market value. If you choose this route, address how you will select the valuator and how many you will engage. If you are using more than one and they disagree, which result will you use?

Agreement by parties. If feasible, given the situation and personalities involved, you may want to have the parties sit down periodically and agree to a value. You can use a formula or outside advisors to help determine a price, and the amount you agree on becomes the value used for the buy-sell agreement. But what if the last time everyone agreed to the value was six years ago? Since then, the business may have changed dramatically. You may want to include a stopgap measure that says, for instance, if the parties have not agreed to a value for 18 months or more, then the most recently determined value should be adjusted for any changes.

It would be wonderful if the future just took care of itself. But in the case of buy-sell agreements, the future depends on how you act today. Carefully crafting a buy-sell agreement for your business now will ensure that the future won't pose problems you aren't prepared to face.

CONSIDER ALL POSSIBLE TRIGGERS

Most people are familiar with having a shareholder's death trigger a buy-sell agreement, but they often fail to consider other events that can affect the future of the business, such as when:

- An owner or shareholder becomes disabled,
- Married owners or shareholders divorce,
- A minority owner is fired, or
- An owner faces personal bankruptcy.

Another triggering event can be conviction for committing a crime or involvement in a scandal. Buy-sell agreements are often structured to force an owner guilty of such an indiscretion to sell at a lower price.

TAKING ADVANTAGE OF DISCOUNTS

When your estate planning involves a business valuation, you need to be clear about the business interest being valued.

Commissioning a valuation of the entire company, then arbitrarily dividing it into segments yourself, could distort the results and leave your heirs facing substantial unplanned consequences.

Tell your expert exactly what your intentions are when making gifts so he or she can carefully select the appropriate discounts to apply to your business interest. Further, because market conditions, valuation theory, tax laws and case law frequently change, valuations can become quickly outdated. So don't recycle an old valuation report for future gifts. Let's examine some of these issues.

How discounts work

Family limited partnerships (FLPs) have continued to emerge as a planning strategy for reducing estate tax because they can take advantage of discounts. The rationale behind the strategy is simple: When family or business assets are placed in a partnership, the partnership's ownership interests are more difficult to sell than the assets themselves. FLPs also allow the older generation to retain control over the assets while transferring some ownership to the younger generation. The limited partnership interests may be worth less, owing to a lack of control and reduced marketability. Because investors prefer liquid assets that they control, they will not pay as much for a relatively illiquid asset that they don't control.

The first step a valuator takes in determining the value of a limited partnership interest is to find the net asset value, which is the equivalent of the company's or other assets' (including real estate's) fair market value if ownership weren't divided.

Once a net asset value has been established, the valuator must determine what adjustments, if any, are appropriate for control and marketability of the limited partnership interest being valued.

But eventually the IRS must approve any discount a valuator applies to an asset. If the valuator has improperly applied these discounts, you may find yourself facing a tax liability that you aren't prepared for.

The most common discounts are for a minority interest and the lack of marketability of an interest. These discounts are distinct and separate, and they aren't guaranteed. No IRS rule or court precedent guarantees any discount, and no easily applied rules of thumb exist for determining the amount of a discount. Each situation is different and a valuation professional needs

PREMIUMS ALSO PLAY AN IMPORTANT ROLE

Some situations go in the opposite direction and require applying a premium to the value of an asset. This may be the case if you own more than a 50% equity interest. The premium reflects the fact that an acquirer will have greater control over the company than a minority shareholder. For example, a controlling shareholder can hire and fire management, buy and sell assets, set compensation policy, and declare dividends, among other factors.

to consider carefully to determine which discounts, if any, apply and to what extent.

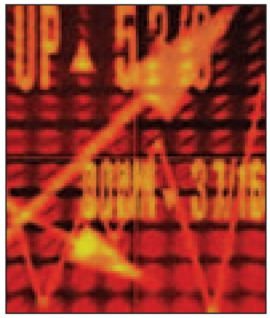
Important factors affecting discounts

Several factors affect the amount of discount that may be applied when valuing a business. The determination of a discount for both a minority interest and a lack of marketability operate on the presumption of "willing seller and willing buyer." The valuator determines the rest by considering the surrounding facts and situations. Let's look at some of the factors that may influence the size of the discount:

Availability of willing buyers and sellers. An owner of a minority interest in a business will find selling shares easier if many potential buyers exist. For example, a business with a hot new product may have several buyers willing to take even a small piece of the action. But a business well entrenched in the status quo, even if profitable, may not have as many people interested in owning a noncontrolling share. The more potential buyers that exist for a minority interest, the smaller the discount those shares are entitled to.

The opposite holds true if many minority shareholders want to sell their shares at the same time. The more interests on the market, the harder it is to sell any one of those interests, thus increasing the size of the available discounts.

Profitability of the business. The better a business or asset is performing, the less room for anyone to make beneficial changes and improve performance. Control is less important, so smaller discounts are allowed for minority interests or lack of marketability.



But a business that has appreciated significantly and is subject to a high built-in capital gains tax is less likely to be involved in an acquisition than a business without the built-in tax gain. This increases the amount of discount available, because a business with a net operating loss is more likely to be involved in an acquisition and will receive lower discounts.

Number of owners. A business with many owners is more likely to be involved in a sale or merger than a business with only a few owners because a diverse group of owners has different objectives and needs. The higher the probability (and ease) of a sale, the lower the amount of discount you are eligible for. But if the controlling interest holders' objectives and views on how to run the business differ significantly, larger discounts may be justified.

On the other end of the scale, if a business is controlled by one person or family, a minority owner's objectives and needs are less significant. The potential market for selling the minority interest is smaller. This situation tends to increase the amount of minority interest or lack of marketability discounts.

Case study II

PENALTIES CAN DO MORE DAMAGE THAN YOU MAY THINK

Although a professional appraiser told Jill that her company, J Corp., was worth $5 million, she chose instead to place the company's value at $1 million in her buy-sell agreement. Jill died in 2002, and the value of J Corp. made up her entire estate. The estate paid no taxes on the $1 million value because of the $1 million unified credit. But then the IRS audited Jill's estate and prevailed in having the company's value increased to $5 million. As a result, the estate owed $1.93 million in taxes after the unified credit. Because of the substantial understatement in value (more than 75%), the IRS added a 40% penalty, or $772,000. Thus, Jill's estate ended up paying the tax that would have been due had the property been properly valued in the first place, plus the penalty, for a total of $2.702 million — in addition to litigation costs and interest on the underpayment. As a result, the heirs to J Corp. were forced to sell the business.

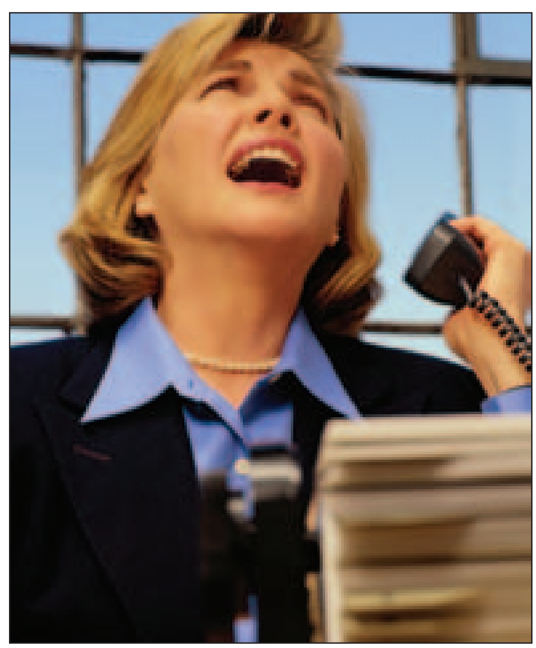
Number of similar transactions. If a lot of merger and acquisition activity has occurred in similar companies, merger or acquisition activity involving your business is more likely. This increases a minority interest holder's prospects for liquidating his or her interest and lowers the amount of discounts available.

Size of minority interest. In general, small minority interests have higher relative transaction costs than larger interests have. Although small minority interests have higher relative transaction costs, a large block is harder to sell because of the limited number of potential buyers (a phenomenon also referred to as the "blockage effect"). As a result, larger blocks of stock typically warrant higher marketability discounts.

And while the term "discount" is still commonly used to refer to the reductions in a limited partner's value owing to lack of control or marketability, many professionals now prefer the term "adjustment." Their reasoning? The term "adjustment" is a more accurate reflection of what they are doing: adjusting the value to reflect the effects on value of certain situations, facts and evidence, such as lack of control.

PERILS OF UNDERVALUATION

The natural inclination of many business owners and executors is to undervalue their companies for gift and estate taxes. But what most business owners and executors fail to consider are the risks involved. The stakes are high: Uncle Sam is likely to penalize a business owner or estate caught with its hands in the undervaluation cookie jar — plus there can be interest on back taxes, court costs and time lost in an extended legal battle.



The tax penalty for undervaluation is either 20% or 40%, depending on the magnitude of the understatement: the greater the understatement, the higher the penalty. A business or an estate undervalued by 50% to 75%, for example, would be assessed a penalty of 20% of the unpaid estate tax (in addition to the unpaid tax itself), while an estate undervalued by 75% or more would face a 40% levy on the unpaid tax (again, in addition to the tax itself). De minimis rules may allow you to avoid the penalty in certain situations. *(See Case study II on page 18.)*

The financial consequences of undervaluation can be devastating, especially to a family-owned business. In their efforts to pay unplanned-for estate taxes and the penalties resulting from undervaluation, heirs to a company may be forced to:

- Burden the business with large debts,
- Sell significant shares of stock to outsiders, or
- Divest the business entirely.

In determining the fair market value of a business, the IRS wants to see much more than a number: It wants to see the methodology, theory and evidence (that is, professional judgment) behind the number.

Instead of relying on perceived value, business owners and executors should legitimize the appraisal process by engaging a qualified valuator to value the business. Using a valuator will help ensure that the value determined is supportable should the IRS question it.

BUYING AND SELLING A BUSINESS

Whether you want to acquire, merge with or sell a business, you need to know its value in the marketplace. Many factors are involved in this determination. Let's look at these factors and considerations from both a seller's and a buyer's point of view.

SELLING A BUSINESS

Focus on what your company is really worth. Prospective buyers are interested in companies that have value to them. It is important to have a current and accurate valuation done on your business before you begin to market it.

> ***Prospective buyers are interested in companies that have value to them.***

For instance, if your business is closely held, some of the financial strategies you followed to put yourself in a better position for tax purposes may cause your business's income to appear lower than it really is. You may need to recast your financial statements to more accurately reflect the company's real income. *(See Case study III on page 20.)* Similarly, you may need to account for special rental or supply arrangements that will change after the sale.

Case study III

TRANSFORMING AN APPARENT LOSER INTO A WINNER

Alibaba Magic Supplies' sales were growing, and Alibaba controlled much of the market nationwide, thanks to its successful catalog division. Alibaba's owners, brothers Harry and Henry Hoodeen, were both living comfortable lifestyles.

Harry and Henry decided that it was time to think about retiring. Because no one in the family had shown an interest in taking over, the brothers decided to sell and needed to determine an asking price. When their valuator, Sam Smith, sat down with them to determine Alibaba's value, he saw that Alibaba's books showed that the company was losing money. Was the company's alleged prosperity really all smoke and mirrors?

Actually, the situation at Alibaba is one that can be found in many small companies. Let's look at the adjustments Sam made to Alibaba's income statements.

Method of accounting. Alibaba was still reporting on the cash basis. As a starting point, Sam converted Alibaba's income statement to an accrual basis by properly recording assets and liabilities that were not shown on cash basis financial statements. These included accounts receivable, payable prepaid expenses and accrued liabilities, among other items.

Salaries to officers and related persons. Alibaba paid a large annual bonus to Harry and Henry to avoid corporate taxes. Sam adjusted these expenses back to a normal salary for an employee manager.

Employee benefits. Many of Alibaba's employees were given company luxury cars, deluxe accommodations during company travel and wireless phones that they were allowed to use without restrictions. In addition, Alibaba threw extravagantly expensive holiday parties for its employees. Sam adjusted these expenses to more normal levels.

Method of inventory. Alibaba used the last-in, first-out (LIFO) method to value its inventory. It had a LIFO reserve of $400,000 at the beginning of the year and $500,000 at the end. Sam adjusted the income statement to reflect this $100,000 difference.

After considering and adjusting these and other items, Sam was able to show that Alibaba was indeed a profitable company and determine a defendable and reasonable asking price.

Adjusting the income statement

Many factors govern a company's financial statements that may need to be adjusted to reveal the company's value. The purpose of financial statement adjustments is to eliminate one-time transactions and personal expenses that will not continue into the future. Let's look at some of the common adjustments made to income statements:

Method of accounting. Businesses not using a CPA may report on a basis — such as the cash basis or tax basis — that doesn't properly measure their economic performance.

Salaries to officers and related persons. Often owners of closely held businesses pay generous salaries to themselves to avoid paying corporate taxes. These expenses don't necessarily represent normal expenses for the business in the eyes of a hypothetical willing buyer.

Employee benefits. A certain level of employee benefits is probably a reasonable expense for any business. But some companies offer excessive perks to their employees.

Method of inventory. The method of accounting for inventory can affect the value recorded.

It is important to make all appropriate adjustments because the future earnings capacity of the company is based on the normalized earnings or cash flows. *(See Case study III on page 20 to see the difference adjusting the income statement can make.)*

How to write a compelling company profile

If you are thinking of selling your company, an effective company profile is an important tool. If your business is just like everyone else's, why should buyers bother with it? Set your company apart from other offerings by finding and marketing those strengths specific to your company. Most potential buyers respond positively to an emphasis on the future of the company and its growth potential. Some of the strengths to look for in a company are capable and efficient management, strong distributor relationships, quality products at reasonable prices, commitment to service and quality, name recognition, good employee relations, and well-furnished facilities.

A good offering memorandum will give credit to everything that contributes to your company's success. What should be included in an offering memorandum? Here are some general elements:

- A list of the products or services your company provides,
- A company history, including years of operation, recent performance trends, profitability and future potential,
- A statement of management's reason for the sale and future plans,
- An organizational chart,
- Resumes of management and key personnel,
- Market share and general competitive information,
- An overview of the labor situation,
- A list of assets, and
- The proposed price and terms (if this data is to be disclosed).

The better your company is organized, the more profitable and easier to operate it will be, which will result in a higher value.

ACQUIRING OR MERGING WITH A BUSINESS

Many issues are involved in buying or merging with a business. What may seem on the surface to be a great deal could reveal itself on closer examination as a situation fraught with problems. Make sure you don't end up buying a company that's more trouble than it's worth. Let's look at a few of the important steps in the acquisition process.

Screening candidates

You are likely to increase your chances of quickly finding a good acquisition candidate if you are willing to work with your advisor to develop a screening process. While screening potential acquisition candidates can be complex, a good advisor tailors the process to the buyer's needs. Here are some of the criteria you can individualize to reflect your preferences:

Below-average performance because of poor management. A company may perform below par and therefore sell for a significantly lower price because it is poorly managed. You may want to seek companies with weak performance that new management can revitalize.

Make sure you don't end up buying a company that's more trouble than it's worth.

Poor performance because of cyclical economic factors. Either the company or the entire industry may have been hit by unfavorable economic conditions. When these conditions are cyclical, your screening process should be able to identify those firms at the trough of the wave. You can then buy at a lower price and ride the wave up to higher value.

Hidden cash balances. Undervalued companies may have excess cash reserves or marketable securities, or too much invested in inventory. By managing working capital properly, you, representing the acquiring company, can boost income significantly for greater profits.

Market niche or other market advantages. You may want to acquire a company that occupies a special market niche, holds substantive patents or trademarks, or is protected from competition in other ways.

Synergy. If you are looking for a merger candidate, firms that complement your company can have greater value to you than in the general marketplace. For example, if your firm is strong in developing new products, you may want to find a company in your field that has a large sales force. If your firm manufactures a seasonal product, such as skis, you may want to acquire a complementary company, such as a manufacturer of lawn mowers, to balance your cash flow and seasonal selling cycle.

Reinforcement. A merger candidate that reinforces your company's strengths can also be advantageous. For example, consider a company that has compatible services, product lines, sales force or management.

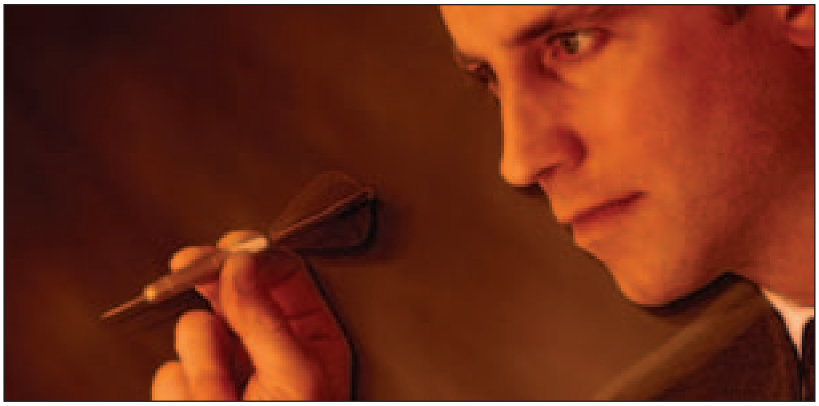
Hidden costs. Consider that an acquisition candidate's "sticker price" may not reflect its true cost. Examples of possible hidden costs include shareholder opposition, competition from other buyers and taxes on the transaction. If you anticipate any of these hidden costs, you should factor them into the price you are willing to pay for the company.

Due diligence: start from the beginning

A valuator can play a major role on the due diligence team that advises buyers in an acquisition. Why? If you are buying a company, you need insight into the target's financial picture as well as access to knowledge of tax laws and accounting rules for business combinations. A valuator can also help you discover little-known land mines that can kill a deal, including significant pension plan liabilities, hidden workers' compensation costs, past tax problems, and accounting rules for business combinations, such as SFAS 141.

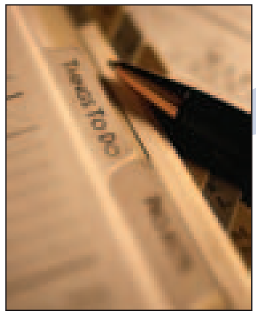
> *A valuator can also help you discover little-known land mines that can kill a deal.*

Review the target. After you have identified an attractive target and the target's owners have indicated a willingness to discuss a sale, the valuator can preliminarily review the company. Using new research or information you already have about the company, the valuator can determine whether synergy exists with your company. The potential seller's goals, style of management and ways of doing business must be similar enough to make a productive combination. At the same time, the targeted company's price must fit the buyer's financial situation and plans for the new organization.



Look beyond financial statements. Historical financial statements disclose a target's financial position, results of operations and cash flows in accordance with GAAP. But GAAP offers preparers several accounting alternatives that can affect the company's earnings picture. Depreciation, inventory valuation methods, the choice of revenue and expense recognition, and other variables can affect the bottom line. For example, how aggressively is the company recognizing obsolete and slow-moving inventory? You may want to have your valuation consultant look at a company's sales figures by customer to track selling patterns. This may reveal whether the company keeps its good customers or merely has good salespeople. Also, a valuator can track sales by product to reveal where products are in their life cycles.

Review projections. Usually, the seller will prepare projections of operating results and cash flows. A valuator on the due diligence team can review the appropriateness of the assumptions used in the projections and help assist with their reasonableness. You may want your valuator to review the target's annual projections and compare them with the company's multiyear strategic plan, if available, to determine any differences in assumptions or business strategy. If possible, the due diligence team should review old business plans to see if past objectives were accomplished.



A valuator can also provide an independent opinion that the company's financial statements and disclosures are in order, discover unrecorded liabilities and assess the reasonableness of projections. But the valuator's role doesn't end there.

A valuation consultant can also help you structure a purchase agreement to maximize potential earnings while minimizing negative tax consequences.

LITIGATION SERVICES

Your litigation team can benefit from the services of a valuation professional. A good litigation services professional brings to the team experience and insight into the financial intricacies of the business that an attorney — who focuses on the intricacies of the law — doesn't have time to delve into. The valuation professional can serve as either expert witness or consultant. Let's look at some of the services that can benefit attorneys and others involved in business valuation-related litigation.

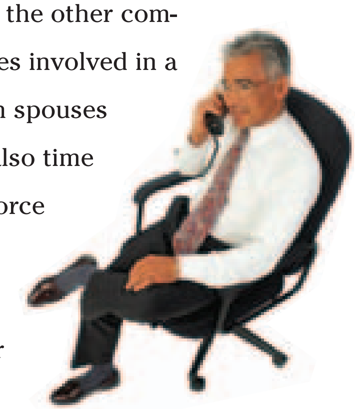
SITUATIONS THAT REQUIRE A VALUATION EXPERT WITNESS

You may require a valuation expert witness in many situations:

- Economic loss,
- Divorce,
- Dissolution of business,
- Breach of contract,
- Partner disputes, and
- Dissenters' rights.

Here we look at a few of these situations and how valuation advice can help:

Divorce. On top of all the other complex, difficult processes involved in a divorce, if one or both spouses own a business, it is also time for a valuation. In divorce valuations, the standard of value is often something other than fair market



value. Many of the considerations are the same as those used in determining fair market value, but there are some substantial differences from state to state. For instance, the family courts in many jurisdictions require experts to separate a company's value into three components: tangible assets (and other identifiable intangible assets), personal goodwill and enterprise goodwill.

Assessing damages. Valuators are often asked to assess damages. These can be difficult to quantify and require the expertise of an experienced valuation consultant. The need for damage assessment may occur in a variety of situations, including contract breaches, intellectual property infringement, employment discrimination, personal or business-related injury, product liability, and insurance claims.

Bankruptcy. In bankruptcy, there usually is too little to go around. But how much actually is available? Debtors and creditors often differ about an asset's worth. As a result, valuation may be necessary for many purposes in bankruptcy:

- To assess the value of a creditor's secured claim,
- To make adequate disclosure in support of a reorganization plan,
- To evaluate offers for property sold out of the ordinary course of business,
- To gauge the economic feasibility of any reorganization plans, or
- To determine whether a creditor's position was improved within the preference period before a case begins.

HOW TO CHOOSE AN EXPERT WITNESS

After deciding that you need to find a valuator, how do you choose the best one? You need a screening process. Some questions to ask include:

- Is the valuator a professional in the area where you need expertise?
- Is the valuator respected as an authority? Has the valuator ever been published in this area of expertise?
- Does the valuator have significant experience in testifying? Is any of it in the area where you require assistance?
- Does the valuator possess good presence of mind and effective communication skills?
- What professional designations does the valuator have? Has the valuator received continuing professional training in the area where you need expertise?
- What percentage of the valuator's time is devoted to business valuation? How long has he or she been a professional business valuator?
- Does the valuator have any possible links with the client or opposing party that might call his or her testimony into question?
- What has the valuator's previous testimony at trials and depositions been?
- Are good references readily available for the valuator?

These are just a few of the basics to consider when choosing a litigation support professional to help with your case.

Bankruptcy is difficult enough for both debtor and creditor without arguments about the value of assets. Prudent business people will come to mutually agreeable valuations so that they can turn their attention to the formulation, negotiation and confirmation of a reorganization plan that serves everyone's interests. All involved are better off if they value their claims and interests rather than leaving it to the court.

HAVE SOMEONE WITH FINANCIAL EXPERTISE IN YOUR CORNER

The benefits a valuation professional can provide an attorney during litigation go beyond just performing a valuation or serving as an expert witness. A valuation specialist has knowledge not available to the general public that can prove invaluable.

What a valuation consultant can do for you

Because they understand the intricacies of a business, valuation professionals can add depth of knowledge the other team members lack. For example, a buy-sell agreement involving a complicated business and estate requires specialized knowledge of passive losses, capital gains and loss analysis, timing the consideration of income and deductions, planning exit strategies, and taxation. Many valuation professionals have this knowledge.

A valuation specialist has knowledge not available to the general public that can prove invaluable.

Some of the services a professional valuator can provide include:

- Interpreting a company's financial statements and other pertinent information,
- Preparing experts for trial, planning the cross-examination of the opposition's experts and developing rebuttal arguments,
- Exploring the strengths and weaknesses of both sides' cases,
- Gathering and analyzing facts, developing strategies and reaching conclusions based on the information available,
- Determining which discovery documents may be useful or necessary for analysis,

FINDING WEAKNESSES IN THE OPPOSING EXPERT'S ARGUMENTS

A valuation consultant can provide answers to questions like the following to help you pinpoint weaknesses in the opposing expert's arguments:

- How did the opposing expert establish the facts?
- What methods did the expert use in determining his or her opinion?
- What specific documents did the expert use, and what was their effect on his or her analysis?
- What changes in the assumptions led to changes in the financial result?
- How is the expert's report inconsistent with his or her earlier reports?
- How is this report inconsistent with the professional literature on methodology?

Your valuation consultant can also play the role of advisor, helping you understand the relevant financial issues of the case as they relate both to the facts and the financial analysis.

- Applying business and financial expertise to the case,
- Exploring the potential tax and investment consequences of settlement options, and
- Freeing up time for the attorney to devote to the case's legal aspects.

But don't confuse the valuation consultant with a valuator serving as an expert witness. These roles are not the same, and can have different implications for your case.

Advantages of a consultant over an expert witness

Using a valuation consultant in addition to testifying experts gives attorneys many advantages. *(See "Finding weaknesses in the opposing expert's arguments" on page 26.)* As a consultant, the valuation professional is free to act as an advocate for the attorney and client and to work actively toward a winning solution for your side. As an advocate, the valuation consultant can pursue options that will provide the best results for the client and determine a strategy for achieving those results. With a financial advocate on the litigation team, the outcome of the case is more likely to provide positive results.

DETERMINING YOUR VALUATION NEEDS

Now that you have a broad picture of the many situations in which business valuation services may be helpful, you can make better decisions about your valuation needs. Of course, the value of an asset constantly fluctuates in response to changing market and other external and internal conditions.

We can provide snapshots of value at key times to back up your business and estate planning decisions or support your litigation. These snapshots can give you an accurate picture of the current status of your assets to help you comfortably project your financial future.

We would be pleased to answer any questions you have about business valuation or to discuss your specific valuation needs. To facilitate our response, please use the valuation worksheet on the next page to identify your needs and the topics you would like to know more about. Then copy and fax or mail the completed form to our office. Or simply call us at the number indicated. We would welcome the opportunity to help you establish an appropriate value for your business, estate or other assets.

VALUATION WORKSHEET

Use this form to identify your valuation needs and request more information or assistance. Then copy and fax or mail it to our office, or call us to discuss your situation. We would be glad to more fully explain the valuation process and provide our professional assistance in achieving your objectives.

YOUR VALUATION NEEDS

Please check all boxes that apply to your situation and fill in any relevant information.

I need to establish value to:

- ❑ Sell, buy or liquidate a business
- ❑ Settle a divorce or other legal dispute
- ❑ Secure financing or issue stock
- ❑ Implement an exit strategy or estate plan
- ❑ Develop a business plan
- ❑ Obtain a fairness opinion
- ❑ Other____________________

The assets to value include:

- ❑ A business
- ❑ Intangibles
- ❑ Real estate
- ❑ Securities
- ❑ Art, jewelry and other valuables
- ❑ Other____________________

I am the:

- ❑ Owner/seller
- ❑ Buyer
- ❑ Creditor
- ❑ Litigant
- ❑ Other____________________

I would like to consult a valuation professional regarding:

- ❑ Expert testimony
- ❑ Preparing for trial
- ❑ Due diligence procedures
- ❑ Gathering and analyzing financial information
- ❑ Damage assessments
- ❑ Other____________________

FOR MORE INFORMATION

Please fill in the following to let us know how we can be of assistance.

I would like more information about:

- ❑ Valuation reports
- ❑ Different types of value
- ❑ Valuation methodology
- ❑ Valuation process
- ❑ Minority discounts
- ❑ Selecting a valuator
- ❑ Valuing intangibles
- ❑ Litigation support
- ❑ Exit strategies
- ❑ Acquisitions and mergers
- ❑ Other ____________________

I have a question about:

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NAME

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TITLE

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ORGANIZATION

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ADDRESS

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CITY STATE ZIP

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PHONE FAX

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E-MAIL

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For your benefit, CPS provides top-notch selling tools, such as these advanced planning guides. The resources we provide will make your job easier, saving you time and making you more profitable. Good Selling!

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