BUSINESS VALUATION PROCESS

The following describes the essential work steps and considerations required to perform a detailed valuation of the common stock (equity) of a business. Basically, the same process is used to value a partnership. This information is not intended to be fully comprehensive for each assignment, since each valuation is unique. The results of the valuation may be provided as a verbal discussion; narrative letter opinion; or complete, detailed report.

The primary factors which affect the scope of the engagement and the fee are the following:

1. Availability of detailed and consistent accounting records, especially the summary level general ledger support for the Balance Sheet, Income Statement, and the footnotes.

2. Comprehensive Business Plan or detailed projections for the next three to five years. A thorough Business Plan provides us an initial road map for our due diligence.

3. Objective management assessments of their company's strengths and weaknesses; industry competition; product life cycles; and external factors impacting growth and/or operating profitability.

4. Number of distinct operations or markets served which require a separate analysis.

5. Level of detailed documentation and report provided to support valuation conclusion.

6. Liability involved due to nature of engagement, such as fairness opinion, solvency opinion, or litigation (pending or in progress).

7. Need to develop and support discounts for closely held stock or partnership fractional interests.

8. Number of parties reviewing valuation methodology and report.

9. Preparation for expert witness testimony.

10. Engagement scope is extensive and time to perform is very restricted.

11. Startup or reorganization, where near past history is not meaningful.

12. Analysis involves more than one class of equity (levels of common; common and preferred; etc.) or resolutions among debt and equity holders.

13. IRS scrutiny is expected.