

## FAIRNESS OPINION

A fairness opinion is a statement by a financial advisor that the consideration or financial terms in a merger, acquisition, divestiture, securities or other transaction are fair, from a financial point of view, to a company's shareholders, or a limited group of shareholders (i.e., public shareholders or non-controlling shareholders).

Fiduciaries or persons in control of a transaction must meet the test of "entire fairness". They must address fair dealing: full disclosure; timing of deal; arm's length negotiation; and approval by independent body or committee.

Another burden is fair price, which may include the following considerations:

- The value and form of consideration received or paid
- The value of the subject business or securities transferred
- Alternative form of transaction structure and consideration
- Alternatives available that may bring more value than the proposed transaction
- Economic and financial considerations of the proposed transaction
- Value based upon methods which are widely accepted within the specific market segment
- Valuation approaches: comparable public company analysis, comparable transaction analysis and discounted cash flow analysis
- Liquidation analysis may include the breakup value of the company in realizing the going-concern values of the various business segments, or the sale of the underlying assets of the company

As part of the due diligence, some of the most significant issues addressed may include:

- Value of significant intellectual property/intangible assets
- Current market prices
- Historical market prices
- Net book value
- Going-concern value
- Liquidation value
- Prices paid in previous purchases of the security
- Disclosure of any reports, opinions or appraisals
- Disclosure of any firm offers within the preceding 18 months for a merger, sale of assets or securities of the company