

ALBRIGHT
CRUMBACKER
& MOUL
& ITELL

*Certified
Public
Accountants
& Business
Consultants*

There are many reasons why a holder of an interest in a privately held company might require a business valuation. Valuations are performed to determine company or stock value for:

- **Purchase, Sale, Merger of Business**
- **Partner Disputes and Split-Ups**
- **Marital Dissolution**
- **Gifting Programs and Gift Taxes**
- **Succession/Exit Planning**
- **Buy/Sell Agreements**
- **Charitable Contributions**
- **Damages for Disruption of Business**
- **Estate Tax Planning and Determinations**
- **Family Limited Partnerships**
- **Split-Ups/Spin-Offs of a Division or Subsidiary**
- **Dissenting Shareholder Actions**



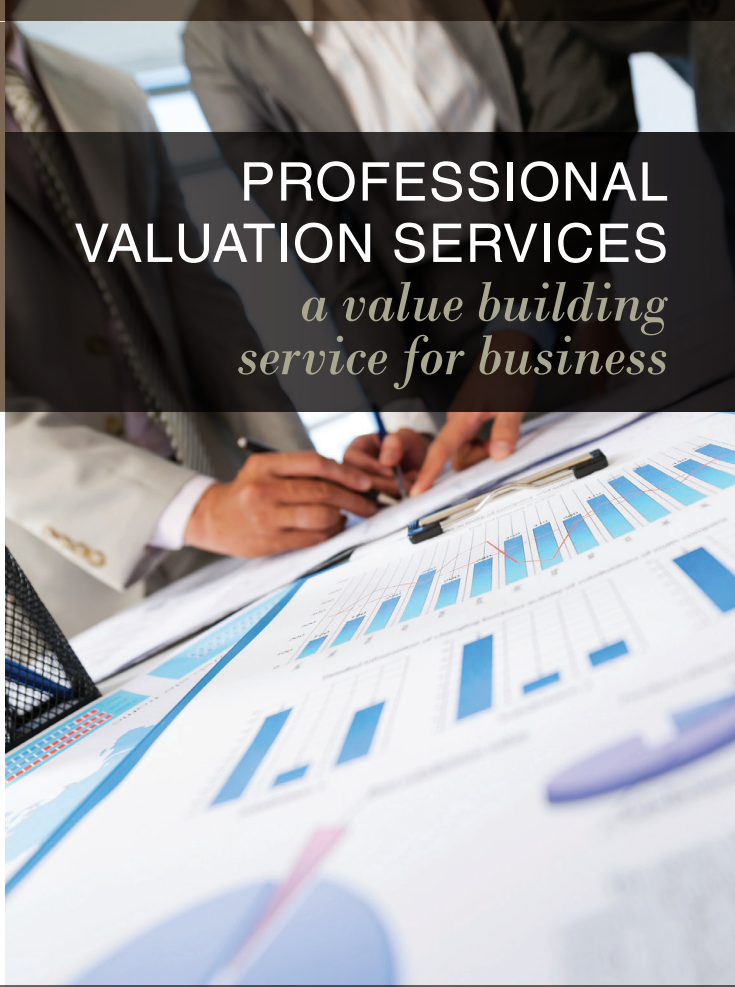
JOHN P. ITELL,
CPA/ABV, CVA
Managing Partner
jittel@albrightcpa.com



PAUL M. CUNNINGHAM,
CPA, CVA
Manager
pcunningham@albrightcpa.com

ALBRIGHT
CRUMBACKER
& MOUL
& ITELL

*Certified
Public
Accountants
& Business
Consultants*



**PROFESSIONAL
VALUATION SERVICES**
*a value building
service for business*

Our team is dedicated to helping you solve problems and find new opportunities for personal, business, and financial success.

1110 Professional Court
Suite 300
Hagerstown, MD 21740
301-739-5300
301-739-5332 Fax

301 W. Burke Street
Suite 201
Martinsburg, WV 25401
304-264-2004
304-264-2005 Fax

FINANCIAL ADVICE *you can trust,*
RESULTS *that make a difference.*

WHY IS A BUSINESS VALUATION NECESSARY?

Business valuations are performed because ownership interests in privately held companies often represent a significant portion of one's estate and/or portfolio. The value, or worth, of an interest in a privately held company, as opposed to stock in a public company, is usually unknown because there is no active market to sell or trade that interest from which to ascertain or approximate a value. Value determinations are most commonly needed to calculate estate tax upon death, split up family assets in a divorce, or negotiate value in a purchase, sale or merger of a business enterprise.



ACCURATE VALUE DETERMINATION

Undesirable consequences may arise if a value determination is too high or too low. Investors of prospective buyers will disregard a value that is too high and take advantage if a value is too low. If you are on the other side of the dispute in a dissenting shareholder action or divorce, you certainly want to know you are receiving a fair value for your interest.

CAREFUL ANALYSIS

Determining the true value of a business enterprise requires a careful analysis of two primary components that make up value: tangible assets (real estate, machinery, and furniture used by the business) and intangible assets (business goodwill, customer lists, trademarks, copyrights, distribution rights, a superior management team, non-compete agencies, physical location, special processes and name recognition). Quite often, the value of a company's intangible assets is much greater than the tangible assets. Valuing intangibles is where one needs the services of a qualified business valuation professional.

UNDERSTANDING THE BUSINESS

To properly value intangible assets, the valuator must acquire a thorough understanding of every aspect of a company's dynamics, including, management capabilities, company strengths, weaknesses and vulnerabilities, the competitive environment, overall expectations for the marketplace, and future economic prospects for the industry and the economy in the region and as a whole. All of these elements affect the risk of ownership in a particular enterprise and risk directly impacts value. Additionally, the valuator must analyze the inherent financial health of the enterprise and its future profit potential. Generally, profitability equates to intangible value and/or goodwill. As such, a key part of the valuator's analysis will focus on determining a company's true profitability. This requires making adjustments to the GAAP or tax-based financial statements that might include adding back to profits amounts for excess officers' compensation/perks over and above the average for the industry, excessive depreciation on assets aggressively written-down and non-recurring charges to expense, to name a few.

SORTING THROUGH A COMPLEX PROCESS

After a thorough analysis of all the company's dynamics and its financial health, the valuator must select the most appropriate methodology from among the many utilized by the valuation industry and apply a series of calculations and formulas to arrive at the ultimate conclusion of value. Overall, the process is highly complex and requires a significant amount of time. Indeed, this is what is required to determine the true economic value of a privately owned business enterprise.

Professional valuation services are relied upon in situations of need or adversity and include:

- **Business Valuations of Private Enterprises**
- **Determinations of Business Damages in Litigation**
- **Value Determinations for Intellectual Property and Components Parts of a Business Enterprise**