

**January 2, 2012**

## **VALUATION DATA REQUIRED:**

**Below are the key items that I need to complete a valuation.**

1. **FINANCIAL STATEMENTS** - The most recent 12-month (year-end) set of financial statements (P&L and Balance Sheet). A current P&L in the event where at least three or more months have transpired since the last annual statements have been provided.

2. **OWNER'S COMP** - **A breakdown of owner's compensation** as viewed by the owner including an explanation of exactly where each item can be found on the company's P&L. Any perks listed or claimed will or would eventually need to be detailed as they would be for a potential buyer. The list below is a starting point but includes some of the major sources of compensation for many owners.

- Net Income before taxes from P&L
- Officer's Salary and Payroll Taxes Current Year (annual or projected)
- Excess Salary for Family members, spouses, partners)
- Excess Rent Received in the case where owner owns building personally and rents to business.
- Owner's Contributions/Draws
- Owner's Vehicles
- Owner's Vehicle Insurance
- Owner's Vehicle Maint.
- Owner's Health Insurance
- Personal Office Supplies
- Owner's Travel and Entertainment
- Owner's Personal Legal and Accounting Fees
- Owner's Personal Cell Phone
- Amortization
- Credit for Excess Depreciation (We calculate that).
- Other Misc. Perks & Benefits

3. **ASSETS** - A description and **valuation of all assets** that are expected to be transferred or sold to the new buyer. The values provided should represent "real world" replacement values, and may or may not be the same values as

represented on the balance sheet. These values need to cover all main pieces of equipment, furniture and fixtures to be sold. If you expect to be paid for furniture and fixtures, and computers, etc. then these items need to be valued. They may or may not appear on your balance sheet. In many situations, owners are able to supply a detailed multi-page listing of assets listing original costs, depreciated costs, and FMV (Fair Market Value). Capital and Operating Leases need to be properly separated and detailed as well.

4. **EXPLANATION OF BALANCE SHEET ITEMS – (Very important)**

An explanation of specific balance sheet items – specifically in terms of what you expect to retain and what you expect a new buyer to assume – i.e. what you will keep (sellers normally keep all cash and AR, and then assume responsibility for all AP, short and long-term) and what you expect a buyer to assume. You also need to look at specific Assets and Liabilities and explain which ones you expect to be paid for and what others you will forgive.

**(Example:** If the company books show that the company owes you \$100,000 from a loan made to the company, then you need to be prepared either to pay that off now if you can, or forgive it because most buyers will not treat that as a legitimate expense of the business.

5. **EMPLOYEE LIST** - A simple list of employees, who they are, what they do and what they get paid and the approx. hours worked by each - i.e. FT, PT, 1/2, 1/3, etc.

6. **COMPANY HISTORY** - A very brief narrative describing the history of the firm in recent years in terms of sales history, profitability, etc. This can be as simple as a couple of paragraphs or as detailed as the seller wishes. We do, however, need some type of sales and profit history if it is available.

7. **QUESTIONNAIRE** - A **carefully completed questionnaire** listing answers to the 14 questions that Larry Hunt and I use and describe in our book. I have attached an Excel spreadsheet of this questionnaire.

The items above should be returned to:

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