

Qualified Professionals

A valuation professional should be able to demonstrate knowledge and competence through education, training and experience. Our team of business valuation specialists carries all of the most-respected and sought-after professional accreditations in the business valuation discipline, including:



- Accredited Senior Appraiser-Business Valuation (ASA) as sanctioned by the American Society of Appraisers, the profession's oldest and most highly regarded governing organization
- Accredited in Business Valuation (ABV) as sanctioned by the American Institute of Certified Public Accountants for certified public accountants specializing in business valuation
- Certified Valuation Analyst (CVA) as sanctioned by the National Association of Certified Valuation Analysts for certified public accountants specializing in business valuation
- Certified Business Appraiser (CBA) as sanctioned by the Institute of Business Appraisers for individuals with extensive business valuation training and experience

Our professionals have completed a significant amount of coursework, training, report writing and testing, in addition to satisfying numerous other rigorous requirements to attain these accreditations. All members of the team carry at least one of the credentials listed above. Bob Grossman, who heads the group, carries all four.

We are proud of these accomplishments on both a personal and on a professional basis, where the result is a top quality work product for our firm's clients!

GROSSMAN YANAK & FORD LLP

Certified Public Accountants
Three Gateway Center
Suite 1800
Pittsburgh, Pennsylvania 15222

Telephone (412) 338-9300
Facsimile (412) 338-9305
Website www.gyf.com

Robert J. Grossman

Direct (412) 338-9304
E Mail grossman@gyf.com

Donald S. Johnston

Direct (412) 338-9309
E Mail johnston@gyf.com

Melissa A. Bizyak

Direct (412) 338-9313
E Mail bizyak@gyf.com

Grossman
Yanak &
Ford
LLP

Certified Public Accountants

PROFESSIONAL BUSINESS
VALUATION SERVICES

Understanding and
Growing Business Value



Overview

The Business Valuation Services Group of Grossman Yanak & Ford LLP provides a wide breadth of valuation-related services across a broad spectrum of applications. Long-recognized as an industry leader in Pittsburgh and the

surrounding tri-state area, our firm's national stature has grown as well, through our involvement in valuation matters across the United States.

Our professionals have encountered, and successfully addressed, many challenging issues of value in a variety of contexts, including those listed below.

- 
- Corporate management applications
 - Commercial activity transaction structure
 - Business merger, acquisition and disposition transactions
 - Fairness opinions
 - Estate, gift and inheritance tax strategies
 - Income tax planning
 - Marital dissolution and equitable distribution
 - Matters of civil controversy
 - Business owner splits
 - Minority shareholder lawsuits
 - Lost profits calculations
 - Economic damages calculations
 - Expert witness testimony
 - Recapitalization for business growth and owner diversification
 - Accounting-based valuations
 - Bankruptcy consulting and valuation



Grossman Yanak & Ford LLP

Business Valuation Services Group ...


QUALITY YOU DESERVE!

BUSINESS CARD INSERT



Service Approach

Grossman Yanak & Ford LLP's Business Valuation Services Group utilizes the firm's fundamental approach to serving our clients. Our strategy is to involve professionals with a higher level of experience on a significant basis in addressing clients' needs, and to do so on a competitive and cost-effective basis. This simple approach has led to growth and success throughout all the disciplines of our practice, and has been particularly effective in our group.



Business valuation requires an intimate understanding of the attendant ownership interest to be valued, the operating business to which that ownership interest belongs, the industry within which the business operates and the value influences on the business imposed by economic fluctuations, both regionally and nationally. The professionals involved in valuation engagements must not only possess strong business valuation technical skills, but, must also understand economics, taxation, accounting and business.

At Grossman Yanak & Ford LLP, highly-skilled professionals with a Certified Public Accountant background, as well as extensive business valuation training, provide the best valuation services available anywhere!

There is a striking dichotomy between management of privately held and publicly traded businesses regarding the focus on underlying equity value. With privately held companies, it seems that so much management effort is exerted to achieve short-term or single year operating results, that little attention is paid to equity value enhancement.

Equity or owner value is the single performance metric that maximizes overall company efficiency and allows all business stakeholders to optimize their positions within the company's operational parameters. For many privately held business owners, the value of their company equity is the most significant asset in their investment portfolios.

All too often, the value of this equity interest is not what the owner expects. Unfortunately, the reality of the lower value is not usually identified until the date of sale, when it is too late to do anything to increase value. As a result, the owner must face a retirement or post-sale lifestyle that does measure up to his/her anticipated standards.

The Business Valuation Services Group at Grossman Yanak & Ford LLP can assist business owners in understanding how managing value can enhance long-term net worth. More importantly, we can help to identify the value drivers within your business and develop and implement value enhancement strategies to grow the value of your business. These strategies are specific to each business as well as the owner's goals and exit timeframe. In theory, planning for value enhancement is no different than trying to maximize the value of any other asset. The significant advantage in a privately held business is the ability to directly control the process.

Do not let another year pass without focusing on increasing the value of your business!



Estate, Gift and Inheritance Tax Strategies

While the federal estate tax is slated for a gradual phaseout through 2010, provisions of the Internal Revenue Code currently provide for reinstatement of the tax in 2011. Even though the tax is slowly being phased out, a focus on planning in the short term can potentially save significant dollars for many privately held business owners and other wealthy taxpayers. It is also important to note that the repeal of the estate tax does not have an effect on gift tax or any state inheritance taxes.

Wealth preservation strategies are often built around a foundation of asset valuation. At Grossman Yanak & Ford LLP, we work with the region's best estate planning professionals. Our work often involves valuation of privately held business interests, with an emphasis on valuation adjustments reflecting premiums and discounts for control and marketability issues.

Our professionals have extensive experience in preparing valuations for family limited partnerships, S corporation recapitalizations and ownership sales to irrevocable trusts in exchange for long-term annuity payment streams. Such sophisticated devices can be used advantageously by many individuals. The keystone for each strategy is very often a defensible valuation.

We have prepared many valuations for these purposes and have successfully defended our reports under tax authority audit. Our valuers have also successfully navigated through the Internal Revenue Service Appeals division, with little or no adjustment to values contained within our reports.

All reports are prepared to meet the Treasury Department's "adequate disclosure" regulations and "qualified appraiser" rules. Similar reports have been prepared by our professionals on numerous occasions to assist legal counsel with the appropriate compliance requirements for decedents' estates.



Commercial Activity Transaction Structure

The scope of valuation needs in commercial operations can span a wide spectrum of transactions. The Business Valuation Services Group of Grossman Yanak & Ford LLP has extensive experience in a variety of commercial activity valuation projects. Some of our recent work has included:

- Valuation of contract rights, business names, technical “know how” and other intangible assets for purposes of transfer to a Delaware Investment Holding Company as part of state income tax minimization strategies
- Valuation of intellectual property for purposes of developing economically appropriate royalty rates for expatriation and repatriation of earnings between a United States company and foreign related party
- Valuation of company equity at prescribed dates, given alternative labor force wage levels and allowing for management understanding of long-term effects of labor negotiations on value
- Valuation regarding buy/sell agreements

If you encounter an operational issue that might be resolved with a valuation solution, our Business Valuation Services Group is likely to have the answer.



Marital Dissolution - Equitable Distribution

Nowhere is valuation more personal than in an equitable distribution proceeding in a marital dissolution setting. A quality work product in this environment is absolutely critical to a satisfying and fair property distribution allocation. Unfortunately, state statutes governing parameters for the valuation of privately held business interests are often suspect and leave broad room for interpretation. As a result, a valuator must look to jurisdictional precedent and judicial decisions, as well as valuation theory, to successfully opine on value.

The Business Valuation Services Group of Grossman Yanak & Ford LLP has prepared valuations of privately held business interests in numerous equitable distribution proceedings. We also assist legal counsel with the critique and challenge of opposing expert's reports, including development of effective cross-examination questions and techniques. Our work in this area has involved our firm in cases across the country, including report presentation, expert testimony and submission of evidentiary information in numerous states.

In addition, our Business Valuation Services Group offers a number of other divorce proceeding services related to taxes, valuation and planning. These services include preparation of disposable income calculations for support purposes, taxable income planning and asset and income identification engagements encountered when spouses are reluctant to open all records to discovery. Our expertise and abilities in this area can be validated by our history of success.

In one recent case, the judge stated that the GYF valuator's expert testimony was most helpful to his finding, noting that the valuator "provided the most persuasive approach to a valuation of the asset." The Court found the valuator's "training, experience and education, his teaching at various institutes and seminars, and his knowledge of the valuation subject matter to highly qualify him to establish value." The conclusion, as developed by the GYF valuation team, was accepted almost in its entirety by the court, a testament to the quality of our work.

Business Merger, Acquisition and Disposition Transactions

A key element in buying or selling a business is that there's only one chance to do it right! If the buyer pays too much or the seller asks too little, the ability to recoup the difference is gone forever. Understanding value in entering a transaction to merge, acquire or dispose of a business or a business interest is critical to the success of the transaction.

In addition to a variety of complexities related to a non-acquisition valuation, a transaction often presupposes an “investment or strategic” standard of value which must consider acquiror synergistic advantages. Such advantages can, and should, influence transaction pricing. Another critical aspect that will influence transaction pricing is the tax structure. Whether the transaction is an asset purchase or a stock purchase or any number of possible variations, influences transaction pricing greatly.

In the 1990s value multiples of 6 to 12 times EBITDA (earnings before interest, taxes, depreciation and amortization) were common. Unfortunately, the poor performance of the public stock markets in recent years is in large part due to inflated purchase prices during that period.

The Business Valuation Services Group at Grossman Yanak & Ford LLP has extensive experience, working on more than fifty transactions in the last five years. Moreover, each of the Group's members has extensive experience in corporate and business tax matters, including acquisitions, dispositions and mergers. This experience allows for careful consideration of appropriate tax structures and the influence of each on the pricing of the deal.

When a purchase or sale is being contemplated, it is absolutely necessary to understand the value of a business. Don't find yourself paying too much or selling for too little. Call our Business Valuation Services Group first to help you understand the value of your subject company and how to structure the best deal.

Recapitalization for Business Growth and Owner Diversification

A recurring issue common to many businesses is the lack of diversification in the owner's investment portfolio. It is not unusual to find the value of the business comprising as much as ninety percent or more of the owner's total net worth. In such a case, the owner's wealth is at great risk if the business should encounter operating problems or experience an economic downturn.

Another issue facing business owners is fund-raising for capital acquisitions or business expansion. Often, such opportunities can be financed through traditional lending institutions. However, depending on specific circumstances, it may be necessary to go beyond traditional sources into private placement or equity markets.

In both cases, a recapitalization can be used to obtain the desired outcomes. Utilization of an employee stock ownership plan (ESOP) or the addition of an external equity investor can serve to accomplish current owner diversification goals or alternatively, to raise needed equity to pursue capital acquisition or business expansion opportunities.

Solid business valuation services are at the core of all successful recapitalizations. The Business Valuation Services Group of Grossman Yanak & Ford LLP has worked on numerous recapitalization projects, including ESOPs. In each case, our professionals have played a vital role in assisting management with key value-based decisions and feasibility analyses. We can also provide valuation services and reports where necessary to meet Department of Labor and Internal Revenue Service compliance requirements or outside investor needs.

A sample of recent projects include:

- Feasibility analysis and valuation report preparation to transfer 40% of business ownership to an ESOP on a tax-free basis, allowing for significant owner diversification
- Valuation services relating to the issuance of nonvoting shares in exchange for voting shares in an S corporation to partition value and voting rights for equity investor capital infusion
- Valuation services relating to the issuance of warrants, preferred stock and Class B common stock shares to partition value and voting rights for equity investor capital infusion for business acquisition

Proper application of generally accepted accounting principles often calls for the utilization of valuations. Now, more than ever before, financial reporting is emphasizing the quality of company balance sheets and the assets set forth therein.

The recent issuance of new accounting standards marked a dramatic change in reporting for business combinations and the incorporation of business valuation in the financial reporting framework. Specifically, Statement of Financial Accounting Standard (SFAS) No. 141, *Business Combinations* and SFAS No. 142, *Impairment of Goodwill and Other Intangible Assets* have established guidance with respect to the reporting of the purchase price of an entity and the quantification of goodwill and identifiable intangible assets at the date of purchase and the measurement of these assets thereafter. Our professionals have experience in valuing intangibles, including marketing, customer, contract and technology related assets.

The Business Valuation Services Group at Grossman Yanak & Ford LLP has been involved with our clients' purchase price allocations, the identification and quantification of intangible assets and the subsequent measurement of specific asset and goodwill impairment. In addition, because the Sarbanes-Oxley Act prevents firms from preparing valuations for those companies for which they provide attest services, we have worked cooperatively with accounting firms of regional and national prominence, in preparing independent business valuations for a wide array of financial reporting applications.

Our team's business valuation expertise, in combination with the professionals in our firm's Assurance & Advisory Services Group, can provide valuation solutions to meet all of your financial and accounting needs.



Income Tax Planning

The proper reporting of income under the United States Internal Revenue Code requires value measurement under numerous provisions. Some examples of income tax related assignments often encountered by our business valuation professionals include:

- Measurement of company value and per-share price in conjunction with the provision of non-cash compensation, including nonqualified stock options or warrants, as well as shares of stock provided as compensation for personal services
- Measurement of value of property distributions to shareholders in corporate entities – appreciation and corresponding gains are taxed at the corporate level as if the property had been sold
- Measurement of company value in conjunction with the corporate liquidation or an election to convert from C to S status – proper measurement of gain in these situations is critical to documenting value and paying the proper income tax

Bob Grossman and Don Johnston both hold a Masters of Science degree in Taxation. This training and experience in tax matters, in combination with their business valuation knowledge, ensures that our clients receive tax related valuation services of the highest quality!



In matters of civil controversy intended to provide monetary relief to harmed parties, the calculation of economic detriment is critical to a fair and accurate resolution. Propriety and defensibility of these calculations are paramount, whether the matter is ultimately settled or goes to trial. Our Business Valuation Services Group has provided extensive assistance to clients in each of the following areas:

- Business-owner splits – difficulties over interpretations of buy/sell agreements, the non-existence of such an agreement and owner departures under adversarial circumstances
- Minority shareholder lawsuits – oppressed or minority shareholder actions (for and against) alleging harm imposed by controlling owner actions
- Lost profits calculations – lost profit calculations for contract breach, non-competition agreement breach, patent and know-how infringement and unauthorized transfer of employees' know-how with employment change
- Economic damages calculations – determination of past and future income losses, fringe benefit values, life and worklife income expectancy and personal consumption calculations

Our services in these matters often include assisting legal counsel with discovery and development of direct and cross examination techniques and questions as well as strategy formation to illustrate key case components at trial.



Expert Witness Testimony

All expert witness testimony related to business valuation and civil controversy is provided by Bob Grossman, who heads the Business Valuation Services Group. Bob has earned impeccable credentials and national prominence in the discipline of business valuation. His unassuming methodical and professional style of explaining valuation and reporting positions and addressing questions on the witness stand affords clients and legal counsel an excellent opportunity to defend positions brought to trial.

Bob has been qualified and testified as an expert witness in Pennsylvania, Ohio, West Virginia and Kentucky. He was also qualified as an expert in several other states; however, these cases were resolved through pre-trial settlement. Bob carries all major professional accreditations in valuation and has performed hundreds of business valuations. He has earned many awards as an instructor on a national level and has also authored numerous technical articles.

With his experience in past trial testimony as well as his extensive accomplishments in business valuation, tax and related matters, Bob Grossman provides a level of expertise generally unequaled in this region.



Fairness Opinions

Without question, a fairness opinion rendered by the Business Valuation Services Group at Grossman Yanak & Ford LLP will assist Boards of Directors and other entity fiduciaries in making decisions that are based on the best information available.

Whether an acquisition or divestiture is being planned or consideration is being accorded to a recapitalization, an employee stock ownership plan (ESOP) or a leveraged buyout, our fairness opinions will include financial, industry and economic analysis second to none. We also prepare fairness opinions for related party transactions and exchange transactions.

If you find yourself questioning the propriety of an upcoming opportunity, call our team to address fairness of the transaction value.

*B*ankruptcy Consulting and Valuation

Concerns over issues of value may seem counterintuitive to many financially troubled companies. However, valuation, correctly applied, is critical to the overall assessment of solvency in many workout situations as well as compliance with bankruptcy and cancellation of indebtedness rules set forth in income tax statutes. In furtherance of these directives, consideration must be given to valuations prepared in a bankruptcy environment versus those prepared in more traditional engagements.

Included among these key differences is the issue related to standard of value. Does the case require traditional “fair market value” or “fair value” and, if so, how do the statutes or judicial precedent define the terms? Premise of value is another example of an often-controversial issue in bankruptcy. While most companies are valued under a “going concern” premise of value, facts and circumstances, as well as jurisdictional precedent may dictate liquidation value as the proper premise.

Quality valuations are critical to both creditors and debtors in a bankruptcy proceeding. In addition to providing an effective protection analysis, our business valuation services professionals can perform services such as those listed below for companies in bankruptcy situations. These services can significantly improve the chances of making a bankruptcy an efficient and positive business strategy.

- Restructuring strategy development and workout plan feasibility analysis
- Design and implementation of spin-off strategies
- Fairness assessment of offers to buy or sell the company or its assets
- Identification and quantification of reports and analyses for fraudulent conveyances
- Review of opposing expert’s reports and analyses for proper application of technical guidance and conceptual propriety