



**G**riffiths, Dreher & Evans, P.S.  
Wealth Management CPAs

**Business Valuation**

**100% Ownership Interest in  
Contractor, Inc.**

**As of  
December 31, 2008**

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# Executive Summary

To state the obvious, the value of a business depends on the buyer. The business valuation matrix below identifies six zones in which buyers purchase business interests. The characteristics of a sale, like transaction structure, tax effects, net proceeds to seller, professionals involved, negotiating power, financing risks, payment terms, etc., can be different in each zone. As a result, there can be different business values associated with each zone.

## Business Value Matrix

|                                 | Sale to 3 <sup>rd</sup> party | Sale to Insider          | Transfer to Family       |
|---------------------------------|-------------------------------|--------------------------|--------------------------|
| <b>Middle Market &amp; Up</b>   | <b>1</b>                      | <b>2</b>                 | <b>3</b>                 |
| <b>Main Street 3-10mm Sales</b> | ↑<br><b>Blended</b><br>↓      | ↑<br><b>Blended</b><br>↓ | ↑<br><b>Blended</b><br>↓ |
| <b>Main Street &lt; 3mm</b>     | <b>4</b>                      | <b>5</b>                 | <b>6</b>                 |

As an Upper Main Street business (one with between 3 million and 10 million of annual sales), your business could be faced with challenges related to any of the value zones. Business transitions in this range of the market often have blended characteristics from upper and lower zones. Main Street upper businesses are challenging and exciting because they are in the gray zone of the market and your possibilities are expanded. A long range exit plan for an owner in this zone may be to target a zone 1 exit and work to fully achieve the characteristics of a business which can sell this most lucrative zone of all. For purposes of this report, we have valued your business in zones 1, 2, and 3.

|  |              |
|--|--------------|
| Zone 4: Investment Value to a Hypothetical 3 <sup>rd</sup> Party Buyer | \$ 1,660,000 |
| Zone 5: Investment Value to a Hypothetical Inside Buyer                | \$ 2,077,000 |
| Zone 6: IRS Fair Market Value for Estate Tax Planning                  | \$ 1,305,000 |

The investment value of a business can vary greatly from one buyer to the next. The investment value is the value of the business to a specific buyer, rather than to a general hypothetical buyer in each zone. This report will help you to establish a reasonable expectation for value in applicable zones.

During our presentation of this report, we will explain the strategies that will help you to understand how the value of your business combined with your exit plan can help you to achieve your best outcome. Please contact us with any additional questions or for help in further understanding implications of the business value matrix specific to your current or future circumstances.

Thomas M. Griffiths, CPA, MBA, CFP®  
Accredited in Business Valuation  
Certified Exit Planning Advisor

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**Report with specific required language as prescribed under Statement  
on Standards for Valuation Services #1 issued by the American  
Institute of Certified Public Accountants.**

February 10, 2009

To Contractor:

We have performed a calculation engagement, as that term is defined in the Statement on Standards for Valuation Services (SSVS) of the American Institute of Certified Public Accountants. We performed certain calculation procedures on 100% ownership of Contractor, Inc. as of December 31, 2008. The specific calculation procedures are detailed in Exhibit 1 of our calculation report. The calculation procedures were performed to assist in the matter of determining on a going concern basis, the Fair Market Value for IRS estate tax planning purposes (not for estate tax filing purposes), to a hypothetical 3<sup>rd</sup> party buyer in a sale through a business broker, and to a hypothetical inside buyer, such as a key employee, of a 100% ownership of the businesses. The valuation is to be used for the stated Exit Planning purposes and the resulting calculations of value may not be relied upon by any party for any other purpose. This calculation engagement was conducted in accordance with AICPA SSVS No. 1. The estimates of value that result from a calculation engagement are expressed as calculated values.

In a calculation engagement, the valuation analyst and the client agree on the specific valuation approaches and valuation methods the valuation analyst will use and the extent of valuation procedures the valuation analyst will perform to estimate the value of the subject interest. A calculation engagement does not include all of the procedures required in a conclusion of value engagement, as that term is defined in the SSVS. Had a conclusion of value engagement been performed, the results might have been different.

Based on our calculations, as described in this report, which are based solely on the procedures agreed upon as referred to above, the resulting calculated operating values of Contractor, Inc. 100% ownership interest as of December 31, 2008 are as follows:

|  |              |
|--|--------------|
| Investment Value to a Hypothetical 3 <sup>rd</sup> Party Buyer | \$ 1,660,000 |
| Investment Value to a Hypothetical Inside Buyer                | \$ 2,077,000 |
| IRS Fair Market Value for Estate Tax Planning                  | \$ 1,305,000 |

These calculated values are subject to the agreed upon development limitations found in Exhibit 1, the Statement of Assumptions and Limiting Conditions found in Exhibit 2, the additional assumptions on page 18 and the Valuation Analyst's Representation found on page 17. We have no obligation to update this report or our calculations of value for information that comes to our attention after the date of this report.

**THOMAS M. GRIFFITHS, CPA, MBA, CFP®**  
**Accredited in Business Valuation**  
**Certified Exit Planning Advisor**

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## **PRACTICE OVERVIEW**

Business owners are Mr. Griffiths financial advisory focus. To be a financial advisor for business owners requires a unique combination of skills and expertise in investments, business management, business valuation, complex tax issues, exit and financial planning. Mr. Griffiths has extensive experience, education and specialty credentials in all of these disciplines. His practice is the cross-section of these disciplines as they relate to financial and exit planning for main street business owners (under 10 million sales).

## **EDUCATION & SPECIALY DESIGNATIONS**

B.S. in Accounting, Eastern Washington University, 1990;  
CPA - Certified Public Accountant, State of Washington, 1992;  
MBA - Masters Degree in Business Administration, Eastern Washington University 1994;  
CFE (inactive) - Certified Fraud Examiner, Association of Certified Fraud Examiners, 2003;  
CFP® - Certified Financial Planner Professional, Certified Financial Planner Board of Standards, Inc. 2005;  
PFS - Personal Financial Specialist, American Institute of Certified Public Accountants, 2005;  
CVA - Certified Valuation Analyst, National Association of Certified Valuation Analysts, 2006;  
ABV - Accredited in Business Valuation, American Institute of Certified Public Accountants, 2008;  
CFF - Certified In Financial Forensics, American Institute of Certified Public Accountants, 2008;  
CDFA – Certified Divorce Financial Analyst, Institute for Divorce Financial Analysts, 2009.  
CEPA – Certified Exit Planning Advisor, Exit Planning Institute, 2009.  
CEXP – Certified Exit Planner, Business Enterprise Institute, 2009.

## **WORK HISTORY**

Griffiths, Dreher & Evans, PS, CPAs, formerly Griffiths & Company, PS, CPA, 1992-Current  
Griffiths, Dreher & Evans, PS, Washington State Registered Investment Adviser Firm, 2006;  
Air Force National Guard, 1982-1994, Enlisted rank achieved E-6, Officer rank achieved O-2;

## **CONTINUING EDUCATION, PROFESSIONAL ASSOCIATIONS AND CIVIC ACTIVITIES**

- Member AICPA, WSCPA, ACFE, NACVA, FPA.
- Member SCORE (Service Corps of Retired Executives Associate Member Since 1997), speaking and providing counseling once per month to small business owners 1997-2002.
- Maintains continuing professional education of 20 hours per year specific to business valuation, 20 hours per year specific to financial planning and 10 hours per year specific to fraud examination.