

VALUATION PRACTICE

A 360-Degree Perspective

MFA's valuation professionals put into play a rare combination of specialized expertise and real-world experience in the complementary disciplines of auditing, GAAP, taxation and transactions. This unique knowledge and comprehensive view allows us to encircle the valuation at hand to provide highly effective execution and education for our clients.

MFA's valuation professionals bring to the table not only extensive knowledge of valuation theory but also real-world experience in the disciplines of GAAP, auditing and transactions.



MFA CORNERSTONE CONSULTING

Our professionals emphasize a business-minded approach to performing valuations. That means the planning and strategic aspects of the exercise are inherent pieces of the puzzle, adding greater overall value to the process. At MFA, it's more than just the valuation report. We guide you through the process and help you to make informed decisions regarding your complex transactions and strategic issues.

QUALIFIED SPECIALISTS

The technical aspects of valuation are complex, as is the myriad of operational, financial and market factors to be considered as part of the process. We combine industry, financial and business experience to help define and direct your strategy, substantiate a position or protect an investment. Our team consists of valuation specialists who have attained the highest level of skills and credentials, including professionals who are Accredited Senior Appraisers (ASA), Chartered Financial Analysts (CFA), Certified Valuation Analysts (CVA), Accredited in Business Valuation (ABV), Accredited Valuation Analysts (AVA) and Certified Public Accountants (CPA).

RESPONSIVE APPROACH

At MFA, we pride ourselves on the consistently positive experience we provide when working with and presenting results to clients. We prioritize a responsive, value-driven, hands-on approach that allows us to establish productive relationships. We understand short lead times and tight schedules, and work diligently to meet your critical deadlines.



Credentials

- Accredited Senior Appraiser (ASA)
- Chartered Financial Analyst (CFA)
- Certified Valuation Analyst (CVA)
- Accredited in Business Valuation (ABV)
- Accredited Valuation Analyst (AVA)
- Certified Public Accountant (CPA)

Spectrum of Services

TAX REPORTING AND PLANNING

- 409A Stock Option Valuations
- Restricted Stock
- Built-in Gain Valuation for S-Elections
- Transfer Pricing
- Mergers, Recapitalizations and Spin-Offs
- Estate, Gifting and Charitable Donations
- Personal/Enterprise Goodwill Separation

GAAP (FAIR VALUE) REPORTING

- ASC 718 Stock Compensation (formerly FAS 123R)
- ASC 805 Purchase Price Allocation (formerly FAS 141R)
- ASC 350 Goodwill Impairment (formerly FAS 142)
- ASC 360 Intangible Asset Impairment (formerly FAS 144)
- Derivative Asset/Liability Fair Value Determinations
- Financial Instruments with Characteristics of Liabilities/Equity

LITIGATION SUPPORT

- Economic Damages/Lost Profits
- Shareholder Disputes and Business Separation
- Divorce
- Personal/Enterprise Goodwill Separation

GENERAL BUSINESS ADVISORY

- Market Value Assessments
- Buy/Sell Agreements
- Employee Stock Option Plan (ESOP) Valuation

Tax Reporting and Planning

MFA professionals approach valuation services with experience that encompasses a full range of business issues, including critical tax considerations.

COMPREHENSIVE APPROACH

Tight regulation and increasing complexity in the tax code demand that the intertwined areas of valuation and tax be addressed as parallel processes. As transactions are considered or tax filings are made, MFA's professionals can help guide you through the cross-disciplinary nature of valuation and tax matters. This approach minimizes your costs by accounting for the valuation's peripheral impact, improving its overall efficiency.

UNDERSTANDING TAX IMPLICATIONS

MFA's professionals consider not only the tasks at hand but also the tax circumstances that surround them. Our valuation team has significant experience preparing valuation reports for tax purposes and that experience is further augmented by working in close concert with the firm's tax professionals.

409A VALUATIONS FOR STOCK OPTIONS AND RELATED PLANS

For early stage and other privately owned companies, the issuance of stock options is a strategic move that can help attract and retain the best employees at a minimal cost – if you can navigate the complexities of compliance with IRC 409A. MFA's valuations can give your company the support it needs to act on its decision to issue stock options. Our team has extensive experience working with venture-backed clients, and is therefore intimately familiar with the rules and regulations applying to the issuance of this particular form of deferred compensation.

A 409A stock option valuation from MFA can provide you with more than just a safe harbor from IRS scrutiny; it can also support GAAP (Fair Value) reporting for stock-based compensation and serve as a useful benchmarking tool by providing critical insight regarding the changes to and drivers of the value of your organization.

ESTATE, GIFTING AND CHARITABLE DONATIONS

MFA is experienced in the valuation of businesses for the purposes of passing on wealth to subsequent generations. We can determine what your business is worth now and what it will be worth to those who will inherit it, and our analysis will shed light on their tax obligations when the time comes. When you are planning to contribute part of your company's value to a charitable cause, an appraisal from our skilled valuation team will present an accurate, reliable position that will provide support for any potential IRS scrutiny.

PERSONAL/ENTERPRISE GOODWILL SEPARATION

If you own a C corporation and you are thinking about selling your business, separating personal goodwill – that portion of an organization's intangible value that is directly attributable to an individual – from enterprise goodwill can make all the difference for you financially. Identifying and quantifying personal goodwill through a business valuation from MFA can yield substantial tax savings. This separation can also protect your business assets in the event of a divorce.

GAAP (Fair Value) Reporting

For both private companies and public registrants, Fair Value has infiltrated Generally Accepted Accounting Principles (GAAP) to create entirely new levels of complexity. In fact, more than 50 GAAP pronouncements and interpretations now reference Fair Value, presenting significant challenges for internal finance departments.

FAIR VALUE'S IMPACT ON GAAP

From private company stock valuation to purchase price allocations and goodwill impairment testing, GAAP is ingrained in MFA's services as CPAs, auditors and consultants. Our team has deep expertise with companies across many industries, and we are able to incorporate that background in our work as Fair Value specialists. We can quickly pinpoint how a company's measurement of Fair Value impacts GAAP, appreciating that minor swings in valuation can have a material effect on the numbers.

ASC 718 STOCK COMPENSATION (FORMERLY FAS 123R)

As discussed in our section on valuations for tax, MFA has extensive experience in the area of 409A valuations for stock options and related plans. These same valuations may also be leveraged to address related stock compensation needs for the purpose of financial reporting. Having such a valuation performed can also highlight certain factors that are currently affecting your company's value.

GOODWILL AND INTANGIBLE ASSET VALUATIONS

If your company is growing through acquisition, our team of valuation professionals is equipped to help you with Fair Value financial reporting for purchase price allocations (ASC 805). With a client base ranging

from public companies to venture-backed, early-stage start-ups, we have significant experience in valuing a variety of intangible assets, including patents, customer relationships, non-compete agreements, trademarks, in-process research and development and many other complex intangibles.

In addition, as part of ongoing annual financial reporting requirements following an acquisition, we provide comprehensive goodwill and long-lived asset impairment testing reports for ASC 350 and ASC 360. If your company has merged operations following an acquisition, operates several reporting units or has reporting requirements under U.S. GAAP and IFRS, impairment testing can quickly become a challenging exercise. We have a wide range of experience in addressing this intricate type of engagement and can help alleviate much of the annual reporting burden.

FAIR VALUE DETERMINATIONS FOR FINANCIAL INSTRUMENTS

MFA is an excellent choice for Fair Value determinations of your company's financial instruments. Through Monte Carlo simulation or other more traditional valuation methods, we can ascertain the Fair Value of derivative assets or liabilities, and synthetic equity positions such as management carve-outs or stock appreciation rights.

Litigation Support

MFA's litigation support services provide attorneys and their clients with a clear, concise financial picture of the litigation matter at hand. The intuitive financial insight of the MFA team plays a key role in assessing legal options and facilitating litigation strategy development. Attorneys can concentrate on litigation, secure in the knowledge that MFA is onboard to provide analysis, clarification and advice on the business and financial aspects that are crucial to the case.

A STRONG FOUNDATION OF KNOWLEDGE AND EXPERIENCE

MFA combines its specialized expertise in fraud, forensics, valuation and internal controls with an extensive background in tax, audit, internal audit and finance. Our professionals are credentialed in the areas of fraud (CFE) and valuation (AVA, ABV, CVA, CFA, ASA), as well as accounting, internal audit and IT (CPA, CIA, CISA). We can assist your litigation team in everything from analyzing, interpreting and summarizing complicated financial information and scouring the books for hidden data or transactions to performing business valuations and assessments of lost profits and economic damage. We can also conduct financial investigations that get to the bottom of shareholder disputes, and ease the sometimes onerous process of business separation.

SHAREHOLDER DISPUTES AND BUSINESS SEPARATIONS

A business separation borne out of a shareholder dispute often requires a thorough and carefully planned strategy. MFA's team of valuation and accounting professionals is uniquely qualified to help you assess and defend the value of an ownership position. Our process will also provide

you with practical information regarding the financial implications of the proposed settlement terms, which can ultimately help you and your attorneys negotiate or litigate a successful exit.

VALUATION DURING A DIVORCE

When a distribution of assets is called for during a divorce, and one of the spouses owns a business (or interest in a business), an independent valuation must be performed to firmly establish the equity's worth. Our team has significant experience in this area and can be relied on for a quick and accurate report that will satisfy the needs of the court and allow the litigation to proceed without delay.

TESTIFYING WITH CONFIDENCE

MFA's qualified professionals possess the competence and credibility to serve as expert witnesses in court, presenting our findings and opinions with clarity, precision and personality. Our team is also uniquely qualified to participate in the deposition process, as well as to serve as a key member of your team during settlement negotiations.

General Business Advisory

MARKET VALUE ASSESSMENTS

By determining your company's worth, our team can help you determine a starting point for negotiating with potential buyers. Drawing on our extensive, in-house experience, we can also provide you with advice on the financial viability of possible transactions, as well as the advantages and disadvantages of adopting a certain deal structure. We have the knowledge and the expertise to go beyond the valuation exercise and provide you with a comprehensive overview of factors that drive your value up or down. Our assessments bring many topics into light, and can often identify changes you can make now to reach your goals.

BUY-SELL AGREEMENTS

Agreements among partners or business owners as to who can buy what share of ownership from whom often sit untouched for decades. When a shareholder passes away or when another event triggers the use of this document, interpreting its formula and applying it to the company's current situation can be complicated. Our valuers can ascertain the meaning of existing buy-sell agreements and/or conduct an updated valuation to support their execution. We can also consult with you to help create a new agreement, providing not only the valuation itself, but also establishing a rock-solid formula and clear definitions that will help avoid any confusion when the document is referenced in the future.

EMPLOYEE STOCK OPTION PLAN (ESOP) VALUATION

Adopting an ESOP can yield numerous benefits for closely held companies. In particular, this type of transition can be a boon for owners who are seeking a practical exit strategy, or for CFOs who are looking for a source of funding for future growth. Ultimately, this arrangement may also enhance the morale and financial security of employees. A valuation from MFA can get the ball rolling, and with our experienced team on your side, you will soon realize the many advantages of a successful employee ownership program. In subsequent years, as participation increases, we can also provide updated assessments to determine the equity's current value and keep you in compliance.

