

SPARDATA's Eight Step Valuation Process

Valuing a closely-held business is a time-consuming, technically demanding challenge. The key steps in the process (which typically takes 8-12 weeks, although if an order is "rushed" it can be completed in as little as 4 weeks) are summarized below. SPARDATA keeps the owner and the owner's advisors informed throughout.

1. The process begins when a business owner (and/or the owner's advisor – the CPA, attorney, insurance agent etc.) contacts SPARDATA to learn more about the firm. Oftentimes the owner and his or her advisor(s) join a SPARDATA Valuation Consultant on a free [consultation](#) – an efficient way to get questions answered.
2. When the owner (or the owner's advisor) signs and returns a contract along with payment, the formal valuation process begins. SPARDATA immediately sends a Management Questionnaire to the business owner (or whomever the owner designated when the order was placed such as the CFO or CPA). The Questionnaire takes 10-15 minutes to complete and helps SPARDATA understand the business being valued: what it sells, who it sells to, who the competition is, etcetera.
3. The owner (or the owner's designee) returns the Questionnaire to SPARDATA along with the business' 3 most recent sets of financial statements. (Sometimes SPARDATA will end up needing more than 3 years' worth but we start with that.) At this point the job gets assigned to a credentialed SPARDATA analyst.
4. Your Analyst starts by reviewing the information provided. Invariably he or she will have questions, and (depending on how SPARDATA was instructed to communicate with the information source) will by email, phone or letter seek additional information from the owner or the owner designee. The Analyst will say something like "I read through the materials, very interesting, now help me understand, what about A? What about B? C? D?" This information-gathering process may take place in a single conversation, or it may take several conversations and a site visit before the Analyst says "OK, now I have a good enough understanding of this business so I feel competent putting together a 1st draft of the report".
5. The Analyst prepares the report first draft. After it goes through internal review and editing, SPARDATA provides a draft copy to the owner for review. (In addition to the business owner, we send copies of the draft valuation to anyone else the owner specified when placing the order such as the owner's CPA, attorney, financial advisor, etc.) The draft is stamped "draft" so that nobody could possibly think this is the final version of the report, because it is not. SPARDATA provides the draft copy because we welcome feedback from the owner and anyone else the owner specified when placing the order. Every business is unique and nobody knows more about a business than its owner and the people who work there. No matter how carefully the owner completes the Questionnaire, no matter how many questions the Analyst asks, there is always a

possibility we may have overlooked something important about the business. And the person most likely to catch any oversight is the owner or his advisors.

6. SPARDATA reviews any new information provided and if relevant, incorporates it into the next draft of the report. As before, this version goes through internal review and then is provided to the owner and his or her team for additional review and comment.

7. So the process continues, draft after draft, until finally everyone agrees (1) that everything material about the business has been taken into account; and (2) everyone is comfortable with the value conclusion. Obviously the value conclusion is SPARDATA's; that is why we were hired in the first place. But we make certain we do not form a final conclusion until we are confident every relevant aspect of the business has been taken into account.

An observation: SPARDATA sees itself as having two jobs. The first is to prepare a technically first-rate valuation that accurately captures the value of the business and meets all the requirements of the law. The second is to educate the owner and the owner's team about our findings and conclusions, especially for clients who are having their business professionally valued for the first time. Our job is not just to come up with a number, but to make sure the owner understands where that number came from and what assumptions were made to arrive at that conclusion. Most importantly, our job is to make sure the owner believes in the number. At the end of the day, the valuation is just the first step in a process, whether the goal is to sell the business form the foundation for an estate plan or whatever. So unless the owner believes in the number, the whole exercise is a big waste of time. So until the owner believes in the number with all his or her heart, we do not believe our work is done.

8. At this point we prepare the final report and provide it to whomever the owner specified when the order was placed.