

WORTHMETRIX LLC™

INPUT INSTRUCTIONS

PLEASE READ THROUGH THESE INSTRUCTIONS BEFORE BEGINNING INPUT.

INTRODUCTION

Estimates of Value are calculated using financial, mathematical and statistical formulas, generally recognized as applicable to business valuation. We believe you'll find the Estimates a comprehensive, illuminating and instructive clinical analysis of your business.

Once you have established an account and logged in, you can begin inputting data. There is no cost to establish an account, Charges apply only immediately before a Report is to be generated.

To establish an account, please click the *LOGIN* Tab and then on the LOGIN Page, click the Sign up Button. [As stated in our Privacy Policy, you can use a pseudonym or code name for yourself and/or for your Company in order to further protect confidentiality.]

To get the best results, we recommend inputting five years of financial data from your Company's financial statements or federal income tax returns. [Instructions will use the term "Statements" to mean either.]

To make collecting and organizing your data easier, you may prefer to first download the Input Sheets as an Excel file and complete off-line OR download and print out a copy of the Input Sheets and fill it out by hand. Then you can key in your data from your pre-filled Sheets.

Please be sure information is accurately keyed, as even small errors can have major misleading impacts on results. Please use care!

NOTE THAT IT IS POSSIBLE TO SAVE DATA AND RETURN AT A LATER TIME TO FINISH.

GENERAL INSTRUCTIONS FOR ALL FORMS

- You can view any of the four Forms by clicking the Form name at the top of the Page.
- You can return to the Home Page by clicking the WorthMetrix logo in the blue ribbon atop any page.
- For all Forms, use whole numbers unless a percentage sign % appears.
- Once all data for a Form is input, be sure to hit the SUBMIT button before moving on
- Please review your input before clicking the NEXT button.
- When you click the NEXT button, you will get a pop-up asking if you want to move on as a reminder to check your input. Even a seemingly small error can have a major impact.
- If you realize you made a mistake on a previous form, you can move backwards by hitting the PREVIOUS button or by clicking the form name at the top of the page you want to go back to.
- If you revise any input on any page, be sure to click SUBMIT before moving to another page.
- Once you are satisfied all information is correct, you can click the DOWNLOAD REPORT button, which will bring up the payment page. Once payment is processed, click the DOWNLOAD REPORT button and then click the OK button in the dialog box that alerts it takes a little bit of time to process the report into pdf format.
- Please note that the Input Forms, the Report format and the entire WorthMetrix website are copyrighted with all rights reserved to WorthMetrix, LLC.

FINANCIAL STATEMENTS FORM

FINANCIAL STATEMENT DATA: Please give financial data for the latest five (5) years (or since start if under 5 years old).

Click the *Select # Years* Button to choose how many years of data you are going to input.

IMPORTANT: IF YOU HAVE PARTIAL YEAR FIGURES:

For partial years, whether current or earliest, please proceed using one of these options so that whole year figures will result:

- i) Input your own estimates for what you believe full year figures would have been or will be for the partial year; or
- ii) Input only data from full years; or
- iii) Input extrapolated figures, e.g. if 6 months have elapsed, multiply each line item by $12/6 =$ multiplying by 2; or

iv) If both start-up and ending years are partial years, i.e. applicable for a Company less than five years old, any combination of the above can be used.

iv) A more demanding method would be to input 12-month figures, e.g. if the start-up year is April-December, then add January-March of the first full year and adjust all the succeeding years to April-March years. If those adjustments result in a partial year at either end, one of the above methods should be chosen to yield a full year

If you make an error in the number of years you want to input, you can remove or add columns by using the buttons near the bottom of the page.

Line By Line Instructions: N.B. Hovering over the little i symbol will give a brief pop-up description for the line item.

All figures should be the line item totals year by year. Use whole dollars only, no decimal points or cents. Do not input \$ signs. You can use commas for ease of checking, but commas are not required. If appropriate, enter 0 or negative numbers (using a minus sign before the number). Any item left blank will be read as a zero.

Ending Month of Fiscal Year: Select from dropdown menu.

Year: Insert the 4 digit year number (e.g. 2016) starting with the oldest year in the left-hand column. The most recent (or current) year will appear in the right-hand column.

Total Assets: The summed value of all Assets as appearing on your Balance Sheet. We presume the total of all Liabilities and Equity will equal Total Assets.

Total Liabilities: The summed value of all Liabilities as appearing on your Balance Sheet. When Total Liabilities are subtracted from Total Assets the difference equals Equity.

Operating Revenues: Revenues from business operations per Profit & Loss Statement. Exclude incidental income like interest earned.

Cost of Operations: Direct costs to produce revenue, e.g. sellers of goods often use cost of goods sold; sellers of services often use direct labor. A guidepoint can be that these costs vary directly with revenue. Revenue less Cost of Operations yields gross profit.

Total Overhead: Costs of business operations that do not vary directly with revenue, e.g. fixed salaries, facilities rent, professional fees, advertising, etc. Exclude interest paid and incidental expenses like tax penalties. When Total Overhead is subtracted from Gross Profit the difference is Net Operating Profit.

Interest Expense: Payments of interest on all debt, such as bank loans, credit cards, etc.

Other Income: Incidental income not derived from business operations, e.g. interest earned, dividends received, rental income from surplus space, etc.

Other Expense: Incidental expenses not generated by business operations. e.g. tax penalties.

N.B. Subtracting Interest Expense and Other Expense from Net Operating Profit and then adding Other Income will together yield Pretax Profit

Income Taxes: Combined total of federal, State and local income taxes paid net of refunds. Subtracting these taxes from Pretax Profit yields After-tax Profit.

Distributions or Dividends: Payments to business owners out of current or accumulated profits.

Depreciation: The expense of Depreciation on the Profit & Loss Statement accounting for the reduction in the value of tangible assets, resulting from aging or utilization. [Depreciation should NOT be excluded from Cost of Operations or Overhead above. It will not be double-counted. This figure is used for cash flow calculations.]

Amortization: The expense of Amortization on the Profit & Loss Statement accounting for the reduction in the value of intangible assets, resulting from aging. [Amortization should NOT be excluded from Cost of Operations or Overhead above. It will not be double-counted. This figure is used for cash flow calculations.]

Owner Compensation: Total salary and benefits compensation for all owners as determined within their discretion. Compensation for those owning a minority interest who do not control setting owner compensation should be excluded.

Capital Expenditures: Purchases of assets less net proceeds of asset sales. If sales proceeds exceed purchases, enter a negative number.

Debt Repayments: Net change in debt principal by subtracting debt at year-end from debt at the start of the year. If more money is borrowed than repaid, enter a negative number.

Current Year Combined State & Local Income Tax Rate: Add the percentages together of the applicable or highest State(s) and any Local income tax rate *on the Company* (not personal income tax rate unless your Company is a passthrough entity such as an S Corporation or a limited liability company). If your Company pays income taxes in multiple jurisdictions, calculate (or estimate) the combined net percentage of profit payable for such taxes. The calculation may be made from your Profit & Loss Statement by dividing State & Local Income Tax Expense by Pretax Profit. Percentage may be expressed to three decimal places (e.g. 5.875%).

BALANCE SHEET DATA FORM

Please provide information from your Company's Balance Sheet for the MOST RECENT YEAR for which input was provided on the Five Years Form.

Line By Line Instructions

Cash & Equivalents: Total of Cash and near-cash liquid investments; usually includes Cash in Banks, Petty Cash, Marketable Securities, etc.

Receivables: All current receivables less Reserves for Bad Debts; usually includes Accounts Receivable, Notes Receivable, Tax Refunds Due, etc.

Current Assets: Total of Current Assets appearing on the Balance Sheet and usually includes Cash & Equivalents, Receivables, Inventory, Prepayments, etc.

Current Liabilities: Total of Current Liabilities appearing on the Balance Sheet and usually includes Accounts Payable, Accruals, Unearned Revenues, Debt Due within 1 Year, etc.

Debts: Total of non-current Liabilities appearing on the Balance Sheet. [The total of Current Liabilities and Debts should equal Total Liabilities as appearing on the Five Year Form.]

RISK SURVEY FORM

For each Question on this form, select the answer that best fits for your Company, based on your knowledge and expectations.

OWNERSHIP DATA FORM

List up to the five most recent sales, if any, of any ownership interest (stock, LLC interest, etc.) by the Company or between owners occurring in the last five years. If transfers were made by gift, do list the transfer. If none, leave blank.

Total Sales \$: The total consideration paid for the ownership interest. Include any promissory notes or other consideration. If the transfer was made by gift list the value of the interest when gifted.

% of Ownership Sold: What portion of the 100% of ownership (at the time of the transfer) held by all owners was sold (or gifted), *not* the percentage of the seller's ownership; e.g. if the Company has 1000 shares of stock issued and outstanding and stockholder #1 sells half of his 400 shares to stockholder #2, the % to enter is $200/1000 = 20\%$. Percentage may be expressed to three decimal places (e.g. 5.875%).

BALANCE SHEET ADJUSTMENTS

The line items in this Section are provided to recognize and adjust for material overstatements and understatements of accounting figures that appear on your Company's Balance Sheet for the year for which input was made on the Five Years Form. Some of the line items may not even appear on your Balance Sheet, but should be recognized as having an impact on the potential market value of your Company and ownership interests in the Company. For any reductions in a line item amount, input a negative number using a minus sign.

For each of the Asset line items, please provide the Net Market Value less the Net Book Value shown on your Balance Sheet for the most recent year for which input was made on the Five Years Form. Net Market Value means the gross price the asset would yield if sold less any costs of sale like brokerage commissions. Net Book Value means the gross value of the asset as listed in the Balance Sheet, less any reduction (e.g. depreciation, amortization, reserve, etc.) as listed for that asset in your Balance Sheet.

Asset Example #1: Your Balance Sheet lists your headquarters building at \$100,000 (original purchase price) and it has accumulated depreciation of \$20,000, so the book value is \$80,000. However, a recent

appraisal or tax assessment shows the building has risen in value to \$150,000. The figure to enter for this asset is $\$70,000 = \$150,000 - \$80,000$.

Asset Example #2: Your Company has an assignable lease for a warehouse. The lease is at a below-market rate and has four full years left to run. Your commercial Realtor estimates you could assign the lease for a net value after commission of \$40,000. The lease does not appear on the Balance Sheet as your Company has simply been expensing the monthly lease payments. The figure to enter is \$40,000.

For each of the Liabilities line items, please provide the anticipated *uninsured* future cost less the amount on your Balance Sheet for the most recent year for which input was made on the Five Years Form.

If the result for any line item is negative, input using a minus sign. If any line item is zero or not applicable to your Company, please enter 0.

Liabilities Example #1: Your Company provided a warranty on work it performed and reserved \$10,000 under liabilities for the warranty. The warranty work based on notice received from the customer is confirmed to be \$25,000. The figure to enter as an increase in liability is $\$15,000 = \$25,000 - \$10,000$.

Liabilities Example #2: In the course of excavating the Company's lot to set footings for an addition to your warehouse, it was discovered that the lot contains a former burial ground with a half dozen skeletons from a Revolutionary War skirmish. For an archeological dig required by law and relocation of the remains the estimated cost is \$30,000 of which \$5,000 will be paid by your insurance on the project. Of course, this unexpected expense is not on your Balance Sheet. The figure to enter is $\$25,000 = \$30,000 - \$5,000$.