



**EMPIRE**  
VALUATION CONSULTANTS, LLC

Financial Reporting: Purchase Price Allocations & Goodwill Impairment



Terry Griswold Scott Nammacher Bill Lockwood

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# Specialists in Valuation

**From our founding in 1988, Empire Valuation Consultants has grown into one of the nation's leading and most respected independent valuation consulting firms.**

Our wealth of valuation experience includes nearly every industry and type of financial security as well as many forms of intellectual and intangible assets. This breadth of knowledge provides clients with a well-balanced and considered opinion, and one that is always specifically tailored to their individual situation.

**At Empire, valuation is our only business.**

Under experienced leadership, the firm brings excellence and integrity to every engagement through teams of highly skilled individuals who are among the finest our industry has to offer.

**We are committed to delivering timely results and personalized attention to every engagement.**

**Empire's commitment to service is matched by our intense focus on delivering results.**

Developed and refined over many years, the Empire process has been carefully crafted to deliver independent, thoroughly supported, on-time, and credible valuations to clients.

The success of this process is reflected in the firm's reputation in the marketplace. Time and again, attorneys, accountants, estate and insurance planners, bankers, and others – from the most prestigious firms to the sole practitioner– recommend and turn to Empire for a broad range of valuation needs.



# Qualifications



*Bill Johnston*



*Chuck Coyne*



*Keith Smith*

## THE EMPIRE DIFFERENCE

People, experience, and a singular commitment

### **The application of creative problem-solving skills in unique situations sets Empire apart.**

Empire has successfully completed over 20,000 valuations involving businesses and intangible assets around the globe. The depth of financial experience, encompassing nearly all industries, sizes and stages of a company's life cycle, allows Empire's professionals to apply both common and uncommon valuation methods to each new assignment.

The Empire team is both broad and deep. Nearly all of our professionals hold MBA degrees, and many are active members of the major professional societies such as the American Society of Appraisers, CFA Institute, AICPA, and Institute of Business Appraisers, among others.

Team members are experts in their field and regularly speak on valuation topics at local, regional and national conferences. They have testified in numerous courts and jurisdictions around the nation including U.S. Tax Court, U.S. Bankruptcy Court, Delaware Court of Chancery, surrogates courts, and state courts.

The firm's knowledge base is continually enhanced by Empire's commitment to continuing education, helping to ensure that every engagement receives the most current valuation thinking and techniques available.



Thorough

Consistent

Objective

Experienced

Creative

## Independence Counts

### VALUATIONS, FAIRNESS OPINIONS AND CLIENT OBJECTIVES CAN CONTAIN UNIQUELY SUBJECTIVE ELEMENTS.

Therefore, they require an independent and unbiased view. Empire provides objective, third-party conclusions of value. As a valuations-only firm, we are free from potential conflicts of interest that may occur when auditing, banking or brokerage services are offered by the same firm.

Empire adheres to the ethical and professional valuation standards as set forth by the industry’s leading professional organizations, including the Uniform Standards of Professional Appraisal Practices.

### DELIVERING OPINIONS that can withstand scrutiny

Whether delivering a written report, fairness opinion, board presentation, or consulting assignment results, the valuation “product” must be logical, understandable, and able to consistently support conclusions.

During our due diligence process, Empire’s professionals examine each company in-depth, gathering information on its past, present and future prospects, and analyze the potential impact of these factors on the value of the business interest being appraised. The experience and judgement of our people are brought to bear, along with industry and valuation-specific knowledge, to provide clients with the best possible product.

### Empire’s exacting internal review process delivers valuations that can withstand close scrutiny.

The quality of the written product, coupled with our experience in dealing with the IRS, SEC, and other regulatory bodies, gives Empire and our clients a clear advantage in any business situation. These advantages also benefit clients litigating valuation issues.



Clients appreciate our **attention to deadlines, strong industry and SEC experience,** intellectual horsepower and reasonable fees with no surprises.

Mark Shayne  
Managing Director



The vast majority of our assignments come through referrals. We think that says something about the **quality and client experience** Empire provides.

Greg Sullivan  
Managing Director



## OWNERSHIP INTERESTS TYPICALLY VALUED

- Common Stock
- Preferred & Convertible Stock
- Voting & Non-voting Stock
- Options/Warrants
- Notes & Convertible Debt
- High-Yield Debt
- Carried Interests
- Partnership Interests
- LLC & LLP Interests
- Tenants-in-Common
- Copyrights/Royalty Streams



# Business and Financial Valuations

## VALUATION IS OUR PRIMARY FOCUS

Business valuations are done for many purposes.

These include providing the basis of a fairness opinion, filing estate or gift tax returns, meeting financial or ERISA reporting requirements, and pricing employee stock options. Valuations are also used in litigation, raising capital, checking or setting valuation “marks,” and executing buy/sell agreements.

Businesses may also own intangible assets. These assets can be diverse and can include technology, patents, software, customer lists, trademarks, in-process research and development (IPR&D), and “brand value.”

At Empire, the valuation of business interests, financial securities and intangible assets is our primary focus. Our efforts are directed exclusively at producing the best and most credible valuation or assurance opinions.

## FAIRNESS / SOLVENCY OPINIONS

demand the highest level of integrity

Fairness or solvency opinions in transactions give decision-makers key valuation information tied to a transaction environment and provide an element of assurance that they used reasonable business judgement in making a decision for the parties they represent. This type of opinion requires expertise, integrity and a truly independent perspective.

Empire has extensive experience in issuing fairness opinions to boards of directors, shareholders, fiduciaries acting on behalf of trust beneficiaries, and Employee Stock Ownership Plan (ESOP) participants.

**Our opinions are built on thorough research and detailed analysis and give clients added protection and confidence as they make crucial decisions.**

# Diverse Experience



Hugh Lambert



Scott Brace



Hugh Woodside

## FINANCIAL REPORTING

- Private Equity & Hedge Fund Asset Marks (ASC 820)
- Intangible Asset Allocation (ASC 805)
- Goodwill Impairment Testing (ASC 350-20)
- Intellectual Property Transfers
- Option Strike Price/Cheap Stock (IRC 409a)
- Option Valuation

## FAIRNESS AND SOLVENCY OPINIONS & TRANSACTIONS

- Acquisitions/Sales/Merger Ratios
- ESOP Transactions
- Related Party Transactions
- Redemptions & Exchanges

## EMPLOYEE OWNERSHIP

- Annual ESOP Valuations
- Profit Sharing & Stock Benefit Plans
- Stock Option (IRC 409a) & Warrant Reporting

## TAX & ESTATE

- Estate & Gift Tax Reporting
- Estate Planning
- Charitable Contributions
- Establishing Tax Basis/"Fresh Start" Accounting
- Insurance Funding
- Buy/Sell Agreements

## PUBLIC COMPANY STOCK

- Restricted or Unvested Securities
- Thinly-Traded or Non-traded Stock
- Large Blocks

## LITIGATION

- Dissenting Shareholder Actions
- Marital Dissolution
- Tax & Other Disputes



**Our experience spans the globe;** we've worked with clients on five continents including cross border transactions.

Kevin Kane  
*Managing Director*



**Integrity and independence** aren't just words here. They represent a commitment we all live by every day.

Michelle Kudesh  
*Manager*



Financial Reporting: Purchase Price Allocations & Goodwill Impairment



# Valuations for Purchase Price Allocations and Goodwill Impairment

Empire has extensive experience preparing purchase price allocations for transactions, across a wide range of industries, and throughout the U.S., Europe, the Middle East and the Pacific Rim. In recent years, we have teamed with various partners in the machinery & equipment and real estate fields to provide a single, coordinated source for asset allocation and goodwill impairment testing services. In conjunction with our partners, we offer full capabilities at an affordable cost for regional, national and international asset allocation services.

**We are used to working under the constraints of time-sensitive situations, and our clients appreciate the speed and accuracy with which we offer practical solutions to fair value issues. Our process and experience help minimize audit review surprises and SEC challenges that could cause later financial restatements.**



David Eidman



Jason Ross



According to ASC Topic 805 (formerly SFAS 141 and 141R), following a merger or acquisition, fair values must be determined for all identifiable tangible and intangible assets. Any excess purchase consideration above these values is ascribed to goodwill. ASC Topic 805 also stipulates that contingent consideration must be valued at the time of the acquisition. Empire has the robust models (including Monte Carlo) and experience needed to value contingent consideration. We have taught this subject numerous times for the American Society of Appraisers (“ASA”).

Under ASC Topic 350 (formerly SFAS 142), goodwill and indefinite lived intangible assets must be periodically tested for impairment. This requires a two-step process to test and measure impairment of goodwill, and testing must be conducted at the reporting unit level. Step one identifies potential impairment by comparing the fair value of a reporting unit to its carrying value (book value). If the fair value of the reporting unit is greater than its carrying value, there is no impairment. If further testing is needed, the second step, which is similar to the accounting prescribed under ASC topic 805, determines the degree of impairment. The fair value of the reporting unit is allocated to its identifiable tangible and intangible (including goodwill) assets, and a revised goodwill figure is estimated.

ASC Topic 360 (formerly SFAS 144) covers impairment testing of long-lived assets (without indefinite lives), including amortizable intangible assets, and machinery and equipment. Our clients frequently ask Empire to assist their management in performing this fairly esoteric method of impairment testing.



*Bill Johnston*



*Jon Tang*



*Chris Payne*

## OPTION PRICING & RESTRICTED STOCK

Empire assists companies, both emerging growth and more established businesses, in setting “strike” prices for option grants and in valuing the options themselves (SFAS 123R), for tax and financial reporting purposes. Restricted shares (Rule 144) or large blocks of public stock with restrictions frequently require valuations as well. Our experience spans a wide range of industries and levels of complexity, affording clients comfort for reporting and other purposes.



## EMPIRE’S QUALIFICATIONS

Performing purchase price allocation and impairment testing valuations requires the use of qualified valuation professionals with specialized knowledge in this area of practice. At Empire, our valuations are performed by senior accredited valuation experts holding one or more of the following professional credentials: CFA, ASA, ABV, CPA and MBA. We have taught two different classes on purchase price allocation and impairment testing valuations for the ASA. In addition, Empire was one of the first firms to be designated by the ASA as an “intangible asset specialist”. We have also chaired national fair value conferences and spoken on fair value topics at numerous different conferences. We have an excellent reputation with the SEC and FASB and provide truly independent, third party valuation opinions.

Empire works with the Big Four accounting firms and numerous other accounting firms, many of whom designate us as a preferred vendor. These relationships are important because they allow for a smooth review process, with no unexpected problems during the audit. The principals of our team have performed over 500 business combination engagements over the past decade, valuing both domestic and international assets, and our work has repeatedly withstood SEC scrutiny.

## FINANCIAL REPORTING

### Intangible Asset Allocation (ASC 805)

- Patents, Copyrights, etc.
- Tradenames & Trademarks
- Licenses
- Other Royalty Generating Assets
- In-process R&D
- Software
- Core Technologies
- Contracts in Place
- Customers  
Subscribers  
Members
- Site Designs
- Work Force in Place
- Goodwill

**[See references for accountants, lawyers and bankers.](#)**

Empire’s principals are frequently featured speakers and panel members at a variety of local, state, and national estate planning conferences. Empire professionals have written articles on various valuation topics published in industry and tax magazines and newsletters.



## Contacts

Please contact any of Empire’s Directors for your financial reporting valuation needs:

### New York, NY

**Bill Johnston**  
[billj@empireval.com](mailto:billj@empireval.com)  
[read bio](#)

**Mark Shayne**  
[marks@empireval.com](mailto:marks@empireval.com)  
[read bio](#)

**Scott Nammacher**  
[scottn@empireval.com](mailto:scottn@empireval.com)  
[read bio](#)

350 Fifth Avenue  
Suite 5513  
New York City, NY 10118  
tel: (212) 714-0122

### Rochester, NY

**Keith Smith**  
[ksmith@empireval.com](mailto:ksmith@empireval.com)  
[read bio](#)

**Scott Brace**  
[sbrace@empireval.com](mailto:sbrace@empireval.com)  
[read bio](#)

**Kevin Kane**  
[kkane@empireval.com](mailto:kkane@empireval.com)  
[read bio](#)

**Hugh Woodside**  
[hwoodside@empireval.com](mailto:hwoodside@empireval.com)  
[read bio](#)

**Hugh Lambert**  
[hlambert@empireval.com](mailto:hlambert@empireval.com)  
[read bio](#)

777 Canal View Boulevard  
Suite 200  
Rochester, NY 14623  
tel: (585) 475-9260

### New England

**Chuck Coyne**  
[ccoyle@empireval.com](mailto:ccoyle@empireval.com)  
[read bio](#)

61 South Main Street  
Suite 201  
West Hartford, CT 06107  
Phone: (860) 233-6552

### Midwest/West

**Steve Roberts**  
[sroberts@empireval.com](mailto:sroberts@empireval.com)  
[read bio](#)

1422 Euclid Avenue  
Suite 545  
Cleveland, OH 44115  
Phone: (216) 861-0500



## INDUSTRY EXPERIENCE

The principals of Empire Valuation Consultants, LLC. have been involved in thousands of valuations in widely diverse industries. Just some of the many industries are listed below:

Advertising Agencies/Marketing Firms  
Aerospace  
Air/Auto/Truck/Farm Equip. Dealers  
Alternate Asset Managers  
Architects/Engineering/Design Firms  
Art/Antique Dealers/Interior Designers  
Auto Dealerships  
Banking/Finance/Mortgage Cos.  
Biotech/Life Sciences  
Bottlers/Beverage Distributors  
Building Supplies/Home Products  
Cable Networks  
Chemicals - Mfgs./Distributors  
Commodities Brokers/Dealers  
Communication Systems/Equipment  
Computer Services/Programming  
Computer Software  
Construction Firms/Contractors  
Consulting Firms  
Diamond Dealers  
Distributors - Consumer Goods  
Distributors - Durable Goods  
Distributors - Production Goods  
Door/Window Manufacturing  
e-Commerce Businesses  
Education - Voc./College/Pvt. Schools  
Elevator Design/Repair  
Entertainment Companies  
Environmental Firms  
Executive Search/Personnel Firms  
Family Offices  
Food Manufacturers/Distributors  
Fuel Oil - Distributors/Dealers/Brokers  
Furniture Manufacturers  
Garment Industry/Apparel/Accessories  
Healthcare/Medical Facilities and Services  
Hedge Fund/Private Equity  
Hospitality - Hotels/Motels  
HVAC/Electrical/Lighting  
Importers of All Types  
Insurance - Agencies/Reinsurance/Other  
Internet Technology/Service Companies  
Investment Holding/Money Management  
Jewelry - Mfg./Wholesale/Retail  
Leasing Companies  
Lite Science/Biotech  
Limited Partnerships of All Types  
Manufacturing - Consumer Goods  
Manufacturing - Durable Goods  
Medical Technology/Development  
Nurseries/Farms/Orchards  
Pharmaceutical Development/Manufacturing  
Photography  
Plumbing Supply/Services  
Printers/Binderies  
Publishers - Books/Periodicals  
Publishers - Catalogs/Newspapers/Directories  
Radio Stations/Holding Cos.  
Real Estate Brokers/Managers/Developers  
Real Estate Partnership Interests  
Restaurants/Chains/Catering Facilities  
Research Firms  
Retailers of All Types  
Securities Brokers/Firms  
Services of All Types  
Sports Teams/Clubs/Facilities  
Technology Companies of All Types  
Telecommunications - Wireline/Wireless  
Telecommunications - Suppliers  
Television Stations/Holding Cos.  
Tradeshaw Management/Exhibit Cos.  
Transportation - Taxi/Bus/Truck/Air Cargo  
Vineyards  
Wines & Liquors  
And... many others



## REFERENCES

The following is a sample of firms that have referred their clients to Empire:

### Accounting Firms

Anchin, Block & Anchin  
BDO Seidman  
Buchbinder Tunick  
Deloitte & Touche  
EisnerAmper  
Ernst & Young  
Grant Thornton  
Grassi & Co  
Holtz Rubenstein  
Cohn Reznick LLP  
KPMG International  
Marcum  
Margolin Winer & Evens  
Marks Paneth & Shron  
Mengel, Metzger, Barr  
Nussbaum Yates Berg Klein & Wolpow  
ParenteBeard  
PricewaterhouseCoopers  
Raich Ende Malter  
Rothstein Kass  
RSM McGladrey  
WeiserMazar

### Law Firms

Akin Gump  
Alston + Bird  
Baker McKenzie  
Berkman, Henoch, Peterson & Peddy  
Bingham McCutchen  
Bleakley Platt & Schmidt  
Bond, Schoeneck & King  
Boylan, Code, LLP

Bryan Cave  
Carter, Ledyard & Milburn  
Certilman, Balin, Adler & Hyman  
Cleary, Gottlieb, Steen & Hamilton  
Cummings & Lockwood  
Curtis, Mallet-Prevost, Colt & Mosle  
Davidson Dawson & Clark  
Davies Ward Phillips & Vineberg  
Day Pitney  
Debevoise & Plimpton  
Dechert  
DeGraff, Foy, Holt-Harris & Kunz  
Dorsey & Whitney  
Drinker Biddle & Reath  
Farrell Fritz  
Ferguson Cohen  
Fox Rothschild  
Fried Frank Harris Shriver & Jacobson  
Fulbright & Jaworski  
Gibson, Dunn & Crutcher  
Goodwin Procter & Hoar  
Green & Seifter  
Greenberg Traurig  
Harter, Secrest & Emery  
Herrick, Feinstein  
Hodgson Russ  
Holland & Knight  
Harris Beach  
Harter, Secrest & Emery  
Jaspan Schlesinger Hoffman  
Katten, Muchin, Rosenman  
Kaye Scholer  
Kirkland & Ellis  
Loeb & Loeb



MacKenzie Hughes  
McCarter English  
McDermott, Will & Emery  
Meltzer Lippe Goldstein Breitstone  
Meyer, Suozi, English + Klein  
Milbank, Tweed, Hadley & McCloy  
Moore, Ingram, Johnson & Steele  
Morgan, Lewis & Bockius  
Morrison Cohen  
Morrison & Foerster  
Moses & Singer  
Murtha Collina Roche  
Nixon Peabody  
Patterson, Belknap, Webb & Tyler  
Paul Hastings  
Paul, Weiss, Rifkind, Wharton & Garrison  
Phillips Lytle  
Phillips Nizer  
Pillsbury Winthrop  
Proskauer Rose  
Rivkin Radler  
Roberts & Holland  
Ropes & Gray  
Schulte Roth & Zabel  
Sessions Fishman Nathan & Isreal  
Seward & Kissel  
Shearman & Sterling  
Schulte, Roth & Zabel  
Simpson Thatcher & Bartlett  
Skadden, Arps, Slate, Meagher & Flom  
SNR Denton  
Steiker, Fischer, Edwards & Greenapple  
Stroock & Stroock & Lavan  
Sullivan & Cromwell  
White & Case  
Willkie Farr & Gallagher  
WilmerHale  
Winston & Strawn  
Woods Oviatt Gilman

## Banking / Financial Services

Alaska Trust  
Bank of America/U.S. Trust  
BNY / Mellon  
Benefit Concepts Systems  
Bessemer Trust Company  
Brown Brothers Harriman  
Citibank Private Bank  
Credit Suisse Asset Management  
Deutsche Bank  
Fiduciary Trust Int'l  
Goldman Sachs  
HSBC Bank USA  
JP Morgan Chase  
Merrill Lynch  
Morgan Stanley Smith Barney  
SES Advisors, Inc.  
UBS  
Wilmington Trust  
Wells Fargo Foothill Capital Corporation





# EMPIRE

VALUATION CONSULTANTS, LLC

350 Fifth Avenue  
Suite 5513  
New York, N.Y. 10118  
Phone: 212-714-0122  
Fax: 212-714-0124

777 Canal View Blvd.  
Suite 200  
Rochester, N.Y. 14623  
Phone: 585-475-9260  
Fax: 585-475-9380

61 South Main  
Suite 201  
West Hartford, CT. 06107  
Phone: 860-233-6552  
Fax: 860-521-7575

1422 Euclid Avenue  
Suite 545  
Cleveland, OH 44115  
Phone: 216-861-0500