Appraisal Review Report

Concerning

The Business Appraisal Report Prepared by John E.S. Mitchell, CPA, ABV

As of

December 31, 2011

For

The Fair Market Value of a 100% Community Property Ownership Interest
in
Big M's Garage, Inc.

Prepared By:

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CPA, ABV, ASA, CBA, ICVS, CVA, CM&AA, MAFF, CFD, ABAR, CMEA

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May 30, 2014

Mr. Tiny Luc, Attorney at Law
1234 Houston Street
Houston, Texas 77000

RE: Appraisal Review of Big M's Garage, Inc.

Dear Mr. Luc:

In accordance with our engagement agreement, I have prepared and enclosed my review appraisal of the appraisal report prepared by John E.S. Mitchell, CPA, ABV ("Mr. John E.S. Mitchell" or "Mitchell"). That report was delivered by opinion cover letter dated December 10, 2013, stated to have a report date of December 10, 2013, and a valuation date of December 31, 2011.

Sincerely,

J. Richard Claywell, CPA, ABV, ASA, CBA, ICVS, CVA, CM&AA, MAFF, CFD, ABAR, CMEA

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1. Introduction

1.1 Background

Mitchell was retained by Ms. Elizabeth Metz to perform a calculation of value engagement and to prepare a summary report to assist her in the matter of the Marriage of Elizabeth Metz and James Metz in determining the value of Ms. Elizabeth Metz's ownership interest in Big M's Garage, Inc.[1]

As of the date of the calculation of value, Big M's Garage, Inc. is an S Corporation.[2]

Mitchell states that it is his understanding that the calculation of value will be used for a possible marital dissolution.[3]

Big M's Garage, Inc. operates as automobile repair business with offices in Houston, Texas. James Merz informed me that the land and building where the company is located is owned jointly by James Merz and Elizabeth Merz. The land and building is not a corporate asset.

John E.S. Mitchell, CPA, ABV prepared a 5 page written Calculation of Value report which was followed with 8 Exhibits.

The purpose of the Calculation of Value review is to review the report and make an assessment as to the Relevance, Reliability, Generally Acceptability of Chosen Methodologies, Transparency, Adequate Disclosures, Non Advocacy and Completeness of the Calculation of Value report prepared by Mitchell to determine whether the Mitchell opinion of value would be relevant and probative in the ongoing matter.

1.2 Reviewer's Assignment

I was retained by Mr. Tiny Luc to review the Calculation of Value report prepared by Mitchell, delivered by opinion cover letter dated December 10, 2013 and stated to have a report date of December 10, 2013 and a valuation date of December 31, 2011.

[1] John E.S. Mitchell, CPA, ABV report, cover page.
[2] John E.S. Mitchell, CPA, ABV report, page 2.
[3] John E.S. Mitchell, CPA, ABV report, page 2.

1.3 Appraiser's Assignment

According to the Mitchell cover letter, Mitchell was retained by Elizabeth Metz to prepare a Calculation of Value summary report to value the community ownership interests in Big M's Garage, Inc. The type of entity and ownership interest are disclosed on the cover page of the Calculation of Value report prepared by John E.S. Mitchell, CPA, ABV.

The Premise of Value is a going concern[4], and the Standard of Value is Fair Market Value.[5] [6]

1.4 Definitions of Credibility

The Concept of Credibility as utilized in this engagement is grounded on consideration and inclusion of all known facts and circumstances in a business appraisal report. This also indicates that the report is worthy of belief.[7] Credibility can be defined by seven basic processes:[8]

1.4.1 Relevance

Relevance refers to the specific relationship of an appraiser's analytical nexus to a particular business appraisal standard, method, or procedure forming a supportive and probative basis of the opinion of value offered by the appraiser.

1.4.2 Reliability

Reliability requires that the business appraisal review procedures performed by a Reviewer allow for replication of the original results obtained by the Reviewer and that the methods used by the appraiser were determined to be reliably applied.

1.4.3 Generally Accepted Appraisal Practices in the United States of America

Generally Accepted Appraisal Practices in the United States of America are those approaches, related methodologies and procedures there under, which have been peer reviewed, exposed to publication, and which can be reasonably expected to be used by appraisers regularly conducting engagements under similar facts and circumstances.

1.4.4 Transparency

Transparency refers to the inclusion and assessment of facts and circumstances known to the appraiser about the appraisal process without limitation.

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[4] John E.S. Mitchell, CPA, ABV report, page 3.
[5] John E.S. Mitchell, CPA, ABV report, page 4.
[6] A Calculation of Value is a set of specific and agreed upon procedures, is not a Business Valuation Standard. A calculation engagement generally does not include all of the valuation procedures required for a valuation engagement.
[7] Uniform Standards of Professional Practice, 2010 – 2011 Edition, p. U-3
[8] Business Appraisal Review Accreditation Workshop, Howard Lewis and Francisco Rosillo, Institute of Business Appraisers, 2010, page 10

1.4.5 Adequate Disclosures

Adequate Disclosures refers to the requirement that the appraisal process must present information not only of all known facts and circumstances about the appraisal process undertaken, but it must also include sufficient, informative, and relevant disclosures to allow stakeholders in the appraisal process to understand the foundation of the appraiser's opinion.

1.4.6 Completeness

Completeness requires that the sufficiency of the data, assumptions and explanations presented in the appraisal report are described in enough detail to allow a user to duplicate the appraisal results obtained by the appraiser in forming a basis for the opinion proffered by the appraiser.

2. Opinion

I was retained by Mr. Tiny Luc to review the accompanying Calculation of Value report prepared by Mitchell, dated December 10, 2013.

This Business Appraisal Review was conducted for the purpose of determining that the approaches and methodologies utilized by Mitchell were relevant to the objectives and purpose, as stated in the Summary Report prepared by Mitchell and applied on a reliable basis consistent with generally accepted appraisal practices in the United States of America as of December 31, 2011. This Business Appraisal Review does not entail the performance of an appraisal. Therefore, this Business Appraisal Review should not be construed to be an opinion of value.

In my opinion, subject to the assumptions and limiting conditions discussed in the Business Appraisal Review Report, the opinion presented by Mitchell is not credible and is not in conformity with generally accepted appraisal practices normally relied upon by business appraises in the United States of America, as promulgated by the American Institute of Certified Public Accountants (AICPA).

3. Objectives and Scope of Appraisal Review

The objectives and scope of the appraisal review are to justify the reviewers opinion as to whether Mitchell has complied with what he purported to do within the valuation engagement.

3.1 Adequacy of the Statement of Purpose

The statement of purpose is contained in summary fashion that calls the determination of fair market value for a possible marital dissolution.[9]

I do not have a copy of the engagement letter or workpapers but I am making the assumption that the purpose is adequately stated.

[9] John E.S. Mitchell, CPA, ABV report, page 2.

3.2 Appropriateness of the Definition of Value

Mitchell did not disclose the definition of the Fair Market Value in his report.

3.3 Acceptability of the Appraisal Methods Utilized

Mitchell stated that he considered market based approach and found no comparable equity transactions either in the Business or in the marketplace.[10] However, he did not state what criteria that he used for searching. For example, search by Standard Industry Classification ("SIC") code or search by North American Industry Classification System ("NAICS") code. He did not state what sources of industry information that he used to search for Guideline Public Company Method or Guideline Company Transactions Method or other methods. In addition, the Appraiser did not stated what the cut-off date is when searching for the comparable transactions in market approach. Mitchell Does not disclose which databases were searched. The available databases consist of *Public Stats*, *BizComp*s, *IBA, Done Deals* or *Mergerstat Review*.[11] Mitchell does not disclose how many original transactions he found for each database, how many transactions he eliminated in each database, what criteria he used to search for data in each database,

Since the results of the searches are not disclosed, it is uncertain how they might have impacted the company value.

Based on the SIC Code of 7538 which is General Automobile Repair Shops, I have found **474** original transactions from the direct market data method, Institute of Business Appraiser ("IBA"). In addition, I have founded **231** original transactions from the direct market data method, using Bizcomps.

Mitchell stated that he considered the "asset-based" approach.[12] However I did not see the balance sheet that includes every item on balance sheet as of the valuation date and did not see the Adjusted Net Asset Method in his report, except for speculation as to the adjustment for tools and equipment, building and land. In fact, Nadia Gonzales, has stated that they do not prepare balance sheets for the company.[13]

Mitchell used the income based approach but relied on rules of thumb method.[14] The rules of thumb method should never be relied on as the primary or only valuation method.[15] In addition, the Mitchell did not identify source of rule of thumb that he used in his report.

The result is that the value estimates are not relevant, nor probative.

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[10] John E.S. Mitchell, CPA, ABV report, page 3.
[11] John E.S. Mitchell, CPA, ABV report, page 3
[12] John E.S. Mitchell, CPA, ABV report, page 3.
[13] Telephone conference with Nancy Carter, May 28, 2014
[14] John E.S. Mitchell, CPA, ABV report, page 3.
[15] David Laro and Shannon P. Pratt. "Business Valuation and Taxes: Procedure, Law, and Perspective". 2005 by John Wiley & Sons, Inc. P. 226.

3.4 Reliability of the Selected Methodology

Big M's Garage, Inc. used the Income approach to determine a calculation of value. However, the balance sheet estimate of net asset value was developed incorrectly.[16] The Adjusted Net Asset Method is materially flawed in that the tools and equipment was not adjusted correctly.[17] Mitchell assumed that a business of this type would have tools and equipment worth $50,000.[18] Mitchell provides no supporting evidence on how he derives the $50,000 in tools and equipment.

The fact that Mitchell used the appraisal value of $195,000 for building and land as of July 14, 2006 is incorrect.[19] Mitchell has not considered any debt owed on the land and building. In fact, as of the December 31, 2011, there is $129,892 (rounded) remaining on the mortgage of the land and building.[20] This would indicate a net value of the real estate, as indicated by Mitchell To be $65,108.

The Income method was used to determine the final Calculation of Value. However, the method is flawed in that the assumptions were unreliable and unsupportable.

3.5 Comprehensiveness of the Financial Analysis

Mitchell fails to provide the stakeholders with critical information on the company, its historical performance and its likely future performance.

Mitchell used the financial information from the 2011 Schedule C of IRS Form 1040 filed by James Metz and Elizabeth Metz. This is insufficient to determine the financial performance of the company. Therefore, the financial analysis is incomplete, is not transparent, and not reliable as a result of inadequate disclosures. Mitchell should have disclosed the availability of financial information.

The stakeholders are unable to understand the basic components of value as a result of this lack of analysis.

3.6 Error in Standard of Value and Minority Discount

Mitchell stated his opinion for the Calculated Fair Market Value (FMV) of the Community's ownership interest in Big M's Garage, Inc..[21] Moreover, Mitchell's understanding is the Community owns 100% of all outstanding shares of stock which is referenced to as the Business Interest.[22] Big M's Garage, Inc. is a Texas Sub-Chapter S Corporation and Texas is a Community Property State. Therefore, when Mitchell valued this Company, he should take minority discount into his final Calculation of Value, but he did not. By not taking minority discount into

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16 John E.S. Mitchell, CPA, ABV report, page 3.
17 John E.S. Mitchell, CPA, ABV report, page 4.
18 John E.S. Mitchell, CPA, ABV report, page 8.
19 John E.S. Mitchell, CPA, ABV report, page 8.
20 Amortization Schedule, Tab 15
21 John E.S. Mitchell, CPA, ABV report, page 4.
22 John E.S. Mitchell, CPA, ABV report, page 2.

his final Calculation of Value, Mitchell has formed his opinion for the Fair Value, not the Fair Market Value.

Mitchell used an incorrect standard of value and did not consider minority discount in his opinion for this Company. As a result, the analysis of the Company's performance as presented is not probative of the final Calculated Value.

3.7 Relevance and Credibility of the Value Conclusion

Mitchell has not applied all of the appropriate valuation methods when appropriate and has failed to apply the methods used in a reliable manner. Mitchell has failed to inform the client of the apparent pitfalls in the approach he and his client decided to use. Mitchell should have advised the client of the pitfalls and bias and unreliability of the procedures they agreed to use for the calculation of value.

For these reasons, the Appraisal lacks relevance and credibility

3.8 Conformance with Appraisal Standards

The American Institute of Certified Public Accountants has issued Statement on Standards for Valuation services #1 that applies to all Certified Public Accountants that perform a business valuation. Sections 21 to 42 discuss the development standards that must be performed for all business valuations. Mitchell states that he prepared a Summary Report.[23] This indicates that he must meet all of the development standards. Mitchell's lack of detail in the report does not provide sufficient support to indicate that the development standards were followed.

The American Institute of Certified Public Accountants Statement on Standards for Valuation services #1 states that there are two types of reports that can be issued for a valuation engagement; a detailed report or a summary report.[24] Mitchell is not in compliance with the business valuation Standard from the perspective of the type of report that can be prepared. The SSVS#1 Standard does not provide for a "Calculation of Value Summary Report"[25].

Mitchell stated that "the "Conclusion of Value" arrived at herein is valid only for the stated purpose as of the date of the valuation."[26] He should not use the phrase "the conclusion of value" because his report is for "Calculated Value". This is not in compliance with the American Institute of Certified Public Accountants Statement on Standards for Valuation Services #1.[27]

The American Institute of Certified Public Accountants ("AICPA") Statement on Standards for Valuation services #1 states that a calculation report results of a calculation engagement and the report should states that it is a calculation report.[28] In addition, the estimate of value resulting

[23] John E.S. Mitchell, CPA, ABV report, cover page
[24] Statement on Standards for Valuation Services #1, Section 48.
[25] John E.S. Mitchell, CPA, ABV report, page 2
[26] John E.S. Mitchell, CPA, ABV report, page 12
[27] Statement on Standards for Valuation Services #1, Section 73
[28] Statement on Standards for Valuation Services #1, Section 73.

from a calculation engagement is expressed as a calculated value.[29] Mitchell did not conform to the AICPA Professional Standards.

Mitchell does not states whether the ownership interests are controlling or not, marketable or not.[30]

4. Basis and Reasons for Opinion Offered

There are numerous errors and omissions contained within the Calculation of Value report which support the reasoning for the opinion provided in this review. Below is a list of the more egregious errors and problems that were identified. This is not an exhaustive list of all errors in the Calculation of Value report.

4.1 Type of Report

Mitchell states that he is preparing a "Calculation of Value Summary Report".[31] The Statement on Standards for Valuation Services #1 on Summary Reports states "…it should not be used to communicate the results of a calculation engagement (calculated value)."[32] For a Calculation Report "This type of report should be used only to communicate the results of a calculation engagement (calculated value); is should not be used to communicate the results of a valuation engagement (conclusion of value).[33]

Comment and Opinion

Mitchell has used a Summary Report for a "Calculation of Value" engagement. The American Institute of Certified Public Accounts Business Valuation Standards state specifically that a Calculation of Value should not be communicated in a Summary Report.

The reporting standards for a Calculation Report also would not be in compliance with the Professional Standards

The reporting of the Calculation of Value is not generally accepted in the relevant business valuation community. This demonstrates a lack of regard for the Professional standards. This also demonstrated a lack of Professional Competence[34] and lack of Due Professional Care.[35]

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[29] Statement on Standards for Valuation Services #1, Section 76. f.
[30] Statement on Standards for Valuation Services #1, Section 76. e.
[31] John E.S. Mitchell, CPA, ABV report, cover page.
[32] Statement on Standards for Valuation Services #1, paragraph 47. b.
[33] Statement on Standards for Valuation Services #1, paragraph 47. c
[34] American Institute of Certified Public Accountants Code of Professional Conduct, Section 201,01 A, Professional Competence
[35] American Institute of Certified Public Accountants Code of Professional Conduct, Section 201,01 B, Due Professional Care

4.2 Types of Engagement

There are two types of engagements to estimate value—a ***valuation engagement*** and a ***calculation engagement.*** The valuation engagement requires more procedures than does the calculation engagement. The valuation engagement results in a conclusion of value. The calculation engagement results in a calculated value. The type of engagement is established in the understanding with the client.[36]

Comment and Opinion

Mitchell has comingled a Valuation Engagement with a Calculation Engagement. Mitchell has used incorrect language for a Calculation of Value and has not followed the development standards for the type of report he proclaims top use.

Mitchell has not met the Professional Standards for Statement on Standards for Valuation Services #1 by using the wrong report language in his report. This is not a generally accepted practice in the relevant business valuation community for Certified Public Accountants not to follow the Statement on Standards for Valuation Services #1 reporting standards. Using the incorrect reporting standard demonstrates a Lack of Due Professional Care as prescribed by the American Institute of Certified Public Accounts Code of Professional Conduct. Mitchell must exercise due professional care in the performance of professional services.[37]

4.3 Valuation Engagement

A valuation analyst performs a valuation engagement when (1) the engagement calls for the valuation analyst to estimate the value of a subject interest and (2) the valuation analyst estimates the value and is free to apply the valuation approaches and methods he or she deems appropriate in the circumstances. The valuation analyst expresses the results of the valuation as a conclusion of value; the conclusion may be either a single amount or a range.[38]

Comment and Opinion

Mitchell has comingled a Valuation Engagement with a Calculation Engagement. Mitchell has used incorrect language for a Calculation of Value and has not followed the development standards for the type of report he proclaims top use.

Mitchell has not met the Professional Standards for Statement on Standards for Valuation Services #1 by using the wrong report language in his report. This is not a generally accepted practice in the relevant business valuation community for Certified Public Accountants not to follow the Statement on Standards for Valuation Services #1 reporting standards. Using the incorrect reporting standard demonstrates a Lack of Due Professional Care as prescribed by the

[36] Statement on Standards for Valuation Services #1, paragraph 21
[37] AICPA Code of Professional Conduct, ET Section 201.01 B, Tab 6
[38] Statement on Standards for Valuation Services #1, paragraph 21. a

American Institute of Certified Public Accounts Code of Professional Conduct. Mitchell must exercise due professional care in the performance of professional services.[39]

4.4 Error in the Application of the Fixed Asset Adjustment

Mitchell has used the 2006 appraised value of land and real estate in the amount of $195,000. Mitchell does not explain why he is using an appraised value that is approximately 5 years old and is probably outdated. After discussing the real estate with Mr. James Merz, it was determined that the land and building were purchased individually and not as a Corporate asset.[40] This is evidenced by the fact that there is no depreciation expense on the Federal Corporate tax returns.

In performing an engagement to estimate value, the valuation analyst may rely on the work of a third party specialist (for example, a real estate or equipment appraiser). The valuation analyst should note in the assumptions and limiting conditions the level of responsibility, if any, being assumed by the valuation analyst for the work of the third party specialist. At the option of the valuation analyst, the written report of the third party specialist may be included in the valuation analyst's report.[41]

Comment and Opinion

Since Mitchell is preparing a "Summary" report, he should disclose the assumptions, limiting conditions and the level of responsibility, if any, being assumed by the valuation analyst for the work of the third party specialist. Since the land and building are not Corporate assets, any calculation of value using the land and buildings is flawed.

Mitchell has not met the Professional Standards for Statement on Standards for Valuation Services #1 by not stating the reliance on third party appraisals. This is not a generally accepted practice in the relevant business valuation community for Certified Public Accountants not to make the proper disclosures. Also, ignoring the disclosures demonstrates a Lack of Due Professional Care as prescribed by the American Institute of Certified Public Accounts Code of Professional Conduct. Mitchell must exercise due professional care in the performance of professional services.[42]

This makes any analysis depending on the land and buildings not relevant, not reliable and not probative. This is not a generally accepted practice in the relevant business valuation community.

4.5 Fair Market Value of Real Estate

Mitchell based the value of the real estate on an appraisal prepared by Harrington & LeBlanc Appraisal Company.[43] Mitchell states in his report:

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[39] AICPA Code of Professional Conduct, ET Section 201.01 B, Tab 6
[40] Earnest Money Contract, Tab 14
[41] Statement on Standards for Valuation Services #1, paragraph 19
[42] AICPA Code of Professional Conduct, ET Section 201.01 B, Tab 6
[43] Mitchell report, page 2

> "James Metz (Husband) operates an automobile repair business located at 7404 Avenue F in Houston, Texas which business location and warehouse building thereon are owned by Husband and Wife. An appraisal of the property was conducted by Harrington & LeBlanc Appraisal Company, Inc. on July 14, 2006. The building and land were appraised at $195,000."

Mitchell has used an appraisal that is approximately 5 years old. The appraisal does not take into consideration the downturn in the economy and the downturn in property values as a result of the recession that began in the fall of 2008. The following table is a summary taken from Mitchell's report.[44]

Description	Date	Value	Description
Harrington & LeBlanc Appraisal	July 2006	195,000	Appraisal Based on 10,000 square feet for land
		========	
Harris County Appraisal District	January 2012	155,612	Assessment based on 5,000 square feet of land
Harris County Appraisal District	January 2012	20,000	5,000 square feet of land only
		--------------	
Total		175,612	
		========	

Comment and Opinion

Mitchell has not used current market values as of or near the valuation date for the real estate. The real estate values should be based on the market conditions as of the valuation date, considering the recession of 2008. Mitchell has not reconciled the difference in the appraised and assessed values.

This makes any analysis depending on the land and buildings not relevant, not reliable and not probative. The net asset value of the real estate has a significant impact on the Calculation of Value.

4.6 Assumed Small Business Norm Profit

Mitchell that he assumes an "accepted small business norm of one third profit / gross sales ratio." Mitchell has provided no basis for the assumption. It is either a Rule of Thumb, unsupported assumption or speculation as it is not the operating history of the company.

4.6.1 Rules of Thumb

Although technically not a valuation method, some valuation analysts use rules of thumb or industry benchmark indicators (hereinafter, collectively referred to as **rules of thumb)** in a valuation engagement. A rule of thumb is typically a reasonableness check against other methods used and should generally not be used as the only method to estimate the value of the subject interest.[45]

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[44] See Worksheet, page 1
[45] Statement on Standards for Valuation Services #1 paragraph 39

A Rule of Thumb is a mathematical formula developed from the relationship between price and certain variables based on experience, observation, hearsay, or a combination of these; usually industry specific.[46]

Many industries, especially those characterized by very small businesses, have valuation rules of thumb, some more valid than others. If they exist, they should be considered if they have a wide industry following. However, they should never be relied on as the only valuation method.[47]

4.6.2 Nature of Rules of Thumb

Rules of thumb come in many varieties, but the most common are:
- Multiple of sales
- Multiple of some physical nature of activity
- Multiples of discretionary earnings
- Assets plus any of the above

4.6.3 Proper Use of Rules of Thumb

Rules of thumb are best used as a check on the reasonableness of the conclusions reached by other valuation methods, such as capitalization of earnings or a market multiple method. A good source for guidance on when to use rules of thumb is in the American Society of Appraisers Business Valuation Standards:

> *Rules of thumb may provide insight on the value of a business, business ownership interest, or security. However, value indications derived from the use of rules of thumb should not be given substantial weight unless supported by other valuation methods and it can be established that knowledgeable buyers and sellers place substantial reliance on them.*

4.6.4 Problems with Rules of Thumb

One problem with rules of thumb is the lack of knowledge about the derivation of the rules.

Several other problems are:

4.6.4.1 Not knowing what was Transacted

Most, but not all, rules of thumb presume that the valuation rule applies to an asset sale. Few of them, however, specify what assets are assumed to be transferred. The asset composition may vary substantially from one transaction to another. It is also important to remember that the rules of thumb almost never specify whether they assume a noncompete agreement or an employment

[46] Statement on Standards for Valuation Services #1, page 86
[47] Laro, David and Pratt, Shannon P. "Business Valuation and Taxes: Procedure, Law and Perspective", John Wiley & Sons, Inc. © 2005, page 226 – 227, Tab 11.

agreement, even though such types of agreements are very common for the kinds of businesses for which rules of thumb exist.

4.6.4.2 Not knowing Assumed Terms of the Transactions

Most transactions for which there are rules of thumb are not all-cash transactions, but involve some degree of seller financing. The financing terms vary greatly from one transaction to another, and affect both the face value and the fair market value (which, by definition, assumes a cash or cash equivalent value).

4.6.4.3 Not Knowing the Assumed Level of Profitability

The level of profitability impacts almost all real-world valuations. However, for rules of thumb that are based on either gross revenue or some measure of physical volume, there is no indication of the average level of profitability that the rule of thumb implies.

4.6.4.4 Uniqueness of Each Entity

Every business is, to some extent, different from every other business. Rules of thumb give no guidance for taking the unique characteristics of any particular business into account.

4.6.4.5 Multiples Change Over Time

Rules of thumb rarely change, but in the real world market valuation multiples do change over time. Some industries are more susceptible than others to changes in economic and industry conditions. Changes occur in the supply/demand relationship for valuing various kinds of businesses and professional practices because of many factors, sometimes including legal/regulatory changes. When using market transaction multiples, adjustments can be made for changes in conditions from the time of the guideline transaction to the subject valuation date, but there is no base date for rules of thumb.

4.6.4.6 Calculation of Value Using Rule of Thumb

Mitchell used a Rule of Thumb to determine a calculation of value for the company. Mitchell's for gross sale in 2009 in the amount of $187,448 is based on the sum of Cost of Goods Sold and Contract Labor (or based on Total Expenses in this case), then divided by 66.70%.[48] If I use the same procedures that Gerhard did to calculate gross sales in 2009 and 2010 as seen in the table below which is taking the total expenses in each year divided to 66.70%,

The Calculation of Value is flawed in that the sales determined by the analysis for 2009 are $272,052, sales for 2010 are $203,064 and the sales for 2011 are $187,448. The flawed analysis results in sales that were not achieved in the prior years.

The calculated sales in 2009 are 42.3%, higher than the actual sales, the sales in 2010 are 43.8%, higher than the actual sales, and the 2011 sales are 36.0%, higher than the actual sales.

[48] John E.S. Mitchell, CPA, ABV report, page 8.

The historical net operating income percentage for 2009 is 5.08% while the calculated net operating percentage is 33.30%, for 2010 the historical net operating profit percentage is 4.09% while the calculated net operating percentage is 33.30% and for 2011 the historical net operating profit percentage is 9.29% while the calculated net operating percentage is 33.30%.

The following table shows the historical operations and the calculated operating income with the related operating percentages.

	2009	2010	2011
Sales	191,165	141,225	137,834
Less Cost of Goods Sold	(67,979)	(52,116)	(59,164)
	-----------------------	--------------	--------------
Gross Profit	123,186	89,109	78,670
Less Costs and Expenses	(113,480)	(83,328)	(65,864)
	-----------------------	--------------	--------------
Historical Net Operating Income	9,706	5,781	12,806
	=============	=======	=======
Historical Net Operating Income Percentage	5.08%	4.09%	9.29%
Total Expenses	181,459	135,444	125,028
Divide by .667 (Per Gerhardt Assumption)	66.70%	66.70%	66.70%
	-----------------------	--------------	--------------
Assumed Sales of Small Business (rounded)	272,052	203,064	187,448
	=============	=======	=======
Assumed Sales in Excess of Actual Sales (rounded)	80,887	61,839	49,614
	=============	=======	=======
Small Business Norm Sales in Excess of Actual Sales	42.31%	43.79%	36.00%
	=============	=======	=======
Assumed Net Operating Profit Percentage per Gerhardt	33.30%	33.30%	33.30%
Historical Net Operating Profit Percentage	5.08%	4.09%	9.29%
	-----------------------	--------------	--------------
Excess Operating Profit per Gerhardt	555.86%	713.49%	258.42%
	=============	=======	=======

When a rule of thumb is used in combination with other methods, the calculation of value report should disclose the source(s) of data used and how the rule of thumb was applied.[49]

[49] Statement on Standards for Valuation Services #1, paragraph 62.

Comment and Opinion

Using the assumptions as discussed by Mitchell, the calculated values defy logic and common sense. The methodology of calculation of value should have been discussed with the client. The client should have been made aware that a Rule of Thumb is not a recognized valuation method, should not be used and the results of the calculated value produce results which are outside the realm of reality for this company.

Mitchell has not complied with his Professional Standards because he has not disclosed the sources of data for the Rule of Thumb profit percentages.[50]

The results produce a calculated value that is unrealistic and biased to provide a higher calculated value. Using a Rule of Thumb is not reliable, not relevant, not accepted in the relevant business valuation community and is not probative.

4.7 Hypothetical Conditions

Mitchell has assumed a significant change in the operations of the company. Mitchell assumes a change in the operating income percentage in 2009 from 5.08% to 42.3%, changing the operating income percentage in 2010 from 4.09% to 43.8%, and changing the net operating profit percentage in 2011 from 9.29% to 36.0%. See the table at Section 4.6.4.6.

Statement on Standards for Valuation Services #1 states:

> Hypothetical conditions affecting the subject interest may be required in some circumstances. When a valuation analyst uses hypothetical conditions during a valuation or calculation engagement, he or she should indicate the purpose for including the hypothetical conditions and disclose these conditions in the valuation or calculation report (paragraphs 52(n), 71(o), and 74).[51]

Comments and Opinion

Mitchell has not met the Professional Standards for Statement on Standards for Valuation Services #1. This makes any analysis depending on the multiples that change the earnings structure of the company not relevant, not reliable and not probative. This is not a generally accepted practice in the relevant business valuation community for Certified Public Accountants not to make the required disclosures . Also, ignoring the required disclosures demonstrates a Lack of Due Professional Care as prescribed by the American Institute of Certified Public Accounts Code of Professional Conduct. Mitchell must exercise due professional care in the performance of professional services.[52]

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[50] Statement on Standards for Valuation Services #1, paragraph 21
[51] Statement on Standards for Valuation Services #1, Paragraph 22.
[52] AICPA Code of Professional Conduct, ET Section 201.01 B, Tab 6

4.8 Normalized Expenses

Mitchell states

> "The legal Business enterprise, Big M's Garage, Inc., EIN xx-xxx0948 (the Business) is a Texas Sub-Chapter S Corporation formed on March 24, 2006. The Business filed an IRS Form 1120S in 2009. Subsequent years' financial information through 2011 was obtained from Schedule C of IRS Form 1040 filed by James Merz and Elizabeth Merz Although a copy of an invoice from William J. Smith, Inc. (CPA firm) showed that 1120S's were prepared for the years 2010 and 2011, l did not receive copies. Nor were the tax returns for 2012 provided."[53]

However, the 2009[54] Corporate Tax Return Form 1120S, the 2010[55] Corporate Tax Return Form 1120S and the 2011[56] Corporate Tax Return Form 1120S have the same revenues, cost of goods sold, operating expenses and taxable income as recorded on the Federal Income Tax returns. The Form 1040, Schedule C's were amended and the earnings for the husbands business were recorded as Corporate income and expenses.

The net operating income used by Mitchell as of December 31, 2011 is the same as the historical net operating income of the corporation.

Normalizing the income statements rely on adjustments to appropriately recast income and expense items to create a base, normalized condition that reasonably harmonizes the subject interest/entity with its peer environment, its historical performance, and its specific expectation. Often such adjustments are required to present the operating statements in a fashion reasonably consistent with financial and industry norms.[57]

Two frequently used valuation methods under the income approach include the **capitalization of benefits method** (for example, earnings or cash flows) and the **discounted future benefits method** (for example, earnings or cash flows).[58] When applying these methods, the valuation analyst should consider a variety of factors, including but not limited to, the following:

Capitalization of benefits (for example, earnings or cash flows) method. The valuation analyst should consider the following:

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[53] Mitchell report, cover page
[54] 2009 Corporate Income Tax Return Form 1120S, Tab 7
[55] 2010 Corporate Income Tax Return Form 1120S, Tab 8
[56] 2011 Corporate Income Tax Return Form 1120S, Tab 9
[57] Hood, Paul L., Lee, Timothy R. "A Reviewer's Handbook to Business Valuation: Practical Guidance to the Use and Abuse of a Business Appraisal", John Wiley & Sons, Inc., © 2011, p. 62, Tab 10.
[58] Statement on Standards for Valuation Services #1, paragraph 33

Normalization adjustments
Nonrecurring revenue and expense items
Taxes
Capital structure and financing costs
Appropriate capital investments
Noncash items
Qualitative judgments for risks used to compute discount and **capitalization rates**
Expected changes (growth or decline) in future benefits (for example, earnings or cash flows)

Comments and Opinion

Mitchell has failed to make any normalizing entries to adjust the financial statements to industry norms. A typical normalizing entry is officers / shareholder's compensation. Replacement management is used as a reasonable compensation to be paid to an owner of a company. Mitchell has failed to do any normalizing entries for the company.

Mitchell has not met the Professional Standards for Statement on Standards for Valuation Services #1. This makes any analysis depending on the multiples that are derived from a cost structure as was performed by Mitchell makes any resulting value of the company not relevant, not reliable and not probative. This is not a generally accepted practice in the relevant business valuation community for Certified Public Accountants not to make the normalizing entries. Also, ignoring the normalizing entries demonstrates a Lack of Due Professional Care as prescribed by the American Institute of Certified Public Accounts Code of Professional Conduct. Mitchell must exercise due professional care in the performance of professional services.[59]

This makes any analysis depending on the multiples that change the earnings structure of the company not relevant, not reliable and not probative.

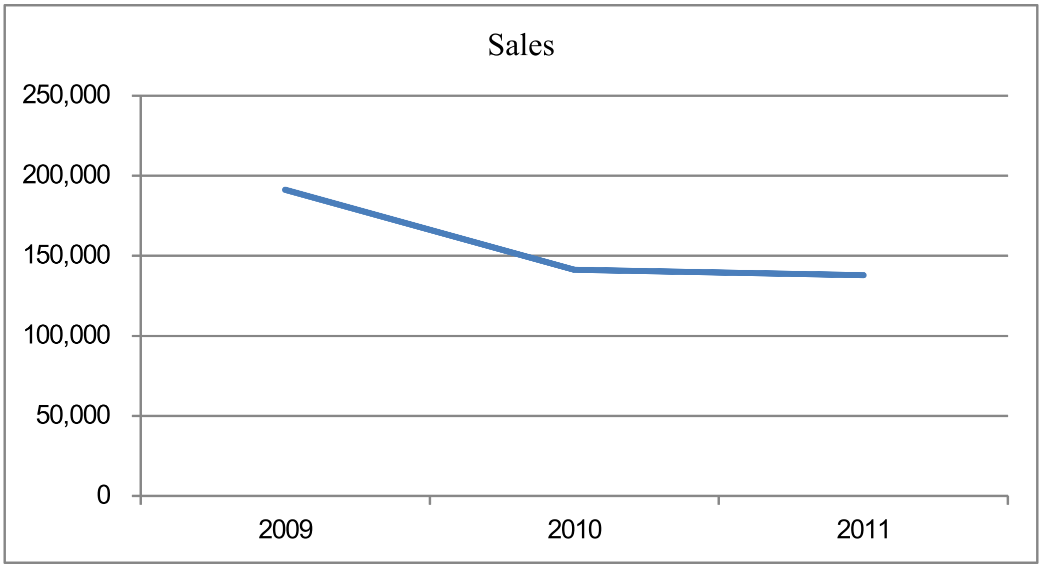
4.9 Earnings Used for Calculated Value

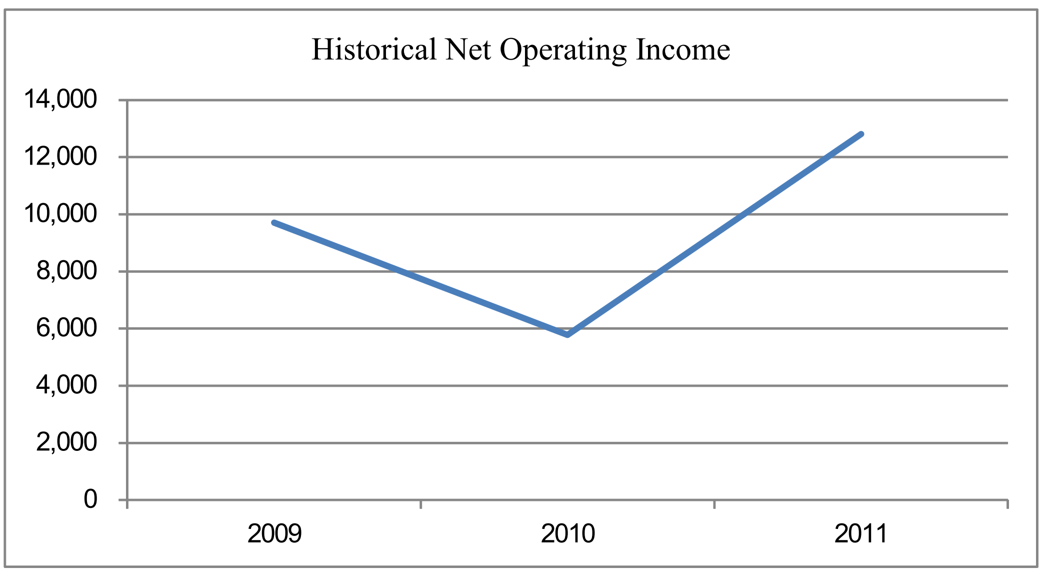
Mitchell has used the 2011 historical operating income to calculate the value of the company. In agreeing to only use the 2011 yearend earnings by agreement with the client, the assumption is that the 2011 yearend earnings are representative of future historical earnings. In order to make this assumption the valuator should determine that the earnings are stabilized and that in fact the 2011 earnings would be representative of future operations. The following table shows a summary of the dollar and percentage changes for a 3 year historical period.

Stabilized Earnings	2009	2010	2011
Historical Net Operating Income	9,706	5,781	12,806
Year to Year Change on Net Operating Income		(3,925)	7,025
Year to Year Percentage Change on Net Operating Income		-40.44%	121.52%
Percentage Change Based on 2009 as Base Year		59.56%	131.94%

[59] AICPA Code of Professional Conduct, ET Section 201.01 B, Tab 6

The following charts also demonstrate that the revenues nor the historical net operating income are stabilized.





Comment and Opinion

Mitchell has used earning that are in fact not stabilized to make projections of future earnings. This makes any analysis depending on the earnings that are not stabilized not relevant, not reliable and not probative. This is not a generally accepted practice in the relevant business valuation community.

4.10 Calculation Engagement

A valuation analyst performs a calculation engagement when (1) the valuation analyst and the client agree on the valuation approaches and methods the valuation analyst will use and the extent of procedures the valuation analyst will perform in the process of calculating the value of a subject interest (these procedures will be more limited than those of a valuation engagement) and (2) the valuation analyst calculates the value in compliance with the agreement. The valuation analyst expresses the results of these procedures as a calculated value. The calculated value is expressed as a range or as a single amount. A calculation engagement does not include all of the procedures required for a valuation engagement.[60]

Comment and Opinion

Based upon the information included in Statement on Standards for Valuation Services No. 1, a calculated engagement does not result in a conclusion or opinion of value. A calculation engagement is based on limited agreed upon procedures that do not include all of the procedures required for a valuation engagement. The results of a calculation engagement may vary from those of a valuation engagement due to the limited procedures performed.[61]

The "Calculation of Value" does not rise to the level of work required in order to express an opinion on a value. A calculation of value is not a valuation or appraisal of a business. It is simply a calculation applied to a specific set of facts.

4.11 Misapplication of Goodwill

Mitchell assumed one-third personal goodwill and two-third enterprise goodwill.[62] This assumption is not supported and there is no disclosures in the report to explain how the goodwill was calculated.

Comment and Opinion

By not providing any support for the goodwill assumption, this does not provide sufficient information for a stakeholder to determine the reasonableness of the assumption. This makes the goodwill assumption not reliable, not relevant, not probative and is not generally accepted in the business valuation community. Mitchell could use the Multiplicative Utility Model to make a determination of the Personal and Enterprise Goodwill.

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[60] Statement on Standards for Valuation Services #1, paragraph 21. b
[61] Big M's Garage, Inc. Calculation of Value, Tab 1
[62] John E.S. Mitchell, CPA, ABV report, page 4

4.12 Opinion of Value

Mitchell states in the Conclusion section of his report:[63]

> "IN MY OPINION, the Calculated Fair Market Value (FMV) of the Community's ownership interest in Big M's Garage, Inc. is: Without Real Estate $122,216 Or With Real Estate $280,574."

The following is the explanation of a summary of the Conclusion of Value and Calculation of Value:[64]

4.12.1 Conclusion of Value

The Conclusion of Value is an estimate of the value of a business, business ownership interest, security, or intangible asset, arrived at by applying the valuation procedures appropriate for a valuation engagement and ***using professional judgment*** as to the value or range of values based on those procedures.[65] (emphasis added)

The Conclusion of Value has the following characteristics:

All three valuation methods (asset-based, income-based, and market-based) are required to be considered

Detailed development and reporting requirements must be adhered to by the valuation analyst, making the engagement more time consuming than a calculation of value

This is the required type of report for estate and gift tax filings; Also typically required for instances in which the valuation analyst will need to defend his or her findings and report (i.e. ***in litigation***) (emphasis added)

The valuation analyst ***opines*** on the value of the business or business ownership interest (emphasis added)

4.12.2 Calculation of Value

The Calculation of Value is an engagement to estimate value wherein the valuation analyst and the client ***agree on the specific valuation approaches and valuation methods that the valuation analyst will use and the extent of valuation procedures the valuation analyst will perform to estimate the value of a subject interest.*** A calculation engagement generally does not include all of the valuation procedures required for a valuation engagement. If a valuation engagement had been performed, the results might have been different. The valuation analyst expresses the results

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[63] John E.S. Mitchell, CPA, ABV report, page 4
[64] Sarri, Sean, "Business Valuation Services – Calculation of Value vs. Conclusion of Value: What's the Difference?, Skoda Minotti Valuation & Litigation Advisory Blog, July 9, 2009, Tab 12
[65] Statement on Standards for Valuation Services #1, Appendix C, page 53, Tab 13

of the calculation engagement as a calculated value, which may be either a single amount or a range.[66] (emphasis added)

The Calculation of Value has the following characteristics:

The valuation methods to be used in determining value are ***discussed and agreed upon beforehand between the client and the valuation analyst*** (emphasis added)

Reduced development and reporting requirements compared to conclusion of value engagement

Ideal for planning purposes (e.g. strategic planning, transaction (purchase or sale) planning, or litigation or divorce proceedings in the settlement stage)

Valuation analyst ***does not opine of the value of the business*** or business interest, rather, the valuation analyst ***applies the valuation methodologies agreed upon with the client*** (emphasis added)

Generally not defensible in litigation settings because the valuation analyst is not offering an opinion of value, rather, the analyst "calculates" a value based on methods agreed upon with the client (emphasis added)

Typically costs less than a conclusion of value

Has been found to be useful in divorce situations in which a spouse will obtain a calculation of value to aid in the settlement process; If a settlement is not reached, the engagement can then ***escalate to a conclusion of value so that the valuation analyst can opine on a value and defend it in court,*** if needed (emphasis added)

Comment and Opinion

Mitchell states numerous times in his report that it is a Calculation of Value. By definition, Mitchell has performed only specific procedures that were agreed on by him and his client. Mitchell did not have the ability to exercise professional judgment to arrive at a value. The level of work performed by Mitchell does not rise to the level of work in order to express an "opinion of value". Mitchell can explain how he performed the procedures agreed on by him and his client and a value reached by the agreed upon procedures but because he was precluded from exercising professional judgment, he should not be allowed to express an opinion of value.

This practice of using a Calculation of Value in litigation is not a generally recognized practice in the business valuation community.

[66] Statement on Standards for Valuation Services #1, Appendix C, page 51, Tab 13

4.13 Discount for Minority Interest

Mitchell has not taken into consideration a minority interest discount. As of the valuation date, December 31, 2011, Mr. James Merz lacks a number of elements related to being in control of a company. Control shares are normally more valuable than minority shares because they contain a bundle of rights that minority shares do not enjoy. The following is a partial list of some of the rights that go with control shares that minority shares do not have:[67]

1. Appoint or change operational management.
2. Appoint or change members of the board of directors.
3. Determine management compensation and perquisites.
4. Set operational and strategic policy and change the course of the business.
5. Acquire, lease, or liquidate business assets, including plant, property, and equipment.
6. Select suppliers, vendors, and subcontractors with whom to do business and award contracts.
7. Negotiate and consummate mergers and acquisitions.
8. Liquidate, dissolve, sell out, or recapitalize the company.
9. Sell or acquire Treasury shares.
10. Register the company's equity securities for an initial or secondary public offering.
11. Register the company's debt securities for an initial or secondary public offering.
12. Declare and pay cash and/or stock dividends.
13. Change the articles of incorporation or bylaws.
14. Set one's own compensation (and perquisites) and the compensation (and perquisites) of related-party employees.
15. Select joint venture and enter into joint venture and partnership agreements.
16. Decide what products and/or services to offer and how to price those products/services.
17. Decide what markets and locations to serve, to enter into, and to discontinue serving.
18. Decide which customer categories to market to and which not to market to.
19. Enter into inbound and outbound license or sharing agreements regarding intellectual properties.
20. Block any or all of the above actions.

Comment and Opinion

Mitchell has not considered any of the control attributes related to a controlling interest shareholder. Mitchell should have taken a discount for a minority interest in the company.

This makes any calculated value flawed in that it does not consider the discount for lack of control (minority interest). This renders the final determination of value not relevant, not reliable and not probative. This is not a generally accepted practice in the relevant business valuation community.

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[67] Shannon P. Pratt. Alina V. Niculita. "Valuing a Business: The Analysis and Appraisal of Closely Held Companies". Fifth Edition. McGraw Hill. 2008. P. 385.

5. Sources of Information Relied Upon by Reviewer

The sources of information relied upon by this reviewer included:

The Appraisal Report
The Opinion Letter
American Institute of Certified Public Accountants Statement on Standards for Valuation Services #1
Revenue Ruling 59-60
Various other Business Valuation resources footnoted in this report.
Earnest Money Contract

6. Certification

I certify that, to the best of my knowledge and belief:

The statements of fact and data reported by the Reviewer and used in the review process are true and correct.

The reported analyses, opinions, and conclusions in this review report are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

I have no present or prospective interest in the property that is the subject of the work under review and no personal interest with respect to the parties involved.

I have no bias with respect to the Companies that is the subject of the work under review or to the parties involved with this review assignment, the Appraiser or any parties associated with any of these parties.

My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use not is my compensation for completing this assignment contingent upon the development or reporting of predetermined assignment results, or assignment results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.

My analyses, opinion, and conclusions were developed and this review report was prepared in conformity with the *Uniform Standards of Professional Appraisal Practice* and the *AICPA Statement on Standards for Valuation Services #1.*

No one provided significant appraisal, appraisal review, or appraisal consulting assistance to the person signing this certification except Ms. Hanh Ta and Mr. Jared Schneider.

J. Richard Claywell, CPA, ABV, ASA, CBA, ICVS, CVA, CM&AA, MAFF, CFD, ABAR, CMEA Curriculum Vitae

First Certified Public Accountant in Texas to earn the Certified Valuation Analyst designation-February 1994

Accredited Senior Appraiser (**ASA**) 2010. Per a Carl Steffen, CPA, ABV, CBA, CVA study there are approximately 15-20 individuals that hold all four business valuation designations.

Certified in Merger & Acquisitions (**CM&AA**) (2001) Alliance of Merger and Acquisition Advisors

Certified in Fraud Deterrence (**CFD**) (January 2004) (Chairman of Fraud Deterrence Committee, 2004 to 2005, instructor for the Fraud Deterrence Program) (Chairman of Fraud Deterrence Board 2006-2007)

Master Analyst in Financial Forensics (**MAFF**) (previously – Certified Financial Forensics Analyst designation) with Specialized training in Fraud Prevention and Detection 2007 (Litigation Forensic Board 2007 to 2010)

Accredited in Business Valuation (**ABV**) (AICPA) December 2006

Certified Business Appraiser, Institute of Business Appraisers (**CBA**) (2010)

NACVA Fraud Deterrence Board – May 2005 to 2007

Executive Board - National Association of Certified Valuation Analysts - became a member of NACVA's Executive Advisory Board (1994 to 1997)

International Association of Consultants, Valuators and Analysts (IACVA) - Board of Directors, 2010 to Present

Appointed by the Executive Advisory Board to the Government Valuation Analyst Board, May 1997 to present, (IRS Certification for Business Valuations). Supervises the accreditation and continuing education of government officials (IRS) in the business valuation field, (Chairman 1999 to 2001).

Chairman, Houston Chapter of CPA's Litigation Support Committee (1997 – 1999)
NACVA State Chapter President (1996 to 2007)
NACVA Exam & Grading Committee (1998 to present, Chairman (1998 to 2000)
Honored as NACVA Outstanding Member Award, May 1995
Honored as Outgoing Executive Advisory Board Member May 1997
Serves on the Certification Exam Grading Team (1995 to present)
Exam and Grading Committee Chair (1998 to 2000)

BS University of Houston - 1979
Valuing Businesses since 1985.

Director of Education - International Association of Certified Valuation Analysis. Responsible for updating all educational materials and examinations for all International Charter countries. 2008 to present.

Practitioners Publishing Company (PPC) Contributing Editor – Guide to Practical Estate Planning, 2008

International Association of Consultants, Valuators and Analysts (IACVA) – Director of Education (2008) Responsible for business valuation materials and examinations for all IACVA Country members.

International Association of Consultants, Valuators and Analysts

Co-Presenter of weeklong business valuation course for the Chinese Appraisal Society, November 2008, Beijing, China. A partial list of some of the topics instructed include: (1) remaining useful life analysis, (2) survivor curves, (3) valuing customer relationships, (4) valuing brands, (5) allocation of goodwill, valuing software, (6) quantifying synergies.

2009 Taipei International Conference: Valuation and Forensic Accounting. Presenter, Fraud Prevention and Detection.(November 2009)

Chinese Appraisal Society in Seattle Washington, **Presenter**, Using Income Approaches and Using Guideline Companies, August 2, 2010.

Shanghai University of Finance and Economics, **Co-Presenter**, The Relationships Between Risk and Value : The M & A Transaction, Value and The Valuation Report: What Do You See?, Value, Fraud, Risk: From Valuation to Fraud, September 19 – 21, 2010.

Asian-Pacific Conference on Valuation and IFRS in Seoul South Korea, **Presenter**: Fraud, Risks and Valuations, December 3, 2010

Chinese Appraisal Society in Beijing China, **Presenter**, Fundamentals of Business Valuations and **Co-Presenter**, Valuing Intangible Assets, December 12-13, 2010.

Areas of Special Competence

Valuation and Litigation - Determination of value and economic damages and advice to litigants and legal counsel involving issues such as economic damages in areas of wrongful termination, business interruption, breach of contract, patents, trademarks, covenant not to compete, Estate and Gift Tax valuations, Family Limited Partnership valuations, buy-sell and merger and acquisitions and divorce property division. Engagements have involved construction, manufacturing, medical practices, accounting practices, financial institutions and retail businesses. Damage calculation for lost earning, lost profits and wrongful termination, computerized modeling and analysis, pension valuations for divorce, reasonable compensation analysis, valuations of various corporations, partnerships and litigation support services, tax research, planning and preparation (corporations, partnerships, individuals and not for profit), corporate reorganizations, economic, financial operational and management consulting for small to medium sized businesses.

Articles Published

Quantifying Financial Risk in Capitalization Rates - The Valuation Examiner, 2nd Quarter 1994
Viewpoint on value, Business Today, January 1995
Ground Rules Unique For Deprivation Appraisals, Business Today, March 1995
Planning a Successful Succession, Business Today, June 1995
Determining the Quality of Earnings, Business Today, August 1995
The Family Limited Partnership: A Tax-Savings Strategy, Business Today, October 1995
What and When to Discount In Estate and Gift Tax Valuations, the Texas Law Reporter, March 1996
Private Equity International - PEI Magazine
How Is The Goodwill Accounted For After The Acquisition?, 2009
Family Business Magazine
Setting Up a Family Limited Partnership (FLP): Is it the Best Option? 2010
Family Lawyer Magazine, "Capitalized Earnings Method of Value: Will Your Expert's Opinion Withstand Scrutiny?", 2012

Texas Law Reporter
Safeguarding Success - Finding Value For Non Compete Agreements - 2002
How To Evaluate Your Business Valuator – 6/1/2003
Real Estate Appraisers v Business Valuators – 6/26/03
Defend Yourself, Creating FLP Discounts That Withstand IRS scrutiny – 7/28/03
The Difference Between Discount and Capitalization Rates – 8/29/03
How Damage Calculations Can Recoup Your Losses – 9/29/03
Greater than the Sum of its Parts – 12/1/03
Discount Rates and Capitalization Rates Differ, Don't Make Mistakes – 12/29/03
Minority or Control Interest? The Answer is Clear as Mud – 1/31/04

Books Published

Capitalization and Discount Rates: The Value of Risk, an Advanced Course, Co-Author, Published by the National Association of Certified Valuation Analysts, 2001

Business Valuation Strategies, Co-Author with Practice Development Institute, Chicago, IL

Contributing author to the National Association of Certified Valuation Analysts
NACVA Fundamentals Theory & Techniques training materials (2003)

"Wiley Guide to Fair Value Under International Financial Reporting Standards", (IFRS) John Wiley, 2010, Author of Chapter 28 titled "Petroleum Properties" co-author of Chapter 3 The Market Approach and co-author of Chapter 10 Risk and Rewards .

Valuation of Intangible Assets, International Association of Certified Valuators & Analysts, Second Edition, © 2011, Co-Author

American Institute of Certified Public Accountants – Certificate of Educational Achievement

INSTRUCTOR for the Certificate of Educational Achievement in Business Valuations
Introduction to the Valuation of Businesses & Professional Practices
Data Research and the Market Approach to Valuation

Software Development

Responsible for all National Association of Certified Valuation Analysts software development (2002)

Business Valuation Manager Pro was designed by J. Richard Claywell, CPA CVA CM&A, and is marketed though the National Association of Certified Valuation Analysts and Wiley ValuSource.

Business Valuation Quality Control Editor was designed by J. Richard Claywell, CPA CVA CM&A and is marketed though the National Association of Certified Valuation Analysts.

Areas of Litigation / Expert Witness Experience (Partial)

Lender Liability
Business interruption for grocery store resulting from fire damage
Business interruption for appliance store resulting from fire damage
Business interruption for dry cleaning store resulting from fire damage
Loss of business value in contract dispute
Lost profits resulting from software theft
Business interruption for dental practice resulting from tropical storms
Damage calculations in a DMSO contract dispute
Lost profits in dispute over proprietary software contract dispute / trade secrets
Lost profits from eminent domain
Lost profits in cancellation of lease contract
Value of businesses for divorces
Value of business for dissenting shareholder disputes
Damage calculation for dispute in sale of company
Damage calculation for wrongful termination
Tracing of assets
Lost wages resulting from personal injury
Tax evasion, kiting, lapping, fraudulent loans, mail fraud

Have testified in:
Federal Court, Bankruptcy Court, Texas State District Courts, Texas County Courts

National Association of Certified Valuation Analysts Outstanding Member Award reads

"In recognition and appreciation of exceptional participation, through immeasurable contributions of advise and wisdom, always extending a hand as a reliable source of support, being dependable and responsive to the Association's needs and demonstrating the qualities that breed confidence and success with all those he touches. His guidance and support have been instrumental in helping NACVA achieve national prominence. (Award dated May 8, 1995)