

Valuation for Purposes of Divorce - Levels of Service

Level One – Consulting – Financial Review and Discussion

Review available financial data (financial statements and/or income tax returns) to assist counsel and client in interpreting key areas to delve into; estimate range of value and determine if the business is transferable. If the business is transferable, determine if a business appraisal is needed and, if so, assist with identifying documents to request.

Work Product: Conclusions are shared verbally with counsel and/or client in a meeting or telephone conference.

This level is completed for a fixed fee.

Level Two – Calculation of Fair Market Value – with Verbal Review

Review and summarizing 3 to 5 years of financial history; meeting with owner to understand the nature of the business, review historical financial trends and discuss business plan and outlook. Initial research of industry and economic outlook. Considering all valuation approaches, arrive at supportable conclusion of the fair market value of the equity interest, including applicable discounts and premiums.

Work Product: Verbal review/meeting with client and counsel of how fair market value conclusion was reached; assignment and conclusion summarized in single page communication **NOT** to be used by anyone but the client and counsel for settlement discussion.

This level is completed for a fixed fee with a portion of Level One fee applied.

Level Three – Calculation of Fair Market Value with Summary Report

Builds on Level Two as described above (conclusion does not change). Analysis and conclusion reached are presented in a written summary report that can be shared with outside parties. This report provides the reader with all information needed to understand the valuation process and how the conclusion of value was reached. Valuation model attached.

This level is completed for a fixed fee.

Level Four – Calculating Income Available for Support

Assist if needed with determining and documenting income available for support.

The fees for this level are based on actual hours incurred at our standard hourly rate and total fees vary based on complexity of the marital estate. Estimate of total fees can be provided once financial details are known.

Level Five – Deposition and Trial Testimony

This level assumes that settlement is not successful and trial is imminent. This level involves reviewing and critiquing the spouse's business valuation expert's report. Working with counsel to prepare for deposition and cross-examination of the spouse's business valuation expert. Preparing for and providing expert testimony in deposition and trial if necessary.

This level can vary significantly based on complexity of the marital estate and actual time spent. Therefore, fees are based on actual hours incurred.

Enhanced Earnings

Consistent with *Haugan v. Haugan*, 117 Wis. 2d 200 (1984), identifying disproportionate contributions to the financial marital estate through analysis of education levels at the time of the marriage and currently, the effect of this education on each of their career plans, financial earnings, foregone earnings, cost of education and future earning capacity to determine the potential for enhanced earnings.

Work Product: Summary letter with supporting schedules attached.

Forensics

Many times in divorce there is a question regarding sources and uses of cash. Identifying all assets and the flow of cash in and out of the marital assets may need to be traced so the parties and their advisers have all the necessary information for fairly dividing the parties' income and/or the marital estate. Capital Valuation Group's principals include CPAs as well as a Certified Fraud Examiner with more than 50 years of combined experience in auditing, tracing and applying accounting principles, enabling them to successfully carry out forensics work. Since each case is unique, estimating fees is something that needs to happen on a case-by-case basis, to be discussed at the initial meeting.

Note: We would be happy to meet with you (and your client) to discuss any potential project at no cost. This can be helpful in educating your client what to expect if there is a business valuation needed.

Factors That Can Raise or Lower Fees

Incidence	Is Likely to Raise Fees	Is Likely to Lower Fees
Determining up front if business should be appraised (is it transferable?)		X
Settling		X
Spousal grudge match	X	
Attorney grudge match	X	
Inside spouse		X
Suspected dishonesty	X	
Manipulating business outlook	X	
Poor quality financials	X	
Tracing funds required	X	
More than one business	X	
If numerous businesses-- clean accounting between entities		X
Organized response to document request		X
Family owned	X	
Gifted or inherited ownership as part of business valuation	X	
Tracing Ownership Required	X	
Slow Time Frame Requires Update	X	
Both spouses active in business operations		X
Drawn out divorce procedure requiring opinion update	X	
Switching Attorneys	X	
Inefficient work process due to "dribble-in"	X	
Joint Appraisal		X
Personal and discretionary expenses included in business accounting	X	
Last minute trial postponement	X	

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