ABC Company

Schedule 3.1

FASB ASC 350 Example

Fair Value of Equity (Net Assets)

Consolidating Balance Sheet and Carrying Amount Calculation as of the Measurement Date

US $

	West Reporting Unit	East Reporting Unit	Corporate	Consolidated
Assets				
Cash & Equivalents	$ 600,000	$ 3,000,000	$ 2,400,000	$ 6,000,000
Accounts Receivable, Net	6,600,000	9,900,000	-	16,500,000
Inventories	1,000,000	1,500,000	-	2,500,000
Inter-Company Due To/From	-	(3,000,000)	3,000,000	-
Prepaid Expenses & Other	100,000	150,000	-	250,000
Total Current Assets	8,300,000	11,550,000	5,400,000	25,250,000
Property, Plant & Equipment				
Gross Property, Plant & Equipment	5,300,000	13,250,000	7,950,000	26,500,000
Less: Accumulated Depreciation	(353,333)	(883,333)	(530,000)	(1,766,667)
Net Property, Plant & Equipment	4,946,667	12,366,667	7,420,000	24,733,333
Intangible Assets, Net of Amortization				
Covenants Not to Compete	2,250,000	2,250,000	-	4,500,000
Trade Secrets	-	6,000,000	-	6,000,000
Company Trade Name	-	-	13,500,000	13,500,000
Product Trade Name	-	6,000,000	-	6,000,000
Favorable Leases	1,640,000	4,920,000	1,640,000	8,200,000
Customer Relationships	7,200,000	10,800,000	-	18,000,000
Goodwill	26,000,000	39,000,000	-	65,000,000
Accumulated Amortization	(1,366,286)	(2,753,000)	(774,286)	(4,893,571)
Total Net Intangible Assets and Goodwill	35,723,714	66,217,000	14,365,714	116,306,429
Other Assets				
Equity Method Investments	-	6,000,000	-	6,000,000
Total Other Assets	-	6,000,000	-	6,000,000
Total Assets	**$ 48,970,381**	**$ 96,133,667**	**$ 27,185,714**	**$ 172,289,762**
Liabilities & Equity				
Current Installments of Long-Term Debt			5,000,000	5,000,000
Accounts Payable	3,850,000	6,600,000	550,000	11,000,000
Accrued Salaries and Wages	700,000	1,200,000	100,000	2,000,000
Total Current Liabilities	4,550,000	7,800,000	5,650,000	18,000,000
Long-Term Liabilities				
Unfavorable Lease Liability	2,500,000	-	-	2,500,000
Deferred Tax Liability	2,000,000	5,000,000	3,000,000	10,000,000
Long-Term Debt, Noncurrent	-	-	45,000,000	45,000,000
Total Long-Term Liabilities	4,500,000	5,000,000	48,000,000	57,500,000
Total Liabilities	**9,050,000**	**12,800,000**	**53,650,000**	**75,500,000**
Equity				
Shareholder's Equity	39,920,381	73,333,667	(26,464,286)	86,789,762
Noncontrolling Interest (1)	-	10,000,000	-	10,000,000
Total Equity	39,920,381	83,333,667	(26,464,286)	96,789,762
Total Liabilities & Equity	**$ 48,970,381**	**$ 96,133,667**	**$ 27,185,714**	**$ 172,289,762**

(1) Represents noncontrolling interest of the East Reporting Unit.

ABC Company **Schedule 3.2**

FASB ASC 350 Example - GAAP Basis - Assessing the Forecast

Fair Value of Equity (Net Assets) - East Reporting Unit

Prospective Financial Information, Prior to Adjustment

	PY	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
% Revenue Growth Rate		*10.0%*	*8.0%*	*6.0%*	*4.0%*	*4.0%*	*3.0%*
Net Revenue	**$ 60,450,000**	**$ 66,495,000**	**$ 71,814,600**	**$ 76,123,476**	**$ 79,168,415**	**$ 82,335,152**	**$ 84,805,206**
Net Revenue - Future Acquisition		**$ -**	**$ -**	**$ 3,200,000**	**$ 5,000,000**	**$ 6,000,000**	**$ 6,500,000**
Total Revenue	**$ 60,450,000**	**$ 66,495,000**	**$ 71,814,600**	**$ 79,323,476**	**$ 84,168,415**	**$ 88,335,152**	**$ 91,305,206**
Cost of Goods Sold (Excluding Depreciation and Amortization)		(37,237,200)	(35,907,300)	(38,868,503)	(42,925,892)	(45,050,927)	(46,565,655)
Gross Profit		29,257,800	35,907,300	40,454,973	41,242,523	43,284,224	44,739,551
Gross Profit Margin		*44.0%*	*50.0%*	*51.0%*	*49.0%*	*49.0%*	*49.0%*
Operating Expenses (Excluding Depreciation and Amortization):							
General and Administrative		5,319,600	5,745,168	6,345,878	6,312,631	6,625,136	6,847,890
Selling		6,649,500	7,181,460	7,932,348	7,995,999	8,391,839	8,673,995
Share Based Compensation		1,329,900	1,436,292	2,379,704	2,525,052	2,650,055	2,739,156
Other Expense		3,324,750	3,590,730	3,966,174	4,208,421	4,416,758	4,565,260
Total Operating Expenses		**16,623,750**	**17,953,650**	**20,624,104**	**21,042,104**	**22,083,788**	**22,826,302**
Operating Expense Margin		*25.0%*	*25.0%*	*26.0%*	*25.0%*	*25.0%*	*25.0%*
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)		**$ 12,634,050**	**$ 17,953,650**	**$ 19,830,869**	**$ 20,200,420**	**$ 21,200,436**	**$ 21,913,249**
EBITDA Margin		*19.0%*	*25.0%*	*26.1%*	*25.5%*	*25.7%*	*25.8%*
Depreciation (GAAP Carryover Basis - Including Acq Spend)		1,026,190	1,197,619	2,069,048	2,140,476	2,354,762	2,569,048
Amortization (GAAP Carryover Basis)		2,752,857	2,752,857	2,752,857	2,752,857	2,302,857	2,302,857
Earnings Before Interest & Taxes (EBIT)		**$ 8,855,002**	**$ 14,003,174**	**$ 15,008,964**	**$ 15,307,086**	**$ 16,542,817**	**$ 17,041,345**
EBIT Margin		*13.3%*	*19.5%*	*19.7%*	*19.3%*	*20.1%*	*20.1%*
Income Taxes		(3,413,958)	(5,398,784)	(5,786,556)	(5,901,494)	(6,377,918)	(6,570,120)
Income Tax Rate		*38.6%*	*38.6%*	*38.6%*	*38.6%*	*38.6%*	*38.6%*
Debt-Free Net Income		**$ 5,441,045**	**$ 8,604,390**	**$ 9,222,408**	**$ 9,405,592**	**$ 10,164,900**	**$ 10,471,225**
Cash Flow Adjustments:							
Depreciation and Amortization		3,779,048	3,950,476	4,821,905	4,893,333	4,657,619	4,871,905
Noncash Share Based Compensation		1,329,900	1,436,292	2,379,704	2,525,052	2,650,055	2,739,156
Capital Expenditures		(1,000,000)	(1,200,000)	(1,100,000)	(500,000)	(1,500,000)	(1,500,000)
Acquisition Spend				(5,000,000)			
Net Change in Noncash Working Capital (1)	5.0%	(302,250)	(265,980)	(375,444)	(242,247)	(208,337)	(148,503)
Debt-Free Cash Flow		**$ 9,247,742**	**$ 12,525,178**	**$ 9,948,573**	**$ 16,081,731**	**$ 15,764,236**	**$ 16,433,783**

(1) Represents normalized debt free, cash free net working capital as a percentage of revenue.

ABC Company — **Schedule 3.2.1**

FASB ASC 350 Example

Fair Value of Equity (Net Assets) - East Reporting Unit

Prospective Financial Information - Capital Expenditures and Depreciation (U.S. GAAP Basis)

Depreciation

				Prior Year 1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Fixed Asset Depreciable Book Original Cost Basis	**$ 13,250,000**									
Estimated Remaining Economic Useful Life	**15.0**									
Annual Depreciation on Existing Assets				**$ 883,333**	**$ 883,333**	**$ 883,333**	**$ 883,333**	**$ 883,333**	**$ 883,333**	**$ 883,333**
Capital Expenditures:										
Forecast Capital Expenditures					$ 1,000,000	$ 1,200,000	$ 1,100,000	$ 500,000	$ 1,500,000	$ 1,500,000
Forecast Capital Expenditures					$ 1,000,000	$ 1,200,000	$ 1,100,000	$ 500,000	$ 1,500,000	$ 1,500,000
Acquisition Capital Expenditures					$ -	$ -	$ 5,000,000	$ -	$ -	$ -
		Weight	Useful Life							
		100.0%	7.0		14.3%	14.3%	14.3%	14.3%	14.3%	14.3%
Annual Depreciation Related to New Assets:										
	Year 1		$ 1,000,000		142,857	142,857	142,857	142,857	142,857	142,857
	Year 2		$ 1,200,000			171,429	171,429	171,429	171,429	171,429
	Year 3		$ 6,100,000				871,429	871,429	871,429	871,429
	Year 4		$ 500,000					71,429	71,429	71,429
	Year 5		$ 1,500,000						214,286	214,286
	Year 6		$ 1,500,000							214,286
Incremental Depreciation Related to New Assets					142,857	314,286	1,185,714	1,257,143	1,471,429	1,685,714
Total Depreciation For All Assets					**1,026,190**	**1,197,619**	**2,069,048**	**2,140,476**	**2,354,762**	**2,569,048**

Amortization

	Original Cost Basis	Useful Life	Prior Year 1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Intangible Assets - East Reporting Unit									
Covenants Not to Compete	2,250,000	5.00	450,000	450,000	450,000	450,000	450,000		
Trade Secrets	6,000,000	15.00	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Product Trade Name	6,000,000	20.00	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Favorable Leases	4,920,000	7.00	702,857	702,857	702,857	702,857	702,857	702,857	702,857
Customer Relationships	10,800,000	12.00	900,000	900,000	900,000	900,000	900,000	900,000	900,000
Goodwill	39,000,000	NA	NA	NA	NA	NA	NA	NA	NA
			2,752,857	2,752,857	2,752,857	2,752,857	2,752,857	2,302,857	2,302,857

ABC Company — Schedule 3.3

FASB ASC 350 Example - Assessing the Forecast

Fair Value of Equity (Net Assets) - East Reporting Unit

Strategic Plan, Prospective Financial Information, Adjustments Reflecting Market Participant Assumptions

	REFERENCE	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Net Revenue - Organic Business		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Net Revenue - Acquisition Spend	**(1)**			**$ (3,200,000)**	**$ (5,000,000)**	**$ (6,000,000)**	**$ (6,500,000)**
Total Revenue		**$ -**	**$ -**	**$ (3,200,000)**	**$ (5,000,000)**	**$ (6,000,000)**	**$ (6,500,000)**
Cost of Goods Sold	**(2)**	-	-	1,568,000	2,550,000	3,240,000	3,315,000
Gross Profit		-	-	(1,632,000)	(2,450,000)	(2,760,000)	(3,185,000)
Gross Profit Margin		*NA*	*NA*	*51.0%*	*49.0%*	*46.0%*	*49.0%*
Operating Expenses (Excluding Depreciation and Amortization):							
General and Administrative	**(3)**	-	-	(128,000)	(187,500)	(225,000)	(243,750)
Selling	**(3)**	-	-	(160,000)	(237,500)	(285,000)	(308,750)
Share Based Compensation							
Royalty for Use of Corporate Tradename	**(4)**	1,662,375	1,795,365	1,903,087	1,979,210	2,058,379	2,120,130
Other Expense	**(3)**	-	-	(80,000)	(125,000)	(120,000)	(130,000)
Total Operating Expenses		**1,662,375**	**1,795,365**	**1,535,087**	**1,429,210**	**1,428,379**	**1,437,630**
Operating Expense Margin							
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)		**$ (1,662,375)**	**$ (1,795,365)**	**$ (3,167,087)**	**$ (3,879,210)**	**$ (4,188,379)**	**$ (4,622,630)**
EBITDA Margin							
Depreciation (GAAP Carryover Basis - Including Acq Spend)	**(5)**			(714,286)	(714,286)	(714,286)	(714,286)
Amortization (GAAP Carryover Basis)							
Earnings Before Interest & Taxes (EBIT)		**$ (1,662,375)**	**$ (1,795,365)**	**$ (3,167,087)**	**$ (3,879,210)**	**$ (4,188,379)**	**$ (4,622,630)**
EBIT Margin							
Blended Income Taxes		640,912	692,185	1,221,039	1,495,591	1,614,788	1,782,209
Blended Income Tax Rate (Marginal Rate)		*38.6%*	*38.6%*	*38.6%*	*38.6%*	*38.6%*	*38.6%*
Debt-Free Net Income		**$ (1,021,463)**	**$ (1,103,180)**	**$ (1,946,048)**	**$ (2,383,620)**	**$ (2,573,591)**	**$ (2,840,421)**
Cash Flow Adjustments:							
Depreciation	**(5)**	-	-	(714,286)	(714,286)	(714,286)	(714,286)
Noncash Share Based Compensation	**(6)**	(1,329,900)	(1,436,292)	(2,379,704)	(2,525,052)	(2,650,055)	(2,739,156)
Capital Expenditures							
Capital Expenditures - Acquisition Spend	**(7)**	-	-	5,000,000	-	-	-
Net Change in Noncash Working Capital	5.0% **(8)**	-	-	160,000	90,000	50,000	25,000
Debt-Free Cash Flow		**$ (2,351,363)**	**$ (2,539,472)**	**$ 119,962**	**$ (5,532,958)**	**$ (5,887,931)**	**$ (6,268,863)**

Notes:

(1) For purposes of impairment testing, management has indicated that the acquisition spend is a strategic choice and is a business combination per Financial Accounting Standards Board Accounting Standards Codification 805, Business Combinations. As none of the assets associated with these investments is reflected on the balance sheet (and carrying amount) as of the test date, the inclusion of the benefits associated with this investment would potentially overstate the fair value of the reporting unit. Therefore, this investment is not reflected in the data used to populate valuation models for impairment testing.

(2) To remove cost of goods sold associated with acquisition related revenue.

(3) Based on an analysis of detailed ledgers, approximately 50% of selling, administrative and other costs are fixed in nature. This adjustment removes the variable component of the costs associated with the acquisition spend (see note 1). Share based compensation relates to the organic business and therefore not adjusted as an expense item.

(4) To reflect a charge for the entity trade name that is utilized in selling the reporting unit goods. Because the trade name is not allocated to the reporting unit carrying amount, a charge for the use of the trade name was applied to provide for a consistent application of fair value to carrying amount.

(5) To eliminate depreciation associated with acquisition related revenue discussed in note (1).

(6) Assumed that share-based compensation issued is in lieu of cash payments to employees. As such, this amount is not added to arrive at debt-free cash flows.

(7) To adjust the capital expenditures associated with acquisition spend removed from the analysis in note (1).

(8) Represents reversal of net working capital investment associated with revenue adjustment in note (1).

ABC Company

Schedule 3.4

FASB ASC 350 Example - Assessing the Forecast

Fair Value of Fair Value of Equity (Net Assets) - East Reporting Unit

Adjusted Prospective Financial Information

	PY	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Net Revenue - Organic Business	**$ 60,450,000**	**$ 66,495,000**	**$ 71,814,600**	**$ 76,123,476**	**$ 79,168,415**	**$ 82,335,152**	**$ 84,805,206**
Net Revenue - Acquisition Spend	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Revenue	**$ 60,450,000**	**$ 66,495,000**	**$ 71,814,600**	**$ 76,123,476**	**$ 79,168,415**	**$ 82,335,152**	**$ 84,805,206**
Cost of Goods Sold	(33,852,000)	(37,237,200)	(35,907,300)	(37,300,503)	(40,375,892)	(41,810,927)	(43,250,655)
Gross Profit	26,598,000	29,257,800	35,907,300	38,822,973	38,792,523	40,524,224	41,554,551
Gross Profit Margin	*44.0%*	*44.0%*	*50.0%*	*51.0%*	*49.0%*	*49.2%*	*49.0%*
Operating Expenses (Excluding Depreciation and Amortization):							
General and Administrative	5,053,620	5,319,600	5,745,168	6,217,878	6,125,131	6,400,136	6,604,140
Selling	6,317,025	6,649,500	7,181,460	7,772,348	7,758,499	8,106,839	8,365,245
Share Based Compensation	1,263,405	1,329,900	1,436,292	2,379,704	2,525,052	2,650,055	2,739,156
Royalty for Use of Corporate Tradename	1,511,250	1,662,375	1,795,365	1,903,087	1,979,210	2,058,379	2,120,130
Other Expense	3,158,513	3,324,750	3,590,730	3,886,174	4,083,421	4,296,758	4,435,260
Total Operating Expenses	**17,303,813**	**18,286,125**	**19,749,015**	**22,159,191**	**22,471,314**	**23,512,167**	**24,263,932**
Operating Expense Margin	*28.6%*	*27.5%*	*27.5%*	*29.1%*	*28.4%*	*28.6%*	*28.6%*
EBITDA	**$ 9,294,188**	**$ 10,971,675**	**$ 16,158,285**	**$ 16,663,782**	**$ 16,321,209**	**$ 17,012,058**	**$ 17,290,619**
EBITDA Margin	*15.4%*	*16.5%*	*22.5%*	*21.9%*	*20.6%*	*20.7%*	*20.4%*
	0.0%						
Depreciation (Carryover Book Basis)		1,026,190	1,197,619	1,354,762	1,426,190	1,640,476	1,854,762
Amortization (Carryover Book Basis)		2,752,857	2,752,857	2,752,857	2,752,857	2,302,857	2,302,857
Earnings Before Interest & Taxes (EBIT)		**$ 7,192,627**	**$ 12,207,809**	**$ 12,556,163**	**$ 12,142,162**	**$ 13,068,724**	**$ 13,133,000**
EBIT Margin		*10.8%*	*17.0%*	*16.5%*	*15.3%*	*15.9%*	*15.5%*
Blended Income Taxes		(2,773,046)	(4,706,599)	(4,840,903)	(4,681,289)	(5,038,516)	(5,063,297)
Blended Income Tax Rate		*38.6%*	*38.6%*	*38.6%*	*38.6%*	*38.6%*	*38.6%*
Debt-Free Net Income		**$ 4,419,582**	**$ 7,501,210**	**$ 7,715,260**	**$ 7,460,873**	**$ 8,030,208**	**$ 8,069,703**
Cash Flow Adjustments:							
Depreciation		3,779,048	3,950,476	4,107,619	4,179,048	3,943,333	4,157,619
Noncash Share Based Compensation		-	-	-	-	-	-
Capital Expenditures		(1,000,000)	(1,200,000)	(1,100,000)	(500,000)	(1,500,000)	(1,500,000)
Capital Expenditures - Acquisition Spend		-	-	-	-	-	-
Net Change in Noncash Working Capital	5.0%	(302,250)	(265,980)	(215,444)	(152,247)	(158,337)	(123,503)
Debt-Free Cash Flow		**$ 6,896,379**	**$ 9,985,706**	**$ 10,507,435**	**$ 10,987,673**	**$ 10,315,205**	**$ 10,603,820**

ABC Company **Schedule 3.5**

FASB ASC 350 Example

Fair Value of Equity (Net Assets) - East Reporting Unit

Business Enterprise Valuation: Income Approach - Discounted Debt-Free Cash Flow Method

Nontaxable Transaction

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Terminal
% Revenue Growth Rate		*NA*	*8.0%*	*6.0%*	*4.0%*	*4.0%*	*3.0%*	*2.0%*
Net Revenue		**$ 66,495,000**	**$ 71,814,600**	**$ 76,123,476**	**$ 79,168,415**	**$ 82,335,152**	**$ 84,805,206**	**$ 86,501,310**
Cost of Goods Sold (Excluding Depreciation and Amortization)		(37,237,200)	(35,907,300)	(37,300,503)	(40,375,892)	(41,810,927)	(43,250,655)	(44,115,668)
Gross Profit		29,257,800	35,907,300	38,822,973	38,792,523	40,524,224	41,554,551	42,385,642
Gross Profit Margin		*44.0%*	*50.0%*	*51.0%*	*49.0%*	*49.2%*	*49.0%*	*49.0%*
Operating Expenses (Excluding Depreciation and Amortization):								
General and Administrative		5,319,600	5,745,168	6,217,878	6,125,131	6,400,136	6,604,140	6,736,223
Selling		6,649,500	7,181,460	7,772,348	7,758,499	8,106,839	8,365,245	8,532,549
Share Based Compensation		1,329,900	1,436,292	2,379,704	2,525,052	2,650,055	2,739,156	2,793,939
Royalty for Use of Corporate Tradename		1,662,375	1,795,365	1,903,087	1,979,210	2,058,379	2,120,130	2,162,533
Other Expense		3,324,750	3,590,730	3,886,174	4,083,421	4,296,758	4,435,260	4,523,966
Total Operating Expenses		**18,286,125**	**19,749,015**	**22,159,191**	**22,471,314**	**23,512,167**	**24,263,932**	**24,749,210**
Operating Expense Margin		27.5%	27.5%	29.1%	28.4%	28.6%	28.6%	28.6%
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)		**$ 10,971,675**	**$ 16,158,285**	**$ 16,663,782**	**$ 16,321,209**	**$ 17,012,058**	**$ 17,290,619**	**$ 17,636,432**
EBITDA Margin		*16.5%*	*22.5%*	*21.9%*	*20.6%*	*20.7%*	*20.4%*	*20.4%*
Depreciation (Carryover Tax Basis)		1,401,650	1,549,255	1,646,220	1,593,845	1,593,845	1,784,650	1,820,343
Amortization (Carryover Tax Basis)		4,598,000	4,598,000	4,598,000	4,598,000	4,598,000	4,598,000	-
Earnings Before Interest & Taxes (EBIT)		**$ 4,972,025**	**$ 10,011,030**	**$ 10,419,562**	**$ 10,129,364**	**$ 10,820,213**	**$ 10,907,969**	**$ 15,816,089**
EBIT Margin		*7.5%*	*13.9%*	*13.7%*	*12.8%*	*13.1%*	*12.9%*	*18.3%*
Blended Income Taxes		(1,916,915)	(3,859,653)	(4,017,158)	(3,905,275)	(4,171,625)	(4,205,458)	(6,097,735)
Blended Income Tax Rate (Marginal Rate)		*38.6%*	*38.6%*	*38.6%*	*38.6%*	*38.6%*	*38.6%*	*38.6%*
Debt-Free Net Income		**$ 3,055,110**	**$ 6,151,377**	**$ 6,402,404**	**$ 6,224,089**	**$ 6,648,588**	**$ 6,702,511**	**$ 9,718,354**
Cash Flow Adjustments:								
Depreciation & Amortization (Reflects Carryover Tax Basis) (1)		5,999,650	6,147,255	6,244,220	6,191,845	6,191,845	6,382,650	1,820,343
Capital Expenditures		(1,000,000)	(1,200,000)	(1,100,000)	(500,000)	(1,500,000)	(1,500,000)	(1,820,343)
Net Change in Noncash Working Capital	5.0%	(302,250)	(265,980)	(215,444)	(152,247)	(158,337)	(123,503)	(84,805)
Debt-Free Cash Flow		**$ 7,752,510**	**$ 10,832,652**	**$ 11,331,180**	**$ 11,763,687**	**$ 11,182,096**	**$ 11,461,658**	**$ 9,633,549**
Discount Period		0.50	1.50	2.50	3.50	4.50	5.50	
Present Value Factor	14.5%	0.9345	0.8162	0.7128	0.6226	0.5437	0.4749	
Present Value of Debt-Free Cash Flows		$ 7,245,021	$ 8,841,513	$ 8,077,211	$ 7,323,594	$ 6,079,929	$ 5,442,736	
Sum of the Present Value of Discrete Year Cash Flows		$ 43,010,004						
Present Value of Terminal Cash Flow		36,597,052						
Indicated Enterprise Value from Operations		**$ 79,607,056**						
Add: Cash & Equivalents		3,000,000						
Add: Equity Method Investments (1)		6,000,000						
Add: PV of Cost Savings		7,000,000						
Add: Present Value of Amortization Beyond Discrete Period		3,840,355						
Indicated Enterprise Value - Control, Marketable Basis		**$ 99,450,000**						
Less: Fair Value of Debt (2)		**$ -**						
Fair Value of Equity (Net Assets) - East Unit		**$ 99,450,000**						

Terminal Growth Rate	2.0%
Residual Value at Terminal Year	$ 77,068,389
Present Value Factor	0.4749
Present Value of Terminal Cash Flow	**$ 36,597,052**

(1) Cash flows do not reflect incremental benefit related to this asset. Assume net book value is approximation for fair value.

(2) For purposes of this example, the fair value of debt is assumed to equal its underlying net book value.

ABC Company

Schedule 3.5.1

FASB ASC 350 Example

Fair Value of Fair Value of Equity (Net Assets)

Nontaxable Model - Carryover Tax Basis Depreciation and Amortization

Depreciation

		Weight	Useful Life	Prior Year 1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Fixed Asset Depreciable Book Original Cost Basis		**$ 13,250,000**								
Estimated Remaining Economic Useful Life		**15.0**		5.0%	9.5%	8.6%	7.7%	6.9%	6.2%	5.9%
Annual Depreciation on Existing Assets				**$ 662,500**	**$ 1,258,750**	**$ 1,132,875**	**$ 1,020,250**	**$ 918,225**	**$ 825,475**	**$ 781,750**
Capital Expenditures:										
Forecast Capital Expenditures					$ 1,000,000	$ 1,200,000	$ 1,100,000	$ 500,000	$ 1,500,000	$ 1,500,000
Forecast Capital Expenditures					$ 1,000,000	$ 1,200,000	$ 1,100,000	$ 500,000	$ 1,500,000	$ 1,500,000
Acquisition Capital Expenditures					$ -	$ -		$ -	$ -	$ -
		100.0%	7.0		14.3%	24.5%	17.5%	12.5%	8.9%	8.9%
Annual Depreciation Related to New Assets:										
	Year 1		$ 1,000,000		142,900	244,900	174,900	124,900	89,300	89,200
	Year 2		$ 1,200,000			171,480	293,880	209,880	149,880	107,160
	Year 3		$ 1,100,000				157,190	269,390	192,390	137,390
	Year 4		$ 500,000					71,450	122,450	87,450
	Year 5		$ 1,500,000						214,350	367,350
	Year 6		$ 1,500,000							214,350
Incremental Depreciation Related to New Assets					142,900	416,380	625,970	675,620	768,370	1,002,900
Total Depreciation For All Assets					**1,401,650**	**1,549,255**	**1,646,220**	**1,593,845**	**1,593,845**	**1,784,650**

Amortization

	Original Cost Basis	Tax Useful Life	Prior Year 1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Intangible Assets									
Covenants Not to Compete	2,250,000	15.00	150,000.0	150,000	150,000	150,000	150,000	150,000	150,000
Trade Secrets	6,000,000	15.00	400,000.0	400,000	400,000	400,000	400,000	400,000	400,000
Product Trade Name	6,000,000	15.00	400,000.0	400,000	400,000	400,000	400,000	400,000	400,000
Favorable Leases	4,920,000	15.00	328,000.0	328,000	328,000	328,000	328,000	328,000	328,000
Customer Relationships	10,800,000	15.00	720,000.0	720,000	720,000	720,000	720,000	720,000	720,000
Goodwill	39,000,000	15.00	2,600,000.0	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000
			4,598,000	4,598,000	4,598,000	4,598,000	4,598,000	4,598,000	4,598,000

ABC Company **Schedule 3.6**
FASB ASC 350 Example
Weighted Average Cost of Capital Calculation
Valuation Date: measurement date

A. Market-Based Capital Structure (1)

Equity	70.0%
Debt	30.0%

B. Cost of Equity

Rf = Risk-free rate = U.S. Treasury 30 Year Bond Yield as of the measurement date
= 3.5%
B = Relevered Beta = a measure of the systematic risk or individual price volatility relative to the market
= 1.8 (See Schedule 2.6.1)
Rp = Equity risk premium = incremental return demanded by an average equity investor in S&P 500 stocks
= 6.0%
Rc = Size premium = additional risk that is unique to small companies
= 3.9%
Rs = Specific risk premium = additional risk that is unique to the subject company
= 1.0%
Cost of Equity = 3.5% + (1.8 x 6%) + 3.9% + 1.0% = 19% (rounded)

C. Cost of Debt

Cost of Debt = 5.7% (2)
Corporate Tax Rate = 38.6% (3)
After-tax Cost of Debt = (5.66% + 0%) * (1.0 - 38.554%) = 3.5% (rounded)

D. Weighted Average Cost of Capital

	Estimated Cost		Percentage of Total Capital		Weighted Contribution
Cost of Equity	19.0%	x	70%	=	13.3%
Cost of Debt	3.5%	x	30%	=	1.1%
Estimated Weighted Average Cost of Capital - rounded				=	14.5%

Notes:

(1) Based on a peer group of market participants (See schedule 3.6.1).

(2) Based on the Moody's yield of corporate bonds of market participants as of the measurement date. Moody's tries to include bonds with remaining maturities as close as possible to 30 years.

(3) Represents statutory blended federal and state rates, adjusted for observable market participant assumptions.

ABC Company **Schedule 3.6.1**

FASB ASC 350 Example

Weighted Average Cost of Capital Calculation - Select Market Data

As of Measurement Date

($ millions)

Company Name	(A) Market Value of Equity (EQUITY) ($ millions)	(B) Total Interest-Bearing Debt, net of debt (DEBT) ($ millions)	(A)+(B) Business Enterprise Value (BEV) ($ millions)	Market-Based Capital Structure (Expressed as a % of BEV) EQUITY	DEBT	Tax Rate	5 Year Monthly Asset Beta S&P 500 (1)	5 Year Monthly Equity Beta Unlevered	Working (2) Capital / Sales Ratio
Guideline Co 1	$3,485.0	$779.0	$4,264.0	81.7%	18.3%	35.0%	2.3	2.01	5%
Guideline Co 2	$651.0	$279.0	930.0	70.0%	30.0%	38.6%	2.0	1.58	10%
Guideline Co 3	$4,706.8	$242.0	4948.8	95.1%	4.9%	38.6%	2.3	2.23	8%
Guideline Co 4	$225.0	$177.0	402.0	56.0%	44.0%	38.6%	1.4	0.94	11%
Guideline Co 5	$1,668.0	$957.0	2625.0	63.5%	36.5%	38.6%	2.4	1.77	5%
Guideline Co 6	$532.0	$254.0	786.0	67.7%	32.3%	38.6%	0.8	0.62	4%
Guideline Co 7	$856.8	$328.0	1184.80	72.3%	27.7%	38.6%	1.8	1.46	6%
Guideline Co 8	$526.6	$2.5	529.2	99.5%	0.5%	38.6%	1.4	1.40	5%
Guideline Co 9	$230.4	$194.0	424.4	54.3%	45.7%	38.6%	1.4	0.92	5%
			Hi	99.5%	45.7%		2.40	2.23	11%
			Low	54.3%	0.5%		0.80	0.62	4%
			Median	70.0%	30.0%		1.80	1.46	5%
			Average	73.3%	26.7%		1.76	1.44	7%
			Selected	70.0%	30.0%			1.4	5%
			Relevered Equity Beta (Be) (3)					1.8	

Notes:

Source: Data provided by Capital IQ and Bloomberg.

(1) Based on raw equity beta

(2) Forecast increase/decrease in net working capital is cash free

(3) Be = Ba * (1 + (Wd/We) * (1 - T)), when

Be = Relevered Equity Beta

Ba = Asset Beta

Wd = % of capital structure financed by debt capital

We = % of capital structure financed by equity capital

T = Tax rate

ABC Company — **Schedule 3.7**

FASB ASC 350 Example

Fair Value of Equity (Net Assets) - Taxable Transaction - East Reporting Unit

Business Enterprise Valuation: Income Approach - Discounted Debt-Free Cash Flow Method

Taxable Transaction

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Terminal
% Revenue Growth Rate		*NA*	*8.0%*	*6.0%*	*4.0%*	*4.0%*	*3.0%*	*2.0%*
Net Revenue		**$ 66,495,000**	**$ 71,814,600**	**$ 76,123,476**	**$ 79,168,415**	**$ 82,335,152**	**$ 84,805,206**	**$ 86,501,310**
Cost of Goods Sold (Excluding Depreciation and Amortization)		(37,237,200)	(35,907,300)	(37,300,503)	(40,375,892)	(41,810,927)	(43,250,655)	(44,115,668)
Gross Profit		29,257,800	35,907,300	38,822,973	38,792,523	40,524,224	41,554,551	42,385,642
Gross Profit Margin		*44.0%*	*50.0%*	*51.0%*	*49.0%*	*49.2%*	*49.0%*	*49.0%*
Operating Expenses (Excluding Depreciation and Amortization):								
General and Administrative		5,319,600	5,745,168	6,217,878	6,125,131	6,400,136	6,604,140	6,736,223
Selling		6,649,500	7,181,460	7,772,348	7,758,499	8,106,839	8,365,245	8,532,549
Share-Based Compensation		1,329,900	1,436,292	2,379,704	2,525,052	2,650,055	2,739,156	2,793,939
Royalty for Use of Corporate Tradename		1,662,375	1,795,365	1,903,087	1,979,210	2,058,379	2,120,130	2,162,533
Other Expense		3,324,750	3,590,730	3,886,174	4,083,421	4,296,758	4,435,260	4,523,966
Total Operating Expenses		**18,286,125**	**19,749,015**	**22,159,191**	**22,471,314**	**23,512,167**	**24,263,932**	**24,749,210**
Operating Expense Margin		27.5%	27.5%	29.1%	28.4%	28.6%	28.6%	28.6%
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)		**$ 10,971,675**	**$ 16,158,285**	**$ 16,663,782**	**$ 16,321,209**	**$ 17,012,058**	**$ 17,290,619**	**$ 17,636,432**
EBITDA Margin		*16.5%*	*22.5%*	*21.9%*	*20.6%*	*20.7%*	*20.4%*	*20.4%*
Depreciation (Stepped Up Tax Basis)		1,401,650	1,549,255	1,646,220	1,593,845	1,593,845	1,784,650	1,820,343
Amortization		-	-	-	-	-	-	-
Earnings Before Interest & Taxes (EBIT)		**$ 9,570,025**	**$ 14,609,030**	**$ 15,017,562**	**$ 14,727,364**	**$ 15,418,213**	**$ 15,505,969**	**$ 15,816,089**
EBIT Margin		*14.4%*	*20.3%*	*19.7%*	*18.6%*	*18.7%*	*18.3%*	*18.3%*
Blended Income Taxes		(3,689,627)	(5,632,365)	(5,789,871)	(5,677,988)	(5,944,338)	(5,978,171)	(6,097,735)
Blended Income Tax Rate (Marginal Rate)		*38.6%*	*38.6%*	*38.6%*	*38.6%*	*38.6%*	*38.6%*	*38.6%*
Debt-Free Net Income		**$ 5,880,398**	**$ 8,976,665**	**$ 9,227,691**	**$ 9,049,376**	**$ 9,473,875**	**$ 9,527,798**	**$ 9,718,354**
Cash Flow Adjustments:								
Depreciation (Reflects Step-Up in Value)		1,401,650	1,549,255	1,646,220	1,593,845	1,593,845	1,784,650	1,820,343
Capital Expenditures		(1,000,000)	(1,200,000)	(1,100,000)	(500,000)	(1,500,000)	(1,500,000)	(1,820,343)
Net Change in Noncash Working Capital	5.0%	(302,250)	(265,980)	(215,444)	(152,247)	(158,337)	(123,503)	(84,805)
Debt-Free Cash Flow		**$ 5,979,798**	**$ 9,059,940**	**$ 9,558,467**	**$ 9,990,974**	**$ 9,409,383**	**$ 9,688,945**	**$ 9,633,549**
Discount Period		0.50	1.50	2.50	3.50	4.50	5.50	
Present Value Factor	14.5%	0.9345	0.8162	0.7128	0.6226	0.5437	0.4749	
Present Value of Debt-Free Cash Flows		$ 5,588,352	$ 7,394,641	$ 6,813,567	$ 6,219,975	$ 5,116,070	$ 4,600,937	

Sum of the Present Value of Discrete Year Cash Flows	$ 35,733,542
Present Value of Terminal Cash Flow	36,597,052
Indicated Enterprise Value from Operations	**$ 72,330,594**
Add: Cash & Equivalents	3,000,000
Add: Equity Method Investments (1)	6,000,000
Add: Present Value of Cost Savings	7,000,000
Add: Present Value of Section 197 Tax Amortization Benefit	12,472,489
Indicated Enterprise Value - Control, Marketable Basis	100,800,000
Less: Fair Value of Debt (2)	**$ -**
Fair Value of Equity (Net Assets) - East Reporting Unit	**$ 100,800,000**

Terminal Growth Rate	2.0%
Residual Value at Terminal Year	$ 77,068,389
Present Value Factor	0.4749
Present Value of Terminal Cash Flow	**$ 36,597,052**

(1) Cash flows do not reflect incremental benefit related to this asset. Assume net book value is approximation for fair value.

(2) For purposes of this example, the fair value of debt is assumed to equal its underlying net book value.

Tax Amortization Benefit Calculation:	
Discount Rate Applicable	14.5%
Blended Income Tax Rate	38.6%
Amortization Period (years)	15
Fair Value Before Tax Amortization Benefit	$ 82,330,594
Less: Tangible Assets	12,366,667
Less: Net Working Capital	6,750,000
Amortizable Portion	63,213,927
Section 197 Tax Amortization Benefit	**$ 12,472,489**

ABC Company
FASB ASC 350 Example
Fair Value of Equity (Net Assets)
Taxable Model - Stepped Up Tax Basis Depreciation

Schedule 3.7.1

Depreciation

				Prior Year 1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Fixed Asset Depreciable Book Original Cost Basis		**$ 13,250,000**								
Estimated Remaining Economic Useful Life		**15.0**		5.0%	9.5%	8.6%	7.7%	6.9%	6.2%	5.9%
Annual Depreciation on Existing Assets				**$ 662,500**	**$ 1,258,750**	**$ 1,132,875**	**$ 1,020,250**	**$ 918,225**	**$ 825,475**	**$ 781,750**
Capital Expenditures:										
Forecast Capital Expenditures					$ 1,000,000	$ 1,200,000	$ 1,100,000	$ 500,000	$ 1,500,000	$ 1,500,000
		Weight	**Useful Life**							
		100.0%	7.0		14.3%	24.5%	17.5%	12.5%	8.9%	8.9%
Annual Depreciation Related to New Assets:										
	Year 1		$ 1,000,000		142,900	244,900	174,900	124,900	89,300	89,200
	Year 2		$ 1,200,000			171,480	293,880	209,880	149,880	107,160
	Year 3		$ 1,100,000				157,190	269,390	192,390	137,390
	Year 4		$ 500,000					71,450	122,450	87,450
	Year 5		$ 1,500,000						214,350	367,350
	Year 6		$ 1,500,000							214,350
Incremental Depreciation Related to New Assets					142,900	416,380	625,970	675,620	768,370	1,002,900
Total Depreciation For All Assets					**1,401,650**	**1,549,255**	**1,646,220**	**1,593,845**	**1,593,845**	**1,784,650**

ABC Company | **Schedule 3.8**

FASB ASC 350 Example

Fair Value of the Invested Capital

Income Approach - Market Participant Cost Savings Valuation

US$ 000's

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Terminal
Estimated Cost Savings if Acquired (1)		**$ 250**	**$ 1,500**	**$ 1,550**	**$ 1,600**	**$ 1,650**	**$ 1,700**	**$ 1,734**
Blended Income Taxes		(96)	(578)	(598)	(617)	(636)	(655)	(669)
Blended Income Tax Rate		*38.6%*	*38.6%*	*38.6%*	*38.6%*	*38.6%*	*38.6%*	*38.6%*
Debt-Free Cash Flow		**$ 154**	**$ 922**	**$ 952**	**$ 983**	**$ 1,014**	**$ 1,045**	**$ 1,065**
Partial Period Factor		1.0	1.0	1.0	1.0	1.0	1.0	
Discount Period		0.50	1.50	2.50	3.50	4.50	5.50	
Present Value Factor	15.0%	0.9325	0.8109	0.7051	0.6131	0.5332	0.4636	
Present Value of Debt-Free Cash Flows		$ 143	$ 747	$ 672	$ 603	$ 541	$ 484	

Sum of the Present Value of Discrete Year Cash Flows	$ 3,190	Terminal Growth Rate	2.0%
Present Value of Terminal Cash Flow	3,800	Residual Value at Terminal Year	$ 8,196
		Present Value Factor	0.4636
Present Value of Market Participant Cost Savings	**$ 7,000**	**Present Value of Terminal Cash Flow**	**$ 3,800**

(1) Cost savings are assumed to take full effect in Year 2 as the buyer integrates the business and incurs severance and other termination expenses.

ABC Company **Exhibit 3.8.1**
FASB ASC 350 Example
Weighted Average Cost of Capital Calculation - Market Participant Cost Savings Valuation
Valuation Date: measurement date

A. Market-Based Capital Structure (1)

Equity	70.0%
Debt	30.0%

B. Cost of Equity

Rf = Risk-free rate = U.S. Treasury 30 Year Bond Yield as of the measurement date
= 3.5%
B = Beta = a measure of the systematic risk or individual price volatility relative to the market
= 1.8
Rp = Equity risk premium = incremental return demanded by an average equity investor in S&P 500 stocks
= 6.0%
Rc = Size premium = additional risk that is unique to small companies
= 3.9%
Rs = Specific risk premium = additional risk that is unique to the subject company
= 2.0%
Cost of Equity = 3.5% + (1.8 x 6%) + 3.9% + 2.0% = 19.9% (rounded)

C. Cost of Debt

Cost of Debt = 5.7% (2)
Corporate Tax Rate = 38.6% (3)
After-tax Cost of Debt = (5.66% + 0%) * (1.0 - 38.554%) = 3.5% (rounded)

D. Weighted Average Cost of Capital

	Estimated Cost		Percentage of Total Capital		Weighted Contribution
Cost of Equity	19.9%	x	70%	=	13.9%
Cost of Debt	3.5%	x	30%	=	1.1%
Estimated Weighted Average Cost of Capital - Rounded				=	15.0%

Notes:
(1) Based on a peer group of market participants.
(2) Based on the yield of corporate bonds of market participants as of the measurement date.
(3) Represents statutory blended federal and state rates, adjusted for observable market participant assumptions.

ABC Company

Schedule 3.9

FASB ASC 350 Example
Fair Value of Equity (Net Assets)
Analysis of Assumed Transaction Structure
US$

Reporting Unit:	**East Reporting Unit**			
	Nontaxable Transaction		**Taxable Transaction**	
Equity (Net Assets) Value (Fair Value of Gross Proceeds)	**99,450,000**	(1)	**100,800,000**	(1)
Tax Basis in Stock (Nontaxable)/Tangible & Intangible Assets (Taxable)	42,000,000	(2)	58,000,000	(2)
Taxable Proceeds	57,450,000		42,800,000	
Applicable Tax Rate	38.6%	(2)	38.6%	(2)
Taxes Arising From Transaction	22,150,000		16,500,000	
Economic Value to Seller	**77,300,000**		**84,300,000**	

Transaction Structure to Be Assumed for FASB ASC 350: **TAXABLE** **(3)**

Footnotes:

(1) Based on reporting unit's discounted cash flow analysis, schedules 3.5 and 3.7.

(2) Given. In practice, this amount should be determined in conjunction with tax advisers.

(3) While the illustration in this guide concludes that the East Reporting Unit (ERU) is not impaired, if it was determined that the ERU failed step 1, then step 2 would be performed. See schedule 2.1 for an illustration of a step 2 test assuming a taxable transaction was the basis utilized in deriving the fair value of the ERU in step 1. For illustrative purposes only, schedule 2.2 depicts the step 2 calculation assuming a nontaxable transaction was the basis utilized in deriving the fair value of the ERU in step 1. Note that in practice, the step 2 test is performed only once, consistent with the assumed transaction structure (that is, taxable or nontaxable), in step 1.

ABC Company

Schedule 3.10

FASB ASC 350 Example

Fair Value of Equity (Net Assets) - East Reporting Unit

Market Approach: Guideline Public Company Method

US$

Valuation Multiples	Weighting (1)	Selected Multiple	Financial Statistic	Preliminary Enterprise Value	Add: Cash & Equivalents	Less: Fair Value of Debt (2)	Add: Equity Method Investments (3)	Cash-Adjusted Equity Value (Minority)
Last Twelve Months:								
Cash-Adjusted Enterprise Value / EBITDA (4)	40.0%	7.5 x	$ 10,502,000	$ 78,765,000	$ 3,000,000	$ -	$ 6,000,000	$ 87,765,000
Cash-Adjusted Enterprise Value / Revenue	30.0%	1.3 x	$ 60,450,000	$ 78,585,000	$ 3,000,000	$ -	$ 6,000,000	$ 87,585,000
Next Twelve Months:								
Cash-Adjusted Enterprise Value / EBITDA	20.0%	6.5 x	$ 12,302,500	$ 79,966,250	$ 3,000,000	$ -	$ 6,000,000	$ 88,966,250
Cash-Adjusted Enterprise Value / Revenue	10.0%	1.2 x	$ 66,500,000	$ 79,800,000	$ 3,000,000	$ -	$ 6,000,000	$ 88,800,000
	100.0%							
Weighted Indicated Fair Value - Minority, Marketable Basis (Rounded)								**$ 88,100,000**

(1) Weighting is based on informed judgment, the depth, breadth, and comparability of underlying data and the appropriateness of the models used under each technique. When multiple valuation techniques are used, the results (respective indications of fair value) are evaluated and weighted, as appropriate, considering the reasonableness of the range indicated by those results.

(2) No debt has been allocated to the reporting unit.

(3) Represents a nonoperating asset not otherwise reflected in the technique.

(4) Earnings Before Interest, Taxes, Depreciation, and Amortization.

ABC Company

FASB ASC 350 Example

Schedule 3.10.1

Fair Value of Equity (Net Assets) - East Unit

Market Approach: Guideline Public Company Method - Analysis of Guideline Group

(US$ Millions)

			= (A)*(B)												
	(A)	**(B)**	**(C)**	**(D)**	**(E)**	**(F)**	**= (C)+(D)+(E)-(F)**					Revenue Multiples		EBITDA Multiples	
	Shares		Minority					Revenues		EBITDA (c)		EV/ LTM	EV/ NY1	EV LTM	EV/ NY1
Company	Outstanding	Price	Market Cap	Other (a)	Debt	Cash	EV (b)	LTM	NY1	LTM	NY1	Revenue	Revenue	EBITDA	EBITDA
Guideline Co 1	85.0	$41.00	3,485.0	-	850.0	71.0	4,264.0	2,928.6	3,221.5	512.5	612.1	1.5x	1.3x	8.3x	7.0x
Guideline Co 2	30.0	$21.70	651.0	-	300.0	21.0	930.0	1,255.0	1,267.6	125.5	190.1	0.7x	0.7x	7.4x	4.9x
Guideline Co 3	280.0	$16.81	4,706.8	-	301.0	59.0	4,948.8	2,990.5	3,259.6	747.6	831.2	1.7x	1.5x	6.6x	6.0x
Guideline Co 4	50.0	$4.50	225.0	-	200.0	23.0	402.0	900.0	1,035.0	22.5	51.8	0.4x	0.4x	NM	7.8x
Guideline Co 5	150.0	$11.12	1,668.0	-	1,000.0	43.00	2,625.0	1,713.2	1,884.5	296.4	339.2	1.5x	1.4x	8.9x	7.7x
Guideline Co 6	38.0	$14.00	532.0	-	511.0	257.0	786.0	829.0	804.1	91.2	104.5	0.9x	1.0x	8.6x	7.5x
Guideline Co 7	126.0	$6.80	856.8	-	340.0	12.00	1,184.8	736.7	810.4	132.6	158.0	1.6x	1.5x	8.9x	7.5x
Guideline Co 8	111.0	$4.73	525.0	1.6	3.5	1.0	529.2	560.9	532.9	67.3	95.9	0.9x	1.0x	7.9x	5.5x
Guideline Co 9	30.0	$7.68	230.4	-	205.0	11.00	424.4	407.6	428.0	49.7	81.3	1.0x	1.0x	8.5x	5.2x
Subject Company - East Unit								**60.5**	**66.5**	**10.5**	**12.3**				
							HIGH	2,990.5	3,259.6	747.6	831.2	1.7x	1.5x	8.9x	7.8x
							MEAN	1,369.1	1,471.5	227.3	273.8	1.2x	1.1x	8.1x	6.6x
							MEDIAN	900.0	1,035.0	125.5	158.0	1.0x	1.0x	8.4x	7.0x
							LOW	407.6	428.0	22.5	51.8	0.4x	0.4x	6.6x	4.9x
										Selected Multiples		1.3x	1.2x	7.5x	6.5x

(a) Other includes preferred equity, minority interest, if applicable.
(b) Enterprise Value (EV) = market capitalization + preferred equity + minority interest + total debt - cash.
(c) Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA) = operating income + depreciation & amortization.

ABC Company

FASB ASC 350 Example

Schedule 3.10.2

Fair Value of Equity (Net Assets) - East Unit

Market Approach: Guideline Public Company Method - Metrics Analysis

(US$ Millions)

Company	Revenues			Revenue Growth		EBITDA			EBITDA Margin			EBITDA Growth	
	LTM	NY1	NY2	NY1	NY2	LTM	NY1	NY2	LTM	NY1	NY2	NY1	NY2
Guideline Co 1	2,928.6	3,221.5	3,479.2	10.0%	8.0%	512.5	612.1	852.4	17.5%	19.0%	24.5%	19.4%	39.3%
Guideline Co 2	1,255.0	1,267.6	1,330.9	1.0%	5.0%	125.5	190.1	212.9	10.0%	15.0%	16.0%	51.5%	12.0%
Guideline Co 3	2,990.5	3,259.6	3,487.8	9.0%	7.0%	747.6	831.2	906.8	25.0%	25.5%	26.0%	11.2%	9.1%
Guideline Co 4	900.0	1,035.0	1,169.6	15.0%	13.0%	22.5	51.8	175.4	2.5%	5.0%	15.0%	130.0%	239.0%
Guideline Co 5	1,713.2	1,884.5	2,035.3	10.0%	8.0%	296.4	339.2	508.8	17.3%	18.0%	25.0%	14.5%	50.0%
Guideline Co 6	829.0	804.1	844.3	-3.0%	5.0%	91.2	104.5	126.7	11.0%	13.0%	15.0%	14.6%	21.2%
Guideline Co 7	736.7	810.4	875.2	10.0%	8.0%	132.6	158.0	218.8	18.0%	19.5%	25.0%	19.2%	38.5%
Guideline Co 8	560.9	532.9	612.8	-5.0%	15.0%	67.3	95.9	122.6	12.0%	18.0%	20.0%	42.5%	27.8%
Guideline Co 9	407.6	428.0	449.4	5.0%	5.0%	49.7	81.3	94.4	12.2%	19.0%	21.0%	63.5%	16.1%
Subject Company - East Unit	**60.5**	**66.5**	**71.8**	**10.0%**	**8.0%**	**10.5**	**12.3**	**17.6**	**17.4%**	**18.5%**	**24.5%**	**17.1%**	**43.0%**
HIGH	2,990.5	3,259.6	3,487.8	15.0%	15.0%	747.6	831.2	906.8	25.0%	25.5%	26.0%	130.0%	239.0%
MEAN	1,369.1	1,471.5	1,587.2	5.8%	8.2%	227.3	273.8	357.6	13.9%	16.9%	20.8%	40.7%	50.3%
MEDIAN	900.0	1,035.0	1,169.6	9.0%	8.0%	125.5	158.0	212.9	12.2%	18.0%	21.0%	19.4%	27.8%
LOW	407.6	428.0	449.4	-5.0%	5.0%	22.5	51.8	94.4	2.5%	5.0%	15.0%	11.2%	9.1%

ABC Company — **Schedule 3.11**

FASB ASC 350 Example

Fair Value of Equity (Net Assets) - East Unit

Market Approach: Guideline Transaction Method - Indication of Value

US$

Valuation Multiples	Weighting (1)	Selected Multiple	Financial Statistic	Preliminary Enterprise Value	Add: Cash & Equivalents	Less: Fair Value of Debt (2)	Add: Equity Method Investments(3)	Cash-Adjusted Equity Value
Latest Twelve Months:								
Enterprise Value / EBITDA (4)	70.0%	9.0 x	$ 10,502,000	$ 94,518,000	$ 3,000,000	$ -	$ 6,000,000	$ 103,518,000
Enterprise Value / Revenue	30.0%	1.5 x	$ 60,450,000	$ 90,675,000	$ 3,000,000	$ -	$ 6,000,000	$ 99,675,000
Indicated Fair Value - Control, Marketable Basis								
								$ 102,365,000

(1) Weighting is based on informed judgment, the depth, breadth, and comparability of underlying data and the appropriateness of the models used under each technique. When multiple valuation techniques are used, the results (respective indications of fair value) are evaluated and weighted, as appropriate, considereing the reasonableness of the range indicated by those results.

(2) No debt has been allocated to the reporting unit.

(3) Represents a nonoperating asset not otherwise reflected in the technique.

(4) Earnings Before Interest, Taxes, Depreciation, and Amortization.

ABC Company | Schedule 3.11.1

FASB ASC 350 Example

Fair Value of Equity (Net Assets) - East Unit

Market Approach: Guideline Transaction Method - Transaction Data

(US$ Millions)

Target Company	Acquirer	Date Completed	Implied Enterprise Value	Multiples EV/ Revenue	Multiples EV/ EBITDA	1 month prior Control Premium
Target 1	Acquirer 1	12/15/201X	561.6	2.0x	9.8x	26%
Target 2	Acquirer 2	11/25/201X	311.2	0.5x	6.8x	-
Target 3	Acquirer 3	9/27/201X	237.4	1.5x	7.0x	11%
Target 4	Acquirer 4	9/18/201X	119.0	1.5x	nm	-
Target 5	Acquirer 5	9/10/201X	179.0	1.6x	-	-
Target 6	Acquirer 6	8/24/201X	293.5	1.0x	10.5x	27%
Target 7	Acquirer 7	7/26/201X	67.7	1.4x	11.8x	31%
Target 8	Acquirer 8	6/24/201X	77.4	2.0x	nm	-
Target 9	Acquirer 9	6/20/201X	199.9	0.7x	12.5x	-
Target 10	Acquirer 10	6/13/201X	926.1	0.5x	7.9x	-2%
Target 11	Acquirer 11	5/22/201X	147.5	0.7x	7.6x	-
Target 12	Acquirer 12	5/21/201X	259.8	0.8x	9.0x	-
Target 13	Acquirer 13	2/19/201X	2,251.5	2.8x	nm	20%
Target 14	Acquirer 14	2/11/201X	175.0	1.8x	-	-
		HIGH	2,251.5	2.8x	12.5x	31%
		MEAN	414.7	1.3x	9.2x	19%
		MEDIAN	218.7	1.5x	9.0x	23%
		LOW	67.7	0.5x	6.8x	-2%
		Selected Multiples		1.5x	9.0x	

ABC Company	Schedule 3.12

FASB ASC 350 Example

Summary of Step 1 Goodwill Impairment Test - East Reporting Unit

Fair Value of Reporting Unit

Taxable Transaction

	Discounted Cash Flow Method	Guideline Public Company Method	Guideline Transaction Method
Enterprise Value (Minority, Marketable)	NA	$ 88,100,000	NA
Control Premium	NA	20% (1)	NA
Enterprise Value (Control, Marketable)	100,800,000	103,920,000	102,365,000
Weighting (2)	60%	20%	20%
	60,480,000	20,784,000	20,473,000
Fair Value of Equity (Net Assets) - East Unit			**101,740,000**

(1) Represents a comprehensive premium that includes synergies and all other elements of control available to a market participant in a control transaction including any assumed tax shield associated with a step up in basis. Preparers should carefully assess individual facts and circumstances in applying control premiums and ensure that the level of documentation and support is consistent with magnitude of the control premium applied. In the guideline public company method, the control premium was applied to the indicated value excluding cash balances and non-operating asset. Cash and non-operating asset are added to the indication after application of the premium.

(2) Weighting is based on informed judgment, the depth, breadth, and comparability of underlying data and the appropriateness of the models used under each technique. When multiple valuation techniques are used, the results (respective indications of fair value) are evaluated and weighted, as appropriate, considereing the reasonableness of the range indicated by those results.

ABC Company **Schedule 3.13**

FASB ASC 350 Example

Fair Value of Equity (Net Assets)

Comparison to Market Capitalization - Consolidated

US$

Summary of Fair Values Supporting ASC 350 Goodwill Impairment Test

		Carrying Amount	Fair Value
East Reporting Unit		$ 83,333,667	$ 101,740,000
West Reporting Unit (Given)		39,920,381	50,000,000
Corporate (Given) (1)		(26,464,286)	(28,500,000)
Total Consolidated Equity Value		**$ 96,789,762**	**$ 123,240,000**
Concluded Consolidated Equity Value for Impairment Testing	**(A)**		**$ 123,240,000**

Market Data

Measurement Date Share Price (2)		$ 19.00
Total Number of Shares Outstanding		5,000,000
Market Value of Equity		95,000,000
Fair Value of Noncontrolling Interest (Given)	(3)	10,000,000
Market Value of Total Equity	**(B)**	**$ 105,000,000**

Comparison to Market Capitalization

Concluded Consolidated Equity Value for Impairment Testing		**$ 123,240,000**
Market Value of Total Equity		**$ 105,000,000**
Implied Premium ($)		**$ 18,240,000**
Implied Premium (%)	**((A)/(B))-1**	**17.4%**

Footnotes:

(1) Fair value less than carrying amount due to unallocated corporate expenses
(2) Based on a representative horizon of stable pricing
(3) As of measurement date, this amount does not reflect any adjustment for lack of control.

Comments

The 17.4% implied premium in this schedule is cosistent with the ranges presented in schedule 3.11.1, and is considered reasonable.
See schedule 3.14, for additional analysis of reconciling items (discussed in paragraph 3.97).

ABC Company

Schedule 3.14

FASB ASC 350 Example

Fair Value of Equity (Net Assets)

Comparison to Market Capitalization - Reconciling Items

US$

Comparison to Market Capitalization - Reconciling Components			
Concluded Consolidated Equity Value for Impairment Testing (A)		**$**	**123,240,000**
Market Value of Total Equity (B)		**$**	**105,000,000**
Implied Premium ($)		**$**	**18,240,000**
Implied Premium (%)	**((A)/(B))-1**		**17.4%**
Identified Components of the Implied Premium			
Cost Savings - East		$	7,000,000
Cost Savings - West (Given)			5,500,000
Fair Value Step-up From Taxable Transaction Assumption			1,350,000
Total Identified Components of Implied Premium			**13,850,000**
Total Unidentified Components of Implied Premium	**(4)**		4,390,000

Comments:

This schedule is a continuation of schedule 3.13, and identifies components that explain some of the differences between aggregate fair value used in impairment testing with the observable market capitalization of the company. The nature and extent of further reconciliation will be based on specific facts and circumstances. In general, the task force believes that larger differences in the two observations would require a higher level of documentation and support.

ABC Company

Schedule 3.15

FASB ASC 350 Example

Fair Value of Equity (Net Assets)

Second Step of the Goodwill Impairment Test - Taxable Transaction

US $

	Historical Cost East Reporting Unit	FASB ASC 805 Adjustments (Given)	FASB ASC 805 Step 2
Assets			
Cash & Equivalents	$ 3,000,000	$ -	$ 3,000,000
Accounts Receivable, Net	10,300,000	(400,000)	9,900,000
Allowance	(400,000)	400,000	-
Inventories	1,500,000	250,000	1,750,000
Inter-Company Due To/From	(3,000,000)	-	(3,000,000)
Prepaid Expenses & Other	150,000	-	150,000
Total Current Assets	11,550,000	250,000	11,800,000
Property, Plant & Equipment			
Gross Property, Plant & Equipment	13,250,000	(1,250,000)	12,000,000
Less: Accumulated Depreciation	(883,333)	883,333	-
Net Property, Plant & Equipment	12,366,667	(366,667)	12,000,000
Intangible Assets (Other than Goodwill), Net of Amortization			
Covenants Not to Compete	2,250,000	(500,000)	1,750,000
Trade Secrets	6,000,000	500,000	6,500,000
Brandname (previously unrecognized)	-	2,000,000	2,000,000
Product Trade Name	6,000,000	2,000,000	8,000,000
Favorable Leases	4,920,000	(220,000)	4,700,000
Customer Relationships	10,800,000	(1,500,000)	9,300,000
Accumulated Amortization	(2,753,000)	2,753,000	-
Total Net Intangible Assets	27,217,000	5,033,000	32,250,000
Other Assets			
Equity Method Investments	6,000,000	-	6,000,000
Total Other Assets	6,000,000	-	6,000,000
Goodwill	39,000,000	(39,000,000)	-
Total Assets	**$ 96,133,667**	**$ (34,083,667)**	**$ 62,050,000**
Liabilities & Equity			
Accounts Payable	6,600,000	-	6,600,000
Accrued Salaries and Wages	1,200,000	-	1,200,000
Total Current Liabilities	7,800,000	-	7,800,000
Deferred Tax Liability **(1)**	5,000,000	(5,000,000)	-
Total Liabilities	**12,800,000**	**(5,000,000)**	**7,800,000**

Equity			
Shareholder's Equity	73,333,667	(73,333,667)	-
Noncontrolling Interest **(2)**	10,000,000	(10,000,000)	-
Total Equity	83,333,667	(83,333,667)	-
Total Liabilities & Equity	**$ 96,133,667**	**$ (88,333,667)**	**$ 7,800,000**

Identifiable Assets and Liabilities Measured as per FASB ASC 805	$ 54,250,000
Step 1 Fair Value (Given)	80,000,000
Implied Fair Value of Reporting Unit Goodwill	25,750,000
Carrying Value of Reporting Unit Goodwill	39,000,000
Impairment	**$ (13,250,000)**

(1) To eliminate deferred taxes consistent with a taxable transaction

(2) Step 1 Fair Value (Given)

ABC Company

Schedule 3.16

FASB ASC 350 Example

Fair Value of Equity (Net Assets)

Second Step of the Goodwill Impairment Test - Nontaxable Transaction

US $

	Historical Cost East Reporting Unit	FASB ASC 805 Adjustments (Given)	FASB ASC 805 Step 2
Assets			
Cash & Equivalents	$ 3,000,000	$ -	$ 3,000,000
Accounts Receivable, Net	10,300,000	(400,000)	9,900,000
Allowance	(400,000)	400,000	-
Inventories	1,500,000	250,000	1,750,000
Inter-Company Due To/From	(3,000,000)	-	(3,000,000)
Prepaid Expenses & Other	150,000	-	150,000
Total Current Assets	11,550,000	250,000	11,800,000
Property, Plant & Equipment			
Gross Property, Plant & Equipment	13,250,000	(1,250,000)	12,000,000
Less: Accumulated Depreciation	(883,333)	883,333	-
Net Property, Plant & Equipment	12,366,667	(366,667)	12,000,000
Intangible Assets (Other than Goodwill), Net of Amortization			
Covenants Not to Compete	2,250,000	(500,000)	1,750,000
Trade Secrets	6,000,000	500,000	6,500,000
Brandname (previously unrecognized)	-	2,000,000	2,000,000
Product Trade Name	6,000,000	2,000,000	8,000,000
Favorable Leases	4,920,000	(220,000)	4,700,000
Customer Relationships	10,800,000	(1,500,000)	9,300,000
Accumulated Amortization	(2,753,000)	2,753,000	-
Total Net Intangible Assets	27,217,000	5,033,000	32,250,000
Other Assets			
Equity Method Investments	6,000,000	-	6,000,000
Total Other Assets	6,000,000	-	6,000,000
Goodwill	39,000,000	(39,000,000)	-
Total Assets	**$ 96,133,667**	**$ (34,083,667)**	**$ 62,050,000**
Liabilities & Equity			
Accounts Payable	6,600,000	-	6,600,000
Accrued Salaries and Wages	1,200,000	-	1,200,000
Total Current Liabilities	7,800,000	-	7,800,000
Deferred Tax Liability (1)	5,000,000	1,894,952	6,894,952
Total Liabilities	**12,800,000**	**1,894,952**	**14,694,952**

Equity			
Shareholder's Equity	73,333,667	(73,333,667)	-
Noncontrolling Interest **(2)**	10,000,000	(10,000,000)	-
Total Equity	83,333,667	(83,333,667)	-
Total Liabilities & Equity	**$ 96,133,667**	**$ (81,438,715)**	**$ 14,694,952**

Identifiable Assets and Liabilities Measured in Accordance with ASC 805	$ 47,355,048
Step 1 Fair Value (Given)	74,000,000
Implied Fair Value of Reporting Unit Goodwill	26,644,952
Carrying Value of Reporting Unit Goodwill	39,000,000
Impairment	**$ (12,355,048)**

(1) To record deferred tax effects associated with changes in values of assets and liabilities.
Tax rate based on schedule 3.9.

(2) To eliminate historical goodwill and equity