

# FMV Discount for Lack of Marketability

---

Subject Company XYZ, Inc.  
Valuation Date 7/7/2007  
Inflation Adjusted Yes

Company Financials (latest twelve months, \$ thousands, except volatility)

Market Value of Equity	\$100,000
Revenues	\$90,000
Total Assets	\$70,000
Shareholders' Equity	\$20,000
Market-to-Book Ratio	5.0
Net Income	\$8,000
Net Profit Margin	8.9%
Volatility	NA

## Restricted Stock Equivalent Discount Analysis<sup>1</sup>

(1) Financial Characteristics Comparison	Subject Company Value	FMV Study™ Quintile	Discount Indication	Selected Weight	FMV Suggested Weight
<b>Size Characteristics</b>					
Market Value of Equity (000s)	\$100,000	3rd Quintile	18.6%	2	2
Revenues (000s)	\$90,000	1st Quintile	13.0%	1	1
Total Assets (000s)	\$70,000	2nd Quintile	11.4%	3	3
<b>Balance Sheet Risk Characteristics</b>					
Shareholders' Equity (000s)	\$20,000	3rd Quintile	18.8%	2	2
Market-To-Book Ratio	5.0	3rd Quintile	17.1%	1	1
<b>Profitability Characteristics</b>					
Net Profit Margin	8.9%	1st Quintile	14.8%	0	0
<b>Market Risk Characteristics</b>					
Volatility	NA	NA	NA	0	0

### **Indicated Restricted Stock Equivalent Discount**

**15.5%**

(2) Best Comparables Analysis	Weights Selected for Financial Characteristics Comparison Analysis			Variables Selected for Best Comparables Analysis		FMV Suggested Variables	
Market Value	2			Yes		Yes	
Revenues	1			Yes		Yes	
Total Assets	3			Yes		Yes	
Shareholders' Equity	2			Yes		Yes	
Market-To-Book Ratio	1			Yes		Yes	
Net Profit Margin	0			Yes		Yes	
Volatility	0			No		No	
Number of Variables to Match:				6			
Number of Matches	1	2	3	4	5	6	7
Transaction Count	429	198	66	12	3	0	0
Median Discount	15.0%	14.7%	15.1%	20.5%	31.2%	NA	NA

### **Indicated Restricted Stock Equivalent Discount Range**

**15% - 31%**

## Restricted Stock Equivalent Discount Conclusion

Restricted Stock Equivalent Discount	
Financial Characteristics Comparison	15.5%
Best Comparables Analysis	15% - 31%

**Selected Restricted Stock Equivalent Discount**

**18.0%**

---

### Market Volatility Adjustment Analysis

**Selected Restricted Stock Equivalent Discount** **18.0%**

	Low	High	Multiplicative Adjustment Factor
VIX Range	0.00	23.20	1.00
	23.20	26.00	1.16
	26.00	32.90	1.23

	VIX Value	Indicated Mult. Adj. Factor
Valuation Date	14.72	1.00
Trailing 1-Month Average	15.21	1.00
Trailing 6-Month Average	13.25	1.00

**Selected Market Volatility Adjustment Factor** **1.00**

**Adjusted Restricted Stock Equivalent Discount** **18.0%**

---

### Private Equity Discount Analysis

**Adjusted Restricted Stock Equivalent Discount** **18.0%**

% Shares Placed	Median Adjustment Factors	
	Multiplicative	Inverse Multiplicative
30 - 40%	1.53	0.86
40 - 50%	1.83	0.78

Private Equity Discount Range	Low	High
Multiplicative	27.5%	32.9%
Inverse Multiplicative	29.5%	36.0%

**Selected Private Equity Discount** **30.0%**

---

## **Summary and Conclusion**

Restricted Stock Equivalent Discount	
Financial Characteristics Comparison	15.5%
Best Comparables Analysis	15% - 31%
Selected Restricted Stock Equivalent Discount	<u>18.0%</u>
Times: Selected Market Volatility Adjustment Factor	<u>1.00</u>
Adjusted Restricted Stock Equivalent Discount	18.0%
Selected Private Equity Discount	30.0%
<b>Discount for Lack of Marketability Conclusion</b>	<b>30.0%</b>

---

NA = Not Available

<sup>1</sup>Excludes transactions with "% Shares Placed" > 30%. Sample includes 571 transactions between July 1, 1980 and December 31, 2008.

---

Calculator:

Copyright (c) 2010 FMV Opinions, Inc. All rights reserved.

Web site:

Copyright (c) 2010 Business Valuation Resources, LLC. All rights reserved.

Phone: (503) 291-7963

Disclaimer:

This calculation is intended to provide basic information regarding the analysis of company-specific discounts for lack of marketability. Calculation results provided should be supplemental only. The user must analyze the results to properly quantify marketability discounts for his or her subject company. FMV Opinions, Inc., Business Valuation Resources, LLC., their employees and staff make no representation, guarantee or warranty express or implied, regarding the information and will bear no liability for the results or consequences of its use.

