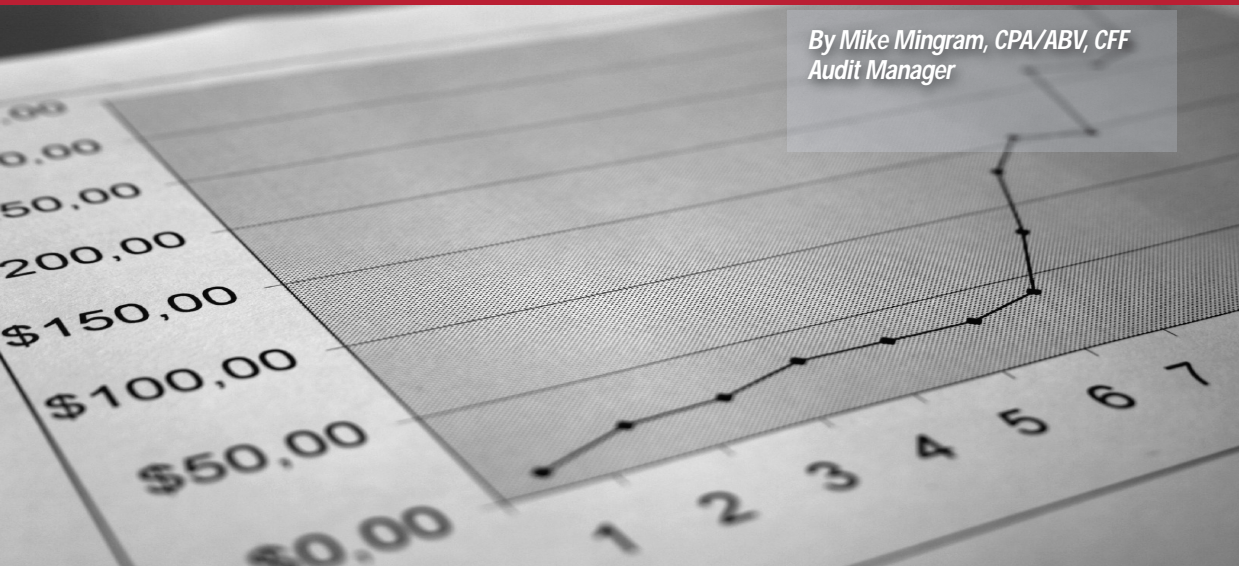


FOR WHAT IT'S WORTH... BUSINESS VALUATION OFFERS GROWTH FOR THE EXPERIENCED!

By Mike Mingram, CPA/ABV, CFF
Audit Manager



The art of business valuation has been here since mankind started conducting exchange transactions for goods and services. It's still based on the willing seller, willing buyer concept. It has come a long way in developing valuation techniques that quantify the value of a particular business.

In today's complex market, business valuation techniques have evolved to be able to estimate the fair market value of a business in the absence of a willing seller and willing buyer, and for that matter, the lack of a public market.

For the entrepreneur who has grown a business over the years to sales volume greater than \$2 million, the valuation process becomes more complex due to the purpose for the valuation. Purposes for a business valuation include:

- Establishing and maintaining buy/sell agreements among shareholders, partners, and members
- Gift and estate tax planning
- Death
- Divorce
- Merger and acquisition
- Exit strategies
- Succession planning

It's a good business practice to adopt a buy/sell agreement when there are two or more equity owners in the business. This agreement is further strengthened if the valuation process is performed annually and all equity owners agree to the established value. This value should be memorialized in an addendum to the buy/sell agreement. This practice, if done properly, will reduce potential conflict among the equity owners down the road.

In contemplation of divorce, a business valuation is very important to the spouse continuing with the business (in-spouse). In this situation, assuming that the ownership interest is in a community property state, the concept of fair market value is thrown out in favor of fair value. The premise of willing buyer and willing seller are replaced by the premise of willing buyer and unwilling seller. Other important issues are the normalization of the owner's salary when valuing the business for asset division purposes and the use of the owner's actual compensation for the spousal support formula.

"Make all you can, save all you can, give all you can."
— John Wesley

In the event that a company finds itself the target of a potential acquisition, it's very important to have a business valuation to ensure that the owners will receive the highest selling price possible under the circumstances. The owners should be aware of investment value. Investment value is the value to a particular investor based on individual investment requirements. Having a clear understanding of the buyer's investment requirements can lead to a premium selling price.

A business valuation is the foundation for developing an exit strategy or succession plan. Both involve the change in ownership. It determines the amount of capital required to affect a sale to an outside party or to an employee group of investors. Generally, an exit strategy and/or a succession plan are executed over three to five years or more. Thus a business owner should start this planning process well in advance of their desired retirement date.

Whatever the purpose, a business valuation can play a vital role in helping business owners achieve their financial goals. Contact your Lautze financial advisor for more information!

A PROMISE OF PROFESSIONALISM

Lautze & Lautze follows a stringent code of conduct, which it has designed over the years to be a model for the accounting profession.

At Lautze & Lautze, we have a shared goal of being regarded by our people, our clients, and our peers as the region's best accounting firm. That's why our values-based culture is the cornerstone of our business conduct. It also plays an integral role in helping to drive our strategic priorities.

One of those priorities is our commitment as a team to approach every client engagement with professionalism and integrity. Our management, in turn, is dedicated to being responsive, responsible, and fair, encouraging members of the Lautze & Lautze family to "raise their hands" to offer input and ideas for furthering our culture.

"Bringing out the best in each other and creating strong and successful working relationships is good for everyone—our employees, our clients, and our communities," says Judy Lee-Strain, managing director, Lautze & Lautze San Francisco. "And being open and honest in our communication is an important part of who we are and is one of many principles we follow."

The firm is also steadfast in its pledge to comply with all applicable laws and regulations, as well as professional standards. "We call it The Lautze & Lautze Way," says Lee-Strain. As part of this commitment, Lautze & Lautze regularly challenges assumptions and pursues facts—all while strengthening the firm's reputation as a trusted business advisor.

It's this dedication to ethics and compliance that has helped us become an employer of choice for professionals who want to be part of our culture. Plus, Lautze & Lautze made a decision many years ago to focus on quality growth, working only with organizations that share our values.

"Above all, we devote ourselves to act with integrity," says George Uccelli, managing director, Lautze & Lautze San Jose. "We promise our clients to uphold the highest professional standards and provide sound advice—with the respect, objectivity, and insight they deserve."



GIVING WITH AN OPEN HEART

Whether it's helping to stock food banks at holiday time, providing at-risk youth with positive role models, or playing golf to help the challenged, the underlying theme is always the same. Simply put, giving back is part of who we are at Lautze & Lautze. Throughout the year, the firm and our team members are helping in some way, whether it's sponsoring an event, donating money, or volunteering.

In March, for example, sixteen people representing Lautze & Lautze's San Francisco office volunteered at the annual Girls Night Out/Boys Night Out event held by the Boys & Girls Club of San Francisco. The volunteers played games and interacted with elementary-aged children.

"It was a great opportunity to put smiles on kids' faces and show them that a lot of 'grown-ups' really care about their future," says Roger Bulosan, Director of Client Services. "We also had the privilege to be an event sponsor to help with the annual event's financial considerations."

Next month, six members of the San Francisco office will participate in the Arc of Alameda County's Bogey Bash. This second annual golf tournament raises money for the organization, which is the East Bay leader in advocating for and providing services to people with developmental disabilities. Lautze & Lautze is also a sponsor of the tournament, which will be held May 2, 2011 at the Las Positas Golf Course in Livermore.

The San Jose office has also been busy helping others. Last December, for instance, fifteen volunteers spent a morning participating in circle time, singing songs, and reading stories to toddlers. The United Way sponsored this event, which was held at the San Juan Bautista Child Development Center in San Jose. Founded more than 35 years ago, the organization's eleven centers throughout Santa Clara County serve children of low-to-moderate income families. Their mission is to provide educational child care to prepare children and families for a bright and prosperous future.

"The little ones had a lot of fun and the volunteers left feeling like they'd made a difference," says Juliet Song, Audit Manager. "Whether you volunteer for an hour, a day, or a week, every little bit helps. It's great to be part of a firm that shares my commitment to volunteerism."



Is it In Your Best Interest?

Before you join the flock trying to refinance, determine if a new loan's terms fit your goals.

On its face, deciding whether it's worth it to refinance your mortgage seems simple enough. Shop the lowest rate possible. Figure out what your monthly payment would be at that new rate. Compare it with what you're paying now and decide whether the savings (assuming there are any) offset the closing costs of the loan quickly enough.

However, as with most money matters, nothing is that simple. While the gyrations in the credit market have made it tough for many people to take out a loan, it's less of a hassle to refinance... especially for owners with good credit who have built up equity over time.

If you're contemplating joining in, think about what you are trying to achieve by refinancing and how best to do so.

Are you refinancing to save money by minimizing the total interest expense during the life of the loan, or are you trying to free up cash by lowering your monthly payment? Are you rushing to pay off your loan as quickly as possible and, if so, are you short-changing your cash needs in the process or eating into your emergency fund?

Or maybe you're eager to ditch an adjustable-rate mortgage before it resets, switching to a more predictable fixed-rate loan. Have you considered that your loan may reset to a lower rate if it is tied to a Treasury index?

Can you stomach holding on to it longer? Should you? Answers to many of these questions are a function of timing. Your Lautze Director may be able to help answer these questions and more. We have teamed up with Wymac Capital and offer very competitive fixed and variable interest rate mortgages with **no points, no fees and no prepayment penalties**. Interested in finding out more details? Please give us a call today.

Everyday Financial Advice— Monitoring the Performance of Your 401(k)!

Gauging the performance of your 401(k) can be difficult, especially if you don't manage the account yourself or if you've hired a financial advisor to handle it on your behalf. Still, it pays to check the performance of your account from time to time, and look for any patterns that may indicate it's time to make changes to your portfolio.

Some of the best ways to increase the performance of your 401(k) include:

1. Never borrow from your account. Keep on building it up and avoid the temptation to withdraw some funds. Withdrawing early can lead to penalties plus interest, so the best way to maximize your 401(k) investment is to keep all of those funds as safe as possible.

2. Always contribute the maximum amount year after year. Each year the IRS sets a maximum contribution amount for these accounts. Make sure you know what that amount is so you can contribute as much as possible. You'll enjoy ongoing tax benefits and can look forward to a great retirement fund in the future.

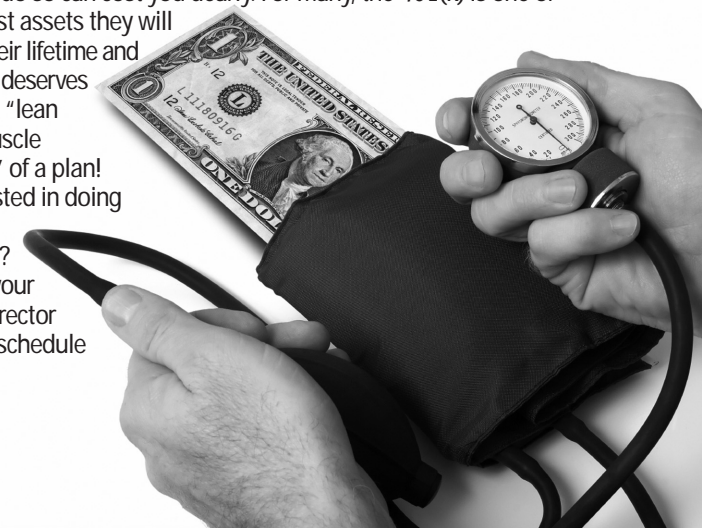
3. Learn about options to diversify your portfolio. Talk with your Lautze financial director about the options for diversifying your portfolio. Do your homework, as well, so you can make the most informed decisions about your account.

4. Don't underestimate your losses.

If you are monitoring your account performance year after year but are only comparing the gain or loss between periods, you could be seriously underestimating your losses. Take the time to really learn how your account is performing so that you can decide if you are making the wisest financial decision for the long-term.

Finding that time to review and monitor your 401(k) is often hard to do with all that life throws at us on a day-to-day basis. However, failing to do so can cost you dearly. For many, the 401(k) is one of the largest assets they will own in their lifetime and everyone deserves to have a "lean mean muscle machine" of a plan!

Interested in doing a 401(k) check-up? Contact your Lautze director today to schedule a review.

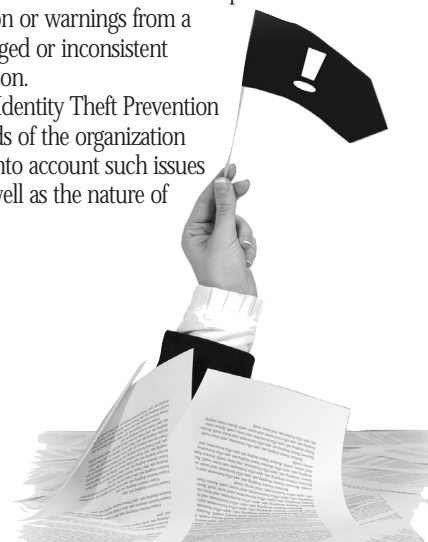


RAISING THE RED FLAG!

In order to combat the growing problem of identity theft, the Federal Trade Commission (FTC) issued "Red Flag" rules which generally apply to organizations that have utility accounts such as water, sewer, electricity, or other organizations that defer payment for services on a recurring basis. As of June 1, 2010, these organizations were required to have written programs in place to identify, detect and respond to patterns, practices or specific activities – known as "Red Flags" that could indicate identity theft.

In particular, the new rules apply to all utility and other operations that provide a service for which payment is deferred until a future day. For example, when water, sewer or electricity is provided by a city and then paid for by the consumer at the end of a billing cycle, the city has extended credit for the purpose of the FTC. Some examples of "Red Flags" include alerts, notification or warnings from a consumer reporting agency, forged or inconsistent customer identifying information.

According to the FTC, each Identity Theft Prevention Program is tailored to the needs of the organization creating the program, taking into account such issues as its size and complexity, as well as the nature of its operations.



Take a Test Drive of Our All-New Website!

Have questions? Want more information? We have what you're looking for on our completely refreshed web site!

From our services to our people, everything you want to know is here. Plus, on our "Resources Page" we've added interactive financial calculators and other tools to assist you as you make financial decisions. You'll also have instant access to many of those hard to find Internet links such as government agencies, accounting and auditing sites, personal finance information, the non-profit industry, employee benefit plans, useful tools, and even links that are just plain fun. Come take that test drive today and see how easy it is to navigate @ www.lautze.com.



