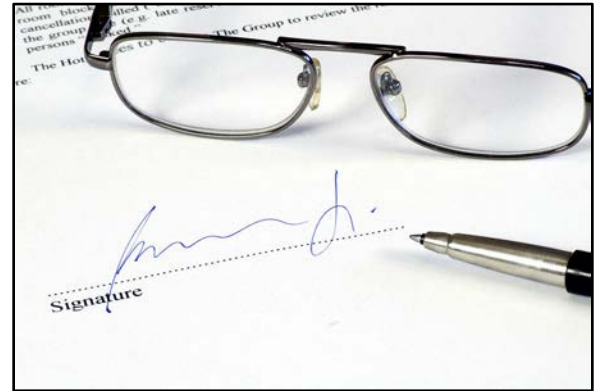


Fairness Opinions

Since one often hears the term “fair value” or “fair market value,” it would be easy to assume that “fairness opinion” means the same thing. A fairness opinion may be based to some degree on fair market value, but there the similarities end. Assume that you are president of a family business and the other members are not active in the business, but are stockholders; or you are president of a privately held company that has several investors/stockholders. The decision is made to sell the company; and you as president are charged with that responsibility. A buyer is found; the deal is set; it is ready to close — and, then, one of the minority stockholders comes out of the woodwork and claims the price is too low. Or, worse, the deal closes, then the minority stockholder decides to sue the president, which is you, claiming the selling price was too low. A fairness opinion may avoid this or protect you, the president, from any litigation.



A fairness opinion is a letter, usually only two to four pages, containing the factors or items considered, and a conclusion on the fairness of the selling price along with the usual caveats or limitations. These limitations usually cite that all the information on which the letter is based has been provided by others, the actual assets of the business have not been valued, and that the expert relied on information furnished by management.

This letter can be prepared by an expert in business valuation such as an M&A Advisor. The content of the fairness opinion letter is limited to establishing a fair price based on the opinion of the expert. It does not provide any comment or opinion on the deal itself or how it is structured; nor does it contain any recommendations on whether the deal should be accepted or rejected.

Fairness opinions are often used in the sale of public companies by the board of directors. It helps support the fact that the board is protecting the interests of the stockholders, at least as far as the selling price is concerned. In privately held companies, the fairness opinion will serve the same purpose if there are minority shareholders or family members who may elect to challenge the price the company is being sold for.

About CK Business Consultants, Inc.:

CK Business Consultants, Inc. has been dealing exclusively in the sale and acquisition of petroleum and propane related mid-market companies since 1976. We are qualified, experienced, and highly professional intermediaries working with both buyers and sellers in the successful transfer of business ownership. We handle all phases of the project including initial analysis, valuations, developing a confidential information memorandum, locating qualified buyers, negotiations, and execution of the transaction. For more information, please call or email Gary Papay @ 570-584-6488, gpapay@ckbc.net or visit our website @ www.ckbc.net.

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