



## Estate Tax Uncertainty

January 2006

---

Uncertainty over the ultimate fate of the federal estate tax has lingered since passage of President Bush's tax cuts in 2001. Under the current legislation, the estate tax is progressively reduced to zero by 2010 at which time the estate tax disappears—only to return the following year at the original 55% rate unless the Congress makes the estate tax repeal permanent.

Following President Bush's re-election in 2004, the Republican controlled Congress sought aggressively to make the first-term tax cuts permanent.

However, consideration of the issue has been waylaid in the current Congress as a result of concerns over the growing fiscal budget deficit due to mounting costs associated with the war in Iraq and hurricane relief following Hurricane Katrina.

Fiscal conservatives have also made permanent repeal of the estate tax more tenuous, particularly as the ultimate cost of any repeal remains a highly debated issue. Government estimates indicate that repeal of the estate tax would cost \$290 billion of ten years. Lobby groups opposing repeal of the estate tax estimate the cost in excess of \$975 billion. The true cost is likely to lie somewhere between these estimates.

Highland Global article to appear in the  
NACVA's *The Value Examiner*

"The Direct Market Data Method: Value Disparity Issues" by Highland Global Principal Robert M. Clinger III, AVA has been selected by the editorial Board of *The Value Examiner* for inclusion in the March/April issue. *The Value Examiner* is the bimonthly publication of the National Association of Certified Valuation Analysts. Mr. Clinger's article discusses how to best address the disparity between value indications produced under the direct market data method and the multi-period discounted earnings method. More details to follow in the next newsletter...

Uncertainty over the future of the estate tax issue has created additional problems for many states. Currently, the state level estate tax is coupled with the federal estate tax (47% rate). The federal government collects the tax then issues the state's respective portion to that state. In anticipation that the estate tax may be permanently repealed, seventeen states and the District of Columbia have introduced

bills seeking to impose a new state level estate tax should the federal tax be abolished. These states have faced intense opposition to the bills. In fact, taxpayers appear set to successfully challenge the legality of the new state level estate tax legislation in Pennsylvania, New Jersey, and Washington (state), forcing reconsideration and reform of the legislation.

As a result of these developments at the federal and state levels, Republicans in the Congress appear willing to accept a compromise over the future of the estate tax. Following expiration of the current tax cuts, the compromise may set the federal estate tax at a 15-20% rate, similar to the capital gains rate. In the absence of an estate tax, heirs are faced with a capital gains tax on a carry-over basis. The capital gains tax liability is based on the increase in value from when the asset was acquired by the deceased and the time when the asset is sold by the heir. With an estate tax in place, the capital gain is based on the increase in value from the date of death/when the heirs inherit the asset and when the heirs sell it (the stepped-up basis).

To see the impact of each situation, consider the case where John Doe dies with an estate valued at \$20 million. The estate is comprised entirely of 1,000,000 shares in publicly-traded company XYZ Enterprises, Inc. which were acquired by John Doe in 1950 at \$2.00 per share. At the time of his death, shares in XYZ Enterprises, Inc. were trading at \$20. If there is no estate tax, the heirs' tax liability would be calculated as follows, assuming that the heirs sell the shares upon the death of John Doe<sup>1</sup>:

<b>Calculation of Heirs' Tax Liability</b>	
<b>No Estate Tax Situation</b>	
Shares	1,000,000
Cost Basis	\$2,000,000
Value at time of Death	\$20,000,000
Capital Gain	\$18,000,000
Capital Gain Tax Rate	15%
Tax Liability	\$2,700,000

However, if the estate tax were reinstated at the lower 15% rate, the tax liability could be slightly higher. This assumes that there is no exclusion as in the current estate tax schedule. Should the compromise include an exclusion schedule, the tax liability could be similar to or lower the tax liability under a no estate tax scenario.

<sup>1</sup> These are simplistic examples used for illustrative purposes only. They are in no way intended to be construed as tax advice or estate planning advice.

<b>Calculation of Heirs' Tax Liability</b>	
<b>Estate Tax Compromise</b>	
Shares	1,000,000
Cost Basis	\$2,000,000
Value at time of Death	\$20,000,000
Exclusion	??
Taxable Value	\$20,000,000
Tax Rate	15%
Tax Liability	\$3,000,000

In both scenarios, it is assumed that the heirs convert the shares into cash upon the death of Joe Doe to avoid any further capital gains tax liability.

As the preceding examples illustrate, there is only a marginal difference in the tax liability under the no estate tax scenario and the 15% compromise estate tax plan. If the estate tax were reduced to 15%, many wealthy individuals may forego extensive planning to avoid the taxation as the cost of such planning may not be significant compared to the potential savings. However, the future of the estate tax remains uncertain. Therefore, many wealthy individuals still believe that proper estate planning is an essential mechanism for protecting transgenerational wealth by seeking to minimize the tax liability of the heirs through the use of family limited partnerships, for example.

## **International Financial Reporting Standards**

**January 2006**

Harmonization of the U.S.'s generally accepted accounting principles (GAAP) and international accounting regimes, particularly those in Europe, has long been a challenge. However, some progress has been made, albeit in very small steps that have taken years and arduous consultations that have been fraught with frustration. The latest move by the International Accounting Standards Board (IASB) has been an attempt to bring international accounting standards more in line with GAAP with respect to business combinations (SFAS 141) and the treatment of goodwill and other intangible assets (SFAS 142). The latest changes have been embodied in the draft version of International Financial Reporting Standards (IFRS) 3—a hotly debated change in accounting for business combinations written jointly by the IASB and the U.S. Financial Accounting Standards Board that has faced stiff opposition from accountancy firms, industry groups, and businesses alike.

Currently, some intangibles are separable from the business entity whilst some are not. Those that are not separable include intangibles as non-compete agreements, customer lists, patents, etc. The IASB allows some intangibles to be combined with related intangible assets if this will make the aggregate of the intangibles separable.

For example, a luxury hotel name and its guest history may be inseparable as may be a website and its subscriber database.

IFRS3 focuses on recognizing more acquired intangibles associated with the target of an acquisition. The proposed IFRS3 suggests that there is more than just the goodwill associated with an acquisition in a business combination. Goodwill calculations would be based on the full fair value of the acquired company not just the price paid by the acquirer. IFRS3 eliminates the amortization of goodwill but subjects the goodwill value to an annual impairment test. In addition, there is a focus on greater accounting for contingent liabilities associated with the acquired firm. Contingent liabilities such as lawsuits or environmental issues must be recognized at fair value, the value at which a third party would pay to assume them.

In addition, actuarial gains and losses (not necessarily required to be recognized under IAS19 [Employee Benefits]) must be accounted for following the transaction, and tax deferred assets associated with tax losses of the target of the acquisition must be recognized following the acquisition. As such, IFRS3 is seen as a move towards a fair value standard of accounting for business combinations, where all assets and liabilities are shown at market value or their equivalent.

There are two key IFRS3 assumptions that stem from the greater recognition of intangible assets. First, IFRS3 assumes that the future economic benefits associated with the intangible asset will ultimately accrue to the acquirer of the operating entity that is being acquired. Second, intangibles with a finite useful life can be measured reliably and subsequently depreciated over the estimated useful life. This move towards a fair value standard would impact earnings per share following a transaction.

To illustrate the potential impact upon earnings, consider the following two scenarios. Under Scenario 1, Triumvirate Industries acquires XYZ Corporation for \$100 million. With \$60 million determined to be goodwill (calculated as the difference between the purchase price and the market value of the tangible assets), the annual amortization charge is \$3 million.

<b>Triumvirate Industries</b>	
<b>Scenario 1</b>	
Purchase Price	\$100,000,000
Tangible Assets	\$40,000,000
Goodwill	\$60,000,000
Amortization Period	20
Annual Amortization Charge	\$3,000,000
<b>Income Statement</b>	
Sales	\$75,000,000
Net Operating Profit	\$15,000,000
Depreciation	\$2,500,000
Goodwill	\$3,000,000
Net Income	\$9,500,000

Under the proposed IFRS3, the net income of the firm would be negatively impacted by the identification of intangible assets other than goodwill. In Scenario 2, \$40 million of the original \$60 million goodwill is identified as a separate intangible asset with an estimated useful life of ten years. As a result, the following table illustrates this impact upon Triumvirate Industries' profitability.

<b>Triumvirate Industries</b>	
<b>Scenario 2</b>	
Purchase Price	\$100,000,000
Tangible Assets	\$40,000,000
Goodwill	\$20,000,000
Intangibles	\$40,000,000
Useful Life	10
Depreciation	\$4,000,000
<b>Income Statement</b>	
Sales	\$75,000,000
Net Operating Profit	\$15,000,000
Depreciation (Original)	\$2,500,000
Depreciation (Intangibles)	\$4,000,000
Net Income	\$8,500,000

Of course, the profitability of Triumvirate Industries could be further negatively impacted by one time impairment charges to the goodwill on the balance sheet.

IFRS3 also has several other implications for international public companies. For example, there is an impact upon accounting for pre-acquisition dividends. Whereas pre-acquisition dividends were previously treated as income, realized, and then available for distribution, IFRS3 does not allow pre-acquisition dividends to be treated as income. Therefore, there is nothing available for distribution under company law. In some countries such as the United Kingdom, additional reporting requirements have resulted in directives on dividends that inadvertently apply to private companies to which IFRS do not apply.

It should be clear that many businesses and industry groups are likely to strongly oppose IFRS3 for a variety of reasons. Beyond the obvious reasons for opposition, many feel that the IASB and FASB want to reinvent financial reporting rather than just harmonize standards that vary between countries. Undoubtedly, the battle over IFRS3 has only just begun. Owners of international privately-held businesses and their advisors should be aware of the developments surrounding IFRS3 and prepare for possible implementation of standards that may have a significant impact upon cross-border mergers and acquisitions.<sup>2</sup>

<sup>2</sup> The articles referenced for this article include the following:  
 "Some unexpected impacts of IFRS on acquisition," Anthony Carey, *The Financial Times*, September 15, 2005.

## M&A Outlook 2006

January 2006

### *A Look Back at 2005 Merger & Acquisition Activity*

Worldwide merger and acquisition activity reached \$2,900 billion, 40% higher than in 2004, but still short of the \$3,300 billion level reached in 2000. Based on this, 2005 was the third best year on record for mergers and acquisitions. The robust activity may be attributed to a number of factors including greater confidence amongst chief executives and the propensity of executives to use cash on their balance sheets for acquisitions rather than distribution to shareholders.

Following the peak of U.S. merger and acquisition activity in 1999-2000 (9,628 deals in 1999 with a total value of \$1,387.4 billion and 11,123 deals in 2000 with a total value of \$1,268.6 billion), U.S. and U.S. cross-border transactions slowed considerably in the wake of the bursting of the bubble in the technology sector. As the U.S. economy entered a brief recession in 2001 and 2002, M&A activity declined further as the following table indicates.

<b>Mergerstat M&amp;A Activity Statistics</b>				
<b>Year</b>	<b>Deals</b>	<b>% Change</b>	<b>Value (\$ billions)</b>	<b>% Change</b>
2005	11,013	7.0%	\$1,234.7	50.0%
2004	10,296	25.1%	\$823.2	55.3%
2003	8,232	11.1%	\$530.2	20.1%
2002	7,411	-13.3%	\$441.6	-35.3%
2001	8,545	-23.2%	\$683.0	-46.2%
2000	11,123	15.5%	\$1,268.6	-8.6%
1999	9,628		\$1,387.4	

Data from [www.mergerstat.com](http://www.mergerstat.com)

However, as the U.S. economy returned to favorable growth in 2003, M&A activity showed noticeable gains as well, with 2004 having the highest growth rate in the number of deals and the value of deals. M&A activity continued at a robust pace in 2005 with the number of deals increasing by 7% to just over 11,000, shy of the all time high set in 2000 when there was a total of 11,123 transactions. The most transactions, 1,735, took place in computer software, supplies & services industry followed by miscellaneous services with 1,152, then broadcasting with 645. Based on the value of the deals, however, these industries ranked 6<sup>th</sup>, 8<sup>th</sup>, and 5<sup>th</sup>, respectively.

In value terms, 2005 was also the highest year since 2000 in the U.S., with deals totaling \$1,234.7 billion. This represents a 50% increase from the value of deals in

“Dividend payments feel IFRS effect,” Robert Bruce, *The Financial Times*, September 29, 2005.

“Opposition mounts to IFRS3 draft,” Barney Jopson, *The Financial Times*, October 24, 2005.

2004 and marks a gradual return to the trends of the late 1990s and 2000. Some of the biggest transactions include Proctor & Gamble's \$58 billion takeover of Gillette and ConocoPhillips \$35 billion takeover of Burlington Resources. Though corporate buyers continued to dominate the M&A landscape, private equity groups accounted for over 17% of global M&A in 2005. Most of the deals consummated in 2005 were paid for using cash—71% of all global M&A deals used cash as opposed to shares in the acquirer. The communications industry ranked first for deal values with 316 deals totaling \$109,078.5 million followed closely by oil & gas with 141 transactions totaling \$108,619.5 million then banking & finance (397 transactions for a total value of \$98,663.3 million), drugs, medical supplies & equipment (389 transactions with a value of \$89,559 million), and broadcasting (645 transactions; \$79,903.4 million value).

#### *Foreign Merger & Acquisition Activity in 2005*

Asian M&A activity (excluding Japan) reached record highs in October 2005 with deals totaling \$156 billion as a result of growth in China and Korea. Through October, M&A activity had increased 57% over the full year results for 2004. Deal volume was most heavily concentrated in financial services, telecommunications, and utilities. Within Asia, deal activity was highest in China, where deals totaled \$52 billion, most likely a result of high growth prospects in Chinese markets along with continued globalization.

JP Morgan conducted research that suggested European merger and acquisition activity could exceed \$930 billion for 2005, an increase over prior years, but still below the \$1,200 billion level reached at the height of the tech bubble in 1999. Many of the cross-border European acquisitions have involved British companies. Some of the most notable deals include Telefonica's \$31 billion bid for O<sub>2</sub>, Nippon Sheet Glass's bid for Pilkington, Eon of Germany's proposed bid for Scottish Power, and a sale of P&O's ports and ferries group. The flurry of acquisitions may be the result of executives' decisions to seek out acquisitions rather than return cash to shareholders through dividends or repurchases. Characteristics of the current wave of deals include lower bid premiums—17% average now as compared to a 29% average in 2000—and higher cash portions of the deal. Though shares had previously been used as acquisition currency, roughly 65% of deals in 2005 were paid for with cash rather than paper.

#### *Private Equity Merger & Acquisition Activity*

Private equity firms have fueled a great deal of the merger and acquisition activity as a result of the huge cash inflows into funds where returns are likely greater than in the equity markets. So much money has flown into private equity that Henry R. Kravis and other prominent dealmakers have begun turning away some investors whose cash is a mere "commodity." In 2005, private equity firms spent over \$130 billion buying up parts of corporate America, including Hertz, Toys "R" Us, SunGard, etc. and still have a war chest of over \$100 billion to invest. Over the last few years, institutional investors have invested nearly \$500 billion in private equity. These figures, combined with most funds' ability to access leverage at attractive interest rates in the recent

accommodative monetary policy environment, suggest that the private equity industry has over \$2 trillion in purchasing power.

U.S. private equity group Advent International raised a \$375 million Latin American fund to invest in controlling interests in companies engaged in business outsourcing, travel and airport services, financial services, and other activities in Mexico, Brazil, and Argentina. The fund's first two investments were Hipotecaria Casa Mexicana, a Mexican mortgage lender, and Nuevo Banco Commercial, the largest commercial bank in Uruguay. The fund seeks to capitalize on businesses that provide services to the growing middle class throughout the region. Most deals are expected to be in the \$30-\$50 million range. Latin America attracted over \$1 billion in private equity investment in 2004. For the first half of 2005, private equity funds raised over \$440 million for investment throughout the region. Between the private equity funds and acquisitions being made by multinational firms, particularly from China, Latin America looks likely to benefit significantly from merger and acquisition activity in the coming year and beyond.

However, skeptics of the sustainability of the private equity industry point out that these same private equity funds are going to be forced to start unloading assets in order to provide the required returns to the investors. Typically, private equity investors exit an investment either through an initial public offering or a sale of a business to a corporate buyer or another private equity firm. Indeed, Dealogic data suggests that private equity backed IPOs have performed worse than other IPOs with an average first day return of 8.3% as compared to an average of 13.9% for other IPOs. The underperformance may be attributed to negative investor sentiment regarding the private equity funds' timing of cashing out their positions and the impact this would have upon the share price.

With respect to buyout multiples, Standard & Poor's estimates that private equity firms pay on average eight times earnings before interest, taxes, depreciation, and amortization (EBITDA) for companies worth more than \$1 billion. However, private equity firms have also paid more than twelve times EBITDA during auctions in the consumer retail sector. These multiples are up significantly from the 6.5x EBITDA paid a few years ago. The increase in the multiple may be the result of relatively cheap debt financing available to the private equity firms. However, the private equity market and the multiples paid would likely shrink considerably as interest rates increase and debt financing becomes relatively more expensive.

#### *The Outlook for 2006*

The outlook for 2006 merger and acquisition activity looks favorable based on findings by the Association for Corporate Growth and Thomson Financial, who surveyed 1,977 dealmakers. Fifty percent of those surveyed anticipated doing a cross-border deal in 2006. Of those expecting to do a deal, 21% expected the deal to be in Western Europe, 16% in China, and 14% in Canada with the remaining 49% expecting multiple

deals throughout the world. Deal volume is expected to be heavy in sectors such as health care, technology, business services, and financial services.

Middle market M&A activity is also expected to be robust in 2006 as strategic acquirers seek further growth opportunities through acquisitions, particularly in China and Latin America. Private equity funds continue to acquire companies in order to invest their large uninvested amounts of capital, financing conditions should remain favorable for private equity funds and strategic buyers to leverage the transactions, corporate executives' outlook for improved economic performance continues to be favorable, and corporate executives choose to increase shareholder value through value-adding strategic acquisitions rather than return excess cash to shareholders through dividends or share repurchases. Transaction multiples are expected to remain favorable during 2006, though buyers will likely continue to scrutinize deals and the multiples will reflect the fundamentals of the deal itself rather than the exuberance of management and their desire to consummate a deal.

To be sure, however, there are a number of risks that could temper merger and acquisition activity in 2006. Should interest rates continue to rise or inflation increase significantly, economic activity may begin to show signs of slowing. As economic activity slows and corporate profits stall, the funds available to executives to engage in a transaction may become more limited, and the propensity of executives and investors to undertake large acquisitions may decrease. Continued increases in interest rates may change the fundamentals of a transaction between a private equity group and the target and could result in lower transaction multiples for those deals that are completed. General uncertainties stemming from geopolitical risks, rising energy prices, currency weakness, or other exogenous macro and microeconomic factors could result in a generally tempered business environment and prompt a slowdown in merger and acquisition activity.

In the absence of these factors, conditions appear favorable for continued robust performance in merger and acquisition activity, particularly amongst middle market domestic companies and those in Latin America<sup>3</sup>.

---

<sup>3</sup> Sources used in the preparation of this article:

"Asian M&A heads for new record," Francesco Guerrera (Hong Kong), *The Financial Times*, October 17, 2005.

"Advent targets Latin America," John Authers (New York), *The Financial Times*, October 27, 2005.

"Europe's M&A boom is set to hit \$930bn by end of the year," Lina Saigol (London), *The Financial Times*, November 7, 2005.

"The Great Global Buyout Bubble," Andrew Ross Sorkin, *The New York Times*, November 13, 2005.

"Investment banks cash in as M&A activity rises 40%," James Politi (New York) & Lina Saigol (London), *The Financial Times*, December 30, 2005.

"Big deals return as investors sharpen up," Lina Saigol (London) & James Politi (New York), *The Financial Times*, December 30, 2005.

"Transcontinental flight for M&A," David Weidner, *MarketWatch*, January 10, 2006.

## State of the Economy Excerpt

### January/February 2006

---

The following is an excerpt from Highland Global's State of the Economy for the Fourth Quarter of 2005 and provides our outlook for economic performance in 2006. The complete article may be downloaded from Highland Global's website [www.HighlandGlobal.com](http://www.HighlandGlobal.com).

Based on the current assessment of a number of economic factors, the previously solid foundation for economic growth appears to have been threatened by the adverse systemic impact of elevated energy prices. Continued high energy prices, acting as a tax upon consumers, along with rising interest rates and weaker real estate activity could have an adverse impact upon consumer confidence and consumer spending—the latter of which has been an underlying cause of the economic growth over the last two years. A retrenchment in consumer spending could precipitate slower economic growth. A severe weakening of the real estate market could also precipitate further weak economic activity. These factors, combined, could have a severe toll on economic activity in the coming quarters. These factors suggest that the risks to the economy are weighted heavily towards weaker economic activity in the coming quarters.

Though we do not believe that the preponderance of evidence points to a recession, we feel that economic growth may be at a much more tempered pace and that the probability of the economy slipping into recession is low. However, we believe there is a growing possibility that the U.S. economy may exhibit a period of low growth and higher inflationary pressures.

Our assessment of the current state of the economy indicates the following:

- Interest rates are likely to continue to rise in the coming quarters, which could restrain the robust real estate activity, removing some of the speculative froth that has developed in many markets.
- Oil prices are expected to remain at elevated levels throughout 2006, which could prompt slower economic growth globally and in the U.S.
- Inflation has remained at levels above recent trends and is consistent with slower economic growth.
- With the build-up of inventories in the fourth quarter, manufacturing activity and industrial production may be tempered in the first quarter of 2006.

Our expectations for the economy include:

- Real GDP growth of 3% - 3 ½% for 2006.

- The Federal Reserve is likely to continue to remove its monetary policy accommodation at a measured pace. The federal funds rate should end 2006 at roughly 5%.
- Inflation is likely to increase in 2006 with the core CPI increasing by roughly 2% - 2 ½%.
- As economic activity becomes more tempered, payroll employments are likely to increase at a lower rate. It is possible that the economy will generate increases in payroll employment of 100,000 per month on average for the year. Unemployment, then, is likely to fall to roughly 4 ¾% for 2006.
- Continued geopolitical concerns along with concerns over demand and supply imbalances and tight refining capacity may result in continued elevated oil prices. It is unlikely that OPEC will increase production in the coming quarters of 2006. However, even if OPEC were to do so, these increases will not likely have a material impact on lowering the price of oil. Given the developments in the oil markets since the first quarter, oil prices (WTI) are likely to average \$55-\$60 per barrel for 2006. Oil prices are likely to remain at elevated levels throughout the first half of 2006, trading in a range of \$55-\$70 per barrel.

On the other hand, there are a number of risks to the economy in 2006, which could have significant adverse impacts upon economic performance during the year.

- Continued geopolitical risks and tensions regarding instability and security in the Middle East may create uncertainty that could suppress demand in the global economy and help fuel a premium in oil prices. Escalating tensions over North Korea and Iran's nuclear programs could also have an adverse impact upon economic activity and oil prices.
- Continued elevated oil prices may have an adverse impact upon global economic growth and economic activity in the U.S. and lead to unwelcome inflationary pressures throughout the broader economy. This could ultimately prompt some retrenchment in consumer spending, which would contribute to further soft economic performance.
- Further increases in interest rates by the FOMC may temper the robust activity in the real estate markets. The adverse systemic impact stemming from a bursting of the bubble in some real estate markets could dampen economic growth significantly.
- An unwelcome rise in core inflation could dampen consumer confidence and business executives' confidence, prompting a slowdown in economic activity, which could be further aggravated by a potentially more aggressive tightening of monetary policy by the Federal Reserve in response.

## About Highland Global, LLC

### Overview

Highland Global, LLC is a leading strategic advisory and financial analysis firm for domestic and international privately-held and family-owned businesses. Our focus is on providing a variety of services from advising on transactions and corporate growth to business valuation. We specialize in small and middle market clients in industries ranging from manufacturing to technology. Our philosophy is to work closely with our clients to provide high value-added services that help them achieve their objectives. In addition to strong connections with other professional services providers, Highland Global has an extensive global network of clients, business leaders, and investors, which we leverage to benefit our clients domestically and internationally.

### Strategic Advisory Services

Highland Global offers our clients a wide range of strategic advisory and financial analysis services. With respect to corporate growth or exit strategies for privately-held and family-owned middle market companies, Highland Global may assist clients with mergers and acquisitions, sales and divestitures, recapitalizations, management buyouts, and privatizations. Our goal is to provide our clients with sound strategic guidance in order to facilitate the formulation and execution of successful growth and liquidity strategies.

Highland Global's team of seasoned professionals is actively involved in every phase of the transactions for which it provides advisory and analysis services. With respect to mergers and acquisitions, Highland Global assists the client in preparing the company for market, assesses the M&A markets, coordinates site visits with potential acquirers, coordinates the due diligence, and facilitates the closing process. In addition, Highland Global provides the client with post-transaction support and guidance as part of our commitment to building and maintaining a strong, high value-added relationship.

### Valuation and Financial Analysis Services

Highland Global also provides a variety of financial analysis services to its clients including market or industry research and business appraisals. Our industry research and financial analysis are usually provided in conjunction with our clients' corporate growth or exit strategies, but may be provided independently for consulting, business planning, forecasting or other purposes. Highland Global's full range of valuation services includes formal valuations, limited scope valuations, fairness opinions, and expert witness / consulting services. We focus on meeting our clients' objectives by providing the customized valuation service that best meets their needs. We perform independent business appraisals and valuations for a wide range of purposes including family limited partnerships, succession planning, gift taxes/planning, estates taxes/planning, mergers & acquisitions, employee stock ownership plans (ESOPs), financing/capital raising, divorce, shareholder issues, and litigation. Our goal is to provide accurate, objective, and reliable valuations and financial analysis based on widely-accepted, well-documented methodologies.