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Friday, November 18, 2016

John Doe
Client Business, Inc.
1 Market Way
Your Town, CA

Dear John Doe:

Thank you for the opportunity to assist you in this matter. This letter is intended to document our understanding of the professional services to be provided to Client Business, Inc. (the Company) by our firm. The following paragraphs outline the terms and conditions of our Valuation Engagement.

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Purpose of this engagement

This Valuation Engagement will be performed solely to assist you in determining the value of your company. The goal of the Valuation Engagement is to provide to you with a Conclusion of Value of the

100% ownership interest in the Company on a fully marketable, controlling ownership basis, as of November 18, 2016.

The resulting Conclusion of Value should not be used for any other purpose or by any other party. The engagement will be conducted in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) Standards 9 and 10, the American Institute of Certified Public Accountants (AICPA) *Statement on Standards for Valuation Services No. 1 (SSVS)*, and the International Valuation Standards (IVS) for a Valuation Engagement. The estimate of value that results from a Valuation Engagement is expressed as a Conclusion Value.

The engagement will use fair market value as the standard of value. Fair market value is defined in the US Internal Revenue Service Revenue Ruling 59-60, 1959-1, CB 237, as:

“The price at which property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of the relevant facts. Court decisions frequently state in addition that the hypothetical buyer and seller are assumed to be able, as well as willing, to trade and to be well informed about the property and concerning the market for such property.”

The premise of value used in this Conclusion of Value will be the going-concern premise, defined as:

The value of a business enterprise that is expected to continue to operate into the future. In addition to the business tangible assets, such as land; property, plant and equipment; and financial capital; the intangible elements of going-concern value arise from factors such as a trained and assembled work force, active business operations, and the necessary licenses and permits, systems, and procedures in place.

Scope of engagement

It is agreed that we will define the scope of our work including the valuation approaches and methods we will use and the extent of procedures we will perform. This Valuation Engagement and our Report will be subject to the Statement of Assumptions and Limiting Conditions attached as Exhibit A.

We will be providing you with an estimate of value of your company by applying the approaches and methods we deem appropriate. The results of our valuation analysis will be expressed as the Conclusion of Value.

A Calculation Engagement as it is described in AICPA SSVS Professional Standards is more limited than a Valuation Engagement, which is also described in AICPA SSVS Professional Standards, and may not include all of the procedures required for a Valuation Engagement. Accordingly, the results of a Calculation Engagement may differ from those of a Valuation Engagement.

Reporting of business valuation conclusion

The Conclusion of Value will be expressed in a written Valuation Report as either a single amount or a range, and will meet the reporting requirements of USPAP Standard 10, IVS, and AICPA SSVS