

**From:** Valuation Standard Subcommittee  
**Date:** February 29, 2008  
**Subject:** SSVS No. 1 Implementation Questions Regarding Fairness Opinions

In a February 25, 2008 memorandum, an AICPA Member requested that the business valuation committee valuation standards subcommittee ("the subcommittee") respond to the question: "Are fairness opinions covered under SSVS No. 1?"

The subcommittee has considered this question and has reached a consensus opinion. In the process of its deliberations, the subcommittee requested and received input from its advisory members. With this input, the subcommittee reached a consensus regarding this SSVS No. 1 implementation question. This memorandum summarizes that consensus.

First, the subcommittee notes that the language of SSVS No. 1 does not mention or refer to transactional fairness opinions in any way. Therefore, the preparation of a fairness opinion is not listed as an exception to the application of SSVS No. 1. However, the preparation of a fairness opinion is also not mentioned as a professional service to be included in the application of SSVS No. 1.

Second, the subcommittee believes that the preparation of a fairness opinion is a different professional service than the preparation of a valuation opinion. The subcommittee does recognize that the individual analyst applies similar expertise and technical skills in both professional services. However, the subcommittee believes that the actual work product (i.e., the opinion) is different between a fairness opinion engagement and a valuation engagement.

As SSVS No. 1 indicates, a valuation engagement involves the analyst estimating (1) a defined standard of value for (2) a subject interest on (3) the valuation date. A fairness opinion involves the analyst opining on the fairness of (1) a specific transaction price and (2) a specific transaction structure to a (3) specific client/party as of (4) the transaction date.

The subcommittee recognizes that the analyst may have to perform certain valuation procedures during the performance of a fairness opinion. For example, the analyst may estimate a range of market values for the subject interest. Or, the analyst may compare the effect of the proposed deal payment terms and interest rates to typical market (i.e., cash equivalency) payment terms and interest rates.

However, in the fairness opinion, the analyst does not opine on a value. Rather, the analyst opines on the fairness of a deal price/terms combination as that deal relates to a specifically identified party.

Third, the subcommittee conferred with the SSVS framers. The consensus (but not unanimous) recollection of the framers was that it was their intention to exclude fairness opinions from the application of SSVS No. 1.

In conclusion, the subcommittee consensus opinion is that the preparation of fairness opinions is a professional service that is not covered by SSVS No. 1.