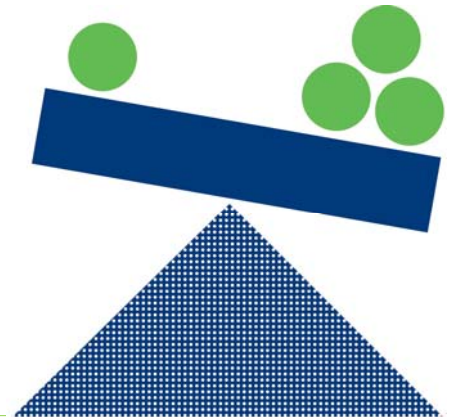


UHY BUSINESS VALUATION SOLUTIONS

UHY was retained to value a large metropolitan franchise of Weight Watchers - After an IRS challenge, no S-Corporation premium and subsequent sale to Weight Watchers ignored.



THE CHALLENGE

Taxpayer passed owning a 100% interest in a large metropolitan franchise of Weight Watchers. UHY valued the operations at \$14 million using a DCF methodology, the guideline public company method and the comparable transactions method. A year and a half later the franchise was

sold to Weight Watchers for approximately \$30 million.

The IRS challenged our appraisal specifically challenging the use of a “tax-effected” DCF methodology for an S Corporation and the subsequent sale of the franchise to Weight Watchers.

THE SOLUTION

Estate counsel and UHY rebutted the challenges by noting firstly that any purchaser of the franchise would not pay a premium for the S-Corporation election, and secondly, that a hypothetical FMV purchaser would consider the future cash flow prospects in assessing the value of the entity, not the potential synergistic results

from an acquisition by Weight Watchers. UHY further indicated that Weight Watchers was a strategic buyer, and that the value paid by Weight Watchers was strategic value not FMV. We presented information on the after-acquired effects upon the EPS (accretive) to Weight Watchers after the acquisition.

THE RESULT

The valuation issues were resolved with a minor adjustment upward from the initial value result submitted by UHY with the Estate Tax return.

*The next level
of service*