

# Liquor License Valuation



**NJ Liquor License 0000-44-000-000**

on or about

**August 15, 2010**



Harrisburg, PA  
Phone: 717-234-7060  
Toll free: 800-423-0252  
Email: [dave@Business-Valuation-Expert.com](mailto:dave@Business-Valuation-Expert.com)  
Website: [Business-Valuation-Expert.com](http://Business-Valuation-Expert.com)

Seaside Park, NJ  
Phone: 732-250-6250  
Toll free: 800-326-9309  
Email: [dave@NJ-Business-Valuations.com](mailto:dave@NJ-Business-Valuations.com)  
Website: [NJ-Business-Valuations.com](http://NJ-Business-Valuations.com)



**Mailing Address:** 3402 N 4th St, Harrisburg PA 17110



TABLE OF CONTENTS

**Conclusion of Value .....1**

**Valuation Summary .....2**

**Analysis of the Property .....3**

    DESCRIPTION OF THE LICENSE ..... 3

    OWNERSHIP AND PREVIOUS SALES ..... 3

    ECONOMIC & DEMOGRAPHIC CONDITIONS ..... 3

**Valuation Approaches & Methods .....3**

    AVERAGE VS. MEDIAN ..... 3

    MARKET-BASED METHODS..... 4

*Operating Businesses for Sale*..... 4

*Stand-Alone Liquor Licenses Sold or for Sale*..... 5

    INCOME BASED METHODS ..... 5

    ASSET BASED METHODS..... 5

    CONCLUSION OF VALUE ..... 5

**Engagement Exhibits .....6**

    E1 – STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS ..... 7

    E2 – SOURCES OF INFORMATION..... 8

    E3 – CERTIFICATIONS AND REPRESENTATIONS OF DAVID E. COFFMAN ..... 9

    E4 – PROFESSIONAL QUALIFICATIONS OF DAVID E. COFFMAN..... 10

## Conclusion of Value

August 26, 2010

Sample Bank (“the Lender”)  
123 Main St.  
Any City, NJ 01234

We have performed a valuation engagement, as that term is defined in the Statement on Standards for Valuation Services (SSVS) of the American Institute of Certified Public Accountants, of **New Jersey Liquor License 0000-44-000-000, currently held by Sample, Inc., Any City, Any County, New Jersey (“the License”) on or about August 15, 2010**. This valuation was performed for the Lender to ascertain whether the acquisition price of the License is reasonable; the resulting estimate of value should not be used for any other purpose or by any other party for any purpose. This valuation engagement was conducted in accordance with the SSVS and the Uniform Standards of Professional Appraisal practice (USPAP). The estimate of value that results from a valuation engagement is expressed as a conclusion of value.

The standard of value used in this valuation is *Fair Market Value*. Fair market value is the price, in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.

The License is valued as a stand-alone asset, independent of any operating business. Although our valuation is intended to estimate fair market value, we assume no responsibility for the inability of a seller or buyer to obtain a sale or purchase contract at that price.

Based on our analysis, as described in this valuation report, the estimate of value of **New Jersey Liquor License 0000-44-000-000, currently held by Sample, Inc., Any City, Any County, New Jersey (“the License”) on or about August 15, 2010 to be:**

**\$ 150,000**

This conclusion is subject to the Statement of Assumptions and Limiting Conditions found in Exhibit E1. We have no obligation to update this report or my conclusion of value for information that comes to our attention after the date of this report.

David E. Coffman CPA/ABV/CFF, CVA  
President & CEO  
NJ Business Valuations PC

## Valuation Summary

**Date of valuation:** August 15, 2010

**Date of report:** August 26, 2010

**Property:** New Jersey Liquor License 0000-44-000-000, currently held by Sample, Inc., Any City, Any County, New Jersey

**Ownership interest valued:** 100% interest

**Purpose of valuation:** Determine reasonableness of acquisition price

**Standard of value:** Fair market value

**Premise of value:** Stand-alone asset

**Type of report:** Detailed

**Scope limitations:** None

**Significant assumptions and limitations:** See Exhibit E1

**Valuation methods considered:** Operating businesses for sale that hold licenses, stand-alone licenses sold or for sale, and previous sales of the license

**Selected valuation method:** Stand-alone licenses sold or for sale

**Valuation conclusion:** \$ 150,000

# Analysis of the Property

## Description of the License

Retail liquor licenses in New Jersey come in two basic kinds – consumption (“C”) or distribution (“D”). Consumption licenses allow the sale of alcohol for consumption on the licensed premises, usually a bar or restaurant. Distribution licenses permit only the sale of alcohol in original containers for consumption off the licensed premises (packaged goods).

The License is a Plenary Retail Distribution License (“44”). This license permits only the sale of alcoholic beverages in original containers for consumption off the licensed premises (package goods). Only one type 44 license may be issued for each 7,500 of population in a municipality. There are typically more active licenses than allowed by the quota because existing licenses at the time of enacting the limitation were grandfathered. The transfer of a license requires an application to be filed with the New Jersey Division of Alcoholic Beverage Control and the approval of issuing authority (municipality).

The License is located in Any Township with an estimated population of X,XXX. Yellowbook.com lists two liquor stores, including Sample, Inc., located in Any City. Based on the population limitations of distributor licenses, no new licenses are available.

## Ownership and Previous Sales

The License is owned by **Sample, Inc., Any City, Any County, New Jersey**. The original owner purchased the License in 2001 and reportedly paid \$300,000 for it.

## Economic & Demographic Conditions

### State & Regional Economic Conditions

The amount and availability of regional and state level economic data is limited. The data that is available suggests that the conditions within New Jersey are closely related to national economic conditions. The unemployment rate for New Jersey was 9.7% in July 2010 down slightly from 10.0% in December 2009. The unemployment rate for the Sample area for June 2010 was X.X% down from X.X% in January, but still remains in line with state and national rates.

### County Population

The population of Any County was estimated to be XXX,XXX in July 2009, down slightly from XXX,XXX in July 2000. Population growth in the County is expected remain flat.

## Valuation Approaches & Methods

### Average vs. Median

The arithmetic mean is often referred to as simply the mean or average, and it is greatly influenced by outlying data. A median is defined as the numeric value separating the higher half of a sample from the lower half. The median is primarily used for skewed distributions, which it summarizes differently than the arithmetic mean, because it provides a better indication of central tendency. Therefore, we use median values.

## Market-Based Methods

A fundamental method for estimating the value of any type of property is to analyze the prices paid by buyers of similar types of property. Liquor licenses can be sold as either a stand-alone asset or as part of an operating business. Key factors in the price of a liquor license are the type (C or D), and the location (municipality) of the license. Either type of sale is a private transaction that is not publicly reported, so transaction data is often not available or is difficult to obtain. Due to the lack of data from actual transactions, we also used data from businesses and licenses offered for sale.

In the sale of a liquor license as part of an operating business, the selling price of the entire business is often negotiated as one lump sum figure. Typically, the value of the tangible assets is deducted from the total price and the remainder is allocated to the liquor license. This method overstates the value of the liquor license because it ignores any goodwill value of the business. There are no tax advantages or regulations that require separating the value of the goodwill and liquor license. Therefore, the data from the sale of liquor licenses as part of operating businesses is questionable. For these reasons, data from the listing or sale of liquor licenses as stand-alone assets is generally a better indicator of value.

## Operating Businesses for Sale

We searched liquor stores for sale in Any County, New Jersey on bizbuysell.com. Bizbuysell.com is the largest business-for-sale listing site on the web. The search produced the listings for eight stores for sale. The listing information does not indicate a price for the liquor license, so we estimated it for each listing as follows. We deducted the equipment price from the total asking price (excluding inventory) to determine the intangible price (liquor license & goodwill). We multiplied the reported cash flow by a 2.0 multiple to estimate goodwill. We calculated the multiple based on the rule of thumb multiple for liquor stores as published by the Business Reference Guide of 2.5. We applied a discount of 20% to account for differences between listing prices and actual selling prices, and the unreliable nature of the data provided in listings. We deducted the goodwill from the intangible price to estimate the price for the liquor license. After these procedures, we estimated the liquor license prices for these eight listings to be:

1. \$49,000
2. \$51,000
3. \$70,000
4. \$114,000
5. \$142,000
6. \$145,000
7. \$182,000
8. \$265,000

The average liquor license listing price was \$127,250, the median was \$128,000. We did not select this method because it is based on listings of operating liquor stores, and derives the value of the liquor license through a theoretical calculation.

### Stand-Alone Liquor Licenses Sold or for Sale

We searched liquor licenses sold or for sale in New Jersey at the website of Howard Goldstein, newjerseyliquorlicensesareus.com. We found the following listings or sales of distributor licenses in Any County:

Listing or Sale	City	Price (\$)	Date (if sale)
Sale	Any	200,000	XX, 2010
Listing	Sample	150,000	N/A
Listing	Some	80,000	N/A
<b>Total</b>		430,000	
<b>Average</b>		143,333	
<b>Median</b>		150,000	

We selected this method as the most appropriate one because it is based on actual listings or sales of liquor licenses as stand-alone assets.

### Income Based Methods

We did not consider an income-based method for estimating the value of the liquor license because the earning capacity of the license is based on the operating business that owns it. We were not engaged to determine the value of the operating business.

### Asset Based Methods

The previous owner purchased the liquor license in 2001 for a reported price of \$300,000. As described in the market-based methods section, amounts paid for licenses are often overstated. Due to the age of the transaction and the tendency to overstate liquor license prices, the previous price paid for the liquor license was not considered relevant evidence of its current value.

### Conclusion of Value

Based on the data from stand-alone liquor licenses sold or for sale, described above, we estimate the value of **New Jersey Liquor License 0000-44-000-000, currently held by Sample, Inc., Any City, Any County, New Jersey on or about August 15, 2010 to be \$150,000.**

**Conclusion of Value      \$ 150,000**

## **Engagement Exhibits**

- E1 – Statement of Assumptions and Limiting Conditions
- E2 – Sources of Information
- E3 – Certifications and Representations of David E. Coffman
- E4 – Professional Qualifications of David E. Coffman

## E1 – Statement of Assumptions and Limiting Conditions

This valuation is subject to the following assumptions and limiting conditions:

1. The conclusion of value arrived at herein is valid only for the stated purpose as of the date of the valuation.
2. Information provided to us, in the course of this engagement, has been accepted without any verification as fully and correctly reflecting the property's conditions, except as specifically noted herein. We have not audited, reviewed, or compiled any financial information provided to us and accordingly, we express no audit opinion or any other of assurance on this information.
3. Public information, and industry and statistical information have been obtained from sources considered to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.
4. This report and the conclusion of value arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. They may not be used for any other purpose or by any other party for any purpose. Furthermore the report and conclusion of value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The conclusion of value represents our considered opinion based on information furnished to us by the owner and other sources.
5. Neither all nor any part of the contents of this report (especially the conclusion of value, the identity of any valuation specialist(s), or the firm with which such valuation specials are connected or any reference to any of their professional designations) should be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other means of communication without our prior written consent and approval.
6. Future services regarding the subject matter of this report, including, but not limited to testimony or attendance in court, shall not be required of us unless previous arrangements have been made in writing.
7. No change of any item in this report shall be made by anyone other than us, and we shall have no responsibility for any such unauthorized change.
8. Unless otherwise stated, no effort has been made to determine the possible effect, if any, on the subject property due to future Federal, state, or local legislation, including any environmental or ecological matters or interpretations thereof.
9. We have not attempted to confirm whether or not the property is free and clear of liens and encumbrances or that the owner has good title to it.
10. We did not perform a valuation engagement for the organization or entity that owns the property and accordingly, we express no valuation conclusion for the organization or entity.
11. This valuation reflects facts and conditions existing at the valuation date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.
12. David E. Coffman prepared this report. He has no present or contemplated future interest in the property, no personal interest with respect to the parties involved, nor any other interest that might prevent me from performing an unbiased valuation. Our compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or use of, this report.

## **E2 – Sources of Information**

The following sources of information were used in performing the valuation engagement.

### **Industry**

- Business Reference Guide, Business Brokerage Press

### **Transaction Data**

- Bizbuysell.com listings for liquor stores for sale, Any County, NJ, 8/25/2010
- Pricing Page of Howard Goldstein – newjerseyliquorlicensesareus.com, 8/23/2010 & 7/1/2010

### **Economic –Demographic Data**

- Bureau of Labor Statistics
- Citi-data.com
- Census Bureau

### **Other Data**

- Copy of License No: 0000-44-000-000, State of New Jersey, expires 06/30/2011
- Yellowbook.com

### **E3 – Certifications and Representations of David E. Coffman**

I certify that to the best of my knowledge and belief:

1. The analyses, opinions, and conclusion of value included in the valuation report are subject to the reported scope limitations, and the assumptions and limiting conditions specified in Exhibit E1, and they are the personal analyses, opinions, and conclusion of value of the valuation analyst.
2. The economic and industry data included in the valuation report have been obtained from various printed or electronic reference sources that the valuation analyst believes to be reliable. The valuation analyst has not performed any corroborating procedures to substantiate that data.
3. The valuation engagement was performed in accordance with the American Institute of Certified Public Accountants Statement on Standards for Valuation Services, the Professional Standards of the National Association of Certified Valuation Analysts, and the Uniform Standards of Professional Appraisal Practice.
4. The parties to which the information and use of the valuation report is restricted are identified; the valuation report is not intended to be and should not be used by anyone other than such parties.
5. The analyst's compensation is fee-based and is not contingent on the outcome of the valuation.
6. I am in compliance with the American Institute of Certified Public Accountants Accredited in Business Valuation (ABV) and National Association of Certified Valuation Analysts (CVA) re-certification requirements.
7. I do not have any direct or indirect, present or contemplated future interest in the Company.
8. Disclosure of the contents of this report is subject to the requirements of the National Association of Certified Valuation Analysts, and other professional organizations of which I am a member, related to review by their duly authorized representatives.

David E. Coffman

## **E4 – Professional Qualifications of David E. Coffman**

### **Academic and Professional Credentials**

- Certified Public Accountant (CPA) since 1978. Licensed in PA and NJ.
- Certified Valuation Analyst (CVA) since 1997.
- Accredited in Business Valuation (ABV) since 2001.
- Certified in Financial Forensics (CFF) since 2008.
- Bachelor of Science, Business Administration, Bloomsburg University, May 1976.

### **Position and Experience**

- President & CEO of Business Valuations & Strategies PC, Harrisburg, PA. Founded in 1997.
- President & CEO of NJ Business Valuations PC, Seaside Park, NJ. Founded in July 2008.
- Specializing exclusively in business valuation services since 1997.
- Has valued hundreds of small businesses.
- Over 30 years of experience advising, owning and operating small businesses

### **Professional Affiliations**

- American Institute of Certified Public Accountants
- Pennsylvania Institute of Certified Public Accountants, past President of the North and South Central Chapters
- New Jersey Society of Certified Public Accountants
- National Association of Certified Valuation Analysts