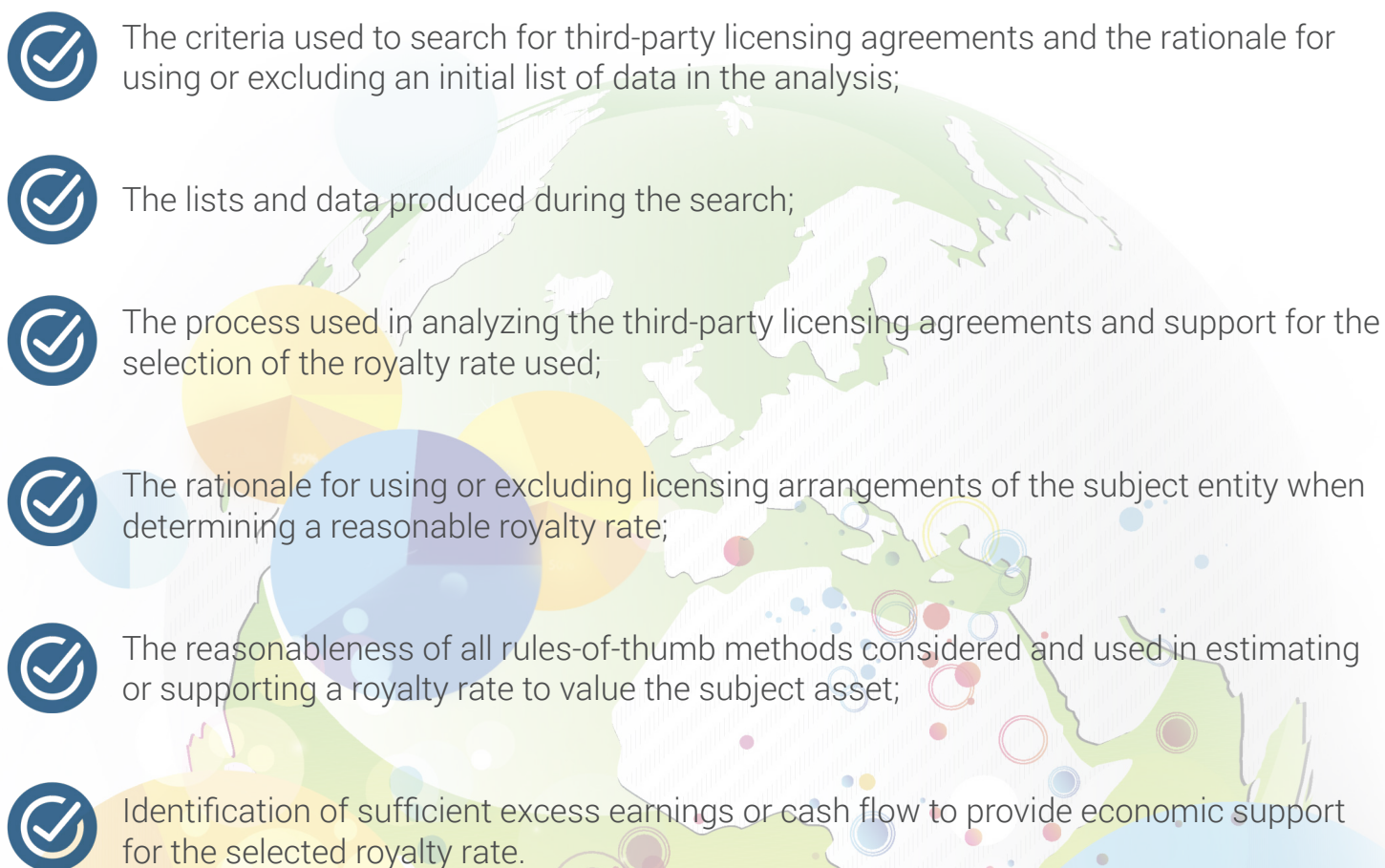


WORK FILE CHECKLIST

Minimum MPF Requirements for Royalty Rates

The valuation professional, at a minimum, must document the following in writing within the work file, if applicable:

- 
- ✓ The criteria used to search for third-party licensing agreements and the rationale for using or excluding an initial list of data in the analysis;
 - ✓ The lists and data produced during the search;
 - ✓ The process used in analyzing the third-party licensing agreements and support for the selection of the royalty rate used;
 - ✓ The rationale for using or excluding licensing arrangements of the subject entity when determining a reasonable royalty rate;
 - ✓ The reasonableness of all rules-of-thumb methods considered and used in estimating or supporting a royalty rate to value the subject asset;
 - ✓ Identification of sufficient excess earnings or cash flow to provide economic support for the selected royalty rate.

Be aware that these are minimum requirements, so more information may be necessary. In future issues of the *Business Valuation Update*, we will provide other checklists that will go into specifics of the documentation requirements for other methods, inputs, and assets/liabilities.

(Source: This checklist is derived from the document "Application of the Mandatory Performance Framework for the CEIV." The information in this checklist has been summarized and adapted. See the actual document for additional explanation and requirements at ceiv-credential.org.)