



Willamette Management Associates

8600 West Bryn Mawr Avenue, Suite 950
Chicago, Illinois 60631
773 • 399 • 4300/(Fax) 773 • 399 • 4310

For Immediate Release

CONTACT
Hale Chan
Willamette Management Associates
(773) 399-4339
htchan@willamette.com

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Identifying the Discount for Lack of Liquidity in the Marketplace

CHICAGO-Typically, investors will pay a price premium for liquidity. And, conversely, rational investors will demand a price discount for the lack of liquidity. The stock of closely held companies does not have the same degree of liquidity or marketability as the otherwise comparable publicly traded company stock. Therefore, the closely held stock is less valuable than the comparable publicly traded stock, reflecting a price discount for lack of marketability (DLOM). But how much less?

Willamette Management Associates updated their previously published empirical research pre-IPO studies analyzing the DLOM for the years 1975 through 1997. Recently, WMA analysts completed an additional pre-initial-public-offering (pre-IPO) DLOM study covering the five years of 1998 through 2002.

Willamette was found that the median DLOM for the 1998-2002 period was 36.1 percent. The mean DLOM for the same period was 23.9 percent and the corresponding trimmed mean (excluding the highest and lowest deciles of the indicated DLOM data) was 31.6 percent.

"In estimating the appropriate discount for lack of marketability, when such a value adjustment is warranted, an analyst should consider the characteristics of the subject asset, property, or business interest and should understand the differences in methodology used in performing the various published DLOM studies," says Pamela Garland, senior manager at Willamette Management Associates, who developed the study.

To order a copy of the published results or if you have any questions, please contact Pam Garland at (773) 399-4323 or by e-mail at pgarland@willamette.com

About the Survey

The Willamette Management Update on the Willamette Management Associates Pre-IPO Discount for Lack of Marketability Study for the Period 1998 through 2002 is an update of the firm's previously published results of 18 pre-IPO DLOM studies covering the period of 1975 through 1997. Included in the study were only private market stock sale transactions that were conducted on an arm's length

basis during 1998-2002. The transactional data analyzed in the 1998-2002 pre-IPO study included (1) sales of closely held corporation stock in private placements and (2) repurchases of treasury stock by the closely held corporation. All transactions involving the granting of employee, executive, or other compensation-related stock options were eliminated from consideration in the 1998-2002 study. All transactions involving stock sales to corporate insiders or other related parties were eliminated from consideration in the 1998-2002 study unless verified that the stock sale transaction was, in fact, a bona fide, arm's-length transaction.

About Willamette Management Associates

Founded in 1969, Willamette Management Associates is recognized as a premier professional services firm working in the disciplines of business valuation and security analysis, intangible asset and intellectual property appraisal, forensic accounting, investment analysis, economic analysis, and financial advisory services. With offices in Chicago; New York; Arlington, Virginia; Atlanta; San Francisco, and Portland, Oregon, we serve clients nationwide.