

## VALUE DEFINITIONS

### EMOTIONAL VALUE

What a buyer and seller perceive. Most commonly unrealistic seller expectation.  
There is no basis for this value other than emotion.

### FAIR MARKET VALUE

The price at which the property would change hands between a “hypothetical” willing buyer and a “hypothetical” willing seller, when the former is not under any compulsion to buy and the latter is under no compulsion to sell, both parties having reasonable knowledge of relevant facts.

Fair market value is typically used for charitable donations, transfer of ownership through gift, divorce, or when establishing a Employee Stock Option Plan.

### FAIR VALUE

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between “actual” market participants at the measurement date.

Fair value is often used in valuing stock options, shareholder buy ins/buyouts, strategic acquisitions, capital fund raising or for litigation purposes.

### INTRINSIC VALUE

The value that an investor considers, on the basis of an evaluation of available facts, to be the “true” or the “real” value that will become the market value when other investors reach the same conclusion.

When the term applies to options, it is the difference between the exercise price or the strike price of an option and the market value of the underlying security.