BV Q&A Update™

Current and concise answers to your most pressing business valuation questions.

A Business Valuation Resources, LLC, publication

Vol. 1, No. 10, October 2004

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If you have a pressing business valuation question you'd like answered for **FREE** by one of our experts on the author panel, please send it to the e-mail address below.

Submit questions to:
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In This October Issue

Shannon's Two Cents

Dr. Shannon Pratt, Business Valuation Resources, LLC

Real Estate owned by a partnership - Considered a non-operating asset or excess asset?

Question?

When should real estate owned by a partnership be considered a non-operating asset or excess asset? So little is written on this subject.

There is a three-man partnership, and one third each owns real estate from which the retail business operates. The real estate has no debt on it, has substantially increased in value, and is probably worth as much as the business's goodwill.

One of the three partners wants to be bought out, and their agreement calls for the other two partners to buy out the partner at fair market value.

The real estate houses the business and other rent paying tenants which is inlcluded in the partnership income. The operating business does not pay rent.

Stephen C. Chait, CPA

Answer:

The real estate value should be based on capitalization of what others are paying assuming the others are paying arm's-length rent. Then, the real estate can be valued like any other business, expensing the value of the unpaid rent, and the value of the real estate added on.

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Pressing Business Valuation Questions

Current and concise answers.

Using insider information with estate valuations that are subject to SEC insider information rules

I am a CPA/ABV and CVA. A few years ago I was retained to do a business valuation for an estate. The estate, which was for the founder of a company, held 40 percent of the stock of a publicly traded company. The son was the executor of the estate, trustee of the estate's trust that held the stock, as well as the CEO of the company. He as well as other insiders owned an additional 20%. (No comment on the quality of the estate plan.)

While I could go into great detail about some of the odd facts and circumstances involved here, the question I was asked was how much of a discount should be applied to the estate's share of the company given the 40 percent held by the estate was not registered and the publicly held portion of the stock was very thinly traded.

During my research into the company, I interviewed the son of the founder, the CFO, the attorneys for the estate and company, the company's investment bankers, its accountants as well as other individuals involved in this very narrow niche of an industry. As a result of these interviews as well as an extensive review of the audited financials, I became aware of significant facts that would have a large bearing on the extent of the discount that would be appropriate.

As I was writing my report, I received a call from the company's attorneys on SEC matters. They informed me that any of the information provided by the son, the CFO, and anyone else involved in the company, could not be used as it would be considered disclosure of inside information during quiet periods (the company was actually in negotiations, which ultimately failed, to be bought out among other things).

Similarly, the outsiders I spoke to wanted to maintain confidentiality of the information (I was able to get frank and open information because I was actually doing valuation and accounting work for them).

With these facts, here are my questions:

1. In this case, it was clear that the only way the unregistered stock would likely ever be sold would be to a qualified investor in a large block. Thus, they would have access to the same information I had when valuing the Company that could not be disclosed to the general public.

The company's attorneys were adamant that I could not write about certain issues involving the potential sale, earnings, and some other information. It seems to me that if I write a report for the tax court, the judge will deem that information relevant (and it was).

My question: How do we, as valuators, deal with insider information of a public company when dealing with estate valuations that are subject to SEC insider information rules?

2. Previous issues have dealt with confidentiality problems that a CPA/valuator has. In those cases, it seems to me the questions were in the area of

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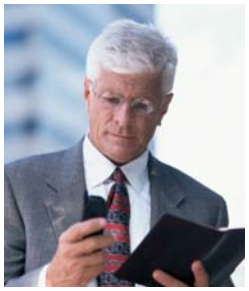

what happens if the CPA wants to apply general knowledge about an industry or business (such as profit margins) to a valuation. In this case, I had specific information that corroborated the inside information from outside sources. It HAD to remain confidential. So, how does one write an opinion that says my conclusion is based on information I know but can't report?

Anonymous

Answer:

First, allow me to make two assumptions:

1. The company's attorney said you could not "use" the inside information. I'll assume the prohibition was on using the information *in writing the report*, not on using the information *in developing your conclusion*. Any appraiser who has knowledge of material facts that he or she is prohibited from considering cannot render the opinion and must resign from the assignment. Your dilemma, as I understand it, is can you *write a report* without disclosing material information on which you relied in reaching your conclusion?

2. You mentioned that you received the call from the attorney as you were writing your report, so I assume the deadline for submitting the report was rapidly approaching. As we all know, inside information often becomes either public or irrelevant within a fairly short time. If you had the option of delaying your report, it is possible that the mere passage of time would have solved your dilemma.

Second, let me point out something that you have probably already considered: It doesn't take long in the appraisal profession to learn that some clients can be quite creative in trying to influence the outcome of the appraisal. The attorney told you certain information could not be used because it was inside information. Your first task is to understand the attorney's basis for his position. Is he claiming that such disclosure would somehow violate SEC rules? Is he concerned that disclosing the information in the report might force the company to make a public disclosure or put it at risk for not disclosing? Is he concerned that disclosure to the IRS could lead to a release of material non-public information and insider trading (with associated potential "tipping" liability, about which I'm not knowledgeable enough to know whether it might apply to the appraiser)? Understanding the basis for the attorney's position will help you assess whether it is merely a ruse to try to influence you. It will also help you to understand how you might work with your client to address the attorney's concerns while maintaining your professional standards. It may be advisable to consult with an attorney on these issues.

Assuming the attempted prohibition on disclosing the inside information in your report is not merely a ruse, and assuming that any possible delay in completing your report would not solve the problem, I believe you have four options, at least in

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theory:

1. You can resign from the valuation assignment.

2. You can disclose the inside information in your report.

3. You can exclude the inside information from the report, as requested.

4. You can try to find some creative solution such as stating in your report that certain inside information material to your conclusion cannot be disclosed in your report, but has been redacted or documented in a supplement to the report that will only be made available after the company's attorney for SEC matters determines that the information can be disclosed.

Obviously, resigning from an assignment is not an attractive option, but it is one that any independent expert must be prepared to do as a last resort.

Option number two, disclosing the information in the report, is clearly unacceptable if such disclosure causes you to violate a law, SEC rule, or your contract, but it's not clear to me that that is the case. It is possible that the disclosure dilemma is the estate's problem, not yours. In this case, it might make sense to tell the client you must disclose the information in the report unless the client decides to terminate your work (and, of course, pay for it). If you deliver the report to the client, it is the client's decision whether to file it with the return.

Option number three violates USPAP Standards Rule 10-2(a)(ix). The comment to this part of the rule states: "The appraiser must attempt to determine that the information provided is sufficient for the client and intended users to adequately understand the rationale for the opinion and conclusions." Even if the appraiser is not subject to USPAP, a report that jumps to a conclusion that is not supported by the information presented is clearly not satisfactory.

Is option number four, disclosing the existence and consideration of the information, but not disclosing the information itself, possibly a way out of the dilemma? This option might violate USPAP, so any appraiser subject to USPAP would want to consider that carefully. Furthermore, I don't know whether this would solve the inside information problem. If the report is challenged and the inside information is still material inside information, how does the appraiser support the report and its conclusions in audit or court? It seems unlikely that the company's attorney allow the inside information to be written and referred to in the report at a time when the information is still inside information. It also seems to me that there simply may be no benefit to a report that explicitly states that the conclusion relies on material information that is excluded from the report. It is not likely to be relied upon. It is worth considering, but in the end this may be a case where there is no mutually acceptable middle ground.

I have tried to enumerate the basic options and issues. There may be some middle ground, but it seems that once the issues are fully investigated, the most likely solution is to give the client a choice of receiving the report with all material information disclosed or terminating the project. I'm afraid a definitive solution to this situation, even if additional background information were provided,

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is beyond my expertise and the scope of this column. I would be interested to hear from others regarding the open issues. I would also be interested to hear how you handled this matter.

David M. Eckstein, CFA
FMV Opinions, Inc.

Tax-affecting the deferred gains on appreciated real estate

Question?

Using an asset-based approach on an S corporation, what tax rates should be used to tax-affect the deferred gains on appreciated real estate:

a) Appreciation before S election
b) Appreciation after S election

Ann Fukumoto
Oto Bailey Burdick Fukumoto & Mishima, Inc.

Answer:

Like most questions involving taxes and valuation, the answer starts with "It depends…"

The first question that needs to be answered is whether the business held C corporation status. The questioner implied that the subject had been a C corporation at one time, so the follow-on question is whether the valuation date is within the ten-year recognition period follow the S election. If the ten-year period has passed, however, the consideration of the C corporation tax status is moot.

Assuming that the valuation date falls within the S corporation recognition period, the general answer is that the tax rate to be used on the gain, measured as of the conversion date, is the highest rate of corporate tax specified in Section 11(b) of the Internal Revenue Code. Note that 11(b) of the Internal Revenue Code, the section that prescribes corporate income tax rates.

The answer is general, because there are potential offsets to the tax, which have to be considered on a case-by-case basis. For example, unutilized capital loss or operating loss carryforwards which arose during the period in which the entity was a C corporation can be used to offset the built-in gains obligation. Additionally, certain unutilized credits from the pre-election period are available to offset the tax.

The Code section covering the subject is Section 1374 "Tax imposed on certain built-in gains." That section and the related regulations need to be reviewed on a facts and circumstances analysis covering the pre-election tax returns prior to determining the tax obligation. This will often necessitate reviewing tax records from periods well before the periods which would provide the basis for an income approach analysis.

Tax on post-election appreciation would normally be at the applicable individual capital gains rate, the determination of which is not always the simplest matter. In the most common case, however, the gain should be long-term. Again, the applicable rate will be the effective rate at the valuation date. Typically, in a Fair Market Value context, I would use the highest capital gains rate; while the buyer is hypothetical, the typical investor in a business holding appreciated real property is likely to have

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a marginal tax rate sufficiently high to minimize the probability of the lower capital gain rate being applicable.

The final qualification is more problematic and involves the consideration of the likely buyer of the interest. The prior paragraph assumes maintenance of the S corporation qualification of the entity after purchase by a hypothetical qualified S corporation stockholder. In some cases, however, an S corporation may be very large or in an industry being rolled up. In those situations, the highly-likely buyer of the S corporation stock may be a C corporation. It would then be appropriate to use the corporate rate tax, because the hypothetical C corporation buyer would not have the availability of the lower individual capital gains rates.

James B. Lurie, CPA/ABV, CBA, CVA, BVAL, CIRA

Separating real estate from the business in the appraisal of special use properties

Question?

In the appraisal of special use properties, there is often value that reflects the user's business. Especially with fast food franchises, the location is a dominant factor; however, the values vary based on the gross of the operations as well as the stability of the franchise. Any suggestions in separating the real estate from the business?

Mickey Petitto

Answer:

It is generally accepted within the profession that the business can be separated from the real estate by treating the value of the real estate and related debt as nonoperating while factoring into the normalized net cash flow a fair market rent for the use of the real estate. You should also be normalizing any expenses associated with the property.

With that said, it is important to make sure that if you use the market approach, treatment must be consistent with the guideline companies. For example, if the guideline companies own the real estate, you would not want to normalize that rent and balance sheet or you would not have a good comparison of the financial attributes of the subject and the guideline companies.

Gary Trugman, CPA/ABV, MCBA, ASA, MVS
Trugman Valuation Associates, Inc.

Which approach to use when valuing businesses by the DCF Technique

Question?

There are two approaches to valuing businesses by the DCF technique; 1) Adopting profit after tax and 2) Adopting income before depreciation, interest and tax

When is the first approach relevant and when is the second approach relevant? When is income before depreciation, interest, tax and amortization to be used?

Kirit Budhbhatti

Answer:

There are two "methods" that can be utilized in the income approach - direct to equity, or the indirect method (what is sometimes referred to as the debt free method). In general, an appraiser would use a direct to equity method (utilizing profit after tax - more about this below) when valuing a minority interest, and an indirect method when valuing a controlling interest.

The main reason behind this is because when utilizing an invested capital methodology (indirect method), the appraiser uses a WACC (weighted average cost of capital), rather than an equity discount rate. This utilizes the company's capital structure (or anticipated capital structure). In a controlling interest appraisal, the shareholder has the ability to change the capital structure. In a minority valuation, the shareholder does not have this right. Therefore, the appraiser uses the company's existing capital structure in calculating the WACC. However, this requires knowing the market value of the company's equity, which is what the appraisal assignment is. Although it is possible to calculate it, most appraisers avoid the cumbersome process and value equity directly.

An invested capital methodology is also used in merger and acquisition valuations, when the buyer knows what he/she wants the capital structure to be (knows how much debt will be utilized in the capital structure after the purchase.

As for the benefit stream, most appraisers use net cash flow because it matches the Ibbotson data, which most of us use in the derivation of the discount rate. The formulas for the benefit streams are similar, but there are differences. They are shown in the following table:

Net Cash Flow to Equity	Net Cash Flow to Invested Capital
Net Income After Tax	Net Income After Tax
	+ Interest Expense After Tax
+ Depreciation	+ Depreciation
= Gross Cash Flow	= Cash Debt-Free Cash Flow
+/- Changes in Working Capital	+/- Changes in Debt-Free Working Capital
+/- Net Debt Proceeds	
- Capital Expenditures	- Capital Expenditures
- Preferred Dividends	- Preferred Dividends
= NCF_E	= NCF_{IC}

What these formulas represent is the cash flow available to the various stakeholders. In the left column, these are the funds that are available to pay dividends to the common shareholders. The right column represents the funds available to pay dividends as well as pay the debt-holders. These benefits streams can then be discounted in a multi-period model (DCF) or capitalized in a singe-period model (CCF).

Generally, an appraiser does not use income before depreciation, interest, tax and amortization because there is no data available to support a discount rate for this benefit stream. However, this benefit stream is very often used in the market approach (both guideline public company method and the transaction method) because multiples can be calculated for various benefit streams.

Linda Trugman, CPA/ABV, CBA, ASA, MBA
Trugman Valuation Associates

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Adding a going concern value to a Net Asset Value Approach

Question?

When appraising a company under the premise of going concern, should an appraiser add a "going concern value" to the NAV method? I am performing a business appraisal for a large distributor, who has historically incurred significant losses. I have determined that the NAV is the most appropriate method. If the premise is a going concern, do the losses factor in to the "going concern value" (i.e., established workforce, systems in place, customer list, etc.)? If so, how do you quantify?

Lewis Baum, CPA, CVA, CFE

Answer:

This is an interesting question. I would challenge the premise that this enterprise can be valued as a going concern if historically it has generated nothing but recurring operating losses. We typically use the adjusted net asset value as a floor value when valuing a going concern to insure that the resulting indications of value based on income and market approahes to value are at least equal to what the enterprise would yield if operations ceased and there was an orderly liquidation. In certain circumstances it is not unusual for the adjusted net assets of a business to be worth more than the risk adjusted economic returns on those same assets, such as when someone is willing to take a smaller return on their efforts and investment due to reasons such as an art gallary or boutique retail store where the owner is essentially buying a job.

On the other hand, when assessing the net asset value, it is correct that you must also evaluate and value the intangible components such as an established workforce, proprietary processes, customer lists and loyalties, if such assets are deemed to have a market where a buyer would pay something of value for the rights to such intangibles. If, in total, the value of all assets, including intangibles such as these, indicate a higher value than that which is derived from the application of other appropriate income and market based methodologies, then that would be the result that would drive your conclusion.

Quantifying such intangibles is not an easy task, but one approach is to construct an analysis of what it would take to properly replace and train a workforce from scratch or replicate the proprietary systems that the entity relies on. The value of the customer lists can be derived in some circumstances by reference to databases where such lists can be purchased, but this would be highly dependent on the type of business at issue and how unique the customer base is. Another approach is to value the enterprise with and without the benefit of an established customer list to determine the impact of what the established list brings to the business in terms of increased sales volume over time.

Ron Seigneur, MBA, CVA, CPA/ABV
Seigneur Gustafson Knight, LLP

Perspectives
Ask the Experts.

Why do some courts recognize personal goodwill and other do not?

Question?

Almost every statute contains language to the effect that the distributive asset that is the value of the practice or the business should not include or reflect the efforts of the spouse from here forward, nor restrictiveness on the efforts of the spouse from here forward. Now even though the state statutes say that, many states include personal goodwill in the value of the distributive asset. Why is that an anomaly? In other words, why do some divorce courts recognize personal goodwill and others do not, when the philosophy is that the marital distribution split will not reflect any efforts of the operating spouse going forward or any restrictions on the operating spouse going forward?

Also, can you list some states that include personal will as a marital asset and some that do not, and some that are equivocal or silent on the subject?

Anonymous

Answer One:

I think that a lot of it comes down to something that we all know about and that I know from observation, and I'm not sure I'm an expert on. The courts in marital dissolution matters search high and low to do equity and to do equity sometimes means that they take a fact pattern and they manufacture what they consider a reasonable result, despite what the standard of value is or is supposed to be. And the classic case, of course, in that is the *O'Brien* case in New York in which there was a license - a medical license. There were no marital assets. In fact, the case specifically says, "In this otherwise assetless marriage, there's no standard of living because Dr. O'Brien was a resident until he got his certification," and in that case they found that the liecense was valuable. Obviously it wasn't fair market value because someone didn't end up with the M and the other person the D, and they assigned a value to it and distributed a portion of it. And I think that case was a result of a difficult fact pattern.

Regarding the whole issue of post-separation efforts. There's a contribution. Since we all know that value is the present worth of future benefits, then it's almost impossible to accept the idea that future earnings are not what we're valuing when we value something. In fact, in Colorado there's a case called *Huff* where they tried to make that distinction between past earnings and future earnings, and that doesn't make any economic sense to me. But they do it in a way so that they try to sidestep the issue of post commencement actions. I think what happens is, the underlying issue is that perhaps reasonable compensation is what's occuring, and that's what the post-separation owner is getting, and anything over and above that ends up being considered earnings, which we discount back and call value. A lot of times it creates presentation issues because many courts are loathe to rely on a discounted cash flow methodology because you actually see the future benefits being discounted back. But we all know that, whether you use a price earnings ratio

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or you use an excess earnings or you use a capitalization of future benefits, all of them are predicted one way or the other on the present worth of future benefits.

Some states are clearer than others. Florida is pretty clear that there is no personal or professional goodwill. In fact, we use a standard that is close to being call the "walk-away doctrine." That is, what would the business or practice be worth if someone walked away? Texas falls into that category and Pennsylvania falls into that category. On the other side, as I have mentioned, New York, New Jersy, and California surely fall in the other end of the spectrum, which is, there's no distinction made relative to the marketability of the business. And again, I want to point out that this all comes back to understanding what the appropriate standard of value is and the clarity relative to that standard of value.

Jay Fishman,ASA, CPA

Answer Two:

You have to look at that state's definition. There are certainly states like Illinois which clearly does not include personal goodwill. But again, if you don't look at the factual basis of the cases that are supporting the theories of personal goodwill or not, then I think you're doing yourself a disservice. I've read many articles that say, well, the majority includes it. But then when you see how the majority includes it and they cut away at it, (i.e., they exlude personal repuation), it just becomes an exercise in how you present the particular fact pattern to the court.

Michael Berger, JD

How to Discount for Trapped-In Capital Gains

August 2004 Telephone Conference

Reconciling Holding Periods and the Asset Approach

Question?

In Mark Lee and Gil Matthews article "How Should Trapped-In Capital Gains Taxes be Valued" (*Shannon Pratt's Business Valuation Update*, 2004), a holding period of the underlying assets of the entity was assumed which went beyond the valuation date. It was my understanding that Will Frazier said that an assumption of the asset approach is by sale of the asset as of the valuation date. How can these two concepts be reconciled?

Anonymous

Answer One:

The issue really is – you have a specific court case in the Fifth Circuit in which this particular judge, an appeals judge, said you must assume these particular facts and cirumstances. Under these particular facts and circumstances you must, in using the asset approach, take 100 percent of the capital gains discount. Generally, I agree with that, but you may be involved in other circuits and other cases where you may know there is, in fact, going to have to be some sort of minimum holding period for reasons due to the facts and circumstances of your case. That's when the other calulation that we talked about comes into play.

Mark Lee, CFA
Sutter Securities

Answer Two:

Essentially, the difference is this: Mark's analysis, which I think is good, is more of an extrapolation or kind of an income approach and – of the consequences of what happens during a holding period if you have dividends and other specific factors, whereas I'm looking at specifically an asset approach and in particular cases where I've been involved so far, dividends weren't an issue. So I think that's essentially the difference.

Will Frazier,ASA
Howard Frazier Barker Elliott, Inc

Answer Three:

Let me just amplify what Will just said. The difference really, and the way you reconcile it is that there's various approaches that you can use to value this interest and if you're using the asset approach you take the full capital gains right then and there. That is why I'm wondering about this use of this methodology that you have Mark.

Really, in a way, this could be more applicable if one were to look at the income approach for a minority interest, wherin you have a holding period and there's going to be maybe some cash flow in the meantime, maybe not. At the end of the holding period you're going to get some money and you can discount that back to the present at a rate of return.

That's more of a direct way of quantifying some of these growth rates and the built-in gains taxes as it gets bigger and bigger as a percentage of the asset base and the expenses. And I think that, really, if I were to modify that to the way I think it should be, I would just use your calculations and your model to go directly into the discounted cash flow analysis for the majority interest.

Eric Nath,ASA
Eric Nath & Associates

Answer Four:

There is no question that if you have control over a company that what will happen is that you should take out – you're going to liquidate immediately in most C corporations. And the reason being is that the longer you remain as a C corporation, the greater is the potential - the greater is the impact of corporate taxes on appreciation. As the value of the stock goes up, the corporate taxes will go up as well and a person who owns the common equity of that particular corporation will have less money.

There are other situations which will also come up. First of all, the capital gains tax deduction isn't the only deduction to be focused on. What also should be focused on is operating expenses and liquidation expenses. Those after-tax costs should be considered as well.

Secondly, there will be some situations - they're not the ones we've seen so far - but there will be some situations where they will be a minimum holding period and those situations may be small and they may be rare from many people's perspectives. In those situations where there are minimum holding periods, what needs to be taking into consideration is the tax shield on the dividends and the fact that the corporate tax burden will go up during that holding period, so the amount of the discount will

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actually exceed what is calculated if you assume the corporation is liquidated immediately.
It is very simple to say that what you should do is take the 34 percent discount. It's easy, it's fast, it's straight-forward, and it was very easy for the court to understand and Will is absolutely right about that. But, in some situations if you're dealing with a situation involving a portfolio of rapidly rising speculative securities in a C corporation and you know that that portfolio is going to be held for some period of time, taking 100 percent of the discount is simply not enough.

Mark Lee, CFA
Sutter Securities

Relationship between Asset Approach and Liquidation

Question?

Will Frazier seems to agree with the *Dunn* Case - the asset approach assumes liquidation. In other words, the asset approach is essentially a liquidation approach.

In contrast, some believe that the asset approach can provide an estimate of value where earnings and cash flow are difficult to project. This is based on the theory that over the long term assets will generate a normal return and therefore asset value on a going concern basis on expected income, even if no reliable specific projection can be made. In this case, an asset approach does not assume liquidation. This is reflected in the typical investment holding company valuation where net asset value is typically used regardless of whether liquidation is expected. Could the panelists please comment on these two perspectives?

Anonymous

Answer One:

In the case of valuing a company that apparently is not making much in the way of earnings and using the asset - using the asset approach, that is a valid approach. If you don't have earnings to capitalize you have to use something as a benchmark. However, if the assets are valued by some - let's say you have an equipment appraiser that values them - the assets in place or, you know, in the normal context of normal earnings, you as this particular company isn't able to do that.

Now, maybe on average, for the average company they can generate enough earnings on these particular assets to cause their value to be 100 cents on the dollar, but this particular company can't. And, I don't think you can speculate that they-something miraculous is going to happen where all of a sudden in the future they're going to begin achieving the industry average if they haven't been able to do it historically. So in that case, I would say their value would be at some discount to asset value. That is why some assets trade at discounts to asset value.

Will Frazier,ASA
Howard Frazier Barker Elliott, Inc

Answer Two:

I think the questioner hits the question really straight on on what the differences are. The issue, again, is when we've used an asset-based approach and we're involved in portfolios of securities whether they're in or not in C corporations,

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what we're looking at it is essentially what's the value of those securities and we really haven't thought about whether or not those securities are going to be liquidated. *Dunn* says they have to be liquidated. But in many situations in C corporations they won't be liquidated because from the majority shareholder's point of view there's no need to liquidated them.

But from our point of view in the way we value C corporations by aggregating the asset value of the investment portfolio, along with the operating assets, we need to take into consideration that the longer those assets are held in the C corporation and absent any dividend income, the less valuable those assets become because the inherent present value of the capital gains that's in those stocks will be taxed a very high corporate rates.

Mark Lee, CFA
Sutter Securities

Answer Three:

I think that one of the questions that we haven't really thought about in the *Dunn* case is here we have a 62 percent owner. It takes 67 or so percent to liquidate the corporation. But the 62 percent owner probably has a great deal of control and could restructure the business in a variety of ways.

If I were to look at this and all the facts and circumstances in this case, I would ask myself, what could this 62 percent owner actually do with their interest? If the owner would have the opportunity to spin off the assets, the non-operating assets without triggering gains, great. Let's consider that. If there's no way to spin those assets off without triggering gains, then you have to take the gains into consideration.

Eric Nath,ASA
Eric Nath & Associates

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November 2004 Telephone Conference

Entity vs. Personal Goodwill Revisited
November 17, 2004

10:00-11:40am Pacific Time
Earn 2 CPE credits for participating!
Speakers Include: Jay Fishman, Mark Luttrell, Don Schiller, and Shannon Pratt as Moderator

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