



# THE INSTITUTE OF BUSINESS APPRAISERS IBA NEWS

## 2009 IBA Symposium Review

By Grace Clarke, MBA

This year's 2009 IBA Symposium, cosponsored by NACVA, was held in Boston, MA on May 27-30, titled **The NACVA and IBA's 2009 Annual Consultants' Conference**. It marked the 31<sup>st</sup> anniversary of IBA and the fourth year of IBA's expanded presentation format. With most IBA Symposium track sessions nearly 3-4 hours in length, participants had the option to move among nine different specialty tracks and over 50 presentations.

**For more information on the conference, go to page 3 to learn more about:**

**\*Opening Keynote Address**

**\*Tax Valuations**

**\*Standards of Value**

(Continued on page 3)

## Election Results

By Allen Brinegar

### IBA announces its 2009 election results for the Professional Responsibility, Accreditation, and Education Boards

It is in IBA membership's interest to provide for member oversight of critical IBA activities. IBA's leadership supports this by our Board and Committee structures. Boards and Committees work to support innovative member services through course and product development, research, authorship, instruction, and setting the highest example of ethical conduct and standards.

The first meeting of the IBA Boards took place, via telephone conference call, in the first week of July, 2009. The first Board meetings were to welcome new Board members, establish initial expectations, begin the formal planning process, and to select a chairperson and secretary for each Board by the next Board meeting. IBA will communicate clearly and often with all members as to the progress, projects, and status of Board and Committee efforts.

(Continued on page 10)

## IBA's Market Transaction Database

By Grace Clarke, MBA

IBA Market Data is the largest and most useful collection of transaction data for small- to mid-size businesses. It is an invaluable resource for the Market Approach to valuation of privately held businesses, and now IBA members can access it free online 24 hours a day. In May of 2009 all IBA members received a user name and password with instructions on how to access IBA transaction data online. Members who have not received their user name, password, or login instructions are encouraged to e-mail Allen Brinegar at [abrinegar@go-iba.org](mailto:abrinegar@go-iba.org). Want to learn how to use IBA's new online portal? Visit [www.go-iba.org/downloads/ibavideo/ibamd.html](http://www.go-iba.org/downloads/ibavideo/ibamd.html) to view the online demo of IBA's new transaction database platform.

Members involved in the sale of businesses are encouraged to submit transaction data to IBA. Submitting new transaction data helps keep our database up to date. Members or brokers who submit transactions from recent sales will receive credit for each transaction, which may be used towards the purchase of live education, webinars, and other products and services from IBA, NACVA, ValuSource and Key Value Data. Visit [www.go-iba.org/pdfs/marketdata.pdf](http://www.go-iba.org/pdfs/marketdata.pdf) to download a market data submission form and start earning your credits today.

## Fall 2009

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### UPCOMING EDUCATION

November 9-14, 2009  
Jersey City, NJ

December 7-12, 2009  
Atlanta, GA

January 25-30, 2010  
Houston, TX

Join us on IBA's new online blog located at [www.go-iba.org/news](http://www.go-iba.org/news) for technical information and up-to-the-minute news releases.



# Letter from the Executive Director

## There are Too Many Standards Out There

By Howard A. Lewis, ABAR, AVA - IBA Executive Director

It's been said that "too many standards are no standards at all." In our profession, standards have come to be known as an "alphabet soup," the "real standards" have been challenged to "stand up" and show themselves, and business appraisers across the country are increasingly concerned with the confusion and potential risks involved in learning, understanding, and applying numerous sets of standards.

Ask the typical business appraiser to explain why there are so many sets of standards and you will hear responses that contain the following words: politics, culture, habit, competition. Are these good reasons for the multiple standards our profession has produced? I don't think so.

Standards are commonly distinguished on the basis of purpose, intended user group, and the manner in which they specify requirements. I question whether our profession has sufficiently thought through these characteristics of differentiation. A generally accepted definition of the term "standard" includes all of the following: "Common and repeated use of rules, conditions, guidelines, or characteristics for products or related processes and production methods, and related management systems practices." (Source: OMB Circular A-119). If each set of business appraisal standards contains all of the above-referenced elements (and I think they do, including the IRS valuation guidelines, which I wrote several years ago), and if the intended user group can readily be identified as business appraisers and those who commission our work, then why on earth is there such confusion and such difficulty in resolving differences between them? I suspect those who reply by citing politics, culture, habit, and competition have hit the nail on the head. Does it matter how many sets of standards there are? Most assuredly.

As an industrial engineer, tasked with the responsibility of producing high quality parts and assemblies in the elevator manufacturing industry, I knew where to find the relevant standards, and there was no confusion. Engineering standards are precise, relatively easy to communicate, and get the job done with no confusion. Certainly with no politics. And, in the elevator manufacturing business, safety is the prime consideration. Imagine debating whether one standard or another applies while millions of people trust their lives to the elevators they ride in every day.

There are too many standards out there and IBA challenges every business appraisal association to join it in harmonizing our profession's standards once and for all.

# Symposium Review (Continued)



## Symposium Review

(Continued from page 1)

Most of the sessions reviewed below are from the IBA Symposium tracks and are available on CD ROM. Please visit [www.go-iba.org/cart](http://www.go-iba.org/cart) in the conference material category section for a list of all tracks available on CD, or contact IBA Headquarters at 800-299-4130.

### Dr. Shannon Pratt Awarded ABAR Certification

On Thursday May 27, 2009, during the opening remarks of the IBA symposium, IBA awarded the industry's most well known expert witness, Dr. Shannon Pratt, with IBA's Accredited in Business Appraisal Review (ABAR) certification.



Dr. Shannon Pratt

### Opening Keynote Address

Mel Abraham then kicked off the conference with an outstanding keynote address. His topic, *Influence, Impact and Income – Your Recipe to Thrive in Today's Economy*, reminded us that, although times are tough today, there are still tremendous opportunities, quoting Albert Einstein, "In the midst of difficulty lies opportunity." The entrepreneurial mindset is what will take us to the next stage. An entrepreneur is a person who uses his/her resourcefulness to solve a problem or serve a need. Like the entrepreneur, each of us should become our own master by considering three triads:

1. The **Mastery Triad** of education, credibility, and experience. In valuation, unlike many other professions, we are constantly judged. In today's economy, you cannot be a master of all trades if you want to differentiate yourself. And you will want to differentiate yourself through mastery to avoid being a commodity. Find the hole you want to master and keep digging until you hit the gold.
2. The **Influence Triad** of cause and effect, focus, and questions. We need to influence ourselves before we can influence others. Cause and effect has to do with what you do with what you are dealt. What you focus on grows: "if it's top of mind, it's in your bottom line" (whether it is money, family, or rapport with clients and employees).
3. The **Impact Triad** of purpose, passion, and service. Ask yourself, "What's your purpose?" and don't be afraid to change it. If you don't have passion for what you do, it's achievable but not sustainable. Finally, provide service outside yourself.

Take time to plan, commit time to success, commit the resources, understand that seeds do not grow in a day, make conscious choices of your unconscious behavior, and choose to live a life that matters. Each day is a gift, not a God-given right. What are you going to do with it?

### Tax Valuation

Judge David Laro of the United States Tax Court, Michael Eggers of American Business Appraisers, and Howard Lewis of The Institute of Business Appraisers provided their views of *Tax Valuation in a Changing Environment*, moderated by Steven Egna. Judge Laro noted that a valuation report should be transparent (in terms of data and analysis so that it can be replicated), credible (in terms of being reliable and unbiased, with an attempt to arrive at the truth), ethical (exhibiting intellectual honesty), and must not advocate.



Howard Lewis and Judge David Laro



Grover Rutter asking questions at the IBA symposium



# Symposium Review (Continued)

## Standards of Value

In *Standards of Value: When Should Fair Value Replace Fair Market Value?* Marc Bello led a discussion on how we view and communicate the standards of fair market value and fair value in the context of valuations done for litigation purposes. He started out with definitions and identified the similarities between the two standards, provided an overview of the levels of value (*i.e.*, control, marketable minority, and non-marketable minority), distinguished between the market place (which is an established value) and the hypothetical market place (which is based on standards), and reviewed the authority of IRS tax law. He then moved on to fair value in a litigation context using two cases (*Balsamides v. Protameen Chemical* and *Bernier v. Bernier*) as examples of application of the standards of value in a litigation context.

## Real Estate and the Business Appraiser

This session, led by Paul Hyde, walked through the elements of a real estate appraisal. Topics covered included assumptions, anticipated holding periods, highest and best use, leasehold interests, and business leases with related parties.

When business appraisers use real estate appraisals in the valuation of hotels, convenience stores, and truck stops, they have to be careful to make sure that the real estate appraisal segregates out the real estate from the business enterprise. Mr. Hyde estimated that 90% of hotel appraisals are incorrect. He recommended that the business appraiser specifically require that the business enterprise *not* be included in the real estate value.

Mr. Hyde talked about the importance of paying attention to the intended user identified in the real estate appraisal report. He cautioned that if the business appraiser is not the intended user, it may shift all the liability for any errors by the real estate appraiser to the business appraiser.

An area of opportunity for business appraisers is valuing undivided interests in real estate, where the issue is quantifying the adjustment to value for the lack of control and marketability/liquidity inherent in the ownership structure. Loopnet.com is a great resource for pulling up sales for comparable data.

Q: What is the difference between **fee simple** and **leased fee** ownership?

A: Fee simple is 100% ownership in rights of the property. A leased fee is where some of the rights have been transferred by lease to a third party. The rights have been assigned and whether they are leased at market value will determine the impact on the value of the property.

Q: How far past the date of the real estate appraisal can it be used?

A: The real estate appraisal should be dated as of the effective date of the business valuation report. If the real estate report is for an earlier date, you should get a letter from the real state appraiser which indicates that the value of the real estate has not changed from the report date to the valuation date.

Q: Do the IRS appraisal penalties apply to real estate appraisals done in conjunction with business appraisals?

A: If used for estate purposes, yes. Use caution, because if the real estate appraisal limits the user, the business appraiser may be fully liable.

Q: Does the real estate appraiser have E&O coverage?

A: Not all do.

Q: What information is used for historical real estate appraisals?

A: There is no historical information. It is difficult to find old information.



Some of the IBA Governors at the 2009 Symposium Governor's meeting

# Technical Studies of the IBA Transaction Database Part L The Markets for Businesses

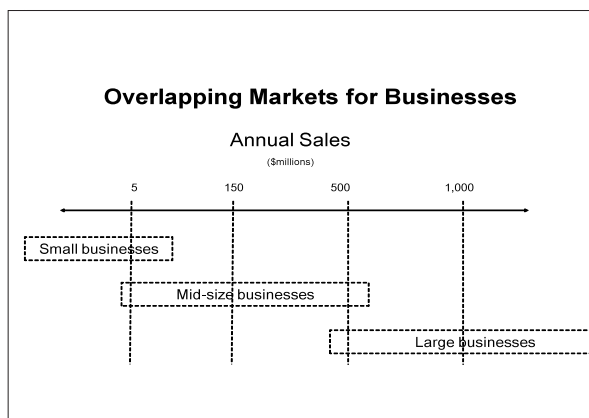
By Raymond C. Miles, CBA, ASA

## Background

In the previous monograph (Part XLIX) in this series, we discussed the markets for businesses.

We explained that, contrary to widely-held assumptions, there is not a single market for businesses. Instead, there are several overlapping markets, distinguished from each other by differences in investor motivations, investor expectations, and market characteristics (market mechanisms).

This chart illustrates the overlapping market segments.



We also explained that, because of the substantial differences among the various markets, it is important that transaction data for comparison with the subject business be obtained from the market segment that corresponds with the pool of likely buyers for the subject.

## The Appraiser's Dilemma

It is self-evident that, even in a time of economic uncertainty, the best evidence of market value is the market. Although it may be tempting to rely on the Income Approach or the Asset Approach, all approaches and methods are subject to uncertainty, and require the appraiser to make critical judgments and estimates.

Given that the best evidence of market value is the market, it is the appraiser's obligation to interpret this evidence in terms of the value of the subject business.

In the Market Approach, there are two principal methods of estimating business value. These are the **Guideline Company Method** and the **Direct Market Data Method**. Appraisers who use the Market Approach, either as the principal approach or as a check on estimates made by other approaches, are faced with a choice between these two methods.

## The Guideline Company Method

The Guideline Company Method is probably the best known method under the Market Approach.

The origin of the Guideline Company Method can be traced to the listing in Revenue Ruling 59-60 of eight "factors to consider," specifically factor (h), which calls upon the appraiser to consider "The market price of stocks of corporations engaged in the same or a similar line of business having their stocks actively traded in a free and open market, either on an exchange or over-the-counter."

Revenue Ruling 59-60's reference to corporations "having their stocks actively traded in a free and open market" is commonly interpreted as requiring the appraiser to consider the prices of publicly traded stocks. The method is then termed the Guideline Public Company Method. However, the concept can also be applied to closely-held businesses, in which case it is usually called either the Guideline Merged and Acquired Company Method<sup>1</sup>, or simply the Guideline Company Method.

Among the reasons for the popularity of the Guideline Company Method are the citation in Revenue Ruling 50-60 and wide acceptance of the Guideline Company Method in the courts.

In the Guideline Company Method, several companies whose stocks are actively traded are selected as being "comparable" to the business being appraised, and the prices of these stocks are then used as "guidelines" (that is, equally desirable substitutes) for the business being appraised<sup>2</sup>.

The Guideline Company Method has been appropriately called a "best fit" method, in that comparable businesses are chosen to provide a "best fit" to the subject business.



As with most business appraisal methods, the final estimate of value usually involves “adjustments” to the value derived from the comparable businesses. These adjustments typically involve adjustments for “lack of marketability,” “premiums for control,” “discounts for lack of control,” and others.

A key requirement of the Guideline Company Method calls for a large amount of information (large number of “data points”) on each “comparable” transaction. This is needed to insure the best possible fit to the subject business.

### **Limitations of the Guideline Company Method**

For many years, appraisers have attempted to value closely-held businesses by using the Guideline (Public) Company Method and applying various discounts intended to correct for differences such as marketability, investment risk, etc.

Recently, it has been recognized that these attempts to apply the Guideline Company Method to small- to mid-size businesses lack both theoretical and empirical support.

This has given rise to a requirement for methodology that:

- will use transaction data from the market segment corresponding to the likely pool of buyers; while
- overcoming the practical limitations of available data on transactions involving small- to mid-size closely-held businesses.

This need resulted in development of the Direct Market Data Method (DMDM).

### **The Direct Market Data Method (DMDM)**

The Direct Market Data Method was developed by The Institute of Business Appraisers to fill the need for a method of appraising closely-held businesses in circumstances in which the Guideline Company Method was not appropriate.

In particular, the DMDM is especially useful for appraising very small businesses, such as those with annual revenues of no more than a few million dollars.

In the Direct Market Data Method, the appraiser gathers transaction information on all known transactions in the same Standard Industrial Classification (or same North American Industrial Classification) as the subject business.

The transaction data are then analyzed to create a model of the entire market for businesses in that SIC/NAICS category. Next,

data on the subject business are compared with market data to determine the subject’s appropriate location in the total range of market values<sup>3</sup>.

As with other appraisal methods, “adjustments” are usually made to the preliminary indication of value derived from analysis of the market. Because it involves studying the entire market for businesses in the subject’s SIC/NAICS category, the DMDM has been called the “total market” method.

A necessity with the DMDM is availability of a large number of transactions in the subject’s SIC/NAICS category to insure an adequate representation of the total market.

### **Data Requirements - The Guideline Company Method**

In the Guideline Company Method, the cost of an equally desirable substitute is estimated by comparing the subject business with the aggregate of several “comparable” companies.

To establish comparability, there must be a large amount of information (large number of “data points”) on each “comparable transaction.” This is necessary to insure the best possible “fit” between the comparable transactions and the subject business.

However, there must also be a large enough number of “comparable” transactions to provide a useful sample of the total market for comparables. Too few comparables leaves the appraiser with an inadequate sample of the total market for “equally desirable substitutes.”

These are essentially conflicting requirements. The larger the number of comparables, the more accurate is the sample of the market for “equally desirable substitutes.” On the other hand, including more transactions as comparables leads to degradation of the fit between the comparables and the subject business.

### **Data Requirements - The Direct Market Data Method**

A necessity with the DMDM is availability of a large number of transactions in the subject’s SIC/NAICS category. This is to insure an adequate representation of the total market.

Compensation for the relative lack of detail (few “data points”) on individual transactions requires a larger number of transactions to adequately reflect the market for businesses in the same SIC/NAICS category as the subject business.

Although fewer than 20 such transactions can provide some useful information about the market, it is desirable that there be 20 or more transactions to adequately define the market.

### Comparison of Data Requirements

The Guideline Company Method requires at least 4 to 7 transactions “comparable” to the subject business, each of these comparable transactions having a large number of data points to insure the “best fit” to the subject.

To reflect the “total market” for businesses in the subject’s SIC/NAICS category, the Direct Market Data Method requires 20 or more transactions, each needing only a few data points.

Thus:

|                             | GCM    | DMDM |
|-----------------------------|--------|------|
| Minimum no. of transactions | 4 to 7 | 20   |
| No. of data points          | many   | few  |

### Data Availability

As explained in the previous monograph (Part XLIX), there are three principal sources of transaction data on closely-held businesses.

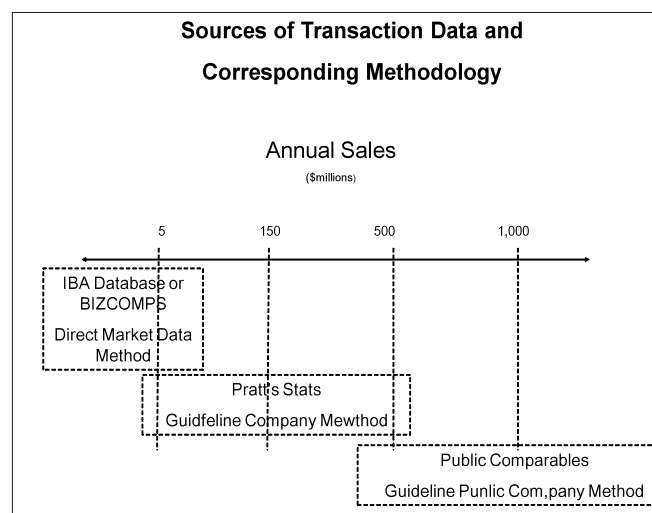
Pratt’s Stats covers transactions in closely-held businesses in the mid-size range, and includes a large number (“up to 70”) of data points per transaction. Thus, Pratt’s Stats is a good source of data for use with the Guideline Company Method for businesses with annual sales of a few million dollars to several hundred million.

The IBA Transaction Database and BIZCOMPS each contains a sufficient number of transactions<sup>4</sup> to define the total market for businesses in most of the popular SIC/NAICS categories. Thus, either the IBA Transaction Database or BIZCOMPS is a good source of transaction data for use with the Direct Market Data Method.

### Market Segment, Data Source, and Method

Combining the previous information as to (a) data requirements and (b) data availability, we see that the market segment essentially controls the choice of both data source and methodology.

Thus:



### Summary

The validity of the Guideline Company Method for valuing closely-held businesses depends on the availability of detailed transaction data from the market segment that includes potential buyers for the subject business. As a practical matter, this includes subject businesses with annual sales from a few million dollars to several hundred million dollars. For subject businesses with annual sales less than a few million dollars, the appropriate method is the Direct Market Data Method, using transaction data from a source such as BIZCOMPS or the IBA Transaction Database.

### Endnotes

<sup>1</sup>See Pratt et al., “Valuing a Business – The Analysis and Appraisal of Closely Held Companies,” fourth edition, pages 259 et seq.

<sup>2</sup>A more extensive explanation of the Guideline Public Company Method can be found in Pratt et al., “Valuing a Business – The Analysis and Appraisal of Closely Held Companies,” fourth edition, McGraw-Hill, chapter 11, pages 223-258. Also, a description of the Guideline Company Method can be found in chapter 12, “Market Approach – Guideline Merged and Acquired Company Method,” pages 259-280.

<sup>3</sup>The Direct Market Data Method has been described in a number of publications, including “Introduction to the Direct Market Data Method of Valuing Mid-Size and Smaller Closely Held Businesses,” The Institute of Business Appraisers’ publication P-409, 1998. Also, “How to Use the IBA Transaction Database,” Business Appraisal Practice, Summer 2006, pages 5-17.

<sup>4</sup>The IBA Transaction Database contains 33 thousand-plus transactions; BIZCOMPS contains more than 10 thousand transactions.



## Pictures from the 2009 IBA Symposium

**Clockwise from below:**

Richard Wise and Chris Treharne • Pam Duys, Brent McDade, and Rob Vance • Mike Adhikari, Anamaria Ciobanu, and Pam Duys • John Korschot • Leo DeLisi and Robert Reilly • Rob Schlegel, Michelle Marvel, and Steve Egna



(Continued on page 12)

# Spotlights



## Bob Strachota Elected Chair of IBA's Board of Governors

Bob Strachota, MAI, MCBA, FIBA, President of Shenehon Company, a Minnesota based Real Estate and Business Valuation Firm, was recently elected Chair of IBA's Board of Governors.

As Chair of the Board of Governors, Bob will be responsible for participating in strategic planning, presiding over Board of Governors meetings and activities, and overseeing other Boards and Committees. IBA is very pleased that Bob has offered his strong commitment to ensure IBA's continued efforts to improve member participation and governance, IBA's business valuation curriculum, and its accreditations, standards, and membership benefits.

Bob holds both the MAI and MCBA designations, and has over 30 years of appraisal experience in the commercial real estate and business enterprise arenas. During that time, he has successfully completed thousands of appraisals, including some very unusual assignments such as: railroads, riverboats, ranches, and resorts. Bob serves as an expert witness in Federal, State, and District Courts, as well as for commission hearings and special government proceedings. He is an adjunct professor for three degree-accredited universities and is frequently invited to speak at valuation seminars and extension courses. He acts as a court-approved arbitrator, commissioner, and magistrate in real estate and business valuation disputes. Bob holds the highest designations from The Institute of Business Appraisers and the Appraisal Institute, and he publishes in both local and national trade journals. IBA's appreciation and congratulations go out to Bob.



**Bob Strachota**

## Congratulations to IBA Governor Linda Trugman

IBA Governor, Linda B. Trugman, CPA/ABV, MCBA, ASA, MBA, FIBA, received the 2008 AICPA Volunteer of the Year Award. Trugman is a member of the BV Committee, an instructor of ASA courses, chair of ASA's BV Education Committee, and editor of AICPA's ABV E-Alert electronic newsletter. In 2008, she was also elected to IBA's Board of Governors as a Governor at large.



**Linda Trugman**

The award also recognizes her extensive volunteer service to the organization in its Business Valuation Committee and conference activities. IBA's appreciation and congratulations go out to Linda.

## TM Capital Wins M&A International Member of the Year

Congratulations to IBA member Murray M. Beach, CPA, ABAR, a Managing Director of TM Capital, a firm recently recognized by M&A International as its Member of the Year for the second year in a row. The award recognizes TM Capital's outstanding contribution in generating cross-border transactions. Winners were announced on April 18 at the M&A International Atlanta Spring Conference.



**Murray Beach**

TM Capital also received Construction and Engineering Services Deal of the Year for the acquisition by New Enterprise Stone & Lime of Stabler Companies, and Healthcare Deal of the Year for assisting Dinex Holdings in its sale to Carlisle Companies. Cavendish Corporate Finance, M&A International's UK-based member, assisted with the Dinex transaction.



## Spotlights (Continued)

### Wall of Fame

#### IBA MEMBERS HONORED IN 2009

##### IBA's Board of Governors

Bob Strachota, MN - Chair

##### Regional Governors

Warren Burkholder, MA

Rand M. Curtiss, OH

Gerald M. Fodor, GA

Jerry F. Golanty, NV

John C. Korschot, MO

Richard L. Schwartz, AR

Chris D. Treharne, CO

##### Governors at Large

Marcie Bour, FL

Mike Eggers, CA

Paul Hyde, ID

Steve Schroeder, AR

Linda Trugman, FL

### 2009 Election Results

#### Professional Responsibility Board

Tracey Jeffers - Chair

Kenneth E. Avery - Secretary

Doug Gaskins

Richard D. Thorsen

Ronald D. Rudich

William C. Herber

#### Accreditation Board

David C. Tolson - Chair

Kelly Skarda - Secretary

Elias E. Ladon

Kumi D. Bradshaw

Ronald E. Harbison

Stanley L. Pollock

#### Education Board

KC Conrad - Chair

William Quackenbush - Secretary

John C. Hawthorne

Scott Gabehart

Shawn Hyde

Steven M. Egna

### 2010 IBA Symposium Co-Chairs

Marcie Bour, FL

Steven M. Egna, NY

### 2008-09 IBA Award Recipients

#### Best Business Appraisal Practice Article

Stanley Pollock, PA

#### Best Accredited by IBA Report

Michelle Marvel, FL

#### Best Accredited in Business Appraisal Review Report

Aaron Caya, MI

#### Best Certified Business Appraiser Report

Tyrone Taylor, FL

#### Best Publication of the Year

Robert Reilly, IL

Robert Schweihs, IL

#### IBA Instructor of the Year

Steve Egna, NY

#### IBA Instructors of Exceptional Distinction

Dennis Bingham, AZ

KC Conrad, AZ

Frank Rosillo, FL

Robert Schlegel, IN

Gary Trugman, FL

#### IBA Instructors of Great Distinction

Mike Adhikari, IL

Chris Best, NE

Paul Hyde, ID

Russell Glazer, NY

Linda Trugman, FL

### 2009 IBA Committee Chairs

#### 2009 IBA Conference Chair

Frank Rosillo, FL

#### Chairs of the CBA Qualification Review Committee

Mike Eggers, CA

Steve Schroeder, AR

#### Chairs of the ABAR Qualification Review Committee

Howard Lewis, FL

Frank Rosillo, FL

#### Chair of the AIBA Qualification Review Committee

KC Conrad, AZ

#### IBA's Conference Committee for the NACVA and IBA's 2009 Consultants' Conference

Steve Egna, NY

Richard Fox, LA

Jim Lurie, OH

## Spotlights (Continued)

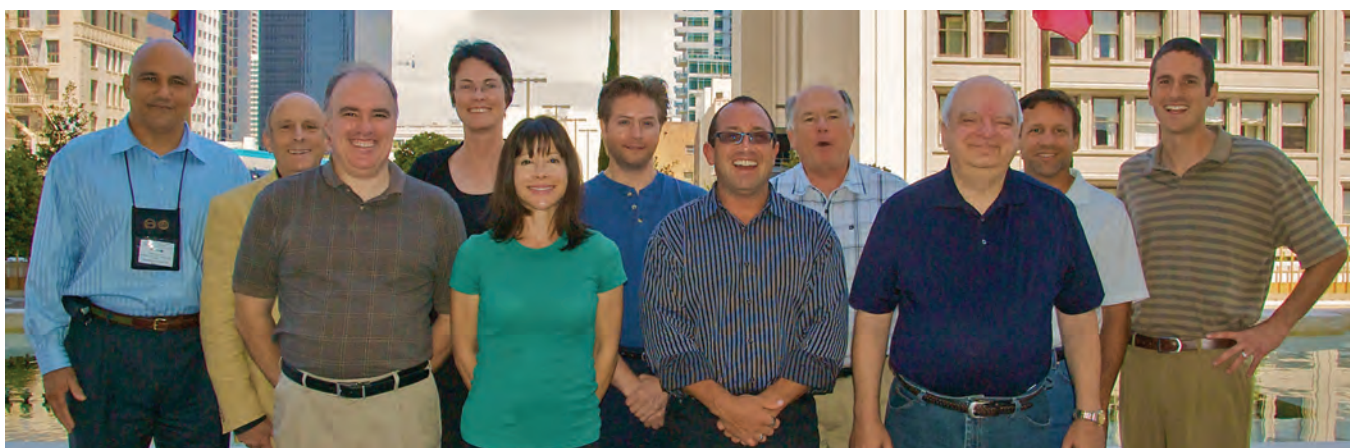


### Congratulations to the following who were accredited within the past year:

Murray M. Beach, ABAR - MA  
Francis X. Burns, ABAR - IL  
Aaron Caya, ABAR - MI  
Paul Croft, AIBA - CA  
Paul French, ABAR - TX  
Harry Fuhrman, ABAR - CA  
Barbara J. Grant, AIBA - GA  
C. Fred Hall, AIBA - CA  
Ronald E. Harbison, ABAR - FL  
Sharon Hawkins, AIBA - GA  
Jerry S. Horton, CBA - FL  
Steven J. Iannelli, CBA - PA

Mike Jansen, AIBA - MO  
Ross Jarvi, CBA - WA  
Arthur H. Marshall, CBA - ME  
Louis Pereira, CBA - MA  
Michael A. Perlmutter, ABAR - CA  
Stanley L. Pollock, ABAR - PA  
Shannon P. Pratt, ABAR - OR  
Aaron Pryor, CBA - NE  
Martin P. Randisi, ABAR - NY  
Michael Ray, CBA - NY  
Stephen M. Reiss, ABAR - CA  
Frank Rosillo, Sr., ABAR - FL

Rodger Schuester, ABAR - CA  
John J. Scott, CBA - NY  
William Houston Sipes, CBA - TN  
Rob Sly, ABAR - UT  
Terry Smith, CBA TX  
Diego Sorroche-Fraticelli, ABAR - PR  
Deborah K. Taylor, AIBA - OK  
Ty T. Taylor, CBA - FL  
Amaya Urzaa, AIBA - OR  
Seth Webber, CBA - ME  
Marty Wisott, ABAR - CO



Frank Rosillo, Jr. and Howard Lewis (on far left) with the IBA ABAR Class 1044 in San Diego, July 13-16, 2009

## SBA, the Goodwill Cap and Intangible Asset Valuation: An Update

By Scott Gabehart, CBA

With the SBA formally requiring independent business appraisals by “qualified” parties such as CBAs for the first time ever as of June, 2008, an already viable appraiser work option expanded significantly. Alas, the SBA “giveth” and the SBA “taketh away.” Around nine months later, the SBA effectively eliminated a large portion of the “required” appraisals with a policy change dealing with the financing of “goodwill” or “blue sky.”

Although the picture was extremely bleak as of early April, 2009, a number of forces appear to be at play which should eventually serve to reverse the downturn in so-called “change of ownership” loans involving SBA-guaranteed bank financing. Contrary to public perception, the SBA actually does want to implement programs which benefit small businesses and their employees. But it should not be forgotten that their allegiance is ultimately to the business itself (more than to the “buyer” or borrower) and not to the seller of a business. Much of SBA policy (including the goodwill cap) is driven by the desire to protect the small businesses which drive the U.S. economy.

As of mid-June, 2009, the SBA is now into its fourth month of the “delay” in officially implementing the so-called “goodwill cap” (related specifically to SBA-guaranteed financing of change of ownership loans) at \$250,000, or 50% of the loan amount. As expected, the “delay” has not led to a rush on the part of lenders to obtain the “exceptions” granted by the SBA upon completion of their internal review for all change of ownership loans with goodwill in excess of \$250,000.

See IBA’s Web site ([www.go-iba.org/news](http://www.go-iba.org/news)) for the full article. Under Categories, select News Releases.



## Pictures from the 2009 IBA Symposium

(Continued from page 8 )

**Clockwise from right:**

David Goodman and Dick Thorsen •  
Mike Adhikari • Framroze Patel and  
Jim Lurie • Ron Harbison and Dr.  
Stanley Pollock • Mr. and Mrs. Julius  
David Johnson, IV • Steve Egna and  
Marcie Bour



# Classifieds



## Economic Damages Litigation Support Manager

National business valuation consulting, economic analysis, and financial advisory firm seeks economic damages and litigation support analysts at the managing director level.

Our practice includes consulting expert and testifying expert services in commercial litigation matters related to breach of contract, antitrust, bankruptcy, intellectual property infringement, fraud, tortious interference with business, dissenting shareholder rights and shareholder oppression, lender liability, gift and estate tax, and property tax. Our analysts perform lost profits and economic damages analyses, intellectual property royalty rate and economic rent analyses, business and security valuations, event analyses, and forensic accounting services.

To accommodate our practice growth, we need managing directors in our offices in Washington, DC; Atlanta; Chicago; and Portland, OR. Our managing directors typically hold MBA, CPA, CFA, or PhD credentials. We seek professionals with substantial levels of practice management, client service, and business development experience. Our managing directors enjoy unlimited career development opportunity and considerable practice management independence. We offer competitive compensation and comprehensive employee benefits. We also offer the opportunity to work with the thought leaders in the litigation-related valuation profession.

Send curriculum vitae and salary history to: [Employment@willamette.com](mailto:Employment@willamette.com).

## Business Valuation Employment Opportunity Valuation Services Leader

Growing valuation practice headquartered in Albany, NY seeks experienced valuation professionals now! Please provide resume/CV, compensation requirements, and a statement of what you would add to our practice ASAP. Please e-mail all replies to [Jobs@TBCCPA.com](mailto:Jobs@TBCCPA.com). No calls please. The following position description provides a summary of the experience we are looking for:

Responsible for handling preparations for new engagements and reviewing own work. Reviews results provided by other team members and provides immediate and constructive feedback. Provides coaching to less experienced staff. Assists in development and implementation of engagement management plan. Conducts analysis on key engagement objectives. Effectively presents results of team's work. Demonstrates the ability and willingness to market for new business. Must be willing and able to fulfill all the roles an engagement requires when necessary. Four to eight years of valuation and/or related experience.

A Bachelor of Science or Bachelor of Arts degree and solid knowledge of accounting, finance, or economics are required. Attainment or pursuit of a CBA valuation designation or related professional certifications are also required. Strong computer skills with an emphasis on spreadsheets and word processing.

## IRS, Financial Analyst, Appraiser Position

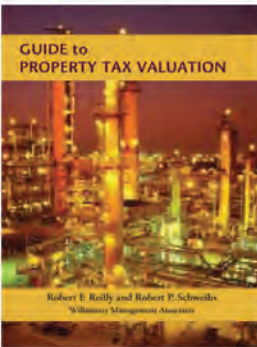
Financial Analysts with the Internal Revenue Service throughout the US and specifically for South Florida locations. This announcement closes February 17, 2010.

**Job Summary:** Why is the IRS a great place to work? Here you will excel with one of the largest financial institutions in the world and be part of one of the most well trained, professional workforces anywhere. Be among the best in your field and put your professional skills to work from Day 1. **Career Progression:** We provide outstanding advancement opportunities. **Stability:** We're a proven commodity. **Benefits:** They're simply outstanding. **Salary range:** \$80,402 - \$117,762 per year.

Visit the BV employment section of IBA's website located at [www.go-iba.org/news](http://www.go-iba.org/news) to learn more or to apply for this IRS position.


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Willamette Management Associates

### GUIDE TO PROPERTY TAX VALUATION



The *Guide to Property Tax Valuation* presents practical advice to solve specific ad valorem tax valuation problems. This book explores the practical ad valorem tax issues facing corporate taxpayers, valuation analysts, state and local tax lawyers, and state and local tax administrators. It summarizes the consensus of the current thinking of ad valorem tax valuation practitioners.

Order at [www.go-iba.org/cart](http://www.go-iba.org/cart).  
You may also order by calling 800-299-4130.



**Willamette Management Associates**  
[www.willamette.com](http://www.willamette.com)



# Webinars 2009

Below is a list of currently scheduled webinars. Additional webinars will be added to the schedule from time to time, so be sure to check the education section of the IBA website ([www.go-iba.org](http://www.go-iba.org)) periodically. These webinars are a mix of audio, video, PowerPoint, Flash, and interactive testing that employ sight, sound, and reading to maximize your comprehension.

|             |  |
|-------------|--|
| October 01  | Impact of Guaranteed Debt  |
| October 01  | Part 1 of 4 - Business Planning Webinar Series   |
| October 06  | Part 5 - DMDM Webinar 5-Part Series  |
| October 07  | Introduction to Exit Planning  |
| October 08  | Part 2 - Business Planning Webinar Series  |
| October 12  | Ethics & Standards Workshop  |
| October 14  | BVR - What is the Highest Standard of Practice?  |
| October 15  | Part 3 - Business Planning Webinar Series  |
| October 15  | BVR - Lack of Marketability Discount with Panelists  |
| October 20  | Robert Morris Associates Valuation Edition   |
| October 21  | Working Through the BV Standards & Ethics Maze   |
| October 22  | Part 4 - Business Planning Webinar Series  |
| October 22  | Intro to Financial Forensics   |
| October 23  | Part 2 - BV Fundamentals for CPAs  |
| October 27  | Fundamentals of Cross Examination  |
| October 28  | BVR - Valuation of Troubled Financial Assets in a Distressed Economy                             |
| October 29  | BVR - Litigation of Family Limited Partnerships and other Valuation Events                       |
| November 03 | Part 1 - DMDM Webinar 5-Part Series  |
| November 04 | Financial Forensics "Sampler"© - Part 1- Foundational Methodologies: All 3                       |
| November 04 | Techniques for Exceptional Report Writing  |
| November 05 | Intellectual Property Economic Damages Analysis  |
| November 10 | Part 2 - DMDM Webinar 5-Part Series  |
| November 11 | Financial Forensics "Sampler"© - Part 2 - Forensic Techniques for Analyzing Financial Statements |
| November 17 | Part 3 - DMDM Webinar 5-Part Series  |
| November 18 | Financial Forensics "Sampler"© - Part 3 - Behavior Detection Methods and Interviewing Techniques |
| November 23 | Forensic Accounting for Valuation, Auditing, Litigation, and Fraud                               |
| December 01 | Part 4 - DMDM Webinar 5-Part Series  |
| December 02 | Financial Forensics "Sampler"© - Part 4 - Statistical Implications of Forensic Techniques        |
| December 02 | Part 1 - Advanced Techniques for Exceptional Report Writing                                      |
| December 03 | Daubert Challenges: What Every Appraiser Needs to Know   |
| December 08 | Part 5 - DMDM Webinar 5-Part Series  |
| December 09 | Part 2 - Advanced Techniques for Exceptional Report Writing                                      |
| December 09 | Financial Forensics "Sampler"© - Part 5 - Forensic Report Writing and Communication Technique    |
| December 10 | Business Valuation Manager Pro   |
| December 10 | Working Through the BV Standards & Ethics Maze   |
| December 15 | Common Cross Examination Traps and How to Avoid Them   |
| December 16 | Part 3 - Advanced Techniques for Exceptional Report Writing                                      |
| December 17 | Techniques for Exceptional Report Writing  |
| December 18 | Forensic Accounting for Valuation, Auditing, Litigation, and Fraud                               |

Contact IBA Member Services toll free at (800) 299-4130 for additional webinar information or to register for a webinar.



**Jersey City, NJ - Hyatt Regency Hotel - (800) 233-1234**  
8002B: Essentials of Business Appraisal  
1044: Business Appraisal Review Accreditation Workshop  
1045: Advanced Application of the Market Approach  
7100: BVAL Accreditation Workshop  
1036: ESOP Appraisals

**Nov 9-13, 2009**  
Mon-Thurs  
Mon-Thurs  
Wed-Thurs  
Mon-Fri  
Monday

**Atlanta, GA - The W Hotel Downtown - (404) 582-5800**  
1044: Business Appraisal Review Accreditation Workshop  
1010: Report Writing, Review and Analysis  
1006: Preparation for the CBA Written Examination

**Dec 7-11, 2009**  
Mon-Thurs  
Wed-Thurs  
Friday

**Houston, TX - The Marriot West Loop Hotel - (713) 960-0111**  
8002A: Essentials of Business Appraisal  
1010: Report Writing, Review and Analysis

**Jan 25-30, 2010**  
Mon-Thurs  
Fri-Sat

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## Workshops Cosponsored by CTI and IBA\*

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\*For IBA/CTI NASBA-related information on CPE, course fees, and full course descriptions,  
please visit the education section of IBA's website at [www.go-iba.org](http://www.go-iba.org).

**Jersey City, NJ - Hyatt Regency Hotel - (800) 233-1234**

FAAZ: Forensic Accounting Academy  
HCC: Healthcare Consulting Workshop  
MLS: Matrimonial Litigation Support Workshop + Exam  
BIPD: Business and Intellectual Property Damages Workshop + Exam  
FWF: Forensic Workshop for Financial Professionals  
FEW: Expert Witness Bootcamp  
AFV: Advanced Fair Value Workshop  
AVCS: Advanced Valuation: Application and Models  
SAS: Top 25 Tools to Help Auditors Comply with SAS 99

**Nov 9-14, 2009**

Mon-Sat  
Mon-Sat  
Mon-Sat  
Mon-Sat  
Mon-Wed  
Thurs-Sat  
Thurs-Fri  
Tues-Thurs  
Fri-Sat

**Atlanta, GA - The W Hotel Downtown - (404) 582-5800**

FAAZ: Forensic Accounting Academy  
FXL: Litigation Boot Camp for Financial Experts  
MA: Mergers and Acquisitions Workshop + Exam  
FVFR: Valuation for Financial Reporting Workshop  
DCAV: Distressed Company Analysis and Valuation  
AVCS: Advanced Valuation: Application and Models  
S140: Fundamentals of Financial Modeling and Forecasting  
T50: Normalizing and Then Projecting Earnings  
T70: Valuation Methods: Alternatives and Decision Criteria  
T60: Advanced Valuation Discounts and Premiums  
T150: Valuations Using the Transaction and Guideline Approach  
T20: Capitalization/Discount Rates: Assessing the Alternatives  
COC: Determining the Cost of Capital Using Duff and Phelps

**Dec 7-12, 2009**

Mon-Sat  
Mon-Sat  
Mon-Sat  
Mon-Sat  
Thurs-Fri  
Tues-Thurs  
Thurs-Fri  
Monday  
Monday  
Tuesday  
Tuesday  
Friday  
Friday

2009 IBA Education Schedule  
(Continued)

|   | Non-Member Price  |
|---|-------------------|
| Professional Package Deal 1   |                   |
| <b>1 Year IBA Membership</b>  | <b>\$495.00</b>   |
| <b>#8002A Essentials of Business Appraisal Workshop (4 Day Course)</b>      | <b>\$1,800.00</b> |
| <b>#8002B Essentials of Business Appraisal Workshop (4 Day Course)</b>      | <b>\$1,800.00</b> |
| <b>#1006 Preparation for the CBA Written Exam (1 Day Course)</b>            | <b>\$450.00</b>   |
| <b>#1010 Report Writing Course (2 Day Course)</b>                           | <b>\$900.00</b>   |
| <b>Understanding Business Valuation Book</b> (Plus S & H)                   | <b>\$120.00</b>   |
| <b>Technical Studies of the IBA Database</b> (Plus S & H)                   | <b>\$95.00</b>    |
| <b>Total Value (When purchased separately)</b>                              | <b>\$5,660.00</b> |
| <b>Package Price (Eligible for the Early Payment &amp; Member Discount)</b> | <b>\$4,811.00</b> |

| Professional Package Deal 2  |                   |
|--|-------------------|
| <b>#8002A and B Combo Package plus \$495 for first year's dues</b> | <b>\$3,685.00</b> |
| <b>#8002A and B Combo Package for Non-members</b>                  | <b>\$3,420.00</b> |

| Course # | Member     | Non-Member |
|----------|------------|------------|
| 1010     | \$810.00   | \$900.00   |
| 1006     | \$405.00   | \$450.00   |
| 1036     | \$450.00   | \$500.00   |
| 1021     | \$900.00   | \$1,000.00 |
| 1044     | \$1,980.00 | \$2,200.00 |
| 1045     | \$900.00   | \$1,000.00 |
| 1053     | \$2,475.00 | \$2,750.00 |
| 7001     | \$2,475.00 | \$2,750.00 |
| 8002A    | \$1,620.00 | \$1,800.00 |
| 8002B    | \$1,620.00 | \$1,800.00 |

## I Would Like to Register for the Following IBA Live Classroom Session(s):

| COURSE NAME   | LOCATION & DATE | COURSE # | PRICE           |
|---|-----------------|----------|-----------------|
| _____   | _____           | _____    | \$ _____        |
| _____   | _____           | _____    | \$ _____        |
| _____   | _____           | _____    | \$ _____        |
| _____   | _____           | _____    | \$ _____        |
| Subtotal price before discounts.....  |                 |          | \$ _____        |
| <input type="checkbox"/> Early Payment Discount-10% (60 days prior to session) or 5% (30-59 days prior).....                            |                 |          | \$ _____        |
| <input type="checkbox"/> IBA members receive a 10% discount off the non-member price for individual courses and packages.....           |                 |          | \$ _____        |
| <input type="checkbox"/> IBA Membership dues \$495 (Register for any 1- or 2-day course and take \$200 off your first year's dues)..... |                 |          | \$ _____        |
| <b>NET TOTAL PRICE INCLUDING DISCOUNTS.....</b>   |                 |          | <b>\$ _____</b> |

Name: \_\_\_\_\_ IBA Member #: \_\_\_\_\_

Firm: \_\_\_\_\_

Billing Address: \_\_\_\_\_

City, State, Zip, Country: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ Email: \_\_\_\_\_

Card #: \_\_\_\_\_ Exp \_\_\_\_\_ Security \_\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_\_

### TO REGISTER FOR COURSES OR FOR MORE INFORMATION:

Call IBA at 1-800-299-4130 Fax: 954-584-1184  
Make checks payable to: The Institute of Business Appraisers, P.O. Box 17410 Plantation, FL 33318

**Cancellations received in writing two weeks prior to the first day of the program will be eligible for a prompt refund less a \$100 administration fee. Cancellations received less than two weeks prior to the first day of the scheduled event will be issued, upon request, a credit voucher which may be used towards another seminar, symposium, self-study course, software, or other product sold by IBA or NACVA/CTI.**

The Institute of Business Appraisers is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State Boards of Accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be addressed to the National Registry of CPE Sponsors, 150 Fourth Ave North, Suite 700, Nashville, TN, 37219-2417. Website: www.nasba.org

