

BUSINESS VALUATION SEMINAR

Sponsored by the

American Society of Appraisers, Philadelphia Chapter

Date: April 18, 2008

Location: Doubletree Guest Suites Plymouth Meeting
640 West Germantown Pike
Plymouth Meeting, PA 19462
Phone: 610-834-8300
Fax: 610-834-1751

COST: ASA Members:
Individuals: \$245
Same firm, multi-person: \$220

Non-ASA Members:
Individuals: \$275
Same firm, multi-person: \$250

INCLUDES: 7 CE Credits
Continental Breakfast
2 Breaks (with snacks)
Full Buffet Lunch

8:00 AM-8:30 AM Registration

8:30 AM-12:15 PM (15 Minute Coffee Break at 10:15 AM)

Theory and Application of the Van Vleet SEAM Model, with Dan Van Vleet, ASA, CBA

Between 1999 and 2006, the United States Tax Court weighed in on the valuation of fractional equity interests of S corporations with the Gross, Heck, Adams, and Dallas decisions. As a result of these decisions, many valuation analysts now struggle with the decision to tax-affect – or not tax-affect – the earnings of S corporations when using the income approach to business valuation. Unfortunately, the tax issues involved in the valuation of S corporation equity securities are complex and not properly resolved by simply tax-affecting – or not tax-affecting – the income approach analysis. There are multiple income tax differences between S corporations, C corporations and their respective shareholders. Also, there are multiple business valuation approaches that are affected by the S corporation tax-affecting issue.

Currently, there is lack of good empirical data related to transactions involving minority equity interests in S corporations. Consequently, a mathematical framework that conceptually addresses the relevant income tax-related differences between S corporations, C corporations and their respective shareholders is necessary. This mathematical framework should permit the adjustment of estimated values of non-controlling equity interests in S corporations when empirical market data of publicly traded C corporations is used in the valuation analysis. This mathematical framework should be generally applicable to each of the generally accepted approaches and methods to business valuation, not just the income approach.

Daniel R. Van Vleet developed the S Corporation Economic Adjustment Model (SEAM). The SEAM adjusts the value of a fractional equity interest of an S corporation when such value is estimated using empirical data derived from publicly traded C corporations.

Since 2002, Mr. Van Vleet has presented the SEAM at the national conferences of the major business valuation organizations and societies within the United States. The SEAM is currently taught in the valuation education programs of the American Society of Appraisers and the American Institute of Certified Public Accountants. The SEAM is also included in the course curriculum of the *Center for Advanced Valuation Studies* of the American Society of Appraisers.

Mr. Van Vleet will, in addition to a principal emphasis on the SEAM, survey the Grabowski, Treharne, Mercer, and Fannon S valuation models.

Daniel R. Van Vleet, ASA, CBA is a Managing Director in the Chicago office of Duff & Phelps, LLC. His practice includes valuation consulting, economic analysis and financial advisory services for tax, litigation and transaction purposes, and he is a nationally recognized expert in the valuation of businesses, fractional equity interests, S corporations and other pass-through entities, as well as a contributing author to six valuation textbooks and author of over 20 articles on advanced business valuation concepts.

12:15 PM-1:15 PM Lunch Break (Meal Included With Seminar Fee)

1:15 PM-2:30 PM

Blockage Discounts: Where Theory & Practice Meet, with Les Barenbaum, Ph.D. and Walter Schubert, Ph.D.

The presentation will discuss both the concept of blockage discounts and how recent Court decisions have moved the concept from a vague notion to an empirically determined discount. The use of the Dribble Out measure of blockage

will be contrasted to other methods such as the Abbot measure of "trading cost" and the Amihud measure of return per unit of trading volume. The use of option pricing models including the zero cost equity collar, the look-back Put and the basic Put to determine blockage discounts will also be discussed.

Lester Barenbaum is a Managing Director of Financial Research Associates, a litigation support firm. Dr. Barenbaum has been active in the valuation community for over 25 years as both an educator and a practicing professional. He is also a Full Professor of Finance at La Salle University. His most recent publication, with Walter Schubert and Robert Feder, is "The Family Lawyer's Guide to Stock Options" published by the American Bar Association in 2007.

Walter Schubert is a Full Professor of Finance at La Salle University where he publishes and teaches in the areas of Investment Analysis and Global Finance. Dr. Schubert is a frequent speaker at both academic and professional conferences.

2:30 PM-2:45 PM: Coffee Break

2:45 PM-4:00 PM

Trapped-In Capital Gains, with John Barton, ASA, CPA

A presentation focused on the factors that affect how trapped-in capital gains are handled in the valuation of C and S corporations and partnerships. The Jelke decision from November, 2007, will be addressed.

John Barton, ASA, CPA, for the past twenty years, has been valuing equity and intangible assets for the purposes of estate & gift tax, financial reporting, equitable distribution, and dissenting shareholder cases. John is currently the Vice Chairman of the ASA's Business Valuation Committee and has taught valuation courses around the world for the ASA over the past ten years, including in Cyprus, Turkey, and Finland, and for Big Four accounting firms. He has given numerous seminars on special topics in valuation, including recent presentations to the ASA's Philadelphia Chapter as well as the PICPA. He is also a past member of the ASA's Board of Examiners as well as the ASA's International Education Committee. Mr. Barton has testified as an expert witness in U.S. Federal District Court, as well as in state courts in Pennsylvania, New Jersey, and Florida. He is an adjunct instructor of finance in Villanova University's MBA Program. Mr. Barton also participates on two international ASA committees, the Business Valuation Committee and the International Membership Committee, as well as a Subcommittee, the Board of Examiners. As part of his work on the Education Committee, Mr. Barton restructured the ASA's Principles of Valuation curriculum and launched four new courses during 2004 and 2005. He is also currently developing the ASA's international principles curriculum. Mr. Barton was past Chairman of the Regional Business Valuation Committee and was a past member

of the Cooperation with the Bar Committee. Mr. Barton has published for Practitioners' Publishing Company and has made numerous presentations to professional societies over the years on a variety of valuation topics.

4:00 PM-5:00 PM

An Insider's Understanding of Real Estate Appraisals, with John Doyle, MAI

A presentation about how a business appraiser can more critically evaluate real estate appraisals in terms of effectively testing the reasonableness of capitalization rates, rental charges and other expenses, etc. When is a "second opinion" important to ensure that the work product upon which you as the business appraiser are relying is suitable and adequate for purposes of appraising LLP, LLC, or other business interests, and/or for litigation engagement purposes?

John E. Doyle, MAI, is the principal of Doyle Real Estate Advisors, LLC, and is a Member of the Appraisal Institute, having been an appraiser and real estate consultant for national inter-disciplinary appraisal practices serving both the private and public sector. His clients include REITs, corporations, international lenders, insurance companies, individual investors, local and federal government agencies, and law firms. Mr. Doyle primarily consults for litigation by providing legal testimony and case management service. During Mr. Doyle's tenure as an MAI, 12 of the 20 largest Philadelphia law firms have retained his services for a wide range of litigation issues and property taxes.

Information: Bob Haas, ASA at rhaasjr@rmha.com, or 215-887-6500
Joanne Paciello at asaphiladelphia@verizon.net

To Register: Please complete and return the following section with payment by check by April 4 to 8 Terrace Road, Plymouth Meeting, PA 19462. Please note that seating capacity is limited.

Name: _____

Company: _____

Address: _____

Telephone: _____

Email: _____

Designation for which CE sought: _____