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### *Valuation News*

*May/June 2001*

As part of our ongoing effort to provide valuable information to our growing network of Attorneys and CPAs, Crandall & Brackett, Ltd., publishes this Quarterly "Valuation News" to present recent developments in the valuation field. If you have any questions or comments, please do not hesitate to give us a call. (Telephone 630-653-7922, Fax 630-653-7804, E-mail [robert@crandall-brackett.com](mailto:robert@crandall-brackett.com), web-site [www.crandall-brackett.com](http://www.crandall-brackett.com))

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#### **The Valuation Profession**

We have seen an increase in the number of litigation matters in which we are involved and we continue to see poor work by some of our peers. The existence of credentials does not mean the valuation analyst will conduct his or her work in a professional manner. The old adage "you get what you pay for" does not seem to be a good indicator either. As with any other profession, referrals are probably the best way to find a valuation analyst who will do the work correctly.

#### **Fair Market Value**

Remember, fair market value is a hypothetical value, assuming hypothetical buyers and sellers. Your clients are actual buyers or sellers. Thus, the fair market value for gift tax purposes may vary slightly from the fair market value for estate purposes (e.g. loss of key man), which may vary from fair market value for inclusion in income, etc. Your clients want to sell their business for more than the FMV and want to pay less than the FMV when buying a business.

#### **IRS**

The IRS will release a draft of completely new valuation standards within a month. These standards take the best points from all the different professional standards available. We will attempt to obtain a copy as quickly as we can and make them available on our web site.

#### **NACVA Conference**

The National Association of Certified Valuation Analysts is holding their national conference in Chicago as we go to press with this issue. As with the Heckerling Institute in Miami, there do not appear to be any major changes in the works. Recent court cases have dealt with Family Limited Partnerships, and generally favor the taxpayer even when the facts are bad. The bottom line seems to be that as practitioners (legal and tax) we must do more to ensure our clients actually fund and operate the new entities, not just expect the accountant to make year-end adjustments as if the entities actually exist.

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**Data Bases of Actual Sales . . .** As more and more valuation analysts buy more and more publications, more and more data becomes available (instead of selling 500 to 1,300 copies in 1993, publishers and now selling 3,500 copies). As a result, data-bases of actual company sales now exist. These generally represent asset sales, in which cash, cars, and non-operating assets are not transferred. Inventory, buildings, etc. may not be in the sales price either. Any use of actual sales data in a valuation of equity should include adjustments and add-backs for these items.

**Please remember...** The Arthur L. Crandall Award for Excellence in Accounting at Roosevelt University. Should you wish to contribute to its success, please contact us or send your donations to Roosevelt University (Development Office 430 South Michigan Avenue, Chicago, Illinois 60605).

### **Interesting Cases:**

Tax Court Cases are now available at [www.ustaxcourt.gov](http://www.ustaxcourt.gov)

Shepherd v. Commissioner  
Docket N. 2574-97, filed October 26, 2000  
Re: Discusses contributions of assets to partnerships after gifting to children.

In re Stephen L. Vecchitto  
No. 00-5010 (2nd Circuit, October 11, 2000)  
Re: Accounting practice value without a non-compete agreement.

Estate of Fred O. Godley  
T.C. Memo 2000-242  
Re: Value of limited partnership interests.

*Crandall & Brackett, Ltd. and its predecessors have been serving  
Attorneys, CPAs and Estate Planners since 1965.*

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**Our practice is business valuations - always performed in conjunction with the  
Company's accountant and/or attorney.**

*Our 24 hour availability and extensive library have been invaluable to attorneys and  
CPAs alike.*

*Call us with your questions or for a quote on a valuation project.*

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