

Contents

Acknowledgments	xiii
Foreword	xvii
Preface	xix
Introduction: Standards of Value	1
1 Common Standards and Premises of Value	17
Common Standards and Premises	17
Price, Value, and Cost	18
Defining a Standard of Value	19
Premises of Value	20
Common Standards of Value	21
Fair Market Value	21
Fair Value	23
Investment Value	24
Intrinsic Value	25
Book Value	28
Common Operational Premises Underlying the Standard of Value	28
Going Concern	28
Liquidation Value	29
Other Issues	30
Fair Value in Alternate Contexts	30
Fair Market Value in Alternate Contexts	31
Standards of Value in the International Context	32
Summary	33
2 Fair Market Value in Estate and Gift Tax	35
Introduction	35
Common Definitions of Fair Market Value	36

History of Fair Market Value	37
Elements of Fair Market Value	41
Price at Which a Property Would Change Hands	42
Willing Buyer	44
Willing Seller	53
No Compulsion to Buy or Sell	56
Reasonable Knowledge of Relevant Facts	61
Common Discounts	77
Summary	84

3 Fair Value in Shareholder Dissent and Oppression 87

Introduction	87
Fair Value	91
Early References to Fair Value	91
Fair Value as Defined by Various Authorities and Statutes	92
Dissenter's Rights	95
Overview and History	95
Growth in Popularity of the Appraisal Remedy	98
Context of Modern Appraisal Rights	99
Oppression Remedy	100
Development of Oppression Remedy	100
Alternative Remedies	104
Context of Oppression Remedy	105
Freeze-Outs and Squeeze-Outs	106
Recognizing Oppression	108
Reasonable Expectations	110
Breach of Fiduciary Duty	112
Heavy-Handed and Arbitrary or Overbearing Conduct	113
Standard of Value in the 50 States	115
Breaking Down the Components of Fair Value	120
Before the Effectuation of the Corporate Action to Which the Shareholder Objects	120
Excluding Any Appreciation or Depreciation in Anticipation of the Corporate Action Unless Exclusion Would Be Inequitable	122
Current and Customary Valuation Techniques	123
Discounts and Premiums	129
Level of Value	130
Other Shareholder Level Discounts	131

Entity-Level Discounts	134
Control Premiums	135
Extraordinary Circumstances	137
Equitable Adjustments	146
Delaware's Entire Fairness	146
Consideration of Wrongdoing in Calculating Fair Value	149
Discounts Used as an "Equitable Adjustment"	154
Damage Claims	159
Fair Value and the Minority Shareholder	161
Summary	162
4 Standards of Value in Divorce	165
Introduction	165
Marital Property: General Background and History	168
Identification of Marital Property and Separate Property	170
Relationship between Valuation and Identification of Intangible Assets	173
Appreciation on Separate Property	174
Premises and Standards of Value in Divorce	177
Premises of Value	177
Standards of Value	179
Premises of Value Revealed through the Valuation of Insurance Agencies	183
Concepts of Value under the Two Premises	185
Standards of Value in Divorce among the 50 States	186
Lack of Statutory Insight	186
Revealing Standard of Value through Case Law	188
Toward a Standard of Value Classification System	192
Value in Exchange	201
Goodwill	201
Lack of Control and Marketability Discounts under Value in Exchange	216
Buy-Sell Agreements under Value in Exchange	221
Value to the Holder	226
Goodwill	226
Shareholder Level Discounts under the Value to the Holder Premise	238
Buy-Sell Agreements under Value to the Holder	239
Summary	242

5 Fair Value in Financial Reporting	245
Introduction	245
Fair Value in Financial Reporting: What Is It?	246
History of Fair Value in U.S. Accounting Literature	249
Application of the Fair Value Standard to Business Combinations	253
Application of the Fair Value Standard to Asset Impairment Tests	258
Interpretation of Fair Value Compared to Other Standards of Value	263
Fair Value in Financial Reporting versus Fair Value in Dissenters' Rights Cases	263
Fair Value in Financial Reporting versus Investment Value	263
Fair Value in Financial Reporting versus Fair Market Value	263
Audit Issues	266
Summary	267
Sources of Information	269
Appendix A International Business Valuation Standards	271
Appendix B Fair Value in Dissent and Oppression Chart	281
Appendix C Standard of Value Divorce Chart	299

Index

- Accounting Principles Board Opinions
APB 16, *Business Combinations*, 250, 253–255
APB 17, *Intangible Assets*, 250, 253–255, 261
APB 29, *Accounting for Non-monetary Transactions*, 250
- Accounting Research Bulletins
ARB 43, Restatement and Revision of Accounting Research Bulletins, 250
- Alimony, 172, 173, 236, 237
- American Bar Association (ABA)
Model Business Corporation Act. *See* Model Business Corporation Act (MBCA)
Revised Model Business Corporation Act. *See* Revised Model Business Corporation Act (RMBCA)
- American Institute of Certified Public Accountants (AICPA)
fair market value defined, 37
Practice Aid on research and development (IPR&D), 251, 257, 258
- American Law Institute (ALI)
Principles of Corporate Governance. *See* *Principles of Corporate Governance*
Principles of the Law of Family Dissolution, 200
- American Society of Appraisers, 19
Antolik v. Harvey, 189, 190, 212
Appraisal rights, 88, 96–100, 128
Appraisal statutes, 91, 96, 98, 100, 116–119, 133, 157, 158
- Appreciation in value
fair value in dissent and oppression cases, 122, 123
separate property in divorce cases, 174–177
- Asset impairment, 258–263
- Asset value and Delaware block method, 98
- Assets, condition and/or location of and fair value in financial reporting, 247, 249
- Assumptions
and fair market value, understanding of, 36, 37
management assumptions, 248
and scope of valuation, 4
- Attorney fees as equitable adjustment, 154
- Auditing Standards Board (ASB)
SAS 101, *Auditing Fair Value Measurements and Disclosures*, 253, 266, 268
- Audits and auditors
and financial reporting, 266, 267
responsibilities of auditors, 252
- Balsamides v. Protameen Chemicals, Inc.*, 155–157
- Blockage discount, 80, 81, 131
- Bobrow v. Bobrow*, 209, 210
- Bomarko, Inc. v. International Telecharge, Inc.*, 148, 149
- Book value, 28
- Brown v. Brown*, 190, 201, 220, 221, 239, 242, 243
- BTR Dunlop Holdings, Inc. v. Commissioner*, 49, 50

- Business combinations
 - APB 16, *Business Combinations*, 250, 253–255
 - asset impairment tests, 258–263
 - fair value standard, 250, 251, 253–258
 - SFAS 141, *Business Combinations*, 246, 253, 255–257, 261, 265, 268
- Business valuation, historical background, 6, 7
- Buy-outs, 87–89, 101–105, 110, 150, 151, 173
- Buy-sell agreements
 - divorce cases, 166, 174, 179, 192, 194, 196, 210
 - continuum of value, 167, 224, 241, 244
 - value in exchange, 215, 221–226
 - value to the holder, 238–241
 - estate and gift tax, 58, 60
 - and fair value, 150, 210
 - reasonableness, 60
- Buyers
 - fair value in financial reporting, 247
 - synergistic, 47–50
 - willing. *See* Willing buyer
- California
 - divorce cases, 190, 198, 201, 203, 242
 - fair market value (dissent cases), 94, 95
 - fair value in liquidation (oppression cases), 94, 95, 149
- Canada
 - fair market value definition, 37, 48
 - highest and best use concept, 37, 41
 - highest price, 32, 37, 48, 49
 - and international standards, 33
 - notional market concept, 72, 73
- Capital gains, trapped-in, 82–84, 134
- Central Standard Life Insurance v. Davis*, 108–110
- Closely-held corporations. *See* Privately-held corporations
- Community property, 168, 171
- Compensation
 - and double-dipping, 236, 237
 - key person, 82
 - owner's compensation and goodwill in divorce, 204
 - shareholder employees, 159–161
- Compton v. Paul K. Harding Realty Co.*, 114, 115
- Compulsion. *See* No compulsion to buy or sell
- Conclusion of value
 - premises of value, effect of, 183–185
 - standard of value, effect of, 13–15
- Continuum of value, divorce cases, 167, 188, 244
 - buy-sell agreements, 224, 241
 - discounts, 222, 240
 - goodwill, 185, 186
 - intangible assets, 205, 206, 216, 238
 - premises of value
 - and standards of value, 183, 191
 - value in exchange and value to the holder, 177, 178, 182, 225
- Control premiums, 135–137
- Controlling interests
 - control premiums, 135–137
 - and discount for lack of marketability, 79, 80
 - estate and gift tax cases, 78–80
 - levels of value, 130, 132
 - and minority shareholders, 88
- Cost, 18, 19
- Cost approach, financial reporting, 248, 249
- Covenant not to compete and goodwill, 185, 186, 213–215
- Customary and current valuation techniques, 94, 123–129, 163
- Dahill v. Dahill*, 222, 223
- Damages, replacement compensation, 159–161
- Dees v. Commissioner*, 74, 75
- Delaware
 - block method, 98, 99, 123, 125, 126
 - entire fairness requirement, 146, 148, 149
- Depreciation in value, 122, 123
- Discounted cash flow method
 - and control premiums, 137
 - in dissent cases, 125, 126

- and investment value standard, 25
- and use of several methods, 128
- as validation of calculation of value, 121
- Discounts
 - blockage, 80, 81
 - dissent and oppression cases
 - key person, 134
 - lack of control, 88, 89, 129, 131, 133
 - lack of marketability, 89, 129
 - table of cases, federal court, 147
 - tables of states applying and rejecting discounts, 139–146
 - trapped-in capital gains, 134
 - divorce cases, 194, 201
 - continuum of value, 222, 240
 - under value in exchange, 216–221
 - under value to the holder, 238, 239
 - estate and gift tax cases
 - blockage, 80, 81
 - key person, 81, 82
 - lack of control, 77–79
 - lack of marketability, 79, 80
 - nonvoting shares, 131
 - stock, different classes of, 50–52
 - trapped-in capital gains, 82–84
 - and fair market value, 77–85, 129
 - family attribution (“one-block” concept), 52, 54, 55
 - key person, 81–82, 134
 - for lack of control
 - dissent and oppression cases, 88, 89, 129, 131, 133, 134, 139–147
 - in divorce cases, 216–218
 - estate and gift tax cases, 77–79
 - for lack of marketability
 - dissent and oppression cases, 89, 129, 139–147
 - in divorce cases, 216–218
 - estate and gift tax cases, 79, 80
 - trapped-in capital gains
 - dissent and oppression cases, 134
 - estate and gift tax cases, 82–84
- Dissent and oppression. *See* Shareholder dissent and oppression
- Dissolution of corporation
 - administrative, 101, 102
 - alternative remedies, 104, 105
 - appraisal statutes, 97–101, 103–105
 - attorney general, 102
 - buy-outs, 87–89, 102–105, 110, 150, 151, 173
 - creditors, 102
 - fair value consideration, 90, 94, 102, 105, 149–151, 154, 161
 - fair value in liquidation, 149
 - historical background, 95–98
 - judicial, 101–103
 - minority shareholder’s rights, 88, 102, 103, 133, 161, 162
 - oppression as basis for, 88, 100–103, 122, 161, 162
 - triggering events, 99–101, 103, 161
 - valuation date, 120–122
 - voluntary, 101, 102
- Divorce
 - adversarial nature of, 165
 - alimony, 172, 173, 236, 237
 - Antolik v. Harvey*, 189, 190, 212
 - appreciation on separate property, 174–177
 - Bobrow v. Bobrow*, 209, 210
 - Brown v. Brown*, 190, 201, 220, 221, 239, 242, 243
 - buy-sell agreements, 194, 210, 221–226, 239–241
 - and child support, 172
 - community property, 168, 171
 - continuum of value. *See* Continuum of value, divorce cases
 - Dahill v. Dahill*, 223, 224
 - discounts, application of, 194, 201, 216–222, 238, 239
 - double-dipping, 236, 237
 - Dugan v. Dugan*, 204, 227, 228
 - fair market value, 22, 35, 85, 167, 172, 179, 180, 186–201, 211, 212, 222
 - fair value, 167, 180, 181, 190, 192, 194, 198, 201, 210, 218–222, 239
 - fairness, emphasis on, 169, 172, 181, 242, 243
 - Golden v. Golden*, 181, 190, 191, 201, 237

Divorce (*cont.*)

goodwill. *See* Goodwill in divorce cases
 historical background, 7, 168, 169
Howell v. Howell, 219
In re Huff, 239–241
 inconsistency of cases, 165, 166
 intangible assets, 171, 173, 174. *See also*
 Goodwill in divorce cases
 intrinsic value, 27, 167
 investment value, 24, 167, 172, 181, 182,
 190, 198, 199, 201, 239, 241
 marital property, 168–173, 181, 242, 243
In re Marriage of Graff, 183–185
 and minority shareholders, 167, 192,
 217, 218
O'Brien v. O'Brien, 233–235, 243
 overview, 11–13, 165–168
Piscopo v. Piscopo, 228, 229
 premise of value, generally
 continuum. *See* Continuum of value,
 divorce cases
 and difference in conclusion of value,
 183–185
 inconsistency of, 166
Principles of the Law of Family
 Dissolution, 200
 separate property, 169, 174–177, 185,
 186, 213, 214
 spousal support (alimony), 172, 173,
 236, 237
 standards of value, generally, 170, 178,
 242, 243
 case law, 166, 188–191
 chart, 304–327
 classification system for states,
 192–201
 continuum, 183, 188, 191
 effect of on conclusion of value, 14,
 15
 hybrid states, 196, 199
 inconsistency of, 166, 172, 173
 law associations as guidance, 200
 statutory guidance, 166, 186–189
Stern v. Stern, 223, 224
Thompson v. Thompson, 206, 207, 211,
 214

value in exchange, 167, 177, 183–185,
 194, 196–198, 201–226
 buy-sell agreements, 221–226
 chart, 304–327
 continuum of value. *See* Continuum of
 value, divorce cases
 discounts, 216–221
 flow chart, 195
 goodwill, 185, 186, 201–215
 overview, 243
 states, list of, 226
 value to the holder, 167, 178, 183–185,
 194, 196, 198, 199, 204, 214,
 226–242
 buy-sell agreements, 239–241
 chart, 304–327
 continuum of value. *See* Continuum of
 value, divorce cases
 discounts, 238–240
 flow chart, 195
 goodwill, 185, 186, 226–238
 overview, 243
 shareholder level discounts, 238, 239
 states, list of, 239–242
 walk-away standard, 211, 212, 231
Williams v. Williams, 214
Yoon v. Yoon, 208, 209
In re Zeigler, 183, 184
Donohue v. Rodd Electrototype of New
 England, 112, 113
 Double-dipping, 236, 237
Dugan v. Dugan, 204, 227, 228

 Earning capacity, 231–236
Eisenberg v. Commissioner, 83
 Employees, shareholders as, 89, 106,
 159–161
 Entire fairness standard, 146–149, 159,
 161
 Equitable adjustments
 damage claims, 159–161
 discounts as, 154–159
 entire fairness standard (Delaware), 146,
 148, 149
 overview, 163
 wrongdoing, effect of, 149–154, 158

- Equitable relief, dissent and oppression
 - cases, 122, 123
- Estate and gift tax
 - BTR Dunlop Holdings, Inc. v. Commissioner*, 49, 50
 - buy-sell agreements, 58, 60
 - Dees v. Commissioner*, 74, 75
 - discounts
 - blockage, 80, 81
 - key person, 81, 82
 - lack of control, 77–79
 - lack of marketability, 79, 80
 - trapped-in capital gains, 82–84
 - Eisenberg v. Commissioner*, 83
 - Estate of Curry v. United States*, 51
 - Estate of Joyce Hall v. Commissioner*, 59, 60, 76, 77
 - Estate of Jung v. Commissioner*, 64
 - Estate of Lauder v. Commissioner*, 58, 59
 - Estate of Newhouse v. Commissioner*, 46
 - Estate of Simplot v. Commissioner*, 51, 52
 - Estate of Watts v. Commissioner*, 42, 43
 - fair market value, 22
 - definitions, 9, 36, 37
 - discounts, 77–84
 - no compulsion to buy or sell, 41, 56–61
 - notional market, 72–77
 - overview, 35, 36, 84, 85
 - price at which property would change hands, 41–44
 - reasonable knowledge of relevant facts, 41, 61, 62
 - valuation date and subsequent events, 41, 55, 62–72
 - willing buyer, 41, 44–52, 75
 - willing seller, 41, 53–56, 75
 - family attribution, 24, 52, 54, 55
 - guideline public company method, 76, 77
 - historical background, 7, 37–41
 - Mandelbaum v. Commissioner*, 53, 54
 - notional market, 72–77
 - overview, 8, 9
 - Propstra v. United States*, 55, 56
 - restrictive agreements, 58–61
- Revenue Rulings
 - 59–60, fair market value, 37, 84
 - 78–367, 62
 - 93–12, family attribution, 24, 52, 54, 55
 - standard of value, effect of on conclusion of value, 14, 15
 - stock, classes of, 50–52
 - Walter v. Duffy*, 57
 - Estate of Curry v. United States*, 51
 - Estate of Joyce Hall v. Commissioner*, 59, 60, 76–77
 - Estate of Jung v. Commissioner*, 64
 - Estate of Lauder v. Commissioner*, 58, 59
 - Estate of Newhouse v. Commissioner*, 46
 - Estate of Simplot v. Commissioner*, 51, 52
 - Estate of Watts v. Commissioner*, 43
- Excess earnings method, 126, 155, 156
- Extraordinary circumstances, 133, 137, 138, 157, 158, 163
- Fair cash value, 94, 104
- Fair market value
 - applicability of, 22, 35
 - cash or cash equivalency, 43, 44
 - continuum of value. *See* Continuum of value, divorce cases
 - definition deconstructed, 41
 - definitions, 9, 22, 36–37
 - and discounts, 77–85, 129
 - divorce. *See* Divorce
 - estate and gift tax. *See* Estate and gift tax
 - fair value compared, 4, 5, 91, 263–266
 - history of, 5–8, 37–41
 - inconsistencies in application of, 36
 - no compulsion to buy or sell, 41, 56–61
 - notional market, 72–77
 - overview, 21–23, 35–36, 84–85
 - premise of value, 42. *See also* Value in exchange
 - price at which property would change hands, 41–44
 - real property, 31, 32
 - reasonable knowledge of relevant facts, 41, 55, 56, 61–71
 - Revenue Ruling 59-60, 37

- Fair market value (*cont.*)
- shareholder dissent and oppression. *See* Shareholder dissent and oppression
 - statutory context, 5
 - subsequent events, 41, 55, 62–72
 - and tax cases, 166
 - United States v. Fourteen Packages of Pins*, 38
 - valuation date, 41, 55, 62–72
 - and value in exchange. *See* Value in exchange
 - willing buyer, 41, 44–52, 75
 - willing seller, 41, 53–56, 75
- Fair value
- applicability of standard, 23
 - continuum of value. *See* Continuum of value, divorce cases
 - definitions of, 10, 11, 23, 89, 90, 92–95, 245–247
 - divorce cases. *See* Divorce
 - fair market value compared, 4, 5, 91, 263–266
 - fairness opinions, 30
 - financial reporting. *See* Financial reporting
 - historical perspective, 5–8, 91, 92
 - overview, 162, 163
 - in securities and futures markets, 30, 31
 - shareholder dissent and oppression cases. *See* Shareholder dissent and oppression
 - state law definitions, 94, 95
 - use of term, 5
 - valuation date, 94, 120–122, 133, 150, 154, 162
- Fair value in liquidation (California), 94, 95
- Fairness opinions, 30
- Fees, as equitable adjustment, 154, 158
- Fiduciary duty, breach of, 112, 113, 152, 153
- Financial Accounting Standards Board (FASB), 2, 13
- Exposure Draft on fair value measurement, 246–250, 253, 260, 264, 267–268
 - fair value defined, 23
 - FAS 133, *Accounting for Derivative Instruments and Hedging Activities*, 250
 - FASB 15, *Accounting by Debtors and Creditors for Troubled Debt Restructurings*, 250
 - FASB Concepts Statement No. 7, *Using Cash Information and Present Value in Accounting Measurements*, 246, 252, 256, 257, 260, 261, 266, 268
 - and financial reporting, 13, 252, 253
 - history of fair value, 249, 250, 252, 253
 - SFAS 107, *Disclosures About Fair Value for Financial Instruments*, 250
 - SFAS 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets To Be Disposed Of*, 259, 260
 - SFAS 141, *Business Combinations*, 13, 246, 253, 255–257, 261, 265, 268
 - SFAS 142, *Goodwill and Other Intangible Assets*, 13, 253, 255, 260–262
 - SFAS 144, *Accounting for the Impairment of Disposal of Long-Lived Assets*, 260, 261
 - SFAS 123R, 268
 - SFAS 141R, exposure draft on, 268
 - Valuation Resource Group (VRG), 253
- Financial reporting
- audit issues, 266, 267
 - cost approach, 248, 249
 - fair value, 13, 23, 87
 - asset impairment tests, 258–263
 - business combinations, 250, 251, 253–258
 - defined, 245–247
 - dissenters' rights cases compared, 263
 - fair market value compared, 263–266
 - historical background, 249–253
 - investment value compared, 263
 - FASB proposed standard on fair value measurement. *See* Financial Accounting Standards Board (FASB)

- generally accepted accounting principles (GAAP), 246
- income approach, 248
- inputs, 247, 248
- market approach, 248
- multiple valuation techniques, 248
- overview, 245, 267–269
- premise of value, 247, 249
- SEC regulations, 246
- sources of information, 269, 270
- trends in fair value measurement, 268, 269
- valuation methods, 248, 249
- Freeze-outs, 106, 110, 111
- General Utilities Doctrine, 83
- Generally accepted accounting principles (GAAP), fair value in financial reporting, 246
- Going concern value, 42
 - defined, 28, 29
 - Estate of Watts v. Commissioner*, 43
 - and goodwill, 205
 - overview, 28, 29
 - and premise of value, 42
 - value in exchange premise, 42
- Golden v. Golden*, 181, 190, 191, 201, 237
- Goodwill in divorce cases
 - buy-sell agreement method, 173
 - capitalization of benefits methods, 173
 - celebrity, 185, 228–230
 - and covenant not to compete, 185–186, 213–215
 - defined, 202, 226, 227
 - and discounts, 219, 220
 - versus earning capacity, 230, 231
 - enhanced earning capacity, 185, 231–236
 - enterprise, 201, 202, 205–213, 235
 - excess earnings, 173
 - factors considered (California), 203, 204
 - and going concern value, 205
 - insurance agency case examples, 183–185
 - intangible assets in divorce, 171
 - as investment value, 226, 227
 - Louisiana statute, 187
 - methods for valuing, 173, 174
 - open market approach, 173
 - and owner's compensation, 204
 - personal, 202–213, 227, 230, 231, 235
 - Principles of the Law of Family Dissolution*, 200
 - professional degree or license, 185, 231–236
 - as separate property, 185, 186, 230, 231
 - and standard of value, 192
 - value in exchange, 185, 186, 194, 201–216
 - value to the holder, 185, 186, 194, 226–238
 - walk-away value, 211, 212, 231
- Goodwill in financial reporting
 - SFAS 142, *Goodwill and Other Intangible Assets*, 253, 255, 260–262
- Great Britain
 - fair market value definition, 37
 - highest and best use concept, 37, 41
 - highest price, 37, 48
 - and international standards, 33
 - notional market concept, 72, 73
 - synergistic buyers, 49, 50
- Guideline public company method
 - closely-held companies, 126, 128, 129
 - and Delaware block method, 98
 - estate and gift tax cases, 76, 77
 - and use of premiums, 135–137
- Guideline transaction method, 126
- Heavy-handed and arbitrary or overbearing
 - conduct as oppression, 113–115
- Highest and best use, 37, 41, 47, 48, 219, 220, 247, 249
- Highest price, 37, 47–48
- Historical background, 5–8
- Howell v. Howell*, 219
- In re Huff*, 239–241
- Income approach, financial reporting, 248
- Income tax, history of, 39, 40
- Intangible assets in divorce
 - continuum of value, 206, 216, 238
 - covenant not to compete, 185, 186
 - goodwill. *See* Goodwill in divorce cases
 - identification issues, 171, 173, 174

- Intangible assets in divorce (*cont.*)
 - open market approach, 173
 - and use of buy-sell agreements, 174
- Intangible assets in financial reporting, 251, 252
- Internal Revenue Code (IRC) section
 - 2703(b), buy-sell agreements, 58, 60
- Internal Revenue Service (IRS)
 - Revenue Ruling 59-60, fair market value, 37, 84
 - Revenue Ruling 78-367, 62
 - Revenue Ruling 93-12, family attribution, 24, 52, 54, 55
- International Business Valuation Standards
 - Committee (IVSC), 271, 272
 - approaches to valuation, 273, 274
 - definitions, 272, 273
 - property, types of, 274, 275
- International Financial Reporting Standards, 280
- International Glossary of Business Valuation Terms*, 79
- International Valuation Standards Board (IVSB), 32, 33
- Intrinsic value
 - defined, 25
 - divorce, 27, 167
 - as investment value, 25
 - in securities analysis, 25, 26
 - and trading price of stock, 75
 - use of term by courts, 26, 27
- Investment value
 - and Delaware block method, 98
 - divorce cases, 24, 167, 172, 181, 182, 241
 - fair value in financial reporting
 - distinguished, 263
 - and goodwill, 226, 227
 - International Valuation Standards Board
 - definition, 33
 - intrinsic value as, 25
 - overview, 24, 25
 - as value to the holder, 24
- Johnson v. Johnson*, 151–153, 160, 161
- Judicial appraisals, fair value standard, 23, 35, 36
- Judicial discretion, 72, 93
- Key person discount, 81, 82, 134
- Lack of control, discount for, 24, 77–79, 85, 89, 131, 133
- Lack of marketability, discount for, 52, 55, 58, 64, 79, 80, 85, 89, 131, 134
- Lawson Mardon Wheaton v. Smith*, 157, 158
- Liabilities, condition and/or location of and fair value in financial reporting, 247
- Liquidation value, 42
 - assets, assemblage of, 30
 - and compulsion to buy or sell, 57
 - defined, 29
 - Estate of Watts v. Commissioner*, 43
 - forced liquidation, 30, 56–57
 - orderly disposition on a piecemeal basis, 29
 - overview, 28–30
 - value in exchange premise, 29, 30, 42
- Liquidity, 80, 89
- Mandelbaum v. Commissioner*, 53, 54, 80
- Marital property
 - commingling, 176, 177
 - common law, 168
 - community property, 168, 171
 - defined, 171
 - division of, 170
 - equitable distribution, 169
 - fairness, emphasis on, 169, 172, 181, 242, 243
 - goodwill. *See* Goodwill in divorce cases
 - historical background, 168
 - identification of, 170–173
 - intangible assets, 171, 173, 174
 - property, problems with definition of, 171
 - separate property, 174–177
 - standard of value, 170. *See also* Divorce
- Market approach, financial reporting, 248
- Market exception, appraisal remedy, 128, 129
- Market value
 - and appraisal remedy, 128, 129
 - and Delaware block method, 98
 - international standards, 32
 - real property, 31, 32

- Marketability, defined, 79
- Marketplace
Estate of Newhouse v. Commissioner, 46
 individual versus pool of buyers, 45, 46
 notional market, 72–77
 open market, 72–76
 synergistic buyers, 47–50
 and willing buyer, 44, 45
- In re Marriage of Graff*, 183–185
- Mergers and acquisitions
 business combinations and financial reporting, 250, 253
 shareholder dissent and oppression, 88, 92, 95, 96, 99, 101, 106–108, 120–125, 128, 129, 137
- Minority shareholders
 damage claims, 159–161
 defined, 88
 discounts, 89, 94, 129–134, 137–146, 154–159
 dissenters' rights, 95–100
 dissolution actions, 88, 89, 100–103, 161–162
 divorce cases, 167, 192, 217, 218
 equitable adjustments, 146–161
 fair value, 120–129, 161, 162
 history of rights, 95–98
 marketable versus non-marketable shares, 131–133
 oppression remedy, 100–115
 premiums, 135–137, 145
- Model Business Corporation Act (MBCA), 6, 90, 92, 97–99
- No compulsion to buy or sell
 and fair market value, 41, 56
 forced liquidation, 56, 57
 and forced liquidation, 56, 57
 and restrictive agreements, 58–61
 types of compulsion, 56, 57
- Nonvoting share discount, 100, 131
- Notional market, 72–77
- O'Brien v. O'Brien*, 233–235, 243
- Offenbecher v. Baron Services, Inc.*, 107, 108
- Open market, 72–75
- Operational premises of value, 28–30, 42.
See also Going concern value; Liquidation value
- Piscopo v. Piscopo*, 228, 229
- Premises of value
 as assumption, 20
 continuum of, 183, 185, 186
 and difference in conclusion of value, 183–185
 divorce cases, 12, 166, 167, 183
 financial reporting, 247, 249. *See also* Financial reporting
 operational premises, 28–30, 42. *See also* Going concern value; Liquidation value
 overview, 2, 8, 17, 20, 21, 28
 and standards of value, 20, 183, 191
 value in exchange. *See* Value in exchange
 value to the holder. *See* Value to the holder
- Premiums
 cases applying premiums, table, 145
 control premiums, 135–137
 controlling interests. *See* Controlling interests
 strategic purchaser, 48–49
 support for applying, 137
- Price
 defined, 18, 43
 and fair market value, 41–44, 56
 and fair value in financial reporting, 247
 highest price, 37, 47, 48
 value, relationship to, 17–19, 43, 44
 at which property would change hands, 41–44
- Principles of Corporate Governance*, 8, 90, 121, 159
 customary and current valuation techniques, 123
 discounts, 11, 137, 163
 fair value defined, 10, 93
 oppression versus dissent cases, 159
- Principles of the Law of Family Dissolution*, 200

- Privately-held corporations
 - and appraisal remedy, 128, 129
 - discount for lack of marketability, 79, 80
 - entity-level discounts, 134
 - market approach, use of, 128, 129
 - owner's compensation and goodwill in divorce, 204
 - shareholder employees, 89, 106, 159–161
- Professional license. *See* Goodwill in divorce cases
- Propstra v. United States*, 55, 56
- Public Company Accounting Oversight Board, 2

- Rapid American v. Harris*, 135, 136
- Real property. *See also* Marital property
 - fair market value, 31, 32
 - highest and best use, 41, 47
 - market value, 31, 32
- Reasonable expectations
 - divorce cases, 181
 - oppression cases, 110, 111
- Reasonable knowledge of relevant facts and fair market value, 41
 - versus full knowledge, 73
 - known and knowable information, 61, 62
 - reasonable knowledge, 61, 62
 - subsequent events, effect of, 55–56
 - subsequent information, case law on use of, 65–71
 - valuation date and use of subsequent events, 41, 62–72
 - discounts commonly applied, 77–84
 - market, open versus notional, 72–77
- Research and development, 251
- Restrictive agreements, 58–61
- Revenue Rulings
 - 59-60, fair market value, 37, 84
 - 78-367, 62
 - 93-12, family attribution, 24, 52, 54, 55
- Revised Model Business Corporation Act (RMBCA), 8
 - discounts, 138, 163
 - dissolution of corporation, 101, 102
 - fair value definition, 10, 11, 92, 93, 122, 138
 - oppression versus dissent cases, 159
 - publicly listed shares and appraisal remedy, 128
 - revised definition of fair value, 93, 94
 - wrongdoing, consideration of, 149, 150, 159
- Royal Institute of Chartered Surveyors, 33, 280

- Seagraves v. Urstadt Property Co., Inc.*, 148
- Securities analysis and intrinsic value, 25, 26, 75
- Securities and Exchange Commission (SEC), 2, 246, 251, 252, 265, 268
- Sellers
 - fair value in financial reporting, 247
 - willing seller. *See* Willing seller
- Separate property, 169
 - appreciation on, 174–177
 - commingling, 176, 177
 - covenant not to compete, 213, 214
 - goodwill, 185, 186
- Shareholder agreements, as basis for reasonable expectations, 111, 112
- Shareholder dissent and oppression
 - appraisal rights, 88, 96–100, 128
 - appraisal statutes, 91, 96, 98, 100, 116–119, 133, 157, 158
 - buy-outs, 87–89, 101–105, 110, 150, 151, 173
 - Delaware block method, 98, 99
 - discounted cash flow method, 121, 125, 126, 128, 137
 - discounts
 - blockage, 131
 - cases applying discounts, 142
 - cases decided by court's discretion, 143–145
 - cases rejecting discounts, 140–142
 - cases rejecting discounts by statute, 139
 - contingent liabilities, 134
 - entity-level, 134
 - as equitable adjustments, 154–159
 - extraordinary circumstances, 133, 137, 138, 157, 158, 163
 - and fair value, 129, 131, 134, 135
 - federal courts, application of state law, 146, 147

- key man, 134
- lack of control, 89, 129, 131
- lack of marketability, 89, 129, 130, 133, 134
- levels of value, 130–133
- nonvoting shares, 100, 131
- overview, 129, 130
- portfolio, 134
- trapped-in capital gains, 134
- dissenters' rights
 - appraisal remedy, 88, 98–100
 - California, 94, 95
 - Delaware block method, 98, 99
 - nonvoting stock, 100, 131
 - oppression compared, 89, 105, 106
 - overview, 95–98, 161, 162
 - perfecting, 100
 - process to dissent, 99, 100
 - triggers, 99, 101
 - valuation date, 94, 120, 121, 133, 150, 154, 162
 - valuation technique, 123–129
 - Weinberger v. UOP, Inc.*, 123–126
- dissolution actions
 - alternative remedies, 104, 105
 - appraisal statutes, 97–101, 103–105
 - attorney general, 102
 - buy-outs, 87–89, 101–105, 110, 150, 151, 173
 - creditors, 102
 - fair value consideration, 90, 94, 102, 105, 149–151, 154, 161
 - fair value in liquidation, 149
 - historical background, 95–98
 - judicial, 101–103
 - minority shareholder's rights, 88, 102, 103, 133, 161, 162
 - oppression as basis for, 88, 100–103, 122, 161, 162
 - triggering events, 99–101, 103, 161
 - valuation date, 122
 - voluntary, 101, 102
- entire fairness doctrine, 146–149, 159, 161
- equitable adjustments
 - Balsamides v. Protameen Chemicals, Inc.*, 155–157
 - Bomarko, Inc. v. International Telecharge, Inc.*, 148, 149
 - damage claims, 159–161
 - discounts as, 154–159
 - entire fairness rule (Delaware), 146, 148, 149
 - fair value, 94, 146, 148–161, 163
 - Johnson v. Johnson*, 151–153, 160, 161
 - Lawson Mardon Wheaton v. Smith*, 157, 158
 - overview, 163
 - Seagraves v. Urstadt Property Co., Inc.*, 151–153, 160, 161, 148
 - wrongdoing, 149–154
- excess earnings method, 126, 155, 156
- extraordinary circumstances, 133, 137, 138, 157, 158, 163
- fair cash value, 94, 104
- fair market value, 23, 35, 85, 88, 89, 91, 94, 95, 99, 111, 129, 149, 158, 162
- fair value, 14
 - appreciation or depreciation, 122, 123
 - buy-sell agreements, 150
 - components of, 120–129
 - customary and current valuation techniques, 94, 123–129, 163
 - definitions of, 10, 89, 90, 92–95
 - differences in dissent and oppression cases, 89, 105, 106
 - discounts, 129, 131, 134, 135
 - equitable adjustments, 94, 146, 148–161, 163
 - financial reporting fair value distinguished, 87, 263
 - historical background, 91, 92
 - as if corporate action did not take place, 122, 123
 - judicial discretion, 93
 - and minority shareholders, 120–129, 161, 162
 - overview, 87–90, 162, 163
 - state law, 115–120
 - valuation date, 94, 120–122, 133, 150, 154, 162
 - Weinberger v. UOP, Inc.*, 123–126, 158–160, 163

- Shareholder dissent and oppression (*cont.*)
 wrongdoing, 103, 149–154, 158, 161, 162
 fair value in liquidation, 94, 95
 guideline public company method, 98, 126, 128, 135, 137
 historical background, 6–8
 and intrinsic value, 27
 mergers and acquisitions, 88, 92, 95, 96, 99, 101, 106, 107, 120–125, 128, 129, 137
 minority shareholders
 damage claims, 159–161
 defined, 88
 discounts, 89, 94, 129–134, 137–146, 154–159
 dissenters' rights, 95–100
 dissolution actions, 100–103, 161, 162
 equitable adjustments, 146–161
 fair value, 120–129, 161, 162
 oppression remedy, 100–115
 premiums, 135–137, 145
 oppression remedy
 alternatives to dissolution, 104, 105
 California, 94, 95
Central Standard Life Insurance v. Davis, 108–110
Compton v. Paul K. Harding Realty Co., 114, 115
 development of, 100–103
 dissenters' rights compared, 89, 105, 106
Donohue v. Rodd Electrotype of New England, 112, 113
 equitable adjustments, 94, 146, 148–161, 163
 fiduciary duty, breach of, 112, 113, 152, 153
 freeze-outs, 106, 110, 111
 as grounds for dissolution, 89, 100–103
 heavy-handed and arbitrary or overbearing conduct, 113–115
Offenbecher v. Baron Services, Inc., 107, 108
 overview, 88, 89, 161, 162
 reasonable expectations, 110–112
 recognizing oppression, 108–110
 shareholder employees, 89, 106, 159–161
 squeeze-outs, 106–108
Topper v. Park Sheraton Pharmacy, 110, 111
 triggers, 100, 101
 valuation date, 122
 overview, 9, 10, 162, 163
 premiums
 cases applying, 145
 control, 135–137
 extraordinary circumstances, 137, 138, 163
 and fair value, 135
 federal courts, application of state law, 146, 147
 levels of value, 130–132
 overview, 129, 130
Rapid American v. Harris, 135, 136
 pro rata value, 88, 89, 97, 102, 129, 130, 137, 163
 shareholder employees, 89, 106, 159–161
 standards of value
 effect of on conclusion of value, 14, 15
 state chart, 116–119, 282–302
 state law, 115–119
 valuation date, 94, 120–122, 133, 150, 154, 162
 valuation techniques, 123–129
 wrongdoing, 103, 149–154, 158, 161, 162
 Shareholders as employees, 89, 106, 159–161
 Spousal support (alimony), 172, 173, 236, 237
 Squeeze-out mergers, 107, 108
 Standards of value
 book value, 28
 choice of, 21
 common standards, 21–28
 and conclusion of value, 13–15
 and cost, 18, 19
 defining, 19, 20
 divorce cases. *See* Divorce

- fair market value. *See* Fair market value
- fair value. *See* Fair value
- international business, 32, 33, 271–275, 280
- intrinsic value, 25–27, 75, 167
- investment value. *See* Investment value
- operational premises, 28–30, 42. *See also*
 - Going concern value; Liquidation value
- overview, 8, 17
- and premise of value, 20, 183, 191
- and price, 17–19
- state laws, inconsistency of, 12
- Uniform Standards of Professional Appraisal Practice, 19
 - and uniqueness of individual appraisals, 3 and value, 17–19
- Stern v. Stern*, 223, 224
- Stock
 - classes of, 50–52
 - nonvoting, 100, 131
- Subsequent events
 - case law, 65–71
 - effect of, 55, 56
 - and fair market value, 62–84
 - foreseeable, 62–65
 - use of, 41, 62–65
 - windfalls, 63
- Synergies
 - buyers, 25, 47–50
 - control shares, value of, 130
 - and fair market value, 37
 - and highest and best use, 47, 48
 - and highest price, 47–49
 - merger and acquisitions, 129
 - and notional market, 75, 76
- Tax issues
 - and fair market value standard, 35
 - historical background, 7
 - trapped-in capital gains, discount for, 82–84, 134
- Terminology, variation in, 3, 4, 11
- Thompson v. Thompson*, 206, 207, 211, 214
- Tofte v. Tofte*, 217, 218
- Topper v. Park Sheraton Pharmacy*, 104, 110, 111
- Toronto Valuation Accord, 33, 276–280
- Trapped-in capital gains, discount for, 82–84, 134
- Uniform acts and model codes
 - historical background, 6, 8
 - Model Business Corporation Act. *See* Model Business Corporation Act (MBCA)
 - Revised Model Business Corporation Act. *See* Revised Model Business Corporation Act (RMBCA)
 - Uniform Business Corporation Act, 97
 - Uniform Standards of Professional Appraisal Practice, 19
- Uniform Business Corporation Act, 97
- Uniform Standards of Professional Appraisal Practice, 19
- Uniqueness, 3, 4, 76–77
- United Kingdom. *See* Great Britain
- United States v. Fourteen Packages of Pins*, 38
- Valuation date
 - shareholder dissent and oppression, 94, 120–122, 133, 150, 154, 162
 - and use of subsequent events, 41, 55, 56, 62–71
- Valuation techniques
 - dissent and oppression cases, 123–129, 163
 - in financial reporting, 248
- Value
 - concept of, 17, 18
 - defined, 1, 19, 43
 - defining, 20
 - and price, 18, 19, 43, 44
- Value in exchange
 - continuum of value, 183, 185, 186, 216, 224, 225
 - defined, 21
 - divorce cases. *See* Divorce and fair market value, 42
 - fair market value as, 37, 42, 44, 85

- Value in exchange (*cont.*)
 - going concern value, 42
 - goodwill, 185, 186, 194, 201, 202, 216
 - liquidation value, 42
 - as premise of value, 12, 17, 20, 42
 - tax cases, 166
- Value to the holder
 - continuum of value, 183, 185, 186
 - defined, 21
 - divorce cases. *See* Divorce
 - goodwill, 185, 186, 194, 226–238
 - as investment value, 24
 - as premise of value, 12, 17, 20
- Walter v. Duffy*, 57
- Weinberger v. UOP, Inc.*, 123–126, 158–160, 163
- Williams v. Williams*, 214
- Willing buyer
 - and fair market value, 41
 - and fair value, 91
 - individual or pool of buyers, 45–46
 - marketplace, 44–47
 - and motivations, 75
 - notional market, 72–77
 - stock, different classes of, 50–52
 - synergistic buyers, 47–50
 - and willing seller consideration, 53, 54
- Willing seller
 - and fair market value, 41, 53–56
 - and fair value, 91
 - and motivations, 75
 - notional market, 72–77
- Windfalls, 63
- Worth, defined, 33
- Yoon v. Yoon*, 208, 209
- In re Zeigler*, 183, 184