



Volume 7, Issue 1

Fall 2015



Letter From the President

By Jordan Donsky, ASA

Thank you to the Chicago Chapter 033 members for your confidence and vote. It is with great honor that I serve as President for 2015-16 program, the Best Chapter! We are off to a great start and look forward to another year of exceptional offerings. I would like to thank Lela Hersh for five outstanding years of service to the Chapter and finishing with a terrific year, as President for 2014-15. We know you will continue your service and do great things!

Board members generally serve for five years if re-elected each year. The freshman board position is Treasurer. Welcome Dan Daitchman, our newest board member and future president. Welcome also to Susan Boin, the new BV Discipline Chair. We are again fortunate to have many outstanding member volunteers returning to service work on committees and as chairpersons as well as new recruits who bring great energy and skills to assist the Chapter and contribute to the organization and profession as a whole.

For a complete listing of the 2015-16 Board of Directors, Discipline Chairs, Representatives and Other Leadership Positions, please see page three in this newsletter!

This year we have another exciting calendar planned for our membership. We have already held some great events.

Opening Night at South Branch was a big hit, this event never disappoints. In August, the Chapter set up a booth at the annual ICAP meeting, which continues to increase our presence and further our common causes. Our Annual Golf Outing and CPE was held on August 25 at Willow Crest Golf Club, which turned out to be a great day, as it is each and every year. I personally encourage any member who has not participated in the past to attend this event next year. No worries, you need not much golf experience to have a great time.

These events are just part of what makes our chapter one of the best in the country year in and year out. I encourage everyone to get out and enjoy our events planned for 2015-2016 and take advantage of these very rewarding educational and networking opportunities. Upcoming events include one of my favorites, when we join the BVA to present our annual Capital Markets program in 2016. This event is always well attended and insightful with a great panel of speakers. This year, we will also continue a new tradition of holding a young professionals event, look for details soon, tentatively scheduled to take place in December. Aaron Keller, candidate member, volunteered to plan this year's event which encourages members under 40 to get out, bring prospects, meet with their peers, network and have some fun.

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Have ideas for chapter seminars, events, or speaker suggestions? Know someone who should be featured in an upcoming issue? Let us know!

Administrator@asachicagoapter.org

We will hold many other events this program year and are always open to new ideas and looking for future volunteers. Volunteering will increase your professional contacts and looks great on your CV. For more information about upcoming events and programs, please feel free to contact me, other board members or any of the volunteers with your suggestions and comments.

Our mission is to provide opportunities for education and networking for our chapter members and to further the profession in the greater Chicago area. To help, "like" the Chicago

Chapter on Facebook, follow us on Twitter, and connect with us on LinkedIn. Social media links are vital to keeping the Chapter relevant and a great source for news, content and upcoming events. And visit the website!

Finally I would like to welcome and thank our returning Newsletter Editor, Suzanne Varkalis, AM and also to thank Rick Warner, ASA for all his help in past newsletters.

A Tribute to Park Johnson, ASA 1963-2015



I would like to say first and foremost that I will miss my friend Park. I will miss running into him at our events, his smile and his caring way he had about him, always taking time to say hello to people and just take a few minutes. I have taken time to reflect back because in looking forward I just always expected that Park would be with us. Many of us were fortunate to have spent time with Park Johnson recently because he did like to participate and come out with the Chapter and take an occasional lunch or coffee with a colleague.

Park was a young man by all accounts at age 52 in the prime of life. He leaves behind a beautiful family, he was not sick, we did not expect to lose him. He died peacefully in his sleep, having touched many of our lives in a positive way before his untimely passing. In his passing I learned some interesting things about Park that I did not know like how his connections to the business extended to his family members and that also includes professionals that many of us have known for some time. Park's passing caused many of us to pause and reconnect with each other.

The following is an attempt to capture a small sample of Park's many contributions to the Chicago Chapter and the appraisal profession during his career.

Some of Park Johnson's many contributions:

- *Chapter President and Board member (five years of continuous service)*
- *MTS Committee Member (multiple year terms)*
- *Teacher, presenter and professional mentor*
- *Event planner*
- *Inspirational volunteer*
- *Too numerous to name...*

<http://obitsforlife.com/obituary/1137685/Johnson-Park.php>

Park you left us too soon!

Jordan Donsky, ASA – Chicago Chapter President

Chapter News

Meet the New Board



The 2015-2016 Board of Directors:
Jordan Donsky, ASA - President
David Koller, ASA - 1st Vice President
Brian McCabe, ASA - 2nd Vice President
Judy Moody, ASA - Secretary
Dan Daitchman, AM - Treasurer

The 2015-16 Discipline Chair/Representatives and Other Leadership Positions:

- **Michael Holtzman** - Gems and Jewelry Chair
- **Patricia Atwood, ASA** - Personal Property Chair
- **Jeffrey Kirk, ASA** - Real Property Chair
- **Susan Boin, ASA** - Business Valuation Chair
- **Mary Warmus, ASA** - Membership Chair
- **James H. Nutter, ASA** - Machinery & Technical Specialties Chair
- **Barton DeLacy, ASA and Joe Calvanico, ASA** - ICAP Representatives
- **Mary Antonakos, AM** - Public Relations

ADVANCEMENTS

Business Valuation

Gregory Shufelt, ASA
 Joseph Thompson, ASA
 Ann-Marie Koss, ASA

MTS

Jeffrey Dunn, ASA

Personal Property

Jane CH Jacob, ASA

Congratulations!

Meet the New ASA International Secretary/Treasurer

Chicago Chapter has another ASA International officer! Sharon Desfor, our own crazy helicopter lady, took her oath of office at June's Board meeting and began her duties as International Secretary/Treasurer on July 1, 2015.

Sharon says, "I am, oddly, feeling both humbled and excited to have been elected as International Secretary/Treasurer at this particular moment in time. Humbled because I first received so many nominations from ASAs all over the country (and then actually won the election!); excited because I have been working toward this goal for four years by learning everything I possibly could to improve my ability to fulfill the position. I have a deep commitment to ASA, an urge to put my hand to whatever jobs I can find that will help us, and confidence that I can make a valuable difference."

Sharon is president of HeliValue\$, Inc., in Wauconda, IL. She has served on the ASA's Board of Governors, International Committee, Strategic

Planning Committee, Budget & Finance Committee, Machinery & Technical Specialties Committee, and various task forces. She previously served as Editor of the *M&TS Journal* and Production Manager of ASA's *Valuing Machinery and Equipment, 3rd Edition*, and is an active board and committee member for several trade organizations.

Sharon's wish for her term in office is to bring a voice to you - our members - at a grass-roots level. Not just the U.S. members, but all members worldwide. She says, "I don't think I've got all the answers, and if that were even possible it's still my job to listen to *your* questions and answers." She reminds everyone that she's an open-door officer, and all are welcome to use and to give out her cell number 224-345-1777 to *anyone* who wants to reach out about national ASA issues or questions. She finishes by saying, "That's not a published number, I only give it out to friends and family. For the next four years, that's everyone in the ASA!"

Valuation Issues in Dissenting Shareholder Cases

By Stephen Pawlow, ASA, CPA/ABV, MST

Dissenting shareholder cases are what I refer to as “business divorces”. And just like their “domestic divorce” cousins, the major factors that impact the valuations of non-controlling interests in privately held companies is often contained not in statute, but in case law. Further, because each jurisdiction has its own case law, one must be current on the rulings in the particular location involved.

Presented here are a few issues that are often the subject of dissenting shareholder litigation, and cases that give an indication of the prevailing thought.

STANDARD OF VALUE

Let’s start out with the most critical issue that must be decided, fair market value, or fair value.

Shawnee Telecom Resources v Kathy Brown (decided by the Supreme Court of Kentucky) stated that fair value is the value of the proportionate shares as a whole. The rationale for this is that the minority shareholder has the right to receive his proportionate value of the stock in the company as a going concern, not based on a hypothetical sale to an outsider.

South Dakota (Jay Link v L.S.I.) stated that fair value is the proportionate value as a going concern, without regard to a discount for lack of marketability (“DLOM”) or lack of control (“DLOC”). Iowa (Rolfe State Bank v Charles Gunderson, et al) ruled that the DLOC and DLOM do not apply in fair value cases involving a reverse stock split designed to force the minority fractional shares out of the company.

Mississippi (Dawkins v Hickman Family Corp) gave the best summary of the issue by stating that fair value is defined as the fair market value without regard to the DLOC or DLOM, and took it one step further by listing 23 states that have statutes with the same or similar definitions of fair value.¹

BUILT-IN GAINS

The issue of taking a deduction for the built-in gains in the valuation of a privately held company relates to the asset approach to valuation. The underlying concept is that a company holding appreciated assets would have to pay a capital gains tax on the sale of those assets. If the ownership of the company changes, the liability for the tax on the sale of the appreciated assets stays with those assets. There are

a few cases that deal with this issue in the dissenting shareholder context.

New York decided this issue in *Giamo v Vitale*. *Giamo* moved to dissolve two family-owned “C” corporations that owned 19 residential buildings in Manhattan. Both parties used the asset approach to calculate value and the results were similar. The only issues to be decided by the court related to the application of the DLOM and whether there should be a reduction in value for the Built in Gains tax.

The New York court noted that the Wyoming and Delaware Supreme Courts decline to consider the tax consequences of the sale of the assets unless there is evidence that the corporation is actually undergoing liquidation on the valuation date. New York follows the contrary view that it is irrelevant whether the corporation will actually liquidate its assets, and that the court should assume that liquidation will occur.

Utah, in *Resources International v Mark Technologies Corp*, the case involved a business in a winding down mode and whose assets consisted primarily of appreciated undeveloped real estate. The company executed a 500:1 reverse stock split to buy out the fractional shareholders. The minority shareholders sued and the court noted that Utah statutes call for fair value valuations for dissenting shareholders. The court held that it is appropriate to deduct expected built-in gains tax, especially when the company is expecting to liquidate its assets.

NORMALIZING ADJUSTMENTS

Normalizing the operating income and cash flow of a business refers to the adjustments made for non-recurring or non-operating income and expenses. It is common practice not to make normalizing adjustments when valuing a minority interest in a privately held company under the theory that a minority shareholder does not have the ability to make any changes in the operating practices of the company. Would the same principle be true in a dissenting shareholder case?

South Carolina, in *Blackburn v TKT and Associates*, the minority shareholders asserted that the controlling shareholders were taking excessive

Cont. on page 5

¹ Alabama, Arizona, California, Connecticut, Florida, Illinois, Maine, Maryland, Minnesota, Missouri, Montana, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Rhode Island, South Carolina, Utah, Vermont, West Virginia, Wisconsin and Wyoming.

compensation and motioned to be bought out of the company at fair value.

The court agreed and ordered a valuation to be prepared. The court found that the valuation failed to comply with the agreed-upon income approach by not normalizing earnings for the excessive compensation.

New York also decided this issue in *Zelouf International Corp v Zelouf*. One of the 25% minority shareholders sued to have her shares purchased at fair value. The court ruled that not only was the 25% shareholder entitled to a 25% proportionate interest

in the company (without any reductions for DLOC or DLOM), but also an additional 25% of the itemized improper expenses taken out by the majority shareholders.

CONCLUSION

Valuations of privately held companies in dissenting shareholder litigation matters often involve complex valuation issues. Further, these issues may be treated differently in different jurisdictions. Therefore, it is imperative to involve a qualified valuation specialist, working closely with local legal counsel, to arrive at the proper conclusion to these types of cases.

What We Have Been Up To...

Opening Night Social Wednesday, September 9, 2015



Judy Moody, Susan Boin, Mary Antonakos



David Koller, addressing the members



Alek Gasiel, Dan Daitchman, John Spude, and guest Pat Kelly



Barton DeLacy, Fernando Sosa, Sam Bahmanyar, Steve LaMantia



Kara McPherson; Ann-Marie Koss



Jordan Donsky, Jeff Dunn

On Wednesday, September 9, 2015, the Chicago Chapter hosted its annual Opening Night Social at the popular South Branch. The event was well attended by members who represented all of the ASA disciplines. Members had the opportunity to network with other appraisers, make new acquaintances and meet old friends.

What We Have Been Up To...

9th Annual Golf Outing August 25, 2015 – Willow Crest Golf Club, Oak Brook



Fred Weber addressing the attendees.

The 9th Annual ASA Chicago Chapter Golf Outing was held on August 25th, 2015 in Oak Brook Hills. The event was a great success; attended by over 25 people for a morning of breakfast and golf. Fred Weber, Central Region Estate Settlement Services Practice Leader at Northern Trust, gave an insightful presentation. Fred discussed current issues in estate and gift taxes, as well as the implications for appraisers across all disciplines. Afterward, we had beautiful weather for golf at Willow Crest Golf Club. Thanks to everyone that came out, and we hope to see you again next year!



John Spude, ASA, Matt West, ASA, David Koller, ASA, and Fred Weber



Sean Mulcahy, Tony Vescovi, ASA, Adam Hill, ASA, and Jim Knightly, ASA



Dan Daitchman, AM; David Koller, ASA, and Jordan Donsky, ASA

Illinois Coalition of Appraisal Professionals (ICAP) Seminar August 10, 2015



Barton DeLacy, ASA talks to a crowd of 300 real property appraisers at ICAP

ASA Chicago volunteers enjoyed educational programs and camaraderie while representing ASA at the annual Seminar of ICAP (Illinois Coalition of Appraisal Professionals) on August 10, 2015, in Lisle, IL. Attended by about 300 predominantly real property appraisers, the ICAP educational offerings ranged from the use of statistics to drones to appraisal software and also included up-to-the minute legal, legislative and regulatory updates. Chicago Chapter members present were Barton DeLacy, ASA, Joe Calvanico, ASA, Art Pincomb, ASA, Steven LaMantia, ASA and Patricia Atwood, ASA. ASA is a proud sponsor of ICAP, which works to promote the appraisal profession and its image to the general public and to users of appraisal services. ICAP initiates discussion and analysis of issues affecting professional appraisers and monitors political action with the intent to influence legislation, regulation and public opinion toward the appraisal profession.



Joe Calvanico, ASA (left) with ICAP members



Barton DeLacy, ASA, Joe Calvanico, ASA and Art Pincomb, ASA

What We Have Been Up To...

A Sox Night at US Cellular Field June 18, 2015

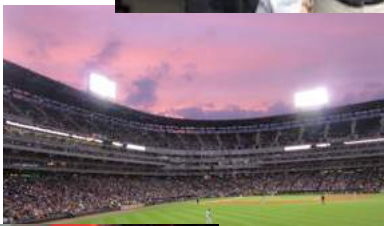


ASA Members and their guests – including Jaime Dolewski, Ann-Marie Koss, ASA, Judy Moody, ASA and Mary Antonakos, AM

On Thursday, June 18, 2015 ASA Chicago chapter members enjoyed an evening at US Cellular Field. The Chicago White Sox took on the Pittsburgh Pirates in a close game. Although the Sox lost 3-2, they rallied in the 7th inning to make for an exciting game. In addition to the White Sox game, members also enjoyed a pre-game patio party and all-you-can eat buffet, featuring BBQ ribs, Cajun chicken, fried chicken, hot dogs, wine, Miller and Pepsi products. Members were encouraged to bring a guest and an all-around great time was had for all in attendance.



Judy Moody, ASA and Ted Moody



Ann-Marie Koss, ASA and guest of Lela Hersh, ASA, Chris Dougherty

End of the Year Meeting and Dinner June 11, 2015



Stephen G. Pawlow ASA, Mary Antonakos AM, Jacob Fish, Candidate, Richard-Raymond Alasko ASA, Ed Detweiler ASA

On Thursday, June 11, 2015 the ASA Chicago chapter hosted its final meeting of the fiscal year at Roy's Hawaiian Fusion Restaurant. The new board was sworn in, awards were presented, and as usual, there were great networking opportunities. Participants feasted on sushi, pot stickers and kabobs. The main courses featured seared Ahi tuna and steak. The meal culminated with a decadent chocolate dessert. In addition, guests were given the opportunity to have headshots taken by Larry Remiker of Remiker Photography. Outgoing president Lela Hersh, ASA and incoming president Jordan Donsky, ASA both recapped the year and thanked the chapter members for their support.



Michael Holtzman (in back), Madeline Rabb, Christine Benoodt



Jordan Donsky, ASA
Thomas Thomas, ASA
Judy Moody, ASA

Upcoming Events

Shareholder Disputes: Complex Valuation and Potential Solutions BVA Presentation & Luncheon Thursday, September 24, 2015

Speaker:

Daniel Van Vleet, ASA – Stout Risius Ross Inc.

September 24, 2015

11:45am – 1:45pm

The Standard Club- 3rd Floor Mezzanine
320 S. Plymouth Ct.
Chicago, Illinois

Register at:

<http://www.businessvaluationassociation.org>

Member Early Bird Rate (by 9/20/15) – Rate: \$55.00

Non-member Early Bird Rate (by 9/20/15): \$90.00

Member Rate (after 9/20/15): \$80.00

Non-member Rate (after 9/20/2015): \$105.00

This session will focus on complex valuation issues and potential solutions when dealing with shareholder controversy matters, including the following: (1) valuing an equity interest in a S corporation with an ESOP in place; (2) addressing built-in capital gains tax issues for recognition period S corporations; (3) the relevance of the Delaware Open MRI decision to the valuation of S corporations, and (4) valuing a controlling equity interest in an S corporation.

Daniel Van Vleet is a Managing Director in the Valuation & Financial Opinions Group at Stout Risius Ross, Inc. Dan is Past International President of the American Society of Appraisers and Past President of the Business Valuation Association of Chicago. He is the ASA representative to the International Valuation Standards Council, (IVSC currently works with the ASA, AICPA and RICS to assist in the development of a financial reporting valuation credential for U.S. publicly traded companies). He is also the developer of the Van Vleet Model, which is the most widely used S corporation valuation model in the United States.

Appraising Stamps: The Basics UBS Conference Center Monday, November 23, 2015

Speaker:

Richard Colberg, AAA

November 23, 2015

11:30am -1:30pm

UBS Conference Center
One North Wacker Drive, 2nd Fl.
Chicago, IL

Go to our Chicago Chapter ASA website to register:

<http://www.asachicagochapter.org/events.html#Stamps2015>

Early Bird Rate (before November 18): \$35.00

Member Rate (after November 18): \$45.00

CE: 2 hour CE credit approved by ASA

Interested in the basics and history of stamp collecting? Want to be able to recognize the material to be appraised? At this event you will learn about appropriate markets - what's hot and what's not. In addition to seeing an extensively illustrated presentation, you'll be given a list of sources for comparables.

Presenter Richard (Dick) Colberg, AAA, is a retired Mechanical Engineer, and has been a stamp collector for 65 years. He has been exhibiting portions of his collection competitively for 35 years in the U.S.A. and France. He wrote a weekly newspaper column on stamp collecting for 10 years and also ran a stamp auction for 10 years. He has had numerous philatelic articles published in the U.S.A. and France, and is the co-author of two postal history monographs. He has been appraising stamp collections for over 20 years and is a Certified Philatelic Appraiser in the Appraisers Association of America.

Upcoming Events

*Attorney Tricks, Witness Traps, the ABCs
of Testifying*
Gleacher Center
October 1, 2015

Speaker:
Jeffrey Brend, ASA

October 1, 2015
11:30am -1:00pm
Gleacher Center
Lower Level
450 N. Cityfront Plaza Dr.

Go to our Chicago Chapter ASA website to register:
<http://www.asachicagochapter.org/events.html#JeffBrend15>

Member Rate: \$40.00
CE: I hour CE credit approved by ASA

Join us for a lively session about the basics of expert witness testifying. The speaker for the event will be Chicago chapter member Jeffrey W. Brend, JD, CPA/ABV, ASA, CFE, CFF, AAML. Mr. Brend is a Forensic Divorce Attorney and CPA who is also an AAML Certified Family Law Arbitrator and Certified Divorce Financial Analyst. With over 20 years of Mediation and Family Law experience, he practices CALM: Collaborate, Arbitrate, Litigate, Mediate. He has been featured in Fortune Magazine, Newsweek and on the Sky Radio Network as one of America's premier lawyers.

International Appraisers Conference
Mirage Hotel & Casino, Las Vegas
October 18-21, 2015

REGISTER NOW

[Click here to register online for the CONFERENCE.](#)

The 78th annual International Appraisers Conference (IAC) will take place at the lush Mirage Hotel & Casino, located in the heart of the Vegas Strip.

Continuing a proud tradition of providing the highest-level education and networking for appraisal experts, this year's IAC features more than 40 sessions of the most comprehensive educational programming available, taught by the world's preeminent thought-leaders from all appraisal disciplines.

Held in conjunction with the Advanced Business Valuation Conference, joint sessions and social events will provide unique opportunities to network and interact with more than 750 attendees and exhibitors from around the world, specializing in Appraisal Review & Management, Business Valuation, Gems & Jewelry, Machinery & Technical Specialties, Personal Property and Real Property.

ASA is proud to announce that Helivalue\$ (whose President Sharon Desfor, ASA is a Chicago Chapter member) has agreed to become the Presenting Sponsor of the conference.



Chicago Appraisal Times



Chicago Appraisal Times is an online newsletter published by the Chicago Chapter of the American Society of Appraisers, an international, non-profit organization that teaches, tests and awards designations in all appraisal disciplines, including Business Valuation, Gems and Jewelry, Machinery and Technical Specialties, Personal Property and Real Estate.

Chapter Contact Information

Email: administrator@asachicago.org
Website: <http://www.asachicagochapter.org>



Chicago Chapter Board

President: Jordan Donsky, ASA
1st VP: David Koller, ASA
2nd VP: Brian McCabe, ASA
Secretary: Judy Moody, ASA
Treasurer: Dan Daitchman, AM

Discipline Chairs

Business Valuation: Susan Boin, ASA
Gems & Jewelry: Michael Holtzman
MTS: James Nutter, ASA
Personal Property: Patricia Atwood, ASA
Real Property: Jeffrey Kirk, ASA
Membership Chair: Mary Warmus, ASA

Other Positions

ICAP Rep: P. Barton DeLacy, ASA
Joseph Calvanico, ASA
Newsletter: Suzanne Varkalis, AM
PR: Mary Antonakos, AM
Website: David Koller, ASA
Jaime Dolewski

American Society of Appraisers HQ
Phone: (800) ASA VALU / (800) 272-8258 (US & Canada) or (703) 478-2228
Website: <http://www.appraisers.org>

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Reston, VA 20190

The American Society of Appraisers is an international organization of appraisal professionals and others dedicated to the education, development and growth of the appraisal profession. ASA is the oldest and only major organization representing all disciplines of appraisal specialists, originating in 1936 and incorporating in 1952. ASA's headquarters is in the metropolitan Washington DC area. This newsletter represents the members of the Chicago Chapter of the American Society of Appraisers.