

# Chicago Appraisal Times



## President's Letter



First and foremost, I hope all of you are staying safe and healthy during this challenging time. Most of us have never lived through a pandemic like this where we're being told to stay at home for an extended period of time. COVID-19 is an event that potentially will have a multi-year impact on the global economy, and is something we'll recall vividly for the rest of our lives. Hopefully we can return to some sense of normalcy in the next couple months.

One important topic that has come up during COVID-19 is how to handle an appraisal when the valuation date is in the middle of the pandemic and all factors associated with it (shelter-in-place, forced shutdowns, PPP, etc.). Thought leaders in the profession have recently done articles and webinars on how to address these issues. Assumptions may vary significantly based on your discipline, but what doesn't change is that you can only take into account what is known or knowable as of the valuation date. It can be very tempting to cloud your judgement with what you know now, and to even make assumptions based on how you "think things will play out," but relying on factual evidence as of your valuation date is just as important now as it's ever been. As an example, for the BV appraisers out there, what adjustments would you make as of January 31, if any? I'm not sure if anybody knew at that point the U.S. would go into a multi-month period where people are being told to stay at home. In looking at the equity markets, the pandemic wasn't priced into the market until late February. The S&P 500 increased by 5% between January 1 and February 19. The index then began a historic decline, falling by 34% between February 19 and March 23. No one knows how long the effects of the pandemic will last, but relying on factual evidence and market data is the best an appraiser can do, now and at any other point in time.

Next, some of you may be wondering about the International Appraisers Conference, which is scheduled for October 11-13. At this point, the conference is still planning to happen as scheduled. I pushed to have the early bird pricing extended, as attendees should not be financially penalized for being concerned about their health and safety. I'm happy to report that the early bird pricing deadline has been extended from May 1 to June 1. I still plan on attending, and hope that you do too.

In terms of events, COVID-19 has not resulted in the cancellation of the Chicago Chapter's upcoming events, but a delay for sure. The Thoma Foundation gallery tour, Rising Stars, the End of Year dinner, and the annual golf outing will all happen once the shelter-in-place guidelines have been lifted and we feel comfortable in hosting these events for our members. As I've said before, face-to-face interaction is a critical aspect to our events, and we want to ensure our members feel safe when attending. Stay tuned for when these events will happen.

Lastly, this is my farewell letter as President of the Chicago Chapter, and to say the least it is very bittersweet. While I will miss being a member of the Board, I look back fondly on the last 5 years at all of the great events we've had and friendships I've made along the way. Looking to the future, we have a great pipeline of individuals to volunteer and make the Chicago Chapter better tomorrow than it is today. It has been an honor and privilege serving as a Board Member of the Chicago Chapter, and I look forward to seeing all of you at an event very soon.

Dan Daitchman, ASA  
Chicago Chapter President

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## CHAPTER NEWS

### USPAP CHANGES FOR 2020–21 EDITION

Check out the detailed summary of adopted changes taking effect in the next edition of USPAP.

[http://www.appraisalfoundation.org/iMIS/TAF/  
PRESS%20RELEASE%20ASB%20Unanimously%20Adopts%202020-21%20USPAP.aspx](http://www.appraisalfoundation.org/iMIS/TAF/PRESS%20RELEASE%20ASB%20Unanimously%20Adopts%202020-21%20USPAP.aspx)



ASA is monitoring the quickly changing environment around the spread of COVID-19 (Coronavirus). We understand our members' concerns about health and safety and are making appropriate accommodations for upcoming classes and events. We will be updating our website regularly as the situation evolves. Please use the below link for additional information.

<https://www.appraisers.org/asa-newsroom/article/2020/04/28/important-covid-19-update>

## STORIES OF VALUE

### ASA's NEW Podcast Series

**A look at the human side of the appraisal profession.**

You can now take in stories of value while you're on the go! ASA's new podcast series highlights remarkable stories and exclusive conversations with industry leaders and valuation professionals. Tune in regularly for the latest episodes hosted by ASA's Senior Director of Government Relations and Business Development, John Russell.

<https://www.appraisers.org/Education/podcasts>

# PAST EVENTS

## Emerging Issues in Cannabis and Hemp

On February 20th, an event was held at the Standard Club in downtown Chicago related to “Emerging Issues in Cannabis and Hemp”. Ron Seigneur, CPA/ABV, CVA, ASA was the presenter; Ron is a partner at Seigneur Gustafson LLP, a CPA and consulting firm located in Lakewood, Colorado. He is considered a leading expert in the valuation of cannabis companies, and co-authored “*The Cannabis Industry Accounting and Appraisal Guide*”.

This event was hosted by the *Business Valuation Association*, a Chicago-based not-for-profit focused on education in the field of business valuation. ASA members of all disciplines were in attendance and were presented with an overview and general perspectives surrounding the cannabis and hemp industry including the tax and legislative landscape, and business appraisal issues. The event was well-attended, with over 40 members and guests participating.

The cannabis industry was a \$27 billion industry in the U.S. in 2019, with only \$12.9 million of that coming from the legal adult-use and medical markets (the remainder was derived from illicit markets). Regulation from all levels of government presents the greatest challenge to medical and recreational marijuana dispensaries, especially because state and federal governments have conflicting regulations. Despite the adoption of some state laws over the past two decades permitting the consumption and distribution of marijuana for medical and recreational use, the possession and distribution of marijuana remains illegal under federal law.

From a taxation perspective, the most dominant issue in the cannabis and hemp industry continues to be IRS section 280e, which allows for the tax deduction of only cost of goods sold (COGS) on cannabis sales. Additionally, banking and access to capital have limited the financing and investment opportunities for cannabis companies in the United States, forcing them to do their banking in Canada, where cannabis is legal federally.

Other hot button issues discussed during the presentation were consolidation of brands, expanding footprints, and evolving consumer preferences and knowledge.

With regard to the valuation of cannabis companies, Seigneur recommends appraisers consider the “Four Ls”: Legislation, Location, License Rights and Leaseholds. Each of these items can play a critical role in the success or failure of the company, and the appraiser’s assessment of its overall risk profile and cash flows.

There are certain similarities and differences when valuing a cannabis company, as compared to valuing a traditional operating company. IRS section 280e is perhaps the most notable difference and can result in effective tax rates (on EBIT) double that of a traditional operating company. Discount rate development can also involve a bit more subjectivity given the relative youth of the industry and lack of meaningful market data. There is increased emphasis on the discounted cash flow method, given many cannabis companies are not profitable, and it is difficult to develop meaningful trading multiples of any metric other than sales.

The cannabis and hemp industry is a rapidly evolving one. As the legislative and regulatory landscape continues to change, the valuation of such companies will change as well. The ASA appreciates Ron’s perspectives, and looks forward to future educational opportunities surrounding the industry.

-Jonathan Martin

### Chicago 7 and 15 Hour USPAP



For three days, from February 8-10, the Chicago Chapter of the American Society of Appraisers, held USPAP classes at the UBS building downtown. The first day was a sold-out 7-Hour Update class. At the beginning of the class, President Dan Daitchman presented the chapters' Public Relations Chair, Jason Zilberbrand, with a certificate for his advancement to ASA. On Tuesday and Wednesday, February 9-10, the 15-hour class was held – though not sold out, it was a full class. The Chicago Chapter provides these in-person classes to its membership for those who learn best in person.

## UPCOMING CONFERENCES



**ASA 9<sup>th</sup> Annual Equipment Valuation Conference**

\*June 2 - Virtual format only

**2020 ASA International Conference**

October 11-13 | Chicago, IL

## RISING STARS

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**The first question that should be asked regarding any rising stars event is WHY/WHAT?**

-What is the motivation of the organization for promoting the event?

-Why would someone attend the event?

Careful thought and planning needs to address these questions, and only then will all participants start to reach their goals.

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**WHAT IS THE MOTIVATION OF THE ORGANIZATION FOR PROMOTING THE EVENT?**

Our motivation is to introduce ASA to young professionals in the hopes that they continue on a career path and gain their designation with ASA. This will include:

-Introduction to certain ASA chapter events through the year

-Key networking opportunities with other professionals in banking, insurance, and accounting industries

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**WHY WOULD SOMEONE ATTEND THE EVENT?**

1. The number one motivating factor are our respective leaders. At a bare minimum we need a list of professionals that we can reach out to and personally invite to our Rising Stars events.

Ideally our leaders should be pushing this event hard with their young professionals. But at minimum we should be receiving a list of young professionals.

2. NETWORKING!!!! While I cannot speak for other Managers and above in my personal experience, I first became a manager 12 years ago and have continued to grow in my career. But my first experience as a manager was congratulations on your promotion you now need to start selling work. That came as a shock to me and my peers as we had no network or experience in business development.

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**TARGET DEMOGRAPHIC**

Our target are young professionals who do not have their own network so the idea behind this is to not only invite professionals interested in becoming ASA members but young professionals in other industries as well. As both groups start to advance in their respective careers, they will eventually become each other's network and ASA will be professional organization recognized for these efforts.

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**CONCLUDING REMARKS**

The comments in this article are predominately based on my experience of hosting my first ASA Rising Stars Event last year. The invitees enjoyed the food and drinks but really enjoyed meeting other young professionals across every appraisal discipline. They walked away learning a lot from that event.

Unfortunately, due to COVID-19, we hope to reschedule this event for late summer or early fall. It is important for the event's success, a diverse group of professionals in attendance is crucial. **I welcome any suggestions on how to increase membership in the Chicago Chapter.**

Thank you – Fernando Sosa

## EDUCATIONAL OPPORTUNITIES

### USPAP:

15-Hour course for BV - June 17

7-Hour course for G&J, MTS, and PP - June 24

On Demand Options Coming Soon!

### WEBINARS:

RP127-WEB - Environmental Issues Affecting Real Estate Values | June 15

PP148-WEB - Photograph ID and Connoisseurship for the General Appraiser | July 9

### PRINCIPALS OF VALUATION:

#### BUSINESS VALUATION

BV201- Introduction to Business Valuation, Market Approach | June 11 | Virtual

BV203 - Intro to Business Valuation, Asset Approach, Discounts & Premiums | June 11 | Virtual

\*BV202 and BV204 are also currently available in an On Demand format

#### MACHINERY AND EQUIPMENT

ME213 - Valuation Principles to Value Healthcare Facilities & Equipment | May 30 | Virtual

ME201 - Introduction to Machinery and Equipment Valuation | June 4 | Virtual

ME206 - Appraisal of Inventory | June 11 | Virtual

#### PERSONAL PROPERTY

PP440 - Insurance, Appraisers and the Law | June 22 | Webinar

\*PP201 is also currently available in an On Demand format

#### REAL PROPERTY

RP001 - Appraisal of Flex Industrial Facilities | June 22 | On Demand

\*RP202, RP203, and RP204 are also available in an On Demand Format

#### APPRAISAL REVIEW

AR204 - Appraisal Review and Management Application | June 11 | Virtual



# 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

Contact one of the committee chairs as listed on [www.asachicagochapter.org](http://www.asachicagochapter.org)

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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.

### Chicago Chapter Board

**President:** Dan Daitchman, ASA

**1<sup>st</sup> VP:** James Nutter, ASA

**2<sup>nd</sup> VP:** Anthony Vescovi, ASA

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CMAR, DAR, ASA

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**Real Property:** Mark Munizzo, ASA, IFA

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