

The Case of The Wrong Appraisal Assignment



Problem:

Determining the Equity Interest in a “C” Corporation

Two equal shareholders had been directed by the court to value their equity interest in a regular “C” corporation. The subject corporation was a General Partner in a venture (partnership) to build a series of tract homes. Excellent detailed records of costs incurred and projected future costs were available. The only real variable was the anticipated selling price of each unit and the “absorption rate” (the number of units sold each month). The opposing appraisal expert valued the project itself (really an asset of the partnership, not the corporation). No reference to the standard of value was given.

Clients’ Situation

At the direction of counsel, ABA valued the subject stock equity interest realizing that the only value the corporate general partner derived was the ultimate project sales residual and distributions (including management fees) to be received during supervision of the project. The subject equity interest was 50% of the outstanding shares of the corporation not the real estate project itself. Further, ABA introduced the concept of fair value vs. fair market value and discussed its relevance to the dissenting shareholder dispute.

ABA Solution

At trial, ABA was complimented by the court for recognizing the difference in standard of value and was the only appraiser who correctly identified the equity interest as the subject interest to be appraised. The competing valuation reports were not considered and a decision favorable to our client resulted.