MERCER CAPITAL

Headquarters
5860 Ridgeway Center Parkway
Suite 400
Memphis, Tennessee 38120
901.685.2120
Fax 901.685.2199

Midwest Office
511 South 5th Street, Suite 206
Louisville, Kentucky 40202
502.585.6340
Fax 502.585.6345

A Special Note to Value Matters™ Subscribers

It is finally here:
Buy-Sell Agreements: Ticking Time Bombs or Reasonable Resolutions?

Readers of this newsletter know that we have been talking about buy-sell agreements in a variety of ways for many months. You have also seen several promises that our new book, *Buy-Sell Agreements: Ticking Time Bombs or Reasonable Resolutions?* would be available soon. The wait is over.

The book is finished and we will be shipping books by year-end – yes, that's year-end 2006!

THIS BOOK IS COULD BE THE MOST IMPORTANT BUSINESS BOOK YOU READ IN 2007

You might be asking yourself: "Why the hype? Mercer Capital has published books before. What's the big deal about this one?"

The answer is simple. Buy-sell agreements are pervasive in American business. If a business has multiple owners, there is a need for a contractual way to assure orderly transfers of ownership interests. The problem is that many, if not most, buy-sell agreements will likely not provide the results the parties intended when they are ultimately triggered.

At 350+ pages, *Buy-Sell Agreements* addresses the title topic from a business and valuation perspective. The goal of the book is to provide a roadmap for business owners and their advisers to develop good buy-sell agreements. Once the business agreements are settled, they can be documented into appropriate legal documents. *Buy-Sell Agreements* is also an aid to corporate attorneys who must draft these agreements.

I could tell you lots more about the book. However, to keep this introduction reasonably short, let's touch on two topics:

1. *Two Complimentary Chapters Offered*. Chapter 12, which addresses "Multiple Appraiser Process Buy-Sell Agreements," is reprinted in this newsletter. To read an additional chapter (Chapter 11 – "Process Buy-Sell Agreements") visit www.mercercapital.com and download the chapter. While you are on the website, you can also purchase your copy of the book.

2. *This Book Will Be Good for Your Business.* A knowledge and understanding of buy-sell agreements from business and valuation perspectives will prove helpful to your clients, which, in turn, will be helpful to your business, whether you are an appraiser, an accountant, an attorney, or another kind of adviser.

To make the point clear about being good for business, let me describe a few engagements – all regarding buy-sell agreements. We have obviously been writing and speaking about the topic – and have been discussing the topic with our clients and referral sources.

- A company had a right of first refusal to acquire the interest of a minority shareholder at a formula price. The company's offer was less than the formula price and an outside offer was more than the formula price. We were asked to help shepherd this transaction to completion.

- A firm's shareholder was terminated, triggering the provisions of the company's buy-sell agreement. There have already been two appraisals and the ox is in the ditch.

- A company sold a division to another company, receiving a minority interest of the acquiring company as part of the consideration. We were retained by the company and another appraiser was retained by the shareholder. Our appraisal conclusions were sufficiently close together to average them for the purchase price.

- We met with the ownership and management of a group of companies about the type of process buy-sell agreement that was best for their companies and the kind of value that should be called for in the expected appraisals.

- A minority shareholder had a put to a company for his interest. The shareholder unexpectedly exercised the put, acquiring an appraisal in the process. The company had a short time period in which to obtain its own appraisal, else the first appraisal was binding. We prepared a valuation analysis for the company which became the basis for a reasonable settlement.

- A shareholder died owning a large percentage of a company. The company owned life insurance on his life and received the proceeds. The buy-sell agreement required the company to purchase the shares of the deceased shareholder based on an appraisal but was silent as to whether the life insurance should be treated as a funding mechanism or as a corporate asset (this issue is addressed specifically in Chapter 21 of the book). We were contacted to help make sense of a difficult situation.

The book, *Buy-Sell Agreements,* will help you address similar situations with confidence. The book talks about what goes wrong – and things often do go wrong with buy-sell agreements – and how to avoid the major land mines when discussing them at the outset. The book also provides assistance if you are asked to review a buy-sell agreement from a business or valuation perspective.

We can't guarantee that if you buy the book and put it on your shelf that your business will increase. But I will personally guarantee the purchase price of the book if you buy it, read it, and then talk to ten of your clients or referral sources about their buy-sell agreements and are not satisfied that *using* the book is helpful for your business.

So read the chapter excerpt in this newsletter and then download the second complimentary chapter from www.mercercapital.com. Then, go ahead and order your copy. We'll get it to you as quickly as possible and in plenty of time to have reading it at the top of your New Year's Resolutions.

Z. Christopher Mercer, ASA, CFA
mercerc@mercercapital.com

MERCER CAPITAL

MERCER CAPITAL'S
Value Matters™

Volume 2006-12 » December 15, 2006
www.mercercapital.com
mcm@mercercapital.com

EXCERPT FROM THE BOOK "BUY-SELL AGREEMENTS: TICKING TIME BOMBS OR REASONABLE RESOLUTIONS?" TO BE PUBLISHED DECEMBER 31, 2006

CHAPTER 12

Multiple Appraiser Process Buy-Sell Agreements

The interests of shareholders (or former shareholders) and corporations (and remaining shareholders) often diverge when buy-sell agreements are triggered.

In the real world, motivations, whether actual or perceived, are embedded in many process agreements. These motivations are clear for buyers and sellers whose interests are obviously different. The motivations for the appraisers are less clear. Appraisers are supposed to be independent of the parties. Nevertheless, based on our experience, it is rare for the appraiser retained to represent a seller to reach a valuation conclusion that is lower than that reached by the appraiser for the buyer. This does not at all imply that both appraisers are biased. Consider the following possibilities:

» Valuation reflects both art and science and is the result of the exercise of judgment. It seems that many buy-sell agreements call for two appraisal conclusions to be within 10% of each other for the two to be averaged. Given the potential for differences in judgments, a range of 10% may be too small.[1] In other words, the process may create the appearance of bias by creating the expectation that two appraisers will reach conclusions so close to each other.[2]

» The buy-sell agreement may be unclear as to the engagement definition. In such cases, two independent appraisers who interpret the agreement differently from a valuation perspective may reach conclusions that are widely disparate.

Legal counsel for each side desires to protect the interests their clients. As such, in the context of buy-sell agreements, the thinking may occur as follows:

> "If my client is the seller, we need to be able to select 'our' appraiser, because the company will select its appraiser. Since I am concerned that the company will try to influence its appraiser on the downside, I want to be able to try to influence our appraiser on the upside. Since we are selling and they are buying, this is only natural."

1 See "How Close Should Appraisals Be Before Requiring a Third Appraiser?" in Chapter 11.

2 Appraisers try to estimate the kind of value specified in buy sell agreements. Consider the real world of actual transactions. In a typical auction process for a company, the range from the low bid to the high bid may be 50% to 100% or more, based on the varying interests and motivations of the group of buyers.

INSIDE

PAGE TWO

Download a complimentary chapter from *Buy-Sell Agreements: Ticking Time Bombs or Reasonable Resolutions?*

PAGE NINE

Table of Contents from *Buy-Sell Agreements: Ticking Time Bombs or Reasonable Resolutions?*

PAGE ELEVEN

Pre-Order Your Copy of *Buy-Sell Agreements: Ticking Time Bombs or Reasonable Resolutions?*

For purposes of this discussion, if the two appraisals are not sufficiently close together, they can be viewed as advocating the positions of the seller and buyer, respectively. All the parties and their legal counsel may begin to think:

> "What is needed now is a 'truly' independent appraiser to finalize the process."

Many process agreements call for the two appraisers to select a third appraiser who is mutually acceptable to them because:

> "Surely, 'our' appraiser and 'their' appraiser, working together, can select a truly independent appraiser to break the log jam since neither side has been successful in influencing the outcome of the process. But, now that we have a third appraiser, what should his or her role be?"

The role of the third appraiser will be determined by the agreement reached by the parties. Consider the following:

» Chances are, it is not a good idea for the third appraiser's conclusion to be averaged with the other two since the first two conclusions create a broader specified range than the range giving rise to the third appraisal. Averaging could provide too much influence to an outlier conclusion.

» Often, the third appraiser's conclusion will be averaged with that of the conclusion closest to his own. Since the first two appraisers often know this on the front end, they should be motivated to provide independent conclusions, since no one desires to have the outlier (ignored) conclusion. (See "Two and a Tie-Breaker in Chapter 11.)

» On the other hand, wouldn't the process be more independent if the third appraiser had to select, in his opinion, the more reasonable of the first two conclusions? Surely, that would tend to influence the first two appraisers to reach more similar conclusions. It would be embarrassing to have provided the conclusion that was not accepted. (See "Two and a Back-Breaker" in Chapter 11.)

» Still further, the first two appraisers would be under pressure if the third appraiser were to provide the defining conclusion. As discussed previously, some processes provide for the selection of the first two appraisers whose sole function is to mutually agree on the third appraiser, whose conclusion will be binding. Then all the pressure falls on the third appraiser. (See "Two and a Determiner" in Chapter 11.)

To download another complimentary chapter from Mercer Capital's upcoming book, "*Buy-Sell Agreements: Ticking Time Bombs or Reasonable Resolutions?"*, visit www.mercercapital.com

We speak here from personal experience. Professionals at Mercer Capital have been the first, second, and third appraisers in numerous buy-sell agreement processes. Clients sometimes do attempt to influence the appraisers, either in blatant or subtle fashion. This is to be expected and is not nefarious. Clients are naturally influenced by their desire for a conclusion favorable to them.[3] The purpose of process buy-sell agreements, however, regardless of their limitations, is to reach reasonable conclusions.

3 I have said many times to young appraisers, "Don't be surprised if a client tells you or hints at the appraisal result they desire." In most cases, our clients are parties with particular interests in appraisal outcomes. They cannot help that. What is important in these situations is our response, which must be to provide our independent conclusions of value – ones we can support and defend.

ADVANTAGES

Multiple appraiser buy-sell agreements have advantages.

1. They provide a defined structure or process for determining the price at which future transactions will occur.

2. All parties to the agreements know, at least generally, what the process will entail.

3. Multiple appraiser agreements are fairly common and generally understood by attorneys. Many believe that process agreements are better than fixed price or formula agreements, particularly for substantial companies.

4. Parties to such agreements may think that they are protected by the process since they will get to select "their" appraiser. This is an illusory benefit.

DISADVANTAGES

There are several disadvantages to multiple appraiser buy-sell agreements:

1. *The price is not determined now*. The actual value, or price, is left to be addressed at a future time, i.e., upon the occurrence of a trigger event. No one knows, until the end of an appraisal process, what the outcome will be.

2. *There is potential for dissatisfaction with the process, the result, or both, for all parties*. Multiple appraiser process agreements are designed with the best of intentions, but as we have seen, they have a number of potential flaws. At best, they are time-consuming and expensive. At worst, they are fraught with potential for discord, disruption, and devastating emotional issues for one or all parties.

3. *There is danger of advocacy with multiple appraiser agreements*. Even if there is no advocacy on the part of the appraisers, the presumption of advocacy may taint the process from the viewpoint of one or more participants.

4. *There is considerable uncertainty regarding the process*. All parties to a multiple appraiser agreement experience uncertainty about how the process will work, even if they have seen another such process in the past. In our experience, the process, as it actually operates, is different in virtually every case, even with similar agreements. This is true because the parties, including the seller, company management and its directorate, and the appraisers are all different.

5. *There is considerable uncertainty as to the final price*. The price is not determined until the end of the process. As a result, there is great and ongoing uncertainty regarding the price at which such future transactions will occur. First, before a trigger event occurs, no one has any idea what the price would be in the event that one did occur. Second, following a trigger event, there can be great uncertainty regarding the ultimate price for many, many months.

6. *Process problems are not identified until the process is invoked*. We noted in Chapter 10 that five defining elements are necessary to determine the price (value) at which shares are purchased pursuant to process agreements. Problems with agreements, such as a failure to identify the standard of value or the level of value, or the failure to define the qualifications of appraisers eligible to provide opinions or the appraisal standards they are to follow, are deferred until the

occurrence of a trigger event. At this time, the interests of the parties are financially adverse and problems tend to be magnified. Based on our experience, the failure of multiple appraiser agreements to "pre-test" the process can be the most significant disadvantage on this list.

7. *Multiple appraiser agreements can be expensiv*e. The cost of appraisals prepared in contentious, potentially litigious situations tends to be considerably higher than for appraisals conducted in the normal course of business.

8. *Multiple appraiser agreements are time-consuming.* The typical appraisal process takes at least 60 to 90 days after appraisers are retained. The search for qualified appraisers can itself take considerable time. If a third appraiser is required, there will be additional time for his or her selection as well as for the preparation of the third appraisal. It is not unusual for multiple appraiser processes to drag on for six months to a year or more – perhaps much more.

9. *Multiple appraiser agreements are distracting for management*. The appraisal process for a private company is intrusive. Appraisers require that substantial information be developed. They also visit with management, both in person and on the telephone, as part of the appraisal procedures. We worked with the CEO of a sizeable private company to determine the price for the purchase of a 50% interest of his family business. The selling shareholder hired another, very qualified business appraiser and we both provided appraisals, with the intention of negotiating a settlement rather than invoking the burdensome, formal procedures of the buy-sell agreement. Our appraisals were about 10% apart and the parties agreed to average them. During the nearly three months that this "less burdensome" process was underway, the CEO (and his CFO and his COO) could scarcely think about anything else.

10. *Multiple appraiser agreements are potentially devastating for shareholders.* If the seller is the estate of a former shareholder, there is not only uncertainty regarding the value of the stock, but family members are involved in a valuation dispute (yes, that's pretty much what it is) with the friends and associates of their deceased loved one. Combine these issues with the fact that some agreements require that selling shareholders pay for their share (side) of the appraisal process and there is even more cause for distress.[4]

4 See Chapter 15 for a discussion of "Who Bears the Costs of the Appraisal Process?".

We summarize the disadvantages of multiple appraiser process agreements in Figure 1 for comparison with other options as the discussion progresses.

Disadvantages	Multiple
1. Price *not* determined now	x
2. Potential for dissatisfaction with the process for all parties	x
3. Danger of advocacy	x
4. Uncertainty over what will happen when a trigger event occurs	x
5. Uncertainty over final price if the process is invoked	x
6. Problems or issues with definition of value, qualifications of appraisers, or any other aspects of the operation of the agreements are deferred until a trigger event – when the interests of the parties are adverse	x
7. Expensive	x
8. Time-consuming	x
9. Distracting for management	x
10. Potentially devastating for affected shareholders and their families	x

FIGURE 1

CONCLUDING OBSERVATIONS

Based on our experience, multiple appraiser process agreements seem to be the norm for substantial private companies and in joint venture agreements among corporate venture partners. The standard forms or templates found for process agreements at many law firms include variations of multiple appraiser processes similar to those described previously.

As business appraisers, we participate in multiple appraiser buy-sell agreement processes with some frequency. Because of the reputation of our senior professionals and our firm, we are called into valuation processes around the country. Speaking personally, I have been the appraiser working on behalf of selling shareholders and companies, and I have been the third appraiser selected by the other two on other occasions. As the third appraiser, I have been required to provide opinions where the process called for the averaging of my conclusion with the other two as well as averaging with the conclusion nearest mine. I have also been asked to pick the better appraisal, in my opinion, given the definition of value in agreements. I have also been the third appraiser who provided the only appraisal. Others at Mercer Capital have also performed similar roles.

This experience is mentioned to emphasize that the disadvantages of multiple appraiser appraisal processes outlined here are quite real. We have seen or experienced first hand every disadvantage in the list above. We hope to provide alternatives with more advantages and fewer disadvantages based on our collective experience at Mercer Capital.

Z. Christopher Mercer, ASA, CFA

mercerc@mercercapital.com

MERCER CAPITAL'S E-BOOK LIBRARY

TITLE	DESCRIPTION	INVESTMENT	RELEASE DATE
Valuing Shareholder Cash Flows: Quantifying Marketability Discounts	Quantifying Marketability Discounts has been updated and is now offered as an e-book. Titled *Valuing Shareholder Cash Flows: Quantifying Marketability Discounts - 2005 E-Book*, this edition provides a brand new chapter which discusses each of the five assumptions of the QMDM in depth. As a bonus, when you purchase the e-book, you will also receive the *QMDM Companion*, the latest edition of the Quantitative Marketability Discount Model, in spreadsheet format.	**$95.00**	*Currently Available*
Valuing Financial Institutions	We are responding to requests to put this 1992 book back into print and we are doing so as an E-Book	**$65.00**	*Currently Available*
Valuation for Impairment Testing	The first SFAS 142 valuation resource for CFOs and auditors	**$45.00**	*Currently Available*
Are S Corporations Worth More Than C Corporations?	An e-booklet that adds to the S Corp vs. C Corp debate	**$19.95**	*Currently Available*
Embedded Capital Gains	A closer look at the Embedded Capital Gains issue.	**$19.95**	*Currently Available*
Rate & Flow: An Alternative Approach to Determining Active/Passive Appreciation in Marital Dissolutions	In this e-book, we present an alternative model for determining active / passive appreciation in a marital dissolution. In states where an owner/spouse's active management of a business does not preclude the consideration of passive appreciation, we offer a fresh approach based on rate and flow analysis	**Complimentary**	*Currently Available*

Visit our website at www.mercercapital.com for more information or to download an e-book.

MERCER CAPITAL ON THE ROAD

January 11, 2007
"Buy-Sell Agreements: Ticking Time Bombs or
Reasonable Resolutions?"
Georgia Society of CPAs
BVFLS Section Luncheon
Atlanta, Georgia
Z. Christopher Mercer, ASA, CFA

The professionals of Mercer Capital have a great deal of experience speaking to industry and professional groups across the nation on topics such as:

- Buy-Sell Agreements
- The Integrated Theory of Business Valuation
- Is Your Business Ready for Sale?™
- Purchase Price Allocation
- Valuation of Employee Stock Options
- Litigation Support and Expert Testimony
- Valuation of Privately Held Businesses, Partnerships, or LLCs
- Financial Institution Valuation
- ESOP Valuation

To book a Mercer Capital professional as a speaker at your next conference or CLE/CPE meeting, please contact Barbara Walters Price at priceb@mercercapital.com.

A GENTLE PLUG FOR OUR FIRM

MERCER CAPITAL is a business valuation and investment banking firm serving a national and international clientele. Our reputation for excellence is based on an ability to solve complex financial problems expeditiously. We convert over 20 years of experience, including thousands of assignments, into solutions for the issues of today.

Corporate Valuation. Mercer Capital provides a broad range of independent valuation and financial advisory services, including:

- Dispute Analysis Services and Expert Testimony
- Valuation for Corporate Tax Matters
- Valuation for Corporate Income Tax Issues
- Valuation for ESOPs
- Purchase Price Allocations
- Valuation of Employee Options
- Goodwill Impairment Testing
- Valuation of Intangible Assets
- Fairness Opinions

Investment Banking. Mercer Capital's investment banking division and specializes in providing merger and acquisition services to sellers or buyers of private businesses or public companies divesting divisions and subsidiaries. In addition, we assist clients in industry consolidations, roll ups, and refinancings.

INTERNET COMMERCE: OBTAIN PROPOSALS TO VALUE YOUR COMPANY, BANK, FLP OR LLC VIA OUR WEBSITE

The cost of your time and delays in obtaining proposals has just gone down. Use one of the PROPOSAL REQUEST FORMS on our website.

Many of your colleagues have already used our PROPOSAL REQUEST FORMS and are impressed by the decrease in transactional overhead and the increased ease in obtaining actionable proposals for their clients. We are pleased to be doing business with them. Try it yourself! Visit our website and provide us with the pertinent information via this form, and we'll prepare a proposal and deliver it to you via e-mail, fax or USPS. Complete confidentiality is assured.

UNSUBSCRIBE

We will continue to send the newsletter as published at no cost unless you notify us that you wish to be removed from the distribution list. To REMOVE yourself from this list, send an e-mail to: mercer-owner@mercercapital.com and type the words "Unsubscribe – Value Matters" in the subject line (without the quotation marks).

Business Valuation » Investment Banking

HEADQUARTERS:
5860 Ridgeway Center Parkway, Suite 400
Memphis, Tennessee 38120
901.685.2120 » Fax 901.685.2199

LOUISVILLE OFFICE:
511 South 5th Street, Suite 206
Louisville, Kentucky 40202
502.585.6340 » Fax 502.585.6345

www.mercercapital.com

DISCLAIMER. This publication does not constitute legal, valuation, tax, or financial consulting advice. It is offered as an information service to our clients and friends. Those interested in specific guidance for legal and accounting matters should seek competent professional advice. Inquiries to discuss specific valuation or corporate finance matters are welcomed. Permission is specifically granted to send copies of this Value Matters™ to others who might have an interest in its contents. Permission is also granted to quote portions of this newsletter with proper attribution.

Copyright © 2006 by Mercer Capital Management, Inc., all rights reserved. Text, graphics, and HTML code are protected by US and International Copyright Laws, and may not be copied, reprinted, published, translated, hosted, or otherwise distributed by any means without explicit permission.

BUY-SELL AGREEMENTS: TICKING TIME BOMBS OR REASONABLE RESOLUTIONS?
TABLE OF CONTENTS

INTRODUCTION
Who Should Read this Book?
Why This Book is Important?
Definition
Key Aspects of Buy-Sell Agreements
How to Read this Book

SECTION ONE:
AN INTRODUCTION TO BUY-SELL AGREEMENTS

Chapter 1: How Buy-Sell Agreements Come Into Existence
The Use of Templates
Initial Recommendations
Questions to Consider

Chapter 2: What Are Buy-Sell Agreements Designed To Accomplish?

Chapter 3: Business Factors to Consider With Buy-Sell Agreements

SECTION TWO:
CATEGORIES & TYPES OF BUY-SELL AGREEMENTS

Chapter 4: Categories of Buy-Sell Agreements

Chapter 5: Types of Buy-Sell Agreements

Chapter 6: Fixed Price Buy-Sell Agreements
Advantages
Disadvantages
Poster-Child Examples of Fixed Price Agreements
Conclusion

Chapter 7: Formula Buy-Sell Agreements
Advantages
Disadvantages
Possible Formulas and Future Earnings Patterns
Possible Multiples
Other Caveats re Formula Agreements

Chapter 8: Shotgun Agreements
Advantages
Disadvantages

Chapter 9: Rights of First Refusal

SECTION THREE:
PROCESS BUY-SELL AGREEMENTS

Chapter 10: Introduction to Process Buy-Sell Agreements

Chapter 11: Process Buy-Sell Agreements
Multiple Appraiser Agreements
Two and a Tie-Breaker
Two and a Determiner
Two and a Back-Breaker
Two and Let's Talk
Multiple Appraiser Process Conclusion
Single Appraiser Agreements
Select and Value at Trigger Event
Select Now and Value at Trigger Event
Select Now, Value Now
Select Now, Value Now
Hybrid Agreement (Single Appraiser Agreement with Multiple Appraiser Options)

Chapter 12: Multiple Appraiser Agreements
Advantages
Disadvantages
Concluding Observations

Chapter 13: Single Appraiser Agreements
Single Appraiser – Select and Value at Trigger Event
Single Appraiser – Select Now and Value at Trigger Event
Single Appraiser – Select Now, Value Now

Chapter 14: A Hybrid Agreement (Single Appraiser Agreement with Multiple Appraiser Options)
Hire the Third Appraiser First
Everyone is Satisfied with the Appraisal
Not Everyone is Satisfied with the Appraisal
Option 1: Appraisal Review
Option 2: Additional Appraisals Final Comparison of Processes

Chapter 15: Other Items of Importance in Process Buy-Sell Agreements
Financial Statements
Process Timetables
Who Bears the Costs of the Appraisal Process?
Who Benefits (or Loses) from Unavoidable (or Avoidable) Delays?

SECTION FOUR:
SIX DEFINING ELEMENTS OF BUY-SELL AGREEMENTS

Chapter 16: Defining Element #1: The Standard of Value
Fair Market Value
Fair Value (Statutory or Accounting?)
Inadequate Value Descriptions
Conclusion

Chapter 17: Defining Element #2: The Level of Value
Defining the Levels of Value
Early Levels of Value Charts
Practical Thoughts on the Levels of Value
An Example
Suggestions for Specifying the Desired Level of Value

Addendum to Chapter 17
The (Benchmark) Marketable Minority Level of Value
Expanded, Modified Levels of Value Chart
The Levels of Value and Buy-Sell Agreements

Chapter 18: Defining Element #3: The "As Of" Date of the Appraisal
An Example of a Non-Specified "As of" Date
Conclusion

Chapter 19: Defining Element #4: Appraiser Qualifications
Qualifications of Appraisal Firms
Qualifications of Appraisers

Chapter 20: Defining Element #5: Appraisal Standards
Uniform Standards of Professional Appraisal Practice
Business Valuation Standards of the American Society of Appraisers
Why Standards Should be Specified
IRS Guidance Regarding Appraisal Requirements
Conclusion

Chapter 21: Defining Element #6: Funding Mechanisms
Overview of Funding Mechanisms
Treatment of Life Insurance Proceeds in Valuation
Treatment 1 – Proceeds Are NOT a Corporate Asset
Treatment 2 – Proceeds Are a Corporate Asset
Further Discussion

**SECTION FIVE:
WAR STORIES**

Chapter 22: War Stories
Fixed Price Leads to Overvaluation
Equal Going In, Not Equal Going Out?
Last Minute Buy-Sell Agreement
Corporate Joint Venture Dissolution
Ticking Time Bomb
Terminated Expert Suffers from Self-Medicating
Franchise Dealers / Wholesalers Unwind Estate Plans and Reconsolidate Ownership

**SECTION SIX
ACTION ITEMS**

Chapter 23: Buy-Sell Audits & Buy-Sell Audit Checklist
Mercer Capital's Buy-Sell Audit Checklist

Chapter 24: The One-Percent Solution
The One Percent Solution in Action
There's No Such Thing as a Free Lunch
Conclusion

APPENDICES

Appendix A: The "Valuation Professional" vs. the "Industry Expert"
An Example of the Wrong Decision?
Industry Expertise vs. Valuation Expertise
Valuation Expertise
Conclusion

Appendix B: Business Valuation Professional Credentials Chart

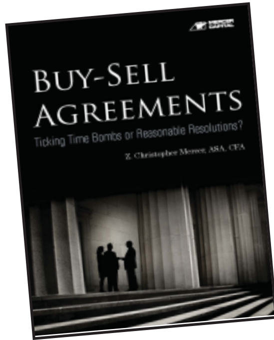
Appendix C: Uniform Standards of Professional Appraisal Practice

Appendix D: Business Valuation Standards© of the American Society Of Appraisers

Order your copy of Mercer Capital's newest book, to be published December 31, 2006

BUY-SELL AGREEMENTS

TICKING TIME BOMB OR REASONABLE RESOLUTION?



In this book, the professionals of Mercer Capital speak from their own experiences valuing hundreds of buy-sell agreements. You will gain insight into the folly of fixed-price or formula pricing, common misunderstandings that can end up as big money issues, and the pitfalls of buy-sell templates. Single and multiple appraiser process agreements are explored in depth. In addition, the six defining valuation elements of buy-sell agreements are presented in depth for the first time. This book is a must for attorneys, CPAs, business appraisers, and other professional advisors.

CHAPTERS INCLUDE:

- The six defining valuation elements of buy-sell agreements
- Fixed price agreements
- Formula agreements - Do they work?
- Understanding process agreements
- Single & multiple appraiser agreements
- Real world examples of problem agreements
- The Buy-Sell Audit Checklist

A pre-publication discount of 25%

$59

(Plus shipping)
Regular price: $79

Download a chapter from the book with our compliments from our website, www.mercercapital.com

To order, fax back to 901.685.2199, call us at 901.685.2120, or visit www.mercercapital.com

Name

Firm

Address

City/State/Zip Telephone

Email

☐ Visa ☐ Mastercard ☐ American Express ☐ Check Enclosed

Card Number

Name on Card Exp. Date

Signature

SHIPPING CHARGES

	1 Book	2 or More
FedEx Ground	$7.00	$12.00
2-Day	$11.00	$15.50
Overnight	$35.00	$40.00

Please call for Canadian & International rates

QTY	Regular Price	Special Price	TOTAL
	~~$79~~	$59	
		Sales Tax - TN Residents (9.25%)	
		Shipping Charge	
		TOTAL	

Make checks payable to
Peabody Publishing, LP
5860 Ridgeway Center Parkway,
Suite 400,
Memphis, TN 38120