
KTS

VALUATION ISSUES™

KLARIS, THOMSON & SCHROEDER, INC.

2009-2

Klaris, Thomson & Schroeder, Inc. (“KTS”) Meets Increased Demand for Business Valuations Required by U.S. Small Business Administration (“SBA”)

Written by: Luke A. Waller, ASA and Brad J. Bollinger, ASA



*Luke A. Waller, ASA
Klaris, Thomson &
Schroeder, Inc.
(St. Louis office)*

The U.S. Small Business Administration (SBA) has re-written its loan processing Standard Operating Procedures (SOP) to require a business valuation from a “qualified source” for SBA loans in excess of

\$250,000. The new regulation, titled SOP 50-10 5(A) became effective March 1, 2009.

On June 6, 2008, the SBA announced the issuance of SOP 50 10(5). SOP 50

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ferentiate it from the previous version. The text of SOP 50-10 5(A), under “Appraisal and Business Valuation Requirements” of Subpart B, Chapter 4, defines “qualified source” as an individual who regularly receives compensation for business valuations and is either: (1) Accredited by a recognized organization; or (2) A CPA that performs the business valuation in accordance with the “Statement on Standards for Valuation Services” published by the American Institute of Certified Public Accountants (AICPA).

Klaris, Thomson & Schroder, Inc. has long advocated the use of business valuation experts who are accredited through a recognized organization. The majority of the appraisers here at KTS hold the Accredited Senior Appraiser (ASA) designation through the American Society of Appraisers. Four designations are recognized by SOP 50-10 5(A). These designations are listed below.

10 covers 7(a) and 504 loan processing as well as the requirements to become and remain a 7(a) lender or a Certified Development Company. It was completely re-written in order to develop a more concise version of the SOP that is up to date and user-friendly. The effective date of SOP 50 10(5) was August 1, 2008. The updated SOP 50 10(5) has been re-numbered as SOP 50 10 5(A) to dif-

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- (a) Accredited Senior Appraiser (ASA) accredited through the American Society of Appraisers;
- (b) Certified Business Appraiser (CBA) accredited through the Institute of Business Appraisers;
- (c) Accredited in Business Valuation (ABV) accredited through the American Institute of Certified Public Accountants; and,

(d) Certified Valuation Analyst (CVA) accredited through the National Association of Certified Valuation Analysts.

SOP 50-10 5(A) goes on to say that the lender may not use a business valuation provided by the seller or the buyer to meet these requirements.

Accredited appraisers at KTS have performed numerous business valuations for the purpose of SBA loan financing since SOP 50-10 5 took effect in August, 2008. We have found that in most cases lenders are cost sensitive, and as such do not

require a “full report.” By providing lenders with our “letter” or “summary report” level of service, we have been able to meet this increased demand while keeping fees down.

Default rates on both real estate and business loans have increased significantly since the start of the recession, due in part to the “financial crisis” which unfolded in the fall of 2008. The revised regulations should provide the lender, borrower, and taxpayer with improved quality of appraisal work, which should reduce the number of bad loans. □

Klaris, Thomson & Schroeder, Inc. Spotlight on our St. Louis Office



*Nancy J. Matheny
Klaris, Thomson &
Schroeder, Inc.
St. Louis office*

Nancy J. Matheny, CPA/ABV, ASA is a Senior Valuation Analyst for Klaris Thomson & Schroeder (“KTS”). Nancy came to KTS from a St. Louis regional CPA firm where she was a principal, and

worked exclusively in the business valuation field.

Nancy began her career as a partner in a commercial coffee brewing equipment manufacturing company. She helped to build the start-up company to 150 employees and \$15 million in

revenue before selling her interest in the 1980s.

While looking for her next career interest, she taught business courses at Lindenwood University. She later accepted a position as the Dean of the Business School at Lindenwood University, a position she held for several years before sitting for the CPA exam and deciding to leave academia and get back into the business world.

Since 2000, Nancy has worked exclusively in the business valuation field. She is experienced in a wide range of business valuation, including mergers and acquisitions, enterprise equity and invested capital valuations, estate and gift taxes, and litigation support

related to valuations including expert testimony.

Credentialed by the American Society of Appraiser as an Accredited Senior Appraiser (ASA) in the valuation of businesses and business intangible assets, Nancy is a Certified Public Accountant (CPA) and is Accredited in Business Valuation (ABV) by the American Institute of Certified Public Accountants. Nancy attended Lindenwood University where she earned an M.B.A. degree.

Nancy is the mother of 5, and grandmother of 9 ½ children. She and her husband Rob enjoy traveling, gardening, riding their Harleys and spending time with family. □

NEWS & NOTES

Klaris, Thomson & Schroeder, Inc. Congratulates Mrs. Christine Thomson Lee (Los Angeles office) and Mr. Phil Reynolds (Washington D.C.) on their recent ASA (Accredited Senior Appraiser) designations



*Christine Lee
Thomson, M.B.A., ASA
Pictured with her son
at the 2008 Las Vegas
ESOP Conference
Los Angeles office*

Klaris, Thomson & Schroeder, Inc. is pleased to announce that Christine Thomson Lee, a Senior Valuation Consultant in our Los Angeles office, has recently received her ASA in Business Valuation from

the American Society of Appraisers.

Christine began her association with KTS in the mid-90's. Since, she has assisted and prepared valuations for various businesses and business interests for purposes of gift and estate tax, litigation, ESOPs, dissolution of marriage, charitable donations, management/corporate planning, stock buy-out agreements and solvency issues. In addition, Christine has assisted and prepared valuations for various real estate assignments including property tax.

Christine holds a B.A. in Business Administration from Mount St. Mary's College and a M.B.A. from the University of Phoenix. Christine is a Certified General Real Estate Appraiser (#AG039621) for the state of California working towards her MAI through the Appraisal Institute. She is a Member of the ESOP Association.

Christine is also a proud mom of her one year old son, Cornelius Otto Lee. □



*Phil Reynolds, ASA,
CPA, CVA
Klaris, Thomson &
Schroeder, Inc.
Washington, D.C.
office*

Klaris, Thomson & Schroeder, Inc. is also pleased to announce that Phil Reynolds, a Senior Valuation Consultant in our Washington D.C. office, has recently received

his ASA in Business Valuation from the American Society of Appraisers.

Mr. Reynolds specializes in the valuation of privately-held businesses. Mr. Reynolds has valued businesses in a variety of industries, including medical care, general retail, wholesale lumber, computer services, construction, machine parts, beverages

manufacturing of office and automotive products, and investment and real estate holding companies. □



is a full service valuation and consulting company specializing in business valuations, intangible asset valuations, financial consulting, expert testimony and litigation support. In addition, we also perform real estate valuations, machinery and equipment valuations, and international transfer pricing analyses.

For more information or a free valuation seminar for your firm or professional group, please call Anita Thomson at (877) 587-7008, or e-mail your request to ktsinc@verizon.net.

“I like to go for cinches. I like to shoot fish in a barrel. But I like to do it after the water has run out.”
— Warren Buffett

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