



APPRAISAL COURSE:

Valuing Family Limited Partnerships

Seminar Outline

I. Introduction

II. Initial Case Study

- A. Balance Sheet
- B. Valuation Assignment
- C. Pertinent Information

III. Commonly Used Approach to Value FLP Interests

- A. Most Common Approach - Asset or Cost Approach
- B. Problems with Asset Approach
- C. Court Cases Illustrating Problems with Asset Approach
- D. USPAP

IV. Using Alternative Approaches to Value FLP Interests

- A. Alternative Approaches
 - 1. Income Approach
 - 2. Market Approach
- B. Reasoning for Alternative Approaches
- C. How to Support in FLP Report
- D. Discussion of PPI Data – Spencer Jefferies
- E. Question and Answer Session

V. Income Approach

- A. Justification for Using Income Approach
- B. Discuss Specific Attributes in Case Study

- C. Determination of Discount Rate
 - 1. REITs
 - 2. PPI Data
- D. Projection of Earnings
- E. Application using Case Study
- F. Question and Answer Session

VI. Market Approach

- A. Justification for using Market Approach
- B. Finding Comparable Entities
 - 1. Closed End Funds
 - 2. Partnership Profiles Database
- C. Application using Case Study
- D. Question and Answer Session

VII. Discount for Lack of Marketability

- A. Levels of Value
- B. Theoretical Basis
- C. Effect on Rate of Return
- D. Long term bonds v. short term bonds
- E. Application using Case Study
- F. Question and Answer Session

VIII. Case Study - Marketable Securities FLP

- A. Income Approach
- B. Market Approach
- C. Reconciliation of Value Estimates
- D. Discount for Lack of Marketability
- E. Conclusion of Value
- F. Question and Answer Session

IX. Case Study – Valuation of FLP with Multiple Assets

- A. Analysis of Case

- B. Income Approach
 - C. Market Approach
 - D. Reconciliation of Value Estimates
 - E. Discount for Lack of Marketability
 - F. Conclusion of Value
 - G. Question and Answer Session
- X. FLP Appraisal Discussion**
- A. Nonincome Producing Land
 - B. Promissory Notes
 - C. Highly Leveraged FLPs
 - D. Writing a Bullet Proof Report
 - E. Open Session to Ask Questions
- XI. Key Areas of Interest by IRS**
- A. Business Purpose
 - B. Legal Arguments to be Aware of
 - 1. IRC 2703
 - 2. IRC 2704
 - C. Current IRS Questions and Litigation Information
- XII. Recent FLP Court Cases**
- XIII. Summary and Conclusion**