



*Uniquely Applying Original Valuation Theory*

**Jay B. Abrams, ASA, CPA, MBA**

**Business Appraiser**

***CURRICULUM VITAE***

- Author of 2 McGraw-Hill Books, 2 more John Wiley & Sons Books, and 20+ Quantitative Articles
- Business Valuations
- Economic Damages/Expert Witness
- Fairness & Solvency Opinions
- Fractional Interest Discount Studies
- Restricted Stock Discount Studies
- FAS 123, 123R, 141, and 142
- IRC 409A Discount Studies
- Valuation of Life Insurance Policies
- Merger & Acquisition Analysis
- Advanced Statistics & Mathematics to collaborate on Real Estate Valuation Issues (though not a real estate appraiser)
- Arm's Length Compensation Studies

**Books Authored**

***Already Published***

- *Quantitative Business Valuation: A Mathematical Approach for Today's Professionals*, ©2001, McGraw-Hill, ISBN #: 0-07-000215-0.<sup>1</sup> This is a high-end, mathematical text for professional business appraisers, with a 5-Star rating on [www.amazon.com](http://www.amazon.com).
- *Quantitative Business Valuation: A Mathematical Approach for Today's Professionals, 2<sup>nd</sup> Edition*, ©2010 John Wiley & Sons, in the elite Wiley Finance Section. Wiley has requested that Abrams produce a workbook to accompany the 3<sup>rd</sup> edition. 5-Star rated on Amazon.
- *How to Value Your Business and Increase Its Potential* ©2005, McGraw-Hill, ISBN #: 0-07-139520-2. This is a text for the lay reader: business owners and their professionals (attorneys, accountants, and insurance agents).

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<sup>1</sup> The book is out of print, although a few copies may be available through amazon.com, bn.com (Barnes and Noble), American Society of Appraisers.

## ***In Process***

- *Valuation of S Corporations and Non-Tax Entities*, Wiley & Sons. The 1<sup>st</sup> manuscript for this book has been delivered, working on the final manuscript. Expected publication date 2017.

## **Published Journal Articles**

### ***In the Online Internal Revenue Service Library (Requested by IRS)***

- “Problems in the QMDM and Comparison to Economic Components Model: A Response to Chris Mercer,” *Business Valuation Review*, June 2002.
- “Discount For Lack of Marketability: A Theoretical Model,” *Business Valuation Review*, September 1994.

### ***Other Articles***

- “How Does Value Grow? Chasing Short-Term Income Destroys Long-Term Value,” *Business Valuation Review*, Vol. 34, No. 3, Fall (October) 2015.
- “Correcting for Selection Bias in Reconciling the DCF and Market Methods—There is No Substitute for Good Professional Judgment,” *Business Valuation Review*, Vol. 33, No. 1 – 2, Summer 2014.
- “Regression Analysis in the Market Approach: Using the Gordon Model as a Guide to Selecting Independent Variables,” *The Value Examiner*, March/April 2012, p. 9 – 23.
- “The Tradeoff in Selling to an ESOP vs. an Outside Buyer.” Included as Chapter 14 in *Quantitative Business Valuation*. In the process of updating to be published as a standalone article in the *Journal of Pension Planning & Compliance*.
- “The Bias in Annual (vs. Monthly) Discounting is Immaterial,” co-authored with R.K. Hiatt, *Business Valuation Review*, September 2003.
- “Forecasting Cash Flow: Mathematics of the Payout Ratio,” *Business Valuation Review*, June 2003.
- “Discount Rates as a Function of Log Size and Valuation Error Measurement,” *The Valuation Examiner*, in Feb./March, 1997.
- “ESOPs: Measuring and Apportioning Dilution,” *Valuation*, June 1997. Updated and reprinted in the *Journal of Pension Planning & Compliance*, Vol. 37, No. 3, Fall 2011.
- “Arithmetic vs. Geometric Means: Empirical Evidence and Theoretical Issues,” accepted for publication by *Business Valuation Review*, but instead published as Chapter 5 of *Quantitative Business Valuation: a Mathematical Approach for Today’s Professionals*.
- “An Iterative Valuation Approach,” *Business Valuation Review*, March 1995
- “A Breakthrough In Calculating Reliable Discount Rates,” *Valuation*, August 1994.
- “An Iterative Procedure to Value Leveraged ESOPs,” *Valuation*, January 1993.

- “Cash Flow—A Mathematical Derivation,” *Valuation*, January 1994.
- “How To Quickly Find and Fix Accounting Transposition Errors,” *The Practical Accountant*, June 1992.
- Co-Author of “Valuation of Companies for ESOP Purposes”, Chapter 8 in *Employee Stock Ownership Plans* by Robert W. Smiley, Jr. and Ronald J. Gilbert, Prentice Hall/Rosenfeld Launer Publications, New York, copyright 1989. Sole author in the 2003 pending update of the book.

## Journal Articles Submitted for Publication or in Pipeline

- “Calculating FMV Today Based on Future Dilution in Ownership,” submitted to *Business Valuation Review*.
- “The Effect of Fixed vs. Variable Costs Classification Errors on the Calculation of Breakeven Sales,” expected to submit in 2017, undecided which journal.

## Unpublished Articles

- “Empirical Testing of Unified Valuation Theory”<sup>2</sup>
- “Valuation of S Corporations: A Mathematical and Intuitive Explanation of Duffy and Johnson’s Results”
- “The Annuity Discount Factor: Generalization, Analysis of Special Cases, and Relationship to the Gordon Model and Fixed-Rate Loan Amortization”
- “The Gordon Model: Derivation & Relation to the PE Multiple”
- “Impounding Discounts Into The Cap Rate”

## Articles About or Quoting Mr. Abrams

- “A Beautiful Find,” *CFO Magazine*, April 18, 2002, page 18. This article highlights Mr. Abrams’ invention of the periodic perpetuity factor (PPF) formulas, which are useful not only in business valuation, but also are critical in buying expensive, long-lived capital equipment, such as airplanes, ships, fleets of trucks, MRIs, CT Scans, etc.
- “Capital Ideas: Back to the Future of Valuation,” by Marie Leone, April 7, 2005, *CFO Magazine*’s online version, <http://www.cfo.com/article.cfm/3004036?f=related>. This is an article about using Mr. Abrams’ valuation equations as a tool to manage business to maximize its value over time.

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<sup>2</sup> *Business Valuation Review* accepted this for publication. Instead it became Chapter 6 of *Quantitative Business Valuation: A Mathematical Approach for Today’s Professionals*.

- “A Question of Value,” Don Durfee, *CFO Magazine*, March 2005, pages 27-28. This is a general article about valuation in *CFO*'s 20-year anniversary issue in which Mr. Abrams is quoted as an industry expert.

## **Newsletter Author/Columnist**

- *Business Valuation Q&A/Business Valuation Update*, Business Valuation Resources, LLC, Portland, OR. On a panel of experts to answer difficult questions posed by valuation practitioners.<sup>3</sup>

## **Lecturer**

- Lexvid.com 7-hour lecture filmed on 7/6/16
- National Business Institute (NBI), 6-hour national webinars on valuation, 10/22/14 and 8/11/2011
- Attorney Credits (www.attorneycredits.com), 6-hour filmed lecture on valuation, June 2012
- NBI, 1 ½ hour national webinar on S Corp valuation 1/11/12
- Lecture on using regression analysis in valuation for the National Association of Certified Valuation Analysts (NACVA) (6/10/11)
- Lexvid.com 2 ½ hour lecture filmed 3/15/11
- NBI, 6-hour lecture, Las Vegas, NV 3/7/11
- California State Bar Association 1/18/09, Berkeley, CA
- California State Bar Association 9/30/07, Anaheim, CA
- American Society of Appraisers 5/12/04: Lectured to business and real estate appraisers in Southern California about using regression analysis in valuation.
- Invited by U.S. Tax Court Justice David Laro to lecture on business valuation to his valuation class at the University of San Diego, February 2002
- AICPA/NACVA Litigation Support Conference, Dallas, October 2001
- International Conference of the American Society of Appraisers, Toronto, June, 1996
- Anthony Robbins' Mastery University, Hawaii, April 1996
- National Center For Employee Ownership Conference, Chicago, April, 1997
- University of California at San Diego Extension
- University of Southern California – MBA Class of Professor Thomas Taulli

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<sup>3</sup> BVR, LLC discontinued BVQ&A as a standalone journal and has absorbed it into *Business Valuation Update*, as an occasional column. However, it has been inactive.

- Numerous lectures for Continuing Legal Education Credit, approved by State Bar of California—1994 to present

## Inventions

- Formulas to calculate growth in value over time
- Formula for a Generalized Discounted Cash Flow (GDCF) valuation model. This complex mathematical formula can perform an entire business valuation in a single cell of a spreadsheet and exactly duplicate results of the longer, “brute force” method. Thus, it transforms the DCF from a simulation model to an analytic model.
- Formulas to calculate the effects of errors in classification in fixed vs. variable expenses on breakeven sales volume.
- Method to Decompose Market Approach results into Implied Discount & Growth Rates for Final Reconciliation of Value. This has major impact on final valuation results in the frequent situation when Market Approach methods yield much higher indications of value than the Discounted Cash Flow.
- Method to determine the percentage of stock to sell and cumulative dilution for early stage firms with multiple rounds of financing
- Abrams Log Size Model for calculating discount rates
- Economic Components Model for quantifying Discount for Lack of Marketability. Abrams’ model for Discount for Lack of Marketability was used by plaintiff’s economist in *Maris Distributing Co. v. Anheuser-Busch, Inc.*, 302 F.3d 1207 (11<sup>th</sup> Cir. 2002)
- Use of binomial model to demonstrate expert bias
- Periodic Perpetuity Factors (Described in *CFO Magazine*, April 2002, p. 18)
- Analytic extension of Grabowski’s S corporation spreadsheet valuation model in which Abrams replicated his extensive, complicated spreadsheet in one cell by developing a complicated mathematical formula.
- Extension of the S Corporation valuation model to cover perpetual S Corps
- Formula for Price-to-Sales (P/S) Ratio
- Formula for Price-Earnings (P/E) Ratio
- Formula for Present value of step-variable costs
- Formula based on simultaneous equation to maintain post-transaction value for founders. Also developed formula for loss in value to founders for “pre-money valuation.”
- Annuity Discount Formulas for cash flows with growth and stub year
- Annuity Discount Formulas for monthly and daily cash flows with growth
- Formulas for valuing Leveraged ESOPs and calculating dilution



**ARTHUR D. LITTLE VALUATION, INC.**                      **WOODLAND HILLS, CALIFORNIA**  
Project Manager in charge of Columbia Pictures, Dr. Pepper, Purex, MCO Geothermal, VSA, etc.  
Project fees from \$50,000 to \$1 million, clients to \$5 billion in sales.                      1983-1985

**RAYCOM**    **PARAMOUNT, CALIFORNIA**  
President of two-way radio sales and service firm.    1976-1979

**ARTHUR ANDERSEN & COMPANY**                                      **LOS ANGELES, CALIFORNIA**  
CPA. Auditor, Commercial Audit and Small Business Departments.                                      1974-1976

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