

**Jay B. Abrams, ASA, CPA, MBA**  
**Valuation & Litigation Economist**  
***CURRICULUM VITAE***

- Author of 2 McGraw-Hill Books and 20+ Quantitative Journal 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)

**Books Authored**

- *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).
- *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).

**Newsletter Author/Columnist**

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

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



**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

## **Inventions**

- Abrams Log Size Model for calculating discount rates
- Economic Components Model for quantifying Discount for Lack of Marketability. My model for Discount for Lack of Marketability was used in *Maris Distributing Co. v. Anheuser-Busch, Inc.*, 302 F.3d 1207 (11<sup>th</sup> Cir. 2002)
- Periodic Perpetuity Factors (Described in *CFO Magazine*, April 2002, p. 18)
- 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
- Quantitative method for determining dilution to current investors from subsequent rounds of financing
- Iterative solution to eliminate inconsistencies in the Capital Asset Pricing Model arising from assumptions of capital structure in both Direct Equity Method and Invested Capital Approach
- Abrams Table of Accounting Transposition Errors, used for troubleshooting such errors. Also wrote software to automatically generate a table of potential sources of error.
- Several Formulas for Payout and Retention Ratios (for converting net income to cash flow), including a formula to calculate the Payout Ratio from historical depreciation and net working capital
- Formula for breakeven of sale to ESOP as a C corporation versus sale to a third party as an S corporation with a valuation premium
- Various damage formulas for lost inventory and lost profit—when inventory was produced and destroyed and for lost sales when inventory was not produced
- Methodology to calculate discount rate for Restricted Collateral Assignment agreement for receivable from life insurance proceeds
- Percentage of present value of all loan payments represented by principal, interest, and after-tax cost of the loan

## Published Journal Articles

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

- “Lost Inventory and Lost Profits Damage Formulas in Litigation.”
- “The Tradeoff in Selling to an ESOP vs. an Outside Buyer.”

## Unpublished Articles

- “Empirical Testing of Unified Valuation Theory.”<sup>3</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.
- “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.

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<sup>3</sup> *Business Valuation Review* accepted this for publication. Instead it became Chapter 6 of *Quantitative Business Valuation: A Mathematical Approach for Today’s Professionals*.