

A BVR Special Report



Excerpt from

# What It's Worth: Law Firm Value



Edited by  
Ronald L. Seigneur

**BVR**  
What It's Worth

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A BVR SPECIAL REPORT

Edited by Ronald L. Seigneur



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## **What It's Worth**

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# Table of Contents

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<b>ABOUT THE EDITOR</b> .....	<b>5</b>
<b>INTRODUCTION</b> .....	<b>7</b>
<b>SECTION I: LAW FIRMS: VALUE DRIVERS AND VALUATION CONSIDERATIONS</b> .....	<b>9</b>
1. TRENDS IMPACTING LAW FIRM VALUE .....	<b>10</b>
2. OVERVIEW OF METHODS FOR VALUING LAW FIRMS .....	<b>12</b>
3. SPECIAL CONSIDERATIONS IN VALUING LAW FIRMS .....	<b>15</b>
4. CHECKLIST OF SPECIAL INFORMATION TO REQUEST FOR THE VALUATION OF A LAW FIRM .....	<b>17</b>
5. COMMON ERRORS IN VALUING PROFESSIONAL PRACTICES .....	<b>20</b>
<i>By Kevin Yeanoplos, CPA/ABV/CFF, ASA</i>	
6. GOODWILL IN PROFESSIONAL PRACTICES .....	<b>22</b>
7. APPLYING EXCESS EARNINGS TO DERIVE THE VALUE OF GOODWILL .....	<b>37</b>
8. WHEN A LAW FIRM GETS CAUGHT UP IN DIVORCE: AN ATTORNEY AND AN APPRAISER COMPARE NOTES .....	<b>40</b>
<b>SECTION II: CURRENT MARKET FOR LAW FIRMS</b> .....	<b>47</b>
9. TOP TRENDS IN THE LAW FIRM MARKET .....	<b>48</b>
10. BUY-SELL LANDSCAPE FOR LAW FIRMS .....	<b>57</b>
<b>SECTION III: SELLING AND SUCCESSION PLANNING FOR LAW FIRM OWNERS</b> .....	<b>60</b>
11. LAW PRACTICE TRANSFER CONCERNS .....	<b>61</b>
12. PRACTICE FOR SALE: SELLING A PRACTICE .....	<b>63</b>
13. EXIT PLANNING CONSIDERATIONS FOR ATTORNEYS .....	<b>68</b>
<i>By Ronald L. Seigneur, ASA, CVA, CPA/ABV/CFF</i>	
14. SUCCESSION PLANNING FOR ATTORNEYS AND LAW FIRMS .....	<b>73</b>
<i>By Ronald L. Seigneur, ASA, CVA, CPA/ABV/CFF</i>	
<b>SECTION IV: FINANCIAL AND VALUATION DATA FOR LAW FIRMS</b> .....	<b>78</b>
15. LAW FIRM VALUATION MULTIPLES BASED ON PRATT'S STATS DATA .....	<b>79</b>
16. PRICING LAW FIRMS—RULES OF THUMB .....	<b>86</b>

**SECTION V: VALUATION AND THE COURTS** ..... 91

17. LAW FIRM VALUATIONS IN THE COURTS: CASES OF NOTE ..... 92

*Bakst v. United States of America (In re: Kane & Kane)* ..... 93

*In re Marriage of Barten* ..... 96

*Development Specialists, Inc. v. Weiser Realty Advisors LLC* ..... 97

*Dixon v. Crawford, McGilliard, Peterson & Yelish* ..... 102

*Hartley v. Hartley* ..... 104

*In re Marriage of Kingery* ..... 105

*In re Marriage of Restaino* ..... 106

*In re Marriage of Ross* ..... 106

*Von Hohn v. Von Hohn* ..... 108

*Walsh v. Walsh* ..... 110

*Weinberg v. Dickson-Weinberg* ..... 112

**SECTION VI: RESOURCES** ..... 116

18. DEMONSTRATIVE LAW FIRM VALUATION REPORT ..... 117

19. LAW FIRM FINANCIAL METRIC AND BUSINESS MODEL RESOURCES ..... 145

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## About the Editor

Ronald L. Seigneur is managing partner of Seigneur Gustafson LLP, based in Lakewood, Colo., where he specializes in management coaching/mentoring, succession and exit planning strategies, business and intellectual property (IP) appraisal, litigation support services, financial reporting, and taxation. He is also a founder of YS Advisory, which focuses on management consulting and strategic planning. Here, he utilizes over 30 years of experience advising professional service providers and their firms. Ron has served as COO and CFO for a 50-attorney law firm and has worked with over 350 professional service firms on a range of practice management issues. He has published over 80 articles on business leadership, succession and exit planning strategies, reasonable compensation determinations, business valuation, and related subjects. Ron has developed and taught a number of management, leadership, and advanced business valuation courses for the AICPA, ASA, NACVA, Association of Legal Administrators, CLE of Colorado, the Environmental Protection Agency, state CPA societies, and state bar associations.

Ron has significant experience working with complex valuation, commercial damages, forensic accounting, and related litigation support matters, with experience as a testifying expert in many jurisdictions. He has served as court-appointed Special Master, trustee, receiver, and arbitrator. Ron is a nationally recognized business appraiser and advisor to other appraisal firms and practitioners. He is a co-author of a leading treatise on business valuation and frequently speaks and writes on valuation-related issues. He has experience in a wide range of industry segments, including professional practices, real estate development, construction trades, auto dealerships, high tech, oil and gas, transportation, startup entities, cannabis-related businesses, and IP.

Ron is a Certified Valuation Analyst (CVA) with NACVA, a senior appraiser in business valuation with the ASA, and holds the AICPA specialty designations of Accredited in Business Valuation (ABV), Certified in Financial Forensics (CFF), and Chartered Global Management Accountant (CGMA). He is also a member of the

Association for Corporate Growth and Colorado Association of Business Intermediaries, working closely with business intermediaries, bankruptcy trustees, and other advisors in merger and acquisition transactions, receiverships, ESOP plans, and related succession planning strategies. Ron was inducted as a charter member of the American Academy of Matrimonial Lawyers Business Valuation & Forensic Services Division in 2014.

Ron has been a partner in a CPA firm for over 20 years, with a particular emphasis on working with taxation and financial reporting issues for professional service firms. He is nationally recognized for specialized support of professional service firm management needs, including facilitation of business planning and marketing retreats, executive and administrative placements, cost controls and revenue enhancement initiatives, incentive compensation and benefits planning, startups and breakups, and general practice management issues. The firm acts as an on-call resource for business owners and professional firms and consults regularly with clients on a range of issues, including strategic planning, business development, innovative compensation systems, administrative management, leadership and governance, technology, profit improvement, and staff mentoring, development, and retention. Ron has facilitated over 60 strategic and business planning retreats covering a range of issues.

Ron is co-author of *Reasonable Compensation: Application and Analysis for Appraisal, Tax and Management Purposes* (Business Valuation Resources) and *Financial Valuation: Applications and Models*, 3rd edition (John Wiley & Sons), a treatise on business valuation. He is a past chair of the AICPA ABV Credential Committee, NACVA Professional Standards Committee, and has been a member of the AICPA Business Valuation Committee and the AICPA Consulting Services Executive Committee. Ron is a past chair of the board of directors of the Colorado Society of CPAs and was inducted in 2006 as a member of the AICPA Business Valuation Hall of Fame, is a fellow of the College of Law Practice Management, and is an adjunct professor at the University of Denver, College of Law, where he teaches financial, management, and leadership courses. He recently served on the AICPA Governing Council and currently teaches Applied Leadership and Management Theory for Law Firms, a law school course he co-designed.

Ron served on the board of the Colorado Sports Hall of Fame and the Colorado Association of Business Intermediaries. He holds a Bachelor of Arts in hotel, restaurant, and institutional management from Michigan State University and an MBA in corporate policy and finance from the University of Michigan. Ron was the advisor to the 2014-15 AICPA Forensic and Business Valuation Conference planning committee, after chairing this conference for two years.

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# Introduction

After many years of kicking ideas around with BVR staff, we are excited to bring this information to market. I have been working with law firms for almost 35 years on a wide range of practice management issues, including startups and breakups and just about everything in between. Our CPA firm provides traditional tax planning and compliance and financial reporting services to over 25 firms, and all of these clients will find benefit within the pages of this guide in one way or another.

While the primary focus of this report is valuation of a law practice or interest therein, the information provided can be beneficial for the following ancillary applications:

- Operational assessments and benchmarking studies;
- Compensation systems;
- Budgeting and forecasting; and
- Succession and exit planning.

The report is organized by sections, starting with Section 1, “Value Drivers and Valuation Considerations,” which focuses on law firm value drivers and valuation-specific information on methods, checklists, common errors, goodwill considerations, and related aspects. Section 2, “Current Market for Law Firms,” looks at the trends affecting the law firm market and the related buy-sell landscape. Section 3, “Selling and Succession Planning for Law Firm Owners,” provides solid information for practitioners and their advisors on exit planning for firms looking to transition practices into retirement or to the next generation of practice leaders and owners. Section 4, “Financial and Valuation Data for Law Firms,” provides information on pricing law firm interests based on market data and rules of thumb. Section 5, “Valuation and the Courts,” offers a nice summary of landmark case law on law firm valuation issues, including some interesting discussion



on how to value contingent fee firms and how and when to address professional versus practice goodwill. Section 6, "Resources," provides a demonstrative report for the valuation of a law firm equity interest and a nice bibliography of resources that will be useful for readers to dive deeper into some of the information included in this report.

As editor of this report, I am delighted to make this collection of information available through Business Valuation Resources as the next addition to its growing series of industry-specific reports.



Ronald L. Seigneur,  
CPA/ABV/CFF, ASA, CVA, CGMA  
Editor

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## About Business Valuation Resources

Every informed stakeholder in business valuation, performance benchmarking, or risk assessment turns to Business Valuation Resources (BVR) for authoritative deal and market data, news and research, training, and expert opinion. Trust BVR for unimpeachable business valuation intelligence. BVR's data, publications, and analysis have won in the boardroom and the courtroom for over two decades.

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