



**TIMING IS EVERYTHING  
IN VALUATION**

## The Situation

In valuation, the calendar can be just as important as the calculator.

One client in the gaming industry learned that lesson the hard way. The previous year, their annual 409A valuation placed their company's worth around \$200 million. Fast forward 12 months — business was booming, and they wanted to execute an estate tax freeze strategy: moving shares into a trust at today's value so future growth would pass to their heirs tax-free.

They asked us to value the company as of July 31, with a report due September 30. The plan seemed fine until the company's pending transaction started moving faster than expected. What they thought would close in November was suddenly on track for mid-September.

## Our Approach

We explained that timing isn't a technicality, it's everything.

If the sale closes before the valuation report is issued, the IRS can argue the appraiser knew or should have known the sale price. Even if the valuation date was earlier, it's nearly impossible to ignore a "known" transaction that occurred before the report was finalized.

We recommended they expedite the valuation, even at a premium, to finish before the deal closed. Completing the valuation early would preserve its defensibility and safeguard their estate strategy. But they waited, and by the time the transaction closed at \$4 billion, the opportunity was gone.

Once a transaction becomes public, you can't un-know it. The company's value for estate purposes must now align with that sale, erasing the benefit of the freeze.

Using the multi-attribute utility model, we separated the personal goodwill from the enterprise goodwill. The result: a true business value between \$75,000 and \$150,000, not \$1 million.

## **The Outcome**

Had they started the process just a few weeks earlier, the valuation could have been hundreds of millions lower, saving a fortune in estate taxes. Instead, the strategy failed not because of a bad plan, but because of bad timing.

## **The Lesson**

Valuation isn't just a formality, it's the foundation of financing and estate planning. Whether you're seeking an SBA loan, bringing on investors, or executing a family wealth transfer, the timing of your valuation defines your leverage. Start early, even if you think the deal is months away. Every day your business grows, your tax exposure grows with it.

