

Ten Reasons Why Taxpayer Computer Software Fair Market Value Is Not Equal to Financial Accounting Net Book Value

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Computer software valuations may be performed for a variety of reasons. These reasons include financial accounting, sale or license transactions, financing transactions, gift and estate tax, income tax, ad valorem property tax, bankruptcy, and many other purposes.

In the context of property taxation, computer software is considered to be an exempt intangible asset (i.e., exempt from tax assessment) in many taxing jurisdictions. Accordingly, for corporate taxpayers subject to the unit valuation principle of property tax assessment (e.g., centrally assessed transportation, communications, and energy companies), the value of the exempt computer software may be adjusted from the value of the taxable unit. The historical cost less depreciation (HCLD) method is sometimes considered appropriate in the valuation of certain tangible assets for property tax purposes (e.g., for a rate-based, regulated public utility). However, for many reasons, the HCLD method—or the so-called net book value—is not appropriate for the valuation of computer software for property tax (or any other) purpose.

INTRODUCTION

Valuation analysts are often asked to value taxpayer intangible assets for ad valorem property tax purposes. Some taxing jurisdictions tax taxpayer intangible assets. Some taxing jurisdictions exempt from taxation such intangible assets.

Valuation analysts consider all generally accepted valuation approaches and methods in their property tax intangible asset analysis. A description of those intangible asset valuation approaches and methods is beyond the scope of this discussion.

Some taxing authority assessors rely on various derivatives of the taxpayer company's accounting net book value of computer software to estimate the value of this intangible asset for property tax purposes. This discussion explains why such reliance on accounting net book value does not produce a

credible or supportable valuation of the software intangible asset.

In the unit valuation principle of property taxation, the taxpayer operating assets are valued collectively. Such taxpayer assets are valued as a single unit subject to taxation. Depending on the valuation method used, the unit value conclusion typically includes the value of the total assemblage of the taxpayer's real estate and personal property (both tangible and intangible).

In taxing jurisdictions where the internal-use computer software intangible asset is exempt from property taxation, the value of the taxpayer computer software typically may be adjusted from the value of the taxpayer's taxable unit.

The standard of value that is applicable for property tax purposes in many taxing jurisdictions is fair market value (FMV). However, some jurisdic-

tions apply other standards of value for ad valorem tax purposes, including: market value, full cash value, real market value, actual value, and so forth. Nonetheless, most of these alternative standards of value are conceptually similar to the FMV standard—that is, the price that a willing buyer would pay to a willing seller for the subject property.

Therefore, although the term “fair market value” (FMV) is used in this discussion, the conclusions reached in this discussion are also applicable to these alternative standards of value. Also, while this discussion focuses on the valuation of computer software in a property taxation context, the discussion conclusions are also relevant to the valuation of computer software for other purposes.

In the negotiation or litigation of the taxpayer’s property tax assessment, the tax assessment authority may conclude that the FMV of the taxpayer’s internal-use computer software:

1. is equal to the financial accounting net book value (NBV) of the taxpayer software,
2. should be no greater than the NBV of the taxpayer software, or
3. is equal to the product of the taxpayer’s computer software NBV multiplied by a stock-market-derived market-value-to-book value financial ratio.

For the purposes of this discussion, the financial accounting NBV of the computer software is equal to:

1. the gross amount of the capitalized software development and/or purchase costs, less
2. the accumulated amortization of the capitalized costs, adjusted for
3. any recognized intangible asset impairment charges to the software carrying value.

The FMV of the taxpayer’s computer software—as estimated by the taxpayer or by the taxpayer’s valuation analyst—is often significantly greater than the financial accounting NBV of the taxpayer’s computer software.

There are many reasons why the FMV of a taxpayer’s computer software is not equal to the financial accounting NBV of a taxpayer’s computer software. A list of ten common reasons for this conclusion is presented below. This discussion relates primarily to internal use computer software (i.e., software used in the operation of the taxpayer’s business).

However, several of the aforementioned reasons also apply to computer software that was developed for commercial purposes—that is, to be sold or

licensed to third parties by the taxpayer company. Also, the aforementioned reasons apply to both of the following types of software:

1. Customized software that was internally developed specifically for the taxpayer company by employees or contractors
2. Commercial software that was purchased from third-party vendors and installed at the taxpayer business

REASON 1: THE DEVELOPMENT COSTS OF OLDER INTERNAL-USE SOFTWARE WERE NEVER CAPITALIZED

Statement of Position (SOP) 98-1, issued by the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants (AICPA) in March 1998, provided guidance on generally accepted accounting principles (GAAP) for the costs of computer software developed or purchased for the owner/operator’s internal use.

Prior to the issuances of the AICPA’s SOP 98-1, the development costs related to internal-use computer software were generally expensed under the then-current GAAP. Consequently, the costs of computer software developed or purchased for a company’s internal use prior to 1999 typically were expensed and not capitalized on the company’s accounting books and records.

Therefore, such pre-1999 development costs were not included in the software NBV balance that is reported on the taxpayer’s balance sheet. The current GAAP for the capitalization of internal-use software development and purchase costs is provided in the Financial Accounting Standards Board (FASB) accounting standards codification (ASC) topic 350-40, titled “Internal Use Software.”

An assessor may conclude that the taxpayer’s pre-1999 software development costs are fully amortized and, therefore, have no material FMV as of a current (e.g., 2012 or 2013) assessment date. However, the types of multi-jurisdictional companies that are subject to unit valuation (e.g., railroads, airlines, land line and cellular telephone companies, electric generation and distribution companies) are often the types of companies that tend to invest heavily in software development.

Such companies continually maintain and enhance their software systems in order to extend the software’s functional remaining useful life (RUL). In these types of taxpayer companies, it is not uncommon for software systems that were

originally developed 20 to 30 years ago to still be in use as of a current date.

Therefore, the taxpayer's computer software GAAP NBV balance excludes the costs of the software developed or purchased before 1999 even if such software is still operated by the taxpayer business. Such internal use software development costs were never capitalized in the taxpayer's software NBV balance.

However, since it is still functional and functioning, that software does have value to the taxpayer owner/operator. The software FMV, if it is calculated correctly, will include the value of all of the software that is still generating value to the taxpayer business, regardless of when that software was first developed.

REASON 2: SOFTWARE DEVELOPMENT COSTS UNDER CAPITALIZATION DOLLAR THRESHOLDS ARE NOT CAPITALIZED

The capitalization threshold dollar amount for software development or maintenance costs varies by taxpayer company, depending on the financial and operational characteristics of that company. In financial accounting terms, the management decision of the capitalization threshold dollar amount is a question of materiality.

The considerations of the taxpayer company management for selecting a capitalization threshold include the following:

1. Accounting materiality thresholds
2. The cost versus the benefit of the associated intangible asset recordkeeping

In October 2002, the U.S. General Accounting Office (GAO) issued a survey of capitalization versus expense thresholds and other accounting policies related to real and personal property¹ (the "GAO Survey"). The GAO Survey included data from both federal agencies and selected private sector companies.

The GAO Survey reported computer software development cost expense versus capitalization thresholds for federal agencies in a range from \$5,000 to \$5,000,000. And, the GAO Survey reported computer software development cost expense versus capitalization thresholds for private sector companies in a range from \$1,000 to \$250,000.

For example, if a taxpayer company has a software capitalization threshold amount of \$100,000, then all software systems with an expected development or purchase cost of under \$100,000 would be expensed. Therefore, such software development or purchase costs would not be capitalized in the taxpayer's books and records. And, such software systems would never be recorded on the taxpayer company's balance sheet.

There could be hundreds of such under \$100,000 cost computer software systems at a taxpayer company. And, none of these software development/purchase costs—and none of these functioning software systems—would be included in the taxpayer's computer software NBV balance.

Similarly, a taxpayer company may have a separate expense versus capitalization threshold for software maintenance, installation, or enhancement costs. Therefore, many of the taxpayer company costs associated with maintaining or improving the taxpayer's computer software would not be capitalized.

The assessor's use of a NBV valuation analysis would exclude all of the software system development and enhancement costs that are below a set threshold dollar amount. Such a NBV valuation analysis would imply that these software systems have no value to the taxpayer owner/operator. In contrast, the use of generally accepted software valuation approaches and methods would indicate that these GAAP-expensed software systems do have a measurable FMV.

REASON 3: SOME INTERNAL-USE SOFTWARE DEVELOPMENT COSTS ARE NEVER CAPITALIZED INTO GAAP NBV

FASB ASC topic 350-40 describes the current financial accounting treatment of internal-use computer software development and purchase costs. In general, the software development costs that are capitalized include the following:

1. Fees paid to third parties for software development services
2. Costs incurred to obtain software from third parties
3. Payroll and related costs associated with the employees' time spent directly on software development
4. Employee travel expenses related to the software development
5. Interest costs incurred during the software development period

Under current GAAP, the costs specifically excluded from the capitalized software development costs include the following:

1. Any costs incurred during the preliminary system development project stage
2. Internal costs incurred for all software maintenance
3. All system user training costs
4. Some data conversion costs
5. Any general, administrative, and overhead costs

Some of the direct and indirect software development costs excluded from capitalization under GAAP would typically be included in a cost approach valuation of the internal-use computer software. The following discussion summarizes some of these development costs that are not capitalized—but that do contribute to the computer software FMV.

The preliminary software system development project phase typically includes activities such as the following:

1. Strategic decision-making related to resource allocation between alternative software development projects
2. Determination of performance and system requirements related to the software development project
3. Software vendor demonstrations
4. Exploration of the alternative ways to achieve the required software system performance (e.g., make or buy decisions, mainframe or client server decisions)
5. Determination of the existence of the required technology
6. The selection of a software vendor, if the software is to be purchased/licensed
7. The selection of a project consultant, if needed, to assist with the software development project

Depending on how the taxpayer company management defines the preliminary system project phase, many of the direct and indirect costs that are relevant for computer software valuation purposes would be expensed under GAAP. Therefore, these initial software system design costs would never be capitalized and included in the owner/operator's software NBV.

The line between software maintenance costs (which are expensed under GAAP) and software enhancement costs expected to result in additional

system functionality (which are capitalized under GAAP) is not always clear. As stated in FASB ASC topic 350-40-25-10, "Entities that cannot separate internal costs on a reasonably cost-effective basis between maintenance and relatively minor upgrades and enhancements shall expense such costs as incurred."

In practice, for many taxpayer companies, only the costs of a major software upgrade/enhancement project are likely to be capitalized. Nonetheless, the minor software system enhancements may still add to the FMV (and the RUL) of the taxpayer's computer software. However, the costs of these so-called minor system enhancements are not included in the owner/operator's software NBV.

It is noteworthy that some system maintenance costs are, in fact, redundant in nature. Such redundant maintenance costs should not be included in a cost approach valuation of the computer software. An example of redundant system maintenance is the formatting changes to a payroll program that prints W-2 forms each time the form layout is modified.

However, some software maintenance costs (e.g., so-called bug fixing) adds to the FMV of the taxpayer's software. Other software maintenance costs (e.g., modifying the software to run on a new or upgraded operating system) reduces (or precludes) the system's functional or technological obsolescence.

Therefore, the GAAP expensing of all software maintenance costs results in the exclusion of value (or in the reduction of obsolescence) from the owner/operator's software NBV.

Depending on the expense versus capitalization policies and intangible asset recordkeeping of the taxpayer company, significant software development costs may never be capitalized. Such software development costs that are commonly excluded from capitalization are payroll and related costs for the following reasons:

1. Indirect personnel, such as management and administrative support
2. Personnel outside of the information technology department who are involved in defining the system user requirements, testing the software, etc.
3. Personnel involved in writing the software system documentation.

Let's consider a typical cost approach valuation of computer software using the replacement cost new less depreciation (RCNLD) valuation method. In such an RCNLD method analysis, these software development costs would be included in estimating the software FMV.



Furthermore, the costs of the taxpayer company overhead (e.g., an allocation of office rent, utilities, computer usage, etc.), costs, which are not capitalized under GAAP, would typically also be included in an RCNLD method software valuation.

The GAAP accounting treatment of software development costs excludes certain costs that, in fact, add to the FMV of the owner/operator's computer software. As a result, the owner/operator software NBV balance does not provide a reasonable estimate of the FMV of the computer software.

REASON 4: SOME PRODUCT SOFTWARE COSTS ARE NOT CAPITALIZED

FASB ASC topic 985-20 describes the financial accounting treatment of the development costs related to software to be sold, leased, or marketed (i.e., product software). Taxpayer companies subject to unit valuation for property tax purposes are typically not in the business of developing software for sale or license.

However, it is possible that such taxpayer companies may develop product software. In addition, some internal-use software developed by these taxpayer companies could later be sold, leased, or marketed to other companies.

In the latter case, where capitalized internal-use software is subsequently marketed, the net proceeds from the sale or license of the software is applied against the NBV carrying amount of the software (according to ASC topic 350-40-35-7).

Consequently, the more sale or leasing income that the taxpayer's computer software generates, the lower the NBV balance of that computer software (until the NBV balance of that software reaches zero).

In the former case, where computer software is originally developed to be sold, leased, or marketed, all of the development costs incurred to establish the technological feasibility of the software are expensed. Such software development costs are expensed under GAAP as research and development costs.

In summary, technological feasibility is established when sufficient planning, designing, coding, and testing activities have been performed to establish that the computer software can be produced to meet its design specifications and its technical performance requirements.

As explained in FASB ASC topic 985-20-25-2, computer software technological feasibility is established when either of the following occur:

1. The product design and detail program design have been completed, the necessary resources are available to produce the software, the completeness of the detail program design and consistency of the detail program design with the product design have been confirmed, and the detail program design has been reviewed for high-risk development issues
2. A product design and a working model of the software product have been completed and the completeness of the working model and the consistency of the working model with the product design have been confirmed

Let's consider published studies of the percentage of each software development phase compared to total software development effort. According to such software development total effort studies, the product design phase and the detailed design phase account for 17 percent and 23 to 27 percent, respectively, of the total software development effort.²

Therefore, it is likely that the costs related to at least 40 percent of the software product total development effort are treated as research and development expenses—and are not capitalized—under GAAP.

It is noteworthy that these effort percentage figures do not include an additional 7 percent of total effort that is expended up-front, in the plans and requirements software development phase.³ That phase is analogous to the preliminary project phase described above for internal-use software.

The costs of product software enhancements are also treated as research and development expense under GAAP, at least until technological feasibility is established for the software enhancements.

The financial accounting NBV of the product software is reduced by the amount of any sales or license income that the software generates. Of course, this software NBV reduction is counterintuitive to the FMV estimation of income-producing product software.

The FMV of the product software should represent its value to a hypothetical willing buyer. If the product software is actually generating sale or license income, then the FMV of the product software is probably not zero as the NBV analysis would suggest.

Additionally, some product software development and enhancement costs are treated as research and development expenses under GAAP. Therefore, these software development costs are never capitalized by the owner/operator—and are excluded from the taxpayer's software NBV balance.

The application of a NBV analysis of product software would indicate that these development and enhancement activities do not create any value.

In contrast to the NBV analysis of the product software, the calculation of FMV would include these development and enhancement costs as part of the product software valuation.

REASON 5: SOFTWARE DEVELOPMENT PRODUCTIVITY CHANGES OVER TIME

The primary costs of software development are the costs associated with the effort expended to develop the subject software. The historical effort expended to develop a software system may not be equal to the effort required to develop that same system as of a current valuation date.

Generally, software development productivity increases over time. This productivity increase may be due to technological advances, the use of better software development tools, or the implementation of improved project management or programming procedures.

In any event, the amount of manpower effort required to develop the taxpayer software as of the valuation date may be less than the historical manpower effort reflected in the GAAP-based software NBV balance.

However, the software may have been developed by a team with different characteristics than a development team that would—and could—be used to develop the software as of a current valuation date.

For example, the taxpayer's software may have originally been developed in one location by highly

qualified team members with extensive experience (with the subject hardware, programming language, and system applications).

However, most of these development team members may now be retired. The development team that would be used to develop the taxpayer's software as of a current valuation date may be less qualified, have less experience, and include both in-house personnel and off-shore contractors.

In this case, the effort required to develop the taxpayer's software as of a current valuation date may be greater than the historical manpower effort expended.

In summary, the employee payroll and associated costs (or the independent contractor costs) per unit of effort (e.g., per person-month) for software development would vary depending on the following:

1. The characteristics of the taxpayer's software development team
2. The date of the original software development.

The historical software development effort reflected in the software NBV balance may be higher or lower than the effort that would be included in an RCNLD method software valuation prepared as of the valuation date.

REASON 6: PERSONNEL COSTS CHANGE OVER TIME

Generally, employee payroll and associated costs (e.g., salaries, bonuses, payroll taxes, and fringe benefits) increase over time.

Therefore, for an equivalent software development team, the average cost per person-month as of a current valuation date would typically be higher than the historical cost per person-month included in the taxpayer's software NBV balance.

However, it is possible that the software development team that would be used to replace the software as of a current valuation date would have a lower average cost per person-month. This lower cost per person-month result could be due to one of the following:

1. The use of less qualified or less experienced personnel
2. The use of less expensive off-shore employees or independent contractors

The historical average cost per person-month included in the taxpayer's software NBV balance depends on the following:

1. The changes in the makeup of the software development team
2. The age of the historical software development costs

The average cost per person-month included in the taxpayer's NBV balance may be higher or lower than the actual average cost per person-month as of a current valuation date. In order to calculate the FMV of the owner/operator's software, the valuation analyst should consider the cost that the taxpayer would incur to replace the subject software as of the current valuation date.

As a result, relying on an NBV analysis of the software to provide a value estimate does not accurately reflect the software development costs as of a current valuation date. Therefore, such an NBV analysis would not reflect the FMV of the taxpayer's software as of a current valuation date.

REASON 7: SOFTWARE AMORTIZATION DOES NOT REFLECT ACTUAL LOSS IN VALUE

The accounting purpose of the amortization of capitalized software development costs is to spread the expense of developing or purchasing the software over multiple accounting periods. Theoretically, the amortization process attempts to match the timing for software development expenses with the timing of software-related revenue.

For GAAP purposes, computer software is typically amortized on a straight-line basis. However, typically computer software does not lose value in the same straight-line manner. Unlike a tangible asset, an intangible asset such as software does not suffer from physical wear and tear. Furthermore, computer software that is continually maintained may not experience a decrement in value due to functional obsolescence.

The nature of changes over time in the value of software can be explained as follows:

Though the value of tangible assets is often estimated using depreciation schedules, properly maintained software does not become obsolete in any predictable, continuous way. Software value tends to vary over time by a relatively small amount (due to increasing productivity or technological advances on the one hand and increasing labor costs and software enhancements on the other hand) until the usually unpredictable point in time that its replacement is

contemplated. Software value also tends to vary over time for any number of reasons. Therefore, any attempt to estimate obsolescence for properly maintained software by depreciating it over some finite period of time is arbitrary and simplistic.⁴

It is important for the valuation analyst to recognize that software amortization is an accounting treatment. The software NBV balance as reflected on the taxpayer company's financial statements may indicate obsolescence of a software system that, in reality, is continually updated, enhanced, and in current use by the taxpayer company.

For this reason, the FMV of such computer software is likely to be greater than the NBV balance of that software.

REASON 8: SOFTWARE AMORTIZATION PERIOD MAY NOT REFLECT SOFTWARE ECONOMIC USEFUL LIFE

The useful life for computer software, to be used as the GAAP amortization period, is fairly short. The aforementioned GAO Survey reported a computer software useful life range of 2 to 10 years for federal agencies and of 3 to 10 years for private sector companies.

According to FASB ASC topic 350-40-35-5, "Given the history of rapid changes in technology, software often has had a relatively short useful life."

However, the maintenance of—and enhancements to—computer software can extend the RUL of that software. As previously discussed, it is not uncommon in taxpayer companies for software systems that were originally developed 20 to 30 years ago to still be in current use.

While the RUL of computer software should be periodically reassessed for GAAP accounting purposes, the procedures and recordkeeping associated with this process may prove cost-prohibitive for taxpayer companies with hundreds of software systems.

As a result, at any point in time, there may be many software systems that are fully amortized but that are still in use at the taxpayer company. Accordingly, these functional software systems have no reported NBV balance. However such functional software systems should be included in the taxpayer's software FMV.

Furthermore, in order to simplify recordkeeping for software GAAP capitalization and amortization

purposes, some taxpayer companies have a practice of automatically retiring software systems at a certain age.

For example, if the useful life of all software in a certain category is expected to be five years, then the capitalized cost of each software system in that category will be removed from the gross book value account (and the associated amortization will be removed from the accumulated amortization account).

This cost retirement occurs whether or not the subject software is actually still in use. As a result, at any point in time, there may be many software systems still in use at the taxpayer company that are not included in the capitalized software cost balance.

Therefore, relying on an NBV analysis, or even relying on the gross book value balance of the software for purposes of estimating FMV, would result in the exclusion of these software systems from the FMV conclusion.

REASON 9: NBV MAY INCLUDE PURCHASED/LICENSED INTERNAL-USE SOFTWARE

Generally, internal-use software obtained from vendors (i.e., software that is not internally developed) is capitalized for financial accounting purposes.

Such purchased computer software may include the following:

1. “Shrink-wrapped” software, such as word processing and spreadsheet applications
2. Packaged application software (customized or not), such as employee payroll systems
3. Licensed system software, such as operating systems and database management software
4. Software included with purchased hardware, such as the software operating in robots or in telecommunications switches.

Some taxing jurisdictions may only exempt certain types of computer software from property taxation. For example, (1) embedded software (“built-in” software without which the hardware cannot operate) may not be exempt from taxation in some jurisdictions or (2) only internally developed or custom vendor-developed software—but not shrink-wrapped or packaged software—may be exempt from taxation in some jurisdictions.

Therefore, if the scope of a software FMV valuation analysis includes only certain types of com-

puter software (e.g., only software exempt from property taxation in a certain jurisdiction) then an NBV analysis may include software that should not be included in the FMV estimation.

REASON 10: CAPITALIZED COSTS MAY EXCLUDE THE RIGHT TO USE THE SOFTWARE

In many taxpayer companies, all software that is used by the taxpayer company is owned by that company. In that case, the costs associated with the software used by the taxpayer company would generally (except as previously described) be capitalized by that taxpayer company. Therefore, such capitalized software development costs would be included in the software NBV balance.

In some instances, the internal-use software used by a taxpayer company subject to unit valuation may be owned by a parent corporation or by a brother/sister subsidiary of a parent corporation.

In that case, the development costs of the internal-use software would not be capitalized on the taxpayer’s balance sheet. However, the taxpayer typically has the right to use the internal-use software that is legally owned by the related-party corporation.

Therefore, the taxpayer company’s software NBV balance excludes the value of the right to use the internal-use software. The right to use computer software is, itself, an intangible asset that may be exempt from property taxation in many taxing jurisdictions.

SUMMARY AND CONCLUSION

The above-described ten reasons why the taxpayer’s software FMV is not equal to the taxpayer’s software NBV balance may be grouped into four general categories of reasons:

1. Certain software development costs are not capitalized (i.e., not included in) the taxpayer’s software NBV balance but such development costs are relevant in a cost approach FMV valuation analysis (reasons 1 through 4)
2. Certain differences between historical (i.e., capitalized) software development efforts/costs and current (i.e., as of a current valuation date) software development efforts/costs (reasons 5 and 6)
3. The software accumulated amortization over a GAAP-based amortization period is

“. . . the FMV of taxpayer internal-use software should be estimated using generally accepted software valuation approaches, methods, and procedures.”

not equivalent to the actual loss in the software value over its actual functional RUL (reasons 7 and 8)

4. The possible differences in the types of computer software that are capitalized versus the types of software (including the right to use internal-use software) that are included in the scope of an FMV software valuation analysis (reasons 9 and 10)

For all of these reasons and others, the use of a GAAP-based NBV analysis to estimate the taxpayer company's software FMV

is inappropriate. For software valuation purposes, an NBV analysis is not an appropriate valuation methodology,

Rather, the FMV of taxpayer internal-use software should be estimated using generally accepted software valuation approaches, methods, and procedures.

While the cost approach and the RCNLD method are commonly used to estimate the FMV of taxpayer internal-use software, other cost approach, income approach, and market approach valuation methods may also be used to value this intangible asset for property tax (and other) purposes.

Notes:

1. “Financial Management: Survey of Capitalization Threshold and Other Policies for Property, Plant, and Equipment” (GAO-03-42), U.S. General Accounting Office (October 2002), www.gao.gov.
2. Barry W. Boehm, Chris Abts, A. Winsor Brown, Sunita Chulani, Bradford K. Clark, Ellis Horowitz, Ray Madachy, Donald J. Reifer, and Bert Steece, *Software Cost Estimation with COCOMO II* (Upper Saddle River, NJ: Prentice Hall PTR, 2000), 307.
3. Ibid.
4. Robert F. Reilly and Robert P. Schweih, *Valuing Intangible Assets* (New York: McGraw-Hill, 1999), 373.



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