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## **Recently Published Book Makes *Business Valuation Theory and Practice* – and Finance’s *Capital Asset Pricing Model* – Accessible to a Broad Readership**

*The Economics of Business Valuation Discounts and the Competitive Risk-Return Paradigm* (2010) [ISBN 978-0-9844919-0-2; LCCN 2011909397] by Peter C. Dawson, PhD, offers business appraisers and courts a substantive discussion of several key Business Valuation issues. Particularly insightful is Dawson’s detailed and in-depth presentation of the *Fair Market Value Standard* as it applies to business appraisals in practice, which provides the reader a firm grasp on the hypothetical market structure within which to determine fair market value, thus making its practical application transparent and straightforward. The book’s focus is the *discount for lack of marketability* (DLOM)—whose value is often the most contentious part of an appraisal—for minority shares in family limited partnerships that have higher risk than publicly traded stocks in the competitive U.S. securities market (this focus is easily extended to closely-held companies in general). Given that market value, including fair market value, is inextricably linked to market supply and demand, Dawson uses accepted Economic Theory to analyze the validity of applying DLOMs under the *Fair Market Value Standard*. This well-written and thought-provoking book provides substantive and convincing support against the validity of DLOMs in appraisal practice, a conclusion that is quite at odds with generally accepted Business Valuation Theory and Practice. In a larger sense, the reader is led to question the validity of Finance’s long-standing tenant that higher (systematic-) risk assets earn higher market rates of return, as predicted by the Sharpe (1964), Lintner (1965), Mossin (1966) *Capital Asset Pricing Model* (CAPM). In Business Valuation, the CAPM provides the underlying basis for applying a DLOM. Referring to original source documentation and with reasonable assumptions, Dawson discovers that a positive risk-return relationship—where rational investors would not invest in risky assets if they were not expected to provide higher market returns—is not necessarily how the competitive asset market works. Finance and Economics scholars may wish to re-think the CAPM. Business appraisers may find this informative book an important desk reference.