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Divorcing Wife Learns: Be Careful What Value You Ask—You Just May Get It

Edenfield v. Edenfield, 2005 Tenn. App. LEXIS 689 (October 31, 2005). Judge Cottrell.

A spouse who owns and operates a business will likely want to keep it after a divorce. The non-owner spouse may very well agree with this allocation—but will argue for a higher valuation, so that the offsetting award on his/her behalf will be equally as high.

What the non-owner spouse probably *doesn't* want is what happened in *Edenfield*, where the husband co-owned and operated a business that furnished various sales and warranty services to local auto dealerships. His expert testified that as the business held no assets of its own and employed only the husband and a second principal, it had no or a nominal value.

The wife's expert used the capitalization method to reach a value of \$344,780 for the husband's share of the business. At the end of the expert's testimony, however, the trial court surprised him with these questions:

Court: Mr. Hulen, just one thing...If the Court awarded Mrs. Edenfield Mr. Edenfield's shares in this corporation, would she then be receiving an asset worth \$344,700?

Witness: If she got all of it.

Court: All right. Thank you. You may step down.

Court gives wife exactly the value she asked for—and then some

Not only did the trial court grant the wife's higher value—it gave her the business, the value of which precluded her from a share of the husband's pension and reimbursement for attorneys' fees, all because she'd acquired an asset “valued in excess of \$340,000.”

One can only guess at the judge's reasoning—although a good hint lies in the first line of the appellate court's opinion, which describes the case as “bitterly fought.” The conflict left no “in between ground” between the two competing values of zero and \$345k. The contention might have also left the lower court disinclined to favor either party: When the wife had requested a review of the decision, the trial judge had all but said “you asked for it.” (“Now, as it turns out, it looks like in retrospect, [the husband's] accountant may have been...correct.”)

As the husband had started a new job by then, he no longer wanted the business or the debt that went along with it—and the wife appealed, forced into the unusual position of arguing that her own valuation report had failed to give appropriate weight to the nature of the business. The Court of Appeals agreed, holding that the business “had little or no value in and of itself and certainly had no value in the hands of the [wife].” An asset or fair market approach might have been more relevant, according to the court—but there's a sense that it really would have preferred less argument from these parties, and more effort toward using their valuations to reach a fair settlement.

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