

## Business

# Business valuator sometimes dons detective hat

By **PAUL LUNGEN**  
Staff Reporter

Farley Cohen does not wear a trench coat and fedora, and sit in a car sipping stale coffee during an all-night stakeout hoping to catch a bad guy red-handed, though he is a private investigator of a sort.

At times, Cohen does have to don his detective hat – usually to determine the truth about the finances of certain individuals who don't want the truth about their finances known.

It's not exactly cloak and dagger stuff being a business valuator, but Cohen has become adept at appraising the value of businesses and attaching a dollar figure to them. Usually that entails poring over financial statements and economic forecasts, but sometimes it means following a money-trail to its source, often offshore, where some people attempt to hide their business interests from prying eyes.

Cohen, who holds an MBA, also serves as chair of the Canadian Institute of Chartered Business Valuators, an independent industry organization that regulates the profession, trains individuals in the intricacies of valuing enterprises and is seeking to establish standards that cross national borders. It's not as simple as merely studying financial documents, Cohen said. It's "finding its value at a point in time, looking forward."

"You look at more than inventory and receivables," he continued. That includes studying the final product, the size of the market, the price and the prospects for future sales.

"The real skill is in evaluating the goodwill [the value of a business beyond assets and liabilities] and that's based on future profits," he said.

Most of his clients are people involved with private companies, though he has worked for some publicly traded ones. The trick is in being able to value businesses of all kinds for different purposes, and for that he sometimes has to call in industry experts. "We say our business is more than an art than a science. You try to assess the risk of what might happen."

Since he opened his firm, Cohen Hamilton Steger, six months ago, he's employed 13 valuers, most of them chartered accountants, attesting to the value placed on his business by those in other businesses. The firm gets called when business partners can't agree on a price for a buy/sell on dissolution of the business; by those with financial reporting demands; for estate planning; for litigation purposes and to determine damages in patent-infringement suits.

"I usually get involved when owners are arguing among themselves, there's a shareholder dispute or during a divorce," he said.

Sometimes the beneficiaries of a will, who can't agree to the value of an estate asset, call him in to settle matters.

A lot can turn on the figure he comes up with. Cohen recalled a particularly notorious case involving giant steel-maker Stelco. At one point, there was speculation the company, which was in

bankruptcy protection and had huge debts, was virtually worthless, but Cohen came up with a figure of \$750 million.

Sure enough, after it emerged from bankruptcy, it reached a value on the stock market of \$800 million and one year later it sold for \$1.2 billion, he said.

In coming up with a number for that company, Cohen relied on outside advice specific to the industry and did his own research that showed steel prices were bound to rise substantially due to increased demand from the booming Chinese economy and a shortage of scrap steel internationally.

Another memorable case came out of a messy divorce in which he was asked to determine the value of a company within a family group. Donning his detective cap and employing the tools of a forensic accountant, he found the profits had been moved to offshore corporations. "I found hundreds of thousands or even millions of dollars. It's a bit of a needle in a haystack. Sometimes you're lucky, sometimes you're not," he said.

So how do you find money that's been placed offshore?

It can be from the simplest sources, Cohen said, such as a banking statement from another jurisdiction, credit-card charges from abroad or payments to lawyers in other countries.

When you suspect assets have been moved abroad, "you get an authorization letter from the owning spouse to allow you to

talk to the financial institution. If they won't sign the authorization, then we know we're on to something" and the next step might be to request a court order requiring the owning spouse to provide the pertinent documents.

Cohen, 53, has been in the valuation business since 1987. He put himself through school by working summers at the Canadian National Exhibition, where he was the man behind the mike for the birthday game. "It was a lot of fun, and I learned a lot about business and how people spent money," he said, recalling it as the most popular game on the midway.

A member of the Shaarei Tefillah Congregation, Cohen also has worked as a volunteer fundraiser for Baycrest's golf tournament, has sat on the Baycrest board of governors and on the advisory board for the Jewish Home for the Aged.

Prior to opening his own firm six months ago, he worked for two large public companies in the same field.

Lately, he's noticed something that should hearten anyone concerned with the economy. Business disputes occur in all environments, he said, but during the slowdown "companies did not want to spend their money on litigation that could be postponed."

Two thousand and nine was slow, but in the last six months, Cohen has quadrupled his staff and "we have lots of clients," he said.

Better times may well be ahead.



**Farley Cohen**

## ALS treatment shows promise

By **LIOR ZENO**

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**JERUSALEM** — Biotech startup BrainStorm Cell Therapeutics has received clearance from the Health Ministry to begin clinical trials of its NurOwn stem-cell therapy on amyotrophic lateral sclerosis (ALS) patients, the company announced recently.

The testing will take place at Hadassah University Hospital, Ein Kerem, whose ethics committee gave its approval for the trials last February. ALS, commonly known also as Lou Gehrig's disease, is a degenerative, disabling and eventually fatal disease that attacks nerve cells in the brain and spinal cord.

The agreement between BrainStorm and Hadassah calls for trials to be carried out in Hadassah's Ein Karem laboratories by a joint team headed by the hospital's Prof. Dimitrios Karussis. The company, which has allocated 5 million shekels (\$1.4 million US) to fund the research, estimates that if the therapy is successful, it will open the door to a market estimated at hundreds of millions of dollars in the United States alone.

BrainStorm is controlled by haredi businessman Chaim Lebovits, the company's president, along with Jacky Ben-Zaken.

Its shares trade at a market value of \$22.8 million (US).

BrainStorm's therapy, based on patents developed by neurologist Eldad Melamed and cell biologist Daniel Offen, involves isolating stem cells taken from the patient's own bone marrow and transforming them in the lab into nerve cells, which are then re-injected into the patient. The treatment is expected to slow – perhaps even stop – the degeneration of nerve cells brought on by ALS.

The onset of the trials awaits a technical validation process of various parameters of the treatment, as required by the Health Ministry, as well as the recruitment of test patients. These steps are expected to be completed within a few months.

"To our delight we have reached the critical stage where we can reach the patients themselves," said Lebovits. "I was warned for years not to invest in ALS, since if the large pharmaceutical companies haven't developed a treatment for the disease, how could we expect to? But I put my faith from the start in our company's scientific team and our technology, which are today the most respected in the world. The greatest satisfaction comes from saving a human life, not to mention thousands of lives. God willing, I am hopeful we can achieve that."

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