

### Spotlight: 409A Valuation

As a rule of thumb, stock options need to have an exercise price at or above the fair market value of the company’s common stock on the date on which the option is issued. A Section 409A valuation provides a safe harbor for determining fair market value. A precept for the safe harbor is that the valuation must be performed by a qualified independent appraiser, an appraiser whom the company deems to be qualified.

Under Section 409A, any stock option that is determined to be below the fair market value is subject to severe tax consequences. These penalties include full taxation of the option in the current year, an extra 20% federal tax and a potential state tax as well. 409A valuations expire after 12 months or after an event which impacts the value of the company.

Tobin & Company IBG specializes in valuations for these types of situations. In serving our clients, we work to provide transparency and accuracy to ensure the best quality report. Tobin & Company IBG is an active participant in the lower-middle market M&A arena, which allows us to provide significant value and insight into your 409A valuation.

### Things to Watch for in 2016 Going Forward

On June 24<sup>th</sup>, the United Kingdom voted to leave the European Union based on a referendum that ended with a tally of 51.9% to 48.1%. After the UK’s exit, world markets sharply declined, removing over \$3 trillion of market cap. Against the U.S. dollar, the value of the British pound dropped nearly 11%.

### Investment Banking Terminology:

Fair Market Value (FMV) – “The price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts.”

Tobin and Company Investment Banking Group is a full service advisory investment bank that provides tailored services to meet the needs of small and middle market businesses. We are a licensed broker/dealer and a member of the Financial Industry Regulatory Authority, Inc.

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June 2016

### Market Snapshot as of June 30, 2016

As of June 30 <sup>th</sup>	June 30 <sup>th</sup>	MTD% Δ	YTD% Δ	LTM % Δ
S&P 500	\$2098.86	.23%	2.98%	1.73%
Gold	\$1320.60	8.43%	24.41%	12.70%
Oil	\$48.40	(1.41)%	15.40%	(21.36)%
10 Yr. T-Note	1.49%	(.19) bps	(.33) bps	(.36) bps

### PE Fund Fined for Acting as Unregistered Broker

Blackstreet Capital Management, a Maryland-based private equity group, has agreed to pay over \$3.1 million in order to settle charges brought by the SEC. Blackstreet Capital Management conducted brokerage activities and charged fees but was not properly licensed as a broker-dealer. Tobin & Company Securities can help these types of firms avoid an enforcement action, while also helping an institution’s partners and employees earn such fees legally through FINRA registration via our firm. Ask us how.

### M&A Focus

For the month of May, middle-market M&A activity has slowed down considerably. According to Mergers & Acquisitions’ Mid-Market M&A Conditions Index (MACI), the May score for the MACI was 48.7 – a sharp decline compared to April’s score of 52.0. A score above 50 indicates an expansion in mid-market M&A, while a score below indicates a contraction. The index incorporates factors such as number of deals completed, number of bidders and actionable leads. Most of the firms surveyed indicate that the uncertainty in U.S. politics is the reason for the slow-down, which is reinforced by the fact that the 12-month outlook on M&A activity is better than the 3-month outlook.