

On The Cover



It is back to school time across the country. *The Value Examiner* thought this would be a perfect time to review some basic principals in valuation. We have several articles that review the basics and give some new ideas. We are also happy to introduce the “new class,” the 40 Under Forty, from whom we expect new and exciting things.

In This Issue...

6 PART I: ANALYTICAL DIFFERENCES BETWEEN BUSINESS VALUATIONS, UNIT VALUATIONS, AND SUMMATION VALUATIONS

By Robert Reilly, CPA, CVA, CFA, CFF, CREA

State and local property tax assessment authorities, along with industrial and commercial property owners, do not always understand the differences between business enterprise valuations, unit principle valuations, and summation principle valuations. In this first of a two-part series, we will discuss how business valuations value the taxpayer company’s debt and equity securities (and their associated investment attributes).

16 THE VALUATION COMMUNITY’S HOLY GRAIL: THE COMPANY SPECIFIC RISK PREMIUM

By James A. Janos, MBA, MA, CVA

In valuing privately held companies (PHC), one of the most elusive aspects of the process is the company specific risk premium (CSRP), which is used in the modified capital asset pricing model (MCAPM) and Buildup Method (BUM). The goal of this article is to demystify the CSRP, the methodologies currently used by valuers to compute CSRP, and opinions by the courts at various levels as to the applicability or inapplicability of this premium.

22 NACVA AND THE CTI PRESENT THE 2017 40 UNDER FORTY HONOREES

By Brien Jones, Chief Operations Officer and Executive Vice President of Business Development

Every year, the National Association of Certified Valuators and Analysts (NACVA) and the Consultants' Training Institute (CTI) honor young professionals who demonstrate the excellence, superior quality, and the spirit of pioneering so integral to our profession and organizations. These individuals represent the future visionary leaders from across all spectrums of the accounting and financial consulting professions. They are the best of the best among our group of subject matter experts and leaders.

LITIGATION CONSULTING

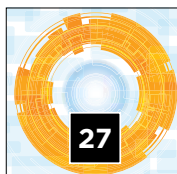
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COURT CORNER NAME AND LIKENESS VS. CELEBRITY GOODWILL: THE ESTATE OF MICHAEL JACKSON

By Robert M. Weinstock, JD, MBA, CBA, CVA

When entertainer Michael Jackson passed away suddenly on June 25, 2009, the Jackson Estate was left with the loss of several income streams along with the continuation of others. While Jackson was no longer able to perform live concerts, his name, likeness, and other assets produce revenues post mortem. The question is, is he worth more dead than alive? This article explores those ramifications.

Departments



TECHNOLOGY REVIEW

ARE NON-PARTICIPATING PREFERRED SHARES ALWAYS THE BEST CHOICE FOR EXECUTIVES AND INVESTORS?

By Raphael Meyara, MBA

Understanding the legal economic rights on terms sheets for preferred shares—and how they affect founders and other shareholders—is critical for any new financing round or exit strategy. It is commonly perceived that startups will either completely fail or enjoy a huge exit. This article discusses how to determine the value of preferred shares.



HEALTHCARE INSIGHTS

VALUATION OF COMPENSATION FOR PHYSICIAN SERVICES: PHYSICIAN ON-CALL SERVICES

By Bob Cimasi, MHA, ASA, FRICS, MCBA, CVA, CM&AA; and Todd Zigrang, MBA, MHA, FACHE, ASA

In this column, the authors provide a brief overview of the classification and valuation of compensation for four common types of services rendered in the healthcare delivery industry. The third installment in this series discusses Valuation of Compensation for Physician Services: Physician On-Call Services.



PRACTICE MANAGEMENT

BACK TO BASICS EBT OR EBITDA: WHICH MEASURE IS BEST FOR NORMALIZATION?

By Garth M. Tebay, CPA, CVA, MAFF, CMAA; and Jill R. Christopher, DBA, CPA, CVA, CFE

Traditional business valuation fundamentals, techniques, and theory, as currently taught to analysts in the NACVA's CTI, indicate that earnings before taxes (EBT) is the starting point for normalizing historical earnings under the Capitalization of Earnings Method in the Income Approach. This article suggests another method to consider.



PRACTICING SOLO

By Rod P. Burkert, CPA, ABV, CVA

The author interviews sole practitioner Chris Mutchler from Bremerton, Washington.



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The Value Examiner is devoted to current, articulate, concise, and practical articles in business valuation, litigation consulting, fraud deterrence, matrimonial litigation support, mergers and acquisitions, exit planning, and building enterprise value. Articles submitted for publication should range from 500 to 3,000 words. Case studies and best practices are always welcome.

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All articles should be thoroughly edited and proofread. Submit manuscript by e-mail (in standard word processing format) to Nancy McCarthy: NancyM1@NACVA.com. Include a brief biography to place at the end of the article and a color photo of the author. See authors' guidelines and benefits at www.nacva.com/examiner/Publishing_Articles.pdf. The Value Examiner accepts some reprinted articles, if accompanied by appropriate reprint permission.

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