Advanced Business Valuation Symposium

December 9–11, 2014
San Diego, CA
The 2014 Advanced Business Valuation Symposium will not rehash the “same old” discussion of the “same old” topics or continue the “same old” debates that are so often presented. This Symposium is specifically designed for valuators who want to advance to more nuanced topics rather than those professionals who need fundamental or intermediate training.

**Symposium Chairs:**

Peter Butler, CFA, ASA, MBA
Valtrend, LLC

Nancy Fannon, CPA, ASA, ABV, MBA, MAFF
Meyers, Harrison & Pia, LLC

**Symposium Description:**

Until now, a truly advanced conference has been challenging for the valuation profession to pull off. The art and science of business valuation is constantly evolving. Keeping up-to-date on the latest models, methodologies, approaches to value, academic research, and data sources are critical for advanced and seasoned valuation practitioners who are juggling numerous engagements and are also tasked with staff development. The 2014 Advanced Business Valuation Symposium will not rehash the “same old” discussion of the “same old” topics or continue the “same old” debates that are so often presented. This Symposium is specifically designed for valuators who want to advance to more nuanced topics rather than those professionals who need fundamental or intermediate training.

**Learning Objectives**

After completing this session, attendees will be able to:

- List the flaws of the BUM and MCAPM
- Recognize the flaw of the “small” stock premium
- Estimate the weighted average cost of capital for the determination of fair market value of small, privately held companies using the discounted cash flow method
- Identify how IPCPM eliminates the following problems pertaining to:
  - The small stock premium
  - Tax rate
  - Liquidity adjustment
  - Company specific risk adjustment

**2014 DATES**

| December 9–11 | San Diego, CA |

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<th>Early Registration Discounts and Deadlines</th>
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| 2014 Pricing (Before Early Registration Discount) |

<table>
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<tr>
<th>Three-day Symposium</th>
<th>Non-Member</th>
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<td>$1,950</td>
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| Individual Days     | $650       | $585   |

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**TUESDAY, DECEMBER 9, 2014**

8:30 a.m.–12:15 p.m.

The Implied Private Company Pricing Model

This session will discuss why appraisers should consider using the Implied Private Company Pricing Model (IPCPM) by commenting on the flaws of the Build-Up Method (BUM) and the Modified Capital Asset Pricing Model (MCAPM). The presenters will then discuss the IPCPM, including how it was created and how it eliminates problems pertaining to specific issues such as the small stock premium, the tax rate, liquidity adjustment, and the company specific risk adjustment.

**For more details, including presenter bios, please visit www.nacva.com/valuationsymposium**
1:30–3:15 p.m.
Public vs. Private Buyers: Market Participants, Implications for Discounts for Lack of Marketability, and New Data on S-Corp vs. C-Corp Valuations

This presentation will discuss the concept of the market participant as it relates to business valuation. It will demonstrate, using a large sample of transactions and several multiple regression models, that the market participant is related to the premium paid. It will show that, other things equal, public companies pay more than private buyers. This session will provide detailed information regarding the premium paid by public companies and relate this information to the private company discount and the discount for lack of marketability as well as how these results relate to the business valuation literature. This presentation also shows the importance of understanding the transactions data. In addition, it sheds additional light on whether S-corporations are priced differently than C-corporations.

Learning Objectives
After completing this session, attendees will be able to:

- Interpret the “market participant”
- Calculate private company discounts
- Recognize the importance of identifying the market participant
- Differentiate the tax implications in valuing S-corporations and C-corporations
- Identify the data sources used by valuation practitioners

WEDNESDAY, DECEMBER 10, 2014

8:30 a.m.–12:15 p.m.
Grounding Retrospective Solvency Analyses in Contemporaneous Information

The credit crisis created a financial tsunami that left many bankrupt debtors in its wake. Many of these debtors entered into pre-petition transactions that were subsequently challenged because the debtor was alleged to be insolvent at the time. This presentation addresses the three key components of retrospective solvency analyses (security prices, contemporaneous actions of interested parties, and the three financial tests) and key issues that permeate all components (e.g., standard of value and relevance of hindsight).

Learning Objectives
After completing this session, attendees will be able to:

- Specify the three key components of retrospective solvency analyses
- Identify when solvency or valuation-related determinations can effectively be made by the fact record and without the need for incremental expert testimony
- Differentiate between “good” and “bad” hindsight, i.e., identifying when hindsight is used to arrive at result-driven (“bad”) or informed (“good”) determinations
- Calculate and assess a debtor’s capital adequacy and ability to repay its debts

1:30–3:15 p.m.
Valuing a Dream—Lost Profits Damages for a Development Stage Start-Up

This session will walk participants through a very fascinating, highly complex lost profits litigation case for a firm in the alternative energy sphere that suffered a total loss from a fire before the company was able to sell one unit of product. The presenter represented the defendant, the insurance carrier, as opposing experts. This session will review and discuss the pertinent facts, issues, underlying assumptions as well as the challenges of completing a lost profits analysis for a start-up company lacking an operating history.

Learning Objectives
After completing this session, attendees will be able to:

- List the unique, highly unusual challenges of a valuation/expert witness engagement involving a lost profits damage claim for a development-stage firm with no operating history
- Identify the enhanced risk factors involved, the critical assumptions and essential foundational support for these assumptions, the common approaches used in valuing start-ups and development-stage enterprises, and the increased care required in opinion development and support and presentation

"The CPE received from CTI and NACVA is top notch. Challenging and relevant."

Peter J. Karutz, CPA, MAFF, CVA, St. Louis, MO
3:30–5:15 p.m.
Exploring the Connection Between Transfer Pricing and Valuation

Lee Upton, III, CPA

The connection between transfer pricing and valuation gets closer and closer as time passes. This presentation will focus on valuation issues that arise in the context of transfer pricing related to intangible property and will use specific examples to highlight key issues and analysis. The presentation will also include an overview of transfer pricing and valuation methods as well as key concerns regarding reliability, comparability, and quality of data and assumptions.

Learning Objectives
After completing this session, attendees will be able to:

- List the differences in valuation concepts as they are applied in the transfer pricing context as opposed to more traditional valuation contexts
- Identify the primary types of intangible assets that are typically subject to transfer pricing disputes
- Identify and apply the generally accepted methods as prescribed in the transfer pricing regulations to the valuation of intangibles for transfer pricing purposes
- Evaluate the valuation approaches used by other valuation experts in the context of transfer pricing of intangibles

THURSDAY, DECEMBER 11, 2014

8:30–10:15 a.m.
Considerations in the Valuation of Alternative Asset Management Firms and Carried Interests

Vladimir Korobov, ASA, CPA, ABV

The presentation will be an advanced-level discussion of technical issues that arise in valuations of alternative asset management firms, such as hedge fund and private equity/venture capital fund managers, and carried interests in the investment funds. The discussion will cover topics such as typical investment fund entity structures; valuation methodologies, such as discrete discounted cash flow (DCF) option-pricing models; Monte Carlo simulation and their respective pros and cons; frequently encountered specific valuation challenges, such as investment return expectations; reasonable compensation issues; important discount rate(s) considerations; and suggestions on how to tackle these challenges.

Learning Objectives
After completing this session, attendees will be able to:

- Specify typical investment fund entity structures and the impact of the structures on the valuation analysis
- List valuation methodologies and articulate their application
- Identify the main pros and cons of each valuation methodology
- List the specific issues that present challenges in the valuation of alternative asset management firms and carried interests
- Establish approaches for dealing with valuation challenges specific to alternative asset management firms and carried interests

10:30 a.m.–12:15 p.m.
Using Monte Carlo Modeling to Value Embedded Features in Warrants and Convertibles

Vincent Couri, CFA, PhD
Dan McConaughy, ASA, PhD

Companies may issue options, warrants, convertible debt, and convertible preferred securities with exotic derivatives features such as a resetting of the strike price or a change in the number of equivalent shares based on market conditions. This session will discuss some of the most common embedded features encountered in valuation for financial reporting. It will provide illustrative excerpts from SEC filings describing such features. The presenters will show how to value securities with embedded features using Monte Carlo simulation, a flexible methodology well suited to valuing such contractual features.

Learning Objectives
After completing this session, attendees will be able to:

- Identify the embedded derivatives in securities purchase agreements
- Detect how embedded features add to or subtract from a simple Black-Scholes option valuation
- Compare the Black-Scholes Model with the Monte Carlo simulation model
- Implement options/warrants/convertibles with the embedded features using Monte Carlo

1:30–5:15 p.m.
Cost of Capital and Forecasting Issues in Healthcare Valuation

Mark O. Dietrich, CPA, ABV
Laura Pfeiffenberger, MBA, MSA

This session will provide an in-depth discussion of the sources of risk to consider in the cost of capital and forecasting in healthcare valuations. An industry risk overview will provide a chance to assess the relevant issues of healthcare reform in order to build an understanding of company-specific issues. Issues related to developing a discount rate will cover the assessment and derivation of costs of equity and debt and the weighted average cost of capital. This session will also discuss the corresponding risk quantified in cash flow projections. Specific practice examples that will be used in this session include internal medicine, cardiology, and dermatology.

Learning Objectives
After completing this session, attendees will be able to:

- Identify and assess the risks of current reform trends
- Recognize and specify the nature of current reimbursement trends and payor relationships and their impact on healthcare entities
- Specify how risk is quantified in the discount rate and cash flow projections
- Calculate an appropriate cost of capital for a subject entity