CHAPTER 1

Introduction to Financial Valuation

Demand for financial valuation services pertaining to ownership interests and assets in nonpublic companies/entities and subsidiaries, divisions, or segments of public companies is ever-increasing. Much of the information from books that address valuation issues pertaining to public companies and their stock prices is applicable to nonpublic companies. Over the past 40 years or so, specific techniques, methods, applications, and models applicable to nonpublic entities and assets have emerged and been refined. This text addresses this body of knowledge.

Development of a valuation requires judgment on the part of the valuation analyst (analyst), which can lead to differences of opinion. This book presents the consensus view many of the leading valuation analysts in the country.

Much of the notation system used in this text is that used by Dr. Shannon P. Pratt (a coauthor of the third and fourth editions of this book) in his various publications.[1] It has also been used by the American Institute of Certified Public Accountants (AICPA), the National Association of Certified Valuators and Analysts (NACVA), and the American Society of Appraisers (ASA) in their business valuation courses.

As a quick reference guide to important factors and concepts, numerous "ValTips" are found throughout the volume. These ValTips are intended to provide guidance and insight on handling key issues as well as to provide best practice ideas.

WHO VALUES BUSINESSES?

Various providers and/or users of business valuation services exist. Many certified public accountants (CPAs) perform business valuations on at least a part-time basis, and many are full-time valuation practitioners. Most of the national accounting firms have valuation services groups as do many regional and local firms. Analysts and appraisers also practice out of various types of organizations, including appraisal companies, valuation boutiques, and consulting firms. Valuations are performed by investment bankers, usually as part of a transaction. Owners and financial executives participate in valuations of their companies or segments of their companies. Academics and economists value businesses as well. This book attempts to provide

[1] Shannon P. Pratt and Roger J. Grabowski, *Cost of Capital: Applications and Examples*, 5th ed. (Hoboken, NJ: John Wiley & Sons, 2014), Appendix VI, "Notation System and Abbreviations Used in This Book."

a sound understanding of financial valuation for all users and providers of valuation services and to advance consensus views on some of the more controversial aspects within the valuation profession.

PURPOSE OF A VALUATION

Businesses or their assets are valued for a variety of reasons. Some of the more common purposes for valuation are:

- Mergers and acquisitions
- Litigation and ownership disputes
- Estate, gift, and income tax
- Marital dissolution
- Dissenters' rights cases
- Shareholder oppression cases
- Employee stock ownership plans (ESOPs)
- Financial reporting
- Allocation of purchase price
- Goodwill impairment
- Buy-sell agreements
- Family limited partnerships
- Reorganizations and bankruptcies
- Recapitalizations
- Business planning
- Stock option plans
- Compensation
- Intangible assets

Various types of businesses can be valued:

- C corporations
- S corporations
- Limited liability companies
- Limited liability partnerships
- Limited partnerships
- General partnerships
- Trusts
- Sole proprietorships
- Undivided interests

The types of interest within each of the organizational structures can vary as well. The types of interest that can be valued include:

- 100 percent controlling interest
- Majority interests that possess control
- Majority interests that do not possess control
- 50 percent interest

- Dominant minority interest
- Nondominant minority interest

The individual ownership characteristics of any interest in a company being valued must also be evaluated. As such, it is important for an analyst to review corporate documents, including articles of incorporation, by-laws, buy-sell agreements, partnership agreements, restrictive agreements, and the like. A review of these documents, along with an understanding of relevant state rights, will indicate any particular rights the interest enjoys.

PROFESSIONAL VALUATION ORGANIZATIONS

The following long-standing U.S. professional organizations provide accreditation and education to members (some of whom are international members) in business valuation, particularly in closely held business interests and the valuation of intangible assets:

1. American Institute of Certified Public Accountants (AICPA)
2. American Society of Appraisers (ASA)
3. National Association of Certified Valuators and Analysts (NACVA)

These organizations are briefly described in Chapter 12, "Business Valuation Standards."

Several other organizations offer accreditation and support for business valuation internationally, including:

1. The International Society of Business Appraisers (ISBA)
2. The Canadian Institute of Chartered Business Valuators (CBV Institute)
3. The International Institute of Business Valuers (iiBV), an association of valuation professional organizations

STANDARDS OF VALUE

At the inception of a business valuation engagement, analysts must identify and understand the applicable standard of value for the valuation of the subject interest (see Chapter 2, "Standards of Value"). The standard of value is related to and determined by the purpose of the valuation.

ValTip

> Relying on the wrong standard of value can result in a very different value than would have been concluded under the proper standard of value. In a dispute setting, the use of the wrong standard of value for the jurisdiction can result in a possible dismissal of the value altogether.

The five primary standards of value are:

1. Fair market value (FMV)
2. Investment value
3. Intrinsic value
4. Fair value (state rights)
5. Fair value (financial reporting)

Fair Market Value

The U.S. Treasury regulations define fair market value as "the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts."[2]

Fair market value for tax purposes also assumes a hypothetical willing buyer and a hypothetical willing seller. In contrast, investment value identifies a particular buyer or seller and the attributes that buyer or seller brings to a transaction. Fair market value also assumes an arm's-length deal and that the buyer and seller are able and willing to complete the transaction. This is not the same as the definition of market value, an often-used real estate term. For example, the Uniform Standards of Professional Appraisal Practice (USPAP) defines market value as "a type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal."[3]

Internal Revenue Service Revenue Ruling 59-60 (see Addendum 1 to this chapter for a checklist summary for Revenue Ruling 59-60) defines fair market value as "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. Court decisions frequently state in addition that the hypothetical buyer and seller are assumed to be able, as well as willing, to trade and to be well informed about the property and concerning the market for such property."[4]

ValTip

Although state courts may use the term *fair market value* in marital dissolution cases, no states have specific and detailed definitions of fair market value.

The 2001 *International Glossary of Business Valuation Terms* (2001 *International Glossary*) represents the collective wisdom of the American Institute of Certified Public Accountants, American Society of Appraisers, Canadian Institute of

[2] Treasury Regulation 20.2031-1.

[3] USPAP, 2020–2021 edition (also in effect for 2022 and 2023), p. 5, The Appraisal Foundation, https://www.appraisalfoundation.org/.

[4] Rev. Rul. 59-60, 159-1 CB 237.

Chartered Business Valuators, National Association of Certified Valuators and Analysts, and the Institute of Business Appraisers. See Addendum 2 to this chapter for the complete *International Glossary*.[5]

The 2001 *International Glossary*, which was, and still is, part of the AICPA SSVS VS Section 100, defines fair market value as: "The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts."[6]

> This statement [SSVS] includes two glossaries. Appendix B, "International Glossary of Business Valuation Terms" (par. .81), is a verbatim reproduction of the glossary jointly developed by the AICPA, the American Society of Appraisers (ASA), the Canadian Institute of Chartered Business Valuators, the National Association of Certified Valuation Analysts, and the Institute of Business Appraisers. Appendix C, "Glossary of Additional Terms" (par. .82), provides definitions for terms included in this statement but not defined in the jointly developed glossary. The terms defined in appendix B are in boldface type the first time they appear in this statement; the terms defined in appendix C are in italicized boldface type the first time they appear in this statement.[7]

The 2022 *International Glossary* defines fair market value as: "a **Standard of Value** considered to represent the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, each acting at arms-length in an open and unrestricted market, when neither is under compulsion to buy or to sell and when both have reasonable knowledge of relevant facts. See also **Market Value**."[8]

This is obviously very similar to the definition of fair market value in the tax area. Fair market value is used most often in tax situations. It is also used in many buy-sell agreements, marital dissolution situations, and other disputes. Unless otherwise noted, the standard of value discussed throughout this text is fair market value.

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[5] A new international glossary, *International Valuation Glossary—Business Valuation*, was published jointly by the ASA, the CBV Institute, RICS, and TAQEEM (updated February 24, 2022). The AICPA was initially involved but decided not to proceed. All CPAs/ABVs and ABVs must follow the older 2001 Glossary. If they belong to organizations that have adopted the new glossary, then they must follow both glossaries. See Addendum 4 to this chapter and Chapter 12, "Business Valuation Standards," for more information on the new glossary.

[6] *International Glossary of Business Valuation Terms*, Statements on Standards for Valuation Services, VS Section 100, Valuation of a Business, Business Ownership Interest, Security, or Intangible Asset, American Institute of Certified Public Accountants, June 2007, Appendix B, "International Glossary of Business Valuation Terms," paragraph .81.

[7] Ibid., footnotes (VS Section 100—Valuation of a Business, Business Ownership Interest, Security, or Intangible Asset), footnote 1.

[8] *International Valuation Glossary—Business Valuation*, November 2021, updated February 24, 2022, jointly published by the ASA, the CBV Institute, RICS, and TAQEEM, p. 5.

Investment Value

The 2001 *International Glossary* defines investment value as "the value to a particular investor based on individual investment requirements and expectations."[9] The 2022 *International Glossary* defines investment value as: "a **Standard of Value** considered to represent the value of an asset or business to a particular owner or prospective owner for individual investment or operational objectives. Also known as value to the owner."[10] Investment value reflects the particular and specific attributes of a particular investor. The best example would be an auction setting for a company in which there are five different bidders attempting to purchase the company. More than likely each of the bidders will offer a different price because the prices are based on the individual outlook and synergies that each bidder brings to the transaction. Investment value may also reflect more of the risk of a particular investor than the market consensus of the risk of the investment.

Intrinsic Value

Intrinsic value is based on fundamental analyses of companies, particularly publicly traded companies. It is commonly taught in university financial courses and presented in finance textbooks. Jeffrey C. Hooke, in his text *Security Analysis on Wall Street: A Comprehensive Guide to Today's Valuation Methods*, states that "Under the intrinsic value method, future dividends are derived from earnings forecasts and then discounted to the present, thereby establishing a present value for the stock. If the stock is trading at a price lower than this calculation, it is a 'buy'; if the market price is higher than the intrinsic value, the stock is a 'sell.'"[11]

The 2001 *International Glossary* defines intrinsic value as follows:

> The value that an investor considers, on the basis of an evaluation or available facts, to be the "true" or "real" value that will become the market value when other investors reach the same conclusion. When the term applies to options, it is the difference between the exercise price and strike price of an option and the market value of the underlying security.[12]

The 2022 *International Glossary* defines intrinsic value as follows:

> The value that an investor considers, on the basis of available facts, to be the "true," "real," or fundamental value that will become the Market Value when other investors reach the same conclusion. When the term applies to options, Intrinsic Value is the difference between the exercise (strike) price of an option and the market price of the underlying security.[13]

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[9] *International Glossary of Business Valuation Terms*, Statements on Standards for Valuation Services, VS Section 100, Valuation of a Business, Business Ownership Interest, Security, or Intangible Asset, American Institute of Certified Public Accountants, June 2007, Appendix B, "International Glossary of Business Valuation Terms," paragraph .81.

[10] *International Valuation Glossary—Business Valuation*, p. 7.

[11] Jeffrey C. Hooke, *Security Analysis and Business Valuation on Wall Street: A Comprehensive Guide to Today's Valuation Methods*, 2nd ed. (Hoboken, NJ: John Wiley & Sons, 2010), 12.

[12] *International Glossary of Business Valuation Terms*, Statements on Standards for Valuation Services, VS Section 100, Valuation of a Business, Business Ownership Interest, Security, or Intangible Asset, American Institute of Certified Public Accountants, June 2007, Appendix B, "International Glossary of Business Valuation Terms," paragraph .81.

[13] *International Valuation Glossary—Business Valuation*, p. 6.

Others define intrinsic value as the "true" or "real" worth of an item, based on an evaluation of available facts. It is sometimes called *fundamental value*. It is an analytical judgment of value based on perceived *characteristics inherent in the investment* (not characteristics particular to any one investor). Intrinsic value is not applied often in valuations of nonpublic companies.

Fair Value (State Rights)

In most states, *fair value* refers to fair market value without discounts for lack of control and lack of marketability. The Model Business Corporation Act (MBCA) of 1984 published by the American Bar Association (ABA) defined fair value as:

> The value of the shares immediately before the effectuation of the corporate action to which the shareholder objects, excluding any appreciation or depreciation in anticipation of the corporate action unless exclusion would be inequitable.[14]

Initially published in 1950, the ABA has made modifications to the MBCA over time. The Model Business Corporation Act of 1999 revised the definition of fair value as follows:[15]

> The value of the corporation's shares determined:
>
> (i) immediately before the effectuation of the corporate action to which the shareholder objects;
> (ii) using customary and current valuation concepts and techniques generally employed for similar businesses in the context of the transaction requiring appraisal; and
> (iii) without discounting for lack of marketability or minority status except, if appropriate, for amendments to the articles pursuant to section 13.02(a)(5).

Many states have adopted the MBCA. Even in states that have not adopted it, it is frequently cited in cases in those states. Fair value is often the standard of value for state actions, including dissenting rights cases and shareholder oppression cases. The definition and application of fair value can vary from state to state significantly. Analysts must understand the definition and the application of fair value in the state in which the action is taking place. A discussion with an attorney familiar with a state's statutes and case law is very helpful. Ultimately, the determination of what standard of value is applicable is a legal interpretation.

Fair Value (Financial Reporting)

Fair value is the standard of value for financial reporting as set forth in the Accounting Standards Codification (ASC) as issued by the Financial Accounting Standards Board (FASB). Also, see Addendum 3 to this chapter for the *AICPA Glossary of Additional Terms* from the Statements on Standards for Valuation Services VS Section 100.

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[14] Model Business Corporation Act § 13.01(3) (ABA 1984).

[15] Model Business Corporation Act § 13.01(4) (ABA 1999).

The definition from the glossary in ASC Topic 820, Fair Value Measurements, is: "Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."[16]

Fair value for financial reporting purposes often has been equated with fair market value. In certain situations, for example, the purchase of a business, fair value for a company or a segment of a company would include synergies within a transaction, if present. In those situations, the purchase price may have more aspects of investment value than fair market value or fair value. In other situations, such as the value of certain individual assets, synergies may not be included, and fair value would be more similar to fair market value. Analysts should look for guidance from FASB and the Securities and Exchange Commission (SEC) on fair value and its applications.

PREMISE OF VALUE

The two main premises of value in a business valuation are going concern value and liquidation value. The 2001 *International Glossary* defines premise of value as "an assumption regarding the most likely set of transactional circumstances that may be applicable to the subject valuation, for example, going concern, liquidation."[17] It also defines going concern value as "the value of a business enterprise that is expected to continue to operate into the future. The intangible elements of going concern value result from factors such as having a trained work force, an operational plant, and the necessary licenses, systems, and procedures in place."[18]

ValTip

> Some companies are worth more dead than alive. It is important for the analyst, particularly when valuing an entire company, to determine if the going concern value exceeds the liquidation value. For a minority interest, there are situations where the going concern value is less than the liquidation value. However, the minority shareholder cannot force a liquidation if the controlling shareholder desires to continue the business as a going concern.

The two types of liquidation value are orderly liquidation and forced liquidation. The 2001 *International Glossary* defines liquidation value as "the net amount

[16] ASC Topic 820, Fair Value Measurement.

[17] *International Glossary of Business Valuation Terms*, Statements on Standards for Valuation Services (VS Section 100), Valuation of a Business, Business Ownership Interest, Security, or Intangible Asset, American Institute of Certified Public Accountants, June 2007, Appendix B, "International Glossary of Business Valuation Terms," paragraph .81.

[18] Ibid.

that can be realized if the business is terminated and the assets are sold piecemeal. Liquidation can be either 'orderly' or 'forced.'"[19]

It defines orderly liquidation value as a form of "liquidation value in which the asset or assets are sold over a reasonable period of time to maximize proceeds received."[20]

The 2001 *International Glossary* defines forced liquidation value as a form of "liquidation value at which the asset or assets are sold as quickly as possible, such as at an auction."[21]

Under ASC 820, for fair value accounting the valuation premise for nonfinancial assets is the *highest and best use,* defined as follows:

> The use of a nonfinancial asset by market participants that would maximize the value of the asset or the group of assets and liabilities (for example, a business) within which the asset would be used.[22]

For the valuation of real estate, the definition of *highest and best use* includes the fair value definition and other components, summarized below:

1. The reasonably probable use of property that results in the highest value.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible.
3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future.[23]

PRINCIPLES OF APPRAISAL PRACTICE

Appraisal practice has evolved over the years. The ASA's seminal text, *Appraisal Principles and Procedures*, discusses the general characteristic of value:

> It is a characteristic of value, in the sense that the word is understood in appraisal practice, that it is expressible in terms of a single lump sum of money considered as payable or expended at a particular point in time in exchange for property, i.e., the right to receive future benefits as at that particular timepoint. The amount of the lump sum of money, in any particular instance, is exactly equivalent to the right to receive the particular future benefits encompassed in the property under consideration. In this, value differs from price or cost. Price and cost refer to an amount of money asked or actually paid for a property, and this may be more or less than its value.[24]

[19] Ibid.

[20] Ibid.

[21] Ibid.

[22] ASC Topic 820, Fair Value Measurement.

[23] *The Dictionary of Real Estate Appraisal*, 7th ed. (The Appraisal Institute, 2022), 88–89.

[24] Henry A. Babcock, *Appraisal Principles and Procedures* (Washington, DC: American Society of Appraisers, 1994), 95.

ValTip

Price and cost can equal value but don't necessarily *have to* equal value. Furthermore, value is future-looking. Although historical information can be used to set a value, the expectation of future economic benefits is the primary value driver. Investors buy tomorrow's cash flow, not yesterday's or even today's.

DATES

All valuations are performed as of a single date. It is important that the users of valuations understand this fact. The 2001 *International Glossary* defines the valuation date as "the specific point in time as of which the valuator's opinion of value applies (also referred to as 'Effective Date' or 'Appraisal Date')."[25]

The 2022 *International Glossary* defines the valuation date as "the specific point in time at which the conclusion of value applies. Also known as **Effective Date**, **Measurement Date**, or date of value. Contrast with **Report Date**."[26]

APPROACHES TO VALUE

The three approaches to value any asset, business, or business interest are:

1. The income approach
2. The market approach
3. The asset approach

There are no other approaches to value. However, numerous methods within each one of the approaches may be considered by the analyst in performing a valuation. For example, under the income approach, the analyst can use a discounted cash flow method or a capitalized cash flow method. Each of these methods also can be prepared on a direct equity method or an invested capital method. In the market approach, the analyst can apply guideline public company multiples or multiples derived from transactions both public and private. In the asset approach, the analyst often must choose between valuing just tangible assets, individual intangible assets, or all intangible assets as a collective group. Various methodologies exist for each one of these choices.

All three approaches should be considered in each valuation. However, it is not common to use all three approaches in each valuation. For example, the asset

[25] *International Glossary of Business Valuation Terms*, Statements on Standards for Valuation Services, VS Section 100, Valuation of a Business, Business Ownership Interest, Security, or Intangible Asset, American Institute of Certified Public Accountants, June 2007, Appendix B, "International Glossary of Business Valuation Terms," paragraph .81.

[26] *International Valuation Glossary—Business Valuation*, p. 12.

approach is used less often in valuing profitable operating companies, since the time and cost involved in performing valuations of intangible assets do not warrant the increased level of detail provided by the cost approach. The value of individual intangible assets is often not detailed separately because intangible asset values are captured in the proper application of the income and market approaches, which would provide, in most circumstances, the aggregate value of intangible assets.

VALUATION PROCEDURES

Numerous procedures and factors must be considered in performing a business valuation. They can generally be classified into the following areas:

- Understand the purpose of the engagement
- Understand who the client is
- Understand the client's use of the valuation
- Determine the standard of value and its definition
- Determine the premise of value and its definition
- Determine the users of the value
- Determine the interest or assets to be valued
- Consider whether discounts and/or premiums are to be applied
- Analyze the company's financial information
- Gather information about the company or assets
- Gather information about the industry and economy
- Consider the three approaches to value and select the most appropriate
- Apply the approaches to value through the various methodologies
- Reconcile the values
- Apply discounts and premiums, if applicable
- Write the report, if applicable
- Ensure compliance with professional standards, if applicable.

These steps are discussed throughout the book.

SUMMARY

Valuation, by its very nature, contains many controversial issues. We address many of these issues throughout this book, highlighting them through the ValTips. These issues are further addressed in Chapter 32, which presents these issues as "valuation views" in the sequence of an actual abbreviated report. The theory of valuation of business enterprises and business assets is well founded in academic publications and empirical studies. The use of public company information provides the foundation for analysis in business valuation. The biggest difference between valuing investments in public companies and nonpublic businesses is the level of available information. The application of recognized valuation methodologies combined with rigorous analysis of the private entity provides the foundation for business valuation. This book presents state-of-the-art methods for the valuation of closely held businesses and nonpublic companies, divisions of public companies, and fixed and intangible assets.

ADDENDUM 1—VALUATION CHECKLIST/READY REFERENCE (REVENUE RULING 59-60)

Introduction

Revenue rulings provide useful guidance in various valuation situations. Revenue Ruling 59-60 is applicable to many types of valuation engagements. Revenue Ruling 77-287 applies to restricted securities, such as private placements, investment letter stock, control stock, or unregistered securities. Revenue Ruling 93-12 applies to valuing minority interests in closely held companies for intrafamily transfers. See Chapter 14 for checklists for these revenue rulings.

A valuation checklist/ready reference has been created for each of these revenue rulings to assist in a quick review of their key points as well as for the practical application of these rulings to an actual valuation.

Although Revenue Ruling 59-60 and others provide excellent guidance, they are often cumbersome to apply. The checklists are designed to make it easier to apply these rulings.

Bear in mind that many valuation analysts disagree with various components of the revenue rulings. However, a thorough understanding of these revenue rulings is essential to prepare valuations for tax and other purposes. See Chapter 14 for a detailed discussion of these revenue rulings.

Revenue Ruling 59-60

Revenue Ruling 59-60 contains a wealth of information. It has stood the test of time and is often quoted in various valuation situations. However, many analysts feel that it is poorly organized and hard to follow. This checklist presents the ruling in an easy-to-follow format.

The primary information concerning discounts and premiums is highlighted by an asterisk (*).

1. *Purpose*

________ Estate tax

________ Gift tax

________ Income tax (as amplified by Revenue Ruling 65-192)

________ *Value of closely held corporations

________ *Value of thinly traded stock

________ Value of other business entities such as partnerships, proprietorships, etc. (as amplified by Revenue Ruling 65-192)

2. *Background Definitions*

Dates of Valuation

________ Date of death

________ Alternate date (6 months after date of death)

Definition of Fair Market Value

________ "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."

________ "The hypothetical buyer and seller are assumed to be able, as well as willing, to trade and to be well informed about the property and concerning the market for such property."

3. *Approach to Valuation*

________ Facts and circumstances

________ No general formula applicable

________ Wide difference of opinion as to fair market value

________ Valuation is not an exact science

________ Sound valuation:

- ________ Relevant facts
- ________ Common sense
- ________ Informed judgment
- ________ Reasonableness

________ Future outlook:

- ________ Value varies as general economic conditions change
- ________ Optimism versus pessimism
- ________ Uncertainty as to the stability or continuity of future income
- ________ Risk of loss of earnings and value
- ________ Highly speculative value to very uncertain future prospects
- ________ Valuation is a prophecy as to the future

________ Use of guideline public companies

4. *Factors to Consider*

Nature of the Business and History of the Enterprise from Inception

________ Past stability or instability

________ Growth or lack of growth

________ *Diversity or lack of diversity of its operations

________ *Degree of risk in the business

________ Study of gross and net income

________ *Dividends history
________ Nature of the business
________ Products or services
________ Operating and investment assets
________ *Capital structure
________ Plant facilities
________ Sales records
________ *Management
________ Due regard for recent significant changes
________ Discount events of the past that are unlikely to recur in the future
________ Value has a close relation to future expectancy
________ Recent events are of greatest help in predicting the future

Economic Outlook in General and Condition and Outlook of the Specific Industry in Particular

________ Current and prospective economic conditions
________ National economy
________ Industry or industries
________ More or less successful than its competitors; stable with competitors
________ Ability of industry to compete with other industries
________ Prospective competition
________ Price trends in the markets for commodities and securities
________ *Possible effects of a key person or thin management/lack of succession
________ Effect of the loss of the manager on the future expectancy of the business
________ *Key person life insurance could be partially offsetting

Book Value of the Stock and the Financial Condition of the Business

________ Two historical fiscal year-end balance sheets
________ Balance sheet as of the end of the month preceding the valuation date
________ *Liquid position (ratio of current assets to current liabilities)
________ Gross and net book value of principal classes of fixed assets
________ Working capital
________ Long-term indebtedness
________ *Capital structure
________ Net worth

________ *Revalued nonoperating assets (i.e., investments in securities and real estate) on the basis of their market price

________ Generally, nonoperating assets command lower rates of return

________ Acquisitions of production facilities or subsidiaries

________ Improvements in financial position

________ *Recapitalizations

________ *Changes in capital structure

________ *Classes of stock

________ *Examination of charter or certificate of incorporation for rights and privileges of the various stock issues including:

- ________ Voting powers
- ________ Preference as to dividends
- ________ Preference as to assets in the event of liquidation

The Earning Capacity of the Company

________ Preferably five or more years of detailed profit and loss statements

________ Gross income by principal items

________ Deductions from gross income:

- ________ Operating expenses
- ________ Interest and other expense on each item of long-term debt
- ________ Depreciation and depletion
- ________ *Officers' salaries in total if reasonable and in detail if they appear excessive
- ________ Contributions based on nature of business and its community position
- ________ Taxes

________ *Net income available for dividends

________ *Rates and amounts of dividends paid on each class of stock

________ Remaining amount carried to surplus

________ Adjustments to, and reconciliation with, surplus as stated on the balance sheet

________ Separate recurrent from nonrecurrent items of income and expense

________ *Distinguish between operating income and investment income

________ Ascertain whether or not any line of business is operating consistently at a loss and might be abandoned with benefit to the company

________ *Note percentage of earnings retained for business expansion when considering dividend-paying capacity

________ Secure all information concerning past income that will be helpful in predicting the future (potential future income is a major factor in many valuations)

________ Prior earnings records are usually the most reliable guide as to future earnings expectancy

________ The use of arbitrary 5- or 10-year averages without regard to current trends or future prospects will not produce a realistic valuation

________ If a record of progressively increasing or decreasing net income is found, consider according greater weight to the most recent years' profits in estimating earning power

________ Look at margins and percentages of sales to assess risk:

- ________ Consumption of raw materials and supplies for manufacturers, processors, and fabricators
- ________ Cost of purchased merchandise for merchants
- ________ Utility services
- ________ Insurance
- ________ Taxes
- ________ Depreciation and depletion
- ________ Interest

Dividend-Paying Capacity

________ *Primary consideration to dividend-paying capacity rather than dividends actually paid

________ *Recognition of the necessity of retaining a reasonable portion of profits to meet competition

________ *When valuing a controlling interest, the dividend factor is not a material element, since the payment of such dividends is discretionary with the controlling stockholders

________ *The individual or group in control can substitute salaries and bonuses for dividends, thus reducing net income and understating the dividend-paying capacity of the company

________ *Dividends are a less reliable factor for valuation than dividend-paying capacity

Whether the Enterprise Has Goodwill or Other Intangible Value

________ Goodwill is based on earning capacity

________ Goodwill value is based on the excess of net earnings over and above a fair return on the net tangible assets

________ Factors to consider to support intangible value:

- ________ Prestige and renown of the business

________ Trade or brand name

________ Record of success over a prolonged period in a particular locality

________ Sometimes it may not be possible to make a separate valuation of tangible and intangible assets

________ Intangible value can be measured by the amount that the value of the tangible assets exceeds the net book value of such assets

Sales of the Stock and the Size of the Block of Stock to Be Valued

________ Prior sales should be arm's length

________ Forced or distressed sales do not reflect fair market value

________ Isolated sales in small amounts may not control as a measure of value

________ *Blockage is not an issue since the stock is not publicly traded

________ *Size of the block of stock is a relevant factor

________ *A minority interest in an unlisted corporation's stock is more difficult to sell than a similar block of listed stock

________ *Control of a corporation, either actual or in effect, may justify a higher value for a specific block of stock since it is an added element of value

Market Price of Stocks of Corporations Engaged in the Same or a Similar Line of Business Having Their Stocks Actively Traded in a Free and Open Market, Either on an Exchange or Over-the-Counter

________ *Must be evidence of an active free public market for the stock as of the valuation date to be used as a comparable company

________ Use only comparable companies

________ The lines of business should be the same or similar

________ A comparable with one or more issues of preferred stock, bonds, or debentures in addition to its common stock should not be considered to be directly comparable to one having only common stock outstanding

________ A comparable with a declining business and decreasing markets is not comparable to one with a record of current progress and market expansion

5. *Weight to Be Accorded Various Factors*

________ Certain factors carry more weight than others because of the nature of the company's business

________ Earnings may be the most important criterion of value in some cases, whereas asset value will receive primary consideration in others

________ Give primary consideration to earnings when valuing stocks of companies that sell products or services to the public

________ Give greatest weight to the assets underlying the security to be valued for investment or holding-type companies

________ Closely held investment or real estate holding company:

- ________ Value is closely related to the value of the assets underlying the stock
- ________ The appraiser should determine the fair market values of the assets of the company
- ________ *Operating expenses of such a company and the cost of liquidating it, if any, merit consideration
- ________ The market values of the assets give due weight to potential earnings and dividends of the particular items of property underlying the stock, capitalized at rates deemed proper by the investing public at the valuation date
- ________ Adjusted net worth should be accorded greater weight in valuing the stock of a closely held investment or real estate holding company, whether or not it is family owned, than any of the other customary yardsticks of appraisal, such as earnings and dividend-paying capacity

6. *Capitalization Rates*

________ Capitalize the average or current results at some appropriate rate

________ One of the most difficult problems in valuation

________ No ready or simple solution will become apparent by a cursory check of the rates of return and dividend yields in terms of the selling price of corporate shares listed on the major exchanges

________ Wide variations will be found even for companies in the same industry

________ The ratio will fluctuate from year to year depending upon economic conditions

________ No standard tables of capitalization rates applicable to closely held corporations can be formulated

________ Important factors to consider:

- ________ Nature of the business
- ________ Risk
- ________ Stability or irregularity of earnings

7. *Average of Factors*

________ Valuations cannot be made on the basis of a prescribed formula

________ There is no means whereby the various applicable factors in a particular case can be assigned mathematical weights to derive the fair market value

________ No useful purpose is served by taking an average of several factors (e.g., book value, capitalized earnings, and capitalized dividends) and basing the valuation on the result

________ Such a process excludes active consideration of other pertinent factors, and the end result cannot be supported by a realistic application of the significant facts in the case except by mere chance

8. *Restrictive Agreements*

________ *Where shares of stock were acquired by a decedent subject to an option reserved by the issuing corporation to repurchase at a certain price, the option price usually is accepted as the fair market value for estate tax purposes

________ *The option price is not determinative of fair market value for gift tax purposes

________ *Where the option or buy and sell agreement is the result of voluntary action by the stockholders and is binding during the life as well as at the death of the stockholders, such agreement may or may not, depending on the circumstances of each case, fix the value for estate tax purposes

________ *Such restrictive agreements are a factor to be considered, with other relevant factors, in determining fair market value

________ *Where the stockholder is free to dispose of his shares during life and the option is to become effective only upon his or her death, the fair market value is not limited to the option price

________ *Determine whether the agreement represents a bona fide business arrangement or is a device to pass the decedent's shares for less than an adequate and full consideration in money or money's worth:

________ Relationship of the parties

________ Relative number of shares held by the decedent

________ Other material facts

ADDENDUM 2—2001 *INTERNATIONAL GLOSSARY OF BUSINESS VALUATION TERMS**

To enhance and sustain the quality of business valuations for the benefit of the profession and its clientele, the below-identified societies and organizations have adopted the definitions for the terms included in this glossary.

The performance of business valuation services requires a high degree of skill and imposes upon the valuation professional a duty to communicate the valuation process and conclusion in a manner that is clear and not misleading. This duty is advanced through the use of terms whose meanings are clearly established and consistently applied throughout the profession.

If, in the opinion of the business valuation professional, one or more of these terms needs to be used in a manner that materially departs from the enclosed definitions, it is recommended that the term be defined as used within that valuation engagement.

This glossary has been developed to provide guidance to business valuation practitioners by further memorializing the body of knowledge that constitutes the competent and careful determination of value and, more particularly, the communication of how that value was determined.

Departure from this glossary is not intended to provide a basis for civil liability and should not be presumed to create evidence that any duty has been breached.

American Institute of Certified Public Accountants
American Society of Appraisers
Canadian Institute of Chartered Business Valuators
National Association of Certified Valuators and Analysts
The Institute of Business Appraisers

Adjusted Book Value Method—a method within the asset approach whereby all assets and liabilities (including off-balance sheet, intangible, and contingent) are adjusted to their fair market values (*Note:* In Canada on a going concern basis).

Adjusted Net Asset Method—see **Adjusted Book Value Method.**

Appraisal—see **Valuation.**

Appraisal Approach—see **Valuation Approach.**

Appraisal Date—see **Valuation Date.**

Appraisal Method—see **Valuation Method.**

Appraisal Procedure—see **Valuation Procedure.**

Arbitrage Pricing Theory—a multivariate model for estimating the cost of equity capital, which incorporates several systematic risk factors.

Asset (Asset-Based) Approach—a general way of determining a value indication of a business, business ownership interest, or security using one or more methods based on the value of the assets net of liabilities.

Beta—a measure of systematic risk of a stock; the tendency of a stock's price to correlate with changes in a specific index.

*This section has been taken verbatim from the AICPA SSVS.

Blockage Discount—an amount or percentage deducted from the current market price of a publicly traded stock to reflect the decrease in the per share value of a block of stock that is of a size that could not be sold in a reasonable period of time given normal trading volume.

Book Value—see **Net Book Value**.

Business—see **Business Enterprise**.

Business Enterprise—a commercial, industrial, service, or investment entity (or a combination thereof) pursuing an economic activity.

Business Risk—the degree of uncertainty of realizing expected future returns of the business resulting from factors other than financial leverage. See **Financial Risk**.

Business Valuation—the act or process of determining the value of a business enterprise or ownership interest therein.

Capital Asset Pricing Model (CAPM)—a model in which the cost of capital for any stock or portfolio of stocks equals a risk-free rate plus a risk premium that is proportionate to the systematic risk of the stock or portfolio.

Capitalization—a conversion of a single period of economic benefits into value.

Capitalization Factor—any multiple or divisor used to convert anticipated economic benefits of a single period into value.

Capitalization of Earnings Method—a method within the income approach whereby economic benefits for a representative single period are converted to value through division by a capitalization rate.

Capitalization Rate—any divisor (usually expressed as a percentage) used to convert anticipated economic benefits of a single period into value.

Capital Structure—the composition of the invested capital of a business enterprise: the mix of debt and equity financing.

Cash Flow—cash that is generated over a period of time by an asset, group of assets, or business enterprise. It may be used in a general sense to encompass various levels of specifically defined cash flows. When the term is used, it should be supplemented by a qualifier (for example, "discretionary" or "operating") and a specific definition in the given valuation context.

Common Size Statements—financial statements in which each line is expressed as a percentage of the total. On the balance sheet, each line item is shown as a percentage of total assets, and on the income statement, each item is expressed as a percentage of sales.

Control—the power to direct the management and policies of a business enterprise.

Control Premium—an amount or a percentage by which the pro rata value of a controlling interest exceeds the pro rata value of a noncontrolling interest in a business enterprise, to reflect the power of control.

Cost Approach—a general way of determining a value indication of an individual asset by quantifying the amount of money required to replace the future service capability of that asset.

Cost of Capital—the expected rate of return that the market requires in order to attract funds to a particular investment.

Debt-Free—we discourage the use of this term. See **Invested Capital.**

Discount for Lack of Control—an amount or percentage deducted from the pro rata share of value of 100 percent of an equity interest in a business to reflect the absence of some or all of the powers of control.

Discount for Lack of Marketability—an amount or percentage deducted from the value of an ownership interest to reflect the relative absence of marketability.

Discount for Lack of Voting Rights—an amount or percentage deducted from the per share value of a minority interest voting share to reflect the absence of voting rights.

Discount Rate—a rate of return used to convert a future monetary sum into present value.

Discounted Cash Flow Method—a method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate.

Discounted Future Earnings Method—a method within the income approach whereby the present value of future expected economic benefits is calculated using a discount rate.

Economic Benefits—inflows such as revenues, net income, net cash flows, and so forth.

Economic Life—the period of time over which property may generate economic benefits.

Effective Date—see **Valuation Date**.

Enterprise—see **Business Enterprise**.

Equity—the owner's interest in property after deduction of all liabilities.

Equity Net Cash Flows—those cash flows available to pay out to equity holders (in the form of dividends) after funding operations of the business enterprise, making necessary capital investments, and increasing or decreasing debt financing.

Equity Risk Premium—a rate of return added to a risk-free rate to reflect the additional risk of equity instruments over risk-free instruments (a component of the cost of equity capital or equity discount rate).

Excess Earnings—that amount of anticipated economic benefits that exceeds an appropriate rate of return on the value of a selected asset base (often net tangible assets) used to generate those anticipated economic benefits.

Excess Earnings Method—a specific way of determining a value indication of a business, business ownership interest, or security determined as the sum of (a) the value of the assets derived by capitalizing excess earnings and (b) the value of the selected asset base. Also frequently used to value intangible assets. See **Excess Earnings**.

Fair Market Value—the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts. (*Note:* In Canada, the term "price" should be replaced with the term "highest price.")

Fairness Opinion—an opinion as to whether or not the consideration in a transaction is fair from a financial point of view.

Financial Risk—the degree of uncertainty of realizing expected future returns of the business resulting from financial leverage. See **Business Risk**.

Forced Liquidation Value—liquidation value at which the asset or assets are sold as quickly as possible, such as at an auction.

Free Cash Flows—*we discourage the use of this term*. See **Net Cash Flows**.

Going Concern—an ongoing operating business enterprise.

Going Concern Value—the value of a business enterprise that is expected to continue to operate into the future. The intangible elements of Going Concern Value result from factors such as having a trained work force, an operational plant, and the necessary licenses, systems, and procedures in place.

Goodwill—that intangible asset arising as a result of name, reputation, customer loyalty, location, products, and similar factors not separately identified.

Goodwill Value—the value attributable to goodwill.

Guideline Public Company Method—a method within the market approach whereby market multiples are derived from market prices of stocks of companies that are engaged in the same or similar lines of business, and that are actively traded on a free and open market.

Income (Income-Based) Approach—a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more methods that convert anticipated economic benefits into a present single amount.

Intangible Assets—nonphysical assets such as franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities, and contracts (as distinguished from physical assets) that grant rights and privileges, and have value for the owner.

Internal Rate of Return—a discount rate at which the present value of the future cash flows of the investment equals the cost of the investment.

Intrinsic Value—the value that an investor considers, on the basis of an evaluation or available facts, to be the "true" or "real" value that will become the market value when other investors reach the same conclusion. When the term applies to options, it is the difference between the exercise price or strike price of an option and the market value of the underlying security.

Invested Capital—the sum of equity and debt in a business enterprise. Debt is typically (a) all interest-bearing debt or (b) long-term interest-bearing debt. When the term is used, it should be supplemented by a specific definition in the given valuation context.

Invested Capital Net Cash Flows—those cash flows available to pay out to equity holders (in the form of dividends) and debt investors (in the form of principal and interest) after funding operations of the business enterprise and making necessary capital investments.

Investment Risk—the degree of uncertainty as to the realization of expected returns.

Investment Value—the value to a particular investor based on individual investment requirements and expectations. (*Note:* In Canada, the term used is "Value to the Owner.")

Key Person Discount—an amount or percentage deducted from the value of an ownership interest to reflect the reduction in value resulting from the actual or potential loss of a key person in a business enterprise.

Levered Beta—the beta reflecting a capital structure that includes debt.

Limited Appraisal—the act or process of determining the value of a business, business ownership interest, security, or intangible asset with limitations in analyses, procedures, or scope.

Liquidity—the ability to quickly convert property to cash or pay a liability.

Liquidation Value—the net amount that would be realized if the business is terminated and the assets are sold piecemeal. Liquidation can be either "orderly" or "forced."

Majority Control—the degree of control provided by a majority position.

Majority Interest—an ownership interest greater than 50 percent of the voting interest in a business enterprise.

Market (Market-Based) Approach—a general way of determining a value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Market Capitalization of Equity—the share price of a publicly traded stock multiplied by the number of shares outstanding.

Market Capitalization of Invested Capital—the market capitalization of equity plus the market value of the debt component of invested capital.

Market Multiple—the market value of a company's stock or invested capital divided by a company measure (such as economic benefits, number of customers).

Marketability—the ability to quickly convert property to cash at minimal cost.

Marketability Discount—see **Discount for Lack of Marketability**.

Merger and Acquisition Method—a method within the market approach whereby pricing multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business.

Mid-Year Discounting—a convention used in the Discounted Future Earnings Method that reflects economic benefits being generated at mid-year approximating the effect of economic benefits being generated evenly throughout the year.

Minority Discount—a discount for lack of control applicable to a minority interest.

Minority Interest—an ownership interest less than 50 percent of the voting interest in a business enterprise.

Multiple—the inverse of the capitalization rate.

Net Book Value—with respect to a business enterprise, the difference between total assets (net of accumulated depreciation, depletion, and amortization) and total liabilities as they appear on the balance sheet (synonymous with Shareholder's Equity). With respect to a specific asset, the capitalized cost less accumulated amortization or depreciation as it appears on the books of account of the business enterprise.

Net Cash Flows—when the term is used, it should be supplemented by a qualifier. See **Equity Net Cash Flows** and **Invested Capital Net Cash Flows**.

Net Present Value—the value, as of a specified date, of future cash inflows less all cash outflows (including the cost of investment) calculated using an appropriate discount rate.

Net Tangible Asset Value—the value of the business enterprise's tangible assets (excluding excess assets and nonoperating assets) minus the value of its liabilities.

Nonoperating Assets—assets not necessary to ongoing operations of the business enterprise. (*Note:* In Canada, the term used is "Redundant Assets.")

Normalized Earnings—economic benefits adjusted for nonrecurring, noneconomic, or other unusual items to eliminate anomalies and/or facilitate comparisons.

Normalized Financial Statements—financial statements adjusted for nonoperating assets and liabilities and/or for nonrecurring, noneconomic, or other unusual items to eliminate anomalies and/or facilitate comparisons.

Orderly Liquidation Value—liquidation value at which the asset or assets are sold over a reasonable period of time to maximize proceeds received.

Premise of Value—an assumption regarding the most likely set of transactional circumstances that may be applicable to the subject valuation; e.g., going concern, liquidation.

Present Value—the value, as of a specified date, of future economic benefits and/or proceeds from sale, calculated using an appropriate discount rate.

Portfolio Discount—an amount or percentage deducted from the value of a business enterprise to reflect the fact that it owns dissimilar operations or assets that do not fit well together.

Price/Earnings Multiple—the price of a share of stock divided by its earnings per share.

Rate of Return—an amount of income (loss) and/or change in value realized or anticipated on an investment, expressed as a percentage of that investment.

Redundant Assets—see **Nonoperating Assets**.

Report Date—the date conclusions are transmitted to the client.

Replacement Cost New—the current cost of a similar new property having the nearest equivalent utility to the property being valued.

Reproduction Cost New—the current cost of an identical new property.

Required Rate of Return—the minimum rate of return acceptable by investors before they will commit money to an investment at a given level of risk.

Residual Value—the value as of the end of the discrete projection period in a discounted future earnings model.

Return on Equity—the amount, expressed as a percentage, earned on a company's common equity for a given period.

Return on Investment—see **Return on Invested Capital and Return on Equity**.

Return on Invested Capital—the amount, expressed as a percentage, earned on a company's total capital for a given period.

Risk-Free Rate—the rate of return available in the market on an investment free of default risk.

Risk Premium—a rate of return added to a risk-free rate to reflect risk.

Rule of Thumb—a mathematical formula developed from the relationship between price and certain variables based on experience, observation, hearsay, or a combination of these; usually industry specific.

Special Interest Purchasers—acquirers who believe they can enjoy post-acquisition economies of scale, synergies, or strategic advantages by combining the acquired business interest with their own.

Standard of Value—the identification of the type of value being used in a specific engagement; e.g., fair market value, fair value, investment value.

Sustaining Capital Reinvestment—the periodic capital outlay required to maintain operations at existing levels, net of the tax shield available from such outlays.

Systematic Risk—the risk that is common to all risky securities and cannot be eliminated through diversification. The measure of systematic risk in stocks is the beta coefficient.

Tangible Assets—physical assets (such as cash, accounts receivable, inventory, property, plant and equipment, etc.).

Terminal Value—see **Residual Value**.

Transaction Method—see **Merger and Acquisition Method**.

Unlevered Beta—the beta reflecting a capital structure without debt.

Unsystematic Risk—the risk specific to an individual security that can be avoided through diversification.

Valuation—the act or process of determining the value of a business, business ownership interest, security, or intangible asset.

Valuation Approach—a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more valuation methods.

Valuation Date—the specific point in time as of which the valuator's opinion of value applies (also referred to as "Effective Date" or "Appraisal Date").

Valuation Method—within approaches, a specific way to determine value.

Valuation Procedure—the act, manner, and technique of performing the steps of an appraisal method.

Valuation Ratio—a fraction in which a value or price serves as the numerator and financial, operating, or physical data serve as the denominator.

Value to the Owner—see **Investment Value**.

Voting Control—*de jure* control of a business enterprise.

Weighted Average Cost of Capital (WACC)—the cost of capital (discount rate) determined by the weighted average, at market value, of the cost of all financing sources in the business enterprise's capital structure.

ADDENDUM 3—AICPA GLOSSARY OF ADDITIONAL TERMS, STATEMENTS ON STANDARDS FOR VALUATION SERVICES VS SECTION 100

The following terms and definitions are excerpted verbatim from Appendix C, "Glossary of Additional Terms" (par. .82),[1] which provides definitions for terms included in the SSVS VS Section 100, but not defined in the jointly developed 2001 *International Glossary* in Addendum 2.

Assumptions and Limiting Conditions. Parameters and boundaries under which a valuation is performed, as agreed upon by the valuation analyst and the client or as acknowledged or understood by the valuation analyst and the client as being due to existing circumstances. An example is the acceptance, without further verification, by the valuation analyst from the client of the client's financial statements and related information.

Business Ownership Interest. A designated share in the ownership of a business (business enterprise).

Calculated Value. An estimate as to the value of a business, business ownership interest, security, or intangible asset, arrived at by applying valuation procedures agreed upon with the client and using professional judgment as to the value or range of values based on those procedures.

Calculation Engagement. An engagement to estimate value wherein the valuation analyst and the client agree on the specific valuation approaches and valuation methods that the valuation analyst will use and the extent of valuation procedures the valuation analyst will perform to estimate the value of a subject interest. A calculation engagement generally does not include all of the valuation procedures required for a valuation engagement. If a valuation engagement had been performed, the results might have been different. The valuation analyst expresses the results of the calculation engagement as a calculated value, which may be either a single amount or a range.

Capital or Contributory Asset Charge. A fair return on an entity's *contributory assets*, which are tangible and intangible assets used in the production of income or cash flow associated with an intangible asset being valued. In this context, *income or cash flow* refers to an applicable measure of income or cash flow, such as net income, or operating cash flow before taxes and capital expenditures. A capital charge may be expressed as a percentage return on an economic rent associated with, or a profit split related to, the contributory assets.

Capitalization of Benefits Method. A method within the income approach whereby expected future benefits (for example, earnings or cash flow) for a representative single period are converted to value through division by a capitalization rate.

Comparable Profits Method. A method of determining the value of intangible assets by comparing the profits of the subject entity with those of similar uncontrolled companies that have the same or similar complement of intangible assets as the subject company.

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[1] American Institute of Certified Public Accountants, Valuation Services, VS Section, Statements on Standards for Valuation Services, VS Section 100, *Valuation of a Business, Business Ownership Interest, Security, or Intangible Asset*, Appendix C, paragraph .82. Copyright 2015 American Institute of Certified Public Accountants.

Comparable Uncontrolled Transaction Method. A method of determining the value of intangible assets by comparing the subject transaction to similar transactions in the market place made between independent (uncontrolled) parties.

Conclusion of Value. An estimate of the value of a business, business ownership interest, security, or intangible asset, arrived at by applying the valuation procedures appropriate for a valuation engagement and using professional judgment as to the value or range of values based on those procedures.

Control Adjustment. A valuation adjustment to financial statements to reflect the effect of a controlling interest in a business. An example would be an adjustment to owners' compensation that is in excess of market compensation.

Engagement to Estimate Value. An engagement, or any part of an engagement (for example, a tax, litigation, or acquisition-related engagement), that involves determining the value of a business, business ownership interest, security, or intangible asset. Also known as *valuation service*.

Excess Operating Assets. Operating assets in excess of those needed for the normal operation of a business.

Fair Value. In valuation applications, there are two commonly used definitions for fair value:

(1) For financial reporting purposes only, the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. *Source:* Financial Accounting Standards Board *Accounting Standards Codification* glossary.

(2) For state legal matters only, some states have laws that use the term *fair value* in shareholder and partner matters. For state legal matters only, therefore, the term may be defined by statute or case law in the particular jurisdiction.

Guideline Company Transactions Method. A method within the market approach whereby market multiples are derived from the sales of entire companies engaged in the same or similar lines of business.

Hypothetical Condition. That which is or may be contrary to what exists, but is supposed for the purpose of analysis.

Incremental Income. Additional income or cash flow attributable to an entity's ownership or operation of an intangible asset being valued, as determined by a comparison of the entity's income or cash flow with the intangible asset to the entity's income or cash flow without the intangible asset. In this context, *income or cash flow* refers to an applicable measure of income or cash flow, such as license royalty income or operating cash flow before taxes and capital expenditures.

Normalization. See ***Normalized Earnings*** in Appendix B, "International Glossary of Business Valuation Terms" (see paragraph .81).

Pre-Adjustment Value. The value arrived at prior to the application, if appropriate, of valuation discounts or premiums.

Profit Split Income. With respect to the valuation of an intangible asset of an entity, a percentage allocation of the entity's income or cash flow whereby (1) a split (or percentage) is allocated to the subject intangible and (2) the remainder is allocated to all of the entity's tangible and other intangible assets. In this context, *income or cash flow* refers to an applicable measure of income or cash flow, such as net income or operating cash flow before taxes and capital expenditures.

Relief from Royalty Method. A valuation method used to value certain intangible assets (for example, trademarks and trade names) based on the premise that the only value that a purchaser of the assets receives is the exemption from paying a royalty for its use. Application of this method usually involves estimating the fair market value of an intangible asset by quantifying the present value of the stream of market-derived royalty payments that the owner of the intangible asset is exempted from or "relieved" from paying.

Residual Income. For an entity that owns or operates an intangible asset being valued, the portion of the entity's income or cash flow remaining after subtracting a capital charge on all of the entity's tangible and other intangible assets. *Income or cash flows* can refer to any appropriate measure of income or cash flow, such as net income or operating cash flow before taxes and capital expenditures.

Security. A certificate evidencing ownership or the rights to ownership in a business enterprise that (1) is represented by an instrument or by a book record or contractual agreement, (2) is of a type commonly dealt in on securities exchanges or markets or, when represented by an instrument, is commonly recognized in any area in which it is issued or dealt in as a medium for investment, and (3) either one of a class or series or, by its terms, is divisible into a class or series of shares, participations, interests, rights, or interest-bearing obligations.

Subject Interest. A business, business ownership interest, security, or intangible asset that is the subject of a valuation engagement.

Subsequent Event. An event that occurs subsequent to the valuation date.

Valuation Analyst. For purposes of this statement, an AICPA member who performs an engagement to estimate value that culminates in the expression of a conclusion of value or a calculated value.

Valuation Assumptions. Statements or inputs utilized in the performance of an engagement to estimate value that serve as a basis for the application of particular valuation methods.

Valuation Engagement. An engagement to estimate value in which a valuation analyst determines an estimate of the value of a subject interest by performing appropriate valuation procedures, as outlined in the AICPA Statements on Standards for Valuation Services, and is free to apply the valuation approaches and methods he or she deems appropriate in the circumstances. The valuation analyst expresses the results of the valuation engagement as a conclusion of value, which may be either a single amount or a range.

Valuation Service. See **Engagement to Estimate Value**.

* * *

[Revised, June 2009, to reflect conforming changes necessary due to the issuance of FASB ASC; revised, January 2015, to reflect the revised Code of Professional Conduct.]

ADDENDUM 4—2022 *INTERNATIONAL VALUATION GLOSSARY—BUSINESS VALUATION**

PURPOSE

Business valuation providers and users benefit from common understanding of terms with clearly established meanings and consistent application throughout the profession. To this end the following societies and organizations have worked collaboratively to compile definitions for the terms included in this Glossary:

- ASA – American Society of Appraisers
- CBV Institute – Chartered Business Valuators Institute
- RICS – Royal Institution of Chartered Surveyors
- TAQEEM – Saudi Authority for Accredited Valuers

This Glossary updates the *International Glossary of Business Valuation Terms* originally published in 2001.

SCOPE

This Glossary was developed as part of ongoing efforts to harmonize definitions for terms used in business valuation. It is intended to be a reference tool to facilitate communication within the business valuation profession and with relevant stakeholders and users. **This Glossary is designed to be helpful, but neither authoritative nor prescriptive.**

To that end, the Glossary aims to provide a common understanding of technical terms used within the various sub-practice areas of business valuation, and for those operating in different markets. Users of valuation services are encouraged to familiarize themselves with the appropriate context, as not all terms are applicable to every use.

It is acknowledged that terms used in different markets may vary. **If any term in this glossary conflicts with a published governmental, judicial, or accounting authority, precedence should be given to the use and interpretation of terms as they appear in applicable published authoritative guidance, given the purpose of the valuation.**

Given that the definition for some terms in this Glossary may differ slightly based on the purpose of the valuation and jurisdiction, business valuation professionals[1] should ensure they are using and disclosing the most appropriate definition for the circumstances of the engagement.

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* Published jointly by the ASA, the CBV Institute, RICS, and TAQEEM. Issued November 2021; latest version as of February 24, 2022. As of the date of this publication, the AICPA has not adopted the new Glossary. This addendum is taken verbatim from the 2022 *International Glossary*.

[1] The term "business valuation professionals" is intended to be a generic term to refer to individuals that provide business valuation services, regardless of their jurisdiction or the professional organization to which they belong. Synonymous terms include valuers, valuators, analysts, appraisers, etc. Business valuation professionals may include an individual or group of individuals. Generally, business valuation professionals possess the necessary qualifications, ability, and experience to undertake a valuation engagement. In some jurisdictions, licensing is required in order to provide business valuation services.

Furthermore, organizations such as valuation professional organizations (VPOs), accounting regulatory bodies, tax authorities, and courts may have somewhat different definitions and interpretations. Users are also encouraged to refer to valuation texts and other relevant documents for more information and application guidance on specific terms.

If the business valuation professional believes that one or more of these terms needs to be used in a manner that materially departs from this glossary, it is recommended that the term be defined as used within that valuation engagement. The use of the appropriate definition relies on the professional judgment of the business valuation professional.

In determining the terms to be included in this Glossary, the following items were excluded:

- terms that are defined in a common dictionary.
- generally understood or commonly used business, finance, and accounting terms or terms used in other disciplines.
- practice terminology or performance frameworks.
- terms specific to a particular VPO or used within a particular VPO's standards.
- jurisdictional differences, including terms of local accounting or legal standards. Users of this Glossary are cautioned that when a jurisdictional definition applies, it should take precedence over the definitions in this Glossary (one example of this might be with respect to the term "fair value").

Various valuation and accounting standards were considered in the development of this Glossary, such as International Valuation Standards (IVS), International Financial Reporting Standards (IFRS), United States Generally Accepted Accounting Principles (US GAAP), Uniform Standards of Professional Appraisal Practice (USPAP), and Statement on Standards for Valuation Services (SSVS). While it is acknowledged that US GAAP and IFRS define certain terms related to financial reporting valuation, this Glossary does not include all such terms.

CONSIDERATIONS AND LIMITATIONS

The definitions provided herein are current as of the date of publication. As they are subject to change, this Glossary is intended to be updated periodically. This Glossary uses "see also" to refer to terms that are related, but not synonymous. Synonymous terms are cross-referenced with "also known as." Contrary terms are cross-referenced using "contrast with."

CONTRIBUTORS

This Glossary was prepared with input from the following technical advisors:

- Catalina Miranda (CBV Institute, Canada) – Chair
- Alexander Aronsohn (IVSC, UK)
- Jeffrey Tarbell (ASA, USA)
- Lucas Parris (ASA, USA)
- Muath Alkhalaf (TAQEEM, Saudi Arabia)
- Omar Mohammad Zaman (TAQEEM, Saudi Arabia)
- Steve Choi (RICS, USA)

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- International Institute of Business Valuers (iiBV)
- International Valuation Standards Council (IVSC)
- National Association of Certified Valuators and Analysts (NACVA) (United States)
- The Appraisal Foundation (TAF)

A

Adjusted Net Asset Value Method—a method within the **Asset Approach** whereby a business' assets and liabilities (including off-balance sheet assets, **Intangible Assets**, and contingent assets and/or liabilities) are adjusted to market values or another appropriate **Standard of Value**. Also known as adjusted book value method or asset accumulation method.

Adjusted Present Value (APV)—a technique typically used to estimate the value of a levered business as the sum of the value of an unlevered business (i.e., 100% equity financed) and the value of the tax benefits associated with debt financing.

Appraisal—also known as **Valuation**.

Asset Approach—a general manner of estimating the value of a business using one or more methods based on a summation of the value of the assets, net of liabilities, where each has been valued using either the market, income, or cost approach. Also known as asset-based approach. See also **Cost Approach**.

Attrition—the annual percentage rate of loss (or churn) of an existing asset such as a customer relationship **Intangible Asset**.

B

Backsolve Method—a method within the **Market Approach** whereby the total **Equity Value** (or the value of a specific equity class) of a business is implied from a recent transaction in the business' securities.

Basis of Value—also known as **Standard of Value**.

Beta—a measure of the relative risk (or sensitivity) of an individual security versus the risk of a market portfolio. See also **Capital Asset Pricing Model**, **Systematic Risk**, **Unsystematic Risk**, **Levered Beta**, and **Unlevered Beta**.

Binominal Lattice Model—a model typically used to estimate the value of an asset or investment that employs a binomial tree to show the different paths the price of an underlying asset, such as a security, might take over the security's life.

Blockage Discount—an amount or percentage deducted from the current market price of a publicly-traded security to reflect the decrease in the per security value of a block of securities that is of a size that could not likely be sold in a reasonable period given normal trading volume.

Build-up Model—a model in which the expected return for a security (or portfolio of securities) is measured by a **Risk-Free Rate** plus premiums for **Systematic Risk** (e.g., **Equity Risk Premium**, size premium and industry risk premium) and **Unsystematic Risk** (e.g., **Company-Specific Risk Premium**). See also **Capital Asset Pricing Model**.

C

Capital Asset Pricing Model (CAPM)—a single factor asset pricing model that measures the expected return for a security (or portfolio of securities) as the sum of a **Risk-Free Rate** plus a risk premium. The risk premium is equal to the **Systematic Risk** (measured by **Beta**) of the security (or portfolio of securities) multiplied by the risk premium of holding the overall market portfolio. The CAPM is often modified or extended for other risk factors, such as size, country risk, and **Company-Specific Risk**. See also **Build-up Model.**

Capital Structure—the composition of the **Invested Capital** of a business, including debt and **Debt Equivalents**, equity, and **Hybrid Securities**. See also **Simple Capital Structure** and **Complex Capital Structure**.

Capitalization of Earnings Method—a form of the **Capitalization of Economic Income Method.**

Capitalization of Economic Income Method—a method within the **Income Approach** whereby expected **Economic Income** for a representative single period is converted to value through division by a **Capitalization Rate**. Also known as the capitalization method or direct capitalization method.

Capitalization Rate—a divisor (usually expressed as a percentage) used to convert into value the expected **Economic Income** of a normalized single period. The Capitalization Rate is generally calculated as a **Discount Rate** less a long-term growth rate.

Cash Flow—cash inflows or outflows that are generated over a period by an asset, business, or investment; often supplemented by a qualifier in the given valuation context (e.g., discretionary or operating). See also **Net Cash Flow to Equity** and **Net Cash Flow to Invested Capital**.

Company-Specific Risk Premium—an adjustment to the cost of equity to account for **Company-Specific Risk**. Also known as alpha.

Company-Specific Risk—the risk that is unique to a specific investment in a business, in excess of the **Equity Risk Premium**, size risk, and/or country risk (e.g., significant customer concentration, business dependence on key person(s), or lack of product diversification). Also known as **Unsystematic Risk**.

Complex Capital Structure—a **Capital Structure** that includes debt and equity securities with different economic and control rights. Contrast with **Simple Capital Structure**.

Contributory Asset Charge—an economic charge for **Contributory Assets** applied in the **Multi-Period Excess Earnings Method**. See also **Contributory Assets, Excess Earnings Method**, and **Multi-Period Excess Earnings Method**.

Contributory Assets—assets (e.g., working capital, machinery and equipment, trademarks, assembled workforce) that are used in conjunction with the subject **Intangible Asset** in the realization of prospective cash flows associated with the **Intangible Asset** being valued. See also **Multi-Period Excess Earnings Method** and **Contributory Asset Charge**.

Control—a level of ownership having sufficient rights (e.g., voting) to direct the management, policies, and disposition of a business.

Control Premium—an amount or percentage by which the pro rata value of a **Controlling Interest** exceeds the pro rata value of a **Noncontrolling Interest** in a business, to reflect the anticipated economic benefits of **Control**. Also known as acquisition premium.

Controlling Interest—an ownership interest in a business that conveys the economic benefits of **Control** to the holder(s) of such interest.

Cost Approach—a general manner of estimating the value of an asset, investment, or (in limited circumstances) a business using one or more methods that reflect the economic principle that a buyer will generally pay no more for an asset than the cost to obtain another asset of equal utility, whether by purchase or by construction. The approach considers the current replacement or reproduction cost and the physical deterioration and all other relevant forms of obsolescence. See also **Asset Approach**.

Cost of Capital—the expected rate of return that the market requires in order to attract funds to a particular investment considering the risk of the investment. See also **Weighted Average Cost of Capital**.

Cost Savings Method—a method within the **Income Approach** whereby the value of an **Intangible Asset** is estimated based on an expected future benefit stream of the asset in terms of the future expenses that are avoided (or reduced) by owning the asset.

Current Value Method—a procedure to allocate the **Equity Value** to the various equity interests (or **Enterprise Value** to the various debt and equity interests) in a business as though the business were to be sold on the **Valuation Date**, without considering the option-like payoffs of the equity interests. Contrast with **Probability-Weighted Expected Return Method** and **Option Pricing Method**.

D

Debt Equivalents—a debt-like financial obligation or other non-equity claim resulting from the signing of a short- or long-term contract (e.g., operating leases, unfunded pension liabilities, asset retirement obligations, contingent liabilities). See also **Capital Structure** and **Hybrid Securities**.

Discount for Lack of Control—an amount or percentage deducted from the pro rata amount of 100% of the entity's **Equity Value** (when determined on a **Controlling Interest** basis) to reflect the absence of some or all of the economic benefits of **Control**.

Discount for Lack of Liquidity—an amount or percentage applied to the value of an ownership interest to reflect a relative lack of **Liquidity**.

Discount for Lack of Marketability—an amount or percentage applied to the value of an ownership interest to reflect a relative lack of **Marketability**.

Discount for Lack of Voting Rights—an amount or percentage applied to the per share value of a voting share to reflect an absence of voting rights.

Discount Rate—a **Rate of Return** used to convert **Economic Income** into present value.

Discounted Cash Flow (DCF) Method—a form of the **Discounted Economic Income Method** based on **Cash Flow**.

Discounted Economic Income Method—a method within the **Income Approach** whereby the present value of expected **Economic Income** is calculated using a **Discount Rate**.

Distributor Method—a variation of the **Multi-Period Excess Earnings Method** that relies upon market-based distributor data or other market inputs to value customer relationship **Intangible Assets**. Sometimes referred to as the disaggregated method.

E

Economic Income—monetary inflows or outflows resulting from business activities (e.g., **Cash Flows**, EBITDA, net income).

Economic Obsolescence—a form of depreciation or loss in value or usefulness of an asset caused by factors external to the asset, especially factors related to changes in demand for products or services produced by the asset. See also **Functional Obsolescence** and **Physical Obsolescence**.

Effective Date—see also **Valuation Date**, **Measurement Date**, or date of value.

End of Period Discounting—a convention used when discounting **Economic Income** to present value that reflects such income being generated at the end of each respective period. Contrast with **Mid-Period Discounting**.

Enterprise Value—the **Market Value of Invested Capital**, typically adjusted to remove all or a portion of cash and cash equivalents, and other **Nonoperating Assets**. See also **Market Value of Invested Capital** and **Invested Capital**.

Equity Instrument—a contract that creates a residual interest in a business' assets after deducting its liabilities.

Equity Risk Premium—the incremental return that investors expect to receive from an investment in public equity securities over that of a risk-free security. It is generally calculated as the difference between the expected rate of return on the overall market and the return on a risk-free instrument. Also known as market risk premium, or equity market risk premium.

Equity Value—the value of a business to its equity holders. Equity Value is generally calculated as the **Market Value of Invested Capital** less the market value of any debt and **Debt Equivalents**, **Hybrid Securities**, and other non-equity claims.

ESG—environmental, social, and governance factors that impact a business or asset and its financial performance and operations (e.g., the impact of sustainability and ethical practices).

Excess Earnings—the amount of expected **Cash Flow** that exceeds the economic charge for the use of the **Contributory Assets** used to generate such cash flow.

Excess Earnings Method—a method of estimating the value of a business, determined as the sum of (i) the value of the selected **Tangible Asset** base, and (ii) the value of all of the **Intangible Assets** (including goodwill) derived by capitalizing **Excess Earnings**. Sometimes referred to as the capitalized excess earnings method.

Expected Cash Flow—the probability-weighted average of the various possible scenarios of a subject business' **Cash Flows**.

Expected Present Value Technique—a present value technique using the **Expected Cash Flow** of an asset, business, or investment.

F

Fair Market Value—a **Standard of Value** considered to represent the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, each acting at arms-length in an open and unrestricted market, when neither is under compulsion to buy or to sell and when both have reasonable knowledge of relevant facts. See also **Market Value**.

Fair Value—a **Standard of Value** for which there are different definitions, depending on the context and purpose. Fair Value is typically defined or imposed by a third party (e.g., by law, regulation, contract, or financial reporting standard-setting bodies). The most commonly used definition for financial reporting purposes is under IFRS and US GAAP, which define Fair Value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fairness Opinion—an opinion as to whether the consideration proposed to be paid or received in a transaction is fair from a financial point of view to the party paying or receiving such consideration.

Forced Liquidation Value—a form of **Liquidation Value** in which an asset or assets are presumed to be sold with less than a reasonable period of market exposure. Contrast with **Orderly Liquidation Value**.

Functional Obsolescence—a form of depreciation in which the loss in value or usefulness of an asset is caused by inefficiencies or inadequacies of the asset itself, when compared to a more efficient or less costly newly developed asset. See also **Economic Obsolescence**, **Physical Obsolescence**, **Replacement Cost Method**, and **Replacement Cost New**.

G

Going Concern—an ongoing operating business enterprise.

Going Concern Value—a **Premise of Value** that assumes the business is an ongoing commercial enterprise with a reasonable expectation of future earning power.

Goodwill—an **Intangible Asset** which represents any future economic benefit arising from a business or a group of assets which is not individually identified or separately recognized. Goodwill can arise as a result of name, reputation, customer loyalty, location, products, and similar factors not separately identified. In the context of a business combination, goodwill is measured as the difference between (A) the aggregate of (i) the value of the consideration transferred (generally at **Fair Value**), (ii) the amount of any noncontrolling interest, and (iii) in a business combination achieved in stages, the acquisition-date **Fair Value** of the acquirer's previously held equity interest in the acquiree, and (B) the net of the acquisition-date amounts of the **Identifiable Assets** acquired and the liabilities as assumed.

Greenfield Method—a method used to estimate the value of certain **Intangible Assets** (e.g., franchise agreements or broadcast spectrum) based on the discounted cash flows of a hypothetical start-up business. The **Greenfield Method** assumes that the subject asset is the only asset of the business at the **Valuation Date** and that investments are made during the start-up period to purchase, build, or rent the other assets required to assemble the business. See also **Contributory Assets**, **Excess Earnings Method**, and **Multi-Period Excess Earnings Method**.

Guideline Public Company Method—a method within the **Market Approach** whereby the value of a business is estimated by application of **Multiples** derived from market prices of securities of publicly traded companies that are engaged in the same or similar lines of business as the subject business.

Guideline Transaction Method—a method within the **Market Approach** whereby the value of a business is estimated by application of **Multiples** derived from one or more transactions of **Controlling Interests** in companies engaged in the same or similar lines of business as the subject business. Sometimes known as guideline merger and acquisition method.

H

Hybrid Securities—a component of a company's **Capital Structure** that cannot be classified purely as debt or equity, as it may have characteristics of both (e.g., convertible debt, convertible preferred stock, employee stock options).

I

Identifiable Intangible Asset—in a financial reporting context, an **Intangible Asset** is identifiable if it meets certain contractual and/or separability criteria as defined by a relevant standard (e.g., IFRS 3 or ASC 805).

Income Approach—a general manner of estimating the value of an asset, business, or investment using one or more methods that convert expected **Economic Income** into a present amount.

Intangible Asset—an asset that lacks physical substance and derives value from the economic properties that grant rights and/or **Economic Income** to its owner (e.g., patents, copyrights, trademarks, or customer relationships). See also **Identifiable Intangible Asset**.

Intellectual Property—a legal concept that refers to creations of the mind that are derived from intellectual or creative effort for which exclusive or fractional rights are recognized (e.g., trademarks, trade names, trade secrets, patents, copyright, design rights, and proprietary information). Intellectual property rights generally give the owner the right to prohibit others from using the property without permission.

Internal Rate of Return—the **Discount Rate** which equates the present value of expected net cash flows to the initial investment (cost).

Intrinsic Value—the value that an investor considers, on the basis of available facts, to be the "true," "real," or fundamental value that will become the **Market Value** when other investors reach the same conclusion. When the term applies to options, **Intrinsic Value** is the difference between the exercise (strike) price of an option and the market price of the underlying security.

Invested Capital—the sum of a business' equity, debt and **Debt Equivalents**, **Hybrid Securities**, and other non-equity claims. See also **Enterprise Value** and **Market Value of Invested Capital**.

Investment Risk—the uncertainty of realizing **Economic Income** as expected (with respect to amount and/or timing).

Investment Value—a **Standard of Value** considered to represent the value of an asset or business to a particular owner or prospective owner for individual investment or operational objectives. Also known as value to the owner.

K

Key Person Discount—an amount or percentage deducted from the value of an operating business to reflect the reduction in value resulting from the actual or potential loss of a key person upon which the business is highly dependent.

L

Levered Beta—a measure of **Beta** reflecting a **Capital Structure** that includes debt. Also known as equity beta. Contrast with **Unlevered Beta**.

Liquidation Value—the amount, net of relevant costs (e.g., preparation and disposal), that would be realized if the business is terminated, and the assets are sold. See also **Orderly Liquidation Value** and **Forced Liquidation Value**.

Liquidity—the ability to quickly or readily convert an asset, business, or investment to cash at minimal cost. See also **Marketability**.

M

Market Approach—a general manner of estimating a value of an asset, business, or investment by using one or more **Valuation Methods** that compare the valuation subject to other assets, businesses, or investments that have been sold or for which price and other information is available.

Market Capitalization—the sum, at market values, of a business' **Market Capitalization of Equity** and interest-bearing debt.

Market Capitalization of Equity—the aggregate **Equity Value** of a publicly-traded company, calculated as the product of its market price and the number of equity securities outstanding.

Market Value—a **Standard of Value** considered to represent the estimated amount for which an asset or liability should exchange on the **Valuation Date** between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, and where the parties had each acted knowledgeably, prudently, and without compulsion. See also **Fair Market Value**.

Market Value of Invested Capital—the sum, at market value, of a business' equity, debt and **Debt Equivalents**, **Hybrid Securities**, and non-equity claims.

Marketability—the ability to quickly or readily convert an asset, business, or investment to cash at minimal cost that reflects the capability and ease of transfer or salability of that property. Marketability is affected by, among other things, the particular market in which the asset is expected to transact and the characteristics of the asset. See also **Liquidity**.

Measurement Date—also known as **Valuation Date**, **Effective Date**, or date of value.

Mid-Period Discounting—a convention used in the **Discounted Economic Income Method** that reflects **Economic Income** being generated at a mid-period, approximating the effect of **Economic Income** being generated throughout the period. Contrast with **End of Period Discounting**.

Monte Carlo Method—a statistical technique that samples randomly from a probability-distribution in order to produce different possible outcomes that simulate the various sources of uncertainty that affect the value of a subject asset, business, or investment.

Multi-Period Excess Earnings Method—a method of estimating the value of the primary income-generating **Intangible Asset** within a group of assets, by calculating the **Cash Flow** attributable to that asset after deducting **Contributory Asset Charges**. See also **Excess Earnings Method**.

Multiple—a ratio calculated as the value of a business or security divided by **Economic Income** or a non-financial metric. Also known as market multiple, pricing multiple, or valuation ratio.

N

Net Asset Value—the difference between a business' total assets and liabilities restated at a particular **Standard of Value** rather than accounting book values.

Net Book Value—the difference between a business' total assets and liabilities at accounting book values (synonymous with book equity). With respect to a specific asset, this is the original capitalized cost less accumulated amortization, depreciation, depletion, allowances, or impairment.

Net Cash Flow to Equity—Cash Flow available to equity holders after funding business operations, paying taxes, making necessary capital investments, and servicing debt and **Debt Equivalents**, **Hybrid Securities**, and non-equity claims. See also **Net Cash Flow to Invested Capital**. Sometimes referred to as free cash flow to equity.

Net Cash Flow to Invested Capital—Cash Flow available to all security holders after funding business operations, paying taxes, and making necessary capital investments. See also **Net Cash Flow to Equity**. Sometimes referred to as free cash flow to invested capital or free cash flow to the firm.

Net Present Value—the value, as of a specified date, of future cash inflows less cash outflows (including the cost of initial investment) calculated using a **Discount Rate**.

Nominal Cash Flows—Cash Flows that include the effects of inflation. Contrast with **Real Cash Flows**.

Nominal Rate of Return—a **Rate of Return** that includes the effect of inflation. Contrast with **Real Rate of Return**.

Noncontrolling Interest—an ownership interest that lacks **Control** of the business. Also known as minority interest or minority shareholding.

Nonoperating Assets—assets (or liabilities) not necessary to support the ongoing operations of a business. Sometimes referred to as redundant or surplus assets.

Normalized Earnings—Economic Income adjusted for extraordinary, nonrecurring, noneconomic, or other unusual items in order to eliminate anomalies and facilitate comparisons.

Normalizing Adjustments—adjustments to a business' financial statements for **Nonoperating Assets** and liabilities, and/or for extraordinary, nonrecurring, noneconomic, or other unusual items in order to eliminate anomalies and facilitate comparisons.

O

Option Pricing Method—a forward-looking technique used to allocate value between various equity classes with different economic rights, assuming various future outcomes. The Option Pricing Method considers the current **Equity Value** and then allocates that value to the various equity classes considering a continuous distribution of outcomes, rather than focusing on distinct future scenarios.

Orderly Liquidation Value—a form of **Liquidation Value** in which the asset or assets are presumed to be sold over a reasonable period of market exposure to maximize expected return. Contrast with **Forced Liquidation Value**.

P

Physical Obsolescence—a form of depreciation where the loss in value or usefulness of an asset is due to the decrease or expiry in its life from wear and tear, deterioration, exposure to various elements, physical stresses, and similar factors. See also **Economic Obsolescence**, and **Functional Obsolescence**.

Portfolio—an assemblage of various assets, investments, or liabilities.

Portfolio Discount—an amount or percentage deducted from the value of a business to reflect its ownership of dissimilar operations or assets in a combination that might not be attractive to a potential buyer. Also known as conglomerate discount.

Post-Money Value—a business' implied aggregate value immediately following its most recent round of financing. Contrast with **Pre-Money Value**.

Premise of Value—an assumption regarding the circumstances that may be applicable to the subject valuation. See also **Going Concern Value** and **Liquidation Value**.

Pre-Money Value—a business' implied aggregate value immediately preceding its most recent round of financing. Contrast with **Post-Money Value**.

Present Value—the value, as of a specified date, of expected **Economic Income**, calculated using a **Discount Rate.** See also **Net Present Value**.

Price—the monetary or other consideration asked, offered, or paid for an asset, which may be different from the value.

Prior Transaction Method—a method within the **Market Approach** that uses previous transactions involving the subject business as an indicator of value. Also known as subject company transaction method or recent transaction method.

Probability-Weighted Expected Return Method (PWERM)—a scenario-based technique used to estimate the value of an equity interest based on the probability-weighted present value of various discrete future outcomes for the business (i.e., initial public offering, sale, dissolution, or continued operation until a later exit date).

Purchase Price Allocation—a term commonly used to describe the process of allocating the price paid in a business combination among the assets acquired and liabilities assumed of the target business, using a variety of methods.

R

Rate of Return—an amount, expressed as a percentage of the amount of the investment, of anticipated or realized **Economic Income** and/or change in value of an investment.

Real Cash Flows—**Cash Flows** that exclude the effect of inflation over time. Contrast with **Nominal Cash Flows**.

Real Rate of Return—a **Rate of Return** that does not include the effect of inflation. Contrast with **Nominal Rate of Return**.

Relief from Royalty Method—a method that estimates the value of an **Intangible Asset** by reference to the present value of the hypothetical royalty payments that are avoided by owning the asset as compared with licensing it from a third party. Also known as royalty savings method. See also **Royalty**.

Replacement Cost Method—a method under the **Cost Approach** that estimates the value of an asset by calculating the cost, as of the **Valuation Date**, to recreate the functionality or utility of a similar asset. See also **Cost Approach** and **Replacement Cost New**.

Replacement Cost New—the cost, as of the **Valuation Date**, of an identical new asset or a new asset having the equivalent utility to the subject asset. Also known as reproduction cost new.

Report Date—the date of issuance of a **Valuation** report. Contrast with **Valuation Date**.

Required Rate of Return—the minimum **Rate of Return** acceptable by investors before they will commit money to an investment, given its level of risk.

Risk Premium—a **Rate of Return** added to a base rate (e.g., a **Risk-Free Rate**) to reflect the incremental risk of an asset, business, or investment (e.g., **Equity Risk Premium**, **Unsystematic Risk** premium, country risk premium, or size premium).

Risk-Free Rate—a **Rate of Return** available in the market on an investment perceived as free of default risk.

Royalty—a payment (hypothetical or actual) made for the use of an asset, especially an **Intangible Asset** or a natural resource. See also **Relief from Royalty Method**.

S

Salvage Value—the value of an asset at the end of its economic life given the purpose for which the asset was created. The asset may still have value for an alternative use or for recycling.

Scenario Analysis—the technique of modelling multiple scenarios of possible future **Economic Income** to derive expected value. See also **Monte Carlo Method**, **Option Pricing Method**, and **Probability-Weighted Expected Return Method** (**PWERM**).

Simple Capital Structure—a **Capital Structure** that includes a single equity class and may include debt or debt-like preferred securities. Contrast with **Complex Capital Structure**.

Standalone Value—the value of an asset, business, or investment estimated without considerations of potential **Synergies**.

Standard of Value—the definition of value used in a valuation (e.g., **Fair Market Value**, **Market Value**, **Fair Value**, or **Investment Value**). The **Standard of Value** affects the methods, inputs, and assumptions used by the business valuation professional. Also known as **Basis of Value**.

Synergies—the concept that the performance and value of two assets or businesses combined will be greater than the sum of the separate individual parts, resulting from the expectation of economies of scale or post-acquisition benefits.

Synergistic Value—the expected value resulting from a combination of two or more assets or businesses, which is greater than the sum of the separate individual parts.

Systematic Risk—risk that is common to all risky securities and cannot be eliminated through diversification. Also known as market risk and non-diversifiable risk. Contrast with **Unsystematic Risk**. See also **Beta**.

T

Tangible Asset—an asset that has physical form and derives value from its physical properties or tangible nature (e.g., real estate, property, plant, equipment). Contrast with **Intangible Asset.**

Tax Amortization Benefit—the present value of income tax savings resulting from the tax deduction generated by the amortization of an **Intangible Asset.**

Tax Depreciation Benefit—the present value of income tax savings resulting from the tax deduction generated by the depreciation of a **Tangible Asset.**

Terminal Value—an estimate of the value of **Economic Income** of a business beyond the discrete forecast period in the **Discounted Economic Income Method**. Also known as residual value or continuing value.

U

Unlevered Beta—a measure of **Beta** reflecting a capital structure without debt. Also known as asset beta. Contrast with **Levered Beta.**

Unlevered Cost of Capital—the expected **Rate of Return** that the market requires in order to attract funds to a particular investment, assuming an unlevered **Capital Structure**. See also **Weighted Average Cost of Capital**.

Unsystematic Risk—risk specific to an individual security that can be eliminated through diversification. Also known as idiosyncratic risk or diversifiable risk. Contrast with **Systematic Risk.**

V

Valuation—the act or process of developing an opinion or conclusion of value at a **Valuation Date** using a **Premise of Value**, a **Standard of Value**, and one or more **Valuation Approaches**. Also known as **Appraisal**.

Valuation Approach—a general manner of estimating a value that uses one or more specific **Valuation Methods**. See also **Cost Approach, Asset Approach, Income Approach**, and **Market Approach**.

Valuation Date—the specific point in time at which the conclusion of value applies. Also known as **Effective Date**, **Measurement Date**, or date of value. Contrast with **Report Date.**

Valuation Method—within a **Valuation Approach**, a methodology used to estimate value (e.g., **Discounted Cash Flow Method** under the **Income Approach**).

Valuation Model—a tool used by business valuation professionals to estimate the value of an asset, business, or investment consisting of a series of calculations involving the application of **Valuation Methods** and the business valuation professional's informed judgement.

Value in Exchange—the value of an asset or liability if sold in the open market. Contrast with **Value in Use.**

Value in Use—the value of an asset, business, or investment in its current or continued use. Also known as value in continued use, or existing use value. Contrast with **Value in Exchange**.

W

Waterfall—the contractual allocations of **Cash Flows**, commonly resulting from a liquidity event (e.g., merger, acquisition, initial public offering), to the various ownership classes (e.g., debt, preferred equity, common equity) in a business, reflecting the economic rights of each class.

Weighted Average Cost of Capital (WACC)—a measure of a business' overall **Cost of Capital** in which the expected **Rate of Return** on each component of capital (e.g., debt, equity) is weighted at market value based upon its relative proportion of the **Capital Structure**.

With and Without Method—a method used to estimate the value of an asset by comparing a scenario in which the business uses the asset and another scenario in which the business does not use the asset, all other factors held constant. Also known as premium profits method.

Working Capital—the amount of current assets minus current liabilities held in a business for its day-to-day operational needs. Also known as debt-free net working capital when all or a portion of cash and the current portion of interest-bearing debt is excluded.

ADDENDUM 5—"THE BUSINESS VALUATION GLOSSARY ISSUE"

Hardball with HITCHNER
Tough issues ... clear answers

HARDBALL WITH HITCHNER

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Do You Have a
BV Glossary Problem?
2001 *International Glossary of Business Valuation Terms*
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James R. Hitchner, CPA/ABV/CFF

Reviewed by:
R. James Alerding, CPA/ABV
Edward J. Dupke, CPA, ABV, CGMA, ASA (Ret.)
Carl A. Steffen, CPA/ABV/CFF, CVA, ASA, CBA, ABAR

Jim Hitchner, along with Jim Alerding and Ed Dupke, were an independent review and comment group for the 2022 Glossary.[1] Carl Steffen is a current advisor to the Standards Board of NACVA.

James R. Hitchner, CPA/ABV/CFF

- Managing Director, Financial Valuation Advisors Inc.
- CEO, Valuation Products and Services LLC
- President, Financial Consulting Group LLC
- Over 40 years of hands-on valuation experience
- Former member of the AICPA task force on BV Standards
- Inductee in the AICPA BV Hall of Fame and two-time recipient of the AICPA Volunteer of the Year award
- Editor/coauthor of six valuation texts, published more than 150 articles, and made over 400 presentations

Is it possible to serve two authorities when there are two conflicting sets of international glossaries for business valuations? How about serving multiple authorities?

We amended the March 2022 issue to have everything in one place. This double issue 17/18 (March/April 2022) of *HwH* is the result. We did make some changes to the March issue, which will no longer be available. We also include here information that became available subsequent to the publication of the March issue and have included Part 2, which evaluates and compares all six glossaries.

The following six glossaries are now available and/or required, depending on what organizations you belong to or follow:

2001 *International Glossary of Business Valuation Terms* (2001 Glossary)

- American Institute of Certified Public Accountants (AICPA)
- American Society of Appraisers (ASA)
- Canadian Institute of Chartered Business Valuators (CICBV)
- National Association of Certified Valuation Analysts (NACVA)
- The Institute of Business Appraisers (IBA)
- All five groups adopted this glossary.
- There are 123 terms and definitions.

2022 *International Valuation Glossary—Business Valuation* (2022 Glossary)

- American Society of Appraisers (ASA)
- Chartered Business Valuators Institute (CBV Institute)
- Royal Institution of Chartered Surveyors (RICS)
- Saudi Authority for Accredited Valuers (TAQEEM)
- In the United States, ASA has officially adopted this glossary.
- There are 148 terms and definitions.

AICPA's Statements on Standards for Valuation Services VS Section 100, Appendix C, Glossary of Additional Terms (AICPA Additional Glossary), paragraph .82.

- These terms and definitions are in addition to the 2001 Glossary.
- The 2001 Glossary and the AICPA Additional Glossary are both a part of SSVS and must be followed.
- These terms and definitions are authoritative for CPAs and non-CPAs who are Accredited in Business Valuation (ABV) from the AICPA.
- There are 28 terms and definitions.

2020–2022 Uniform Standards of Professional Appraisal Practice (USPAP)[2]

- The Appraisal Foundation, Appraisal Standards Board
- Mandatory compliance for ASA members
- There is a Definitions section with 42 terms and definitions.

The 2022 International Valuation Standards (IVS)

- The International Valuation Standards Council (IVSC)
- "The IVS consist of mandatory requirements that must be followed in order to state that a valuation was performed in compliance with the IVS."[3]
- There is a Glossary section with 33 terms and definitions.

2022 RICS Glossary of Technical Terms

- Royal Institution of Chartered Surveyors (RICS)
- Mandatory compliance for RICS members
- There is a Glossary section with 42 terms and definitions.

If you are a CPA/ABV, ASA, RICS, and follow the IVS, you are facing an initial nightmare. Ignoring overlap, there are 416 terms and definitions from the above group of organizations. Does this present a problem? Yes. However, this article will help you make decisions on how to handle this latest conundrum, starting with an examination of the similarities and differences between the 2001 Glossary and the 2022 Glossary. This is Part 1. I then explore the similarities and differences of all six of the previously mentioned glossaries. This is Part 2.

Part 1—2001 and 2022 International Glossaries

It's hard to believe that the original *International Glossary of Business Valuation Terms*[4] (2001 Glossary) is 20 years old. It has served us well and it continues to do so. The new *International Valuation Glossary—Business Valuation*[5] (2022 Glossary), which was initially published in November 2021 and is very well done, will help some valuation analysts (Analysts) while causing some discomfort for others.

Let's now analyze these two documents.

2001 Glossary The 2001 Glossary was "adopted" by the following organizations:

> To enhance and sustain the quality of business valuations for the benefit of the profession and its clientele, the subsequently identified societies and organizations have **adopted** the definitions for the terms included in this glossary.[6] [Emphasis added.]

1. American Institute of Certified Public Accountants (AICPA)
2. American Society of Appraisers (ASA)
3. Canadian Institute of Chartered Business Valuators (CICBV)[7]
4. National Association of Certified Valuation Analysts (NACVA)[8]
5. The Institute of Business Appraisers (IBA)

The team that worked on this did a very good job. We Analysts have been served well by this group and the glossary itself. It cleared up a lot of confusion and was a major achievement for the BV profession. There are 123 terms and definitions that most Analysts have become comfortable with. Of those 123 terms, 52 have been eliminated from the 2022 Glossary.

2022 Glossary The 2022 Glossary, which "updates" the 2001 Glossary, was compiled and directed by the following societies and organizations:

1. American Society of Appraisers (ASA)
2. Chartered Business Valuators Institute (CBV Institute)
3. Royal Institution of Chartered Surveyors (RICS)
4. Saudi Authority for Accredited Valuers (TAQEEM)

This means that three (AICPA, IBA, NACVA) of the five organizations that adopted the 2001 Glossary are not listed as part of the above main organizations.

The ASA has adopted the 2022 Glossary:

> ASA's Business Valuation Discipline Committee has voted to officially **adopt** the updated International Valuation Glossary – Business Valuation.[9] [Emphasis added.]

The ASA, through its publication *Business Valuation Review* (BVR), has also stated that the ASA has adopted the 2022 Glossary as follows:

> We also have some announcements. First, **American Society of Appraisers has adopted the recently released International Business Valuation Glossary**, which is included in its entirety in this issue. The glossary is the result of a collaborative effort by ASA, CBV Institute, RICS, TAQEEM and the International Valuation Standards Council, who have worked together to provide a common understanding and consistency of technical terms used within the various sub-practice areas of business valuation. Our industry has evolved rapidly over the last 20 years when the glossary was last updated, particularly with the introduction of fair value in IFRS and US GAAP and the increasing importance of intangible asset valuation.[10] [Emphasis added.]

The ASA included the 2001 Glossary in their business valuation standards up to February 2022. In February 2022 they eliminated the 2001 Glossary and did not put the 2022 Glossary in their standards.

The AICPA was originally part of this group but decided to not move forward. The AICPA has *not* adopted the 2022 Glossary and AICPA members do not have to follow it. It is just a separate document.

The Word "Adopt" Before we go further, let's stop and define the term "adopt." There has been some quibbling about whether this term really conflicts with the fact that the 2022 Glossary is not authoritative or prescriptive. I believe they do conflict. Attorneys reviewing an analyst's analysis and report will look to common definitions of the word "adopt" and will probe how an organization can adopt a document but not require its members to follow it. This has happened to me in the past.

Definitions The word "adopt" is defined in the Merriam-Webster dictionary as: "to take up and practice or use // adopted a moderate tone, to accept formally and put into effect // adopt a constitutional amendment."

The word "adopt" is defined in The Free Dictionary as: "To take and follow (a course of action, for example) by choice or assent: adopt a new technique, To take up and make one's own: adopt a new idea, To vote to accept: adopt a resolution, To choose as standard or required in a course: adopt a new line of English textbooks."

The word "adopt" is defined at Vocabulary.com as: "choose and follow; as of theories, ideas, policies, strategies or plans, synonyms: espouse, follow, abide by, comply, follow, act in accordance with someone's rules, commands, or wishes."

The Effect on Valuation Analysts

I have reviewed the entirety of the 2001 and 2022 International Glossaries and am providing 42 pages of analysis with commentary about the differences between them. Having commended the fine work that was applied in both the 2001 and 2022 Glossaries, I will now address the effect of all this on three distinct groups with the following designations:

1. CPA and/or ABV
2. ASA only
3. CPA/ABV, ASA

In Part 2 I address the effect of the other four glossaries.

CPA and/or ABV If you are a CPA, an ABV, or a CPA/ABV, you have to make some choices. The AICPA has not adopted the 2022 Glossary and does not require its members to do so. However, the 2001 Glossary is still in SSVS VS Section 100, and this group ***must*** abide by these standards, as is, with the 2001 terms and definitions. I still believe the 2001 terms and definitions are relevant, have stood the test of time, and can be relied upon for all valuation matters, including litigation.

Notice that I said that CPAs ***must*** follow SSVS VS Section 100, which includes the 2001 International Glossary.

> Given the increasing number of members of the AICPA who are performing business valuation engagements or some aspect thereof, the AICPA Consulting Services Executive Committee has written this standard to improve the consistency and quality of practice among AICPA members performing business valuations. **AICPA members will be required to follow this standard** when they perform engagements to estimate value that culminate in the expression of a conclusion of value or a calculated value.[11] [Emphasis added.]

> However, performing a valuation **requires** professional judgment.

> In the process of estimating value as part of an engagement, the valuation analyst applies valuation approaches and valuation methods, as described in this statement, and uses professional judgment. **The use of professional judgment is an essential component of estimating value.**[12] [Emphasis added.]

Also, SSVS VS Section 100, including the 2001 Glossary, is principle based, which lines up with the use of professional judgment. An example is Appendix A, "Illustrative List of Assumptions and Limiting Conditions for a Business Valuation."

> The valuation report or calculation report should include a list of assumptions and limiting conditions under which the engagement was performed. This appendix includes an **illustrative list of assumptions and limiting conditions that may apply to a business valuation**.[13] [Emphasis added.]

As you can see this allows broad discretion when presenting assumptions and limiting conditions. From a practical perspective, most analysts use the 17 so-called Illustrative list verbatim, including me.

Let's move on to Appendix A, "International Glossary of Business Valuation Terms," of SSVS.

> To enhance and sustain the quality of business valuations for the benefit of the profession and its clientele, the **subsequently identified societies and organizations have adopted the definitions for the terms included in this glossary**.[14] [Emphasis added.]

The AICPA is one of five groups that "adopted" the 2001 Glossary. The obvious intent is to establish clarity and uniformity to the business valuation profession. See below.

> The performance of business valuation services requires a high degree of skill and imposes upon the valuation professional a duty to communicate the valuation process and conclusion in a manner that is clear and not misleading. **This duty is advanced through the use of terms whose meanings are clearly established and consistently applied throughout the profession.**[15] [Emphasis added.]

The Glossary, and thus the standard, allows and encourages analysts to use professional judgment. See below.

> If, in the opinion of the business valuation professional, one or more of these terms needs to be used in a manner which **materially departs** from the enclosed definitions**, it is recommended that the term be defined as used within that valuation engagement.**[16] [Emphasis added.]
>
> This glossary has been developed to provide guidance to business valuation practitioners by further memorializing the body of knowledge that constitutes the competent and careful determination of value and, more particularly, the communication of how that value was determined.[17]
>
> **Departure** from this glossary is not intended to provide a basis for civil liability and should not be presumed to create evidence that any duty has been breached.[18] [Emphasis added.]

The first paragraph above allows alternate definitions when there is a material departure, based on the specific engagement. The third paragraph, the so-called departure paragraph, means that a legitimate material departure is allowed and should not ". . . provide a basis for civil liability and should not be presumed to create evidence that any duty has been breached." These paragraphs do not allow a free-for-all where any departure is allowed. Any departure should be properly assessed, supported, and documented.

The 2001 Glossary and additional glossary are also integrated throughout SSVS.

> **This statement includes two glossaries.** Appendix B, "International Glossary of Business Valuation Terms" (par. .81), is a verbatim reproduction of the glossary jointly developed by the AICPA, the American Society of Appraisers (ASA), the Canadian Institute of Chartered Business Valuators, the National Association of Certified Valuation Analysts, and the Institute of Business Appraisers. Appendix C, "Glossary of Additional Terms" (par. .82), provides definitions for terms included in this statement but not defined in the jointly developed glossary. **The terms defined in appendix B are in boldface type the first time they appear in this statement; the terms defined in appendix C are in italicized boldface type the first time they appear in this statement.**" [Emphasis added.] [SSVS Section .01, FN 1]

CPAs and/or ABVs can also decide to follow the 2022 Glossary. The AICPA does not require or prohibit doing so. However, in the 2022 Glossary there are many 2001 terms that were deleted and there are many 2022 terms that have been added. There are also many terms/definitions that are similar but not exact. To exacerbate this situation, it's likely that auditors of fair value for financial reporting valuations will want valuation analysts to follow the 2022 Glossary, regardless of whether they are required to or not. This then creates the situation where you may be using the 2022 Glossary some of the time and the 2001 Glossary all the time. This can create a potential litigation problem. Note: I believe this is a good response to this line of questioning. (See cross-examination example below.)

Cross-Examination

Attorney: Mr. Analyst, the 2001 Glossary is a part of the AICPA business valuation standards, correct?
Analyst: Yes.
Attorney: And you must follow those standards and the 2001 Glossary in your valuations, correct?
Analyst: Yes.
Attorney: The 2001 Glossary was updated and published in 2022, correct?
Analyst: Yes.
Attorney: Do you follow the 2022 Glossary as well as the 2001 Glossary?
Analyst: Sometimes.
Attorney: Are you required by any authoritative body, for example the AICPA, to follow the 2022 Glossary?
Analyst: No.
Attorney: So, it is solely your decision as to whether you follow the 2022 Glossary, correct?
Analyst: Yes.
Attorney: So, again, you must follow a 20-year-old set of terms and definitions in the 2001 Glossary while sometimes ignoring the brand-new, revised 2022 Glossary, correct?
Analyst: Yes.
Attorney: Does that make sense to you?
Analyst: Yes, I believe the AICPA made the right decision and did what they thought was best for its members, especially since the 2001 Glossary is part of the AICPA standards and the 2022 Glossary is not. This is what the AICPA requires, and I follow the AICPA business valuation standards that include the 2001 Glossary. Also, the 2001 Glossary is still a vibrant and relevant document that can and should be relied upon. Furthermore, the 2022 Glossary is not authoritative or prescriptive, whereas the 2001 Glossary is, as it is part of the AICPA BV standards. What's a stronger position, a glossary that is authoritative and prescriptive or one that is not?
Attorney: Well, the ASA, CBV Institute, RICS, and TAQEEM would disagree with you that their Analysts should not continue following the 2001 Glossary and substitute the 2022 Glossary, correct?

Analyst: No one is required to follow the 2022 Glossary, including the four organizations you just pointed out. It is completely voluntary. I am a member of the AICPA, not the ASA, CBV Institute, RICS, or TAQUEEM. As such, I must follow the 2001 Glossary and I can choose to also follow—or not—the 2022 Glossary.

Again, the AICPA does not require me to follow the 2022 Glossary. In fact, the 2022 Glossary says the following on page 2: "**This Glossary is designed to be helpful, but neither authoritative nor prescriptive.**" I note that this is bolded in the text and is obviously done so because of the importance of this sentence.

The 2022 Glossary also states the following on page 2:

> **If any term in this glossary conflicts with a published governmental, judicial, or accounting authority, precedence should be given to the use and interpretation of terms as they appear in applicable published authoritative guidance, given the purpose of the valuation.**

Again, I note that this is bolded in the text and is obviously done because of the importance of this sentence. Also, the AICPA is an **accounting authority** with **applicable published authoritative guidance**.

I am also in compliance with the following statements from the 2022 Glossary:

> Given that the definition for some terms in this Glossary may differ slightly based on the purpose of the valuation and jurisdiction, business valuation professionals should ensure they are using and disclosing the most appropriate definition for the circumstances of the engagement.
>
> Furthermore, organizations such as valuation professional organizations (VPOs), accounting regulatory bodies, tax authorities, and courts may have somewhat different definitions and interpretations.[19]

In conclusion, I am totally comfortable using the 2001 Glossary and sometimes using—or not—the 2022 Glossary.

ASA Only If you are an ASA, you also have to make some choices. Currently, the ASA, through its website and BVR publication, has announced that the ASA has adopted the 2022 Glossary. This is confusing since the 2022 Glossary is not "authoritative or prescriptive." This creates a situation where an organization adopts a document that its members do not need to follow. This is counterintuitive. I also believe this is a change in scope as it was authoritative for the 2001 Glossary.

While there has been some discussion about the impact of the word "adopt," currently, this position of "adoption" still exists. However, if the ASA does eliminate the word "adopted," then we have an organization that adopted these glossaries, then decided not to adopt these glossaries. If this happens, we have a new situation where an organization says it is not adopting the glossary and, since it is not authoritative or prescriptive, no one must abide by it. This leads us to a strange place. It is likely that nothing will change, and Analysts have to live with the word "adopt." So be it.

I believe that ASA Analysts should follow the 2022 Glossary and ignore the 2001 version. You have the right to do so, and this will be an easier path to follow, but it is not authoritative.

CPA/ABV, ASA Here is where it really gets interesting. The CPA/ABV, ASA ***must*** follow the 2001 Glossary. That is a fact. However, there are 271 terms and definitions that are part of the 2001 and 2022 glossaries, and almost all of those definitions have been deleted, added, or have changed. So, if the analyst chooses to follow both glossaries—and there is no prohibition to do so—then you will be following the same terms that have different definitions. See Exhibit 3 for comparisons between common terms and definitions. This exhibit includes my short commentary on the terms and definitions. Some of the definitions only have minor changes but some are more substantive.

The Analyst must also follow the terms and definitions that were deleted from 2001 to 2022, and there are 77 new terms that were not in the 2001 Glossary but are now in the 2022 Glossary. See Exhibit 1 and Exhibit 2. These exhibits also include my short commentary on the terms and definitions deleted and added.

I believe that the best thing to do is to follow both glossaries. To do otherwise creates potential problems down the line. I also suggest that if you do follow both, you include both in the body of your report or in a footnote with a discussion of which definition, between the two glossaries, you followed and why, or a statement that either definition would apply correctly to your work. This could also be done as an omnibus statement in the beginning of your report if that applies.

Conclusion—Part 1

I applaud and respect the work that went into both the 2001 and 2022 glossaries. Having served approximately seven years on the AICPA BV Standards Task Force, I fully understand the level of commitment required. Bravo to all involved. I also want to make it clear that, in addition to following the required 2001 Glossary, I intend to now follow the 2022 Glossary as well, but on a selective basis. I expect the marketplace will eventually sort all this out. Now, on to Part 2.

Six Glossary Comparison—Part 2

The following exhibits are part of this article:

1. **EXHIBIT 1:** 2001 *International Glossary*—Terms Deleted
2. **EXHIBIT 2:** 2022 *International Glossary*—Terms Added
3. **EXHIBIT 3:** 2001/2022 *International Glossary*—Terms Left in but Changed
4. **EXHIBIT 4:** Six-Glossary Comparison
5. **EXHIBIT 5:** 2001 *International Glossary of Business Valuation Terms*
6. **EXHIBIT 6:** 2022 *International Valuation Glossary—Business Valuation*
7. **EXHIBIT 7:** 2022 IVS Glossary
8. **EXHIBIT 8:** 2022 RICS Glossary of Technical Terms
9. **EXHIBIT 9:** Uniform Standards of Professional Appraisal Practice, Definitions
10. **EXHIBIT 10:** AICPA SSVS VS Section 11, Glossary of Additional Terms
11. **EXHIBIT 11:** Six Glossaries—Overlap Comparisons

In Exhibit 4, I present comparisons of the terms and definitions. There was some overlap among the 416 terms as follows:

- 68 had two terms the same; this included all the similarities between the 2001 and 2022 international glossaries
- 16 had three terms the same
- 3 had four terms the same
- 220 had no terms that overlapped

We have discussed the similarities and differences from Exhibits 1, 2, 3, 5, and 6. Let's now evaluate the effect of the other four glossaries:

1. 2022 International Valuation Standards (IVS), Glossary section
2. 2022 Royal Institution of Chartered Surveyors (RICS), Glossary section
3. The Appraisal Foundation, Appraisal Standards Board, 2020–2022 Uniform Standards of Professional Appraisal Practice (USPAP), Definitions section
4. American Institute of Certified Public Accountants (AICPA) Statements on Standards for Valuation Services VS Section 100, Appendix C, Glossary of Additional Terms

In Exhibits 7, 8, 9, and 10, we have comments on each term and related definition. Almost all are marked "Valid." In Exhibit 11 I summarize my comments on the overlaps. Some areas had semantic problems, but they did not change the intended meaning of the terms. Some also used the term "opinion of value," which the AICPA intentionally avoided using in their BV standards. The suggested change was to insert "or conclusion of value" after "opinion of value." This was done in some places but not others. It should be consistent. Some definitions were confusing but very few definitions are outright wrong, as noted in the comments section. Some are using real estate terms that are not followed in the business valuation profession in the United States.

Conclusion—Part 2

All of the six glossaries are well done, and you can see the effort put into these terms and definitions. Some of the terms and definitions present a world view and that is as it should be. Some are more U.S. based. I did not see any big problems with using the six glossaries. I hope this article helps you navigate all six of the glossaries to allow you to reach a similar conclusion.

ENDNOTES

1. Hitchner, Alerding, and Dupke were on the original AICPA Task Force for business valuation standards and continue to be active in the BV standards space.
2. Also extended to 2022, i.e., with no revisions.
3. International Valuation Standards, effective January 31, 2022, Glossary, International Valuation Standards Council, p. 5.
4. *International Glossary of Business Valuation Terms*, Statements on Standards for Valuation Services, VS Section 100, Valuation of a Business, Business Ownership Interest, Security, or Intangible Asset, American Institute of Certified Public Accountants, June 2007, Appendix B, International Glossary of Business Valuation Terms, paragraph .81.
5. *International Valuation Glossary—Business Valuation*, November 2021, updated February 24, 2022, jointly published by the ASA, CBV Institute, RICS, and TAQEEM.
6. *International Glossary of Business Valuation Terms*, Statements on Standards for Valuation Services, VS Section 100, Valuation of a Business, Business Ownership Interest, Security, or Intangible Asset, American Institute of Certified Public Accountants, June 2007, Appendix B, International Glossary of Business Valuation Terms, paragraph .81.
7. The CICBV is now the Chartered Business Valuators Institute (CBV Institute).
8. Now called the National Association of Certified Valuators and Analysts.
9. American Society of Appraisers website, https://www.appraisers.org/asa-newsroom/article/2021/11/10/updated-international-business-valuation-glossary-released, November 10, accessed March 3, 2022.
10. Kyle S. Garcia, ASA, CFA, CPA/ABV, "From the Editor," *Business Valuation Review* 40, no. 3 (Fall 2022): 79. Note: This initial edition of BVR was retracted due to publication errors, including the November glossary, and a newer version of BVR was released in late February 2022. Do NOT use either one of the glossaries as published in the original BVR and the revised BVR, as they both still have errors that have not been corrected. Analysts should now be using the latest updated version as of February 24, 2022.
11. SSVS VS Section 100, Forward.
12. Ibid., Section .04.
13. Ibid., Section .80.
14. *International Glossary of Business Valuation Terms*, Statements on Standards for Valuation Services, VS Section 100, Valuation of a Business, Business Ownership Interest, Security, or Intangible Asset, American Institute of Certified Public Accountants, June 2007, Appendix A, paragraph .81.
15. Ibid.
16. Ibid.
17. Ibid.
18. Ibid.
19. *International Valuation Glossary—Business Valuation*, November 2021, updated February 24, 2022, p. i.

EXHIBIT 1 2001 *International Glossary*

Terms Deleted	Effect of Change
Appraisal Approach—see **Valuation Approach**.	None. **Valuation Approach** defined in 2022 Glossary.
Appraisal Date—see **Valuation Date**.	None. **Valuation Date** defined in 2022 Glossary.
Appraisal Method—see **Valuation Method**.	None. **Valuation Method** defined in 2022 Glossary.
Appraisal Procedure—see **Valuation Procedure**.	**Valuation Procedure** still relevant.
Arbitrage Pricing Theory—a multivariate model for estimating the cost of equity capital, which incorporates several systematic risk factors.	Still relevant.
Book Value—see **Net Book Value**.	Still relevant.
Business—see **Business Enterprise**.	Still relevant.
Business Enterprise—a commercial, industrial, service, or investment entity (or a combination thereof) pursuing an economic activity.	Still relevant.
Business Risk—the degree of uncertainty of realizing expected future returns of the business resulting from factors other than financial leverage. See **Financial Risk**.	Still relevant.
Business Valuation—the act or process of determining the value of a business enterprise or ownership interest therein.	Still relevant.
Capitalization—a conversion of a single period of economic benefits into value.	Still relevant.
Capitalization Factor—any multiple or divisor used to convert anticipated economic benefits of a single period into value.	Still relevant.
Common Size Statements—financial statements in which each line is expressed as a percentage of the total. On the balance sheet, each line item is shown as a percentage of total assets, and on the income statement, each item is expressed as a percentage of sales.	Still relevant.
Debt-Free—we discourage the use of this term. See **Invested Capital**.	None.
Discounted Future Earnings Method—a method within the income approach whereby the present value of future expected economic benefits is calculated using a discount rate.	Still relevant.
Economic Benefits—inflows such as revenues, net income, net cash flows, etc.	Still relevant.
Economic Life—the period of time over which property may generate economic benefits.	Still relevant.
Enterprise—see **Business Enterprise**.	Still relevant.
Equity—the owner's interest in property after deduction of all liabilities.	Still relevant.
Equity Net Cash Flows—those cash flows available to pay out to equity holders (in the form of dividends) after funding operations of the business enterprise, making necessary capital investments, and increasing or decreasing debt financing.	Still relevant.

EXHIBIT 1 *Continued*

Terms Deleted	Effect of Change
Financial Risk—the degree of uncertainty of realizing expected future returns of the business resulting from financial leverage. See **Business Risk**.	Still relevant.
Free Cash Flow—we discourage the use of this term. See **Net Cash Flow**.	None.
Goodwill Value—the value attributable to goodwill.	Still relevant.
Invested Capital Net Cash Flows—those cash flows available to pay out to equity holders (in the form of dividends) and debt investors (in the form of principal and interest) after funding operations of the business enterprise and making necessary capital investments.	Still relevant.
Limited Appraisal—the act or process of determining the value of a business, business ownership interest, security, or intangible asset with limitations in analyses, procedures, or scope.	None. Only really applicable to the ASA, which defines it well.
Majority Control—the degree of control provided by a majority position.	Still relevant.
Majority Interest—an ownership interest greater than 50% of the voting interest in a business enterprise.	None. **Minority Interest** referenced in definition of **Noncontrolling Interest** in 2022 Glossary.
Market Capitalization of Invested Capital—the market capitalization of equity plus the market value of the debt component of invested capital.	Still relevant.
Market Multiple—the market value of a company's stock or invested capital divided by a company measure (such as economic benefits, number of customers).	None. **Multiple** defined in 2022 Glossary.
Marketability Discount—see **Discount for Lack of Marketability**.	None. **Discount for Lack of Marketability** defined in 2022 Glossary.
Merger and Acquisition Method—a method within the market approach whereby pricing multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business.	None. Referenced in definition of **Guideline Transaction Method** in 2022 Glossary.
Mid-Year Discounting—a convention used in the Discounted Future Earnings Method that reflects economic benefits being generated at midyear, approximating the effect of economic benefits being generated evenly throughout the year.	None. Changed to **Mid-Period Discounting** in 2022 Glossary.
Minority Discount—a discount for lack of control applicable to a minority interest.	Still relevant.
Minority Interest—an ownership interest less than 50% of the voting interest in a business enterprise.	Still relevant.
Net Cash Flows—when the term is used, it should be supplemented by a qualifier. See **Equity Net Cash Flows** and **Invested Capital Net Cash Flows**.	Still relevant.

EXHIBIT 1 *Continued*

Terms Deleted	Effect of Change
Net Tangible Asset Value—the value of the business enterprise's tangible assets (excluding excess assets and nonoperating assets) minus the value of its liabilities.	Still relevant.
Normalized Financial Statements—financial statements adjusted for nonoperating assets and liabilities and/or for nonrecurring, noneconomic, or other unusual items to eliminate anomalies and/or facilitate comparisons.	None. **Normalized Earnings** and **Normalizing Adjustments** defined in 2022 Glossary.
Price/Earnings Multiple—the price of a share of stock divided by its earnings per share.	Still relevant.
Redundant Assets—see **Nonoperating Assets**.	None. Referenced in 2022 Glossary in Nonoperating Assets definition.
Reproduction Cost New—the current cost of an identical new property.	Still relevant. It is NOT the same as **Replacement Cost New**.
Residual Value—the value as of the end of the discrete projection period in a discounted future earnings model.	None. Referenced in 2022 Glossary in **Terminal Value** definition.
Return on Equity—the amount, expressed as a percentage, earned on a company's common equity for a given period.	Still relevant.
Return on Investment—see **Return on Invested Capital** and **Return on Equity**.	Still relevant.
Return on Invested Capital—the amount, expressed as a percentage, earned on a company's total capital for a given period.	Still relevant.
Rule of Thumb—a mathematical formula developed from the relationship between price and certain variables based on experience, observation, hearsay, or a combination of these; usually industry specific.	Still relevant.
Special Interest Purchasers—acquirers who believe they can enjoy post-acquisition economies of scale, synergies, or strategic advantages by combining the acquired business interest with their own.	Still relevant.
Sustaining Capital Reinvestment—the periodic capital outlay required to maintain operations at existing levels, net of the tax shield available from such outlays.	Still relevant.
Transaction Method—see **Merger** and **Acquisition Method**.	Still relevant.
Valuation Procedure—the act, manner, and technique of performing the steps of an appraisal method.	Still relevant.
Valuation Ratio—a fraction in which a value or price serves as the numerator and financial, operating, or physical data serve as the denominator.	Still relevant.
Value to the Owner—see **Investment Value**.	Still relevant.
Voting Control—*de jure* control of a business enterprise.	Still relevant.

EXHIBIT 2 2022 *International Glossary*

Terms Added	Effect of Change
Adjusted Present Value (APV)—a technique typically used to estimate the value of a levered business as the sum of the value of an unlevered business (i.e., 100% equity financed) and the value of the tax benefits associated with debt financing.	Useful addition.
Attrition—the annual percentage rate of loss (or churn) of an existing asset such as a customer relationship **Intangible Asset**.	Useful addition.
Backsolve Method—a method within the **Market Approach** whereby the total **Equity Value** (or the value of a specific equity class) of a business is implied from a recent transaction in the business' securities.	Useful addition.
Basis of Value—also known as **Standard of Value**.	Useful addition.
Binominal Lattice Model—a model typically used to estimate the value of an asset or investment that employs a binomial tree to show the different paths the price of an underlying asset, such as a security, might take over the security's life.	Useful addition.
Build-up Model—a model in which the expected return for a security (or portfolio of securities) is measured by a **Risk-Free Rate** plus premiums for **Systematic Risk** (e.g., **Equity Risk Premium**, size premium and industry risk premium) and **Unsystematic Risk** (e.g., **Company-Specific Risk Premium**). See also **Capital Asset Pricing Model**.	Useful addition.
Capitalization of Economic Income Method—a method within the **Income Approach** whereby expected **Economic Income** for a representative single period is converted to value through division by a **Capitalization Rate**. Also known as the capitalization method or direct capitalization method.	Useful addition with new term of "**Economic Income**," which replaces "Economic Benefits."
Company-Specific Risk Premium—an adjustment to the cost of equity to account for **Company-Specific Risk**. Also known as alpha.	Useful addition.
Company-Specific Risk—the risk that is unique to a specific investment in a business, in excess of the **Equity Risk Premium**, size risk, and/or country risk (e.g., significant customer concentration, business dependence on key person(s), or lack of product diversification). Also known as **Unsystematic Risk**.	Useful addition.
Complex Capital Structure—a **Capital Structure** that includes debt and equity securities with different economic and control rights. Contrast with **Simple Capital Structure**.	Useful addition.
Contributory Asset Charge—an economic charge for **Contributory Assets** applied in the **Multi-Period Excess Earnings Method**. See also **Contributory Assets, Excess Earnings Method**, and **Multi-Period Excess Earnings Method**.	Useful addition.

EXHIBIT 2 *Continued*

Terms Added	Effect of Change
Contributory Assets—assets (e.g., working capital, machinery and equipment, trademarks, assembled workforce) that are used in conjunction with the subject **Intangible Asset** in the realization of prospective cash flows associated with the **Intangible Asset** being valued. See also **Multi-Period Excess Earnings Method** and **Contributory Asset Charge**.	Useful addition.
Controlling Interest—an ownership interest in a business that conveys the economic benefits of **Control** to the holder(s) of such interest.	Useful addition.
Cost Savings Method—a method within the **Income Approach** whereby the value of an **Intangible Asset** is estimated based on an expected future benefit stream of the asset in terms of the future expenses that are avoided (or reduced) by owning the asset.	Useful addition.
Current Value Method—a procedure to allocate the **Equity Value** to the various equity interests (or **Enterprise Value** to the various debt and equity interests) in a business as though the business were to be sold on the **Valuation Date**, without considering the option-like payoffs of the equity interests. Contrast with **Probability-Weighted Expected Return Method** and **Option Pricing Method.**	Useful addition.
Debt Equivalents—a debt-like financial obligation or other non-equity claim resulting from the signing of a short- or long-term contract (e.g., operating leases, unfunded pension liabilities, asset retirement obligations, contingent liabilities). See also **Capital Structure** and **Hybrid Securities**.	Useful addition.
Discount for Lack of Liquidity—an amount or percentage applied to the value of an ownership interest to reflect a relative lack of **Liquidity**.	Useful addition.
Discounted Economic Income Method—a method within the **Income Approach** whereby the present value of expected **Economic Income** is calculated using a **Discount Rate**.	Useful addition.
Distributor Method—a valuation of the **Multi-Period Excess Earnings Method** that relies upon market-based distributor data or other market inputs to value customer relationship **Intangible Assets**. Sometimes referred to as the disaggregated method.	Useful addition.
Economic Obsolescence—a form of depreciation or loss in value or usefulness of an asset caused by factors external to the asset, especially factors related to changes in demand for products or services produced by the asset. See also **Functional Obsolescence** and **Physical Obsolescence**.	Useful addition.

(*Continued*)

EXHIBIT 2 *Continued*

Terms Added	Effect of Change
End of Period Discounting—a convention used when discounting **Economic Income** to present value that reflects such income being generated at the end of each respective period. Contrast with **Mid-Period Discounting**.	Useful addition.
Enterprise Value—the **Market Value of Invested Capital**, typically adjusted to remove all or a portion of cash and cash equivalents, and other **Nonoperating Assets**. See also **Market Value of Invested Capital** and **Invested Capital**.	Useful addition.
Economic Income—monetary inflows or outflows resulting from business activities (e.g., **Cash Flows**, EBITDA, net income).	Useful addition with new term of "**Economic Income**," which replaces "**Economic Benefits**."
Economic Obsolescence—a form of depreciation or loss in value or usefulness of an asset caused by factors external to the asset, especially factors related to changes in demand for products or services produced by the asset. See also **Functional Obsolescence** and **Physical Obsolescence**.	Useful addition.
End of Period Discounting—a convention used when discounting **Economic Income** to present value that reflects such income being generated at the end of each respective period. Contrast with **Mid-Period Discounting**.	Useful addition.
Enterprise Value—the **Market Value of Invested Capital**, typically adjusted to remove all or a portion of cash and cash equivalents, and other **Nonoperating Assets**. See also **Market Value of Invested Capital** and **Invested Capital**.	Useful addition.
Equity Instrument—a contract that creates a residual interest in a business' assets after deducting its liabilities.	Useful addition.
Equity Value—the value of a business to its equity holders. Equity Value is generally calculated as the **Market Value of Invested Capital** less the market value of any debt and **Debt Equivalents, Hybrid Securities**, and other non-equity claims.	Useful addition.
ESG—environmental, social, and governance factors that impact a business or asset and its financial performance and operations (e.g., the impact of sustainability and ethical practices).	Useful addition.
Expected Cash Flow—the probability-weighted average of the various possible scenarios of a subject business' **Cash Flows**.	Useful addition.
Expected Present Value Technique—a present value technique using the **Expected Cash Flow** of an asset, business, or investment.	Useful addition.

EXHIBIT 2 *Continued*

Terms Added	Effect of Change
Fair Value—a **Standard of Value** for which there are different definitions, depending on the context and purpose. Fair Value is typically defined or imposed by a third party (e.g., by law, regulation, contract, or financial reporting standard-setting bodies). The most commonly used definition for financial reporting purposes is under IFRS and US GAAP, which define Fair Value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.	Too much emphasis on financial reporting and not enough on litigation.
Functional Obsolescence—a form of depreciation in which the loss in value or usefulness of an asset is caused by inefficiencies or inadequacies of the asset itself, when compared to a more efficient or less costly newly developed asset. See also **Economic Obsolescence**, **Physical Obsolescence**, **Replacement Cost Method**, and **Replacement Cost New**.	Useful addition.
Greenfield Method—a method used to estimate the value of certain **Intangible Assets** (e.g., franchise agreements or broadcast spectrum) based on the discounted cash flows of a hypothetical start-up business. The **Greenfield Method** assumes that the subject asset is the only asset of the business at the **Valuation Date** and that investments are made during the start-up period to purchase, build, or rent the other assets required to assemble the business. See also **Contributory Assets**, **Excess Earnings Method**, and **Multi-Period Excess Earnings Method.**	Useful addition.
Guideline Transaction Method—a method within the **Market Approach** whereby the value of a business is estimated by application of **Multiples** derived from one or more transactions of **Controlling Interests** in companies engaged in the same or similar lines of business as the subject business. Sometimes known as guideline merger and acquisition method.	Useful addition.
Hybrid Securities—a component of a company's **Capital Structure** that cannot be classified purely as debt or equity, as it may have characteristics of both (e.g., convertible debt, convertible preferred stock, employee stock options).	Useful addition.
Identifiable Intangible Asset—in a financial reporting context, an **Intangible Asset** is identifiable if it meets certain contractual and/or separability criteria as defined by a relevant standard (e.g., IFRS 3 or ASC 805).	Useful addition.

(*Continued*)

EXHIBIT 2 *Continued*

Terms Added	Effect of Change
Intellectual Property—a legal concept that refers to creations of the mind that are derived from intellectual or creative effort for which exclusive or fractional rights are recognized (e.g., trademarks, trade names, trade secrets, patents, copyright, design rights, and proprietary information). Intellectual property rights generally give the owner the right to prohibit others from using the property without permission.	Useful addition.
Market Capitalization—the sum, at market values, of a business' **Market Capitalization of Equity** and interest-bearing debt.	Not a good definition. **Market Capitalization** is usually just equity.
Market Value—a **Standard of Value** considered to represent the estimated amount for which an asset or liability should exchange on the **Valuation Date** between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, and where the parties had each acted knowledgeably, prudently, and without compulsion. See also **Fair Market Value.**	Not a good U.S. business valuation term and definition. It is a real estate term in the U.S.
Market Value of Invested Capital—the sum, at market value, of a business' equity, debt and **Debt Equivalents, Hybrid Securities,** and non-equity claims.	Useful addition.
Measurement Date—also known as **Valuation Date, Effective Date,** or date of value.	None. **Valuation Date** and **Effective Date** were in the 2001 Glossary.
Monte Carlo Method—a statistical technique that samples randomly from a probability-distribution in order to produce different possible outcomes that simulate the various sources of uncertainty that affect the value of a subject asset, business, or investment.	Useful addition.
Multi-Period Excess Earnings Method—a method of estimating the value of the primary income-generating **Intangible Asset** within a group of assets, by calculating the **Cash Flow** attributable to that asset after deducting **Contributory Asset Charges**. See also **Excess Earnings Method**.	Useful addition.
Net Asset Value—the difference between a business' total assets and liabilities restated at a particular **Standard of Value** rather than accounting book values.	Useful addition.
Net Cash Flow to Equity—Cash Flow available to equity holders after funding business operations, paying taxes, making necessary capital investments, and servicing debt and **Debt Equivalents, Hybrid Securities,** and non-equity claims. See also **Net Cash Flow to Invested Capital.** Sometimes referred to as free cash flow to equity.	Useful addition.

EXHIBIT 2 *Continued*

Terms Added	Effect of Change
Net Cash Flow to Invested Capital—Cash Flow available to all security holders after funding business operations, paying taxes, and making necessary capital investments. See also **Net Cash Flow to Equity**. Sometimes referred to as free cash flow to invested capital or free cash flow to the firm.	Useful addition.
Nominal Cash Flows—Cash Flows that include the effects of inflation. Contrast with **Real Cash Flows**.	Useful addition.
Nominal Rate of Return—a **Rate of Return** that includes the effect of inflation. Contrast with **Real Rate of Return**.	Useful addition.
Noncontrolling Interest—an ownership interest that lacks **Control** of the business. Also known as minority interest or minority shareholding.	None. **Minority Interest** was defined in the 2001 Glossary.
Normalizing Adjustments—adjustments to a business' financial statements for **Nonoperating Assets** and liabilities, and/or for extraordinary, nonrecurring, noneconomic, or other unusual items in order to eliminate anomalies and facilitate comparisons.	Useful addition.
Option Pricing Method—a forward-looking technique used to allocate value between various equity classes with different economic rights, assuming various future outcomes. The Option Pricing Method considers the current **Equity Value** and then allocates that value to the various equity classes considering a continuous distribution of outcomes, rather than focusing on distinct future scenarios.	Useful addition.
Physical Obsolescence—a form of depreciation where the loss in value or usefulness of an asset is due to the decrease or expiry in its life from wear and tear, deterioration, exposure to various elements, physical stresses, and similar factors. See also **Economic Obsolescence** and **Functional Obsolescence**.	Useful addition.
Portfolio—an assemblage of various assets, investments, or liabilities.	Useful addition.
Post-Money Value—a business' implied aggregate value immediately following its most recent round of financing. Contrast with **Pre-Money Value**.	Useful addition.
Pre-Money Value—a business' implied aggregate value immediately preceding its most recent round of financing. Contrast with **Post-Money Value**.	Useful addition.
Price—the monetary or other consideration asked, offered, or paid for an asset, which may be different from the value.	Useful addition.
Prior Transaction Method—a method within the **Market Approach** that uses previous transactions involving the subject business as an indicator of value. Also known as subject company transaction method or recent transaction method.	Useful addition.

(*Continued*)

EXHIBIT 2 *Continued*

Terms Added	Effect of Change
Probability-Weighted Expected Return Method (PWERM)—a scenario-based technique used to estimate the value of an equity interest based on the probability-weighted present value of various discrete future outcomes for the business (i.e., initial public offering, sale, dissolution, or continued operation until a later exit date).	Useful addition.
Purchase Price Allocation—a term commonly used to describe the process of allocating the price paid in a business combination among the assets acquired and liabilities assumed of the target business, using a variety of methods.	Useful addition.
Real Cash Flows—Cash Flows that exclude the effect of inflation over time. Contrast with **Nominal Cash Flows**.	Useful addition.
Real Rate of Return—a **Rate of Return** that does not include the effect of inflation. Contrast with **Nominal Rate of Return**.	Useful addition.
Relief from Royalty Method—a method that estimates the value of an **Intangible Asset** by reference to the present value of the hypothetical royalty payments that are avoided by owning the asset as compared with licensing it from a third party. Also known as royalty savings method. See also **Royalty**.	Useful addition.
Replacement Cost Method—a method under the **Cost Approach** that estimates the value of an asset by calculating the cost, as of the **Valuation Date**, to recreate the functionality or utility of a similar asset. See also **Cost Approach**, and **Replacement Cost New.**	Useful addition.
Royalty—a payment (hypothetical or actual) made for the use of an asset, especially an **Intangible Asset** or a natural resource. See also **Relief from Royalty Method**.	Useful addition.
Salvage Value—the value of an asset at the end of its economic life given the purpose for which the asset was created. The asset may still have value for an alternative use or for recycling.	Useful addition.
Scenario Analysis—the technique of modelling multiple scenarios of possible future **Economic Income** to derive expected value. See also **Monte Carlo Method**, **Option Pricing Method**, and **Probability-Weighted Expected Return Method (PWERM)**.	Useful addition.
Simple Capital Structure—a **Capital Structure** that includes a single equity class and may include debt or debt-like preferred securities. Contrast with **Complex Capital Structure**.	Useful addition.
Standalone Value—the value of an asset, business, or investment estimated without considerations of potential **Synergies**.	Useful addition.

EXHIBIT 2 *Continued*

Terms Added	Effect of Change
Synergies—the concept that the performance and value of two assets or businesses combined will be greater than the sum of the separate individual parts, resulting from the expectation of economies of scale or post-acquisition benefits.	Useful addition.
Synergistic Value—the expected value resulting from a combination of two or more assets or businesses, which is greater than the sum of the separate individual parts.	Useful addition.
Tax Amortization Benefit—the present value of income tax savings resulting from the tax deduction generated by the amortization of an **Intangible Asset**.	Useful addition.
Tax Depreciation Benefit—the present value of income tax savings resulting from the tax deduction generated by the depreciation of a **Tangible Asset**.	Useful addition.
Unlevered Cost of Capital—the expected **Rate of Return** that the market requires in order to attract funds to a particular investment, assuming an unlevered **Capital Structure**. See also **Weighted Average Cost of Capital**.	Useful addition.
Valuation Model—a tool used by business valuation professionals to estimate the value of an asset, business, or investment consisting of a series of calculations involving the application of **Valuation Methods** and the business valuation professional's informed judgement.	Useful addition.
Value in Exchange—the value of an asset or liability if sold in the open market. Contrast with **Value in Use**.	Useful addition.
Value in Use—the value of an asset, business, or investment in its current or continued use. Also known as value in continued use, or existing use value. Contrast with **Value in Exchange**.	Useful addition.
Waterfall—the contractual allocations of **Cash Flows**, commonly resulting from a liquidity event (e.g., merger, acquisition, initial public offering), to the various ownership classes (e.g., debt, preferred equity, common equity) in a business, reflecting the economic rights of each class.	Useful addition.
With and Without Method—a method used to estimate the value of an asset by comparing a scenario in which the business uses the asset and another scenario in which the business does not use the asset, all other factors held constant. Also known as premium profits method.	Useful addition.
Working Capital—the amount of current assets minus current liabilities held in a business for its day-to-day operational needs. Also known as debt-free net working capital when all or a portion of cash and the current portion of interest-bearing debt is excluded.	Useful addition.

EXHIBIT 3 2001/2022 *International Glossary*

	Terms Left in but Changed	Comments
2001	**Adjusted Book Value Method—**a method within the asset approach whereby all assets and liabilities (including off-balance sheet, intangible, and contingent) are adjusted to their fair market values. {NOTE: In Canada on a going concern basis}	
	Adjusted Net Asset Method—see **Adjusted Book Value Method.**	2001 still relevant.
2022	**Adjusted Net Asset Value Method—**a method within the **Asset Approach** whereby a business' assets and liabilities (including off-balance sheet assets, **Intangible Assets**, and contingent assets and/or liabilities) are adjusted to market values or another appropriate **Standard of Value**. Also known as adjusted book value method or asset accumulation method.	
2001	**Appraisal—**see **Valuation**.	2001 still relevant.
2022	**Appraisal—**also known as **Valuation**.	
2001	**Asset (Asset-Based) Approach—**a general way of determining a value indication of a business, business ownership interest, or security using one or more methods based on the value of the assets net of liabilities.	Not okay. 2022 "using either" precludes using more than one method. Semantics are off.
2022	**Asset Approach—**a general manner of estimating the value of a business using one or more methods based on a summation of the value of the assets, net of liabilities, where each has been valued using either the market, income, or cost approach. Also known as asset-based approach. See also **Cost Approach**.	
2001	**Beta—**a measure of systematic risk of a stock; the tendency of a stock's price to correlate with changes in a specific index.	2001 still relevant.
2022	**Beta—**a measure of the relative risk (or sensitivity) of an individual security versus the risk of a market portfolio. See also **Capital Asset Pricing Model**, **Systematic Risk**, **Unsystematic Risk**, **Levered Beta**, and **Unlevered Beta**.	
2001	**Blockage Discount—**an amount or percentage deducted from the current market price of a publicly traded stock to reflect the decrease in the per share value of a block of stock that is of a size that could not be sold in a reasonable period of time given normal trading volume.	

EXHIBIT 3 *Continued*

	Terms Left in but Changed	Comments
2022	**Blockage Discount**—an amount or percentage deducted from the current market price of a publicly-traded security to reflect the decrease in the per security value of a block of securities that is of a size that could not likely be sold in a reasonable period given normal trading volume.	2001 still relevant.
2001	**Capital Asset Pricing Model (CAPM)**—a model in which the cost of capital for any stock or portfolio of stocks equals a risk-free rate plus a risk premium that is proportionate to the systematic risk of the stock or portfolio.	
2022	**Capital Asset Pricing Model (CAPM)**—a single factor asset pricing model that measures the expected return for a security (or portfolio of securities) as the sum of a **Risk-Free Rate** plus a risk premium. The risk premium is equal to the **Systematic Risk** (measured by **Beta**) of the security (or portfolio of securities) multiplied by the risk premium of holding the overall market portfolio. The CAPM is often modified or extended for other risk factors, such as size, country risk, and **Company-Specific Risk**. See also **Build-up Model**.	2001 still relevant. Useful 2022 modifications.
2001	**Capital Structure**—the composition of the invested capital of a business enterprise; the mix of debt and equity financing.	
2022	**Capital Structure**—the composition of the **Invested Capital** of a business, including debt and **Debt Equivalents**, equity, and **Hybrid Securities**. See also **Simple Capital Structure** and **Complex Capital Structure**.	2001 still relevant.
2001	**Capitalization of Earnings Method**—a method within the income approach whereby economic benefits for a representative single period are converted to value through division by a capitalization rate.	
2022	**Capitalization of Economic Income Method**—a method within the **Income Approach** whereby expected **Economic Income** for a representative single period is converted to value through division by a **Capitalization Rate.** Also known as the capitalization method or direct capitalization method.	2001 still relevant. Useful 2022 modifications.

(*Continued*)

EXHIBIT 3 *Continued*

	Terms Left in but Changed	Comments
2022	**Capitalization Rate**—any divisor (usually expressed as a percentage) used to convert anticipated economic benefits of a single period into value.	2001 still relevant. Useful 2022 modifications.
2001	**Capitalization Rate**—a divisor (usually expressed as a percentage) used to convert into value the expected **Economic Income** of a normalized single period. The Capitalization Rate is generally calculated as a **Discount Rate** less a long-term growth rate.	
2022	**Capitalization of Economic Income Method**—a method within the **Income Approach** whereby expected **Economic Income** for a representative single period is converted to value through division by a **Capitalization Rate**. Also known as the capitalization method or direct capitalization method.	
2001	**Cash Flow**—cash that is generated over a period of time by an asset, group of assets, or business enterprise. It may be used in a general sense to encompass various levels of specifically defined cash flows. When the term is used, it should be supplemented by a qualifier (for example, "discretionary" or "operating") and a specific definition in the given valuation context.	2001 still relevant.
2022	**Cash Flow**—cash inflows or outflows that are generated over a period by an asset, business, or investment; often supplemented by a qualifier in the given valuation context (e.g., discretionary or operating). See also **Net Cash Flow to Equity** and **Net Cash Flow to Invested Capital**.	
2001	**Control**—the power to direct the management and policies of a business enterprise.	2001 still relevant.
2022	**Control**—a level of ownership having sufficient rights (e.g., voting) to direct the management, policies, and disposition of a business.	
2001	**Control Premium**—an amount or a percentage by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest in a business enterprise to reflect the power of control.	2001 still relevant.
2022	**Control Premium**—an amount or percentage by which the pro rata value of a **Controlling Interest** exceeds the pro rata value of a **Noncontrolling Interest** in a business, to reflect the anticipated economic benefits of **Control**. Also known as acquisition premium.	

EXHIBIT 3 *Continued*

	Terms Left in but Changed	Comments
2001	**Cost Approach**—a general way of determining a value indication of an individual asset by quantifying the amount of money required to replace the future service capability of that asset.	2001 still relevant. Useful 2022 modifications.
2022	**Cost Approach**—a general manner of estimating the value of an asset, investment, or (in limited circumstances) a business using one or more methods that reflect the economic principle that a buyer will generally pay no more for an asset than the cost to obtain another asset of equal utility, whether by purchase or by construction. The approach considers the current replacement or reproduction cost and the physical deterioration and all other relevant forms of obsolescence. See also **Asset Approach**.	
2001	**Cost of Capital**—the expected rate of return that the market requires in order to attract funds to a particular investment.	2001 still relevant. Useful 2022 modifications.
2022	**Cost of Capital**—the expected rate of return that the market requires in order to attract funds to a particular investment considering the risk of the investment. See also **Weighted Average Cost of Capital**.	
2001	**Discount for Lack of Control**—an amount or percentage deducted from the pro rata share of value of 100% of an equity interest in a business to reflect the absence of some or all of the powers of control.	2001 still relevant. But is best used with invested capital, not equity.
2022	**Discount for Lack of Control**—an amount or percentage deducted from the pro rata amount of 100% of the entity's **Equity Value** (when determined on a **Controlling Interest** basis) to reflect the absence of some or all of the economic benefits of **Control**.	
2001	**Discount for Lack of Marketability**—an amount or percentage deducted from the value of an ownership interest to reflect the relative absence of marketability.	2001 still relevant.
2022	**Discount for Lack of Marketability**—an amount or percentage applied to the value of an ownership interest to reflect a relative lack of **Marketability**.	

(*Continued*)

EXHIBIT 3 *Continued*

	Terms Left in but Changed	Comments
2001	**Discount for Lack of Voting Rights**—an amount or percentage deducted from the per share value of a minority interest voting share to reflect the absence of voting rights.	2001 still relevant.
2022	**Discount for Lack of Voting Rights**—an amount or percentage applied to the per share value of a voting share to reflect an absence of voting rights.	
2001	**Discount Rate**—a rate of return used to convert a future monetary sum into present value.	2001 still relevant.
2022	**Discount Rate**—a **Rate of Return** used to convert **Economic Income** into present value.	
2001	**Discounted Cash Flow Method**—a method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate.	2001 still relevant.
2022	**Discounted Cash Flow (DCF) Method**—a form of the **Discounted Economic Income Method** based on **Cash Flow**.	
2001	**Effective Date**—see **Valuation Date.** **Valuation Date**—the specific point in time as of which the valuator's opinion of value applies (also referred to as "Effective Date" or "Appraisal Date").	2001 still relevant.
2022	**Effective Date**—see also **Valuation Date, Measurement Date**, or date of value. **Valuation Date**—the specific point in time at which the conclusion of value applies. Also known as **Effective Date, Measurement Date**, or date of value. Contrast with **Report Date.** **Measurement Date**—also known as **Valuation Date, Effective Date**, or date of value. **Report Date**—the date of issuance of a **Valuation** report. Contrast with **Valuation Date**.	
2001	**Equity Risk Premium**—a rate of return added to a risk-free rate to reflect the additional risk of equity instruments over risk free instruments (a component of the cost of equity capital or equity discount rate).	Needs clarification. 2022 definition states that it is applicable to "public equity." It is used for private equity as well.

EXHIBIT 3 *Continued*

	Terms Left in but Changed	Comments
2022	**Equity Risk Premium**—the incremental return that investors expect to receive from an investment in public equity securities over that of a risk-free security. It is generally calculated as the difference between the expected rate of return on the overall market and the return on a risk-free instrument. Also known as market risk premium, or equity market risk premium.	
2001	**Excess Earnings—**that amount of anticipated economic benefits that exceeds an appropriate rate of return on the value of a selected asset base (often net tangible assets) used to generate those anticipated economic benefits.	2001 still relevant.
2022	**Excess Earnings—**the amount of expected **Cash Flow** that exceeds the economic charge for the use of the **Contributory Assets** used to generate such cash flow. **Cash Flow—**cash inflows or outflows that are generated over a period by an asset, business, or investment; often supplemented by a qualifier in the given valuation context (e.g., discretionary or operating). See also **Net Cash Flow to Equity** and **Net Cash Flow to Invested Capital**. **Contributory Assets—**assets (e.g., working capital, machinery and equipment, trademarks, assembled workforce) that are used in conjunction with the subject **Intangible Asset** in the realization of prospective cash flows associated with the **Intangible Asset** being valued. See also **Multi-Period Excess Earnings Method** and **Contributory Asset Charge**.	
2001	**Excess Earnings Method—**a specific way of determining a value indication of a business, business ownership interest, or security determined as the sum of (a) the value of the assets derived by capitalizing excess earnings and (b) the value of the selected asset base. Also frequently used to value intangible assets. See **Excess Earnings**.	Not okay. The 2022 Glossary **Excess Earnings** and **Excess Earnings Method** are not in sync. It is confusing.
2022	**Excess Earnings Method—**a method of estimating the value of a business, determined as the sum of (i) the value of the selected **Tangible Asset** base, and (ii) the value of all of the **Intangible Assets** (including goodwill) derived by capitalizing **Excess Earnings**. Sometimes referred to as the capitalized excess earnings method.	

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EXHIBIT 3 *Continued*

	Terms Left in but Changed	Comments
2001	**Fair Market Value—**the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts. {NOTE: In Canada, the term "*price*" should be replaced with the term "*highest price*."}	2001 still relevant. Useful 2022 modifications.
2022	**Fair Market Value—**a **Standard of Value** considered to represent the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, each acting at arm's-length in an open and unrestricted market, when neither is under compulsion to buy or to sell and when both have reasonable knowledge of relevant facts. See also **Market Value**. **Standard of Value—**the definition of value used in a valuation (e.g., **Fair Market Value**, **Market Value**, **Fair Value**, or **Investment Value**). The **Standard of Value** affects the methods, inputs, and assumptions used by the business valuation professional. Also known as **Basis of Value**. **Basis of Value—**also known as **Standard of Value**.	
2001	**Fairness Opinion—**an opinion as to whether or not the consideration in a transaction is fair from a financial point of view.	2001 still relevant. Useful 2022 modifications.
2022	**Fairness Opinion—**an opinion as to whether the consideration proposed to be paid or received in a transaction is fair from a financial point of view to the party paying or receiving such consideration.	
2001	**Forced Liquidation Value—**liquidation value, at which the asset or assets are sold as quickly as possible, such as at an auction.	2001 still relevant. Useful 2022 modifications.

EXHIBIT 3 *Continued*

	Terms Left in but Changed	Comments
2022	**Forced Liquidation Value—**a form of **Liquidation Value** in which an asset or assets are presumed to be sold with less than a reasonable period of market exposure. Contrast with **Orderly Liquidation Value**. **Liquidation Value—**the amount, net of relevant costs (e.g., preparation and disposal), that would be realized if the business is terminated, and the assets are sold. See also **Orderly Liquidation Value** and **Forced Liquidation Value**. **Orderly Liquidation Value—**a form of **Liquidation Value** in which the asset or assets are presumed to be sold over a reasonable period of market exposure to maximize expected return. Contrast with **Forced Liquidation Value**.	
2001	**Going Concern—**an ongoing operating business enterprise.	2001 still relevant.
2022	**Going Concern—**an ongoing operating business enterprise.	
2001	**Going Concern Value—**the value of a business enterprise that is expected to continue to operate into the future. The intangible elements of Going Concern Value result from factors such as having a trained work force, an operational plant, and the necessary licenses, systems, and procedures in place.	2001 still relevant.
2022	**Going Concern Value—**a **Premise of Value** that assumes the business is an ongoing commercial enterprise with a reasonable expectation of future earning power. **Premise of Value—**an assumption regarding the circumstances that may be applicable to the subject valuation. See also **Going Concern Value** and **Liquidation Value**.	
2001	**Goodwill—**that intangible asset arising as a result of name, reputation, customer loyalty, location, products, and similar factors not separately identified.	Not okay. The fair value piece distracts from the definition in 2022. It should be a separate item.

(*Continued*)

EXHIBIT 3 *Continued*

	Terms Left in but Changed	Comments
2022	**Goodwill—**an **Intangible Asset** which represents any future economic benefit arising from a business or a group of assets which is not individually identified or separately recognized. Goodwill can arise as a result of name, reputation, customer loyalty, location, products, and similar factors not separately identified. In the context of a business combination, goodwill is measured as the difference between (A) the aggregate of (i) the value of the consideration transferred (generally at **Fair Value**), (ii) the amount of any noncontrolling interest, and (iii) in a business combination achieved in stages, the acquisition-date **Fair Value** of the acquirer's previously held equity interest in the acquiree, and (B) the net of the acquisition-date amounts of the **Identifiable Assets** acquired and the liabilities as assumed. **Identifiable Intangible Asset—**in a financial reporting context, an **Intangible Asset** is identifiable if it meets certain contractual and/or separability criteria as defined by a relevant standard (e.g., IFRS 3 or ASC 805). **Fair Value—**a **Standard of Value** for which there are different definitions, depending on the context and purpose. Fair Value is typically defined or imposed by a third party (e.g., by law, regulation, contract, or financial reporting standard-setting bodies). The most commonly used definition for financial reporting purposes is under IFRS and US GAAP, which define Fair Value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.	
2001	**Guideline Public Company Method—**a method within the market approach whereby market multiples are derived from market prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market.	Not okay. "Actively traded" should not have been deleted. Non-actively traded stocks should not be used.
2022	**Guideline Public Company Method—**a method within the **Market Approach** whereby the value of a business is estimated by application of **Multiples** derived from market prices of securities of publicly traded companies that are engaged in the same or similar lines of business as the subject business. **Market Approach—**a general manner of estimating a value of an asset, business, or investment by using one or more **Valuation Methods** that compare the valuation subject to other assets, businesses, or investments that have been sold or for which price and other information is available.	

EXHIBIT 3 *Continued*

	Terms Left in but Changed	Comments
	Valuation Methods: Not defined. **Valuation Method**—within a **Valuation Approach**, a methodology used to estimate value (e.g., **Discounted Cash Flow Method** under the **Income Approach**).	Minor difference. Method vs. methods.
2001	**Income (Income-Based) Approach**—a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more methods that convert anticipated economic benefits into a present single amount.	
2022	**Income Approach**—a general manner of estimating the value of an asset, business, or investment using one or more methods that convert expected **Economic Income** into a present amount. **Economic Income**—monetary inflows or outflows resulting from business activities (e.g., **Cash Flows**, EBITDA, net income).	2001 still relevant.
2001	**Intangible Assets**—nonphysical assets such as franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities, and contracts (as distinguished from physical assets) that grant rights and privileges and have value for the owner.	
2022	**Intangible Asset**—an asset that lacks physical substance and derives value from the economic properties that grant rights and/or **Economic Income** to its owner (e.g., patents, copyrights, trademarks, or customer relationships). See also **Identifiable Intangible Asset**.	2001 still relevant.
2001	**Internal Rate of Return**—a discount rate at which the present value of the future cash flows of the investment equals the cost of the investment.	
2022	**Internal Rate of Return**—the **Discount Rate** which equates the present value of expected net cash flows to the initial investment (cost). **Discount Rate**—a **Rate of Return** used to convert **Economic Income** into present value. **Rate of Return**—an amount, expressed as a percentage of the amount of the investment, of anticipated or realized **Economic Income** and/or change in value of an investment.	2001 still relevant.
2001	**Intrinsic Value**—the value that an investor considers, on the basis of an evaluation or available facts, to be the "true" or "real" value that will become the market value when other investors reach the same conclusion. When the term applies to options, it is the difference between the exercise price and strike price of an option and the market value of the underlying security.	

(*Continued*)

EXHIBIT 3 *Continued*

	Terms Left in but Changed	Comments
		2001 still relevant.
2022	**Intrinsic Value**—the value that an investor considers, on the basis of available facts, to be the "true," "real," or fundamental value that will become the **Market Value** when other investors reach the same conclusion. When the term applies to options, **Intrinsic Value** is the difference between the exercise (strike) price of an option and the market price of the underlying security.	
2001	**Invested Capital**—the sum of equity and debt in a business enterprise. Debt is typically (a) all interest-bearing debt or (b) long-term, interest-bearing debt. When the term is used, it should be supplemented by a specific definition in the given valuation context.	
		2001 still relevant. Useful 2022 modifications.
2022	**Invested Capital**—the sum of a business' equity, debt and **Debt Equivalents**, **Hybrid Securities**, and other non-equity claims. See also **Enterprise Value** and **Market Value of Invested Capital**. **Debt Equivalents**—a debt-like financial obligation or other non-equity claim resulting from the signing of a short- or long-term contract (e.g., operating leases, unfunded pension liabilities, asset retirement obligations, contingent liabilities). See also **Capital Structure** and **Hybrid Securities**. **Hybrid Securities**—a component of a company's **Capital Structure** that cannot be classified purely as debt or equity, as it may have characteristics of both (e.g., convertible debt, convertible preferred stock, employee stock options). **Enterprise Value**—the **Market Value of Invested Capital**, typically adjusted to remove all or a portion of cash and cash equivalents, and other **Nonoperating Assets**. See also **Market Value of Invested Capital** and **Invested Capital**. **Market Value of Invested Capital**—the sum, at market value, of a business' equity, debt and **Debt Equivalents**, **Hybrid Securities**, and non-equity claims.	
2001	**Investment Risk**—the degree of uncertainty as to the realization of expected returns.	
		2001 still relevant.
2022	**Investment Risk**—the uncertainty of realizing **Economic Income** as expected (with respect to amount and/or timing).	

EXHIBIT 3 *Continued*

	Terms Left in but Changed	Comments
2001	**Investment Value**—the value to a particular investor based on individual investment requirements and expectations. {NOTE: In Canada, the term used is "*Value to the Owner*."}	2001 still relevant. Useful 2022 modifications.
2022	**Investment Value**—a **Standard of Value** considered to represent the value of an asset or business to a particular owner or prospective owner for individual investment or operational objectives. Also known as value to the owner.	
2001	**Key Person Discount**—an amount or percentage deducted from the value of an ownership interest to reflect the reduction in value resulting from the actual or potential loss of a key person in a business enterprise.	2001 still relevant.
2022	**Key Person Discount**—an amount or percentage deducted from the value of an operating business to reflect the reduction in value resulting from the actual or potential loss of a key person upon which the business is highly dependent.	
2001	**Levered Beta**—the beta reflecting a capital structure that includes debt.	2001 still relevant. Useful 2022 modification.
2022	**Levered Beta**—a measure of **Beta** reflecting a **Capital Structure** that includes debt. Also known as equity beta. Contrast with **Unlevered Beta.** **Beta**—a measure of the relative risk (or sensitivity) of an individual security versus the risk of a market portfolio. See also **Capital Asset Pricing Model**, **Systematic Risk**, **Unsystematic Risk**, **Levered Beta**, and **Unlevered Beta**. **Systematic Risk**—risk that is common to all risky securities and cannot be eliminated through diversification. Also known as market risk and non-diversifiable risk. Contrast with **Unsystematic Risk**. See also **Beta.** **Unsystematic Risk**—risk specific to an individual security that can be eliminated through diversification. Also known as idiosyncratic risk or diversifiable risk. Contrast with **Systematic Risk**. **Unlevered Beta**—a measure of **Beta** reflecting a capital structure without debt. Also known as asset beta. Contrast with **Levered Beta**.	

(*Continued*)

EXHIBIT 3 *Continued*

	Terms Left in but Changed	Comments
2001	**Liquidity**—the ability to quickly convert property to cash or pay a liability.	2001 still relevant.
2022	**Liquidity—**the ability to quickly or readily convert an asset, business, or investment to cash at minimal cost. See also **Marketability**. **Marketability—**the ability to quickly or readily convert an asset, business, or investment to cash at minimal cost that reflects the capability and ease of transfer or salability of that property. Marketability is affected by, among other things, the particular market in which the asset is expected to transact and the characteristics of the asset. See also **Liquidity**.	
2001	**Liquidation Value—**the net amount that would be realized if the business is terminated and the assets are sold piecemeal. Liquidation can be either "orderly" or "forced."	2001 still relevant. Useful 2022 modifications.
2022	**Liquidation Value—**the amount, net of relevant costs (e.g., preparation and disposal), that would be realized if the business is terminated, and the assets are sold. See also **Orderly Liquidation Value** and **Forced Liquidation Value**.	
2001	**Market (Market-Based) Approach—**a general way of determining a value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.	2001 still relevant.
2022	**Market Approach—**a general manner of estimating a value of an asset, business, or investment by using one or more **Valuation Methods** that compare the valuation subject to other assets, businesses, or investments that have been sold or for which price and other information is available.	Minor difference—Method vs. methods.
	Valuation Methods: Not defined. **Valuation Method—**within a **Valuation Approach**, a methodology used to estimate value (e.g., **Discounted Cash Flow Method** under the **Income Approach**).	

EXHIBIT 3 *Continued*

	Terms Left in but Changed	Comments
2001	**Market Capitalization of Equity—**the share price of a publicly traded stock multiplied by the number of shares outstanding.	2001 still relevant.
2022	**Market Capitalization of Equity—**the aggregate **Equity Value** of a publicly-traded company, calculated as the product of its market price and the number of equity securities outstanding. **Equity Value—**the value of a business to its equity holders. Equity Value is generally calculated as the **Market Value of Invested Capital** less the market value of any debt and **Debt Equivalents**, **Hybrid Securities**, and other non-equity claims.	
2001	**Marketability—**the ability to quickly convert property to cash at minimal cost.	2001 still relevant.
2022	**Marketability—**the ability to quickly or readily convert an asset, business, or investment to cash at minimal cost that reflects the capability and ease of transfer or salability of that property. Marketability is affected by, among other things, the particular market in which the asset is expected to transact and the characteristics of the asset. See also **Liquidity.** **Liquidity—**the ability to quickly or readily convert an asset, business, or investment to cash at minimal cost. See also **Marketability**.	
2001	**Mid-Year Discounting—**a convention used in the Discounted Future Earnings Method that reflects economic benefits being generated at midyear, approximating the effect of economic benefits being generated evenly throughout the year.	2001 still relevant.
2022	**Mid-Period Discounting—**a convention used in the **Discounted Economic Income Method** that reflects **Economic Income** being generated at a mid-period, approximating the effect of **Economic Income** being generated throughout the period. Contrast with **End of Period Discounting.**	
2001	**Multiple—**the inverse of the capitalization rate.	2001 still relevant. Useful 2022 modifications.

(*Continued*)

EXHIBIT 3 *Continued*

	Terms Left in but Changed	Comments
2022	**Multiple**—a ratio calculated as the value of a business or security divided by **Economic Income** or a non-financial metric. Also known as market multiple, pricing multiple, or valuation ratio.	
2001	**Net Book Value**—with respect to a business enterprise, the difference between total assets (net of accumulated depreciation, depletion, and amortization) and total liabilities as they appear on the balance sheet (synonymous with Shareholder's Equity). With respect to a specific asset, the capitalized cost less accumulated amortization or depreciation as it appears on the books of account of the business enterprise.	2001 still relevant.
2022	**Net Book Value**—the difference between a business' total assets and liabilities at accounting book values (synonymous with book equity). With respect to a specific asset, this is the original capitalized cost less accumulated amortization, depreciation, depletion, allowances, or impairment.	
2001	**Net Present Value**—the value, as of a specified date, of future cash inflows less all cash outflows (including the cost of investment) calculated using an appropriate discount rate.	2001 still relevant.
2022	**Net Present Value**—the value, as of a specified date, of future cash inflows less cash outflows (including the cost of initial investment) calculated using a **Discount Rate**.	
2001	**Nonoperating Assets**—assets not necessary to ongoing operations of the business enterprise. {NOTE: In Canada, the term used is "*Redundant Assets*."} **Redundant Assets**—see **Nonoperating Assets**.	2001 still relevant.
2022	**Nonoperating Assets**—assets (or liabilities) not necessary to support the ongoing operations of a business. Sometimes referred to as redundant or surplus assets.	
2001	**Normalized Earnings**—economic benefits adjusted for nonrecurring, noneconomic, or other unusual items to eliminate anomalies and/or facilitate comparisons.	2001 still relevant. Useful 2022 modification.

EXHIBIT 3 *Continued*

	Terms Left in but Changed	Comments
2022	**Normalized Earnings—Economic Income** adjusted for **extraordinary**, nonrecurring, noneconomic, or other unusual items in order to eliminate anomalies and facilitate comparisons.	
2001	**Orderly Liquidation Value**—liquidation value at which the asset or assets are sold over a reasonable period of time to maximize proceeds received.	2001 still relevant.
2022	**Orderly Liquidation Value**—a form of **Liquidation Value** in which the asset or assets are presumed to be sold over a reasonable period of market exposure to maximize expected return. Contrast with **Forced Liquidation Value**.	
2001	**Premise of Value**—an assumption regarding the most likely set of transactional circumstances that may be applicable to the subject valuation; for example, going concern, liquidation.	2001 still relevant.
2022	**Premise of Value**—an assumption regarding the circumstances that may be applicable to the subject valuation. See also **Going Concern Value** and **Liquidation Value**. **Going Concern Value**—a **Premise of Value** that assumes the business is an ongoing commercial enterprise with a reasonable expectation of future earning power.	
2001	**Present Value—**the value, as of a specified date, of future economic benefits and/or proceeds from sale, calculated using an appropriate discount rate.	2001 still relevant.
2022	**Present Value—**the value, as of a specified date, of expected **Economic Income**, calculated using a Discount Rate. See also **Net Present Value**.	
2001	**Portfolio Discount—**an amount or percentage deducted from the value of a business enterprise to reflect the fact that it owns dissimilar operations or assets that do not fit well together.	2001 still relevant.
2022	**Portfolio Discount**—an amount or percentage deducted from the value of a business to reflect its ownership of dissimilar operations or assets in a combination that might not be attractive to a potential buyer. Also known as conglomerate discount.	

(*Continued*)

EXHIBIT 3 *Continued*

	Terms Left in but Changed	Comments
2001	**Rate of Return**—an amount of income (loss) and/or change in value realized or anticipated on an investment, expressed as a percentage of that investment.	2001 still relevant.
2022	**Rate of Return**—an amount, expressed as a percentage of the amount of the investment, of anticipated or realized **Economic Income** and/or change in value of an investment.	
2001	**Report Date**—the date conclusions are transmitted to the client.	2001 still relevant. Useful 2022 modifications.
2022	**Report Date**—the date of issuance of a **Valuation** report. Contrast with **Valuation Date.** **Valuation Date**—the specific point in time at which the conclusion of value applies. Also known as **Effective Date**, **Measurement Date**, or date of value. Contrast with **Report Date**. **Effective Date**—see also **Valuation Date**, **Measurement Date**, or date of value. **Measurement Date**—also known as **Valuation Date**, **Effective Date**, or date of value.	
2001	**Replacement Cost New**—the current cost of a similar new property having the nearest equivalent utility to the property being valued.	2001 still relevant.
2022	**Replacement Cost New**—the cost, as of the **Valuation Date**, of an identical new asset or a new asset having the equivalent utility to the subject asset. Also known as reproduction cost new.	
2001	**Required Rate of Return**—the minimum rate of return acceptable by investors before they will commit money to an investment at a given level of risk.	2001 still relevant.
2022	**Required Rate of Return**—the minimum **Rate of Return** acceptable by investors before they will commit money to an investment, given its level of risk. **Rate of Return**—an amount, expressed as a percentage of the amount of the investment, of anticipated or realized **Economic Income** and/or change in value of an investment.	

EXHIBIT 3 *Continued*

	Terms Left in but Changed	Comments
2001	**Risk-Free Rate**—the rate of return available in the market on an investment free of default risk.	2001 still relevant. Useful 2022 modification.
2022	**Risk-Free Rate—**a **Rate of Return** available in the market on an investment perceived as free of default risk.	
2001	**Risk Premium—**a rate of return added to a risk-free rate to reflect risk.	2001 still relevant. Useful 2022 modifications.
2022	**Risk Premium—**a **Rate of Return** added to a base rate (e.g., a **Risk-Free Rate**) to reflect the incremental risk of an asset, business, or investment (e.g., **Equity Risk Premium, Unsystematic Risk** premium, country risk premium, or size premium). **Rate of Return—**an amount, expressed as a percentage of the amount of the investment, of anticipated or realized **Economic Income** and/or change in value of an investment. **Risk-Free Rate—**a **Rate of Return** available in the market on an investment perceived as free of default risk. **Equity Risk Premium—**the incremental return that investors expect to receive from an investment in public equity securities over that of a risk-free security. It is generally calculated as the difference between the expected rate of return on the overall market and the return on a risk-free instrument. Also known as market risk premium, or equity market risk premium. **Unsystematic Risk—**risk specific to an individual security that can be eliminated through diversification. Also known as idiosyncratic risk or diversifiable risk. Contrast with **Systematic Risk**.	
2001	**Standard of Value—**the identification of the type of value being utilized in a specific engagement; for example, fair market value, fair value, investment value.	2001 still relevant. However, **Market Value** is a real estate term in the U.S.

(*Continued*)

EXHIBIT 3 *Continued*

	Terms Left in but Changed	Comments
2022	**Standard of Value—**the definition of value used in a valuation (e.g., **Fair Market Value**, **Market Value**, **Fair Value,** or **Investment Value**). The **Standard of Value** affects the methods, inputs, and assumptions used by the business valuation professional. Also known as **Basis of Value.** **Fair Market Value—**a **Standard of Value** considered to represent the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, each acting at arm's-length in an open and unrestricted market, when neither is under compulsion to buy or to sell and when both have reasonable knowledge of relevant facts. See also **Market Value**. **Market Value—**a **Standard of Value** considered to represent the estimated amount for which an asset or liability should exchange on the **Valuation Date** between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, and where the parties had each acted knowledgeably, prudently, and without compulsion. See also **Fair Market Value**. **Fair Value—**a **Standard of Value** for which there are different definitions, depending on the context and purpose. Fair Value is typically defined or imposed by a third party (e.g., by law, regulation, contract, or financial reporting standard-setting bodies). The most commonly used definition for financial reporting purposes is under IFRS and US GAAP, which define Fair Value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. **Investment Value—**a **Standard of Value** considered to represent the value of an asset or business to a particular owner or prospective owner for individual investment or operational objectives. Also known as value to the owner.	
2001	**Systematic Risk—**the risk that is common to all risky securities and cannot be eliminated through diversification. The measure of systematic risk in stocks is the beta coefficient.	2001 still relevant.

EXHIBIT 3 *Continued*

	Terms Left in but Changed	Comments
2022	**Systematic Risk—**risk that is common to all risky securities and cannot be eliminated through diversification. Also known as market risk and non-diversifiable risk. Contrast with **Unsystematic Risk**. See also **Beta.**	
2001	**Tangible Assets—**physical assets (such as cash, accounts receivable, inventory, property, plant and equipment, etc.).	2001 still relevant.
2022	**Tangible Asset—**an asset that has physical form and derives value from its physical properties or tangible nature (e.g., real estate, property, plant, equipment). Contrast with **Intangible Asset**.	
2001	**Terminal Value—**See **Residual Value**. **Residual Value—**the value as of the end of the discrete projection period in a discounted future earnings model.	2001 still relevant. Useful 2022 modifications.
2022	**Terminal Value—**an estimate of the value of **Economic Income** of a business beyond the discrete forecast period in the **Discounted Economic Income Method.** Also known as residual value or continuing value.	
2001	**Unlevered Beta—**the beta reflecting a capital structure without debt.	2001 still relevant.
2022	**Unlevered Beta—**a measure of **Beta** reflecting a capital structure without debt. Also known as asset beta. Contrast with **Levered Beta.**	
2001	**Unsystematic Risk—**the risk specific to an individual security that can be avoided through diversification.	2001 still relevant.
2022	**Unsystematic Risk—**risk specific to an individual security that can be eliminated through diversification. Also known as idiosyncratic risk or diversifiable risk. Contrast with **Systematic Risk.**	

(*Continued*)

EXHIBIT 3 *Continued*

	Terms Left in but Changed	Comments
2001	**Valuation—**the act or process of determining the value of a business, business ownership interest, security, or intangible asset.	2001 still relevant.
2022	**Valuation—**the act or process of developing an opinion or conclusion of value at a **Valuation Date** using a **Premise of Value,** a **Standard of Value,** and one or more **Valuation Approaches.** Also known as **Appraisal.**	
2001	**Valuation Approach—**a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more valuation methods.	2001 still relevant.
2022	**Valuation Approach—**a general manner of estimating a value that uses one or more specific **Valuation Methods**. See also **Cost Approach, Asset Approach, Income Approach**, and **Market Approach.** **Valuation Methods: Not defined.** **Valuation Method—**within a **Valuation Approach**, a methodology used to estimate value (e.g., **Discounted Cash Flow Method** under the **Income Approach**).	Minor difference—Method vs. methods.
2001	**Valuation Date—**the specific point in time as of which the valuator's opinion of value applies (also referred to as "Effective Date" or "Appraisal Date").	2001 still relevant.
2022	**Valuation Date—**the specific point in time at which the conclusion of value applies. Also known as **Effective Date, Measurement Date,** or date of value. Contrast with **Report Date.**	
2001	**Valuation Method—**within approaches, a specific way to determine value.	2001 still relevant.
2022	**Valuation Method—**within a **Valuation Approach**, a methodology used to estimate value (e.g., **Discounted Cash Flow Method** under the **Income Approach**).	
2001	**Weighted Average Cost of Capital** (**WACC**)—the cost of capital (discount rate) determined by the weighted average, at market value, of the cost of all financing sources in the business enterprise's capital structure.	2001 still relevant.
2022	**Weighted Average Cost of Capital** (**WACC**)—a measure of a business' overall **Cost of Capital** in which the expected **Rate of Return** on each component of capital (e.g., debt, equity) is weighted at market value based upon its relative proportion of the **Capital Structure.**	

EXHIBIT 4 Six-Glossary Comparison

	2001 *Int.* Glossary	2022 *Int.* Glossary	2022 IVS	2022 RICS	2022 USPAP	2007 AICPA Additional	Overlap Glossaries*
Adjusted Book Value Method	√						0
Adjusted Net Asset Method/ Adjusted Net Asset Value Method	√	√					1
Adjusted Present Value (APV)		√					0
Appraisal	√	√			√		2
Appraisal Approach	√						0
Appraisal Date	√						0
Appraisal Method	√						0
Appraisal Practice					√		0
Appraisal Procedure	√						0
Appraisal Review					√		0
Appraiser					√		0
Appraiser's Peers					√		0
Arbitrage Pricing Theory	√						0
Asset or Assets			√				0
Asset (Asset-Based) Approach	√	√					1
Assignment					√		0
Assignment Conditions					√		0
Assignment Elements					√		0
Assignment Results					√		0
Assumption				√			0
Assumptions and Limiting Conditions						√	0
Attrition		√					0
Backsolve Method		√					0
Basis (bases) of Value		√	√	√			2
Beta	√	√					1
Bias					√		0
Binominal Lattice Model		√					0
Blockage Discount	√	√					0
Book Value	√						0
Build-up Model		√					0
Business	√						0
Business Enterprise	√				√		1
Business Equity					√		0
Business Ownership Interest						√	0
Business Risk	√						0
Business Valuation	√						0
Calculated Value						√	0
Calculation Engagement						√	0
Capital or Contributory Asset Charge						√	0
Capital Asset Pricing Model (CAPM)	√	√					1
Capitalization	√						0
Capitalization Factor	√						0

EXHIBIT 4 *Continued*

	2001 *Int. Glossary*	2022 *Int. Glossary*	2022 *IVS*	2022 *RICS*	2022 *USPAP*	2007 AICPA Additional	Overlap Glossaries*
Capitalization of Benefits Method						√	0
Capitalization of Earnings Method	√	√					1
Capitalization of Economic Income Method		√					0
Capitalization Rate	√	√					1
Capital Structure	√	√					1
Cash Flow	√	√					1
Client			√		√		1
Common Size Statements	√						0
Company-Specific Risk		√					0
Company-Specific Risk Premium		√					0
Comparable Profits Method						√	0
Comparable Uncontrolled Transaction Method						√	0
Complex Capital Structure		√					0
Conclusion of Value						√	0
Confidential Information					√		0
Contributory Asset Charge		√					0
Contributory Assets		√					0
Control	√	√					1
Control Adjustment						√	0
Control Premium	√	√					1
Controlling Interest		√					0
Cost(s) (noun)			√		√		1
Cost Approach	√	√		√			2
Cost of Capital	√	√					2
Cost Savings Method		√					0
Credible					√		0
Current Value Method		√					0
Date of the Report				√			0
Date of Valuation				√			0
Debt Equivalents		√					0
Debt-Free	√						0
Departure				√			0
Depreciated Replacement Cost (DRC)				√			0
Discount for Lack of Control	√	√					1
Discount for Lack of Liquidity		√					0
Discount for Lack of Marketability	√	√					1
Discount for Lack of Voting Rights	√	√					1

EXHIBIT 4 *Continued*

	2001 *Int. Glossary*	2022 *Int. Glossary*	2022 *IVS*	2022 *RICS*	2022 *USPAP*	2007 AICPA Additional	Overlap Glossaries*
Discount Rate(s)	√	√	√				2
Discounted Cash Flow (DCF) Method	√	√					1
Discounted Economic Income Method		√					0
Discounted Future Earnings Method	√						0
Distributor Method		√					0
Economic Benefits	√						0
Economic Life	√						0
Economic Income		√					0
Economic Obsolescence		√					0
Effective Date	√	√			√		2
End of Period Discounting		√					0
Engagement to Estimate Value						√	0
Enterprise	√						0
Enterprise Value		√					0
Environmental, Social and Governance (ESG)				√			0
Equitable Value			√	√			1
Equity	√						0
Equity Instrument		√					0
Equity Net Cash Flows	√						0
Equity Risk Premium	√	√					1
Equity Value		√					0
ESG		√					0
Excess Earnings	√	√					1
Excess Earnings Method	√	√					1
Excess Operating Assets						√	0
Expected Cash Flow		√					0
Expected Present Value Technique		√					0
Exposure Time					√		0
External Valuer				√			0
Extraordinary Assumption					√		0
Fair Market Value	√	√	√				2
Fair Value		√		√		√	2
Fair Value (International)			√				0
Fairness Opinion	√	√					1
Feasibility Analysis					√		0
Financial Risk	√						0
Financial Statements				√			0
Firm				√			0
Forced Liquidation Value	√	√					1
Free Cash Flow	√						0
Functional Obsolescence		√					0

(Continued)

EXHIBIT 4 *Continued*

	2001 *Int. Glossary*	2022 *Int. Glossary*	2022 *IVS*	2022 *RICS*	2022 *USPAP*	2007 AICPA Additional	Overlap Glossaries*
Going Concern	√	√					1
Going Concern Value	√	√					1
Goodwill	√	√		√			2
Goodwill Value	√						0
Greenfield Method		√					0
Guideline Company Transactions Method						√	0
Guideline Public Company Method	√	√					1
Guideline Transaction Method		√					0
Hybrid Securities		√					0
Hypothetical Condition					√	√	1
Identifiable Intangible Asset		√					0
Income Approach/Income (Income-Based) Approach	√	√		√			2
Incremental Income						√	0
Inspection				√			0
Intangible Asset	√	√		√			2
Intangible Property (Intangible Assets)					√		0
Intellectual Property		√					0
Intended Use			√		√		1
Intended User			√		√		1
Internal Rate of Return	√	√					1
Internal Valuer				√			0
International Financial Reporting Standards (IFRS)				√			0
Intrinsic Value	√	√					1
Invested Capital	√	√					1
Invested Capital Net Cash Flows	√						0
Investment Property				√			0
Investment Risk	√	√					1
Investment Value	√	√	√	√			3
Jurisdiction			√				0
Jurisdictional Exception					√		0
Key Person Discount	√	√					1
Levered Beta	√	√					1
Limited Appraisal	√						0
Liquidation Value	√	√	√				2
Liquidity	√	√					1
Majority Control	√						0
Majority Interest	√						0

EXHIBIT 4 *Continued*

	2001 *Int. Glossary*	2022 *Int. Glossary*	2022 *IVS*	2022 *RICS*	2022 *USPAP*	2007 AICPA Additional	Overlap Glossaries*
Market Approach/Market (Market-Based) Approach	√	√		√			2
Market Capitalization		√					0
Market Capitalization of Equity	√	√					1
Market Capitalization of Invested Capital	√						0
Market Multiple	√						0
Market Rent (MR)				√			0
Market Value (MV)		√	√	√	√		3
Market Value of Invested Capital		√					0
Marketability	√	√					1
Marketability Discount	√						0
Marriage Value				√			0
Mass Appraisal					√		0
Mass Appraisal Model					√		0
May			√				0
Measurement Date		√					0
Member				√			0
Merger and Acquisition Method	√						0
Mid-Period Discounting		√					0
Mid-Year Discounting	√						0
Minority Discount	√						0
Minority Interest	√						0
Misleading					√		0
Monte Carlo Method		√					0
Multi-Period Excess Earnings Method		√					0
Multiple	√	√					1
Must			√				0
Net Asset Value		√					0
Net Book Value	√	√					1
Net Cash Flows	√						0
Net Cash Flow to Equity		√					0
Net Cash Flow to Invested Capital		√					0
Net Present Value	√	√					1
Net Tangible Asset Value	√						0
Nominal Cash Flows		√					0
Nominal Rate of Return		√					0
Noncontrolling Interest		√					0
Nonoperating Assets	√	√					1

(*Continued*)

EXHIBIT 4 *Continued*

	2001 *Int. Glossary*	2022 *Int. Glossary*	2022 *IVS*	2022 *RICS*	2022 *USPAP*	2007 AICPA Additional	Overlap Glossaries*
Normalization						√	0
Normalized Earnings	√	√					1
Normalized Financial Statements	√						0
Normalizing Adjustments		√					0
Option Pricing Method		√					0
Orderly Liquidation Value	√	√					1
Participant			√				0
Personal Inspection					√		0
Personal Property				√	√		1
Physical Characteristics					√		0
Physical Obsolescence		√					0
Plant and Equipment				√			0
Portfolio		√					0
Portfolio Discount	√	√					1
Post-Money Value		√					0
Pre-Adjustment Value						√	0
Premise of Value	√	√					1
Pre-Money Value		√					0
Present Value	√	√					1
Price (noun)		√	√		√		2
Price/Earnings Multiple	√						0
Prior Transaction Method		√					0
Probability-Weighted Expected Return Method (PWERM)		√					0
Profit Split Income						√	0
Purchase Price Allocation		√					0
Purpose			√				0
Rate of Return	√	√					1
Real Cash Flows		√					0
Real Estate				√	√		1
Real Property					√		0
Real Rate of Return		√					0
Redundant Assets	√						0
Registered for Regulation/Registered by RICS				√			0
Relevant Characteristics					√		0
Relief from Royalty Method		√				√	1
Replacement Cost Method		√					0
Replacement Cost New	√	√					1
Report					√		0
Report Date	√	√					1
Reproduction Cost New	√						0

EXHIBIT 4 *Continued*

	2001 *Int. Glossary*	2022 *Int. Glossary*	2022 *IVS*	2022 *RICS*	2022 *USPAP*	2007 AICPA Additional	Overlap Glossaries*
Required Rate of Return	√	√					1
Residual Income						√	0
Residual Value	√						0
Return on Equity	√						0
Return on Invested Capital	√						0
Return on Investment	√						0
Risk-Free Rate	√	√					1
Risk Premium	√	√					1
Royalty		√					0
Rule of Thumb	√						0
Salvage Value		√					0
Scenario Analysis		√					0
Scope of Work					√		0
Security						√	0
Should			√				0
Signature					√		0
Significant and/or Material			√				0
Simple Capital Structure		√					0
Special Assumption				√			0
Special Interest Purchasers	√						0
Special Purchaser				√			0
Special Value				√			0
Specialised Property				√			0
Standalone Value		√					0
Standard of Value	√	√					1
Subject or Subject Asset			√				0
Subject Interest						√	0
Subsequent Event						√	0
Sustainability				√			0
Sustaining Capital Reinvestment	√						0
Synergies		√					0
Synergistic Value		√	√				1
Systematic Risk	√	√					1
Tangible Assets	√	√					1
Tax Amortization Benefit		√					0
Tax Depreciation Benefit		√					0
Terminal Value	√	√					1
Terms of Engagement				√			0
Third Party				√			0
Trade Related Property				√			0
Trading Stock				√			0
Transaction Method	√						0
Unlevered Beta	√	√					1

(*Continued*)

EXHIBIT 4 *Continued*

	2001 *Int. Glossary*	2022 *Int. Glossary*	2022 *IVS*	2022 *RICS*	2022 *USPAP*	2007 AICPA Additional	Overlap Glossaries*
Unlevered Cost of Capital		√					0
Unsystematic Risk	√	√					1
Valuation	√	√	√	√			3
Valuation Analyst						√	0
Valuation Approach	√	√	√				2
Valuation Assumptions						√	0
Valuation Date	√	√		√			2
Valuation Engagement						√	0
Valuation Method	√	√	√				2
Valuation Model		√					0
Valuation Procedure	√						0
Valuation Purpose or Purpose of Valuation			√				0
Valuation Ratio	√						0
Valuation Reviewer			√				0
Valuation Service					√	√	1
Value (noun)			√		√		1
Value in Exchange		√					0
Value in Use		√					0
Value to the Owner	√						0
Valuer			√				0
Voting Control	√						0
Waterfall		√					0
Weight			√				0
Weighted Average Cost of Capital	√	√					1
Weighting			√				0
With and Without Method		√					0
Workfile					√		0
Working Capital		√					0
Worth			√	√			1
Number of Terms Defined	123	148	33	42	42	28 =	416

EXHIBIT 5 2001 *International Glossary of Business Valuation Terms*

Exhibit 5 is intentionally excluded. Please reference Addendum 2 of Chapter 1 for this information.

EXHIBIT 6 2022 *International Valuation Glossary—Business Valuation*

Exhibit 6 is intentionally excluded. Please reference Addendum 4 of Chapter 1 for this information.

EXHIBIT 7 2022 IVS Glossary

		Comments
Asset or Assets	To assist in the readability of the standards and to avoid repetition, the words "asset" and "assets" refer generally to items that might be subject to a valuation engagement. Unless otherwise specified in the standard, these terms can be considered to mean "asset, group of assets, liability, group of liabilities, or group of assets and liabilities."	Valid
Basis (bases) of Value	The fundamental premises on which the reported values are or will be based (see IVS 105 *Valuation Approaches and Methods*, para 10.1) (in some jurisdictions also known as standard of value).	Valid
Client	The word "client" refers to the person, persons, or entity for whom the valuation is performed. This may include external clients (i.e., when a valuer is engaged by a third-party client) as well as internal clients (i.e., valuations performed for an employer).	Valid
Cost(s) (noun)	The consideration or expenditure required to acquire or create an asset.	Valid
Discount Rate(s)	A rate of return used to convert a monetary sum, payable or receivable in the future, into a present value.	Valid
Equitable Value	This is the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties.	Valid
Fair Market Value	1. The Organisation for Economic Co-operation and Development (OECD) defines "fair market value" as the price a willing buyer would pay a willing seller in a transaction on the open market. 2. For United States tax purposes, Regulation §20.2031-1 states: "The fair market value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts."[1] [1] United States Internal Revenue Service	Valid
Fair Value (International Financial Reporting Standards)	IFRS 13 defines "fair value" as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.	Valid
Intended Use	The use(s) of a valuer's reported valuation or valuation review results, as identified by the valuer based on communication with the client.	Valid
Intended User	The client and any other party as identified, by name or type, as users of the valuation or valuation review report by the valuer based on communication with the client.	Valid

(*Continued*)

EXHIBIT 7 *Continued*

		Comments
Investment Value	The value of an asset to the owner or a prospective owner given individual investment or operational objectives (may also be known as worth).	Valid
Jurisdiction	The word "jurisdiction" refers to the legal and regulatory environment in which a valuation engagement is performed. This generally includes laws and regulations set by governments (e.g., country, state and municipal) and, depending on the purpose, rules set by certain regulators (e.g., banking authorities and securities regulators).	Valid
Liquidation Value	The amount that would be realised when an asset or group of assets are sold on a piecemeal basis. Liquidation value should take into account the costs of getting the assets into saleable condition as well as those of the disposal activity. Liquidation value can be determined under two different premises of value (see IVS 104 *Bases of Value*, section 80): (a) an orderly transaction with a typical marketing period; or (b) a forced transaction with a shortened marketing period.	Valid
Market Value	The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.	Valid
May	The word "may" describes actions and procedures that valuers have a responsibility to consider. Matters described in this fashion require the valuer's attention and understanding. How and whether the valuer implements these matters in the valuation engagement will depend on the exercise of professional judgement in the circumstances consistent with the objectives of the standards.	Valid
Must	The word "must" indicates an unconditional responsibility. The valuer must fulfill responsibilities of this type in all cases in which the circumstances exist to which the requirement applies.	Valid
Participant	The word "participant" refers to the relevant participants pursuant to the basis (or bases) of value used in a valuation engagement (see IVS 104 *Bases of Value*). Different bases of value require valuers to consider different perspectives, such as those of "market participants" (e.g., market value, IFRS fair value) or a particular owner or prospective buyer (e.g., investment value).	Valid
Price (noun)	The monetary or other consideration asked, offered or paid for an asset, which may be different from the value.	Valid
Purpose	The word "purpose" refers to the reason(s) a valuation is performed. Common purposes include (but are not limited to) financial reporting, tax reporting, litigation support, transaction support, and to support secured lending decisions.	Valid

EXHIBIT 7 *Continued*

		Comments
Should	The word "should" indicates responsibilities that are presumptively mandatory. The valuer must comply with requirements of this type unless the valuer demonstrates that alternative actions which were followed under the circumstances were sufficient to achieve the objectives of the standards. In the rare circumstances in which the valuer believes the objectives of the standard can be met by alternative means, the valuer must document why the indicated action was not deemed to be necessary and/or appropriate. If a standard provides that the valuer "should" consider an action or procedure, consideration of the action or procedure is presumptively mandatory, while the action or procedure is not.	"Presumptively mandatory" does not make sense here. It enables analysts to opt out. Probably based on accounting/auditing term.
Significant and/ or Material	Assessing significance and materiality require professional judgement. However, that judgement should be made in the following context: ■ Aspects of a valuation (including inputs, assumptions, special assumptions, and methods and approaches applied) are considered to be significant/material if their application and/or impact on the valuation could reasonably be expected to influence the economic or other decisions of users of the valuation; and judgments about materiality are made in light of the overall valuation engagement and are affected by the size or nature of the subject asset. ■ As used in these standards, "material/materiality" refers to materiality to the valuation engagement, which may be different from materiality considerations for other purposes, such as financial statements and their audits.	Valid
Subject or Subject Asset	These terms refer to the asset(s) valued in a particular valuation engagement.	Valid
Synergistic Value	The result of a combination of two or more assets or interests where the combined value is more than the sum of the separate values. If the synergies are only available to one specific buyer, then synergistic value will differ from market value, as the synergistic value will reflect particular attributes of an asset that are only of value to a specific purchaser. The added value above the aggregate of the respective interests is often referred to as marriage value.	Fair market value or market value can be on a synergistic basis if several potential buyers can achieve these synergies.
Valuation	The act or process of determining an opinion or conclusion of value of an asset on a stated basis of value at a specified date in compliance with IVS.	Valid
Valuation Approach	In general, a way of estimating value that employs one or more specific valuation methods (see IVS 105 *Valuation Approaches and Methods*).	Valid

(*Continued*)

EXHIBIT 7 *Continued*

		Comments
Valuation Method	Within valuation approaches, a specific way to estimate a value.	Valid
Valuation Purpose or Purpose of Valuation	See "Purpose."	Valid
Valuation Reviewer	A "valuation reviewer" is a professional valuer engaged to review the work of another valuer. As part of a valuation review, that professional may perform certain valuation procedures and/or provide an opinion of value.	Insert opinion or "conclusion of value." See definition of Valuation.
Value (noun)	The opinion resulting from a valuation process that is compliant with IVS. It is an estimate of either the most probable monetary consideration for an interest in an asset or the economic benefits of holding an interest in an asset on a stated basis of value.	Insert opinion or "conclusion of value." See definition of Valuation.
Valuer	A "valuer" is an individual, group of individuals or individual within an entity, regardless of whether employed (internal) or engaged (contracted/external), possessing the necessary qualifications, ability and experience to execute a valuation in an objective, unbiased, ethical and competent manner. In some jurisdictions, licensing is required before one can act as a valuer.	Valid
Weight	The word "weight" refers to the amount of reliance placed on a particular indication of value in reaching a conclusion of value (e.g., when a single method is used, it is afforded 100% weight).	Qualitative weights should be included.
Weighting	The word "weighting" refers to the process of analysing and reconciling differing indications of values, typically from different methods and/or approaches. This process does not include the averaging of valuations, which is not acceptable.	"This process does not include the averaging of valuations, which is not acceptable." This is not true or out of context. Averaging can be used in many circumstances.
Worth	See investment value.	This is confusing as worth can also mean fair value, fair market value, or investment value.

EXHIBIT 8 2022 RICS Glossary of Technical Terms

		Comments
assumption	A supposition taken to be true. It involves facts, conditions or situations affecting the subject of, or approach to, a *valuation* that, by agreement, do not need to be verified by the valuer as part of the valuation process. Typically, an *assumption* is made where specific investigation by the valuer is not required in order to prove that something is true.	Valid
basis of value	A statement of the fundamental measurement *assumptions* of a *valuation*. In some jurisdictions, the basis of value is also known as the 'standard of value.'	Valid
cost approach	An approach that provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or construction.	Insert "generally" between will and pay. This makes it more consistent with the 2022 *International Glossary*.
date of the report	The date on which the valuer signs the report.	Valid
date of valuation	See *valuation date*.	Valid
departure	Special circumstances where the mandatory application of these global standards may be inappropriate or impractical. (See **PS 1 section 6**.)	Valid, but USPAP eliminated departures a long time ago. They replaced the term with "scope of services."
depreciated replacement cost (DRC)	The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.	Valid
equitable value	The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties (see IVS 104 paragraph 50.1).	Valid
external valuer	A valuer who, together with any associates, has no material links with the client, an agent acting on behalf of the client or the subject of the assignment.	Valid
environmental, social and governance (ESG)	'The criteria that together establish the framework for assessing the impact of the sustainability and ethical practices of a company on its financial performance and operations. ESG comprises three pillars: environmental, social and governance, all of which collectively contribute to effective performance, with positive benefits for the wider markets, society and world as a whole.' **IVS 2020 Agenda Consultation** (p. 14). Although ESG principally refers to companies and investors, ESG-related factors are also used to describe the characteristics and, where relevant, operation of individual assets. It is used throughout these standards in this context.	Valid

(*Continued*)

EXHIBIT 8 *Continued*

		Comments
fair value	'The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.' (This definition derives from International Financial Reporting Standards IFRS 13.)	Valid
financial statements	Written statements of the financial position of a person or a corporate entity, and formal financial records of prescribed content and form. These are published to provide information to a wide variety of unspecified *third-party* users. *Financial statements* carry a measure of public accountability that is developed within a regulatory framework of accounting standards and the law.	Valid
firm	The *firm* or organisation for which the *member* works, or through which the *member* trades.	Valid
goodwill	Any future economic benefit arising from a business, an interest in a business, or from the use of a group of assets that is not separable.	Poor definition. See 2022 and 2001 International Glossaries.
income approach	An approach that provides an indication of value by converting future cash flows to a single current capital value.	Valid
inspection	A visit to a property or *inspection* of an asset, to examine it and obtain relevant information, in order to express a professional opinion of its value. However, physical examination of a non-real estate asset, for example, a work of art or an antique, would not be described as '*inspection*' as such.	Last sentence does not make sense. Non-real estate assets can be inspected.
intangible asset	A non-monetary asset that manifests itself by its economic properties. It does not have physical substance but grants rights and/or economic benefits to its owner.	Valid
internal valuer	A valuer who is in the employ of either the enterprise that owns the assets, or the accounting firm responsible for preparing the enterprise's financial records and/or reports. An *internal valuer* is generally capable of meeting the requirements of independence and professional objectivity in accordance with **PS 2 section 3**, but may not always be able to satisfy additional criteria for independence specific to certain types of assignment, for example under **PS 2 paragraph 3.4**.	Valid
International Financial Reporting Standards (IFRS)	Standards set by the International Accounting Standards Board (IASB) with the objective of achieving uniformity in accounting principles. The standards are developed within a conceptual framework so that elements of *financial statements* are identified and treated in a manner that is universally applicable.	Valid

EXHIBIT 8 *Continued*

		Comments
investment property	Property that is land or a building, or part of a building, or both, held by the owner to earn rentals or for capital appreciation, or both, rather than for: a) use in the production or supply of goods or services, or for administrative purposes, or b) sale in the ordinary course of business.	"Investment property" can be ownership interests in businesses, intangible assets, etc.
investment value, or worth	The value of an asset to the owner or a prospective owner for individual investment or operational objectives (see IVS 104 paragraph 60.1). (May also be known as *worth*.)	This is confusing as worth can also mean fair value, fair market value, or investment value.
market approach	An approach that provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available.	Valid
market rent (MR)	The estimated amount for which an interest in real property should be leased on the *valuation date* between a willing lessor and willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion (see IVS 104 paragraph 40.1).	Market rent can also be above or below market rates.
market value (MV)	The estimated amount for which an asset or liability should exchange on the *valuation date* between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion (see IVS 104 paragraph 30.1).	Valid
marriage value	An additional element of value created by the combination of two or more assets or interests where the combined value is more than the sum of the separate values.	Valid, but not used in the United States
member	A Fellow, professional *member*, associate *member* or honorary *member* of the Royal Institution of Chartered Surveyors (RICS).	Valid
personal property	*Personal property* means assets (or liabilities) not permanently attached to land or buildings: ■ **including**, but not limited to, fine and decorative arts, antiques, paintings, gems and jewellery, collectables, fixtures and furnishings, and other general contents ■ **excluding** trade fixtures and fittings, *plant and equipment*, businesses or business interests, or *intangible assets*.	Valid

(*Continued*)

EXHIBIT 8 *Continued*

		Comments
plant and equipment	*Plant and equipment* may be broadly divided into the following categories: ■ **plant**: assets that are combined with others and that may include items that form part of industrial infrastructure, utilities, building services installations, specialised buildings, and machinery and equipment forming a dedicated assemblage ■ **machinery**: individual, or a collection or a fleet or system of, configured machines/technology (including mobile assets such as vehicles, rail, shipping and aircraft) that may be employed, installed or remotely operated in connection with a user's industrial or commercial processes, trade or business sector (a machine is an apparatus used for a specific process) or ■ **equipment**: an all-encompassing term for other assets such as sundry machinery, tooling, fixtures, furniture and furnishings, trade fixtures and fittings, sundry equipment and technology and loose tools that are used to assist the operation of the enterprise or entity.	Valid
real estate	Land and all things that are a natural part of the land (e.g. trees, minerals) and things that have been attached to the land (e.g. buildings and site improvements) and all permanent building attachments (e.g. mechanical and electrical plant providing services to a building), that are both below and above the ground. (Note that a right of ownership, control, use or occupation of land and buildings is defined as a real property interest in IVS 400 at paragraph 20.2.)	Valid
registered for regulation/ registered by RICS	a) A *firm* that is registered for regulation by RICS under the RICS byelaws. b) A *member* who is registered as a valuer under RICS Valuer Registration (VR).	Valid
special assumption	An *assumption* that either assumes facts that differ from the actual facts existing at the valuation date or that would not be made by a typical market participant in a transaction on the valuation date.	Valid
special purchaser	A particular buyer for whom a particular asset has a *special value* because of advantages arising from its ownership that would not be available to other buyers in a market.	Valid
special value	An amount that reflects particular attributes of an asset that are only of value to a *special purchaser*.	Valid
specialized property	A property that is rarely, if ever, sold in the market, except by way of a sale of the business or entity of which it is part, due to the uniqueness arising from its specialised nature and design, its configuration, size, location or otherwise.	Valid

EXHIBIT 8 *Continued*

		Comments
sustainability	*Sustainability* is, for the purpose of these standards, taken to mean the consideration of matters such as (but not restricted to) environment and climate change, health and wellbeing, and personal and corporate responsibility that can or do impact on the *valuation* of an asset. In broad terms it is a desire to carry out activities without depleting resources or having harmful impacts. There is as yet no universally recognised and globally adopted definition of 'sustainability.' Therefore, members should exercise caution over the use of the term without additional appropriate explanation. In some jurisdictions, the term 'resilience' is being adopted to replace the term 'sustainability' when related to property assets. Sustainability may also be a factor in environmental, social and governance (ESG) considerations.	Valid
terms of engagement	Written confirmation of the conditions that either the *member* proposes or that the *member* and client have agreed shall apply to the undertaking and reporting of the *valuation*. Referred to in IVS as scope of work – see IVS 101 paragraph 10.1.	Valid
third party	Any party, other than the client, who may have an interest in the *valuation* or its outcome.	Valid
trade related property	Any type of real property designed for a specific type of business where the property value reflects the trading potential for that business.	Valid
trading stock	Stock held for sale in the ordinary course of business, for example, in relation to property, land and buildings held for sale by builders and development companies.	Valid, but this is really a real estate term.
valuation	An opinion of the value of an asset or liability on a stated basis, at a specified date. If supplied in written form, all valuation advice given by members is subject to at least some of the requirements of the Red Book Global Standards – there are no exemptions (**PS 1 paragraph 1.1**). Unless limitations are agreed in the *terms of engagement, a valuation* will be provided after an *inspection*, and any further investigations and enquiries that are appropriate, having regard to the nature of the asset and the purpose of the *valuation*.	
valuation date	The date on which the opinion of value applies. The *valuation date* should also include the time at which it applies if the value of the type of asset can change materially in the course of a single day.	Valid
worth	See *investment value*.	This is confusing as worth can also mean fair value, fair market value, or investment value.

EXHIBIT 9 Uniform Standards of Professional Appraisal Practice (USPAP)

		Comments
APPRAISAL:	(noun) the act or process of developing an opinion of value; an opinion of value. (adjective) of or pertaining to appraising and related functions such as appraisal practice or appraisal services. Comment: An appraisal is numerically expressed as a specific amount, as a range of numbers, or as a relationship (e.g., not more than, not less than) to a previous value opinion or numerical benchmark (e.g., assessed value, collateral value).	Valid
APPRAISAL PRACTICE:	valuation services performed by an individual acting as an appraiser, including but not limited to appraisal and appraisal review. Comment: *Appraisal practice* is provided only by appraisers, while valuation services are provided by a variety of professionals and others.[1] The terms *appraisal* and *appraisal review* are intentionally generic and are not mutually exclusive. For example, an opinion of value may be required as part of an appraisal review assignment.	Valid
APPRAISAL REVIEW:	(noun) the act or process of developing an opinion about the quality of another appraiser's work (i.e., a report, part of a report, a workfile, or some combination of these), that was performed as part of an appraisal or appraisal review assignment; (adjective) of or pertaining to an opinion about the quality of another's appraiser's work that was performed as part of an appraisal review assignment.	Valid
APPRAISER:	one who is expected to perform valuation services competently and in a manner that is independent, impartial, and objective.[2]	Valid
APPRAISER'S PEERS:	other appraisers who have expertise and competency in a similar type of assignment.[3]	Valid
ASSIGNMENT:	a valuation service that is provided by an appraiser as a consequence of an agreement with a client.	Valid
ASSIGNMENT CONDITIONS:	Assumptions, extraordinary assumptions, hypothetical conditions, laws and regulations, jurisdictional exceptions, and other conditions that affect the scope of work.	Valid

EXHIBIT 9 *Continued*

		Comments
ASSIGNMENT ELEMENTS:	Specific information needed to identify the appraisal or appraisal review problem: client and any other intended users; intended use of the appraiser's opinions and conclusions; type and definition of value; effective date of the appraiser's opinions and conclusions; subject of the assignment and its relevant characteristics; and assignment conditions.	Valid
ASSIGNMENT RESULTS:	An appraiser's opinions or conclusions, not limited to value, that were developed when performing as appraisal assignment, an appraisal review assignment, or a valuation service other than an appraisal or appraisal review. Comment: Physical characteristics are not assignment results.	"opinions or conclusions" should be inserted everywhere the word opinion appears.
BIAS:	a preference or inclination that precludes an appraiser's impartiality, independence, or objectivity in an assignment.	Valid
BUSINESS ENTERPRISE:	an entity pursuing an economic activity.	Valid
BUSINESS EQUITY:	the interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).	Valid
CLIENT:	the party or parties (i.e., individual, group, or entity) who engage an appraiser by employment or contract in a specific assignment, whether directly or through an agent.	Valid
CONFIDENTIAL INFORMATION:	information that is either: ▪ identified by the client as confidential when providing it to an appraiser and that is not available from any other source;[4] or, ▪ classified as confidential or private by applicable law or regulation.[5]	Valid
COST:	the actual or estimated amount required to create, reproduce, replace, or obtain a property.	Valid
CREDIBLE:	worthy of belief. Comment: Credible assignment results require support, by relevant evidence and logic, to the degree necessary for the intended use.	Valid

(*Continued*)

EXHIBIT 9 *Continued*

		Comments
EFFECTIVE DATE:	the date to which an appraiser's analyses, opinions, and conclusions apply; also referred to as date of value.	Valid
EXPOSURE TIME:	an opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.[6]	Valid
EXTRAORDINARY ASSUMPTION:	an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of date used in an analysis.	Valid
FEASIBILITY ANALYSIS:	a study of the cost-benefit relationship of a economic endeavor.	Valid
HYPOTHETICAL CONDITION:	a condition, directly related to a specific assignment; which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Comment: Hypothetical conditions are contrary to known facts about physical, legal or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.	Valid
INTANGIBLE PROPERTY (INTANGIBLE ASSETS):	nonphysical assets, including but not limited to franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.	Valid
INTENDED USE:	the use(s) of an appraiser's reported appraisal or appraisal review assignment results, as identified by the appraiser based on communication with the client at the time of the assignment.[7]	Valid

EXHIBIT 9 *Continued*

		Comments
INTENDED USER:	the client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser, based on communication with the client at the time of the assignment.[8]	Valid
JURISDICTIONAL EXCEPTION:	an assignment condition established by applicable law or regulation, which precludes an appraiser from complying with a part of USPAP.	Valid
MARKET VALUE:	a type of value, stated as an opinion, the presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the value definition that is identified by the appraiser as applicable in an appraisal.[9] Comment: Appraisers are cautioned to identify the exact definition of market value, and its authority, applicable in each appraisal completed for the purpose of market value.	In the United States, this is a real estate definition.
MASS APPRAISAL:	the process of valuing a universe of properties as of a given date using standard methodology, employing common data, and allowing for statistical testing.	Valid
MASS APPRAISAL MODEL:	a mathematical expression of how supply and demand factors interact in a market.	Valid
MISLEADING:	intentionally or unintentionally misrepresenting, misstating, or concealing relevant facts or conclusions.	Valid
PERSONAL INSPECTION:	a physical observation performed to assist in identifying relevant property characteristics in a valuation service. Comment: An appraiser's inspection is typically limited to those things readily observable without the use of special testing or equipment. Appraisals of some types of property, such as gems and jewelry, may require the use of specialized equipment. An inspection by an appraiser is not the equivalent of an inspection by an inspection professional (e.g., a structural engineer, home inspector, or art conservator).[10]	Valid

(*Continued*)

EXHIBIT 9 *Continued*

		Comments
PERSONAL PROPERTY:	any tangible or intangible article that is subject to ownership and not classified as real property, including identifiable tangible objects that are considered by the general public as being "personal," such as furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; and intangible property that is created and stored electronically such as plans for installation art, choreography, emails, or designs for digital tokens.	Valid
PHYSICAL CHARACTERISTICS:	attributes of a property that are observable or measurable as a matter of fact, as distinguished from opinions and conclusions, which are the result of some level of analysis or judgment.	Valid
PRICE:	the amount asked, offered, or paid for a property. Comment: Once stated, *price* is a fact, whether it is publicly disclosed or retained in private. Because of the financial capabilities, motivations, or special interests of a given buyer or seller, the price paid for a property may or may not have any relation to the *value* that might be ascribed to that property by others.	Valid
REAL ESTATE:	an identified parcel or tract of land, including improvements, if any.	Valid
REAL PROPERTY:	the interests, benefits, and rights inherent in the ownership of real estate.	Valid
RELEVANT CHARACTERISTICS:	features that may affect a property's value or marketability such as legal, economic, or physical characteristics.	Valid
REPORT:	any communication, written or oral, of an appraisal or appraisal review that is transmitted to the client or a party authorized by the client upon completion of an assignment.	Valid
SCOPE OF WORK:	the type and extent of research and analyses in an appraisal or appraisal review assignment.[11]	Valid

EXHIBIT 9 *Continued*

		Comments
SIGNATURE:	personalized evidence indicating authentication of the work performed by the appraiser and the acceptance of the responsibility for content, analyses, and the conclusions in the report.	Valid
VALUATION SERVICE:	a service pertaining to an aspect of property value, regardless of the type of service and whether it is performed by appraisers or by others.	Valid
VALUE:	the monetary relationship between properties and those who buy, sell, or use those properties, expressed as an opinion of the worth of a property at a given time. Comment: In appraisal practice, value will always be qualified—for example, market value, liquidation value, or investment value.	Valid
WORKFILE:	data, information, and documentation necessary to support the appraiser's opinions and conclusions and to show compliance with USPAP.[12]	Valid

1. See Advisory Opinion 21, *USPAP Compliance*.
2. See PREAMBLE and Advisory Opinion 21, *USPAP Compliance*.
3. See Advisory Opinion 29, *An Acceptable Scope of Work*.
4. See Confidentiality section of the ETHICS RULE.
5. For example, pursuant to the passage of the Gramm-Leach-Bliley Act in November 1999, some public agencies have adopted privacy regulations that affect appraisers. The Federal Trade Commission (FTC) issues two rules. The first rule (16 CFR 313) focuses on the protection of "non-public personal information" provided by consumers to those involved in financial activates "found to be closely related to banking or usual in connection with the transaction of banking." Those activities include "appraising real or personal property." See GLB-Privacy. The second rule (16 CFR 314) requires appraisers to safeguard customer non-public personal information. See GLB-Safeguards-Rule. Significant liability exists for appraisers should they fail to comply with these FTC rules.
6. See Advisory Opinion 35, *Reasonable Exposure Time in Real and Personal Opinions of Value*.
7. See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users* (AO-36).
8. See AO-36.
9. See General Comment on Market Value Definitions in Advisory Opinion 22, *Scope of Work in Market Value Appraisal Assignments for Real Property*.
10. See Advisory Opinion 2, *Inspection of Subject Property*.
11. See SCOPE OF WORK RULE.
12. See RECORD KEEPING RULE.

EXHIBIT 10 AICPA SSVS VS Section 100 – Glossary of Additional Terms

		Comments
assumptions and limiting conditions.	Parameters and boundaries under which a valuation is performed, as agreed upon by the valuation analyst and the client or as acknowledged or understood by the valuation analyst and the client as being due to existing circumstances. An example is the acceptance, without further verification, by the valuation analyst from the client of the client's financial statements and related information.	Valid
business ownership interest.	A designated share in the ownership of a business (business enterprise).	Valid
calculated value.	An estimate as to the value of a business, business ownership interest, security, or intangible asset, arrived at by applying valuation procedures agreed upon with the client and using professional judgment as to the value or range of values based on those procedures.	Valid
calculation engagement.	An engagement to estimate value wherein the valuation analyst and the client agree on the specific valuation approaches and valuation methods that the valuation analyst will use and the extent of valuation procedures the valuation analyst will perform to estimate the value of a subject interest. A calculation engagement generally does not include all of the valuation procedures required for a valuation engagement. If a valuation engagement had been performed, the results might have been different. The valuation analyst expresses the results of the calculation engagement as a calculated value, which may be either a single amount or a range.	Valid
capital or contributory asset charge.	A fair return on an entity's *contributory assets*, which are tangible and intangible assets used in the production of income or cash flow associated with an intangible asset being valued. In this context, *income or cash flow* refers to an applicable measure of income or cash flow, such as net income, or operating cash flow before taxes and capital expenditures. A capital charge may be expressed as a percentage return on an economic rent associated with, or a profit split related to, the contributory assets.	Valid
capitalization of benefits method.	A method within the income approach whereby expected future benefits (for example, earnings or cash flow) for a representative single period are converted to value through division by a capitalization rate.	Valid
comparable profits method.	A method of determining the value of intangible assets by comparing the profits of the subject entity with those of similar uncontrolled companies that have the same or similar complement of intangible assets as the subject company.	Valid
comparable uncontrolled transaction method.	A method of determining the value of intangible assets by comparing the subject transaction to similar transactions in the market place made between independent (uncontrolled) parties.	Valid
conclusion of value.	An estimate of the value of a business, business ownership interest, security, or intangible asset, arrived at by applying the valuation procedures appropriate for a valuation engagement and using professional judgment as to the value or range of values based on those procedures.	Valid

EXHIBIT 10 *Continued*

		Comments
control adjustment.	A valuation adjustment to financial statements to reflect the effect of a controlling interest in a business. An example would be an adjustment to owners' compensation that is in excess of market compensation.	Valid
engagement to estimate value.	An engagement, or any part of an engagement (for example, a tax, litigation, or acquisition-related engagement) that involves determining the value of a business, business ownership interest, security, or intangible asset. Also known as *valuation service*.	Valid
excess operating assets.	Operating assets in excess of those needed for the normal operation of a business.	Valid
fair value.	In valuation applications, there are two commonly used definitions for fair value: (1) For financial reporting purposes only, the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. *Source*: Financial Accounting Standards Board *Accounting Standards Codification* glossary. (2) For state legal matters only, some states have laws that use the term *fair value* in shareholder and partner matters. For state legal matters only, therefore, the term may be defined by statute or case law in the particular jurisdiction.	Valid
guideline company transactions method.	A method within the market approach whereby market multiples are derived from the sales of entire companies engaged in the same or similar lines of business.	Valid
hypothetical condition.	That which is or may be contrary to what exists, but is supposed for the purpose of analysis.	Valid
incremental income.	Additional income or cash flow attributable to an entity's ownership or operation of an intangible asset being valued, as determined by a comparison of the entity's income or cash flow with the intangible asset to the entity's income or cash flow without the intangible asset. In this context, *income or cash flow* refers to an applicable measure of income or cash flow, such as license royalty income or operating cash flow before taxes and capital expenditures.	Valid
normalization.	See ***Normalized Earnings*** in appendix B, "International Glossary of Business Valuation Terms" (see paragraph .81).	Valid
pre-adjustment value.	The value arrived at prior to the application, if appropriate, of valuation discounts or premiums.	Valid
profit split income.	With respect to the valuation of an intangible asset of an entity, a percentage allocation of the entity's income or cash flow whereby (1) a split (or percentage) is allocated to the subject intangible and (2) the remainder is allocated to all of the entity's tangible and other intangible assets. In this context, *income or cash flow* refers to an applicable measure of income or cash flow, such as net income or operating cash flow before taxes and capital expenditures.	Valid

(*Continued*)

EXHIBIT 10 *Continued*

		Comments
relief from royalty method.	A valuation method used to value certain intangible assets (for example, trademarks and trade names) based on the premise that the only value that a purchaser of the assets receives is the exemption from paying a royalty for its use. Application of this method usually involves estimating the fair market value of an intangible asset by quantifying the present value of the stream of market-derived royalty payments that the owner of the intangible asset is exempted from or "relieved" from paying.	Valid
residual income.	For an entity that owns or operates an intangible asset being valued, the portion of the entity's income or cash flow remaining after subtracting a capital charge on all of the entity's tangible and other intangible assets. *Income or cash flows* can refer to any appropriate measure of income or cash flow, such as net income or operating cash flow before taxes and capital expenditures.	Valid
security.	A certificate evidencing ownership or the rights to ownership in a business enterprise that (1) is represented by an instrument or by a book record or contractual agreement, (2) is of a type commonly dealt in on securities exchanges or markets or, when represented by an instrument, is commonly recognized in any area in which it is issued or dealt in as a medium for investment, and (3) either one of a class or series or, by its terms, is divisible into a class or series of shares, participations, interests, rights, or interest-bearing obligations.	Valid
subject interest.	A business, business ownership interest, security, or intangible asset that is the subject of a valuation engagement.	Valid
subsequent event.	An event that occurs subsequent to the valuation date.	Valid
valuation analyst.	For purposes of this statement, an AICPA member who performs an engagement to estimate value that culminates in the expression of a conclusion of value or a calculated value.	Valid
valuation assumptions.	Statements or inputs utilized in the performance of an engagement to estimate value that serve as a basis for the application of particular valuation methods.	Valid
valuation engagement.	An engagement to estimate value in which a valuation analyst determines an estimate of the value of a subject interest by performing appropriate valuation procedures, as outlined in the AICPA Statement on Standards for Valuation Services, and is free to apply the valuation approaches and methods he or she deems appropriate in the circumstances. The valuation analyst expresses the results of the valuation engagement as a conclusion of value, which may be either a single amount or a range.	Valid
valuation service.	See **engagement to estimate value**.	Valid

EXHIBIT 11 Six Glossaries—Overlap Comparisons

		Comments
	Adjusted Net Asset Method/Adjusted Net Asset Value Method	All Valid
2001 Int. Glossary	—see **Adjusted Book Value Method**.	
2022 Int. Glossary	—a method within the **Asset Approach** whereby a business' assets and liabilities (including off-balance sheet assets, **Intangible Assets**, and contingent assets and/or liabilities) are adjusted to market values or another appropriate **Standard of Value**. Also known as adjusted book value method or asset accumulation method.	
	Appraisal	USPAP and the 2022 Glossary use the term "opinion." The 2001 Glossary does not.
2001 Int. Glossary	—see **Valuation**.	
2022 Int. Glossary	—also known as **Valuation**.	
2022 USPAP	(noun) the act or process of developing an opinion of value; an opinion of value. (adjective) of or pertaining to appraising and related functions such as appraisal practice or appraisal services. <u>Comment</u>: An appraisal is numerically expressed as a specific amount, as a range of numbers, or as a relationship (e.g., not more than, not less than) to a previous value opinion or numerical benchmark (e.g., assessed value, collateral value).	
	Asset Approach/Asset (Asset-Based) Approach	All Valid
2001 Int. Glossary	—a general way of determining a value indication of a business, business ownership interest, or security using one of more methods based on the value of the assets net of liabilities.	
2022 Int. Glossary	—a general manner of estimating the value of a business using one or more methods based on a summation of the value of the assets, net of liabilities, where each has been valued using either the market, income, or cost approach. Also known as asset-based approach. See also **Cost Approach.**	
	Basis (bases) of Value	All Valid
2022 Int. Glossary	—also known as **Standard of Value.**	
2022 IVS	The fundamental premises on which the reported values are or will be based (see IVS 105 *Valuation Approaches and Methods*, para 10.1) (in some jurisdictions also known as standard of value).	
2022 RICS	A statement of the fundamental measurement *assumptions* of a *valuation*. In some jurisdictions, the basis of value is also known as the 'standard of value.'	
	Beta	All Valid
2001 Int. Glossary	—a measure of systematic risk of a stock; the tendency of a stock's price to correlate with changes in a specific index.	

(*Continued*)

EXHIBIT 11 *Continued*

		Comments
2022 Int. Glossary	—a measure of the relative risk (or sensitivity) of an individual security versus the risk of a market portfolio. See also **Capital Asset Pricing Model**, **Systematic Risk**, **Unsystematic Risk**, **Levered Beta**, and **Unlevered Beta**.	
	Blockage Discount	All Valid
2001 Int. Glossary	—an amount or percentage deducted from the current market price of a publicly traded stock to reflect the decrease in the per share value of a block of stock that is of a size that could not be sold in a reasonable period of time given normal trading volume.	
2022 Int. Glossary	—an amount or percentage deducted from the current market price of a publicly-traded security to reflect the decrease in the per security value of a block of securities that is of a size that could not likely be sold in a reasonable period given normal trading volume.	
	Business Enterprise	All Valid
2001 Int. Glossary	—a commercial, industrial, service, or investment entity (or a combination thereof) pursuing an economic activity.	
2022 USPAP	an entity pursuing an economic activity.	
	Capital Asset Pricing Model (CAPM)	All Valid
2001 Int. Glossary	—a model in which the cost of capital for any stock or portfolio of stocks equals a risk-free rate plus a risk premium that is proportionate to the systematic risk of the stock or portfolio.	
2022 Int. Glossary	—a single factor asset pricing model that measures the expected return for a security (or portfolio of securities) as the sum of a **Risk-Free Rate** plus a risk premium. The risk premium is equal to the **Systematic Risk** (measured by **Beta**) of the security (or portfolio of securities) multiplied by the risk premium of holding the overall market portfolio. The CAPM is often modified or extended for other risk factors, such as size, country risk, and **Company-Specific Risk**. See also **Build-up Model**.	
	Capitalization of Earnings Method	All Valid
2001 Int. Glossary	—a method within the income approach whereby economic benefits for a representative single period are converted to value through division by a capitalization rate.	
2022 Int. Glossary	—a form of the **Capitalization of Economic Income Method**.	
	Capitalization Rate	All Valid
2001 Int. Glossary	—any divisor (usually expressed as a percentage) used to convert anticipated economic benefits of a single period into value.	
2022 Int. Glossary	—a divisor (usually expressed as a percentage) used to convert into value the expected **Economic Income** of a normalized single period. The Capitalization Rate is generally calculated as a **Discount Rate** less a long-term growth rate.	

EXHIBIT 11 *Continued*

		Comments
	Capital Structure	All Valid
2001 Int. Glossary	—the composition of the invested capital of a business enterprise; the mix of debt and equity financing.	
2022 Int. Glossary	—the composition of the **Invested Capital** of a business, including debt and **Debt Equivalents**, equity, and **Hybrid Securities**. See also **Simple Capital Structure** and **Complex Capital Structure**.	
	Cash Flow	All Valid
2001 Int. Glossary	—cash that is generated over a period of time by an asset, group of assets, or business enterprise. It may be used in a general sense to encompass various levels of specifically defined cash flows. When the term is used, it should be supplemented by a qualifier (for example, "discretionary" or "operating") and a specific definition in the given valuation context.	
2022 Int. Glossary	—cash inflows or outflows that are generated over a period by an asset, business, or investment; often supplemented by a qualifier in the given valuation context (e.g., discretionary or operating). See also **Net Cash Flow to Equity** and **Net Cash Flow to Invested Capital**.	
	Client	All Valid
2022 IVS	The word "client" refers to the person, persons, or entity for whom the valuation is performed. This may include external clients (i.e., when a valuer is engaged by a third-party client) as well as internal clients (i.e., valuations performed for an employer).	
2022 USPAP	the party or parties (i.e., individual, group, or entity) who engage an appraiser by employment or contract in a specific assignment, whether directly or through an agent.	
	Control	All Valid
2001 Int. Glossary	—the power to direct the management and policies of a business enterprise.	
2022 Int. Glossary	—a level of ownership having sufficient rights (e.g., voting) to direct the management, policies, and disposition of a business.	
	Control Premium	All Valid
2001 Int. Glossary	—an amount or a percentage by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest in a business enterprise, to reflect the power of control.	
2022 Int. Glossary	—an amount or percentage by which the pro rata value of a **Controlling Interest** exceeds the pro rata value of a **Noncontrolling Interest** in a business, to reflect the anticipated economic benefits of **Control**. Also known as acquisition premium.	

(*Continued*)

EXHIBIT 11 *Continued*

		Comments
	Cost(s) (noun)	All Valid
2022 IVS	The consideration or expenditure required to acquire or create an asset.	
2022 USPAP	the actual or estimated amount required to create, reproduce, replace, or obtain a property.	
	Cost Approach	All Valid
2001 Int. Glossary	—a general way of determining a value indication of an individual asset by quantifying the amount of money required to replace the future service capability of that asset.	
2022 Int. Glossary	—a general manner of estimating the value of an asset, investment, or (in limited circumstances) a business using one or more methods that reflect the economic principle that a buyer will generally pay no more for an asset than the cost to obtain another asset of equal utility, whether by purchase or by construction. The approach considers the current replacement or reproduction cost and the physical deterioration and all other relevant forms of obsolescence. See also **Asset Approach**.	
2022 RICS	An approach that provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or construction.	
	Cost of Capital	All Valid
2001 Int. Glossary	—the expected rate of return that the market requires in order to attract funds to a particular investment.	
2022 Int. Glossary	—the expected rate of return that the market requires in order to attract funds to a particular investment considering the risk of the investment. See also **Weighted Average Cost of Capital**.	
	Discount for Lack of Control	All Valid
2001 Int. Glossary	—an amount or percentage deducted from the pro rata share of value of 100% of an equity interest in a business to reflect the absence of some or all of the powers of control.	
2022 Int. Glossary	—an amount or percentage deducted from the pro rata amount of 100% of the entity's **Equity Value** (when determined on a **Controlling Interest** basis) to reflect the absence of some or all of the economic benefits of **Control**.	
	Discount for Lack of Marketability	All Valid
2001 Int. Glossary	—an amount or percentage deducted from the value of an ownership interest to reflect the relative absence of marketability.	
2022 Int. Glossary	—an amount or percentage applied to the value of an ownership interest to reflect a relative lack of **Marketability**.	
	Discount for Lack of Voting Rights	All Valid
2001 Int. Glossary	—an amount or percentage deducted from the per share value of a minority interest voting share to reflect the absence of voting rights.	

EXHIBIT 11 *Continued*

		Comments
2022 Int. Glossary	—an amount or percentage applied to the per share value of a voting share to reflect an absence of voting rights.	
	Discount Rate(s)	All Valid
2001 Int. Glossary	—a rate of return used to convert a future monetary sum into present value.	
2022 Int. Glossary	—a **Rate of Return** used to convert **Economic Income** into present value.	
2022 IVS	A rate of return used to convert a monetary sum, payable or receivable in the future, into a present value.	
	Discounted Cash Flow (DCF) Method	All Valid
2001 Int. Glossary	—a method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate.	
2022 Int. Glossary	—a form of the **Discounted Economic Income Method** based on **Cash Flow**.	
	Effective Date	All Valid
2001 Int. Glossary	—see **Valuation Date**.	
2022 Int. Glossary	—see also **Valuation Date**, **Measurement Date**, or date of value.	
2022 USPAP	the date to which an appraiser's analyses, opinions, and conclusions apply; also referred to as date of value.	
	Equitable Value	All Valid
2022 IVS	This is the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties.	
2022 RICS	The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties (see IVS 104 paragraph 50.1).	
	Equity Risk Premium	All Valid
2001 Int. Glossary	—a rate of return added to a risk-free rate to reflect the additional risk of equity instruments over risk-free instruments (a component of the cost of equity capital or equity discount rate).	
2022 Int. Glossary	—the incremental return that investors expect to receive from an investment in public equity securities over that of a risk-free security. It is generally calculated as the difference between the expected rate of return on the overall market and the return on a risk-free instrument. Also known as market risk premium, or equity market risk premium.	
	Excess Earnings	All Valid
2001 Int. Glossary	—that amount of anticipated economic benefits that exceeds an appropriate rate of return on the value of a selected asset base (often net tangible assets) used to generate those anticipated economic benefits.	
2022 Int. Glossary	—the amount of expected **Cash Flow** that exceeds the economic charge for the use of the **Contributory Assets** used to generate such cash flow.	

(*Continued*)

EXHIBIT 11 *Continued*

		Comments
	Excess Earnings Method	All Valid
2001 Int. Glossary	—a specific way of determining a value indication of a business, business ownership interest, or security determined as the sum of (a) the value of the assets derived by capitalizing excess earnings and (b) the value of the selected asset base. Also frequently used to value intangible assets. See **Excess Earnings**.	
2022 Int. Glossary	—a method of estimating the value of a business, determined as the sum of (i) the value of the selected **Tangible Asset** base, and (ii) the value of all of the **Intangible Assets** (including goodwill) derived by capitalizing **Excess Earnings**. Sometimes referred to as the capitalized excess earnings method.	
	Fair Market Value	All Valid
2001 Int. Glossary	—the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts. {NOTE: In Canada, the term "*price*" should be replaced with the term "*highest price*."}	
2022 Int. Glossary	—a **Standard of Value** considered to represent the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, each acting at arm's-length in an open and unrestricted market, when neither is under compulsion to buy or to sell and when both have reasonable knowledge of relevant facts. See also **Market Value**.	
2022 IVS	1. The Organisation for Economic Co-operation and Development (OECD) defines "fair market value" as the price a willing buyer would pay a willing seller in a transaction on the open market. 2. For United States tax purposes, Regulation §20.2031-1 states: "The fair market value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts."	
	Fair Value	All Valid
2022 Int. Glossary	—a **Standard of Value** for which there are different definitions, depending on the context and purpose. Fair Value is typically defined or imposed by a third party (e.g., by law, regulation, contract, or financial reporting standard-setting bodies). The most commonly used definition for financial reporting purposes is under IFRS and US GAAP, which define Fair Value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.	

EXHIBIT 11 *Continued*

		Comments
2022 RICS	'The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.' (This definition derives from International Financial Reporting Standards IFRS 13.)	
2007 AICPA Addl	In valuation applications, there are two commonly used definitions for fair value: (1) For financial reporting purposes only, the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Source: Financial Accounting Standards Board Accounting Standards Codification glossary. (2) For state legal matters only, some states have laws that use the term fair value in shareholder and partner matters. For state legal matters only, therefore, the term may be defined by statute or case law in the particular jurisdiction.	
	Fairness Opinion	All Valid
2001 Int. Glossary	—an opinion as to whether or not the consideration in a transaction is fair from a financial point of view.	
2022 Int. Glossary	—an opinion as to whether the consideration proposed to be paid or received in a transaction is fair from a financial point of view to the party paying or receiving such consideration.	
	Forced Liquidation Value	All Valid
2001 Int. Glossary	—liquidation value, at which the asset or assets are sold as quickly as possible, such as at an auction.	
2022 Int. Glossary	—a form of **Liquidation Value** in which an asset or assets are presumed to be sold with less than a reasonable period of market exposure. Contrast with **Orderly Liquidation Value**.	
	Going Concern	All Valid
2001 Int. Glossary	—an ongoing operating business enterprise.	
2022 Int. Glossary	—an ongoing operating business enterprise.	
	Going Concern Value	All Valid
2001 Int. Glossary	—the value of a business enterprise that is expected to continue to operate into the future. The intangible elements of Going Concern Value result from factors such as having a trained work force, an operational plant, and the necessary licenses, systems, and procedures in place.	
2022 Int. Glossary	—a **Premise of Value** that assumes the business is an ongoing commercial enterprise with a reasonable expectation of future earning power.	
	Goodwill	All Valid
2001 Int. Glossary	—that intangible asset arising as a result of name, reputation, customer loyalty, location, products, and similar factors not separately identified.	

(*Continued*)

EXHIBIT 11 *Continued*

		Comments
2022 Int. Glossary	—an **Intangible Asset** which represents any future economic benefit arising from a business or a group of assets which is not individually identified or separately recognized. Goodwill can arise as a result of name, reputation, customer loyalty, location, products, and similar factors not separately identified. In the context of a business combination, goodwill is measured as the difference between (A) the aggregate of (i) the value of the consideration transferred (generally at **Fair Value**), (ii) the amount of any noncontrolling interest, and (iii) in a business combination achieved in stages, the acquisition-date **Fair Value** of the acquirer's previously held equity interest in the acquiree, and (B) the net of the acquisition-date amounts of the **Identifiable Assets** acquired and the liabilities as assumed.	
2022 RICS	Any future economic benefit arising from a business, an interest in a business, or from the use of a group of assets that is not separable.	
	Guideline Public Company Method	All Valid
2001 Int. Glossary	—a method within the market approach whereby market multiples are derived from market prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market.	
2022 Int. Glossary	—a method within the **Market Approach** whereby the value of a business is estimated by application of **Multiples** derived from market prices of securities of publicly traded companies that are engaged in the same or similar lines of business as the subject business.	
	Hypothetical Condition	All Valid
2007 AICPA Addl	That which is or may be contrary to what exists, but is supposed for the purpose of analysis.	
2022 USPAP	a condition, directly related to a specific assignment; which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Comment: Hypothetical conditions are contrary to known facts about physical, legal or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.	
	Income (Income-Based) Approach	All Valid
2001 Int. Glossary	—a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more methods that convert anticipated economic benefits into a present single amount.	
2022 Int. Glossary	—a general manner of estimating the value of an asset, business, or investment using one or more methods that convert expected **Economic Income** into a present amount.	
2022 RICS	An approach that provides an indication of value by converting future cash flows to a single current capital value.	

EXHIBIT 11 *Continued*

		Comments
	Intangible Asset(s)	All Valid
2001 Int. Glossary	—nonphysical assets such as franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities, and contracts (as distinguished from physical assets) that grant rights and privileges and have value for the owner.	
2022 Int. Glossary	—an asset that lacks physical substance and derives value from the economic properties that grant rights and/or **Economic Income** to its owner (e.g., patents, copyrights, trademarks, or customer relationships). See also **Identifiable Intangible Asset**.	
2022 RICS	A non-monetary asset that manifests itself by its economic properties. It does not have physical substance but grants rights and/or economic benefits to its owner.	
	Intended Use	All Valid
2022 IVS	The use(s) of a valuer's reported valuation or valuation review results, as identified by the valuer based on communication with the client.	
2022 USPAP	the use(s) of an appraiser's reported appraisal or appraisal review assignment results, as identified by the appraiser based on communication with the client at the time of the assignment.	
	Intended User	All Valid
2022 IVS	The client and any other party as identified, by name or type, as users of the valuation or valuation review report by the valuer based on communication with the client.	
2022 USPAP	the client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser, based on communication with the client at the time of the assignment.	
	Internal Rate of Return	All Valid
2001 Int. Glossary	—a discount rate at which the present value of the future cash flows of the investment equals the cost of the investment.	
2022 Int. Glossary	—the **Discount Rate** which equates the present value of expected net cash flows to the initial investment (cost).	
	Intrinsic Value	All Valid
2001 Int. Glossary	—the value that an investor considers, on the basis of an evaluation or available facts, to be the "true" or "real" value that will become the market value when other investors reach the same conclusion. When the term applies to options, it is the difference between the exercise price and strike price of an option and the market value of the underlying security.	
2022 Int. Glossary	—the value that an investor considers, on the basis of available facts, to be the "true," "real," or fundamental value that will become the **Market Value** when other investors reach the same conclusion. When the term applies to options, **Intrinsic Value** is the difference between the exercise (strike) price of an option and the market price of the underlying security.	

(*Continued*)

EXHIBIT 11 *Continued*

Source	Term / Definition	Comments
	Invested Capital	All Valid
2001 Int. Glossary	—the sum of equity and debt in a business enterprise. Debt is typically (a) all interest-bearing debt or (b) long-term, interest-bearing debt. When the term is used, it should be supplemented by a specific definition in the given valuation context.	
2022 Int. Glossary	—the sum of a business' equity, debt and **Debt Equivalents**, **Hybrid Securities**, and other non-equity claims. See also **Enterprise Value** and **Market Value of Invested Capital**.	
	Investment Risk	All Valid
2001 Int. Glossary	—the degree of uncertainty as to the realization of expected returns.	
2022 Int. Glossary	—the uncertainty of realizing **Economic Income** as expected (with respect to amount and/or timing).	
	Investment Value	All Valid
2001 Int. Glossary	—the value to a particular investor based on individual investment requirements and expectations. {NOTE: In Canada, the term used is "*Value to the Owner*."}	
2022 Int. Glossary	—a **Standard of Value** considered to represent the value of an asset or business to a particular owner or prospective owner for individual investment or operational objectives. Also known as value to the owner.	
2022 IVS	The value of an asset to the owner or a prospective owner given individual investment or operational objectives (may also be known as worth).	
2022 RICS	The value of an asset to the owner or a prospective owner for individual investment or operational objectives (see IVS 104 paragraph 60.1). (May also be known as *worth*.)	
	Key Person Discount	All Valid
2001 Int. Glossary	—an amount or percentage deducted from the value of an ownership interest to reflect the reduction in value resulting from the actual or potential loss of a key person in a business enterprise.	
2022 Int. Glossary	—an amount or percentage deducted from the value of an operating business to reflect the reduction in value resulting from the actual or potential loss of a key person upon which the business is highly dependent.	
	Levered Beta	All Valid
2001 Int. Glossary	—the beta reflecting a capital structure that includes debt.	
2022 Int. Glossary	—a measure of **Beta** reflecting a **Capital Structure** that includes debt. Also known as equity beta. Contrast with **Unlevered Beta**.	
	Liquidation Value	All Valid
2001 Int. Glossary	—the net amount that would be realized if the business is terminated and the assets are sold piecemeal. Liquidation can be either "orderly" or "forced."	
2022 Int. Glossary	—the amount, net of relevant costs (e.g., preparation and disposal), that would be realized if the business is terminated, and the assets are sold. See also **Orderly Liquidation Value** and **Forced Liquidation Value**.	

EXHIBIT 11 *Continued*

		Comments
2022 IVS	The amount that would be realised when an asset or group of assets are sold on a piecemeal basis. Liquidation value should take into account the costs of getting the assets into saleable condition as well as those of the disposal activity. Liquidation value can be determined under two different premises of value (see IVS 104 *Bases of Value*, section 80): (a) an orderly transaction with a typical marketing period; or (b) a forced transaction with a shortened marketing period.	
	Market (Market-Based) Approach	All Valid
2001 Int. Glossary	—a general way of determining a value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.	
2022 Int. Glossary	—a general manner of estimating a value of an asset, business, or investment by using one or more **Valuation Methods** that compare the valuation subject to other assets, businesses, or investments that have been sold or for which price and other information is available.	
2022 RICS	An approach that provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available.	
	Market Capitalization of Equity	All Valid
2001 Int. Glossary	—the share price of a publicly traded stock multiplied by the number of shares outstanding.	
2022 Int. Glossary	—the aggregate **Equity Value** of a publicly-traded company, calculated as the product of its market price and the number of equity securities outstanding.	
	Market Value	All Valid—USPAP uses the word "opinion." The others do not.
2022 Int. Glossary	—a **Standard of Value** considered to represent the estimated amount for which an asset or liability should exchange on the **Valuation Date** between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, and where the parties had each acted knowledgeably, prudently, and without compulsion. See also **Fair Market Value**.	
2022 IVS	The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.	
2022 RICS	The estimated amount for which an asset or liability should exchange on the *valuation date* between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion (see IVS 104 paragraph 30.1).	

(*Continued*)

EXHIBIT 11 *Continued*

		Comments
2022 USPAP	a type of value, stated as an opinion, the presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the value definition that is identified by the appraiser as applicable in an appraisal. Comment: Appraisers are cautioned to identify the exact definition of market value, and it's authority, applicable in each appraisal completed for the purpose of market value.	
	Marketability	All Valid
2001 Int. Glossary	—the ability to quickly convert property to cash at minimal cost.	
2022 Int. Glossary	—the ability to quickly or readily convert an asset, business, or investment to cash at minimal cost that reflects the capability and ease of transfer or salability of that property. Marketability is affected by, among other things, the particular market in which the asset is expected to transact and the characteristics of the asset. See also **Liquidity**.	
	Multiple	All Valid
2001 Int. Glossary	—the inverse of the capitalization rate.	
2022 Int. Glossary	—a ratio calculated as the value of a business or security divided by **Economic Income** or a non-financial metric. Also known as market multiple, pricing multiple, or valuation ratio.	
	Net Book Value	All Valid
2001 Int. Glossary	—with respect to a business enterprise, the difference between total assets (net of accumulated depreciation, depletion, and amortization) and total liabilities as they appear on the balance sheet (synonymous with Shareholder's Equity). With respect to a specific asset, the capitalized cost less accumulated amortization or depreciation as it appears on the books of account of the business enterprise.	
2022 Int. Glossary	—the difference between a business' total assets and liabilities at accounting book values (synonymous with book equity). With respect to a specific asset, this is the original capitalized cost less accumulated amortization, depreciation, depletion, allowances, or impairment.	
	Net Present Value	All Valid
2001 Int. Glossary	—the value, as of a specified date, of future cash inflows less all cash outflows (including the cost of investment) calculated using an appropriate discount rate.	
2022 Int. Glossary	—the value, as of a specified date, of future cash inflows less cash outflows (including the cost of initial investment) calculated using a **Discount Rate**.	
	Nonoperating Assets	All Valid
2001 Int. Glossary	—assets not necessary to ongoing operations of the business enterprise. {NOTE: In Canada, the term used is "*Redundant Assets*."}	
2022 Int. Glossary	—assets (or liabilities) not necessary to support the ongoing operations of a business. Sometimes referred to as redundant or surplus assets.	

EXHIBIT 11 *Continued*

		Comments
	Normalized Earnings	All Valid
2001 Int. Glossary	—economic benefits adjusted for nonrecurring, noneconomic, or other unusual items to eliminate anomalies and/or facilitate comparisons	
2022 Int. Glossary	—**Economic Income** adjusted for extraordinary, nonrecurring, noneconomic, or other unusual items in order to eliminate anomalies and facilitate comparisons.	
	Orderly Liquidation Value	All Valid
2001 Int. Glossary	—liquidation value at which the asset or assets are sold over a reasonable period of time to maximize proceeds received.	
2022 Int. Glossary	—a form of **Liquidation Value** in which the asset or assets are presumed to be sold over a reasonable period of market exposure to maximize expected return. Contrast with **Forced Liquidation Value**.	
	Personal Property	All Valid
2022 RICS	*Personal property* means assets (or liabilities) not permanently attached to land or buildings: ■ including, but not limited to, fine and decorative arts, antiques, paintings, gems and jewellery, collectables, fixtures and furnishings, and other general contents ■ excluding trade fixtures and fittings, *plant and equipment*, businesses or business interests, or *intangible assets*.	
2022 USPAP	any tangible or intangible article that is subject to ownership and not classified as real property, including identifiable tangible objects that are considered by the general public as being “personal,” such as furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; and intangible property that is created and stored electronically such as plans for installation art, choreography, emails, or designs for digital tokens.	
	Portfolio Discount	All Valid
2001 Int. Glossary	—an amount or percentage deducted from the value of a business enterprise to reflect the fact that it owns dissimilar operations or assets that do not fit well together.	
2022 Int. Glossary	—an amount or percentage deducted from the value of a business to reflect its ownership of dissimilar operations or assets in a combination that might not be attractive to a potential buyer. Also known as conglomerate discount.	
	Premise of Value	All Valid
2001 Int. Glossary	—an assumption regarding the most likely set of transactional circumstances that may be applicable to the subject valuation; for example, going concern, liquidation.	
2022 Int. Glossary	—an assumption regarding the circumstances that may be applicable to the subject valuation. See also **Going Concern Value** and **Liquidation Value**.	
	Present Value	All Valid
2001 Int. Glossary	—the value, as of a specified date, of future economic benefits and/or proceeds from sale, calculated using an appropriate discount rate.	

(*Continued*)

EXHIBIT 11 *Continued*

		Comments
2022 Int. Glossary	—the value, as of a specified date, of expected **Economic Income**, calculated using a **Discount Rate**. See also **Net Present Value**.	
	Price (noun)	All Valid
2022 Int. Glossary	—the monetary or other consideration asked, offered, or paid for an asset, which may be different from the value.	
2002 IVS	The monetary or other consideration asked, offered or paid for an asset, which may be different from the value.	
2022 USPAP	the amount asked, offered, or paid for a property.	
	Rate of Return	All Valid
2001 Int. Glossary	—an amount of income (loss) and/or change in value realized or anticipated on an investment, expressed as a percentage of that investment.	
2022 Int. Glossary	—an amount, expressed as a percentage of the amount of the investment, of anticipated or realized **Economic Income** and/or change in value of an investment.	
	Real Estate	All Valid
2022 RICS	Land and all things that are a natural part of the land (e.g. trees, minerals) and things that have been attached to the land (e.g. buildings and site improvements) and all permanent building attachments (e.g. mechanical and electrical plant providing services to a building), that are both below and above the ground. (Note that a right of ownership, control, use or occupation of land and buildings is defined as a real property interest in IVS 400 at paragraph 20.2.)	
2022 USPAP	an identified parcel or tract of land, including improvements, if any.	
	Relief from Royalty Method	All Valid
2007 AICPA Addl	A valuation method used to value certain intangible assets (for example, trademarks and trade names) based on the premise that the only value that a purchaser of the assets receives is the exemption from paying a royalty for its use. Application of this method usually involves estimating the fair market value of an intangible asset by quantifying the present value of the stream of market-derived royalty payments that the owner of the intangible asset is exempted from or "relieved" from paying.	
2022 Int. Glossary	—a method that estimates the value of an **Intangible Asset** by reference to the present value of the hypothetical royalty payments that are avoided by owning the asset as compared with licensing it from a third party. Also known as royalty savings method. See also **Royalty**.	
	Replacement Cost New	All Valid
2001 Int. Glossary	—the current cost of a similar new property having the nearest equivalent utility to the property being valued.	
2022 Int. Glossary	—the cost, as of the **Valuation Date**, of an identical new asset or a new asset having the equivalent utility to the subject asset. Also known as reproduction cost new.	

EXHIBIT 11 *Continued*

		Comments
	Report Date	All Valid
2001 Int. Glossary	—the date conclusions are transmitted to the client.	
2022 Int. Glossary	—the date of issuance of a **Valuation** report. Contrast with **Valuation Date.**	
	Required Rate of Return	All Valid
2001 Int. Glossary	—the minimum rate of return acceptable by investors before they will commit money to an investment at a given level of risk.	
2022 Int. Glossary	—the minimum **Rate of Return** acceptable by investors before they will commit money to an investment, given its level of risk.	
	Risk-Free Rate	All Valid
2001 Int. Glossary	—the rate of return available in the market on an investment free of default risk.	
2022 Int. Glossary	—a **Rate of Return** available in the market on an investment perceived as free of default risk.	
	Risk Premium	All Valid
2001 Int. Glossary	—a rate of return added to a risk-free rate to reflect risk.	
2022 Int. Glossary	—a **Rate of Return** added to a base rate (e.g., a **Risk-Free Rate**) to reflect the incremental risk of an asset, business, or investment (e.g., **Equity Risk Premium**, **Unsystematic Risk** premium, country risk premium, or size premium).	
	Standard of Value	All Valid
2001 Int. Glossary	—the identification of the type of value being utilized in a specific engagement; for example, fair market value, fair value, investment value.	
2022 Int. Glossary	—the definition of value used in a valuation (e.g., **Fair Market Value**, **Market Value**, **Fair Value**, or **Investment Value**). The **Standard of Value** affects the methods, inputs, and assumptions used by the business valuation professional. Also known as **Basis of Value**.	
	Synergistic Value	All Valid
2022 Int. Glossary	—the expected value resulting from a combination of two or more assets or businesses, which is greater than the sum of the separate individual parts.	
2022 IVS	The result of a combination of two or more assets or interests where the combined value is more than the sum of the separate values. If the synergies are only available to one specific buyer, then synergistic value will differ from market value, as the synergistic value will reflect particular attributes of an asset that are only of value to a specific purchaser. The added value above the aggregate of the respective interests is often referred to as marriage value.	
	Systematic Risk	All Valid
2001 Int. Glossary	—the risk that is common to all risky securities and cannot be eliminated through diversification. The measure of systematic risk in stocks is the beta coefficient.	

(*Continued*)

EXHIBIT 11 *Continued*

		Comments
2022 Int. Glossary	—risk that is common to all risky securities and cannot be eliminated through diversification. Also known as market risk and non-diversifiable risk. Contrast with **Unsystematic Risk**. See also **Beta**.	
	Tangible Asset(s)	All Valid
2001 Int. Glossary	—physical assets (such as cash, accounts receivable, inventory, property, plant and equipment, etc.).	
2022 Int. Glossary	—an asset that has physical form and derives value from its physical properties or tangible nature (e.g., real estate, property, plant, equipment). Contrast with **Intangible Asset**.	
	Terminal Value	All Valid
2001 Int. Glossary	—See **Residual Value**.	
2022 Int. Glossary	—an estimate of the value of **Economic Income** of a business beyond the discrete forecast period in the **Discounted Economic Income Method**. Also known as residual value or continuing value.	
	Unlevered Beta	All Valid
2001 Int. Glossary	—the beta reflecting a capital structure without debt.	
2022 Int. Glossary	—a measure of **Beta** reflecting a capital structure without debt. Also known as asset beta. Contrast with **Levered Beta**.	
	Weighted Average Cost of Capital (WACC)	All Valid
2001 Int. Glossary	—the cost of capital (discount rate) determined by the weighted average, at market value, of the cost of all financing sources in the business enterprise's capital structure.	
2022 Int. Glossary	—a measure of a business' overall **Cost of Capital** in which the expected **Rate of Return** on each component of capital (e.g., debt, equity) is weighted at market value based upon its relative proportion of the **Capital Structure**.	
	Worth	All Valid
2022 IVS	See investment value.	
2022 RICS	See *investment value*.	

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