

# An Introduction to Business Valuation

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Welcome to the challenging world of business valuation. The key to success in this arena is knowledge. When valuing a closely held business, one must first clearly understand the purpose of the valuation. Determining the precise intention of the evaluator will not only help to determine the standard of value, it will also aid in establishing the basic premise of value.

While valuations for tax purposes are based on fair market value on a going concern, valuations for transactional purposes are generally based on a different standard and premise of value. Investment value is the typical standard of value used to measure the going concern or synergistic value in transactional scenarios. Valuations for litigation purposes are based on the standard of value and premise of value defined by state statute.

It is important to recognize that the difference between one standard of value vs. another will have a significant impact on the valuation results. Therefore, it is vital that we wisely select the standard of value and premise of value best suited for the purpose for which the business valuation is intended. With this in mind, let's take a look at some general business valuation principles.

The basic formula for determining the value of an interest in an operating business is as follows:

$$V = \frac{B}{R}$$

V = value

B = benefit stream

R = risk

Although the formula is simple, the components are difficult to determine and obviously critical to arriving at the conclusion. We will explore these components in depth.

Let's first gain an understanding of the benefit stream ("B") component to the formula. There are various types of benefit streams including, but not limited to, the following:

- Net income (earnings)
- Income before taxes (pre-tax earnings)
- Earnings before interest and taxes (EBIT)
- Earnings before interest, taxes, depreciation and amortization (EBITDA)
- Cash flows to equity
- Cash flows to invested capital
- Income from operations
- Sales

Which benefit stream do you use to value the company? Does the type of benefit stream matter when calculating values? How do you choose which level of benefit stream? Does the type of benefit stream affect the risk rate use to arrive at the value?

Yes, it matters which benefit stream you use. Choosing the right benefit stream is critical, as well as matching the risk rate (Capitalization or discount rate or equivalent multiple) with the benefit stream. Choosing the wrong benefit stream or miss matching the benefit stream with the wrong risk rate will result in an incorrect value and the difference may be material.

In choosing the correct benefit stream, we need to understand some basic principles regarding the differences between the type of benefit streams and which benefit stream is most appropriate to use for valuing different types of entities.

Let's start by grouping the different benefit streams into three general categories:

1. Income or earnings,
2. Cash flows, or
3. Revenue or other basis for market multiples

Income or earnings are a reflection the Companies earnings capabilities in the future. There are various types of income or earnings:

1. Income from operations
2. Earnings before interest taxes depreciation and amortization (EBITDA)
3. Earnings before interest and taxes (EBIT)
4. Income before taxes
5. Net income (after taxes)

Earnings, as opposed to cash flows, should be used as a benefit stream only when the future earnings approximate the future cash flows. This will generally be the case in companies with few assets, adequate working capital, and little to no debt, i.e. service industries. Select the type of earnings that will represent the most stable benefit stream in the future. Net income generally will be the preferred earnings level to use as the benefit stream. However, if there has been significant volatility in the income taxes of the Company, selecting income before taxes may avoid the fluctuations and potential distortion in earnings caused by income taxes. The same principle is applied to other income and expense items. If the income before taxes is less reliable due to other income and expense items, by selecting income from operations you will eliminate the distortions arising from items of other income and expense.

When using a pre-tax earnings stream, you will need to use a pre-tax capitalization or discount rate. Similarly, an after-tax capitalization or discount rate must be used when an after-tax earnings stream is chosen.

You will also use earnings, as the benefit stream, when applying multiples obtained from market data that is based on earnings. For example, when valuing a company based on a Price to Earnings Multiple, after-tax earnings will be used as the benefit stream. Multiples of Price to Earnings, EBIT, and EBITDA are common when using comparable transactional data or comparable guideline public company data to value the company. Other pricing multiples are published for both transactional data and guideline publicly traded companies, which are based on various benefit streams, or other valuation benchmarks e.g. sellers discretionary cash flow (SDCF), revenue, assets, book value.

Cash flows are generally the preferred benefit stream to use to value closely held companies. The reason cash flows are favored over earnings as the benefit stream is because the cash flows consider the earnings potential of the company as well as the balance sheet requirements to sustain the future earnings. Further, cash flows are the type of earnings that investors are seeking and expect to receive from their investments. In addition, the cost of capital used to derive the capitalization and discount rates are calculated based on cash flows as the type of benefit stream

used to measure the cost of capital. Cash flows are measured at two levels:

1. Cash flows to equity
2. Cash flows to invested capital

Cash flows to equity are the amount of cash flows available to the shareholders after consideration for the company's cash flow needs for capital improvements, working capital, debt repayments and dividends to preferred stockholders. Cash flows to equity are used to calculate the value of the common stock either based on a capitalization of the cash flows to equity or discounting future cash flows to equity. Whether to capitalize cash flows to equity or discount future cash flows to equity depends on whether the future cash flows are expected to be stable and constant (linear) or expected to be unstable and fluctuate (non-linear). When future cash flows to equity are stable and constant, the value of the common stock can be determined by capitalizing the expected annual cash flows. The results of capitalizing the annual cash flows will provide the same results as discounting the future expected cash flows into perpetuity, if the future cash flows are stable and constant and the capitalization rate is reduced by the annual growth rate. For example, the cash flows to equity of \$500,000 per year are expected to grow at a constant rate of 4% per year and the discount rate appropriate for the risk associated with the investment is 24%. You could project the future cash flows out into perpetuity and discount the future cash flows back to net present value at a discount rate of 24% to arrive at the value of the investment. However, you can use a shortcut to arrive at the same results by capitalizing the annual cash flows. The capitalization rate is equal to the discount rate reduced by the annual growth rate ( $24\% - 4\% = 20\%$ ). The capitalization of cash flows arrives at a value of \$2,500,000 ( $\$500,000 / 20\%$ ).

When future cash flows to equity are unstable and fluctuate, the future cash flows must be projected into the future until the annual cash flows become stable and constant. The value of the

common stock is equal to the sum of the discounted future cash flows to equity plus the discounted terminal value (the value of the stock in the year the cash flows become stable and constant). The future projected cash flows to equity are discounted to net present value based on an appropriate discount rate and the terminal value is determined by capitalizing the sustainable earnings in the year when the cash flows become stable and constant.

The components to net cash flow to equity are as follows:

**NET CASH FLOW TO EQUITY**

In valuing **equity** by discounting or capitalizing expected cash flows (keeping in mind the difference between discounting and capitalizing), we define net cash flow to equity as follows:

- Net income (after-tax)
- + Non-cash charges (e.g., depreciation, amortization, deferred revenue, deferred taxes)
- Capital expenditures necessary to support projected operations
- Additions (deletions) to net working capital necessary to support projected operations
- + Changes in long-term debt from borrowings necessary to support projected operations
- Changes in long-term debt for repayments necessary to support projected operations
- = **Net cash flow to equity**
- **Dividends paid to preferred shareholders**
- = **Net cash flow to common shareholders equity**

The net income after tax represents the expected future economic income arrived at based on either an average of the historical earnings adjusted (normalized) for non-business expenses and non-recurring income and expenses or a projection of the future operating earnings. Historical earnings are normalized as a method of determining future economic income. The analyst must adjust the historical earnings for items of income or expenses that are not representative of future operations or the economic income the business is expected to generate.

There are several methods used to average normalized historical earnings, of which, weighted or unweighted averages are the most common. The most appropriate methodology to average normalized historical earnings will result in the earnings most indicative of future operations based on both the trend in historical earnings and the expected future operations.

Non-cash charges are determined based on the amount of non-cash charges expected to sustain the level of future net income after tax. Non-cash charges generally consist of future depreciation, amortization, deferred expenses, etc. Capital expenditures are determined based on the amount of capital expenditures necessary to support projected operations. You have to consider the need to replace equipment, update technology, capacity restraints, tooling and equipment for new or expanded product lines, etc. Generally, if the operations require specific capital expenditures that are expected to vary in future years, a projection of the future cash flows to equity will be required. Additions or deletions of working capital to sustain future projected earnings will increase or decrease the amount of future cash flow available to the equity holder. The changes in long-term debt, either additional debt borrowings or repayments, are determined based on the amount debt required to sustain future earnings. If changes in debt are expected to vary from year to year in the future, a projection of the future cash flows to equity will be required. Let's look at an example of capitalizing net cash flow to equity:

Future net income after tax	\$ 1,000,000
Add non-cash charges (depreciation, amortization, etc.)	500,000
Less capital expenditures necessary to support future earnings	(400,000)
Less working capital necessary to support future earnings	(150,000)
Less debt repayments necessary to support future earnings	<u>(100,000)</u>
Net cash flow to equity	850,000
Capitalization rate	<u>20%</u>
Equity value	<u><u>\$ 4,250,000</u></u>

Net cash flow to invested capital is the amount of cash flows available to all capital providers including senior debt, subordinated debt, mezzanine capital, debentures, and equity capital, after considering the company's cash flow needs for capital improvements, working capital, and the add back of the after-tax interest expense to sustain future earnings. Cash flows to invested capital is

used to calculate the value of total invested capital either based on a capitalization of the cash flows to invested capital or discounting future cash flows to invested capital. Whether to capitalize cash flows to invested capital or discount future cash flows to invested capital depends on whether the future cash flows are expected to be stable and constant (linear) or are expected to be unstable and fluctuate (non-linear). When future cash flows to equity are stable and constant, the value of the invested capital can be determined by capitalizing the expected annual cash flows. The results of capitalizing the annual cash flows to invested capital will provide the same results as discounting the future expected cash flows to invested capital into perpetuity, if the future cash flows are stable and constant and the capitalization rate is reduced by the annual growth rate.

When future cash flows to invested capital are unstable and fluctuate, the future cash flows must be projected into the future until the annual cash flows become stable and constant. The value of the total invested capital is equal to the sum of the discounted future cash flows to invested capital and the discounted terminal value (the value of the total invested capital in the year the cash flows become stable and constant). The future projected cash flows to invested capital are discounted to net present value based on an appropriate discount rate and the terminal value is determined by capitalizing the sustainable earnings in the year when the cash flows become stable and constant.

The components to net cash flow to invested capital are as follows:

**NET CASH FLOW TO INVESTED CAPITAL**

In valuing the entire **invested capital** of a company, project, or division by discounting or capitalizing expected cash flows (keeping in mind the difference between discounting and capitalizing), we define net cash flow to invested capital as follows:

- Net income (after-tax)
- + Non-cash charges (e.g., depreciation, amortization, deferred revenue, deferred taxes)
- Capital expenditures necessary to support projected operations
- Additions to net working capital necessary to support projected operations
- + Interest expense (net of the tax deduction resulting from interest as a tax deductible expense)
- = **Net cash flow to invested capital**

The components of the net cash flows to invested capital are similar to those components of the net cash flows to equity explained above with the key difference being the treatment regarding the effect on cash flows for changes in debt. Net cash flows to invested capital are calculated without regard to cash flows needed to retire debt or the additional cash flows provided by debt borrowings. The interest expense net of tax is added back to arrive at net cash flows to invested capital. When capitalizing or discounting net cash flows to invested capital, the capitalization rate or discount rate is based on the weighted average cost of capital. The weighted average cost of capital (WACC) is the after-tax cost of debt and equity cost of capital weighted for the percentage of debt vs. equity capital to total invested capital. When calculating WACC, the calculation requires the analyst to perform numerous circular calculations to adjust the equity value and the corresponding change in WACC, as well as, consider the optimum capital structure for transactional purposes.

Net cash flows to invested capital can also be used to calculate the value of the equity capital when capitalizing the net cash flows to invested capital by the weighted average cost of capital and subtracting the total debt. Let's look at an example of the capitalization of net cash flow to invested capital:

Future net income after tax	\$ 1,500,000			
Add non-cash charges (depreciation, amortization, etc.)	500,000			
Less capital expenditures necessary to support future earnings	(400,000)			
Less working capital necessary to support future earnings	(100,000)			
Add interest expense (net of tax affect)	126,000			
Net cash flow to invested capital	<u>1,626,000</u>			
WACC	17.58%			
Invested capital	<u>9,250,000</u>			
Less debt	<u>(3,000,000)</u>			
Equity value	<u><u>\$ 6,250,000</u></u>			
Debt	\$ 3,000,000	4.2%	32%	1.36216%
Equity	<u>6,250,000</u>	24.0%	68%	<u>16.21622%</u>
Total	<u><u>\$ 9,250,000</u></u>			<u><u>17.57838%</u></u>

Other types of benefit streams, i.e. revenue, are utilized when applying multiples determined from comparable transactional data. Remember whatever benefit stream used, it is important that the cap/discount rate or multiple is appropriately matched to the benefit stream selected. If the multiple is based on EBITDA, then use future EBITDA (normalized) as a benefit stream; if the multiple is based on Revenue, then use future Revenue as the benefit stream.

Now, let's look at the second part of the calculation, risk ("R"). Risk is the measurement of the risk associated with the investment or, in other words, the return on investment an investor expects with the level of risk taken. Risk is measured based on the systematic risk plus the unsystematic risk. Systematic risk is equal to the expected return on alternative investments of comparable risks. Systematic risk considers the principle of substitution, for every investment there is an equal or desirable investment. Systematic risk is generally measured based on the level of risk associated

with the publicly traded market. There are several generally accepted methods of calculating systematic risk; the Ibbotson Build Up Approach, which considers the risk free rate plus the accumulated risk associated with publicly traded markets monitored by size and risk by Ibbotson Associates, Ibbotson Quarterly Cost of Capital, which monitors the risk associated with the public markets monitored by size and industry, and Capital Asset Pricing Model (CAPM), which is a method to determine the risk calculated with industry specific public market data. Although systematic risk varies depending on market conditions and must be assessed based on the market conditions at the valuation date, systematic risk recently has ranged from 16% to 19% (risk free rate of 5% to 6% plus equity risk premium of 6% to 7% plus size premium of 5% to 6%).

The unsystematic risks are measured based on internal and external factors associated with the specific company. The internal risks include factors, such as, the general expectation of the investor, size of the company, nature of the business, reliability of the financial data and stability of earnings, depth of management, financial condition of the subject company, competition, industry, strengths and weaknesses of the subject company, profitability, volatility, and liquidity of the subject company. Comparing the subject company's financial performance and ratio analysis to its peers in the same industry, an analysis of competition, an analysis of historical financial performance, and inquiries of management generally assesses internal risks.

External factors consider the conditions and expectations of the general economy, conditions and expectations of the particular industry, and competitive environment of the particular industry. Research information regarding these external factors is available from trade associations, governmental agencies and economic studies available on the Internet or from market research services.

After careful consideration of the unsystematic risks associated with the subject company, the analyst will determine the Company specific risk rate based on professional judgment. As a general rule, the unsystematic risk associated with the specific company will range from 3% to 6%, however some circumstances merit unsystematic risks as high as 10% or greater and others as low as 0% to 3%. A qualified valuator will use many sanity checks to evaluate their professional judgment of the affect of unsystematic risks. Further, there are several risk assessment methodologies including Schilts Risk Premium Guidelines, the Risk Rate Component Model, the Jeff Jones's Method, the Black-Green Buildup Summation Method, Value-Netex Model, and others that may help to evaluate the reasonableness of the risk assessment and corresponding risk rate.

Now, we are ready to look at an example of the income approach to valuation. Let's assume the future net income after tax of \$1,000,000 is stable and constant, the annual non-cash charges are \$500,000, annual capital expenditures are \$400,000, working capital additions/deletions are zero, and the annual debt repayments are \$200,000. Further, assume that the systematic risk is 17% using the build-up approach and the unsystematic risk is 6%, for a total discount rate of 23%. Let's also assume the annual growth rate is 3%.

An example of income method is as follows:

Net cash flows to equity	
Net income after tax	\$1,000,000
Add non-cash charges	500,000
Less capital expenditures	(400,000)
Less debt repayments	(200,000)
Total cash flows to equity	<u>900,000</u>
Discount rate	23%
Less growth rate	<u>-3%</u>
Capitalization rate	<u>20%</u>
Enterprise value (\$900,000/.20)	<u><u>\$4,500,000</u></u>

There are two other valuation methodologies that are considered in valuing the closely held businesses: market and asset approaches. Let's look at the market approach first. The market approach consists of comparing market comparables to the subject entity. The market approach relies on market data from comparable guideline public companies and comparable small to middle market transactional data. The market approach is most appropriate when comparable market data is available. The guideline public companies method is a method that should be considered when the subject company has similar characteristics of publicly traded companies and comparable publicly traded companies exist. It is important to consider whether the subject company has similar characteristics of comparable publicly traded companies including the size and feel of public companies in its market segment and reasonable history that returns will be greater than its market segment, depth of management, strategic short-term and long-term goals implemented, diversification, market penetration, public financial reporting capabilities, active use of a board of directors, etc. The guideline public company method utilizes a weighted or unweighted average of comparable public company price to earnings ratios applied to the subject company's future earnings. Also, it is important to understand that using the price to earnings ratios of comparable public companies applied to the subject company's earnings will result in a minority interest value.

Therefore, the resulting value will need to be adjusted by the appropriate control interest premium when valuing a controlling interest.

The comparable transactional method relies on databases of private company transactions of controlling interests. The challenge of the valuator is to identify private company transactions that are comparable to the subject company and provide adequate information to evaluate the differences between the subject company and the private company transactions and be able to make the appropriate adjustments in applying the multiples. Generally, the private company transactional databases will evaluate the multiples of the sales price to earnings, seller's discretionary cash flow, book value, revenue, assets, etc. Also, the databases will generally calculate the standard deviation for each multiple and provide additional information regarding the structure of each transaction. The comparable private company transactional method serves as a reasonable methodology of evaluating the enterprise value of 100% controlling interest of the subject company if you are able to gain a reasonable understanding of the transactions included in the database and determine the comparability of the transactions. Generally, many of the valuers use the comparable transaction databases as a sanity check to the valuation determined by either the income or asset methodologies when inadequate data exists for the valuator to adequately rely on the comparable transaction method as a primary valuation methodology or the data is untimely.

The asset approach is used to value a business based on the difference between the fair market value of the business assets and liabilities. This method is commonly used for estimating the value of a holding or investment company or operating companies generating losses. The tangible assets net of the liabilities are adjusted to fair market value based on property and equipment appraisals. The net realizable value of the assets less the value of the liabilities, including contingent liabilities, is added to the fair market value of the intangible assets. The fair market value of the intangible assets is generally representative of earnings generated by the company in excess of average

earnings generated by its industry peers. The earnings in excess of the subject's industry averages are capitalized by an appropriate risk rate to determine the value of goodwill. Even if a company fails to generate excess earnings, there is generally a going concern value associated with the in-place labor force, customer lists, on-going operations, etc. The going concern value is usually valued based on the estimated replacement costs. Other intangible assets, i.e. patents, copyrights, trademarks, are generally valued on the net present value of the future cash flows or costs to replicate the intangible.

Many valuers and valuation publications contend that the fair market value of the adjusted net assets represents the floor for purposes of valuing the company. However, caution should be used when the adjusted net asset value exceeds the value arrived at based on the income produced by the company. This could be an indication that the company's assets are not generating a reasonable return or under performing and as a result the value of the assets may be overstated. This begs the question; will an investor pay more for the assets that produce lower than expected returns? This might happen if the investor is acquiring a controlling interest and has access to the assets by liquidating the company or when certain assets held by the company are not necessary to operating the company (non-operating assets) and therefore could be liquidated to reduce the value. However, this scenario also raises the question of whether the fair market value of the assets is overstated. When the asset methodology yields the highest value, careful review of the value of the assets and a search for non-operating assets should be conducted.

We have discussed, in general, the income, market and asset approaches to valuation. Which approach is most appropriate for determining the value of a subject interest? Is it appropriate to average the results of all or some of the methods? The valuator must exercise their professional judgment to determine whether weighting the results of two or more methods is appropriate. For most profitable operating entities, the income approach will provide the best results when cash

flows are used as the benefit stream and the return on the operating assets is reasonable. For most non-profitable operating entities and investment and real estate holding companies, the asset approach will generally provide the best indication of value. The market approach will generally provide the best results when the subject company characteristics are consistent with those of comparable guideline companies or private transactional data and when adequate data exist to evaluate the comparability of the data. Unfortunately, it is very difficult to obtain comparable private transactional data or obtain an adequate amount of data to make appropriate adjustments to compare to the subject company. Generally one method will provide the best and most reliable value, however in some cases based on the judgment of the valuator, it may be appropriate to weigh two or more methods to arrive at the value.

When valuing the fair market value of a closely held interest that is not readily marketable or where the interest being valued lacks control over day-to-day operations, discounts for lack of marketability or lack of control are applied to the marketable controlling interest value to calculate the appropriate value of the subject interest on a non-marketable lack of control basis.

But before we can determine whether discounts or premiums apply, we need to understand some basics about premiums and discounts. The analyst must determine whether it is necessary for premiums or discounts to be applied to arrive at the fair market value of the subject interest. To decide whether discounts or premiums are necessary, we have to understand whether the value arrived by the asset, income or market approach is that of a controlling interest or a minority interest. Here are some basic principles; if the benefit stream is normalized for control interest adjustments, then the value is one of a controlling interest, when a market multiple is used to value an interest, it is important to understand whether the multiple is one generated based on minority interests, i.e. guideline company data, or from comparable market transactions of controlling interest. Generally, when the asset approach is used to value a controlling interest unless one is

valuing an investment holding company or real estate holding company, i.e. family limited partnership. Therefore, it is important to understand, if we are valuing a minority interest and have arrived at a controlling interest value, a minority interest discount will be necessary to adjust for the discount associated with the lack of control. If we are valuing a controlling interest and we have arrived at a minority interest value, then a control premium is necessary to adjust for the control premium.

Discounts for lack of control are generally determined based on control premium studies and discounts arising from sales of limited partnership interests on the secondary market. The analyst needs to compare the characteristics of the subject interest to those characteristics of the companies in the studies. The gap between the studies and the subject interest needs to be carefully bridged by the analyst based on a comparison of the lack of control characteristics and supported by the documentation in the analyst's report.

Discounts for lack of marketability exist when the subject interest is not readily marketable. Discounts for lack of marketability are generally determined based on empirical studies of restricted stocks and pre-IPO stocks coordinated to the investment characteristics of the subject company. Once again the analysts must bridge the gap between the studies and the subject interests based on supporting the difference in characteristics of the companies in the studies and the subject interests as supported by the documentation in the analysts report.

Well we have covered the basic principals of business valuations of closely held businesses. However, there is one last important step we need to consider before addressing the valuation of family limited partnerships. Step back and take a view from thirty thousand feet of the valuation conclusions you arrived at after applying the income, asset and market approaches. If the value you have arrived at is correct, then several reasonableness tests will validate your conclusions. Compare

the cash flow coverage arrived at by comparing the valuation to the cash flow over a reasonable period. Obviously, the investment in some companies like service companies and high tech companies would be recovered over a short period (3 to 5 years), manufacturing companies (7 to 10 years) and real estate holding companies (15 to 20 years). Well my personal favorite sanity check is based on the principal that capital will be attracted to an investment, which will provide it a reasonable return for the associated risk. We start with an assess of the amount of optimum debt capital by analyzing the debt capacity based on current credit market requirements for debt to equity ratios, collateral coverage and debt service coverage ratios. Once we have assessed the optimum debt capital, the equity capital is the result of subtracting the value from the optimum debt capital. We test the ratio of debt to equity against current credit criteria available from surveys maintained by Merrill Lynch and Standard and Poors. We then analyze the cash flow coverage for the reasonableness of the return on debt capital and equity capital. The analysts should also consider subordinated debt (junior debt) available to finance the proposed transaction and the return on investment based on projected cash flow. The bottom line, if the value is correct, then the investment will be able to attract the amount of debt and equity capital to finance the transaction and provide a reasonable return on the invested capital.

Valuing interests in closely held businesses is an art that requires specialized knowledge and experience in business valuations and requires the access to professional business valuation resources and databases in order to apply the proper methodologies and professional judgment to arrive at a conclusion of value. Obtain the opinion of a qualified business valuator.



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Mr. Tebay received his Bachelor of Science in Accounting in 1972 from Findlay College in Ohio. He then received certification as a Public Accountant in 1975. In 1997, he became a Certified Valuation Analyst, and was awarded the CM&A (Certified in Mergers & Acquisitions) in 2001. He is a member of the Ohio Society of Certified Public Accountants, the American Institute of Certified Public Accountants (Tax Division and Consulting Services Division), the Alliance of Merger and Acquisition Advisors, National Association of Certified Valuation Analysts, through which he is a member of the NACVA Standards Committee (provide interpretations and expand upon technical standards), the NACVA Training Development Team, the NACVA Course Review Committee (dedicated to reviewing NACVA's substantial curriculum), member of NACVA Mentor Support Group, the NACVA Ethics and Oversight Board, and the NACVA Speakers' Bureau, Toledo Estate Planning Council, as well as many other local memberships. Over the years, Mr. Tebay has held offices and served on many boards for local organizations. In 1989, he formed Tebay Mosley Associates, LLC, which has experienced steady growth in servicing small to medium sized business with nearly every aspect of their personal and business financial needs. Mr. Tebay's primary focus within the firm is management consulting services, which includes business valuations, litigation support, and mergers and acquisitions. Prior to founding Tebay Mosley Associates, LLC, Mr. Tebay was a Partner at Brell, Tebay, Holt & Dettinger, Inc., and was CFO & Director of Westhaven Services.

Mr. Tebay and his staff have performed hundreds of valuations since 1980. Mr. Tebay has also been qualified as an expert witness in various municipal and federal courts and has given testimony in divorce cases, personal injury cases, lost profits, economic damages, shareholder disputes, and federal bankruptcy court. He is often called upon to consult in various valuation matters and has handled numerous merger and acquisition transactions. In addition, Mr. Tebay has also served as an arbitrator for the American Arbitration Association.

As an instructor for the National Association of Certified Valuation Analysts, Garth has taught the Fundamental Techniques & Theory (FT&T days 1 and 2) course as well as Case (day 3) at NACVA Training Centers since 2001, presented the program for the Internal Revenue Service, the Small Business Administration (SBIC Division), The Korean Valuation Association, presented to the National College of District Attorneys, wrote instructional materials for NACVA program "Business Valuation Fundamentals for the CPA" (2005), co-authored instructional materials for NACVA programs "Fundamentals, Techniques & Theory" & "Case" (2005), and has been recognized with the "Member of the Year" award (2005) from NACVA as well as their awards "Instructor of Exceptional Distinction" in 2003, 2004, 2005 and "Instructor of Great Distinction" in 2002. Currently, he is the Team Leader for FT&T and Case. In addition to authoring portions of the training curriculum, Mr. Tebay has presented numerous seminars on the topic of business valuations.