



# ANNUAL CONSULTANTS' CONFERENCE

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SAN DIEGO



NATIONAL ASSOCIATION OF CERTIFIED VALUATORS AND ANALYSTS • INSTITUTE OF BUSINESS APPRAISERS

Track: **Industry Keynote: 2011 Dr. Rosemarie O. "Ro" Smith Academic Research Presentation**

Session Date/Time: *Friday, June 10, 2011 • 8:15 – 9:55 AM*

Session Title: **Business Valuation, DLOM and *Daubert*: The Issue of Redundancy**

Session Summary:

Business valuations are a common subject of dispute in tax and divorce litigation, with the valuation consequences of private\company status of a closely held (often family) business being especially contentious. It is not well known that core valuation methodologies such as DCF analysis have the effect of discounting the future cash flows of small businesses substantially, generally by 40% to 60%, dollar-for-dollar, for lack of size alone. Because there is a strong empirical relation between size and liquidity, there is a great likelihood that any supplemental discounting for illiquidity will be redundant and entail double discounting. Accordingly, the large liquidity discounts or DLOMs that are accepted practice in business valuation and that have been embraced by many judges presumptively violate the Daubert requirement for reliability.



CPE Hours/Fields of Study: CPE: 2 • 2Hrs-FN

Presenter Bio(s): **Robert Comment, MBA, PhD, AVA**



Robert holds M.B.A. and Ph.D. degrees in Business Administration and has taught Finance in the MBA programs at NYU, the University of Rochester and Johns Hopkins University. He has served as Deputy Chief Economist at the Securities & Exchange Commission. His expert analysis has been submitted to arbitration panels, state and provincial courts, U.S. District Courts, and U.S. Courts of Appeals.