



NONE OF YOUR BUSINESS BUSINESS VALUATION CHALLENGES IN FAMILY LAW

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ADR Services, Inc.

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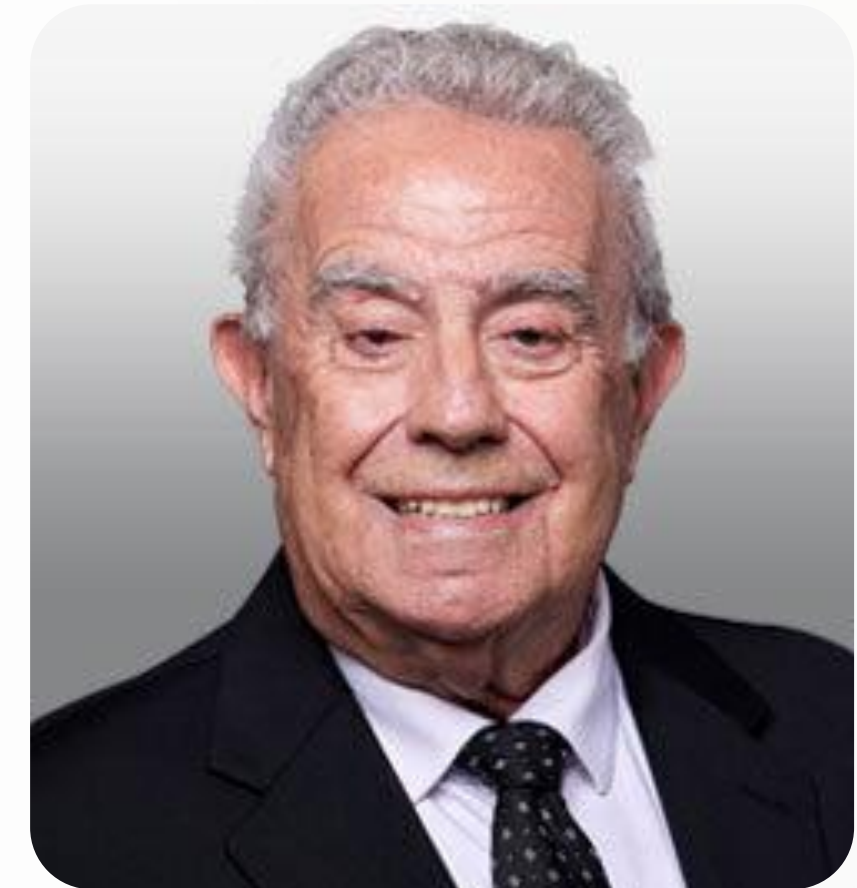
MEET OUR **SPEAKERS**



Hon. Leslie Landau (Ret.)



Jennifer Magnes
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Hon. Stephen Pulido (Ret.)

AN OVERVIEW OF **BUSINESS VALUATION**



Does the business have goodwill? What is goodwill?



Need to obtain documents and information.



Need to determine which approach(s) are most appropriate.



Need to ensure that the accountant understands whatever legal arguments will be argued.

STANDARDS OF VALUE



FAIR MARKET VALUE

Price in open market
with willing buyer/seller

INVESTMENT VALUE

Value to a specific
owner considering
unique circumstances



VALUATION APPROACHES

INCOME APPROACH

Based on EBITDA
(earnings before interest,
taxes, depreciation,
amortization)/cash flow
and risk-adjusted
capitalization rate

COST/ASSET APPROACH

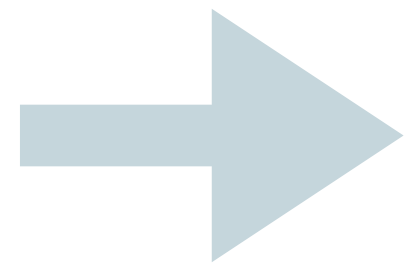
Net book value of assets
and goodwill

Excess Earnings Approach:
Hybrid of income and
asset approach

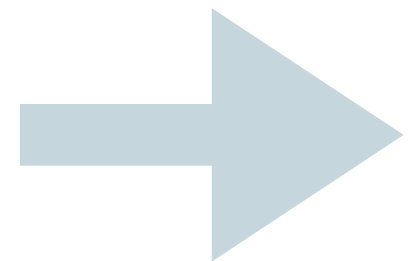
MARKET APPROACH

Comparison to similar
business sales

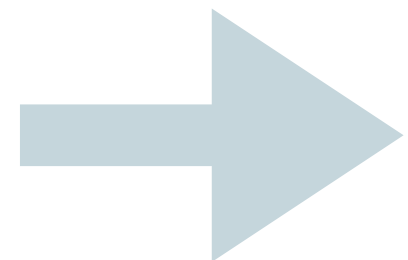
CHOOSING A **VALUATION APPROACH**



Depends on type/structure of business



Availability of Information and documentation



Clear expert instructions are essential



CHALLENGES IN BUSINESS VALUATION



Document availability
and privacy concerns

Valuation must suit
business type

Market factors and
future predictions

Assumptions about in-
spouse's work life

EXAMPLES OF **VALUATION** **COMPLEXITY**



Nature of the
business



Garbage in/
garbage out



How to
account for
market factors



How to predict
future of
business

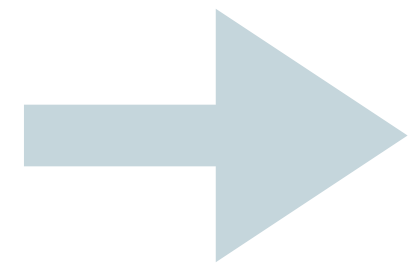


Assumptions
about the work
life expectancy
of the in-spouse

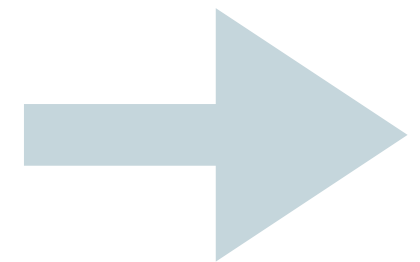


What to do
when experts
disagree?

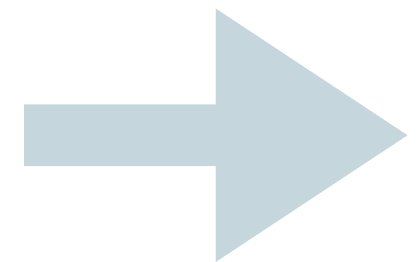
FAMILY LAW-SPECIFIC CHALLENGES



Timing of valuation:
separation vs. trial date

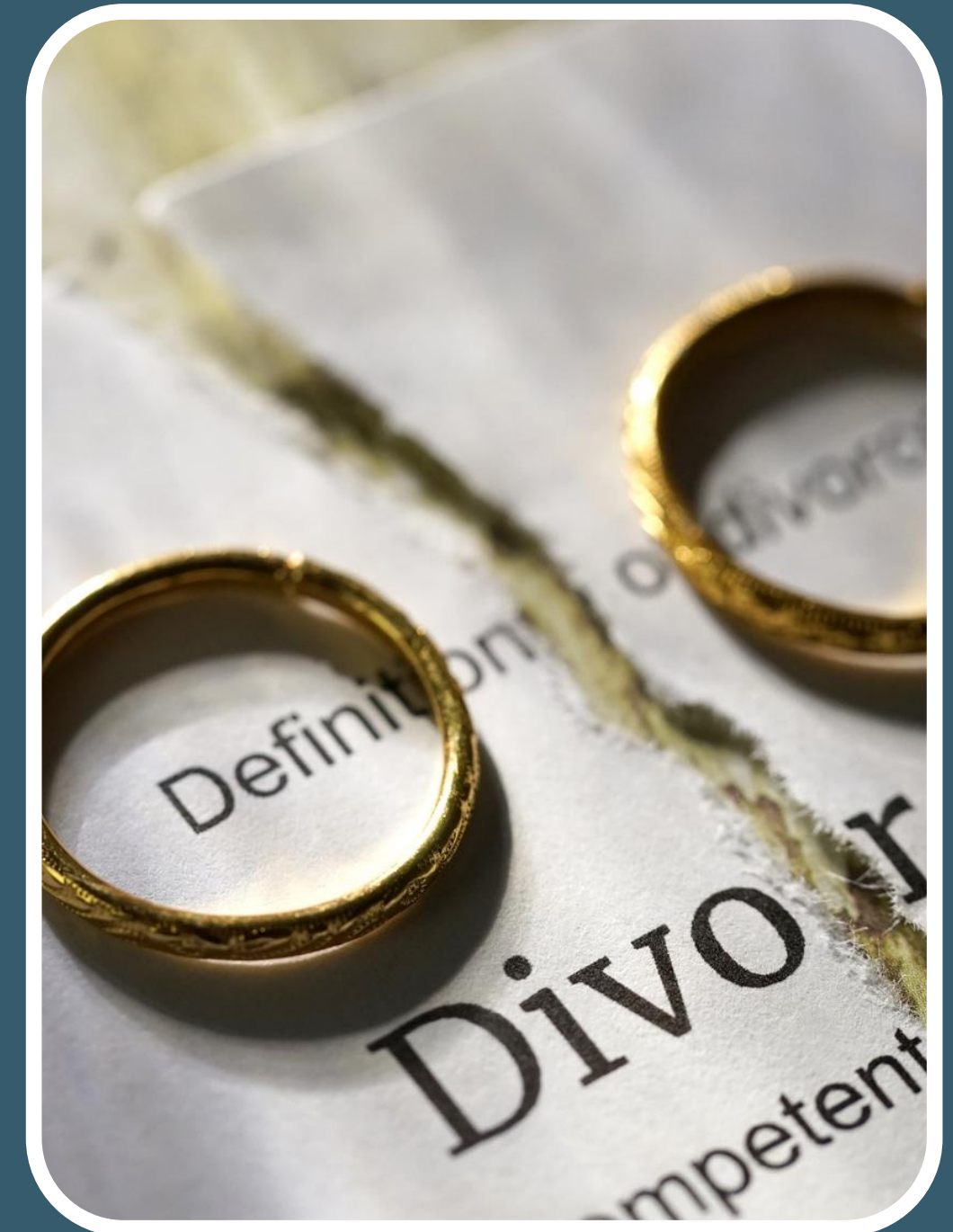


Community vs. separate
property interests

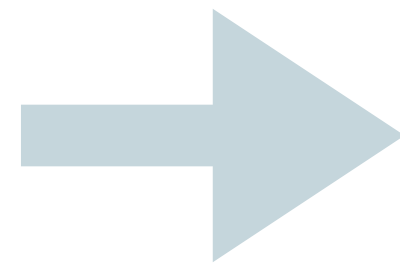


Application of Van Camp and
Pereira

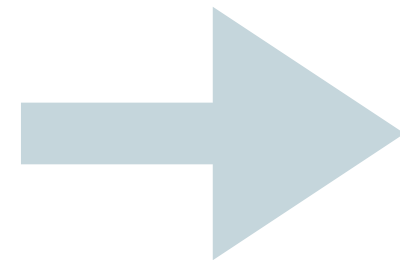
*see attached case list for citations



DOUBLE COUNTING & SPOUSAL SUPPORT



Overlap between goodwill
value and support



How courts assess fairness

*see attached case list for citations

PERVERSE
INCENTIVES
& PARTNER
ISSUES



TORPEDOING
BUSINESS OR
INCOME
MANIPULATION

SENSITIVE
TREATMENT OF
BUSINESS PARTNER
DYNAMICS



WORKING WITH **EXPERTS**

- Do you need an expert?
- When is the best time to retain an expert?
- How to select an expert?
- What instructions to give to an expert?
- Have experts talk to each other!
- Consideration of Joint Expert (Court Appointed Expert (Evidence Code §730))



THANK YOU
QUESTIONS?



Hon. Leslie Landau (Ret.)

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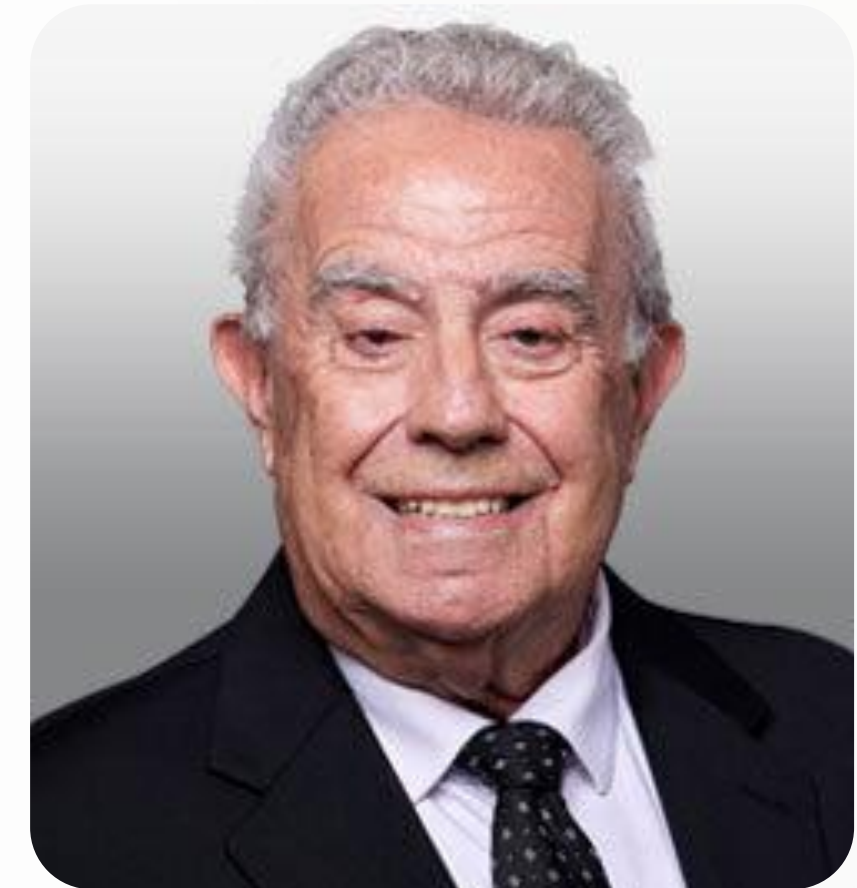
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