MINORITY AND LIQUIDITY DISCOUNTS - AN UPDATE

Canadian Institute of Chartered Business Valuators (CICBV)
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Our subject this evening, Minority and Liquidity Discounts, is one that.in recent years has attracted much attention. Richard Wise, a past president of the CICBV, spoke on the subject at the 1990 Vancouver conference, and Joel Adelstein, another past president, summarized the current position last June at the Quebec City Conference. In between, the Business Valuation Review has published contributions by John D. Emory (December 1990), Mary Ann Leach (March 1991), David W Simpson (March and June 1991) and William C. Herbert, Patrick K. Schmidt and Robert J. Strachota (September 1992).

In preparing this paper, I have used all their published works, as well as one Canadian study everyone seems to have overlooked. This is "The Feasibility of Implementing Minority Discount Factor Guidelines in the Valuation of Minority Interest Shareholdings in Private Corporations"; it was released by Deloitte, Haskins & Sells ("DH & S" now Deloitte & Touche), in October 1978. At that time, I was managing the DH & S valuation group, and supervised the study; unfortunately, I and the principal researcher left the firm shortly afterwards, and the study seems to have been totally forgotten. Even though it has how reached the impossible teens, its conclusions appear still valid fourteen years later.

Before looking at our subject, I must confess a certain bias. I started business valuations in the mid 1950,s. The first I undertook in Canada related to supporting the capitalized costs of a uranium mine, using a Discounted Cash Flow method. This had to be done with a slide rule, long before PCs or even pocket calculators. However, the real start of my valuation experience was pricing financings as Director of Corporate Underwriting for Midland Osler (now Midland-Walwyn) in the 1960s. This taught me that information from capital markets was an essential element in valuing private companies. Therefore, I have tended to use such information rather than the results of court decisions in selecting Minority and Liquidity Discounts.

Definitions

Many valuation articles and court decisions do not make clear what discount is being' applied for what reason. I therefore thought it helpful to define some of the key terms.

Minority Interest is defined as a shareholding not carrying legal control. Unlike a controlling position, a Minority Interest does not give its owner any legal access to the business and cash flow of the company. Therefore, the shares involved are considered to have a lower value than the

similar shares held by the controlling position. In business valuation at least, the sum of the parts amounts to less than the whole.

A number of Canadian companies have two classes of common shares that participate equally in profits; these may be voting and non-voting, or multiple voting and subordinate voting. Such capital structures have been developed to allow the founder to retain control. In such cases, if publicly traded, the non-voting or subordinate voting shares will usually have coattail provisions. Theoretically, in such cases, there be two sets of minority interests: a) the voting/multiple voting shares held by others than the founder, and b) all the non-voting or subordinate voting shares. Recently, we looked at a sample of twelve companies listed on the Toronto Stock Exchange, with two classes of common shares: six of them had voting and non-voting, and the other six multiple voting/subordinate voting. Since 1988, the average discount has been low, :Less than 4%, and during the first nine months of 1992, on average, five of the issues traded at a premium to the voting shares, and four had less than 1% discount. Therefore, at least at the Toronto Stock Exchange, portfolio investors are not willing to pay any noticeable premium for voting privileges.

Controlled Premium is the obverse of Minority Discount. It is the extra amount over the quoted market price that a purchaser will pay for controlling position in a public company.

Marketability and Liquidity

The ease with which a shareholding can be sold has an effect on its value. Under the Ontario Securities Act, the controlling position in a public company can only be sold in a private placement, under a takeover bid, or through a prospectus. Such shareholding therefore is marketable, but does not have the same degree of liquidity as a minority holding that can be sold almost immediately through a stock exchange. The degree of liquidity depends on factors such as the normal trading volume, the importance of the company, the size of the float (the number of shares available for trading) and the number of investment firms following the stock.

For a private company, the controlling position has an element of marketability in that a business broker or investment dealer can be engaged to seek out potential purchasers. However, the sale of a minority interest in a private company is difficult, unless liquidity is provided by a Shareholders' Agreement. In valuing a private company, a discount for lack of liquidity nearly always applies. The amount of such discount will be large for a minority interest, but some amount will probably be applicable to a control position.

Relationship of Discounts

The table below shows the relationship between control premium, Minority Discount and marketability discount; the combined effect of a 25% Minority Discount and a 40% liquidity discount is to reduce the value of a small shareholding in a private company to 45% of the pro rata value.

Prorata value of all shares $10.00

CONTROL PREMIUM
33.3%

Value of Minority shares as if freely traded $7.50

LIQUIDITY DISCOUNT
40.0%

Value of non-liquid Minority shares $4.50

Court Decisions

A number of court decision with respect to Minority and Liquidity Discounts have ben pronounced over the years, in the United States and in Canada; unfortunately, their conclusions vary widely and sometimes confuse or combine the two discounts. I have included brief comments on five Canadian cases that seem to be important. As far as the US is concerned, I only deal with a recent one that seems to have some impact in Canada.

> Moynham v. MNR (62 DTC 64) relates to a 25% holding in a small incorporated insurance agency. The Tax Appeal Board allowed a 95% discount, since no-one would buy a partial interest.
>
> Ladder v. MNR (79 DTC 764) relates to the V-Day value of a 24% interest in a company owned by an officer and director. The board determined the V-Day value to be 63.5% lower than the amount claimed by the taxpayer as "a new purchaser would not get with the shares what Mr. Lauder had with the shares".
>
> Connor v. The Queen (1978 - CTC 669, aff'd. 1979 - CTC 365) relates to the V-Day value of a 10% interest in a private company; in this case, much smaller discounts were applied, 20% for lack of marketability, and 10% for lack of control, to give a total of 30%.
>
> Cameron v. MNR (78 DTC 1837) dealt with the issue of a discount for a key man and the resulting personal rather than corporate goodwill. The V-Day value of a 13% shareholding owned by the general manager was discounted by 40%, to consider the personal goodwill, and 20% for the minority interest.
>
> Yager v. The Queen (85 DTC 5494) held that a minority discount of only 10% was appropriate for a 48% shareholder. Considering the long-standing and good working

relationship with the 52% shareholder in effect, this situation was considered to be an incorporated partnership.

These cases show the wide range of judicial decisions and the need to establish factual evidence for the choice of the minority discount rather than rely on legal precedents.

In the US, a great deal more of empirical evidence is available and has been referred to in legal decisions; however, as in Canada, they too tend to vary widely. Much of the empirical evidence is discussed later in this paper, together with the key recent tax court case Newhouse vs. the Commissioner (94 TC Nr. 33, April 21, 1990).

In summary, US courts have accepted discounts for lack of liquidity from 15% to 50%, while minority discounts have varied between 15% and 60%. In some cases, a further "key-mane discount of up to 50% has been, allowed. Applying the top end of each range would give a total discount of over 90%.

An Unusual Situation

Depending on the facts, an appropriate discount may be even higher. In 1990, I valued a company with two outstanding shares. One was held by the father, while the two sons each held an undivided 50% interest in the other; this had been purchased by the family from an outside investor. One son died; the problem was to select the appropriate minority and liquidity discounts. I chose 95% for the minority discount, as no dividends were being paid, and the purchaser would not even receive a share certificate, but only an undivided interest. Adding 45% for the liquidity discount gave a Fair Market Value of 2.75% of the pro rata value of the whole company. A return was filed on this basis, and as yet, the case has not been reassessed. Depending on the facts, it may therefore be entirely appropriate to value a minority interest in a family business at virtually worthless, if the restrictions are such that a purchaser has virtually no hope of ever realizing any value from his ownership.

Conclusions from Legal Decisions

Judicial decisions are not much help; they provide no neat mathematical formula for determining the appropriate minority or liquidity discounts. Each situation requires the valuator to apply judgement. The most critical factors assigning discount or premium in any valuation is a rational basis supporting the technique chosen and the amount selected. Notwithstanding rules of thumb, the burden is on the valuator to base her conclusions on the facts in the case and support them through sound rational arguments.

My Technique

Minority and liquidity discounts in my view should be developed from capital markets data. I first value a company on an "as if freely traded" basis, and then apply discounts when appropriate.

There are two simple reasons for this approach: First, much of my firm's work relates to reverse takeovers or other transactions subject to Security Commission filings, and second to make the process explicit.

It is not difficult to inadvertently introduce implicit discounts in a valuation; this may be due to conservatism in the choice of sustainable net income or the appropriate capitalization rate. If average net income is $600,000 and the projected level for the next year is $800,000, the choice of the average figure may reflect an implicit discount, of 25%. The same situation can arise with the choice of a capitalization rate. If a guideline company suggests a price earnings ratio (adjusted for differences in specific risks) of nine times, and a multiple of six is chosen as being appropriate for a private company, an implicit discount of 33% has been applied.

Liquidity Discount

In selecting a liquidity discount, I have considered:

- The costs of obtaining marketability for the shares;
- Studies by John Emory on private issues before US Initial Public Offerings; and
- Studies by Willamette Management Associates.

Cost of Marketability

The simplest and cheapest way of obtaining marketability for the shares of a private company is through a reverse takeover. In such a transaction, a publicly traded "Shell", often a former mining or resource company, issues new shakes in exchange for those of an existing operating company. As a result, the shareholders of the operating company now control the traded enterprise. Such deals vary in detail, but in general, the former shareholders of the Shell will dilute the position of the shareholders of the operating company by between 10% and 15%.

In addition, the sale of the shares of the new shareholders will likely be restricted for a period of at least eighteen months. The controlling shareholders have an indefinite restriction on the sale of their shares. These can only be sold under a prospectus, or in a private placement where the buyers will also be restricted for at least eighteen months. In my view, the value of shares whose resale is restricted, must be discounted for at least the time value of money. Currently, I do this at an ignorance rate of 1% per month. On this basis, the discount for lack of liquidity, is at least 28% (12.5% for dilution and 18% for the resale restrictions).

The costs for an IPO can be expected to be at least 10% of the funds raised, the time involved is likely to be significantly longer than that of a reverse takeover, and the shares of the control position may well be required to be placed in escrow rather than just being restricted with respect to resale. Shares placed in escrow are usually released only with the consent of the Securities Commission, and according to a formula with may relate to the time they hale bene held, or

possibly to the profits achieved. If the company is still at an early stage or relatively small, an IPO may not be possible at all.

Emory Studies

John Emory is a Vice president of Robert W. Baird and Company Inc., a Chicago Investment Banking Subsidiary of Northwestern Mutual Life. In four studies, all published in the Business Valuation Review, Emory has since 1981 attempted to quantify the critical importance of marketability as an element of value. Each study considers, for an eighteen month period, the private sales of common shares of profitable US companies within five months before an IPO involving an issue price of at least five dollars a share. Originally, only deals in which Baird participated were used. The last study looked the entire IPO spectrum.

In those studies, Emory considered 84 companies in a wide range of businesses, and underwritten by most of the major US investment bankers. The criteria of profitability and an issue price of at least $5.00 a share are intended to eliminate start-ups and speculative issues. The results can be summarised as follows:

Period	No. of Companies	Discount Range	Average	Median
Jan. 80 – June 81	13	4% - 87%	60%	66%
Jan. 85 – June 86	21	4% - 83%	43%	43%
Aug. 87 - Jan. 89	27	7% - 86%	45%	45%
Feb. 89 – July 90	23	6% - 94%	45%	40%

In this work, the range of discounts is huge, but since January 1985, including the October 1987 crash, the series shows a surprising consistency.

Willamette Studies

Finally, the work of Willamette management must be considered. This is reported in the excellent book “Valuing a Business", second edition, 1989, by Willamette's president, Dr. Shannon Pratt, probably the most distinguished US valuator.

The five Willamette studies look at 229 companies in the period 1975 – 1985; this work is not only the most complete, but also the most sophisticated I am aware of. They determine the discount for private transaction prices compared to IPO offering prices, adjusted for changes in the industry’s stock price indexes (SPIs). This key change from Emory’s work, together with the possible inclusion of loss-making companies, start-ups and speculative issues resulted in rather higher discounts. Their conclusions can be summarised as follows:

Period	No. of Companies	No. of Transactions	Median Discount
1975 - 78	28	59	64%
1979	11	30	68%
1980 - 82	98	185	68%
1984	53	94	80%
1985	39	75	60%

For the same periods, Williamette also estimated the minority discounts for the profitable companies by comparing the implicit Price-Earnings-Ratios (PERs) of the public offerings, after adjusting for changes in the industry SPIs. These studies only include 125 companies where sufficient information is available. The discounts obtained by this approach were noticeably lower than those using the actual transaction prices, especially in the last period.

Period	No. of Companies	No. of Transactions	Median Discount
1975 - 78	20	34	50
1979	9	17	63
1980 - 82	58	113	56
1984	20	33	75
1985	18	25	42

The 1985 PER study by Willamette conforms reasonably well to Emory's for the similar period. In the studies during the 1980-82 recession, Emory's median is much higher than Willamette's PER median, and almost the same as Willamette's price median. Due presumably to the inclusion of speculative companies, the Willamette price study in all cases shows the highest discounts.

EMORY		WILLAMETTE		
Period	Median Discount	Period	Median Discount	Median PER Discount
1/80-6/81	66%	1980-82	68%	56%
1/85-6/86	43	1985	60	43

These studies, carried out over a long period and with large samples, result in the conclusion that, unless there are very special circumstances, the discount for lack of liquidity in the United States is at least 45%, and, for start-ups, can be as high as 90%. As Canadian markets are less liquid than those in the US, under current economic conditions, I believe that the appropriate liquidity discount in Canada is about 60%.

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Minority Discounts

Takeover Premiums

Probably the most common method of determining minority discounts in the US has bees to look at the control premiums paid on takeover bids. The basic assumption is that the stock market prices relate to transactions in small minority interests by large numbers of buyers of sellers, while takeover bids involve an informed purchaser acquiring control.

While this approach is theoretically absolutely correct, it glosses over the competitive nature of many takeover, especially in the 1980s. In them, bidders were often willing to pay an extra premium to clinch the deal and avoid being considered a failure by Wall Street. I believe that in US contested takeovers, a portion of the value of the bidder was transferred to the shareholders of the target. This view is supported by the declines that took place in the share prices of many bidders once their deals had been completed.

Mergerstat Data

Since 1963, W. T. Grimm and Company, now Merrill Lynch Brokerage & Valuation, Inc. has collected statistics on US mergers and acquisitions, including the average control premium (paid over market). Unfortunately, for the first five years, the data is fragmentary. Since then, we have had 24 years of a reasonably consistent series. From them, I have used three methods to estimate minority discounts: the average control premium, the median control premium and the relationship between the average PR paid and the market PER as reported by the Value Line Investment Survey®.

The table below gives the details. As might be expected, the average PER paid appears to be the least satisfactory indicator, giving minority discounts ranging from 52.4% (1979) to -2.9% in the 1972 bull market.

Historical View of Minority Discounts

	1968	**1969**	**1970**	**1971**	**1972**	**1973**	**1974**	**1975**
Average Control Premium	25.0%	25.0%	33.4%	33.1%	33.8%	44.5%	50.1%	41.4%
Equivalent Minority Discount	20.0%	20.0%	25.0%	24.9%	25.3%	30.8%	33.4%	29.3%
Average PER paid	24.6	21.0	23.1	24.3	21.4	18.9	13.5	13.3
Value Line Average PER	15.7	15.4	14.8	16.1	14.1	10.7	7.7	10.6
Apparent Control Premium	56.7%	36.4%	56.1%	50.9%	51.8%	76.6%	75.3%	25.5%
Implied Minority Discount	36.2%	26.7%	35.9%	33.7%	34.1%	43.4%	43.0%	20.3%

	1976	**1977**	**1978**	**1979**	**1980**	**1981**	**1932**	**1983**
Number of Transactions	163	193	260	248	169	166	176	168
Average Control Premium	40.4%	40.9%	46.2%	49.9%	49.9%	48.0%	47.4%	37.7%
Equivalent Minority Discount	28.8%	29.0%	31.6%	33.3%	33.3%	32.4%	32.2%	27.4%
Median Control Premium	n/a	n/a	n/a	n/a	44.6%	41.9%	43.5%	34.0%
Equivalent Minority Discount	n/a	n/a	n/a	n/a	30.8%	29.5%	30.3%	25.4%
Average PER paid	15.1	13.8	14.3	14.3	15.2	15.6	13.9	16.7
Value Line Average PER	10.1	10.0	7.3	6.8	7.3	8.2	14.3	14.0
Apparent Control Premium	49.5%	38.0%	95.9%	110.3%	108.2%	90.2%	-2.8%	19.3%
Implicit Minority Discount	33.1%	27.5%	49.0%	52.4%	52.0%	47.4%	-2.9%	16.2%

	1984	**1985**	**1986**	**1987**	**1988**	**1989**	**1990**	**1991**
Number of Transactions	199	331	333	237	410	303	175	137
Average Control Premium	37.9%	37.1%	38.2%	38.3%	41.9%	41.0%	42.0%	35.1%
Equivalent Minority Discount	27.5%	27.1%	27.6%	27.7%	29.5%	29.1%	29.6%	26.0%
Median Control Premium	34.4%	27.7%	29.9%	30.8%	30.9%	29.0%	32.0%	29.4%
Equivalent Minority Discount	25.6%	21.7%	23.0%	23.5%	23.6%	22.5%	24.2%	22.7%
Average PER paid	17.2	18.0	22.2	23.3	21.6	20.9	20.1	20.0
Value Line Average PER	9.8	12.5	15.8	14.1	9.0	10.7	13.6	22.1
Apparent Control Premium	75.5%	44.0%	40.5%	65.2%	140.0%	95.3%	47.8%	-9.5%
Implicit Minority Discount	43.0%	30.6%	28.8%	39.5%	58.3%	48.8%	32.3%	-10.5%

DH & S Study

Previously, I referred to the only detailed study of Canadian minorities of which I am aware. It was done by DH & S, in the summer of 1978, using data from 500 takeover bids in the more than twenty year period January 1958 to May 1978.

The result of the analysis was surprising. The mean minority discount was 22%, with a standard deviation of 13.4 and a 60% as a standard error of mean. These figures suggest that 23% would be a reasonable starting point for Canadian minority discounts.

We then looked at the different years, and found that the average minority discount ranged from 14.3% (1970) to 30.5% (1962). The annual figures are set out below, together with the comparable US numbers for the final ten years.

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Year	Takeovers Used	Average Minority Discount	Year	Takeovers Used	Average Minority Discount	U. S .Minority Discount
1958	9	21.3%	1968	25	24.1%	20.0%
1959	12	20.9	1969	14	21.2	20.0
1960	6	19.0	1970	24	14.3	25.0
1961	32	21.4	1971	18	29.2	24.9
1962	19	30.5	1972	23	24.2	25.3
1963	27	24.8	1973	40	19.3	30.8
1964	38	16.7	1974	42	20.7	33.4
1965	11	20.8	1975	35	23.3	29.3
1966	6	17.8	1976	27	28.5	28.8
1967	19	22.6	1976	27	28.5	28.8
			1977	63	23.7	29.0
			1978 (5mo)	10	19.6	31.6

We considered if the changes in minority discounts between years could be explained by outside factors, such as the industry involved, or the impact of a significant holding before the bid.

To make comparison simple, the targets were classified into the fourteen industry groups that make up the TSE 300 Index. The interesting fact was that the relative minority discounts seemed fairly constant over the period. The table below sets out for each industry group the size of the sample, the mean minority discount, an industry factor (the relative minority discount), the estimated standard deviation for the population, and the standard error of mean of the sample.

Group	Sample Size	Minority Discount	Industry Factor	Standard Deviation	Error of Mean
Communications & Media	29	26.1	1.19	12.7	2.4
Financial Services	55	24.0	1.09	16.6	2.2
Merchandising	63	23.5	1.07	13.4	1.7
Real Estate & Construction	30	23.4	1.06	11.8	2.2
Oil & Gas	72	22.8	1.04	15.2	1.8
Industrial Products	79	22.1	1.01	13.7	1.5
Consumer Products	48	21.9	1.0	9.9	1.4
Paper & Forest	19	21.1	0.96	13.1	3.0
Metal & Minerals	52	19.8	0.90	13.3	1.8
Transportation	9	18.2	0.83	7.1	2.4
Management Companies	27	18.1	0.82	10.1	1.9
Gold Mines	3	15.7	0.71	16.3	9.4
Utilities	11	13.6	0.62	7.6	2.2
Pipelines	3	7.1	0.32	4.5	2.6

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Our concern was that over the test period, the appropriate minority discount varied significantly by industry.

Communities & Media	26.2%	Paper & Forest	21.1%
Financial Services	24.0	Metals & Minerals	19.8
Merchandising	23.5	Transportation	18.2
Real Estate and Contracting	23.4	Management Companies	18.1
Oil & Gas	22.8	Goldmine	15.7
Industrial Products	22.1	Utilities	13.6
Consumer Products	21.9	Pipeline	7.0

For all the groups except for goldmines, the standard error of mean is less than three; this is an acceptable level. When the minority discounts in the sample There adjusted by the industry factor, the annual range was reduced to between 18 and 26.

Lerch Study

Mary Ann Lerch, a valuator formerly with the IRS, and now in private practice examined the relationships between the exit PER and implicit minority discount in a number of US takeovers. She used the Houlihan Locke Howard and Zukin database for the four quarters to June 30, 1990; in those periods she found a strong inverse correlation between the control premium and the exit PER. This is what one would expect, as, when companies sell at high PERs, financial bidders are unable to pay much of a premium. The correlation equation was (26 + 320/PER). For 1989, this gives an average minority interest, based on the merger stat PER data of 41,3% compared with 29.1% for the actual transactions.

The DH & S Study, on the other hand, gave the largest minority discount to the communications & media group; these companies traditionally sell on a cash-flow basis at high PERs. The lowest minority discounts were for the utilities and pipeline groups which tend to sell on a yield basis and at low PERs. It is interesting that each of these three groups represents some form of quasi monopoly (radio & TV licenses, market-dominant newspapers and telephone franchises; gas delivery areas and pipeline permits). The differences appear to represent partly the higher growth potential of the media businesses, and partly the regulator, attitude to changes of control. Broadcast licenses are much easier transfer than utility franchises.

However, the very large sample of the DH&S study compared with the limited group used by Mary Ann Lerch, makes me still rely on the DH&S concept. This can be interpolated for different years, by applying the industry factor to the appropriate minority discount for the particular period.

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Practical Applications

So far, this talk has dealt with various nutritious foods and their flavours but provided no recipes. For those who like a cookbook for valuations, here goes.

Willing Buyers

The first ingredient is the willing buyer. She is a key player in the standard Canadian definition of Fair Market Value: "the highest price available in an open and unrestricted market, between knowledgeable, informed and prudent parties, acting at arm's length and under no compulsion to deal, expressed in terms of cash". This definition relates to the value of the whole business and implicitly assumes a willing buyer and a willing seller. It excludes special purchasers, who, for strategic or integrative reasons, can always pay more than a simple willing buyer.

The definition also implicitly suggests that the purchaser will have access to the cash flow and net income of the business, for both a return on, and the recovery of her investment.

Unless the buyer owns 100% of the shares, the ability to utilize the cash flow and net income outside the corporate structure is circumscribed. If the holding is less than absolute control (51% of the voting power), any purchaser can only look to dividends for a return and recovery of the investment.

Therefore, it seems to me that a minority discount should be applied in most cases to every holding that is less than 100%. An obvious exception is the incorporated partnership, where all the shareholders are active in the business.

A most interesting classification of willing buyers form part of the evidence in the Newhouse case. This related to a 44.4% voting interest held by Samuel Newhouse in a giant media corporation. The holding did not represent control of the closely held company, as the remaining shares were held by his two son who ran the business.

The expert witness divided potential willing buyers into four categories with different objectives. Hence, each was willing to pay a different price for the same block of shares based on his perception of value. Which category of willing buyers represents Fair Market Value is acute in the US, where the definition is the most 'likely', rather than the highest price. The four categories and the approximate discount of the price they would be willing to pay form the pro rata value, are summarised below.

Investor Categories	*Discount from Pro Rata Value*
• Control - hopes to realize value from salary, bonus and possibly a public offering or merger	10%
• Active - tries to maximize return through promotion of business growth, fees and dividends	15%
• Passive - expects to realize value from dividends and resale, but not from liquidation, merger or a public offering	30%
• Public - has no influence over the business; achieves a return from dividends and capital appreciation	35% to 55%

Ingredients

- Value of Company as if freely traded are willing buyers no special purchase
- Mergerstat Control Premium Study for the appropriate year
- Industry Factor list from DH&S

Recipe for Minority Discount

1. Determine the class of willing buyer who would be interested in the holding.
2. Look at recent Mergerstat data to establish basic minority discount.
3. Apply the appropriate industry factor to give an industry minority discount.
4. Adjust the industry minority discount upwards if the willing buyer is a Passive or Public investor, and downwards, if she is in the Control, or Active categories.
5. Calculate minority interest as if freely traded.
6. Apply a liquidity discount of at least 40% to the minority position.
7. Consider any shareholders' agreements or other contractual forms of liquidity.
8. Set our conclusions (Opinion, Estimate or Indication) in Valuation Report.
9. Document every step, including all supporting data.
10. Pray you don't have to defend your valuation before a judge.

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