

CAIRP Winnipeg Forum

Business Valuations for Insolvency Professionals

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Agenda

Role of a CBV

What is a Business Valuation?

Types of Reports

Approaches to Business Valuation

Examples

Questions

Role of a CBV

Typical CBV Engagements

Service Area	Context/Examples
Income Tax Planning & Compliance	<ul style="list-style-type: none"> • Estate freezes and corporate reorganizations • Non-arm's length transactions • Deemed dispositions
Strategic Planning	<ul style="list-style-type: none"> • Evaluation of strategic options • Succession planning • Shareholder transactions/Employee Share Ownership Plans
Litigation Support	<ul style="list-style-type: none"> • Shareholder disputes • Commercial litigation regarding damage quantification (i.e. insurance litigation, contract disputes, etc.) • Family Law
Mergers & Acquisitions	<ul style="list-style-type: none"> • Advisory (illustrative pricing analysis) • Formal valuations – buy/sell • Fairness opinions • Financing for lenders
Financial Reporting	<ul style="list-style-type: none"> • Purchase price allocations • Goodwill impairment • Fair value of investments

What is a Business Valuation?

What is a Business Valuation?

- The term “business valuation” can refer to the determination of the value of:
 - The assets or shares of a business (excluding real estate or equipment)
 - A partial business interest
- Combines both art and science (in other words, technical knowledge and professional judgement based on education and experience)
- Blend of accounting, economics, and finance

How is Value Defined?

Fair Market Value (FMV) is defined as:

- The highest price obtainable
- In an open and unrestricted market
- Between informed and prudent parties
- Acting at arm's length
- Under no compulsion to act
- Expressed in terms of money or money's worth

FMV can differ from Price

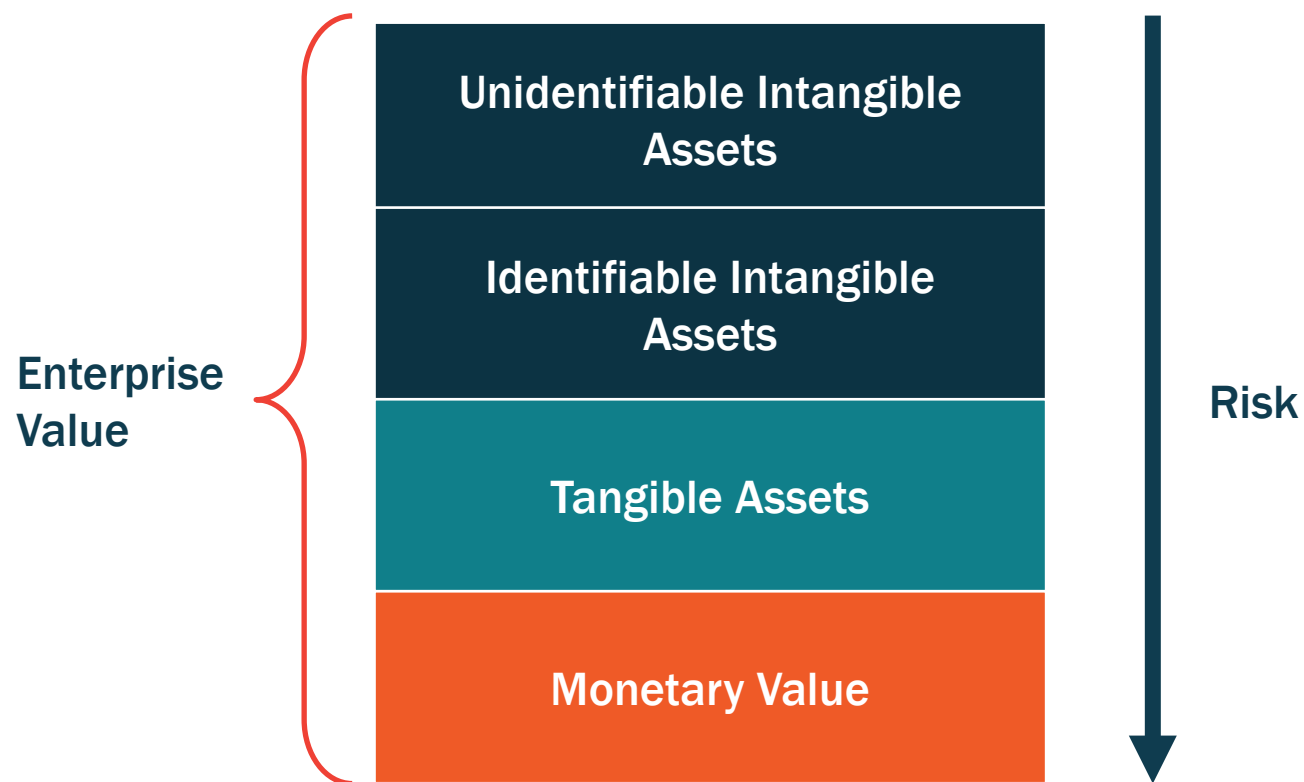
FMV is a Notional Value

Notional value is:

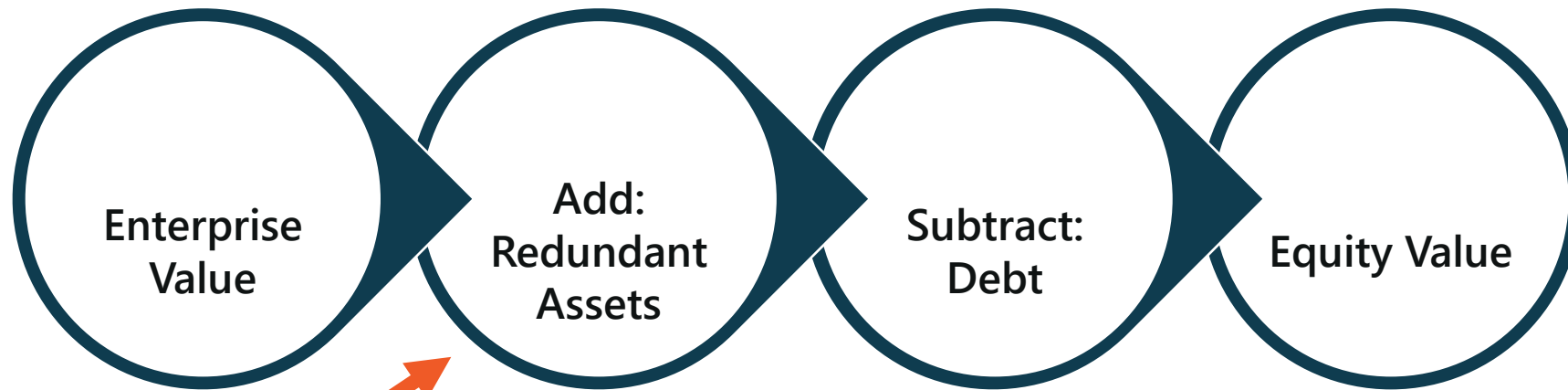
- Prospective or future oriented
- Determined at a point in time (i.e. it changes over time)
- Influenced by business-specific factors (such as underlying net tangible assets, risks, opportunities, growth potential, and liquidity)

Components of Enterprise Value

What do you get when you buy a business?



Equity Value



Assets which are not required for on-going, normal business operations.

Types of Reports

Business Valuations

Report Types

Valuation Reports

Contains a conclusion as to the value of shares, assets or an interest in a business, prepared by a Valuator acting independently

Limited Critique Reports

Contains comments on Valuation, Advisory or Expert Report prepared by another Member or non-member, but does not contain a valuation or any other numerical conclusion itself

Advisory Reports

Report where the Valuator is not acting independently or is advising/assisting a party (Valuation, Expert, or Limited Critique)

Fairness Opinions

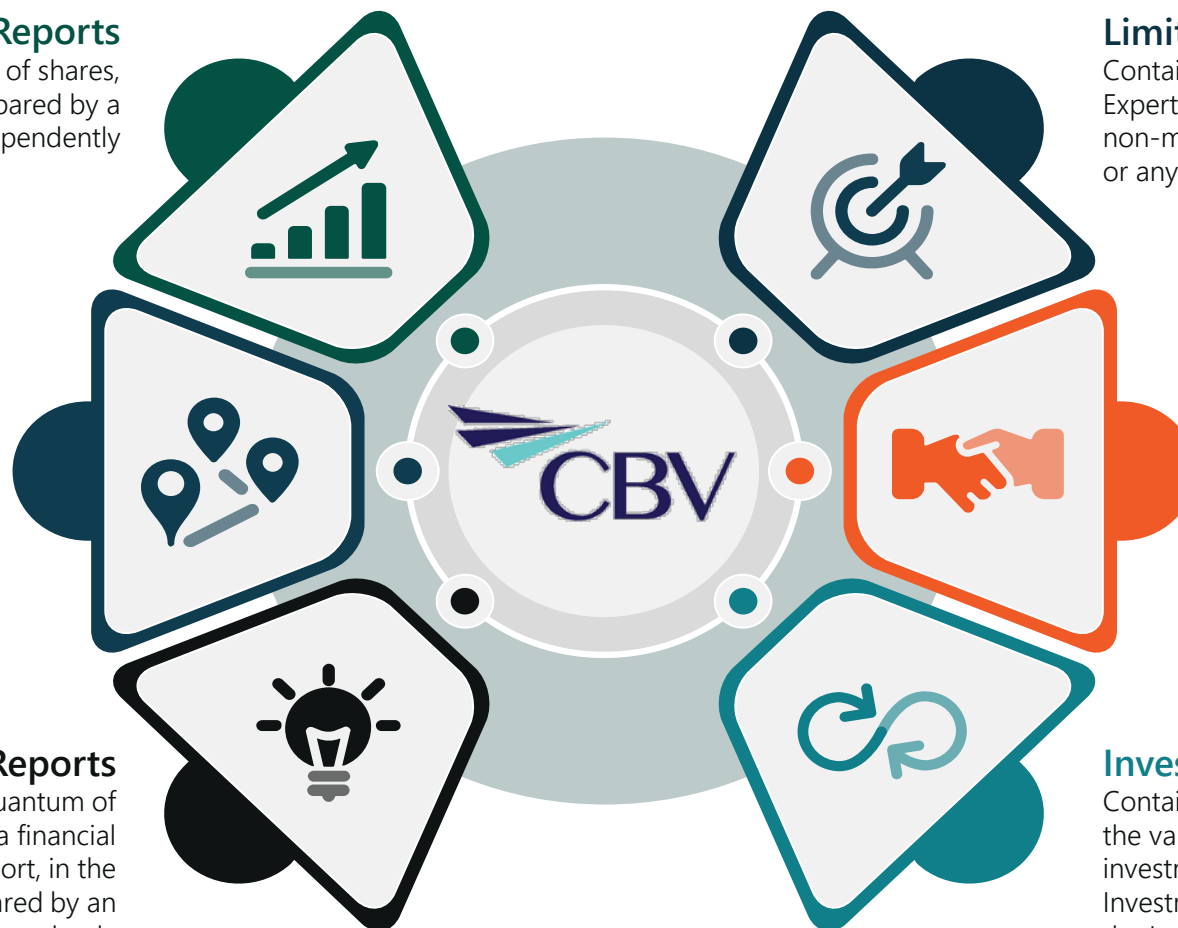
Written communication containing a conclusion as to the fairness of a proposed transaction to security holders (or a group of security holders), from a financial point of view

Expert Reports

Contains a conclusion as to the quantum of financial gain/loss, or any conclusion of a financial nature, other than a Valuation Report, in the context of litigation or a dispute, prepared by an Expert acting independently

Investment Entity Review Report

Contains a conclusion as to the reasonableness of the value of the specified shares, units, underlying investments or the net asset value of an Investment Entity as determined by a manager of the Investment Entity or another party



Business Valuations

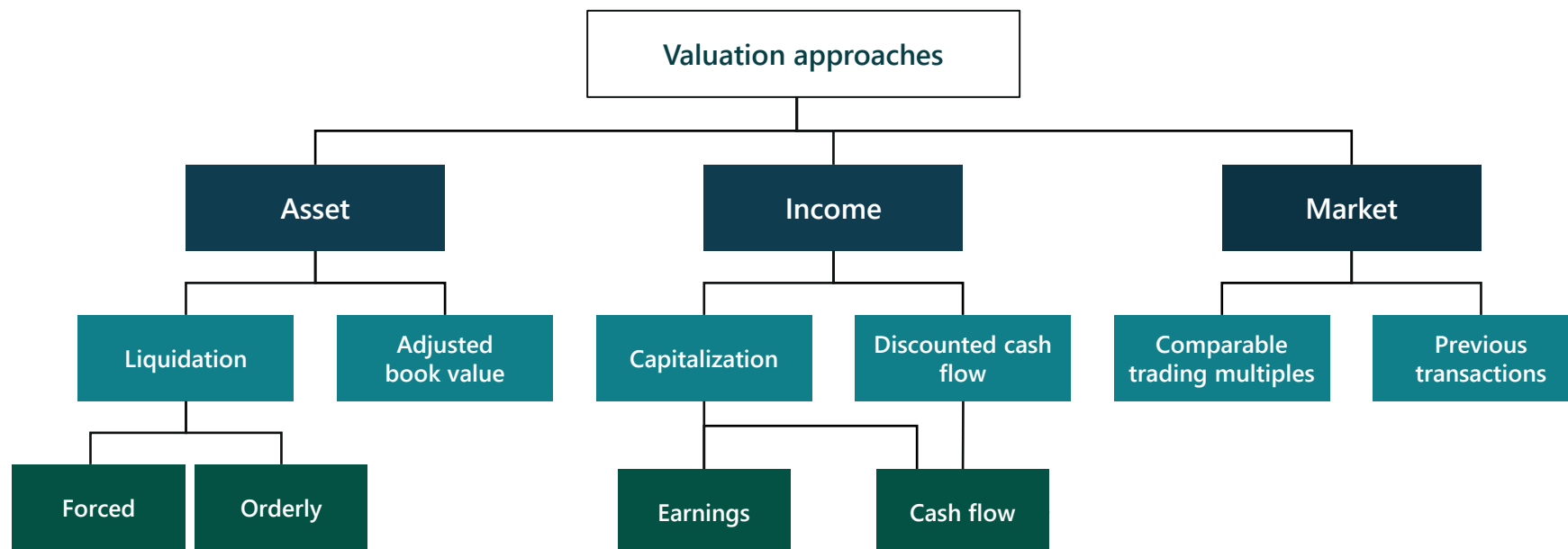
Valuation Reports

As summarized below, there are three types of Valuation Reports that can be prepared by a CBV that provide an opinion for fair market value. When selecting the type of report to be prepared, consideration is given to the purpose of the valuation, availability of supporting information, need for assurance and whether the type of report selected will be credible for the intended purpose.

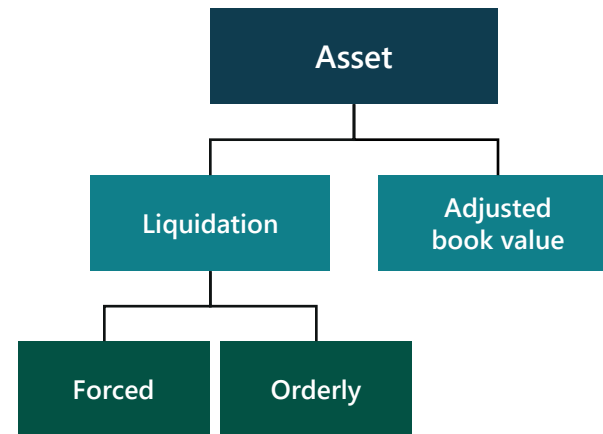
	Comprehensive Valuation Report	Estimate Valuation Report	Calculation Valuation Report
Scope of Review	Detailed review and analysis of business, industry, economy and all other relevant factors, adequately corroborated	Limited review, analysis and corroboration of relevant information (less than a comprehensive valuation report)	Minimal review and analysis and little or no corroboration of relevant information
Level of Details	High level of detail	Less detailed than a comprehensive valuation report	Low level of detail, brief written descriptions of information, analyses and commentary
Level of Assurance	Highest level of assurance	Lower level of assurance than a comprehensive valuation report	Lowest level of assurance
Typical Uses	Often used in litigation	Often used for litigation, buy / sell agreements and to evaluate strategic options	Used for high-level review purposes, preliminary analysis
Time and Cost	Highest cost and longest completion timeline	Mid-range option requiring more research and analysis than a Calculation Valuation Report	Least expensive option with the shortest completion timeline

Approaches to Business Valuation

Approaches to Valuation



Asset Approach



Asset approaches typically involve the restatement of assets and liabilities on the balance sheet to fair market value

Income Approach – Capitalized Cash Flow



Typically used for a mature, steady state business

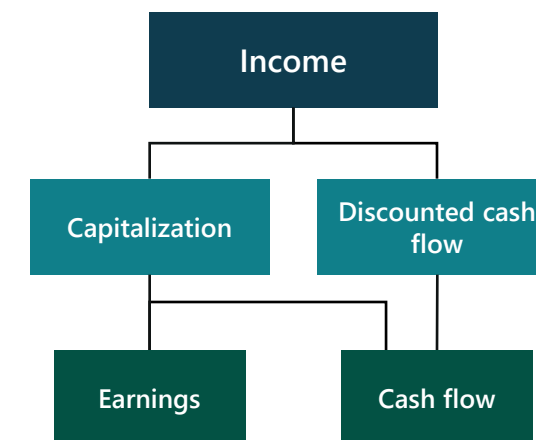


Value is based on the value of the maintainable, normalized earnings of the business



Normalize earnings for:

- Discretionary and non-recurring revenues and expenditures; and
- Non-arm's length and non-market transactions



Income Approach – Capitalized Cash Flow

Examples of typical adjustments to earnings include:

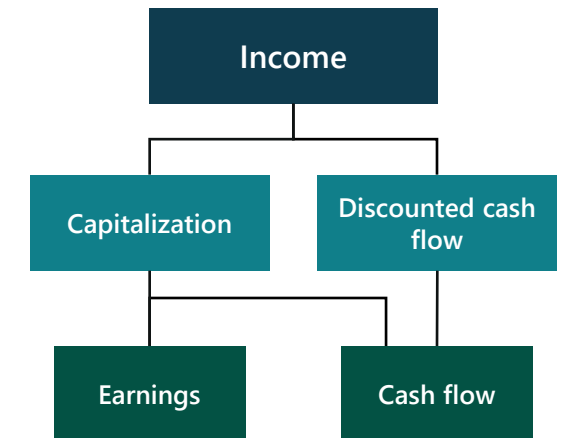
- Discretionary and non-recurring revenues and expenditures
 - Personal travel, donations, vehicles, etc.
 - Corporate reorganization related professional fees
 - Discontinued operations
- Non-arm's length and non-market transactions
 - Excessive or insufficient remuneration to owners and family members
 - Rent paid to related parties

Income Approach – Capitalized Cash Flow

- Value is based on maintainable AT Cashflow multiplied by a capitalization multiple
- Multiple based on assessment of risk and market considerations
- I.e. \$100,000 AT x 5 = \$500,000 + Existing Tax Shield = Enterprise Value
- Plus redundant assets
- Less debt
- FMV of equity

Income Approach – Discounted Cash Flow

- Used when the business is expected to grow in a nonlinear manner before achieving steady-state
- Requires a reasonable multi-year forecast
- Need to understand inputs, assumptions and support for assumptions
- Value is the net present value of the stream of future net cash flow
- Present valued using risk adjusted rate of return



Income Approach – Discounted Cash Flow

Example

	2020	ACTUAL 2021	2022	2023	2024	FORECAST 2025	2026	2027	
Sales	\$ 5,000,000	\$ 6,000,000	\$ 7,500,000	\$ 9,400,000	\$ 11,300,000	\$ 13,000,000	\$ 14,300,000	\$ 15,000,000	
<i>Sales growth</i>		<i>n/a</i>	<i>20.0%</i>	<i>25.0%</i>	<i>25.3%</i>	<i>20.2%</i>	<i>15.0%</i>	<i>10.0%</i>	<i>4.9%</i>
Cost of sales	3,500,000	4,200,000	5,250,000	6,580,000	7,910,000	9,100,000	10,010,000	10,500,000	
Gross Profit	1,500,000	1,800,000	2,250,000	2,820,000	3,390,000	3,900,000	4,290,000	4,500,000	
<i>Gross margin</i>	<i>30.0%</i>	<i>30.0%</i>	<i>30.0%</i>	<i>30.0%</i>	<i>30.0%</i>	<i>30.0%</i>	<i>30.0%</i>	<i>30.0%</i>	
Operating expenses	500,000	600,000	700,000	846,000	1,017,000	1,040,000	1,144,000	1,200,000	
<i>As a percentage of sales</i>	<i>10.0%</i>	<i>10.0%</i>	<i>9.3%</i>	<i>9.0%</i>	<i>9.0%</i>	<i>8.0%</i>	<i>8.0%</i>	<i>8.0%</i>	
Earnings from operations	1,000,000	1,200,000	1,550,000	1,974,000	2,373,000	2,860,000	3,146,000	3,300,000	
Adjustments:									
Amortization	50,000	60,000	75,000	94,000	113,000	130,000	143,000	150,000	
Interest on long-term debt	82,000	95,000	45,000	47,000	49,000	51,000	54,000	57,000	
Reported EBITDA	1,132,000	1,355,000	1,670,000	2,115,000	2,535,000	3,041,000	3,343,000	3,507,000	
<i>Reported EBITDA margin</i>	<i>22.6%</i>	<i>22.6%</i>	<i>22.3%</i>	<i>22.5%</i>	<i>22.4%</i>	<i>23.4%</i>	<i>23.4%</i>	<i>23.4%</i>	
Normalization adjustments:									
Actual wages paid	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	
Fair market value of services provided	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	
Discretionary meals and entertainment expenses	10,000	15,000	20,000	-	-	-	-	-	
Non-recurring professional fees	-	20,000	-	-	-	-	-	-	
Normalized EBITDA (rounded)	\$ 1,000,000	\$ 1,300,000	\$ 1,600,000	\$ 2,000,000	\$ 2,400,000	\$ 2,900,000	\$ 3,200,000	\$ 3,400,000	
<i>Normalized EBITDA margin</i>	<i>20.0%</i>	<i>21.7%</i>	<i>21.3%</i>	<i>21.3%</i>	<i>21.2%</i>	<i>22.3%</i>	<i>22.4%</i>	<i>22.7%</i>	

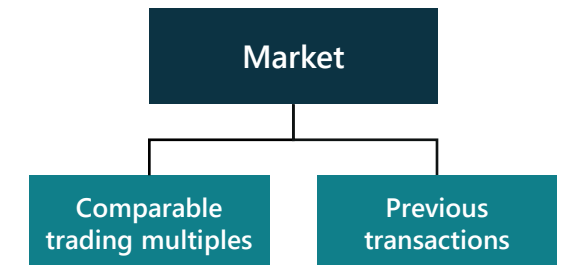
Income Approach – Discounted Cash Flow

Example

	2023	2024	2025	2026	2027	Terminal
Sales	\$ 9,400,000	\$ 11,300,000	\$ 13,000,000	\$ 14,300,000	\$ 15,000,000	\$ 15,300,000
<i>Sales growth</i>	25.3%	20.2%	15.0%	10.0%	4.9%	2.0%
Normalized EBITDA (rounded)	2,000,000	2,400,000	2,900,000	3,200,000	3,400,000	3,468,000
<i>As a % of sales</i>	21.3%	21.2%	22.3%	22.4%	22.7%	22.7%
LESS: Corporate income taxes	(530,000)	(636,000)	(768,500)	(848,000)	(901,000)	(919,020)
After-Tax Cash Flows	1,470,000	1,764,000	2,131,500	2,352,000	2,499,000	2,548,980
LESS: Capital expenditures, net of Tax Shield	(67,132)	(80,701)	(92,842)	(102,126)	(107,125)	(109,267)
LESS: Working capital investments	(95,000)	(95,000)	(85,000)	(65,000)	(35,000)	(15,000)
After-tax Operating Cash Flow	1,310,000	1,590,000	1,950,000	2,180,000	2,360,000	2,420,000
<i>As a % of sales</i>	13.9%	14.1%	15.0%	15.2%	15.7%	15.8%
Discount period	0.50	1.50	2.50	3.50	4.50	4.50
Terminal value multiple						5.6 x
Terminal value						13,444,444
Discount Rate	0.9129	0.7607	0.6339	0.5283	0.4402	0.4402
Discounted After-tax Operating Cash Flow	\$ 1,200,000	\$ 1,200,000	\$ 1,200,000	\$ 1,200,000	\$ 1,000,000	\$ 5,900,000
Present Value of Discounted After-tax Operating Cash Flow, excluding Terminal Value	5,800,000					
Present Value of Terminal Value						5,900,000
Enterprise Value (rounded)	\$ 11,700,000					
Add: Redundant assets (including excess cash)	5,000,000					
Less: Debt	(2,900,000)					
Fair Market Value	\$ 13,800,000					

Market Approach

- Value is derived by analyzing similar companies and/or transactions involving similar companies, and then comparing them to the subject company
- Considers differences between the guideline assets and the subject asset, to the extent the differences can be identified and quantified
- May involve comparing metrics other than earnings



Market Approach

Issues to consider in assessing comparability:

- Size (market cap, revenues, etc.)
- Product/services mix
- Growth trends and prospects
- Location of operations
- Accounting policies, earnings quality and extraordinary items
- Redundant assets
- Non-arm's-length transactions
- Transactions that are stale-dated

Examples

Examples — Insolvency Valuation Scenarios

Six insolvency-practice scenarios — valuation analysis framework

1. **Frederick C. Fluoride:** Dental clinic, 1/3 shareholder, personal bankruptcy with FMV (triggering event)
2. **Audrey Auberge:** Rural hotel/restaurant/bar, consumer proposal vs. bankruptcy comparison
3. **Harold Whodunni:** Escape room business with owned real estate, Division I proposal
4. **Allison Wonder:** Convenience store, 4-person partnership, asset-heavy with licenses
5. **Sunny Tan:** Tanning & aesthetics salon, proposal vs. bankruptcy, recently unprofitable
6. **The Chiropractor:** Professional practice with variants — sole, multi-disciplinary, incorporated

Scenario 1 — Dental Clinic: Background & Questions

- **Setting:** Frederick C. Fluoride is a dentist and shareholder in a dental clinic in an isolated northern Manitoba city
- **Ownership:** Three dentists are equal shareholders clinic has a loyal clientele and only two competing clinics in the city
- **Situation:** Frederick guaranteed debts of a failed side business and must file a personal assignment in bankruptcy
- **Clause:** Shareholder agreement requires the others to buy the insolvent shareholder's shares at fair market value
- **Position:** Co-shareholders argue they should pay only 1/3 of the clinic's depreciated tangible assets, claiming the client list has no value because patients could go elsewhere
- **Key Question:** What things should the trustee consider?

Scenario 1 — Dental Clinic: Fact Pattern

- **Business:** Incorporated 3-dentist clinic, isolated northern MB city; Frederick is 1/3 shareholder
- **Trigger:** Personal bankruptcy from a failed side business
- **Agreement:** Shareholder agreement requires buyout at fair market value (triggering event)
- **Dispute:** Co-shareholders claim a zero goodwill offer, only 1/3 of the depreciated tangible assets

Scenario 1 — Dental Clinic: Valuation Approach

- **Primary:** Income Approach — capitalized cash flow on normalized EBITDA
- **Allocation:** Split FMV across tangibles, commercial goodwill, and working capital
- **Normalizations:** Excess owner compensation, non-recurring items, related-party rent, personal expenses
- **Discounts:** Minority (1/3 interest, no control)
- **Goodwill:** Isolated market (lower multiple) and loyal patients support transferable commercial goodwill

Scenario 1 — Dental Clinic: Trustee & CBV Conclusion

- **Trustee Duty:** Maximize recovery — cannot accept a tangibles-only offer when commercial goodwill exists
- **CBV Required:** YES — a defensible FMV opinion is needed to resist the co-shareholders' position
- **Forum:** Supports arbitration, court application, or negotiated settlement
- **Outcome:** Documented valuation protects the estate and enforces a triggering event at a fair price

Scenario 2 — Rural Hotel: Background & Questions

- **Setting:** Audrey Auberge owns the only hotel, restaurant and bar in Ruralton, Manitoba
- **Property:** Building has been in her family for three generations, consisting of 15 rooms, a six-table cafe, and a small bar with five VLTs
- **Performance:** Modestly profitable and well maintained
- **Trigger:** Audrey is contemplating a consumer proposal due to a credit card spending problem that started with online shopping
- **Key Question:** What should the potential proposal administrator consider when determining whether the contemplated consumer proposal offers a better return to creditors than bankruptcy and the sale of the hotel asset?

Scenario 2 — Rural Hotel: Fact Pattern

- **Business:** 3rd-generation family hotel in Ruralton, consisting of 15 rooms, 6-table cafe, bar with 5 VLTs
- **Performance:** Modestly profitable
- **Trigger:** Audrey filing a consumer proposal for personal credit-card debt
- **Core Question:** Does the proposal beat a forced sale in a bankruptcy?

Scenario 2 — Rural Hotel: Valuation Approach

- **Real Estate:** Professional Appraiser, as real estate is the dominant asset
- **Going Concern:** Capitalize normalized EBITDA; small scale and limited buyer pool warrant a low multiple (real estate likely higher capitalization multiple due to lower risk)
- **Licenses:** Liquor license transferable with approval; VLT site holder typically tied to premises
- **Forced Sale:** Rural hospitality thin market — 20–40%+ discount off FMV

Scenario 2 — Rural Hotel: Proposal Administrator & CBV

- **CBV Required:** POSSIBLY. More appropriate for a professional appraiser is typically the primary
- **CBV Role:** Engage only if the going concern EV (value of the business that owns the real estate), goodwill, or license value is disputed

Scenario 3 — Escape Room: Background & Questions

- **Setting:** Harold Whodunni owns and operates an incorporated escape room business in an old warehouse in Winnipeg's Exchange District
- **Property:** Harold inherited the warehouse and later transferred it into the corporation
- **Performance:** Eight escape rooms are consistently hard to book thanks to Harold's award-winning room and puzzle designs (high demand)
- **Trigger:** Harold fell victim to an online cryptocurrency scam and maxed out seven credit cards "investing". Now the money is gone
- **Filing:** Harold wants to file a Division I proposal to settle his debts
- **Key Question:** How do you determine the value of his business?

Scenario 3 — Escape Room: Fact Pattern

- **Business:** Incorporated escape room in Winnipeg Exchange District; 8 award-winning rooms
- **Property:** Warehouse inherited by Harold, later transferred into the corporation
- **Trigger:** Harold filing a Division I proposal after a crypto-scam loss
- **Performance:** Mature and profitable, consistently hard to book
- **Core Question:** Share FMV (Harold's personal asset) sets the proposal floor value

Scenario 3 — Escape Room: Valuation Approach

- **Primary:** Capitalized Cash Flow on normalized maintainable EBITDA
- **Cross-Check:** Entertainment/leisure EBITDA multiple of 3–5×; premium for branded and award-winning
- **Real Estate:** Separate professional real estate appraisal of the warehouse
- **Notional Rent:** Adjust earnings for market rent to isolate the operating business
- **Key-Person:** Harold's design creativity is significant personal goodwill unless IP is documented

Scenario 3 — Escape Room: Insolvency & CBV

- **CBV Required:** YES — mature going concern, intangibles, real estate allocation, and key-person issues
- **Deliverable:** Formal report supports the proposal offer and withstands creditor scrutiny

Scenario 4 — Convenience Store: Background & Questions

- **Setting:** Allison Wonder, a young woman in Souris, Manitoba, dreamed of opening a convenience store in her hometown
- **Ownership:** Allison partnered with three friends to form a partnership to own the store, named Allison Wonderland
- **Property:** Operates from recently purchased premises, financed by a loan from the Women's Enterprise Centre (WEC holds a mortgage on the property)
- **Offering:** Food, beverages, and a liquor and lottery license, aiming to offer "a little bit of everything" to the community
- **Key Question:** How is the business valued when the partnership becomes insolvent? What is Allison's share of the net partnership equity, and is a CBV required?

Scenario 4 — Convenience Store: Fact Pattern

- **Business:** Convenience store in Souris, MB. 4-person general partnership
- **Premises:** Recently purchased building with WEC mortgage
- **Trigger:** Partnership and personal insolvency; joint-and-several liability implications
- **Operating History:** Newly opened. No established goodwill yet
- **Core Question:** What is Allison's share of net partnership equity for her estate?

Scenario 4 — Convenience Store: Valuation Approach

- **Primary:** Asset Approach — real estate + inventory at NRV + PP&E + licenses less debts
- **Real Estate:** Recent purchase price is a strong FMV indicator; AACI/Professional Appraiser if the market has moved
- **Licenses:** Liquor license may be transferable (\$10K–\$100K+); lottery license premises-tied
- **Partner Share:** Allison's % × net equity; apply minority discount given the rural illiquid market

Scenario 4 — Convenience Store: Insolvency & CBV

- **Forced Sale:** Souris thin market — 6–18 month marketing period; 20–35% distress discount
- **Coordination:** LIT + AACI + equipment appraiser can compile most of the analysis
- **CBV Required:** LIKELY NOT because asset-heavy profile fits the simplified method
- **Escalation:** Engage a CBV only if a buyer emerges for goodwill or the license value is disputed

Scenario 5 — Tanning & Aesthetics Salon: Background & Questions

- **Setting:** Sunny Tan owns "Face It" — a Tanning Salon and Aesthetics business
- **Operations:** 6 tanning beds and 4 aesthetic rooms with assessment and treatment stations; retail beauty products are also sold
- **Performance:** Previously profitable but has recently faced more challenging times — Sunny believes it is still viable
- **Plan:** Sunny wants to restructure via a proposal and carry on; he has provided three years of financial statements, tax returns, a business plan, and cash flow projections
- **Key Questions:** To compare a restructuring or proposal to a bankruptcy, what do we need to do? How do we value this business? Is there a simplified way an LIT could value it or do we need a CBV? Do we look at financials for valuation, or is this just an asset valuation?

Scenario 5 — Tanning & Aesthetics Salon: Fact Pattern

- **Business:** Face It — 6 tanning beds, 4 aesthetic rooms, retail sales
- **Financial Trend:** Previously profitable, recently struggling
- **Trigger:** Sunny wants to restructure via proposal
- **Documentation:** 3 years of F/S, tax returns, and forecasts provided
- **Core Question:** Compare going-concern (proposal) recovery versus liquidation (bankruptcy) recovery

Scenario 5 — Tanning & Aesthetics Salon: Valuation Approach

- **Liquidation:** Orderly, tanning beds \$500–\$2,000 each; IPL/laser \$5K–\$25K used; inventory at NRV
- **Going Concern:** DCF preferred over CCF given the recovery trajectory
- **Stress-Test:** Validate forecast assumptions rigorously before relying on the going-concern value
- **Viability:** Declining industry, health concerns, regulation, and home products
- **Normalization:** Remove non-recurring downturn items, adjust owner comp to market, recognize cap-ex

Scenario 5 — Tanning & Aesthetics Salon: LIT vs. CBV

- **Simplified Method:** LIT + equipment appraiser often sufficient for asset-heavy service businesses
- **CBV Required:** GENERALLY NOT. Profile does not typically justify a formal report
- **Escalation:** Engage if creditors dispute the floor or the going-concern gap is material
- **Communication:** Document rationale and key assumptions in the proposal letter to creditors

Scenario 6 — Chiropractor: Background & Questions

- **Setting:** A professional insolvency — chiropractor, dentist, doctor, or similar practitioner
- **Example:** A youngish chiropractor operates his own clinic in leased premises; like many professionals, he hasn't paid income tax installments, and CRA has pointed out that his extravagant lifestyle was funded by an illusion of income
- **Apparent Path:** File a bankruptcy or proposal and carry on, but how do we value the practice?
- **Client List:** Is there a value to the client list when clients could simply walk across the street to another chiropractor? Is there equipment that must be valued?
- **Twist — Age & Name:** Does it matter if the chiropractor is older with a bigger client list and far greater name recognition?
- **Twist — Multi-Disciplinary:** Does it matter if it's a multi-disciplinary practice with massage therapists and physiotherapists? How do we value that?
- **Twist — Structure:** What if the other practitioners are subcontractors, versus employees of an incorporated practice?
- **Key Question:** How do we value this practice?

Scenario 6 — Chiropractor: Fact Pattern & Variants

- **Base Case:** Younger chiropractor, leased premises; CRA pursuing unpaid installments, lifestyle exceeds sustainable income
- **Variant A:** Older chiropractor with a significant book and established name
- **Variant B:** Multi-disciplinary clinic with several practitioners
- **Variant C:** Practitioners as subcontractors versus employees of a corp
- **Central Issue:** Personal goodwill (not transferable) vs. commercial goodwill (transferable to creditors)

Scenario 6 — Chiropractor: Methodology by Fact Pattern

- **Young Solo:** Asset Approach — FMV of equipment plus A/R; personal goodwill dominates
- **Variant A:** Income Approach — comps 40–70% of revenue or 2–4× EBITDA; non-compete essential
- **Variant B:** Capitalized Cash Flow on clinic-level EBITDA; destination is the clinic
- **Variant C:** Share valuation with tax-affected earnings; minority discount; non-competes protect goodwill

Scenario 6 — Chiropractor: CBV Recommendation

- **Rule of Thumb:** Younger, more personal, less branded → asset approach, no CBV
- **Institutional:** Older, institutional, incorporated → income approach; a CBV adds value
- **Formal Report:** Strongly recommended for Variants A, B, and C where creditor scrutiny is central
- **Communication:** Goodwill allocation must be clearly articulated for creditors and stakeholders

Key Valuation Principles Across Scenarios

Cross-Cutting Principles for Insolvency Valuations

- Premise of Value: Going concern vs. liquidation (forced or orderly) drives methodology selection
- Standard of Value: Fair Market Value (CICBV definition) — informed, arm's length, no compulsion
- Valuation Date: Date of insolvency filing (bankruptcy or proposal) typically governs
- Three Approaches: Income, Market, Asset/Cost — reconcile and select based on facts
- Notional vs. Open Market: Most insolvency valuations are notional — rigor of a CBV report helps withstand challenge
- Commercial vs. Personal Goodwill: Only commercial (transferable) goodwill has value to creditors — critical for professional practices
- Minority / Control / Marketability Discounts: Apply where relevant (e.g., 1/3 shareholder, triggering event clause)

Foundational Principles: Premise, Standard & Date

Setting the Framework Before Any Number is Calculated

- 1. Premise of Value
 - Going concern — business continues to operate; income and market approaches typically apply
 - Orderly liquidation — assets sold over a reasonable marketing period (weeks to months)
 - Forced liquidation — compressed timeline, distressed sale; asset/cost approach dominates
- 2. Standard of Value — Fair Market Value (CICBV)
 - Highest price, cash equivalent, in an open and unrestricted market
 - Between informed, prudent parties acting at arm's length and under no compulsion
 - Distinguish between fair value, investment value, or liquidation value where context requires
- 3. Valuation Date
 - Generally the date of the bankruptcy or proposal filing fixes facts known or knowable
 - Subsequent events considered only to confirm conditions existing at the valuation date
 - Alternate dates may apply for preference

Valuation Approaches & Notional Context

Selecting and Defending the Methodology

- **4. Three Approaches — Reconcile & Select**
 - Income approach — capitalized cash flow or DCF; best for a going concern with reliable forecasts
 - Market approach — comparable transactions or public company multiples; needs truly similar peers
 - Asset/cost approach — adjusted net book value or liquidation; floor value in distressed scenarios
 - Reconcile across methods and explain the weighting. Note: do not simply average
- **5. Notional vs. Open Market Valuations**
 - Notional — hypothetical transaction; no actual market test; requires professional judgment
 - Open market — observed price from an actual sale process; often preferred if available
 - CBV report levels: Calculation, Estimate, Comprehensive rigour must match the stakes
 - A well-documented notional valuation withstands cross-examination and court scrutiny

Goodwill & Shareholder-Level Adjustments

What Transfers to Creditors — and What Does Not

- **6. Commercial vs. Personal Goodwill**
 - Commercial goodwill — tied to the business (location, brand, systems, client contracts); transferable and captured for creditors
 - Personal goodwill — tied to the individual's skills, relationships, reputation; not transferable and excluded
 - Critical in professional practices (law, medical, accounting) — significant value often sits with the practitioner
 - Tools to bridge commercial goodwill: non-compete covenants, earn-outs, transition agreements
- **7. Minority, Control & Marketability Discounts**
 - Minority discount — reflects the lack of ability to direct operations, distributions, or exit
 - Control premium — paid for the ability to set strategy, appoint management, and capture synergies
 - Marketability discount — reflects difficulty monetizing private-company interests
 - Examples: 1/3 shareholder in a closely-held corp, or value constrained by a triggering event

Questions?

Thank you



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