

BVU PROFILE:**Newest BVU Editorial Board Member Is
a Strong Advocate of Education**

One of the busiest people at the recent AICPA FVS conference was Harold G. Martin Jr., who is the partner-in-charge of Valuation and Forensic Services for Keiter, a CPA and consulting firm located in Richmond, Va. Not only did he teach the ABV Exam Review class, but he also conducted a four-hour workshop on cross-examination of expert witnesses—and then did three regular sessions to boot. This reflects his passion for BV education. He is also the co-author of *Financial Valuation: Applications and Models* (1st, 2nd, 3rd, and 4th editions) and a contributing author to *Cost of Capital: Estimation and Applications* (2nd, 3rd, and 4th editions). In 2012, he was inducted into the AICPA BV Hall of Fame. *BVU* is happy to welcome him to its Editorial Advisory Board.

BVU: How did you get into business valuation?

HM: After graduating with a degree in English from The College of William and Mary in 1979, my first job was in retail banking where I became interested in accounting and finance. I then completed the required courses to sit for the CPA exam. I joined Price Waterhouse's Richmond office in 1983 as an auditor and completed my MBA in night school. I did not begin my career in public accounting with the objective of specializing; instead, my career evolved as opportunities presented themselves. After about two years in audit, I transferred to the consulting practice where I worked on systems development projects, including a large litigation project. Following that experience, I transferred to the Philadelphia office where I specialized in litigation. In 1992, I

joined Coopers & Lybrand's Financial Advisory Services group, where I served as a director responsible for managing the Richmond litigation practice. It was during this time that my father sold his insurance agency and requested my assistance in valuing it. I collaborated with a specialist in C&L's valuation group, and this project piqued my interest in valuation.

BVU: Can you describe the valuation practice at Keiter?

HM: In 1996, I had the opportunity to join Keiter and develop a valuation and forensic services practice. Since that time, our practice has grown into one of the largest full-time practices in Virginia outside of the metro-D.C. market. Our practice focuses on valuations of closely held businesses for tax, transactions, financial reporting, shareholder agreements, stock-based compensation, intellectual property, and transfer pricing.

BVU: Are you still doing economic damages work?

HM: Yes, our forensic services include litigation consulting and expert witness services for business litigation and family law. The types of business litigation matters for which we have served as a consultant or expert include breach of contract, business interruption, divorce, fraud, intellectual property infringement (trade secrets, patents, copyrights, and trademarks), post-acquisition disputes, professional malpractice, securities, shareholder disputes, tortious interference, wrongful death, and wrongful termination. Our

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forensic services also include financial investigations. While litigation consulting and expert witness work can be very stressful and challenging, it is also a very rewarding experience when you are successful in assisting a client. In this venue, I have had the privilege of being appointed as an expert by both federal and state courts.

BVU: *When you need staff members, how do you recruit them?*

HM: We recruit, develop, and train our staff from the pool of accounting and finance majors directly from undergraduate and graduate schools. We also send them to training sponsored by the AICPA and ASA.

BVU: *When you're looking for new recruits on campus, what do you tell them about the profession?*

HM: I tell recruits that I have been in practice for over 30 years and still enjoy the work because I learn something new every day. Valuation is an interesting and challenging discipline and requires knowledge of many diverse areas such as finance, accounting, tax, economics, statistics, marketing, information technology, as well as written and oral communications skills. It's also a great profession in which to begin a career because you will be exposed to a lot and learn a great deal, which will help you no matter what career path you ultimately pursue. I always conclude by advising prospective recruits to select a career about which they are passionate and they will be successful.

BVU: *I see from your CV that you do a lot of teaching.*

HM: Yes, I'm a very strong advocate for serving as an instructor as it is a way of giving back to the profession. I have served as an instructor for the AICPA since 1997, and I teach the AICPA National BV School, AICPA ABV Exam Review Course, and the AICPA Expert Witness Skills Workshop. I created and serve as chair of the Virginia Society of Certified Public Accountants Annual Business Valuation, Fraud, and Litigation Services Conference, which is now in its 16th

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year. Also, for the past 11 years, I have served as an adjunct faculty member of The College of William and Mary Raymond A. Mason Graduate School of Business and have taught forensic accounting in the Master of Accounting program, and have also served as a guest lecturer on valuation for the MBA program and the Marshall-Wythe School of Law. I also speak frequently at seminars, most recently presenting at the Federal Bureau of Investigation Supervisor Forensic Accountant Summit.

BVU: *You co-presented a session on cost of capital at the recent AICPA FVS conference in Las Vegas. From your perspective, what are the major areas of controversy regarding cost of capital?*

HM: One area of controversy is the appropriate data to use in computing the different variables in the cost of capital (e.g., computing the equity risk premium using long-term historical returns or expected future returns). Another is whether certain adjustments should be made to certain variables in computing cost of capital (e.g., adjusting the risk-free rate to reflect a sustainable average return, adjusting the equity risk premium to reflect current market conditions). Yet another example is the source of data to be used in computing a size premium (e.g., CRSP data or Duff & Phelps data) or even whether or not a size premium exists.

Finally, the quantification of company-specific risk is an issue given the lack of empirical data.

BVU: *You do a lot of litigation work, so how do you handle these differences in practice?*

HM: We recognize that in litigation our work will be subject to scrutiny by opposing counsel and the adverse expert. To address this, we calculate the discount rate using alternative models and develop a range of rates to value a company. We then select a rate from this range based on our professional judgment and in consideration of the particular facts and circumstances. Using this approach, we are able to demonstrate that we have considered the alternatives, and then we explain the reasons for selecting the rate we ultimately used. We also compare our discount rate with the range of total rates of return observed in the market. Finally, we corroborate the value derived using the income approach with estimated values using alternative valuation approaches.

BVU: *What do you do in your spare time?*

HM: My hobbies are reading, playing the guitar, and keeping up with my children, who are all grown and the last one is in college. I also help my wife in the garden. Well, let me get that straight—she is a master gardener, and I'm just the hired help! ♦