Valuation Discounts for Family Limited Partnerships and Family Limited Liability Companies

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The family limited partnership ("FLP") and family limited liability company ("FLLC") are two types of entities that may be used in trust and estate planning. Families use such entities to achieve multiple strategies, including (1) the intergenerational transfer of family wealth, (2) the protection of assets, and (3) the consolidation of assets to achieve economies of scale related to administrative costs. The valuation analyst can provide expertise in navigating the topics that frequently arise when valuing these family asset holding entities. First, this discussion focuses on the application of the generally accepted business valuation approaches in the context of an FLP or an FLLC. Second, this discussion examines the application and derivation of valuation discounts for a noncontrolling ownership interest in an FLP or an FLLC.

Introduction

Valuation analysts are often engaged to estimate the value of interests in family limited partnerships ("FLPs") and family limited liability companies ("FLLCs") for estate and gift tax reporting and/or planning purposes. Such entities are typically closely held and the level of value sought in these engagements is typically a noncontrolling, nonmarketable ownership interest level of value.

The FLP and FLLC are two distinct types of legal entities that are often used by families for asset protection and wealth transfer purposes.

In the valuation analyses of FLP and FLLC interests, the generally accepted asset-based business valuation approach is often applied. In particular, the asset accumulation business valuation method (of the asset-based approach) is often applied. However, the generally accepted business valuation market approach and income approach can also be applied to provide analytical support for valuation discounts that may apply to noncontrolling, nonmarketable FLP and FLLC interests.

This discussion defines FLPs and FLLCs, describes the application of generally accepted business valuation approaches to FLPs and FLLCs, and summarizes the data relied on and the factors that influence the discounts that may apply in estimating the fair market value of a noncontrolling, nonmarketable FLP and FLLC ownership interest for estate and gift tax compliance purposes.

Definition of FLP and FLLC

An FLP is a type of partnership. It is important to note that in the legal context, an FLP is not a distinct type of legal entity; it is a traditional limited partnership that is defined by its business objectives. An FLP is typically used by families for asset protection and wealth transfer purposes, but FLPs also achieve other business objectives.

As the name implies, family members comprise the partnership interests in an FLP. FLP partnership interests consist of the general partnership interest, where the general partner typically retains control

and has unlimited liability in the entity. The limited partner in an FLP typically retains a noncontrolling interest in the entity and has limited liability in the entity.

Similarly, an FLLC is a limited liability company ("LLC") that is defined by its business objectives and is formed by family members. Members of LLCs enjoy limited liability in the entity and are taxed comparably to partnerships. FLLCs, among other business entities, are used by families for asset protection and wealth transfer purposes.

Some of the attributes of FLPs and FLLCs are the business objectives of asset protection and wealth transfer. Typically, FLPs and FLLCs are formed when senior members of a family contribute assets to the entity in exchange for general partner or limited partner interests in the FLP or membership interests in the FLLC.

Assets contributed to an FLP or an FLLC are typically comprised of the assets that senior family members have accumulated.

It is important to note that these investment assets can vary greatly. According to the business valuation textbook, *Comprehensive Guide for the Valuation of Family Limited Partnerships*, the types of assets held by an FLP may include, but are not limited to, the following:[1]

- Marketable securities
- Income-producing real estate
- Non-income-producing real estate
- Multiple asset types
- Oil and gas interests

Lastly, while the assets contributed to FLPs and FLLCs are diverse, the ultimate operations of such entities are frequently straightforward. Typically, FLPs and FLLCs are business entities that operate as investment management holding companies and require minimal day-to-day management.

This business structure contrasts with operating businesses, where operations include actively managed activities such as the manufacture, distribution, and sale of products and services.

To reiterate, FLPs and FLLCs:

1. are defined by their business objectives, including asset protection and wealth transfer for families and
2. are typically operated as passive business entities that hold investment assets.

Such investment assets vary greatly from entity to entity.

Given these facts, one can conclude that while FLPs and FLLCs share commonalities, they can also vary greatly when evaluated as a group—specifically in the context of the underlying investment asset compositions, ownership limitations, and management restrictions.

Applying Generally Accepted Business Valuation Approaches to FLPs and FLLCs

While many analysts valuing ownership interests in FLPs and FLLCs often apply the asset-based approach in all situations—given the asset-centric composition of these entities—the variation in the FLP and FLLC underlying assets requires the analyst to develop a more nuanced examination.

While FLPs and FLLCs have similarities across entities, the analyst should consider the details and attributes of FLP and FLLC ownership interests on an individual basis, rather than applying one approach for all types of FLP and FLLC ownership interests.

Accordingly, the analyst should consider all generally accepted business valuation approaches when valuing FLP and FLLC entities. The implementation of these business valuation approaches is discussed next.

Asset-Based Approach

The asset-based approach is a frequently applied approach when estimating the value of FLP/FLLC ownership interests. Despite this, the analyst may nonetheless exercise discretion when selecting an approach in the valuation of FLP and FLLC interests; the analyst should not universally apply the asset-based approach in all situations involving FLP and FLLC interests.

The asset accumulation method is one method of the asset-based business valuation approach. In the asset accumulation method, assets and liabilities are adjusted to their fair market values. The fair market value of liabilities is then subtracted from the fair market value of assets to arrive at an indicated value for the FLP or FLLC.

The analyst may apply various property valuation approaches and methods to estimate the fair market value of the underlying assets. Estimating the fair market values of assets and liabilities can consist of obtaining readily available market values, performing separate valuation analyses (including income approach and market approach methods), and/or relying on the opinions of other professionals with expertise in such areas including, but not limited to art, real estate, and oil and gas interests.

It is important to note that the value indicated by applying the asset-based approach is often concluded on a controlling, marketable ownership interest level of value basis. That is because the fundamental assumptions of the asset-based approach presume control and ease of marketability.

Specifically, the asset-based approach indicates a value of the FLP or the FLLC by estimating fair market value as if the investment assets were sold. In order to actually realize the implied value of this assumption, the owner of the FLP or FLLC subject interest would need to:

1. have control of the subject entity to execute such a decision and
2. have access to markets that would purchase the underlying assets at the fair market value.

Since FLP and FLLC ownership interests frequently do not enjoy control of the entity, and since both FLP and FLLC ownership interests are typically closely held with no active market, where applicable, adjustments should be made to develop the fair market value of the FLP or FLLC ownership interest on a noncontrolling, nonmarketable level of value basis.

Income Approach

As it relates to FLP and FLLC ownership interests, the income approach, and specifically the discounted distribution method, can provide support in estimating an appropriate discount from net asset value for FLP and FLLC noncontrolling, nonmarketable ownership interests.

The application of the income approach discounted distribution method to provide support for appropriate discounts from the asset-based approach is presented in a later section of this discussion.

Market Approach

The market approach can also be considered when valuing FLP or FLLC ownership interests. The market approach involves the analysis of comparable ownership interests trading in an open market, in order to estimate the value of the FLP or FLLC subject interest.

Often, the analyst may be unable to apply the market approach because of the lack of guideline company data relevant to the FLP or FLLC subject to analysis.

More specifically, the analyst may be unable to apply the guideline publicly traded company method of the market approach. This is because, in many cases, there may not be any publicly traded companies that are reasonably comparable to the subject FLP or FLLC.

Similarly, the analyst may be unable to apply the guideline merged and acquired company method of the market approach. This is because, in many cases, there may be a lack of transaction data of merged and acquired entities that are reasonably comparable to the subject FLP or FLLC.

The analyst's decision to not apply a market approach in the valuation of the FLP or FLLC ownership interest can be a subject of question. Those who advocate for applying the market approach often state that the public markets include several entities (e.g., open-end mutual funds, closed-end mutual funds, publicly traded investment companies, publicly registered limited partnerships) that are in a primary business similar to that of the subject FLP or FLLC.

Perhaps the most significant fundamental difference between these publicly traded entities and a closely held FLP or FLLC is the difference in the marketability of the entities' ownership interests.

Thus, even in the situation where the analyst is able to identify entities that are sufficiently similar to the subject FLP or FLLC to be used in the guideline publicly traded company method, the analyst is still faced with the need to adjust, typically by applying a discount, the indicated value of the FLP or FLLC ownership interest.

Estimating and Applying Valuation Discounts for FLP or FLLC Interests

In addition to applying generally accepted valuation approaches, in many situations involving FLPs and FLLCs, a discount (or a series of discounts)is warranted. Discounts applied to FLPs and FLLCs arise from the attributes of these entities that decrease (or adversely affect) the desirability of these ownership interests as investments.

Most broadly, discounts applied to ownership interests in FLPs and FLLCs reflect a lack of (1) ownership control and (2) marketability.

Consolidation of control is often in line with the objectives of the FLPs and FLLCs. It is common in FLPs and FLLCs for certain family members to maintain control of the entity.

In many situations, an older generation—frequently the parent generation—has accumulated wealth and wants to ensure that wealth is preserved and effectively managed for subsequent generations.

The older generation may have technical experience investing in, managing, and preserving FLP/FLLC assets.

Lastly, the older generation may want to ensure that family wealth is responsibly preserved for subsequent generations and not squandered by the younger, less experienced generation.

Discounts for lack of control often arise from the frequent structure of FLPs and FLLCs, where one ownership interest enjoys control of the entity and thereby determines:

1. the business strategy,
2. the level of distributions, and
3. the bylaws of the entity.

A noncontrolling ownership interest in the FLP or FLLC is inherently less desirable to potential investors, as investing in such an interest means forgoing control in the investment.

In some situations (specifically when the underlying assets are predominantly marketable securities), an investor could hypothetically invest in or recreate the asset holdings of an FLP or FLLC and operate the identical portfolio while enjoying control. This consideration would, therefore, imply that a noncontrolling interest in a portfolio of assets would require a discount compared to an interest in an identical portfolio of assets where control is retained.

Discounts for lack of marketability generally are affected by the level of distributions the entity pays out, the expected holding period of the interest, and the underlying risk inherent in the specific FLP/FLLC entity. FLPs and FLLCs, like any entity, have unique attributes that color the consideration of the discount for lack of marketability.

Specifically, FLP/FLLC ownership interests are typically privately held and tightly controlled by one or multiple family members, as previously mentioned. Such characteristics make interests in FLPs and FLLCs less marketable, as the attributes increase the uncertainty of distributions, increase the level of company-specific risk, and increase the uncertainty surrounding the ability to sell or transfer the interest in an FLP/FLLC.

When applying valuation discounts for FLP and FLLC ownership interests, it is important that the analyst consider the nuances and specifics of the subject interest. In other words, valuation discounts should be applied on an individual basis, based on the unique facts of the subject interest.

Similarly, when estimating the appropriate discount, the data and research used to arrive at a conclusion should also be tailored to reflect the nuances of the subject interest. Applying valuation discounts for FLPs and FLLCs is discussed later in this discussion.

Most of the evidence that analysts rely on to estimate the discount for lack of control and the discount for lack of marketability is based, at least in part, on the analysis of transactions of publicly traded common equity securities. The discount from net asset value for lack of control and the discount from net asset value for lack of marketability can be separately estimated by relying on empirical studies.

Data for privately negotiated limited partnership interest transactions can also be analyzed. The transaction price discount, if any, from the partnership's net asset value, would inherently reflect aspects of both the lack of control and the lack of marketability.

When the analyst is estimating the value of a noncontrolling ownership interest in an FLP or FLLC by applying the asset accumulation method, the analyst may quantify appropriate valuation adjustments.

A noncontrolling ownership interest in an FLP or FLLC is typically subject to transferability restrictions and to other limitations that are not reflected in the market value of the underlying assets owned by the entity.

Some of these ownership interest restrictions and limitations may include the following:

- The inability to influence, in any way, the management and operations of the entity
- Lack of control over dividends/distributions
- The inability to realize the asset values of the entity until a sale or liquidation
- Restrictions on the sale or transfer of equity interests

Discount for Lack of Control

The difference in price that an investor will pay for a controlling ownership interest in a limited entity compared to an otherwise noncontrolling ownership interest in the same limited entity may be considerable. This difference in price is often referred to as the discount for lack of control ("DLOC").

The DLOC measures the difference in price between:

1. a controlling ownership interest and
2. an otherwise comparable noncontrolling ownership interest.

DLOC Factors

One of the important variables affecting value is the degree of control rights, if any, inherent in the inter-

est being valued. The value associated with ownership control depends on the ability to exercise any or all of a variety of rights typically associated with ownership control.

As a result, the value of a noncontrolling interest is not necessarily equivalent to the pro rata percent of the value of the entire enterprise or the underlying adjusted net asset value.

By definition, the holder of a noncontrolling ownership interest lacks control, and has little or no voice in entity affairs. The following list provides examples of some of the prerogatives of control:

- Appoint or change management
- Determine management compensation and perquisites
- Set operational and strategic policy and change the course of business
- Acquire, lease, or liquidate assets
- Borrow funds on behalf of the entity
- Select people with whom to do business and award contracts
- Negotiate and consummate mergers and acquisitions
- Liquidate, dissolve, sell out, or recapitalize, the company
- Declare and pay distributions
- Block any or all of the above actions

A willing buyer contemplating the purchase of a noncontrolling ownership interest from a willing seller would consider the disadvantages arising from a lack of control. Therefore, regardless of the controlling ownership interest value of a company, one would not expect a willing buyer to purchase a noncontrolling ownership interest except at a price discount from its pro rata share of the controlling ownership interest value of an entity.

Theory and Rationale for DLOC Adjustments in Limited Entities

The DLOC adjustment is often quantified using pricing of publicly traded—or thinly traded—securities. Market data that are typically applied to support a DLOC are as follows:

1. Price to net asset value data derived from shares of publicly traded closed-end mutual funds
2. Acquisition price premium data derived from transactions involving publicly traded common stock
3. Price to net asset value data derived from units of publicly registered limited partnerships traded on the secondary over-the-counter deal market

Closed-End Mutual Fund Data

Publicly traded closed-end mutual fund pricing data can be used as support for estimating a DLOC for a noncontrolling ownership interest in an FLP or FLLC.

Much like a closed-end mutual fund, where a shareholder's return is dependent upon the fund manager's success in managing the fund portfolio, the return on investment to an owner of a noncontrolling interest in an FLP or FLLC is dependent upon the success of the general partner or manager in managing the entity's portfolio.

It is noteworthy that publicly traded closed-end funds are similar to FLPs and FLLCs in many respects. In each case, the noncontrolling shareholder, limited partner, or noncontrolling member is:

1. in no position to influence the management of the portfolio and
2. bound by the terms of the prospectus, the partnership agreement, or the operating agreement, as the case may be.

This lack of control over the assets of the (1) the fund, (2) the partnership, or (3) the LLC provides a reasonable explanation as to why close-end fund shares, limited partnership interests, or LLC interests, often trade at a price discount to their net asset value.

However, publicly traded closed-end funds and FLP or FLLC ownership interests differ in a number of ways. For example, most publicly traded closed-end funds have a well-defined investment strategy and philosophy. A prospective buyer of closed-end fund shares can read the prospectus and understand how the fund's assets will be invested.

In contrast, most FLPs and FLLCs give a broad range of investment authority to the general partner or manager, as the case may be. As a result, the general partner or manager is usually able to invest in different asset classes (e.g., equities, bonds, real estate, and private investments) and change the composition of the investment portfolio at any time.

This difference suggests that there should be a greater DLOC for FLP or FLLC ownership interest than for ownership interests of publicly traded closed-end funds.

The price to net asset value discount derived by these funds can vary quite a bit depending on the following:

> **"The consensus of analysts, judicial decisions, and empirical studies is that an investment is worth more if it is readily marketable and conversely, worth less if it is not readily marketable."**

1. The type of closed-end fund
2. Market conditions

For example, the price to net asset value discount can range, on average, from 1 percent to 2 percent on the low end of the range to 30 percent to 35 percent on the high end of the range. The valuation analyst has discretion as to which closed-end funds to select for the analysis of the FLP or FLLC subject ownership interest, and this discretion has an impact on the DLOC that is ultimately applied in the analysis.

Noncontrolling limited partnership or LLC ownership interests are typically valued at a discount relative to the value of the entire enterprise.

The noncontrolling limited partner or member lacks the unilateral ability to dissolve the partnership or limited liability company and to obtain either an undivided interest in the entire assemblage of assets or a partitioned, marketable ownership interest representing his/her pro rata percentage of the value of the entire entity.

Acquisition Price Premium Data

Some of the objective evidence of the appropriate DLOC is the study of cash tender offers. By looking at price premiums offered during a tender for control of a company with publicly held shares, the analyst can approximate the pro rata value difference between controlling and noncontrolling shares.

Control price premiums vary widely, with the high end of the range being a price premium of over 100 percent and the low end of the range being a price discount—both ends of the range clearly indicating special factors involved. It is noteworthy that a price premium for ownership control of 25 percent to 40 percent is equivalent to a value DLOC of approximately 20 percent to 29 percent.[2]

While useful in providing guidance in the selection of a DLOC, it is important for valuation analysts to consider whether price premiums reported in empirical data contain considerations for synergistic value. All things considered, the presence of synergistic value would result in relatively larger price premiums, and thus, larger implied DLOCs.

Publicly Registered Limited Partnership Data

Data on publicly registered limited partnership interest transactions suggest that these interests typically sell at a discount from their pro rata portion of net asset value due primarily to lack of control, and secondarily, lack of marketability.

A limited partner has virtually no liquidity or influence over the economic aspects of a partnership. Therefore, it is not surprising that empirical evidence of limited partner interest transactions typically result in price discounts from adjusted net asset values.

It is important for the analyst to keep in mind that the data derived from trades in the over-the-counter secondary market for these limited partnership interests probably include both (1) lack of control factors, and due to the thinly traded nature of the secondary markets in registered limited partnership interests, (2) factors related to a lack of marketability.

Discount for Lack of Marketability

After quantifying a DLOC to apply to a noncontrolling interest in an FLP/FLLC, the analyst is still faced with the additional procedure of quantifying a discount for lack of marketability ("DLOM") for the noncontrolling ownership interest.

The consensus of analysts, judicial decisions, and empirical studies is that an investment is worth more if it is readily marketable and conversely, worth less if it is not readily marketable.

The difference in the price an investor will pay for a liquid asset compared to an otherwise comparable illiquid asset can be substantial, and it is often referred to as the "DLOM."

Analysts typically rely on two types of models to quantify the appropriate DLOM:

1. Empirical models
2. Theoretical models

Generally, empirical models apply analyses that are based on empirical capital market transaction observations—rather than on theoretical economic principles. In contrast, theoretical models do not rely on actual capital market pricing evidence, but are based on fundamental microeconomic relationships.

There are two categories of empirical studies that are often considered to quantify the DLOM noncontrolling ownership interests in closely held companies:

1. Studies of price discounts on sales of restricted shares of publicly traded companies (the "restricted stock studies")

2. Studies of price discounts on private stock sale transactions prior to an initial public offering (the "pre-IPO studies")

Based on the unique attributes of the noncontrolling ownership interest in the FLP/FLLC subject to valuation, there are times when one type of study is more relevant than another type of study. This is due to the fact that there are varying degrees of marketability, which depend on the circumstances inherent in each valuation analysis. In other words, marketability and lack of marketability are relative (and not absolute) terms.

Generally, it is important for the analyst to have a thorough understanding of how the noncontrolling ownership interest in the FLP/FLLC subject to the valuation analysis compares to the interests analyzed in the various empirical DLOM studies.

For example, if the ownership interest in the FLP/FLLC subject to the valuation analysis has an expected holding period of two years or less, then it may be more meaningful to place more emphasis on the results from the restricted stock studies than the results from the pre-IPO studies.

In contrast, if a public market or liquidity event is not expected to occur for many years, then the results form the pre-IPO studies may be more meaningful to the analysis.

The selected DLOM may ultimately be based on FLP-specific and FLLC-specific factors such as the following:

- Interim distributions or dividend payments (returns received on an investment prior to a return of the investment)
- Subject entity risk (various cost and volatility factors that increase or reduce the certainty of positive or negative events influencing returns)
- Expected holding period for the subject interest (time horizon factors that influence the length of time until a liquidity event)

Income Approach—Discounted Distribution Method

In addition to the empirical studies and market-based evidence mentioned above, the income approach, and specifically, the discounted distribution method ("DDM"), may provide support in estimating an appropriate discount (if any) for noncontrolling, nonmarketable ownership interests in FLPs and FLLCs.

One indication of the value of the asset is the present value of the asset's expected returns. Based on this principle, the analyst may value a noncontrolling ownership interest in an FLP or FLLC by estimating the present value of the expected total returns related to the ownership interest. These returns can come in the form of annual income distributions, or can also come in the form of capital distributions from the sale or distribution of partnership or company assets.

A case can be made that the further removed a particular ownership interest is from controlling the FLP or FLLC (e.g., a limited partnership or noncontrolling membership interest), the more important income distributions are to the noncontrolling interest holder.

In other words, if a limited partner or noncontrolling member is unable to control the timing of asset sales, the distribution of asset sale proceeds, and the termination and liquidation of the FLP or FLLC, the limited partner or noncontrolling member, as the case may be, will depend exclusively on income distributions as a means of its return.

Principle Procedures in the Discounted Distribution Method

Essentially, there are four procedures in the DDM.

The first DDM procedure is to develop financial projections for the subject entity. This procedure considers the entity's current investment portfolio and how that portfolio may change over time. If the entity's current investment portfolio allocation is different than its expected long-term investment portfolio allocation, then the analyst can reallocate the projected investment portfolio allocation in accordance with the long-term expectations.

Based on the current and/or projected allocation of the entity investment portfolio, the analyst is able to project the income and the capital appreciation for each segment of the investment portfolio.

When estimating the projected net economic income of the entity, the analyst should subtract any operating expenses (e.g., legal, accounting, administrative) for the entity from the total income.

The second DDM procedure is to develop a distribution payout schedule. This procedure may involve a thorough review of the entity's partnership or operating agreement to understand if, when, and how distributions will be paid by the entity. It is typical for the analyst to consult with entity management and/or legal counsel at this stage of the analysis.

The third DDM procedure is to estimate the terminal value of the entity investment portfolio.

Often, there is uncertainty regarding the expected holding period of the investment. The analyst may project a discrete terminal value of the entity investment portfolio for several different expected holding periods.

The fourth DDM procedure is to estimate the appropriate present value discount rate to apply in estimating the present value of the entity distributions and terminal value. It is important that the selected present value discount rate reflects all of the risks inherent in owning a noncontrolling, nonmarketable level of value ownership interest in the subject FLP or FLLC.

Generally, it is not appropriate to apply the estimated annual return of the FLP or FLLC investment portfolio as the present value discount rate. The selected present value discount rate should reflect the risk for the lack of control and the lack of marketability inherent in a limited partnership or LLC membership interest.

The analyst may consider various market data to support an estimated annual return for a noncontrolling, nonmarketable level of value ownership interest. These data may include the following:

1. Rates of return on publicly registered, thinly traded limited partnership interests
2. Expected rates of return on illiquid private equity investments
3. Historical and expected rates of return on micro-cap common equity investments

The sum of the present value of (1) the entity projected distributions and (2) the entity projected terminal value indicates the fair market value of the entity equity on a noncontrolling, nonmarketable ownership interest level of value basis. Thus, there is no need for the analyst to apply a DLOC or DLOM to the value conclusion.

The fair market value of the entity that was estimated by applying the DDM may be compared to the undiscounted net asset value of the entity to compute the total discount that is implied by the DDM. It is noteworthy that this implied discount is a combined DLOC and DLOM. This combined discount can be used as support for the selected DLOC and DLOM.

Summary and Conclusion

FLPs and FLLCs are often formed and used by families for asset protection purposes, wealth transfer purposes, and wealth consolidation purposes. FLPs and FLLCs are typically comprised of the investment assets that a family has accumulated.

Analysts are often retained to estimate the value of a noncontrolling ownership interest in an FLP or an FLLC. The asset-based business valuation approach is often applied in these valuation analyses, and the income approach, and specifically the DDM, can be used for support of an appropriate discount to apply to the noncontrolling, nonmarketable level of value interest in the FLP or FLLC.

Further, analysts typically rely on empirical studies that are based on empirical capital market transaction or pricing observations to estimate the appropriate DLOC and DLOM to apply to noncontrolling, nonmarketable level of value interests in FLPs and FLLCs.

Market data relied on to support an appropriate DLOC may include the following:

1. Closed-end mutual fund data
2. Acquisition price premium data
3. Publicly registered limited partnership data

Market data relied on to support an appropriate DLOM may include the following:

1. Restricted shares of publicly traded companies
2. Private stock sale transactions prior to an initial public offering

Analysts typically consider the unique facts and circumstances of the specific FLP or FLLC subject ownership interest when estimating the appropriate valuation adjustments that may apply.

Notes:

1. Bruce A. Johnson, Spencer J. Jeffries, and James R. Park, *Comprehensive Guide for the Valuation of Family Limited Partnerships*, 4th ed. (Argyle, TX: Partnership Profiles, 2017), vi.
2. Price discount is calculated as 1 – [1/(1+price premium)].

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