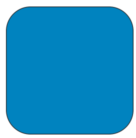

DIFFERENCES BETWEEN BUSINESS VALUATIONS, UNIT VALUATIONS, AND SUMMATION VALUATIONS IN THE CONSTRUCTION INDUSTRY: PART I

Analysts should understand that there are different — but generally accepted — valuation approaches and methods that apply in business valuations, unit valuations, and summation valuations.

ROBERT F. REILLY

For ad valorem taxation purposes, the industrial property of many larger construction companies is assessed — and taxed — based on the unit valuation principle. That is, all the construction company property is valued collectively as a single going-concern unit. However, the industrial property of many smaller construction companies is assessed — and taxed — based on the summation valuation principle. That is, all the construction company property is valued individually, and the separate property values are summed. Many construction company owners and executives work with valuation analysts (analysts) and with tax counsel n the property tax compliance, appeal, or litigation process.

Many property tax assessment authorities — and construction company property owners and tax counsel — do not always understand the differences between business enterprise valuations, unit principle valuations, and summation principle valuations within the context of an industrial or commercial property

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assessment. In fact, even some analysts do not understand the differences between these three types of analyses as they apply to the valuation of industrial or commercial property. The differences between these three types of valuation analyses are both conceptual and practical. There are similar but subtly different generally accepted valuation approaches and methods within each of these three different types of valuation analyses. However, and more importantly, these three different types of valuations analyze fundamentally different bundles of ownership interests.

Business valuations value the construction company's debt and equity securities (and the associated security investment attributes). Accordingly, business valuation conclusions include (1) all of the construction company assets (including all working capital, tangible assets, and intangible assets) in place on the valuation date and (2) the present value of growth opportunities (or the present value of the expected net cash flow from future assets not in place on the valuation date). Unit valuations value all the construction company's operating assets (including all tangible assets and all intangible assets) in place as of the valuation date. Summation valuations value only specified bundles of construction company property (typically tangible assets only) in place as of the valuation date. Therefore, since they value different ownership interests, these three different types of analyses will quantify three different value conclusions for the same construction company property owner.

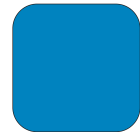
This two-part discussion describes what construction company owners and executives need to know about the analytical differences between business valuations, unit valuations, and summation valuations. These differences are particularly relevant for industrial and commercial property valuations prepared for ad valorem property tax purposes.

Valuations prepared for ad valorem property tax purposes

For property tax purposes, both construction company property owner/operators and assessment authorities have to value special purpose (i.e., construction industry) industrial property. These valuations (and assessments) are performed for property tax planning, compliance, or controversy (administrative appeal or judicial appeal) purposes.

Sometimes the industrial and commercial property is fairly simple. For purposes of this discussion, the word "simple" means that the property includes primarily (if not exclusively) real estate and tangible personal property. Examples of such simple properties may include garden apartment complexes, high-rise apartment complexes, high-rise office buildings, and strip shopping malls.

Sometimes the industrial and commercial property is fairly complex. For the purposes of this discussion, the word "complex" means that the property includes real estate, tangible personal property, intangible personal property, and elements of a going-concern business enterprise. Examples of such complex properties may include construction industry property, as well as hospitals and nursing homes, hotels and hospitality facilities, mining and extraction properties, marinas, racetracks, sports stadiums, oil and gas refineries, and chemical and other specialized processing plants.



UNIT VALUATIONS VALUE ALL THE CONSTRUCTION COMPANY'S OPERATING ASSETS (INCLUDING ALL TANGIBLE ASSETS AND ALL INTANGIBLE ASSETS) IN PLACE AS OF THE VALUATION DATE.

These types of special purpose properties typically include complex bundles of tangible assets and intangible assets. For the purposes of this discussion, "tangible assets" include both real estate and tangible personal property. For property tax and other purposes, these types of properties are often valued using the unit (sometimes also called the utility) principle of valuation.

This discussion describes both the conceptual and the practical differences between:

1. the use of the unit valuation principle to value complex (including construction industry) industrial and commercial properties and
2. the use of the summation valuation principle to value more simple industrial and commercial properties.

This discussion summarizes the procedural differences between unit principle valuation analyses and summation

principle valuation analyses. Furthermore, particularly in the property tax context, this discussion explains when and why analysts should consider each valuation principle.

Some inexperienced analysts believe that a unit valuation of a bundle of operating property is the same thing as a business (or business enterprise) valuation. This belief is simply incorrect. This discussion considers the quantitative and qualitative differences between a business valuation, a unit valuation, and a summation valuation.

SOME INEXPERIENCED ANALYSTS BELIEVE THAT A UNIT VALUATION OF A BUNDLE OF OPERATING PROPERTY IS THE SAME THING AS A BUSINESS (OR BUSINESS ENTERPRISE) VALUATION.

Finally, part two of this discussion will focus on the analytical differences between a business valuation, a unit valuation, and a summation (or simple property) valuation — particularly within a construction industry property tax context.

As this discussion explains, these analytical differences involve valuing different (but reconcilable) bundles of ownership interests. Accordingly, these analytical differences also involve reaching different (but reconcilable) value conclusions for the different subjects of each type of valuation analysis.

Summation valuation versus unit valuation

A summation principle valuation involves the separate valuation of each asset category or asset component of the industrial or commercial property. The total value of the property is the additive sum (hence the name summation) of the values of the individual asset categories. Whatever categories of assets are encompassed in the industrial or commercial property will be summed (or added in) the summation valuation.

For example, let's assume that the property is a central business district (CBD) office building. If the property subject to ad valorem taxation includes land, building, and equipment (tangible personal property), then those three categories of assets would be added in the summation valuation. If the property subject to ad valorem taxation includes land and building only, then only those two categories of assets would be added in the summation valuation. Moreover, if only buildings (and not land) are subject to ad valorem taxation in this jurisdiction, only that one category of asset would be added in the summation valuation.

So to perform a summation principle valuation, each category of taxpayer assets should be subject to separate identification and separate valuation. That is, the analyst should be able to identify each asset category and value each asset category.

The total value of the taxpayer property (for example, our CBD office building) is a sum of the parts. If the tangible personal property is not subject to ad valorem taxation in that jurisdiction, let's say, then that asset value is not included in the summation.

Of course, to perform a summation principle valuation, the analyst should have empirical data available. In our example, the analyst should be able to perform a separate cost approach analysis for the property land, building, and equipment.

Likewise, in an income approach analysis, the analyst should be able to assign a separate rental income stream to the land, building, and equipment (even if the subject taxpayer lessor does not lease each asset category separately).

Moreover, in a market approach analysis, the analyst should rely on empirical data related to the sales of land versus buildings versus tangible personal property (even if the current taxpayer owner would not sell each of the asset categories individually).

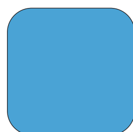
A unit principle valuation involves the collective valuation of a total bundle of operating assets. The bundle of operating assets could be located on a single parcel of land, such as an electric generation plant, a chemical processing plant, or an oil refinery. On the other hand, the bundle of operating assets could be located on numerous parcels of land, such as an interstate gas pipeline, a multistate electric transmission system, or a national railroad.

Nonetheless, in a unit principle valuation, all of the industrial or commercial taxpayer asset categories are valued

collectively, in the aggregate, as a single operating unit of assets (hence the name unit valuation).

For property tax and many other purposes, analysts perform unit principle valuations (instead of summation principle valuations) for various reasons, including the following:

1. The subject taxpayer industrial and commercial property is physically integrated; it may be physically impossible to disaggregate the total unit of assets into separate parcels or asset categories. It would certainly not be the highest and best use (HABU) of the subject property (say pipeline, gas distribution network, electric transmission lines, or railroad) to assume that the property starts and ends in one taxing jurisdiction.
2. The subject taxpayer industrial and commercial property is functionally integrated; all the asset categories operate together in a continuous flow process where the parts cannot function independently. It would certainly not be the HABU of the subject property (say oil or gas refinery or water or wastewater operation) to value each asset component without the contributory value of each other asset component.
3. The subject taxpayer industrial and commercial property is economically integrated; the taxpayer does not (and cannot) prepare separate financial statements for the different asset components of the unit. For example, a railroad, airline, or telephone company does not prepare separate financial statements for each taxing jurisdiction in which it operates.
4. The subject unit components operate collectively as a going-concern business enterprise; that is, the assets do not generate rental income exclusively (or primarily) from the use of land, buildings, and equipment only. Rather, the total unit of assets generates operating income from the sale of goods and services (and the land, buildings, and equipment is used in the production of those goods and services).



MANY TAXING JURISDICTIONS REQUIRE THE PROPERTY TAX ASSESSOR AND THE TAXPAYER TO VALUE THE RAILROAD, PIPELINE, OR OTHER UTILITY-TYPE PROPERTY BASED ON THE UNIT VALUATION PRINCIPLE FOR PROPERTY TAX PURPOSES.

5. The subject unit includes intangible property as well as tangible property; in other words, the subject unit includes intangible assets as well as tangible assets. Therefore, in addition to operating land, buildings, and equipment, the subject unit may need to operate intangible assets such as the following to generate operating business income: trademarks and trade names, proprietary technology, contracts and licenses, computer software, and a trained and assembled workforce.
6. The comparable sale data available to the analyst involve the sales of going-concern business enterprise units; that is, the analyst researches the market and finds that all the sales of comparable (to the taxpayer unit) refineries, pipelines, gas utilities, water utilities, and so forth, are, in fact, sales of going-concern business entities. These going-concern business sale transactions include bundles of working capital assets, tangible assets, and intangible assets.
7. The obsolescence analysis components of the taxpayer property cost approach valuation can only be performed on a collective (or total unit) basis; that is, the analyst cannot effectively identify and quantify obsolescence adjustments on an asset-by-asset basis. Rather, the subject taxpayer industrial or commercial property experiences functional and/or economic obsolescence on a total unit basis.
8. There are statutory, judicial precedent, or administrative ruling requirements to value the subject taxpayer property on a unit valuation basis; that is, many taxing jurisdictions require the property tax assessor and the taxpayer to value the railroad, pipeline, or other utility-type property based on the unit valuation principle for property tax purposes.

Analysts consider each of the aforementioned factors when deciding if and when it is appropriate to apply the unit valuation principle (versus the summation valuation principle) to appraise

the taxpayer industrial or commercial property.

In theory, the analyst's final taxpayer property value conclusion should be the same regardless of whether the unit valuation principle or the summation valuation principle is applied. Of course, this statement assumes that (1) each valuation principle is properly applied and (2) appropriate reconciling adjustments are made to appraise the same bundle of operating assets. However, practically speaking, data constraints often dictate which valuation principle is used. If taxpayer summation data are available, then the summation valuation principle will typically be applied. However, when only taxpayer unit valuation data are available, then the unit valuation principle will typically be applied.

Going-concern valuations

Unit principle valuations involve valuing a total bundle (sometimes called a universe) of operating assets on a going-concern basis. Inexperienced analysts sometimes confuse this going-concern premise of value with the valuation of a going-concern business enterprise. However, a going-concern premise versus a going-concern business are two fundamentally different concepts for valuation purposes.

A premise of value is a hypothetical transaction structure. Some common alternative premises of value include the following:

1. value in continued use, on a going-concern basis;
2. value in place but not in current use;
3. value in exchange, as a voluntary disposition of assets;
4. value in exchange, as a voluntary liquidation of assets; and
5. value in exchange, as an involuntary liquidation of assets.

The premise of value indicates how (i.e., under what assumed set of transactional circumstances) the sale or transfer of the subject bundle of assets will occur.

In a property tax context, the selection of a premise of value may be determined by statutory authority, judicial precedent, or administrative ruling in the subject taxing jurisdiction. For example, some jurisdictions may require that the taxable assets be valued based on a going-concern premise of value. Alternatively, other taxing jurisdictions may require that the taxable assets be valued based on a value in exchange premise of value.

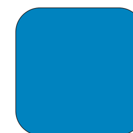
Outside of the property tax context, the selection of a premise of value is often determined based on the analyst's HABU analysis. That is, the analyst will apply the premise of value to the valuation analysis that concludes the highest indication of value for the subject bundle of operating assets.

Some analysts confuse the previously listed going-concern premise of value (also called the value in continued use premise of value) with the valuation (or the sale) of a going-concern business enterprise.

In the first instance, a specified bundle of operating assets will be sold together — as an entire unit. Most likely, that specified bundle of assets will be operated to generate some measure of income. The value in use or going-concern premise is that the specified bundle of assets (and only that specified bundle of assets) will be transferred. Still, all the assets in the bundle will be sold together, at one time. Furthermore, all the assets will be used together (by both the seller and the buyer) to generate some measure of income.

In the second instance, a going-concern business enterprise is sold. That going-concern business enterprise usually has a legal form — a partnership, a corporation, a limited liability company, and the like.

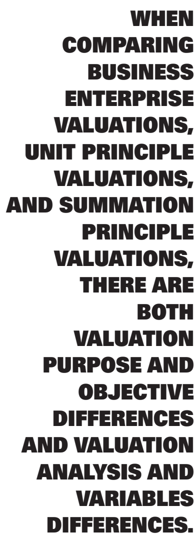
The securities of the going-concern business enterprise are sold. That is, the construction company's stock and debt instruments are sold. Typically, ownership of the business operating assets is not sold. The construction company's debt and equity securities are transferred from the seller to the buyer. The business entity itself (i.e., the taxpayer company) owns the operating assets before the corporate merger or acquisition — and the business entity itself owns the operating assets after the corporate merger or acquisition.



IN THEORY, THE ANALYST'S FINAL TAXPAYER PROPERTY VALUE CONCLUSION SHOULD BE THE SAME REGARDLESS OF WHETHER THE UNIT VALUATION PRINCIPLE OR THE SUMMATION VALUATION PRINCIPLE IS APPLIED.

For example, let's assume the existence of a business entity called the Alpha Construction Company (ACC). ACC owns land, buildings, vehicles, furniture and fixtures, and tools and equipment (and other business assets). Let's assume that the ACC business enterprise is sold from one private equity investor to another private equity investor.

The ACC still owns the same real estate and tangible personal property. The ACC operating assets did not sell at all. The stock and debt securities of the ACC did transfer from a seller to a buyer. In that transfer of a going-concern business, a bundle of ownership interests transferred. The buyers paid the sellers for more than the ACC real estate and tangible personal property — operating on a going-concern basis.



Rather, in this simple example, the buyer is paying the seller for the ownership of the ACC:
1. financial (working capital) assets;
2. owned and leased real estate;
3. owned and leased tangible personal property;
4. identifiable intangible personal property;
5. intangible value in the nature of goodwill; and
6. intangible attributes (such as income tax attributes, investment liquidity, investment diversification, investment diversability, etc.).

Therefore, value as a going concern indicates the transactional circumstances under which a specific bundle of assets will sell. The value of a going-concern business is the corporate business enterprise that owns all the entity's tangible assets and intangible assets in place — and the present value of all the entity's future business opportunities.

While the two phrases may sound similar to the inexperienced analyst, the two different types of valuations include two fundamentally different bundles of ownership interests.

Differences between business value, unit value, and summation value

When comparing business enterprise valuations, unit principle valuations, and summation principle valuations, there are both valuation purpose and objective differences and valuation analysis and variables differences.

Valuation purpose and objective differences. Typically, the subject of a business valuation is one of the following:
1. the total invested capital of the subject business;
2. the total equity structure of the subject business;
3. the total common equity of the subject business; or
4. a particular equity ownership interest in the subject business.

That is, the business valuation typically focuses on the right-hand side of the construction company's balance sheet. In other words, the business valuation focuses on the liabilities and owners' equity section of the construction company's balance sheet.

Arguably, the most common objective of a business valuation is the total invested capital (TIC) of the subject business. The TIC is also called the total capital structure of the construction company. The total capital structure typically includes all the capital components for which there is a measurable cost of capital. These capital structure components commonly include:
1. long-term interest-bearing debt;
2. preferred stock; and
3. common stock.

Considering the remaining components of the right-hand side of a balance sheet, the TIC typically excludes current liability accounts, noninterest-bearing liability accounts (i.e., nondebt instrument liabilities), and noncost equity components (e.g., noncontrolling interests).

The total equity structure would typically include all classes of the construction company's equity securities, including preferred stock and all classes of common stock.

The total common equity structure would typically include all classes of the company's common stock. Many (but not all) companies have multiple classes of common stock outstanding.

The final common business valuation subject would be a particular ownership interest in a particular class of securi-

ties. For example, the valuation subject could be a 40 percent noncontrolling ownership interest in the company's Class B nonvoting common stock. On the other hand, the valuation subject could be the company's Series A subordinated debentures that are due in January 2022.

Such business valuations are often performed for transactional purposes. That is, the valuation objective is a proposed acquisition price or a proposed merger equity exchange ratio. Of course, business valuations could also be performed for financial accounting, income taxation, gift and estate taxation, shareholder litigation, and other purposes. Still, the objective of the business valuation is to conclude a defined value for the construction company's debt and equity security instruments.

Furthermore, these debt and equity security values (and the TIC business value conclusion) are typically estimated independent from the asset structure of the construction company. That is, the business value typically concludes the capital structure value of the company without any analysis of the asset structure of the construction company.

In contrast to a business valuation, both the unit valuation and the summation valuation focus on the left-hand side, or the assets side, of the construction company balance sheet.

The unit valuation concludes the total value of the construction company operating assets based on aggregate or collective valuation analyses.

The summation valuation concludes the independent values of the construction company operating assets based on separate or individual valuation analyses. The summation valuation analysis concludes a total value of the construction company's operating assets by adding the independent values of the individual asset categories.

The unit valuation concludes the total value of all of the company's operating assets.

Therefore, the unit value will typically include the following components:

1. current (financial) asset accounts;
2. real estate and real property rights;
3. tangible personal property;
4. identifiable intangible assets;
5. intangible value in the nature of goodwill; and
6. intangible investment attributes.

By contrast, the summation value only includes the individual company asset categories that are separately appraised and added to the summation procedure. Unless other company assets and components are specifically included in the analysis, the summation value will typically include only the following assets: (1) real estate and real property rights and (2) tangible personal property.

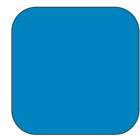
Unit principle valuations are not usually prepared for transactional purposes. Typically, the sale of a going-concern business includes several value components that are not included (or that are not supposed to be included) in the unit valuation.

For example, the going-concern business value includes the investor expectations of the present value of future income from future tangible assets and intangible assets that are not yet in place as of the valuation date. This value component is sometimes called the present value of growth opportunities (PVGO).

The unit value is supposed to include only the value of tangible assets and intangible assets that actually exist as of the valuation date. Accordingly, unit principle valuations are prepared primarily for tax purposes. In fact, the unit principle of property valuation is primarily a tax valuation concept.

In comparison, summation principle valuations are performed for a variety of purposes. While summation valuations are not typically performed for merger and acquisition transaction pricing purposes, they are performed any time the property owner wants to know the value of the construction company's individual asset accounts.

This information is often used for financial accounting and income tax accounting purposes. Moreover, this information can also be used for asset-based financing purposes, for the investor's asset contributions to the formation of a new business venture, and for the investor's asset distributions following the dissolution of a business venture.



IN CONTRAST TO A BUSINESS VALUATION, BOTH THE UNIT VALUATION AND THE SUMMATION VALUATION FOCUS ON THE LEFT-HAND SIDE, OR THE ASSETS SIDE, OF THE CONSTRUCTION COMPANY BALANCE SHEET.

EXHIBIT 1 Typical Construction Company Statement of Financial Position Prepared on a Current Valuation Basis as of January 1, 2018 (in $ millions)

ASSETS		LIABILITIES AND OWNERS' EQUITY	
Current Assets (A):		Current Liabilities (G):	
Cash	50	Accounts Payable	50
Receivables	50	Salaries Payable	20
Inventory	100	Accrued Expense	30
Total Current Assets	200	Total Current Liabilities	100
Net Plant, Property, and Equipment (B):		Long-Term Debt (H):	
Land	100	Bonds Payable	100
Buildings	200	Notes Payable	100
Machinery and Equipment	300	Mortgages Payable	200
Total Plant, Property, and Equipment	600	Total Long-Term Debt	400
Intangible Assets (C):		Other Liabilities (I):	
Patents	100	Pension Liabilities	200
Computer Software	100	Post-Retirement	
Trademarks	100	Health Obligations	100
Trade Secrets	100	Deferred Income Taxes	
Goodwill	200	— Credits	100
Total Intangible Assets	600	Total Other Liabilities	400
Other Assets (D):		Total Liabilities (J):	900
Unconsolidated Subsidiary			
Investments	200	Owners' Equity (K):	
Deferred Income Taxes —		Preferred Stock	100
Debits	200	Common Stock	1,000
Total Other Assets	400	(includes the value of	
		investment liquidity,	
Intangible Attributes (E):	200	diversification, limited	
		liability, PVGO, income	
Total Assets (F):	2,000	tax attributes, etc.)	
		Total Liabilities and Owners' Equity (L):	2,000

Furthermore, of course, summation principle valuations are appropriate in a property tax context when only certain asset categories (e.g., real estate and tangible personal property) are subject to property taxation.

Valuation analysis and variables differences. There are different generally accepted valuation approaches, methods, and procedures used in a business valuation, a unit valuation, and a summation valuation. Moreover, there are different valuation variables that are used in a business valuation, a unit valuation, and a summation valuation. Many of these differences are summarized in the next section of this discussion.

Almost all of these differences are explained by the fact that each type of valuation is intended to estimate a defined value for a different bundle of ownership interests:

1. The business value includes all the company debt and equity instruments (and their associated investment attributes).
2. The unit value includes all the company operating assets in place as of the valuation date.
3. The summation value includes only the individual asset categories specifically identified in the summation process.

Exhibit 1 presents a simplified illustration of the different ownership interests included in the different types of valuation analyses. Exhibit 1 presents the assets, liabilities, and equity accounts of a hypothetical Typical Construction Company.

EXHIBIT 2 Typical Construction Company Unit of Taxable Tangible Assets as of January 1, 2018 (in $ millions)

Total Unit Value			1,800
Less:	Working Capital Assets	200	
	Intangible Assets	600	
	Other Assets	400	
	Assets Exempt from Taxation	1,200	
Equals:	Unit of Taxable Tangible Assets		600

In Exhibit 1, all of the company accounts are assumed to be stated at a specifically defined value. That defined value could be fair value, fair market value, or any other value-based standard of value (i.e., not at historical cost). Exhibit 1 is a valuation-based balance sheet and not a balance sheet based on U.S. generally accepted accounting principles (GAAP).

In this simplified example, we assume that the analyst can value each of the construction company's tangible asset and intangible asset categories — including goodwill. That is, in this example, the $200 million goodwill value is the result of a discrete valuation analysis. It is not the mathematical residual from a transaction purchase price or an estimated business value.

In Exhibit 1, the concluded business enterprise value would be $2 billion. This value would include net working capital (A minus G) of $100 million, long-term debt (H) of $400 million, other liabilities (I) of $400 million, and total owners' equity (K) of $1.1 billion.

The common stock value would typically include such investment attributes as common stock liquidity, investors' portfolio diversification, investors' limited liability, expected appreciation in stock value, any income tax attributes related to both the company and the shares, the expectation of future merger and acquisition activity, and PVGO related to expected future assets.

On a GAAP-based balance sheet, the previously listed investment attributes included in the common stock value are included in the goodwill account. This is because, under U.S. GAAP, goodwill is measured as the residual of the purchase price (or the business value) less the identifiable tangible and intangible assets.

In this example, the analyst independently valued goodwill at $200 million. Therefore, the residual amount is recorded in an account called intangible attributes (E).

Such a valuation-based account would not be recorded on a GAAP-based balance sheet. Rather, for GAAP accounting purposes, the Typical Construction Company residual goodwill amount would be $400 million.

In Exhibit 1, the concluded unit value would be $1.8 billion. This $1.8 billion unit value would include the following asset categories: current assets (A) of $200 million; plant, property, and equipment (B) of $600 million; intangible assets (C) of $600 million; and other assets (D) of $400 million.

While the total unit value may be $1.8 billion, this value may include asset categories that are not subject to property tax in the subject jurisdiction. For example, if working capital accounts, intangible assets, and other (nontangible) assets are not subject to property tax, then the taxable unit value would be adjusted as presented in Exhibit 2.

In any event, the intangible attributes component of the total business value would typically not be included in the unit value conclusion. This statement is true for two reasons. First, the intangible attributes category does not represent assets of any kind. Intangible attributes are not assets at all. They are investment features. Second, intangible attributes do not relate to assets that exist as of the valuation date. To the extent that some part of the intangible attributes category can be associated

EXHIBIT 3 Typical Construction Company Relationship of Business Value, Unit Value, and Summation Value

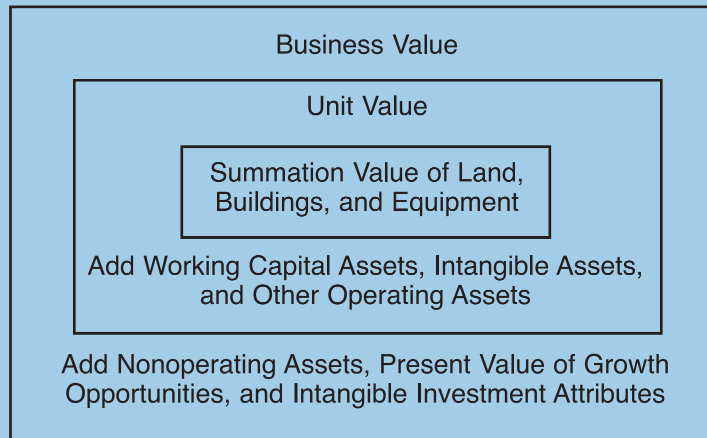
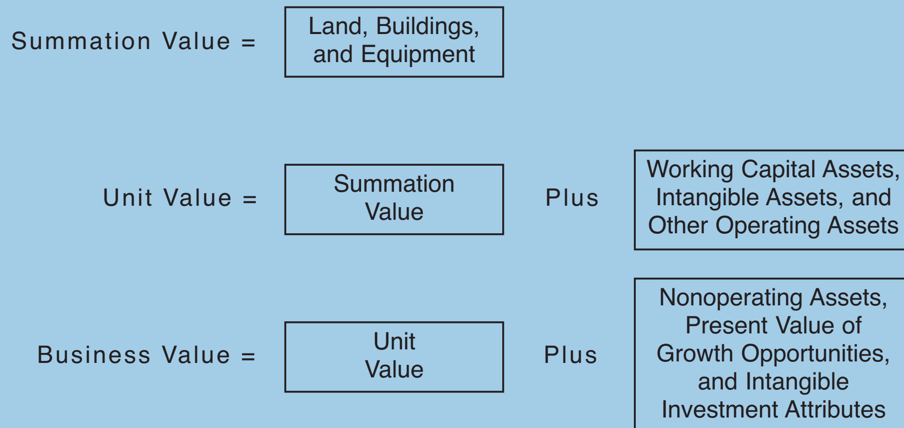


EXHIBIT 4 Typical Construction Company Relationship of Various Ownership Interests in Business Value, Unit Value, and Summation Value



with any assets, they would be the investors' expectations of tangible assets or intangible assets that the subject company may own or operate in the future.

Finally, in Exhibit 1, the concluded summation value would be $600 million. This conclusion is reached when the analyst includes all real estate and tangible personal property in the summation valuation.

Accordingly, the summation principle valuation includes the value of all of (and only) the Typical Construction Company tangible assets in place as of the valuation date. This Exhibit 1 summation principle $600 million taxable tangible asset value conclusion agrees with the unit valuation principle $600 million unit of taxable tangible assets concluded in Exhibit 2.

Exhibit 3 illustrates the relationship between the hypothetical Typical Construction Company business value, unit value, and summation value and the different bundles of assets included in each value indication.

Exhibit 4 illustrates the relationship of the various ownership interests in the

hypothetical Typical Construction Company business value, unit value, and summation value and how each value indication includes a different bundle of ownership interests.

Although the differences are subtle, it is important to distinguish between the business valuation, unit valuation, and summation valuation and the ownership interests each value type takes into account.

Part two of this article will summarize the analytical differences between business valuations, unit valuations, and summation valuations. ■