



Brothers in Arms

A few comments for our valuation review brethren out there – first off, I understand you. You have a stack of 50 reports you need to review, you are being torn to pieces by your documentation requirements, yet are pushed to the brink by the audit partners trying to keep their clients and respond to their fee and timing sensitivities. With that said, let's agree on some ground rules. Please understand – we (I mean you, and I) are on the same team. We're both sort of outcasts, fringe specialists who get no love. We are both trying to make sense out of what seems to be an eternally moving target, and sound sensible to our clients in the face of what can be relative uncertainty. With that said, my promise to you:

1. I promise to turn your comments quickly.
2. I promise be respectful in my responses, and to listen intently to your observations and critiques of my work. After all, a significant amount of improvements to my work products have come from constructive valuation reviews.
3. I promise to defend you to the client. I know you have to be thorough in your review and that, to that end, your scrutiny is to a certain extent what keeps us in the fair value business.
4. I promise to never pull out conflicting feedback that I have gotten on similar issues from your colleagues at the same firm. It happens more often that you'd think.

In return, I ask the following:

1. Make the comments you do have constructive, and material to the conclusion of the report. If there is a grammatical error in the report or an incorrect ratio calculation in the historical analysis three years ago – does that fact change the outcome? Or does it just make us look bad?
2. To point #1, don't throw us under the bus. We understand the client is upset because the audit has taken 3 months longer than planned and is going to cost 2x the budget. We understand you have been a bottleneck because they refuse to hire more reviewers. We also understand it's not your fault. We explain that to the client. But if you start trying to pass the blame on us, then you start harming our relationship with our client. Then it becomes personal. Let's not go there.
3. We're a small firm. Don't confuse small business with incompetence. I am a former bulge bracket investment banker, and I paid my valuation dues and got my CFA and ASA. I've been through heaps of training. I've completed over a hundred fair value engagements. Just because you're at a big four firm doesn't make you more qualified or more knowledgeable. When we're discussing esoteric valuation theory, let's keep it constructive. These can be the best conversations we have – or, if you start implying I'm incompetent, the worst.

So there it is. I think if we all heed these guidelines we'll get through this push to fair value just fine, and more importantly, we'll honor the code of our craft.

