

## SMARTER PERSPECTIVE: ENTERPRISE VALUATION

# Understanding Forensic Valuation: Its Significance and Practical Application

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This article addresses the critical role of forensic valuation professionals in providing highly accurate and timely third party valuations, assessments of previous valuations, and other expert opinions and perspective pertaining to a variety of disputed matters.

### INTRODUCTION

Forensic valuation services play a pivotal role when the determination of a business's worth, the value of stock, or the assessment of intangible assets, like patents or trademarks, becomes a matter of contention. This specialized field employs the expertise of valuation professionals who are called upon by clients, including attorneys and other professionals, to provide forensic valuation services. The resulting forensic valuation reports reflect the application of best practices, including comprehensive procedures and analytical methods, presented using terminology specifically tailored for use in litigation, arbitration, mediation and resolution of disputed matters.

### WHEN A FORENSIC VALUATION PRACTITIONER SHOULD BE ENGAGED

Forensic valuation practitioners are engaged under various scenarios.



Valuation-related disputes commonly arise within the context of transactions often encompass purchase price disputes, tax controversies, bankruptcy and solvency analyses dealing with potentially fraudulent transfers, and marital disputes.

Such situations frequently involve the need for multiple valuations for a single disputed matter. In such cases, forensic valuation practitioners may be tasked with the review of valuations conducted during the general time of the events that led to the dispute, known as "contemporaneous valuations." Practitioners may also be called upon to assess and comment on valuations performed by other experts

within the same disputed matter. In certain instances, practitioners are tasked to assist counsel in drafting questions regarding the work of other valuation experts, for use in depositions or testimony.

Forensic valuation analysis, particularly when dealing with past events, can pose unique challenges. This might involve utilizing information available at the time of the valuation date, accounting for multiple measurement dates, reconciling differing data provided by various fact witnesses or other experts, managing conflicting data and terminology, and navigating the complexities of legal discovery and strategies.

## THE CRITICAL ROLES OF A FORENSIC VALUATION PRACTITIONER

Practitioners may serve as consultants, expert witnesses, or both. In many cases, they are initially engaged as consultants and later designated as expert witnesses. While attorneys often take the lead in retaining forensic professionals, many other parties might also engage these experts. In each case, the American Institute of Certified Public Accountants (AICPA) requires that a forensic valuation practitioner establish the manner in which it is retained and the subject nature of the matter involved, including the specialized area for analysis.

A forensic valuation engagement typically involves the gathering and presentation of relevant data and opinions. This information is critical in assisting clients or attorneys to reach a conclusion on the merits of the valuations under scrutiny. Forensic valuation practitioners aim to identify the valuation methods used and pinpoint the extent of any differences between different valuation opinions, whether produced contemporaneously or at a later time due to the ongoing dispute.

This process involves forming a general opinion on previous or opposing valuations and assessing the factual basis of known differences in values. It is important to note that each valuation analysis is a distinctly unique endeavor, and not all valuation methods are suitable under all circumstances.

### CONDITIONS ENABLING A FORENSIC VALUATION PRACTITIONER TO SERVE AS AN EXPERT WITNESS

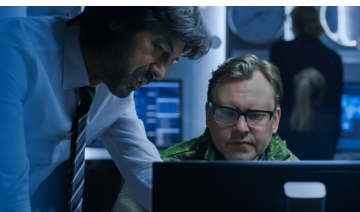
In some cases, a forensic valuation practitioner may be asked to serve as an expert witness in a court proceeding. To qualify for this role, the practitioner must possess specialized valuation skills, substantial knowledge, education, experience, and training. Expert witness qualifications are often associated with credentials like the Accredited in

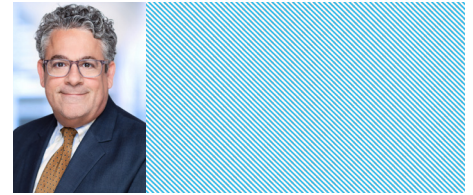


Business Valuation (ABV), Accredited Senior Appraiser (ASA), Certified Valuation Analyst (CVA), and Chartered Financial Analyst (CFA) designations. These credentials serve as evidence of a practitioner's proficiency in the field and their ability to provide expert testimony in forensic valuation matters.

Once designated as an expert witness in a court proceeding, a forensic valuation practitioner's reputation, published work, prior testimony, and opinions

are subject to intense scrutiny by opposing counsel. Because this scrutiny aims to challenge their qualifications or potentially discredit their expert testimony, the practitioner must be beyond reproach. It is also crucial for forensic valuation practitioners to maintain an unbiased, fact-finding stance, emphasizing their role as neutral contributors to the court's understanding rather than advocates for any particular party.





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Jordan is Past-President for the American Society of Appraiser's Chicago Chapter, having served on the Board of Directors from 2011-2016. He has advised multinational, multi-billion dollar corporations, middle-market companies, and closely held businesses on a variety of issues including financial and tax reporting, bankruptcy, recovery, compensation, restructuring and turnaround, and litigation. His experience includes managing complex financial advisory engagements across a variety of industries.

Jordan is an Accredited Senior Appraiser (ASA from American Society of Appraisers), a Certified Public Accountant (CPA) with Accredited in Business Valuation designation (ABV) and holds his Certified in Financial Forensics credential (CFF) from AICPA. He has served as Executive Treasurer for MGBSA, the Morton Grove, IL community-based little league organization for baseball and softball since 2016. Contact Jordan at [jdonsky@hilcoglobal.com](mailto:jdonsky@hilcoglobal.com) or 847.504.3284.

**THE IMPORTANCE OF  
SELECTING A QUALIFIED  
FORENSIC VALUATION PARTNER**

The proper application of forensic valuation practices is critical to accurately determining a business's worth, the value of its stock, or securing a highly accurate assessment of its patents, trademarks and other intangible assets. By carefully vetting potential partner candidates to identify those who are most highly qualified and capable of performing the specific services required within the parameters of the engagement, attorneys and others who are tasked with engaging forensic valuation experts can best ensure that their and their clients' interests will be well served moving forward.

**ABOUT HILCO ENTERPRISE  
VALUATION SERVICES**

The Hilco Forensic Valuations Team is a part of Hilco Enterprise Valuation Services (EVS), a leading provider of valuation opinions for lenders, investment

firms, advisors and corporations on the realizable value of going concerns, distressed companies, intangible assets and other specialized business assets. Our Forensic Valuations Team is comprised of professionals who have served clients in delivering highly accurate valuation assessments across a wide range of businesses. The team possesses credentials including ABV, ASA, CVA, and CFA designations and extensive expertise in data collection, analysis, and reconciliation. Unlike many firms, our partners and senior management team members are actively involved in each engagement and are accessible to clients at every step along the forensic valuations journey.

We encourage you to reach out to our team today to discuss how our forensic valuations experts and tailored solutions can assist your or a client's business in analyzing and addressing a wide range of complex financial disputes, tax controversies and other matters. We are here to help.