



DEFERRED COMPENSATION DISPUTE – HOW ONE PHRASE EQUALED AN \$8M VALUE SWING

The Situation

Sometimes, million-dollar disputes start with a single sentence.

We were brought in as a neutral evaluator after two sides hit an impasse over a deferred compensation agreement. The contract looked thorough; it even required that the appraiser hold specific credentials (CFA, ABV, CPA), but it all hinged on one small phrase:

“10% fair market value on a consolidated enterprise basis.”

Each side interpreted it differently. One believed it meant equity value. The other believed it meant enterprise value. That difference amounted to more than \$8 million.

When words leave room for interpretation, you’re not just inviting debate, you’re inviting risk. Our role as an independent third party is to bring clarity to that gray area. Think of us as the valuation equivalent of a home appraiser for a business, when money’s on the line, both sides need someone neutral, credentialed, and credible to call it as it is.

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Our Approach

We dug into the contract line by line, focusing not just on what was written, but what was missing.

- **No definitions:** Key terms like “consolidated enterprise basis” weren’t defined.
- **No examples:** A simple calculation could have clarified the intended approach.
- **No plain-English clarification:** A short phrase like “for the avoidance of doubt, this refers to enterprise value” would have eliminated confusion.

After considering both professional standards and context, we concluded that the correct interpretation was enterprise value. Anything else would have contradicted the clause's structure and industry norms.

The Outcome

Our conclusion helped settle the dispute, but not before both sides spent months of time and legal fees untangling something that could have been prevented. Thirty minutes of consultation with a valuation expert during the drafting stage would have cost a few hundred dollars. The ambiguity cost millions.

The Lesson

Contracts are written in words, but resolved in numbers. Both must align. If your agreement references valuation, involve a qualified appraiser early. Define your terms, add an example, and write in plain English. A little clarity upfront can prevent a very expensive misunderstanding later.

