

Enhancing the value of fairness opinions: Limiting risk in the post-enron era

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Author: M. O'Neill, Pamela

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The NASD and the SEC are looking into methods, fees, conflicts of interest, and other issues related to fairness opinions. The fairness opinion process as currently practiced is likely to be deemed inadequate, and as such will offer less protection to boards of directors. To protect the role of the fairness opinion process as a risk-mitigating tool, the board must change its perceptions and expectations. The board must insist that the financial advisor help it gain a thorough understanding of all the valuation issues that impact a transaction - including, for example, the appropriateness of the valuation methodologies and assumptions employed and the strategic implications of the acquisition or divestiture.

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