



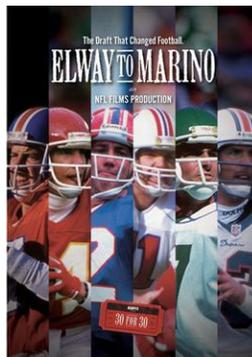
Investing To Win: How the NFL Draft Demonstrates the Value of Experts When Winning Is Paramount

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Tony Wayne
President
IronHorse LLC



Last night while doing a little channel surfing, I stumbled on to ESPN's 30 for 30, *Elway to Marino* documentary:



Admittedly, I love that program and have yet to see any episode that hasn't riveted my interest. Yesterday, the KC Chiefs made their biggest off-season move in a series of moves to overhaul their defense, picking up Frank Clark from Seattle in exchange for their #1 pick in the draft, a second round choice (or two?) and a great big pile of dirty, sweaty c-notes by inking a very lucrative, 5-year deal. So with that move fresh on the books, it was fascinating to revisit the classic 1983 NFL draft which produced 6, 1st round quarterback picks; including three of whom who went on to the NFL Hall of Fame and one who very clearly did not and who became the face-child for KC drafting QB ineptness that went on for more than three decades.

That is until Pat Mahomes came to town.

Coincidentally, in this morning's email I received an updated expert witness fee survey report. I get several of these per year and they help us see how we stack up both regionally and nationally. We are the bad deal dudes and specialize in complex M & A, private placement, financial and commercial litigation services. Lots of valuation, damage estimation, and forensic accounting work. Deals go bad and quite often when they do, people sue. For lots of reasons.

All of this got me thinking about a lunch conversation I had with several colleagues last October. These gentlemen work for a prominent national consulting firm competitor that has in excess of 100 professionals scattered in 10-12 offices or so throughout the country. Impressive firm that kind of came out of nowhere 13-14 years ago and grew rapidly with a national footprint. Strong, broad and deep bench with a very diverse industry specialization. Good fit for middle-market and up large-scale engagements that typically demand teams of professionals to assist their legal referral sources correspondingly serving a national footprint.

As we visited over coffee and waited for the check, I was asked a very direct question about billing rates by their managing partner. Being the rather cautious and reserved first date that I am, I took pause and expressed reluctance to go that far, that fast. Given we were just getting to know each other and had just met for the first time.

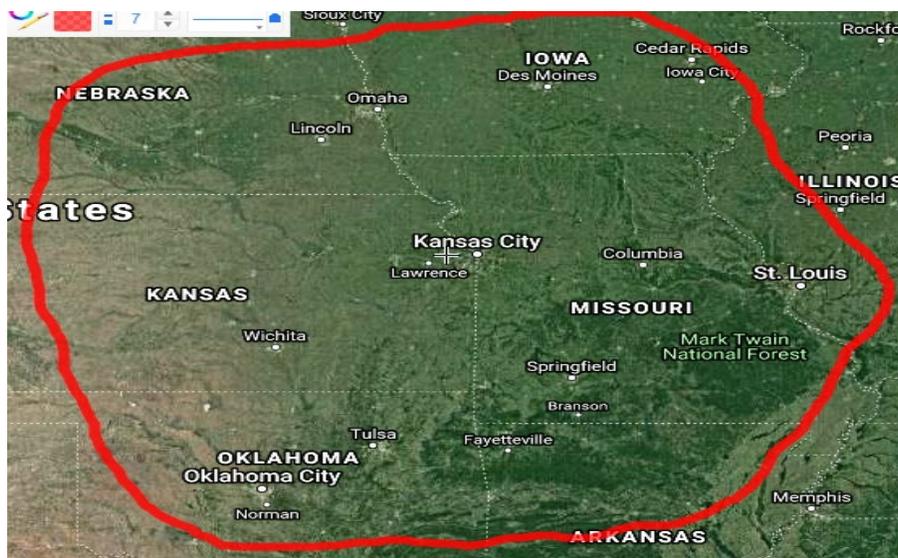
I'm sorta old-fashioned that way, I guess.

In response, my gracious host respected my feelings, but suggested that, ".....surely we were typically well north of \$ 375 per hour or so".

And so as I pondered the fascinating history of that classic NFL draft-how Elway was the top overall pick for and never took a snap for the Colts, how the Chiefs and almost 20 other teams passed on Marino, and how KC is likely looking at by far the largest contract ever to resign Mahomes in a year or two, my mind turned to the recent survey results I had received and compiled for our service niche:

		BLENDED	
		AVG	
SOURCE		RATE	DESCR
1	SOURCE I	\$422	ACCTG, BUS & FINANCIAL-NATIONAL
2	SOURCE II	\$308	FORENSIC ACCTG & FINANCE-NE, IA, KS, MO, AR
3	SOURCE III	\$347	ACCTG, BV, FINANCE, FRAUD EXAMINER-NAT'L
4	SOURCE IV	\$207	BV ONLY -NATIONAL
5	SOURCE V	\$225	BV ONLY -NATIONAL
5	SOURCE V	\$156	BV ONLY -NATIONAL
6	SOURCE V	\$266	BV ONLY -NATIONAL

IronHorse is a special situation firm, with a primary geographical target footprint being a 6-hour drive radius around KC:



The stakes are extraordinarily high in complex financial litigation; both in terms of the financial ramifications but also the emotional. Within this target footprint, we see a predominance of founder owned, entrepreneurially driven industrial enterprises that compete within the small segment of the middle-market or, they are small businesses. Typically, generating a few million to \$ 25-\$ 30 million top-line revenues. They have a specialty themselves and dominate the memberships of the Farm Equipment Manufacturing Association (FEMA), the Association of Equipment Manufacturers (AMA), the Specialty Equipment Manufacturers (SEMA), the National Groundwater Association and numerous other industrial trade groups. In fact, I would venture to guess that well over ½ of the membership in these groups are located within this radius.

When the life of the firm might literally be at stake, it's absolutely vital to utilize an expert that can provide the best solutions fit to the critical need at hand. We've been involved in literally dozens and dozens of deals in this space. Moreover, we get that the business is like the owner's "first born" and we truly do empathize with and live the very experience that may be threatened. And we are human too, and understand and appreciate that unfortunately when times are indeed desperate, otherwise solid and good people can and sometimes do make desperate decisions and exercise poor judgment.

If and when you or your client finds yourselves in the midst of a life-threatening emergency, choose your experts with care. If the situation calls for a firm with expertise in highly complex and bureaucratic organizations, with exceptionally byzantine international and complex capital structures, go with a firm with the breadth, depth and bench-strength resources to tackle that particular challenge effectively. But on the other hand, be wise not to over-burden a very tight litigation budget and less complex cases with not so many moving parts with a firm that must cover the administrative overhead nut of funding a breadth and depth of resource that probably is not required.

Only one of the surveys shown above reflects a rate of "well north of \$ 375 per hour". In fact, here is a synopsis of response summaries to the survey I received this morning:

9. What is your general hourly rate?

< \$200	9%		
\$200 - \$299	26%	\$200 - \$399 per hour	57%
\$300 - \$399	31%		
\$400 - \$499	17%	More than \$400 per hour	34%
\$500 - \$599	9%		
\$600 - \$699	5%		
> \$700	3%		

Almost six in ten respondents (57%) reported a general hourly rate between \$200 and \$399 per hour. Approximately one in three (34%) charged in excess of \$400 per hour including very few (3%) charging \$700 per hour, or more. Average overall hourly rate is \$367 (using an average of the ranges) up from \$341 in 2017, an increase of \$26 or 7.6%.

Our experience has been that in the majority of complex transactional and financial litigation cases, the aggregate time typically required (exclusive of testimony) ranges between a low of 60-80 hours to a high of between 180-220 hours.

On the other hand, most non-litigation business valuation engagements will run somewhere \$ 12,000-\$ 25,000 depending on the particulars and the complexity of the subject entity.

And so, the answer to the billing rate question above was very clearly and appropriately:

"...It depends"!!