

# FORENSIC ACCOUNTING FOR LAWYERS

## The NALT Module



# Module Overview

Week 1



## The Anatomy of a NALT

Understanding the components, structures, and key players in Non-Arm's Length Transactions.

Week 2



## Reading Financial Statements

Analyzing balance sheets, income statements, and cash flows for forensic indicators.

Week 3



## Valuation Wars

Exploring methodologies, challenges, and strategies in disputing asset and business valuations.

Week 4



## Asset Recovery & Reform

Navigating the processes of tracing, freezing, and recovering hidden or misappropriated assets.

# THE \$15 MILLION QUESTION

**\$31,000,000**

2011 Appraisal  
(Fair Market Value)

**\$16,000,000**

2012 Sale Price  
(Related Party)



# DEFINING THE NALT

## Non-Arm's Length Transaction:

A transaction where price or terms deviate from independent market standards due to related-party influence.

## The Shadow Director

An individual in accordance with whose directions the directors of a company are accustomed to act. (Re Hydrodan)



# THE RED FLAG CHECKLIST

## HOCKEY STICK RECEIVABLES



Sudden spike in inter-company IOUs replacing cash.

## MARK-TO-MODEL VALUATION



Asset values inflating despite market downturns.

## FRIDAY AFTERNOON WIRES



Large, round-number transfers bypassing compliance.

# VALUATION METHODOLOGIES

## The Battle for Value: DCF vs. Distressed Sale



### THE POTENTIAL

DCF Method (2011) - \$31M  
Valuation based on  
Development Yields

Forecasting future cash flows  
and terminal value.



### THE CRISIS

Distressed Sale (2012) - \$16M  
Price based on  
Liquidity Crisis

Urgent sale to address  
immediate financial distress.

**\$15M VARIANCE**

**CRITICAL FORENSIC FINDING:**  
Value Erosion due to Distressed Circumstances



# The Path Forward

A 6-Point Legislative Reform Plan for the Eastern Caribbean

## 1. Define Shadow Directors

Expand legal definitions to catch informal controllers.



## 2. Codify Fiduciary Duties

Make duties explicit for public officials.



## 3. Mandate Independent Valuations

Require 3rd-party appraisals for all asset sales.



## 4. Whistleblower Protection

Shield insiders who report fraud.



## 6. Regional Harmonization

Unified laws across the ECCU.



## 5. Civil Recovery Powers

Empower liquidators to claw back assets.

