



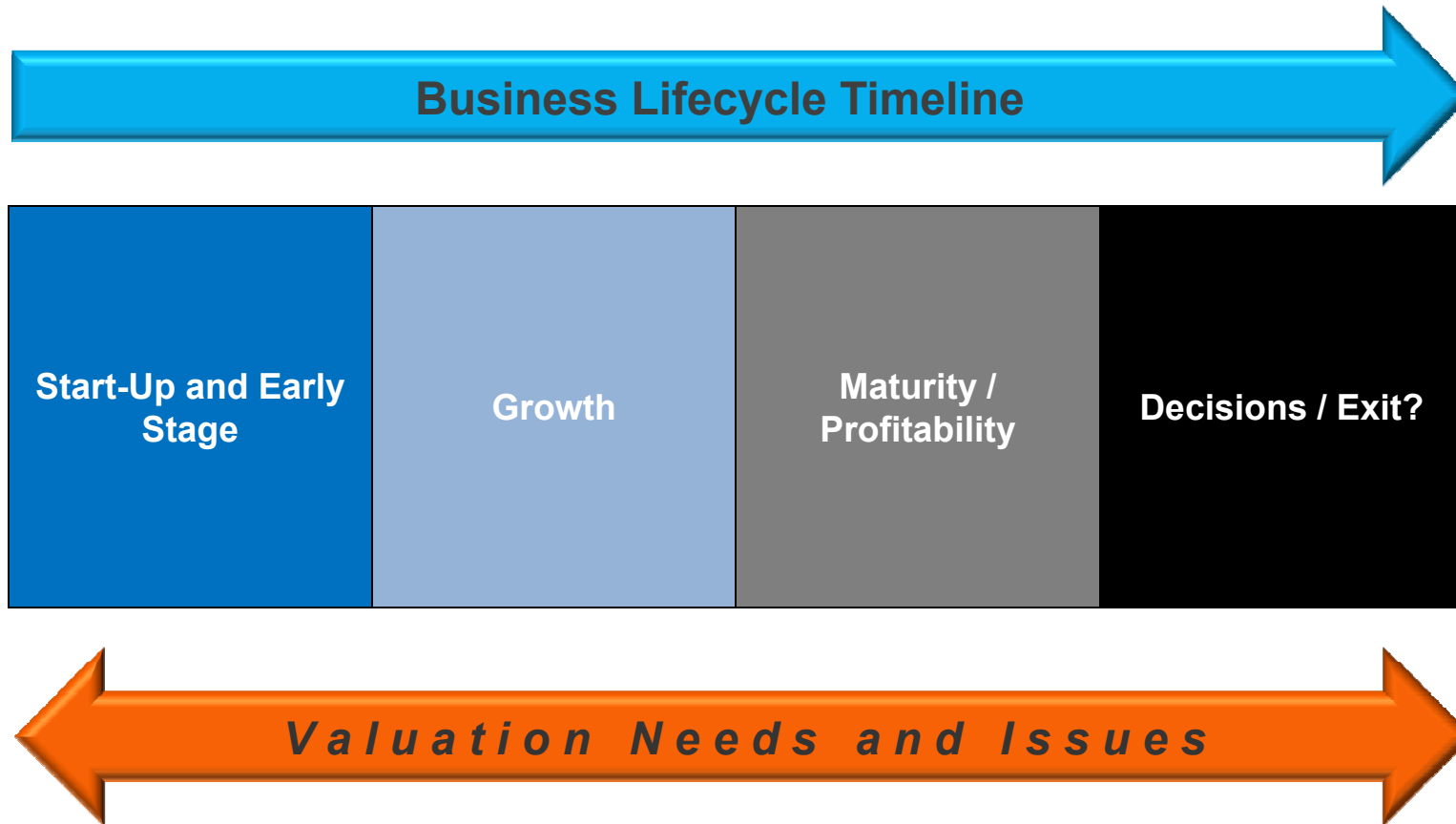
October 21, 2010

# Latest Trends in Valuation “Start-up to Exit and Beyond”

Presented to the San Francisco FEI

## Agenda and Introductions


### *Latest Trends in Valuation – Start-Up to Exit and Beyond*





## Agenda and Introductions (continued)

- **Stephen Rodgers, Senior Vice President**  
Marsh
- **Joseph Orlando, Senior Manager – Business Valuation**  
Frank, Rimerman Consulting
- **Thomas Zambito III, Senior Vice President**  
BDO Valuation Advisors, LLC
- **Josette Ferrer, Managing Director**  
Clairant Advisors



# Valuation Issues and Trends – Start-Up and Early Stage Companies

# Stages of Development and Valuation Needs

“Start-up to Exit and Beyond”



	<i>Year 1</i>	<i>Year 2-3</i>	<i>Year 3-5</i>	<i>Year 5-7</i>	<i>Year 7-8</i>	<i>Year 8</i>
<b>Stage</b>	Startup	Revenues	Growth	Profitability	Decisions	Exit?
<b>Funding</b>	Angels	VC Early Stage	2 <sup>nd</sup> to 3 <sup>rd</sup> Round	Late Round	Bridge	IPO/Sale
<b>Management</b>	Founder(s)	Many Hats	Build Strong Team	Strong Leadership	Board Driven	Stay or Go?
<b>Outlook</b>	New Idea; Disruptive Technology	Proof of Concept and Business Development	Refine Business Model	Successful Execution; Breakeven and Beyond	Controls, Efficiencies & Productivity	Go Public or Sell?
<b>Valuation Needs</b>	409A / ASC 718	409A / ASC 718	409A / ASC 718	409A / ASC 718	409A / ASC 718	409A / ASC 718
	Gift/Estate	Gift/Estate	Gift/Estate	Gift/Estate	Gift/Estate	Gift/Estate
			Due Diligence	Due Diligence	Due Diligence	Due Diligence
			ASC 805	ASC 805	ASC 805	ASC 805
				ASC 350/360	ASC 350/360	ASC 350/360
				IRC 382	IRC 382	IRC 382
				Transaction Readiness	Transaction Readiness	
					M&A / Fairness Opinion	M&A / Fairness Opinion
Marital Dissolution / Litigation	Marital Dissolution / Litigation	Marital Dissolution / Litigation	Marital Dissolution / Litigation	Marital Dissolution / Litigation	Marital Dissolution / Litigation	

Source: Frank, Rimerman & Co.



# Valuation Issues and Trends – Later Stage Companies

## Valuation Issues and Trends – Later Stage Companies

- **ASC 820** (formerly SFAS 157): Fair Value Measurements
- Fair Value: “Price that would be received to *sell* an asset or paid to *transfer* a liability in an orderly transaction between market participants at the measurement date.”
- Basic Steps:
  - Unit of Account
  - The Principal (or Most Advantageous Market)
  - Market Participants
  - Highest and Best Use
  - Valuation Premise
  - Nonperformance Risk
  - Unit of Valuation
  - Valuation Techniques
  - Fair Value Hierarchy


## Valuation Issues and Trends – Later Stage Companies

- **ASC 820** (formerly known as SFAS 157)
  - Interest Rate Swaps
    - Inputs – Level 1, Level 2, and Level 3
      - Example of Level 2 is the LIBOR reset rates and credit default swap (if available for subject company).
      - Example of Level 3 input is the non-performance risk when there is no credit default swap available.
    - Implications of Non-Performance Risk on Value
- **ASC 350** (formerly known as SFAS 142)
  - Auditor “hot buttons” and best practices



## Valuation Issues and Trends – Later Stage Companies

- **Acquisition-Related Valuation Issues -- ASC 805** (formerly known as SFAS 141R)
  - Market participant considerations
  - Earn-outs and contingent consideration
  - Asset-specific issues and assumptions
  - Amortization life estimates
  - Evaluating results -- % of purchase price premium to identified intangibles vs. goodwill
  - Auditor “hot buttons” and best practices
  
- **Other Acquisition-Related Observations**
  - Pre-deal / negotiation considerations



# Appendix: Presenter Biographies

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### Stephen Rodgers Senior Vice President



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### Current Responsibilities

Steve leads the business development efforts for the San Francisco and Silicon Valley offices. He works with companies bringing risk management techniques and insurance products that reduce program costs and free clients to focus on running their businesses.

### Experience

Steve began his Marsh career in 1989. For four years beginning in 2003, Steve was the President and Managing Director leading Wells Fargo Insurance's Northern California brokerage (Formerly, Acordia of California.). He was involved in acquisitions/fold-ins, and started the High Net Worth and Trade Credit Practices for his offices. Additionally, he led retail and wholesale offices that included Property & Casualty and Employee Benefit programs.

### Education

- MBA Saint Mary's College of California, Moraga, CA
- ARM - Associate in Risk Management, Insurance Institute of America, Malvern, PA
- BA Economics and Business Administration from Muskingum College, New Concord, OH

### Affiliations

- Health and Benefits/Life Agent/Property and Casualty licenses: All states
- Sponsor San Francisco FEI
- Sponsor Silicon Valley FEI
- Former Board Member and Nomination Chair for Leadership San Francisco (10 yrs.)

# MARSH

 MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

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### Joseph Orlando Senior Manager, Business Valuation



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### Current Responsibilities

Joseph Orlando is a Senior Manager at Frank, Rimerman + Co. LLP. He joined Frank, Rimerman + Co. LLP in 2007 and brings a wide range of experience in fundamental valuation assignments for financial reporting and tax purposes. Mr. Orlando also has a broad background in corporate finance, M&A, investment banking, business development and corporate strategic planning.

### Experience

Mr. Orlando has led over 100 valuation assignments over the last several years for a variety of purposes including: per share stock valuation under IRC 409A and ASC 718, purchase price allocations under ASC 805, goodwill impairment under ASC 350 and ASC 360, gift and estate taxes, marital dissolution and litigation support, mergers and acquisitions and corporate finance for private equity and public offerings.

Prior to joining Frank, Rimerman + Co. LLP, Joe was a Managing Director and founding member of SVB Analytics, a non-bank affiliate of Silicon Valley Bank, after spending the previous four years in fundamental valuation with Navigant Consulting and BearingPoint. Prior to his current focus on fundamental valuation, he worked with Credit Suisse First Boston's Technology Group and other large investment banks focused on Corporate Finance and Mergers and Acquisitions. He has significant experience within a broad spectrum of industries, including technology, life sciences, wineries and professional sports.

### Education

- MBA Finance – Georgetown University, Washington, DC
- BA Business Economics – St. Lawrence University, Canton, NY

### Affiliations

- American Society of Appraisers – Candidate for Accredited Senior Appraiser
- Board Member and President, Pets Lifeline Animal Shelter, Sonoma, CA
- Board Member, Sonoma County's Economic Development Board (ASA)

**Frank, Rimerman Consulting**

a division of Frank, Rimerman + Co. LLP

## Appendix: Presenter Biographies

**Thomas Zambito III**  
Senior Vice President



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### Current Responsibilities

Thomas Zambito III leads the Seattle, WA BDO Valuation Advisors office and facilitates the monthly BDO networking breakfast series. With over 10 years of valuation experience, he has provided valuation opinions for financial and tax reporting purposes in a broad range of industries, including technology, financial services, healthcare, and consumer products.

### Experience

Mr. Zambito has worked on a wide range of valuation assignments involving ASC 805 intangible asset valuation and purchase price allocation, ASC 350 goodwill impairment analyses, IRC 409A deferred compensation, pre-acquisition due diligence, and tax-related valuations. His project experience has included valuations of intangible assets, loan portfolios, interest rate swaps, debt instruments, stock options, and warrants. He has also reviewed hundreds of third party valuation assignments for financial reporting and tax reporting purposes. He has also provided valuation advisory services for merger and acquisition, and investment purposes. His engagements have been completed for small to Fortune 500 US and international clients.

Mr. Zambito previously worked for Deloitte & Touche's financial advisory services practice. Prior to joining Deloitte & Touche, Mr. Zambito worked at KPMG/Bearingpoint, Inc.'s valuation practice.

### Education

- M.B.A. (emphasis on global finance and French), Thunderbird School of Global Management
- B.A. in Business Economics (minor in French), The College of Wooster

### Affiliations

- Association for Corporate Growth
- Washington Technology Industry Association
- Northwest Entrepreneurs Network
- Mr. Zambito is also pursuing his senior appraisal certification from American Society of Appraisers (ASA)

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### Josette Ferrer Managing Director



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### Current Responsibilities

Josette Ferrer is the founder and a Managing Director of Clairer Advisors. Since 1993, Josette has been assisting clients with the valuation of closely held businesses and business interests, intangible assets, intellectual property, stock options, debt instruments, capital equipment / fixed assets, and other assets.

### Experience

Prior to founding Clairer Advisors in 2010, Josette was the U.S. Practice Leader of Marsh's Valuation Services Group (formerly Kroll's Valuation Services Practice). Her career includes serving as the Managing Director in charge of the San Francisco Valuation Services Group of WTAS, Inc. ("WTAS"), a former subsidiary of HSBC Group. At WTAS, Josette's responsibilities included developing and overseeing all technical, operational, marketing functions for the SF valuation team. Prior to WTAS, Josette was a director with Huron Consulting Group and a senior manager at Arthur Andersen LLP.

While Josette has extensive experience serving clients in many industries, areas of specialty include telecommunications, high technology, pharmaceuticals and biotechnology, and financial services. Her clients have ranged from small, emerging businesses to Fortune 500 companies. Josette has been a guest speaker for a wide variety of forums, including the Practising Law Institute ("PLI"), the San Francisco Bar Association, Santa Clara University, BIOCOM, and various venture capital roundtables, and has also published an article related to the valuation of intellectual property for the PLI.

### Education

- B.S. in Business Administration, University of California, Berkeley

### Affiliations

- Fair Value Forum
- American Society of Appraisers
- ProVisors

