## Subject Index

| Α  | BARGAINING POWER3.09  |
|--|---|
| ACCOUNTING FOR EQUITY INSTRUMENTS  | BARRIERS TO ENTRY 3.08  |
| EXCHANGED FOR GOODS OR SERVICES.  See also specific standards; specific                          | BETA TESTING, ENTERPRISE DEVELOPMENTTable 2-1 at 2.03   |
| topics14.0104  | BIASES8.12, 11.02, 11.07, 11.13   |
| ACQUISITION, AS LIQUIDITY EVENT6.46  | BIDDERS, SUFFICIENT8.12   |
| ACQUISITION PREMIUM7.0406, 7.13  | BLACK-SCHOLES MODEL 4.28, 4.37,   |
| ALLOCATION MODELS5.19–.20, 6.24  | 6.30, 14.18   |
| ALPHA TESTING, ENTERPRISE DEVELOPMENTTable 2-1 at 2.03   | BOARD COMPOSITION RIGHTS. See also  |
| ANGEL INVESTORSTable 2-1 at 2.03   | rights of stockholders 6.11, 6.19,  |
| ANTIDILUTION RIGHTS. See also rights of stockholders 6.10, 6.19, 6.35,                           | BOARDS OF DIRECTORS, AS VALUATION CONSIDERATION. See also management2.03, Table 3-1 at 3.18   |
| APPRAISAL FOUNDATION, UNIFORM<br>STANDARDS OF PROFESSIONAL                                       | BOOK VALUE OF L'EET, DISTINGUISHING<br>FAIR VALUE OF DEBT FROM5.1112,   |
| APPRAISAL PRACTICE9.03   | Q&A 12.1  |
| ARM'S LENGTH TRANSACTIONS 1.12,  | BURN RATE   |
| ASIAN PROTECTIVE PUT7.3033   | BUSINE S PARTNERS Table 2-1 at 2.03   |
| ASSET ACCUMULATION METHOD. See also  | RUSINESS PLANS. See also enterprise   |
| asset approach 4.4344, 9.04  | development3.02   |
| ASSET APPROACH   | BUYERS' BARGAINING POWER3.09  |
| · Assumptions of   |   |
| · Control and marketability. See also controlling  | С   |
| · Control and marketability. See also controlling interests; marketable interests 4.50           | •   |
| Control and marketability. See also controlling interests; marketable interests 4.50 Defined     | C CALL OPTIONS. See option pricing method (OPM)   |
| Control and marketability. See also controlling interests; marketable interests 4.50 Defined     | CALL OPTIONS. See option pricing method   |
| Control and marketability. See also controlling interests; marketable interests 4.50     Defined | CALL OPTIONS. See option pricing method (OPM)   |
| Control and marketability. See also controlling interests; marketable interests. 4.50  Defined   | CALL OPTIONS. See option pricing method (OPM)  CAPITAL ASSET PRICING MODEL4.28  CAPITAL STRUCTURE. See also complex capital structures; financing; simple   |
| Control and marketability. See also controlling interests; marketable interests. 4.50  Defined   | CALL OPTIONS. See option pricing method (OPM)  CAPITAL ASSET PRICING MODEL 4.28  CAPITAL STRUCTURE. See also complex capital structures; financing; simple capital structures Q&A 12.9                                |
| Control and marketability. See also controlling interests; marketable interests. 4.50  Defined   | CALL OPTIONS. See option pricing method (OPM)  CAPITAL ASSET PRICING MODEL 4.28  CAPITAL STRUCTURE. See also complex capital structures; financing; simple capital structures Q&A 12.9  CAPITALIZATION MULTIPLES4.33, |
| Control and marketability. See also controlling interests; marketable interests. 4.50  Defined   | CALL OPTIONS. See option pricing method (OPM)  CAPITAL ASSET PRICING MODEL 4.28  CAPITAL STRUCTURE. See also complex capital structures; financing; simple capital structures   |
| Control and marketability. See also controlling interests; marketable interests. 4.50  Defined   | CALL OPTIONS. See option pricing method (OPM)  CAPITAL ASSET PRICING MODEL4.28  CAPITAL STRUCTURE. See also complex capital structures; financing; simple capital structures  |
| Control and marketability. See also controlling interests; marketable interests. 4.50  Defined   | CALL OPTIONS. See option pricing method (OPM)  CAPITAL ASSET PRICING MODEL 4.28  CAPITAL STRUCTURE. See also complex capital structures; financing; simple capital structures Q&A 12.9  CAPITALIZATION MULTIPLES      |
| Control and marketability. See also controlling interests; marketable interests. 4.50  Defined   | CALL OPTIONS. See option pricing method (OPM)  CAPITAL ASSET PRICING MODEL  |
| Control and marketability. See also controlling interests; marketable interests                  | CALL OPTIONS. See option pricing method (OPM)  CAPITAL ASSET PRICING MODEL  |
| Control and marketability. See also controlling interests; marketable interests. 4.50  Defined   | CALL OPTIONS. See option pricing method (OPM)  CAPITAL ASSET PRICING MODEL  |
| Control and marketability. See also controlling interests; marketable interests. 4.50  Defined   | CALL OPTIONS. See option pricing method (OPM)  CAPITAL ASSET PRICING MODEL  |
| Control and marketability. See also controlling interests; marketable interests. 4.50  Defined   | CALL OPTIONS. See option pricing method (OPM)  CAPITAL ASSET PRICING MODEL  |
| Control and marketability. See also controlling interests; marketable interests. 4.50  Defined   | CALL OPTIONS. See option pricing method (OPM)  CAPITAL ASSET PRICING MODEL  |

| COMMON STOCK           • Alternatives to. See also complex capital structures         6.02           • Enterprise development         2.05,           • Table 2-1 at 2.03           • Executive compensation         6.05           • Private financing transactions         8.03           • In roll-up structure         Q&A 12.9           • Volatility of         7.32           COMPANY DEVELOPMENT. See enterprise | CONTROLLING INTERESTS In asset approach                                     |
|--|---|
| development COMPARABLES4.1415, 4.19,   | CONTEMPORANEOUS VALUATIONS11.0809, 11.14                                    |
|  | COST OF CAPITAL. See also capitalization multiples 10.08, 10.09, Appendix F |
| MAJOR  | COST STRUCTURE, AS VALUATION CONSIDERATION                                  |
| COMPLEX CAPITAL<br>STRUCTURES 6.01–.54, Appendix I   | COSTS, IN WEIGHTING TRANSACTIONS8.12  |
| · Common questions and   | CURRENT COMPETITION3.09   |
| answers  | CURRENT VALUE METHCD (CVM)  |
| probability-weighted expected return method (PWERM)  | CVM. See current value method   |
| Venture capital 6.33   | D   |
| CONTEMPORANEOUS VALUATIONS See also  | DCF. See discounted cash flow (DCF) method                                  |
| reliability of valuations  | DEBT, FAIR VALUE OF5.1021   |
| · Cost-benefit considerations  | · Common questions and answersQ&A 12.1–.5                                   |
| Distinguishing retrospective valuations from   | Consideration in liquidity event timing, as                                 |
| • Timing of  | Distinguishing book value   |
| Control Controlling distinguished from minority interests  | from  |
| consideration  | DEBT-LIKE PREFERRED   |
| · Valuation of minority interest 7.01–.02,   | STOCK5.18, 6.05   |
|  | DEPRECIATION, IN ASSET APPROACH4.4446                                       |
| CONTROL RIGHTS6.09, 6.1112, 6.19, Appendix H, Table 6-2 at 6.13  | DEVELOPMENT STAGES. See enterprise development                              |

| DIFFERENTIAL PUT 7.30, 7.31  DILUTION BY ADDITIONAL FINANCING. See also antidilution rights 6.35  DISCLOSURE, FINANCIAL STATEMENT 14.05–18 Cash flow assumptions 4.41 Example 14.14–17 IPO requirements 14.12–13 MD&A 14.13, 14.18 Real option theory 4.38  DISCOUNT FOR LACK OF MARKETABILITY. See marketability discount  DISCOUNT RATE 4.25, 6.24, Q&A 12.10 DISCOUNT RATE ADJUSTMENT | ENTERPRISE DEVELOPMENT—continued  Capitalization. See complex capital structures; financing; simple capital structures  Contemporaneous valuations in early-stage   |
|--|---|
| TECHNIQUE  | Valuation consideration, as 3.02–.04, 9.01, Table 3-1 at 3.18  Venture capital 6.03  Volatility measurement for early-stage Q&A 12.11  ENTERPRISE VALUES 3.05, 6.36  EQUITY, FAIR VALUE OF DEBT FOR PURPOSE |
| DIVIDENDS, PREFERRED STOCK6.05,6.10, Table 6-1 at 6.13  DOCUMENT REQUEST LETTER Appendix J  DRAG-ALONG RIGHTS. See also rights of stockholders6.11, 6.19,  | OF VALUENC  |
|  | EQUITI VOLATILITI, ASSLI VOLATILITI   |
| E EARLY EXERCISE POTENTIAL   | RELATIONSHIP WITH   |
| EARLY EXERCISE POTENTIAL   | EXIT SCENARIOS. See also liquidity events   |
| EARLY EXERCISE POTENTIAL   | EXIT SCENARIOS. See also liquidity events   |

| FAIR VALUE OF EQUITY SECURITIES,   | HISTORICAL COST   | 4.51, 4.52      |
|--|---|-----------------|
| CONCEPTS OF—continued  | HURDLE RATE   | 6.05            |
| · Hierarchy  | HYBRID METHOD. See also op  | tion pricing    |
| Matching valuation method to purpose1.18     Minority interest. See also minority.       | method (OPM); probability   |                 |
| Minority interest. See also minority   | expected return method  |                 |
| interests  | (PWERM)6.48-  | .54, Appendix I |
| Stages of enterprise development9.01–.10   | · Advantage and limitation of   |                 |
| Using multiple measurement   | · Considering recent financing .  |                 |
| techniques   | · Current equity value in   |                 |
| FAIR VALUE-BASED MEASURES. See fair  | Examples  |                 |
| value measurements   | · Generally   | 6.21, 6.48      |
| FAIR VALUE MEASUREMENTS1.05  | 1   |                 |
| FAIRNESS OPINIONS  | -   |                 |
| FAMILY-OWNED COMPANIES5.05, 6.07   | ILLIQUID INVESTMENTS, DISTI<br>NONMARKETABLE INTERE                           |                 |
| FINANCIAL CONDITIONS, AS VALUATION   | FROM  |                 |
| CONSIDERATION3.16  | IMPAIRMENT  |                 |
| FINANCIAL METRICS. See also market   | INCOME APPROACH   |                 |
| approach4.05, 4.0910, 4.40   | · Assumptions of  | 4 39_ 11        |
| FINANCIAL STATEMENTS, DISCLOSURE   | Assumptions of     Cash flow forecasting                                      | 4.31–.34        |
| REQUIREMENTS. See also disclosures,  | · Defined   | 4.23            |
| financial statement14.0513   | · Disclosure example  | 14.18           |
| FINANCING. See also capital structure;   | <ul> <li>Distinguishing market approach</li> </ul>                            |                 |
| enterprise development   | · Enterprise devolopment stage  | 0.00 10         |
| · Common questions and   | and   |                 |
| answersQ&A 12.18   | Generally      Methods within. See also speci                                 |                 |
| · Company milestones link to 3.02, 3.03  | methods   |                 |
| Contemporaneous valuations with 11.06     Investor influence over. See also antidilution | Minority, nonmarketable interes   |                 |
| rights   | Private enterprise valuations .   |                 |
| • Mezzanine Table 2-1 at 2.03  | Real options theory4.37-  | 38, Appendix G  |
| Patterns of  | · Risk consideration  |                 |
| Preferred stock transaction types 8 03   | Splitting economic streams in   |                 |
| FINNERTY METHOD  | <ul><li>Unobservable inputs</li><li>Weighting transactions</li></ul>          |                 |
| FIRST REFUSAL RIGHTS. See also rights of   |   |                 |
| stockholders   | INDUSTRY, AS VALUATION CONSIDERATION  | 3 05 3 17       |
|  | Ta  |                 |
| FLEXIBILITY, FINANCIAL   | INFLATION, IN COST APPROAC  |                 |
| FORCED TRANSACTIONS. See also  | INFORMATION, SUFFICIENT, IN   |                 |
| transactions, inferring value  | TRANSACTIONS  |                 |
| from8.08, 8.10   | INFORMATION RIGHTS. See al  | so rights of    |
| FORFEITURE RATE14.18   | stockholders  |                 |
|  | Ta  |                 |
| G  | INITIAL PUBLIC OFFERING   |                 |
| CACTINEAU MADANCKY MODEL 4 27  | (IPO)10.01  |                 |
| GASTINEAU-MADANSKY MODEL4.37   | Considering payoff at   |                 |
| GOODWILL. See intangible assets  | Contemporaneous valuations b  |                 |
| GUIDELINE COMPANY TRANSACTIONS   | <ul> <li>Control rights ending with</li> <li>Cost of capital after</li> </ul> |                 |
| METHOD4.06, 4.14–.15   | Disclosure example  |                 |
| GUIDELINE PUBLIC COMPANY   | Disclosure example     Disclosure requirements                                |                 |
| METHOD4.06, 4.14–.15   | Enterprise development  |                 |
|  |   |                 |
| Н  | · Generally   | 10.01, 10.10    |
|  | · Indicator of  |                 |
| HIERARCHY OF FAIR VALUE1.11  | · Price estimation  | 10.0304         |

| INITIAL PUBLIC OFFERING (IPO)—continued | MANAGEMENT—continued  |
|---|---|
| Private and public                      | Investor rights of. See also management   |
| Qualified                               | rights; rights of stockholders Q&A 12.15  |
| · Restrictions following                | · IPO preparation by10.03   |
| · Risk in10.05–.06                      | Responsibilities of. See also   |
| · Task force warning10.02               | disclosure  |
| INTANGIBLE ASSETS4.42, 4.49,            | Valuation consideration, as 3.06,   |
| 4.51–.53, 9.04, 9.05                    | Table 3-1 at 3.18   |
| INTELLECTUAL PROPERTY, AS VALUATION     | · Valuation reliability role 11.16, 11.18,  |
| CONSIDERATION3.10                       | 11.20   |
| INTEREST, IN COST APPROACH 4.55         | MANAGEMENT DISCUSSION & ANALYSIS  |
| INTERNATIONAL GLOSSARY OF BUSINESS      | (MD&A)14.13, 14.18  |
| VALUATION TERMS1.07, 4.43               | MANAGEMENT RIGHTS. See also rights of   |
| INVESTMENT BANKERS, IPO PREPARATION     | stockholders6.11, 6.19,   |
| BY10.03                                 | Table 6-2 at 6.13   |
| INVESTORS. See also financing           | MANDATORY REDEMPTION RIGHTS. See also   |
| Marketability of interestsQ&A 12.12     | rights of stockholders 6.10, 6.19,  |
| · Valuation consideration, as           | Table 6-2 at 6.13   |
| IPO. See initial public offering        | MARKET APPROACH 4.0522  |
| ii or oco iiidai pasiio orioring        | · Assumptions   |
| J                                       | · Defined4.05   |
| IOINT VENTURES                          | · Disclosure example  |
| JOINT VENTURES8.03                      | <ul> <li>Distinguishing income approach from 4.24</li> </ul>  |
| JUDGMENT, PROFESSIONAL, AS VALUATION    | · Enterprise development stage  |
| COMPONENT 4.01                          | and   |
| JUNIOR SECURITIES, DISCOUNTING 6.37,    | Financial metrics   |
| 7.21–.33                                | Financing considerations4.20  |
| L V                                     | Generally   |
| <u> </u>                                | <ul> <li>Methods within. See also specific</li> </ul>   |
|   | methods 4 06- 07 4 14- 18   |
| LEVERAGE, PRIVATE EQUITY-BACKED         | methods   |
| COMPANIES6.05                           | · Minority, nonmarketable interest7.05  |
| COMPANIES                               | · Minority, nonmarketable interest7.05<br>· Nonfinancial metrics4.11–.13  |
| COMPANIES                               | Minority, nonmarketable interest  |
| COMPANIES                               | · Minority, nonmarketable interest7.05<br>· Nonfinancial metrics4.11–.13  |
| COMPANIES                               | Minority, nonmarketable interest 7.05 Nonfinancial metrics 4.11–.13 Private enterprise valuations 1.15 Synergies 4.19 Weighting transactions 8.13   |
| COMPANIES                               | • Minority, nonmarketable interest       7.05         • Nonfinancial metrics       4.11–.13         • Private enterprise valuations       1.15         • Synergies       4.19   |
| COMPANIES                               | Minority, nonmarketable interest 7.05 Nonfinancial metrics 4.11–.13 Private enterprise valuations 1.15 Synergies 4.19 Weighting transactions 8.13  MARKET COMPARABLE APPROACH DISCLOSURE 14.18  |
| COMPANIES                               | • Minority, nonmarketable interest       7.05         • Nonfinancial metrics       4.11–13         • Private enterprise valuations       1.15         • Synergies       4.19         • Weighting transactions       8.13         MARKET COMPARABLE APPROACH DISCLOSURE       14.18         MARKET PARTICIPANTS       1.06, 1.10   |
| COMPANIES                               | Minority, nonmarketable interest       7.05         Nonfinancial metrics       4.11–.13         Private enterprise valuations       1.15         Synergies       4.19         Weighting transactions       8.13         MARKET COMPARABLE APPROACH<br>DISCLOSURE       14.18         MARKET PARTICIPANTS       1.06, 1.10         MARKET PRICES       1.03  |
| COMPANIES                               | • Minority, nonmarketable interest       7.05         • Nonfinancial metrics       4.11–.13         • Private enterprise valuations       1.15         • Synergies       4.19         • Weighting transactions       8.13         MARKET COMPARABLE APPROACH DISCLOSURE       14.18         MARKET PARTICIPANTS       1.06, 1.10         MARKET PRICES       1.03         MARKET SHARE       3.07   |
| COMPANIES                               | • Minority, nonmarketable interest       7.05         • Nonfinancial metrics       4.11–.13         • Private enterprise valuations       1.15         • Synergies       4.19         • Weighting transactions       8.13         MARKET COMPARABLE APPROACH DISCLOSURE       14.18         MARKET PARTICIPANTS       1.06, 1.10         MARKET PRICES       1.03         MARKET SHARE       3.07         MARKET VALUE OF EQUITY (MVE)       4.09   |
| COMPANIES                               | • Minority, nonmarketable interest       7.05         • Nonfinancial metrics       4.11–.13         • Private enterprise valuations       1.15         • Synergies       4.19         • Weighting transactions       8.13         MARKET COMPARABLE APPROACH DISCLOSURE       14.18         MARKET PARTICIPANTS       1.06, 1.10         MARKET PRICES       1.03         MARKET SHARE       3.07         MARKET VALUE OF EQUITY (MVE)       4.09         MARKET VALUE OF INVESTED CAPITAL  |
| COMPANIES                               | Minority, nonmarketable interest       7.05         Nonfinancial metrics       4.11–.13         Private enterprise valuations       1.15         Synergies       4.19         Weighting transactions       8.13         MARKET COMPARABLE APPROACH DISCLOSURE       14.18         MARKET PARTICIPANTS       1.06, 1.10         MARKET PRICES       1.03         MARKET SHARE       3.07         MARKET VALUE OF EQUITY (MVE)       4.09         MARKET VALUE OF INVESTED CAPITAL (MVIC)       4.10  |
| COMPANIES                               | • Minority, nonmarketable interest       7.05         • Nonfinancial metrics       4.11–.13         • Private enterprise valuations       1.15         • Synergies       4.19         • Weighting transactions       8.13         MARKET COMPARABLE APPROACH       DISCLOSURE       14.18         MARKET PARTICIPANTS       1.06, 1.10         MARKET PRICES       1.03         MARKET SHARE       3.07         MARKET VALUE OF EQUITY (MVE)       4.09         MARKET VALUE OF INVESTED CAPITAL (MVIC)       4.10         MARKETABILITY AND CONTROLLING                    |
| COMPANIES                               | • Minority, nonmarketable interest       7.05         • Nonfinancial metrics       4.11–.13         • Private enterprise valuations       1.15         • Synergies       4.19         • Weighting transactions       8.13         MARKET COMPARABLE APPROACH DISCLOSURE       14.18         MARKET PARTICIPANTS       1.06, 1.10         MARKET PRICES       1.03         MARKET SHARE       3.07         MARKET VALUE OF EQUITY (MVE)       4.09         MARKET VALUE OF INVESTED CAPITAL (MVIC)       4.10         MARKETABILITY AND CONTROLLING INTERESTS       7.01–.33 |
| COMPANIES                               | Minority, nonmarketable interest  |

| MARKETABLE INTERESTS7.1633  | NONMARKETABLE INTERESTS. See also   |
|---|---|
| In asset approach 4.50     Common questions and                   | marketable interests; minority interests7.01, 7.16, 7.16–.33                  |
| answers Q&A 12.12–.15   |   |
| · Complex capital structure                                       | NOREEN-WOLFSON MODEL4.37  |
| · Control   | 0   |
| Discounting. See marketability discount     Generally     7 16–18 | ODCEDVADI E INDITO 1 12 9 06  |
| Generally   | OBSERVABLE INPUTS1.12, 8.06   |
| · IPO price comparisons   | OBSOLESCENCE, IN ASSET  |
| Junior securities discount6.37, 7.21–.33                          | APPROACH 4.51   |
| <ul> <li>Market approach guidelines</li></ul>                     | OPERATIONAL DEVELOPMENT. See  |
| Restricted stock  | enterprise development  |
| · Simple capital structure7.20                                    | OPM. See option pricing method  |
| MARKETS, QUOTED PRICES IN ACTIVE.                                 | OPTION PRICING METHOD (OPM). See also   |
| See also secondary market   | hybrid method; real options   |
| transactions  | theory  |
| MD&A. See management discussion & analysis                        | Backsolve method. See also backsolve  |
| MERTON MODEL4.37, 7.32  | method6.33  |
| METRICS. See financial metrics; nonfinancial                      | Cash from exercise of options inQ&A 12.8                                      |
| metrics   | <ul> <li>Disclosure example</li></ul>   |
| MEZZANINE FINANCING Table 2-1 at 2.03                             | Interim cash flow   |
| MILESTONES. See also enterprise                                   | Multiple scenarios in   |
| development 3.02–.04,   | • Total equity value measurement 6.32   |
| 9.01–.02, 11.06   | When to choose  |
| MINORITY INTERESTS  | ORDERLY TRANSACTIONS. See also  |
| · Acquisition premium7.04–.06, 7.13                               | transactions, inferring value   |
| Discounting for lack of control7.12–.13,                          | from8.0811  |
| · Distinguishing controlling interest                             | OVERHEAD COSTS, IN ASSET  |
| from 5.08, 7.03–.15, Table 5-1 at 5.08                            | APPROACH4.54  |
| Enterprise value used for valuing                                 | P   |
| • Fair value of debt in valuing 5.10                              | DARTICIPATION PIGUTO A  |
| · Generally   | PARTICIPATION RIGHTS. See also rights of stockholders 6.10, Table 6-1 at 6.13 |
| Liquidity events  | PARTNERSHIP UNITS   |
| Post-exit considerations  | PARTNERSHIPS, FAIR VALUE OF   |
| · Simple capital structures5.02–.09,                              | SECURITIES IN   |
|   | PATTERN OF TRADES8.12   |
| <ul><li>Valuation objective</li></ul>                             | POINT ESTIMATES13.12  |
| MULTIPLES, CALCULATING 4.10, 4.33,                                | POSTVALUATION EVENTS11.1720   |
| Appendix E  | Q&A 12.16–.17   |
| MULTIVARIATE ANALYSIS13.14  | POTENTIAL COMPETITION3.09   |
| MVE. See market value of equity                                   | PREFERRED STOCK   |
| MVIC. See market value of invested capital                        | Alternatives to. See also complex capital                                     |
|   | structures  |
| N   | · Enterprise development  |
| NONEMPLOYEES  | Table 2-1 at 2.03   |
| 14.03, 14.18  | Private financing transactions  |
| NONFINANCIAL METRICS 4.05,  | Appendix H, Tables 6-1-6-2 at 6.13  |
| 4.1113, 4.40  | · Tranched  |

| PREMISE OF VALUE   |  |   |
|--|--|---|
| PRICE OF TRANSACTIONS. See also transactions, inferring value from   |  |   |
| transactions, inferring value from 8.07, Q&A 12.2  PRIVATE EQUITY-BACKED COMPANIES 6.04–0.5  PRIVATE TRANSACTIONS, INFERRING VALUE FROM. See also transactions, inferring value from 8.01, 8.03  PRIVATELY HELD ENTERPRISES Complex capital structure 6.07 Defined 1.12 Investor expectations 7.17  PROBABILITY-WEIGHTED EXPECTED RETURN METHOD (PWERM). See also hybrid method 6.23–29, Appendix 1. Advantages and limitations 6.27–28 Backsolve method. See also backsolve method 9.6.21, 6.23 Backsolve method. See also backsolve method 9.6.24, Q&A 12.10 Generally 6.24, Q&A 12.10 Generally 1.10, 11.10–12.0  Generally 1.10, 11.10–2.0  Generally 1.10, 11.0–2.0  Generally 1.10, 11.0–2.0  Generally 1.10, 11.0–2.0  Generally 1.10, 11.10–12  FEPLOACHEMET COST NEW 4.46, 4.51  RELATED PARTIES, & VALUATION S. 6.10, 11.13  Costbeneft considerations 1.10, 2.11.05  Generally 1.10, 11.10–12  Postvaluation events 1.10, 11.10, 11.10–12  FEPLOACHEMET COST NEW |  | RECISTRATION RIGHTS See also rights                   |
| PRIVATE EQUITY-BACKED COMPANIES  | transactions, inferring value                        | of stockholders                                       |
| COMPANIES PRIVATE TRANSACTIONS, INFERRING VALUE FROM. See also transactions, inferring value from 8.01, 8.03 PRIVATELY HELD ENTERPRISES Complex capital structure 6.07 Defined 1.12 Investor expectations 7.17 PROBABILITY-WEIGHTED EXPECTED RETURN METHOD (PWERM). See also hybrid method 6.23–29, Appendix 1 Advantages and limitations 6.27–28 Backsolve method. See also backsolve method 6.24, 624, 84, 12.10 Generally 6.25, 11.11 Generally 6.24, 624, 12.10 Generally 6.25, 11.11 Generally 7.29–30, 12.17 Valuation consideration, as 3.19 PROPUETS POSTEVALUATIONS 6.11, 6.19, 7.31, 7.33 PWERM. See probability-weighted expected return method  Q QDRM. See quantitative marketability discount model QUALIFIED IPO 6.38 QUANTITATIVE MARKETABILITY DISCOUNT MODEL (QDRM) 7.29–30 QUOTED PRICES IN ACTIVE MARKETS 1.11 REAL OPTIONS THEORY. See also option pricing method (OPM) 4.37–38, RISK PREMIUMS, ESTIMATING 8.09 RISK PREMIUMS, ESTIMATING 8.09 RISK PREMIUMS, ESTIMATING 8.09   | from8.07, Q&A 12.2                                   |   |
| FROM. See also transactions, inferring value from  |  |   |
| FROM. See also transactions, inferring value from  | PRIVATE TRANSACTIONS INFERRING VALUE                 | RELIABILITY OF VALUATIONS 11.0120                     |
| PROFESSIONAL JUDGMENT, AS VALUATION COMPONENT 1.30 PROFESSIONAL JUDGMENT, AS VALUATION COMPONENT 4.01 PROFECTIVE PUT METITOD 7.29-30 QUALIFIED IPO 6.38 QUANITITATIVE MARKETS 1.11  RR  REAL OPTIONS THEORY. See also option pricing method (OPM) 4.37-38, REMADUSTED DISCOUNT RATE 6.04 Namager experience and .3.04 Namager experienc |  |   |
| PRIVATELY HELD ENTERPRISES Complex capital structure 6.07 Defined 1.12 Investor expectations 7.17 PROBABILITY-WEIGHTED EXPECTED RETURN METHOD (PWERM). See also hybrid method 6.23-29, Appendix I Advantages and limitations 6.27-28 Backsolve method. See also backsolve method 6.23-29, Appendix I Advantages and limitations 6.27-28 Disclosure example 14.18 Discount rate 6.24, Q&A 12.10 Generally 6.21, 6.23 Interim cash flows 6.25 Steps in 6.24 When to choose 6.29 PRODUCTS POSTEVALUATION COMPONENT 7.29-30 PROFESSIONAL JUDGMENT, AS VALUATION COMPONENT 4.01 PROPRIETARY PROPERTY 3.10 PROTECTIVE PROVISIONS 6.11, 6.19 COMPONENT 4.01 PROPRIETARY PROPERTY 3.10 PROTECTIVE PROVISIONS 6.11, 6.19 COMPONENT 4.01 REWARD, RISK LINK TO. See also risk 6.03-05 RIGHT TO PARTICIPATE IN FUTURE ROUNDS 6.11, Table 6-2 at 6.13 PROTECTIVE PUT METHOD 7.29-30 COMPONENT 4.01 COMPONENT 4.01 REWARD, RISK LINK TO. See also complex capital structures; specific stock types Challenges in valuing 6.17-20, Q&A 12.15 Control 6.09-10, 6.19, 7.11, 7.11 RISK. See also volatility income approach consideration, as 4.26, 4.39 IPO considerations 11.0809 RISK-ADJUSTED DISCOUNT RATE 6.24 RISK FACTORS Disclosure 11.14 Distinguishing retrospective ron contemporaneous valuations; retrospective valuations; retrospective valuations 11.02, 11.05 Generally 11.10 Management role in 11.11,16, 11.18, 11.20 Postvaluation events 11.17-20 Timing in 11.03-06 REPLACEMENT COST NEW 4.44 REQUIRED FAIL OF RETURN 3.04 REQUIRED FAIL OF RETURN 4.46, 4.51 REPRODUCTION COST NEW 4.48 REQUIRED FAIL OF RETURN 3.04 RESTINCTED FOR TURN 4.46 REQUIRED FAIL OF RETURN 11.07, 11.10, 11.10-1.12 RESTORECTIVE VALUATIONS. See also reliability of valuations 11.02, 11.05, 11.07, 11.10, 11.10-1.12 REWARD, RISK LINK TO. See also complex capital structures; specific stock types Challenges in valuing 6.17-20, Q&A 12.15 Control 6.09-10, 6.19, 7.11 Reward Interior   |  |   |
| Complex capital structure 6.07 Defined 1.12 Investor expectations 7.17 PROBABILITY-WEIGHTED EXPECTED RETURN METHOD (PWERM). See also hybrid method 6.23–29, Appendix I. Advantages and limitations 6.27–28 Backsolve method. See also backsolve method 6.24. Q&A 12.10 Generally 6.21, 6.23 Interim cash flows 6.25. Steps in 6.24 When to choose 6.29 PRODUCTS POStevaluation approval of 6.24 When to choose 6.29 PRODUCTS PROFESSIONAL JUDGMENT, AS VALUATION COMPONENT 4.01 PROPRIETARY PROPERTY 3.10 PROTECTIVE PROVISIONS 6.11, 6.19, Table 6-2 at 6.13 PROVIDED TABLE TRANSPORT 6.10, Table 6.12 at 6.1 |  |   |
| Defined 1.1.12 Investor expectations 7.17 PROBABILITY-WEIGHTED EXPECTED RETURN METHOD (PWERM). See also hybrid method 6.23–29, Appendix I Advantages and limitations 6.27–28 Backsolve method. See also backsolve method See also backsolve see see also backsolve see see see see see see see see see s   |  |   |
| Investor expectations 7.17  PROBABILITY-WEIGHTED EXPECTED RETURN METHOD (PWERM). See also hybrid method 6.23–29, Appendix I. Advantages and limitations 6.27–28 Backsolve method. See also backsolve method 9. Gearally 1.1.03 (Generally 1.1.03 (Gene |  | <ul> <li>Distinguishing retrospective from</li> </ul> |
| PROBABILITY-WEIGHTED EXPECTED RETURN METHOD (PWERM). See also hybrid method 6.23–29, Appendix I Advantages and limitations 6.27–28 Backsolve method 6.28 6.26 Disclosure example 14.18 Discount rate 6.24, Q&A 12.10 6.6eerally 6.25 6.25 Steps in 6.24 6.25 6.25 When to choose 6.25 Steps in 6.24 6.29 PRODUCTS Fostevaluation approval of 6.29 PRODUCTS Table 3-1 at 3.15 Table 3-1 at 3.15 Table 3-1 at 3.15 Table 3-1 at 3.15 Table 6-2 at 6.13 7.31, 7.33 Table 6-2 at 6.13 Table 6-2 at 6.13 7.31, 7.33 Table 6-2 at 6.13 Table 6   |  |   |
| PROBABILITY-WEIGHTED EXPECTED RETURN METHOD (PWERM). See also hybrid method  | · Investor expectations/.1/                          |   |
| METHOD (PWERM). See also hybrid method   6.2329, Appendix   Advantages and limitations   6.2728   Backsolve method   5.26   Bisclosure example   14.18   Discount rate   6.24, Q&A 12.10   Generally   6.21, 6.23   Interim cash flows   6.25   Steps in   6.24   When to choose   6.29   PRODUCTS   Postevaluation approval of   Q&A 12.17   Valuation consideration, as   3.10   Table 3-1 at 3.18   PROTECTIVE PROVISIONS   6.11, 6.19,   | PROBABILITY-WEIGHTED EXPECTED RETURN                 |   |
| Management role in   |  |   |
| - Advantages and limitations 6.27–28   | method 6.2329, Appendix I                            |   |
| Backsolve method. See also option pricing method. See also occase see see see see see see see see see  |  |   |
| Method   | · Backsolve method. See also backsolve               |   |
| A.46, 4.51   | method6.26   |   |
| Generally 6.21, 6.23 Interim cash flows 6.25 Steps in 6.24 When to choose 6.29 PRODUCTS Postevaluation approval of Q&A 12.17 Valuation consideration, as 3.10 COMPONENT 4.01 PROPRIETARY PROPERTY 3.10 PROTECTIVE PROVISIONS 6.11, 6.19, Table 6-2 at 6.13 PROTECTIVE PUT METHOD 7.29–30, 7.31, 7.33 PWERM. See probability-weighted expected return method  Q QDRM. See quantitative marketability discount model QUALIFIED IPO 6.38 QUANTITATIVE MARKETABILITY DISCOUNT MODEL (QDRM) 7.29–30 QUOTED PRICES IN ACTIVE MARKETS 1.11 R R REAL OPTIONS THEORY. See also option pricing method (OPM) 4.37–38, RISK PREMIUMS, ESTIMATING 8.09 REPRODUCTION COST NEW 4.48 REQUIRE FATE OF RETURN 3.04 RESTRICTED STOCK 1.06, 7.27 REVROSPECTIVE VALUATIONS. See also reliability of valuations 11.02, 11.05, 11.07, 11.10, 11.10–1.12 REWARD, RISK LINK TO. See also reliability of valuations 11.02, 11.05, 11.07, 11.10, 11.10–1.12 REWARD, RISK LINK TO. See also reliability of valuations 11.02, 11.05, 11.07, 11.10, 11.10–1.2 REWARD, RISK LINK TO. See also reliability of valuations 11.02, 11.05, 11.07, 11.10, 11.10–1.2 REWARD, RISK LINK TO. See also reliability of valuations 11.02, 11.05, 11.07, 11.10, 11.10–1.2 REWARD, RISK LINK TO. See also reliability of valuations 11.02, 11.05, 11.07, 11.10, 11.10–1.2 REWARD, RISK LINK TO. See also reliability of valuations 11.02, 11.05, 11.07, 11.10, 11.10–1.2 REWARD, RISK LINK TO. See also reliability of valuations 11.02, 11.05, 11.07, 11.10, 11.10–1.2 REWARD, RISK LINK TO. See also reliability of valuations 11.02, 11.05, 11.07, 11.10, 11.10–1.2 REWARD, RISK LINK TO. See also reliability of valuations 11.02, 11.05, 11.07, 11.10, 11.10–1.2 REWARD, RISK LINK TO. See also reliability of valuations 11.02, 11.05, 11.07, 11.10, 11.10–1.12 REWARD, RISK LINK TO. See also reliability of valuations 11.02, 11.05, 11.07, 11.10, 11.10–1.12 REWARD, RISK LINK TO. See also orplanting 11.02, 11.05, 11.07, 11.10, 11.10–1.12 REWARD, RISK LINK TO. See also o | · Disclosure example14.18                            | REPLACEMENT COS NEW4.44,                              |
| REPRODUCTION COST NEW   4.48     Interim cash flows   6.25     Steps in   6.24     When to choose   6.29     PRODUCTS     Postevaluation approval of   Q&A 12.17     Valuation consideration, as   3.10     COMPONENT   4.01     PROPRIETARY PROPERTY   3.10     PROTECTIVE PROVISIONS   6.11, 6.19     COMPONENT   7.29   3.0     PROTECTIVE PUT METICO   7.29   3.0     PWERM. See probability-weighted expected return method     Qualified IPO   6.38     QUALIFIED IPO   6.38     QUANTITATIVE MARKETABILITY DISCOUNT MODEL (QDRM)   7.29   3.0     QUOTED PRICES IN ACTIVE MARKETS   1.11     R     R     REAL OPTIONS THEORY. See also option pricing method (OPM)   4.37   38,     REAL OPTIONS THEORY. See also option pricing method (OPM)   4.37   38,     IPO CONSIDER SETIMATING   8.09     REPRODUCTICN COST NEW   4.48     REQUIRED FRAYE OF RETURN   3.04     RESTPICTED STOCK   1.06, 7.27     REQUIRED FRAYE OF RETURN   3.04     RESTPICTED STOCK   1.06, 7.27     REVARD, RISK LINK TO. See also risk   6.03 - 05     RIGHT TO PARTICIPATE IN FUTURE     ROUNDS   6.11, Table 6-2 at 6.13     RIGHT TO PARTICIPATE IN FUTURE     ROUNDS   6.11, Table 6-2 at 6.13     Control   6.09, 6.11 - 12, 6.19     Control   6.09 - 6.17 - 20, Q&A 12.15     Control   6.09 - 6.17    | <ul> <li>Discount rate6.24, Q&amp;A 12.10</li> </ul> |   |
| RESIPICTED STOCK   |  | REPRODUCTION COST NEW 4.48                            |
| Steps in   | · Interim cash flows 6.25                            | REQUIRED FAVE OF RETURN 3 04                          |
| PRODUCTS Postevaluation approval of Q&A 12.17 Valuation consideration, as 3.19 Valuation consideration, as 3.19 PROFESSIONAL JUDGMENT, AS VALUATION COMPONENT 4.01 PROPRIETARY PROPERTY 3.10 PROTECTIVE PROVISIONS 6.11, 6.19, Table 6-2 at 6.13 PROTECTIVE PUT METHOD 7.2930, 7.31, 7.33  PWERM. See probability-weighted expected return methoc  Q QDRM. See quantitative marketability discount model QUALIFIED IPO 6.38 QUANTITATIVE MARKETABILITY DISCOUNT MODEL (QDRM) 7.2930 QUOTED PRICES IN ACTIVE MARKETS 1.11  R REAL OPTIONS THEORY. See also option pricing method (OPM) 4.3738, RISK PREMIUMS, ESTIMATING 8.09   | · Steps in6.24                                       |   |
| Postevaluation approval of   | · When to choose6.29                                 | RESTRICTED STOCK1.06, 7.27                            |
| Postevaluation approval of   | PRODUCTS   |   |
| Naluation consideration, as   3.10   |  | reliability of valuations11.02, 11.05,                |
| PROFESSIONAL JUDGMENT, AS VALUATION COMPONENT  |  |   |
| PROFESSIONAL JUDGMENT, AS VALUATION COMPONENT  |  | REWARD RISK LINK TO See also                          |
| RIGHT TO PARTICIPATE IN FUTURE   |  |   |
| PROPRIETARY PROPERTY   |  | DICUT TO DARTICIDATE IN FUTURE                        |
| Complex capital structures; specific stock types  1.11    Complex capital structures; specific stock types   Challenges in valuing  6.1720, Q&A 12.15  |  |   |
| Complex capital structures; specific stock types  1.11    Complex capital structures; specific stock types   Challenges in valuing  6.1720, Q&A 12.15  | PROTECTIVE PROVISIONS 6.11, 6.19.                    | RIGHTS OF STOCKHOLDERS. See also                      |
| ## stock types   Challenges in valuing   |  |   |
| PWERM. See probability-weighted expected return method   PWERM. See probability-weighted expected return method   PWERM. See quantitative marketability discount model   PO  |  |   |
| PWERM. See propobility-weighted expected return method  Q  QDRM. See quantitative marketability discount model  QUALIFIED IPO 6.38  QUANTITATIVE MARKETABILITY DISCOUNT MODEL (QDRM) 7.2930  QUOTED PRICES IN ACTIVE MARKETS 1.11  R  REAL OPTIONS THEORY. See also option pricing method (OPM) 4.3738,  REAL OPTIONS THEORY. See also option pricing method (OPM) 4.3738,  REAL OPTIONS THEORY. See also option pricing method (OPM) 4.3738,  RESCONDIE Appendix H, Table 6-2 at 6.13  Economic 6.0910, 6.19, 7.11,   | 7 21 7 22  | **  |
| Conomic   6.09-10, 6.19, 7.11,   Appendix H, Table 6-1 at 6.13   |  |   |
| Economic   6.0910, 6.19, 7.11,   Appendix H, Table 6-1 at 6.13   | ·  | Appendix H, Table 6-2 at 6.13                         |
| QDRM. See quantitative marketability discount model QUALIFIED IPO 6.38 QUANTITATIVE MARKETABILITY DISCOUNT MODEL (QDRM) 7.29–.30 QUOTED PRICES IN ACTIVE MARKETS 1.11 R REAL OPTIONS THEORY. See also option pricing method (OPM) 4.37–.38,  RISK. See also volatility Income approach consideration, as 4.26, 4.28, 4.39 IPO considerations 10.05–.06, 10.07 Reward link to 6.03–.05 RISK-ADJUSTED DISCOUNT RATE 6.24 RISK FACTORS Disclosure 14.08 Manager experience and 3.06 Milestone achievement link to 3.04 Valuation consideration, as 3.18, Table 3-1 at 3.18  | return method  | Economic  |
| QDRM. See quantitative marketability discount model QUALIFIED IPO 6.38 QUANTITATIVE MARKETABILITY DISCOUNT MODEL (QDRM) 7.29–.30 QUOTED PRICES IN ACTIVE MARKETS 1.11 R REAL OPTIONS THEORY. See also option pricing method (OPM) 4.37–.38,  RISK. See also volatility Income approach consideration, as 4.26, 4.28, 4.39 IPO considerations 10.05–.06, 10.07 Reward link to 6.03–.05 RISK-ADJUSTED DISCOUNT RATE 6.24 RISK FACTORS Disclosure 14.08 Manager experience and 3.06 Milestone achievement link to 3.04 Valuation consideration, as 3.18, Table 3-1 at 3.18  |  | Appendix H, Table 6-1 at 6.13                         |
| QDRM. See quantitative marketability discount model  QUALIFIED IPO   | Q  | RISK See also volatility                              |
| 1.20      | ODDIA O CONTROL LA LITTO                             |   |
| IPO considerations   10.0506, 10.07  | •  |   |
| QUALIFIED IPO         6.38           QUANTITATIVE MARKETABILITY DISCOUNT MODEL (QDRM)         7.2930           QUOTED PRICES IN ACTIVE MARKETS         1.11           R         Disclosure         14.08           Manager experience and         3.06           Milestone achievement link to         3.04           Valuation consideration, as         3.18,           Table 3-1 at 3.18           RISK PREMIUMS, ESTIMATING         8.09   |  |   |
| QUANTITATIVE MARKETABILITY DISCOUNT MODEL (QDRM) 7.29–.30  QUOTED PRICES IN ACTIVE RISK FACTORS  QUOTED PRICES IN ACTIVE DISCOUNT RATE 6.24  MARKETS 1.11  R  REAL OPTIONS THEORY. See also option pricing method (OPM) 4.37–.38,  RISK-ADJUSTED DISCOUNT RATE 6.24  RISK FACTORS  Disclosure 14.08  Manager experience and 3.06  Milestone achievement link to 3.04  Valuation consideration, as 3.18,  Table 3-1 at 3.18   | QUALIFIED IPO  |   |
| MODEL (QDRM)   7.2930   RISK-ADJUSTED DISCOUNT RATE   5.24   | OUANTITATIVE MARKETABILITY DISCOUNT                  |   |
| QUOTED PRICES IN ACTIVE         RISK FACTORS           MARKETS         1.11         Disclosure         14.08           R         Manager experience and         3.06           Milestone achievement link to         3.04           Valuation consideration, as         3.18,           Table 3-1 at 3.18           RISK PREMIUMS, ESTIMATING         8.09   |  | RISK-ADJUSTED DISCOUNT RATE6.24                       |
| MARKETS         1.11         Manager experience and  |  | RISK FACTORS  |
| R REAL OPTIONS THEORY. See also option pricing method (OPM)  |  |   |
| R Valuation consideration, as  | mnikely  |   |
| REAL OPTIONS THEORY. See also option pricing method (OPM)4.37–.38, RISK PREMIUMS, ESTIMATING8.09   | В  |   |
| pricing method (OPM)4.37–.38, RISK PREMIUMS, ESTIMATING8.09  | ĸ  |   |
| pricing method (OPM)4.37–.38, RISK PREMIUMS, ESTIMATING8.09  | REAL OPTIONS THEORY See also option                  | Table 3-1 at 3.18                                     |
| pricing inculou (or in)  |  | RISK PREMIUMS, ESTIMATING8.09                         |
| RISKLESS-HEDGE ARBITRAGE 4.37  | Annendiy G   |   |
|  | пррених ч  | RISKLESS-HEDGE ARBITRAGE 4.3/                         |

| ROLL-UP STRUCTURE 6.04, Q&A 12.9   | SUNK COSTS4.52   |
|--|--|
| "RULE OF THUMB," IN VALUATION3.19,6.14, 6.18   | SUPPLIER RELATIONSHIPS. See also vendor characteristics              |
| S  | SUPPLIERS' BARGAINING POWER3.09                                      |
| SECONDARY MARKET TRANSACTIONS.  See also transactions, inferring value                                   | SYNERGIES. See also controlling interests; marketable interests 4.19 |
| from7.33, 8.01, 8.03–.15   | Т  |
| SEED CAPITALTable 2-1 at 2.03  | TAG-ALONG RIGHTS. See also rights of                                 |
| SEGMENTS OF INDUSTRY3.17   | stockholders   |
| SENIOR SECURITIES  | Table 6-2 at 6.13  |
| SENSITIVITY ANALYSIS   | TANGIBLE ASSETS. See also asset approach4.42, 4.44                   |
| SERVICE, AS VALUATION  CONSIDERATION   | TAXES, COMMON STOCK PURCHASED FROM                                   |
| SHARE-BASED PAYMENT TRANSACTIONS1.0506, 8.05,  | EMPLOYEES  |
| 14.0104  | VALUATION CONSIDERATION3.10  |
| SHARE REPURCHASE PROGRAMS 6.07   | TERMINAL VALUE 4.31–.34  |
| SHELF LIFE OF VALUATIONS Q&A 12.1920   | · Reliability of valuations and11.03–.06                             |
| SHELTON-KASSOUF PRICING  | Valuation report updates, of   |
| MODELS   | In weighting transactions  |
| SIMPLE CAPITAL STRUCTURES 5.0121   | TRADED PRICE OF DEBT Q&A 12.2  |
| Assumptions       5.02         Defined       5.01, 6.08         Effect of decline in value of       5.21 | TRADING PATTERN, IN WEIGHTING TRANSACTIONS8.12                       |
| • Enterprises intending to remain private  | TRANCHED PREFERRED   |
| indefinitely   | INVESTMENTS8.03  |
| Marketability discounts Q&A 12.15 Minority interests 5.02–.09. 5.13,                                     | TRANSACTION PRICE, IN FAIR VALUE                                     |
| 7.08, Table 5-1 at 5.08  | INFERENCE. See also transactions, inferring value from               |
| Value of debt for purpose of equity valuation<br>See debt, fair value of                                 | TRANSACTIONS, INFERRING VALUE  |
| STAGES OF DEVELOPMENT. See enterprise  | FROM PRIVATE COMPANY   |
| development  | SECURITIES   |
| STOCK. See also specific types, such as  | · Accounting guidance  |
| common stock  Enterprise with multiple types of. See complex   | · Fair value defined8.04   |
| capital structures   | Generally8.01     Orderly transactions8.08–.11                       |
| · Enterprise with single type of. See simple   | Steps in   |
| capital structures   | Types of private8.03   |
| <ul> <li>Restricted. See stock restrictions</li> <li>Voting and nonvoting. See also voting</li> </ul>    | · Weighting  |
| rights 7.15  | TURNAROUND STRATEGY6.04  |
| STOCK RESTRICTIONS 1.06, 7.27  | U  |
| STRATEGIC BUSINESS PARTNERS. See business partners   | UNIFORM STANDARDS OF PROFESSIONAL                                    |
| SUBSEQUENT EVENTS,   | APPRAISAL PRACTICE (APPRAISAL  |
| DISTINGUISHING POSTVALUATION EVENTS FROM11.19  | FOUNDATION)  |
| SUBSTITUTE PRODUCTS  | UNOBSERVABLE INPUTS1.11, 4.24,8.06, 11.15                            |
| SUMMARY REPORTS. See also valuation  | UNRELATED PARTIES, CASH  |
| report   | TRANSACTIONS1.12   |

| V  | VALUATION SPECIALISTS                      |
|--|--|
| VALUATION CONCIDEDATIONS IN                | · Bias of11.13                             |
| VALUATION, CONSIDERATIONS IN PERFORMING    | • Guidance for hiring1.14, 13.10,          |
| Barriers to entry                          | Appendix C                                 |
| Common questions and                       | • Qualifications of                        |
| answersQ&A 12.1–.20                        | Related and unrelated                      |
| · Competitive forces                       | · Responsibilities. See also valuation     |
| Cost structure and financial               | report1.15–.16, Appendix D                 |
| conditions                                 | VENDOR CHARACTERISTICS. See also           |
| · Customer and vendor characteristics 3.12 | supplier relationships3.12                 |
| · Disclosure example                       | VENTURE CAPITAL COMPANIES                  |
| Enterprise milestones 3.02–.04             | · Enterprise development Table 2-1 at 2.03 |
| Enterprise risk factors                    | · "Going private"6.07                      |
| Table 3-1 at 3.18                          | · Investor expectations                    |
| · Industry segment attractiveness3.17      | Public company returns compared            |
| · Major investors                          | with                                       |
| Management and director                    | Risk for return in6.03, 6.05               |
| membership                                 | VETO RIGHTS. See also rights of            |
| Marketplace and competitors                | stockholders6.11, 6.19,                    |
| Proprietary property                       | Table 6-2 at 6.13                          |
| State of industry and economy3.05          | VOLATILITY. See also risk 7.2930,          |
| Supplier and customer                      | Q&A 12.11, 14.18                           |
| relationships                              | VOLATILITY ASSUMPTION 6.36, 7.32           |
| · Work force                               | VOTING FIGHTS. See also rights of          |
| VALUATION APPROACHES. See also asset       | st. c. holders 6.11, 6.19, 7.15,           |
| approach; income approach; market          | Table 6-2 at 6.13                          |
| approach4.0155                             |  |
| · Assessing results of                     | W  |
| 9.03, 13.15                                | 3  |
| · Generally 4.01–04                        | WACC. See weighted average cost of capital |
| · Using multiple 4.03                      | WEIGHTED AVERAGE COST OF CAPITAL           |
| VALUATION REPORT 13.0116                   | (WACC). See also cost of                   |
| · Accounting guidance                      | capital Appendix F                         |
| · Assumptions and limiting                 | WEIGHTING, SECONDARY MARKET                |
| conditions Appendix K                      | TRANSACTIONS. See also transactions,       |
| · Format                                   | inferring value from8.1215                 |
| Generally                                  | WORK FORCE. See employees                  |
| Method choice explained in4.03, 13.05,     | ,,,  |
| Point estimates over value ranges in13.12  | Υ  |
| Postvaluation events in                    | -  |
| Section and content guidance13.05–.06,     | YIELD METHOD5.1517, 6.05, 6.47             |
|  |  |
| · Sensitivity analysis in                  | Z  |
| · Unrelated party preparing13.10           | ZEDO COLIDONI DONID                        |
| · Updates of13.11                          | ZERO COUPON BOND                           |
|  | EQUIVALENT5.1920, Q&A 12.3                 |
|  |  |