



Orchard Partners, Inc.

409A Valuation Information Request

Client:

Request Date:

Please provide the following information to the extent that it is available.

Definition of the appraisal assignment

What is the appraisal date?	
Is the appraisal to be used for tax purposes (409A) and financial reporting purposes (SFAS 123R)?	
Who are the company's auditors?	
Will you ask the auditor to review the appraisal report?	
Does the company plan to have the stock valued on a regular basis? If so, will the appraisals be annual, semi-annual or quarterly?	
Does the company have plans for an IPO within 24 months?	
Has the Company ever had an appraisal report prepared? If so, please provide a copy.	
What is the most recent strike price on options issued and how was this price determined?	
What is the date of the most recent preferred financing?	
What price was paid for the preferred shares in the most recent financing?	
Is there reason to believe the Company's value has increased or decreased since the last financing?	
In management's opinion, what is the value of the common stock?	

Company overview

What is the Company's website address?	
Is a business plan and/or financing memorandum available?	
Are third-party market surveys or forecasts available?	
Please provide five years of historical financial statements.	
Are audited statements available? If so, please provide, including the footnotes.	
Please provide year to date financials.	
Please provide a current year and five year forecast.	
List the company's major competitors	
List publicly traded comparable companies	
List M&A transactions you are aware of for companies similar to your own.	
List all outstanding litigation.	
Describe any environmental issues or other off balance sheet liabilities.	
Provide a management organization chart and state the number of employees.	
List top ten customers as a percent of sales.	
Identify any significant non-recurring expenses or income in the past 24 months.	

Capital structure

Please provide articles of incorporation	
Provide a capitalization schedule showing the number of shares outstanding by class	
Provide a description of each class of stock, including	
— Amount raised, date and pricing	
— Liquidation preference	
— Conversion ratio	
— Participation rights (and caps)	
— Are dividends cumulative or non-cumulative?	
— What is the dividend rate?	
— What was the amount of accrued dividends on the appraisal date?	
— Is the preferred redeemable? If so, when?	

Provide a “waterfall” schedule showing the payout of preferred and common shares at different levels of value.	
Provide a record of any transactions in the stock (including between shareholders) within the past three years.	
Provide an option pricing schedule, showing the number of options issued and outstanding by exercise price.	
Will additional financings be necessary?	
What is the likely timing and amount of these financings?	
Has the company received any term sheets from potential investors?	

Allocation of value between preferred and common shares

In order to allocate value between preferred and common shares, it will be necessary to select one of three allocation methods. The following questions will assist us in identifying the appropriate allocation method.

Is a long-term (3-5 year) forecast available?	
How reliable is the forecast?	
How has the company performed relative to past forecasts?	
What is the basis for the revenue forecast? For example, is the model based on assumed growth rates, market share assumptions, sales force productivity assumptions, or some other measure?	
What is the basis for the expense forecast? For example, is the model based on assumed growth rates, increases in the headcount, a percent of sales or some other measure?	
What does the forecast assume in terms of requirements for working capital and capital expenditures?	
Describe any plans or progress with regards to:	
— An IPO (such as meetings with prospective underwriters)	
— Selling the company (negotiations with prospective acquirers, plans to retain an investment banker)	
— Raising additional capital (receipt	

of term sheets, presentations to venture investors)	
Is a liquidity event in the form of an acquisition or dissolution imminent?	
When was the company founded?	

In order for us to consider the probability weighted expected returns method, please complete the table below to the best of your ability:

Liquidity Event	Probability	Timing
IPO		
Sale above liquidation preference		
Sale below liquidation preference		
Remain private		
Dissolution		
Other		