

> Update on International Private Equity and Venture Capital Valuation (“IPEV”) Guidelines

After an extended period of review and consultation the updated IPEV Guidelines were released on 9 September 2009. The updated guidelines are broadly consistent with the prior version and as a result we do not expect that the fair value of an investment determined in accordance with the prior version will be notably different when the new guidelines are applied. Changes were made primarily to eliminate confusion and ensure compliance with evolving US and International Fair Value accounting rules.

Key highlights from the updated guidelines include the following:

Relevance of the price of recent investments

The updated guidelines clarify that there is no “safe harbour” period where cost would be used to estimate Fair Value. The update guidelines reinforce the need for the valuer to assess Fair Value at each reporting date.

Additional guidance for early stage (Venture Capital) investments

Additional guidance is provided to estimate the Fair Value of early stage investments. The Price of a Recent Investment may not be used as a default to estimate Fair Value, however, in certain circumstances it may be the best determinant of Fair Value. In addition, a Milestone Analysis may be undertaken, quantifying significant expectations in relation to the investee company/global economy/market/other factors as appropriate, to estimate Fair Value.

Clarification of application of Marketability Discount

All features of an investee company should be considered in determining Fair Value. The potential lack of marketability for a private company is a feature that is inherent in estimating the Fair Value of the underlying company. The update guidelines clarify that when marketability is appropriately considered in estimating Fair Value of the Enterprise there is no need for an additional marketability discount.

New Guidance for valuing LP Interests in Private Equity funds

The updated guidelines provide a description of how Limited Partners should estimate the Fair Value of their interest in a Fund. An investor’s attributable proportion of reported Fund NAV may be used by the LP to estimate Fair Value to the extent that the LP has evidence that NAV is derived by the General Partner using proper Fair Value principles as part of a robust process.

Additional Guidance for valuation of Mezzanine Debt

The update guidelines recognise that mezzanine debt must be valued at fair value. Generally, a discounted cash flow calculation is appropriate for valuing non-publicly traded debt.

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