



## How to Not Overpay for Bankrupt Assets

### CASE STUDY - VBAP1

#### Service:

IT Independent Verification & Validation (IVV)

#### Client:

VC and Start-up firm

#### Requirement:

Technology Diligence to provide expert opinion as to the relative market value and utility of a Technology Asset.

#### Situation:

A VC required, prior to fulfilling a funding commitment, that a software startup secure an opinion as to the relative market value and utility of certain software and intellectual property owned and developed by a defunct entity then in bankruptcy.

The startup required visibility regarding the current status of the assets from the following perspectives: technology, process to develop technology, market readiness of product and replacement cost of product either by alternative product purchase or bespoke development.

#### Scope:

Staffing: 1 person week.

Deliverable: Written report to the firm and VC, and a subsequent presentation to the company CEO.

#### Discovery:

Semaphore Technology Diligence (S4TD) practice personnel completed a review of the usability, product state and architecture; Technology of subject

Asset, including the process used to develop Asset, including documentation,

configuration management and development process; and its Market Readiness, including estimating its percentage completion and the replacement cost of Asset.

After having completed such, it was Semaphore's opinion that the proposed acquisition cost for the subject Asset was a fair and reasonable price consistent with the discovery. It was also determined that replacement cost was approximately 4 times greater. Lastly, an estimate to complete the software was outlined.

Overall, the technology proper was solid and well architected. Appropriate use of leading edge technologies and tools had occurred. Issues exist in the areas of deployment and integration and were documented accordingly. The company has the opportunity to correct and adjust as necessary in moving forward toward product completion.

#### Outcome:

1. The decision was made to proceed with the acquisition of the subject asset, effectively reducing product to market timeframe 75%.
2. The VC investment was completed.
3. Recommendations on how to exploit the technology asset base were provided and afforded greater market traction.