



September 02, 2008

## Executive Summary

**One Line Pitch:** A technology-enabled financial services firm with dramatic growth potential, a scalable business model, an experienced team, and a growing client base.

**Business Summary:** OTC Val delivers valuation and risk reports to targeted institutions who, driven by regulatory and internal risk compliance pressure, require independent pricing of their exotic derivative portfolios for financial reporting purposes. Unlike its competitors, OTC Val has an automated solution with the most comprehensive coverage, a focus on customer service, and a price point conducive to white-label, and other distribution channel, arrangements.

**Management:** Our team has expertise in OTC derivative markets spanning professional services, sales engineering, service delivery process design, software and systems engineering, and quantitative trading and research. The team met and worked together for several years at another company, and each member brings highly complementary skill sets to successfully start, manage, and grow OTC Val.

**Customer Problem:** Regulatory and investor pressures are forcing derivatives users to seek independent pricing of their portfolios. Barriers to entry have led to a market with no dominant player or leading solution.

**Product/Services:** Through a combination of leading technology and specialized in-house expertise, OTC Val is developing an automated derivative valuation service to address exotic derivative price verification needs. Our solution takes portfolio information from the client, calibrates financial models to market data, prices portfolios and generates valuation and risk reports. Once the process is fully automated, our servicing capabilities will be unsurpassed.

**Target Market:** The market that currently does not have a solution for exotic derivative valuation services is approximately \$270 - \$700 million, based on:

- Total derivative contacts notional outstanding = \$596 trillion
- Assume \$100M average contract notional => 6M contracts
- Assume 100 positions per firm = 60k prospects
- Assume 30% deal in exotics = 18k prospects
- As surveyed, the average client spends \$58k annually => a \$1.04B market for exotic derivatives
- As surveyed, 33% have solution, 26% looking, 41% may start looking

**Customers, Prospects, Channels:** 5 Clients including BancorpSouth Bank. 25 in pipeline including Aegon, BNY Mellon, ANZ Bank, Baillie Gifford, GlobeOp, ING Investments, JPMorgan, KPMG, PWC. 3 distribution channels: ValueLink, Independent Risk Monitoring Ltd., and Syntel Inc.

### Company Profile:

Industry: Financial Services  
Employees: 6  
Founded: June 2007

### Contact:

Bob Sangha  
[b.sangha@otcvaluations.com](mailto:b.sangha@otcvaluations.com)  
w: 778.565.7200  
f: 778.565.7600

### Financial Information:

Funding Stage: Growth  
Capital Seeking: USD 2M

### Technology Partner:

NumeriX



**Sales/Marketing Strategy:** We employ a direct sales approach via telephone supplemented with onsite visits to targeted fund administrators, banks, and investment management firms, as well as an indirect sales approach using complementary service providers as channel partners. The indirect model is our primary approach. Direct marketing is conducted using Google keywords, industry surveys, and outbound lead generation. Client retention is based on superior service delivery.

**Business Model:** We initially target the exotic derivatives market to gain dominance, and then will pursue the vanilla [replacement] market. A standard recurring revenue model based on one to three year contracts is used.

**Competitors:** There are four competitive offerings of exotic derivative valuation services in North America and Europe: Prism, CSV, Reech FastVal, and DerivActiv. None of these have the breadth of coverage, automation, and customer service to become the dominant market player. The market leaders in the vanilla space are Markit Group and SuperDerivatives. These remain focused on the vanilla business as it is significantly larger than the exotics space.

**Competitive Advantage:** Our automated, scalable valuation system and service delivery process, and our focus on customer intimacy are difficult to replicate due to barriers of high costs for data, technology, and specialized staff.

**The Promise:** The table below provides a five year summary of revenue, expenditures, net income, clients, and headcount. Revenues over the next 12 months are based on our current pipeline; afterwards the number of new contracts is projected to increase by 10% annually.

Growth Projections (000's)					
	2008	2009	2010	2011	2012
Revenue	150	1,440	6,000	11,370	17,890
Total Expenses	480	2,300	4,340	6,750	9,490
EBITDA	(330)	(860)	1,660	4,620	8,400
Net Income	(330)	(860)	1,080	3,000	5,460
Total Head Count	7	20	23	26	29
Total Clients	6	41	109	191	290

**The Ask:** To bring together the key components required for a scalable and fully automated valuation service, OTC Val requires funding in order to source additional human capital, market data, and technology. This will allow us to execute our go-to-market strategy, enhance our competitive advantage, and become the market leader in exotic derivative valuation services. In order to have a fully scalable and automated solution within 6-12 months and to become profitable by the end of 2010, OTC Val will require \$2 million in funding.