

## FFG's Expert Witness Testimony Gives Client a Significant Win

Our client, Real Industry, Inc. (formerly Signature Group Holdings, Inc.), recently completed bankruptcy proceedings at the Delaware Bankruptcy Court and had engaged FFG to provide an appraisal of a unique warrant instrument pursuant to the Company's Chapter 11 bankruptcy Plan of Reorganization.

We had previously worked with the Company for more than seven years providing valuation services in relation to the warrant, which had a ratchet provision that provided for the exercise price to adjust if the Company raised equity at a price lower than the existing strike price. As Real Industry had large tax carryover net operating losses (NOLs), the Company's expectation over the years was for future rounds of financing to potentially be structured as rights offerings of common stock to existing shareholders at a discount to the average traded share price over a 10-day period. These features were modeled using a Monte Carlo simulation in MATLAB.

In the Real Industry bankruptcy, an objection was filed by the holders of the warrants just a few days before the Court hearing on the Company's Plan of Reorganization. We were retained on a Thursday, only two business days and a weekend prior to the Tuesday hearing. FFG leapt into action, and over that weekend, numerous scenarios were run and the expert witness declaration of FFG principal Jason Forsyth was filed on Monday. After listening to expert testimony by Mr. Forsyth at the Bankruptcy Hearing the following day, the Court's findings of fact agreed with the value provided by FFG, which was 5.625% of the value demanded by the warrant holders.

This outcome was a significant victory for our client and an excellent example of FFG's expertise in the appraisal of exotic financial instruments, as well as client service.

FFG has extensive experience and specializes in the appraisal of all types of financial instruments including the following:

- Derivative models for convertible bonds, mortgage backed securities, variance swaps, credit default swaps, and collateral debt obligations. Experience ranges from Monte Carlo simulations, incorporating least-squared regression, to PDE methodologies and three-dimensional lattice models.
- Performance-based vesting stock options for employee compensation, including incentive stock options (ISOs) or nonqualified stock options (NSOs), warrants, phantom stock and stock appreciation rights (SARs) including market performance elements ranging from simple thresholds to complex comparisons to an index (rainbow options).

**FFG Valuations, Inc.**, is a full service valuation and financial services firm committed to exceeding client expectations through providing comprehensive reports and independent advice in a timely manner with personalized attention to every engagement.