



THE CHASE GROUP - Business Brokers

Mergers, Acquisitions, Financing & Valuation Services
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2012

RE: Business Valuation Services Overview

Dear Lender,

Please find attached a brief overview of our services and an informative review of Chase Group's SBA-compliant business valuation services.

Please do not hesitate to contact us with any questions about our SBA-compliant business valuation services for lenders and loan guarantees.

I am looking forward to working with you on your future SBA business needs!

Kindest regards,

Greg Di Cristina

Greg Di Cristina
Principal, Chase Group
greg@chasegroup.us



Business Valuations
Mergers & Acquisitions
Asset & Receivables Financing
Equipment Leasing



COMPANY INFORMATION

CHASE GROUP is a full service intermediary and valuation firm providing Business Lenders and their respective clients a full suite of SBA-compliant business valuation services. Chase Group and its network of service providers belong to one of the most respected business broker certification associations in the country. All Chase Group business brokers and agents have completed formal certification training and have been duly licensed in the State of California.

Professional credentials and affiliations include:

- Financial Broker Association
- California Department of Real Estate
- California Association of Business Brokers

Our certified appraisers belong to the most respected appraisal associations in the country and hold the highest industry designations, making them experts in their field.

Professional affiliations include:

- American Society of Appraisers
- National Association of Certified Valuation Analysts.

CHASE GROUP delivers credible valuation conclusions by applying the most advanced and appropriate valuation techniques. Every business is unique. We believe that research is the foundation of valuing a business, which is why we utilize the most comprehensive databases of economic and comparable transaction data available.

The Chase Group vision of customer dedication and quality services has made us one of the top brokerage and valuation firms in the state. We have affiliate offices located throughout California from San Diego to San Francisco. Founded in 2004, our newest office is located in Murrieta.

ANALYST BIO

Aaron Wedeking, CPA, SBA-compliant Analyst

Mr. Wedeking is a qualified and certified business valuation analyst specializing in helping business clients whose firms typically produce annual sales between \$500 thousand and \$10 million. Prior to joining The Chase Group Aaron specialized in taxation of midsize businesses at one of the nations largest CPA firms.

Aaron is a CPA, earned a BS in Accounting from San Diego State University, has strong business analytical skills and a solid understanding of how small businesses operate. He conducts the firm's business valuations, and ensures compliance with SBA underwriting and loan guarantee guidelines.



VALUATION CONSIDERATIONS

In today's marketplace, many business owners will walk away from unrecognized value when they sell their companies – most often because they do not have a true comprehension of their company's worth. For that reason, the valuation process is a true asset to the business owner and a thorough, professionally prepared valuation will assist them in:

- Helping identify the key value drivers, major strengths, and more importantly, the major weaknesses of a company allowing the owner to solve both obvious and hidden problems prior to the selling process.
- Providing SBA-compliant processes and procedures necessary to procure SBA loan guarantees that are essential in any third-party financing arrangements.
- Determining a reasonable selling price. Many owners rely on general rules of thumb, casual advice from friends, or other similarly unreliable sources. Values determined by general multiples or rules of thumb may be too high or too low. Unless the business owner goes through the valuation process, he or she just will not know.
- Fully understanding the value of the business will assist during negotiation. In this market, one can expect buyers to be sophisticated and experienced. They will conduct a rigorous analysis of the company even if the seller has not. They will look at those factors and value drivers that the owner and his advisors should consider in valuing the company, and they will use that information against the seller in negotiations if allowed.

VALUATION PROCESS

The valuation process can be broken down into 6 steps:

1. Schedule a preliminary fact finding meeting with your CHASE GROUP analyst
2. Complete a Company / Client Profile and provide your analyst with the requested financial documents (Chase Group will assist in the completion of all worksheets and profiles)
3. Submit completed worksheets, documents and profile to the Valuation Analyst to begin the valuation process
4. Allow up to 2 weeks to complete Limited Scope valuations. Expedited delivery may be available at an additional cost.
5. Your Chase Group analyst may review a preliminary finding with you if required before finalizing the valuation
6. Lender will receive 2 hard copies and 1 electronic copy of the valuation when completed



VALUATION TYPES

LIMITED USE VALUATIONS *

Basic Value Analysis (SBA lending compliant)

The In-House Valuation is a restricted-use valuation intended for small companies looking to meet bankruptcy eligibility requirements or to garner an analytically and independently based selling price. The report, approximately 15 pages, provides a synopsis of how the valuation was determined. The valuation method uses a revenue-based comparison.

Third-Party Certified Value Analysis

The Value Analysis is a restricted-use business valuation designed specifically for the “main street” business with sales of \$2,000,000 or less. The report is intended for “asset sale, financial buyers” and is approximately 20-30 pages providing only a summary of how the valuation conclusion was determined. The basis of this valuation is discretionary cash flow, since most main street businesses are bought and sold on a multiple of cash flow. The value considers primarily historical and current financial performance and very little time is spent reviewing the balance sheet.

The report contains the following (partial list of exhibits):

- Historical Income & Adjusted Cash Flow Statements
- Comparable Sales (Market Approach)
- Various Graphic Analyses
- Summary Review of Each Valuation Approach
- Valuation Conclusion and Justification

Limited Formal Valuation

The Limited Formal Valuation is a restricted-use business valuation intended for the standard small business with sales between \$2,000,000 and \$10,000,000. The report is intended for “asset sale, financial buyers” and is approximately 40-60 pages providing a detailed review of all aspects considered in determining the final valuation conclusion. The bulk of the report is financial analysis and the valuation conclusion is supported in more detail. The result takes into consideration the company’s historical and projected earnings as well as a detailed review of the balance sheet.

The report contains the following (partial list of exhibits):

- Historical Income & Adjusted Cash Flow Statements
- Complete Financial Statement Analysis
- Common Size Analysis
- Ratio Analysis
- Industry Analysis
- Economic, Regional and Industry Analyses
- Comparable Sales
- Detailed Description of Each Valuation Approach Considered and Used
- Valuation Conclusion and Justification
- Discounted Future Cash Flow Analysis
- What-If, Hypothetical Transaction
- Proof of Valuation & Valuation Matrix



VALUATION TYPES

COMPREHENSIVE VALUATIONS

Merger & Acquisition Valuation

The Merger & Acquisition Valuation is the most comprehensive business valuation for transactional purposes and is developed in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP). This is a stock valuation and is intended for the middle market business with annual revenues in excess of \$10,000,000, businesses that are expected to sell for more than \$1,000,000, strategic acquisitions of niche businesses, and generally any business with significant growth expected in the future.

The basis of the valuation is focused on future earnings and the selection of guideline companies comes from both the private and public markets. This report is a completely customized report and the number of pages can range from 30 to 200 depending on the data used to support the conclusion.

IRS Revenue Ruling 59-60

A USPAP governed valuation developed for litigation focusing on US Court Reviews, Cited Court Precedents, and in-depth analysis and research of minority and marketability discounts. This valuation is normally used when the value of the stock is in question (minority or majority interest).

IRS Revenue Ruling 59-60 valuations are intended for:

- Estate Tax
- Gift Tax
- ESOP's
- Divorce
- Bankruptcy
- Partnership buy-out or dissolution
- Any other situation requiring litigation or court-order

* The Basic, Value Analysis and Limited Formal Valuation are considered "restricted-use" appraisals. All valuation reports, excluding the IRS RR 59-60, are meant for business transactions only. If the client requires a valuation for anything other than a restricted-use business transaction, the IRS RR 59-60 report must be used.