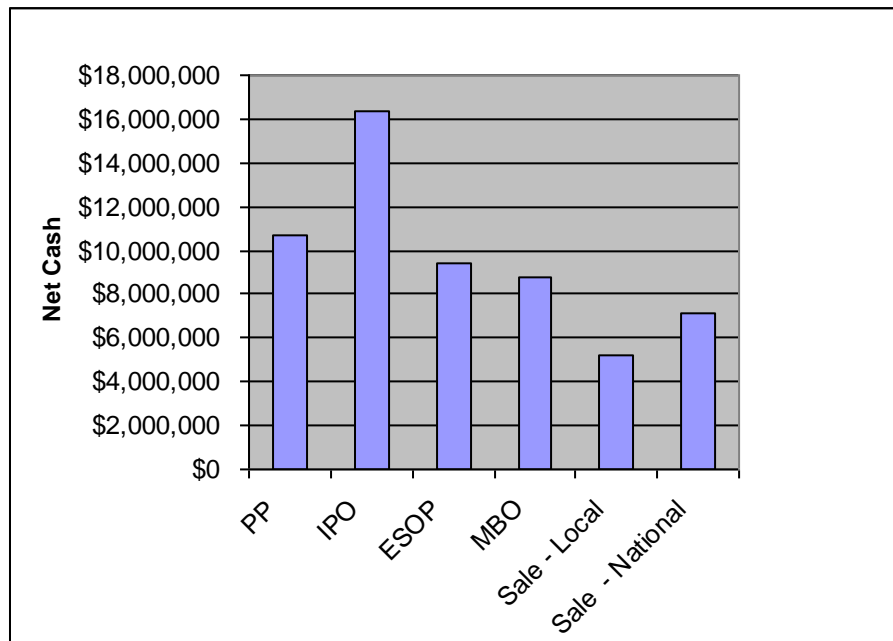




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## The Blueprint for Building Value



A Comprehensive ValuCorp™ Report Combining:

- **Business Valuation**
- **Financial Analysis Report**
- **Capital Markets Assessment**

For Use In:

- **Selling a Business or Obtaining Debt or Equity Financing**
- **Growing the Value of a Business by Understanding Financial Strengths & Weaknesses**
  - **Comparing Growth Paths For a Business**

## Introduction

The **Blueprint for Building Value™** will quantify the financial value of your business, analyze your business, interpret your vision, and effectively communicate this information to key stakeholders. This tool will improve business performance and heighten the degree of confidence to make the best capital markets decision.

The decision may be to sell the business, finance the business, raise capital, grow or cultivate the business, create an ESOP, insure the business or its Key People, or develop a comprehensive estate or gift tax plan, etc.

This insightful tool identifies and measures the Company's strengths and weaknesses – which if properly acted upon will increase the business's value.

- **The Blueprint for Building Value™** is a comprehensive report of a substantive analysis of your business including its financial valuation, operational and structural aspects, and capital markets alternatives.
- The **Blueprint for Building Value's Fact Finder** is designed to accumulate and put in one place the most critical business information, in a streamlined no-nonsense fashion.
- The benefits that the **Blueprint for Building Value™** brings are many (including but not limited to the following):
  - ✓ **For the Business owner** – a step by step guide for him or her to accumulate critical corporate information about almost every aspect of the business and in turn be used to efficiently communicate the data to the Company's stakeholders and professional advisors. This reduces communication inefficiencies and in turn reduces the cost of professional advisors' services. It provides a benchmark financial value that can be used as a baseline value to measure the effect on value when improvements are implemented.
  - ✓ **For the advisor** – a guide for him or her to highlight the germane issues (good and bad) that the company possesses – including but not limited to: valuation enhancement, management best practice, organizational and legal structuring and various financial structuring areas.



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## Section 1 – Business Valuation

The first step of a prudent Business Owner is to know the business' fair market value.

The **Blueprint for Building Value**'s Valuation is an independent, unbiased estimate of the value of a business or a business interest. The valuation analyzes the complex economic benefits from combining a group of physical assets with a group of intangible assets such as patents, trademarks, copyrights, employment agreements, securities, and goodwill. The valuation provides a benchmark that can be used by the owner to compare against as improvements to the business are implemented.

Our development of this estimate of value includes but is not limited to:

- Business valuation principles and theory,
- Financial statement analysis (historical and projected),
- Approaches and methods necessary to determine value, and
- Industry and economic conditions.

### For example:

		<u>Consider- ation</u>	<u>Total</u>	<u>Estimate of Value</u>
Asset approach – net realizable equity	\$1,976,690	0%	\$0	
Income approaches:				
Discounted future cash flow method	6,653,070	20%	1,330,614	
Capitalization of cash flow method	6,851,931	10%	685,193	
Excess earnings method	1,754,442	0%	0	
Market approaches:				
National	5,923,951	30%	1,777,185	
Local	8,469,406	30%	2,540,822	
Public companies	16,338,780	10%	1,633,878	
<b>Enterprise value, before premiums and discounts</b>		100%		\$7,967,692
<b>Working capital</b>				<u>1,916,327</u>
<b>Fair market value indication – before premiums or discounts</b>				<b>\$9,884,019</b>



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## Section 2 – Financial Analysis Report

The second step is creating an understanding of the financial strengths and weaknesses, a section most valuable to a prudent business owner:

1. Financial analysis helps in assessing your Company's financial performance over time. Past sales and earnings, while not a guarantee of future performance, can provide an indication of future growth potential and can put the Company's current performance into a historical context. For example, a company with steadily rising sales and earnings is worth more than one with little or no growth.
2. Trends and key factors impact results, and comparing financial performance and financial statement ratios with available industry performance measures also provides an indication of the attainability of future results.
3. Ratio analysis provides a relationship among financial statement accounts that indicates trends for your Company. These indications of overall probability of future success or failure often influence premiums and discounts while measuring and monitoring financial performance.

This section analyzes your Company's financial performance relative to itself and relative to the industry in which the Company operates.

For example:

<b>Score Card</b>			
	<u>Historical</u>	<u>Projected</u>	<u>Combined</u>
Liquidity	92	92	
Profits and Profit Margin	89	89	
Sales Growth	85	86	
Borrowing Profitably	89	90	
Fixed Assets Use	90	90	
Average	<b>89.0</b>	<b>89.4</b>	<b>89.2</b>

This section includes an integrated set of Financial Projections using an “other comprehensive basis of accounting” (OCBOA), including Income Statements, Balance Sheets and Cash Flows **and** value driver analysis and recommendations.



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## Section 3 – Capital Markets Assessment

**The third step of a prudent Business Owner is to understand the Capital Markets Alternatives that are available and appropriate.**

The Capital Markets Assessment provides the Business Owner with alternatives regarding pricing, timing and probability of success.

Our CMA is part of a proven Deal Screening Process that scores and rates your business as a financing candidate. Our CMA accomplishes the following for you:

- Deal **rating and score** computation to assess the funding potential and its cost to your business, as documented in our **CMA**.
- Preliminary **due diligence** to ensure that many of the corporate papers are in order. This effort minimizes the **Deal Structure Process** time.
- Deal **presentation material** to support the preparation required for discussions with funding sources.
- Management of **consulting services** to enhance your proposal to improve deal score and rating.

Our Capital Markets Analysis is built on a Multipoint Evaluation Process similar to the system used by FICO for credit evaluation. We then apply it to a scoring system similar to Moody's Rating System.

### **Deal Ratings**

All deals receive a score, which is aligned to how a financier assesses acceptable minimum scores to finance a deal. The CMA scores all sources of capital pools under the same system to remove any subjectivity.

<u>Rating</u>	<u>Points</u>	<u>Audience</u>
AAA	950-1000	All Financing Sources
AA	900-949	
A+	850-899	
A	800-849	A and B Grade Financial Sources
A-	750-799	
B+	650-749	
B	550-649	B Grade Financial Sources
B-	450-549	



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If you have a B Grade Deal and are unwilling to take the necessary steps to upgrade to a higher score, then you should lower your expectations about completing a transaction, because there are fewer capital sources willing to accept B Grade Deals. Typically, if a B Grade Deal is accepted, the costs are much higher than an A Grade Deal. If your rating is below a B- Grade Deal and you're not willing to do what is necessary to move up to at least a B- Grade, then it is highly unlikely you will complete your transaction.

## Scoring Criteria

A summary of the ten areas comprising the scoring criteria is shown in the following table along with the maximum score for each and the actual score a client company achieved.

### For Example:

Category	Weight	Category Grade	
		Maximum	Company
Financial Analysis Report	22.5%	225.0	200.7
Due Diligence Review	5.0%	50.0	38.0
Management Team	25.0%	250.0	106.0
Deal Potential	20.0%	200.0	154.4
Market Size and Share	10.0%	100.0	100.0
Competition	2.5%	25.0	25.0
Growth of Industry	2.5%	25.0	16.0
International Markets	2.5%	25.0	-
Competitive Advantage	<u>10.0%</u>	<u>100.0</u>	<u>60.0</u>
<b>CAPITAL MARKETS ASSESSMENT – BUSINESS</b>	<b>100.0%</b>	<b>1000.0</b>	<b>700.1</b>

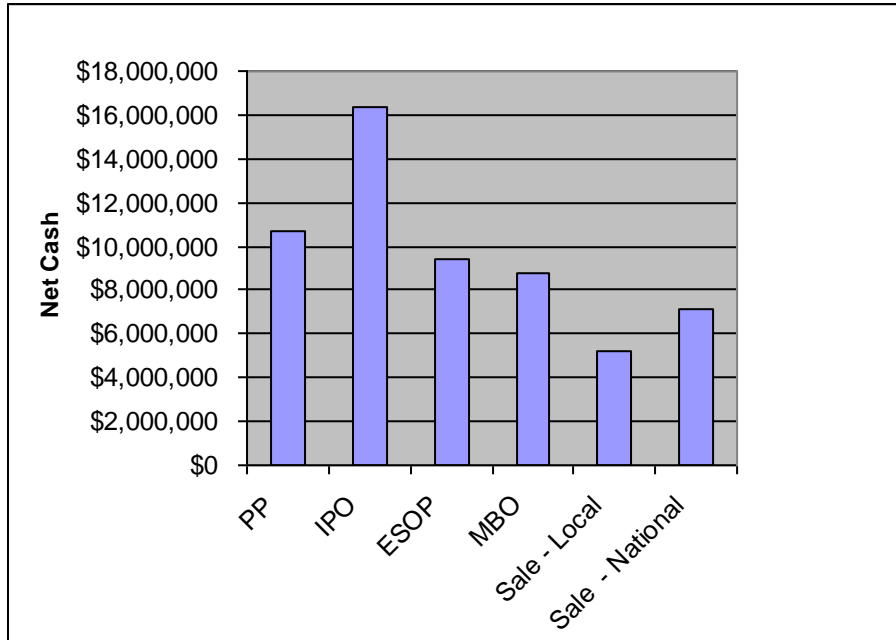
The specific category values and constituent component values are given in the CMA along with a more detailed definition of how the score value is derived.



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**Deal Ratings** – All companies (deals) receive a score, and each financier determines the minimum scores they will accept to finance a deal. **ValuCorp** scores all sources of capital pools under the same **updated** system to remove any subjectivity.



### Alternate Financing

Once you've completed our **Deal Screening Process**, you can investigate several alternate financing opportunities. Please note that deals are structured using one or multiples of various available instruments to maximize returns at the lowest possible risk to all involved parties.

- |   |  |
|---|--|
| <input type="checkbox"/> Venture investment             | <input type="checkbox"/> ESOP                          |
| <input type="checkbox"/> Debenture investment           | <input type="checkbox"/> Mergers                       |
| <input type="checkbox"/> Initial public offering (IPO)  | <input type="checkbox"/> Acquisitions                  |
| <input type="checkbox"/> Gain control of public company | <input type="checkbox"/> Franchising                   |
| <input type="checkbox"/> Sale of certain assets         | <input type="checkbox"/> Recapitalization              |
| <input type="checkbox"/> Sale of all stock              | <input type="checkbox"/> Distribution alliances        |
| <input type="checkbox"/> Sale of company assets         | <input type="checkbox"/> Marketing alliances           |
| <input type="checkbox"/> Divesting a division           | <input type="checkbox"/> Joint ventures                |
| <input type="checkbox"/> Line of credit                 | <input type="checkbox"/> R&D joint ventures            |
| <input type="checkbox"/> Debt financing                 | <input type="checkbox"/> Exclusive technology licenses |



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## Recommendations

We will state our recommendations to you very clearly before we create a deal structure.

This will give you the opportunity to take necessary actions to move your business to a higher score before taking the next step.

**Please note:** Blueprint for Building Value™ *does not* include the following, which the Business Owner may seek to obtain subsequent to reviewing the results:

- **Selling Memorandum for raising capital or selling the business**
- **Pitch Book or sufficient transaction structure for seeking investors**
- **An “opinion” of Fair Market or Strategic Value**



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