



How to Use BankerValuation.com

BankerValuation.com was created by expert business appraisers to help commercial lenders perform internal business valuations. Other Internal valuation models available to the market are considered too user-subjective and can be easily manipulated. At BankerValuation.com, our objective is to provide a user-friendly business valuation tool that requires minimal and non-subjective inputs, uses valuation methods approved by the SBA and generates an accurate and detailed final report.

Using BankerValuation.com is easy! We have developed the program to be easy to use and self-explanatory. To get you started, however, we have developed step-by-step instructions for using the program. The instructions are illustrated and explained on the next pages of this manual.

In addition to the manual, we offer a no-cost training session to anyone in need of further instruction. The training takes place in a 15 to 20 minute phone call. During the session, we will walk you through creating a valuation with BankerValuation.com and we will answer any questions you might have. If you are interested in a training session please contact Lori Mize.

Finally, we are always available to answer your questions, whether you are familiar with the program or you are using it for the first time. Our contact information is as follows:

Membership / General Questions

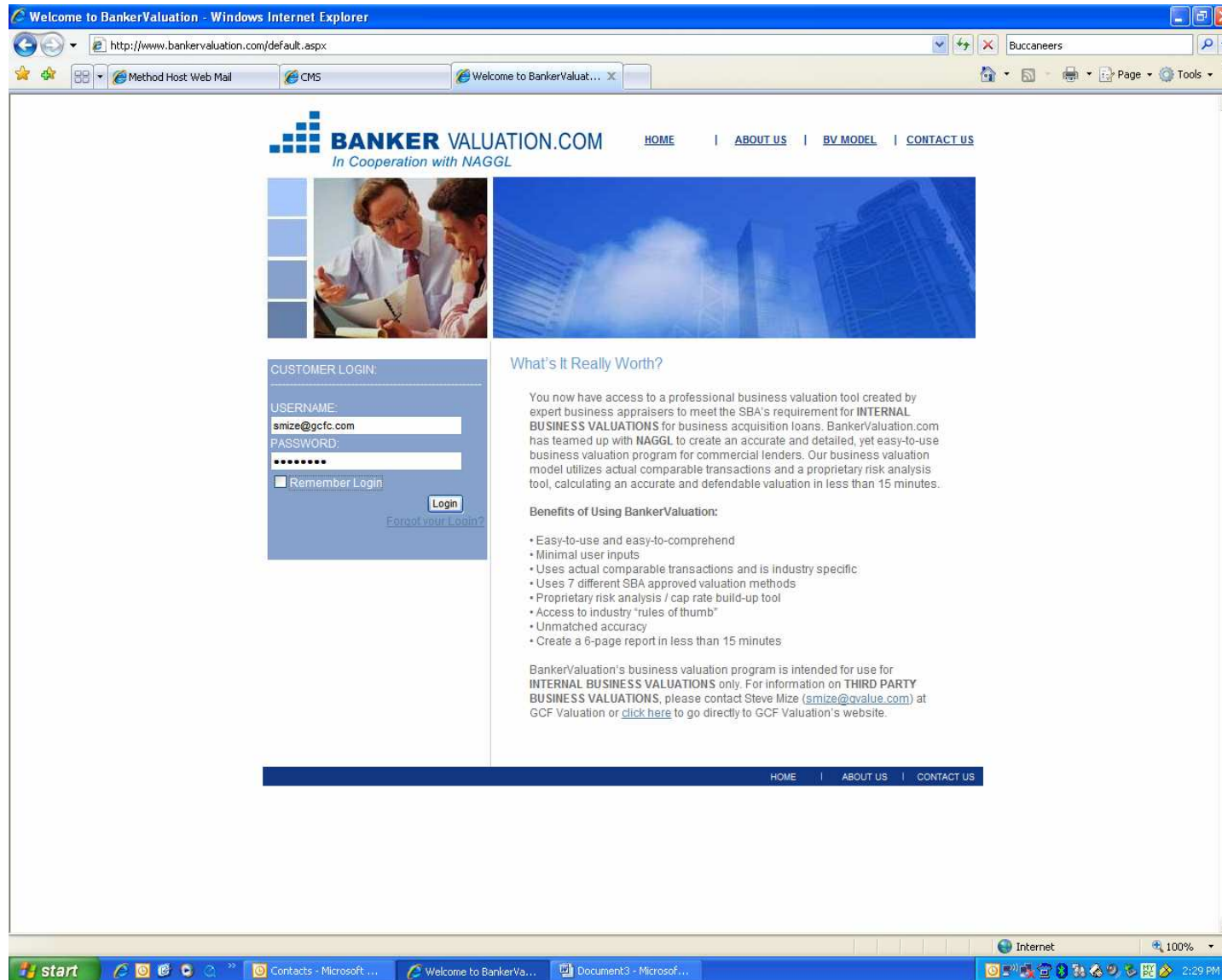
Lori Mize
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Technical Questions /Third Party Valuation Engagements

Steve Mize, ASA
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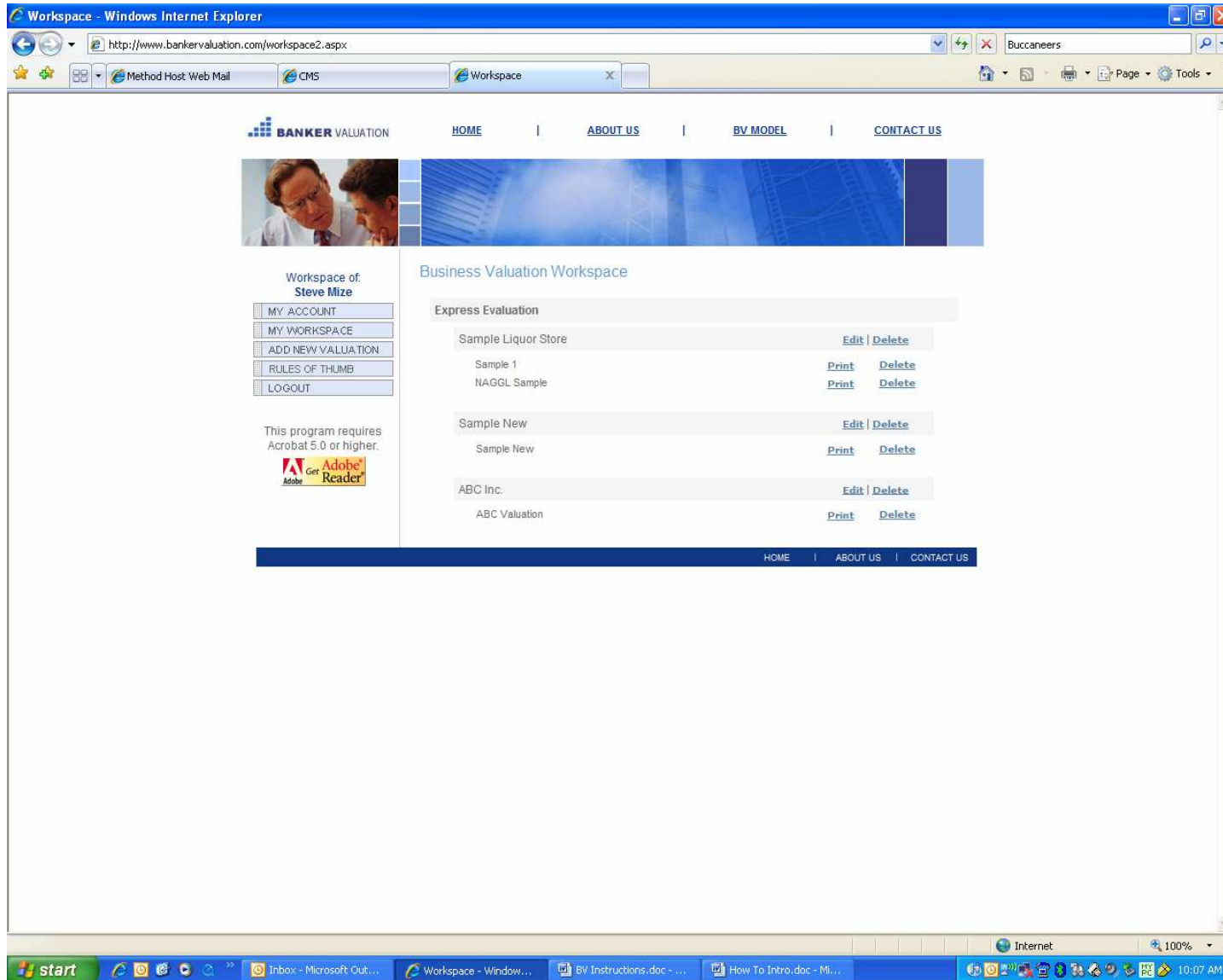
Getting Started

Once you've subscribed to BankerValuation.com, your **User Name** will be your email address and your **Password** will be "test" if you are a trial user or a personal password selected by you if you have subscribed. To begin using the program simply type www.bankervaluation.com into your browser and login on the home page as show below:



Your Workspace

Once you have logged into BankerValuation.com you will be taken to your “**Business Valuation Workspace**”. If you are working on your first valuation, your workspace will be empty. After you have completed and saved a valuation, it will appear in your workspace with any other valuations you perform. You may edit, delete or print a completed valuation directly from your workspace. A sample workspace is illustrated below:



Step 1 – Set up

To begin a valuation, click on the “**Add New Valuation**” tab located on the left column of the page. As illustrated below, enter the name of the business, the years of financial statements used, the long-term growth rate (1%, 3% or 5%), the name of your bank, name of the underwriter or person performing the valuation and the number of historical years of financial statements being used to perform the valuation (1, 2 or 3). Once you’ve entered the information click the “**Continue**” button to move on to the next step.

The screenshot shows a web browser window displaying the Banker Valuation website. The page title is "CMS - Windows Internet Explorer" and the address bar shows "http://www.bankervaluation.com/Express.aspx". The website header includes the logo "BANKER VALUATION.COM" and navigation links: HOME, ABOUT US, BV MODEL, CONTACT US. Below the header is a banner image of two men in business attire reviewing documents. The main content area is titled "Workspace of: Steve Mize" and contains a sidebar with navigation options: MY ACCOUNT, MY WORKSPACE, ADD NEW VALUATION (highlighted), RULES OF THUMB, and LOGOUT. Below the sidebar, a message states "This program requires Acrobat 5.0 or higher." with an Adobe Reader icon. The main form area is titled "SETUP" and contains the following fields:

Formal Business Name	ABC Inc.
First Full Year Financial Statements Used	2005
Last Full Year Financial Statements Used	2007
Long Term Growth Rate (after year 5)	3%
Name of Bank	XYZ Bank
Name of Underwriter	Jane Smith
Number of Historical Years	3

At the bottom of the form are three buttons: Cancel, Save Current Work, and Continue. The website footer includes navigation links: HOME, ABOUT US, CONTACT US. The Windows taskbar at the bottom shows the Start button, several open applications (Contacts, CMS, Document3), and the system tray with the time 2:20 PM.

Step 2 - Business Info

Enter the business name and address, select an SIC Code or SIC range from the drop down box, enter the type of business and enter in the NAICS Code. Click **“Continue”** to proceed to the next step in the valuation.

The screenshot shows a web browser window displaying the Banker Valuation website. The page title is "CMS - Windows Internet Explorer". The address bar shows the URL: <http://www.bankervaluation.com/Express.aspx?ValuationID=y5YKW65CsjVA0JDswm873PQ85eFg2kS5d2ba~5W~F7PtBAAIGPJH9Tyc/fh~99f2Rtn3G5~0LZUyfRGktQU~zBv4~t>. The browser tabs include "Method Host Web Mail", "CMS", and "CMS".

The website header features the logo for "BANKER VALUATION.COM" with the tagline "In Cooperation with NAGGL". Navigation links include "HOME", "ABOUT US", "BV MODEL", and "CONTACT US".

The main content area is titled "Business Data" and contains the following form fields:

- Business Name:
- Business Address:
- City:
- State:
- Zip:
- SIC Code Range:
- Type of Business:
- NAICS Code:

At the bottom of the form are three buttons: "Cancel", "Save Current Work", and "Continue".

On the left side of the page, there is a sidebar with the following links:

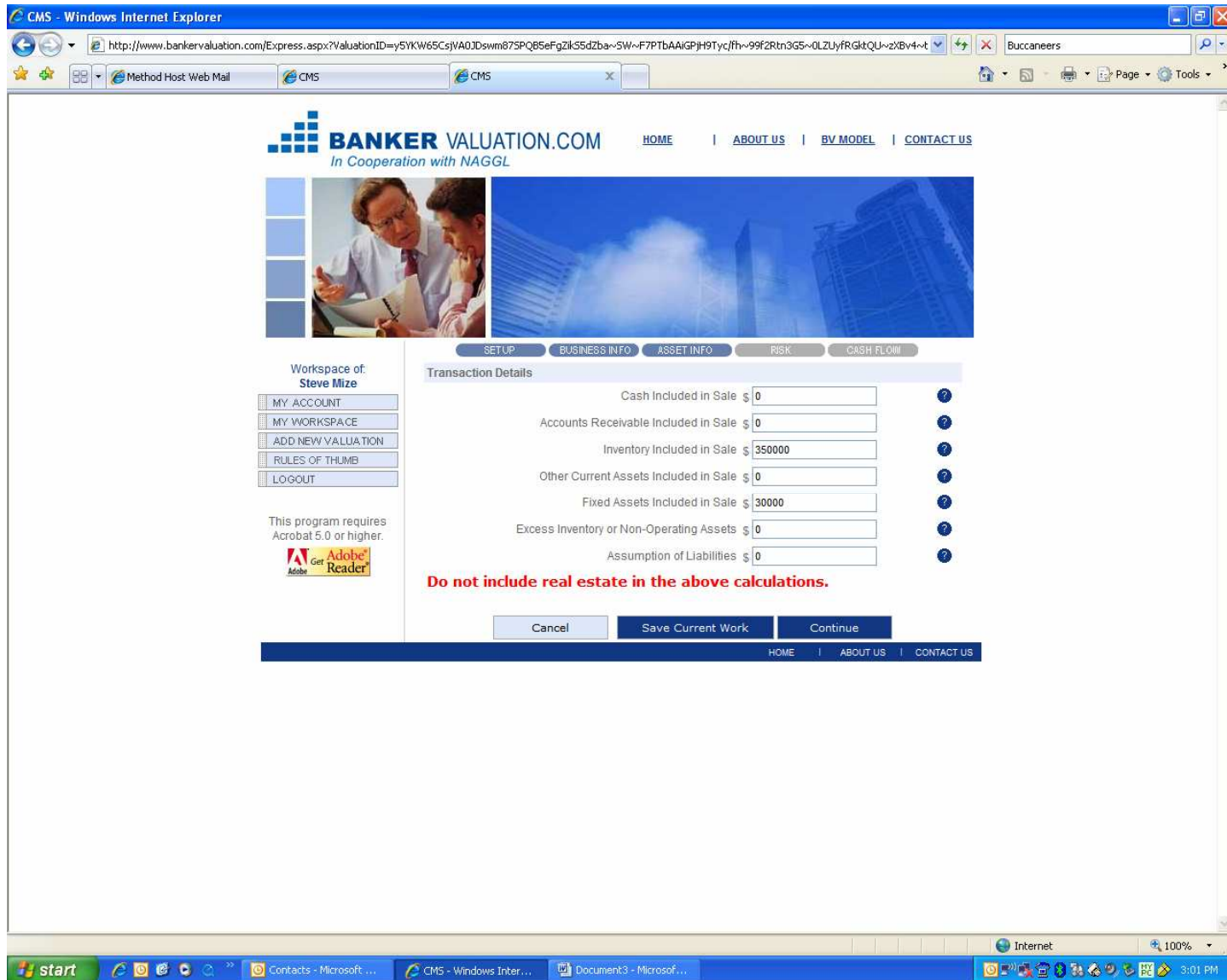
- Workspace of: Steve Mize
- MY ACCOUNT
- MY WORKSPACE
- ADD NEW VALUATION
- RULES OF THUMB
- LOGOUT

Below the sidebar, there is a note: "This program requires Acrobat 5.0 or higher." with an Adobe Reader logo.

The Windows taskbar at the bottom shows the Start button, several open applications (Contacts - Microsoft..., CMS - Windows Inter..., Document3 - Microsof...), and the system tray with the time 2:54 PM.

Step 3 – Asset Info

Enter in all assets and liabilities included in the sale. This section will separate fixed assets from working capital and liabilities. The ending value will be all assets and liabilities included in the sale – not just “enterprise value”. **DO NOT INCLUDE REAL ESTATE IN THIS SECTION.** Click “Continue” to proceed to the next step in the valuation.



Step 4 – Risk

The Risk section is where the capitalization rate is built. This is called The Factor Method, which is USPAP approved. The multiple that is entered is actually the inverse of the “cap rate”. These multiples are based on certain risk factors that we believe are most important when valuing a business. We’ve given you guidelines to follow in each risk factor heading. Enter the number that pertains to the company in the box located to the right of each risk factor. Once you have entered in a number for each risk factor, click on “**Calculate**” at the bottom of the page to determine the “cap rate” and then click on “**Continue**” to proceed to the next step.

The screenshot displays the 'Risk Analysis' section of a web application. The interface includes a navigation menu on the left with options like 'MY ACCOUNT', 'MY WORKSPACE', and 'ADD NEW VALUATION'. The main content area is titled 'Risk Analysis' and contains several risk factor categories, each with a range of values and a corresponding description. To the right of each description is an input box containing a numerical value. At the bottom of the form, a 'Cap Rate 23%' is displayed. Below the form are buttons for 'Cancel', 'Save Current Work', 'Calculate', and 'Continue'. The browser window title is 'CMS - Windows Internet Explorer' and the address bar shows the URL: <http://www.bankvaluation.com/Express.aspx?ValuationID=y5YKw65CsjVA0JDswm87SPQ85eFgZk35dZba~5W~F7PTbAAIGPjH9Tyc/fh~99f2Rtn3G5~0LZUyFRgktQU~zXBv4~t>. The Windows taskbar at the bottom shows the 'start' button, several open applications, and the system clock at 3:11 PM.

Risk Factor	Description	Value
Historical Profits (adjusted)	2.0-3.5 Negative to break-even	4
	3.6-4.5 Positive and/or at industry averages	
	4.6-6.0 Consistent/increasing and above industry averages	
Income Risk	2.0-3.5 Continuity of income at risk	4
	3.6-4.5 Steady income likely / 3-5 years old	
	4.6-6.0 Profitability assured / 5+ years old	
Marketability	2.0-3.5 Limited market-special skills required	4
	3.6-4.5 Normal market-needed skills available	
	4.6-6.0 Large market-many qualified buyers	
Business Growth	2.0-3.5 Declining and further decline likely	4
	3.6-4.5 Flat or at inflationary levels	
	4.6-6.0 Rapid growth with more expected	
Competition	2.0-3.5 High competitive or unstable market	4
	3.6-4.5 Normal competitive conditions	
	4.6-6.0 High barriers to entry - very stable market	
Industry	2.0-3.5 Declining and further decline likely	4
	3.6-4.5 Flat or at inflationary levels	
	4.6-6.0 Rapid growth with more expected	
Customer Concentration	2.0-3.5 Dependent upon 1 or 2 main customers	5
	3.6-4.5 Some dependence on customers	
	4.6-6.0 Many customers, no dependence	
Supplier Concentration	2.0-3.5 Loss of supplier would be significant	5
	3.6-4.5 Various suppliers, some dependence	
	4.6-6.0 Many suppliers, no dependence	
Dependence on Owner/Key Person	2.0-3.5 Business is dependent on owner/key person	5
	3.6-4.5 Some dependence on owner/key person	
	4.6-6.0 Absentee owned or management in place	
Lender Risk Rating	2.0-3.5 High Risk	4
	3.6-4.5 Average Risk	
	4.6-6.0 Low Risk	

Cap Rate 23%

Buttons: Cancel, Save Current Work, Calculate, Continue

Step 5 – Cash Flow

The last step is building the cash flow statement. The user has the ability to enter in 1, 2 or 3 years of historical information along with either a projection, annualization or average of the historical years used. Once all the information is entered into the cash flow statement, the user will weight (in %) each year, making sure that the weights total 100%. After the weights have been given, click on **“Calculate”** at the bottom of the page in order to calculate Weighted SDE, Weighted EBITDA and Weighted Revenue. These calculations are required in order for the valuation to be completed. Finally, click on **“Finish & Print”**.

Workspace of: Steve Mize

- MY ACCOUNT
- MY WORKSPACE
- ADD NEW VALUATION
- RULES OF THUMB
- LOGOUT

This program requires Acrobat 5.0 or higher.

Get Adobe Reader

Fields must be entered in numeric format and use of commas is not permitted.

	Tax Returns 2005 12 Months	Tax Returns 2006 12 Months	Tax Returns 2007 12 Months	Projected 2008 12 Months
Revenue				
Gross Sales	\$ 400000	\$ 405000	\$ 408000	\$ 410000
Pre-Tax Profit				
Unadjusted Pre-Tax Profit	\$ 200000	\$ 200000	\$ 200000	\$ 200000
Non-Recurring Items				
Depreciation & Amort	\$ 10000	\$ 20000	\$ 30000	\$ 40000
Normal depreciation / CapEx	(\$ 0)	(\$ 0)	(\$ 0)	(\$ 0)
Interest expense	\$ 0	\$ 0	\$ 0	\$ 0
Officer compensation	\$ 100000	\$ 100000	\$ 100000	\$ 100000
Manager's salary	\$ 0	\$ 0	\$ 0	\$ 0
Excess benefits	\$ 0	\$ 0	\$ 0	\$ 0
Officer / non-recurring auto	\$ 0	\$ 0	\$ 0	\$ 0
	\$ 0	\$ 0	\$ 0	\$ 0
	\$ 0	\$ 0	\$ 0	\$ 0
Historical rent	\$ 0	\$ 0	\$ 0	\$ 0
Fair market rent	(\$ 0)	(\$ 0)	(\$ 0)	(\$ 0)
Discretionary Earnings	\$310,000.00	\$320,000.00	\$330,000.00	\$340,000.00
Less Replacement Salary	(\$ 50000)	(\$50,000.00)	(\$50,000.00)	(\$50,000.00)
Available Cash Flow	\$260,000.00	\$270,000.00	\$280,000.00	\$290,000.00
as % of Sales	65%	66.67%	68.63%	70.73%
Cash Flow Weight	25%	25%	25%	25%
Weighted SDE	\$325,000.00			
Weighted EBITDA	\$275,000.00			
Weighted Revenue	\$405,750.00			

Cancel Save Current Work Calculate Finish/Print

HOME | ABOUT US | CONTACT US

Saving and Printing a Valuation

Once you click “**Finish/Print**” on the cash flow page, you will be taken to the page which allows you to name and save the valuation. Enter in the name of the report in the blank space provided and click on the check box below to open a PDF of the final report. The valuation will now be saved under this name in your workspace and you will be able to edit and make adjustments to it at any time. You may also print the report directly from the PDF window or you may save a copy of it to your computer.

