Venditore & Company, Inc.

Asset Inventory and Valuation Report

Presented by BorrowPQ

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About Your Asset Valuation Report

This custom report has been generated by BorrowPQ to provide estimates of the value of the subject company's business assets as collateral for debt financing.

BorrowPQ (www.BorrowPQ.com) provides valuation of business assets for Asset-based lending (ABL), also call Asset-based financing. Asset-based lending is the business of loaning money in an agreement that is secured by collateral.

An asset-based loan or line of credit may be secured by inventory, accounts receivable, equipment, or other property owned by the borrower.

ABL can be advantageous to businesses for its comparatively lower cost of money. For example, interest rates on asset-based loans are lower than rates on unsecured loans, as the lender's risk of loss is less, because the lender can recoup most or all of what it is owed in the event that the borrower defaults.

The report presents estimates which reflect both the total value and the value that may be eligible for use as collateral. The intended use of this report is to serve as a reasonable estimate of borrowing capacity on the part of the business, and to help the business owner streamline the process of obtaining debt financing.

The report is also available for SellPQ (www.SellPQ.com) users to support acquisition financing, where the business owner shares the asset inventory and valuation for the prospective buyer to use as collateral in financing the purchase of the business.

For more specific information about asset valuation, please see our About Asset Valuation pages below.

The analysis of the subject business assets described hereunder includes presentation of four specific asset inventories and valuations, including:

- Accounts receivable valuation
- Inventory valuation
- Machinery and equipment valuation
- Real estate valuation

About Asset Valuation

In understanding and interpreting the "value" of assets for borrowing purposes, it is important to recognize that there are many variables that contribute to the actual amount that lenders will underwrite. The starting point for ABL purposes is estimation of "Fair Market Value" (FMV) for the business assets, and the finish point is the "borrowing base," or the amount a lender is willing to loan a company with the asset as collateral. To get from FMV to the borrowing base the lender conducts a series of assessments and appraisals, specific to the type of asset, including items that the lender excludes from consideration, and aspects that affect the "advance rate," or percent of "available" asset value the lender will lend against.

Key Terms

Fair Market Value (FMV)
The price, expressed in terms of cash or equivalents, at which an asset would change hands between a buyer and a seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.

Asset Availability
The adjusted value of assets after lender exclusions and caps (upper limits), against which the lender will advance funds.

Advance Rate
The percentage of available asset value that a lender will fund. Typically, a lender will advance from 50% to 85% of a business' available assets, depending on asset category.

Borrowing Base
The amount a lender is willing to loan a company with the asset as collateral, after considering current obligations.

Net Orderly Liquidation Value (NOLV)
The net amount expected to be realized at an orderly, negotiated sale held within a reasonable period of time, net of all liquidation expenses.

When valuing the company's assets, it is necessary to distinguish between the total FMV value of assets and the net value after excluding elements due to lender criteria. Examples include foreign accounts when valuing receivables, inventory that is perishable or stored off-site, highly specialized equipment with narrow markets, and real estate that is in lower tier markets or is operated as investment property rather than owner occupied.

After considering exclusions, there may be caps that are applied, such as inventory that exceeds annual sales volume; i.e., lenders may cap the value at what they feel can be reasonably sold within a given period of time. And there are considerations such as historic collections performance for receivables that serve to cap the value of receivables the lenders will advance against.

Beyond asset fair market value, many factors affect the ultimate borrowing base.

Net Orderly Liquidation Value (NOLV) is typically the lower baseline value for collateral that qualifies for ABL. The difference between FMV minus exclusions and NOLV is the range in value that a business should realistically expect to be able to leverage. Beyond estimation, the actual appraisals and site inspections conducted in due-diligence and account maintenance provide the final value assessment.

The quality of the borrower's data, and ongoing maintenance of the data, has a direct correlation to the level of restrictive covenants and intrusive audits that the lender will require.

BorrowPQ gives the borrower the tools needed to quickly and easily prepare, organize and maintain the core data needed by the lender to streamline both initial underwriting and ongoing loan administration.

BORROWPQ Methodology

BORROWPQ can help business borrowers jump to the front of the line in having their application for asset-based financing evaluated and underwritten.

BORROWPQ also provides acquisition financing for businesses sold through its companion product, SELLPQ™ (www.SELLPQ.com).

BORROWPQ eliminates principal points of pain in ABL financing:

1. Matching borrower profile to lender criteria
2. Finding and qualifying eligible collateral
3. Automating due diligence for underwriting

By following BORROWPQ's stepwise Wizard and borrower's Guide best practices, business owners will:

1. Establish a realistic estimate of their assets' actual borrowing power
2. Realize better up-front matching of their borrowing needs to lender criteria
3. Experience a streamlined application review and due-diligence process, and
4. Establish an easily administered operational platform for their active borrowings.

BORROWPQ helps you estimate your borrowing base by taking an inventory of your business assets and evaluating them using standard lending criteria. Please review BORROWPQ borrower's Guide - Conduct an Asset Valuation for detailed guidance on conducting and sharing your company's asset inventory.

BORROWPQ produces estimated borrowing base valuations of your company's core assets, including:

1. Accounts Receivable
2. Inventory
3. Machinery and Equipment
4. Real Estate

Your Valuation

Venditore & Company, Inc.

Business Asset Inventory and Valuation Summary

Report generation date: February 24 2020

Asset Category	Gross Value	Asset Availability	Borrowing Base
Accounts Receivable	$5,615,000	$4,702,500	$3,997,125
Inventory	$18,750,000	$14,107,500	$7,968,750
Machinery & Equipment	$17,500,000	$8,750,000	$6,562,500
Real Estate	$12,000,000	$8,000,000	$6,800,000
Current Total Debts			$9,500,000
Totals:	$53,865,000	$35,560,000	$15,828,375

Your BorrowPQ Pre-Qualified Asset Valuation Report is summarized above. This report can and should be updated periodically as conditions change for your business.

This provides an estimate of your borrowing base, which you can use to submit borrowing applications to BorrowPQ-participating lenders. Your actual borrowing capacity will be subject to the review and underwriting criteria of the lender

Accounts Receivable Asset Valuation

The summary below provides your estimated accounts receivable asset inventory and valuation.

Customer Name	Current	1-30 Days	31-60 Days	61-90 Days	90+ Days	Total	Balance as of Date
Customer 1	$2,500,000	$500,000	$250,000	$125,000	$75,000	$3,450,000	12/31/2019
Customer 2	$1,500,000	$350,000	$125,000	$100,000	$90,000	$2,165,000	12/31/2019
Totals:	$4,000,000	$850,000	$375,000	$225,000	$165,000	$5,615,000	

A/R availability calculation:

Total A/R minus >90 days:	$5,450,000
Total offsets and ineligibles:	$500,000
Dilution percentage:	5%
A/R Availability:	$4,702,500

Advance rate:	85%
A/R borrowing Base:	$3,997,125

The A/R Asset Valuation above is calculated using the following method:

Aged Outstanding Invoice Total

- Minus > 90 days
- Minus offsetting Accounts Payable (e.g., where vendor is customer)
- Minus cross aged accounts (where a given customer has excess past due amounts)
- Minus concentration surplus (account amounts above a concentration threshold)
- Minus ineligible types, such as:
    - Foreign (unless credit insurance)
    - Federal government
    - Weak customer (e.g., credit score)
- Minus ineligible revenue recognition (not yet fully earned); e.g.,
    - Program / % complete billing
    - o Advance, retention & holdback billing

= Total AR Availability

Total AR Availability

- Minus a multiple of the dilution value (dilution is the % difference between billed and collected).
- Times lender's asset-specific advance rate.

= A/R borrowing Base

Inventory Asset Valuation

The summary below provides your inventory estimated asset valuation:

Vendor Name	Item Desc	Qty On Hand	Unit Cost	Total Cost	Unit Price	Total Value	Balance as of Date
Vendor 1	Item 1000	5,000	$500	$2,500,000	$750	$3,750,000	12/31/2019
Vendor 2	Item 2000	1,500	$7,500	$11,250,000	$10,000	$15,000,000	12/31/2019
Totals:		$6,500		$13,750,000		$18,750,000	

Book Value calculation:

Total inventory value:	$18,750,000
Total offsets and ineligibles:	$3,000,000
A/R availability cap multiple	3.00X
A/R availability cap	$14,107,500
Inventory availability:	$14,107,500
Last year Gr Rev (from Inc & Exp):	$23,000,000
Excess Inventory:	$0
Advance rate:	65%
Excess inventory advance rate:	50%
Book value borrowing base:	$9,169,875

NOLV-based calculation:

NOLV%	50%
NOLV	$9,375,000
NOLV advance rate	85%
NOLV availability	$7,968,750
Availability cap (on total inventory value)	65%
NOLV borrowing base:	$7,968,750

The Inventory Asset Valuation above is calculated using the following method:

Current appraised gross inventory value
- Minus work in progress (WIP)
- Minus aged > 1-year
- Minus ineligible types / amounts
  - Subject to spoiling / expiration (e.g., produce)
  - High piece count / assembly requirements (millions of tiny pieces)
    - Not necessarily ineligible but likely reduced valuation
- Minus offsite (unless waiver)

= Total Inventory Availability
- Cap at __X AR Availability (typically 1.5-3X)

= Inventory Availability
- Total Inventory Availability minus Inventory Cap

= Excess Inventory Availability

Inventory Availability X Advance Rate (typically 50% +/- 15%)
plus Excess Inventory X Excess Inventory Advance Rate (typically Advance Rate - 15%)

= Inventory borrowing Base

Alternative = Gross value minus NOLV X 85% with a cap of 65% of gross sales
- Minimum (Inv Availability, Annual Sales) X Advance Rate
- Plus (Inv Availability minus Annual Sales) X Excess Inventory Advance Rate

= Alternative Inventory borrowing Base

Machinery & Equipment Asset Valuation

The summary below provides your estimated machinery & equipment asset valuation:

Item Desc / Vendor	Asset or S/N	Location	Condition	Date in service	Rem. Years of Service	Original Value	Current FMV	Balance as of Date
Vendor item 1	159753	Wilmington	Excellent	01/01/2015	15	$25,000,000	$12,500,000	12/31/2019
Vendor item 2	315351	Philly	Good	01/01/2000	5	$15,000,000	$5,000,000	12/31/2019
Totals:						$40,000,000	$17,500,000	

M&E availability calculation:

Total current value:	$17,500,000
NOLV%	50%
M&E availability:	$8,750,000

Advance rate:	75%
M&E borrowing base:	$6,562,500

The M&E asset valuation above is calculated using the following simple method:

M&E availability = total of appraised used FMV - NOLV

M&E borrowing base = M&E availability * lenders advance rate (typically 75%)

Real Estate Asset Valuation

The summary below provides your estimated business Commercial Real Estate (CRE) asset valuation.

Property Address	Type of Property	OO Y/N	Year Acquired	Present FMV	Total Liens & Mortgages	Annual Gross Rental Income	Annual Mtg Payments	Ins, Maint, Taxes & Misc	Net Rental Income
Address 1	Manufacturing	Y	2000	$2,000,000	$500,000	$500,000	$250,000	$50,000	$200,000
address 2	Office	Y	1995	$6,000,000	$1,500,000	$125,000	$50,000	$25,000	$50,000
Address 3	Retail	N	2015	$4,000,000	$2,000,000	$1,500,000	$500,000	$150,000	$850,000
Totals:				$12,000,000	$4,000,000	$2,125,000	$800,000	$225,000	$1,100,000

CRE availability calculation:

Total current value:	$12,000,000
Exclude non-owner occupied (Y/N)?	Y
CRE availability:	$8,000,000

Enter advance rate:	85%
CRE borrowing base:	$6,800,000

The CRE asset valuation above is calculated using the following simple method:

CRE availability = total of appraised "as is" FMV (with or without non-owner-occupied)

CRE borrowing base = CRE availability * lenders advance rate (typically 75%)

Company Financial Summary

Venditore & Company, Inc. Report generated: February 24 2020

	2020	2019	2018
Income/Expense			
Revenue	$25,000,000	$24,000,000	$23,000,000
Pretax Income	$3,000,000	$2,500,000	$2,400,000
Officer Compensation	$600,000	$500,000	$400,000
Interest Expense	$500,000	$500,000	$500,000
Non-Cash Expenses	$0	$0	$0
One-Time Expenses	$0	$0	$0
One-Time Revenues	$0	$0	$0
Assets			
Cash	$1,000,000	$900,000	$800,000
Accounts Receivable	$1,500,000	$1,250,000	$1,000,000
Inventory	$15,000,000	$14,000,000	$13,000,000
Other Current Assets	$0	$0	$0
Other Non-Current Assets	$0	$0	$0
Fixed Assets	$7,500,000	$7,500,000	$7,500,000
Intangible Assets	$0	$0	$0
Liabilities			
Accounts Payable	$1,250,000	$1,000,000	$900,000
Other Short-Term Liabilities	$0	$0	$0
Bank Loans	$0	$0	$0
Other Long-Term Liabilities	$3,000,000	$3,250,000	$3,500,000
Contingent Liabilities	$0	$0	$0

Debt Schedule

The following table lists your current business debt obligations. It should include lines of credit, mortgages, installment debts, capital leases, shareholder debt, and other contractual obligations. The information included here should match the most recent balance sheet:

Lender Name/Address	Original Loan Amt	Original Loan Date	Interest Rate %	Maturity Date	Current Payment / mo	Current Loan Balance	Balance as of Date
Lender 1	$15,000,000	01/01/2010	8%	12/31/2030	$125,500	$7,500,000	12/31/2019
Lender 2	$5,000,000	01/01/2010	7%	12/31/2025	$44,950	$2,000,000	12/31/2019
Totals:	$20,000,000				$170,450	$9,500,000	

Next Steps

This report is suitable to include with ABL application submissions to prospective lenders.

Changes in economic or business conditions often bring hidden credit risks to the surface. As economic stresses increase, management teams find their attentions divided, increasing the probability of mistakes or oversights.

It is critical for both borrowers and lenders to regularly re-examine the underlying business assets and business conditions of ABL borrowers for such hidden credit risks.

The first step is to perform a comprehensive review of the business collateral, including borrowing base certificate calculations. This report and the BorrowPQ methodology provide a simple and standardized platform for doing that, and for easily sharing updates between borrower and lender.

Review the report and underlying assets and business financials, as well as market conditions, for errors or omissions that may creep into accounting, changes in asset valuations and changes in either business conditions or business operations.

Often an independent review is helpful. Feel free to reach out to us atPQCommunity@SellPQ.com for referrals to advisors who can help.

Maintaining the borrower's cash flow projection is just a starting point. Ongoing, BorrowPQ will provide meaningful comparative and variance reporting and analysis to help you identify key indicators of business performance and early warning of potential negative, or positive, developments.

It is critical as well to maintain the borrower's business plan including core business assumptions and strategic direction. The business plan provides the context for borrower and lender discussions regarding borrower's operations and major initiatives, and the corresponding outlook for the business. This puts the simple numbers in context for a more informed discussion about ABL options, and how to respond when business or economic conditions vary from the plan.

The borrowing base certificate, short-term cash flow and business plan are core management and monitoring tools for both businesses and ABL lenders.

Nevertheless, remember that business documentation and estimation are only part of managing risk. The tools are only as useful as the quality of the data and thought that goes into them on an ongoing basis. The borrower and lender must work together on a continuous basis to manage the risk of leveraging business collateral.

About BorrowPQ

BorrowPQ is software for financing your business

- Sources asset-based lending (ABL) for your business
  Working capital, lines of credit, and refinancing options using Receivables, Inventory, Machinery & Equipment, Real Estate, and more as collateral
- Pre-qualifies your business assets for collateral
- Greatly improves ability to match business assets to qualified lender criteria
- Automates due-diligence documentation and communication
- Integrates with SellPQ™ for M&A financing

BorrowPQ helps you
simplify your borrowing
get your best deal
while taking much less time.

www.BorrowPQ.com