

Independent Accountant's Valuation Estimate

To: Joseph Corozzo, Esq.

I have prepared a valuation estimate of Complete Business Solutions Group, Inc. ("CBSG") as it relates to the disgorgement penalty determined by the Securities and Exchange Commission ("SEC"), entered on docket 11/22/2022 for the United States District Court (Southern District of Florida).

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Documents Reviewed

In developing the valuation estimate, I utilized the following sources:

- Company-prepared financial data generated from the CBSG QuickBooks accounting records between 2012 – 2019, on an accrual basis (extracted from Exhibit 6 of the “Expert Report of Joel D. Glick, CPA/CFF, CFE” dated August 13, 2021)
- Management reviewed financial statements for the years ended 12/31/2018 and 12/31/2019 on Complete Business Solutions Group, Inc. dba Par Funding
- Amended Order Granting in part Plaintiff's Amended Omnibus Motion for Final Judgment (Case No. 20-CV-81205-RAR)

Methodology

Note: All valuation methods are, by necessity, based on past performance, and no single method can accurately predict future results.

Times-Revenue Method

The times-revenue method determines the maximum value of a company as a multiple of its revenue for a set period of time.

Calculating the value of a business can be difficult, especially if the value is largely determined by potential future revenues. Several models can be used to determine the value, or a range of values, to facilitate business decisions.

The times-revenue method attempts to value a business by valuing its cash flow.

The times-revenue method is used to determine a range of values for a business. The figure is based on actual revenues over a certain period of time (for example, the previous fiscal year or an average of previous fiscal years). A multiplier provides a range that can be used as a starting point for negotiations.

Rationale for the Times-Revenue Method

The times-revenue method is ideal for young companies with earnings that are volatile or non-existent. Also, companies that are poised to have a speedy growth

stage, such as software-as-a-service firms, will base their valuations on the times-revenue method.

The multiple used might be higher if the company or industry is poised for growth and expansion. Since these companies are expected to have a high growth phase with a high percentage of recurring revenue and good margins, they would be valued in the three- to four-times-revenue range.

CBSG fits the profile well for applying the times-revenue method. From the company's inception in January 2012 through December 2019, CBSG experienced rapid and consistent growth in factoring fee revenue, while generating increasing levels of operating income.

Valuation Estimate

An estimated valuation of CBSG can be calculated using the times-revenue method. A conservative approach is followed by taking the average revenue of the three most recent fiscal years (2017 – 2019). Note that the revenue growth rate during these years was 85% (2017-2018) and 37% (2018-2019).

Factoring Fee Revenue

2017:	\$ 66,609,332
2018:	\$123,378,492
2019:	<u>\$169,213,496</u>
Total:	\$359,201,320
Average:	\$119,733,773

As previously mentioned, companies that are expected to have a high growth phase with a high percentage of recurring revenue and good margins would be valued in the three- to four-times-revenue range.

Applying a multiple of 3 times the average revenue from 2017 – 2019, the following valuation is determined:

Average Revenue: **\$119,733,773**
Multiple: x 3
Estimated Value: **\$359,201,320**
Disgorgement Penalty: \$250,217,479 (A)
Surplus Value in CBSG: **\$108,983,841**

Based on this conservative average calculation, the estimated value for CBSG would be sufficient to cover the disgorgement penalty.

(A) The SEC derived its disgorgement figure of \$250,217,479 from an in-depth analysis of CBSG's QuickBooks records memorialized in the sworn declaration of the Receiver, [ECF No. 1214-1] and the SEC's expert report, [ECF No. 774-1].

If revenue from only the most recent fiscal year of 2019 is used in the calculation, the estimated value of CBSG is substantially higher, thereby providing a greater surplus over the disgorgement.

Factoring Fee Revenue

2019: **\$169,213,496**
Multiple: x 3
Estimated Value: **\$507,640,488**
Disgorgement Penalty: \$250,217,479
Surplus Value in CBSG: **\$257,423,009**

This more aggressive approach can be justified as indicative of CBSG's high revenue growth during its most recent years in operation, and continued revenue growth beyond 2019 would be a reasonable assumption.