



# Valuation Report Southern California Business Development Corporation

Prepared by  
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for



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**Aditya Katiyar**

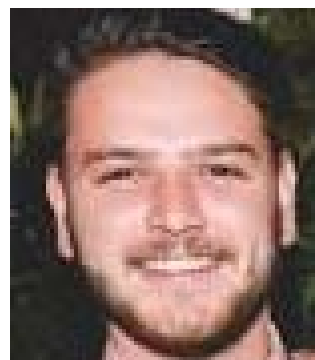
My name is “Adz” for short. I am from Sydney, Australia, and I am completing a Bachelor of Commerce and Engineering degree at the University of Sydney. I am currently interning at the Los Angeles LDC, Inc., and studying in the UCLA Extension program over the winter.



During my time at the company, I have assisted in grant development, performing valuations and creating pitch books for capital campaigns under the direction of Michael Banner, President and CEO. I am deeply passionate about the field of investment and its role in driving global economic growth. I am building a career in Finance to pursue this passion. I expect to complete my Bachelor’s degree and graduate towards the end of 2018.

**Alexander Klimt**

I am from Sydney, Australia, and I attend the University of Sydney studying a Bachelor of Commerce, majoring in Finance and Commercial Law. I have spent the past two months in LA on an exchange program with UCLA, undertaking an internship with the Los Angeles LDC, Inc. four days a week, whilst continuing my studies three nights a week.



While working with LDC, under the direction of President/CEO Michael Banner, I have been fortunate enough to be able to participate in the development of grant development proposals, compiling investor pitch books as well as various valuation exercises, including the Southern CA Business Development Corporation valuation. Previously, I have completed an internship with Volkswagen Finance as a commercial credit analyst. I am an avid traveller, as well as a keen sportsman, with a passion for golf and football. I am due to graduate in June of 2016.

We were engaged to perform a valuation of the Southern CA Business Development Corporation (SCBDC), we reached the conclusion that the company may have an immaterial financial value as a going concern.

Our analysis of SCBDC's history of operations and its 2015 financial statements show us that the company is entirely reliant on a note receivable with a current balancing owing of \$2.9 million from the Los Angeles LDC, Inc. (LDC). LDC has current operating expenses of more than \$500,000 a year, which includes interest payments to the SCBDC, while its assets stand at \$3.7 million as of 2015.

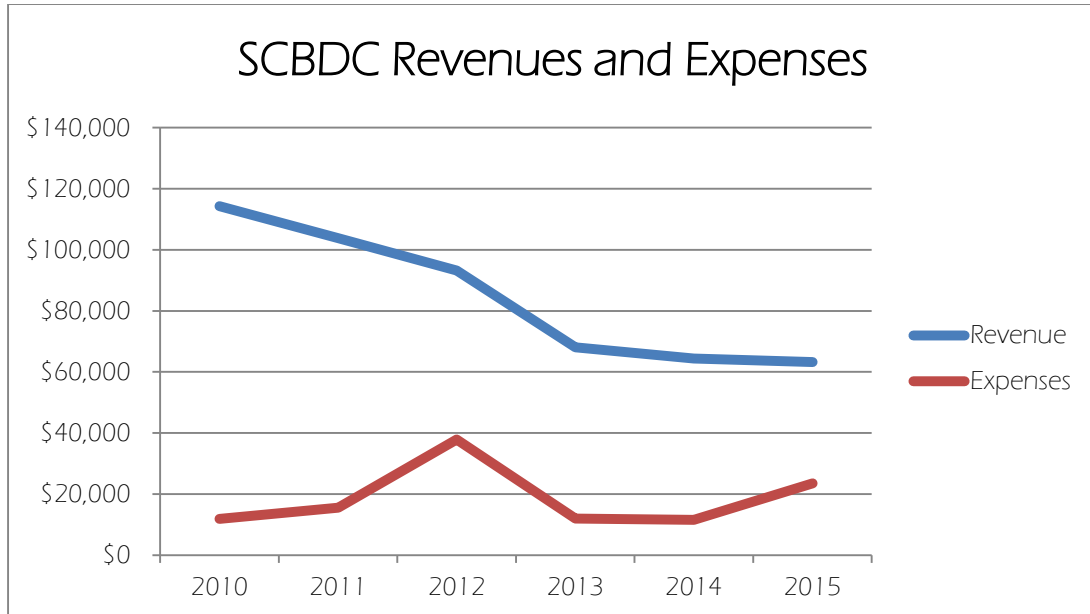
SCBDC's ability to continue receiving income from LDC is limited to the next 34 months before LDC potentially runs out of cash. This is because LDC's cash and cash equivalents stand at \$1,409,722. Given that LDC is spending approximately \$500,000 every year to sustain its basic operations, we estimate that the firm will only be able to continue making payments to SCBDC for the next 34 months before running out of cash and having to consider liquidating all its remaining assets, which may result in shutting down its operations.

Since 1993, the SCBDC has not carried out any business operations; its primary purpose has been to be a capital source for LDC, for which it receives interest on its note. Therefore, if LDC is unable to recapitalize and begin to generate sufficient income to cover its approximately \$500,000 a year worth of expenses, it is extremely unlikely that SCBDC will continue to receive its interest payments. If the LDC is not recapitalized, it is unlikely that SCBDC will maintain its sole revenue source. Therefore, it appears, that at some point, SCBDC has to decide to support recapitalization the LDC or consider distributing its cash to its shareholders and wait for the orderly liquidation of LDC assets.

LDC's total assets currently stand at \$3,677,786.69 as of 2015. Therefore, it appears that there is some margin to liquidate and SCBDC may be able to fully recover its note. However, this is only based on the notion that someone knows the composition of LDC's balance sheet well enough to convert its remaining assets to cash. Assuming SCBDC is able to collect full face value on the note, its total book value stands at approximately \$4.3 million. If we attempt to use the discounted cash flow (DCF) method of valuation, we are forced to arrive at the conclusion that the SCBDC has no value beyond its book value because it has no certainty of future source of revenue to capitalize.

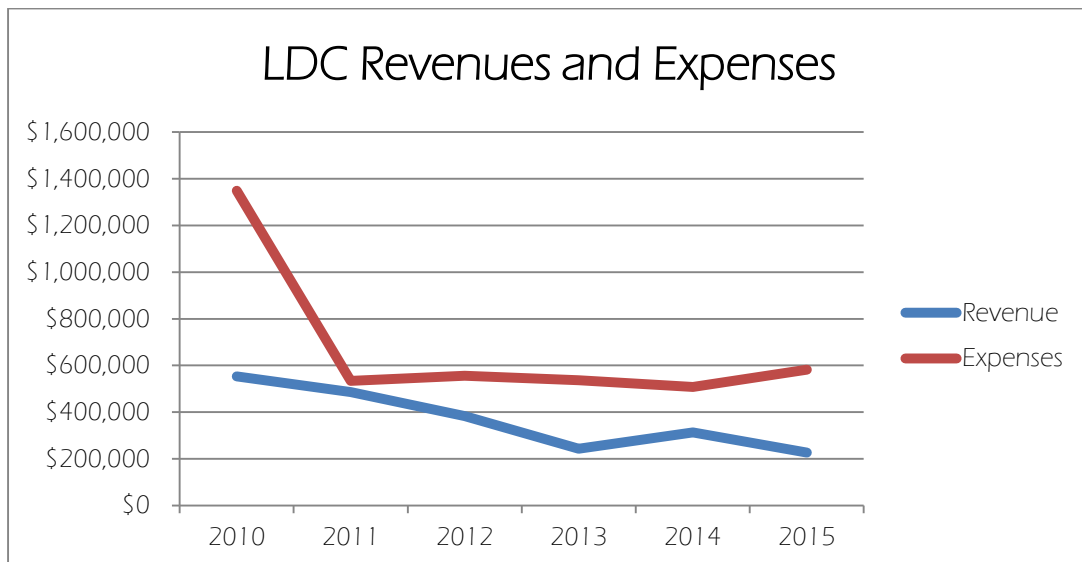
#### SCBDC 6 Year Financial Snapshot

Actual	2010	2011	2012	2013	2014	2015
Revenue	\$114,294	\$103,814	\$93,215	\$68,087	\$64,432	\$63,212
Expenses	\$11,847	\$15,532	\$37,810	\$11,922	\$11,577	\$23,461
Income	(94)	(30)	12	40	66	31



### **LDC 6 Year Financial Snapshot**

Actual	2010	2011	2012	2013	2014	2015
Revenue	\$553,554	\$485,935	\$383,407	\$243,422	\$313,509	\$226,891
Expenses	\$1,348,869	\$534,469	\$555,883	\$537,383	\$507,360	\$582,117
Income	\$(911,053)	\$(195,507)	\$(309,246)	\$(394,622)	\$(337,901)	\$(388,871)



Both the SCBDC and LDC's operating trends are exhibiting a downward as revenues by the LDC continue to decline. The LDC's declining trend in revenue is directly related to its lack of capital to deploy and sustain its fixed overhead cost.

The summary of the SCBDC's historical operation demonstrates the magnitude of the operating losses the LDC has overcome during the past 21 years to return the SCBDC profitable operations. The growth in the SCBDC assets is the result interest payments from the LDC to the SCBDC for its borrowings during those periods. At September 30, 2015, the SCBDC held cash of \$1,556,000.