

GREAT AMERICAN GROUP ADVISORY & VALUATION SERVICES

Corporate Valuation Services Monitor
January 2012 – Volume 1

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Introduction

Welcome to the *Corporate Valuation Services Monitor* from Great American Group Advisory & Valuation Services, L.L.C. (“GA”). This publication will provide you with industry trends with regard to financial reporting machinery and equipment appraisals.

The enclosed information represents a composite of GA’s industry expertise, well-respected industry publications, liquidation and appraisal experience, and contact with industry personnel. Due to the nature of certain financial reporting appraisals, timely reporting is necessary to understand an ever-changing marketplace. GA strives to contextualize important indicators in order to provide a more in-depth perspective of the market as a whole.

This issue relates information covering most financial reporting appraisals, including industry trends, regulatory guidelines and their relation to the valuation process. GA provides our customer base with a concise document highlighting our Corporate Valuation Services and financial reporting appraisals.

GA welcomes the opportunity to make our expertise available to you in every possible way. Please feel free to contact us any time at www.greatamerican.com.

This monitor provides you with information concerning the major types of appraisals within the financial reporting space: purchase price allocation, fresh start accounting, International Financial Accounting Standards, mark to market, and other Fair Value measurements. We are always mindful to adhere to your request for a simple reference document. Should you need any further information or wish to discuss recovery ranges for a particular segment, please feel free to contact your GA Business Development Officer.



Chemical Industry

ABOUT GREAT AMERICAN GROUP

Great American Group is a leading provider of asset management, disposition solutions and valuation and appraisal services to a wide range of retail, wholesale, and industrial clients, as well as lenders, capital providers, private equity investors, and professional services firms. In addition to the *Corporate Valuation Services Monitor*, GA also provides clients with industry expertise in the form of monitors for the metals, heavy mobile equipment, building products, food, automotive, and chemicals industries, among many others.

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EXPERIENCE

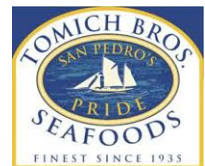
GA has conducted tangible asset appraisals across a wide variety of industries including, but not limited to: metalworking, plastics, heavy mobile equipment, food processing, chemicals, and building products. GA has been involved in the appraisal of companies' personal property to accommodate their need for:

- Financial Reporting
 - ◊ Purchase Price Allocation
 - ◊ International Financial Reporting Standards (IFRS) Adoption
 - ◊ Mark to Market and Fair Value Appraisals
- Personal Property Tax
- Risk Management (Insurance)

GA's team of CVS professionals also boast experience and expertise in the following areas:

- Litigation Support
- Valuation Consulting

Given our experience in valuation *and* with the release of our asset management tool, GA Trax, GA is uniquely qualified to not only render value opinions, but can help aid you in managing and tracking your assets as they are acquired, transferred, or sold.



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OVERVIEW

This previous year has been important for all entities which required the need for financial reporting services. This includes companies participating in merger and acquisition (“M&A”) activity, bankruptcy filings, as well as regulation compliance. In 2011 opportunities afforded within these realms have been the highest since the recession in 2008.

In 2011, merger and acquisition activity increased by 2.5% from 2010, with the highest activity since the 2008 recession. A significant portion of this activity can be attributed to the increase in private equity buyouts. In 2011, the top sector for merger and acquisition activity was within the energy, mining, and utilities industry. Although 2011 has been the highest year of activity thus far, we have seen a drop in deal volume each quarter, with Q4 being the lowest.

Since 2008, we have witnessed a dramatic increase in the need for fresh start accounting services amongst entities which have filed for Chapter 11. In 2009, bankruptcy filings increased approximately 40% from 2008 over the same twelve-month timeframe. Since then, the number of Chapter 11 filings with the U.S. Courts has declined slowly each year. However, the number of filings in 2011 still remains more than twice as high as the filings prior to 2008.

The economic downturn also affects the accuracy of a company's book value of assets compared to actual market value. Organizations may require a mark to market valuation of their assets to ensure alliance with the current market. Companies may also require mark to market appraisals for various reasons ranging from strategic review to investment transparency.

We are also seeing an increased demand for financial reporting internationally. With the global adoption of the International Financial Reporting Standards (“IFRS”), companies are required to report a Fair Value of all owned property, plants, and equipment. The recent adoption of these standards in Canada means that all organizations based there are now required to adhere to these regulations.



Food Processing Industry

MONITORING POINTS

Monitoring Point	Impact
Monitor changes in regulations and guidelines set forth by the Financial Accounting Standards Board which may affect how assets are valued.	Changes in concept definitions and the effect of the changes on valuation methodologies may directly affect the values assigned by appraisers. Values are dependent upon an appraiser's approach within the standards set by the board.
Monitor the estimated value of the target company being appraised.	Transaction participants require detailed, accurate and up-to-date valuations to construct precise deal funding portfolios. All parties involved also require transparent allocation of value in an effort to minimize tax exposure.
Monitor the status of economic change and consumer demands within specific equipment industries.	Economic factors can impact the value of assets over time. Monitoring these factors can help identify the need for the revaluation of assets.

RECENT APPRAISAL TRENDS

PURCHASE PRICE ALLOCATION

When a business combination occurs, the Fair Value of both tangible and intangible assets need to be identified to establish a basis for depreciation and amortization after the transaction closes. The Financial Accounting Standards board ("FASB") has set forth specific rules which govern how these transactions must be accounted for. These guidelines fall under Accounting Standards Codification ("ASC") 805, formerly known as SFAS 141R. It requires that the total purchase price must be allocated among all major asset and liabilities in proportion to their Fair Value.

According to Mergermarket, an independent M&A intelligence service, merger and acquisition activity

increased by 2.5% in 2011 versus the prior year. Approximately \$2.18 trillion in merger and acquisition deals took place in 2011, an increase from \$2.13 trillion in 2010. It has been the busiest year since 2008 (\$2.40 trillion). However, activity decreased each quarter, with Q4 dropping 22.5% from Q3.

Private equity buyout activity in 2011 was also the strongest since 2008, with deals announced totaling \$277.7 billion. This is a 15.3% increase since 2010.

The top sector for M&A activity was within the energy, mining, and utilities space. This sector saw the highest total value in M&A deals totaling \$557.7 billion.

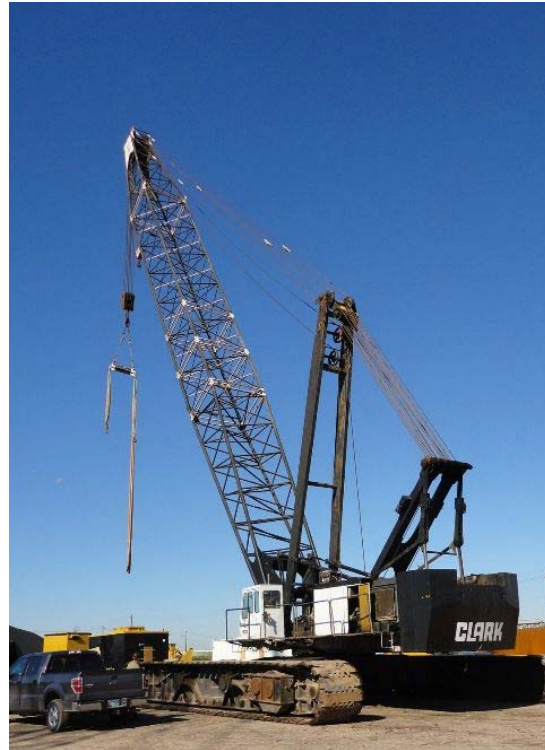
RECENT APPRAISAL TRENDS

FRESH START ACCOUNTING

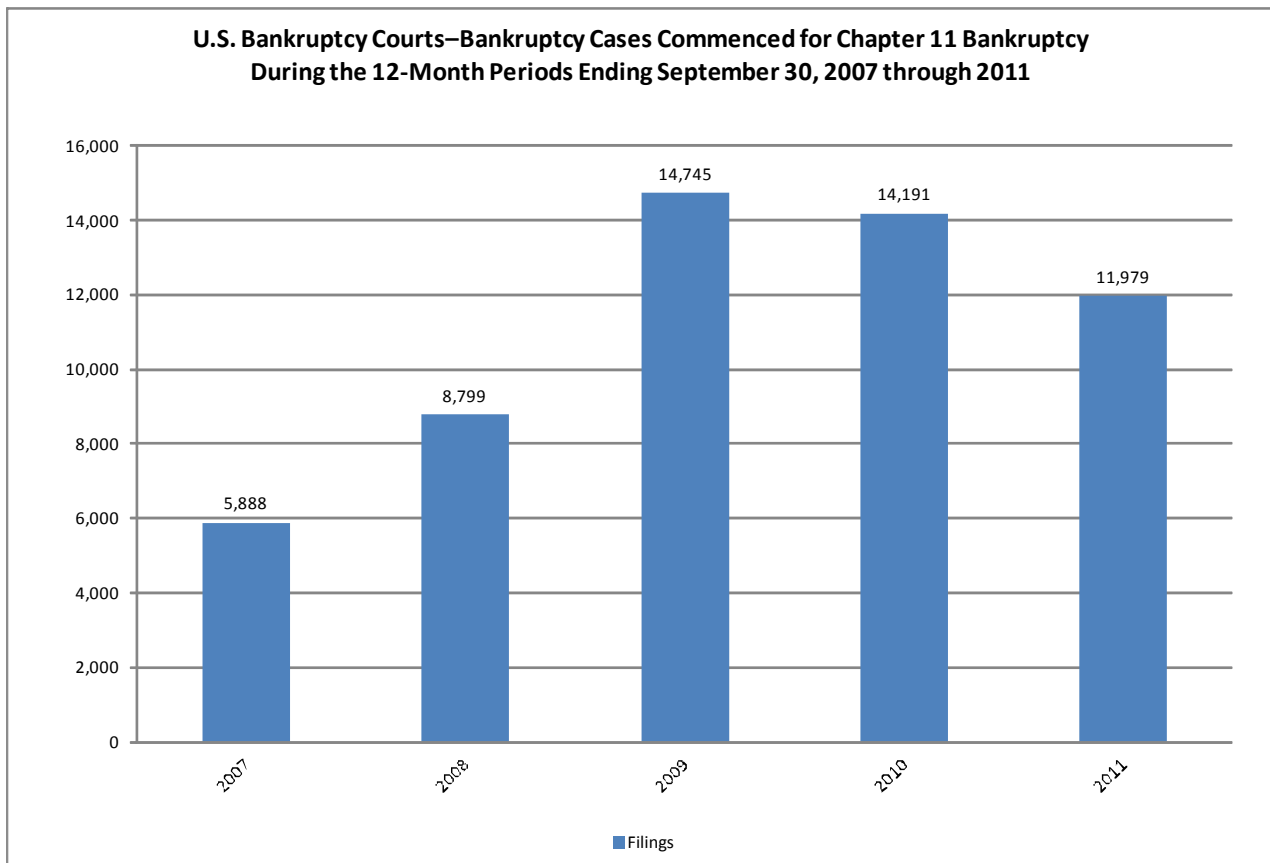
As companies emerge from Chapter 11 bankruptcy, they are required to determine the Fair Value of their business' asset base as a going concern for financial reporting purposes. FASB requires that a company restates the value of all tangible and intangible assets under Fresh Start Accounting (SOP 90-7) guidelines.

According to the bankruptcy petitions filed with the United States Courts, the number of bankruptcies being filed is beginning to slowly decrease. However, the number of entities filing for Chapter 11 still remains more than twice as high as five years ago in 2007.

With companies still in the process of recovering from termination over the last several years, the demand for fresh start accounting services remains high.



Heavy Mobile Equipment



RECENT APPRAISAL TRENDS

INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS represents a core set of global accounting standards being implemented by a rapidly growing number of countries worldwide. There are currently over 100 nations that adhere to IFRS, including all European Union countries, Australia, Hong Kong and Canada.

Organizations operating within participating countries are required to report their financial position in accordance with International Accounting Standards (“IAS”) 16, which stipulates financial reporting must be performed in a transparent manner so that property, plants, and equipment are consistently stated at Fair Value. Revaluation of property, plants, and equipment is especially attractive to organizations with ownership of considerable long lived tangible assets.

The adoption of IFRS by a wealth of international governments, most recently by Canada in 2011, provides a platform for considerable growth and opportunity for financial reporting expertise within these nations.



Energy Industry



Food Processing Industry

MARK TO MARKET VALUATIONS

Mark to market is a Fair Value accounting measurement used to record asset or liability value at the current market rate. The valuation is used to provide a realistic appraisal of an organization's financial position at a specific date, based on the current market value of similar assets or liabilities.

Mark to market valuations can be applied to any asset, debt, or equity positions of a company. The value of these positions can change over time and mark to market valuations provide the basis with which to state the Fair Value of the company's assets or debt/equity based on the most accurate and representative independent information available as opposed to current book value. These measurements are completed under the standards set forth under ASC 820 for financial reporting.

This type of internal audit of asset value may be prompted by a variety of reasons including, but not limited to:

- The strategic review of all assets
- Improvement of previously inadequate bookkeeping and accounting methods
- Enhancement of accounts that suffered compromise following prior acquisition activity
- The preparation of an organization for potential investments or public offering