



Mitigate Tenant Risk – Form An Alliance

ANALYTICAL OPTIONS

Each Report Option Offers A Deeper Level Of Scrutiny

1 *Level One: Review & Verbal Discussion*

This Level enables us to provide a quick and inexpensive “read” on a company’s financial condition. We serve as a second pair of eyes in reviewing financial statements (public or private), looking for anomalies that hint at financial problems. This enables our clients to take advantage of our years of analytical experience, familiarity with markets, and our ability to quickly recognize potential areas of financial risk.

*Estimated fee range:** \$300 – \$500

2 *Level Two: Credit Snapshot*

While somewhat cursory, this Level is designed for scrutiny of tenants where square footages and TI investments will be relatively small and/or available financial documents are limited. Our analysis includes a review of financial statements that are typically internally generated. The goal is to highlight any areas of obvious financial weakness that might exist.

*Estimated fee range:** \$500 – \$1,200

3 *Level Three: Tenant Credit Review*

Our most popular option, this level provides an in-depth review of a tenant’s financials over a 3-4 year period, with the emphasis on understanding long-term trends in key financial areas — revenue growth, profit margins, overhead factors, cash flow, balance sheet accounts, debt coverage ratios, overall capitalization, etc. Our analysis typically includes discussions with management about areas of concern and issues that require clarification. The written report provides observations about the tenant’s financial strengths and weaknesses and presents discussions and opinions about the strength of a tenant’s credit. The report includes a detailed spreadsheet that summarizes a company’s key financial statistics and scrutinizes the trends over a multiple-year period.

This trends analysis enables us to discover areas of weakness (if they exist) that hint at future problems for the company. Our conclusions assess the level of tenant risk and make recommendations about how to mitigate that risk. The Tenant Credit Review report includes our unique Tenant Credit Rating system that measures and rates the level of tenant risk in a leasing transaction. Our Rating is becoming the de-facto standard in the commercial real estate industry.

*Estimated fee range:** \$1,600 – \$2,400

4 *Level Four: Tenant Credit Report*

The Alliance Group now offers a Tenant Credit Report that presents a comprehensive assessment of the risks involved in a particular tenant transaction. This is our most rigorous level of tenant scrutiny and the one that will provide the highest degree of certainty about the level of tenant risk involved in a lease. A Tenant Credit Report includes a rigorous analysis of all aspects of a company's financial condition, as well as an examination of market-related issues in order to determine the dynamics of the tenant's target market and its position within that space. That market assessment includes a peer group analysis that measures the target company against its key competitors.

We examine eight key financial and market factors in order to develop an opinion about the company as a business, with the Tenant Credit Report presenting our judgment about how those factors would affect the company's prospects and qualifications as a tenant. A management interview helps to provide insights far beyond what can be learned by simply crunching the numbers.

The Tenant Credit Report includes our unique Tenant Credit Rating System that measures and rates the level of tenant risk in a leasing transaction. Our Rating is becoming the de-facto standard in the commercial real estate industry.

Estimated fee range: \$2,500 – \$3,900*

5 *Guarantor Financial Review*

In many cases, the analysis of a lease guarantor becomes the primary focus in determining the level of tenant risk in a leasing transaction. This is particularly true in situations where the credit of the actual tenant is weak, and a lease guarantee from a financially strong parent becomes a necessary requirement for completing a lease negotiation. In these situations, an analysis of a guarantor's financials over a 3-4-year period is initiated. This includes all the deliverables of a Level Three analysis, with a written report that includes our unique Tenant Credit Rating System that measures the level of tenant risk in a lease backed by a guarantor.

Estimated fee range: \$1,600 – \$2,400*

6 *Parent Financial Review*

There are leasing situations where a public parent company is unwilling to provide financial information for a subsidiary that is negotiating a lease, and the Parent is reluctant to serve as the guarantor. In these cases, we are unable to develop a rating of the level of tenant risk in the leasing transaction because we don't have access to financials for any entity that will be involved in the lease – tenant or guarantor.

As an alternative to scrutinizing the financial condition of the tenant or guarantor, we analyze the strengths and weaknesses of the Parent's financial condition. Even though it is not involved in the lease, we have found that developing an understanding of the Parent provides insights into what financial resources stand behind the tenant.

Estimated fee range: \$1,600 – \$2,400*

Note: The pricing on the reports is presented in estimated ranges since analytical projects vary widely in the complexity of financial documents, availability of market data, the cooperation of management, and other project-specific issues.*

The estimated fee schedules assume that a single company or market is being examined.

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