To: Investment Bankers LLC

From: John Doe, Board Member of Chino's

Subject: Project Endeavor

Dear Investment Bankers LLC:

As a board member at Chino's, I'm reaching out to you and several of your competitors for assistance in helping us respond to an unwanted takeover advance.

As background, Chino's is a publicly traded men's casual retailer. Our stock price has been languishing for some time (trading at $12 per share until last week) even though our operating performance and balance sheet has been strong.

Last Friday, ATL Capital, a private equity fund with a potentially complementary portfolio company (Good Guy Suits), bid $20 per share for our company, or around $200 mm (we have approximately 10 million shares outstanding). Note that we estimate our costs of being public costs are approximately $3 mm. We also understand that ATL believes there are other cost-saving synergies of up to $2 mm but we are skeptical there could be that much as our management tells the board that they run a pretty lean ship.

In 2013, we generated EBITDA of around $30 mm on revenues of approximately $500 mm. We have approximately $20 mm of cash on our balance sheet and $50 mm of debt. (As is typical, ATL's bid contemplated assuming the outstanding net debt.)

We started a small dividend program a year ago when a couple of our large institutional shareholders approached us and told us that they were unhappy with our stock price performance and that -- if they couldn't have strong price growth -- the least we could do was to return some capital to investors. Our latest quarterly dividend was $0.03 per share, for an annual yield of approximately 1%.

One of your competitors for this investment banking assignment is our existing senior lender -- United American Bank. We understand from UAB that we could borrow as much as $120 mm in a refinancing / recapitalization transaction but we are somewhat skeptical as we know that UAB is in "pitch mode" so they could be exaggerating our leverage capacity: $120 mm is our entire current market cap!

As you may remember, we have been approached by a handful of other potential strategic and private equity funds in the past about a sale or going-private transaction. While our peers currently trade at over 8x EV / EBITDA, we understand that some of our competitors have been sold for around 7.5x EV / EBITDA. We know that our comparable companies and comparable companies are much larger, growing faster and have higher margins but we feel we're every bit as good as they are.

Our CEO Juantia Martinez has been adamant about remaining public: she took the company public, rang the bell on the NYSE and swore that her legacy would be intact only if she retired as the CEO of a publicly traded company with the Company "in good hands".

On that note, Juantia will turn 64 this June. While she has publicly stated that she would adhere to the Company's retirement policy, privately, she told one of my fellow board members that she would like the board to consider amending the retirement policy for her to remain in place. The board has mixed emotions about this as we all believe that she was instrumental in building Chino's into the terrific company that it is but that we could probably benefit from some more forward-thinking (frankly, younger) leadership. On that note, Juantia has told the board that she believes the most qualified candidate to succeed her is her 30-year old son Max (our COO) but the board is far from convinced that Max is the right person for the Company.

The Company recently entered into a new partnership (spearheaded by Max): this Spring, we are introducing a new line of leather jogging shorts designed by South East (yes, the legendary rapper who is also a very creative fashion designer). Max believes that this introduction should help not only raise our brand awareness but should help increase customer traffic and margins.

Juantia and Max believe that our EBITDA could climb to as much as $35 mm in 2014 based on the recovering economy and the introduction of the South East line. James Fronter, our CFO, is very concerned about this forecast and he has (quietly) cautioned analysts that Juantia and Max could not only be wrong about growth but that EBITDA could slip to as little as $25 mm if the re-branding effort turns off our existing customers and/or doesn't attract enough customers.

Another idea of Max's is to acquire a smaller chain of shoe stores based in Canada called "Boots Electric" as he believes that there could be terrific growth up there. He has not provided us with much detail on Boots Electric at this point other than to say that "they generate around $10 million of EBITDA with some meaningful adjustments that are very defensible". Max believes Boots Electric would sell to us at a bargain for, like, 5x EBITDA".

We are looking to hire an investment bank (along with our outside counsel) to assist us in evaluating and potentially executing on one or more alternatives.

Information Provided

We have included financial and other data for Chino's and companies that we have preliminarily identified as comparable to our client to assist you in your evaluation (though we are not entirely sure which of the comparable companies are and are not appropriate to use as a comparison to Chino's). Please see the attachment to this memo "Additional Information" for an index of the data provided.

Next Steps

The Board is looking for you to evaluate ATL Capital's offer and advise us as to our options. In particular, please make sure to address the following questions:

- Your thoughts on ATL Capital's bid versus our "value", either as a stand-alone company or in a sale to another third party. Would your answer differ today versus a year from now? Please include standard valuation approaches such as market multiples, comparable transactions, discounted cash flows or any other relevant metrics when determining our "value".

- If we are to pursue a sale, how would you recommend pursuing that process? Speak to ATL Capital or broaden our process to include others? Why?

- What are our alternatives to selling the business? Can we just ignore the bid? What else could we do?

- How can we structure a proposal that is best for the Company, satisfies the Martinez family AND placates shareholders?

We look forward to hearing your thoughts.

Sincerely,

John Doe
Chino's
Board Member

Additional Information

I. **Chino's Historical and Projected Financial Statements**

   A. Consolidated Income Statement
   B. Consolidated Balance Sheet

II. **Comparable Companies**

   A. Operating Metrics
   B. Weighted Average Cost of Capital

III. **Comparable Transactions**

IV. **Control Premiums**

A. Consolidated Income Statement

($ in thousands, December fiscal year)	2011 Actual	2012 Actual	2013 Estimated	2014 Projected	2015 Projected	2016 Projected	2017 Projected	2018 Projected
Sales	$ 635,759	$ 585,223	$ 558,354	$ 586,272	$ 621,448	$ 658,735	$ 698,259	$ 726,189
% change	*NA*	*(7.9%)*	*(4.6%)*	*5.0%*	*6.0%*	*6.0%*	*6.0%*	*4.0%*
Cost of sales	501,453	474,984	448,852	470,259	488,701	508,813	540,547	561,892
Gross profit	**$ 134,306**	**$ 110,239**	**$ 109,502**	**$ 116,013**	**$ 132,747**	**$ 149,922**	**$ 157,712**	**$ 164,297**
% of sales	*21.1%*	*18.8%*	*19.6%*	*19.8%*	*21.4%*	*22.8%*	*22.6%*	*22.6%*
Personnel expenses	$ 68,349	$ 59,642	$ 58,770	$ 57,428	$ 61,434	$ 69,095	$ 72,545	$ 72,196
Depreciation and amortization	14,578	16,389	15,865	12,320	10,989	8,052	9,055	9,062
Other operating expenses	23,874	23,619	21,218	23,245	26,347	27,418	24,446	30,648
Total operating expenses	**$ 106,801**	**$ 99,650**	**$ 95,853**	**$ 92,993**	**$ 98,771**	**$ 104,565**	**$ 106,047**	**$ 111,906**
% of sales	*16.8%*	*17.0%*	*17.2%*	*15.9%*	*15.9%*	*15.9%*	*15.2%*	*15.4%*
Operating income	**$ 27,505**	**$ 10,589**	**$ 13,649**	**$ 23,020**	**$ 33,976**	**$ 45,357**	**$ 51,665**	**$ 52,392**
% of sales	*4.3%*	*1.8%*	*2.4%*	*3.9%*	*5.5%*	*6.9%*	*7.4%*	*7.2%*
Interest expenses (income)	$ 3,863	$ 3,687	$ 3,348	$ 3,071	$ 2,544	$ 2,615	$ 2,555	$ 2,489
Income before tax	**$ 23,642**	**$ 6,902**	**$ 10,301**	**$ 19,949**	**$ 31,432**	**$ 42,742**	**$ 49,110**	**$ 49,903**
% of sales	*3.7%*	*1.2%*	*1.8%*	*3.4%*	*5.1%*	*6.5%*	*7.0%*	*6.9%*
Income tax expense	9,457	2,761	4,120	7,980	12,573	17,097	19,644	19,961
Net income	**$ 14,185**	**$ 4,141**	**$ 6,180**	**$ 11,969**	**$ 18,859**	**$ 25,645**	**$ 29,466**	**$ 29,942**
% of sales	*2.2%*	*0.7%*	*1.1%*	*2.0%*	*3.0%*	*3.9%*	*4.2%*	*4.1%*
Capital expenditures	$ 4,212	$ 4,390	$ 4,664	$ 4,883	$ 5,044	$ 5,185	$ 5,346	$ 5,513
Stock Based Compensation	$ 2,174	$ 2,425	$ 1,855	$ 1,928	$ 2,001	$ 2,074	$ 2,147	$ 2,220

B. Consolidated Balance Sheet

($ in thousands, December fiscal year)		2011 *Actual*		2012 *Actual*		2013 *Estimated*
Assets						
Cash and cash equivalents	$	5,246	$	8,520	$	19,812
Accounts receivables		22,225		24,934		28,269
Inventories		22,953		26,579		32,584
Other current assets		12,384		12,758		12,981
Total current assets		**62,808**		**72,791**		**93,646**
PP&E, net		14,230		13,994		13,360
Goodwill		11,934		11,934		11,934
Other assets		4,011		4,038		4,124
Total long-term assets		**30,175**		**29,966**		**29,419**
Total assets	**$**	**92,983**	**$**	**102,757**	**$**	**123,065**
Liabilities and stockholders' equity						
Current Maturities	$	10,445	$	7,378	$	7,622
Accounts payable and accrued expenses		18,934		20,761		26,742
Other current liabilities		2,581		11,099		11,520
Total current liabilities		**31,960**		**39,238**		**45,884**
Long-term debt		48,471		45,609		42,922
Other long-term liabilities		3,132		1,156		2,399
Total long-term liabilities		**83,564**		**86,003**		**91,205**
Stockholders' equity		**9,419**		**16,754**		**31,859**
Total liabilities and stockholders' equity	**$**	**92,983**	**$**	**102,757**	**$**	**123,065**

A. Operating Metrics

The following charts detail operating metrics for the comparable companies:

(figures in millions except per share amount)

Company	Stock Price	Shares Outstanding	Debt	Cash	Minority Interest
Comparable Company 1	$ 33.58	104.5	$ 1,291.1	$ 627.7	$ 56.6
Comparable Company 2	58.40	30.2	373.6	354.3	14.7
Comparable Company 3	2.79	38.8	124.5	15.5	13.8
Comparable Company 4	58.99	132.4	450.8	1,166.2	42.5
Comparable Company 5	32.08	149.0	84.0	800.0	0.2
Comparable Company 6	44.12	46.5	291.3	24.9	0.1
Comparable Company 7	23.80	65.8	265.8	159.6	0.9
Comparable Company 8	8.51	29.7	7.8	10.0	0.3
Comparable Company 9	47.18	76.4	2,085.4	248.8	140.2

A. Operating Metrics (cont.)

($ in millions)

Company	LTM Operating Indications: Revenue	LTM Operating Indications: Gross Profit	LTM Operating Indications: Adjusted EBITDA	LTM Operating Indications: Adjusted EBIT	LTM Operating Indications: Net Income	LTM Margins: Gross Profit	LTM Margins: Adjusted EBITDA	LTM Margins: Adjusted EBIT	LTM Margins: Net Income	2-Year Compound Annual Growth Rate: Revenue	2-Year Compound Annual Growth Rate: EBITDA	2-Year Compound Annual Growth Rate: EBIT	2-Year Compound Annual Growth Rate: Net Income	NFY Operating Indications: Revenue	NFY Operating Indications: EBITDA
Comparable Company 1	$ 8,185.0	$ 433.4	$ 493.1	$ 393.1	$ 212.1	5.3%	6.0%	4.8%	2.6%	9.3%	6.7%	6.9%	-5.7%	$ 8,335.0	$ 502.7
Comparable Company 2	6,206.4	1,159.0	254.3	175.2	102.2	18.7%	4.1%	2.8%	1.6%	6.6%	2.8%	-1.1%	3.4%	6,207.5	292.4
Comparable Company 3	441.0	187.1	27.0	15.4	(4.1)	42.4%	6.1%	3.5%	-0.9%	4.5%	-20.6%	-46.0%	NMF	511.0	43.1
Comparable Company 4	11,153.9	1,780.4	751.6	653.6	409.2	16.0%	6.7%	5.9%	3.7%	4.7%	11.9%	12.2%	18.1%	12,087.0	795.8
Comparable Company 5	7,713.0	695.0	528.0	465.0	217.6	9.0%	6.8%	6.0%	2.8%	-11.4%	-13.0%	-14.7%	-16.0%	7,852.0	667.8
Comparable Company 6	1,566.0	858.7	224.8	176.4	121.0	54.8%	14.4%	11.3%	7.7%	12.7%	11.2%	12.8%	15.0%	1,799.3	240.9
Comparable Company 7	2,071.3	359.6	215.5	158.4	101.0	17.4%	10.4%	7.6%	4.9%	15.1%	13.3%	10.1%	11.2%	2,074.1	229.1
Comparable Company 8	312.8	51.9	21.5	15.1	15.5	16.6%	6.9%	4.8%	4.9%	14.8%	20.2%	NMF	NMF	332.5	23.3
Comparable Company 9	11,413.5	670.9	951.5	687.6	309.1	5.9%	8.3%	6.0%	2.7%	9.3%	15.6%	11.3%	3.1%	11,718.0	889.9
Low	$ 312.8	$ 51.9	$ 21.5	$ 15.1	$ (4.1)	5.3%	4.1%	2.8%	-0.9%	-11.4%	-20.6%	-46.0%	-16.0%	$ 332.5	$ 23.3
High	$ 11,413.5	$ 1,780.4	$ 951.5	$ 687.6	$ 409.2	54.8%	14.4%	11.3%	7.7%	15.1%	20.2%	12.8%	18.1%	$ 12,087.0	$ 889.9
Median	$ 6,206.4	$ 670.9	$ 254.3	$ 176.4	$ 121.0	16.6%	6.8%	5.9%	2.8%	9.3%	11.2%	8.5%	3.4%	$ 6,207.5	$ 292.4
Mean	$ 5,451.4	$ 688.4	$ 385.3	$ 304.4	$ 164.8	20.7%	7.8%	5.9%	3.3%	7.3%	5.3%	-1.1%	4.2%	$ 5,657.4	$ 409.4

B. Weighted Average Cost of Capital

(dollars in millions)

Guideline Company	Debt	Preferred Stock	Equity Market Value	Total Capitalization	Debt to Equity Market Value	Debt to Total Capitalization	Preferred Stock to Total Capitalization	Equity Market Value to Total Capitalization
Comparable Company 1	$1,291.1	$0.0	$3,508.5	$4,799.6	36.8%	26.9%	0.0%	73.1%
Comparable Company 2	373.6	0.0	1,762.5	2,136.1	21.2%	17.5%	0.0%	82.5%
Comparable Company 3	124.5	0.0	108.2	232.6	115.1%	53.5%	0.0%	46.5%
Comparable Company 4	450.8	0.0	7,812.1	8,263.0	5.8%	5.5%	0.0%	94.5%
Comparable Company 5	84.0	0.0	4,779.7	4,863.7	1.8%	1.7%	0.0%	98.3%
Comparable Company 6	291.3	0.0	2,050.6	2,341.9	14.2%	12.4%	0.0%	87.6%
Comparable Company 7	265.8	0.0	1,567.2	1,833.0	17.0%	14.5%	0.0%	85.5%
Comparable Company 8	7.8	0.0	252.6	260.4	3.1%	3.0%	0.0%	97.0%
Comparable Company 9	2,085.4	0.0	3,604.5	5,689.9	57.9%	36.7%	0.0%	63.3%
Median	$291.3	$0.0	$2,050.6	$2,341.9	17.0%	14.5%	0.0%	85.5%
Mean	$552.7	$0.0	$2,827.3	$3,380.0	30.3%	19.1%	0.0%	80.9%

Guideline Company	Levered Beta	Unlevered Beta	Equity Risk Premium	Size Premium	Cost of Equity	Cost of Debt	Cost of Preferred Stock	WACC
Comparable Company 1	1.37	1.12	5.75%	1.14%	12.3%	2.5%	0.0%	9.4%
Comparable Company 2	1.58	1.21	5.75%	1.72%	14.1%	1.9%	0.0%	11.8%
Comparable Company 3	2.20	1.29	5.75%	6.03%	22.0%	7.5%	0.0%	12.7%
Comparable Company 4	1.38	1.33	5.75%	0.76%	12.0%	1.2%	0.0%	11.4%
Comparable Company 5	1.79	1.77	5.75%	0.92%	14.5%	4.1%	0.0%	14.3%
Comparable Company 6	1.00	0.92	5.75%	1.70%	10.7%	3.4%	0.0%	9.7%
Comparable Company 7	1.17	1.06	5.75%	1.72%	11.8%	2.0%	0.0%	10.2%
Comparable Company 8	2.27	2.22	5.75%	6.03%	22.4%	3.8%	0.0%	21.8%
Comparable Company 9	1.36	1.01	5.75%	1.14%	12.3%	3.8%	0.0%	8.6%
Median	1.38	1.21			12.3%	3.4%	0.0%	11.4%
Mean	1.57	1.32			14.7%	3.3%	0.0%	12.2%

(dollars in millions)

Guideline Transaction	Announced	Trasnaction Value	Transaction Value	
			Revenue	EBITDA
Transaction 1	2013	$150.0	0.65x	6.3x
Transaction 2	2012	70.0	0.97x	7.2x
Transaction 3	2012	555.0	0.50x	8.1x
Transaction 4	2012	290.0	0.52x	5.4x
Transaction 5	2012	106.0	0.81x	6.6x
Transaction 6	2011	61.4	0.59x	9.3x
Transaction 7	2011	262.9	0.37x	7.7x
Transaction 8	2011	280.0	0.68x	7.2x
Transaction 9	2011	28.5	0.57x	8.4x
Transaction 10	2010	324.0	0.75x	5.4x
Transaction 11	2010	355.0	1.45x	7.2x
Transaction 12	2010	294.9	0.41x	12.9x
Transaction 13	2010	335.4	0.68x	6.5x
Transaction 14	2010	62.7	0.66x	6.0x
Transaction 15	2010	746.2	1.25x	4.2x
Transaction 16	2009	47.9	0.22x	11.8x
Transaction 17	2009	155.0	1.41x	7.9x
Transaction 18	2009	220.0	0.75x	6.4x
Transaction 19	2009	118.7	0.99x	8.2x

Median and mean control premiums paid in recent transactions:

Control Premium Selection

Last 90 Days

Domestic Transactions	
Number of Transactions	56
Median	24.7%
Mean	26.3%
International Transactions	
Number of Transactions	66
Median	26.5%
Mean	28.0%
All Transactions	
Number of Transactions	122
Median	25.8%
Mean	27.2%

Last 12 Months

Number of Transactions	499
Median	26.9%
Mean	27.3%