

COMPANY INFORMATION – CONFIDENTIAL MEMORANDUM

10. State of Incorporation: _____ 11. Date of Incorporation: _____

| <u>COMPANY LEGAL STATUS</u> | <u>BUSINESS CATEGORY</u> | <u>SIC CODE</u> |
|-------------------------------------|--|------------------|
| _____ Sole Proprietorship | _____ Agriculture | Primary: _____ |
| _____ Partnership | _____ Forestry and Fishing | Secondary: _____ |
| _____ Limited Partnership | _____ Distribution | |
| _____ Subchapter "S" Corporation | _____ Contract Construction | |
| _____ "C" Corporation | _____ Manufacturing | |
| _____ Limited Liability Corporation | _____ Wholesale | |
| _____ Non-Profit Corporation | _____ Retail | |
| _____ Other: | _____ Information Technology/Software | |
| _____ Other: | _____ Finance, Insurance, & Real Estate | |
| _____ Other: | _____ Transportation, Communication, & Utilities | |
| _____ Other: | _____ Service | |
| _____ Other: | _____ Accommodation & Food Services | |
| _____ Other: | _____ Other: | |

12. Provide a brief review of the product line/service history: _____

13. Describe products and/or services: _____

14. How many years at current location? _____ Has the company moved or expanded facilities? _____
 If yes, explain. _____

15. Provide breakdown for recent FYE of product /services by sales volume in dollars and in %.

| Product/Service | Sales Volume in Dollars | Sales Volume in % |
|-----------------|-------------------------|-------------------|
| | | |
| | | |
| | | |
| TOTAL | | |

16. Primary Target Market? _____

17. Rate the market trend for this product: _____
 (ENTER A NUMBER 1=DECLINE 2=FLAT 3=GROWTH)

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18. How long has this industry or product been widely known? _____
 (ENTER A NUMBER 1=NEW 2=10 YRS OR LESS 3=OVER 10 YRS)

19. How many different competitors are in the company's trade area? _____
 (ENTER A NUMBER 1=NONE 3=A FEW 5=MANY OR NEXT DOOR)

20. Methods of Marketing:

| | | |
|------------------------|-------------------------------|-------------------------|
| Radio _____ | Outside Representatives _____ | Yellow Pages _____ |
| Television _____ | Employee Sales Staff _____ | Direct Mail _____ |
| Newspaper _____ | Telemarketing _____ | Internet Web Site _____ |
| Trade Journals _____ | Ongoing Contracts _____ | No Advertising _____ |
| Other Marketing: _____ | | |

21. Patents? Yes _____ No _____ If yes, explain. _____

22. Copyrights/Trademark? Yes _____ No _____ If yes, explain. _____

23. Cyclical or Seasonal Factors? Yes _____ No _____ If yes, explain. _____

24. Describe how you sell and distribute your product and/or service: _____

25. Approximate number of customers: _____

How many customers would account for 25% of the revenues? _____

Is the customer base local, regional, national, or global? _____

26. Potential clients to target for future opportunities: _____

27. What are your company's advantages and disadvantages in the market? _____

28. Company's Employee Information:

| | |
|---------------------------------|------------------------------------|
| Total Employees _____ | Hospitalization Yes _____ No _____ |
| Full Time Employees _____ | Pension Plan Yes _____ No _____ |
| Part Time Employees _____ | Life Insurance Yes _____ No _____ |
| Union Employees _____ | Other _____ |
| Avg. Length of Employment _____ | Paid Vacations _____ |

29. Rate the local labor market trend for this product/service. _____
 (ENTER A NUMBER 1=COMPETITION 5=UNEMPLOYMENT)

30. Rate the strength of unions in this area and industry. _____
 (ENTER A NUMBER 1=NONE 5=STRONG)

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31. Days and hours business operates: AM: _____ PM: _____ Other: _____

Monday – Friday _____ Monday – Sunday: _____ Other: _____

32. Facilities: Rent ___ Lease ___ Own ___ Lease/Purchase ___ Yearly Rent/Lease Amt: \$ _____

Leaseable Square Feet: _____ Monthly Rent/Lease Amt: \$ _____

Does rent include insurance, maintenance, and taxes? Yes _____ No _____

If no, will rental rate to buyer include these amounts? Yes _____ No _____

If yes, what will be the new annual rent? \$ _____

If facility is currently leased, what is the lease expiration date? _____

Options: _____

If the owner of the business owns the real estate, how much rent will be charged to a new owner?
\$ _____

33. Market value of real estate included in the sale: _____

Was the value established by appraisal? Yes _____ No _____ Will Owner finance? _____ # of Years: _____

34. Are there any tax liens? Yes _____ No _____ If yes, explain. _____

35. Are there any law suits existing or pending? Yes _____ No _____ If yes, explain. _____

36. Seller will train buyer without charge for the following period of time: _____

37. Are you interested in staying with the business after it is sold? Yes _____ No _____ Comments: _____

38. Reason for selling: _____

39. Other assets included in the sale (other than those identified on the balance sheet):

40. Items excluded from the sale: _____

41. List below all leased equipment where leases need to be assumed by a buyer.

| Description | Monthly Payment | Final Payment Due Date |
|-------------|-----------------|------------------------|
| | \$ | |
| | \$ | |

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| | | |
|--|----|--|
| | \$ | |
| | \$ | |

42. List below any debt that must be cleared or assumed to sell the business.

| Description | Monthly Payment | Final Payment Due Date |
|-------------|-----------------|------------------------|
| None | \$ | |
| | \$ | |
| | \$ | |
| | \$ | |

43. How many family members, relatives, and/or partners, INCLUDING THE OWNER, are actively working in the business? _____

44. Given an individual with reasonable skills and little direct knowledge of this business, how long would it take to learn enough to manage this business?
(ENTER A NUMBER 1=HOURS 2=DAYS 3=WEEKS 4=MONTHS 5=YEARS) _____

45. When starting a business of this type, how many months would it take to show a profit after deducting a reasonable salary for yourself or a manager?
(ENTER A NUMBER OF MONTHS) _____

46. What is your liability exposure level? (Consider both EPA and physical danger to employees.)
(ENTER A NUMBER 1=MINIMAL 2= SAFETY IS DISCUSSED 3= HAZARDOUS) _____

47. What is the local economic trend?
(ENTER A NUMBER 1=DECLINE 2=FLAT 3=GROWTH) _____

48. What is the regional economic trend?
(ENTER A NUMBER 1=DECLINE 2=FLAT 3=GROWTH) _____

**OWNER'S BALANCE SHEET – VALUATION OF ASSETS AND/OR LIABILITIES
THAT WILL BE INCLUDED IN THE SALE - Confidential Memorandum**

BALANCE SHEET ANALYSIS DATE: _____

INCLUDED IN THE SALE

ASSETS

Current Assets:

| | NET BOOK VALUE* PER B/S | ADJUSTMENTS | FAIR MARKET VALUE |
|-----------------------------|----------------------------|-------------|----------------------|
| Accounts Receivable | \$ | \$ | \$ |
| Inventory | \$ | \$ | \$ |
| Other: | \$ | \$ | \$ |
| Total Current Assets | \$ | \$ | \$ |

Fixed Assets:

| | | | |
|---------------------------------|-----------|-----------|-----------|
| Leasehold Improvements | \$ | \$ | \$ |
| Furniture and Fixtures | \$ | \$ | \$ |
| Equipment (machinery and tools) | \$ | \$ | \$ |
| Vehicles | \$ | \$ | \$ |
| Building(s) | \$ | \$ | \$ |
| Land | \$ | \$ | \$ |
| Other: | \$ | \$ | \$ |
| Total Fixed Assets | \$ | \$ | \$ |

TOTAL ASSETS

\$ _____ \$ _____ \$ _____

LIABILITIES

| | | | |
|------------------|----|----|----|
| Accounts Payable | \$ | \$ | \$ |
| Bank Debt | \$ | \$ | \$ |
| Other: | \$ | \$ | \$ |

TOTAL LIABILITIES

\$ _____ \$ _____ \$ _____

EQUITY

\$ _____ \$ _____ \$ _____

Notes:

*Net Book Value equals Historical Cost less any Accumulated Depreciation.
Adjustments increase or decrease to Fair Market Value.

HISTORICAL FINANCIAL SUMMARY - Confidential Memorandum

PERIOD ENDING: _____ **FYE:** _____ **INTERIM:** _____
INFORMATION SOURCE: TAX RETURN: _____ **FINANCIAL STATEMENTS:** _____

| | Three Years Ending | 2006 | 2007 | 2008 |
|----|---|------|------|------|
| 1. | Sales | \$ | \$ | \$ |
| 2. | Earnings Before Tax (EBT) | \$ | \$ | \$ |
| 3. | Plus: Customary Lender Add Backs: | | | |
| | A. Owner's Salary | A.\$ | \$ | \$ |
| | B. Depreciation and Amortization | B.\$ | \$ | \$ |
| | C. Interest and Expense | C.\$ | \$ | \$ |
| | D. Non-recurring or Unusual Expense | D.\$ | \$ | \$ |
| | E. Rent Adjustments | E.\$ | \$ | \$ |
| | F. Other Royalties | F.\$ | \$ | \$ |
| 4. | Cash Flow Available for Financing (ADD: 3. A thru F) | \$ | \$ | \$ |
| 5. | Plus: Other Owner Benefits/Add Backs: | | | |
| | A. Other Family Salaries | A.\$ | \$ | \$ |
| | B. Owner's Vehicle and Insurance | B.\$ | \$ | \$ |
| | C. Owner's Travel and Entertainment | C.\$ | \$ | \$ |
| | D. Owner's Legal and Accounting | D.\$ | \$ | \$ |
| | E. Donations | E.\$ | \$ | \$ |
| | F. Payroll Taxes, Insurance Pension | F.\$ | \$ | \$ |
| 6. | Cash Flow- (Add 5. A thru F) Other Owner Benefits/Add Backs | \$ | \$ | \$ |
| 7. | Sellers Discretionary Cash Flow (SDCF) (Add: 2, 4 and 6) | \$ | \$ | \$ |
| 8. | Less: Normalized Owner/Mgr. Salary | \$ | \$ | \$ |
| 9. | EBITDA (Earnings before interest, taxes, depreciation and amortization) (SUBTRACT: 7 minus 8) | \$ | \$ | \$ |

Owner's/Seller's Discretionary Cash Flow may include: Net Operating Pre-Tax Profit or (Loss) plus/minus Verifiable Non-Cash Expenses (Depreciation/Amortization); Owner's Salary and Benefits; One Time Non-Recurring or Unusual Expenses; and Non-Essential Expenses.

Assume that the business will be sold or transferred to a new owner who may not incur the same discretionary expenses (example: insurance for owner and family members, interest and insurance on non-essential vehicles, convention trips, travel and entertainment, donations, and other non-essential expenses).

Company: _____

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Fiscal Years Ending: _____

2006

2007

2008

NET SALES

\$ _____ \$ _____ \$ _____

| | | | |
|-----------|--|----|----|
| \$ Growth | | \$ | \$ |
| % Growth | | | |

Historical Operating Profit or EBT

\$ _____ \$ _____ \$ _____

Add Backs:

| | | | |
|---------------------------------------|----|----|----|
| Owner’s Salaries, Perks, and Benefits | \$ | \$ | \$ |
| Depreciation and Amortization | \$ | \$ | \$ |
| Interest Expense | \$ | \$ | \$ |
| Plus/Minus Other Adjustments | \$ | \$ | \$ |

Seller’s Discretionary Cash Flow (SDCF)

\$ _____ \$ _____ \$ _____

Less:

| | | | |
|-------------------------------|----|----|----|
| Normalized Owner/Mgmt. Salary | \$ | \$ | \$ |
|-------------------------------|----|----|----|

EBITDA

\$ _____ \$ _____ \$ _____

(Earnings Before Interest, Taxes, Depreciation, and Amortization)

PRICE AND TERMS – Confidential Memorandum

Price:

Purchase Price \$ _____

Down Payment \$ _____

Terms:

Note to Seller & 3rd Party Lender (Principal Amount) \$ _____

Annual Payment (Principal and Interest) \$ _____

Annual Interest _____

Terms (Months) _____

Assets to be Transferred with Business

| Description | Amount |
|---------------|-----------|
| Real Estate | \$ |
| Inventory | \$ |
| FF& E | \$ |
| | \$ |
| | \$ |
| | \$ |
| TOTAL: | \$ |

Liabilities to be Assumed or Refinanced by Purchaser

| Description | Amount |
|---------------|-----------|
| | \$ |
| | \$ |
| | \$ |
| | \$ |
| | \$ |
| TOTAL: | \$ |

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**OWNER'S JUSTIFICATION FOR PURCHASE PRICE –
Confidential Memorandum**

Owner's Discretionary Cash Flow \$ _____
(See Owner's Discretionary Cash Flow Analysis)

Less: Annual Debt Service \$ _____
(See Price and Terms - Annual Payment)

Less: Owner's/Management Salary \$ _____
(Annual Salary)

Less: Return on Down Payment \$ _____
(See Price and Terms-
6% Annual Return on Down Payment)

Less: Capital Expenditures \$ _____
(% of Fair Market Value of Fixed Assets)

CASH FLOW REMAINING \$ _____