

COMPANY INFORMATION – CONFIDENTIAL MEMORANDUM

1. Client Name: Mr. ___ Ms. ___ Dr. ___ Title: _____
 Name of Business: _____ Employer ID#: _____
 Address: _____ City: _____ State: _____ Zip: _____
 Business Phone: _____ Home Phone: _____ Fax: _____

1a. Is this the primary contact? Yes ___ No ___ If no, please complete the following.
 Contact Name: Mr. ___ Ms. ___ Dr. ___ Paradigm Financial Group Inc. Title: Business Brokers
 Address: 195 Escondido Lane City: Lowgap State: NC Zip: 27024
 Business Phone: 336-499-6339 Email: bizbroker@paradigmfg.com Fax: 336-464-2448

2a. Please provide the following for all those owning greater than 10% of the company. *(Should equal 100%)

Name	Title	% Owned*	Age

2b. Common Shares Outstanding: _____ Shares repurchased? Yes ___ No ___
 Price/Share: \$ _____ Repurchased Date: _____
 Preferred Shares Outstanding: _____ Shares repurchased? Yes ___ No ___
 Price/Share: \$ _____ Repurchased Date: _____
 Buy/Sell Agreement? Yes ___ No ___ Any Options Outstanding? _____
 To Whom? _____

2c. What function(s) does the owner currently perform that will need to be replaced by the buyer? _____

3. What back-up is there for key positions? _____

4. Company Legal Name and D/B/A: _____

5. Has the company had a name change? Yes ___ No ___ If yes, explain. _____

6. Date business began: _____ 7. Business year end: _____

8a. Are you the founder of the business? Yes ___ No ___

8b. If no, how long have you owned the business? _____

9. Is the founder still involved with the company? _____ If no, explain. _____

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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)

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)

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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 _____
Ava. 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)

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

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

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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) _____

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).

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Company: _____

Fiscal Years Ending: _____

	<u>2006</u>	<u>2007</u>	<u>2008</u>
NET SALES	\$ _____	\$ _____	\$ _____

\$ Growth		\$	\$
% Growth			

Historical Operating Profit or EBT	\$ _____	\$ _____	\$ _____
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Add Backs:

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

Seller's Discretionary Cash Flow (SDCF)	\$ _____	\$ _____	\$ _____
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Less:

Normalized Owner/Mgmt. Salary	\$	\$	\$
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EBITDA	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>
(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:	\$

**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 \$ _____