



Deal Reviewer™

Wall Street Tools for Main Street Business™

**A success-building system
to help business buyers:**

Develop Acquisition Criteria

Create Deal Flow

Quickly Analyze, Value
and Screen Opportunities



Buyer Profile Setup

Preparer Information:	
Company	Acquisition Management Group
Address	1250 Broadway Blvd. Suite 1010
City	San Diego
State	CA
Zip	92015
Contact	Tom Smith
Title	Senior Acquisition Specialist
Phone	(619) 444-2323
Email Address	email@preparer.com
Date	3/17/2008
Buyer Information:	
Buyer name	Buyer Industries, Inc.
Address	123 Main Street, Suite 2252
City	San Diego
State	CA
Zip	92126
Contact	John Q. Sellers
Title	Chief Financial Officer
Phone	(619) 555-1212
Email Address	email@buyer.com
Financial Criteria:	
Cost of Equity Capital	10.00%
Required return over the Cost of Equity Capital	22.00%
Investment Hurdle Rate	32.00%
Minimum Deal Size	\$ 4,000,000
Minimum Revenues	\$ 3,000,000
Minimum EBITDA	\$ 750,000
Minimum FCF available to TIC	\$ 1,250,000
Total cash available to invest in acquisitions	\$ 5,000,000
Cash available for any one acquisition	\$ 8,000,000

Acquisition Criteria

Type of Buyer:
<input checked="" type="checkbox"/> Individual: To own and operate <input type="checkbox"/> Individual: As an investor <input type="checkbox"/> Business: Investment group or fund (financial buyer) <input type="checkbox"/> Business: Industry or corporate acquirer (strategic buyer)
Management:
<input type="checkbox"/> Strong management team to remain after acquisition <input checked="" type="checkbox"/> Keeping management team is not an issue
Transaction Preferences:
<input type="checkbox"/> Stock purchase <input checked="" type="checkbox"/> Asset purchase <input type="checkbox"/> Standalone acquisition or merger <input type="checkbox"/> Merger or consolidation <input type="checkbox"/> LBO
General Acquisition Strategy:
<input checked="" type="checkbox"/> Want to buy a single business to own or operate <input type="checkbox"/> Want to buy a business that will provide a platform for future growth by acquisition <input type="checkbox"/> Seeking to add on to an existing platform company <input type="checkbox"/> Want to buy businesses in fragmented industries and consolidate/roll them up into one company <input type="checkbox"/> Seeking to diversify an investment portfolio <input type="checkbox"/> Seeking to vertically integrate <input type="checkbox"/> Seeking horizontal integration <input type="checkbox"/> Seeking to increase revenue growth through acquisitions <input type="checkbox"/> Seeking synergies (revenue enhancement/cost-savings)
Geographical Preferences:
<input checked="" type="checkbox"/> Local <input type="checkbox"/> Within state <input type="checkbox"/> Regional <input type="checkbox"/> National <input type="checkbox"/> International
Industry Preferences:
<input type="checkbox"/> Agriculture, Forestry and Fishing <input type="checkbox"/> Mining <input type="checkbox"/> Construction <input type="checkbox"/> Manufacturing <input type="checkbox"/> Medical-related <input type="checkbox"/> Telecommunications <input type="checkbox"/> Information Technology <input type="checkbox"/> Transportation <input type="checkbox"/> Wholesale Trade <input checked="" type="checkbox"/> Retail Trade <input type="checkbox"/> Restaurant or Hospitality <input checked="" type="checkbox"/> Finance, Insurance and Real Estate <input checked="" type="checkbox"/> Services <input type="checkbox"/> User Defined <input type="checkbox"/> User Defined <input type="checkbox"/> User Defined <input type="checkbox"/> User Defined <input type="checkbox"/> User Defined
Business Cycle:
<input type="checkbox"/> Startup <input checked="" type="checkbox"/> Early growth <input checked="" type="checkbox"/> Growth <input checked="" type="checkbox"/> Mature, stable growth <input type="checkbox"/> Decline or Turnaround
Size Preferences - Annual Revenues:
<input type="checkbox"/> Below \$250,000 <input type="checkbox"/> > \$250,00 but less than \$500,000 <input type="checkbox"/> > 500,000 but less than \$1,000,000 <input checked="" type="checkbox"/> > \$1,000,000 but less than \$2,500,000 <input checked="" type="checkbox"/> > \$2,500,000 but less than \$5,000,000 <input type="checkbox"/> > \$5,000,000 but less than \$10,000,000 <input type="checkbox"/> > \$10,000,000 but less than \$25,000,000 <input type="checkbox"/> > \$25,000,000 but less than \$50,000,000 <input type="checkbox"/> > \$50,000,000 but less than \$100,000,000 <input type="checkbox"/> > \$100,000,000 but less than \$250,000,000 <input type="checkbox"/> > \$250,000,000 but less than \$500,000,000 <input type="checkbox"/> Over \$500,000,000
Size Preferences - Earnings (EBITDA):
<input type="checkbox"/> Below \$100,000 <input checked="" type="checkbox"/> > \$100,000 but less than \$500,000 <input checked="" type="checkbox"/> > \$500,000 but less than \$1,000,000 <input type="checkbox"/> > \$1,000,000 but less than \$2,500,000 <input type="checkbox"/> > \$2,500,000 but less than \$5,000,000 <input type="checkbox"/> > \$5,000,000 but less than \$25,000,000 <input type="checkbox"/> > \$25,000,000 but less than \$50,000,000 <input type="checkbox"/> > \$50,000,000 but less than \$100,000,000 <input type="checkbox"/> Over \$100,000,000
Market Type:
<input checked="" type="checkbox"/> Sales made business to business <input checked="" type="checkbox"/> Sales made business to consumer

Business Drivers: Buyer Survey

Buyer: Buyer Industries, Inc.	
* Rate each of the following from 0, no importance, to 10, maximum importance.	
Marketing:	Importance *
Capture a large share of the current market	8
Enter new geographic markets	4
Secure a foothold in new market	5
Improve existing distribution network	3
Obtain new channels of distribution	8
Enter new complimentary markets	2
Build upon established name/brand recognition	3
Gain or maintain competitive advantage	5
Customers and Sales:	
Obtain new customers for existing products/services	4
Secure new products/services for existing customers	5
Expand or "fill out" existing products/services provided	6
Diversify customer base	7
Diversify products/services provided	8
Improve upon quality of existing products/services	9
Increase bargaining power with existing customers	4
Eliminate sales seasonality - smooth the business cycle	3
Knowledge and People:	
Gain access to managerial talent	3
Gain access to skilled workforce	4
Secure needed technology and patents	5
Gain access to research and development	6
Operations:	
Obtain a source of additional productive capacity	5
Utilize existing or idle productive capacity	8
Reduce or spread out overhead costs	5
Increase bargaining power with existing vendors/suppliers	9
Gain access to new vital vendors/suppliers	10
Reduce reliance upon and need for outside vendors and contractors	2
Gain access to more competitive purchasing arrangements	3
Financial:	
Leverage existing credit rating and relationships	5
Diversify corporate holdings	4
Take advantage of a low cost of debt	3
Take advantage of the current stock value	2
Obtain or use tax credits	1

Personal Drivers: Buyer Survey

Buyer: Buyer Industries, Inc.	
<i>* Rate each of the following from 0, no importance, to 10, maximum importance.</i>	
Business Related Criteria:	Importance *
Consistent growth in annual historic sales	5
Expectation of future growth in sales with little change in direction	9
Sales are not cyclical or seasonal	10
Demand for the product or service is strong	7
Market outlook is for continued growth	10
Significant share of market already captured	5
Market is not highly competitive	4
Customer base is loyal and diverse	7
Business is difficult to establish (barriers to entry)	7
Trained and experienced staff already in place	10
Key staff members fit with my management style	0
Business can be readily moved or relocated	1
Long-term arrangement for existing facility	8
Business is well-known and highly regarded	0
Personal Financial Considerations:	
Can provide my primary source of income	6
Can create job opportunities for my family members	0
The asset can be passed along to my family members	10
The business can generate immediate income	8
Does not require me to live on savings for any period of time	5
Does not require me to "risk it all" to buy the business	4
Does not require capital investment in excess of down payment	2
Consistent with previous mgmt. experience and people skills	9
Consistent with personal interest areas	8
Does not require me to share control with other owners	7
Does not require me to enter a highly competitive market area	6
Image & Lifestyle Considerations:	
Business is in a field that people admire or respect	5
Offers the opportunity to build upon existing social contacts	4
Offers the opportunity to create new social relationships	3
Business is close to my home	2
Family supports decision to purchase this "type" of business	1
Does not require me to devote all of my time to build the business	0

Target Profile Setup

General Information:	
Target Name	Sample Industries, Inc.
Address	6000 Industrial Park Way
City	New York
State	NY
Zip	10005
Contact	Michael Jones
Phone	(212) 345-6789
Email Address	email@target.com
Business Information:	
Primary business activity	Sporting goods manufacturing
Secondary business activity	Athletic goods distribution
SIC/NAICS code	3949
Organizational form	
Type of financial statements	
Year established	1990
Transaction Information:	
Asking price	\$ 6,000,000
Percent cash down	25.00%
Desired transaction type:	Unspecified
Financial Statement Setup:	
Most recent historic year	2008
Number of full historic years	5
Dollar values presented in whole dollars or thousands	Whole Dollars

Business Drivers: Target Survey

Target Name: Sample Industries, Inc.	
* Rate each of the following from 0, no strength, to 10, maximum strength.	
Marketing:	Strength *
Capture a large share of the current market	3
Enter new geographic markets	4
Secure a foothold in new market	7
Improve existing distribution network	8
Obtain new channels of distribution	4
Enter new complimentary markets	1
Build upon established Name/Brand recognition	3
Gain or maintain competitive advantage	9
Customers and Sales:	
Obtain new customers for existing products/services	2
Secure new products/services for existing customers	6
Expand or "fill out" existing products/services provided	4
Diversify customer base	8
Diversify products/services provided	6
Improve upon quality of existing products/services	9
Increase bargaining power with existing customers	2
Eliminate sales seasonality - smooth the business cycle	10
Knowledge and People:	
Gain access to managerial talent	6
Gain access to skilled workforce	6
Secure needed technology and patents	2
Gain access to research and development	9
Operations:	
Obtain a source of additional productive capacity	10
Utilize existing or idle productive capacity	4
Reduce or spread out overhead costs	9
Increase bargaining power with existing vendors/suppliers	4
Gain access to new vital vendors/suppliers	4
Reduce reliance upon and need for outside vendors and contractors	7
Gain access to more competitive purchasing arrangements	2
Financial:	
Leverage existing credit rating and relationships	3
Diversify corporate holdings	4
Take advantage of a low cost of debt	5
Take advantage of the current stock value	2
Obtain or use tax credits	8

Business Drivers: Comparison

Buyer: Buyer Industries, Inc.		Target Name: Sample Industries, Inc.	
Summary:	Acquisition Desireability Score	Target Average	Buyer Average
	5.4	5.3	5.0
Marketing:	Buyer Importance	Target Strength	Product
Capture a large share of the current market	8	3	24
Enter new geographic markets	4	4	16
Secure a foothold in new market	5	7	35
Improve existing distribution network	3	8	24
Obtain new channels of distribution	8	4	32
Enter new complimentary markets	2	1	2
Build upon established Name/Brand recognition	3	3	9
Gain or maintain competitive advantage	5	9	45
Customers and Sales:			
Obtain new customers for existing products/services	4	2	8
Secure new products/services for existing customers	5	6	30
Expand or "fill out" existing products/services provided	6	4	24
Diversify customer base	7	8	56
Diversify products/services provided	8	6	48
Improve upon quality of existing products/services	9	9	81
Increase bargaining power with existing customers	4	2	8
Eliminate sales seasonality - smooth the business cycle	3	10	30
Knowledge and People:			
Gain access to managerial talent	3	6	18
Gain access to skilled workforce	4	6	24
Secure needed technology and patents	5	2	10
Gain access to research and development	6	9	54
Operations:			
Obtain a source of additional productive capacity	5	10	50
Utilize existing or idle productive capacity	8	4	32
Reduce or spread out overhead costs	5	9	45
Increase bargaining power with existing vendors/suppliers	9	4	36
Gain access to new vital vendors/suppliers	10	4	40
Reduce reliance upon and need for outside vendors and contractors	2	7	14
Gain access to more competitive purchasing arrangements	3	2	6
Financial:			
Leverage existing credit rating and relationships	5	3	15
Diversify corporate holdings	4	4	16
Take advantage of a low cost of debt	3	5	15
Take advantage of the current stock value	2	2	4
Obtain or use tax credits	1	8	8
Sum of category scores	159	171	859
Divide By	32	32	159
Average of category scores	5.0	5.3	5.4

Personal Drivers: Target Survey

Target Name: Sample Industries, Inc.	
<i>* Rate each of the following from 0, no strength, to 10, maximum strength.</i>	
Business Related Criteria:	Strength *
Consistent growth in annual historic sales	4
Expectation of future growth in sales with little change in direction	8
Sales are not cyclical or seasonal	7
Demand for the product or service is strong	2
Market outlook is for continued growth	9
Significant share of market already captured	10
Market is not highly competitive	4
Customer base is loyal and diverse	5
Business is difficult to establish (barriers to entry)	6
Trained and experienced staff already in place	4
Key staff members fit with my management style	7
Business can be readily moved or relocated	9
Long-term arrangement for existing facility	6
Business is well-known and highly regarded	3
Personal Financial Considerations:	
Can provide my primary source of income	10
Can create job opportunities for my family members	4
The asset can be passed along to my family members	8
The business can generate immediate income	9
Does not require me to live on savings for any period of time	6
Does not require me to "risk it all" to buy the business	8
Does not require capital investment in excess of down payment	8
Consistent with previous mgmt. experience and people skills	6
Consistent with personal interest areas	10
Does not require me to share control with other owners	9
Does not require me to enter a highly competitive market area	2
Image & Lifestyle Considerations:	
Business is in a field that people admire or respect	8
Offers the opportunity to build upon existing social contacts	5
Offers the opportunity to create new social relationships	9
Business is close to my home	9
Family supports decision to purchase this "type" of business	4
Does not require me to devote all of my time to build the business	6

Personal Drivers: Comparison

Buyer: Buyer Industries, Inc.		Target Name: Sample Industries, Inc.	
Summary:	Acquisition Desirability Score	Target Average	Buyer Average
	6.8	6.6	5.3
Business Related Criteria:	Buyer Importance	Target Strength	Product
Consistent growth in annual historic sales	5	4	20
Expectation of future growth in sales with little change in direction	9	8	72
Sales are not cyclical or seasonal	10	7	70
Demand for the product or service is strong	7	2	14
Market outlook is for continued growth	10	9	90
Significant share of market already captured	5	10	50
Market is not highly competitive	4	4	16
Customer base is loyal and diverse	7	5	35
Business is difficult to establish (barriers to entry)	7	6	42
Trained and experienced staff already in place	10	4	40
Key staff members fit with my management style	0	7	0
Business can be readily moved or relocated	1	9	9
Long-term arrangement for existing facility	8	6	48
Business is well-known and highly regarded	0	3	0
Personal Financial Considerations:			
Can provide my primary source of income	6	10	60
Can create job opportunities for my family members	0	4	0
The asset can be passed along to my family members	10	8	80
The business can generate immediate income	8	9	72
Does not require me to live on savings for any period of time	5	6	30
Does not require me to "risk it all" to buy the business	4	8	32
Does not require capital investment in excess of down payment	2	8	16
Consistent with previous mgmt. experience and people skills	9	6	54
Consistent with personal interest areas	8	10	80
Does not require me to share control with other owners	7	9	63
Does not require me to enter a highly competitive market area	6	2	12
Image & Lifestyle Considerations:			
Business is in a field that people admire or respect	5	8	40
Offers the opportunity to build upon existing social contacts	4	5	20
Offers the opportunity to create new social relationships	3	9	27
Business is close to my home	2	9	18
Family supports decision to purchase this "type" of business	1	4	4
Does not require me to devote all of my time to build the business	0	6	0
Sum of category scores	163	205	1,114
Divide By	31	31	163
Average of category scores	5.3	6.6	6.8

Income Statements & Adjustments

Target Name: Sample Industries, Inc.					
Historic Statements:	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Net Sales	2,500,000	3,125,000	3,750,000	4,312,500	4,743,750
Cost of Goods Sold	1,000,000	1,218,750	1,425,000	1,595,625	1,707,750
Gross Profit	1,500,000	1,906,250	2,325,000	2,716,875	3,036,000
Gross Profit %	60.00%	61.00%	62.00%	63.00%	64.00%
Selling Expenses	500,000	593,750	675,000	733,125	759,000
Depreciation Expense	100,000	110,000	120,000	130,000	140,000
Amortization Expense	10,000	12,000	14,000	16,000	18,000
Owner's Compensation	85,000	85,000	90,000	90,000	100,000
Other G&A Expenses	25,000	30,000	35,000	40,000	50,000
Total Selling/G&A Expenses	720,000	830,750	934,000	1,009,125	1,067,000
Net Operating Income	780,000	1,075,500	1,391,000	1,707,750	1,969,000
Net Operating Income %	31.20%	34.42%	37.09%	39.60%	41.51%
Interest Expense	40,000	36,000	32,000	28,000	24,000
Other Expenses / (Income)	50,000	11,000	(10,000)	(22,000)	(37,500)
Income Taxes	190,000	298,400	414,600	525,700	641,075
Net Income	500,000	730,100	954,400	1,176,050	1,341,425
Net Income %	20.00%	23.36%	25.45%	27.27%	28.28%
Adjustments:					
Net Sales	0	0	0	0	0
Cost of Goods Sold	0	0	0	0	0
Selling Expenses	0	0	0	0	0
Depreciation Expense	0	0	0	0	0
Amortization Expense	0	0	0	0	0
Owner's Compensation	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
Other G&A Expenses	0	0	0	0	0
Interest Expense	0	0	0	0	0
Other Expenses / (Income)	0	0	0	0	0
Income Taxes	0	0	0	0	0
Adjusted Statements:	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Net Sales	2,500,000	3,125,000	3,750,000	4,312,500	4,743,750
Cost of Goods Sold	1,000,000	1,218,750	1,425,000	1,595,625	1,707,750
Gross Profit	1,500,000	1,906,250	2,325,000	2,716,875	3,036,000
Gross Profit %	60.00%	61.00%	62.00%	63.00%	64.00%
Selling Expenses	500,000	593,750	675,000	733,125	759,000
Depreciation Expense	100,000	110,000	120,000	130,000	140,000
Amortization Expense	10,000	12,000	14,000	16,000	18,000
Owner's Compensation	65,000	65,000	70,000	70,000	80,000
Other G&A Expenses	25,000	30,000	35,000	40,000	50,000
Total Selling/G&A Expenses	700,000	810,750	914,000	989,125	1,047,000
Net Operating Income	800,000	1,095,500	1,411,000	1,727,750	1,989,000
Net Operating Income %	32.00%	35.06%	37.63%	40.06%	41.93%
Interest Expense	40,000	36,000	32,000	28,000	24,000
Other Expenses / (Income)	50,000	11,000	(10,000)	(22,000)	(37,500)
Income Taxes	190,000	298,400	414,600	525,700	641,075
Net Income	520,000	750,100	974,400	1,196,050	1,361,425
Net Income %	20.80%	24.00%	25.98%	27.73%	28.70%

Balance Sheets

Target Name: Sample Industries, Inc.					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Assets					
Cash	260,000	220,000	320,000	337,000	376,000
Net Accounts Receivable	525,000	550,000	625,000	680,000	730,000
Total Inventory	250,000	270,000	320,000	350,000	398,000
Other Current Assets	160,000	175,000	190,000	230,000	23,000
Total Current Assets	1,195,000	1,215,000	1,455,000	1,597,000	1,527,000
Depreciable Fixed Assets	1,750,000	2,200,000	2,750,000	3,245,000	3,550,000
Non-Depreciable Fixed Assets	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
(Accumulated Depreciation)	(180,000)	(280,000)	(380,000)	(480,000)	(580,000)
Net Fixed Assets	3,970,000	4,320,000	4,770,000	5,165,000	5,370,000
Intangible Assets	350,000	350,000	350,000	350,000	350,000
(Accumulated Amortization)	(150,000)	(160,000)	(170,000)	(180,000)	(190,000)
Other Assets	13,500	16,000	18,500	21,000	21,000
Total Other Assets	213,500	206,000	198,500	191,000	181,000
Total Assets	5,378,500	5,741,000	6,423,500	6,953,000	7,078,000
Liabilities & Equity					
Trade Accounts Payable	437,000	477,900	548,000	282,000	427,000
Short-Term Obligations	100,000	90,000	80,000	70,000	60,000
Taxes Payable	46,500	75,000	103,650	132,000	160,000
Other Current Liabilities	225,000	200,000	190,000	180,000	170,000
Total Current Liabilities	808,500	842,900	921,650	664,000	817,000
Long-Term Obligations	600,000	510,000	420,000	330,000	240,000
Other Liabilities	1,200,000	1,400,000	1,600,000	1,800,000	2,000,000
Total Long-Term Liabilities	1,800,000	1,910,000	2,020,000	2,130,000	2,240,000
Total Liabilities	2,608,500	2,752,900	2,941,650	2,794,000	3,057,000
Stock	1,405,000	2,055,000	1,625,000	2,305,000	2,180,000
Retained Earnings	1,355,000	923,100	1,846,850	1,844,000	1,831,000
User Defined	10,000	10,000	10,000	10,000	10,000
Net Equity	2,770,000	2,988,100	3,481,850	4,159,000	4,021,000
Total Liabilities & Equity	5,378,500	5,741,000	6,423,500	6,953,000	7,078,000

Earnings & Cash Flow Summary

Target name: Sample Industries, Inc.					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Net Income	520,000	750,100	974,400	1,196,050	1,361,425
Plus: Income Taxes	190,000	298,400	414,600	525,700	641,075
EBT	710,000	1,048,500	1,389,000	1,721,750	2,002,500
Plus: Interest Expense	40,000	36,000	32,000	28,000	24,000
EBIT	750,000	1,084,500	1,421,000	1,749,750	2,026,500
Plus: Depreciation	100,000	110,000	120,000	130,000	140,000
Plus: Amortization	10,000	12,000	14,000	16,000	18,000
EBITDA	860,000	1,206,500	1,555,000	1,895,750	2,184,500
Historic Statistics:					
Net Sales	2,500,000	3,125,000	3,750,000	4,312,500	4,743,750
Fixed Asset Purchases	0	0	0	0	0
Depreciable Fixed Assets	1,750,000	2,200,000	2,750,000	3,245,000	3,550,000
(Accumulated Depreciation)	(180,000)	(280,000)	(380,000)	(480,000)	(580,000)
Intangibles	350,000	350,000	350,000	350,000	350,000
(Accumulated Amortization)	(150,000)	(160,000)	(170,000)	(180,000)	(190,000)
Net Working Capital	226,500	242,100	293,350	666,000	394,000
Free Cash Flow Calculation:					
EBIT		1,084,500	1,421,000	1,749,750	2,026,500
Plus: Other Expenses / (Income)		11,000	(10,000)	(22,000)	(37,500)
Net Operating Income		1,095,500	1,411,000	1,727,750	1,989,000
Less: Estimated Taxes on Net Operating Income		372,470	479,740	587,435	676,260
Plus: Depreciation Expense		110,000	120,000	130,000	140,000
Plus: Amortization Expense		12,000	14,000	16,000	18,000
Less: Fixed Asset Purchases		0	0	0	0
Less: Changes in Net Working Capital		15,600	51,250	372,650	(272,000)
Plus: Reconciliation account		0	0	0	0
Free Cash Flow available to Total Invested Capital		829,430	1,014,010	913,665	1,742,740
** Historic Average Tax Rate on Net Operating Income 29.52%					

Financial Ratio Analysis

Target Name: Sample Industries, Inc.							
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Average	Trend
<u>Liquidity Ratios:</u>							
Current Ratio	1.48	1.44	1.58	2.41	1.87	1.75	0.17
Sales / Accounts Receivable	4.76	5.68	6.00	6.34	6.50	5.86	0.41
Sales / Net Working Capital	11.04	12.91	12.78	6.48	12.04	11.05	-0.44
COGS / Inventory	4.00	4.51	4.45	4.56	4.29	4.36	0.06
COGS / Trade Accounts Payable	2.29	2.55	2.60	5.66	4.00	3.42	0.65
<u>Operating Ratios:</u>							
Owner's Compensation (Percent of Sales)	2.60%	2.08%	1.87%	1.62%	1.69%	1.97%	-0.23%
EBT / Tangible Net Worth	27.63%	37.47%	42.07%	43.16%	51.86%	40.44%	5.42%
EBT / Total Assets	13.20%	18.26%	21.62%	24.76%	28.29%	21.23%	3.67%
Net Sales / Net Depreciable Fixed Assets	1.59	1.63	1.58	1.56	1.60	1.59	-0.01
Net Sales / Total Assets	0.46	0.54	0.58	0.62	0.67	0.58	0.05
Net Sales Growth	N/A	25.00%	20.00%	15.00%	10.00%	17.50%	-5.00%
<u>Coverage/Leverage Ratios:</u>							
EBIT / Interest	18.75	30.13	44.41	62.49	84.44	48.04	16.37
Net Fixed Assets / Tangible Net Worth	1.54	1.54	1.44	1.29	1.39	1.44	-0.06
Total Debt / Tangible Net Worth	1.01	0.98	0.89	0.70	0.79	0.88	-0.07
<u>Income Statement Percentages:</u>							
Cost of Goods Sold (Percent of Sales)	40.00%	39.00%	38.00%	37.00%	36.00%	38.00%	-1.00%
Gross Profit (Percent of Sales)	60.00%	61.00%	62.00%	63.00%	64.00%	62.00%	1.00%
Selling, G&A Expense before Compensation, Depreciation & Amortization Expense (Percent of Sales)	26.20%	24.12%	22.67%	21.17%	20.43%	22.92%	-1.45%
Other Expenses / (Income) Growth	N/A	-78.00%	-190.91%	-120.00%	-70.45%	-114.84%	9.35%
Net Operating Profit (Percent of Sales)	32.00%	35.06%	37.63%	40.06%	41.93%	37.34%	2.49%
Net Income (Percent of Sales)	20.80%	24.00%	25.98%	27.73%	28.70%	25.44%	1.95%
Net Income Growth	N/A	44.25%	29.90%	22.75%	13.83%	27.68%	-9.84%
Income Taxes (Percent of Pre-Tax Income)	26.76%	28.46%	29.85%	30.53%	32.01%	29.52%	1.26%

EBITDA Projection Scenarios (Current Ownership)

Target Name: Sample Industries, Inc.						
Projection Settings:	Optimistic	Likely	Pessimistic	Historic Average		
Net Sales (fixed growth rate)	7.00%	4.00%	1.00%	17.50%		
Cost of Goods Sold (percent of sales)	30.00%	35.00%	40.00%	38.00%		
Selling, G&A Expense before Compensation, Depreciation & Amortization Expense (percent of sales)	20.00%	25.00%	30.00%	22.92%		
Buyer's Minimum Net Compensation Requirement	\$100,000	\$75,000	\$50,000	N/A		
Other Expenses / (Income) (fixed growth rate)	10.00%	7.00%	5.00%	-114.84%		
Estimated growth in EBITDA beyond projection term	3.00%	2.00%	1.00%	N/A		
Optimistic Projections:	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Net Sales	4,743,750	5,075,813	5,431,119	5,811,298	6,218,089	6,653,355
Cost of Goods Sold	1,707,750	1,522,744	1,629,336	1,743,389	1,865,427	1,996,006
Gross Profit	3,036,000	3,553,069	3,801,784	4,067,908	4,352,662	4,657,348
Gross Profit %	64.00%	70.00%	70.00%	70.00%	70.00%	70.00%
Selling, G&A Expense before Compensation, Depreciation & Amortization Expense	969,000	1,015,163	1,086,224	1,162,260	1,243,618	1,330,671
Owner's Compensation	80,000	100,000	100,000	100,000	100,000	100,000
Operating Income before Depreciation & Amortization Expense	1,987,000	2,437,906	2,615,560	2,805,649	3,009,044	3,226,677
Operating Profit %	41.89%	48.03%	48.16%	48.28%	48.39%	48.50%
Other Expenses / (Income)	(37,500)	(41,250)	(45,375)	(49,913)	(54,904)	(60,394)
EBITDA	2,024,500	2,479,156	2,660,935	2,855,561	3,063,948	3,287,072
EBITDA %	42.68%	48.84%	48.99%	49.14%	49.27%	49.40%
Likely Projections:	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Net Sales	4,743,750	4,933,500	5,130,840	5,336,074	5,549,517	5,771,497
Cost of Goods Sold	1,707,750	1,726,725	1,795,794	1,867,626	1,942,331	2,020,024
Gross Profit	3,036,000	3,206,775	3,335,046	3,468,448	3,607,186	3,751,473
Gross Profit %	64.00%	65.00%	65.00%	65.00%	65.00%	65.00%
Selling, G&A Expense before Compensation, Depreciation & Amortization Expense	969,000	1,233,375	1,282,710	1,334,018	1,387,379	1,442,874
Owner's Compensation	80,000	75,000	75,000	75,000	75,000	75,000
Operating Income before Depreciation & Amortization Expense	1,987,000	1,898,400	1,977,336	2,059,429	2,144,807	2,233,599
Operating Profit %	41.89%	38.48%	38.54%	38.59%	38.65%	38.70%
Other Expenses / (Income)	(37,500)	(40,125)	(42,934)	(45,939)	(49,155)	(52,596)
EBITDA	2,024,500	1,938,525	2,020,270	2,105,369	2,193,961	2,286,195
EBITDA %	42.68%	39.29%	39.38%	39.46%	39.53%	39.61%
Pessimistic Projections:	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Net Sales	4,743,750	4,791,188	4,839,099	4,887,490	4,936,365	4,985,729
Cost of Goods Sold	1,707,750	1,916,475	1,935,640	1,954,996	1,974,546	1,994,292
Gross Profit	3,036,000	2,874,713	2,903,460	2,932,494	2,961,819	2,991,437
Gross Profit %	64.00%	60.00%	60.00%	60.00%	60.00%	60.00%
Selling, G&A Expense before Compensation, Depreciation & Amortization Expense	969,000	1,437,356	1,451,730	1,466,247	1,480,910	1,495,719
Owner's Compensation	80,000	50,000	50,000	50,000	50,000	50,000
Operating Income before Depreciation & Amortization Expense	1,987,000	1,387,356	1,401,730	1,416,247	1,430,910	1,445,719
Operating Profit %	41.89%	28.96%	28.97%	28.98%	28.99%	29.00%
Other Expenses / (Income)	(37,500)	(39,375)	(41,344)	(43,411)	(45,581)	(47,861)
EBITDA	2,024,500	1,426,731	1,443,074	1,459,658	1,476,491	1,493,579
EBITDA %	42.68%	29.78%	29.82%	29.87%	29.91%	29.96%

Free Cash Flow to TIC: Projection Scenarios (Current Ownership)

Target Name: Sample Industries, Inc.						
Projection Settings:	Optimistic	Likely	Pessimistic	Historic Average		
Depreciable Fixed Asset Turnover Ratio	1.30	1.25	1.20	1.59		
Net Working Capital Turnover Ratio	25.00	20.00	15.00	11.05		
Estimated growth in Free Cash Flow beyond projection term	5.00%	4.00%	3.00%	-		
	Years					
Original useful life on existing Fixed Assets	15					
Useful life of purchased Fixed Assets	7					
Original Intangible amortization term	15					
Optimistic Projections:	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Net Sales	4,743,750	5,075,813	5,431,119	5,811,298	6,218,089	6,653,355
Fixed Asset Purchases	0	354,471	273,313	292,445	312,916	334,820
Depreciable Fixed Assets	3,550,000	3,904,471	4,177,784	4,470,229	4,783,145	5,117,965
(Accumulated Depreciation)	(580,000)	(867,305)	(1,193,656)	(1,561,783)	(1,974,614)	(2,435,275)
Intangibles	350,000	350,000	350,000	350,000	350,000	350,000
(Accumulated Amortization)	(190,000)	(213,333)	(236,667)	(260,000)	(283,333)	(306,667)
Net Working Capital	394,000	203,033	217,245	232,452	248,724	266,134
Free Cash Flow Calculation:						
EBITDA	2,184,500	2,479,156	2,660,935	2,855,561	3,063,948	3,287,072
Less: Depreciation Expense	140,000	287,305	326,350	368,128	412,830	460,662
Less: Amortization Expense	18,000	23,333	23,333	23,333	23,333	23,333
Plus: Other Expenses / (Income)	(37,500)	(41,250)	(45,375)	(49,913)	(54,904)	(60,394)
Net Operating Income	1,989,000	2,127,268	2,265,876	2,414,188	2,572,881	2,742,682
Less: Estimated Taxes on Net Operating Income	676,260	723,271	770,398	820,824	874,779	932,512
Plus: Depreciation Expense	140,000	287,305	326,350	368,128	412,830	460,662
Plus: Amortization Expense	18,000	23,333	23,333	23,333	23,333	23,333
Less: Fixed Asset Purchases	0	354,471	273,313	292,445	312,916	334,820
Less: Changes in Net Working Capital	(272,000)	(190,968)	14,212	15,207	16,272	17,411
Plus: Reconciliation account	0	0	0	0	0	0
Free Cash Flow Available to Total Invested Capital	1,742,740	1,551,132	1,557,637	1,677,173	1,805,077	1,941,935
Likely Projections:	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Net Sales	4,743,750	4,933,500	5,130,840	5,336,074	5,549,517	5,771,497
Fixed Asset Purchases	0	396,800	157,872	164,187	170,754	177,585
Depreciable Fixed Assets	3,550,000	3,946,800	4,104,672	4,268,859	4,439,613	4,617,198
(Accumulated Depreciation)	(580,000)	(873,352)	(1,189,258)	(1,528,619)	(1,892,373)	(2,281,496)
Intangibles	350,000	350,000	350,000	350,000	350,000	350,000
(Accumulated Amortization)	(190,000)	(213,333)	(236,667)	(260,000)	(283,333)	(306,667)
Net Working Capital	394,000	246,675	256,542	266,804	277,476	288,575
Free Cash Flow Calculation:						
EBITDA	2,184,500	1,938,525	2,020,270	2,105,369	2,193,961	2,286,195
Less: Depreciation Expense	140,000	293,352	315,906	339,361	363,754	389,123
Less: Amortization Expense	18,000	23,333	23,333	23,333	23,333	23,333
Plus: Other Expenses / (Income)	(37,500)	(40,125)	(42,934)	(45,935)	(49,155)	(52,596)
Net Operating Income	1,989,000	1,581,714	1,638,097	1,696,735	1,757,719	1,821,142
Less: Estimated Taxes on Net Operating Income	676,260	725,858	773,272	823,995	878,258	936,307
Plus: Depreciation Expense	140,000	293,352	315,906	339,361	363,754	389,123
Plus: Amortization Expense	18,000	23,333	23,333	23,333	23,333	23,333
Less: Fixed Asset Purchases	0	396,800	157,872	164,187	170,754	177,585
Less: Changes in Net Working Capital	(272,000)	(147,325)	9,867	10,262	10,672	11,099
Plus: Reconciliation account	0	0	0	0	0	0
Free Cash Flow Available to Total Invested Capital	1,742,740	923,067	1,036,325	1,060,986	1,085,122	1,108,608
Pessimistic Projections:	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Net Sales	4,743,750	4,791,188	4,839,099	4,887,490	4,936,365	4,985,729
Fixed Asset Purchases	0	442,656	39,927	40,326	40,729	41,136
Depreciable Fixed Assets	3,550,000	3,992,656	4,032,583	4,072,909	4,113,638	4,154,774
(Accumulated Depreciation)	(580,000)	(879,903)	(1,185,510)	(1,496,878)	(1,814,065)	(2,137,128)
Intangibles	350,000	350,000	350,000	350,000	350,000	350,000
(Accumulated Amortization)	(190,000)	(213,333)	(236,667)	(260,000)	(283,333)	(306,667)
Net Working Capital	394,000	319,413	322,607	325,833	329,091	332,382
Free Cash Flow Calculation:						
EBITDA	2,184,500	1,426,731	1,443,074	1,459,658	1,476,491	1,493,579
Less: Depreciation Expense	140,000	299,903	305,607	311,368	317,186	323,063
Less: Amortization Expense	18,000	23,333	23,333	23,333	23,333	23,333
Plus: Other Expenses / (Income)	(37,500)	(39,375)	(41,344)	(43,411)	(45,581)	(47,861)
Net Operating Income	1,989,000	1,064,120	1,072,789	1,081,546	1,090,390	1,099,322
Less: Estimated Taxes on Net Operating Income	676,260	730,764	778,739	830,065	884,976	943,724
Plus: Depreciation Expense	140,000	299,903	305,607	311,368	317,186	323,063
Plus: Amortization Expense	18,000	23,333	23,333	23,333	23,333	23,333
Less: Fixed Asset Purchases	0	442,656	39,927	40,326	40,729	41,136
Less: Changes in Net Working Capital	(272,000)	(74,588)	3,194	3,226	3,258	3,291
Plus: Reconciliation account	0	0	0	0	0	0
Free Cash Flow Available to Total Invested Capital	1,742,740	288,523	579,870	542,630	501,946	457,568

Depreciation & Amortization Tables

Target Name: Sample Industries, Inc.						
Projected Amortization:	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Intangibles	350,000					
(Accumulated Amortization)	(190,000)	(213,333)	(236,667)	(260,000)	(283,333)	(306,667)
Amortization Expense		23,333	23,333	23,333	23,333	23,333
Optimistic Projections:	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Fixed Asset Balance 2008	3,550,000					
(Accumulated Depreciation)	(580,000)	(816,667)	(1,053,333)	(1,290,000)	(1,526,667)	(1,763,333)
Depreciation Expense		236,667	236,667	236,667	236,667	236,667
Fixed Asset Purchases FY 2009		354,471				
(Accumulated Depreciation)		(50,639)	(101,277)	(151,916)	(202,555)	(253,194)
Depreciation Expense		50,639	50,639	50,639	50,639	50,639
Fixed Asset Purchases FY 2010			273,313			
(Accumulated Depreciation)			(39,045)	(78,089)	(117,134)	(156,179)
Depreciation Expense			39,045	39,045	39,045	39,045
Fixed Asset Purchases FY 2011				292,445		
(Accumulated Depreciation)				(41,778)	(83,556)	(125,334)
Depreciation Expense				41,778	41,778	41,778
Fixed Asset Purchases FY 2012					312,916	
(Accumulated Depreciation)					(44,702)	(89,405)
Depreciation Expense					44,702	44,702
Fixed Asset Purchases FY 2013						334,820
(Accumulated Depreciation)						(47,831)
Depreciation Expense						47,831
Total Fixed Asset Balance	3,550,000	3,904,471	4,177,784	4,470,229	4,783,145	5,117,965
(Total Accumulated Depreciation)	(580,000)	(867,305)	(1,193,656)	(1,561,783)	(1,974,614)	(2,435,275)
Total Depreciation Expense		287,305	326,350	368,128	412,830	460,662
Likely Projections:	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Fixed Asset Balance 2008	3,550,000					
(Accumulated Depreciation)	(580,000)	(816,667)	(1,053,333)	(1,290,000)	(1,526,667)	(1,763,333)
Depreciation Expense		236,667	236,667	236,667	236,667	236,667
Fixed Asset Purchases FY 2009		396,800				
(Accumulated Depreciation)		(56,686)	(113,371)	(170,057)	(226,743)	(283,429)
Depreciation Expense		56,686	56,686	56,686	56,686	56,686
Fixed Asset Purchases FY 2010			157,872			
(Accumulated Depreciation)			(22,553)	(45,106)	(67,659)	(90,213)
Depreciation Expense			22,553	22,553	22,553	22,553
Fixed Asset Purchases FY 2011				164,187		
(Accumulated Depreciation)				(23,455)	(46,911)	(70,366)
Depreciation Expense				23,455	23,455	23,455
Fixed Asset Purchases FY 2012					170,754	
(Accumulated Depreciation)					(24,393)	(48,787)
Depreciation Expense					24,393	24,393
Fixed Asset Purchases FY 2013						177,585
(Accumulated Depreciation)						(25,369)
Depreciation Expense						25,369
Total Fixed Asset Balance	3,550,000	3,946,800	4,104,672	4,268,859	4,439,613	4,617,198
(Total Accumulated Depreciation)	(580,000)	(873,352)	(1,189,258)	(1,528,619)	(1,892,373)	(2,281,496)
Total Depreciation Expense		293,352	315,906	339,361	363,754	389,123
Pessimistic Projections:	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Fixed Asset Balance 2008	3,550,000					
(Accumulated Depreciation)	(580,000)	(816,667)	(1,053,333)	(1,290,000)	(1,526,667)	(1,763,333)
Depreciation Expense		236,667	236,667	236,667	236,667	236,667
Fixed Asset Purchases FY 2009		442,656				
(Accumulated Depreciation)		(63,237)	(126,473)	(189,710)	(252,946)	(316,183)
Depreciation Expense		63,237	63,237	63,237	63,237	63,237
Fixed Asset Purchases FY 2010			39,927			
(Accumulated Depreciation)			(5,704)	(11,408)	(17,111)	(22,815)
Depreciation Expense			5,704	5,704	5,704	5,704
Fixed Asset Purchases FY 2011				40,326		
(Accumulated Depreciation)				(5,761)	(11,522)	(17,282)
Depreciation Expense				5,761	5,761	5,761
Fixed Asset Purchases FY 2012					40,729	
(Accumulated Depreciation)					(5,818)	(11,637)
Depreciation Expense					5,818	5,818
Fixed Asset Purchases FY 2013						41,136
(Accumulated Depreciation)						(5,877)
Depreciation Expense						5,877
Total Fixed Asset Balance	3,550,000	3,992,656	4,032,583	4,072,909	4,113,638	4,154,774
(Total Accumulated Depreciation)	(580,000)	(879,903)	(1,185,510)	(1,496,878)	(1,814,065)	(2,137,128)
Total Depreciation Expense		299,903	305,607	311,368	317,186	323,063

EBITDA Purchase Values

Target Name: Sample Industries, Inc.									
Weighted Average Cost of Capital (WACC):									
	FY 2008	Cost (a)	% of Total Capital (b)	(a) x (b)	WACC				
Interest-Bearing Debt:									
Historic	300,000	6.86%	6.94%	0.48%					
Selected		6.87%	12.10%	0.83%	0.83%				
Stockholders Equity:									
Historic	4,021,000	32.00%	93.06%	29.78%					
Selected		32.00%	87.90%	28.13%	28.13%				
Discount Rate (WACC)					<u>28.96%</u>				
	Optimistic EBITDA	Discount Factor	Present Value	Likely EBITDA	Discount Factor	Present Value	Pessimistic EBITDA	Discount Factor	Present Value
FY 2009	2,479,156	0.775434	1,922,422	1,938,525	0.775434	1,503,198	1,426,731	0.775434	1,106,336
FY 2010	2,660,935	0.601298	1,600,015	2,020,270	0.601298	1,214,784	1,443,074	0.601298	867,717
FY 2011	2,855,561	0.466267	1,331,454	2,105,369	0.466267	981,664	1,459,658	0.466267	680,590
FY 2012	3,063,948	0.361560	1,107,801	2,193,961	0.361560	793,249	1,476,491	0.361560	533,840
FY 2013	3,287,072	0.280366	921,583	2,286,195	0.280366	640,971	1,493,579	0.280366	418,749
Terminal Value of EBITDA *	13,041,925	0.280366	3,656,512	8,649,549	0.280366	2,425,040	5,395,261	0.280366	1,512,648
Asset Purchase Value			10,539,787			7,558,906			5,119,880
Less: Interest-bearing Debt			300,000			300,000			300,000
Equity Purchase Value			<u>10,239,787</u>			<u>7,258,906</u>			<u>4,819,880</u>
<p>End-of-Year discount factors are based on the Discount Rate, R: 28.96%</p> <p>Long Term Growth Rate, G = Optimistic: 3.00%; Most Likely: 2.00%; Pessimistic: 1.00%</p> <p>* Calculated as Terminal EBITDA * (1 + G) / (R - G)</p>									

Free Cash Flow Purchase Values

Target Name: Sample Industries, Inc.									
Weighted Average Cost of Capital (WACC):									
	FY 2008	Cost (a)	% of Total Capital (b)	(a) x (b)	WACC				
Interest-Bearing Debt:									
Historic	300,000	6.86%	6.94%	0.48%					
Selected		6.87%	12.10%	0.83%	0.83%				
Stockholders Equity:									
Historic	4,021,000	32.00%	93.06%	29.78%					
Selected		32.00%	87.90%	28.13%	28.13%				
Discount Rate (WACC)					<u>28.96%</u>				
	Optimistic FCF-TIC	Discount Factor	Present Value	Likely FCF-TIC	Discount Factor	Present Value	Pessimistic FCF-TIC	Discount Factor	Present Value
FY 2009	1,551,132	0.775434	1,202,800	923,067	0.775434	715,778	288,523	0.775434	223,731
FY 2010	1,557,637	0.601298	936,604	1,036,325	0.601298	623,140	579,870	0.601298	348,675
FY 2011	1,677,173	0.466267	782,010	1,060,986	0.466267	494,703	542,630	0.466267	253,011
FY 2012	1,805,077	0.361560	652,644	1,085,122	0.361560	392,337	501,946	0.361560	181,484
FY 2013	1,941,935	0.280366	544,452	1,108,608	0.280366	310,816	457,568	0.280366	128,286
Terminal Value of *	8,510,147	0.280366	2,385,956	4,619,201	0.280366	1,295,067	1,815,465	0.249534	453,020
Asset Purchase Value			6,504,467			3,831,840			
Less: Interest-bearing Debt			300,000			300,000			
Equity Purchase Value			<u>6,204,467</u>			<u>3,531,840</u>	<u>1,288,206</u>		
<p>End-of-Year discount factors are based on the Discount Rate, R :28.96%</p> <p>Long Term Growth Rate, G = Optimistic: 5.00%; Most Likely: 4.00%; Pessimistic: 3.00%</p> <p>* Calculated as Terminal Free Cash Flow * (1 + G) / (R - G)</p>									

Seller Overview

Acquisition Candidate Information:				
Sample Industries, Inc. 6000 Industrial Park Way New York, NY 10005				
Contact: Michael Jones				
Year established: 1990				
SIC/NAICS code: 3949				
Organizational form:				
Primary business activity: Sporting goods manufacturing				
Financial Snapshot:		FY 2008	%	% Growth
<u>Income Statement Summary:</u>				
Net Sales		4,743,750	100.00%	10.00%
Net Operating Income		1,989,000	41.93%	15.12%
Net Income		1,361,425	28.70%	13.83%
EBITDA		2,184,500	46.05%	15.23%
FCF - Total Invested Capital		1,742,740	36.74%	90.74%
<u>Balance Sheet Summary:</u>				
Current Assets		1,527,000	21.57%	-4.38%
Net Fixed Assets		5,370,000	75.87%	3.97%
Total Other Assets		181,000	2.56%	-5.24%
Total Assets		7,078,000	100.00%	1.80%
Current Liabilities		817,000	11.54%	23.04%
Long-Term Liabilities		2,240,000	31.65%	5.16%
Equity		4,021,000	56.81%	-3.32%
Total Liabilities & Equity		7,078,000	100.00%	1.80%
Seller Asking Price		6,000,000		
Desired Transaction Type (Stock or Asset Sale):		Unspecified		
Asking Price to Earnings Multiples:		FY 2008		
Price to Net Sales		1.3		
Price to EBITDA		3.0		
Price to Free Cash Flow		3.4		
Prepared By:		Date:	3/17/2008	
Tom Smith Acquisition Management Group 1250 Broadway Blvd. Suite 1010 San Diego, CA 92015 (619) 444-2323 email@preparer.com				

Price, Terms & Funding

Target Name: Sample Industries, Inc.				
Asset Purchase Values:				
Scenario	EBITDA	FCF-TIC	Seller Transaction Preferences:	
Optimistic	10,539,787	6,504,467	Desired transaction type	Unspecified
Most likely	7,558,906	3,831,840	Asking price	6,000,000
Pessimistic	5,119,880	1,588,206	Required down payment %	25.00%
			Required down payment \$	1,500,000
Purchase Terms:				
Proposed Purchase Price:	\$ 4,000,000	Proposed Price to Earnings Multiples:		FY 2008
		Price to Net Sales		0.8
		Price to EBITDA		2.0
		Price to Free Cash Flow		2.3
Proposed Payment:		Asking Price to Earnings Multiples:		FY 2008
Value of Buyer Stock	\$ 600,000	Price to Net Sales		1.3
Cash at Closing	\$ 2,000,000	Price to EBITDA		3.0
Assumed Liabilities	\$ 1,000,000	Interest	Term (Yrs)	3.4
Seller Financing	\$ 400,000	8.00%	7	
Unallocated Purchase Price	0			
Price & Transaction Fees:				
Estimated Transaction fees	\$ 200,000			
Total Acquisition Costs	<u>4,200,000</u>			
Transaction Financing Details:				
Cash Paid to Seller at Closing	\$ 2,000,000			
Cash for Transaction Fees	\$ 200,000			
Total Cash to Fund the Closing	2,200,000			
Sources of Cash:				
Buyer Cash Invested	700,000	Interest	Term (Yrs)	
Third-Party Loan	\$ 1,500,000	12.00%	15	

Transaction & ROI Summary

Target Name: Sample Industries, Inc.			
Transaction Price/Cost:			
Proposed Purchase Price	4,000,000		
Estimated Transaction Fees	<u>200,000</u>		
Total Acquisition Costs	4,200,000		
Sources of Funding:			
Buyer Cash Invested	700,000		
Value of Buyer Stock	<u>600,000</u>		
Buyer Invested Equity		1,300,000	
Third-Party Loan	1,500,000		<i>Terms of loan: 12.00% for 15 Years</i>
Seller Financing	<u>400,000</u>		<i>Terms of loan: 8.00% for 7 Years</i>
Total Funding Debt		1,900,000	
Assumed Liabilities		<u>1,000,000</u>	
Total Invested Capital		<u><u>4,200,000</u></u>	
Return On Investment Snapshot:			
Based on EBITDA	Optimistic	Likely	Pessimistic
Owner's Compensation	100,000	75,000	50,000
Internal Rate of Return (IRR)	65.63%	49.87%	35.07%
Discount Rate (WACC)	<u>19.63%</u>	<u>19.63%</u>	<u>19.63%</u>
Spread (Difference)	46.00%	30.24%	15.44%
Net Present Value	12,546,193	7,464,423	3,488,737
Profitability Index	3.99	2.78	1.83
Payback on Buyer Cash Invested (Years)	0.28	0.36	0.49
Payback on Total Invested Capital (Years)	1.65	2.11	2.91
Based on Free Cash Flow to Equity:	Optimistic	Likely	Pessimistic
Owner's Compensation	100,000	75,000	50,000
Internal Rate of Return (IRR)	119.81%	74.82%	34.10%
Investment Hurdle Rate	<u>32.00%</u>	<u>32.00%</u>	<u>32.00%</u>
Spread (Difference)	87.81%	42.82%	2.10%
Net Present Value	4,395,538	2,048,808	98,661
Profitability Index	4.38	2.58	1.08
Payback on Buyer Cash Invested (Years)	0.47	0.81	1.87
Payback on Buyer Invested Equity (Years)	0.87	1.43	3.03
Principal & Interest Coverage:	Optimistic	Likely	Pessimistic
First Year EBITDA / Principal + Interest on Funding Debt	8.35	6.53	4.80
Total Invested Capital / Buyer Invested Equity	3.23		
Acquisition Desirability Score:	Comparison	Buyer Average	Spread
Based on Business Drivers	5.4	5.0	0.4
Based on Personal Drivers	<u>6.8</u>	<u>5.3</u>	1.6
Combined	12.2	10.2	2.0
Prepared By:			Date: 3/17/2008
Tom Smith Acquisition Management Group 1250 Broadway Blvd. Suite 1010 San Diego, CA 92015 (619) 444-2323 email@preparer.com			

EBITDA Return on Investment

Target Name: Sample Industries, Inc.

The following calculations are based on an estimated purchase price of \$4,000,000 and estimated transaction fees of \$200,000

Weighted Average Cost of Capital (WACC):	Buyer Invested Capital	Cost (a)	% of Total Capital (b)	WACC (a) x (b)
Third-Party & Seller Financing Debt	1,900,000	11.16%	59.38%	6.63%
Buyer Invested Equity	1,300,000	32.00%	40.63%	13.00%
Discount Rate (WACC)				19.63%

Buyer Invested Capital:

Buyer Cash Invested	700,000
Value of Buyer Stock	600,000
Buyer Invested Equity	1,300,000
Assumed Liabilities	1,000,000
Third-Party Loan	1,500,000
Seller Financing	400,000
Buyer Total Invested Capital (TIC)	4,200,000

Analysis of Returns on Total Invested Capital:

	Optimistic	Likely	Pessimistic	Average
Total Present Value of EBITDA (c+d)	16,746,193	11,664,423	7,688,737	12,033,118
Less: Buyer Total Invested Capital	4,200,000	4,200,000	4,200,000	
Net Present Value	12,546,193	7,464,423	3,488,737	7,833,118
Internal Rate of Return (IRR) **	65.63%	49.87%	35.07%	50.19%
Discount Rate (WACC)	19.63%	19.63%	19.63%	
Spread (Difference)	46.00%	30.24%	15.44%	30.56%
Profitability Index	3.99	2.78	1.83	2.87
Payback on Buyer Cash Invested (Years)	0.28	0.36	0.49	0.38
Payback on Buyer Total Invested Capital (Years)	1.65	2.11	2.91	2.22

Optimistic Scenario:

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Projected EBITDA	2,479,156	2,660,935	2,855,561	3,063,948	3,287,072
Discount factor	0.835911	0.698747	0.584090	0.488247	0.408131
Present Value of EBITDA	2,072,354	1,859,320	1,667,905	1,495,963	1,341,556
Sum of Present Values of EBITDA (c)	8,437,098				
Terminal EBITDA * (1+Growth Rate)	3,385,684				
Divided by: TIC Capitalization Rate	16.63%				
Terminal Value of EBITDA	20,358,892				
Terminal Value Discount Factor for EBITDA	0.408131				
Present Value of Terminal EBITDA (d)	8,309,095				

Likely Scenario:

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Projected EBITDA	1,938,525	2,020,270	2,105,369	2,193,961	2,286,195
Discount factor	0.835911	0.698747	0.584090	0.488247	0.408131
Present Value of EBITDA	1,620,434	1,411,657	1,229,725	1,071,195	933,067
Sum of Present Values of EBITDA (c)	6,266,078				
Terminal EBITDA * (1+Growth Rate)	2,331,918				
Divided by: TIC Capitalization Rate	17.63%				
Terminal Value of EBITDA	13,226,991				
Terminal Value Discount Factor for EBITDA	0.408131				
Present Value of Terminal EBITDA (d)	5,398,345				

Pessimistic Scenario:

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Projected EBITDA	1,426,731	1,443,074	1,459,658	1,476,491	1,493,579
Discount factor	0.835911	0.698747	0.584090	0.488247	0.408131
Present Value of EBITDA	1,192,620	1,008,343	852,572	720,892	609,576
Sum of Present Values of EBITDA (c)	4,384,004				
Terminal EBITDA * (1+Growth Rate)	1,508,515				
Divided by: TIC Capitalization Rate	18.63%				
Terminal Value of EBITDA	8,097,236				
Terminal Value Discount Factor for EBITDA	0.408131				
Present Value of Terminal EBITDA (d)	3,304,733				

** For IRR, EBITDA beyond the terminal year is projected as follows:
Terminal Year FCF Available to TIC * (1 + Long-Term Growth Rate)^N
where N is 1 to 50 less number of projected yrs.

Free Cash Flow to Equity (Return on Buyer's Investment)

Target Name: Sample Industries, Inc.					
<i>The following calculations are based on an estimated purchase price of \$4,000,000 and estimated transaction fees of \$200,000</i>					
Buyer Invested Capital:					
Buyer Cash Invested		700,000			
Value of Buyer Stock		<u>600,000</u>			
Buyer Invested Equity		1,300,000			
Analysis of Returns on Buyer Invested Equity:					
	Optimistic	Likely	Pessimistic	Average	
Total Present Value of Free Cash Flow available to Equity (a+b)	5,695,538	3,348,808	1,398,661	3,481,002	
Less: Buyer Invested Equity	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,300,000</u>		
Net Present Value	4,395,538	2,048,808	98,661	2,181,002	
Internal Rate of Return (IRR) **	119.81%	74.82%	34.10%	76.24%	
Investment Hurdle Rate	<u>32.00%</u>	<u>32.00%</u>	<u>32.00%</u>		
Spread (Difference)	87.81%	42.82%	2.10%	44.24%	
Profitability Index	4.38	2.58	1.08	2.68	
Payback on Buyer Cash Invested (Years)	0.47	0.81	1.87	1.05	
Payback on Buyer Invested Equity (Years)	0.87	1.43	3.03	1.78	
Optimistic Scenario:					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Projected Free Cash Flow available to Equity	1,496,277	1,516,750	1,651,693	1,796,595	1,952,213
Discount factor	<u>0.757576</u>	<u>0.573921</u>	<u>0.434789</u>	<u>0.329385</u>	<u>0.249534</u>
Present Value of Free Cash Flow available to Equity	1,133,544	870,495	718,138	591,772	487,143
Sum of Present Values of Free Cash Flow (a)	3,801,091				
Terminal Free Cash Flow available to Equity * (1+Growth Rate)	2,049,823				
Divided by: Equity Capitalization Rate	<u>27.00%</u>				
Terminal Value of Free Cash Flow available to Equity	7,591,939				
Terminal Value Discount Factor for Free Cash Flow	<u>0.249534</u>				
Present Value of Terminal Free Cash Flow available to Equity (b)	1,894,447				
Likely Scenario:					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Projected Free Cash Flow available to Equity	867,812	995,031	1,035,096	1,076,234	1,118,489
Discount factor	<u>0.757576</u>	<u>0.573921</u>	<u>0.434789</u>	<u>0.329385</u>	<u>0.249534</u>
Present Value of Free Cash Flow available to Equity	657,434	571,069	450,048	354,495	279,101
Sum of Present Values of Free Cash Flow (a)	2,312,147				
Terminal Free Cash Flow available to Equity * (1+Growth Rate)	1,163,228				
Divided by: Equity Capitalization Rate	<u>28.00%</u>				
Terminal Value of Free Cash Flow available to Equity	4,154,386				
Terminal Value Discount Factor for Free Cash Flow	<u>0.249534</u>				
Present Value of Terminal Free Cash Flow available to Equity (b)	1,036,661				
Pessimistic Scenario:					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Projected Free Cash Flow available to Equity	231,804	537,030	515,127	491,393	465,755
Discount factor	<u>0.757576</u>	<u>0.573921</u>	<u>0.434789</u>	<u>0.329385</u>	<u>0.249534</u>
Present Value of Free Cash Flow available to Equity	175,610	308,213	223,971	161,857	116,222
Sum of Present Values of Free Cash Flow (a)	985,873				
Terminal Free Cash Flow available to Equity * (1+Growth Rate)	479,728				
Divided by: Equity Capitalization Rate	<u>29.00%</u>				
Terminal Value of Free Cash Flow available to Equity	1,654,235				
Terminal Value Discount Factor for Free Cash Flow	<u>0.249534</u>				
Present Value of Terminal Free Cash Flow available to Equity (b)	412,788				
** For IRR, Free Cash Flow beyond the terminal year is projected as follows:					
Terminal Year Free Cash Flow Available to Equity * (1 + Long-Term Growth Rate) ^N					
where N is 1 to 50 less number of projected yrs.					

Free Cash Flow to Equity Projections (New Ownership)

Target Name: Sample Industries, Inc.					
Optimistic Projections:					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
EBITDA	2,479,156	2,660,935	2,855,561	3,063,948	3,287,072
Less: Depreciation Expense	287,305	326,350	368,128	412,830	460,662
Less: Amortization Expense	23,333	23,333	23,333	23,333	23,333
Plus: Other Expenses / (Income)	(41,250)	(45,375)	(49,913)	(54,904)	(60,394)
Less: Interest on Third-Party Loan	180,000	175,172	169,764	163,707	156,924
Less: Interest on Seller Financing	32,000	28,414	24,540	20,357	15,840
Pre-Tax Income	1,915,268	2,062,291	2,219,883	2,388,816	2,569,919
Less: Estimated Income Taxes	651,191	701,179	754,760	812,197	873,772
Net Income	1,264,077	1,361,112	1,465,123	1,576,619	1,696,147
Free Cash Flow to Equity:					
Net Income	1,264,077	1,361,112	1,465,123	1,576,619	1,696,147
Plus: Depreciation Expense	287,305	326,350	368,128	412,830	460,662
Plus: Amortization Expense	23,333	23,333	23,333	23,333	23,333
Less: Fixed Asset Purchases	354,471	273,313	292,445	312,916	334,820
Less: Changes in Net Working Capital	(190,968)	14,212	15,207	16,272	17,411
Plus: Changes in Third-Party Loan	40,236	45,065	50,472	56,529	63,313
Plus: Changes in Seller Financing	44,829	48,415	52,288	56,472	60,989
Reconciliation	0	0	0	0	0
Free Cash Flow available to Equity	1,496,277	1,516,750	1,651,693	1,796,595	1,952,213
Likely Projections:					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
EBITDA	1,938,525	2,020,270	2,105,369	2,193,961	2,286,195
Less: Depreciation Expense	293,352	315,906	339,361	363,754	389,123
Less: Amortization Expense	23,333	23,333	23,333	23,333	23,333
Plus: Other Expenses / (Income)	(40,125)	(42,934)	(45,939)	(49,155)	(52,596)
Less: Interest on Third-Party Loan	180,000	175,172	169,764	163,707	156,924
Less: Interest on Seller Financing	32,000	28,414	24,540	20,357	15,840
Pre-Tax Income	1,369,714	1,434,512	1,502,431	1,573,654	1,648,379
Less: Estimated Income Taxes	654,178	704,461	758,342	816,083	877,965
Net Income	715,536	730,051	744,089	757,572	770,413
Free Cash Flow to Equity:					
Net Income	715,536	730,051	744,089	757,572	770,413
Plus: Depreciation Expense	293,352	315,906	339,361	363,754	389,123
Plus: Amortization Expense	23,333	23,333	23,333	23,333	23,333
Less: Fixed Asset Purchases	396,800	157,872	164,187	170,754	177,585
Less: Changes in Net Working Capital	(147,325)	9,867	10,262	10,672	11,099
Plus: Changes in Third-Party Loan	40,236	45,065	50,472	56,529	63,313
Plus: Changes in Seller Financing	44,829	48,415	52,288	56,472	60,989
Reconciliation	0	0	0	0	0
Free Cash Flow available to Equity	867,812	995,031	1,035,096	1,076,234	1,118,489
Pessimistic Projections:					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
EBITDA	1,426,731	1,443,074	1,459,658	1,476,491	1,493,579
Less: Depreciation Expense	299,903	305,607	311,368	317,186	323,063
Less: Amortization Expense	23,333	23,333	23,333	23,333	23,333
Plus: Other Expenses / (Income)	(39,375)	(41,344)	(43,411)	(45,581)	(47,861)
Less: Interest on Third-Party Loan	180,000	175,172	169,764	163,707	156,924
Less: Interest on Seller Financing	32,000	28,414	24,540	20,357	15,840
Pre-Tax Income	852,120	869,204	887,242	906,325	926,559
Less: Estimated Income Taxes	660,548	711,474	766,025	824,465	887,075
Net Income	191,571	157,731	121,216	81,860	39,484
Free Cash Flow to Equity:					
Net Income	191,571	157,731	121,216	81,860	39,484
Plus: Depreciation Expense	299,903	305,607	311,368	317,186	323,063
Plus: Amortization Expense	23,333	23,333	23,333	23,333	23,333
Less: Fixed Asset Purchases	442,656	39,927	40,326	40,729	41,136
Less: Changes in Net Working Capital	(74,588)	3,194	3,226	3,258	3,291
Plus: Changes in Third-Party Loan	40,236	45,065	50,472	56,529	63,313
Plus: Changes in Seller Financing	44,829	48,415	52,288	56,472	60,989
Reconciliation	0	0	0	0	0
Free Cash Flow available to Equity	231,804	537,030	515,127	491,393	465,755

Loan Amortization Schedule

Target Name: Sample Industries, Inc.							
Financing Items:		Term (Years) *	Interest Rate				
Third-Party Loan		15	12.00%				
Seller financing		7	8.00%	<i>* Amortization tables limits due not exceed 25 years</i>			
Third-Party Loan:				Seller Financing:			
Financed Amount	\$1,500,000			Financed Amount	\$400,000		
Rate	12.00%			Rate	8.00%		
Term (Years)	15			Term (Years)	7		
Annual Payment	\$220,236			Annual Payment	\$76,829		
Total Interest	\$1,803,545			Total Interest	\$137,803		
Year	Principal Payment	Interest Payment	Principal Balance	Year	Principal Payment	Interest Payment	Principal Balance
			1,500,000				400,000
1	40,236	180,000	1,459,764	1	44,829	32,000	355,171
2	45,065	175,172	1,414,699	2	48,415	28,414	306,756
3	50,472	169,764	1,364,226	3	52,288	24,540	254,467
4	56,529	163,707	1,307,697	4	56,472	20,357	197,996
5	63,313	156,924	1,244,385	5	60,989	15,840	137,006
6	70,910	149,326	1,173,474	6	65,868	10,961	71,138
7	79,419	140,817	1,094,055	7	71,138	5,691	0
8	88,950	131,287	1,005,105				
9	99,624	120,613	905,481				
10	111,579	108,658	793,903				
11	124,968	95,268	668,935				
12	139,964	80,272	528,971				
13	156,760	63,476	372,211				
14	175,571	44,665	196,640				
15	196,640	23,597	0				
Total	1,500,000	1,803,545		Total	400,000	137,803	