

# COMPANY INFORMATION – CONFIDENTIAL MEMORANDUM

**Equity Financial Group Inc. – Tel: 828-324-0710 Fax: 828-324-0700**

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

1a. Is this the primary contact? Yes  No  If no, please complete the following.  
 Contact Name: Mr.  Ms.  Dr.  Equity Financial Group Inc. Title: Business Brokers  
 Address: PO Box 2841 City: Hickory State: NC Zip: 28603  
 Business Phone: 828-324-0710 Email: info@equityfinancialgroup.biz Fax: 828-324-0700

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 %
	\$	
	\$	
	\$	
<b>TOTAL</b>	<b>\$</b>	<b>100%</b>

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	_____	_____		

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: \_\_\_\_\_

## COMPANY INFORMATION – CONFIDENTIAL MEMORANDUM

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
	\$	
	\$	
	\$	
	\$	

## COMPANY INFORMATION – CONFIDENTIAL MEMORANDUM

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

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

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**

NET BOOK VALUE\*  
PER B/S                      ADJUSTMENTS                      FAIR MARKET  
VALUE

Current Assets:

Accounts Receivable	\$	\$	\$
Inventory	\$	\$	\$
Other:	\$	\$	\$
<b>Total Current Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

Fixed Assets:

Leasehold Improvements	\$	\$	\$
Furniture and Fixtures	\$	\$	\$
Equipment (machinery and tools)	\$	\$	\$
Vehicles	\$	\$	\$
Building(s)	\$	\$	\$
Land	\$	\$	\$
Other:	\$	\$	\$
<b>Total Fixed Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

**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	2000	2001	2002
1.	<b>Sales</b>	\$	\$	\$
2.	<b>Earnings Before Tax (EBT)</b>	\$	\$	\$
3.	<b>Plus: Customary Lender Add Backs:</b>			
	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	F. \$	\$	\$
4.	<b>Cash Flow Available for Financing (ADD: 3. A thru F)</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
5.	<b>Plus: Other Owner Benefits/Add Backs:</b>			
	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.	<b>Cash Flow- (Add 5. A thru F) Other Owner Benefits/Add Backs</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
7.	<b>Sellers Discretionary Cash Flow (SDCF) (Add: 2, 4 and 6)</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
8.	<b>Less: Normalized Owner/Mgr. Salary</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
9.	<b>EBITDA ( Earnings before interest, taxes, depreciation and amortization) (SUBTRACT: 7 minus 8)</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

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 INFORMATION – CONFIDENTIAL MEMORANDUM**  
**Company:** \_\_\_\_\_

**Fiscal Years Ending:** \_\_\_\_\_

	<u>2000</u>	<u>2001</u>	<u>2002</u>
<b>NET SALES</b>	\$ _____	\$ _____	\$ _____

\$ Growth	N/A	\$	\$
% Growth	N/A		

<b>Historical Operating Profit or EBT</b>	\$ _____	\$ _____	\$ _____
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**Add Backs:**

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

<b>Seller's Discretionary Cash Flow (SDCF)</b>	\$ _____	\$ _____	\$ _____
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**Less:**

Normalized Owner/Mgmt. Salary	\$	\$	\$
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<b>EBITDA</b>	\$ _____	\$ _____	\$ _____
<b>(Earnings Before Interest, Taxes, Depreciation, and Amortization)</b>			

**PRICE AND TERMS – Confidential Memorandum**

**Price:**

Purchase Price \$ \_\_\_\_\_

Down Payment \$ \_\_\_\_\_

**Terms:**

Note to Seller (Principal Amount) \$ \_\_\_\_\_

Annual Payment (Principal and Interest) \$ \_\_\_\_\_

Interest (Percentage) \_\_\_\_\_

Terms (Months or Years) \_\_\_\_\_

**Assets to be Transferred with Business**

Description	Amount
	\$
	\$
	\$
	\$
	\$
	\$
<b>TOTAL:</b>	<b>\$</b>

**Liabilities to be Assumed or Refinanced by Purchaser**

Description	Amount
	\$
	\$
	\$
	\$
	\$
<b>TOTAL:</b>	<b>\$</b>

**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-  
% Annual Return on Down Payment)

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

**CASH FLOW REMAINING** \$ \_\_\_\_\_