

Confidential Memorandum

As of
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Prepared by:

A NEUMANN ASSOCIATES, LLC

Achim Neumann

Postal Box 500

Atlantic Highlands, New Jersey 07716

Tel. (732) 872-6777 • Fax (732) 872-6669 • Cell (732) 895-5179

Info@NeumannAssociates.com

www.NeumannAssociates.com



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Unless stated otherwise, the underlying assets have not been appraised. The cost data provided in the financial statements, before depreciation is deducted, may be used as an approximate replacement cost but should be reviewed in due diligence process. If a value is included on the asset list, that value is the presumed fair market value of an equivalent asset. Additionally, the list was prepared at a point in time. The ordinary course of business will cause items to be added and disposed of, so any enclosed list of assets should be viewed as an approximation of the total assets of the business. Inventory is assumed to be at cost. Management's estimate of value is accepted unless reasons exist to use another value, which will be noted.

Real estate values, building leases, rental agreements, equipment leases and other commitments of the company are management's estimate and are assumed to be at market rates unless otherwise noted.

If there is real estate offered in this document, all real estate related matters, including but not limited to offerings, negotiations, offers to purchase or closings will be solely handled by ANA Commercial Real Estate, LLC, Medford, NJ, and its respective Broker Or Record, and not by A Neumann & Associates, LLC.



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EXECUTIVE SUMMARY

Our client is successfully operating a food processing / manufacturing plant by purchasing the original foods from regional farmers, processing and delivering them via an owned truck fleet to NE regional distributors or major retailers. The company operates in a market niche with a competitive advantage. There is a substantial asset base with very little financial leverage, providing a viable defense against pricing swings in the (commodity) market. Twenty four acres of land, with attractive buildings, highly sophisticated equipment, and a vehicle park consisting of 16 vehicles makes this a very attractive asset investment proposition.

Over the last forty years, the seller has positioned the company to weather pricing swings in the market, and projects a twenty percent sales increase for this fiscal year. SD cash flow has been ranging between \$315,000 and \$480,000 for the past three years. The facility is pre-qualified on a SBA lending base, and with only a \$350k down payment, a buyer will obtain an attractive 30% return on down payment as owner benefit. A third party valuation for the business is in place.

There is a loyal, rural employee basis with five plus years of average employment that will stay, and the owner's son, intimately familiar with the business, might consider long-term employment.

BUSINESS OVERVIEW

COMPANY DETAILS

This section provides the detailed information about the business.

Business Essentials

Name: ABC SYSTEMS Enterprises
 Inc
 Tax ID #: 22-18151503
 Address: 529 ABC SYSTEMS Rd
 Hopewell, NJ 08350
 (856) 777-9444
 Website Address:

Owner Information

Name: Craig Johnson (32%)
 Title: President
 Cell Phone: 856-777-5555
 Email Address: ABC s@comcast.net



Primary Contact

Name: Achim Neumann
Title: Broker
Cell Phone: (732) 895-5179

Business Data

Company's Legal Entity: ABC SYSTEMS Enterprises Inc
Company's dba: same
If the company has changed names, list that name: n/a
Years Established: 1966
Years Owned 1966
State of Incorporation: New Jersey
Date of Incorporation: 9/1966
Company Legal Status: C-Corp
Business Category: Manufacturing/ Farm Products
Primary SIC Code: 2015030
Secondary SIC Code: n/a
Years at current location: > 10 years

If the company has moved or expanded facilities, please explain why they moved.

N/A

Days and Hours of Operation:

7.00 am to 3 pm, Monday to Friday

Company Employee Information:

Total Employees 25
Full Time Employees 25
Part Time Employees 0
Union Employees 0
Average Length of Employment (years) > 5 years

Rate Local Labor Market:

Very favorable

What impact, if any, does the union or union employees have on the business:

None

Benefits:



Hospitalization

Law Suits Pending:

None

Tax Liens:

None

Environmental Issues:

None

MANAGEMENT/OWNERSHIP

Table "A" is a list of all those owning a greater than 10% share of the company's stock.

Table A:

Name	Title	% Owned	Age
Tom Johnson	Vice President	67%	73
Chris Johnson	President	32%	42
Linsey Johnson	Treasurer	1%	68

The number of hours the owner works per week: 40

Common Shares Outstanding: 100

Shares Repurchased: 0

Price per share \$1.00

Repurchase Date 0

Preferred Shares Outstanding: 0

Shares Repurchased: 0

Price per share: 0

Repurchase Date: 0

Buy/Sell Agreement in place: 0

Any Options Outstanding: 0

To Whom: n/a

Functions the seller currently performs that will need to be replaced by the buyer:

Executive Director / General Management



The following is a roster of key positions, a summary of their responsibilities, and back up personnel to these positions:

Norma (administrative / ordering)
Beto (technical / repairs) Albert (logistics / warehouse matters)

Non-Compete: yes
Miles: 50 miles
Years: 5 years
Is the President the Founder? yes
If not, how long the owner has owned: n/a

Does the owner want to continue to work at the business in any capacity?

Tom & Linsey will retire, however, Tom is very motivated to make this an easy transfer, and will consider to work with buyer beyond the typical three months transition period. Chris will consider staying on if the new owner desires so.

Why the Owner is selling the Business:

Retirement

Number of Family Members working in the business, including the owner: 2
Number of Family Members that will need to be replaced by the buyer: 2

The following is a list of positions and the salary that will need to be replaced by the buyer.

Position:	<input type="text" value="Chris Johnson"/>	Salary:	<input type="text" value="\$100,000"/>
Position:	<input type="text" value="Tom Johnson"/>	Salary:	<input type="text" value="n/a"/>
Position:	<input type="text" value="Linsey Johnson"/>	Salary:	<input type="text" value="\$30,000"/>

MARKETING AND DISTRIBUTION

Company's Primary Target Market

1) Egg Distribution firms (NY/NJ), wholesale (70%) in Brooklyn / North NJ within a 100 miles radius
2) Supermarkets & restaurants (NY/NJ), retail (30%) within a 50 mile radius

Market Trends for the company's products:

Very Stable



The company markets its products or services in the following manner:

Employee/Sales staff, Direct Mail, Yellow Pages, Word Of Mouth

PRODUCTS AND SERVICES

General Description of company's products and/or services:

Company purchases raw eggs from farmers within a 100 miles radius (primarily Lancaster County). Farmers have supplied to company for past 20 years. Company cleans all eggs, grades them and packages them into cartons. Company then delivers cartons to its respective customers via own fleet. Pricing of eggs is determined on a daily basis (commodity markets).

The following is a breakdown for recent fiscal year end of products/services by sales volume, in dollar and percent:

Product/Service	Sales Volume in Dollars	Sales Volume In Percentage
Wholesale		70%
Retail		30%
Total		100%

List of Patents, Copyrights, or Trademarks for this product or service:

n/a

Cyclical or seasonal factors to consider regarding this product or service impacting sales or profitability:

There is somewhat of a seasonal business, with Thanksgiving and the winter (Nov to Jan) being a strong season. However, this seasonal effect is balanced by the NJ shore business during June to August

The Company sells and distributes the products and/or services in the following manner:

Via own trucking fleet. There are two tractors, 9 trailers, and 5 tra.

CUSTOMER INFORMATION

General Overview of Company's customer base:

See "target market" above



The following is a list of potential customers to market to or growth areas that the buyer could implement to increase business.

a) geographical expansion; b) intensify sales calls;
The company currently works 40 hours (one shift), but could go to 60 hours (two shifts)

The owner offers the following tips or advice to the buyer, based on past experiences:

This business has been very good to the owner over the past 40 years and has provided consistent income. However, prudent financial planning is necessary to ensure profitability during the slower years.

COMPETITION

Company has various competitors, some of them significant larger, and some with their own bird flock. However, company has been successful in maintaining existing customer base versus other competitors.

TRAINING AND CONSULTING

Seller will be willing to train the buyer for weeks at a total cost of

Given an individual with reasonable skills and little direct knowledge of this business, it would take about months to learn enough about the business to manage it properly.

If you were to start a business of this type, considering start-up costs, and capital investment, it would take about months to show a profit after deducting a reasonable salary for yourself or a manager.

Skills or licenses required to operate business:

General Management



REAL ESTATE

This section discusses the real estate involved in this transaction:

Building Type: 42,000 sq ft mfg /office facility
 On 24 acres of land

Rent, own or lease the real estate: Owned

Annual Rent/Lease Payment: \$39,000

Rent or Lease Payment Includes Insurance, Maintenance, and Taxes: Yes

What will be the adjusted rent/lease per year to the buyer? TBD

If leased, what is the lease expiration date? n/a

Lease options? n/a

Lease can be assumed by buyer? n/a

Lease requires personal guarantee by buyer? n/a

Lease requires landlord consent ? n/a

If buyer is interested in renting the real estate, the owner will offer the following:

The real estate is included in the purchase price and is part of the sale.

Current Market Value of Real Estate: \$900,000

Value Established by appraisal: n/a

Date of Appraisal: n/a

Owner Financing for Real Estate:

Years: n/a

Interest Rate: n/a

Tax Liens: n/a

If yes, explain:

Note* : Financing for the real estate to be obtained via bank financing



FINANCIAL OVERVIEW

Owner's Balance Sheet

Assets and Liabilities Included In the Sale

**FAIR MARKET
VALUE**

Assets

Current Assets

Account Receivable (monthly avg)	\$210,000
Inventory (monthly avg)	\$0
Other	\$0
Total Current Assets:	\$210,000

Fixed Assets

Leasehold Improvements	\$0
Furniture and Fixtures	\$30,000
Trade Mark & Logo (exp)	\$50,000
Web Applications & Copyright (exp)	\$300,000
Psychological Invent License	\$175,000
Other	\$0
Total Fixed Assets	\$555,000

Total Assets

\$765,000

Liabilities

Accounts Payable (monthly avg)	\$0
Bank Debt	\$0
Other	\$0
Total Liabilities	\$0

Equity

\$765,000



FINANCIAL OVERVIEW (Filed Tax Returns)

Historical Cash Flow Analysis

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	(Tax Return)	(Tax Return)	(Tax Return)	(Tax Return)
Sales Revenue	\$1,348,825	\$1,373,256	\$899,789	\$842,503
- Cost Of Goods Sold	\$0	\$0	\$0	\$0
Gross Profit	<u>\$1,348,825</u>	<u>\$1,373,256</u>	<u>\$899,789</u>	<u>\$842,503</u>
(AS %)				
- Total S,G & A.	\$1,217,556	\$1,224,069	\$939,481	\$791,894
- Other Income	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net Income (EBT f/ Tax Return)	<u><u>\$131,269</u></u>	<u><u>\$149,187</u></u>	<u><u>-\$39,692</u></u>	<u><u>\$50,609</u></u>

Customary Lender Add Backs

Owner's Salary	\$157,646	\$163,652	\$41,000	\$102,575
Other Family Salaries	\$0	\$0	\$0	\$0
Owner's Vehicle	\$25,000	\$25,000	\$20,000	\$10,000
Owner's Insurance	\$0	\$0	\$0	\$0
Owner's Misc	\$0	\$0	\$0	\$0
Owner's Payroll Taxes (owner)	\$0	\$0	\$0	\$7,500
Owner's Travel and Entertain't	\$10,000	\$10,000	\$7,500	\$12,000
Non-Essential Legal	\$2,500	\$2,500	\$2,500	\$2,500
Deposit Deferral	\$0	\$0	\$0	\$149,560
Depreciation and Amortization	\$11,667	\$11,667	\$11,667	\$0
Interest Expense	\$3,922	\$2,387	\$5,270	\$2,769
Rent Adjustments	\$0	\$0	\$0	\$0
Total Add Backs	<u>\$210,735</u>	<u>\$215,206</u>	<u>\$87,937</u>	<u>\$286,904</u>

Seller Discretionary Cash Flow	<u>\$342,004</u>	<u>\$364,393</u>	<u>\$48,245</u>	<u>\$337,513</u>
- FMV Mgr Salary	-\$100,000	-\$100,000	-\$100,000	-\$100,000
EBITDA	<u><u>\$242,004</u></u>	<u><u>\$264,393</u></u>	<u><u>-\$51,755</u></u>	<u><u>\$237,513</u></u>

Note: Tax Returns are on Cash Basis



FINANCIAL OVERVIEW

Key Financial Data Forecast

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Sales Revenue	\$1,475,000	\$1,550,000	\$1,600,000
Net Income (EBT)	\$135,000	\$145,000	\$150,000
Seller's Discretionary Cash Flow	\$450,000	\$475,000	\$485,000
Less Owner's/Manager's Salary	<u>-\$100,000</u>	<u>-\$100,000</u>	<u>-\$100,000</u>
Cash Available For Debt Service	<u>\$350,000</u>	<u>\$375,000</u>	<u>\$385,000</u>



FINANCIAL OVERVIEW

Buyer's Price & Terms

Price:

Buyer Cash Down Payment	\$250,000
Buyer Bank Financing, Proposed (*)	\$550,000
Cash @ Closing	\$800,000
Seller Note (*)	\$175,000
Note @ Closing	\$175,000
Assumption - Accounts Payable	\$0
Assumption - Debt	\$0
Debt Assumption	\$0
Total Purchase Price	\$975,000
Est Working Capital Cash Req.	\$50,000

Assets Included

Accounts Receivable	\$210,000
Inventory	\$0
Leasehold Improvements	\$0
Furniture & Fixtures	\$30,000
Trade Mark & Logo (exp)	\$50,000
Web Applications & Copyright (exp)	\$300,000
Psychological Invent License	\$175,000
Total Assets Included	\$765,000

Liabilities to be Assumed

Accounts Payables	\$0
Bank Debt	\$0
Total Liabilities Included	\$0

Note: (*) - The seller note needs to be collateralize by a non-business asset. If SBA financing is sought, buyer needs to collateralize loan with ALL personal assets in order to obtain the loan.



FINANCIAL OVERVIEW

Buyer's Justification Of Purchase Price

Seller's Discretionary Cash Flow

Average Last 4 Years Tax	Weight: 60%	\$273,039
Average Next three Years	Weight: 40%	\$470,000
	Proj. Cash Flow	\$351,823

- Debt Service

Commercial Financing	\$550,000	
Interest (%)	7%	
Terms (Years)	10	
Annual Payment		-\$76,632

Note By Seller	\$175,000	
Interest (%)	8%	
Terms (Years)	5	
Annual Payment		-\$42,580

- Fair Market Management Salary - \$100,000

- Capital Expenditure (5%) - \$4,000

Remaining Cash Flow \$128,611

Total Owner Benefit	\$228,611
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Benefit As Percentage Of Down Payment	91%
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