

Confidential
Descriptive Offering Memorandum

Effective 07/18/2011

for

CADIZ DRYWALL
Contractors
Inc.



Alpha Omega
CAPITAL PARTNERS

7202 Glen Forest Drive - Suite 300 - Richmond - Virginia 23226

<http://www.aocp.com>

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Confidential Descriptive Memorandum

Cadiz Drywall Contractors, Inc.

Alpha Omega Capital Partners, Inc. ("AOCP") has been engaged as advisors to Cadiz Drywall Contractors, Inc., a Kentucky elected "S" Corporation (referred to hereinafter as "Cadiz Drywall" or the "Company"), to render business brokerage services in connection with the sale of the Company as described herein.

This Confidential Memorandum contains certain information concerning the business and operations of the Company. It is furnished to potential buyers on a confidential basis solely for the purpose of evaluating a purchase of the Company. This Memorandum is intended for the use only of the party to whom it is transmitted. It may not be reproduced in whole or in part or used for any other purpose without the expressed written permission of the Company.

AOCP has prepared this descriptive Memorandum from information supplied by the Company and other resources deemed reliable. Descriptions and information supplied by the Management of the Company have been relied upon for presentation in this Memorandum without independent investigation or verification. Any estimates or projections contained herein have been prepared by the Management of the Company and involve significant elements of subjective judgment and analysis, which may or may not be correct. Neither the Company nor AOCP makes any representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this Memorandum, and nothing contained herein is, or shall be relied upon as, a promise or representation, whether as to the past or the future. This Memorandum does not purport to contain all of the information that may be required to evaluate such a transaction and any recipient hereof should conduct its own independent analysis of the information presented in this Memorandum. This Memorandum is in no way intended to be a substitute for a prospective buyer's independent due diligence. Neither the Company nor AOCP expects to update or otherwise revise the Memorandum or other material supplied herewith. Further, any Potential buyer should consult with his own counsel, accountant, and other professional advisors as to legal, tax, accounting and related matters concerning this purchase.

If you have no interest in purchasing the Company, please promptly return this Descriptive Confidential Memorandum and all material received from the Company or AOCP without retaining copies to:

ALPHA OMEGA CAPITAL PARTNERS LLC.
7202 Glen Forest Drive
Suite 300
Richmond, Virginia 23226

Transaction Procedure

This Descriptive Memorandum (DM) has been distributed to financially qualified parties which have expressed an interest in acquiring Cadiz Drywall and which have executed and returned the Confidentiality Agreement previously provided by Alpha Omega Capital Partners, Inc. (AOCP).

By acceptance of this DM, the recipient agrees that neither it nor anyone acting on its behalf will contact employees, suppliers or customers of Cadiz Drywall before the execution of a definitive acquisition agreement, unless express permission has been granted by the owners of Cadiz Drywall and AOCP. If, after reviewing the DM, the recipient desires to pursue the purchase of Cadiz Drywall, they should contact AOCP to discuss the process further.

Interested parties will be asked to utilize the following acquisition process:

1. Prompt review of this DM.
2. Any points requiring clarification should be documented and directed to AOCP within **10 days** of receiving the DM. Otherwise, the DM is to be returned to AOCP.
3. Prior to the initial visitation to Cadiz Drywall (at a time not disruptive to operations), an indication of terms and values should be transmitted to AOCP.
4. Submit a detailed **Letter of Intent** to AOCP containing the following information:
 - A. Proposed price to be paid for 100% of the stock or assets of Cadiz Drywall including purchase terms, and method of financing;
 - B. Proposed terms for secondary agreements for guarantees not to compete, consulting and/or employment;
 - C. Time schedule required to complete all aspects (legal, financial or other) of this transaction including the due diligence process;
 - D. Anticipated closing date. (Closing will take place at the offices of the Company's attorney.)

THE OWNERS OF CADIZ DRYWALL RESERVE THE RIGHT, AT ANY TIME AND IN ANY RESPECT, TO AMEND OR TERMINATE THE PROCEDURES OUTLINED HEREIN, TO TERMINATE DISCUSSIONS WITH ANY AND ALL INTERESTED PARTIES, TO REJECT ANY AND ALL PROPOSALS, OR TO NEGOTIATE WITH ANY PARTY WITH RESPECT TO THIS TRANSACTION.

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EXECUTIVE SUMMARY

COMPANY OVERVIEW

Founded in 1975, **Cadiz Drywall Contractors, Inc.** (referred to hereinafter as “**Cadiz Drywall**” or the “**Company**”) provides drywall contracting services to commercial and residential construction projects located in the South East. In 2009, the Company posted approximately **\$5.3 million in revenues** and an **adjusted EBITDA of approximately \$630,000**. In 2010, the Company generated **\$6.08 million in revenues** and an **unadjusted EBITDA of approximately \$403,600, a 6.6% margin**. As of March 22, 2011, the Company’s **current backlog is approximately \$1.1 million**. **The Company also has purchase orders for pending jobs amounting to approximately \$10.37 million**. **The Company projects \$3,569,238 in revenues for 2011 and \$300,000 in EBITDA**.

SERVICES

Cadiz Drywall provides **drywall/insulation, metal stud and acoustical ceiling services**. The Company earns 60%, 30% and 10% of total revenues from each service category, respectively.

MARKETING & CUSTOMERS

A majority of the Company’s customers are general contractors completing large, commercial projects. Approximately 95% of Cadiz Drywall’s customers are located within a 100-mile radius of the Company. Cadiz Drywall has enjoyed 10-15 year relationships with 70% of its top customers. The Company is not actively engaged in marketing the business, and it earns virtually all business by submitting bids and from word-of-mouth referrals.

COMPETITIVE LANDSCAPE

Cadiz Drywall competes for 80% of business through submission of competitively priced bids to prospective customers. The Company’s competitive advantage over other local competitors is its highly regarded and long-standing reputation. Cadiz Drywall frequently competes with its top four competitors on larger projects, and wins an estimated 12.5% of bids submitted against these competitors.

MANAGEMENT & PERSONNEL

Cadiz Drywall employs a staff of 69 full-time employees, including the three active owners (CEO, COO, and part-time Administrator), an Office Manager/Bookkeeper, Senior and Junior Estimators, a General Manager and two Job Superintendents. Key employees average 14 years tenure with the Company and non-key employees average four years tenure with the Company.

FACILITIES & OPERATIONS

Cadiz Drywall operates its business from three facilities, all located within a quarter mile of each other, leased to the Company by the Company’s Owners. Facilities include a 9,000 sq. ft. office/shop space, a 5,000 sq. ft. office/shop/storage space and a 9,600 sq. ft. assembly and storage space. Two of the facilities are located adjacently and the third facility is located within a quarter mile distance.

FINANCIAL SUMMARY

Cadiz Drywall's financials are derived from Federal Tax Returns prepared by Thurman, Campbell & Co. for the years 2003-2010. Interim financials are derived from internal statements. Revenues and expenses are presented on an **accrual basis**.

Please refer to Appendix for more detailed financial information.

	Internal		Tax Returns									
	YTD Period 06.30.11		2010	2009	2008	2007	2006					
Revenue	\$ 1,784,619	100%	\$ 6,083,757	100%	\$ 5,270,821	100%	\$ 9,247,785	100%	\$ 8,607,255	100%	\$ 6,157,879	100%
COGS	1,277,235	72%	4,748,157	78%	3,742,416	71%	5,272,188	57%	6,210,001	72%	4,249,501	69%
Gross Profit	\$ 507,384	28%	\$ 1,335,600	22%	\$ 1,528,406	29%	\$ 3,975,597	43%	\$ 2,397,254	28%	\$ 1,908,378	31%
Operating Expenses	338,916	19%	893,638	15%	861,692	16%	1,028,125	11%	1,060,331	12%	1,009,325	16%
Officers Compensation	145,600		291,200		291,200		295,600		242,932		219,341	
Operating EBITDA	\$ 22,868	1%	\$ 150,762	2%	\$ 375,514	7%	\$ 2,651,872	29%	\$ 1,093,991	13%	\$ 679,712	11%
Depreciation/Amort	35,876		20,009		16,266		29,107		51,476		27,484	
Operating EBIT	\$ (13,008)	-1%	\$ 130,753	2%	\$ 359,248	7%	\$ 2,622,765	28%	\$ 1,042,515	12%	\$ 652,228	11%
Misc Inc/(Exp)	-		-		16,245		15,012		16,025		9	
Interest Expense	1,420		5,848		5,701		5,326		9,602		9,081	
Net Income	\$ (14,428)	-1%	\$ 124,905	2%	\$ 369,792	7%	\$ 2,632,451	28%	\$ 1,048,938	12%	\$ 643,156	10%
ADJUSTMENTS			278,698		258,499		305,041		249,763		216,938	
ADJUSTED OPERATING EBITDA		0%	\$ 403,603	7%	\$ 628,291	12%	\$ 2,937,492	32%	\$ 1,298,701	15%	\$ 860,094	14%

YTD 2010 as of 08.31.10

ASSETS												
Current Assets												
Cash and Equivalents	\$ 632,528	41%	\$ 340,557	20%	\$ 265,890	18%	\$ 623,271	46%	\$ 679,069	42%	\$ 166,326	14%
Accounts Receivable	417,659	27%	920,101	55%	939,262	63%	565,657	42%	534,749	33%	652,816	56%
Inventory	345,929	22%	229,007	14%	247,950	17%	120,035	9%	258,444	16%	200,649	17%
Other Current Assets	-	0%	4,706	0%	4,928	0%	4,802	0%	32,354	2%	5,409	0%
Total Current Assets	\$ 1,396,115	89%	\$ 1,494,371	89%	\$ 1,458,030	98%	\$ 1,313,765	96%	\$ 1,504,616	94%	\$ 1,025,200	88%
Fixed Assets												
Cost	1,009,343	65%	987,094	59%	981,413	66%	963,831	71%	901,104	56%	815,017	70%
Accum. Depreciation	(844,925)		(809,086)		(949,655)		(915,808)		(807,615)		(674,001)	
Fixed Assets, net	\$ 164,418	11%	\$ 178,008	11%	\$ 31,758	2%	\$ 48,023	4%	\$ 93,489	6%	\$ 141,016	12%
Other Assets												
	-		-		-		-		-		-	
Total Assets	\$ 1,560,534	100%	\$ 1,672,379	100%	\$ 1,489,788	100%	\$ 1,361,788	100%	\$ 1,598,105	100%	\$ 1,166,216	100%

LIABILITIES & EQUITY												
Current Liabilities												
Accounts Payable	\$ 84,096	5%	\$ 151,139	9%	\$ 122,358	8%	\$ 27,199	2%	\$ 100,362	6%	\$ 72,465	6%
ST Notes Payable/Current Portion of LT	5,037	0%	-	0%	31,834	2%	60,540	4%	52,703	3%	42,299	4%
Other Current Liabilities	2,388	0%	4,634	0%	7,610	1%	15,903	1%	3,846	0%	57,034	5%
Total Current Liabilities	\$ 91,521	6%	\$ 155,773	9%	\$ 161,802	11%	\$ 103,642	8%	\$ 156,911	10%	\$ 171,798	15%
Long Term Debt												
	114,825	7%	147,990	9%	4,065	0%	35,898	3%	58,488	4%	79,919	7%
Total Liabilities	\$ 206,346	13%	\$ 303,763	18%	\$ 165,867	11%	\$ 139,540	10%	\$ 215,399	13%	\$ 251,717	22%
Total Equity												
	1,354,188	87%	1,368,616	82%	1,323,921	89%	1,222,248	90%	1,382,706	87%	914,499	78%
Total Liabilities & Equity	\$ 1,560,534	100%	\$ 1,672,379	100%	\$ 1,489,788	100%	\$ 1,361,788	100%	\$ 1,598,105	100%	\$ 1,166,216	100%

STRUCTURE & TRANSACTION

Ownership & Tax Structure

Founded in 1975, Cadiz Drywall is a Kentucky-elected “S” Corporation. The Company is based in Cadiz, Kentucky.

The Company’s ownership structure is as follows:

Name	Ownership Percentage	Time Devoted to the Business
Linda Thomas	26%	0%
Dennis Thomas	24%	100%
Madie Calhoun	26%	50%
Tommy Calhoun	24%	100%
	100%	

Management Structure

Name	Age	Position
Dennis Thomas	65	Chief Executive Officer
Tommy Calhoun	67	Chief Operating Officer

Legal Matters

The Company has never been party to any litigation and there are no known threatened or pending legal matters in any court of law involving Cadiz Drywall.

Proposed Transaction

The Sellers are offering 100% of the assets or stock on the Company. The Sellers will assume all cash and cash equivalents, as well as any bank notes at the time of closing.

Reason for Sale

The Company’s shareholders are engaging in the sale of the business, as the two active full-time shareholders wish to enter into retirement. All key employees and personnel would like to continue to work for the Company following a sale.

BUSINESS OVERVIEW

History

In the mid-1970s, Tommy Calhoun and Dennis Thomas, long-time friends, and both independent contractors performing services for residential builders, shared a vision to expand their business operations. In 1975, Calhoun and Thomas formed Cadiz Drywall Contractors, Inc. The partners started the Company on a small scale, hired a few workers, purchased sheet rock and other supplies, and hit the pavement to expand their operation.

Cadiz Drywall began operations working on single-family residences and eventually landed projects for apartment complexes. The Company continued to grow, and by the early 1980's, Cadiz Drywall shifted its focus and operations towards commercial building projects. Over the past three decades, Cadiz Drywall has continued to increase its average project size and now earns 90% of revenues from commercial construction projects.

The community's knowledge of Cadiz Drywall's tenure in the industry and high-quality of service continues to pass down through generations. It is not uncommon for an individual to contact the Company and say, "You worked on my parents' house 25 years ago and we'd like to you to work on ours." These requests are testament to the Company's workmanship and high regard amongst its customers.

Unlike most other drywall contractors, Cadiz Drywall purchases sheet rock directly from manufacturers, and has done so since 1976. While not a common practice in the industry, purchasing directly from manufacturers, as well as in larger volumes than most non-chain building product/lumber stores, allows the Company to purchase materials at lower prices. The Company is able to pass along some of these savings to its customers, thus allowing for more competitive pricing over its peers.

Cadiz Drywall prides itself in operating as a fiscally conservative company. The Company has never issued a check that would not clear its bank account the day it was given to a vendor. This core philosophy has aided the Company in weathering the ebbs and flows of the economy over the past 33 years. This philosophy also contributes to Cadiz Drywall's rock-solid reputation for quality, service and fiscal responsibility.

Strengths

Cadiz Drywall stands out among its competitors due to its financial soundness, ability to retain high quality and high skill workers and its vast experience in a myriad of projects. For example, many drywall contractors prefer not to perform work for the United States Army Corps of Engineers (ASACE) because of its strict requirements (such as a by-the-book approach), high amount of paperwork, and detailed safety and quality control programs. Cadiz Drywall, however, is structurally and philosophically geared to take on work of this caliber.

SERVICES

Overview

Cadiz Drywall provides drywall contracting services primarily for commercial projects, and also for a handful of residential projects.

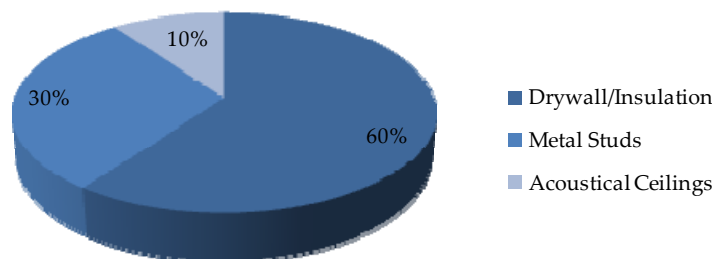
Services

Cadiz Drywall's service offerings include:

- Hanging and finishing drywall;
- Framing light gage metal studs;
- Installing insulation – batting or blown-in;
- Installing suspended ceiling;
- Exterior Insulation and Finishing (EFTS);
- Exterior finishing in synthetic 'divit' plaster finish; and
- Exterior finishing in synthetic 'stucco' finish.

The Company generates the majority of its revenue from drywall/insulation services (55-60%). The following chart illustrates a breakdown of the revenue generated by each of the Company's service categories:

Revenue Breakdown by Service Category



Subcontracting

Cadiz Drywall subcontracts out only a small percentage of its tasks. Occasionally, the Company will add a subcontract crew to a project, in addition to its own employees, to accommodate overflow or larger jobs. Cadiz will charge a client for the cost of the subcontracted labor, plus a mark-up of 25%.

PROJECT PORTFOLIO

Typical Barracks Construction, Military Base



New Construction

Drywall Installation



Completed Project

Completed Projects



Pharmacy, Completed 2006



Bank, Completed 2006



Bank, Completed 2007

MARKETING & CUSTOMERS

Target Market

Cadiz Drywall's targets general contractors completing larger projects in the commercial construction industry, with a focus on:

- Dormitories and Barracks;
- Banks;
- Churches;
- Office Buildings;
- Retail Strip Centers and Stand Alone Buildings; and
- Hospitals and Medical Clinics.

Marketing & Advertising

Cadiz Drywall has grown to its current revenue level and has developed its customer base without any marketing or advertising efforts. The Company subscribes to a service called Data Fax (similar to the Dodge Report) to obtain information on projects. Data Fax offers daily information on projects from initial design to in-process.

Geographic Reach

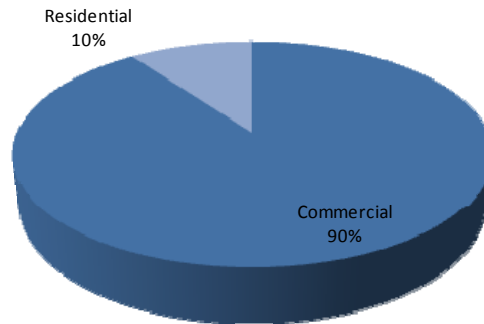
Approximately 95% of Cadiz Drywall's customers are physically located within a 100-mile radius of Cadiz, KY, as illustrated by the following map:



Customers and Contracts

Cadiz Drywall has a well-established, loyal customer base, with 10 to 15-year relationships with 70% of its top customers. In 2009, approximately 90% of the Company's revenues were derived from commercial project customers. The Company generates the remainder of its revenues from customers on residential projects.

Cadiz Drywall Revenue Sources



In 2007, Cadiz Drywall completed nine large-scale projects, totaling over \$8,211,475 in revenue and various small-scale projects totaling \$395,000, as illustrated by the following table:

2007 Contracts

	<u>Contract Value</u>	<u>Percent of Total Revenue</u>
Contract 1	4,601,176	53%
Contract 2	2,850,046	33%
Contract 3	380,834	4%
Contract 4	147,897	2%
Contract 5	59,900	1%
Contract 6	55,948	1%
Contract 7	41,946	0%
Contract 8	37,956	0%
Contract 9	35,772	0%
Various Small Contractors	395,000	5%
	<u>\$ 8,606,475</u>	<u>100%</u>

In 2008, the Company billed nine large-scale projects, totaling \$8,610,200 in revenue and various small-scale projects totaling \$637,585, as illustrated by the following table.

2008 Contracts

	<u>Contract Value</u>	<u>Percent of Total Revenue</u>
Contract 1	7,798,131	84%
Contract 2	94,241	1%
Contract 3	122,798	1%
Contract 4	70,966	1%
Contract 5	37,266	0%
Contract 6	160,216	2%
Contract 7	171,374	2%
Contract 8	49,708	1%
Contract 9	105,500	1%
Various Small Contracts	637,585	7%
	<u>\$ 9,247,785</u>	<u>100%</u>

In 2009, Cadiz Drywall completed 12 large-scale projects, totaling \$5,002,763 in revenue and various small-scale projects totaling \$168,057, as illustrated by the following table:

2009 Contracts		
	<u>Contract Value</u>	<u>Percent of Total Revenue</u>
Contract 1	606,354	12%
Contract 2	224,642	4%
Contract 3	2,072,430	40%
Contract 4	1,465,786	28%
Contract 5	76,134	1%
Contract 6	94,175	2%
Contract 7	196,254	4%
Contract 8	59,960	1%
Contract 9	86,120	2%
Contract 10	40,517	1%
Contract 11	21,391	0%
Contract 12	59,000	1%
Various Small Contracts	168,057	3%
	<u>\$ 5,170,821</u>	<u>100%</u>

Cadiz Drywall's current backlog (as of 03/22/11), totaling approximately \$1.13 million, includes the following contracts:

...as of 03/22/2011

Backlog

	<u>Contract Value</u> <i>(Unbilled Portion Only)</i>	<u>Percent of Total</u> <u>Backlog</u>
Contract 10	\$276,255	24.4%
Contract 16	\$102,000	9.0%
Contract 20	\$92,231	8.1%
Contract 21	\$14,253	1.3%
Contract 22	\$49,151	4.3%
Contract 23	\$15,865	1.4%
Contract 24	\$39,991	3.5%
Contract 25	\$21,719	1.9%
Contract 26	\$1,862	0.2%
Contract 27	\$339,257	30.0%
Contract 28	\$56,385	5.0%
Contract 29	\$50,372	4.4%
Contract 30	\$15,444	1.4%
Contract 31	\$57,387	5.1%
TOTAL:	\$1,132,172	

The Company also has purchase orders for pending jobs amounting to approximately \$10.37 million. Note that Contracts 1-9, 11-15, and 17-19 are no longer in the backlog and therefore are not shown.

Pricing and Billing

Cadiz Drywall bids 90% of projects on a fixed-price basis. On fixed priced projects, Cadiz Drywall estimates the job, locks in supplier prices, and places a bid that will be valid for six months. The Company prices the remaining 10% of projects on a "time and material" basis. On time and material priced projects, the Company will bill the client for labor hours at a rate of \$30 - \$35 and material at a rate of cost plus 25%.

COMPETITIVE LANDSCAPE

Overview

Approximately 80% of Cadiz Drywall's projects are a result of direct bids with customers, while the remaining 20% of the Company's work results from direct negotiations with the customer without competitive bidding. Generally, when competing via bids, about 90% of the typical customers' decision is based on pricing and 10% on service.

Among smaller local competitors, Cadiz Drywall benefits from having the best name recognition in the core area, typically receiving a job inquiry or request for bid before most others.

Cadiz Drywall's top four competitors, as listed below, typically compete on the same large projects. The Company generally wins one out of every eight bids (or 12.5%) against its top competitors. In many bidding scenarios, however, the Company is not aware of whom all it is competing against.

Top Competitors

Cadiz Drywall identifies the following companies as its top competitors:

DRYWALL SYSTEMS PLUS

Located in Murray, KY, Drywall Systems Plus was founded in the 1920s. The company provides interior and exterior walls and ceilings.



DANCO CONSTRUCTION, INC.

Danco is located in Evansville, KY and was founded in 1983. The company generates approximately \$18.3 million in annual sales with 120 employees. Danco specializes in: acoustical ceilings, carpentry, drywall, EIFS-Dryvit, fireproofing, firestopping, insulation, metal stud framing and plastering.



CLEVELAND CONSTRUCTION, INC.

Cleveland Construction is located in Mentor, OH and was founded in 1980. The company has 800 employees and generates approximately \$227 million in annual revenues. Cleveland Construction offers design, preconstruction, construction, government liaison, post-construction, financial and land procurement services.



DIVISION NINE FINISHES, INC.

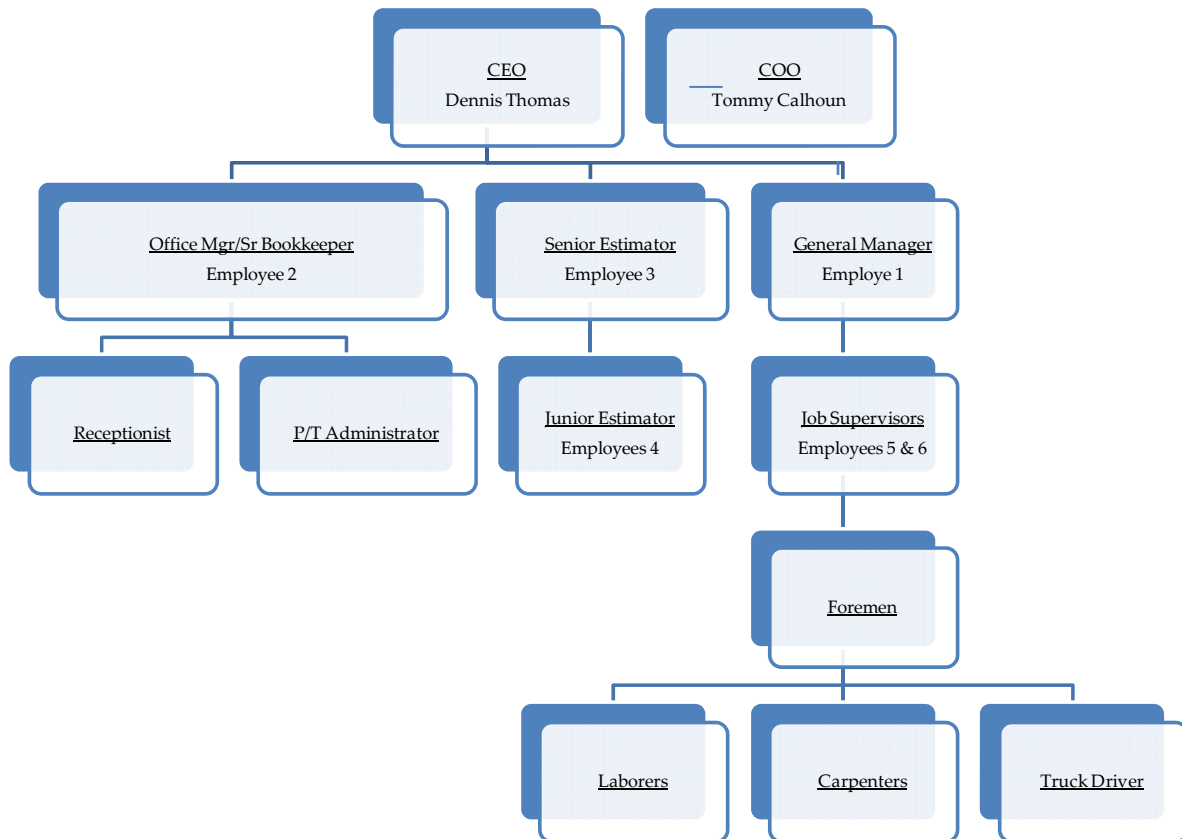
Division Nine Finishes is a drywall contractor located in Bowling Green, KY.

MANAGEMENT & PERSONNEL

Overview

Cadiz Drywall employs a staff of 69 employees, including the three active Owners. The Company's entire workforce is skilled, trained and stable. The average tenure of key employees, excluding the Owners, is 14 years. The average tenure of non-key employees is 4 years.

The following chart depicts the Company's organizational structure:



Management & Key Employees

Excluding the Owners, Cadiz Drywall has a group of 6 key employees, averaging 14 years tenure with the Company. The following table sets forth information regarding the Company's management and key employees, including their title, tenure, age and compensation as of March 2010:

The following is a description of each of Cadiz Drywall's key employees:

Dennis Thomas, Chief Executive Officer – Mr. Thomas, owner and CEO of Cadiz Drywall, reviews the Company's non-project-related purchases for inventory, plus equipment and overhead expenditures. Additionally, he joins Mr. Calhoun in approving projects when the project size exceeds \$1 million. Mr. Thomas serves to "oversee, guide, point and give direction" to the Company.

Tommy Calhoun, Chief Operating Officer – Mr. Calhoun, owner and COO of Cadiz Drywall, oversees and approves projects with sales greater than \$200,000. Like Mr. Thomas, Mr. Calhoun serves to "oversee, guide, point and give direction" to the Company.

Madie Calhoun, Part-Time Administrator – Ms. Calhoun, owner and Part-Time Administrator of Cadiz Drywall, assists the Office Manager in completing any administrative task necessary to run the business.

Employee 1, General Manager – Employee 1 joined Cadiz Drywall as a receptionist directly after graduating high school in 1980. Within two years, she began performing bookkeeping and administrative duties. Over her tenure with the Company, Employee 1 was continued to assume greater responsibility. She was promoted to General Manager in 2006. Her current responsibilities include day-to-day management of all projects and full supervisory authority over all field operations.

Employee 2, Office Manager/Senior Bookkeeper – Employee 2 joined Cadiz Drywall in her current position in 1977. While in her mid-60s, this employee desires to continue working for another 10 years. This employee is responsible for maintaining the general ledger, accounts receivable and payable, payroll, handling any routine office matters and providing timely financial statements to managers.

Employee 3, Estimator – Employee 3 joined Cadiz Drywall in July of 2008. Prior to joining the Company, this employee was an estimator for a road construction company. He has made a swift and smooth transition to the drywall industry and has very strong growth potential. This employee works under the direction of the Senior Estimator and is responsible for preparing estimates for labor time and cost of materials to the specifications of bid projects.

Employee 4, Junior Estimator – Employee 4 joined the Company as former Senior Estimator retired in early 2011. He has construction background and displaced quick adaptation to new CAD Estimation System.

Employee 5, Job Superintendent – Employee 5 joined Cadiz Drywall in 1995. Prior to joining the Company, he was a job superintendent for a Little Rock, AR company. This employee is responsible for managing assigned projects, including the utilization of Company resources, such as labor, subcontractors, and material purchases. He is also responsible for projects' scheduling and quality control.

Employee 6, Job Superintendent – Employee 6 joined Cadiz Drywall in 1995. Prior to joining the Company, he was employed as a drywall worker in Ownesboro, KY. This employee is responsible for managing assigned projects, including the utilization of Company resources, such as labor, subcontractors, and material purchases. He is also responsible for projects' scheduling and quality control.

Personnel

In addition to the owner and key employees, Cadiz Drywall employs 60 personnel members, including: 17 laborers, 29 carpenters, two foremen, a truck driver and a receptionist. The Company's non-key personnel average 4 years tenure with the Company. The following table summarizes the Company's personnel based on position, age, compensation and tenure as of December 1, 2008:

Personnel													
Position	Quantity	Age (years)				Compensation (\$ per hour)				Tenure (years)			
		Low	Mean	Median	High	Low	Mean	Median	High	Low	Mean	Median	High
Laborer	17	19	32	32	61	10.00	11.50	11.00	16.00	0	2	1	8
Carpenter	39	22	39	41	53	12.00	15.49	16.00	18.50	0	5	4	16
Truck Driver	1	71	71	71	71	17.00	17.00	17.00	17.00	2	2	2	2
Foreman	2	48	49	49	49	20.00	20.50	20.50	21.00	1	7	7	12
Receptionist	1	38	38	38	38	9.00	9.00	9.00	9.00	1	1	1	1
	60												

Benefits

Cadiz Drywall offers all employees health and dental insurance, of which employees are responsible for 100% of the cost. About 20% of employees participate in the Company's health and dental plans. The Company also offers all employees a 401(k) retirement savings plan with a sliding scale employer match (1% match if employee saves 4% of salary, 1.5% if employee saves 6% of salary and 2% if the employee saves 8% of salary).

After two years of service with Cadiz Drywall, employees are eligible for week of paid vacation each year. Additionally, the Company offers full-time employees seven paid holidays each year.

FACILITIES & OPERATIONS

Facilities

Cadiz Drywall's main facility is physically located at:

134 Commerce Street
Cadiz, Kentucky 42211

The Company operates from three facilities totaling approximately 23,600 square feet. Detailed information on each facility is as follows:

Building #1: 9,000 sq. ft. including 2,000 sq. ft. office space and 7,000 sq. ft. shop/storage space, located at 134 Commerce Street



Building #2: 5,000 sq. ft. including 1,200 sq. ft. office space and 3,800 sq. ft. shop/storage space, located at 134 Commerce Street



Building #3: 9,600 sq. ft. shop space used for storage and assembly of pre-constructed walls, located a quarter mile from the Company's other two facilities, located at 300 Commerce Street



These facilities are currently leased to Cadiz Drywall by the Company's owners. Lease rates and land details are as follows:

- Building #1 & #2 are located on 1.4 acres of land, with a fair market lease rate of approximately \$60,000 for an annual triple net lease.
- Building #3 is located on a half acre of land; with a fair market lease rate of approximately \$36,000 for an annual triple net lease.

Hours of Operation

Cadiz Drywall's office is open Monday through Friday, 6 am to 4 pm.

The Company's field workers operate Monday through Friday, 7 am to 3:30 pm.

Computer Systems

Cadiz Drywall utilizes Sage Accpac Vision Point 2000 software, a certified accounting system designed for small to mid-size enterprise. The software systems offers general ledger modules, accounts payable and receivable, purchase order, order entry, payroll functions and additional modules for forecasting short-term cash management applications. The Company owns four user seats of this software.

Equipment

Cadiz Drywall owns the following equipment:

- 22 Vehicles (Trucks, Vans)
- 3 Vehicle Accessory Pieces (Forklifts, Trailer)
- 3 Construction Office Trailers
- 2 Storage Trailers
- Scaffolds
- 17 Scissors & Boom Lifts
- Various Small Equipment and Tools
- Office Equipment

A detailed asset list is located in the **Appendix** of this Offering Memorandum.

Insurance

Cadiz Drywall has all necessary insurance coverage to conduct operations. See **Appendix B** for more detailed insurance information.

Associations

Cadiz Drywall is a member of the following organizations:

Home Builders Association of Hopkinsville, KY

Founded in 1962, this organization provides resources and networking opportunities to local builders and contractors.





Chamber of Commerce, Cadiz, KY

This organization promotes industry, tourism and retail growth and development through education and community involvement. Members have access to networking opportunities within the community as well as resources.

In November 2008, Cadiz Chamber of Commerce awarded Cadiz Drywall the Cadiz, KY Small Business of the Year.



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DRYWALL CONTRACTING INDUSTRY

Overview

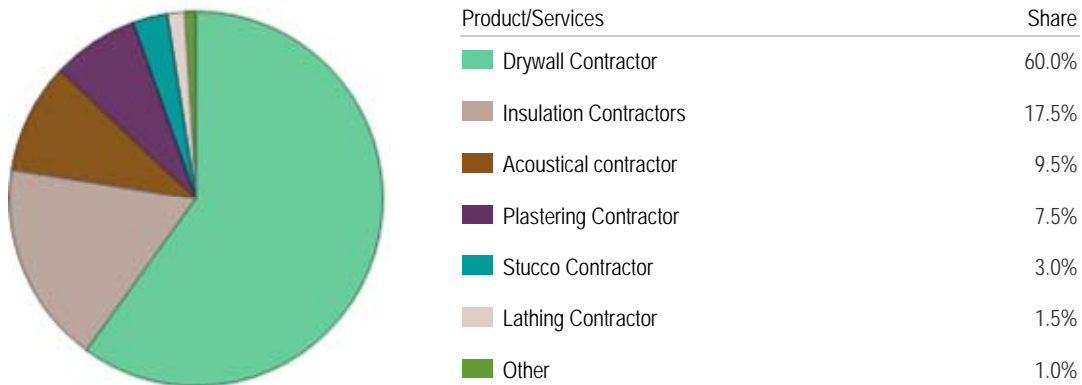
Firms in the Drywall Contracting industry primarily engage in drywall, plaster work, acoustical and building insulation work. The drywall, plaster work, acoustical and insulation work performed includes new work, additions, alterations, maintenance and repairs. Plaster work includes applying plain or ornamental plaster, including installation of lathing to receive plaster.

In 2007, the U.S. Drywall Contracting industry generated approximately \$45.7 billion in revenue, a 2.4% decrease from the previous year. In 2008, the industry will generate \$45.3 billion in revenue, a real decline of 1%, due to the downturn in the housing market which caused a sharp deterioration in demand for drywall, plastering and insulation services.

Segmentation

Service Segmentation

The primary service segment of this industry is drywall contracting, which accounts for 60% of industry revenue. In order of market share, insulation, acoustical, plastering, stucco and lathing contracting make up the remaining industry segments. An illustration of market share is as follows:



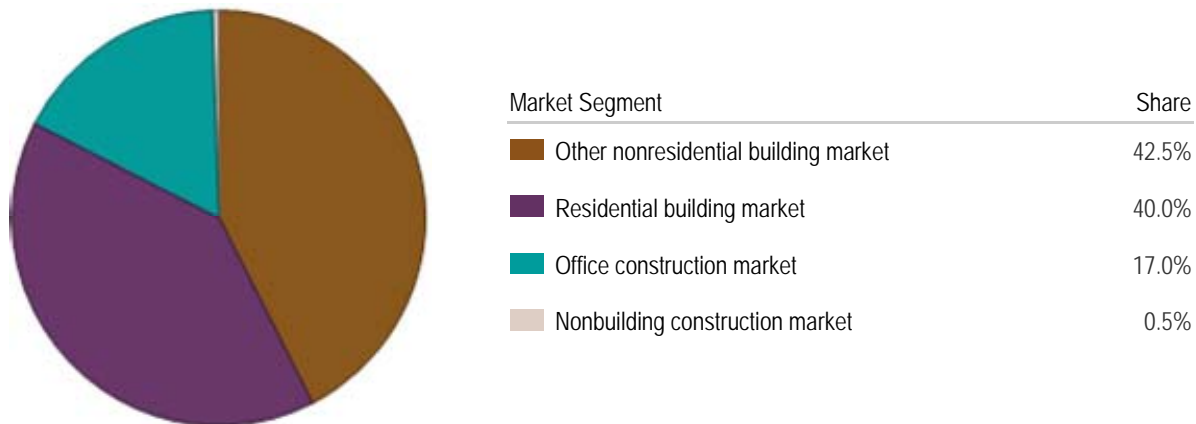
The drywall segment of this industry, principally involves the erection of drywall gypsum sheeting as interior cladding on houses and commercial and institutional buildings. Drywall contracting also includes the erection of drywall exterior systems such as gypsum, metal or vinyl siding and can entail specialized finishes for display purposes on theme parks and casinos. Drywall contracting often entails the installation of pre-molded ceiling cornices, vents and rosettes.

There are two kinds of drywall workers – installers and tapers – although many workers do both. Installers (or applicators) fasten drywall panels to the inside framework of buildings. Tapers (or finishers) prepare these panels for painting by taping and finishing joints and imperfections.

Market Segmentation

This industry derives the majority of its annual revenue from subcontracting work for general builders and property owners (approximately 80% in 2008). The balance of industry revenue is derived from direct contracting on maintenance and construction work for the building owner/developer.

The Drywall contracting industry’s market segments include the other nonresidential building market, the residential building market, the office construction market and the nonbuilding construction market. A breakdown by market share is as follows:



The industry generates approximately 60% of its annual revenue from nonresidential building, including around 17% from work on office buildings, and an estimated 8% to 10% of revenue generated from work in both the educational and health building construction markets. The industry generates an estimated 40% of annual revenue from work performed on residential buildings, with the build of revenue in the housing market derived from the construction of new single-family houses.

Key Sensitivities

The key sensitivities affecting the performance of the Drywall Contracting industry include:

- **Competition from Substitutes** – Industry activity is subject to constraints resulting from the substitution of gypsum wall cadding with alternative products, such as: concrete bricks, blocks, rendering and ceramic tiles.
- **Downstream Demand** – Trends in the value of work done in the downstream residential and nonresidential construction market directly impact demand for drywall, plastering acoustical and insulation contracting services.
- **Housing Starts** – Trends in housing starts indicate trends in demand for drywall and insulation contracting.
- **Interest Rates – 10-Year Bond Rate** – Investment decisions into new buildings, by both corporate and household investors, are heavily influenced by the prevailing and projected settling of interest rates. Commercial investment is particularly sensitive to trends in long-term interest rates such as the 10-year bond.

Key Success Factors

The key success factors in the Drywall Contracting industry are:

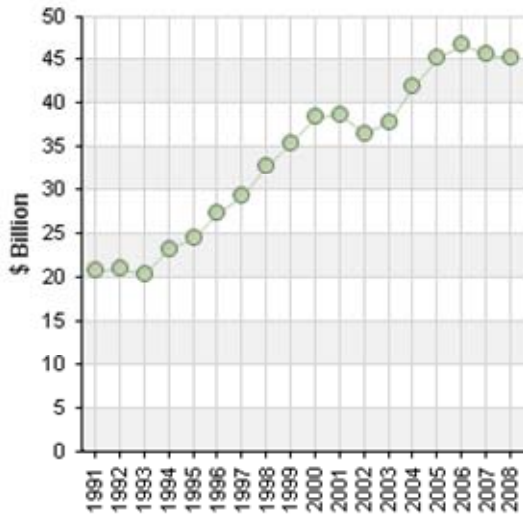
- **Ability to Compete on Tender**
Capacity to assess the appropriate margins for a job and win contract tenders
- **Proximity to Key Markets**
Establishing a market presence in a region with an increasing level of building activity
- **Access to Niche Markets**
Establishing a strong position in a niche market, such as stucco plastering, glass wool insulation, etc.
- **Having a Good Reputation**
Maintaining a good reputation for quality and timelessness, particularly since much of the industry is dependent upon word-of-mouth recommendations
- **Ability to Expand and Curtail Operations Rapidly in Line with Market Demand**
Must be able to read cyclical trends and adjust operations accordingly

Industry Performance

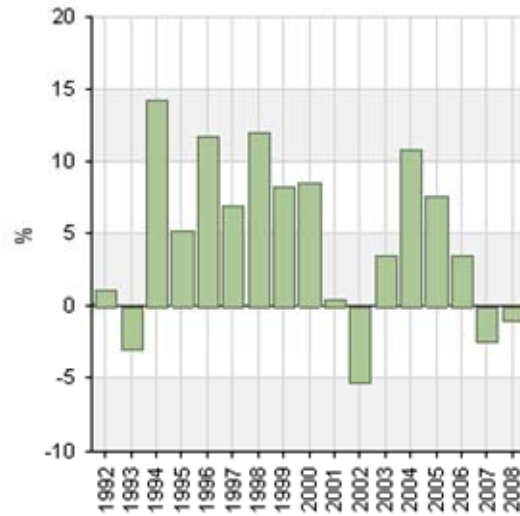
Drywall Contracting Industry Revenue (constant prices)

	Revenue \$ Billion	Growth %
1991	20.8	N/A
1992	21.0	1.2
1993	20.4	-2.9
1994	23.3	14.2
1995	24.5	5.2
1996	27.4	11.8
1997	29.3	6.9
1998	32.8	12.0
1999	35.5	8.2
2000	38.5	8.5
2001	38.7	0.5
2002	36.6	-5.3
2003	37.9	3.5
2004	42.0	10.8
2005	45.2	7.6
2006	46.8	3.5
2007	45.7	-2.4
2008	45.3	-1.0

Revenue



Revenue Growth Rate



Historical Performance

The Drywall Contracting industry has recorded strong revenue growth, averaging 3.6% per annum over the five years to 2008, exceeding the estimated pace of US GDP growth (2.5% per annum), and underpinned by buoyant demand conditions across the downstream building markets and the incremental long-term growth in the gypsum drywall and insulation content of buildings. The trend towards construction of larger houses over the past decade added to the demand for gypsum wallboard and the growing preference for stucco exterior finishing on non-residential and multifamily properties boosted industry demand. The demand for insulation has grown steadily over the past decade, aided by mandatory energy efficiency and fire retarding requirements in new buildings.

Annual revenue averages \$45 billion per annum over the five years to 2008, approximately 20% above the average \$37.4 billion per annum over the previous five years to December 2003.

Fiscal Years 2007 & 2008

Industry revenue contracted moderately over the past two years to 2008, corresponding with the sharp deterioration in demand for drywall, plastering and insulation services in the housing construction market. Drywall Contracting industry revenue contracted by 2.4% in 2007 and will contract by a further 1% to \$45.2 billion in 2008. Industry revenue, however, remains around 23.5% above the level recorded in the 2002 Economic Census.

The value of new single-family housing construction declined by 28.6% in 2007 and is estimated to decline by 15.2% in 2008, with the number of new single-family starts slumping to around 870,000 units (half the level of 2005). This slump in housing investment has resulted from unfavorable housing affordability, the subdued U.S. economy and the tightening of financing arrangements in the fallout from the mid-2007 collapse in the subprime mortgage finance market. The decline in demand for industry services in the housing market has been partly cushioned by the surge in the value of total nonresidential building construction during this period (13.4% in 2007 and an estimated 5.4% in 2008), and particularly the robust growth in office and healthcare building construction.

Outlook

The Drywall Contractors industry is expected by IBISWorld to record solid cyclical revenue growth averaging 3.2% per annum over the outlook period from 2009 to 2013, and exceed the subdued pace of US GDP growth (2.2% per annum), due to the projected return to synchronized cyclical growth in the downstream building markets towards the middle of the outlook period. The value of total housing construction is projected to recover from the anticipated 2008 cyclical trough to grow by an average 5.4% per annum over the next five years to 2013 (with comparable growth in new housing), while the value of nonresidential building construction is projected to maintain modest growth averaging 1.5% per annum, including a minor contraction over the short term. The steady growth in market penetration of gypsum and insulation products into the total building market, is projected to incrementally add around 0.5% per annum to industry revenue growth over the outlook period, beyond the demand generated from the downstream building markets.

Annual industry revenue is forecast to maintain record levels throughout the next five years, averaging \$49.1 billion per annum over the outlook period to 2013, or around 9% above the estimated average of \$45.0 billion per annum over the previous five years to 2008.

Demand for industry services is projected to rebound strongly in the housing market following the 2008 cyclical trough, supported by the pent up housing demand, and the stabilization in mortgage finance arrangements following the fallout of the collapse in the subprime mortgage market in mid-2007. The value of new housing construction is forecast to grow by an average 6.0% per annum over the outlook period to 2013, while the value of home improvement construction is projected to grow by an average 4.2% per annum. The devastation resulting from Hurricane Katrina in Louisiana and Mississippi in August 2005 (around one-quarter million homes deemed uninhabitable), is expected to stimulate strong demand for drywall and plastering services in the affected region over the outlook period.

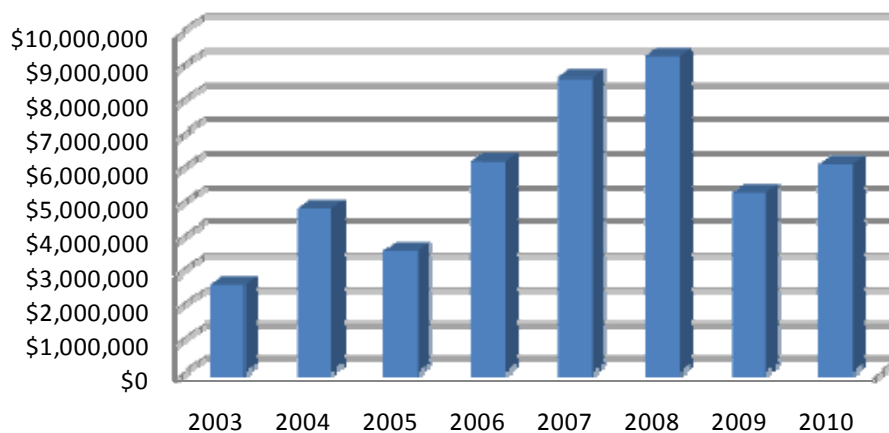
Demand for industry services to the nonresidential building market (the source of around 60% of annual industry revenue), is projected to soften due to subdued growth in the value of office construction (0% per annum), and the projected decline by 1.8% per annum in the value of manufacturing building construction (a key market for acoustical and thermal insulation installation).

SALES & MARGIN ANALYSIS

Sales

Cadiz Drywall has generated increased revenues for five of the most recent six years. In 2005, the Company's owners focused their efforts on other non-Company related projects, thus negatively influencing Cadiz Drywall's sales for the year. In 2006, the owners re-focused their efforts have generated increasing sales since. From 2003 to 2008, Cadiz Drywall experienced a Compound Annual Growth Rate (CAGR) of 23.5%.

Historic Revenue



Margin Analysis

Up until 2008, Cadiz Drywall's gross profit margin has shown a more or less consistent level since 2003, with the exception of 2004. In 2008, the Company experienced a peak in gross profit margin as the Company began leasing a workspace facility that allows workers to assemble drywall pieces prior to working on a job site. In-house preparation of this service decreases both the amount of labor and materials ultimately used, thus decreasing cost of goods sold and increasing gross profits.

With the exception of 2004, operating EBITDA margins have increased year over year since 2003. As a result of the increased efficiencies mentioned above, the Company doubled its operating EBITDA margin from 2007 to 2008.

	Adjusted Margin Analysis							
	2010	2009	2008	2007	2006	2005	2004	2003
Gross Profit	22.0%	29.0%	43.0%	27.9%	31.0%	33.2%	22.9%	29.5%
Adj. Operating EBITDA	6.6%	11.9%	31.7%	15.1%	14.0%	10.1%	4.0%	8.0%

Growth Opportunities

With a compound annual revenue growth rate (CAGR) of 29% from 2003 to 2008, management is satisfied with the Company's historical growth. In order for sales to increase beyond the level they have historically, the Company must become more aggressive in marketing within its 100-mile radius. Before expanding sales efforts beyond the 100-mile radius, there is room for sales growth in the Company's existing sales region. Currently, the Company employs little marketing and sales efforts beyond word-of-mouth referrals. Creating a company website in addition to applying some basic marketing techniques will allow Cadiz Drywall to access untapped local customer opportunities and increase revenues significantly.

APPENDIX A – Financial Statements

Income Statement
Common Size Income Statement
Balance Sheet
Common Size Balance Sheet
Income Statement Adjustments
Notes to Financial Statements
Adjusted Income Statement
Common Size Adjusted Income Statement

Unadjusted Income Statement

	Internal	Tax Return							
	Period	Year	Year	Year	Year	Year	Year	Year	Year
	Ending	Ending	Ending	Ending	Ending	Ending	Ending	Ending	Ending
06-30-11	12-31-10	12-31-09	12-31-08	12-31-07	12-31-06	12-31-05	12-31-04	12-31-03	
Revenues	1,784,619	6,083,757	5,270,821	9,247,785	8,607,255	6,157,879	3,569,003	4,788,659	2,588,760
Cost of Goods Sold									
Inventory BOY	0	247,950	120,035	258,444	200,649	263,016	115,751	367,804	99,222
Purchases	388,538	1,629,516	1,365,877	1,863,006	2,704,836	1,741,712	980,410	1,544,539	848,206
Labor	843,966	2,929,767	2,349,596	3,074,641	3,437,809	2,378,073	1,513,141	1,834,677	1,223,917
Small Tools	239	9,218	3,083	14,302	43,464	18,295	10,413	16,499	9,862
Equipment Rentals	44,491	160,713	151,775	165,482	81,687	49,054	26,397	44,040	10,941
Less: Inventory EOY	0	-229,007	-247,950	-120,035	-258,444	-200,649	-263,016	-115,751	-367,804
Total Cost of Goods Sold	1,277,235	4,748,157	3,742,416	5,255,840	6,210,001	4,249,501	2,383,096	3,691,808	1,824,344
Gross Profit	507,384	1,335,600	1,528,406	3,991,945	2,397,254	1,908,378	1,185,907	1,096,851	764,416
Operating Expenses									
Salaries & Wages	44,512	181,400	145,125	155,542	142,740	190,241	180,464	170,154	160,000
Repairs & Maintenance	7,009	22,827	38,962	56,858	64,729	43,292	37,815	44,969	34,193
Rent	39,372	78,513	77,050	66,001	63,600	42,000	42,000	31,500	28,000
Taxes & Licenses	128,677	263,450	234,378	334,427	344,198	400,682	255,455	296,862	195,323
Advertising	2,495	2,083	3,920	14,253	8,238	7,562	3,929	9,228	3,962
Retirement Plan	0	0	12,886	8,002	7,288	8,304	6,856	7,102	10,101
Bank Charges	408	1,017	679	256	212	1,075	1,190	2	8
Dues & Subscriptions	6,872	5,607	3,025	4,745	6,056	2,025	2,926	3,241	1,792
Gas & Oil	18,612	50,492	46,219	98,698	54,104	57,675	56,790	38,723	36,688
Travel Expense	0	5,761	0	0	244	4,430	1,552	6,804	8,218
Insurance	58,514	184,037	149,510	166,451	285,146	179,465	139,635	197,342	69,489
Office Supplies & Expenses	4,000	11,793	9,984	9,430	11,706	13,184	6,569	9,633	5,914
Supplies	2,807	9,359	16,829	23,585	6,096	4,921	7,323	7,083	3,510
Postage	716	2,352	2,139	2,242	2,087	1,984	1,707	1,485	1,779
Legal & Professional Fees	7,067	35,985	37,045	63,280	26,661	22,883	43,677	15,757	23,603
Telephone	6,494	14,228	14,951	13,506	12,244	12,386	10,355	12,804	10,775
Utilities	11,311	23,035	59,373	26,749	20,790	16,876	13,229	14,310	12,622
Miscellaneous	0	1,099	9,081	270	1,215	340	-287	0	0
Building & Maintenance	0	0	0	0	1,240	0	0	0	0
Show & Demo Expense	0	0	0	0	1,000	0	0	0	0
Meals & Entertainment	49	600	536	179	737	0	0	0	0
Total Operating Expenses	338,916	893,638	861,692	1,044,474	1,060,331	1,009,325	811,185	866,999	605,977
Officers' Compensation	145,600	291,200	291,200	295,600	242,932	219,341	208,000	142,000	74,200
Operating EBITDA	22,868	150,762	375,514	2,651,872	1,093,991	679,712	166,722	87,852	84,239
Depreciation and Amortization	35,876	20,009	16,266	29,107	51,476	27,484	16,370	23,550	37,806
Operating EBIT	-13,008	130,753	359,248	2,622,765	1,042,515	652,228	150,352	64,302	46,433
Miscellaneous Income/(Expense)									
Gain/Loss on Sale of Fixed Assets	0	0	0	0	16,025	0	0	0	0
Misc Income	0	0	16,245	15,012	0	9	0	0	0
Total Miscellaneous Income/(Expense)	0	0	16,245	15,012	16,025	9	0	0	0
Interest Expense	1,420	5,848	5,701	5,326	9,602	9,081	12,218	8,772	7,828
Pre-Tax Income	-14,428	124,905	369,792	2,632,451	1,048,938	643,156	138,134	55,530	38,605
Less: Income Taxes	0	0	0	0	0	0	0	0	0
Net Income/(Loss)	-14,428	124,905	369,792	2,632,451	1,048,938	643,156	138,134	55,530	38,605

Unadjusted Income Statement - Common Size

	Internal	Tax Return							
	Period	Year	Year	Year	Year	Year	Year	Year	Year
	Ending	Ending	Ending	Ending	Ending	Ending	Ending	Ending	Ending
	06-30-11	12-31-10	12-31-09	12-31-08	12-31-07	12-31-06	12-31-05	12-31-04	12-31-03
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Goods Sold									
Inventory BOY	0%	4.1%	2.3%	2.8%	2.3%	4.3%	3.2%	7.7%	3.8%
Purchases	21.8%	26.8%	25.9%	20.1%	31.4%	28.3%	27.5%	32.3%	32.8%
Labor	47.3%	48.2%	44.6%	33.2%	39.9%	38.6%	42.4%	38.3%	47.3%
Small Tools	0.0%	0.2%	0.1%	0.2%	0.5%	0.3%	0.3%	0.3%	0.4%
Equipment Rentals	2.5%	2.6%	2.9%	1.8%	0.9%	0.8%	0.7%	0.9%	0.4%
Less: Inventory EOY	0%	-3.8%	-4.7%	-1.3%	-3.0%	-3.3%	-7.4%	-2.4%	-14.2%
Total Cost of Goods Sold	71.6%	78.0%	71.0%	56.8%	72.1%	69.0%	66.8%	77.1%	70.5%
Gross Profit	28.4%	22.0%	29.0%	43.2%	27.9%	31.0%	33.2%	22.9%	29.5%
Operating Expenses									
Salaries & Wages	2.5%	3.0%	2.8%	1.7%	1.7%	3.1%	5.1%	3.6%	6.2%
Repairs & Maintenance	0.4%	0.4%	0.7%	0.6%	0.8%	0.7%	1.1%	0.9%	1.3%
Rent	2.2%	1.3%	1.5%	0.7%	0.7%	0.7%	1.2%	0.7%	1.1%
Taxes & Licenses	7.2%	4.3%	4.4%	3.6%	4.0%	6.5%	7.2%	6.2%	7.5%
Advertising	0.1%	0.0%	0.1%	0.2%	0.1%	0.1%	0.1%	0.2%	0.2%
Retirement Plan	0%	0%	0.2%	0.1%	0.1%	0.1%	0.2%	0.1%	0.4%
Bank Charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dues & Subscriptions	0.4%	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%
Gas & Oil	1.0%	0.8%	0.9%	1.1%	0.6%	0.9%	1.6%	0.8%	1.4%
Travel Expense	0%	0.1%	0%	0%	0.0%	0.1%	0.0%	0.1%	0.3%
Insurance	3.3%	3.0%	2.8%	1.8%	3.3%	2.9%	3.9%	4.1%	2.7%
Office Supplies & Expenses	0.2%	0.2%	0.2%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%
Supplies	0.2%	0.2%	0.3%	0.3%	0.1%	0.1%	0.2%	0.1%	0.1%
Postage	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Legal & Professional Fees	0.4%	0.6%	0.7%	0.7%	0.3%	0.4%	1.2%	0.3%	0.9%
Telephone	0.4%	0.2%	0.3%	0.1%	0.1%	0.2%	0.3%	0.3%	0.4%
Utilities	0.6%	0.4%	1.1%	0.3%	0.2%	0.3%	0.4%	0.3%	0.5%
Miscellaneous	0%	0.0%	0.2%	0.0%	0.0%	0.0%	-0.0%	0%	0%
Building & Maintenance	0%	0%	0%	0%	0.0%	0%	0%	0%	0%
Show & Demo Expense	0%	0%	0%	0%	0.0%	0%	0%	0%	0%
Meals & Entertainment	0.0%	0.0%	0.0%	0.0%	0.0%	0%	0%	0%	0%
Total Operating Expenses	19.0%	14.7%	16.3%	11.3%	12.3%	16.4%	22.7%	18.1%	23.4%
Officers' Compensation	8.2%	4.8%	5.5%	3.2%	2.8%	3.6%	5.8%	3.0%	2.9%
Operating EBITDA	1.3%	2.5%	7.1%	28.7%	12.7%	11.0%	4.7%	1.8%	3.3%
Depreciation and Amortization	2.0%	0.3%	0.3%	0.3%	0.6%	0.4%	0.5%	0.5%	1.5%
Operating EBIT	-0.7%	2.1%	6.8%	28.4%	12.1%	10.6%	4.2%	1.3%	1.8%
Miscellaneous Income/(Expense)									
Gain/Loss on Sale of Fixed Assets	0%	0%	0%	0%	0.2%	0%	0%	0%	0%
Misc Income	0%	0%	0.3%	0.2%	0%	0.0%	0%	0%	0%
Total Miscellaneous Income/(Expense)	0%	0%	0.3%	0.2%	0.2%	0.0%	0%	0%	0%
Interest Expense	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.3%	0.2%	0.3%
Pre-Tax Income	-0.8%	2.1%	7.0%	28.5%	12.2%	10.4%	3.9%	1.2%	1.5%
Less: Income Taxes	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net Income/(Loss)	-0.8%	2.1%	7.0%	28.5%	12.2%	10.4%	3.9%	1.2%	1.5%

Balance Sheet

	Internal	Tax Return							
	As of 06-30-11	As of 12-31-10	As of 12-31-09	As of 12-31-08	As of 12-31-07	As of 12-31-06	As of 12-31-05	As of 12-31-04	As of 12-31-03
Assets:									
Current Assets									
Cash	632,528	340,557	265,890	623,271	679,069	166,326	122,849	245,800	12,708
Accounts Receivable	417,659	920,101	939,262	565,657	534,749	652,816	429,223	332,740	285,765
Inventory	345,929	229,007	247,950	120,035	258,444	200,649	263,016	115,751	173,318
Other Current Assets	0	4,706	4,928	4,802	32,354	5,409	4,804	13,391	160,466
Total Current Assets	1,396,115	1,494,371	1,458,030	1,313,765	1,504,616	1,025,200	819,892	707,682	632,257
Fixed Assets - Net									
Fixed Assets - Cost									
Fixed Assets - Cost	0	987,094	981,413	963,831	886,104	800,017	665,536	620,720	758,075
Furniture & Office Equipment	39,822	0	0	0	0	0	0	0	0
Equipment	368,749	0	0	0	0	0	0	0	0
Vehicles	593,277	0	0	0	0	0	0	0	0
Leasehold Improvements	7,495	0	0	0	0	0	0	0	0
Total Fixed Assets - Cost	1,009,343	987,094	981,413	963,831	886,104	800,017	665,536	620,720	758,075
Accumulated Depreciation	-844,925	-809,086	-949,655	-915,808	-807,615	-674,001	-653,867	-592,681	-706,487
Total Fixed Assets - Net	164,418	178,008	31,758	48,023	78,489	126,016	11,669	28,039	51,588
Other Assets	0	0	0	0	15,000	15,000	15,000	15,000	15,000
Total Assets:	1,560,534	1,672,379	1,489,788	1,361,788	1,598,105	1,166,216	846,561	750,721	698,845
Liabilities and Equity:									
Liabilities									
Current Liabilities									
Accounts Payable	84,096	151,139	122,358	27,199	100,362	72,465	78,672	75,989	6,685
Short Term Notes Payable	0	0	31,834	60,540	52,703	42,299	145,550	159,341	32,242
Current Portion - LTD	5,037	0	0	0	0	0	0	0	0
Other Current Liabilities	2,388	4,634	7,610	15,903	3,846	57,034	11,527	18,366	7,096
Total Current Liabilities	91,521	155,773	161,802	103,642	156,911	171,798	235,749	253,696	46,023
Long-Term Liabilities	114,825	147,990	4,065	35,898	58,488	79,919	20,469	0	83,884
Other Liabilities	0	0	0	0	0	0	0	0	0
Total Liabilities	206,346	303,763	165,867	139,540	215,399	251,717	256,218	253,696	129,907
Equity									
Capital Stock	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Add'l Paid in Capital	180,933	180,933	180,933	180,933	180,933	180,933	180,933	180,933	180,933
Retained Earnings	1,123,255	1,137,683	1,092,988	991,315	1,151,773	683,566	359,410	266,092	338,005
Drawing	0	0	0	0	0	0	0	0	0
Total Equity	1,354,188	1,368,616	1,323,921	1,222,248	1,382,706	914,499	590,343	497,025	568,938
Total Liabilities and Equity:	1,560,534	1,672,379	1,489,788	1,361,788	1,598,105	1,166,216	846,561	750,721	698,845

Balance Sheet - Common Size

	Internal	Tax Return							
	As of 06-30-11	As of 12-31-10	As of 12-31-09	As of 12-31-08	As of 12-31-07	As of 12-31-06	As of 12-31-05	As of 12-31-04	As of 12-31-03
Assets:									
Current Assets									
Cash	40.5%	20.4%	17.8%	45.8%	42.5%	14.3%	14.5%	32.7%	1.8%
Accounts Receivable	26.8%	55.0%	63.0%	41.5%	33.5%	56.0%	50.7%	44.3%	40.9%
Inventory	22.2%	13.7%	16.6%	8.8%	16.2%	17.2%	31.1%	15.4%	24.8%
Other Current Assets	0%	0.3%	0.3%	0.4%	2.0%	0.5%	0.6%	1.8%	23.0%
Total Current Assets	89.5%	89.4%	97.9%	96.5%	94.2%	87.9%	96.8%	94.3%	90.5%
Fixed Assets - Net									
Fixed Assets - Cost									
Fixed Assets - Cost	0%	59.0%	65.9%	70.8%	55.4%	68.6%	78.6%	82.7%	108.5%
Furniture & Office Equipment	2.6%	0%	0%	0%	0%	0%	0%	0%	0%
Equipment	23.6%	0%	0%	0%	0%	0%	0%	0%	0%
Vehicles	38.0%	0%	0%	0%	0%	0%	0%	0%	0%
Leasehold Improvements	0.5%	0%	0%	0%	0%	0%	0%	0%	0%
Total Fixed Assets - Cost	64.7%	59.0%	65.9%	70.8%	55.4%	68.6%	78.6%	82.7%	108.5%
Accumulated Depreciation	-54.1%	-48.4%	-63.7%	-67.3%	-50.5%	-57.8%	-77.2%	-78.9%	-101.1%
Total Fixed Assets - Net	10.5%	10.6%	2.1%	3.5%	4.9%	10.8%	1.4%	3.7%	7.4%
Other Assets	0%	0%	0%	0%	0.9%	1.3%	1.8%	2.0%	2.1%
Total Assets:	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities and Equity:									
Liabilities									
Current Liabilities									
Accounts Payable	5.4%	9.0%	8.2%	2.0%	6.3%	6.2%	9.3%	10.1%	1.0%
Short Term Notes Payable	0%	0%	2.1%	4.4%	3.3%	3.6%	17.2%	21.2%	4.6%
Current Portion - LTD	0.3%	0%	0%	0%	0%	0%	0%	0%	0%
Other Current Liabilities	0.2%	0.3%	0.5%	1.2%	0.2%	4.9%	1.4%	2.4%	1.0%
Total Current Liabilities	5.9%	9.3%	10.9%	7.6%	9.8%	14.7%	27.8%	33.8%	6.6%
Long-Term Liabilities	7.4%	8.8%	0.3%	2.6%	3.7%	6.9%	2.4%	0%	12.0%
Other Liabilities	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total Liabilities	13.2%	18.2%	11.1%	10.2%	13.5%	21.6%	30.3%	33.8%	18.6%
Equity									
Capital Stock	3.2%	3.0%	3.4%	3.7%	3.1%	4.3%	5.9%	6.7%	7.2%
Add'l Paid in Capital	11.6%	10.8%	12.1%	13.3%	11.3%	15.5%	21.4%	24.1%	25.9%
Retained Earnings	72.0%	68.0%	73.4%	72.8%	72.1%	58.6%	42.5%	35.4%	48.4%
Drawing	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total Equity	86.8%	81.8%	88.9%	89.8%	86.5%	78.4%	69.7%	66.2%	81.4%
Total Liabilities and Equity:	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Adjustments to Income Statement

	Tax Return			Tax Return			Tax Return			Tax Return			Tax Return		
	Unadj.	Val. Adj.	Adj.	Unadj.	Val. Adj.	Adj.	Unadj.	Val. Adj.	Adj.	Unadj.	Val. Adj.	Adj.	Unadj.	Val. Adj.	Adj.
	Year Ending 12-31-10		Year Ending 12-31-10	Year Ending 12-31-09		Year Ending 12-31-09	Year Ending 12-31-08		Year Ending 12-31-08	Year Ending 12-31-07		Year Ending 12-31-07	Year Ending 12-31-06		Year Ending 12-31-06
Revenues	6,083,757	0	6,083,757	5,270,821	0	5,270,821	9,247,785	0	9,247,785	8,607,255	0	8,607,255	6,157,879	0	6,157,879
Cost of Goods Sold															
Inventory BOY	247,950	0	247,950	120,035	0	120,035	258,444	0	258,444	200,649	0	200,649	263,016	0	263,016
Purchases	1,629,516	0	1,629,516	1,365,877	0	1,365,877	1,863,006	0	1,863,006	2,704,836	0	2,704,836	1,741,712	0	1,741,712
Labor	2,929,767	0	2,929,767	2,349,596	0	2,349,596	3,074,641	0	3,074,641	3,437,809	0	3,437,809	2,378,073	0	2,378,073
Small Tools	9,218	0	9,218	3,083	0	3,083	14,302	0	14,302	43,464	0	43,464	18,295	0	18,295
Equipment Rentals	160,713	0	160,713	151,775	0	151,775	165,482	0	165,482	81,687	0	81,687	49,054	0	49,054
Less: Inventory EOY	-229,007	0	-229,007	-247,950	0	-247,950	-120,035	0	-120,035	-258,444	0	-258,444	-200,649	0	-200,649
Total Cost of Goods Sold	4,748,157	0	4,748,157	3,742,416	0	3,742,416	5,255,840	0	5,255,840	6,210,001	0	6,210,001	4,249,501	0	4,249,501
Gross Profit	1,335,600	0	1,335,600	1,528,406	0	1,528,406	3,991,945	0	3,991,945	2,397,254	0	2,397,254	1,908,378	0	1,908,378
Operating Expenses															
Salaries & Wages	181,400	0	181,400	145,125	0	145,125	155,542	0	155,542	142,740	0	142,740	190,241	0	190,241
Repairs & Maintenance	22,827	-18,721	4,106	38,962	-18,721	20,241	56,858	-18,721	38,137	64,729	-18,721	46,008	43,292	-18,721	24,571
Rent	78,513	0	78,513	77,050	0	77,050	66,001	0	66,001	63,600	0	63,600	42,000	0	42,000
Taxes & Licenses	263,450	0	263,450	234,378	0	234,378	334,427	-8,800	325,627	344,198	-175	344,023	400,682	-44,835	355,847
Advertising	2,083	0	2,083	3,920	0	3,920	14,253	0	14,253	8,238	0	8,238	7,562	0	7,562
Retirement Plan	0	0	0	12,886	0	12,886	8,002	0	8,002	7,288	0	7,288	8,304	0	8,304
Bank Charges	1,017	0	1,017	679	0	679	256	0	256	212	0	212	1,075	0	1,075
Dues & Subscriptions	5,607	0	5,607	3,025	0	3,025	4,745	0	4,745	6,056	0	6,056	2,025	0	2,025
Gas & Oil	50,492	0	50,492	46,219	0	46,219	98,698	0	98,698	54,104	0	54,104	57,675	0	57,675
Travel Expense	5,761	0	5,761	0	0	0	0	0	0	244	0	244	4,430	0	4,430
Insurance	184,037	-25,000	159,037	149,510	-25,000	124,510	166,451	-25,000	141,451	285,146	-25,000	260,146	179,465	-25,000	154,465
Office Supplies & Expenses	11,793	0	11,793	9,984	0	9,984	9,430	0	9,430	11,706	0	11,706	13,184	0	13,184
Supplies	9,359	0	9,359	16,829	0	16,829	23,585	0	23,585	6,096	0	6,096	4,921	0	4,921
Postage	2,352	0	2,352	2,139	0	2,139	2,242	0	2,242	2,087	0	2,087	1,984	0	1,984
Legal & Professional Fees	35,985	0	35,985	37,045	0	37,045	63,280	-20,000	43,280	26,661	0	26,661	22,883	0	22,883
Telephone	14,228	-4,800	9,428	14,951	-4,800	10,151	13,506	-4,800	8,706	12,244	-4,800	7,444	12,386	-4,800	7,586
Utilities	23,035	0	23,035	59,373	0	59,373	26,749	0	26,749	20,790	0	20,790	16,876	0	16,876
Miscellaneous	1,099	0	1,099	9,081	0	9,081	270	0	270	1,215	0	1,215	340	0	340
Building & Maintenance	0	0	0	0	0	0	0	0	0	1,240	0	1,240	0	0	0
Show & Demo Expense	0	0	0	0	0	0	0	0	0	1,000	0	1,000	0	0	0
Meals & Entertainment	600	-600	0	536	-536	0	179	-179	0	737	-737	0	0	0	0
Total Operating Expenses	893,638	-49,121	844,517	861,692	-49,057	812,635	1,044,474	-77,500	966,974	1,060,331	-49,433	1,010,898	1,009,325	-93,356	915,969
Officers' Compensation	291,200	-203,720	87,480	291,200	-203,720	87,480	295,600	-208,120	87,480	242,932	-155,452	87,480	219,341	-131,861	87,480
Operating EBITDA	150,762	252,841	403,603	375,514	252,777	628,291	2,651,872	285,620	2,937,492	1,093,991	204,885	1,298,876	679,712	225,217	904,929
Depreciation and Amortization	20,009	-20,009	0	16,266	-16,266	0	29,107	-29,107	0	51,476	-51,476	0	27,484	-27,484	0
Operating EBIT	130,753	272,850	403,603	359,248	269,043	628,291	2,622,765	314,727	2,937,492	1,042,515	256,361	1,298,876	652,228	252,701	904,929
Miscellaneous Income/(Expense)															
Gain/Loss on Sale of Fixed Assets	0	0	0	0	0	0	0	0	0	16,025	-16,025	0	0	0	0
Misc Income	0	0	0	16,245	-16,245	0	15,012	-15,012	0	0	0	0	9	-9	0
Total Miscellaneous Income/(Expense)	0	0	0	16,245	-16,245	0	15,012	-15,012	0	16,025	-16,025	0	9	-9	0
Interest Expense	5,848	-5,848	0	5,701	-5,701	0	5,326	-5,326	0	9,602	-9,602	0	9,081	-9,081	0
Pre-Tax Income	124,905	278,698	403,603	369,792	258,499	628,291	2,632,451	305,041	2,937,492	1,048,938	249,938	1,298,876	643,156	261,773	904,929
Less: Income Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income/(Loss)	124,905	278,698	403,603	369,792	258,499	628,291	2,632,451	305,041	2,937,492	1,048,938	249,938	1,298,876	643,156	261,773	904,929

Adjustments to Income Statement

	Tax Return			Tax Return			Tax Return		
	Unadj.	Val. Adj.	Adj.	Unadj.	Val. Adj.	Adj.	Unadj.	Val. Adj.	Adj.
	Year Ending 12-31-05		Year Ending 12-31-05	Year Ending 12-31-04		Year Ending 12-31-04	Year Ending 12-31-03		Year Ending 12-31-03
Revenues	3,569,003	0	3,569,003	4,788,659	0	4,788,659	2,588,760	0	2,588,760
Cost of Goods Sold									
Inventory BOY	115,751	0	115,751	367,804	0	367,804	99,222	0	99,222
Purchases	980,410	0	980,410	1,544,539	0	1,544,539	848,206	0	848,206
Labor	1,513,141	0	1,513,141	1,834,677	0	1,834,677	1,223,917	0	1,223,917
Small Tools	10,413	0	10,413	16,499	0	16,499	9,862	0	9,862
Equipment Rentals	26,397	0	26,397	44,040	0	44,040	10,941	0	10,941
Less: Inventory EOY	-263,016	0	-263,016	-115,751	0	-115,751	-367,804	0	-367,804
Total Cost of Goods Sold	2,383,096	0	2,383,096	3,691,808	0	3,691,808	1,824,344	0	1,824,344
Gross Profit	1,185,907	0	1,185,907	1,096,851	0	1,096,851	764,416	0	764,416
Operating Expenses									
Salaries & Wages	180,464	0	180,464	170,154	0	170,154	160,000	0	160,000
Repairs & Maintenance	37,815	-18,721	19,094	44,969	-18,721	26,248	34,193	-18,721	15,472
Rent	42,000	0	42,000	31,500	0	31,500	28,000	0	28,000
Taxes & Licenses	255,455	-4,994	250,461	296,862	0	296,862	195,323	0	195,323
Advertising	3,929	0	3,929	9,228	0	9,228	3,962	0	3,962
Retirement Plan	6,856	0	6,856	7,102	0	7,102	10,101	0	10,101
Bank Charges	1,190	0	1,190	2	0	2	8	0	8
Dues & Subscriptions	2,926	0	2,926	3,241	0	3,241	1,792	0	1,792
Gas & Oil	56,790	0	56,790	38,723	0	38,723	36,688	0	36,688
Travel Expense	1,552	0	1,552	6,804	0	6,804	8,218	0	8,218
Insurance	139,635	-25,000	114,635	197,342	-25,000	172,342	69,489	-25,000	44,489
Office Supplies & Expenses	6,569	0	6,569	9,633	0	9,633	5,914	0	5,914
Supplies	7,323	0	7,323	7,083	0	7,083	3,510	0	3,510
Postage	1,707	0	1,707	1,485	0	1,485	1,779	0	1,779
Legal & Professional Fees	43,677	-25,000	18,677	15,757	0	15,757	23,603	0	23,603
Telephone	10,355	-4,800	5,555	12,804	-4,800	8,004	10,775	-4,800	5,975
Utilities	13,229	0	13,229	14,310	0	14,310	12,622	0	12,622
Miscellaneous	-287	0	-287	0	0	0	0	0	0
Building & Maintenance	0	0	0	0	0	0	0	0	0
Show & Demo Expense	0	0	0	0	0	0	0	0	0
Meals & Entertainment	0	0	0	0	0	0	0	0	0
Total Operating Expenses	811,185	-78,515	732,670	866,999	-48,521	818,478	605,977	-48,521	557,456
Officers' Compensation	208,000	-120,520	87,480	142,000	-54,520	87,480	74,200	-74,200	0
Operating EBITDA	166,722	199,035	365,757	87,852	103,041	190,893	84,239	122,721	206,960
Depreciation and Amortization	16,370	-16,370	0	23,550	-23,550	0	37,806	-37,806	0
Operating EBIT	150,352	215,405	365,757	64,302	126,591	190,893	46,433	160,527	206,960
Miscellaneous Income/(Expense)									
Gain/Loss on Sale of Fixed Assets	0	0	0	0	0	0	0	0	0
Misc Income	0	0	0	0	0	0	0	0	0
Total Miscellaneous Income/(Expense)	0	0	0	0	0	0	0	0	0
Interest Expense	12,218	-12,218	0	8,772	-8,772	0	7,828	-7,828	0
Pre-Tax Income	138,134	227,623	365,757	55,530	135,363	190,893	38,605	168,355	206,960
Less: Income Taxes	0	0	0	0	0	0	0	0	0
Net Income/(Loss)	138,134	227,623	365,757	55,530	135,363	190,893	38,605	168,355	206,960

Notes to Income Statement

Basis of Presentation

The financial statements detailed in this memorandum were derived from Cadiz Drywall's Federal Tax Returns, prepared by Thurman, Campbell & Co., for the years 2003 -2008. Interim financials are derived from internal statements provided by the Company's management. The Company recognizes revenues and expenses on an accrual basis.

Adjustments

We have adjusted the Cadiz Drywall's historic income statements to reflect true profitability of the Company. Adjustments are as follows:

- 1) **Discretionary Items** – We have “added back” all expenses that were at the discretion of the owners and primarily non-operating in nature. These expenses include meals and entertainment.
- 2) **Repairs & Maintenance** – We have adjusted to Repairs and Maintenance to exclude the expense of personal use of the officers' vehicles. Vehicle expense was calculated by applying two-thirds of the IRS 2007 Standard Mileage Rate of \$0.485 per mile to the personal mileage used by the officers on these vehicles. We chose to use two-thirds of Standard Mileage Rate instead of 100%, as the Company already accounts for the vehicles' depreciation on the Balance Sheet.
- 3) **Insurance** – We have “added back” \$25,000 per year in life insurance expenses that were paid to cover the personal policies of the Company's four owners.
- 4) **Legal & Professional Fees** – We have “added back” legal and professional fees in 2005 of \$25,000 that was for services not related to this business. Furthermore, in 2008, the Company paid a \$20,000 fee to retain the representation of AOCF in the sale of the business, which is added back as a non-recurring expense.
- 5) **Taxes & Licenses** – We have “added-back” the amounts of Kentucky State Income Tax included on the income statement from 2005 to 2008.
- 6) **Telephone** – We have adjusted this account each year to exclude the expense of each of the four owners' cellular phone service plans.
- 7) **Owners' Compensation** – The responsibilities of the Company's current four owners could be filled by a single full-time executive and a part-time bookkeeper. We have estimated the market salaries of a full-time executive and a part-time bookkeeper to be \$75,000 and \$12,480 respectively, totaling \$87,480. We have added back all Owners' Compensation exceeding \$87,480.
- 8) **Depreciation** – We have adjusted this account to exclude non-cash expense in the calculation of adjusted operating EBITDA.
- 9) **Other Income** – We have adjusted this account to exclude income that is primarily non-operating in nature.
- 10) **Gain on Sale of Fixed Assets** – We have added back the Company's gain from the sale of a fixed asset in 2007 to exclude the effect of income that is non-operating in nature.
- 11) **Interest Expense** – We have added back interest expense to exclude the effect of non-operating expense from the calculation of adjusted operating EBITDA.

Adjusted Income Statement

	Tax Return							
	Year	Year	Year	Year	Year	Year	Year	Year
	Ending	Ending	Ending	Ending	Ending	Ending	Ending	Ending
	12-31-10	12-31-09	12-31-08	12-31-07	12-31-06	12-31-05	12-31-04	12-31-03
Revenues	6,083,757	5,270,821	9,247,785	8,607,255	6,157,879	3,569,003	4,788,659	2,588,760
Cost of Goods Sold								
Inventory BOY	247,950	120,035	258,444	200,649	263,016	115,751	367,804	99,222
Purchases	1,629,516	1,365,877	1,863,006	2,704,836	1,741,712	980,410	1,544,539	848,206
Labor	2,929,767	2,349,596	3,074,641	3,437,809	2,378,073	1,513,141	1,834,677	1,223,917
Small Tools	9,218	3,083	14,302	43,464	18,295	10,413	16,499	9,862
Equipment Rentals	160,713	151,775	165,482	81,687	49,054	26,397	44,040	10,941
Less: Inventory EOY	-229,007	-247,950	-120,035	-258,444	-200,649	-263,016	-115,751	-367,804
Total Cost of Goods Sold	<u>4,748,157</u>	<u>3,742,416</u>	<u>5,255,840</u>	<u>6,210,001</u>	<u>4,249,501</u>	<u>2,383,096</u>	<u>3,691,808</u>	<u>1,824,344</u>
Gross Profit	<u>1,335,600</u>	<u>1,528,406</u>	<u>3,991,945</u>	<u>2,397,254</u>	<u>1,908,378</u>	<u>1,185,907</u>	<u>1,096,851</u>	<u>764,416</u>
Operating Expenses								
Salaries & Wages	181,400	145,125	155,542	142,740	190,241	180,464	170,154	160,000
Repairs & Maintenance	4,106	20,241	38,137	46,008	24,571	19,094	26,248	15,472
Rent	78,513	77,050	66,001	63,600	42,000	42,000	31,500	28,000
Taxes & Licenses	263,450	234,378	325,627	344,023	355,847	250,461	296,862	195,323
Advertising	2,083	3,920	14,253	8,238	7,562	3,929	9,228	3,962
Retirement Plan	0	12,886	8,002	7,288	8,304	6,856	7,102	10,101
Bank Charges	1,017	679	256	212	1,075	1,190	2	8
Dues & Subscriptions	5,607	3,025	4,745	6,056	2,025	2,926	3,241	1,792
Gas & Oil	50,492	46,219	98,698	54,104	57,675	56,790	38,723	36,688
Travel Expense	5,761	0	0	244	4,430	1,552	6,804	8,218
Insurance	159,037	124,510	141,451	260,146	154,465	114,635	172,342	44,489
Office Supplies & Expenses	11,793	9,984	9,430	11,706	13,184	6,569	9,633	5,914
Supplies	9,359	16,829	23,585	6,096	4,921	7,323	7,083	3,510
Postage	2,352	2,139	2,242	2,087	1,984	1,707	1,485	1,779
Legal & Professional Fees	35,985	37,045	43,280	26,661	22,883	18,677	15,757	23,603
Telephone	9,428	10,151	8,706	7,444	7,586	5,555	8,004	5,975
Utilities	23,035	59,373	26,749	20,790	16,876	13,229	14,310	12,622
Miscellaneous	1,099	9,081	270	1,215	340	-287	0	0
Building & Maintenance	0	0	0	1,240	0	0	0	0
Show & Demo Expense	0	0	0	1,000	0	0	0	0
Meals & Entertainment	0	0	0	0	0	0	0	0
Total Operating Expenses	<u>844,517</u>	<u>812,635</u>	<u>966,974</u>	<u>1,010,898</u>	<u>915,969</u>	<u>732,670</u>	<u>818,478</u>	<u>557,456</u>
Officers' Compensation	87,480	87,480	87,480	87,480	87,480	87,480	87,480	0
Operating EBITDA	<u>403,603</u>	<u>628,291</u>	<u>2,937,492</u>	<u>1,298,876</u>	<u>904,929</u>	<u>365,757</u>	<u>190,893</u>	<u>206,960</u>
Depreciation and Amortization	0	0	0	0	0	0	0	0
Operating EBIT	<u>403,603</u>	<u>628,291</u>	<u>2,937,492</u>	<u>1,298,876</u>	<u>904,929</u>	<u>365,757</u>	<u>190,893</u>	<u>206,960</u>
Miscellaneous Income/(Expense)								
Gain/Loss on Sale of Fixed Assets	0	0	0	0	0	0	0	0
Misc Income	0	0	0	0	0	0	0	0
Total Miscellaneous Income/(Expense)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Interest Expense	0	0	0	0	0	0	0	0
Pre-Tax Income	<u>403,603</u>	<u>628,291</u>	<u>2,937,492</u>	<u>1,298,876</u>	<u>904,929</u>	<u>365,757</u>	<u>190,893</u>	<u>206,960</u>
Less: Income Taxes	0	0	0	0	0	0	0	0
Net Income/(Loss)	403,603	628,291	2,937,492	1,298,876	904,929	365,757	190,893	206,960

Adjusted Income Statement - Common Size

	Tax Return							
	Year	Year	Year	Year	Year	Year	Year	Year
	Ending	Ending	Ending	Ending	Ending	Ending	Ending	Ending
	12-31-10	12-31-09	12-31-08	12-31-07	12-31-06	12-31-05	12-31-04	12-31-03
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Goods Sold								
Inventory BOY	4.1%	2.3%	2.8%	2.3%	4.3%	3.2%	7.7%	3.8%
Purchases	26.8%	25.9%	20.1%	31.4%	28.3%	27.5%	32.3%	32.8%
Labor	48.2%	44.6%	33.2%	39.9%	38.6%	42.4%	38.3%	47.3%
Small Tools	0.2%	0.1%	0.2%	0.5%	0.3%	0.3%	0.3%	0.4%
Equipment Rentals	2.6%	2.9%	1.8%	0.9%	0.8%	0.7%	0.9%	0.4%
Less: Inventory EOY	-3.8%	-4.7%	-1.3%	-3.0%	-3.3%	-7.4%	-2.4%	-14.2%
Total Cost of Goods Sold	78.0%	71.0%	56.8%	72.1%	69.0%	66.8%	77.1%	70.5%
Gross Profit	22.0%	29.0%	43.2%	27.9%	31.0%	33.2%	22.9%	29.5%
Operating Expenses								
Salaries & Wages	3.0%	2.8%	1.7%	1.7%	3.1%	5.1%	3.6%	6.2%
Repairs & Maintenance	0.1%	0.4%	0.4%	0.5%	0.4%	0.5%	0.5%	0.6%
Rent	1.3%	1.5%	0.7%	0.7%	0.7%	1.2%	0.7%	1.1%
Taxes & Licenses	4.3%	4.4%	3.5%	4.0%	5.8%	7.0%	6.2%	7.5%
Advertising	0.0%	0.1%	0.2%	0.1%	0.1%	0.1%	0.2%	0.2%
Retirement Plan	0%	0.2%	0.1%	0.1%	0.1%	0.2%	0.1%	0.4%
Bank Charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dues & Subscriptions	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%
Gas & Oil	0.8%	0.9%	1.1%	0.6%	0.9%	1.6%	0.8%	1.4%
Travel Expense	0.1%	0%	0%	0.0%	0.1%	0.0%	0.1%	0.3%
Insurance	2.6%	2.4%	1.5%	3.0%	2.5%	3.2%	3.6%	1.7%
Office Supplies & Expenses	0.2%	0.2%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%
Supplies	0.2%	0.3%	0.3%	0.1%	0.1%	0.2%	0.1%	0.1%
Postage	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Legal & Professional Fees	0.6%	0.7%	0.5%	0.3%	0.4%	0.5%	0.3%	0.9%
Telephone	0.2%	0.2%	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%
Utilities	0.4%	1.1%	0.3%	0.2%	0.3%	0.4%	0.3%	0.5%
Miscellaneous	0.0%	0.2%	0.0%	0.0%	0.0%	-0.0%	0%	0%
Building & Maintenance	0%	0%	0%	0.0%	0%	0%	0%	0%
Show & Demo Expense	0%	0%	0%	0.0%	0%	0%	0%	0%
Meals & Entertainment	0%	0%	0%	0%	0%	0%	0%	0%
Total Operating Expenses	13.9%	15.4%	10.5%	11.7%	14.9%	20.5%	17.1%	21.5%
Officers' Compensation	1.4%	1.7%	0.9%	1.0%	1.4%	2.5%	1.8%	0%
Operating EBITDA	6.6%	11.9%	31.8%	15.1%	14.7%	10.2%	4.0%	8.0%
Depreciation and Amortization	0%	0%	0%	0%	0%	0%	0%	0%
Operating EBIT	6.6%	11.9%	31.8%	15.1%	14.7%	10.2%	4.0%	8.0%
Miscellaneous Income/(Expense)								
Gain/Loss on Sale of Fixed Assets	0%	0%	0%	0%	0%	0%	0%	0%
Misc Income	0%	0%	0%	0%	0%	0%	0%	0%
Total Miscellaneous Income/(Expense)	0%	0%	0%	0%	0%	0%	0%	0%
Interest Expense	0%	0%	0%	0%	0%	0%	0%	0%
Pre-Tax Income	6.6%	11.9%	31.8%	15.1%	14.7%	10.2%	4.0%	8.0%
Less: Income Taxes	0%	0%	0%	0%	0%	0%	0%	0%
Net Income/(Loss)	6.6%	11.9%	31.8%	15.1%	14.7%	10.2%	4.0%	8.0%

APPENDIX B – Insurance Documents

Jul. 18, 2008 1:52PM J G KEOWN INS. No. 8211 P. 1

ACORD CERTIFICATE OF LIABILITY INSURANCE		OP ID SA CADIZ-2	DATE (MM/DD/YYYY) 07/18/08
PRODUCER J. G. Keown Insurance Agency P.O. Box 1030 Hopkinsville KY 42241 Phone: 270-885-9145 Fax: 270-885-9146		THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.	
INSURED CADIZ DRYWALL CONTRACTORS INC P O BOX 29 CADIZ KY 42211		INSURERS AFFORDING COVERAGE	NAIC #
		INSURER A: OWNERS	32700
		INSURER B: AUTO-OWNERS	18988
		INSURER C: KY ASSOC GENL CONTRACTORS	
		INSURER D: CONTINENTAL CASUALTY CO	
		INSURER E:	

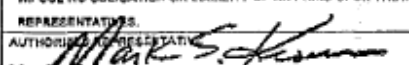
COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSTR. POLICY LTR. INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
A	<input checked="" type="checkbox"/> GENERAL LIABILITY	52636230-08	01/01/08	01/01/09	EACH OCCURRENCE \$ 1000000
	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY				DAMAGE TO RENTED PREMISES (EA occurrence) \$ 300000
	<input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR				MED EXP (Any one person) \$ 10000
	<input checked="" type="checkbox"/> CONTRACTUAL LIAB				PERSONAL & ADV INJURY \$ 1000000
D	<input checked="" type="checkbox"/> EMPLOYMENT PRACTI	169446668 LIMIT 1,500,000	01/05/08	01/05/09	GENERAL AGGREGATE \$ 2000000
	GENL AGGREGATE LIMIT APPLIES PER:				PRODUCTS - COMP/OP AGG \$ 1000000
	<input type="checkbox"/> POLICY <input checked="" type="checkbox"/> PROJECT <input type="checkbox"/> LOC				
A	<input checked="" type="checkbox"/> AUTOMOBILE LIABILITY	4263623000	01/01/08	01/01/09	COMBINED SINGLE LIMIT (EA accident) \$ 1000000
	<input checked="" type="checkbox"/> ANY AUTO				BODILY INJURY (Per person) \$
	<input type="checkbox"/> ALL OWNED AUTOS				
	<input type="checkbox"/> SCHEDULED AUTOS				
A	<input checked="" type="checkbox"/> HIRED AUTOS	52636230-08	01/01/08	01/01/09	BODILY INJURY (Per accident) \$
A	<input checked="" type="checkbox"/> NON-OWNED AUTOS	52636230-08	01/01/08	01/01/09	PROPERTY DAMAGE (Per accident) \$
	<input type="checkbox"/> GARAGE LIABILITY				AUTO ONLY - EA ACCIDENT \$
	<input type="checkbox"/> ANY AUTO				OTHER THAN EA ACC AGG \$
B	<input checked="" type="checkbox"/> EXCESS/UMBRELLA LIABILITY	43-415-820-00	01/01/08	01/01/09	EACH OCCURRENCE \$ 5000000
	<input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE				AGGREGATE \$ 5000000
	<input type="checkbox"/> DEDUCTIBLE				\$
	<input checked="" type="checkbox"/> RETENTION \$10000				\$
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY	16242-0	01/01/08	12/31/08	<input checked="" type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED?				EL. EACH ACCIDENT \$ 4000000
	If yes, describe under SPECIAL PROVISIONS below				EL. DISEASE - EA EMPLOYEE \$ 4000000
	OTHER				EL. DISEASE - POLICY LIMIT \$ 4000000
A	Equipment Floater	52636230-08	01/01/08	01/01/09	LEASED EQ 50000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS

Certificate holder is an additional insured on GL for premises and products completed operations with coverage on a primary/non-contributory basis for work or materials supplied for or on behalf of the certificate holder. GL includes a waiver of subrogation endorsement in favor of the certificate holder. Work Comp includes coverage in KY

CERTIFICATE HOLDER A & K CONSTRUCTION INC 100 CALLOWAY COURT PADUCAH KY 42001	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES. AUTHORIZED REPRESENTATIVE:  Mark Keown
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APPENDIX C – Fixed Assets

Fixed Asset List		
Make	Asset	Fair Market Value
Vehicles		
2007	Chevrolet Tahoe	\$20,000
2007	Chevrolet Suburban	\$20,000
2007	Chevrolet Tahoe	\$20,000
2008	Chevrolet Silverado	\$10,000
2008	Chevrolet 1500	\$12,000
2008	Chevrolet CK10543	\$20,000
2005	Chevrolet Express	\$4,000
1987	Ford E350	\$10,000
2008	Chevrolet CC31403	\$12,000
1986	TK Mack TRI-AXL	\$5,000
1994	Chevrolet 25-3500	\$2,000
1979	SE Trai	\$2,000
1998	Chevrolet CC31403	\$3,000
1993	Chevrolet CC31003	\$2,000
1999	Chevrolet CK	\$3,000
2000	Ford E350	\$4,000
2001	GMC GMC7H4	\$17,000
2001	Chevrolet CK1500	\$3,000
2001	Chevrolet 1500	\$3,000
2001	GMC C6500	\$12,000
2001	Chevrolet 3500	\$12,000
2002	ALBR ATM	\$5,000
2003	Chevrolet G2500	\$5,000
2005	Chevrolet 1500	\$6,000
2005	Chevrolet 1500	\$6,000
2007	Chevrolet VG1500	\$8,000
1987	Ford W9000	\$15,000
1998	Chevrolet CK1500	\$2,000
2002	FRGHT & Trailer FLD	\$30,000
2001	Goose Neck	\$5,000
		\$278,000
Equipment		
	16 x Scissor Lifts	\$100,000
	2 x Sky Track Lifts	\$40,000
	Clark Fork Lift	\$22,000
	3 x Const. Trailers	\$18,000
	Insulating Vans 2006 & Machine	\$20,000
	Scaffolding & Spray & 1 Misc	\$20,000
		\$220,000
	Office Equipment	\$20,000
	Total Fixed Asset FMV	\$518,000