



BUSINESS ATTRACTIVENESS / BUSINESS READINESS REPORT

Prepared for: **Summerland International**

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Owner Names: Robert Lake, Michael Lake

Advisor Company: The Founders Group

Advisor Names: Jeffrey Kates & Melisa Silverman



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Summerland International

The following report is an assessment of the overall business attractiveness and readiness of Summerland International (“Summerland” or “Company”), as of November 6 2023, as performed by The Founders Group (“TFG”).

“Attractiveness”, for the purposes of this report, is explained as follows:

- If an outside, independent, non-strategic investor were looking to purchase Summerland today, would they consider the Company to be “attractive” as an acquisition target and would the company’s stock/assets sell at or above fair market value?

The term “Readiness”, for the purposes of this report, is explained as follows:

- If an outside, independent, non-strategic investor were looking to purchase Summerland today, would they consider the Company to be “ready” as an acquisition target. Would the value of the offer presented in the Letter of Intent hold up during due diligence or would the acquirer discount the offer made?

The Business Readiness Assessment should be reviewed in conjunction with the Business Attractiveness Assessment as they are not mutually exclusive. If a Company is not attractive to an investor, whether the Company is ready to be transitioned will be irrelevant. However, if an investor finds the Company attractive, the Company must also be ready to be transitioned to preserve as much value as possible.

The business attractiveness and readiness assessments were performed by TFG for Robert Lake (“Robert” or “RL”) and Michael Lake (“Michael” or “ML”), the 2 key shareholders and owners of Summerland and comprises 4 categories. These categories are:

-  Business Factors
-  Financial Factors
-  Market Factors
-  Investor Considerations

In addition to the results obtained below from the answers provided by the shareholder(s), The Founders Group performed its own independent assessments, and the results are included below.

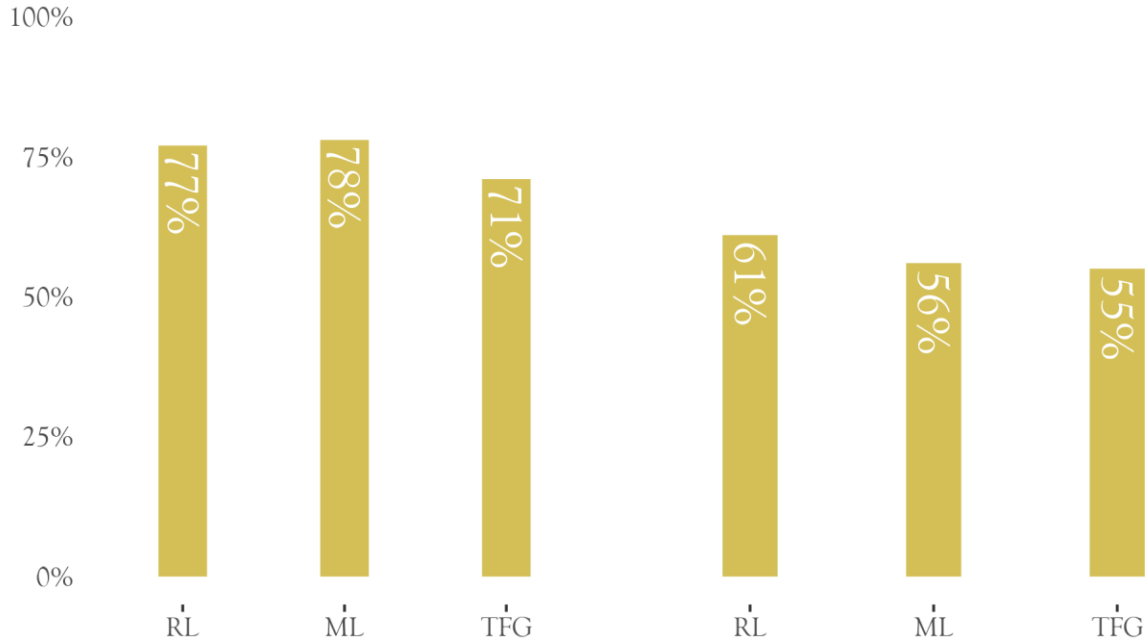
The category and overall attractiveness and readiness percentage scores can be related as follows:



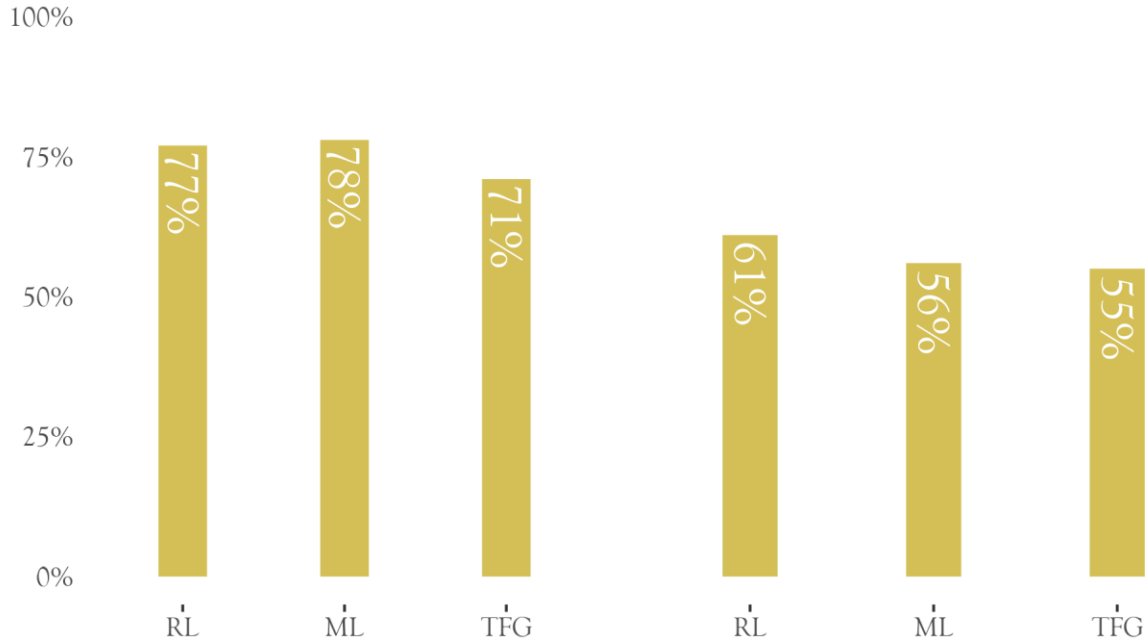


Executive Summary

Business Attractiveness



Business Readiness



Overall Business Attractiveness and Readiness





Executive Summary



HIGHLIGHTS

Business Attractiveness

> Business Factors

- Summerland has a track record of steady growth in both revenues and profits
- The shareholders have a deep knowledge of their customers, the products, the vendors, and the industry.
- Summerland has a diverse customer base so it is relatively insulated from losing any one customer having a big impact on revenues and profits.
- The Company has strong brands in their stable of products that they have developed and cultivated over many years. In addition, the Company has opportunities in the Private Label space.
- Summerland seems to be tied to their location from a geographic and logistic perspective [REDACTED] and also from a customer awareness perspective. Furthermore, because the Company pays lower than market rent to the shareholders who own the building, the cost of relocating can be prohibitive.
- The shareholders need to develop more robust policies and procedures and delegate more responsibilities to the next generation of leadership
- The Company has robust systems in place to support operations but they are still looking to implement a complete system that integrates all areas of the business (QuickBooks)

> Financial Factors

- Summerland's net income is strong yet TFG believes that the net income is being understated and the shareholders may not have a true picture of the Company's profitability and thus value.
- The Company's growth recently has been based on price increases and not cases sold. This is not sustainable.
- The Balance Sheet shows excess inventory on hand which the shareholders are managing. This amount needs to be reduced.
- The Company needs to ensure there are adequate capital reserves to pay out Aaron in the near future when they buy out his shares.





Market Factors

- The Company operates in a stable and mature market
- There are opportunities to grow the business from a product perspective, geographically, demographically and by looking at new markets

> Investor Considerations

- The shareholders are not aligned regarding any transition and they don't appear to be strongly committed yet as to what they should do.
- TFG needs to explore this further with the shareholders.

Business Readiness

> Business Factors

- There is still owner reliance on strategic decision making (Matthew is being developed) and both Robert and Michael need support to transition daily tasks.
- There currently is a value gap between what the business is worth today and what it can be worth with some initiatives to de-risk the Company and grow revenues.
- There is an opportunity to develop Summerland's private label brands
- The shareholders need to consider developing a succession and contingency plan should either or both of them become incapacitated.
- The Company needs to revisit the policies and procedures in each department and develop better training programs for onboarding new employees especially in the sales space.

> Financial Factors

- The Company needs to focus on gross margins at a more granular level by product and customer.
- The Company needs to manage inventories, especially with regards to Unilever.
- The Company should begin looking at the project of implementing a complete ERP system.
- The Company does not use financial projections as a tool to manage the business.
- The Company should start planning for capital expenditures and the buyout of Aaron

> Market Factors

- Summerland's marketing efforts/function are severely lacking. With Michael's leadership, this function should potentially be outsourced and a fractional CMO should be hired to help Michael.
- A review of the current sales team should be done and a plan implemented to develop the team and any new hires to be more aggressive and less "order takers".

> Investor Considerations

- The shareholders are just "dipping their toes" into the realm of exit planning but aren't necessarily committed yet.





Summerland International

- There were considerable gaps between the brother's responses in this category. Alignment of their interests should be the goal.
- There may be significant value still untapped in Summerland and the shareholders need some guidance to develop a plan around unlocking it.
- The shareholders recognize most of the value improvements that need to be implemented.
- The shareholders may need some education on all of their options as they move closer to considering a transition.
- The shareholders need to discuss tax considerations and develop a plan that meets the needs of all the shareholders.





BUSINESS ATTRACTIVENESS

To maximize value in a Company, especially a Company that is considering a transition, it is extremely important to ensure that the business is attractive as possible to as many suitors as possible. This is accomplished by minimizing risk in the business around the following categories:



Business Factors - This category focuses on the customer base and loyalty, branding, management, employees, owner reliance, business systems and culture amongst other variables.



Financial Factors - This category focuses on revenues and net income, revenue and income growth, the balance sheet and working capital.



Market Factors - This category assesses the Company's market, barriers to entry, competitive advantages, new products, and new markets.

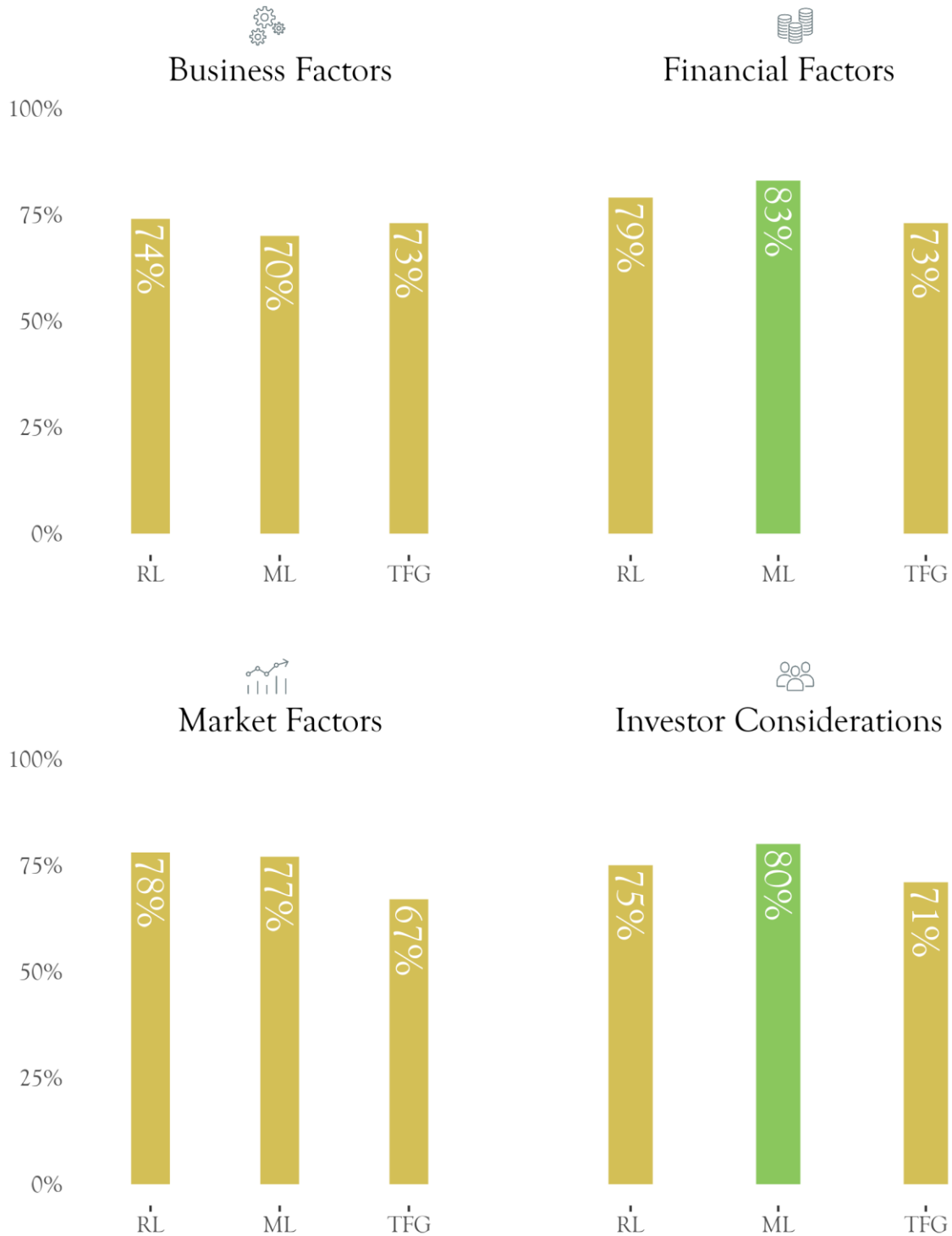


Investor Considerations - This category focuses on reasons for selling, business alignment, company value and the type of transaction to consider.





Business Attractiveness





Business Factors

When the eventuality of a business transition occurs, the Company will be far more attractive to an acquirer if there is low risk associated with the purchase. As part of any transition, your business model will be scrutinized by the potential buyer. The more automated, robust, and replicable your business model is, the higher the value of your business all other things being equal. The Business Factors category quantifies the state of attractiveness of the Company from a business perspective.

Section Scores: RL: 74%, ML: 70%, TFG: 73%



Key Strengths

- > Q1 - Ideal Customer - The Company can easily identify where the majority of the revenue is sourced (advertisements, social media, referrals, contracts, etc.).
- > Q4 - Customer Concentration - You are confident the Company does not have a customer concentration issue (revenue is sourced from many different customers).
- > Q5 - Repeat Customers - What percentage of customers are repeat buyers of your products and/or services?
- > Q6 - Existing versus New Revenue - What percentage of revenues come from existing customers?
- > Q8 - Branding - The company's brand alone strongly and effectively attracts new customers.
- > Q9 - Reputation - The business reputation of the company positively impacts this company's brand and ability to attract new customers.
- > Q16 - Business Systems - The Company's business systems are very effective.
- > Q17 - Business Systems - The Company's business systems are very reliable.
- > Q18 - Culture - The Company's culture is well-defined and easily communicated.
- > Q19 - Culture - The Company's culture represents what you believe in and how you want the world to see you.
- > Q20 - Policies and Procedures - The Company's policies and procedures are effective for each line of business.





Key Opportunities

- > Q11 - Management & Employee Contracts - There are well developed agreements with company management and employees regarding employment, non-solicitation, non-compete, and IP.





Business Attractiveness



Business Factor Gaps

Gaps are areas which the difference between the maximum score and minimum score is 2 or greater. A total of 4 gaps were found.

Header	Question Text	Robert Lake	Michael Lake	TFG	Gap
Q10 - Intellectual Property	The Company has Intellectual Property (Patents, Trademarks, Copyrights, Proprietary Software, Formulas, Trade Secrets, Brands).	5	0	5	5
Q2 - Referral Sources	I am extremely knowledgeable about who the Company's biggest referral sources are and can identify how much each contribute to revenues.	2	4	2	2
Q12 - Location	The business is independent of its present location (it could easily be successful if it moved somewhere else).	2	4	2	2
Q14 - Management Team	The management team is strong enough to operate effectively without me.	2	4	2	2





Business Attractiveness

Business Factors Observations & Recommendations

Q1 - Ideal Customer - The Company can easily identify where the majority of the revenue is sourced (advertisements, social media, referrals, contracts, etc.). &

Q2 - Referral Sources - I am extremely knowledgeable about who the Company's biggest referral sources are and can identify how much each contribute to revenues.

Both Robert and Michael strongly agreed with the first statement. TFG also strongly agreed. For the second statement, Robert somewhat disagreed while Michael somewhat agreed which created a gap in the owner's responses. TFG somewhat disagreed.

In his comments, Robert stated that revenue is sourced either from [REDACTED] stores looking for products and calling the manufacturers who are supposed to have them contact Summerland directly, or from buyers who have switched [REDACTED] and know the products. In addition, sales should be coming from salespeople calling/going to customers in territories.

Michael stated that Summerland has had approximately the same 500 customers for the last twenty years. Retailers and wholesalers know the products that Summerland carries from overseas and they are looking to service their customers locally so they buy from Summerland. The products are from [REDACTED] and the customers are looking for those products they were loyal to prior to arriving in the United States. As an example, Summerland just brought on a new product [REDACTED] from [REDACTED] based on customer requests.

In addition, both shareholders stated that they go overseas to a show in [REDACTED] in search of new products. They go once every 3 years.

Robert stated that the Company has not done much social media or marketing. He also stated that over the past two to three years, much of the revenue growth has been attributed to price increases during covid and then after. The Company tracks the number of cases sold and that number hasn't been growing that much.

For the second question, both Robert and Michael stated that the Company occasionally gets referrals from other friendly distributors who know that Summerland has certain products. They also get referrals from google search of products that Summerland carries and they find out that Summerland is the distributor.

In his response, Robert stated that the Company doesn't do a good job of tracking referral sources but he also stated that he doesn't believe that it would provide that much information. He believes that the Company needs to do better at tracking the salespeople and their selling methods, how much they are selling, where products are in the stores, and better insights into what the sales team is offering and why the quotes are or aren't being accepted. The sales team is based in California so 60% of the sales are in their home state and that's due to their physical presence. Summerland sells to wholesalers in California who sell to retailers outside of the state. Robert mentioned that the New York/New Jersey area has the second





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largest population of [REDACTED] outside of California but Summerland doesn't have an operation there. Robert also believes that Summerland would benefit from better technology specifically for the sales team like iPads when they are at the retailers. Robert also stated that while the products are in mostly [REDACTED] stores/markets the products could also have mass appeal but the Company hasn't focused on this as of yet.

In his response, Michael stated that Summerland doesn't want to sell to the "mom and pop" stores because the wholesalers are already servicing them and they don't pay well. He also stated that Summerland doesn't do a good job of tracking referrals. Michael believes vendors find Summerland because of their products, reputation, and the fact that the Company pays well and timely. Michael's strategy is to look at new vendors and products that do over one million dollars annually, where they know the owners and they have been vetted. Michael stated that while Summerland sees approximately fifty opportunities annually, warehouse space is more of a limiting factor. The Company usually brings on one to two new items a month. No lack of opportunities to win new product but based on vetting and warehouse space. The Company brings on about ten new customers each year but five or six drop out so about a net four to five customer gain.

One issue raised is that the buyers/buying groups from the retailers will go directly to the manufacturer/vendor. If the vendor is trustworthy then they should send the retailer to Summerland but that doesn't always happen. Michael answered by asking why Summerland over the competition? Summerland is known for paying well, that the industry talks a lot and Summerland has a good reputation for building brands, and that Companies trust Summerland based upon the relationships built up over the years.

Q3 - Customer Loyalty - Our Customers are extremely loyal to the Company.

One of the most critical attributes of an attractive business is the Company's relationship with its customers and vice versa. A loyal customer base contributes to the strength of a Company's brand by creating referral revenues, a significant percentage of annuity revenues, lower customer acquisition costs and great reviews on social media that a Company can leverage to attract new customers.

Robert was neutral to this statement while Michael somewhat agreed. TFG was neutral.

This question provided an interesting response as both shareholders stated that customers are loyal to Summerland from a service and delivery perspective but many customers are price sensitive so if another distributor has a product with a lower price, they may go with them. Summerland in these instances need the manufacturer to back them up and trust them to force the customer to buy from Summerland. The other issue brought up by both shareholders was [REDACTED], who has given out their products to another distributor who is being extremely aggressive and going direct to retailers. Summerland doesn't have a solution yet to this issue.

Q4 - Customer Concentration - You are confident the Company does not have a customer concentration issue (revenue is sourced from many different customers).

When revenues are concentrated amongst only a few customers, the risks to an acquirer of a loss of a key customer can result in a severe discount to the value of the business. The more that revenues are distributed



amongst many customers across different product lines and demographics, the less risk is associated for the acquirer which results in a higher value for the Company.

Robert somewhat agreed with this statement while Michael strongly agreed. TFG somewhat agreed.

Michael stated that there is some heavy weighting on [REDACTED] products which the Company took from doing 3.4 million in 2013 to \$12 million today. He mentioned that [REDACTED] is their biggest customer who buys \$5 million of [REDACTED] annually which represents 7% of sales. Michael stated that the top 10 customers represent approximately 50% of revenues. The Company's larger focus however is quantities sold so that they can focus on inventory and warehouse space needs.

Robert stated that on the export business side, 70% of revenues come from one customer but export sales is only about 10% of Summerland's business. Domestic revenues follow the 80-20 rule - 80% of revenues come from 20% of the customers. The Company has about 500 active customers. The Company's largest customer is a wholesaler in [REDACTED] and the second largest is a wholesaler in [REDACTED]. Retail customers if aggregated by store would be customers 4,5 & 6.

Q5 - Repeat Customers - What percentage of customers are repeat buyers of your products and/or services?

Both Robert and Michael stated that over 90% of the customers are repeat buyers. "Sales go out to the same customers over and over". Robert did note however that the Company isn't tracking how much product is going to a particular customer.

They both commented that Summerland is a very steady business. The key is managing inventory. When a customer drops Summerland they can still sell through all of their inventory. If the inventory isn't churning, Summerland will put it on promotion or put it on clearance about 7 months prior to the stale date. With regards to stale dating, when the product shelf life has two months left, the Company will donate it to Hunger Charities. This happens 3-4 times a year.

Robert shared with TFG that the Company has an inventory issue to the tune of about \$1 million. The issue has been going on for about a year and a half and is related to [REDACTED]. The Company usually keeps a month to month and a half on hand but [REDACTED] wants them to carry 3 months of supply. [REDACTED] is always pressuring Summerland to buy more but [REDACTED] won't guarantee that they will buy all the product that Summerland is forced to carry. This issue arose during Covid and the supply chain issues when Unilever ordered and Summerland was out of stock. Having said that, [REDACTED] has been a customer for 10-15 years and they don't leave for this reason. Robert stated that Summerland is carrying \$1M in excess inventory of which about \$80,000 is either stale dated or dead inventory.

Q7 - Existing versus New Revenue - I believe the company has a much larger percentage of repeat customers than the rest of the industry.

Robert was neutral on this statement while Michael somewhat disagreed. TFG somewhat disagreed.





Michael responded by saying that while the products can be commodities, the business is still based on the brands they carry (“people stick with what they know”) even though there are no contracts or exclusivity. Summerland doesn’t give the vendor any reason to switch! There are enough products and SKU’s that are different from each other so that all of the distributors have the same repeat business percentages. For Summerland, the key is that they want the manufacturer to have big brand value overseas in their local markets so it’s easier to bring into the United States and immigrants recognize the brand from back home.

Robert also stated that there aren’t a lot of companies in the business so they are all selling to the same customers. Robert is seeing more [REDACTED] retailers coming into certain territories and that consumers are becoming more health conscious (lower sodium, gluten free). He also stated that Summerland isn’t tracking how many customers they lose each year. The Company has customers they would love to get rid of. These are the “D customers” who are the least profitable, who only buy \$1,000 of merchandise a year, and/or are the most demanding.

Q8 - Branding - The company's brand alone strongly and effectively attracts new customers.

Companies with strong brands command premiums to any offer over and above what the financial results suggest that a Company might be worth. This is because a strong brand creates a foundation by which Companies can develop and build sales channels, revenue sources, pricing premiums and an overall buzz that increases demand for its products. When analyzing competition, brand recognition often differentiates the Company from its competitors and, all other things being equal, makes the Company more attractive to buyers.

Robert somewhat agreed with this statement while Michael strongly agreed. TFG strongly agreed.

Michael stated that the Company’s brand attracts new vendors but not necessarily new customers. New customers are originated by buyers switching companies but this doesn’t happen often. Attracting new vendors and thus products is how Summerland grows revenues.

Robert stated that the Company's brand is popular in the market. “People know us and trust us and know we put out good products”. Externally, the Company's brand is: “consistent service with reliable pricing”. Internally, Robert doesn't know if there is a consistent message from the sales team. He believes the executives have a consistent message that's been conveyed to the sales team but the sales team doesn't get feedback from customers on how the Company can do better. Summerland is looking to hire a VP of sales and this will be for them to develop. He feels that the Company is known as an “order taker”. They are not viewed as “salespeople”.

Robert stated that they have a hard time finding salespeople. Salespeople get paid \$70,000 base and then a bonus based on performance and longevity but it’s not a commission-based bonus.

Robert does strongly agree that the Company's product brands are positively viewed by customers. [REDACTED]





Q10 - Intellectual Property - The Company has Intellectual Property (Patents, Trademarks, Copyrights, Proprietary Software, Formulas, Trade Secrets, Brands).

Intellectual property (IP) developed by the Company often generates the most significant value in the Company and can be the main reason that an outside and/or strategic investor may find a Company attractive. Any value associated with IP is usually considered “intangible value.” IP can take different forms but often includes patents for products that have been developed, trademarks, copyrights, technological advancements, a unique process or some other form of idea or development that differentiates a Company from its competition. As outside investors/acquirers look to determine how attractive a Company is, they place a premium on companies that have significant intellectual property that can be monetized and leveraged in generating revenues and profits.

For this statement, Robert strongly agreed while Michael responded with not applicable (TFG’s fault). TFG strongly agreed with the comment as well.

Michael stated that Summerland has its own private label brand of [REDACTED]. This is under the [REDACTED] brand. These brands account for approximately \$2 million of the Company’s \$70 million of revenues and these brands do well from a profitability perspective. The Company is looking to make a push into more private label items.

Robert stated that because they have some brands that are their own, they do have trademarks. Robert also would like to grow this area of the business. Robert’s question is whether or not there is any value to this IP and would anyone pay a premium for these brands? “While it’s not a ‘freebie’, it’s not a royalty on all sales for x number of years, it’s probably somewhere in between”. Robert stated that they haven’t gone to the patent office to trademark the products but it is being worked on now with an attorney.

TFG believes this is an opportunity for Summerland to grow its revenues and vertically integrate the company.

Q11 - Management & Employee Contracts - There are well developed agreements with company management and employees regarding employment, non-solicitation, non-competition, and IP.

Ensuring that management and key employees have executed contracts is a critical factor when a potential acquirer looks to determine how attractive a Company is.

Both Robert and Michael strongly disagreed with this statement. TFG somewhat disagreed.

Michael believes that there is very little exposure to Summerland because the external salespeople are “order takers”. There is an employee handbook that is signed by every employee but there are no agreements in place. They haven’t had it happen where an employee leaves and takes a customer or product. The export business will continue to operate when Aaron retires soon.

Robert also stated that Summerland doesn’t have any of this in place. He stated that their father “didn’t believe in agreements, it’s all handshakes”.



TFG notes that currently, this is not that important to the shareholders but as the brothers get closer to considering a transition of some sort, this will change. The other issue is that the brothers expect to buy out Aaron (one of the other two shareholders) in the next year. This shouldn't be a problem as there is a shareholder agreement in place but nothing has been discussed/finalized.

Q12 - Location - The business is independent of its present location (it could easily be successful if it moved somewhere else).

Robert somewhat disagreed with this statement while Michael somewhat agreed thereby creating a gap in their responses. TFG somewhat disagreed.

Michael stated that the Company needed to be close to the [REDACTED] for logistical and cost reasons as these costs would rise if they were further away from the port. Michael also believes that they could be successful within the [REDACTED] area.

Robert stated that the 4 shareholders own the building (individually) and rent it to the Company (but not at market rent). The father and Aaron don't see the need to move it to an LLC but the brothers do. The Company pays \$300K/year for 65,000 square feet of warehouse and office space (2,000 sq ft.). If the Company were to relocate, rent would be a factor/issue. Robert stated that there is no real reason to move. Furthermore, the customer base is very well established in California.

TFG notes that the Company's location is heavily dependent on the fact that the Company pays below market rent on the building that is owned by the shareholders outside of the business. While there are opportunities to expand into the New York/New Jersey area, the Company is still very dependent on its Los Angeles location because of its well-established customer base.

Q13 - Reliance on Owner - The business functions independently and smoothly without me.

If a Company is heavily reliant on the business owner(s) in all aspects of the business, a potential acquirer may have serious concerns about how this knowledge transfer would occur upon acquisition. More importantly, potential acquirers may pass on looking at the Company as an attractive acquisition target if they are unable to ensure that post transaction, there is an effective management team and leader in place to lead the Company.

Both Robert and Michael somewhat agreed while TFG was neutral to this statement.

In his response Michael stated that recently both brothers were away at the same time for a few weeks and the business ran just fine. Over the last 3-4 years, the brothers have been delegating responsibilities more and more. Michael wasn't surprised but was happy it went smoothly. The biggest issue in the past has been the Company's IT function but now it's outsourced and there have been no issues. Michael commented that their father taught them that the Company can't run without them but Robert and Michael have been changing this.

Robert echoed Michael's assessment. Robert was away for 3 weeks and they didn't call him. They didn't need to. They hired a VP of Operations (Matthew) 2 years ago and he's taken on a lot of decision making.



Robert stated that for two months the Company would be fine but for six months he feels the owners would need to be there. This specifically relates to the relationships with the vendors. Robert has tried to delegate this to the employees but vendors want to talk directly to Robert. Robert feels that he spends approximately 20-30% of his time on strategic activities while the rest of his time is spent on day-to-day activities.

Q14 - Management Team - The management team is strong enough to operate effectively without me. &

Q15 - Management Team - The management team would be very impressive to an investor.

To an acquirer, the ability to rely on existing management to continue to run the business effectively after a transition is most critical. Acquirers will pay a premium for businesses that have strong and cohesive management teams in place that have a proven track record of collaboration and results.

For the first statement, Robert somewhat disagreed while Michael somewhat agreed, creating a gap between the shareholders. TFG somewhat disagreed. For the second statement, Robert and Michael somewhat agreed while TFG was neutral.

Michael stated that, to get to the right place, he feels the Company would need to hire a sales director to replace himself and that there would need to be a strong hire in finance to replace Robert. The management team consists of Matthew who is the VP of Operations, Ian who is the controller, Karina who is the head of buying, Rick the warehouse manager and the 2nd generation of leadership includes Victoria in customer service.

Michael stated that the sales director will have more management experience but will need a year to learn the industry. This will free up Michael to focus more on strategic initiatives. Currently an issue that the shareholders must deal with is the age of the sales force. 2 salespeople are 65 and one is 70.

Robert believes that in the short-term management would be impressive but not over the long term. One issue that Robert has is with their partner Aaron who runs the export division. Robert feels that Aaron is working on auto pilot and hasn't grown the export division. He is in his mid-60's and doesn't work a full week anymore. This is a sore spot for Robert as he is a 25% shareholder. Robert also acknowledged that the finance function is "on my mind but it doesn't keep me up at night".

Robert believes that the Company's biggest and best hire was Matthew as VP of Operations. Summerland used a headhunter and it was successful. Robert believes that Matthew would be most impressive to an outside investor. Robert also believes that both he and Michael would be impressive to an acquirer.

TFG believes that there is an opportunity to build up the finance team under Robert and agrees with Michael's desire to add a VP of Sales. TFG would want to independently assess the strength of the management team.

Q16 - Business Systems - The Company's business systems are very effective. &

Q17 - Business Systems - The Company's business systems are very reliable.





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An important factor in assessing how attractive a company is to an outside acquirer is how strong and reliable the company's systems and processes are. Strong scalable and repeatable processes supported by reliable systems and technology are vital to creating value in a company. An acquirer will place more value on a company that runs efficiently, effectively and can manage change and growth by scaling processes and utilizing its systems in a synchronized and proactive manner.

Both Robert and Michael strongly agreed with both of these statements. TFG also strongly agreed.

In his response, Michael discussed the software and scanning system used in the Warehouse. The Company uses SAGE (and Scanforce for scanning and bar codes) as well as QuickBooks. The Company doesn't use a Customer Relationship Management (CRM) software. They have previously looked at Salesforce but they believe that the sales team would have trouble using it. Back in 2019 the Company was attacked by ransomware and they lost data from 2012-2019. Michael stated that others in the industry are impressed with Summerland's systems, software, and level of automation.

In his comments, Robert discussed the EOS platform. The Company has documented processes and streamlined the business. It has allowed the Company to hire people like Matthew to handle operations. The inventory in SAGE is exported into QuickBooks. Robert believes that the next step for Summerland will be to implement a robust ERP system that is consolidated and delivers financials too. As such, the current QuickBooks doesn't contain a lot of details as they are in SAGE. Another issue with that is Robert feels that no one other than him is looking at SAGE. From a CRM perspective, SAGE data for contact information is spotty at best and they use Mailchimp for email.

Overall, the systems they brought in are very good. They are more organized, more systematized, and there is a process for everything. This allows the Company to deliver within their quoted timeframes. Both Robert and Michael stated that three years ago, he would have given a different answer but now everything is outsourced, it is cloud based with strong encryption and daily back ups and as such, he is very comfortable with the reliability of the systems.

TFG would want to review the current systems and processes to verify and ensure accuracy (certainly around the inventory, costings, and margins).

Q18 - Culture - The Company's culture is well-defined and easily communicated.

A key differentiator between similar businesses is often a Company's culture. Can it be easily defined and communicated, does it represent the values and mission of the business owner(s), and is the culture so recognizable to internal and external stakeholders that it significantly contributes to the Company's value?

Both Robert and Michael somewhat agreed with this statement. TFG also somewhat agreed.

Both Michael and Robert believe they have done a good job. EOS and Traction have helped. Michael believes that it has helped to build a culture both internally and externally. The Company's core values are loyalty, teamwork, effort, and to do the right thing. "It's what we hire, fire, and reward on and what separates us from the competition" and both shareholders were aligned in this statement. The Company tries to maintain its family-owned business culture and treats the employees like family. Robert stated that



there is one area where the Company has fallen short in the past; historically the Company hasn't been that great at being responsive to customer needs and providing solutions. Robert believes it's a salespeople issue and resource issue.

TFG recognizes that there is an issue with the aging salesforce acting as order takers and not being responsive or aggressive in their sales approach to generate additional revenues and provide solutions to customers. This is something that should be investigated further and a plan developed (in conjunction with the new Sales Manager when hired).

Q20 - Policies and Procedures - The Company's policies and procedures are effective for each line of business.

To minimize risk associated with any transition, a company should have clear and effective policies and procedures in place throughout the organization and its different departments. This helps to ensure that an acquirer can assess a seller's operations during due diligence and ensure a smooth implementation and integration of operations post transition.

Robert somewhat agreed with this statement while Michael strongly agreed. TFG somewhat agreed.

In his response, Michael stated that this "depends on who you ask". Michael believes that Robert is more granular and detailed but the sales team has more general Standard Operating Procedures (SOP's) that someone can follow. Robert is putting more detailed SOP's in place for his areas right now. Michael believes that what they have in place currently is what they need to have in place.

Robert believes that the SOP's are accurate for each of the departments (HR, Sales & Marketing, Operations and Finance) and for the most part are very effective. These SOP's for each of the departments are being looked at and refined.

TFG notes that Robert hasn't completed these for his own department and his tasks. In addition, TFG is concerned by the difference in styles of the two brothers that some of the SOP's are more detailed (Robert) versus the general SOP's (Michael). This may need to be looked at in the near future especially as the Company looks to onboard key positions, replace salespeople potentially and delegate tasks downstream.





Financial Factors

A company's attractiveness will always be viewed in terms of its financial results. When a prospective buyer evaluates your business in the due diligence process, they will most likely begin that review with an analysis of the historical financial information (Profit and Loss, Balance Sheet, Cash Flow). In addition, they will want to see financial projections and cash flow forecasts for the short-term and medium-term future. Those projections and forecasts need to be reasonable and based on historical growth factors and contain defensible assumptions. In most cases, the financial strength of the Company will be the single biggest factor in determining how attractive the Company is to an investor and the more attractive the financial results, the larger the value of the business at transition.

Section Scores: RL: 79%, ML: 83%, TFG: 73%



Key Strengths

- > Q5 - Revenue Streams - The company's revenue streams are very steady.
- > Q6 - Revenue Streams - What percentage of the company's revenue streams are recurring?
- > Q7 - Balance Sheet - The company's balance sheet is extremely strong. (Balance sheet includes cash on hand, working capital, debt and equity levels.)
- > Q8 - Working Capital - The company's working capital is easily strong enough to support ongoing operations.
- > Q9 - Debt Levels - Considering the company's debt levels, including any seasonality and how the balance relates to the credit limit, I feel comfortable with the company's current and long-term debt.
- > Q10 - Capital Improvements - The company's reserves are easily sufficient to cover all required capital improvements.





Key Opportunities

- > Q3 - Revenue Growth - How much revenue growth are you forecasting in your business over each of the next 2-3 years?
- > Q4 - Net Income and Growth - How much net income growth are you forecasting in your business over each of the next 2-3 years?





Business Attractiveness



Financial Factor Gaps

Gaps are areas which the difference between the maximum score and minimum score is 2 or greater. A total of 1 gaps were found.

Header	Question Text	Robert Lake	Michael Lake	TFG	Gap
Q1 - Net Income	I am very satisfied with the net income generated by the company the past three years.	4	5	3	2





Financial Factors Observations & Recommendations

Q1 - Net Income - I am very satisfied with the net income generated by the company the past three years.

Companies that sell at a premium do so because of a two key factors. They include Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and the earnings multiple that is applied to EBITDA. EBITDA is essentially normalized Net Income. The higher a Company's Net Income, the more attractive the Company will be.

Robert somewhat agreed with this statement while Michael strongly agreed. TFG was neutral which created a gap in the response between TFG and Michael.

Michael stated that Net Income has been “hidden” for the most part and that Robert is working to report real numbers. Their father has held this tightly for many years until the last three years, when he stepped away from the day-to-day operations and left the management to Robert and Michael. Michael is aware of the inventory ‘shifting’ and is OK with the margins. By his own admission, Michael doesn’t focus as much on the financials as does Robert. Michael also stated that Robert is working to report more accurate net income numbers.

Robert believes that Net Income could be larger. Robert believes that the salespeople are used to offering the products at lower margins. As an example, Robert believes that a pallet of a product should be sold at a different price than one box for a retail store. Robert also believes that the salespeople worry about the competition and losing orders so they drop prices on this one and will “make it up on the next one” but they never do. He doesn’t believe that the salespeople are good negotiators. In addition, because salespeople aren’t incentivized by commissions, they may be leaving margin on the table.

Up to now, Summerland has been promoting the best salesperson to a sales manager role and either they are out in the field selling and not managing the team or they are managing but not selling. As a result, they are now looking to bring on a VP of Sales to manage the team. Robert believes that the Company should be focused on increasing margin first, then adding sales and then focusing on reducing expenses. While the Company isn’t focused necessarily on managing expenses, Robert doesn’t believe there are a lot of wasted expenses. The largest expense is payroll and then insurance. The Company is also underpaying for rent as compared to the market.

TFG notes that a key metric in the Company is quantity/units sold. This number has been stagnant the last two years but revenues are up due to price increases but this is a small cause for concern. TFG believes that there is significant opportunity to improve margins, increase revenues and thus increase net income significantly. Furthermore, TFG recognizes that inventory has been lowered for income tax purposes so there is less of a true visibility to actual margins and net income.



Q3 - Revenue Growth - How much revenue growth are you forecasting in your business over each of the next 2-3 years?

Companies experiencing consistent and strong revenue growth are more attractive to acquirers than companies in mature industries or those who are experiencing stagnant or declining revenues.

Both Robert and Michael believe growth will be in the 1-7% range. Historically growth has been in the 3-4 % range.

The Company's revenues are approximately \$70 million but do not expect growth in 2023. The Company expects it to hit \$80 million by 2025 but Michael believes it may be sooner. Michael believes the Company will hit \$90 million by 2030. Michael stated that pricing on food almost never drops. He also believes that the Company is doing a better job with its customers and product mix (higher \$ value and margin).

Michael believes that a solution to the warehouse space/rent issue is to take more warehouse space in Inland Empire (cheaper rents). This would solve the tax and inventory issue and help to grow sales volumes. Michael believes that if Summerland had more warehouse space they would do more volume. He would prefer to purchase warehouse space and is currently looking at properties and working on the cost benefit analysis for purchasing additional warehouse space now. However, this would only occur if they have the right leadership team in place.

TFG notes that this is a tough business to generate significant revenue growth. Currently the growth has been attributed to price increases but quantities sold remain stagnant. TFG notes that the Company's private label brands are an opportunity for growth both in quantities and margins versus the daily margin grind with their customers and competition.

Q7 - Balance Sheet - The company's balance sheet is extremely strong. (Balance sheet includes cash on hand, working capital, debt, and equity levels.)

A Company's tangible value is reflected on the Balance Sheet. A healthy Balance Sheet will have the following characteristics: adequate cash reserves, strong working capital, appropriate debt levels that can be serviced easily and significant equity. Companies with healthy balance sheets are more attractive to acquirers.

Both Robert and Michael strongly agreed with this statement. TFG also strongly agreed.

Michael doesn't necessarily look at the Balance Sheet very frequently but he does look at cash on hand and the Line of Credit weekly. This information is on the weekly scorecard.

Robert stated that the equity levels in the Company are strong and they are not carrying a lot of debt. The loan payable is to Robert and Michael's parents and Aaron who are just taking interest on the loan but not presently looking for repayment. The line of credit is for \$3 million but the Company isn't using anywhere near that much.





Summerland International

TFG notes the amount of cash available based on the Company's net income levels is lower than it should be. This may be because inventory levels have risen substantially (see Inventory issue mentioned above). Furthermore, TFG wonders if the Balance Sheet carries adequate reserves to deal with the impending buyout of the 4th shareholder Aaron in the next year. This needs to be planned for.

Q10 - Capital Improvements - The company's reserves are easily sufficient to cover all required capital improvements.

Robert and Michael both strongly agreed with this statement. TFG somewhat agreed.

Michael discussed the need for trucks and forklifts and they are looking to upgrade the ERP system in the next two years.

Robert stated that the warehouse racking system was just done. When Summerland sells through some of the inventory levels this should free up cash.

TFG notes that if the Company purchases additional warehouse space there will be some need for capital for improvements. TFG isn't sure if this would be purchased through the Company or personally as with the existing building.





Business Attractiveness



Market Factors

Understanding the market, the industry and the company's competitive position within that market is extremely important. The more a Company can position itself as either dominant in its market or at least dominant in a niche within that market, the higher the value to an acquirer.

Section Scores: **RL: 78%, ML: 77%, TFG: 67%**



Key Strengths

- > Q1 - Market Strength - The industry/market in which the company operates is strong and growing.
- > Q3 - Competitive Advantage - The Company has a strong competitive advantage within the industry.
- > Q6 - New Product Launches - The company is actively pursuing new product launches.
- > Q8 - Economic Prosperity - The company is positively impacted by current economic or political conditions.



Key Opportunities

- > Q2 - Entering the Market - The barriers to entry make it extremely difficult for other companies to enter this market.





Business Attractiveness



Market Factor Gaps

Gaps are areas which the difference between the maximum score and minimum score is 2 or greater. A total of 2 gaps were found.

Header	Question Text	Robert Lake	Michael Lake	TFG	Gap
Q5 - Market Share	I am satisfied with the company's market share.	4	2	2	2
Q7 - New Markets Penetration	The company is actively pursuing new markets for existing products.	3	5	3	2





Market Factors Observations & Recommendations

Q1 - Market Strength - The industry/market in which the company operates is strong and growing.

How attractive is the market in which the company operates? This is a key component in assessing the Company's attractiveness to an acquirer. All other things being equal, it is desirable for a company to be operating in "buzzworthy" growth markets that command higher multiples.

Robert strongly agreed with this statement while Michael somewhat agreed. TFG somewhat agreed as well.

In his response, Michael stated that the demand for [REDACTED] food will always be there but other markets may win out. The ultimate goal would be to mainstream some of their products to create more revenues. Michael commented that "one concern is if the retailers are not spending money to upgrade their stores, then certain products will be out and others will take their place". Older consumers are still going to the older stores but younger people are buying from newer stores or online. [REDACTED]

[REDACTED] Summerland is looking to get more products into the mainstream retail stores. [REDACTED]

Robert noted that in the industry, in general there is high demand for [REDACTED] food distribution but the Company needs to ensure they are bringing in foods that are in demand for the [REDACTED] population. There is growing interest in the mainstream market for some of the goods they carry. From a price/cost perspective, Robert doesn't think that people will stop buying but rather they will buy less of the more expensive items and buy more of the less expensive items. They are starting to see this happening with the higher-end products. The biggest risk for the Company is if lines are dropped and then the Company has to scramble to find new lines and potentially get stuck with the inventory and have to find ways to get rid of it. Robert also stated that the [REDACTED] market is the next largest market in LA but Summerland hasn't focused on it due to a lack of knowledge.

Q2 - Entering the Market - The barriers to entry make it extremely difficult for other companies to enter this market.

An acquirer will look to see what barriers to entry there are in the Company's market space. If the business is in a mature market with no differentiators or where there is little to no intellectual property, then an investor won't consider the business to be as attractive.

Robert strongly disagreed with this while Michael somewhat disagreed. TFG strongly disagreed.

Michael stated that it is fairly easy to enter the market (anyone can build a business based on one brand) but the hard part is to scale it up to Summerland's size and have thousands of SKU's.



Robert commented that the barriers to entry are extremely low. Essentially it requires some capital and a relationship with a customer. The hard part is getting the right products at the right prices.

Q5 - Market Share - I am satisfied with the company's market share.

An acquirer will look to a company's position in its market as a differentiating factor. Is the Company a significant or small player in their industry? What market share do they possess? Do they operate in a niche area? As a company increases its market share it becomes significantly more attractive.

Robert somewhat agreed with this statement while Michael somewhat disagreed, creating a gap in responses between the shareholders. TFG somewhat disagreed.

Michael stated that it is hard to add new items into the market and getting onto a shelf in an [REDACTED] store is harder. Michael calculated that if Summerland has 200 SKU's in a store with 20,000 SKU's overall then they may have 1% of market share.

Robert commented that their market share could be bigger if they were more aggressive but they haven't put the energy into it. Robert and Michael are comfortable with the size of the company. They are both big into the work/life balance. Robert admitted that he doesn't know the entire addressable market. They are in dry goods so he would like to see if we can get an [REDACTED]. Robert believes that, in their space, Summerland is a medium-sized Company.

TFG noted the shareholders seem to be satisfied with their market share/size of the Company without really knowing what the size of the market is and what their share is.

Q7 - New Markets Penetration - The company is actively pursuing new markets for existing products.

Having the ability to launch new products both geographically and by product line into both existing and new markets sets up a Company to achieve significant market penetration, revenue growth and brand recognition. The more robust these new product launches are that create significant market penetration, the more attractive the Company becomes.

Robert was neutral to this statement while Michael strongly agreed.

Robert stated that the size of the sales team doesn't allow them to grow this fast. That is why they are looking for a sales manager to drive this and grow the sales team. One area they are looking to expand to is the Pacific Northwest. They will work with a wholesaler there and then work through them. One concern is how do you vet the wholesalers to make sure they are getting you the right product placement in the stores? New markets are defined by geographic region and by market segments.

TFG notes the difference between just talking about it versus actively pursuing an opportunity. How does Summerland focus on a strategy that is agreed upon and then roll that out? This is a very strategic conversation.





Investor Considerations

Positioning the company prior to sale where shareholders control the narrative and the process and can market and communicate that position effectively, will increase the company's attractiveness and value. Having shareholders that present a united front and are committed to the transition process and the transition strategy will help to minimize the risk associated with the process and ensure a successful transaction. From an acquirer's perspective, the less risk associated with the target company, the more attractive the investment becomes, and buyers will pay a premium for these companies.

Section Scores: **RL: 75%, ML: 80%, TFG: 71%**

Key Strengths

- > Q2 - Commitment to Exit - Over what time frame would that sale or transition occur?
- > Q5 - Business Alignment - The company has great synergies with other types of companies in this industry and/or similar industries. There are many complimentary business opportunities.

Key Opportunities

- > None





Business Attractiveness



Investor Consideration Gaps

Gaps are areas which the difference between the maximum score and minimum score is 2 or greater. A total of 4 gaps were found.

Header	Question Text	Robert Lake	Michael Lake	TFG	Gap
Q1 - Commitment to Exit	I have a strong conviction that I should sell/transition the business.	5	4	3	2
Q3 - Internal or External	I am confident I understand all of my internal and external transition options very well.	5	1	3	4
Q4 - Business Value	I have a strong understanding of the current value of my business.	2	4	3	2
Q6 - Risky Investment	My business represents a safe (less risky) investment to a potential buyer.	3	5	4	2





Investor Considerations Observations & Recommendations

Q1 - Commitment to Exit - I have a strong conviction that I should sell/transition the business.

Sellers who aren't truly committed to selling and/or who don't have a plan in place for what the next phase look like, often end up walking away from a transition. They do so because the final offer presented to the seller post due diligence ends up being significantly less than what the seller expected to receive under the Letter of Intent or if they haven't worked through the emotional barriers and get "cold feet". A company becomes more attractive if the acquirer can ascertain that the seller is truly committed to selling the Company.

Robert strongly agreed with this statement while Michael somewhat agreed. TFG was neutral creating a gap in the response with Robert.

In his response, Michael stated that he doesn't feel like they have to. He feels the business is a great cash cow and either way they will be fine. He does want a strong management team in place, however.

Robert stated that he doesn't feel that this is an industry he wants his children in and he's not sure that they would want to be in it. He doesn't want to shut it down and believes that this is a Company he can sell.

Based on their responses, TFG doesn't believe that the shareholders are strongly convicted to sell just yet.

Q2 - Commitment to Exit - Over what time frame would that sale or transition occur?

Michael would be open to it anytime within the next five years, which is when he wants to retire (as of today). If Michael was just collecting distribution checks and not actively involved then he would consider keeping the business for a while. Michael also stated that it would depend on what the multiple for the business would be. Without the right multiple, he would be happy to continue running the business. "If we're able to grow the business without us being there every day then I would be happy to keep it and have the business continue.

Robert mentioned that both his children and Michael's children are still very young. He would want to wait to see if any of them has an interest in taking over the business. Robert doesn't believe his kids would have an interest, however.

Much like the first question, TFG doesn't believe that the shareholders are that interested in transitioning the business in the near future.

Q3 - Internal or External - I am confident I understand all of my internal and external transition options very well.





Once a shareholder(s) commits to transitioning the business, the next question to be resolved is what type of transition they may be interested in. A strategic or financial sale to an external buyer presents different issues and opportunities than an internal transition to either a shareholder, the management team, family, or employees.

While Robert strongly agreed with this statement, Michael strongly disagreed, creating a gap between the owner's responses. TFG was neutral based on the shareholder's responses.

Michael stated that he doesn't know all of his options and would love to learn more and avoid taxes. The family has always been driven by tax avoidance instilled by their father and the Company has been run that way. Michael seems to be a little more ok with paying taxes.

Robert believes that an internal transition would be to existing shareholders while an external transition could be to a vendor or someone strategic looking to get into the LA market.

TFG notes the big disparity in responses between the brothers and we can help educate the shareholders on a variety of options.

Q6 - Risky Investment - My business represents a safe (less risky) investment to a potential buyer.

The less risky the business is, the more a strategic buyer will be willing to pay for it. Creating value in a Company starts by de-risking the business from potential threats. Once completed, then a business can focus on revenue and infrastructure growth and creating significant value.

Robert was neutral to this comment while Michael strongly agreed thereby creating another gap in their responses. TFG somewhat agreed.

Michael believes that Summerland is a stable business based on the industry they are in and the product assortment.

Robert isn't really sure. He believes that the biggest risks for Summerland are the product line mix, how the market and people's tastes can change as well as the lack of contracts with vendors. Robert is always concerned that vendors could pull their lines at any time. This is, however, the norm for the industry. As such, managing inventory and Accounts Receivable becomes critical.





BUSINESS READINESS

To complete a successful transition (whether it be internal or external), the Company must be ready to be transitioned when that decision is made or when an opportunity arises to sell to an external buyer. Having an attractive Company is only the first hurdle to maximizing the value in the business. The Company must be in a constant state of readiness to ensure that either a) the internal transition runs smoothly and ensures a seamless “handoff” to the internal team or b) the value identified by an external buyer can be justified and defended during the due diligence process.

Ensuring that the business is in a constant state of readiness does more than just protect identified value, it creates value in the Company. By continually focusing on and improving the Company’s readiness in each of the categories below, you will in fact:

- > Be more knowledgeable as to the value of the Company at all times; Be more responsive to any opportunities that may present themselves; Create shareholder and team alignment; Focus on improving areas of weakness within the Company; Improve the overall attractiveness of the Company to a prospective buyer; Create a culture of continuous improvement and best in class mentality; Identify opportunities around revenue generation, margin improvement & cost reduction, management retention and succession plans, brand development and employee onboarding and retention to name a few.

A prospective buyer will look to minimize their investment risk and assure themselves that the price they have offered to pay for the business is justified. This will be done through the due diligence process. A savvy purchaser will do more than just review financial information, metrics, legal documents, and contracts etc. during due diligence, they will also assess human capital, business systems, policies and procedures,





corporate culture, and the overall level of professionalism at all levels. The level of readiness in all areas impacts the attractiveness of the potential transaction. In addition, being ready in all categories will help to minimize any attempts by the purchaser to lower the purchase price offered in the Letter of Intent during due diligence.

The purpose of this report is to identify areas of opportunity to improve readiness and generate tangible and intangible benefits that create intrinsic value in the business going forward as well as to position the Company ahead of any competitors and present the Company in the best light.

The Company's readiness was also evaluated in the following 4 categories:



Business Factors - This category focuses on the customer base and loyalty, branding, management, employees, owner reliance, business systems and culture amongst other variables.



Financial Factors - This category focuses on revenues and net income, revenue and income growth, the balance sheet and working capital.



Market Factors - This category assesses the Company's market, barriers to entry, competitive advantages, new products, and new markets.

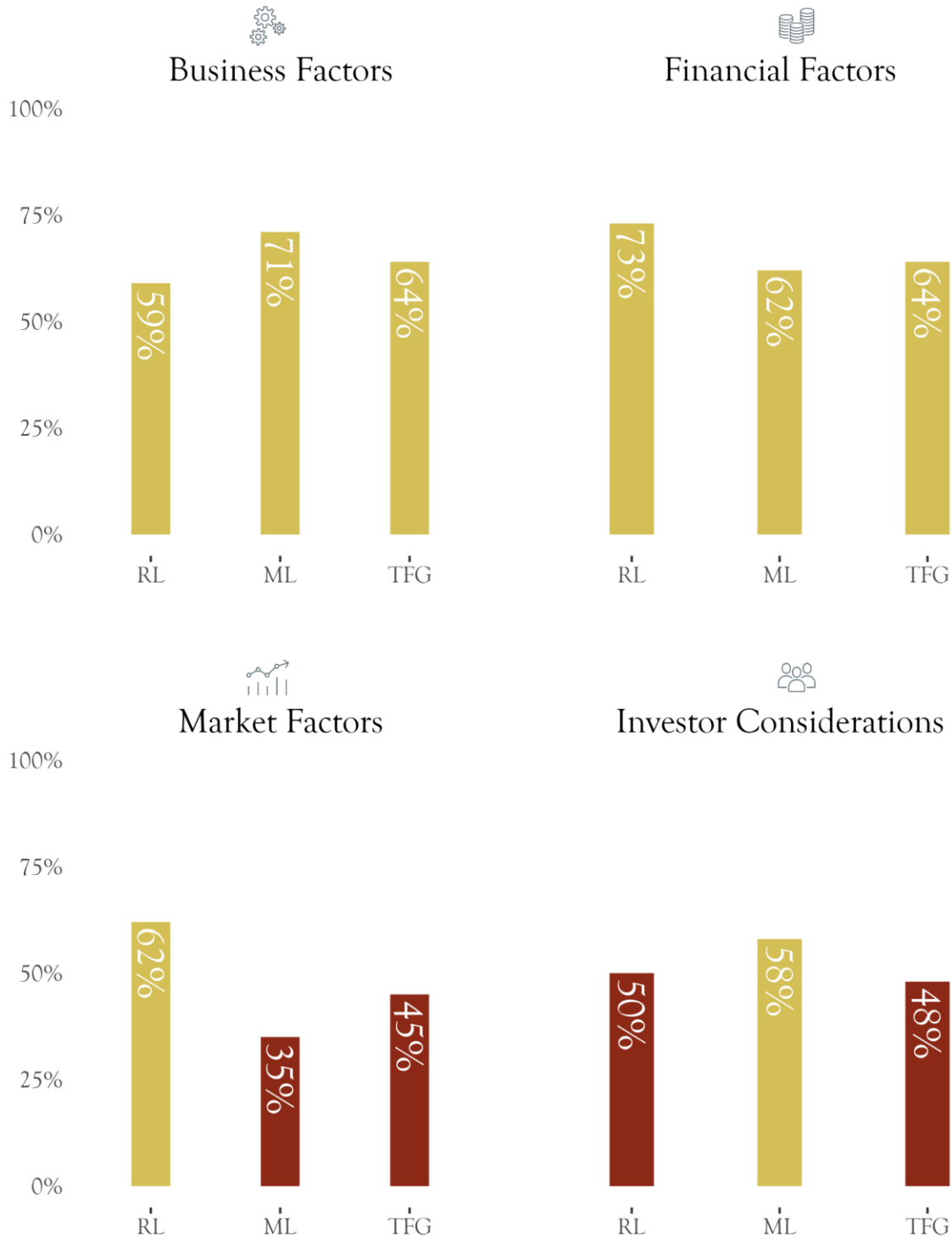


Investor Considerations - This category focuses on reasons for selling, business alignment, company value and the type of transaction to consider.





Business Readiness





Business Factors

When the eventuality of a business transition occurs, the Company will be far more attractive to an acquirer if there is low risk associated with the purchase. As part of any transition, your business model will be scrutinized by the potential buyer. The more automated, robust, and replicable your business model is, the higher the value of your business all other things being equal. The Business Factors category quantifies the state of attractiveness of the Company from a business perspective.

Section Scores: RL: 59%, ML: 71%, TFG: 64%



Key Strengths

- > Q1 - Business Consistency - How would you characterize business revenues and profits over the past 3 years?
- > Q5 - Brand Improvement - We have identified opportunities and already taken steps toward brand improvement.
- > Q14 - Job Descriptions - There are well documented job descriptions/duties in place for each position.
- > Q18 - Employee Manual - The Company has an employee handbook in place and every employee signs and receives a copy of the employee handbook.
- > Q18 - Employee Manual (Continued) - The content of the Employee Handbook is current.
- > Q20 - Employee Morale - Employees are motivated and morale is high.
- > Q21 - Employee Roles & Ownership - Employees are in the right positions to effectively operate the Company.
- > Q21 - Employee Roles & Ownership (continued) - Employees take ownership of their roles within the Company.
- > Q22 - Team Work - Employees work well together and communicate effectively as a team.
- > Q24 - Staff Turnover - The Company has low employee turnover.





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- > Q27 - ERP, Manufacturing, Accounting, Inventory Management, CRM Systems - The Company has effective business systems in place (ERP, CRM, Accounting, Quoting, Logistics, Inventory Management, Manufacturing, Supply Chain, WMS) to manage the operations.
- > Q31 - Employee Obligations - The Company is current with any obligations owed to employees.
- > Q32 - Tax Obligations - The Company is current with all tax obligations (income, sales, state, property).



Key Opportunities

- > Q2 - Owner Reliance - The business relies on people other than the owner(s) for strategic vision and key decision making.
- > Q4 - Value Gap - If the business were to be sold today, we would've already achieved all the possible value.
- > Q8 - Succession Plan - There is a documented succession and compensation plan in place with fully qualified managers positioned to take over the responsibilities of the owners.
- > Q9 - Contingency Plan - There is a contingency plan in place to ensure the business continues to run effectively should the owner become incapacitated due to death/disability.
- > Q13 - Bonuses - There is a retention bonus plan in place to retain key employees prior to the transition of the business.
- > Q15 - Non-Compete and Non-Solicitation - The Company has executed non-competition, non-solicitation agreements, and employee contracts in place with all employees.
- > Q25 - Trademarks & Patents, Software, Licensing Agreements, Royalties ("IP") - The Company has a readily available, documented list of all IP including expiration dates and other key details.
- > Q29 - Marketing Database - The Company has a marketing database to track marketing campaigns, leads, and the progression of leads through the sales process.





Summerland International

Business Readiness



Business Factor Gaps

Gaps are areas which the difference between the maximum score and minimum score is 2 or greater. A total of 9 gaps were found.





Header	Question Text	Robert Lake	Michael Lake	TFG	Gap
Q3 - Positioning in Growth Market, Products Offered	The business is focused on growth markets and its products/services are in high demand.	4	2	3	2
Q10 - Training	There are training programs in place to elevate employees/management to take on higher roles and increased responsibilities.	2	5	3	3
Q11 - Employee Confidentiality	I understand and agree that it is important to keep any potential sale of the business confidential - including from employees.	2	5	4	3
Q12 - Employee Reaction, Issues, Retention	I understand the impact potential employee defection could have to the business and transition, where they learn of the sale of the business.	5	3	5	2
Q17 - Policies & Procedures	The Company has clear policies and procedures in place for all business functions within the Company.	2	4	2	2
Q19 - Performance Review - Effectiveness	The Company has an effective performance review process in place.	2	4	3	2
Q26 - Contracts - Customer, Supplier, Support/Maintenance, Leases, Insurance, Web Hosting ("Contracts")	Q26 - Contracts - Customer, Supplier, Support/Maintenance, Leases, Insurance, Web Hosting ("Contracts")				
Q26 - Contracts - Customer, Supplier, Support/Maintenance, Leases, Insurance, Web Hosting ("Contracts")	The Company has a documented list and repository of all contracts (customer, supplier, strategic alliances, support/maintenance, leases, finance, warranties & guarantees, insurance, web hosting).	1	5	1	4
Q26 - Contracts - Customer, Supplier, Support/Maintenance, Leases, Insurance, Web Hosting ("Contracts")	Q26 - Contracts - Customer, Supplier, Support/Maintenance, Leases, Insurance, Web Hosting ("Contracts")				
Q26 - Contracts - Customer, Supplier, Support/Maintenance, Leases, Insurance, Web Hosting ("Contracts")	Each of these contracts is reviewed at least annually.	1	3	1	2
Q28 - Customer & Vendor Databases	Customer and vendor databases are highly accurate, free of duplicates, contain pertinent details and are maintained regularly.	1	3	1	2





Business Factors Observations & Recommendations

Q2 - Owner Reliance - The business relies on people other than the owner(s) for strategic vision and key decision making.

When a potential acquirer assesses a target company, one of the first things that they look at when assessing risk on an investment is how much the target company relies upon ownership to run the Company strategically and tactically. The less a company relies on the owners and the more it relies on management, process, and procedures in place, the larger the value of the Company to a buyer.

Both Robert and Michael somewhat disagreed with this statement. TFG also somewhat disagreed.

Michael commented that they are working to put this in place but the business is still being driven by Michael and Robert. The Company has added Matthew, who is running operations and is starting to be more involved. For now, it has mostly been tactical but he is starting to have more input strategically and the shareholders are happy with him.

Robert stated that the two brothers are the key decision makers and while Matthew's decisions are mostly tactical, he has shown ability to think through long-term and more strategic situations.

TFG notes that the Company still needs a sales director to take some of those responsibilities away from Michael, who should be focusing more on the marketing efforts and strategy. TFG also believes that the Company needs a more senior finance executive to support Robert and alleviate more of the day-to-day tasks Robert is currently performing so that he can focus more on the strategic direction of the Company.

Q4 - Value Gap - If the business were to be sold today, we would've already achieved all the possible value.

If there is a considerable gap between what the business is valued at today versus what a business owner thinks it is worth or more importantly, what it can be worth, then there will be an issue with developing and pursuing a transition plan. This can become a major barrier to progress and may impact strategy.

Both Robert and Michael strongly disagreed with this statement. TFG also strongly disagreed.

In his response, Michael stated, "This is why we are still in it". There is room for Robert and Michael to grow, there are product lines to add, efficiencies in operations, and expenses to reduce. Michael stated that while the market size isn't shifting, the Company can grow within the market

Robert also stated that there are improvements to be made in the business - IT, Trademarks, agreements, Routing software, ERP and Financial System integration, SOP's being developed. Robert also believes there





Summerland International

is room to grow as there is no great tracking of the sales team getting all the products into all the markets that they can (incremental sales).

Q5 - Brand Improvement - We have identified opportunities and already taken steps toward brand improvement. &

Q6 - Brand Value - The strength of this brand will command a premium in the purchase price.

Continuous Brand Improvement (CBI) methodology is used by successful companies to constantly ensure that the Company has a well-defined business strategy that targets the right clients. The methodology also focuses on brand positioning that includes a clear messaging strategy, the correct content, a strong and effective website presence, names logos and tag lines and alignment amongst all these factors.

Successful Companies can leverage their brand awareness and brand strength to command higher pricing in the market. This is also true of a Company's value. The stronger the Company's brand, the higher the premium a strategic investor will be willing to pay when determining the purchase price to offer.

For Q5, Robert somewhat agreed while Michael strongly agreed. TFG somewhat agreed. For Q6, Robert and Michael somewhat disagreed. TFG was neutral.

Michael stated that he wants to focus on Search Engine Optimization and better visibility for Summerland's products in Q4. The shareholders are looking for outside agencies and for TFG to help. The hope is that through SEO, new vendors overseas can find Summerland easily. The quality of service & the reputation is already very good with customers/distributors. The Company is considering hiring a part-time CMO as well as a Sales Director. Summerland's private label coconut water is an opportunity to exhibit and get more exposure at Expo West and the Natural Food Show but he is concerned about the amount of work it might take to build up the brand.

Robert had a similar response with regards to the coconut water, social media, and SEO. Robert also mentioned that the Company has 80-100 SKU's that are non-performing that need to be addressed.

Michael doesn't believe there is significant value tied to Summerland's brand, it's focused more on the brands that Summerland carries in the portfolio.

Robert is focused on creating value to Summerland if they had exclusive contracts with the vendors but to date, this has not been part of the Company's business model.

TFG notes that there is a difference between the brands that Summerland carries versus Summerland's overall Company brand which is tied to customer service, reliability, and trust. However, Summerland's product brands correlate to Summerland's overall brand. This distinction is nuanced. The opportunity to develop Summerland's private label brands like coconut water and coconut milk would add significant value to the Company.

Q8 - Succession Plan - There is a documented succession and compensation plan in place with fully qualified managers positioned to take over the responsibilities of the owners. &





Q9 - Contingency Plan - There is a contingency plan in place to ensure the business continues to run effectively should the owner become incapacitated due to death/disability.

Two of the most critical issues facing a Company and the business owner(s) are ensuring that there is a well-documented Succession Plan and Contingency plan in place should the business owner(s) become incapacitated and unable to lead the Company. Without proper plans in place, there is a risk that the value built up in the business will erode very quickly through loss of customers, defections of key management, lack of stewardship of assets and loss of control. A succession plan deals with an orderly handoff/transition of ownership that meets the needs of all stakeholders whereas a Contingency Plan is more focused on how the business will run should the business owner(s) become incapacitated.

Both shareholders strongly disagreed with both of these statements as did TFG.

Both shareholders stated that there are no plans in place. Michael stated that he can't do a lot of what Robert does but more importantly, he has no desire to. If something happened to Robert, Michael would bring in a seasoned finance person. Michael and Matthew would take over operations, sales and marketing, and strategy.

Robert commented during the assessment that this should be important to him and as he thought about it, he realized that it is important.

TFG noted that the shareholders don't know how to go about creating these plans but do realize their importance. TFG can assist with this initiative.

Q10 - Training - There are training programs in place to elevate employees/management to take on higher roles and increased responsibilities.

A Company with vigorous training policies and procedures (that includes onboarding new employees) creates value by ensuring that best practices are continuously reviewed and implemented throughout the organization. A well trained and consistent workforce that follows procedures will help a prospective buyer gain comfort that post transition, the Company will continue to run effectively. In addition, it provides employees with the opportunity to grow within the organization and take on higher responsibilities.

Robert somewhat disagreed with this while Michael strongly agreed, creating a gap in their responses. TFG was neutral.

Michael stated that he has been spearheading monthly Gen 2 meetings based on EOS and Traction trying to push them down. They only started 4 months ago but the meetings have been held consistently and are being well received. The EOS trainer/consultant is John Hall. The shareholders meet with him quarterly and 2 days at year end (5 days a year).

Robert clarified that a part of EOS is to look at your own tasks to pass down to the next level but it's not a formalized training process. There really aren't training programs in place. One area of concern is the sales group. New salespeople shadow other salespeople before they are given free reign. In the office and warehouse, there is more ad hoc training on how to use the systems.



TFG notes that the training is closely tied to the Policies and Procedures that need to be developed for finance and be more detailed in the other areas. Robert is responding to this question based on employee training and the opportunity to make it more robust while Michael is focusing on EOS and their level to pass down tasks.

Q17 - Policies & Procedures - The Company has clear policies and procedures in place for all business functions within the Company.

Much like training and job description documents, a complete, well-documented, and current set of policies and procedures by business function helps to ensure easy knowledge transfer, that no employee can hold the company hostage and that upon transition, a buyer can minimize risk around business continuity post transaction.

Robert somewhat disagreed with this while Michael somewhat agreed, creating a gap in their responses. TFG somewhat disagreed.

In his response, Michael stated that Robert is still working on a couple of them for his department but the core SOP's are in place and include the employee handbook.

Robert stated that they have for most areas but not for all. Robert would rate the P&P's that they do have as a 7 out of 10. The Company doesn't have good ones for the export division and the sales team & customer service P&P's could be better. The warehouse and purchasing P&P's are the best.

Robert acknowledges that there aren't any P&P's in place for what Robert does. Robert is working on this and recognizes the value to doing it and seeing what value Robert brings to the business. Specifically, Robert wants to document the areas that are indispensable and what are the areas that Robert does but could be done by someone else. Robert handles the bank relationship, large (key) vendor relationships, key customer relationships, and key wholesale relationships. There is a lot that Robert does because he likes to do it and there is a lot that he doesn't do because he doesn't like doing it. Because they aren't delegated, they fall through the cracks. While these aren't detrimental to the business, he could have more communication with direct reports. Now these meetings are scheduled in the calendar so they are happening more regularly. This is also a time issue. Robert does not have an assistant, which is a conscious decision based on appearances.

Q20 - Employee Morale - Employees are motivated and morale is high.

A company with strong employee morale (especially as part of a Company's culture) helps to minimize risk to the buyer that upon transition, employee defection can be minimized. Furthermore, a Company where morale is high can effectuate a premium to the offer.

Both shareholders somewhat agreed with this statement. TFG also somewhat agreed.

Michael's answer is based on what is happening right now. He feels that employees like working here. The [REDACTED] issues are creating some frustration but overall, they are grateful and appreciate working there.



Robert's response was similar to Michael's that, for the most part, everyone is excited for the work they are doing. Morale has improved by getting rid of some low performers in the warehouse. The Company is also incentivizing employees with performance bonuses. The Company holds events like company sponsored lunches and state of the company meetings. The Company also tries to do some offsite events but it has been difficult in recent years. They do have a holiday party each year and a barbecue onsite in April for the anniversary of the Company.

Q23 - Employee Contributions - Owners encourage employees to contribute to the tactical and strategic planning for the Company.

A Company with a culture where management and employees involved in strategic and tactical decision making and their contributions are rewarded fosters a sense of ownership and commitment to execution. It also helps to minimize the effects of the Company being reliant on the owner to make all the decisions. This contributes to the value of the business and what a buyer would be willing to pay knowing that the Company can run effectively independent of the owner.

Robert was neutral to this question while Michael somewhat disagreed as did TFG.

Michael stated that the brothers haven't pushed this down other than to include Matthew and Karina. Michael mentioned a lack of patience or time to train well. They do ask for suggestions on products, pricing, etc. but not for bigger issues.

Robert acknowledged that he should do more talking face to face with employees but he doesn't. They have identified someone in customer service who is really strong but there has been no mentoring or development program yet.

TFG notes that the Company has had a culture of privacy (initiated by their father) which isn't easy to change. TFG also notes that there isn't a great onboarding process specifically for salespeople which may be perpetuating the issue with the sales teams under achieving. This problem is exacerbated by the fact that the Company doesn't pay its salespeople any commissions on their sales.

Q27 - ERP, Manufacturing, Accounting, Inventory Management, CRM Systems - The Company has effective business systems in place (ERP, CRM, Accounting, Quoting, Logistics, Inventory Management, Manufacturing, Supply Chain, WMS) to manage the operations.

Companies that invest in infrastructure and process can differentiate themselves from their competition. Investing in an integrated front to back Enterprise Resource Planning system and/or a Customer Relationship Management system and process will result in streamlined and efficient operations, strong financial reporting, and higher profitability. The incremental (and usually up front) costs will usually be offset by the larger increase in overall value to the Company.

Robert somewhat agreed while Michael strongly agreed. TFG somewhat agreed.



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Michael states that Sage and Scanforce are working well. Michael “avoids QuickBooks like the plague”. The Company has dashboards/scorecards built out and they get updated from time to time. The Company is considering combining them into a NetSuite - ERP system.

Robert stated that the systems could be more effective (specifically around Sage in the warehouse and integration with QB and also no CRM system). Robert believes that the salespeople would probably struggle with any implementation.

TFG notes that we would want to do further analysis with Sage and how it’s being used. TFG would also want to assist with the implementation of a CRM system and how it should be optimized. Despite these conversations, TFG notes that other companies in the industry would say that Summerland is more advanced from a systems perspective than their peers.

Q28 - Customer & Vendor Databases - Customer and vendor databases are highly accurate, free of duplicates, contain pertinent details and are maintained regularly.

Ensuring that customer and vendor databases are current, accurate, and maintained regularly becomes extremely important to a prospective buyer during due diligence. Managing these databases and providing redacted lists to prospective buyers that provide enough information to satisfy the buyer without threatening the Company’s confidentiality and risking having customers and/or vendors tampered with.

Robert strongly disagreed while Michael was neutral, creating a gap in the responses. TFG strongly disagreed.

Michael believes that the Company has all the information but it could be improved on. While there is no customer CRM, most of the information is in SAGE. Michael stated that they need to do a better job of documenting owner and buyer names. The customer service team for the most part is in charge but databases are not centralized.

Robert echoed Michael’s comments. He also stated that some pertinent details are in Sage for customers but vendor information is in Robert's and Karina’s (purchasing) outlook.





Financial Factors

A company's attractiveness will always be viewed in terms of its financial results. When a prospective buyer evaluates your business in the due diligence process, they will most likely begin that review with an analysis of the historical financial information (Profit and Loss, Balance Sheet, Cash Flow). In addition, they will want to see financial projections and cash flow forecasts for the short-term and medium-term future. Those projections and forecasts need to be reasonable and based on historical growth factors and contain defensible assumptions. In most cases, the financial strength of the Company will be the single biggest factor in determining how attractive the Company is to an investor and the more attractive the financial results, the larger the value of the business at transition.

Section Scores: RL: 73%, ML: 62%, TFG: 64%



Key Strengths

- > Q1 - Tax Returns - The Company's reviewed or audited financial statements are available for the past 5 years.
- > Q3 - Management Reports - The owners receive and review management reports monthly (sales by customer/product, orders on hand, inventory, employee metrics).
- > Q5 - Advisory Team - The Company has regular meetings with its advisors.
- > Q8 - Management of Quotes, RFPs, Payroll, Expenses, Commissions - Our team manages the following on a monthly basis: - Quotes and the RFP process
- > Q8 - Management of Quotes, RFPs, Payroll, Expenses, Commissions - Our team manages the following on a monthly basis: - Timeliness and accuracy of Payroll
- > Q8 - Management of Quotes, RFPs, Payroll, Expenses, Commissions - Our team manages the following on a monthly basis: - Overhead and Expenses
- > Q9 - Frequency of Purchase, Customers, Leads, Conversion Rates, Launches into Existing, New Markets - The Company investigates immediate revenue expansion programs such as: - New products launched into existing markets





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- > Q9 - Frequency of Purchase, Customers, Leads, Conversion Rates, Launches into Existing, New Markets - The Company investigates immediate revenue expansion programs such as: - Launching existing products into new markets



Key Opportunities

- > The monthly financial statements are re-casted to include add backs to normalize the earnings of the business.
- > Q9 - Frequency of Purchase, Customers, Leads, Conversion Rates, Launches into Existing, New Markets - The Company investigates immediate revenue expansion programs such as: - Increasing the frequency of purchases





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Business Readiness



Financial Factor Gaps

Gaps are areas which the difference between the maximum score and minimum score is 2 or greater. A total of 10 gaps were found.





Header	Question Text	Robert Lake	Michael Lake	TFG	Gap
Q2 - Financial Statements	The owners receive and review monthly financial statements.	4	1	3	3
Q4 - Gross Margins	The owners review gross margins by product on a regular basis. There are standardized procedures in place to manage products that show a decline in margin or increase in cost of sales.	2	5	3	3
Q5 - Advisory Team	The business owners are satisfied with their team of advisors and their level of support.	1	4	1	3
Q7 - Inventory/COGS Management	Our team manages inventory/cost of goods sold/gross margins monthly.	5	5	3	2
Q9 - Frequency of Purchase, Customers, Leads, Conversion Rates, Launches into Existing, New Markets	The Company investigates immediate revenue expansion programs such as: - Increasing pricing	4	1	3	3
Q9 - Frequency of Purchase, Customers, Leads, Conversion Rates, Launches into Existing, New Markets	The Company investigates immediate revenue expansion programs such as: - Increasing the number of customers	4	1	2	3
Q9 - Frequency of Purchase, Customers, Leads, Conversion Rates, Launches into Existing, New Markets	The Company investigates immediate revenue expansion programs such as: - Repackaging products into new markets	4	1	3	3
Q9 - Frequency of Purchase, Customers, Leads, Conversion Rates, Launches into Existing, New Markets	The Company investigates immediate revenue expansion programs such as: - Increasing the number of leads	3	1	3	2
Q9 - Frequency of Purchase, Customers, Leads, Conversion Rates, Launches into Existing, New Markets	The Company investigates immediate revenue expansion programs such as: - Improving conversion rates	3	1	2	2
Q9 - Frequency of Purchase, Customers, Leads, Conversion Rates, Launches into Existing, New Markets	The Company investigates immediate revenue expansion programs such as: - New products launched into new markets	3	1	2	2





Financial Factors Observations & Recommendations

Q1 - Tax Returns - The Company's reviewed or audited financial statements are available for the past 5 years.

As buyers request financial information to provide a Letter of Intent, and most certainly during due diligence, a company's recent years tax returns will need to be provided. This should include reconciliations of financial statements provided on a tax basis versus internally generated financial statements. Prospective buyers will ensure that all tax obligations are current and that all returns have been filed with federal and state authorities.

Both Robert and Michael strongly agreed with this statement. TFG also strongly agreed.

Michael states that the Company has had the same CPA's "for forever". The CPA is Cassie at DBG CPA. Michael is getting the financials monthly and timely. Ian (finance) is good.

Robert stated that they have recently changed CPA's because the bank isn't requiring reviewed financials so the new CPA is compiling and doing the K1. The financial statements should tie to the tax return and the journal entries provided by the CPA firm. Robert noted certain add backs for distributions for the family through the Summerland Marketing company set up as a marketing arm.

TFG notes that, based on our discussions with Robert regarding the inventory, the CPA's aren't provided accurate internal financials. The brothers are aware of this issue and are working to eliminate this issue.

Q3 - Management Reports - The owners receive and review management reports monthly (sales by customer/product, orders on hand, inventory, employee metrics).

Management teams and ownership should develop and utilize management reports on a regular basis to provide accurate information to assist in strategic and tactical decision making. Companies must also determine what key metrics to develop and analyze. Those companies that do generate significant value for a prospective buyer.

Both shareholders strongly agreed with this statement. TFG also strongly agreed.

Michael stated that they use the dashboard and scorecard to track 10 metrics weekly.

Robert also commented on the dashboard and that both brothers look at the same one. Robert has some metrics that are more finance based. Some of the key metrics include weekly revenue, 13-week average, overall cases sold, cases sold from the warehouse, Out of Stock %, Overhead as a % of sales, cash on hand and credit line, and overall gross profit. Michael looks at gross margin by customer while Robert looks at it by item.





TFG would like to review a sample dashboard and scorecard.

Q4 - Gross Margins - The owners review gross margins by product on a regular basis. There are standardized procedures in place to manage products that show a decline in margin or increase in cost of sales.

A company should have a clear understanding of its gross margins, the cost components (direct and variable, overhead allocations) and pricing models and how they are all interconnected. A company that controls and maximizes its margins is more valuable to a buyer

Robert somewhat disagreed while Michael strongly agreed, creating a gap in the responses. TFG was neutral.

Michael responded that costs are reviewed every time they get a shipment. Michael also looks at a price list for salespeople and discount purposes. Michael also looks at overall margin on total sales. Michael looks to see if there is any room to give a promotion on certain items if needed. Michael focuses more on overall sales margins versus the product margins. Summerland pays when the Bill of Lading is created. Customer terms are 30-60 days but most customers pay within 30-45 days. As such, Summerland finances the product for 110 days. That's the barrier to entry in this industry.

The Company manages inventory weekly (which includes a stale goods analysis). Inventory in SAGE is average cost and sometimes they need to manage it. Robert relies on SAGE over QuickBooks. SAGE and QuickBooks should match up. Beginning Inventory, WIP, and Ending inventory at average cost in Sage can throw off the costs so they have to go back and fix it. This could be off by as much as 20%. The shareholders are not particularly happy with the management of the gross margins.

Robert commented that if the overall gross profit isn't where they want it to be they'll drill down and investigate further. Robert noted that a run on a product by customers will identify when pricing is too low. This can happen a couple of times a year.

TFG notes that there should be an initiative to manage margins more frequently and at a more granular level.

Q5 - Advisory Team - The business owners are satisfied with their team of advisors and their level of support.

Robert strongly disagreed with this comment while Michael somewhat agreed, creating a gap in their responses. TFG strongly disagreed.

Michael once again mentioned John and EOS, the new CPA's and now The Founders Group to provide more business advice. Michael mentioned that they don't really have an attorney.

Robert also stated that they are looking for a good business attorney. The CPA is ok. They are very passive and not aggressive about tax consulting. They primarily deal with Cassie but Jack is the principal. Robert





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feels that they need more personal tax advice as well. They also need a wealth advisor for strategy but not necessarily for Assets Under Management.

TFG believes that a collaborative team should be put in place with the right advisors.

Q8 - Management of Quotes, RFPs, Payroll, Expenses, Commissions - Our team manages the following on a monthly basis: - Commissions

Both Michael and Robert note that the Company doesn't pay sales commissions to the salespeople. Sales Quotes are done basically through SAGE by the salespeople. Prices are updated weekly. A promotions list is generated as well as special items with truckload pricing. If something isn't on promotion, the salespeople will ask Robert or Michael. Good customers will tell you your pricing is too high. Robert and Michael don't know if they are managing their overheads and expenses as well as they could be.

TFG notes that we would want to understand what would happen to sales if a commission structure was implemented.





Market Factors

Understanding the market, the industry and the company's competitive position within that market is extremely important. The more a Company can position itself as either dominant in its market or at least dominant in a niche within that market, the higher the value to an acquirer.

Section Scores: **RL: 62%**, **ML: 35%**, **TFG: 45%**



Key Strengths

- > Q10 - Ideal Clients - The Company has identified who their ideal clients are and are actively working to attract those clients.



Key Opportunities

- > Q6 - Scalable, Repeatable Programs - The Company uses consistent, scalable and repeatable processes for its marketing programs.
- > Q7 - Marketing Programs / Tradeshows & Tracking - The Company maintains a current list of marketing campaigns, programs, tradeshows, and events.
- > Q7 - Marketing Programs / Tradeshows & Tracking - This data is tracked and measured.
- > Q7 - Marketing Programs / Tradeshows & Tracking - There are budgets for the programs and events.
- > Q7 - Marketing Programs / Tradeshows & Tracking - Sales are tracked for these programs and events.





Business Readiness



Market Factor Gaps

Gaps are areas which the difference between the maximum score and minimum score is 2 or greater. A total of 10 gaps were found.

Header	Question Text	Robert Lake	Michael Lake	TFG	Gap
Q1 - Case Studies	The Company has compelling and current customer case studies in place as a marketing tool.	3	1	3	2
Q2 - Customer List	The Company's customer list is current, accurate, and complete.	4	5	3	2
Q2 - Testimonials & References	The Company has a current list of diverse customer testimonials and references.	3	1	3	2
Q3 - Awards / Recognition	The Company has a list of awards and/or recognitions and uses them in its marketing.	3	1	3	2
Q4 - Community Involvement	The Company is recognized for their community, social impact, and/or charitable involvement.	3	2	4	2
Q5 - Marketing Systems	The Company has strong systems, human capital, and plans in place to manage its marketing programs.	4	1	1	3
Q8 - Public Relations / Advertising	The Company maintains a current list of press releases, articles and advertisements.	3	1	3	2
Q9 - Social Media - Presence	The Company's social media presence is comprehensive and effective.	3	1	1	2
Q9 - Social Media - Metrics	The Company reviews metrics and takes action to adjust social media presence as needed.	3	1	1	2
Q11 - Referral Sources	The Company actively stewards its best referral sources and relationships.	4	1	3	3



Market Factors Observations & Recommendations

Q4 - Community Involvement - The Company is recognized for its community, social impact, and/or charitable involvement.

When discussing a Company's brand, its connection with customers, and growing its customer base, a differentiating factor can be its presence in the local community. When a Company and its employees are active in the community, there is a connection made with consumers. When it comes time to purchase/spend in a Company's market/industry, that familiarity and positive image can lead to more revenue generating opportunities. Today, a focused strategy for a Company's community involvement efforts is more the norm than the exception.

Robert was neutral to this question while Michael somewhat disagreed. TFG somewhat agreed, creating a gap in the response from Michael.

Michael stated that there is one non-profit on the website, [REDACTED] Foundation. The foundation helps [REDACTED]. Locally the Company works with food banks, the Children's Hunger Fund and Union Rescue Mission. The Company donates product but there is no real community involvement.

Robert stated that this is not really being done. The Company does it but they aren't recognized for it.

TFG notes that there is an opportunity, if so desired, to be more active in the local community over and above just donating food. This strategy can add value to the Company's brand locally.

Q5 - Marketing Systems - The Company has strong systems, human capital, and plans in place to manage its marketing programs.

For a Company's marketing to be effective and directly correlate to increased revenues, significant infrastructure needs to be in place. There needs to be strong systems, metrics and reporting, human capital, clear messaging, and a focused and targeted marketing strategy and plan in place. A strategic acquirer will place significant value and premium for companies that have strong focus and execution in this area.

Robert somewhat agreed while Michael strongly disagreed, creating a gap in their responses. TFG strongly disagreed.

Michael stated that it's himself, that's it.

Robert commented that he wasn't sure that the Company has the right human capital or enough of it. One of the Company's marketing strategies is to do demos at the [REDACTED]. The Company doesn't have a marketing budget in place but they are looking to bring on a fractional CMO to help market them.



Q9 - Social Media - Presence - The Company's social media presence is comprehensive and effective.

Robert was neutral while Michael strongly disagreed, creating a gap in their responses. TFG strongly disagreed.

Michael is currently working on this.

Robert states that while the Company has a social media presence, he isn't sure how effective it is. Michael is in charge of the posts on Facebook and Instagram.

TFG notes that, in conjunction with hiring a fractional CMO, there is an opportunity to develop a more robust social media presence. While this may not result in any correlated sales increases, it may increase the Company's brand awareness.

Q10 - Ideal Clients - The Company has identified who their ideal clients are and are actively working to attract those clients.

Not all customers are created equal. Companies that can identify who their ideal client is and market effectively to them generate a bigger return on marketing dollar and are more valuable to buyers.

Robert and Michael both strongly agreed with this statement. TFG also strongly agreed.

Michael commented that the Company has a target market strategized and written out but there just aren't too many new customers to attract.

Robert stated that they are working on attracting ideal clients. These customers are [REDACTED] retailers and wholesalers located in major metropolitan cities in the US. Summerland can price out clients they don't want to continue with. Of the 500 customers, 40-60 are ideal clients and 10-15 customers should be dropped.

TFG notes that expansion opportunities are either product based or demographic based in new regions (Pacific Northwest or NY/NJ). TFG isn't sure which one is easier to implement.

Q11 - Referral Sources - The Company actively stewards its best referral sources and relationships.

Wherever possible, a company should identify their best referral sources/relationships and ensure that these relationships are stewarded and monitored regularly. In addition, there should be an iterative process around identifying opportunities to develop new revenue generating relationships.

Robert somewhat agreed while Michael strongly disagreed, creating a gap in their responses. TFG was neutral.

Michael commented that there is no real program to thank friendly competitors when they refer customers over to Summerland.





Robert also commented that friendly vendors and competitors provide the most leads. Robert noted that the largest leads come from the Company's top vendor. Occasionally buyers switch companies and contact Summerland.





Investor Considerations

Positioning the company prior to sale where shareholders control the narrative and the process and can market and communicate that position effectively, will increase the company's attractiveness and value. Having shareholders that present a united front and are committed to the transition process and the transition strategy will help to minimize the risk associated with the process and ensure a successful transaction. From an acquirer's perspective, the less risk associated with the target company, the more attractive the investment becomes, and buyers will pay a premium for these companies.

Section Scores: RL: 50%, ML: 58%, TFG: 48%



Key Strengths

- > Q6 - Transition Period - I am fully prepared to work in the Company as an employee post transition if it will benefit the negotiations of the sale of the business.
- > Q7 - Transition Plan Vision - I believe the legacy of the business post transition is very important.
- > Q10 - Company Documentation - The Company has readily available all corporate documentation (Formation, Articles, Agreements, By-Laws, Minutes, Shared Registry, Shareholder Details).
- > Q11 - Company Documentation - The Company has readily available all contact information for all owners.
- > Q12 - Business & Company Names - The Company has a list of all of the Company's names, DBAs and trade names.



Key Opportunities

- > Q1 - Prior Valuations, Current Valuation - The Company had a business valuation performed recently (less than 2 years ago).





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- > Q4 - Time Frame - The business owner(s) have clearly identified a time frame to transition the business and taken action toward that.
- > Q8 - Sale Considerations - The owner(s) agree on all aspects of the sale including: timeframe, internal vs external strategy, asset vs stock, pricing strategy, asset inclusions/exclusions (stock, assets, IP, Goodwill, Equipment, etc.)
- > Q9 - Tax Consequences - The owner(s) have considered the potential tax consequences and net proceeds of a transaction.





Business Readiness



Investor Consideration Gaps

Gaps are areas which the difference between the maximum score and minimum score is 2 or greater. A total of 3 gaps were found.

Header	Question Text	Robert Lake	Michael Lake	TFG	Gap
Q2 - Satisfaction with Business Value	The business owner(s) would be satisfied to sell the business for the value of the business today (whether professional or your best estimate).	4	4	2	2
Q3 - Value Improvements	The Company has identified initiatives that will improve the value of the business and there is a plan in place to implement these initiatives.	2	5	2	3
Q5 - Key Buyer Criteria	The owner(s) understand the key criteria that potential buyers will be looking for in the business.	2	4	3	2





Investor Considerations Observations & Recommendations

Q1 - Prior Valuations, Current Valuation - The Company had a business valuation performed recently (less than 2 years ago).

Knowing and understanding a Company's value at any point in time is important for business owners but this is even more critical as business owners contemplate transitioning their Company. How can a business owner accurately and confidently contemplate opportunities to transition (internal versus external) and any unsolicited offers that present themselves without knowing an approximate value of the business prior to initiating those discussions?

Both Robert and Michael strongly disagreed with this statement as did TFG.

In his response Michael stated that the Company hasn't had a valuation performed but he thinks the Company has a value of approximately \$30-40 million based on an 8x multiple of \$4 million of EBITDA. Michael got this from a Private Equity firm when it was discussed in November of 2022.

Robert is hopeful that the valuation will be in the \$16-20 million range based on a 5-6 multiple on \$3 million of EBITDA.

TFG notes that by understating inventory, which raises cost of goods sold, the Company is understating its profits (for tax purposes). It's possible that the valuation may be understated for this reason.

Q2 - Satisfaction with Business Value - The business owner(s) would be satisfied to sell the business for the value of the business today (whether professional or your best estimate).

One of the main reasons that business transitions derail is due to the business owner(s) being unhappy with the final offer presented by the buyer post due diligence. This offer is usually much lower than the business owner's expectation (realistic or otherwise) of the value of their Company and what they were expecting to receive. By then, considerable time and money have been spent on the transaction. Knowing what the realistic valuation of the Company is prior to initiating a transition becomes extremely important in setting expectations for the business owner to ensure satisfaction at transition as well as providing a baseline with which to evaluate potential offers.

Both Robert and Michael somewhat agreed with this statement. TFG somewhat disagreed, which created a gap in the responses of the shareholders.

In his comments, Michael stated that he would consider taking the money and moving on to a different company in the same space but with better margins and/or do some consulting. TFG asked if Michael would be happy selling for \$35 million and his response was that he would keep the Company and



continue to run it and use it as a cash cow. Michael is working with other companies and investing and advising and he's enjoying it.

Robert believes that 3 out of the 4 shareholders would be happy (their father would be the 4th and not happy). This arises because their father is and always has been very tax averse.

TFG doesn't believe that the shareholders will be happy with Robert's number but maybe they would be happy with Michael's estimate. Currently TFG doesn't believe that the shareholders have a strong conviction to sell as of yet.

Q3 - Value Improvements - The Company has identified initiatives that will improve the value of the business and there is a plan in place to implement these initiatives.

Ensuring that a business owner maximizes the value of the business they are planning to transition, in most cases, is critical. There are times when the timing or reasons for a potential sale of the business can outweigh any valuation conversation but, in most cases, increasing the value of the business can be accomplished even in a shorter timeframe. There are certain enhancements that can be made even around de-risking the business for the potential acquirer that will yield higher values. Of course, the more time available to make more strategic value improvements, the more value can be generated prior to any transition.

Robert somewhat disagreed with this statement while Michael strongly agreed, creating a gap in their responses. TFG somewhat disagreed.

Michael wants to refocus on their Private Label business, developing a marketing Strategy that includes a CRM system and scheduled consistent marketing efforts.

Robert feels that the shareholders know some of the initiatives but not all of them and they have no plan in place to implement them. Robert is also focused on developing the IP (trademarks), marketing, and a professionalized sales management team and process. Robert doesn't necessarily agree with Michael and the need for additional warehouse space. Robert believes that adding new products and salespeople who can penetrate additional territories would be more valuable. Robert wants to grow the Company but asks himself how fast and how far? Robert is concerned about the increased workload if they try to grow the business. "What would it take to grow the business?". Michael and Robert agree they want to grow but do not agree on the vision for that growth.

TFG noted that Robert mentioned that when the shareholders vote on something, they need a majority (3 out of 4 shareholders). Even though the percentages are not all equal, the four shareholders all have an equal vote.

TFG also notes that there is no documented strategic plan in place to grow the Company. TFG believes we can offer significant value to the Company by focusing the shareholders and bringing alignment and then helping to implement the plan.





Q5 - Key Buyer Criteria - The owner(s) understand the key criteria that potential buyers will be looking for in the business.

The business owner(s) should understand what key drivers and factors a potential buyer will focus on when contemplating a purchase of the business (revenues, brand, process, intellectual property, human capital, management, territories, economies of scale, synergies etc.). The more a business owner understands what these value drivers are the more ready they will be to effectuate a strategic transition plan and negotiate terms.

Robert somewhat disagreed with this statement while Michael somewhat agreed, creating a gap in their responses. TFG was neutral.

Michael believes he is getting a good understanding. He believes that the Company needs good margins and significant growth potential, leadership in place that can run on their own, a strong culture, and vendor contracts.

Robert stated that he knows some of them and they include professional management, less owner reliance, healthy sales and margin growth, IP development, and vendor agreements.

TFG notes that there are other key areas that will help the shareholders maximize the Company value in the eyes of a buyer.

Q9 - Tax Consequences - The owner(s) have considered the potential tax consequences and net proceeds of a transaction.

One of the most often overlooked areas related to a business transition are the tax consequences to all shareholders that will occur once a transition is executed. Having a tax plan in place prior to any transition execution (that can hold up to IRS and state government look backs) is critical to ensure that shareholders are ready to transition.

Robert somewhat disagreed with this statement while Michael strongly disagreed. TFG also strongly disagreed.

Michael stated that he has considered the tax effects but doesn't know how to handle it. He recognizes that there will be a potentially large tax consideration but is unsure on how to minimize the taxes on any transition.

Robert also stated that he has considered this but has not done anything about it. He stated that this was one of the reasons we were contacted.

TFG notes that we can help the shareholders (including their parents) deal with this potential tax obligation and help to minimize taxes under a structured plan that takes into consideration all of the shareholders' assets, not just the Company.





Appendix - Business Attractiveness

The appendix provides a summary of all scored questions and their corresponding responses from each participant.





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Business Factors





Category	Question	Robert Lake	Michael Lake	TFG	
Q1 - Ideal Customer	The Company can easily identify where the majority of the revenue is sourced (advertisements, social media, referrals, contracts, etc.).	Strongly agree (5)	Strongly agree (5)	Strongly agree (5)	
Q2 - Referral Sources	I am extremely knowledgeable about who the Company's biggest referral sources are and can identify how much each contribute to revenues.	Somewhat disagree (2)	Somewhat agree (4)	Somewhat disagree (2)	
Q3 - Customer Loyalty	Our Customers are extremely loyal to the Company.	Neutral (3)	Somewhat agree (4)	Neutral (3)	
Q4 - Customer Concentration	You are confident the Company does not have a customer concentration issue (revenue is sourced from many different customers).	Somewhat agree (4)	Strongly agree (5)	Somewhat agree (4)	
Q5 - Repeat Customers	What percentage of customers are repeat buyers of your products and/or services?	Above 40% (5)	Above 40% (5)	Above 40% (5)	
Q6 - Existing versus New Revenue	What percentage of revenues come from existing customers?	Above 40% (5)	Above 40% (5)	Above 40% (5)	
Q7 - Existing versus New Revenue	I believe the company has a much larger percentage of repeat customers than the rest of the industry.	Neutral (3)	Somewhat disagree (2)	Somewhat disagree (2)	
Q8 - Branding	The company's brand alone strongly and effectively attracts new customers.	Somewhat agree (4)	Strongly agree (5)	Strongly agree (5)	
Q9 - Reputation	The business reputation of the company positively impacts this company's brand and ability to attract new customers.	Strongly agree (5)	Strongly agree (5)	Strongly agree (5)	
Q10 - Intellectual Property	The Company has Intellectual Property (Patents, Trademarks, Copyrights, Proprietary Software, Formulas, Trade Secrets, Brands).	Yes (5)	N/A (0)	Yes (5)	
Q10 - Intellectual Property (Continued)	Q10 - Intellectual Property (Continued)				
Q10 - Intellectual Property (Continued)	The IP portfolio is very important to the Company's business model.	Somewhat disagree (2)		Somewhat disagree (2)	



Category	Question	Robert Lake	Michael Lake	TFG	
Q10 - Intellectual Property (Continued) Q10 - Intellectual Property (Continued)-logic2	Q10 - Intellectual Property (Continued) The Company has full ownership and protection of the IP.	Somewhat disagree (2)		Somewhat disagree (2)	
Q11 - Management & Employee Contracts	There are well developed agreements with company management and employees regarding employment, non-solicitation, non-compete, and IP.	Strongly disagree (1)	Strongly disagree (1)	Somewhat disagree (2)	
Q12 - Location	The business is independent of its present location (it could easily be successful if it moved somewhere else).	Somewhat disagree (2)	Somewhat agree (4)	Somewhat disagree (2)	
Q13 - Reliance on Owner	The business functions independently and smoothly without me.	Somewhat agree (4)	Somewhat agree (4)	Neutral (3)	
Q14 - Management Team	The management team is strong enough to operate effectively without me.	Somewhat disagree (2)	Somewhat agree (4)	Somewhat disagree (2)	
Q15 - Management Team	The management team would be very impressive to an investor.	Somewhat agree (4)	Somewhat agree (4)	Neutral (3)	
Q16 - Business Systems	The Company's business systems are very effective.	Strongly agree (5)	Strongly agree (5)	Strongly agree (5)	
Q17 - Business Systems	The Company's business systems are very reliable.	Strongly agree (5)	Strongly agree (5)	Strongly agree (5)	
Q18 - Culture	The Company's culture is well-defined and easily communicated.	Somewhat agree (4)	Somewhat agree (4)	Somewhat agree (4)	
Q19 - Culture	The Company's culture represents what you believe in and how you want the world to see you.	Strongly agree (5)	Strongly agree (5)	Strongly agree (5)	
Q20 - Policies and Procedures	The Company's policies and procedures are effective for each line of business.	Somewhat agree (4)	Strongly agree (5)	Somewhat agree (4)	



Financial Factors

Category	Question	Robert Lake	Michael Lake	TFG	
Q1 - Net Income	I am very satisfied with the net income generated by the company the past three years.	Somewhat agree (4)	Strongly agree (5)	Neutral (3)	
Q3 - Revenue Growth	How much revenue growth are you forecasting in your business over each of the next 2-3 years?	1%-7% (2)	1%-7% (2)	1%-7% (2)	
Q4 - Net Income and Growth	How much net income growth are you forecasting in your business over each of the next 2-3 years?	1%-7% (2)	1%-7% (2)	1%-7% (2)	
Q5 - Revenue Streams	The company's revenue streams are very steady.	Somewhat agree (4)	Strongly agree (5)	Somewhat agree (4)	
Q6 - Revenue Streams	What percentage of the company's revenue streams are recurring?	Above 40% (5)	Above 40% (5)	Above 40% (5)	
Q7 - Balance Sheet	The company's balance sheet is extremely strong. (Balance sheet includes cash on hand, working capital, debt and equity levels.)	Strongly agree (5)	Strongly agree (5)	Strongly agree (5)	
Q8 - Working Capital	The company's working capital is easily strong enough to support ongoing operations.	Strongly agree (5)	Strongly agree (5)	Strongly agree (5)	
Q9 - Debt Levels	Considering the company's debt levels, including any seasonality and how the balance relates to the credit limit, I feel comfortable with the company's current and long-term debt.	Strongly agree (5)	Strongly agree (5)	Somewhat agree (4)	
Q10 - Capital Improvements	The company's reserves are easily sufficient to cover all required capital improvements.	Strongly agree (5)	Strongly agree (5)	Somewhat agree (4)	



Market Factors

Category	Question	Robert Lake	Michael Lake	TFG	
Q1 - Market Strength	The industry/market in which the company operates is strong and growing.	Strongly agree (5)	Somewhat agree (4)	Somewhat agree (4)	
Q2 - Entering the Market	The barriers to entry make it extremely difficult for other companies to enter this market.	Strongly disagree (1)	Somewhat disagree (2)	Strongly disagree (1)	
Q3 - Competitive Advantage	The Company has a strong competitive advantage within the industry.	Somewhat agree (4)	Somewhat agree (4)	Somewhat agree (4)	
Q5 - Market Share	I am satisfied with the company's market share.	Somewhat agree (4)	Somewhat disagree (2)	Somewhat disagree (2)	
Q6 - New Product Launches	The company is actively pursuing new product launches.	Strongly agree (5)	Strongly agree (5)	Strongly agree (5)	
Q7 - New Markets Penetration	The company is actively pursuing new markets for existing products.	Neutral (3)	Strongly agree (5)	Neutral (3)	
Q8 - Economic Prosperity	The company is positively impacted by current economic or political conditions.	Strongly agree (5)	Somewhat agree (4)	Somewhat agree (4)	
Q9 - Economic Prosperity	The company is negatively impacted by current economic or political conditions.	Neutral (3)	Somewhat disagree (4)	Neutral (3)	





Investor Considerations

Category	Question	Robert Lake	Michael Lake	TFG	
Q1 - Commitment to Exit	I have a strong conviction that I should sell/transition the business.	Strongly agree (5)	Somewhat agree (4)	Neutral (3)	
Q2 - Commitment to Exit	Over what time frame would that sale or transition occur?	5+ years (5)	4-5 years (4)	5+ years (5)	
Q3 - Internal or External	I am confident I understand all of my internal and external transition options very well.	Strongly agree (5)	Strongly disagree (1)	Neutral (3)	
Q4 - Business Value	I have a strong understanding of the current value of my business.	Somewhat disagree (2)	Somewhat agree (4)	Neutral (3)	
Q5 - Business Alignment	The company has great synergies with other types of companies in this industry and/or similar industries. There are many complimentary business opportunities.	Somewhat agree (4)	Strongly agree (5)	Somewhat agree (4)	
Q6 - Risky Investment	My business represents a safe (less risky) investment to a potential buyer.	Neutral (3)	Strongly agree (5)	Somewhat agree (4)	
Q7 - Market Hype	In this industry, there are great opportunities for new and exciting advancements that would attract a potential investor, such as buzz related to innovation, cutting-edge technologies, or other advancements.	Neutral (3)	Somewhat agree (4)	Neutral (3)	





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Appendix - Business Readiness

The appendix provides a summary of all scored questions and their corresponding responses from each participant.





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Business Factors





Category	Question	Robert Lake	Michael Lake	TFG	
Q1 - Business Consistency	How would you characterize business revenues and profits over the past 3 years?	Significant increase (5)	Slight increase (4)	Slight increase (4)	80-100%
Q2 - Owner Reliance	The business relies on people other than the owner(s) for strategic vision and key decision making.	Somewhat disagree (2)	Somewhat disagree (2)	Somewhat disagree (2)	0-50%
Q3 - Positioning in Growth Market, Products Offered	The business is focused on growth markets and its products/services are in high demand.	Somewhat agree (4)	Somewhat disagree (2)	Neutral (3)	51-79%
Q4 - Value Gap	If the business were to be sold today, we would've already achieved all the possible value.	Strongly disagree (1)	Strongly disagree (1)	Strongly disagree (1)	0-50%
Q5 - Brand Improvement	We have identified opportunities and already taken steps toward brand improvement.	Somewhat agree (4)	Strongly agree (5)	Somewhat agree (4)	80-100%
Q6 - Brand Value	The strength of this brand will command a premium in the purchase price.	Somewhat disagree (2)	Somewhat disagree (2)	Neutral (3)	
Q8 - Succession Plan	There is a documented succession and compensation plan in place with fully qualified managers positioned to take over the responsibilities of the owners.	Strongly disagree (1)	Strongly disagree (1)	Strongly disagree (1)	0-50%
Q9 - Contingency Plan	There is a contingency plan in place to ensure the business continues to run effectively should the owner become incapacitated due to death/disability.	Strongly disagree (1)	Strongly disagree (1)	Strongly disagree (1)	0-50%
Q10 - Training	There are training programs in place to elevate employees/management to take on higher roles and increased responsibilities.	Somewhat disagree (2)	Strongly agree (5)	Neutral (3)	51-79%
Q11 - Employee Confidentiality	I understand and agree that it is important to keep any potential sale of the business confidential - including from employees.	Somewhat disagree (2)	Strongly agree (5)	Somewhat agree (4)	51-79%



Category	Question	Robert Lake	Michael Lake	TFG	
Q12 - Employee Reaction, Issues, Retention	I understand the impact potential employee defection could have to the business and transition, where they learn of the sale of the business.	Strongly agree (5)	Neutral (3)	Strongly agree (5)	
Q13 - Bonuses	There is a retention bonus plan in place to retain key employees prior to the transition of the business.	Strongly disagree (1)	Strongly disagree (1)	Strongly disagree (1)	
Q14 - Job Descriptions	There are well documented job descriptions/duties in place for each position.	Strongly agree (5)	Strongly agree (5)	Somewhat agree (4)	
Q15 - Non-Compete and Non-Solicitation	The Company has executed non-competition, non-solicitation agreements, and employee contracts in place with all employees.	Strongly disagree (1)	Strongly disagree (1)	Strongly disagree (1)	
Q16 - IP Sign-off Employees/Contractors	There are employee/contractor agreements in place which specifically state that all IP is owned by the Company.		Somewhat disagree (2)	Somewhat disagree (2)	
Q17 - Policies & Procedures	The Company has clear policies and procedures in place for all business functions within the Company.	Somewhat disagree (2)	Somewhat agree (4)	Somewhat disagree (2)	
Q18 - Employee Manual	The Company has an employee handbook in place and every employee signs and receives a copy of the employee handbook.	Strongly agree (5)	Strongly agree (5)	Strongly agree (5)	
Q18 - Employee Manual (Continued)-logic1	Q18 - Employee Manual (Continued) The content of the Employee Handbook is current.	Strongly agree (5)	Strongly agree (5)	Strongly agree (5)	
Q19 - Performance Review - Effectiveness	The Company has an effective performance review process in place.	Somewhat disagree (2)	Somewhat agree (4)	Neutral (3)	



Category	Question	Robert Lake	Michael Lake	TFG	
Q20 - Employee Morale	Employees are motivated and morale is high.	Somewhat agree (4)	Somewhat agree (4)	Somewhat agree (4)	
Q21 - Employee Roles & Ownership	Employees are in the right positions to effectively operate the Company.	Somewhat agree (4)	Strongly agree (5)	Somewhat agree (4)	
Q21 - Employee Roles & Ownership (continued)	Q21 - Employee Roles & Ownership (continued) Employees take ownership of their roles within the Company.	Somewhat agree (4)	Strongly agree (5)	Somewhat agree (4)	
Q22 - Team Work	Employees work well together and communicate effectively as a team.	Strongly agree (5)	Strongly agree (5)	Strongly agree (5)	
Q23 - Employee Contributions	Owners encourage employees to contribute to the tactical and strategic planning for the Company.	Neutral (3)	Somewhat disagree (2)	Somewhat disagree (2)	
Q24 - Staff Turnover	The Company has low employee turnover.	Somewhat agree (4)	Strongly agree (5)	Somewhat agree (4)	
Q25 - Trademarks & Patents, Software, Licensing Agreements, Royalties ("IP")	Q25 - Trademarks & Patents, Software, Licensing Agreements, Royalties ("IP") The Company has a readily available, documented list of all IP including expiration dates and other key details.	Strongly disagree (1)	Strongly disagree (1)	Strongly disagree (1)	
Q25 - Domain Names	The Company has a readily available, documented list of domain names and expiration dates.	Strongly agree (5)	Strongly agree (5)	Strongly agree (5)	



Category	Question	Robert Lake	Michael Lake	TFG	
Q26 - Contracts - Customer, Supplier, Support/Maintenance, Leases, Insurance, Web Hosting ("Contracts")	<p>Q26 - Contracts - Customer, Supplier, Support/Maintenance, Leases, Insurance, Web Hosting ("Contracts")</p> <p>The Company has a documented list and repository of all contracts (customer, supplier, strategic alliances, support/maintenance, leases, finance, warranties & guarantees, insurance, web hosting).</p>	Strongly disagree (1)	Strongly agree (5)	Strongly disagree (1)	
Q26 - Contracts - Customer, Supplier, Support/Maintenance, Leases, Insurance, Web Hosting ("Contracts")	<p>Q26 - Contracts - Customer, Supplier, Support/Maintenance, Leases, Insurance, Web Hosting ("Contracts")</p> <p>Each of these contracts is reviewed at least annually.</p>	Strongly disagree (1)	Neutral (3)	Strongly disagree (1)	
Q27 - ERP, Manufacturing, Accounting, Inventory Management, CRM Systems	<p>The Company has effective business systems in place (ERP, CRM, Accounting, Quoting, Logistics, Inventory Management, Manufacturing, Supply Chain, WMS) to manage the operations.</p>	Somewhat agree (4)	Strongly agree (5)	Somewhat agree (4)	
Q28 - Customer & Vendor Databases	<p>Customer and vendor databases are highly accurate, free of duplicates, contain pertinent details and are maintained regularly.</p>	Strongly disagree (1)	Neutral (3)	Strongly disagree (1)	
Q29 - Marketing Database	<p>The Company has a marketing database to track marketing campaigns, leads, and the progression of leads through the sales process.</p>	Strongly disagree (1)	Strongly disagree (1)	Strongly disagree (1)	



Category	Question	Robert Lake	Michael Lake	TFG	
Q30 - 401(k) or Profit Sharing Plans	Q30 - 401(k) or Profit Sharing Plans The Company is compliant with any 401(k) or profit sharing plans.		Strongly agree (5)	Strongly agree (5)	
Q30 - 401(k) or Profit Sharing Plans	Q30 - 401(k) or Profit Sharing Plans There is a defined benefit program for the executives/officers.	Neutral (3)	Neutral (3)	Neutral (3)	
Q31 - Employee Obligations	The Company is current with any obligations owed to employees.	Strongly agree (5)	Strongly agree (5)	Strongly agree (5)	
Q32 - Tax Obligations	The Company is current with all tax obligations (income, sales, state, property).	Strongly agree (5)	Strongly agree (5)	Strongly agree (5)	
Q33 - Environmental and Regulatory	The Company does not have any pending or potential regulatory or environmental issues.	Strongly agree (5)	Strongly agree (5)	Strongly agree (5)	
Q34 - Contingencies	The Company does not have any potential lawsuits or other contingent liabilities.	Strongly agree (5)	Strongly agree (5)	Strongly agree (5)	



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Financial Factors





Category	Question	Robert Lake	Michael Lake	TFG	
Q1 - Tax Returns	The Company's reviewed or audited financial statements are available for the past 5 years.	Strongly agree (5)	Strongly agree (5)	Strongly agree (5)	
Q2 - Financial Statements	The owners receive and review monthly financial statements.	Somewhat agree (4)	Strongly disagree (1)	Neutral (3)	
	The monthly financial statements are re-casted to include add backs to normalize the earnings of the business.	Strongly disagree (1)	Strongly disagree (1)	Strongly disagree (1)	
Q3 - Management Reports	The owners receive and review management reports monthly (sales by customer/product, orders on hand, inventory, employee metrics).	Strongly agree (5)	Strongly agree (5)	Strongly agree (5)	
Q4 - Gross Margins	The owners review gross margins by product on a regular basis. There are standardized procedures in place to manage products that show a decline in margin or increase in cost of sales.	Somewhat disagree (2)	Strongly agree (5)	Neutral (3)	
Q5 - Advisory Team	The business owners are satisfied with their team of advisors and their level of support.	Strongly disagree (1)	Somewhat agree (4)	Strongly disagree (1)	
Q5 - Advisory Team	The Company has regular meetings with its advisors.	Somewhat agree (4)	Strongly agree (5)	Somewhat agree (4)	
Q6 - 12-24 Month Forecast	The Company has detailed 12-24 month projections and forecast cash flows with assumptions in place.	Somewhat disagree (2)	Neutral (3)	Somewhat disagree (2)	
Q7 - Inventory/COGS Management	Our team manages inventory/cost of goods sold/gross margins monthly.	Strongly agree (5)	Strongly agree (5)	Neutral (3)	
Q8 - Management of Quotes, RFPs, Payroll, Expenses, Commissions	Our team manages the following on a monthly basis: - Quotes and the RFP process	Strongly agree (5)	Strongly agree (5)	Strongly agree (5)	



Category	Question	Robert Lake	Michael Lake	TFG	
Q8 - Management of Quotes, RFPs, Payroll, Expenses, Commissions	Our team manages the following on a monthly basis: - Timeliness and accuracy of Payroll	Strongly agree (5)	Strongly agree (5)	Strongly agree (5)	
Q8 - Management of Quotes, RFPs, Payroll, Expenses, Commissions	Our team manages the following on a monthly basis: - Overhead and Expenses	Somewhat agree (4)	Somewhat agree (4)	Somewhat agree (4)	
Q8 - Management of Quotes, RFPs, Payroll, Expenses, Commissions	Our team manages the following on a monthly basis: - Commissions	Neutral (3)	Neutral (3)	Neutral (3)	
Q8 - Management of Quotes, RFPs, Payroll, Expenses, Commissions (Continued)	Q8 - Management of Quotes, RFPs, Payroll, Expenses, Commissions (Continued) The Company offers sales commissions.	Neutral (3)	Neutral (3)	Neutral (3)	
Q9 - Frequency of Purchase, Customers, Leads, Conversion Rates, Launches into Existing, New Markets	The Company investigates immediate revenue expansion programs such as: - Increasing the frequency of purchases	Somewhat disagree (2)	Strongly disagree (1)	Somewhat disagree (2)	
Q9 - Frequency of Purchase, Customers, Leads, Conversion Rates, Launches into Existing, New Markets	The Company investigates immediate revenue expansion programs such as: - Increasing pricing	Somewhat agree (4)	Strongly disagree (1)	Neutral (3)	
Q9 - Frequency of Purchase, Customers, Leads, Conversion Rates, Launches into Existing, New Markets	The Company investigates immediate revenue expansion programs such as: - Increasing the number of customers	Somewhat agree (4)	Strongly disagree (1)	Somewhat disagree (2)	
Q9 - Frequency of Purchase, Customers, Leads, Conversion Rates, Launches into Existing, New Markets	The Company investigates immediate revenue expansion programs such as: - Increasing the number of leads	Neutral (3)	Strongly disagree (1)	Neutral (3)	
Q9 - Frequency of Purchase, Customers, Leads, Conversion Rates, Launches into Existing, New Markets	The Company investigates immediate revenue expansion programs such as: - Improving conversion rates	Neutral (3)	Strongly disagree (1)	Somewhat disagree (2)	



Category	Question	Robert Lake	Michael Lake	TFG	
Q9 - Frequency of Purchase, Customers, Leads, Conversion Rates, Launches into Existing, New Markets	The Company investigates immediate revenue expansion programs such as: - New products launched into existing markets	Strongly agree (5)	Strongly agree (5)	Strongly agree (5)	
Q9 - Frequency of Purchase, Customers, Leads, Conversion Rates, Launches into Existing, New Markets	The Company investigates immediate revenue expansion programs such as: - New products launched into new markets	Neutral (3)	Strongly disagree (1)	Somewhat disagree (2)	
Q9 - Frequency of Purchase, Customers, Leads, Conversion Rates, Launches into Existing, New Markets	The Company investigates immediate revenue expansion programs such as: - Repackaging products into new markets	Somewhat agree (4)	Strongly disagree (1)	Neutral (3)	
Q9 - Frequency of Purchase, Customers, Leads, Conversion Rates, Launches into Existing, New Markets	The Company investigates immediate revenue expansion programs such as: - Launching existing products into new markets	Strongly agree (5)	Somewhat agree (4)	Somewhat agree (4)	



Market Factors





Category	Question	Robert Lake	Michael Lake	TFG	
Q1 - Case Studies	The Company has compelling and current customer case studies in place as a marketing tool.	Neutral (3)	Strongly disagree (1)	Neutral (3)	
Q2 - Customer List	The Company's customer list is current, accurate, and complete.	Somewhat agree (4)	Strongly agree (5)	Neutral (3)	
Q2 - Testimonials & References	The Company has a current list of diverse customer testimonials and references.	Neutral (3)	Strongly disagree (1)	Neutral (3)	
Q3 - Awards / Recognition	The Company has a list of awards and/or recognitions and uses them in its marketing.	Neutral (3)	Strongly disagree (1)	Neutral (3)	
Q4 - Community Involvement	The Company is recognized for their community, social impact, and/or charitable involvement.	Neutral (3)	Somewhat disagree (2)	Somewhat agree (4)	
Q5 - Marketing Systems	The Company has strong systems, human capital, and plans in place to manage its marketing programs.	Somewhat agree (4)	Strongly disagree (1)	Strongly disagree (1)	
Q6 - Scalable, Repeatable Programs	The Company uses consistent, scalable and repeatable processes for its marketing programs.	Somewhat disagree (2)	Strongly disagree (1)	Strongly disagree (1)	
Q7 - Marketing Programs / Tradeshow & Tracking - The Company maintains a current list of marketing campaigns, programs, tradeshow, and events.		Strongly disagree (1)	Strongly disagree (1)	Strongly disagree (1)	
Q7 - Marketing Programs / Tradeshow & Tracking - This data is tracked and measured.		Strongly disagree (1)	Strongly disagree (1)	Strongly disagree (1)	
Q7 - Marketing Programs / Tradeshow & Tracking - There are budgets for the programs and events.		Strongly disagree (1)	Strongly disagree (1)	Strongly disagree (1)	



Category	Question	Robert Lake	Michael Lake	TFG	
Q7 - Marketing Programs / Tradeshows & Tracking - Sales are tracked for these programs and events.		Strongly disagree (1)	Strongly disagree (1)	Strongly disagree (1)	
Q8 - Public Relations / Advertising	The Company maintains a current list of press releases, articles and advertisements.	Neutral (3)	Strongly disagree (1)	Neutral (3)	
Q9 - Social Media - Presence	The Company's social media presence is comprehensive and effective.	Neutral (3)	Strongly disagree (1)	Strongly disagree (1)	
Q9 - Social Media - Metrics	The Company reviews metrics and takes action to adjust social media presence as needed.	Neutral (3)	Strongly disagree (1)	Strongly disagree (1)	
Q10 - Ideal Clients	The Company has identified who their ideal clients are and are actively working to attract those clients.	Strongly agree (5)	Strongly agree (5)	Strongly agree (5)	
Q11 - Referral Sources	The Company actively stewards its best referral sources and relationships.	Somewhat agree (4)	Strongly disagree (1)	Neutral (3)	
Q12 - Consistent Messages	The Company's marketing materials, digital presence, and conversations deliver a consistent and effective message.	Somewhat agree (4)	Somewhat agree (4)	Neutral (3)	



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Investor Considerations





Category	Question	Robert Lake	Michael Lake	TFG	
Q1 - Prior Valuations, Current Valuation	The Company had a business valuation performed recently (less than 2 years ago).	Strongly disagree (1)	Strongly disagree (1)	Strongly disagree (1)	
Q2 - Satisfaction with Business Value	The business owner(s) would be satisfied to sell the business for the value of the business today (whether professional or your best estimate).	Somewhat agree (4)	Somewhat agree (4)	Somewhat disagree (2)	
Q3 - Value Improvements	The Company has identified initiatives that will improve the value of the business and there is a plan in place to implement these initiatives.	Somewhat disagree (2)	Strongly agree (5)	Somewhat disagree (2)	
Q4 - Time Frame	The business owner(s) have clearly identified a time frame to transition the business and taken action toward that.	Strongly disagree (1)	Strongly disagree (1)	Strongly disagree (1)	
Q5 - Key Buyer Criteria	The owner(s) understand the key criteria that potential buyers will be looking for in the business.	Somewhat disagree (2)	Somewhat agree (4)	Neutral (3)	
Q6 - Transition Period	I am fully prepared to work in the Company as an employee post transition if it will benefit the negotiations of the sale of the business.	Strongly agree (5)	Strongly agree (5)	Strongly agree (5)	
Q7 - Transition Plan Vision	I believe the legacy of the business post transition is very important.	Somewhat agree (4)	Strongly agree (5)	Strongly agree (5)	
Q8 - Sale Considerations	The owner(s) agree on all aspects of the sale including: timeframe, internal vs external strategy, asset vs stock, pricing strategy, asset inclusions/exclusions (stock, assets, IP, Goodwill, Equipment, etc.)	Strongly disagree (1)	Strongly disagree (1)	Strongly disagree (1)	
Q9 - Tax Consequences	The owner(s) have considered the potential tax consequences and net proceeds of a transaction.	Somewhat disagree (2)	Strongly disagree (1)	Strongly disagree (1)	
Q10 - Company Documentation	The Company has readily available all corporate documentation (Formation, Articles, Agreements, By-Laws, Minutes, Shared Registry, Shareholder Details).	Somewhat agree (4)	Somewhat agree (4)	Somewhat agree (4)	
Q11 - Company Documentation	The Company has readily available all contact information for all owners.	Strongly agree (5)	Strongly agree (5)	Strongly agree (5)	



Category	Question	Robert Lake	Michael Lake	TFG	
Q12 - Business & Company Names	The Company has a list of all of the Company's names, DBAs and trade names.	Somewhat agree (4)	Strongly agree (5)	Strongly agree (5)	

