

**CONFIDENTIAL BUSINESS
REVIEW**

ACME ENTERPRISES LIMITED

DECEMBER 2011

CONFIDENTIAL BUSINESS REVIEW

The information presented in this document is highly sensitive and confidential and is use only by those who have signed a Confidentiality Agreement for the purposes of considering the business herein for acquisition. This Confidential Business Review and the information presented shall be treated as Secret and Confidential and no part of it shall be disclosed to others, except as provided in the Confidentiality Agreement. This Confidential Business Review cannot be reproduced, duplicated or revealed, in whole or in part, or used in any other manner without the prior written permission of Business Broker Acquisitions & Divestitures Inc. Should there be no interest in the business as an acquisition, this Confidential Business Review and all information shall be promptly returned to Business Broker Acquisitions & Divestitures Inc.

PURPOSE

The Confidential Business Review, presented by Business Broker Acquisitions & Divestitures Inc. is intended to acquaint a prospective purchaser with preliminary information regarding **Acme Enterprises Ltd. (The Company)** whose business is currently available for acquisition. The format of the Confidential Business Review is designed to reflect to a prospective purchaser the factors that create value within the businesses.

This Confidential Business Review is only being furnished to prospective purchasers having signed a Confidentiality Agreement, and having made a specific request for information regarding the business for the purposes of determining any interest in submitting an offer to acquire the businesses. Each prospective purchaser is responsible for the performance and expense of the due diligence review prior to any acquisition of the businesses.

DISCLAIMER

The information contained in this Confidential Business Review, including but not limited to the following description and financial information, has been supplied by our client. Business Broker Acquisitions & Divestitures Inc. has not audited or otherwise confirmed this information and makes no representations, expressed or implied, as to the accuracy or completeness or the conclusions to be drawn and shall in no way be responsible for the content, accuracy and truthfulness of such information.

By accepting this Confidential Business Review, the recipient acknowledges the responsibility to perform a due diligence review prior to any acquisition of the businesses.

1.0 INTRODUCTION AND GENERAL INFORMATION

1.1 QUICK FACTS

Legal Name: Acme Enterprises Limited

Operating Name/DBA: Acme

Description: Sales and Installation of Building Materials

SIC Code:

1752 Carpet and Building Installation
1752-01 Tile-Non-Ceramic-Contractors & Dealers
1752-03 Floor Laying Refinishing & Resurfacing
1752-06 Carpet Layers

NAICS Code:

238330 Building Contractors
44221 Floor Covering Stores

Business Entity: Limited Company (LTD.)

Size of Business: Premises – 4663 square feet, in one building built in 1978
Employees – 5 full time employees including the 2 owners, and 8 building subcontractors.

Current Owners: James Rabell and Susan Singh.

Company Founded: 1969 - ACME ENTERPRISES LIMITED

Gross Revenue:

FYE 2007 \$5,100,372
FYE 2008 \$5,250,526
FYE 2009 \$5,683,318
FYE 2010: \$5,514,479
FYE 2011: \$6,270,571
2012 Projected: \$6,500,000

Normalized EBITDA:

FYE 2007 \$ 934,481
FYE 2008 \$ 976,774
FYE 2009 \$ 1,123,879
FYE 2010 \$ 1,192,524
FYE 2011 \$1,380,108
2012 Projected: \$1,415,200

Type of Sale: Share Sale

Asking Price: \$5,000,000. See section 1.4 – Price Determination.

1.2 BUSINESS OVERVIEW

The Company has been the dominant building provider in Wikanapi and the rest of the Nunavut Territory since 1969. The company supplies and installs carpet and building for both the commercial and residential markets. The Company can reasonably expect to maintain a steady increase in revenue for the foreseeable future and beyond. Sales are consistently strong and the Company can rely almost exclusively on word of mouth advertising for its marketing/sales generation. Sales have been increasing at an average of 7.5% per year over the last five years, with the gross margin remaining consistent in the 40% range, and with operating expenses remaining steady in the 12-14% range. Despite the economic downturn in 2008, the Company's sales and gross margin have both increased every year since. The Nunavut economy continues to grow, as does the size of the population, both of which suggest continued growth in the building sector upon which the Company relies for its revenue. Ownership of the Company is split 50/50 between James Rabelland Susan Singh. They purchased the Company in 1994 and 1999 respectively. Previously the company had been owned by two brothers since it was established in 1969. Sales are split roughly evenly between residential and commercial business, with a significant customer base who are contractors supplying multiple contracts over many years.

1.3 THE SALE

Shares v. Asset Sale

While consideration will be given to an asset sale, the asking price reflects a share sale, which is the strong preference of the sellers. A share sale will allow the sellers to take advantage of their one time \$750,000 capital gains exemptions. An asset sale would increase the asking price by the net tax effect to the seller which is estimated to be in excess of \$300,000.

1.4 PRICING DETERMINATION

Pricing and valuation of the Company has been based on anticipated future cash flow, determined by capitalization of a weighted average of normalized earnings, considering the historical results for the last five full fiscal years plus projected results for fiscal 2012.

Justification and Purpose of Pricing

This section is designed to layout the basis on which the Asking Price has been established and justified based on the financial history of the Company up to the 2011 fiscal year ended January 31, and the projections for 2012. The Financials were compiled under a Notice To Reader report by Accountants Ltd. Chartered Accountants. The Asking Price is based on:

- what the Company earns,
- what the Company owns, and
- what the discretionary cash flow can support.

The business is a going concern, with the expectation that it will continue to operate in much the same manner as it has, however, all that is presented in this package may be different at the time of sale. In particular, inventories will fluctuate. If inventory value is increased substantially, the sale price will be increased, and conversely, if inventory is decreased substantially, the sale price will be decreased. It is not anticipated that what the company earns will change significantly from what is represented in this package, and therefore it is not anticipated that small earnings changes will affect the sale price, however a major change could.

METHODOLOGIES/ APPROACHES

The following methodologies or approaches were used ACME's accounting firm, Accountants Ltd., to establish the most probable selling price for the shares of the Company, and the business as a going concern. In any event, it is understood that any price will be market driven and subject to the willingness of both the buyer and the seller.

Market & Asset Approach

The sale price assumes that a buyer will pay no more than they would for an equally desirable substitute. Where available, we have assessed comparables, of similar industries and businesses, taking in to account variances in areas such as:

- markets,
- trends,
- niches,
- multiples of earnings based on industry specific standards adjusted for relevance, and
- rules of thumb based on industry, market and historical trends and cost to create.

Indicated Cash Flow Approach

In this approach the Company is valued based on the capitalization of anticipated future income. We weighted the Company's EBITDA over the past five (5) years giving the greatest relevance to the most current year. We have considered industry specific formulas as well as general rules of thumb and multipliers, with a resulting assumed capitalization rates between 15% and 25%.

Dual Capitalization Approach

We also assessed the value of the Company using the dual capitalization of indicated after tax earnings approach which compares the expected rate of return in the Company's tangible asset backing to indicated after tax earnings. The capitalized excess earnings amount represents the value of goodwill. In this approach we assumed an expected rate of return of 6% on the tangible asset backing investment, and a 15% capitalization rate on excess after tax earnings.

2.0 DETAILED BUSINESS SUMMARY

2.1 LOCATION AND FACILITIES

Location

37680 Quince Rd,
Wikanapi, Nunavut, Canada
Z1A-V6T

Facilities and Lease Summary

The office and warehouse facility is a 4,663 sq. ft. rectangular metal building built in 1978. The Company has been at this location since 1972. The Company has negotiated a five year lease that will not expire until 2016. Lease payments are \$4,000/month triple net.



Property, Plant and Equipment

The amortized value of the Company's property and equipment in 2011 is calculated at \$38,818 and includes:

- an electric forklift for in warehouse work,
- a 2007 Dodge 2500 pick-up,
- sanders,
- 1 grinder, and
- various specialty tools common to the trade.

2.2 MAJOR BUSINESS LINES & SOURCES OF REVENUE

The Company provides and installs building for both the residential and commercial markets, with sales split roughly evenly between the two sectors.

Projects include sales and installation of building for both renovations and new builds in both sectors. The Company also sells building direct to customers who do their own installation. 27% of gross sales come from the top 5 customers who are builders and commercial contractors and who provide multiple contracts. Contracts for government projects are typically secured through a general contractor who subcontracts to Acme.

2.3 SWOT ANALYSIS

Company Strengths

- Has developed long standing stable relationships with its subcontractors which has allowed it to meet demand across the Nunavut.
- Subcontract to 8 installers who work exclusively for the Company. Most of the subcontractors have worked for the company for an average of 7-10 years. Additional installers are contracted on an as needed basis.
- Has developed long standing stable relationships with suppliers who, in some cases, supply only to the Company in the Nunavut.
- Has up to date and well maintained equipment.
- Key employees possess knowledge and critical skills for operations and problem solving, decision making, dealing with challenging customers and the ability to respond effectively to surges in workloads.
- An employee benefits package is supplied through the Chamber of Commerce where the Company pays half, and the employee pays the other half.
- Increased labour costs are passed on to the customer when necessary.
- Strong customer service has allowed the Company to rely almost exclusively on word of mouth sales generation.
- A strong tender process for commercial contracts has resulted in a success rate of approximately 80% on all bids.
- Good customer service, marked by careful and accurate quotes, presented after physically measuring the building, and consulting with the client, has resulted in a 90% success rate for securing contracts from residential quotes.
- Has established close ongoing relationships with local home builders and commercial building contractors, providing a very high level of service including preferred pricing.
- Has established close ongoing relationships with architects to ensure the Company is able to provide specialized material when required.
- There are currently no government regulations or industry standards that directly affect the business operations of the Company.
- Sales volumes are stable, being steady for most of the year with a slight decrease in January and February being typical.
- The Company provides service to the entire Nunavut Territory.

Company Weaknesses

- Most government contracts are secured by general contractors and do not form a major part of this business, although government makes up a significant portion of the Nunavut economy.
- Some advertising is done in the local newspaper, otherwise all sales rely on word of mouth advertising.
- The company has relied on strong customer service led by the two departing owners.

Market Opportunities

- There are only two local competitors, neither of whom focus on installation or customer service.
- There is significant opportunity for growth with the development of 3,900 new residential lots that are scheduled to be sold within Wikanapi City limits by the spring of 2012.
- There is significant opportunity for growth given a strong economy, driven in part by an increasingly robust mining sector.
- There is the possibility for expansion of an outlet in communities in British Columbia or Alberta and beyond who are not currently well served.
- There is the possibility for expansion to include the sale and installation of other building components such as prefabricated cabinetry or drapes and blinds.

Market Threats

- The current unstable market conditions worldwide make all businesses susceptible to possible economic downturns. The Nunavut has a small population and limited, although growing, diversity in the economy, relying heavily on tourism and mining. Should either of these industries fail, it will have a significant impact on the Nunavut economy as a whole.
- A strong economy in other regions can reduce the supply of qualified labour in the north.

3.0 MARKETING AND SALES ANALYSIS

3.1 PRODUCT AND SERVICE PRICING

The Company's prices are competitive and are based on industry standard. Subcontractors are paid by the completed project, also known as "piece work".

Rates are established in consultation with other building operators in northern Alberta and BC.

3.2 PAYMENT CYCLE

Net 30 days.

3.3 INDUSTRY AND MARKET ANALYSIS

The Company serves customers in the entire Nunavut area. The Nunavut population is growing and the economy continues to exceed growth of the national average with an estimated growth in the Real GDP of 3-4% for 2011. In the Nunavut, this is driven in large part by growth in the mining sector, which continues to be a strong industry and is expected to experience higher than usual growth in the coming years. The value of retail sales in the Nunavut is expected to be up 9% over the previous year to reach \$630 million for 2011.¹ Wikanapi anticipates \$120 million of new permitted building construction in 2011 while additional building permits for 2011 are expected to be in the range of \$120 million to \$130 million. As a result of a strong economy and a robust building sector, the Company can reasonably expect to realize growth the same or better than in previous years.

¹ The Government of Nunavut, <http://economics.gov.yk.ca/economy2011/> .

3.4 MARKETING STRATEGY AND BRAND RECOGNITION

The Company has established a strong brand by providing a high quality product and a high level of service over a long period of time. The Company is well known in the community and does not require significant marketing expenditures.

3.5 COMPETITION

There are only two local competitors:

- Home Hardware, who do not place an emphasis on service and do not do installations.
- A cabinet and building store that focuses more on cash sales direct from the store, doing very few installations.

3.6 COMPETITIVE ADVANTAGE

The Company offers over 40 years of experience and brand recognition. Given their high level of service and ability to meet market demand, no significant

competitors have arisen to pose a meaningful threat. The Company enjoys stable relationships with suppliers as well as key customers who provide steady ongoing business.

4.0 HUMAN RESOURCES OVERVIEW

4.1 SUMMARY

Including the current owners who work in the business, the Company has 5 in house staff: 3 sales people and 2 warehouse employees. All installers are subcontractors and have been with the company for an average of 7-10 years.

4.2 EMPLOYEE PROFILES

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5.0 RISKS AND MITIGATION

Overall the risk level for the continued success of the Company is considered to be low. Despite considerable economic upheaval in much of the rest of the world, the Nunavut economy is strong and the population is growing. These two factors are strong indicators of strength in the building sector where the Company is the dominant competitor for sales and installation. Some **potential risks** are identified below with an economic analysis to follow.

- *The Nunavut economy succumbs to the current global recession* – While the Nunavut economy slowed after the recession starting in 2008, it suffered less and has rebounded more quickly than other regions. The economy remains diverse with considerable strength and stability in government, tourism and mining. Support industries such as construction remain strong especially given the low unemployment rate. Since 2007, Wikanapi has experienced a lower unemployment rate than the rest of Canada.
- *The mining sector does not meet current expectations for growth* – In general, an unstable stock market tends to support commodity based

industries such as mining. The presence of minerals and the technology necessary to extract them is not disputed.

- *Customers are not satisfied with the new owners* – Given the lack of competition customers are likely to be satisfied should the new owners provide a similar level of service as the current owners.
- *Labour shortage* – Despite labour shortages in the north, the Company has developed a strong team of floor layers who have an average tenure of 7-10 years with the company.
- *New tools & technology* – Building is a stable low technology business and changes in tools and technology are not anticipated.
- *Unexpected change in building trends* – The Company has a diversified product offering and has had no difficulty shifting more to hard surface building which has become an increasing portion of the business over the last ten years due to customer demand.
- *Unreliable transportation/shipping* – The Company makes use of regular freight which currently poses no operational problems. However, couriers or special freight are alternative options currently available.

	Risk	Likelihood of occurring	Mitigation
Financial	<i>The Nunavut economy succumbs to a global recession</i>	medium	Maintain position as dominant building provider and installer in Wikanapi and the Nunavut.
	<i>The mining sector does not meet current expectations for growth</i>	low	Maintain clients in various sectors of the economy including residential and commercial contracts.
Operational	<i>Unexpected change in building trends</i>	low	Maintain a diversified product offering.
	<i>New tools & technology</i>	low	Stay aware of current trends outside the Nunavut.
	<i>Labour shortage</i>	medium	Maintain good relationships with existing staff through fair practices, profit sharing, enhanced benefits or other retention strategies.
Reputational	<i>Unreliable transportation</i>	low	Rely on proven methods and be prepared to access alternative options if necessary.
	<i>Customers are not satisfied with the new owners</i>	medium	Place an emphasis on superior customer service.

5.1 Nunavut Macro-Economic Summary

Despite declines in many global economies, including both the national economies of the US and Canada, the Nunavut economy continues to grow. A strong government sector provides support and stability for the community while economic growth can be attributed to an increase in tourism and increasing prosperity in the mining sector. Many of the businesses that provide services to the mining industry are headquartered in Wikanapi which is also the supply centre for most Nunavut communities, where people tend to buy many products, especially big-ticket items including building supplies, directly from Wikanapi. The population in the Nunavut continues to grow, mostly in Wikanapi due to high employment rates and a robust economy. The result of an expanding population and a growing economy is, among other things, a building sector that can reasonably be expected to grow for years to come.

Nunavut Key Economic Facts and Indicators:

Population

- Population is increasing, mostly in Wikanapi, up 2.5% in 2010, which is expected to lead to new housing starts.
- The Nunavut unemployment rate has been lower than the national average since 2007, and among the lowest of all the provinces and territories.

Economy

- Nunavut's economy is expected to grow in 2011 for the eighth year in a row, due in part to the territory's mining boom.
- GDP in 2009 was up 1.4% at a time when the national GDP was down 2.9%. While final numbers are not yet in for 2010, it is expected that GDP will have increased in the range of 3% to 4%.
- Growth stems primarily from spending on construction projects, mineral exploration, mine development, and increased mineral production.
- The annual value of retail sales for 2010 is expected to exceed the May 2010 forecast and total approximately \$560 million, significantly higher than the estimate of \$527 million for 2009.

Industry

- The Nunavut government is actively promoting its abundant mineral wealth to world markets. The Nunavut Mining Incentive Program (YMIP) is a program of the Territorial Government developed to encourage mining exploration.
- The 2010 forecast of \$150 million for mine development expenditures remains unchanged.

- In 2010 there was a five-fold increase in the number of quartz claims staked, with 75,686 new claims.
- The forecast for mineral production for 2010 was down slightly due to a later than expected start-up at the Bellekeno and Wolverine mines which have begun production in 2011.

Building & Housing

- Wikanapi anticipates \$120 million of new permitted building construction in 2011.
- The value of Nunavut building permits in 2009 was \$158.3 million, more than double the \$71.5 million recorded in 2008. Building permits for 2011 are expected to be in the range of \$120 million to \$130 million.
- Housing starts are considered a key gauge of economic conditions. Total housing starts in Wikanapi marked a record year in 2010, with 234 units started. Both single detached and multi-family segments surpassed 2009 levels, as demand for new homes remained elevated.
- Production of new homes for 2011 is expected to remain above historical average levels.

Sources:

Nunavut Community Profiles – Governments of Nunavut, Canada and Nunavut Chamber Of Commerce - <http://www.Nunavutcommunities.yk.ca/communities/Wikanapi/economy>

Government of Nunavut - <http://economics.gov.yk.ca/economy2010/>

Northern Housing Report, Canadian Housing and Mortgage Corporation (CMHC), 2011. www.cmhc.ca/housingmarketinformation

6.0 OFFERING PROCEDURE

The shareholders have retained Business Broker as financial advisor for the proposed sale of Acme Enterprises Ltd.

Stage I - Expression of Interest

This profile has been provided to prospective purchasers interested in evaluating the possible acquisition of Acme Enterprises Ltd. Upon receipt of this CBR, prospective purchasers will be granted a 14-day period to review the CBR and any other information deemed necessary by Business Broker. A prospective purchaser

wanting to proceed further will be required to respond to Business Broker in writing with an Expression of Interest (“EOI”) that must be executed by an authorized officer of the prospective purchaser, and reference a preliminary indication of price as well as the pricing parameters used. The EOI, which will be non-binding on the prospective purchaser as well as the Company, and should include in reasonable detail the following:

- A demonstration of financial capability and credentials;
- Details of any expected conditions precedent to closing a transaction such as regulatory, board or head office approvals;
- Anticipated extent of due diligence and any specific requirements;
- Proposed plans for management and employees;
- Willingness and ability to close the transaction in a reasonable time frame; and
- The names of any outside advisors assisting in connection with the possible transaction.

Recipients of the CBR not wishing to pursue the acquisition must return it to Business Broker within the 14-day period. Should the terms of the EOI not meet the expectations of the Vendors, then written notice will be provided to the prospective purchaser indication that negotiations will be ended with them, and that the CBR and other information must be returned.

Stage 2 - Letter of Intent

It is not the intention of the shareholders to conduct a widespread public auction of the Company. The shareholders would prefer to deal directly and confidentially with a select number of serious qualified prospective purchasers, subject to receipt of satisfactory EOI’s.

Upon completion of its evaluation of the EOI’s, and following consultation with the shareholders, Business Broker Acquisitions & Divestitures Inc. will then grant qualified prospective purchasers up to a 28-day period to conduct additional and more detailed due diligence and analysis to file a definitive Letter of Intent (“LOI”). Qualified prospective purchasers will be required to provide a refundable deposit of \$50,000 in trust prior to starting this more rigorous due diligence process.

The LOI must be executed by an authorized officer of the prospective purchaser and will be binding subject only to the execution of a purchase and sale agreement. The LOI should include, in reasonable detail, the following particulars:

- A firm price for the assets/shares;
- A detailed timetable for completion of the transaction;
- Proposed plans for the operations including existing management and staff;
- The nature and extent of representations and warranties to be placed in an Offer to Purchase Agreement; and
- Conditions precedent to closing.

At any point, should a prospective purchaser elect not to proceed, Business Broker should be advised immediately.

The shareholders intend to sell the entire Company to one buyer in 100% cash transaction. The shareholders would prefer not to consider vendor financing and bids without it will be considered favorably. Business Broker and its client will review the LOI's submitted. Shortly thereafter, Business Broker and its client will notify the party whether it has been selected to negotiate the definitive purchase and sale agreement. While the shareholders intend to proceed as outlined above, they reserve the right at their own discretion to modify the timetable and sequence of events as deemed appropriate. The shareholders are under no obligation to accept any offer, whether or not such offer represents the highest purchase price proposed by any of the prospective purchasers, and reserve the right to deal with one bidder to the exclusion of all other parties. Parties not chosen to proceed past the LOI stage will have their \$50,000 deposit fully and promptly refunded.

Offering Conditions

The proposal shall be submitted on the following conditions:

This Offering Summary does not constitute an offer or obligation by Acme Enterprises Ltd. to sell the Corporation. Acme Enterprises Ltd., at its sole discretion, may declare a proposal accepted or rejected without ascribing any reason thereto. Each Interested Party shall bear its own costs associated with the Transaction contemplated by the proposal.

Acme Enterprises Ltd. and Business Broker reserve the right to request from an Interested Party any such further information that is deemed appropriate at their

discretion. Interested Parties, by submission of a proposal, undertake to comply with any such requests.

Acme Enterprises Ltd. reserves the right to modify the offering procedure at any time, to accept any proposal prior to the closing date for proposals, to alter the dates of the offering procedure, or to withdraw from the process altogether without ascribing any reason thereto, and without any liability to any Interested Party. No proposal will be deemed to be accepted and binding upon both parties until a definitive Purchase and Sale Agreement has been executed.

Confidential Information

The information contained in this Offering Summary has been provided to enable Interested Parties to determine their interest in proceeding with a detailed analysis of the Corporation.

Acme Enterprises Ltd. and Business Broker reserve the right to qualify any Interested Party by requesting references and/or demonstration of financial capability. Interested Parties who are not known to Acme Enterprises Ltd. and Business Broker may be requested to supply information as to financial capability prior to, or concurrent with, delivery of an executed Confidentiality Agreement. Acme Enterprises Ltd. and Business Broker will not accept Confidentiality Agreements from agents acting for undisclosed parties.

Recognition of Professional Efforts in Development of the CBR

Business Broker recognizes the significant efforts made by Elizabeth Bowker, MBA, of Blue Moon Management Inc. out of North Vancouver, BC, in the compilation of financial, operational and other data included in this CBR. Ms. Bowker has served as a business advisor to Acme Enterprises Ltd. over the past several months.



**996 Viney Road
North Vancouver, BC V7K 1A7
(778) 840-6170**

7.0 APPENDIXES

1. Historical 5 Year Income Statement Summary
2. ACME Normalized EBITDA
3. Historical 5 Year Balance Sheet Summary
4. Lease Agreement
5. Certificate or Registration and Articles including Register of Directors and Officers
6. Professionals: Lawyer and Accountant

1. HISTORICAL 5 YEAR INCOME STATEMENT SUMMARY

Canada Flooring Enterprises Ltd.
For Fiscal Periods Ending January 31st
HISTORICAL INCOME STATEMENTS

	2011	2010	2009	2008	2007
SALES					
Flooring	\$ 3,108,490	\$ 2,571,388	\$ 2,727,396	\$ 2,424,719	\$ 2,289,993
Installations	1,162,082	943,091	955,922	825,807	810,379
	4,270,572	3,514,479	3,683,318	3,250,526	3,100,372
COST OF SALES					
Flooring	2,012,023	1,514,811	1,613,898	1,513,109	1,451,797
Subcontracts	553,879	531,373	582,242	535,099	509,370
	2,565,902	2,046,184	2,196,140	2,048,208	1,961,167
GROSS MARGIN					
	1,704,670	1,468,295	1,487,178	1,202,318	1,139,205
<i>Gross Margin Analysis</i>	39.92%	41.78%	40.38%	36.99%	36.74%
EXPENSES					
Wages and Benefits	317,231	276,410	267,470	254,744	228,564
Advertising & Promotion	34,600	32,718	35,585	36,965	35,004
Automotive	32,729	29,279	30,572	28,360	28,368
Bank Charges and Interest	6,603	1,997	669	691	1,587
Utilities & Taxes	22,310	21,006	22,724	20,132	18,371
Credit Card Fees	31,963	32,620	26,117	22,084	19,357
Warehouse & Tools	3,853	8,028	10,817	13,010	7,744
Accounting & Bookkeeping	13,195	12,118	13,661	11,860	11,766
Bed Debts Expense	6,609	2,164	7	0	6,716
Amortization	14,206	13,431	22,241	11,646	12,794
Insurance	13,185	12,742	10,267	10,224	9,342
Legal	1,023	759	854	853	671
Licenses, Dues and Subscriptions	1,596	1,953	1,351	1,540	1,231
Management Fees	0	223,000	591,000	334,000	398,550
Office	5,100	4,392	4,507	5,042	3,345
Rent	36,000	36,000	36,000	36,000	36,000
Repairs & Maintenance	325	154	4,235	0	1,091
Telephone, Fax and Internet	10,725	9,972	9,746	10,359	11,784
Travel	7,243	11,537	5,839	570	1,409
TOTAL EXPENSES	558,496	730,280	1,093,662	798,080	833,694
INCOME FROM OPERATIONS					
	1,146,174	738,015	393,516	404,238	305,511
Other Income	3,571	881	1,252	10,998	840
EARNINGS BEFORE TAXES					
	1,149,745	738,896	394,768	415,236	306,351
Income Taxes	300,686	165,969	59,947	67,738	52,807
NET EARNINGS					
	849,059	572,927	334,821	347,498	253,544

2. ACME NORMALIZED EBITDA

CANADA FLOORING ENTERPRISES LIMITED

Normalized EBITDA for the Five Years Ended January 31, 2011

	2007	2008	2009	2010	2011	2012
Net Earnings Per Financial Statement	\$ 253,543	\$ 347,499	\$ 334,822	\$ 572,927	\$ 849,058	\$ 889,500
Add:						
Taxes	\$ 52,807	\$ 67,738	\$ 59,947	\$ 165,927	\$ 300,686	\$ 296,500
Interest	\$ 1,587	\$ 691	\$ 669	\$ 1,997	\$ 958	\$ -
Amortization	\$ 12,794	\$ 11,646	\$ 22,241	\$ 13,431	\$ 14,206	\$ 14,000
	\$ 320,731	\$ 427,574	\$ 417,679	\$ 754,282	\$ 1,164,908	\$ 1,200,000

Adjustments & Non-Recurring Items

Management Fees	\$ 398,550	\$ 334,000	\$ 591,000	\$ 223,000	\$ -	\$ -
Management Salaries to Market	-\$ 72,800	-\$ 72,800	-\$ 72,800	-\$ 72,800	-\$ 72,800	-\$ 72,800
Rent to Market	-\$ 12,000	-\$ 12,000	-\$ 12,000	-\$ 12,000	-\$ 12,000	-\$ 12,000
	\$ 313,750	\$ 249,200	\$ 506,200	\$ 138,200	-\$ 84,800	-\$ 84,800

Normalized EBITDA	\$ 634,481	\$ 676,774	\$ 923,879	\$ 892,482	\$ 1,080,108	\$ 1,115,200
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Value Weighting Factor	1	1	2	3	4	5
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Weighted Normalized EBITDA						\$ 983,306
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Indicated Capitalized Value @ 15%	\$ 6,555,371
 Based on Weighted Average 20%	\$ 4,916,528
 25%	\$ 3,933,223

Indicated Capitalized Value @ 20%	\$ 5,576,000
 Based on 2012 Projections	

3. HISTORICAL 5 YEAR BALANCE SHEET SUMMARY

**Canada Flooring Enterprises Ltd.
Historic Balance Sheet**

	2011	2010	2009	2008	2007
ASSETS					
CURRENT ASSETS					
Cash	\$ 1,551,822	\$ 1,080,899	\$ 743,037	\$ 808,181	\$ 589,592
Accounts Receivable	737810	497277	501420	432990	403170
Inventory	342168	283290	314267	270859	312279
TOTAL CURRENT ASSETS	2631800	1861466	1558724	1512030	1305041
PROPERTY & EQUIPMENT	38818	53024	57407	78973	47309
TOTAL ASSETS	\$ 2,670,618	\$ 1,914,490	\$ 1,616,131	\$ 1,591,003	\$ 1,352,350
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable & Accrued	224513	187369	218978	184254	205639
Corporate Tax Payable	158791	110885	-3374	19353	5727
TOTAL CURRENT LIABILITIES	\$ 383,304	\$ 298,254	\$ 215,604	\$ 203,607	\$ 211,366
LOAN PAYABLE	3315	16577	29838	43099	1028
SHAREHOLDER'S LOANS	1239264	403981	190940	499369	245528
TOTAL LIABILITIES	\$ 1,625,883	\$ 718,812	\$ 436,382	\$ 746,075	\$ 457,922
EQUITY					
SHARE CAPITAL	68	68	68	68	68
Retained Earnings	1195609	1179683	844859	894361	640817
Dividends Paid	-1000000	-557000	0	-397000	0
Net Income (Loss)	849058	572927	334822	347499	253543
RETAINED EARNINGS - ENDING	\$ 1,044,667	\$ 1,195,610	\$ 1,179,681	\$ 844,860	\$ 894,360
TOTAL EQUITY	\$ 1,044,735	\$ 1,195,678	\$ 1,179,749	\$ 844,928	\$ 894,428
TOTAL LIABILITIES & EQUITY	\$ 2,670,618	\$ 1,914,490	\$ 1,616,131	\$ 1,591,003	\$ 1,352,350

4. LEASE AGREEMENT

July 12-2011

Canada Flooring Ent. Ltd.,
9049 Quartz Road,
Whitehorse, Yukon

Re: Five (5) year Lease Agreement.

To whom it may concern:

It is our understanding that the business, Canada Flooring Enterprises Limited, will possibly be sold in the near future.

Contingent upon the sale of Canada Flooring Enterprises Limited, the lease from the date of sale until the end of 2016, will be a monthly amount of \$4000.00, triple net.

The retail business of Canada Flooring Enterprises Limited is located in the building at 9049 Quartz Road, Whitehorse, Yukon and is described as Lot 5 In Parcel C, Group 804, Plan 46236.

Trusting that this information meets with the approval of all principals concerned.

Yours truly,


Allen Derosier,
Radd Holdings Ltd.


James Derosier,
857191 Alberta Inc.

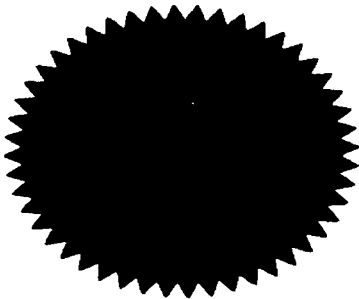
5. CERTIFICATE OF REGISTRATION & ARTICLES / REGISTER OF DIRECTORS AND OFFICERS




Certificate of Registration of Restated Articles

CANADA FLOORING ENTERPRISES LIMITED

I hereby certify that the Articles of Incorporation of the above-mentioned corporation were restated under section 182 of the Business Corporations Act as set out in the attached restated Articles of Incorporation.



Corporate Access Number:20261
Date of Restatement:1996-06-07



M. Richard Roberts
Registrar of Corporations

YUKON
BUSINESS CORPORATIONS ACT
(Section 182)

Form 6-01

RESTATED ARTICLES OF INCORPORATION

1. Name of Corporation: **CANADA FLOORING ENTERPRISES LIMITED**
Corporate Access No. 20261

2. The classes and any maximum number of shares that the Corporation is authorized to issue: The attached Schedule "A" is incorporated into and forms part of these Restated Articles of Incorporation.

3. Restrictions, if any, on share transfers: The attached Schedule "B" is incorporated into and forms part of these Articles of Incorporation.

4. Number (or minimum and maximum number) of directors:

Not less than one (1) nor more than seven (7).

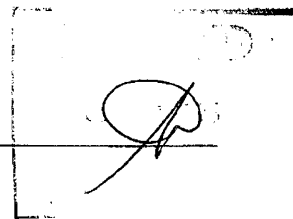
5. Restrictions, if any, on business the Corporation may carry on: The Corporation is restricted from carrying on the business of a railway, steamship, air transport, canal, telegraph, telephone or irrigation company.

6. Other provisions, if any: The attached Schedule "C" is incorporated into and forms part of these Articles of Incorporation.

The foregoing restated Articles of Incorporation correctly set out without substantive change the corresponding provisions of the Memorandum of Association and Articles of Association and supersede the original Memorandum of Association and Articles of Association.

7. Date: June 6, 1996

Signature:  Title: Director



PRESTON, WILLIS & LACKOWICZ

