

### Manufacturer of Solid Wood Flooring

Our client Company manufactures solid wood flooring encompassing planks made from a single solid piece of wood. The Company utilizes red oak, white oak, and hickory which are processed by drying, surfacing, sizing, and cutting. The Company's wood flooring ranges from widths of ¾ thick X 2 ¼ and 3 ¼ widths. The Company manufactures well over 210 individual stock keeping units (SKUs). SKU's by broad category include:

Category	Code	Approximate # of SKUs
Unfinished Select, Better, #1 Common	FG-UNF	80
Pre-finished	PF	60
Pre-finished Unstained	UF	40
Pre-finished Cabin	CF	30

In 2010, revenue was driven by unfinished flooring (82%), prefinished flooring (6%), unfinished planks (5%), utility\cabin grade (5%), and other (2%). The Company purchases green lumber from various sawmills within a 200 mile radius of the plant. Currently, the Company utilizes more than 40 sources actively supplying green lumber.

The Company's manufacturing, office, and inventory storage facilities are located on approximately 39 acres and include with 14 buildings and approximately 100,000 square feet under roof. The Company is located in the heart of the Appalachian Hardwood region.

#### Investment Highlights:

- ★ **Quality Products:** Clients purchase the Company's products for the excellent quality. Higher quality products are easier to install, require less cutting, and produce less waste.
- ★ **Large Group of Suppliers:** Currently, the Company utilizes more than 40 sources actively supplying green lumber. Supplier relationships are sufficiently diversified to supply the Company with its green lumber needs.
- ★ **Growth Opportunities:** Currently, the Company operates two hardwood flooring production lines with two dry kilns. Both line 1 and line 2 operate 1 shift per day and produce more than 14.0 million square feet of flooring annually. Additional shifts can be added at minimal cost requiring approximately 10 additional employees.
- ★ **Reviewed Statements:** The financial statements provided by the Company's management for use in developing the projections contained in this report are reviewed by a certified public accounting firm.
- ★ **Increasing Revenue:** Revenue increased from \$8,148,000 in 2009 to \$11,893,000 in 2010.
- ★ **Increasing Gross Profit:** Gross profit as a percentage of sales increased from 10.7% in 2009 to 16.2% in 2010. Raw material purchases are the major cost of sales in the hardwood flooring industry, accounting for 72% of the total cost of sales in 2010, well below the industry average of 81.8%. Despite the fact that green lumber is subject to the price volatility of commodities, the Company utilizes its extensive relationships and central location in the heart of the Appalachian Hardwood region to obtain below market prices and above industry standard quality.
- ★ **Increasing EBITDA:** EBITDA as a percentage of sales increased from 0.7% in 2009 to 8.1% in 2010. While some costs, such as salaries, are largely fixed in nature, effective control of the costs considered to be manageable is attractive to a perspective investor. Buyers will perceive that management can adjust the balance of operating expenses, as necessary, to maintain profitability, especially in hard economic times.

For more information on **Client 10209**, please contact:

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