

Architectural Interior Design Firm

Multiple Federal Contracts

Location: Mid-Atlantic

Revenue: \$3MM

FYE: 12/31/2002

EBITDA: \$285,000

Business Overview

Our client is a full-service architecture and interior design firm specializing in interior architecture, facilities strategic planning, building renovation and design build. In 2001, revenues were derived from interior architecture and design (50% of sales), building renovations (30%), design build (10%), new building design (5%) and facilities strategic planning (5%) services. The company is recognized as a major regional player in the federal arena, working under federal term contracts. Management has indicated that these contracts are transferable to new ownership. In addition, management would like to point out that the total size potential of these contracts is substantially larger than the company's current revenue base. The company is also the firm of choice to assist developers and general contractors with federal design build competitions. Projects can last anywhere from three months to four or five years in length. The majority of public contracts are obtained by responding to publicly advertised solicitations and RFPs, with a success rate of over 60%. Private contracts are obtained on a bid basis or through strategic alliances. Our client differentiates itself from the competition by its recognition as a long-term player in the federal marketplace, as a holder of term contracts, a specialist in federal tenant and leasing, and as an expert in design build projects. The company's commitment to excellence, understanding of the federal marketplace and reputation as the "gurus" of government interior and architectural work generates an 80% to 90% rate of repeat business.

For further information regarding **Client #183799**, you are invited to contact:

eMerge M&A

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FINANCIAL SUMMARY

Historical revenue has increased from \$1,774,000 in 1999 to \$2,918,000 in 2001, a CAGR of over 28%. This growth is attributed to additional federal contracts and newly procured renovation work. The events of September 11th resulted in a slowdown of federal projects. Although this trend is reversing, management predicts 2002 sales will remain flat at approximately \$3 million. Sales are conservatively estimated to increase by roughly \$300,000 per year throughout the pro forma period based on expected demand from the company's current customers, favorable market trends and continued alliances. Gross profit, which varies significantly based on the service mix, has been estimated at 48% throughout the pro forma period.

*Pro Forma Income Statement Summary
for the Years ending December 31
(\$000)*

	— — — Historical — — —			Est.	— Pro Forma —	
	1999	2000	2001	2002	2003	2004
Revenue	1,774	2,619	2,918	3,000	3,300	3,600
Gross Profit	1,084	1,532	1,319	1,440	1,584	1,728
<i>% of Sales</i>	61.1%	58.5%	45.2%	48.0%	48.0%	48.0%
EBITDA*	(27)	421	164	285	363	450
<i>% of Sales</i>	-1.5%	16.1%	5.6%	9.5%	11%	12.5%

* Earnings Before Interest, Taxes, Depreciation, and Amortization

*Recast Balance Sheet Summary
December 31, 2001
(\$000)*

Current Assets	857	Total Liabilities	333
Non Current Assets	71	Stockholder's Equity	595
Total Assets	928	Total Assets and Liabilities	928

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