

BUSINESS VALUATION AND SALES PROSPECTUS REPORT

Main Street Coffee Shop Main Street Coffee, Inc

200 State Road 28, Suite 100
Jacksonville, FL 32256-3175

Prepared for:

Ms. Mary Adams

Personal and Confidential

July, 2005

Prepared by,

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Preface

This Company's *Business Valuation and Sale Prospectus Report* is provided for the sole and exclusive use of **Ms Mary Adams**. The business valuation pertains to **Main Street Coffee, Inc** an S Corporation (herein after referred to as the "Company"). The purpose of this Report is to provide the opinion of Daniel F. Iuculano as to the fair market value of the Company based on the financial operating information for the last two fiscal years ending June 2005, and pro forma for year ending June 2002. This evaluation was based on undocumented assumptions provided by Ms Robin Welch Sebok. Actual tax returns and accounting books were not provided as they were not immediately available. **Please seek legal, tax and accounting assistance before making an offer to buy or sell this business.**

The term “fair market value” is defined as the price at which a business would change hands between a willing and knowledgeable buyer and a willing and knowledgeable seller. This Report:

- Assumes that the new owner(s) of the Company will have the necessary resources and commitment to not only acquire, but also to grow the Company.
- Assumes that the buyer is fully knowledgeable about the Company and its operations and will accomplish a rigorous due diligence process to verify all purported facts, estimates, calculations and suppositions and not rely solely on this document to support a purchase decision.
- Highlights the Company’s desirable qualities and projected improvements, enhancements and future performance that may or may not be realizable.

The appraisal and subsequent valuation estimate of a closely-held business such as **Main Street Coffee, Inc** is not an exact science and requires considerable judgment of many factors such as:

- The history and nature of the business the Company is engaged in.
- The outlook for the overall economy and the industry the Company is in.
- The latest financial condition of the Company.
- The future earning capability of the Company and the associated related risks.
- The capability of the Company to continue to generate the necessary cash flow to support a purchase.
- The worth and value of the goodwill/intangible assets of the Company.

The author of this *Business Valuation and Sale Prospectus Report* has relied on the information provided by **Mary Adams**, as to the nature of its operations and financial performance. No attempt has been made to independently verify the accuracy of the information although all facts presented are believed to be true.

BUSINESS DESCRIPTION

ORIGIN, OWNERSHIP AND CONTROL

Main Street Coffee, Inc an S Corporation:

Main Street, Inc, Inc. (hereinafter referred to as the “Company”) was started as an S corporation and was incorporated in the State of Florida on **2003** by Mr. John Adams, and Mary Adams.

As of the date of this valuation the corporate shareholders and officers are:

Mr. John Adams, 100 % stockholder, **President**

The Company's headquarters are located at:

200 State Road 28, Suite 100
Jacksonville, FL 32256-3175

The Company's Federal Employer Identification Number is: 03-0367431

The Company's accounting firm/statutory agent was:

Charles Clark, CPA

The Company has been doing business as (d/b/a) the **Main Street Coffee, Inc** for approximately 2 years and continues to do business under that trade name as of the date of this valuation.

The owner(s) of the Company are:

Mr. John Adams, 100 % owner.

The Company is located at:

200 State Road 28, Suite 100
Jacksonville, FL 32256-3175

NATURE OF THE BUSINESS

The Company is a coffee shop selling coffee, bake goods & food products to retail customers. The Company buys and sells all of its products in a competitive marketplace. The Company has proprietary product or exclusive rights to sell its product; that product being counter culture coffee 13 bean proprietary blend. There are several competitors within the market range of the Company all selling similar products. Competition is based primarily on price, location and name recognition

PRIMARY CUSTOMERS

The Company's primary customers are (in order of amount of sales):

- Walk-in trade
- Community based organizations
- Churches
- Schools

The active customer base includes approximately 150 different customers. The vast majority of customers have been repeat customers. New customers are developed primarily through walk-in, word of mouth and advertising.

PRIMARY PRODUCTS

The Company's principal products in terms of sales price volume for the most recent fiscal year ending June 2005 were:

- Coffee based products accounting for 58 % of sales revenue.
- Baked goods accounting for 20 % of sales revenue.
- Frozen beverages accounting for 9 % of sales revenue.
- Chocolate beverages accounting for 3 % of sales revenue
- Other products accounting for 10 % of sales revenue

COMPETITION

The Company has few competitors within a 10 mile area. Go Go Coffee is located 8 miles south on Highway 210 and is the only competitor that is independent. Other competition would be local food marts, book stores w/ coffee shops. The nearest Starbucks is 10 miles away.

EMPLOYEES

The Company employs no people on a full-time basis. Owner is the only full time individual. There are three part-time employees working approximately 20 hours a week. They are high school and college students.

FACILITIES, PROPERTY AND LOCATION

The Company is in approximately 1500 square feet of retail space on State Road 13. The coffee shop is one of three store fronts and the coffee shop is located on the front corner. The building is owned by a third-party unrelated to the owner of the Company. It is leased with 2 year(s) remaining on the present term.

REASON FOR SALE

Divorce proceedings initiated after the start of the business where the Business must be dissolved to satisfy the settlement.

DEAL STRUCTURE

This valuation includes the following Company tangible and intangible assets:

- Furniture/Fixtures/Equipment customary to the normal operation of the business.
- All customer lists and information and past/present sales and marketing data.
- All proprietary Company information and methods of doing business.
- All rights/patents/trademarks for the Company's proprietary products.
- All rights to the Company trade name and Web site.
- All Goodwill and other intangible assets not specifically listed.

This valuation does not include the following tangible assets and liabilities:

- Cash and cash equivalents
- Accounts receivable
- Prepaid expenses
- Liabilities
- Real Estate

Additionally:

- The business will be sold as a corporate stock sale (or asset sale).
- The seller will consider seller financing of the negotiated sales price.
- All property and equipment normally used in the conduct of the business will be included in the sale.
- The seller will provide the buyer with a Covenant-Not-To-Compete Agreement for the period of 3 years in the following geographic area: Within a 25 mile area from the purchased business.
- The seller will provide a personally guaranteed, Hold Harmless Agreement which indemnifies the buyer against any and all currently known and unknown liabilities which may arise based on past operations of the Company.

LITIGATION

None known at this time

No documentation available at this time concerning proper and timely filing of S corporation tax return or payment and filing of Florida sales tax on products sold.

COMPANY FINANCIAL HISTORY

The Company has had a very stable business history with sales increasing approximately 15% annually in the last two years. Copies of the Company's U.S Corporation Income Tax Returns (Form 1120S) for the latest two fiscal years have not been provided.

In summary, sales have been:

- Fiscal Year ending June 2004: \$278,798
- Fiscal Year ending June 2005: \$324,000

Ending inventory levels have been:

- Fiscal Year ending June 2004: \$4,000
- Fiscal Year ending June 2005: \$4,000

RECONSTRUCTED INCOME AND EXPENSES

The Company's Income and Expense Statement has been reconstructed (recast, normalized) to determine the potentially available cash flow for a new owner. This has been done to show the "free cash flow" or "current net earnings" in the business to allow a potential buyer to determine the true investment value of the business.

The following pages contain the reconstructed income and expenses (with explanatory notes) and the resultant adjusted earnings.

A weighted reconstructed annual adjusted earnings will be a factor in calculating an estimated overall value for the business under the premise that the most recent results are the most predictive of future earnings and therefore should carry greater weight in a three year span of consideration. The calculated three year weighted average adjusted reconstructed earnings (free cash flow) is \$ **118,080**

VALUATION OPINION AND ANALYSIS

Daniel F. Iuculano, CFP estimates that the fair market value for all of the *business assets* in the designated company, **Thirteen Bean, Inc is approximately **\$455,618** based on the Company's sales and other considerations, as of **June 2005****

In considering the potential fair market value of a business it's assumed that the most likely type of buyer will be either:

- A financially motivated/investment oriented buyer (generally a private party).
- A strategic buyer (another company wishing access to one or more of the key Company assets for expansion purposes).

Although there are many variations of ways to estimate the value of a business, they tend to group within three possible approaches:

- Asset Based Valuation
- Market Comparison Valuation
- Income Based Valuation

This business evaluation uses the most commonly used (and most appropriate valuation) approach for the company; an Income Based Valuation. The Income Based Valuation approach is further broken down into four generally accepted methods:

- Present Value of Future Earnings Valuation
- Capitalization of Excess Earnings Valuation
- Multiple of Discretionary Earnings Valuation
- Gross Revenue Multiples

The valuation method used in this valuation is a combination of both the widely used and professionally accepted Capitalization of Excess Earnings method and the Multiple of Discretionary Earnings method. This combined approach will assign a financial value to the Company's reconstructed earnings (resulting in available discretionary earnings) that is reflective of the risk associated with the continued operation of the business with recent proven financial results that can reasonably be expected to continue after the business sale for an indefinite but substantial duration.

This valuation method will include the following Company tangible and intangible assets:

- Furniture/Fixtures/Equipment (F/F/E) customary to normal operation.
- All customer lists and related information and marketing data/plans.
- All proprietary Company information regarding methods of doing business.
- All rights and source code to the Company's software products and/or intellectual property including patents.
- All Goodwill and other intangible assets (including intellectual property, trade names, trademarks and service marks).

This valuation method will not include the following tangible assets or liabilities:

- Cash and cash equivalents
- Accounts receivable
- Prepaid expenses
- Liabilities of any type
- Real Estate

In applying this valuation approach the Company's latest two full fiscal year's pre-tax discretionary earnings have been reconstructed. This multiplier calculation method combines the pertinent elements of most published capitalization rate estimation processes and results in an earnings multiplier (actually, an inverse of a capitalization rate).

The multiplier has been calculated to be **3.74** for this Company. Documentation supporting this multiplier is contained in the following section titled; Supporting Data and Documentation.

Applying the valuation formula results in the preliminary valuation of the designated Company assets as follows:

Preliminary Value = Reconstructed Weighted Cash Flow times the (Capitalization Rate)
Multiplier

Preliminary Value = \$118,080 x 3.74 = **\$441,618** (rounded to nearest thousand)

It's important to note that this valuation is based in part on the average weighted reconstructed cash flow, also referred to as the "earnings before interest, taxes, depreciation, amortization (EBITDA), and discretionary expenses. In addition to paying for the business and providing operating capital, a new owner will also be responsible for interest expenses, income taxes, and equipment replacement costs.

This preliminary valuation opinion assumes the following:

- The business will be sold as an asset sale
- The seller will consider seller financing of the negotiated sales price.

- All property and equipment normally used in the conduct of the business will be included in the sale.
- The seller will provide the buyer with a Covenant-Not-To-Compete Agreement for the period of 3 years in the following geographic area: Within 25 miles of the purchased business.
- The seller will provide a personally guaranteed, Hold Harmless Agreement which indemnifies the buyer against any and all currently known and unknown liabilities which may arise based on past operations of the Company.

To arrive at an overall appraised value for 100% of the corporate stock (or to include other assets not included in the preliminary value calculation) of the Company, it is necessary to adjust the preliminary value as follows:

Preliminary Value (from above)	= \$441,618
Plus Inventory	= \$4,000*
Fair Market Value	= \$445,618

The Goodwill value in the Company is calculated as follows:

Goodwill = Preliminary Valuation less the Liquidation Value of F/F/E

Goodwill = **\$398,618** **

Daniel F. Iuculano, CFP estimates that the fair market value for all of the assets in the designated company, Main Street Coffee Inc is approximately \$445,618 based on the Company's sales, earnings, and other considerations, as of June 2005.

*It should be noted that the actual amount for the inventory at the time of sale should be adjusted not only for the current amount but also by negotiating a fair market amount for possible old/outdated (non-salable) inventory.

**See the Consolidated Valuation Report Sheet in the next section.

Supporting Data and Documentation

- Income and Expense Reconstruction (3 pages)
- Income and Expense Notes
- Multiplier Calculator (3 pages)
- Valuation Calculator
- Consolidation Valuation Report

Income and Expense Reconstruction

for the Fair Market Valuation of:

Main Street Coffee, Inc

Fiscal Year Ending:	2004		2003		2002 (Proforma)		NOTES
	ACTUAL	ADJUSTED	ACTUAL	ADJUSTED	ACTUAL	ADJUSTED	
REVENUES							
BUSINESS SALES	288,000	288,000	242,798	242,798	235,514	235,514	
OTHER INCOME.1	6,000	15,000	6,000	15,000	6,000	15,000	1
OTHER INCOME.2	30,000	30,000	30,000	30,000	30,000	30,000	2
RETURNS & ALLOWANCES	0	0	0	0	0	0	
TOTAL INCOME	324,000	333,000	278,798	287,798	271,514	280,514	
COST OF SALES							
PURCHASES	60,000	68,000	60,000	60,000	58,200	58,200	
DIRECT LABOR	0	0	0	0	0	0	
OTHER COSTS.1	3,600	5,000	3,600	5,000	3,600	5,000	3
OTHER COSTS.2	1,000	1,000	1,000	1,000	1,000	1,000	4
TOTAL COST OF SALES	64,600	74,000	64,600	66,000	62,800	64,200	
PLUS BEGINNING INVENTORY	0	0	0	0	0	0	
TOTAL COST OF INVEN. FOR SALE	64,600	74,000	64,600	66,000	62,800	64,200	
LESS ENDING INVENTORY	0	0	0	0	0	0	
TOTAL COST OF GOODS SOLD	64,600	74,000	64,600	66,000	62,800	64,200	
GROSS INCOME	259,400	259,000	214,198	221,798	208,714	216,314	
OPERATING EXPENSES							
COMP. OF OFFICERS/PARTNERS	0	0	0	0	0	0	
SALARIES AND WAGES	18,250	18,250	48,250	18,250	18,250	17,700	5
COMPENSATION-INDIRECT	0	0	0	0	0	0	
CONSULTANTS	0	0	1,000	1,000	0	0	
CONTRACT LABOR	0	0	0	0	0	0	
PAYROLL TAXES	4,000	4,000	6,000	6,000	3,800	3,800	
ADVERTISING & PROMOTION	2,000	2,000	5,500	1,500	1,750	1,750	6
AMORTIZATION	0	0	0	0	0	0	
AUTOMOBILE	0	0	0	0	0	0	
BAD DEBTS	0	0	0	0	0	0	
BANK CHARGES	2,800	1,500	1,818	1,500	1,500	1,500	7
BUSINESS GIFTS	0	0	0	0	0	0	
COLLECTION FEES	0	0	0	0	0	0	
COMPUTER	200	200	2,500	2,500	200	200	
COMMISSIONS & FEES	0	0	0	0	0	0	

Income and Expense Reconstruction

for the Fair Market Valuation of:

Main Street Coffee, Inc

Fiscal Year Ending:	2004		2003		2002 (Proforma)		NOTES
	ACTUAL	ADJUSTED	ACTUAL	ADJUSTED	ACTUAL	ADJUSTED	
CONFERENCES	0	0	0	0	0	0	
CONSUMABLES	0	0	0	0	0	0	
CONTRIBUTIONS & CHARITY	700	0	500	0	700	0	8
DELIVERY	0	0	0	0	0	0	
DEPRECIATION	0	0	0	0	0	0	
DISPOSAL	0	0	0	0	0	0	
DUES AND SUBSCRIPTIONS	150	150	150	150	150	150	
EDUCATION	0	0	0	0	0	0	
EMPLOYEE BENEFIT PROGRAMS	1,500	1,500	2,000	2,000	1,500	1,500	8
ENTERTAINMENT	500	500	500	500	500	500	
EQUIPMENT	800	800	43,000	43,000	1,000	1,000	
EQUIPMENT LEASES	0	0	0	0	0	0	
FREIGHT & SHIPPING	1,000	1,000	1,000	1,000	1,000	1,000	
FUEL	0	0	0	0	0	0	
INSURANCE-HEALTH	7,200	7,200	9,000	9,000	7,200	7,200	
INSURANCE-KEYMAN	0	0	0	0	0	0	
INSURANCE-OTHER	0	0	0	0	0	0	
INSURANCE-PROPERTY	3,000	3,000	3,000	3,000	3,000	3,000	
INTEREST	1,900	1,900	1,600	1,600	1,900	1,900	
JANITORIAL & CLEANING	420	420	420	420	420	420	
MISCELLANEOUS-1	300	0	1,200	0	0	0	9
MISCELLANEOUS-2	0	0	0	0	0	0	
MISCELLANEOUS-3	0	0	0	0	0	0	
OFFICE SUPPLIES	1,200	1,200	1,200	1,200	1,200	1,200	
PENALTIES	0	0	0	0	0	0	
POSTAGE	120	120	120	120	120	120	
PRINTING	600	600	600	600	600	600	
PROFESSIONAL FEES	0	300	100	300	300	300	
REGULATORY COMPLIANCE	125	125	450	450	125	125	
RENTS	33,000	33,000	30,000	30,000	30,000	30,000	
RENTAL EQUIPMENT	0	0	0	0	0	0	
REPAIRS AND MAINTENANCE	900	900	900	900	900	900	
RETIREMENT (NON-PRINCIPALS)	0	0	0	0	0	0	
RETIREMENT (PRINCIPALS)	0	0	0	0	0	0	
ROLLING EQUIP. (REPAIRS,FUEL,ETC.)	0	0	0	0	0	0	
ROYALTIES	0	0	0	0	0	0	

Income and Expense Reconstruction
for the Fair Market Valuation of:
Main Street Coffee, Inc

Fiscal Year Ending:	2004		2003		2002 (Proforma)		NOTES
	ACTUAL	ADJUSTED	ACTUAL	ADJUSTED	ACTUAL	ADJUSTED	
SECURITY	300	300	300	300	300	300	
SUPPLIES-OFFICE/SHOP	0	0	0	0	0	0	
TAXES (MISC.) AND LICENSES	0	0	0	0	0	0	
TAXES-SALES	19,110	19,110	15,782	15,782	15,698	15,698	
TELEPHONE/TELCOMM.	2,400	2,400	2,400	2,400	2,400	2,400	
TOLLS & PARKING	0	0	0	0	0	0	
TOOLS & SHOP EQUIPMENT	0	0	0	0	0	0	
TRANSPORTATION	0	0	0	0	0	0	
TRASH SERVICE	0	0	0	0	0	0	
TRAVEL & MEALS & LODGING	0	0	0	0	0	0	
UNIFORMS	0	0	0	0	0	0	
UTILITIES	7,800	7,800	7,800	7,800	7,800	7,800	
VEHICLES	0	0	0	0	0	0	
TOTAL EXPENSES	110,275	108,275	187,090	151,272	102,313	101,063	
TAXABLE INCOME	\$149,125		\$27,108		\$106,401		
AVAILABLE CASH FLOW (ACF)		\$150,725		\$70,526		\$115,251	
3-YR WEIGHTED AVERAGE ACF	\$118,080						

Multiplier Calculator

				Possible Score	Assessed Score
1. Continued Earnings Risk Assessment					
a.	Continuation of Earnings at Serious Risk for a New Owner			0	
b.	Steadily Increasing/Stable Earnings Likely for a New Owner			4	
c.	Significantly Growing Earnings Assured for a New Owner			8	5
2. Company History Assessment					
a.	Recent Start-up Company/Not Well Established (less than 3 years)			0	
b.	Well Established Company/Good Customer Base (5-15 years)			4	
c.	Long Record of Successful Business/Strong Customer Base(16+ y			8	0
3. Company Growth Projection					
a.	Business Revenues Have Been Declining			0	
b.	Steady Revenue Growth/Faster than Inflation			4	
c.	Dynamic Revenue Growth Rate (25%+ annually)			8	6.5
4. Competition Analysis					
a.	Highly Competitive Market/Non-Unique Product/Service			0	
b.	Normal Competitive Conditions in a Stable Market			3	
c.	Little Competition in a Stable or Growing Market			6	5.8
5. Business Expansion Opportunity Assessment					
a.	Business Expansion Not Likely Without Major Capital Investment			0	
b.	Moderate Expansion Possible With Moderate Capital Investment			3	
c.	Immediate Significant Expansion Possible/Little to No Investment			6	4.5
6. Barriers to Entry for New Competition					
a.	None or Minor Barriers to Entry by New Competition			0	
b.	Moderate Barriers to Entry by New Competition			3	
c.	Major Barriers to Entry (e.g. limited customer base, high capital costs, restrictive licensing, limited business locations, etc.)			6	4.5
7. Customer Base Sensitivity					
a.	Revenues Highly Dependent on One/Few Customers			0	
b.	Revenues Dependent on a Moderate Number of Customers			3	
	(Revenues Not Dependent on One/Few Customers)				

Multiplier Calculator

c. Broad-based/Diversified Customer Base		6	4.5	
8. Management Retention Projection		Possible Score	Assessed Score	
a. Owner-Managed With No Employee Management to Retain/Owner Unable or Unwilling to Remain to Transition Company		0		
b. Mainly Owner-Managed With Some Employee Mgmt. to Remain or Owner Willing to Remain to Transition Company		2		
c. Full Company Management Team Likely to Remain		4	2	
9. Business Location Continuation (where location is important)		Possible Score	Assessed Score	
a. The Business Must Be Moved After the Sale		0		
b. The Business Has a Lease That Must Be Renegotiated		2		
c. The Business Has a Long-Term Lease at a Desirable Location With Favorable Terms or Owns Its Premises		4	4	
10. Operational Facility/Equipment Analysis		Possible Score	Assessed Score	
a. The Facilities/Equip. Require Significant Immediate Capital Investr		0		
b. The Facilities/Equip. Require Moderate Capital Investment		2		
c. The Facilities/Equip. Do Not Require Capital Investment		4	3.8	
11. Business Purchase Financing Likelihood		Possible Score	Assessed Score	
a. Seller, Banks, etc. Unwilling to Finance Acquisition		0		
b. Limited Financing Available from Seller, et.al.		2		
c. Substantial Financing Available at Competitive Rates		4	3	
12. Industry Strength Assessment		Possible Score	Assessed Score	
a. Declining Industry Not Expected to Recover		0		
b. Industry Growing Moderately (faster than inflation)		2		
c. Dynamic Industry With Broad Rapid Growth Likely		4	3	
13. Environmental Risk Assessment		Possible Score	Assessed Score	
a. Produces/Uses Hazardous Substances Subject to Regulations		0		
b. Minimal Amounts of Hazardous Materials Involved		2		
c. No Hazardous Materials Used/Produced in the Business		4	4	
14. New Owner Social Desirability Assessment		Possible Score	Assessed Score	
a. No Community Prestige/Rough or Unpleasant Product/Service		0		

Multiplier Calculator

b.	Respected Business in Satisfactory Environment	2		
c.	Highly Regarded Business in an Attractive Environment	4	3.5	
15. Alternative Investment Returns				
		Possible Score	Assessed Score	
a.	High Rate of Return on Typically Safe Investments	0		
b.	Moderate Rate of Return on Typically Safe Investments	2		
c.	Low Rate of Return on Typically Safe Investments	4	2	
TOTAL SCORE FOR ALL FACTORS			56.1	
CAPITALIZATION RATE [1.0/(TOTAL SCORE)/15]			26.74%	
MULTIPLIER (TOTAL SCORE)/15]			3.74	

FAIR MARKET BUSINESS VALUATION

FAIR MARKET BUSINESS VALUATION PREPARED FOR:

Main Street Coffee Shop

PREPARED BY:

Daniel F Iuculano, CFP AAMS CMFC

PREPARER'S RELATIONSHIP TO THE BUSINESS:

None

3-YEAR WEIGHTED AVERAGE CASH FLOW: \$118,080

CAPITALIZATION MULTIPLIER: 3.74
CAPITALIZATION RATE 26.74%

PRELIMINARY BUSINESS VALUE \$441,618

LIQUIDATION VALUE OF F/F/E (all tangible
assets integral to the operation of the business) \$43,000

GOODWILL VALUE: \$398,618

CURRENT ASSETS TO BE CONVEYED IN THE SALE:

Cash and Equivalents	\$0
Accounts Receivable	\$0
Pre-paid Expenses	\$0
Inventory	\$4,000
Real Estate Value	\$0

LIABILITIES TO BE ASSUMED: \$0

BUSINESS VALUATION: \$445,618

VALUATION DATE: July 2005

Income & Expense Reconstruction – continued

**Main Street Coffee Shop
Main Street Coffee, Inc
2005 State Road 28, Suite 100
Jacksonville, FL 32256**

This data is “as of” June, 2005

Notes:

1. Profits were reduced because of personal consumption
2. Additional revenue from sale of owner created baskets and tips collected by owners
3. Cost of liquor
4. Material cost for baskets
5. Manager was hired for only the first year of operation
6. Startup cost for sign
7. Banking late fees incurred
8. Discretionary spending
9. Storage rental that might not be assumed by new owner