

## Offering Memorandum

██████████ Systems, Inc.

### Executive Summary

██████████ Systems, Inc. is a major player in the ██████████ roadway systems marketplace with 2010 revenue of \$3.5 million and 2011 revenue projected at \$4.2 million with margins in the 25% range. In business for 25 years, ██████████ was the first manufacturer of fiberglass mats used in this multibillion dollar market. The company, based in ██████████, is a subchapter S corporation capitalized with 100,000 shares of stock 100% owned by ██████████. Mr. ██████████ is exploring the possibility of selling the company or a portion of the company.

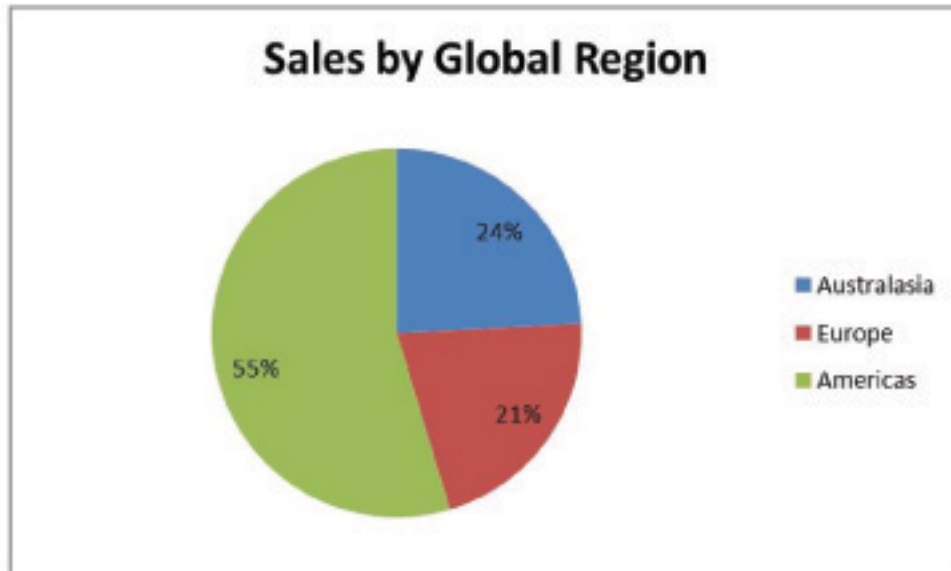
Products that make up ██████████ roadway systems have multiple levels of performance based upon the weight they are required to support, and the ground conditions. The purpose is to both facilitate the use of equipment on unpaved surfaces which otherwise cannot support that equipment or hinders its performance. The mats protect surfaces from the effects of equipment, people or other outside influences. This makes the overall market large and diverse with a broad range of product options that include plastic, fiberglass, aluminum, and wood. As the most cost effective and environmentally friendly solution, poly mats continue to steadily take market share away from products made from alternative materials.

It is an ideal product in the market. ██████████ mats have a significant competitive advantage. They are cost effective, tough and durable, very long lasting yet easy to install and use. They also are distinctly different from directly competing poly mats with clear performance advantages and user benefits.

██████████ products are environmentally sound. Poly mats play an important role in a market with a long future. The products prevent damage to lawns, provide traction in soft soil conditions, spread tire load over a larger area, protects against soil erosion and they are recyclable. Worldwide applications are endless. In fact, 45% of ██████████'s revenue is from export sales. Export revenue continues to grow as the market opportunities increase in Europe and the Australasia regions.

The market has significant barriers to entry with very high tooling and product development costs. ██████████'s strong sales team and dealer networks as well as their outstanding long term end user relationships provide additional barriers. ██████████ contracts out production, but retains ownership of the tools. They have multiple sets of tools and multiple suppliers bound by non-compete agreements. Further, there are only two US and one UK competitors in the poly mat sector, with a handful of small marketers in Europe and Australasia, but the true competitor is still plywood. It is costly, hard to handle and generally has a limited useful life.

Growth in 2010 was excellent and the result of product development and marketing efforts. This success is indicative that ██████████ will continue on the right path with an outstanding future. ██████████'s efforts to expand its sales rep team and add distribution in North America and Europe are having great success. With the recent addition of two new distributors in the European region ██████████ expects to achieve incremental 2011 revenue in excess of \$750K for these two customers

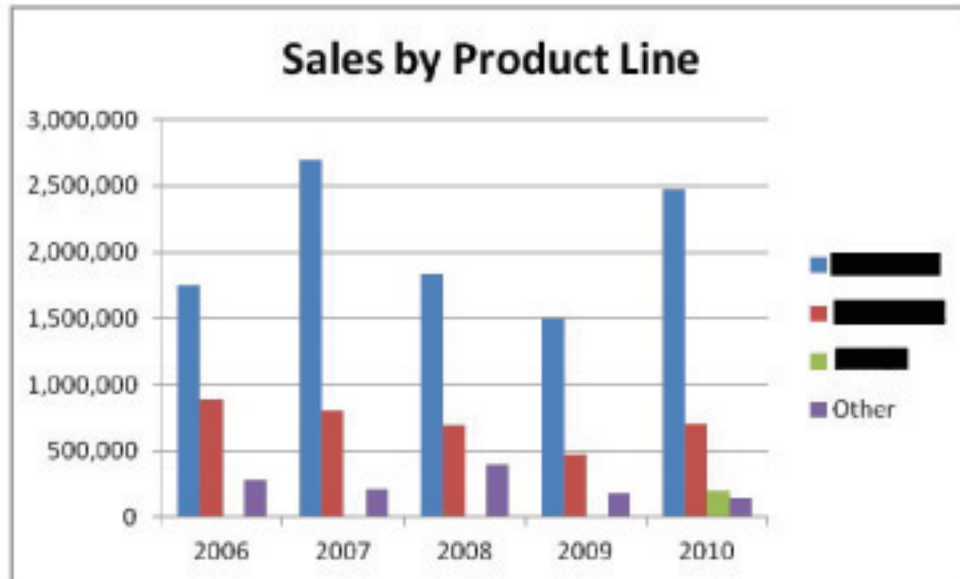


The go to market strategy includes a mix of dealers and users. [REDACTED] has a network of specialty sales representatives who work with the various market segments. A typical [REDACTED] dealer sells contractor supplies and equipment. The sales agent serving these dealers carries other lines appropriate for and often carried by these same dealers. In total, [REDACTED] has over 300 customers of which 25% are dealers. The balance of customers is a mix of direct utility and other end users of products. The dealers work directly with [REDACTED] Sales. Two-step or multistep distribution is not in the [REDACTED] business model.

These 300 customers are served by 25 sales representative firms. These reps compose two representative networks, 18 reps for utilities and 7 reps for [REDACTED]. These agents sign, develop and support dealers in their assigned areas. While these representatives serve geographic markets, the dealers are a mix of both geographic and market segment specialists. For example, a dealer may focus exclusively on well diggers or cemeteries, while some dealers will cover many more market segments. The representatives work closely with the [REDACTED] staff to build these multi-dimensional networks.

[REDACTED] has been building this sales agent network over time. The utility reps have been a solid group as 72% have represented [REDACTED] for 11 years or more. The reps assigned to dealers are fairly recent but performance has exceeded expectations. There are many geographic areas of the Americas not yet covered by representatives and [REDACTED] is actively building the rep organization. There are many dealers in this uncovered area, however, there is substantial opportunity to add more dealers and grow dramatically.

Revenue by product line is detailed in the chart below. [REDACTED] accounts for \$2.5 million or 70% of overall revenue. As noted, the market for the fiberglass [REDACTED] product is smaller due to both the economics and performance levels of [REDACTED] and similar products. As this category of products continues to develop the broad range of opportunities in the marketplace, the revenue by product line should rise by equal percentages at best, and more likely, [REDACTED] revenue will grow at a faster rate.

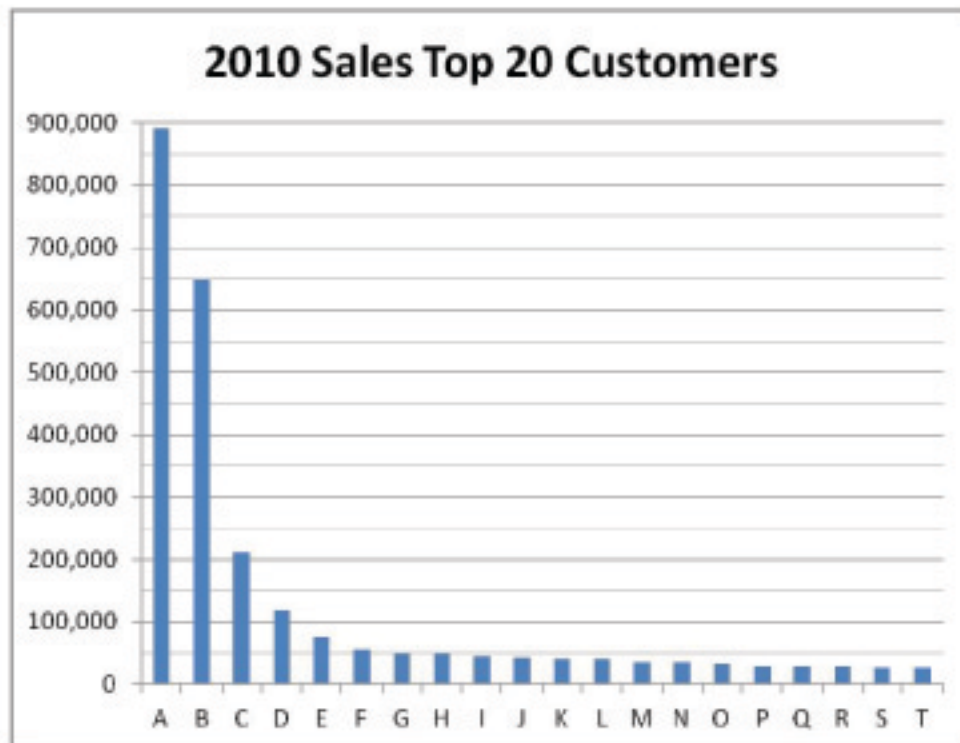


There are 80 [redacted] dealers worldwide and an additional 94 direct accounts. In areas where no dealer is available servicing that sector, the product is sold direct to the user. Both [redacted] and Pedestrian Mats have separate list and dealer price pages accommodating the market strategy. Since it is an "open" line the price sheets serve to protect dealers and reward them for their efforts while assuring [redacted] does not miss sales opportunities.

[redacted] by contrast is a closed line. It is sold through 18 sales representatives soliciting utilities and distributor/dealers serving the utility industry. The use of net dealer and user price sheets reduces conflict on direct sales. Since it is a closed line with the rep managing his/her territory conflict is kept to a minimum. This is particularly important in view of the government contract for [redacted].

Although each market segment served has some strategic distributors, some markets are primarily sold direct. For example, well diggers, cemeteries and landscape/tree trimmers/hardscape accounts are served by a mix of dealers and direct sales, while house movers are served directly.

Below is a listing of the top 20 customers and their revenue. [redacted] has over 300 customers with a mix of dealers and direct customers. Fifteen of the top twenty accounts are dealers. The company is focused on creating more dealers like those in the top twenty.



Although the largest account is roughly 25% of the overall revenue, historically they have only represented 7% to 14% of sales. 2010 was not typical. ■■■ is normal in that the top 20% of the accounts comprising only 84% of the revenue. .

Fortunately, ■■■ has long standing relationships with its top accounts. Its largest account starting buying from them within 18 months of the ■■■ launch in January, 2005 and the second largest in the first year the product was introduced in 2003. Like the relationship with the reps, many customer relationships date back to the early to middle 1990s.

On average the company has spent approximately 4% of revenue on advertising and promotion each year. Approximately 54% has been spent to advertise nationally to key user markets including utilities, well drilling magazine, house movers and cemetery magazines. Approximately 38% of the promotion spent is to participate in trade shows to selected markets. ■■■ exhibits at well driller, cemetery, house mover, landscape, golf course and tree shows. Examples of literature, advertisements and pictures of show displays are included in the appendix.

## Manufacturing and Supply

■■■ has been and remains heavily involved in its manufacturing processes and process development. Although they do not own their manufacturing facilities, they work closely with manufacturing partners. All the tools are proprietary and owned by ■■■. Each supplier is committed to not manufacture the same product or any products for companies who may wish to compete with ■■■.

The development of the initial [REDACTED] product offering was accomplished by [REDACTED] in conjunction with two manufacturing partners in Arkansas. These partners became the initial manufacturing arm of [REDACTED] for composite fiberglass products. As the business grew, Mr. [REDACTED] and the two partners in Arkansas agreed that [REDACTED] would buy and resell product from them on an exclusive manufacturing arrangement but as totally independent businesses. The [REDACTED] line is still manufactured in Arkansas, although one partner bought out the other in the intervening period. They manufacture products for other companies in other industries, while [REDACTED] remains their largest customer. The supplier has open capacity to manufacture three times the current volume of [REDACTED]. They currently operate on a one shift basis and are capable of adding labor and shifts to significantly expand production.

As with all their products, [REDACTED] owns the tools to manufacture [REDACTED]. They do not tend to wear and have a long remaining life. In the unlikely event [REDACTED] needs to change suppliers these tools can be used by other manufacturers using the same process and with equipment that is compatible to the tools. Since the relationship between [REDACTED] and their supplier is very strong, [REDACTED] has not explored moving the tools. The production process was changed in 2004 as the result of work completed in the [REDACTED] laboratory in [REDACTED]. During that time, [REDACTED] undertook a search for alternate sources and identified several keenly interested suppliers who could manufacture for them if necessary.

[REDACTED] production began in 2003. After the successful experience with an outside supply arrangement for [REDACTED], [REDACTED] did not pursue manufacturing on their own and elected to use outside suppliers. Initially, in 2003, the product was manufactured by a plastics manufacturer in Florida whose capacity was quickly sold out by [REDACTED]. The company then launched a second supplier, an Ohio compression molding house. This is a different process than used in Florida. This supplier has plenty of open capacity with the ability to manufacture three times the current demand for [REDACTED] and has expressed interest in doing so.

[REDACTED] developed another source in Pennsylvania and moved the tools from Florida to the Pennsylvania supplier. For four years this source provided trouble free delivery and [REDACTED] worked well with a two source strategy. When the Pennsylvania supplier had a disaster that temporarily interrupted their ability to supply, [REDACTED] moved to the tools the current source in Alabama. This company is a world class, multi-location stacked compression mold and extrusion house specializing in HDPE and UHMW plastic materials. Like the other sources, we have sufficient tools and they have sufficient equipment to make four to five times the current sales levels.

Like [REDACTED], the [REDACTED] tools have a long remaining life since materials processed through the tools are not abrasive and do not wear on the mold surface yielding a very long life.

[REDACTED] has four current and potential suppliers for [REDACTED] products who have demonstrated ability to supply product in case one supplier falters. In addition the company is aware of and has explored many others who could be quickly certified to supply.

## **Future Outlook and Opportunities**

Having a very good year in 2010 indicates the marketing strategies and sales plans for ■■■ are working well. As a result the company has four primary growth strategies which support the three year strategic forecast noted below. First, ■■■ continues to expand its Americas selling organization in conjunction with its segmentation strategy. This alone provides an excellent outlook for the next several years.

As a result of its sales efforts and European strategies, ■■■ is adding two significant new distributors in Germany. We know, based upon year to date shipments, orders in house and from prior experience in England and with other distributors operating in this sector, the revenue from the two accounts will be \$280,000 in 2011 and very likely will grow to be among the largest customers in 2011 and 2012.

In addition to the selling strategy, ■■■ has two new products already developed and in the process of being launched. These include a new erosion prevention product for construction sites designed to further reduce erosion and cost by contractors. The estimated payback to the contractor is measured in months not years. Field trials have been very successful and allow contractors who are currently under pressure for green and sustainability construction to better meet those goals.

Second, a very significant new product has also just been launched for the shoring industry. It is a major improvement in safety and costs for the industry. It has been several years in development and launched in early 2011. This product is being sold to the major shoring products manufacturers and represents significant potential sales in 2011 and well beyond. The product allows the site to not only be safer, but also to be better able to meet OSHA and other regulatory guidelines.

■■■ has been highly successful in Australasia and Europe, barely scratching the surface in those areas where local limitations, guidelines and a focus on environmentally friendly products and a significantly larger total market than in the Americas. The company has added and will continue to add representatives and distributors in key European and Australasian countries and cities.

<b>SVE Projected Sales 2011 - 2013</b>			
	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Baseline Sales</b>	\$3,514,000	\$4,270,000	\$5,220,400
<b>Programs and Activities</b>			
<b>Additional Base Business Growth (Decline)</b>	(\$57,500)	\$333,900	\$386,100
<b>New Markets &amp; Sales Programs</b>	\$398,000	\$466,000	\$328,000
<b>New Products</b>	\$415,500	\$150,500	\$167,900
<b>Total Projected Annual Revenue</b>	<b>\$4,270,000</b>	<b>\$5,220,400</b>	<b>\$6,102,400</b>

## Financial Statements

<b>SVE Profit and Loss 2006 - 2010</b>					
Year	2006	2007	2008	2009	2010
<b>Ordinary Income/Expense</b>					
<b>Income</b>					
	\$1,744,358	\$2,693,439	\$1,834,485	\$1,493,402	\$2,470,252
<b>Other Products</b>	\$1,039,269	\$898,632	\$971,264	\$595,134	\$953,567
<b>Freight</b>	\$122,600	\$115,138	\$118,374	\$71,206	\$90,190
<b>Total</b>	\$2,906,227	\$3,707,209	\$2,924,123	\$2,159,743	\$3,514,009
<b>COGS</b>					
<b>Material Costs</b>	\$1,908,196	\$2,557,367	\$1,951,843	\$1,448,597	\$2,561,335
<b>Freight &amp; Shipping Costs</b>	\$148,278	\$120,561	\$129,937	\$80,500	\$102,702
<b>Total COGS</b>	\$2,056,474	\$2,677,928	\$2,081,779	\$1,529,096	\$2,664,037
<b>Gross Profit</b>	\$849,753	\$1,029,282	\$842,344	\$630,646	\$849,972
<b>Selling Expenses</b>					
<b>Sales Commissions</b>	\$178,475	\$221,787	\$150,749	\$95,491	\$184,192
<b>Advertising &amp; Sales Promotion</b>	\$91,837	\$107,716	\$114,413	\$76,512	\$62,214
<b>Total Sales Expense</b>	\$270,312	\$329,503	\$265,162	\$172,004	\$246,406
<b>Operating Profit w/o Admin</b>	\$579,442	\$699,779	\$577,182	\$458,643	\$603,566

## Summary Balance Sheet 2006 - 2010

	2006	2007	2008	2009	2010
<b>ASSETS</b>					
<b>Current Assets</b>					
Checking and Savings	19,856	145,015	32,470	58,037	13,854
<b>Total Checking/Savings</b>	<u>19,856</u>	<u>145,015</u>	<u>32,470</u>	<u>58,037</u>	<u>13,854</u>
<b>Accounts Receivable</b>					
Accounts Receivable - Trade	446,986	108,097	420,352	276,987	325,812
<b>Total Accounts Receivable</b>	<u>446,986</u>	<u>108,097</u>	<u>420,352</u>	<u>276,987</u>	<u>325,812</u>
<b>Other Current Assets</b>					
Petty Cash	100	100	100	100	100
Total Inventory	187,486	228,822	418,332	197,001	284,752
Prepays	45,193	46,822	41,481	44,699	43,740
<b>Total Other Current Assets</b>	<u>232,749</u>	<u>275,544</u>	<u>459,912</u>	<u>241,800</u>	<u>308,592</u>
<b>Total Current Assets</b>	<u>699,371</u>	<u>526,655</u>	<u>921,735</u>	<u>576,824</u>	<u>648,258</u>
<b>Fixed Assets</b>					
Office Equipment	16,163	16,163	16,163	17,284	17,979
<b>Warehouse Equipment</b>					
Vehicles	7,058	7,241	7,241	7,241	7,241
Vehicles	19,911	51,150	38,686	38,686	45,702
Rental Mats	158,213	144,589	126,626	125,478	164,047
Manufacturing Eqt & Tools	308,616	377,154	377,154	377,154	453,267
Accum Depreciation	(408,788)	(531,292)	(523,357)	(538,334)	(555,787)
<b>Total Fixed Assets</b>	<u>101,173</u>	<u>65,005</u>	<u>42,513</u>	<u>26,508</u>	<u>132,449</u>
<b>TOTAL ASSETS</b>	<u><b>800,544</b></u>	<u><b>591,661</b></u>	<u><b>964,247</b></u>	<u><b>603,332</b></u>	<u><b>780,707</b></u>
<b>LIABILITIES &amp; EQUITY</b>					
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Total Accounts Payable	405,754	226,590	493,940	248,001	333,072
<b>Other Current Liabilities</b>					
Payroll Liabilities	1,480	2,572	13,457	8,828	-542
Notes Payable	287,051	261,138	210,589	143,123	180,009
Sales Tax Payable	1,426	1,210	1,085	1,405	873
State Income Tax Withheld	1,401	8,874	3,737	6,277	1,545
Accrued Liabilities	48,343	15,620	56,861	26,398	43,713
<b>Total Other Current Liabilities</b>	<u>339,700</u>	<u>289,213</u>	<u>285,729</u>	<u>186,032</u>	<u>226,598</u>
<b>Total Current Liabilities</b>	<u>745,454</u>	<u>515,804</u>	<u>779,669</u>	<u>434,032</u>	<u>559,670</u>
<b>Total Liabilities</b>	745,454	515,804	779,669	434,032	559,670
<b>Equity</b>					
Common Stock	1,000	1,000	1,000	1,000	1,000
Additional Paid In Capital	33,047	33,047	33,047	33,047	33,047
Retained Earnings	21,043	41,810	150,532	135,253	187,990
Net Income	65,090	75,867	184,579	169,300	222,037
<b>Total Equity</b>	<u>65,090</u>	<u>75,867</u>	<u>184,579</u>	<u>169,300</u>	<u>222,037</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><b>800,544</b></u>	<u><b>591,661</b></u>	<u><b>964,247</b></u>	<u><b>603,332</b></u>	<u><b>780,707</b></u>



### SVE Projected P & L 2011 - 2013

	2011	2012	2013
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Additional Base Business Growth (Decline)	(\$57,500)	\$333,900	\$386,100
New Markets & Sales Programs	\$398,000	\$466,000	\$328,000
New Products	\$415,500	\$150,500	\$167,900
<b>Total Projected Annual Revenue</b>	<b>\$4,270,000</b>	<b>\$5,220,400</b>	<b>\$6,102,400</b>
<b>COGS</b>			
Material Costs	\$2,946,300	\$3,602,076	\$4,210,656
Freight Costs	\$128,100	\$156,612	\$183,072
Shipping Materials	\$5,978	\$7,309	\$8,543
<b>Total COGS</b>	<b>\$3,080,378</b>	<b>\$3,765,997</b>	<b>\$4,402,271</b>
<b>Gross Profit</b>	<b>\$1,189,622</b>	<b>\$1,454,403</b>	<b>\$1,700,129</b>
<b>Selling Expenses</b>			
Sales Commissions	\$222,040	\$271,461	\$317,325
Advertising & Sales Promotion	\$123,830	\$151,392	\$176,970
<b>Total Sales Expense</b>	<b>\$345,870</b>	<b>\$422,852</b>	<b>\$494,294</b>
<b>Operating Profit w/o Admin</b>	<b>\$843,752</b>	<b>\$1,031,551</b>	<b>\$1,205,834</b>

## Appendix

Literature on products  
Copies of advertisements  
Picture of tradeshow display  
Picture of Building

alone. The company's investment in new products continues to pay off with the launch of two exciting new products. The first is used in the trench shoring industry. The second is an erosion prevention product currently being sold through distributors. It is used in construction sites providing significant cost savings to contractors.

## Company Background

██████████ Roadway Systems, Inc. has been in business for 25 years. It had its beginnings in 1986 when ██████████ opened ██████████ as a truck and van equipment business in ██████████, New York. It quickly evolved into a ██████████ roadways systems company when clients requested solutions to their service vehicle problems in construction environments. The only standard manufactured mats available were heavy equipment wood mats that are still being made today. Clients were looking for a strong reliable product that could handle the weight of large trucks, be easily lifted and installed by men in the field and could readily be transported to the job site. Efficiency and productivity was the goal, and they needed a solution. As a result the company began building their ██████████ composite fiberglass mat product line in 1989. ██████████ was an early and successful entry into this industry.

The entry into ██████████ roadway systems was so successful ██████████ elected to sell off his van and truck equipment business and concentrate 100% on ██████████ roadway systems and products. He also relocated the business to ██████████ in January, 1995 incorporating as ██████████ subchapter S corporation with 100,000 shares of stock 100% owned by ██████████. In 2009 he changed the name to ██████████ Systems, Inc. to be more clearly identified with the marketplace.

██████████ is originally from ██████████ and a graduate of ██████████ University, the move brought him back home to the ██████████ where he wishes to remain. Prior to starting ██████████, ██████████ had a business career in manufacturing management which included Robert Shaw Corporation, Carrier Corporation and United Technologies.

The company is currently located in 2000 sq. ft. at ██████████. The facility is an industrial condominium owned by ██████████. In addition to this facility, the company leases a 600 sq. ft. lab with outside storage yard in ██████████ a south suburb of ██████████. ██████████ does product development and testing at this facility and also stores ██████████ and ██████████ inventory.

Since the launch of ██████████, ██████████ has successfully developed several other product lines which include product enhancements and line extensions. This allowed access to additional applications and geographic markets. The business has grown well over the years to sales exceeding \$3.5 million and has weathered adverse the business cycles and the recent recession quite well.

## Transaction Considerations

The owner, ██████████, is currently 67 years old and is considering the sale of the business as part of his life and retirement planning. He is not yet ready to retire and is desirous of continuing

to work in pursuit of his personal goals. As such, he is open to several transaction options based upon the level of interest and desire of potential buyers.

1. [REDACTED] will consider both asset and stock transaction offers for the company.
2. Offers for all the business or a portion of it, such as the [REDACTED] portion of the business will also be given serious consideration.
3. The building in [REDACTED] is personally owned by [REDACTED]. He is willing to consider offers that both include or exclude the building.
4. Since [REDACTED] is not yet ready to retire, he would consider offers for the business that allow him to become a dealer and/or rental company for [REDACTED] and other product lines for just the [REDACTED] United States. He also would be willing to keep his current employees in a transaction that provides for a dealership.
5. Depending upon the transaction elements, [REDACTED] is willing to remain with the company for a brief transition period if required. .

## Organization

[REDACTED] is structured as a lean organization. Manufacturing is subcontracted with company owned tools. This allows the company to focus on the marketplace with its five salaried employees and 30 commissioned outside representatives. The five employees are located in the [REDACTED] office. Since the team is small, separation of responsibilities is sometimes unclear as they all do everything. The office is set up with cubicles facilitating open communication and allowing each person to help each other. They have no enclosed offices or office space. The following describes the salaried employees and their primary roles:

- [REDACTED], owner: As noted his background is in manufacturing and management. [REDACTED] oversees manufacturing for the company, plays an important role in customer relationships and manages sales and the outside sales representatives.
- [REDACTED], office manager: Responsibilities include bookkeeping, customer relations and general responsibilities. Joining the company immediately upon its relocation to [REDACTED], [REDACTED] has knowledge and skills in most areas of the business.
- [REDACTED], inside sales: works with dealers, reps and products. He has technical knowledge and handles product development and lab activities as required.
- [REDACTED], inside sales: works with dealers and reps also handling marketing activities including trade show management and staffing.

- [REDACTED], outside sales: handles sales activity for large mats only and only in the Southeast region, primarily the [REDACTED]

Although [REDACTED] joined the organization last year, all others are long term employees. The addition of a direct sales person for big mats, allowed [REDACTED] to take advantage of rental opportunities close to home and serve the region better than some of its dealers or sales representatives.

The commissioned sales agents function with specific geographic and market segment territories and are paid on sales they bring in to the business. They have written agreements. The bulk of the commissioned reps serve the utilities sectors. The other commission reps serve the remaining markets or sectors and overlap the geographic territories of the utility reps but not the customers and/or dealers. There has been no conflict in the marketplace to date.

## Marketplace Overview

[REDACTED] is a major player in the market for [REDACTED] roadway systems. The market itself may be a misnomer, but generally products that make up [REDACTED] roadway systems have multiple levels of quality and performance and are also suitable for related applications whether truly a roadway or not. Considering that the purpose is to both facilitate the use of equipment on unpaved surfaces which otherwise cannot support that equipment or hinder its performance and to protect surfaces from the effects of equipment, people or other outside influences, the overall market is large and diverse with a broad range of product options.

The [REDACTED] products use plastic or resin based materials. These materials have key competitive advantages over wood based products. Although it is difficult to calculate the size of the overall market, it is safe to declare it a multi-billion marketplace. In 1989 when [REDACTED] built the first fiberglass based product in the USA, the only other option was wood. The most common material used today for [REDACTED] roadway systems is still wood. In fact, we estimate 95% of the market remains wood. While plywood is most commonly used to fill the need, it is both inferior and expensive to use and apply. Wood has inherent risks due to it degrading when wet and buckling with changes in humidity and temperature. Even wood planking, commonly used for more robust applications degrades in the elements.

The use of various plastic based products continues to grow as users recognize its cost effectiveness and inherent value versus wood options. Poly mats, at 5% or less of the market share, have barely scratched the surface of current and potential applications. It has distinct advantages which make for a bright future:

- **Cost Effective:** Poly mats are lower cost to use and apply than wood alternatives. They are reusable while most users still lay down plywood and then dispose of it after limited usage. If the user has more than a handful of jobs in a year, the payback can be measured in months and in some cases days.
- **Tough and Durable:** Poly mats do not degrade in rain or sunlight and function quite well in normal outdoor temperatures. At the same time they support the weight of heavy equipment. Properly specified and applied, they will not break.

- **Easy to Install and Use:** Poly mats are light enough and sized in 4 ft. x 8 ft. sheets that can be handled by two people and delivered in a pick-up or small flatbed truck. Plywood or wood mats do not have these benefits. Wood mats do not have hand cutouts or rope handles for lifting, and no method of connecting them together or pinning them to the ground.
- **Long Lasting:** While virtually impervious to the elements of nature, poly mats have a very long usable life. As long as the user takes reasonable care not to put more weight on the mats than their specified capability, they can almost last forever. Wood breaks, deteriorates in the elements and is constantly being replaced at a high cost to the user.

Poly mats and the [REDACTED] products are environmentally sound and correct. Clearly, their market opportunity will grow while there is no risk of being displaced by a more "green" product. They provide significant benefits to the environment. While not legislated into place in the Americas, [REDACTED]'s products are legislated into place in some areas of the world and/or are supported by local codes and guidelines. This is particularly true in parts of the Australasia and European regions of the world. Several factors make [REDACTED]'s products globally and environmentally important:

- **Protect Against Soil Erosion:** portable roadway systems reduce additional erosion of soil in work areas
- **Protect Ground Water:** eliminating extra soil erosion keeps it and the materials in the construction site. It also keeps fluids leaked by equipment from entering the ground water
- **Reduce Deforestation:** the [REDACTED] products are plastics based, which although may appear not environmentally friendly on the surface, they last a very long time and eliminate the use of wood alternatives which last a very short period of time. Simply put, one set of [REDACTED] or [REDACTED] panels could save hundreds if not thousands of trees
- **Recycled:** the HDPE plastic materials are recyclable into additional panels and do not necessarily result in additional waste. They use recycled materials in their formulations

The market will continue to grow. Fortunately, it is not solely dependent upon new construction. Even today there are literally hundreds of applications and market segments currently using wood while a plastic product would be a more cost effective, environmentally friendly and more efficient to use. This cost effectiveness and other inherent benefits for end customers will eventually cause users to convert from plywood and wood options to the more cost efficient [REDACTED] and its various competing products.

The markets for portable roadway systems products are endless. A partial list of applications sold by [REDACTED] is noted below:

- Utility Service Trucks
- Cemeteries
- Well Drilling
- Crane Specialist
- Tent Floors
- Pedestrian Paths
- Athletic Fields
- Boat Ramps
- Concrete Pumping
- Construction
- Environmental & Wetlands
- Fire Departments
- Golf Courses
- Heating Oil Deliveries
- Helipads
- Irrigation Contractors
- Landscapers
- Loggers
- Manufactured Housing
- Home Movers
- Parks
- Site Prep Contractors
- Special Events
- Arborists

The spending on the domestic infrastructure over the next few decades makes the revenue opportunities much larger than the past two decades. Although there will always be applications that can only be served by wood, many more applications will convert to plastic. The key reasons for using plastic add up to a very compelling financial benefit and business case for users. The reasons include:

- Longer usable life: due to natural degradation of wood in elements, it has a limited usable life. Plastic mats do not degrade or break in application.
- Easier/less labor to use: Plastic mats weigh a third or even less than wood mats making them cheaper to transport, load/unload, install and remove.
- Ease of assembly: Plastic mats are more easily linked together and the links last longer than plywood. The joining point is the first area of degradation in plywood and planking thus making this a point of failure. Being light weight, labor can also handle them with less effort and join them without the use of extra equipment.
- Trends to green: Plastic mats often use recycled materials. They also can be recycled.

When faced with a market worth billions and products like those from [REDACTED] there is a clear opportunity for significant growth in this marketplace. Revenue can grow 20 fold and still only approach 5% or 10% of the overall market.

## **Competitive Landscape**

Poly mats are still emerging in the marketplace and competition has been minimal. There are reasonably high barriers to entry with very high equipment costs and tooling costs. Over the years [REDACTED] has invested in tooling and equipment. At today's cost, the tooling investment alone would approach \$500,000 with another \$350,000 to \$500,000 inventory investment to properly serve the customers. Further adding to the entry barrier, the early entrants have good products and strong product lines. Clients tend to stick with one source and are driven to buy first on service as long as pricing is at a reasonably competitive level. [REDACTED] generally gets a premium

for their products. [REDACTED] combines distinct product differentiation with excellent service and strong relationships to carry the day.

Two primary competitors, [REDACTED] and [REDACTED] are based in the United States and one foreign player, [REDACTED], is currently attempting to enter through distribution.

[REDACTED], [REDACTED], [REDACTED]: Founded in Western [REDACTED] in 1993 by the [REDACTED] family it was acquired in 2006 by [REDACTED] who was an employee at the time. It later transferred ownership to [REDACTED]. They launched the first polyethylene based mat. This mat carved out a significant market segment for somewhat lighter weight equipment and at a lower cost. The product was very successful and resulted in the development of the [REDACTED] product line by [REDACTED] to compete in the lighter weight applications they previously served. Like [REDACTED], [REDACTED] continued to develop and acquire product line extensions and complementary products. Although no published financial or industry data is available, [REDACTED] appears to be larger than [REDACTED].

[REDACTED], [REDACTED], [REDACTED]: Also known as [REDACTED], this firm is led by [REDACTED] and owned by [REDACTED], [REDACTED] and [REDACTED] a private equity concern. They introduced a product offering comparable to [REDACTED] products in 2007. They primarily rent mats for special events as well as participate in the [REDACTED] and [REDACTED] sectors. All indications are that they have aggressive growth plans.

[REDACTED]: This former distributor of [REDACTED] has launched a competitive offering to [REDACTED] in the UK and is currently attempting to establish itself in the US by partnering with some large distributors/dealers. Manufacturing is in Europe. [REDACTED] may find themselves to be at a competitive disadvantage to the US manufactured product in North America.

**Others:** Globally there are a handful of manufacturers and marketers of these style products in England, Europe, and Asia. The true competition remains the various wood options. This means their real market opportunity can be found by convincing users, who simply buy some extra plywood and lay it down on a job site, of the potential benefits of alternative products.

## Products

The product offering evolved over time to both serve additional market segments and support the primary lines with accessories and complementary products. There are four primary product lines and a handful of accessories. These are presented below in the order they were introduced to the market.

### [REDACTED]

This fiberglass based mat is the first manhandle able mat manufactured in America. [REDACTED] developed and launched it in 1989 as a response to client requests for a mat alternative to wood. The product is exceptionally strong and more rigid than today's poly mats with a much more aggressive traction surface. Poly mats, on the other hand, are lower cost and sufficient to meet most applications.

██████████ are still sold for a limited number of applications with very soft ground as they spread tire load over a surface five to six times larger than poly mats. They are the strongest plastic or resin based mat in the industry but also the most expensive. The product was technologically improved in 2002 when the manufacturing process was upgraded to the more current infusion technology which makes them even stronger and somewhat lighter.

██████████

When poly mats were introduced by ██████████ in the early part of the last decade, ██████████ had a cost disadvantage in some applications. As such, the company developed ██████████ to regain market share and compete against poly products sold by ██████████. Launched in 2003 the product remains distinctively different.

Several key points of distinction exist. First, the design utilizes rows and columns of round cylinders to facilitate loading and unloading in pick-up trucks and flatbed trucks. Second, it has nine times as many traction points as the competitor's products. Third, hand cutouts are incorporated in the product to facilitate handling. Finally, the light green color minimizes light reflection and resists heat absorption that results in damaged grass.

The product was highly successful very quickly and established itself as an industry standard in short order. After initially selling out capacity, the company moved quickly to add additional capacity and sources. Today it is the single largest selling product in the line and is manufactured in two locations where capacity exceeds current sales levels.

██████████ is sold to almost every application in the marketplace. It still has barely scratched the surface of market opportunity. While we boast an extensive list of applications for the product, only a small portion of the potential users in those applications are actually using poly mats and more typically use plywood in spite of its drawbacks and higher total cost of use. In addition, more applications are uncovered daily for ██████████ and many geographic markets have not even been pursued as yet. The product's future is very bright.

██████████

██████████ is functionally a distributor of ██████████ heavy equipment mats manufactured by ██████████. The company elected to distribute the product beginning in May 2009 in response to demand for large, heavy duty mats. The product is made of wood and is put down in sections and planks from 2.75" to more than 36" thick and up to 75' long. Due to the weight of this heavy duty product there are cost/economic issues in shipping them. As such, the mats are primarily sold in the ██████████.

The mats require significantly more engineering to sell and apply. They are often rented. ██████████ mats are used for very heavy equipment in unstable or soft soil conditions. They are technologically superior due to engineered wood technology of laminating and bolting hardwoods into solid mats. Emtek has higher load values than conventional heavy equipment mats that are twice the thickness. This provides a longer useful life and some handling efficiencies.



## **Pedestrian Mat**

Although this product was developed and launched in 2007, it has not been marketed or sold to achieve its potential. The market is primarily for the special events industry in which [REDACTED] has not traditionally participated. The product is unique in that it incorporates many of the same features and differentiation as [REDACTED], but is scaled to pedestrian traffic. It has excellent traction characteristics and is considered more comfortable to walk on. It also has a grass side design that is more protective of the grass area. Success with this product requires dedicating resources to the special events sector, the company has elected to focus on other applications to date.

## **Accessories**

In order to serve customers well and complete an application for the major products, SVE provides several accessories to its customers. These include:

**Outrigger Pads:** Used underneath outrigger arms that stabilize equipment and vehicles including drillers, backhoes, cranes and bucket trucks. These are available in both a [REDACTED] version, fiberglass, originally developed and launched in 1989 and a [REDACTED] version, [REDACTED], launched in 2010.

**Trench Covers:** Made of fiberglass, trench covers are strong enough to support weight over excavated trenches to keep soil, people, and animals from falling in to it. They are commonly used in utility, cemetery and other applications that involve a modest size hole in the ground. The product was launched in 2003.

[REDACTED]: Made from aircraft grade aluminum, the [REDACTED] is pre-engineered to handle large utility line trucks, cranes, drill rigs, etc. The product can be designed to meet whatever vehicle weight specifications that may be needed and made to order with modest lead times. They are a safe way to cross ditches and creeks without having to bring in specialized lifting equipment.

## **Sales and Marketing**

[REDACTED] is a global company. The company began to build its international business immediately upon launching the product and has long standing relationships with reps and dealers in Europe and Australasia. 45% of the company's revenue comes from international markets giving balance and opportunity during regional economic events. It also bodes well for the future as the international opportunity is substantial and, as previously noted, benefits from the limited availability of wood alternatives and local regulations. The company visits with global dealers and reps regularly. [REDACTED] trains in country and makes joint visits to customers on a regular basis. This has facilitated continued growth.