

ACQUISITION CRITERIA MEMO

**Project Name: iBakeFoods**

Executive(s) Name(s):

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| <p>Industry Description</p>                    | <ul style="list-style-type: none"> <li>• iBakeFoods is a private label bakery manufacturer for retail supermarkets and consumer goods products industry. It currently manufactures cookie products.</li> <li>• The company desires to expand and specialize in the manufacture, sale and distribution of high quality private label snack crackers. Products to be designed to compete with the national brands on price and quality while providing wholesale customers with products that enhance their brand equities.</li> </ul>   |
| <p>Size, Growth, Margins and Fragmentation</p> | <ul style="list-style-type: none"> <li>• \$4M cookie segment, 10-50% growth, 25% margins.</li> <li>• Grow to \$260M sales over 5 years, 25% margins in cookie and cracker segment.</li> </ul>  |
| <p>Key Industry Trends/ Opportunities</p>      | <ul style="list-style-type: none"> <li>• iBakeHome Sales Team has sourced demand to enter Cracker Private Label segment:             <ul style="list-style-type: none"> <li>• Private Equity Companies are targeting private label food companies for acquisition because of the long term growth of the category and profitability.</li> <li>• Over the past 6 years, private label food companies are selling to Private Equity Companies or large conglomerates for 2-3X annual sales and from 7-12X EBITDA.</li> <li>• Retailers are investing in New Formats and expanding the product selection in the private label cracker aisle.</li> <li>• Private Label Continues to Grow as consumers adjust to the economy and Retailers place more emphasis on their own Brands.</li> <li>• By 2012, projected sales for private label crackers will reach \$800 million and achieve a market share of over 20% on a dollar basis and closer to 25% on a tonnage basis.</li> <li>• The private label cracker category is dominated by two very large diversified competitors who have lost sight of meeting the service requirements of many small to mid-size customers. These customers are seeking an alternative third supplier that will provide more responsive service.</li> <li>• Mid-market opportunity to produce for large scale category marketers Kraft, Kellogg, General Mills</li> <li>• Support new product introductions</li> <li>• Produce labor intensive products</li> <li>• Support product development activities</li> <li>• Key Sales and Marketing opportunities                 <ul style="list-style-type: none"> <li>○ Private Label                     <ul style="list-style-type: none"> <li>▪ Exceed the Retailers expectations; Surpass Consumer Needs</li> </ul> </li> <li>○ Branded                     <ul style="list-style-type: none"> <li>▪ House Brand to provide selling tools and smooth production</li> </ul> </li> <li>○ Contract Manufacturing                     <ul style="list-style-type: none"> <li>▪ High Volume/profit opportunities</li> </ul> </li> </ul> </li> </ul> </li> </ul> |
| <p>Key Threats/ Challenges</p>                 | <ul style="list-style-type: none"> <li>• Cookie line expansion requires capital investment.</li> <li>• Expand to cracker segment requires capital investment.</li> <li>• Raw material handling. If purchase bulk, costs will be reduced.</li> </ul>  |
| <p>Key Product Descriptions</p>                | <ul style="list-style-type: none"> <li>• Current: Private label retail cookie accounts for 100% of revenues (10% margins)</li> <li>• Cracker line expansion:</li> </ul>  |

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| (prioritized and margins)                  | <ul style="list-style-type: none"> <li>• Graham Cracker Bites</li> <li>• Cheese Squares</li> <li>• Wheat Crackers</li> <li>• Oyster Crackers</li> <li>• “Goldfish” style crackers/ “Mini Ritz”</li> </ul>   |
| Key Segments                               | <ul style="list-style-type: none"> <li>• Private label cookie market</li> <li>• Private label cracker market</li> </ul>   |
| Manufacturing tech/processes (prioritized) | <ul style="list-style-type: none"> <li>• Bakery continuous oven production for both cookie and cracker production.</li> <li>• Primary manufacturing process: continuous oven.</li> <li>• Secondary processing: high capacity batch mixers, sheeters, proofers, ovens</li> <li>• Packaging: fillers, tray packer, cartoner for bag-in-box, case packer</li> </ul>  |
| Acquisition Thesis                         | <ul style="list-style-type: none"> <li>• Purchase iBakeHome company for 1.25X sales @ \$5 million. Grow current cookie line. Expand to cracker segment and grow company to \$237 million revenues in 5 years.</li> <li>• Cookie segment is attractive because current line runs one shift. Can easily double production with 3 shifts. Potential to expand another line with increased demand in cookie market.</li> <li>• Penetrate into the cracker high quality private label segment as add-on. Build one production line over 18 months. First year \$34 million revenues with one shift. Three shift production will generate \$68 million revenues. Expand to two production lines after second year and produce \$136 million revenues after five years.</li> <li>• → Result is platform positioned as #1 player in the private label cookie and cracker segment with lower retail priced products, above average margins and growth prospects for additional lines and increased scale.</li> </ul> |
| Top 5 Targets                              | <ul style="list-style-type: none"> <li>• iBakeFoods = \$4 million rev; personal relationship/actionable. Owners willing to sell or work out investment structure with buyer. Owners have a growth plan for cookie and cracker line expansions.</li> <li>• Cracker Industry: <ul style="list-style-type: none"> <li>• Private Label Competition: <ul style="list-style-type: none"> <li>○ Lance</li> <li>○ Bremner (Con-Agra)</li> </ul> </li> <li>• Premium Branded Competition: <ul style="list-style-type: none"> <li>○ Keebler (Kellogg)</li> <li>○ Nabisco (Kraft/Mondolez)</li> <li>○ Pepperidge Farms (Campbell)</li> </ul> </li> </ul> </li> </ul>   |
| Geographic Preferences                     | <ul style="list-style-type: none"> <li>• Rimersburg, PA. North America</li> </ul>   |
| Preferences (Size, Segment, other)         | <ul style="list-style-type: none"> <li>• Platform: \$4mil rev; Purchase iBakeFoods company – one line, cookie segment only.</li> <li>• Grow: \$17 mil rev on current line; invest in one additional cookie line and grow to \$34mil.</li> <li>• Add-on: \$68mil cracker line. Expand to 2 lines over 5 years. Requires \$25mil initial capital and \$9mil each additional cracker line.</li> <li>• <b>See attached Investment Summary Sheet</b></li> </ul>  |

DISCUSSION LOG

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| Conversation Log         | <ul style="list-style-type: none"> <li>• [x/y/z – Blackmore introductory call and materials]</li> <li>• [a/b/c – Delivered first thesis cut and discussed with Blackmore, made suggested additions]</li> <li>• [e/f/g – sent to likely PEG interested and qualified; awaiting introductory call]</li> </ul>                                   |
| Next Steps and Follow-up | <ul style="list-style-type: none"> <li>• Owners to visit properties in mid-May for cracker production facility.</li> <li>• Investor meeting: business case presentation set for June 5, 2013 in Rimersburg, PA.</li> <li>• [set up 30 minute intro with PEG xyz, discuss opportunity and next steps]</li> <li>• [date to occur by]</li> </ul> |

[note: if data is not available, note it as an estimate which is better than nothing]