Monticello Capital[SM]

PARAMETERS FOR INVESTMENT

Monticello Capital's principals have participated in the advancement of technology and service companies by creating and then investing in specific-purpose enterprises in the form of limited partnerships, limited liability companies, or holding companies organized as stock corporations.

The firm's most recent harvest of private investment took place in 2008-2009.

The firm's general parameters for investment are provided here.

Standards

Monticello Capital is a private US investment banking firm with pride in its recognized prestige and standing. Its business principles and the culture of the firm require adherence to scrupulously high standards of ethics in an industry where those values frequently do not prevail. These standards apply especially to the firm's investments.

All investments and their executive principals must be of the highest quality, operate in an advanced technology industry, advance some useful social purpose, and show the clear capability for rapid growth with acceleration capital.

Candidate investments are by referral only. Monticello Capital finds its investment possibilities rather than the other way around. With regret, this firm will not invest in "cold call" entreaties or "over the transom" business plans.

Financial Criteria

Pre-investment EBIT is positive upon Monticello Capital's analytical restatement of the income statement in the form of US Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS).

Pre-investment EBITDA margins are positive for at least the most recent two financial quarters upon Monticello Capital's analytical restatement of the income statement in the form of US GAAP or IFRS.

The pre-investment current ratio for existing operations is at or better than 2.5.

The pre-investment acid test ratio for existing operations is at or better than 1.8.

The pre-investment cash flow to debt service ratio is greater than 1.75 to 1.

Minimum post-investment pro-forma first-year marginal revenues should be $3 million to $7 million.

Post-investment pro-forma annual revenue growth is greater than 15 percent.

The target internal rate of return for investment is between 37.5 percent and 50 percent in a 30-month to three-year period. Note that this criterion is a benchmark and not necessarily a statement of expectations for an exit event.

Strategy

Acquisition strategy is almost always “buy and hold.” Development of the investment for a five- to seven-year period or longer must be expected. Rapid harvest does not usually occur.

All investment will be for the company’s acceleration/expansion capitalization to fund growth and market entry. Investments are always for the expansion of productivity and always confer a technological advantage.

Use of Capital

The capital must be applied to the growth of the company and for no other purpose.

Acceleration capitalization only is funded. There will no payoff of old debt or buyout of existing shareholders.

The Investment

Investment can take the form of straight debt with deferred servicing, convertible debenture, or preferred convertible equity issue. There is significant flexibility as to the form of the investment.

A majority economic stake is not required. Common equity is generally not preferred. When an investment in common equity is made, majority ownership or operational control is required. Equity stake percentage (or equivalent conversion from debt) depends on the company’s enterprise valuation.

Agents Excluded

No agents will be compensated and no investment will be made if the company has any agreement, explicit or implicit, to compensate an agent or consultant advising the transaction.

Investment Company Parameters

Companies in national domiciles other than the US will be considered on the basis of the home nation’s geo-economic stability and legal environment. As a general guideline, no nation is excluded and the economics of market risk and return prevail over any political considerations.

The company must be closely held and private. Its equity may not be not publicly traded on any exchange.

The investment must be in an entrepreneurial stand-alone company, not in a subsidiary of a holding company. No complex ownership or offshore financial complexities can exist.

The company’s principals must stand up to personal due diligence by Monticello Capital in terms of US business ethics and reliability. If outside the US, Canada, or UK, the corporate leadership must speak English in the course of business.

No distress situations, turnarounds, or third-party acquisitions will be considered.

Corporate financial statements must be in a form that can be rendered into US GAAP or IFRS.

An existing operating history is required. “Young” companies are acceptable and desirable, but pure start-up companies—“idea guys”—are excluded.

No financially significant pending litigation or potential for toxic torts may exist.

No change to current ownership and management may be anticipated by the company—*i.e.*, no generational change or pending merger.

Oversight

The company should anticipate that Monticello Capital will name a qualified individual to a seat on the governing board or to an operationally equivalent position of oversight and consultative guidance in the case of a debt or financial hybrid investment. The outside executive from Monticello Capital will be concerned with financial/governance oversight and will take no active management role.

Anti-Corruption

Monticello Capital pioneered the global commercial extension of the US Foreign Corrupt Practices Act (FCPA) (15 U.S.C. § 78dd-1 *et seq*.) in 2003 by contractually binding in local law foreign-domiciled, foreign-operating corporations to strict compliance with the FCPA’s terms and restrictions as a condition of investment.

This firm has an absolute commitment to US, UK, EU, and international efforts in anti-corruption, anti-money laundering, export controls, labor standards, and human rights.

Monticello Capital insists upon legal, banking, securities, tax, trade, and regulatory compliance.

Companies seeking investment must share this commitment as a pre-condition to any commercial partnership.

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