

CORPORATE/INVESTMENT GROUP CONFIDENTIALITY AGREEMENT

Sports Memorabilia and Collectibles

Sale Price: \$3,958,000

1. For good and valuable consideration, the receipt and sufficiency of which are acknowledged, the undersigned ("The Recipient") enters into this Confidentiality Agreement with and for the benefit of The Vant Group ("the Broker").
2. The Broker has attached hereto or has provided or may subsequently provide to the Recipient in connection herewith certain technical, financial, and/or business information (collectively the "Information") regarding the Company (as above designated) to facilitate an evaluation by the Recipient whether to acquire the Company or stock or assets thereof. The Recipient acknowledges that the Information is highly confidential and proprietary to the Company.
3. The Recipient shall not at any time, without prior written consent of the Company, furnish, copy, reproduce or distribute, in whole or in part, directly or indirectly, the Information to anyone, except Recipient's financial advisors and investors, who may be furnished with the Information for the sole purpose of advising the Recipient as to the structure of any proposed purchase of the Company (or its stock or assets), and it will keep permanently confidential the Information and will use the Information only for the purpose set forth above. The Recipient shall be under no obligation to maintain as confidential any information which (a) Recipient can show by legally sufficient written evidence was in its possession prior to disclosure by the Broker and/or the Company; or (b) becomes generally available to the public in tangible form other than by acts or omissions of Recipient; or (c) is lawfully obtained from a third party. The Recipient shall not contact the Company to discuss the sale or purchase of the Company or the Information without prior written consent of the Broker.
4. The Recipient hereby indemnifies and holds harmless the Broker, and its agents, representatives, employees and attorneys, from and against any and all claims, liabilities, actions, causes of action and damages, arising from or relating to any injury or loss arising out of, from, or attributed to the transactions or matters subject hereof, or the actions, omissions, wrongful conduct or other breach of this Confidentiality Agreement by Recipient, which indemnification shall include, without limitation, reimbursement of attorney's fees and expenses incurred by the Broker in connection herewith.
5. The Recipient shall not enter into any agreement for the purchase of the Company or its stock or assets unless said agreement contains a provision wherein the parties thereto acknowledge that the Broker is the procuring cause of such agreement and the Broker is entitled to a broker's commission as agreed upon by the Company and the Broker.
6. While the Information is believed to be accurate, it is subject to change, error or withdrawal of offering, without notice. The Company and the Broker expressly disclaim any and all liability for representations or warranties, expressed or implied, contained in the Information, or, for omissions from it. The Company reserves the right to require the return of the Information at any time.
7. A facsimile transmission of this document is legal and binding.
8. The Recipient warrants that the undersigned is a duly authorized by the company to enter into binding legal contracts on its behalf.
9. This Agreement contains the entire agreement between the parties hereto with regard to the subject matter hereof. If one or more of the provisions contained herein shall be held to be invalid, illegal or unenforceable, the balance of this Agreement shall remain in full force and effect. This Agreement shall be binding upon the parties' heirs, successors and assigns, where permitted. This Agreement may not be assigned by the Recipient without the prior written consent of the Broker. No ambiguity herein shall be resolved presumptively against any party. This Agreement shall be construed in accordance with the laws of the State of Texas, and the obligations of the parties are performable in Dallas, County, State of Texas, where venue shall lie for any actions brought hereunder.

RECIPIENT:

Company Name

Street

Signature

City State Zip

Print Name

Phone

Date: _____

Fax

Deal Summary

Asking Price:	\$3,958,000	Listing ID:	AVTT
Down Payment:	\$989,500	Company Type:	Sports Memorabilia
Inventory:	\$1,400,000	Location:	Southeast Arkansas & DFW
FF&E :	\$50,000	Adjusted EBITDA:	\$900,000
Total Assets:	\$1,450,000	Adjusted EBITDA is defined as EBITDA + Owner's Salary + One-time and Discretionary expenses	

Terms

It is the owner's primary desire to sell 100% of the company however seller is very open to minority and majority equity investments as well as debt investments.

Legal Organization

Type of Corporation: S Corporation
 Year End is December 31st
 SIC Code: 5999
 Accounting Method: Accrual

Top Things to Know About This Business

- **Business Model:** Provider of on-site authentic memorabilia and collectible items.
- **Growing Cash Flow:** Cash flow has grown each year and is projected to hit \$1 million in 2018.
- **Strong Contracts.** Company has secured contracts with big name programs and the Super Bowl
- **Intellectual Property / Patent:** Company holds a patent for a special bidding/auction process.
- **Robust Inventory:** Retail value of inventory is 3x of book value.
- **Potential for Increased Margins:** Currently 90% of inventory is purchased through a wholesaler. To reduce COGS, buyer can setup direct signings with athletes to bring the company's cost basis down as well as add another revenue stream by wholesaling to other vendors.
- **Growth Potential:** The company has a small footprint in the in-stadium memorabilia market, controlling less than 10%. With capital, the growth opportunity is exponential.
- **Brand Recognition & Test Tested:** Company has been an industry leader for 22 years
- **Growing Industry:** The industry has increased from \$1 billion to \$3 billion over 10 years
- **Employee/Contractor Loyalty:** 100% of the company's workforce has been employed 2+ years

Business Activity

Established in 1995, the family-owned business is a licensed provider of authentic sports, presidential as well as entertainment memorabilia and collectible items serving a \$14 billion industry. Merchandise includes helmets, jerseys, footballs, baseballs, basketballs, photos and other autographed items from all major sport organizations, including MLB, NFL, NCAA, PGA and NHL in addition to presidential and entertainment memorabilia. The owner oversees the general business administration as well as strategic planning for the company. The sales team sets up the contracts, the sales manager runs the events, the product manager orders the products and the office manager handles all of the production and shipping. The owner runs a shared retail store and production facility in Arkansas while sales and marketing are operated in DFW. In Arkansas, the company operates in a leasehold space within a shopping mall. The space is approximate 10,384 square feet with about 10% of the space allocated to a storefront retail space for the general public and the remaining 90% of the space is used as a production facility. The company's biggest time of the year is football season. Historically, 70% of sales have come from August through the Super Bowl. Last year the company acquired a golf company, which has provided more sales in the spring and summer.

Contracts

Currently, the company has about 20 multi-year contracts with teams and/or venue with another 5-10 contracts pending. The contracts are with NCAA/College teams, NFL teams, NBA teams as well as special events such as golf tournaments, NCAA/College bowl games, and serves as a vendor at the super bowl. The just landed their first MLS soccer team contract and have a couple of pending NHL contracts.

The company mostly has contracts with teams however the company has secured a few venue contracts for this fall. With team-only contracts, the company can only sell when the team is playing at their home venue however with venue contracts; the company can sell at all publicly ticketed events at the venue. This is very helpful in arenas as they tend to have 100+ events a year between basketball, hockey and entertainment which will add more revenue to the historically slower months.

Additionally, the company has secured a contract with a prominent sports and entertainment provider and will be ruling out in various venues and arenas throughout 2018. The owner has decided to setup a new company to house this new contract and will run any entertainment related business through this new company and keep the sports-related business in the current company. Although the entities will be separate, the current owner is willing to sell both companies together within the asking price.

Business Model

The company negotiates sponsorship opportunities with teams and in return they are able to setup kiosks on-site at different live events to sell various sports and memorabilia properties to event goers in real-time. The items are shipped to customer post-event. The average order size is \$450.

Given the popularity as well as the ease and the difficulties around building out a network to handle the in-venue model, a lot of the company's competitors have mostly concentrated their resources and efforts to the

e-commerce. While the company also has an e-commerce presence, they have devoted a lot their resources in building out a nationwide infrastructure to service a host of teams and major events by being on-site and capturing the special moment of fans being at the game and in the moment.

The company uses a third-party staffing company to help procure the labor for the for the onsite talent. For a majority of the areas, they are Regional Managers in place to help with quality control and serve as a buffer between the on-site talent and the corporate management team.

Future Growth

With the company having 20 – 30 contracts (including pending ones), the future prospects for the company are exponential. As an example, there are 130 NCAA Division 1 football programs and the company penetrates only a small fraction of the schools as well as the other major sports leagues.

Sports League	# of Total Teams	# of Total Teams as Customers	% of Market Share
NFL	32	4	12.5%
MLB	30	0	0.0%
NBA	30	2	6.7%
NCAA	130*	18	13.8%
NHL	31	2	6.5%
MLS	23	1	4.3%
Total Teams	276	27	9.8%

* = Tier 1 Division 1 NCAA Football Teams

Key Strengths

- 1) **Great customer service.** Company has no bad online reviews or complaints from customers.
- 2) **Experienced and Loyal Team.** All employees have worked for the business for 2+ years
- 3) **Diverse product mix.** Company sells memorabilia for most of the major sports leagues and teams.
- 4) **Patent.** Company has a patent for a special bidding methodology.
- 5) **Growth Prospects.** The company has small footprint in the \$3 billion market and with capital, the growth opportunity is exponential especially.

Possible Weaknesses

- 1) **Long sales cycle.** Company needs to purchase a large level of inventory sometimes months in advance of a season and with seasons lasting 4-6 months; cash flow is crucial.
- 2) **Capital intensive.** Since the company is a product-based business, it takes a lot of capital to spur growth so managing inventory is a key component.
- 3) **Labor intensive.** Given the in-stadium model, Company must have the personnel to manage the on-site events. The field labors are independent contractors and are hired per event.

- 4) **Inventory System.** Currently, the company manages their inventory manually through hard counts. Implementing a barcode system or something more computerized can add some efficiencies.

Marketing Strategy

The company seeks sponsorship opportunities with various teams and in return for the sponsorships, the company gains rights to sell licensed memorabilia and collectibles on-site. There is a sales team that coordinates the contracts and the sales manager activates those contracts in the field. Since the company is onsite, they do not need any external third-party marketing as the company's marketing dollars are spent through the sponsorship opportunities. The onsite booths/kiosks are staffed by professional models.

History

The Company was started in 1995 by the current owner. The business has been in its present location for 3 years.

Days and Hours:

Monday - Friday: 10:00am to 6:00pm
 Saturday - Sunday: 10:00am to 6:00pm

Sales and Adjusted EBITDA

Fiscal Year End	Revenue	Adjusted EBITDA	As a % of Sales
2017	\$3,016,146	\$900,000	29.9%
2016	\$2,387,077	\$748,000	31.3%
2015	\$2,315,441	\$400,000	17.3%
2014	\$1,554,952	\$506,000	32.6%

* All adjustments to EBITDA were provided by seller

**Projected Figures provided by seller

Employees

The Company has a total of 10-12 full time employees, excluding any third-party field staff. The key employees are the office manager as well as head framer. The field staff fluctuates based on need. The company works through a third-party talent agency to hire and manage the onsite and regional staff.

Assets and Liabilities

An asset list is available for the furniture, fixtures and equipment. All cash and accounts receivable will be retained by the Seller. All debts on the company will be paid off by the Seller at closing. If there is any owner financing as determined by SBA underwriting, any such debt is to be personally guaranteed by the buyer.

Facilities

The owner runs a shared retail store and production facility within a shopping mall in Arkansas. The space is approximate 10,384 with about 10% of the space allocate to a storefront retail space for the general public and the remaining 90% of the space is used as a production facility. The base rent is \$1,700 per month and the company pays a \$100/month marketing fee to the mall as well. Additionally, the Company is responsible for electricity. Sales and marketing is located in Dallas, TX.

Support and Training

The Owner genuinely desires an effective business transition and will train a buyer for 30 days. An additional consulting contract can be obtained.

Reason for Selling

After 20+ years in the business, owner is looking for a new challenge and has already started working on a new venture in addition to running current operations.