

Exhibit 12 – Sample Search Fund Financial Models

STRUCTURE 1 - Operating Case: Optimistic Case

	Closing	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues	\$15,000	\$18,000	\$21,600	\$25,920	\$31,104	\$37,325
Revenue Growth		20.0%	20.0%	20.0%	20.0%	20.0%
EBITDA Margin	20.0%	20.5%	21.0%	21.5%	22.0%	22.5%
EBITDA	\$3,000	\$3,690	\$4,536	\$5,573	\$6,843	\$8,398
Less: Depreciation & Amortization	(\$500)	(\$600)	(\$720)	(\$864)	(\$1,037)	(\$1,244)
Less: Interest Expense		(\$180)	(\$60)	\$ --	\$ --	\$ --
Earnings Before Taxes		\$2,910	\$3,756	\$4,709	\$5,806	\$7,154
Taxes @ 40%	40.0%	(\$1,164)	(\$1,502)	(\$1,884)	(\$2,322)	(\$2,862)
Net Income		\$1,746	\$2,254	\$2,825	\$3,484	\$4,292
<u>Free Cash Flow</u>						
EBITDA		\$3,690	\$4,536	\$5,573	\$6,843	\$8,398
Less: Cash Interest Expense		(\$180)	(\$60)	\$ --	\$ --	\$ --
Less: Cash Taxes		(\$1,164)	(\$1,502)	(\$1,884)	(\$2,322)	(\$2,862)
Less: Changes in NWC @ 20% of Rev Growth		(\$600)	(\$720)	(\$864)	(\$1,037)	(\$1,244)
Less: CapEx		(\$250)	(\$250)	(\$250)	(\$250)	(\$250)
Less: Mandatory Debt Paydown		(\$300)	(\$300)	\$ --	\$ --	\$ --
Free Cash Flow for Voluntary Debt Paydown		\$1,196	\$1,704	\$2,575	\$3,234	\$4,042
<i>Cumulative FCF</i>		<i>\$1,196</i>	<i>\$2,899</i>	<i>\$5,475</i>	<i>\$8,708</i>	<i>\$12,751</i>
<u>Capital Structure</u>						
Cash	\$ --	\$ --	\$ --	\$ --	\$82	\$4,125
Senior Debt	3,000	1,504	-	-	-	-
Seller Financing	4,500	4,950	4,946	2,865	-	-
Total Debt	\$7,500	\$6,454	\$4,946	\$2,865	\$ --	\$ --
Investor Capital - Redeemable Preferred Stock	-	-	-	-	-	-
Investor Capital - Non-Redeemable Preferred Stock	7,950	8,507	9,102	9,739	10,421	11,150
Total Capitalization (excl. Common Stock)	\$15,450	\$14,961	\$14,048	\$12,604	\$10,421	\$11,150
<i>Seller Financing + Investor Capital Accretion</i>		<i>\$1,007</i>	<i>\$1,090</i>	<i>\$1,132</i>	<i>\$968</i>	<i>\$729</i>
<u>Exit Valuation</u>						
EBITDA						\$8,398
Valuation Multiple						7.0x
TEV						\$58,787
Less: Net Total Debt						(\$4,125)
Total Equity Value						\$62,911
Less: Value to Redeemable Pfd Stock						\$ --
Less: Value to Non-Redeemable Pfd Stock						\$11,150
Value to Common Equity						\$51,761

STRUCTURE A - Operating Case: Base Case

	Closing	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues	\$15,000	\$16,875	\$18,984	\$21,357	\$24,027	\$27,030
Revenue Growth		12.5%	12.5%	12.5%	12.5%	12.5%
EBITDA Margin	20.0%	20.3%	20.5%	20.8%	21.0%	21.3%
EBITDA	\$3,000	\$3,417	\$3,892	\$4,432	\$5,046	\$5,744
Less: Depreciation & Amortization	(\$500)	(\$563)	(\$633)	(\$712)	(\$801)	(\$901)
Less: Interest Expense		(\$178)	(\$58)	\$ --	\$ --	\$ --
Earnings Before Taxes		\$2,676	\$3,201	\$3,720	\$4,245	\$4,843
Taxes @ 40%	40.0%	(\$1,071)	(\$1,280)	(\$1,488)	(\$1,698)	(\$1,937)
Net Income		\$1,606	\$1,920	\$2,232	\$2,547	\$2,906
Free Cash Flow						
EBITDA		\$3,417	\$3,892	\$4,432	\$5,046	\$5,744
Less: Cash Interest Expense		(\$178)	(\$58)	\$ --	\$ --	\$ --
Less: Cash Taxes		(\$1,071)	(\$1,280)	(\$1,488)	(\$1,698)	(\$1,937)
Less: Changes in NWC @ 20% of Rev Growth		(\$375)	(\$422)	(\$475)	(\$534)	(\$601)
Less: CapEx		(\$250)	(\$250)	(\$250)	(\$250)	(\$250)
Less: Mandatory Debt Paydown		(\$300)	(\$300)	\$ --	\$ --	\$ --
Free Cash Flow for Voluntary Debt Paydown		\$1,243	\$1,581	\$2,219	\$2,564	\$2,956
<i>Cumulative FCF</i>		<i>\$1,243</i>	<i>\$2,825</i>	<i>\$5,044</i>	<i>\$7,608</i>	<i>\$10,564</i>
Capital Structure						
Cash	\$ --	\$ --	\$ --	\$ --	\$ --	\$1,780
Senior Debt	3,000	1,457	-	-	-	-
Seller Financing	4,500	4,950	5,020	3,303	1,070	-
Total Debt	\$7,500	\$6,407	\$5,020	\$3,303	\$1,070	\$ --
Investor Capital - Redeemable Preferred Stock	-	-	-	-	-	-
Investor Capital - Non-Redeemable Preferred Stock	7,950	8,507	9,102	9,739	10,421	11,150
Total Capitalization (excl. Common Stock)	\$15,450	\$14,913	\$14,122	\$13,042	\$11,490	\$11,150
<i>Seller Financing + Investor Capital Accretion</i>		<i>\$1,007</i>	<i>\$1,090</i>	<i>\$1,139</i>	<i>\$1,012</i>	<i>\$836</i>
Exit Valuation						
EBITDA						\$5,744
Valuation Multiple						5.5x
TEV						\$31,592
Less: Net Total Debt						(\$1,780)
Total Equity Value						\$33,371
Less: Value to Redeemable Pfd Stock						\$ --
Less: Value to Non-Redeemable Pfd Stock						\$11,150
Value to Common Equity						\$22,221

STRUCTURE A - Operating Case: Pessimistic Case

	Closing	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Revenue Growth		--	--	--	--	--
EBITDA Margin	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
EBITDA	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Less: Depreciation & Amortization	(\$500)	(\$500)	(\$500)	(\$500)	(\$500)	(\$500)
Less: Interest Expense		(\$174)	(\$54)	\$ --	\$ --	\$ --
Earnings Before Taxes		\$2,326	\$2,446	\$2,500	\$2,500	\$2,500
Taxes @ 40%	40.0%	(\$930)	(\$978)	(\$1,000)	(\$1,000)	(\$1,000)
Net Income		\$1,395	\$1,467	\$1,500	\$1,500	\$1,500
Free Cash Flow						
EBITDA		\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Less: Cash Interest Expense		(\$174)	(\$54)	\$ --	\$ --	\$ --
Less: Cash Taxes		(\$930)	(\$978)	(\$1,000)	(\$1,000)	(\$1,000)
Less: Changes in NWC @ 20% of Rev Growth		\$ --	\$ --	\$ --	\$ --	\$ --
Less: CapEx		(\$250)	(\$250)	(\$250)	(\$250)	(\$250)
Less: Mandatory Debt Paydown		(\$300)	(\$300)	\$ --	\$ --	\$ --
Free Cash Flow for Voluntary Debt Paydown		\$1,345	\$1,417	\$1,750	\$1,750	\$1,750
<i>Cumulative FCF</i>		<i>\$1,345</i>	<i>\$2,763</i>	<i>\$4,513</i>	<i>\$6,263</i>	<i>\$8,013</i>
Capital Structure						
Cash	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Senior Debt	3,000	1,355	-	-	-	-
Seller Financing	4,500	4,950	5,082	3,840	2,474	972
Total Debt	\$7,500	\$6,305	\$5,082	\$3,840	\$2,474	\$972
Investor Capital - Redeemable Preferred Stock	-	-	-	-	-	-
Investor Capital - Non-Redeemable Preferred Stock	7,950	8,507	9,102	9,739	10,421	11,150
Total Capitalization (excl. Common Stock)	\$15,450	\$14,811	\$14,184	\$13,579	\$12,895	\$12,122
<i>Seller Financing + Investor Capital Accretion</i>		<i>\$1,007</i>	<i>\$1,090</i>	<i>\$1,145</i>	<i>\$1,066</i>	<i>\$977</i>
Exit Valuation						
EBITDA						\$3,000
Valuation Multiple						4.0x
TEV						\$12,000
Less: Net Total Debt						\$972
Total Equity Value						\$11,028
Less: Value to Redeemable Pfd Stock						\$ --
Less: Value to Non-Redeemable Pfd Stock						\$11,028
Value to Common Equity						\$ --

STRUCTURE B - Operating Case: Optimistic Case

	Closing	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues	\$15,000	\$18,000	\$21,600	\$25,920	\$31,104	\$37,325
Revenue Growth		20.0%	20.0%	20.0%	20.0%	20.0%
EBITDA Margin	20.0%	20.5%	21.0%	21.5%	22.0%	22.5%
EBITDA	\$3,000	\$3,690	\$4,536	\$5,573	\$6,843	\$8,398

Less: Depreciation & Amortization	(\$500)	(\$600)	(\$720)	(\$864)	(\$1,037)	(\$1,244)
Less: Interest Expense		(\$180)	(\$60)	\$ --	\$ --	\$ --
Earnings Before Taxes		\$2,910	\$3,756	\$4,709	\$5,806	\$7,154
Taxes @ 40%	40.0%	(\$1,164)	(\$1,502)	(\$1,884)	(\$2,322)	(\$2,862)
Net Income		\$1,746	\$2,254	\$2,825	\$3,484	\$4,292

Free Cash Flow

EBITDA		\$3,690	\$4,536	\$5,573	\$6,843	\$8,398
Less: Cash Interest Expense		(\$180)	(\$60)	\$ --	\$ --	\$ --
Less: Cash Taxes		(\$1,164)	(\$1,502)	(\$1,884)	(\$2,322)	(\$2,862)
Less: Changes in NWC @ 20% of Rev Growth		(\$600)	(\$720)	(\$864)	(\$1,037)	(\$1,244)
Less: CapEx		(\$250)	(\$250)	(\$250)	(\$250)	(\$250)
Less: Mandatory Debt Paydown		(\$300)	(\$300)	\$ --	\$ --	\$ --
Free Cash Flow for Voluntary Debt Paydown		\$1,196	\$1,704	\$2,575	\$3,234	\$4,042
Cumulative FCF		\$1,196	\$2,899	\$5,475	\$8,708	\$12,751

Capital Structure

Cash	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Senior Debt	3,000	1,504	-	-	-	-
Seller Financing	4,500	4,950	5,445	5,990	6,588	3,558
Total Debt	\$7,500	\$6,454	\$5,445	\$5,990	\$6,588	\$3,558
Investor Capital - Redeemable Preferred Stock	3,975	4,611	4,849	3,050	304	-
Investor Capital - Non-Redeemable Preferred Stock	3,975	3,975	3,975	3,975	3,975	3,975
Total Capitalization (excl. Common Stock)	\$15,450	\$15,040	\$14,269	\$13,014	\$10,868	\$7,533
<i>Seller Financing + Investor Capital Accretion</i>		<i>\$1,086</i>	<i>\$1,233</i>	<i>\$1,320</i>	<i>\$1,087</i>	<i>\$708</i>

Exit Valuation

EBITDA						\$8,398
Valuation Multiple						7.0x
TEV						\$58,787

Less: Net Total Debt						\$3,558
Total Equity Value						\$55,229

Less: Value to Redeemable Pfd Stock						\$ --
Less: Value to Non-Redeemable Pfd Stock						\$3,975
Value to Common Equity						\$51,254

STRUCTURE B - Operating Case: Base Case

	Closing	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues	\$15,000	\$16,875	\$18,984	\$21,357	\$24,027	\$27,030
Revenue Growth		12.5%	12.5%	12.5%	12.5%	12.5%
EBITDA Margin	20.0%	20.3%	20.5%	20.8%	21.0%	21.3%
EBITDA	\$3,000	\$3,417	\$3,892	\$4,432	\$5,046	\$5,744

Less: Depreciation & Amortization	(\$500)	(\$563)	(\$633)	(\$712)	(\$801)	(\$901)
Less: Interest Expense		(\$178)	(\$58)	\$ --	\$ --	\$ --
Earnings Before Taxes		\$2,676	\$3,201	\$3,720	\$4,245	\$4,843
Taxes @ 40%	40.0%	(\$1,071)	(\$1,280)	(\$1,488)	(\$1,698)	(\$1,937)
Net Income		\$1,606	\$1,920	\$2,232	\$2,547	\$2,906

Free Cash Flow

EBITDA		\$3,417	\$3,892	\$4,432	\$5,046	\$5,744
Less: Cash Interest Expense		(\$178)	(\$58)	\$ --	\$ --	\$ --
Less: Cash Taxes		(\$1,071)	(\$1,280)	(\$1,488)	(\$1,698)	(\$1,937)
Less: Changes in NWC @ 20% of Rev Growth		(\$375)	(\$422)	(\$475)	(\$534)	(\$601)
Less: CapEx		(\$250)	(\$250)	(\$250)	(\$250)	(\$250)
Less: Mandatory Debt Paydown		(\$300)	(\$300)	\$ --	\$ --	\$ --
Free Cash Flow for Voluntary Debt Paydown		\$1,243	\$1,581	\$2,219	\$2,564	\$2,956
Cumulative FCF		\$1,243	\$2,825	\$5,044	\$7,608	\$10,564

Capital Structure

Cash	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Senior Debt	3,000	1,457	-	-	-	-
Seller Financing	4,500	4,950	5,445	5,990	6,588	6,017
Total Debt	\$7,500	\$6,407	\$5,445	\$5,990	\$6,588	\$6,017
Investor Capital - Redeemable Preferred Stock	3,975	4,611	4,924	3,493	1,488	-
Investor Capital - Non-Redeemable Preferred Stock	3,975	3,975	3,975	3,975	3,975	3,975
Total Capitalization (excl. Common Stock)	\$15,450	\$14,993	\$14,344	\$13,457	\$12,051	\$9,992
<i>Seller Financing + Investor Capital Accretion</i>		<i>\$1,086</i>	<i>\$1,233</i>	<i>\$1,332</i>	<i>\$1,158</i>	<i>\$897</i>

Exit Valuation

EBITDA						\$5,744
Valuation Multiple						5.5x
TEV						\$31,592

Less: Net Total Debt						\$6,017
Total Equity Value						\$25,575

Less: Value to Redeemable Pfd Stock						\$ --
Less: Value to Non-Redeemable Pfd Stock						\$3,975
Value to Common Equity						\$21,600

STRUCTURE B - Operating Case: Pessimistic Case

	Closing	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Revenue Growth		--	--	--	--	--
EBITDA Margin	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
EBITDA	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Less: Depreciation & Amortization	(\$500)	(\$500)	(\$500)	(\$500)	(\$500)	(\$500)
Less: Interest Expense		(\$174)	(\$54)	\$ --	\$ --	\$ --
Earnings Before Taxes		\$2,326	\$2,446	\$2,500	\$2,500	\$2,500
Taxes @ 40%	40.0%	(\$930)	(\$978)	(\$1,000)	(\$1,000)	(\$1,000)
Net Income		\$1,395	\$1,467	\$1,500	\$1,500	\$1,500
Free Cash Flow						
EBITDA		\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Less: Cash Interest Expense		(\$174)	(\$54)	\$ --	\$ --	\$ --
Less: Cash Taxes		(\$930)	(\$978)	(\$1,000)	(\$1,000)	(\$1,000)
Less: Changes in NWC @ 20% of Rev Growth		\$ --	\$ --	\$ --	\$ --	\$ --
Less: CapEx		(\$250)	(\$250)	(\$250)	(\$250)	(\$250)
Less: Mandatory Debt Paydown		(\$300)	(\$300)	\$ --	\$ --	\$ --
Free Cash Flow for Voluntary Debt Paydown		\$1,345	\$1,417	\$1,750	\$1,750	\$1,750
Cumulative FCF		\$1,345	\$2,763	\$4,513	\$6,263	\$8,013
Capital Structure						
Cash	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Senior Debt	3,000	1,355	-	-	-	-
Seller Financing	4,500	4,950	5,445	5,990	6,588	7,247
Total Debt	\$7,500	\$6,305	\$5,445	\$5,990	\$6,588	\$7,247
Investor Capital - Redeemable Preferred Stock	3,975	4,611	4,986	4,034	2,929	1,647
Investor Capital - Non-Redeemable Preferred Stock	3,975	3,975	3,975	3,975	3,975	3,975
Total Capitalization (excl. Common Stock)	\$15,450	\$14,891	\$14,406	\$13,998	\$13,492	\$12,870
<i>Seller Financing + Investor Capital Accretion</i>		<i>\$1,086</i>	<i>\$1,233</i>	<i>\$1,342</i>	<i>\$1,244</i>	<i>\$1,127</i>
Exit Valuation						
EBITDA						\$3,000
Valuation Multiple						4.0x
TEV						\$12,000
Less: Net Total Debt						\$7,247
Total Equity Value						\$4,753
Less: Value to Redeemable Pfd Stock						\$1,647
Less: Value to Non-Redeemable Pfd Stock						\$3,105
Value to Common Equity						\$ --