

Operating Partnership Program™

Dedicated to Personal and Organizational Development through Business

OBJECTIVE

The Operating Partnership (OP) Program™ was developed to match the demonstrated skills of an operations oriented individual with the proven skills and track record of a financial partner. It is designed to provide and facilitate a mutual benefit where the operations partner can own and operate the business with access to small business management experience and without bearing the sole responsibility for funding, while providing an investment return to the financial partner.

OP PROGRAM HIGHLIGHTS

- I. The operating Company will generally be owned by a newly formed entity LLC (Limited Liability Company) or Subchapter-S Corporation registered in the state of operation. The entity will be owned as follows:

Operating Partner	50%
Financial Partner	50%

- II. The Company will generally acquire, through a purchase transaction, an existing business to be operated. While new startups are considered, the most favorable opportunity is usually an existing business.
- III. The cash required to finance the acquisition would generally be provided equal to the percentage ownership within the Company. In special situations where the OP does not possess or have access to the financial resources necessary to contribute his share, the Financial Partner (or their affiliate) may facilitate a loan collateralized by the Company equity interest and other outside collateral. The Company may leverage the investment of both partners with third party borrowing.
- IV. The OP is responsible for all operational concerns of the business. Utilizing full-time best efforts the activities would include:
 - General operations consistent with the Company Operating Agreement
 - All sales and business development functions
 - Marketing and advertising
 - Customer service
 - Hire, train, and manage associates

- Treasury functions (daily cash controls and daily cash deposits, etc.)
- Prompt financial accounting and reporting
- Government and legal reporting and compliance
- Open communication and disclosure with Financial Partner
- Coordination with Financial Partner on strategic issues and decisions
- Cooperation with budget development and responsibility for profit targets
- Monthly OP/Board meetings (teleconference or in person)
- Quarterly Board meetings (in person)

V. The Financial Partner responsibilities include:

- Establishment of the Company operating entity and capital structure
- Coordination of the Company Operating Agreement and other documents and required filings
- Coordination of the acquisition transaction process (LOI, APA, settlement, etc.)
- Operational, franchise, and small business issue consulting
- Subsequent financial restructuring and cash investment raises
- Open communication and disclosure with Operating Partner
- Coordination with Operating Partner on strategic issues and decisions
- Cooperation with budget development
- Monthly OP/Board meetings (teleconference or in person)
- Quarterly Board meetings (in person)

VI. The OP will receive a salary commensurate with their assumed management position plus an incentive bonus determined as a percentage of the NOI (Net Operating Income) of the Company. The Financial Partner will receive reimbursement for any direct “out of pocket” expenses incurred in the performance of their responsibilities. Other distributions to the partners will be made as cash is available in proportion to their respective Company ownership interest. It is the intent to distribute the prudently maximum amount of cash available. Minimum cash distributions will be made to both partners based on taxable income obligations.

VII. The Company will be managed by a Board of Directors comprised of three individuals; generally the OP, the Financial Partner, and a third chosen by the OP but without any financial or family relationship to the OP. The Board will generally meet on a monthly schedule by teleconference or in person.

VIII. The Board will have ultimate oversight and management responsibility for the operations and policies of the Company. Examples of functions include:

- Management of bank accounts and banking relationships
- Any borrowing or financial obligations
- Collateralization or commitment of any Company asset
- Leases (real or personal property) or other financing obligations
- Employment of Company operational senior management
- Approval of capital and management budgets for the company

- Insurance overages for company assets, liability, and benefits
 - Any Company distributions of any assets including cash above the minimums as specified in the Company Operating Agreement
 - Accounting methods and reporting structures
 - Strategic direction and approval of business planning
- IX. Expansion of ownership and operational interests is encouraged as management skills and capabilities allow, provided that all entities are operated under the existing Company or in a new Company entity with like ownership interest.

CRITERIA FOR OP PARTNER CONSIDERATION

- I. Experienced manager with the demonstrated ability to achieve results and set and accomplish goals in the specific industry considered.
- II. Financial management ability as demonstrated by previous business or personal and family cash and budget history. Acceptable credit agency reporting attributes.
- III. Strong, proven, entrepreneurial skills, with a track record of sales increases and profitability improvements within their current area of responsibility.
- IV. A strong desire to own their own business.
- V. A willingness to comfortably assume financial and business risk.
- VI. Strong communication skills with the ability to interface with other presidents and founders of other small businesses.
- VII. A personal value system that holds reverent honesty, trust, participatory team play, developing WIN-WIN business relationships, and “problem solving” conflict resolution.

CONTACT INFORMATION

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