

## Information Memorandum

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*A leading, full-service engineering firm  
specializing in field services; commissioning,  
energy consulting, measurement and verification,  
HVAC test/ adjust/ balance*

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**G R I F F I N**  
ENGINEERING & TECHNICAL SERVICES

- ☑ **LOYAL CLIENT BASE OF TOP CORPORATE AND GOVERNMENT SECTOR CLIENTS**
- ☑ **LOCATED WITHIN A PROMINENT HI-TECH RESEARCH AND DEVELOPMENT REGION OF U.S.**
- ☑ **FULL RANGE OF ENGINEERING AND TECHNICAL SERVICES**
- ☑ **POTENTIAL FOR EXCEPTIONAL GROWTH**

## Griffin Engineering and Technical Services, Inc. — *hands on engineers*

Griffin Engineering and Technical Services, Inc. (“Griffin” or the “Company”) is a licensed engineering firm, specializing in engineering field services. The Company employs an expert team of engineers and technicians comfortable with troubleshooting and field testing systems and equipment.

Field services include Building Systems Commissioning, HVAC Test-Adjust-Balance, Energy Consulting Services, and Measurement and Verification. Griffin also provides Commissioning/Qualification/Validation/Verification services for cGMP facilities that are regulated by the FDA.

All of the Company’s services are complementary: its field experience enhances its design and its design capabilities allow the Company to provide “engineered” solutions to problems encountered in the field.

The Company provides its services to both public and private clients. Recent projects include commissioning and TAB of a US Navy Data Center, design of Ultra-filtration Skids for a Bio-tech Company, and commissioning of a new state of the art Bio-tech facility in RTP, NC.

A representative client list can be found on the Company’s website, [www.griffin-engineering.com](http://www.griffin-engineering.com).



**GRIFFIN ENGINEERING’S** office in Morrisville, North Carolina.

**Griffin Engineering and Technical Services, Inc.**  
3000 Bearcat Way, Suite 114  
Morrisville, NC 27560  
S Corporation  
Founded: 2003  
Employees: 14 full time

### Financial Summary (\$000s)

| Financial Year Ending Dec 31 | Actual 2011 | Projected 2012 |
|------------------------------|-------------|----------------|
| Revenue                      | \$1,961     | \$2,000        |
| Gross profit                 | \$1,100     | \$1,122        |
| Adj. EBITDA                  | \$375       | \$383          |



# Milestones

| Year    |  |
|---------|--|
| 2003    | Staci and Jim Griffin found Griffin Engineering. The Company acquires its two largest clients, GlaxoSmithKline (“GSK”) and Pfizer, providing commissioning and validation services for them.   |
| 2004    | Earns Leadership in Energy and Environmental Design (“LEED”) Accredited Professional certification through the United States Green Building Council (“USGBC”).   |
| 2005    | Obtains Building Systems Commissioning certification from the National Environmental Balancing Bureau (“NEBB”).  |
| 2008    | The Company starts its HVAC-TAB group. It also gains the National Institute of Environmental Health Sciences (“NIEHS”) as a client. Growth positions the Company to move to its current location in Morrisville, North Carolina, within Research Triangle Park (“RTP”), a significant economic development zone in North Carolina designed specifically to promote scientific and technological advancement. |
| 2009    | The Company enters into a working relationship with the North Carolina State Energy Office (“NCSEO”), providing energy studies and related services. Sales on these projects jump to \$200,000. The U.S. Navy at Camp Lejeune is added to the client list.   |
| 2010    | The Company is awarded several large design projects with NIEHS. Additionally, the Company commissions <u>the first LEED Gold-certified (or green) McDonald’s in North Carolina</u> , which is the third of its kind designed for the restaurant chain in the U.S.   |
| 2011    | The Company receives its first contract with the U.S. Army at Fort Bragg. Griffin receives AABC Commissioning Group (“ACG”) certification to ensure the Company can bid on all commissioning projects, regardless of the specification called for in certification.  |
| Present | The Company is working toward getting on the U.S. General Services Administration (“GSA”) schedule and adding Building Envelope Testing (integrity testing and thermal imaging) to its services.   |



# The investment opportunity

## *The purchaser of Griffin Engineering and Technical Services, Inc. benefits from...*

### **... solid relations with top corporate and government client base**

Since its inception, Griffin Engineering has constructed foundations for solid relationships with industry leading corporations and both state and national agencies. By providing quality service, the Company has established these long-term relationships, which, in turn, has generated repeat business at a 90 percent rate.

These relationships began in 2003 with GlaxoSmithKline and Pfizer, and continue now after recent renewals of Master Service Agreements (“MSA”) with both corporations. Griffin recently signed an MSA with Siemens. After Griffin laid foundations for its customer base with top corporations, the Company then established relationships with state and national agencies, including the National Institute for Environmental Health Sciences (“NIEHS”), the North Carolina State Energy Office (“NCSEO”) and the North Carolina State Construction Office. The Company has recently contracted with both the U.S. Navy and U.S. Army.

### **... a diverse range of services**

As a licensed engineering firm, Griffin provides design services from conceptual design through construction. Full-service commissioning and retro-commissioning assures buildings meet owners’ project requirements. Additionally, the Company provides the following services:

- ▶ NEBB-certified HVAC-TAB testing
- ▶ NEBB and ACG certified Building Systems Commissioning
- ▶ Commissioning, qualification, validation, and verification for cGMP facilities (FDA regulated facilities)
- ▶ Energy Consulting Services including audits, planning, consulting, and measurement & verification
- ▶ LEED consulting services including Project LEED AP, Commissioning Authority, Measurement & Verification, and Indoor Air Quality

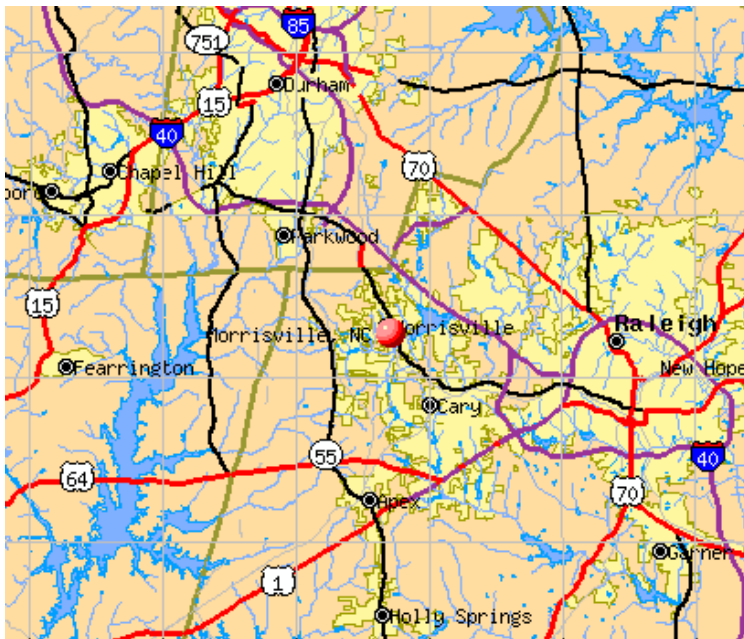
***Providing quality service has established solid relationships between the Company and its clients, which, in turn, generates repeat business.***



# The investment opportunity (cont.)

## ... strategic location in regional market

North Carolina's Research Triangle Park, one of the United State's most prominent hi-tech research and development regions, encompasses centers of government, education and business, including the state capital, Raleigh; Durham, home of Duke University; and Chapel Hill, home of the University of North Carolina. Morrisville, where Griffin's office is located, is situated equidistant to Raleigh and Durham and the Company's facility is less than five miles from Raleigh-Durham International Airport.



Morrisville, North Carolina and Research Triangle Park region



Section of interior of Griffin Engineering office

## ... expansion opportunities

Established relationships with government agencies such as NIEHS and NCSEO place the Company in a position to network with related agencies at both state and national levels. Such connections give Griffin an opportunity to expand. In addition, with signings of recent military contracts at Camp Lejeune and Fort Bragg, the Company can potentially grow by accepting more projects from the military. Another potential area for growth will surface once the Company gets on the U.S. General Services Administration ("GSA") schedule.

## ... financial strength and stability

Financial strength and stability have been a hallmark of Griffin's operations since its founding. The Company continually generates increased sales year on year.



# Services

Griffin prefers to be involved with projects from concept through occupancy. This minimizes problems and enhances the project's conformance to the Owner's Project Requirements. The Company provides "getting it right the first time" services; an approach meant to minimize costs, accelerate schedules, and add value with each step of the project. Griffin provides the following services for its clients:

- ▶ **Engineering**—Griffin provides engineering services during preliminary engineering or master planning activities (to scope out the project and provide cost estimates for budgeting) through detailed design (construction drawings).
- ▶ **Test, Adjust and Balance**—Griffin is certified by NEBB to provide HVAC-TAB. The balancing team is led by NEBB-certified professionals and technicians. All test equipment is tracked in a calibration program and has documented current calibration.
- ▶ **Building Systems Commissioning (BSC)**—Griffin is certified by NEBB and ACG to provide these services for all industries and all types of facilities; office, retail, restaurant, health care, manufacturing, etc.
- ▶ **Current Good Manufacturing Practices ("CGMP") Commissioning, Qualification, Validation, Verification**—Griffin provides these services for all cGMP facilities (FDA regulated facilities such as pharmaceutical and biotech manufacturers).
- ▶ **Retro-Commissioning**—Griffin analyzes facilities and systems to achieve maximum energy efficiency for their client's current utilization of the space. The Company can test, adjust and/ or redesign the facility, systems, and equipment to meet current requirements while minimizing energy usage.
- ▶ **Energy Consulting Services**—Griffin provides consulting, planning, audits, life cycle analysis, return on investment calculations, training, measurement & verification, and 3<sup>rd</sup> party review services for energy related projects.
- ▶ **USGBC LEED Services**—Griffin provides LEED project support with commissioning, measurement & verification, and indoor air quality consulting/planning.
- ▶ **Technical Services**—Griffin provides complementary project support services to their clients by conducting training, developing operating and maintenance procedures, assembling system manuals, etc.
- ▶ **Project Management**—Griffin's experience allows them to provide comprehensive project management by integrating all aspects of the project into one project schedule. This allows all subcontractors to follow the same plan which minimizes delays and conserves budget.



# Customers and markets

## The market

Griffin operates in the Southeastern United States. The geographic range of its current projects extends from Maryland to South Carolina. In the last 24 months, the Company has been working on or has completed projects for more than 60 clients. The Company currently has 51 projects open among 47 clients. Currently, the Company can support up to \$200,000 per month in services. The Company recently bid on two of the largest TAB projects in its area, one at Duke Medical and the other at Talecris (Grifols). Both are \$300,000-plus projects.

## Competition

Griffin's competitors vary, depending upon the client and services offered, as detailed below:

- ▶ **Test, Adjust, Balance ("TAB")**—The Company's main competitors are Palmetto, Phoenix, BEST, and Envirotrol.
- ▶ **Commissioning/Validation for Pharmaceutical and Bio-tech**—Competitors include ValSource, Commissioning Agents, and PharmaMatrix. As with Building Systems Commissioning, commissioning services for pharmaceutical and biotech companies require businesses to be either sole proprietorships or licensed PE firms.

▶ **Building Systems Commissioning**—Competition varies with Building Systems Commissioning because most of these projects have been sourced through an architect, competitively bid through a construction manager, or by qualification through the North Carolina State Construction Office. In North Carolina, to provide commissioning services the firm has to be a licensed engineering firm or a sole proprietor Professional Engineer. A licensed Professional Engineer on staff does not legally allow that firm to offer commissioning services. Because of this, the Company's competitors are only licensed engineering firms.

*The Company has several projects with top-tier clients, including Pfizer and NIEHS.*



# Customers and markets (cont.)

## Customers, sales, and marketing

Most of Griffin Engineering's solid relationships with customers such as GlaxoSmithKline, Pfizer, and Eisai provide repeat business for the Company.

Additionally, other companies in the area provide commissioning and validation services, but Griffin has several major clients, including Pfizer, GSK, Eisai, Sandoz, Talecris (Grifols) and Novartis. Of these, Eisai and Pfizer are the Company's two largest repeat clients.

One of the ways the Company seeks new business is by using the iSqft website, <http://app.isqft.com>, a network listing construction jobs. At this site, the Company looks for building systems commissioning and TAB projects.

The Company is on bid lists for major construction management groups such as Suffolk Construction, Balfour Beatty Construction, WM Jordan, Hensel Phelps, and Shiel Sexton. Griffin has relationships with engineering and construction firms such as Jacobs, CRB Builders, and Fluor. The Company also has relationships with local architects, general contractors, and mechanical contractors.

Griffin uses the North Carolina State Construction website to look for opportunities on state construction projects. The Company also networks with other industry professionals through trade organizations such as NEBB, ISPE, ASHRAE, etc., and exhibits at a few trade shows every year such as ISPE and NC Energy.

## Selected customers include:





# Future growth strategy

## **Building envelope testing**

Because of increases in energy costs and emphasis on green building, envelope testing will grow as a requirement for new construction, as well as for renovations for energy savings resulting from energy audits. The Company views building envelope testing to be a service worth investing in as an organic growth strategy. The growth potential of building envelope testing is apparent in Griffin's region: the Wilmington District where the U.S. Army Corps of Engineers is located is within 70 miles of the Company's office, and all buildings at the Corps new facilities require envelope testing.

Envelope testing could grow to become a stand-alone group with annual sales of \$500,000 or more in the local market as the positively trending demand for this service continues to increase. The Company's current team can quickly get trained and certified to provide this service. The thermography equipment used for envelope testing can also be used for other studies such as inspecting electrical equipment, mechanical bearings, motors, etc. This would be another service that Griffin could market once the Company gets this group established.

## **Energy conservation and green building**

Future growth opportunities also exist with industries involved in energy conservation and green building. All of the Company's services support both of these initiatives.

## **Additional certification**

Additional growth could be achieved by earning technical certifications for providing services to certify HEPA filters, clean rooms, fume hoods (universities, hospitals, NIEHS, EPA) and bio-safety cabinets.

## **Full time sales and marketing director**

The Company could expand if it had the means to hire a seasoned marketing and sales director.



# Shareholders and reason for sale

## Shareholders

| Name          | Role           | %    |
|---------------|----------------|------|
| Jim Griffin   | Vice President | 71 % |
| Staci Griffin | President      | 28 % |
| Employees     |                | 1 %  |

## Reason for sale

Griffin is seeking a strategic or financial partner with the ability to leverage the Company's established customer base, strategic location, and comprehensive package of services in order to accelerate its growth. The Griffins want to provide for the longevity of the Company's employees and believe they are at a point where the business needs to continue to grow to support the professional development of the employees .

The Shareholders' are amenable to staying with the Company for a period to ensure a seamless transition to new management.



# Financial information (1/3)

## Summary Financial Information(\$000s)

For FYE Dec. 31  
(\$000s)

|                                 | Actual         |                |                |                | Projected      |                |                |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                 | 2008           | 2009           | 2010           | 2011           | 2012           | 2013           | 2014           |
| <b>Revenue</b>                  |                |                |                |                |                |                |                |
| Sales and Professional Fees     | 1,303          | 1,791          | 1,842          | 1,961          | 2,000          | 2,120          | 2,268          |
| <b>Total Revenue</b>            | <b>\$1,303</b> | <b>\$1,791</b> | <b>\$1,842</b> | <b>\$1,961</b> | <b>\$2,000</b> | <b>\$2,120</b> | <b>\$2,268</b> |
| Year on Year Sales Growth %     | -              | 37.5%          | 2.9%           | 6.5%           | 2.0%           | 6.0%           | 7.0%           |
| <b>Cost of Goods Sold</b>       |                |                |                |                |                |                |                |
| TAB Costs                       | 19             | 30             | 33             | 31             | 32             | 33             | 36             |
| Contract Labor                  | 36             | 43             | 12             | 42             | 43             | 45             | 49             |
| Billable Labor                  | 530            | 724            | 786            | 774            | 789            | 837            | 895            |
| Other                           | 1              | 34             | (1)            | 14             | 14             | 15             | 16             |
| <b>Total Cost of Goods Sold</b> | <b>\$586</b>   | <b>\$832</b>   | <b>\$830</b>   | <b>\$861</b>   | <b>\$878</b>   | <b>\$930</b>   | <b>\$995</b>   |
| <b>Gross Profit</b>             | <b>717</b>     | <b>959</b>     | <b>1,012</b>   | <b>1,101</b>   | <b>1,122</b>   | <b>1,190</b>   | <b>1,273</b>   |
| Gross Margin %                  | 55.0%          | 53.6%          | 55.0%          | 56.1%          | 56.1%          | 56.1%          | 56.1%          |
| <b>Operating Expenses</b>       |                |                |                |                |                |                |                |
| Home Office Expense             | 2              | 2              | 2              | 2              | 0              | 0              | 0              |
| Annual Company Meeting          | 12             | 6              | 23             | 5              | 0              | 0              | 0              |
| Auto Expense                    | 5              | 8              | 10             | 5              | 5              | 6              | 6              |
| Office Expenses                 | 15             | 22             | 17             | 26             | 27             | 28             | 30             |
| Dues and Subscriptions          | 3              | 6              | 10             | 9              | 10             | 10             | 11             |
| Insurance                       | 93             | 112            | 128            | 121            | 122            | 129            | 138            |
| Travel & Entertainment          | 28             | 32             | 34             | 26             | 23             | 25             | 26             |
| Licenses & Permits              | 4              | 4              | 1              | 1              | 1              | 2              | 2              |
| Marketing                       | 29             | 23             | 34             | 19             | 20             | 21             | 22             |
| Payroll Expenses                | 263            | 377            | 607            | 394            | 383            | 406            | 435            |
| 401 K Expense                   | 18             | 22             | 29             | 31             | 32             | 34             | 36             |
| Professional Development        | 13             | 14             | 15             | 7              | 7              | 7              | 8              |
| Professional Fees               | 24             | 13             | 13             | 22             | 6              | 7              | 7              |
| Office Equipment Rental         | 2              | 5              | 5              | 4              | 4              | 4              | 5              |
| Rent                            | 39             | 54             | 54             | 54             | 55             | 58             | 62             |
| Repairs and Maintenance         | 2              | 4              | 5              | 15             | 16             | 16             | 18             |
| Telephone & Utilities           | 15             | 18             | 24             | 25             | 26             | 27             | 29             |
| Other                           | 3              | 6              | 5              | 8              | 3              | 4              | 4              |
| <b>Total Operating Expenses</b> | <b>\$570</b>   | <b>\$729</b>   | <b>\$1,016</b> | <b>\$775</b>   | <b>\$740</b>   | <b>\$784</b>   | <b>\$839</b>   |
| % of Revenue                    | 43.7%          | 40.7%          | 55.2%          | 39.5%          | 37.0%          | 37.0%          | 37.0%          |
| <b>EBITDA</b>                   | <b>147</b>     | <b>229</b>     | <b>(4)</b>     | <b>326</b>     | <b>383</b>     | <b>405</b>     | <b>434</b>     |
| Normalizing Adjustments         | 103            | 135            | 83             | 50             | 0              | 0              | 0              |
| <b>Adjusted EBITDA</b>          | <b>\$250</b>   | <b>\$365</b>   | <b>\$80</b>    | <b>\$375</b>   | <b>\$383</b>   | <b>\$405</b>   | <b>\$434</b>   |
| % of Revenue                    | 19.2%          | 20.4%          | 4.3%           | 19.1%          | 19.1%          | 19.1%          | 19.1%          |



# Financial information (2/3)

## Normalizing Adjustments/ Add-backs (\$000s)

| <i>For FYE Dec 31</i><br><i>(\$000s)</i>  | Actual       |              |               |              |
|---|--------------|--------------|---------------|--------------|
|   | 2008         | 2009         | 2010          | 2011         |
| <b>Net Income</b>                         | <b>\$94</b>  | <b>\$189</b> | <b>(\$39)</b> | <b>\$230</b> |
| Depreciation                              | 52           | 40           | 33            | 99           |
| Interest Expense                          | 0            | 3            | 2             | 4            |
| Interest Income                           | 0            | (2)          | (1)           | (0)          |
| Other Income                              | 0            | 0            | 0             | (7)          |
| <b>Add-backs/ Normalizing Adjustments</b> |              |              |               |              |
| Excess Compensation and Employee Bonus    | 82           | 119          | 50            | 18           |
| Home Office Expense                       | 2            | 2            | 2             | 2            |
| Annual Company Business Meeting           | 12           | 6            | 23            | 5            |
| Donations and Contributions               | 2            | 3            | 2             | 5            |
| Insurance                                 | 2            | 3            | 3             | 2            |
| Travel & Entertainment                    | 3            | 3            | 3             | 3            |
| Transaction Fees                          | 0            | 0            | 0             | 6            |
| Consultant Fees                           | 0            | 0            | 0             | 10           |
| <b>Adjusted EBITDA</b>                    | <b>\$250</b> | <b>\$365</b> | <b>\$80</b>   | <b>\$375</b> |



# Financial information (3/3)

## Historical Balance Sheets (\$000s)

| (\$000s)                            | 2008       | 2009       | 2010       | 2011       |
|-------------------------------------|------------|------------|------------|------------|
| <b>Assets</b>                       |            |            |            |            |
| Current Assets                      |            |            |            |            |
| Checking/Savings                    | 42         | 9          | 80         | 144        |
| Accounts Receivable                 | 180        | 362        | 234        | 347        |
| Other Current Assets                | 52         | 38         | 84         | 8          |
| <b>Total Current Assets</b>         | <b>275</b> | <b>409</b> | <b>398</b> | <b>500</b> |
| Fixed Assets                        | 105        | 119        | 146        | 241        |
| Accumulated Depreciation            | (100)      | (116)      | (145)      | (240)      |
| <b>Total Fixed Assets</b>           | <b>5</b>   | <b>3</b>   | <b>2</b>   | <b>1</b>   |
| <b>Total Assets</b>                 | <b>280</b> | <b>411</b> | <b>400</b> | <b>501</b> |
| <b>Liabilities and Equity</b>       |            |            |            |            |
| Current Liabilities                 |            |            |            |            |
| Accounts Payable                    | 1          | 3          | 2          | 2          |
| Credit Cards Payable                | 7          | 10         | 11         | 11         |
| Current Portion of Capital Lease    | 0          | 0          | 0          | 18         |
| Current Portion of LT Debt          | 0          | 6          | 6          | 6          |
| Loan Payable                        | 35         | 29         | 24         | 18         |
| Payroll Liabilities                 | 1          | 17         | 112        | 19         |
| Other                               | 2          | 0          | 0          | 4          |
| <b>Total Current Liabilities</b>    | <b>46</b>  | <b>65</b>  | <b>154</b> | <b>80</b>  |
| Long Term Liabilities               |            |            |            |            |
| Less Current Portion-Capital Lease  | 0          | 0          | 0          | (18)       |
| Capital Lease Payable               | 0          | 0          | 0          | 48         |
| Less Current Portion of LT Debt     | 0          | (6)        | (6)        | (6)        |
| <b>Total Long Term Liabilities</b>  | <b>0</b>   | <b>(6)</b> | <b>(6)</b> | <b>24</b>  |
| Shareholder Equity                  | 233        | 352        | 251        | 397        |
| <b>Total Liabilities and Equity</b> | <b>280</b> | <b>411</b> | <b>400</b> | <b>501</b> |



This Information Memorandum is issued on behalf of the shareholders of Griffin Engineering and Technical Services, Inc. and is for the exclusive use of the persons to whom it is addressed and their advisers in connection with the proposed sale of the issued share capital of Griffin Engineering and Technical Services, Inc.

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**Please direct all inquiries to:**

**Christy Helm**

BCMS Corporate  
Wells Fargo Tower  
210 Main Street, Suite 1201  
Fort Worth, TX 76102

(T) (214) 453-0131

(E) [christy.helm@bcmscorporate.com](mailto:christy.helm@bcmscorporate.com)

