Full Scope Valuation
Of
Sample IT Solutions Company
as of
12/31/2007

Prepared by:

BizByOwner
The Complete Solution
March 28, 2008

Jim Jones,
Sample IT Solutions Company
755 Research Parkway, Suite 500
Miami, FL 24512

Shareholders:

We are pleased to present this estimate of fair market value of Sample IT Solutions Company as of 12/31/2007.

The suggested price is divided between tangible assets and goodwill. The tangible asset value represents the current estimated value of the furniture, fixtures, equipment, vehicles, leasehold improvements, supplies for internal consumption. The intangible asset price or goodwill represents the current estimated value of the established customer base, management systems, operating systems, technology systems, physical location, proprietary rights such as patents and trademarks, training upon sale. Sellable inventory is not included in the value below.

**Estimated Current Market Value**
The enclosed report with supporting documents offers a range of suggested values based on multiple valuation methodologies. Our single price conclusion is a weighted average of the maximum and minimum value ranges for all methodologies reviewed.

The fair market value of the company is: **$2,193,000.**
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Background Information

Client Data
Jim Jones of Sample IT Solutions Company has authorized BizByOwner to analyze the company and complete this report. Sample IT Solutions Company is located at 755 Research Parkway, Suite 500, Miami, FL 24512.

Purpose of Valuation
This report provides the client with an opinion of the company’s fair market value. Fair market value is the price, in cash or equivalent, that a buyer could reasonably be expected to pay, and a seller could reasonably be expected to accept, if the business were exposed for sale on the open market for a reasonable period of time, both buyer and seller being in possession of the pertinent facts and neither being under compulsion to act.

Form of Valuation
This valuation DOES NOT establish of value of the stock for the subject company. The analysis assumes that Jim Jones of Software Systems, Inc. will sell the business rights and tangible assets of Sample IT Solutions Company to another corporation. Balance sheet adjustments have not been made with this form of valuation. To convert market value of the business to stock value of the corporation, the reviewer will need to add cash assets, accounts receivables, notes receivable, etc, and subtract accounts payable, notes payable, etc.

Review of Internal and External Factors
Our approach has been to determine a value which would provide a fair and reasonable return on investment to an investor or owner, in view of the facts available to us at the time. Both internal and external factors which influence the value of the Company were reviewed, analyzed and interpreted. Internal factors include the Company's financial position, results of operations and the size and marketability of the interest being valued. External factors include, among other things, the status of the industry and the position of the Company relative to the industry.

Documents Reviewed
Documents listed below have been reviewed and any assumptions made from such documents or reports may be included in this report. BizByOwner has relied on the expertise of the company’s financial advisors supplying this information for its accuracy.
- Client Questionnaire.

Valuation Effective Date
Values stated are effective as of 12/31/2007 (the most current date of provided financial information). Any difference between the date this report is presented and the effective date could have a bearing on the value opinion stated.
Disclaimer and Contingencies

This report is only to be used in its entirety, and for the purpose for which it was prepared. No third parties should rely on the information contained in this report without the advice of their attorney or accountant, and without confirming for themselves the information contained herein.

BizByOwner has no present or contemplated financial interest in the Company. Our fees for this valuation are based upon our normal valuation rates based on the product ordered, and in no way are contingent upon the results of our findings.

BizByOwner have no responsibility to update this report for events and circumstances occurring after the date of this report.

The analysts and appraisers, by reason of preparing this report, is not required to give testimony nor be in attendance in court or any other governmental hearing with reference to matters herein, unless prior arrangements have been made with the evaluator relative to such additional employment.

BizByOwner assumes no responsibility for matters of a legal nature affecting the property valued or the title thereto, nor do we render any opinion as to the title, which is assumed to be good and marketable. The property is valued as though under responsible legal ownership.

BizByOwner assumes no responsibility for any environmental problems and has not inspected the property.

This valuation was based on a specific period of time. Data for this period of time has been collected from several sources. The particular business environment and market may not continue in the future, therefore, the evaluator is not making any claims regarding future performance of this business. The evaluator assumes no responsibility for errors in data available from external sources.

Readers of this business valuation report should be aware that business valuations are based on future earnings potential that may or may not materialize. Any financial projections presented in this report are included solely to assist in the development of the value conclusion presented in this report. The actual results may vary from the projections, and the variations may be material.

BizByOwner was retained by its client, who is thoroughly familiar with the business, and all past and future performance information used in this report has been based on information provided by the client and other sources deemed to be reliable. The analysts and appraisers disclaim any ability of any potential purchaser to generate any future income, cost and expense potential, or expectations as may be stated in this report.

All information in this report has been provided by our client and is assumed to be reliable. No verification of the information has been done by BizByOwner, nor have we made an inspection or on-site visits of the business premises or facilities.
Possession of this report or a copy thereof does not carry with it the right of publication. It may not be used for any other purpose, in whole or in part, by anyone except the client for whom the valuation was prepared without the prior written consent of BizByOwner.

It is assumed that the reader of this report has at least a basic understanding of the subject business's industry, terminology and operations.

Other assumptions and limiting conditions are as may be stated in various other sections of this report.
Approach to Valuation

A business valuation is an opinion of the value of a business based on the appraiser’s experience, training, and integrity. In reaching a conclusion, comparison of businesses usually involves adjustments due to the individuality and uniqueness of each business.

Being an opinion of value, the business valuation cannot be guaranteed, nor can it be proven. The valuation can, however, be substantiated and the final opinion is the result of a thorough professional analysis of a large amount of data. A valuation must not be considered absolute but should be used as a basis of negotiations between concerned parties, whatever their interests.

The valuation process as followed in the preparation of this report is an orderly procedure for arriving at an estimate of value. By following this procedure, the appraiser begins with a preliminary study of the issues and defines the basis from which the opinion is to be made. Once the data has been collected, a systematic approach is taken to analyzing the data and selecting appropriate valuation methodologies.

In assignments to estimate fair market value, the ultimate goal of the valuation process is a supported conclusion that reflects the appraiser’s study of all influences on the value of the company being appraised. Therefore, the appraiser studies the business from various perspectives. Various questions are raised and answered through research of the industry and the financial capabilities of the subject business.

The various valuation approaches are interrelated, and each involves gathering and analyzing specific pieces of data relating to the company being analyzed. From the analysis, the appraiser derives separate indications of value, of which one or more may be used in determining the final value.

To complete the valuation process, the appraiser integrates the information drawn from market research, analysis of data, and from numerous valuation methodologies to form a final conclusion.
Fair Market Value

The single most important market factor to impact the value of a business is the supply and demand of an equally desirable substitute that is available in the marketplace. According to the principle of substitution, the value of a business tends to be determined by the cost of acquiring an equally desirable substitute. A buyer will pay no more for a business than the cost of purchasing a similar business. This concept is the basis of fair market value and is the overriding methodology in this valuation report.

There are three approaches to determining the value of any business:

1. The **cost approach**, which considers the cost of purchasing or reproducing the assets of the business.
2. The **income approach**, which is a financial analysis consisting of capitalizing an income stream based on the cost of money and a risk rate that reflects current market conditions.
3. The **market data approach**, which values the business based on current sales in the marketplace for the same or similar business.

In this report you will find as many methods, under each approach, as is reasonably applicable to valuing the subject business. In order to arrive at a supportable value, we have chosen those methods that would best apply to the purchase of the subject business as reflected by the marketplace.

The Internal Revenue service established Revenue Ruling 59-60 as the standard for the valuation of closely held companies. The following summarizes the key factors to consider:

1. History and Nature of the Business.
2. Economic Outlook.
4. Earning Capacity of the Enterprise.
5. Dividend Paying Capacity of the Enterprise.
7. Recent Sales of Stocks.

**Cost or Asset-Based Approach.**

In considering the cost approach, we must remember that the cost of something does not necessarily determine its selling price. This is true in a rapidly changing market, which is highly affected by technological changes or variances in supply and demand. This is especially true if a company is very young and has not yet established enough of a track record to make a confident analysis of the future performance.
Also, in the case of a business, all serious practitioners of business valuation agree that book value is not necessarily an adequate proxy for representing the underlying net asset value of a business for valuation purposes, much less for representing the value of the business itself. However, book value is a figure that is available for almost all businesses. Furthermore, it is a value that different businesses have arrived at by some more or less common set of rules, usually some variation within the scope of generally accepted accounting principles (GAAP). Also, each asset or liability number that is a component of book value as shown in the financial statements represents a specific set of obligations that can be identified in detail by referring to the company’s records, assuming that the bookkeeping is complete and accurate. Therefore, book value usually provides the most convenient starting point for an asset value approach to the valuation of a business interest.

The nature and extent of adjustments that should be made to book value for the business valuation depend on many factors. One, of course, is the purpose for the valuation. Another, which is frequently a limiting factor, is the availability of reliable data on which to base the adjustments both for the subject company and for other companies which might be compared in the course of the valuation.

One concept for fixed assets is value in use, the value of the operating assets to the owner/user, or buyer who will use it in a similar manner. Value in use is the value that includes consideration for the unique relationship of the item to a particular business such as the subject. There is a value for an item, which is already in place and is ready to use. The value might be the item’s retail price, plus applicable taxes, freight, and installation charges. The summation of these costs, after proper deductions for depreciation and obsolescence, is the value in use of that item. This value may be different from its fair market value to a buyer who will not use the equipment at its present location.

The cost approach is used when the income stream generated by the business does not adequately reflect the value of the company. It is usually reflected in the valuation of not-for-profit companies and associations, start-up companies without an operating history, and/or distressed companies. Although part of the valuation analysis, It is rarely used when assessing the value of a viable operating entity.

**Income Approach.**

The income approach estimates the Company’s value based on its ability to generate income. This estimate may be calculated by i) projecting cash flows in to the future and discounting them back to present at a stipulated rate of return or ii) capitalizing a free cash flow base at an appropriate rate of return. The free cash flows used in this valuation methodology are defined as cash available to debt and equity holders after investment. The Discounted Cash Flow (or “DCF”) methodology is ideal when valuing companies whose future performance is projected to be materially different from its past performance. DCF requires explicit identification of the future cash flow streams that anticipated business plans will generate. For this reason, the DCF approach is also useful when valuing companies that: (i) operate in niches which are uninhabited by comparable companies or (ii) face unique circumstances or operating environments.
The Capitalization Of Earnings method is easier to employ than the DCF method. In this method, a normalized measure of earnings, such as operating cash flow, is usually divided by the appropriate cost of capital less the projected growth in operating cash flow. This calculation yields the indicated enterprise value for the business. Because the capitalization of free cash flow method is based on a single earnings base, the value that it yields may be less precise than the value yielded by the DCF method which is based on a detailed, explicitly identified stream of future earnings. However, the capitalization of free cash flow method and the DCF method will lead to similar valuation conclusions when the Subject Company is a mature company whose future performance is not expected to differ materially from its past.

**Market Approach.**

The Market Approach (or Comparable Companies Approach) to valuing a closely-held non-traded company involves comparing the Subject Company to counterparts engaged in the same or similar lines of business. However, similarity in size, methods of operation, markets and customers served, and projected growth in sales and earnings are important for reliable market approach results. Since the IRS and USPAP appear to prefer the Market Approach to value determination, it is BizByOwner’s method of choice.

The market approach is based on third-party verifiable transactions. Successful usage of this approach requires that the analyst have access to a large database of arms-length transactions involving companies similar to the Subject Company. Information on sales of comparable companies can be difficult to obtain for parties not privy to the transactions. When such data is publicly available, the market approach is the most credible and understandable approach of the three. However, this approach still may ignore or incorrectly include the potential combination benefits or synergies associated with a transaction.

The market approach is easy to understand, credible, and commonly relied upon. However, to the extent a company is exceptional, the value as indicated by the market approach will differ from its true fair market value.

The Market Approach includes several valuation methods in two basic categories: Public Company Comparable Methods and Private Company Comparable Methods. The former category uses discounted price/earnings or other ratios of publicly traded companies to approximate the value of a privately-held company. Unfortunately, these comparisons are usually of little value, since the size, capital structure, and liquidity of the Subject and Comparables Companies often differ to a great extent. In an attempt to solve this problem, many analysts have tried to assign discounts in order to compensate for the size, capital structure and liquidity issues. However, these discounts simply add a very arbitrary and subjective element into the valuation process. As a group, the Private Company Comparable Methods offer the overall best methods of business valuation since they compare similar privately-held companies that have sold on the open market to the Subject Company. The various methods include multiples of revenue, earnings before interest & taxes (EBIT), earnings before interest, taxes, depreciation & amortization (EBITDA), and EBITDA + owner’s compensation (Seller Discretionary Earnings (SDE)). BizByOwner will only be using Private Company Comparable Methods in the creation of this valuation.
Revenue Multiples
Revenue multiples have been a favorite of many analysts and business brokers over the years for two primary reasons. First, it is very easy to calculate. One simply multiplies the revenue by the revenue multiple for a given industry to arrive at an indicated value. Second, revenue is fairly easy to determine, and is a single figure that usually requires no adjustments, and no knowledge of accounting. However, the most obvious problem is that two companies in the same industry with equal revenue, but different earnings will be valued equally, even though the earnings benefit to the owner could be drastically different.

Earnings Multiples
Multiples of earnings are usually the best way to measure the value of a particular business. Businesses exist to provide earnings to their owners, shareholders or members. However, as discussed above, there are many types of earnings (before-tax earnings, after-tax earnings, EBIT, EBITDA, SDE, etc.). The only truly neutral measure of earnings is Seller Discretionary Earnings (SDE), (also called Adjusted Net Profit), because it is the only measure of earnings that removes the discretionary treatment of taxes, interest, depreciation, amortization, owner salary, health/life insurance, and other non-salary perks, and extraordinary items. SDE provides the true debt-free, discretionary earnings available to the owner(s) of the business.

BizByOwner analyzes both multiples of revenue and multiples of earnings methods in the creation of this valuation.

Correlation of Methods
It is important to note that under guidelines set by the “The Uniform Standards of Professional Valuation Practice” (Standards Rule 9-5), the Internal Revenue Service (Revenue Ruling 59-60), as well as most valuation societies, the evaluator is required to use all approaches for which reliable data is available and applicable. The use of as many approaches and methods within these approaches is useful to the extent that it will establish a range of values for the entity being appraised.

Revenue Ruling 59-60 (in Section 3, “Approach to Valuation”) recognizes the fact that appraising is not an exact science: “[a] sound valuation will be based upon all the relevant facts, but the element of common sense, informed judgment and reasonableness must enter into the process of weighing those facts and determining their aggregate significance.”

Sometimes it will be obvious that the analyst should rely on a single approach, such as methods under the cost approach whereby earnings are insignificant to the value of the assets. An example of this would be a new enterprise with little or no longevity or profits, where projections would be meaningless. Another example would be a company that has longevity, but insignificant profits, and would be a candidate for liquidation. In other cases, it may be apparent that several methods would be appropriate for the final value conclusion. When this is the case, the evaluator must look to the real world to determine which method or methods should receive the most weighting.
The most accepted measurement of earnings for small and mid-sized businesses is Seller Discretionary Earnings (SDE) because it is the only measure of earnings that removes the discretionary treatment of taxes, interest, depreciation, amortization, owner salary, health/life insurance, and any other non-salary perks, and extraordinary items. Also called Adjusted Net Profit, SDE provides the true debt-free, discretionary earnings available to the owner(s) of the business.

The following worksheet shows the analysis of how the business income statements were recasted to reflect SDE.

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GROSS SALES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 2,893,837</td>
<td>$ 3,439,388</td>
<td>$ 4,074,739</td>
</tr>
<tr>
<td><strong>FROM P&amp;L SUMMARY:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary, (one working owner or manager)</td>
<td>+ $167,666</td>
<td>223,229</td>
<td>$244,544</td>
</tr>
<tr>
<td>Discretionary expenses, if included in expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auto Expense</td>
<td>+ $23,343</td>
<td>$29,383</td>
<td>$32,291</td>
</tr>
<tr>
<td>Travel</td>
<td>+ $12,029</td>
<td>$14,229</td>
<td>$7,866</td>
</tr>
<tr>
<td>Health Insurance</td>
<td>+ $6,555</td>
<td>$6,555</td>
<td>$6,555</td>
</tr>
<tr>
<td>Dental Insurance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life Insurance</td>
<td>+ $2,332</td>
<td>$3,221</td>
<td>$3,022</td>
</tr>
<tr>
<td>Interest</td>
<td>+ $54,453</td>
<td>$65,585</td>
<td>$54,449</td>
</tr>
<tr>
<td>Meals &amp; Entertainment</td>
<td>+ $5,094</td>
<td></td>
<td>$3,509</td>
</tr>
<tr>
<td>Depreciation</td>
<td>+ $43,902</td>
<td>$39,887</td>
<td>$65,599</td>
</tr>
<tr>
<td>Amortization</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other: Uncollected Debt</td>
<td>+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses not included on P&amp;L (Explain)</td>
<td>+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Adjustments (from above)</td>
<td>$310,280</td>
<td>$387,183</td>
<td>$417,835</td>
</tr>
<tr>
<td>Net Profit (loss) from P&amp;L</td>
<td>+ $89,383</td>
<td>$167,262</td>
<td>$193,542</td>
</tr>
<tr>
<td>Seller’s Discretionary Cash/Recast Net Profit</td>
<td>$399,663</td>
<td>$554,445</td>
<td>$611,377</td>
</tr>
</tbody>
</table>
**Weighted Averages**

The revenues and earnings of each year are usually weighted to reflect the expected relevance of each year toward the future sustainable results of the company. A commonly used pattern is to weight the oldest year least, and the most recent year highest, in the belief that the near-term future will most closely resemble the company’s most recent past performance. The weights are used to calculate a set of averages of earnings and/or revenues, shown above, which are used in all of the valuation methods which follow.

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted Net</th>
<th>% Weight</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$399,663</td>
<td>10%</td>
<td>$39,966</td>
</tr>
<tr>
<td>2006</td>
<td>$554,445</td>
<td>30%</td>
<td>$166,334</td>
</tr>
<tr>
<td>2007</td>
<td>$611,377</td>
<td>60%</td>
<td>$366,826</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100%</td>
<td>$573,128</td>
</tr>
</tbody>
</table>

To be used as Adjusted Net figure.
Valuation Methods

A business’s value can actually be divided into five components:

1. Market value of tangible assets.
2. Historical trends of revenues expense and cash flow.
3. The value of rights, systems, technology, clientele.
4. Estimated stability in the future.
5. Esthetic appeal.

Internal formulas have been used to calculate each of the results of valuation method. Each of the methodologies were then reviewed to determine which apply most in this case to justify the suggested price. Not every method will necessarily be used to calculate the final suggested price.

All of the valuation methods below are calculated and displayed in price ranges with a maximum value and a minimum value. A value range is used in lieu of a fixed value for many reasons including: 1) a variable of error in the client provided data, 2) false assumptions on behalf of the appraiser, 3) multiple rules of thumb and formulas for a similar industry, 4) the data used to calculate these values are often based on estimates.

The methods reviewed in this report are described below:

**Asset Value**

The asset value (or Cost Approach) method is used to determine a minimum value range for a business. This amount represents the estimated market value of all tangible assets. This method does not include the value for sellable inventory.

Asset value must not be determined solely on the basis of book value or an asset’s worth in its current application but also must consider replacement value including all installation and testing costs. The upper and lower asset values are determined based on the accuracy of the asset data that was provided by the client to the appraiser.

<table>
<thead>
<tr>
<th>Upper range: $166,100.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower range: $135,900.</td>
</tr>
</tbody>
</table>
Basic Method
This method is a *rule of thumb* multiplier that is calculated by adding one year’s net cash flow to the business’s tangible assets, valued at current market value.

\[
\begin{align*}
\text{Upper range: } & \$604,126. \\
\text{Lower range: } & \$427,917.
\end{align*}
\]

Capitalization Of Earnings Method
This method calculates return on investment. It is based on a simple mathematical model, which calculates a total investment based on discretionary cash flow divided by a rate of return associated with the cost of money and the level of risk associated with the valued business.

Capitalization of earning capacity is considered by some to be the most important factor in the valuation of closely held companies.

\[
\begin{align*}
\text{Upper range: } & \$1,992,822. \\
\text{Lower range: } & \$1,689,920.
\end{align*}
\]

Comparison Factors Method
This method takes into account the critical factors, which will encourage or discourage a potential buyer in investigating and/or purchasing this business. Internal formulas are used to compare subject company to other companies of similar size, in the same industry. Each factor is briefly explained below:

**Industry**
This factor weighs the possibility of market saturation, volatility of the industry, predicted survival for an established business, and the future stability of profits.

**Desire**
This factor quantifies the buyer’s motivation to buy based on status, visual appeal, profitability, risk and skills required.

**Cliente**
This factor places value on the size and consistency of the client/customer base.

**Systems**
This factor places value on the company’s systems and processes that are in place to generate income and control expenses.
Size and Age
This factor places value on the size of the company and the age of the company compared to other companies in the same industry.

<table>
<thead>
<tr>
<th>Upper range: $2,004,502.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower range: $1,855,444.</td>
</tr>
</tbody>
</table>

Debt Capacity
This method of valuation is purely a financial model. Expenses are deducted from revenues to determine cash flow. Deductions are then made for an operator’s salary and the real depreciation cost of assets. The result is discretionary cash for debt service.

The maximum debt service this business could handle, given the current level of discretionary cash, is calculated based on an assumption of the number of years financed and an interest rate.

Most appraisers agree that any future increases in revenues, while under the management of a new owner, belong to the new owner. If the previous owner had generated more revenue, the suggested price would reflect this.

<table>
<thead>
<tr>
<th>Upper range: $2,219,322.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower range: $1,844,938.</td>
</tr>
</tbody>
</table>

Industry Method
This method is based on pricing formulas and rules of thumb that have been developed for a specific industry. Most of these industry rules of thumb are based on multiples of revenues or multiples of earnings. Others are based purely on formulas niche that that industry.

<table>
<thead>
<tr>
<th>Upper range: $2,250,000.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower range: $1,500,000.</td>
</tr>
</tbody>
</table>

Discounted Cash Flow
This method is based on discounting the forecasted earnings or cash flow stream at a risk-adjusted rate of return. The earnings stream is forecasted for ten years and a terminal value is calculated at the end of ten years. Capitalizing the last period’s earnings and then discounting the
result to its present value calculate the terminal value. The following table shows how this was calculated:

<table>
<thead>
<tr>
<th>Year</th>
<th>Earnings</th>
<th>Annual Growth</th>
<th>High Present Value</th>
<th>Low Present Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Year</td>
<td>$573,126</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected Year 1</td>
<td>$596,051</td>
<td>4.00%</td>
<td>$476,841</td>
<td>$458,501</td>
</tr>
<tr>
<td>Projected Year 2</td>
<td>$619,893</td>
<td>4.00%</td>
<td>$396,732</td>
<td>$366,801</td>
</tr>
<tr>
<td>Projected Year 3</td>
<td>$644,689</td>
<td>4.00%</td>
<td>$330,081</td>
<td>$293,441</td>
</tr>
<tr>
<td>Projected Year 4</td>
<td>$670,476</td>
<td>4.00%</td>
<td>$274,627</td>
<td>$234,752</td>
</tr>
<tr>
<td>Projected Year 5</td>
<td>$697,295</td>
<td>4.00%</td>
<td>$228,490</td>
<td>$187,802</td>
</tr>
<tr>
<td>Projected Year 6</td>
<td>$725,187</td>
<td>4.00%</td>
<td>$190,103</td>
<td>$150,241</td>
</tr>
<tr>
<td>Projected Year 7</td>
<td>$754,195</td>
<td>4.00%</td>
<td>$158,166</td>
<td>$120,193</td>
</tr>
<tr>
<td>Projected Year 8</td>
<td>$784,363</td>
<td>4.00%</td>
<td>$131,594</td>
<td>$96,155</td>
</tr>
<tr>
<td>Projected Year 9</td>
<td>$815,737</td>
<td>4.00%</td>
<td>$109,486</td>
<td>$76,924</td>
</tr>
<tr>
<td>Projected Year 10</td>
<td>$848,366</td>
<td>4.00%</td>
<td>$91,093</td>
<td>$61,539</td>
</tr>
<tr>
<td>Average Growth</td>
<td></td>
<td>4.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compound Growth</td>
<td></td>
<td>4.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Terminal Value</td>
<td></td>
<td></td>
<td>$364,370</td>
<td>$205,130</td>
</tr>
<tr>
<td>Operating Value</td>
<td></td>
<td></td>
<td>$2,751,583</td>
<td>$2,251,478</td>
</tr>
<tr>
<td>Add: Excess/Non-Operating Assets (Net)</td>
<td></td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Indicated Value</td>
<td></td>
<td></td>
<td>$2,751,583</td>
<td>$2,251,478</td>
</tr>
</tbody>
</table>
## Terminal Value Calculation

<table>
<thead>
<tr>
<th></th>
<th>Low Value</th>
<th>High Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 10 Earnings</td>
<td>$848,366</td>
<td>$848,366</td>
</tr>
<tr>
<td>Discount Rate</td>
<td>25.00%</td>
<td>30.00%</td>
</tr>
<tr>
<td>Terminal Value</td>
<td>$3,393,464</td>
<td>$2,827,887</td>
</tr>
<tr>
<td>Discount Rate</td>
<td>25.00%</td>
<td>30.00%</td>
</tr>
<tr>
<td>Number of Years</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Present Value of Terminal Value</td>
<td>$364,370</td>
<td>$205,130</td>
</tr>
</tbody>
</table>

Upper range: $2,751,583.
Lower range: $2,251,478.

## Comparable Sales Method

This method is based on comparing the business being valued with similar businesses that have been previously sold. Since revenue numbers are usually more accurate than net income numbers, we have calculated a weighted intangible price to revenue ratio, based on previous business sales, and then calculated an intangible value to which we added back this company’s assets to arrive at a total value. See Appendix A for details on the Comparable Sales Methodology and resources used.

Upper range: $1,772,023.
Lower range: $1,449,837.

## Multiple or Averaged Value Method

This method is the average of all of the previously described formulas based on the theory that a diligent buyer would rely on more than one of the previous formulas. An average value derived from all of the formulas should represent the actions of a reasonable buyer.

Lower range: $1,952,199.
Conclusions

Upper Range Value
The upper range value represents the average of all of the upper range values for each methodology above. This is the most optimistic view of the business given current market constraints.

Upper Range Conclusion: $2,338,233.

Lower Range Value
The lower range value represents the average of all of the lower range values for each methodology above. This is most conservative opinion of the business value. This would be the opinion of a buyer who is primarily concerned with financial rewards including return on investment and return on equity, and will buy a business based on conservative financial estimates.

Lower Range Conclusion: $1,952,199.

Suggested Price
Our single price conclusion is a weighted average of the maximum and minimum value ranges for all methodologies reviewed. Based on the final opinion of the appraiser, it is common for the Suggested Price to be much closer to either the Upper Range Conclusion or to the Lower Range Conclusion.

The fair market value of the company is: $2,193,000.
Statistical Summary

For summary purposes we have itemized the breakdown for asset value and business value and a final suggested price.

We estimate the asset value of this company to be: $151,000.
We estimate the intangible value (goodwill) of this company to be: $2,042,000.

We estimate the total market value of this company to be: $2,193,000.

Our analysis generates a price range representing the highest price a seller could expect and the lowest price a seller should accept. The suggested price is calculated based on the information generated by the various formulas, but will account for special situations and inconsistencies. The summary of each methodology used is listed below:

<table>
<thead>
<tr>
<th>Suggested Pricing</th>
<th>Upper Range Value</th>
<th>Lower Range Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Method</td>
<td>$166,100</td>
<td>$135,900</td>
</tr>
<tr>
<td>Basic Method</td>
<td>$604,126</td>
<td>$427,917</td>
</tr>
<tr>
<td>Capitalization</td>
<td>$1,992,822</td>
<td>$1,689,920</td>
</tr>
<tr>
<td>Comparison Factor</td>
<td>$2,004,502</td>
<td>$1,855,444</td>
</tr>
<tr>
<td>Debt Capacity</td>
<td>$2,219,322</td>
<td>$1,844,938</td>
</tr>
<tr>
<td>Industry Method</td>
<td>$2,250,000</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>Discounted Cash Flow</td>
<td>$2,751,583</td>
<td>$2,251,478</td>
</tr>
<tr>
<td>Comparable Sales</td>
<td>$1,772,023</td>
<td>$1,449,837</td>
</tr>
<tr>
<td>Averaged Values</td>
<td>$2,338,233</td>
<td>$1,952,199</td>
</tr>
<tr>
<td>Suggested Range</td>
<td>$2,338,233</td>
<td>$1,952,199</td>
</tr>
<tr>
<td>Suggested Price</td>
<td>$2,193,470</td>
<td></td>
</tr>
</tbody>
</table>
Special Conditions

If a particular valuation method is extremely high or extremely low, do not be alarmed. Extreme deviations are the product of formulas, which consider only one or two business factors, and are not representative of the total business. If a certain valuation method produced erroneous results, it was not included in the weighting of the final suggested price.

If potential buyers used only one method for valuation and that formula produced one extreme value there would be reason for concern. However, very few buyers consider only one formula; most buyers base their decision on the cash flow, debt capacity, and assets of a business and become generous or conservative based on their beliefs for all the other factors.
Clarification of Value
The value of the subject company stated in this report does not include real estate or improvements, which are considered to be investment assets. The following breakdown of tangible assets and goodwill should clarify how the final business value was calculated:

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture, Fixtures and Equipment</td>
<td>$80,000</td>
</tr>
<tr>
<td>Leasehold Improvements</td>
<td>$50,000</td>
</tr>
<tr>
<td>Value of leased equipment (Market Value - Payoff Value)</td>
<td>$0</td>
</tr>
<tr>
<td>Vehicles</td>
<td>$21,000</td>
</tr>
<tr>
<td>Supplies For Internal Consumption</td>
<td>$0</td>
</tr>
<tr>
<td>License/Patents</td>
<td>$0</td>
</tr>
<tr>
<td>Total Asset Value - High Value</td>
<td>$166,100</td>
</tr>
<tr>
<td>Total Asset Value - Low Value</td>
<td>$135,900</td>
</tr>
<tr>
<td>Total Asset Value - Average Value</td>
<td>$151,000</td>
</tr>
<tr>
<td>Intangible Value</td>
<td>$2,042,000</td>
</tr>
<tr>
<td>Total Value</td>
<td>$2,193,000</td>
</tr>
</tbody>
</table>

Exclusion of Inventory
It should be noted that sellable inventory is not included in the total value above. The exclusion of inventory from the financial averages requires further discussion. In business sale transactions, inventory transfers at the date of closing based on the wholesale cost of “good” inventory existing at that date. Since the amount of inventory can vary so significantly from business to business, the financial ratios of the selling price of a business should exclude this relatively volatile asset. Also, there may be external reasons to manipulate the amount of inventory at the time of closing that, if included, would distort the selling price of the business.
Justification for Purchase

The Justification for Purchase test provides a means to test the reasonableness of the proposed selling price of the business. It is not a method for estimating the value of a business or other property, as are the other valuation methods included in this report.

The estimated purchase price is $2,193,000.
An assumed purchaser down payment percentage of $650,000.

The balance is paid through a seller take back loan and/or an asset loan, conventional loan, or SBA loan (third-party loan). The third-party loan will be paid in equal monthly installments over a period of 10 years with a 8.00% annual interest rate. The seller take back loan will be paid in equal monthly installments over a period of 5 years with a 8.00% annual interest rate.

The derived cash flow will be available for capital additions and buyer’s compensation. The following table describes all of the assumptions used for a hypothetical purchase of this business:

<table>
<thead>
<tr>
<th>Assumed Terms of Sale</th>
<th>Amount</th>
<th>Percent</th>
<th>Term (Yrs)</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Purchase Price</td>
<td>$2,193,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financing:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buyer Cash</td>
<td>$650,000</td>
<td>29.64%</td>
<td>3rd Party Asset Loans</td>
<td>$1,293,000</td>
</tr>
<tr>
<td>Seller Take back Notes</td>
<td>$250,000</td>
<td>11.40%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Financing</td>
<td>$2,193,000</td>
<td>100.0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Post Sale Cash Flow Assumptions

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Tax Owner Discretionary Income</td>
<td>$573,126</td>
</tr>
<tr>
<td>Include Managers Salary (1=Yes, 2=No)</td>
<td>1</td>
</tr>
<tr>
<td>First Year Income Growth</td>
<td>5.00%</td>
</tr>
<tr>
<td>Annual Growth Thereafter</td>
<td>5.00%</td>
</tr>
<tr>
<td>Investment Hurdle Rate</td>
<td>20.00%</td>
</tr>
</tbody>
</table>
Post Sale Cash Flow

In the following post sale cash flow analysis, the derived cash flow was developed from the last year’s actual cash flow less the principle and interest payments from the debt to purchase the business. This cash flow will be the new buyer’s discretionary cash flow before taking a salary.

BizByOwner makes no representations or warranties, nor gives any assurance that a prospective buyer will do as well as indicated in this report. If a buyer relies upon this information, the buyer shall accept all the inherent risks of doing so.

<table>
<thead>
<tr>
<th>Post-Sale Year</th>
<th>Income</th>
<th>Managers Salary</th>
<th>Total Interest</th>
<th>Taxes</th>
<th>Total Principle</th>
<th>Cash Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$601,782</td>
<td>$120,000</td>
<td>118,729</td>
<td>$145,221</td>
<td>130,352</td>
<td>$87,480</td>
</tr>
<tr>
<td>2</td>
<td>$631,871</td>
<td>$120,000</td>
<td>107,910</td>
<td>$161,585</td>
<td>141,171</td>
<td>$101,205</td>
</tr>
<tr>
<td>3</td>
<td>$663,465</td>
<td>$120,000</td>
<td>96,193</td>
<td>$178,909</td>
<td>152,888</td>
<td>$115,475</td>
</tr>
<tr>
<td>4</td>
<td>$696,638</td>
<td>$120,000</td>
<td>83,503</td>
<td>$197,254</td>
<td>165,578</td>
<td>$130,303</td>
</tr>
<tr>
<td>5</td>
<td>$731,470</td>
<td>$120,000</td>
<td>69,760</td>
<td>$216,684</td>
<td>179,321</td>
<td>$145,705</td>
</tr>
<tr>
<td>6</td>
<td>$768,044</td>
<td>$120,000</td>
<td>57,158</td>
<td>$236,354</td>
<td>131,094</td>
<td>$223,438</td>
</tr>
<tr>
<td>7</td>
<td>$806,446</td>
<td>$120,000</td>
<td>46,277</td>
<td>$256,068</td>
<td>141,975</td>
<td>$242,126</td>
</tr>
<tr>
<td>8</td>
<td>$846,768</td>
<td>$120,000</td>
<td>34,493</td>
<td>$276,910</td>
<td>153,759</td>
<td>$261,606</td>
</tr>
<tr>
<td>9</td>
<td>$889,107</td>
<td>$120,000</td>
<td>21,731</td>
<td>$298,950</td>
<td>166,521</td>
<td>$281,905</td>
</tr>
<tr>
<td>10</td>
<td>$933,562</td>
<td>$120,000</td>
<td>7,910</td>
<td>$322,261</td>
<td>180,342</td>
<td>$303,049</td>
</tr>
</tbody>
</table>
Reasonability Analysis

The following analysis is based on the purchase terms described above. All of the calculations are based on after debt cash flows. If the purchase and growth assumptions are correct, the following analysis will provide a guideline to determine the reasonableness of the purchase price and terms.

Post Purchase Details

First Year Return on Down 13%
Months to Repay Down Payment 89
Annual Return on Purchase Price 4%
Years to Pay Total Purchase 25

Ratios

Price to Earnings 3.83
Price to Earnings (After Management Comp.) 4.84
Price to Revenue 0.54
Price to Assets 14.52

Investment Return Analysis

Internal Rate of Return (IRR) 19.6%
3 Year Return on Investment 46.79%
Appendix A: Comparable Sales Method Details

Overview
The company was evaluated using the direct market comparables from national sources as BIZCOMPS, Done Deals, and Pratt Stats.

Conclusions from these sources contain both Price to Revenue (P/R) and Price to Seller Discretionary Cash Flow (P/SDE) ratios, as well as many other ratios. BizByOwner has used one or more of these conclusions as the basis to determine the fair market value of $2,193,000.

What is Valued Using this Method
BizByOwner was asked to value the subject company, including all assets and liabilities of the business, both tangible and intangible.

- Cash in banks, Accounts Receivable, and Inventory are NOT included in the comparable companies.
- Liabilities including accounts payable and notes payable are NOT included in the comparable companies.
- Real estate and improvements have NOT been valued by the appraiser and are NOT included in the comparable companies.

Appraisal Methodology and Value
The comparables databases provide P/R and P/SDE ratios, which are based on intangibles and furniture, fixtures and equipment (FF&E) ONLY. In other words, all the sales prices reported in the databases are based on a buyer purchasing a business' intangibles and FF&E only. All other assets and liabilities are NOT reflected in the statistics.

In order to use the ratios to calculate a company’s value, we need to use either the Price to Revenue ratio or the Price to SDE ratio and multiply each by the revenues and SDE of the client’s company.

Specifically, we compared the net gross revenues and re-cast net income before taxes (Sellers Discretionary Cash Flow or SDE) of Legal Name of Business to the transaction data. The result is a range of values based on gross revenues and SDE. After considering the ranges based on the these two criteria, it is our opinion that the Name of Ratio multiple is the most relevant estimate of value and therefore we used it in our appraisal analysis.

Calculation of Value
After selecting appropriate comparable business sales transactions, the value was calculated. We selected a Price to Seller Discretionary Cash Flow ratio of 2.81 to be used in calculating the final business value.
Multiple

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SDE</td>
<td>$573,126</td>
</tr>
<tr>
<td>P/SDE Ratio</td>
<td>2.81</td>
</tr>
<tr>
<td>Multiple Value</td>
<td>$1,610,930</td>
</tr>
</tbody>
</table>

Comparative Company Value

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value minus 10.00%</td>
<td>$1,449,837</td>
</tr>
<tr>
<td>Value plus 10.00%</td>
<td>$1,772,023</td>
</tr>
</tbody>
</table>

Analysis of Current Selected Records

<table>
<thead>
<tr>
<th>ANALYSIS OF</th>
<th>LOW</th>
<th>HIGH</th>
<th>MEAN</th>
<th>MEDIAN</th>
<th>STANDARD DEVIATION</th>
<th>RECORDS USED</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASKING PRICE</td>
<td>400</td>
<td>2,975</td>
<td>1,025</td>
<td>950</td>
<td>770</td>
<td>9</td>
</tr>
<tr>
<td>ANN. REV</td>
<td>550</td>
<td>7,530</td>
<td>1,997</td>
<td>1,100</td>
<td>2,202</td>
<td>9</td>
</tr>
<tr>
<td>SALE PRICE</td>
<td>380</td>
<td>2,975</td>
<td>945</td>
<td>750</td>
<td>792</td>
<td>9</td>
</tr>
<tr>
<td>% DOWN</td>
<td>33.00%</td>
<td>100.00%</td>
<td>49.00%</td>
<td>36.00%</td>
<td>22.89%</td>
<td>9</td>
</tr>
<tr>
<td>SP/REV</td>
<td>0.19</td>
<td>1.37</td>
<td>0.65</td>
<td>0.55</td>
<td>0.38</td>
<td>9</td>
</tr>
<tr>
<td>SDE/REV</td>
<td>0.10</td>
<td>0.60</td>
<td>0.24</td>
<td>0.18</td>
<td>0.15</td>
<td>9</td>
</tr>
<tr>
<td>SP/SDE</td>
<td>1.67</td>
<td>3.80</td>
<td>2.81</td>
<td>2.78</td>
<td>0.78</td>
<td>9</td>
</tr>
<tr>
<td>INVENTORY</td>
<td>5</td>
<td>250</td>
<td>95</td>
<td>63</td>
<td>111</td>
<td>4</td>
</tr>
<tr>
<td>FF&amp;E</td>
<td>23</td>
<td>150</td>
<td>75</td>
<td>70</td>
<td>42</td>
<td>7</td>
</tr>
<tr>
<td>BUSINESS TYPE</td>
<td>ASKING PRICE</td>
<td>SALE PRICE</td>
<td>ANN. REV</td>
<td>SDE</td>
<td>SP/REV</td>
<td>SDE/REV</td>
</tr>
<tr>
<td>-----------------------</td>
<td>--------------</td>
<td>------------</td>
<td>----------</td>
<td>-----</td>
<td>--------</td>
<td>---------</td>
</tr>
<tr>
<td>Software Company</td>
<td>950</td>
<td>550</td>
<td>2904</td>
<td>282</td>
<td>0.189</td>
<td>0.097</td>
</tr>
<tr>
<td>Computer Software</td>
<td>1100</td>
<td>900</td>
<td>656</td>
<td>393</td>
<td>1.372</td>
<td>0.599</td>
</tr>
<tr>
<td>Software Design</td>
<td>750</td>
<td>750</td>
<td>1356</td>
<td>230</td>
<td>0.553</td>
<td>0.17</td>
</tr>
<tr>
<td>Computer Service</td>
<td>600</td>
<td>600</td>
<td>877</td>
<td>253</td>
<td>0.684</td>
<td>0.288</td>
</tr>
<tr>
<td>Mfg-Computer Software</td>
<td>2975</td>
<td>2975</td>
<td>7530</td>
<td>847</td>
<td>0.395</td>
<td>0.112</td>
</tr>
<tr>
<td>Computer Service</td>
<td>400</td>
<td>380</td>
<td>550</td>
<td>100</td>
<td>0.691</td>
<td>0.182</td>
</tr>
<tr>
<td>Vertical Mkt Software</td>
<td>1000</td>
<td>1100</td>
<td>1000</td>
<td>300</td>
<td>1.1</td>
<td>0.3</td>
</tr>
<tr>
<td>Computer Software</td>
<td>950</td>
<td>750</td>
<td>2000</td>
<td>270</td>
<td>0.375</td>
<td>0.135</td>
</tr>
<tr>
<td>Computer Software</td>
<td>500</td>
<td>500</td>
<td>1100</td>
<td>300</td>
<td>0.455</td>
<td>0.273</td>
</tr>
</tbody>
</table>
Appendix B: Certification and Qualifications

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice.
- No one other than the client, the client’s primary advisors, and BizByOwner’s administrative staff, provided significant business valuation assistance in the preparation of this report.

[Signature]

Eric A. Payne
Client Manager / Senior Business Appraiser
Eric A. Payne
SBA/CBC/MEA

Eric Payne has performed over 100 business valuations and has been the primary business advisor facilitating the transfer of over 50 businesses in the past 10 years.

He has personally owned and operated several types of businesses throughout his career, including a nationally recognized business appraisal company, a business brokerage franchise, a franchise consulting firm, and two restaurants.

Mr. Payne is a Business Appraiser, a Machinery and Equipment Appraiser, state licensed Business Broker, and a Certified Business Counselor. Attorneys, accountants, financial planners, business brokers and lenders nationwide retain him regularly for business appraisals and consulting.

**DESIGNATIONS AND LICENSES**

- Senior Business Appraiser (SBA), Society of Business Analysts
- Certified Business Counselor (CBC), Institute of Certified Business Counselors
- Machinery & Equipment Analyst (MEA), National Equipment & Business Brokerage Institute

**PROFESSIONAL AND TRADE AFFILIATIONS** (Past & Present)

- Institute of Certified Business Counselors
- Society of Business Analysts
- National Equipment & Business Brokerage Institute
- International Business Brokers Association
- Colorado Association of Business Intermediaries
Company Background

Sample IT Solutions Company is an Information Technology solutions provider based in Miami, FL. We have been providing IT application outsourcing and staffing solutions to both private and public organizations for over 25 years.

Our service offerings are designed to help our clients generate revenue, reduce costs and access the information necessary to operate their business efficiently.

Sample IT Solutions Company consultants provide expertise in ERP business solutions, network solutions, business analysis, strategic IT planning, system integration, CRM, B2B/B2C/B2E, application development and outsourcing. Other areas include SAP, Oracle®, Microsoft 2000, SQL, E-Business Suite, i2®, TradeMatrix™, Java™ Technology, Remote Database Administration and e-Commerce Solutions.

Sample IT Solutions Company has successfully delivered projects in a number of different countries throughout North and South America. As an alternative consulting company, Sample IT Solutions Company is actively establishing itself as an industry leader in many IT areas like Oracle® and i2® consulting. We have surpassed the limits of language, culture and geography. Our consultants provide solutions to your business requirements on-site throughout the world in your native language.

With offices in key locations — Miami, Fort Lauderdale, FL, Dallas, TX, and many other important cities with our partners overseas— and a growing base of consultants, Sample IT Solutions Company is set to answer your consulting needs anywhere in the world, 24 hours a day, 7 days a week.

Sample IT Solutions Company is a Consulting Solution Driven Company. Our Solutions are based on several principles that we follow as Consultants and Integrators. We strive to analyze, document business functionalities and processes, provide process flow, design and package all our solutions and other content with the business and customer in mind. That means providing the required solution to satisfy the end customer. These solutions help executives, IT managers and e-business managers do their jobs and improve their Business.

Sample IT Solutions Company isn´t just a consulting or outsourcing company. It´s also about selecting implementing and integrating technologies. We strive to give our customers in 10 countries the solutions to be successful in all endeavors. These solutions provide an insightful easy to manage business process.

Our Web site is a core part of this mission, giving our customers an interactive overview of our areas of solution reports and interactive features and vertical industry coverage. We also deliver case studies and discussions on how companies are using our solutions to integrate in today´s Technology to transform their businesses.

Industry Leadership speaks to exhibiting a high degree of professionalism in all interactions inside and outside our organization: with representatives, vendors, public relations professionals and other people we communicate with. We aim to be easy to do business with, to understand the businesses of those we deal with, and to ask intelligent and pointed questions. But in all
interactions, we keep in mind the needs of the clients we serve and we’re persistent in obtaining and delivering our solutions.

Market Leadership speaks to the role we have played with our clients. We share content and resources with them. We have an investment in their success and vice versa. Sample IT Solutions Company is very responsive and is always changing to fit the market demand.

We aim to be skeptical and probing for our client’s demands and solutions for their technologies and e-business practices.

SERVICES

IT Consulting

Sample IT Solutions Company consists of top professionals with solid and proven technical experience, including project management, system programmers, systems analysts and web masters. Our group of consultants has a proven expertise working in different projects and environments in the USA as well as overseas. Our Company specializes in several areas such as:

Staff Augmentation (manpower) for environments such as MVS/DB2/COBOL, DOS/VSE, COBOL/CICS, IMS/DLI, DB2/CSP, IDMS, ADS, COBOL, CULPRIT, AS/400, RPG/400, C++, SAP, DEVELOPER 2000, DATACOM/IDEAL, ADABAS/NATURAL, ORACLE, LOTUS NOTES, and others.

IT Consulting & Turnkey Projects for Mainframe, Midrange and Client/Server platforms.

APPLICATION OUTSOURCING

Application Outsourcing delivers innovative applications development and management and maintenance services to create measurable business value, enabling our clients to achieve high performance. Sample IT Solutions Company will develop, deploy, manage and enhance packaged or customized business applications, so that our clients can concentrate on core business and processes.

Application Management (AM)
Sample IT Solutions Company provides the maintenance, user support and management services required to support installations of custom and packaged application software, including enterprise-wide software applications, such as SAP, PeopleSoft or Oracle.

Design, Build, Run (DBR)
Sample IT Solutions Company assists the client with the delivery of an enterprise-wide software platform, including its architecture, configuration design, programming, and then the on-going application run support. This is often associated with targeted business transformation or process re-engineering.

Application Development/Management (AD/M)
Sample IT Solutions Company provides the full scope of development, implementation and on-going management of new and existing applications for a comprehensive application portfolio, both custom and packaged applications.
Application Development (AD)
Sample IT Solutions Company provides the development and implementation of new applications or major enhancements to existing applications, including design, custom coding and package configuration, testing and implementation. Applications Development can be outsourced without on-going support.

BENEFITS OF OUTSOURCING WITH Sample IT Solutions Company

Total or partial development and maintenance of a system or application(s) Based upon the client’s requirements and specifications.

- Client’s relief of burden of project control with frequent team performance and project updates
- Assurance of project completion in the require time frames
- Assurance of system installation and implementation on client’s platform
- Space and resource availability to meet client’s requirements.
- Hardware/Software availability for development and unit testing
- No need to manage human resources

Network Infrastructure Upgrade and Implementation

We bring to our customers extensive experience in designing, implementing, and upgrading high available networks.

The Sample IT Solutions Company team is qualified to provide our customers with technical and program management assistance in installing and upgrading network equipment to provide our customers with a flexible and secure network with adequate performance required by the future growth within the organizations. The primary focus of the team is to assist our customers building a new network infrastructure or upgrade resilient and redundant infrastructure with high availability.

Our unique strength is outlined as follows:
- Stable, locally owned and operated telecommunications services provider with over eighteen-years’ experience.
- Stable and professional in-house restoration crews, network engineering, design, project management, and support staff emphasize establishment of a partnership with our customers.
- Experienced at system integration with multiple equipment vendor platforms and services.
- Significant experience in Systems Integration and Implementation expertise.
- Experience implementing small and large projects.
Staff Augmentation

Providing qualified personnel to work under the customer’s direction. We offer a full range of computer programming, project management, system programmer, database administrator and help desk in both large or small numbers for short term or long term assignments. These employees remain Sample IT Solutions Company employees throughout their assignment. All statutory taxes, insurance, and benefits are provided by SMX. Customers pay a fixed hourly billing rate for all hours worked. At the end of the customer’s work requirement, workers are reassigned to other Sample IT Solutions Company customers, thereby relieving the customer of termination paperwork and administration.

We provide Staff Augmentation for platforms such as:

- Mainframe
- Midrange
- Client/Server
- Telecom
- PC & Networking

Security Services

Development and implementation of Information Security Policies, Standards, and Procedures

The lack of information Security policies, standards, and procedures is one of the most common issues found on many companies today.

Risk Analysis

A Risk Analysis is an evaluation of the technological platform of our clients according to international standards such as ISO 17799, in order to detect security vulnerabilities and determine the existing level of risk exposure.

Penetration Testing / Cyber Attacks

Having a good Security infrastructure with policies, standards, and procedures in place along with Security devices such as firewalls, IDS, among others, is no guarantee that the information is going to be protected.

Security Solution Design

Our network security consultants are trained to analyze, design, and implement, from the most simple, to the most complex network security solution.

VPN

A Virtual Private Network allows, thanks to its encryption algorithms, to protect information that goes through an insecure communication channel, such as Internet

Evaluation and Implementation of Security Tools

Our Security consultants are constantly evaluating new Security tools on the market.
Industry Analysis

IT Consulting

According to recent surveys by Merrill Lynch, Morgan Stanley, and others, technology spending will increase next year, but IT budget enhancements will remain modest—3 to 5 percent at best.

In talking to CIOs and IT managers about their priorities during this period of recession, stagnant budgets, and the post-dot-com era their responses have been separated into four distinct categories.

Cutting IT costs

Companies are decreasing spending and improving efficiencies with such ideas as data center consolidation, but creative CIOs are going well beyond the obvious. One IT manager spoke about using this slow period to master Web services development so IT could deliver applications faster while creating reusable software components. Another CIO talked about exploring low-cost IP options, such as VPNs to replace frame relay and VoIP as a substitute for POTS (plain old telephone service).

A VP mentioned the use of Citrix servers to cut installation, licensing, and management costs of desktop applications. Another said that his company was replacing laptops with a combination of standard PCs and BlackBerries because it found that the only application road warriors cared about was e-mail.

Each situation is different, but there are some common threads among these priority lists. There weren't any "blue sky" projects; rather, each effort was based on in-depth analysis of business needs, available technology options, and ROI calculations. In other words, technology was seen as a means to an end (lowering costs), rather than an end in itself (implementing cool technology).

Transforming IT into a service for the business

It's all been said before but recently there has been real progress. Unlike circa 1999 hype, when IT services translated into the addition of some immature management tools, CIOs are taking a holistic look at the IT organization, operations, and technology infrastructure.

Several new projects, such as creating a common application integration layer to speed system development or using networked storage technologies to build a common storage pool that can be shared among multiple business units have emerged lately. Another big change is within the IT organization itself—CIOs are transforming traditional horizontal networking, application, and systems groups into cross-functional teams responsible for critical business applications.

Some IT departments are backing this organizational transition with a corresponding change in compensation, tying IT bonuses to service-level delivery. It's still early, but these organizational changes are enhancing morale, advancing cross-training, and improving service delivery.

Despite sparse IT funding, 2003 will offer special opportunities for enterprises to invest intellectually and monetarily in enterprise management technologies that can lower costs and improve service levels.
IT spending at the end of 2002 remained in a slump as enterprises attempt to weather the slow economy, despite some level of recovery being possible in 2003. The enterprise management market, like the IT market, remains flat, reflecting the freeze on budgets by enterprises, cost cutting, and reduced expenditures on essential IT projects. It's a challenging time for network and systems management (NSM) vendors. Their revenue streams are flat or declining, and it remains difficult for them and their customers to justify spending money on internal, IT-focused (non-business-related) capital expenditures.

However, as difficult as it is for vendors to sell and for IS organizations to buy, smart enterprises are looking past the immediate gloom and planning ahead for 2003. Their criteria for buying is stringent, but projects are being justified with clear and compelling return on investment (ROI) arguments.

Lower costs at the expense of improved services
Justifications for NSM projects are being based on a quick ROI that highlights how costs will be lowered. Everything in 2003 will revolve around lowering costs, and there will be little interest in improving the quality of service (QOS). Improving the QOS will be seen as a secondary benefit to lowering costs and not a goal in itself. Enterprises will need to be careful with this mindset. Cost reduction can become a significant inhibitor to an enterprise's ability to improve QOS in the future. An example of this is when an enterprise reduces its IS organization's staffing to the point where any increased workloads or projects are too much for it to handle.

Despite these challenging times, there are opportunities for IS organizations. With limited budgets, there likely will be fewer new projects that are large or grandiose. This lightened project load and a lessened sense of urgency about projects create opportunities for IS organizations to redefine themselves and their worth to their enterprises. In 2003, IS organizations will focus internally and invest in enterprise management.

NSM's enterprise value
The difficult spending environment creates problems for buying NSM technologies, despite 2003 being a wonderful time for IS organizations to do so. A complication will be that many enterprises have had less than stellar success with NSM products. There is also a lot of NSM "shelfware" around because of overbuying, difficulties in implementation, lack of organizational and process development, and poor-quality NSM products. Despite this situation, 2003 will be the time to invest in NSM, but not in NSM products or technologies.

Many enterprises and their IS organizations don't realize that NSM investments should focus on the IT operational aspects of organizational, process and service development and documentation. Although this is not without costs, these are not capital expenditures. Moreover, less project work will enable IS organizations to be more internally focused and to work on these aspects of NSM.

It's in the process
The initial focus of IS organizations should be on process development. Process development and standardization are required to achieve the cost reductions that are expected from the consolidation initiatives that are under way in many enterprises. Gartner has proposed for some time that IS organizations develop, document, instrument, and manage the core IT operational processes of problem, change, and asset management, planning, and provisioning. A key point in the documentation step for process management is to identify the inputs and outputs of each step
in the process. This will help to integrate these processes with other processes, such as business processes. With the emphasis in 2003 on cost savings and increasing revenue, integrating processes is a crucial step.

The development and documentation of roles and responsibilities will help IS organizations set up training and skills development programs. Service development should, initially, be focused on defining services in greater detail than in service-level agreements. Once services are defined, the infrastructure can be developed and standardization can begin. Without a capital budget, any standardization will be limited; however, it can be tied into IS organizations' process development and roles and responsibilities, and it can be a continuing theme beyond 2003.

Capital-free growth potential
Focusing on developing IT processes, services and organization in 2003 can result in lower costs, and it can be accomplished without any capital expenditure. By focusing internally, IS organizations can prepare themselves for the eventual growth of IT spending and new projects. It also means that NSM growth can occur without capital costs. By thinking laterally, IS organizations can remain relevant, and they can be viewed as respected partners in enterprise decision-making and budget-planning processes.

Protecting IT and corporate assets
A new world of threats is forcing CIOs to spend a lot of time, money, and effort on business continuity and security. In such industries as financial services and healthcare, government regulations mandate substantive changes (e.g., the Graham-Leach-Bliley Act and the Health Insurance Portability and Accountability Act, or HIPAA). And there's no getting around the fact that the Internet has simply made things more dangerous. According to Carnegie Mellon University, computer viruses alone cost companies $15 billion in 2001. CIOs realize that aligning IT with business needs goes hand in hand with protecting the data and keeping the bad guys out. There is a Zen-like focus on these areas.

Getting closer to the business
Here is another tired IT cliche that finally has some teeth. The CIOs interviewed are going beyond corporate strategy and dedicating time to business tactics as well. They're continuing their involvement in strategic discussion on future products, new business opportunities, or customer services, but now they want to know about day-to-day business challenges. Are any layoffs planned? Will employees be moved to different facilities? Can various departments navigate the corporate portal effectively? Has the staff received adequate training?

By understanding what's happening with technology in the corporate trenches, IT managers tell me they can make better decisions on technology directions and the pace of change. As one CIO put it, "We never understood why we didn't get more 'atta boys' for developing the sales portal until we took the time to find out that no one uses it." The whole IT department is much more sensitive now to the use of technology—not just to the implementation of technology.

At times, people reflect on where they are, what they've done to get there, and where they go from here. Clearly, this is one of those times for IT. If CIOs can cut costs, offer services to the business units, and better understand daily business challenges, it will better serve the big three constituencies—shareholders, customers, and employees. The companies may not be getting rich anymore, but this is certainly a more noble and altruistic philosophy than the exaggerated "your competition is one click away" hype adhered to in the '90s.
Miami is located in southeast Florida in Miami-Dade County on the Miami River, between the Florida Everglades and the Atlantic Ocean. It is the county seat of Miami-Dade County, as well as its largest city. As of the 2000 census, the city proper had a total population of 362,470. The area is part of the Greater South Florida Metropolitan area, which is comprised of Miami-Dade County, Broward County, and Palm Beach County.

The city of Miami is the county seat of Miami-Dade County. The continuously-developed county is comprised of many jurisdictions and municipalities, including Miami Beach, Bal Harbour, North Bay Village, Sunny Isles, North Miami Beach, Aventura, North Miami, Opa-Locka, Miami Lakes, Hialeah, Medley, Miami Springs, Westchester (unincorporated), West Miami, Kendall (unincorporated), Pinecrest, Key Biscayne, Coral Gables, Islandia, Sweetwater, Homestead, and Miami Shores. Together they make Miami-Dade County, the most populous county in the state (est. 2000 Census 2,253,362).

When Miami was officially incorporated as a city on July 28, 1896, it had a population of just over 300. Today, a combined 2.2 million inhabitants living in the city and the surrounding urbanized area, in addition to the 1.6 million of neighboring Broward County and 1.1 million of Palm Beach County form the South Florida metropolitan area, the largest urbanized area in the state.

This explosive population growth has been driven by internal migration from other parts of the country, especially the U.S. Northeast, as well as by immigration, especially in more recent years. Today, Greater Miami is regarded as a cultural melting pot, touched by its diverse populations, the majority of whom originate from Latin America and the Caribbean. Partially due to its Romance-friendly linguistic nature, it has also attracted a fair amount of Latin Europeans.

The region's importance as an international financial and cultural center has elevated Miami in the eyes of many to world city status.

According to the United States Census Bureau, the city proper has a total area of 55.3 square miles. Almost 38 square miles of it is land and About 20 square miles of it is water. The total area is 35.44 percent water.

The name "Miami" comes from a Native American word for "sweet water". The area was a concentration of water because the Miami River is essentially a funnel for water from the Everglades to the Atlantic Ocean.

Native Americans are known to have settled in the Miami region for about 10,000 years. Its most noteworthy early inhabitants were the Tequesta people, who controlled an empire covering most of South Florida.
Although Ponce de Leon attempted to settle the area in the early 1500s, his men could not defend the territory against the natives, so they kept to the more sparsely populated north. For most of the colonial period, Miami was only briefly visited by traveling Europeans when it was visited at all.

Miami was still largely uninhabited in the late 1800s, even following the 1857 cessation of hostilities with the Seminole tribe (the only Native American tribe to never officially surrender or sign a treaty with the U.S. government). In 1891, a woman named Julia Tuttle purchased an enormous citrus plantation in the area. She initially pressured railroad magnate Henry Flagler to expand his rail line, the Florida East Coast Railroad southward to the area.

In 1894, however, Florida was struck by a terrible winter that destroyed virtually all of the citrus crop in the northern half of the state. Fortunately, unlike the rest of the state, Miami was unaffected, and Tuttle's citrus became the only citrus on the market that year. She wrote to Flagler again, persuading him to visit the area and see it for himself: he did so, and concluded at the end of his first day that the area was ripe for expansion.

On July 28, 1896, the City of Miami was incorporated with 344 citizens (243 of which were identified as white and 181 as black).

Miami's growth up to World War II was astronomical:

During the early 1920s, the authorities in Miami allowed gambling and were very lax in regulating Prohibition, and so thousands of people migrated from the northern United States to the Miami region, creating a construction boom and building a skyline of high-rise buildings where none had existed before. Some early developments had to be razed ten years after their initial construction to make way for even larger buildings. A catastrophic hurricane in 1927, followed by the Great Depression, ended this boom.

In the mid-1930s, the Art Deco district of Miami Beach was developed.

During World War II, the U.S. government constructed many training, supply, and communications facilities around Miami, taking advantage of its strategic location at the southeastern corner of the country. Many servicemen and women returned to Miami after the war, pushing the population up to half a million by 1950.

Following the 1959 Revolution that unseated Fulgencio Batista and brought Fidel Castro to power, Cuban exiles began travelling to Florida en masse. In 1965 alone, 100,000 Cubans packed into the twice-daily "freedom flights" between Havana and Miami. Later, the Mariel Boatlift brought 150,000 Cubans to Miami in a single flotilla, the largest in civilian history.

The city, for the most part, welcomed the Cuban exiles. Little Havana emerged as a predominantly Spanish-speaking community, and Spanish speakers elsewhere in the city could conduct most of their daily business in their native tongue.

The Cuban inflow slowed down in the 1980s, and was largely replaced by refugees from Haiti. As the Haitian population grew, the area known today as Little Haiti emerged, centered around Northeast Second Avenue and 54th Street. Additionally, into the 1990s, the presence of Haitians was acknowledged with Haitian Creole language signs in public places and ballots during voting. However, because Haiti was not under communist leadership, the U.S. government later under the Clinton administration created and implemented the Wet Foot-Dry Foot Policy, which was not as willing to grant residency to many Haitians seeking political asylum.
Since then, the Latin and Caribbean-friendly atmosphere in Miami has made it a popular destination for tourists and immigrants from all over the world, and the third-biggest immigration port in the country after New York City and Los Angeles.

Today there are sizable legal and illegal populations of Argentinians, Bahamians, Bajans, Brazilians, Colombians, Cubans, Dominicans, Ecuadorians, Haitians, Jamaicans, Mexicans, Nicaraguans, Peruvians, Puerto Ricans, Salvadorians, and Venezuelans throughout the metropolitan area.

In the 1980s, Miami became the United States' largest transshipment point for cocaine from Colombia, Bolivia, and Peru. Again, geography played a major role: Miami was the closest U.S. port to the point of origin, so it was the most logical destination for smugglers.

The drug industry brought billions of dollars into Miami, which were quickly funneled through dummy businesses and into the local economy. Luxury car dealerships, five-star hotels, condominium developments, swanky nightclubs, and other signs of prosperity began rising all over the city. As the money arrived, so did a violent crime wave that lasted through the early 1990s and that has only begun to die down in the 21st century.

The popular television program *Miami Vice*, which dealt with counter-narcotics agents in an idyllic upper-class rendition of Miami, spread the city's image as America's most glamorous tropical paradise. This image began to draw the entertainment industry to Miami, and the city remains a hub of fashion, filmmaking, and music.

In the 1990s, various crises struck South Florida: tourist shootings, Hurricane Andrew, the Elián González uproar, and, most recently, the controversial 2003 FTAA negotiations.

Because of its proximity to Latin America, Miami serves as the headquarters of Latin American operations for many multinational corporations, including American Airlines, Cisco, Disney, Exxon, FedEx, Microsoft, Oracle, SBC Communications and Sony. Miami International Airport and the Port of Miami are among the nation's busiest ports of entry, especially for cargo from South America and the Caribbean. Additionally, downtown Miami has the largest concentration of international banks in the country. Miami was also the host city of the 2003 Free Trade Area of the Americas negotiations, and is one of the leading candidates to become the trading bloc's headquarters.

Tourism is also an important industry: the beaches of Greater Miami draw visitors from across the country and around the world, and the Art Deco nightclub district in South Beach (located in Miami Beach) is widely regarded as one of the best in the world.

Tourism is up across the country, prompting a similar rise in hotel stocks. Bloomberg's Lodging Index soared 53 percent in the past 12 months, compared with a seven percent lift in the broad Dow Jones Index.

But South Florida appears to be outpacing the industry at large.

Among the country's top 25 hotel markets, January saw Miami post the second-highest room rate ($146.35, compared with New York's $167.50) and occupancy rate (78.7 percent, second only to Oahu's 84.6 percent). February's numbers will be released later this month.
Miami-Dade still hasn’t matched the 11.1 million overnight visitors logged in 2000. That’s because of the continued lag in international visitors: 2004 saw 5.7 percent more domestic visitors compared to 2000, but seven percent fewer foreign ones.

In addition to these roles, Miami is also an industrial center, especially for stone quarrying and warehousing.

Several large companies are headquartered in or around Miami, including Burger King, Norwegian Cruise Line, Ryder System, and Wachovia.

According to the 2000 census, Miami is one of the nation’s poorest cities, with 27.9 percent of Miami residents having incomes below the federal guidelines for poverty.

Miami's main international hub is Miami International Airport, which is one of the busiest international airports in the world, serving over 35 million passengers every year. It is a major hub for American Airlines and is served by many international carriers.

The main seaport, The Port of Miami, is the largest cruise ship port in the world, serving over 18 million passengers per year. Additionally, the port one of the busiest cargo ports, importing nearly ten million tons of cargo annually.

Miami is connected to Amtrak's Atlantic Coast services.

Local public transportation includes Metrobus and Metrorail, a metro rapid transit system (both operated by Miami-Dade Transit). Furthermore, Tri-Rail, a commuter rail system, connects the major cities and airports of the South Florida metropolitan area.

As of the census of 2000, there are 362,470 people, 134,198 households, and 83,336 families residing in the city. The population density is 10,160.9 persons per square mile. There are 148,388 housing units at an average density of 4,159.7 housing units per square mile.

The racial makeup of the city is 66.62 percent Caucasian, 22.31 percent African American, 0.22 percent Native American, 0.66 percent Asian, 0.04 percent Pacific Islander, 5.42 percent from other races, and 4.74 percent from two or more races. About 65.76 percent of the population are Latino of any race.

There are 134,198 households out of which 26.3 percent have children under the age of 18 living with them, 36.6 percent are married couples living together, 18.7 percent have a female head of household with no husband present, and 37.9 percent are non-families. 30.4 percent of all households are made up of individuals and 12.5 percent have someone living alone who is 65 years of age or older. The average household size is 2.61 and the average family size is 3.25.

In the city the population is spread out with 21.7 percent under the age of 18, 8.8 percent from 18 to 24, 30.3 percent from 25 to 44, 22.1 percent from 45 to 64, and 17.0 percent who are 65 years of age or older. The median
age is 38 years. For every 100 females there are 98.9 males. For every 100 females age 18 and over, there are 97.3 males.

The median income for a household in the city is $23,483, and the median income for a family is $27,225. Males have a median income of $24,090 versus $20,115 for females. The per capita income for the city is $15,128. 28.5 percent of the population and 23.5 percent of families are below the poverty line. Out of the total population, 38.2 percent of those under the age of 18 and 29.3 percent of those 65 and older are living below the poverty line.

Local sports teams include:

Florida Marlins (MLB) (NL) (Dolphins Stadium)

Miami Dolphins (NFL) (Dolphins Stadium)

Miami Heat (NBA) (American Airlines Arena)

Florida Panthers (NHL) (Office Depot Center)

The city of Miami is featured in many films and television series. Some of the more popular shows include:

2 Fast 2 Furious
Ace Ventura: Pet Detective
All About the Benjamins
Any Given Sunday
Bad Boys
Big Trouble
The Birdcage
CSI: Miami
Flipper
Golden Girls
Making Mr. Right
Miami Rhapsody
Miami Vice
Nip/Tuck
Porky's
Revenge of the Nerds 2
Scarface
There's Something About Mary

The video game Grand Theft Auto: Vice City takes place in a fictional city very inspired by Miami, including some of the same architecture and geography.

Famous Miami natives include:

Steve Carlton, baseball player
Bob Graham, U.S. Senator and former governor of Florida
Sidney Poitier, Academy Award-winning actor
Janet Reno, former U.S. Attorney General
Steve Spurrier, former UF Gators football coach
Ben Vereen, actor
Marion Williams, gospel singer
Xavier Suarez, mayor, founder of "Nintendo Fun Day"

**Notable nonnative residents are:**
Anita Bryant, singer and anti-gay crusader
Gloria Estefan
Gérard Latortue, Prime Minister of Haiti
Carl Hiaasen, notable contemporary novelist and former Miami Herald writer originally from Plantation, Florida
Marjory Stoneman Douglas, famous conservationist and writer of fiction and

Greater Miami and the beaches were visited by over 10 million tourists who stayed at least one night in 2003. During their stay these visitors spent in excess of $9.9 billion in direct economic impact (i.e. hotel rooms, restaurants, bars, shopping, transportation and attractions).

The direct economic impact generated by those expenditures in 2003 was $5.5 billion for such visitor industry suppliers and related industries as real estate, medical and retail for a total direct and indirect economic impact of $15.4 billion.

The total direct and indirect impact of 2003 visitor expenditures equates to $7,000 for every man, woman and child in the Greater Miami area.

Of the 10.4 million overnight visitors, 5.6 million or 54 percent were domestic U. S. and 4.8 or 46 percent were international. Of the 5.6 million domestic visitors, 45 percent came from the Northeast, 22.2 percent from the Midwest, 24.8 percent from the Southeast and 8.2 percent from the West.

Of the 4.8 international visitors, 41.1 percent came from
South America, 8.9 percent from Central America, 13.3 percent from the Caribbean, 22.8 percent from Europe, 11.1 percent from Canada, and 2.8 percent from other points of origin.

Over 75 percent of Greater Miami and the Beaches overnight visitors stay in motels, hotels and spas.

Liesure travelers stay an average of 5.4 nights; convention and trade show delegates average 4.0 nights; and business visitors average 4.0 nights.

In 2003, only six percent of visitors arrived by car, boat or train while 94 percent arrived by air.

A whopping $84 million in tourist-related taxes and $595 million in state sales tax was generated by visitors to the Greater Miami area in 2002. The $595 million represents 35 percent of the $1.7 billion in state taxes generated in Greater Miami and the Beaches.

In 2003, the leisure and hospitality industry employed 131,000 people.

During the same year, conventions and meetings hosted by Miami-Dade County brought in more than 925,880 delegates who spent $959 million.

Overnight visitors who were polled in 2003 reported their main reason for visiting the greater Miami area and the beaches as:

- 72.0 percent vacation
- 13.8 percent convention or business
- 6.5 percent to visit friends or relatives
- 5.2 percent for cruises
- 3 percent for special events and personal or medical reasons.

The Greater Miami Convention and Visitors Bureau Services Division (GVMCVB) handled nearly 50,000 requests for information about the area. By partnering with industry affiliates such as airlines, car rental firms and credit card companies, the Bureau attracted $2.4 million in partner investment to supplement its base advertising efforts and increase the total advertising budget to
$5.3 million in 2003. The majority of these programs were targeting visitation during the summer and shoulder seasons.

During fiscal year 2002-03, the GMCVB media relations program brought in media tours. The program also included 60 special media projects, such as 30 radio promotions and 30 television shows hosted, and more than 245 journalists visiting the destination individually for research. The Media Relations division also fulfilled nearly 2,000 media inquiries.

During fiscal year 2002-03, the GMCVB tourism promotion program promoted the destination in 70 tradeshows, sales blitzes or targeted sales throughout the United States and international countries. The program included more than 30 familiarization tours hosting hundreds of visiting travel buyers and representatives.

For the first time the sales staff conducted a 10 week “Summer Festival Season” sales blitz targeting more than 470 travel agencies, speaking with more than 4,100 travel agents throughout 35 major U.S. cities. Greater Miami also played proud host to Florida Huddle showcasing our community to more than 500 international and domestic tour operators, and closed the year hosting La Cumbre de Turismo which was attended by more than 1,000 Latin American travel buyers.

The Greater Miami and the Beaches area have several strong points. Latin America’s losses have, to some degree, been Miami’s gain as flight capital moves into local banks and worried foreigners purchase the mushrooming number of high-rise condos. The county now leads the state in hiring, and unemployment is down by about half a percentage point in the last year.

The area has rebounded better than many other Florida destinations from the impact of 9/11. And the city appears to have become less vulnerable to national downturns. Unemployment topped 11 percent in the recessions of the 1980s and 1990s, for instance, several percentage points higher than its recent peak.

However, weak points also exist. Miami is endangered by competitive cost concerns and may not be able to do much about some of them.

For instance, housing prices are showing signs of a price bubble, particularly in single-family homes. In the last three years, median household incomes are up just two percent, while single-family homes have soared 40 percent.

Since the county is rapidly running out of developable land and bounded by the Atlantic and the Everglades, there is nowhere to go but up.

Although crime has declined, it remains a concern, and congestion on roads and at the airport are off-putting to companies looking to expand or relocate.
The outlook for the area indicates Miami will likely outperform the national economy over the long run, but it faces several important risks. Its greatest hope for higher-paying jobs is with the international sector, particularly in areas like professional services.

If Latin America remains perennially weak, however, it will heavily impact international trade. Because of its dependence on air travel, Miami is more vulnerable than other parts of the country to economic fallout should another terrorist attack occur.

Miami-Dade County is located in the southeastern part of the state of Florida. As of the 2000 U.S. census, the population was 2,253,362, making it the most populated county in the state. Its county seat is Miami, located in the northeastern part. Miami-Dade County is one of three counties that comprise the South Florida metropolitan area.

Dade County was created in 1836. It was named for Major Francis L. Dade, a soldier killed in 1835 in the Second Seminole War, at what has since been named the Dade Battlefield. The name was changed to Miami-Dade County in 1997 after being approved by voters.

The costliest natural disaster to occur in the United States was the disastrous Hurricane Andrew, which hit this county early Monday morning on August 24, 1992. It struck the central part of the county from due east, south of Miami and very near Homestead, Kendall, and Cutler Ridge. Damages numbered over 25 billion dollars in the county alone, and recovery has taken years in these areas where the destruction was greatest.

According to the U.S. Census Bureau, the county has a total area of 2,431 square miles. Almost 2,000 square miles of it is land and less than 500 square miles of it is water. The total area is 19.96 percent water, most of which is Biscayne Bay.

The bay is divided from the Atlantic Ocean by the many barrier isles along the coast, one of which is where well-known Miami Beach is located, along with the South Beach Art Deco district. Geologically, it is part of the Florida Keys, which are accessible only through Miami-Dade County, but which are otherwise part of neighboring Monroe County.

Miami is the only metropolitan area in the United States that borders two national parks. Biscayne National Park is located east of the mainland, in Biscayne Bay, and the western third of Miami-Dade County lies within Everglades National Park.

As of the census of 2000, there are 2,253,362 people, 776,774 households, and 548,402 families residing in the county. The population density is 1,158 persons per square mile. There are 852,278 housing units at an average density of 438 housing units per square mile.

The racial makeup of the county is 69.70 percent Caucasian, 20.29 percent African American (a large part of which are of Caribbean descent), 0.19 percent Native American, 1.41 percent Asian, 0.04 percent Pacific Islander, 4.58 percent from other races, and 3.79 percent from two or more races. 57.32 percent of the population are Hispanic or Latino of any race. Non-Hispanic whites make up 20.67 percent of the population.

There are 776,774 households out of which 33.80 percent have children under the age of 18 living with them, 47.70 percent are married couples living together, 17.20 percent have a female
householder with no husband present, and 29.40 percent are non-families. 23.30 percent of all households are made up of individuals and 8.60 percent have someone living alone who is 65 years of age or older. The average household size is 2.84 and the average family size is 3.35.

The age distribution is 24.80 percent under the age of 18, 9.10 percent from 18 to 24, 31.00 percent from 25 to 44, 21.70 percent from 45 to 64, and 13.30 percent who are 65 years of age or older. The median age is 36 years. For every 100 females there are 93.50 males. For every 100 females age 18 and over, there are 90.20 males.

The median income for a household in the county is $35,966, and the median income for a family is $40,260. Males have a median income of $30,120 versus $24,686 for females. The per capita income for the county is $18,497. 18.00 percent of the population and 14.50 percent of families are below the poverty line. Out of the total population, 22.90 percent of those under the age of 18 and 18.90 percent of those 65 and older are living below the poverty line.

Miami-Dade County has operated under a unique metropolitan system of government, a "two-tier federation," since 1957. This was made possible when Florida voters approved a constitutional amendment in 1956 that allowed the people of Dade County (as it was known then) to enact a home rule charter. Prior to this year, home rule did not exist in Florida, and counties were only able to exercise those powers specifically granted to them under the state constitution and state law. Local laws could only be enacted by a special act of the Legislature.

Unlike a consolidated city-county, where the city and county governments merge into a single entity, these two entities remain separate. Instead there are two "tiers", or levels, of government: city and county. There are 33 municipalities in the county, the City of Miami being the largest.

Cities are the "lower tier" of local government, providing police and fire protection, zoning and code enforcement, and other typical city services within their jurisdiction. These services are paid for by city taxes. The County is the "upper tier", and it provides services of a metropolitan nature, such as emergency management, airport and seaport operations, public housing and health care services, transportation, etc. These are funded by county taxes, which are assessed on all incorporated and unincorporated areas.

Of the county's 2.2 million total residents (as of 2000), approximately 52 percent live in unincorporated areas, the majority of which are heavily urbanized. These residents are part of the Unincorporated Municipal Services Area (UMSA). For these residents, the County fills the role of both lower- and upper-tier government, the County Commission acting as their lower-tier municipal representative body. Residents within UMSA pay an UMSA tax, equivalent to a city tax, which is used to provide County residents with equivalent city services (police, fire, zoning, water and sewer, etc.). Residents of incorporated areas do not pay UMSA tax.

The Board of County Commissioners is the legislative body, consisting of 13 members elected from single-member districts. Members are elected to serve four-year terms, and elections of members are staggered. The Board chooses a Chairperson, who presides over the Commission, as well as appoints the members of its legislative committees. The Board has a wide array of
powers to enact legislation, create departments, and regulate businesses operating within the County. It also has the power to override the Mayor's veto with a two-thirds vote.

Florida's Constitution provides for four elected officials to oversee executive and administrative functions for each county (called "Constitutional Officers"): Sheriff, Property Appraiser, Supervisor of Elections, and Tax Collector. Each of these offices were reorganized and became subordinate County Departments. Today these positions are appointed by and report to the County Manager.

The most visible distinction between Miami-Dade and other Florida counties is the title of its law enforcement agency. It is the only county in Florida that does not have an elected sheriff, or an agency titled "Sheriff's Office." Instead the equivalent agency is known as the Miami-Dade Police Department, and its leader is known as the Director of the Miami-Dade Police Department.

The judicial offices of Clerk of the Circuit Court, State Attorney, and Public Defender are still branches of State government and are therefore independently elected and not part of County government.

In Florida, each county is also a school district. Miami-Dade County Public Schools, is operated by an independently-elected School Board. A professional Superintendent of Schools manages the day-to-day operations of the district, who is appointed by and serves at the pleasure of the School Board.