

COMPANY PROFILE
AVANT TOOL AND DIE, INCORPORATED
4771 S. E. International Way
Milwaukie, OR 97223

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Executive Summary

Avant Tool & Die, Incorporated ("Avant") is an emerging company with unique competence serving a growing market. Viewed from virtually any aspect, Avant has a bright future and will represent an attractive investment opportunity or lender's credit risk for the following reasons:

1. Avant is well-respected in diversified markets—medical products, aircraft components and plastic injection molded parts—helping cushion cyclical downturns that sometimes happen in certain of these industries.
2. Avant possesses thoroughly competent internal design and engineering capability. This is crucial to most customers who often need concurrent engineering and/or design help to finalize tooling projects. This capability is heavily supported by internal CAD/CAM computer hardware and software at Avant.
3. Avant's machining equipment is state-of-the-art, well maintained and capable of handling almost any tooling job.
4. The current facilities are well sized to handle large and complex jobs; expansion capability within the same building will permit future growth without moving.
5. A heavy emphasis on employee training combined with historical high standards has produced a culture where product quality is truly a hallmark and not just a slogan.
6. By investing heavily in the training of young apprentice-type employees, Avant has a youthful, highly loyal and motivated work force. This is in stark contrast to the aging shop floor population of many competitors.
7. Senior management possesses extensive mold making experience. This top-down competence provides a professional, confident capability to all company operations.
8. Excellent gross margin potential, an impressive customer list plus fragmented and maturing competitors indicates a healthy opportunity for steady growth into the foreseeable future.

9. Most important, the principals of Avant possess a strategic vision to enable this to become much more than an ordinary tool and die making company. They have begun to articulate a plan which can make Avant a substantial, wealthy, growing and vibrant enterprise in the years ahead.

The owners of Avant, along with their principal advisors, are enthusiastic and confident about the Company's future potential. They are anxious to share this story with potential investors and/or lenders who will assist them in making their plans a reality.

Company History

Thomas K. Smith and his wife, Alison, are the principal shareholders and operators of Avant Tool & Die, Incorporated. Since he was a young man right out of school, Tom Smith has been involved in mold making. For a number of years, he worked for Precision Castparts Corporation, honing his skills. In 1973, he left PCC to join a friend who owned a mold making business. For the next seven years, Tom continued to expand his mold making skills and also observed the inner workings of an entrepreneurial small business. Finally in 1980, Tom Smith struck out on his own. He set up his garage as a machine shop and began soliciting work. Alison took over many administrative duties as the business began to grow. For the next 12 years, Tom and Alison diligently worked at the business. During this time, their factory grew to 2,000 square feet...still attached to their home. While they had built an impressive customer base, it became apparent in the early 1990's that the business had reached an upper limit of size, constrained by the small garage/factory facility. Tom began to seek out larger quarters and finally was able to negotiate a favorable lease on 7,500 square feet in Omark Industrial Park, Milwaukie, OR. Avant moved into this new facility about March 1, 1992.

In addition to more than tripling space, Smith also upgraded his equipment substantially during the course of the move and shortly thereafter. He had budgeted about \$30,000 for the move itself. The actual cost was closer to \$51,000. Tom also acquired about \$129,000 in new equipment (some purchased, some leased). Furthermore, the expanded space and additional equipment permitted Avant to increase their revenues 82% in the twelve months following the move. The total impact on short-term cash flow was acute due to the move costs and increased volume. While the Company had always been undercapitalized, profits and modest bank loans had previously been adequate for working capital needs. Now, the move, new equipment, almost doubled volume and a substantial buildup of work-in-progress made cash management a very difficult task. It became apparent that additional credit facilities must be arranged or growth would be blunted and opportunity lost.

Tom and Alison recognized that the growth potential following the move would stretch their ability to manage the business especially in design, engineering and CAD/CAM work. Tom began recruiting a long-time and trusted associate from Precision Castparts days. Ronald "Swede" Miller possessed outstanding skills, could help Tom and Alison

mange the business and was interest in becoming an owner. Mr. Miller joined Avant in mid-1992 and has made a significant contribution to the Company. The Smiths are in the final stages of completing a transaction to sell Miller a portion of the Company's stock with a right to acquire 35% of the Company over time.

Currently, the Company has a healthy order file and is bidding on very substantial amounts of work. Lack of business is *not* one of the problems the Company is facing.

Corporate Vision

Tom and Alison Smith have thoughtfully examined the factors and principles they hold regarding their Company. Following is a statement of their vision for the Company and what they believe is the Company's purpose:

Core Values and Beliefs:

1. We value quality in every aspect of our business, in our internal operations and in what we deliver to a customer.
2. We value commitment and follow through, recognizing that "good enough" never is.
3. We value integrity, insisting that all our business dealings be done on principle, forthrightness and honesty.
4. We value team effort, understanding that "no man is an island" and only by pulling together in the same direction can we achieve our collective goals.
5. We value teaching and training, understanding that our deeply held values about quality, integrity, commitment and team effort can only be passed on with a pupil-teacher model.
6. Above all, we value those who have and demonstrate passion about helping us realize our core values.

Company Purpose:

The purpose of Avant Tool and Die is to effectively assist our customers in bringing their conceptual ideas into reality through our quality engineering and impeccable execution.

Marketing: Services Offered

The Company currently has about 25 customers. While most of these accounts are located in the Pacific Northwest, some are in the Southwest (Arizona, California) and one as far away as Connecticut. The customers are grouped into two categories: plastic injection molding and precision investment casting. The industries generally served by Avant's customers can be broadly described as medical, aircraft and plastic

components, although not exclusively. Avant is equally proficient at engineering and machine mold tooling for plastic injection molding as well as lost wax tooling used by investment casting companies.

Producing a final machine tool mold is an extremely precise and complex undertaking. The process is almost always complicated by the fact that the customer comes to Avant with a concept that is not fully engineered. Because mold making is so unforgiving...even the slightest detail missed or ignored will wind up producing unsatisfactory parts...Avant often spends a good deal of its resources doing "concurrent engineering," i.e., assisting the customer in translating a concept and preliminary engineering into a finished product which can be tooled. Since this is one of Avant's greatest strengths, major customers like Hewlett-Packard, Precision Castparts, Tektronix, and others have sought out Avant. As matter of fact, Avant has done virtually no front-end marketing in the Company's history. While there has always been a heavy emphasis on customer service during the bid, engineering, production and post-shipment periods, little has been done (or needed) to attract business. Actually, Tom Smith was usually concerned about over-booking his capacity when Avant was in its small facility. The Company's firm order file has seldom been less than 3-4 months of capacity utilization at any time in recent memory. As of May 15, 1993, the order file backlog was \$440,000.

The Company's marketing perspective is sure to change in the near future due to several factors. First, expanded facilities, additional equipment and further engineering capability now permit Avant to substantially increase its production. Second, the marketplace in some customer service sectors appears strong, thus broadening Avant's opportunity for more business. Third, the continuing fragmentation and maturing of competition could permit Avant to increase market share. Finally, Tom Smith is convinced there is an important unfilled market niche he wants to address. Specifically, there are few plastic injection molders who have the tooling expertise or organization structure to get into the low volume, short run prototype, or "beta test," business. Mr. Smith visualizes that Avant could invest in a general purpose, mid-tonnage injection molding system that would allow the Company to enter this potentially lucrative market. Producing not only tools but actual injection molded parts—in a narrowly defined niche—would take Avant to a whole new level. Careful analysis and thoughtful deliberations would obviously precede a final step in this new direction.

The changes noted above will require a new emphasis on marketing and sales. Tom Smith has retained a marketing consultant to assist him in assessing a step-by-step plan to capitalize on the opportunities currently present to Avant.

Competitive Environment

The National Tooling and Machining Association produces an Annual Buyers Guide. In it are the names of hundred of companies described as being toolmakers. And yet, a detailed review of competitors listed under Avant's category in the Guide shows that few offer the services, equipment or man hour potential of Avant.

Please note: competition is fierce on most projects. When a project involves plastic injection mold tooling, Avant most often competes with Cascade Mold & Die, Portland OR, Hilton Tool Company, Clackamas OR or Ran-Bro Tool Company, Beaverton OR. When projects are related to investment castings, Avant usually competes with Gray Mold and Camano Mold, Washington, Technico, Gardena CA, Dependable Pattern Works, Portland OR or Oregon Tool & Die, Portland OR.

Competitive loss reviews conducted by Avant management indicate that when a project is lost to competition, it is almost always because of price and/or delivery. Conversely, Avant will win a bid when quality is an important factor, where there is a "comfort level" with the customer because of past dealings and/or when Avant's concurrent engineering capability is viewed as crucial to getting the project completed successfully.

Avant possesses a subtle but significant long-term competitive advantage relative to most companies. Tom Smith has consistently recruited and hired young, ambitious machinists and tool and die makers who are anxious to receive consistent training. A walk through at Avant and its competitors would show that the average age of the machinists at Avant would be dramatically lower. In an era where the art of operating sophisticated metal working equipment is a dying profession, Avant stands out as a youthful, energetic exception to the rule.

Facilities and Equipment

Avant Tool & Die leases approximately 7,500 square feet in Omark Industrial Park, Milwaukie, OR. The lease runs for approximately four years (until March 31, 1997) at a fixed gross rate of \$2,725 per month. Avant has an option/right of first refusal on the adjacent 3,500 square feet within two years. Further, there is an understanding between Avant and the landlord that the final 11,000 square feet of the building can be leased as and when needed. Therefore, Avant can plan to occupy 22,000 square feet of space under the same roof over time. This appears to be more than adequate for any current planning horizon.

The shop is extremely well equipped with state-of-the-art machinery. There are twelve milling machines, four of which are computer numerically controlled (CNC). Seven of the machines are Bridgeports; others are Exacto, Roundtower, Acramill, Lagun and Sharp. There are also three Hansvedt EDM machines, a Webb 17" lathe, four surface grinders and a variety of drill presses, band saws and granite surface plates. Associated equipment includes a 2,000# forklift, a 1,500# lift truck, an optical comparator plus a number of precision measuring instruments.

There are six Computer Aided Design (CAD) computer workstations. All workstations are 486 versions. In addition, all are equipped with CADKEY 3-D software, MASTERCAM and CNC software. Two plotters, one "D" size and one "E" size, are driven by the workstations.

In the administrative area there are two IBM compatible 386 computers which are networked and installed with ACCPAC accounting software.

Over the next 24-36 months, Tom Smith envisions procuring two more EDM machines and one more CNC machining center. Depending on the finalizing of a detailed marketing strategy, the Company may also be ready to invest in their own plastic injection-molding machine at a cost of approximately \$200,000.

Management and Organization

Avant's current organization is similar to most small entrepreneurial operations...broad and flat with one strong leader at the top. However, Tom Smith has recognized the need to modify his structure as the Company grows and is taking steps to re-shape his organization for the future.

At the present time, there are four key organizational functions involved in managing the operations of the Company:

Tom Smith, President. Mr. Smith is the unquestioned leader. He spends 30-50% of his time estimating and bidding new work and 20-25% on sales, negotiations and customer service activities. The balance of his time is devoted to general administration, personnel matters, training and production oversight duties.

Ronald "Swede" Miller, Director of Operations. Swede Miller is a CAD/CAM/CDE expert and spends much of his time assisting clients with design and engineering problems. He is also responsible for scheduling work through the facility, is the first line supervisor for the shop and frequently interfaces with customers on pending or current jobs.

Alison Smith, Secretary-Treasurer. Alison Smith serves as a "sounding board" and alter ego to Tom Smith. While her duties seem endlessly varied, she focuses on the following issues: managing the Company's insurance coverage...group medical, workmen's compensation, general liability and auto/truck. A second major function is to manage and report on cash management issues. Alison is also involved in some personnel and accounting issues.

Michelle Morgan, Administrative Assistant. Michelle is responsible for maintaining all files on quotes, drawings, job files and job tracking. Other functions include first line bookkeeping, computer data entry and general clerical/administrative support to the Company.

Mr. Smith has wisely assembled an impressive group of outside professionals to advise and counsel him. John Deering, J. D., serves on the Board of Directors and also provides general management advice. Craig Curtwright, Esq., of Wallace & Klor, is the

Company's attorney. Debbie Deering, CPA/MA, is the outside accountant. Jack Matthews, of Regents Group, provides employee testing and human relations advice.

There are 12 employees in the machine shop. There is no union. Mr. Smith has developed a unique incentive compensation program which permits selected employees to share in profits based on the employees' ability to complete jobs successfully under quoted cost.

Further organizational enhancement will be required in the near future. Alison Smith is anxious to reduce her day-to-day involvement. The accounting and administrative complexities of an expanding company will require that a financial and administrative manager be hired in the near future. Finally, additional shop personnel, equipment and space will require hiring a foreman/superintendent within 1-2 years.

Financial Information

Avant's fiscal year ends on February 28th. The five years of historical financial statements were extracted from year-end reports compiled by a local CPA firm. In 1991, the Percentage of Completion method was adopted for long term customer contracts. Therefore, year-to-year comparisons in various account groups may not be meaningful in the transition period.