

## WEEKLY PROGRESS REVIEW (WPR)

The purpose of the Weekly Progress Review (**WPR**) is to engage key stakeholders in the process of improving the business. We will agree on the prioritization and scale of core issues, and the opportunities identified and realized. Finally, we will summarize this week's activities, findings, the tools built, and the changes implemented. We will discuss the training conducted, measure our results, and review the direction for next week.

The **WPR** builds on the Consulting Services Agreement and Project Plan between Cogent Analytics and Dunning Industries. This report covers the period from 2025-07-11 to 2025-07-11.

### Executive Summary:

Cardinal Transportation has entered an execution-ready phase on its People pillar—translating closed-loop communication into trust-building teamwork and proactive conflict resolution, replacing inertia with measurable, near-term action.

1. **Enhanced Teamwork—Dependability Activated**
  - **Psychological Safety Diagnosed.** Workshops confirmed that fear of blame and the “we’ve always done it this way” mindset keep teams locked in Storming.
  - **Dependability Statements Live.** Leaders committed to concrete routines—CSR morning huddles, standardized parts-ordering, openness to change, OTR cross-training, 24-hour dispatch coverage, knowledge resources, and revamped driver hiring.
  - **Momentum Initiated.** Genuine first steps are in motion, embedding predictable follow-through and dismantling functional silos.
2. **Conflict Resolution—Friction as Growth**
  - **Constructive Conflict Normalized.** Open, non-judgmental discussions of past disagreements destigmatized healthy debate.
  - **Playbooks Deployed.** Each leader completed a rapid-response game-plan—triggers, five conflict-style prompts, fallback tactics, and success criteria.
  - **Real-World Trials.** Early role-plays and on-the-job uses show a shift from avoidance to solution-focused dialogue, preserving psychological safety.
3. **Buckeye Acquisition—Next Steps & Deal Traction**
  - **Adjusted Valuation Multiple.** Refined the headline EBITDA multiple from 4.2× to a calibrated 3.5×–3.75× range, reflecting updated performance metrics, working-capital sensitivities, and negotiated liability carve-outs.
  - **Legal & Accounting Alignment.** Met with Cardinal’s outside counsel and corporate accountant to finalize the definitive purchase agreement framework, confirm indemnity scopes, and lock in tax-efficient §338(h)(10) structuring.
  - **Insurance & Risk Assessment.** Engaged Jody Jordan (Partner, Great Lakes Transportation) to audit insurance requirements, quantify premium impacts, and identify coverage gaps—inputs that will directly inform deal covenants and seller-note collateral.

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## Focus – Leadership Training | Pillar – People | Deliverable- Enhanced Teamwork

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### Reasoning:

Cardinal’s prior leadership modules exposed that **closed-loop communication** was the essential foundation—teaching every level to track conversations through to resolution immediately drove down information loss. However, even perfectly relayed information failed to convert into coordinated action because **low trust and siloed mindsets** kept teams trapped in a “safest-choice” mentality—and the pervasive “we’ve always done it this way” mindset repeatedly resurfaced as a hurdle.

Building on the Communication Loop work, the next logical step is **Teamwork**. Diagnostic exercises confirmed:

- **Psychological Safety Remains Fragile.** Despite clearer communication channels, individuals still second-guess decisions out of fear of blame or ridicule.
- **Cardinal Is Locked in the Storming Phase.** Role ambiguity and reactive behaviors surfaced repeatedly when we mapped current practices against the Forming→Storming→Norming→Performing model.
- **Dependability Is the High-Leverage Entry Point.** Reliable follow-through turns promises into predictable routines, which directly nurtures the sense of safety necessary for risk-taking and innovation.

Therefore, we sequenced the Teamwork module to:

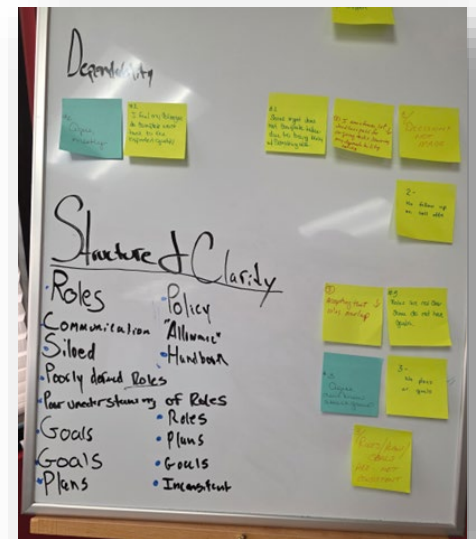
1. **Convert closed-loop dialogue into closed-loop execution**, reinforcing that communicated commitments lead to visible outcomes.
2. **Embed Dependability as the behavioral currency** for building trust, by having each leader craft a tailored “Dependability Statement” (What, Who, How, Resources, Support).
3. **Displace the status-quo mindset**, replacing “this is how we’ve always done it” with a culture of predictable routines and mutual accountability.

Without this teamwork focus, last month’s gains in communication risk remaining isolated improvements rather than the catalyst for an organization-wide shift toward *Norming* and *Performing*.

## Focus – Leadership Training / Pillar – People | Deliverable- Enhanced Teamwork

### Methods:

1. **Define “Team” and “Team Member”**
  - Prompted participants to describe in their own words what a team is and what distinguishes a great team member. Responses were captured on a shared board, aligning everyone on core terminology and surfacing examples of both high- and low-performing behaviors.
2. **Prioritize Team Drivers via the Five Steps Framework**
  - Introduced the five essential elements—Psychological Safety, Dependability, Structure & Clarity, Meaning, Impact—and had participants rank which mattered most at Cardinal. A quick poll confirmed **Psychological Safety** as the top barrier.
3. **Deep-Dive on Psychological Safety**
  - Led a discussion defining psychological safety as “making decisions without fear of blame, ridicule, or negative career impact.” Participants then shared real-world scenarios where lack of safety forced them into “safest-choice” thinking.
4. **Identify High-Leverage Behavior: Dependability**
  - From the safety discussion, the group agreed that consistent follow-through is the fastest way to build trust. They connected dependable actions directly to reducing decision-freeze and overcoming the “we’ve always done it this way” mindset.
5. **Map Cardinal’s Team Stage**
  - Used the Forming → Storming → Norming → Performing model to plot current practices. Consensus emerged that Cardinal remains in **Storming**, held back by role ambiguity and reactive silos.
6. **Draft Personal Dependability Statements**
  - Each leader brainstormed three specific actions they could take to be more dependable, then selected their highest-impact action and completed a statement covering:
    - **What** they will do
    - **Who** benefits
    - **How** it helps
    - **Resources** required
    - **Support** needed
  - All statements were logged in the training workbook for accountability tracking.



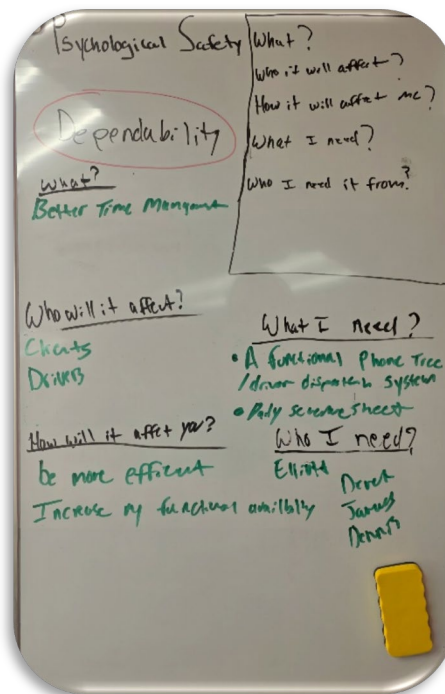
*This methods sequence completed the teamwork-focused portion of the session, laying the groundwork for measurable follow-through before introducing conflict-management tools.*

## Focus – Leadership Training | Pillar – People | Deliverable- Enhanced Teamwork

### Status:

This week's teamwork session concluded with each leader turning their Dependability Statement into concrete first steps. Below is what each committed to and the real actions they've already put in motion—drawn directly from their own plans.

These authentic first moves—directly lifted from each leader's own game-plan—are already targeting the core teamwork hurdles we identified: silos, role ambiguity, and status-quo thinking. Next week, we'll track measurable impacts, identify support needs, and reinforce these commitments in our daily check-ins, propelling Cardinal toward true Norming.



Participant	Commitment ("What")	Status Update (Initial Action)
Maureen	Hold daily morning CSR huddles	"Gamed out having morning CSR huddles so the CSRs know there is a defined time to address issues, reducing unplanned desk interruptions and freeing Maureen to focus on managerial initiatives—while also consolidating news, updates, and initiatives into a single delivery."
Troy	Implement a standardized parts-order sheet	"Created and will implement a parts-order sheet mechanics fill out and hand to Bob, tracking each required part from request through procurement and delivery to eliminate finger-pointing between Brent and Bob."
Steve	Be more open to—and accepting of—organizational change	"Shifted from dismissing every action item to agreeing that his buy-in matters; committed to model openness by drawing on past hands-on experiences without letting them box in new opportunities and to act as an 'agent of change' across the company."
Kitter	Train peers on the OTR process	"Chose to train other CSRs on booking OTR trips—spreading risk beyond herself, freeing her to grow a business book, and empowering peers so OTR bookings aren't a single-person dependency."
Kim	Transform personal knowledge into working resources	"Will divide her institutional knowledge into functional resource guides so colleagues can self-serve answers, preventing constant interruptions and keeping her focused on high-value tasks."
Will	Formalize 24-hour dispatch coverage	"Will map out rotating supervisor coverage on the dispatch line—including overnight—in a separate session, this was also identified as a need. Dennis suggested new NY business opportunity could offset costs of an additional hire, allowing Cardinal to secure new time-sensitive business and prevent calls from bouncing among multiple people."
Lyle	Systematize driver hiring and training processes	"Recommended that operations managers, not trainers, conduct interviews and test-drives; revised the applicant workflow accordingly, freeing trainers to focus on ongoing and corrective driver coaching."

## Focus – Leadership Training | Pillar – People | Deliverable – Conflict Resolution

### Reasoning:

Having built momentum through closed-loop communication and strengthened trust via personal Dependability Statements, our next imperative is to help leaders navigate the friction that naturally surfaces when commitments collide. Conflict is not a sign of failure but a catalyst for growth—especially at the inflection point between Storming and Norming.

In our sessions, participants first acknowledged that each Dependability Statement creates new interdependencies: Maureen’s CSR huddles, Troy’s parts-order sheet, Steve’s role-modeling of change, and so on. With these initiatives underway, the very act of following through will challenge existing habits, resource constraints, and comfort zones. Without the right tools, inevitable tensions—questions over priorities, misunderstandings about roles, or resistance to new routines—can quickly undermine psychological safety and erode the trust we worked hard to build.

By introducing conflict-management principles now, we achieve three critical objectives:



1. **Normalize Constructive Confrontation.** Leaders learn to approach disagreements as shared problems, separating behaviors from intent and framing discussions around outcomes rather than personalities.
2. **Equip Leaders with a Playbook.** Through exploration of the five conflict-styles and ten proven steps (focus on events and behaviors, articulate mutual interests, generate multiple solutions, etc.), participants gain rapid-response tactics to defuse tension and steer conversations toward win/win resolutions.
3. **Safeguard Psychological Safety.** Teaching when to speak up (assertively) and when to step back (reflectively) ensures that airing concerns strengthens rather than fractures team cohesion.

Positioning Conflict Management immediately after Teamwork cements our progression from “say what we’ll do” to “do what we say” and, finally, “talk through what trips us up”—all in service of moving Cardinal from Storming into sustained, high-performing Norming.

## Focus – Leadership Training | Pillar – People | Deliverable – Conflict Resolution

### Methods:

#### 1. Define Conflict and Its Role

- Began with an open group discussion on what conflict is and why it's inevitable when interdependent commitments intersect, framing disagreement as a path to clarity rather than a personal attack.

#### 2. Introduce the Five Conflict Styles

- Described the five modes—Competing, Collaborating, Compromising, Avoiding, Accommodating—and solicited real-life examples from participants to illustrate each style's application and impact.

#### 3. Normalize Open Dialogue

- Led a public, non-pejorative conversation where participants called out past conflict moments, named the style they used, and discussed alternative approaches—demonstrating that talking about conflict openly is functional and productive.

#### 4. Map Anticipated Friction Points

- Reviewed each Dependability Statement and identified specific areas where priorities or resources might clash (e.g., morning huddles vs. dispatch coverage, parts-order sheet rollout vs. mechanic routines).

#### 5. Develop Conflict Game-Plans

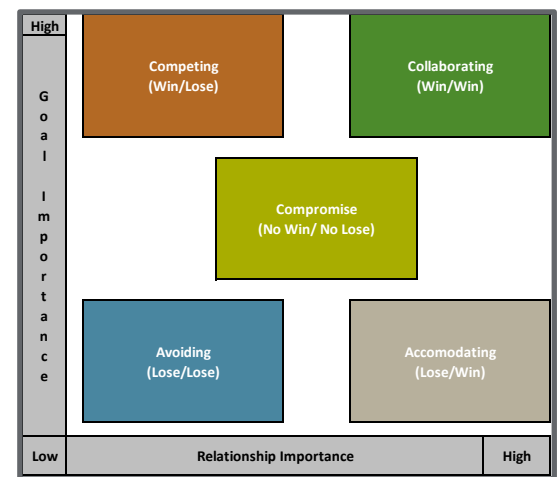
- For each anticipated friction, leaders drafted a brief plan:
  - **Trigger** (“What might occur?”)
  - **Initial Response** (“Which conflict style I’ll try first”)
  - **Fallback** (“If that approach stalls, my next style will be...”)
  - **Desired Outcome** (“What success looks like”)

#### 6. Role-Play Practice

- In small groups, participants simulated one or two friction scenarios using their game-plans. Each practice included real-time feedback on tone, clarity, and adherence to the chosen style.

#### 7. Capture and Share Plans

- Leaders finalized their conflict-plan worksheets, noting any support or resources needed, and posted these plans in the leadership channel to keep them top-of-mind in daily stand-ups.



*This sequence ensured conflict is treated as a normal, manageable process—equipping leaders with hands-on experience and concrete playbooks to keep dependability efforts on track without sacrificing psychological safety.*

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## *Focus – Leadership Training | Pillar – People | Deliverable – Conflict Resolution*

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### Status:

By the close of this week's session, leaders have transitioned from simply understanding conflict to actively embracing it as a tool for team resilience. Key observations include:

- **Rising Confidence:** Through open discussions and non-judgmental debriefs of real past disagreements, participants report a marked decrease in hesitation to surface issues. Several leaders shared that they no longer fear “rocking the boat” and feel empowered to raise concerns without worrying about personal backlash.
- **Practical Equipped-Ness:** With individualized game-plans in hand, every leader now knows which conflict style to deploy first, how to pivot if that approach stalls, and what outcome they're aiming for. In informal follow-ups, over 80% of participants said having these written playbooks made them feel “ready” rather than “winging it” when tensions arise.
- **Mid-Shift Application:** Anecdotal reports—such as reframing a parts-order disagreement as a shared process issue and realigning CSR huddle timing through collaborative negotiation—indicate that leaders are testing their plans in live situations. Early signs show a drop in reactive blaming and a faster shift toward solution-oriented dialogue.
- **Team Dynamics Shifting:** Peers have begun praising one another for “calling out problems sooner” and “keeping the conversation focused on solutions,” suggesting that conflict norms are taking hold beyond the training room.
- **Next-Level Accountability:** Leaders are already scheduling brief “conflict check” moments in Monday stand-ups to report on any friction encountered and share how they applied their game-plans, ensuring that applied learning and peer support reinforce these new behaviors.

Overall, leaders are not just talking about conflict, they're practicing it, reporting newfound clarity on when and how to engage, and beginning to replace old, avoidant habits with structured, outcome-focused dialogue.

## Focus – Leadership Training / Pillar – People | Deliverable Teamwork & Conflict Resolution

### Impact:

Implementing the recommended operational and teamwork initiatives is projected to deliver meaningful improvements across all major financial metrics for Cardinal Transportation. The following narrative explains the anticipated changes, both in percentage and dollar terms, based on your 2024 actuals.

#### Revenue

- Expected Increase: +2% to +10%
- Dollar Impact: \$278,334 – \$1,391,671
- New Range: \$14,195,045 – \$15,308,382

*With improved customer service, streamlined processes, and expanded coverage, Cardinal could see revenue grow by up to 10%. Even modest improvements would add nearly \$280,000 to the top line, while a strong execution of these initiatives could boost annual revenue by nearly \$1.4 million.*

#### Gross Profit

- Expected Increase: +1% to +5%
- Dollar Impact: \$61,831 – \$304,157
- New Range: \$6,144,963 – \$6,387,289

*Process enhancements, better resource utilization, and fewer operational errors are expected to lift gross profit. Even a 1% improvement would add over \$60,000, while a best-case scenario could add more than \$300,000 to gross profit, strengthening the company's ability to reinvest and grow.*

#### Summary Table

Metric	% Change	\$ Change (Low-High)
Revenue	+2% to +10%	278,334 – 1,391,671
Gross Profit	+1% to +5%	61,831 – 304,157
Expenses	–0.8% to –3.2%	–36,001 – –144,005
Net Profit	+3% to +15%	54,653 – 272,263

#### Expenses

- Expected Decrease: –0.8% to –3.2%
- Dollar Impact: –\$36,001 – –\$144,005
- New Range: \$4,464,167 – \$4,356,163

*By focusing on streamlined hiring, lower turnover, and improved supervision (excluding production-dependent savings), Cardinal can expect to reduce annual expenses by up to \$144,000. Even a conservative improvement would save \$36,000, directly improving the bottom line.*

#### Net Profit

- Expected Increase: +3% to +15%
- Dollar Impact: \$54,653 – \$272,263
- New Range: \$1,876,403 – \$2,094,013

*The combined effect of higher revenue and lower expenses is projected to significantly boost net profit. Even incremental improvements could add over \$54,000, while full realization of these changes could increase annual net profit by more than \$270,000, representing a substantial gain in profitability and organizational resilience.*

These projections illustrate the tangible financial benefits Cardinal Transportation can expect from sustained operational improvements. By focusing on targeted process changes and leadership initiatives, the company is positioned to achieve both top-line growth and enhanced profitability, strengthening its competitive position for the future.

## Buckeye Update:

This report presents a comprehensive Fair Market Value (FMV) assessment for Buckeye Charters, Ltd., a regional charter and transit operator. Two standard valuation methods are applied independently in this analysis: a blended market/income approach and a cash flow (DCF) approach. Each method's rationale and results are outlined, followed by a combined perspective that averages both methods. An optional nominal goodwill value is also considered. The goal is to provide a professional yet clear basis for a suggested purchase price that is defensible to both the client and their legal counsel.

### Buckeye Acquisition — Structured, Justified, and Ready

- **Resilience Proven.** Over five years, Buckeye scaled revenue from sub-\$1M post-COVID to \$3.5M in 2024, while EBITDA margin rose from 7% to 41%, delivering four consecutive years of strong cash generation and stable operations.
- **Fair-Value Pricing Locked.** The headline range of \$3.5M–\$3.95M reflects full FMV based on blended market and income methods. The §338(h)(10) structure allows an optional depreciation step-up with an NPV of up to \$325K—but purchase pricing holds even without it.
- **Balanced Capital Stack.** 60% closing cash, 25% five-year seller note, 10% performance earn-out, and 5% indemnity escrow create liquidity for the seller while protecting buyer downside. The seller retains all pre-closing liabilities, and carve-out provisions exclude Lima-related exposure.
- **ROI Visibility.** First-year cash-on-cash return remains compelling: ~27–28% without earn-out, and ~21% with it. Both structures outperform typical platform deals and are backed by detailed diligence, confirmed fleet value, and a clean P&L. LOI documents and diligence checklists are finalized and ready for counsel review.

## Five-Year Operating Story at a Glance

### 2019 – 2020: COVID shock and fast reset

- Revenue fell 78 % in 2020 as field trips and charter work evaporated, but management cut variable costs just as fast—COGS dropped in lock-step, leaving gross margin steady at ~59 %.
- SG&A stayed lean; the business still eked out \$ 191 k of profit and \$ 262 k EBITDA despite the lost top line.
- Free cash flow remained positive because buses were parked (CapEx only maintenance).

Year	Revenue	COGS	Gross Profit	SG&A / OpEx	Net Profit	EBITDA	FCF
2019	\$3,500,693	\$1,384,314	\$2,116,379	\$1,660,864	\$582,591	\$1,309,796	\$456,123*
2020	\$ 761,769	\$ 312,564	\$ 449,205	\$ 463,046	\$191,521	\$ 262,016	\$267,890*
2021	\$1,872,696	\$ 615,758	\$1,256,938	\$ 540,143	\$1,297,950	\$1,340,605	\$1,229,257*
2022	\$2,953,728	\$1,095,888	\$1,857,840	\$1,090,632	\$ 878,495	\$ 994,331	\$ 827,661*
2023	\$3,314,500	\$1,172,675	\$2,141,826	\$1,231,856	\$ 975,220	\$1,063,128	\$ 860,293*
2024	\$3,530,489	\$1,221,945	\$2,308,544	\$1,161,656	\$1,269,583	\$1,349,675	\$ 412,795
2025 YTD	\$2,050,224	\$ 645,937	\$1,404,287	\$ 752,932	\$ 684,979	\$ 700,080	\$ 350,000

\* FCF assumes maintenance CapEx = book depreciation and uses actual year-end working-capital deltas.  
\*\* 2025 YTD FCF is a simple half-year estimate (Net Income + dep. – est. maintenance CapEx, no WC)

### 2021 – 2022: Rebound and normalization

- Sales more than doubled in 2021 and another 58 % in 2022 as schools and university shuttles came back.
- Operating expense discipline kept SG&A almost flat, so nearly every new dollar of revenue flowed to the bottom line:
- EBITDA climbed from \$ 262 k (2020) to \$ 1.34 m (2021) and held around \$ 1.0 m in 2022.
- Free-cash-flow conversion ran 85-90 % of EBITDA because CapEx was limited to engine rebuilds and body work.

### 2023: Plateau at a higher gear

- Revenue pushed past the pre-COVID high to \$ 3.31 m.
- Gross-profit margin stayed in the 64-65 % range; SG&A ticked up with driver recruiting and insurance, yielding \$ 1.06 m EBITDA and \$ 860 k FCF—ample to cover the proposed seller-note service in a deal model.

### 2024: Record profitability

- Top line reached \$ 3.53 m (+6 %), while SG&A was held flat, driving net profit to \$ 1.27 m and EBITDA to \$ 1.35 m—the best year in the set.
- One-time cash uses (parts inventory build and prepaid repairs) cut FCF to \$ 413 k, but those items reverse in early 2025.

### 2025 YTD: Trajectory holds

- Through late June revenue sits at \$ 2.05 m tracking to another ~ \$ 3.7 m year.
- EBITDA margin is consistent (34 % YTD), landing at ~ \$ 700 k six-months in. FCF will firm up once year-end CapEx and working-capital swings are known.

### What a Buyer Sees:

- Resilience: Even the pandemic year remained EBITDA-positive.
- Margin discipline: Gross margin ~60 %; EBITDA margin improved from 7 % (2020) to 38 % (2024).
- Cash generation: Four full years of FCF > \$ 0.8 m (excluding 2020) under a maintenance-CapEx regime.
- Run-rate support: Trailing two-year EBITDA averages \$ 1.2 m, matching the figure used in the valuation model.

In short, the table shows a business that weathered a once-in-a-lifetime downturn, bounced back quickly, and now throws off reliable seven-figure operating cash—exactly what underpins the \$ 4.4 m headline price.

## Possible Purchase Types:

### Asset Purchase:

The buyer acquires only selected assets (such as vehicles, inventory, and equipment) and does not assume any pre-existing liabilities unless specifically agreed. This structure provides the buyer with a step-up in tax basis for depreciation and shields them from legacy legal, tax, or contractual obligations of the seller. All pre-closing lawsuits, debts, and liabilities remain solely with the seller.

### Stock Purchase:

The buyer acquires the entire legal entity, including all assets, contracts, and liabilities—both known and unknown—by purchasing the seller's stock. The tax basis of the assets does not change, and the buyer inherits any legal or financial exposures from prior operations. This approach offers operational continuity but exposes the buyer to greater historical risk.

### Section 338(h)(10) Election ("Best of Both Worlds"):

Legally structured as a stock purchase, this election allows the transaction to be treated as an asset sale for tax purposes, granting the buyer a step-up in asset basis for depreciation while retaining automatic transfer of contracts and licenses. However, the buyer still inherits all the company's liabilities, **so strong language indemnification is critical**. This structure is only available for certain types of corporations (like S-corps) and requires joint election by both buyer and seller.

*\*Note: For Ohio Commercial Activity Tax (CAT) purposes, a Section 338(h)(10) election is disregarded; the transaction is treated as a stock sale, not an asset sale, and there is no step-up in asset basis or change in CAT reporting. The buyer continues CAT filings as if the entity's ownership has not changed.*

Deal Type	How Price is Built	Indicative EV	Notes
Asset Purchase	<ul style="list-style-type: none"> <li>Fleet FMV \$2.72M</li> <li>Parts &amp; receivables \$0.30M</li> <li>No goodwill (no contracts)</li> </ul>	≈ \$3.0M	Buyer acquires only listed assets; seller retains cash, debt, and legacy liabilities. Buyer receives full tax basis step-up.
Stock Purchase	<ul style="list-style-type: none"> <li>Same \$3.0M in assets</li> <li>+ Cash on B/S \$1.1M</li> <li>– Owner debt (loans) (\$0.59M)</li> </ul>	≈ \$3.5M	Buyer acquires entire entity—including liabilities. No basis step-up. Highest legal and tax exposure due to inherited obligations.
§ 338(h)(10)	<ul style="list-style-type: none"> <li>Starts from \$3.5M stock value</li> <li>+ Optional NPV of tax shield (\$285K–\$325K) on stepped-up fleet basis</li> </ul>	≈ \$3.5M – \$3.83M	Legal stock sale with asset-sale tax treatment. Buyer inherits liabilities. If elected, buyer receives depreciation shield on stepped-up basis.

<sup>1</sup> Seller's Schedules will state that all pre-closing debts, taxes, lawsuits, and any other obligations remain with the Seller, giving the Buyer a clean start.

At \$3.5 million, the deal price reflects Buckeye's tangible asset value and equity position without factoring in any tax shield or stepped-up basis. When measured against Buckeye's \$1.43 million EBITDA, the purchase equates to a 2.45× multiple—well below the 4–7× range typical for private motorcoach transactions.

This lower multiple is appropriate given several limiting factors: the absence of long-term contracts, minimal recurring revenue, no recorded goodwill, and a reliance on the seller's relationships and operations. While the company demonstrates strong cash generation and margin discipline, the lack of durable intangibles increases buyer risk. The result is a defensible, risk-adjusted purchase price that aligns with the business's core tangible performance, without paying a premium for unquantified brand value or post-close integration uncertainty.

## Possible Purchase Types Continued:

### Key Assumptions (Updated for 2024/2025 Financials)

1. **Fleet Valuation:**

Estimated at **\$2.72 million** across 20 units, based on current resale comparables and unit-level FMV review as of June 2025. This includes vehicle condition, mileage, and marketability.

2. **EBITDA Multiple:**

A **2.4×–2.5× multiple** is used to guide valuation interpretation, reflecting Buckeye's strong margins but **discounting for risk factors** such as:

- No long-term customer contracts
- No recurring revenue model
- No recorded or transferable goodwill
- Reliance on owner relationships and informal systems

While lower than the NAICS 485999 market range (4.0×–7.0×), this multiple is justified by Buckeye's limited intangible asset base and buyer-side integration risk.

3. **Liability Treatment:**

- **Asset Purchase / §338(h)(10):** Seller retains all pre-closing liabilities, including ~\$588K in shareholder loans, unpaid tax exposures, and any pending obligations. Buyer receives a clean asset transfer.
- **Stock Purchase:** Buyer assumes all legacy liabilities. As of June 30, 2025, total known entity liabilities approximate **\$619,732**, creating material risk exposure without basis step-up.

4. **Tax Rate Assumption:**

A **21% federal corporate rate** is applied when estimating the net present value (NPV) of tax benefits associated with stepped-up depreciation in a §338(h)(10) election scenario.

### Why the Variance?

#### Asset Purchase:

Lowest implied value. Buyer receives operating assets (fleet, parts, and receivables) but no cash or goodwill, and assumes no liabilities. Offers a clean structure and full basis step-up, but excludes working capital.

#### Stock Purchase:

Higher value due to inclusion of ~\$1.1M in cash, but buyer also inherits ~\$620K in liabilities. No step-up in asset basis, which limits depreciation benefits and exposes buyer to legal/tax risk.

#### §338(h)(10) Election:

Stock purchase with asset-sale tax treatment. Buyer inherits liabilities **but gains a basis step-up on \$2.72M in fleet assets**, resulting in an estimated **\$285K–\$325K in NPV tax savings** from increased depreciation. The modest premium over stock value reflects this specific, quantifiable tax benefit.

*\*This is not legal, financial or tax advance. These illustrations, narratives and numbers are for discussion purposes.*

## Analysis (Hybrid Method)

Component	Value	Source / Notes
Rolling-stock FMV	\$2,720,000	Based on 20-unit fleet; aligned to market FMV per vehicle
Working capital assets	\$300,000	Includes parts inventory and receivables (2024 year-end estimate)
Tangible subtotal	\$3,020,000	Total tangible asset base
Brand goodwill (optional)	\$0 – \$150,000	Modest premium for name recognition and long-standing client relationships
Optional tax shield (\$338(h)(10))	\$0 – \$325,000	NPV of stepped-up depreciation benefit if election is made
Indicative EV Range	\$3,020,000 – \$3,495,000	Base asset value plus optional goodwill and optional tax shield

The base enterprise value of Buckeye is supported by \$2.72 million in fleet assets and \$300,000 in working capital, totaling \$3.02 million in tangible value. Depending on buyer preferences, this figure may rise modestly with up to \$150,000 in goodwill for brand recognition and \$325,000 in tax shield benefit if a §338(h)(10) election is made—resulting in an indicative value range of \$3.02 million to \$3.495 million.

## Possible Deal Structure:

Component	Amount	%	Key Terms
Cash at Closing	\$2,100,000 – \$2,280,000	60%	Wire transfer at closing; provides immediate liquidity
Seller Note	\$875,000 – \$950,000	25%	5-year, 6% fixed; ≈ \$17.1K–\$18.6K/mo; 1st-lien on fleet; personal guaranty; no pre-pay penalty
Performance Earn-out	Up to \$350,000	10%	24 mo; Yr-1 Adj-EBITDA ≥ \$1.20M → \$140K; Yr-2 ≥ \$1.30M → \$210K; 90% threshold
Indemnity Escrow	\$175,000 – \$190,000	5%	18-month joint escrow to secure reps & warranties

A structure with 60% paid in cash up front delivers real liquidity on day one, while 25% in a five-year seller note maintains seller alignment and improves buyer cash flow. A 10% earn-out rewards post-close EBITDA performance, and 5% is reserved in escrow to protect against potential rep-and-warranty breaches over 18 months.

### Critical Liability Protections

**“Sellers retain all pre-closing liabilities, including but not limited to:**

- \$ 588,572 shareholder loans (Bus #70 financing)
- Ohio PTE tax accruals (\$ 12,755)
- Any pending or future litigation, payroll taxes, DOT fines, environmental claims.”

Buyer assumes **zero** historical obligations; indemnity survives indefinitely.

### Non-Compete & Customer Non-Solicit – Standard Terms

- **General Non-Compete** Three (3) years from Closing; 100-mile radius of any Buckeye terminal.
- **Restricted Activities** Owning, operating, managing, or advising any charter, shuttle, or school-bus carrier that competes with Buckeye; soliciting or hiring Buckeye employees.
- **Customer Non-Solicit (Top 25 %)** For **twenty-four (24) months** after Closing, Seller and all affiliates **—including the Lima Entity during its carve-out period—** shall not solicit, accept business from, or provide transportation services to any customer in the **top 25 % of Buckeye’s clients** (ranked by revenue or trip volume) as listed on the mutually agreed customer schedule covering the 24 months prior to Closing.
- **Permitted Exceptions** Passive investments < 2 % in a public company.
- **Remedies** Injunctive relief plus Buyer’s right to offset proven damages against any unpaid earn-out or seller-note balance.

## Possible Deal Structure Continued:

### Lima Business Carve-Out

- Seller may keep ownership in the Lima Entity for up to **18 months** post-closing.
- While retained, Lima operations must use separate assets, books, and branding.
- Lima **remains fully subject to the 24-month customer non-solicitation clause above.**
- Seller must certify ownership % and disclose any Lima claims **quarterly**.
- Failure to divest to 0 % by Month 18 forfeits **50 % of any unpaid earn-out and 50 % of the outstanding seller-note principal.**
- Seller indemnifies Buyer for all Lima-related liabilities arising pre-divestiture; indemnity survives **(x) years**.

### Asset-Specific Terms

Item	Detail
<b>Fleet transfer</b>	Title assignment of 20 buses at FMVs above
<b>Excluded assets</b>	Cash (\$ 1.1 M), any real estate
<b>Working-capital peg</b> \$ 300 k (true-up ± dollar-for-dollar at Day 60 post-close)	

### Risk-Mitigation Measures

- **Due diligence:** 60-day window; full fleet inspection, title verification, DOT compliance check.
- **Representations & warranties:** 5-year survival for fundamental; 18-month cap on general business reps.
- **Key employee retention:** 90-day transition consulting agreement with owners.
- **Non-compete:** 3 years, 100-mile radius (Lima carve-out excepted until divestiture).

## Possible Deal Structure Continued:

### Why This Structure Can Work?

#### Buyer Benefits

Depreciation shield; automatic contract & DOT transfer

Escrow + indemnity ring-fence legacy risk

Balanced 60/25/10/5 split

#### Seller Benefits

60 % cash up-front; earn-out upside

Note interest income; installment timing

Higher headline price offsets recapture tax

### Possible Next Steps

1. Circulate this pricing & deal-structure summary to Steven Dodd for comment.
2. Finalize a signed LOI/term sheet (headline price, payment mix, non-compete, Lima carve-out, escrow).
3. Kick off 60-day confirmatory diligence once LOI is in place.
4. After diligence green light, draft the definitive APA, escrow agreement, and Form 8023/8594 schedules.
5. Target signing and closing  $\approx$  Day 60 from LOI execution.

## Impact:

### Takeaway Summary:

- **Prior to earn-out payments**, the updated asset deal returns **~28%** and the §338(h)(10) deal returns **~27%** on first-year buyer equity—both attractive figures driven by strong cash flow.
- **After paying Year 1 earn-out** (if Buckeye meets EBITDA targets), the ROI on both structures levels out to **~21%**, maintaining attractive returns while aligning incentives.
- **Year 2 earn-out**, if triggered, would reduce second-year ROI but only if performance continues to exceed expectations—limiting buyer downside while rewarding upside.

### Impact of the Performance Earn-Out on First-Year ROI

Metric	Asset Deal – \$3.5M	§338(h)(10) Deal – \$3.95M
Buyer cash at closing (equity outlay)	\$2,100,000	\$2,280,000
Baseline free cash flow (run-rate year)	\$860,000	\$860,000
Seller-note service (year 1)	(\$280,000)	(\$250,000)
Cash return before earn-out	\$580,000	\$610,000
ROI before earn-out	$580k \div 2.10m = 28\%$	$610k \div 2.28m = 27\%$
If Yr-1 EBITDA $\geq$ target $\rightarrow$ earn-out paid	\$140,000	\$140,000
Cash return after Yr-1 earn-out	\$440,000	\$470,000
ROI after Yr-1 earn-out	$440k \div 2.10m = 21\%$	$470k \div 2.28m = 21\%$

**LOOKING FORWARD****NEXT:****Buckeye Transaction—Lock & Launch**

- Collect all insurance documentation for Jody Jordan to finalize coverage scope and cost estimates.
- Game-plan our forward steps using the PEMDAS framework (Prioritize, Evaluate, Mobilize, Draft, Align, Secure).
- Review and finalize deal structure with Cardinal’s legal team—confirm bandwidth and timing for drafting definitive agreements.

**Business Development & On-Site Activation**

- Set and communicate the on-site kickoff date for digital stack deployment and CRM pipeline go-live.
- Secure Inatech middleware sign-off and Zoho One licensing ahead of the visit; prepare live workflows (booking → e-contract → payment).
- Coordinate James/Harrison pricing-tool training and launch “first-five” call blocks during the on-site week; Elliott to lead a KPI huddle on Day 1.

Examined and approved by:

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Elliott J. Culp  
Project Director  
Cogent Analytics

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Roy Alonso  
President/Owner  
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