

Normalized Seller's Discretionary Earnings Worksheet

Enter Business Name & Address above

		20	20	20	YTD 20	Source
1	Sales	\$0	\$0	\$0	\$0	
2	<i>Less</i> Cost of Sales	\$0	\$0	\$0	\$0	
3	<i>Less</i> Operating Expenses	\$0	\$0	\$0	\$0	
4	<i>Equals</i> Net Income Before Taxes (SBA)	\$0	\$0	\$0	\$0	
5	<i>Plus</i> Depreciation & Amortization (SBA)	\$0	\$0	\$0	\$0	
6	<i>Plus</i> Interest on Loans to Business (SBA)	\$0	\$0	\$0	\$0	
7	<i>Plus</i> Salary for One Owner (SBA)	\$0	\$0	\$0	\$0	
8	<i>Plus</i> Payroll Taxes on Owner's Salary (SBA)	\$0	\$0	\$0	\$0	
9	<i>Equals</i> Basic SBA Discretionary Earnings	\$0	\$0	\$0	\$0	

Seller's Discretionary Earnings will sometimes include the following additions/deletions - line items indicating "cash flowing" to or from the company to the owner

10	Salaries to Non-Working Family Members	\$0	\$0	\$0	\$0	
11	Salary Adjustments for Other Owners & Family Members	\$0	\$0	\$0	\$0	
12	Payroll Tax Additions/Deletions For 10 & 11 Above	\$0	\$0	\$0	\$0	
13		\$0	\$0	\$0	\$0	
14	Auto Lease/Payments for Owner's Benefit	\$0	\$0	\$0	\$0	
15	Auto Insurance for Owner's Benefit	\$0	\$0	\$0	\$0	
16	Auto Repairs & Maintenance for Owner's Benefit	\$0	\$0	\$0	\$0	
17	Contributions and Donations	\$0	\$0	\$0	\$0	
18	Fair Market Rent Additions/Deletions	\$0	\$0	\$0	\$0	
19	Insurance Premiums for Owner's Health, Life, etc.	\$0	\$0	\$0	\$0	
20	Non-Business Professional Services (legal / accounting / tax)	\$0	\$0	\$0	\$0	
21	Retirement Plan Contributions	\$0	\$0	\$0	\$0	
22	Non-Business Meals & Entertainment	\$0	\$0	\$0	\$0	
23	Non-Business Travel	\$0	\$0	\$0	\$0	
24	Non-Business Telephone, Internet & Cell Phone expenses	\$0	\$0	\$0	\$0	
25	One Time Non-Recurring Charges or (Income)	\$0	\$0	\$0	\$0	
26	Inventory Adjustments	\$0	\$0	\$0	\$0	
27	Supplier Rebates	\$0	\$0	\$0	\$0	
28		\$0	\$0	\$0	\$0	
29		\$0	\$0	\$0	\$0	
30		\$0	\$0	\$0	\$0	
31		\$0	\$0	\$0	\$0	
32		\$0	\$0	\$0	\$0	
33		\$0	\$0	\$0	\$0	
34	Sum of Discretionary Earnings Additions/Deletions	\$0	\$0	\$0	\$0	
35	Total Seller Discretionary Earnings (SDE)	\$0	\$0	\$0	\$0	

The seller is responsible for proving the accuracy of any information provided to the buyer's satisfaction. Information contained in this statement is provided solely by the seller. No representations or warranties are provided by the CABB Business Broker, its agents, representatives, or subsidiaries as to the accuracy, completeness or validity of such information. Interested parties are encouraged to seek the counsel of their accountant, attorney and/or other business advisors.

<i>Owner's Signature</i>	<i>Print Name</i>	<i>Title</i>

Explanation & Notes for Understanding the "Normalized Seller's Discretionary Earnings" Worksheet

Your Seller's Discretionary Earnings (SDE) statement is the basis for your business' financial strength and selling price. Your selling price will be based on a multiple of line number 35. When buying a privately held company, the Buyer will use this number to determine the financial attractiveness of your business when compared to other businesses that are for sale. This form becomes all the more important when the buyer looks at your tax returns, which commonly show less income when compared to your SDE.

Notes, Instructions & Explanations:

- 1 All numbers rounded to the nearest dollar.
- 2 Based on either a YTD + projections for the balance of the current year, or a running 12 month year plus 2 full 12 month periods for the previous years.
- 3 SDE is based upon Net Income before taxes, Depreciation, Amortization, Interest, one Owner's Compensation and Other Additions/Deletions which reflect how much salary a Buyer can take plus Tax Capability and Business Debt Carrying Capacity; A higher SDE will normally equate to a higher value or selling price. It is important to include all fringe benefits and perks for the personal benefit of owner(s) to reflect the true SDE (cash flow).
NOTE: Seller must be able to prove these line items to a Buyer's satisfaction during Due Diligence.
- 4 Other Additions/Deletions reflect personal expenses of the owner charged to the company but not necessary to operations of the company.
- 5 One time Charges or (Income) reflect unusual or non-recurring items.

Examples of other expenses charged to the company that might be added as Owner's benefits/perks to show true net discretionary cash flow.

Inventory written off to increase COGS in previous years
Child Care provided by company (or its employees)
Other family members on payroll but not working in the company
Gains or losses on disposal of assets
Laundry or dry cleaning for owner/owner's family
Excessive (or under) market rate rental and/or lease amounts
Personal Banking Charges
Household repairs or services paid by company
Home Office rent paid to owner by company
Insurance premiums for owner's health, life, etc.
Personal Home Internet Service
Maid / Housecleaning services
Memberships (Equipment or Health, Country or Golf Clubs)
Non-Business Postage/Shipping
Unique payroll benefits paid to owner
Personal Credit Cards paid by business
Personal or Owner Family Products Purchased/Services Used (Provided by or paid for by company)
Non-Business Professional Services (Legal/Accounting/Tax)
Retirement plan contributions
Subscriptions to Personal Magazine, newspapers, etc.

SBA Lines: Line items marked "SBA" are typically considered by the SBA for financing. They are used by the SBA to calculate the company's debt carrying capacity.