CARDIFF LEXINGTON
CORPORATION
A PUBLIC HOLDING COMPANY

Cardiff: What We Do

Cardiff Lexington's business imperative targets acquisitions of niche companies both mature, and, with high growth potential including, but not limited to, income-producing middle market private businesses; and commercial real estate properties; second stage startups; and franchisees and franchisors; which offer higher returns for our investors through Cardiff Lexington's perpetual asset acquirement and holding company level diversification combined with increasing overall revenue and net income.

Target company's management remains in "absolute control". Acquisitions become standalone autonomous Subsidiaries gaining advantage of the Power of a Public Company without losing their independent management control yet gaining the advantage of improved valuation, liquidity, and potential asset appreciation through stock performance. Diversification and pooled resources leverage value and mitigate risk. Cardiff Lexington has no desire to take an active role in Subsidiary operations.

This provides a form of governance enabling business owners to exit personal equity and to take advantage of the capitalization power of a public company without losing management control. Cardiff Lexington provides these companies both the enhanced ability to raise money for operations or expansion while also establishing an equity exit strategy for the owner, their heirs, and/or Investors.
For Investors, Cardiff Lexington provides a diversified lower risk environment that protects and safely enhances their investment through a widely diversified continually growing holding company offering readily available publicly traded shares as a future exit vehicle.

1. What's in it for the entrepreneur?

- They can get some or all their equity (money) out of the business, they greatly mitigate risk through becoming part of a diversified entity, and they benefit from that entity's accumulated appreciation. They remain in control of day to day operations without interference.

- They may also raise capital easier by issuing equity shares in their share class, and/or pay a dividend to get needed cash into their business to continue to growth and expansion.

2. Valuation of public vs. private

- A private company's pool of suitors and/or /lenders is limited by the constraints of their size, geographic market, technical skill requirement, assets, and illiquidity. Often restrictions make borrowing cumbersome and operations restrictive. These same constraints may depress the actual yield whenever the business is sold through traditional channels.
- A public company attracts investors, resources, and bankers from a very wide pool, it can greatly mitigate risk to all parties, and it provides a shortened exit pathway to liquidity via an actively trading marketplace. Financials are independently audited and there is transparency.

3. The Transaction

- A Tax-Free Exchange occurs when there is a transaction that involves a STOCK for STOCK Acquisition. The parties agree on a value of the business and its assets. Once agreed to, agreements are drawn up and Preferred shares are issued under IRS Section 368(a)1(B) guidelines. According to the IRS Section 368(a)1(B) there is a process in which all parties involved in the acquisition are free from reporting a Capital Gain or a Capital Loss, thus being a Tax-Free Exchange.

4. Liquidity

- Meeting the SEC regulation requirement, the holder of Preferred Shares may choose to convert them to common after holding them 6 months and a day; at that time, or later depending upon the rights and privileges of that particular share class.

5. Exits, i.e. company inheritances, etc.

- During the Tax-Free Exchange Process advantageous opportunities exist to transfer shares from the principal holder to trusts and or other designated family member and key employees.

6. Dividend income vs. direct payroll

- A significant amount of compensation may be reclassified as dividend income and taxed at a much lower rate.

7. Payoff of debt i.e. if ARM adjusts up, another reason to sell, or balloon payments pending.

- Each subsidiary of Cardiff can be issued a non-voting share class to be used for equity funding to retire debt and/or to fund projects for expansion. Replacing debt with equity enhances asset value and marketability.

8. Security - share class, specific class vs. general shares conversion

- Investors are indemnified; Preferred Shares convert to common and therefore value is not dependent upon the assets or performance of any one subsidiary, diversity within all Cardiff subsidiary holdings therefore greatly mitigate risk of any individual subsidiary; publicly traded shares ensure liquidity and create a ready exit strategy to both owners of subsidiary companies and to Investors.

9. Costs, Auditing, Spinoff (i.e. if planning their own IPO track)

- Cardiff Lexington incurs auditing costs, reporting costs, and maintains the Public Company in good standing in exchange for Subsidiary equity participation of typically 10% to 20% depending upon the characteristics of each transaction.

- If an IPO is the goal, becoming a Cardiff Lexington Subsidiary and subsequently spinning off as an IPO has many advantages of time, cost, and simplicity.

10. Acquisitions; Who qualifies? Who doesn't?

- When looking for acquisition partner and evaluating companies Cardiff Lexington fundamentally concentrates on that Company's 3 M's, Market, Management, Margin as each of these elements are critical components:
- Market; Has the target company identified a significant market space and successfully penetrated that market with a product or service?
- Great Management; Is leadership strong, engaged, forward planning with a track record of energetic sound management. Are responsibilities and authorities clearly stated? Is achievement and innovation encouraged within their company?
- Attractive Margins; Does the company generate a healthy ROI, is there the opportunity to further expand margins through efficiencies or market share?

Qualifiers	Non-qualifiers
Typically, in business for 5 + years	Startups with No Business operating history
Profitable	Not Profitable and Not Cash Flowing
Moderate to Low Debt	High Debt not convertible
Great Management	Management Leaving; Leadership Vacuum Created
Significant Assets or Cash Flow	

As a Holding Company, Cardiff Lexington's acquisition strategy is to target companies that are not currently on the market for sale where the owner understands the benefits of a pathway to time extract their equity out of their business while continuing to run and control and often expand that business gaining access to resources that accelerate those initiatives.