

SECURITIES AND EXCHANGE COMMISSION

FORM SC 13E3/A

Schedule filed to report going private transactions(Issuer Self-Tender Offer) [amend]

Filing Date: **1999-09-10**
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SUBJECT COMPANY

ALFA LEISURE INC

CIK: **14611** | IRS No.: **751309458** | State of Incorpor.: **TX** | Fiscal Year End: **0430**
Type: **SC 13E3/A** | Act: **34** | File No.: **005-18171** | Film No.: **99708882**
SIC: **3790** Miscellaneous transportation equipment

Mailing Address
*13501 5TH STREET
CHINO CA 91710*

Business Address
*13501 5TH ST
CHINO CA 91710
7146285574*

FILED BY

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13E-3/A2

Rule 13e-3 Transaction Statement
(Pursuant to Section 13(e) of the Securities Exchange Act of 1934)

ALFA LEISURE, INC.

(Name of Issuer)

ALFA LEISURE, INC.
JOHNNIE R. CREAN
ALFA LEISURE ACQUISITION CORP.

(Name of Person(s) Filing Statement)

Common Stock, no par value

(Title of Class of Securities)

013394109

(CUSIP Number of Class of Securities)

Karen Nicolai Winnett, Esq.
Oppenheimer Wolff & Donnelly LLP
500 Newport Center Drive, Suite 700, Newport Beach, CA 92660; 949/719-6000

(Name, Address and Telephone Number of Person Authorized to Receive
Notices and Communications on Behalf of Person(s) Filing Statement)

This statement is filed in connection with (check the appropriate box):

- a. The filing of solicitation materials or an information statement subject to Regulation 14A [17 CFR 240.14a-1 to 240.14b-1], Regulation 14C [17 CFR 240.14c-1 to 240.14c-101] or Rule 13e-3(c) [Section 240.13e-3(c)] under the Securities Exchange Act of 1934.
- b. The filing of a registration statement under the Securities Act of 1933.
- c. A tender offer.
- d. None of the above.

Check the following box if the soliciting materials or information statement referred to in checking box (a) are preliminary copies:

Calculation of Filing Fee

Transaction valuation*	Amount of filing fee
\$835,965	\$232.40

* Transaction valuation calculated by multiplying the number of shares which the Company anticipates will be exchanged for cash in the proposed merger (303,987 shares) times the amount of cash to be paid for the shares (\$2.75 per share).

Check box if any part of the filing fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid:

Form or Registration Number:
Filing Party:
Date Filed:

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THIS TRANSACTION HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE FAIRNESS OR MERITS OF SUCH TRANSACTION NOR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

SPECIAL FACTORS

PURPOSES, ALTERNATIVES, REASONS AND EFFECTS OF THE PROPOSED TRANSACTION

The Company will be merged into Alfa Leisure Acquisition Corp. The principal purpose of the merger is to enable the surviving company to reduce its number of shareholders so that it is eligible to file an election to be taxed as a subchapter "S" corporation.

Alfa Leisure Acquisition Corp. ("Acquisition") has offered certain shareholders of the Company who Acquisition Corp. believed were eligible subchapter S shareholders and who held more than 16,000 shares (approximately 1/2 of 1%) of the Company's stock and to selected other shareholders of the Company who were directors, employees and former employees of the Company and former recreational vehicle dealers for the Company or relatives of Johnnie R. Crean the opportunity to become shareholders of the surviving Company. The transaction was structured to allow Johnnie R. Crean, the Company's principal shareholder, to determine which shareholders of the Company would exchange their Common Stock for shares of Acquisition Corp. in the merger. The remaining shareholders of the Company will not have this opportunity and will receive \$2.75 cash per share for their shares of Common Stock of the Company.

The reason for electing subchapter "S" status is to allow distributions of income to shareholders without the double taxation which results from payment of dividends by a corporation which has not elected subchapter "S" status since dividends are not deductible by a corporation for tax purposes. The Company also intends to terminate the registration of its common stock pursuant to section 12(g)(4) of the Securities Exchange Act of 1934, as amended ("Exchange Act") and to discontinue filing reports under the Exchange Act.

The transaction is being undertaken at this time as a result of the Company having used its available net operating losses and in response to the presentation of Deloitte and Touche LLP which addressed a process for creating a market for the Company's stock and an overview of the current trends of the small-cap market. Based on the presentation, the Company's management determined that it was unlikely that steps could be taken by the Company which would result in the creation of a market for the Company's stock.

The merger transaction is not expected to have any affect on the Company. The transaction has no federal income tax consequences to the Company. The operations of the Company will be continued without significant change. The merger will not result in any change in the present Board of Directors or management of the Company.

Information concerning the federal tax treatment of shareholders in connection with the transaction and additional information concerning the transaction and the purposes, alternatives, reasons and effects of the transaction is provided under Item 7 below.

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The Company, Acquisition Corp. and Mr. Crean have each concluded that the transaction is fair to unaffiliated security holders. In reaching this conclusion, they considered the lack of trading market for the securities, historical market prices for the Company's Common Stock, the presentation of Deloitte & Touche LLP regarding the steps necessary to create a market for the Company's stock, the historical and recent earnings performance of the Company, the Company's future prospects, the benefit to the Company's principal shareholders of electing to be taxed as a subchapter "S" corporation, the likelihood that the merger could be consummated, the expected effect of the announcement of the merger on relationships with the Company's customers, employees, distributors, and suppliers, the terms and conditions of the exchange and merger and the report of Marshall & Stevens Incorporated ("Marshall & Stevens") which was engaged by the Company to provide the Company with an opinion with respect to the fairness of the proposed exchange price in the transaction.

Based upon an analysis of these factors, the Board of Directors determined unanimously that the terms and conditions of the Merger would be fair and in the best interests of the Company and its shareholders. Acquisition Corp. and Mr. Crean concurred with this conclusion. The Board of Directors of the Company, Acquisition Corp. and Mr. Crean did not find it practicable to, and did not attempt to, assign relative weights to the specific factors considered by them but significant weight was placed on the presentation of Deloitte & Touche LLP and the fairness opinion of Marshall & Stevens.

A discussion of each of the factors considered by the Company, Acquisition Corp. and Mr. Crean and whether each such factor supports or detracts from the fairness of the transaction appears under Item 8 below.

The Company, Acquisition and Mr. Crean have each relied on the opinion of Marshall & Stevens with respect to the value of the Company and have each adopted the conclusions and analyses of Marshall & Stevens as set forth in the opinion. The opinion is described in detail under Item 9 below.

The structure of the transaction does not require the approval of a majority of the unaffiliated security holders. Johnnie R. Crean owns 77.9% of the Company's common stock and is able to approve the transaction without a vote of unaffiliated security holders. The shareholders receiving cash in the merger will have dissenter's rights available to them in the transaction. The Company, Alfa Acquisition and Mr. Crean believe that this statutory authority and the availability of dissenters rights is sufficient to ensure the fairness of the transaction without the approval of a majority of the unaffiliated security holders which is not legally required.

No unaffiliated representative has been retained by the directors who are not employees of the Company to act on behalf of the unaffiliated security holders for purposes of negotiating the terms of the merger or preparing a report concerning the fairness of the transaction. The Company, Alfa Acquisition and Mr. Crean believe that the statutory authority for the transaction, the availability of dissenters rights and the obtaining of a fairness report is sufficient to ensure the fairness of the transaction without the need for an unaffiliated representative to act on behalf of the unaffiliated security holders.

MARSHALL & STEVENS, INCORPORATED FAIRNESS OPINION

The Company retained Marshall & Stevens to provide an opinion with respect to the fairness of the amount of cash to be exchanged for shares in the merger from a financial point of view. Marshall & Stevens holds itself out as a national leader in the field of professional appraisal and valuation consultation. Marshall & Stevens was selected based on its qualifications, the

time period estimated to complete the analysis and fairness opinion and the cost. The Company has paid Marshall & Stevens Incorporated a fee of \$37,500 for its services in valuing the Company and providing the fairness opinion.

Marshall & Stevens concluded that the per share consideration to be received by the shareholders receiving cash in the merger in a range of \$2.72 to \$2.75 is fair to such shareholders from a financial point of view.

In preparing its opinion, Marshall & Stevens performed a variety of financial and comparative analyses. Marshall & Stevens made assumptions in conjunction with management with respect to assets, financial conditions, and other matters, many of which are beyond the control of the Company.

As a result of its analysis using comparable publicly traded companies prior to a discount for marketability, Marshall & Stevens determined that the indicated market value of the shareholders' equity of the Company on a controlling interest basis, as of July 19, 1999, was \$8,600,000.

As a result of its analysis using net debt free cash flow prior to a discount for marketability, Marshall & Stevens determined that the indicated market value of the shareholders' equity of the Company on a minority interest basis, as of July 19, 1999, was \$9,000,000.

In deriving a final conclusion, Marshall & Stevens reconciled the value indications by weighting their relative significance depending upon the circumstances and the quantity of reliable market data. The selected comparable company analysis reflects the consensus of many investors relative to the historical profitability of public companies considered comparable to the Company. The discounted cash flow analysis considers the future profit potential coupled with the riskiness of that return, and avoids the difficulty in identifying public companies considered comparable to the Company. In its analyses, Marshall & Stevens applied various sensitivity weightings to the Selected Comparable Company analysis and Discounted Cash Flow analysis: 50-50% and 30-70%, respectively.

Marshall & Stevens also considered the stock trading price of \$2.00 as of April 23, 1999 for 300 shares (the most currently available trading price proximate to the opinion date). Marshall & Stevens analyzed the differential between the ask (high) and bid (low) pricing spreads for the Company's common shares from February 9, 1998 through July 19, 1999 and determined that the differential spread was 7.4%. In Marshall & Stevens opinion, a marketability discount of 5% would be appropriate.

Based on the information and analyses summarized in its report, its various sensitivity weightings and a discount for marketability, it is Marshall & Stevens' opinion that the market value of the stockholders' equity of the Company, on a fully diluted minority interest basis, as of July 19, 1999, ranges from \$8,370,000 to \$8,450,000 or \$2.72 to \$2.75 per share.

A detailed discussion of the Marshall & Stevens fairness opinion is set forth under Item 9 below.

A copy of the opinion of Marshall & Stevens Opinion is being provided to each shareholder of the Company.

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DELOITTE & TOUCHE LLP PRESENTATION

Deloitte & Touche LLP prepared a power point presentation for the Company's management to provide detail regarding the specific steps necessary to create a market for the Company's stock.

Deloitte & Touche LLP presented two potential growth scenarios for the Company assuming that the Company's stock would trade at multiples similar to

multiples of the Company's industry peers. The Company provided two sets of revenue projections to Deloitte & Touche to determine if either scenario would form a sufficient basis for the development of a market for the stock.

Scenario 1 revenues were based on the assumption that the Company would develop a product to address the low-price segment of the fifth wheel travel trailer market. The Company had not made the decision to enter into the low-price segment of the fifth wheel travel trailer market. This was simply one possible business plan that the Company was evaluating.

Scenario 2 revenues were based on the Company developing an aggressive growth plan which would result in three to five times the growth in revenues and profits of the other plan. Scenario 2 was presented as an example only of whether there was any growth plan which would enable the Company to create a market for its stock. Management did not consider implementing a plan which would achieve these results as management believes that such a plan is beyond the Company's ability to achieve and not even something management would consider attempting.

Each scenario assumed stock price increases based on a price earnings ratio of 6 to 9 times which would allow the Company to issue additional shares to fund the planned expansion and that the Company would raise \$2,000,000 net of underwriting fees in the year 2000.

Neither scenario is representative of the Company's plans. The Company explained this to Marshall & Stevens in connection with the preparation of the Marshall & Stevens' fairness opinion. The revenue projections in the Marshall & Stevens opinion are representative of the Company's current plans.

The Company believes that the valuation scenarios were included in the presentation to illustrate how the Company would fit into what Deloitte & Touche identified as the "small cap" market.

The presentation highlighted the need for the creation of liquidity in the Company's stock including factors such as high earnings growth potential, confidence in earnings stream and sizable investment potential which drive the creation of liquidity. The presentation highlighted the need to increase the Company's float (shares not owned by insiders), decrease the majority shareholder's ownership and increase the perceived value of the stock.

The presentation summarized the recent trends and current outlook for investments by institutional investors in the small cap market.

The presentation advised that if the Company decided to pursue a strategy aimed at creating a market for its stock in today's public environment, the Company would need to reconsider its current business plan and develop a plan that would entice greater interest from the investment community.

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A more detailed discussion of the Deloitte & Touche LLP presentation is set forth under Item 9 below.

Item 1. Issuer and Class of Security Subject to the Transaction.

(a) Alfa Leisure, Inc. ("Company")
13501 5th Street
Chino, California 91710.

(b) The class of equity securities which is the subject of the Rule 13e-3 transaction is common stock, no par value ("Common Stock"). On July 22, 1999, the total number of outstanding shares of Common Stock was 3,039,872 and the number of holders of record was approximately 385.

(c) The Common Stock is traded in the over-the-counter market, however, there is currently no established public trading market for the shares. The following bid and ask prices for the past eight calendar quarters are based on very limited trading in the Common Stock:

<TABLE>
<CAPTION>

Quarter	High/Ask	Low/Bid
-----	-----	-----
<S>	<C>	<C>
2nd Quarter 1999	\$2.00	\$2.00
1st Quarter 1999	2.25	1.25
4th Quarter 1998	1.75	.625
3rd Quarter 1998	1.50	.37
2nd Quarter 1998	.20	.20
1st Quarter 1998	.15	.15
4th Quarter 1997	N/A	N/A
3rd Quarter 1997	.15	.15

</TABLE>

(d) The Company has never declared or paid any dividends on its Common Stock. Alfa Leisure Acquisition Corp. ("Acquisition Corp.") which intends to acquire the Company by merger intends to pay dividends in the amount of its entire net income each year.

(e) Not applicable.

(f) Johnnie R. Crean, the Chairman of the Board of Directors and President of the Company has purchased securities of the Company as follows: In April 1998, Mr. Crean purchased 35,000 shares of Common Stock from two stockholders of the Company for \$.50 per share. In June and July 1998, Mr. Crean purchased 10,266 shares of Common Stock of the Company pursuant to a tender offer made by Mr. Crean to all shareholders other than himself for \$.50 per share.

In July 1998, Robert A. Rudolph, a director of the Company, exercised an option to acquire 1,000 shares of Common Stock from the Company at \$.50 per share.

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No other purchases of securities have been made by the Company or its affiliates since the commencement of the Company's second full fiscal year preceding the date of this Schedule.

Item 2. Identity and Background.

This Schedule is jointly filed by the Company, Johnnie R. Crean and Acquisition Corp.

The following information is provided for Johnnie R. Crean:

(a) Johnnie R. Crean

(b) Mr. Crean's business address is 13501 5th Street, Chino, California 91710.

(c) Mr. Crean's principal occupation and employment is as the President and a director of the Company.

(d) Mr. Crean has been the President and a director of the Company since 1986.

(e) During the last 5 years, Mr. Crean has not been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

(f) During the last 5 years, Mr. Crean has not been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction or subject to a judgment, decree or final order enjoining violations of, or prohibiting activities subject to, federal or state securities laws or subject to a finding of any violations of such laws.

(g) Mr. Crean is a citizen of the United States.

The following information is provided for Acquisition Corp.

(a) Acquisition Corp.

(b) Acquisition Corp.'s business address is 13501 5th Street, Chino, California 91710.

(c) Not applicable.

(d) Not applicable.

(e) During the last 5 years, Acquisition Corp. has not been convicted in a criminal proceeding.

(f) During the last 5 years, Acquisition Corp. has not been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction or subject to a judgment, decree or final order enjoining violations of, or prohibiting activities subject to, federal or state securities laws or subject to a finding of any violations of such laws.

(g) Acquisition Corp. is a California corporation.

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Item 3. Past Contacts, Transactions or Negotiations with the Subject Company.

(a) Mr. Crean has purchased securities of the Company as follows: In April 1998, Mr. Crean purchased 35,000 shares of Common Stock from two stockholders of the Company for \$.50 per share. In June and July 1998, Mr. Crean purchased 10,266 shares of Common Stock of the Company pursuant to a tender offer made by Mr. Crean to all shareholders other than himself for \$.50 per share.

In January 1999, the Company engaged Deloitte & Touche LLP in order to provide the Company's management with specific steps necessary to create a market for the Company's stock. Deloitte & Touche LLP addressed potential value scenarios and implications for the Company's market value, a process for creating a market for the Company's stock and an overview of the current trends of the small-cap market. Deloitte & Touche LLP made its initial presentation on March 31, 1999 to Johnnie R. Crean and Mark Schwartz, the Company's Vice President of Finance and Chief Financial Officer. Management believed that the presentation did not fully address the scope of what the Company would need to do to create a public market for its Common Stock. Management requested that Deloitte & Touche LLP rework the presentation to provide the step by step process needed to accomplish the goal. On April 6, 1999, the presentation was discussed at a meeting of the Company's board of directors. All of the Company's directors and Mark Schwartz were present at this meeting. On April 23, 1999, Deloitte & Touche LLP presented a revised presentation to Johnnie Crean and Mark Schwartz. Based on the presentation, the Company's management determined that it was unlikely that steps could be taken by the Company which would result in the

creation of a market for the Company's stock.

In order to provide a return to shareholders, Johnnie R. Crean proposed reducing the number of shareholders of the Company allowing the Company to be taxed as a subchapter "S" corporation and to pay dividends to its shareholders. The transaction structure as a merger of the Company into Acquisition Corp. was established as a result of various discussions between representatives of Deloitte & Touche LLP, legal counsel, Mr. Crean and Mark Schwartz, the Company's Vice President Finance and Chief Financial Officer during the period May to July 1999. The transaction structure will provide a return only to the selected shareholders who exchange their Common Stock of the Company for common stock of Acquisition Corp. Other shareholders will receive cash for their shares of Common Stock of the Company. No other options for providing a return to shareholders were considered.

On July 2, 1999, the Company engaged Marshall & Stevens to provide a fairness opinion for the proposed transaction.

Mr. Crean called a meeting of the board of directors of the Company for July 20, 1999 to consider the proposed transaction. All of the directors and a representative of Marshall & Stevens, Incorporated attended the meeting and discussed the proposed transaction, the fairness of the transaction and the price which shareholders receiving cash in the merger should receive. Counsel for the Company was present during portions of the meeting. The board of directors meeting was continued on July 21, 1999 at which time the board of directors unanimously approved the transaction and the price which shareholders receiving cash in the merger would receive. The price was determined based on a number of factors set forth under Item 8 with the heaviest weight placed on the lack of trading market for the Company's Common Stock and on the fairness opinion of Marshall & Stevens Incorporated which established a range of value per share of the Company's Common Stock. The board of directors of the Company selected the top of the range as the price at which to cash out the remaining shareholders and the selected shareholders who do not accept the offer to exchange their shares.

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Acquisition Corp. has offered selected shareholders of the Company the opportunity to exchange the shares of Common Stock of the Company owned by them for shares of common stock of Acquisition Corp. This offer was made by means of an offering documents which was mailed to the selected shareholders on July 28, 1999. The offer was made to all shareholders of the Company who Acquisition Corp. believed were eligible subchapter S shareholders and who held more than 16,000 shares of the Company's stock and to selected other shareholders of the Company who were directors, employees and former employees of the Company and former recreational vehicle dealers for the Company and relatives of Johnnie R. Crean. Some of the selected shareholders have contacted Mark Schwartz, the Company's Vice President Finance and Chief Financial Officer, and Carol Smith, a director and employee of the Company, with respect to such matters as how to obtain replacement stock certificates for lost certificates and how to complete the forms to indicate they will become Exchanging Shareholders. Mr. Crean has not had any other contact with the selected shareholders concerning the transaction.

(b) Not Applicable.

Item 4. Terms of the Transaction.

(a) Johnnie R. Crean and certain other shareholders of the Company collectively owning 90% or more of the Company's Common Stock (the "Exchanging Shareholders") will exchange their Common Stock of the Company for common stock of Acquisition Corp. Acquisition Corp. is a shell corporation with no assets and

no liabilities which was formed for the purpose of this transaction. Each Exchanging Shareholder will receive one share of Acquisition Corp. stock for each share of the Company's Common Stock which is being exchanged by the Exchanging Shareholder. The Exchanging Shareholders will own 100% of the outstanding common stock of Acquisition Corp. Following the exchange, the Company will be merged into Acquisition Corp. with the result being that the Exchanging Shareholders will own all of the assets and business previously owned and operated by the Company.

Shares of common stock of the Company owned by all shareholders of the Company other than Acquisition Corp. will be exchanged for cash. Each shareholder receiving cash will receive \$2.75 for each share of the Company's common stock owned by such shareholder. The merger has been approved by the Board of Directors of the Company and Acquisition Corp. Approval of the Company's shareholders other than Acquisition is not required because the Company will be a 90% owned subsidiary of Acquisition Corp.

The merger is expected to take place on or about September 30, 1999. Promptly following completion of the merger, shareholders who will be exchanging their shares for cash in the merger will receive a letter of transmittal and instructions for exchanging their shares for cash. Cash payment for a shareholder's shares will be made by the Company upon receipt of the completed letter of transmittal and share certificates from such shareholder. Approximately 350 shareholders will be exchanging their shares for cash.

(b) Acquisition Corp. has offered selected shareholders of the Company the opportunity to exchange the shares of Common Stock of the Company owned by them for shares of common stock of Acquisition Corp. This offer was made by means of an offering documents which was mailed to the selected shareholders on July 28, 1999. The offer was made to shareholders of the Company who Acquisition Corp. believed were eligible subchapter S shareholders and who held more than 16,000 shares of the Company's stock and to selected other shareholders of the Company who were directors, employees and former employees of the Company and former recreational vehicle dealers for the Company or relatives of Johnnie R. Crean. The selected shareholders have the opportunity to decide whether or not to exchange their Common Stock of the Company for common stock of Acquisition Corp. The remaining shareholders of the Company will not have this opportunity.

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In the merger, the shares of common stock of the Company owned by Acquisition Corp. will be eliminated and the shares of common stock of the Company owned by all other shareholders of the Company will be exchanged for cash. Each shareholder receiving cash will receive \$2.75 for each share of the Company's common stock owned by such shareholder. The effect of the exchange and merger is to cash out the minority shareholders of the Company and to allow certain shareholders owning 90% or more of the Company to continue the business of the Company.

Item 5. Plans or Proposals of the Issuer or Affiliate.

The purpose of the merger is to enable the Company to reduce the number of shareholders of the Company so that the Company is eligible to file an election to be taxed as a subchapter "S" corporation. The Company also intends to terminate the registration of its common stock pursuant to section 12(g)(4) of the Securities Exchange Act of 1934, as amended ("Exchange Act") and to discontinue filing reports under the Exchange Act.

(a) There are no plans or proposals which are to occur after the Rule 13e-3 transaction which relate to or would result in an extraordinary corporate transaction, such as a merger reorganization or liquidation, involving the Company or its subsidiaries.

(b) There are no plans or proposals which are to occur after the Rule 13e-3 transaction which relate to or would result in a sale or transfer of a material amount of assets of the Company or any of its subsidiaries.

(c) There are no plans or proposals which are to occur after the Rule 13e-3 transaction which relate to or would result in any change in the present board of directors or management of the Company including, but not limited to, any plans or proposals to change the number or term of directors or to fill any existing vacancies on the board.

(d) Following the election to be taxed under subchapter "S," Acquisition Corp. plans to distribute its entire net income as dividends to its shareholders each year.

(e) Acquisition Corp. intends to elect to be taxed under subchapter "S". As a subchapter "S" corporation, Acquisition Corp. will generally be treated in the same manner as a partnership for tax purposes. Acquisition Corp. will not pay tax at the corporate level with certain limited exceptions. Its profit and loss will be passed through to its shareholders and included on their individual tax returns. There are no other plans or proposals which are to occur after the Rule 13e-3 transaction which relate to or would result in any other material change in the Company's corporate structure or business. The board of directors and officers of Acquisition Corp. will be the same as the board of directors and officers of the Company. The shareholders of Acquisition Corp. will be the Exchanging Shareholders. Mr. Crean, his sister, brother, sister-in-law and trusts for his children, nieces and nephews presently own 82.5% of the Company's Common Stock and are expected to own approximately 91.7% of the Acquisition Corp. common stock.

(f) There are no plans or proposals which relate to or would result in a class of securities of the Company to be delisted from a national securities exchange or to cease to be authorized to be quoted in an inter-dealer quotation system of a registered national securities association.

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(g) Following the merger, the Company intends to terminate the registration of its common stock pursuant to section 12(g)(4) of the Exchange Act.

Item 6. Source and Amounts of Funds or Other Consideration.

(a) The total amount of funds necessary for the exchange of shares for cash in the merger, plus the fees and expenses related to the merger, is estimated to be approximately \$900,000. The Company intends to use its available cash balances to fund the exchange of shares for cash and associated fees and expenses. In the event the Company does not have sufficient available cash, Mr. Crean has expressed his willingness to provide the Company with sufficient cash to fund the exchange of shares for cash. In the event the Company requires cash to fund the exchange of shares, Mr. Crean may purchase accounts receivable from the Company or may advance the Company the funds. Any advance will bear monthly interest at Wells Fargo Bank's prime interest rate and will be due and payable upon demand. Any advance from Mr. Crean will be paid using cash flow from operations. The Company will not borrow funds from any other person for the transaction.

(b) Expenses estimated to be incurred in connection with the Rule 13e-3 transaction are itemized as follows:

Filing fees	\$ 232
Legal fees	20,000
Appraisal fees	37,500
Printing and mailing	2,500
Depository fees	5,000

\$66,000
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All expenses will be paid by the Company.

(c) Not applicable.

(d) Not applicable.

Item 7. Purposes, Alternatives, Reasons and Effects.

(a) The principal purpose of the merger is to enable the Company to reduce the number of shareholders of the Company so that the Company is eligible to file an election to be taxed as a subchapter "S" corporation. The offer was made to shareholders of the Company who Acquisition Corp. believed were eligible subchapter S shareholders and who held more than 16,000 shares of the Company's stock and to selected other shareholders of the Company who were directors, employees and former employees of the Company and former recreational vehicle dealers for the Company or relatives of Johnnie R. Crean. The reason for electing subchapter "S" status is to allow distributions of income to shareholders without the double taxation which results from payment of dividends by a corporation which has not elected subchapter "S" status since dividends are not deductible by a corporation for tax purposes. The Company also intends to terminate the registration of its common stock pursuant to section 12(g)(4) of the Securities Exchange Act of 1934, as amended ("Exchange Act") and to discontinue filing reports under the Exchange Act.

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(b) The Company engaged Deloitte & Touche LLP in order to provide the Company's management with specific steps necessary to create a market for the Company's stock. They addressed potential value scenarios and implications for the Company's market value, a process for creating a market for the Company's stock and an overview of the current trends of the small-cap market. Based on the presentation, the Company's management determined that it was unlikely that steps could be taken by the Company which would result in the creation of a market for the Company's stock.

In order to provide a return to shareholders, Johnnie R. Crean proposed reducing the number of shareholders of the Company allowing the Company to be taxed as a subchapter "S" corporation and to pay dividends to its shareholders.

The Company considered a reverse stock split and rejected this approach because the remaining shareholders would have included entities which are not eligible subchapter "S" shareholders and would have prevented the Company from achieving its goal of electing subchapter "S" status.

(c) The Rule 13e-3 transaction was structured to allow Johnnie R. Crean, the Company's principal shareholder, to determine which shareholders of the Company would exchange their Common Stock for shares of Acquisition Corp. in the merger. Shareholders were selected based on the number of shares held (larger holders being included), whether the shareholder was an eligible subchapter "S" shareholder and based on relationships of the shareholders with the Company and Mr. Crean. Shareholders of the Company who Acquisition Corp. and Mr. Crean believed were eligible subchapter S shareholders and who held more than 16,000 shares (approximately 1/2 of 1%) of the Company's stock and to selected other shareholders of the Company who were directors, employees and former employees of the Company and former recreational vehicle dealers for the Company or relatives of Mr. Crean.

The Rule 13e-3 transaction is being undertaken because of the financial

benefit of electing subchapter "S" status. The reason for electing subchapter "S" status is to allow distributions of income to shareholders without the double taxation which results from payment of dividends by a corporation which has not elected subchapter "S" status since dividends are not deductible by a corporation for tax purposes.

The transaction is being undertaken at this time as a result of the Company having used its available net operating losses and as a result of management's recognition of the ongoing inability of the Company to establish a trading market for the Company's Common Stock which was acknowledged by the presentation of Deloitte & Touche LLP which addressed potential value scenarios and implications for the Company's market value, a process for creating a market for the Company's stock and an overview of the current trends of the small-cap market. The presentation suggested that in order to create a market for the Company's stock the Company would need to increase the Company's float, reduce the ownership of Johnnie R. Crean to not more than 30% to 50% of the Company's Common Stock and design a plan to gain and keep the interest of institutional investors which would require attracting analysts, regularly communicating results and having available blocks of stock large enough to impact an institutional investor's portfolio without impacting the price of the stock. The presentation covered the recent trends and current outlook for investments by institutional investors in the small cap market. The presentation revealed that the Company's business plan may not be sufficiently compelling to attract credible analysts and long-term investors without the Company adopting an aggressive acquisition strategy or undertake a dramatic exploitation of its customer base and pursuing multiple new product lines. The presentation did not provide new information to management.

The transaction will provide the opportunity for the Exchanging Shareholders to receive a return on their investment in the Company's Common Stock and will provide all other shareholders with cash in liquidation of their investment in the Company's Common Stock.

(d) The merger transaction is not expected to have any affect on the Company. The transaction has no federal income tax consequences to the Company. The operations of the Company will be continued without significant change. The merger will not result in any change in the present Board of Directors or management of the Company.

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The shareholders of the Company will not be taxed on the exchange of their Common Stock of the Company for the common stock of Acquisition Corp. These shareholders will have basis in the shares of common stock received in the exchange equal to the purchase price paid for the shares of Common Stock of the Company. These shareholders will be benefited by the merger because they will have the opportunity to receive distributions of the net income of Acquisition Corp.

There has not been an active trading market for the Company's common stock for many years and it is not anticipated that an active trading market will develop. The effect of the transaction on the shareholders not exchanging their Common Stock for Acquisition Corp. common stock will be to force these shareholders to exchange common shares of the Company for cash. These shareholders will have the benefit of liquidating their investment in the Company but will lose the opportunity to share in any future growth in the Company.

The receipt of cash in exchange for shares of the Company's common stock pursuant to the merger will be a taxable transaction for federal income tax purposes and may also be a taxable transaction under applicable state, local, foreign and other tax laws. In general, for federal income tax purposes, a shareholder should recognize gain or loss equal to the difference between such

shareholders' adjusted tax basis in the shares exchanged and the amount of cash received in exchange therefore. Such a gain or loss generally will be capital gain or loss if such shareholders' shares were held as a capital asset and will be long term capital gain or loss if, on the date of sale, the shares were held for more than twelve (12) months.

The foregoing discussion may not apply to shares acquired by a shareholder pursuant to an employee stock plan or otherwise as compensation or to shareholders who are not citizens or residents of the United States.

THE FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY. DUE TO THE INDIVIDUAL NATURE OF TAX CONSEQUENCES, EACH SHAREHOLDER IS STRONGLY URGED TO CONSULT HIS/HER TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES TO HIM/HER OF THE OFFER, INCLUDING THE EFFECTS OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.

Item 8. Fairness of the Transaction.

(a) The Company, Acquisition Corp. and Mr. Crean have each concluded that the Rule 13e-3 transaction is fair to unaffiliated security holders.

(b) In considering whether the Rule 13e-3 transaction is fair to unaffiliated security holders, the Company, Acquisition Corp. and Mr. Crean considered the lack of trading market for the securities, historical market prices for the Company's Common Stock, the presentation of Deloitte & Touche LLP regarding the steps necessary to create a market for the Company's stock, the historical and recent earnings performance of the Company, the Company's future prospects, the benefit to the Company's principal shareholders of electing to be taxed as a subchapter "S" corporation, the likelihood that the merger could be consummated, noting the timing of and conditions to the merger, and the expected effect of the announcement of the merger on relationships with the Company's customers, employees, distributors, and suppliers, the terms and conditions of the exchange and merger and the report of Marshall & Stevens Incorporated ("Marshall & Stevens") which was engaged by the Company to provide the Company with an opinion with respect to the fairness of the proposed exchange price in the transaction.

There is only a limited trading market in the Company's Common Stock. During the first six months of 1999 only 9,000 shares of the Company's common stock was traded. The high/ask during this period ranged from \$1.75 to \$2.25 and the low/bid during this period ranged from \$1.25 to \$1.375. Based on the presentation of Deloitte & Touche LLP, the Company's management, Acquisition Corp. and Mr. Crean concluded that it was unlikely that an active trading market in the Company's Common Stock could be established. The price to be received by shareholders receiving cash in the merger of \$2.75 exceeds the trading prices. This factor supports the fairness of the transaction.

The historical and recent earnings performance of the Company is not reflected in the market for the Company's Common Stock. The Company believes that shareholders of the Company have not been able to sell their stock into the market at a fair price based on the historical and recent earnings performance of the Company. The transaction provides the shareholders with the opportunity to receive cash for their shares of the Company's Common Stock at a price which is reflective of the Company's historical and recent earnings performance. The Company believes that factor supports the fairness of the transaction.

The Company's future prospects are believed to be good. The Company plans to grow its business within its means. The Company is considering entering into the lower-price recreational vehicle market but may in the future consider entering any and all segments of the recreational vehicle business. Evaluation

of the Company's ability to design and produce a product which will be competitive in this market is in the early stages and is likely to require a capital infusion for new plant and equipment. The board of directors of the Company, Acquisition Corp. and Mr. Crean concur that it is uncertain at this time as to whether entering into this market will be profitable for the Company. It cannot be determined whether this factor supports or detracts from the fairness of the transaction.

The price to be received by the shareholders receiving cash in the merger of \$2.75 exceeds the Company's net book value. The Company's book value at April 30, 1999 was \$3,739,005 or \$1.23 per share. This factor supports the fairness of the transaction.

The Company has not made any determination as to the liquidation value or going concern value of the Company. This factor does not support or detract from the fairness of the transaction.

Mr. Crean has previously purchased shares of the Company's common stock for \$.50 per share. This factor supports the fairness of the transaction.

The Exchanging Shareholders will benefit from the election to be taxed as a subchapter "S" corporation because they will receive distributions of income as a return on their investment in the Company. This supports the fairness of the transaction to the Exchanging Shareholders but is not believed to detract from the fairness of the transaction to the other shareholders because it is believed that the cash price being received by such shareholders is fair from a financial point of view.

Mr. Crean and Acquisition Corp. determined the shareholders who would be offered the opportunity to become Exchanging Shareholders. The fact that all shareholders are not being given the opportunity to become Exchanging Shareholders detracts from the fairness of the transaction since only selected shareholders will have the choice whether to continue to own an interest in the business of the Company or to accept cash for their shares of Common Stock of the Company. All other shareholders will be forced to accept cash for their shares of Common Stock of the Company. All other shareholders will be forced to accept cash for their shares of Common Stock of the Company. Other shareholders who may have wished to remain as shareholders of the continuing company will not have the opportunity to do so. This factor detracts from the fairness of the transaction.

It is not believed that the transaction will have any affect on the Company's business or the relationship with its customers, employees, distributors, and suppliers. This factor supports the fairness of the transaction.

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The Company, Acquisition and Mr. Crean have each relied on the opinion of Marshall & Stevens with respect to the value of the Company and have each adopted the conclusions and analyses of Marshall & Stevens as set forth in the opinion. The opinion is described in detail under Item 9 below.

Based upon an analysis of these factors, the Board of Directors determined unanimously that the terms and conditions of the Merger would be fair and in the best interests of the Company and its shareholders. Acquisition Corp. and Mr. Crean concurred with this conclusion. The Board of Directors of the Company, Acquisition Corp. and Mr. Crean did not find it practicable to, and did not attempt to, assign relative weights to the specific factors considered by them but significant weight was placed on the lack of trading market in the Company's Common Stock and the fairness opinion of Marshall & Stevens.

(c) The structure of the transaction does not require the approval of a majority of the unaffiliated security holders. Johnnie R. Crean owns 77.9% of the Company's common stock and is able to approve the transaction without a vote of unaffiliated security holders. California law provides that a corporation such as Acquisition Corp. which will own 90% of the Common Stock of the Company may merge the Company into itself without approval of the shareholders of the Company. The shareholders receiving cash in the merger will have dissenter's rights available to them in the transaction. The Company, Alfa Acquisition and Mr. Crean believe that this statutory authority and the availability of dissenters rights is sufficient to ensure the fairness of the transaction without the approval of a majority of the unaffiliated security holders which is not legally required.

(d) No unaffiliated representative has been retained by the directors who are not employees of the Company to act on behalf of the unaffiliated security holders for purposes of negotiating the terms of the merger or preparing a report concerning the fairness of the transaction. The Company retained Marshall & Stevens to prepare a report concerning the fairness of the transaction. This fairness report was obtained for purposes of confirming the fairness of the transaction to the unaffiliated security holders. The Company, Alfa Acquisition and Mr. Crean believe that the statutory authority for the transaction, the availability of dissenters rights and the obtaining of a fairness report is sufficient to ensure the fairness of the transaction without the need for an unaffiliated representative retained by the non-employee director to act on behalf of the unaffiliated security holders.

(e) Approval of the sole director who is not an employee of the Company was sought and obtained with respect to the transaction.

(f) During the preceding eighteen (18) months, no firm offers of which the Company is aware have been made by any unaffiliated person for (i) the merger or consolidation of the Company into or with such person or of such person into or with the Company, (ii) the sale or transfer of all or any substantial part of the assets of the Company or (iii) securities of the Company which would enable the holder thereof to exercise control of the Company.

Item 9. Reports, Opinions, Appraisals and Certain Negotiations.

The following information is provided concerning the fairness opinion of Marshall & Stevens:

(a) The Company has received an opinion from an outside party relating to the fairness of the consideration to be offered to security holders of the class of securities which is the subject of the Rule 13e-3 transaction.

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(b) (1) The Company retained Marshall & Stevens to provide an opinion with respect to the fairness of the amount of cash to be exchanged for shares in the merger from a financial point of view. Marshall & Stevens holds itself out as a national leader in the field of professional appraisal and valuation consultation.

(b) (2) Marshall & Stevens was established in 1932 and has offices throughout the United States. Its appraisal practice encompasses all types of properties and businesses, including merger valuation counseling. It also provides expert witness testimony regarding valuation decisions.

(b) (3) Marshall & Stevens was selected based on its qualifications, the time period estimated to complete the analysis and fairness opinion and the cost.

(b) (4) No material relationship exists or is contemplated between (i) Marshall & Stevens and (ii) the Company. The Company has paid Marshall &

Stevens Incorporated a fee of \$37,500 for its services in valuing the Company and providing the fairness opinion.

(b) (5) Marshall & Stevens concluded that the per share consideration to be received by the shareholders receiving cash in the merger in a range of \$2.72 to \$2.75 is fair to such shareholders from a financial point of view. Following this conclusion by Marshall & Stevens independent of the Company, the board of directors of the Company determined that the price would be \$2.75 per share.

(b) (6) In arriving at its opinion, Marshall & Stevens made such reviews, analyses, and inquiries as it deemed necessary and appropriate under the circumstances. Among other things, it did the following:

1. Analyzed and inspected the Company's statements for the fiscal years ended April 30, 1997 through 1999 audited by Deloitte and Touche LLP; June 30, 1995 and 1996 audited by Coopers & Lybrand LLP; Form 10-K for the year ended April 30, 1999; and the interim internally prepared financial statements for the period ended June 20, 1999, identified by the management as the most current financial statements available.
2. Inspected copies of the following documents:
 - o "Draft" Certificate of Ownership and Articles of Merger dated _____, 1999 received on July 6, 1999.
 - o Internally prepared financial projections.
 - o Federal Tax Return for the year ended April 30, 1998.
 - o Fairness opinion prepared by William R. Black dated March 31, 1998. According to this fairness opinion, a per share price of \$.50 was considered fair to the minority shareholders.
 - o Presentation of Independent Consultant outlining the strategic process to create a market for the Company's stock.
 - o Various product brochures and other literature relative to the Company's services.

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3. Performed a search of companies considered comparable to the Company provided by Moody's and Compustat's Databases and Mergerstat Review 1998.
4. Analyzed weekly stock prices for the Company provided by Bloomberg LP.
5. Visited the Company's headquarters and conducted telephone interviews with and relied upon the representations of Vice President of Finance and Administration, Mark Schwartz, concerning the operations, financial condition, future prospects, and projected operations and performance of the Company.

There was no limitation imposed by the Company or any affiliate on the scope of Marshall & Stevens's investigation.

In preparing its opinion, Marshall & Stevens performed a variety of financial and comparative analyses. Marshall & Stevens made assumptions in conjunction with management with respect to assets, financial conditions, and other matters, many of which are beyond the control of the Company.

The analyses made in conjunction with its opinion included those factors and considerations specified in IRS Revenue Ruling 59-60. This ruling is most commonly prescribed as a guide for the valuation of closely held businesses or thinly traded public companies and securities.

SELECTED COMPARABLE COMPANY ANALYSIS. The comparable company analysis requires that an analysis be made of publicly traded companies considered comparable to the appraised company with regard to industry, performance, and/or markets exploited. This analysis is predicated on the theory that the market value of a company can be estimated by deriving market multiples from publicly traded companies that relate their stock prices to earnings, cash flows, or other measures and then applying these market multiples to the respective earnings, cash flows, or other measures of the appraised company.

Marshall & Stevens conducted a search of Moody's database of over 15,000 publicly traded companies to determine if any could be utilized in its analysis. After screening applicable SIC codes and other relevant criteria, Marshall & Stevens selected public companies that most closely resembled the Company in terms of lines of business and markets served. While this screening process did not provide any public companies that were identical in all respects to the Company, it did provide several that were sufficiently comparable to be considered alternative investment possibilities making them useful benchmarks for valuation purposes as follows:

- o Coachmen Industries, Inc.
- o Fleetwood Enterprises
- o Holiday RV Superstores, Inc. o Monaco Coach Corp.
- o National RV Holdings o Rexhall Industries, Inc.
- o Skyline Corp.
- o Thor Industries, Inc.
- o Winnebago Industries

Marshall & Stevens computed market value multiples of invested capital-to-earnings before interest and taxes (EBIT), invested capital-to-earnings before interest taxes, depreciation and amortization (EBITDA) of the aforementioned public companies, invested capital-to-debt free net

income and market value to net income and applied these multiples to the corresponding earnings measures for the Company based on the latest fiscal year. These multiples ranged from: (1) market value-to-net income, High 22.2, Median 13.3 and Low 7.4; (2) invested capital-to-EBITDA multiple, High 14.0, Median 8.5 and Low 5.8; (3) invested capital-to-EBIT, High 16.4, Median 9.7 and Low 6.1; and (4) invested capital-to-debt free net income, High 21.9, Median 13.3, and Low 9.4.

Marshall & Stevens utilized these invested capital multiples (also referred to as debt-free multiples) because they permit it to value the Company irrespective of the variations inherent in its capital structure and income tax rates as compared to the public companies. Marshall & Stevens also utilized the market value to net income multiples, since management believes that this multiple is a valid indicator of market value in the recreational vehicle segment of the leisure time industry.

Since the common stock of the Company is thinly traded, its shares are characterized as having limited identity and as lacking solid market shares. Historically, publicly traded companies tend to be larger, more sophisticated with solid market shares and often strong public identities, so they are more likely to command correspondingly higher multiples. Marshall & Stevens therefore chose multiples below the median range to apply to the corresponding financial measures for the Company. Marshall & Stevens also considered the Company's size, diversification, financial condition, revenue growth and performance relative to Fleetwood Enterprises and Rexhall Industries, Inc.

After multiplying the respective revenue measures of the Company by the selected multiples and then subtracting any interest-bearing debt, if applicable, Marshall & Stevens generated a preliminary indicated equity value, which represents the aggregate minority value (minority interests traded in the public marketplace) of the Company before estimated marketability discounts.

As a result of its analysis using comparable publicly traded companies prior to a discount for marketability, the indicated market value of the shareholders' equity of the Company on a controlling interest basis, as of July 19, 1999, was \$8,600,000.

DISCOUNTED CASH FLOW ANALYSIS. Marshall & Stevens performed a discounted cash flow analysis of projected net debt-free cash flow (EBIT less taxes, capital expenditures, changes in working capital plus noncash charges) of ALFA based on certain operating and financial assumptions provided by ALFA Management. This projection incorporated various assumptions as to revenue growth of 5%, operating margins, income taxes at 40%, depreciation, capital expenditures, working capital levels and capitalization rate, all of which are critical to its opinion.

NET DEBT FREE CASH FLOW ("NDCF") PROJECTION

<TABLE>
<CAPTION>

(\$000s)	Actual 1999	2000	April 30, 2001	2002	2003	2004
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues	\$39,147	\$43,400	\$45,000	\$47,250	\$49,613	\$52,093
EBIT	1,475	2,203	2,282	2,291	2,406	2,526
NDCF	N/A	861	971	1,180	1,269	1,362

</TABLE>

In summary, the above projection is forward-looking information prepared by management and thus, is heavily dependent and contingent upon future events with respect to industry performance, economic conditions, and the ability of the Company to meet these cash flow projections. Overall, this projection reflects significant increases in revenues and earnings before interest and taxes (EBIT) when compared to historical operations.

This debt-free cash flow was capitalized at a capitalization rate of 17% by utilization of the weighted average cost of capital (WACC). The WACC is a function of (1) cost of debt; (2) cost of equity;

(3) industry capital structure; and (4) cumulative federal and state taxes. The cost of equity considers such factors as equity risk premiums, inflation rates, interest rates, and the inherent business risk of the Company and the industry as a whole. Marshall & Stevens then added a residual year (year beyond the discrete projection time period to reflect the going concern value of ALFA into perpetuity) to derive a present value. From this present value, Marshall & Steven subtracted the interest-bearing debt to arrive at an equity value.

As a result of its analysis using net debt free cash flow prior to a discount for marketability, Marshall & Stevens determined that the indicated market value of the shareholders' equity of the Company on a minority interest basis, as of July 19, 1999, was \$9,000,000.

RECAPITULATION.

<TABLE>
<CAPTION>

	ANALYSIS -----	MARKET VALUE -----
<S>		<C>
	Selected Comparable Company	\$8,600,000
	Discounted Cash Flow	\$9,000,000

</TABLE>

In deriving a final conclusion, Marshall & Stevens reconciled the value indications by weighting their relative significance depending upon the circumstances and the quantity of reliable market data. The selected comparable company analysis reflects the consensus of many investors relative to the historical profitability of public companies considered comparable to the Company. The discounted cash flow analysis considers the future profit potential coupled with the riskiness of that return, and avoids the difficulty in identifying public companies considered comparable to the Company. In its analyses, Marshall & Stevens applied various sensitivity weightings to the Selected Comparable Company analysis and Discounted Cash Flow analysis: 50-50% and 30-70%, respectively.

Marshall & Stevens also considered the stock trading price of \$2.00 as of April 23, 1999 for 300 shares (the most currently available trading price proximate to the opinion date). Another transaction was reported on July 9, 1999 at the bid price of \$2.125 per share for 1,000 shares. According to documentation furnished by the Company from American Stock Transfer & Trust Company, this July transaction appears to have been misreported by Bloomberg LP. In actuality, 1,000 shares (subject to Rule 144) of the Company were issued as a result of the exercise of 1,000 stock options at \$0.50 per share by shareholder, Robert Rudolph, on July 9, 1999. Thus, no sales transactions appear to have occurred subsequent to April 23, 1999.

The impact of marketability on the market value of the common stock has been analyzed and commented upon by a number of sources. Various restricted stock studies initial public offering studies and court cases indicate that marketability discounts can be significant ranging from 25% to 45%. However, the Company's common shares are more liquid than closely held shares, since they are publicly traded, but still suffer some impaired marketability due to limited visibility. Additionally, the sale of a large block of shares (estimated at greater than 10%) could also depress the per share price. Marshall & Stevens analyzed the differential between the ask (high) and bid (low) pricing spreads for the Company's common shares from February 9, 1998 through July 19, 1999 and determined that the differential spread was 7.4%. In Marshall & Stevens opinion, a marketability discount of 5% would be appropriate.

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Marshall & Stevens also included the impact of dilution triggered by the potential exercise of the vested stock options outstanding as of the Opinion date. The proceeds from the exercise of 26,000 options (130,000 issued, 20% vested) at an exercise price of \$0.50 will be \$13,000.

Based on the information and analyses summarized in its report, its various sensitivity weightings and a discount for marketability, it is Marshall & Stevens' opinion that the market value of the stockholders' equity of the Company, on a fully diluted minority interest basis, as of July 19, 1999, ranges from \$8,370,000 to \$8,450,000 or \$2.72 to \$2.75 per share.

Based on its analysis, Marshall & Stevens rendered its opinion that the proposed cash amount to be paid in exchange for shares in the merger of \$2.75 per share is fair from a financial point of view to the shareholders of the Company which will receive cash in the merger.

(c) A copy of the opinion of Marshall & Stevens Opinion will be provided to each shareholder of the Company.

The following information is provided concerning the presentation of Deloitte & Touche LLP:

(a) The Company has received a presentation from an outside party relating to the Rule 13e-3 transaction.

(b) (1) The Company retained Deloitte & Touche LLP provide the Company's management with the specific steps necessary to create a market for the Company's stock.

(b) (2) Deloitte & Touche LLP is a nationally recognized accounting firm which offers corporate finance services.

(b) (3) Deloitte & Touche LLP was selected because its is the Company's auditors.

(b) (4) Deloitte & Touche LLP serves as the Company's auditors. No other material relationship exists or is contemplated between (i) Deloitte & Touche LLP and (ii) the Company. The Company paid Deloitte & Touche LLP approximately \$15,000 for its services in preparing the presentation. The Company paid Deloitte & Touche LLP approximately \$45,000 for audit and tax services in 1999, approximately \$42,000 for audit and tax services in 1998 and approximately \$40,000 for audit and tax services in 1997.

(b) (5) The presentation did not relate to the fairness of the consideration to be paid in the transaction.

(b) (6) In preparing the presentation, Deloitte & Touche LLP interviewed market makers and analysts and made such analyses and inquiries as it deemed necessary and appropriate under the circumstances. Among other things, it did the following:

Deloitte & Touche LLP presented two potential growth scenarios for the Company assuming that the Company's stock would trade at multiples similar to multiples of the Company's industry peers. The Company provided two sets of revenue projections to Deloitte & Touche to determine if either scenario would form a sufficient basis for the development of a market for the stock.

Scenario 1 revenues were based on the assumption that the Company would develop a product to address the low-price segment of the fifth wheel travel trailer market. The Company had not made the decision to enter into the low-price segment of the fifth wheel travel trailer market. This was simply one possible business plan that the Company was evaluating.

Scenario 2 revenues were based on the Company developing an aggressive growth plan which would result in three to five times the growth in revenues and profits of the other plan. Scenario 2 was presented as an example only of whether there was any growth plan which would enable the Company to create a market for its stock. Management did not consider implementing a plan which would achieve these results as management believes that such a plan is beyond the Company's ability to achieve and not even something management would consider attempting.

Each scenario assumed stock price increases based on a price earnings ratio of 6 to 9 times which would allow the Company to issue additional shares to fund the planned expansion and that the Company would raise \$2,000,000 net of underwriting fees in the year 2000.

Neither scenario is representative of the Company's plans. The Company explained this to Marshall & Stevens in connection with the preparation of the Marshall & Stevens' fairness opinion. The revenue projections in the Marshall & Stevens opinion are representative of the Company's current plans.

The Company believes that the valuation scenarios were included in the presentation to illustrate how the Company would fit into what Deloitte & Touche identified as the "small cap" market.

The presentation highlighted the need for the creation of liquidity in the Company's stock including factors such as high earnings growth potential, confidence in earnings stream and sizable investment potential which drive the creation of liquidity. The presentation highlighted the need to increase the Company's float (shares not owned by insiders), decrease the majority shareholder's ownership and increase the perceived value of the stock.

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The presentation suggested that in order to create a market for the Company's stock the Company would need to increase the Company's float, reduce the ownership of Johnnie R. Crean to not more than 30% to 50% of the Company's stock and design a plan to gain and keep the interest of institutional investors which would require attracting analysts, regularly communicating results and having available blocks of stock large enough to impact an institutional investor's portfolio without impacting the price of the stock. The presentation summarized the recent trends and current outlook for investments by institutional investors in the small cap market.

The presentation revealed that the Company's business plan may not be sufficiently compelling to attract credible analysts and long-term investors without the Company adopting an aggressive acquisition strategy or undertaking a dramatic exploitation of its customer base and pursuing multiple new product lines.

The presentation advised that if the Company decided to pursue a strategy aimed at creating a market for its stock in today's public environment, the Company would need to reconsider its current business plan and develop a plan that would entice greater interest from the investment community.

The presentation did not include any discussion of the Schedule 13E-3 transaction.

There was no limitation imposed by the Company or any affiliate on the scope of Deloitte & Touche LLP's presentation.

(c) A copy of the slides from the Deloitte & Touche LLP power point presentation will be made available for inspection and copying at the principal executive offices of the Company during its regular business hours by any interested equity security holder of the Company or his representative who has been so designated in writing.

Item 10. Interest in Securities of the Issuer.

(a) Mr. Crean beneficially owns 2,367,239 shares or 77.9% of the Company's Common Stock including 2,282,408 shares held in a living trust over which Mr. Crean has sole voting and investment power and including 43,200 shares held by trusts for the benefit of the children of Mr. Crean of which Mr. Crean is co-trustee.

Alfa Acquisition does not beneficially own any shares of the Company's Common Stock but will become the owner of 90% or more of the Company's Common Stock prior to completion of the transaction.

(b) Not applicable.

Item 11. Contracts, Arrangements or Understandings with Respect to the Issuer's Securities.

On March 31, 1992, the Company obtained a line of credit in the amount of \$2,000,000 (the "Loan") from Merlin Financial, Inc., a Nevada corporation ("Merlin"). This Loan is guaranteed by Mr. Crean. The use of proceeds of the Loan was restricted to the following: (1) up to \$550,000 to Mr. Crean and any other existing secured lenders to pay off all existing secured loans, (2) payments to unsecured trade creditors as determined by the Company, (3) fire insurance upon the assets and business naming Merlin as a loss payee with coverage equal to the replacement cost of the assets and business interruption insurance sufficient to pay Merlin as well as other vendors necessary to continue operations of the Company's business for six months, (4) reimbursement to Merlin of all attorneys' fees paid by Merlin in respect of the Loan and (5) the balance for working capital of the Company.

The Loan is payable upon demand by Merlin pursuant to a 90 day written notice. The Company has received a written representation from Merlin that a demand for principal payment will not be made through the end of fiscal year 2000. The interest rate on the Loan is the Bank of America prime plus 1%, or such lesser rate permitted by California law. Interest is payable monthly on the outstanding principal and any unpaid interest is added to the Loan principal. Any default by the Company in repayment of the Loan entitles Merlin to demand immediate repayment of the Loan balance and to pursue all remedies available.

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The Loan is intended to serve as a line of credit and the Company is obligated to reduce the principal balance as much and as frequently as possible and as Merlin may instruct from time to time. The security for the Loan is a first priority lien on all of the Company's assets, both tangible and intangible, as well as the personal guarantee of Mr. Crean. Mr. Crean's guarantee is secured by the pledge of all of his shares of common stock of the Company.

Item 12. Present Intention and Recommendation of Certain Persons with Regard to the Transaction.

(a) No executive officer, director or affiliate of the Company or any person enumerated in instruction C of this statement will receive cash in exchange for shares of common stock of the Company in the merger. There is no vote of executive officers, directors or affiliates of the Company or any person enumerated in instruction C of this statement in connection with the merger.

(b) No executive officer, director or affiliate of the Company or any person enumerated in instruction C of this statement have made a recommendation in support of or opposed to the Rule 13e-3 transaction. The Board of Directors of the Company have determined that the merger is fair from a financial point of view to the shareholders receiving cash in the merger.

Item 13. Other Provisions of the Transaction.

(a) If the merger is completed, certain of the record holders of the Company's Common Stock who object to the merger may have the right to dissent with respect to the merger and, subject to certain conditions, receive a cash payment equal to the fair market value of their shares under the California General Corporation Law.

In order to perfect his or her dissenter's rights, a record holder of the Company's Common Stock must (i) vote his or her dissenting shares against the merger, (ii) make written demand upon the Company to purchase his or her dissenting shares not later than the date of the shareholders meeting held to

approve the merger, (iii) submit the stock certificates representing his or her dissenting shares to the Company, for notation that they represent dissenting shares, within thirty days after the mailing by the Company to shareholders who voted against the merger of a notice stating that the merger has been approved by the shareholders, and (iv) file an action in court within six months after the date on which notice stating that the merger has been approved by the shareholders is mailed to the Company's shareholders who voted against the merger, but only if the Company and the shareholder are unable to reach agreement on the price to be paid for the dissenting shares, all as more particularly described below. Failure to take any of the required steps described herein may result in a loss of such dissenters' rights.

Dissenters' rights cannot be validly exercised by persons other than the record holders of the Company's Common Stock, regardless of the beneficial ownership thereof. Persons who are beneficial owners of the Company's Common Stock but whose shares are held of record by another person, such as a broker, a bank or a nominee, should instruct the record holder to follow the procedure outlined below if they wish to dissent from the merger with respect to any or all of their shares.

Under Sections 1300 to 1312 of the California General Corporation Law, any shareholder of record of the Company who votes any or all of his or her shares against the merger and who intends to exercise his or her dissenter's rights must, on or before the date of the shareholders meeting held to

approve the merger, submit to the Company at its principal executive offices, 13501 5th Street, Chino, California 91710, Attention: Secretary, a written demand that the Company purchase for cash some or all of his or her shares voted against the merger, which demand shall state the number of shares which he or she demands that the Company purchase and the amount which the shareholder claims to be the fair market value of those shares as of July 21, 1999, the day before the first announcement of the terms of the proposed merger, excluding any appreciation or depreciation because of the proposed merger.

Dissenters' rights may not be perfected with respect to any shares unless such shares are voted against the merger. A record shareholder may vote part of the shares which he or she is entitled to vote in favor of or in abstention with respect to the merger without jeopardizing appraisal rights as to shares voted against the merger; however, if a record shareholder votes part of the shares he or she is entitled to vote in favor of the merger and fails to specify the number of shares he or she is voting in favor of the merger, it is conclusively presumed under California law that his or her approving vote is with respect to all shares which he or she is entitled to vote. A vote to abstain will not constitute a vote against the merger. Further, voting against the merger will not of itself, absent compliance with the other provisions summarized herein, satisfy the requirements of the California General Corporation Law for exercise of dissenters' rights.

Within ten (10) days after the approval of the merger by the shareholders, the shareholders who voted against the merger and made a timely demand for purchase and who are entitled to require the Company to purchase their shares, will be notified by the Company of such approval and the Company will offer all of these shareholders a cash price for their shares that the Company considers to be the fair market value of the shares on the day before the terms of the merger were first announced, excluding any appreciation or depreciation because of the proposed merger. The notice will also contain a brief description of the procedures to exercise their rights to have the Company purchase their Common Stock and will attach a copy of the relevant provisions of the California General Corporation Law.

A dissenting shareholder must submit to the Company or its transfer agent at the addresses set forth above, within thirty days after the Company

mails to him or her notice of shareholder approval of the merger, certificates representing the dissenting shares which he or she demands that the Company purchase, to be stamped or endorsed with a statement that the shares are dissenting shares or to be exchanged for certificates of appropriate denomination so stamped or endorsed. The notice of shareholder approval of the merger will specify the date by which the submission of certificates for endorsement must be made to the Company, and a submission made after such date will not be effective for any purpose. No other notices will be given by the Company of any dates upon which any shareholder action is required to exercise dissenters' rights.

If the Company and a dissenting shareholder agree that the shares are dissenting shares and agree upon the price of the shares, the Company, upon surrender of the certificates evidencing such shares, will make payment of that amount (plus interest thereon from the date of such agreement) within thirty days after such agreement or within thirty days after the satisfaction of any statutory or contractual conditions, whichever is later. Any agreement fixing the fair market value of any dissenting shares between a dissenting shareholder and the Company shall be filed with the Secretary of the Company.

If the Company denies that the shares are dissenting shares, or the Company and the dissenting shareholder fail to agree on the fair market value of the shares, the dissenting shareholder may, within six months after the date on which notice of shareholder approval of the merger was mailed to the shareholder, but not thereafter, file a complaint in the Superior Court of the County of Orange, State of California, requesting that the Court determine whether the shares are dissenting shares and the fair market value of such dissenting shares. The costs of the action will be assessed or apportioned as the

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Court considers equitable, but, if the appraised fair market value is determined to exceed the price offered to the shareholder by the Company, the Company will be required to pay the costs of the action and may be required to pay counsel fees.

A dissenting shareholder may not withdraw his or her dissent or demand for payment without the consent of the Company by its Board of Directors. The rights of dissenting shareholders to demand payment terminates if, among other things, the merger is abandoned or if the shares are transferred prior to submission for endorsement as dissenting shares.

Any demands, notices, certificates or other documents required to be delivered to the Company may be sent to: Alfa Leisure, Inc., 13501 5th Street, Chino, California 91710, Attention: Secretary.

(b) Unaffiliated security holders may obtain access to the corporate files of the Company (at the expense of the Company) by contacting the Company.

(c) Not applicable.

Item 14. Financial Information.

(a) (1) Audited financial statements of the Company as of April 30, 1999 and 1998 and for the fiscal years ended April 30, 1999 and 1998 required to be filed with the Company's most recent annual report on Form 10-K are attached hereto.

(2) Not Applicable.

(3) Not applicable.

(4) The Company's book value per share as of April 30, 1999 was \$1.23.

(b) Not applicable.

Item 15. Persons and Assets Employed, Retained or Utilized.

(a) It is anticipated that the Company may utilize the Company's facilities and administrative personnel to mail written materials and to respond to shareholder inquiries.

(b) The Company does not intend to employ, retain or compensate persons to make solicitations or recommendations in connection with the Rule 13e-3 transaction. Brokers, dealers, commercial banks and trust companies will be reimbursed by the Company for customary mailing and handling expenses incurred by them in forwarding offering materials to their customers.

Item 16. Additional Information.

Not applicable.

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Item 17. Material to be Filed as Exhibits.

(a) Form of Promissory Note.

(b) (1) Fairness opinion rendered by Marshall & Stevens Incorporated incorporated by reference to Schedule 13E-3, Item 17 filed by Alfa Leisure, Inc. on July 28, 1999.

(b) (2) Presentation of Deloitte & Touche LLP dated April 23, 1999.

(c) Loan Agreement, Promissory Note, Security Agreement, UCC-1, Assignment of Sublease, Certificate of Borrower, Guaranty, Pledge Agreement, Escrow Letter, Lease Assignment and Stock Assignment Separate From Certificate are incorporated by reference to Schedule 14D-1, Item 11(c) filed by Mr. Crean on May 12, 1994.

(d) Notice of Merger and Dissenter's Rights incorporated by reference to Schedule 13E-3, Item 17 filed by Alfa Leisure, Inc. on July 28, 1999.

(e) Chapter 13 of the California General Corporation Law incorporated by reference to Schedule 13E-3, Item 17 filed by Alfa Leisure, Inc. on July 28, 1999.

(f) None.

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SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: September 7, 1999

ALFA LEISURE, INC.

By: /s/ MARK A. SCHWARTZ

Mark A. Schwartz,
Chief Financial Officer

ALFA LEISURE ACQUISITION CORP.

By: /s/ MARK A. SCHWARTZ

Mark A. Schwartz,
Chief Financial Officer

/s/ JOHNNIE R. CREAN

Johnnie R. Crean

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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Shareholders
Alfa Leisure, Inc.

We have audited the accompanying consolidated balance sheets of Alfa Leisure, Inc. and subsidiary (the "Company") as of April 30, 1999 and 1998, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended April 30, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company at April 30, 1999 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended April 30, 1999 in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

Los Angeles, California
June 18, 1999

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ALFA LEISURE, INC.

CONSOLIDATED BALANCE SHEETS

ASSETS

<TABLE>
<CAPTION>

	April 30,	
	1999	1998
	-----	-----
<S>	<C>	<C>
Current Assets:		
Cash and cash equivalents	\$ 80,727	\$ 410,671
Restricted cash	126,260	150,247
Accounts receivable	1,922,919	1,614,276
Inventories	1,626,516	1,415,794
Prepaid expenses and other current assets	98,143	139,623
Deferred income tax asset - current	144,008	7,438
	-----	-----
Total Current Assets	3,998,573	3,738,049
Property, plant and equipment, net	2,308,933	1,300,407
Other assets and deposits	45,000	50,064
Deferred income tax asset	566,832	470,403
	-----	-----
Total Assets	\$6,919,338	\$5,558,923
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Accounts payable	\$1,876,356	\$1,271,896
Accrued expenses	521,733	596,805
Accrued compensation	555,428	586,028
Note payable to President	218,616	0
	-----	-----
Total Current Liabilities	3,172,133	2,454,729
Deferred income	8,200	8,200
	-----	-----
Total Liabilities	3,180,333	2,462,929
Commitments and Contingencies (Note 6)		
	-----	-----
Stockholders' equity:		
Common stock, authorized 30,000,000 shares of no par value; issued and outstanding 3,048,137 shares at April 30, 1999 and April 30, 1998 respectively	62,000	62,000
Note receivable from President	0	(363,236)
Retained earnings	3,677,005	3,397,230
	-----	-----
Total Stockholders' Equity	3,739,005	3,095,994
	-----	-----
Total Liabilities and Stockholders' Equity	\$6,919,338	\$5,558,923
	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements.

ALFA LEISURE, INC.

CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

	For the Years Ended April 30,		
	1999	1998	1997
	-----	-----	-----
<S>	<C>	<C>	<C>
Sales	\$39,146,987	\$36,025,591	\$28,590,285
Cost of sales	34,100,426	31,186,855	24,951,677
	-----	-----	-----
Gross profit	5,046,561	4,838,736	3,638,608
Selling, general and administrative	3,571,871	3,249,093	3,002,621
	-----	-----	-----
Income from operations	1,474,690	1,589,643	635,987
Interest and other expense	16,767	79,672	197,411
	-----	-----	-----
Income before income taxes	1,457,923	1,509,971	438,576
Provision for income taxes	568,378	165,342	109,032
	-----	-----	-----
Net income	\$ 889,545	\$ 1,344,629	\$ 329,544
	=====	=====	=====
Net income per share - basic and diluted	\$.29	\$.44	\$.11
	=====	=====	=====
Weighted average shares outstanding - basic and diluted	3,048,137	3,048,137	3,050,000
	=====	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements.

ALFA LEISURE, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

	Common Stock		Note receivable from President	Retained earnings
	Shares	Amount		
<S>	<C>	<C>	<C>	<C>
Balance, April 30, 1996	3,050,000	\$ 62,000	\$ (402,390)	\$1,723,057
Net advances to president			(37,402)	
Net income				329,544
Cancellation of shares	(1,863)			
Balance, April 30, 1997	3,048,137	62,000	(437,792)	2,052,601
Net income				1,344,629
Net reductions from president			76,556	
Balance, April 30, 1998	3,048,137	62,000	(363,236)	3,397,230
Net income				889,545
Net advances to president			(119,526)	
Capital distribution (Note 3)			482,762	(609,770)
Balance, April 30, 1999	3,048,137	\$ 62,000	\$ 0	\$3,677,005

</TABLE>

See accompanying notes to consolidated financial statements.

ALFA LEISURE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	For the Years Ended April 30,		
	1999	1998	1997
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	\$ 889,545	\$ 1,344,629	\$ 329,544
Adjustments to reconcile net income to net			

cash provided by operating activities:

Depreciation and amortization	247,996	174,221	12,887
Changes in operating assets and liabilities:			
Deferred income taxes	170,717	53,555	8,874
Accounts receivable	(308,643)	154,877	47,500
Inventories	(210,722)	(116,153)	395,157
Prepays and other assets	41,480	(29,128)	(64,938)
Accounts payable	691,074	(644,715)	115,501
Accrued compensation	(30,600)	167,554	31,213
Accrued expenses	(161,686)	180,964	4,377
	-----	-----	-----
Net cash provided by operating activities	1,329,161	1,285,804	996,115
	-----	-----	-----
Cash flow from investing activities:			
Acquisition of property, plant and equipment	(1,360,238)	(371,474)	(95,350)
Deposits	5,064	0	(10,000)
Restricted cash	23,987	(897)	59,792
	-----	-----	-----
Net cash used in investing activities	(1,331,187)	(372,371)	(45,558)
	-----	-----	-----

</TABLE>

(continued)

See accompanying notes to consolidated financial statements.

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ALFA LEISURE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

<TABLE>
<CAPTION>

	For the Years Ended April 30,		
	1999	1998	1997
	-----	-----	-----
<S>	<C>	<C>	<C>
Cash flows from financing activities:			
Net decrease in notes payable to President	\$ (81,384)	\$ 0	\$ 0
Net (increase) decrease in note receivable from President	363,236	76,556	(37,402)
Principal payments on line of credit	0	(972,500)	(1,025,000)
Capital distribution (Note 3)	(609,770)	0	0
	-----	-----	-----
Net cash (used in) financing activities	(327,918)	(895,944)	(1,062,402)
	-----	-----	-----
Net (decrease) increase in cash	(329,944)	17,489	(111,845)
Cash and cash equivalents at beginning of year	410,671	393,182	505,027
	-----	-----	-----

Cash and cash equivalents at end of year	\$ 80,727 =====	\$ 410,671 =====	\$ 393,182 =====
Supplemental cash flow disclosures:			
Interest paid	\$ 16,767 =====	\$ 79,672 =====	\$ 192,482 =====
Income taxes paid	\$ 402,000 =====	\$ 111,141 =====	\$ 111,490 =====

</TABLE>

Supplemental Investing and Financing Activities - In connection with the purchase of land and buildings from a corporation owned by the Company's Chairman, for \$1,575,000, \$300,000 was paid in the form of a promissory note due upon demand (see Note 3).

See accompanying notes to consolidated financial statements.

ALFA LEISURE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

General:

The Company manufactures and sells recreational vehicles which are distributed by independent dealers located throughout the United States but concentrated in the western and southwestern portions of the United States.

Consolidation:

The consolidated financial statements include the accounts of Alfa Leisure, Inc. and its inactive, wholly owned subsidiary Brougham International, Inc., collectively the "Company".

Accounting Periods:

The Company's fiscal year ends on the Sunday in April falling between the 17th and the 23rd. Fiscal 1999 ended on April 18, 1999, fiscal 1998 ended April 19, 1998 and fiscal 1997 ended on April 20, 1997. While the financial statements reflect operations of the Company as of and for the periods ending on those dates, they have been presented as if the Company's fiscal year ends on April 30 of each year to simplify the presentation.

Cash Equivalents and Restricted Cash:

Cash equivalents are highly liquid investments that are readily convertible into known amounts of cash and have maturity's at acquisition of three months or less.

Restricted cash balances consist of funds held as collateral for the Company to

be bonded, as required by various state agencies for licensing procedures. For purposes of the statements of cash flows, these amounts are not considered cash equivalents.

Inventories:

Inventories are stated at the lower of cost (determined using the first-in, first out method), or market.

Property, Plant and Equipment:

Property, plant and equipment are stated at cost. Depreciation and amortization of property, plant and equipment are provided over the estimated useful lives of the assets which range from two to twenty six years. Leasehold improvements are amortized over the lives of the respective leases, or the service lives of the improvements, whichever is shorter. Accelerated and straight-line methods of depreciation are used for both financial reporting and income tax reporting purposes. Upon sale or disposition of assets, any gain or loss is included in the statement of operations.

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ALFA LEISURE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, (Continued)

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, the related asset would be written down to its estimated value.

Normal repairs and maintenance are charged to expense as incurred whereas significant improvements that materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

Net Income per Share:

Basic earnings per share is computed by dividing income available to shareholders of beneficial interest by the weighted average number of shares outstanding for the period. Diluted earnings per common share does not differ from that presented.

Income Taxes:

Deferred income taxes reflect the tax consequences in future years of differences between the tax bases of assets and liabilities and the corresponding bases used for financial reporting purposes.

Advertising Expenses:

Advertising costs are expensed when incurred. Advertising expense for the years ended April 30, 1999, 1998 and 1997 were \$210,144, \$123,788 and \$86,762 respectively.

Research and Development Costs:

Research and development costs are expensed when incurred. Research and development costs for the years ended April 30, 1999, 1998 and 1997 were \$349,706, \$290,655 and \$176,760 respectively.

Management Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

ALFA LEISURE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, (Continued)

Fair Value of Financial Instruments:

Statement of Financial Accounting Standards No. 107 (SFAS No. 107), Disclosures about Fair Market Value of Financial Instruments, requires management to disclose the estimated fair value of certain assets and liabilities defined by SFAS No. 107 as financial instruments. Financial instruments are generally defined by SFAS No. 107 as cash, evidence of ownership interest in equity, or a contractual obligation that both conveys to one entity a right to receive cash or other financial instruments from another entity and impose on the other entity the obligation to deliver cash or other financial instruments to the first entity. Cash, restricted cash, accounts receivable and accounts payable are carried at the approximate fair value because of the short maturities of these instruments. The fair value of the note payable to President cannot be determined due to the related party nature of the agreement.

Concentration of Credit Risk:

Financial instruments that subject the Company to credit risk consist primarily of accounts receivable. Concentration of credit risk with respect to accounts receivable is generally diversified due to the number of entities composing the Company's customer base and their geographic dispersion. The Company performs ongoing credit evaluations of its customers for potential credit loss exposure.

2. Inventories:

Inventories are stated as follows:

<TABLE>
<CAPTION>

	April 30,	
	1999	1998
	-----	-----
<S>	<C>	<C>
Raw materials	\$ 951,174	\$ 869,762
Work in process	644,589	514,728

Finished products	30,753	31,304
	-----	-----
Total inventories	\$1,626,516	\$1,415,794
	=====	=====

</TABLE>

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ALFA LEISURE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, (Continued)

3. Property, Plant and Equipment:

The major classes of property, plant and equipment are as follows:

<TABLE>

<CAPTION>

	Useful Lives	April 30,	
	-----	1999	1998
		-----	-----
<S>	<C>	<C>	<C>
Land		\$ 603,282	\$ 332,262
Buildings	26 years	1,200,961	895,097
Machinery and equipment	2 to 7 years	1,387,158	1,019,523
Transportation equipment	5 years	292,518	242,608
Furniture and office equipment	5 years	615,047	377,012
Leasehold improvements	5 years	261,520	237,460
		-----	-----
		4,360,486	3,103,962
Less: Accumulated depreciation and amortization		(2,051,553)	(1,803,555)
		-----	-----
Net property, plant and equipment		\$ 2,308,933	\$ 1,300,407
		=====	=====

</TABLE>

The Company has a manufacturing facility in Benton, Louisiana which the Company is not currently using. The net book value of these premises is \$367,219 and \$350,530 at April 30, 1999 and 1998 respectively. This facility was leased to a tenant beginning April 1, 1995 for five years at \$4,100 per month.

In January 1999 the Company acquired the land and buildings where its executive offices and principal manufacturing facilities in Chino are located. It was purchased from Hercules Land Holding, Inc. a corporation owned by the Company's chairman, president and principal shareholder. The purchase price of \$1,575,000 was paid \$1,275,000 in cash and \$300,000 in a promissory note due upon demand. The note pays monthly interest at Wells Fargo Bank's prime interest rate. The purchase price was based on fair market value as determined by an independent appraisal. The net assets were recorded at \$561,514, which was the carrying value of Hercules Land Holding, Inc. The difference between the carrying value of the property by Hercules and the purchase price was \$1,013,486. This amount less the deferred taxes of \$403,716 which relates to the step up in tax basis, was recorded as a capital distribution and was included as a reduction in retained earnings on the balance sheet. In conjunction with this transaction the note receivable from the president, which was classified as a component of stockholders' equity, was paid off.

ALFA LEISURE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, (Continued)

4. Line of Credit:

In April 1992, the Company entered into a line of credit agreement with Merlin Financial, Inc. set at a maximum amount of \$ 2,000,000, of which no borrowings were outstanding at April 30, 1999 and 1998, respectively. Interest is at Bank of America's prime rate plus 1%.

In January 1998 the Company established a \$1,000,000 line of credit with Wells Fargo Bank. The line of credit bears interest at Wells Fargo Bank's prime rate plus 1%. Interest is payable monthly. In January 1999 the Company renewed its line of credit with Wells Fargo Bank for an additional two years. The line was increased from \$1,000,000 to \$1,750,000. The interest rate was reduced to Wells Fargo Bank's prime rate. All other terms and conditions remained the same. There were no amounts outstanding at April 30, 1999 and 1998, respectively. The Company will draw against the Merlin Financial, Inc. line of credit only after the Wells Fargo Bank line of credit is fully utilized.

Substantially all the assets of the Company are pledged as collateral for the line of credit, first to Wells Fargo Bank, and secondly to Merlin Financial, Inc.

5. Income Taxes:

The components of the provision for income taxes are as follows:

<TABLE>

<CAPTION>

	For the Years Ended April 30,		
	1999	1998	1997
	-----	-----	-----
<S>	<C>	<C>	<C>
Current:			
State	\$ 88,333	\$ 99,086	\$ 117,906
Federal	309,328	12,701	0
Deferred:			
State	13,924	1,230	14,736
Federal	156,793	52,325	(23,610)
	-----	-----	-----
Totals	\$ 568,378	\$ 165,342	\$ 109,032
	=====	=====	=====

</TABLE>

The reconciliation of the effective tax rates and U. S. Statutory tax rates are as follows:

<TABLE>

<CAPTION>

	For the Years Ended April 30,		
	1999	1998	1997
	-----	-----	-----

<S>	<C>	<C>	<C>
Tax provision at statutory rate	\$ 495,694	\$ 513,390	\$ 149,116
Decrease in the valuation allowance	0	(370,000)	(129,996)
State taxes, net of federal benefit	64,753	66,209	87,544
Other	7,931	(44,257)	2,368
	-----	-----	-----
	\$ 568,378	\$ 165,342	\$ 109,032
	=====	=====	=====

</TABLE>

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ALFA LEISURE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, (Continued)

The net operating loss carryforward for federal income tax purposes was fully utilized in fiscal 1999.

The components of the net deferred tax asset are as follows:

<TABLE>
<CAPTION>

	For the Years Ended April 30,	
	-----	-----
	1999	1998
<S>	<C>	<C>
Net operating loss carryforwards	\$ 0	\$ 186,490
Basis difference in fixed assets	490,296	111,460
State taxes	20,698	(16,901)
Accrued liabilities	196,333	116,430
Charitable contributions	0	27,340
Tax credits	0	49,471
Deferred income	3,513	3,551
	-----	-----
	\$ 710,840	\$ 477,841
	=====	=====

</TABLE>

6. Commitments and Contingencies:

Operating Leases:

In January 1999, the Company acquired the land and buildings where its executive offices and principal manufacturing facilities in Chino are located (see Note 3). It was purchased from Hercules Land Holding, Inc., a corporation owned by the Company's chairman, president and principal shareholder. Through January 1999, the Company paid rent to Hercules in the amount of \$12,932 per month. The Company leases additional manufacturing facilities under agreements classified as operating leases. The leases require fixed monthly payments. One of the Company's manufacturing facilities is leased at an annual rate of \$42,000, from an unrelated party. This lease expires June 1, 2001. A second lease was entered into, with an unrelated party, on another of the Company's facilities effective March 1, 1998 at an annual lease rate of \$43,500. This lease expires February 28, 2001. Future minimum lease payments on these leases at April 30, 1999 are as follows:

Year ended April 30,

2000	\$ 50,500
2001	78,250
2002	3,500

	\$132,250

ALFA LEISURE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, (Continued)

Rent expense for the years ended April 30, 1999, 1998 and 1997 was \$212,838, \$207,429 and \$195,576 respectively of which \$116,388, \$155,184 and \$156,780 respectively, was paid to the Company's president.

Financing Arrangements:

The Company is contingently liable under the terms of the repurchase agreements established with financing institutions to provide inventory financing for dealers of the Company's products. The maximum exposure related to repurchase agreements was approximately \$9.6 million and \$9.1 million at April 30, 1999 and 1998, respectively. The risk of loss under these agreements is spread over many dealers and financing institutions and is reduced by the resale value of any products that may be repurchased. The Company has historically experienced no significant losses under these agreements.

Warranty Reserve:

The Company provides a warranty against defects in materials and workmanship for one year following the date of sale. Estimated costs of product warranties relating to sales during the year have been accrued and charged to operations during the year the products were sold. The Company has included \$198,856, \$212,678 and \$213,201 of accrued warranty costs in accrued expenses at April 30, 1999, 1998 and 1997, respectively.

Litigation:

The Company is involved in several routine litigation matters incidental to its business. Such litigation matters, when ultimately determined, will not, in the opinion of management, have a material effect on the financial position or the results of operations of the Company.

Employment Agreement:

The Company has an annual employment agreement with its president that expires on December 31, 1999. The agreement automatically extends for additional annual periods unless canceled by either party before October 31 of each year. The agreement provides for a fixed annual salary subject to an annual cost of living adjustment. Such salary amounted to \$225,476, \$248,428 and \$253,332 in the fiscal years ended April 30, 1999, 1998 and 1997, respectively.

In addition, the agreement provides for a bonus in an amount equal to 10 % of pretax income before accrual for amounts to be paid by the Company under its management bonus plan. The agreement also provides for the right of the Company's President to purchase each year up to two travel trailers manufactured

by the Company for an amount equal to the Company's cost. One trailer was purchased in fiscal 1998, and no trailers were purchased in fiscal 1999 and 1997.

Under a bonus program for salaried employees, which includes the President, bonus expense was recognized in the amounts of \$630,105, \$587,221 and \$241,459, in fiscal 1999, 1998 and 1997, respectively.

ALFA LEISURE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, (Continued)

7. Stock Options:

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for its employee stock options. Under APB 25, because the exercise price of employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recorded. The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" (SFAS 123).

A total of 300,000 shares are reserved for issuance under the Company's incentive stock option plan for employees and directors. In May 1998, 130,000 options were issued to employees and directors. These options vest 20% per year over five years, and expire in May 2008. The options have an exercise price of \$.50 per share.

<TABLE>
<CAPTION>

	Number Of Shares	Weighted Average Exercise Price	Total Price
<S>	<C>	<C>	<C>
Shares under option at April 30, 1998	0	0	0
Granted	130,000	\$.50	\$65,000
Exercised	0	0	0
Forfeited	0	0	0
Shares under option at April 30, 1999	130,000	\$.50	\$65,000
Shares exercisable at April 30, 1999	0	0	0

</TABLE>

The fair value of options granted is estimated on the date of grant using the Black Scholes option pricing model. The following weighted average assumptions were used: no dividend yield, no volatility as there is seldom trading in the Company's stock, risk free interest rate of 5.5% and an expected term of 10 years. The weighted average fair value of options granted in fiscal 1999 was \$0.21 per share. Had the Company accounted for stock options in accordance with SFAS 123, the reduction in net income and net income per share would not have been material.

8. Note Receivable/Payable President

At April 30, 1998 and 1997, the Company had a note receivable from its president and principal stockholder amounting to \$ 363,236 and \$ 439,792 respectively. In January 1999 the Company acquired the land and buildings where its executive offices and principal manufacturing facilities in Chino are located. It was purchased from Hercules Land Holding, Inc., a corporation owned by the Company's president and principal shareholder. At that time, the note receivable from its president was paid off, and a \$300,000 note payable to the president was issued. The note payable is due upon demand and pays monthly interest at Wells Fargo Bank's prime interest rate. At April 30, 1999, the note payable totaled \$218,616.

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EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----
17(a)	Form of Promissory Note.
17(b)(2)	Presentation of Deloitte & Touche LLP dated April 23, 1999.

\$ _____, 1999

PROMISSORY NOTE

1. Obligation. For value received, ALFA LEISURE, INC. ("Maker") promises to pay to the order of JOHNNIE R. CREAN ("Holder") the Principal Amount and Interest (both as defined below) in the manner and upon the terms and conditions set forth herein (the "Obligation").

2. Amount and Payment. The principal amount ("Principal Amount") of this Promissory Note ("Note") is _____ and 10/100 Dollars (\$_____). The Note shall bear interest on the unpaid Principal Amount at the rate equal to Wells Fargo Bank prime rate. Interest shall be payable monthly on the last day of each month. The entire Principal Amount and any accrued and unpaid Interest shall be all due and payable on demand. Each payment shall be credited first to Interest then due and the remainder to the Principal Amount.

3. Manner and Place of Payment. Payments of the Principal Amount shall be made in lawful money of the United States of America. Principal is payable at 5163 "G" Street, Chino, California or at such place as Holder may designate in writing.

4. Prepayment. Maker shall have the right, at its option, to prepay this Note, in part or in full, at any time and from time to time, prior to maturity, without penalty, bonus or charge.

5. Event of Default. Default in the payment when due of any installment which continues for a period of five (5) days shall constitute an "Event of Default" under this Note.

6. Acceleration Upon Event of Default. Upon the occurrence of an Event of Default specified in Section 5 above, the then unpaid Principal Amount of this Note shall, at the option of Holder, become immediately due and payable, without further presentment, notice or demand for payment.

7. Expenses of Enforcement. Maker agrees to pay all reasonable costs and expenses, including, without limitation, reasonable attorneys' fees, as a court of competent jurisdiction shall award, which Holder shall incur in connection with any legal action or legal proceeding commenced for the collection of this Note or the exercise, preservation or enforcement of Holder's rights and remedies thereunder.

8. Cumulative Rights and Remedies. All rights and remedies of Holder under this Note shall be cumulative and not alternative and shall be in addition to all rights and remedies available to Holder under applicable law.

9. Governing Law. This Note shall be governed by and interpreted and construed in accordance with the laws of the State of California. Any action or proceeding arising under or pursuant to this Note shall be brought in San Bernardino County, California.

IN WITNESS WHEREOF, Maker has caused this Note to be executed and delivered at Chino, California as of the day and year first above written.

ALFA LEISURE, INC.

By: /s/ MARK SCHWARTZ

Mark Schwartz,
Chief Financial Officer

Presented to:

JOHNNIE R. CREAN

ALFA LEISURE, INC.
13501 5TH STREET
CHINO, CALIFORNIA 91710

Presented by:

Deloitte & Touche Corporate Finance

April 23, 1999

[DELOITTE & TOUCHE LOGO]

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OVERVIEW

o In order to provide Alfa's management with further detail regarding the specific steps necessary to create a market for the Company's stock, we have addressed the following topics:

- The potential value scenarios and implications for Alfa's market value
- A process for creating a market for Alfa's stock
- An overview of the current conditions and trends of the small-cap market
- A summary of our general conclusions

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POTENTIAL VALUE SCENARIOS

o The following two slides illustrate Alfa's potential market value over time. We assume that the Company's shares will trade at multiples similar to multiples of its industry peers.

o Two potential growth scenarios are considered:

- Scenario 1: Alfa follows its current business plan of entering the low-end segment of the market.
- Scenario 2: Alfa develops a new aggressive business plan resulting in three to five times the growth in revenue and profits of the current plan.
- Each scenario assumes the following:
 - # The stock price increases, allowing Alfa to issue additional shares to fund the planned expansion at a P/E of 6 times and 9 times.
 - # The Company raises \$2,000,000 (net of underwriting fees of 7%) in year 2000.

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POTENTIAL VALUE SCENARIOS - CURRENT BUSINESS PLAN

Scenario 1: Under the current business plan, if Alfa's P/E ratio increases to a range of 8 to 12 times, the Company's total market capitalization would reach \$8.9 - \$13.4 million in 2000 and grow to \$24.3 - \$36.5 million in 2005.

<TABLE>
<CAPTION>

	1999	2000	2001	2002	2003	2004	2005	CAGR
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

Revenue	40,277	43,400	53,333	66,350	77,741	84,173	90,648	14%
Income	1,041	1,122	1,211	1,314	2,198	2,501	3,042	20%
Weighted Average Shares Outstanding (a)	3,048	4,017	4,017	4,017	4,017	4,017	4,017	
Projected Earnings per Share	0.34	0.28	0.30	0.33	0.55	0.62	0.76	14%
Implied Price per Share at P/E ratio of 8 (b)		2.24	2.41	2.62	4.38	4.98	6.06	22%
Implied Market Value at P/E ratio of 8 (b)		8,980	9,684	10,515	17,586	20,010	24,337	22%
Weighted Average Shares Outstanding (c)	3,048	3,694	3,694	3,694	3,694	3,694	3,694	
Projected Earnings per Share	0.34	0.30	0.33	0.36	0.60	0.68	0.82	16%
Implied Price per Share at P/E ratio of 12(b)		3.65	3.93	4.27	7.14	8.13	9.88	22%
Implied Market Value at P/E ratio of 12(b)		13,469	14,526	15,773	26,378	30,015	36,505	22%

</TABLE>

Notes:

(a) assumes that 968,576 shares will be required to raise \$2,000,000, based on EPS of \$0.37 and P/E of 6 times before issuance of new shares

(b) 8 to 12 represents the trading multiple range for comparable companies, after applying a 25% new issue discount the range narrows to 6 to 9

(c) assumes that 645,718 shares will be required to raise \$2,000,000, based on EPS of \$0.37 and P/E of 9 times before issuance of new shares

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POTENTIAL VALUE SCENARIOS - ACCELERATED BUSINESS PLAN

Scenario 2 - Assuming that Alfa pursues a more aggressive, accelerated business plan, with revenue and profits increasing three to five times the level of the current plan, and the Company's P/E ratio increases to a range of 8 to 12 times, Alfa's total market capitalization would reach \$27 - \$67 million in 2000 and grow to \$73 - \$183 million in 2005.

<TABLE>

<CAPTION>

	1999	2000	2001	2002	2003	2004	2005	CAGR
	-----	-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue (a)	40,277	130,200	160,000	199,050	233,222	252,518	271,944	37%
Income (a)	1,041	3,367	3,632	3,943	6,595	7,504	9,126	44%
Implied Market Value at P/E ratio of 8 (a)		26,939	29,052	31,546	52,757	60,030	73,011	22%
Implied Market Value at P/E ratio of 12 (a)		40,408	43,578	47,318	79,135	90,045	109,516	22%
Revenue (b)	40,277	217,000	266,667	331,750	388,703	420,864	453,239	50%
Income (b)	1,041	5,612	6,053	6,572	10,991	12,506	15,211	56%
Implied Market Value at P/E ratio of 8 (b)		44,898	48,420	52,576	87,928	100,050	121,684	22%
Implied Market Value at P/E ratio of 12 (b)		67,346	72,630	78,864	131,892	150,074	182,527	22%

</TABLE>

Notes:

(a) assumes revenue 3 times greater than that of the current business plan

(b) assumes revenue 5 times greater than that of the current business plan

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PROCESS FOR CREATING A MARKET FOR ALFA'S STOCK - OVERVIEW

o In order for Alfa to issue new shares in the year 2000 at a P/E between 6 and 9 times, as demonstrated in the previous slides, and maintain those multiples over the long run, the Company's stock must achieve certain characteristics to increase its perceived value in the market place.

- o The most important characteristic for a stock is a high degree of liquidity. Liquidity is the number one attraction for investors. They are seeking stock investments that can be bought and sold very easily.
- o Other characteristics include high earnings growth potential, confidence in earnings stream and sizable investment potential, all attributes which are factors driving the creation of liquidity.

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PROCESS FOR CREATING A MARKET FOR ALFA'S STOCK - GENERAL STEPS

- o In order to create a market for Alfa's stock, the Company needs to define liquidity as its primary goal.
- o Liquidity will be positively impacted by:
 - (1) an increase in Alfa's float (total shares less shares owned by insiders)
 - (2) a decrease of the majority shareholder's ownership (Johnnie)
 - (3) an increase in the perceived value of the stock
- o First, to achieve both an increase in Alfa's float and a decrease in Johnnie's ownership, the Company can issue new shares and/or Johnnie can sell a significant portion of his current shares.
 - In our interviews, analysts have indicated that the majority shareholder should hold no more than 30% to 50% of the outstanding stock. Investors are more comfortable investing in a stock when the ownership is diversified and the direction of the company is not controlled by one or two individuals.
 - Given that Alfa's goal is to create a market for its stock today, the Company should not repurchase shares or do a reverse stock split, as that would decrease the float.

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PROCESS FOR CREATING A MARKET FOR ALFA'S STOCK - GENERAL STEPS

- o Second, to increase the perceived value of the stock, Alfa could embark on the following steps:
 - Define and support the elements of a compelling story to take to the market place.
 - Map out a well crafted investor relations program to facilitate communication with market makers, institutional investors, current stockholders, and future stockholders.
 - Identify potential market makers who will support the stock long-term.
 - Design a plan to gain the interest of the potential market makers and their institutional and private investor following.

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DEVELOP AND SUPPORT THE ELEMENTS OF A COMPELLING STORY

- o Feedback from market makers and analysts has revealed that a compelling story must include some or all of the following characteristics:
 - Dynamic growth: revenue and profit growth in excess of 20% to 25%
 - Consolidation: roll-up of a fragmented industry
 - Diversification: an increase in product breadth through internal growth or acquisition

- Favorable demographics: exploitation of positive market trends, such as an exponentially growing segment of the marketplace, i.e. the baby boomer generation
 - Strong and differentiated competitive position: perception as the market leader in terms of size and/or strategy
 - Recognized and experienced management team: proven track record of creating value
 - High valuations: total valuations in excess of \$50 million+ and growing
- o Alfa must develop a strong business plan that supports the projected growth. The business plan must include a well defined, credible road map for achieving the projected growth as well as contingency plans should market conditions change.

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MAP OUT A WELL-DEFINED INVESTOR RELATIONS PROGRAM

- o Alfa must develop the appropriate channels to communicate effectively with the investor community.
- This includes identifying the specific analysts, market makers and institutional investors that would support the Company's stock over the long run.
 - The target investors that are most likely to be interested in Alfa's stock are those focused on value. Value investors are interested in low risk, stable companies as opposed to high risk, volatile companies.
 - Alfa must be wary of "bucket shops" that run up the price of the stock immediately following a transaction and only focus on profiting for the short-term.
- o Alfa must develop the appropriate material to communicate effectively with the investor community.
- Alfa needs to build and communicate its story through regular press releases, annual reports, and investor conference calls and meetings.
 - The story must be designed with the investing profile of the target investor groups in mind.
- o If Alfa does not have the in-house capabilities to effectively manage an investor relations program, an outside investor relations consultant could cost between \$150,000 to \$250,000 per annum.

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IDENTIFY POTENTIAL SMALL-CAP MARKET MAKERS

- o Sampling of regional small-cap market makers
- Van Kasper & Company, Los Angeles
 - Crowell, Weeden & Co., Los Angeles
 - Cruttenden Roth, Inc., Irvine
 - Wedbush Morgan Securities, Los Angeles
 - Everen Securities, Los Angeles

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DESIGN A PLAN TO GAIN AND KEEP INSTITUTIONAL INVESTORS' INTEREST

Institutional investors create a solid foundation for the value of a company's stock, while individual investors tend to be more fickle, concerned primarily with short term profits. Institutional investors generally believe in a firm's value and have the patience to wait for long term results. Investor relations consultants suggest that individuals, institutions and the majority owner should own 40%, 30% and 30% of the shares respectively.

The following is a list of key drivers to attract institutional investors:

- o Attract multiple analysts to cover Alfa's performance
 - Analysts strongly impact the decisions of institutional investors
 - Analysts are attracted to companies that communicate compelling value propositions and offer significant investor returns
- o Communicate results regularly with analysts, including:
 - Financial and operational results: annual reports, quarterly earnings
 - Growth plans: new product introductions, key executive hires
 - Change in strategy: any news that would materially impact the company's performance
- o Support large trading volumes
 - Institutional investors must be able to purchase blocks of stock large enough to impact their portfolios without impacting the price of the individual stock

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PROCESS FOR CREATING A MARKET FOR ALFA'S STOCK - GENERAL CONCLUSIONS

- o The preceding slides outlined the general steps necessary to achieve liquidity in the market place. Execution of these steps could help Alfa create a market for its stock.
- o Investor relations consultants estimate that the overall process would take at least six months to one year before Alfa would realize an improvement in value.
- o Depending on the effectiveness of the campaign, the stock price could potentially trade at ratios similar to ratios of comparable companies. Given the current business plan, the market capitalization could exceed \$12 to \$13 million, which is significantly greater than today's market cap of \$3 to \$4 million.
- o The ability to achieve these positive results is dependant upon market timing and the market perception of small-cap stocks.

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CURRENT OUTLOOK OF SMALL-CAP MARKET - DEFINITIONS

- o Ibbotson Associates (research organization involved in valuations of small-cap firms) defines the following segments based on market capitalization ranges:
 - Micro-caps: market capitalization up to \$250 million
 - Small-caps: market capitalization between \$250 million and \$1 billion
 - Mid-caps: market capitalization between \$1 billion to \$4 billion
 - Large-caps: market capitalization greater than \$4 billion
- o Analysts and market makers generally define small-caps as firms with a market capitalization of at least \$100 million or greater.
- o The following slides provide an overview of recent trends impacting small-cap companies. The impact is most severe for those companies falling at the low end of the small-cap and micro-cap market capitalization ranges.

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CURRENT OUTLOOK OF SMALL-CAP MARKET - OVERVIEW

- o The majority of small-cap stocks have fallen out of favor in the marketplace.
 - Although small-cap stocks have traditionally outpaced large-cap stocks in terms of investor returns, the current market conditions are not so favorable. To date, the Dow has climbed 8% versus the Russell 2000's decline of 5%. (Time, 4/12/99)
- o The run up in today's stock market is largely attributed to large-cap and Internet stocks with the majority of small-caps barely participating.
 - The 100 largest companies in the S&P 500-stock index have contributed roughly 90% of that index' 6.8% gain this year, according to Morgan Stanley.
- o As stated previously, liquidity is the investors' primary concern. Investors are pouring cash into stocks that can be easily bought and sold.
 - Mutual-fund investors have pulled some \$8 billion out of small-cap funds so far this year.
 - Most small-cap issues are so thinly traded that investors cannot buy large blocks without affecting the stock price.
 - Furthermore, the popularity of Internet stocks is driving away capital from otherwise attractive non-Internet stocks.
 - Investors are attracted to strong, sustained profit growth. Over the past five years, earnings at the nation's 30 largest companies have increased 19.5% on average, compared with 10% for Russell 2000 companies. (Jeremy Siegel, Wharton School Professor).

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CURRENT OUTLOOK OF SMALL-CAP MARKET - FUTURE OUTLOOK NOT POSITIVE

- o While many analysts believe small-caps should eventually rebound, most do not expect the small-cap segment to recover in the near future.
 - Analysts believe small-caps have been permanently impaired by a shift in the economics of small-cap investing. (Piper Jaffray's M&A Group managing director D. Donoghue)
 - # Institutions are controlling larger and larger pools of money.
 - # It is harder for them to invest in small-caps, because they can't buy enough shares to affect their portfolios and they fear lack of liquidity.
 - # Indeed, the price of most small-caps would be severely impacted by the average purchase of a typical institution.
 - Furthermore, small-caps are selling for historic lows and the current supply is far greater than the demand.
 - # Since 1990, approximately 5,000 companies, virtually all small-caps, have gone public.
 - # Total assets in U.S. equity mutual funds have soared almost 30%, to \$2.1 trillion, since the end of 1997, but assets in small-cap funds have shrunk, from \$136.8 billion to \$132.5 billion. (Securities Data Corporation)

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CURRENT OUTLOOK OF SMALL-CAP MARKET - HOW CAN SMALL-CAPS SEE VALUE

- o Due to the difficulties of the small-cap market today, many companies are not realizing the benefit of being public - even those companies with solid revenue and earnings growth. The best way for them to realize value is to go private or to be purchased. (Marty Wade of Prudential Securities)
- o Recent market developments support this theory:
 - Acquisitions, either through leveraged buyouts by private equity funds or in corporate takeovers, have enabled small-caps to achieve value in today's market.
 - In 1998 there were 800 small-cap buyouts, up from around 450 in 1996.
 - "There's an incredible amount of money in buyout funds, buying micro-caps at values well below their private market value." (Time, Inc. 4/12/99)
 - Piper Jaffray estimates that the average small-cap trades at a significant discount compared to the typical S&P 500 company.
- o The main issue is that the small-cap company has to be a willing seller, since insiders often control the majority of the stock.

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OVERALL CONCLUSIONS

- o While Alfa's current business plan presents a solid story of revenue and profit growth, we have concerns that this story may not be compelling enough to attract credible analysts and long-term investors.
- o Alfa's story may not be compelling enough to create liquidity and thus create a market for its stock for the following reasons:
 - Alfa would still have a very small market capitalization even if its shares were to trade at significantly higher multiples.
 - The projected 15% to 20% annual revenue and profit growth is favorable, however, given the absolute size of the company, the dollar value of the float may not be enough to attract investors in today's market.
 - Analysts and market makers have stated that the minimum deal size for a secondary offering or an additional equity issue needs to be at least \$15 to \$20 million. For deals smaller than this, it would be very difficult to attract credible investors.
 - This range could actually be higher for more mature, highly competitive, non-technology industries. For Alfa this would imply a business plan that supported a total company valuation five to ten times the current preliminary range of values.

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OVERALL CONCLUSIONS - CONTINUED

- o In order to create liquidity and a market for Alfa's stock, the Company would need to build a more compelling story for analysts and investors.
- o Alfa could create a more compelling story by capitalizing on its current strengths, such as:
 - superior knowledge of its industry
 - high quality product line
 - recognized brand name
 - strong reputation among customers
 - solid cash flows
- o The elements of a more compelling story could include:
 - An aggressive roll-up strategy

By joining with an equity partner, Alfa could pursue acquisitions and internal development at a much faster pace. A reputable equity partner would support the Company through additional access to both debt and equity capital as well as through other related strategic investments.

- More dramatic exploitation of favorable market demographics

Alfa could take advantage of its expanding customer base (the aging baby boomers) and pursue multiple new product lines and/or enter new geographic markets.

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OVERALL CONCLUSIONS - CONTINUED

- o Based on Alfa's current market position, the Company has a variety of options to consider that could create and maximize shareholder value.
- o If the Company decides to pursue a strategy aimed at creating a market for the stock in today's public environment, we would advise the shareholders to reconsider their current business plan and to develop a plan that would entice greater interest from the investment community.

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REFERENCES

- o Marty Taleo
 - Investor Relation Resources, 949.376.4458
- o Omar Sanchez
 - OVS Incorporated Financial Communications, 949.361.4007
- o Marty Wade
 - Prudential Securities, 212.778.2805
- o Byron Roth
 - Cruttenden Roth, Inc., 949.720.5721
- o John Murphy
 - NationsBanc Montgomery Securities, 213.228.3313
- o David Horwich
 - Van Kasper & Company, 310.209.2200
- o Dave Enzler
 - Everen Securities, 310.277.6868

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