

ABC Corporation
American Fortune Valuation Services
Jun 30, 2019

Legal Structure:
S Corporation

American Fortune Valuation Services
620 South Third Street, Suite 204
Louisville, KY 40202
Phone: 800-248-0615

Prepared By:
Brian S. Mazar, MBA, CBI

Report Date:
Jul 28, 2019

Confidential Information

Jul 28, 2019

Rob Smith
ABC Corporation

Valuation Date: Jun 30, 2019

Per your request we have conducted a price evaluation analysis and prepared this report. The purpose of this report is to provide the Seller with an estimate of the probable Selling Price of the Subject Business in preparation for its potential sale / acquisition and should not be used for any other purpose. For completeness, the Seller's estimate of the market value of included real estate, if any, is included in the estimate of Net Owner Equity provided below.

Based on information available to us, our opinion of the Probable Selling Price of the Subject in a "typical" asset sale (i.e., includes inventory, fixed assets and intangible assets such as goodwill) as of the valuation date given above is:

**Estimated Business Selling Price in "Typical" Asset Sale
\$680,000**

**Estimated Business Selling Price in "Typical" Asset Sale Including A/R - A/P
\$666,034**

Value in a "Typical" Asset Sale	\$680,000
<u>Add:</u> Accts Receivable - Accts Payable	-\$13,966
<u>Add:</u> Other Assets Less Other Liabilities	\$2,240
<u>Subtract:</u> Long-Term Liabilities	\$162,015
<u>Add:</u> Excess Assets Not Included In Sale	\$0
<u>Add:</u> Real Estate Included In Sale	\$0
<u>Total</u>	\$506,259

**Net Owner Equity
\$506,259**

Net owner equity is the amount that would be received by the owner(s) in a "typical" asset sale after collecting all assets not included in the sale and paying off all liabilities. Note: This does not take into account: tax liabilities, broker's fees, closing costs, and, other costs associated with the sale.

The value considerations herein are contingent upon the date of the latest financial statements used in the analysis and the limiting conditions set forth in the body of the report. The Net Owner Equity is specifically dependent on the actual Balance Sheet as of the sale date; and, Seller's estimate of the value of included real estate, if any.

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DISCLAIMER

This price evaluation report has been prepared as a service of All American Brokers not as part of an appraisal practice as defined by USPAP (Uniform Standard Professional Appraisal Practice) standards and therefore is not bound by the requirements of USPAP.

This report is a business professional's opinion of value and not a valuation or appraisal. There are a number of significant differences between this opinion of value and an appraisal. This opinion of value is not nearly as rigorous as a formal appraisal, and is designed to give a guideline or benchmark value rather than a formal determination of value. Specifically, and at a minimum, a valuation and/or appraisal analysis should include the following conditions to be considered an appraisal or formal valuation:

1. Strict adherence to USPAP (Uniform Standard Professional Appraisal Practice) standards.
2. A full financial statement's analysis, including Income Statement, Balance Sheets and Cash Flows.
3. An in-depth understanding of the financial statements and the company to justify making appropriate adjustments to the Income Statements and Balance Sheets.
4. An assurance that all data is accurate and included in the final report.
5. A comparison of the valued company's financial statements to industry norms (RMA, trade, or other ratios/percentages) and using this data in building discount and capitalization rates.
6. A certifying cover letter with the evaluator's signature.

All American Fortune Valuation Services does not purport to be a guarantor of value. The valuation of closely held companies is an imprecise science and reasonable people can differ in their opinion of value. However, the formulas and valuation methodologies used in this report were developed by and are accepted by the business brokerage and / or business valuation communities. The application of these methods in the analysis reported herein along with years of experience in evaluating such businesses, although not considered a formal valuation or appraisal, in our opinion provides a reasonable basis for estimating the likely Selling / Listing Price of a business.

INCOME STATEMENT RECASTING - DISCRETIONARY EARNINGS ANALYSIS

Year: 2010

Months: 6

Source: CPA Financials

	Statement	Add Backs	Adjusted	Notes
Income				
Gross Sales	\$816,060	\$0	\$816,060	
Other Income	\$0	\$0	\$0	
Total Income (Revenue)	\$816,060		\$816,060	
Cost of Goods Sold	\$310,896	\$0	\$310,896	
Gross Profit	\$505,164		\$505,164	
Expenses				
Officer's Salary	\$46,626	\$46,626	\$0	
Salaries & Wages	\$144,598	\$11,626	\$132,972	Manager's Salary - Note 1
Repairs & Maintenance	\$26,196	\$0	\$26,196	
Rents	\$23,060	-\$37,439	\$60,499	Adjust to Market - Note 2
Taxes & Licenses	\$25,946	\$0	\$25,946	
Interest Expense	\$782	\$782	\$0	
Depreciation	\$7,151	\$7,151	\$0	
Advertising	\$11,404	\$0	\$11,404	
Bank Charges and Fees	\$212	\$0	\$212	
Cash Over / Short	\$2,444	\$0	\$2,444	
Contract Services	\$3,674	\$0	\$3,674	
Cleaning Expense	\$9,702	\$0	\$9,702	
Credit Card Fees	\$13,494	\$0	\$13,494	
Dues & Subscriptions	\$42	\$0	\$42	
Utilities - Electricity	\$8,980	\$0	\$8,980	
Utilities - Gas	\$12,101	\$0	\$12,101	
Garbage Collection	\$1,951	\$0	\$1,951	
Landscaping & Lawn Service	\$1,733	\$0	\$1,733	
Legal & Professional	\$4,612	\$0	\$4,612	
Miscellaneous Expense	\$1,294	\$0	\$1,294	
Office Expense	\$10,334	\$0	\$10,334	
Pest Control	\$626	\$0	\$626	
Postage	\$2,995	\$0	\$2,995	
Supplies	\$20,450	\$0	\$20,450	
Utilities - Water	\$3,577	\$0	\$3,577	
Uniforms	\$568	\$0	\$568	
Telephone	\$2,940	\$0	\$2,940	
Insurance - General	\$19,276	\$0	\$19,276	
Other Expenses	\$0		\$0	
Total Expenses	\$406,768		\$378,022	
Net Income (Before Tax)	\$98,396			
Seller's Discretionary Earnings			\$127,142	

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INCOME STATEMENT RECASTING - DISCRETIONARY EARNINGS ANALYSIS, CONT.

Year: 2009

Source: Tax Return

	Statement	Add Backs	Adjusted	Notes
Income				
Gross Sales	\$1,503,532	\$0	\$1,503,532	
Other Income	\$0	\$0	\$0	
Total Income (Revenue)	\$1,503,532		\$1,503,532	
Cost of Goods Sold	\$559,960	\$0	\$559,960	
Gross Profit	\$943,572		\$943,572	
Expenses				
Officer's Salary	\$85,006	\$85,006	\$0	
Salaries & Wages	\$268,681	\$20,521	\$248,160	Manager's Salary - Note 1
Repairs & Maintenance	\$49,959	\$0	\$49,959	
Rents	\$45,430	-\$63,470	\$108,900	Adjust to Market - Note 2
Taxes & Licenses	\$49,102	\$0	\$49,102	
Interest Expense	\$2,847	\$2,847	\$0	
Depreciation	\$16,412	\$16,412	\$0	
Advertising	\$31,267	\$0	\$31,267	
Bank Charges and Fees	\$428	\$0	\$428	
Cash Over / Short	\$441	\$0	\$441	
Contract Services	\$4,368	\$0	\$4,368	
Cleaning Expense	\$19,037	\$0	\$19,037	
Credit Card Fees	\$18,576	\$0	\$18,576	
Dues & Subscriptions	\$158	\$0	\$158	
Utilities - Electricity	\$15,531	\$0	\$15,531	
Utilities - Gas	\$17,968	\$0	\$17,968	
Garbage Collection	\$3,029	\$0	\$3,029	
Landscaping & Lawn Service	\$1,778	\$0	\$1,778	
Legal & Professional	\$9,075	\$0	\$9,075	
Miscellaneous Expense	\$5,249	\$0	\$5,249	
Office Expense	\$17,684	\$0	\$17,684	
Pest Control	\$1,059	\$0	\$1,059	
Postage	\$5,210	\$0	\$5,210	
Supplies	\$47,146	\$0	\$47,146	
Utilities - Water	\$2,375	\$0	\$2,375	
Uniforms	\$2,687	\$0	\$2,687	
Telephone	\$4,599	\$0	\$4,599	
Insurance - General	\$30,269	\$0	\$30,269	
Auto & Truck Expense	\$4,641	\$0	\$4,641	
Other Expenses	\$0		\$0	
Total Expenses	\$760,012		\$698,696	
Net Income (Before Tax)	\$183,560			
Seller's Discretionary Earnings			\$244,876	

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INCOME STATEMENT RECASTING - DISCRETIONARY EARNINGS ANALYSIS, CONT.

Year: 2008

Source: Tax Return

	Statement	Add Backs	Adjusted	Notes
Income				
Gross Sales	\$1,263,389	\$0	\$1,263,389	
Other Income	\$0	\$0	\$0	
Total Income (Revenue)	\$1,263,389		\$1,263,389	
Cost of Goods Sold	\$445,640	\$0	\$445,640	
Gross Profit	\$817,749		\$817,749	
Expenses				
Officer's Salary	\$61,342	\$61,342	\$0	
Salaries & Wages	\$237,068	\$7,156	\$229,912	Manager Salary - Note 1
Repairs & Maintenance	\$41,876	\$0	\$41,876	
Rents	\$44,838	-\$53,172	\$98,010	Adjust to Market - Note 2
Taxes & Licenses	\$40,947	\$0	\$40,947	
Interest Expense	\$2,060	\$2,060	\$0	
Depreciation	\$20,592	\$20,592	\$0	
Advertising	\$22,348	\$0	\$22,348	
Bank Charges and Fees	\$437	\$0	\$437	
Cash Over / Short	\$852	\$0	\$852	
Contract Services	\$8,543	\$0	\$8,543	
Cleaning Expense	\$21,181	\$0	\$21,181	
Credit Card Fees	\$10,076	\$0	\$10,076	
Dues & Subscriptions	\$416	\$0	\$416	
Utilities - Electricity	\$13,416	\$0	\$13,416	
Utilities - Gas	\$11,131	\$0	\$11,131	
Garbage Collection	\$2,424	\$0	\$2,424	
Landscaping & Lawn Service	\$5,029	\$0	\$5,029	
Legal & Professional	\$9,389	\$0	\$9,389	
Miscellaneous Expense	\$7,842	\$0	\$7,842	
Office Expense	\$13,111	\$0	\$13,111	
Pest Control	\$819	\$0	\$819	
Postage	\$3,163	\$0	\$3,163	
Supplies	\$49,851	\$0	\$49,851	
Utilities - Water	\$4,974	\$0	\$4,974	
Uniforms	\$5,828	\$0	\$5,828	
Telephone	\$5,028	\$0	\$5,028	
Insurance - General	\$34,731	\$0	\$34,731	
Auto & Truck Expense	\$41	\$0	\$41	
Other Expenses	\$0		\$0	
Total Expenses	\$679,353		\$641,375	
Net Income (Before Tax)	\$138,396			
Seller's Discretionary Earnings			\$176,374	

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INCOME STATEMENT RECASTING - DISCRETIONARY EARNINGS ANALYSIS, CONT.

Year: 2007

Source: Tax Return

	Statement	Add Backs	Adjusted	Notes
Income				
Gross Sales	\$1,181,747	\$0	\$1,181,747	
Other Income	\$0	\$0	\$0	
Total Income (Revenue)	\$1,181,747		\$1,181,747	
Cost of Goods Sold	\$402,934	\$0	\$402,934	
Gross Profit	\$778,813		\$778,813	
Expenses				
Officer's Salary	\$57,260	\$57,260	\$0	
Salaries & Wages	\$210,841	\$6,576	\$204,265	Manager's Salary - Note 1
Repairs & Maintenance	\$42,537	\$0	\$42,537	
Rents	\$45,380	-\$42,829	\$88,209	Adjust to Market - Note 2
Taxes & Licenses	\$37,255	\$0	\$37,255	
Interest Expense	\$3,894	\$3,894	\$0	
Depreciation	\$28,962	\$28,962	\$0	
Advertising	\$14,303	\$0	\$14,303	
Amortization	\$208	\$0	\$208	
Bank Charges and Fees	\$389	\$0	\$389	
Cash Over / Short	\$174	\$0	\$174	
Contract Services	\$14,042	\$0	\$14,042	
Cleaning Expense	\$20,214	\$0	\$20,214	
Credit Card Fees	\$21,555	\$0	\$21,555	
Dues & Subscriptions	\$728	\$0	\$728	
Utilities - Electricity	\$13,005	\$0	\$13,005	
Utilities - Gas	\$10,118	\$0	\$10,118	
Garbage Collection	\$2,458	\$0	\$2,458	
Landscaping & Lawn Service	\$1,876	\$0	\$1,876	
Legal & Professional	\$8,500	\$0	\$8,500	
Miscellaneous Expense	\$3,327	\$0	\$3,327	
Office Expense	\$261	\$0	\$261	
Pest Control	\$482	\$0	\$482	
Postage	\$2,673	\$0	\$2,673	
Supplies	\$54,550	\$0	\$54,550	
Utilities - Water	\$5,067	\$0	\$5,067	
Uniforms	\$2,369	\$0	\$2,369	
Telephone	\$3,332	\$0	\$3,332	
Insurance - General	\$23,795	\$0	\$23,795	
Other Expenses	\$0		\$0	
Total Expenses	\$629,555		\$575,692	
Net Income (Before Tax)	\$149,258			
Seller's Discretionary Earnings			\$203,121	

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RECAST INCOME STATEMENTS

Year	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Data Source	Annualized	Tax Return	Tax Return	Tax Return
Income				
Revenues	<u>\$1,632,120</u> 100%	<u>\$1,503,532</u> 100%	<u>\$1,263,389</u> 100%	<u>\$1,181,747</u> 100%
Other Income (Loss)				
Total Income (Revenue)	<u>\$1,632,120</u> 100%	<u>\$1,503,532</u> 100%	<u>\$1,263,389</u> 100%	<u>\$1,181,747</u> 100%
Cost of Goods Sold	<u>\$621,792</u> 38.1%	<u>\$559,960</u> 37.2%	<u>\$445,640</u> 35.3%	<u>\$402,934</u> 34.1%
Gross Profit	<u>\$1,010,328</u> 61.9%	<u>\$943,572</u> 62.8%	<u>\$817,749</u> 64.7%	<u>\$778,813</u> 65.9%
Expenses				
Officer's Salary				
Salaries & Wages	<u>\$265,944</u> 16.3%	<u>\$248,160</u> 16.5%	<u>\$229,912</u> 18.2%	<u>\$204,265</u> 17.3%
Repairs & Maintenance	<u>\$52,392</u> 3.2%	<u>\$49,959</u> 3.3%	<u>\$41,876</u> 3.3%	<u>\$42,537</u> 3.6%
Bad Debts				
Rents	<u>\$120,998</u> 7.4%	<u>\$108,900</u> 7.2%	<u>\$98,010</u> 7.8%	<u>\$88,209</u> 7.5%
Taxes & Licenses	<u>\$51,892</u> 3.2%	<u>\$49,102</u> 3.3%	<u>\$40,947</u> 3.2%	<u>\$37,255</u> 3.2%
Interest Expense				
Depreciation				
Advertising	<u>\$22,808</u> 1.4%	<u>\$31,267</u> 2.1%	<u>\$22,348</u> 1.8%	<u>\$14,303</u> 1.2%
Amortization				<u>\$208</u> 0%
Auto & Truck Expense		<u>\$4,641</u> 0.3%	<u>\$41</u> 0%	
Bank Charges and Fees	<u>\$424</u> 0%	<u>\$428</u> 0%	<u>\$437</u> 0%	<u>\$389</u> 0%
Cash Over / Short	<u>\$4,888</u> 0.3%	<u>\$441</u> 0%	<u>\$852</u> 0.1%	<u>\$174</u> 0%
Cleaning Expense	<u>\$19,404</u> 1.2%	<u>\$19,037</u> 1.3%	<u>\$21,181</u> 1.7%	<u>\$20,214</u> 1.7%
Contract Services	<u>\$7,348</u> 0.5%	<u>\$4,368</u> 0.3%	<u>\$8,543</u> 0.7%	<u>\$14,042</u> 1.2%
Credit Card Fees	<u>\$26,988</u> 1.7%	<u>\$18,576</u> 1.2%	<u>\$10,076</u> 0.8%	<u>\$21,555</u> 1.8%
Dues & Subscriptions	<u>\$84</u> 0%	<u>\$158</u> 0%	<u>\$416</u> 0%	<u>\$728</u> 0.1%
Garbage Collection	<u>\$3,902</u> 0.2%	<u>\$3,029</u> 0.2%	<u>\$2,424</u> 0.2%	<u>\$2,458</u> 0.2%
Insurance - General	<u>\$38,552</u> 2.4%	<u>\$30,269</u> 2%	<u>\$34,731</u> 2.8%	<u>\$23,795</u> 2%
Landscaping & Lawn Service	<u>\$3,466</u> 0.2%	<u>\$1,778</u> 0.1%	<u>\$5,029</u> 0.4%	<u>\$1,876</u> 0.2%
Legal & Professional	<u>\$9,224</u> 0.6%	<u>\$9,075</u> 0.6%	<u>\$9,389</u> 0.7%	<u>\$8,500</u> 0.7%
Miscellaneous Expense	<u>\$2,588</u> 0.2%	<u>\$5,249</u> 0.4%	<u>\$7,842</u> 0.6%	<u>\$3,327</u> 0.3%
Office Expense	<u>\$20,668</u> 1.3%	<u>\$17,684</u> 1.2%	<u>\$13,111</u> 1%	<u>\$261</u> 0%
Pest Control	<u>\$1,252</u> 0.1%	<u>\$1,059</u> 0.1%	<u>\$819</u> 0.1%	<u>\$482</u> 0%
Postage	<u>\$5,990</u> 0.4%	<u>\$5,210</u> 0.4%	<u>\$3,163</u> 0.3%	<u>\$2,673</u> 0.2%
Supplies	<u>\$40,900</u> 2.5%	<u>\$47,146</u> 3.1%	<u>\$49,851</u> 4%	<u>\$54,550</u> 4.6%
Telephone	<u>\$5,880</u> 0.4%	<u>\$4,599</u> 0.3%	<u>\$5,028</u> 0.4%	<u>\$3,332</u> 0.3%
Uniforms	<u>\$1,136</u> 0.1%	<u>\$2,687</u> 0.2%	<u>\$5,828</u> 0.5%	<u>\$2,369</u> 0.2%
Utilities - Electricity	<u>\$17,960</u> 1.1%	<u>\$15,531</u> 1%	<u>\$13,416</u> 1.1%	<u>\$13,005</u> 1.1%
Utilities - Gas	<u>\$24,202</u> 1.5%	<u>\$17,968</u> 1.2%	<u>\$11,131</u> 0.9%	<u>\$10,118</u> 0.9%
Utilities - Water	<u>\$7,154</u> 0.4%	<u>\$2,375</u> 0.2%	<u>\$4,974</u> 0.4%	<u>\$5,067</u> 0.4%
Other Expenses				
Total Expenses	<u>\$756,044</u> 46.3%	<u>\$698,696</u> 46.5%	<u>\$641,375</u> 50.8%	<u>\$575,692</u> 48.7%
Seller's Discretionary Earnings	<u>\$254,284</u> 15.6%	<u>\$244,876</u> 16.3%	<u>\$176,374</u> 14%	<u>\$203,121</u> 17.2%

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RECAST INCOME STATEMENTS SUMMARY

	<u>Most</u> <u>Recent Year</u>	<u>Prior Year</u>	<u>Two</u> <u>Years Prior</u>	<u>Three</u> <u>Years Prior</u>
Year	2010	2009	2008	2007
	Annualized			
Revenue	\$1,632,120	\$1,503,532	\$1,263,389	\$1,181,747
	100%	100%	100%	100%
Cost of Goods Sold	\$621,792	\$559,960	\$445,640	\$402,934
	38.1%	37.2%	35.3%	34.1%
Gross Profit	\$1,010,328	\$943,572	\$817,749	\$778,813
	61.9%	62.8%	64.7%	65.9%
Total Expenses	\$756,044	\$698,696	\$641,375	\$575,692
	46.3%	46.5%	50.8%	48.7%
Seller's Discretionary Earnings (SDE)	\$254,284	\$244,876	\$176,374	\$203,121
	15.6%	16.3%	14%	17.2%
Weighting	50%	50%	0%	0%

Expected SDE Growth in Next Year | 5% | In Percent

Weighted Averages:

Revenue	\$1,646,217
SDE	\$262,059
Reasonable Owner Salary	\$85,000
EBITDA	\$177,059
EBIT	\$165,278

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BALANCE SHEET RECASTING

Data Source: CPA Financials

Period Ending: Jun 30, 2010

ASSETS

Current Assets:

	<u>Book Value</u> <u>Per B/S</u>	<u>Adjustments</u>	<u>Seller's Est.</u> <u>Fair Market</u> <u>Value</u>	<u>Notes</u>
Cash & Equivalents	\$29,341	\$0	\$29,341	
Accounts Receivable (A/R)	\$1,383	\$0	\$1,383	
Inventory	\$43,430	\$0	\$43,430	
Prepaid Expenses	\$0	\$0	\$0	
Other	\$0	\$0	\$0	
Total Current Assets:	\$74,154	\$0	\$74,154	

Fixed Assets:

Fixed Assets	\$377,942	-\$101,604	\$276,338	
Accumulated Depreciation	-\$203,208	\$203,208	\$0	
Total Fixed Assets:	\$174,734	\$101,604	\$276,338	

Real Estate:

Land & Buildings	\$0	\$0	\$0	
Accumulated Depreciation	\$0	\$0	\$0	
Total Real Estate:	\$0	\$0	\$0	

Other Asset:

Deposits	\$6,950	\$0	\$6,950	
Loans To Officers/Shareholders	\$0	\$0	\$0	
Other	\$0	\$0	\$0	
Intangible Assets	\$0	\$0	\$0	
Accumulated Amortization	\$0	\$0	\$0	
Total Other Assets:	\$6,950	\$0	\$6,950	
Total Assets:	\$255,838	\$101,604	\$357,442	

LIABILITIES

Current Liabilities:

Accounts Payable (A/P)	\$15,349	\$0	\$15,349	
Other	\$34,051	\$0	\$34,051	Sales Tax Payable
Current Portion, LT Debt	\$0	\$0	\$0	
Total Current Liabilities:	\$49,400	\$0	\$49,400	

Long-Term Liabilities:

Notes Payable	\$162,015	\$0	\$162,015	
Loans from Officers/Shareholders	\$0	\$0	\$0	
LTD Less Current Portion	\$0	\$0	\$0	
Total Long Term Liabilities:	\$162,015	\$0	\$162,015	

Total Liabilities:

	\$44,423	\$101,604	\$146,027	
Equity:	\$255,838	\$101,604	\$357,442	

Value of Excess Assets:

Description of Excess Assets:

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PRICE EVALUATION METHODS

Method 1: Market Method

	<u>Price/SDE</u>	<u>Price/Revenue</u>	<u>Price/EBIT</u>	<u>Price/EBITDA</u>
Multiple	2.5	0.4	0.0	0.0
SDE:	\$262,059			
Revenue:		\$1,646,217		
EBIT:			\$165,278	
EBITDA:				\$177,059
Product:	\$655,148	\$658,487	\$0	\$0
Adjustments:				
Add Inventory:	\$43,430	\$43,430	\$0	\$0
Add Fixed Assets:	\$0	\$0	\$0	\$0
Estimated Selling Price:	\$698,578	\$701,917	\$0	\$0
Weightings:	100.0	0.0	0.0	0.0

Estimated Selling Price (Market Method): \$698,578

Data Sources: Bizcomps

PRICE EVALUATION METHODS

Method 2: Multiple of Discretionary Earnings Method

	<u>Selected Multiplier</u>	<u>Weight</u>	<u>Weighted Value</u>
1. Historical Profits (0 = Negative, 3 = Above Industry Norm)	2.0	10.0	20.0
2. Income Risk (0 = Startup/Risky, 3 = Well Established/Low Risk)	2.5	9.0	22.5
3. Deal Financing (Seller/SBA)? (0 = All Cash, 3 = Excellent Terms)	2.0	8.0	16.0
4. Business Type (0 = Service Biz/few assets, 3 = Biz w/High Assets)	2.0	7.0	14.0
5. Business Growth (0 = Declining, 3 = Rapid Growth)	2.5	6.0	15.0
6. Location/Facilities (0 = Undesirable, 3 = Superior)	2.0	5.0	10.0
7. Marketability (0 = Low/Special Skills Reqd., 3 = High/Many Buyers)	2.0	4.0	8.0
8. Desirability (0 = No Status, 3 = Challenging & Attractive Environ.)	2.5	3.0	7.5
9. Competition (0 = High, 3 = Little Competition)	1.5	2.0	3.0
10. Industry Trend (0 = Declining, 3 = Dynamic Growth)	1.5	1.0	1.5
		55.0	117.5
	Total:	2.14	
Earnings Multiple (Weighted Ave.) = Weight Values Total/Weight Total =		1.22	
	Size Premium:		

Est. Selling Price (Earnings Mult. (Ave) X SDE X Size Premium) =

\$683,021

The Weights in the above table are set at typical default values ranging from 10 to 1 as shown. However, it is up to the User to adjust these weights, if required, based upon the criteria and the specific characteristics of the business being valued. For businesses with Revenue <= the Revenue Breakpoint, set the Size Premium equal to 1.00. For businesses with Revenue > the Revenue Breakpoint set the Size Premium equal to 1.33 (equivalent to the maximum value of factors above set = 4) or select an appropriate size premium from the table below. The Default Revenue Breakpoint is \$750,000. The User can adjust the Revenue Breakpoint and Size Premium by analyzing Bizcomps® Data for the specific type of business of interest. The Table provides Size Premia for general business categories.

BIZCOMPS®	
SIZE PREMIA ² (REVENUE BREAKPOINT \$750,000)	
BUSINESS SERVICES	1.43
CONSTRUCTION	1.33
MANUFACTURING	1.31
AUTO REPAIR SERVICES	1.36
FINANCE, INSURANCE & REAL ESTATE	1.23
RETAIL	1.22
WHOLESALE - DURABLE GOODS	1.22
WHOLESALE - NON-DURABLE GOODS	1.40
PERSONAL SERVICES	1.13

1. The Multiple of Discretionary Earnings Method was first presented by Thomas L. West and Jeffrey D. Jones in the Handbook of Business Valuation, 1992, John Wiley & Sons, Inc.

2. Size Premium = Ratio of Median SP/SDE multiple for companies in category with revenues greater than \$750,000 (Numerator) to Median SP/SDE multiple for companies with revenues of \$750,000 or less (Denominator). Includes all Bizcomps® transactions with both positive revenue and positive SDE, as well as SDE multiples < 6 (transactions with Price/SDE > 6 are considered to be outliers).

PRICE EVALUATION METHODS

Method 3: Buyer's Test Method

Reasonable Owner/Manager Salary (See Recast Income Statement Summary):	\$85,000
Req'd Rate of Return on Down Payment (%):	20
Down payment as % of Price (%):	25.0
Enter Estimated Annual Capital Expense as a Percent of Fixed Asset Value at Cost (%):	10.0
Estimated Annual Capital Expense:	\$37,794
Loan Interest Rate (%):	6.75
Loan Period (Number of Months):	84.0
Debt Coverage Ratio:	1.25

Estimated Selling Price (Price which satisfies above conditions): \$638,069

The required rate of return on down payment will typically be in the range of 20 (20% ROI) to 40 (40% ROI), lower for larger / lower risk businesses and higher for smaller / higher risk businesses. May be zero for very small businesses where buyer is buying a job, not making an investment.

The Buyer's Test Method is based on the business having enough cash flow to: provide the owner with a reasonable salary, provide a reasonable rate of return on the buyer's investment, provide for annual capital expense, and cover debt service with a reasonable debt coverage ratio. The following Table shows how the subject's discretionary earnings are allocated based on the terms set above.

Buyer's Test Check

SDE =	\$262,059
Less: Owner/Manager Salary	\$85,000
Equals: EBITDA	\$177,059
Less: Return on Down payment	\$31,801
Less: CAPEX	\$37,794
Less: Debt Service	\$85,971
Less: Excess Debt Service Coverage	\$21,493
Remaining SDE	\$0

All entries in the Table should be positive. Remaining SDE should be zero as this method calculates the maximum value with the User-specified terms.

PRICE EVALUATION SUMMARY & CONCLUSIONS

The Results for each of the three Price Evaluation Methods used are summarized on the following pages. These results, or value estimates, provide an estimate of the price range for the Subject. The most probable selling price is estimated by weighting each of the three value estimates and then calculating the weighted average value.

The weighting can be thought of as the probability that the value estimate for a given valuation method represents the value of the business (the sum of all weightings would then equal 100). The weightings should take into account the extent to which a given valuation method addresses, or does not address, risk factors associated with the subject business. For example, consider a business that has high account concentration (e.g., one customer accounts for 50% of revenue). The input variables for the Multiple of Discretionary Earnings and the Buyer's Test Methods can be adjusted to take this risk into account, while the Market Method ratios may be based on median comparables sold data or typical rules of thumb. In such cases, the Market Method should receive lower weighting than the other methods.

Based on the information available to us, our opinion of the value of the Subject (excluding real estate, if any) in a "typical" asset sale (i.e., sale includes goodwill & other intangibles, inventory and fixed assets) as of the valuation date is:

Estimated Business Selling Price in "Typical" Asset Sale

\$680,000

Estimated Business Selling Price in "Typical" Asset Sale Including A/R - A/P

\$666,034

Value in a "Typical" Asset Sale	\$680,000
<u>Add:</u> Accts Receivable - Accts Payable	<u>-\$13,966</u>
<u>Add:</u> Other Assets Less Other Liabilities	<u>\$2,240</u>
<u>Subtract:</u> Long-Term Liabilities	<u>\$162,015</u>
<u>Add:</u> Excess Assets Not Included In Sale	<u>\$0</u>
<u>Add:</u> Real Estate Included In Sale	<u>\$0</u>
<u>Total</u>	<u>\$506,259</u>

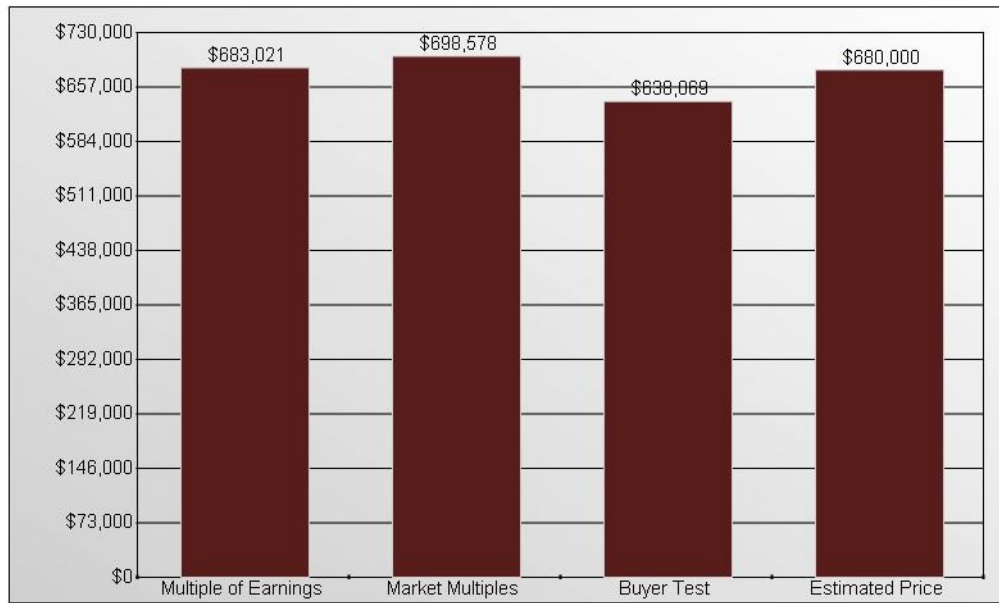
Net Owner Equity

\$506,259

Net owner equity is the amount that would be received by the owner(s) "typical" asset sale after collecting all assets not included in the sale and paying off all liabilities. Note: This does not take into account: tax liabilities; closing costs; and, other costs associated with the sale.

The value considerations herein are contingent upon the date of the latest financial statements used in the analysis and the limiting conditions set forth in the body of the report. The net owner equity is specifically dependent on the actual Balance Sheet as of the sale date; and, Seller's estimate of the value of included real estate, if any.

PRICE EVALUATION SUMMARY & CONCLUSIONS, CONT.



Price Evaluation Results

	<u>Estimates</u>	<u>Weight</u>
Estimated Price - Multiple of Earnings*	\$683,021	15.0
Estimated Price - Buyer's Test*	\$638,069	35.0
Estimated Price - Market Multiples*	\$698,578	50.0
Estimated Price of Business (Weighted Average)*	\$680,000	
Accounts Receivable - Account Payable	-\$13,966	
Estimated Price Including A/R - A/P	\$666,034	
Other Assets Less Other Current Liabilities	\$2,240	
Long-Term Liabilities	\$162,015	
Excess Assets	\$0	
Estimated Value of Real Estate	\$0	
Net Owner/Shareholder Equity Including Real Estate	\$506,259	

*Typical asset sale (only goodwill, fixed assets & inventory transfer to buyer)

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EVALUATION FOR SELLER'S INFORMATION ONLY AND SHOULD NOT BE USED BY BUYER FOR PURCHASE DECISION

PRICE EVALUATION SUMMARY & CONCLUSIONS, CONT.**MULTIPLES (TYPICAL ASSET SALE)****MULTIPLES (Uses Weighted Ave. Values of Earnings & Revenue)**

PRICE/FIXED ASSETS	2.46
PRICE/SDE	2.59
PRICE/EBITDA	3.84
PRICE/REVENUE	0.41

MULTIPLES (Using Most Recent Year Earnings & Revenue)

PRICE/FIXED ASSETS	2.46
PRICE/SDE	2.67
PRICE/EBITDA	4.02
PRICE/REVENUE	0.42

PRICE BREAKDOWN (TYPICAL ASSET SALE)

FIXED ASSETS	\$276,338	40.6%
INVENTORY	\$43,430	6.4%
GOODWILL	\$360,232	53%
REAL ESTATE	\$0	0%
TOTAL	\$680,000	100%

PRICE BREAKDOWN (INCL. A/R - A/P)

FIXED ASSETS	\$276,338	41.5%
INVENTORY	\$43,430	6.5%
ACCTS. RECEIVABLE - ACCTS. PAYABLE	-\$13,966	-2.1%
GOODWILL	\$360,232	54.1%
REAL ESTATE	\$0	0%
TOTAL	\$680,000	100%

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NOTES & COMMENTS

1. Add Back Manager's Assistant salary. Full time owner/manager will make part-time assistant unnecessary.
2. Market Rent adjustment based on real estate appraiser's estimate. Real estate is owned by owners of the subject business in a separate entity.