HYPOTHETICAL SCENARIO HIGHLIGHTS:

- Limited scope Calculation Engagement to estimate price for the potential sale of 100% common equity.
- Valuation methods limited to Capitalization of Earnings and Market Multiples from DealStats.
- Enterprise-level adjustment: Key Man discount.
- Fair Market Value standard. Conclusion expressed as a single dollar value.

Sample Plastics Company
Calculation of Value
As of June 30, 2020

Prepared for:

Board of Directors
Sample Plastics Company
123 Main St.
San Diego, CA 92136
United States

Report Date:

July 21, 2020

Prepared by:

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United States

About This Sample Valuation Report

This report is a sample of a Calculation of Values report that you can create with ***DealSense®*** and the Financial Report Builder.

DealSense was used to analyze a fictitious hypothetical company; make economic adjustments to the historic financial statements; determine appropriate risk rates and market multiples and value the company using only the Capitalization of Earnings method and based on Market Transaction Multiples from DealStats. DealSense includes many more valuation methods under the Income, Market and Asset approaches, but those methods were not applied in this limited-scope, fictitious Calculation Engagement. The Financial Report Builder was then used to automatically create and format the appraisal report as a Microsoft Word document. Any similarity to the names or information of actual companies is strictly coincidental.

> You will notice comments (marked in this blue text) throughout this report. These comments serve as prompts for you to provide descriptions, explanations and more information in certain sections. When you create a live report with the Financial Report Builder, these comments will not print.

This report contains the data, analysis, assumptions used in the valuation, descriptions of the valuation approaches and methods that were applied and the factors that went into the conclusions of value.

This report is context-sensitive. The Financial Report Builder reviewed all of the data points in the ***DealSense*** program file and based upon the analyst's selections, assembled the report with only the appropriate data along with descriptions of the methods and procedures used. This is not a cookie-cutter report.

There are many elements and capabilities of the DealSense program that were not used in the sample report.

This hypothetical Calculation of Value for the sample company utilized only a fraction of ***DealSense's*** features and capabilities. Here is a list of the elements available in BVS but not included in this sample report:

Items available in DealSense but not included in this report:

- Detailed income statements, balance sheet and statements of cash flows (for historic, normalized and projections).
- Trailing twelve month income statement.
- Interim income statement and balance sheets.

- Normalization adjustments presented on a year-by-year basis.
- Tax-affecting cash flows for a pass-through entity.
- Alternate calculation of Invested Capital Net Cash Flows starting from Operating Income rather than Net Income.
- Ratios, common-size financials and other analysis calculated on a reported and a normalized basis for the subject company.
- RMA and Integra industry comparison (historic and normalized).
- Projected Financial Statements including:
  - Line-item projection assumptions.
  - Depreciation, capital expenditures and financing of capital expenditures.
  - Debt amortization, revolving credit lines and all related interest calculations.
  - Stub period projections from the interim date to the annualized year-end date.
  - New accounts in projections.
  - Income tax worksheet in the projections.
  - Appendix that includes projected financials and detailed projection assumptions.
- Other standards of value including: Fair Value, Investment Value, Intrinsic Value, Business Evaluation, Marketability study.
- Asset Approach Valuation methods: Net Asset Value and Liquidation Value.
- Market Approach valuation methods based on IBA, BIZCOMPS, Done Deals, "Other" user-defined data source, and Mergerstat.
- Ability to adjust price and other financial metrics for market transactions.
- Reconciliation of value indications for a given price multiple derived from both stock and asset transactions.
- Equity Net Cash Flows were used in the Income Approach. The program also provides the option to apply Net Income, EBT, EBIT, EBITDA, Invested Capital Net Cash Flows.
- Benefit stream time-frame options include: average, weighted average, first projected year, trailing twelve months.
- Income Approach valuation methods including: Discounted Cash Flow/Earnings, Capitalization of Excess Earnings, Multiple of Discretionary Earnings.
- Multiple different methods for determining a discount rate and capitalization rate, along with debt-free rates based on the Weighted Average Cost of Capital.
- Iterated WACC that solves for the market value of equity to use in WACC to determine discount and cap rates, that when plugged into the respective valuation methods yields the same market

value of equity.

- Discount rate adjustment that converts an after-tax discount rate to a pre-tax rate that is applicable to pass-through entities.
- Beta information from multiple sources.
- Mid-Year and End-of-Year discounting option for Discounted Cash Flow method.
- Properly discounting when 1st projected year is a “stub” period.
- Terminal value based on Net Assets or a multiple of earnings in the terminal year.
- Approach conclusions and Database conclusions for DealStats, Done Deals, BIZCOMPS, IBA, Mergerstat and any Other Data Source.
- Range of values for Enterprise or Shareholder-Level.
- Many premium and discount options at enterprise and shareholder level.
- Allocation of value between voting and non-voting shares.
- Value per share including dilutives from convertible preferred stock and in-the-money options and warrants.
- Valuation of a fractional interest based on a specific number of shares rather than a percentage.
- Charts and graphs.

Report Date: July 21, 2020

Board of Directors

Sample Plastics Company
123 Main St.
San Diego, CA 92136
United States

RE: Calculation of value for 100.00% of Sample Plastics Company's common stock as of June 30, 2020.

Dear Board of Directors:

We have performed a calculation engagement, as that term is defined in the Statement on Standards for Valuation Services (SSVS) of the American Institute of Certified Public Accountants. We performed certain calculation procedures on 100.00% of Sample Plastics Company's common stock as of June 30, 2020. The specific calculation procedures are detailed in this report. The calculation procedures were performed solely to estimate the price for the potential sale of the business, and the resulting calculation of value should not be used for any other purpose or by any other party for any purpose. This calculation engagement was conducted in accordance with the SSVS. The estimate of value that results from a calculation engagement is expressed as a calculated value.

In a calculation engagement, the valuation analyst and the client agree on the specific valuation approaches and valuation methods the valuation analyst will use and the extent of valuation procedures the valuation analyst will perform to estimate the value of the subject interest. A calculation engagement does not include all of the procedures required in a valuation engagement, as that term is defined in the SVSS. Had a valuation engagement been performed, the results might have been different.

Based on our calculations, as described in this report, which are based solely on the procedures agreed upon as referred to above, the resulting calculated value of 100.00% of Sample Plastics Company's common stock as of June 30, 2020 was $29,700,000.

This calculated value is subject to the Statement of Assumptions and Limiting Conditions found in Appendix 1 and the Valuation Analyst's Representations found in Appendix 2. We have no obligation to update this report or our calculation of value for information that comes to our attention after the date of this report.

Respectfully,

____
(Signature)

____
(Date)

— Table of Contents —

⇒ *SPECIAL COMMENT*: To update the Table of Contents, click anywhere in the following table and then press the [F9] function key.

Introduction

Company Description

Sample Plastics Company is a C-Corporation and is organized under the laws of California. It is primarily engaged in the business of Plastic Products Manufacturing and is doing business as Sample Injection Molding.

> COMMENT: Briefly expand on this description as you deem necessary. An area reserved for a more detailed company description is included in the Company Background section below.

Purpose of the Calculation of Value

The purpose of this calculation of value is to estimate the price for the potential sale of the business. This report is prepared for Board of Directors of Sample Plastics Company and should not be used by others. This report is dated July 21, 2020.

> COMMENT: Explain the purpose of the calculation in as much detail as necessary. Also define the person or entity that engaged you and the intended users of this calculation of value.

Standard of Value

The standard of value used in this calculation of value is *Fair Market Value*. Fair Market Value is defined in IRS Revenue Ruling 59-60 as: "The price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts. Court decisions frequently state in addition that the hypothetical buyer and seller are assumed to be able, as well as willing, to trade and to be well informed about the property and concerning the market for such property."

Premise of Value

Our calculation of value relied on a "value in use" or going-concern premise. This premise assumes that the Company is an ongoing business enterprise with management operating in a rational way with a goal of maximizing shareholder value.

> COMMENT: If some premise of value other than going concern is used, modify the above paragraph accordingly.
>
> Example 1: "Our conclusion relied on a premise of orderly liquidation. This premise assumes that the assets of the business are disposed on a piecemeal basis with normal exposure for sale on the secondary market."
>
> Example 2: "Our conclusion relied on a premise of forced liquidation. This premise assumes that the assets of the business are disposed on a piecemeal basis with less than normal exposure for sale on the secondary market."

Overview of Calculation Approaches and Methods

Various approaches have been used to value Sample Plastics Company. These approaches, described below, are the: 1) Asset Approach, 2) Income Approach, and 3) Market Approach.

Asset Approach

The Asset Approach is generally considered to yield the minimum benchmark of value for an operating enterprise. The most common methods within this approach are Net Asset Value and Liquidation Value. Net Asset Value represents net equity of the business after assets and liabilities have been adjusted to their fair market values. The Liquidation Value of the business represents the present value of the estimated net proceeds from liquidating the Company's assets and paying off its liabilities.

Income Approach

The Income Approach serves to estimate value by considering the income (benefits) generated by the asset over a period of time. This approach is based on the fundamental valuation principle that the value of a business is equal to the present worth of the future benefits of ownership. The term income does not necessarily refer to income in the accounting sense but to future benefits accruing to the owner.

The most common methods under this approach are Capitalization of Earnings and Discounted Future Earnings. Under the Capitalization of Earnings method, normalized historic earnings are capitalized at a rate that reflects the risk inherent in the expected future growth in those earnings. The Discounted Future Earnings method discounts projected future earnings back to present value at a rate that reflects the risk inherent in the projected earnings.

Additional methods under the Income Approach are Capitalization of Excess Earnings and Multiple of Discretionary Earnings. Commonly referred to as the “formula method,” the Capitalization of Excess Earnings method determines the value of tangible and intangible assets separately and combines these component values for an indication of total entity value. Under the Multiple of Discretionary Earnings method, the entity is valued based on a multiple of “discretionary earnings,” i.e., earnings available to the owner who is also a manager. Both of these methods are normally used to value small businesses and professional practices.

Market Approach

The Market Approach compares the subject company to the prices of similar companies operating in the same industry. Comparable companies can be privately owned or publicly traded where the valuation multiples are determined from the purchase/sale price for the company. A common problem for privately owned businesses is a lack of publicly available comparable data. Comparable companies can also be publicly traded where the valuation multiples are derived from the trading price for the public companies stock as of the date of the calculation.

The methods utilized under each approach are presented and discussed in the following sections.

COMMENT: The following sections discuss all of the calculation methods available in the program and their respective results. You are encouraged to modify these sections for each different calculation of value assignment as follows:

* Modify this document based on the specific methods used and procedures performed in each calculation engagement.
* Elaborate on the methods that were accepted and discuss the selection process used to accept the individual calculation methods. Weights can be assigned at the individual calculation method level, at the data-source level (for market approach methods), at the valuation approach level (i.e. asset, Income, market approaches), or by any combination thereof. Identify your selection criteria at each level.
* Certain calculation methods may be presented in the report but have not been given any weight in the conclusions. Any calculation method that is presented but not given any weight is considered rejected. For each rejected method, include an explanation of why the method was rejected.

Value of Preferred Stock

The value of Sample Plastics Company's preferred stock based on market yields for comparable preferred stocks is estimated to be $1,210,000. In the preferred stock valuation, each class of Sample Plastics Company's preferred stock is valued by dividing the preferred dividends for that class by the market yield for comparable preferred stocks. The value of total preferred stock is presented in the following table.

Classes of Preferred Stock	Interim Balance	Stated Yield	Adjustment	Adjusted Yield (a)	Dividends Per Class (b)	Value Per Class (b/a)	Adjustment Over/(Under) Interim Balance	Market Adjustment	Value of Preferred
Preferred Class A	550,000	7.00%	0.00%	7.00%	51,700	738,571	188,571	0	738,571
Preferred Class B	300,000	6.00%	0.00%	6.00%	28,300	471,667	171,667	0	471,667
Total	850,000				80,000	1,210,238	360,238	0	1,210,238
		Indicated Value of Preferred Stock							1,210,000
		Book Value of Preferred Stock							850,000
		Premium of FMV over Book Value							360,000

Income Approach

Discount & Capitalization Rate Estimates

In order to value the enterprise based on earnings it generates, various risk rates applicable to historic and projected earnings have been estimated. Generally stated, these risk-adjusted rates reflect the expected rate of return attainable on alternative investment opportunities with comparable risk. Had a complete analysis been performed, as opposed to a limited analysis, these rates may been different.

First, a Discount Rate applicable to projected earnings has been calculated for use in the Discounted Cash Flow and Discounted Future Earnings valuation methods. This Discount Rate is then converted into a Capitalization Rate which is applicable to historic earnings for use in the Capitalization of Earnings valuation method. The calculations are summarized in the table below.

Discount Rate Method: Build-Up Method

Risk-Free Rate	2.70%
<u>**Other Risk Factors / Premiums**</u>	
Equity Risk Premium	6.00%
Size Risk Premium	11.00%
Industry Risk Premium	2.00%
Company-Specific Risk	7.00%
Discount Rate	28.70%
(Applied to future benefit stream.)	
Less: Long-Term Growth in Benefit Stream	6.00%
Capitalization Rate	22.70%
Divided by: 1 + Long-Term Growth Rate	<u>106.00%</u>
Historic Earnings Capitalization Rate	21.42%
Benefit Stream Conversion Adjustment	-6.27%
Adjusted Historic Earnings Capitalization Rate	15.15%
(Applied to historic benefit stream.)	

In developing the Discount and Capitalization Rates to apply to the benefit stream of Sample Plastics Company, the Build-Up Model was used. The Build-Up Model is based on a combination of risk factors including a Risk-Free Rate, a Market Equity Risk Premium, a Size Premium and other identifiable risk factors specific to the subject company. When added together, these risk factors provide an indication of the Discount Rate for the subject company. This Discount Rate represents the total return, in terms of cash flows and appreciation in value that an investor would require in order to make an equity investment in the subject company.

> COMMENT: Provide an explanation of each of the risk factors identified in the Build-Up Model and document the source of the data. The Long-Term U.S. Treasury Bond yield to maturity prevailing on the date of (or within the week of) the effective date of the calculation is commonly used to represent the Risk-Free Rate. The Market Equity Risk Premium is the return

in excess of the Risk-Free Rate that an average equity investor would require. The Size Premium is generally used if the subject company is significantly smaller than the companies used in the formulation of the Market Equity Risk Premium. Document all other incremental risk factors identified in the development of the discount rate. Please note that the Build-Up Model is normally used for small companies or if no valid comparable company data is available. If no valid comparable company data is available, that fact should be disclosed here.

Subject Company Data Used in Capitalization of Earnings and Excess Earnings Methods

We used the following benefit streams for the subject company to apply in certain valuation methods under the Income Approach.

> Comment: Provide your rationale for the selected benefit stream and time period used for the subject company's benefit stream, e.g. Equity Free Cash Flow and most recent historic, etc. Also, if you are using Weighted Average, document your assumptions for the weights you assigned to each year's benefit stream.

Equity Net Cash Flows (FCF-Equity), Historic/Normalized

	FY 2016	FY 2017	FY 2018	FY 2019
Net Income	3,900,376	4,051,778	3,970,966	4,360,993
Plus: Depreciation & Amortization	900,139	960,787	1,039,091	1,100,806
Less: Fixed Asset Purchases	286,861	502,900	824,000	225,000
Less: Changes in Net Working Capital (Adjusted)	356,080	421,200	221,320	312,835
Plus: Changes in Current Long-Term Notes Payable	45,206	(39,589)	60,292	(50,215)
Plus: Changes in Long-Term Notes Payable	(2,044,770)	(1,981,600)	(1,461,103)	(1,274,652)
Less: Preferred Dividends	80,000	80,000	80,000	80,000
Equity Net Cash Flows	**2,078,010**	**1,987,276**	**2,483,926**	**3,519,097**

Changes in Net Working Capital Used in FCF-Equity and FCF-TIC, Historic/Normalized

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Current Assets:					
Cash & Equivalents	930,220	993,911	1,132,858	1,249,686	1,925,385
Less: Adjustment to Cash & Equivalents	930,220	993,911	1,132,858	1,249,686	1,925,385
Accounts Receivable (Net)	3,304,300	3,421,700	3,487,130	3,622,900	3,685,390
Inventory	6,400,000	5,830,000	5,863,000	5,750,000	5,946,000
All Other Current Assets	640,000	660,000	680,000	700,000	720,000
Total Current Assets (Adjusted)	**10,344,300**	**9,911,700**	**10,030,130**	**10,072,900**	**10,351,390**
Current Liabilities (Except Notes Payable):					
Accounts Payable	3,233,100	2,440,800	2,328,350	2,129,650	2,084,600
Taxes Payable	26,200	27,450	28,500	29,650	31,455
All Other Current Liabilities	264,500	266,870	75,500	94,500	103,400
Total Current Liabilities (Adjusted)	**3,523,800**	**2,735,120**	**2,432,350**	**2,253,800**	**2,219,455**
Net Working Capital (Adjusted)	**6,820,500**	**7,176,580**	**7,597,780**	**7,819,100**	**8,131,935**

Equity Net Cash Flows, Weighted Average

Year	Normalized Equity Net Cash Flows	Weight	Weighted Equity Net Cash Flows
FY 2015			
FY 2016	2,078,010	1	138,534
FY 2017	1,987,276	2	264,970
FY 2018	2,483,926	3	496,785
FY 2019	3,519,097	4	938,426
FY 2020	6,306,708	5	2,102,236
Weighted Average		**15**	**3,940,951**

Capitalization of Earnings Method

The Capitalization of Earnings method arrives at an estimate of value by dividing current normalized earnings, which are weighted and averaged to approximate future earnings expectations, by a capitalization rate. As shown below, The Total Entity Value of Sample Plastics Company based on the Capitalization of Earnings method is estimated to be $24,900,000. In the Capitalization of Earnings method, normalized Weighted Average Equity Net Cash Flows is divided by the capitalization rate, 15.15%, to determine Total Entity Value. See the Income Statement Adjustments section for a listing of any adjustments made to historic earnings and the Discount & Capitalization Rates section for the capitalization rate calculations.

Capitalization of Earnings	**Normalized Equity Net Cash Flows**	**Weighting Factor**	**Weighted Earnings**
Fiscal Year End 2016	2,078,010	1.0	2,078,010
Fiscal Year End 2017	1,987,276	2.0	3,974,551
Fiscal Year End 2018	2,483,926	3.0	7,451,779
Fiscal Year End 2019	3,519,097	4.0	14,076,389
Projected 2020	6,306,708	5.0	31,533,542
Sum of Weighted Earnings			59,114,272
Divided by: Sum of Weighting Factors			15.0
Weighted Average Equity Net Cash Flows			**3,940,951**
Divided by: Historic Capitalization Rate			15.15%
Operating Value			**26,012,881**
Net Nonoperating Assets			110,000
Total Entity Value			**26,122,881**
Less: Market Value of Preferred Stock			1,210,000
Calculated Equity Value			**24,912,881**
Indicated Equity Value			**24,900,000**

Net Nonoperating Assets have been valued separately and added to the operating value calculated in this valuation method. See the Nonoperating Assets and Liabilities section of this report for the presentation of the estimated value of Net Nonoperating Assets.

Market Approach

The Market Approach utilizes market prices of comparable companies to approximate the value of the subject company. Companies that are considered comparable are in the same or similar line of business as the subject company and are a similar size in terms of profitability and financial position as the subject company. Market price information can be gathered from the stock trading prices of guideline public companies and/or from the prices paid in purchase or sale transactions for publicly traded and privately held companies.

Under the Market Approach, the price for a comparable company is expressed as a multiple of various measures of profitability and financial position. The price multiple from the comparable company is then applied to the respective measures of profitability and/or financial position of the subject company to determine the value of the subject company.

Transaction-By-Transaction Method

The Transaction-by-Transaction method is most appropriately utilized when detailed information is available for each comparable company transaction. Transactions are identified for companies in the same or similar line of business as the subject company and each transaction is analyzed individually. The transaction price and financial metrics are adjusted, if necessary, so that the purchase price and the financial metrics are calculated the same way for each comparable company transaction. Then the price multiples derived from each transaction are analyzed and multiples are selected to be applied to the subject company's measures of profitability and/or financial position.

Procedures for the Transaction-By-Transaction Method:

Comment: Modify the procedures below based on the actual procedures performed.

1. Identify transactions for comparable companies.
2. Analyze each transaction and, if necessary, adjust purchase price and financial metrics of each comparable company so that the price and financial metrics are calculated the same way for each transaction.
3. Calculate price multiples for each transaction.
4. Perform statistical analysis on each multiple group to determine if that group of multiples is statistically reliable.
5. Select a multiple from each multiple group that is deemed to be statistically reliable.
6. Apply the selected price multiples to the respective profitability and/or financial position metric for the subject company to determine the indicated Market Value of Invested Capital (MVIC) or Equity value.
7. Certain types of assets are assumed to have not transferred in the transactions and therefore those assets are not included in the transaction price. If the same asset types exist for the subject company, add the value of the assets to the indicated MVIC and/or Equity value.
8. Convert each MVIC indication for the subject company to Equity value by deducting total debt. This procedure is bypassed for those multiples that directly result in an Equity value when they are applied to the subject company.

9. Deduct the value of any preferred stock to arrive at the indicated Equity value.

Subject Company Data Used in Market Approach

We used the following benefit streams for the subject company to apply in the valuation methods under the Market Approach.

Comment: Provide your rationale for the time periods used for the subject company's benefit streams, e.g. most recent historic, historic average, etc. Also, if you are using Weighted Average, document your assumptions for the weights you assigned to each year's benefit stream.

EBITDA, Weighted Average

Year	Normalized EBITDA	Weight	Weighted EBITDA
FY 2015	7,101,270	1	473,418
FY 2016	7,768,760	2	1,035,835
FY 2017	8,099,970	3	1,619,994
FY 2018	8,097,304	4	2,159,281
FY 2019	8,833,960	5	2,944,653
Weighted Average		**15**	**8,233,181**

Book Value of Invested Capital (BVIC)

Total Stockholders' Equity	10,917,291
Total Other Long-Term Liabilities	4,027,000
Total Long-Term Debt	1,890,870
Book Value of Invested Capital (BVIC)	**16,835,161**

DealStats Transactions Method

Business sale transactions from the DealStats® database (formerly known as Pratt's Stats) have been used to estimate the value of Sample Plastics Company. When searching the DealStats database, we selected transactions for companies that are considered comparable to Sample Plastics Company and then selected pricing multiples to apply to Sample Plastics Company's earnings and financial position.

DealStats® is published by Business Valuation Resources, LLC. DealStats contains transaction data on the purchase/sale of private companies. For transactions where both the buyer and seller are private entities, the transaction data is submitted by the business brokers and intermediaries that were involved in the purchase/sale transaction. For transactions where the buyer is a public company and the seller is a private company, transaction information is gathered from SEC filings. DealStats transaction data can include a sufficient level of detail to be analyzed under the Transaction-By-Transaction method.

Search Criteria

In our search of the DealStats database for comparable company transactions, we used the following search criteria:

COMMENT: Include a list of the search criteria and parameters you used when searching the DealStats database. The DealStats database can be searched by:

1. SIC Code, NAICS Code, Location and/or keywords.
2. Profitability and financial position measures including ranges for: Net Sales, Operating Profit, Net Income and Total Assets.
3. Transaction information including Price range, sale date range and type of transaction (i.e., asset or stock sale).
4. Financial performance ratios and other search criteria.
5. Transaction Type (stock, asset, both).

Search Results

Our search resulted in the identification of 3 asset sale transactions and 3 stock sale transactions. Of the total asset sale transactions identified, 3 were used in our analysis. Of the total stock sale transactions identified, 3 were used in our analysis.

COMMENT: Document the composition of your search results. Be sure to explain your reasons for excluding any transactions identified in your search of the DealStats database.

Statistical Analysis of Transactions

We performed a statistical analysis of the data in each multiple group. The analysis includes measures of statistical significance of the sample for each multiple group along with measures of distribution and central tendency of the data.

The following table presents statistics for the selected Asset Sale transactions from the DealStats database:

DealStats *Asset* Transactions

	MVIC Price To:					
Statistical Analysis	**Net Sales**	**Gross Profit**	**EBITDA**	**EBIT**	**Disc. Earnings**	**BVIC**
Summary						
Total Records	3	3	3	3	3	3
Records Used for Statistical Analysis	3	3	3	3	3	3
Statistical Significance						
R-Squared	0.01204	0.92353	0.99378	0.99986	0.99119	0.98122
Standard Deviation	0.26458	0.35000	0.12634	0.55000	2.00205	0.70000
Coefficient of Variation	0.37796	0.10769	0.03341	0.06322	0.20018	0.43750
Distribution						
Maximum	0.900	3.500	3.871	9.250	12.004	2.400
Minimum	0.400	2.850	3.637	8.150	8.000	1.100
Range	0.500	0.650	0.234	1.100	4.004	1.300
Upper Decile	0.880	3.480	3.864	9.140	11.603	2.180
Upper Quartile	0.850	3.450	3.854	8.975	11.002	1.850
Median	0.800	3.400	3.837	8.700	10.000	1.300
Lower Quartile	0.600	3.125	3.737	8.425	9.000	1.200
Lower Decile	0.480	2.960	3.677	8.260	8.400	1.140
Central Tendency						
Mean	0.700	3.250	3.781	8.700	10.001	1.600
Harmonic Mean	0.617	3.223	3.779	8.677	9.731	1.432
Median	0.800	3.400	3.837	8.700	10.000	1.300

The following table presents statistics for the selected Stock Sale transactions from the DealStats database:

DealStats *Stock* Transactions	**MVIC Price To:**					
Statistical Analysis	**Net Sales**	**Gross Profit**	**EBITDA**	**EBIT**	**Disc. Earnings**	**BVIC**
Summary						
Total Records	3	3	3	3	3	3
Records Used for Statistical Analysis	3	3	3	3	3	3
Statistical Significance						
R-Squared	0.99488	0.87685	0.00454	0.36049	0.97922	0.09005
Standard Deviation	0.06245	0.96437	1.60408	1.23988	3.60555	0.89822
Coefficient of Variation	0.07262	0.24727	0.32037	0.09619	0.30046	0.41973
Distribution						
Maximum	0.910	4.600	6.820	14.300	15.000	3.100
Minimum	0.790	2.800	3.772	11.970	8.000	1.320
Range	0.120	1.800	3.048	2.330	7.000	1.780
Upper Decile	0.904	4.540	6.342	13.920	14.600	2.880
Upper Quartile	0.895	4.450	5.624	13.350	14.000	2.550
Median	0.880	4.300	4.429	12.400	13.000	2.000
Lower Quartile	0.835	3.550	4.100	12.185	10.500	1.660
Lower Decile	0.808	3.100	3.904	12.056	9.000	1.456
Central Tendency						
Mean	0.860	3.900	5.007	12.890	12.000	2.140
Harmonic Mean	0.857	3.717	4.706	12.814	11.169	1.899
Median	0.880	4.300	4.429	12.400	13.000	2.000

Multiple Selection

Based on our analysis of the transaction data, we have selected the following multiples to be applied to Sample Plastics Company's profitability and financial position metrics.

Asset Transactions / Multiple of Market Value Invested Capital (MVIC) Price to:	**Mean**	**Median**	**Selected Multiple**
Net Sales	0.700	0.800	0.80
Gross Profit	3.250	3.400	3.40
EBITDA	3.781	3.837	3.84

Stock Transactions / Multiple of Market Value Invested Capital (MVIC) Price to:	**Mean**	**Median**	**Selected Multiple**
Net Sales	0.860	0.880	0.88
EBITDA	5.007	4.429	4.43
Book Value of Invested Capital (BVIC)	2.140	2.000	2.00

COMMENT: Selection of the transaction multiples is one of the most critical steps in the valuation methods under the Market Approach. Provide an explanation of your reasons for selecting each multiple. Also, provide an explanation of your reasons for rejecting any multiples.

Value Calculations Based on DealStats MVIC Price to EBITDA Multiple

We have calculated the Equity Value for Sample Plastics Company based on the selected MVIC Price to EBITDA Multiple from the DealStats database. The calculations are presented in the following table.

Equity Value	**Stock Transactions**
Selected MVIC Price to EBITDA Multiple	4.43
Times: EBITDA	8,233,181
MVIC	36,472,992
Plus: Asset Adjustments (a)	110,000
Adjusted MVIC	36,582,992
MVIC to Equity Value Conversion	
Less: Liability Adjustments (b)	2,336,728
Less: Value of Preferred Stock	1,210,000
Calculated Equity Value	**33,036,264**
Indicated Equity Value	**33,000,000**

Equity Value	**Asset Transactions**
Selected MVIC Price to EBITDA Multiple	3.84
Times: EBITDA	8,233,181
MVIC	**31,615,415**
Plus: Asset Adjustments (a)	7,868,775
Adjusted MVIC	**39,484,190**
MVIC to Equity Value Conversion	
Less: Total Liabilities (b)	8,583,183
Less: Value of Preferred Stock	1,210,000
Calculated Equity Value	**29,691,007**
Indicated Equity Value	**29,690,000**

Value Calculations Based on DealStats MVIC Price to Book Value of Invested Capital (BVIC) Multiple

We have calculated the Equity Value for Sample Plastics Company based on the selected MVIC Price to Book Value of Invested Capital (BVIC) Multiple from the DealStats database. The calculations are presented in the following table.

Equity Value	**Stock Transactions**
Selected MVIC Price to BVIC Multiple	2.00
Times: BVIC	16,835,161
MVIC	33,670,322
Plus: Asset Adjustments (a)	110,000
Adjusted MVIC	**33,780,322**
MVIC to Equity Value Conversion	
Less: Liability Adjustments (b)	2,336,728
Less: Value of Preferred Stock	1,210,000
Calculated Equity Value	**30,233,594**
Indicated Equity Value	**30,200,000**

Calculated Value

Based on our calculations, as described in this report, which are based solely on the procedures agreed upon as referred to above, the resulting calculated value of 100.00% of Sample Plastics Company's common stock as of June 30, 2020 was $29,700,000.

This calculated value is subject to the Statement of Assumptions and Limiting Conditions found in Appendix 1 and the Valuation Analyst's Representations found in Appendix 2. We have no obligation to update this report or our calculation of value for information that comes to our attention after the date of this report.

Enterprise-Level Equity Value

When there is more than one indication of value produced by the different valuation approaches and methods, we need to reconcile these different indications of value. Therefore, in arriving at our estimate of the enterprise equity value for Sample Plastics Company, we assigned relative weights to the individual indications of enterprise-level equity value and calculated a weighted average of these values. The weighted-average enterprise-level equity value was $30,963,333 as presented in the following table.

> COMMENT: Provide an explanation of the rationale used to assign weights to the individual valuation methods. Include the reasons why any method(s) were given a higher relative weight and therefore given more emphasis than other methods in the conclusions.

Enterprise-Level Equity Value	Indicated Equity Value	Assigned Weight	Assigned Weight / Total Weights	Weighted Equity Value
Income Approach:				
Capitalization of Earnings	24,900,000	0	0.00	0
Market Approach:				
DealStats Database				
Stock Transactions:				
EBITDA	33,000,000	1	0.33	11,000,000
BVIC	30,200,000	1	0.33	10,066,667
Asset Transactions:				
EBITDA	29,690,000	1	0.33	9,896,667
Total		**3**		
Total Weighted Equity Value				**$30,963,333**

Selected Enterprise-Level Equity Value (Rounded) **$30,960,000**

Enterprise-Level Premiums / Discounts

The following enterprise-level premiums and/or discounts have been applied to the selected enterprise-level value.

COMMENT: Provide a description of each of the enterprise-level premiums and/or discounts and the procedures used to determine the amount of each premium/discount and your rationale for why each is applicable.

	Percentage	Amount of Premium/Discount	Carrying Balance
Selected Enterprise-Level Equity Value			$30,960,000
Less: Key Man Disount	4.00%	$1,238,400	$29,721,600
Net Adjustment		$1,238,400	
Adjusted Enterprise Equity Value			**$29,721,600**

We have selected the following enterprise-level equity value:

Enterprise-Level Equity Value (Rounded) **$29,700,000**

Appendix 1 — Assumptions and Limiting Conditions

This Calculation Engagement is subject to the following assumptions and limiting conditions:

1. The calculation of value arrived at herein is valid only for the stated purpose as of the effective date of the calculations.
2. The Company and its representatives warranted to us that the information they supplied was complete and accurate to the best of their knowledge and that the financial statement information reflects the Company's results of operations and financial and business condition in accordance with generally accepted accounting principles, unless otherwise noted. The financial statements and other related information supplied by management has been accepted as correct without further verification. We have not audited, reviewed, or compiled the financial information provided to us and, accordingly, we express no audit opinion or any other form of assurance on this information.
3. Public, industry, statistical, and other information furnished by others, upon which all or portions of this analysis is based, is believed to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.
4. For the prospective financial information approved by management that was used in our engagement, we have not examined or compiled the prospective financial information and therefore, do not express an audit opinion or any other form of assurance on the prospective financial information or the related assumptions. Events and circumstances frequently do not occur as expected and there will usually be differences between prospective financial information and actual results, and those differences may be material.
5. The calculation of value arrived at herein is based on the assumption that the current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of the enterprise through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed.
6. We have not conducted interviews with the current management of the Company.
7. This report and the calculation of value arrived herein are for the exclusive use of our client for the sole and specific purposes as noted herein. They may not be used for any other purpose or by any other party for any purpose. Furthermore the report and calculation of value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The calculation of value represents the considered opinion of Sample Valuation Services, LLC, based on limited information furnished to them by the subject company and other sources.
8. Sample Valuation Services, LLC takes no responsibility for changes in market conditions and assume no obligation to revise our calculation of value to reflect events or conditions which occur subsequent to the calculation date.
9. No change of any item in this calculation report shall be made by anyone other than Sample Valuation Services, LLC, and we shall have no responsibility for any such unauthorized change.

10. Except as noted, we have relied on the representations of the owners, management, and other third parties concerning the value and useful condition of all equipment, real estate, and any other assets or liabilities, except as specifically stated to the contrary in this report. We have not attempted to confirm whether all assets of the business are free and clear of liens and encumbrances or that the Company has good title to all assets.

11. Full compliance by the Company with all applicable federal, state, and local zoning and use, occupancy, environmental, and similar laws and regulations is assumed, unless otherwise stated. Furthermore, no effort has been made to determine the possible effect, if any, on the Company due to future Federal, state, or local legislation including any environmental or ecological matters or interpretations thereof, unless otherwise stated.

12. Sample Valuation Services, LLC has not made a specific compliance survey or analysis of the subject property to determine whether it is subject to , or in compliance with, the American Disabilities Act of 1990, and this calculation of value does not consider the effect, if any, of noncompliance.

13. We are not environmental consultants or auditors, and we take no responsibility for any actual or potential environmental liabilities. Any person entitled to rely on this report, wishing to know whether such liabilities exist, or the scope and their effect on the value of the property, is encouraged to obtain a professional environmental assessment. We do not conduct or provide environmental assessments and have not performed one for the subject property.

14. We have not determined independently whether the Company is subject to any present or future liability relating to environmental matters, including but not limited to CERCLA/Superfund liability, nor the scope of any such liabilities. Our calculation of value takes no such liabilities into account, except as they have been reported to us by the Company or by an environmental consultant working for the Company, and then only to the extent that the liability was reported to us in an actual or estimated dollar amount. Such matters, if any, are noted in the report. To the extent such information has been reported to us, we relied on it without verification and offer no warranty or representation as to its accuracy or completeness.

15. Neither all nor any part of the contents of this report (especially the calculation of value, the identity of any valuation specialist(s) , or the firm with which such valuation specialist are connected or any reference to any of the professional designations) should be disseminated to the public through advertising media, public relation, news media, sales media, mail, direct transmittal, or any other means of communication without the prior written consent and approval of Sample Valuation Services, LLC.

16. Sample Valuation Services, LLC or any individual associated with this assignment are not required to provide future services regarding the subject matter of this report, including but not limited to providing further consultation, providing testimony, or appearing in court or other legal proceedings.

17. No change of any item in this Calculation Report shall be made by anyone other than , and we shall have no responsibility for any such unauthorized change.

COMMENT: Modify the above list as necessary to reflect the actual assumptions and limiting conditions relevant to the specific Calculation of Value engagement.

Appendix 2 — Representations

The following factors guided our work during this engagement:

- The statements of fact contained in this report are true and correct.
- The analyses, opinions, and conclusions included in this report are subject to the assumptions and limiting conditions specified previously in this report, and they are our personal, impartial and unbiased professional analyses, opinions, and conclusion.
- We have not present or contemplated future interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent even directly related to the intended use of this calculation of value.
- The economic and industry data included in this report were obtained from sources that we believed to be reliable. We have not performed any corroborating procedures to substantiate that data.
- This engagement was performed in accordance with the American Institute of Certified Public Accountants' *Statement on Standards for Valuation Services No. 1* and the Appraisal Foundation's *Uniform Standards of Professional Appraisal Practice*.
- No one provided significant business and/or intangible asset appraisal assistance to the person signing this certification.
- [If a third party specialist was used during the engagement, identify the specialist here and include a statement to identify the level of responsibility, if any, you are assuming for the specialist's work. For example, “In connection with the excess earnings method, ABC Equipment Appraisers (ABC) was used estimate the fair market value of the Company's equipment. Although ABC's employees are licensed equipment appraisers, we assume no responsibility for their work.]

______________________________________ ____________________

(Signature) (Date)

______________________________________ ____________________

(Signature) (Date)

Comment: Modify or add to the above list as considered necessary. Note that if no third party specialists were used, the next to last statement should be deleted. The valuation analysts and any other person(s) taking responsibility for this engagement should sign and date the representation page.

Appendix 3 — Qualifications

This report was prepared by Michael Jones Managing Director of Sample Valuation Services, LLC. Michael Jones holds the following professional designations and certifications: ASA, ABV, CPA.

> Comment: Use this appendix to provide a detailed description of the qualifications of the appraiser/valuation analyst. This section can include of resume of professional certifications and experience, description of prior Calculation Engagements and Valuation Engagements completed, etc.

Appendix 4 – Normalized Financial Statements and Adjustments

Income Statement Adjustments

In order to estimate the value of Sample Plastics Company, it was necessary to make certain normalization adjustments to the Income Statements. Normalization adjustments are made to reflect the Company's true economic earnings by eliminating excessive, nonoperating, non-recurring and/or unusual items. The following table presents a summary of the adjustments that were made to Sample Plastics Company's earnings.

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Add/(Deduct) Income Adjustments:					
Nonoperating Income	(40,000)	(50,000)	(60,000)	(70,000)	(80,000)
Total Income Adjustments	**(40,000)**	**(50,000)**	**(60,000)**	**(70,000)**	**(80,000)**
Add/(Deduct) Expense Adjustments:					
Officer/Owner's Compensation	(150,000)	(175,000)	(200,000)	(225,000)	(250,000)
Office Utilities	(5,000)	(5,000)	(10,000)	(15,000)	(20,000)
Less: Nonoperating Expense	(79,999)	(82,000)	(103,000)	(140,000)	(150,000)
Total Expense Adjustments	**(234,999)**	**(262,000)**	**(313,000)**	**(380,000)**	**(420,000)**
Total Income & Expense Adjustments Before Tax	194,999	212,000	253,000	310,000	340,000
Less: Tax Effect	76,051	82,681	98,671	120,902	132,602
Total Adjustments Net of Tax Effect	**118,948**	**129,319**	**154,329**	**189,098**	**207,398**

Normalized Historical Income Statements

The normalization adjustments presented in the previous section were applied to the historic income statements in order to prepare the following pro-forma Normalized Income Statements.

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Net Sales Revenue	**28,282,860**	**28,804,580**	**29,243,400**	**30,019,270**	**31,041,420**
Total Cost of Goods Sold	18,460,679	18,496,757	18,505,336	19,010,849	19,211,797
Gross Profit	**9,822,181**	**10,307,823**	**10,738,064**	**11,008,421**	**11,829,623**
Total General & Administrative Expenses	3,479,140	3,520,612	3,692,651	4,054,868	4,204,389
Income From Operations	**6,343,041**	**6,787,211**	**7,045,413**	**6,953,553**	**7,625,234**
Total Other Revenues and Expenses	(403,774)	(393,150)	(403,153)	(443,769)	(476,062)
Income Before Taxes	**5,939,267**	**6,394,061**	**6,642,260**	**6,509,784**	**7,149,172**
Total Income Taxes	2,316,315	2,493,685	2,590,482	2,538,818	2,788,179
Net Income	**3,622,952**	**3,900,376**	**4,051,778**	**3,970,966**	**4,360,993**

Normalized Historical Balance Sheets

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
ASSETS					
Total Current Assets	11,274,520	10,905,611	11,162,988	11,322,586	12,276,775
Net Fixed Assets	7,602,091	6,998,143	6,549,586	6,343,825	5,477,349
Net Intangible Assets	245,670	236,340	227,010	217,680	208,350
Total Other Noncurrent Assets	995,000	1,080,000	974,000	1,202,000	1,538,000
Total Assets	**20,117,281**	**19,220,094**	**18,913,584**	**19,086,091**	**19,500,474**
LIABILITIES & STOCKHOLDERS' EQUITY					
Total Current Liabilities	3,953,964	3,210,490	2,868,131	2,749,873	2,665,313
Total Long-Term Debt	8,652,995	6,608,225	4,626,625	3,165,522	1,890,870
Total Other Long-Term Liabilities	3,327,000	3,527,000	3,727,000	3,827,000	4,027,000
Total Liabilities	**15,933,959**	**13,345,715**	**11,221,756**	**9,742,395**	**8,583,183**
Stockholders' Equity:					
Preferred Stock	800,000	800,000	800,000	850,000	850,000
Common Stock	1,280,000	1,280,000	1,280,000	1,280,000	1,280,000
Retained Earnings	2,103,322	3,794,379	5,611,828	7,213,696	8,787,291
Total Stockholders' Equity	**4,183,322**	**5,874,379**	**7,691,828**	**9,343,696**	**10,917,291**
Total Liabilities & Stockholders' Equity	**20,117,281**	**19,220,094**	**18,913,584**	**19,086,091**	**19,500,474**

COMMENT: On the lines below, identify and describe any significant issues with respect to the historic statements of cash flows.

Normalized Earnings and Net Cash Flow Summary

The following tables present various measures of normalized earnings and net cash flows that are available to apply in the valuation methods that follow later in this report.

Normalized Earnings

The table below summarizes the income and expense normalization adjustments and constructs the indicated measures of earnings on an adjusted basis.

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Total Income & Expense Adjustments Before Tax	194,999	212,000	253,000	310,000	340,000
Less: Tax Effect	76,051	82,681	98,671	120,902	132,602
Net Adjustments	**118,948**	**129,319**	**154,329**	**189,098**	**207,398**
Plus: Historic Net Income	3,504,004	3,771,057	3,897,449	3,781,868	4,153,595
Net Income	**3,622,952**	**3,900,376**	**4,051,778**	**3,970,966**	**4,360,993**
Plus: Normalized Income Taxes	2,316,315	2,493,685	2,590,482	2,538,818	2,788,179
EBT	**5,939,267**	**6,394,061**	**6,642,260**	**6,509,784**	**7,149,172**
Plus: Normalized Interest Expense	478,434	474,560	496,923	548,429	583,982
EBIT	**6,417,701**	**6,868,621**	**7,139,183**	**7,058,213**	**7,733,154**
Plus: Normalized Depreciation & Amortization	683,569	900,139	960,787	1,039,091	1,100,806
EBITDA	**7,101,270**	**7,768,760**	**8,099,970**	**8,097,304**	**8,833,960**

Normalized Equity Net Cash Flows (FCF-Equity)

The following table presents the elements that comprise Equity Net Cash Flows, also known as Free Cash Flow Available to Equity (FCF-E). Equity Net Cash Flows represent the amount of cash flow that is available for disbursement to equity investors and/or to reinvest in the company.

	FY 2016	FY 2017	FY 2018	FY 2019
Net Income	3,900,376	4,051,778	3,970,966	4,360,993
Plus: Depreciation & Amortization	900,139	960,787	1,039,091	1,100,806
Less: Fixed Asset Purchases	286,861	502,900	824,000	225,000
Less: Non-Cash Changes in Net Working Capital	356,080	421,200	221,320	312,835
Plus: Changes in Current Long-Term Notes Payable	45,206	(39,589)	60,292	(50,215)
Plus: Changes in Long-Term Notes Payable	(2,044,770)	(1,981,600)	(1,461,103)	(1,274,652)
Less: Preferred Dividends	80,000	80,000	80,000	80,000
Equity Net Cash Flows	**2,078,010**	**1,987,276**	**2,483,926**	**3,519,097**

Normalized Invested Capital Net Cash Flows (FCF-TIC)

The following tables present two alternate calculations of Invested Capital Net Cash Flows, also known as Free Cash Flow Available to Total Invested Capital (FCF-TIC). Invested Capital Net Cash Flows represent the amount of cash flow that is available to service debt, distribute to equity investors and/or to reinvest in the company.

Invested Capital Net Cash Flows, Operating Income Method:

	FY 2016	FY 2017	FY 2018	FY 2019
Normalized Operating Income	6,787,211	7,045,413	6,953,553	7,625,234
Less: Tax on Operating Income	2,307,652	2,395,440	2,364,208	2,592,580
Plus: Depreciation and Amortization From Operations	900,139	960,787	1,039,091	1,100,806
Less: Fixed Asset Purchases	286,861	502,900	824,000	225,000
Less: Non-Cash Changes in Net Working Capital	356,080	421,200	221,320	312,835
Invested Capital Net Cash Flows	**4,736,757**	**4,686,660**	**4,583,116**	**5,595,625**

Invested Capital Net Cash Flows, Net Income Method:

	FY 2016	FY 2017	FY 2018	FY 2019
Normalized Net Income	3,900,376	4,051,778	3,970,966	4,360,993
Plus: Interest Expense (Net of Tax)	313,210	327,969	361,963	385,428
Plus: Depreciation and Amortization	900,139	960,787	1,039,091	1,100,806
Less: Fixed Asset Purchases	286,861	502,900	824,000	225,000
Less: Non-Cash Changes in Net Working Capital	356,080	421,200	221,320	312,835
Invested Capital Net Cash Flows	**4,470,784**	**4,416,434**	**4,326,701**	**5,309,392**