Griffiths, Dreher & Evans, P.S., CPAs
Registered Investment Adviser
& Certified Public Accountants

APPRAISAL REPORT
Conclusion of Value
100% Ownership Interest in:

SAMPLE, Inc.
As of
August 31, 2013

UNDERSTAND BUSINESS VALUATION

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Table of Contents

Conclusion of Value Report

August 3, 2017

To Client:

We have performed a valuation 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 valuation procedures on 100% ownership of SAMPLE, Inc. as of August 31, 2013. The valuation was performed solely to assist in the matter of determining on a going concern basis, the Fair Market Value of a 100% ownership of the business. The conclusion of value is to be used in support of business sale and succession planning and the resulting estimate of value should not be used by any party for any other purpose. This valuation engagement was conducted in accordance with Uniform Standards for Professional Appraisal Practices (USPAP) and in accordance with AICPA SSVS No. 1. The estimate of value that results from a valuation engagement is expressed as a conclusion of value.

Based on our analysis, as described in this valuation report, the estimate of value of SAMPLE, Inc. 100% ownership interest as of August 31, 2013 was as follows:

Operating value of the Company	$ 1,059,000
Less normal working capital (see Exhibit 1)	(41,000)
Value of Intangibles & Fixed Assets	$ 1,018,000
Purchase and Sale Agreement (PSA) Analysis	
Furniture, Fixtures and Equipment (PSA)	50,000
Plus Value of goodwill / intangibles	968,000
Plus Receivables	11,039
Plus work in process (unbilled sales)	73,499
August 31st 2013 Purchase and Sale Agreement Value	$ 1,102,538

This conclusion is subject to the Statement of Assumptions and Limiting Conditions and to the Representation of the Valuation Analyst found later in this report. We have no obligation to update this report or our conclusion of value for information that comes to our attention after the date of this report.

Extraordinary Assumptions
There were no Extraordinary Assumptions made for this report.

Hypothetical Conditions
There were no Hypothetical Conditions for this report.

Brett G. Smith

Griffiths, Dreher & Evans, PS, CPAs

Value Reconciliation

The valuator considered the market, income and asset approaches to valuation and the applicability of discounts or premiums. A summary of each approach follows:

Summary of Value (operating values)

Market Approach	$ 710,000 - 950,000
Income Approach	$ 1,059,000
Asset Approach	N/A

Operating Value
The operating value of a Company includes all assets (both tangible and intangible) that are necessary for the continued operations of the Company. These figures include a "normal" level of working capital in addition to the value of intangibles and fixed assets.

Summary of each Valuation Approach
In the valuator's opinion, the income approach value of $1,059,000 is the most credible indication of value. The pre-tax cash flows of $222,000 (rounded) represents a pre-tax rate of return of 23.96% (see page 12) on an investment of $1,059,000. The after tax free cash flow of $188,000 (See Exhibit 1) represents an after tax rate of return of 20.76% (see page 12) on an investment of $1,059,000. The income approach to value is a value specific to this business and is the most credible. While the net profit and cash flows of this business are above normal industry standards, a review of tax returns, financial statements, and interviews with the owner provided credible support. Any decision maker having concerns about these representations should complete adequate due diligence to satisfy themselves of the credibility of financial data and operations. The income approach to value will be relied on for the conclusion of value.

The valuator considered the market approach. There was a previous transaction (4/1/12). However, the business conditions have changed since that time and the valuator has not relied on this transaction exclusively. The valuator does however believe that the transaction is relevant and has used it in support of the income approach indication of value. The market approach value based on the First Research.com multiplier will not be relied upon because it appears that the Company is significantly more profitable than industry and therefore, should have a higher and more credible value based on the income approach.

The valuator considered the asset approach. The valuator has not relied on this method because the premise for this valuation was going concern rather than forced or orderly liquidation and if liquidation value was used, it would likely be significantly lower than the income approach indication of value.

The valuator considered discounts and premiums relating to control and marketability or liquidity. No discounts or premiums were applied (see "valuation adjustments" for details).

Working Capital Analysis

Since the income approach assumes a normal level of working capital, if the subject company has a significantly higher or lower level, that excess or shortage is generally added to or subtracted from the operating value. Excess working capital indicates that an amount of assets could be removed from the business (distributed to owners) without jeopardizing the operations. A shortage of working capital indicates that to operate the business at normal working capital levels, a hypothetical 3rd party buyer would need to bring additional assets into the business. Based on the analysis in Exhibit 1, the Company has excess working capital of $40,000. This is a comparison of the Company's actual working capital as of the valuation date with the Company's normal level of net working capital per the analysis and as supported by the RMA stats.

Goodwill & Fixed Assets Value	$ 1,018,000
August 31, 2013 Working Capital	
Add Cash	32,611
Add Receivables	11,039
Add Work in Process	73,499
Add other current assets	7,378
Subtract Current Liabilities	(43,172)
Total Fair Market Value 8-31-2013	$ 1,099,000 (MVIC - rounded)

Industry & Economic Outlook

The valuator found industry data from First Research Industry Profiles. While SAMPLE, Inc. operates in the XXXXXX service arena, in the valuator's opinion the closest industry related to the product developed by the Subject Company is the XXXXX industry.

Industry Overview
Additional Information

Critical Issues
Additional Information

Business Challenges
Additional Information

Business Trends
Additional Information

Industry Opportunities
Additional Information

Company Summary

The valuator obtained information from the Company's website.

SAMPLE, Inc. was founded in XXXX and provides services to XXXXXX.

Additional Information.

Market Approach

Guideline Public Company Method

The valuator considered the guideline public company method. However, the valuator does not believe that a comparison to public companies will be more credible than a comparison to a privately held company. Therefore, the valuator has not used this method, but has considered the guideline company transactions method instead.

Guideline Sales of Interests in Subject Entity

The valuator considered the prior transactions method of valuation. This valuation method evaluates prior transactions of the company's stock and if the transactions are determined to be arm's length transactions, the method develops a market value for the company based on those transactions. As of 4/1/2012, there was a buyout of a 50% shareholder for total consideration of $475,000. Although the circumstances surrounding this purchase were different than if the Company had sold 100% to an outside 3rd party buyer, in the valuator's opinion, it is very relevant and should be considered. The indication of value of a 100% ownership interest would have been $950,000.

Guideline Company Transactions Method

The valuator considered the guideline company transactions (comparable complete sale transactions) method of valuation. This valuation method uses databases of sales of controlling interests in closely held businesses to obtain multiples that determine company value.

The valuator found valuation multiples in First Research Industry Profile: *Industry*. The acquisition multiple below was calculated using at least 2 private, middle-market (valued at less than $1 billion) industry asset transactions completed between 1/2005 and 11/2005. Data updated annually, last updated October 2012.

The value indication based on the price multiple is developed as follows:

First Research.com

Projected Net Sales	X	Multiple	=	Sales Price
$ 1,184,000	X	0.60	=	$ 710,000

The multiples used are based on the medians rather than means of the transactions. The valuator believes that when a sufficient number of comparable transactions can be found, the median will provide a more reliable indication of value because it will not be skewed by statistical outliers.

Although accessible, a sales price to net profit multiplier was not used in the valuation. In the valuator's judgment, sales price to net profit multipliers are unreliable due to the wide variations in accounting methods and normalization adjustments used to determine net profit in private closely held businesses.

However, in the valuator's judgment, the sales price to net sales ratio is very reliable since variations in accounting for sales are minimal (when compared to net profit) and variations in accounting basis should not materially affect the ratio when developed based on a large enough population of transactions.

Market Approach Summary of Value

The comparability of the overall *Industry* with the Subject Company is limited and therefore, in the valuator's opinion, the previous sale of Subject Company stock is the most applicable. The valuator has not relied exclusively on the market approach but rather is using the approach as a reasonableness check against the income approach. The indication of value based on that transaction was $950,000 and lends credibility to the income approach, keeping in mind that the Company's profits have increased since the prior transaction.

Cost of Equity Build Up

The buildup method for Cost of Equity Capital is a model that is composed of a risk-free rate and certain other risk premiums. Each premium is based on the risk that an investor takes and the resulting reward. These premiums are added together to achieve the total cost of capital. A starting point for the rate is the risk-free rate. This rate is the expected return when very little to no risk is taken by the investor. The risk-free rate is traditionally the yield on a long-term U.S. Treasury Bond. In these circumstances, the 20 year rate is appropriate since the Subject Company is a going concern. The buildup of the rate is illustrated as follows:

	Components	
	Riskless Rate	2.41%
+	Equity Risk Premium	6.70%
+	Industry Risk Premium	0.00%
+	Size / Company Specific Premium	11.65%
	After-Tax Cost of Equity	20.76%
	Effect of Taxation	3.20%
	Pre-Tax Cost of Equity	23.96%

Riskless (Risk-free) Rate: This is the rate that an investor should receive without taking significant risk. The figure has been calculated in the Ibbotson 2013 Valuation Yearbook and approximates the 20-year U.S. Treasury Coupon Bond Yield as of December 31, 2012.

Equity Risk Premium: This is the additional return that an investor expects to receive for investing in equities rather than risk-free assets. This figure has been calculated in the Ibbotson 2013 Valuation Yearbook and is based on long-term market data from 1926 through 2012.

Industry Risk Premium: Generally taken from the Ibbotson SBBI industry risk data. In this case the closest comparable industry premium was negative. In the valuator's opinion, the resulting cost of equity estimate would have been unreasonably low and the valuator has not applied an industry premium in this case. The valuator notes that the industry premium from the previous year's Ibbotson data was close to zero.

Size / Company Specific Premium: A company with less market capitalization is more risky than a large company. The Ibbotson Study has analyzed the size premiums for very small companies by breaking down the smallest 10% of stocks and showing that the size premiums increase drastically when dealing with very small companies (market capitalization of between $1 and $96 million). The size premium for the Company can therefore be established based on the Ibbotson figures for the 10z size category since this is the range that most closely reflects the Company's position. The valuator has evaluated company specific risk and, when applicable in the valuators judgment, has adjusted this premium accordingly.

Income Approach

Capitalization of Cash Flows Method

The capitalization of earnings method looks at the present value of anticipated *future* income or cash flows generated by the business. In effect, the valuator capitalizes the company's current earnings. Earnings projections, extrapolated from the company's accounting statements, are discounted using a capitalization rate (or multiplier) that takes into account a required risk-based rate of return and a factor for future growth. The key is thoughtful forecasting, supported by articulated and reasonable assumptions.

The valuator has determined a value based on the Ibbotson Buildup Method (after-tax Cost of Equity reduced by a long-term growth rate of 3%).

After-Tax Projected Free Cash Flows	$ 188,000	(From exhibit 1)
Divided by After-Tax Capitalization Rate	.1776	
Income Approach Operating Value	$ 1,059,000	(rounded)

Note: The calculated operating value is the value of the total invested capital (assuming no material long-term debt). Market Value of Invested Capital (MVIC) should inherently include all operating assets necessary to run the business. NOTE: there is a difference between the definitions of MVIC as used in the income approach and when used in the market approach when dealing with typical asset sales. The indicated value using the income approach should include a normal level of working capital.

Discounted Cash Flows Method

The DCF method is well-suited for valuing a company whose earnings can be reasonably predicted to follow a certain trend for a period of time, followed by another trend into perpetuity. The valuator considered this method of valuation. In the valuator’s opinion, the subject Company’s growth rate is likely to be constant and therefore the capitalized cash flow method is more appropriate in this case. Also, according to First Research.com, the industry is expected to grow at a 3% annual rate from 2013 through 2017.

Loan Value Reasonableness Check

The free cash flows of $188,000 per year support a loan value of $900,000 on a 5 year term with 6% interest rate, 25% down payments and a 1.2 to 1 debt service ratio. If the term is increased to 7 years then the cash flow of the Company will support a value of $1,192,000. The reasonableness check supports the income approach value.

Asset Valuation Approach

The valuator considered asset valuation approaches. The asset valuation approach is commonly used in forced or orderly liquidation of a business or in situations where tangible assets of the business are significant to its operations. The difference between the income approach to value and the asset approach to value is commonly referred to as blue sky or goodwill. A business whose asset approach to value exceeds its income approach to value will frequently liquidate since the monetary benefit is greatest.

The Company does not rely on a significant level of capital assets in its operations. In the valuator's judgment, the liquidation value of those assets would produce a value that would likely be significantly lower than the credible value indication as developed on the income approach. Also, the premise of value for this valuation is going concern rather than forced or orderly liquidation. This means that the company is assumed to remain in business and therefore would not be liquidating assets. For these reasons, the asset approach is not appropriate and will not be used to obtain an indication of value.

Valuation Adjustments – Discounts & Premiums
Control vs. Minority
Liquidity

Statement on Standards for Valuation Services No. 1 states that in a conclusion engagement, the valuation analyst should consider "whether or not a business interest has ownership control characteristics and its degree of marketability."

Control Discount

The benefit stream valued to obtain the indicated conclusion of value was a control benefit stream and results in a control value. The business interest being valued is a control interest. The result is that no control discount or premium adjustment is appropriate in these circumstances.

Liquidity (Marketability) Discount

In general, a privately held company is less liquid than a publicly traded company. A discount for lack of liquidity would be appropriate when the income approach is relied on for the conclusion of value because capitalization rates used in the income approach are derived from publically traded (liquid) companies.

According to *Financial Valuation* by James Hitchner, "Many analysts believe that discounts for lack of marketability or liquidity for controlling interests generally range from 0 to 20 percent depending on the facts and circumstances and the pre-discount valuation method employed". Further, "Marketability expresses the relative ease and promptness with which a security or commodity may be sold when desired, at a representative current price, without material concession in price merely because of the goal of a prompt sale."

The valuation analyst believes that when relying on the market approach, in most cases a discount for lack of liquidity would not be appropriate because as the result of price negotiations, the discount is already reflected in the completed transactions.

The valuation analyst believes that when relying on the income or asset approach, a discount of up to 20 percent may apply depending on the facts and circumstances.

No material concession in price is expected because a prompt sale is not required. The facts and circumstances don't warrant the application of a discount for lack of marketability.

Sources of Information Used in the Conclusion Engagement

The following sources of information were used (or evaluated but not used) in this conclusion of value engagement.

1. Notes from Client Questionnaire
2. Tax Returns Provided by Client
3. Year to date financial statements
4. AICPA Statement on Standards for Valuation Services #1
5. Market data from the current Ibbotson SBBI Valuation Yearbook
6. Market data from the Pratt's Stats database
7. Market data from BIZCOMPS database
8. The Most Current Business Reference Guide
9. RMA Annual Statement Studies – Financial Ratio Benchmarks
10. First Research Industry Profiles
11. Bureau of Labor Statistics Data
12. BizMiner Research Data

Representation of the Appraiser

The parties for which the information and use of the valuation report is restricted are identified; the valuation report is not intended to be and should not be used by anyone else. The valuation analyst has no obligation to update the report or the opinion of value for information that comes to his attention after the date of the report.

I certify that, to the best of my knowledge and belief:

The statements of fact contained in this report are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

The economic and industry data included in the appraisal report have been obtained from various printed or electronic reference sources that the valuation analyst believes to be reliable. The valuation analyst has not performed any corroborating procedures to substantiate that data.

I have no present or prospective interest in the property that is the subject of this report, and I have no (or the specified) personal interest with respect to the parties involved.

I have performed no (or the specified) services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment. My engagement in this assignment was not contingent upon developing or reporting predetermined results.

My 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 event directly related to the intended use of this appraisal.

My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* and in accordance with the American Institute of Certified Public Accountants Statement of Standards for Valuation Services.

No one provided significant business and/or intangible asset appraisal assistance to the person signing this certification.

Brett G. Smith

Brett G. Smith, CPA, ABV, PFS
Accredited in Business Valuation

Qualifications of the Valuation Analyst

Brett G. Smith, CPA, ABV, PFS

Practice Overview

Just 2% of business owners will achieve everything they dreamed of when they opened their business. We call this rare, but highly successful group of business owners the "2% Club." At Griffiths, Dreher & Evans, we studied members of the 2% Club for several years and identified 5 key strategies they use in becoming a great success. Our mission is to help business owners execute these 5 strategies and join the highly successful "2% Club."

We are focused on business owners with less than $10 million of annual sales. As a firm of certified valuation analysts who have performed over 300 business valuation engagements, we provide regular valuation feedback to our business owner clients on how their day to day decisions affect the value of their biggest investment, their small business.

Professional Experience

2006 – Present

Griffiths, Dreher & Evans, PS, CPAs, formerly Griffiths & Company, PS, CPAs

2006

Griffiths, Dreher & Evans, PS, Washington State Registered Investment Adviser Firm

Education

2006 B.S. in Accounting, Eastern Washington University

Professional Designations

2011 PFS - Personal Financial Specialist, American Institute of Certified Public Accountants

2010 ABV - Accredited in Business Valuation, American Institute of Certified Public Accountants

2009 CPA - Certified Public Accountant, State of Washington

Professional Affiliations

American Institute of Certified Public Accountants (AICPA)

Exhibits

SAMPLE, Inc.
Conclusion of Value 8-31-13
Financial Statements & Adjustments

	Financial Statements Dec 31, 2010	Financial Statements Dec 31, 2011	Financial Statements Dec 31, 2012	Financial Statements Aug 31, 2013	Annualized 2013	Management Projected 2013
Income Statement						
Net Sales	$ 1,554,460	$ 1,402,725	$ 1,193,136	$ 785,362	$ 1,178,043	$ 1,184,346
Sales Growth		-9.76%	-14.94%		-1.27%	-0.74%
Gross Profit	1,225,950	1,056,925	939,812	602,257		
Gross Profit Margin	78.87%	75.35%	78.77%	76.69%		
Operating Income	113,804	160,576	174,409	196,457		
Adjustments						
Adj #1	(13,000)	(16,000)	(37,000)	(32,629)		
Adj #2	-	-	-	-		
Adj #3	15,401	18,977	20,902	6,606		
Adj #4	-	-	-	-		
Adj #5	(995)	(1,224)	(2,831)	(2,496)		
Adj #6	-	-	69,666	-		
Before Tax Normalizing Adjustments	115,211	162,329	225,146	167,938		
Income Tax Affect	(17,620)	(24,827)	(34,434)	(25,685)		
Normalized Net Income After Tax	$ 97,590	$ 137,502	$ 190,712	$ 142,254		
Adj #7	23,784	2,504	-	-		
Adj #8	2,108	1,105	3,269	2,628		
Adj #9	(5,000)	(5,000)	(5,000)	(3,333)		
Free Cash Flow to MVIC	$ 118,482	$ 136,111	$ 188,981	$ 141,549		$ 187,589
Cash Flows to Sales Ratio	7.62%	9.70%	15.84%	18.02%		
					Projected Cash Flows (rounded)	**$ 188,000**

The valuator reconciled the Company's accrual basis financial statements to the Company's cash basis tax returns (see below). The valuator believes that the financial statements are reasonable and should be more accurate with regard to the timing of revenues and expenses since they are on the accrual basis. The valuator has analyzed the Company's financial statements for 2010, 2011, 2012 and January through August 2013. The 2012 and 2013 statements show a higher net income than the previous 2 years despite total revenues being down. At the beginning of 2013, management represented that this profitability (for 2012) was sustainable due to permanent reductions in overhead. Based on the 2013 YTD performance, the valuator believes that this representation is reasonable. The annualized 2013 sales ($1,178,043) are slightly less than the 2012 total sales. In the valuator's opinion, management's projections of sales for 2013 are reasonable when compared with the 2012 and the 2013 annualized figures. The Company has some seasonality but the valuator believes that as of August, a pro-rated annualization will be reasonable based on the 2012 figures. Management has forecasted 6% growth for 2014 over the 2013 figures, but based on the Company's sales trend for 2012 and 2013, the valuator believes that the 2013 figures are a more credible indication of the Company's next period of sales. Although the 2013 forecast shows lower sales than 2012, the variance is immaterial and the valuator believes that the 2013 forecast is reasonable. The valuator has used the 2012 cash flows to sales ratio to forecast the next period of cash flows because it represents the most recently completed year and also has a very comparable level of sales to the forecasted sales.

SAMPLE, Inc.
Conclusion of Value 8-31-13
Financial Statements & Adjustments

Balance Sheet	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012	Aug 31, 2013
Cash	$ 9,962	$ 30,304	$ 45,645	$ 32,611
Accounts Receivable	50,129	22,460	19,478	11,039
Inventory	-	-	-	-
Other Current Assets	11,400	7,749	13,162	7,378
Total Current Assets	71,491	60,513	78,285	51,028
Total Fixed Assets	7,978	5,809	2,540	628
Other Non-Current Assets	-	-	-	-
Total Assets	$ 79,469	$ 66,321	$ 80,825	$ 51,656
Accounts Payable	$ 99,385	$ 19,866	$ 20,135	$ 4,066
Other Current Liabilities	75,426	99,295	39,729	39,106
Total Current Liabilities	174,812	119,161	59,865	43,172
Total Long Term Liabilities	225,941	186,876	335,583	194,484
Net Worth	(321,283)	(239,715)	(314,623)	(186,000)
Total Liabilities & Net Worth	$ 79,469	$ 66,321	$ 80,825	$ 51,656
Working Capital	$ (103,320)	$ (58,648)	$ 18,421	$ 7,856

NOTE: Loans to/ from current shareholders have been reclassified to equity.

NOTE: Interest-bearing liabilities (other than Credit Cards which are typically not considered financing), liabilities for the business purchase & liabilities to former owners have been reclassified as long-term debt.

SAMPLE, Inc.
Conclusion of Value 8-31-13
Financial Statements & Adjustments

Adjustment Details

Adj #1 Owner's Compensation

The Company's highest paid non-owner employee makes approximately $68,000 per year. There are 2 other key employees that also make close to $68,000 per year. The valuator has adjusted the owner's compensatior to a reasonable fair market value based on salary statistics and based on the Company's next highest paid employee. The subject Company had 2 owners previous to 2012 but due to changes in management structure, only one manager is needed per the current owner. Therefore, the valuator has adjusted the salary to one full-time equivalent for all years presented as it will be more indicative of future wage levels. In the valuator's opinion, it is reasonable that a manager / owner would make 1.25 times the highest paid employee to cover management duties, etc.

Year	Owner Wages - actual	Owner Wages - FMV	Variance / Adjustment
2010	72,000	85,000	(13,000)
2011	69,000	85,000	(16,000)
2012	48,000	85,000	(37,000)
2013 YTD	24,038	56,667	(32,629)

Adj #2 Discretionary Expenses

Management has represented that there have not been any significant discretionary expenses in the financial statements.

Adj #3 Interest Expense

The valuator has added back interest costs to get to a benefit stream free of financing costs

Adj #4 Rent Expense

The valuator has not adjusted the rent expense. Rent is paid to an unrelated 3rd party and assumed to be at Fair Market Value.

Adj #5 Payroll Taxes

Applicable FICA taxes related to the owner's compensation adjustment

Adj #6 Non recurring items

The valuator has added back a non-recurring payment to a former shareholder in 2012. No other significant non-recurring items have been identified by management.

Adj #7 Amortization

The valuator has added back amortization since it is a non-cash item.

Adj #8 Depreciation Expense

The valuator has added back depreciation since it is a non-cash item

Adj #9 Capital Maintenance

The valuator has reduce the cash flows by a projected average of future capital expenditures as represented by management. Based on the financials, the valuator believes this figure is reasonable.

SAMPLE, Inc.
Conclusion of Value 8-31-13
Financial Statements & Adjustments

NAICS XXXXX - Industry Stats

Common Size Financials

	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012	Aug 31, 2013	RMA XXXXXX By Sales	RMA XXXXXX By Assets
Income Statement						
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Gross Profit	78.87%	75.35%	78.77%	76.69%		
Net Income	7.32%	11.45%	14.62%	25.01%	7.80%	11.30%
Adjusted Net Income	7.41%	11.57%	18.87%	21.38%	7.80%	11.30%
Balance Sheet						
Cash	12.54%	45.69%	56.47%	63.13%	20.90%	35.60%
Accounts Receivable	63.08%	33.87%	24.10%	21.37%	18.60%	20.70%
Inventory	0.00%	0.00%	0.00%	0.00%	7.90%	3.00%
Total Current Assets	89.96%	91.24%	96.86%	98.79%	55.30%	64.70%
Total Fixed Assets	10.04%	8.76%	3.14%	1.21%	24.20%	21.40%
Other Non-Current Assets	0.00%	0.00%	0.00%	0.00%	20.50%	13.90%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Accounts Payable	125.06%	29.95%	24.91%	7.87%	12.30%	14.00%
Total Current Liabilities	219.98%	179.67%	74.07%	83.58%	41.80%	67.40%
Total Long Term Liabilities	284.31%	281.77%	415.20%	376.50%	34.00%	34.30%
Net Worth	-404.29%	-361.45%	-389.27%	-360.08%	24.20%	-1.70%

Financial Ratios

	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012	Aug 31, 2013	RMA XXXXXX By Sales	RMA XXXXXX By Assets
Current Ratio	0.41	0.51	1.31	1.18	1.40	1.40
Quick Ratio	0.41	0.51	1.31	1.18	0.90	1.30
Sales to Receivables	31.01	62.45	61.26		36.80	
Sales to Working Capital	(15.05)	(23.92)	64.77		22.30	68.30
Fixed Assets to Net Worth	(0.02)	(0.02)	(0.01)	(0.00)	0.70	0.60
Debt to Net Worth	(0.70)	(0.78)	(1.07)	(1.05)	1.60	1.10
% Profit Before Taxes/Net Worth	-35.86	-67.72	-71.56		36.00	68.10
% Profit Before Taxes/Total Assets	144.98	244.76	278.56		9.40	14.50
Sales to Net Fixed Assets	194.85	241.49	469.74		18.70	37.30
Sales to Total Assets	19.56	21.15	14.76		2.80	4.90

Industry Ratio Analysis

The valuator used the RMA Annual Statement Studies for industry comparative data

Valuator Analysis

The valuator has presented the last few completed years above. The Company's current ratio is similar to industry. The Company's most recent years have been more profitable than industry.

SAMPLE, Inc.
Conclusion of Value 8-31-13
Excess Invested (Working Capital) Analysis

Projected Net Sales		$ 1,184,346			
Source		Sales to Working Capital ratios	Normal Working Capital	Current Working Capital	Excess / (Shortage) of Working Capital
RMA Annual Statement Studies					
	Based on sales level mediar	22.30	53,110	7,856	(45,254)
	Based on asset level mediar	68.30	17,340	7,856	(9,484)
	Average	45.30	35,225	7,856	(27,369)

The valuator has analyzed working capital based on the Company's historical sales cycles. An analysis of the Company's invoicing shows that their terms are payment within 15 days. The valuator believes it is reasonable that the Company would have to keep 15 days worth of expenses on hand. Historically, the Company has invoiced on the 1st of each month. This creates a fluctuation in working capital from the beginning to the end of each month. The valuator has analyzed the Company's normal level of working capital as follows.

Projected expenses	996,757
Daily Expenses	2,731
Working Cap Needed	40,963
WC on Hand	7,856
Excess / (Shortage)	(33,106)

Based on the analysis above, the Company's current working capital is low by $33,000. However, since the Company invoices its customers on the 1st of each month, the Company likely has a significant level of unrecorded work in process as of the end of any given month (including the valuation date). Based on the billings on 9/1/13, the Company's actual working capital should increase by $73,499 for work in process as of 8/31/13. The result is that net working capital now shows an excess of $40,000. The normal working capital is valid, but the actual Company working capital will fluctuate throughout the month.

SAMPLE, Inc.
Conclusion of Value 8-31-13
Tax Return to Accrual Basis Financial Statement Reconciliation

	2010	2011	2012
Sales per Tax Return	1,554,460	1,450,901	1,193,118
Net Income - Schedule M-1 line 8 on taxes	116,527	191,224	199,950
Non-deductible items on tax return - Sch M-1	(2,722)	(18,624)	(30,008)
Income per Tax Return - after non-deductibles	113,805	172,600	169,942
Adjustment Items (differences between tax return and financial statements)			
Change in A/R	-	(48,176)	(2,982)
Change in Pre-paids	-	(7,749)	5,413
Change in A/P	-	48,813	(269)
Change in Other current liabilities	-	(4,912)	2,302
Tax return income adjusted to accrual basis	113,805	160,576	174,406
Net Income Per Financial Statements / Operating income per valuation (see 1st page of Exhibit 1)	**113,804**	**160,576**	**174,409**
Variance	immaterial	none	immaterial

Net Income on Sch. M-1 line 8 is essentially the taxable income of the Company
Non-deductible items on tax return (Sch M-1) are items such as penalties, 50% of meals & entertainment, and other items that are generally the same on the taxes and on the financial statements but happen to be non-deductible for tax purposes.

Income per Tax Return is the net taxable income after adjustments for non-deductible items
Adjustment Items are the differences between tax and financial statements due to the different accounting methods used. For example, the change in accounts receivable would be a reconciling item between the cash and accrual basis of accounting.

Variances - these are often due to rounding on the tax returns since the IRS requires whole numbers rather than to the penny

Statement of General Assumptions and Limiting Conditions

1. The conclusion of value will represent our professional, unbiased opinion based on the data we are able to obtain by agreement to prepare the conclusion of value. We will not audit, compile, or review any financial statements, forecasts, or financial data. All projections are representations of management. Accordingly, unless otherwise specified, our opinion will be subject to the validity of the underlying data submitted. Our engagement cannot be relied on to disclose errors, fraud, or other illegal acts that may exist, nor will we be responsible for the impact on our services of incomplete, missing, or withheld information, or mistaken or fraudulent data provided from any source or sources.
2. The conclusion of value arrived at herein is valid only for the stated purposes as of the date of valuation.
3. Financial statements and other related information provided by Client, or representatives, in the course of this engagement, have been accepted without any verification as fully and correctly reflecting the enterprise's business conditions and operating results for the respective periods, except as specifically noted herein. Griffiths, Dreher & Evans, PS, CPAs, has 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.
4. Public information and industry and statistical information have been obtained from sources we believe 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.
5. We do not provide assurance on the achievability of the results forecasted by client because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.
6. The conclusion 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.
7. The report and the conclusion of value arrived at herein are for the exclusive use of our client and 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 conclusion 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 conclusion of value represents the considered opinion of Griffiths, Dreher & Evans, PS, CPAs, based on information furnished to them by Client and other sources.
8. Neither all nor any part of the contents of this report should be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other means of communication without the prior written consent and approval of Griffiths, Dreher & Evans, PS, CPAs.

9. Future services regarding the subject matter of this report, including, but not limited to testimony or attendance in court, shall not be required of Griffiths, Dreher & Evans, PS, CPAs unless previous arrangements have been made in writing.
10. Griffiths, Dreher & Evans, PS, CPAs, is not an environmental consultant or auditor, 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. Griffiths, Dreher & Evans, PS, CPAs does not conduct or provide environmental assessments and has not performed one for the subject property.
11. No change of any item in this appraisal report shall be made by anyone other than Griffiths, Dreher & Evans, PS, CPAs, and we shall have no responsibility for any such unauthorized change.
12. 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, investments used in the business, and any other assets and liabilities, except as specifically stated to the contrary in this report. We have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances or that the entity has good title to all assets.

INTERNATIONAL GLOSSARY OF BUSINESS VALUATION TERMS

To enhance and sustain the quality of business valuations for the benefit of the profession and its clientele, the below identified societies and organizations have adopted the definitions for the terms included in this glossary.

The performance of business valuation services requires a high degree of skill and imposes upon the valuation professional a duty to communicate the valuation process and conclusion, in a manner that is clear and not misleading. This duty is advanced through the use of terms whose meanings are clearly established and consistently applied throughout the profession.

If, in the opinion of the business valuation professional, one or more of these terms needs to be used in a manner that materially departs from the enclosed definitions, it is recommended that the term be defined as used within that valuation engagement.

This glossary has been developed to provide guidance to business valuation practitioners by further memorializing the body of knowledge that constitutes the competent and careful determination of value and, more particularly, the communication of how that value was determined.

Departure from this glossary is not intended to provide a basis for civil liability and should not be presumed to create evidence that any duty has been breached.

American Institute of Certified Public Accountants
American Society of Appraisers
Canadian Institute of Chartered Business Valuators
National Association of Certified Valuation Analysts
The Institute of Business Appraisers

Adjusted Book Value Method - a method within the asset approach whereby all assets and liabilities (including off-balance sheet, intangible, and contingent) are adjusted to their fair market values (NOTE: In Canada on a going concern basis).

Adjusted Net Asset Method - see Adjusted Book Value Method.

Appraisal - see Valuation.

Appraisal Approach - see Valuation Approach.

Appraisal Date - see Valuation Date.

Appraisal Method - see Valuation Method.

Appraisal Procedure - see Valuation Procedure.

Arbitrage Pricing Theory - a multivariate model for estimating the cost of equity capital, which incorporates several systematic risk factors.

Asset (Asset-Based) Approach - a general way of determining a value indication of a business, business ownership interest, or security using one or more methods based on the value of the assets net of liabilities.

Beta - a measure of systematic risk of a stock; the tendency of a stock's price to correlate with changes in a specific index.

Blockage Discount - an amount or percentage deducted from the current market price of a publicly traded stock to reflect the decrease in the per share value of a block of stock that is of a size that could not be sold in a reasonable period of time given normal trading volume.

Book Value - see Net Book Value.

Business - see Business Enterprise.

Business Enterprise - a commercial, industrial, service, or investment entity (or a combination thereof) pursuing an economic activity.

Business Risk - the degree of uncertainty of realizing expected future returns of the business resulting from factors other than financial leverage. See Financial Risk.

Business Valuation - the act or process of determining the value of a business enterprise or ownership interest therein.

Capital Asset Pricing Model (CAPM) - a model in which the cost of capital for any stock or portfolio of stocks equals a risk-free rate plus a risk premium that is proportionate to the systematic risk of the stock or portfolio.

Capitalization - a conversion of a single period of economic benefits into value.

Capitalization Factor - any multiple or divisor used to convert anticipated economic benefits of a single period into value.

Capitalization of Earnings Method - a method within the income approach whereby economic benefits for a representative single period are converted to value through division by a capitalization rate.

Capitalization Rate - any divisor (usually expressed as a percentage) used to convert anticipated economic benefits of a single period into value.

Capital Structure - the composition of the invested capital of a business enterprise, the mix of debt and equity financing.

Cash Flow - cash that is generated over a period of time by an asset, group of assets, or business enterprise. It may be used in a general sense to encompass various levels of specifically defined cash flows. When the term is used, it should be supplemented by a qualifier (for example, "discretionary" or "operating") and a specific definition in the given valuation context.

Common Size Statements - financial statements in which each line is expressed as a percentage of the total. On the balance sheet, each line item is shown as a percentage of total assets, and on the income statement, each item is expressed as a percentage of sales.

Control - the power to direct the management and policies of a business enterprise.

Control Premium - an amount or a percentage by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest in a business enterprise, to reflect the power of control.

Cost Approach - a general way of determining a value indication of an individual asset by quantifying the amount of money required to replace the future service capability of that asset.

Cost of Capital - the expected rate of return that the market requires in order to attract funds to a particular investment.

Debt-Free - we discourage the use of this term. See Invested Capital.

Discount for Lack of Control - an amount or percentage deducted from the pro rata share of value of 100% of an equity interest in a business to reflect the absence of some or all of the powers of control.

Discount for Lack of Marketability - an amount or percentage deducted from the value of an ownership interest to reflect the relative absence of marketability.

Discount for Lack of Voting Rights - an amount or percentage deducted from the per share value of a minority interest voting share to reflect the absence of voting rights.

Discount Rate - a rate of return used to convert a future monetary sum into present value.

Discounted Cash Flow Method - a method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate.

Discounted Future Earnings Method - a method within the income approach whereby the present value of future expected economic benefits is calculated using a discount rate.

Economic Benefits - inflows such as revenues, net income, net cash flows, etc.

Economic Life - the period of time over which property may generate economic benefits.

Effective Date - see Valuation Date.

Enterprise - see Business Enterprise.

Equity - the owner’s interest in property after deduction of all liabilities.

Equity Net Cash Flows - those cash flows available to pay out to equity holders (in the form of dividends) after funding operations of the business enterprise, making necessary capital investments, and increasing or decreasing debt financing.

Equity Risk Premium - a rate of return added to a risk-free rate to reflect the additional risk of equity instruments over risk free instruments (a component of the cost of equity capital or equity discount rate).

Excess Earnings - that amount of anticipated economic benefits that exceeds an appropriate rate of return on the value of a selected asset base (often net tangible assets) used to generate those anticipated economic benefits.

Excess Earnings Method - a specific way of determining a value indication of a business, business ownership interest, or security determined as the sum of a) the value of the assets derived by capitalizing excess earnings and b) the value of the selected asset base. Also frequently used to value intangible assets. See Excess Earnings.

Fair Market Value - the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts. {NOTE: In Canada, the term "price" should be replaced with the term "highest price"}

Fairness Opinion - an opinion as to whether or not the consideration in a transaction is fair from a financial point of view.

Financial Risk - the degree of uncertainty of realizing expected future returns of the business resulting from financial leverage. See Business Risk.

Forced Liquidation Value - liquidation value, at which the asset or assets are sold as quickly as possible, such as at an auction.

Free Cash Flow - we discourage the use of this term. See Net Cash Flow.

Going Concern - an ongoing operating business enterprise.

Going Concern Value - the value of a business enterprise that is expected to continue to operate into the future. The intangible elements of Going Concern Value result from factors such as having a trained work force, an operational plant, and the necessary licenses, systems, and procedures in place.

Goodwill - that intangible asset arising as a result of name, reputation, customer loyalty, location, products, and similar factors not separately identified.

Goodwill Value - the value attributable to goodwill.

Guideline Public Company Method - a method within the market approach whereby market multiples are derived from market prices of stocks of companies that are engaged in the same or similar lines of business, and that are actively traded on a free and open market.

Income (Income-Based) Approach - a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more methods that convert anticipated economic benefits into a present single amount.

Intangible Assets - non-physical assets such as franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities and contracts (as distinguished from physical assets) that grant rights and privileges, and have value for the owner.

Internal Rate of Return - a discount rate at which the present value of the future cash flows of the investment equals the cost of the investment.

Intrinsic Value - the value that an investor considers, on the basis of an evaluation or available facts, to be the "true" or "real" value that will become the market value when other investors reach the same conclusion. When the term applies to options, it is the difference between the exercise price or strike price of an option and the market value of the underlying security.

Invested Capital - the sum of equity and debt in a business enterprise. Debt is typically a) all interest bearing debt or b) long-term interest-bearing debt. When the term is used, it should be supplemented by a specific definition in the given valuation context.

Invested Capital Net Cash Flows - those cash flows available to pay out to equity holders (in the form of dividends) and debt investors (in the form of principal and interest) after funding operations of the business enterprise and making necessary capital investments.

Investment Risk - the degree of uncertainty as to the realization of expected returns.

Investment Value - the value to a particular investor based on individual investment requirements and expectations. {NOTE: in Canada, the term used is "Value to the Owner"}.

Key Person Discount - an amount or percentage deducted from the value of an ownership interest to reflect the reduction in value resulting from the actual or potential loss of a key person in a business enterprise.

Levered Beta - the beta reflecting a capital structure that includes debt.

Limited Appraisal - the act or process of determining the value of a business, business ownership interest, security, or intangible asset with limitations in analyses, procedures, or scope.

Liquidity - the ability to quickly convert property to cash or pay a liability.

Liquidation Value - the net amount that would be realized if the business is terminated and the assets are sold piecemeal. Liquidation can be either "orderly" or "forced."

Majority Control - the degree of control provided by a majority position.

Majority Interest - an ownership interest greater than 50% of the voting interest in a business enterprise.

Market (Market-Based) Approach - a general way of determining a value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Market Capitalization of Equity - the share price of a publicly traded stock multiplied by the number of shares outstanding.

Market Capitalization of Invested Capital - the market capitalization of equity plus the market value of the debt component of invested capital.

Market Multiple - the market value of a company's stock or invested capital divided by a company measure (such as economic benefits, number of customers).

Marketability - the ability to quickly convert property to cash at minimal cost.

Marketability Discount - see Discount for Lack of Marketability.

Merger and Acquisition Method - a method within the market approach whereby pricing multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business.

Mid-Year Discounting - a convention used in the Discounted Future Earnings Method that reflects economic benefits being generated at midyear, approximating the effect of economic benefits being generated evenly throughout the year.

Minority Discount - a discount for lack of control applicable to a minority interest.

Minority Interest - an ownership interest less than 50% of the voting interest in a business enterprise.

Multiple - the inverse of the capitalization rate.

Net Book Value - with respect to a business enterprise, the difference between total assets (net of accumulated depreciation, depletion, and amortization) and total liabilities as they appear on the balance sheet (synonymous with Shareholder's Equity). With respect to a specific asset, the capitalized cost less accumulated amortization or depreciation as it appears on the books of account of the business enterprise.

Net Cash Flows - when the term is used, it should be supplemented by a qualifier. See Equity Net Cash Flows and Invested Capital Net Cash Flows.

Net Present Value - the value, as of a specified date, of future cash inflows less all cash outflows (including the cost of investment) calculated using an appropriate discount rate.

Net Tangible Asset Value - the value of the business enterprise's tangible assets (excluding excess assets and non-operating assets) minus the value of its liabilities.

Non-Operating Assets - assets not necessary to ongoing operations of the business enterprise. {NOTE: in Canada, the term used is "Redundant Assets"}.

Normalized Earnings - economic benefits adjusted for nonrecurring, non-economic, or other unusual items to eliminate anomalies and/or facilitate comparisons.

Normalized Financial Statements - financial statements adjusted for nonoperating assets and liabilities and/or for nonrecurring, non-economic, or other unusual items to eliminate anomalies and/or facilitate comparisons.

Orderly Liquidation Value - liquidation value at which the asset or assets are sold over a reasonable period of time to maximize proceeds received.

Premise of Value - an assumption regarding the most likely set of transactional circumstances that may be applicable to the subject valuation; e.g. going concern, liquidation.

Present Value . the value, as of a specified date, of future economic benefits and/or proceeds from sale, calculated using an appropriate discount rate.

Portfolio Discount - an amount or percentage deducted from the value of a business enterprise to reflect the fact that it owns dissimilar operations or assets that do not fit well together.

Price/Earnings Multiple - the price of a share of stock divided by its earnings per share.

Rate of Return - an amount of income (loss) and/or change in value realized or anticipated on an investment, expressed as a percentage of that investment.

Redundant Assets - see Non-Operating Assets.

Report Date - the date conclusions are transmitted to the client.

Replacement Cost New - the current cost of a similar new property having the nearest equivalent utility to the property being valued.

Reproduction Cost New - the current cost of an identical new property.

Required Rate of Return - the minimum rate of return acceptable by investors before they will commit money to an investment at a given level of risk.

Residual Value - the value as of the end of the discrete projection period in a discounted future earnings model.

Return on Equity - the amount, expressed as a percentage, earned on a company's common equity for a given period.

Return on Investment - see Return on Invested Capital and Return on Equity.

Return on Invested Capital - the amount, expressed as a percentage, earned on a company's total capital for a given period.

Risk-Free Rate - the rate of return available in the market on an investment free of default risk.

Risk Premium - a rate of return added to a risk-free rate to reflect risk.

Rule of Thumb - a mathematical formula developed from the relationship between price and certain variables based on experience, observation, hearsay, or a combination of these; usually industry specific.

SDE – (Seller's Discretionary Earnings) the earnings of a business enterprise prior to income taxes, nonrecurring income and expenses, nonoperating income and expenses, depreciation and amortization, interest expense or income and one owner/operator after adjusting the total compensation of all owners to market value.

Special Interest Purchasers - acquirers who believe they can enjoy post-acquisition economies of scale, synergies, or strategic advantages by combining the acquired business interest with their own.

Standard of Value - the identification of the type of value being used in a specific engagement; e.g. fair market value, fair value, investment value.

Sustaining Capital Reinvestment - the periodic capital outlay required to maintain operations at existing levels, net of the tax shield available from such outlays.

Systematic Risk - the risk that is common to all risky securities and cannot be eliminated through diversification. The measure of systematic risk in stocks is the beta coefficient.

Tangible Assets - physical assets (such as cash, accounts receivable, inventory, property, plant and equipment, etc.).

Terminal Value - see Residual Value.

Transaction Method - see Merger and Acquisition Method.

Unlevered Beta - the beta reflecting a capital structure without debt.

Unsystematic Risk - the risk specific to an individual security that can be avoided through diversification.

Valuation - the act or process of determining the value of a business, business ownership interest, security, or intangible asset.

Valuation Approach - a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more valuation methods.

Valuation Date - the specific point in time as of which the valuator's opinion of value applies (also referred to as "Effective Date" or "Appraisal Date").

Valuation Method - within approaches, a specific way to determine value.

Valuation Procedure - the act, manner, and technique of performing the steps of an appraisal method.

Valuation Ratio - a fraction in which a value or price serves as the numerator and financial, operating, or physical data serves as the denominator.

Value to the Owner - see Investment Value.

Voting Control - de jure control of a business enterprise.

Weighted Average Cost of Capital (WACC) - the cost of capital (discount rate) determined by the weighted average, at market value, of the cost of all financing sources in the business enterprise's capital structure.