COMPANY NAME

VALUATION REPORT

MAY 31, 2017

October 12, 2017

CLIENT
ADDRESS
CITY, STATE ZIP

Dear CLIENT:

We have prepared and enclose herewith our Valuation Report (the “Report”) of the fair market value of COMPANY NAME.(the “Company” or “COMPANY NAME”) as of May 31, 2017. The purpose of this engagement is to render a conclusion as to the fair market value of a 1% ownership interest in the Company on a non-controlling, non-marketable basis for gift tax reporting purposes. This Report should not be used for any other purpose or by any other party for any purpose. The value conclusion is considered a cash or cash equivalent value. The distribution of this Report is restricted to the Company’s management, the Company’s counsel, the owners’ counsel and any applicable taxing, governmental or judicial authorities. This Report may not be distributed to any other outside parties without our prior written consent.

Based on our valuation analysis and procedures, our conclusion of the fair market value of a 1% ownership interest in the Company on a non-controlling, non-marketable basis as of May 31, 2017 is:

$175,000

A description of the analysis, procedures and assumptions relied upon to reach this conclusion is presented in the accompanying Report. This letter should not be separated from, or considered independent of, the attached Report. This valuation is subject to the assumptions and limiting conditions detailed in **Appendix A** to this Report.

Very truly yours,

VALUATION FIRM

TABLE OF CONTENTS

TABLE OF CONTENTS (continued)

1 INTRODUCTION

1.1 Overview

We have performed a valuation engagement and present our detailed report in conformity with the "Statement on Standards for Valuation Services No. 1" ("SSVS") of the American Institute of Certified Public Accountants. The American Institute of Certified Public Accountants defines an engagement to estimate value as "an engagement, or any part of an engagement (for example, a tax, litigation, or acquisition-related engagement), that involves determining the value of a business, business ownership interest, security, or intangible asset." More specifically, it defines a valuation engagement as "an engagement to estimate value in which a valuation analyst determines an estimate of the value of a subject interest by performing appropriate valuation procedures, as outlined in SSVS, and is free to apply the valuation approaches and methods he or she deems appropriate in the circumstances. The valuation analyst expresses the results of the valuation engagement as a conclusion of value, which may be either a single amount or a range."

Our analysis is also in conformity with the National Association of Certified Valuators and Analysts' ("NACVA") standards. NACVA defines a valuation engagement as an engagement that is undertaken "to establish the value for an entire or partial interest in a closely-held business or professional practice, taking into account both quantitative and qualitative tangible and intangible factors associated with the specific business being valued."

Finally, our analysis takes into consideration various revenue rulings, including Revenue Ruling 59-60, which outline the approaches, methods and factors to be considered in valuing shares of capital stock in closely-held entities for Federal tax purposes. Revenue Ruling 65-192 extended the concepts in Revenue Ruling 59-60 to income and other tax purposes as well as to business interests of any type.

In performing a valuation of a closely-held company or other business entity, certain steps must be undertaken in order to perform a conceptually sound and commonly accepted method of determining value. Although valuing a business is an imprecise science, by following established guidelines and references, a reasonable conclusion of value can be determined. These guidelines or practices include establishing the purpose of the valuation, determining the type of value being estimated, establishing the premise of value, analyzing the industry and economic climate, evaluating the entity's historical results of operations and normalizing financial activity to present a true "economic" picture of the entity's operations. The next step is selecting the valuation methodologies that are appropriate for the characteristics of the specific entity being valued and then properly applying the necessary steps associated with the methodologies in arriving at a determination of value. The last step in formulating a conclusion of the value of an ownership interest in an entity is evaluating the nature of the underlying ownership interest and applying any necessary control or marketability adjustments to reflect characteristics specific to the nature of the ownership interest being valued.

1.2 Purpose of Valuation

The purpose of the valuation is to render a conclusion as to the fair market value of a 1% ownership interest in COMPANY NAME (the "Company" or "COMPANY NAME") on a non-controlling, non-marketable basis as of May 31, 2017 for gift tax reporting purposes.

This Report should not be used for any other purpose or by any other party for any purpose. The distribution of this Report is restricted to the Company's management, the Company's counsel, the owners' counsel and any applicable taxing, governmental or judicial authorities. This Report may not be distributed to any other outside parties without our prior written consent.

1.3 Type of Value to be Determined

While there are many types of value that can be determined, we have been engaged to render a conclusion of the "fair market value" of a 1% ownership interest in the Company on a non-controlling, non-marketable basis. The term "fair market value" is defined as "the price at which property would change hands between a willing buyer and a willing seller, when the former is not under any compulsion to buy, the latter is not under any compulsion to sell, and both parties have reasonable knowledge of the relevant facts," according to Revenue Ruling 59-60.

Fair market value is also defined in a similar way in the International Glossary of Business Valuation Terms as "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 arm's 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." The determination of fair market value is predicated on the fact that both the buyer and seller have in their possession the same group of pertinent facts, financial information and other items relevant to an entity's value.

1.4 Level and Premise of Value

We have valued a 1% ownership interest in the Company on a non-controlling, non-marketable basis as a going concern. It is assumed that management will maintain the Company's character and integrity as of the valuation date into the future.

1.5 Approach to Valuation

The objective of this valuation engagement was to render a conclusion as to the fair market value of a 1% ownership interest in the Company as of the date prescribed above, presented in this detailed Report, which would provide a fair and reasonable return on investment to an investor or owner using the facts available to us at the time of valuation.

Our conclusion is based on, among other things, our assessment of the risks facing the Company and the returns that would be realized on alternative investments with similar levels of risk.

Both internal and external factors which influence the value of the Company were reviewed, analyzed and interpreted. Internal factors include the Company's financial position, results of operations and projected results. External factors include, among other things, the status of the economy, the economic outlook, the status of the Company's industry, the position of the Company within the industry and the marketability of the ownership interest being valued.

1.6 Limiting Conditions of Valuation

The conclusion of value rendered in this Report is based on information provided in whole or in part by the management of the Company. We also had discussions and communications with Officer #1 (the Company's President), CONTROLLER (the Company's Controller), ATTORNEY (Officer #1 and Officer #2's Attorney) and CPA (the Company's outside CPA) on various dates regarding the Company's operations. There were no restrictions or limitations in the scope of our work or data available for analysis.

We have no present or contemplated financial interest in the Company. Our fees for this valuation engagement are based upon our normal hourly billing rates, and are in no way contingent upon the results of our findings. Our compensation is also not contingent on any action or event resulting from the analyses, opinions, conclusion in, or the use of, this Report.

VALUATION FIRM is not a guarantor of value. VALUATION FIRM has, however, performed conceptually sound and commonly accepted methods of valuation in determining the conclusion of value included in this Report. The reported analyses, opinions and conclusion of value are limited only by the reported assumptions and limiting conditions and were developed in conformity with SSVS and are our personal, impartial, independent, unbiased, objective professional analyses, opinions and conclusions.

This valuation reflects facts and conditions existing at the valuation date. The valuation and Report are to be used only as of this date and are not valid as of any other date. Subsequent events have not been considered, and we have no obligation to update our Report for such events and conditions, although we reserve the right to do so.

Appendix A, attached hereto, more fully details our assumptions and limiting conditions.

2 GENERAL INFORMATION

2.1 Company Background

COMPANY NAME is an independent, family-owned and managed business based in CITY, STATE that was founded in YEAR. The Company is engaged in the wholesale distribution of pharmaceuticals, over-the-counter ("OTC") products and pharmaceutical supplies. COMPANY NAME is a member of BUYING GROUP and holds memberships in various state and local healthcare associations.

Capitalization and Ownership

As of the valuation date, and prior to the contemplated gift that is the subject of this Report, the ownership of the Company was as follows:

REDACTED

Subsidiaries

The Company formed a wholly-owned subsidiary, SUBSIDIARY in 2011 ("SUBSIDIARY"). SUBSIDIARY is a closed-door pharmacy serving nursing homes and long-term adult care facilities in LOCATIONS.

Products and Services

The Company is a wholesale distributor that provides rapid delivery of pharmaceutical drugs, generic drugs, OTC drugs, home health care/durable medical equipment, and sundry items to its customers along with providing related services. The Company has participated in BUYING GROUP for over 15 years (it is one the group's smaller members), which is a buying group that provides COMPANY NAME with significant cost savings on generic drug sales (COMPANY NAME has an ownership interest in BUYING GROUP in connection with its participation in the buying group). In the period immediately preceding the May 31, 2017 valuation date, the Company's prescription drug revenue split was approximately 45% generic drugs and 55% brand name drugs.

Customers

A summary of the Company's sales by customer in FYE 8/31/2016 is presented below:

REDACTED

The Company sells primarily to pharmacies (COMPANY NAME) and nursing homes / assisted living facilities (SUBSIDIARY). The Company has a modest amount of customer concentration with CUSTOMER its largest customer by some margin, but no other customers represented more than 5.0% of the Company's revenue in FYE 8/31/2016.

Key Employees

The following individuals were identified as key individuals involved in the operation of the Company:

Officer #1 – Officer #1 is the Company's President and is responsible for COMPANY NAME's overall operation including warehouse operations, buying, personnel and general management.

As of the valuation date, the Company had approximately 90 employees. Management indicated that the Company is well-structured and that the loss of no single employee, including Officer #1, would be expected to materially damage the Company.

Locations

The Company operates out of a single 40,000 square foot facility located in CITY, STATE. SUBSIDIARY operates out of a facility located in CITY, STATE that was acquired by the Company in January 2017.

Tax Status

The Company is taxed as a C corporation.

2.2 Industry Overview[1]

In the valuation of any entity, it is important to gain an understanding of the industry in which the entity operates, including the industry's composition, trends, and opportunities. The Company's business model is based on the wholesale distribution of various drugs, pharmaceuticals and pharmaceutical supplies. Therefore, we analyzed the drug wholesalers industry in determining the value of COMPANY NAME. Analysis of this industry provides general insight into certain industry issues that impact the Company.

Industry Overview

Companies in this industry serve as wholesale distributors of prescription drugs, over-the-counter medicines, and related products. Major companies include AmerisourceBergen, Cardinal Health, and McKesson (all based in the U.S.), as well as Jointown Pharmaceutical (China), Medipal (Japan) and PHOENIX (Germany).

Aging populations worldwide drive demand for wholesale drug distribution. In addition, growing numbers of middle-class consumers will likely lead to expansion for the industry in countries such as China, India, Mexico, South Korea, and Turkey.

The U.S. drug wholesalers industry includes approximately 10,000 establishments (single-location companies and units of multi-location companies) with combined annual revenue of nearly $850 billion. These industry figures also include manufacturers' distribution units.

Competitive Landscape

Demand for pharmaceutical distribution is driven by the need to treat illness and disease. The profitability of individual companies is determined by the efficient distribution of a wide variety of drugs and medications. Large companies compete intensely on price, size of generic drug portfolio, product volume and variety, and the quality of value-added support services such as supply chain management. Small companies can compete by focusing on rural areas, independent community pharmacies, or the distribution of drugs that have special handling requirements. The U.S. industry is highly concentrated with the top four companies accounting for approximately 45% of revenue and the top 50 companies accounting for nearly 85% of industry revenue.

Products, Operations and Technology

Major products include branded and generic prescription drugs, which account for about 80% of industry revenue. Other products include over-the-counter (OTC) medications, personal care products, vitamins, and veterinary medicines. Distributors generally act as intermediaries in the ordering and delivery of pharmaceuticals and related products obtained from manufacturers. Because the drug manufacturing industry is highly concentrated, some distributors may purchase inventory from a fairly small number of suppliers.

Products are ordered from manufacturers in bulk, processed at distribution centers, and delivered to customers though through owned, leased, or contracted vehicle fleets. Large companies typically have dozens of distribution facilities that are strategically located to efficiently serve most, if not all, U.S. states. Distributors may arrange for products to be shipped cross-dock (sent from the manufacturer to the distributor and then to the customer's warehouse) or drop-shipped (sent directly from the manufacturer to the customer). Oncology medicines and other complex drugs may require special handling. Distributors typically bear full contractual responsibility and product risk for deliveries, whether cross-docked or drop-shipped.

[1] FirstResearch – Drug Wholesalers (5/29/2017)

In addition to distribution and logistics services for drug retailers and health care providers, some companies also provide services to pharmaceutical manufacturers, including promotion and marketing, product data reporting, logistics, and packaging. Companies may also have complementary wholesale medical and surgical equipment supply businesses.

Companies tend to rely heavily on IT to streamline their operations and enhance customer service. Such companies use information systems that integrate their warehouses with their customers' computer systems. These systems often employ bar coding or radio frequency identification (RFID) technologies that allow customers to track inventory in real time. Technology improves productivity by increasing the volume of products that can be processed in a given warehouse facility.

Customers use web-based order entry portals that tie into distributors' enterprise resource planning (ERP) systems. Distributors are able to electronically process purchase orders, invoices, and payments. Some distributors also offer software programs for health care providers, insurers, pharmacies, consumers, and other parties to help manage expenses and coordinate patient care, such as health information exchange (HIE) solutions and electronic health records (EHRs). To ensure that they are keeping pace with the advantages information technology has to offer, companies often outsource some technology functions.

Sales and Marketing

Pharmaceutical distributors typically serve three types of customers: national retail accounts (national and regional drug and grocery chains, mass merchandisers, and mail-order pharmacies), independent pharmacies, and health care institutions (hospitals, clinics, managed care organizations (MCOs), and long-term health care providers). A number of hospitals are represented by group purchasing organizations (GPOs).

Marketing is through trade and industry publications, product and services literature, and online tools on company websites. Companies' sales forces usually are organized regionally and by health care provider type. Marketing efforts are often closely tied to distribution centers to ensure timely and accurate customer service. Specialized service divisions, such as packing services, may have independent sales and marketing organizations. Some distributors provide franchise and product promotion services to pharmacies.

Finance and Regulation

Cash flow remains fairly even throughout the year due to steady demand for medications. Profits can be impacted by regulatory pressure on customers and drug manufacturers to lower health costs. The industry is capital-intensive with average annual revenue per employee in the U.S. of approximately $4.2 million.

The working capital turnover ratio for the U.S. industry is about 20%. Inventory typically turns five times per year. Inventory needs can be seasonal, with demand peaking between December and March. Products have a short life cycle and may become obsolete due to new product innovations, patent expirations, or drug recalls.

The pharmaceutical industry is subject to numerous local, state, federal and international regulations. Companies typically need to be licensed by the FDA and DEA to ensure they comply with security standards regarding the handling of controlled substances. They are also subject to regulation by other federal agencies such as the FTC, the Department of Health and Human Services, and the Nuclear Regulatory Commission.

In addition, distributors are often regulated by state boards of pharmacy and state health and insurance departments. Failure to comply with certain federal and state regulations could prevent a company from participation in Medicare, Medicaid, or other government health care programs, or lead to suspension of its ability to distribute controlled substances.

Critical Issues and Other Business Challenges

Pressure from Pharmaceutical and Health Care Consolidation - Consolidation in the pharmaceutical manufacturing industry has reduced the pool of suppliers from which distributors can purchase products and thus reduced distributors' bargaining power. Meanwhile health care organizations have also been consolidating, which increases their buying power and reduces the overall number of potential customers for pharmaceutical distributors. These combined forces can put downward pressure on revenue for pharmaceutical distributors.

Heavy Government Regulation, Political Pressure on Prices - The pharmaceutical industry is heavily regulated by government agencies including the FDA and the European Medicines Agency and is subject to local and national laws. The high profitability of many drug companies at a time of rising health care costs makes the industry a prime target for regulators, including politicians. In recent years, U.S. producer prices for pharmaceuticals have increased 5% to 7% per year and new proposals to curb drug spending are emerging at the state and federal levels. In Europe, where drug prices are largely government-controlled, countries are introducing austerity measures to reduce health spending that include new drug pricing rules.

Dependence on Large Customers - Due to heavy consolidation among major customer groups like pharmacy chains and group purchasing organizations (GPOs), drug wholesalers are dependent on a small number of customers. In a recent year, more than 50% of McKesson's revenue was derived from just 10 large customers.

Push for Drug Pedigree Tracking - Distributors must comply with stricter regulations intended to prevent counterfeit, adulterated, or mislabeled drugs from entering the supply chain. The 2013 Drug Quality and Security Act establishes federal standards requiring participation in an electronic prescription drug track-and-trace system, pre-empting existing state drug pedigree requirements. The FDA released a Serialized Numerical Identifier (SNI) guidance for manufacturers in 2010. Companies may need to invest significant capital to meet new requirements.

Liability Costs - Companies may face legal and regulatory proceedings involving health fraud and abuse, false claims, antitrust, licensing, and other claims. Settlements may involve monetary payments or punitive damages and can also impact a firm's reputation. Companies maintain liability insurance for risks not covered through customer contracts, but damages may exceed coverage.

Business Trends and Industry Opportunities

Health Care Reform - Government health reform efforts are changing how medical care is acquired and paid for in countries around the globe. Under the U.S. Affordable Care Act, for example, more people have gained insurance coverage for at least a portion of prescription drug costs. However, cost control measures included in the ACA could reduce drug reimbursement amounts from Medicare and other insurers. Because the provisions of the ACA are still being implemented, it is difficult for drug distributors to forecast the full effect of the legislation on their businesses.

MCOs Favor Generics - Managed care organizations (MCOs) are increasingly using tiered co-payment systems to discourage patients from buying expensive drugs. While the co-payment for a generic drug might be $5, the co-payment for a brand name may be two or three times as much. MCOs and other health insurers also use formularies, or lists of approved drugs, to encourage physicians to prescribe generic drugs.

Patent Expirations - A growing number of prescription medications are reaching the end of their patent lifecycles and are being converted to generic status. This is causing a reduction in revenue for branded drug manufacturers, and some wholesalers have increased the number of generic products they carry to offset the price difference. Price fluctuations or a decline in the number of generic releases can impact a distributor's operating results.

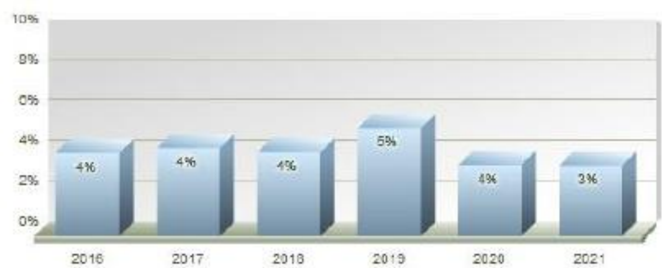
Favorable Demographics - In the U.S., the number of individuals age 65 and older is expected to exceed 55 million by 2020, making this the most rapidly growing segment of the population. This group suffers from a disproportionate amount of chronic illnesses and disabilities, and therefore accounts for a substantial portion of all health care expenditures in the U.S. Aging populations are increasing demand for health care in other developed nations such as France and Japan, as well as in developing nations with improving health systems such as Brazil, China, and India.

Increased Drug Therapy Use - As overall health care costs continue to rise, governments and private payers are encouraging the use of drug therapies to reduce costs. Drug companies will continue to introduce new drugs and find new uses for existing ones. New and better drug therapies are expected to reduce reliance on expensive surgeries and shorten hospital stays. Pharmaceuticals account for about 12% of total U.S. health care costs.

Technology - Health care companies are adopting complex data management systems to help manage inventories, control expenses, and improve quality and efficiency. More drug wholesalers are offering information technology products and services to help clients meet their data management needs.

<u>*Industry Forecast*</u>

Domestic demand for drugs, an indicator for wholesalers, is forecast to grow at an annual compounded rate of 4% between 2017 and 2021.



<u>*Conclusion and Impact on the Company*</u>

As discussed throughout this section of the Report, there are numerous industry factors, both positive and negative, which impact the Company.

COMPANY NAME caters to all three types of customers in the drug wholesaling industry (national and regional chains, independent pharmacies, and long-term care providers), which is a positive coupled with the 4.0% projected growth rate for the industry as a whole. Additionally, there continues to be a push towards drug therapy use to prevent future illnesses, which may increase the overall market size. The Company will have a favorable demographic in subsequent years as the U.S. population continues to age. Smaller companies such as COMPANY NAME have been able to compete against larger competitors by specializing in certain niches or geographies. Group purchasing organizations also provide cost savings opportunities for distributors (like COMPANY NAME's participation in BUYING GROUP) and, given the Company's higher profit margins on generic drugs due to this buying arrangement, the push by MCO's for less expensive generic drugs bodes well for the Company.

There are negative factors affecting this industry, as well. The wholesale drug industry is highly concentrated and the largest companies hold significant market share and buying power. Both drug manufacturers and drug buyers (national and regional chains, independent pharmacies, and long-term care providers) are also consolidating, which may put upward pressure distributor's drug costs while at the same time putting downward pressure on their sale prices. The level of regulation in the industry is also an issue that COMPANY NAME must face along with making necessary investments in technology and capital improvements given the capital intensive nature of the business model.

These factors have been taken into consideration in our determination of COMPANY NAME's growth, industry and specific company risk rates discussed in **Section 4.2** of this Report.

2.3 Economic Outlook[2]

In the valuation of any company or a company's intangible assets, it is important to note the economic climate in which the subject company operates. Gaining an understanding of the economic outlook is essential to developing reasonable expectations about the future of the economy and its effect on COMPANY NAME as of the valuation date.

General Economic Condition

The U.S. economy - as indicated by GDP - grew at an annual rate of 0.7% in the first quarter of 2017, which is slower than the 2.1% rate reported in the fourth quarter of 2016. The slowing rate is due to a deceleration in personal consumption expenditures and downturns in private inventory investment and in state and local government spending. Imports, however, which are subtracted in the calculation of GDP, increased. Consumer spending, which accounts for the majority of GDP, slowed to a rate of 0.3% in the first quarter. This was the slowest rate of spending since 2009. The first-quarter slowdown in consumer spending was the result of a substantial drop in spending on durable goods, specifically on big-ticket items, such as automobiles. Comparatively, consumer spending rose at a rate of 3.5% in the fourth quarter, although low employment and modest wage growth suggest spending may return in the coming months. Excluding inventories, GDP rose at a 1.0% rate in the first quarter. Total government spending decreased 1.7% in the first quarter, following two consecutive quarterly increases, while state and local government spending also decreased. Private fixed investment, which includes residential and business spending, increased 10.4%. This marks the third consecutive quarter of increases. The trade deficit lessened in the first quarter, shrinking by 4.6 percentage points. In 2016, GDP increased 1.6%.

The Conference Board reported the Leading Economic Index increased 0.4% in March. This increase is the third consecutive month of gains, bringing the index to its highest level in over a decade. The gains among the leading indicators were widespread, with new orders in manufacturing and the interest rate spread more than offsetting labor market components in March. March's reading points to continued economic growth in 2017. In the six-month period ending March 2017, the leading economic index increased 2.4%, much faster than its growth of 1.1% during the previous six months.

Job growth slowed down in March, as employment rose by only 98,000. Job growth has averaged 190,000 jobs per month over the past three months, well above the 80,000-jobs-a-month pace the White House Council of Economic Advisers believes is needed to maintain a low and stable unemployment rate. The unemployment rate improved 0.2 percentage point in March, to 4.5%, while the labor-force participation rate remained unchanged, at 63.0%.

Wage growth had stagnated for years following the financial recession of 2008. However, 2016 brought some of the highest wage growth seen in years since the recession, with the trend continuing in early 2017. Average hourly earnings for all private-sector employees increased 0.05 cents in March, to $26.14. Real average hourly earnings, seasonally adjusted from March 2016 to March 2017, increased 2.7%.

In the first quarter, the Federal Open Market Committee met twice. In the first meeting, the FOMC voted to keep the federal funds rate between 0.5% and 0.75%. In its second meeting during the quarter, the FOMC voted to raise the target range for the federal funds rate to 0.75% to 1.00%, citing realized and expected labor market conditions and inflation as the reason for the increase, both signals that the economy is poised for more robust growth. This was the third increase in the federal funds rate since the 2008 financial crisis. With the most recent rate hike, expectations that a more aggressive fiscal policy administered under President Trump will allow the FOMC to cede its economic stimulus role to the Congress and the White House.

[2] Economic Outlook Update – Q1 2017

The Consumer Confidence Index surged 9.5 points in March, continuing its rise from the month prior. The March rise brought the Consumer Confidence Index to 125.6, its highest level since December 2000. The consumer confidence survey credited a greater optimism regarding the short-term outlook for business, jobs, and personal income prospects. Overall, consumers expect the economy to continue to expand in the months ahead. The Consumer Sentiment Index increased 0.6 point in March, to 96.9 points, although economists had predicted the index would come in at 97.6 points. The consumer sentiment survey found that the rise was due to an optimistic view on three critical components: higher incomes and wealth, more favorable job prospects, and low inflation expectations.

The 1Q 2017 Wells Fargo/Gallup Small Business Index, which was reported in February, surged 20.0 points, to a reading of 100.0. This represents the highest optimism reading since July 2007 and a return to prerecession levels. The report highlighted that small-business owners are more confident and seeing positive trends in their businesses in 2017. The first-quarter survey asked small-business owners to identify the most important challenges facing their businesses today. Fourteen percent stated that government regulations was their leading concern. Other top priorities included attracting customers and finding new business (12%) and taxes (9%). Hiring and retaining quality staff, the economy, and financial stability/cash flow were also reported as top concerns (8%). These challenges have consistently been reported as top concerns since 2013, although the order has shifted from quarter to quarter. The Present Situation Index (how business owners gauge their perception of the past 12 months) surged 16 points, to a reading of 40, while the future expectations score rose 4 points, to 60.

The RSM U.S. Middle Market Business Index (MMBI) surged 9.7 points in the first quarter of 2017, climbing to a record high of 129.8. The MMBI reading reflects the underlying fundamental improvement in economic conditions during the past several months and respondents' expectations for significant tax reforms and regulatory relief this year. The survey indicated the post-election rise is based on positive expectations regarding revenue and earnings, although the long-term impact could change quickly if policymakers fail to deliver on the promised scale and scope of change. Data for six months ahead are encouraging, particularly with respect to current economic conditions, improved expectations for revenues and earnings, and hiring, especially when compared to three months prior. U.S. long-term growth was at 0.7%, down from 2.1%, based on the Bureau of Economic Analysis' first-quarter reporting of gross domestic product. The growth in real GDP in the first quarter reflected positive contributions from nonresidential fixed investment, exports, residential fixed investment, and personal consumption expenditures that were offset by negative contributions from private inventory investment, state and local government spending, and federal government spending. Imports, which are a subtraction in the calculation of GDP, increased. The Institute for Supply Management (ISM) reported that its manufacturing index (PMI) dropped 0.5 percentage point in March, yet remained at a level signifying an expansion in the manufacturing sector. The component of the index that measures new orders decreased 0.6 percentage point and the component for production decreased 5.3 percentage points, though the indexes indicated continued growth in new orders and in production. Industrial production edged up 0.5% in March, aided by an 8.6% increase in utilities, which was the largest increase in utilities on record. The manufacturing component, which is the biggest component of industrial production, declined 0.4%. The production of durable goods decreased 0.8% in March, while the index for nondurables edged up, as gains in petroleum and coal products, chemicals, and paper products offset losses elsewhere.

Growth in the services sector slowed in March but showed growth for the 87th consecutive month. The ISM reported that its Non-Manufacturing Index (NMI) stayed at 55.2%, which is a 12-month high. The majority of survey respondents' comments were positive concerning business conditions and the overall economy, meaning that business owners are cautiously optimistic for conditions in 2017. The component of this index that measures business activity declined 4.7 percentage points but remained at a level indicating growth in business activity for the 92nd consecutive month, while the component for new orders declined by 2.3 percentage points, but also indicates growth for the 92nd consecutive month.

All the major stock indexes recorded gains in the first quarter of 2017, although March showed a return of volatility in the markets. The Dow Jones declined 0.6% in March but rose 5.2% in the quarter. The Nasdaq Composite Index saw gains of 1.5% in March, while increasing 9.8% in the quarter. The Russell 2000 Index posted a modest gain of 0.1% in March and finished the quarter with gains of 2.5%, while the S&P 500 Index gained 0.1% for the month and 6.1% for the quarter. The S&P MidCap 400 declined 0.4% in March but rose 3.9% during the quarter.

For most of the quarter, the yield on the benchmark 10-year U.S. Treasury bond continued its slow climb upward. By mid-March, the 10-year Treasury yield hit 2.60%. However, following the Fed meeting in March, when it signaled that it would be targeting fewer rate hikes in 2017 along with concerns over the Trump administration's ability to implement its policy agenda, the 10-year Treasury yield dipped down to 2.40% by quarter end. Although the Fed raised interest rates another 25 basis points, it signaled that there may be only two additional hikes, instead of three more as anticipated, in 2017, which caused bond yields to fall.

Housing starts decreased by 6.8% in March but are up 9.2% from one year ago. Building permits authorized increased by 3.6% in March and are up 17.0% from the level of a year ago. Existing-home sales raced off to their fastest start in over 10 years in March, rising by 4.4%. March's sales pace is 5.9% higher than one year ago. March saw the sale of 5.71 million homes. Existing-home sales in the Northeast surged 10.1% and are now up 4.1% from one year ago. Existing-home sales in the South rose 3.4% and are now up 8.5% from March 2016. Existing-home sales in the Midwest region rose 9.2% and are now up 3.1% from one year ago, while sales in the West region decreased 1.6% but are up 5.2% from one year ago.

In March, existing home sales took off to their highest pace in over a decade as homebuyers dealt with a lack of listings, which resulted in the typical home coming off the market significantly faster than it did in February and from one year ago.

The National Association of Realtors Confidence Index for current conditions increased in March and remained ahead of levels compared to a year ago. Builder confidence, as measured by the National Association of Home Builders/Wells Fargo Housing Market Index, increased 6.0 points in March, to 71.0.The March report showed the Index reached a 12-year high.

NAR's most recent "Commercial Real Estate Market Survey," analyzing the fourth quarter of 2016, revealed that commercial real estate investments slowed moderately in the fourth quarter, following a strong third quarter. However, with the economy still growing, demand for commercial real estate is expected to remain strong. The report found that 69% of Realtors closed a commercial sale and sales volumes rose 12.9% from the same period one year ago. The members surveyed cited available inventory as the No. 1 concern in driving price growth. Prices for commercial real estate increased 5.5% compared with the same period in 2015.

Economic Outlook

The following table summarizes major historical economic indicators, as well as estimates for these figures through 2026.

Historical Economic Data (2011-2016) and Forecasts (2017-2026)

	Historical Data (Annual % Change)						Consensus Forecasts (Annual % Change)					
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022-2026
Real GDP	1.6	2.2	1.7	2.4	2.6	1.6	2.2	2.4	2.2	2.1	2.1	2.1
Industrial production	2.9	2.9	2.0	3.1	(0.7)	(1.2)	1.5	2.3	2.4	2.5	2.4	2.3
Personal consumption	2.3	1.5	1.5	2.9	3.2	2.7	2.7	2.6	2.3	2.3	2.3	2.3
Real disposable personal income	2.5	3.1	(1.4)	3.5	3.5	2.8	2.4	2.9	2.5	2.3	2.2	2.3
Business investment	7.7	9.0	3.5	6.0	2.1	(0.5)	3.2	4.0	3.8	3.7	3.8	3.6
Total government spending	(3.0)	(1.9)	(2.9)	(0.9)	1.8	0.8	0.5	1.3	n/a	n/a	n/a	n/a
Consumer prices	3.2	2.1	1.5	1.6	0.1	1.3	2.5	2.3	2.3	2.3	2.3	2.3
Unemployment rate	8.9	8.1	7.4	6.2	5.3	4.9	4.6	4.4	n/a	n/a	n/a	n/a
Housing starts (millions)	0.6	0.8	0.9	1.0	1.1	1.2	1.3	1.4	n/a	n/a	n/a	n/a

Source of historical data: U.S. Department of Commerce, U.S. Department of Labor, U.S. Census Bureau, and The Federal Reserve Board.
Source of forecasts: Consensus Forecasts—USA, March 2017.

Conclusion and Impact on the Company

Beginning with the positive economic factors, unemployment continued to decline and job growth has been strong. Consumer confidence was at its highest level in over 15 years and the Leading Economic Index was at its highest level in over 10 years. Private and fixed investment (business and residential) also grew 10.4% in Q1 2017. All of the major stock indexes recorded gains in Q1 2017. Additionally, long-term forecasts for the economy remained relatively positive with expectations for moderate growth.

While there were many positive economic factors, not all of the outlook was positive. GDP growth was only 0.7% in Q1 2017, which was a decrease from the 2.1% growth rate in Q4 2016. The consumer spending rate also decreased to its lowest level since 2009. In addition, interest rates are expected to continue rising, which will put upward pressure on discount rates (and downward pressure on values).

The factors above, when considered as a whole, indicate that current economic conditions are relatively neutral in the short-term and looking positive for the long-term. These factors have been considered in developing the specific company risk rate and long-term growth rate utilized in our valuation analysis.

3 FINANCIAL ANALYSIS

In determining the value of the Company as of May 31, 2017, we analyzed the Company's financial statements and tax returns from fiscal year end ("FYE") August 31, 2012 through 2016 as well as the trailing-twelve-month ("TTM") period ending May 31, 2017. The Company's historical income statements are presented in **Exhibit 1** and its historical balance sheets are presented in **Exhibit 2**.

3.1 Financial Review

Income Statement Analysis

Revenues declined slightly from $79.1 million in FYE 8/31/12 to $75.5 million in FYE 8/31/13 before climbing to $92.7 million in FYE 8/31/14 due to a strong brand name drug sales (which have higher selling prices, but lower margins compared to generics). Revenue declined to $83.6 million in FYE 8/31/15 as some of the brand name drugs sold by the Company reached the end of their patented lives and could be sold as generics (with lower sales prices, but higher margins). Revenue remained relatively consistent in FYE 8/31/16 ($88.2 million) and TTM 5/31/17 ($85.3 million). The overall growth over the time period examined was also driven by the implementation of a telemarketing group to spur additional sales opportunities. Management expects future revenue levels to be relatively consistent with the Company's FYE 8/31/15 – TTM 5/31/17 activity, if not down slightly due to further transitions of brand name drugs to generics.

COMPANY NAME's gross profit margin increased steadily from 6.2% in FYE 8/31/16 to 17.6% in TTM 5/31/17, which was driven primarily by more generic drug sales (which have lower sales prices, but higher margins than brand name drugs). Participating in the BUYING GROUP has also played a key role in improving the Company's margins as a result of the rebates and profit allocations it provided to COMPANY NAME. Without this buying group, management believes the Company's profit margins would have been far lower. Management expects gross profit margins to decrease slightly from FYE 8/31/16 and TTM 5/31/17 levels in future years based on expected rebates/profit allocations from BUYING GROUP.

Operating expenses, as a whole, have consistently increased from FYE 8/31/12 (6.4%) to FYE 5/31/17 (13.0%). These increases are mainly attributable to the increase in salaries and wages expense as the Company added additional employees to help it satisfy its higher sales volumes as well as staff its telemarketing program.

Operating income (loss) margins increased considerably over the period examined, climbing from (0.2%) in FYE 8/31/12 to 4.6% in TTM 5/31/17. Income (loss) from operations increased from ($0.1) million to $3.9 million over that same time period. Similar to the improvement in gross profit margin, these improvements can be attributed to the greater percentage of Company sales comprised of generic drugs, which have higher margins.

Other income and expenses were comprised primarily of service charge income (interest charged on outstanding accounts receivable balances) and interest expense as well as other income.

Pre-tax net income increased from $0.0 million in FYE 8/31/12 to $4.2 million in TTM 5/31/17 for the reasons outlined above. Accordingly, the Company's reported EBITDA margins increased from 0.2% (FYE 8/31/12) to 5.3% (TTM 5/31/17) over the time period examined. In dollars, EBITDA increased from $0.1 million to $4.4 million over this time period.

Balance Sheet Analysis

COMPANY NAME's most significant current asset balances historically have been cash, accounts receivable, and inventories, which combined comprised 93.7% of the Company's balance sheet as of 5/31/17. The other current asset balances as of the valuation date were prepaid expenses (0.2%) and deferred income tax assets (1.1%). Collectively, current assets represented 95.0% of total assets as of 5/31/17.

From FYE 8/31/12 to FYE 8/31/16, capital expenditures remained relatively low ranging from 0.1%-0.3% of revenue as the Company made modest investments in fixed assets. More significant investments were made in TTM 5/31/17 (1.0% of revenue) across all of the Company's fixed asset classes. The Company's net fixed asset balance remained consistent from 8/31/12 to 8/31/16, ranging from $0.3 million to $0.4 million before climbing to $1.1 million as of the valuation date due to the higher capital expenditure amount in TTM 5/31/17.

Total assets more than doubled over the time period examined, increasing from $10.5 million as of 8/30/12 to $23.2 million as of 5/31/17, primarily due to the increased cash balance from retained profits along with larger accounts receivable and inventory balances to support the Company's growth.

The Company's current liabilities as of the valuation date consisted primarily of the trade accounts payable ($10.4 million), which represented 44.7% of total assets.

The Company's book value of equity increased from $3.5 million (32.8% of total assets) as of 8/31/12 to $11.4 million (49.1% of total assets) as of 5/31/17 as a result of the accumulated profits earned by COMPANY NAME over that time period coupled with the fact that no dividends were paid.

Financial Review Conclusion

The most significant trends observed in the historical income statements include the improvement in profit margins in recent years as well as the Company's relatively consistent revenue levels from FYE 8/31/15 to TTM 5/31/17.

From the balance sheet perspective, the most significant items to consider are the Company's large cash balance ($9.4 million as of the valuation date) and modest amount of interest-bearing debt.

We have factored these financial implications into our calculation of specific company risk in our discount rate analysis in **Section 4.2**.

3.2 Ratio Analysis

In **Exhibit 3**, the Company's historical results were compared to those of other companies in its industry. For this analysis, we analyzed data from RMA Annual Statement Studies for the following NAICS code:

424210 – Drugs and Druggists' Sundries Merchant Wholesalers

We then compared certain industry ratios for this NAICS code to the historical results of the Company to determine COMPANY NAME's performance relative to its competitors.

Looking first at COMPANY NAME's liquidity and solvency, the Company's measures were right around the industry median in nearly all of the years examined. This indicates that the Company has similar liquidity and leverage in relation to its competitors. Therefore, as of the valuation date, it appears that COMPANY NAME's financial risk is generally similar to its industry peers.

From a profitability standpoint, the Company's pre-tax returns on revenues were below the industry median in the years examined for which RMA data was available. The Company showed a notable increase in profitability in FYE 8/31/16 and TTM 5/31/17 that was more consistent with the historical industry median, albeit at the lower end. As for pre-tax return on assets, the Company's normalized balances steadily increased from FYE 8/31/12 to FYE 8/31/16, at which point they surpassed the industry median. These factors indicate that while the Company may have lagged its competitors from a profitability standpoint in the past, it has made up this ground in recent years.

Certain activity ratios were also reviewed to provide information about how well the Company manages its assets relative to its operating activity. The Company was superior to the industry norm from a total asset turnover and inventory turnover standpoint for all years examined. From an accounts receivable turnover standpoint, the Company was relatively consistent with the industry norm over the years examined. Overall, these measures indicate that COMPANY NAME's performance from an asset management standpoint is better than other companies in its industry.

These factors are addressed further in the determination of COMPANY NAME's specific company risk in **Section 4.2** of this Report.

3.3 Normalized Financial Statements

Performing a thorough analysis of the historical financial statements of a business is a prerequisite to performing a meaningful valuation. A company should be analyzed in comparison with its industry peers, as well as to itself, at different points in time. This analysis, which was performed in **Sections 3.1 and 3.2** of this Report, is an integral part of establishing any trends or relationships that may affect the conclusion of value. In addition, the valuator must search for normalizing adjustments to be made to the historical financial information in order to reflect the true economic financial position and results of operations of the business being valued. Adjustments are necessary to remove the effect of certain standard accounting principles that may contradict or imperfectly reflect economic reality, or, to eliminate any discretionary, non-essential or non-recurring expenditure that may distort the normal results of operations or financial position of the Company as of the valuation date. It is by performing this normalizing process that the analyst can more accurately determine the fair market value of the business.

Balance Sheets

Based upon our analysis, valuation procedures and discussions with management, the following normalizing adjustments were made to the Company's May 31, 2017 balance sheet, as summarized in **Exhibit 4**.

Inventories – The inventory balance was adjusted from LIFO basis to FIFO basis, which provides a more accurate reflection of its fair market value as of the valuation date.

Property and Equipment – The warehouse equipment, office and computer equipment, and delivery vehicles were adjusted to their net book value, which management indicated was representative of their fair market value.

Building – An adjustment was made to break out the value of the building acquired by the Company in CITY, STATE, which was recorded in leasehold improvements. The building was adjusted to fair market value based on the purchase price ($366,000) paid for the building on January 5, 2017. There were no material changes in the building's value between the date of purchase (1/5/17) and the valuation date (5/31/17).

Leasehold Improvements – The Company's leasehold improvements were written off because they do not have a material saleable value.

Accumulated Depreciation and Amortization – The accumulated depreciation and amortization was written off because the fixed asset categories were adjusted to be presented at fair market value.

Investment in BUYING GROUP – An adjustment to record the value of the Company's investment in Buying Group was made based on the analysis in **Exhibit 5**. The Company records the payments received from Buying Group as a reduction in cost of goods sold. Because these reductions in cost of goods sold are a function of the revenue generated by the Company in relation to the other members of Buying Group (in accordance with the Buying Group operating agreement), and because the benefits are expected to continue in the future, these amounts were not removed from the Company's normalized benefit stream in **Exhibit 6**. Therefore, the cash flow benefit from the Buying Group investment is already reflected in the value of the Company through the income and market-based approaches applied. As a result, the value presented here reflects only the Company's share of Buying Group's net assets (cash and investments) that have yet to be distributed and to which the Company would have a claim.

Because the income allocated to the Company from BUYING GROUP is a function of the sales generated by the Company in relation to the other members of BUYING GROUP (in accordance with the BUYING GROUP operating agreement), the capital account balance reflects the Company's share of the undistributed net assets of BUYING GROUP (which is comprised almost entirely of cash and investments). In addition, the BUYING GROUP operating agreement indicates that each member will be paid an amount equal to its capital account balance if the entity were to be sold. Therefore, the value presented here reflects only the Company's share of the net assets (cash and investments) held by BUYING GROUP that have yet to be distributed and to which the Company has a claim. Because an updated capital account balance as of the 5/31/17 valuation date was not available, we relied on the Company's 12/31/16 capital account balance. Management indicated that it did not expect there to be a significant difference in the Company's capital account balance between these two dates.

Income Taxes Payable – An adjustment for income taxes payable was made to record the Company's accrued income tax liability for income earned through YTD 5/31/17. Based on the Company's YTD 5/31/17 pre-tax net income of $4,769,906, approximately $1,670,000 of income taxes would be owed. The Company paid approximately $616,000 of estimated taxes during YTD 5/31/17 and had approximately $512,000 of Federal tax overpayments related to FYE 8/31/16 credited for future use, leaving a remaining payable balance of approximately $540,000 as of the valuation date.

Deferred Income Tax Liability – An adjustment was made to deferred income taxes to account for the normalizing adjustments made to the Company's assets based on a 35.0% effective income tax rate (consistent with the Company's historical effective income tax rates - which were an average and median of 37.9% and 36.3% of pre-tax income from YTD 8/31/12 - YTD 8/31/16, respectively - and the 34.0% tax rate used by the Company in calculating its deferred tax balance).

Management indicated that there were no unrecorded assets or liabilities as of the valuation date and that all other asset and liability balances approximated fair market value.

Income Statements

Based on our analysis, valuation procedures and discussions with management, the following normalizing adjustments, summarized in **Exhibit 6**, were made to the historical income statements:

LIFO to FIFO Adjustment – An adjustment was made to normalize the Company's cost of goods sold to present it on the FIFO basis of inventory accounting rather than the LIFO basis used in preparing its financial statements and tax returns. The FIFO basis of accounting better matches the Company's cost of goods sold to the related revenue recognized.

Bad Debts – An adjustment was made to normalize bad debt expense to $700,000 annually, consistent with the average expense from FYE 8/31/12 - FYE 8/31/16 ($692,425). The Company has a history of significant bad debt writeoffs - in addition to the material writeoffs in FYE 8/31/15 ($2,258,818) and FYE 8/31/16 ($1,083,120), the Company wrote off $4,456,852 of bad debts in FYE 8/31/11 (which is just prior to the oldest historical period analyzed in our valuation). Management also indicated that significant bad debt writeoffs may recur again in the future based on the nature of the Company's business and its customers. Therefore, looking an average of total bad debt writeoffs over the preceding five year period provides a reasonable estimate of expected bad debt expense in future years.

Bank Service Charge – An adjustment was made to normalize bank service charges to 0.6% of revenue in FYE 8/31/12 - FYE 8/31/15, consistent with the expense as a percentage of revenue in FYE 8/31/16 and TTM 5/31/17 (0.6%). Bank service charges increased in recent years due to more customer purchases being made by credit card and the expense is expected to remain at this higher level in future years.

Officer Compensation – A normalizing adjustment was made based on the analysis in **Exhibit 7.** No adjustments to officers' compensation were made in any year except FYE 8/31/14 for the following reasons: 1) we are valuing a non-controlling ownership interest, which does not have the ability to adjust the compensation of the Company's officers and employees; and 2) the industry data indicates that the Company's total officer compensation was comparable to the lower quartile for its industry. Additional non-recurring bonuses were paid to the officers in FYE 8/31/14 to an extent that was not repeated in following years. Therefore, the FYE 8/31/14 officer compensation expense was normalized to $275,000 per officer, which is consistent with the midpoint of the officers' compensation in FYE 8/31/13 and FYE 8/31/15.

Employee Benefits – An adjustment was made to normalize earnings for non-recurring profit sharing contributions made in FYE 8/31/13, which were not made in any of the other years analyzed.

Penalties – An adjustment was made to normalize earnings for non-recurring penalties.

Sales Tax Audit Expense – An adjustment was made to normalize earnings for non-recurring sales tax audit expenses.

Professional Fees – An adjustment was made to normalize professional fees to $150,000 annually, consistent with the average expense from FYE 8/31/12 - FYE 8/31/16 ($154,431). Professional fees increased in recent years as a result of pursuing collection on the significant bad debt balances that were eventually written off. Given the fact that bad debt expense was normalized to reflect an average annual amount expected to be incurred, a similar adjustment was made to professional fees for consistency to reflect the related collection costs that would be expected to be incurred.

Interest Income – An adjustment was made to normalize earnings for non-operating interest income.

Gain on Sale of Assets – An adjustment was made to normalize earnings for non-operating and non-recurring gains on the sale of assets.

Service Charges – An adjustment was made to normalize FYE 8/31/14 - TTM 5/31/17 service charge income to $165,000 annually, consistent with the average income from FYE 8/31/12 - FYE 8/31/13 ($163,456). The Company records a service charge on overdue customer accounts that is similar to an interest charge on the unpaid balance. The service charges recorded in FYE 8/31/14 - TTM 5/31/17 are inflated in relation to the service charge income levels expected to be realized in the future since the large customer balances that were written off from FYE 8/31/15 - TTM 5/31/17 resulted in the accrual of significant service charge income that will not be collected. Therefore, the FYE 8/31/12 - FYE 8/31/13 service charge amounts provide the best indication of the collectible portion of future service charges.

Litigation Expense – An adjustment was made to normalize earnings for non-recurring litigation and settlement expenses.

Interest Expense – An adjustment was made to normalize interest expense because the Company had the financial resources to repay all of its interest-bearing debt as of the valuation date without negatively impacting its operations.

Based upon our analysis, valuation procedures and discussions with management, no other normalizing adjustments for non-recurring, extraordinary or unusual items or expenses were identified.

Following these normalizing adjustments, we arrived at normalized pre-tax income margins ranging from (0.7%)-4.5%. Because no control-basis normalizing adjustments were made, the Company's normalized income in **Exhibit 6** reflects a non-controlling benefit stream that would be available to a non-controlling owner.

4 BUSINESS VALUATION ANALYSIS

4.1 Adjusted Net Asset Method

The adjusted net asset method is an asset-based approach to valuation. This method is used to value a business on the basis of the difference between the fair market value of a company's assets and its liabilities. Under this method, the assets are adjusted from their book value to their fair market value and the total adjusted assets are then reduced by recorded and unrecorded liabilities. Tangible, as well as intangible, assets are valued in determining the total adjusted net assets.

Application of the adjusted net asset method allows us to establish a "floor-value" of a company based on the amount that would be realized upon a sale of a company's assets and satisfaction of its liabilities. This method does not necessitate the actual termination or liquidation of the business, however. Rather, it sets a "floor value" of the business based on the underlying value of a company's assets and liabilities as of the valuation date.

This methodology is appropriate in the case of a holding company or a capital-intensive company, when losses are continually generated, or when valuation methodologies based on a company's net income or cash flow levels indicate a value lower than its net asset value. COMPANY NAME, however, is not a holding company, has consistently generated profits, and the value of the Company indicated by income- and market-based approaches to value were higher than its adjusted net asset value, which lessens the reliability of the adjusted net asset method in determining the value of the Company's equity. Application of the adjusted net asset method, however, allows us to establish a "floor value" that can be used to judge the reasonableness of the values indicated by income- and market-based valuation approaches.

As presented in **Exhibit 4**, the adjusted fair market value of the Company's assets when offset against its liabilities is $15,400,000 on a controlling, marketable basis.

4.2 Capitalization of Cash Flow Method

The second method of valuation we used in reaching our conclusion of the fair market value of COMPANY NAME's equity was the capitalization of cash flow method, which is an income-based approach to valuation. The capitalization of cash flow method values a business based on an expected cash flow stream, capitalized by a risk-adjusted rate of return. A single-period capitalization approach is most appropriate when a company's current or historical level of operations is believed to be representative of future operations and is expected to grow at a relatively stable and modest rate. COMPANY NAME's management expects revenues, earnings and cash flows to be consistent with the Company's recent financial results, so the application of this valuation methodology is appropriate.

The steps taken in applying the capitalization of cash flow method include determining a sustainable earnings base (i.e. benefit stream), making the necessary adjustments to convert projected earnings into projected cash flow, developing an appropriate capitalization rate, and applying the capitalization rate to the cash flow base to arrive at a conclusion of the fair market value of COMPANY NAME's equity.

Benefit Stream

As discussed earlier in this Report, given the nature of COMPANY NAME's operations as of the valuation date, analysis of the historical financial statements, research of the trends and characteristics of the Company's industry, and discussions with management concerning the Company's future operating performance, it was determined that COMPANY NAME's historical operations offer a reliable indication of how it can be expected to operate in the future.

Our analysis led us to conclude that COMPANY NAME's weighted-average, normalized after-tax net income was $2,284,000. As detailed in **Exhibit 8**, FYE 8/31/15, FYE 8/31/16 and TTM 5/31/17 were all given equal weight in determining a normalized benefit stream for the Company in order to take into account the Company's recent performance, which management indicated is the most indicative of the Company's future performance. This weighting also takes into account the fact that: 1) the revenue levels from FYE 8/31/15 - TTM 5/31/17 are consistent with management's expectation for future revenue levels in the near term; 2) the increased profitability levels in FYE 8/31/15 - TTM 5/31/17 compared to prior years are likely to be maintained as a result of generic drug sales (which have lower prices, but higher margins, than brand name drug sales) making up a larger portion of the Company's overall sales, although management is not as confident about maintaining the higher profit margins realized in FYE 8/31/16 and TTM 5/31/17; and 3) the risk that profitability levels may decline because the Company is dependent on rebates and profit allocations from BUYING GROUP (and therefore, the activity of the BUYING GROUP members) in order to maintain its recent level of heightened profitability. Based on the weighting utilized, the weighted benefit streams all ended up being consistent with the Company's normalized FYE 8/31/15 - TTM 5/31/17 results, which is reasonable and reflective of management's expectations for the Company going forward.

Because we are valuing a non-controlling, non-marketable ownership interest in COMPANY NAME, and since no control-basis adjustments were made in the normalized benefit stream analysis in **Exhibit 6**, the projected cash flows reflect that which would be available to a non-controlling owner, which produces a non-controlling value.

Calculation of Distributable Cash Flow

Calculation of a single-period cash flow benefit stream requires certain adjustments to COMPANY NAME's projected after-tax net income for depreciation, capital expenditure requirements and changes in net working capital. We did not have to adjust the benefit stream for changes in long-term debt because the Company had sufficient cash to pay off all its interest-bearing debt as of the valuation date without negatively impacting its operations. The related adjustments made in **Exhibit 9** are explained in greater detail below:

Depreciation – Because depreciation is a non-cash expense, an adjustment must be made to the after-tax benefit stream to determine COMPANY NAME's estimated cash flow. The Company's weighted-average depreciation expense was $121,000, as presented in **Exhibit 8**. Therefore, we added $121,000 to COMPANY NAME's projected after-tax income benefit steam to adjust its cash flows for annual depreciation expense.

Capital Expenditures – Based on COMPANY NAME's expected depreciation expense of $121,000, annual capital expenditures would need to be approximately $125,200 to support a 3.5% long-term growth rate (the determination of which is described in greater detail below). This adjustment takes into account the fact that COMPANY NAME would need to replenish fixed assets at a rate that would support its projected growth after consideration of annual depreciation expense. Therefore, we subtracted $125,200 in **Exhibit 9** for capital expenditures in determining distributable cash flow.

Change in Net Working Capital – Presented in **Exhibit 11** are COMPANY NAME's historical Net Working Capital[3] ("NWC") levels from FYE 8/31/12 – TTM 5/31/17, which ranged from 6.9%-12.1% of revenues. The average and median net working capital levels as a percentage of revenue over the period analyzed were approximately 10.1% and 10.2%, respectively. From FYE 8/31/15 – TTM 5/31/17 (the years given weight in our weighted-average benefit stream analysis in **Exhibit 8**), net

[3] Excludes cash, other receivables, prepaid taxes, deferred income tax assets/liabilities, accrued income taxes, accrued profit sharing, and interest-bearing debt. Includes long-term notes receivable from customers. Based on FIFO inventory balances (rather than reported LIFO inventory balance).

working capital levels were slightly lower with an average and median of 9.0% and 9.3% of revenues, respectively. Based on these data points, we estimated COMPANY NAME's required NWC balance to be 9.5% of revenues. Considering the long-term growth rate of 3.5% used in this analysis, the annual projected cash outflow from changes in NWC was determined to be $275,000 (**Exhibit 11**).

Also in **Exhibit 11**, we took into consideration COMPANY NAME's cash and NWC balances as of the valuation date to determine what portion of these balances could be considered "excess," which could be distributed to the investors without negatively impacting the business. The first step was to determine the NWC required as of 5/31/17. To arrive at this figure, we multiplied COMPANY NAME's weighted-average revenues by its estimated long-term NWC balance of 9.5% of revenues, as presented in **Exhibit 11**. Based on this estimate, we calculated the NWC required as of the valuation date to be $8,140,550. The next step was to determine the excess cash and NWC on hand as of the valuation date by comparing actual NWC as of 5/31/17 to the required NWC calculation described above. Actual NWC was $7,924,753, which is lower than the required NWC calculated above. Therefore, only the amount of cash on hand in excess of this NWC deficiency was determined to be "excess" and distributable with no negative impact on the Company's operations. The resulting excess cash and NWC balance as of the valuation date, which is presented in **Exhibit 11**, was determined to be $9,162,000.

As a result of the aforementioned adjustments to the weighted-average, normalized after-tax benefit stream, we arrive at a sustainable, distributable annual cash flow of $2,004,800 as presented in **Exhibit 9**.

Capitalization Rate

Capitalization rates vary among particular sizes and types of businesses from one period of time to another. Providers of capital require returns that will compensate them for the time value of money, plus the inherent risk in the specific investment being made. The capitalization rate reflects the total rate of return that would be expected by a reasonable investor given the nature, size and risks inherent in the underlying investment.

In calculating the appropriate capitalization rate for COMPANY NAME, we utilized a build-up method. This method begins with a theoretical risk-free rate of return and then incorporates amounts to account for the risk of investing in a small, privately-held company. The capitalization rate is further adjusted for characteristics that are specific to the company being valued, as well as its expected growth. The capitalization rate build-up is presented in **Exhibit 10**.

Risk-Free Rate – Since an investment in a closely-held entity is generally a long-term investment, the risk-free rate must be expected to exist over a long-term investment horizon. Treasury rates incorporate a premium for the risk of holding the security over the long-term. In our valuation, we used the 20-year Treasury bond yield, which at May 31, 2017 was 2.60%.

Equity Risk and Size Premium – The next step in the build-up process was to incorporate an equity risk premium and small stock risk premium, which serve to value the additional return required by an investor investing in a higher risk security (than a 20-year Treasury bond), such as the stock of a publicly-traded or privately-held company. A widely utilized study in developing equity risk premiums is the *2017 Duff & Phelps Valuation Handbook*. The study includes the long-term expected equity risk premium as well as additional premiums related to size (based on market capitalization).

The long-term supply-side expected equity risk premium as stated in *2017 Duff & Phelps Valuation Handbook* is 5.97%.

Since the equity risk premium includes the general equity risk premium associated with the entire equity market, we must consider adding an additional premium associated with the Company's smaller size relative to the market as a whole. Based on the *2017 Duff & Phelps Valuation Handbook* size premium data, the Company falls into the 10th decile. Therefore, we also added the 10th decile size premium of 5.59% in our build-up method to reflect the size premium associated with investing in a company the size of COMPANY NAME.

Industry Risk Adjustment – The *2017 Duff & Phelps Valuation Handbook* provides information on the risk premiums associated with various industries. The industry most applicable to COMPANY NAME is listed below along with the related industry risk adjustment:

Industry Risk Rates from the *Duff & Phelps 2017 Valuation Handbook*		
SIC	**Industry Description**	**Adjustment**
51XX	Wholesale Trade - Non-Durable Goods	0.08%

Based on the industry risk adjustment indicated by the *2017 Duff & Phelps Valuation Handbook*, we applied a 0.00% risk premium to account for the unique risks associated with COMPANY NAME's industry compared to the market as a whole.

Specific Company Adjustments – After arriving at our equity risk and size premium, other risk factors must be evaluated for adjustments to the capitalization rate to account for risks specific to the Company, as opposed to risks in the equity market in general. These other risk factors can include the industry in which COMPANY NAME operates, the Company's financial risk and other operational and management characteristics.

In the case of COMPANY NAME, a specific company adjustment was considered for the following factors: economic risk, financial risk, operational risk, key employee risk, additional size risk and other company-specific factors.

Economic Risk

As stated in **Section 2.3** of this Report, the current economic climate was a mix of positive and negative factors, while long-term economic expectations remained relatively positive. These factors, when considered as a whole, have a negligible impact on specific-company risk.

Financial Risk

As discussed in **Sections 3.1 and 3.2** of this Report, the Company had a very strong balance sheet with a significant cash balance ($9.4 million) and only a modest amount of interest-bearing debt ($1.0 million). These factors translate to a decrease in specific company risk.

Operational Risk

In recent years, COMPANY NAME's profitability levels had climbed to be consistent with the industry norm. However, there is risk with the Company maintaining this improved profitability, particularly since it is dependent on rebates/income allocations from BUYING GROUP remaining at recent levels. From an asset management standpoint, the Company's metrics were generally superior to the industry norm. The Company, however, is a smaller player in an industry controlled by a few large competitors, which increases the risk associated with the Company. When these factors are considered as a whole, an increase to specific company risk for operational risk was necessary.

Key Employee Risk

Officer #1 was identified by management as being integral to the operation and leadership of the Company, as identified in **Section 2.1**. However, management indicated that COMPANY NAME is well-structured and that the loss of no single employee, including Tom Schoen, would be expected to materially damage the Company. Therefore, no adjustment to specific company risk for this factor was necessary.

Size

The *2017 Valuation Yearbook* indicates that size and risk are inversely related. Because COMPANY NAME is smaller than many of the companies in the 10th decile size category in the *2017 Valuation Yearbook*, an increase to company specific risk for this factor was considered.

Specific Company Risk Conclusion

Based the analysis above, we concluded that an increase to COMPANY NAME's required cost of equity of 3.0% was appropriate to account for its specific company risk.

Based on the build-up method, the Company's required cost of equity was determined to be 17.2%, as detailed in **Exhibit 10**.

Growth Rate

Capitalizing is a process applied to an amount representing some measure of income for a single period. However, the overall theory in determining value incorporates a present value calculation of the earnings stream for the years going forward. Our build-up analysis up to this point has generated a discount rate of return. Accordingly, it is necessary to account for the single period estimate of the benefit stream in such a way as to be reflective and inclusive of all periods going forward, which is accomplished through a growth rate adjustment. If growth is anticipated for the single-period benefit stream that is being capitalized, the discount rate should be reduced by subtracting out the growth rate. As Shannon Pratt posits in his book *Valuing A Business - The Analysis and Appraisal of Closely Held Companies*, "for an investment with a perpetual life, the difference between the discount rate and capitalization rate is the annually compounded percentage rate of growth or decline in perpetuity in the economic income variable being discounted or capitalized."

Considering the industry growth expectations of 4.0% according to FirstResearch (Drug Wholesalers), projected inflation of 2%-3%, projected real GDP growth of approximately 2.0%, management's estimates for future growth and the Company's historical growth rates (2.8% revenue compound annual growth rate from FYE 8/31/12 – FYE 8/31/16), we have determined the long-term growth rate for COMPANY NAME to be 3.5%.

After adjusting the discount rate for COMPANY NAME's long-term projected growth, the capitalization rate was determined to be 13.7%, as presented in **Exhibit 10**.

Capitalization of Cash Flow Value

By dividing the after-tax distributable cash flow projected for the following year by the capitalization rate of 13.7%, as well as making a mid-period adjustment to take into account the fact that the projected cash flows are expected to be earned relatively evenly throughout the year, the value of COMPANY NAME's equity was determined to be $16,400,000 prior to the consideration of the value of the Company's excess cash and net working capital, interest-bearing debt, non-operating assets and accrued income tax liability. After adjusting for these items, the non-controlling, marketable value of COMPANY NAME's equity was determined to be $25,100,000, as presented in **Exhibit 9**.

Capitalization of Cash Flow Value Conclusion

Based on our analysis, the fair market value of COMPANY NAME's equity on a non-controlling, marketable basis based on the capitalization of cash flow method is $25,100,000 as of May 31, 2017, as detailed in **Exhibit 9** to this report.

4.3 Guideline Transaction Method

Guideline Transaction Method Overview

The guideline transaction method values a business based on pricing multiples derived from the sale of companies that are similar to the subject company. The steps taken in using the guideline transaction method include finding transactions involving the purchase of comparable companies, selecting the transactions that closely mirror the company's operations and which occurred in similar industry and economic conditions, and finally, applying the indicated pricing multiples from the representative transactions.

We used Pratt's Stats (a widely-utilized private company transaction database) to determine the revenue and EBITDA multiples of privately-held companies that had recently been purchased in the following industry:

- Wholesale - Drugs, Drug Proprietaries, and Druggists' Sundries (SIC 5122)

We found 13 transactions involving companies in lines of business similar to that of the Company, which are presented in **Exhibit 12**. These companies differ from the Company in their respective stages of development and size, but they have comparable operational models and financial risks. They also reflect economic conditions of the industry in which the Company operates. Thus, the comparative analysis to the Company is based on the performance and characteristics of the sample as a whole rather than on any individual transaction selected.

In applying the guideline transaction method using a non-controlling benefit stream and the Pratt's Stats transaction database, we arrive at a non-controlling, semi-marketable value. The value is considered semi-marketable because the Pratt's Stats data involves the sale of controlling interests in privately-held companies. Therefore, the Pratt's Stats multiples already take into consideration the lack of marketability associated with a controlling, non-marketable ownership interest in a privately-held company, which would be approximately 5.0% for COMPANY NAME (as discussed in **Section 5.2** of this Report). However, a further marketability adjustment will still be required to reach a non-controlling, non-marketable level of value because non-controlling interests are significantly less marketable than the controlling interests considered in the Pratt's Stats transactions, which will be discussed further in **Section 5.2**.

Guideline Transaction Method Analysis

We broke the guideline transaction data down into various subsets (**Exhibit 13**) in order to analyze the data in a manner that best reflects current economic conditions and the Company's operating characteristics. The following sections describe each guideline transaction data subset:

- ***All Transactions (13 Transactions)*** – This population includes transactions occurring from 1998 to 2015. While the range of transaction dates is broad, the number of transactions makes it a good sample for analysis.

- ***Revenue** – **$25MM - $250MM (8 Transactions)*** – This population includes transactions involving companies with revenue ranging from $25 to $250 million. As a result, this population reflects the multiples for entities similar in size to the Company.

- ***EBITDA Margin** – **0% - 10% (12 Transactions)*** – This population includes transactions involving companies with EBITDA margins of 0%-10%, similar to that of the Company. As a result, this population reflects the multiples for companies with levels of profitability similar to the Company.

Based on our analysis of the transaction subsets, we selected multiples appropriate for the valuation of the Company, as described in detail below:

- ***Revenue Multiples*** – The revenue multiples for the entire population ranged from 0.12x to 2.39x with a median of 0.52x. Since analyzing only a company's revenue does not provide an indication of how profitably it can turn that revenue into cash flow, it is necessary to apply revenue multiples from guideline transactions with a similar level of profitability to the subject company. The table below summarizes the revenue multiples indicated by each of the transaction subsets based on the quartiles with EBITDA margins similar to the Company's.

Guideline Transaction Method - Revenue Multiple Analysis

Population	Quartile	Quartile EBITDA Margin	Implied Revenue Multiple
All Transactions	Median	4.6%	0.52
Net Sales - $25MM - $250MM	Lower Quartile	4.9%	0.48
EBITDA Margin - 0% - 10%	Upper Quartile	4.5%	0.36

Based on these data points, we utilized multiples from 0.40x to 0.45x in determining the Company's value based on its revenue levels.

- ***EBITDA Multiples*** – The EBITDA multiples for the entire population ranged from 4.26x to 12.88x with a median of 9.14x. EBITDA multiples are not as sensitive to the subject company's profitability as revenue multiples since the company's profitability is implicitly considered in the EBITDA stream. Therefore, an EBITDA multiple similar to the median is typically most appropriate. The table below summarizes the median EBITDA multiples indicated by each of the transactions subsets.

Guideline Transaction Method - EBITDA Multiple Analysis		
Population	**Quartile**	**Implied EBITDA Multiple**
All Transactions	Median	9.14
Net Sales - $25MM - $250MM	Median	10.07
EBITDA Margin - 0% - 10%	Median	9.14

Based on consideration of these data points, we utilized EBITDA multiples from 8.5x to 9.5x in determining the Company's value based on its EBITDA levels.

Because the transaction multiples in Pratt's Stats are based on the "latest full year" financials available, we used the Company's TTM 5/31/17 revenue/EBITDA and weighted-average revenue/EBITDA in order to determine its enterprise value.

Consideration was given to the enterprise values indicated by the application of both the revenue and EBITDA multiples. The values indicated by the various multiples were as follows:

Summary of Values Indicated by Guideline Transaction Method					
	Indicated Enterprise Value				
Revenue Multiples	**$**	**34,100,000**	to	**$**	**38,560,000**
EBITDA Multiples	**$**	**30,900,000**	to	**$**	**37,590,000**

The mid-point of the revenue multiple value range was $36.3 million and the mid-point of the EBITDA multiple value range was $34.2 million. Based on the range of values indicated above, we concluded that the Company's non-controlling, semi-marketable enterprise value (on an acquisition basis) indicated by the guideline transaction method was $35,000,000, as presented in **Exhibit 13**. The concluded value falls on the lower end of the revenue multiple range and the high-end of the EBITDA multiple range, which gives consideration to both of the indicated ranges of value.

Adjustments to Determine Equity Value

Because the multiples that we utilized were based on the enterprise value of the purchased companies, we arrived at an "enterprise value" of the Company when using the guideline transaction method. Enterprise value incorporates all of a company's operating assets, except for cash, and includes working capital, fixed assets and intangible assets.

In addition, because the multiples analyzed involve acquisitions in which premiums above fair market value may have been paid for synergistic and control factors specific to those transactions, it is necessary to adjust the value derived from the application of this method for the synergistic and control premiums embedded in the multiples to arrive at a synergy- and control-neutral multiple/value. The Mergerstat/BVR Control Premium Study (the "Mergerstat Study") was used to determine the enterprise value acquisition premium embedded within the transaction multiples. According to the Mergerstat Study, the median enterprise value acquisition premium of the entire population of transactions was approximately 18%, which equates to an implied discount of 15%. Therefore, an acquisition discount (the inverse of the acquisition premium) of 15% was applied to the enterprise value indicated by the guideline transaction method to arrive at a non-controlling, semi-marketable enterprise value on a fair market value basis.

Since enterprise value represents the value of a company's equity *and* interest-bearing debt (excluding cash), we must subtract the debt and add the cash balance of the Company as of the valuation date in order to arrive at its equity value. We must also take into account the value of any non-operating assets and other debt-like liabilities, as well as the Company's excess/deficient net working capital balance as of the valuation date, as noted in **Section 4.2** of this Report. After adjusting for these items in **Exhibit 13**, we arrived at a non-controlling, semi-marketable equity value on a fair market value basis.

Guideline Transaction Method Conclusion

After adjusting for the preceding factors, the non-controlling, semi-marketable equity value of the Company indicated by the guideline transaction method was determined to be $38,500,000, as outlined in **Exhibit 13**.

4.4 Guideline Public Company Method

Guideline Public Company Method Overview

The guideline public company method values a business based on trading multiples derived from publicly-traded companies that are similar to the subject company. The steps taken in using the guideline public company method include identifying comparable public companies, eliminating potential comparables that have thinly-traded stock that does not trade on major exchanges (such as NYSE and NASDAQ) because the trading prices are likely to be speculative rather than reflective of fair market value, and then applying the adjusted pricing multiples from the representative companies. We arrive at a non-controlling, marketable value using this method because the stock of the guideline public companies is readily marketable (unlike that of COMPANY NAME) and we are utilizing a non-controlling benefit stream.

Ideally, the guideline companies selected for analysis compete in the same industry as the subject company. When such publicly-traded companies do not exist (or when only a small number of them exist), other companies with similar underlying characteristics such as markets serviced, growth, risks or other relevant factors can be considered – exact comparability is not required under this method of valuation, although closer comparables are preferred.

We gathered information on 4 publicly-traded companies in the following industry:

- Wholesale - Drugs, Drug Proprietaries, and Druggists' Sundries – (SIC 5122)

These guideline public companies are presented in **Exhibits 14 to 17** along with certain information relevant to the application of the guideline public company method. Similar to the guideline transaction method, these companies differ from COMPANY NAME in their respective stages of development and size, but they have comparable operational models and financial risks. They also reflect the general economic conditions that the Company faced as of the valuation date. Thus, the comparative analysis to COMPANY NAME is based on the performance and characteristics of the sample as a whole rather than on any individual company selected.

Guideline Public Company Method Analysis

Our approach in applying the various guideline public company multiples to the Company is described below:

- ***Revenue*** – The population's net sales multiples ranged from 0.15x to 1.26x, with a median of 0.21x. Before applying multiples, however, it was necessary to adjust them for the lower risk that the guideline public companies have due to their larger size and lower specific company risk compared to COMPANY NAME. The public company multiples were adjusted based on the public companies' estimated rate of return relative to COMPANY NAME's 17.2% discount rate. The public company rates of return were determined based on 1) the same risk-free rate (2.60%) and equity risk premium (5.97%) used in COMPANY NAME's build-up; 2) the appropriate *2017 Duff & Phelps Valuation Handbook* equity and size risk premium based on the companies' market value of equity; and 3) the industry risk premium (0.0%) for the Company's industry. The ratio of each public company's rate of return relative to COMPANY NAME was multiplied by the revenue multiple to account for the higher risk of investing in COMPANY NAME compared to the public company comparables. After adjusting for the relative risk of COMPANY NAME compared to the guideline public companies, the revenue multiples ranged from 0.08x to 0.82x, with a median of 0.11x.

When applying revenue multiples, one must keep in mind that the subject company's profitability plays a significant factor in selecting an appropriate multiple since looking simply at a company's revenue gives no indication of how efficiently that company turns revenues into profit. COMPANY NAME's TTM 5/31/17 and weighted-average EBITDA margins were consistent with the median and upper quartile of the comparable companies in **Exhibit 17**, indicating that a revenue multiple between the median (0.11x) and upper quartile (0.29x) is appropriate. Therefore, we utilized multiples from 0.15x to 0.25x in determining COMPANY NAME's value based on its revenue levels.

- ***EBITDA*** – The population's EBITDA multiples ranged from 4.98x to 13.17x, with a median of 9.59x. Again, we adjusted the guideline public company multiples for the lower risk of the guideline public companies due to their larger size and lower specific company risk compared to COMPANY NAME. After adjusting for the relative risk of COMPANY NAME compared to the guideline public companies, the EBITDA multiples ranged from 2.39x to 8.56x, with a median of 5.09x. EBITDA multiples are not as sensitive to the subject company's profitability as revenue multiples since the subject company's profitability is implicitly considered in the EBITDA stream, which indicates that an EBITDA multiple similar to the median is appropriate. Therefore, we applied EBITDA multiples ranging from 4.50x to 5.50x in valuing the Company.

Consideration was given to the enterprise values indicated by the application of both the revenue and EBITDA multiples. The values indicated by the various multiples were as follows:

Summary of Values Indicated by Guideline Public Company Method				
	Indicated Enterprise Value			
Revenue Multiples	**$ 12,788,000**	to	**$ 21,423,000**
EBITDA Multiples	**$ 16,358,000**	to	**$ 21,763,000**

The mid-point of the revenue multiple value range was $17.1 million and the mid-point of the EBITDA multiple value range was $19.1 million. Based on the range of values indicated above, we concluded that the enterprise value indicated by the guideline public company method was $18,000,000 as of May 31, 2017, as presented in **Exhibit 17**, which falls on the higher end of the revenue multiple range and between the midpoint and lower end of the EBITDA multiple range.

Adjustments to Determine Equity Value

Because the multiples that we utilized were based on the enterprise value of the guideline public companies, we arrived at an "enterprise value" of COMPANY NAME when using the guideline public company method. Enterprise value incorporates all of a company's operating assets, except for cash, and includes working capital, fixed assets and intangible assets.

The enterprise value indicates the value of a company's equity *and* interest-bearing debt (excluding cash), so we must subtract the debt and add the cash balance of the Company as of the valuation date in order to arrive at its equity value. We must also take into account the value of any non-operating assets and other debt-like liabilities, as well as the Company's excess/deficient net working capital balance as of the valuation date, as noted in **Section 4.2** of this Report. After adjusting for these items, the non-controlling, marketable equity value of the Company was determined to be $26,700,000, as presented in **Exhibit 17**.

Guideline Public Company Method Conclusion

The fair market value of COMPANY NAME's equity on a non-controlling, marketable basis based on the guideline public company method is $26,700,000 as of May 31, 2017, as detailed in **Exhibit 17**.

4.5 Valuation Methods Considered But Not Used

Performing a proper valuation of any company requires the valuator to consider all of the available approaches when determining a value. The three types of approaches in valuing a company include the asset approach, income approach and market approach. Within each approach, there are several commonly accepted methods used to value companies. While the following methods are required to be considered in valuing the Company, each method had limitations in its application in determining the proper value of its equity.

Capitalization of Excess Earnings Method

The capitalization of excess earnings method is an income and asset-based approach to valuation where the adjusted tangible and intangible assets of a business are valued independently. These component assets are then combined to determine the total fair market value of the business. The adjusted net tangible assets are comprised of the fair market value of the total tangible assets of the business less the total liabilities as of the valuation date. The intangible assets are valued by capitalizing the excess earnings of the business, where the excess earnings represent the earnings of the business in excess of the level that would provide a reasonable rate of return on the business' net tangible assets, as determined by industry standards.

There are inherent limitations in utilizing the capitalization of excess earnings method in valuing any type of business. One such limitation is the fact that there is no literature indicating what level of earnings should be utilized in determining a base level of earnings to which the comparison would be made in determining "excess earnings". Additionally, there is no readily observable market rate of return directly applicable to many tangible assets and, therefore, determining "excess earnings" is a highly subjective calculation. As stated in Revenue Ruling 68-609, this methodology should only be utilized when no other method is appropriate. Based on the discussion above, we have not utilized this methodology in determining the value of the Company.

Recent Transactions

There were no recent transactions involving the Company's shares that would provide an indication of its fair market value.

5 NATURE OF THE UNDERLYING SECURITY

Before a final conclusion of value can be rendered for the Company, the nature of the ownership interest being valued must be considered. The value of an ownership interest is influenced by many of its characteristics, including marketability and control.

5.1 Control

The definition of a non-controlling (minority) interest is ownership of less than a sufficient number of voting units that would enable an owner to control company policy and make decisions for or on behalf of that entity. Such an ownership interest limits one's ability to control the affairs of the entity, so the interest is considered a minority interest and a lack of control adjustment is appropriate since a non-controlling (minority) owner is unable to:

1. Elect directors or appoint management;
2. Set levels of management compensation and perquisites;
3. Determine cash dividends/distributions;
4. Set company policies or business course;
5. Decide on what investments and what projects are undertaken and how they are financed;
6. Purchase or sell assets;
7. Determine when to liquidate the company;
8. Force the liquidation of one's investment in the company.

Lack of Control Adjustment – COMPANY NAME

The methodologies employed in arriving at our conclusion of value (capitalization of cash flow, guideline transaction and guideline public company methods) produced non-controlling values because non-controlling benefit streams were used in each of those analyses. Therefore, a lack of control adjustment is not applicable to the values indicated by those methods.

Lack of Control Adjustment – BUYING GROUP

Because the determination of the value of COMPANY NAME's ownership interest in BUYING GROUP was based on its capital account balance (effectively, an adjusted net asset method), it is inherently a controlling value because a non-controlling investor would not be able to force the distribution of BUYING GROUP's net assets in satisfaction of the capital account balances. Therefore, the application of a lack of control adjustment is necessary to arrive at a non-controlling, non-marketable equity value.

We considered the lack of control discounts indicated by closed-end mutual funds as well as the Mergerstat/BVR Control Premium Study:

- **Closed-End Fund Analysis** – Investments in closed-end mutual funds are similar to holding a non-controlling ownership interest in a privately-held company because a closed-end fund investor cannot force the sale of the assets and liquidation of the entity, control investment decisions, control compensation for the management of the entity or control distributions of income. We utilized *Wall Street Journal* data as of April 28, 2017 to determine comparable closed-end fund prices and net asset values, which allowed us to compute the price to net asset value ratios to be used in determining an appropriate lack of control adjustment. Because BUYING GROUP is a U.S.-based operating company, we gathered data on closed-end funds invested in domestic equities, which are shown in **Exhibit 18**. The median lack of control adjustment indicated by these closed-end domestic equity funds was 9.7%.

- **Mergerstat/BVR Control Premium Study** – The Mergerstat/BVR Control Premium Study offers market evidence regarding control premiums and, conversely, lack of control discounts. We analyzed the following segments of the Mergerstat/BVR Control Premium Study data as of March 31, 2017:

  - **Entire Population –** The entire population included 10,430 transactions dating back to 1998. The median control premium of those transactions was 25.7%, resulting in implied lack of control discount of 20.4%. The transactions in the Mergerstat/BVR Control Premium Study reflect both financial and strategic acquisitions. Strategic acquisitions may include a synergistic premium for items such as the elimination of competition, economies of scale, reduction in various expenses and increased purchasing power. As a result, the premiums in this study include characteristics of both control and synergies. Absent the synergistic items discussed above, the control premiums would be lower, resulting in lower implied lack of control (minority) discounts.

  - **"Financial" Transactions** – Because the transactions in the Mergerstat/BVR Control Premium Study include characteristics of both control and synergies, we also separately analyzed the deals identified as "financial" transactions in the study. "Financial" buyers are different from strategic acquirers in that they are typically purchasing a company with the intent to operate it as a standalone entity and not to fold it into an existing group of companies in order to create synergies. Although financial buyers may still be willing to pay for some level of expected synergies that could be created through reorganizations and streamlined processes, this premium is expected to be lower than that which would be paid in a strategic acquisition. We found 1,960 "financial" transactions dating back to 1998. The median control premium of those transactions was 20.9%, resulting in implied lack of control discount of 17.3%. As expected, these discounts are slightly lower than that of the entire population since "financial" transactions should have a lower incidence of synergistic premiums being paid.

A summary of the results from the various lack of control discount analyses is presented below:

Summary of Lack of Control Discount Analyses	Indicated Discount
Closed-End Funds	
Median - Domestic Equities	9.7%
Mergerstat Control Premium Study	
Median - All Transactions	20.4%
Median - Financial Transactions	17.3%

Based on an analysis of the closed-end fund and Mergerstat/BVR Control Premium Study data, we concluded that a 12.5% adjustment for lack of control was appropriate in determining the non-controlling value of COMPANY NAME's ownership interest in BUYING GROUP. This discount is slightly higher than the median of the closed-end fund data (9.7%) and slightly below the Mergerstat/BVR Control Premium Study range (17.3% - 20.4%) to take into account that there are synergy-related premiums in that data. It also takes into account the fact that even the "financial" transactions in the Mergerstat/BVR Control Premium Study may contain some premium associated with potential synergies.

5.2 Marketability

There are certain marketability differences between ownership interests in COMPANY NAME and BUYING GROUP and an interest in the stock of publicly-traded companies. An owner of publicly-traded securities can know at all times the market value of his or her holding. He or she can sell that holding on virtually a moment's notice and receive cash, net of brokerage fees, within several working days.

This would not be the case with an interest with COMPANY NAME or BUYING GROUP. Consequently, liquidating a position in COMPANY NAME or BUYING GROUP would be a more costly, uncertain and time-consuming process than liquidating stock in a publicly-traded entity. An investment in which the owner can achieve liquidity in a timely fashion is worth more than an investment in which the owner cannot liquidate the investment quickly. Privately-held companies sell at a discount that reflects the additional costs, increased uncertainty and longer time commitments associated with liquidating these types of investments.

The data most frequently used to compute lack of marketability discounts for non-controlling ownership interests in privately-held entities comes in two forms: restricted stock studies and pre-IPO studies. In addition, we considered the lack of marketability adjustment indicated by the Stout Restricted Stock Study (a more granular restricted stock study analysis).[4] Finally, we considered the factors listed as most important in the quantification of an appropriate lack of marketability discount in *Bernard Mandelbaum, et al. v. Commissioner*.

Restricted Stock Studies

Professional valuators often focus on the restricted stock study approach since restricted stock closely resembles an ownership interest in a privately-held entity due to the limited market available in which to sell the interest and the length of time required to sell certain amounts of restricted stock (i.e., large-block transactions) because of holding period requirements and volume limitations, thus making restricted stock very illiquid.

Restricted stock refers to shares that have not been registered with the SEC (Securities and Exchange Commission), meaning they cannot be sold in the public market and are the product of private transactions, often acquired directly from the issuing company. Restricted stock is used in different situations, many times for start-up or expansion capital. A number of studies have been conducted in the last 40 years which demonstrate that the sale of restricted stock of publicly-traded companies is generally accomplished at a discount from the price of otherwise comparable unrestricted shares trading on the open market.

Restricted stock of publicly-traded companies is both similar to, and different from, privately-held shares, all things being equal with regard to the underlying fundamentals of the company. The similarity is that both classes of stock are illiquid compared with publicly-traded shares. On the other hand, privately-held shares are not as marketable as publicly-traded shares, while restricted shares eventually will be. Therefore, in

[4] The Stout Restricted Stock Study was only applied in determining the lack of marketability adjustment for COMPANY NAME because that entity is the focus of this Report. In addition, the value associated with COMPANY NAME's ownership interest in BUYING GROUP not captured in its adjusted cash flows (its capital account balance) is effectively the same as a minority interest in a holding company, which would be expected to have a lower lack of marketability discount than the operating companies considered in the Stout Restricted Stock Study.

most cases the average discounts observed in these studies should be the minimum discounts used to value non-controlling ownership interests in privately-held entities. Included in **Exhibit 19** is a summary of the studies mentioned above and the average/median marketability discounts observed.

The decline in average/median discounts observed in the studies is attributable to changes in the rules governing the public sale of restricted stocks (Rule 144), including their required holding periods and registration. In 1990, Rule 144A was adopted, which permitted qualified institutional investors to trade unregistered securities amongst themselves, resulting in increased restricted stock trading and greater marketability of restricted stock ownership interests. Also in 1990, the “tacking” concept of Rule 144 was amended, which allowed non-affiliate purchasers the ability to “tack” the previous non-affiliate owner’s holding period onto their own, rather than having the required holding period restart upon their purchase. In 1997, the holding period requirements under Rule 144 were amended to permit the resale of restricted stock after one year (for non-affiliates), rather than the prior minimum holding period of two years, with unlimited public resale allowed after one additional year. In 2008, Rule 144 was further amended to permit the resale of restricted stock after six months (for non-affiliates), as opposed to one year, with reduced holding periods for unlimited public resale, as well.

The recent trend in the studies reflects that as the expected time horizon for holding an ownership interest in an entity increases, so does the lack of marketability discount observed. Prior to the easing of restricted stock regulations in 1990 (and the adoption of relaxed minimum holding periods in later years), the median discounts observed in the restricted stock studies ranged from 31.2% to 45.0% with a median of 33.0%. The pre-1990 studies also had average discounts ranging from 25.8% to 35.6% with a median of 33.5%. Since privately-held companies will never have an active market, marketability adjustments in most cases should be similar to or larger than those indicated by the pre-1990 restricted stock studies analyzed. Therefore, the discount for lack of marketability indicated by the restricted stock studies is approximately 30% to 40%.

Pre-IPO Studies

Another approach to determining lack of marketability discounts is based on pre-IPO studies. Such studies calculate lack of marketability discounts based on the difference in a company’s stock price in an initial public offering (“IPO”) compared to the prices at which its shares traded in the months leading up to the IPO. Therefore, these studies are appropriate in determining marketability adjustments because a company’s shares are privately held or thinly traded prior to an IPO and become more liquid after shares have been offered to the public. The difference in pre- and post-IPO price is generally considered to be a result of the increased marketability of the company’s stock (although some of this difference may sometimes be attributable to increases in company value as a result of the IPO or companies issuing shares at artificially low prices prior to an IPO so that certain pre-IPO investors receive larger returns). Numerous pre-IPO studies, which analyze data over a 30 year period from 1975-2006, reflect median discounts ranging from 31.6% to 68.0% with a median discount of 42.7% as presented in **Exhibit 19**. The pre-IPO studies also had average discounts ranging from 23.9% to 59.0% with a median of 43.0%. Therefore, the discount for lack of marketability indicated by the pre-IPO studies is approximately 40% to 50%.

Stout Restricted Stock Study

The Stout Restricted Stock Study is a database of transactions used to determine discounts for lack of marketability. The database is constructed from transactions involving the restricted stock of public companies under SEC Rule 144. The discount for lack of marketability from these transactions is calculated based on the percentage difference between the private placement (restricted stock) price per share and the market trading price per share. In other words, it is the discount at which a restricted share trades in relation to a freely-traded share.

In utilizing the data from the Stout Restricted Stock Study, we are able to take into consideration the specific characteristics of the Company and the impact that these characteristics have on the applicable discount for lack of marketability. The key inputs to the analysis are presented in **Exhibit 20** along with the Stout Restricted Stock Study discount analysis.

The application of the Stout Restricted Stock Study data is a three step process, as summarized below and presented in **Exhibit 20**:

1. ***Restricted Stock Equivalent Discount ("RSED") Calculation*** – The first step in the analysis is to determine the discount applicable to an equity interest in a private-held company as if they were restricted shares of a publicly-traded company. The determination of the RSED is based on a comparative analysis of the Company to the companies in the Stout Restricted Stock Study that issued small blocks of restricted stock (less than 30% shares placed). A specific RSED is calculated based on a weighted-average of the discounts indicated by the Company's characteristics. A range of RSEDs is also calculated based on an analysis of the number of companies in the Stout Restricted Stock Study with characteristics in the same quintile as the Company on a cumulative basis (those that share 1 quintile characteristic, 2 quintile characteristics, etc.).

2. ***Market Volatility Adjustment*** – An adjustment to the RSED is required if the equity markets are demonstrating unusually high volatility around the valuation date. The adjustment factor is derived from a comparison of Stout Restricted Stock Study transactions occurring during months with normal volatility (normal trailing six-month average VIX values) versus those occurring during months with high volatility (high trailing six-month average VIX values). After applying the market volatility adjustment to the RSED, we arrive at an adjusted restricted stock equivalent discount ("ARSED").

3. ***Private Equity Discount ("PED") Analysis*** – The final step in the calculation is the PED analysis, which reflects the fact that ownership interests in privately-held companies are significantly less liquid than all but the most illiquid issues (i.e., the largest blocks) of restricted stock in public companies. The PED adjustment is based on the comparison of discounts associated with small-block versus large-block transactions in the Stout Restricted Stock Study.

Based on the Company's characteristics, the applicable range of marketability discounts indicated by the FMV Study was 37.6% to 42.0%, from which we arrived at a concluded discount of 38.5%. It should be noted that both the multiplicative and inverse multiplicative discount ranges were considered, as suggested by Stout when the ARSED is between 20%-25%.

Mandelbaum Factor Analysis

The following factors were listed as most important in the quantification of an appropriate lack of marketability discount in *Bernard Mandelbaum, et al. v. Commissioner.*

- ***Financial Statement Analysis*** – Financial statement analysis was conducted in **Sections 3.1 and 3.2** of this Report and was considered in determining the applicable discount for lack of marketability. Both COMPANY NAME's and BUYING GROUP's strong balance sheets indicated that a lower lack of marketability adjustment is appropriate.

- ***Company's Dividend Policy*** – COMPANY NAME's and BUYING GROUP's dividend/distribution policies and historical dividend/distribution behavior were considered in determining the applicable discount for lack of marketability. Specifically, COMPANY NAME's history of accumulating cash and not paying dividends increases the applicable lack of marketability discount. Alternatively, BUYING GROUP's history of providing significant rebates and distributions to its members indicates that a lower lack of marketability adjustment is appropriate.

- ***Nature of the Company, the Company's History and Position Within the Industry, and Economic Outlook*** – These items are addressed in **Sections 2.1, 2.2 and 2.3** of this Report and were considered in determining the applicable discount for lack of marketability. These factors have little impact on the applicable lack of marketability discounts applied in this case.

- ***Company's Management*** – COMPANY NAME's management depth and key person risk, which were highlighted in **Section 4.2**, were considered in determining the applicable discount for lack of marketability.

- ***Restrictions on Transferability of Stock*** – Any restrictions on the transfer of ownership interests in COMPANY NAME and BUYING GROUP were considered in determining the applicable discount for lack of marketability. Specifically, COMPANY NAME's buy-sell agreement includes a right of first refusal for the other owners, which restricts the transferability of the ownership interests and indicates that a higher lack of marketability adjustment is appropriate. BUYING GROUP's operating agreement also limits the rights of owners to assign or sell ownership interests to other parties, which indicates that a higher lack of marketability adjustment is appropriate.

- ***Amount of Control in Transferred Shares*** – The amount of control inherent in the ownership interests being valued was considered in determining the applicable discount for lack of marketability. In the case of both COMPANY NAME and BUYING GROUP, non-controlling interests are being valued, which indicates that a higher discount for lack of marketability is appropriate.

- ***Holding Period for Stock*** – The expected holding period, if any, for the ownership interests being valued was considered in determining the applicable discount for lack of marketability. Because 1) an investment in a closely-held entity is generally a long-term investment; 2) the ownership interests being valued cannot unilaterally decide to sell COMPANY NAME or BUYING GROUP; and 3) there are no immediate plans to sell COMPANY NAME or BUYING GROUP, we estimated a long-term holding period for the ownership interests being valued, which indicates that a higher lack of marketability discount is appropriate.

- ***Company's Redemption Policy*** – Any redemption policies in place at COMPANY NAME and BUYING GROUP were considered in determining the applicable discount for lack of marketability. Specifically, neither COMPANY NAME nor BUYING GROUP have a redemption policy that would give an investor the opportunity to monetize his or her holding at their discretion. This indicates that the application of a lack of marketability discount is appropriate.

- ***Costs Associated with Making a Public Offering*** – Costs of flotation, or the costs associated with taking a company public, are generally recognized as an accepted approach in estimating the lack of marketability of a controlling ownership interest in a privately-held company. As discussed in **Section 4.3** of this Report, the marketability discount to be applied to the value of COMPANY NAME indicated by the guideline transaction method must be reduced in order to take into consideration the fact that the transactions analyzed involved the sale of controlling interests in privately-held entities (for which some level of lack of marketability is already implicit in the transaction price). Therefore, it was necessary to determine the approximate marketability discount embedded in these transactions.

The SEC Cost of Flotation Study indicated an average flotation cost of 12.6% (sum of compensation and other expenses) of the total public offering, but the indicated discount was near or below 10.0% when the size of the transaction was greater than $2.0 million. Specifically, for equity values of $20.0 - $49.99 million (similar to the Company), the average cost of flotation was 5.0%.

SEC Cost of Flotation Study (1974)				
Size of Issue ($ Millions)	Number	Compensation (% of Gross Proceeds)	Other Expense (% of Gross Proceeds)	Total Expense (% of Gross Proceeds)
Under 0.5	3	8.2%	10.9%	19.1%
0.5 - 0.99	227	12.5%	8.3%	20.7%
1.0 - 1.99	271	10.6%	5.9%	16.5%
2.0 - 4.99	450	8.2%	3.7%	11.9%
5.0 - 9.99	287	6.7%	2.0%	8.7%
10.0 - 19.99	170	5.5%	1.1%	6.6%
20.0 - 49.99	109	4.4%	0.6%	5.0%
50.0 - 99.99	30	3.9%	0.3%	4.3%
100.0 - 499.99	12	3.0%	0.2%	3.2%
Over 500.0	0	0.0%	0.0%	0.0%
Total/Averages	1,559	8.3%	4.3%	12.6%

A more recent study published by Jay R. Ritter in 1987 indicated that total cash expenses incurred in IPOs were approximately 14.0% for firm-commitment IPOs and 17.8% for best-effort IPOs, but were between approximately 10.4% and 17.4% when the size of the transaction was greater than $2.0 million. Specifically, for equity values of $10.2 - $120.2 million (similar to the Company), the average cost of flotation ranged from 9.3%-10.4%.

Ritter Study (1987)				
Gross Proceeds ($ Millions)	Number of Offers	Underwriting Discount (%)	Other Expenses (%)	Total Cash Expenses (%)
Firm-Commitment Offers				
0.0 - 1.99	68	9.9%	9.7%	19.6%
2.0 - 3.99	165	9.8%	7.6%	17.4%
4.0 - 5.99	133	9.1%	5.7%	14.8%
6.0 - 9.99	122	8.0%	4.3%	12.3%
10.0 - 120.2	176	7.2%	2.1%	9.3%
All Offers	664	8.7%	5.4%	14.0%
Best-Effort Offers				
0.0 - 1.99	175	10.7%	9.6%	20.2%
2.0 - 3.99	146	10.0%	6.2%	16.2%
4.0 - 5.99	23	9.9%	3.7%	13.6%
6.0 - 9.99	15	9.8%	3.4%	13.2%
10.0 - 120.2	5	8.0%	2.4%	10.4%
All Offers	364	10.3%	7.5%	17.8%

Based on the analysis above, particularly the discount indicated by the SEC Cost of Flotation Study (which had the most applicable set of similar-sized companies in relation to COMPANY NAME), we estimated that a 5.0% discount for the lack of marketability was embedded in the guideline transaction multiples from the Pratt's Stats database and, therefore, already reflected in the guideline transaction method value for COMPANY NAME.

Lack of Marketability Adjustment – COMPANY NAME

A summary of the results from the various marketability discount analyses is presented below:

Summary of Marketability Discount Analyses				
	Low	Median	High	Notes
Restricted Stock Studies (Pre-1990)	31.2%	33.0%	45.0%	Median Discounts
Pre-IPO Studies	31.6%	42.7%	68.0%	Median Discounts
	Low	Concluded	High	
Stout Restricted Stock Study **[1]**	35.7%	38.5%	42.0%	Multiplicative and Inverse Multiplicative Range

Footnotes:

[1] Because the Stout Restricted Stock Study Adjusted Restricted Stock Equivalent Discount is between 20%-25%, both the multiplicative and inverse multiplicative discount ranges should be considered according to Stout.

Based on an analysis of the restricted stock studies and pre-IPO studies, as well as the application of the Stout Restricted Stock Study and the *Mandelbaum* factors affecting marketability (particularly COMPANY NAME's history of not paying dividends to its owners), we concluded that a 35.0% adjustment for lack of marketability was appropriate in determining the value of a 1.0% non-controlling, non-marketable ownership interest in COMPANY NAME. The selected lack of marketability discount of 35.0% is between the medians of the restricted stock (33.0%) and Pre-IPO (42.7%) studies. The 35.0% lack of marketability discount is also slightly below the low-end of the range indicated by the Stout Restricted Stock Study (35.7%-42.0%).

Lack of Marketability Adjustment – BUYING GROUP

A summary of the results from the various marketability discount analyses is presented below:

Summary of Marketability Discount Analyses				
	Low	Median	High	Notes
Restricted Stock Studies (Pre-1990)	31.2%	33.0%	45.0%	Median Discounts
Pre-IPO Studies	31.6%	42.7%	68.0%	Median Discounts

Based on an analysis of the restricted stock studies and pre-IPO studies, as well as the application of the Stout Restricted Stock Study and the *Mandelbaum* factors affecting marketability (particularly BUYING GROUP's history of paying rebates/distributions to its owners), we concluded that a 30.0% adjustment for lack of marketability was appropriate in determining the value of COMPANY NAME's non-controlling, non-marketable ownership interest in BUYING GROUP. The selected discount is slightly lower than the low end of the pre-1990 restricted stock studies (31.2%) and pre-IPO studies (31.6%) to take into account the fact that BUYING GROUP has been effectively viewed as a holding company in the valuation of COMPANY NAME because the cash flow benefit from the BUYING GROUP investment is already reflected in the value of the Company through the income and market-based approaches applied. Holding companies tend to have lower lack of marketability adjustments than operating companies because they should have lower volatility due to the nature of their operations, which supports the lower lack of marketability discount applied in determining the value of COMPANY NAME's investment in BUYING GROUP (30.0%) than the value of non-controlling, non-marketable ownership interest in COMPANY NAME itself (35.0%), which is an operating company.

6 RECONCILIATION OF VALUATION METHODS

A company's value is comprised of the market assessment of the predominant factors of value. The influence of each factor may vary among particular companies, or for the same company, from year-to-year.

Because the values of the Company based on the capitalization of cash flow, guideline transaction and guideline public company methods were higher than the adjusted net asset value, or "floor value," it can be deduced that the representative earnings/cash flow of the Company indicate a value that is higher than what would be netted if all of the assets were sold and liabilities satisfied as of the valuation date. Accordingly, we dismissed the adjusted net asset value method in determining the value of the Company as of May 31, 2017.

The value of the Company's equity on a non-controlling, non-marketable basis indicated by the capitalization of cash flow, guideline transaction and guideline public company methods ranged from $16,310,000 to $26,950,000:

Capitalization of Cash Flow Method	**$16,310,000**
Guideline Transaction Method	**$26,950,000**
Guideline Public Company Method	**$17,350,000**

We believe that there is merit in the values indicated by all of the valuation methods summarized above and that the valuation methodologies applied arrive at reasonable and supportable indications of the Company's value. Given the consistency of the capitalization of cash flow and guideline public company values, we believe greater weight should be given to the values indicated by those methodologies. Placing less weight on the guideline transaction method value, which appears to be an outlier, is also reasonable given that only 3 of the comparable transaction identified occurred within 5 years of the valuation date. Therefore, we conclude that the value of the Company's equity on a non-controlling, non-marketable basis as of May 31, 2017 is $17,500,000, as presented in **Exhibit 21**.

In light of the above analysis, we conclude that the value of a 1.0% non-controlling, non-marketable ownership interest in the Company as of May 31, 2017 is $175,000 as set forth in **Exhibit 21**.

7 REVENUE RULING 59-60

An additional authoritative source of guidance that is considered in performing a business valuation is Revenue Ruling 59-60. The factors discussed below are the components included within the Ruling that must be considered when rendering a conclusion of value. While the following discussion may be somewhat repetitive with previous sections, the importance of the components of Revenue Ruling 59-60 necessitates such discussion.

The concluded value of the Company was determined after a detailed consideration of the following factors:

- ***The Nature and History of the Business –*** A detailed description of the nature and history of COMPANY NAME (**Section 2.1**) was included in this Report.

- ***Economic Outlook*** – This factor was described in great detail in **Section 2.3** of this Report and was considered in arriving at our conclusion of value.

- ***The Book Value of the Company and the Company's Current Financial Condition*** – The book value of the Company served as a starting point in our arrival at a conclusion of value using the adjusted net asset method, as discussed in **Sections 3.3 and 4.1** of this Report.

- ***Future Earnings Capacity*** – This factor involves analyzing potential future earnings, as well as current and historical earnings, and takes into consideration the nature of the business and its corresponding risks. The future earnings of COMPANY NAME were considered in determining the value of the Company using the capitalization of cash flow method, as discussed in **Section 4.2** of this Report.

- ***Dividend-Paying Capacity*** – Our analysis of the Company's dividend behavior and its impact on the applicable discount for lack of marketability was considered and discussed in **Section 5.2** of this Report.

- ***Marketability and Size of the Interest Being Valued*** – When assessing the value of an ownership interest in a privately-held company, the size of the interest being valued and the marketability of the interest are important factors in the valuation process. The appropriateness and extent of a lack of control and lack of marketability discounts for a non-controlling, non-marketable ownership interest in COMPANY NAME was considered in **Sections 5.1 and 5.2** of this Report.

- ***The Value of Comparable Publicly-Traded Stocks*** – We considered the application of the guideline public company method in valuing COMPANY NAME, as discussed in **Section 4.4**.

- ***Goodwill and the Existence of Other Intangible Assets*** – In the case of COMPANY NAME, any goodwill that exists is present in the earnings of the entity. Therefore, it is appropriate to focus on the earnings of the Company to determine the fair market value of any goodwill that it may have. In utilizing the capitalization of cash flow, guideline transaction and guideline public company methods, proper consideration has been given to the existence of goodwill or other intangible assets.

8 CONCLUSION

We have performed a valuation engagement, as that term is defined in SSVS, of a 1.0% non-controlling, non-marketable ownership interest in COMPANY NAME as of May 31, 2017 for gift tax reporting purposes. The resulting estimate of value is to be used only in connection the previously stated purpose and should not be used for any other purpose or by any other party for any purpose.

The valuation engagement was performed in accordance with SSVS and NACVA standards. The estimate of value that results from a valuation engagement is expressed as a conclusion of value. There were no restrictions or limitations in the scope of our work or data available for analysis.

This conclusion is subject to the statement of Assumptions and Limiting Conditions in **Appendix A** and the Valuation Analyst's Representation/Certification found in **Appendix C**. We have no obligation, but reserve the right, to update this Report or our conclusion of value for information that comes to our attention after the date of this Report.

On the basis of the foregoing, our conclusion of the fair market value of a 1.0% ownership interest in COMPANY NAME on a non-controlling, non-marketable basis as of May 31, 2017 is $175,000, as detailed in **Exhibit 21**.

EXHIBIT 1
COMPANY NAME
HISTORICAL INCOME STATEMENTS
VALUATION DATE - MAY 31, 2017

	FYE 8/31/2012		FYE 8/31/2013		FYE 8/31/2014		FYE 8/31/2015		FYE 8/31/2016		TTM 5/31/2017	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Revenues	$ 79,080,280	100.0%	$ 75,451,834	100.0%	$ 92,702,681	100.0%	$ 83,594,918	100.0%	$ 88,223,020	100.0%	$ 85,255,591	100.0%
Cost of Goods Sold	74,090,974	93.8%	68,812,640	91.1%	85,321,303	92.1%	73,990,103	88.5%	74,668,625	84.7%	70,131,153	82.4%
Gross Profit	4,989,306	6.2%	6,639,194	8.9%	7,381,378	7.9%	9,604,815	11.5%	13,554,395	15.3%	15,124,438	17.6%
Operating Expenses												
Advertising	4,768	0.0%	10,935	0.0%	11,194	0.0%	13,602	0.0%	6,505	0.0%	18,664	0.0%
Bad Debts	36,251	0.0%	-	- %	83,934	0.1%	2,258,818	2.7%	1,083,120	1.2%	1,079,776	1.3%
Bank Service Charge	76,582	0.1%	157,109	0.2%	191,539	0.2%	242,801	0.3%	532,657	0.6%	514,839	0.6%
Training	-	- %	-	- %	-	- %	3,585	0.0%	10,674	0.0%	5,740	0.0%
Data Processing	-	- %	-	- %	-	- %	201,609	0.2%	240,049	0.3%	318,637	0.4%
Delivery Vehicle Expense	205,135	0.3%	201,697	0.3%	184,438	0.2%	97,685	0.1%	73,958	0.1%	84,620	0.1%
Miscellaneous	-	- %	-	- %	-	- %	164,514	0.2%	389,305	0.4%	461,860	0.5%
Salaries and Wages	2,445,671	3.1%	2,378,806	3.2%	3,063,322	3.4%	3,474,270	4.2%	4,692,701	5.4%	5,254,110	6.2%
Officer Compensation	409,132	0.6%	425,342	0.6%	1,416,265	1.5%	633,613	0.8%	967,882	1.1%	967,882	1.2%
Rent	424,188	0.5%	423,600	0.6%	423,600	0.5%	463,667	0.6%	518,805	0.6%	518,612	0.6%
Utilities	98,896	0.1%	87,369	0.1%	99,201	0.1%	84,635	0.1%	115,196	0.1%	120,978	0.1%
Security Service	12,851	0.0%	12,795	0.0%	12,650	0.0%	13,486	0.0%	14,769	0.0%	17,943	0.0%
Employee Benefits	79,735	0.1%	380,086	0.5%	103,737	0.1%	143,529	0.2%	160,476	0.2%	212,832	0.2%
Repairs and Maintenance	11,850	0.0%	18,878	0.0%	24,877	0.0%	97,040	0.1%	81,364	0.1%	89,951	0.1%
Licenses	11,541	0.0%	20,078	0.0%	14,316	0.0%	19,671	0.0%	29,703	0.0%	25,648	0.0%
Office Supplies and Expense	245,526	0.3%	235,709	0.3%	302,572	0.3%	93,900	0.1%	78,189	0.1%	90,706	0.1%
Donations	100	0.0%	-	- %	-	- %	-	- %	300	0.0%	675	0.0%
Insurance	327,363	0.4%	266,764	0.4%	217,638	0.2%	254,834	0.3%	367,086	0.4%	380,446	0.4%
Depreciation	87,032	0.1%	110,831	0.1%	101,529	0.1%	150,845	0.2%	74,282	0.1%	136,696	0.2%
Shipping Expense and Freight	113,021	0.1%	59,198	0.1%	215,724	0.2%	-	- %	-	- %	-	- %
Travel and Meals	43,073	0.1%	31,660	0.0%	33,397	0.0%	41,238	0.0%	55,922	0.1%	60,176	0.1%
Dues and Subscriptions	42,197	0.1%	49,590	0.1%	48,059	0.1%	42,271	0.1%	25,746	0.0%	32,977	0.0%
Professional Fees	109,874	0.1%	85,151	0.1%	61,490	0.1%	164,285	0.2%	351,354	0.4%	296,552	0.3%
Payroll Taxes	203,677	0.3%	195,682	0.3%	249,837	0.3%	283,413	0.3%	377,341	0.4%	441,100	0.5%
Other State and Local Taxes	118,197	0.1%	119,987	0.2%	103,470	0.1%	119,732	0.1%	84,358	0.1%	80,503	0.1%
Penalties	-	- %	73	0.0%	591	0.0%	1,306	0.0%	-	- %	-	- %
	5,106,660	6.4%	5,271,340	7.1%	6,963,380	7.5%	9,064,349	10.8%	10,331,742	11.7%	11,211,923	13.0%
Operating Income (Loss)	(117,354)	(0.2%)	1,367,854	1.8%	417,998	0.4%	540,466	0.7%	3,222,653	3.6%	3,912,515	4.6%
Other Income (Expenses)												
Interest Income	57	0.0%	-	- %	-	- %	-	- %	-	- %	-	- %
Gain on Sale of Assets	-	- %	4,231	0.0%	11,295	0.0%	5,247	0.0%	1,019	0.0%	1,019	0.0%
Service Charges	182,179	0.2%	144,733	0.2%	259,071	0.3%	290,564	0.3%	285,494	0.3%	218,147	0.3%
Litigation Expense	(21,120)	0.0%	(3,000)	0.0%	-	- %	-	- %	-	- %	-	- %
Other Income	66,707	0.1%	78,255	0.1%	169,316	0.2%	82,130	0.1%	175,334	0.2%	164,637	0.2%
Interest Expense	(86,340)	(0.1%)	(89,039)	(0.1%)	(96,636)	(0.1%)	(96,127)	(0.1%)	(90,041)	(0.1%)	(90,041)	(0.1%)
	141,483	0.2%	135,180	0.2%	343,046	0.4%	281,814	0.3%	371,806	0.4%	293,762	0.4%
Pre-Tax Net Income	24,129	(0.0%)	1,503,034	2.0%	761,044	0.8%	822,280	1.0%	3,594,459	4.0%	4,206,277	5.0%
Income Taxes	10,766	0.0%	511,682	0.7%	262,399	0.3%	298,846	0.4%	1,446,103	1.6%	2,431,353	2.9%
Net Income	$ 13,363	(0.0%)	$ 991,352	1.3%	$ 498,645	0.5%	$ 523,434	0.6%	$ 2,148,356	2.4%	$ 1,774,924	2.1%

EBITDA Calculation

Pre-Tax Net Income	$ 24,129	(0.0%)	$ 1,503,034	2.0%	$ 761,044	0.8%	$ 822,280	1.0%	$ 3,594,459	4.0%	$ 4,206,277	5.0%
Interest Income	(57)	0.0%	-	- %	-	- %	-	- %	-	- %	-	- %
Interest Expense	86,340	0.1%	89,039	0.1%	96,636	0.1%	96,127	0.1%	90,041	0.1%	90,041	0.1%
Depreciation	87,032	0.1%	110,831	0.1%	101,529	0.1%	150,845	0.2%	74,282	0.1%	136,696	0.2%
Amortization	-	- %	-	- %	-	- %	-	- %	-	- %	-	- %
EBITDA	**$ 197,444**	**0.2%**	**$ 1,702,904**	**2.2%**	**$ 959,209**	**1.0%**	**$ 1,069,252**	**1.3%**	**$ 3,758,782**	**4.2%**	**$ 4,433,014**	**5.3%**

Other Information

Net Working Capital **[1]**	$ 7,440,854	9.4%	$ 8,921,132	11.8%	$ 11,186,289	12.1%	$ 9,098,433	10.9%	$ 6,045,549	6.9%	$ 7,924,753	9.3%
Capital Expenditures	67,830	0.1%	75,471	0.1%	69,868	0.1%	122,218	0.1%	223,638	0.3%	868,273	1.0%
Dividends	-		-		-		-		-		-	
Effective Income Tax Rate	44.6%		34.0%		34.5%		36.3%		40.2%		57.8%	
Inventories - FIFO Basis	7,602,785		7,405,574		7,738,384		10,285,597		11,223,370		10,446,844	

Footnotes:

[1] Excludes cash, other receivables, prepaid taxes, deferred income tax assets/liabilities, accrued income taxes, accrued profit sharing, and interest-bearing debt. Includes long-term notes receivable from customers. Based on FIFO inventory balances (rather than reported LIFO inventory balance).

Source:

FYE 8/31/2012 - FYE 8/31/2016 Reviewed financial statements
YTD 5/31/2016 and YTD 5/31/2017 Management-prepared financial statements
FYE 9/30/2012 - FYE 9/30/2016 Federal income tax returns (1120)

EXHIBIT 2
COMPANY NAME
HISTORICAL BALANCE SHEETS
VALUATION DATE - MAY 31, 2017

	8/31/2012		8/31/2013		8/31/2014		8/31/2015		8/31/2016		5/31/2017	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
ASSETS												
Current Assets												
Cash	$ 1,873,371	17.8%	$ 2,444,780	20.0%	$ 248,624	2.0%	$ 3,409,510	17.9%	$ 8,267,826	38.8%	$ 9,377,709	40.5%
Accounts Receivable - Net	4,786,817	45.4%	6,576,701	53.5%	6,360,816	52.4%	9,707,817	50.6%	6,157,566	28.9%	8,205,146	35.3%
Notes Receivable - Customers	173,821	1.6%	366,777	3.0%	1,465,159	12.1%	412,244	2.1%	445,215	2.1%	-	- %
Other Receivables	832	0.0%	5,025	0.0%	9,277	0.1%	-	- %	-	- %	-	- %
Inventories	2,190,314	20.8%	1,998,489	16.3%	1,895,216	15.6%	3,948,909	20.6%	4,934,972	23.1%	4,158,446	17.9%
Prepaid Expenses	38,105	0.4%	17,305	0.1%	17,079	0.1%	25,272	0.1%	33,956	0.2%	53,446	0.2%
Prepaid Taxes	41,174	0.4%	6,572	0.1%	440,412	3.6%	330,226	1.7%	369,400	1.7%	-	- %
Deferred Income Tax Asset	199,555	1.9%	-	- %	42,043	0.3%	145,341	0.8%	259,000	1.2%	259,000	1.1%
	9,303,989	88.3%	11,415,649	93.0%	10,478,626	86.2%	17,979,319	93.8%	20,467,935	96.0%	22,053,747	95.0%
Property and Equipment												
Warehouse Equipment	145,311	1.4%	153,539	1.2%	153,539	1.3%	157,240	0.8%	196,513	0.9%	253,858	1.1%
Office and Computer Equipment	450,995	4.3%	450,411	3.7%	440,787	3.6%	514,203	2.7%	584,747	2.7%	826,357	3.6%
Delivery Vehicles	520,630	4.9%	534,514	4.3%	554,561	4.6%	478,191	2.5%	537,339	2.5%	695,575	3.0%
Leasehold Improvements	251,573	2.4%	251,573	2.0%	262,256	2.2%	262,256	1.4%	262,256	1.2%	628,256	2.7%
Construction in Progress	-	- %	-	- %	-	- %	-	- %	17,846	0.1%	-	- %
	1,368,509	13.0%	1,390,037	11.2%	1,411,143	11.7%	1,411,890	7.4%	1,598,701	7.4%	2,404,046	10.4%
Less: Accumulated Depreciation & Amortization	(982,323)	(9.3%)	(1,040,680)	(8.5%)	(1,095,598)	(9.0%)	(1,124,972)	(5.9%)	(1,164,504)	(5.5%)	(1,266,088)	(5.5%)
	386,186	3.7%	349,357	2.7%	315,545	2.7%	286,918	1.5%	434,197	1.9%	1,137,958	4.9%
Other Assets												
Deposits	3,000	0.0%	3,000	0.0%	3,000	0.0%	22,427	0.1%	22,427	0.1%	20,426	0.1%
Deferred Income Tax Asset	187,204	1.8%	-	- %	-	- %	-	- %	-	- %	-	- %
Notes Receivable - Customers	655,628	6.2%	529,420	4.3%	1,342,366	11.1%	905,788	4.6%	417,322	2.0%	-	- %
Investment in BUYING GROUP	-	- %	-	- %	3,499	0.0%	-	- %	-	- %	-	- %
	845,832	8.0%	532,420	4.3%	1,348,865	11.1%	928,215	4.7%	439,749	2.1%	20,426	0.1%
TOTAL ASSETS	$ 10,536,007	100.0%	$ 12,297,426	100.0%	$ 12,143,036	100.0%	$ 19,194,452	100.0%	$ 21,341,881	100.0%	$ 23,212,131	100.0%
LIABILITIES AND SHAREHOLDERS' EQUITY												
Current Liabilities												
Line of Credit	$ 250,525	2.4%	$ 450,000	3.7%	$ 450,000	3.7%	$ 450,000	2.3%	$ 450,000	2.1%	$ -	- %
Notes Payable	1,000,000	9.5%	1,000,000	8.1%	1,000,000	8.2%	1,000,000	5.2%	1,000,000	4.7%	1,000,000	4.3%
Current Portion of Long-Term Debt	-	- %	-	- %	-	- %	17,734	0.1%	8,209	0.0%	-	- %
Trade Accounts Payable	5,586,404	53.0%	5,694,664	46.3%	4,619,147	38.1%	11,466,188	59.8%	10,840,351	50.9%	10,355,095	44.7%
Accrued Salaries and Wages	167,497	1.6%	221,518	1.8%	639,328	5.4%	768,066	4.1%	1,385,292	6.5%	419,883	1.8%
Accrued Other Liabilities	62,401	0.6%	58,463	0.5%	479,040	3.9%	4,031	0.0%	6,237	0.0%	5,705	0.0%
Accrued Federal, State, and Local Taxes	9,175	0.1%	82,062	0.7%	5,519	0.0%	5,982	0.0%	-	- %	-	- %
Accrued Profit Sharing	-	- %	300,000	2.4%	-	- %	-	- %	-	- %	-	- %
Deferred Income Tax Liability	-	- %	39,362	0.3%	-	- %	-	- %	-	- %	-	- %
	7,076,002	67.2%	7,846,069	63.8%	7,193,034	59.3%	13,712,001	71.5%	13,690,089	64.2%	11,780,683	50.8%
Non-Current Liabilities												
Long-Term Debt	-	- %	-	- %	-	- %	9,015	0.0%	-	- %	-	- %
Deferred Income Tax Liability	-	- %	-	- %	-	- %	-	- %	30,000	0.1%	30,000	0.1%
	-	- %	-	- %	-	- %	9,015	0.0%	30,000	0.1%	30,000	0.1%
TOTAL LIABILITIES	7,076,002	67.2%	7,846,069	63.8%	7,193,034	59.3%	13,721,016	71.5%	13,720,089	64.3%	11,810,683	50.9%
Shareholders' Equity												
Common Stock	101,750	1.0%	101,750	0.8%	101,750	0.8%	101,750	0.5%	101,750	0.5%	101,750	0.4%
Retained Earnings	3,818,050	36.2%	4,809,402	39.1%	5,308,047	43.7%	5,831,481	30.4%	7,979,837	37.4%	11,759,492	50.7%
Treasury Stock, at Cost	(459,795)	(4.4%)	(459,795)	(3.7%)	(459,795)	(3.8%)	(459,795)	(2.4%)	(459,795)	(2.2%)	(459,794)	(2.0%)
	3,460,005	32.8%	4,451,357	36.2%	4,950,002	40.7%	5,473,436	28.5%	7,621,792	35.7%	11,401,448	49.1%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 10,536,007	100.0%	$ 12,297,426	100.0%	$ 12,143,036	100.0%	$ 19,194,452	100.0%	$ 21,341,881	100.0%	$ 23,212,131	100.0%

Source:
FYE 8/31/2012 - FYE 8/31/2016 Reviewed financial statements
YTD 5/31/2016 and YTD 5/31/2017 Management-prepared financial statements
FYE 9/30/2012 - FYE 9/30/2016 Federal income tax returns (1120)

EXHIBIT 3
COMPANY NAME
RATIO ANALYSIS
VALUATION DATE - MAY 31, 2017

	FYE 8/31/2012	FYE 8/31/2013	FYE 8/31/2014	FYE 8/31/2015	FYE 8/31/2016	TTM 5/31/2017
Liquidity						
Current Ratio						
Company	**1.3**	**1.5**	**1.5**	**1.3**	**1.5**	**1.9**
Industry - Drugs and Druggists' Sundries Merchant Wholesalers (424210)	1.6	1.7	1.6	1.6	n/a	n/a
Quick Ratio						
Company	**1.0**	**1.2**	**1.1**	**1.0**	**1.1**	**1.5**
Industry - Drugs and Druggists' Sundries Merchant Wholesalers (424210)	0.8	0.9	0.9	0.9	n/a	n/a
Debt/Tangible Net Worth						
Company	**2.0**	**1.8**	**1.5**	**2.5**	**1.8**	**1.0**
Industry - Drugs and Druggists' Sundries Merchant Wholesalers (424210)	2.0	2.1	2.2	1.9	n/a	n/a
Profitability						
Pre-Tax Return on Revenues						
Company	**(0.0%)**	**2.0%**	**0.8%**	**1.0%**	**4.0%**	**5.0%**
Company - Normalized	**(0.7%)**	**1.1%**	**1.0%**	**3.1%**	**4.5%**	**4.5%**
Industry - Drugs and Druggists' Sundries Merchant Wholesalers (424210)	4.7%	5.1%	4.5%	6.7%	n/a	n/a
Pre-Tax Return on Assets						
Company	**0.2%**	**12.2%**	**6.3%**	**4.3%**	**16.8%**	**18.1%**
Company - Normalized	**(5.0%)**	**6.7%**	**8.2%**	**13.7%**	**19.2%**	**16.5%**
Industry - Drugs and Druggists' Sundries Merchant Wholesalers (424210)	8.5%	9.1%	9.2%	12.6%	n/a	n/a
Asset Management						
Total Asset Turnover						
Company [1]	**5.0**	**4.3**	**5.2**	**3.3**	**3.2**	**2.9**
Industry - Drugs and Druggists' Sundries Merchant Wholesalers (424210)	3.1	2.8	2.9	3.0	n/a	n/a
A/R Turnover						
Company	**14.1**	**10.1**	**10.1**	**7.6**	**12.6**	**10.4**
Industry - Drugs and Druggists' Sundries Merchant Wholesalers (424210)	10.5	10.7	10.2	11.1	n/a	n/a
Inventory Turnover						
Company [1]	**9.7**	**9.3**	**11.0**	**7.2**	**6.7**	**6.7**
Industry - Drugs and Druggists' Sundries Merchant Wholesalers (424210)	7.1	6.2	6.7	6.2	n/a	n/a

Growth	FYE 8/31/2012	FYE 8/31/2013	FYE 8/31/2014	FYE 8/31/2015	FYE 8/31/2016	TTM 5/31/2017	**CAGR [2]**
Revenue Growth	n/a	(4.6%)	22.9%	(9.8%)	5.5%	(3.4%)	2.8%
Pre-Tax Net Income Growth	n/a	6129.2%	(49.4%)	8.0%	337.1%	17.0%	249.4%
Normalized Pre-Tax Net Income Growth	n/a	n/m	21.0%	162.7%	56.2%	(6.8%)	n/m
Total Assets	n/a	16.7%	(1.3%)	58.1%	11.2%	8.8%	19.3%

Notes:
The industry ratios were taken from RMA Annual Statement Studies for 2012-2015

Footnotes:
[1] Based on FIFO inventory balance to aid in the comparability to the RMA data.
[2] Compound annual growth rate from FYE 8/31/2012 - FYE 8/31/2016

EXHIBIT 4
COMPANY NAME
ECONOMIC BALANCE SHEET
VALUATION DATE - MAY 31, 2017

	5/31/2017 HISTORICAL	NORMALIZING ADJUSTMENTS		5/31/2017 ECONOMIC
ASSETS				
Current Assets				
Cash	$ 9,377,709	$ -		$ 9,377,709
Accounts Receivable - Net	8,205,146	-		8,205,146
Inventories	4,158,446	6,288,398	**[1]**	10,446,844
Prepaid Expenses	53,446	-		53,446
Deferred Income Tax Asset	259,000	-		259,000
	22,053,747	6,288,398		28,342,145
Property and Equipment				
Warehouse Equipment	253,858	(203,858)	**[2]**	50,000
Office and Computer Equipment	826,357	(726,357)	**[2]**	100,000
Delivery Vehicles	695,575	(455,575)	**[2]**	240,000
Building	-	366,000	**[3]**	366,000
Leasehold Improvements	628,256	(628,256)	**[4]**	-
	2,404,046	(1,648,046)		756,000
Less: Accumulated Depreciation & Amortization	(1,266,088)	1,266,088	**[5]**	-
	1,137,958	(381,958)		756,000
Other Assets				
Deposits	20,426	-		20,426
Investment in BUYING GROUP	-	1,110,000	**[6]**	1,110,000
	20,426	1,110,000		1,130,426
TOTAL ASSETS	$ 23,212,131	$ 7,016,440		$ 30,228,571
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Notes Payable	$ 1,000,000	$ -		$ 1,000,000
Trade Accounts Payable	10,355,095	-		10,355,095
Accrued Salaries and Wages	419,883	-		419,883
Accrued Other Liabilities	5,705	-		5,705
Income Taxes Payable	-	540,000	**[7]**	540,000
	11,780,683	540,000		12,320,683
Non-Current Liabilities				
Deferred Income Tax Liability	30,000	2,455,754	**[8]**	2,485,754
TOTAL LIABILITIES	11,810,683	2,995,754		14,806,437
RESIDUAL EQUITY	**$ 11,401,448**	**$ 4,020,686**		**$ 15,422,134**
RESIDUAL EQUITY (ROUNDED)				**$ 15,400,000**

Normalizing Adjustments

[1] To adjust the Company's inventory from LIFO basis to FIFO basis, which provides a more accurate reflection of its fair market value as of the valuation date.

[2] Management indicated that the net book value of the Company's property and equipment (with the exception of leasehold improvements) approximated their fair market value.

[3] To present the value of the building acquired by the Company in CITY, STATE, which was recorded in leasehold improvements. The estimated fair market value is based on the purchase price ($366,000) paid for the building on 1/5/17. There were no material changes in the building's value between the date of purchase (1/5/17) and the valuation date (5/31/17).

[4] To write-off the Company's leasehold improvements, which do not have a material saleable value.

[5] To remove the Company's accumulated depreciation and amortization since the fixed asset categories were adjusted to be presented at fair market value.

[6] Based on analysis in **Exhibit 5**. The Company records the payments received from BUYING GROUP as a reduction in cost of goods sold. Because these reductions in cost of goods sold are a function of the revenue generated by the Company in relation to the other members of BUYING GROUP (in accordance with the BUYING GROUP operating agreement), and because the benefits are expected to continue in the future, these amounts were not removed from the Company's normalized benefit stream in **Exhibit 6**. Therefore, the cash flow benefit from the BUYING GROUP investment is already reflected in the value of the Company through the income and market-based approaches applied. As a result, the value presented here reflects only the Company's share of BUYING GROUP's net assets (cash and investments) that have yet to be distributed and to which the Company would have a claim.

[7] To record the Company's accrued income tax liability for income earned through YTD 5/31/17. Based on the Company's YTD 5/31/17 pre-tax net income of $4,769,906, approximately $1,670,000 of income taxes would be owed. The Company paid approximately $616,000 of estimated taxes during YTD 5/31/17 and had approximately $512,000 of Federal tax overpayments related to FYE 8/31/16 credited for future use, leaving a remaining payable balance of approximately $540,000 as of the valuation date.

[8] To adjust deferred income taxes for the normalizing adjustments made to the Company's assets based on a 35.0% effective income tax rate (consistent with the Company's historical effective income tax rates - which were an average and median of 37.9% and 36.3% of pre-tax income from YTD 8/31/12 - YTD 8/31/16, respectively - and the 34.0% tax rate used by the Company in calculating its deferred tax balance).

EXHIBIT 5
COMPANY NAME
VALUE OF INVESTMENT IN BUYING GROUP
VALUATION DATE - MAY 31, 2017

Value of the Company's Ownership Interest in BUYING GROUP			
Company's Capital Account in BUYING GROUP as of 12/31/2016 **[1]**		$	1,813,107
Less: Lack of Control Adjustment	12.5%		(227,000)
Non-Controlling, Marketable Value of Investment in BUYING GROUP			1,586,107
Less: Lack of Marketability Adjustment	30.0%		(476,000)
Non-Controlling, Non-Marketable Value of Investment in BUYING GROUP		$	1,110,107
Non-Controlling, Non-Marketable Value of Investment in BUYING GROUP (Rounded)		**$**	**1,110,000**

Footnotes:

[1] The Company records both the flow-through income and rebates received from BUYING GROUP as a reduction in cost of goods sold. Because these reductions in cost of goods sold are a function of the revenue generated by the Company in relation to the other members of BUYING GROUP (in accordance with the BUYING GROUP operating agreement), and because the benefits are expected to continue in the future, the Company's share of flow-through income was not removed from the Company's normalized benefit stream in **Exhibit 6**. Therefore, the cash flow benefit from the BUYING GROUP investment is already reflected in the value of the Company. As a result, the value presented here reflects only the Company's share of BUYING GROUP's net assets (cash and investments) that have yet to be distributed and to which the Company would have a claim.

Because the income allocated to the Company from BUYING GROUP is a function of the sales generated by the Company in relation to the other members of BUYING GROUP (in accordance with the BUYING GROUP operating agreement), the capital account balance reflects the Company's share of the undistributed net assets of BUYING GROUP (which is comprised almost entirely of cash and investments). In addition, the BUYING GROUP operating agreement indicates that each member will be paid an amount equal to its capital account balance if the entity were to be sold. Therefore, the value presented here reflects only the Company's share of the net assets (cash and investments) held by BUYING GROUP that have yet to be distributed and to which the Company has a claim. Because an updated capital account balance as of the 5/31/17 valuation date was not available, we relied on the Company's 12/31/16 capital account balance. Management indicated that it did not expect there to be a significant difference in the Company's capital account balance between these two dates.

EXHIBIT 6
COMPANY NAME
NORMALIZED BENEFIT STREAM SUMMARY
VALUATION DATE - MAY 31, 2017

	FYE 8/31/2012		FYE 8/31/2013		FYE 8/31/2014		FYE 8/31/2015		FYE 8/31/2016		TTM 5/31/2017	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Revenues	**$ 79,080,280**	**100.0%**	**$ 75,451,834**	**100.0%**	**$ 92,702,681**	**100.0%**	**$ 83,594,918**	**100.0%**	**$ 88,223,020**	**100.0%**	**$ 85,255,591**	**100.0%**
Historical Pre-Tax Net Income	24,129	0.0%	1,503,034	2.0%	761,044	0.8%	822,280	1.0%	3,594,459	4.0%	4,206,277	5.0%
Normalizing Adjustments:												
1 LIFO to FIFO Adjustment	441,999	0.6%	(5,386)	0.0%	436,083	0.5%	493,520	0.6%	(48,290)	(0.1%)	(948,290)	(1.1%)
2 Bad Debts	(663,749)	(0.8%)	(700,000)	(0.9%)	(616,066)	(0.7%)	1,558,818	1.9%	383,120	0.4%	379,776	0.4%
3 Bank Service Charge	(397,900)	(0.5%)	(295,602)	(0.4%)	(364,677)	(0.4%)	(258,769)	(0.3%)	-	- %	-	- %
4 Officer Compensation	-	- %	-	- %	879,000	0.9%	-	- %	-	- %	-	- %
5 Employee Benefits	-	- %	300,000	0.4%	-	- %	-	- %	-	- %	-	- %
6 Penalties	-	- %	73	0.0%	591	0.0%	1,306	0.0%	-	- %	-	- %
7 Sales Tax Audit Expense	-	- %	-	- %	-	- %	26,865	0.0%	-	- %	-	- %
8 Professional Fees	(40,126)	(0.1%)	(64,849)	(0.1%)	(88,510)	(0.1%)	14,285	0.0%	201,354	0.2%	146,552	0.2%
9 Interest Income	(57)	0.0%	-	- %	-	- %	-	- %	-	- %	-	- %
10 Gain on Sale of Assets	-	- %	(4,231)	0.0%	(11,295)	0.0%	(5,247)	0.0%	(1,019)	0.0%	(1,019)	0.0%
11 Service Charges	-	- %	-	- %	(94,071)	(0.1%)	(125,564)	(0.2%)	(120,494)	(0.1%)	(53,147)	(0.1%)
12 Litigation Expense	21,120	0.0%	3,000	0.0%	-	- %	-	- %	-	- %	-	- %
13 Interest Expense	86,340	0.1%	89,039	0.1%	96,636	0.1%	96,127	0.1%	90,041	0.1%	90,041	0.1%
Normalized Pre-Tax Income (Loss)	(528,244)	(0.7%)	825,078	1.1%	998,735	1.0%	2,623,621	3.1%	4,099,171	4.5%	3,820,190	4.5%
Less: Income Tax Expense (35.0%) **[1]**	184,885	0.2%	(288,777)	(0.4%)	(349,557)	(0.4%)	(918,267)	(1.1%)	(1,434,710)	(1.6%)	(1,337,067)	(1.6%)
Normalized After-Tax Net Income (Loss)	**$ (343,359)**	**(0.5%)**	**$ 536,301**	**0.7%**	**$ 649,178**	**0.6%**	**$ 1,705,354**	**2.0%**	**$ 2,664,461**	**2.9%**	**$ 2,483,123**	**2.9%**
Normalized EBITDA Calculation												
Normalized Pre-Tax Income (Loss)	$ (528,244)	(0.7%)	$ 825,078	1.1%	$ 998,735	1.0%	$ 2,623,621	3.1%	$ 4,099,171	4.5%	$ 3,820,190	4.5%
Interest Income **[2]**	-	- %	-	- %	-	- %	-	- %	-	- %	-	- %
Interest Expense **[2]**	-	- %	-	- %	-	- %	-	- %	-	- %	-	- %
Normalized EBIT	**(528,244)**	**(0.7%)**	**825,078**	**1.1%**	**998,735**	**1.0%**	**2,623,621**	**3.1%**	**4,099,171**	**4.5%**	**3,820,190**	**4.5%**
Depreciation	87,032	0.1%	110,831	0.1%	101,529	0.1%	150,845	0.2%	74,282	0.1%	136,696	0.2%
Amortization	-	- %	-	- %	-	- %	-	- %	-	- %	-	- %
Normalized EBITDA	**$ (441,212)**	**(0.6%)**	**$ 935,909**	**1.2%**	**$ 1,100,264**	**1.1%**	**$ 2,774,466**	**3.3%**	**$ 4,173,453**	**4.6%**	**$ 3,956,886**	**4.7%**

Footnotes:

[1] 35.0% effective income tax rate was used to reflect the combined Federal, state and local income tax liability for a C Corporation such as the Company. This rate is consistent with the Company's historical effective income tax rates (which were an average and median of 37.9% and 36.3% of pre-tax income from YTD 8/31/12 - YTD 8/31/16, respectively) and the 34.0% tax rate used by the Company in calculating its deferred tax balance.

[2] Normalized pre-tax net income already includes normalizing adjustments eliminating interest income and interest expense. Therefore, adjustments for these items were not necessary in calculating normalized EBITDA.

Normalizing Adjustments:

1 To normalize the Company's cost of goods sold to present it on the FIFO basis of inventory accounting rather than the LIFO basis used in preparing its financial statements and tax returns. The FIFO basis of accounting better matches the Company's cost of goods sold to the related revenue recognized.

2 To normalize bad debt expense to $700,000 annually, consistent with the average expense from FYE 8/31/12 - FYE 8/31/16 ($692,425). The Company has a history of significant bad debt writeoffs - in addition to the material writeoffs in FYE 8/31/15 ($2,258,818) and FYE 8/31/16 ($1,083,120), the Company wrote off $4,456,852 of bad debts in FYE 8/31/11 (which is just prior to the oldest historical period analyzed in our valuation). Management also indicated that significant bad debt writeoffs may recur again in the future based on the nature of the Company's business and its customers. Therefore, looking an average of total bad debt writeoffs over the preceding five year period provides a reasonable estimate of expected bad debt expense in future years.

3 To normalize bank service charges to 0.6% of revenue in FYE 8/31/12 - FYE 8/31/15, consistent with the expense as a percentage of revenue in FYE 8/31/16 and TTM 5/31/17 (0.6%). Bank service charges increased in recent years due to more customer purchases being made by credit card and the expense is expected to remain at this higher level in future years.

4 Based on analysis in **Exhibit 7**.

5 To normalize earnings for non-recurring profit sharing contributions made in FYE 8/31/13, which were not made in any of the other years analyzed.

6 To normalize earnings for non-recurring penalties.

7 To normalize earnings for non-recurring sales tax audit expenses.

8 To normalize professional fees to $150,000 annually, consistent with the average expense from FYE 8/31/12 - FYE 8/31/16 ($154,431). Professional fees increased in recent years as a result of pursuing collection on the significant bad debt balances that were eventually written off. Given the fact that bad debt expense was normalized to reflect an average annual amount expected to be incurred, a similar adjustment was made to professional fees for consistency to reflect the related collection costs that would be expected to be incurred.

9 To normalize earnings for non-operating interest income.

10 To normalize earnings for non-operating and non-recurring gains on the sale of assets.

11 To normalize FYE 8/31/14 - TTM 5/31/17 service charge income to $165,000 annually, consistent with the average income from FYE 8/31/12 - FYE 8/31/13 ($163,456). The Company records a service charge on overdue customer accounts that is similar to an interest charge on the unpaid balance. The service charges recorded in FYE 8/31/14 - TTM 5/31/17 are inflated in relation to the service charge income levels expected to be realized in the future since the large customer balances that were written off from FYE 8/31/15 - TTM 5/31/17 resulted in the accrual of significant service charge income that will not be collected. Therefore, the FYE 8/31/12 - FYE 8/31/13 service charge amounts provide the best indication of the collectible portion of future service charges.

12 To normalize earnings for non-recurring litigation and settlement expenses.

13 To normalize interest expense because the Company had the financial resources to repay all of its interest-bearing debt as of the valuation date without negatively impacting its operations.

EXHIBIT 7
COMPANY NAME
OFFICER COMPENSATION ANALYSIS
VALUATION DATE - MAY 31, 2017

	FYE 8/31/2012		FYE 8/31/2013		FYE 8/31/2014		FYE 8/31/2015		FYE 8/31/2016		TTM 5/31/2017	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Revenues	**$ 79,080,280**	**100.0%**	**$ 75,451,834**	**100.0%**	**$ 92,702,681**	**100.0%**	**$ 83,594,918**	**100.0%**	**$ 88,223,020**	**100.0%**	**$ 85,255,591**	**100.0%**
Officer Compensation												
Officer #1	$ 204,999	0.3%	$ 204,997	0.3%	$ 725,755	0.8%	$ 322,035	0.4%	$ 491,882	0.6%	$ 491,882	0.6%
Officer #2	204,133	0.3%	220,345	0.3%	690,510	0.7%	311,578	0.4%	476,000	0.5%	476,000	0.6%
	409,132	0.6%	425,342	0.6%	1,416,265	1.5%	633,613	0.8%	967,882	1.1%	967,882	1.2%
RMA Officers' Compensation												
Industry - Drugs and Druggists' Sundries Merchant Wholesalers (424210)												
Upper quartile %		3.5%		4.1%		4.0%		4.2%		n/a		n/a
Median %		1.8%		2.0%		2.1%		2.4%		n/a		n/a
Lower quartile %		0.8%		1.0%		1.1%		0.8%		n/a		n/a
Normalized Officer Compensation [1]												
Officer #1	$ 204,999	0.3%	$ 204,997	0.3%	$ 275,000	0.3%	$ 322,035	0.4%	$ 491,882	0.6%	$ 491,882	0.6%
Officer #2	204,133	0.3%	220,345	0.3%	275,000	0.3%	311,578	0.4%	476,000	0.5%	476,000	0.6%
Normalized Officer Compensation [1]	**$ 409,132**	**0.6%**	**$ 425,342**	**0.6%**	**$ 550,000**	**0.6%**	**$ 633,613**	**0.8%**	**$ 967,882**	**1.1%**	**$ 967,882**	**1.2%**
Normalizing Analysis												
Officer Compensation	$ 409,132	0.6%	$ 425,342	0.6%	$ 1,416,265	1.5%	$ 633,613	0.8%	$ 967,882	1.1%	$ 967,882	1.2%
Less: Normalized Officer Compensation **[1]**	(409,132)	(0.6%)	(425,342)	(0.6%)	(550,000)	(0.6%)	(633,613)	(0.8%)	(967,882)	(1.1%)	(967,882)	(1.2%)
Officer Compensation Normalizing Adjustment	-	- %	-	- %	866,265	0.9%	-	- %	-	- %	-	- %
Change in Payroll Taxes	-	- %	-	- %	12,561	0.0%	-	- %	-	- %	-	- %
Officer Compensation Normalizing Adjustment	**$ -**	**- %**	**$ -**	**- %**	**$ 878,826**	**0.9%**	**$ -**	**- %**	**$ -**	**- %**	**$ -**	**- %**
Officer Compensation Normalizing Adjustment (Rounded)	**$ -**	**- %**	**$ -**	**- %**	**$ 879,000**	**0.9%**	**$ -**	**- %**	**$ -**	**- %**	**$ -**	**- %**

Footnotes:

[1] No adjustments to officers' compensation were made in any year except FYE 8/31/14 for the following reasons: 1) we are valuing a non-controlling ownership interest, which does not have the ability to adjust the compensation of the Company's officers and employees; and 2) the industry data indicates that the Company's total officer compensation was comparable to the lower quartile for its industry. Additional non-recurring bonuses were paid to the officers in FYE 8/31/14 to an extent that was not repeated in following years. Therefore, the FYE 8/31/14 officer compensation expense was normalized to $275,000 per officer, which is consistent with the midpoint of the officers' compensation in FYE 8/31/13 and FYE 8/31/15.

EXHIBIT 8
COMPANY NAME
WEIGHTED-AVERAGE BENEFIT STREAMS
VALUATION DATE - MAY 31, 2017

Revenue

Year	Weight [1]	Revenue	Weighted Amount
FYE 8/31/2012	0	$ 79,080,280	$ -
FYE 8/31/2013	0	75,451,834	-
FYE 8/31/2014	0	92,702,681	-
FYE 8/31/2015	1	83,594,918	83,594,918
FYE 8/31/2016	1	88,223,020	88,223,020
TTM 5/31/2017	1	85,255,591	85,255,591
Total	3		257,073,529
Total Weighted-Average Revenue (Rounded)			**$ 85,690,000**

Normalized After-Tax Net Income

Year	Weight [1]	Normalized After-Tax Net Income	Weighted Amount	% of Revenue
FYE 8/31/2012	0	$ (343,359)	$ -	(0.4%)
FYE 8/31/2013	0	536,301	-	0.7%
FYE 8/31/2014	0	649,178	-	0.7%
FYE 8/31/2015	1	1,705,354	1,705,354	2.0%
FYE 8/31/2016	1	2,664,461	2,664,461	3.0%
TTM 5/31/2017	1	2,483,123	2,483,123	2.9%
Total	3		6,852,938	
Total Weighted-Average Normalized After-Tax Net Income (Rounded)			**$ 2,284,000**	**2.7%**

Normalized EBITDA

Year	Weight [1]	Normalized EBITDA	Weighted Amount	% of Revenue
FYE 8/31/2012	0	$ (441,212)	$ -	(0.6%)
FYE 8/31/2013	0	935,909	-	1.2%
FYE 8/31/2014	0	1,100,264	-	1.2%
FYE 8/31/2015	1	2,774,466	2,774,466	3.3%
FYE 8/31/2016	1	4,173,453	4,173,453	4.7%
TTM 5/31/2017	1	3,956,886	3,956,886	4.6%
Total	3		10,904,805	
Total Weighted-Average Normalized EBITDA (Rounded)			**$ 3,635,000**	**4.2%**

Depreciation

Year	Weight [1]	Depreciation	Weighted Amount	% of Revenue
FYE 8/31/2012	0	$ 87,032	$ -	0.1%
FYE 8/31/2013	0	110,831	-	0.1%
FYE 8/31/2014	0	101,529	-	0.1%
FYE 8/31/2015	1	150,845	150,845	0.2%
FYE 8/31/2016	1	74,282	74,282	0.1%
TTM 5/31/2017	1	136,696	136,696	0.2%
Total	3		361,823	
Total Weighted-Average Depreciation (Rounded)			**$ 121,000**	**0.1%**

Footnotes:

[1] FYE 8/31/15, FYE 8/31/16 and TTM 5/31/17 were all given equal weight in determining a normalized benefit stream for the Company in order to take into account the Company's recent performance, which management indicated is the most indicative of the Company's future performance. This weighting also takes into account the fact that: 1) the revenue levels from FYE 8/31/15 - TTM 5/31/17 are consistent with management's expectation for future revenue levels in the near term; 2) the increased profitability levels in FYE 8/31/15 - TTM 5/31/17 compared to prior years are likely to be maintained as a result of generic drug sales (which have lower prices, but higher margins, than brand name drug sales) making up a larger portion of the Company's overall sales, although management is not as confident about maintaining the higher profit margins realized in FYE 8/31/16 and TTM 5/31/17; and 3) the risk that profitability levels may decline because the Company is dependent on rebates and profit allocations from BUYING GROUP (and therefore, the activity of the BUYING GROUP members) in order to maintain its recent level of heightened profitability. Based on the weighting utilized, the weighted benefit streams all ended up being consistent with the Company's normalized FYE 8/31/15 - TTM 5/31/17 results, which is reasonable and reflective of management's expectations for the Company going forward.

EXHIBIT 9
COMPANY NAME
CAPITALIZATION OF CASH FLOW ANALYSIS
VALUATION DATE - MAY 31, 2017

Capitalization of Cash Flow Analysis		
Weighted-Average Normalized After-Tax Net Income **[1]**	$	2,284,000
Adjustments to Determine Cash Flow to Equity:		
Depreciation **[1]**		121,000
Capital Expenditures **[2]**		(125,200)
Change in Net Working Capital **[3]**		(275,000)
Change in Interest-Bearing Debt **[4]**		-
Estimated Sustainable, Distributable Cash Flow		2,004,800
Times: (1+Long-Term Growth Rate)		1.035
After-Tax Distributable Cash Flow Projected for the Following Year		2,074,968
Divided by: Capitalization Rate **[5]**		13.7%
Times: Mid-Period Adjustment Factor **[6]**		108.3%
Value of the Company's Equity Prior to Consideration of Excess Cash and Net Working Capital, Interest-Bearing Debt, and Non-Operating Assets		16,400,000
Plus: Excess Cash and Net Working Capital **[3]**		9,162,000
Plus: Non-Operating Asset - Investment in BUYING GROUP **[7]**		1,110,000
Less: Accrued Income Tax Liability **[8]**		(540,000)
Less: Interest-Bearing Debt **[4]**		(1,000,000)
Non-Controlling, Marketable Value of the Company's Equity	$	25,132,000
Non-Controlling, Marketable Value of the Company's Equity (Rounded)	**$**	**25,100,000**

Footnotes:

[1] Based on the analysis in **Exhibit 8**.

[2] Capital expenditures were projected to exceed depreciation expense by the long-term growth rate in order to appropriately reflect the annual investment that must be made to support the Company's projected level of long-term growth.

[3] Based on the analysis in **Exhibit 11**.

[4] The Company had sufficient resources to repay all of its interest-bearing debt as of the valuation date without negatively impacting its operations, so this was modeled into the valuation analysis and no adjustment to projected future cash flow for changes in debt was necessary.

[5] Based on the analysis in **Exhibit 10**.

[6] To account for the fact that the Company's cash flows are expected to be earned relatively evenly throughout the year. Calculated based on the following formula: (1 + Discount Rate)^0.5.

[7] Based on analysis in **Exhibit 5**. The Company records the payments received from BUYING GROUP as a reduction in cost of goods sold. Because these reductions in cost of goods sold are a function of the revenue generated by the Company in relation to the other members of BUYING GROUP (in accordance with the BUYING GROUP operating agreement), and because the benefits are expected to continue in the future, these amounts were not removed from the Company's normalized benefit stream in **Exhibit 6**. Therefore, the cash flow benefit from the BUYING GROUP investment is already reflected in the value of the Company. As a result, the value presented here reflects only the Company's share of BUYING GROUP's net assets (cash and investments) that have yet to be distributed and to which the Company would have a claim.

[8] Based on the analysis in **Exhibit 4**. Because this accrued income tax liability had not been recorded by the Company and was not reflected in its net working capital balance as of the valuation date, it was necessary to reduce the value of the Company's equity in order to appropriately take this liability into account.

EXHIBIT 10
COMPANY NAME
COST OF EQUITY
VALUATION DATE - MAY 31, 2017

Cost of Equity	
Build-Up Method	
Risk Free Rate of Return **[1]**	2.60%
Market Equity Risk Premium **[2]**	5.97%
Small Stock Risk Premium **[3]**	5.59%
Industry Risk Premium **[4]**	0.00%
Specific Company Adjustments **[5]**	3.00%
Calculated Return on Equity	17.16%
Cost of Equity (Rounded)	**17.20%**
Less: Long-Term Sustainable Growth Rate **[6]**	(3.50%)
Equity Capitalization Rate	**13.70%**

Footnotes:

[1] 20-Year U.S. Treasury rate as of May 31, 2017.
[2] Supply-side equity risk premium from *2017 Duff & Phelps Valuation Handbook*.
[3] 10th decile size premium from *2017 Duff & Phelps Valuation Handbook*.
[4] Based on industry risk adjustments for SIC 51XX - Wholesale Trade - Non-Durable Goods (0.08%) from the *2017 Duff & Phelps Valuation Handbook*.
[5] Based on consideration of economic risk, financial risk, operating risk, key person risk and other company-specific factors.
[6] Based on consideration of the Company's historical growth rates (2.8% revenue CAGR from FYE 8/31/12 - FYE 8/31/16) and the projected growth rates for Drug Wholesalers (4.0%) industry according to FirstResearch.

EXHIBIT 11
COMPANY NAME
NET WORKING CAPITAL ANALYSIS
VALUATION DATE - MAY 31, 2017

	FYE 8/31/2012		FYE 8/31/2013		FYE 8/31/2014		FYE 8/31/2015		FYE 8/31/2016		TTM 5/31/2017	
	Amount	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**
Revenues	$ 79,080,280	100.0%	$ 75,451,834	100.0%	$ 92,702,681	100.0%	$ 83,594,918	100.0%	$ 88,223,020	100.0%	$ 85,255,591	100.0%
Non-Cash, Non-Debt Working Capital ("NWC") [1]	$ 7,440,854	9.4%	$ 8,921,132	11.8%	$ 11,186,289	12.1%	$ 9,098,433	10.9%	$ 6,045,549	6.9%	$ 7,924,753	9.3%

	FYE 8/31/12 - TTM 5/31/17	FYE 8/31/15 - TTM 5/31/17
Average NWC as a % of Revenues	10.1%	9.0%
Median NWC as a % of Revenues	10.2%	9.3%

Determination of NWC Required at 5/31/2017:	
Weighted-Average Revenues	$ 85,690,000
Projected NWC as a % of Revenues **[2]**	9.5%
Required NWC (Rounded)	$ 8,140,550
Excess (Deficient) NWC at 5/31/2017	
NWC at 5/31/2017	$ 7,924,753
Less: Required NWC	8,140,550
Excess (Deficient) NWC	(215,797)
Plus: Cash as of 5/31/2017	9,377,709
Excess NWC and Cash (Rounded)	$ 9,161,912
Excess NWC and Cash (Rounded)	**$ 9,162,000**
Projected Annual (Investment) Reduction in NWC:	
Weighted-Average Revenues	$ 85,690,000
Divided by: (1 + Long-Term Growth Rate)	103.5%
Revenues for NWC Adjustment Calculation	82,792,271
Times: Projected NWC as a % of Revenues	9.5%
NWC Required as of 5/31/2016	7,865,266
Less: NWC Required as of 5/31/2017	8,140,550
Projected Annual (Investment) Reduction in NWC (Rounded)	$ (275,284)
Projected Annual (Investment) Reduction in NWC (Rounded)	**$ (275,000)**

Footnotes:

[1] Excludes cash, other receivables, prepaid taxes, deferred income tax assets/liabilities, accrued income taxes, accrued profit sharing, and interest-bearing debt. Includes long-term notes receivable from customers. Based on FIFO inventory balances (rather than reported LIFO inventory balance).

[2] Based on consideration of historical NWC balances, particularly FYE 8/31/2015 - TTM 5/31/2017, which were the years given weight in determining the Company's normalized, sustainable benefit stream.

EXHIBIT 12
COMPANY NAME
GUIDELINE TRANSACTION POPULATION
VALUATION DATE - MAY 31, 2017

Guideline Transaction Summary

SIC Codes: 5122 (Wholesale - Drugs, Drug Proprietaries, and Druggists' Sundries)

Business Description	Sale Date	SIC Code	Enterprise Value (EV)	Revenue	EV Multiple of Revenue	EBITDA	EV Multiple of EBITDA	EBITDA Profit Margin
Wholesale Distributor, Pharmaceuticals	6/26/1998	5122	$ 2,250,000	$ 6,207,355	0.36	$ 8,090	n/m	0.1%
Pharmaceutical Distribution Company	6/1/1999	5122	34,350,000	239,047,000	0.14	3,172,000	10.83	1.3%
Distributes Specialty Pharmaceutical Services to Chronically Ill and Genetically Impaired Patients	1/31/2002	5122	45,000,000	74,770,575	0.60	4,313,364	10.43	5.8%
Wholesale Distributor of Pharmaceutical Products Consisting Primarily of Antihemophilic Factors	2/28/2002	5122	53,841,623	54,536,664	0.99	7,276,666	7.40	13.3%
Wholesale Distribution of Human and Veterinary Pharmaceutical Products	5/14/2003	5122	1,401,665	7,101,688	0.20	329,047	4.26	4.6%
Wholesale Distribution of Pharmaceutical & Health-care Related Products and Services throughout the Southwestern, Southeastern and Gulf Coast regions of U.S.A.	12/5/2003	5122	104,414,000	893,107,000	0.12	14,166,000	7.37	1.6%
Selling and Marketing Specialty Pharmaceutical Products	10/16/2007	5122	373,600,000	37,594,000	n/m	n/a	n/a	n/a
Sells Over the Counter Pharmaceutical Products to Retailers and Distributors	11/1/2010	5122	203,400,000	85,144,195	2.39	23,606,222	8.62	27.7%
Marketer and Distributor of Generic Prescription and Over the Counter Pharmaceutical Products	12/31/2010	5122	80,067,000	47,368,291	1.69	7,954,241	10.07	16.8%
Institutional Pharmacy	4/1/2012	5122	9,500,000	26,199,167	0.36	1,039,567	9.14	4.0%
Develops, Markets and Sells a Portfolio of Over 25 Health Supplement Products	9/28/2012	5122	2,016,000	4,539,545	0.44	n/a	n/a	n/a
Markets and Sells Generic Medications in North America	4/30/2014	5122	91,569,000	45,872,391	2.00	7,108,671	12.88	15.5%
Wholesale Sales; Dietary Supplements	9/29/2015	5122	525,000	692,553	0.76	(25,387)	n/m	(3.7%)

EXHIBIT 13
COMPANY NAME
GUIDELINE TRANSACTION METHOD
VALUATION DATE - MAY 31, 2017

All Transactions (13 Transactions)

	Enterprise Value (EV)	Revenue	EV Multiple of Revenue	EBITDA	EV Multiple of EBITDA	EBITDA Profit Margin
High	$ 373,600,000	$ 893,107,000	2.39	$ 23,606,222	12.88	27.7%
Upper Quartile	91,569,000	74,770,575	1.16	7,615,454	10.43	14.4%
Median	45,000,000	45,872,391	0.52	4,313,364	9.14	4.6%
Lower Quartile	2,250,000	7,101,688	0.32	684,307	7.40	1.5%
Low	525,000	692,553	0.12	(25,387)	4.26	(3.7%)

Revenue - $25 - $250 Million (8 Transactions)

	Enterprise Value (EV)	Revenue	EV Multiple of Revenue	EBITDA	EV Multiple of EBITDA	EBITDA Profit Margin
High	$ 373,600,000	$ 239,047,000	2.39	$ 23,606,222	12.88	27.7%
Upper Quartile	119,526,750	77,363,980	1.84	7,615,454	10.63	16.1%
Median	66,954,312	50,952,478	0.99	7,108,671	10.07	13.3%
Lower Quartile	42,337,500	43,802,793	0.48	3,742,682	8.88	4.9%
Low	9,500,000	26,199,167	0.14	1,039,567	7.40	1.3%

EBITDA Margin - 0% - 10% (6 Transactions)

	Enterprise Value (EV)	Revenue	EV Multiple of Revenue	EBITDA	EV Multiple of EBITDA	EBITDA Profit Margin
High	$ 104,414,000	$ 893,107,000	0.60	$ 14,166,000	10.83	5.8%
Upper Quartile	42,337,500	197,977,894	0.36	4,028,023	10.43	4.5%
Median	21,925,000	50,484,871	0.28	2,105,784	9.14	2.8%
Lower Quartile	4,062,500	11,876,058	0.16	506,677	7.37	1.4%
Low	1,401,665	6,207,355	0.12	8,090	4.26	0.1%

Transaction Multiple Analysis

	Amount	EBITDA Profit Margin	Selected Guideline Multiple			Indicated Enterprise Value		
Revenue Multiple								
TTM 5/31/2017 Revenue	$ 85,255,591	4.6%	0.40	to	0.45	**$ 34,100,000**	to	**$ 38,370,000**
Weighted-Average Revenue	85,690,000	4.2%	0.40	to	0.45	**34,280,000**	to	**38,560,000**
EBITDA Multiple								
TTM 5/31/2017 Normalized EBITDA	3,956,886		8.50	to	9.50	**33,630,000**	to	**37,590,000**
Weighted-Average Normalized EBITDA	3,635,000		8.50	to	9.50	**30,900,000**	to	**34,530,000**

Valuation Analysis

Concluded Non-Controlling, Semi-Marketable Enterprise Value of the Company (Acquisition Basis)	**$ 35,000,000**
Less: Inverse of Enterprise Value Acquisition Premium - 15% **[1]**	(5,250,000)
Non-Controlling, Semi-Marketable Enterprise Value of the Company (Fair Market Value Basis)	29,750,000
Plus: Cash	9,377,709
Less: Interest-Bearing Debt	(1,000,000)
Plus: Non-Operating Asset - Investment in BUYING GROUP **[2]**	1,110,000
Less: Deficient Net Working Capital **[3]**	(215,797)
Less: Accrued Income Tax Liability **[4]**	(540,000)
Non-Controlling, Semi-Marketable Equity Value of the Company	$ 38,481,912
Non-Controlling, Semi-Marketable Equity Value of the Company (Rounded)	**$ 38,500,000**

Footnotes:

[1] The multiples analyzed involve acquisitions in which premiums above fair market value may have been paid for synergistic and control factors specific to those transactions. Therefore it is necessary to adjust the value derived from the application of this method for the synergistic and control premiums embedded in the multiples to arrive at a control and synergy-neutral multiple/value. The Mergerstat/BVR Control Premium Study indicates that the median enterprise value acquisition premium is approximately 18%, which equates to an implied discount of 15%. Therefore, an enterprise value acquisition discount (the inverse of the acquisition premium) of 15% was applied to the value indicated by the guideline transaction method to arrive a non-controlling, semi-marketable enterprise value on a fair market value basis.

[2] Based on analysis in **Exhibit 5**. The Company records the payments received from BUYING GROUP as a reduction in cost of goods sold. Because these reductions in cost of goods sold are a function of the revenue generated by the Company in relation to the other members of BUYING GROUP (in accordance with the BUYING GROUP operating agreement), and because the benefits are expected to continue in the future, these amounts were not removed from the Company's normalized benefit stream in **Exhibit 6**. Therefore, the cash flow benefit from the BUYING GROUP investment is already reflected in the value of the Company. As a result, the value presented here reflects only the Company's share of BUYING GROUP's net assets (cash and investments) that have yet to be distributed and to which the Company would have a claim.

[3] As determined in **Exhibit 11**.

[4] Based on the analysis in **Exhibit 4**. Because this accrued income tax liability had not been recorded by the Company and was not reflected in its net working capital balance as of the valuation date, it was necessary to reduce the value of the Company's equity in order to appropriately take this liability into account.

EXHIBIT 14
COMPANY NAME
ENTERPRISE VALUE DETERMINATION
VALUATION DATE - MAY 31, 2017

Determination of Enterprise Value
In 000's except for stock price

SIC Codes: 5122 (Wholesale - Drugs, Drug Proprietaries, and Druggists' Sundries); and other comparable transactions identified

Guideline Company	Exchange	Ticker Symbol	SIC Code	Closing Price on 5/31/2017		Shares Outstanding		Market Value of Equity		Minority Int. / Pref. Stock		Total Debt		Cash and Equivalents		Enterprise Value
Cardinal Health	NYS	CAH	5122	$ 74.29	x	316,000.000	=	$ 23,475,640	+	$ 19,000	+	$ 5,461,000	-	$ 1,368,000	=	$ 27,587,640
AmerisourceBergen	NYS	ABC	5122	91.77	x	218,314.621	=	20,034,733	+	-	+	4,455,445	-	2,404,433	=	22,085,745
McKesson	NYS	MCK	7372; 5122	163.09	x	211,000.000	=	34,411,990	+	178,000	+	8,545,000	-	2,783,000	=	40,351,990
Aceto	NAS	ACET	2834; 5122; 5160	14.15	x	30,105.000	=	425,986	+	-	+	367,790	-	61,928	=	731,848

All balance sheet data as of most recent reporting date as of or prior to 5/31/2017 available as of date of report

EXHIBIT 15
COMPANY NAME
GUIDELINE PUBLIC COMPANY FUNDAMENTAL ANALYSIS
VALUATION DATE - MAY 31, 2017

Guideline Public Company Fundamental Analysis

In 000's

Guideline Company	Exchange	Ticker Symbol	TTM Revenue	TTM EBITDA	Net Working Capital **[1]**	TTM Capital Expenditures	TTM EBITDA Margin	Net Working Capital to Revenue **[1]**	Capital Expenditures to Revenue
Cardinal Health	NYS	CAH	$ 128,394,000	$ 3,003,000	$ 1,726,000	$ 474,000	2.3%	1.3%	0.4%
AmerisourceBergen	NYS	ABC	149,758,950	2,208,633	(3,826,091)	547,304	1.5%	(2.6%)	0.4%
McKesson	NYS	MCK	198,533,000	8,109,000	(207,000)	562,000	4.1%	(0.1%)	0.3%
Aceto	NAS	ACET	579,122	55,569	198,821	5,011	9.6%	34.3%	0.9%

All data as of most recently reported quarter as of or prior to 5/31/2017 available on date of report

	TTM EBITDA Margin	Net Working Capital to Revenue [1]	Capital Expenditures to Revenue
High	**9.6%**	**34.3%**	**0.9%**
Upper Quartile	**5.5%**	**9.6%**	**0.5%**
Average	**4.4%**	**8.3%**	**0.5%**
Median	**3.2%**	**0.6%**	**0.4%**
Lower Quartile	**2.1%**	**(0.7%)**	**0.3%**
Low	**1.5%**	**(2.6%)**	**0.3%**

Footnotes

[1] Net working capital excludes cash, interest-bearing debt and deferred income taxes

EXHIBIT 16
COMPANY NAME
GUIDELINE PUBLIC COMPANY DESCRIPTIONS
VALUATION DATE - MAY 31, 2017

Guideline Public Company Descriptions

Guideline Company	Ticker Symbol	SIC Code	SIC Description	Company Description
Cardinal Health	CAH	3271	Wholesale - Drugs, Proprietaries & Druggists' Sundries	Provider of industry expertise and an expanding portfolio of safe, effective products intended to improve quality, manage costs and reduce complexity. The company's innovation lab connects technology with healthcare to build life-changing products designed to help hospitals, physician offices and pharmacies reduce costs, improve safety, productivity and profitability and deliver better care to patients.
AmerisourceBergen	ABC	5122	Wholesale - Drugs, Proprietaries & Druggists' Sundries	Wholesaler and distributor of pharmaceuticals and related healthcare products. The company's services operate as a global pharmaceutical sourcing and distribution services company, helping both healthcare providers, pharmaceutical, and biotech manufacturers improve patient access to products and enhance patient care with services ranging from drug distribution and niche premium logistics to reimbursement and pharmaceutical consulting services.
McKesson	MCK	7372; 5122	Services Prepackaged Software; Wholesale - Drugs, Proprietaries & Druggists' Sundries	Distributor of pharmaceuticals in North America and provider of healthcare information technology systems. The company's distribution division supplies more than 40,000 U.S. pharmacy locations with pharmaceuticals, medical supplies, surgical supplies and homecare supplies. McKesson's technology division develops and installs hospital information systems, including electronic health record systems and clinical decision support systems and provides other solutions such as pharmacy automation and medical claims management software.
Aceto	ACET	2834; 5122; 5160	Pharmaceutical Preparations; Wholesale - Drugs, Proprietaries & Druggists' Sundries; Wholesale - Chemicals & Allied Products	The Company is engaged in the sourcing, quality assurance, regulatory support, marketing and distribution of chemically derived pharmaceuticals, biopharmaceuticals, specialty chemicals and crop protection products.

EXHIBIT 17
COMPANY NAME
GUIDELINE PUBLIC COMPANY METHOD
VALUATION DATE - MAY 31, 2017

Guideline Public Company Multiple Summary

In 000's

SIC Codes: 5122 (Wholesale - Drugs, Drug Proprietaries, and Druggists' Sundries); and other comparable transactions identified

Guideline Company	Exchange	Ticker Symbol	SIC Code	Market Value of Equity	Enterprise Value	TTM Revenue	Multiple of Revenue	TTM EBITDA	Multiple of EBITDA	EBITDA Margin	Public Company Size Premium [1]	Calculated Public Company Rate of Return [2]	Multiple Adjustment Factor [3]	Adjusted EV Multiple of Revenue [4]	Adjusted EV Multiple of EBITDA [4]
Cardinal Health	NYS	CAH	5122	$ 23,475,640	$ 27,587,640	$ 128,394,000	0.21	$ 3,003,000	9.19	2.3%	0.61%	9.18%	53.0%	0.11	4.87
AmerisourceBergen	NYS	ABC	5122	20,034,733	22,085,745	149,758,950	0.15	2,208,633	10.00	1.5%	0.61%	9.18%	53.0%	0.08	5.30
McKesson	NYS	MCK	7372; 5122	34,411,990	40,351,990	198,533,000	0.20	8,109,000	4.98	4.1%	(0.35%)	8.22%	48.0%	0.10	2.39
Aceto	NAS	ACET	2834; 5122; 5160	425,986	731,848	579,122	1.26	55,569	13.17	9.6%	2.68%	11.25%	65.0%	0.82	8.56

	Multiple of Revenue	Multiple of EBITDA	EBITDA Margin
High	**1.26**	**13.17**	**9.6%**
Upper Quartile	**0.48**	**10.79**	**5.5%**
Median	**0.21**	**9.59**	**3.2%**
Lower Quartile	**0.19**	**8.13**	**2.1%**
Low	**0.15**	**4.98**	**1.5%**

Adjusted Multiples

	Adjusted EV Multiple of Revenue [4]	Adjusted EV Multiple of EBITDA [4]
High	**0.82**	**8.56**
Upper Quartile	**0.29**	**6.12**
Median	**0.11**	**5.09**
Lower Quartile	**0.10**	**4.25**
Low	**0.08**	**2.39**

All data as of most recently reported quarter as of or prior to 5/31/2017 available on date of repon

Public Company Multiple Analysis

	Amount	EBITDA Profit Margin	Selected Guideline Multiples			Indicated Enterprise Value (EV)		
Revenue Multiples								
TTM 5/31/2017 Revenue	$ 85,255,591	4.6%	0.15	to	0.25	**$ 12,788,000**	to	**$ 21,314,000**
Weighted-Average Revenue	85,690,000	4.2%	0.15	to	0.25	**12,854,000**	to	**21,423,000**
EBITDA Multiple								
TTM 5/31/2017 Normalized EBITDA	3,956,886		4.50	to	5.50	**17,806,000**	to	**21,763,000**
Weighted-Average Normalized EBITDA	3,635,000		4.50	to	5.50	**16,358,000**	to	**19,993,000**

Valuation Analysis

Concluded Non-Controlling, Marketable Enterprise Value of the Company	**$ 18,000,000**
Plus: Cash	9,377,709
Less: Interest-Bearing Debt	(1,000,000)
Plus: Non-Operating Asset - Investment in BUYING GROUP **[5]**	1,110,000
Less: Deficient Net Working Capital **[6]**	(215,797)
Less: Accrued Income Tax Liability **[7]**	(540,000)
Non-Controlling, Marketable Equity Value of the Company	$ 26,731,912
Non-Controlling, Marketable Equity Value of the Company (Rounded)	**$ 26,700,000**

Footnotes:

[1] Based on applicable CSRP size premium from *2017 Duff & Phelps Valuation Handbook* based on market value of equity of guideline public companies.
[2] Risk-free rate (2.60%) + equity risk premium (5.97%) + applicable size premium + industry risk adjustment (0.00%).
[3] Based on ratio of estimated cost of equity for public company comparables compared to the Company's cost of equity (17.2%).
[4] Unadjusted multiple x Multiple adjustment factor.
[5] Based on analysis in **Exhibit 5**. The Company records the payments received from BUYING GROUP as a reduction in cost of goods sold. Because these reductions in cost of goods sold are a function of the revenue generated by the Company in relation to the other members of BUYING GROUP (in accordance with the BUYING GROUP operating agreement), and because the benefits are expected to continue in the future, these amounts were not removed from the Company's normalized benefit stream in **Exhibit 6**. Therefore, the cash flow benefit from the BUYING GROUP investment is already reflected in the value of the Company. As a result, the value presented here reflects only the Company's share of BUYING GROUP's net assets (cash and investments) that have yet to be distributed and to which the Company would have a claim.
[6] As determined in **Exhibit 11**.
[7] Based on the analysis in **Exhibit 4**. Because this accrued income tax liability had not been recorded by the Company and was not reflected in its net working capital balance as of the valuation date, it was necessary to reduce the value of the Company's equity in order to appropriately take this liability into account.

EXHIBIT 18
COMPANY NAME
DOMESTIC EQUITY CLOSED-END FUNDS
VALUATION DATE - MAY 31, 2017

Domestic Equity Closed-End Funds - Data as of April 28, 2017

Fund Name	Market Price	Net Asset Value	Price to Net Asset Value	Control Discount
Adams Diversified Equity (ADX)	$ 14.05	$ 16.63	0.845 : 1	15.5%
Advent/Clay Enhcd G & I (LCM)	8.71	9.45	0.922 : 1	7.8%
Boulder Growth & Income (BIF)	9.46	11.37	0.832 : 1	16.8%
Central Securities Corp (CET)	24.94	29.33	0.850 : 1	15.0%
Cohen & Steers CE Oppty (FOF)	13.07	13.83	0.945 : 1	5.5%
Cornerstone Strat Value (CLM)	16.67	13.39	1.245 : 1	(24.5%)
Cornerstone Total Return (CRF)	16.51	13.03	1.267 : 1	(26.7%)
Eagle Capital Growth (GRF) c	7.67	8.61	0.891 : 1	10.9%
Eaton Vance Tax Div Inc (EVT)	21.80	22.29	0.978 : 1	2.2%
Gabelli Div & Inc Tr (GDV)	21.48	22.97	0.935 : 1	6.5%
Gabelli Equity Trust (GAB)	6.15	6.20	0.992 : 1	0.8%
General Amer Investors (GAM)	34.13	40.26	0.848 : 1	15.2%
Guggenheim Enh Eq Inc (GPM)	8.37	8.70	0.962 : 1	3.8%
J Hancock Tx-Adv Div Inc (HTD)	26.11	26.15	0.998 : 1	0.2%
Liberty All-Star Equity (USA)	5.50	6.39	0.861 : 1	13.9%
Liberty All-Star Growth (ASG)	4.64	5.10	0.910 : 1	9.0%
Nuveen Tx-Adv TR Strat (JTA)	12.54	13.48	0.930 : 1	7.0%
Royce Micro-Cap Trust (RMT)	8.71	9.84	0.885 : 1	11.5%
Royce Value Trust (RVT)	14.57	16.39	0.889 : 1	11.1%
Source Capital (SOR)	38.16	42.82	0.891 : 1	10.9%
Special Opportunities Fd (SPE)	14.97	16.58	0.903 : 1	9.7%
Sprott Focus Trust (FUND)	7.53	8.50	0.886 : 1	11.4%
Tri-Continental Corp (TY)	23.68	27.32	0.867 : 1	13.3%

Quartile Analysis

	Price to Net Asset Value	Control Discount
High	1.267 : 1	(26.7%)
Upper Quartile	0.954 : 1	4.6%
Median	0.903 : 1	9.7%
Lower Quartile	0.876 : 1	12.4%
Low	0.832 : 1	16.8%

EXHIBIT 19
COMPANY NAME
SUMMARY OF MARKETABILITY DISCOUNT STUDIES
VALUATION DATE - MAY 31, 2017

Restricted Stock Studies

Study	Period	Number of Transactions	Average Discount	Median Discount
SEC Institutional Investor	1966-1969	398	25.8%	n/a
SEC Non-Reporting OTC Companies	1966-1970	n/a	32.6%	n/a
Gelman	1968-1970	89	33.0%	33.0%
Moroney	1968-1972	146	35.6%	33.0%
Trout	1968-1972	60	33.5%	n/a
Maher	1969-1973	34	35.4%	33.0%
Standard Research Consultants	1978-1982	28	n/a	45.0%
Willamette Management Associates	1981-1984	33	n/a	31.2%
Silber	1981-1988	69	33.8%	n/a
Johnson	1991-1995	72	20.0%	n/a
FMV Opinions	1980-1997	243	22.1%	20.1%
Columbia Financial Advisors - Two Year Holding Period	1996-1997	23	21.0%	n/a
Columbia Financial Advisors - One Year Holding Period	1997-1998	15	13.0%	9.0%
Management Planning	1980-2000	53	27.4%	24.8%
Pluris Valuation Advisors LLC - Liquistat	2005-2006	61	32.8%	34.6%

All Studies (16 Studies)		
High	**35.6%**	**45.0%**
Median	**32.6%**	**33.0%**
Low	**13.0%**	**9.0%**

Pre-1990 Studies (9 Studies)		
High	**35.6%**	**45.0%**
Median	**33.5%**	**33.0%**
Low	**25.8%**	**31.2%**

Pre-IPO Studies

Study	Period	Number of Transactions	Average Discount	Median Discount
Emory	1980-1981	12	59.0%	68.0%
Emory	1985-1986	19	43.0%	43.0%
Emory	1987-1989	21	38.0%	43.0%
Emory	1989-1990	17	46.0%	40.0%
Emory	1990-1992	30	34.0%	33.0%
Emory	1992-1993	49	45.0%	43.0%
Emory	1994-1995	45	45.0%	47.0%
Emory	1995-1997	84	43.0%	41.0%
Emory	1997-2000	266	50.0%	52.0%
Willamette Management Associates	1975-1997	1007	44.2%	50.4%
Willamette Management Associates	1999-2002	73	23.9%	31.6%
Valuation Advisors	1999	690	58.2%	63.3%
Valuation Advisors	2000	653	51.8%	56.4%
Valuation Advisors	2001	115	34.4%	37.5%
Valuation Advisors	2002	81	38.6%	42.7%
Valuation Advisors	2003	123	41.3%	40.1%
Valuation Advisors	2004	334	38.2%	40.8%
Valuation Advisors	2005	296	32.9%	38.4%
Valuation Advisors	2006	348	34.9%	39.1%

High	**59.0%**	**68.0%**
Median	**43.0%**	**42.7%**
Low	**23.9%**	**31.6%**

EXHIBIT 20
COMPANY NAME
STOUT RESTRICTED STOCK STUDY - MARKETABILITY DISCOUNT ANALYSIS
VALUATION DATE - MAY 31, 2017

Inputs [1]

Market Value of Equity **[2]**	$	26,900
Revenues		85,256
Total Assets		23,212
Shareholders' Equity		11,401
Market to Book Ratio		2.4
Net Income **[3]**		2,148
Net Profit Margin		2.5%
Volatility		n/a

Restricted Stock Equivalent Discount Analysis [1] [4]

Financial Characteristics Comparison

	Subject Company Value	Stout Study Quintile	Discount Indication	Selected Weight	Stout Suggested Weight
Size Characteristics					
Market Value	$26,900	5th Quintile	26.7%	2	2
Revenues	$85,256	2nd Quintile	16.3%	1	1
Total Assets	$23,212	4th Quintile	24.0%	3	3
Balance Sheet Risk Characteristics					
Shareholders' Equity	$11,401	3rd Quintile	20.7%	2	2
Market-To-Book Ratio	2.4	2nd Quintile	16.4%	1	1
Profitability Characteristics					
Net Profit Margin	2.5%	2nd Quintile	16.8%	1	1
Market Risk Characteristics					
Volatility	NA	NA	NA	0	0
Indicated Restricted Stock Equivalent Discount			**21.6%**		

Best Comparables Analysis

	Weights Selected for Financial Characteristics Comparison Analysis	Variables Selected For Best Comparables Analysis	Stout Suggested Variables
Market Value	2	Yes	Yes
Revenues	1	Yes	Yes
Total Assets	3	Yes	Yes
Shareholders' Equity	2	Yes	Yes
Market-To-Book Ratio	1	Yes	Yes
Net Profit Margin	1	Yes	Yes
Volatility	0	No	No
Number of Variables		6	

Number of Matches	1	2	3	4	5	6	7
Transaction Count	499	232	74	26	2	1	0
Median Discount	19.1%	20.2%	22.4%	24.2%	19.7%	25.8%	NA

Indicated Restricted Stock Equivalent Discount Range **19% - 26%**

Restricted Stock Equivalent Discount Conclusion

Restricted Stock Equivalent Discount	
Financial Characteristics Comparison	21.6%
Best Comparables Analysis	19% - 26%
Selected Restricted Stock Equivalent Discount	**21.6%**

Market Volatility Adjustment Analysis

Selected Restricted Stock Equivalent Discount **21.6%**

	Low	High	Multiplicative Adjustment Factor
VIX Range **[5]**	0.00	23.10	1.00
	23.10	25.20	1.16
	25.20	32.90	1.23
	32.90	40.00	1.39
	40.00	50.00	1.57
	50.00	60.00	1.78

	VIX Value	Indicated Multiplicative Adjustment Factor
Valuation Date	10.41	1.00
Trailing 1-Month Average	10.86	1.00
Trailing 6-Month Average	11.91	1.00

Selected Market Volatility Adjustment Factor **1.00**

Adjusted Restricted Stock Equivalent Discount **21.6%**

Private Equity Discount Analysis

Adjusted Restricted Stock Equivalent Discount **21.6%**

Median Adjustment Factors

% Shares Placed	30 - 40%	40 - 50%
Multiplicative	1.74	1.8
Inverse Multiplicative	0.82	0.74

Private Equity Discount Range	Low	High
Multiplicative	37.6%	38.9%
Inverse Multiplicative	35.7%	42.0%

Discount for Lack of Marketability - Conclusion **38.5%**

Footnotes:
[1] Latest twelve months; in $000's
[2] Based on concluded non-controlling, non-marketable value of $17,500,000 adjusted to remove the impact of the 35.0% discount for lack of marketability
[3] Based on FYE 8/31/16 net income since that was the most recent period in which an accurate tax provision was recorded.
[4] Excludes transactions with "% Shares Placed" > 30%
[5] The fourth, fifth, and sixth levels (32.9-40, 40-50, 50-60) are implied levels extrapolated from the first three levels, given the unusually high levels of volatility in 2008-2009

EXHIBIT 21
COMPANY NAME
RECONCILIATION OF VALUATION METHODS
VALUATION DATE - MAY 31, 2017

	Capitalization of Cash Flow Method	*Guideline Transaction Method*	*Guideline Public Company Method*
Control Adjustment	0.0%	0.0%	0.0%
Marketability Adjustment	35.0%	30.0%	35.0%
Value of the Company's Equity Prior to Control Adjustment	$ 25,100,000	$ 38,500,000	$ 26,700,000
Less: Control Adjustment	-	-	-
Value of the Company's Equity Prior to Marketability Adjustment	25,100,000	38,500,000	26,700,000
Less: Marketability Adjustment	(8,790,000)	(11,550,000)	(9,350,000)
Controlling, Non-Marketable Value of the Company's Equity	$ 16,310,000	$ 26,950,000	$ 17,350,000

Conclusion of Value	
Non-Controlling, Non-Marketable Value of the Company's Equity	**$ 17,500,000**
Ownership Interest Being Valued	1.0%
Non-Controlling, Non-Marketable Value of 1.0% Equity Interest in the Company (Rounded)	**$ 175,000**

Appendix A

Assumptions and Limiting Conditions

This valuation is subject to the following assumptions and limiting conditions:

1. This Report and the resulting conclusion of value should not be used for any other purpose than that identified in the Report. The distribution of this Report is restricted to the Company's management, the Company's counsel, the owners' counsel and any applicable taxing, governmental or judicial authorities and should not be used by any other party for any purpose. This Report may not be distributed to any other outside parties without our prior written consent.

2. The information, estimates and opinions contained in this Report are obtained from sources considered to be reliable. However, we assume no liability for such sources.

3. The Company's representatives warranted to us that the information they supplied was complete and accurate to the best of their knowledge and that the financial statements and other information correctly reflect the Company's results of operations and financial condition in accordance with generally accepted accounting principles, unless otherwise noted. Information supplied by management has been accepted as correct without further verification. VALUATION FIRM did not audit, review, compile or attest to the underlying information, and therefore, expresses no opinion or assurance on that information.

4. Possession of this Report, or a copy thereof, does not carry with it the right of publication of all or part of it, nor may it be used for any purpose by anyone but the client without the previous written consent of the client or us and, in any event, only with proper attribution.

5. We are not required to give testimony in court, or be in attendance during any hearings or depositions, with reference to the company being valued, unless previous arrangements have been made in writing. Fees for any work performed outside of the preparation of this Report will be billed on an hourly basis based on our standard hourly rates.

6. The conclusion of value presented in this Report applies to this valuation only and may not be used out of the context presented herein. This valuation is valid only for the purpose or purposes specified herein. The Report is only valid for the effective date specified herein.

7. This valuation reflects facts and conditions existing at the valuation date. Subsequent events have not been considered, and we have no obligation, but reserve the right, to update our Report for such events and conditions.

8. This Report was prepared under the direction of VALUATION EXPERT. Neither the professionals who worked on this engagement, nor the partners of VALUATION FIRM, have any present or contemplated future interest in the Company, or any other interest that might prevent us from performing an unbiased valuation. Our compensation is not contingent on any action or event resulting from the analyses, opinions, or conclusion in, or the use of, this Report.

9. VALUATION FIRM is not a guarantor of value. Valuation of closely held companies is an imprecise science, with value being a question of fact, and reasonable individuals can differ in their conclusions of value. VALUATION FIRM has, however, performed conceptually sound and commonly accepted methods of valuation in determining the conclusion of value included in this Report.

Appendix A

Assumptions and Limiting Conditions (Continued)

10. The historical financial statements included with this Report are to be used solely in the valuation process of the Company. The presentation of these financial statements may be incomplete or otherwise contain departures from generally accepted accounting principles. Nothing has come to our attention that would indicate that the Company intends to use this presentation for any purpose other than valuation.

11. The public, industry and statistical information has 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.

12. 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 at the Company and that the character and integrity of the enterprise, through any sale, reorganization, exchange, or diminution of the owners' participants would not be materially or significantly changed.

13. This Report and the conclusion of value arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. It 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 VALUATION FIRM based on information furnished to us by the Company, the Company's representatives, and other sources.

14. Neither all nor any part of the contents of this Report (especially the conclusion of value, the identity of any valuation specialist(s), or the firm with which such valuation specialists are connected or any reference to any of their professional designations) should be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other means of communication, including but not limited to the Securities and Exchange Commission or other governmental agency or regulatory body, without the prior written consent and approval of VALUATION FIRM.

15. The contents of the Economic Outlook section of this Report are quoted from the Economic Outlook Update™ 1Q 2017 published by Business Valuation Resources, LLC, reprinted with permission. The editors and Business Valuation Resources, LLC, while considering the contents to be accurate as of the date of publication of the Update, take no responsibility for the information contained therein. Relation of this information to this valuation engagement is the sole responsibility of the author of this Report.

16. No change of any item in this appraisal report shall be made by anyone other than VALUATION FIRM, and we shall have no responsibility for any such unauthorized change.

17. If prospective financial information approved by management has been used in our work, 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.

18. We conducted interviews with management concerning the past, present and prospective operating results of the Company.

Appendix A

Assumptions and Limiting Conditions (Continued)

19. Our conclusion of value assumes the assets and liabilities as of the valuation date presented to us by management were intact as of that date and are materially correct. Any change in the level of assets or liabilities could cause a change in the value we estimated. Furthermore, we assume that there are no hidden or unexpected conditions that would adversely affect the value we estimated.

20. 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 investments used in the business, and any other assets or 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.

21. No third parties are intended to be benefited. An engagement for a different purpose, or under a different standard or basis of value, or for a different date of value, could result in a materially different conclusion of value.

22. VALUATION FIRM is not an environmental consultant or auditor, and it takes 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. VALUATION FIRM does not conduct or provide environmental assessments and has not performed one for the subject property.

23. VALUATION FIRM has 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. VALUATION FIRM's valuation 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, VALUATION FIRM has relied on it without verification and offers no warranty or representation as to its accuracy or completeness.

24. By accepting this Report, the client acknowledges the terms and indemnity provisions provided in the executed engagement letter and the assumptions and limiting conditions contained herein.

25. Any decision to purchase, sell or transfer any interest in the Company shall be your sole responsibility, as well as the structure to be utilized and the price to be accepted. An actual transaction involving the subject business might be concluded at a higher value or at a lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivations of the buyers and sellers at that time.

Appendix B

Principal Information Sources and References

1. YTD 5/31/16 and YTD 5/31/17 COMPANY NAME management-prepared financial statements.
2. FYE 8/31/12 – FYE 8/31/15 COMPANY NAME reviewed financial statements prepared by CPA FIRM #1.
3. FYE 8/31/15 – FYE 8/31/16 COMPANY NAME reviewed financial statements prepared by CPA FIRM #2.
4. FYE 8/31/12 – FYE 8/31/16 COMPANY NAME Federal income tax returns.
5. COMPANY NAME revenue by customer report for FYE 8/31/16.
6. Various documents related to COMPANY NAME's CITY, STATE real estate purchase.
7. COMPANY NAME 1/3/13 Stock ownership schedule.
8. COMPANY NAME buy-sell agreement between OWNER #1, OWNER #2 and OWNER #3 dated 1/31/80.
9. BUYING GROUP 2013-2016 compiled financial statements prepared by CPA FIRM #3.
10. BUYING GROUP agreed-upon procedures report for the year ended 12/31/15 prepared by CPA FIRM #3.
11. COMPANY NAME's 2012-2016 K-1s from BUYING GROUP.
12. Third Amended and Restated BUYING GROUP Operating Agreement.
13. The Company's websites: www.website.com and www.website2.com.
14. Valuing A Business – The Analysis and Appraisal of Closely Held Companies, Fifth Edition, Shannon Pratt, McGraw-Hill Publishing, 2008.
15. Financial Valuation – Applications and Models, Third Edition, James R. Hitchner, John Wiley & Sons, Inc., 2011.
16. Statement on Standards for Valuation Services No. 1. Issued by the American Institute of Certified Public Accountants' Consulting Services Executive Committee. June 2007.
17. Taxes and Value. Nancy J. Fannon and Keith F. Sellers, Business Valuation Resources, 2015.
18. IRC, Revenue Ruling 59-60, Revenue Ruling 68-609, Revenue Ruling 65-193, Revenue Ruling 80-213, Revenue Ruling 81-253, Revenue Ruling 83-120, Revenue Ruling 93-12, and Revenue Ruling 2007-44.
19. Various articles appearing in the following professional publications: "Journal of Accountancy," "The Tax Advisor," "The Valuation Examiner," "Business Valuation Update," "U.S. Economic Digest," and various other professional newsletters.
20. Duff & Phelps 2017 Valuation Handbook, 2017.
21. RMA Annual Statement Studies, 2012-2015.

Appendix B

Principal Information Sources and References (Continued)

22. Mergerstat/BVR Control Premium Study Database from Business Valuation Resources, 2017.

23. Pratt's Stats Database from Business Valuation Resources, 2017.

24. Pitchbook Database from Business Valuation Resources, 2017.

25. Stout Discount for Lack of Marketability Study and Calculator, 2017.

26. Economic Outlook Update 1Q 2017. Business Valuation Resources, LLC

27. FirstResearch Industry Profiles: "Drug Wholesalers."

28. "Daily Treasury Long-Term Rates." www.treasury.gov.

29. Closed-end fund data from the *Wall Street Journal's* Market Data Center, April 28, 2017.

30. Discussions and communications with Officer #1 (the Company's President), CONTROLLER (the Company's Controller), ATTORNEY (Officer #1 and Officer #2's Attorney) and CPA (the Company's outside CPA).

31. Miscellaneous accounting and legal information supplied by the Company's representatives.

32. Miscellaneous publicly available economic and financial information.

33. Various other valuation resources, literature and articles.

Appendix C

Valuation Representation/Certification

I represent/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 of value are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, independent, unbiased, objective professional analyses, opinions and conclusions.
- I have no present or prospective/contemplated financial or other interest in the business or property that is the subject of this Report and I have no personal financial or other interest or bias with respect to the property or the parties involved.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is fee-based and is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the outcome of the valuation, 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.
- The economic and industry data included in the Report have been obtained from various printed or electronic reference sources that I believe to be reliable. I have not performed any corroborating procedures to substantiate that data.
- My analyses, opinions, conclusions and this detailed appraisal Report were developed in conformity with the American Institute of Certified Public Accountants' *Statement on Standards for Valuation Services No. 1* and the National Association of Certified Valuators and Analysts' standards.
- The parties for which the information and use of the Report is restricted are identified. The Report is not intended to be and should not be used by anyone other than such parties.
- I have no obligation to update the Report or the conclusion of value for information that comes to my attention after the date of the Report, although I reserve the right to do so.
- This valuation and Report have been completed under the direction of VALUATION ANALYST. VALUATION ANALYST is a Certified Public Accountant licensed in STATE and is accredited in business valuation by the American Institute of Certified Public Accountants. STAFF PERSON provided professional assistance in the preparation of this Report.

VALUATION ANALYST