Wilson & Wilson CPAs
100 Main Street
Los Angeles, CA 90001

XYZ, INC.

BUSINESS VALUATION OF MAJORITY INTEREST

AS OF AUGUST 31, 2018

Prepared by: Jackson Brown, CPA, CVA

January 22, 2019

CONFIDENTIAL

Diana Ross
XYZ, Inc.
101 Main Street
Los Angeles, CA 90001

Dear Ms. Ross:

We have prepared and enclosed, herewith, our valuation report of XYZ, Inc. dba Auto Service Center ("XYZ") dated January 22, 2019. The purpose of the valuation is to render an opinion as to the fair market value of the common stock (on a unilateral 100% controlling ownership interest, non-marketable basis) of XYZ, Inc. dba Auto Service Center as of August 31, 2018.

The term "fair market value" is defined as the price at which the property would change hands between a willing buyer and a willing seller when the latter is not under any compulsion to sell, and both parties have reasonable knowledge of the relevant facts.

Our report was prepared in accordance with IRS Revenue Ruling 59-60 which require the following factors to be considered for valuation of closely-held stock:

1) Nature and history of the business;
2) Economic and industry outlook;
3) Book value of stock and financial condition of the business;
4) Earning capacity of the business;
5) Dividend-paying capacity of the business;
6) Goodwill and other intangible value;
7) Prior sales of stock / size of block of stock to be valued; and
8) Prices of similar stocks traded on a market.

Our valuation is based on historical and prospective financial information provided to us by management and other third parties. Had we audited or reviewed the underlying data, matters may have come to our attention which could have resulted in our using amounts which differ from those provided. Accordingly, we take no responsibility for the underlying data presented in this report. Users of this valuation report should be aware that business valuations are based on future earnings potential that may or may not materialize. Therefore, the actual results achieved during the projection period will vary from the projections used in this valuation, and the variations may be material.

Based on our study and analytical review procedures, we have concluded that a reasonable estimate of the fair market value (on a unilateral 100% controlling ownership interest, non-marketable basis) of the common stock of XYZ, Inc. dba Auto Service Center as of August 31, 2018 is $172,000 or approximately $3,440 per issued and outstanding common share.

We have no present or contemplated financial interest in XYZ, Inc. dba Auto Service Center or any related entities. Our fees for this valuation are based upon our normal hourly billing rates, and are in no way contingent upon the results of our findings. We have no responsibility to update this report for events and circumstances occurring subsequent to the date of this report.

This report has been prepared for the specific purpose of valuing XYZ, Inc. dba Auto Service Center's common stock on a unilateral 100% controlling ownership interest, non-marketable basis as of August 31, 2018 to be used for probate court filing(s) for the estate of Jason J. Ross. This report is not to be copied or made available to any persons without the express written consent of Wilson & Wilson CPAs.

Jackson Brown, CPA, CVA

January 22, 2019

TABLE OF CONTENTS

I. Company Background

XYZ, Inc. ("XYZ") is an California corporation, incorporated on September 19, 1988, with its principal place of business in Los Angeles, CA.[1] The purpose for which XYZ was formed is for an automobile Service business.[2] The initial capitalization of XYZ was $500.00 with its equal shareholders, John J. Smith and Jason J. Ross each contributing $250.00 for 50 shares of common stock with no par value each. The maximum number of shares which XYZ is authorized to have outstanding is 500 shares, all of which shall be common shares without par value.[3]

XYZ amended its articles of incorporation on June 23, 1997 to do business as Auto Service Center. In addition, XYZ increased its number of authorized shares to 850 shares of common stock, no par value.[4] On March 12, 1998, XYZ again amended its articles of incorporation indicating the name of said corporation shall remain XYZ, Inc., among other provisions.[5]

Also on March 12, 1998, Jason Ross and John Smith, as shareholders of XYZ, entered into a Close Corporation Agreement in which XYZ shall be subject to the Close Corporation Agreement in accordance with and subject to California Code Section 11.501. Among many other provisions, the Close Corporation Agreement set forth the officers of XYZ as follows:

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[1] See Articles of Incorporation and Certificate of the Secretary of State of California.
[2] See Articles of Incorporation.
[3] See Articles of Incorporation and Record of Stock Issued.
[4] See Amended Articles of Incorporation.
[5] See Amended Articles of Incorporation.

Jason Ross	President / Treasurer
John Smith	Vice President
Diana Ross	Secretary

Likewise, on March 12, 1998, Jason Ross and John Smith entered into a Shareholders' Agreement with XYZ which requires any shareholder who desires to transfer some or all of his shares of the corporation shall first offer the shares to XYZ and to the other shareholder, among other provisions. In addition, the Shareholders' Agreement provides for an initial determination of value of $250,000 for each shareholder's interest in XYZ as of March 12, 1998. Furthermore, the Shareholders' Agreement provides for an annual revaluation in which the shareholders shall redetermine the value of each shareholder's interest at each annual meeting of the shareholders. No such annual revaluation has been performed. The Shareholders' Agreement indicates that if the shareholders fail to redetermine the value of their interest for a particular year, the last previously stipulated value shall control, except that if the shareholders have not so redetermined value within 24 months immediately preceding the triggering event, then the value of the interest shall be agreed upon by the deceased shareholder (estate) or the disabled shareholder and XYZ.[6]

XYZ filed a Certificate of Amended Articles of Incorporation on May 13, 1998 indicating Jason J. Ross as President and Diana Ross as Secretary of the company, among other amendments.[7] Also on May 13, 1998, XYZ filed a Trade Name Registration of Auto Service Center.[8]

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[6] See Shareholders' Agreement.
[7] See Certificate of Amended Articles of Incorporation.
[8] See Trade Name Registration.

On August 2, 2000, Jason Ross, John Smith and XYZ entered into an agreement for XYZ to purchase all of John Smith's 50 shares in the company.[9] Accordingly, XYZ recorded treasury stock of $100,000 for the repurchase of Mr. Smith's full ownership interest in the company.[10]

On August 31, 2018, Jason J. Ross, sole shareholder of XYZ, died. Diana Ross is the administrator and beneficiary of the estate of Jason J. Ross. As beneficiary, she will be the sole shareholder of XYZ. Furthermore, we understand the corporate officers of XYZ will be as follows:

Diana Ross	President / Treasurer
Keith Ross	Secretary

XYZ continues to operate as a full-service automotive service facility doing business as Auto Service Center providing brakes, tune-ups, oil change and tire services, other preventive maintenance, engine rebuilding, exhaust and transmission service for foreign or domestic cars and trucks in Los Angeles, CA. The company employs 2 full-time automotive technicians which includes Keith Ross. XYZ also employs Diana Ross and a part-time bookkeeper / office manager. The company leases its sole location in Los Angeles, CA from an unrelated landlord under an arms-length 15-year lease which terminates on December 31, 2030. The leased facility has a front counter / customer reception area, six automotive service bays with overhead door and vehicle lifts, back office, and inventory storage space.

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[9] See Unanimous Action of the Shareholders Taken Without a Meeting in Lieu of a Shareholders' Meeting dated August 2, 2000.
[10] See U.S. Corporation Income Tax Return of XYZ, Inc.

A. Ownership of XYZ

XYZ is authorized to issue 850 shares of no par value common stock. As of August 31, 2018 through the issuance date of this report, 50 shares are issued and outstanding which comprises 100% of the ownership interest of XYZ. These shares will be fully owned by Diana Ross as beneficiary of the Estate of Jason J. Ross. The historical ownership of XYZ is as follows:

Transaction Date	**Shareholder(s)**	**# Shares**	**Ownership Interest**
9/19/1988	Jason Ross	50 shares	50%
9/19/1988	John Smith	50 shares	50%
9/19/1988-8/1/2000	**Total – Ross / Smith**	**100 shares**	**100%**
8/2/2000	Sale of Smith shares back to XYZ	(50 shares)	
8/2/2000-8/24/2018	**Total – Jason Ross**	**50 shares**	**100%**
8/25/2018	Shares in Estate of Jason J. Ross	50 shares	100%
8/25/2018-current	**Total – Estate of Jason J. Ross**	**50 shares**	**100%**

There have been no changes in ownership of XYZ stock since August 31, 2018.

B. Historical Financial Information

Summaries of historical financial information for the balance sheet and income statement are presented on Exhibits 2 and 3. In 2015 and 2017, XYZ increased its revenue from prior years by generating $1,016,910 and $999,932, respectively. The increases were offset by a decline in revenue during 2016 compared to 2015 in which XYZ achieved revenue of $985,437 in 2016. Although revenue increased in 2017 compared to 2016, it was less than 2015 revenue. Revenue increased in 2017 by only 1.5%. On an annualized basis, XYZ should surpass its 2017 revenue in 2018.

Excluding salaries and wages, and related expense, XYZ achieved gross margin of approximately 72%, 72%, 73%, 73% and 77% in 2014, 2015, 2016, 2017 and 8-month period ended August 31, 2018, respectively. Including salaries and wages, but not including compensation to officers, decreases gross margin to approximately 49%, 46%, 47%, 48% and 50% in 2014, 2015, 2016, 2017 and 8-month period ended August 31, 2018, respectively. Operating expenses as a percentage of sales, other than cost of sales, are at approximately 69% to 72% during 2014 through 2017 and 8-month period ended August 31, 2018. The five largest expense during 2014 through 2017 and 8-month period ended August 31, 2018 are purchases (23%-29% of revenue), salaries and wages (23%-26% of revenue), compensation of officers (10%-13% of revenue), rent (7% of revenue), and royalties (5% of revenue), which total 68% to 80% of revenue. Annual operating income has declined from 2014 through 2017 and increased for the 8-months ended August 2018. XYZ generated operating income of $24,133, $16,170, $13,301, $10,925 and $38,906 in 2014, 2015, 2016, 2017 and the 8-months ended August 2018, respectively. Factors contributing to the decline in operating profits are declines in revenue and increases in compensation of officers during the relevant periods.

XYZ's total assets varied from $78,683 to $105,370 from December 31, 2014 to 2017 and August 31, 2018 primarily due to variability in cash and accounts receivable. The company's liabilities consist primarily of current and long-term debt, accounts payable, and accrued payroll and payroll taxes which comprised approximately 63% to

93% of total liabilities from December 31, 2014 to 2017 and August 31, 2018. XYZ generated net working capital deficits of ($62,125), ($65,170), ($66,163), ($63,077) and ($66,755) in December 31, 2014, 2015, 2016, 2017 and August 31, 2018, respectively, primarily due to significant current debt in each year. Such working capital deficits raises concerns regarding the company's ability to meet current obligations.

XYZ has maintained deficit equity balances of ($67,442), ($64,451), ($59,037), ($55,329) and ($21,755) from December 31, 2014 through 2017 and August 31, 2018, respectively, which includes treasury stock of $100,000 in each year. Excluding treasury stock results in positive equity balances of $32,558, $35,549, $40,963, $44,671 and $78,245 for the same periods, respectively. XYZ has very limited dividend-paying capacity and has not historically paid dividends.

C. Comparison to Industry

XYZ's results were compared to its industry peer group. For this analysis, the industry peer group used was NAICS code 811111 defined as general automotive service. Exhibits 4 and 5 compare XYZ's normalized balance sheet and income statement to its industry peer group.[11] XYZ's normalized cash position as a percentage of total assets was between 43% and 55% as of December 31, 2014 through 2017 and August 31, 2018, compared to the industry of 22% to 26% during 2013-2015. XYZ's normalized current ratio is only .9 to 1.1 for December 31, 2014-2017 and August 31, 2018 compared to its industry peers of 1.3 to 1.6 during 2013-2015. Such limited quick ratio results compared

[11] Normalizing adjustments and related financial statements are described in section VI. B. Capitalization of Earnings Method.

to its peers may present cash flow challenges for XYZ. In addition, the company's normalized inventory is 11% to 13% as of December 31, 2014 through 2017 and August 31, 2018; similarly, the industry has inventory of 10% to 14% of total assets during 2013-2015. Like its peers, XYZ generated a normalized quick ratio of .8 to .9 for December 31, 2014-2017 and as of August 31, 2018, compared to its industry peers of .8 to .9 for 2013-2015.

XYZ has fully depreciated its fixed assets as of December 31, 2017; whereas, its industry peers have net fixed assets of 36% to 40% of total assets for the years 2013-2015. Additional review of XYZ's fixed asset / depreciation schedules reveals that approximately 45% of its fixed assets were purchased in 1988, which are now fully depreciated. The company's normalized accounts payable amounts as a percentage of total liabilities and equity is 7% to 15% for December 31, 2014-2017 and as of August 31, 2018; whereas, XYZ's industry peers have accounts payable ratios of 8% to 14% during 2013-2015, similar to XYZ. Further, XYZ's normalized total debt including shareholder loans, current and long-term is 66% to 82% of total liabilities and equity as of December 31, 2014-2017, and 39% as of August 31, 2018; whereas, its peers are 47% to 53% for 2013-2015. Such significant variability and levels of debt may strain XYZ's ability to meet current obligations without additional financing.

XYZ's profits before taxes were similar to its industry peers. The company generated 7% to 8% of normalized profit before taxes as a percentage of sales during 2014 to 2017, and 14% for the 8-month period ended August 31, 2018; whereas, its industry peers generated approximately 6% to 8% during 2013-2015. Furthermore, XYZ generated an operating profit of 8% to 9% during 2014 through 2017, and 15% for the 8-month period ended August 31, 2018; its industry peers generated 9% to 11% of sales during 2013-2015.

XYZ's normalized returns on working capital are significantly varied and, at times, negative. XYZ generated negative normalized sales/working capital in 2014, 2015 and as of August 31, 2018. The company generated normalized sales/working capital of 177 and 82 in 2016 and 2017, respectively; whereas, its peers generated 44 to 70 during 2013-2015. XYZ's normalized sales to net fixed assets were 551.0 to 2,760.3 in 2014 to 2017; whereas, the industry peers generated 15.6 to 21.1 during 2013-2015. Further, XYZ outperformed its industry peers by generating normalized sales to total assets of 6.3 to 7.3 during 2014 to 2017 and the 8-month period ended August 31, 2018; whereas, the industry generated 3.8 to 4.7 during 2013-2015. This trend is primarily attributable to XYZ's significantly limited net fixed assets.

D. Shareholder and Officer Compensation, and Related Party Transactions

Sole shareholder until August 31, 2018, Jason J. Ross was paid compensation for his automotive mechanic and operations roles at XYZ. His compensation was $47,007, $55,156, $63,896 and $66,081 during 2014, 2015, 2016 and 2017, respectively, and $46,690 for the 8-month period ended August 31, 2018. As an officer of XYZ, Diana Ross was paid a salary of $47,600, $53,600, $63,947 and $67,656 during 2014, 2015, 2016 and 2017, respectively, and $46,744 for the 8-month period ended August 31, 2018.

In addition, Jason J. Ross is owed $2,062, $2,062, $6,376, $6,376 and $6,376 as of December 31, 2014, 2015, 2016, 2017 and August 31, 2018, respectively, for outstanding loans made to XYZ. The loans bear no interest and no loan documents or instruments exist.

E. License Agreement

Auto Service Center Corp. opened its first Auto Service Center shop in Los Angeles in 1960 and continued to expand throughout the U.S. thereafter. XYZ ("Licensee") entered into an original License Agreement with Auto Service Center Corp. ("Licensor") on June 30, 1988, which has since expired and been renewed on December 20, 2005 (the "Agreement"). Under the Agreement, XYZ licenses a system for operation of an automotive service business that sells, installs and services automotive exhaust systems, brakes, front end, steering and suspension, alignment, air conditioning, engine diagnostics, batteries, tires and other automotive products and services. The distinguishing characteristics of the system include Auto Service Corp.'s trademarks and logos, training, operation procedures, promotional techniques and materials, location analysis, building design and layout, record keeping and reporting.

The initial license fee paid by XYZ was $25,000. In addition, the Agreement requires an initial advertising fee of $5,000 to $10,000. Furthermore, the Agreement calls for a royalty for the use of the Auto Service Center marks and the Auto Service Center system of 2.5% of gross sales of XYZ for the first 180 days of operation, and 5% thereafter. Notwithstanding the foregoing, XYZ is only required to pay a royalty of 1% on gross sales arising from the sales of tires and batteries. Under the Agreement, XYZ must purchase, lease or develop and use a point of sale electronic and/or computer system. XYZ will not be required to spend more than $15,000 for additional or different point of sale electronic and/or computer systems during the term of the Agreement.

According to its balance sheet, XYZ has spent $45,000 for the initial fees and other expenditures under the Agreement which has been recorded as goodwill. Under the Agreement, Auto Service Center, Corp. makes available an initial course of instruction relating to techniques for operation of the business and utilization of the Auto Service Center system.

In accordance with the Agreement, if the last surviving principal of the Licensee dies or becomes permanently disabled, the Licensee's or the principal's rights under the Agreement will pass to the estate, heirs, devises or legal representatives of the Licensee or the principal of the Licensee. In the case of XYZ, upon the death of the sole shareholder, Jason J. Ross, the ownership of XYZ passed to the estate of Jason J. Ross, which will ultimately pass to Jason J. Ross's spouse Diana Ross.

F. Management and Control

Since XYZ's inception until his death on August 31, 2018, Jason J. Ross has been key to the day-to-day operations of the company. He served in various roles at the company including auto technician, manager, bookkeeper, and any other roles required for a successful operation. Jason worked seven days a week; Monday through Saturday he worked while the shop was open, Sundays he worked on bookkeeping and other necessary paperwork. In the past five years or so, Jason started slowly cutting back his hours. His goal was to eventually retire. Jason was in discussions with his son, Keith Ross, to potentially purchase the business. Jason has been the sole shareholder of XYZ since August 2, 2000 and critical to the successful operations of the company until his death on August 31, 2018. As beneficiary of the Estate of Jason J. Ross, Diana Ross, will be the sole shareholder of the company. Since 1988, Diana has performed various functions at XYZ including managing the front counter at the shop and bookkeeping. From 2007 until August 2018, she has not been involved in the day-to-day operations of the business. Since Jason's death in August 2018, Diana has taken an active role in XYZ.

Keith Ross was hired in August of 2003 as an oil/tire technician and quickly learned the "ropes" of the business. He soon started working the front counter dealing with all the customers. Eventually around 2006, Keith was promoted to manager. Since Jason's death, Keith has been operating the shop including all day-to-day operations. His duties include all daily operations including working the front counter, customer relations, scheduling appointments, overseeing any and all services and inventory control. Keith has been employed at XYZ for over 10 years as an auto mechanic and in other various roles of increasing responsibility and day-to-day operations. He is critical to the continued success of the company.

II. U.S. Economic Outlook

The Congressional Budget Office

The Congressional Budget Office ("CBO") regularly updates its economic forecast to incorporate changes in the agency's methodology and to ensure that the projections reflect recent economic developments and current law. The agency's latest economic forecast, which includes the following key projections of real (inflation-adjusted) gross domestic product ("GDP") and other factors is detailed below:

• **In 2018, real GDP was projected to grow by 3.1%.** That is about 0.6 percentage points faster than the pace of its growth in 2017. The pickup in growth is largely the result of increases in government spending, reductions in taxes, and faster growth in private investment. For the second half of 2018, CBO expected real GDP to grow at roughly the same average pace as it grew in the first half of the year, which would represent a moderation following the 4.1% annualized growth of GDP reported in the second quarter. Such moderation occurs because several factors that boosted second-quarter growth—including a rebound in the growth of consumer spending from a weak first quarter and a surge in agricultural exports—are expected to either fade or reverse. In 2019, the pace of GDP growth slows to 2.4% in the agency's forecast as growth in business investment and government purchases slows.

• **Growth of actual output is expected to outpace the growth of its maximum sustainable amount through the rest of 2018 and 2019, creating excess demand in the economy.** Although that growth in actual output leads to lower unemployment rates and higher income in CBO's forecast, it also creates demand for goods, services, and labor that exceeds the economy's long-run capacity to supply them.

• **Excess demand will put upward pressure on prices, wages, and interest rates over the next few years.** In CBO's forecast, the growth of actual output slows markedly after 2019 because higher interest rates, along with the slower growth of federal outlays projected under current law, restrain demand. As the excess demand dissipates, the unemployment rate rises and inflation and interest rates fall. By 2022, the excess demand in the economy disappears.

• **From 2023 to 2028, real GDP is projected to grow by about 1.7% each year**. That is slightly slower than potential output grows, on average (Potential output is CBO's estimate of the maximum sustainable output of the economy). The difference between actual and potential output arises because of a slight, temporary slowdown in the growth of actual output from 2025 to 2026, when some of the major provisions of the 2017 tax act (Public Law 115-97, originally called the Tax Cuts and Jobs Act) are scheduled to expire.

Federal Reserve System's Federal Open Market Committee

According to the Federal Reserve System's Federal Open Market Committee ("FOMC"), domestic financial conditions for businesses and households have generally continued to support economic growth. After rising steadily through 2017, broad measures of equity prices are modestly higher, on balance, from their levels at the end of last year amid some bouts of heightened volatility in financial markets. While long-term Treasury yields, mortgage rates, and yields on corporate bonds have risen during 2018, longer-term interest rates remain low by historical standards, and corporate bond issuance has continued at a moderate pace. Moreover, most types of consumer loans remained widely available for households with strong creditworthiness, and credit provided by commercial banks continued to expand.

In conjunction with the FOMC meeting held on June 12–13, 2018, meeting participants submitted their projections of the most likely outcomes for real gross domestic product ("GDP") growth, the unemployment rate, and inflation for each year from 2018 to 2020 and over the longer run.

All participants projected that inflation, as measured by the four-quarter percentage change in the price index for personal consumption expenditures ("PCE"), would run at or slightly above the Committee's 2% objective by the end of 2018 and remain roughly flat through 2020. Participants generally continued to expect that the evolution of the economy relative to their objectives of maximum employment and 2% inflation would likely warrant further gradual increases in the federal funds rate.

The median of participants' projections for the growth rate of real GDP was 2.8% in 2018 and 2.4% for 2019. The median was 2.0% for 2020, a touch above the median projection of longer-run growth. Most participants continued to cite fiscal policy as a driver of strong economic activity over the next couple of years.

Almost all participants expected the unemployment rate to decline somewhat further over the projection period. The median of participants' projections for the unemployment rate was 3.6% for the final quarter of 2018 and 3.5% for the final quarters of 2019 and 2020. The median of participants' estimates of the longer-run unemployment rate was unchanged at 4.5%.

The medians of participants' projections for total and core PCE price inflation in 2018 were 2.1% and 2.0%, respectively, and the median for each measure was 2.1% in 2019 and 2020. Some participants pointed to incoming data on energy prices as a reason for their upward revisions. The median of participants' forecasts for core PCE price inflation was up for 2018 and unchanged for subsequent years.

III. Los Angeles-Area Economic Outlook

Summary of Economic Activity

According to the Beige Book prepared by the Federal Reserve Bank during the reporting period ending October 24, 2018, business activity in the Twelfth District, which is made up of nine western states, Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Utah, and Washington—plus the Northern Mariana Islands, American Samoa, and Guam, grew modestly during the survey period and firms reported customer demand was stable. Reports suggest that hiring continued at about the same moderate pace as in recent months. Contacts reported ongoing shortages of both the quantity and quality of available labor and firms increased wages modestly to reduce worker turnover. Upward pressure on input costs was strong, notably for metals, construction materials, and fuel. Final selling prices increased as manufacturers, builders, and transportation firms raised their prices to cover their increased input costs. Manufacturing capacity utilization rose to keep up with strong demand. Freight demand plateaued at a high level and firms are increasingly feeling the pinch from limited trucking capacity. Retail demand, excluding autos, was flat. Nonresidential construction activity picked back up after a lull during the prior period

The Federal Reserve Bank's Twelfth District Metro Mix report dated August 2018 indicates economic conditions in the Los Angeles metro area continue to improve.

The unemployment rate fell 0.9 percentage points in the 12 months leading up to May 2018. This drop, combined with slow but steady growth in employment, is a sign of real improvement in the local labor market. GDP per capita and income per capita grew slowly in 2016. Though consumer debt per capita and the credit card delinquency rate have risen slightly, they remain at relatively low levels compared to the metro area's recent past. Median home values continue to rise, even as residential building permit issuance has slowed in 2018.

Employment

The unemployment rate remained steady between April and May 2018 in the Los Angeles metro area and in California. Though the figure was 4.8% in the metro area—a full percentage point higher than the nation's figure (3.8%)—it is 0.9 percentage points lower than it was in May 2017. The metro area's labor force continues to shrink, but the year-over-year drop in the unemployment rate indicates an improvement in labor market conditions because the number of unemployed persons fell by more than the number of people who exited the labor force.

Employment in the Los Angeles metro area grew 0.3% between December 2016 and December 2017, an increase of just more than 3,100 jobs. Though the number of jobs has increased, this growth was slower than growth in California (0.8%) and in the nation as a whole (1.5%) during the same period. While employment in California and in the nation have surpassed their prerecession levels by 1.5% and 6.6, respectively, employment in the metro area has grown slowly since the recession, and the metro area has yet to reach its prerecession level. However, much of this lag can be attributed to population decline. Positive employment growth and a declining unemployment rate indicate labor market conditions in the Los Angeles metro area are improving.

Consumer Debt

The Los Angeles metro area's consumer debt per capita ticked up slightly (to $28,335) in the first quarter of 2018. This represents an increase of 0.5% ($149) since the first quarter of 2017. This increase is slower than that in the nation, wherein consumer debt per capita rose by 1.7% during the same period. At $27,750, California's debt per capita is slightly less than that of the metro area, but both increased by the same amount (0.5%) between the first quarters of 2017 and 2018. Though rising debt per capita is an indication that households' financial situations may be deteriorating, overall levels are still relatively low. The discrepancy between the national figure and that of the metro area or the state is largely driven by mortgage balances. Generally, homes are more expensive in the Los Angeles metro area and in California than they are in the nation as a whole.

Credit Card Delinquency Rate

The Los Angeles metro area's credit card delinquency rate rose to 7.6% in the first quarter of 2018, a small increase (0.2 percentage points) from the first quarter of last year. California and the nation saw their credit card delinquency rates increase as well—to 7.0% and 7.3%, respectively. One reason for these increases is that lending standards, after rising sharply in the wake of the financial crisis, have modestly loosened in the past few years. While the delinquency rate has been ticking up since the beginning of 2017, it remains low compared to pre-crisis levels. For example, the Los Angeles metro area's most recent delinquency rate is half a percentage point lower than it was in the first quarter of 2006 (8.1%).

IV. Auto Mechanics the U.S.

Operators in the Auto Mechanics industry (NAICS 811111) provide mechanical and electrical service and maintenance for a variety of vehicles, including cars, trucks, vans and trailers. Over the five years to 2018, the industry experienced healthy growth, as consumers and businesses increased their demand for industry services. Disposable income levels and corporate profit grew during the period, enabling more consumers to forego do-it-yourself services and enlist the services of industry operators. However, as disposable income levels continue to rise, consumers may opt to purchase new vehicles instead of servicing old ones. Newer vehicles typically require less maintenance and Service services, threatening industry growth. Nevertheless, IBISWorld expects industry revenue to grow an annualized 2.7% to $67.2 billion over the five years to 2018, including an increase of 1.4% in 2018 alone. Automobiles are essential modes of transportation across the country, and as the average age of vehicles increases, demand for industry services grows, as routine maintenance and services are typically necessary to keep vehicles running. Over the five years to 2018, the number of domestic trips made by US residents is expected to increase an annualized 3.5%. As domestic trips increase, the wear and tear put on a vehicle increases, resulting in more regular service and maintenance work. The average age of the vehicle fleet is expected to increase to 11.9 years in 2018, resulting in increased spending on industry services, as older vehicles require more regular service work. Over the five years to 2023, the industry is forecast to continue its upward trajectory, albeit at a slightly slower pace. Continued growth in disposable income is anticipated to drive more consumers to invest in the service of their vehicles. However, the continued increase in disposable income is anticipated to lead a larger portion of consumers to scrap their older vehicles, which usually require more frequent and expensive services, and replace them with newer models. Moreover, slower gains in corporate profit are projected to stifle industry growth. Nevertheless, new car sales are expected to decline over the next five years, while the number of motor vehicles registrations is expected to increase, indicating more consumers will be purchasing and driving used vehicles, benefiting the industry. Thus, industry revenue is projected to increase an annualized 1.1% to $71.2 billion over the five years to 2023.

Profit for the average industry operator is expected to increase over the five years to 2018. Rising demand for industry services coupled with lower purchasing costs has enabled many operators to experience higher returns. Over the past five years, input prices for auto parts manufacturers have declined, resulting in these manufacturers passing on some of the saving to their downstream markets, i.e., industry operators. As a result, operators have been able to more competitively price their products and services, leading profit to increase to an estimated 7.6% in 2018. Over the past five years, as demand for industry services increased, many companies increased their workforce to keep up with rising demand. As a result, industry employment is expected to increase at an annualized rate of 1.1% to 557,317 workers. However, the technology used in the manufacturing of new automobiles changes at a fast rate. Thus, operators have sought out highly skilled mechanics. These employees are required to have a thorough understanding of technology, since newer vehicles are being built with intricate electronic systems and computers. Consequently, the average wage for these trained employees has increased in recent years, contributing to a rise in overall wage costs. Thus, over the five years to 2018, the cost of wages is expected to increase at an annualized rate of 3.2% to $18.4 million. Moreover, though heightened merger and acquisition activity has led to an expansion in some of the industry's larger players, non-employers share of the industry has consistently grown. As a result, the number of industry operators is expected to increase at an annualized rate of 0.3% to 252,104 enterprises over the five years to 2018.

Industry profit is expected to decline over the five years to 2023, despite an increase in overall industry sales during the five-year period. During the previous period, many consumers found themselves with greater levels of disposable income. As a result, many of these vehicles owners who struggled to afford service and maintenance work when disposable income levels were low, sought out industry services. However, since they neglected these services for some time prior to the period, the work that needed to be done was often substantial, resulting in large, high paying jobs for industry operators. As disposable income levels continued to grow, these larger service jobs became less frequent. Since disposable income levels are forecast to continue rising over the next five years, consumers are expected to spend more on less expensive routine maintenance, which carries far lower sales margins than larger services. Moreover, auto parts manufacturers are anticipated to experience higher input costs over the five years to 2023. As a result, they will be less able to pass on cost savings to industry operators, who will then experience slimmer margins. Thus, in 2023, profit is expected to dip to 7.1%.

V. Scope of Our Review and Summary Conclusion

We have reviewed certain documents and conducted an analysis with respect to the valuation of XYZ. In arriving at our findings, we have considered the fact that the common stock of XYZ is not traded on a public exchange and the shares valued are that of a 100% ownership interest. This combination of conditions warrants a non-traded or non-marketable premise of value.

For the purposes of this engagement, we assumed XYZ's existing business to be ongoing. However, we noted that the company experienced working capital deficits from December 2014 to August 2018. The company's future prospects and its ability to continue as a going concern may be of concern. This uncertainty could have a material impact on the valuation of the common stock of XYZ.

In the course of our analysis, we have relied upon financial and other information including prospective financial information obtained from management of XYZ. Our conclusion is dependent on such information being complete and accurate in all material respects. Our work also included interviews of Diana Ross and Keith Ross, and a tour of the company's facility in Los Angeles, California. Numerous documents have been produced including financial information, licensing agreement, federal income tax returns and various other documents. We understand that the results of our valuation will be used solely for probate court filing(s) for the Estate of Jason J. Ross. A listing of documents considered in preparation of this report is attached as Exhibit 1.

As discussed in more detail below, we have concluded that the value of the common stock of XYZ at August 31, 2018 on a unilateral 100% controlling ownership interest, non-marketable basis is $172,000 or approximately $3,440 per issued and outstanding common share. This value was derived by using both the Discounted Cash Flow Method and the Capitalization of Earnings Method in addition to consideration of other methods. The remainder of this report focuses on our analysis and the basis for our opinion, including but not limited to, our valuation methods and procedures performed, special considerations, and other limiting conditions.

VI. Valuation Methods and Procedures Performed

The procedures utilized in our valuation of the common stock of XYZ are consistent with commonly accepted valuation methods for closely held business interests. Our valuation uses fair market value as the standard of value which is the cash, or cash-equivalent, price at which a closely held business would change hands between a willing buyer and a willing seller, both being adequately informed of the relevant facts and neither being compelled to buy or to sell. This standard of value assumes a purely hypothetical willing buyer and willing seller. The hypothetical persons are not specific individuals or entities.

In estimating the value of the common stock of XYZ, we prepared an analysis using the Income Approach including the Discounted Cash Flow Method and

Capitalization of Earnings Method. In addition, we considered the Comparable Sales Approach and analyzed comparable company sales / purchase transactions. We also considered the Underlying Assets Approach, but did not utilize this approach since it would not be meaningful in light of the nature of the business and fully depreciated fixed assets.

A. Discounted Cash Flow Method

The Discounted Cash Flow Method indicates the value of the common stock of a business is based on cash flows that the business may be expected to generate in the future. In determining the value of future cash flows, we analyzed a projection of operating results for the year 2019 and had extensive discussions with Diana and Keith Ross.[12] Our work further involved reviewing the composition of projected revenue.

Projected operating expenses including cost of sales and other operating expenses were based on historical results. The projected expenses also include an adjustment for compensation to an additional auto mechanic to assist in one of the many roles performed by Jason J. Ross. Projected adjusted net operating profit was calculated for 2019 by subtracting projected total operating expenses from projected revenue.

The projected adjusted net operating profit was discounted to the valuation date of August 31, 2018 at a rate of return that considers the relative risk of achieving the cash flows and the time value of money. This rate of return or discount rate is estimated using the "buildup" approach. This method combines a risk free rate, usually a U.S. Treasury security, with a risk premium. The risk premium expresses the additional return an investor would require due to the risk of the investment or its corresponding future cash flows. An analysis and study of risk premium quantification is performed annually. This study reviews historical market returns and stratifies the risk-related return premia by time horizon and company size.

[12] See Exhibit 9.

The discount rate used for this valuation was determined to be 26.42%, which includes a risk free rate of 2.97%, expected equity risk premium of 7.07%, expected size premium for micro-cap entities of 11.38%, and specific or unsystematic risk premium of 5% for significant variability and deficit in working capital.[13] We estimated the residual value of adjusted available cash flows using a residual capitalization rate of 25.32%, or 26.42% less a 1.1% growth rate or capitalization multiple of 3.9494.[14] The present value of the residual available cash flows was combined with the projected period cash flows (2019). This process yields an indicated value of equity prior to any discounts of $238,995, which is further considered, hereafter.

B. Capitalization of Earnings Method

The Capitalization of Earnings Method is an income-oriented approach. It is an effective method for estimating the value of a business that is not capital intensive. Prior to considering the actual results for 2014 through August 2018 annualized, it is critical to adjust or normalize the financial statements. The general idea of normalizing adjustments is to present data in conformance with Generally Accepted Accounting Principles and any industry accounting principles and to eliminate non-recurring items.[15] The goal is to present information on a basis comparable to that of other companies and to provide a foundation for developing future expectations about the subject company.

[13] See Exhibit 8.

[14] See Exhibit 10. The residual capitalization rate considers a long-term nominal growth rate of 1.1% associated with the industry growth rate of XYZ's peer group (IBISWorld Industry Report 81111).

[15] Normalization adjustments are hypothetical in nature and are not intended to restate historical or projected results of the future. This information should not be used to obtain credit or for any other purpose other than to assist in this valuation, and we express no opinion or any other assurance on this presentation.

Another objective is to present financial data on a consistent basis over time. An analysis of the financial statements of XYZ found that a normalization adjustment is required for officer compensation to Jason J. Ross for 2014 through August 2018 annualized. Such adjustment normalizes compensation which would generate an acceptable rate of return to a hypothetical investor. This adjustment primarily results in an increase in cash, capital and net income. The adjusted or normalized amounts are identified in bold italics in the normalized financial statements.[16]

After considering this adjustment, normalized income before income taxes are $71,833, $70,408, $78,408, $79,066 and $148,332 for 2014, 2015, 2016, 2017 and 8-month period ended August 31, 2018, respectively. Thereafter, the weighted average of historical earnings for 2014 - August 2018 is calculated as $100,386. The weighted average amount is capitalized using a capitalization rate of 25.32%, yielding an indicated value of equity prior to any discounts of $396,471.[17] This amount is further considered in the valuation, hereafter.

C. Comparable Sales Approach

The Comparable Sales approach is another valuation method which considers recent sales transactions of closely-held companies. Historically, market data on small business transfers has been virtually nonexistent, leaving the investor or advisor to speculate about the fair market value of the enterprise. Although there is no actively traded market, either on an exchange or over-the-counter, for closely-held companies to

[16] See Exhibits 4-5.
[17] See Exhibit 11.

determine the market price of such companies, databases of market-based comparable sales information for closely-held companies are available.

BIZCOMPS has developed an online database which includes 12,420+ deals dating back to 2000 of financial details on “Main Street” private companies including sales / purchase transactions. BIZCOMPS obtains its financial information from business brokers and transaction intermediaries. These financial consultants are considered to be reliable and disinterested and their valuable input provides the basis of the BIZCOMPS study. All sales in the study are assumed to be asset transactions. Inventory has been excluded from the sales / purchase price, but the actual amount of inventory at the time of sale is shown for each business.

For each business transaction surveyed, the BIZCOMPS studies report a number of items of financial and other data. Specifically, the survey includes the type of business, the SIC (“Standard Industrial Classification”) code number, the NAICS (“North American Industry Classification System”) code number, the date of sale and the location of the business. The survey includes the asking price, the sale price and the terms of sale. Financially, the surveyed information includes the annual gross revenue, the seller's discretionary earnings (“SDE”), the amount of inventory, the amount of furniture, fixtures and equipment and the rent as a percent of sales. Of course, the sale price of the business is included and, from it, the sale price as a percent of gross revenue ("Gross Revenue Multiple") and the sale price as a multiple of the seller's discretionary earnings ("SDE Multiple") can be calculated. In a survey of this type, all of this information is important to the user and must be presented in detail for the survey to be significant. The last comparison is by rent paid as a percent of Annual Gross Sales. This important indicator has a lot to do with the profitability and hence the desirability of each individual business.

We performed a search of BIZCOMPS data for automotive service shops with annual gross sales of $900,000 to $1,200,000 during the period 2006 to 2016, which is consistent with annual revenue of XYZ. The search results reveal 21 transactions including a Meineke Muffler Shop with average and median sales prices for the businesses of approximately $473,000 and $418,000, respectively. Sales prices paid for these businesses ranged from approximately $43,000 to $1,300,000. Annual gross sales for these companies ranged from approximately $900,000 to $1,177,000.

Critical to the analysis is seller's discretionary earnings ("SDE") calculated as net income before taxes plus 1) amortization; 2) depreciation; 3) interest; 4) owner's compensation (normally to one working owner); 5) owner's benefits; 6) non-business related expenses; and 7) onetime-only expenses. SDE for the 21 companies analyzed indicates average and median amounts of approximately $191,000 and $190,000, respectively. The SDE range is between approximately $10,000 and $320,000.

Upon further review of the BIZCOMPS data, one specific sales transaction has similar financial characteristics to XYZ. The most recent transaction in the BIZCOMPS data dated October 29, 2016 is for the sale of an auto service shop in San Francisco for $145,000, which includes inventory of $10,000.[18] This company generated an SDE of

[18] See Exhibit 14.

approximately $86,000; whereas, XYZ generated an SDE of approximately $153,000, excluding compensation to Jason J. Ross in 2017. In addition, this comparable company has annual gross sales of approximately $1,177,000, which is very similar to XYZ which generated approximately $1,000,000 during 2014 - 2017. Although the comparable auto service shop in San Francisco is similar to XYZ, it is also different. For example, the SDE amount of the comparable company is less than that of XYZ. Nonetheless, it is still a benchmark of a recent comparable company (most recent comparable company reported by BIZCOMPS). The sales price of the comparable auto service shop in San Francisco was $145,000; whereas, the value of XYZ calculated under the Discounted Cash Flow and Capitalization of Earnings Methods is $172,000.

D. Summary of Valuation

Considering the historical results of XYZ under the Capitalization of Earnings Method and future results under the Capitalization of Earnings Method yields a mean enterprise value of $317,733, without any required discount. Since Jason J. Ross was a key person in the operations of XYZ, a discount for key person of 10% is required. Furthermore, an additional discount is required for lack of marketability which is determined to be 40%. The result is a market value of equity of XYZ on a unilateral 100% controlling ownership interest, non-marketable basis of $172,000 or approximately $3,440 per issued and outstanding share.[19]

[19] See Exhibit 12.

VII. Special Considerations

Special considerations with respect to the use of a key person discount and marketability discount were made in arriving at our conclusions.

Key Person Discount

A key person discount rate of 10% has been applied in order to reflect the risk associated with the loss of Jason J. Ross from XYZ. The theory of a key person discount is straightforward: when a business is highly reliant on one or more key employees, a valuation discount may be appropriate to account for the risk of reduced future earnings if such persons are lost. The Internal Revenue Service ("IRS"), in its Valuation Training for Appeals Officers Coursebook, defines key person as:

"An individual whose contribution to a business is so significant that there is certainty that future earnings levels will be adversely affected by the loss of the individual."[20]

In Section 4.02(b) of its Revenue Ruling 59-60, the IRS explains that, in determining whether to apply a key person discount, factors to be considered include:

> (1) Whether the claimed individual was actually responsible for the company's profit levels, and
>
> (2) If there is a key person, whether the individual can be adequately replaced.

According to Revenue Ruling 59-60, the loss of a key person "may have a depressing effect on the value of the [company's] stock." In addition, this ruling instructs valuators to consider what effect losing a key person would have on "the future expectancy of the

[20] See Internal Revenue Service *Valuation Guide for Income, Estate and Gift Taxes: Valuation For Appeals Officers*, Chicago, IL; CCH, January 1994.

business," and "the absence of management-succession potentialities." Key person discounts may or may not apply to small and midsized businesses depending on a number of factors, including:

- **Management Composition:** Discounts become less likely as management becomes more diversified in that both strategic and tactical decision making authority is spread to additional persons. Comprehensive management succession plans coupled with appropriate training programs can also reduce the key person discount.

- **Specializations or Operational Complexity:** Some businesses may require a professional designation to conduct business while others may necessitate a great deal of technical know-how to operate efficiently. If a single person possesses such expertise, a key person discount may be applicable if a suitable replacement is unavailable.

- **Sensitivity to Change:** Businesses in cyclical and highly competitive industries have historically been more sensitive to operational changes and more likely to incur financial declines with the loss of a key person. A business that has a high degree of sensitivity to change requires a higher key person discount.

Offsetting factors which may reduce or eliminate the need for the key person discount in valuing a business include:

- **Insurance:** Proceeds from a company-owned life or disability policy on the key person could serve to offset any projected decrease in future cash flows resulting from the loss of the key person.

- **Net Cost Savings:** As a general rule of thumb, the key person's compensation and benefits are commensurate with his/her value and tenure with the business. In all likelihood, any replacement would require less compensation.

- **Non-compete Agreements:** This type of agreement is designed to protect the small business in the event that the key person submits his/her resignation. By implementing a non-compete agreement, the key person may not go into direct competition with the business he or she left.

Various studies and court decisions have indicated key person discounts are typically 5%-25%. The court allowed a 10% discount in *Estate of Mitchell v. Commr*[21] and *Estate of Furman v. Commr*,[22] and a 25% discount in *Estate of Feldmar v. Commr*.[23] A 1992 study performed by Mary Ann Lerch indicated the effect on values of public companies on the sudden loss of their key persons was between 5% and 10%.[24] Based on the above study, court decisions, and specific involvement of Jason J. Ross in the operations of XYZ, a 10% key person discount is appropriate in this valuation.

Lack of Marketability Discount

An unlisted closely held stock of a corporation which is trading infrequently and which therefore lacks marketability is less attractive than a similar stock listed on an exchange which has access to the investing public. Therefore, a discount for lack of marketability should be applied to the valuation of a closely held company to recognize this difference. Lack of marketability discounts on minority interests in recent years have ranged from 26% to 40%.[25] In Okerlund v. Commr, the court allowed a 40% marketability discount proffered by experts using a Securities and Exchange Commission ("SEC") restricted stock study.[26] In Adams v. U.S., the court accepted a 35% discount based on SEC restricted stock studies.[27]

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[21] See 74 TCM (CCH) 872 (1997).
[22] See 75 TCM (CCH) 2206 (1998).
[23] See *Estate of Feldmar v. Commr*, T.C. Memo 1988-429.
[24] See Mary Ann Lerch, "Discount for Key Man Loss: A Quantitative Analysis", *Business Valuation Review*, December 1992.
[25] See *Estate of Jung*, 101, T.C. 412 (1993), *Estate of Lauder*, 68 TCM (CCH) 985 (1994), *Davis v. Commr*, 110 T.C. No. 35 (1998), *Barge v. Commr*, 73 TCM (CCH) 2615 (1997), *Brookshire v. Commr*, T.C. Memo 1998-365, and *Rodgers v. Commr*, T.C. Memo 1999-129.
[26] See *Okerlund v. Commr*, U.S. Court of Claims No. 99-133T and 134T, August 23, 2002.
[27] See *Adams v. U.S.*, KTC 2001-408, 5th Circuit.

Several texts and journals also discuss the quantification of marketability discounts. Most notable is *Valuing a Business - The Analysis and Appraisal of Closely Held Companies, Fifth Edition 2008*, by Shannon P. Pratt and Alina V. Niculita. This reference discussed several market discount quantification studies recently performed. The studies analyzed private placements of both common and restricted stock in public companies to determine the applicability of marketability discounts. The following table represents a summary of their results.

Researcher	Date of Study	Mean
Standard Research Consultants	1983	45.0%
Williamette Management Associates	N/A	31.2%
William L. Silber	1991	33.8%
FMV Opinions, Inc.	1994	23.0%
Management Planning, Inc.	1996	27.1%

In addition to the above studies, various analyses have been performed on private transactions prior to public offerings. Using financial information from public registration statements, Robert W. Baird & Company and Williamette Management Associates confirmed the belief that marketability discounts for privately-held companies was larger than that of restricted common stock of a public company. The results of these studies are as follows:

Researcher	Date of Study	Mean / Median
Robert W. Baird & Company	1995-1997	43% / 42%
Williamette Management Associates	1995	32% / 59%

Considering the above court decisions and studies, we have applied a discount for lack of marketability of 40% to the valuation of XYZ.

Control Premium

Control premiums and discounts for lack of control, sometimes referred to collectively as "control adjustments," have enjoyed wide acceptance in the federal tax system. The estate and gift tax regulations on valuing publicly traded stock recognize a basic inequality between controlling and non-controlling interests, noting in Treasury regulation sections 20.2031-2(e) and 25.2512-2(e). "If the block of stock to be valued represents a controlling interest, either actual or effective, in a going business, the price at which other lots change hands may have little relation to its true value." Regulation sections 20.2031-2(f) and 25.2512-2(f) also list as a factor in valuing closely held stock "the degree of control of the business represented by the block of stock to be valued." These provisions prompt swing vote consideration as well. The primary IRS ruling on valuation of closely held shares, Revenue Ruling 59-60, clarifies which way this factor cuts. The ruling states: "Although it is true that a minority interest in an unlisted corporation's stock is more difficult to sell than a similar block of listed stock, it is equally true that control of a corporation, either actual or in effect, representing as it does an added element of value, may justify a higher value for a specific block of stock." Court decisions and rulings employing minority discounts and control premiums have become the standard over the years, applying these principles not only to stocks, but other types of property as well. The business valuation community in "non-estate/gift tax" venues also broadly accepts the application of these discounts.

Control premiums are only applicable in valuations where you are starting with lack of control value and you are trying to arrive at control value. In many valuations, control adjustments are made to the benefit stream. In those cases, to add a control premium would be inappropriate. The valuation of XYZ does not require a control premium adjustment due to the nature of the cash flow streams of the company, among other reasons, as explained further below.

Control is defined as an interest which allows the shareholder "to determine management, distributions and corporate structure" and decide whether to liquidate, merge or sell assets (Estate of Newhouse v. CIR, 94 T.C. 193 at 251-252 (1990)). These powers traditionally supported applying a control premium to a control block in order to reflect the inherent value of a control interest. However, the Courts have recognized that the mere inherent value of a control block is not enough to validate application of a control premium. The application of a control premium requires the ability to show that use of voting control could be used in a way to assure an increased economic advantage worth the payment of a control premium. Examples of such include:

- Evidence that the business could be improved by better management or other changes to increase its income stream;
- Evidence that company has been undervalued;
- Evidence that company has interested buyers who have been willing to pay a premium for control; and
- Evidence that company would be a good merger partner and would have an enhanced financial value or synergistic value.

There is no evidence that XYZ exhibits any of the above characteristics requiring the use of a control premium.

Estate of Richard Simplot v. CIR, 249 F.3d 1191 (9th Cir. 2001) involved an estate tax deficiency lawsuit regarding whether the valuation of decedent's stock in a family-controlled company should include a control premium. Two classes of stock with different voting and liquidation rights created a complex factual dispute as to whether the decedent ever held control. The Government argued control was acquired because a hypothetical buyer of decedent's shares would obtain "inherent potential for influence and control" by gaining access to the inner circle of the family-owned company. Citing Ahmanson,[28] the Court held a control premium should be excluded in a valuation unless it is established that the purchaser would be able to use control in a way that assures it would derive an increased economic benefit. The Court further cited that the Government's argument was mere speculation how a hypothetical buyer could use a future strategy to derive an increased economic benefit and is not a proper method of valuation. The take away from this case is that a control premium requires evidence not speculation as to how a hypothetical buyer will derive an increased economic benefit from his ownership.

Lippe v. Bairnco Corp., 288 B.R. 678 (S.D.N.Y. 2003), aff'd 2004 WL 1109846 (2d Cir. May 17, 2004) involved a creditor action in bankruptcy to recover from affiliated corporations of debtor for alleged fraudulent conveyances. The case included a battle of valuation experts using DCF and comparable company methods with inclusion or exclusion of a control premium. Control was assumed and not disputed. The Court rejected plaintiff's expert testimony utilizing control premiums based upon database

[28] See *Ahmanson Foundation, et al. v. U.S.*, 674 F. 2d 761 (9th Cir. 1981).

evidence of public companies because there was no evidence of the existence of prospective purchasers or that any prospective purchaser would be willing to pay a control premium for the business valued. The Court held that expert conclusions amounted "to no more than theoretical speculation." The take away from this case is that evidence of even 100% control is not enough to validate the application of control premium.

As in Estate of Richard Simplot v. CIR, 249 F.3d 1191 (9th Cir. 2001), a control premium should be excluded in the valuation of XYZ since there is no evidence that a hypothetical purchaser would be able to use control in a way that assures it would derive an increased economic benefit. Furthermore, there is no evidence of the existence of prospective purchasers or that any prospective purchaser would be willing to pay a control premium for XYZ. Thus, no control premium is warranted in the valuation of XYZ.

VIII. Conclusion

Based on our analysis as described above and summarized on Exhibit 12, we estimate the fair market value of the common stock of XYZ to be $172,000 or approximately $3,440 per issued and outstanding common share. Our conclusions are based on a unilateral 100% controlling ownership interest, non-marketable basis as of the valuation date of August 31, 2018.

IX. Limiting Conditions

This report summarizes our analysis, observations, conclusions and opinions based upon the work we have performed to date. The services provided in this matter were performed in accordance with the Statement on Standards for Valuation Services No. 1 established by the American Institute of Certified Public Accountants and professional standards of the National Association of Certified Valuation Analysts. Accordingly, we are providing no opinion, attestation or other form of financial statement assurance with respect to our work and we did not audit any information provided to us.

We do not purport to be a guarantor of value. Valuation of closely-held companies is not a precise science with value being a question of fact, and reasonable persons can differ in their estimates of value. We have, however, used conceptually sound and commonly accepted methods and procedures of valuation in determining the estimate of value included in this report.

Our procedures did not include investigation of, and we assume no responsibility for, the titles to, or any liens against the assets or common stock of the company. We have relied upon representations of shareholders and managers concerning the value and useful condition of all machinery and equipment used in the business and any other assets.

This report is intended solely for the purpose stated herein and may not be used, in whole or in part for any other purpose. This report is neither an offer to sell, nor a solicitation to buy securities, and / or equity in, or assets of XYZ.

Exhibit 1

XYZ, Inc.
Business Valuation of Majority Interest
Documents Considered

- Financial statement (balance sheet and income statement) for XYZ, Inc. for 2015-2017; and 8-month period ended August 31, 2018
- Summary of operating profit for XYZ, Inc. for 1/1/2018 – 11/30/2018
- Tax returns including fixed asset/depreciation schedules for XYZ, Inc. for 2012-2017
- Employee Earnings Record 01/01/18 - 8/31/18 for Jason J. Ross and Diana Ross
- Business Credit Line Agreement
- Projection for XYZ, Inc. for 2019
- Narrative descriptions of job/roles of Jason J. Ross, Diana Ross and Keith Ross
- Certificate of Incorporation issued by the Secretary of State of California for XYZ dated September 19, 1988
- Articles of Incorporation of XYZ, Inc. dated September 19, 1988
- Original Appointment of Statutory Agent for XYZ, Inc.
- Amended Articles of Incorporation of XYZ, Inc. dated June 23, 1997
- Amended Articles of Incorporation of XYZ, Inc. dated March 12, 1998
- Close Corporation Agreement of XYZ, Inc. dated March 12, 1998
- Shareholders' Agreement of XYZ, Inc. dated March 12, 1998
- Certificate of Amended Articles of Incorporation of XYZ, Inc. dated May 13, 1998
- Trade Name Registration for Auto Service Center dated May 13, 1998
- Exhibit A of Close Corporation Agreement of XYZ, Inc. dated August 2, 2000

- Code of Regulations of XYZ, Inc.
- Action by Written Consent of Shareholders Without a Meeting of XYZ, Inc. dated January 1, 1996
- Action by Written Consent of Directors Without a Meeting of XYZ, Inc. dated January 1, 1996
- Proceedings of Incorporators of XYZ, Inc. dated January 1, 1996
- Proceedings of Incorporators of Plan of Stock Offering of XYZ, Inc. dated January 1, 1996
- Unanimous Action by the Shareholders Taken Without a Meeting in Lieu of a Formal Meeting of Shareholders of XYZ, Inc. dated June 6, 1997; March 12, 1998; August 2, 2000
- Unanimous Action by the Sole Shareholder Taken Without a Meeting of XYZ, Inc. dated December 31, 2002; December 31, 2003; December 31, 2004
- Action of the Sole Shareholder Taken Without a Meeting of XYZ, Inc. dated October 4, 2018
- Unanimous Action of the Board of Directors Taken Without a Meeting of XYZ, Inc. dated October 4, 2018
- Subscriptions to the Common Shares of XYZ, Inc.
- Stock certificate #2; 50 shares of XYZ, Inc. to John J. Smith
- Receipt acknowledgment of returned stock certificate #2; 50 shares of XYZ, Inc. from John J. Smith on August 2, 2000
- Register of Shares of Stock Issued and Outstanding of XYZ, Inc.
- Individual Shareholders Record of Shareholdings for Jason J. Ross and John Smith
- Record of Stock Issued of XYZ, Inc.
- Release of Obligations under XYZ, Inc. for John J. Smith from Auto Service Center Corp. dated September 22, 2000

- Consent to Assignment to Controlled Corporation (Assignor – Jason J. Ross) dated September 22, 2000

- Assignment to Controlled Corporation (Assignor – Jason J. Ross; Assignee – XYZ, Inc.) dated October 9, 2000

- Legal Entity Form of XYZ, Inc. dated October 9, 2000; December 16, 2005

- Lease Premise(s) Agreement between Landlord and Jason J. Ross (XYZ, Inc.) dated January 2013 (unsigned)

- License Agreement between Auto Service Center Corp. (Licensor) and XYZ, Inc. (Licensee) dated December 20, 2005

- Personal Guaranty and Subordination Agreement between Auto Service Center Corp. (Licensor) and XYZ, Inc. (Licensee) (Jason J. Ross – Guarantor) dated December 20, 2005

- Disclosure Acknowledgement Statement Agreement between Auto Service Center Corp. (Licensor) and XYZ, Inc. (Licensee) signed December 16, 2005

- Auto Service Center Corp. Conditional Consent to Transfer (unsigned)

- Addendum to License Agreement Auto Service Center Corp. (Licensor) and XYZ, Inc. (Licensee) (unsigned)

- Personal Guaranty and Subordination Agreement between Auto Service Center Corp. (Licensor) and XYZ, Inc. (Licensee) (Diana Ross – Individual Guarantor) (unsigned)

- Publicly available franchise and other information on Auto Service Center Corp.

- *Valuing a Business: The Analysis and Appraisal of Closely Held Companies, Fifth Edition 2008,* Shannon P. Pratt, Alina V. Niculita.

- Internal Revenue Service *Valuation Guide for Income, Estate and Gift Taxes: Valuation Training for Appeals Officers*, Chicago, IL; CCH, January 1994

- Internal Revenue Service Revenue Ruling 59-60

- 74 TCM (CCH) 872 (1997)

- 75 TCM (CCH) 2206 (1998)
- *Estate of Feldmar v. Commr*, T.C. Memo 1988-429
- *Davis v. Commr*, 110 T.C. No. 35 (1998)
- *Eisenberg v. Commr*, 74 TCM (CCH) 1048 (1997)
- *Estate of Jung*, 101, T.C. 412 (1993)
- *Estate of Lauder*, 68 TCM (CCH) 985 (1994)
- *Barge v. Commr*, 73 TCM (CCH) 2615 (1997)
- *Brookshire v. Commr*, T.C. Memo 1998-365
- *Rodgers v. Commr*, T.C. Memo 1999-129
- *Okerlund v. Commr*, U.S. Court of Claims No. 99-133T and 134T, August 23, 2002
- *Adams v. U.S.*, KTC 2001-408, 5th Circuit
- *Estate of Richard Simplot v. CIR*, 249 F.3d 1191 (9th Cir. 2001)
- *Estate of Newhouse v. CIR*, 94 T.C. 193 at 251-252 (1990)
- *Ahmanson Foundation, et al. v. U.S.*, 674 F. 2d 761 (9th Cir. 1981)
- *Lippe v. Bairnco Corp.*, 288 B.R. 678 (S.D.N.Y. 2003), aff'd 2004 WL 1109846 (2d Cir. May 17, 2004)
- "Discount for Key Man Loss: A Quantitative Analysis", *Business Valuation Review*, December 1992, Mary Ann Lerch
- "The Market Value of Control in Publicly Traded Corporations", *Journal of Financial Economics* (1981): 439-491, at 469, Ronald C. Lease, John J. McConnell and Wayne H. Mikkelson
- *Valuation Handbook – 2018 Guide to Cost of Capital*, Dunn & Phelps, LLC
- *The Risk Management Association - Annual Statement Studies-Financial Ratio Benchmarks (2013-2017)*

- *IBISWorld Industry Report 81111 Auto Mechanics in the US, September 2018*, Christopher Lombardo

- BIZCOMPS online database of financial details on private companies including sales / purchase transactions for NAICS Code 811111 – 811112 (2006 – 2016)

- Monetary Policy Report of the Board of Governors of the Federal Reserve System, July 13, 2018

- Beige Book of the Federal Reserve System dated October 24, 2018

- Twelfth District Metro Mix: Your District, Your Data – Federal Reserve Bank of San Francisco, August 2018

- An Update to the Economic Outlook: 2018 to 2028 – Congress of the United States; Congressional Budget Office

Exhibit 2

XYZ, Inc.

BALANCE SHEET	**2014**		**2015**		**2016**		**2017**		**8/31/2018**	
Current Assets:										
Cash	$6,357	7.3%	$971	1.2%	$10,062	12.2%	$12,313	14.7%	$24,527	23.3%
Accounts Receivable	12,422	14.3%	8,429	10.7%	9,160	11.1%	8,211	9.8%	11,574	11.0%
Inventory	15,039	17.4%	17,339	22.0%	17,199	20.9%	17,719	21.2%	18,402	17.5%
Prepaid Federal Income Taxes and Other	0	0.0%	0	0.0%	328	0.4%	328	0.4%	3,046	2.9%
Employee Advances	1,872	2.2%	2,309	2.9%	72	0.1%	0	0.0%	225	0.2%
Other Prepaid Taxes	4,194	4.8%	3,564	4.5%	47	0.1%	104	0.1%	2,596	2.5%
Total Current Assets	39,884	46.0%	32,612	41.4%	36,868	44.8%	38,675	46.2%	60,370	57.3%
Fixed Assets	283,435	327.0%	283,435	360.2%	283,435	344.7%	283,435	338.7%	283,435	269.0%
Accumulated Depreciation	(281,651)	-325.0%	(282,364)	-358.9%	(283,078)	-344.3%	(283,435)	-338.7%	(283,435)	-269.0%
Net Fixed Assets	1,784	2.1%	1,071	1.4%	357	0.4%	0	0.0%	0	0.0%
Other Assets:										
License Agreement - Intangible Asset	7,500	8.7%	7,500	9.5%	7,500	9.1%	7,500	9.0%	7,500	7.1%
Accumulated Amortization	(7,500)	-8.7%	(7,500)	-9.5%	(7,500)	-9.1%	(7,500)	-9.0%	(7,500)	-7.1%
Net	0		0		0		0		0	
Goodwill	45,000	51.9%	45,000	57.2%	45,000	54.7%	45,000	53.8%	45,000	42.7%
Total Other Assets	45,000	51.9%	45,000	57.2%	45,000	54.7%	45,000	53.8%	45,000	42.7%
TOTAL ASSETS	$86,668	100.0%	$78,683	100.0%	$82,225	100.0%	$83,675	100.0%	$105,370	100.0%
Current Liabilities										
Accounts Payable	$21,177	24.4%	$20,386	25.9%	$17,190	20.9%	$16,340	19.5%	$11,006	10.4%
Current Debt	61,145	70.6%	59,129	75.1%	56,786	69.1%	61,059	73.0%	59,770	56.7%
Loans from Shareholders	2,062	2.4%	2,062	2.6%	6,376	7.8%	6,376	7.6%	6,376	6.1%
Sales Tax Payable	4,162	4.8%	4,942	6.3%	5,215	6.3%	5,056	6.0%	0	0.0%
Accrued Payroll and Payroll Taxes	2,395	2.8%	7,885	10.0%	9,915	12.1%	10,477	12.5%	8,698	8.3%
Accrued Workers' Compensation	1,447	1.7%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Credit Card Charges Payable	9,621	11.1%	3,378	4.3%	7,549	9.2%	2,444	2.9%	41,275	39.2%
Total Current Liabilities	102,009	117.7%	97,782	124.3%	103,031	125.3%	101,752	121.6%	127,125	120.6%
Long-Term Liabilities										
Long-Term Debt	52,101	60.1%	45,352	57.6%	38,231	46.5%	37,252	44.5%	0	0.0%
TOTAL LIABILITIES	154,110	177.8%	143,134	181.9%	141,262	171.8%	139,004	166.1%	127,125	120.6%
Equity										
Common Stock	500	0.6%	500	0.6%	500	0.6%	500	0.6%	500	0.5%
Retaned Earnings	32,058	37.0%	35,049	44.5%	40,463	49.2%	44,171	52.8%	77,745	73.8%
Treasury Stock	(100,000)	-115.4%	(100,000)	-127.1%	(100,000)	-121.6%	(100,000)	-119.5%	(100,000)	-94.9%
Total	(67,442)	-77.8%	(64,451)	-81.9%	(59,037)	-71.8%	(55,329)	-66.1%	(21,755)	-20.6%
TOTAL LIABILITIES AND EQUITY	$86,668	100.0%	$78,683	100.0%	$82,225	100.0%	$83,675	100.0%	$105,370	100.0%

Source: Unaudited financial statements of management and federal income tax returns

Exhibit 3

XYZ, Inc.

INCOME STATEMENT	**2014**		**2015**		**2016**		**2017**		**1/1/2018 - 8/31/2018**	
Net Revenue	$983,060	100.0%	$1,016,910	100.0%	$985,437	100.0%	$999,932	100.0%	$713,265	100.0%
Cost of Sales:										
Inventory	9,944	1.0%	15,039	1.5%	17,339	1.8%	17,199	1.7%		
Purchases	283,699	28.9%	292,421	28.8%	267,532	27.1%	269,989	27.0%	167,216	23.4%
Total	293,643	29.9%	307,460	30.2%	284,871	28.9%	287,188	28.7%	167,216	23.4%
Ending Inventory	15,039	1.5%	17,339	1.7%	17,199	1.7%	17,719	1.8%		
Total Cost of Sales	278,604	28.3%	290,121	28.5%	267,672	27.2%	269,469	26.9%	167,216	23.4%
Gross Profit	704,456	71.7%	726,789	71.5%	717,765	72.8%	730,463	73.1%	546,049	76.6%
Operating Expenses:										
Compensation of Officers	94,607	9.6%	108,756	10.7%	127,843	13.0%	133,737	13.4%	92,808	13.0%
Salaries and Wages	226,534	23.0%	262,910	25.9%	255,781	26.0%	256,375	25.6%	186,528	26.2%
Repairs and Maintenance	7,179	0.7%	9,841	1.0%	11,835	1.2%	14,696	1.5%	3,121	0.4%
Bad Debts	25,285	2.6%	10,645	1.0%	7,456	0.8%	7,272	0.7%	2,448	0.3%
Rent	72,000	7.3%	72,000	7.1%	66,000	6.7%	72,000	7.2%	48,000	6.7%
Taxes and Licenses	46,401	4.7%	34,122	3.4%	45,085	4.6%	40,810	4.1%	28,922	4.1%
Charitable Contributions	460	0.0%	285	0.0%	1,277	0.1%	483	0.0%	25	0.0%
Depreciation	1,183	0.1%	713	0.1%	714	0.1%	357	0.0%	0	0.0%
Advertising	25,931	2.6%	33,861	3.3%	23,435	2.4%	21,946	2.2%	12,757	1.8%
Pension, Profit Sharing	4,155	0.4%	4,629	0.5%	4,580	0.5%	5,379	0.5%	5,033	0.7%
Employee Benefit Programs	29,449	3.0%	27,656	2.7%	8,858	0.9%	13,172	1.3%	7,145	1.0%
Shop Supplies	4,349	0.4%	3,810	0.4%	3,824	0.4%	4,261	0.4%	2,342	0.3%
Insurance	7,017	0.7%	7,625	0.7%	8,008	0.8%	8,205	0.8%	5,570	0.8%
Small Tools	6,418	0.7%	2,073	0.2%	2,044	0.2%	3,275	0.3%	2,490	0.3%
Towing	2,216	0.2%	1,140	0.1%	2,185	0.2%	1,321	0.1%	1,560	0.2%
Utilities	11,737	1.2%	11,671	1.1%	10,477	1.1%	9,909	1.0%	10,984	1.5%
Uniforms and Laundry	3,470	0.4%	3,964	0.4%	3,896	0.4%	4,287	0.4%	2,702	0.4%
Trash Removal	3,758	0.4%	3,838	0.4%	3,903	0.4%	3,006	0.3%	2,735	0.4%
Legal and Accounting	4,720	0.5%	4,620	0.5%	4,670	0.5%	6,597	0.7%	1,696	0.2%
Payroll Processing Fees	1,715	0.2%	1,780	0.2%	1,823	0.2%	1,982	0.2%	1,102	0.2%
Bank Charges	4,101	0.4%	2,431	0.2%	2,627	0.3%	2,055	0.2%	947	0.1%
Dues and Subscriptions	1,793	0.2%	1,285	0.1%	2,160	0.2%	1,764	0.2%	790	0.1%
Office Supplies and Expense	6,087	0.6%	4,173	0.4%	4,134	0.4%	4,175	0.4%	9,636	1.4%
Royalties	45,562	4.6%	47,101	4.6%	45,882	4.7%	46,441	4.6%	31,962	4.5%
Telephone	9,217	0.9%	8,750	0.9%	8,676	0.9%	9,073	0.9%	3,995	0.6%
Training and Development	7,372	0.7%	11,429	1.1%	10,519	1.1%	8,446	0.8%	3,037	0.4%
Travel	20	0.0%	4,538	0.4%	219	0.0%	4,090	0.4%	76	0.0%
Vehicle Expense	5,275	0.5%	0	0.0%	2,658	0.3%	344	0.0%	2,815	0.4%
Security	558	0.1%	356	0.0%	281	0.0%	396	0.0%	0	0.0%
Merchant Bank Card Fees	13,629	1.4%	13,762	1.4%	16,716	1.7%	16,596	1.7%	12,285	1.7%
Equipment Rental	1,278	0.1%	3,622	0.4%	9,034	0.9%	9,036	0.9%	5,000	0.7%
Cash Over and Short	(176)	0.0%	(7)	0.0%	(281)	0.0%	63	0.0%	(103)	0.0%
Meals and Entertainment	384	0.0%	35	0.0%	357	0.0%	287	0.0%	493	0.1%
Officer Life Insurance Premiums	6,639	0.7%	7,205	0.7%	7,788	0.8%	7,702	0.8%	18,242	2.6%
Total Operating Expenses	680,323	69.2%	710,619	69.9%	704,464	71.5%	719,538	72.0%	507,143	71.1%
Operating Income (Loss)	24,133	2.5%	16,170	1.6%	13,301	1.3%	10,925	1.1%	38,906	5.5%
Other Income and Expenses										
Other income	0	0.0%	0	0.0%	0	0.0%	0	0.0%	(69)	0.0%
Interest Expense (Income)	6,539	0.7%	6,567	0.6%	6,628	0.7%	7,217	0.7%	5,073	0.7%
Total Other Income and Expenses	6,539	0.7%	6,567	0.6%	6,628	0.7%	7,217	0.7%	5,004	0.7%
Income (Loss) Before Income Taxes	17,594	1.8%	9,603	0.9%	6,673	0.7%	3,708	0.4%	33,902	4.8%
Income Tax Expense	2,000	0.2%	6,612	0.7%	1,259	0.1%	0	0.0%	0	0.0%
Net Income (Loss)	$15,594	1.6%	$2,991	0.3%	$5,414	0.5%	$3,708	0.4%	$33,902	4.8%

Source: Unaudited financial statements of management and federal income tax returns

Exhibit 4

XYZ, Inc.

NORMALIZED BALANCE SHEET		**2014**		**2015**		**2016**		**2017**		**8/31/2018**	
Current Assets:											
Cash	***A***	***$60,596***	***43.0%***	***$61,776***	***44.3%***	***$81,797***	***53.1%***	***$87,671***	***55.1%***	***$89,513***	***52.5%***
Accounts Receivable		12,422	8.8%	8,429	6.0%	9,160	5.9%	8,211	5.2%	11,574	6.8%
Inventory		15,039	10.7%	17,339	12.4%	17,199	11.2%	17,719	11.1%	18,402	10.8%
Prepaid Federal Income Taxes and Other		0	0.0%	0	0.0%	328	0.2%	328	0.2%	3,046	1.8%
Employee Advances		1,872	1.3%	2,309	1.7%	72	0.0%	0	0.0%	225	0.1%
Other Prepaid Taxes		4,194	3.0%	3,564	2.6%	47	0.0%	104	0.1%	2,596	1.5%
Total Current Assets		94,123	66.8%	93,417	67.0%	108,603	70.5%	114,033	71.7%	125,356	73.6%
Fixed Assets		283,435	201.2%	283,435	203.2%	283,435	184.1%	283,435	178.2%	283,435	166.4%
Accumulated Depreciation		(281,651)	-199.9%	(282,364)	-202.4%	(283,078)	-183.9%	(283,435)	-178.2%	(283,435)	-166.4%
Net Fixed Assets		1,784	1.3%	1,071	0.8%	357	0.2%	0	0.0%	0	0.0%
Other Assets:											
License Agreement - Intangible Asset		7,500	5.3%	7,500	5.4%	7,500	4.9%	7,500	4.7%	7,500	4.4%
Accumulated Amortization		(7,500)	-5.3%	(7,500)	-5.4%	(7,500)	-4.9%	(7,500)	-4.7%	(7,500)	-4.4%
Net		0		0		0		0		0	
Goodwill		45,000	31.9%	45,000	32.3%	45,000	29.2%	45,000	28.3%	45,000	26.4%
Total Other Assets		45,000	31.9%	45,000	32.3%	45,000	29.2%	45,000	28.3%	45,000	26.4%
TOTAL ASSETS		$140,907	100.0%	$139,488	100.0%	$153,960	100.0%	$159,033	100.0%	$170,356	100.0%
Current Liabilities											
Accounts Payable		$21,177	15.0%	$20,386	14.6%	$17,190	11.2%	$16,340	10.3%	$11,006	6.5%
Current Debt		61,145	43.4%	59,129	42.4%	56,786	36.9%	61,059	38.4%	59,770	35.1%
Loans from Shareholders		2,062	1.5%	2,062	1.5%	6,376	4.1%	6,376	4.0%	6,376	3.7%
Sales Tax Payable		4,162	3.0%	4,942	3.5%	5,215	3.4%	5,056	3.2%	0	0.0%
Accrued Payroll and Payroll Taxes		2,395	1.7%	7,885	5.7%	9,915	6.4%	10,477	6.6%	8,698	5.1%
Accrued Workers' Compensation		1,447	1.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Credit Card Charges Payable		9,621	6.8%	3,378	2.4%	7,549	4.9%	2,444	1.5%	41,275	24.2%
Total Current Liabilities		102,009	72.4%	97,782	70.1%	103,031	66.9%	101,752	64.0%	127,125	74.6%
Long-Term Liabilities											
Long-Term Debt		52,101	37.0%	45,352	32.5%	38,231	24.8%	37,252	23.4%	0	0.0%
TOTAL LIABILITIES		154,110	109.4%	143,134	102.6%	141,262	91.8%	139,004	87.4%	127,125	74.6%
Equity											
Common Stock		500	0.4%	500	0.4%	500	0.3%	500	0.3%	500	0.3%
Retaned Earnings	***B***	***86,297***	***61.2%***	***95,854***	***68.7%***	***112,198***	***72.9%***	***119,529***	***75.2%***	***142,731***	**83.8%**
Treasury Stock		(100,000)	-71.0%	(100,000)	-71.7%	(100,000)	-65.0%	(100,000)	-62.9%	(100,000)	-58.7%
Total		(13,203)	-9.4%	(3,646)	-2.6%	12,698	8.2%	20,029	12.6%	43,231	25.4%
TOTAL LIABILITIES AND EQUITY		$140,907	100.0%	$139,488	100.0%	$153,960	100.0%	$159,033	100.0%	$170,356	100.0%

Notes:

A Adjust cash for normalized results - compensation paid to Diana Ross and officer life insurance premium

B Adjust retained earnings for normalized results - compensation paid to Diana Ross and officer life insurance premium

Source: Unaudited financial statements of management and federal income tax returns

Exhibit 5

XYZ, Inc.

NORMALIZED INCOME STATEMENT		**2014**		**2015**		**2016**		**2017**		**1/1/2018 - 8/31/2018**	
Net Revenue		$983,060	100.0%	$1,016,910	100.0%	$985,437	100.0%	$999,932	100.0%	$713,265	100.0%
Cost of Sales:											
Inventory		9,944	1.0%	15,039	1.5%	17,339	1.8%	17,199	1.7%		
Purchases		283,699	28.9%	292,421	28.8%	267,532	27.1%	269,989	27.0%	167,216	23.4%
Total		293,643	29.9%	307,460	30.2%	284,871	28.9%	287,188	28.7%	167,216	23.4%
Ending Inventory		15,039	1.5%	17,339	1.7%	17,199	1.7%	17,719	1.8%		
Total Cost of Sales		278,604	28.3%	290,121	28.5%	267,672	27.2%	269,469	26.9%	167,216	23.4%
Gross Profit		704,456	71.7%	726,789	71.5%	717,765	72.8%	730,463	73.1%	546,049	76.6%
Operating Expenses:											
Compensation of Officers	***A***	***47,007***	***4.8%***	***55,156***	***5.4%***	***63,896***	***6.5%***	***66,081***	***6.6%***	***46,064***	***6.5%***
Salaries and Wages		226,534	23.0%	262,910	25.9%	255,781	26.0%	256,375	25.6%	186,528	26.2%
Repairs and Maintenance		7,179	0.7%	9,841	1.0%	11,835	1.2%	14,696	1.5%	3,121	0.4%
Bad Debts		25,285	2.6%	10,645	1.0%	7,456	0.8%	7,272	0.7%	2,448	0.3%
Rent		72,000	7.3%	72,000	7.1%	66,000	6.7%	72,000	7.2%	48,000	6.7%
Taxes and Licenses		46,401	4.7%	34,122	3.4%	45,085	4.6%	40,810	4.1%	28,922	4.1%
Charitable Contributions		460	0.0%	285	0.0%	1,277	0.1%	483	0.0%	25	0.0%
Depreciation		1,183	0.1%	713	0.1%	714	0.1%	357	0.0%	0	0.0%
Advertising		25,931	2.6%	33,861	3.3%	23,435	2.4%	21,946	2.2%	12,757	1.8%
Pension, Profit Sharing		4,155	0.4%	4,629	0.5%	4,580	0.5%	5,379	0.5%	5,033	0.7%
Employee Benefit Programs		29,449	3.0%	27,656	2.7%	8,858	0.9%	13,172	1.3%	7,145	1.0%
Shop Supplies		4,349	0.4%	3,810	0.4%	3,824	0.4%	4,261	0.4%	2,342	0.3%
Insurance		7,017	0.7%	7,625	0.7%	8,008	0.8%	8,205	0.8%	5,570	0.8%
Small Tools		6,418	0.7%	2,073	0.2%	2,044	0.2%	3,275	0.3%	2,490	0.3%
Towing		2,216	0.2%	1,140	0.1%	2,185	0.2%	1,321	0.1%	1,560	0.2%
Utilities		11,737	1.2%	11,671	1.1%	10,477	1.1%	9,909	1.0%	10,984	1.5%
Uniforms and Laundry		3,470	0.4%	3,964	0.4%	3,896	0.4%	4,287	0.4%	2,702	0.4%
Trash Removal		3,758	0.4%	3,838	0.4%	3,903	0.4%	3,006	0.3%	2,735	0.4%
Legal and Accounting		4,720	0.5%	4,620	0.5%	4,670	0.5%	6,597	0.7%	1,696	0.2%
Payroll Processing Fees		1,715	0.2%	1,780	0.2%	1,823	0.2%	1,982	0.2%	1,102	0.2%
Bank Charges		4,101	0.4%	2,431	0.2%	2,627	0.3%	2,055	0.2%	947	0.1%
Dues and Subscriptions		1,793	0.2%	1,285	0.1%	2,160	0.2%	1,764	0.2%	790	0.1%
Office Supplies and Expense		6,087	0.6%	4,173	0.4%	4,134	0.4%	4,175	0.4%	9,636	1.4%
Royalties		45,562	4.6%	47,101	4.6%	45,882	4.7%	46,441	4.6%	31,962	4.5%
Telephone		9,217	0.9%	8,750	0.9%	8,676	0.9%	9,073	0.9%	3,995	0.6%
Training and Development		7,372	0.7%	11,429	1.1%	10,519	1.1%	8,446	0.8%	3,037	0.4%
Travel		20	0.0%	4,538	0.4%	219	0.0%	4,090	0.4%	76	0.0%
Vehicle Expense		5,275	0.5%	0	0.0%	2,658	0.3%	344	0.0%	2,815	0.4%
Security		558	0.1%	356	0.0%	281	0.0%	396	0.0%	0	0.0%
Merchant Bank Card Fees		13,629	1.4%	13,762	1.4%	16,716	1.7%	16,596	1.7%	12,285	1.7%
Equipment Rental		1,278	0.1%	3,622	0.4%	9,034	0.9%	9,036	0.9%	5,000	0.7%
Cash Over and Short		(176)	0.0%	(7)	0.0%	(281)	0.0%	63	0.0%	(103)	0.0%
Meals and Entertainment		384	0.0%	35	0.0%	357	0.0%	287	0.0%	493	0.1%
Officer Life Insurance Premiums	***B***	***0***	***0.0%***	***0***	***0.0%***	***0***	***0.0%***	***0***	***0.0%***	***0***	***0.0%***
Total Operating Expenses		626,084	63.7%	649,814	63.9%	632,729	64.2%	644,180	64.4%	442,157	62.0%
Operating Income (Loss)		78,372	8.0%	76,975	7.6%	85,036	8.6%	86,283	8.6%	103,892	14.6%
Other Income and Expenses											
Other income		0	0.0%	0	0.0%	0	0.0%	0	0.0%	(69)	0.0%
Interest Expense (Income)		6,539	0.7%	6,567	0.6%	6,628	0.7%	7,217	0.7%	5,073	0.7%
Total Other Income and Expenses		6,539	0.7%	6,567	0.6%	6,628	0.7%	7,217	0.7%	5,004	0.7%
Income (Loss) Before Income Taxes		71,833	7.3%	70,408	6.9%	78,408	8.0%	79,066	7.9%	98,888	13.9%
Income Tax Expense		2,000	0.2%	6,612	0.7%	1,259	0.1%	0	0.0%	0	0.0%
Net Income (Loss)		$69,833	7.1%	$63,796	6.3%	$77,149	7.8%	$79,066	7.9%	$98,888	13.9%

Notes:

A Adjust for compensation paid to Diana Ross

B Adjust officer life insurance premiums

Exhibit 6

XYZ, Inc.	HISTORICAL										Industry			
											Assets=0-1Million	Assets=0-1Million	Assets=0-1Million	
NORMALIZED BALANCE SHEET	**2014**		**2015**		**2016**		**2017**		**8/31/2018**		**4/1/13-9/30/13**	**4/1/14-9/30/14**	**4/1/15-9/30/15**	**Analysis**
Current Assets:														
Cash	$60,596	43.0%	$61,776	44.3%	$81,797	53.1%	$87,671	55.1%	$89,513	52.5%	21.8%	26.3%	23.0%	+
Accounts Receivable	12,422	8.8%	8,429	6.0%	9,160	5.9%	8,211	5.2%	11,574	6.8%	6.9%	5.3%	6.8%	+/-
Inventory	15,039	10.7%	17,339	12.4%	17,199	11.2%	17,719	11.1%	18,402	10.8%	13.8%	9.7%	12.0%	+/-
Other Current Assets	6,066	4.3%	5,873	4.2%	447	0.3%	432	0.3%	5,867	3.4%	3.9%	2.3%	1.6%	+/-
Total Current Assets	94,123	66.8%	93,417	67.0%	108,603	70.5%	114,033	71.7%	125,356	73.6%	46.4%	43.6%	43.4%	
Fixed Assets:														
Net Fixed Assets	1,784	1.3%	1,071	0.8%	357	0.2%	0	0.0%	0	0.0%	35.6%	39.4%	39.7%	-
Other Assets:														
Intangibles, Net	45,000	31.9%	45,000	32.3%	45,000	29.2%	45,000	28.3%	45,000	26.4%	6.9%	8.5%	7.0%	+/-
Other Non-Current Assets	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	11.1%	8.5%	9.9%	-
Total Other Assets	45,000	31.9%	45,000	32.3%	45,000	29.2%	45,000	28.3%	45,000	26.4%	18.0%	17.0%	16.9%	
TOTAL ASSETS	$140,907	100.0%	$139,488	100.0%	$153,960	100.0%	$159,033	100.0%	$170,356	100.0%	100.0%	100.0%	100.0%	
Current Liabilities														
Accounts Payable	$21,177	15.0%	$20,386	14.6%	$17,190	11.2%	$16,340	10.3%	$11,006	6.5%	12.3%	14.0%	7.6%	+/-
Notes Payable - Short-Term	63,207	44.9%	61,191	43.9%	63,162	41.0%	67,435	42.4%	66,146	38.8%	10.4%	14.2%	15.2%	-
Current Maturity - Long-Term Debt	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	4.3%	3.4%	4.7%	+
Other Current Liabilities	17,625	12.5%	16,205	11.6%	22,679	14.7%	17,977	11.3%	49,973	29.3%	18.7%	15.7%	15.3%	-
Total Current Liabilities	102,009	72.4%	97,782	70.1%	103,031	66.9%	101,752	64.0%	127,125	74.6%	45.7%	47.3%	42.8%	
Long-Term Liabilities														
Long-Term Debt	52,101	37.0%	45,352	32.5%	38,231	24.8%	37,252	23.4%	0	0.0%	38.2%	32.9%	27.0%	+
Deferred Taxes	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%	0.0%	0.0%	
Other Long-Term Liabilities	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	20.7%	16.4%	12.3%	+
	52,101	37.0%	45,352	32.5%	38,231	24.8%	37,252	23.4%	0	0.0%	58.9%	49.3%	39.3%	
TOTAL LIABILITIES	154,110	109.4%	143,134	102.6%	141,262	91.8%	139,004	87.4%	127,125	74.6%	104.6%	96.6%	82.1%	
Equity														
Capital	(13,203)	-9.4%	(3,646)	-2.6%	12,698	8.2%	20,029	12.6%	43,231	25.4%	-4.6%	3.4%	17.9%	+/-
TOTAL LIABILITIES AND EQUITY	$140,907	100.0%	$139,488	100.0%	$153,960	100.0%	$159,033	100.0%	$170,356	100.0%	100.0%	100.0%	100.0%	

Source:

Industry data - The Risk Management Association - Annual Statement Studies-Financial Ratio Benchmarks (2013-2015)

NAICS #81111 General Automotive Repair

Exhibit 7

XYZ, Inc.	2014	2015	2016	2017	8/31/2018	Industry Assets=0-1Million 4/1/13-9/30/13	Industry Assets=0-1Million 4/1/14-9/30/14	Industry Assets=0-1Million 4/1/15-9/30/15	Analysis
NORMALIZED INCOME STATEMENT									
Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Operating Expenses	92.0%	92.4%	91.4%	91.4%	85.4%	90.9%	89.6%	89.5%	+/-
Operating Profit	8.0%	7.6%	8.6%	8.6%	14.6%	9.1%	10.4%	10.5%	+/-
Profit Before Taxes	7.3%	6.9%	8.0%	7.9%	13.9%	5.8%	6.6%	7.7%	+
Ratio Analysis									
Current	0.9	1.0	1.1	1.1	1.0	1.6	1.3	1.3	-
Quick	0.8	0.8	0.9	0.9	0.8	0.8	0.9	0.8	+/-
Sales / Working Capital	(124.7)	(233.0)	176.9	81.4	(403.2)	43.8	70.1	62.7	+/-
Net Fixed Assets / Equity	(0.0)	(0.0)	(0.0)	0.0	0.0	2.4	2.6	1.5	-
Debt / Equity	(11.7)	(39.3)	11.1	6.9	2.9	10.1	5.6	2.8	+/-
% Profit (Losses) Before Taxes / Equity	(5.4)	(19.3)	6.2	3.9	2.3	44.3	41.5	39.6	-
% Profit (Losses) Before Taxes / Total Assets	0.5	0.5	0.5	0.5	0.6	9.8	12.4	11.4	-
Sales / Net Fixed Assets	551.0	949.5	2,760.3			20.4	21.1	15.6	+
Sales / Total Assets	7.0	7.3	6.4	6.3	4.2	4.0	4.7	3.8	+
% Officers', Directors', Owners' Comp / Sales	4.8	5.4	6.5	6.6	6.5	8.0	8.3	8.2	+

Source:

Industry data - The Risk Management Association - Annual Statement Studies-Financial Ratio Benchmarks (2013-2015)
NAICS #81111 General Automotive Repair

Exhibit 8

XYZ, Inc.
Build - Up Method for Calculation of Discount Rate
August 31, 2018

		Source
Risk free rate (20-year U.S. Treasury bond)	2.97%	**A**
Systematic risk:		
Long-horizon expected equity risk premium	7.07%	**B**
Expected size premium (10z mirco-cap)	11.38%	**B**
Specific (unsystematic) risk	5.00%	
Total Equity Rate	26.42%	

Specific (unsystematic) risk:

Significant variability and deficit in working capital: 5.00%

	Normalized	**Actual**
12/31/2014	($7,886)	(62,125)
12/31/2015	($4,365)	(65,170)
12/31/2016	$5,572	(66,163)
12/31/2017	$12,281	(63,077)
8/31/2018:	($1,769)	(66,755)

Source:

A Federal Reserve Bank of St. Louis: 20-Year Treasury Constant Maturity Rate, Percent, Monthly, Not Seasonally Adjusted; August 2018

B 2018 Valuation Handbook - U.S. Guide to Cost of Capital - Duff & Phelps, LLC

Exhibit 9

XYZ, Inc.
Projection

	PROJECTION 2019	
Sales:		
Labor	$453,426	
Parts	544,111	
Tires	113,356	
Tire Service	22,671	
Total Revenues	**1,133,564**	
Cost of Sales:		
Labor	136,028	
Parts	206,762	
Tires	79,349	
Tire Service	5,668	
Total Cost of Sales	**427,807**	
Gross Margin	**705,757**	
Operating Expenses:		
Royalties and Advertising	62,346	
Fixed Expenses	493,411	
Total Operating Expenses	**555,757**	
Net Operating Profit	**150,000**	
Estimated compensation for senior auto mechanic	(66,000)	***a***
Projected Adjusted Net Operating Profit	**$84,000**	

Note: ***a*** Based on compensation of Jason Ross in 2017 (full year)

Source: Unaudited financial statements of management

Exhibit 10

XYZ, Inc.
Discounted Cash Flow Method

Present Value of Net Cash Flows	
	2019
Available Cash Flow (Exhibit 9)	$84,000
Present Value Factor (26.42% - Exhibit 8; as of August 2018)	0.7316
Net Present Value of Available Cash Flows	$61,450

Present Value of Terminal (Residual) Net Cash Flow	
2019 Present Value Cash Flows	$61,450
Capitalization multiple (incorporates long-term nominal growth rate of 1.1% - IBISWorld Industry Report 81111)	3.9494
Terminal (Residual) Value	242,695
Present Value Factor	0.7316
Present Value of Invested Capital	$177,544

Valuation Summary	
Present Value of Cash Flows	$61,450
Present Value of Terminal (Residual) Value	177,544
Indicated Value of Equity	$238,995

Exhibit 11

XYZ, Inc.
Capitalization of Earnings Method

Capitalization of Earnings						
	2014	**2015**	**2016**	**2017**	**2018*a***	**Total**
Normalized Income (Loss) Before Income Taxes (Exhibit 5)	$71,833	$70,408	$78,408	$79,066	$148,332	
Weight	1	2	3	4	5	
	$71,833	$140,816	$235,224	$316,264	$741,660	$1,505,797
						/ 15
Weighted Average of Historical Earnings 2014-August 2018 annualized						100,386
Capitalization Rate:						
Discount Rate (Exhibit 8)					26.42%	
Growth Rate (long-term nominal growth rate of 1.1% - IBISWorld Industry Report 81111)					1.10%	25.32%
Indicated Value of Equity						$396,471

Note: ***a*** Annualized 8-month period ended August 31, 2018

Exhibit 12

XYZ, Inc.
Summary of Valuation
August 31, 2018

Discounted Cash Flow Method		$238,995
Capitalization of Earnings Method		396,471
Business Enterprise Value (mean) - without any required discounts		317,733
Less:	Discount for Key Person(s)	10%
Indicated Value of Equity		285,960
Less:	Discount for Lack of Marketability	40%
Indicated Value of Equity on a Unilateral 100% Controlling, Non-Marketable Basis		**$171,576**
Rounded		**$172,000**

Exhibit 13

BIZCOMPS database
Comparable company transaction details

								($000's)			($000's)	($000's)			($000's)	($000's)				
TransactionID	SICCode	SICCodeGeneral	NAICSGeneral	NAICSCode	BusinessDescription	Area	Country	AnnualGross	SaleDate	SDE	SalePrice	AskPrice	PercentDown	Terms	InventoryAmount	FFE	RentToAnnualGross	DaysOnMarket	FranchiseRoyalty	NumberOfEmployees
10654	7538	75	811	811111	Auto Repair Shop	San Francisco, CA	United States	$1,177.00	10/29/2016	$86.00	$135.00	$185.00	100.00%		$15.00		0.11		No	2
10719	7538	75	811	811111	Auto Repair Shop	San Francisco	United States	$1,175.00	11/22/2013	$177.00	$323.00	$400.00	31.00%	5 Yrs @ 5%	$2.00	$33.00	0.04	122	No	3
10659	7538	75	811	811111	Auto Repair Shop	No California	United States	$1,150.00	8/13/2016	$288.00	$639.00	$639.00			$10.00		0.046		No	N/A
10744	7538	75	811	811111	Auto Repair Shop	Virginia	United States	$1,100.00	12/1/2012	$139.00	$515.00	$580.00	0.5	5 Yrs @ 6%	$70.00	$60.00	0.05		No	23
10871	7538	75	811	811111	Auto Repair Shop	Florida	United States	$1,077.00	8/31/2006	$232.00	$650.00	$670.00	17.00%	10 Yrs @ 10%	$5.00	$115.00	0.088		No	6
10602	7533	75	811	811112	Meineke Muffler Shop	Las Vegas, NV	United States	$1,077.00	6/15/2013	$223.00	$558.00	$585.00	52.00%	4 Yrs @ 5%	$10.00	$100.00	0.09		Y-6%	3 PT
10839	7538	75	811	811111	Auto Repair Shop	Florida	United States	$1,076.00	1/31/2008	$276.00	$390.00	$415.00			$10.00	$56.00	0.126	388	No	1
10800	7538	75	811	811111	Auto Repair/Tires	Minnesota	United States	$1,055.00	4/8/2010	$10.00	$350.00	$350.00			$0.00			150	No	3 PT
10675	7538	75	811	811111	Auto Repair Shop	Florida	United States	$1,046.00	8/31/2015	$158.00	$750.00	$750.00	5.00%		$1.00	$394.00			No	5 FT/1 PT
10772	7538	75	811	811111	Auto Repair/Tires	Denver, CO	United States	$989.00	10/6/2011	$251.00	$552.00	$617.00	15.00%	10 Yrs @ 7%	$13.00	$40.00	0.04		No	7
10725	7538	75	811	811111	Auto Repair Shop	Florida	United States	$983.00	7/22/2013	$219.00	$418.00	$464.00	18.00%	10 Yrs @ 6%	$5.00	$125.00	0.19	310	No	4
10808	7538	75	811	811111	Auto Repair Shop	Florida	United States	$970.00	8/7/2009	$220.00	$43.00	$518.00	56.00%	5 Yrs @ 7%	$7.00	$35.00	0.077	75	No	8
10666	7538	75	811	811111	Auto Repair Shop	N. Virginia	United States	$965.00	5/21/2016	$320.00	$775.00	$819.00	55.00%	5 Yrs @ 5%	$10.00	$120.00	0.05		No	1
10745	7538	75	811	811111	Auto Engine Rebuilder	Florida	United States	$960.00	10/1/2012	$159.00	$400.00	$400.00			$50.00	$100.00			No	4
10769	7538	75	811	811111	Auto Repair Service	Florida	United States	$956.00	1/6/2012	$222.00	$271.00	$370.00	50.00%	6 Yrs @ 6%	$4.00	$160.00	0.21		No	1
10681	7538	75	811	811111	Auto Repair Shop	San Francisco, CA	United States	$952.00	5/29/2015	$120.00	$180.00	$245.00	28.00%		$5.00		0.06		No	2
10852	7538	75	811	811111	Auto Repair Shop	Vacaville, CA	United States	$930.00	5/22/2007	$283.00	$1,300.00	$1,475.00			$0.00				No	N/A
10704	7538	75	811	811111	Auto Repair Shop	Minnesota	United States	$910.00	5/31/2014	$172.00	$445.00	$450.00	66.00%	20 Yrs @ 6%	$0.00				No	N/A
10872	7538	75	811	811111	Auto Repair/Tires	Des Moines, IA	United States	$907.00	8/21/2006	$90.00	$108.00	$108.00	1		$57.00	$50.00	0.04		No	4
10784	7538	75	811	811111	Auto Repair Shop	CN-Ottawa, ON	Canada	$905.00	4/8/2011	$183.00	$794.00	$743.00			$6.00	$225.00	0.04		No	
10856	7538	75	811	811111	Auto Repair Shop	Central Illinois	United States	$900.00	3/1/2007	$190.00	$335.00	$447.00	20.00%		$2.00	$60.00			Y-9%	4
							Average	$1,012.38		$191.33	$472.90									
							Median	$983.00		$190.00	$418.00									
							HI	$1,177.00		$320.00	$1,300.00									
							LO	$900.00		$10.00	$43.00									

Term	Definition
SIC	Standard Industrial Classification code
NAICS	North American Industry Classification System code
Business Description	Products and services of business
Annual Gross Sales	Annual Gross Sales ($000's), normally net of sales tax
Sale Date	Actual date of sale
SDE	Seller's discretionary earnings ($000's) is calculated by adding to the most recent full year's Net Income Before Taxes (NIBT): Amortization, Depreciation, Interest, Owner's compensation, Owner's benefits, Non-business related expenses, and onetime-only expenses. Normally to one working owner
Sale Price	Actual sale price ($000's), inventory has been deducted if it was included in sale price
Ask Price	Asking sale price of business ($000's), does not include inventory
SDE/Annual Gross Sales	Seller's discretionary earnings divided by Annual Gross Sales
Sale Price/Annual Gross Sales	Sale price divided by Annual Gross Sales
Sale Price/SDE	Sale price divided by seller's discretionary earnings
Percent Down	Down payment as a percent of sale price
Terms	Terms of primary new or assumed loan
Inventory Value	Inventory at the time of sale ($000's)
Furniture, Fixtures & Equipment (FFE)	Estimate of value of furniture, fixtures & equipment ($000's)
Rent/Annual Gross Sales	Yearly rent divided by Annual Gross Sales
Area	Region or geographical location of business
Days On Market	Actual number of days business was on market
Franchise Royalty	Actual royalty less advertising percentage
Number Of Employees	Number of employees

Exhibit 14

BIZCOMPS database
Comparable company transaction details

							($000's)
		($000's)		($000's)	($000's)	($000's)	**Adjusted**
BusinessDescription	Area	AnnualGross	SaleDate	SDE	SalePrice	InventoryAmount	**SalePrice**
Auto Repair Shop	San Francisco, CA	$1,177.00	10/29/2016	$86.00	$135.00	$10.00	**$145.00**

Exhibit 15

Jackson Brown, CPA, CVA

Professional Experience

Wilson & Wilson CPAs
1995 - current

Education

Ball State University
Master in Business Administration

Loyola University
Bachelor of Arts in Business Administration, Accounting

Certifications, Admissions

- Certified Public Accountant (California)
- Certified Valuation Analyst (CVA)

Professional Affiliations

- American Institute of Certified Public Accountants (AICPA)
- National Association of Certified Valuators and Analysts