SBA APPRAISAL OF:

LICENSED - "NAME" - GROCERY STORES

Valuation Date: January 23, 2021

Report Dated: March 3, 2021

609-664-7955

This is a sample business valuation.

No use is approved other than review for consideration of approval or use of Harvest Business, LLC t/a The Art of Business Valuation as a business valuation vendor. Each business valuation is different and will vary based on professional judgment and the actual situation and engagement requirements.

Contact: Gregory R. Caruso, JD, CPA, CVA

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609-664-7955

HARVEST Business LLC

The Art of Business Valuation

OPINION LETTER

March 3, 2021

Mary Mendez
Vice President
ABC Bank
80 Bank Drive
North Bethesda, MD 20852

Dear Ms. Mendez,

I have performed a valuation engagement, as that term is defined in the Statement on Standards for Valuation Services (SSVS) of the American Institute of Certified Public Accountants, of Five Licensed - "Name" - grocery stores (the "Company"). This valuation was performed solely to assist in the matter of a SBA loan approval; the resulting estimate of value should not be used for any other purpose or by any other party for any purpose. This valuation engagement was conducted in accordance with the SSVS, NACVA, and USPAP. The estimate of value that results from a valuation engagement is expressed as a conclusion of value.

Based on our analysis, as described in this valuation report, the estimate of the fair market value of a 100% interest of substantially all the assets as further described herein of Five Licensed - "Name" - grocery stores as of January 23, 2021 was $1,137,900. This conclusion is subject this report, to the Statement of Assumptions and Limiting Condition found in Appendix B and to the Valuation Analyst's Representation found in Appendix A. We have no obligation to update this report or our conclusion of value for information that comes to our attention after the date of this report.

Harvest Business, LLC
March 3, 2021

SAMPLE ……UNSIGNED

Gregory R. Caruso, JD, CPA, CVA
Principal
609-664-7955
gcaruso@harvestbusiness.com

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EXECUTIVE SUMMARY

Governing Standard:	SSVS, NACVA, USPAP
Standard of Value:	Fair market value
Premise of Value:	Going concern
Client Name:	Mary Mendez and ABC Bank,
Business Name:	5 Licensed - "Name" - grocery stores
Purpose:	SBA loan approval
Type of Entity:	Corporation
Business Interest Valued:	100%
Valuation Date:	January 23, 2021
Report Date:	March 3, 2021
Appraiser Name:	Gregory R. Caruso
Appraisal Company	Harvest Business, LLC
Value Found:	$1,137,900

Balance Sheet – There was no ability to determine tax book value asset value. In any event fixed assets appear fully depreciated. Inventory of $900,000 is included in the value. Inventory should be taken prior to settlement and the value adjusted up or down dollar for dollar based on actual salable inventory at lower cost or market. See the Adjusted Balance Sheet section of the report for more details.

INTRODUCTION

Specifics

We have performed a valuation engagement, as that term is defined in the Statement on Standards for Valuation Services (SSVS) of the American Institute of Certified Public Accountants, of Five Licensed - "Name" - grocery stores. The locations of the five stores are provided in Appendix G. Our Governing Standards are SSVS, NACVA, and USPAP. This summary report will provide sufficient information to permit the intended users to understand the data, reasoning, and analyses underlying the valuation analyst's conclusion of value.

Harvest Business Advisors has been retained by Mary Mendez of ABC Bank, to estimate the fair market value of substantially all assets of Five Licensed - "Name" - grocery stores as further described herein. The Stores are owned by a corporation operating as an ESOP. Furthermore, an interest of 100% of substantially all the assets of the five stores as further described herein is being valued as of January 23, 2021.

The appraisal will be used by Mary Mendez and ABC Bank, for the sole purpose of the determination of fair market value for use in providing an SBA loan approval. The distribution of this report is restricted to Mary Mendez and ABC Bank, legal and tax professionals advising Mary Mendez and ABC Bank, and any regulatory agencies whereby reporting is required particularly the SBA. Any other use of this report is unauthorized particularly use for and financing or refinancing other than that proposed herein and the information included in the report should not be relied upon.

Definitions

Appendix F has a glossary of terms that is applicable to this engagement.

Standard of Value

For purposes of this appraisal, 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 former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts. Court decisions frequently state in addition that the hypothetical buyer and seller are assumed to be able, as well as willing, to trade and to be well informed about the property and the market for such property.[1]"

1 Revenue Ruling 59-60, Section 2.02.

Implied within this standard of value is that the consideration for the fair market value is expressed in cash, or the customary economic equivalent, paid at closing. We have appraised the stock of the Company under the appraisal premise of value in continued use, as part of a going-concern business entity. This premise assumes the business will continue to operate as an income-producing entity.

Among other factors, the appraisal takes into consideration all elements of appraisal listed in Internal Revenue Service Ruling 59-60, which generally outlines the valuation of closely held stocks and includes the following:

1. The nature of the business and the history of the company.
2. The economic outlook in general and the outlook of the company's industry.
3. The book value and financial condition of the company.
4. The earning capacity of the company.
5. The dividend-paying capacity of the company.
6. Whether or not the company has goodwill or other intangible value.
7. Sales of stock and the size of the block to be valued.
8. The market prices of stocks of corporations engaged in the same or similar lines of business as the company and whose stocks are actively traded in a free and open market, either on an exchange or over-the-counter.

Hypothetical Buyer

The "Hypothetical Buyer" under the fair market value standard of value is generally considered a financial buyer, who brings financial resources to a transaction, but little or no business synergies. This party is interested in the business' ability to generate future cash flows and will often leverage the acquisition through the use of debt. While the hypothetical buyer may see the possibility of increased cash flows, he or she will generally not pay for that potential.

Alternatively, a strategic buyer, inherent in the investment value standard, benefits from the synergies of buying a company. These benefits, for example, may include expanding sales territories, adding new products, reducing costs with better purchasing power, and eliminating duplicate functions. Under these circumstances, a strategic buyer may pay a premium over a financial buyer's offer price to obtain these synergistic benefits.

Hypothetical Seller

The "Hypothetical Seller" under the fair market value standard is also not a specific person, although it is assumed that this seller is prudent and has reasonably knowledge of relevant facts. This hypothetical seller is also rational and can be convinced to sell if the price is right. In addition, the seller is knowledgeable about the market and how it affects the value of his or her business, other business and financial risks specific to the subject company or other investment characteristics associated with the subject business interest.

The hypothetical seller must have common characteristics with other prospective sellers including not being under duress or compulsion to sell. Rather, the seller under this standard of value will act rationally and with his or her best interest in mind.

Premise of Value

This report is prepared using the premise that the subject company is a going concern. This means that it is presumed that in the future the assemblage of assets, resources and income producing items will continue in use to produce income and cash flow. The subject company is a going concern business enterprise.

Control Characteristics

The business interest's ownership control characteristic control. The proposed buyer will own 100% of the Company after this proposed transaction.

Marketability Characteristics

The marketability characteristics of the subject interest are marketable and liquid. These interests are freely salable. Of course, all privately held companies have some illiquidity characteristics. In addition one of the purposes of this valuation is to determine the fairness of a price as of the date of closing. By definition there is no marketability discount on the date of closing.

SOURCES OF INFORMATION

The primary sources of information were research on the economy, industry and company, analysis of financial statement and interviews with key people. Please see Appendix D for a complete listing.

Assumptions and Limiting Conditions

There are several key assumptions that this report relies on.

This valuation report has been prepared in accordance with Revenue Ruling 59-60 and the Statement on Standards for Valuation Services (SSVS) of the American Institute of Certified Public Accountants, the standards of the National Association of Certified Valuators and Analysts (NACVA) and Uniform Standards of Professional Appraisal Services (USPAP). In

accordance with these standards, Assumptions and Limiting Conditions are provided below and in more detail as Appendix B and a Statement of Appraiser Qualifications are included in Appendix C.

We are not salary consultants, real estate appraisers, or equipment valuation professionals. Any salary, real estate, or equipment values estimated or used by us are solely for use in our determination of our opinion of value and are not to be used as independent indications of salaries or values.

We do not purport to be a guarantor of value. Valuation of closely held companies is an imprecise science and reasonable people can differ in their opinions of value. We are not loan underwriters and cannot provide assurances that the loan meets guidelines. We have, however, used conceptually sound and commonly accepted methods and procedures of valuation in determining the opinion of value included in this report.

We have not performed due diligence as should be performed by a buyer in any acquisition. Therefore we have not; audited or reviewed financial records, tied cash balances between bank statements and books, investigated titles or condition of equipment, reviewed contracts, reviewed detailed market analysis, further investigated employee relations, franchisor history etc. We have not verified working capital requirements which may be necessary to continue the business. We have not investigated suitability of this business for this buyer or any proposed buyer. We make no assurances to anyone that this buyer or any buyer will be successful.

Since we have not been engaged to provide legal services, any legal issues that have an impact on value have been considered from a non-attorney's viewpoint. Readers of this report should seek proper legal advice if such matters are material in nature.

The real estate facilities used by the Company are owned by third parties. We have received prospective leases and confirmed that the starting rent terms are substantially similar to the current leases or less. We have assumed that all leases can be extended for 10 years without substantial renegotiation.

The specific valuation methods used in the determination of value were based upon the performance of investigative procedures that we considered necessary under the circumstances. These procedures included a review of the Company’s location, written questions with Company management and owner regarding the history of the business and financial performance, operations of the Company, its expected future performance and other factors we considered relevant. Unless otherwise stated, we have not performed a site visit.

Both internal and external factors influencing the value of the Company were reviewed, analyzed, and interpreted. Internal factors included the Company’s financial position, results of operations, and the size and marketability of the interest being valued. External factors included, among other things, the status of the industry and the position of the Company relative to the industry. The business valuator must obtain sufficient data about the Company's industry and economic environment as well as company specific data to make a determination of value.

We have relied on the Company's financial statements as being accurate and a fair representation of the financial status and operations of the Company. We have relied upon the representation that this financial information, as well as other information and documentation, provided to us by them or their agents is true and correct to the best of their knowledge and belief.

A business valuation is neither a legal nor a tax opinion. Its purpose is to render an opinion as to the fair market value within the meaning of' the defined Standard of Value. We assume no responsibility whatsoever for legal or tax matters relative to my findings including but not limited to provisions of the sales agreement, or lease agreement.

Values are stated without reference to legal or tax claims unless so noted. The Company's compliance with all applicable federal, state, and local laws and regulations is assumed.

The valuation engagement and the resulting report should not be relied upon to disclose errors, irregularities, or illegal acts, including fraud or defalcations.

Hypothetical Conditions

In preparing this estimate of value, hypothetical conditions may be necessary. In such a case I will provide hypothetical conditions here. In this report I have described all known conditions, assumptions and hypothetical situations elsewhere in the report.

Subsequent Events

In preparing this estimate of value, certain events occurred after the valuation date that were not know or knowable at the valuation date. Therefore, these events were not considered in preparing the estimate of value.

In the interest of disclosure, the following subsequent events occurred (if any). We have no known subsequent events. Covid-19 is continuing but as of the valuation date expectations appear to be stabilizing along with valuations.

Covid-19

The Company is a chain of grocery stores in New York State. Grocery stores have remained open and in most cases had increased sales because of Covid-19. Yet, these locations have continued to have revenues fall. Because of the nature of the Company and industry in my opinion no adjustments are warranted for Covid-19 effects.

COMPANY

History

The Company, which is Five Licensed - “Name” - grocery stores locations in New York State, are grocery stores under the licensed Licensed-”Name”-Grocery brand name. Licensed-”Name”-Grocery is a major wholesaler of grocery products which also provides licensing, store design and equipment, and other services to assist its retail grocery store owners. The seller of the stores is Really Big Food Group, Inc., www.weburl.com a Kentucky corporation, which I am told is selling because these stores are too far from the main operation locations to properly focus on. In addition, Licensed-”Name”-Grocery is changing its model from both wholesaling and running retail stores to only wholesaling. https://weburl.com

Nature of the Business

The Company operates grocery stores under a Licensed-”Name”-Grocery license. Licensed-”Name”-Grocery is a very large grocery wholesaler that also provides services to support grocery store retailers.

Sales Records and Management

The stores are a small component of Really Big Food Group, Inc. which is a very large ESOP. Therefore I am preparing the business valuation from internal Store Level financials and a summary of those financials provided by Houchens. I have been provided balance sheets for the full prior years but not the year to date data. Accounts payables terms from Licensed-”Name”-Grocery are provided in the Licensed-”Name”-Grocery Licensing Agreement. The Store Level financials do include significant contributions for management fees which should cover store management and overhead items such as accounting, legal, tax return preparation and the like.

The data appears reliable and should not impact my ability to form an opinion of value but it is not typically provided to third parties and I cannot test or further verify the data.

Current Ownership

Really Big Food Group, Inc. owns the Five Stores. Really Big is one of the United States largest Employee Stock Ownership Companies (ESOP).

License and Supply Agreement

I was provided with a License and Supply Agreement made an entered into by More Foods, LLC d/b/a Licensing Grocery Stores, LTD., a Missouri limited liability company (Licensor) and Supermarket, Inc. a New York corporation (Licensee). Essentially Licensed-"Name"-Grocery will supply most product for the Company at competitive prices and in a timely fashion. Due dates are specified for accounts payable by the Company to Licensed-"Name"-Grocery for different product types. Licensed-"Name"-Grocery also provides (and requires) store guidelines, layouts, signage, etc. Licensed-"Name"-Grocery allows the use of its names and logos. This license is to the specific locations specified.

Expectations

We were provided with projections prepared by the Buyer starting with a review of 2020 and then projecting out five years. The first year is based on flat sales and later years assumes sales growth at 5%. The buyer has indicated that she plans to improve the stores (the buyer indicated that if she spends up to $100,000 per store Licensed-"Name"-Grocery will reimburse her $50,000 under a special program) and hopefully increase sales another 5%. In addition she has other ideas for cost savings and revenue increases some that are possible and others that are highly probable to be achieved. I have only factored a very small amount of the possible cost savings into the cash flow's I used to determine value herein. This is further described in the Income Statement Adjustments.

Asset Purchase Agreement

We have been provided with an Asset Purchase Agreement by and between Upstate Supermarket, Inc. owned by Phuong Phung (Buyer) and Houchens Food Group, Inc. (Seller) for four primary stores and two additional stores. The purchase price is $200,000 plus inventory. Inventory is to be performed prior to closing. Seller is to retain all liabilities. Buyer is to receive all salable inventory from the selected stores, all FF&E on premises excluding DVR's, computers, hardware, and software, POS systems without software. Excluded assets are cash, accounts receivables, DVR's computers, hardware and software, data on POS systems and software on POS systems, vender's trade fixtures and equipment. All liabilities as of the date of closing are to be paid by Seller.

Buyer has reported to us that she intends to purchase one of the additional stores therefore we have valued Five Stores here.

Loan Request

This valuation is to support an SBA loan application with ABC Bank for the financing of the purchase of the Company. The loan amount is a $990,000 SBA 7(a) Term Loan and a $100,000 SBA Express Business Access Line of Credit.

Real Estate – Rent Estimate

The real estate facilities used by the Company are owned by a third party landlords. We have reviewed the proposed leases (as valuators and lay people only) and in those leases it appears that the rent will be at or below the rent charged to the Seller. It further appears that these are long term (at least 10 years with options) leases from third party landlords. We performed no additional investigations.

Strengths and Weaknesses

Strengths appear to be:

- Known Locations
- Experienced / continuing management
- Operational efficiencies from multiple stores

Weaknesses appear to be:

- Falling results
- Tired looking stores
- Leveraged after transaction

APPRAISAL OF ECONOMIC CONDITIONS

Revenue Ruling 59-60 states:

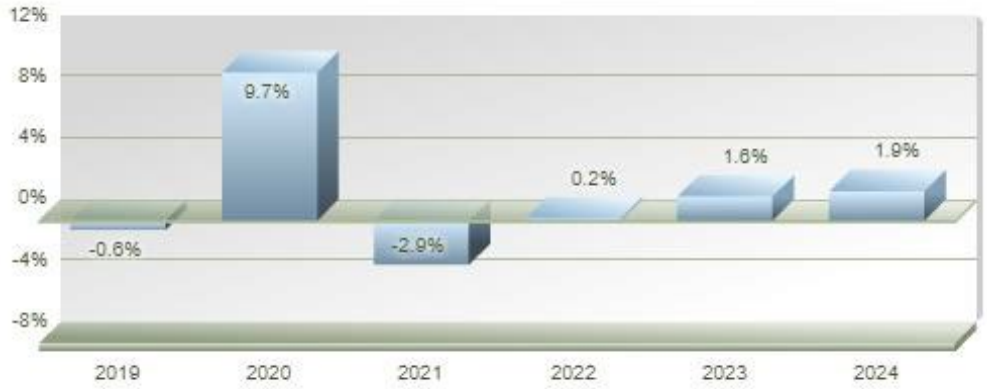
[…] (b) A sound appraisal of a closely held stock must consider current and prospective economic conditions as of the date of appraisal, both in the national economy and in the industry or industries with which the corporation is allied.

Current Portions of Recent Federal Reserve Reports concerning the National and Local Economy are provided in Appendix E

It appears that both the National and Local economy are performing in a mixed way. There is a recovery from the drop caused by Covid-19 but the economy is still below 12/31/2019 levels. It is projected that the economy will continue to expand modestly depending on future stimulus.

Industry Forecast

US personal consumption expenditures at grocery stores and supermarkets are forecast to flatten with an annual compounded rate of 0% between 2020 and 2024. Data Published: July 2020



First Research forecasts are based on INFORUM forecasts that are licensed from the Interindustry Economic Research Fund, Inc. (IERF) in College Park, MD. INFORUM's "interindustry-macro" approach to modeling the economy captures the links between industries and the aggregate economy.

Economic and Industry Conclusions

The economic outlook is uncertain. The effects of Covid-19 are unclear and the timeline for recovery is varying. The industry is projected to continue with a dip in 2021 after strong gains in 2020 then have slow growth basically at the projected inflation rate for the foreseeable future. This would support pricing and valuations consistent with long term averages.

COMPANY BALANCE SHEETS

We have reviewed the Company Balance sheets summarized below.

Historic Balance Sheets

	Jan 2021	Sep 2020	Sep 2019	Sep 2018
ASSETS				
Cash	-	163,900	213,700	164,800
Accounts Receivable	-	12,700	8,800	7,700
Inventory	-	871,800	877,400	824,900
Other Current Assets	-	2,900	9,500	7,600
Total Current Assets	-	1,051,300	1,109,400	1,005,000
Fixed Assets	-	2,522,300	2,469,300	2,420,800
(Accumulated Depreciation)	-	(2,416,400)	(2,363,900)	(2,323,500)
Intangible Assets	-	1,270,200	1,270,200	-
(Accumulated Amortization)	-	-	-	-
Other Non-Current	-	134,000	134,000	134,000
Non-Operating Assets	-	-	-	-
Total Assets	-	2,561,400	2,619,000	1,236,300
LIABILITIES & EQUITY				
Accounts Payable	-	107,400	154,200	118,000
Income Taxes	-	-	-	-
Short Term Notes Payable	-	-	-	-
Current Portion of LT Debt	-	-	-	-
Other Current Liabilities	-	25,800	24,200	24,400
Total Current Liabilities	-	133,200	178,400	142,400
Long Term Debt	-	-	-	-
Other Non-Current Liabilities	-	-	-	-
Non-Operating Liabilities	-	-	-	-
Total Liabilities	-	133,200	178,400	142,400
Equity	-	2,428,200	2,440,600	1,093,900
Total Liabilities & Equity	-	2,561,400	2,619,000	1,236,300

COMPANY PROFIT AND LOSS

All Profit and Loss was compiled from internal financials for the Companies. The 2021 projection was developed by projection straight line for the year from October 1 to January 23, 2021 data (The first 1/3 of their Fiscal Year). That projection may turn out high as the fourth quarter of the year (holidays) is often the most profitable time of the year for retailers.

- Overall the Company is showing falling results.

Historic Income Statements

	Sep 2021	Sep 2020	Sep 2019	Sep 2018
Revenues less Discounts and Allowances	13,054,545	15,488,300	15,521,900	15,814,800
Cost of Goods Sold	9,844,242	12,037,100	12,128,500	12,334,700
Gross Profit	3,210,303	3,451,200	3,393,400	3,480,100
Operating Expenses				
Depreciation/Amortization	19,697	31,100	37,500	35,400
Officers' Compensation	-	-	-	-
Operating Lease and Rent	465,758	494,900	507,900	494,400
Payroll	984,848	1,157,800	1,173,500	1,144,500
Tax-Fringes	111,818	130,100	125,200	127,000
Advertising	56,364	43,300	45,500	55,600
Supplies & Sundry	59,394	70,200	69,500	77,800
Sanitation & Laundry	40,303	47,700	43,800	44,000
Security	118,485	150,000	158,700	152,000
Bank fees & Credit card charges	59,697	68,200	69,300	67,000
Repairs - maintenance	114,848	133,500	154,200	151,100
Utilities & Telephone	336,061	336,700	355,500	372,500
Insurance	81,212	258,700	102,200	106,200
Management fee	384,545	372,800	328,400	275,700
Other	6,970	12,200	20,100	22,700
Total Operating Expenses	2,840,000	3,307,200	3,191,300	3,125,900
Operating Profit	370,303	144,000	202,100	354,200
Other Income/Expenses				
Interest Expense	2,424	20,400	50,700	45,100
Other Income	17,273	17,100	21,500	39,600
Other Expense	-	-	-	-
Income Before Taxes	385,152	140,700	172,900	348,700
Income Taxes	-	-	-	-
Net Income	385,152	140,700	172,900	348,700

RMA Peer Comparisons

For purposes of comparison with industry financial measures available from non-public company sources, I reviewed the A*nnual Statement Studies*, published by The Risk Management Association (RMA). RMA compiled average percentage income statement and balance sheets and key financial ratios of companies classified under NAICS 44511, Grocery Stores and Supermarkets. I believe the RMA data provides limited comparative perspective and strict comparisons should be made with caution.

Common Size Historic Balance Sheets

Common Size Historic Balance Sheets

	RMA	Adjusted 2021	Historic 2021	Historic 2020	Historic 2019	Historic 2018
Cash & Equivalents	15.30%	0.00%	0.00%	6.40%	8.16%	13.33%
Accounts Receivable	1.20%	0.00%	0.00%	0.50%	0.34%	0.62%
Inventory	37.40%	100.00%	0.00%	34.04%	33.50%	66.72%
Other Current Assets	2.00%	0.00%	0.00%	0.11%	0.36%	0.61%
Total Current Assets	55.90%	100.00%	0.00%	41.04%	42.36%	81.29%
Fixed Assets Net	25.90%	0.00%	0.00%	4.13%	4.02%	7.87%
Intangibles Net	6.70%	0.00%	0.00%	49.59%	48.50%	0.00%
Other Non-Current Assets	11.50%	0.00%	0.00%	5.23%	5.12%	10.84%
Total Assets	100.00%	100.00%	0.00%	100.00%	100.00%	100.00%
Accounts Payable	12.20%	0.00%	0.00%	4.19%	5.89%	9.54%
Short Term Notes Payable	2.50%	0.00%	0.00%	0.00%	0.00%	0.00%
Current Maturity LT Debt	2.90%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Current Liabilities	13.00%	0.00%	0.00%	1.01%	0.92%	1.97%
Total Current Liabilities	30.60%	0.00%	0.00%	5.20%	6.81%	11.52%
Long Term Debt	24.80%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Non-Current Liabilities	5.20%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Liabilities	60.60%	0.00%	0.00%	5.20%	6.81%	11.52%
Total Equity	39.50%	100.00%	0.00%	94.80%	93.19%	88.48%
Total Liabilities & Equity	100.10%	100.00%	0.00%	100.00%	100.00%	100.00%

Common Size Historical Income Statement

The Company was near the profitability of comparables but in 2019 and 2020 fell significantly below typical industry profitability.

Common Size Historic Income Statements

	RMA	Sep 2021	Sep 2020	Sep 2019	Sep 2018
Revenue	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods	74.30%	75.41%	77.72%	78.14%	77.99%
Gross Profit	25.70%	24.59%	22.28%	21.86%	22.01%
Operating Expenses	23.20%	21.77%	21.48%	20.89%	20.05%
Operating Profit	2.50%	2.82%	0.80%	0.98%	1.95%
Other Income/(Expense) Net	0.30%	0.13%	0.11%	0.14%	0.25%
Pre-Tax Profit	2.80%	2.95%	0.91%	1.11%	2.20%

Risk Management Association, Philadelphia, PA 2019

Common Size Adjusted Income Statement

Common Size Adjusted Income Statements

	RMA	Sep 2021	Sep 2020	Sep 2019	Sep 2018
Revenue	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods	74.30%	75.41%	77.72%	78.14%	77.99%
Gross Profit	25.70%	24.59%	22.28%	21.86%	22.01%
Operating Expenses	23.20%	20.93%	20.85%	20.54%	20.05%
Operating Profit	2.50%	3.66%	1.43%	1.32%	1.95%
Other Income/(Expense) Net	0.30%	0.13%	0.11%	0.14%	0.25%
Pre-Tax Profit	2.80%	3.79%	1.54%	1.46%	2.20%

Risk Management Association, Philadelphia, PA 2019

Ratio Analysis

Ratio Analysis is useful in comparing the subject Company ratios to competitor ratios. This information is useful to understand how financially strong the Company is and how well managed. A table of relevant ratios is shown below. A few significant ratios are commented on below:

Current and Quick Ratios – These ratios indicate the ability to meet payables as they come due. The Company has ranked very highly in this area.

Inventory Turn and Days Inventory – These ratios indicate the relationship between the amount of sales revenue and quantity of inventory kept on hand. These ratios indicate that the Company has managed inventory slightly more efficiently than the median competitors.

Total Asset Turnover – Total asset turnover shows the number of times all assets are turned. Namely, revenues / total assets. This is a measure of operating efficiency and show that these stores operated a little more efficiently than the median of competitors.

Financial Ratio Comparison

	Median RMA	Adjusted 2021	Historic 2021	Historic 2020	Historic 2019	Historic 2018
LIQUIDITY RATIOS:						
Current Ratio	2.2	-	-	7.89	6.22	7.06
Quick (Acid-Test) Ratio	0.5	-	-	1.33	1.25	1.21
Revenue/Accounts Receivable	-	-	-	1,219.55	1,763.85	2,053.87
Average Collection Period	**-**	**-**	**-**	**-**	**-**	**-**
Inventory Turnover	11.5	10.94	-	13.81	13.82	14.95
Days Inventory	**32**	**33**	**-**	**26**	**26**	**24**
COGS/Payable	52.8	-	-	112.08	78.65	104.53
Days Payable	**7**	**-**	**-**	**3**	**5**	**3**
Revenue/Working Capital (Days)	25.6	14.51	-	16.87	16.67	18.33
COVERAGE RATIOS:						
Times Interest Earned	3.9	205.06	159.88	7.90	4.41	8.73
NI+Non-Cash Expenditures / Current LTD	-	-	-	-	-	-
LEVERAGE RATIOS:						
Fixed Assets/Tangible Worth	0.6	-	-	0.09	0.09	0.09
Debt/Tangible Net Worth	1.2	-	-	0.12	0.15	0.13
Debt/Equity	1.5	-	-	0.05	0.07	0.13
OPERATING RATIOS:						
% Profits Before Taxes/Tangible Worth	31.50%	54.97%	0.00%	12.15%	14.77%	31.88%
% Profits Before Taxes/Total Assets	10.00%	54.97%	0.00%	5.49%	6.60%	28.21%
Fixed Asset Turnover	29.5	-	-	146.25	147.27	162.54
Total Asset Turnover	5.5	14.51	-	6.05	5.93	12.79
EXPENSE TO REVENUE RATIOS:						
% Deprtn., Depltn., Amort./Revenue	0.90%	0.15%	0.15%	0.20%	0.24%	0.22%
% Officers' &/or Owners' Compensation/Revenue	1.60%	0.00%	0.00%	0.00%	0.00%	0.00%

NORMALIZATION ADJUSTMENTS

The value of a business often depends upon the extent to which it generates earnings. However, small business owners have a fair amount of latitude in how they report the financial operations of their business. As a result, it is often necessary to adjust the historical financial statements before implementing selected valuation methods.

Making these adjustments is often referred to as "normalizing" the financial statements. The effect of normalizing the financial statements is to provide financial information that purports to represent a more economically realistic picture of the value of the assets and the financial operating results of the business.

These adjustments represent estimates and often fall into one of the three categories presented below:

- *Comparability Adjustments* - These adjustments are recorded to the subject company's financial statements in order to make the subject company more comparable to guideline companies or companies within the industry group that were used in comparative ratio analyses.

- *Non-operating/Nonrecurring Adjustments* - Non-operating or nonrecurring income or expense adjustments are removed from the income statement because they are either unrelated to the business operations or unlikely to recur in the future. Non-operating assets or liabilities are elements of the balance sheet that are removed so a more appropriate value of the operating company may be determined. The non-operating assets or liabilities are then added or subtracted to the resulting computed value to arrive at the total equity value of the company. An example of these types of adjustments would be the cost associated with discontinuing a portion of the business.

- *Discretionary Adjustments* - Discretionary adjustments are those expenses that are usually under the sole discretion of management or more typically the owners of the business. Often these expenses are between the company and the owners of the company (i.e., related party transactions). These adjustments are most appropriately made when valuing a controlling interest of a company. The adjustments generally represent the difference between the actual recorded book expense and the expense that would be incurred if transacted between the subject company and an independent third party. Examples of these types of adjustments include: officer's and owner's compensation, owner's perquisites, entertainment expenses, automobile expenses (e.g., personal use of company cars), compensation to family members, and other related party transactions.

Adjustments to the balance sheets and income statements are presented in the following sections.

Balance Sheet Adjustments

Based on the provided letter of intent I made adjustments to reflect the value of assets being conveyed at closing.

- We do not know if the fixed asset values tie into the tax returns as required by SBA or are GAAP or some other standard. Therefore we have not included them herein.
- We have estimated Inventory at the time of closing based on the inventory levels of the five stores based on historical data provided. This has been added below.
- No other assets or liabilities convey therefore no further adjustments were made.

Balance Sheet Adjustments

	Book Value 2021	Adjustments	Adjusted Book Value
ASSETS			
Cash	-		-
Accounts Receivable	-		-
Inventory	-	900,000	900,000
Other Current Assets	-		-
Total Current Assets	-	900,000	900,000
Fixed Assets	-		-
(Accumulated Depreciation)	-		-
Intangible Assets	-		-
(Accumulated Amortization)	-		-
Other Non-Current	-		-
Non-Operating Assets	-		-
Total Assets	-	900,000	900,000
LIABILITIES & EQUITY			
Accounts Payable	-		-
Income Taxes	-		-
Short Term Notes Payable	-		-
Current Portion of LT Debt	-		-
Other Current Liabilities	-		-
Total Current Liabilities	-	-	-
Long Term Debt	-		-
Other Non-Current Liabilities	-		-
Non-Operating Liabilities	-		-
Total Liabilities	-	-	-
Equity	-	900,000	900,000
Total Liabilities & Equity	-	900,000	900,000

Income Statement Adjustments

The Company's reported profit and loss statement was adjusted for one time charges and abnormalities as listed below:

- The purchaser believes that she can reduce the management fee to under $100,000. I have reduced it to $275,000 from over $300,000+ in the 2021 projection year and in prior years. I believe a typical fair market buyer would factor some cost savings as a large

corporation will have higher overhead costs than a local entrepreneur therefore this is a reasonable fair market value adjustment.

- The purchaser in her projection specified many other possible cost savings several of which are likely to be implemented. (Particularly rent reductions, repair/replacement of items requiring frequent repair.) I have not made any further adjustments based on those.

Income Statement Adjustments

	Sep 2021	Sep 2020	Sep 2019	Sep 2018
Historic Income Before Taxes	385,152	140,700	172,900	348,700
Adjustments to Revenue				
Revenues less Discounts and Allowances				
Other Income				
Net Increase (Decrease) in Revenue	-	-	-	-
Adjustments to Expense				
Cost of Goods Sold				
Depreciation/Amortization				
Officers' Compensation				
Operating Lease and Rent				
Payroll				
Tax-Fringes				
Advertising				
Supplies & Sundry				
Sanitation & Laundry				
Security				
Bank fees & Credit card charges				
Repairs - maintenance				
Utilities & Telephone				
Insurance				
Management fee	(109,545)	(97,800)	(53,400)	
Other				
Interest Expense				
Other Expense				
Net Increase (Decrease) in Expense	(109,545)	(97,800)	(53,400)	-
Net Increase (Decrease) to Income	109,545	97,800	53,400	-
Tax Effect				
Net Increase (Decrease) to Income After Tax	109,545	97,800	53,400	-
Historic Tax Expense	-	-	-	-
Adjusted Net Income	494,697	238,500	226,300	348,700

The adjusted Income Statements are as shown below.

Adjusted Income Statements

	Sep 2021	Sep 2020	Sep 2019	Sep 2018
Revenues less Discounts and Allowances	13,054,545	15,488,300	15,521,900	15,814,800
Cost of Goods Sold	9,844,242	12,037,100	12,128,500	12,334,700
Gross Profit	3,210,303	3,451,200	3,393,400	3,480,100
Operating Expenses:				
Depreciation/Amortization	19,697	31,100	37,500	35,400
Officers' Compensation	-	-	-	-
Operating Lease and Rent	465,758	494,900	507,900	494,400
Payroll	984,848	1,157,800	1,173,500	1,144,500
Tax-Fringes	111,818	130,100	125,200	127,000
Advertising	56,364	43,300	45,500	55,600
Supplies & Sundry	59,394	70,200	69,500	77,800
Sanitation & Laundry	40,303	47,700	43,800	44,000
Security	118,485	150,000	158,700	152,000
Bank fees & Credit card charges	59,697	68,200	69,300	67,000
Repairs - maintenance	114,848	133,500	154,200	151,100
Utilities & Telephone	336,061	336,700	355,500	372,500
Insurance	81,212	258,700	102,200	106,200
Management fee	275,000	275,000	275,000	275,700
Other	6,970	12,200	20,100	22,700
Total Operating Expenses	2,730,455	3,209,400	3,137,900	3,125,900
Operating Profit	479,848	241,800	255,500	354,200
Other Income/Expenses				
Interest Expense	2,424	20,400	50,700	45,100
Other Income	17,273	17,100	21,500	39,600
Other Expense	-	-	-	-
Income Before Taxes	494,697	238,500	226,300	348,700
Income Taxes	-	-	-	-
Net Income	494,697	238,500	226,300	348,700

APPROACH

There are three general approaches to business valuation: the Asset Based Approach, the Market Approach and the Income Approach. Within each approach, there are a variety of methods used to determine the value of a business.

Methods that fall under the Asset Based Approach ignore the earnings of a business and are best used to value a business with losses or a business which will be liquidated.

Market oriented methods are best used to value a business when sufficient data from arm's lengths transactions involving comparative companies is available for the analyst to apply relationships between that data and the data of the business in issue.

The Income Approach to business valuation assumes that an investor whose objective is return on investment will invest in a property with similar investment characteristics, but not necessarily the same business. This approach derives the value of the business by discounting the expected future income streams of the business by the expected rate of return of the business. Historical data is generally used as a starting point for estimating the future income of a business. Valuators will often value larger businesses using a discounted future earnings method because larger companies generally tend to more easily develop reliable economic income projections. On the other hand, smaller businesses may not be able to develop such reliable economic income forecasts. As a result, valuators will more often use the capitalization of earnings method in determining the value of such smaller companies.

The choice of the appropriate valuation method or methods to be used in a given valuation project is based on the judgment of the valuator. The valuator's choice of methods is determined by the characteristics of the business to be valued, the purpose and use of the valuation and its report, the pattern of historical performance and earnings of the subject company, the company's competitive market position, experience and quality of management, the availability of reliable information requisite to the various valuation methods, the marketability of equity ownership interest to be valued, and others.

These factors are embraced by the Internal Revenue Service's Revenue Ruling 59-60, which outlines relevant considerations when determining value of a closely held business:

- History and nature of the business
- Industry and general economic outlook
- Book Value and financial condition
- Earning capacity
- Dividend-paying capacity
- Existence of goodwill or other intangible value
- Prior sales and size of the block of stock; and comparisons to similar publicly traded guideline companies

This Revenue Ruling also states that common sense, informed judgment, and reasonableness are required by the valuator in determining.

ESTIMATE OF VALUE

Methodologies Considered But Rejected

While there are many methods that can be used to determine the fair market value of a company, the fact pattern in the specific case of Licensed - "Name" - grocery stores dictates that certain methodologies are inappropriate. The following lists those methods and the reasons why they are not used.

Asset Based - Adjusted Book Value - Going Concern Method

The adjusted book value going concern method develops a value by adjusting the reported book values of a subject company's assets to their actual or estimated fair market values and subtracting its liabilities (adjusted to their actual or estimated fair market values).

The adjusted book value methodology was rejected for determining the value of Licensed - "Name" - grocery stores because my review indicates that the value of the enterprise is driven by the ability of the collection of assets in place to generate a benefit stream that is more important in terms of valuation than the value of the underlying assets themselves. In other words, the value of the individual assets and their associated liabilities are less important than the manner in which management has utilized them.

Discounted Future Cash Flow Method

The discounted future cash flow method develops a value by summing up all the present values of discreet benefit streams that vary in future periods and, when the benefit stream becomes stable and sustainable, the present value of the terminal or benefit stream. This method was rejected in the valuation of Licensed - "Name" - grocery stores because I was unable to satisfy myself as to the forecast of future cash flows prepared by management and the lack of a reliable estimate of a stable, sustainable, terminal or ongoing benefit stream without which the method will produce unreliable results.

Capitalization of Excess Earnings Method

The capitalization of excess earnings method develops a value by blending pieces of the asset approach and the income approach. During Prohibition in the 1920's, this method was introduced to estimate the intangible value of breweries and distilleries lost as a result of enacting Prohibition laws. The methodology adds the present value of the excess portion of a benefit stream over the normal benefit stream provided by the assemblage of the assets to the fair market value of those assets generating the benefit stream. This method was rejected in the

valuation of Licensed - “Name” - grocery stores because based upon the information available to me other methods were more appropriate.

Determination of Fair Market Value

Capitalization of Cash Flow Method

Capitalization of cash flow requires an estimate of an ongoing benefit stream and a capitalization rate. This method estimates value to an investor. The capitalization rate represents the required rate of return minus the sustainable growth rate. Capitalization of cash flow effectively determines the present value of the Company’s ongoing economic benefit stream growing perpetually at a fixed rate and discounted at the required rate of return. The present value is representative of the amount a willing buyer and a willing seller would exchange for the business.

Estimate of Ongoing Benefit Stream

The analysis presented below represents the calculation of the ongoing economic benefit stream. It depicts the calculation of the after tax cash flows benefit stream.

Calculation of the Ongoing Economic Benefit Stream

COE Economic Stream

After Tax Cash Flow		Sep 2021	Sep 2020	Sep 2019	Sep 2018
Adjusted EBT		494,697	238,500	226,300	348,700
Adjusted Depreciation and Amortization		19,697	31,100	37,500	35,400
		514,393	269,600	263,800	384,100
Weight			1	1	
Weighted Average		266,700			
Less Ongoing Depreciation/Amortization Expense		34,300			
Taxable Base		232,400			
Less State Income Taxes	6%	13,944			
Sub-Total		218,456			
Less Federal Taxes (21%)		45,876			
Sub-Total		172,580			
Add Back Ongoing Depreciation/Amortization Expense		34,300			
Decrease/(Increase) in Working Capital					
Decrease/(Increase) in Capital Expenditures					
Increase/(Decrease) in Long Term Debt		-			
Ongoing Capacity		206,880			
Selected Ongoing Capacity		206,900			

The weighting above was selected because the Company results have been falling in 2019 and 2020 therefore 2018 results were above the likely trend. The projected 2021 year may show higher results because it is mainly based on 4th quarter results which include the holiday season and tend to have the highest revenues and profits of the year. Therefore I did not select 2021 projected results to use. Using 2020 and 2019 is the best indicator of future profitability based on reported Company trends.

Taxes

Taxes were calculated as $13,944 for the state and $45,876 for federal. The ongoing benefit stream was reduced by these outflows. I used the 2020 Corporate Tax Rate of 21%. I estimated the State Taxes at 6% New York's corporate tax rate.

Cash Flow

A cash flow stream needs to define the changes in working capital, capital expenditures and long term debt. The Company generates enough internal cash to support itself. The ongoing increase/decrease in working capital is $0. The ongoing increase/decrease in capital expenditures is $0. The change in long term debt amounts considered here is $0.

Capitalization Rate

Capitalization Rates

The discount rate represents the risk an investor is willing to take on for the potential reward an investment in the subject company will return. Different rates apply to types of businesses. It can also be considered the rate of return that an investor requires on an ongoing basis. This risk is not calculated in a vacuum or a sterile environment but rather it is calculated based on the factors that can be contrasted against the investment in other vehicles that are available and in the specific environment as of the valuation date.

The buildup method layers different risk estimates to build up a discount rate. The appropriate discount rate components for the Company are the risk free rate, equity risk premium, size premium and company specific premium. Subtracting sustainable growth from the discount rate develops the capitalization rate.

Risk Free Rate

The risk free rate measures the rate of return an investor can earn without taking any additional risk. Examples of risk free returns are the United States Treasury bonds. As of the beginning of the month containing the valuation date January 23, 2021, this yield was 1.7%. The rate applied to the buildup was 1.7%.

Equity Risk Premium

The equity risk premium represents the incremental risk an investor takes on for investing in stock of large public companies. This risk is measured by taking the returns of large public companies since 1926 and subtracting the risk free return over the same period (average annual returns for large capitalization stocks minus average annual returns for long-term government

bonds). This information is published by Duff and Phelps. As of January 23, 2021, the equity risk premium was 7.3% (rounded). The rate applied to Licensed - "Name" - grocery storeswas 7.3%.

Size Risk Premium

Empirical evidence shows that the risk reward principle (the greater the risk the greater the reward) holds true in the size or capitalization of the company. The size premium represents average annual returns for small capitalization stocks minus average annual returns for large capitalization stocks. Based on Cost of Capital Navigator, a database of Duff and Phelps, the small stock risk premium averaged 5.0%from 1926 to today. The rate applied to Licensed - "Name" - grocery stores was 5.0%.

Industry Risk Premium

Based upon the industry of the subject company as reported in Cost of Capital Navigator, a database of Duff and Phelps, the industry risk was calculated as -4.8%. Grocery stores are remarkably stable as indicated by this premium. The rate applied to Licensed - "Name" - grocery stores was -4.8%.

Specific Company Risk Premium

Based upon Company specific factors - cyclical risk, risks of competitive encroachment, size and various operating concentrations (Main considerations was need to turn-around the stores and improve performance, small size of company, restricted market area with low growth). I further used the Regression Equation Method provided by Duff and Phelps to estimate the Cost of Capital for a very small company. Reviewing specific risks I determined that the risk associated with the Company requires an additional risk premium of 15.0%.

Expected Sustainable Growth Rate

We estimate 4.0% long-term compound annual growth. This cash flow growth estimate is based upon my assessment of the Company's prospects for sustained growth in relationship to the estimate of ongoing cash flow power developed above. This is growth essentially at the current long term inflation rate plus about 2% which means I am assuming slow growth for the Company.

Rate Applied Against Current Year

The capitalization rate developed using the buildup method is 20.2%. This capitalization rate always applies to the next period in time. To convert to a capitalization rate to be used for the current period's cash flow base, this capitalization rate is divided by one plus the expected long-term growth rate (1+4.0%). The result is a capitalization rate of 19.4%. This correctly matches the time period that the rate applies to the time period the benefit stream is calculated for.

Calculation of the rate

The schedule below shows how the rate was calculated.

Calculation of Capitalization Rate		
Cost of equity		
Risk-free Rate of Return	1.7%	
Common Stock Equity Risk Premium	7.3%	
Small Stock Risk Premium	5.0%	
Plus/Minus Industry Risk Premium	-4.8%	
Company Specific Premium	15.0%	
Total Cost of Equity		24.2%
Less Sustainable Growth		4.0%
Next Year Capitalization Rate		20.2%
Current Year Capitalization Rate		19.4%
Selected Capitalization Rate		19.4%

Indicated Value

To calculate an indicated value for Licensed - "Name" - grocery stores, the next step is to use the after tax cash flows benefit steam and divide it by the rate.

Indicated Value Calculation

The following schedule presents the indicated value using the capitalization of earnings method. As calculated, the indicated fair market value is $1,066,495 is which has been rounded to $1,066,500.

Adjusted After Tax Cash Flow	206,900
Divide By	
Capitalization Rate	19.4%
Indicated Value	1,066,495
Selected Value	1,066,500

Market Data Method – P/EBITDA

Guideline companies are companies that provide a reasonable basis for comparison to the relevant investment characteristics of a company being valued. Guideline companies are often publicly traded companies, although they may be private, in the same or similar business as the subject of this valuation. Guideline companies are used as a basis to develop valuation conclusions with respect to a subject company under the presumption that a similar market exists for the subject company as exists for the guideline companies.

Ideal guideline companies are in the same business as the company being valued. However, if there is insufficient transaction evidence in the same business, it may be necessary to consider companies with an underlying similarity of relevant investment characteristics such as markets, products, growth, cyclical variability and other salient factors.

The guideline private company method uses a group of privately held companies selected for their ability to provide valuation guidelines for the analyst. The most commonly used version of the guideline company method develops a price/earnings ratio with which to capitalize net income. By convention, analysts express the relationship between the market price of a stock and its historical cash flow in the form of a ratio of the market price of cash flow for the most recent twelve months, i.e., price/cash flow (P/Cash Flow) ratio. If the public company group is sufficiently homogeneous with respect to the companies selected, their recent performances, and the public market's reaction to their performances, analysts typically calculate some form of average P//Cash Flow ratio as representative of the group.

Selected Guideline Companies

I researched guideline companies by first identifying the industry in which Licensed - "Name" - grocery stores operates and, using the North American Industry Classification System (NAICS Codes) for the industry, I performed a search for a group of companies in a similar line of business as that of the subject company. When provided, I also considered other possible companies mentioned by management or discovered in other research. In the end, further analysis of the remaining companies in terms of operating, financial, geographical, industry, and/or market characteristics to insure that the guideline companies are reasonable for inclusion in the guideline company group.

Specifically, I searched the Deal Stats database for transactions involving privately held guideline companies. The Deal Stats database is a mix of public data and a study of small business sales whereby relevant pricing information is collected from business brokers and transaction intermediaries on individual sales of small businesses.

The search parameters used in determining whether or not a particular transaction in the Deal Stats database was comparable to the subject company were businesses in the same NAICS code 445110 grocery stores with net sales between $1,000,000 and $20,000,000, EBITDA greater than $50,000.

This produced 16 results with a MVIC/EBITDA ratio showing a median result of 4.9 times, a mean result of 4.8 times. I charted the results by profitability and found that the Cash Flow multiplier trend line as high as 8 for a 2% EBITDA profitability measure. The bulk of the points hovered between 3 times and 5 times. Based on the reported results of the Company, store locations and conditions, and other reviewed considerations I selected the P/Cash Flow ratio as 4.00.

Estimate of Cash Flow Stream

The analysis presented below represents the calculation of the ongoing economic benefit stream. It depicts the calculation of the cash flow benefit stream.

Market Data – Cash Flow Calculation

Market Data EBITDA Base

	Sep 2021	Sep 2020	Sep 2019	Sep 2018
Adjusted EBT	494,697	238,500	226,300	348,700
Adjusted Interest Expense	2,424	20,400	50,700	45,100
Adjusted Depreciation/Amortization	19,697	31,100	37,500	35,400
EBITDA	516,818	290,000	314,500	429,200
Weight on EBITDA		1	1	
Weighted Average EBITDA	**302,250**			
Selected EBITDA Base	**302,300**			

The weighting above was selected because the Company results have been falling in 2020 and 2019 therefore 2018 results were above the likely trend. The projected 2021 year may show higher results because it is mainly based on 4th quarter results which include the holiday season and tend to have the highest revenues and profits of the year. Therefore I did not select 2021 projected results to use. Using 2020 and 2019 is the best indicator of future profitability based on reported Company trends.

Indicated Value Calculation

The following schedule presents the indicated value using the market data P/Cash Flow ratio method. As calculated, the indicated fair market value of Licensed - "Name" - grocery stores is $1,209,200 which has been rounded to $1,209,200.

Market Data P/EBITDA Indicated Value

	DealStats
EBITDA Base	302,300
P/EBITDA Multiple	4.00
Sub-Total	1,209,200
Adjustment	-
Sub-Total	1,209,200
Indicated Value	1,209,200
Selected Value	1,209,200

Application of Minority Interest Discount

A minority interest discount is a reduction to the initial indicated value due to a lack of control prerogatives such as declaring dividends, liquidating the company, going public, issuing or buying stock, directing management, setting management's salaries, etc. In my opinion, a minority interest discount of 0.0% is appropriate because the new owner will own 100% of the stock after the sale and has control.

Application of Marketability Discount

In my opinion, a discount of 0.0% is required for lack of marketability. This Company is reasonably marketable by the Control owner. This valuation is being performed to determine reasonableness of a price as of the date of closing. There are no time based marketability discounts on the date of closing.

Application of Control Premium

A control premium is an increase to the initial indicated value due to the existence of control prerogatives such as declaring dividends, liquidating the company, going public, issuing or buying stock, directing management, setting management's salaries, etc. In my opinion, a control premium of 0.0% is appropriate because a large block of shares are being sold.

CONCLUSION OF VALUE

The reconciliation of the methods to determine 100% enterprise value of the Company in a sale of substantially all of the assets:

Conclusion of Value

Valuation Indication by Method	Indicated Value	Weight Number	Weight Percent
Going Concern Value	900,000		0%
COE Indicated Value	1,066,500	1	50%
Market Data P/EBITDA Indicated Value	1,209,200	1	50%
Sub-Total	1,137,850	2	100%
Indicated Value	1,137,850		
Selected Conclusion of Value	1,137,900		

Reconciliation of Indications of Value

The valuation methods that have been selected to determine the value of the Company have resulted in consistent figures of the indicated value of the Company. There have been no independent discounts or premiums to apply. However the reliability of each method must be further examined in order to select the most suitable method and thereby reach a Conclusion or Opinion of value.

Asset Approach – Going Concern Value. This method only takes into account the depreciated tax asset value of conveyed assets as specified by the SBA plus estimated conveyed inventory. (Usually an adjusted market value of the assets would be used.) Because this method does not utilize the earnings power of the company to measure goodwill above the tangible assets in estimating value it is not a reliable figure for estimating the value of a going concern business. It is shown here only to specify the estimated value of tangible assets.

Income Approach - The Capitalization of Earnings Method. This method treats the business as a pure investment and stresses the measure of financial returns verses other potential investments an investor may make. Yet there are many assumptions being made to reflect the current market. These include calculating an equity capitalization rate, adjusting cash flow for future working

capital and capital investment needs etc. Unlike some small businesses this business has sufficient earnings to use this model and the cash flows appear substantiated. In addition the Duff and Phelps build up data is the current standard for use in business valuation. For these reasons we have chosen to apply a 50% weight to our indicated value under the Income Approach - Capitalization of Earnings Method.

Market Approach – SDE Cash Flow Method. This method attempts to compare the Company to similar sale situations in the open market. In theory this is the best indicator of value. This market methodology uses cash flow as a constant between companies. Cash flow is difficult to determine between different operators due to efficiency and accounting differences. In most instances I have to estimate add backs and adjustments and it is hard to be sure there is consistency between comparable data and my calculations. In this case the add-backs appear simple and straight forward. In our experience when a company has strong cash flow then the cash flow method will be the primary indicator of value. Also, the Deal Stats database is recognized as being reliable and we had sufficient comparables therefore I have elected to apply a total of 50% weight to our indicated values under the Market Approach – SDE Cash Flow Method.

Opinion of Fair Market Value

I have performed a valuation engagement, as that term is defined in the Statement on Standards for Valuation Services (SSVS) of the American Institute of Certified Public Accountants, of Licensed - "Name" - grocery stores This valuation was performed solely to assist in the matter of a SBA loan approval; the resulting estimate of value shoud not be used for any other purpose or by any other party for any purpose. This valuation engagement was conducted in accordance with SSVS, NACVA and USPAP of Five Licensed - "Name" - grocery stores with a valuation date as of January 23, 2021. The fair market value as of the valuation date is $1,137,900. This conclusion is subject to the conditions in the Opinion Letter and Report including the Statement of Assumptions and Limiting Condition and Appendix B and to the Valuation Analyst's Representation found in Appendix A. We have no obligation but do reserve the right to update this report or our conclusion of value for information that comes to our attention after the date of this report.

Harvest Business, LLC
March 3, 2021

SAMPLE……UNSIGNED

Gregory R. Caruso, JD, CPA, CVA
Principal

APPENDIX A: VALUATION ANALYST'S REPRESENTATIONS

The analyses, opinions, and conclusion of value included in the valuation report are subject to the specified assumptions and limiting conditions in the report and in Appendix B, and they are the personal analyses, opinions, and conclusion of value of the valuation analyst.

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

The valuation engagement was performed in accordance with SSVS, NACVA and USPAP governing standards.

The parties for which the information and use of the valuation report is restricted are identified; the valuation report is not intended to be and should not be used by anyone other than such parties.

The analyst's compensation is fee-based and is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the estimate of value or the attainment of a stipulated result.

The valuation analyst did not use the work of one or more outside specialists to assist during the valuation engagement.

The valuation analyst has no obligation to update the report or the opinion of value for information that comes to his or her attention after the date of the report.

Signature of the Analyst:
Harvest Business, LLC
March 3, 2021

SAMPLE……UNSIGNED

Gregory R. Caruso, JD, CPA, CVA
Principal

APPENDIX B: LIMITING CONDITIONS

1. The conclusion of value arrived at herein is valid only for the stated purpose as of the date of the valuation.

2. Financial statements and other related information provided by Licensed - "Name" - grocery stores or its representatives, in the course of this engagement, have been accepted without any verification as fully and correctly reflecting the enterprise's business conditions and operating results for the respective periods, except as specifically noted herein. Harvest Business Advisors has not audited, reviewed, or compiled the financial information provided to me and, accordingly, I express no audit opinion or any other form of assurance on this information.

3. Public information and industry and statistical information have been obtained from sources I believe to be reliable. However, I make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.

4. I do not provide assurance on the achievability of the results forecasted by Licensed - "Name" - grocery stores because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.

5. The conclusion of value arrived at herein is based on the assumption that the current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of the enterprise through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed.

6. This report and the conclusion of value arrived at herein are for the exclusive use of my client for the sole and specific purposes as noted herein. They may not be used for any other purpose or by any other party for any purpose. Furthermore the report and conclusion of value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The conclusion of value represents the considered opinion of Harvest Business Advisors, based on information furnished to them by Licensed - "Name" - grocery stores and other sources.

7. Neither all nor any part of the contents of this report (especially the conclusion of value, the identity of any valuation specialist(s), or the firm with which such valuation specialists are connected or any reference to any of their professional designations) should be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct

transmittal, or any other means of communication without the prior written consent and approval of Harvest Business Advisors.

8. Future services regarding the subject matter of this report, including, but not limited to testimony or attendance in court, shall not be required of Harvest Business Advisors unless previous arrangements have been made in writing.

9. Harvest Business Advisors is not an environmental consultant or auditor, and it takes no responsibility for any actual or potential environmental liabilities. Any person entitled to rely on this report, wishing to know whether such liabilities exist, or the scope and their effect on the value of the property, is encouraged to obtain a professional environmental assessment. Harvest Business Advisors does not conduct or provide environmental assessments and has not performed one for the subject property.

10. Harvest Business Advisors has not determined independently whether Licensed - "Name" - grocery stores is subject to any present or future liability relating to environmental matters (including, but not limited to CERCLA/Superfund liability) nor the scope of any such liabilities. Harvest Business Advisors valuation takes no such liabilities into account, except as they have been reported to Harvest Business Advisors by Licensed - "Name" - grocery stores or by an environmental consultant working for Licensed - "Name" - grocery stores, and then only to the extent that the liability was reported to us in an actual or estimated dollar amount. Such matters, if any, are noted in the report. To the extent such information has been reported to me , Harvest Business Advisors has relied on it without verification and offers no warranty or representation as to its accuracy or completeness.

11. Harvest Business Advisors has not made a specific compliance survey or analysis of the subject property to determine whether it is subject to, or in compliance with, the American Disabilities Act of 1990, and this valuation does not consider the effect, if any, of noncompliance.

12. It is assumed that there are no contingent liabilities, such as unknown lawsuits, unfunded pension liabilities and the like unless they have been reported to us and reported by us specifically in our report.

13. No change of any item in this appraisal report shall be made by anyone other than Harvest Business Advisors, and I shall have no responsibility for any such unauthorized change.

14. Unless otherwise stated, no effort has been made to determine the possible effect, if any, on the subject business due to future Federal, state, or local legislation, including any environmental or ecological matters or interpretations thereof.

15. If prospective financial information approved by management has been used in my work, I have not examined or compiled the prospective financial information and therefore, do not express an audit opinion or any other form of assurance on the prospective financial information or the related assumptions. Events and circumstances frequently do not occur as expected and there will usually be differences between prospective financial information and actual results, and those differences may be material.

16. I have conducted written interviews with the current management of Licensed - "Name" - grocery stores concerning the past, present, and prospective operating results of the company.

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

APPENDIX C: QUALIFICATIONS OF APPRAISER

Gregory R. Caruso, JD, CPA, CVA

Partner, Harvest Business, LLC t/a Harvest Business Advisors
Maryland Office: 9520 Berger Road, Suite 212, Columbia, Maryland 21046
Primary phone: 609-664-7955 (receives texts)
Back Office and Correspondence Address: 9 Wayne Way, East Windsor, New Jersey 08520
gcaruso@harvestbusiness.com
www.harvestbusiness.com

Curriculum Vitae

Current Practice:

Greg Caruso's primary practice area for the last 20 years is the valuation and preparation of private businesses for internal (family or management) and market transfers. This involves valuation, exit planning, succession strategy and business brokerage using experience gained as attorney, accountant, broker, and business owner over 35 years.

Partial Experience:

- Valuations for Litigation including divorce and partner disputes, SBA Loan Approval, Shareholder Agreements, IRS Gift Tax Purposes, Planning
- Lead broker in over 60 private business market sale transactions. All transactions included valuation, market positioning, identifying buyers, transaction structure, financing the buyer, negotiations and follow-through to closing.
- Property sales, debt and equity capitalizations, and commercial property sales as owner, attorney and broker. Arranged and negotiated private equity investments as partner and attorney.
- Involved in structuring family transitions and management buy-outs. Solved issues such as bonding complications, tax issues, handling of trailing liabilities etc.

- Partial list of valuation, brokerage, and consulting services:

  - Software programing, professional business services, HVAC Contractors, plumbing contractors, government contractors with varying specialties, flooring contractors, nurseries, florists, flooring retailers, managed care facilities, indoor sports center, surgery center, paper shredding, medical practices, wireless Internet providers, food service, financial planning, insurance, manufactures, suppliers, engineering firms, trade and technical schools, window sales, florists, software publishing companies, networking and technical support, accounting practices, restaurants, bars, tax preparation services, card stores, furniture retailers, auto repair.

- Founded a transactional law practice and title company, which performed over 1,600 transactions in six years.

- Managing Partner in a start-up homebuilding company, which grew to 70 deliveries yearly (approximately $30,000,000 in revenues in today's dollars) prior to the sale of interest.

❖ Extensive experience and training at a leading general contractor including estimating, purchasing, contract negotiations, project management over 10 years.

Education and Licenses:

Juris Doctor, School of Law, University of Maryland at Baltimore, 1984

B.S. Accounting, University of Maryland, College Park, 1981

- Admitted to the Maryland Bar, 1985
- Passed CPA Exam, Maryland, 1983
- Licensed Maryland Real Estate Broker
- Passed CVA exam and Case Study

Associations

- National Association of Certified Valuators and Analysts (NACVA)
    - Currently serving on the Ethics Committee.
- DC / Maryland NACVA, Past President
- New Jersey NACVA, Past President
- AICPA
- Attorney – CPA Association
- ESOP Association

Editor-In-Chief

- Editor: *Around the Valuation World*, a monthly two hour webinar based update of current valuation issues, National Association of Certified Valuation Analysts (NACVA)

Non Profits

- Princeton Corridor Rotary
- There Goes My Hero – Past President, Baltimore Based Non Profit providing nourishing meals, bone marrow registrations, and support to the Blood Cancer Community.

Testimony

- Christopher Brady Franz vs. Andrew D. Tsottles, et al. 12C17002134, appeared as fact witness related to business valuation

Books

- The Art of Business Valuation, How to Value a Small Business, Wiley, Fall 2020
- 11 Secrets To Selling Your Business, Book, March, 2007, Authorhouse.

Other Publications

- Contractors Compass, ASA, "Exit Planning – Is it Time?" and Corporate Strategy from a Concrete Superintendent Point of View", April 2016
- Various Articles in Networked and Connected for the Maryland Construction Network
- Contractors Compass Magazine "A Time for Basics: Building a Profitable and Transferable Business" Sept.2013
- American Subcontractor's Association, Maryland Various Newsletter Articles 2013
- Quoted Extensively, NFIB National Federation of Independent Business, 2011 "5 Ways to Increase the Value of Your Company – Before You Sell It" www.nfib.com
- Quoted Extensively Bloomberg Businessweek "Sell the Product or the Entire Company, August 27, 2010
- Quoted Extensively, Baltimore Business Journal, "Acquiring Times" Dec 17, 2010
- Co Authored with Christopher Schipske, National TaxPro Journal, Fall 2009, "Decoding Code Section 7216"
- Quoted Extensively, Baltimore Smart CEO, August, 2009
- Quoted, Go Magazine, For Sale By Owner, August 2009
- Quoted Extensively, Baltimore Business Journal, May 5-11, 2006 "4 Ways to Increase the Sales Price of Your Business"
- Baltimore Business Journal, October 23-27, "Growing Your Business with Your Exit in Mind"
- Inc Magazine, March, 2006, Letter to Editor – "Go With the Vision Guy"
- International Business Brokers Association, Newsletter, "Marketing for Business Brokers", Summer, '04
- Business Monthly, Columbia, Maryland Multiple Articles, www.bizmonthly.com
- Free State Accountant, Journal of the Maryland Society of Accountants, "Using Strategic Acquisitions to Grow Your Accounting Firm" August-September, '04

Presentations and Workshops

- Moderator and occasional presenter on monthly webinar "Around the Valuation World" (as part of being Editor in Chief) Monthly between January 2016 to current.
- "Succession & Exit Planning" for the Society of Financial Services Professionals, Maryland, April 3, 2018
- "Business Valuation for Bankers" for Access National Bank July 19, 2016
- "Extraordinary Exits for Contractors" for the Heating & Air Conditioning Contractors of MD, March 10, 2016
- "Buying, Selling, Valuing Small Businesses: The Similarities and Differences" VPS, Valuation Products & Services (Jim Hitchner) December 20, 2016
- "Taxation of Taxable M&A Transactions for M&A Professionals" NACVA Regional Conference, December 8, 2015, Ft Lauderdale, Florida
- "Legal Issues in Business Valuation", Maryland NACVA Chapter, October 30, 2015
- "How to Build a Business So Awesome You Can Sell It But Won't Want To" Remodelers Advantage, October 7, 2014, Charleston SC.

- “Family Transitions For Subcontractors” for the American Subcontractor Association, New Orleans, March 8, 2014
- Three Webinars on M&A and Exit Planning for the National Association of Certified Valuation Analysts during 2013
- National Association of Certified Valuation Analysts – Part of “Around the Valuation World in 90 Minutes” a Monthly Continuing Education Webinar. M&A Topic Expert since 2013; Topics have included SBA Business Valuation, ESOPS, Working with Distressed Companies, etc.
- American Subcontractor Association – Maryland; Roundtable Leader – Subcontractor Business Exits October 22, 2013
- American Subcontractor Association Maryland; “Buying as Competitor As a Way to Grow” March 15, 2013
- National Association of Insurance and Financial Advisors, Maryland, May 17, 2013, October 11, 2012, August 2, 2012, “Extraordinary Exits”
- Building Expo, November 27, 2012, “Extraordinary Exits for Contractors”
- Maryland State CPA Association, AA Cty Chapter, August 20, 2012, “How to Help Your Clients Prepare for the Sale of Their Business”
- Society of Financial Service Professionals, March 2012; “Exciting Exits”
- Society of Practicing CPA’s. Summer 2011; “Exciting Exits”
- Maryland Subcontractor Association, Fall 2010, “Growth Strategies in Difficult Times”
- Attorney – CPA Association, Fall Conference 2010, “Non-Family Transfers”
- DC / Maryland NACVA, Spring 2009, “Problems with Market Data and the Market Value Method”
- Maryland Association of Certified Public Accountants, Fall 2008, “Succession and Exit Strategies that Work”
- International Business Brokers Association, Spring 2008, “How to be a Recognized Expert In Your Market”
- Vistage Group Workshops, Fall 2008, “Succession and Exit Strategies – Systematically Building Business Value”
- Various Local Business Peer Groups, Fall 2008, “Succession and Exit Strategies that Work”

APPENDIX D: SOURCES OF INFORMATION

- Operating Report for Licensed - “Name” - grocery stores dated 9/29/2018, 9/28/2019, 10/03/2020
- Store Level Income Statements for 9/29/2018, 9/28/2019, 10/3/2020, 2/12/2021
- Balance Sheet dated 09/30/2020, 09/30/2019, and 09/30/2018 for 5 Licensed - “Name” - grocery stores
- Inventory Report for _____, NY Store dated 01/17/2021, 09/22/2019, and 09/02/2018
- Inventory Report for _____, NY Store dated 01/17/2021, 09/22/2019, and 09/16/2018
- Inventory Report for _____, NY Store dated 12/13/2020, 09/22/2019, and 09/16/2018
- Inventory Report for _____, NY Store dated 11/15/2020, 08/11/2019, 09/15/2019, and 09/23/2018
- Inventory Report for _____, NY Store dated 01/17/2021, 09/22/2019, and 08/26/2018
- License and Supply Agreement
- History and Detail 6 NY Licensed-”Name”-Grocery locations
- Multi Year Pro Forma Projections 2020-2026 for 6 Licensed-”Name”-Grocery locations
- 2020 BIFS Upstate Supermarkets Inc. 3 years for 6 Licensed-”Name”-Grocery Locations
- 2020 LOI for 6 Licensed - “Name” - grocery stores
- 2021 PROFORMA Upstate supermarket Inc. Projections
- Bank Commitment Letter
- Bank Credit Submission
- Revenue Cash Multiplier Chart for Grocery Stores
- Asset Purchase Agreement dated 02/18/2021
- Assignment and Assumption of Lease for 2160 Genesee St., Buffalo, NY
- Lease Agreement for 16,000 square feet in the shopping center located at____, NY
- Assignment of Lease for _____, NY
- Assignment of Lease for _____, NY
- Lease Agreement _____, NY
- Upstate Supermarket, Inc. d/b/a Licensed-”Name”-Grocery Business Plan
- Information from Google Maps, RMA, Deal Stats, the Federal Reserve and other information reporting services

This information was accepted without further verification. See the Report and Appendix B for a complete list of the assumptions and limitations to which this valuation report is subject to.

APPENDIX E: FEDERAL RESERVE REPORTS

Minutes of the Federal Open Market Committee

December 15-16, 2020

Staff Review of the Economic Situation
The COVID-19 pandemic and the measures undertaken to contain its spread continued to affect economic activity in the United States and abroad. The information available at the time of the December 15–16 meeting suggested that U.S. real gross domestic product (GDP) was continuing to recover in the fourth quarter, but at a more moderate pace than its rapid third-quarter rate, and that the level of real GDP remained well below its level at the start of 2020. Labor market conditions improved further over October and November, although employment continued to be well below its level at the beginning of the year. Consumer price inflation through October—as measured by the 12-month percentage change in the PCE price index—remained notably below the rates seen in early 2020.

Total nonfarm payroll employment continued to increase solidly over October and November, though the rate of monthly job gains was more moderate than the substantial third-quarter pace. Through November, payroll employment had regained somewhat more than half of the losses seen at the onset of the pandemic. The unemployment rate moved down further and stood at 6.7 percent in November. The unemployment rates for African Americans and Hispanics each declined but remained well above the national average. Both the labor force participation rate and the employment-to-population ratio in November were above their levels of two months earlier. The four-week moving average of initial claims for unemployment insurance was only slightly lower in early December than it had been in late October. Weekly estimates of private-sector payrolls constructed by Federal Reserve Board staff using data provided by the payroll processor ADP suggested that the four-week average of private employment gains in early December was lower than it was in mid-November. Both the 12-month change in average hourly earnings for all employees through November and the four-quarter change in total labor compensation per hour in the business sector through the third quarter continued to be dominated by changes in the composition of the workforce. The substantial employment losses over the past year were most significant among lower-wage workers—a situation that had led to outsized increases in these average measures of earnings and compensation that were not indicative of tight labor market conditions.

Total PCE price inflation was 1.2 percent over the 12 months ending in October, and it continued to be held down by relatively weak aggregate demand and the declines in consumer energy prices seen earlier in 2020. Core PCE price inflation, which excludes changes in consumer energy prices and many consumer food prices, was 1.4 percent over the same period, while the trimmed mean measure of 12-month PCE price inflation constructed by the Federal Reserve Bank of Dallas was 1.7 percent in October. In November, the 12-month change in the consumer price index (CPI) was 1.2 percent, while core CPI inflation was 1.6 percent over the same period. The latest readings on survey-based measures of longer-run inflation expectations edged up, though each remained within the range in which it has fluctuated in recent years; in November and early December, the University of Michigan Surveys of Consumers measure for the next 5 to

10 years was slightly above its level in October, while the 3-year-ahead measure produced by the Federal Reserve Bank of New York rose a bit in November.

Real PCE rose strongly in October, though at a more moderate pace than in the third quarter. Real disposable personal income declined in October, reflecting a large reduction in government transfer payments, even though wage and salary income continued to climb. As a result, the personal saving rate moved lower, though it continued to be notably above its 2019 average. In November, the components of the nominal retail sales data used to estimate PCE, along with the rate of light motor vehicle sales, stepped down, possibly reflecting the effects on consumer spending of renewed social-distancing measures and concerns about the resurgent pandemic. Consumer sentiment, as measured by both the Michigan survey and the Conference Board, moved somewhat lower, on net, since October, although both indexes were still above their April troughs.

Housing-sector activity advanced further, on balance, in October, supported in part by low interest rates. Starts and construction permits for single-family homes continued to rise, while starts of multi-family units moved sideways. Sales of existing homes increased solidly, though new home sales were roughly flat.

Business fixed investment appeared to be expanding further, on net, in the fourth quarter following an outsized third-quarter increase. Nominal shipments of nondefense capital goods excluding aircraft rose strongly in October, and new orders for these capital goods continued to advance. By contrast, nominal spending on nonresidential structures outside of the drilling and mining sector declined further in October. The number of crude oil and natural gas rigs in operation—an indicator of business spending on structures in the drilling and mining sector—continued to move up somewhat through early December, although the number of rigs in operation was still subdued, reflecting the effect of low oil prices on drilling investment.

Industrial production rose strongly over October and November, led by gains in manufacturing output, but production was still below its February pre-pandemic level. The pickup in the production of motor vehicles and related parts was particularly strong in November. Output in the mining sector—which includes crude oil and natural gas drilling and extraction—increased, on net, over October and November.

Total real government purchases appeared to be declining moderately, on balance, in the fourth quarter. Federal defense spending continued to rise in October and November, although federal employment declined with the layoff of temporary census workers. State and local government payrolls decreased in October and November, and nominal state and local construction expenditures in October were somewhat below their third-quarter level.

The nominal U.S. international trade deficit widened in October. Both imports and exports continued to rebound from their collapse in the first half of the year. Goods imports in October rose above their January level after several months of strong growth. Goods exports, however, had only recovered three-fourths of their decline since January despite brisk growth in agricultural exports. Services trade remained depressed, driven by the continued suspension of most international travel.

After a strong rebound in the third quarter, foreign economic growth appeared to slow sharply in recent months. The resurgence of coronavirus infections in Europe and Canada prompted governments to reintroduce social-distancing restrictions, leading to a fall in measures of

mobility and services activity. Even so, with restrictions less severe and more targeted than in the spring, the hit to economic activity looked to be more limited. Economic growth appeared to hold up better in several emerging Asian economies. In these economies, effective virus control was supporting domestic demand, while strong external demand boosted exports. Inflationary pressures remained subdued in most foreign economies amid substantial economic slack.

Beige Book - January 13, 2021

Federal Reserve Bank of New York

Summary of Economic Activity
Economic activity in the Second District weakened moderately in the latest reporting period. The labor market has softened somewhat, with employment slipping in almost all service industries, where activity has been further constrained by a rise in COVID-19 cases, increased restrictions, and cold weather. However, businesses reported a modest increase in hiring plans and rising wage pressures. Input prices continued to rise at a moderate pace, and selling prices picked up modestly. Consumer spending declined, with holiday sales down from last year and auto sales weakening. Tourism picked up slightly in the latter half of December but was still at depressed levels. Housing markets have been mixed, while markets for office and retail space weakened further. Finally, banks reported some pickup in loan demand and little change in delinquency rates. Despite the recent weakening in business conditions, contacts grew somewhat more optimistic about the near-term outlook.

Employment and Wages
The labor market softened somewhat in the final weeks of 2020. A major New York City employment agency noted that hiring activity has been depressed, though this is typically a slow season; no significant pickup is expected until the spring at the earliest.

Businesses in almost all sectors, most notably construction and leisure & hospitality, reported weakening employment. The only exceptions were manufacturing and finance, where employment was reported to be little changed. Looking ahead, however, businesses expected that they would add staff, on net—especially in the manufacturing, wholesale trade, and information sectors

Wages have accelerated moderately, with more businesses indicating rising wages than at any point since the start of the pandemic. The most widespread increases were reported in the retail trade sector. A number of contacts in New York State remarked that the year-end hike in the minimum wage has been burdensome. Looking ahead, businesses expect wages to accelerate somewhat—particularly in retail & wholesale trade and, to a lesser extent, in construction, information and professional & business services.

Prices
Businesses' input prices overall have continued to rise moderately, with contacts in the manufacturing, distribution, and construction sectors reporting substantial upward pressure on

prices paid. Businesses in most sectors expect further increases in the prices they pay in the months ahead.

Selling prices have accelerated modestly, led by fairly widespread hikes among retailers, wholesale distributors, and manufacturers. Looking ahead, a rising proportion of businesses indicated plans to raise their selling prices in the next few months—most notably in the wholesale and manufacturing sectors.

Consumer Spending

Consumer spending weakened since the last report. Retail holiday spending has been mixed. Sales at major retailers in New York City have been dismal, reflecting a lack of both tourists and office workers. However, retailers in upstate New York and other parts of the District noted that sales improved somewhat in December and were on or a bit above plan, though still down sharply from a year earlier.

New vehicle sales weakened further in late 2020, falling well below comparable 2019 levels, according to dealers in upstate New York. This weakness was attributed to both weaker demand and low inventories—particularly for trucks and SUV's. Sales of used vehicles also weakened, reflecting softer demand. Consumer confidence among residents of the Middle Atlantic region (NY, NJ PA) fell to a multi-year low in December, reflecting a weakening assessment of current conditions.

Manufacturing and Distribution

Manufacturing activity continued to expand at a subdued pace in December, while wholesale trade contacts reported weakening activity. Transportation firms noted a modest pickup in activity. A few contacts indicated delays in getting shipments from overseas.

Looking ahead, manufacturers and wholesalers expressed widespread optimism about the outlook, while transportation & warehousing contacts, who had been fairly gloomy in recent months, have become mildly optimistic in the latest reporting period.

Services

Service industry contacts reported marked weakening in business activity in the latest reporting period. Contacts in the professional & business services, information, and leisure & hospitality sectors reported widespread declines in activity, while those in education & health reported more moderate declines. Looking ahead, professional & business service firms expressed increased optimism about prospects for the first half of 2021, while those in other industries expected little change.

Tourism in New York City has remained exceptionally weak, though there was a modest pickup in the latter part of December. Restrictions on indoor dining combined with the onset of cold weather have hit restaurants hard. A number of hotels have closed, some permanently, and the occupancy rate among those still open has hovered around 35 percent—higher on weekends, lower during the week. With business travel moribund, most hotel stays are from weekenders and subsidized housing for the homeless, with a bit of an uptick in late December from holiday visitors. An authority on New York City's tourism sector noted that advance bookings have

grown much shorter, due to uncertainty about the pandemic, and expects visitations to rebound gradually over the next two years, with business and international visits lagging the most.

Real Estate and Construction

Housing markets have remained mixed in the latest reporting period. Sales markets in upstate New York remained strong in the final weeks of 2020, with homes selling quickly and prices continuing to rise. New York City's co-op and condo market has picked up in recent weeks, with both sales and prices rising modestly, though still below late-2019 levels. Housing markets in areas around New York City, on the other hand, have leveled off, following an exceptionally strong third quarter. The number of new listings is up from a year ago, while the inventory of homes on the market remains high in New York City but low elsewhere.

The residential rental market has continued to weaken, led by New York City. Partly reflecting increased landlord concessions, effective rents in Manhattan and Queens are reported to be down more than 20 percent from a year earlier and down 8 percent in Brooklyn. Rental vacancy rates across New York City are reported to be at multi-decade highs.

Commercial real estate markets have weakened further, to varying degrees, across the District. Retail and office markets have been particularly weak in New York City, with asking rents trending down and well below year-earlier levels. Elsewhere, office markets have been modestly weaker, while retail markets have mostly been flat. The market for industrial space, however, has remained fairly firm.

New construction activity has remained sluggish in both the residential and commercial segments. Contacts in the construction industry continued to report weakening activity but have grown substantially less pessimistic about the near-term outlook. Contacts continued to report sharp increases in the cost of materials and scattered shortages and delays.

Banking and Finance

Finance-sector contacts generally reported widespread declines in business activity since the last report. Small to medium sized banks in the District reported higher loan demand across all categories, along with a modest increase in refinancing activity in the final weeks of 2020. Bankers reported tightened credit standards for consumer loans and commercial mortgages and narrowing spreads across all loan categories. Delinquency rates declined for consumer and C&I loans but rose for commercial mortgages. Finally, contacts reported some increased leniency for delinquent commercial mortgages.

APPENDIX F: GLOSSARY

International Glossary of Business Valuation Terms*

To enhance and sustain the quality of business valuations for the benefit of the profession and its clientele, the below identified societies and organizations have adopted the definitions for the terms included in this glossary. The performance of business valuation services requires a high degree of skill and imposes upon the valuation professional a duty to communicate the valuation process and conclusion in a manner that is clear and not misleading. This duty is advanced through the use of terms whose meanings are clearly established and consistently applied throughout the profession. If, in the opinion of the business valuation professional, one or more of these terms needs to be used in a manner which materially departs from the enclosed definitions, it is recommended that the term be defined as used within that valuation engagement. This glossary has been developed to provide guidance to business valuation practitioners by further memorializing the body of knowledge that constitutes the competent and careful determination of value and, more particularly, the communication of how that value was determined. Departure from this glossary is not intended to provide a basis for civil liability and should not be presumed to create evidence that any duty has been breached.

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

Adjusted Book Value Method–a method within the asset approach whereby all assets and liabilities (including off-balance sheet, intangible, and contingent) are adjusted to their fair market values. {NOTE: In Canada on a going concern basis}
Adjusted Net Asset Method–see **Adjusted Book Value Method**.
Appraisal–see **Valuation**.
Appraisal Approach–see **Valuation Approach**.
Appraisal Date–see **Valuation Date**.
Appraisal Method–see **Valuation Method**.
Appraisal Procedure–see **Valuation Procedure**.
Arbitrage Pricing Theory–a multivariate model for estimating the cost of equity capital, which incorporates several systematic risk factors.
Asset (Asset-Based) Approach–a general way of determining a value indication of a business, business ownership interest, or security using one or more methods based on the value of the assets net of liabilities.
Beta–a measure of systematic risk of a stock; the tendency of a stock's price to correlate with changes in a specific index.
Blockage Discount–an amount or percentage deducted from the current market price of a publicly traded stock to reflect the decrease in the per share value of a block of stock that is of a size that could not be sold in a reasonable period of time given normal trading volume.
Book Value–see **Net Book Value**.
Business–see **Business Enterprise**.

Business Enterprise–a commercial, industrial, service, or investment entity (or a combination thereof) pursuing an economic activity.
Business Risk–the degree of uncertainty of realizing expected future returns of the business resulting from factors other than financial leverage. See **Financial Risk**.
Business Valuation–the act or process of determining the value of a business enterprise or ownership interest therein.
Capital Asset Pricing Model (CAPM)–a model in which the cost of capital for any stock or portfolio of stocks equals a risk-free rate plus a risk premium that is proportionate to the systematic risk of the stock or portfolio.
Capitalization–a conversion of a single period of economic benefits into value.
Capitalization Factor–any multiple or divisor used to convert anticipated economic benefits of a single period into value.
Capitalization of Earnings Method–a method within the income approach whereby economic benefits for a representative single period are converted to value through division by a capitalization rate.
Capitalization Rate–any divisor (usually expressed as a percentage) used to convert anticipated economic benefits of a single period into value.
Capital Structure–the composition of the invested capital of a business enterprise; the mix of debt and equity financing.
Cash Flow–cash that is generated over a period of time by an asset, group of assets, or business enterprise. It may be used in a general sense to encompass various levels of specifically defined cash flows. When the term is used, it should be supplemented by a qualifier (for example, "discretionary" or "operating") and a specific definition in the given valuation context.
Common Size Statements–financial statements in which each line is expressed as a percentage of the total. On the balance sheet, each line item is shown as a percentage of total assets, and on the income statement, each item is expressed as a percentage of sales.
Control–the power to direct the management and policies of a business enterprise.
Control Premium–an amount or a percentage by which the pro rata value of a controlling interest exceeds the pro rata value of a noncontrolling interest in a business enterprise to reflect the power of control.
Cost Approach–a general way of determining a value indication of an individual asset by quantifying the amount of money required to replace the future service capability of that asset.
Cost of Capital–the expected rate of return that the market requires in order to attract funds to a particular investment.
Debt-Free–***we discourage the use of this term.*** See **Invested Capital**.
Discount for Lack of Control–an amount or percentage deducted from the pro rata share of value of 100% of an equity interest in a business to reflect the absence of some or all of the powers of control.
Discount for Lack of Marketability–an amount or percentage deducted from the value of an ownership interest to reflect the relative absence of marketability.
Discount for Lack of Voting Rights–an amount or percentage deducted from the per share value of a minority interest voting share to reflect the absence of voting rights.
Discount Rate–a rate of return used to convert a future monetary sum into present value.
Discounted Cash Flow Method–a method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate.
Discounted Future Earnings Method–a method within the income approach whereby the present value of future expected economic benefits is calculated using a discount rate.
Economic Benefits–inflows such as revenues, net income, net cash flows, etc.
Economic Life–the period of time over which property may generate economic benefits.
Effective Date–see **Valuation Date**.

Enterprise–see **Business Enterprise**.
Equity–the owner's interest in property after deduction of all liabilities.
Equity Net Cash Flows–those cash flows available to pay out to equity holders (in the form of dividends) after funding operations of the business enterprise, making necessary capital investments, and increasing or decreasing debt financing.
Equity Risk Premium–a rate of return added to a risk-free rate to reflect the additional risk of equity instruments over risk free instruments (a component of the cost of equity capital or equity discount rate).
Excess Earnings–that amount of anticipated economic benefits that exceeds an appropriate rate of return on the value of a selected asset base (often net tangible assets) used to generate those anticipated economic benefits.
Excess Earnings Method–a specific way of determining a value indication of a business, business ownership interest, or security determined as the sum of *a*) the value of the assets derived by capitalizing excess earnings and *b*) the value of the selected asset base. Also frequently used to value intangible assets. See **Excess Earnings**.
Fair Market Value–the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts. {NOTE: In Canada, the term *"price"* should be replaced with the term *"highest price"*.}
Fairness Opinion–an opinion as to whether or not the consideration in a transaction is fair from a financial point of view.
Financial Risk–the degree of uncertainty of realizing expected future returns of the business resulting from financial leverage. See **Business Risk**.
Forced Liquidation Value–liquidation value, at which the asset or assets are sold as quickly as possible, such as at an auction.
Free Cash Flow–***we discourage the use of this term.*** See **Net Cash Flow**.
Going Concern–an ongoing operating business enterprise.
Going Concern Value–the value of a business enterprise that is expected to continue to operate into the future. The intangible elements of Going Concern Value result from factors such as having a trained work force, an operational plant, and the necessary licenses, systems, and procedures in place.
Goodwill–that intangible asset arising as a result of name, reputation, customer loyalty, location, products, and similar factors not separately identified.
Goodwill Value–the value attributable to goodwill.
Guideline Public Company Method–a method within the market approach whereby market multiples are derived from market prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market.
Income (Income-Based) Approach–a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more methods that convert anticipated economic benefits into a present single amount.
Intangible Assets–nonphysical assets such as franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities, and contracts (as distinguished from physical assets) that grant rights and privileges and have value for the owner.
Internal Rate of Return–a discount rate at which the present value of the future cash flows of the investment equals the cost of the investment.
Intrinsic Value–the value that an investor considers, on the basis of an evaluation or available facts, to be the "true" or "real" value that will become the market value when other investors reach the same conclusion. When the term applies to options, it is the difference between the exercise price and strike price of an option and the market value of the underlying security.

Invested Capital–the sum of equity and debt in a business enterprise. Debt is typically (*a*) all interest-bearing debt or (*b*) long-term, interest-bearing debt. When the term is used, it should be supplemented by a specific definition in the given valuation context.
Invested Capital Net Cash Flows–those cash flows available to pay out to equity holders (in the form of dividends) and debt investors (in the form of principal and interest) after funding operations of the business enterprise and making necessary capital investments.
Investment Risk–the degree of uncertainty as to the realization of expected returns.
Investment Value–the value to a particular investor based on individual investment requirements and expectations. {NOTE: in Canada, the term used is *"Value to the Owner"*.}
Key Person Discount–an amount or percentage deducted from the value of an ownership interest to reflect the reduction in value resulting from the actual or potential loss of a key person in a business enterprise.
Levered Beta–the beta reflecting a capital structure that includes debt.
Limited Appraisal–the act or process of determining the value of a business, business ownership interest, security, or intangible asset with limitations in analyses, procedures, or scope.
Liquidity–the ability to quickly convert property to cash or pay a liability.
Liquidation Value–the net amount that would be realized if the business is terminated and the assets are sold piecemeal. Liquidation can be either "orderly" or "forced."
Majority Control–the degree of control provided by a majority position.
Majority Interest–an ownership interest greater than 50% of the voting interest in a business enterprise.
Market (Market-Based) Approach–a general way of determining a value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.
Market Capitalization of Equity–the share price of a publicly traded stock multiplied by the number of shares outstanding.
Market Capitalization of Invested Capital–the market capitalization of equity plus the market value of the debt component of invested capital.
Market Multiple–the market value of a company's stock or invested capital divided by a company measure (such as economic benefits, number of customers).
Marketability–the ability to quickly convert property to cash at minimal cost.
Marketability Discount–see **Discount for Lack of Marketability**.
Merger and Acquisition Method–a method within the market approach whereby pricing multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business.
Mid-Year Discounting–a convention used in the Discounted Future Earnings Method that reflects economic benefits being generated at midyear, approximating the effect of economic benefits being generated evenly throughout the year.
Minority Discount–a discount for lack of control applicable to a minority interest.
Minority Interest–an ownership interest less than 50% of the voting interest in a business enterprise.
Multiple–the inverse of the capitalization rate.
Net Book Value–with respect to a business enterprise, the difference between total assets (net of accumulated depreciation, depletion, and amortization) and total liabilities as they appear on the balance sheet (synonymous with Shareholder's Equity). With respect to a specific asset, the capitalized cost less accumulated amortization or depreciation as it appears on the books of account of the business enterprise.
Net Cash Flows–when the term is used, it should be supplemented by a qualifier. See **Equity Net Cash Flows** and **Invested Capital Net Cash Flows**.

Net Present Value–the value, as of a specified date, of future cash inflows less all cash outflows (including the cost of investment) calculated using an appropriate discount rate.
Net Tangible Asset Value–the value of the business enterprise's tangible assets (excluding excess assets and nonoperating assets) minus the value of its liabilities.
Nonoperating Assets–assets not necessary to ongoing operations of the business enterprise. {NOTE: in Canada, the term used is *"Redundant Assets"*.}
Normalized Earnings–economic benefits adjusted for nonrecurring, noneconomic, or other unusual items to eliminate anomalies and/or facilitate comparisons.
Normalized Financial Statements–financial statements adjusted for nonoperating assets and liabilities and/or for nonrecurring, noneconomic, or other unusual items to eliminate anomalies and/or facilitate comparisons.
Orderly Liquidation Value–liquidation value at which the asset or assets are sold over a reasonable period of time to maximize proceeds received.
Premise of Value–an assumption regarding the most likely set of transactional circumstances that may be applicable to the subject valuation; for example, going concern, liquidation.
Present Value–the value, as of a specified date, of future economic benefits and/or proceeds from sale, calculated using an appropriate discount rate.
Portfolio Discount–an amount or percentage deducted from the value of a business enterprise to reflect the fact that it owns dissimilar operations or assets that do not fit well together.
Price/Earnings Multiple–the price of a share of stock divided by its earnings per share.
Rate of Return–an amount of income (loss) and/or change in value realized or anticipated on an investment, expressed as a percentage of that investment.
Redundant Assets–see **Nonoperating Assets**.
Report Date–the date conclusions are transmitted to the client.
Replacement Cost New–the current cost of a similar new property having the nearest equivalent utility to the property being valued.
Reproduction Cost New–the current cost of an identical new property.
Required Rate of Return–the minimum rate of return acceptable by investors before they will commit money to an investment at a given level of risk.
Residual Value–the value as of the end of the discrete projection period in a discounted future earnings model.
Return on Equity–the amount, expressed as a percentage, earned on a company's common equity for a given period.
Return on Investment–See **Return on Invested Capital** and **Return on Equity**.
Return on Invested Capital–the amount, expressed as a percentage, earned on a company's total capital for a given period.
Risk-Free Rate–the rate of return available in the market on an investment free of default risk.
Risk Premium–a rate of return added to a risk-free rate to reflect risk.
Rule of Thumb–a mathematical formula developed from the relationship between price and certain variables based on experience, observation, hearsay, or a combination of these; usually industry specific.
Special Interest Purchasers–acquirers who believe they can enjoy post-acquisition economies of scale, synergies, or strategic advantages by combining the acquired business interest with their own.
Standard of Value–the identification of the type of value being utilized in a specific engagement; for example, fair market value, fair value, investment value.
Sustaining Capital Reinvestment–the periodic capital outlay required to maintain operations at existing levels, net of the tax shield available from such outlays.
Systematic Risk–the risk that is common to all risky securities and cannot be eliminated through diversification. The measure of systematic risk in stocks is the beta coefficient.

Tangible Assets–physical assets (such as cash, accounts receivable, inventory, property, plant and equipment, etc.).
Terminal Value–See **Residual Value**.
Transaction Method–See **Merger and Acquisition Method**.
Unlevered Beta–the beta reflecting a capital structure without debt.
Unsystematic Risk–the risk specific to an individual security that can be avoided through diversification.
Valuation–the act or process of determining the value of a business, business ownership interest, security, or intangible asset.
Valuation Approach–a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more valuation methods.
Valuation Date–the specific point in time as of which the valuator's opinion of value applies (also referred to as "Effective Date" or "Appraisal Date").
Valuation Method–within approaches, a specific way to determine value.
Valuation Procedure–the act, manner, and technique of performing the steps of an appraisal method.
Valuation Ratio–a fraction in which a value or price serves as the numerator and financial, operating, or physical data serve as the denominator.
Value to the Owner–see **Investment Value**.
Voting Control–*de jure* control of a business enterprise.
Weighted Average Cost of Capital (WACC)–the cost of capital (discount rate) determined by the weighted average, at market value, of the cost of all financing sources in the business enterprise's capital structure.

Additional Terms

Assumptions and Limiting Conditions. Parameters and boundaries under which a valuation is performed, as agreed upon by the valuation analyst and the client or as acknowledged or understood by the valuation analyst and the client as being due to existing circumstances. An example is the acceptance, without further verification, by the valuation analyst from the client of the client's financial statements and related information.

Business Ownership Interest. A designated share in the ownership of a business (business enterprise).
Calculated Value. An estimate as to the value of a business, business ownership interest, security, or intangible asset, arrived at by applying valuation procedures agreed upon with the client and using professional judgment as to the value or range of values based on those procedures.
Calculation Engagement. An engagement to estimate value wherein the valuation analyst and the client agree on the specific valuation approaches and valuation methods that the valuation analyst will use and the extent of valuation procedures the valuation analyst will perform to estimate the value of a subject interest. A calculation engagement generally does not include all of the valuation procedures required for a valuation engagement. If a valuation engagement had been performed, the results might have been different. The valuation analyst expresses the results of the calculation engagement as a calculated value, which may be either a single amount or a range.
Capital or Contributory Asset Charge. A fair return on an entity's *contributory assets*, which are tangible and intangible assets used in the production of income or cash flow associated with an intangible asset being valued. In this context, *income or cash flow* refers to an applicable measure of income or cash flow, such as net income, or operating cash flow before taxes and capital expenditures. A capital charge may be expressed as a percentage return on an economic rent associated with, or a profit split related to, the contributory assets.

Capitalization of Benefits Method. A method within the income approach whereby expected future benefits (for example, earnings or cash flow) for a representative single period are converted to value through division by a capitalization rate.
Comparable Profits Method. A method of determining the value of intangible assets by comparing the profits of the subject entity with those of similar uncontrolled companies that have the same or similar complement of intangible assets as the subject company.
Comparable Uncontrolled Transaction Method. A method of determining the value of intangible assets by comparing the subject transaction to similar transactions in the market place made between independent (uncontrolled) parties.
Conclusion of Value. An estimate of the value of a business, business ownership interest, security, or intangible asset, arrived at by applying the valuation procedures appropriate for a valuation engagement and using professional judgment as to the value or range of values based on those procedures.
Control Adjustment. A valuation adjustment to financial statements to reflect the effect of a controlling interest in a business. An example would be an adjustment to owners' compensation that is in excess of market compensation.
Engagement to Estimate Value. An engagement, or any part of an engagement (for example, a tax, litigation, or acquisition-related engagement), that involves determining the value of a business, business ownership interest, security, or intangible asset. Also known as *valuation service*.
Excess Operating Assets. Operating assets in excess of those needed for the normal operation of a business.
Fair Value. In valuation applications, there are two commonly used definitions for fair value: (1) For financial reporting purposes only, the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. *Source:* Financial Accounting Standards Board definition in Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, as used in the context of Generally Accepted Accounting Principles (GAAP) (Effective 2008). (2) For state legal matters only, some states have laws that use the term *fair value* in shareholder and partner matters. For state legal matters only, therefore, the term may be defined by statute or case law in the particular jurisdiction.
Guideline Company Transactions Method. A method within the market approach whereby market multiples are derived from the sales of entire companies engaged in the same or similar lines of business.
Hypothetical Condition. That which is or may be contrary to what exists, but is supposed for the purpose of analysis.
Incremental Income. Additional income or cash flow attributable to an entity's ownership or operation of an intangible asset being valued, as determined by a comparison of the entity's income or cash flow with the intangible asset to the entity's income or cash flow without the intangible asset. In this context, *income or cash flow* refers to an applicable measure of income or cash flow, such as license royalty income or operating cash flow before taxes and capital expenditures.
Pre-adjustment Value. The value arrived at prior to the application, if appropriate, of valuation discounts or premiums.
Profit Split Income. With respect to the valuation of an intangible asset of an entity, a percentage allocation of the entity's income or cash flow whereby (1) a split (or percentage) is allocated to the subject intangible and (2) the remainder is allocated to all of the entity's tangible and other intangible assets. In this context, *income or cash flow* refers to an applicable measure of income or cash flow, such as net income or operating cash flow before taxes and capital expenditures.
Relief from Royalty Method. A valuation method used to value certain intangible assets (for example, trademarks and trade names) based on the premise that the only value that a purchaser of the assets receives is the exemption from paying a royalty for its use. Application of this method

usually involves estimating the fair market value of an intangible asset by quantifying the present value of the stream of market-derived royalty payments that the owner of the intangible asset is exempted from or "relieved" from paying.

Residual Income. For an entity that owns or operates an intangible asset being valued, the portion of the entity's income or cash flow remaining after subtracting a capital charge on all of the entity's tangible and other intangible assets. *Income or cash flows* can refer to any appropriate measure of income or cash flow, such as net income or operating cash flow before taxes and capital expenditures.

Security. A certificate evidencing ownership or the rights to ownership in a business enterprise that (1) is represented by an instrument or by a book record or contractual agreement, (2) is of a type commonly dealt in on securities exchanges or markets or, when represented by an instrument, is commonly recognized in any area in which it is issued or dealt in as a medium for investment, and (3) either one of a class or series or, by its terms, is divisible into a class or series of shares, participations, interests, rights, or interest-bearing obligations.

Subject Interest. A business, business ownership interest, security, or intangible asset that is the subject of a valuation engagement.

Subsequent Event. An event that occurs subsequent to the valuation date.

Valuation Analyst. For purposes of this Statement, an AICPA member who performs an engagement to estimate value that culminates in the expression of a conclusion of value or a calculated value.

Valuation Assumptions. Statements or inputs utilized in the performance of an engagement to estimate value that serve as a basis for the application of particular valuation methods.

Valuation Engagement. An engagement to estimate value in which a valuation analyst determines an estimate of the value of a subject interest by performing appropriate valuation procedures, as outlined in the AICPA Statement on Standards for Valuation Services, and is free to apply the valuation approaches and methods he or she deems appropriate in the circumstances. The valuation analyst expresses the results of the valuation engagement as a conclusion of value, which may be either a single amount or a range.

Valuation Service. See **Engagement to Estimate Value**.

APPENDIX G: LOCATIONS

We have assumed all leases will be extended 10 years or more. We have made the following observations from the provided leases. Please note we are reviewing as valuators and lay-people only and have only reviewed term and rent. Estimated Annual Rent calculations are only for first year and may not include all CAM Fees, Taxes, and other charges.

"Primary Stores"

Licensed-"Name"-Grocery Store #31
100 Pine Ave.
Somewhere, NY

Nice exterior. No interior pictures.

Five year base term and a five year extension beginning April 2021. One month free then $7,700 per month. Renewal term $8,102.73 per month.

Est Annual Rent $92,400

Licensed-"Name"-Grocery Store # 31A
216 East St
Somewhere, NY
Lease undated and unsigned
Tired exterior. No interior pictures

Landlord and Assignee agree to extend the Lease Term for an additional five (5) years, commencing as of November 1, 2021 and ending on October 31, 2026 (the "Extended Term"). The monthly Rent shall remain $6,036.00 during the Extended Term, except that Landlord has agreed to waive such monthly Rent for a period of sixty (60) days following the Effective Date. Assignee shall remain responsible for all utilities and Additional Rent for Taxes and Insurance during such period in accordance with the Lease. Assignee shall also retain its two (2) five (5) year Extension Options as provided in Sections 3 and 23 of the Lease.

Estimated Annual Rent = $72,432

Licensed-"Name"-Grocery Store #30
499 West Street
Somewhere, NY
Mid-range exterior. Interior dated but clean.

Tenant Allowance: Landlord will agree to a $30,000 credit over term of entire

term of lease.

Lease Terms & Rental Rates:

16,996 SF

Remaining Lease Term with 4 -3yr option

Rental Rate –

Current - $6.43 Sq/Ft Gross

9/16//21 – 9/16/24 - $7.09 Sq/Ft Gross

9/17/24 – 9/16/27 - $7.09 Sq/Ft Gross

9/17/27 – 9/16/30 - $7.43 Sq/Ft Gross

9/17/30 – 9/16/33 - $7.65 Sq/Ft Gross

Security Deposit: Equal to the first month's gross rent.

Estimated Annual Rent = $7.09 x 16,996 = $120,502

Licensed-"Name"-Grocery Store #31B
500 Round St.
Somewhere, NY

Mid-range exterior. Dated clean interior

Tenant Allowance: Landlord will agree to a $30,000 credit over term of entire term of lease

Lease Terms & Rental Rates:

22,982 SF

Remaining Lease Term with 2-5 year options

NNN are to be estimated

New Landlord will be taking over in February 2021,

closing date has yet to be determined. NNN are currently

unknown until closing.

Current - $2.89 Sq/Ft NNN

1/1/23 – 12/31/28 - $3.03 Sq/Ft NNN

1/1/29 – 12/31/34 - $3.20 Sq/Ft NNN

Estimated Annual Rent = $69,635

"Additional Stores"

Licensed-"Name"-Grocery Store #30A
11 State Route 2222
Somewhere, NY
The Shopping Center address is _____ Ave. NY

Low visibility from main road. Mid-grade exterior. No interior pictures.

Term of this Lease shall commence on March 15, 2021 (the "Commencement Date") and shall end on February 28, 2031 (the "Expiration Date"), unless sooner terminated pursuant to the provisions of this Lease.
During the term of the Lease, Tenant covenants and agrees to pay minimum rent at the annual rate and in equal monthly installments in advance on the first day of each month of the Lease term as follows:

(i) During lease years 1 through 3 of the Initial Term - $80,000.00 per annum, payable in equal monthly installments of $6,666.67.

(ii) During lease years 4 through 5 of the Initial Term - $85,000.00 per annum, payable in equal monthly installments of $7,083.33.

(iii) During lease years 6 through 8 of the Initial Term - $91,346.00 per annum, payable in equal monthly installments of $7,612.17.

(iv) During lease years 9 through 10 of the Initial Term - $95,581.00 per annum, payable in equal monthly installments of $7,965.08.

Upon execution of this Lease, Tenant shall deposit with Landlord the sum of $20,000.00 (the "Security Deposit")

It was reported that the Lyell Location (one of the Additional Stores) is not part of this transaction.

Estimated Annual Rent of all locations $434,900. This may not include CAM, Property Taxes and other charges.