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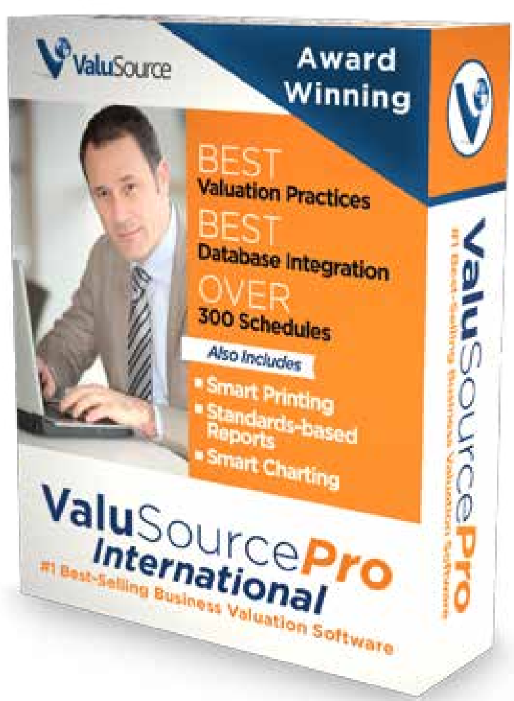
International
SAMPLE REPORT



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ValuSource Pro International has the same features as ValuSource Pro - except it uses the International Financial Reporting Standards (IFRS) instead of GAAP. It also incorporates risks NOT included in ValuSource Pro such as, country risk, currency risk, legal risk, environmental risks and other risks not identified. All the other features of ValuSource Pro International are the same as ValuSource Pro.

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Smart Navigator guides you through the valuation best practice process and workflow with step-by-step sequential menus—ensuring you cover all the steps, whether novice or expert.

2 BEST DATABASE INTEGRATION

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The software framework, built on top of editable Excel worksheets, has built-in intelligence and transforms based on your assumptions. This saves beginners from making critical mistakes, while allowing experts to use as-is, or incorporate their existing spreadsheets, and finish about 50% faster.

- **Smartsheet logic.** Automatically determines which rows and columns should be displayed.
- **Smart Printing.** Makes it easier to print large spreadsheets.
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- **Smart charting.** Automatically creates the correct number of columns based on the number of years of financial statements.

5 INTELLIGENT AND AUTOMATIC STANDARDS-BASED WRITTEN REPORTS

The optional report writer, built on top of Word, includes Content Intelligence to help automate the conditional narrative, hotlinks to automate changes, and hundreds of pages of standards-based report templates (including 59-60, SSVS, and USPAP) that evaluate over 400 variables within the analysis.

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Disclaimer

This sample is meant to show the full functionality of the software, not reflect an actual valuation. There are options and assumptions in this report that do not reflect valuation best practices in order for you to see the full scope of the analysis. Even though this software automates and standardizes the valuation process, it does not replace the expertise of the valuator.

Whenever you see text or numbers surrounded by chevrons, like «February 14, 2019», this represents a link to the analysis workbook. A link to the analysis file (working papers) can be a cell, range or chart. Realize that a small change in a single value can carry forward to many numbers in the report. For instance, changing a growth rate in an income method can change the conclusion of value and all the intermediate values in between. When you choose to update the links, all these values get updated to reflect the current numbers, tables and charts in working papers.

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THIS SAMPLE REPORT SHOWS FUNTIONALITY AND NOT VALUATION TECHNIQUE

THE CHEVRONS REPRESENT THE LINKS TO THE ANALYSIS WORKBOOK

VALUATION OF

«Childs Clothing Store»

«1234 Somewhere Road»

Valuation Date: «December 31, 2018»

Report Dated: «April 15, 2019»

«April 15, 2019»

«Mr. Attorney»
«12345 Big Street»
«New York NY USA 10001»

Dear «Mr. Attorney»,

«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 «Childs Clothing Store». This valuation was performed solely to assist in the matter of «Wealth Transfer»; 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. The estimate of value that results from a valuation engagement is expressed as a conclusion of value.

«I» have performed a valuation engagement of «Childs Clothing Store». The analysis and report were completed in accordance with 'The National Association of Certified Valuators and Analysts' Professional Standards This valuation was performed solely to assist in the matter of «Wealth Transfer»; the resulting estimate of value should not be used for any other purpose or by any other party for any purpose. The estimate of value that results from a valuation engagement is expressed as a conclusion of value.

We were restricted or limited in the scope of our work or data available for analysis as follows: list the restrictions

Based on our analysis, as described in this valuation report, the estimate of value of «Childs Clothing Store» as of «December 31, 2018» was $«2,045,200». This conclusion is subject to the Valuation Analyst's Representation found in Appendix A and to the Statement of Assumptions and Limiting Condition found in Appendix B. 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.

«April 15, 2019»

«Joe Apprasier»
«Joe Appraiser CPA»

The enclosed valuation report has been developed for the exclusive and confidential use of «Mr. Attorney». The report has been prepared by «Joe Appraiser CPA» dated «April 15, 2019» and was made by and/or under the direct supervision of the undersigned. The purpose of the valuation is to render an opinion as to the «fair market value» of the «common stock interest», as of «December 31, 2018».

In preparing «my» business valuation report, «I» have relied upon historical financial information provided to «me» by management and derived from [enter the appropriate source of the information, such as tax return, audit report issued by another auditor, etc.]. This financial information has not been audited, reviewed, or compiled by «me» and accordingly «I» do not express an opinion or any form of assurance on this financial information.

«My» report is based on historical and prospective financial information provided to «me» by management and other third parties. Users of this valuation report should be aware that business valuations are based on future earnings potential that may or may not materialize. Therefore, the actual results achieved during the projection period will vary from the projections used in this valuation, and the variations may be material. The accompanying report discusses all assumptions and limiting conditions that apply to this opinion of value and are integral to the understanding of the opinion.

Based upon «my» study and analytical review procedures, «I» have concluded that a reasonable estimate of the «fair market value» of a «80%» «common stock interest» of «Childs Clothing Store» as of «December 31, 2018» is $«2,045,200».

This engagement was not contingent upon developing or reporting predetermined results. «My» compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, nor the occurrence of a subsequent event directly related to the intended use of this appraisal. «My» analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice.* No one provided significant business appraisal assistance to the person signing this certification.

«April 15, 2019»

«Joe Apprasier»
«Joe Appraiser CPA»

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EXECUTIVE SUMMARY

Governing Standard:	«International Fair Value»
Purpose:	«Wealth Transfer»
Standard of Value:	«fair market value»
Premise of Value:	«value as a going concern»
Client Name:	«Mr. Attorney»
Business Name:	«Childs Clothing Store»
Type of Entity:	«corporation»
Business Interest Valued:	«80%»
Valuation Date:	«December 31, 2018»
Report Date:	«April 15, 2019»
Appraiser Name:	«Joe Apprasier»
Appraiser Firm:	«Joe Appraiser CPA»
Conclusion of Value:	$«2,556,500»

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 «Childs Clothing Store». 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.

«Joe Appraiser CPA» has been retained by «Mr. Attorney» to estimate the «fair market value» of «Childs Clothing Store». «Childs Clothing Store» is a «corporation» located at «1234 Somewhere Road» in «Colorado». Furthermore, an interest of «80%» is being valued as of «December 31, 2018».

The appraisal will be used by «Mr. Attorney» for the sole purpose of «Wealth Transfer». The distribution of this report is restricted to «Mr. Attorney». Any other use of this report is unauthorized 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. In addition to those definitions the following is pertinent:

Standard of Value

The standard of value for this report is «fair market value».

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 characteristics are control, minority and a description of those characteristics.

Marketability Characteristics

The marketability characteristics of the subject interest are liquid, non-liquid etc and a description of those characteristics.

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.

APPROACH

Business valuation theory promulgates three basic approaches to value.

Asset Based Approach: A general way of determining a value indication of a business's assets and/or equity using one or more methods based directly on the value of the assets of the business less liabilities.

Income Approach: A general way of determining a value indication of a business's assets and/or equity using one or more methods wherein a value is determined by converting anticipated benefits.

Market Approach: A general way of determining a value indication of a business's assets and/or equity using one or more methods that compares the subject to similar investments that have been sold.

The various methods of valuation that appraisers use in practice are typically considered as subdivisions of these broad approaches. Valuation methods under the Market and Income approaches generally contain common characteristics such as measures of benefit streams, discount rates and/or capitalization rates and multiples.

Assumptions

This report relies on several key assumptions and limiting conditions.

This valuation report has been prepared in accordance with the Statement on Standards for Valuation Services (SSVS) of the American Institute of Certified Public Accountants. In accordance with these standards, Assumptions and Limiting Conditions are provided as Appendix B and a Statement of Appraiser Qualifications is included in Appendix C.

Scope Limitation

The scope of this valuation engagement report was limited. «I was» engaged to perform a valuation for «Childs Clothing Store» with the intent of ascertaining an estimate of value. However, «I was» limited to the information that was provided as of «December 31, 2018» regarding [The author must list the deficiency in the data relied on to develop a value. If there are no scope limitations then this section should be changed to reflect that as well.] If more information were available to «me», matters may have come to «my» attention that could have a material impact on the opinion of value contained in this report.

Accordingly, «my» level of assurance on the estimate of value is reduced. This report is not intended to serve as a basis for expert testimony in a court of law or other governmental agency without further analysis and resulting documentation.

Hypothetical Conditions

In preparing this estimate of value, hypothetical conditions were necessary. The following hypothetical conditions were made list and describe the conditions

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. list and describe the events

COMPANY

History

Nature of the Business

Products or Services

Operating and Investment Assets

Capital Structure

Sales Records and Management

Expectations

ECONOMIC CONDITIONS

National Economy

General Overview

Specific Areas – Consumer Spending

Specific Areas – Real Estate and Construction

Specific Areas – Inflation

Summary

Industry Outlook

General Overview

Specific Areas – Consumer Spending

Specific Areas – Real Estate and Construction

Specific Areas – Inflation

Summary

COMPANY BALANCE SHEETS

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Historic Balance Sheet

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Assets:					
Non-Current Assets					
Fixed Assets - Net					
Fixed Assets - Cost					
Machinery & Equipment	230,000	190,000	165,000	145,000	145,000
Vehicles	860,000	865,000	676,000	559,000	400,000
Leasehold Improvements	904,000	780,000	530,000	530,000	530,000
Total Fixed Assets - Cost	1,994,000	1,835,000	1,371,000	1,234,000	1,075,000
Accumulated Depreciation					
Machinery & Equipment	-45,000	-35,000	-25,000	-15,000	-9,000
Vehicles	-200,000	-150,000	-95,000	-80,000	-60,000
Leasehold Improvements	-411,000	-301,000	-220,000	-160,000	-120,000
Total Accumulated Depreciation	-656,000	-486,000	-340,000	-255,000	-189,000
Total Fixed Assets - Net	1,338,000	1,349,000	1,031,000	979,000	886,000
Intangible Assets - Net					
Intangible Assets - Cost	100,000	100,000	100,000		
Accumulated Amortization	-25,000	-15,000	-5,000		
Total Intangible Assets - Net	75,000	85,000	95,000	0	0
Other Non-Current Assets					
Other Assets	43,000	45,000	40,000	60,000	55,000
Non-Operating Assets	30,000	114,000	30,000	30,000	30,000
Total Other Non-Current Assets	73,000	159,000	70,000	90,000	85,000
Total Non-Current Assets	1,486,000	1,593,000	1,196,000	1,069,000	971,000
Current Assets					
Inventory					
Raw Materials	840,000	490,000	440,000	373,000	270,000
Work in Progress					
Finished Goods					
Total Inventory	840,000	490,000	440,000	373,000	270,000
Accounts Receivable	140,000	55,000	66,000	50,000	40,000
Other Current Assets	80,000	75,000	52,000	38,000	40,000
Cash					
Checking	549,000	387,000	465,000	356,000	229,000
Savings					
Marketable Securities					
Total Cash	549,000	387,000	465,000	356,000	229,000
Total Current Assets	1,609,000	1,007,000	1,023,000	817,000	579,000
Total Assets	3,095,000	2,600,000	2,219,000	1,886,000	1,550,000
Equity and Liabilities:					
Equity					
Ordinary Shares	200,000	200,000	200,000	200,000	200,000
Share Premium	100,000	100,000	100,000		
Retained Earnings	1,145,000	825,000	605,000	505,000	415,000
Total Equity	1,445,000	1,125,000	905,000	705,000	615,000
Liabilities					
Non-Current Liabilities					
Long-Term Debt					
Note 1	1,370,000	1,200,000	1,110,000	980,000	750,000
Note 2					
Total Long-Term Debt	1,370,000	1,200,000	1,110,000	980,000	750,000
Other Non-Current Liablilities					
Other Liabilities	25,000	27,000	20,000	22,000	21,000
Deferred Income Taxes	34,000	31,000	21,000	28,000	26,000
Non-Operating Liabilities	12,000	12,000	12,000	12,000	12,000
Total Other Non-Current Liablilities	71,000	70,000	53,000	62,000	59,000
Total Non-Current Liabilities	1,441,000	1,270,000	1,163,000	1,042,000	809,000
Current Liabilities					
Accounts Payable	74,000	75,000	60,000	55,000	45,000
Short Term Notes Payable	33,000	27,000	18,000	25,000	25,000
Current Portion - LTD	28,000	26,000	16,000	14,000	12,000
Other Current Liabilities	74,000	77,000	57,000	45,000	44,000
Total Current Liabilities	209,000	205,000	151,000	139,000	126,000
Total Liabilities	1,650,000	1,475,000	1,314,000	1,181,000	935,000
Total Equity and Liabilities	3,095,000	2,600,000	2,219,000	1,886,000	1,550,000

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 Standard Industrial Classification (SIC) # «5641». «I» believe the RMA data provide limited comparative perspective and strict comparisons should be made with caution.

The following liquidity ratios are compared to the subject company.

«

Based On Historical Statements	RMA 2009 Childs 2018	RMA 2008 Childs 2017	RMA 2007 Childs 2016	RMA 2006 Childs 2015	RMA 2005 Childs 2014
LIQUIDITY RATIOS:					
Upper Current Ratio	2.70	2.20	2.80	3.90	4.40
Median Current Ratio	1.60	1.60	1.90	1.40	2.00
Lower Current Ratio	0.80	0.60	1.20	1.00	1.30
Subject Current Ratio	7.70	4.91	6.77	5.88	4.60
P-Tile Rank	Over 90th P-Tile	Over 90th P-Tile	Over 90th P-Tile	83rd P-Tile	Over 90th P-Tile
Upper Quick Ratio	0.90	0.90	1.70	1.70	2.70
Median Quick Ratio	0.50	0.30	0.90	0.70	1.20
Lower Quick Ratio	0.40	0.10	0.20	0.40	0.30
Subject Quick Ratio	3.30	2.16	3.52	2.92	2.13
P-Tile Rank	Over 90th P-Tile	Over 90th P-Tile	Over 90th P-Tile	82nd P-Tile	Over 90th P-Tile
Upper Sales/Receivables	24.80	85.30	27.30	22.10	12.60
Median Sales/Receivables	12.60	21.30	10.20	7.90	9.60
Lower Sales/Receivables	6.90	6.50	4.60	5.50	7.60
Subject Sales/Receivables	42.61	94.44	60.15	58.70	52.50
P-Tile Rank	84th P-Tile	Over 90th P-Tile	81st P-Tile	Over 90th P-Tile	Over 90th P-Tile
Upper Days' Receivables	15	4	13	17	29
Median Days' Receivables	29	17	36	46	38
Lower Days' Receivables	53	56	79	66	48
Subject Days' Receivables	9	4	6	6	7
P-Tile Rank	84th P-Tile	Over 90th P-Tile	85th P-Tile	Over 90th P-Tile	Under 10th P-Tile
Upper Cost of Sales/Inventory	10.60	9.80	6.00	16.20	3.80
Median Cost of Sales/Inventory	3.70	3.90	2.70	3.80	3.20
Lower Cost of Sales/Inventory	2.20	2.30	1.60	2.30	1.80
Subject Cost of Sales/Inventory	-2.24	-3.16	-2.50	-2.35	-2.22
P-Tile Rank	Under 10th P-Tile	Over 90th P-Tile	Under 10th P-Tile	Under 10th P-Tile	Under 10th P-Tile
Upper Days' Inventory	34	37	61	23	96
Median Days' Inventory	99	94	135	96	114
Lower Days' Inventory	166	159	228	159	203
Subject Days' Inventory	-163	-115	-146	-156	-164
P-Tile Rank	Over 90th P-Tile	Over 90th P-Tile	Over 90th P-Tile	Over 90th P-Tile	Over 90th P-Tile
Upper Cost of Sales/Payables	20.90	0.00	20.60	263.80	248.30
Median Cost of Sales/Payables	8.90	10.00	6.80	23.90	14.50
Lower Cost of Sales/Payables	4.50	6.00	4.60	5.40	7.80
Subject Cost of Sales/Payables	-25.41	-20.67	-18.33	-15.91	-13.33
P-Tile Rank	Under 10th P-Tile	Over 90th P-Tile	Under 10th P-Tile	Under 10th P-Tile	Under 10th P-Tile
Upper Days' Payables	17	0	18	1	1
Median Days' Payables	41	37	54	15	25
Lower Days' Payables	81	61	79	68	47

»

The following coverage and leverage ratios are compared to the subject Company.

«

Based On Historical Statements	RMA 2009 Childs 2018	RMA 2008 Childs 2017	RMA 2007 Childs 2016	RMA 2006 Childs 2015	RMA 2005 Childs 2014
COVERAGE RATIOS:					
Upper Earnings Before Interest & Taxes/Interest	12.50	5.00	6.70	8.00	9.00
Median Earnings Before Interest & Taxes/Interest	1.10	1.90	3.40	3.60	3.00
Lower Earnings Before Interest & Taxes/Interest	-7.00	0.90	0.20	-4.20	1.20
Subject Earnings Before Interest & Taxes/Interest	3.41	2.56	2.08	2.23	1.76
P-Tile Rank	65th P-Tile	63rd P-Tile	40th P-Tile	43rd P-Tile	Over 90th P-Tile
Upper Net Profit + Depr.,Dep.,Amort./Cur.Mat.L/T/D	0.00	0.00	0.00	0.00	0.00
Median Net Profit + Depr.,Dep.,Amort./Cur.Mat.L/T/D	0.00	0.00	0.00	0.00	0.00
Lower Net Profit + Depr.,Dep.,Amort./Cur.Mat.L/T/D	0.00	0.00	0.00	0.00	0.00
Subject Net Profit + Depr.,Dep.,Amort./Cur.Mat.L/T/D	18.75	15.62	15.63	17.14	13.58
P-Tile Rank	Over 90th P-Tile	Over 90th P-Tile	Over 90th P-Tile	Over 90th P-Tile	Over 90th P-Tile
LEVERAGE RATIOS:					
Upper Fixed/Worth	0.00	0.10	0.00	0.00	0.00
Median Fixed/Worth	0.10	0.40	0.10	0.20	0.10
Lower Fixed/Worth	0.00	4.90	0.50	0.80	0.30
Subject Fixed/Worth	0.98	1.30	1.27	1.39	1.44
Upper Debt/Worth	0.50	1.10	0.50	0.70	0.40
Median Debt/Worth	1.60	1.70	1.10	1.60	0.90
Lower Debt/Worth	0.00	22.90	7.10	10.20	2.10
Subject Debt/Worth	1.20	1.42	1.62	1.68	1.52
RMA Debt/Equity	4.26	3.29	1.45	1.73	1.48

»

The following operating ratios are compared to the subject company.

«

Based On Historical Statements	RMA 2009 Childs 2018	RMA 2008 Childs 2017	RMA 2007 Childs 2016	RMA 2006 Childs 2015	RMA 2005 Childs 2014
OPERATING RATIOS:					
RMA Gross Profit Margin	36.50%	38.10%	36.20%	32.60%	40.20%
Subject Gross Profit Margin	131.51%	129.84%	127.71%	129.81%	128.57%
P-Tile Rank	Over 90th P-Tile	Over 90th P-Tile	Over 90th P-Tile	Over 90th P-Tile	Over 90th P-Tile
Upper % Profits Before Taxes/Tangible Net Worth	35.20%	62.00%	43.00%	45.80%	27.30%
Median % Profits Before Taxes/Tangible Net Worth	6.30%	11.00%	12.40%	10.40%	6.10%
Lower % Profits Before Taxes/Tangible Net Worth	-17.30%	2.30%	-6.90%	2.40%	-0.90%
Subject % Profits Before Taxes/Tangible Net Worth	38.76%	37.50%	27.90%	33.05%	26.67%
P-Tile Rank	79th P-Tile	62nd P-Tile	72nd P-Tile	71st P-Tile	Over 90th P-Tile
Upper % Profits Before Taxes/Total Assets	11.80%	6.20%	13.50%	14.10%	8.80%
Median % Profits Before Taxes/Total Assets	0.30%	2.70%	5.40%	3.60%	3.10%
Lower % Profits Before Taxes/Total Assets	-12.60%	-2.30%	-3.60%	-6.90%	-0.20%
Subject % Profits Before Taxes/Total Assets	17.16%	15.00%	10.18%	12.35%	10.58%
P-Tile Rank	80th P-Tile	86th P-Tile	67th P-Tile	75th P-Tile	Over 90th P-Tile
Upper Sales/Net Fixed Assets	194.20	139.20	110.60	758.50	282.60
Median Sales/Net Fixed Assets	74.00	42.40	47.80	49.80	55.00
Lower Sales/Net Fixed Assets	33.80	7.80	23.40	21.20	18.10
Subject Sales/Net Fixed Assets	4.46	3.85	3.85	3.00	2.37
P-Tile Rank	Under 10th P-Tile	18th P-Tile	Under 10th P-Tile	Under 10th P-Tile	Over 90th P-Tile
Upper Sales/Total Assets	3.70	3.00	3.20	3.00	3.40
Median Sales/Total Assets	2.20	2.30	1.80	2.60	2.30
Lower Sales/Total Assets	1.60	1.20	1.00	1.50	1.50
Subject Sales/Total Assets	1.93	2.00	1.79	1.56	1.35
P-Tile Rank	42nd P-Tile	45th P-Tile	50th P-Tile	26th P-Tile	Over 90th P-Tile
EXPENSE TO REVENUE RATIOS:					
Upper % Deprtn., Depltn., Amort./Sales	0.40%	0.10%	0.30%	0.20%	0.30%
Median % Deprtn., Depltn., Amort./Sales	0.50%	0.50%	0.50%	0.70%	0.70%
Lower % Deprtn., Depltn., Amort./Sales	0.60%	0.80%	0.80%	1.10%	1.10%
Subject % Deprtn., Depltn., Amort./Sales	3.02%	3.00%	2.27%	2.25%	2.38%
P-Tile Rank	#DIV/0!	Under 10th P-Tile	Under 10th P-Tile	18th P-Tile	Under 10th P-Tile

»

IRS Peer Comparisons

For purposes of comparison with industry financial measures available from non-public company sources, «I» reviewed the *IRS Corporate Records*, published by the Internal Revenue Service (IRS). The IRS compiled average percentage income statements and balance sheets and key financial ratios of companies classified under the industry code # «5641». The selected IRS group includes [number of companies] companies. «I» believe the IRS data provides limited comparative perspective and strict comparisons should be made with caution.

The following liquidity ratios were compared to the subject company.

«

Based On Historical Statements	IRS 2012 Childs 2018	IRS 2011 Childs 2017	IRS 2010 Childs 2016	IRS 2009 Childs 2015	IRS 2008 Childs 2014
LIQUIDITY RATIOS:					
IRS Current Ratio	1.57	1.74	1.87	2.01	1.85
Subject Current Ratio	7.70	4.91	6.77	5.88	4.60
IRS Quick Ratio	0.53	0.67	0.78	0.89	0.70
Subject Quick Ratio	3.30	2.16	3.52	2.92	2.13
IRS Revenue/Accounts Receivable (Net)	25.17	25.39	22.60	24.29	21.66
Subject Revenue/Accounts Receivable (Net)	42.61	94.44	60.15	58.70	52.50
IRS Collection Period (days)	15.00	14.00	16.00	15.00	17.00
Subject Collection Period (days)	9	4	6	6	7
IRS Inventory Turnover	3.38	3.28	3.35	3.39	3.09
Subject Inventory Turnover	-2.24	-3.16	-2.50	-2.35	-2.22
IRS Days' Inventory	108.00	111.00	109.00	108.00	118.00
Subject Days' Inventory Turnover	-163	-115	-146	-156	-164
IRS COGS / Payables	5.78	5.83	6.57	7.17	6.70
Subject COGS / Payables	-25.41	-20.67	-18.33	-15.91	-13.33
IRS Days' Payables	63.00	63.00	56.00	51.00	55.00
Subject Days' Payables	-14	-18	-20	-23	-27
IRS Revenue/Working Capital	9.61	7.52	6.64	5.70	6.54
Subject Revenue/Working Capital	4.26	6.48	4.55	4.33	4.64

»

The following coverage, leverage and operating ratios were compared to the subject company.

«

Based On Historical Statements	IRS 2012 Childs 2018	IRS 2011 Childs 2017	IRS 2010 Childs 2016	IRS 2009 Childs 2015	IRS 2008 Childs 2014
COVERAGE RATIOS:					
IRS Times Interest Earned	11.65	11.79	12.18	10.24	8.78
Subject Times Interest Earned	3.41	2.56	2.08	2.23	1.76
IRS Net Profit + Depr.,Dep.,Amort./Cur.Mat.L/T/D	0.00	0.00	0.00	0.00	0.00
Subject Net Profit + Depr.,Dep.,Amort./Cur.Mat.L/T/D	18.75	15.62	15.63	17.14	13.58
LEVERAGE RATIOS:					
IRS Fixed Assets/Tangible Worth	0.80	0.65	0.60	0.60	0.81
Subject Fixed Assets/Tangible Worth	0.98	1.30	1.27	1.39	1.44
IRS Debt-to-Tangible Net Worth	1.90	1.56	1.40	1.34	1.89
Subject Debt-to-Tangible Net Worth	1.14	1.31	1.45	1.68	1.52
OPERATING RATIOS:					
IRS Gross Profit Margin	47.45%	48.03%	47.70%	47.18%	46.64%
Subject Gross Profit Margin	131.51%	129.84%	127.71%	129.81%	128.57%
IRS EBT/Tangible Worth	49.89%	37.39%	36.20%	29.77%	31.43%
Subject EBT/Tangible Worth	38.76%	37.50%	27.90%	33.05%	26.67%
IRS EBT/Total Assets	15.55%	13.35%	14.07%	11.74%	9.98%
Subject EBT/Total Assets	17.16%	15.00%	10.18%	12.35%	10.58%
IRS Fixed Asset Turnover	7.23	7.43	7.36	6.69	6.22
Subject Fixed Asset Turnover	4.46	3.85	3.85	3.00	2.37
IRS Total Asset Turnover	1.79	1.73	1.72	1.58	1.60
Subject Total Asset Turnover	1.93	2.00	1.79	1.56	1.35
Expense to Revenue Ratios:					
IRS % Deprtn., Depltn., Amort./Revenue	2.40%	3.42%	2.94%	2.92%	3.76%
Subject % Deprtn., Depltn., Amort./Revenue	3.02%	3.00%	2.27%	2.25%	2.38%
IRS % Officer's &/or Owner's Compensation/Revenue	1.38%	1.31%	1.28%	1.10%	1.30%
Subject % Officer's &/or Owner's Compensation/Revenue	15.09%	13.48%	12.59%	11.93%	10.48%

»

Other Peer Comparisons

The following liquidity ratios were compared to the subject company.

«

Based On Historical Statements	Source 2018 Childs 2018	Source 2017 Childs 2017	Source 2016 Childs 2016	Source 2015 Childs 2015	Source 2014 Childs 2014
LIQUIDITY RATIOS:					
Source Current Ratio					
Subject Current Ratio	7.70	4.91	6.77	5.88	4.60
Source Quick Ratio					
Subject Quick Ratio	3.30	2.16	3.52	2.92	2.13
Source Revenue/Accounts Receivable (Net)					
Subject Revenue/Accounts Receivable (Net)	42.61	94.44	60.15	58.70	52.50
Source Collection Period (days)					
Subject Collection Period (days)	9	4	6	6	7
Source Inventory Turnover					
Subject Inventory Turnover	-2.24	-3.16	-2.50	-2.35	-2.22
Source Days' Inventory					
Subject Days' Inventory Turnover	-163	-115	-146	-156	-164
Source COGS / Payables					
Subject COGS / Payables	-25.41	-20.67	-18.33	-15.91	-13.33
Source Days' Payables					
Subject Days' Payables	-14	-18	-20	-23	-27
Source Revenue/Working Capital					
Subject Revenue/Working Capital	4.26	6.48	4.55	4.33	4.64

»

The following coverage, leverage and operating ratios were compared to the subject company.

«

Based On Historical Statements	Source 2018 Childs 2018	Source 2017 Childs 2017	Source 2016 Childs 2016	Source 2015 Childs 2015	Source 2014 Childs 2014
COVERAGE RATIOS:					
Source Times Interest Earned					
Subject Times Interest Earned	3.41	2.56	2.08	2.23	1.76
Source Net Profit + Depr.,Dep.,Amort./Cur.Mat.L/T/D					
Subject Net Profit + Depr.,Dep.,Amort./Cur.Mat.L/T/D	18.75	15.62	15.63	17.14	13.58
LEVERAGE RATIOS:					
Source Fixed Assets/Tangible Worth					
Subject Fixed Assets/Tangible Worth	0.98	1.30	1.27	1.39	1.44
Source Debt-to-Tangible Net Worth					
Subject Debt-to-Tangible Net Worth	1.14	1.31	1.45	1.68	1.52
OPERATING RATIOS:					
Source Gross Profit Margin					
Subject Gross Profit Margin	131.51%	129.84%	127.71%	129.81%	128.57%
Source EBT/Tangible Worth					
Subject EBT/Tangible Worth	38.76%	37.50%	27.90%	33.05%	26.67%
Source EBT/Total Assets					
Subject EBT/Total Assets	17.16%	15.00%	10.18%	12.35%	10.58%
Source Fixed Asset Turnover					
Subject Fixed Asset Turnover	4.46	3.85	3.85	3.00	2.37
Source Total Asset Turnover					
Subject Total Asset Turnover	1.93	2.00	1.79	1.56	1.35
Expense to Revenue Ratios:					
Source % Deprtn., Depltn., Amort./Revenue					
Subject % Deprtn., Depltn., Amort./Revenue	3.02%	3.00%	2.27%	2.25%	2.38%
Source % Officer's &/or Owner's Compensation/Revenue					
Subject % Officer's &/or Owner's Compensation/Revenue	15.09%	13.48%	12.59%	11.93%	10.48%

»

COMPANY PROFIT AND LOSS

Historic Profit and Loss Statements

by Nature	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Revenues					
Product Sales	4,500,000	4,394,000	3,380,000	2,600,000	2,000,000
Service Sales	1,345,000	650,000	500,000	210,000	
Consulting Revenue	121,000	150,000	90,000	125,000	100,000
Total Revenues	5,966,000	5,194,000	3,970,000	2,935,000	2,100,000
Cost of Sales					
Raw Materials Consumed	-1,000,000	-900,000	-700,000	-600,000	-500,000
Overhead	-880,000	-650,000	-400,000	-275,000	-100,000
COGS Depreciation					
Total Cost of Sales	-1,880,000	-1,550,000	-1,100,000	-875,000	-600,000
Gross Profit	4,086,000	3,644,000	2,870,000	2,060,000	1,500,000
Other Income					
Interest Income			2,000	27,000	
Non-Operating Income	18,000	14,000	11,000	9,000	15,000
Total Other Income	18,000	14,000	13,000	36,000	15,000
Distribution Costs					
Transportation Costs	-400,000	-364,000	-272,000	-180,000	-100,000
Pallet Transfer	-95,000	-90,000	-75,000	-60,000	-25,000
Total Distribution Costs	-495,000	-454,000	-347,000	-240,000	-125,000
Administration Costs					
Depreciation	-170,000	-146,000	-85,000	-66,000	-50,000
Maintenance	-30,000	-20,000	-10,000	0	0
Utilities	-221,000	-154,000	-32,000	-35,000	-28,000
Rent	-325,000	-275,000	-250,000	-150,000	-50,000
Wages	-740,000	-834,000	-870,000	-548,000	-492,000
Officer's Compensation	-900,000	-700,000	-500,000	-350,000	-220,000
Insurance	-35,000	-34,000	-28,000	-27,000	-15,000
Total Administration Costs	-2,421,000	-2,163,000	-1,775,000	-1,176,000	-855,000
Selling Costs					
Marketing Costs	-27,000	-25,000	-24,000	-23,000	-10,000
Amortization	-10,000	-10,000	-5,000	0	0
Advertising Costs	-51,000	-51,000	-46,000	-46,000	-26,000
Total Selling Costs	-88,000	-86,000	-75,000	-69,000	-36,000
Research and Development Costs					
R&D	-35,000	-35,000	-35,000	-5,000	-12,000
Lab Costs	-15,000	-15,000	-15,000	-10,000	-5,000
Total Research and Development Costs	-50,000	-50,000	-50,000	-15,000	-17,000
Other Costs					
Other Cost	-250,000	-225,000	-190,000	-165,000	-80,000
New Account	-34,000	-28,000	0	0	-23,000
Non-Operating Cost	-15,000	-12,000	-10,000	-8,000	0
Total Other Costs	-299,000	-265,000	-200,000	-173,000	-103,000
Finance Costs					
Origination Fees on Notes					-23,000
Interest Costs on Debt	-220,000	-250,000	-210,000	-190,000	-192,000
Total Finance Costs	-220,000	-250,000	-210,000	-190,000	-215,000
Profit Before Tax	531,000	390,000	226,000	233,000	164,000
Tax Expense	-186,000	-140,000	-66,000	-59,000	-51,000
Profit	345,000	250,000	160,000	174,000	113,000

NORMALIZATION ADJUSTMENTS

Normalization adjustments are required to adjust the historical financial statements so that they are representative of a normal condition as of the valuation date.

Balance Sheet Adjustments

Balance Sheet Adjustments

The Company's reported book value at the date of valuation was «976,000». Listed below, «I» have identified adjustments that are required to restate shareholders' equity and reflect the net asset value of the Company.

Income Statement Adjustments

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

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 «Childs Clothing Store» dictates that certain methodologies are inappropriate. The following lists those methods and the reasons why they are not used.

Determination of «fair market value»

Book Value Method

The book value of «Childs Clothing Store» as of «December 31, 2018» was $«976,000». The book value method is an accounting based value that is calculated by subtracting the book value of total liabilities from the book value of total assets. This method takes as fact that the underlying assets are the driving factor in the valuation of the company and that the «fair market value» is approximated by the book value.

«My» review indicates that the value of the enterprise is driven by the collection of the assets' ability to generate a benefit stream that is not 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 more important than the manner in which management has utilized them.

Additionally, «my» review indicates that the «fair market value» of the underlying assets less the «fair market value» of the liabilities approximates the book value of the assets.

Adjusted Book Value Method – Going Concern

The adjusted value of «Childs Clothing Store» as of «December 31, 2018» was $«751,000». The adjusted book value - going concern method develops a valuation indication by adjusting the reported book values of a subject company's assets to their actual or estimated «fair market value»s and subtracting its liabilities (adjusted to «fair market value», if appropriate). The specific adjustments were described in the analysis of the balance sheet. The indicated value should not be interpreted as an estimate of liquidation value. Neither an orderly nor a forced liquidation is contemplated.

Application of Minority Interest Discount

A minority interest discount is a reduction in 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 «24.30%» is appropriate because

Application of Lack of Marketability Discount

In «my» opinion, a discount of «10.82%» is required for lack of marketability. The discount reflects an expectation for illiquidity because

Appendix E contains further information on the lack of a marketability discount.

Indicated Value Calculation

As determined below, the «fair market value» indicated by using the Adjusted Book Value as a Going Concern method was $«751,378» and was rounded to $«751,000».

	Year Ended December 31, 2018
Adjusted Equity	1,113,000
Less Minority Interest Discount	24.30%
Subtotal	842,541
Less Marketability Discount	10.82%
Indicated Value	751,378
SELECTED GOING CONCERN VALUE	751,000

« »

Adjusted Book Value Method – Liquidation Value

The adjusted book value in an orderly liquidation of «Childs Clothing Store» as of «December 31, 2018» was $«0». The adjusted book value - liquidation method develops a valuation indication by adjusting the reported book values of a subject company's assets to their actual or estimated price, as if they were sold in a piecemeal and orderly fashion. It is assumed that the assets are given an adequate level of exposure in their normal secondary market. This premise does not contemplate any contributory value from the company's intangible assets. The specific adjustments were described within the analysis of the balance sheet.

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 «24.30%» is appropriate because

Application of Lack of Marketability Discount Applied

In «my» opinion, a discount of «10.82%» is required for lack of marketability. The discount reflects an expectation for illiquidity because

Appendix E contains further information on the lack of a marketability discount.

Indicated Value Calculation

As determined below, the «fair market value» indicated by using the Adjusted Book Value – Liquidation Method was $«975,509» and was rounded to $«976,000».

	Year Ended December 31, 2018
Adjusted Equity	1,445,000
Less Minority Interest Discount	24.30%
Subtotal	1,093,865
Less Marketability Discount	10.82%
Indicated Value	975,509
SELECTED LIQUIDATION VALUE	976,000

« »

Capitalization of «Cash Flow» Method

Capitalization of «cash flow» requires an estimate of an ongoing benefit stream and a capitalization «multiple». The capitalization «multiple» 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 flow» benefit stream.

Calculation of the Ongoing Economic Benefit Stream

	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Earning Power Based on Net of Debt After Tax Cash Flow					
Adjusted Pretax Income	536,000	395,000	231,000	238,000	169,000
Add Depreciation/Amortization and Other Non-Cash Expenses	180,000	156,000	90,000	66,000	50,000
Total	716,000	551,000	321,000	304,000	219,000
Weight	5	4	3	2	1
Ongoing Earning Power	504,933				
Less Ongoing Depreciation/Amortization/Non-Cash	131,733				
Taxable Base	373,200				
Less Estimated State Income Taxes - Effective Rate:	5.00%				
Before Federal Taxes	354,540				
Less Federal Taxes	120,544				
Subtotal	233,996				
Depreciation/Amortization/Non-Cash	131,733				
Subtotal	365,730				
Adjust for Working Capital Requirements	-35,800				
Adjust for Capital Expenditure Requirements	-131,733				
Adjust for Long Term Debt Requirements	0				
Calculated Ongoing Net of Debt After Tax Cash Flow	198,197				
SELECTED ONGOING NET OF DEBT AFTER TAX CASH FLOW	198,200				

« »

The weighting above was performed because list the reasons.

Taxes

Taxes were calculated as $«18,660» for the state and $«120,544» for federal. The ongoing benefit stream was reduced by these outflows.

Cash Flow

A cash flow stream needs to define the changes in working capital, capital expenditures and long term debt. The ongoing increase/decrease in working capital is $«-35,800». The ongoing increase/decrease in capital expenditures is $«-131,733». The change in long term debt amounts to $«0».

Capitalization «Rate»

Capitalization Rates

The discount rate represents the risk an investor is willing to accept 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 United States Treasury bonds. As of the valuation date «December 31, 2018», this yield was «3.00%». The rate applied to the buildup was «3.00%».

Equity Risk Premium

The equity risk premium represents the risk an investor accepts for investing in large public companies. This risk is measured by taking the returns of public companies since 1926 and subtracting the risk free return since 1926 (average annual returns for large capitalization stocks minus average income returns for long term government bonds). This information is published by Morningstar. As of «December 31, 2018», the equity risk premium was «4.00%». The rate applied to «Childs Clothing Store»was «4.00%».

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 *Stocks, Bonds, Bills, and Inflation Yearbook*, a publication of Morningstar, the small stock risk premium averaged «5.00%» since 1926. The rate applied to «Childs Clothing Store» was «5.00%».

Industry Risk Premium

Based upon the industry of the subject company as reported in *Stocks, Bonds, Bills, and Inflation Yearbook*, a publication of Morningstar, the industry risk premium was calculated as «0.00%». The rate applied to «Childs Clothing Store» was «0.00%».

Specific Company Risk Premium

Based upon Company specific factors - cyclical risk, risks of competitive encroachment, size and various operating concentrations (key executive dependency, customer concentration, for example) - the summation requires an additional risk premium of «7.50%».

Expected Sustainable Growth Rate

We estimate «2.00%» 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.

Rate to Factor Conversion

The capitalization rate developed using the buildup method is «22.50%». The reciprocal of this measure (1/«22.50%») provides a capitalization multiple of «4.533333».

Calculation of the «Rate»

The schedule below shows how the «multiple» was calculated

«

BUILDUP CAPITALIZATION RATE

Risk-Free Rate of Return	3.00%	
Equity Risk Premium	4.00%	
Small Stock Risk Premium	5.00%	
Plus/Minus Industry Risk Premium	0.00%	
Country Risk	1.00%	
Currency Risk	1.00%	
Legal Risk	1.00%	
Environmental Risks	1.00%	
Other Risks Not Otherwise Identified	1.00%	
Company Specific Premium	7.50%	
Net Cash Flow Discount Rate	24.50%	
Discount Rate		24.50%
Sustainable Growth		2.00%
Capitalization Rate To Apply To Next Year Stream		22.50%

»

Indicated Value

To calculate an indicated value for «Childs Clothing Store», the first step is to use the «after tax cash flow» benefit steam and «multiply» it by the «multiple». «In order to match the appropriate period to the rate, the rate is divided by one plus the growth rate.»

The next step is to apply adjustments to value for «Childs Clothing Store».

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 «24.30%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «10.82%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Application of Excess or Non-Operating Assets

Excess or Non-operating assets represent the value of resources the company has control of but are not required to operate the business. Examples are excess cash on hand, real estate or other securities not used in the production of goods or services. In «my» judgment, excess and non-operating assets that need to be added back and are a part of the business's value total $«822,263».

Indicated Value Calculation

The following schedule presents the indicated value using the capitalization of earnings method. As calculated, the indicated «fair market value» is $«1,428,838» which has been rounded to $«1,429,000».

Net of Debt After Tax Cash Flow	198,200	
Sustainable Growth Rate	2.00%	
Net of Debt After Tax Cash Flow		202,164
Capitalization Rate		22.50%
Subtotal		898,507
Minority Interest Discount		24.30%
Subtotal		680,170
Marketability Discount		10.82%
Subtotal		606,575
Excess/Non-Operating Assets	1,218,000	
Apply Minority Interest Discount	24.30%	
Apply Marketability Discount	10.82%	
Adjusted Excess/Non-Operating Assets		822,263
Indicated Equity Value		1,428,838
« SELECTED EQUITY VALUE		1,429,000 »

Discounted Multi-Growth Model

The discounted future «cash flow» method was applied and the resulting «fair market value» of «Childs Clothing Store» as of «December 31, 2018» was $«1,429,000». This income method is the most appropriate method to use. The method focuses on the present value of the forecasted future benefits. These would accrue to the hypothetical owner of the company. They vary greatly in the short run and are still estimable in the long run. This method requires an explicit forecast of the future benefit streams over a reasonably foreseeable short term and an estimate of a long term benefit stream that is stable and sustainable, i.e. not varying from period to period. In addition, the benefit stream is determined to continue into the future without compromise. An appropriate discount rate and an estimate of long term growth beyond the forecast period allow discrete present values to be calculated and summed for all the benefit streams and determine the entity value.

Estimate of Ongoing Benefit Stream

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

Calculation of the Ongoing Economic Benefit Stream

	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Earning Power Based on Net of Debt After Tax Cash Flow					
Adjusted Pretax Income	536,000	395,000	231,000	238,000	169,000
Add Depreciation/Amortization and Other Non-Cash Expenses	180,000	156,000	90,000	66,000	50,000
Total	716,000	551,000	321,000	304,000	219,000
Weight	5	4	3	2	1
Ongoing Earning Power	504,933				
Less Ongoing Depreciation/Amortization/Non-Cash	131,733				
Taxable Base	373,200				
Less Estimated State Income Taxes - Effective Rate:	5.00%				
Before Federal Taxes	354,540				
Less Federal Taxes	120,544				
Depreciation/Amortization/Non-Cash	131,733				
Subtotal	365,730				
Adjust for Working Capital Requirements	-35,800				
Adjust for Capital Expenditure Requirements	-131,733				
Adjust for Long Term Debt Requirements	0				
Calculated Ongoing Net of Debt After Tax Cash Flow	198,197				
SELECTED ONGOING NET OF DEBT AFTER TAX CASH FLOW	198,200				

« »

The weighting above was performed because list the reasons.

Taxes were calculated as $«18,660» for the state and $«120,544» for the federal. The benefit stream was reduced by these outflows.

A cash flow stream needs to define the changes in working capital, capital expenditures and long term debt. The ongoing change in working capital is $«-35,800». The ongoing change in capital expenditures is $«-131,733». The change in long term debt amounts to $«0».

Benefit Stream Forecast Assumptions

Certain assumptions must be made in this model. Primarily, what is the reasonably foreseeable short term? The benefit stream should have different characteristics than the sustainable long term benefit stream. The fact set for «Childs Clothing Store» as of «December 31, 2018» dictates that the reasonable foreseeable short term is «5» years because

The method of forecast was «manual percentage growth». This method was chosen because

Given these assumptions, the benefit stream was forecasted «5» years using the «manual percentage growth». The next step is to determine a discount rate.

Discount Rate

The discount rate represents the risk an investor is willing to accept for the potential reward an investment in the subject company will return. Different rates apply to types of businesses. It is also known as the return that an investor requires by generating the investment. 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 investing 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.

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 valuation date, «December 31, 2018», this yield was «3.00%». The rate applied to the buildup was «3.00%».

Equity Risk Premium

The equity risk premium represents the risk an investor accepts for investing in large public companies. This risk is measured by taking the returns of public companies since 1926 and subtracting the risk free return since 1926 (average annual returns for large capitalization stocks minus average income returns for long term government bonds). This information is published by Morningstar. As of «December 31, 2018», the equity risk premium was «4.00%». The rate applied to «Childs Clothing Store»was «4.00%».

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 *Stocks, Bonds, Bills, and Inflation Yearbook*, a publication of Morningstar, the small stock risk premium averaged «5.00%» since 1926. The rate applied to «Childs Clothing Store» was «5.00%».

Industry Risk Premium

Based upon the industry of the subject company as reported in *Stocks, Bonds, Bills, and Inflation Yearbook*, a publication of Morningstar, the industry risk premium was calculated as «0.00%». The rate applied to «Childs Clothing Store» was «0.00%».

Specific Company Risk Premium

Based upon Company specific factors - cyclical risk, risks of competitive encroachment, size and various operating concentrations (key executive dependency, customer concentration, for example) - the summation requires an additional risk premium of «7.50%».

Discount Rate Calculation

The schedule below shows how the discount rate was calculated. The discount rate selected for «Childs Clothing Store» is «24.50%».

«

Risk-Free Rate of Return	3.00%	
Equity Risk Premium	4.00%	
Small Stock Risk Premium	5.00%	
Plus/Minus Industry Risk Premium	0.00%	
Country Risk	1.00%	
Currency Risk	1.00%	
Legal Risk	1.00%	
Environmental Risks	1.00%	
Other Risks Not Otherwise Identified	1.00%	
Company Specific Premium	7.50%	
Net Cash Flow Discount Rate	24.50%	
Discount Rate		24.50%

»

Terminal Growth Rate and Benefit Stream

One of the key elements to the discounted future «cash flow» method is that an estimate of a long term benefit stream that is stable and sustainable can be determined. Put another way, this benefit stream is continuing into the future without change. In the short term, the benefit stream can vary wildly due to circumstances in the fact pattern. However, at the end of the reasonably foreseeable future a terminal benefit stream must be estimated.

«I» estimate «2.00%» 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.

The «cash flow» in the «fifth» period of the discrete forecast was $«223,205». Applying the growth rate of «2.00%», «I» estimate the continuing stream should be $«218,829».

The stream is then discounted to present value and summed with the discrete present values in determining the «fair market value» of «Childs Clothing Store».

Indicated Value

To calculate the «fair market value» of «Childs Clothing Store», the first step is to list the discrete short term benefit streams and present value them to «December 31, 2018». The terminal benefit stream is then present valued. The sum of all these indicate an initial «fair market value».

Application of Minority Interest Discount

A minority interest discount is a reduction to the initially indicated value due to a lack of control prerogatives such as declaring dividends, liquidating the company, going public, issuing or buying stock, directing management and setting management's salaries, etc. In «my» opinion, a minority interest discount of «24.30%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «10.82%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Application of Excess or Non-Operating Assets

Excess or Non-operating assets represent the value of resources the company has control of but are not required to operate the business. Examples are excess cash on hand, real estate or other securities. In «my» judgment, excess and non-operating assets that need to be added back and are part of the value total «822,263».

Indicated Value Calculation

The following schedule presents the indicated value using the discounted future «cash flow» method. As calculated, the indicated «fair market value» of «Childs Clothing Store» is $«1,428,838» which has been rounded to $«1,429,000».

Forecast Period	After Tax Cash Flow	Growth Rate	P.V. Using 24.50% Discount Rate	Discounted Cash Flow
	198,200			
2019	202,164	2.00%	0.80321	162,381
2020	206,207	2.00%	0.64515	133,035
2021	210,331	2.00%	0.51819	108,992
2022	214,538	2.00%	0.41622	89,295
2023	218,829	2.00%	0.33431	73,157
Present Value of Terminal Value				331,646
Subtotal				898,507
Minority Interest Discount				24.30%
Subtotal				680,170
Marketability Discount				10.82%
Subtotal				606,575
Excess/Non-Operating Assets			1,218,000	
Apply Minority Interest Discount			24.30%	
Apply Marketability Discount			10.82%	
Adjusted Excess/Non-Operating Assets				822,263
Indicated Equity Value				1,428,838
SELECTED EQUITY VALUE				1,429,000

« »

Discounted Future «Cash Flow» Summary

The discounted future «Cash Flow» method was applied and the «fair market value» of «Childs Clothing Store» as of «December 31, 2018» was «1,818,000». This income method is the most appropriate method to use because the method focuses on the present value of the forecasted future benefits that would accrue to the hypothetical owner of the company. They vary greatly in the short run, but are still estimable in the long run. This method requires an explicit forecast of the future benefit streams over a reasonably foreseeable short term and an estimate of a long term benefit stream that is stable and sustainable (i.e. not varying from period to period and determined to continue into the future without compromise). An appropriate discount rate and an estimate of long term growth beyond the forecast period allow discrete present values to be calculated and summed for all of the benefit streams to determine the entity's value.

Key Assumptions in Forecast

The basic forecast assumptions are developed within the context of the Company's historical experience during the past «5» years. The assumptions are summarized below:

Insert assumptions range

Growth or Inflation Rate	2.00%
Yearly Investment in Capital Expenditures	130,000
Yearly Investment in Intangibles	0
LTD Financing Acquired Each Year	0

« »

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 flow» benefit stream.

Calculation of the Ongoing Economic Benefit Stream

	Year 1 2019	Year 2 2020	Year 3 2021	Year 4 2022	Year 5 2023
Earning Power Based on Net of Debt After Tax Cash Flow					
Adjusted Pretax Income	546,720	557,654	568,807	580,184	591,787
Add Depreciation/Amortization and Other Non-Cash Expenses	183,600	187,272	191,017	194,838	198,735
Less Taxes	-185,885	-189,602	-193,395	-197,262	-201,208
Changes in Working Capital	-88,851	-90,629	-92,441	-94,290	-96,176
Changes in Capital Expenditures	-130,000	-130,000	-130,000	-130,000	-130,000
Changes in Intangible Assets	0	0	0	0	0
Changes in Long Term Debt	0	0	0	0	0
Total Earning Power Based on Net of Debt After Tax Cash Flow	325,584	334,695	343,989	353,469	363,138

« »

Discount Rate

The discount rate represents the risk an investor is willing to accept for the potential reward an investment in the subject company will return. Different rates apply to types of businesses. It is also known as the return that an investor requires by generating the investment. 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 investing 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.

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 United States Treasury bonds. As of the valuation date, «December 31, 2018», this yield was «3.00%». The rate applied to the buildup was «3.00%».

Equity Risk Premium

The equity risk premium represents the risk an investor accepts for investing in large public companies. This risk is measured by taking the returns of public companies since 1926 and subtracting the risk free return since 1926 (average annual returns for large capitalization stocks minus average income returns for long term government bonds). This information is published by Morningstar. As of «December 31, 2018», the equity risk premium was «4.00%». The rate applied to «Childs Clothing Store»was «4.00%».

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 *Stocks, Bonds, Bills, and Inflation Yearbook*, a publication of Morningstar, the small stock risk premium averaged «5.00%» since 1926. The rate applied to «Childs Clothing Store» was «5.00%».

Industry Risk Premium

Based upon the industry of the subject company as reported in *Stocks, Bonds, Bills, and Inflation Yearbook*, a publication of Morningstar, the industry risk premium was calculated as «0.00%». The rate applied to «Childs Clothing Store» was «0.00%».

Specific Company Risk Premium

Based upon Company specific factors - cyclical risk, risks of competitive encroachment, size and various operating concentrations (key executive dependency, customer concentration, for example) - the summation requires an additional risk premium of «7.50%».

Discount Rate Calculation

The schedule below shows how the discount rate was calculated. The discount rate chosen for «Childs Clothing Store» is «24.50%».

«

Risk-Free Rate of Return	3.00%	
Equity Risk Premium	4.00%	
Small Stock Risk Premium	5.00%	
Plus/Minus Industry Risk Premium	0.00%	
Country Risk	1.00%	
Currency Risk	1.00%	
Legal Risk	1.00%	
Environmental Risks	1.00%	
Other Risks Not Otherwise Identified	1.00%	
Company Specific Premium	7.50%	
Net Cash Flow Discount Rate	24.50%	
Discount Rate		24.50%

»

Terminal Growth Rate and Benefit Stream

One of the key elements to the discounted future «cash flow» method is that an estimate of a long term benefit stream that is stable and sustainable can be determined. Put another way, this benefit stream continues into the future without change. Over the short term, the benefit stream can vary wildly due to circumstances in the fact pattern. However, at the end of the reasonably foreseeable future a terminal benefit stream must be estimated.

We estimate «2.00%» terminal 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.

The «cash flow» in the «fifth» period of the discrete forecast was «370,401». Applying the growth rate of «2.00%», «I» estimate the continuing stream should be $«363,138».

The stream is then discounted to present value and summed with the discrete present values in determining the «fair market value» of «Childs Clothing Store».

Indicated Value

To calculate the «fair market value» of «Childs Clothing Store», the discrete short term benefit streams are listed and their present value at «December 31, 2018» is calculated. The terminal benefit stream is determined and the present value calculated. The sum of all these indicates an initial «fair market value».

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 and setting management’s salaries, etc. In «my» opinion, a minority interest discount of «24.30%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «10.82%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Excess or Non-Operating Assets

Excess or Non-operating assets represent the value of resources the company has control of but are not required to operate the business. Examples are excess cash on hand, real estate or other securities. In «my» judgment, excess and non-operating assets that need to be added back and are part of the entity’s value total «822,263».

Indicated Value Calculation

The following schedule presents the indicated value using the discounted future «cash flow» method. As calculated, the indicated «fair market value» is $«1,817,736» is which has been rounded to $«1,818,000».

Forecast Period	After Tax Cash Flow	Growth Rate	P.V. Using 24.50% Discount Rate	Discounted Cash Flow
2019	325,584		0.80321	261,513
2020	334,695	2.80%	0.64515	215,929
2021	343,989	2.78%	0.51819	178,253
2022	353,469	2.76%	0.41622	147,121
2023	363,138	2.74%	0.33431	121,402
Present Value of Terminal Value				550,355
Subtotal				1,474,573
Minority Interest Discount				24.30%
Subtotal				1,116,252
Marketability Discount				10.82%
Subtotal				995,473
Excess/Non-Operating Assets			1,218,000	
Apply Minority Interest Discount			24.30%	
Apply Marketability Discount			10.82%	
Adjusted Excess/Non-Operating Assets				822,263
Indicated Equity Value				1,817,736
SELECTED EQUITY VALUE				1,818,000

« »

Discounted Future «Cash Flow» Detail

The discounted future «cash flow» method was applied and the «fair market value» of «Childs Clothing Store» as of «December 31, 2018» was «2,379,000». This income method is the most appropriate method to use because the method focuses on the present value of the forecasted future benefits that would accrue to the hypothetical owner of the company that vary greatly in the short run and are still estimable in the long run. This method requires an explicit forecast of the future benefit streams over a reasonably foreseeable short term and an estimate of a long term benefit stream that is stable and sustainable, i.e. not varying from period to period and determined to continue into the future without compromise. An appropriate discount rate and an estimate of long term growth beyond the forecast period allow discrete present values to be calculated and summed for all the benefit streams to determine the entity value.

Key Assumptions in Forecast

The basic forecast assumptions are developed within the context of the Company's historical experience during the past «5» years. The assumptions are summarized below:

Sales Growth Assumptions

Gross Profit Margin Assumptions

Operating Expenses Assumptions

Officers' Compensation Assumptions

Other Income and Expense Assumptions

Depreciation and Amortization Assumptions

Depreciation and amortization is a function of the company's adjusted balance of fixed assets and intangible assets along with projected acquisitions.

Interest Expense Assumptions

Interest expense is a function of the amount of the company's interest-bearing debt and the terms therein.

Income Tax Rate(s) Assumptions

Working Capital Assumptions

Capital Expenditures Assumptions

Long-Term Debt Assumptions

The change in the long-term debt is the net of additional borrowings and the reduction of outstanding debt. The assumptions for new debt are

Estimate of the Ongoing Benefit Stream

The analysis presented below represents the ongoing economic benefit stream. It depicts the calculation of the «net of debt after tax cash flow » benefit stream using the assumptions described above. The forecast is for «5» years.

Calculation of the Ongoing Economic Benefit Stream

	Projected Year 2019	Projected Year 2020	Projected Year 2021	Projected Year 2022	Projected Year 2023
Projected					
Pretax Earnings	-1,226,684	-1,046,821	-845,048	-618,723	-364,887
Income Taxes	-45,666	-68,148	-93,370	-121,661	-153,390
Depreciation and Amortization	705,800	705,800	705,800	705,800	705,800
Common Stock Dividend Adjustment	0	0	0	0	0
Other Non-Cash Items	0	0	0	0	0
Decrease / (Increase) in Accounts Receivable	-60,458	-24,055	-26,942	-30,174	-33,795
Decrease / (Increase) in Inventory	-151,200	-178,416	-210,531	-248,426	-293,143
Decrease / (Increase) in Other Current Assets	41,100	-14,900	-14,900	-14,900	-14,900
(Decrease) / Increase in Accounts Payable	-18,800	7,200	7,200	7,200	7,200
(Decrease) / Increase in Notes Payable	-33,000	0	0	0	0
(Decrease) / Increase in Credit Line Payable	0	0	0	0	0
(Decrease) / Increase in Other Current Liabilities	-26,800	10,700	10,700	10,700	10,700
Decrease / (Increase) in Investments	-1,500,000	0	0	0	0
Decrease / (Increase) in Other Assets	-7,300	-8,030	-8,833	-9,716	-10,688
(Decrease) / Increase in Other Liabilities	-13,600	4,400	4,400	4,400	4,400
(Decrease) / Increase in Long Term Debt	1,280,033	-485,811	-536,682	-993,351	-662,189

« »

Discount Rate

The discount rate represents the risk an investor is willing to accept for the potential reward an investment in the subject company will return. Different rates apply to types of businesses. It is also known as the return that an investor requires by generating the investment. 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 investing 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.

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 valuation date, «December 31, 2018», this yield was «3.00%». The rate applied to the buildup was «3.00%».

Equity Risk Premium

The equity risk premium represents the risk an investor accepts for investing in large public companies. This risk is measured by taking the returns of public companies since 1926 and subtracting the risk free return since 1926 (average annual returns for large capitalization stocks minus average income returns for long term government bonds). This information is published by Morningstar. As of «December 31, 2018», the equity risk premium was «4.00%». The rate applied to «Childs Clothing Store»was «4.00%».

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 *Stocks, Bonds, Bills, and Inflation Yearbook*, a publication of Morningstar, the small stock risk premium averaged «5.00%» since 1926. The rate applied to «Childs Clothing Store» was «5.00%».

Industry Risk Premium

Based upon the industry of the subject company as reported in *Stocks, Bonds, Bills, and Inflation Yearbook*, a publication of Morningstar, the industry risk premium was calculated as «0.00%». The rate applied to «Childs Clothing Store» was «0.00%».

Specific Company Risk Premium

Based upon Company specific factors - cyclical risk, risks of competitive encroachment, size and various operating concentrations (key executive dependency, customer concentration, for example) - the summation requires an additional risk premium of «7.50%».

Cash Flow to Earnings Conversion Adjustment

Because the Morningstar data is based on cash flows, the foregoing factors total to a cash flow discount rate. Because the benefit stream being capitalized is not cash flow based, an additional adjustment is required to convert the discount rate to an earnings based discount rate. An additional «0.00%» is added to the summation to account for the estimated difference between the Company's cash flows and earnings.

EBIT Conversion Adjustment

Because the benefit stream is not synchronized with an earnings before interest and taxes base, an additional «0.00%» is added to the summation to account for the estimated difference between the Company's EBIT base and rate calculated.

Discount Rate Calculation

The schedule below shows how the discount rate was calculated. The discount rate chosen for «Childs Clothing Store» is «24.50%».

«

BUILDUP CAPITALIZATION RATE

Risk-Free Rate of Return	3.00%	
Equity Risk Premium	4.00%	
Small Stock Risk Premium	5.00%	
Plus/Minus Industry Risk Premium	0.00%	
Country Risk	1.00%	
Currency Risk	1.00%	
Legal Risk	1.00%	
Environmental Risks	1.00%	
Other Risks Not Otherwise Identified	1.00%	
Company Specific Premium	7.50%	
Net Cash Flow Discount Rate	24.50%	
Discount Rate		24.50%

»

Terminal Growth Rate and Benefit Stream

One of the key elements to the discounted future «cash flow» method is that an estimate of a long term benefit stream that is stable and sustainable can be determined. Put another way, this benefit stream is continuing into the future without change. In the short term, the benefit stream can vary wildly due to circumstances in the fact pattern. However, at the end of the reasonably foreseeable future a terminal benefit stream must be estimated.

We estimate «2.00%» terminal 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.

The «cash flow» in the «fifth» period of the discrete forecast was «0». Applying the growth rate of «2.00%», «I» estimate the continuing stream should be $«246,383».

The stream is then discounted to present value and summed with the discrete present values in determining the «fair market value» of «Childs Clothing Store».

Midyear Convention

In the normal discounting process it is assumed that the benefit stream is available to the hypothetical buyer at the end of the period. This is not always the case since sales occur over the course of a period and expenses occur over the course of a period. The benefit stream is then available during the period and not only at the end. To implement this logic, a midyear convention is used. The midyear convention calculates the present value of a benefit stream using arithmetic that presumes half is available before the midyear and half is available after the midyear. «I» have applied the midyear convention because

Indicated Value

To calculate the «fair market value» of «Childs Clothing Store», discrete short term benefit streams are listed and the present value at «December 31, 2018» is calculated. The terminal benefit stream is then present valued. The sum of all these indicates an initial «fair market value».

Application of Marketability Discount

In «my» opinion, a discount of «24.30%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Indicated Value Calculation

The following schedule presents the indicated value using the discounted future «cash flow» method. As calculated, the indicated «fair market value» of the $«2,378,566» is which has been rounded to $«2,379,000».

Forecast Period	After Tax Cash Flow	P.V. Using 24.50% Discount Rate	Discounted Cash Flow
2019	450,680	0.80321	361,992
2020	459,868	0.64515	296,684
2021	577,592	0.51819	299,304
2022	733,667	0.41622	305,367
2023	246,383	0.33431	82,369
Present Value of Terminal Value			373,406
Subtotal			1,719,122
Minority Interest Discount			24.30%
Subtotal			1,301,375
Marketability Discount			10.82%
Subtotal			1,160,566
Excess/Non-Operating Assets			1,218,000
Indicated Equity Value			2,378,566
SELECTED EQUITY VALUE			2,379,000

« »

Capitalization of Excess Earnings

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 US Treasury Department, in Appeals and Review Memorandum 34, established the methodology. Its current version is found in Revenue Ruling 68-609. This method may appear simple, but it is easy to misuse.

The primary 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. Capitalization of excess earnings requires estimates of the adjusted net asset value, ongoing benefit stream, normal benefit stream return and a capitalization «cash flow».

Estimate of the Benefit Stream

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

Calculation of the Ongoing Economic Benefit Stream

	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Earning Power Based on Net of Debt After Tax Cash Flow					
Adjusted Pretax Income	536,000	395,000	231,000	238,000	169,000
Add Depreciation/Amortization and Other Non-Cash Expenses	180,000	156,000	90,000	66,000	50,000
Additional Adjustment	1,500,000				
Total	2,216,000	551,000	321,000	304,000	219,000
Weight	5	4	3	2	1
Ongoing Earning Power	1,004,933				
Less Ongoing Depreciation/Amortization/Non-Cash	131,733				
Taxable Base	873,200				
Less Estimated State Income Taxes - Effective Rate:	5.00%				
Before Federal Taxes	829,540				
Less Federal Taxes	282,044				
Subtotal	547,496				
Depreciation/Amortization/Non-Cash	131,733				
Subtotal	679,230				
Adjust for Working Capital Requirements	-110,800				
Adjust for Capital Expenditure Requirements	-131,733				
Adjust for Long Term Debt Requirements	0				
Calculated Ongoing Net of Debt After Tax Cash Flow	436,697				
SELECTED ONGOING NET OF DEBT AFTER TAX CASH FLOW	436,700				

« »

The weighting above was performed because

Taxes were calculated as $«43,660» for the state and $«282,044» for federal. The economic benefit stream was reduced by these outflows.

A cash flow stream needs to define the changes in working capital, capital expenditures and long term debt. The ongoing increase/decrease in working capital is $«-110,800». The ongoing increase/decrease in capital expenditures is $«-131,733». The change in long term debt amounts to $«0».

Return on Adjusted Net «Assets» Value

The estimate of net «assets» value is developed below, where required adjustments are applied to reported «assets». The specific adjustments in this analysis were made because of these reasons

«

	December 31, 2018
Historic Assets	3,095,000
Reasonable Rate of Return on Operating Assets	10.00%
Calculated Return on Operating Assets	309,500
SELECTED RETURN ON OPERATING ASSETS	309,500

	Historic Balance	Loan Percent	Loan Amount
Cash	549,000	100.00%	549,000
Accounts Receivable	140,000	50.00%	70,000
Inventory	840,000	75.00%	630,000
Other Current	80,000	0.00%	0
Net Fixed Assets	1,338,000	100.00%	1,338,000
Other Non-Current	75,000	0.00%	0
Non-Operating Assets	73,000	0.00%	0
Tangible Debt Capacity	3,095,000		2,587,000
Existing Debt			1,431,000
Remaining Borrowing Capacity		44.68%	1,156,000
Market Borrowing Rate--Prime		6.00%	
Add 0 Points to the Prime Lending Rate		1.00%	
			7.00%
1 - Normalized Effective Tax Rate	100.00% -	35.00%	65.00%
Required Rate of Return on Debt Capital	4.55% x	44.68%	2.03%
Required Rate of Return on Equity Capital	22.00% x	55.32%	12.17%
Low range of the earnings discount rate for the company being valued.			
Reasonable Rate of Return on Net Tangible Assets			14.20%
Selected Reasonable Rate of Return on Net Tangible Assets			14.20%

»

A return of «10.00%» on net «assets» has been estimated to be appropriate for «Childs Clothing Store». This estimate was made for the following reasons

A return on «assets» of «10.00%» multiplied against net adjusted «assets» results in a calculated return of $«309,500». This amount has been rounded to $«309,500».

Capitalization «Multiple»

The discount rate represents the risk an investor is willing to accept for the potential reward an investment in the subject company will return. Different rates apply to types of businesses. It is also known as the return that an investor requires by generating the investment 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 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 valuation date «December 31, 2018», this yield was «3.00%». The rate applied to the buildup was «3.00%».

Equity Risk Premium

The equity risk premium represents the risk an investor accepts for investing in large public companies. This risk is measured by taking the returns of public companies since 1926 and subtracting the risk free return since 1926 (average annual returns for large capitalization stocks minus average income returns for long term government bonds). This information is published by Morningstar. As of «December 31, 2018», the equity risk premium was «4.00%». The rate applied to «Childs Clothing Store»was «4.00%».

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 *Stocks, Bonds, Bills, and Inflation Yearbook*, a publication of Morningstar, the small stock risk premium averaged «0.00%» since 1926. The rate applied to «Childs Clothing Store» was «0.00%».

Industry Risk Premium

Based upon the industry of the subject company as reported in *Stocks, Bonds, Bills, and Inflation Yearbook*, a publication of Morningstar, the industry risk premium was calculated as «0.00%». The rate applied to «Childs Clothing Store» was «0.00%».

Specific Company Risk Premium

Based upon Company specific factors - cyclical risk, risks of competitive encroachment, size and various operating concentrations (key executive dependency, customer concentration, for example) - the summation requires an additional risk premium of «7.50%».

Expected Sustainable Growth Rate

We estimate «2.00%» 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 «multiple» power developed above.

Rate to Factor Conversion

The capitalization rate developed using the buildup method is «22.50%». The reciprocal of this measure (1/«22.50%») provides a capitalization multiple of «4.533333».

Capitalization «Multiple» Calculation

The schedule below shows how the «multiple» was calculated.

«

BUILDUP CAPITALIZATION RATE		
Risk-Free Rate of Return	3.00%	
Equity Risk Premium	4.00%	
Small Stock Risk Premium	5.00%	
Plus/Minus Industry Risk Premium	0.00%	
Country Risk	1.00%	
Currency Risk	1.00%	
Legal Risk	1.00%	
Environmental Risks	1.00%	
Other Risks Not Otherwise Identified	1.00%	
Company Specific Premium	7.50%	
Net Cash Flow Discount Rate	24.50%	
Discount Rate		24.50%
Sustainable Growth		2.00%
Capitalization Rate To Apply To Next Year Stream		22.50%

»

Indicated Value

To calculate an indicated value for «Childs Clothing Store», the first step is to use the «after tax cash flow» benefit steam and subtract the normal returns on «assets». «In order to match the appropriate period to the rate the benefit stream must be multiplied by the growth rate.». This difference represents the excess earnings and is «divided» by the «multiple» and represents the intangible value. The present value of ongoing benefit stream is then added to the adjusted «assets».

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 «24.30%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «10.82%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Indicated Value Calculation

The following schedule presents the indicated value using the capitalization of excess «cash flow» method. As calculated, the indicated «fair market value» of the «Childs Clothing Store» is $«2,497,270»which has been rounded to $«2,497,270».

Net of Debt After Tax Cash Flow	436,700	
Sustainable Growth Rate	2.00%	
Net of Debt After Tax Cash Flow		445,434
SELECTED RETURN ON OPERATING ASSETS		309,500
Excess Earnings		135,934
Capitalization Rate		22.50%
Intangible Value		604,151
Adjusted Operating Assets		3,095,000
Subtotal		3,699,151
Minority Interest Discount		24.30%
Subtotal		2,800,257
Marketability Discount		10.82%
Indicated Equity Value		2,497,270
« SELECTED EQUITY VALUE		2,497,000 »

Subject Company Transactions

There were «10» transactions involving the Company's stock. The transaction prices ranged from $«800.00» to $«800.00» per share of stock. Based on the price paid per share of stock and the number of shares of stock outstanding at the time of the transactions, the implied value of the Company ranged from $«4,000,000» to $«4,000,000».

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 «24.30%» is appropriate because

Indicated Value Calculation

The following schedule presents the conclusions of value using transactions that have previously occurred in the subject company's stock. As calculated, the indicated «fair market value» of the «Childs Clothing Store» is $«2,700,370»which has been rounded to $«2,700,000».

«

Transaction Number	# 1	# 2	# 3	# 4	# 5	# 6	# 7	# 8	# 9	# 10
Date of Transaction	12/31/2014									
Transaction Price Per Share	800.00									
Total Shares Outstanding	5,000									
Implied Value	4,000,000									
Weight Applied	1									
Weighted Average	4,000,000									
Adjustment										
Subtotal	4,000,000									
Minority Interest Discount	24.30%									
Subtotal	3,028,000									
Marketability Discount	10.82%									
Indicated Equity Value	2,700,370									
SELECTED EQUITY VALUE	2,700,000									

»

Market Data Method – BIZCOMPS

Guideline companies are companies that provide a reasonable basis for comparison to the relevant investment characteristics of a company being valued. Guideline companies are most 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 should be 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 company method uses a group of public companies and/or 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 ratio, such as the price/revenue ratio, with which to capitalize the base.

«I» searched the Bizcomps database for transactions involving privately held guideline companies. The Bizcomps database is a study of small business sales whereby relevant pricing information is collected from business brokers and transaction intermediaries on individual sales of small businesses.

«I» researched Bizcomps transactions by first identifying the industry in which «Childs Clothing Store» operates and, using the Standard Industrial Classification Code (SIC 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. «I» screened this group further through the use of key words and phrases that are unique to and describe the subject Company's product or operations. «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.

Given these parameters, «I» found [insert the number of transactions in the grouping] transactions that meet the criteria for being included as guideline companies. The P/R ratios averaged «0.30» and the median was «0.25». The selected P/R ratio was «0.25». The P/SDE ratios averaged «3.23» and the median was «1.33». The selected P/SDE ratio was «1.33».

Estimate of Revenue

The analysis presented below represents the calculation of the revenue base.

Calculation of the Revenue Base

	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Adjusted Revenue	5,966,000	5,194,000	3,970,000	2,935,000	2,100,000
Additional Adjustment					
Total	5,966,000	5,194,000	3,970,000	2,935,000	2,100,000
Weight On Revenue	1				
Ongoing Revenue	5,966,000				
SELECTED ONGOING REVENUE BASE	5,966,000				

« »

The weighting above was performed because

The Revenue was calculated as $«5,966,000» and the selected assets was rounded as $«5,966,000».

Estimate of Sellers' Discretionary Earnings

The analysis presented below represents the calculation of the SDE base.

Calculation of the Sellers' Discretionary Earnings Base

Adjusted	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Debt Free Pretax Income	756,000	645,000	441,000	428,000	384,000
Officers' Compensation	860,000	660,000	460,000	310,000	180,000
Depreciation/Amortization	180,000	156,000	90,000	66,000	50,000
Additional Adjustment					
Seller's Discretionary Earnings	1,796,000	1,461,000	991,000	804,000	614,000
Weight on SDE	1				
Ongoing Seller's Discretionary Earnings	1,796,000				
SELECTED ONGOING SDE BASE	1,796,000				

« »

The weighting above was performed because

The SDE was calculated as $«1,796,000» and the selected SDE was rounded as $«1,796,000».

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 «24.30%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «10.82%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Application of Excess or Non-Operating Assets

Excess or Non-operating assets represent the value of resources the company has control of but are not required to operate the business. Examples are excess cash on hand, real estate or other securities. In «my» judgment, excess and non-operating assets that need to be added back and are part of the entity's value total $«1,218,000».

Indicated Value Calculation

Each of the multiples were weighted. The following schedule presents the conclusions of value using the BIZCOMPS data ratio methods. As calculated, the indicated «fair market value» of the «1,775,092» is which has been rounded to «1,775,100».

	Revenue Multiple	SDE Multiple
Base	5,966,000	1,796,000
Multiple	0.25	1.33
Subtotal	1,485,534	2,386,884
Weight	1	1
Ongoing Value	1,936,209	
Additions:		
Cash	549,000	
Accounts Receivable	140,000	
Inventory	840,000	
Real Estate	0	
Other Current	80,000	
Net Intangible	75,000	
Other Non-Current	73,000	
Subtractions:		
Accounts Payable	-74,000	
Short Term Notes Payable	-33,000	
Current Portion of LT Debt	-28,000	
Other Current Liabilites	-74,000	
Long Term Debt	-1,370,000	
Other Non-Current Liabilites	-71,000	
Excess/Non-Operating Assets	-1,218,000	
Subtotal	825,209	
Minority Interest Discount	24.30%	
Subtotal	624,683	
Marketability Discount	10.82%	
Operating Value	557,092	
Excess/Non-Operating Assets	1,218,000	
Indicated Equity Value	1,775,092	
SELECTED EQUITY VALUE	1,775,100	

« »

Market Data Method – DealStats

HELPER TEXT

The market approaches Market Data have the schedules that pertain to this method. To have the Market Data Method – DealStats appear as considered and used, enter a 1 for its status on the Conclusions of Value schedule in Pro.

Guideline companies are companies that provide a reasonable basis for comparison to the relevant investment characteristics of a company being valued. Guideline companies are most 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 should be 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 company method uses a group of public companies and/or 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 book value in the form of a ratio of the market price of book value, i.e., price/book (P/B) 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/B ratio as representative of the group.

In addition to searching for publicly traded guideline companies, «I» searched the DealStats database for transactions involving privately held and publicly traded guideline companies. The DealStats database is a study of transactions involving publicly traded and privately held businesses. «I» researched guideline companies by first identifying the industry in which «Childs Clothing Store» operates and, using the Standard Industrial Classification Code (SIC 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. «I» screened this group further through the use of key words and phrases that are unique to and describe the subject Company's product or operations and to eliminate those companies whose stock is very thinly traded. «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. The search parameters used in determining whether or not a particular transaction in the DealStats database was comparable to the subject Company were ………………

Estimate of Discretionary Earnings

The selected MVIC (market value of invested capital) to discretionary earnings multiple was «0».

The analysis presented below represents the calculation of the discretionary earnings base.

Calculation of the EBITDA Base

Adjusted	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Pre Tax Income	536,000	395,000	231,000	238,000	169,000
Interest	220,000	250,000	210,000	190,000	215,000
Depreciation and Amortization	180,000	156,000	90,000	66,000	50,000
Other Non-Cash Expenses	0	0	0	0	0
Owners Compensation	860,000	660,000	460,000	310,000	180,000
Additional Adjustment					
Discretionary Earnings	1,796,000	1,461,000	991,000	804,000	614,000
Weight On Discretionary Earnings Base					
Ongoing Discretionary Earnings Base	0				
SELECTED ONGOING DISCRETIONARY EARNINGS BASE	0				

« »

HELPER TEXT

Explain why and how the adjustments were made.

The weighting above was performed because

HELPER TEXT

Explain why and how the weightings were calculated and applied.

The earnings base was calculated as $«0» and the selected earnings base was rounded as $«0».

Estimate of Revenue

The selected MVIC (market value of invested capital) to revenue or net sales multiple was «0.00».

The analysis presented below represents the calculation of the revenue base.

Calculation of the Revenue Base

Adjusted	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Net Sales	5,966,000	5,194,000	3,970,000	2,935,000	2,100,000
Additional Adjustment					
Total	5,966,000	5,194,000	3,970,000	2,935,000	2,100,000
Weight On Net Sales					
Ongoing Net Sales	0				
SELECTED ONGOING NET SALES BASE	0				

« »

HELPER TEXT

Explain why and how the adjustments were made.

The weighting above was performed because

HELPER TEXT

Explain why and how the weightings were calculated and applied.

The revenue base was calculated as $«0» and the selected book value was rounded as $«0».

Estimate of Gross Profit

The selected MVIC (market value of invested capital) to gross profit was «0».

The analysis presented below represents the calculation of the gross profit base.

Calculation of the Gross Profit Base

Adjusted	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Gross Profit	4,086,000	3,644,000	2,870,000	2,060,000	1,500,000
Additional Adjustment					
Total	4,086,000	3,644,000	2,870,000	2,060,000	1,500,000
Weight On Gross Profit					
Ongoing Gross Profit	0				
SELECTED ONGOING GROSS PROFIT BASE	0				

« »

HELPER TEXT

Explain why and how the adjustments were made.

The weighting above was performed because

HELPER TEXT

Explain why and how the weightings were calculated and applied.

The gross profit base was calculated as $«0» and the selected book value was rounded as $«0».

Estimate of EBITDA

The selected MVIC (market value of invested capital) to EBITDA (earnings before interest, taxes, depreciation and amortization) was «0».

The analysis presented below represents the calculation of the EBITDA base.

ValuSourcePro International

Calculation of the EBITDA Base

Adjusted	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Pre Tax Income	536,000	395,000	231,000	238,000	169,000
Interest	220,000	250,000	210,000	190,000	215,000
Depreciation and Amortization	180,000	156,000	90,000	66,000	50,000
Other Non-Cash Expenses	0	0	0	0	0
Additional Adjustment					
EBITDA	936,000	801,000	531,000	494,000	434,000
Weight On EBITDA Base					
Ongoing EBITDA Base	0				
SELECTED ONGOING EBITDA BASE	0				

« »

HELPER TEXT

Explain why and how the adjustments were made.

The weighting above was performed because

HELPER TEXT

Explain why and how the weightings were calculated and applied.

The EBITDA base was calculated as $«0» and the selected book value was rounded as $«0».

Estimate of EBIT

The selected MVIC (market value of invested capital) to EBIT (earnings before interest and taxes) was «0».

The analysis presented below represents the calculation of the EBIT base.

Calculation of the EBIT Base

Adjusted	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Pre Tax Income	536,000	395,000	231,000	238,000	169,000
Interest	220,000	250,000	210,000	190,000	215,000
Additional Adjustment					
EBIT	756,000	645,000	441,000	428,000	384,000
Weight On EBIT Base					
Ongoing EBIT Base	0				
SELECTED ONGOING EBIT BASE	0				

«

»

HELPER TEXT

Explain why and how the adjustments were made.

The weighting above was performed because

HELPER TEXT

Explain why and how the weightings were calculated and applied.

The EBIT base was calculated as $«0» and the selected book value was rounded as $«0».

Estimate of Book Value of Invested Capital

The selected MVIC (market value of invested capital) to book value was «0».

The analysis presented below represents the calculation of the book value base.

ValuSourcePro International

Calculation of the Book Value Base

Adjusted	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Total Assets	3,736,000	2,600,000	2,219,000	1,886,000	1,550,000
Total Liabilities	1,650,000	1,475,000	1,314,000	1,181,000	935,000
Long Term Liabilities	1,370,000	1,200,000	1,110,000	980,000	750,000
Additional Adjustment					
Subtotal	3,456,000	2,325,000	2,015,000	1,685,000	1,365,000
Weight On Book Value					
Ongoing Book Value	0				
SELECTED ONGOING BOOK VALUE BASE	0				

« »

HELPER TEXT

Explain why and how the adjustments were made.

The weighting above was performed because

HELPER TEXT

Explain why and how the weightings were calculated and applied.

The book value base was calculated as $«0» and the selected book value was rounded as $«0».

DealStats multiples are net of debt. This means that the multiples are calculated for all the funds a company might utilize to capitalize itself. In order to obtain an equity value the market value of the debt on the balance sheet needs to be subtracted from the indicated value of the multiple times the base. This debt amounted to «1,431,000».

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 «24.30%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «10.82%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Application of Excess or Non-Operating Assets

Excess or Non-operating assets represent the value of resources the company has control of but are not required to operate the business. Examples are excess cash on hand, real estate or other securities. In «my» judgment, excess and non-operating assets that need to be added back and are part of the entity's value total $«1,218,000».

Indicated Value Calculation

Each of the market DealStats ratios were weighted. The following schedule presents the conclusions of value using the market data DealStats ratio method. As calculated, the indicated «fair market value» of the $«1,218,000» is which has been rounded to $«1,218,000».

Indicated Value Calculation

	Net Sales Multiple	Gross Profit Multiple	EBITDA Multiple
Base	0	0	0
Multiple	0.00x	0.00x	0.00x
Subtotal	0	0	0
Weight			
Ongoing Value	0		
Adjusted Balance Sheet Debt	1,431,000		
Subtotal	0		
Minority Interest Discount	24.30%		
Subtotal	0		
Marketability Discount	10.82%		
Operating Value	0		
Excess/Non-Operating Assets	1,218,000		
Indicated Equity Value	1,218,000		
SELECTED EQUITY VALUE	1,218,000		

« »

Market Data Method – VALUSOURCE MARKET COMPS

Guideline companies are companies that provide a reasonable basis for comparison to the relevant investment characteristics of a company being valued. Guideline companies are most 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 should be 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 company method uses a group of public companies and/or 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 ratio, such as the price/revenue ratio, with which to capitalize the base.

«I» searched the VALUSOURCE MARKET COMPS database for transactions involving privately held guideline companies. The VALUSOURCE MARKET COMPS database is 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 VALUSOURCE MARKET COMPS database was comparable to the subject Company were

Given these parameters, «I» found [insert the number of transactions in the grouping] transactions that meet the criteria for being included as guideline companies. The selected P/R ratio was «0.26». The selected P/SDE ratio was «2.89».

Estimate of Revenue

The analysis presented below represents the calculation of the revenue base.

Calculation of the Revenue Base

	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Adjusted Revenue	5,966,000	5,194,000	3,970,000	2,935,000	2,100,000
Additional Adjustment					
Total	5,966,000	5,194,000	3,970,000	2,935,000	2,100,000
Weight On Revenue	1				
Ongoing Revenue	5,966,000				
SELECTED ONGOING REVENUE BASE	5,966,000				

« »

The weighting above was performed because

The Revenue was calculated as $«5,966,000» and the selected assets was rounded as $«5,966,000».

Estimate of Sellers’ Discretionary Earnings

The analysis presented below represents the calculation of the SDE base.

Calculation of the Sellers' Discretionary Earnings Base

Adjusted	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Debt Free Pretax Income	756,000	645,000	441,000	428,000	384,000
Officers' Compensation	860,000	660,000	460,000	310,000	180,000
Additional Adjustment					
Seller's Discretionary Earnings	1,616,000	1,305,000	901,000	738,000	564,000
Weight on SDE	1				
Ongoing Seller's Discretionary Earnings	1,616,000				
SELECTED ONGOING SDE BASE	1,616,000				

« »

The weighting above was performed because

The SDE was calculated as $«1,616,000» and the selected SDE was rounded as $«1,616,000».

Application of Marketability Discount

In «my» opinion, a discount of «10.82%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Application of Excess or Non-Operating Assets

Excess or Non-operating assets represent the value of resources the company has control of but are not required to operate the business. Examples are excess cash on hand, real estate or other securities. In «my» judgment, excess and non-operating assets that need to be added back and are part of the entity's value total $«1,218,000».

Indicated Value Calculation

Each of the multiples were weighted. The following schedule presents the conclusions of value using the VALUSOURCE MARKET COMPS data ratio methods. As calculated, the indicated «fair market value» of the «2,556,477» is which has been rounded to «2,556,500».

	SDE Multiple	Revenue Multiple
Base	1,616,000	5,966,000
Multiple	2.89	0.26
Subtotal	4,664,742	1,522,573
Weight	1	1
Ongoing Value	3,093,658	
Additions:		
Cash	549,000	
Accounts Receivable	140,000	
Inventory	840,000	
Real Estate	0	
Other Current	80,000	
Net Intangible	75,000	
Other Non-Current	73,000	
Subtractions:		
Accounts Payable	-74,000	
Short Term Notes Payable	-33,000	
Current Portion of LT Debt	-28,000	
Other Current Liabilites	-74,000	
Long Term Debt	-1,370,000	
Other Non-Current Liabilites	-71,000	
Excess/Non-Operating Assets	-1,218,000	
Subtotal	1,982,658	
Minority Interest Discount	24.30%	
Subtotal	1,500,872	
Marketability Discount	10.82%	
Operating Value	1,338,477	
Excess/Non-Operating Assets	1,218,000	
Indicated Equity Value	2,556,477	
SELECTED EQUITY VALUE	2,556,500	

« »

Market Data Method – VS M&A Comps

Guideline transaction companies are companies that provide a reasonable basis for comparison to the relevant characteristics of the company being valued under the presumption that a similar price would be obtained. This is also known as the principle of substitution. Since the pricing multiples of the guideline transactions is known, those multiples are used to develop an indicated value. These pricing multiples may have different bases, such as earnings, book value, earnings before interest and taxes(EBIT), and earnings before interest taxes depreciation and amortization(EBITDA).

«I» searched the ValuSource M&A Comps database for transactions involving privately held and publicly traded guideline companies. The ValuSource M&A Comps database is a study of transactions involving publicly traded and privately held businesses with annual sales typically between $1 million and $100 million in sales. «I» searched the database by first identifying the industry in which «Childs Clothing Store» operates and, using the Standard Industrial Classification Code (SIC 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. «I» screened this group further through the use of key words and phrases that are unique to and describe the subject Company's product or operations. «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. The search parameters used in determining whether or not a particular transaction in the ValuSource M&A Comps database was comparable to the subject Company were

ValuSourcePro International

SIC Code	Description

« »

The enterprise value to revenue mulitples averaged «0.0x» and the median was «0.0x». The selected enterprise value to revenue multiple was «0.0x». The enterprise value to EBITDA mulitples averaged «0.0x» and the median was «0.0x». The selected enterprise value to EBITDA multiple was «0.0x». The enterprise value to EBIT mulitples averaged «0.0x» and the median was «0.0x». The selected enterprise value to EBIT multiple was «0.0x». The equity value to earnings mulitples averaged «0.0x» and the median was «0.0x». The selected equity value to earnings ratio was «0.0x». The equity value to book mulitples averaged «0.0x» and the median was «0.0x». The selected equity value to book multiple was «0.0x».

Estimate of Revenue Base

The analysis presented below represents the calculation of the revenue.

Calculation of the Revenue Base

	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Adjusted Revenue	5,966,000	5,194,000	3,970,000	2,935,000	2,100,000
Additional Adjustment					
Total	5,966,000	5,194,000	3,970,000	2,935,000	2,100,000
Weight On Revenue					
Ongoing Revenue	0				
SELECTED ONGOING REVENUE BASE	0				

« »

The weighting above was performed because

The revenue base was calculated as $«0» and the selected revenue base was rounded as $«0».

Estimate of EBITDA Base

The analysis presented below represents the calculation of the earnings before interest, taxes, depreciation and amortization.

Calculation of the EBITDA Base

Adjusted	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Pre Tax Income	536,000	395,000	231,000	238,000	169,000
Interest	220,000	250,000	210,000	190,000	215,000
Depreciation and Amortization	180,000	156,000	90,000	66,000	50,000
Other Non-Cash Expenses	0	0	0	0	0
Additional Adjustment					
EBITDA	936,000	801,000	531,000	494,000	434,000
Weight On EBITDA Base					
Ongoing EBITDA Base	0				
SELECTED ONGOING EBITDA BASE	0				

« »

The weighting above was performed because

The EBITDA base was calculated as $«0» and the selected EBITDA base was rounded as $«0».

Estimate of EBIT Base

The analysis presented below represents the calculation of the earnings before interest, and taxes.

Calculation of the EBIT Base

Adjusted	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Pre Tax Income	536,000	395,000	231,000	238,000	169,000
Interest	220,000	250,000	210,000	190,000	215,000
Additional Adjustment					
EBIT	756,000	645,000	441,000	428,000	384,000
Weight On EBIT Base					
Ongoing EBIT Base	0				
SELECTED ONGOING EBIT BASE	0				

« »

The weighting above was performed because

The EBIT base value was calculated as $«0» and the selected EBIT base value was rounded as $«0».

Estimate of Net Income Base

The analysis presented below represents the calculation of the net income base.

Calculation of the Net Income Base

	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Adjusted					
Pretax Income	536,000	395,000	231,000	238,000	169,000
Additional Adjustment					
Total	536,000	395,000	231,000	238,000	169,000
Weight					
Ongoing Earning Power	0				
Taxable Base	0				
Less Estimated State Income Taxes - Effective Rate:					
Before Federal Taxes	0				
Less Federal Taxes	0				
Calculated Ongoing	0				
SELECTED ONGOING	0				

« »

The weighting above was performed because

The net earnings base was calculated as $«0» and the selected net earnings base value was rounded as $«0».

Estimate of the Book Value Base

The analysis presented below represents the calculation of the book value base.

Calculation of the Book Value Base

	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Adjusted Book Value	2,086,000	1,125,000	905,000	705,000	615,000
Additional Adjustment					
Book Value	2,086,000	1,125,000	905,000	705,000	615,000
Weight On Book Value					
Ongoing Book Value	0				
SELECTED ONGOING BOOK VALUE BASE	0				

« »

The weighting above was performed because

The book value base was calculated as $«0» and the selected book value base was rounded as $«0».

The multiples for enterprise value need to be adjusted by adding the subject company's cash balance and subtracting the long term debt. The reason is because the value of the equity of the subject is being determined. It would be incorrect to substitute enterprise value as equity value. The multiples for equity value do not need adjustment for the same reason.

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 «24.30%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «10.82%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Application of Excess or Non-Operating Assets

Excess or Non-operating assets represent the value of resources the company has control of but are not required to operate the business. Examples are excess cash on hand, real estate or other securities. In «my» judgment, excess and non-operating assets that need to be added back and are part of the entity's value total $«1,218,000».

Indicated Value Calculation

Each of the market VS MnA Comps ratios were weighted. The following schedule presents the indications of value using the market data VS MnA Comps multiples. As calculated, the indicated «fair market value» of the $«1,218,000» is which has been rounded to $«1,218,000».

Indicated Value Calculation

	Enterprise Revenue Multiple	Enterprise EBITDA Multiple	Enterprise EBIT Multiple	Equity Earnings Multiple	Equity Book Value Multiple
Base	0	0	0	0	0
Multiple	0.0x	0.0x	0.0x	0.0x	0.0x
Subtotal	0	0	0	0	0
Cash	549,000	549,000	549,000		
Debt	-1,370,000	-1,370,000	-1,370,000		
Subtotal	-821,000	-821,000	-821,000	0	0
Weight					
Ongoing Value	0				
Adjustment					
Subtotal	0				
Minority Interest Discount	24.30%				
Subtotal	0				
Marketability Discount	10.82%				
Operating Value	0				
Excess/Non-Operating Assets	1,218,000				
Indicated Equity Value	1,218,000				
SELECTED EQUITY VALUE	1,218,000				

« »

Market Data Method – Mid-Market Comps

Guideline companies are companies that provide a reasonable basis for comparison to the relevant investment characteristics of a company being valued. Guideline companies are most 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 should be 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 company method uses a group of public companies and/or 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 book value in the form of a ratio of the market price of book value, i.e., price/book (P/B) 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/B ratio as representative of the group.

In addition to searching for publicly traded guideline companies, «I» searched the Midmarket Comps database for transactions involving privately held and publicly traded guideline companies. The Midmarket Comps database is a study of transactions involving publicly traded and privately held businesses with annual sales between $1million and $100 million. The study is compiled by World M&A Network. «I» researched guideline companies by first identifying the industry in which «Childs Clothing Store» operates and, using the Standard Industrial Classification Code (SIC 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. «I» screened this group further through the use of key words and phrases that are unique to and describe the subject Company's product or operations and to eliminate those companies whose stock is very thinly traded. «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. The search parameters used in determining whether or not a particular transaction in the Midmarket database was comparable to the subject Company were

SIC Code	Date	(000's) Price	(000's) Revenue	(000's) Earnings	(000's) Assets	(000's) S.H. Equity	Price to Earnings	Price to Revenue	Price to Assets	Price to Book
5621	09/04/03	92,900	67,000	1,900	23,400	6,300	48.90	1.39	3.97	14.75
5621	01/01/05	332,700	342,300	9,400	169,600	117,200	35.39	0.97	1.96	2.84
5621	05/02/06	523,800	449,700	1,500	275,800	161,600	349.20	1.17	1.90	3.24
						Calculated Mean	144.50	1.17	2.61	6.94
						Calculated Median	48.90	1.17	1.96	3.24

« »

The P/E ratios averaged «144.50» and the median was «48.90». The selected P/E ratio was «48.90». The P/R ratios averaged «1.17» and the median was «1.17». The selected P/R ratio was «1.17». The P/A ratios averaged «2.61» and the median was «1.96». The selected P/A ratio was «1.96». The P/B ratios averaged «6.94» and the median was «3.24». The selected P/B ratio was «3.24».

Estimate of Net Earnings

The analysis presented below represents the calculation of the Net Earnings.

Calculation of the Net Earnings Base

«

	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Adjusted Pretax Income	536,000	395,000	231,000	238,000	169,000
Weight	1				
Ongoing Earning Power	536,000				
Taxable Base	536,000				
Less Estimated State Income Taxes - Effective Rate:	35.00%				
Before Federal Taxes	348,400				
Less Federal Taxes	118,456				
Calculated Ongoing Net Earnings	229,944				
SELECTED ONGOING NET EARNINGS	229,900				

»

The weighting above was performed because

The book value was calculated as $«229,944» and the selected book value was rounded as $«229,900».

Estimate of Revenue

The analysis presented below represents the calculation of the revenue.

Calculation of the Revenue Base

	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Adjusted Revenue	5,966,000	5,194,000	3,970,000	2,935,000	2,100,000
Additional Adjustment					
Total	5,966,000	5,194,000	3,970,000	2,935,000	2,100,000
Weight On Revenue	1				
Ongoing Revenue	5,966,000				
SELECTED ONGOING REVENUE BASE	5,966,000				

« »

The weighting above was performed because

The book value was calculated as $«5,966,000» and the selected book value was rounded as $«5,966,000».

Estimate of Assets

The analysis presented below represents the calculation of the assets.

Calculation of the Asset Base

	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Adjusted Assets	3,736,000	2,600,000	2,219,000	1,886,000	1,550,000
Additional Adjustment					
Subtotal	3,736,000	2,600,000	2,219,000	1,886,000	1,550,000
Weight On Asset Base	1				
Ongoing Asset Base	3,736,000				
SELECTED ONGOING ASSET BASE	3,736,000				

« »

The weighting above was performed because

The book value was calculated as $«3,736,000» and the selected book value was rounded as $«3,736,000».

Estimate of Book Value

The analysis presented below represents the calculation of the book value.

ValuSourcePro International

Calculation of the Book Value

Adjusted	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Book Value	2,086,000	1,125,000	905,000	705,000	615,000
Additional Adjustment					
Book Value	2,086,000	1,125,000	905,000	705,000	615,000
Weight On Book Value	1				
Ongoing Book Value	2,086,000				
SELECTED ONGOING BOOK VALUE BASE	2,086,000				

« »

The weighting above was performed because

The book value was calculated as $«2,086,000» and the selected book value was rounded as $«2,086,000».

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 «24.30%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «10.82%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Application of Excess or Non-Operating Assets

Excess or Non-operating assets represent the value of resources the company has control of but are not required to operate the business. Examples are excess cash on hand, real estate or other securities. In «my» judgment, excess and non-operating assets that need to be added back and are part of the entity's value total $«1,218,000».

Indicated Value Calculation

Each of the market Mid-Market Comps ratios were weighted. The following schedule presents the conclusions of value using the market data Mid-Market Comps ratio method. As calculated, the indicated «fair market value» of the $«4,769,181» is which has been rounded to $«4,769,200».

Indicated Value Calculation

	Earnings Multiple	Revenue Multiple	Asset Multiple	Book Value Multiple
Base	229,900	5,966,000	3,736,000	2,086,000
Multiple	48.90x	1.17x	1.96x	3.24x
Subtotal	11,240,961	6,950,390	7,330,032	6,760,726
Weight	0	1	1	1
Ongoing Value	7,013,716			
Adjustment	-1,753,429			
Subtotal	5,260,287			
Minority Interest Discount	24.30%			
Subtotal	3,982,037			
Marketability Discount	10.82%			
Operating Value	3,551,181			
Excess/Non-Operating Assets	1,218,000			
Indicated Equity Value	4,769,181			
SELECTED EQUITY VALUE	4,769,200			

« »

Market Data Method – Public Guideline/Merged and Acquired

Guideline companies are companies that provide a reasonable basis for comparison to the relevant investment characteristics of a company being valued. Guideline companies are most 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 should be 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 company method uses a group of public companies and/or 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 book value in the form of a ratio of the market price of book value, i.e., price/book (P/B) 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/B ratio as representative of the group.

«I» searched for publicly traded guideline companies, for transactions involving publicly traded guideline companies and merged and acquired companies. «I» researched guideline companies by first identifying the industry in which «Childs Clothing Store» operates and, using the Standard Industrial Classification Code (SIC 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. «I» screened this group further through the use of key words and phrases that are unique to and describe the subject Company's product or operations and to eliminate those companies whose stock is very thinly traded. «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. The search parameters used in determining whether or not a particular transaction was comparable to the subject Company were ……..

The selected P/R ratio was «0.30». The selected P/E ratio was «7.00». The selected P/A ratio was «0.45». The selected P/B ratio was «0.80». The selected P/Cash Flow ratio was «3.50».

Estimate of Revenue

The analysis presented below represents the calculation of the revenue.

Calculation of the Revenue Base

	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Adjusted Revenue	5,966,000	5,194,000	3,970,000	2,935,000	2,100,000
Additional Adjustment					
Total	5,966,000	5,194,000	3,970,000	2,935,000	2,100,000
Weight On Revenue	1				
Ongoing Revenue	5,966,000				
SELECTED ONGOING REVENUE BASE	5,966,000				

« »

The weighting above was performed because

The revenue base value was calculated as $«5,966,000» and the selected book value was rounded as $«5,966,000».

Estimate of Net Earnings

The analysis presented below represents the calculation of the Net Earnings.

Calculation of the Net Earnings Base

«

	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Adjusted Pretax Income	536,000	395,000	231,000	238,000	169,000
Additional Adjustment					
Total	536,000	395,000	231,000	238,000	169,000
Weight	1				
Ongoing Earning Power	536,000				
Taxable Base	536,000				
Less Estimated State Income Taxes - Effective Rate:	35.00%				
Before Federal Taxes	348,400				
Less Federal Taxes	118,456				
Calculated Ongoing Net Earnings	229,944				
SELECTED ONGOING NET EARNINGS	229,900				

»

The weighting above was performed because

The earnings base was calculated as $«229,944» and the selected book value was rounded as $«229,900».

Estimate of Assets

The analysis presented below represents the calculation of the assets.

Calculation of the Asset Base

	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Adjusted Assets	3,736,000	2,600,000	2,219,000	1,886,000	1,550,000
Additional Adjustment					
Subtotal	3,736,000	2,600,000	2,219,000	1,886,000	1,550,000
Weight On Asset Base	1				
Ongoing Asset Base	3,736,000				
SELECTED ONGOING ASSET BASE	3,736,000				

« »

The weighting above was performed because

The asset base was calculated as $«3,736,000» and the selected asset base was rounded as $«3,736,000».

Estimate of Book Value

The analysis presented below represents the calculation of the book value.

Calculation of the Book Value Base

Adjusted	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Book Value	2,086,000	1,125,000	905,000	705,000	615,000
Additional Adjustment					
Subtotal	2,086,000	1,125,000	905,000	705,000	615,000
Weight On Book Value	1				
Ongoing Book Value	2,086,000				
SELECTED ONGOING BOOK VALUE BASE	2,086,000				

The weighting above was performed because

The book value was calculated as $«2,086,000» and the selected book value was rounded as $«2,086,000».

Estimate of Cash Flow

The analysis presented below represents the calculation of the cash flow base.

Calculation of the Cash Flow Base

Adjusted	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
After Tax Income	353,760	260,700	157,660	161,930	119,840
Depreciation and Amortization	180,000	156,000	90,000	66,000	50,000
Other Non-Cash Expenses	0	0	0	0	0
Additional Adjustment					
Total	533,760	416,700	247,660	227,930	169,840
Weight On Cash Flow Base	1				
Ongoing Cash Flow Base	533,760				
SELECTED ONGOING CASH FLOW BASE	533,800				

« »

The weighting above was performed because

The cash flow base was calculated as $«533,760» and the selected cash flow base was rounded as $«533,800».

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 «24.30%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «10.82%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Application of Excess or Non-Operating Assets

Excess or Non-operating assets represent the value of resources the company has control of but are not required to operate the business. Examples are excess cash on hand, real estate or other securities. In «my» judgment, excess and non-operating assets that need to be added back and are part of the entity's value total $«1,218,000».

Indicated Value Calculation

Each of the market Public and MnA ratios were weighted. The following schedule presents the conclusions of value using the market data Public and MnA ratio method. As calculated, the indicated «fair market value» of the $«2,377,156» is which has been rounded to $«2,377,200».

Indicated Value Calculation

«

	Revenue Multiple	Earnings Multiple	Asset Multiple	Book Value Multiple	Cash Flow Multiple	EBITDA Multiple
Base	5,966,000	229,900	3,736,000	2,086,000	533,800	936,000
Multiple	0.30x	7.00x	0.45x	0.80x	3.50x	1.80x
Subtotal	1,789,800	1,609,300	1,681,200	1,668,800	1,868,300	1,684,800
Weight	1	1	1	1	1	1
Ongoing Value	1,717,033					
Adjustment						
Subtotal	1,717,033					
Minority Interest Discount	24.30%					
Subtotal	1,299,794					
Marketability Discount	10.82%					
Operating Value	1,159,156					
Excess/Non-Operating Assets	1,218,000					
Indicated Equity Value	2,377,156					
SELECTED EQUITY VALUE	2,377,200					

»

Market Data Method – Private Company

Guideline companies are companies that provide a reasonable basis for comparison to the relevant investment characteristics of a company being valued. Guideline companies are most 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 should be 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.

This guideline company method uses a group 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. 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 ratio as representative of the group.

«I» searched for privately held guideline companies, for transactions. «I» researched guideline companies by first identifying the industry in which «Childs Clothing Store» operates and, using the Standard Industrial Classification Code (SIC 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. «I» screened this group further through the use of key words and phrases that are unique to and describe the subject Company's product or operations and to eliminate those companies whose stock is very thinly traded. «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. The search parameters used in determining whether or not a particular transaction was comparable to the subject Company were ……..

The selected P/R ratio was «0.30». The selected P/E ratio was «7.00». The selected P/A ratio was «0.45». The selected P/B ratio was «0.80». The selected P/Cash Flow ratio was «3.50».

Estimate of Revenue

The analysis presented below represents the calculation of the revenue.

Calculation of the Revenue Base

	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Adjusted Revenue	5,966,000	5,194,000	3,970,000	2,935,000	2,100,000
Additional Adjustment					
Total	5,966,000	5,194,000	3,970,000	2,935,000	2,100,000
Weight On Revenue	1				
Ongoing Revenue	5,966,000				
SELECTED ONGOING REVENUE BASE	5,966,000				

«

»

The weighting above was performed because

The revenue base value was calculated as $«5,966,000» and the selected book value was rounded as $«5,966,000».

Estimate of Net Earnings

The analysis presented below represents the calculation of the Net Earnings.

Calculation of the Net Earnings Base

«

	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Adjusted Pretax Income	536,000	395,000	231,000	238,000	169,000
Additional Adjustment					
Total	536,000	395,000	231,000	238,000	169,000
Weight	1				
Ongoing Earning Power	536,000				
Taxable Base	536,000				
Less Estimated State Income Taxes - Effective Rate:	35.00%				
Before Federal Taxes	348,400				
Less Federal Taxes	118,456				
Calculated Ongoing Net Earnings	229,944				
SELECTED ONGOING NET EARNINGS	229,900				

»

The weighting above was performed because

The earnings base was calculated as $«229,944» and the selected book value was rounded as $«229,900».

Estimate of Assets

The analysis presented below represents the calculation of the assets.

Calculation of the Asset Base

	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Adjusted Assets	3,736,000	2,600,000	2,219,000	1,886,000	1,550,000
Additional Adjustment					
Subtotal	3,736,000	2,600,000	2,219,000	1,886,000	1,550,000
Weight On Asset Base	1				
Ongoing Asset Base	3,736,000				
SELECTED ONGOING ASSET BASE	3,736,000				

« »

The weighting above was performed because

The asset base was calculated as $«3,736,000» and the selected asset base was rounded as $«3,736,000».

Estimate of Book Value

The analysis presented below represents the calculation of the book value.

Calculation of the Book Value

	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Adjusted					
Book Value	2,086,000	1,125,000	905,000	705,000	615,000
Additional Adjustment					
Book Value	2,086,000	1,125,000	905,000	705,000	615,000
Weight On Book Value	1				
Ongoing Book Value	2,086,000				
SELECTED ONGOING BOOK VALUE BASE	2,086,000				

« »

The weighting above was performed because

The book value was calculated as $«2,086,000» and the selected book value was rounded as $«2,086,000».

Estimate of Cash Flow

The analysis presented below represents the calculation of the cash flow base.

Calculation of the Cash Flow Base

Adjusted	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
After Tax Income	353,760	260,700	157,660	161,930	119,840
Depreciation and Amortization	180,000	156,000	90,000	66,000	50,000
Other Non-Cash Expenses	0	0	0	0	0
Additional Adjustment					
Total	533,760	416,700	247,660	227,930	169,840
Weight On Cash Flow Base	1				
Ongoing Cash Flow Base	533,760				
SELECTED ONGOING CASH FLOW BASE	533,800				

« »

The weighting above was performed because

The cash flow base was calculated as $«533,760» and the selected cash flow base was rounded as $«533,800».

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 «24.30%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «10.82%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Application of Excess or Non-Operating Assets

Excess or Non-operating assets represent the value of resources the company has control of but are not required to operate the business. Examples are excess cash on hand, real estate or other securities. In «my» judgment, excess and non-operating assets that need to be added back and are part of the entity's value total $«1,218,000».

Indicated Value Calculation

Each of the market Private Company ratios were weighted. The following schedule presents the conclusions of value using the market data Private Company ratio method. As calculated, the indicated «fair market value» of the $«2,381,509» is which has been rounded to $«2,381,500».

Indicated Value Calculation

	Revenue Multiple	Earnings Multiple	Asset Multiple	Book Value Multiple	CashFlow Multiple
Base	5,966,000	229,900	3,736,000	2,086,000	533,800
Multiple	0.30x	7.00x	0.45x	0.80x	3.50x
Subtotal	1,789,800	1,609,300	1,681,200	1,668,800	1,868,300
Weight	1	1	1	1	1
Ongoing Value	1,723,480				
Adjustment					
Subtotal	1,723,480				
Minority Interest Discount	24.30%				
Subtotal	1,304,674				
Marketability Discount	10.82%				
Operating Value	1,163,509				
Excess/Non-Operating Assets	1,218,000				
Indicated Equity Value	2,381,509				
SELECTED EQUITY VALUE	2,381,500				

« »

Market Data Method – Analyst

Guideline companies are companies that provide a reasonable basis for comparison to the relevant investment characteristics of a company being valued. Guideline companies are most 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 should be 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 company method uses a group of public companies and/or 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 book value in the form of a ratio of the market price of book value, i.e., price/book (P/B) 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/B ratio as representative of the group.

«I» searched for publicly traded guideline companies, for transactions involving publicly traded guideline companies and merged and acquired companies. «I» researched guideline companies by first identifying the industry in which «Childs Clothing Store» operates and, using the Standard Industrial Classification Code (SIC 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. «I» screened this group further through the use of key words and phrases that are unique to and describe the subject Company's product or operations and to eliminate those companies whose stock is very thinly traded. «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. The search parameters used in determining whether or not a particular transaction was comparable to the subject Company were ……..

The selected P/R ratio was «0.30». The selected P/E ratio was «4.69». The selected P/A ratio was «0.45». The selected P/B ratio was «0.80». The selected P/Cash Flow ratio was «3.50». The selected P/EBIT ratio was «1.50». The selected P/EBITDA ratio was «1.80».

Adjustment to the Base Capitalization Factors (Fundamental Adjustment)

In «my» opinion, there are certain *fundamental differences* between the Company and the public companies in the group. The necessity for and appropriateness of fundamental adjustments is often overlooked by valuation analysts. A discussion in a book about valuing banks (Valuing Financial Institutions by Z. Christopher Mercer), which is equally applicable to the valuation of other companies, makes the point quite clearly:

As with the valuation of other commercial enterprises using public comparable groups, it is necessary to make *fundamental adjustments* to market derived base capitalization rates in order to make a proper appraisal of the subject bank.

Fundamental adjustments are often necessary when valuing private businesses in relationship to groups of publicly traded guideline companies. These adjustments are necessary to account for basic differences between the valuation subject and the selected group of guideline companies. Fundamental adjustments can give negative (discounts) or positive (premiums) in relationship to the base guideline company multiples.

Several factors give rise to the need for fundamental adjustments, including:

1. *Size*. Public guideline companies are generally larger than the private companies most appraisers value;

2. *Growth*. Compared to public guideline companies, privately held companies' growth opportunities are relatively limited by their capital structure;

3. *Access to Capital Markets*. The ability to access the public capital markets to facilitate future growth is an often overlooked difference between public and private companies. Even for private companies of sufficient size and earning power to be attractive as public candidates, the markets typically discount their share prices in relationship to similar, existing public companies in the form of an IPO discount;

4. *Financial/Operating Strength*. Public companies tend to be better capitalized, have broader management and more depth of management;

5. *Key executive dependency*. Often, a privately held company's success is dependent upon a few (or one) key executives as opposed to the management depth of a typical public company.

Based upon the above factors, it is «my» opinion that a fundamental discount of approximately «33.01%» should be applied to the base net earnings capitalization factor calculated using publicly traded guideline companies.

The magnitude of this fundamental discount is confirmed by an analysis using the Capital Asset Pricing Model. The CAPM derives an estimated base capitalization multiple (P/E) of «33.01%». The base P/E multiple of the guideline company group, when substituted into the CAPM model, suggests an expectation for future growth of «2.00%». «I» consider the long term internal growth potential for the Company to be about «2.00%» per year. The analysis clearly affirms the appropriateness of the fundamental discount developed above.

After applying a fundamental discount of «33.01%» to the base guideline company P/E of «7.00», «I» develop an adjusted guideline company capitalization factor of «4.69».

Estimate of Revenue

The analysis presented below represents the calculation of the revenue.

Calculation of the Revenue Base

	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Adjusted Revenue	5,966,000	5,194,000	3,970,000	2,935,000	2,100,000
Additional Adjustment					
Total	5,966,000	5,194,000	3,970,000	2,935,000	2,100,000
Weight On Revenue	1				
Ongoing Revenue	5,966,000				
SELECTED ONGOING REVENUE BASE	5,966,000				

The weighting above was performed because

The revenue base value was calculated as $«5,966,000» and the selected book value was rounded as $«5,966,000».

Estimate of Net Earnings

The analysis presented below represents the calculation of the Net Earnings.

Calculation of the Earnings Base

«

	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Adjusted Pretax Income	536,000	395,000	231,000	238,000	169,000
Additional Adjustment					
Total	536,000	395,000	231,000	238,000	169,000
Weight	1				
Ongoing Earning Power	536,000				
Taxable Base	536,000				
Less Estimated State Income Taxes - Effective Rate:	35.00%				
Before Federal Taxes	348,400				
Less Federal Taxes	118,456				
Calculated Ongoing Net Earnings	229,944				
SELECTED ONGOING NET EARNINGS	229,900				

»

The weighting above was performed because

The earnings base was calculated as $«229,944» and the selected book value was rounded as $«229,900».

Estimate of Assets

The analysis presented below represents the calculation of the assets.

Calculation of the Asset Base

	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Adjusted Assets	3,736,000	2,600,000	2,219,000	1,886,000	1,550,000
Additional Adjustment					
Subtotal	3,736,000	2,600,000	2,219,000	1,886,000	1,550,000
Weight On Asset Base	1				
Ongoing Asset Base	3,736,000				
SELECTED ONGOING ASSET BASE	3,736,000				

« »

The weighting above was performed because

The asset base was calculated as $«3,736,000» and the selected asset base was rounded as $«3,736,000».

Estimate of Book Value

The analysis presented below represents the calculation of the book value.

Calculation of the Book Value Base

Adjusted	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Book Value	2,086,000	1,125,000	905,000	705,000	615,000
Additional Adjustment					
Subtotal	2,086,000	1,125,000	905,000	705,000	615,000
Weight On Book Value	1				
Ongoing Book Value	2,086,000				
SELECTED ONGOING BOOK VALUE BASE	2,086,000				

« »

The weighting above was performed because

The book value was calculated as $«2,086,000» and the selected book value was rounded as $«2,086,000».

Estimate of Cash Flow

The analysis presented below represents the calculation of the cash flow base.

Calculation of the Cash Flow Base

Adjusted	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
After Tax Income	353,760	260,700	157,660	161,930	119,840
Depreciation and Amortization	180,000	156,000	90,000	66,000	50,000
Other Non-Cash Expenses	0	0	0	0	0
Additional Adjustment					
Total	533,760	416,700	247,660	227,930	169,840
Weight On Cash Flow Base	1				
Ongoing Cash Flow Base	533,760				
SELECTED ONGOING CASH FLOW BASE	533,800				

« »

The weighting above was performed because

The cash flow base was calculated as $«533,760» and the selected cash flow base was rounded as $«533,800».

Estimate of Earnings Before Interest and Taxes Base

The analysis presented below represents the calculation of the ongoing economic benefit stream. It depicts the calculation of the earnings before interest and taxes benefit stream.

Calculation of the Earnings Before Interest and Taxes Base

Adjusted	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
PreTax Income	536,000	395,000	231,000	238,000	169,000
Interest	220,000	250,000	210,000	190,000	215,000
Additional Adjustment					
Total	756,000	645,000	441,000	428,000	384,000
Weight On Revenue	1				
Ongoing EBIT Base	756,000				
SELECTED ONGOING EBIT BASE	756,000				

« »

The weighting above was performed because

The ongoing EBIT was calculated as «756,000» and the selected EBIT was rounded as «756,000».

Estimate of EBITDA Base

The analysis presented below represents the calculation of the ongoing economic benefit stream. It depicts the calculation of the earnings before interest, taxes, depreciation and amortization (EBITDA) base.

Calculation of EBITDA Base

Adjusted	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
PreTax Income	536,000	395,000	231,000	238,000	169,000
Interest	220,000	250,000	210,000	190,000	215,000
Depreciation and Amortization	180,000	156,000	90,000	66,000	50,000
Additional Adjustment					
Total	936,000	801,000	531,000	494,000	434,000
Weight On Revenue	1				
Ongoing EBITDA Base	936,000				
SELECTED ONGOING EBITDA BASE	936,000				

« »

The weighting above was performed because

The ongoing EBITDA was calculated as $«936,000» and the selected EBITDA was rounded as $«936,000».

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 «24.30%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «10.82%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Application of Excess or Non-Operating Assets

Excess or Non-operating assets represent the value of resources the company has control of but are not required to operate the business. Examples are excess cash on hand, real estate or other securities. In «my» judgment, excess and non-operating assets that need to be added back and are part of the entity's value total $«1,218,000».

Indicated Value Calculation

Each of the market Analyst ratios were weighted. The following schedule presents the conclusions of value using the market data Analyst ratio method. As calculated, the indicated «fair market value» of the $«2,269,690» is which has been rounded to $«2,269,700».

Indicated Value Calculation

«

	Revenue Multiple	Earnings Multiple	Assets Multiple	Book Value Multiple	CashFlow Multiple	EBIT Multiple	EBITDA Multiple
Base	5,966,000	229,900	3,736,000	2,086,000	533,800	756,000	936,000
Multiple	0.30x	4.69x	0.45x	0.80x	3.50x	1.50x	1.80x
Subtotal	1,789,800	1,078,023	1,681,200	1,668,800	1,868,300	1,134,000	1,684,800
Weight	1	1	1	1	1	1	1
Ongoing Value	1,557,846						
Adjustment							
Subtotal	1,557,846						
Minority Interest Discount	24.30%						
Subtotal	1,179,290						
Marketability Discount	10.82%						
Operating Value	1,051,690						
Excess/Non-Operating Assets	1,218,000						
Indicated Equity Value	2,269,690						
SELECTED EQUITY VALUE	2,269,700						

»

Industry Data Method – Mergerstat

Using multiples derived from compilations of industry pricing statistics a market approach may be used to estimate the «fair market value» of a company when the company can be shown to be representative of the market. By convention, analysts express the relationship between the market price of a stock and its historical earnings in the form of a ratio of the market price of earnings for the most recent twelve months, i.e., price/earnings (P/E) ratio. Using the industry pricing statistic against the company's earnings the «fair market value» can be estimated.

The company is representative of the industry in these ways.

One source of industry pricing ratios used in the analysis comes from *Mergerstat Review* (published by Houlihan, Howard, Lokey and Zukin). For over 30 years, Mergerstat has compiled statistics on publicly announced mergers, acquisitions and divestures. The P/E ratio is based on the sellers last 12 months of earnings or the latest financial statement if it was a private company. The industry from which the P/E was taken is «Retail» and the P/E ratio from Mergerstat Review is «26.18».

Estimate of Earnings Base

The analysis presented below represents the calculation of the ongoing economic benefit stream. It depicts the calculation of the earnings or net income after tax benefit stream.

Calculation of the Earnings or Net Income After Tax Base

	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Adjusted					
Pretax Income	536,000	395,000	231,000	238,000	169,000
Weight	1				
Ongoing Earning Power	536,000				
Taxable Base	536,000				
Less Estimated State Income Taxes - Effective Rate:	35.00%				
Before Federal Taxes	348,400				
Less Federal Taxes	118,456				
Calculated Ongoing Net Earnings	229,944				
SELECTED ONGOING NET EARNINGS	229,900				

The weighting above was performed because

The ongoing earnings was calculated as $«229,944» and the selected earnings was rounded as $«229,900».

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 «24.30%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «10.82%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Application of Excess or Non-Operating Assets

Excess or Non-operating assets represent the value of resources the company has control of but are not required to operate the business. Examples are excess cash on hand, real estate or other securities. In «my» judgment, excess and non-operating assets that need to be added back and are part of the entity's value total $«1218000».

Indicated Value Calculation

Each of the industry P/E were weighted. The following schedule presents the conclusions of value using the industry data P/E ratio method. As calculated, the indicated «fair market value» of the $«5,281,856» is which has been rounded to $«5,281,900».

	Earnings Multiple
Base	229,900
Multiple	26.18
Subtotal	6,019,702
Minority Interest Discount	24.30%
Subtotal	4,556,914
Marketability Discount	10.82%
Operating Value	4,063,856
Excess/Non-Operating Assets	1,218,000
Indicated Equity Value	5,281,856
SELECTED EQUITY VALUE	5,281,900

« »

Industry Data Method – Analyst

Using multiples derived from compilations of Industry Analyst statistics a market approach may be used to estimate the «fair market value» of a company when the company can be shown to be representative of the market. By convention, analysts express the relationship between the market price of a stock and its historical revenues in the form of a ratio of the market price of revenues for the most recent twelve months, i.e., price/revenues (P/R) ratio. Using the Industry Analyst pricing statistic against the company's earnings the «fair market value» can be estimated.

The company is representative of the industry in these ways.

The mean P/R ratio was «0.30». The median P/R ratio was «0.30». The selected P/R ratio was «0.30». The mean P/E ratio was «7.00». The median P/E ratio was «7.00». The selected P/E ratio was «7.00». The mean P/B ratio was «0.45». The median P/B ratio was «0.45». The selected P/B ratio was «0.45». The mean P/Cash Flow ratio was «3.50». The median P/Cash Flow ratio was «3.50». The selected P/Cash Flow ratio was «3.50».

Estimate of Revenue

The analysis presented below represents the calculation of the revenue.

Calculation of the Revenue Base

	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Adjusted Revenue	5,966,000	5,194,000	3,970,000	2,935,000	2,100,000
Additional Adjustment					
Total	5,966,000	5,194,000	3,970,000	2,935,000	2,100,000
Weight On Revenue	1				
Ongoing Revenue	5,966,000				
SELECTED ONGOING REVENUE BASE	5,966,000				

« »

The weighting above was performed because

The revenue base value was calculated as $«5,966,000» and the selected book value was rounded as $«5,966,000».

Estimate of Net Earnings

The analysis presented below represents the calculation of the Net Earnings.

Calculation of the Net Earnings Base

«

	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Adjusted					
Pretax Income	536,000	395,000	231,000	238,000	169,000
Additional Adjustment					
Total	536,000	395,000	231,000	238,000	169,000
Weight	1				
Ongoing Earning Power	536,000				
Taxable Base	536,000				
Less Estimated State Income Taxes - Effective Rate:	35.00%				
Before Federal Taxes	348,400				
Less Federal Taxes	118,456				
Calculated Ongoing Net Earnings	229,944				
SELECTED ONGOING NET EARNINGS	229,900				

»

The weighting above was performed because

The earnings base was calculated as $«229,944» and the selected book value was rounded as $«229,900».

Estimate of Book Value

The analysis presented below represents the calculation of the book value.

Calculation of the Book Value

Adjusted	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
Book Value	2,086,000	1,125,000	905,000	705,000	615,000
Additional Adjustment					
Book Value Base	2,086,000	1,125,000	905,000	705,000	615,000
Weight On Book Value	1				
Ongoing Book Value Base	2,086,000				
SELECTED BOOK VALUE BASE	2,086,000				

« »

The weighting above was performed because

The book value was calculated as $«2,086,000» and the selected book value was rounded as $«2,086,000».

Estimate of Cash Flow

The analysis presented below represents the calculation of the cash flow base.

Calculation of the Cash Flow Base

Adjusted	Year Ending December 31, 2018	Year Ending December 31, 2017	Year Ending December 31, 2016	Year Ending December 31, 2015	Year Ending December 31, 2014
After Tax Income	353,760	260,700	157,660	161,930	119,840
Depreciation and Amortization	180,000	156,000	90,000	66,000	50,000
Other Non-Cash Expenses	0	0	0	0	0
Additional Adjustment					
Total	533,760	416,700	247,660	227,930	169,840
Weight On Cash Flow Base	1				
Ongoing Cash Flow Base	533,760				
SELECTED ONGOING CASH FLOW BASE	533,800				

« »

The weighting above was performed because

The cash flow base was calculated as $«533,760» and the selected cash flow base was rounded as $«533,800».

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 «24.30%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «10.82%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Application of Excess or Non-Operating Assets

Excess or Non-operating assets represent the value of resources the company has control of but are not required to operate the business. Examples are excess cash on hand, real estate or other securities. In «my» judgment, excess and non-operating assets that need to be added back and are part of the entity's value total $«1218000».

Indicated Value Calculation

Each of the industry bases was weighted. The following schedule presents the conclusions of value using the industry data ratio method. As calculated, the indicated «fair market value» of the $«2,426,281» is which has been rounded to $«2,426,300».

«

	Revenue Multiple	Earnings Multiple	Book Value Multiple	Cash Flow Multiple
Base	5,966,000	229,900	2,086,000	533,800
Multiple	0.30x	7.00x	0.45x	3.50x
Subtotal	1,789,800	1,609,300	938,700	1,868,300
Weight	1			
Ongoing Value	1,789,800			
Adjustment				
Subtotal	1,789,800			
Minority Interest Discount	24.30%			
Subtotal	1,354,879			
Marketability Discount	10.82%			
Operating Value	1,208,281			
Excess/Non-Operating Assets	1,218,000			
Indicated Equity Value	2,426,281			
SELECTED EQUITY VALUE	2,426,300			

»

RECONCILIATION OF ESTIMATES OF VALUE

In the schedule below, «I» have assigned weights to the values indicated by the various valuation methods. The weights are intended to reflect «my» opinion of the relative importance or reliability of the methods when determining «fair market value».

Weights are assigned as follows:

Valuation Indication by Method	Indicated Value	Weight
Book Value Method	976,000	0
Adjusted Book Value Method - Going Concern	751,000	0
Adjusted Book Value Method - Liquidation	976,000	0
Capitalization of Earnings Method	1,429,000	0
Multi-Stage Growth	1,429,000	0
Discounted Cash Flow Method - Summary Projections	1,818,000	0
Discounted Cash Flow Method - Detailed Projections	2,379,000	0
Capitalization of Excess Earnings Method	2,497,000	0
Market Data Method - Bizcomps	1,775,100	0
Market Data Method - ValuSource Market Comps	2,556,500	1
Market Data Method - Mergerstat Industry PE	5,281,900	0
Market Data Method - ValuSource M&A Comps	1,218,000	0
Market Data Method - DoneDeals	4,769,200	0
Market Data Method - DealStats	1,218,000	0
Market Data Method - Merged, Acquired and Guideline Data	2,377,200	0
Market Data Method - Private Company Data	2,381,500	0
Market Data Method - Analyst Data	2,269,700	0
Subject Company Transactions Method	2,700,000	0
Industry Data Method - Analyst Data	2,426,300	0
Calculated Conclusion of Equity Value	2,556,500	
« SELECTED CONCLUSION OF EQUITY VALUE	2,556,500	»

CONCLUSION OF VALUE

Therefore, based upon the facts and circumstances of the valuation and subject to the limitations in both conditions and scope listed in this report, «my» opinion of the resultant «fair market value» of «Childs Clothing Store» on a [enter the basis] as of «December 31, 2018» is:

$ «2,556,500»

===========

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 (see 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 the American Institute of Certified Public Accountants Statement on Standards for Valuation Services.

This analysis and report were completed in accordance with 'The National Association of Certified Valuators and Analysts' Professional 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.

«My» 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.

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

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:

Mr/Ms. «Joe Apprasier»

Title

«Joe Appraiser CPA»

«I» certify to the best of «my» knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are «my» personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. «I» have no (or the specified) present or prospective interest in the property that is the subject of this report and «I» have no (or the specified) personal interest with respect to the parties involved.
4. «I» have performed no (or the specified) other services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. «I» have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. «My» engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. «My» compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. «My» analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
9. No one provided significant personal property appraisal assistance to the person signing this certification. (If there are exceptions, the name of each individual providing significant personal property appraisal assistance must be stated.)

Signature of the Analyst:

Mr/Ms. «Joe Apprasier»

Title

«Joe Appraiser CPA»

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 «Childs Clothing Store» 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. «Joe Appraiser CPA» 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 «Childs Clothing Store» 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 «Joe Appraiser CPA», based on information furnished to them by «Childs Clothing Store» 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 «Joe Appraiser CPA».

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 «Joe Appraiser CPA» unless previous arrangements have been made in writing.

9. «Joe Appraiser CPA» 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. «Joe Appraiser CPA» does not conduct or provide environmental assessments and has not performed one for the subject property.

10. «Joe Appraiser CPA» has not determined independently whether «Childs Clothing Store» 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. «Joe Appraiser CPA»'s valuation takes no such liabilities into account, except as they have been reported to «Joe Appraiser CPA» by «Childs Clothing Store» or by an environmental consultant working for «Childs Clothing Store», 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» , «Joe Appraiser CPA» has relied on it without verification and offers no warranty or representation as to its accuracy or completeness.

11. «Joe Appraiser CPA» 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. [Sample wording for use if the jurisdictional exception is invoked.] The conclusion of value (or the calculated value) in this report deviates from the Statement on Standards for Valuation Services as a result of published governmental, judicial, or accounting authority.

13. No change of any item in this appraisal report shall be made by anyone other than «Joe Appraiser CPA», 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 interviews with the current management of «Childs Clothing Store» 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

APPENDIX D: SOURCES OF INFORMATION

The following list is an example of the sources of information

-Onsite visit to

-Interviews with the following persons

President

Chief Financial Officer

Sales Lead

Family Members

-Analysis of the «compiled statements» statements

-Relevant company documents

Contracts

Life insurance policy

Valuation reports dated

-Research of the overall economic conditions

-NER

-Other sources

-Research of the industry outlook

-List sources

-Analysis of the current and future earnings capacity of <<Company Name>>

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

APPENDIX E: MARKETABILITY DISCOUNT

Marketability relates to the liquidity of an investment relative to a comparable and actively traded alternative. In essence, impairment of liquidity increases an investor's expected rate of return. As a result, the market clearing price of a nonmarketable security is discounted relative to the price of its marketable counterpart. The discount for lack of marketability is stated as a percentage of a marketable value.

The valuation of share of stock in closely held corporations typically warrants a discount for lack of marketability. Many factors affect the liquidity of an investment. Among them are the following:

1. Number of shareholders;
2. Size of the block of stock being valued;
3. Restrictions on its sale by agreement or law;
4. The absence of registration; and,
5. The anticipated dividend flow attributable to the investment.

When attempting to quantify these factors that influence liquidity into an appropriate discount for lack of marketability, it is necessary to consider the following factors:

1. The holding period. Without an active market, an investor must hold for an uncertain length of time until a liquidity event occurs. In general, longer holding periods without liquidity imply higher discounts for lack of marketability. An investor should reasonably characterize exit timing along a probability distribution. Although subjective, the relative probabilities of exit dates are reasonably related to the following:

a. Historical ownership policies (insiders, outsiders, family, investors, etc.);

b. Buy/sell or other shareholder agreements;

c. Management/ownership succession (age, health, competence, emerging liquidity needs);

d. Business plans and likely exit strategies of the controlling owner(s); and,

e. Emerging attractiveness for equity offering or acquisition.

2. Required holding period return. To overcome the unattractiveness of the lack of liquidity, an investor in such securities expects a premium return in excess of that provided by liquid alternatives. Investment features that impair marketability will exact higher expected rates of return which imply higher discounts for lack of marketability. Unattractive features of a lack of liquid security could include the following:

a. Absence, inadequacy of or inability to pay dividends;

b. Subjective uncertainties related to the duration of the expected holding period and to achieving a favorable exit date valuation;

c. Restrictive shareholder agreements; and,

d. Various other features that increase uncertainty of cash flows.

3. Growth in underlying value during the holding period. If an investment is appreciating, that growth will provide a portion of the realized return during the holding period. Growth and marketability discounts are negatively correlated. As expected capital appreciation increases, discounts for lack of marketability decrease. Growth potential should be evaluated in the context of management's business plan, historical growth, and external factors such as emerging industry conditions and market valuations.

4. Expected cash flow distributions during the holding period. Holding period returns are also provided by interim cash flows (in addition to capital appreciation). As with growth, holding period cash distributions and discounts for lack of marketability are negatively correlated. Holding period cash flows (dividends, etc.) should be evaluated in the context of historical dividend policy, ability to distribute and the cash needs implied by the business plan.

Empirical Studies

Guidance as to the proper level of the discount can also be found in examining studies which have approached the question from several different perspectives.

One approach is to analyze the differences in prices between publicly traded securities and those of restricted stocks of the same companies. Since a "lettered" stock is identical to the traded stock in all respects except marketability, the difference in price highlights the marketability discount. Among the more prominent studies are the following:

1. "Discounts Involved in Purchases of Common Stock," in US 92nd Congress, 1st Session, House, Institutional Investor Study Report of the Securities and Exchange Commission (Washington, DC: US Government Printing Office, March 10, 1971, 5:2444-2456, Document No. 92-64, Part 5);

2. A study of closed end investment funds (Milton Gelman, "An Economist-Financial Analyst's Approach to Valuing Stock of A Closely Held Company," Journal of Taxation (June 1972), p. 354);

3. A study of prices paid for restricted stocks (Robert E. Maroney, "Most Courts Overvalue Closely Held Stocks," Taxes, March 1973, pp. 144-54);

4. A study of prices paid for restricted stocks (J. Michael Maher, "Discounts for Lack of Marketability for Closely Held Business Interests," Taxes, September 1976, pp. 562-71; and,

5. A more recent study of restricted stocks (William L. Silber, "Discounts on Restricted Stock: The Impact of Illiquidity on Stock Prices," Financial Analysts Journal, July/August 1991, pp. 62-64.)

All of these studies identified median or average discounts in the range of 30-40% for prices of non-marketable stocks in comparison to marketable shares which were otherwise deemed to be comparable. The SEC Institutional Investor study reflected a mean discount of 25.8% while the remainder had average discounts in the range of 33-35%.

A second approach is to analyze the relationship between the prices of companies whose shares were initially offered to the public (IPO) and the prices at which their shares traded privately within a five month period immediately preceding the public offering. A series of studies conducted by John D. Emory at Robert W. Baird & Co., Inc. indicate median and mean lack of marketability discounts of 40% to 45% (see Emory, John D., "The Value of Marketability as Illustrated in Initial Public Offerings of Common Stock, February 1992 through July 1993," Business Valuation Review, December 1993, pp. 3-5).

The objective of the Emory studies is to relate the prices at which private transactions took place before an IPO and the price at which the stock was subsequently offered to the public, in order to objectively gauge the value of marketability. The majority of the companies in the survey reflected discounts exceeding 30%. The highest discounts indicated in the sample were 82% and 94%.

The implication of the studies is clear: presumably arm's length transactions taking place within a short time of the actual IPO's occur at substantial discounts to the ultimate public offering price. These studies support both the validity and magnitude of marketability discounts in general, and particularly for companies that are not public offering candidates and for which the prospects for shareholder liquidity may be remote.

Pluris DLOM Studies

The Pluris DLOM data base consists of PIPE transactions that have occurred over the last ten years. Because these transactions are considered restricted stock transactions, the transactions can be used as a substitute for a discount for lack of marketability. The strength of this methodology is that the study is customized to the unique circumstances of «Childs Clothing Store» Transactions in the data base were selected by the process of ………..

The first step in calculating the DLOM is to segregate the transactions into quintiles and then compare that to the characteristics of the subject company. These characteristics are assets, revenues, EBITDA, net income/loss, profit margin, book value of equity, enterprise value and market. Each characteristic is then compared to the quintile value of the selected population and the entire data set. These two different methods are then weighted together. Using these two methods, the data is drilled down to find the best value for the subject company. The schedule below shows the numbers for method 1.

«

Method #1: Analysis of Data Download — Count 33

Lack of Marketability Analysis: Restricted Stock Equivalent Discount

Valuation Parameters	Subject Company Traits	Data Quartile/Grouping	Indication Median	Weight
Total Assets ($)	3,736,000	4Q	-20.0%	1.00
Total Revenues ($)	5,966,000	4Q	-20.0%	1.00
EBITDA ($)	936,000	4Q	-20.0%	1.00
Net Income/ (Loss) ($)	353,760	1Q	0.0%	1.00
Net Profit Margin	5.93%	1Q	0.0%	1.00
Equity (Book Value) ($)	2,086,000	4Q	-20.0%	1.00
Enterprise Value		4Q	-20.0%	0.00
Market-to-Book Value		4Q	-20.0%	0.00
Meth 1 Indicated Restricted Stock Equivalent Discount (RSED)			-13.3%	

»

The schedule below is for method 2, the entire data set.

«

Method #2: Analysis of Entire Database — Count 2469

Lack of Marketability Analysis: Restricted Stock Equivalent Discount

Valuation Parameters	Subject Company Traits	Data Quartile/Grouping	Indication Median	Weight
Total Assets ($)	3,736,000	4Q	33.3%	1.00
Total Revenues ($)	5,966,000	4Q	27.6%	1.00
EBITDA ($)	936,000	3Q	23.4%	1.00
Net Income/ (Loss) ($)	353,760	2Q	24.0%	1.00
Net Profit Margin	5.9%	2Q	13.6%	1.00
Equity (Book Value) ($)	2,086,000	4Q	31.1%	1.00
Enterprise Value	-	4Q	23.5%	0.00
Market-to-Book Value	-	4Q	10.0%	0.00
Meth 2 Indicated Restricted Stock Equivalent Discount (RSED)			25.5%	

»

The next schedule reconciles the two together.

«

Reconciliation of Methods

		Weight
Concluded Restricted Stock Equivalent Discount (RSED) - Data Download	-13.3%	1.00
Concluded Restricted Stock Equivalent Discount (RSED) - Entire Database	25.5%	1.00
Indicated Restricted Stock Equivalent Discount (RSED)	6.1%	
Concluded Restricted Stock Equivalent Discount (RSED)	**6.1%**	

»

At this point the RSED (restricted stock equivalent discount) has been determined. Because PIPE transactions do have a public market, albeit very small, and small companies do not, and additional amount known as the PEDI (private equity discount increment) will be added to the RSED to determine the DLOM. The PEDI is derived by taking large block transactions and comparing those to the entire data set. The additional amounts for the large blocks range from «5%» to «9%» higher than the whole data set or if you were to take a ratio then they would be «1.3x» to «1.5x» times higher than the whole data set. These large block transactions are more similar to the equity being valued here so an average is added incrementally to the RSED based on the higher discounts. The following schedule shows the calculated DLOM or RSED plus the calculated PEDI.

«

Private Equity Discount Increment

Concluded RSED 6.1%

Additive / Multiplicative		
3.4%	4.0%	5%
5.4%	6.0%	9%
1.3x	1.5x	

Indicated Private Equity Discount Increment (PEDI) 4.7%

Concluded Private Equity Discount Increment (PEDI) **4.7%**

Marketability Discount

Indicated DLOM 10.8%

Concluded DLOM **10.8%**

»

Court Decisions

Further guidance for marketability discounts can be found in various court decisions. These decisions provide insight into the discounts allowed in various circumstances. «I» look at evidence from court decisions, not to cite as direct evidence in the instant case, but to review how courts have previously interpreted the objective evidence presented. In addition, «I» look to court cases for general guidance concerning the nature of evidence deemed acceptable in previous decisions.

A survey performed by Thomas Solberg (Thomas A. Solberg, "Valuing Restricted Securities: What Factors Do the Courts and the Service Look For," Journal of Taxation, September 1979, pp. 150-54) of fifteen cases indicated a mean discount of 37.4%. A similar study by Phillip Moore (Phillip W. Moore, "Valuation Revisited," Trusts & Estates, February 1987, pp. 40-52), which analyzed fourteen cases by the U.S. Tax Court from 1969 through 1982, indicated wide variations in the decisions but with a trend toward allowing higher discounts.

In "Estate of Berg" (61 TCM 1991-279), the Tax Court relied upon an expert's analysis of specific factors that influenced the magnitude of a minority interest discount (20%) and a marketability discount (10%). The expert's specificity appeared to be persuasive to the court. Other experts in the Berg case were admonished by the court for presenting discount analyses that were "exceedingly general and lacking in specific analysis of the subject interest."

In "Estate of Jung" (101 TIC. No.28), the Tax Court allowed a 35% discount for lack of marketability for a 21% interest in Jung Corp., a manufacturer and distributor of elastic textile goods. Jung's revenues ($68 million) and profits ($3.1 million) had been growing for several years, a dividend was being paid, and there was a reasonable knowledge that the company could be an attractive acquisition candidate. Of particular note is that the court relied upon several of the empirical studies cited above.

The various studies indicate that a marketability discount in the range of 35%-40% is near the mean. The court cases are increasingly referring to objective data, but the courts are asking for data and analysis that relate to the specific cases in question, not mere averages. It is important to note that the actual range of discounts can be very wide with the top end of the range at 70% or more, depending on the features and circumstances of the subject company.

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**.

EXHIBITS