ROGERSON BUSINESS SERVICES

Business Appraisal Report

XYZ, Inc.

Date of Valuation

September 30, 2020

Report Date

December 3, 2020

This report was prepared by a NACVA Certified Valuation Professional.
NACVA CVA® designation is the most widely recognized business valuation credential and the only business valuation credential accredited by the National Commission for Certifying Agencies® (NCCA®) and the American National Standards Institute (ANSI).

SUMMARIZED BUSINESS VALUATION REPORT

19.08% Non-Controlling, Non-Marketable Ownership Interest in:

XYZ, Inc.

Date of Valuation:

Report Date:

December 3, 2020
VIA ELECTRONIC MAIL

John Doe
XYZ, Inc.
7600 Newhall Ln
Anywhere, TX 78746

Re: Business Valuation of 19.08% Interest in XYZ Brands, Inc.

Dear Mr. Doe:

At your request, we have performed a valuation[1] engagement, as the term is defined in the Professional Standards of the National Association of Certified Valuators and Analysts (NACVA)[2], of a 19.08% ownership interest in XYZ, Inc. ("Company") as of September 30, 2020 on a non-controlling, non-marketable basis.

The business appraisal was performed solely for the shareholders of XYZ to assist them in the matter of a potential share redemption of 19.08% equity interest in XYZ and the resulting estimate of value should not be used for any other purpose or by any other party for any purpose. The valuation engagement was conducted in accordance with the Professional Standards of NACVA. The estimate of value that results from a valuation engagement is expressed as a conclusion of value.

We were not restricted or limited in the scope of our work or data available for this engagement. Based on our analysis, as described in this summary report, the estimate of fair market value of a 19.08% interest in XYZ, Inc. as of September 30, 2020 on a non-controlling, non-marketable basis is:

FIVE HUNDRED FORTY-FIVE THOUSAND DOLLARS
$545,000

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

Respectfully submitted,

[1] "Valuation" is a term that can be used interchangeably with "appraisal", "business appraisal" and/or "business valuation appraisal" in this report.

[2] In addition to conforming to NACVA's standards, our analysis and report also conforms to the requirements and standards of the organizations identified in Section 2.

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EXECUTIVE SUMMARY

Overview of the analysis and contents provided in the summarized report

CONCLUSION OF VALUE	BUSINESS INTEREST VALUED
$335,000	19.08%

Purpose

The purpose of this valuation engagement is to provide the fair market value of 19.08% equity interest in XYZ, Inc. ("XYZ" or the "Company") as of September 30, 2020. Key details of the engagement and the conclusion of value are summarized within this Executive Summary.

Nature & History of Company

The Company is a management consulting business providing contract sales (i.e., broker) services to companies in the natural products industry. The Company was founded on March 22, 2012 as a Montana Corporation and later converted to a Texas Corporation on June 20, 2018. The IRS accepted the Company's election to be treated as an S corporation beginning April 1, 2012. The Company's headquarters are in Anywhere, Texas with sales associates located throughout the United States.

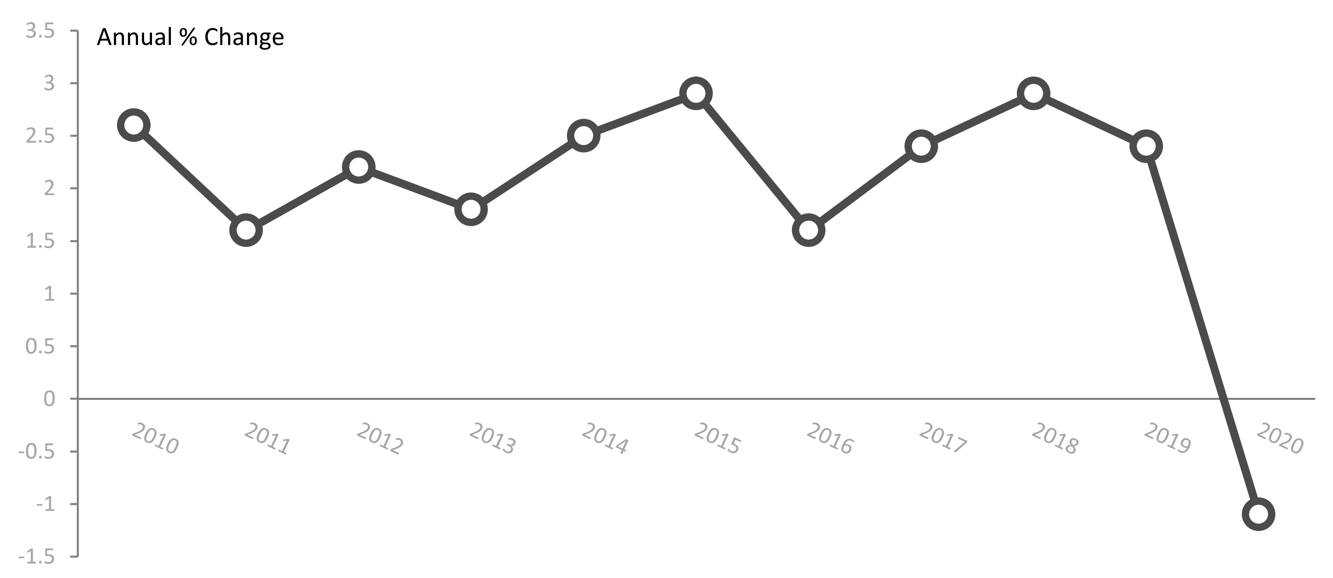
As of the valuation date, the Company exhibited several key strengths including reaching its strategic maximum number of clients, focusing solely on the natural/organic products industry, employing an experienced team, and its use of technology for enhanced communication and reporting. These strengths should continue to serve the Company well as they attempt to either (a) increase commissions earned from its existing brands or (b) by replacing smaller brands with larger accounts. One of the Company's primary strengths is also one of its greatest risks – the strategy to cap clients at approximately 50 to 60, which places more emphasis on growing existing brands or replacing them, rather than simply adding more clients. Other weaknesses include the Company's concentration of revenue from its largest brand – albeit the Company has further decreased its concentration since 2018.

VALUATION SUMMARY:

Governing Standard:	National Association of Certified Valuators and Analysts (NACVA)
Purpose:	Share Redemption
Standard of Value:	Fair Market Value
Premise of Value:	Value as a Going Concern
Client Name:	Mr. John Doe
Business Name:	XYZ, Inc.
Type of Entity:	C Corporation with S Corp Tax Filing Status
Industry Classification:	SIC: 8742 NAICS: 541613
Valuation Date:	September 30, 2020
Report Date:	December 3, 2020
Valuation Method Used:	Income Approach – Discounted Cash Flow Method
Business Interest Valued:	19.08%
Conclusion of Value:	$545,000

Economy & Industry

U.S. REAL GDP[3], 2009-2019



The consulting services industry is impacted by general economic conditions as well as the growth and profitability of the industries they serve. The natural/organic industry is impacted by the growing awareness regarding health, general economic conditions, and consumer spending, specifically the rising per capita spending on organic products. The U.S. economy, as measured by GDP growth, declined by 5.0% in Q1 2020, ending an all-time record of 128 consecutive months of growth, and then plummeted at an annualized 31.4% rate in the second quarter—the worst quarterly U.S. GDP performance in history. But the economy roared back at an annualized 33.1% rate in Q3, by far the fastest economic expansion in U.S. history. According to the Congressional Budget Office's projections, real GDP constricts by -5.8% in 2020 and expands by 4.0% in 2021. Real GDP expands again by 2.9% in 2022. After an annual average of 2.2% from 2023 to 2024, real GDP growth is projected to average 2.1% per year from 2025 through 2030. Overall, the demand for natural/organic products has remained strong, with organic becoming one of the fastest growing sectors of the U.S. food industry. Growth was up 5% from the previous year. On the positive, Error! Reference source not found. has focused its services on the expanding organic/natural products industry.

REAL CHANGE IN GDP[3]

% Change Over Previous Period

Year	Q1	Q2	Q3	Q4	Annual
2010	1.7	3.9	2.7	2.5	2.6
2011	(1.5)	2.9	0.8	4.6	1.6
2012	3.2	1.7	0.5	0.5	2.2
2013	3.6	0.5	3.2	3.2	1.8
2014	(1.0)	5.1	4.9	1.9	2.5
2015	3.3	3.3	1.3	0.1	2.9
2016	2.0	1.9	2.2	2.5	1.6
2017	2.3	1.7	2.9	3.9	2.4
2018	3.8	2.7	2.1	1.3	2.9
2019	2.9	1.5	2.6	2.4	2.4
2020	(5.0)	(31.4)	33.1		(1.1)

[3] The Gross Domestic Product (GDP) is a statistic used to report total output of a country's good and services and measures the size of a country's economy. Real GDP is the same statistic adjusted for price changes / inflation. GDP is most commonly reported on a quarterly or annual basis.

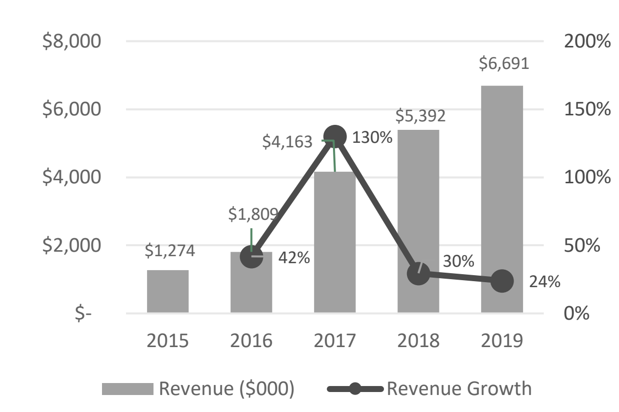
Financial Condition & Earnings Potential

During the period under review, XYZ experienced solid revenue growth from 2015 to 2019. Based on discussions with management and a review of expenses to the date of the valuation, we believe the Company's revenue will be relatively flat from 2019 to annualized year-ending 2020. Like revenue, profitability has improved every year from 2015 to 2019 and it is expected to further improve in 2020 – based largely on decreased travel expenses resulting from travel bans and government-imposed shutdowns relating to COVID-19. The Company's profitability surpassed the industry in 2019 and we anticipate XYZ's profitability to remain higher than industry for 2020.

As of the valuation date, the Company utilized its assets more effectively to generate sales than the industry. The Company has sufficient liquidity as evidenced by its quick ratio; however, the company does not have a bank credit facility for times of significant business swings. XYZ does have an amortizing note payable to a former shareholder that will be paid in full by October 2023 and the Company has a PPP loan, which has not yet been forgiven.

The Company is solvent, and based on the financial analysis conducted, we find the Company's financial condition to be good as of the valuation date.

Figure 1: Revenues and Revenue Growth by Year



ADJUSTMENTS TO INCOME

Based on Exhibit F 1: Historical Income Statements (unadjusted) as presented in Appendix F, as well Exhibit F-2: Common Size Historical Income Statements (unadjusted), Exhibit F-3: Multi-Year Growth Historic Income Statements (unadjusted), Exhibit F-4: Industry Comparative Income Statements (unadjusted), Exhibit F-5: Historical Balance Sheets (unadjusted) and ratio analysis, including an industry comparison (Exhibit F-8 through Exhibit F-10), it was determined that no adjustments were necessary to better reflect the economic earnings of the Company.

Valuation

The income, market and asset approaches were all considered to value the Company. For the income approach, the multi-stage growth method was chosen based on the Company’s historical performance, interviews with management and expectations of growth regarding the industry and economy. For the market approach, the comparable private transaction method was selected because of the availability of data of past private transactions. We did not prepare a valuation of XYZ utilizing any method under the asset approach because the Company reports no fixed assets, reports cash as its single asset and has virtually no debt. It is common for service companies to have little to no fixed assets on the balance sheet.

We have assessed the strengths and weaknesses of each of the methods and the reliability of the data on which the valuation calculations were based. We have placed our reliance on the income approach – discounted cash flow (DCF) method – as this method was based on the Company's expectations as well as the market's expectation of the industry's growth at the valuation date. We were also comfortable that the calculation of the discount rate properly reflected the risk in the Company achieving those expectations. Based on the facts of the engagement, a 30% discount for lack of control and a 20% discount for lack of marketability were applied to the valuation of 19.08% equity interest in XYZ. Our conclusion of value for the fair market value of a 19.08% ownership interest in XYZ, Inc. as of September 30, 2020, on a non-controlling, non-marketable basis is best expressed as $545,000. A summarized explanation of the valuation approaches and methods utilized in this engagement are provided in the Valuation section of the report.

OUR APPROACH

*We have assessed the strengths and weaknesses of each of the methods and the reliability of the data on which the valuation calculations were based. We have placed our reliance on the **income approach**.*

Market Approach
Value based on the Comparable Private Transaction Method
$510,000

Income Approach
Value based on the Discounted Cash Flow (DCF) Method
$545,000

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INTRODUCTION

The purpose of the Introduction is to provide background on the valuation engagement

Purpose

The purpose of our analysis is to provide an objective opinion of the fair market value of 19.08% equity interest in XYZ, Inc. as of September 30, 2020.

This report will provide a summarized narrative explanation of the methods, procedures, and calculations used to arrive at our opinion of fair market value. This valuation is prepared for the shareholders of XYZ, to be used by them for the sole purpose to assist in the matter of a potential share redemption of 19.08% equity interest in XYZ.

We have performed a valuation engagement and present the summarized report in conformity with the Professional Standards of the National Association of Certified Valuators and Analysts (NACVA). NACVA defines a valuation engagement as an engagement that requires a valuation analyst to apply valuation approaches or methods deemed in the analyst's professional judgment to be appropriate under the circumstances. The valuation analyst expresses the results of the valuation engagement as a conclusion of value, which may be either a single amount or a range.

Our analysis and report are in conformance with the 2020-21 Uniform Standards of Professional Appraisal Practice ("USPAP") promulgated by the Appraisal Foundation.

Our analysis is also in conformance with various revenue rulings, including Rev. Rul. 59-60, which outlines the approaches, methods and factors to be considered in valuing shares of capital stock in closely held corporations for federal tax purposes.

This summarized report is structured to provide sufficient information to permit intended users the ability to understand the data, reasoning, and analyses underlying the valuation analyst's conclusion of value.

The appraisal will be used by the Company's shareholders for the sole purpose to assist in the matter of a potential share redemption of 19.08% equity interest in XYZ; the resulting estimate of value should not be used for any other purpose or by any other party for any purpose.

The distribution of this report is restricted to the Company's shareholders, members of management and attorneys of the Company and shareholders. Any other use of this report is unauthorized, and the information included in the report should not be relied upon.

Definitions

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

Standard of Value

The standard of value for this report is fair market value. The term fair market value is defined in The International Glossary of Business Valuation Terms, issued by the American Institute of Certified Public Accountants (AICPA), the American Society of Appraisers, the Canadian Institute of Chartered Business Valuators, the National Association of Certified Valuators and Analysts™, and the Institute of Business Appraisers, as:

> ***The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.***

Fair market value is also defined in a similar way in Rev. Rul. 59-60 as:

> ***The price at which the property would change hands between a willing buyer and a willing seller when the former is not under any***

> ***compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts.***

Rev. Rul. 59-60 also defines the willing buyer and seller as hypothetical as follows: “Court decisions frequently state in addition that the hypothetical buyer and seller are assumed to be able, as well as willing, to trade and to be well informed about the property and concerning the market for such property.” Furthermore, fair market value assumes that the price is transacted in cash or cash equivalents. Rev. Rul. 59-60, while used in tax valuations, is also used in many nontax valuations.

Fair market value was chosen for this valuation as it is listed as the standard of value per Section 2.7 of the Company’s Shareholders’ Agreement. Fair market value has also been used for similar share redemptions.

Premise of Value

This report is prepared using the premise that the 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 Company a going concern business enterprise.

Assumptions and Limiting Conditions

The valuation presented in this report is contingent on the assumptions and limiting conditions as found in Appendix C and those found elsewhere in this report.

Valuation Procedure

We have an established understanding with the client to perform a business valuation appraisal and to produce a summary appraisal report. We have complied with the *Professional Standards* of NACVA. There were no scope restrictions or limitations on the work or the data available for analysis.

Our analysis began with the receipt of certain information relating to the financial and operational performance of the Company. Specifically, information we reviewed included, but was not limited to, the documents summarized in Appendix J of this report.

The information obtained from the Company was reviewed in conjunction with information contained in the public domain and in our files. Following receipt of basic financial information, we also reviewed the Company's website, marketing collateral, customer lists, and other documents listed in Appendix J. We have also conducted interviews with the Company's Chief Operating Officer, Ms. John Doe. These sources, together with the other analyses referred to later in this report form the basis of our comments concerning the Company and its industry.

After we collected the information received from the Company and obtained data from our resources, we analyzed this information and selected those methods of valuation applicable to this assignment. We arrived at our opinion of value using generally accepted valuation approaches and methods.

END OF SAMPLE REPORT

SECTIONS 3-16 REMOVED FOR CONFIDENTIALITY.