



Sample Business Valuation Inc

ValuTrax[®]

Oct 31, 2023

*Legal Structure:
S Corporation*

Rogerson Business Services

5150 Fair Oaks Blvd, #101-198

Carmichael, CA 95608

Phone: (916) 570-2674

Fax: (916) 473-8655

Prepared By:
Andrew Rogerson

Report Date:
Nov 11, 2023

Confidential Information

Nov 11, 2023

Just Sample
Sample Business Valuation Inc

Valuation Date: Oct 31, 2023 (Date of Most Recent Financial Statements)

Per your request we have conducted a price evaluation analysis and prepared this report. The purpose of this report is to provide the Seller with an estimate of the probable Selling Price of the Subject Business in preparation for its potential sale / acquisition and should not be used for any other purpose. For completeness, the Seller's estimate of the market value of included real estate, if any, is included in the estimate of Net Owner Equity provided below.

Based on information available to us, our opinion of the Probable Selling Price of the Subject in a "typical" asset sale (i.e., includes inventory, fixed assets and intangible assets such as goodwill) as of the valuation date given above is:

Estimated Business Selling Price in "Typical" Asset Sale
\$9,580,000

Estimated Business Selling Price in "Typical" Asset Sale Including A/R - A/P
\$9,983,034

Value in a "Typical" Asset Sale	\$9,580,000
<u>Add:</u> Accts Receivable - Accts Payable	403,034
<u>Add:</u> Other Assets Less Other Liabilities	2,194,999
<u>Subtract:</u> Long-Term Liabilities	162,015
<u>Add:</u> Excess Assets Not Included In Sale	0
<u>Add:</u> Real Estate Included In Sale	0
<u>Total</u>	\$12,016,018

Net Owner Equity
\$12,016,018

Net owner equity is the amount that would be received by the owner(s) in a "typical" asset sale after collecting all assets not included in the sale and paying off all liabilities. Note: This does not take into account: tax liabilities, broker's fees, closing costs, and, other costs associated with the sale.

The value considerations herein are contingent upon the date of the latest financial statements used in the analysis and the limiting conditions set forth in the body of the report. The Net Owner Equity is specifically dependent on the actual Balance Sheet as of the sale date; and, Seller's estimate of the value of included real estate, if any.

Report Prepared By:
Andrew Rogerson

Disclaimer

This price evaluation report has been prepared as a service of Rogerson Business Services not as part of an appraisal practice as defined by USPAP (Uniform Standard Professional Appraisal Practice) standards and therefore is not bound by the requirements of USPAP.

This report is a business professional's opinion of value and not a valuation or appraisal. There are a number of significant differences between this opinion of value and an appraisal. This opinion of value is not nearly as rigorous as a formal appraisal, and is designed to give a guideline or benchmark value rather than a formal determination of value. Specifically, and at a minimum, a valuation and/or appraisal analysis should include the following conditions to be considered an appraisal or formal valuation:

1. Strict adherence to USPAP (Uniform Standard Professional Appraisal Practice) standards.
2. A full financial statement's analysis, including Income Statement, Balance Sheets and Cash Flows.
3. An in-depth understanding of the financial statements and the company to justify making appropriate adjustments to the Income Statements and Balance Sheets.
4. An assurance that all data is accurate and included in the final report.
5. A comparison of the valued company's financial statements to industry norms (RMA, trade, or other ratios/percentages) and using this data in building discount and capitalization rates.
6. A certifying cover letter with the evaluator's signature.

Rogerson Business Services does not purport to be a guarantor of value. The valuation of closely held companies is an imprecise science and reasonable people can differ in their opinion of value. However, the formulas and valuation methodologies used in this report were developed by and are accepted by the business brokerage and / or business valuation communities. The application of these methods in the analysis reported herein along with years of experience in evaluating such businesses, although not considered a formal valuation or appraisal, in our opinion provides a reasonable basis for estimating the likely Selling / Listing Price of a business.

INCOME STATEMENT RECASTING - DISCRETIONARY EARNINGS ANALYSIS

Year: 2023

Months: 10

Source: Internal Financials

	Statement	Add Backs	Adjusted	Notes
Income				
Revenues	\$10,503,532	\$0	\$10,503,532	
Other Income	225,426	0	225,426	
Total Income (Revenue)	10,728,958		10,728,958	
Cost of Goods Sold	3,217,696	0	3,217,696	
Gross Profit	7,511,262		7,511,262	
Expenses				
Officer's Salary	0	485,000	-485,000	
Salaries & Wages	0	-45,000	45,000	See note 1.
Rents	0	-385,800	385,800	See note 2.
Taxes & Licenses	0	42,600	-42,600	
Interest Expense	0	21,540	-21,540	
Depreciation	0	289,000	-289,000	
Amortization	0	52,000	-52,000	
Self Employed 401 K Contributions	0	70,000	-70,000	Owner benefit
Other Expenses	4,826,585		4,826,585	
Total Expenses	4,826,585		4,297,245	
Net Income (Before Tax)	\$2,684,677			
Seller's Discretionary Earnings			\$3,214,017	

THIS INFORMATION IS NOT VERIFIED BY ROGERSON BUSINESS SERVICES
EVALUATION FOR SELLER'S INFORMATION ONLY AND SHOULD NOT BE USED BY BUYER FOR PURCHASE DECISION

INCOME STATEMENT RECASTING - DISCRETIONARY EARNINGS ANALYSIS, CONT.

Year: 2022

Source: Tax Return

	Statement	Add Backs	Adjusted	Notes
Income				
Revenues	\$10,565,000	\$0	\$10,565,000	
Other Income	199,875	0	199,875	
Total Income (Revenue)	10,764,875		10,764,875	
Cost of Goods Sold	3,585,000	0	3,585,000	
Gross Profit	7,179,875		7,179,875	
Expenses				
Officer's Salary	0	485,000	-485,000	
Salaries & Wages	0	-45,000	45,000	See note 1
Rents	0	-350,000	350,000	See note 2
Taxes & Licenses	0	42,600	-42,600	
Interest Expense	0	19,580	-19,580	
Depreciation	0	262,000	-262,000	
Amortization	0	52,500	-52,500	
Self Employed 401 K Contributions	0	68,000	-68,000	Owner benefit
Other Expenses	4,621,055		4,621,055	
Total Expenses	4,621,055		4,086,375	
Net Income (Before Tax)	\$2,558,820			
Seller's Discretionary Earnings			\$3,093,500	

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INCOME STATEMENT RECASTING - DISCRETIONARY EARNINGS ANALYSIS, CONT.

Year: 2021

Source: Tax Return

	Statement	Add Backs	Adjusted	Notes
Income				
Revenues	\$9,275,670	\$0	\$9,275,670	
Other Income	188,600	0	188,600	
Total Income (Revenue)	9,464,270		9,464,270	
Cost of Goods Sold	3,265,750	0	3,265,750	
Gross Profit	6,198,520		6,198,520	
Expenses				
Officer's Salary	0	450,000	-450,000	
Salaries & Wages	0	-40,000	40,000	See note 1
Rents	0	-325,000	325,000	See note 2
Taxes & Licenses	0	39,800	-39,800	
Interest Expense	0	18,200	-18,200	
Depreciation	0	248,600	-248,600	
Amortization	0	52,500	-52,500	
Self Employed 401 K Contributions	0	66,000	-66,000	Owner benefit
Other Expenses	3,941,375		3,941,375	
Total Expenses	3,941,375		3,431,275	
Net Income (Before Tax)	\$2,257,145			
Seller's Discretionary Earnings			\$2,767,245	

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INCOME STATEMENT RECASTING - DISCRETIONARY EARNINGS ANALYSIS, CONT.

Year: 2020

Source: Tax Return

	Statement	Add Backs	Adjusted	Notes
Income				
Revenues	\$8,543,000	\$0	\$8,543,000	
Other Income	169,540	0	169,540	
Total Income (Revenue)	8,712,540		8,712,540	
Cost of Goods Sold	2,802,934	0	2,802,934	
Gross Profit	5,909,606		5,909,606	
Expenses				
Officer's Salary	0	425,000	-425,000	
Salaries & Wages	0	-38,000	38,000	See note 1
Rents	0	-310,000	310,000	See note 2
Taxes & Licenses	0	36,540	-36,540	
Depreciation	0	239,875	-239,875	
Amortization	0	52,500	-52,500	
Self Employed 401 K Contributions	0	64,000	-64,000	Owner benefit
Other Expenses	3,377,569		3,377,569	
Total Expenses	3,377,569		2,907,654	
Net Income (Before Tax)	\$2,532,037			
Seller's Discretionary Earnings			\$3,001,952	

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RECAST INCOME STATEMENTS

Year	<u>2023</u>		<u>2022</u>		<u>2021</u>		<u>2020</u>	
Data Source	Annualized		Tax Return		Tax Return		Tax Return	
Income		%		%		%		%
Revenues	\$12,604,238	97.9	\$10,565,000	98.1	\$9,275,670	98.0	\$8,543,000	98.1
Other Income (Loss)	270,511	2.1	199,875	1.9	188,600	2.0	169,540	1.9
Total Income (Revenue)	12,874,750	100.0	10,764,875	100.0	9,464,270	100.0	8,712,540	100.0
Cost of Goods Sold	3,861,235	30.0	3,585,000	33.3	3,265,750	34.5	2,802,934	32.2
Gross Profit	9,013,514	70.0	7,179,875	66.7	6,198,520	65.5	5,909,606	67.8
Expenses								
Officer's Salary	-582,000	-4.6	-485,000	-4.6	-450,000	-4.9	-425,000	-5.0
Salaries & Wages	54,000	0.4	45,000	0.4	40,000	0.4	38,000	0.4
Rents	462,960	3.7	350,000	3.3	325,000	3.5	310,000	3.6
Taxes & Licenses	-51,120	-0.4	-42,600	-0.4	-39,800	-0.4	-36,540	-0.4
Interest Expense	-25,848	-0.2	-19,580	-0.2	-18,200	-0.2		
Depreciation	-346,800	-2.8	-262,000	-2.5	-248,600	-2.7	-239,875	-2.8
Amortization	-62,400	-0.5	-52,500	-0.5	-52,500	-0.6	-52,500	-0.6
Self Employed 401 K Contributions	-84,000	-0.7	-68,000	-0.6	-66,000	-0.7	-64,000	-0.7
Other Expenses	5,791,902	45.0	4,621,055	42.9	3,941,375	41.6	3,377,569	38.8
Total Expenses	5,156,694	40.1	4,086,375	38.0	3,431,275	36.3	2,907,654	33.4
Seller's Discretionary Earnings	\$3,856,820	30.0	\$3,093,500	28.7	\$2,767,245	29.2	\$3,001,952	34.5

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RECAST INCOME STATEMENTS SUMMARY

	<u>Most</u> <u>Recent Year</u>	<u>Prior Year</u>	<u>Two</u> <u>Years Prior</u>	<u>Three</u> <u>Years Prior</u>
Year	2023	2022	2021	2020
	Annualized			
Revenue	\$12,874,750	\$10,764,875	\$9,464,270	\$8,712,540
	100.0	100.0	100.0	100.0
Cost of Goods Sold	3,861,235	3,585,000	3,265,750	2,802,934
	30.0	33.3	34.5	32.2
Gross Profit	9,013,514	7,179,875	6,198,520	5,909,606
	70.0	66.7	65.5	67.8
Total Expenses	5,156,694	4,086,375	3,431,275	2,907,654
	40.1	38.0	36.3	33.4
Seller's Discretionary Earnings (SDE)	\$3,856,820	\$3,093,500	\$2,767,245	\$3,001,952
	30.0	28.7	29.2	34.5
Weighting	40.0	25.0	20.0	15.0

Expected SDE Growth in Next Year In Percent

Weighted Averages:

Revenue	\$11,261,671
SDE	\$3,386,242
Reasonable Owner Salary	\$485,000
EBITDA	\$2,901,242
EBIT	\$2,901,242

BALANCE SHEET RECASTING

Data Source: Internal Financials

Period Ending: Oct 31, 2023

ASSETS

	<u>Book Value</u>		<u>Seller's Est.</u>	
	<u>Per B/S</u>	<u>Adjustments</u>	<u>Fair Market</u>	<u>Notes</u>
			<u>Value</u>	
Current Assets:				
Cash & Equivalents	\$1,934,100	\$0	\$1,934,100	
Accounts Receivable (A/R)	1,118,383	0	1,118,383	
Inventory	843,430	0	843,430	
Prepaid Expenses	0	0	0	
Other	0	0	0	
Total Current Assets:	3,895,913	0	3,895,913	
Fixed Assets:				
Fixed Assets	2,337,794	-1,030,000	1,307,794	
Accumulated Depreciation	-2,003,208	2,003,208	0	
Total Fixed Assets:	334,586	973,208	1,307,794	
Real Estate:				
Land & Buildings	0	0	0	
Accumulated Depreciation	0	0	0	
Total Real Estate:	0	0	0	
Other Asset:				
Deposits	69,950	0	69,950	
Loans To Officers/Shareholders	425,000	0	425,000	
Other	0	0	0	
Intangible Assets	0	0	0	
Accumulated Amortization	0	0	0	
Total Other Assets:	494,950	0	494,950	
Total Assets:	\$4,725,449	\$973,208	\$5,698,657	
LIABILITIES				
Current Liabilities:				
Accounts Payable (A/P)	\$715,349	\$0	\$715,349	
Other	234,051	0	234,051	
Current Portion, LT Debt	0	0	0	
Total Current Liabilities:	949,400	0	949,400	
Long-Term Liabilities:				
Notes Payable	162,015	0	162,015	
Loans from Officers/Shareholders	0	0	0	
LTD Less Current Portion	0	0	0	
Total Long Term Liabilities:	162,015	0	162,015	
Total Liabilities:	1,111,415	0	1,111,415	
Equity:	3,614,034	973,208	4,587,242	
Liabilities + Equity:	\$4,725,449	\$973,208	\$5,698,657	
Value of Excess Assets:	0			
Description of Excess Assets:				

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PRICE EVALUATION METHODS

Method 1: Market Method

	<u>Price/SDE</u>	<u>Price/Revenue</u>	<u>Price/EBIT</u>	<u>Price/EBITDA</u>
Multiple	2.75	0.68	0.0	0.0
SDE:	\$3,386,242			
Revenue:		\$11,261,671		
EBIT:			\$2,901,242	
EBITDA:				\$2,901,242
Product:	9,312,165	7,657,936	0	0
Adjustments:				
Add Inventory:	843,430	843,430	0	0
Add Fixed Assets:	0	0	0	0
Estimated Selling Price:	\$10,155,595	\$8,501,366	\$0	\$0
Weightings:	50.0	50.0	0.0	0.0

Estimated Selling Price (Market Method): \$9,328,481

Data Sources: BizBuySell Comps BizBuySell Comps

PRICE EVALUATION METHODS

Method 2: Multiple of Discretionary Earnings Method

	<u>Selected Multiplier</u>	<u>Weight</u>	<u>Weighted Value</u>
1. Historical Profits (0 = Negative, 3 = Above Industry Norm)	2.0	10.0	20.0
2. Income Risk (0 = Startup/Risky, 3 = Well Established/Low Risk)	2.5	9.0	22.5
3. Deal Financing (Seller/SBA)? (0 = All Cash, 3 = Excellent Terms)	2.0	8.0	16.0
4. Business Type (0 = Service Biz/few assets, 3 = Biz w/High Assets)	2.0	7.0	14.0
5. Business Growth (0 = Declining, 3 = Rapid Growth)	2.5	6.0	15.0
6. Location/Facilities (0 = Undesirable, 3 = Superior)	2.0	5.0	10.0
7. Marketability (0 = Low/Special Skills Req'd., 3 = High/Many Buyers)	2.0	4.0	8.0
8. Desirability (0 = No Status, 3 = Challenging & Attractive Environ.)	2.5	3.0	7.5
9. Competition (0 = High, 3 = Little Competition)	1.5	2.0	3.0
10. Industry Trend (0 = Declining, 3 = Dynamic Growth)	1.5	1.0	1.5
Total:		55.0	117.5
Earnings Multiple (Weighted Ave.) = Weight Values Total/Weight Total =		2.14	
Size Premium:		1.31	

Est. Selling Price (Earnings Mult. (Ave) X SDE X Size Premium) =

\$9,476,860

The Weights in the above table are set at typical default values ranging from 10 to 1 as shown. However, it is up to the User to adjust these weights, if required, based upon the criteria and the specific characteristics of the business being valued. For businesses with Revenue ≤ the Revenue Breakpoint, set the Size Premium equal to 1.00. For businesses with Revenue > the Revenue Breakpoint set the Size Premium equal to 1.33 (equivalent to the maximum value of factors above set = 4) or select an appropriate size premium from the table below. The Default Revenue Breakpoint is \$750,000. The User can adjust the Revenue Breakpoint and Size Premium by analyzing Bizcomps® Data for the specific type of business of interest. The Table provides Size Premia for general business categories.

BIZCOMPS®	
SIZE PREMIA ² (REVENUE BREAKPOINT \$750,000)	
BUSINESS SERVICES	1.43
CONSTRUCTION	1.33
MANUFACTURING	1.31
AUTO REPAIR SERVICES	1.36
FINANCE, INSURANCE & REAL ESTATE	1.23
RETAIL	1.22
WHOLESALE - DURABLE GOODS	1.22
WHOLESALE - NON-DURABLE GOODS	1.40
PERSONAL SERVICES	1.13

1. The Multiple of Discretionary Earnings Method was first presented by Thomas L. West and Jeffrey D. Jones in the Handbook of Business Valuation, 1992, John Wiley & Sons, Inc.

2. Size Premium = Ratio of Median SP/SDE multiple for companies in category with revenues greater than \$750,000 (Numerator) to Median SP/SDE multiple for companies with revenues of \$750,000 or less (Denominator). Includes all Bizcomps® transactions with both positive revenue and positive SDE, as well as SDE multiples < 6 (transactions with Price/SDE > 6 are considered to be outliers).

PRICE EVALUATION METHODS

Method 3: Buyer's Test Method

Reasonable Owner/Manager Salary (See Recast Income Statement Summary):	\$485,000
Req'd Rate of Return on Down Payment (%):	28
Downpayment as % of Price (%):	25.0
Enter Estimated Annual Capital Expense as a Percent of Fixed Asset Value at Cost (%):	10.0
Estimated Annual Capital Expense:	\$233,779
Loan Interest Rate (%):	9.5
Loan Period (Number of Months):	84.0
Debt Coverage Ratio:	1.3

Estimated Selling Price (Price which satisfies above conditions): **\$10,197,019**

The required rate of return on downpayment will typically be in the range of 20 (20% ROI) to 40 (40% ROI), lower for larger / lower risk businesses and higher for smaller / higher risk businesses. May be zero for very small businesses where buyer is buying a job, not making an investment.

The Buyer's Test Method is based on the business having enough cash flow to: provide the owner with a reasonable salary, provide a reasonable rate of return on the buyer's investment, provide for annual capital expense, and cover debt service with a reasonable debt coverage ratio. The following Table shows how the subject's discretionary earnings are allocated based on the terms set above.

<u>Buyer's Test Check</u>	
SDE =	\$3,386,242
Less: Owner/Manager Salary	\$485,000
Equals: EBITDA	\$2,901,242
Less: Return on Downpayment	717,542
Less: CAPEX	233,779
Less: Debt Service	1,499,939
Less: Excess Debt Service Coverage	449,982
Remaining SDE	\$0

All entries in the Table should be positive. Remaining SDE should be zero as this method calculates the maximum value with the User-specified terms.

PRICE EVALUATION SUMMARY & CONCLUSIONS

The Results for each of the three Price Evaluation Methods used are summarized on the following pages. These results, or value estimates, provide an estimate of the price range for the Subject. The most probable selling price is estimated by weighting each of the three value estimates and then calculating the weighted average value.

The weighting can be thought of as the probability that the value estimate for a given valuation method represents the value of the business (the sum of all weightings would then equal 100). The weightings should take into account the extent to which a given valuation method addresses, or does not address, risk factors associated with the subject business. For example, consider a business that has high account concentration (e.g., one customer accounts for 50% of revenue). The input variables for the Multiple of Discretionary Earnings and the Buyer's Test Methods can be adjusted to take this risk into account, while the Market Method ratios may be based on median comparables sold data or typical rules of thumb. In such cases, the Market Method should receive lower weighting than the other methods.

Based on the information available to us, our opinion of the value of the Subject (excluding real estate, if any) in a "typical" asset sale (i.e., sale includes goodwill & other intangibles, inventory and fixed assets) as of the valuation date is:

Estimated Business Selling Price in "Typical" Asset Sale

\$9,580,000

Estimated Business Selling Price in "Typical" Asset Sale Including A/R - A/P

\$9,983,034

Value in a "Typical" Asset Sale	\$9,580,000
Add: Accts Receivable - Accts Payable	403,034
Add: Other Assets Less Other Liabilities	2,194,999
Subtract: Long-Term Liabilities	162,015
Add: Excess Assets Not Included In Sale	0
Add: Real Estate Included In Sale	0
<u>Total</u>	<u>\$12,016,018</u>

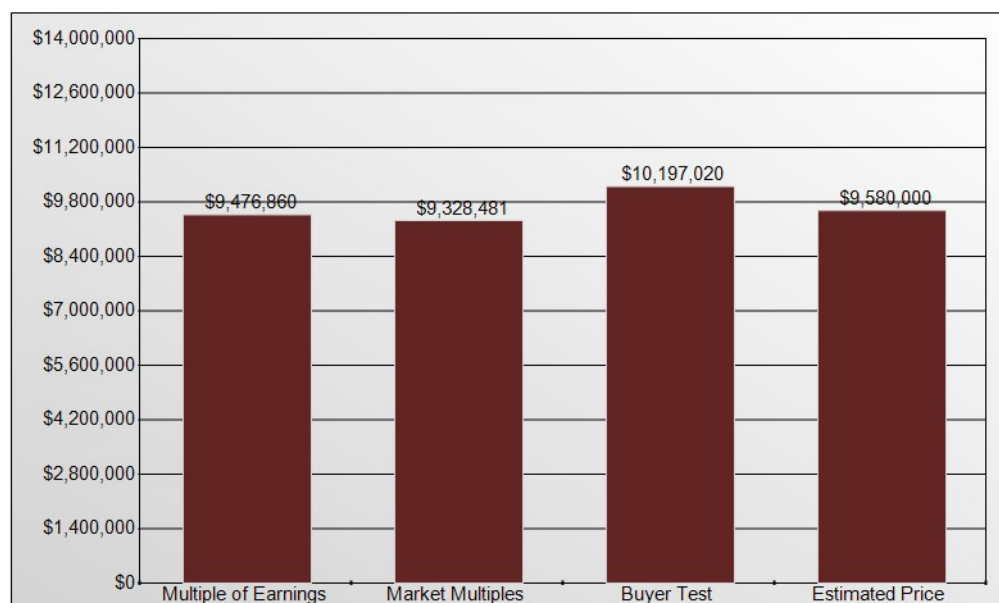
Net Owner Equity

\$12,016,018

Net owner equity is the amount that would be received by the owner(s) "typical" asset sale after collecting all assets not included in the sale and paying off all liabilities. Note: This does not take into account: tax liabilities; closing costs; and, other costs associated with the sale.

The value considerations herein are contingent upon the date of the latest financial statements used in the analysis and the limiting conditions set forth in the body of the report. The net owner equity is specifically dependent on the actual Balance Sheet as of the sale date; and, Seller's estimate of the value of included real estate, if any.

PRICE EVALUATION SUMMARY & CONCLUSIONS, CONT.



Price Evaluation Results

	Estimates	Weight
Estimated Price - Multiple of Earnings*	\$9,476,860	25.0
Estimated Price - Buyer's Test*	\$10,197,019	25.0
Estimated Price - Market Multiples*	\$9,328,481	50.0
Estimated Price of Business (Weighted Average)*	\$9,580,000	
Accounts Receivable - Account Payable	403,034	
Estimated Price Including A/R - A/P	\$9,983,034	
Other Assets Less Other Current Liabilities	2,194,999	
Long-Term Liabilities	162,015	
Excess Assets	0	
Estimated Value of Real Estate	\$0	
Net Owner/Shareholder Equity Including Real Estate	\$12,016,018	

* Typical asset sale (only goodwill, fixed assets & inventory transfer to buyer)

PRICE EVALUATION SUMMARY & CONCLUSIONS, CONT.**MULTIPLES (TYPICAL ASSET SALE)****MULTIPLES (Uses Weighted Ave. Values of Earnings & Revenue)**

PRICE/FIXED ASSETS	7.33
PRICE/SDE	2.83
PRICE/EBITDA	3.30
PRICE/REVENUE	0.85

MULTIPLES (Using Most Recent Year Earnings & Revenue)

PRICE/FIXED ASSETS	7.33
PRICE/SDE	2.48
PRICE/EBITDA	2.84
PRICE/REVENUE	0.74

PRICE BREAKDOWN (TYPICAL ASSET SALE)

FIXED ASSETS	1,307,794	13.7
INVENTORY	843,430	8.8
GOODWILL	7,428,776	77.5
REAL ESTATE	0	0.0
TOTAL	\$9,580,000	100.0%

PRICE BREAKDOWN (INCL. A/R - A/P)

FIXED ASSETS	1,307,794	13.1
INVENTORY	843,430	8.4
ACCTS. RECEIVABLE - ACCTS. PAYABLE	403,034	4.0
GOODWILL	7,428,776	74.4
REAL ESTATE	0	0.0
TOTAL	\$9,983,034	100.0%

NOTES & COMMENTS

Note 1 - Add Back Manager Salary - Current Manager is Part-time. Full-time owner/manager would make an additional part-time manager unnecessary.

Note 2 - Market Rent - Based on estimates of real estate appraiser who appraised the real estate. Real estate is owned by the owner's of the subject valuation in a separate legal entity.