

Tool Studios, LLC
Historical Balance Sheets
Source: Form 1120S Tax Returns, and Internal Financial Statements

Assets:	2018	2019	2020	2021	2022
<u>Current Assets:</u>					
Cash	\$ 45,957	\$ 45,230	\$ 406,974	\$ 329,814	\$ 259,508
Accounts Receivable					90,410
Undeposited Funds					(7,535)
Receivable - Charlie Bell					(1,568)
Total Current Assets	45,957	45,230	406,974	329,814	340,816
<u>Other Assets:</u>					
Buildings and other Depreciable Assets	128,019	134,768	143,011	153,230	153,390
Less: Accumulated Depreciation	(122,051)	(128,956)	(137,355)	(147,730)	(115,146)
Intangible Assets	1,010	1,010	1,010	1,010	1,010
Less: Accumulated Amortization	(1,010)	(1,010)	(1,010)	(1,010)	(1,010)
Deposit	2,862	2,862	2,862	2,862	2,861
Net Other Assets	8,830	8,674	8,518	8,362	41,105
Total Assets	\$ 54,787	\$ 53,904	\$ 415,492	\$ 338,176	\$ 381,921
<u>Liabilities and Shareholders' Equity:</u>					
<u>Liabilities:</u>					
<u>Current Liabilities:</u>					
Deposit Payable	\$ -	\$ -	\$ 138,000	\$ 138,000	\$ 138,000
Accounts Payable					(1,837)
Credit Cards Payable					8,771
Payroll Liabilities					(76)
Total Current Liabilities	-	-	138,000	138,000	144,858
<u>Long-term Liabilities:</u>					
Shareholder Loans					(263,664)
Total Long-term Liabilities	-	-	-	-	(263,664)
Total Liabilities	-	-	138,000	138,000	(118,806)
<u>Equity</u>					
<u>Capital Stock</u>	100	100	100	100	100
Retained Earnings	54,687	53,804	277,392	200,076	500,627
Total Equity	54,787	53,904	277,492	200,176	500,727
Total Liabilities and Equity	\$ 54,787	\$ 53,904	\$ 415,492	\$ 338,176	\$ 381,921

Supplemental Information

Working Capital	\$ 45,957	\$ 45,230	\$ 268,974	\$ 191,814	\$ 195,958
Cash Distributions	\$ 52,381	\$ 78,028	\$ 117,479	\$ 28,833	\$ 86,872

Tool Studios, LLC
Historical Income Statements
Source: Form 1120S Tax Returns, and Internal Financial Statements

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total Revenues	\$ 663,948	\$ 692,245	\$ 1,470,199	\$ 638,373	\$ 501,558
Cost of Goods Sold	(160,707)	(242,666)	(473,762)	(320,347)	(227,072)
Total Income	503,241	449,579	996,437	318,026	274,486
<u>Expenses:</u>					
Officer's Compensation	76,337	102,603	121,850	127,277	106,225
Salaries and Wages	107,032	52,703	107,377	88,912	39,897
Repairs and Maintenance		599			
Rent	34,020	34,031	47,884		37,798
Taxes and Licenses	13,937	11,944	16,433	16,128	10,296
Interest	2,447	1,907	831	41	
Depreciation Expense	156	156	8,399	10,375	156
Advertising		299	125		10,969
Employee Benefit Programs	2,114	8,074	10,742	8,816	
Bank Charges	1,780	1,061	558	3,381	468
Client Expense	70,053	19,980	141,415	36,101	24,075
Commissions		4,419	4,940	583	
Consultants			106,940	6,869	6,055
Dues & Subscriptions	850	245	190	302	137
Equipment Lease	1,440	480			
Insurance	12,603	6,276	12,981	9,752	1,022
Meals	8,013	7,041	11,080	15,006	13,714
Office Expense	21,219	36,723	29,643	13,354	23,057
Payroll Processing	2,511	2,647	2,828	2,711	3,912
Postage & Shipping	367	501	639	712	182
Professional Fees	2,685	935	980	1,145	1,095
Promotion			500		
Qbook Payment Fees			3,746	335	2,599
Training			290	152	668
Travel Expenses	10,507	1,609	5,772	2,617	1,578
Utilities	9,048	11,564	12,080	12,178	11,802
Vehicle Expense	12,580	13,476	8,110		
Website Expenses	30,567	37,504	36,837	7,660	5,553
Total Expenses	420,266	356,777	693,170	364,407	301,258
Net Operating Income	\$ 82,975	\$ 92,802	\$ 303,267	\$ (46,381)	\$ (26,772)

Tool Studios, LLC
Adjusted Balance Sheet
April 30, 2023
Source: Internal Financial Statements

	<u>Per Books</u>	<u>Adjust- ments</u>	<u>Adj'd Amts.</u>
<u>Assets:</u>			
<u>Current Assets:</u>			
Cash	\$ 236,617	\$ (32,763)	\$ 203,854
Accounts Receivable	90,410	(55,459)	34,951
Work in Process			15,000
Undeposited Funds	(1,823)	1,823	-
Receivable - Charlie Bell	(1,568)	1,568	-
Total Current Assets	323,637	(84,831)	253,805
<u>Other Assets:</u>			
Buildings and other Depreciable Assets	153,230		153,230
Less: Accumulated Depreciation	(147,886)	6,992	(140,894)
Intangible Assets	1,010	(1,010)	-
Less: Accumulated Amortization	(1,010)	1,010	-
Deposit	2,861		2,861
Net Other Assets	8,205	6,992	15,197
Total Assets	\$ 331,842	\$ (77,839)	\$ 269,002
<u>Liabilities and Shareholders' Equity:</u>			
<u>Liabilities:</u>			
<u>Current Liabilities:</u>			
Deposit Payable	\$ 138,000	\$ (138,000)	\$ -
Retainers - All	85,000	(35,000)	50,000
Accounts Payable	(2,229)	2,229	(0)
Credit Cards Payable	16,454		16,454
Payroll Liabilities	(76)	76	0
Total Current Liabilities	237,149	(170,695)	66,454
<u>Long-term Liabilities:</u>			
Shareholder Loans	(261,306)	266,443	-
Total Long-term Liabilities	(261,306)	266,443	-
Total Liabilities	(24,158)	95,748	66,454
<u>Equity</u>			
<u>Capital Stock</u>	100		100
Retained Earnings	355,900	(173,587)	182,313
Total Equity	356,000	(173,587)	182,413
Total Liabilities and Equity	\$ 331,843	\$ (77,839)	\$ 248,867

Adjusted Working Capital		\$ 187,352
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Tool Studios, LLC
Income Statement Adjustments
Income Measures

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<u>Calculation of Adjusted Net Income</u>					
Ordinary Income	\$ 82,975	\$ 92,802	\$ 303,267	\$ (46,381)	\$ (26,772)
Interest Income	3	5	11	25	1,081
Dividends				363	839
Capital Gain/(Loss)					(4,877)
Charitable Contributions					(212)
Section 179 Deduction		(6,749)			
PPP Loan Forgiveness			50,000		
Life Insurance	(2,042)	(1,872)	(1,131)		
Travel and Entertainment	(8,013)	(7,041)	(11,080)	(2,490)	
Net Book Income	72,923	77,145	341,067	(48,483)	(29,941)
Addback: Tax Depreciation	156	6,905	8,399	10,375	156
Less: Economic Depreciation	(3,877)	(4,336)	(4,188)	(4,602)	(5,621)
Addback: Charitable Contributions	-	-	-	-	212
Adback: Loan Repayments to Rodney Bell and Concise Management			150,000		
Addback: Personal Expenses	28,916	39,748	23,965	18,071	26,943
Adjust Prepaid Rent			47,884	-	-
Less: Actual Rent Expense			(35,641)	(36,439)	-
Less: PPP Loan Forgiveness Income	-	-	(50,000)	-	-
Addback: Officer Life Insurance Expense	2,042	1,872	1,131	-	-
Addback: Officer's Compensation - Charles Bell	76,337	102,603	121,850	127,277	106,225
Addback: Payroll Taxes on Above	6,221	8,362	9,931	10,373	8,657
Less: Provision for Reasonable Owners' Comp. - Charles Bell	(111,343)	(113,615)	(115,934)	(118,300)	(120,714)
Less: Payroll Taxes on Above	(9,074)	(9,260)	(9,449)	(9,641)	(9,838)
Addback: Compensation Alyson Bell	4,500	5,500	21,667	43,180	33,250
Addback: Payroll Taxes on Above	367	448	1,766	3,519	2,710
Less Provision for Compensation Alyson Bell	(17,294)	(17,647)	(18,008)	(18,375)	(18,750)
Less: Payroll Taxes on Above	(1,409)	(1,438)	(1,468)	(1,498)	(1,528)
Adjusted Net Income	48,464	96,287	492,973	(24,543)	(8,239)
Income Tax	(11,919)	(23,681)	(121,244)	6,036	2,026
After-Tax Net Income (Loss)	\$ 36,544	\$ 72,606	\$ 371,729	\$ (18,507)	\$ (6,213)
	159,807	209,902		93,757	112,475
<u>EBITDA</u>					
Adjusted Net Income	\$ 36,544	\$ 72,606	\$ 371,729	\$ (18,507)	\$ (6,213)
Addback: Taxes	11,919	23,681	121,244	(6,036)	(2,026)
Addback: Depreciation	3,877	4,336	4,188	4,602	5,621
EBITDA	\$ 52,341	\$ 100,623	\$ 497,161	\$ (19,941)	\$ (2,618)
<u>Seller's Discretionary Earnings ("SDE")</u>					
EBITDA	\$ 52,341	\$ 100,623	\$ 497,161	\$ (19,941)	\$ (2,618)
Addback: Provision for Reasonable Compensation	111,343	113,615	115,934	118,300	120,714
Addback: Payroll Taxes on Above	9,074	9,260	9,449	9,641	9,838
Seller's Discretionary Earnings	\$ 172,758	\$ 223,498	\$ 622,544	\$ 108,000	\$ 127,934

Tool Studios, LLC
Income Valuation Approach
April 30, 2023

Capitalization of Earnings Method:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	
Adjusted Net Income	\$36,544	\$72,606	\$371,729	(\$18,507)	(\$6,213)	
Weighting Factor	1	1	0	1	1	
Weighted Average Results	36,544	72,606	0	(18,507)	(6,213)	\$84,431
Divided by Weighted Average Factor						4
Weighted Average of Adjusted Net Income						21,108
Add: Non-Cash Charges						
Depreciation Expense						4,525
Gross Cash Flow						25,633
Add or Subtract:						
Capital Expenditures (1)						(2,000)
Increase in Working Capital (2)						(5,621)
Change in Debt Principal						0
Net Cash Flow to Equity						18,012
Divided by Capitalization Rate						22%
Indicated Value (0 if < 0)						\$82,236

Excess Earnings Method:

Net Cash Flow to Equity					\$	18,012
Less: Normal Return on Tangible Assets						
Net Tangible Assets				182,413		
Normal Return on Tangible Net Assets (%)				8%		
Normal Return on Tangible Net Assets (\$)						(14,593)
Earnings Attributable to Practice (0 if < 0)						0
Net Profit Multiplier						25%
Net Profit Multiplier Result						0
Add: Tangible Assets						182,413
Indicated Value						\$182,413

Tool Studios, LLC
April 30, 2023
Estimation of Capitalization Rate
Build Up Method

	Risk Premium Report Study
(1) Risk-free Rate (Long-term Treasury Bond Yield)	4.10%
(2) Add: Expected Equity Risk Premium	12.70%
(3) Add: Market and Size Specific Equity Risk Premium	0.76%
(4) Add: Other Risk Factors	8.00%
Equals: Net Cash Flow Discount Rate	25.56%
Less: Average Expected Growth	3.00%
Equals: Net Earnings Capitalization Rate for Next Year	22.56%
Divided by: 1 plus Growth Rate	1.030
Equals: Net Earnings Capitalization Rate for Current Year	21.90%
Rounded	22%

Notes:

- (1) 20 year U.S. Treasury Coupon Bond Yield as of the valuation date according to the United States Federal Reserve.
- (2) Recommended adjustment by Duff & Phelps for difference in equity risk premium utilized by us and equity risk premium implied in market and size equity risk premium
- (3) Average levered risk premium over the risk-free rate based on various size measures utilizing the Duff and Phelps Risk Premium Report Study
- (4) Based on additional risks associated with cash flows.

Tool Studios, LLC
Asset Valuation Approach
April 30, 2023

Going Concern Method

Equity	\$	182,413
Going Concern Value		15,000
Indicated Value	\$	<u>197,413</u>

Valuation Summary:

		<u>Weighting</u>	<u>Result</u>	<u>Rounded</u>
Indicated Value Utilizing the Capitalization of Earnings Method	\$	82,236	0%	0
Indicated Value Utilizing the Excess Earnings Method	\$	182,413	0%	0
Indicated Value Utilizing the Going Concern Method	\$	197,413	100%	<u>197,413</u>
Indicated Value				197,413
Charles Bell's Ownership Percentage				<u>100.0%</u>
Indicated Value of Charles Bell's 100% Ownership Interest on a Controlling Marketable Basis			197,413	\$ 197,000
Less: Discount for Lack of Marketability for a Controlling Interest (5%)			<u>(9,871)</u>	
Indicated Fair Market Value of Charles Bell's 100% Ownership Interest			\$ 187,542	\$ 188,000