

July 17, 2023

Carol Glassman, Esquire
Carol Glassman, P.C.
1790 38th Street, Suite 300
Boulder, Colorado 80301

Re: Marriage of Bell – Rebuttal Valuation of Tool Studios, LLC

Dear Ms. Glassman:

At your request, we have reviewed a valuation report for Tool Studios, LLC (“Tool Studios” or the “Company”) as of February 28, 2023, prepared by Jeremy Harkness of Causey Demgen & Moore, PC (the “CDM Report”), which addresses a 100% ownership interest in Tool Studios held by Charles Bell.

You requested that we prepare a rebuttal report if necessary. We disagree with several assumptions and methodologies contained in the CDM Report.

We are pleased to submit our comments and the results of our findings in the following rebuttal report, which is divided into two sections.

Section I addresses our rebuttal comments and findings related to methodologies and assumptions in the CDM report.

Section II contains our rebuttal opinions and at your request, a calculation using the CDM Report’s capitalization of earnings and capitalization of excess earnings methodologies as of February 28, 2023 and as of April 30, 2023.

I. Rebuttal Comments and Findings

Omission of Results of Operations for the Year Ended December 31, 2020

The CDM Report applies a weight of “0” to the Company’s results of operations for the year ended December 31, 2020, in its calculation of “Weighted Average Adjusted Net Income” on the CDM Schedule 5.

In support of this weighting, the CDM Report states, “we have excluded income from 2020 as the Company has not demonstrated the ability to secure similarly large projects, even on an infrequent basis. Additionally, the processes and systems of the Company currently are not equipped to accept such a large project.”

We disagree with this statement as the Company is capable of securing large projects on an infrequent basis as indicated by the 2020 results. Furthermore, the Company’s historical income statements presented at CDM Schedule 2 demonstrate that the Company has the ability to scale its operations to meet the demands of “large projects”.

Mr. Bell in his deposition testimony at page 76 lines 16 -19, reports the following relating to the history of the Company engaging in large projects:

15 Q Do you expect to get more clients like TelyRx?
16 A You know, like I said, if I look at my career,
17 21 years, I've gotten maybe six or seven clients
18 like that, so I would say I can't predict that
19 one.

Mr. Bell in his deposition testimony at page 75 lines 5 -20, provides a description of Tool Studios ability to scale team size to meet project demands:

5 Q Who is part of this team?
6 A Steven Kidwell. He's an individual out of
7 Florida, and he has some offshore guys that I
8 don't even know who they are, but I pay him, and
9 then I have another freelance person that's been
10 with me for a long time. Her name is Jessica, and

11 then her son is also helping. My son is now
12 helping which is great so he's able to make some
13 money for college, so that's my team and me and
14 Tara. Sorry. Five of us.
15 Q For work that you do is it typical that you
16 Assemble a team for a project?
17 A U-huh.
18 Q Is that a "yes" for the--
19 A Yes. I'm Sorry. Yes. Yes. It's a team of one
20 sometimes or a team of five.

Based on Mr. Bell's testimony, Tool Studios should realize a large client approximately every three to three and one-half years on average and is able to adjust the size of the team to match the needs of a project. These circumstances support the inclusion of 2020 results in the calculation of "Weighted Average Adjusted Net Income".

It is our opinion that the results of operations for the year ended December 31, 2020, should be included, at an appropriate weight, in the calculation of "Weighted Average Adjusted Net Income". The use of all the Company's earnings during the lookback period is appropriate and acknowledges Tool Studios' historical earning capacity.

Update of Valuation Schedules as of April 30, 2023

Mr. Harkness prepared updated schedules valuing the Company as of April 30, 2023, for use in the Parties' mediation. We identified that the original schedules contained an error in calculating the Company's adjusted net equity, which was subsequently correct to indicate a value totaling \$218,000.

Similar to its valuation as of February 28, 2023 valuation, the updated schedules apply a weight of "0" to the Company's results of operations for the year ended December 31, 2020, in its calculation of "Weighted Average Adjusted Net Income". We disagree with this assumption.

It is our opinion that the results of operations for the year ended December 31, 2020, should be included, at an appropriate weight, in the calculation of "Weighted Average Adjusted Net Income" for a valuation as of April 30, 2023.

Application of the Fair Market Value Standard of Value

In the development of its opinion of value the CDM Report has applied a discount for lack of marketability under a Fair Market Value Standard.

We have identified the following definitions for the term Investment Value/Value to the Owner and Fair Market Value in the International Glossary of Business Valuation Terms, contained in the AICPA's Statement on Standards for Valuation Services No. 1.

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”.}

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”.}

Additionally, we considered the definition of Fair Market Value contained in Revenue Ruling 59-60, §1.170A-1(c)(2) of the Charitable Gift Deduction Regulations (Title 26 CFR), §20.2031-1(b) of the Estate Tax Regulations (Title 26 CFR), and § 25.2512-1 of the Gift Tax Regulations (Title 26 CFR). These sources generally define fair market value 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.

Relying on this research, we have found that none of the generally accepted definitions of Fair Market Value or Investment Value/Value to the Owner address the concept of a discount for lack of control (“DLOC”) or a discount for lack of marketability (“DLOM”).

Considering the omission of specific language related to the application of a DLOC and a DLOM, we believe that the application of these discounts is independent of the Standard of Value being utilized and dependent on the facts and circumstances of the ownership interest subject to valuation.

Charles Bell owns 100% of the equity interest in Tool Studios, as the controlling interest owner of the Company, Mr. Bell controls the cash flows from its operations. It is our opinion that no discount should be applied in this matter.

This opinion is supported is supported by the following commentary of Christopher Z. Mercer:

“The more compelling form of this argument goes like this: (a) What is the source of value today? The present value of future cash flows, of course. (b) Who has control of the cash flows? The controlling shareholder(s) of course. (c) If the controlling shareholder(s) control(s) the cash flows that give rise to value, how is it logical to discount those flows for lack of marketability? Aren’t they worth what they are worth to a realistic universe of buyers? The risks associated with potential illiquidity of a control investment have to be factored into pricing decisions directly, together with the investors’ basic holding period assumption.”¹

Furthermore, we believe that the CDM Report’s approach to its valuation of the Company is inconsistent with the Fair Market Value standard of value and that the application of a discount for lack of marketability does not change the CDM Report’s standard of value from Investment Value to Fair Market Value.

II. Rebuttal Valuation

A. Introduction

We were retained by Alyson Bell to prepare rebuttal comments, findings, and a rebuttal valuation for a 100% ownership interest in Tool Studios, LLC as of February 28, 2023 and April 30, 2023.

B. Standard and Definition of Value

The standard of value used in this report is Investment Value/Value to the Owner. The Investment Value/Value to the Owner value does not require the assumption of a willing buyer and a hypothetical transaction like a fair market value appraisal. Our standard of value is consistent with Martin (707 P.2d 1035), Huff (834 P.2d 244) and Graff (902 P.2d 402), which specify that the value of goodwill is not necessarily dependent upon what a willing buyer would pay for such goodwill but what the goodwill is worth to the business owner.

In this case, we should note that in expressing our opinion that Investment Value/Value to the Owner is the appropriate standard of value, we believe that discounts for lack of control and lack of marketability are not appropriate in this matter.

¹ Mercer, Z. Christopher. *Quantifying Marketability Discounts: Developing and Supporting Marketability Discounts in the Appraisal of Closely Held Business Interests* (Peabody Publishing, L.P.: Memphis, 1997), 335-336.

Among other factors, this valuation takes into consideration the following elements of valuation:

- The history and nature of the Company;
- The economic outlook of the United States and that of Graphic Designers in particular;
- The book value of the Company and the historical financial information regarding the operations of the Company;
- The earning capacity of the Company;
- The distribution-paying capacity of the Company;
- Whether or not the ownership interest has goodwill or other intangible value;
- Sales of the stock and the size of the block of stock being valued; and,
- The market prices of stocks of companies engaged in the same or similar lines of business as the company and whose stocks are actively traded in a free and open market, either on an exchange or over the counter.

We have valued the subject ownership interest in the Company under the valuation premise of value in continued use, as part of a going concern business entity. We concluded that this valuation premise was appropriate based upon our analysis of the highest and best use of the subject ownership interest.

C. General Description of the Subject Interest

Tool Studios is a boutique branding and web development firm in Niwot, Colorado. The Company offers website development, branding, and marketing consulting services to a variety of small businesses.

D. Financial Statement Analysis

An essential step in the valuation of any ownership interest is an analysis of its financial performance over time. Analyzing financial information provides an indication of historical growth, liquidity, leverage, and profitability, all of which influence the value of a company's equity. The following sections of this report examine the book value and financial condition of the subject interest, and the trend in financial performance. We have generally relied upon the presentation of historical financial information (2018 - 2022) and adjusted historical financial information (2018 – April 30, 2023) provided in the CDM Report in the preparation of our rebuttal valuation.

E. Appraisal of Investment Value/Value to the Owner

All relevant valuation approaches and methods were considered during the course of our work. It is generally agreed that appraisal approaches fall into three categories: Asset Based Approaches, Market Approaches, and Income Approaches.

An Asset Based Approach is a general way of determining a value indication of a business' assets or equity interest using one or more methods based directly upon the value of the assets of the business less its liabilities. In applying the method, all assets (both tangible and intangible) and liabilities should be restated to an appropriate standard of value consistent with the standard of value selected for the business. Therefore, the valuation-basis balance sheet is materially different from the historical cost-basis balance sheet in at least two ways: (1) the balances in the asset and liability accounts have been revalued as of the valuation date, and (2) several new asset and liability accounts are likely to be added to reflect intangible assets and contingent liabilities not generally recognized on cost-basis balance sheets.

A Market Approach is a general way of determining a value indication of a business or equity interest using one or more methods that compare the subject to similar investments that have been sold. It has its theoretical basis in the Principle of Substitution, which states that the value of a thing tends to be determined by the cost of acquiring an equally desirable substitute. Market transactions in businesses, business ownership interests or securities can provide objective, empirical data for developing value measures to apply in a business valuation. Such value measures are frequently derived from "guideline companies." Guideline companies are entities that provide a reasonable basis for comparison to the relative investment characteristics of the company being valued. Ideal guideline companies are in the same industry as the company being valued. However, if there is insufficient transaction evidence available in the same industry, 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.

An Income Approach is a general way of determining a value indication of a business or equity interest using one or more methods wherein a value is determined by converting anticipated benefits. Depending on the nature of the business, business ownership interest or security being appraised, as well as other factors, anticipated benefits might be reasonably represented by such items as cash flow, dividends, and various forms of earnings. Conversion of those benefits may be accomplished by either capitalization or discounting techniques. A capitalized returns method tends to be the more appropriate valuation method when it appears that a company's current operations are indicative of future operations, assuming a normal, stabilized growth rate. Alternatively, a discounted future return method tends to be more appropriate when future returns can be estimated with reasonable accuracy and are expected to be substantially different from current operations.

Valuation Methods Used

In our valuation of the Company we considered all three approaches to value.

We excluded asset-based approaches from further consideration. In our opinion, the subject derives value from intangible assets, and said value is not fully reflected on their cost-basis balance sheets. Although the values of some of these assets are properly estimated by reference to their replication costs, the values of others are more a function of the economic benefits they produce, or the price paid for similar assets in an arms-length exchange. For this reason, we considered, but did not use, an asset-based valuation approach in arriving at our value for the subject interest.

We excluded market-based approaches as we were unable to identify sufficient comparable transactions and information necessary to adjust to the standard of value applied and purpose of this valuation. Additionally, it is our opinion that the Investment Value/Value to the Owner standard of value would drive one to focus on the intent of the interest holder and the expectations of the interest holder. We understand that Mr. Bell's ownership interest in the Company is not currently for sale.

Income-based approaches are always appropriate in circumstances where the business is valued as a going concern. Within the income-based approach, we utilized the "capitalization of earnings method" and "excess earnings method" to estimate the Investment Value/Value to the Owner of the Charles Bell's 100% ownership interest in the Company as of February 28, 2023.

We have prepared indications of value applying the "capitalization of earnings method" and "excess earnings method", which are presented at Rebuttal Schedule 5 as of February 28, 2023 and Rebuttal Schedule 8 as of April 30, 2023.

F. Financial Information and Normalized earnings

The Company's historical and adjusted balance sheets are presented at Rebuttal Schedule 4 as of February 28, 2023 and Rebuttal Schedule 7 as of April 30, 2023.

We have used estimated normalized earnings of approximately \$60,065 for the Company, based on a weighted average methodology, as presented at Rebuttal Schedule 5 as of February 28, 2023 and Rebuttal Schedule 8 as of April 30, 2023.

A synthesis of the indicated values is presented at Rebuttal Schedule 6 as of February 28, 2023 and Rebuttal Schedule 9 as of April 30, 2023.

G. Conclusion

Based on our comments, findings, and analysis; and, considering all relevant factors that affect the valuation, it is our opinion that the value of Charles Bell's 100% ownership interest in Tool Studios, LLC for purposes of this marital dissolution is:

**\$325,000 including Goodwill totaling \$137,455
As of February 28, 2023**

**\$305,000 including Goodwill totaling \$156,242
As of April 30, 2023**

III. Other Matters

This report may be used only in connection with the matter defined above and is not intended for and may not be used for other purposes or by anyone not directly involved in this matter. It is based solely upon the information received to date, which is believed to be accurate and reliable. To the extent that additional information becomes available, revisions to this report may be appropriate.

We reserve the right to supplement or modify the opinions upon which we expect to testify, add to the bases and reasons for our opinions and supplement the schedules that we may use at trial.

IV. Disclosures

In addition to the above referenced schedules, included with this report is my current resume and Rule 26 disclosures. The current hourly rate for Jay E. Freedberg CPA/ABV/CFF is \$270. All billings are based on hours incurred for analysis, preparation, and testimony at trial at my normal and usual hourly rate.

Respectfully submitted,
Six Consulting, LLC

A handwritten signature in black ink, appearing to read "Jay E. Freedberg", written in a cursive style.

Jay E. Freedberg CPA/ABV/CFF

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

Assets:	2018	2019	2020	2021	2022
Current Assets:					
Cash	\$ 45,957	\$ 45,230	\$ 406,974	\$ 329,814	\$ 269,560
Accounts Receivable					90,410
Undeposited Funds					(7,535)
Receivable - Charlie Bell					(1,568)
Total Current Assets	<u>45,957</u>	<u>45,230</u>	<u>406,974</u>	<u>329,814</u>	<u>350,867</u>
Other Assets:					
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	<u>8,830</u>	<u>8,674</u>	<u>8,518</u>	<u>8,362</u>	<u>41,105</u>
Total Assets	<u>\$ 54,787</u>	<u>\$ 53,904</u>	<u>\$ 415,492</u>	<u>\$ 338,176</u>	<u>\$ 391,973</u>
Liabilities and Shareholders' Equity:					
Liabilities:					
Current Liabilities:					
Deposit Payable	\$ -	\$ -	\$ 138,000	\$ 138,000	\$ 138,000
Accounts Payable					(1,837)
Credit Cards Payable					8,771
Payroll Liabilities					(76)
Total Current Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,000</u>	<u>\$ 138,000</u>	<u>\$ 144,858</u>
Long-term Liabilities:					
Shareholder Loans					\$ (261,164)
Total Long-term Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (261,164)</u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,000</u>	<u>\$ 138,000</u>	<u>\$ (116,306)</u>
Equity					
Capital Stock	100	100	100	100	100
Retained Earnings	54,687	53,804	277,392	200,076	508,179
Total Equity	<u>54,787</u>	<u>53,904</u>	<u>277,492</u>	<u>200,176</u>	<u>508,279</u>
Total Liabilities and Equity	<u>\$ 54,787</u>	<u>\$ 53,904</u>	<u>\$ 415,492</u>	<u>\$ 338,176</u>	<u>\$ 391,973</u>
Supplemental Information:					
Working Capital	\$45,957	\$45,230	\$268,974	\$191,814	\$206,009
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**

	2018	2019	2020	2021	2022
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
Expenses:					
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	389,699	319,273	656,333	356,747	295,705
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
Income Statement Adjustments and Normalized Earnings
Income Measures

	2018	2019	2020	2021	2022
Calculation of Adjusted Net Income					
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	<u>72,923</u>	<u>77,145</u>	<u>341,067</u>	<u>(48,483)</u>	<u>(29,941)</u>
Less: Unearned revenue					
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
Addback: 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	<u>48,465</u>	<u>96,287</u>	<u>492,972</u>	<u>(24,543)</u>	<u>(8,239)</u>
Income Tax	(11,919)	(23,681)	(121,244)	6,036	2,026
After-Tax Net Income (Loss)	<u>\$ 36,546</u>	<u>\$ 72,606</u>	<u>\$ 371,728</u>	<u>\$ (18,507)</u>	<u>\$ (6,213)</u>
EBITDA					
Adjusted Net Income	\$ 36,544	\$ 72,606	\$ 371,729	\$ (18,507)	\$ (6,213)
Addback: Interest	2,444	1,902	820	16	(1,081)
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	<u>\$ 54,784</u>	<u>\$ 102,525</u>	<u>\$ 497,981</u>	<u>\$ (19,925)</u>	<u>\$ (3,699)</u>
Seller's Discretionary Earnings ("SDE")					
EBITDA	\$ 54,784	\$ 102,525	\$ 497,981	\$ (19,925)	\$ (3,699)
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	<u>\$ 175,201</u>	<u>\$ 225,400</u>	<u>\$ 623,364</u>	<u>\$ 108,016</u>	<u>\$ 126,853</u>

Tool Studios, LLC
Adjusted Balance Sheet
February 28, 2023
Source: Internal Financial Statements

	Per Books	Adjustments	Adjusted Amounts
Assets:			
Current Assets:			
Cash	\$ 134,310	\$ 76,900	\$ 211,210
Accounts Receivable	90,410	(51,110)	39,300
Undeposited Funds	(1,823)	1,823	-
Receivable - Charlie Bell	(1,568)	1,568	-
Total Current Assets	<u>221,329</u>	<u>29,181</u>	<u>250,510</u>
Other Assets:			
Buildings and other Depreciable Assets	153,230		153,230
Less: Accumulated Depreciation	(115,146)	(23,900)	(139,046)
Intangible Assets	1,010	(1,010)	-
Less: Accumulated Amortization	(1,010)	1,010	-
Deposit	2,861		2,861
Net Other Assets	<u>40,945</u>	<u>(23,900)</u>	<u>17,045</u>
Total Assets	<u>\$ 262,274</u>	<u>\$ 5,281</u>	<u>\$ 267,555</u>
Liabilities and Shareholders' Equity:			
Liabilities:			
Current Liabilities:			
Deposit Payable	\$ 138,000	\$ (138,000)	\$ -
Accounts Payable	(2,229)	2,229	-
Credit Cards Payable	6,297		6,297
Payroll Liabilities	(76)	76	-
Total Current Liabilities	<u>141,992</u>	<u>(135,695)</u>	<u>6,297</u>
Long-term Liabilities:			
Shareholder Loans	(266,443)	266,443	-
Total Long-term Liabilities	<u>(266,443)</u>	<u>266,443</u>	<u>-</u>
Total Liabilities	<u>(124,451)</u>	<u>130,748</u>	<u>6,297</u>
Equity			
Capital Stock	100		100
Retained Earnings	386,625	(125,467)	261,158
Total Equity	<u>386,725</u>	<u>(125,467)</u>	<u>261,258</u>
Total Liabilities and Equity	<u>\$ 262,274</u>	<u>\$ 5,281</u>	<u>\$ 267,555</u>

Tool Studios, LLC
Income Valuation Approach
February 28, 2023

Capitalization of Earnings Method:	\$	2,018	2019	2020	2021	2022	
Adjusted Net Income	\$	36,544	\$ 72,606	\$ 371,729	\$ (18,507)	\$ (6,213)	
Weighting Factor		<u>2</u>	<u>2</u>	<u>1</u>	<u>2</u>	<u>2</u>	
Weighted Average Results		<u>73,088</u>	<u>145,212</u>	<u>371,729</u>	<u>(37,014)</u>	<u>(12,426)</u>	\$ 540,589
Divided by Weighted Average Factor							<u>9</u>
Weighted Average of Adjusted Net Income							60,065
Add: Non-Cash Charges							-
Depreciation Expense							<u>4,525</u>
Gross Cash Flow							64,590
Add or Subtract:							
Capital Expenditures							(2,000)
Increase in Working Capital							(7,326)
Change in Debt Principal							<u>-</u>
Net Cash Flow to Equity							55,264
Divided by Capitalization Rate							<u>22%</u>
Indicated Value (0 if < 0)							<u><u>\$ 251,202</u></u>
Excess Earnings Method:							
Net Cash Flow to Equity							\$ 55,264
Less: Normal Return on Tangible Assets							
Net Tangible Assets					\$ 261,258		
Normal Return on Tangible Net Assets (%)					<u>8%</u>		
Normal Return on Tangible Net Assets (\$)						<u>(20,901)</u>	
Earnings Attributable to Practice (0 if < 0)							34,364
Net Profit Multiplier							<u>25%</u>
Net Profit Multiplier Result							137,455
Add: Tangible Assets							<u>261,258</u>
Indicated Value							<u><u>\$ 398,713</u></u>

Tool Studios, LLC
Synthesis of Indicated Values
February 28, 2023

Valuation Synthesis:			<u>Weighting</u>	<u>Result</u>	<u>Rounded</u>
Indicated Value Utilizing the Capitalization of Earnings Method	\$	251,202	50%	\$ 125,601	
Indicated Value Utilizing the Excess Earnings Method		398,713	50%	<u>199,357</u>	
Weighted Indicated Values				\$ 324,958	
Charles Bell's Ownership Percentage				<u>100.0%</u>	
Indicated Value of Charles Bell's 100% Ownership Interest on a Controlling Marketable Basis				\$ 324,958	<u>\$ 325,000</u>
Less: Discount for Lack of Marketability for a Controlling Interest (0%)				<u>-</u>	
Indicated Fair Market Value of Charles Bell's 100% Ownership Interest				<u>\$ 324,958</u>	<u>\$ 325,000</u>

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

	Per Books	Adjustments	Adjusted Amounts
Assets:			
Current Assets:			
Cash	\$ 236,617	\$ (32,763)	\$ 203,854
Accounts Receivable	90,410	(55,459)	34,951
Work in Process		15,000	15,000
Undeposited Funds	(1,823)	1,823	-
Receivable - Charlie Bell	(1,568)	1,568	-
Total Current Assets	<u>323,636</u>	<u>(69,831)</u>	<u>253,805</u>
Other Assets:			
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	<u>8,205</u>	<u>6,992</u>	<u>15,197</u>
Total Assets	<u>\$ 331,841</u>	<u>\$ (62,839)</u>	<u>\$ 269,002</u>
Liabilities and Shareholders' Equity:			
Liabilities:			
Current Liabilities:			
Deposit Payable	\$ 138,000	\$ (138,000)	\$ -
Retainers - All	85,000	(35,000)	50,000
Accounts Payable	(2,229)	2,229	-
Credit Cards Payable	16,454		16,454
Payroll Liabilities	(76)	76	-
Total Current Liabilities	<u>237,149</u>	<u>(170,695)</u>	<u>66,454</u>
Long-term Liabilities:			
Shareholder Loans	(261,306)	261,306	-
Total Long-term Liabilities	<u>(261,306)</u>	<u>261,306</u>	<u>-</u>
Total Liabilities	<u>(24,157)</u>	<u>90,611</u>	<u>66,454</u>
Equity			
Capital Stock	100		100
Retained Earnings	355,898	(153,450)	202,448
Total Equity	<u>355,998</u>	<u>(153,450)</u>	<u>202,548</u>
Total Liabilities and Equity	<u>\$ 331,841</u>	<u>\$ (62,839)</u>	<u>\$ 269,002</u>

Tool Studios, LLC
Income Valuation Approach
April 30, 2023

Capitalization of Earnings Method:	2018	2019	2020	2021	2022	
Adjusted Net Income	\$ 36,544	\$ 72,606	\$ 371,729	\$ (18,507)	\$ (6,213)	
Weighting Factor	<u>2</u>	<u>2</u>	<u>1</u>	<u>2</u>	<u>2</u>	
Weighted Average Results	<u>73,088</u>	<u>145,212</u>	<u>371,729</u>	<u>(37,014)</u>	<u>(12,426)</u>	\$ 540,589
Divided by Weighted Average Factor						<u>9</u>
Weighted Average of Adjusted Net Income						60,065
Add: Non-Cash Charges						-
Depreciation Expense						<u>4,525</u>
Gross Cash Flow						64,590
Add or Subtract:						
Capital Expenditures						(2,000)
Increase in Working Capital						(7,326)
Change in Debt Principal						<u>-</u>
Net Cash Flow to Equity						55,264
Divided by Capitalization Rate						<u>22%</u>
Indicated Value (0 if < 0)						<u><u>\$ 251,202</u></u>
Excess Earnings Method:						
Net Cash Flow to Equity						\$ 55,264
Less: Normal Return on Tangible Assets						
Net Tangible Assets				\$ 202,548		
Normal Return on Tangible Net Assets (%)				<u>8%</u>		
Normal Return on Tangible Net Assets (\$)						<u>(16,204)</u>
Earnings Attributable to Practice (0 if < 0)						39,061
Net Profit Multiplier						<u>25%</u>
Net Profit Multiplier Result (Goodwill)						156,242
Add: Tangible Assets						<u>202,548</u>
Indicated Value						<u><u>\$ 358,790</u></u>

Tool Studios, LLC
Synthesis of Indicated Values
April 30, 2023

Valuation Synthesis:				<u>Weighting</u>	<u>Result</u>	<u>Rounded</u>
Indicated Value Utilizing the Capitalization of Earnings Method	\$	251,202	50%	\$	125,601	
Indicated Value Utilizing the Excess Earnings Method		358,790	50%		179,395	
Weighted Indicated Values					\$ 304,996	
Charles Bell's Ownership Percentage					100.0%	
Indicated Value of Charles Bell's 100% Ownership Interest on a Controlling Marketable Basis					\$ 304,996	<u>\$ 305,000</u>
Less: Discount for Lack of Marketability for a Controlling Interest (0%)					-	
Indicated Fair Market Value of Charles Bell's 100% Ownership Interest					<u>\$ 304,996</u>	<u>\$ 305,000</u>