

Tool Studios, LLC

Valuation Engagement and Conclusion of Value

of

Charles Bell's 100%

Ownership Interest as of

February 28, 2023

DATE FILED

August 14, 2023 5:11 PM

FILING ID: 40354C7AF6323

CASE NUMBER: 2022DR30458

CAUSEY DEMGEN & MOORE P.C.

DATED: MAY 4, 2023

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May 4, 2023

Ms. Erin C. Pierce, Esquire
Lyons Gaddis
515 Kimbark Street, Second Floor
Longmont, CO 80502

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

Re: Bell Dissolution of Marriage

Dear Ms. Glassman and Ms. Pierce:

Causey Demgen & Moore P.C. ("Causey") was retained to prepare a valuation engagement and conclusion of value and summary report ("report") to assist the Court in the determination of the investment value and fair market value of Charles Bell's 100% ownership interest as of February 28, 2023, of Tool Studios, LLC ("Tool Studios" or the "Company"). The value conclusion is considered as a cash or cash equivalent value. This valuation and report are to be used only as of this date and are not valid as of any other date.

We have performed a valuation engagement and present our summary report in conformity with the "Statement of Standards for Valuation Services No. 1" (SSVS) of the American Institute of Certified Public Accountants. SSVS defines a valuation engagement as "an engagement to estimate value in which a valuation analyst determines an estimate of the value of a subject interest by performing appropriate 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."

SSVS addresses a summary report as follows: "The summary report is structured to provide an abridged version of the information that would be provided in a detailed report, and therefore, need not contain the same level of detail as a detailed report."

This valuation was performed solely to assist in the determination of the value for marital dissolution purposes, and the resulting estimate of value should not be used for any other purpose, or by any other party for any purpose, without our express written consent.

The standards of value applied are investment value and fair market value. Investment value is defined in the Statement of Standards for Valuation Services No. 1 ("SSVS") of the American Institute of Certified Public Accountants International Glossary of Business Valuation Terms as "the value to a particular investor based on individual requirements and expectations." Investment value as used herein is value to the owner which is interchangeable with intrinsic value and fair value in this circumstance. Fair market value is defined in Revenue Ruling 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." Furthermore, fair market value assumes that the price is transacted in cash or cash equivalents. The difference between investment value and fair market value as applied here is that no valuation discounts are applied to the investment value conclusion.

The premise of value is going concern. The liquidation premise of value was considered and rejected as not applicable, as the going-concern value results in a higher value for the interest than the liquidation value, whether orderly or fixed.

In our conclusion of value, we considered the following relevant factors, which are specified in Revenue Ruling 59-60:

- The history and nature of the business
- The economic outlook of the United States and that of the specific industry in particular
- The book value of the subject company's equity and the financial condition of the business
- The earning capacity of the company
- The distribution-paying capacity of the company
- Whether or not the firm has goodwill or other intangible value
- Sales of the stock and the size of the block of stock being valued
- The market price of publicly traded stocks or corporations engaged in similar industries or lines of business

Our analysis included, but was not limited to, the above-mentioned factors.

A. SCOPE OF WORK

To gain an understanding of the operations of Tool Studios, we reviewed Company financial information as detailed in the attached schedules. We also interviewed Mr. and Ms. Bell. A site visit was not performed in completion of our valuation. To understand the environment in which the Company operates, we researched the status and trends of Graphic Designers in the U.S. industry. We also studied economic conditions as of the valuation date and their impact on the Company and the industry. To understand the Company's financial condition, we analyzed its

financial statements as available.

As discussed in this report, we considered all valuation approaches and methods and applied the income and asset-based approaches to value to derive an opinion of value of the subject equity interest. Our conclusion of value reflects these findings, our judgment and knowledge of the marketplace, and our expertise in valuation.

In performing our work, we were provided with and/or relied upon various sources of information, including (but not limited to):

- Tool Studios Financial Statements for 2018 through 2022 and as of February 28, 2023
- Tool Studios Form 1120S Tax Returns for 2018 through 2021
- Form 1040 Individual Income Tax Returns for 2015 through 2022 for Charles and Alyson Bell
- Depreciation Schedule for 2021
- Accounts receivable provided by the Company for February 28, 2023
- General Ledgers for 2018 through 2022
- Analysis of personal expenses prepared by Alyson Bell
- Tool Studios Rent Agreement
- DealStats Database of Business Transactions
- ERI Economic Research Salary Data
- IBISWorld Industry Report
- Interviews of Mr. and Ms. Bell
- Miscellaneous Other Information

The procedures employed in valuing the subject interest in Tool Studios included such steps as we considered necessary, including (but not limited to):

- An analysis of the Company's financial statements
- Discussions with management
- An analysis of the general economic environment as of the valuation date
- An analysis of other pertinent facts and data resulting in our conclusion of value.

There were no restrictions or limitations in the scope of our work or data available for analysis.

Causey staff, under the direct supervision of the lead appraiser on this engagement, assisted in performing research, populating models with data, and providing other general assistance.

Based on our analysis as described in this valuation report, and the facts and circumstances as of the valuation date, the estimate of value of Charles Bell's 100% interest in Tool Studios, LLC as of February 28, 2023, on an investment value basis is

\$276,259, rounded to \$276,000, and on a fair market value basis it is \$262,446, rounded to \$262,000 (Schedule 7). These conclusions are subject to the Statement of Assumptions and Limiting Conditions found in Section IX of this report and to the Valuation Analyst's Representation/Certification found in Section IX of this report. 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.

Distribution of this letter and report and associated results, which are to be distributed only in their entirety, is intended, and restricted to you, your client, your client's accountants and attorneys, and the court solely to assist you and your client in the determination of the investment value and fair market value of the subject interest for marital dissolution purposes and is valid only as of February 28, 2023. This letter and accompanying report are not to be used with, circulated, quoted, or otherwise referred to in whole or in part for any other purpose, or to any other party for any purpose, without our express written consent.

The approaches and methodologies used in our work did not comprise an examination or any attest service in accordance with generally accepted accounting principles, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective, presented in accordance with generally accepted accounting principles or auditing standards. We express no opinion and accept no responsibility for the accuracy and completeness of the financial information (audited, reviewed, compiled, internal, prospective or tax returns), or other data provided to us by others, and we have not verified such information unless specifically stated in this report. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information in performing our valuation.

If you have any questions concerning this valuation, please contact either of us at (303) 296-2229.

Respectfully submitted,



Jeremy Harkness, Director
Causey Demgen & Moore P.C.



William H. Vincent, Shareholder
Causey Demgen & Moore P.C.

EXECUTIVE SUMMARY

Purpose of Valuation:	To assist you in the determination of the investment value and fair market value for marital dissolution purposes of Charles Bell's 100% ownership interest as of February 28, 2023, of Tool Studios, LLC
Standards of Value:	Investment value Fair Market Value
Premise of Value:	Going concern
Conclusion:	Based on the assumptions and limiting conditions as described in this report, as well as the facts and circumstances as of the valuation date, we conclude that the value of Charles Bell's 100% ownership interest in Tool Studios, LLC as of February 28, 2023 on an investment value basis is \$276,259, rounded to \$276,000, and on a fair market value basis it is \$262,446, rounded to \$262,000.

I. HISTORY AND NATURE OF THE BUSINESS

A. BRIEF HISTORY

Tool Studios was incorporated in 2001 by Charles Bell. Mr. Bell originally owned 90% of the Company and Charles Bell's mother Joyce Bell invested \$50,000 for the other 10%. She relinquished her ownership interest in 2021 for an agreement to receive \$500 per month for the remainder of her life. Mr. Bell's liability to his mother is not included in our valuation as it is a personal liability. Charles Bell is now the 100% owner of the Company.

Alyson Bell worked approximately ten to twenty hours per week for the business as a full-service bookkeeper and continues to do so. She does payroll, billing, invoicing, and preparation of the books for tax preparation.

B. DESCRIPTION OF THE COMPANY

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.

C. MARKET

The Company has a number of clients in the cannabis space. Because of the Company size, they work for only a few clients at a time. In 2020, the Company had a very large client in Florida that accounted for significant revenues in that year. Since then, the Company has not performed another project of similar revenue size.

Generally, business formation and economic activity in the markets of the Company's customers are the primary drivers of revenue for the business.

D. COMPETITION

Tool Studios competes with many small advertising and web design firms.

E. LOCATION OF OPERATIONS

The Company leases office space located at 263 Second Avenue, Niwot, Colorado.

F. MANAGEMENT AND KEY PERSONS

Mr. Bell is the CEO of Tool Studios. He is responsible for the overall operations of the business and the strategic vision that is the foundation for the Company's success. His continued employment is a key success factor for the business going forward.

G. ECONOMIC OUTLOOK

The following is an excerpt from “The KeyValueData National Economic Report” through February 28, 2023:

Within the space of a single quarter, U.S. economic growth turned from dynamic to dismal. After improving in the first half of 2021, with growth of 6.3% in Q1 2021 and of 6.7% in Q2, growth in the U.S. Gross Domestic Product (GDP) sank to a modest 2.3% in Q3 2021. Growth thereafter tripled to 6.9% in Q4, but the rebound didn’t last, as the economy shrank by 1.6% in Q1 2022, registering its worst non pandemic performance since 2009, and then contracted by another 0.6% in Q2, bringing recession fears closer to reality. The picture turned brighter in Q3, with government figures showing GDP surging by an upwardly revised 3.2%, but growth slid to 2.7% in Q4, with rising inventories, a struggling housing market, and declining real disposable income all pointing to a coming recession.

The jobs situation has been equally murky. A stunning 517,000 new jobs were created in January, an outcome recalling the uber-bullish January 2022 jobs report, when 467,000 new jobs emerged. But a closer reading revealed that job numbers were high mainly because workers were taking second jobs. Worse, all of January’s gains were due to statistical revisions, with the economy actually losing jobs.

To make matters worse, inflation has been soaring. The 9.1% year-over-year increase in the Consumer Price Index in June 2022 was a 41-year high, while the Producer Price Index rose by 11.2% year-over year, just below its all-time high. Inflation has subsided since then, although the Producer Price Index— often, a leading indicator of inflation trends—jumped significantly in January.

H. INDUSTRY EXECUTIVE SUMMARY

According to IBIS World, the Graphic Designers industry can be described as follows:

Graphic designers have benefited from favorable economic conditions, which boosted downstream consumer spending, inducing businesses to invest in advertising activities to capitalize on growing consumer demand. Still, inflation, volatility and ongoing COVID-19 are decelerating revenue growth. Nonetheless, industry-wide revenue increased at an estimated CAGR of 2.8% to \$16.6 billion over the past five years, including a 1.2% increase in 2023.

Economic growth encourages new businesses to enter the market. In turn, these start-up companies are willing to invest generously in graphic design

services to build corporate identity and capture more consumers dollars, boosting demand for corporate design services. Similarly, incumbent businesses vigorously increase their advertising budgets to compete with new market entrants. These trends have collectively raised growth in advertising spending. Still, some downstream companies endured a decline in demand during COVID-19 in 2020, rising demand for digital advertising. Profit has grown in line with rising demand and increasing productivity as a result of technological advances.

Spending on advertising will increase as businesses engage more heavily in marketing and advertising activities to stimulate consumer demand in response to the continued economic recovery. Similarly, demand from movie and video producers will continue to rebound, bolstering demand for services. Industry revenue is forecast to increase at a CAGR of 2.0% to \$18.3 billion over the next five years.

II. BOOK VALUE AND FINANCIAL POSITION

Schedule 1 contains the historical balance sheets for 2018 through 2022. Schedule 2 presents historical income statements for 2018 through 2022. The balance sheet as of February 28, 2023, is presented on Schedule 3.

A. BALANCE SHEET ANALYSIS

The source of the Tool Studios, LLC balance sheet was the internal financial statement as of February 28, 2023.

MAJOR ASSETS

The assets of the Company consist of cash, accounts receivable, and office furniture and equipment.

TOTAL LIABILITIES

The Company reported customer deposits and a negative shareholder loan liability as of February 28, 2023.

OWNER'S EQUITY

The unadjusted value of shareholder's equity as of February 28, 2023, was \$500,727.

B. TOOL STUDIOS INCOME STATEMENT ANALYSIS

The historical income statements of Tool Studios (Schedule 2) were derived from the Company's internal financial statements.

NET REVENUES

As shown on Schedule 2, Tool Studios' revenues have fluctuated significantly during the years reviewed. Revenues in 2018 and 2019 were in the high \$600,000 range, revenue in 2020 jumped to \$1,470,199, revenues declined to \$638,373 in 2021, and declined to \$501,110 in 2022.

The revenue increase in 2020 was due to a project for Trulieve cannabis company in Florida. They went online during the COVID pandemic and Tool Studios built their website for them. They are no longer clients of the firm. This project is an outlier in the historical income that we analyzed.

OPERATING EXPENSES

Operating expenses, as compared to revenues, have varied throughout the period analyzed ranging from a low of 79% in 2021 to 117% in 2022.

NET INCOME

The Company has reported losses in 2021 and 2022 due to dramatically declining revenues and the inability of the Company to sufficiently reduce expenses.

III. FINANCIAL STATEMENT ADJUSTMENTS

We have reviewed the balance sheet of Tool Studios and have determined that certain adjustments are necessary in order to present the economic value of the net assets (Schedule 3).

The source of the balance sheet for Tool Studios is the February 28, 2023 Company financial statements.

BALANCE SHEET ADJUSTMENTS

The current balance sheet and adjustments to present assets at fair market value are presented on the adjusted balance sheet at Schedule 3. Accounts receivable have been adjusted to the collectable amount. Shareholder assets and liabilities between the Company and Mr. Bell have been removed from the balance sheet. Accumulated depreciation has been adjusted to the amount that would have been deducted had straight-line (economic) depreciation been used by the business without any bonus depreciation. We have removed the intangible assets and accumulated amortization from the balance sheet as our task is to determine the intangible value of the Company. We also removed the deposit payable as there are no unearned revenues for the Companies.

The result of these adjustments is a decrease in the book value of the business (\$202,368), from \$386,727 to \$184,359 (Schedule 2).

INCOME STATEMENT ADJUSTMENTS

Income statement adjustments (Schedule 4) were required in order to present the economic earnings of the business.

Tax depreciation has been added back to income and was replaced by a provision for economic depreciation. Loan Repayments to Rodney Bell have been added back to income along with the personal portion of other expenses. Rent that was prepaid in 2021 was adjusted to the year of the actual expense. PPP loan forgiveness income was removed from income. Owner's compensation and related payroll taxes paid for Charles and Alyson Bell have been added back to income. Reasonable owner's compensation for Mr. and Ms. Bell and payroll taxes have been deducted.

IV. APPROACHES TO VALUE

Three traditional approaches can be used to value an interest in an operating business such as Tool Studios. They are the income approach, the market approach, and the asset approach.

INCOME APPROACH

The income approach determines the value indication of a business, business ownership interest, security, or intangible asset using one or more methods that convert anticipated benefits into a present single amount.

The application of the income approach establishes value by methods that discount or capitalize earnings and/or cash flow, by a discount or capitalization rate that reflects the market rate of return expectations, market conditions, and the relative risk of the investment. Generally, this can be accomplished by the capitalization of earnings or cash flow method and/or the discounted cash flow method.

MARKET APPROACH

The market approach calculates the value 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.

Generally, this can be accomplished by a comparison to publicly traded guideline companies or by an analysis of actual transactions of similar businesses sold. It may also include an analysis of prior transactions in the Company's stock, if any.

ASSET OR COST APPROACH

The asset approach calculates the value of a business, business ownership interest, or

security by using one or more methods based on the value of the assets of that business net of liabilities.

This approach can include the value of both tangible and intangible assets. However, this approach is often unnecessary in the valuation of a profitable operating company as a going concern, as the tangible and intangible assets are automatically included, in aggregate, in the market and income approaches to value.

SUMMARY OF THE VALUATION APPROACHES AND METHODS

In our valuation of Tool Studios, we considered all three approaches to value. Under the income approach we applied the capitalization of earnings method and the excess earnings method.

We did not utilize the market approach as sufficient recent comparable transactions could not be found. Under the asset approach, we utilized the going concern method.

V. INCOME APPROACH

A. CAPITALIZATION OF EARNINGS METHOD

The capitalization of earnings power approach emphasizes the value of a future stream of income. Two basic elements are combined to value a company by this method, an appropriate figure for earning power and an appropriate capitalization rate.

In determining the potential future earning power of the Company we have utilized the average of 2018, 2019, 2021, and 2022. 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.

The capitalization rate was derived using the build-up approach. This approach estimates a capitalization rate by starting with a risk-free rate and adding premiums for additional risks in the business being valued. The result is that an investor would expect a 22% after-tax rate of return on an investment in the business (Schedule 6).

The application of the capitalization of earnings method results in negative economic earnings and therefore, an indicated operating value of \$84,981 (Schedule 5).

B. EXCESS EARNINGS METHOD

In order to apply this method, the Company's book assets are adjusted to reflect their fair market value (See balance sheet adjustments). All liabilities, including contingent liabilities, if any, are subtracted and finally goodwill is added to this number to derive a total value for the company.

In determining goodwill, a normal return is computed on the fair market value of the net operating assets. This amount is then subtracted from total earnings to determine if there are any excess earnings from which goodwill can be determined. If there are excess earnings, these earnings are capitalized at a rate that reflects the risk of their continuation in the future. The capitalization rate (25%) is calculated by adding 3% to the capitalization rate determined at Schedule 6.

In computing a normal rate on the net assets, we have determined an approximate earnings rate for the various classes of assets and an after-tax borrowing rate of 5% plus a 3% premium for personal guarantees required by lenders and because 100% of a company's assets cannot be collateralized. Capitalizable excess earnings are the expected earnings less the expected return on net tangible assets. The capitalizable excess earnings are \$0. Therefore, the value determined in the excess earnings method is equal to the tangible assets of \$261,259 (Schedule 5).

VI. ASSET APPROACH

A. GOING CONCERN VALUATION METHOD

Going concern value is the increase in value of assets due to their existence as an integral part of an on-going business. The courts have said going concern value is comprised of elements such as start-up expenses, assembled management and employees, already developed procedures, methods, systems, financial relationships established, marketing, advertising, promotion concepts implemented and working, sources of supply established, etc. Going concern may exist as a value enhancement for the assemblage of a business regardless of the business profitability. In our opinion, the going concern value of the Company is \$15,000 over the value of the tangible assets for the reputation and assemblage of the business. The value obtained from application of the going concern valuation method is \$276,259 (Schedule 7).

VII. INTEGRATION OF INCOME, MARKET AND ASSET APPROACHES

We believe that the going concern method provides the most reliable conclusion of value and have weighted it 100%. Accordingly, the indicated current investment value of Tool Studios is \$276,259 (Schedule 7).

VIII. DISCOUNT FOR LACK OF MARKETABILITY OF A CONTROLLING INTEREST

A. DISCOUNTS BACKGROUND

For many years in the past, the standard of value for Charles Bell's ownership interest would have been "value to the owner", which is conceptually synonymous with investment value. Value to the owner may be significantly different than fair market value. "Fair market value" is defined as "the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and

both having reasonable knowledge of relevant facts.” Fair market value generally suggests a sale of the business may be required in order to recognize the value, whereas a sale may not be required in order to recognize value to the owner.

The concept behind “value to the owner” is a measurement of the value of the owner’s excess earnings capitalized at a rate reflecting the risk of maintaining the level of income. The “value to the owner” is typically calculated by the use of the excess earnings method; a sale of the business is not contemplated or necessary, because it represents the intrinsic value to the owner.

Value to the owner/fair/intrinsic/investment value does not require the assumption of a willing buyer and a hypothetical transaction as would be assumed in a fair market value appraisal. This value standard is consistent with *In re the Marriage of Martin* 707 P.2d 1035), *In re the Marriage of Huff* (834 P.2d 244) and *In re the Marriage of Graff* (902 P.2d 402). These cases, which consider the value of business goodwill, specify that value is not dependent upon what a willing buyer would pay for the goodwill, but rather what the goodwill is worth to the owner. Additionally, the present facts and intentions of the business owner were paramount, and if no sale was likely, no discounts would be applicable. Thus, the indicated value was not an exchange value, but a value to the owner of his ownership interest.

However, the Colorado Supreme Court’s decision in *In re Thornhill* found that it was not an abuse of discretion for the court to consider fair market value principles, including discounts. The valuation indication contained herein considers a fair market value discount (lack of marketability (liquidity)).

B. DISCOUNT FOR LACK OF MARKETABILITY

Although the holder of a controlling interest has the ability to put the business (or shares of the business) on the market and commence the liquidation of ownership interest, the shares still lack the liquidity of publicly traded shares. Accordingly, some level of marketability discount should be considered for controlling shares. The level of expected discounts for controlling shares falls below the discount level observed in studies of marketability discounts for non-controlling shares. There is, however, no market evidence that provides empirical information regarding the magnitude of marketability discounts applicable to controlling interests of businesses.

It is clear that discounts for lack of marketability (or liquidity) exist and are applicable to controlling shares of the ownership in a business. The United States Tax Court has recognized discounts for controlling interests in certain cases. In *Estate of Woodbury G. Andrews*, 79 T.C. 938 (1982), the court recognized the existence of this discount, noting:

Even controlling shares in a nonpublic corporation suffer from lack of marketability because of the absence of a ready private placement market

and the fact that flotation costs would have to be incurred if the corporation were to publicly offer its stock.

Marketability discounts for controlling interests between 15% and 30% have been concluded by the Tax Court (Gray, TCM 1997-67, Estate of Simpson, TCM 1994-207).

In order to determine appropriate levels of lack of marketability (or lack of liquidity) discounts to be applied to controlling interests, consideration is given to the risks inherent in the sale of a business.

There are two typical ways of selling a controlling interest in a business, a public offering of the controlling block of stock, or selling the business (of a portion thereof) in a private transaction.

The following are factors (not intended to be all inclusive) affect the marketability of controlling interests, whether accomplished in a public offering or a private transaction:

Actual Price and Time Horizon - It is questionable whether a business or a controlling interest thereof will ever sell. While the business is being marketed, the owner continues to assume all risks of ownership. In many circumstances it is appropriate to adjust the value of the ownership interest to compensate the owner for assumption of this risk.

Form of Proceeds Received - For all but the smallest of transactions, it is unlikely that the seller will receive pure cash proceeds. It is likely that the seller will receive partial cash, a note, stock of the buyer, or future cash based upon future performance (earn out), or some combination, all of which potentially have less value than the actual cash price for the business.

Costs of Sale - A sale of a controlling interest will generally be accompanied by many costs which are the responsibility of the seller. These include:

Commissions and Other Selling Costs - These included amounts payable to a broker, investment banker, or any other individual involved on a compensated basis in the sale. There may also be other costs such as advertising expenses that are passed through to the seller by the intermediary.

Accounting and Auditing Fees - These costs are incurred to provide the buyer with assurance that the financial information being relied upon is accurate. These fees are typically paid by the seller.

Legal Fees - Many documents are required to transfer business ownership, and there may be substantial negotiation performed by attorneys that are typically a cost of the seller.

Other Indirect Costs - During the sale, the seller is typically concentrating

on aspects of the sale rather than or in addition to performing customary duties. If the customary duties are performed by a paid employee, these are additional costs to the business; if they are performed by the seller, the seller receives no compensation for the labors performed.

Based upon:

- The risks inherent in the sale of a controlling interest of a business
- The improbability that the cash value would be received
- The attendant costs of such a sale
- And discounts concluded by the Tax Court

It is our opinion that if the court believes valuation discounts are applicable an appropriate level of discount for lack of marketability for the interest being appraised is 5% of the indicated value (Schedule 5).

IX. CONCLUSION OF VALUE

We have performed a valuation engagement, as that term is defined in the Statement of Standards for Valuation Services No. 1 (SSVS) of the American Institute of Certified Public Accountants, of Charles Bell's 100% ownership interest in Tool Studios, LLC as of February 28, 2023 providing indications of both the investment value and fair market value of the ownership interest. This valuation was performed solely to assist in the determination of the value for marital dissolution purposes and 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.

There were no restrictions or limitations in the scope of our work or data available for analysis. It is our understanding that depositions were rescheduled. We reserve the right to update, modify or amend our report upon the completion of discovery or receipt of any additional information.

Based on our analysis as described in this valuation report, and the facts and circumstances as of the valuation date, the estimate of value of Charles Bell's 100% interest in Tool Studios, LLC as of February 28, 2023, on an investment value basis is \$276,259, rounded to \$276,000, and on a fair market value basis it is \$262,446, rounded to \$262,000 (Schedule 7). These conclusions are subject to the Statement of Assumptions and Limiting Conditions found in Section IX of this report and to the Valuation Analyst's Representation/Certification found in Section IX of this report. 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.

**X. ASSUMPTIONS, LIMITING CONDITIONS AND VALUATIONS
REPRESENTATION/CERTIFICATIONS**

1. The conclusions of value arrived at herein are valid only for the stated purpose as of the date of the valuation.
2. Financial statements and other related information provided by Tool Studios, LLC 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. Causey Demgen & Moore has not audited, reviewed, or compiled the financial information provided to us and, accordingly, we 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 we believe to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.
4. 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.
5. This report and the conclusion of value arrived at herein are for the exclusive use of our 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 Causey Demgen & Moore, based on information furnished to them by Tool Studios, LLC, and other sources.
6. 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, including but not limited to the Securities and Exchange Commission or other governmental agency or regulatory body, without the prior written consent and approval of Causey Demgen & Moore.
7. Future services regarding the subject matter of this report, including, but not limited to testimony or attendance in court, shall not be required of Causey Demgen & Moore unless previous arrangements have been made in writing.

8. Causey Demgen & Moore 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. Causey Demgen & Moore does not conduct or provide environmental assessments and has not performed one for the subject property.
9. Causey Demgen & Moore has not determined independently whether Tool Studios, LLC 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. Causey Demgen & Moore's valuation takes no such liabilities into account, except as they have been reported to Causey Demgen & Moore by Tool Studios, LLC or by an environmental consultant working for Tool Studios, LLC, 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 us, Causey Demgen & Moore has relied on it without verification and offers no warranty or representation as to its accuracy or completeness.
10. Causey Demgen & Moore 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.
11. No change of any item in this appraisal report shall be made by anyone other than Causey Demgen & Moore, and we shall have no responsibility for any such unauthorized change.
12. 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.
13. If prospective financial information approved by management has been used in our work, we 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.
14. We have conducted interviews with the current management of Tool Studios, LLC concerning the past, present, and prospective operating results of the company.
15. Except as noted, we have relied on the representations of the owners, management, and other third parties concerning the value and useful condition of all equipment, real property, investments used in the business, and any other assets or liabilities, except as

specifically stated to the contrary in this report. We 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.

16. The approaches and methodologies used in our work did not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective, presented in accordance with generally accepted accounting principles. We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information in performing our valuation.
17. We did perform a site visit to the Company facilities.
18. We have no responsibility or obligation to update this report for events or circumstances occurring subsequent to the date of this report.
19. We express no opinion for matters that require legal or other specialized expertise, investigation, or knowledge beyond that customarily employed by business appraisers.
20. Unless stated otherwise in this report, we express no opinion as to: 1) the tax consequences of any transaction which may result, 2) the effect of the tax consequences of any net value received or to be received as a result of a transaction, and 3) the possible impact on the market value resulting from any need to effect a transaction to pay taxes.

VALUATION REPRESENTATIONS/CERTIFICATIONS

WE REPRESENT THAT, TO THE BEST OF OUR KNOWLEDGE AND BELIEF:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions of value are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, independent, unbiased, objective professional analyses, opinions, and conclusions.
- We have no present or prospective/contemplated financial or other interest in the business or property that is the subject of this report, and we have no personal financial or other interest or bias with respect to the property or the parties involved.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment 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 outcome of the valuation, 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.
- 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.
- Our analyses, opinions, conclusions (valuation engagement) and this detailed/comprehensive appraisal report were developed in conformity with the 2008 American Institute of Certified Public Accountants Statement on Standards for Valuation Services No. 1.
- 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.
- The valuation analyst has no obligation to update the report or the opinion of value for information that comes to my attention after the date of the report.
- This report and analysis were prepared under the direction of William H. Vincent CPA, CVA with significant professional assistance from Robyn Schnetzler, CPA. Mr. Vincent and Ms. Schnetzler are Certified Public Accountants licensed in the State of Colorado.



William H. Vincent, Shareholder
Causey Demgen & Moore P.C.



Jeremy Harkness, Director
Causey Demgen & Moore P.C.

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

<u>Assets:</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<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
February 28, 2023
Source: Internal Financial Statements

	Per Books	Adjust- ments	Adj'd Amts.
<u>Assets:</u>			
<u>Current Assets:</u>			
Cash	\$ 134,310	\$ 76,900	\$ 211,209
Accounts Receivable	90,410	(51,110)	39,300
Undeposited Funds	(1,823)	1,823	-
Receivable - Charlie Bell	(1,568)	1,568	-
Total Current Assets	221,330	29,180	250,509
<u>Other Assets:</u>			
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	40,945	(23,900)	17,045
Total Assets	\$ 262,275	\$ 5,280	\$ 267,555
<u>Liabilities and Shareholders' Equity:</u>			
<u>Liabilities:</u>			
<u>Current Liabilities:</u>			
Deposit Payable	\$ 138,000	\$ (138,000)	\$ -
Accounts Payable	(2,229)	2,229	(0)
Credit Cards Payable	6,297		6,297
Payroll Liabilities	(76)	76	0
Total Current Liabilities	141,992	(135,695)	6,297
<u>Long-term Liabilities:</u>			
Shareholder Loans	(266,443)	266,443	-
Total Long-term Liabilities	(266,443)	266,443	-
Total Liabilities	(124,451)	130,748	6,297
<u>Equity</u>			
<u>Capital Stock</u>	100		100
Retained Earnings	386,627	(125,468)	261,159
Total Equity	386,727	(125,468)	261,259
Total Liabilities and Equity	\$ 262,276	\$ 5,280	\$ 267,555

Adjusted Working Capital	\$ 244,213
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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
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	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
February 28, 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	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)						(7,326)
Change in Debt Principal						0
Net Cash Flow to Equity						16,306
Divided by Capitalization Rate						22%
Indicated Value (0 if < 0)						\$74,448

Excess Earnings Method:

Net Cash Flow to Equity		\$	16,306
Less: Normal Return on Tangible Assets			
Net Tangible Assets	261,259		
Normal Return on Tangible Net Assets (%)	8%		
Normal Return on Tangible Net Assets (\$)			(20,901)
Earnings Attributable to Practice (0 if < 0)			0
Net Profit Multiplier			25%
Net Profit Multiplier Result			0
Add: Tangible Assets			261,259
Indicated Value			\$261,259

Tool Studios, LLC
February 28, 2023
Estimation of Capitalization Rate
Build Up Method

	<u>Risk Premium</u> <u>Report Study</u>
(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.

Going Concern Method

Equity	\$	261,259
Going Concern Value		15,000
Indicated Value	\$	<u>276,259</u>

Valuation Summary:

		<u>Weighting</u>	<u>Result</u>	<u>Rounded</u>
Indicated Value Utilizing the Capitalization of Earnings Method	\$	74,448	0%	0
Indicated Value Utilizing the Excess Earnings Method	\$	261,259	0%	0
Indicated Value Utilizing the Going Concern Method	\$	276,259	100%	<u>276,259</u>
Indicated Value				276,259
Charles Bell's Ownership Percentage				100.0%
Indicated Value of Charles Bell's 100% Ownership Interest on a Controlling Marketable Basis			276,259	\$ 276,000
Less: Discount for Lack of Marketability for a Controlling Interest (5%)			<u>(13,813)</u>	
Indicated Fair Market Value of Charles Bell's 100% Ownership Interest			\$ 262,446	\$ 262,000