Enterprise Valuation for:

Oak Street Supply

PREPARED FOR WILLIAM JONES

Date of Report: April 08, 2023

Effective Date: February 03, 2023

Exit45
John Kaplan

OPINION LETTER

2023-04-08
William Morrison
Oak Street Supply
123 Main Street, Denver, CO

Dear William Morrison,

At your request, we have been engaged to appraise Oak Street Supply as of 2023-02-03. The client is Oak Street Supply, the intended user of this report which is to be used for a partner buy-sell transaction. Oak Street Supply was appraised using the fair market value as the standard of value assuming a discount for a lack of control (DLOC) and an adjustment for lack of marketability (DLOM). Oak Street Supply is headquartered in the State of Colorado. The Company is organized as a Limited Liability Company. The term shareholder and shares in this report are interchangeable with member and units .

The *Fair Market Value (FMV)* is defined as the value an asset or liability would exchange hands given a willing buyer and seller negotiate an "arms-length" transaction with neither party under duress and with the parties having access to all pertinent information. There are no restrictive agreements that might impact value. We reviewed information on Oak Street Supply and the assumptions based on client discussions that allowed us to consider the net cash flow, the market selling multiples, the Company's assets and liabilities and build out the Discount and Capitalization Rate which measures the business investment risk. This appraisal is based on the Company as an on-going concern which assumes the Company has the financial resources to continue operating into the foreseeable future.

All traditional approaches to value were considered and specific methods and calculations were weighted to reflect the Company's value. The effective date of this appraisal is 2023-02-03. The appraisal's estimated value for 5,000,000 of the company's shares is $8,700,000 of equity value with the appropriate discounts and premiums. The value is $1.74 per share. Equity value subtracts interest-bearing term debt and the working capital surplus or shortage, if any, from the enterprise value. Enterprise value is the invested capital value (debt and equity) of the business. The Enterprise Value is $13,587,372. This conclusion is subject to the Report's Limiting Conditions.

Daniel P. O'Connell, AM, BV, American Society of Appraisers

Ryan P. O'Connell, IRS Qualified Valuations

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COMPLIANCE AND PROCESSES

IRS REVENUE RULING 59-60 COMPLIANCE

When valuing closely held stock or ownership interest of companies, often market quotes are not available for privately-owned companies. IRS Revenue Ruling 59-60 outlines the proper procedures, approaches and qualifications for valuing these closely-held companies and in considering all relevant factors that impact the fair market value.

IRS Revenue Ruling 59-60 states that certain factors need to be considered in arriving at the Fair Market Value of an asset or liability. This valuation report addresses these requirements, specifically:

1. Define the nature of the business and the economic environment.
2. Research the book value and the company’s financial condition.
3. Review the earnings capability and the dividend paying capacity if relevant.
4. Review whether the company has goodwill or intangible value.
5. Research pricing of similar companies and utilize the proper capitalization rates.
6. Discover if restrictive agreements impact value and weight the valuation conclusions logically.

UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE

The Uniform Standards of Professional Appraisal Practice (USPAP) addresses ethical and performance obligations of appraisers. Ethics rules deal with integrity, impartiality, objectivity, independent judgement and ethical conduct. Other requirements consider the appraiser's knowledge, experience, competency and scope of work rules in identifying key issues, research and analysis. This appraisal adheres to the USPAP guidelines.

THE VALUATION PROCESS

Business value is derived from an economic benefit stream and a risk factor that relates to the business and its expected economic benefit stream. A valuation "normalizes" the income statement and balance sheet to represent the current status of a company. In order to arrive at a valuation opinion, this report will review the company’s risk associated with a “proposed” investment and the historical and forecasted financial statements, key ratio reviews, the cost of capital and the future net cash flows. We will then be able to apply the cost of capital to the company’s economic benefit stream (the Income Approach) and review the appropriate risk adjusted multiples to similar companies (the Market Approach) and an analysis of the assets (the Asset Approach). After various valuation methods and calculations have been estimated, the appropriate weighing to specific calculations will be made that best represent the company's enterprise value.

THE VALUATION ASSIGNMENT

DEFINING THE VALUATION ASSIGNMENT

When defining the appraisal assignment, it is important to understand the concepts or directives that form the basis of this opinion of value and that these concepts meet your understanding of this assignment. If the appraisal assignment changes, some of the following valuation criteria might need to reflect the new intent and the appraisal assignment might need to be updated. "Company" used in this report covers any asset or liability being appraised.

DISCLAIMER

Exit45 relies on the client, the Company and the management team for its financial reporting and projections of the company's financials. While this information is deemed reasonable for the purposes of this report, Exit45 makes no representations or warranties to the accuracy or thoroughness of this valuation report (see scope of appraisal and the *engagement's limiting conditions*).

VALUATION CONCEPT OF BENEFIT STREAM AND RISK

Business value is derived from an economic benefit and is weighted by a risk factor that relates to the risk in the company's business model. The economic benefit usually refers to a monetary flow such as earnings before interest, taxes, depreciation and amortization (EBITDA), Net Operating Profit After Tax (NOPAT), Gross Profit, or Net Cash Flow (NCF), etc. The risk factor is the rate of return a potential investor requires given the risk of attaining the expected economic benefits stream. The greater this risk, the greater the investor's needed rate of return and the lesser the value of the interest being appraised. In the case of less risk, the less the needed investor's rate of return and the greater the value of the interest being appraised. The investor's needed rate of return is the Cost of Equity and the debt and equity return needed is the Discount Rate.

In order to arrive at a valuation opinion, this report will review the company's historical and forecasted financial statements and the associated business and industry risk. This report will develop the cost of capital and apply that to the economic benefit stream to arrive at the Discounted Cash Flow Method and the Capitalization of Earnings Method. In addition, this report will apply the Market Selling Multiples Method to specific company benefit streams. When the company is being valued as an on-going concern, the asset or cost approach to value might not be relevant in this report (see premise of value) and may not be used.

INTEREST BEING APPRAISED

Oak Street Supply ("the Company) is being appraised for 5,000,000 shares out of 5,000,000 shares outstanding. Shares are valued on an equity basis which is defined as the enterprise value less any term debt.

This appraisal assumes a Discount for Lack of Control (DLOC) which is referred to as a non-control interest. Lack of control is defined as an equity interest of less than 50% where the shareholder has no operating control to make decisions and can not influence company performance.

This appraisal assumes an adjustment or Discount for a Lack of Marketability (DLOM) referred to as a non-marketable interest. An adjustment for lack of marketability is defined as the percentage value deducted from the value of an ownership interest to reflect the absence of marketability relating to the longer period (and risk) it takes to convert ownership to sale proceeds (liquidity).

THE VALUATION ASSIGNMENT (cont.)

SCOPE OF APPRAISAL

This valuation is an Appraisal that addresses the Standard of Value, the Premise of Value, the Purpose of the Appraisal, the Effective Date of the Appraisal, and describes the business ownership interest and the process to be used in the valuation and the report deliverables. This appraisal will express the value in a single dollar amount, and will consider all relevant information available to the appraiser as of the appraisal date. The appraiser will review all relevant data material to the valuation and utilize all conceptual approaches deemed relevant by the appraiser.

STANDARD OF VALUE

The *Fair Market Value* standard is being used in this appraisal to render an opinion of value (or range of value). The Fair Market Value addresses the broadest spectrum of value that is reflected by the Company's operations, markets and potential buyers. The common definition of Fair Market Value is the price at which a property would change hands between a willing buyer and seller, when the buyer is not under any compulsion to purchase and the seller is not under any compulsion to sell. Fair Market Value also assumes both buyer and seller have reasonable knowledge of the relevant facts.

PREMISE OF VALUE

This appraisal is based on the Company as an on-going concern. The going concern premise of value assumes the Company has the financial resources to continue operating into the foreseeable future whereas a non-going concern does not have the resources to continue operating and is a liquidity event.

EFFECTIVE DATE OF APPRAISAL

The report date of the appraisal is 2023-04-08 and the latest reported financials are as of 2023-02-03. The effective date of the valuation is 2023-02-03. If material time has elapsed from these dates or events occurred subsequently that may impact value, we suggest an update to the report, depending on the significance of how this opinion of value will be used by the intended user of this report.

CLIENT AND PURPOSE OF APPRAISAL

The client is Oak Street Supply, the only intended user for this report. The purpose of this appraisal is to estimate the selected Standard of Value of Oak Street Supply for a partner buy-sell transaction.

DATA SOURCES, VALUATION PROCESS & CONDITIONS

Financial (income statements and balance sheets contained in this report) and operational information was furnished by the Company. The Company provided expectations regarding the Company's future performance. This report may utilize information from the industry standard RMA database, Duff & Phelps Cost of Capital, BVR Deal Stats, BV DataWorld, Pluris DLOM, Mergerstat Review Premiums & Discounts and IBISWorld. Exit45 did not tour the company's facility or office in its process but is reasonably familiar with the type of facilities involved. There have been no extraordinary or hypothetical assumptions made nor any limiting conditions placed on Exit45.

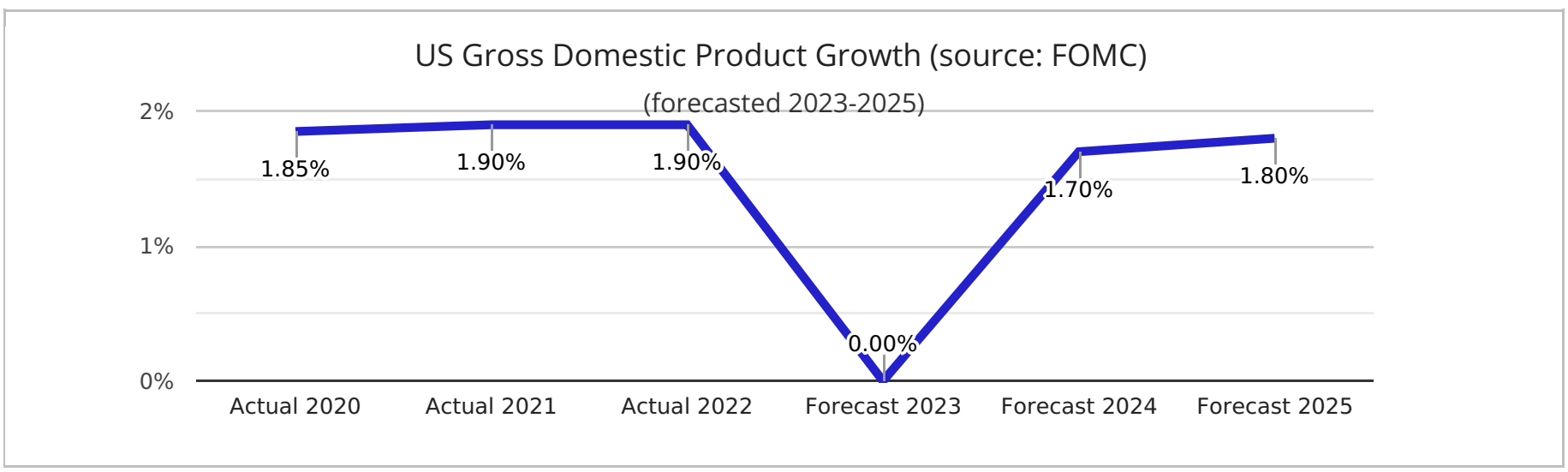
THE VALUATION PROCESS

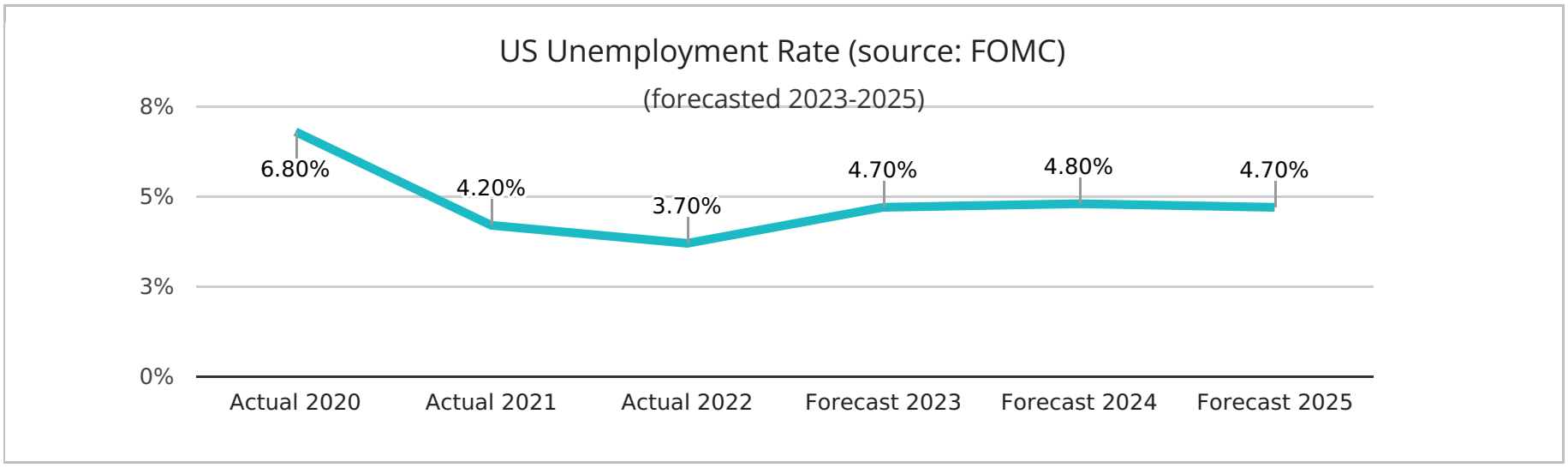
Value is derived from a risk adjusted economic benefit stream. In order to arrive at a valuation opinion, this report will review the Company's risk associated with a "proposed" investment, the historical and forecasted financial statements, key ratios, the cost of capital and the future net cash flows. The cost of capital will be applied to the Company's economic benefit stream and review risk adjusted market selling multiples. The appropriate weighing of specific approaches will be made that best represent the Company's value.

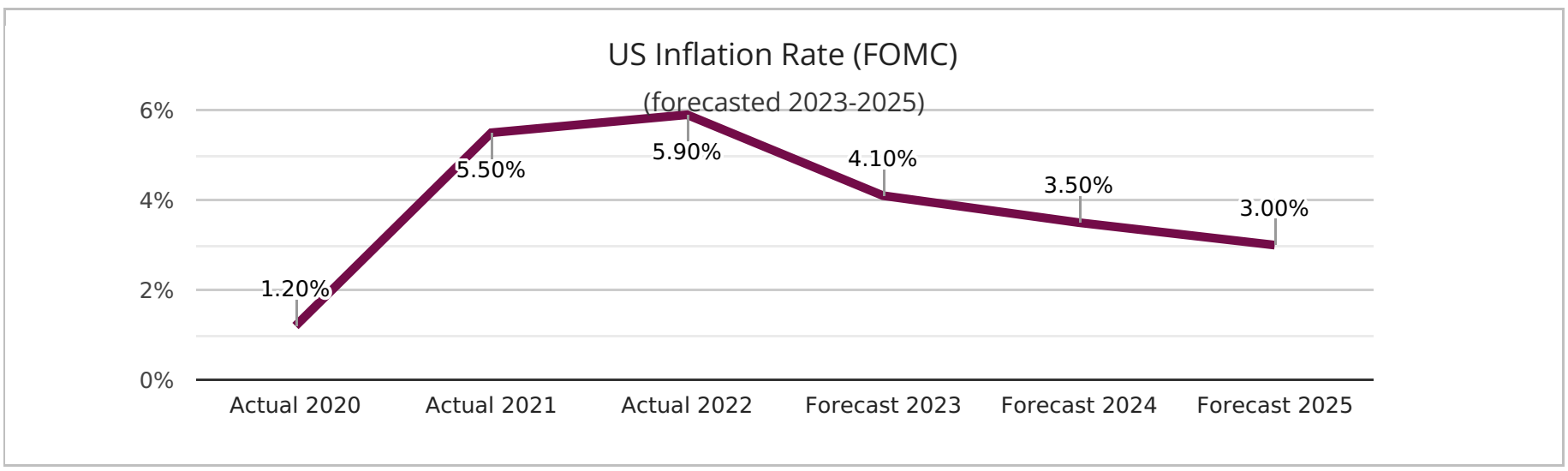
ECONOMIC ENVIRONMENT AND IMPACT

The economic outlook can be relevant and impact the Company and its industry. The economy continues to deal with global unrest, labor shortages, supply chain issues, inflation, federal reserve policies, trade issues, governmental policies and other economic considerations. A company's impact can vary from industry to industry. Economic growth, lower inflation and moderate unemployment generally supports the private sector.

The Federal Reserve is the U.S. central bank that promotes maximum employment, moderate interest rates and stable prices. The Federal Open Market Committee (FOMC) meets four times per year to issue an economic forecast and a high-level analysis of the U.S. economy. Key economic factors are the Gross Domestic Product growth, the Unemployment Rate, and the Inflation Rate. The FOMC last met on December 14, 2022. GDP growth is expected to decrease to 0% this year, the unemployment rate to increase and the inflation rate to increase which promotes instability and the private sectors ability to plan. Inflation has been stronger than expected and remains a challenge for the Federal Reserve. The Company might find the current economic environment challenging in some areas as labor and supply issues remain which can restrict sales growth and margins.







THE THREE APPROACHES TO VALUE

When valuing a company's common stock (or an asset or a transfer of a liability) we need to value the enterprise by utilizing the various approaches to value and then allocate the methods and calculations from each approach. The three Approaches to Value are the Income, Market and Asset Approach. These approaches, methods and calculations are summarized below.

THE INCOME APPROACH

The Income Approach estimates value by estimating the benefits stream (income) generated by the assets over a period of time. The value of the business is equal to the present value of the future benefits from owning the assets. The two common methods are the Discounted Cash Flow Method and the Capitalization of Earnings Method.

The Discounted Cash Flow Method

The Discounted Cash Flow (DCF) summarizes the company's cash flow for a period of time (usually five years but can be longer until the cash flows reach stability) as well as the cash flow from the Terminal Value (assumes a sale of the business in a future year). The future cash flows are brought to the present value by discounting the cash flows using the Discount Rate which measures the risk in achieving the expected cash flows. The DCF is a multi-year method and the advantages are that each year's sales, costs, receivables, inventory, payables and capital expenditures can be estimated. These cash flows should be estimated with reasonable caution. Because a buyer is purchasing the future cash flow of the business, the DCF model is a strong indication of value.

The Capitalization of Earnings Method

The Capitalization of Earnings Method is similar to the DCF except that it is a single year method that only applies the operating cash flow to the capitalization rate. The Capitalization of Earnings Method is applicable when the cash flow is stable or consistent (mature company).

THE MARKET APPROACH

The Market Approach compares the subject company to its industry peers. This comparison is accomplished by reviewing either private sale transactions or publicly traded companies. The benefit stream multiples are variations of income such as earnings before interest and taxes (EBIT) or EBITDA (depreciation & amortization), net operating profit after tax, gross profit, sales, etc. The industry multiples are applied to the subject company's benefit stream using the multiples from the Guideline Public Companies or the private company transactions. The Market Approach is applicable if the subject company is similar to its industry peers.

THE ASSET OR COST APPROACH

The Asset Approach normally results in the lowest value for an operating company (not a holding company) and measures the tangible assets. This approach can be based on the Net Asset Value or the Liquidation Value. The liquidation value assumes the company is not an on-going business. This report estimates the Net Asset Value which is defined as the market value of the assets less the market value of the liabilities. An asset-based holding company (eg: real estate or investment companies) would use the Asset Approach.

COMPANY BRIEF

COMPANY HISTORY BRIEF

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COMPANY PRODUCTS OR SERVICES

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COMPANY MANAGEMENT TEAM

John Smith - C.E.O. - BIO HERE
John Smith - C.F.O. - BIO HERE
John Smith - C.O.O. - BIO HERE

About IBISWorld

IBISWorld specializes in industry research with coverage on thousands of global industries. They provide a comprehensive and in-depth analysis to help businesses of all types gain quick and actionable insights on industries around the world. Exit45 has a license with IBISWorld whose data is reproduced in the following pages. The Company participates or has similarities with the following industry.

Main Activities	**The primary activities of this industry are:**
	Bottle cork manufacturing
	Wooden kitchenware manufacturing (e.g. bowls, cutting boards)
	Wood reels manufacturing
	Prefabricated fence section manufacturing
	Firewood manufacturing
	Wood flour manufacturing
	Furniture inlays manufacturing
	Wood handle manufacturing (e.g., broom, mop, hand tool)
	Kiln drying lumber manufacturing
	Wooden ladder manufacturing
	The major products and services in this industry are:
	Architectural products
	Wood stock and fuel
	Home furnishings
	Baskets and reels
	Tools and handles
	Sporting goods
	Other

Solid foundation: Increases in consumer spending will likely partially sustain industry demand

The Wood Product Manufacturing industry produces a diverse range of wood products, including wood ladders, cabinets, toothpicks, wood flour and kiln-dried lumber, among others. The construction sector is the industry's largest source of demand and as a result, operators have benefited going into 2022 from strong growth in housing starts and consumer spending, boosting demand from households for other wood products. However the current performance of the Wood Product Manufacturing industry is strong, but is projected to experience a slight decline in 2023. This is due to the former economic effects of the COVID-19 pandemic and the rising potential of a recession. Over the past five years, total revenue has been decreasing at a CAGR of 0.3% to an estimated $6.8 billion, including a decrease of 6.0% in 2023 alone.

A decrease in the residential construction market has continued declines first caused by the COVID-19 pandemic. Additionally, historically high interest rates have further decentivized construction activity, leading to decreased demand for miscellaneous architectural products. Similarly, consumer spending faltered in 2020, temporarily decreasing revenue sourced from miscellaneous retail and consumer wood products. Moreover, a surge in the price of sawmill lumber, a primary input cost, is causing profit to contract during the period.

The value of residential construction is expected to increase, helping demand from one of the industry's key markets. Moreover, due to an anticipated devaluation of the US dollar, industry exports are expected to increase as foreign demand for wood pellets used for renewable energy wanes. However, increases in consumer spending will likely partially sustain industry demand. Ultimately, industry revenue is expected to increase at a CAGR of 0.7% to $7.0 billion over the next five years.

Product demand is primarily correlated with household consumption spending levels and activity in the commercial and residential construction markets that are downstream.

Demand for items made by the industry is also impacted by competition from alternative building materials. The building industry, particularly residential developments, is the main final consumer of industry products. Kiln-dried lumber, a key component of houses, is the industry's main product. In the United States, a new home typically comprises more than 14,000 feet of lumber. Additionally, the sector provides wood stepladders, dowels, and fence posts that are used by homebuilders and construction companies. As a result, demand for industry products and residential development trends are favorably associated.

Toothpicks, wooden figurines, wicker baskets and kitchenware are just a few examples of the consumable goods that the business produces and sells through wholesalers and retailers. When the economy is booming, unemployment is low and households have more spare income, people are more inclined to spend money on these products from the discretionary sector. Additionally, customers are more inclined to replace their kitchen appliances and home furnishings. The level of competition from substitute materials also affects demand for industry products. In many commercial construction uses, including office partitions, storefronts and flooring, the usage of wood has been reduced by the use of materials such as plastic, rubber, steel, aluminum and fiberglass. Demand for industrial products is impacted by these replacement materials' respective pricing. In contrast to buildings, where wood is difficult to replace in many applications, these goods are typically chosen based on pricing.

Imports into the industry have increased in value. This growth includes a little decline in 2020 due to the COVID-19 pandemic's effects on the world's supply chains. The trade-weighted index, which measures how the US dollar is valued in relation to its main trading partners, increased in 2020, making foreign goods substantially less expensive than US goods, encouraging imports and containing any further losses. China is the biggest importer in the industry. China has advantages from having a relatively weak currency and low labor costs, which make it possible for numerous low-profit goods to be priced competitively. Despite being a significant producer of forest goods, China mostly focuses on by-products of the sector, such as cookware, molding and wooden frames. The second-largest importer is Canada. The United States, Mexico and Canada Agreement (USMCA) has resulted in advantageous trade agreements that benefit Canada by promoting free commerce between the nations. Canada thus gains from its close proximity to the US market.

As demand for industry products continues to be driven by demand from European markets, industry exports have seen robust growth as of 2023. The industry has benefited from rising residential construction activity in developed and developing markets and export growth has also been supported by US wood products' superior quality and durability, which are crucial characteristics for building materials. As of 2023, increased European demand for wood-based biofuels has been the main factor driving export growth. The fastest-growing exports during that time were those to the Netherlands. This has resulted in higher and greater consumption of wood-based energy in the United Kingdom, which has outpaced the country's available timber resources.

Wood product manufacturing revenue is expected to grow at a CAGR of 0.7% over the next five years, reaching $7.0 billion in 2023.

This includes a projected 0.3% increase in 2023 when the profit margin will likely reach 4.1%.

Industry demand is clearly shifting

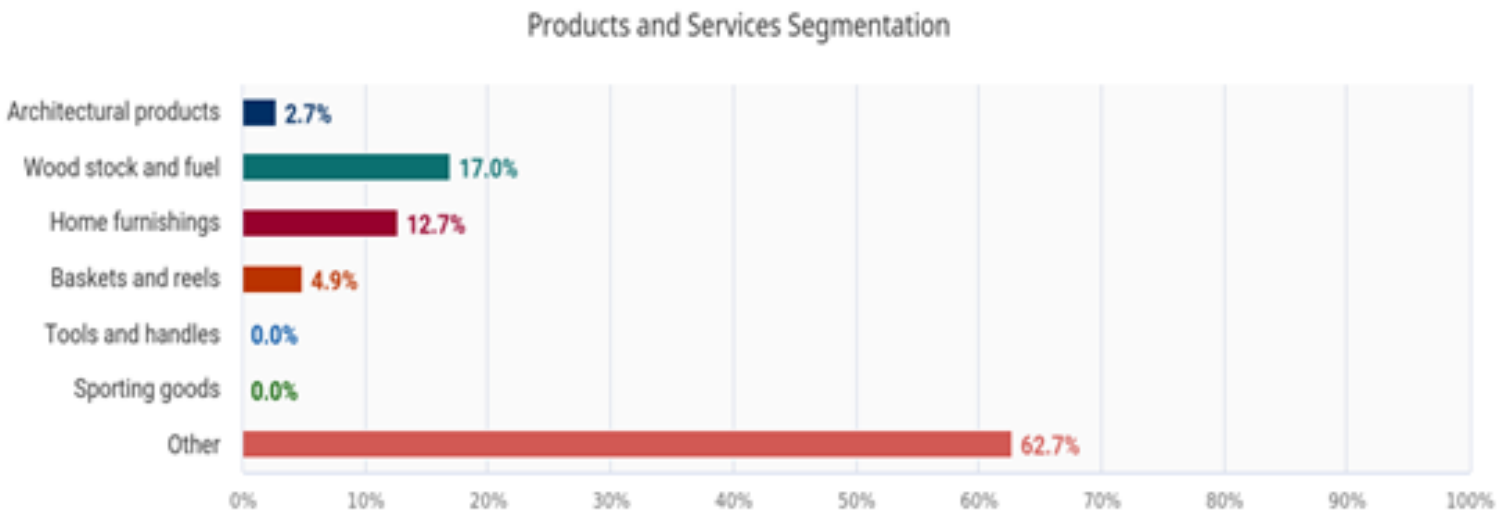
•After seeing slight growth during the COVID-19 pandemic, home development is forcecast to slow down, with a decline in value expected as 2028 approaches.
•Demand for home furnishings and architectural items will likely be hampered by the greater contraction of the residential sector over the next five years. Decreases in the residential building industry will likely limit revenue growth because it is one of the main markets for kiln-dried lumber and other diversified wood products.
•Although it is estimated that wage expenses will continue to increase as a percentage of sales, falling input prices, notably the cost of sawmill lumber, are likely to stabilize profit over the next five years.

The industry is expected to face persistent competition

•Even though the COVID-19 pandemic is projected to cause continued trade difficulties between the United States and China, the industry's biggest import partner, import activity is anticipated to eventually be supported, which will result in more competition from foreign goods.
•As imported goods become comparatively more expensive, a devaluation of the US dollar over the next five years, as shown by a decline in the TWI, will likely limit import penetration.
•Manufacturers of domestic wood products will certainly face competition from substitute materials, mainly plastic and metal, in addition to competition from abroad.

There will likely be threats to export growth

•The European Union's renewable fuel standards will probably continue to sustain stable export demand, with wood pellets headed for Europe expected to make up the majority of global markets.
•The United Kingdom is the industry's biggest export market, thus a forcasted decline in the value of the pound could impede export growth. More generally, recent years have seen an increase in an investigation of the environmental advantages of producing power using wood, particularly by UK regulators.



2023 INDUSTRY REVENUE

$6.8bn

Wood Product Manufacturing
Source: IBISWorld

Income Statement	2018	2019	2020	2021	2022
SALES					
Revenues	$26,580,192	$26,756,262	$30,985,812	$32,001,372	$34,348,597
Revenue Growth Rate		0.66%	15.81%	3.28%	7.33%
COST OF GOODS SOLD					
Other Cost of Goods Sold	$21,918,821	$22,020,240	$25,756,556	$25,936,479	$28,831,054
Total Cost of Goods Sold	$21,918,821	$22,020,240	$25,756,556	$25,936,479	$28,831,054
GROSS PROFIT	**$4,661,371**	**$4,736,022**	**$5,229,256**	**$6,064,893**	**$5,517,543**
Gross Profit Margin	17.54%	17.70%	16.88%	18.95%	16.06%
OPERATING EXPENSES					
Depreciation	$127,774	$126,707	$132,474	$144,892	$142,549
Amortization & Depletion	$0	$0	$0	$0	$0
Officer's Salary	$265,000	$265,000	$240,000	$240,000	$255,000
Wages & Salary	$1,953,693	$1,563,609	$1,823,683	$2,000,027	$1,278,480
Other Expenses	$748,782	$1,265,688	$1,507,881	$1,260,067	$1,463,699
Total Operating Expenses	$3,095,249	$3,221,004	$3,704,038	$3,644,986	$3,139,728
Operating Income (Op. EBIT)	$1,566,122	$1,515,018	$1,525,218	$2,419,907	$2,377,815
Operating Income %	5.89%	5.66%	4.92%	7.56%	6.92%
NON-OPERATING EXPENSES					
Interest Expense	$157,768	$135,322	$109,958	$68,350	$103,800
Adjustments (see table below)	$80,400	$80,950	$54,250	$54,360	$106,550
Other Non-Operating Expenses	$125,332	($50,134)	($7,804)	($5,016,257)	($98,645)
Total Non-Op. Exp, (income is neg)	$363,500	$166,138	$156,404	($4,893,547)	$111,705
Net Profit Before Tax	**$1,202,622**	**$1,348,880**	**$1,368,814**	**$7,313,454**	**$2,266,110**
OTHER KEY INCOME STREAMS					
Net Operating Profit After Tax (37% marginal rate)	$986,657	$954,461	$960,887	$1,524,541	$1,498,023
Operating EBITDA	$1,693,896	$1,641,725	$1,657,692	$2,564,799	$2,520,364
Operating EBITDA %	6.37%	6.14%	5.35%	8.01%	7.34%
Seller's Discretionary Earnings	$1,893,896	$1,841,725	$1,857,692	$2,764,799	$2,720,364

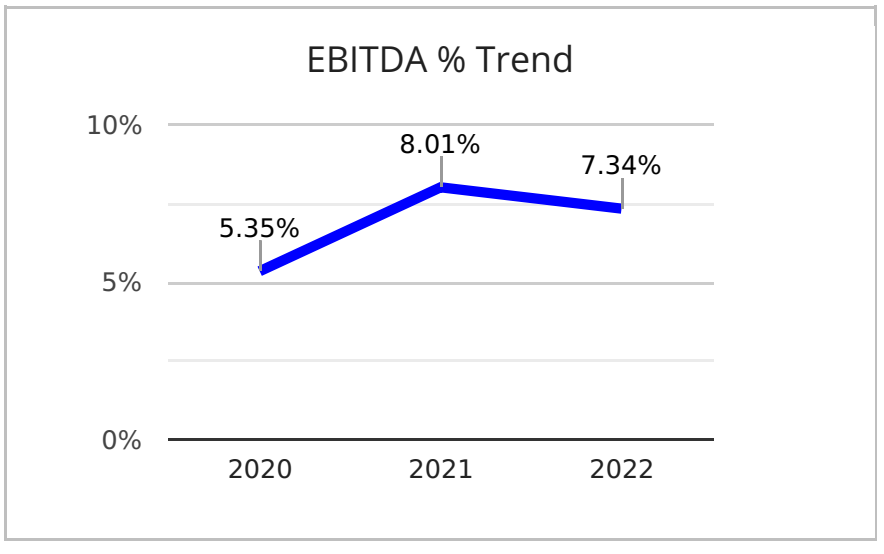
Adjustments	2018	2019	2020	2021	2022
Legal Fees	$0	$0	$0	$0	$35,600
Excess Owner Compensation	$65,000	$65,000	$40,000	$40,000	$55,000
Auto	$15,400	$15,950	$14,250	$14,360	$15,950
Left Empty	$0	$0	$0	$0	$0
Left Empty	$0	$0	$0	$0	$0
Total Adjustments	$80,400	$80,950	$54,250	$54,360	$106,550

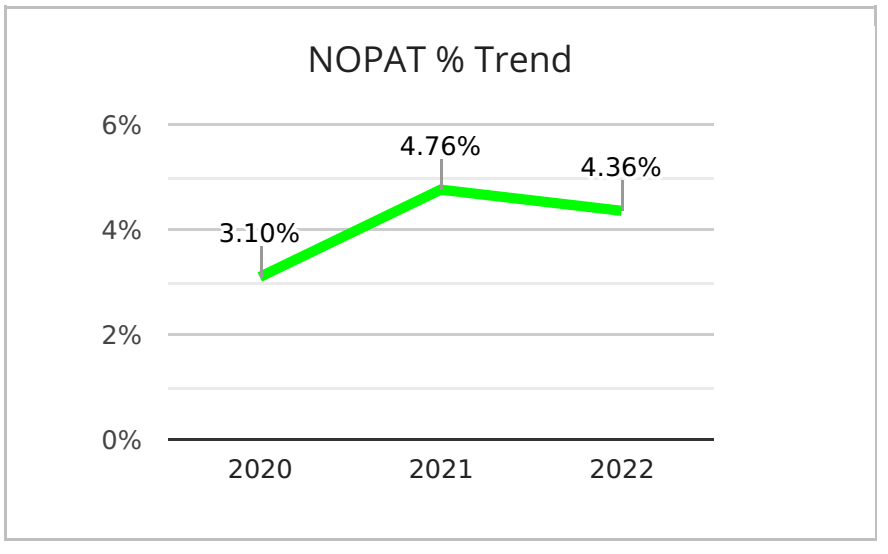
Net Operating Profit After Tax (NOPAT) applies a 37% marginal tax rate to the Operating Income. NOPAT and EBITDA reflect a debt free company (no interest, no debt). The latest $1,498,023 of NOPAT, the $2,520,364 of EBITDA and the $2,720,364 of Seller's Discretionary Earnings are applied in the Market Approach Method.

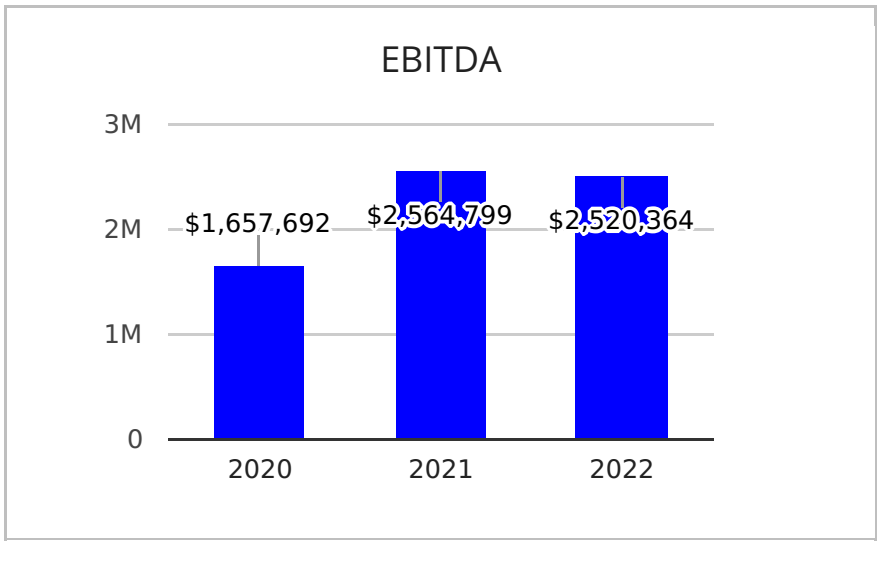
Adjustments are non-operating expenses recorded as operating expenses but were not needed to operate the business. Adjustments might be compensation above or below market-based pay or discretionary expenses not expected to occur again. These adjustments 'normalize' the income stream.

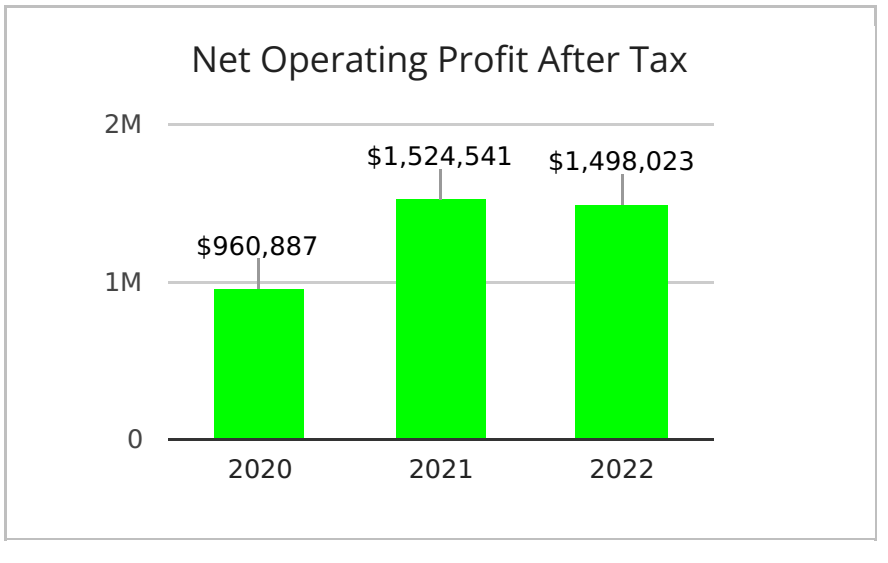
NOTE: Fiscal Year ends on December 31.

Income Statement Common-Sized	2018	2019	2020	2021	2022
SALES					
Revenues	100.00%	100.00%	100.00%	100.00%	100.00%
COST OF GOODS SOLD					
Other Cost of Goods Sold	82.46%	82.30%	83.12%	81.05%	83.94%
Total Cost of Goods Sold	82.46%	82.30%	83.12%	81.05%	83.94%
GROSS PROFIT	**17.54%**	**17.70%**	**16.88%**	**18.95%**	**16.06%**
OPERATING EXPENSES					
Depreciation (Opex)	0.48%	0.47%	0.43%	0.45%	0.42%
Officer's Salary	1.00%	0.99%	0.77%	0.75%	0.74%
Wages & Salary	7.35%	5.84%	5.89%	6.25%	3.72%
Other Expenses	2.82%	4.73%	4.87%	3.94%	4.26%
Total Operating Expenses	11.64%	12.04%	11.95%	11.39%	9.14%
Operating Income (Op. EBIT)	**5.89%**	**5.66%**	**4.92%**	**7.56%**	**6.92%**
NON-OPERATING EXPENSES					
Interest Expense	0.59%	0.51%	0.35%	0.21%	0.30%
Adjustments	0.30%	0.30%	0.18%	0.17%	0.31%
Other Non-Operating Expenses	0.47%	(0.19%)	(0.03%)	(15.68%)	(0.29%)
Net Profit Before Tax	**4.52%**	**5.04%**	**4.42%**	**22.85%**	**6.60%**
OTHER KEY INCOME STREAMS					
Net Operating Profit After Tax (37% marginal rate)	3.71%	3.57%	3.10%	4.76%	4.36%
Operating EBITDA	6.37%	6.14%	5.35%	8.01%	7.34%

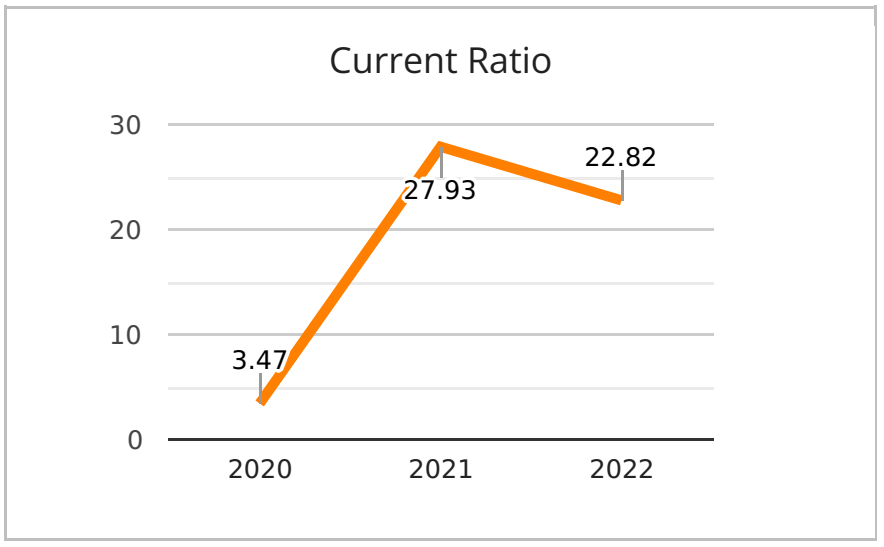


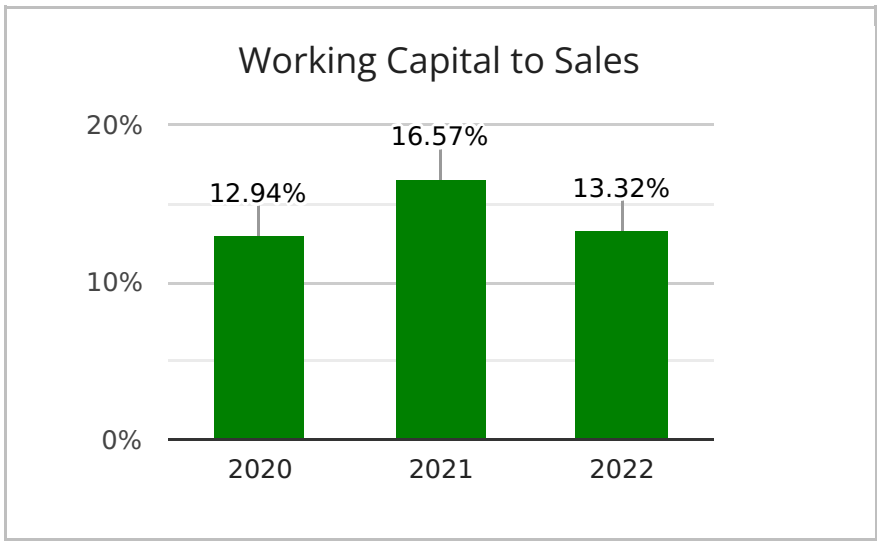






Balance Sheet	2018	2019	2020	2021	2022
CURRENT ASSETS					
Cash & Marketable Securities	$6,512	$45,895	$1,683	$34,367	$27,243
Accounts Receivable (Trade)	$919,229	$839,449	$1,041,458	$982,495	$2,391,081
Inventory	$4,677,351	$4,122,117	$4,149,682	$4,432,126	$2,323,167
Other Current Assets	$48,111	$40,137	$442,060	$49,542	$42,153
Total Current Assets	**$5,651,203**	**$5,047,598**	**$5,634,883**	**$5,498,530**	**$4,783,644**
LONG-TERM ASSETS					
Fixed Assets	$486,236	$736,476	$881,409	$1,061,428	$1,195,124
Accumulated Depreciation	$139,088	$265,795	$398,269	$543,161	$685,710
Net Fixed Assets	$347,148	$470,681	$483,140	$518,267	$509,414
Other Long-term Assets	$1,569,490	$1,569,488	$1,569,489	$1,569,489	$1,569,488
Total Long-term Assets	$1,916,638	$2,040,169	$2,052,629	$2,087,756	$2,078,902
Total Assets	**$7,567,841**	**$7,087,767**	**$7,687,512**	**$7,586,286**	**$6,862,546**
CURRENT LIABILITIES					
Cur. Maturities of LT Debt	$367,331	$103,267	$477,597	$0	$0
Accounts Payable	$469,949	$658,119	$1,003,148	$105,451	$154,704
Notes Payable	$24,650	$33,566	$22,698	$22,966	$36,555
Other Current Liabilities	$94,625	$71,281	$121,977	$68,471	$18,383
Total Current Liabilities	**$956,555**	**$866,233**	**$1,625,420**	**$196,888**	**$209,642**
LT LIABILITIES & EQUITY					
Term Debt	$3,538,654	$2,642,733	$1,822,670	$33,752	$380,760
Other Long-term Liabilities	$1,765,010	$1,823,697	$1,654,730	$913,500	$1,472,574
Total Long-term Liabilities	$5,303,664	$4,466,430	$3,477,400	$947,252	$1,853,334
Total Liabilities	**$6,260,219**	**$5,332,663**	**$5,102,820**	**$1,144,140**	**$2,062,976**
EQUITY					
Capital Stock	$105,000	$105,000	$105,000	$105,000	$105,000
Retained Earnings	$1,202,622	$752,622	$1,624,777	$6,337,146	$6,337,144
Other Stockholders' Equity	$0	$897,482	$854,915	$0	($1,642,574)
Total Stockholders Equity	**$1,307,622**	**$1,755,104**	**$2,584,692**	**$6,442,146**	**$4,799,570**
Total Liabilities & Equity	**$7,567,841**	**$7,087,767**	**$7,687,512**	**$7,586,286**	**$6,862,546**

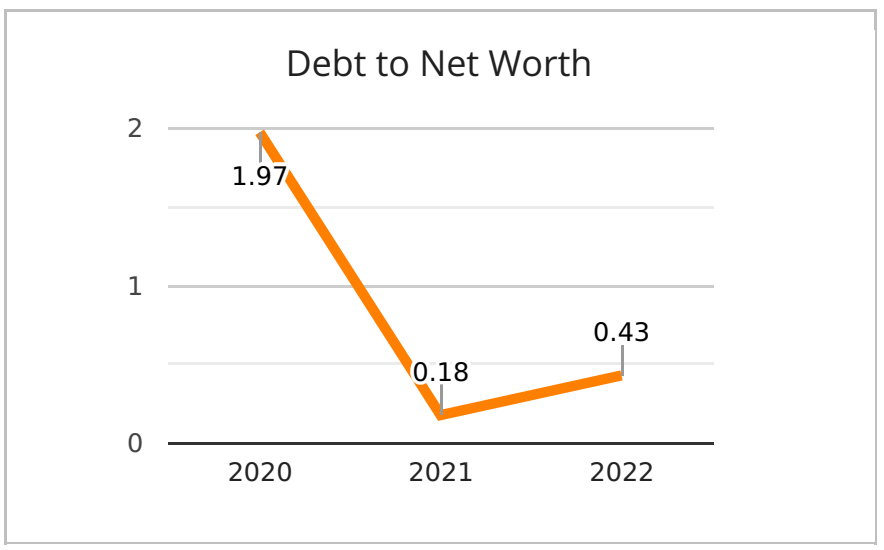


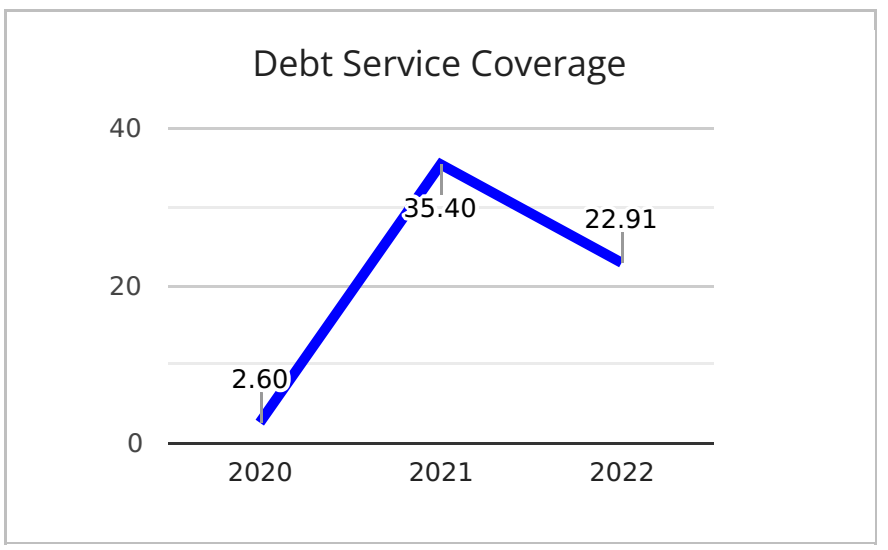


POINTS TO CONSIDER

Current Ratio: The Current Ratio is a liquidity measure of the short-term balance sheet (current assets/current liabilities. Because current liabilities are relatively small, the working capital adjustment using the current ratio is not applicable. Rather we estimate $2,500,000 for the needed working capital. The Company has excess working capital of $1,961,880.

Balance Sheet (Common-Sized)	2018	2019	2020	2021	2022
CURRENT ASSETS					
Cash	0.09%	0.65%	0.02%	0.45%	0.40%
Accounts Receivable	12.15%	11.84%	13.55%	12.95%	34.84%
Inventory	61.81%	58.16%	53.98%	58.42%	33.85%
Other Current Assets	0.64%	0.57%	5.75%	0.65%	0.61%
Total Current Assets	**74.67%**	**71.22%**	**73.30%**	**72.48%**	**69.71%**
LONG-TERM ASSETS					
Total Fixed Assets	6.43%	10.39%	11.47%	13.99%	17.42%
Accumulated Depreciation	1.84%	3.75%	5.18%	7.16%	9.99%
Net Fixed Assets	4.59%	6.64%	6.28%	6.83%	7.42%
Other Long-term Assets	20.74%	22.14%	20.42%	20.69%	22.87%
Total Long Term Assets	25.33%	28.78%	26.70%	27.52%	30.29%
Total Assets	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
CURRENT LIABILITIES					
Current Maturities of LT Debt	4.85%	1.46%	6.21%	0.00%	0.00%
Accounts Payable	6.21%	9.29%	13.05%	1.39%	2.25%
Notes Payable	0.33%	0.47%	0.30%	0.30%	0.53%
Other Current Liabilities	1.25%	1.01%	1.59%	0.90%	0.27%
Total Current Liabilities	**12.64%**	**12.22%**	**21.14%**	**2.60%**	**3.05%**
LONG_TERM LIABILITIES					
Term Debt	46.76%	37.29%	23.71%	0.44%	5.55%
Other Long-term Liabilities	23.32%	25.73%	21.52%	12.04%	21.46%
Total Long Term Liabilities	70.08%	63.02%	45.23%	12.49%	27.01%
Total Liabilities	**82.72%**	**75.24%**	**66.38%**	**15.08%**	**30.06%**
STOCKHOLDERS' EQUITY					
Capital Stock	1.39%	1.48%	1.37%	1.38%	1.53%
Retained Earnings	15.89%	10.62%	21.14%	83.53%	92.34%
Other Stockholders Equity	0.00%	12.66%	11.12%	0.00%	(23.94%)
Total Stockholders' Equity	**17.28%**	**24.76%**	**33.62%**	**84.92%**	**69.94%**
Total Liabilities & Equity	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

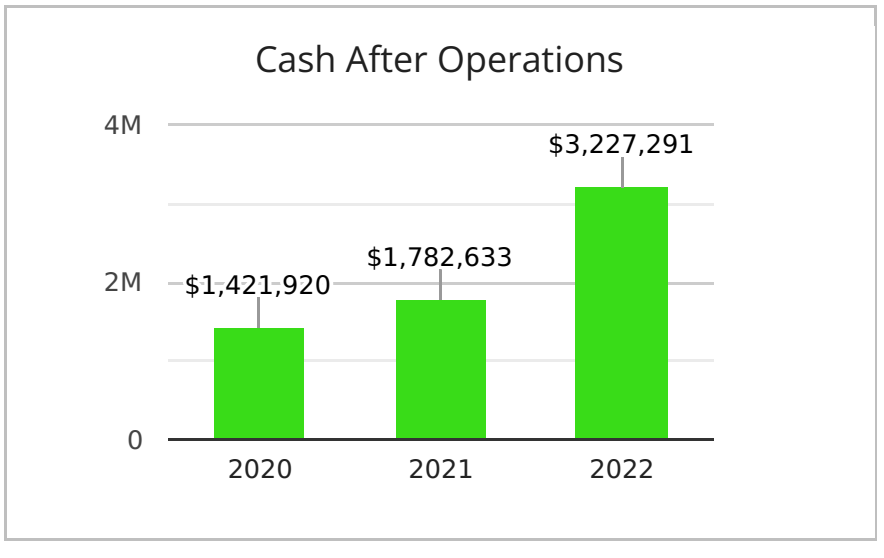




POINTS TO CONSIDER

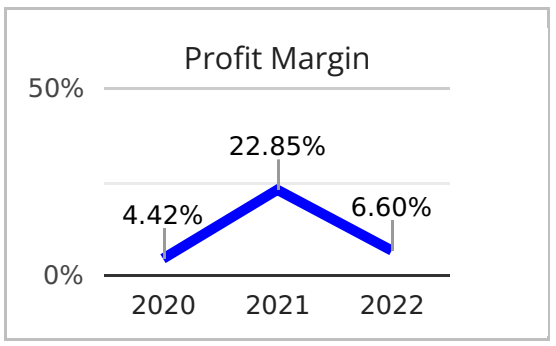
Leverage: A company's capital structure should allow for adequate liquidity which can be measured by the Debt to Net Worth Ratio (< 4:1 is best) and the Debt Service Coverage Ratio (> 1.25 is acceptable). The Company has a comfortable debt to equity capital structure. The Company's Debt Service Coverage seems to be adequate.

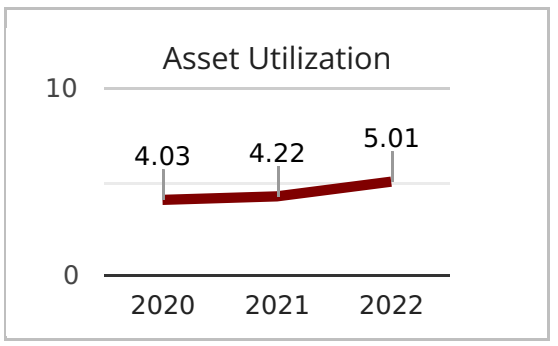
UCA Cash Flow Statement	2020	2021	2022
Revenues	$30,985,812	$32,001,372	$34,348,597
Change In Accounts Receivable	($202,009)	$58,963	($1,408,586)
CASH FROM SALES	**$30,783,803**	**$32,060,335**	**$32,940,011**
Cost Of Goods Sold	($25,756,556)	($25,936,479)	($28,831,054)
Change In Inventory	($27,565)	($282,444)	$2,108,959
Change In Accounts Payable	$345,029	($897,697)	$49,253
Production Costs	($25,439,092)	($27,116,620)	($26,672,842)
CASH AFTER PRODUCTION	**$5,344,711**	**$4,943,715**	**$6,267,169**
Operating Expenses (non-cash items excluded)	($3,571,564)	($3,500,094)	($2,997,179)
Change In Other Current Assets	($401,923)	$392,518	$7,389
Change In Other Current Liabilities	$50,696	($53,506)	($50,088)
Total Operating Cost	($3,922,791)	($3,161,082)	($3,039,878)
CASH AFTER OPERATIONS	**$1,421,920**	**$1,782,633**	**$3,227,291**
Change In Other Long-term Liabilities	($168,967)	($741,230)	$559,074
Income Taxes Paid	$0	$0	$0
Other Non Op. Expenses (Income)	($7,804)	($5,016,257)	($98,645)
Total Other Operating Expenses (Income)	($176,771)	($5,757,487)	$460,429
CASH AFTER ALL OPERATIONS	**$1,598,691**	**$7,540,120**	**$2,766,862**
Interest Paid	($109,958)	($68,350)	($103,800)
CASH AFTER FINANCING COST	**$1,708,649**	**$7,608,470**	**$2,870,662**
Current Maturities of Long-term Debt	($103,267)	($477,597)	$0
CASH AFTER DEBT AMORTIZATION (CADA)	**$1,605,382**	**$7,130,873**	**$2,870,662**
Capital Expenditures	($144,933)	($180,019)	($133,696)
Intangibles	$0	$0	$0
Change In Other Long-term Assets	($1)	$0	$1
Fixture & Investments	($144,934)	($180,019)	($133,695)
CASH AFTER INVESTMENTS - surplus or (needs)	**$1,460,448**	**$6,950,854**	**$2,736,967**
Change In Short Term Notes	($10,868)	$268	$13,589
Change Long-term Debt	($342,466)	($1,788,918)	$347,008
Financing Activity	($353,334)	($1,788,650)	$360,597
Addbacks	($54,250)	($54,360)	($106,550)
CHANGE IN CASH (before tax or distributions)	**$1,052,864**	**$5,107,844**	**$2,991,014**

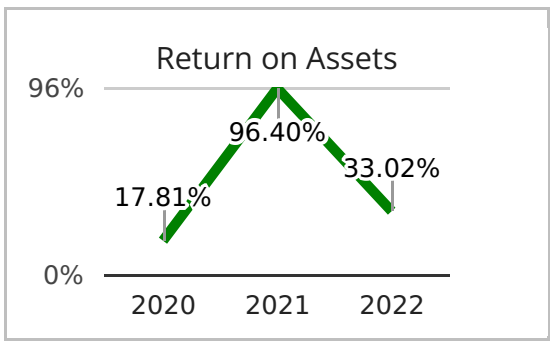


The Cash After Debt Amortization (CADA) is generally what a bank looks at when loaning money. The Cash After Investments estimates whether the company has a cash need or a cash surplus which is vital for company planning.

RATIO REVIEW	2018	2019	2020	2021	2022
PROFITABILITY RATIOS					
Sales Growth (> is better)		0.66%	15.81%	3.28%	7.33%
Gross Profit Growth (> is better)		1.60%	10.41%	15.98%	(9.02%)
Operating Expense Growth (< is better)		4.06%	15.00%	(1.59%)	(13.86%)
Operating Income Growth (> is better)		(3.26%)	0.67%	58.66%	(1.74%)
Cost Of Goods Sold	82.46%	82.30%	83.12%	81.05%	83.94%
Operating Expense	11.64%	12.04%	11.95%	11.39%	9.14%
Operating Income	5.89%	5.66%	4.92%	7.56%	6.92%
Net Profit Before Tax	4.52%	5.04%	4.42%	22.85%	6.60%
Operating EBITDA Margin	6.37%	6.14%	5.35%	8.01%	7.34%
Return on Assets (> is better)	15.89%	19.03%	17.81%	96.40%	33.02%
Return on Equity (> is better)	183.94%	88.08%	63.08%	162.04%	40.32%
Return on Capital Employed (> is better)	23.07%	29.97%	28.02%	112.93%	43.74%
LIQUIDITY RATIOS					
Current Ratio (> is better)	5.91	5.83	3.47	27.93	22.82
Quick Ratio (> is better)	1.02	1.07	0.91	5.42	11.74
Near Term Cash (cash + AR - AP)	$455,792	$227,225	$39,993	$911,411	$2,263,620
Working Capital (> is better)	$4,694,648	$4,181,365	$4,009,463	$5,301,642	$4,574,002
Working Capital to Sales (< is better)	17.66%	15.63%	12.94%	16.57%	13.32%
Working Capital Turnover (> is better)	5.66	6.40	7.73	6.04	7.51
ACTIVITY RATIOS					
Accounts Receivable Days (< is better)	12.62	11.45	12.27	11.21	25.41
Inventory Days (< is better)	77.89	68.33	58.81	62.37	29.41
Accounts Payable Days (> is better)	7.83	10.91	14.22	1.48	1.96
Working Capital Days (> is better)	64.47	57.04	47.23	60.47	48.60
Cash Conversion Cycle (< is better)	82.69	68.87	56.86	72.09	52.86
Asset Turnover (> is better)	3.51	3.77	4.03	4.22	5.01
Fixed Asset Turnover (> is better)	76.57	56.85	64.13	61.75	67.43
Sustainable Growth Rate (> is better)	119.56%	57.25%	41.00%	105.32%	26.21%
FINANCIAL RATIOS					
Term Debt to Net Worth	2.99	1.56	0.89	0.01	0.08
Debt To Net Worth (< 4:1 is better)	4.79	3.04	1.97	0.18	0.43
Debt to Assets (financing assets)	0.83	0.75	0.66	0.15	0.30
Capitalization Ratio (<30% is better)	74.92%	61.01%	47.09%	0.52%	7.35%
Interest Coverage (>3 is better)	8.62	10.97	13.45	108	22.83
Debt Service Coverage Ratio (1.25 is better)	2.98	6.35	2.60	35.40	22.91







POINTS TO CONSIDER

In the latest period inefficient expense controls contributed to a reduction in the Return on Assets (ROA) and the Asset Utilization positively impacted the ROA. The ROA is one of the most important measures on overall company performance. Expense controls and driving the most sales from the assets are the key to building value.

INTERIM INCOME STATEMENT AS OF 2023-02-03

Interim Income Statement	Interim
REVENUES	**$2,943,256**
Cost Of Goods Sold	$2,425,365
GROSS PROFIT	$517,891
Gross Profit Margin	17.60%
OPERATING EXPENSES	
Amortization	$0
Depreciation	$112,500
Wages & Salaries	$106,540
Officer Salaries & Wages	$22,000
Other Expenses	$49,000
Total Operating Expenses	$290,040
OPERATING INCOME	**$227,851**
Operating Income Margin	7.74%
Interest	$8,650
Other Expenses (Income)	$0
NET PROFIT BEFORE TAX	**$219,201**
Addbacks	$4,583
Reported Profit (Loss)	**$214,618**

INTERIM BALANCE SHEET AS OF 2023-02-03

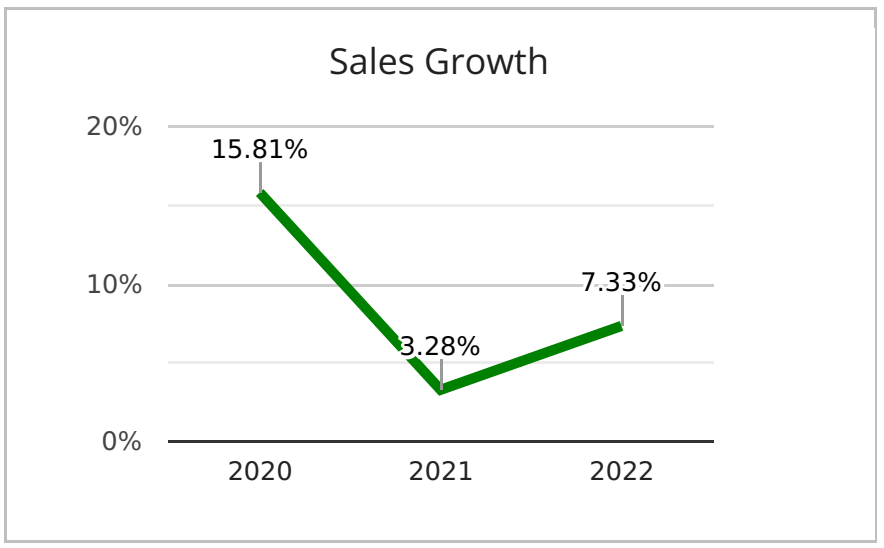
Interim Balance Sheet	Interim
CURRENT ASSETS	
Cash & Equivalents	$54,333
Accounts Receivable (Trade)	$2,254,211
Inventory	$2,365,000
Other Current Assets	$43,620
Total Current Assets	**$4,717,164**
LONG-TERM ASSETS	
Net Fixed Assets	$509,414
Other Long Term Assets	$1,569,489
Total Assets	**$6,796,067**
CURRENT LIABILITIES	
Cur. Maturities of Long Term Debt	$0
Accounts Payable	$136,890
Notes Payable	$31,400
Other Current Liabilities	$86,994
Total Current Liabilities	**$255,284**
LONG_TERM LIABILITIES	
Term Debt	$380,760
Other Long Term Liabilities	$2,903,812
Total Liabilities	**$3,539,856**
STOCKHOLDERS' EQUITY	
Equity Interim	$3,256,211
Total Liabilities & Stockholders Equity	**$6,796,067**

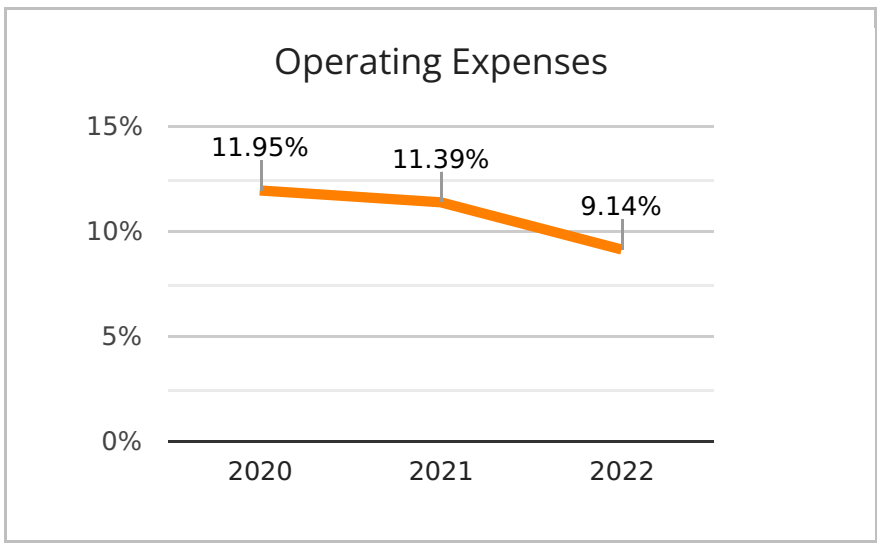
FORECASTING THE CASH DRIVERS

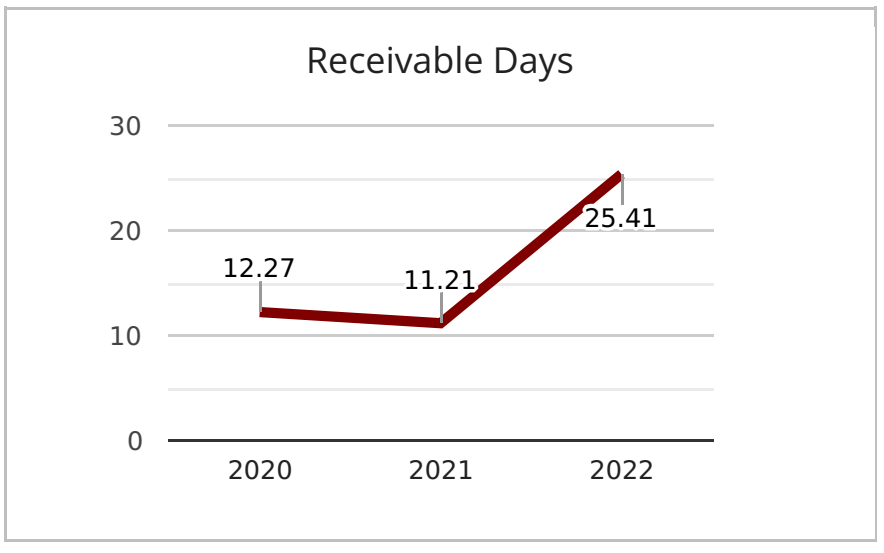
The historical ratios that drive a company's earnings and cash flow are called the Cash Drivers and are displayed on the table below called "Cash Drivers & Forecast". These cash drivers are the engine that generates and consumes cash for all businesses and optimizing these cash flows will improve a company's value. The industry in which the company participates will likely govern what cash drivers the company may or may not have.

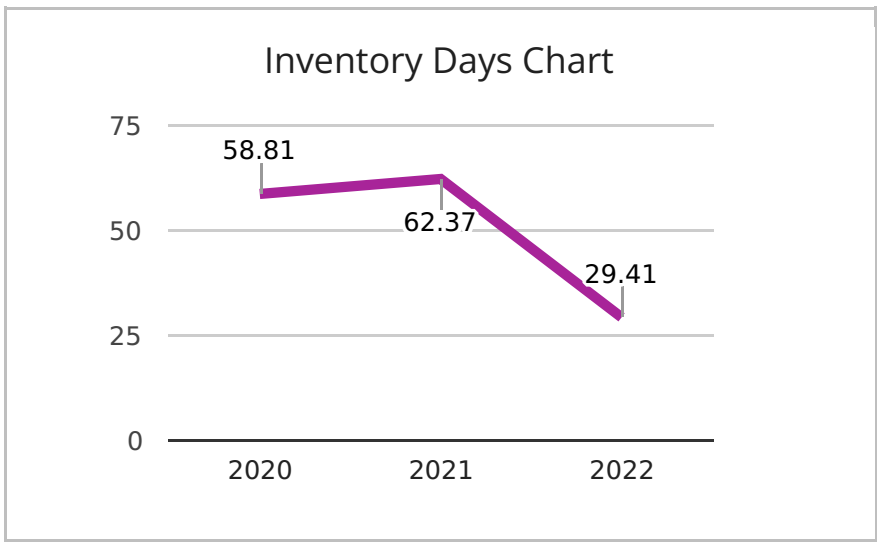
After talking to management and/or the client and reviewing the Company's financial operations, the forecasted ratios have been estimated and can be found in the last column labeled "Forecast". The estimated ratios and percentages are based on past performance and reasonable expectations. All cash drivers have been reviewed for trends and expectations for future performance.

The estimated cash drivers will impact the financials of the company (income statement and balance sheet) over the next several years. The resulting income statement forecast and corresponding balance sheets will be estimated on the next page of this report. The financial forecast is applied in the Income Approach.









Cash Drivers & Forecast	2018	2019	2020	2021	2022	Forecast
Primary Cash Drivers						
Sales Growth		0.66%	15.81%	3.28%	7.33%	8.00%
Cost Of Goods Sold	82.46%	82.30%	83.12%	81.05%	83.94%	83.00%
Operating Expenses	11.64%	12.04%	11.95%	11.39%	9.14%	0.00%
Secondary Cash Drivers						
Accounts Receivable Days	12.62	11.45	12.27	11.21	25.41	25.41
Inventory Days	77.89	68.33	58.81	62.37	29.41	24.69
Accounts Payable Days	46.64	33.46	25.68	245.96	186.36	1.64
Capital Expenditures	0.00%	0.94%	0.47%	0.56%	0.39%	0.50%

Income Statement (Forecast)	2023	2024	2025	2026	2027
INCOME STATEMENT BRIEF					
Sales	$37,096,485	$39,693,239	$42,471,765	$45,444,789	$47,717,028
Sales Growth	8.00%	7.00%	7.00%	7.00%	5.00%
Cost of Goods Sold	$30,790,082	$32,945,388	$35,251,565	$37,719,175	$39,605,134
Gross Profit	$6,306,402	$6,747,851	$7,220,200	$7,725,614	$8,111,895
Gross Profit Margin	17.00%	17.00%	17.00%	17.00%	17.00%
OPERATING EXPENSES					
Depreciation	$155,805	$166,712	$178,381	$190,868	$200,412
Selling, General & Admin Expenses	$3,553,843	$3,802,612	$3,644,077	$3,899,163	$4,094,121
Total Operating Expenses	$3,709,648	$3,969,324	$3,822,459	$4,090,031	$4,294,533
Operating Income (EBIT)	$2,596,754	$2,778,527	$3,397,741	$3,635,583	$3,817,362
Operating Income %	7.00%	7.00%	8.00%	8.00%	8.00%
Operating EBITDA	**$2,752,559**	**$2,945,238**	**$3,576,123**	**$3,826,451**	**$4,017,774**
EBITDA %	7.42%	7.42%	8.42%	8.42%	8.42%
Net Operating Profit After Tax (NOPAT)	**$1,635,955**	**$1,750,472**	**$2,140,577**	**$2,290,417**	**$2,404,938**
NOPAT %	4.41%	4.41%	5.04%	5.04%	5.04%

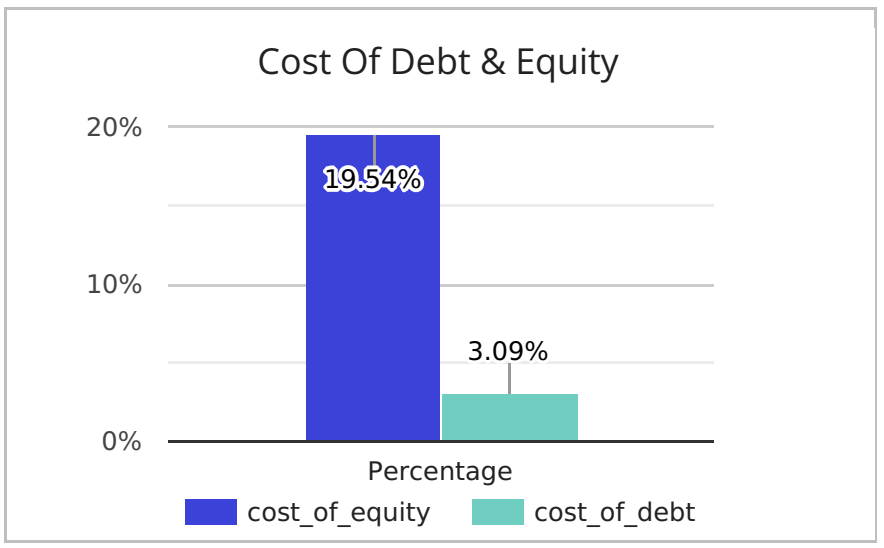
Balance Sheet (Forecast)	2023	2024	2025	2026	2027
ASSETS					
Cash	$29,422	$31,482	$33,686	$36,044	$37,846
Accounts Receivables	$2,582,367	$2,763,133	$2,956,553	$3,163,511	$3,321,687
Inventory	$2,082,487	$2,228,261	$2,384,239	$2,551,136	$2,678,693
Other Current Assets	$45,525	$48,712	$52,122	$55,770	$58,559
Current Assets	**$4,739,802**	**$5,071,588**	**$5,426,599**	**$5,806,461**	**$6,096,784**
LONG-TERM ASSETS					
Net Fixed Assets	$550,167	$588,679	$629,886	$673,978	$707,677
Other Long Term Assets	$1,695,047	$1,813,700	$1,940,659	$2,076,506	$2,180,331
Total Assets	**$6,985,016**	**$7,473,967**	**$7,997,145**	**$8,556,945**	**$8,984,792**
LIABILITIES					
Accounts Payable	$138,677	$148,384	$158,771	$169,885	$178,379
Current Maturities of Long-Term Debt	$0	$0	$0	$0	$0
Notes Payable	$36,555	$36,555	$36,555	$36,555	$36,555
Other Current Liabilities	$19,854	$21,243	$22,730	$24,322	$25,538
Current Liabilities	**$195,085**	**$206,182**	**$218,056**	**$230,761**	**$240,472**
LONG-TERM LIABILITIES					
Term Debt	$380,760	$380,760	$380,760	$380,760	$380,760
Other Long Term Liabilities	$1,590,380	$1,701,707	$1,820,826	$1,948,284	$2,045,698
Total Liabilities	**$2,166,225**	**$2,288,649**	**$2,419,642**	**$2,559,805**	**$2,666,930**
LIABILITIES & EQUITY					
Shareholders' Equity	**$4,818,791**	**$5,185,318**	**$5,577,503**	**$5,997,140**	**$6,317,863**
Total Liabilities & Equity	**$6,985,016**	**$7,473,967**	**$7,997,145**	**$8,556,945**	**$8,984,792**
WORKING CAPITAL					
Working Capital	$4,544,717	$4,865,406	$5,208,543	$5,575,700	$5,856,313
Working Capital (No Debt)	$4,515,294	$4,833,924	$5,174,857	$5,539,656	$5,818,467
Working Capital Change	$31,465	($318,629)	($340,934)	($364,799)	($278,811)

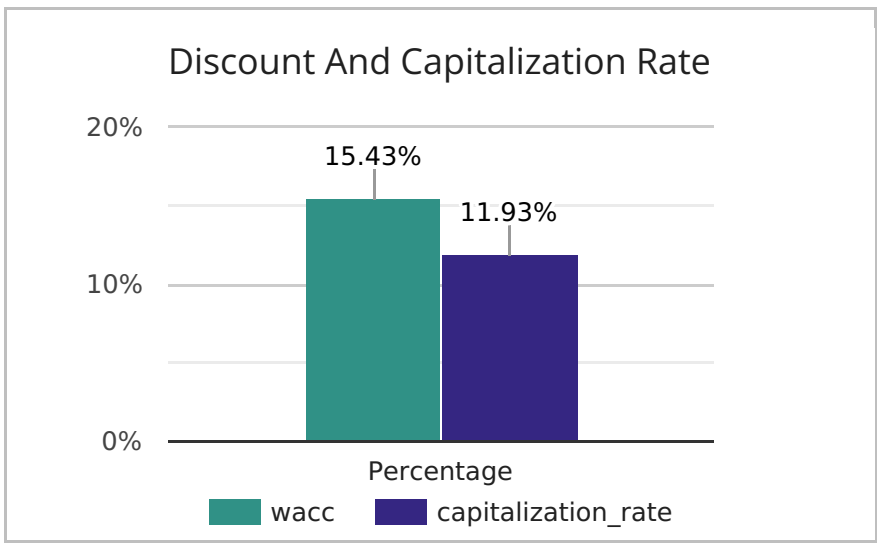
BUILD UP METHOD, DISCOUNT AND CAPITALIZATION RATE

The Build Up Method (BUM) applies risk factors to a proposed investment to arrive at the Discount Rate which is used in the Income Approach to Value. The BUM adds the Risk-Free Rate (assumes no risk on T Bills), the Equity Risk Premium (risk of equity above the T Bill), the Company Specific Risk Premium (CSRP) which is a non-diversified company risk, the Industry Risk (specific to the subject's industry) and Size Premium Risk (smaller companies have more risk). These risk factors total the Cost of Equity which is the rate of return an investor would seek on this type of investment in the subject company. The 20 year T-bill is a "normalized" rate that considers the Federal Reserves' policies to increase the money supply which drives interest rates lower.

The CSRP was given 1.00% points which adds to the investment risk which decreases value. The Cost of Equity and the Cost of Debt are weighted proportionately to determine the industry's capital structure and is called the Weighted Average Cost of Capital (WACC) and is commonly referred to as the Discount Rate (Cost of Capital). The Discount Rate is applied to the future cash flows in the Discounted Cash Flow Method on the next page. The long-term Growth Rate is deducted from the Discount Rate to arrive at the Capitalization Rate. The Capitalization Rate is applied to the Capitalization of Earnings method reviewed on the "Valuation Approaches" page.

Discount & Capitalization Rate	Percentage
Risk Free Rate	3.50%
Equity Risk Premium	6.00%
Industry Risk Premium	1.15%
Size Premium	7.89%
Company Specific Risk Premium	1.00%
Cost of Equity	**19.54%**
Cost of Debt (tax effected)	3.09%
Discount Rate (WACC)	**15.43%**
Growth Rate Terminal Year	3.50%
Capitalization Rate	**11.93%**





THE WEIGHTED AVERAGE COST OF CAPITAL DETAIL

Calculating the Cost of Equity is the first part to estimate the weighted average cost of capital. Oak Street Supply's Cost of Equity is 19.54%. The information source is the CRSP Deciles Size Study from Duff & Phelps Cost of Capital (online) and the formula is:

Ke = Rf + ERP + RPi + RPs + CSRP

Ke = Cost of equity

(Source: Duff & Phelps Cost of Capital, normalized 20-year treasury)

Rf = Risk free rate of return on security

(Source: Duff & Phelps Cost of Capital)

ERP= Equity risk premium

(Source: Duff & Phelps Cost of Capital)

RPi = Industry risk premium

(Source: Duff and Phelps Cost of Capital Full Beta)

RPs = Risk premium on small stocks

(Source: Duff and Phelps Cost of Capital CRSP Decile 10B)

CSRP = Company specific risk premium

(The CSRP is added to account for risk above the financial markets)

The Weighted Average Cost of Capital (WAAC) or Discount Rate for Oak Street Supply is 15.43%. The WACC proportionately weights the capital structure with the industry's capitalization of equity and debt. To arrive at the WACC the Cost of Equity and the Cost of Debt need to be calculated. The formula is:

WACC = (Ke x's E) + (Kd x's D)

WACC = Weighted average cost of capital

Ke = Cost of equity

Kd = Cost of debt

E = Percentage of equity in the capital structure

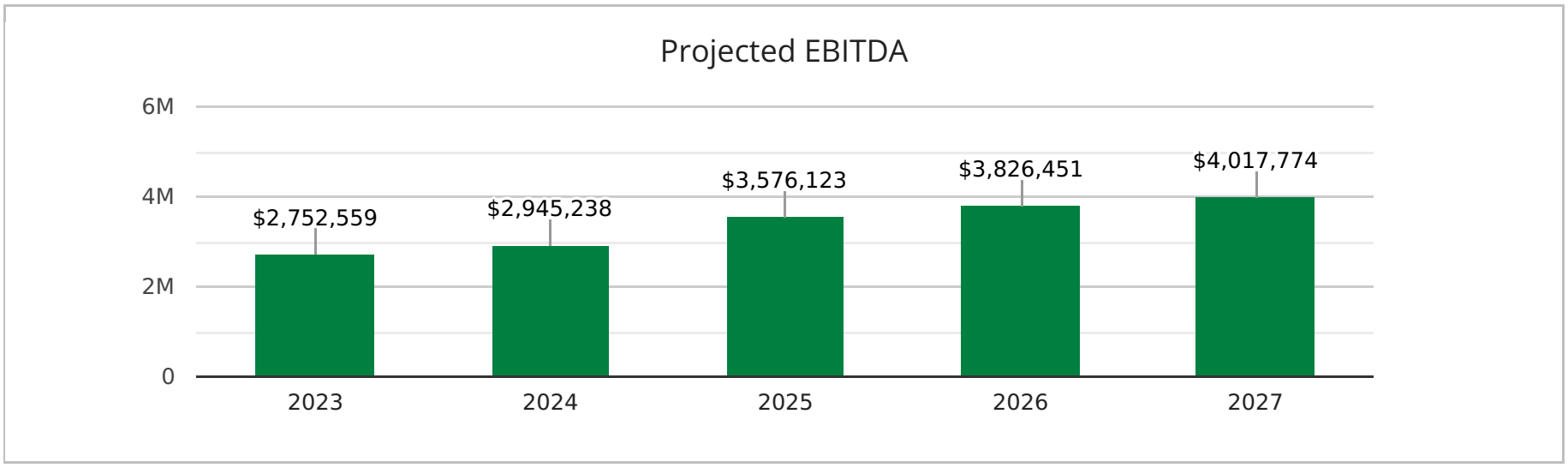
D = Percentage of debt in the capital structure

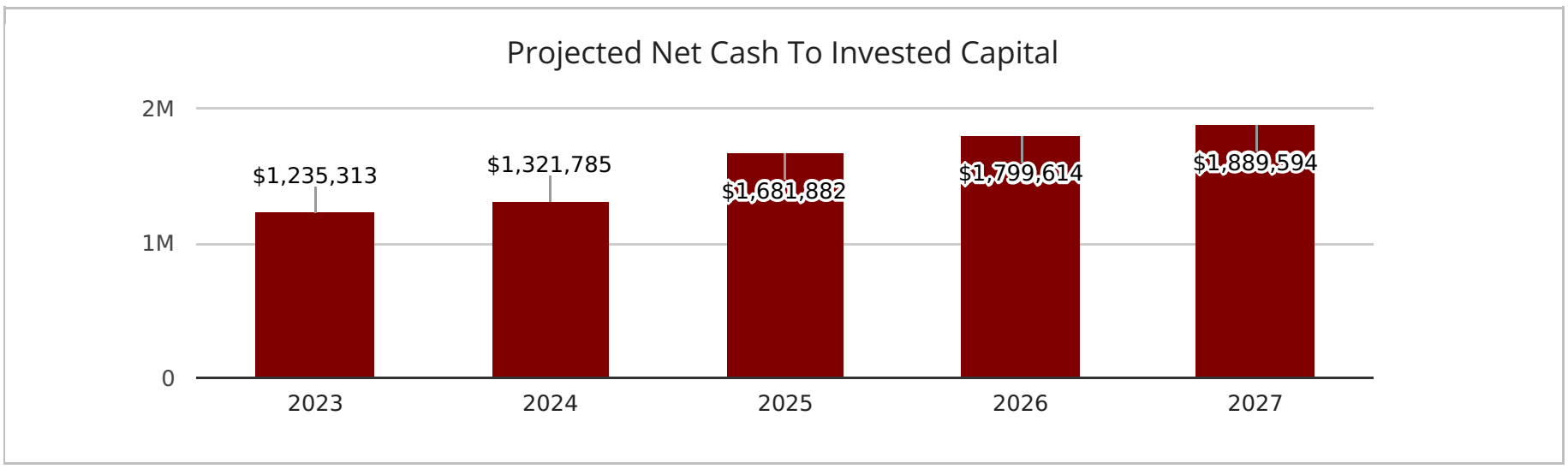
NET CASH FLOW (TO INVESTED CAPITAL)

The Net Cash Flow to Invested Capital is the cash available to debt and equity holders and is projected for a period of years (below). In the "termination" year after the last projected year, the shareholders theoretically recapitalize the business to total the sale proceeds along with the years of Operating Net Cash Flow. The Terminal Value is based on the month after the last projected year of net cash flow which is capitalized using the Capitalization Rate. The present value of the sum of the Operating Net Cash Flow plus the Terminal Value cash flow is presented on the next page under the Discounted Cash Flow Method.

Mid-Year or End-of-Year Convention Note: When applying the discount rate, it is typical to use either the end-of-year or mid-year in assuming the timing of the annual cash flows. Normally the mid-year best reflects the timing of the cash flows as the first half of cash flows will be overly discounted and the last half of the year will be under discounted. However the mid-year convention is best as the first and last half both cancel each other out and the middle of the year takes precedence. The end-of-year convention assumes the cash flows will come in at the very end of the year such as strong retail holiday sales. This report uses the mid-year convention.

Net Cash Flow to IC	2023	2024	2025	2026	2027
Revenue	$37,096,485	$39,693,239	$42,471,765	$45,444,789	$47,717,028
Growth Rate	8.00%	7.00%	7.00%	7.00%	5.00%
EBITDA	$2,752,559	$2,945,238	$3,576,123	$3,826,451	$4,017,774
EBITDA %	7.42%	7.42%	8.42%	8.42%	8.42%
Income Taxes (37% Marginal Rate)	($960,799)	($1,028,055)	($1,257,164)	($1,345,166)	($1,412,424)
Capital Expenditures	($185,482)	($198,466)	($212,359)	($227,224)	($238,585)
Working Capital Change	($370,965)	($396,932)	($424,718)	($454,448)	($477,170)
NCF to Invested Capital	**$1,235,313**	**$1,321,785**	**$1,681,882**	**$1,799,614**	**$1,889,594**





DISCOUNTED CASH FLOW METHOD (INCOME APPROACH)

The Net Cash Flow (NCF) is projected for 5 years. In the “termination” year after the fifth year, the shareholders theoretically recapitalize the business to total the sale proceeds and 5 years of operating net cash flow. The terminal value is based on the month after the fifth year's net cash flow which is capitalized using the Capitalization Rate. The DCF Method is the present value of the two cash flows.

Discounted Cash Flow Method (NCF to IC)	Present Value
Discounted Value of Operating Net Cash Flow	$5,470,648
Discounted Cash Flow of Terminal Value	$8,598,203
Discounted Cash Flow Method (DCF)	**$14,068,852**

CAPITALIZATION OF EARNINGS METHOD (INCOME APPROACH)

The Capitalization of Earnings Method is based on the next year’s forecasted Net Cash Flow to Invested Capital which is the NCF available to shareholder's and debt holders. The Capitalization Rate is adjusted for the company's mature growth rate. The Net Cash Flow is divided by the Capitalization Rate which calculates the company’s Capitalized Value. The Capitalization of Earnings Method capitalizes one single year of net cash flow which is more applicable to mature companies with stable earnings and less so for those with significant variances.

Capitalization of Earnings Method (NCF to IC)	Present Value
Next Year of Projected NCF to IC	$1,235,313
Capitalization Rate	11.93%
Capitalized Method (NCF / Cap Rate)	**$10,356,847**

SELLING MULTIPLES (MARKET APPROACH)

The Market Approach applies industry selling multiples (mean) to the Company's EBIT, EBITDA, Net Operating Profit After Tax and Sellers Discretionary Earnings. The Company's applied multiples can be adjusted higher or lower than the industry multiple as the Company is out-performing or under-performing the industry.

Market Multiples Method	EBITDA	EBIT	NOPAT	SDE	Sales	Gross Profit
Industry Average Selling Multiple	5.20	5.40	8	2.60	0.56	2.20
Adjusted Selling Multiple	5.20	5.40	8	2.60	0.56	2.20
Subject Company Data	$2,520,364	$2,377,815	$1,498,023	$2,720,364	$34,348,597	$5,517,543
Market Multiples Method	**$13,105,893**	**$12,840,201**	**$11,984,188**	**$7,072,946**	**$19,235,214**	**$12,138,595**

NET ASSET VALUE METHOD (ASSET APPROACH)

The asset approach subtracts the market value of the liabilities from the market value of the assets to arrive at the Net Asset Value. If the asset and liabilities have been adjusted, this will be expanded on the next two pages.

Net Asset Value	Value
Total Assets	$7,071,067
Total Liabilities	$3,539,856
Net Asset Value	**$3,531,211**

NET ASSET VALUE AS OF 2023-02-03

Net Asset Value	Historic	Adjustment	Adjusted
CURRENT ASSETS			
Cash & Equivalents	$54,333	$0	$54,333
Accounts Receivable	$2,254,211	$0	$2,254,211
Inventory	$2,365,000	$0	$2,365,000
Other Current Assets	$43,620	$0	$43,620
Total Current Assets	**$4,717,164**	**-**	**$4,717,164**
LONG-TERM ASSETS			
Net Fixed Assets	$509,414	$275,000	$784,414
Other Long-Term Assets	$1,569,489	$0	$1,569,489
Total Assets	**$6,796,067**	**-**	**$7,071,067**
CURRENT LIABILITIES			
Current Maturities of LT Debt	$0	$0	$0
Accounts Payable	$136,890	$0	$136,890
Notes Payable	$31,400	$0	$31,400
Other Current Liabilities	$86,994	$0	$86,994
Total Current Liabilities	**$255,284**	**-**	**$255,284**
LONG-TERM LIABILITIES			
Term Debt	$380,760	$0	$380,760
Other Long-Term Liabilities	$2,903,812	$0	$2,903,812
Total Liabilities	**$3,539,856**	**-**	**$3,539,856**
NET ASSET VALUE	**$3,256,211**	**-**	**$3,531,211**

NOTE: The balance sheet has been adjusted to reflect current market values of applicable assets and liabilities.

In this case the Fixed Assets have been adjusted to reflect the market value of the equipment.

WEIGHTING OR ALLOCATING VALUE: Valuations are part subjective and relate to the quality of the benefit stream, risk and market conditions. Various methods and calculations have been selected and weighted that best represent company value. The DCF was weighted 50.00% as it measures future cash flow, risk and value over several years. The Capitalization of Earnings was not used because this years NCF was not a consistent measure or the DCF was used. EBITDA was weighted 50.00% because it serves as a good proxy to operating cash flow value. EBIT was not used because it wasn't a good measure of debt free operating income or EBITDA was a better measure. NOPAT was not used as the tax adjusted operating income did not reflect value or other calculations were more relevant. The Fair Market Value (FMV) for 100% of Oak Street Supply's enterprise value is $13,587,372.

Weighting for Enterprise Value	Valuation	Weighting	Applied Value
Discounted Cash Flow Method (Income)	$14,068,852	50.00%	$7,034,426
Capitalization of Earnings Method (Income)	$10,356,847	0.00%	$0
EBITDA Calculation (Market)	$13,105,893	50.00%	$6,552,946
EBIT Calculation (Market)	$12,840,201	0.00%	$0
Net Asset Value (Asset Approach)	$3,531,211	0.00%	$0
Net Operating Profit After Tax Calculation (Market)	$11,984,188	0.00%	$0
Enterprise Value for 100% of Company		-	**$13,587,372**
Enterprise Value After WC Adjustment		-	**$15,549,252**
Equity Value for 100% of Company		-	**$15,168,492**

Allocation for Shares	Share Value
Shares Outstanding	5,000,000
Shares Being Valued (Share Lot)	5,000,000
Equity Value for 100% of Company	$15,168,492
Value for Share Lot	$15,168,492
Value Per Share $	**3.03**

DISCOUNT FOR LACK OF CONTROL (5 YEAR AVERAGE)

The Discount for Lack of Control (DLOC) is used for minority shares that can't impact a company's operations or exit strategy. The Mergerstat Review Premium & Discounts reported the producer manufacturing sector had an average five year premium of 44.70%. The formula of "premium/1+ premium" calculates a 30.89% discount rate.

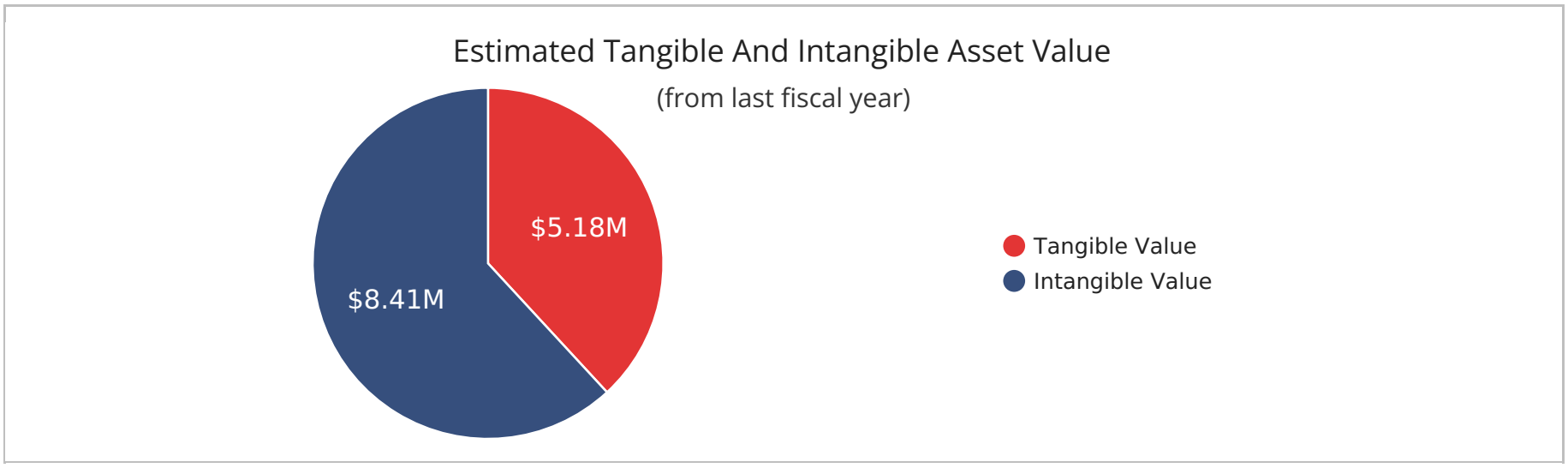
Discount for Lack of Control	Value
Value of Share Lot	$15,168,492
Applied Discount For Lack Of Control	$4,685,775
Value After Control Adjustment	**$10,482,717**

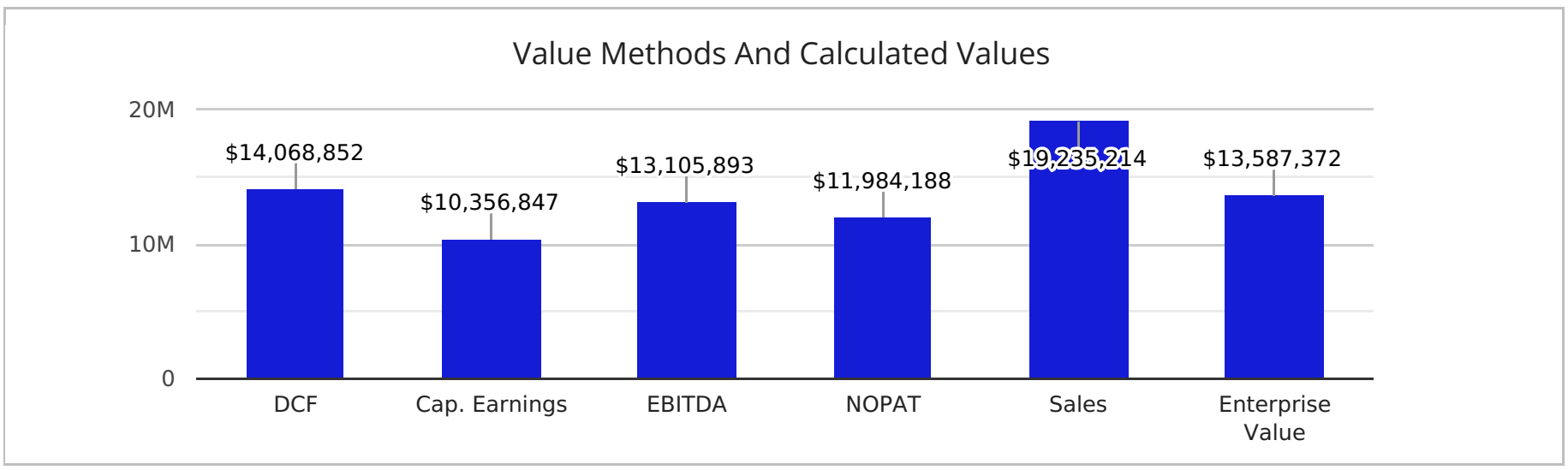
DISCOUNT FOR LACK OF MARKETABILITY

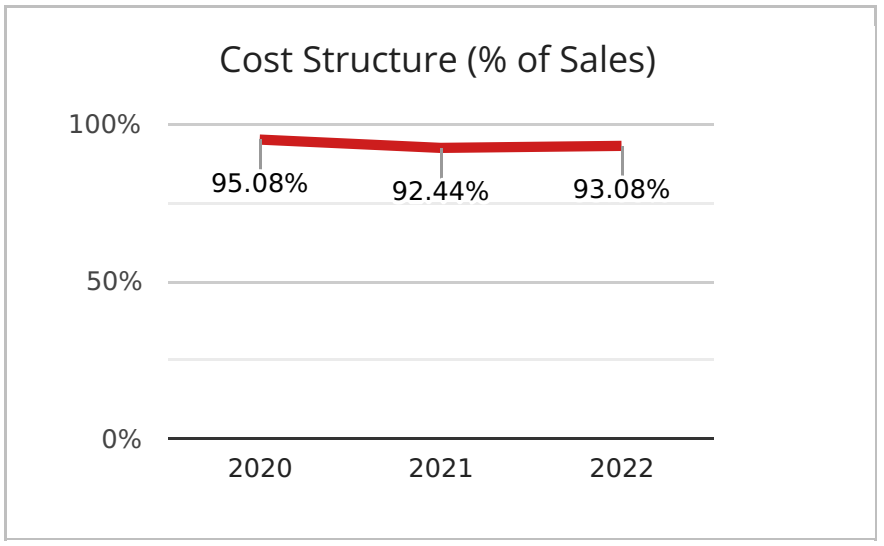
The Discount for Lack of Marketability (DLOM) is used to compensate for the time incurred to liquidate an equity and the risk associated with that holding period that the transaction might not occur or might be delayed. The DLOM applies the Restricted Stock Equivalent Discount (RSED) for smaller blocks of stock and the Private Equity Discount Increment (PEDI) for lack of liquidity. The Pluris Database reports the RSED of 10.20% and the PEDI of 6.80%. The Pluris Database has thousands of transactions in a wide range of industries and size.

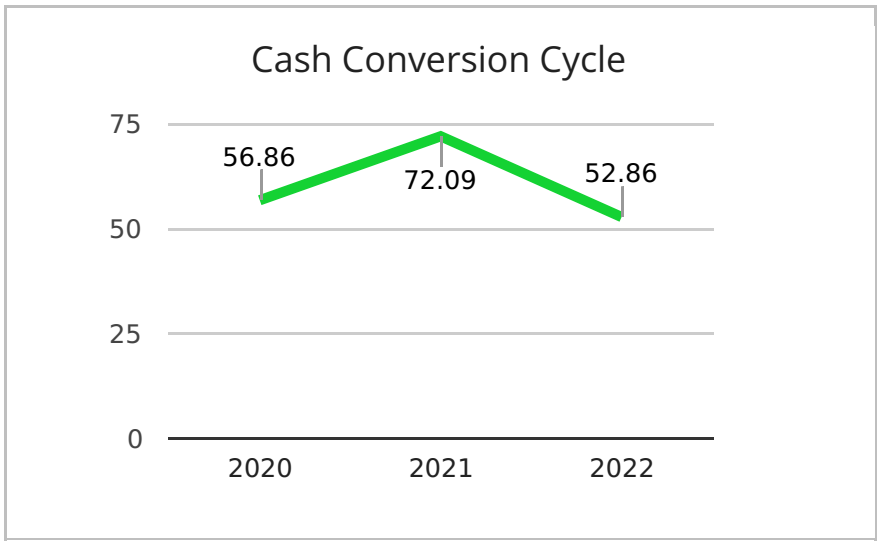
Discount For Lack Of Marketability	Value
Restricted Stock Equivalent Discount	10.20%
Private Equity Discount Increment	6.80%
Discount for Lack of Marketabiltiy	17.00%
Applied Marketability Discount	$1,782,062
Value After Marketability Adjustment	**$8,700,656**

CONCLUSION: The Company is Valued at $8,700,000 after discounts which is $1.74 per common share.









INTANGIBLE ASSETS

Intangible assets are goodwill and other assets that are not itemized or listed on the balance sheet. Tangible assets are hard assets or physical assets that are used to produce goods and services. Intangible assets (copyrights, brands, customer list, patents) most likely produce a higher return than the tangible assets. We estimated the value of both assets to put the company value into more perspective.

COST STRUCTURE

Companies build value by reducing their cost structure, improving cash management (cash conversion cycle) and efficiently managing fixed assets if applicable. Efficiencies or optimization increases net cash flow and business value.

CASH CONVERSION CYCLE

The Cash Conversion Cycle (CCC) is the amount of days the company invests cash into the business before it cycles to cash again. The lower the CCC Days (AR Days + Inventory - AP Days) the more the cash flow, which impacts value.

APPRAISER'S INDEPENDENCE

A business appraiser offers an objective and independent opinion of value of the business interest and does not act in an advisory function. In this valuation, the appraiser is offering an objective and independent opinion of value of the business interest. The appraiser is independent of the client and has no ownership interest, employee benefits or role in the company, is not an officer of the company and has no ongoing role in the future of the company. The consideration paid to an appraiser for an engagement should not be subject to meeting a client's expected concept of value. The appraisal fee for this valuation engagement is not dependent on any expectations of the client's perceived value of the asset being valued. Regarding this valuation engagement, we are not acting as an advisor, are not receiving any benefits other than the flat valuation fee paid and have retained total independence.

ADJUSTMENTS TO THE FINANCIAL STATEMENTS

A valuation reviews the benefits stream (income measure such as EBITDA) where owner discretionary spending is adjusted or added back to earnings to 'restore' the financial statements to a normalized basis. These adjustments can be made on the income statement and would include items such as one-time charges not expected to occur again and any shareholder distributions beyond a normal salary or expenses not pertinent to the day-to-day operations of the business. The balance sheet can also be adjusted to separate non-operating assets from the operating assets. The value of the non-operating assets is added to the fair market value.

BUILD UP METHOD (BUM)

The BUM's purpose is to measure the totality of a company's business risk. The risk measure starts with a risk-free rate which is the expected return on 20 Year Treasury Bills backed by the U.S. government. These risk-free investments generally offer a low risk and therefore lower rates of return. A company does not have the backing of the U.S. government and as an equity risk, the risk is higher than the T Bill. This Equity Risk is the risk of the equity investment beyond that of the risk-free rate. The Company Specific Risk Premium considers the non-diversified risk or the fact that this risk can't be diversified or spread over several companies or industries. In this valuation, we are including a size risk premium due to the subject company being smaller than the Guideline Public Companies used in the comparisons.

CAPITALIZATION METHOD

The Capitalization Method converts a company's benefit stream to a present value of the business. The Capitalization Method can use alternative measures such as Cash Flow to Equity or Cash Flow to Invested Capital. The formula is Benefit stream / Cap Rate.

CAPITALIZATION RATE

The Capitalization Rate is a percentage number calculated by deducting a company's growth rate from the Discount Rate. The Capitalization Rate is used to convert a company's single period benefits (income stream) to a capitalized value of a business.

DISCOUNTED CASH FLOW METHOD

Discounted Cash Flow (DCF) is the present value of future income streams. The DCF Method calculates the present value of a company's benefits stream (cash flow) and termination value, to present value of the business value. DCF utilizes the discount rate in the calculation.

DISCOUNT RATE

The Discount Rate is the risk rate used in a valuation to convert multiple periods of future benefits (income stream) to a capitalization value (present value). The discount rate utilizes the weighted average cost of capital (WACC) debt and equity participants would require given the risk of the future income stream of a business. The smaller the discount rate, the larger the business value.

EXCESS WORKING CAPITAL

When companies sell, buyers expect sellers to deliver the appropriate working capital at the closing, that is consistent with the industry or the needed liquidity to maintain the business. This working capital variance can be positive (cash back to seller) or negative (credit to buyer). If working capital is insufficient, buyers will consider the variance as purchase price which means a reduction in value.

GUIDELINE PUBLIC COMPANIES METHOD

The Market Approach uses selling multiples from Guideline Public companies where stock is traded daily. Accessing private data on company transactions can be difficult and spotty. Publicly traded companies are typically larger than private companies, are better capitalized, have more transparency, and are openly traded. Therefore, private company multiples are normally discounted by 30% due to size and liquidity. Public companies traded in volume presents a strong valuation model.

NET CASH FLOW TO INVESTED CAPITAL

The Net Cash Flow (NCF) to Invested Capital is a widely used measure in determining the cash flow that is available to debt holders and shareholders. The NCF begins with the earnings before interest, taxes, depreciation and amortization or EBITDA. Interest is added back to reflect a debt free company (no debt, no interest paid). Because taxes will be paid and capital expenditures may be needed, these costs are subtracted from the EBITDA numbers. This net cash flow is used in the Discounted Cash Flow and Capitalization of Earnings Method.

WEIGHTING THE METHODS OF VALUE

Some valuation methods might better reflect value for a specific company. Experts select which methods best fits with the subject company being appraised to arrive at the Fair Market Value. A weighted average best suits most companies for a market-based appraisal. This valuation weighs up to five different methods to arrive at Fair market Value.

WEIGHTED AVERAGE COST OF CAPITAL (WACC)

The weighted average cost of capital is the rate of a company's funding (debt and equity). WACC is the amount the debt and equity holders expect to receive and is the minimum return that is normally required by a company. If a company's ROIC is greater than the WACC, value is being created. If less, value is being diminished.

MARKET VALUE OF EQUITY (MVE)

The Market Value of Equity (MVE) is based on the income stream of a business including interest on debt and principal amounts. By deducting the interest payment from the Net Cash Flow and considering the change in the debt (principal), the company is valuing its equity. The Net Cash Flow to MVE is the cash available to the shareholders as the debt holders have been paid.

MARKET VALUE OF INVESTED CAPITAL (MVIC)

The Market Value of Invested Capital (MVIC) is based on the income stream of a business and does not include interest on debt or any principal amounts. By not deducting any interest payment from the Net Cash Flow and not considering the change in the debt (principal), the company is valuing the business based on the enterprise value of debt and equity. The Net Cash Flow to MVIC is the cash available to the shareholders and the debt holders.

SCOPE OF APPRAISAL

The scope of the appraisal defines the comprehensiveness of the process, the extent of the procedures used, and the detail of information collected and analyzed. The valuation scope ranges between a limited and a comprehensive valuation. A 'Calculated Value' such as this valuation, is a limited valuation. A calculated valuation provides an approximate indication of enterprise value or range of value based on limited procedures and information deemed to be relevant. The information collected is deemed to be accurate as presented by company management.

STANDARD OF VALUE

The standard of value refers to the type of value to be assessed. There are four types of values: Fair Market Value, Fair Value, Investment Value and Intrinsic Value. The Fair Market Value is the most common standard and is the value an asset would expect to sell for on the open market given broad assumptions. The Fair Value deals mostly with a fair value for legal purposes, and not the market or economic value. The Investment Value is based on what an asset would sell for given a specific buyer which is opportunistic in nature and is considered strategic. The Intrinsic Value considers all factors any prudent investor would see in the inherent value of a business and does not consider any extreme aspects of market conditions or behaviors.

GOODWILL (INTANGIBLE ASSETS)

Goodwill is the portion of the business value beyond the value of the identifiable tangible and intangible assets of the business. Goodwill is an intangible asset and is usually the result of an acquisition or purchase.

EARNINGS BEFORE INTEREST & TAXES

Earnings before interest and taxes (EBIT) is the operating income of a business. Interest and taxes while important, are considered non-operating expenses. This report recasts the income statement into the operating income and expenses and then the non-operating income and expenses. The EBIT is one of the most critical numbers as it reflects a company's earnings power.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION

The EBITDA is EBIT plus depreciation and amortization. Depreciation is the charge or cost of fixed assets that are being depleted every year. The amortization is a depletion charge against goodwill which is usually the result of an acquisition. EBITDA is a common number business people use a great deal in that it represents a company's operating efficiency. EBITDA is useful as it can be compared to other companies with various debt, capital investment depreciation policies.

NET OPERATING PROFIT AFTER TAXES

NOPAT measures the operating income (EBIT) after income taxes. This is a more conservative operating number as it includes tax liabilities, depreciation and amortization.

SELLER'S DISCRETIONARY EARNINGS

SDE is the amount of profit left in the business after all expenses have been paid, plus owner wages taken plus depreciation and amortization, if any. SDE usually adds back one owner's earnings if there are multiple business owners who take salary. SDE is mostly used in smaller businesses where the company is more dependent on the owner and it might be more of a lifestyle type business.

FIXED, TANGIBLE AND INTANGIBLE ASSETS

Fixed assets are the long-term tangible assets (property and equipment) that are expected to have a useful life greater than one year where the company uses these assets to produce sales. Fixed assets are depreciated over a period of time and usually need to be replenished. If a company does not replenish these assets, the company's performance will deteriorate. Where tangible assets can be seen and touched, intangible assets can't. Intangible assets include customer lists, brand appeal, proprietary processes and systems. patents, goodwill and other assets not usually listed on the balance sheet.

TERM DEBT

Term debt is interest bearing debt that is to be repaid longer than one year. The current maturities of long-term debt are to be repaid within one year. Term debt is usually bank debt that is used to finance a transaction, equipment and other long-term needs. Short-term needs are often referred to as revolving credit for receivables, inventory, etc.

WORKING CAPITAL

Working capital is the current assets less the current liabilities. Working capital has to finance sales, so it is critical to maintain strong cash policies so the company can efficiently grow sales. Working capital shortages can gradually bring stress and insolvency.

RATIO ANALYSIS

Ratio analysis uses information from the income statement and balance sheet to document a company's profitability, liquidity, activity and financial performance. See the breakdown on the Ratio Review Page for the specific detail. It is critical to understand what ratios are important to your industry and company.

ENGAGEMENT'S LIMITING CONDITIONS

1. This valuation is only valid for the stated purpose and as of the date listed in the Appraisal Assignment.

2. This valuation was performed with information from the Company and/or the Client. This information may include financials, ownership positions, business conditions, forecasted assumptions and other data and has been accepted and deemed to be accurate, but has not been verified. Exit45 and the appraiser make no representations or warranties to the accuracy of this information.

3. This valuation relied upon industry information and has been accepted but not validated, but deemed accurate. Exit45 makes no representations on the accuracy of this content.

4. Forecasted numbers are reliant on historical data and the Company or Clients vision and assumptions going forward. Because actual results can be different from forecasted results, sometimes significant variances can occur.

5. Forecasted numbers and the valuation conclusion both are predicated on continuous management execution and expertise and the company continuing to operate in such a manner as to not diminish the operations which may impact value. Because assumptions are based on client assumptions and Exit45 has not performed an audit of the company or its financials, Exit45 does not make any representations or warranties to the valuation conclusion as the forecast can differ from actual performance.

6. This valuation does not offer or imply any investment or accounting advice in any way. The value in this report is the product of both Company or Client information that was used in the valuation process to determine value. This report is only to be used by the intended user (the client) and only for the purpose listed in the Appraisal Assignment.

7. Any future work where the client is in need of testifying or expert witness testimony, will require a separate Expert Witness Agreement between the client and Exit45 and the appraiser.

8. Exit45 is not obligated to perform any future services that deal with any subject manner in this report including testimony or attendance in court, or conference calls or meetings of any type unless a separate agreement is made between the parties. Any separate agreement must agree on the services and pricing required.

9. Exit45 is not responsible for any environmental conditions or governmental laws, codes or rulings in any event that relate to the subject company, it's shareholders or client's diminished value in the asset being appraised. Exit45 has not conducted any compliance, analysis or review on property or general company compliance with any governmental organizations or authorities and Exit45 makes no representations or warranties on these conditions.

10. Exit45 recommends that the client further investigate or contact specific professionals who can provide guidance on any governmental, environmental, legal, operational or financial matters that may impact value.

11. No changes to this report can be made. Only Exit45 is allowed to make changes.

12. This report does not present a fairness opinion as to an actual value for a proposed transaction, a solvency opinion or an investment opinion unless expressly stated in the Appraisal Assignment. Values of exchanged assets may be significantly different from the appraisal value on a specific date and between specific parties.

ADDENDUM TO THE APPRAISAL

MAKING THE MOST FROM THE ANALYTICAL INFORMATION

The following analytical information in the Addendum to the Appraisal can be useful to better understand how value is impacted by sales growth ("real" sales growth), working capital (liquidity), expense trends (expense controls), how cash is generated and consumed (cash management), managing the fixed assets (investment capital), and the ability to access capital (bankability).

TRACK AND IMPROVE THE CASH DRIVERS

The Addendum highlights the **Seven Cash Drivers** which are the financial engine of the business. Not all businesses will have all seven cash drivers as it depends on the company and their industry. A manufacturing or production company might have all seven cash drivers while a service business might not have Cost of Goods Sold or inventory for example. Review the Cash Drivers to see how they impact value.

PRIMARY CASH DRIVERS (Income Statement)
Sales
Cost of Goods Sold
Operating Expenses

SECONDARY CASH DRIVERS (Balance Sheet)
Accounts Receivable
Inventory
Accounts Payable
Capital Expenditures

The Company Risk Analysis: LOW RISK = O MEDIUM RISK = 1 HIGH RISK = 2

Company Risk Analysis Summary	Assigned Risk
Competitive Business Model	1.00%
Margin Control & Consistency	0.00%
Sales Growth Opportunity	0.00%
Management Depth & Execution	0.00%
Liquidity and Leverage Use	0.00%
Long Term Threats	0.00%
Company Specific Risk Premium	1.00%

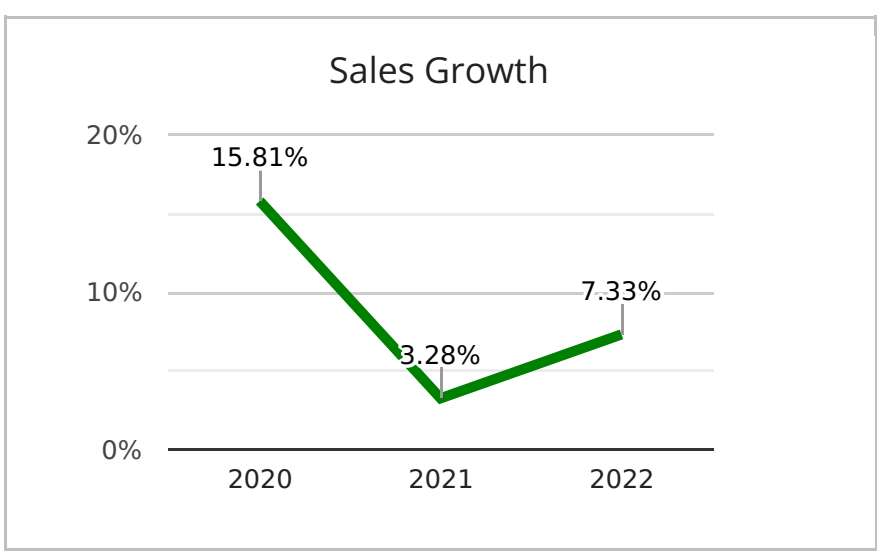
Note: The three risk levels are only applicable to the six individual risk areas of the business and not the Company Specific Risk Premium (CSRP). However the CSRP impacts the Discount Rate and company value (the lower the Discount Rate, the higher the business value).

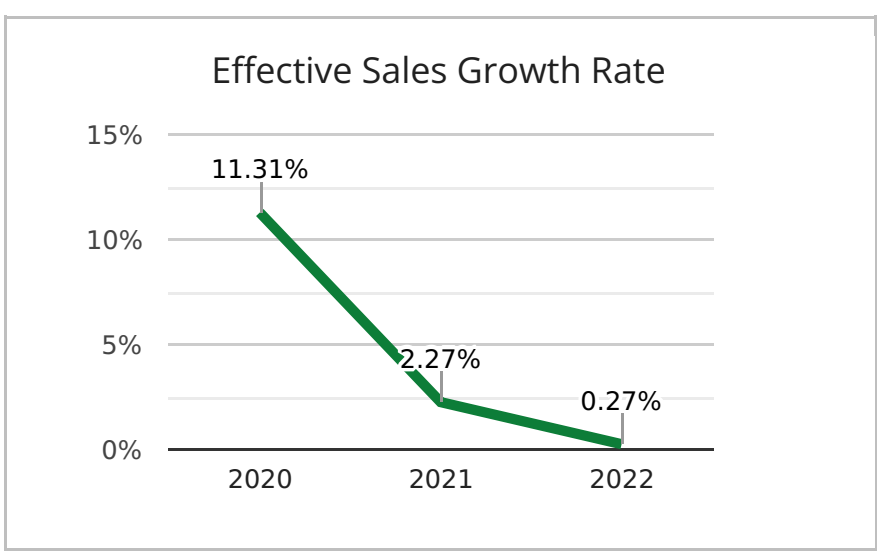
SALES AND IT'S IMPACT

A company's sales quality is impacted by sales growth, pricing, product mix, cash management (financing sales through receivables, inventory, investment and payables) and the cost structure. Sales quality impacts a company's financial health and the risk level which increases or decreases the Discount Rate utilized in the valuation. A review of the real sales growth rate might add perspective to the sales quality.

THE EFFECTIVE SALES GROWTH RATE

The Effective Sales Growth Rate factors in the Cost of Goods Sold growth rate and the inflation rate. If the COGS growth increases this acts as a price decrease, generating less cash. When the COGS growth decreases this acts as a price increase, generating more cash. The Gross Profit Margin impacts value. Last year the sales growth rate was 7.33% and the effective sales growth rate was 0.27%, decreasing cash flow.





Effective Sales Growth Rate	2018	2019	2020	2021	2022
Revenue Growth Rate		0.66%	15.81%	3.28%	7.33%
Cost of Goods Sold Growth Rate		0.20%	(1.00%)	2.50%	(3.56%)
Inflation		(3.50%)	(3.50%)	(3.50%)	(3.50%)
Effective Sales Growth Rate		(2.64%)	11.31%	2.27%	0.27%

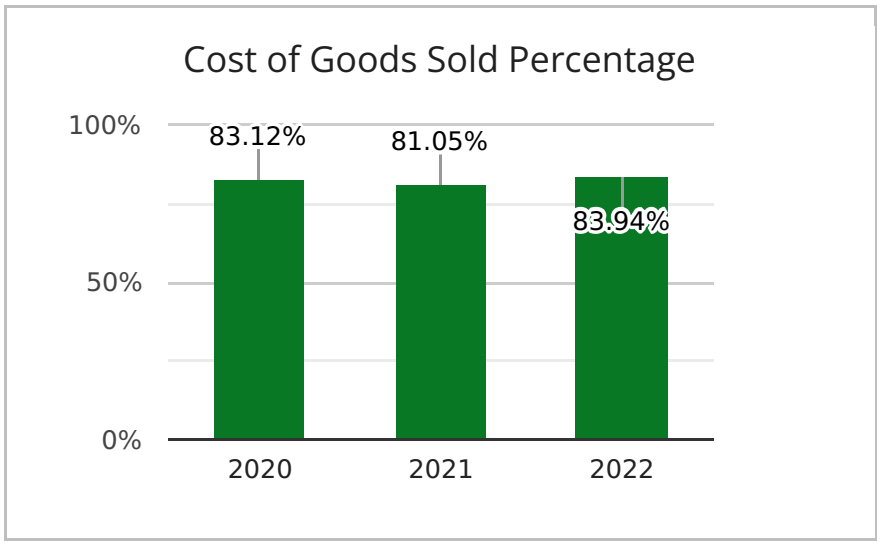
SALES GROWTH AND SALES QUALITY

Sales are the most visible cash driver and the most important. Sales growth impacts all other variables. While sales do eventually generate cash, there is an immediate need for cash expenditures to support sales growth. Liquidity problems are created when companies grow beyond their sustainable growth rate. Faster growth requires more cash from reserves, equity contributions, loans or vendor credit. Sales growth only to achieve a benchmark is not always wise or sustainable.

Understand the cash needs (the Cash Drivers) and improve efficiencies before growing sales. Review which customers are profitable, allowing you to earn a reasonable return and increase cash flow. Be aware of customers with extended credit unless they are covering these added costs. There are good profitable customers and marginal customers. Quality Sales are those sales that allow the company to earn a reasonable profit and minimize the cash needed to support those sales.

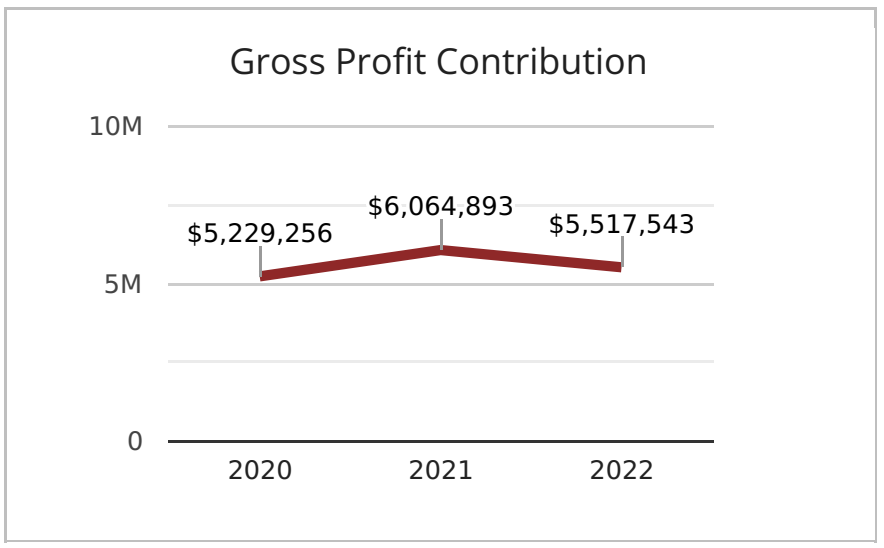
COST CONTROLS & PRODUCTIVITY

Valuations look backwards (Market Approach) and forward (Income Approach). The latest year is usually the most critical in the market approach where the income stream is multiplied by the Company's peer multiples. Cost controls and productivity become important value drivers in a valuation. This next section will discuss expenses, productivity and operating income. As company's execute, this impacts cash flow, enterprise value and the company's ability to secure capital.



COGS TO SALES %

Last year COGS increased 11.16% as sales grew 7.33%. COGS was trending above the average ratio of 82.57%, acting like a sales decrease . Optimal COGS results in improved inventory levels with reasonably good sales volume, generating more business value due to higher margins.



GROSS PROFIT CONTRIBUTION

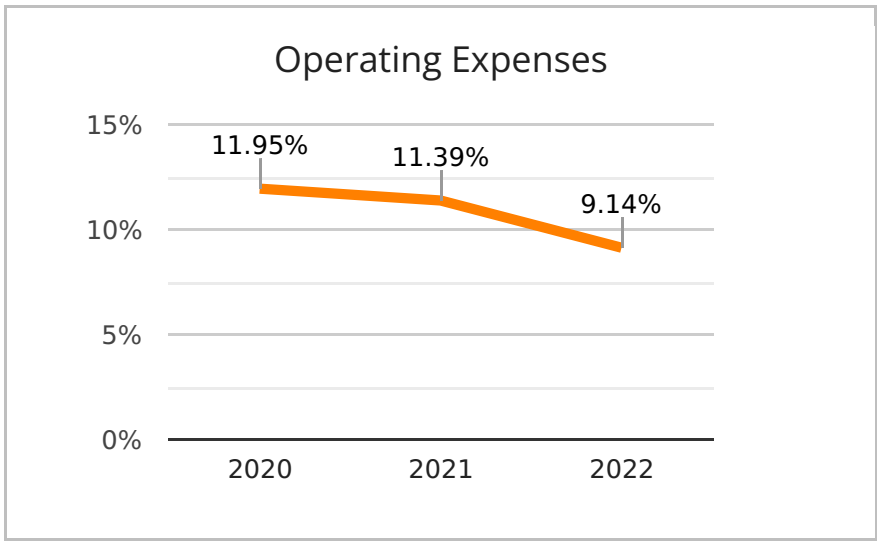
The Gross Profit Contribution if often the second most important number after sales. Specifically, when the Gross Profit is growing faster than the sales growth, it means the company is improving its cost structure. In the latest year the Gross Profit decreased 9.02% while Sales grew 7.33%.

GROSS PROFIT CONTRIBUTION

The Gross Profit Contribution needs to be adequate to generate enough return to cover the operating expense burden and reasonable net profit. Only by increasing prices or decreasing the cost of goods sold will the Gross Profit Margin increase. Companies not optimizing the GPM might review procedures to ensure the cost structure does not grow more than the sales growth. Areas for cost controls include reducing overall supply chain and manufacturing lead times, reducing work-in-process and inventories and improving production methods.

OPERATING EXPENSE ANALYSIS

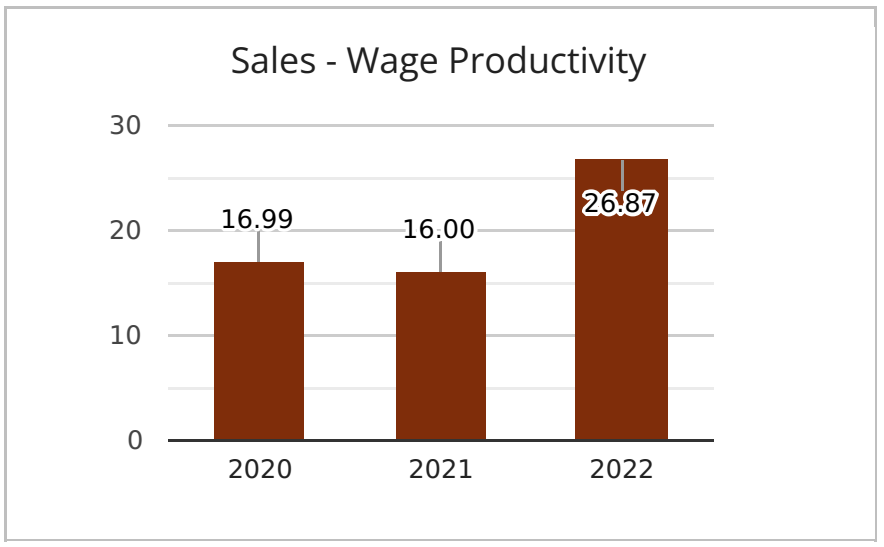
Selling, general and administrative expenses should be monitored and measured continuously to better control cost. Companies often focus more on sales growth and less on expense controls. Measure the largest expenses that are over budget and take immediate corrective action to reduce these expenses. Delaying corrective action reduces profit, retained earnings, and the ability to reduce liabilities or increase distributions to shareholders. However, excessive cost cutting might impact the company's long-term viability (reducing value).



OPERATING EXPENSE %

Last year Operating Expenses decreased 13.86% as sales grew 7.33%. Operating expenses were trending below the average ratio of 11.23%, which increases margins and profit dollar for dollar.

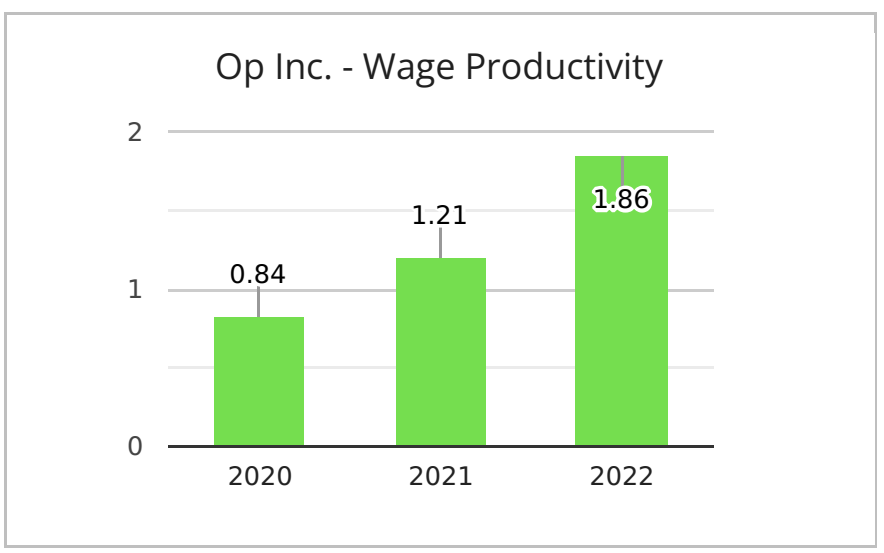
Optimal expenses are influenced by variable and fixed costs, employee productivity and sales quality.



SALES PRODUCTIVITY

Normally more wealth is created by the intangible assets than the tangible assets. Often the employees are the most critical company intangible asset. Last year productivity improved as sales were $26.87 for each dollar of wages compared to $16 the previous year.

Last year the operating income to wages (non-owner wages) was $1.86, a 53.72% increase over the previous year which was $1.21.



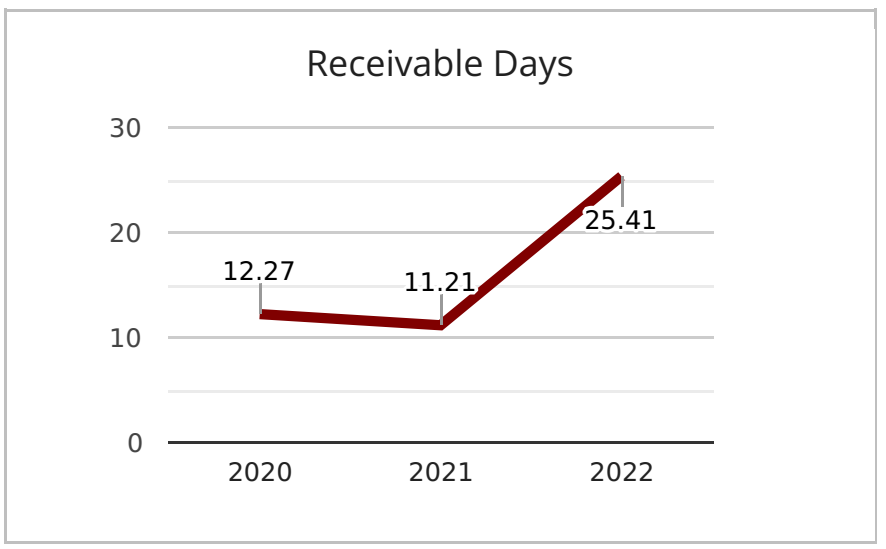
OPERATING INCOME PRODUCTIVITY

Last year the Company had $1.86 of operating income (EBIT) for each dollar of wages versus $1.21 of operating Income for each dollar of wages in the previous year.

Last year the Operating Income - Wage Productivity improved 53.72%.

ACCOUNTS RECEIVABLE MANAGEMENT

Receivables finance the company's sales. When Companies overextend credit to customers (higher AR Days) there is less cash left in the business that might be better used to grow sales or reduce liabilities which might lower borrowing costs. Review the aged receivables and compare them to the lowest AR Days the company has achieved. Consider enhancing procedures for collecting on aged debts such as separating those less than x amount of days versus those over x days. Different skill sets are needed for different collection procedures. Consider having salespeople responsible for collections, which is often effective. Managing receivables starts with communicating the terms at the time of the sale and delivering on the order.



ACCOUNTS RECEIVABLE DAYS

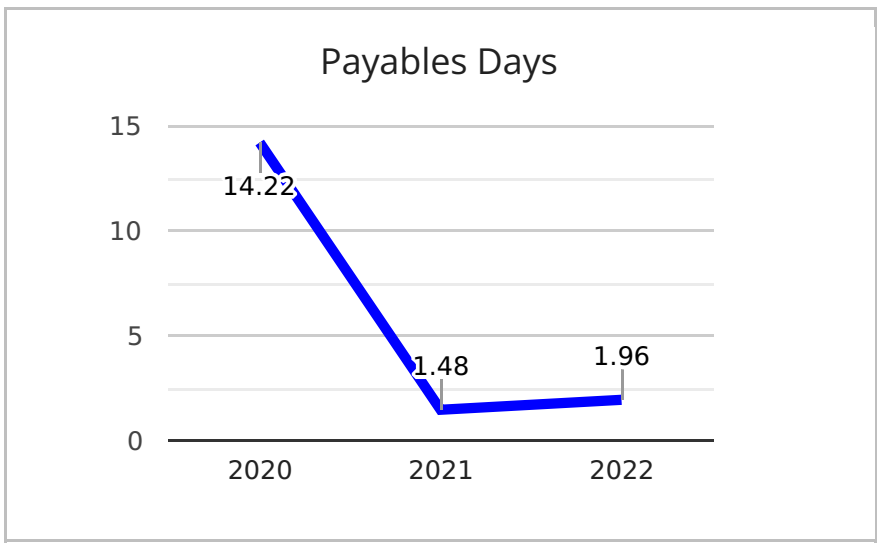
Over the years, AR Days varied between 11.21 and 25.41 Days and was 25.41 Days last year. Faster collection periods offer greater sales opportunities.

Last year receivables were $2,391,081 which was 34.84% of sales. Receivables ranged from 11.84% to 34.84% of sales.

Last year there were $1,336,522 of over-funded receivables compared to the optimal year.

ACCOUNTS PAYABLE MANAGEMENT

It is important to manage accounts payables to take full advantage of improved payment terms and investigate additional discounts available when decreasing the payment period. By improving accounts receivable management, companies might have more cash to take full advantage of vendor terms and discounts. Consider ways to reduce supplier order-to-consumption lead time, work-in-process, inventory, and improve inbound logistics to optimize vendor credit terms.



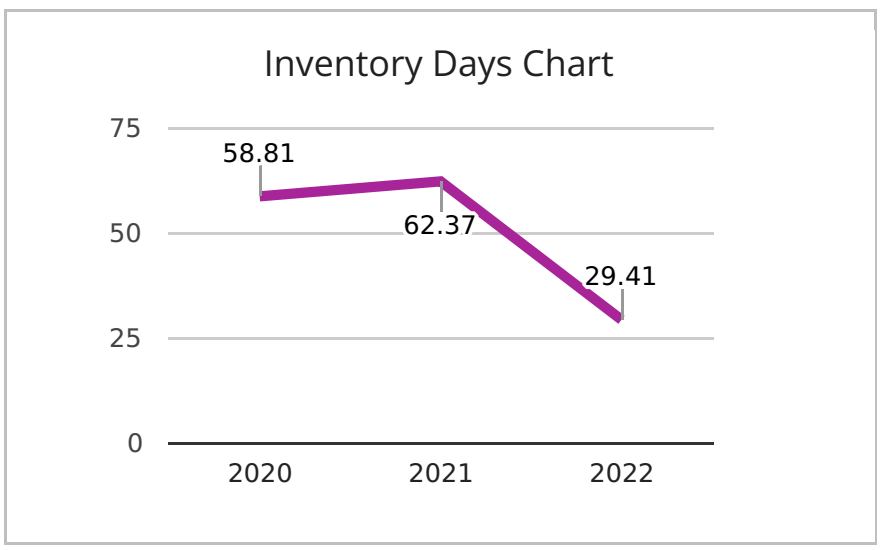
ACCOUNTS PAYABLE DAYS

Over the past years AP Days has varied between 1.48 and 14.22 Days. Last year the Company had 1.96 Days. While the longer the payables are extended the more it improves cash flow, it is always a balance between using good credit and not creating vendor stress.

In this case the Company's latest AP Days created less cash flow when compared to the average trendline.

INVENTORY MANAGEMENT

Inventory is an asset; however, for many businesses it can become a liability because it restricts liquidity and operating efficiencies. Inventory consumes cash in multiple ways: through increased opportunity costs, storage expenses, handling costs of surplus inventory, added space requirements, added obsolescence risk, and liquidation costs. Excess inventory is a hidden cost can be in excess of 20% of inventory. Inventory imbalances are difficult to detect by walking through a facility; however by understanding the inventory “days on hand” and collecting data to evaluate the necessary inventory levels will likely reduce your inventory "real" cost.

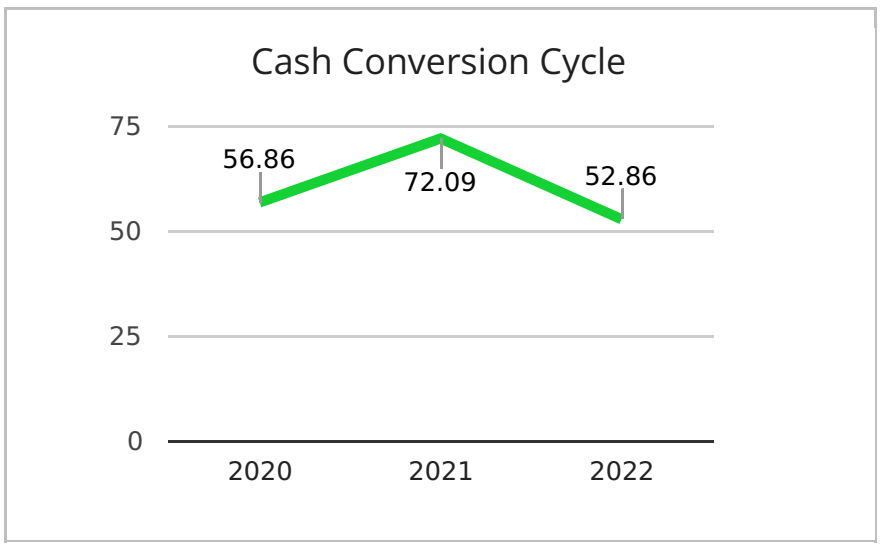


INVENTORY DAYS

The Company had inventory last year of $2,323,167. Excess inventory can increase storage and handling costs, space requirements, obsolescence risk and liquidation cost. This however is not the case. When compared to the lowest days achieved, the Company had it's lowest inventory days last year of 29.41 Days.

CASH CONVERSION CYCLE

Receivables, Inventory and Payables finance sales. Often a revolver credit line that is secured with company assets is used to make up for shortfalls. The Cash Conversion Cycle (CCC) is the amount of time cash is invested in the business before being converted back to cash. The CCC is calculated as AR Days + Inventory Days - Payable Days. The cash cycle impacts a company's asset management and cash flow which is most important for growing companies or those with seasonal sales.



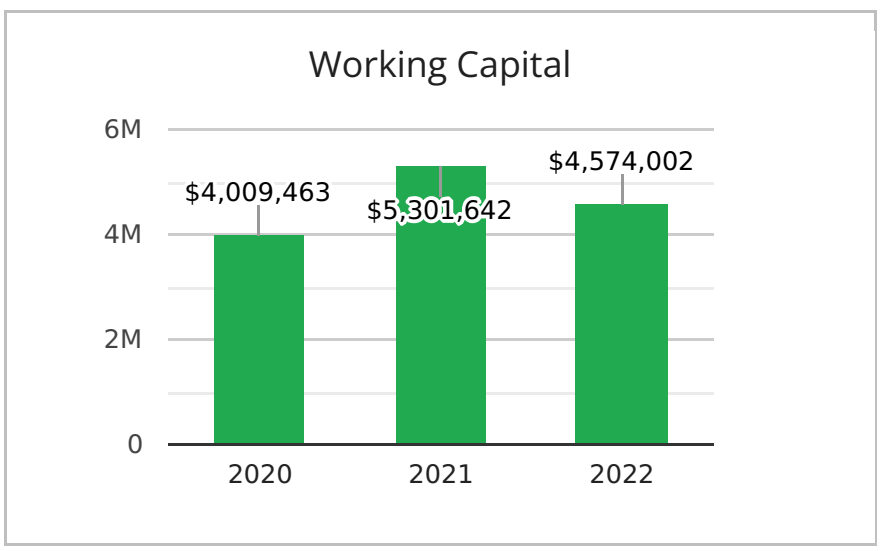
CASH CONVERSION CYCLE DAYS

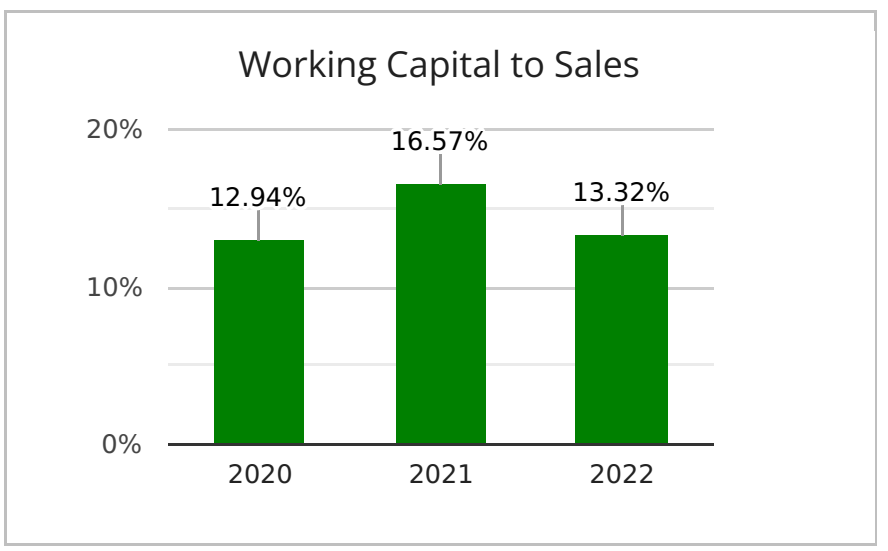
When reviewing all years, the Cash Conversion Cycle ranged from 53 to 83 Days and was 53 Days last year.

The optimal CCC over the years was 53 Days.

SHORT-TERM LIQUIDITY TRENDS

A company's liquidity directly impacts their ability to finance day-to-day operations, plan and invest for the future. Liquidity impacts business value to some degree. Over the reported years, Working Capital ranged from $4,009,463 to $5,301,642. Working Capital was $4,574,002 in the latest year. The percentage of Working Capital to Sales ranged from 12.94% to 17.66%. The Working Capital Days On Hand ranged from 47 to 64 Days. In the latest year the Working Capital Days On Hand were 49 Days. The working capital surplus was $4,364,360 which should allow for less business risk.





NEAR TERM CASH (NTC)

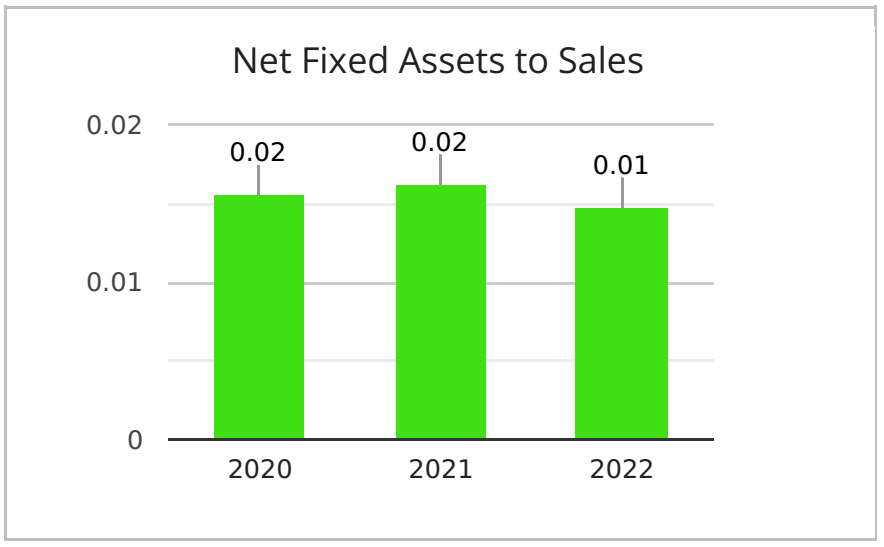
Near term cash (NTC) is defined as cash and marketable securities, plus accounts receivable less accounts payable. The Near-Term Cash Days are the days of available 'cash' to cover operating expenses. NTC does not cover a variety of other accounts in current assets and current liabilities and is more of a pure liquidity measure. Days of cash becomes more important when starting a new business or product line, or if a company is at the high cash demand point of a seasonal business or is in a significant business transition.

In the table below, the Company's Near Term Cash Days on Hands was 276 Days last year. It is often useful to see what account is impacting NTC. For example if accounts receivables is a high number and contributes to the NTC, this might be a cause for concern too.

Near Term Cash	2018	2019	2020	2021	2022
Near Term Cash Days					
Cash & Marketable Securities	$6,512	$45,895	$1,683	$34,367	$27,243
Receivables	$919,229	$839,449	$1,041,458	$982,495	$2,391,081
Payables	($469,949)	($658,119)	($1,003,148)	($105,451)	($154,704)
Near Term Cash	$455,792	$227,225	$39,993	$911,411	$2,263,620
NTC Days on Hand	**56.06**	**26.80**	**4.09**	**95.04**	**275.67**

CAPITAL INVESTMENT TRENDS

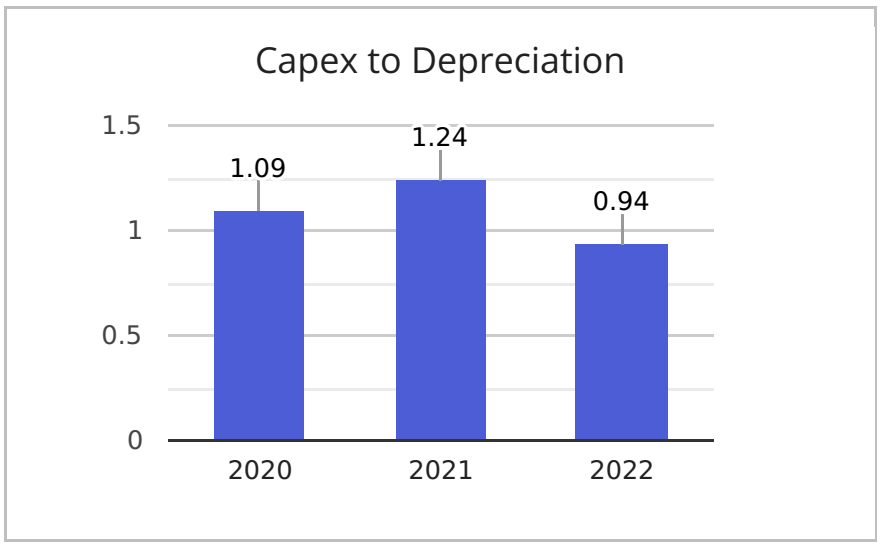
While Capital Expenditures (capex) does not directly impact the income statement, capex is normally critical to support sales. Capital spending is to maintain present sales and investment or growth capex is to grow revenues. Detailed capex planning is needed to support the infrastructure to support the expected sales volume. Important consideration must be given to the impact capex investments will have on future cash or borrowing needs. Excessive capex spending may limit future investment such as growth capital, inventory purchases, new product development or other items and not investing might also impact future cash flow. It is best to have a balanced approach to Capital Expenditures.



FIXED ASSETS TO SALES

The Net Fixed Assets (NFA) varied between 0.01 and 0.02 of sales. Companies hope to generate as much sales as possible from the fixed assets. For every dollar of capital expenditures last year, the Company had $0.01 of sales.

Over the years the Company's Fixed Assets to Total Assets ranged between 4.59% and 7.42%. Last year they were 7.42%.



CAPITAL SPENDING TO DEPRECIATION

Usually there is a long term relationship between capital investment and depreciation. Long-term investment needs to outpace depreciation or the assets are not being replenished. A 'rule of thumb' is for every $1.00 of depreciation, capex should be $1.10 to $1.20 (industry's vary).

For every dollar of depreciation last year capex was $0.94 and $1.24 the prior year.

CAPITAL SPENDING CONSIDERATIONS

Capital expenditures may be critical to company growth, however it may have a significant impact on operating cash. Excessive capital expenditures may limit future investment for growth capital, inventory, new products, equipment, warehouse space, borrowing capacity or other items. Alternative plans such as taking advantage of existing infrastructure and subcontracting certain functions might be considered as capital expenditures can tie up capital and don’t always improve earnings or future cash flow.

CASH FLOW MANAGEMENT SUMMARY

The Cash Drivers generate and consume cash and the number of Cash Drivers are dependent on a company's industry. Here, the optimal cash flow is based on the Company's best performance compared to the latest performance. A positive variance creates more cash and a negative variance consumes more cash. Companies build value by reducing the cost structure, improving cash management (cash conversion cycle) and efficiently managing fixed assets if applicable. Efficiencies or optimization increases cash flow and business value.

SALES: As the Primary Cash Drivers chart below shows, last year sales were $34,348,597 with a 7.33% growth rate.

COGS: The COGS last year was $28,831,054 which was 83.94% of Sales. The lowest COGS percentage achieved in the past (best) was 81.05%. The Company left ($992,196) in the cost structure of the business.

Operating Expenses: The Operating Expenses last year were $3,139,728 which was 9.14% Operating Expenses to Sales. The lowest (best) the Company had achieved was 9.14%. The cash left in the cost structure of the business was $0.

Accounts Receivable: The lowest (best) AR Days were 11.21 days which was the Company's best, and last year the AR Days was 25.41 days. The Company consumed ($1,336,522) more cash due to it's receivables management.

Inventory: Last year inventory was $2,323,167 which was 29.41 Days last year. The lowest inventory achieved was 29.41 Days. The Company inventory management did not impact cash flow last year.

Accounts Payable: Last year the Payables were $154,704. The lowest AP Days were 14.22 Days and last year they were 1.96 Days. This impacted cash by ($149,509).

Capital Expenditures: The Capex spending is usually based on specific needs and opportunities and varies year to year. Here we use a Capex average and the last percentage of capex to sales. There was a $28,070 savings last year on Capex due to a smaller percentage of spending.

CASH GENERATION AND CONSUMPTION CONCLUSION: The total cash consumption for all the cash drivers was ($2,450,156). If this was expected, great. If not it is best to review the variances and make changes.

Primary Cash Drivers	Last Year	Company Best %	Last Year %	Cash Variance
Sales (last year & growth rate)	$34,348,597	-	7.33%	-
Cost Of Goods Sold (last year & % of sales)	$28,831,054	81.05%	83.94%	($992,196)
Operating Expenses (last year & % of sales)	$3,139,728	9.14%	9.14%	$0
Total Primary Cash Drivers (> is better)	-	90.19%	93.08%	($992,196)

Secondary Cash Drivers	Last Year	Company Best	Last Year	Cash Variance
Receivables Days (last year AR & variance)	$2,391,081	11.21	25.41	($1,336,522)
Inventory Days (last year invt & variance)	$2,323,167	29.41	29.41	$1
Payable Days (last year & variance)	$154,704	14.22	1.96	($149,509)
Capital Expenditures (last year, average & variance)	$133,696	0.47%	0.39%	$28,070
Total Secondary Cash Drivers & Variance	0	-	-	($1,457,960)

Total Cash Generated (Consumed)	Total Variances
Total Cash Consumed (from optimal)	($2,450,156)

CASH IMPACT FROM ANNUAL SALES CHANGE

The Cash Drivers reflect a company's ability to produce cash from its operations to grow the business, reduce debt or distribute cash to the shareholders. The **Sales Change Impact on Cash Drivers** is divided into two segments. First is the cash generated and consumed just because the sales increased or decreased. The second part deals with the cash generated or consumed due to ratio changes (management).

CHANGE FROM SALES

Last year sales grew 7.33% with a $2,347,225 change in sales. Due to this change in sales the Cost of Goods Sold decreased cash by ($1,902,379). The sales change consumed cash operating expenses ($256,724),receivables consumed ($72,064), inventory consumed ($325,086), payables generated $7,735, with a total cash drain from the sales change of ($201,293).

CHANGE FROM RATIOS

The second part of the table reports how the sales change was impacted by the ratio changes or management execution. The COGS ratio change from 81.05% to 83.94% consumed cash of ($992,196). The cash operating expense change from 11.39% to 9.14% generated cash of $772,609, receivables changed from 11.21 days to 25.41 days which consumed ($1,336,522), inventory changed from 62.37 days to 29.41 days which generated $2,434,045, payables changed from 1.48 days to 1.96 days which generated $41,518, with a total cash contribution from ratio changes of $885,671.

The total sales change of $2,347,225 impacted cash after capital expenditures (if any by $743,905.

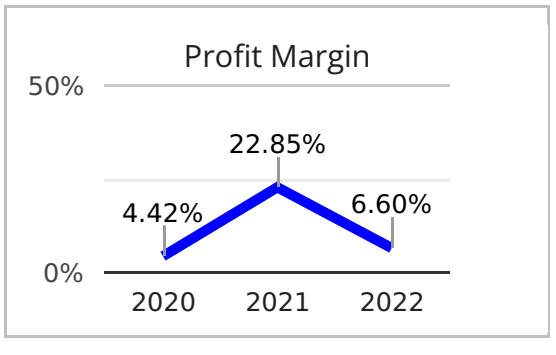
Sales Change Impact on Cash Drivers	2022
CASH FLOW DUE TO SALES CHANGE	
Sales Change	$2,347,225
Cost of Goods Sold Impact from Sales Change	($1,902,379)
Gross Profit Impact from Sales Change	**$444,846**
Operating Cash Expense Impact from Sales Change	($256,724)
Receivables Impact from Sales Change	($72,064)
Inventory Impact from Sales Change	($325,086)
Payables Impact from Sales Change	$7,735
Cash Impact from Sales Change	**($201,293)**
CASH FLOW DUE TO RATIO CHANGE (Management)	
Cost Of Goods Sold from Ratio Change	($992,196)
Operating Cash Expense Impact from Ratio Change	$772,609
Receivables Impact from Change in AR Days	($1,336,522)
Inventory Impact from Change in Inventory Days	$2,434,045
Payables Impact from Change in AP Days	$41,518
Cash Impact from Ratio Change (Management)	**$885,671**
Total Cash Impact on Business Operations	**$684,378**
Change In Capital Expenditures	$59,527
Total Change After All Cash Drivers	**$743,905**

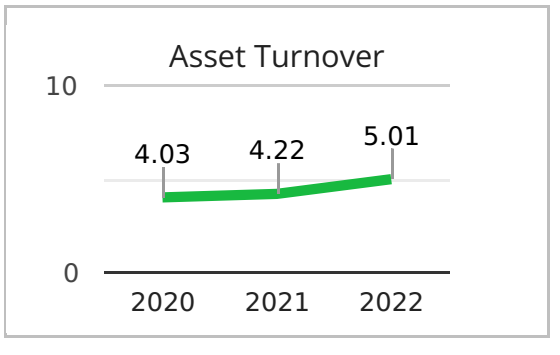
THE DUPONT FORMULA

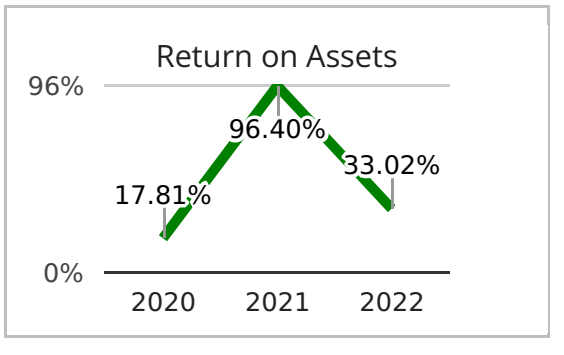
The DuPont Formula provides an excellent way of quickly reviewing business performance. The formula reviews the **Return on Assets (ROA**and the **Return on Equity (ROE** This serves as a roadmap to the business and is broken down in two steps. First the ROA.

RETURN ON ASSETS

The ROA multiplies the profit margins (profits/sales) by the asset turnover (sales/assets) to arrive at the Return on Assets (ROA). The ROA is important as it shows how well the Company is managing it's expenses (hence profits) and how well they are managing the assets (extracting more sales from the assets). If the ROA is down in the last year, it is due to the expenses being higher (focus on reducing expenses) or the sales are not a high as they should be (how can the company grow its sales) or the company has too many assets (reduce assets like receivables, inventory, fixed assets, etc.). **The lower the expenses (higher profit margin and a higher asset turnover (more sales generated from the assets increases the ROA**.

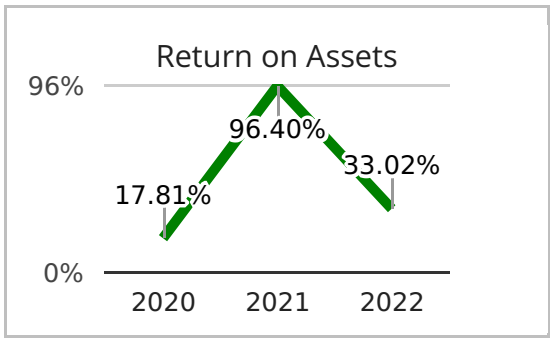


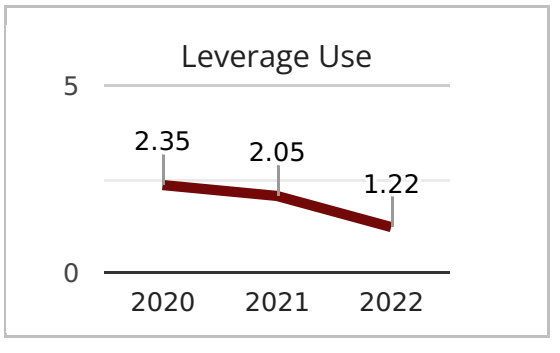


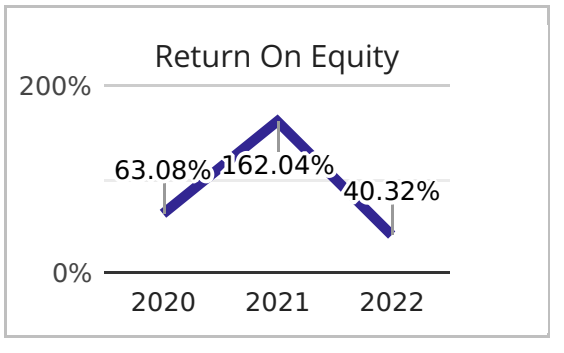


RETURN ON EQUITY

Multiplying the ROA by the leverage use (total assets/average equity) results in the Return on Equity (ROE) which measures the shareholder return on their invested capital. Average equity is the average of the previous equity (beginning equity) and last year's equity (ending equity). The shareholders' capital (equity) seeks to maximize the return on the business assets. If the ROE is reduced in the latest year, it is due to either higher expenses, not optimizing the assets or the owner's equity has proportionally increased. Owner's equity can be reduced by taking on more debt leverage. Leverage is dependent on the owner's comfort levels and the opportunity to put more capital to work for a larger return. **ROE can be improved by maximizing the ROA and optimal leverage use**







DUPONT FORMULA SUMMARY

The ROA is a management performance indicator while the ROE is a shareholder return indicator. The ROA is about extracting more sales and profits from the assets while the ROE is about utilizing an optimal equity to assets leverage and extracting a higher return.

FORECASTED SURPLUS, LOAN CAPACITY & COVERAGE RATIOS

Loan Coverage refers to a company's "bankability". The**Forecasted Cash Surplus (Needs**table reviews the cash flows and a forecasted cash surplus or a cash need. If there is a cash need, new capital needs to be raised.

The **Collateral Loan Capacity** table reviews the revolving credit (short-term loan) and the term loan (long-term loan) capacity based on standard advance rates on the assets. The forecasted coverage ratios offer a review of the company's "bankability". Optimizing cash flow improves loan coverages.

Forecasted Cash Surplus (Needs)	2023	2024	2025	2026	2027
Sales	**$37,096,485**	**$39,693,239**	**$42,471,765**	**$45,444,789**	**$47,717,028**
Cost of Goods Sold	$30,790,082	$32,945,388	$35,251,565	$37,719,175	$39,605,134
Gross Profit	**$6,306,402**	**$6,747,851**	**$7,220,200**	**$7,725,614**	**$8,111,895**
Operating Expenses	$3,709,648	$3,969,324	$3,822,459	$4,090,031	$4,294,533
Operating Income (EBIT)	$2,596,754	$2,778,527	$3,397,741	$3,635,583	$3,817,362
Depreciation & Amortization	$155,805	$166,712	$178,381	$190,868	$200,412
Operating EBITDA	**$2,752,559**	**$2,945,238**	**$3,576,123**	**$3,826,451**	**$4,017,774**
Change In Receivables	($191,286)	($180,766)	($193,419)	($206,959)	($158,176)
Change In Inventory	$240,680	($145,774)	($155,978)	($166,897)	($127,557)
Change In Payables Loan	($16,027)	$9,707	$10,387	$11,114	$8,494
Total Change in Cash Management	$33,366	($316,832)	($339,011)	($362,741)	($277,238)
Cash Flow After Cash Management	**$2,785,925**	**$2,628,406**	**$3,237,112**	**$3,463,710**	**$3,740,536**
Capital Expenditures	($185,482)	($198,466)	($212,359)	($227,224)	($238,585)
Financing Cost (last year's)	$0	$0	$0	$0	$0
Cash Surplus (Needs)	**$2,600,443**	**$2,429,940**	**$3,024,753**	**$3,236,486**	**$3,501,951**
Cash Surplus After Tax (37% tax rate)	**$1,638,279**	**$1,530,862**	**$1,905,594**	**$2,038,986**	**$2,206,229**

Collateral Loan Capacity	2023	2024	2025	2026	2027
Revolver					
Collateral Receivables (80% advance rate)	$2,065,894	$2,210,507	$2,365,242	$2,530,809	$2,657,349
Collateral Inventory (50% advance rate)	$1,041,243	$1,114,130	$1,192,120	$1,275,568	$1,339,346
Revolving Credit Capacity	**$3,107,137**	**$3,324,637**	**$3,557,362**	**$3,806,377**	**$3,996,696**
Term Loan					
Fixed-Asset Capacity (60% advance rate)	**$330,100**	**$353,207**	**$377,932**	**$404,387**	**$424,606**
Total Asset Borrowing Capacity	**$3,437,238**	**$3,677,844**	**$3,935,293**	**$4,210,764**	**$4,421,302**
Available_Credit					
Existing Debt	$380,760	$380,760	$380,760	$380,760	$380,760
Available Capacity	**$3,056,478**	**$3,297,084**	**$3,554,533**	**$3,830,004**	**$4,040,542**
Available Capacity %	88.92%	89.65%	90.32%	90.96%	91.39%

Coverage Ratios	2023	2024	2025	2026	2027
Debt Service Coverage Ratio (> 1.25 best)	5.36	5.73	7.01	7.50	7.88
Interest Coverage (> 3.0 best)	25.02	26.77	32.73	35.02	36.78
Debt To Equity Ratio (< 4:1 best)	0.45	0.44	0.43	0.43	0.42
Enterprise Value (EBITDA multiple)	$14,313,308	$15,315,239	$18,595,838	$19,897,546	$20,892,424
Enterprise Value Growth	-	7.00%	21.42%	7.00%	5.00%