



Prepared for:
Mr. Sam Chowhound, Owner

ValuSource Business Evaluation of:

Burgers and Fries LLC

February 4, 2019

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Introduction and Summary



Report Purpose and Scope

This report estimates the current company value of:

Burgers and Fries LLC

The evaluation considers both the tangible assets and the intangible value or goodwill. Generally accepted valuation methods were used to determine value. Values stated are effective as of February 4, 2019.



Estimated Company Value

A variety of evaluation methods were used to calculate a range of suggested prices. Our single price conclusion is the average of the high and low prices from this suggested range. The estimated company value is:

\$289,000



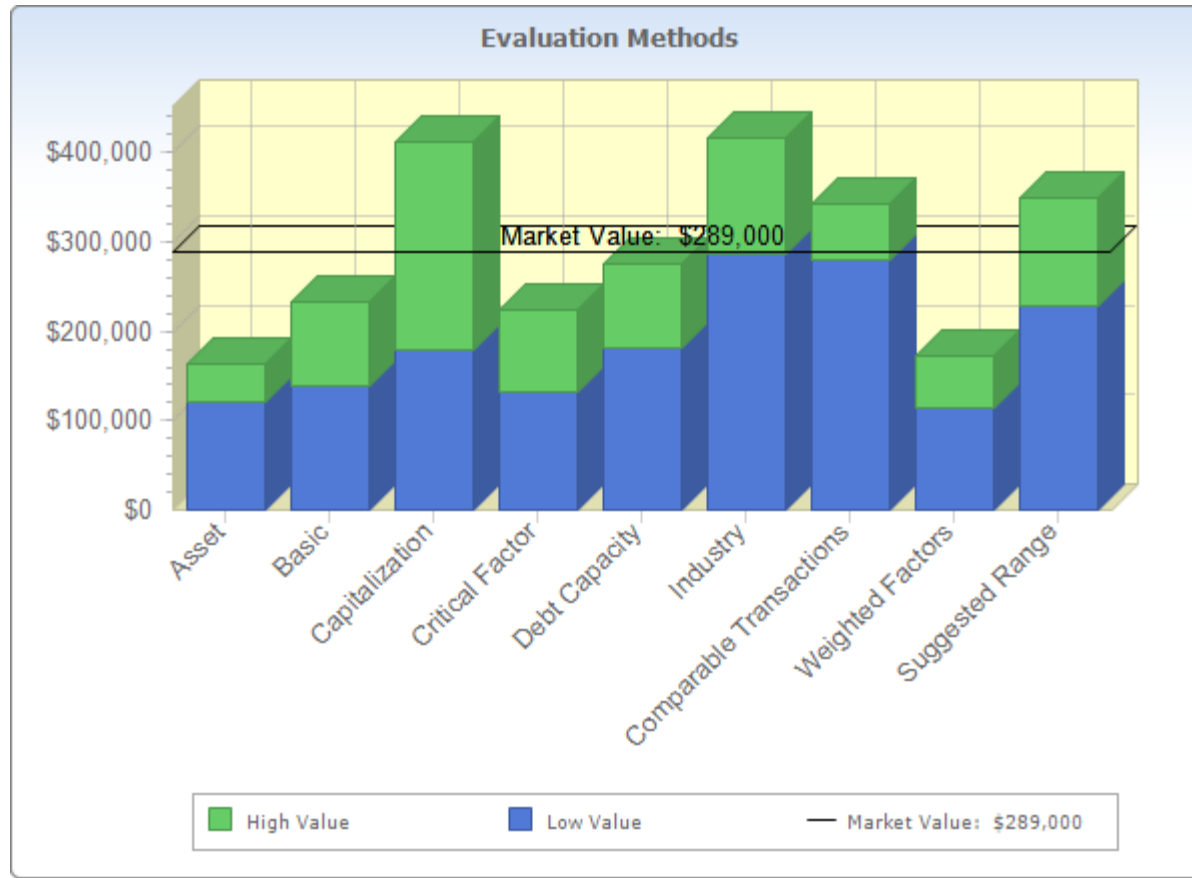
Suggested Pricing

The suggested pricing indicates the highest price a seller could expect and the lowest price a seller should accept. Each of the evaluation methods listed in the table and chart that follow are explained in the body of the report.

Do not be alarmed by a single value that is extremely high or low. Applying multiple evaluation methods compensates for any values produced by a single method.

SUGGESTED PRICING		
Method	High Value	Low Value
Asset Method	\$163,300	\$120,700
Basic Method	\$233,500	\$138,250
Capitalization	\$412,941	\$180,000
Critical Factor	\$224,525	\$132,936
Debt Capacity	\$275,332	\$181,299
Industry Method	\$416,000	\$286,000
Comparable Transactions	\$343,059	\$280,685
Weighted Factors	\$172,306	\$114,871
Suggested Range	\$349,103	\$229,274

Introduction and Summary





Definition of Company Value

This report assumes an asset sale and does *not* reflect the stock value of the company. We define *company value* as matching the International Business Brokers Association ® (IBBA ®) definition of *most probable selling price*:

That price for the assets intended for sale which represents the total consideration most likely to be established between a buyer and seller considering compulsion on the part of either buyer or seller, and potential financial, strategic, or non-financial benefits to seller and probable buyers.



Excluded Assets and Liabilities

We have excluded the value of the following:

- Current assets (such as cash, accounts receivable, prepaid expenses, and other liquid assets).
- Real estate (see below).
- Liabilities.

We have assumed the seller would keep the current assets and the real estate, and pay off any debts.



Value of Real Estate and Comparative Market Rent

This report does *not* consider the value of real estate owned by the company. Since owning property is a discretionary decision, comparative market rent is deducted from cash flow to reflect the company's true earning power. Real estate the company owns should be considered an investment asset and added to the estimated business value.



Components of Company Value

We have calculated an *asset value* and an *intangible value*. Taken together they produce the *estimated company value*.

\$142,000	+	\$147,000	=	\$289,000
Asset Value		Intangible Value		Estimated Company Value

Company Value



Asset Value

The *asset value* represents the current estimated value of the following:

- Inventories for resale or consumption.
- Equipment and vehicles.
- Leasehold improvements.
- Transferable rights and privileges uncontrolled by scarcity.



Intangible Value

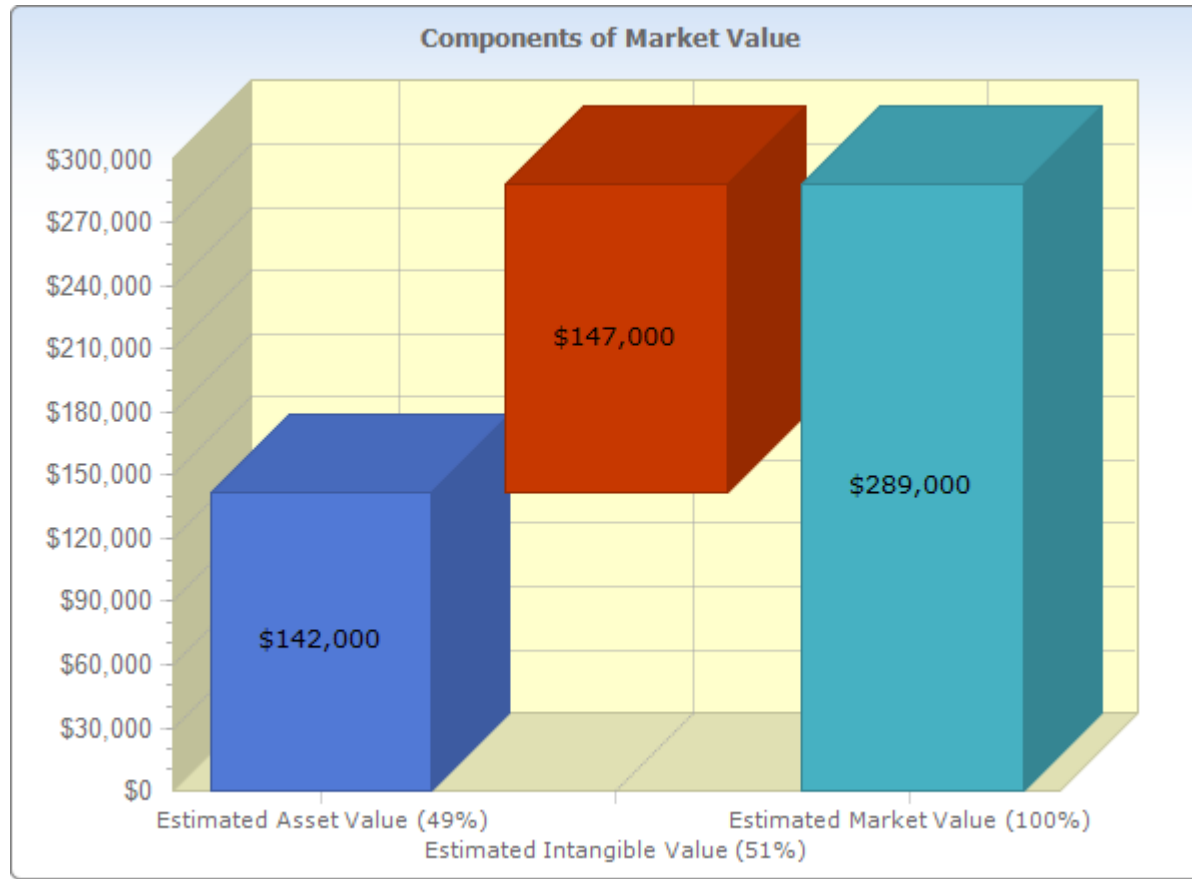
The *intangible value* represents the current estimated value of the following:

- Establishing a customer base which will continue to trade with this company after being sold.
- Securing a location, designing and constructing a floor plan, and securing and installing equipment.
- Management systems in place and producing cash flow.
- Proprietary rights or limited issue permits.
- Free training and available consulting time.

TOTAL VALUE CALCULATION

Fixtures and Equipment	\$100,000
Leasehold Improvements	\$20,000
Vehicles	\$10,000
Furniture	\$8,000
License, Patents, and Copyrights	\$0
Stock, Supplies, and Inventory	\$4,000
Other 1	\$0
Other 2	\$0
Total Asset Value - High Value	\$163,300
Total Asset Value - Low Value	\$120,700
Total Asset Value - Average Value	\$142,000
Intangible Value	\$147,000
Total Value	\$289,000

▶ Company Value





Overview

A business's value can be divided into five components:

1. Company value of assets.
2. Historical trends of revenues, expense, and cash flow.
3. The value of rights, privileges, and knowledge.
4. Estimated stability in the future.
5. Esthetic appeal.

The software that generated this report addresses these five components through a series of questions that define each of these aspects numerically, and uses the results to apply the valuation methods. Each method is described below. Not every method may be used in this report.

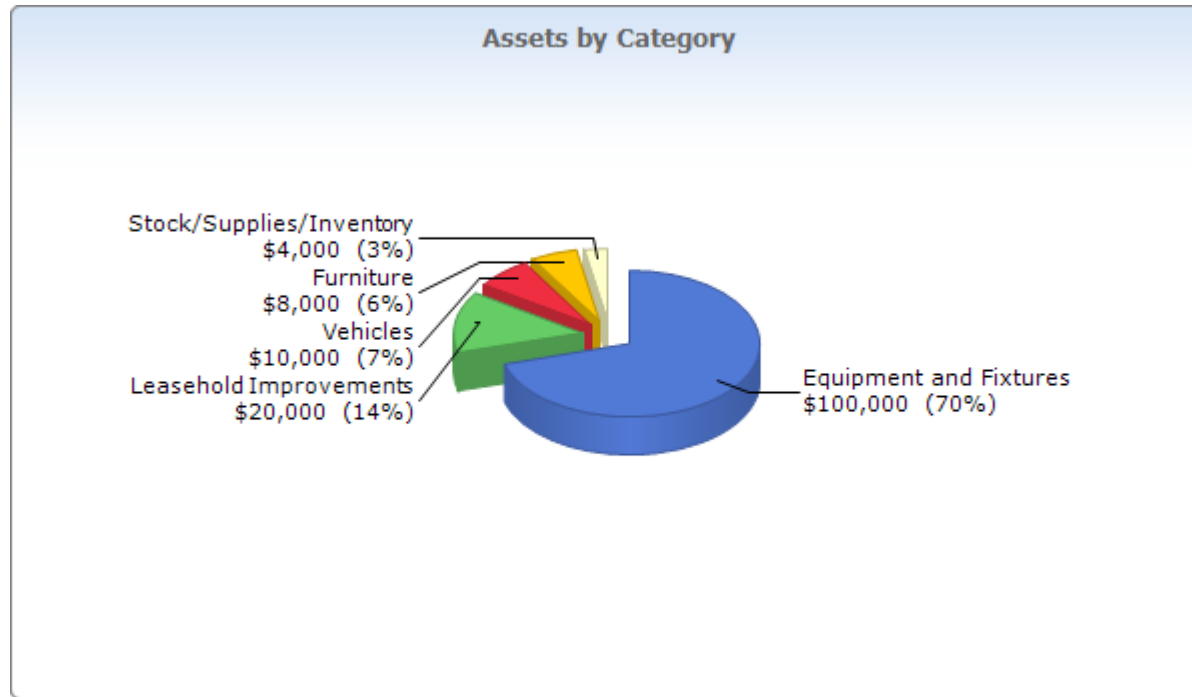


Asset Value Method

The asset value method represents the estimated worth of all tangible and intangible assets. While an asset's book value (initial cost less the subsequent depreciation) must be considered, book value does not typically equal company value. Company value must consider replacement cost. Instead of purchasing assets by acquiring a business that is for sale, the buyer could gather similar assets and combine them, including all installation, training, and testing costs, into an equivalent business entity.

ASSET VALUE METHOD	
Fixtures and Equipment	\$100,000
Leasehold Improvements	\$20,000
Vehicles	\$10,000
Furniture	\$8,000
License, Patents, and Copyrights	\$0
Stock, Supplies, and Inventory	\$4,000
Other 1	\$0
Other 2	\$0
High Value	\$163,300
Low Value	\$120,700

▶ Evaluation Methods



Basic Method

The basic method applies two pricing formulas:

1. Add one year's net cash flow to the value of the assets.
2. To the value of the assets, add a multiple of monthly discretionary income, based on the number of months required to start a similar business, and bring it to a break-even cash flow position.

BASIC METHOD		
Basic Value Factor	High	Low
Net Discretionary Cash	\$70,200	\$17,550
Asset Value	\$163,300	\$120,700
Basic Method Value	\$233,500	\$138,250

Capitalization Method

The capitalization method calculates a total investment from discretionary or free cash flow divided by a rate of return. The rate is derived from the cost of money and the level of risk associated with the business.

CAPITALIZATION METHOD	
High Return (Cap Rate) %	34%
Low Return (Cap Rate) %	17%
High Value	\$412,941
Low Value	\$180,000



Critical Factors Method

The critical factors method considers issues that encourage or discourage a potential buyer:

- **Percent of Down Payment**
Quantifies how large the down payment is in relationship to the business's post-sale cash flows.
- **Loan Desirability**
Quantifies the buyer's motivation to buy based on status, visual appeal, profitability, risk, and skills required.
- **Lease**
Quantifies if sufficient time is available to repay loans and earn a reasonable return. A lease rate comparable to similar available spaces is applied.
- **Accounts**
Quantifies the number, type, and sustainability of the demand for the product or service.

CRITICAL FACTORS METHOD	
Cash Down	20%
Loan Desirability	70%
Lease	70%
Accounts	60%
High Value	\$224,525
Low Value	\$132,936



Debt Capacity Method

The debt capacity method calculates value from cash flow available to service debt. Cash expenses are deducted from cash revenues, then an operator's salary and depreciation are deducted to arrive at net discretionary cash flow. Maximum debt service is based on the number of years financed and an interest rate.

DEBT CAPACITY METHOD	
Discretionary Cash	\$144,000
Less Salary	\$60,000
Less Depreciation	\$13,800
Net Discretionary Cash	\$70,200
Interest Rate	10.00%
Fast Pay Out Years	3
Slow Pay Out Years	5
High Value	\$275,332
Low Value	\$181,299



Industry Method

The industry method applies a pricing formula developed for the company's industry. Most of these industry rules of thumb are based on a capacity or production volume times a dollar value. Other industries simply use a constant times gross or net revenue.

The formula applied in this report was:

Assets + Net [or] 40% of Gross

INDUSTRY METHOD	
High Value	\$416,000
Low Value	\$286,000



Comparable Transactions Method

The comparable transactions method uses the principle of substitution to calculate value. Valuation ratios (such as price-to-revenue) are calculated for transactions involving businesses similar to the one being appraised, and these ratios are then applied to the subject business.

This report uses data from the ValuSource Market Comps (VMC) database. All of the selected transactions are in the same industry as Burgers and Fries LLC and are also of comparable size as measured by revenue. The first two tables at right provides statistics on the selected transactions. See page 29 for a discussion of the VMC data used in this report.

Discretionary Earnings (DE) is defined as earnings before owners' compensation, interest, and income taxes.

Typically the average ratios from the VMC data are applied. However, if a business performs above average, then a higher multiple is appropriate. Inversely, if a business performs below average, a lower multiple should be used. The last table at right lists percentiles for the two ratios. The lower the percentile, the lower the ratio. The correct ratio to apply will fall somewhere along this spectrum.

VALUE STATISTICS FOR SELECTED VMC DATA (\$000)

	Sales	DE	Price
Low	\$997	\$36	\$75
High	\$1,123	\$1,064	\$1,800
Mean	\$1,046	\$225	\$408
Median	\$1,040	\$173	\$331
Standard Deviation	41.03	206.79	273.97
Count	98	78	100

RATIO STATISTICS FOR SELECTED VMC DATA

	Price to Sales	Price to DE
Low	0.07	0.21
High	1.19	18.00
Mean	0.36	2.83
Median	0.31	2.03
Standard Deviation	0.20	2.68
Coefficient of Variation	0.56	0.95
Count	98	78

Evaluation Methods

RATIO PERCENTILES FOR SELECTED VMC DATA

Percentile	Price to Sales	Price to DE
10th Percentile	0.17	0.85
20th Percentile	0.20	1.22
30th Percentile	0.24	1.52
40th Percentile	0.28	1.77
50th Percentile	0.30	2.03
60th Percentile	0.36	2.63
70th Percentile	0.41	3.11
80th Percentile	0.50	3.68
90th Percentile	0.64	4.57

The next table shows the ratios that the software used to generate this report would apply from the selected VMC data. The analysis determined that an average multiple was appropriate.

RATIOS APPLIED FROM SELECTED VMC DATA

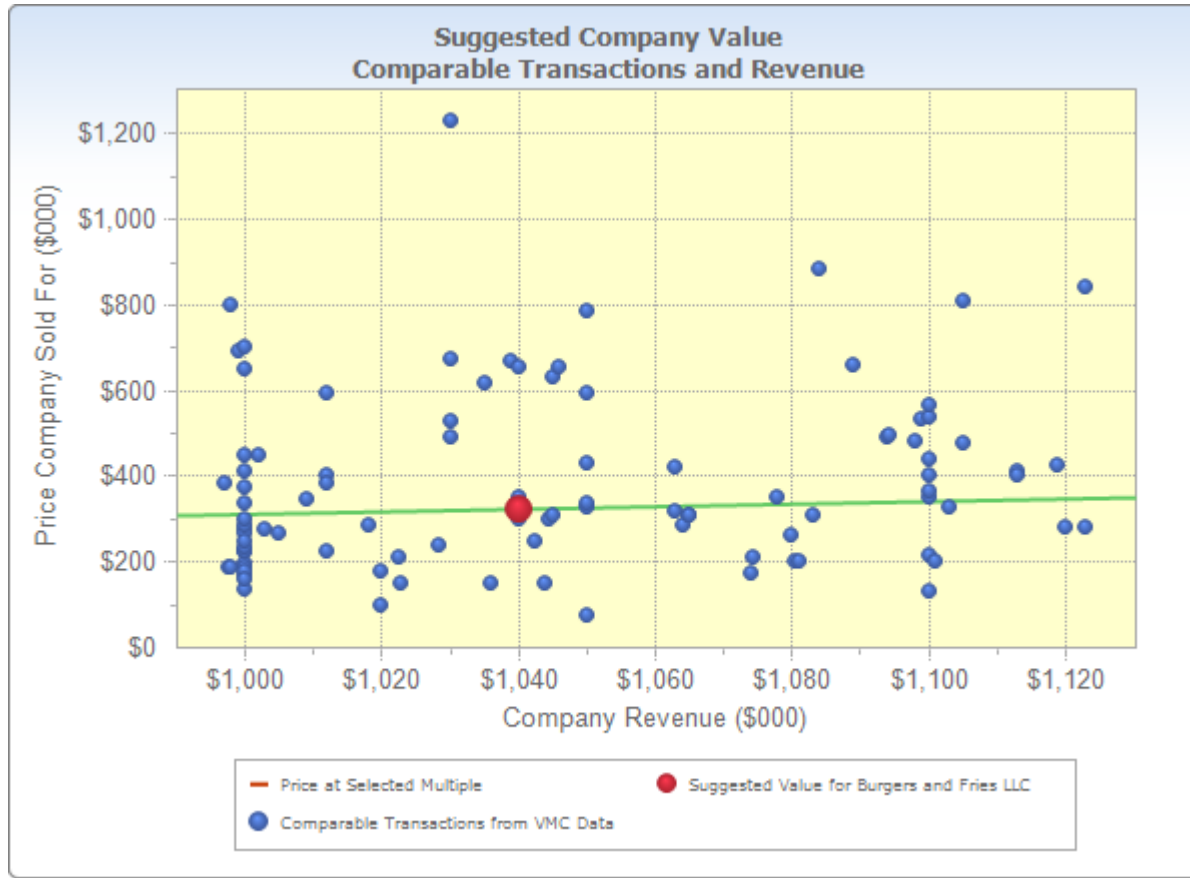
Percentile	Price to Sales	Price to DE
25th Low	0.23	1.36
50th Average	0.30	2.03
75th High	0.45	3.26

Since revenue numbers are generally more accurate and less volatile than earnings numbers, and since discretionary earnings are highly influenced by management decisions, we apply a weighted average of the two ratios. The table below details how the ratios were applied and weighted, and the value range calculated.

COMPARABLE TRANSACTIONS METHOD

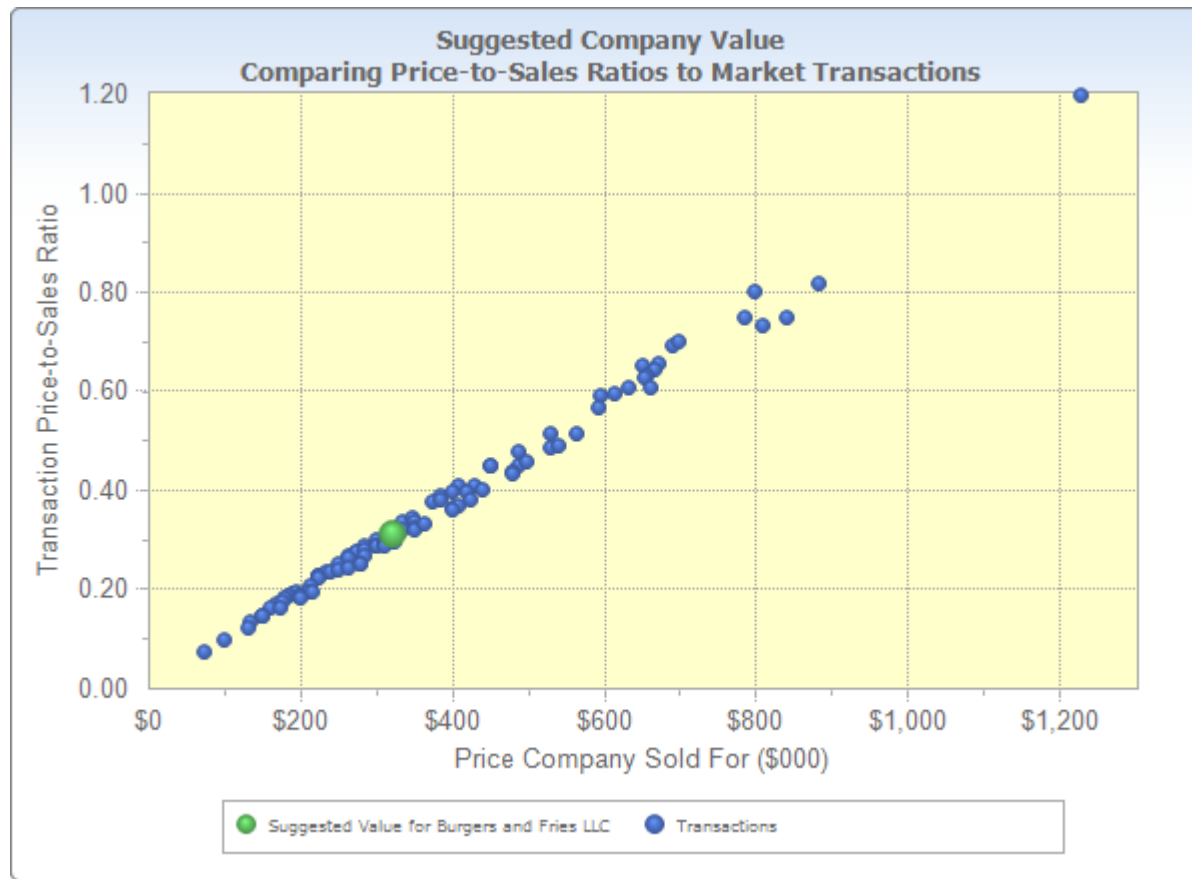
	Revenue	DE	Weighted
Base	\$1,040,000	\$144,000	
Multiple	0.31	2.03	
Indicated Value	\$322,400	\$292,320	
Weight	65%	35%	
Weighted Value	\$209,560	\$102,312	
Total Value			\$311,872
High Value			\$343,059
Low Value			\$280,685

▶ Evaluation Methods

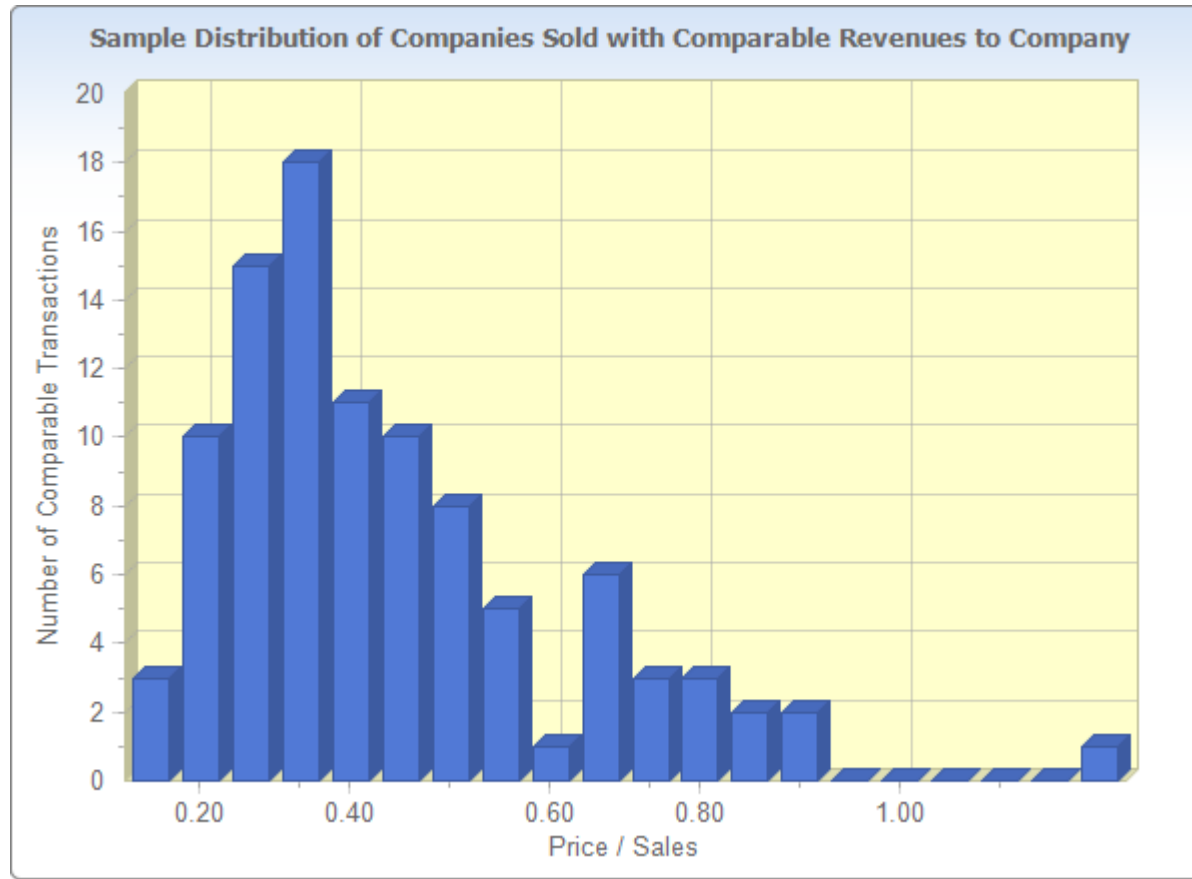


Key Business Message: Comparing your company's revenue with that of similar companies that have been sold provides a market-based reference for the value of your company.

► Evaluation Methods

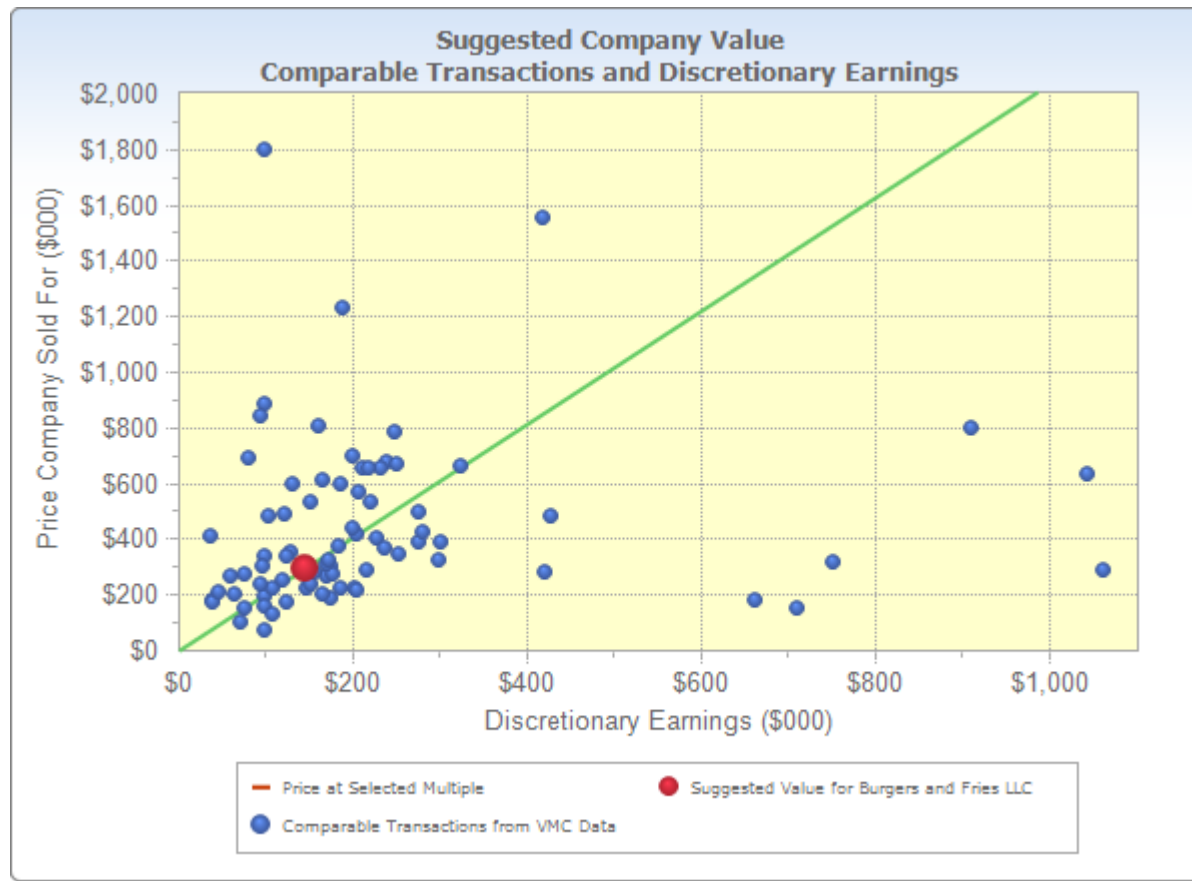


Key Business Message: Comparing your company's ratios with those of similar companies that have been sold provides another market-based reference for the value of your company. This ratio analysis helps accentuate the multiples of revenue for which various companies sell.



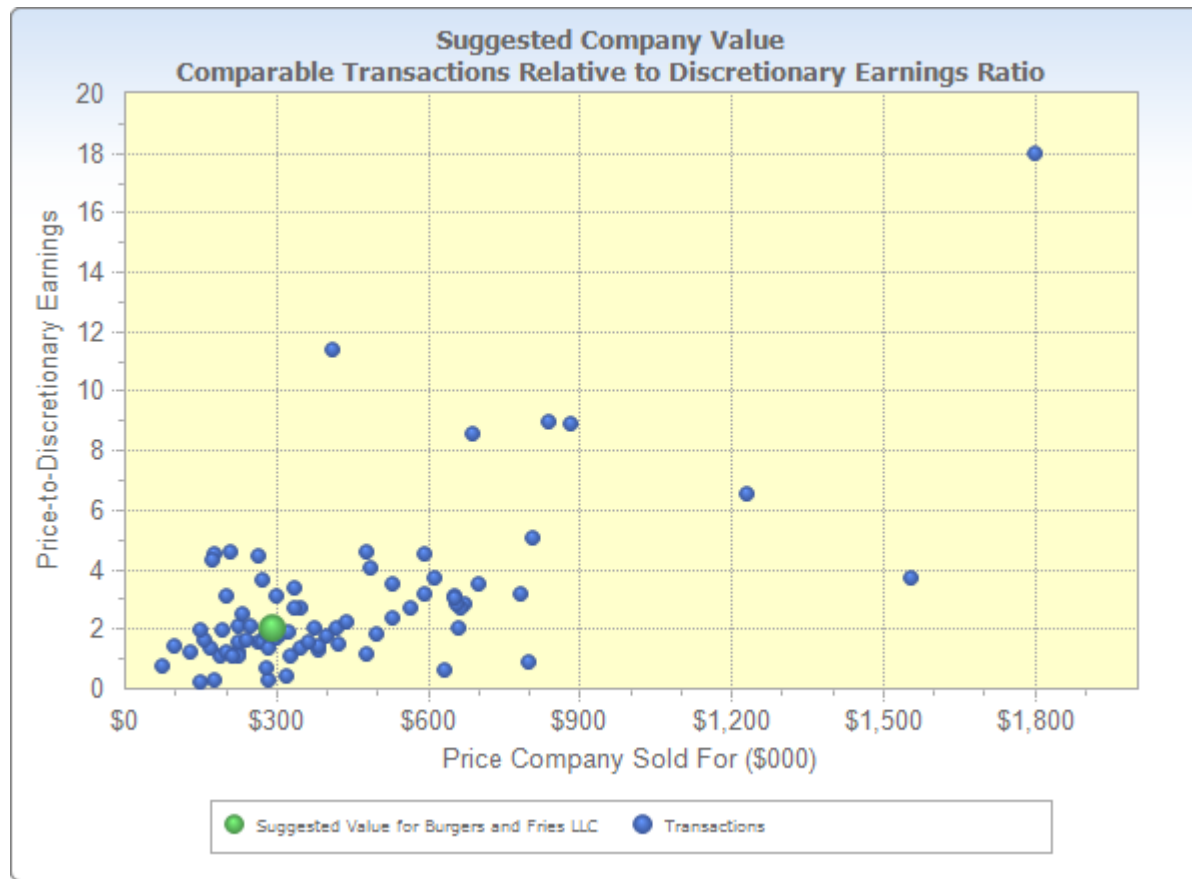
Key Business Message: This chart provides a visual price reference for the number of similar companies in the database which have been priced in the market with comparable ratios. If the suggested price for your company is grouped near the majority of companies, business managers should evaluate how best to move the company into a higher valuation multiple.

Evaluation Methods

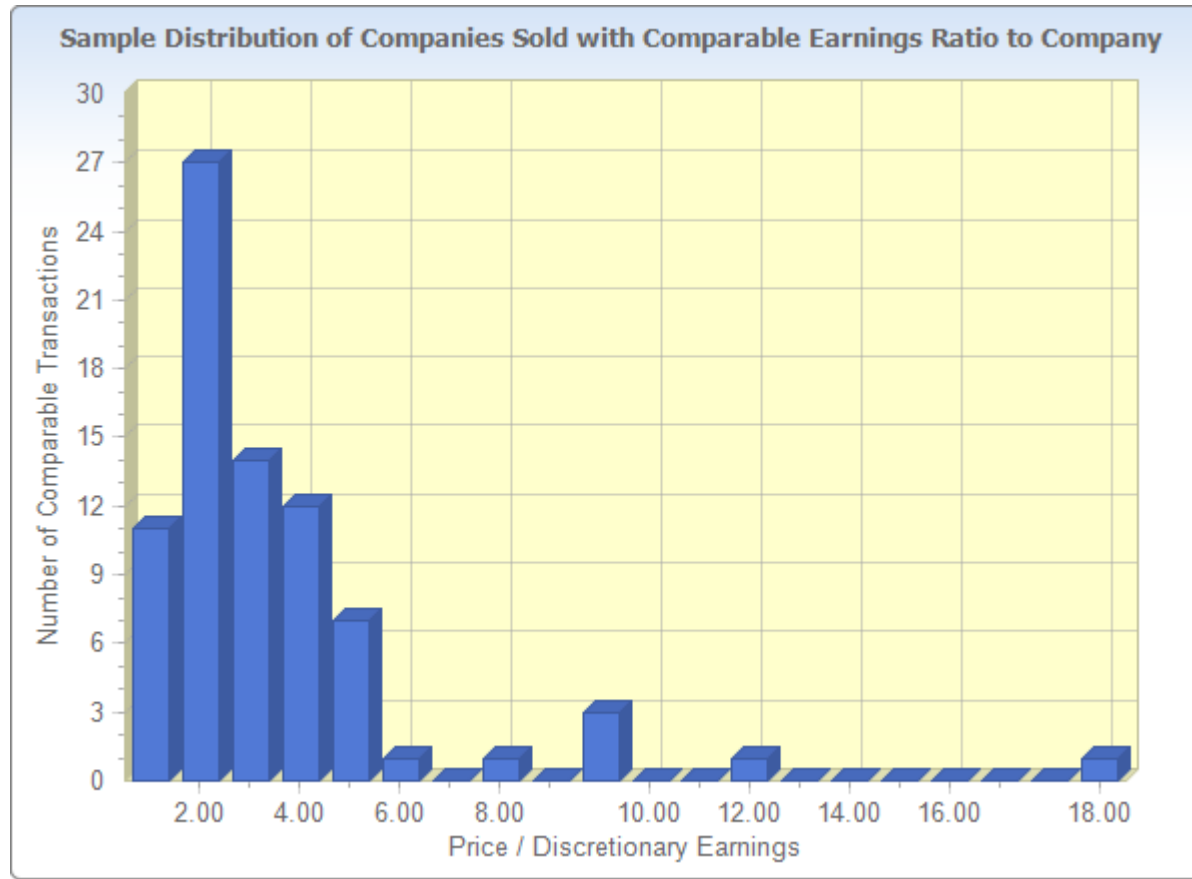


Key Business Message: Comparing your company's discretionary earnings to that of similar companies that have been sold provides an additional market-based reference for the value of your company. The greater the earnings power of your company, the more favorable the potential pricing of your company.

Evaluation Methods



Key Business Message: Comparing your company's discretionary earnings to those of other companies that have been sold in a ratio format provides an additional market-based reference for the value of your company. The greater the earnings power of your company, the more favorable the comparison becomes.



Key Business Message: This chart provides a visual price reference for the number of similar companies in the database which have been priced in the market with comparable ratios. If the suggested price for your company is grouped near the majority of companies, business managers should evaluate how best to move the company into a higher valuation multiple.



Weighted Factors Method

The weighted factors method bases value on:

- The highest potential value of the assets.
- Discretionary cash flow multiplied by a factor derived from the learning curve for this type of business.
- Current demand for this industry and business.

The result estimates the maximum price a buyer would pay for a business at this scale and profitability. Each element discussed below adds or deducts from the target value. The elements are combined into a factor that is applied to cash flows and then added to assets.

- **Barriers to Entry**

The harder it is to start a similar business, the greater the value of the company being evaluated.

- **Competition**

Does market saturation imperil the business?

- **Complexity**

Some businesses are complex and others are simple, even within the same industry. A simple company is more valuable, despite decreasing the barriers to entry.

- **Labor**

How stable is the labor force? Will changes reduce profits under a new owner?

- **Loan Desirability**

How attractive as collateral are the business assets?

- **Location**

Customers must be able to find and access the business.

- **Management**

How strong is the management system? Will changes in ownership affect the business?

- **Predictability**

How does the company's historical and current trends compare to local and national economic trends?

- **Revenue**

Any past and present problems of collecting revenue will probably remain unchanged under new ownership.

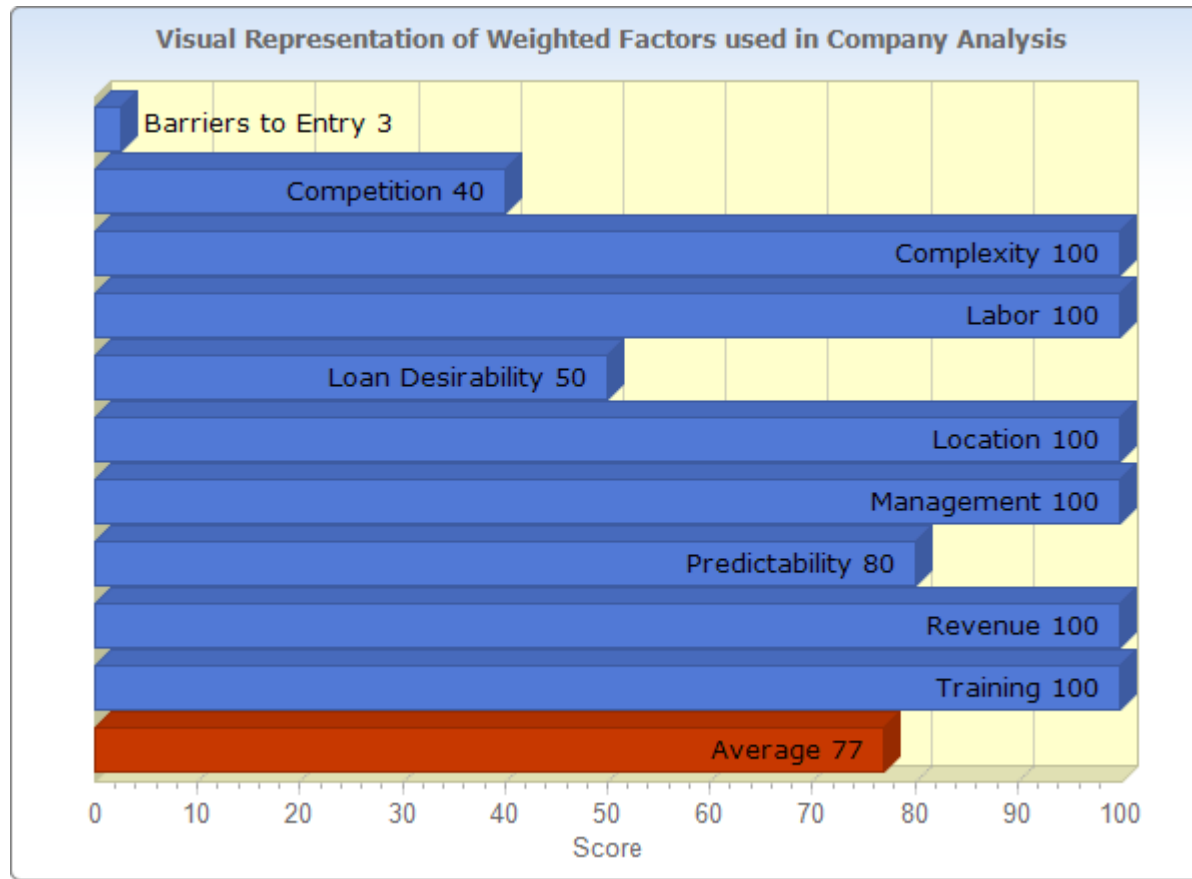
- **Training**

How easy is it to transfer the knowledge required to run the business to a new management team?

Evaluation Methods

WEIGHTED FACTORS METHOD	
Cash Flow Target	\$185,875
Barriers to Entry	3
Competition	40
Complexity	100
Labor	100
Loan Desirability	50
Location	100
Management	100
Predictability	80
Revenue	100
Training	100
Average	77
Weighted High	\$172,306
Weighted Low	\$114,871

▶ Evaluation Methods



Sanity Check



Overview

This sanity check tests the reasonableness of the suggested price by modeling a hypothetical purchase to determine if cash flow from the business will both support the purchase debt and provide a reasonable return on investment. The post-sale cash flow is based on last year's cash flow, less the debt payments to finance the purchase. This becomes the new discretionary cash flow before compensation.



Conclusion

A *hurdle rate* is the level of financial return that a proposed project should meet or exceed to sufficiently compensate the investors for the associated risk. The hurdle rate used in this analysis is 22.00%, which is a default parameter that accounts for typical capital costs and project risk.

Under the hypothetical terms described here, the financial return has met the hurdle rate. The value estimated in this report seems reasonable. The suggested price passes the sanity check.

HYPOTHETICAL FINANCING

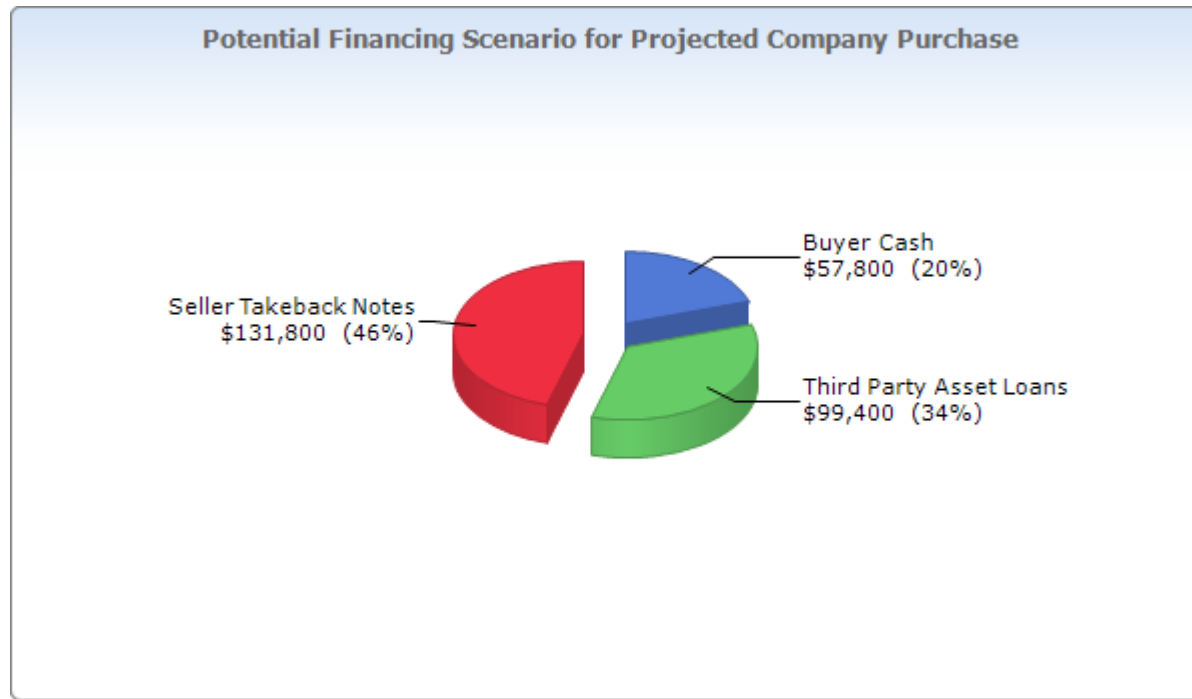
	Amount	Percent	Term	Interest
Buyer Cash	\$57,800	20.00%		
Asset Loans	\$99,400	34.39%	10 Years	9.00%
Seller Notes	\$131,800	45.61%	5 Years	10.00%
Total Financing	\$289,000	100.00%		
Total Purchase Price	\$289,000	100.00%		

POST-SALE CASH FLOW ASSUMPTIONS

Pre-Tax Owner Discretionary Income	\$144,000
First Year Income Growth	5.00%
Annual Growth Thereafter	5.00%
Income Tax Rate	30.00%

PROJECTED RESULTS

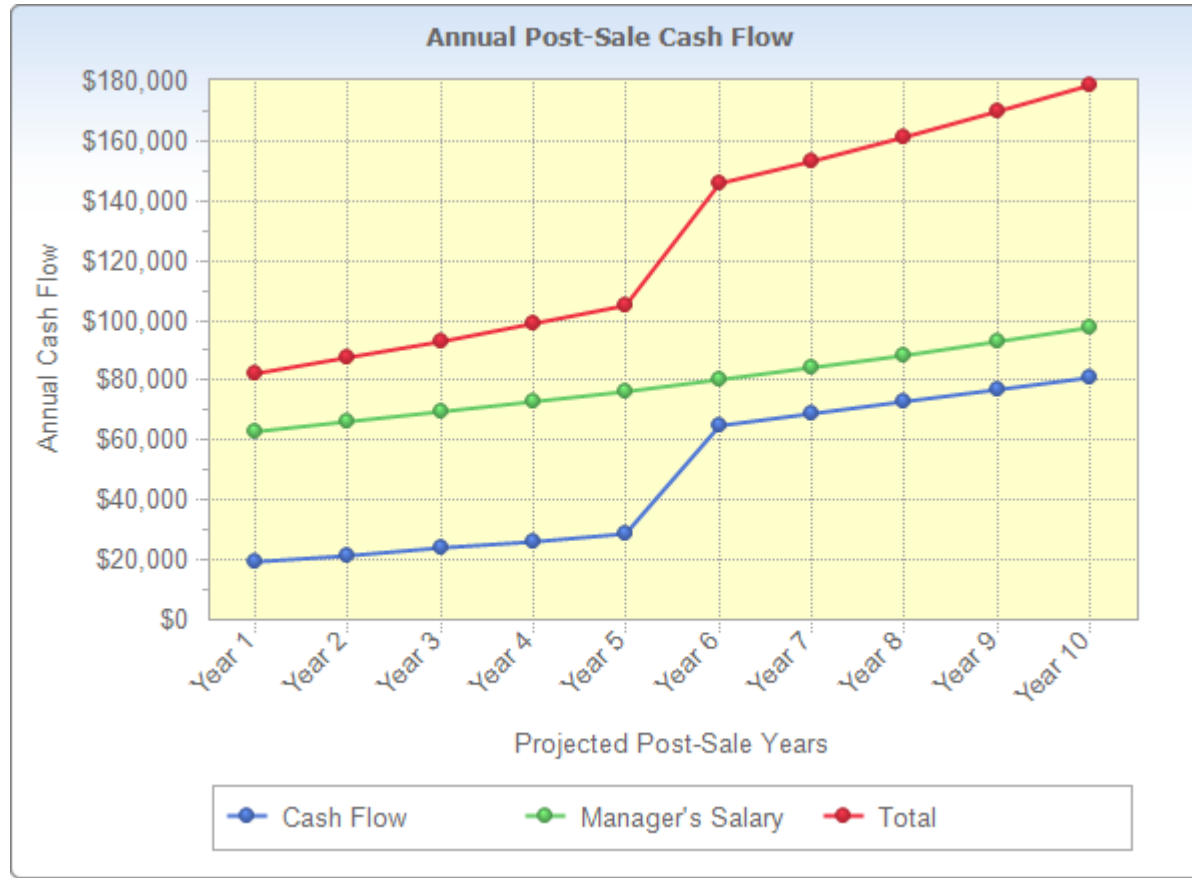
First Year Return on Down Payment	33.39%
Months to Repay Down Payment	3 Years
Annual Return on Purchase Price	8.08%
Years to Pay Total Purchase	8 Years
Price to Earnings	2.01
Price to Earnings (After Management Comp.)	3.44
Price to Revenue	0.28
Price to Assets	2.04
Internal Rate of Return (IRR)	47.71%
Net Present Value	\$83,612
3 Year Return on Investment	111.87%



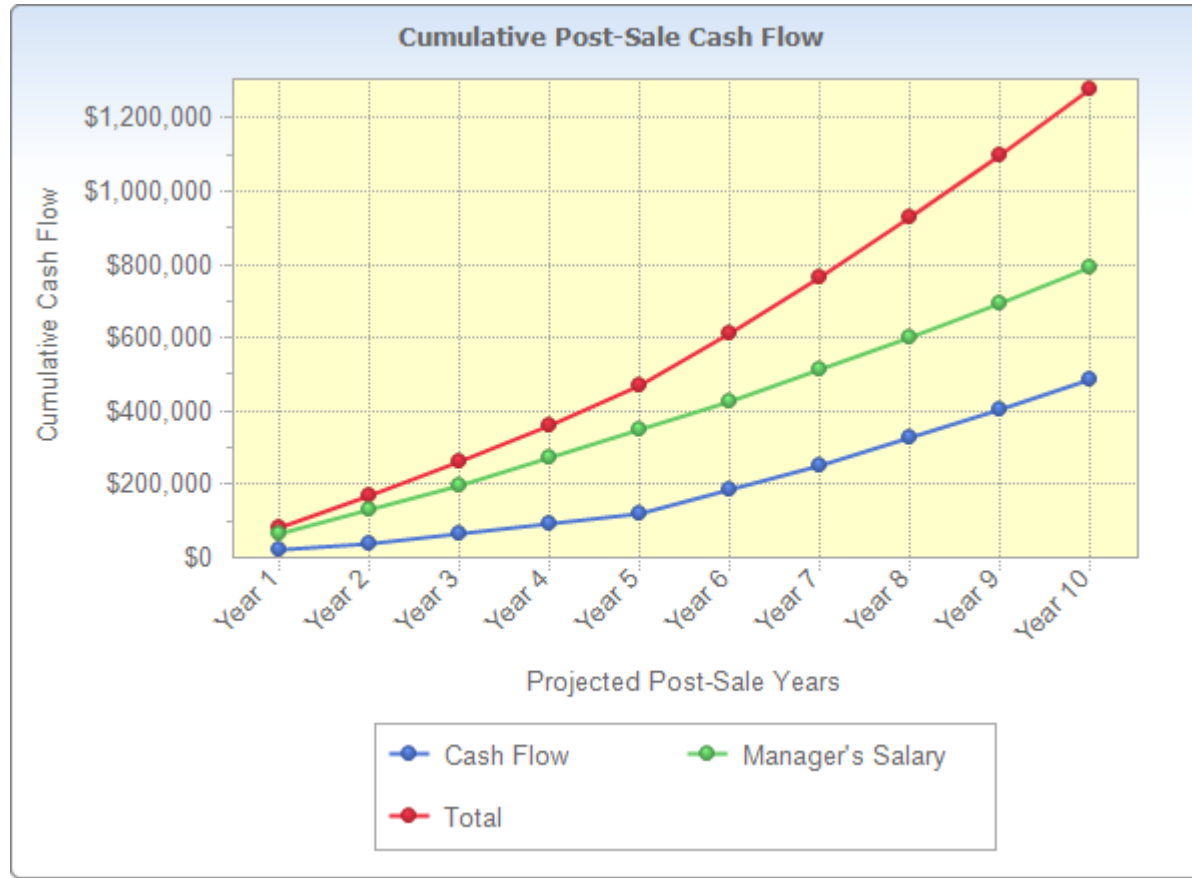
PROJECTED ANNUAL POST-SALE CASH FLOW						
Year #	Discretionary Earnings	Total Interest	Taxes	Total Principal	Manager's Salary	Cash Flow
1	\$151,200	\$20,903	\$20,189	\$27,812	\$63,000	\$19,297
2	\$158,760	\$18,060	\$22,365	\$30,654	\$66,150	\$21,531
3	\$166,698	\$14,927	\$24,694	\$33,787	\$69,458	\$23,832
4	\$175,033	\$11,473	\$27,189	\$37,241	\$72,930	\$26,199
5	\$183,785	\$7,665	\$29,863	\$41,049	\$76,577	\$28,630
6	\$192,974	\$5,051	\$32,255	\$10,059	\$80,406	\$65,203
7	\$202,622	\$4,107	\$34,227	\$11,002	\$84,426	\$68,860
8	\$212,754	\$3,075	\$36,309	\$12,035	\$88,647	\$72,687
9	\$223,391	\$1,946	\$38,510	\$13,164	\$93,080	\$76,692
10	\$234,561	\$712	\$40,835	\$14,398	\$97,734	\$80,882

PROJECTED CUMULATIVE POST-SALE CASH FLOW			
Year #	Cash Flow	Manager's Salary	Total
1	\$19,297	\$63,000	\$82,297
2	\$40,828	\$129,150	\$169,978
3	\$64,660	\$198,608	\$263,267
4	\$90,859	\$271,538	\$362,397
5	\$119,490	\$348,115	\$467,604
6	\$184,693	\$428,521	\$613,213
7	\$253,552	\$512,947	\$766,499
8	\$326,240	\$601,594	\$927,834
9	\$402,931	\$694,674	\$1,097,605
10	\$483,814	\$792,407	\$1,276,221

Sanity Check



Sanity Check





Overview

This appendix contains the business sale transaction data from the ValuSource Market Comps (VMC) database used in the comparable transactions method (see page 11). The VMC data is collected from intermediaries, such as business brokers and accountants, who are involved with business sales, and is widely used by business appraisers.

Please Note: All dollar amounts are in thousands. If an item is blank, it was not reported.



Field Definitions

- **SIC**
Standard Industrial Classification (SIC) code. Indicates the business's industry. For industry descriptions see:
<http://www.osha.gov/pls/imis/sicsearch.html>
- **Business Description**
A short description of the business.
- **Sales**
Net gross revenues. Reported in thousands.
- **DE**
Discretionary Earnings (DE) is defined as annual earnings before owners' compensation expense, interest, and income taxes. Reported in thousands.

- **Price**
Total consideration reported excluding real estate. Reported in thousands.
- **Price/Sales**
Price divided by Sales. The resulting ratio can be used to value the subject business.
- **Price/DE**
Price divided by Discretionary Earnings. The resulting ratio can be used to value the subject business.
- **State(s)**
Postal codes for the state or states where the business operates.



Appendix: ValuSource Market Comps Data

SIC	Business Description	Sales	DE	Price	Price/Sales	Price/DE	State(s)
5812	Brewery / Restaurant	\$997	\$302	\$385	0.39	1.27	NJ
5812	Restaurants Family Style	\$998	\$174	\$189	0.19	1.08	FL
5812	Restaurant	\$998	\$912	\$800	0.80	0.88	FL
5812	Restaurants	\$998		\$189	0.19		FL
5812	Seafood	\$999	\$81	\$691	0.69	8.53	NV
5812	Restaurant	\$1,000	\$211	\$652	0.65	3.09	MO
5812	Restaurants Steak Restaurant	\$1,000	\$100	\$195	0.20	1.95	FL
5812	Italian Restaurant	\$1,000		\$185	0.19		AZ
5812	Restaurants Deli Restaurant	\$1,000	\$187	\$225	0.23	1.20	FL
5812	Restaurants Deli Restaurant	\$1,000		\$135	0.14		FL
5812	gourmet/fine dining	\$1,000	\$75	\$275	0.28	3.67	AZ
5812	franchisor	\$1,000	\$200	\$700	0.70	3.50	AZ
5812	Gourmet fine dine	\$1,000	\$170	\$265	0.27	1.56	AZ
5812	Restaurant Bar	\$1,000		\$450	0.45		FL
5812	Restaurant	\$1,000	\$109	\$225	0.23	2.06	
5812	Brkfst Lunch	\$1,000	\$100	\$335	0.34	3.35	FL
5812	Restaurants Sandwich Shop	\$1,000	\$150	\$285	0.29	1.90	FL
5812	Bagel Deli	\$1,000	\$147	\$225	0.23	1.53	FL
5812	Italian Restaurant	\$1,000	\$125	\$170	0.17	1.36	
5812	Specialty Restaurant	\$1,000	\$175	\$300	0.30	1.71	
5812	Restr-Barbeque	\$1,000	\$185	\$375	0.38	2.03	TX
5812	Catering	\$1,000	\$40	\$180	0.18	4.50	IN
5812	Restaurant/lounge	\$1,000	\$36	\$410	0.41	11.39	NC
5812	Restr-Seafood	\$1,000	\$95	\$235	0.24	2.47	AZ
5812	Restaurant-Dinnerhouse	\$1,000	\$120	\$250	0.25	2.08	NY
5812	Drive-Thru, Carry-Out	\$1,000	\$100	\$160	0.16	1.60	
5812	Sport Family Restaurant	\$1,002		\$450	0.45		FL
5812	Restaurant/gift shop	\$1,003	\$177	\$275	0.27	1.55	NC
5812	Restaurants Steak Restaurant	\$1,005	\$60	\$265	0.26	4.42	CO
5812	Pizza	\$1,009	\$254	\$347	0.34	1.37	CO
5812	Pizza Restaurant	\$1,012	\$227	\$400	0.40	1.76	KY

Appendix: ValuSource Market Comps Data

SIC	Business Description	Sales	DE	Price	Price/Sales	Price/DE	State(s)
5812	Brewery / Restaurant	\$1,012	\$203	\$225	0.22	1.11	CA
5812	Pizza	\$1,012	\$276	\$385	0.38	1.39	IL
5812	Restaurant, Italian	\$1,012	\$132	\$595	0.59	4.51	ME
5812	Restaurant	\$1,018	\$216	\$285	0.28	1.32	TX
5812	Restaurant	\$1,020	\$663	\$177	0.17	0.27	FL
5812	Restaurants Steak Restaurant	\$1,020	\$72	\$100	0.10	1.39	GA
5812	Restaurant	\$1,022		\$213	0.21		LA
5812	Restaurants Fast Food Franchise	\$1,023	\$76	\$149	0.15	1.96	GA
5812	Restaurants Fast Food Franchise	\$1,028	\$151	\$240	0.23	1.59	FL
5812	Restaurant	\$1,030	\$189	\$1,230	1.19	6.51	TX
5812	Restaurant	\$1,030	\$222	\$530	0.51	2.39	TX
5812	Restaurant	\$1,030	\$239	\$673	0.65	2.82	MA
5812	Restaurant	\$1,030	\$122	\$489	0.47	4.01	NH
5812	Restaurant	\$1,035	\$165	\$615	0.59	3.73	IL
5812	Restaurants, Italian Restaurants, Pizza Shop, Dessert	\$1,036		\$150	0.14		
5812	Family Restaurant	\$1,039	\$250	\$667	0.64	2.67	TX
5812	Restaurant	\$1,040	\$232	\$657	0.63	2.83	NV
5812	Restaurant	\$1,040		\$300	0.29		AZ
5812	American Restaurant	\$1,040	\$130	\$350	0.34	2.69	
5812	Café	\$1,042		\$250	0.24		MN
5812	Restaurant	\$1,044	\$711	\$150	0.14	0.21	FL
5812	Full-Service Restaurant & Deli	\$1,045	\$96	\$300	0.29	3.13	OH
5812	Restaurants / Family Style	\$1,045	\$1,045	\$633	0.61	0.61	FL
5812	Fast Food-No Franchz	\$1,045	\$170	\$310	0.30	1.82	
5812	BBQ	\$1,046	\$218	\$654	0.63	3.00	TX
5812	Mexican	\$1,050	\$249	\$785	0.75	3.15	CA
5812	Restaurant	\$1,050	\$187	\$594	0.57	3.18	MO
5812	Restr-Family	\$1,050	\$100	\$75	0.07	0.75	FL
5812	Japanese Restaurant	\$1,050	\$300	\$327	0.31	1.09	
5812	Restaurants Italian Restaurant	\$1,050		\$430	0.41		WV

Appendix: ValuSource Market Comps Data

SIC	Business Description	Sales	DE	Price	Price/Sales	Price/DE	State(s)
5812	Restaurants American Restaurant	\$1,050	\$125	\$335	0.32	2.68	FL
5812	Restaurant	\$1,063	\$753	\$320	0.30	0.42	FL
5812	Restaurants Seafood Restaurant	\$1,063	\$205	\$420	0.40	2.05	FL
5812	Restaurants / Bagel Restaurant	\$1,064	\$1,064	\$285	0.27	0.27	FL
5812	Mexican cafe	\$1,065		\$310	0.29		CA
5812	Restr-Mexican	\$1,065		\$310	0.29		CA
5812	Restaurant	\$1,074	\$40	\$173	0.16	4.33	PA
5812	Full Service Restaurant	\$1,074	\$46	\$210	0.20	4.57	IA
5812	Restaurant	\$1,078		\$350	0.32		UT
5812	Restaurant		\$419	\$1,555		3.71	CT
5812	Restaurant	\$1,080		\$263	0.24		CA
5812	Italian Restaurant	\$1,081		\$199	0.18		FL
5812	Brewery / Steakhouse	\$1,081	\$166	\$200	0.19	1.20	TN
5812	Restaurants American Restaurant	\$1,083		\$310	0.29		GA
5812	Restaurant	\$1,084	\$99	\$883	0.81	8.92	TX
5812	Restaurant	\$1,089	\$324	\$661	0.61	2.04	MO
5812	Restaurant	\$1,094		\$489	0.45		FL
5812	Restaurants Italian Restaurant	\$1,094	\$277	\$498	0.45	1.80	FL
5812	Restaurants Italian Restaurant	\$1,098	\$428	\$480	0.44	1.12	FL
5812	Restaurant	\$1,099	\$152	\$531	0.48	3.49	MO
5812	Quick Service, Fast Food Franchise Restaurant	\$1,100		\$540	0.49		IA
5812	Restaurant	\$1,100		\$350	0.32		FL
5812	Owner to prove	\$1,100		\$400	0.36		FL
5812	Restaurants Italian Restaurant	\$1,100	\$238	\$365	0.33	1.53	FL
5812	Italian Restaurant	\$1,100	\$200	\$440	0.40	2.20	AZ
5812	Full Service Restaurant	\$1,100	\$208	\$565	0.51	2.72	MA
5812	McDonald's franchisees		\$100	\$1,800		18.00	
5812	Restaurants Italian Restaurant	\$1,100	\$108	\$132	0.12	1.22	FL
5812	Diner	\$1,100	\$205	\$215	0.20	1.05	
5812	Catering and retail food services	\$1,101	\$64	\$200	0.18	3.13	Ontario
5812	Subway Franchise - 3 Stores	\$1,103	\$172	\$325	0.29	1.89	NM

Appendix: ValuSource Market Comps Data

SIC	Business Description	Sales	DE	Price	Price/Sales	Price/DE	State(s)
5812	Breakfast & Lunch Restaurant	\$1,105	\$104	\$479	0.43	4.61	AZ
5812	Restaurant	\$1,105	\$161	\$809	0.73	5.02	OH
5812	Restaurants Specialty Restaurant	\$1,113		\$410	0.37		GA
5812	Restaurants Catering	\$1,113		\$400	0.36		WA
5812	Restaurant	\$1,119	\$281	\$425	0.38	1.51	TX
5812	Restaurants Specialty Restaurant	\$1,120	\$422	\$280	0.25	0.66	FL
5812	Restaurants Specialty Restaurant	\$1,123	\$156	\$280	0.25	1.79	FL
5812	Franchise Restaurant	\$1,123	\$94	\$840	0.75	8.94	AR

PLEASE READ THE FOLLOWING VERY CAREFULLY!



Tax and Legal Advice for Sale or Transfer of Stock

This report represents the opinions of business professionals relating to the sale and transfer of business assets and values. The evaluation of business assets for a suggested value is extremely subjective but can be accomplished with some degree of rationality because asset value information can be gleaned from the marketplace. However, the sale or transfer of stock (also known as equity) as a method for disposing of a business is considerably more complex because the buyer is assuming liabilities and is subject to a complex set of tax laws.

If you are planning a sale or transfer of stock or an ownership interest in a business, consult with your tax attorney and accountant first. Tax and legal advice must be given by qualified professionals and based on individual cases for the specific fact pattern at issue.



What is Valued in this Report

This business evaluation report and calculation of value assumes an asset sale and does *not* reflect the stock value of the company. ValuSource has not valued the hard assets or the real estate of the company and has relied on third party information sources deemed reliable to determine the value of all assets listed in this report.

Excluded Assets and Liabilities

This report excludes current assets such as cash, accounts receivable, prepaid expenses, and other liquid assets that would normally show up on the company's balance sheet. It also excludes the company's liabilities. This report assumes that the seller would keep the company's current assets and pay off any debts at the time of sale.

Treatment of Real Estate

This report does *not* take into consideration any real estate that the company owns. However, comparative market rent is deducted from the cash flow to reflect the true earning power of the company, since the ownership of real property is discretionary to a business. If the company being valued owns the real estate, it should be considered an investment asset that would be added to the value opinion in this report.



Disclaimer

This is a business evaluation report and *not* a formal appraisal. There are a number of significant differences between evaluations and appraisals. An evaluation is not nearly as rigorous as a formal appraisal, and is designed to give a general guideline or benchmark value rather than a formal determination of value. The formulas used in the various valuation methodologies in this evaluation are based on thousands of evaluations performed over many years by business brokers, business buyers, and business sellers in real world buy/sell situations. The values calculated using these methods, although not considered a formal appraisal, have been shown over time to provide a useful guide for determining business value.



Contingencies and Limiting Conditions

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2. ValuSource assumes no responsibility for matters of a legal nature affecting the property valued or the title thereto, nor does ValuSource render any opinion as to the title, which is assumed to be good and marketable. The property is valued as though under responsible legal

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3. ValuSource assumes no responsibility for any environmental problems and has not inspected the property.
4. This evaluation was based on a specific period of time. Data for this period of time has been collected from several sources. The particular business environment and market may or may not continue in the future; therefore, ValuSource is not making any claims regarding future performance or value of this business. ValuSource assumes no responsibility for errors in data available from external sources.
5. The selection of the use of company value was agreed to by the client. ValuSource assumes no responsibility for the type of value agreed to as opposed to other types of value.
6. ValuSource was retained by its client, who is thoroughly familiar with the business, and all past and future performance information used in this report has been based on information provided by the client and other sources deemed to be reliable. ValuSource disclaims any ability of any potential purchaser to generate any future income, cost and expense potential, or expectations as may be stated in this report.
7. All information in this report has been provided by our client, most of which is contained in the questionnaire

Appendix: Limitations, Contingencies and Disclaimer

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Appendix: Limitations, Contingencies and Disclaimer

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