

New York



Business Valuation Group, Inc.

Accuracy Is Our Agenda™

Service Agreement **Effective March 9, 2015**

1-Star and 2-Star Business Appraisal Reports

1. **Valuation Assignment:** You (“the Client”) wish to hire New York Business Valuation Group, Inc. (NYBVG) to determine the fair market value of a 100% of the operating assets and goodwill (asset sale assumption) of the business referenced in the questionnaire. The effective valuation date will be determined as part of the engagement process. The calculation engagement is strictly for internal use only. Our analysis will be documented in a calculation report.
2. You understand that NYBVG will rely on the information supplied in the questionnaire and will not make any independent effort to verify its accuracy. You further declare you are either (i) the legal owner of a beneficial interest in the security described on the order form or (ii) a duly appointed representative of the legal owner properly acting on his, her or its behalf.
3. **Intended Users and Restrictions on Use of Report:** The intended users of the report are the management of the Company. Any other users are considered unintended users. NYBVG is not responsible if you show the report to an unintended user, since our report is prepared only for your use, not someone else’s.

While it might seem logical that there is only one fair market value of an asset, that is not true. Value only has meaning in the context of a scenario, with its facts, assumptions, and the purpose of the valuation. Thus, any Calculations that we perform for you may not be used for any other purposes, valuation dates, or size interests without our written permission. This is especially true for any circumstances that require a business appraisal or any other type of official opinion of value.

Using our report in an unauthorized manner could be misleading and dangerous. You agree to indemnify New York Business Valuation Group, Inc. against any losses arising from unauthorized use of our report.

4. We have no responsibility to update our valuation report for events and circumstances that occur after the valuation date and after the date of its issuance.
5. **Fair Market Value:** The term ‘fair market value’, defined in Revenue Ruling 59-60, is the price, expressed in terms of cash equivalents, at which property [in this case, the 100% interest in the Company] would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.

The fair market value of an asset is its value to a hypothetical buyer and seller. It is *not* the value of that asset to any particular buyer, which is *investment value* and is frequently different than fair market value. Investment value to a strategic buyer is almost always higher than fair market value. Our valuation assignment is to compute fair market value.

6. Although, the valuation is intended to estimate fair market value, we assume no responsibility for a seller's or buyer's inability to obtain a purchase contract at that price.

7. No opinion is intended to be expressed for matters that require legal or other specialized expertise, investigation, or knowledge beyond that customarily employed by appraisers valuing businesses.

8. You understand that the business valuations produced in these packages are preliminary reports and are not IRS or USPAP compliant certified appraisals. A preliminary report is not nearly as rigorous as a formal full appraisal and is designed to give a guideline or benchmark value rather than a formal determination of value.

9. **Calculation Engagement:** A Calculation Engagement represents less work done than a Complete Appraisal or a Limited Appraisal. Performing a Calculation allows us to take certain permitted shortcuts that we could not take in a Complete or a Limited Appraisal. Examples of shortcuts are:

(1) Typically we eliminate independent market research, relying completely on the owner's understanding of the market.

(2) In a Complete Appraisal we must use every valuation method that is relevant. With a Calculation, we only need to use one valuation method.

As such, you understand that the conclusions in a Calculation must be considered as tentative and subject to change in the event you ever would decide to upgrade to a Complete or a Limited Appraisal and that difference might be material.

10. You understand that the 1-Star and 2-Star reports are based solely on reported sales transactions and considers three valuation drivers— Sales, EBITDA, and Seller's Discretionary Earnings (SDE). We do not review any financial statements. You provide us the data for the prior 12 months for the above benchmarks. In addition to the above, the 2-Star report also includes the Seller's Discretionary Cash Flow Method, i.e., an Income Approach. Further, you understand that we relied on the information provided by you to derive these value conclusions and that these conclusions do not consider economic considerations, past sales of stock, dividends paid, industry considerations, minority or control adjustments, marketability discounts, firm specific discounts or premiums, nor relative company performance. In addition you understand we did not perform any financial statement adjustments, or income or asset approaches to valuation. Doing so may produce a different indicated value and the difference might be material.

11. You understand NYBVG will make the best effort to find a suitable industrial classification code for your business based upon the description you provide. In the event of your business being in

an industry that has no suitable transaction data, NYBVG has your permission to select another industry that closely resembles the one in which the subject business operates.

12. Our fees for professional services will be \$995 for the 1-Star report and \$1,500 for the 2-Star Report. You understand that we need payment in full prior to starting your project. You further understand and agree that delays in providing payment may result in a delay of the completion date for the project.

13. The stated fee only covers the specific valuation assignment defined in this agreement. Any changes to the valuation assignment are considered extra work and will be billed at our standard hourly rates. Changes may include a different valuation date, standard of value, or purpose. Changes may also consist of different or additional sizes of ownership interests; different or additional people or organizations involved in the transaction, or changes to the definition of the subject asset(s).

14. You understand the stated fee does not include travel to the subject business under any circumstance. Should travel be necessary, as jointly determined by you and NBVG, you agree to pay for all travel expenses, including but not limited to, hourly billings at standard hourly rates, lodging, meals, airfare, rental cars, mileage, taxi service, parking, etc.

15. If we are to provide expert witness testimony as part of our assignment, you agree that an estimate of the fees for the expert witness testimony, will be received at our offices before we provide such services. Our fees will apply to the preparation of affidavits; attendance at depositions and court conferences; the preparation of all memoranda, correspondence, and reports; research; trial preparation and trial appearance; travel time; and any other time expended in connection with this matter. This will be subject to a separate engagement letter, if necessary.

16. You understand that NYBVG reserves the right to cancel your project at any time for any reason. In the event your project is cancelled, you shall be entitled to the amount paid for the valuation project less reasonable transaction fees.

17. You understand that we will need prompt access to documents, materials, facilities, and/or company personnel in order to perform our services in a timely and professional manner, and you agree to fulfill all such requests in a timely manner and to cooperate fully with us. You further understand and agree that delays in providing data or information may result in a delay of the completion date of the project.

18. We agree to perform our services in a professional and objective manner. You understand that we do not guarantee the results of any analysis which we may undertake, but only agree that any report or analysis shall represent our professional opinion based on the data given to us or compiled by us. We will attempt to obtain and compile our data from reliable sources, but we cannot guarantee its accuracy or completeness.

19. You warrant that the information and data you supply to us will be complete and accurate in every material respect to the best of your knowledge; and that you will hold us harmless for any breach of this warranty.

20. You agree to indemnify and hold us harmless against any and all liability, claims, or loss that we may incur, or be subject to, as a party, expert witness, or participant in connection with any dispute or litigation involving you unless such liability, claim, loss, is due to our gross negligence and such gross negligence is not caused by, related to, or the result of information provided to us by you. If we must bring legal action to enforce this indemnity, you agree to pay all costs of such action, including any sum as the Court may fix as reasonable attorney fees.

21. If, for any reason, you contest the valuation and choose to file a complaint with the courts, you will initiate, process, and ultimately dispose of that claim in the Rockland Supreme and County Courthouse in New City, New York. Our liability for all claims arising out of this engagement is limited to total fees paid for work performed and, then, only to the party for whom this report was originally prepared.

22. We agree that our report, analysis and conclusions, along with any information and data that you provide us, which is not publicly available (i.e., “Confidential Information”), shall remain confidential and shall not be divulged, copied or transmitted in any manner to any third party, without your permission.

23. You understand that if you cancel your project, NYBVG will refund your payment, net of reasonable transaction costs, only prior to beginning work. Once we begin processing your valuation, the payment is not refundable.