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HMW Special Utility District
Economic Damages Report

Fair Market Value
as of
December 31, 2021

STANTON PARK
ADVISORS

BUSINESS VALUATION REPORT

This business valuation report is based on factual information. It is necessary for the business appraiser to determine the proper amount of information necessary to completely perform the valuation engagement. Assumptions and limiting conditions are provided in Appendix A.

The specific valuation methods used in the determination of value were based upon the performance of investigative procedures that we considered necessary under the circumstances. These procedures include discussions with Company management regarding the history of the business, as well as detailed discussions of the Company's recent financial performance and operations; its expected future performance; and other factors we considered relevant.

Both internal and external factors influencing the value of the Company were reviewed, analyzed, and interpreted. Internal factors included the Company's financial position, results of operations, and the size and marketability of the interest being valued. External factors included – among other things – the status of the industry and the position of the Company relative to the industry. The business appraiser must obtain sufficient data about the Company's industry and economic environment, as well as Company specific data to make a determination of value.

Stanton Park Advisors has relied on the Company's financial statements as being accurate and a fair representation of the financial status and operations of the Company. We have not applied any independent investigative procedures to assure their accuracy. Rather, we have relied upon management's representation that this financial information, as well as other information and documentation, provided to us by them or their agents is true and correct to the best of their knowledge and belief. The Company has further assured us that all issues related to litigation, government regulatory requirements, environmental hazards, and other related matters that may impact the value of the Company have been disclosed to Stanton Park Advisors.

A business valuation is neither a legal nor a tax opinion. Its purpose is to estimate the fair market value within the meaning of the defined Standard of Value. Stanton Park Advisors assumes no responsibility whatsoever for legal or tax matters relative to its findings. Values are stated without reference to legal or tax claims unless so noted. The Company's compliance with all applicable federal, state, and local laws and regulations is assumed in reliance on management's representation. The valuation engagement and the resulting report should not be relied upon to disclose errors, irregularities, or illegal acts, including fraud or defalcations.

Jon Taylor, Managing Partner
Stanton Park Advisors LLC
(781) 228-3523
jon@stantonparkllc.com

January 06, 2022

Board of Directors
HMW Special Utility District
Harris and Montgomery Counties, Texas

Description of the Assignment
Stanton Park Advisors has been engaged by you to estimate the fair market value of economic damages related to the change in zoning for the real property referred to as the Mohnke Acreage as of December 31, 2021. It is our understanding that this valuation is intended to be used for litigation purposes related to economic damages

Fair market value is defined as the cash or cash equivalent price at which property would change hands between a willing buyer and a willing seller, neither being under a compulsion to buy or sell and both having reasonable knowledge of relevant facts.

Description of the Relevant Entity
HMW Special Utility District is a Texas water district and special utility district under Chapters 49 and 65, Texas Water Code. Its purpose is to provide water utility services as permitted by applicable law. Its operating policies, bylaws, rates, tariffs, and regulations are formulated and effected by a Board of Directors elected by the voters of the district.

Valuation Methods and Conclusion
In developing a value for the Company, we considered various approaches and methods of valuation and the appropriateness of each for this assignment.

Since the premise of value for the subject company is that of a going concern, the liquidation value method was ignored. The net asset value method requires detailed construction of a market value balance sheet valuing every tangible and intangible asset and liability of the business. It is very cumbersome and expensive to prepare such a valuation.

Based on the information contained in the detailed narrative report that follows, it is our opinion that the fair market value of the economic damages as of December 31, 2021 is $6,549,000 (rounded).

This valuation is subject to the assumptions and limiting conditions presented in Appendix A.

Sincerely,

Jon Taylor
Managing Partner
Stanton Park Advisors LLC

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I. OVERVIEW

SITUATION

Stanton Park Capital was hired by HMW SUD to perform an economic damages assessment related to a change in zoning for real property referred to as the Mohnke Acreage which was a planned residential community of 550 home sites in the Houston, Texas area. It is our understanding that HMW SUD possessed the rights to develop the residential water utility for this planned residential community. This change in zoning disallowed the development of the planned residential community leading to a loss in potential revenue and profit to HMW SUD since its right to develop the residential water plant were impaired as a result of this action.

DEVELOPMENT ASSUMPTIONS

In order to model the potential cash flows for Mohnke Acreage, we used the following assumptions:

- HMW SUD pays estimated plant costs of $4.9 million.
- Developer pays estimated underground water/sanitary system including 1 lift station costs of $4.25 million.
- Home sales of 34, 336, and 180 in years one, two, and three, respectively.
- Inflation rates:
    - Water base rate – 3 percent
    - Water consumption – 2 percent
    - Sewer base rate – 2 percent
    - Water Laboratory Expenses - 1.00%
    - Water Maintenance & Supplies - 1.00%
    - Water Chemicals - 1.00%
    - Water Utilities - 1.50%
    - Water Lawn Maintenance - 1.00%
    - Water Electrical Repairs - 1.00%
    - Water Payroll-Operations - 2.00%
    - Water Payroll Taxes - 1.00%
    - Water General Maintenance & Repairs - 1.00%
    - Sewer Laboratory Expenses - 1.00%
    - Sewer Maintenance & Supplies - 1.00%
    - Sewer Chemicals - 1.00%
    - Utilities - 1.50%
    - Lawn Maintenance - 0.50%
    - Payroll-Operations - 2.00%
    - Payroll Taxes - 1.00%
    - Sludge Removal - 1.00%
    - Permit Fees - 1.00%

II. Industry Overview

Industry

Companies in the Water Supply and Irrigation Systems industry sell water as a public utility to households, businesses and public entities throughout the United States. Industry operators maintain water treatment plants and water supply systems, including pumping stations, aqueducts and distribution mains. This industry does not include sewage treatment facilities. Despite more efficient use of water by businesses, industry revenue is estimated to increase at an annualized rate of 1.4% to $88.9 billion over the five years to 2021 as a rising US population and growing economy contributes to growing water usage by residential and commercial customers. Revenue is also expected to increase 5.3% in 2021 alone as demand from commercial and industrial customers gradually improves from the rollback of economic restrictions which have persisted since the outset of the COVID-19 (coronavirus) pandemic.

The United States' public water supply system has endured aggressive privatization over the past five years. Private companies have increasingly purchased the rights to operate public water utilities, stepping in to upgrade rapidly aging infrastructure. These establishments filed rate increase applications to their respective public utility commission (PUCs), and the rates continued to be granted due to the ongoing upgrades. The industry is also under constant consolidation, with larger public utility companies targeting growth through acquiring smaller and less-efficient distribution systems. Although the industry largely gained from business synergies and water rate increases over the past five years, transitory moratoria barring service disconnections from nonpaying customers have recently hurt average industry profit.

Over the five years to 2026, the industry is expected to grow at a slightly stronger rate as demand from commercial and industrial clients rebounds and demand from households remains elevated as a result of a more permanent work-from-home strategies arrangements. Moreover, industry revenue could receive a boost if PUCs approve rate increases for industry operators. Finally, this industry is anticipated to continue transferring public utility operations to private companies in the outlook. IBISWorld expects industry revenue to grow at an annualized rate of 1.7% to $96.8 billion over the five years to 2026.

Cost structure

Profit

Industry profit, measured as earnings before taxes and interest, is expected to account for 12.6% of industry revenue in 2021, down from 12.8% in 2016.

Until 2020, average industry profit largely expanded due to rising water prices and improving operational efficiencies. Since operators must apply for a rate increase via state Public Utility Commissions (PUCs), incumbent operators are typically not well positioned to pass on cost increases to downstream customers in a timely manner. Nevertheless, industry margin has been bolstered by the industry's increasing consolidation and by the rate increases which have been granted over the five years to 2021. Consolidation has widened margins as smaller and less-efficient water suppliers are integrated are run more efficiently by private utilities entities which continue to grow in size.
Average profit fell in 2020 as operators experienced an increase in uncollectible accounts expense amid the poor economic environment rendered by the COVID-19 (coronavirus) pandemic. Many state regulatory agencies implemented moratoria in 2020 that prohibited utilities companies from shutting off or disconnecting services from certain nonpaying customers. Certain states have also permitted utlity providers to establish regulatory assets to record financial troubles incurred during the global health crisis. Industry profitability is

expected to improve over the next five years as investments into utility networks begin to pay off in the form of higher operating efficiency, thus strengthening industry profitability.

Wages

Wage costs represent the third-largest cost to industry operators and are expected to account for 22.2% of industry revenue in 2021, up from 19.3% in 2016.

Relatively few permanent employees are needed to manage water treatment and supply systems, with labor focused on monitoring treatment and distribution to ensure that water is being supplied safely and efficiently. However, the industry must regularly pay repair crews to carry out regular maintenance work on industry infrastructure. Additionally, permanent industry workers are mostly highly trained engineers that must do their jobs very methodically to prevent any catastrophic mistakes. As a result, industry wages tend to be relatively high. Wages have increased slightly as a share of industry revenue over the past five years as consolidating utilities must retain their most skilled employees. Moreover, as more utilities go private, it is often the case that private operators will pay higher wages instead of offering pension plans, as do public utilities.

Purchases

Purchases costs represent the Water Supply and Irrigation Systems industry's largest cost and are expected to account for 27.7% of industry revenue in 2021.

While including other purchases, purchased water and chemicals used in water purification and treatment represent the most significant purchases costs for industry operators. Purchased water is usually bought from reservoirs and other municipally owned sources of water. Purchases costs have remained steady in more recent years as the price of water has risen, but not across all industry areas.

Marketing

Given that that majority of industry operators are public utilities that have monopoly control over the water infrastructure within the jurisdictions they operate, industry marketing costs are very low, at 0.1% of revenue.

Depreciation

Depreciation costs for the Water Supply and Irrigation Systems industry are relatively high, estimated to account for 14.3% of industry revenue in 2021.

Given the critical nature of properly working water supply systems, substantial capital is invested in the repair and maintenance of water treatment plants, pumping stations, distribution lines and other industry infrastructure. Overall, industry depreciation costs have fallen marginally as a share of industry revenue over the past five years in line with a slowing in investment in national water supply and distribution infrastructure. However, it should be noted that depreciation has settled at a new elevated level in terms of historical norms, despite being lower than peak activity in 2016. This demonstrates capital intensity has increased broadly.

Rent

Rent charges for operating a front office as well as leasing equipment are estimated to account for 0.6% of industry revenue in 2021.

Utilities

Utilities costs account for 0.1% of industry revenue in 2021, this figure has remained unchanged during the current period.

Other Costs

Other costs include administrative fees, legal costs and marketing costs (22.4%), among other costs. Legal and administrative fees, especially for privately owned industry operators, can be quite high given the high level of industry regulation.

III. Financial Statements

Income Statement

	Inflation Assumptions	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Homes Sold		34	336	180	-	-															
Cumulative Homes Sold		34	370	550	550	550	550	550	550	550	550	550	550	550	550	550	550	550	550	550	550
Capital Cost		1,159,863	3,740,137	-	-	-															
Capital Cost Cumulative		1,159,863	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000
Revenues																					
WATER																					
Base Rate	3.00%	13,801	156,240	281,232	286,440	286,440	286,440	286,440	286,440	286,440	295,033	295,033	295,033	295,033	295,033	303,884	303,884	303,884	303,884	303,884	303,884
Fire Protection Surcharge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Consumption	2.00%	7,632	86,400	155,520	158,400	158,400	158,400	158,400	158,400	158,400	161,568	161,568	161,568	161,568	161,568	164,799	164,799	164,799	164,799	164,799	164,799
Tap Fees		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SEWER		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Base Rate	2.00%	10,494	118,800	213,840	217,800	217,800	217,800	217,800	217,800	217,800	222,156	222,156	222,156	222,156	222,156	226,599	226,599	226,599	226,599	226,599	226,599
Consumption		17,808	201,600	362,880	369,600	369,600	369,600	369,600	369,600	369,600	369,600	369,600	369,600	369,600	369,600	369,600	369,600	369,600	369,600	369,600	369,600
Tap Fees		247,800	705,600	201,600	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tap Cost		(153,400)	(436,800)	(124,800)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues		**144,135**	**831,840**	**1,090,272**	**1,032,240**	**1,032,240**	**1,032,240**	**1,032,240**	**1,032,240**	**1,032,240**	**1,048,357**	**1,048,357**	**1,048,357**	**1,048,357**	**1,048,357**	**1,064,883**	**1,064,883**	**1,064,883**	**1,064,883**	**1,064,883**	**1,064,883**
Operating Expenses - WATER																					
Laboratory Expenses -Water	1.00%	291	3,300	5,940	6,050	6,050	6,110	6,171	6,233	6,295	6,358	6,422	6,486	6,551	6,617	6,683	6,750	6,817	6,885	6,954	7,024
Maintenance & Supplies	1.00%	429	4,853	8,735	8,897	8,897	8,986	9,076	9,166	9,258	9,351	9,444	9,539	9,634	9,730	9,828	9,926	10,025	10,125	10,227	10,329
Chemicals	1.00%	686	7,764	13,976	14,235	14,235	14,377	14,521	14,666	14,813	14,961	15,111	15,262	15,414	15,568	15,724	15,881	16,040	16,201	16,363	16,526
Utilities	1.50%	1,072	12,132	21,838	22,242	22,242	22,576	22,914	23,258	23,607	23,961	24,320	24,685	25,055	25,431	25,813	26,200	26,593	26,992	27,397	27,808
Lawn Maintenance	1.00%	-	1,200	1,200	1,200	1,200	1,212	1,224	1,236	1,249	1,261	1,274	1,287	1,299	1,312	1,326	1,339	1,352	1,366	1,379	1,393
Electrical Repairs	1.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payroll-Operations	2.00%	4,293	48,600	87,480	89,100	89,100	90,882	92,700	94,554	96,445	98,374	100,341	102,348	104,395	106,483	108,612	110,785	113,000	115,260	117,566	119,917
Payroll Taxes	1.00%	515	5,832	10,498	10,692	10,692	10,799	10,907	11,016	11,126	11,237	11,350	11,463	11,578	11,694	11,811	11,929	12,048	12,168	12,290	12,413
Uniforms		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fuel		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General Maintenance & Repair:	1.00%	429	4,853	8,735	8,897	8,897	8,986	9,076	9,166	9,258	9,351	9,444	9,539	9,634	9,730	9,828	9,926	10,025	10,125	10,227	10,329
Vehicle Repair		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security & GPS		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses		**7,715**	**88,534**	**158,401**	**161,312**	**161,312**	**163,928**	**166,589**	**169,296**	**172,051**	**174,854**	**177,706**	**180,608**	**183,561**	**186,566**	**189,623**	**192,735**	**195,901**	**199,123**	**202,402**	**205,739**
Operating Expenses - SEWER																					
Laboratory Expenses	1.00%	623	7,049	12,688	12,923	12,923	13,052	13,183	13,314	13,448	13,582	13,718	13,855	13,994	14,133	14,275	14,418	14,562	14,707	14,854	15,003
Maintenance & Supplies	1.00%	2,972	33,642	60,556	61,677	61,677	62,294	62,917	63,546	64,181	64,823	65,471	66,126	66,787	67,455	68,130	68,811	69,499	70,194	70,896	71,605
Chemicals	1.00%	142	1,602	2,884	2,937	2,937	2,966	2,996	3,026	3,056	3,087	3,118	3,149	3,180	3,212	3,244	3,277	3,309	3,343	3,376	3,410
Utilities	1.50%	2,377	26,914	48,444	49,342	49,342	50,082	50,833	51,595	52,369	53,155	53,952	54,762	55,583	56,417	57,263	58,122	58,994	59,879	60,777	61,688
Lawn Maintenance	0.50%	-	1,200	1,200	1,200	1,200	1,206	1,212	1,218	1,224	1,230	1,236	1,243	1,249	1,255	1,261	1,268	1,274	1,280	1,287	1,293
Payroll-Operations	2.00%	4,293	48,600	87,480	89,100	89,100	90,882	92,700	94,554	96,445	98,374	100,341	102,348	104,395	106,483	108,612	110,785	113,000	115,260	117,566	119,917
Payroll Taxes	1.00%	515	5,832	10,498	10,692	10,692	10,799	10,907	11,016	11,126	11,237	11,350	11,463	11,578	11,694	11,811	11,929	12,048	12,168	12,290	12,413
Sludge Removal	1.00%	2,094	23,710	42,677	43,468	43,468	43,902	44,341	44,785	45,233	45,685	46,142	46,603	47,069	47,540	48,015	48,495	48,980	49,470	49,965	50,465
Permit Fees	1.00%	198	2,243	4,037	4,112	4,112	4,153	4,194	4,236	4,279	4,322	4,365	4,408	4,452	4,497	4,542	4,587	4,633	4,680	4,726	4,774
Total Operating Expenses		**13,214**	**150,791**	**270,463**	**275,450**	**275,450**	**279,336**	**283,283**	**287,290**	**291,361**	**295,495**	**299,693**	**303,957**	**308,287**	**312,686**	**317,153**	**321,691**	**326,300**	**330,982**	**335,737**	**340,568**
Operating Income		**123,207**	**592,515**	**661,407**	**595,478**	**595,478**	**588,976**	**582,369**	**575,653**	**568,828**	**578,009**	**570,958**	**563,792**	**556,509**	**549,105**	**558,106**	**550,457**	**542,681**	**534,778**	**526,744**	**518,577**
DEBT SERVICE																					
Interest Only - Buildout		9,737	60,559	-	-	-															
Bond/Mortgage Payment		-	97,609	292,828	292,828	292,828	292,828	292,828	292,828	292,828	292,828	292,828	292,828	292,828	292,828	292,828	292,828	292,828	292,828	292,828	292,828
HMW Equity Contribution		500,000	-	-	-	-															
Total Debt Service		**509,737**	**158,168**	**292,828**	**292,828**	**292,828**	**292,828**	**292,828**	**292,828**	**292,828**	**292,828**	**292,828**	**292,828**	**292,828**	**292,828**	**292,828**	**292,828**	**292,828**	**292,828**	**292,828**	**292,828**
Cash Flow (Deficit)		**(386,530)**	**434,347**	**368,580**	**302,650**	**302,650**	**296,149**	**289,541**	**282,826**	**276,001**	**285,181**	**278,131**	**270,965**	**263,681**	**256,278**	**265,278**	**257,629**	**249,854**	**241,950**	**233,916**	**225,749**

IV. VALUATION SUMMARY

VALUATION METHODS

There are generally three acceptable methods for valuing a company – the market approach, the income approach and the asset-based approach. The asset-based approach to valuation is normally only used when the subject company does not appear to be able to continue operations as a going-concern or when the company is expected to be liquidated. This approach is very complex and time consuming due to the fact that it requires an appraisal of all assets and liabilities, tangible and intangible, of the business using the defined standard of value. Therefore, it is not used normally in conjunction with the appraisal of an operating business that is anticipated to carry on as a going concern. In our valuation of the Company, we used the income approach.

Developing the Discount Rate
The cost of capital is the expected rate of return that the market requires in order to attract funds to a particular investment. This rate of return, also called the "discount rate," reflects both time value of money and risk. The key question to address in the development of the discount rate is, "what is an appropriate rate of return to expect if the future cash flows to investment holders were purchased?"

Market Value of Invested Capital
The Market Value of Invested Capital ("MVIC") of a company is the total value of all outstanding classes of stock, including any long-term interest-bearing debt (including short-term debt that effectively functions as long-term debt) and is useful in that it allows comparisons with other companies with varying capital structures. Subtracting the fair value of outstanding debt (less cash and cash equivalents) from the indicated invested capital results in the fair value of equity as of the valuation date.

When using the income approach to determine the MVIC, it is important that the discount rates used are relevant and appropriate to the economic income being discounted. In particular, the "weighted average cost of capital" should be utilized when one is discounting the cash flows to all capital providers. The result of this calculation reflects the value of the entire investment to all stakeholders – both equity and long-term debt holders. Once we determine the MVIC, we subtract all long-term interest-bearing debt (less cash and cash equivalents) to arrive at the market value of the Company's equity. In the following discussion, we will determine the discount rate applicable to the stakeholders namely, the equity shareholders and the long-term interest-bearing debt holders.

Weighted Average Cost of Capital
Not every company has the same capital structure. Some companies obtain more of their capital from borrowing than others who might obtain their capital from stockholder contributions. As stated above, using the MVIC allows us to compare companies independent of their capital structures. Accordingly, the related cost of capital to MVIC is the Weighted Average Cost of Capital ("WACC"), the weighted average of the combined cost of equity and after-tax cost of debt. To determine our WACC, we must first determine the Company's cost of equity and after-tax cost of debt.

Cost of Equity
We relied on the Capital Asset Pricing Model (CAPM) to develop the cost of equity using the 2016 Valuation Handbook ("Duff & Phelps"). CAPM is based on the assumption that all businesses and business interests are a subset of the investment opportunities available in the total capital market. As a result, the relevant value of a business should theoretically be subject to the same economic forces and relationships that determine the values of other investment assets. Essentially, CAPM calculates the required or expected rate of return of a particular asset through a risk-free rate, a risk premium based on the associated risk of the asset, and a beta based on comparable public companies, which measure the volatility of the asset relative to the overall market. The CAPM formula is as follows:

Return on Asset = Risk-Free Rate + Beta (Return on Market – Risk-Free Rate)

We calculated the Company's Cost of Equity using the following components:

1. A Risk-Free Rate we consider to be the 20-year U.S. Treasury Bond for which we used Duff & Phelps' normalized 20-year U.S. treasury yield of 2.50%[1].

2. A Beta of 0.55[2].

3. A premium for risk, which includes:

    a. An Equity Risk Premium ("ERP") of 5.5%[3].
    b. A Company Size Risk Premium of 8.12%
    c. Pre-Tax cost of Debt of 4%

The above calculation results in a Cost of Equity of 13.65%.

[1] Duff & Phelps
[2] Duff & Phelps
[3] Duff & Phelps

HMW
Weighted Average Cost of Capital Analysis

Cost of Equity:	
Risk-Free Rate[1]	2.5%
Beta[1]	0.55
Equity Risk Premium[1]	5.5%
Company Size Premium[1]	8.12%
Company Specific Premium	–
Cost of Equity[2]	**13.65%**
Cost of Debt:	
Pre-Tax Cost of Debt	4.00%
Tax Rate	30.0%
After-Tax Cost of Debt	**2.800%**
Weighted Average Cost of Capital (WACC):	
Debt-to-Equity Ratio	75.00%
WACC	**5.5%**

(1) Source: Duff & Phelps Cost of Capital Navigator

*(2) Based on CAPM [Risk-Free Rate + Beta * (Return on Market - Risk-Free Rate)]*

The Income Approach

The income approach is based on the economic principle of expectation. That is, the value of a company to a hypothetical buyer or a hypothetical seller is estimated by projecting the present value of the future economic benefits or cash flows that a buyer can reasonably expect to receive from the Company, or the seller can expect to forego.

After “normalizing” the accrual-based income statement, we calculated the Company’s representative net income, and then further adjusted the “net income” to reflect “free cash flow” available to invested capital. Free cash flow is the cash that is available to be paid out to the invested capital holders of the business without jeopardizing the Company’s future operations.

Before we can calculate the value of future benefits, we must first calculate the actual future benefits. This requires management to make certain assumptions about the Company’s growth rates and expense margins that are expected into perpetuity. In addition to estimating the growth, margins, overhead, and depreciation expenses, the Company must also project the level of capital expenditures and working capital retention necessary to support the earning generating capacity of the business and relevant growth assumptions.

Application of the WACC of 5.5% to our expected “net cash flow to invested capital” resulted in a market value of invested capital of $2,676,000 (rounded).

	Terminal FCF Growth Range				
	–	*1.0%*	*2.0%*	*3.0%*	*4.0%*
	FV of Terminal Value				
	$9,966,740	$11,577,596	$13,757,534	$16,872,816	$21,689,857
WACC	**Firm Value**				
5.7%	7,954,782	8,490,261	9,214,912	10,250,490	11,851,763
6.7%	6,726,955	**7,170,485**	**7,770,706**	**8,628,462**	9,954,778
7.7%	5,682,815	**6,050,833**	**6,548,863**	**7,260,583**	8,361,088
8.7%	4,791,992	**5,097,880**	**5,511,832**	**6,103,398**	7,018,115
9.7%	4,029,531	4,284,210	7,167,451	9,131,858	5,882,974

STATEMENT OF VALUE

It is our opinion that the fair market value of the economic damages as of December 31, 2021 is $6,549,000 (rounded).

V. APPENDIX A – STATEMENT OF GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This report has been made with the following general assumptions and limiting conditions:

- No investigation has been made of and, no responsibility is assumed for the legal description or for legal matters, including title or encumbrances. Title to assets is assumed to be good and marketable unless otherwise stated. Assets are further assumed to be free and clear of any or all liens, easements or encumbrances unless otherwise stated.
- Information furnished by others, upon which all or a portion of this report is based, is believed to be reliable, but has not been verified in all cases. No warranty is given as to the accuracy of such information.
- Our work does not constitute an audit, nor have we attempted to confirm the information provided us for accuracy and completeness, except within the framework of the valuation process and we do not express an opinion or any form of assurance on them. Accordingly, our work was not conducted in accordance with generally accepted auditing standards. In addition, we have not conducted a forensic examination of the books and records of the Company. Such an examination, if conducted, might lead us to a different opinion of value.
- Public information and industry and statistical information have been obtained from sources we believe to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.
- No responsibility is taken for changes in market conditions, and no obligation is assumed to revise this report to reflect events or conditions, which occur subsequent to the date hereof.
- Responsible ownership and competent management are assumed.
- This report is for "Financial Planning Purposes" and the value arrived at herein is for your exclusive use and for the sole and specific purpose noted herein. This report and our conclusions may not be used for any other purpose or by any other party whatsoever.
- Possession of this report does not convey any right of reproduction or publication, nor may it be used by anyone other than our client and, in any event, only then in its entirety.
- Although our valuation is intended to estimate fair market value, we assume no responsibility for a seller or buyer's inability to obtain a purchase contract at that price.

VI. APPENDIX B - STATEMENT OF CERTIFICATION

I (we) certify that, to the best of my (our) knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, unbiased, professional analyses, opinions, and conclusions.
- I (we) have no present or prospective interest in the assets or property that is the subject of this report. Nor do I (we) have any past, present or future interest in the Company and, I (we) have no personal interest or bias with respect to the parties involved.
- My compensation and my firm's compensation are not contingent on any action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.
- Prior to the commencement of this engagement, neither the undersigned nor anyone associated with this firm had any personal knowledge or association with any owner or employee of the Company.
- This report has been made only for the purpose stated and shall not be used for any other purpose. The report, its conclusions and its contents may not be used, copied or transmitted in any form, in whole or in part, by any party without the prior written permission of Stanton Park Advisors.
- The conclusions and opinion of fair market value contained herein represents the opinion of the undersigned and are not to be construed in any way as a guarantee or warranty; either expressed or implied that the business being valued herein will actually sell for the fair market value contained herein.

VII. APPENDIX C – CURRICULUM VITAE OF VALUATOR

STANTON PARK
ADVISORS

Jon Taylor
Managing Partner
Stanton Park Capital, LLC
jon@stantonparkllc.com
(781) 228-3523

Experience
Mr. Taylor has approximately 18 years of business valuation, merger & acquisition advisory, and capital raising experience. He has completed more than 1,000 business valuation assignments in his career with companies in virtually every industry for divorce, litigation, expert testimony, estate planning and gift tax, 409a compliance, partnership buyouts, intangible asset appraisal, purchase price allocation, bankruptcy, and income determination purposes. Jon founded Stanton Park in 2012 to provide financial advisory services to small and medium sized businesses nationwide. Prior to Stanton Park, he was a Vice President with Moss Adams Capital and Capstone Partners.

Education and Professional Credentials
Mr. Taylor has a BS in Economics with a concentration in finance and real estate from the Wharton School at the University of Pennsylvania and an MBA from the McDonough School of Business at Georgetown University. He is a Certified Valuation Analyst (CVA) with the National Association of Certified Valuators and Analysts (NACVA).

Jon is the author of *Maximize Your Multiple: The Business Owners' Guide to the Institutional Money Deal*™.

VIII. APPENDIX D - PRINCIPAL SOURCES OF INFORMATION

The principal sources of information used by us in valuing the Company include the following:

- Financial statements; financial projections from 2021 to 2040
- The Company's website.
- Research with respect to the selection and analysis of the financial performance of other companies in the same or similar industry; and
- Information and data provided by the Company in the course of performing this valuation.