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Calculation of Value Report
Glen Cove Machine, Inc.
6/30/2017

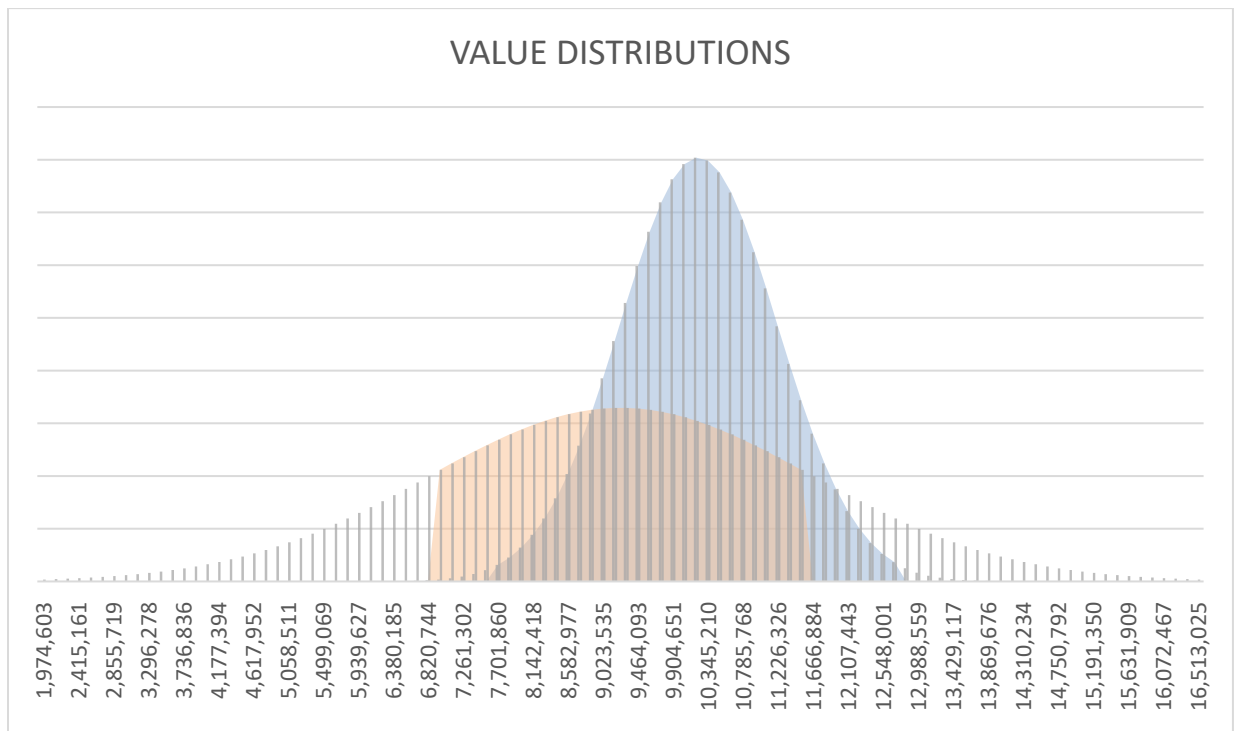
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Murray & Roberts Valuation Services, Inc.
W6110 Aerotech Dr., Appleton, WI 54914
(920) 225-6436 www.mycompanyvalue.com

November 2, 2017

Maxwell Maltz
Glen Cove Machine, Inc.
200 Dosoris Lane
Glen Cove, NY 11542

Calculated Equity Value of Glen Cove Machine, Inc.: \$10,227,000.



General Information about Our Valuation Report

The income statement and balance sheet information used to prepare this report are the representations of the client. We have not audited these statements and cannot offer any degree of assurance upon them.

We have performed the following calculation engagement of a 100% equity interest of Glen Cove Machine, Inc., as of 6/30/2017, according to the terms of our engagement letter, which specifies the calculations to be performed. As defined by the AICPA's *Statement on Standards for Valuation Services No. 1*, a calculation engagement is an engagement to estimate value wherein the valuation analyst and the client agree on the specific valuation approaches and valuation methods that the valuation analyst will use and the extent of valuation procedures the valuation analyst will perform to estimate the value of a subject interest. A calculation engagement generally does not include all the valuation procedures required for a full valuation engagement. If a valuation engagement had been performed, the results might have been different.

By analyzing the statistical variability of data used in the valuation, we can determine the impact of variability on the final result. This variability is demonstrated visually using bell curves. Tall, narrow bell curves indicate low expected variability, or a highly reliable result. Short, wide bell curves demonstrate

a higher potential for variability, or a less reliable estimate of value.

- The Reliability Score is the probability that the 'true' value of the business (using actual results of future operations) will be within 25% higher or lower of the expected value (estimated value).
- The Above Score is the probability that the true value is greater than 75% of the value estimate. For more about the Reliability Score and Above Score, go to www.MyCompanyValue.com.

The reliability measures are not an expression of assurance on the underlying financial information. They are a measure of the reliability of forward looking projections given the information provided. We applied the three standard approaches commonly used in business valuation: the Income Approach, Market Approach, and Asset Approach.

Equity Value – The equity value of your company is the value of your stock as of a certain date, including all assets and subtracting all liabilities and debt.

Acquisition Value – When businesses are sold, the stated price generally does not include current assets, excess assets, current liabilities, or debt.

The Income Approach

The future earnings of an enterprise are valued based on the rate of return required by investors. The rate of return required is based on the nature of the asset (in this case, an equity investment in a small company), and the risk associated with it. We estimated the risk component associated with Glen Cove Machine, Inc. equity based on: company size, the industry, the degree of customer concentration, and the qualities of its balance sheet. Based on these factors we estimated a required rate of return from equity investors of 22.78%.

We adjusted the normalized cash flows for the interest (using a long term expected interest rate of 6.00%) resulting from the anticipated level of debt (\$210,218) available to a hypothetical acquirer, and corporate income taxes if they apply. These cash flows were projected forward five years at the historic growth rate. Beyond the fifth year, a growth rate equaling the expected long-term inflation rate (2.00%) was applied. The present value of the future cash flows is \$12,049,132.

This figure represents the total investment of equity, after adjusting for debt, to achieve the required rate of return from the projected future cash flows. This model assumes a level of debt that grows equally with the long-term growth of the business. The Weighted Average Cost of Capital

(WACC) determined based on this projected capital structure is 22.5%.

The total amount of invested capital (equity plus debt) includes assets invested in working capital (current assets less current liabilities). At any given time, a business may have more or less working capital on hand than is typically required to operate the business. Therefore, a working capital adjustment is necessary to calculate the value of equity as of a given date. Based on its industry and size, we estimated the net working capital requirement for Glen Cove Machine, Inc. to be \$1,794,577. Based on its actual net working capital of \$-237,969 as of 6/30/2017, we determined a working capital adjustment of \$-2,032,546 is necessary.

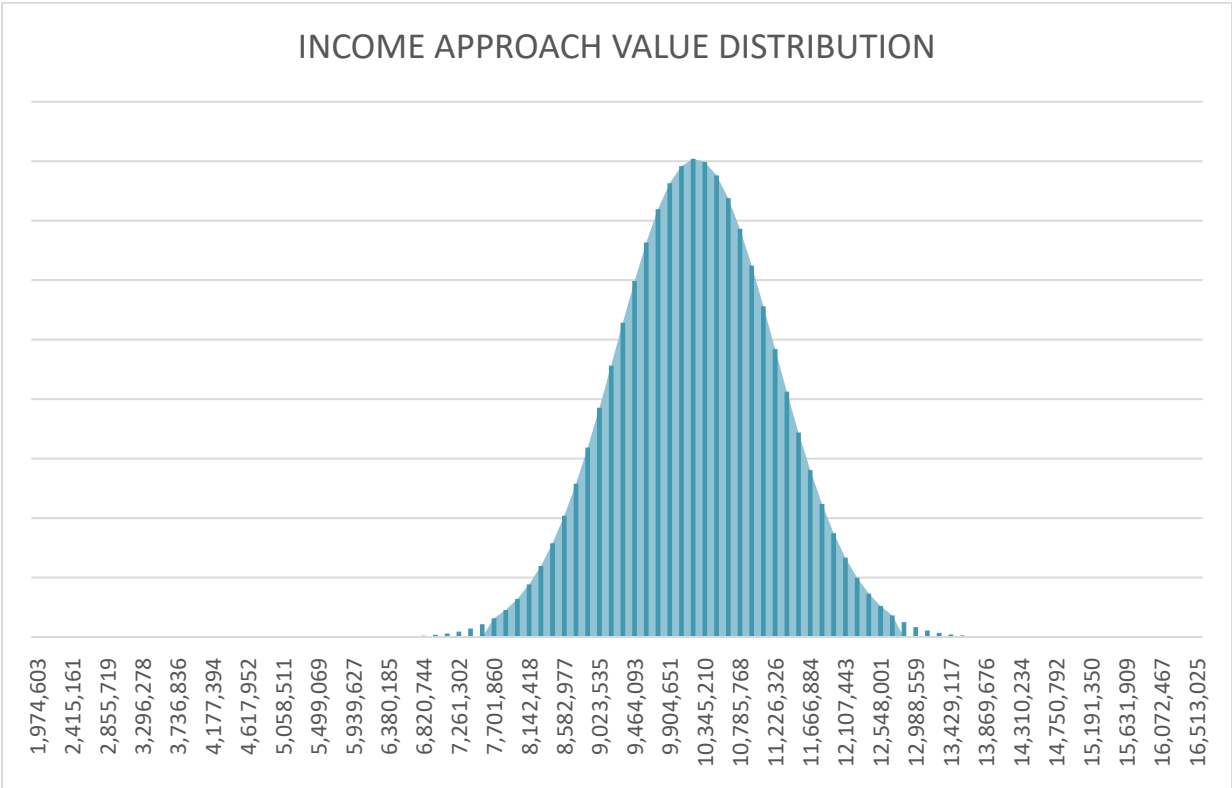
An adjustment may be made for other non-current assets included on the balance sheet that are not required to produce the expected cash flows. These are called 'excess assets.' The value of these assets are added to the equity value in the income approach. The formulas used in the Income Approach are included in Appendix 4.

Factoring the random variability of several key factors into over 10,000 iterations of the Income Approach value calculation produces a standard deviation percentage of the mean of 9.6%, and should be considered very low. The shaded area in the graph below represents the probability of the true value within 25% above or below the value estimate (the Reliability Score).

The Income Approach (continued)

Present Value of Future Cash Flows:	\$12,049,132
Anticipated Level of Debt:	210,218
Less: Estimated Working Capital	(1,794,577)
Acquisition Value:	\$10,464,773
Actual Working Capital:	-237,969
Excess Assets:	
Less Actual Long Term Debt:	()
Calculated Value of Equity:	\$10,226,804

Reliability Score: 99
 Above Score: 100



The Market Approach

We calculated the value of Glen Cove Machine, Inc. by comparing it to other companies of similar size in the same industry that have been sold in the last ten years. We searched the Pratt's Stat's database (a listing of private company transactions) for transactions involving companies with an NAICS code of 333298, and annual sales between \$1,000,000 and \$12,000,000, occurring after 1/1/2007. Where applicable, we may limit the search to transactions where the acquirer purchased the stock or the assets of the selling company. In this case, we included both. This search produced a group of 19 comparable companies.

We divided each company's acquisition price by its annual sales, and calculated the median value for the group (.46). We also divided each company's acquisition price by its operating income (EBIT), and again calculated the median value for the group (6.67). We multiplied each of these ratios by the appropriate data for Glen Cove

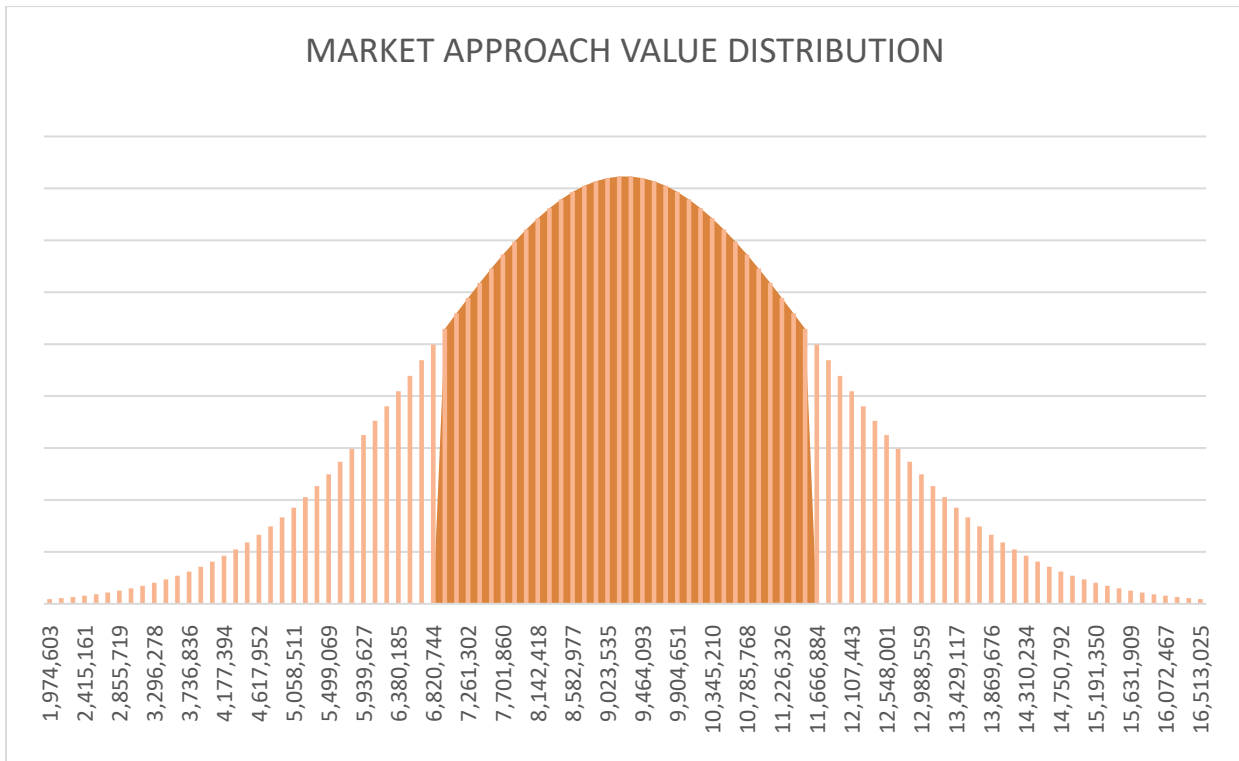
Machine, Inc., and blended the two results together based on the ratio of the coefficients of determination (R^2) for each multiple (derived from the group of comparable companies). Because transaction prices are typically stated without the working capital acquired in the transaction, we must add the value of Glen Cove Machine, Inc.'s actual net working capital. We must also add excess assets, and subtract long-term debt as of the valuation date.

Factoring the random variability of several key factors into over 10,000 iterations of the Market Approach value calculation produces a standard deviation percentage of the mean of 26.1%, and should be considered low. The shaded area in the graph below represents the probability of the true value within 25% above or below the value estimate (the Reliability Score).

Acquisition Value of Assets:	\$9,481,783
Actual Working Capital:	-237,969
Excess Assets:	
Less Actual Long Term Debt:	()
Calculated Value of Equity:	\$9,243,814

Reliability Score: 66

Above Score: 83

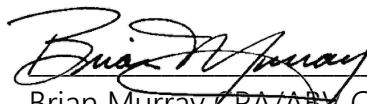


The Asset Approach

Occasionally, due to the company's industry, level of sales, profitability, or assets, the value of assets less liabilities results in the highest valuation of the company, and therefore must be considered. Based on the information you provided, the value of equity on an asset basis is \$62,000.

Conclusion

Based on the specific procedures upon which we were engaged to perform, the Calculated Value of 100% of the equity of Glen Cove Machine, Inc. as of 6/30/2017 is \$10,227,000.


 Brian Murray, CPA/ABV CVA
 Murray & Roberts Valuation Services, Inc.

Appendix 1: Assumptions & Limiting Conditions

Assumptions:

- Business conditions relating to the industry and competitive environment are not expected to change in a manner that would materially affect the company's earning capacity.
- The normalized cash flows provided fairly represent the cash flows that would be available to a purely financial investor after providing reasonable compensation to officers and paying a fair market value for rent of the business premises.
- Information provided by the client regarding revenue, normalized cash flows, expected growth, and the fair market value of company assets is reasonably accurate. The revenue and cash flow information provided represent a normal year, and are not an anomaly.
- Unless otherwise stated, the company's future earnings capacity is not dependent upon the employment of a key person, the replacement of whom would be difficult enough to significantly impact the company's future earnings capacity.
- The company has no known environmental violations, or environmental liabilities which are not adequately recognized on the balance sheet.
- The company does not have a probable liability resulting from pending or ongoing litigation that is not adequately recognized on the balance sheet.
- The company's existing equipment is sufficient to maintain operations without unusual need for replacement of assets. The book basis depreciation deducted from normalized cash flows is a reasonable representation of the cash outflows necessary for asset replacement.
- This Calculation of Value relied on a "value in use" or going concern premise. This premise assumes that Glen Cove Machine, Inc. is an ongoing business enterprise with management operating in a rational way with the goal of maximizing shareholder value.
- This value does not include any real estate used by the business, whether owned by the company or not, or the associated mortgage(s).

Limiting Conditions:

- The purpose of this report is estate planning. Our analysis was conducted for this only, and should be used for no other purpose.
- We assume no responsibility for a seller's or buyer's inability to obtain a purchase contract based on this calculation.

- Possession of this report, or a copy thereof, does not carry with it the right of publication of all or part of it, nor may it be used for any purpose by anyone but the client without the previous written consent of the client or us, and in any event, only with proper attribution.
- Our compensation is not contingent on an action or event resulting from the use of this report, or upon the values presented herein.
- This calculation contemplates facts and conditions existing as of the calculation date. Events and conditions occurring after that date have not been considered, and we have no obligation to update our report for such events and conditions.
- This engagement cannot be relied upon to disclose errors, fraud, or violations of laws or governmental regulations attributable to the company that may exist.
- We have no direct or indirect, present or contemplated ownership interest in Glen Cove Machine, Inc..

Appendix 2: Qualifications

Statement of Qualifications for Brian Murray CPA/ABV, CVA:

Academic Credentials

Bachelors of Business Administration, University of Wisconsin-Oshkosh
Major in Finance, 1990
Major in Accounting, 1998

Professional Credentials

Certified Public Accountant, Wisconsin, 2000
Member, NACVA, 2006
Certified Valuation Analyst (NACVA), 2011
Accredited in Business Valuation (AICPA), 2013

Experience

Shareholder & President, Murray & Roberts Valuation Services, Inc. 2014 – Present
Shareholder & President, Murray & Roberts CPA Firm S.C., 1997 – Present
Accounting Manager, Browning-Ferris Industries of Green Bay, Inc., 1995 – 1997
Senior Internal Auditor, M&I Bank Corp., 1993 – 1995
Cost Analyst, Kimberly-Clark Corp., 1990 – 1993

Federal Employer Identification Number: 46-5742378

Appendix 3: Information Used

External Sources:

- *Pratt's Stats* database
- *Stocks, Bonds, Bills and Inflation, 2015 Classic Yearbook*, © 2015 Ibbotson Associates, Inc.
- *RMA Statement Studies*, NAICS Code 333298
- *Economic Outlook Update™ September 2017*, Copyright © 2017 Business Valuation Resources
- IBIS World Industry Reports, NAICS Code 333298

Additional Comments:

The expected future annual growth rate of sales (provided by the client) is 10. %. The historic annual growth rate (last four years) is 6.79%. The effective annual growth rate produced by our model is 4.89%. The annual growth rate of sales used in the valuation for the next five years is the model growth rate.

0

Appendix 4: Income Approach Detail

Formulas Used:

The Build-Up Method was used to determine the discount rate applied to future cash flows.

Build-Up Method: $C_E = R_F + ERP + SCP + SCR_P$

C_E	=	cost of equity
R_F	=	risk free rate of return
ERP	=	equity risk premium
SCP	=	small company premium
SCR _P	=	specific company risk premium

Calculating the value of future cash flows: $(NCF_{IC} - (D \times C_D)) \times (1 + g)^n$

NCF_{IC}	=	net cash flows to invested capital
D	=	total interest-bearing debt
C_D	=	after tax ¹ interest rate on debt
g	=	expected long term growth rate of NCF_{IC}
n	=	period number

Calculating the present value of future cash flows:
$$\frac{(NCF_{IC} - (D \times C_D)) \times (1 + g)^n}{(1 + C_E)^{n \cdot .5}}$$

NCF_{IC}	=	net cash flows to invested capital
D	=	total interest-bearing debt
C_D	=	after tax ¹ interest rate on debt
C_E	=	cost of equity
g	=	expected long term growth rate of NCF_{IC}
n	=	period number (half-year convention used in denominator)

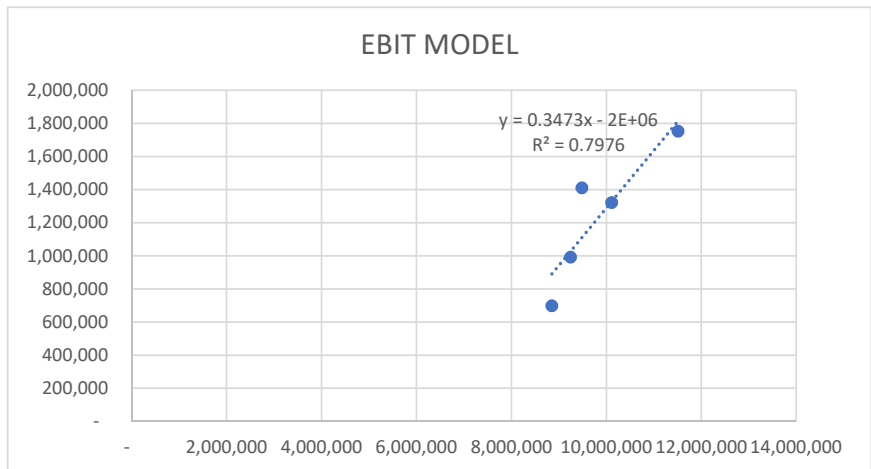
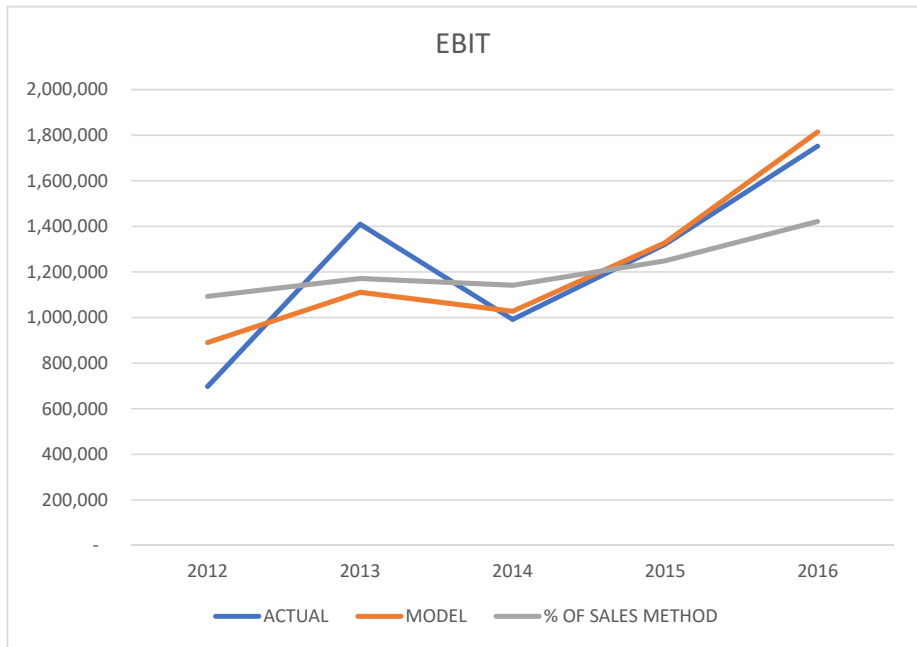
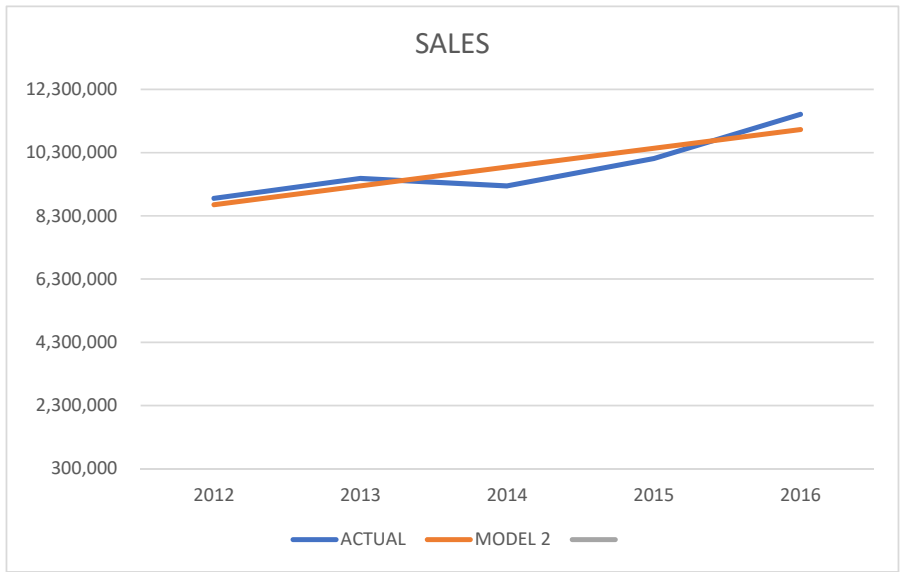
The Single Period Capitalization Method (SPCM) was used to determine the present value of all cash flows beyond period n (Terminal Value).

$$\text{Terminal Value: } \left(\frac{(\text{NCF}_{\text{IC}} - (\text{D} \times \text{C}_{\text{D}})) \times (1 + \text{g})^{n+1}}{\text{C}_{\text{E}} - \text{g}} \right) / (1 + \text{C}_{\text{E}})^n \text{ } ^{.5}$$

- NCF_{IC} = net cash flows to invested capital
- D = total interest bearing debt
- C_D = after tax¹ interest rate on debt
- C_E = cost of equity
- g = expected long term growth rate of NCF_{IC}
- n = period number (half-year convention used in denominator)

¹ The tax considered in this formula is corporate tax.

Appendix 5: Financial Projections



	ACTUAL					PROJECTED					
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
SALES HIST + EXPECTED	8,852,766	9,486,192	9,247,080	10,112,877	11,512,380	12,663,618	14,132,914	15,602,211	17,071,507	18,540,803	18,911,619
EBIT HIST + MODEL	697,423	1,410,092	991,386	1,321,222	1,751,883	2,214,200	2,724,456	3,234,712	3,744,968	4,255,224	4,384,001
PROJECTED INTEREST						13,874	15,484	17,094	18,704	20,314	20,720
PROJECTED NCF						2,200,326	2,708,972	3,217,618	3,726,265	4,234,911	4,363,281
TERMINAL VALUE											20,997,504
PRESENT VALUE						1,985,744	1,991,192	1,926,262	1,816,883	1,681,783	8,338,604
TOTAL PRESENT VALUE					17,740,468						
SLS MODEL	8,653,076	9,247,668	9,842,259	10,436,850	11,031,442	11,626,033	12,220,624	12,815,216	13,409,807	14,004,398	14,284,486
EBIT MODEL	890,771	1,110,747	1,027,708	1,328,381	1,814,399	1,853,869	2,060,358	2,266,847	2,473,336	2,679,825	2,777,094
PROJECTED INTEREST						12,738	13,389	14,041	14,692	15,343	15,650
PROJECTED NCF						1,841,131	2,046,969	2,252,807	2,458,644	2,664,482	2,761,444
TERMINAL VALUE											13,288,950
PRESENT VALUE						1,661,579	1,504,596	1,348,667	1,198,806	1,058,129	5,277,355
TOTAL PRESENT VALUE					12,049,132						

SLS HIST + EXPECTED: ACTUAL SALES HISTORY, FOLLOWED BY GROWTH AT EXPECTED RATE

EBIT HIST + MODEL: EBIT HISTORY (NORMALIZED), FOLLOWED BY MODELED EBIT BASED ON EXPECTED FUTURE SALES

PROJECTED INTEREST ASSUMES GROWTH OF ASSETS AND LONG TERM DEBT ARE UNIFORM WITH SALES GROWTH

PRESENT VALUE IS APPLIED USING THE HALF-YEAR CONVENTION

SALES MODEL: SALES MODEL PRODUCED BY LEAST SQUARES METHOD FOR ALL YEARS

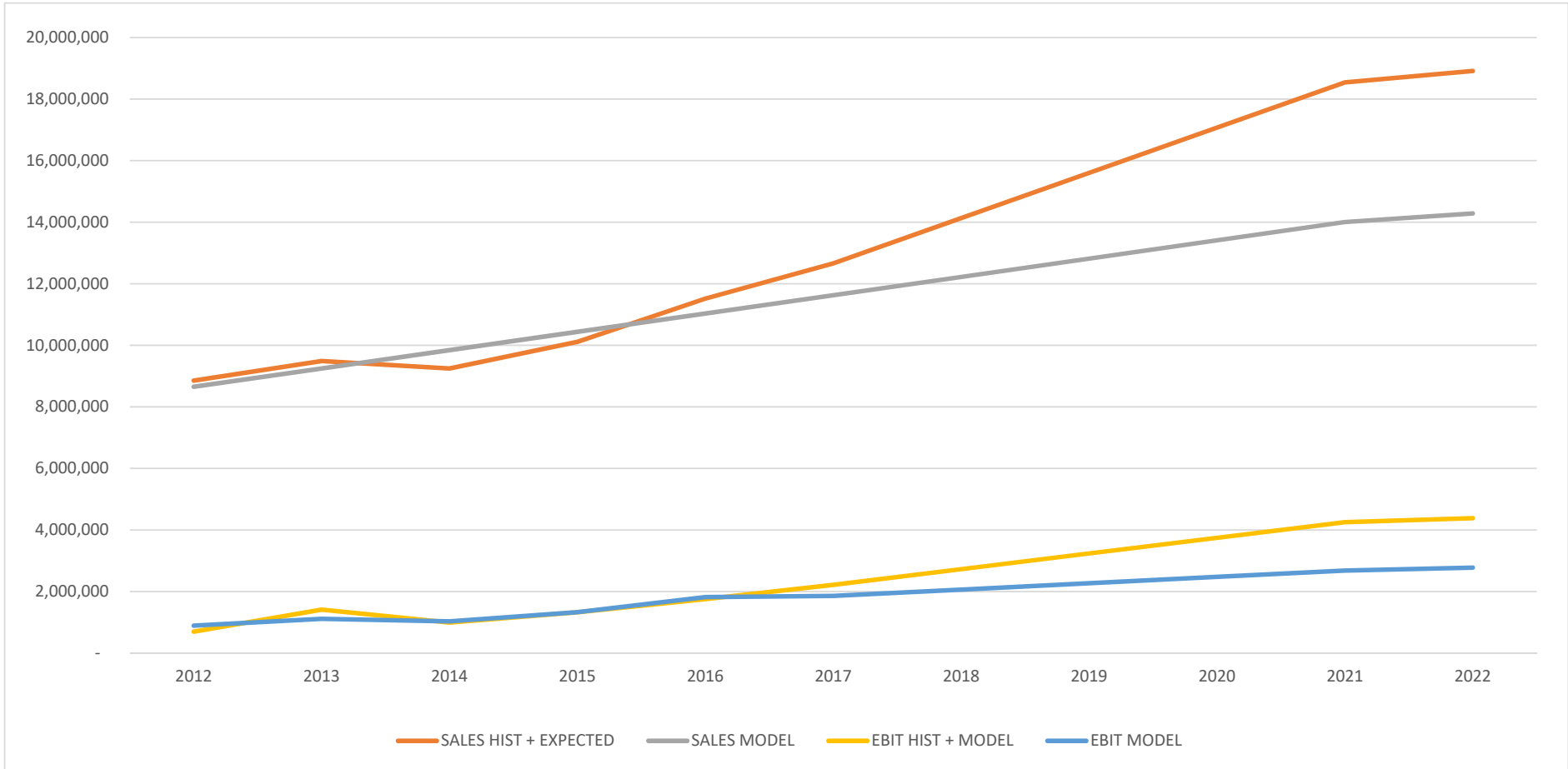
EBIT MODEL IS BASED ON ACTUAL SALES, THEN SALES MODEL

BASED ON THE COMPANY'S SALES HISTORY AND NORMALIZED EBIT HISTORY, THE EBIT MODEL WITH THE MINIMUM

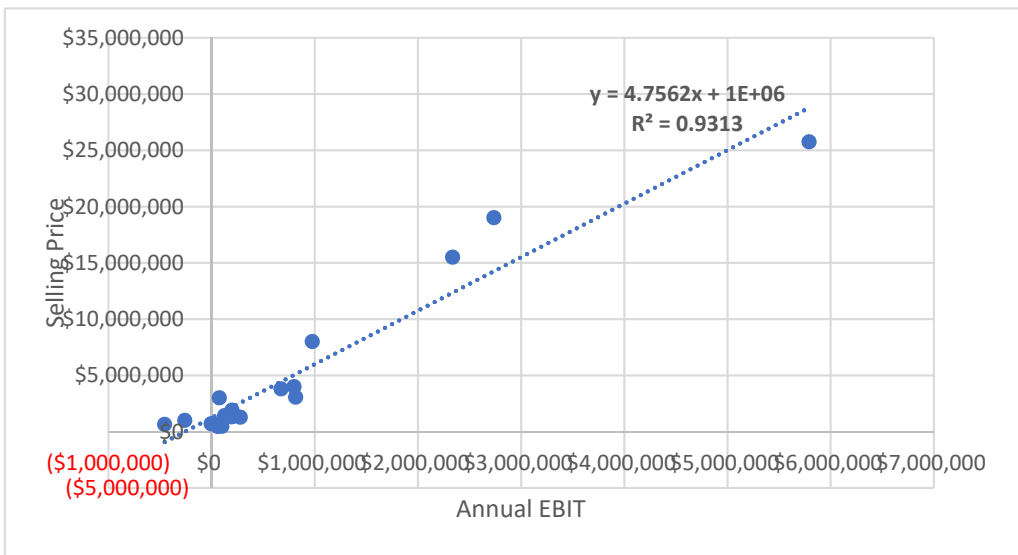
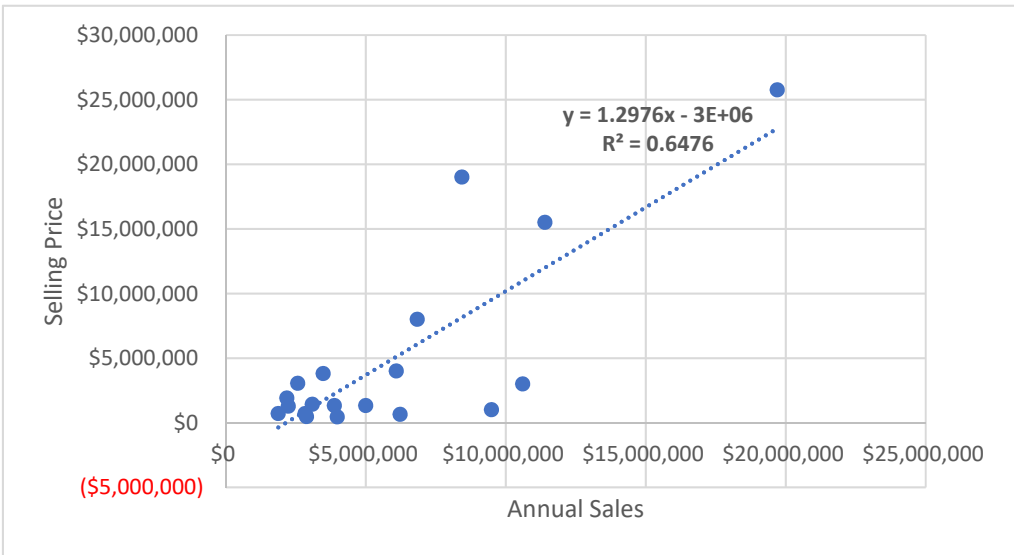
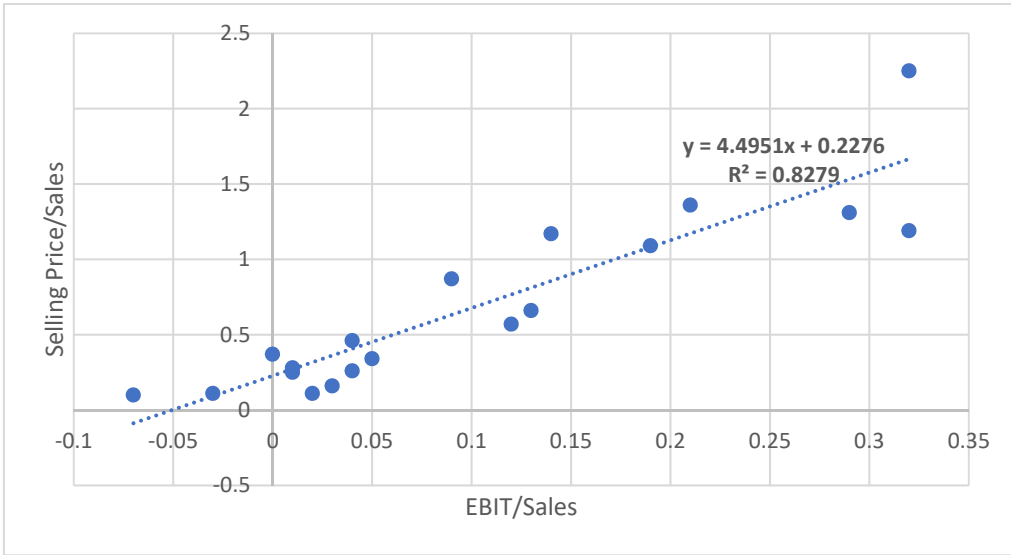
AMOUNT OF DEVIATION FROM HISTORY HAS VARIABLE EXPENSES (AS A PERCENT OF SALES) OF:

65.3%

AND ANNUAL FIXED EXPENSES OF: **\$ 2,183,610**



Appendix 6: Analysis of Transactional Data



Appendix 7: Economic Outlook

Business Valuation Resources, LLC Economic Outlook Update™ *September 2017*

ECONOMIC UPDATE AT A GLANCE

The Leading Economic Index decreased 0.2% in September. This marked the first decline to the index in 12 months and brings the index to a reading of 128.6. Negative contributions from initial claims for unemployment insurance, building permits, and the average weekly manufacturing hours more than offset the positive contributions from ISM new orders and the financial components. In addition, the strengths of the leading indicators became somewhat less widespread. Still, the reading suggests continued solid growth for the U.S. economy through the second half of 2017.

INDEX OF LEADING INDICATORS

The Conference Board's Leading Economic Index (LEI) decreased in September, retreating 0.2%, its first decline in 12 months. The index now stands at 128.6. This month's report saw weakness in the labor markets and residential construction, although a majority of the components continued to contribute positively toward the index. The decline in September is likely the result of the damage caused by the hurricanes in Texas and Florida. In the six-month period ending September 2017, the leading economic index increased 1.7% (about a 3.5% annual rate), slower than its growth of 2.2% (about a 4.1% annual rate) during the previous six months. Despite the decline, the trend in the LEI remains consistent with solid growth in the economy for the second half of 2017.

SMALL-BUSINESS OPTIMISM

The National Federation of Independent Business's (NFIB) Small Business Optimism Index stumbled 2.3 points in September, to 103.0, as a steep drop in sales expectations affected the states across the country. According to the survey, small-business owners were measurably less enthusiastic across the country. It is also believed that members surveyed in Florida and Texas may be underrepresented as effects from the hurricanes caused obvious disruptions. Despite the decline, the index remains very high by historical standards, as small-business owners still expect progress on policy changes in Washington, specifically on tax and healthcare reform.

FORECAST

Consensus Economics Inc., publisher of *Consensus Forecasts—USA*, reports that the consensus of U.S. forecasters believe that real GDP will increase at a seasonally adjusted annual rate of 2.5% in the fourth quarter of 2017 and 2.3% in the first quarter of 2018. Every month, Consensus Economics surveys a panel of 30 prominent U.S. economic and financial forecasters for their predictions on a range of variables, including future growth, inflation, current account and budget balances, and interest rates. The forecasters expect GDP to be 2.2% in 2017 and 2.4% in 2018.