Calculation of Value Report

Glen Cove Machine, Inc.

06/30/2017

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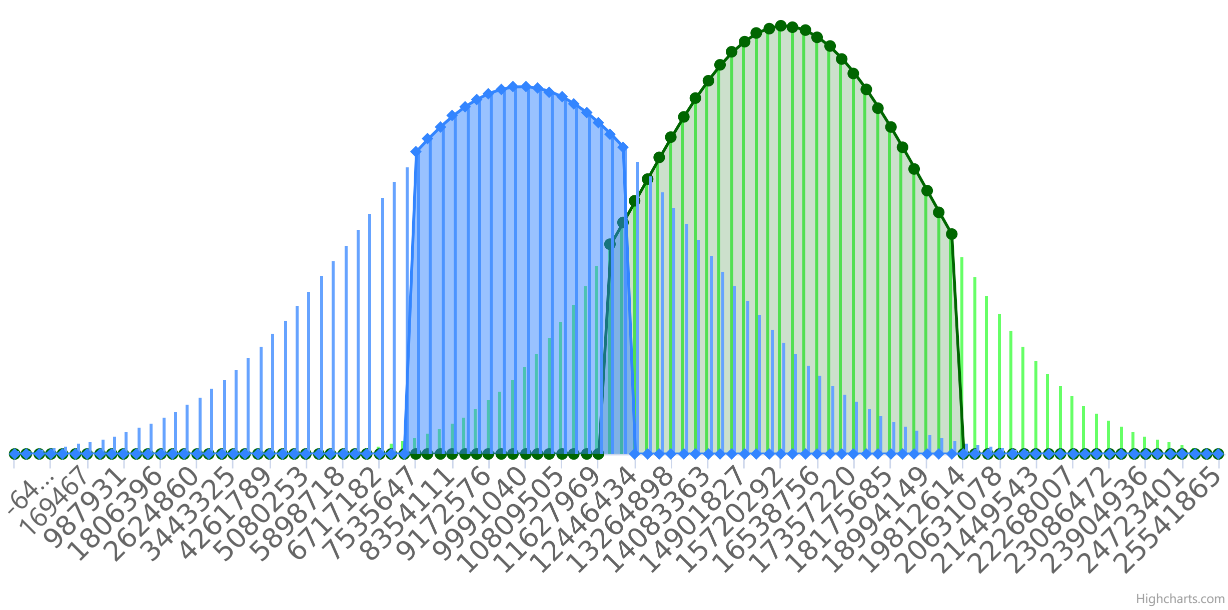
12/30/2018

BRIAN MURRAY
Glen Cove Machine, Inc.
200 Dosoris Lane
Glen Cove, NY 11542

Calculated Equity Value of Glen Cove Machine, Inc.:

$15,784,000.



General Information about Your 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 06/30/2017, 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 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 reliability of 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.We also express this numerically with the Reliability Score and the Above Score

- The Reliability Score is the percentage probability that the 'true' value of the business will be within 25% higher or lower of the 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 16.23%.

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 $17,551,923.

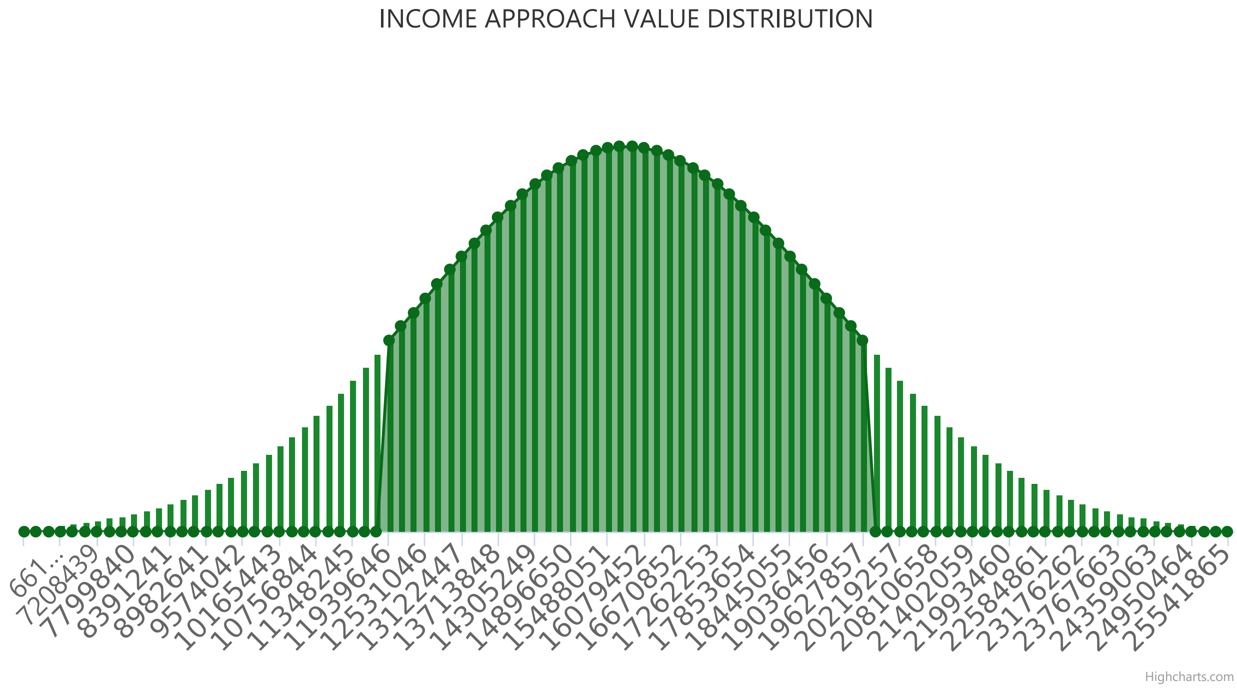
This figure represents the total investment of equity, after adjusting for debt, to achieve the required rate of return from the projected future cash flows. This model assumes a level of debt that grows equally with the long-term growth of the business. The Weighted Average Cost of Capital (WACC) determined based on this projected capital structure is 16.11%.

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 $1,764,421. Based on its actual net working capital of $831,572 as of 06/30/2017, we determined a working capital adjustment of $-932,849 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 20%, 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).

The Income Approach (continued)



Present Value of Future Cash Flows:	$17,551,923
Anticipated Level of Debt:	0
Less: Estimated Working Capital	(1,764,421)
Acquisition Value:	**$15,997,720**
Actual Working Capital:	831,572
Excess Assets:	24,000
Less Actual Long Term Debt:	(1,069,541)
Calculated Value of Equity:	**$15,783,751**

Reliability Score: 77
Above Score: 89

The value of goodwill or other intangibles (not specifically included in Other Assets) according to the Income Approach is 15,577,408.

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 333249, and occurring after 1/1/2007. This search produced a group of 109 comparable companies.

We divided each company's acquisition price by its annual sales, and calculated the median value for the group (0.86). When there is a higher correlation between gross profit and selling price than sales and selling price, a gross profit ratio is used instead of a sales ratio (the 'gross profit method'). In this case the gross profit ratio was used. We also divided each company's acquisition price by its operating income (EBIT), and again calculated the median value for the group (7.38).

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 their coefficients of determination (R^2) derived from the group of comparable companies.(see the graphs in Appendix Section 6 and the table in Appendix Section 7). The coefficient of determination statistically measures the degree of correlation (how predictably they move together) a group of paired data has.

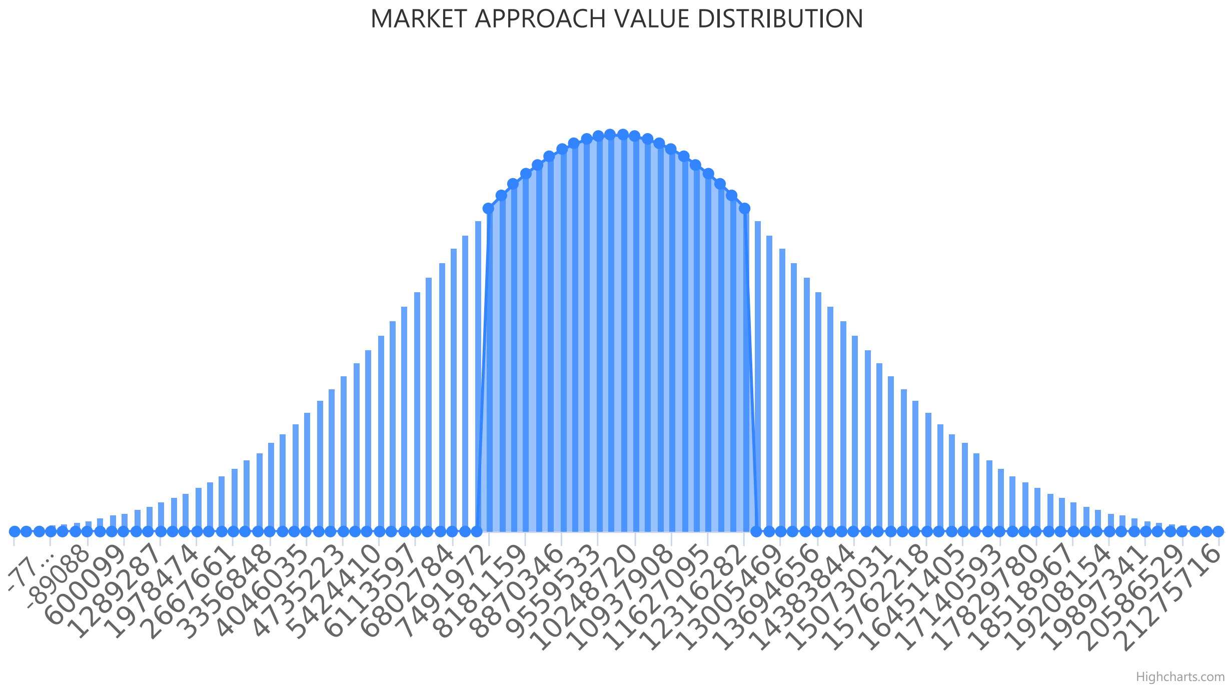
The measured correlation of the data increases as the R^2 factor approaches one.The sales (or gross profit if used) ratio correlation is weighted four times heavier than the operating income correlation in the blending calculation. This accounts for the comparative variability of operating income compared to sales, and was derived from our analysis of the Pratt's Stats database.

Often in valuations of smaller service companies, the operating profits of the comparable companies have not been properly adjusted for owner/officer compensation, which causes a distorted EBIT multiple. When this occurs we will elect to use the price to sales multiple only. In this case this election was not made.

Because transaction prices are 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 38%, 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).

The Market Approach (continued)



Acquisition Value of Assets:	**$10,118,095**
Actual Working Capital:	831,572
Excess Assets:	24,000
Less Actual Long Term Debt:	(1,069,541)
Calculated Value of Equity:	**$9,904,126**

Reliability Score: 49
Above Score: 74

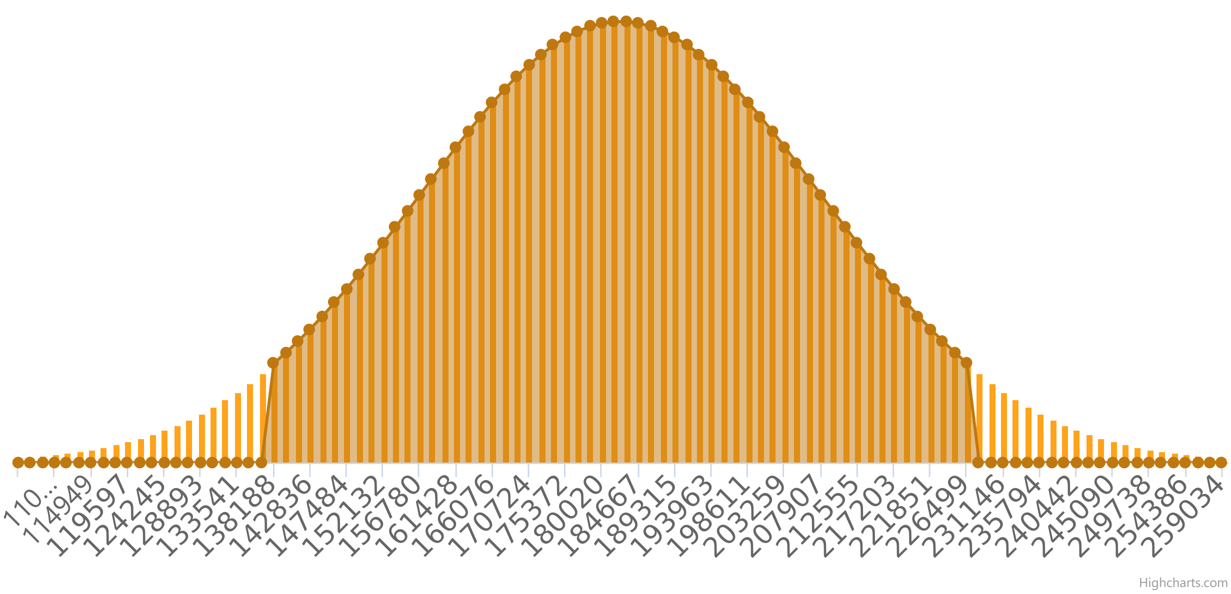
The value of goodwill or other intangibles (not specifically included in Other Assets) according to the Market Approach is $9,697,783.

The Asset Approach

The table below lists the fair market value of the company's assets and liabilities as of the valuation date (information provided by the client). The Asset Approach does not attempt to measure the value of goodwill, or other company specific intangibles.

Factoring the random variability of several key factors into over 10,000 iterations of the Asset Approach value calculation produces a standard deviation percentage of the mean of 14%, 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).

ASSET APPROACH VALUE DISTRIBUTION



The Asset Approach (continued)

	06/30/2017	
Current Assets	$831,572	
Fixed Assets	300,312	
Other Assets	120,000	
Total Assets	**$1,251,884**	
Current Liabilities	0	
Long Term Liabilities	1,069,541	
Total Liabilities	**$1,069,541**	
Net Equity	**$182,343**	

Reliability Score: 93
Above Score: 96

The value of goodwill or other intangibles (not specifically included in Other Assets) according to the Asset Approach is $0.

Key Person Discount

In many small businesses, the goodwill of the business is dependent upon the services of a key individual. This is often due to that person's relationships, knowledge, or skills. Without adequate transition time, the loss of a key person could significantly impact the future operations of the business.

Most often the key individual is also an owner. When the purpose of valuation is a potential sale, it is presumed that the key person will adequately transition their personal goodwill to the buyer, and no discount is necessary. (A portion of the acquisition value is often allocated to a non-compete agreement, consulting agreement, or other contingency agreement.) If the purpose of the valuation is estate, gift, divorce, or IRS requirement, the discount is usually applied.

In this case, a key person discount was not applied.

Conclusion

In this case, the best indication of value was found using the Income Approach. Based on the specific valuation procedures performed by our automated analysis tool, the Calculated Value of 100% of the equity of Glen Cove Machine, Inc. as of 06/30/2017 is $15,784,000.

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Murray & Roberts Valuation Services, Inc.

Appendix 1: Assumptions & Limiting Conditions

The automated valuation tool is based upon the following assumptions. If any of the following are not true regarding the company, the value determination arrived at could be significantly in error.

- 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 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.

Limiting Conditions:

- 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.
- 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.

Appendix 2: Information You Provided

General Information:,

Purpose:	data testing
Business Description:	equipment manufacturing
NAICS:	333249
Expected Growth Rate:	10%
Approximate FMV of Real Estate:	3,000,000
Largest Customer Percentage:	15%
Balance Sheet Date:	06/30/2017

Income Statement Information:

YEAR	2013	2014	2015	2016	2017
Info. Not Available	0	0	0	0	0
Not in Business	0	0	0	0	0
Months In Business	12	12	12	12	12
Net Sales	8,852,766	9,486,192	9,247,080	10,112,877	11,512,380
Gross Profit	3,541,106	3,794,477	3,698,832	4,045,151	4,604,952
Interest Expense	0	0	0	0	0
Charitable & Contributions	0	0	0	0	0
Depreciation	0	0	0	0	0
Amortization Expense	0	0	0	0	0
Interest Income	0	0	0	0	0
Dividend Income	0	0	0	0	0
Income Tax Expense	0	0	0	0	0
Owner Salary	0	0	0	0	0
Building/Property Rent	0	0	0	0	0
Net Income	697,423	1,410,092	991,386	1,321,222	1,751,883
Owner Salary Adj.	0	0	0	0	0
Family Salaries	0	0	0	0	0
Owner Vehicle Expenses	0	0	0	0	0
Meals & Entertainment	0	0	0	0	0
Travel	0	0	0	0	0
Rent	0	0	0	0	0
Other	0	0	0	0	0

Balance Sheet Information:

	Book Value	Fair Market	Excess Assets
Cash & Checking	125,000	125,000	
Inventory	225,000	225,000	
Accounts Receivable	481,572	481,572	
Prepaids	0	0	
Other	0	0	
Total Current Assets	**831,572**	**831,572**	
Equipment	125,000	300,312	24,000
Vehicles	0	0	0
Furniture & Fixtures	0	0	0
Leasehold Improvements	0	0	0
Building	0	0	0
Land	0	0	0
Accumulated Depreciation	0		
Total Fixed Assets	**125,000**	**300,312**	**24,000**
Marketable Intangibles	22,000	120,000	0
Goodwill	0		
Organizational Expenses	0		
Financing Costs	0		
Accumulated Amortization	0		
Investments	0	0	0
Other	0	0	0
Total Other Assets	**22,000**	**120,000**	**0**
Total Assets	**978,572**	**1,251,884**	**24,000**
Accounts Payable – Trade	0	0	
Other Payables	0	0	
Accruals	0	0	
Credit Card	0	0	
Lines of Credit	0	0	
Other	0	0	
Total Current Liabilities	**0**	**0**	
Notes Payable	1,069,541	1,069,541	
Notes Payable-Shareholder	0	0	
Other	00	00	
Total Long-Term Liabilities	**1,069,541**	**1,069,541**	
Total Liabilities	**1,069,541**	**1,069,541**	

Appendix 3: External 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 333249
- *Economic Outlook Update™ Q4 2017,* Copyright © 2017 Business Valuation Resources

Additional Comments:

The expected future annual growth rate of sales (provided by the client) is 10.00%. The historic annual growth rate (last four years) is 6.79%. The effective annual growth rate produced by our model is 6.26%. The annual growth rate of sales used in the valuation for the next five years is the model growth rate.

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: CE = RF + ERP + SCP + SCRP

CE_E	=	cost of equity
R_F	=	risk free rate of return
ERP	=	equity risk premium
SCP	=	small company premium
SCRP	=	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: $$\frac{(NCF_{IC} - (D \times C_D)) \times (1 + g)^n}{(1 + C_E)^{n - .5}}$$

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).

Terminal Value: $$\frac{(NCF_{IC} - (D \times C_D)) \times (1 + g)^{n+1}}{C_E - g} / (1 + C_E)^{n - .5}$$

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)

[1] The tax considered in this formula is corporate tax.

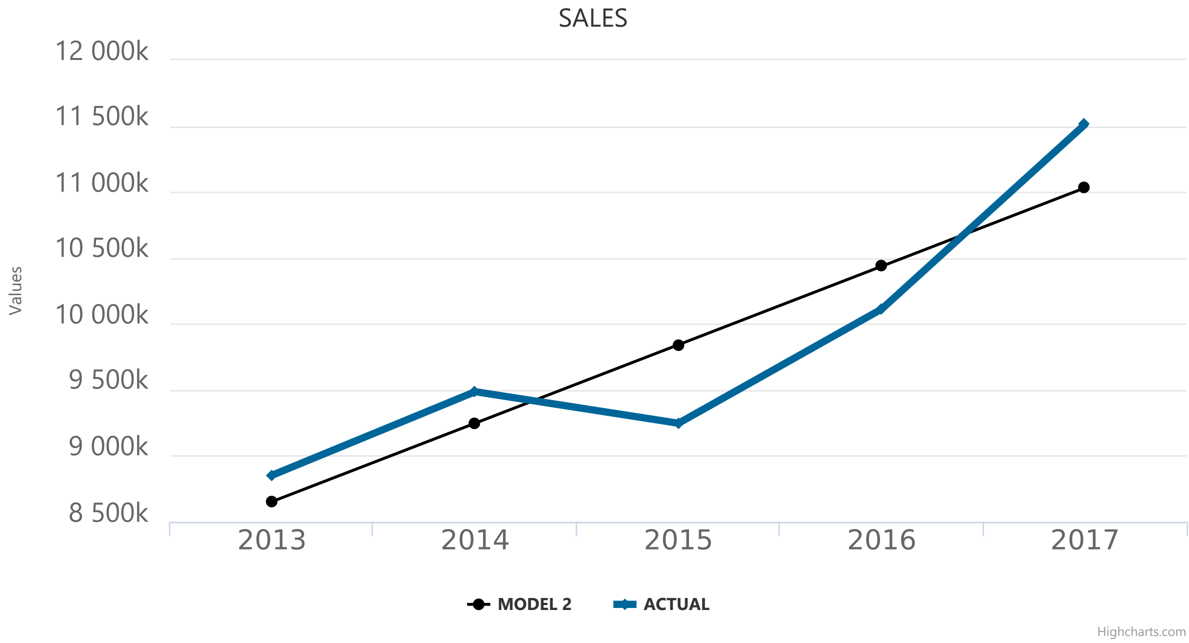
Appendix 5: Financial Projections

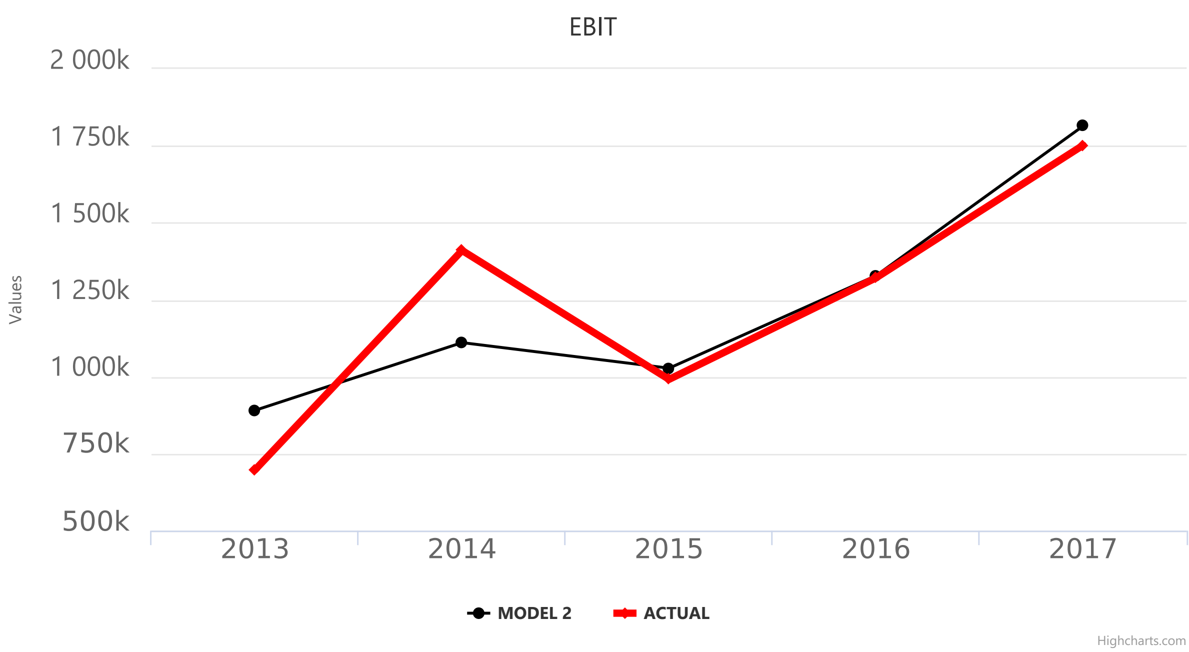
Ratio Analysis:

	Company	Industry*	Comp Companies**
Current Assets/Total Assets	66.43%	67.40%	
Current Liabilities/Total Assets	0.00%	41.60%	
Long Term Debt/Total Assets	85.43%	13.80%	
Sales/Total Assets	9.20	1.70	
Operating Income/Sales	15.22%	6.00%	11.70%

* Risk Management Association

** Median data from Pratt's Stats comparable companies used in Market Approach


SALES
12 000k
11 500k
11 000k
10 500k
10 000k
9 500k
9 000k
8 500k
Values
2013
2014
2015
2016
2017
MODEL 2
ACTUAL
Highcharts.com


EBIT
2 000k
1 750k
1 500k
1 250k
1 000k
750k
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Values
2013
2014
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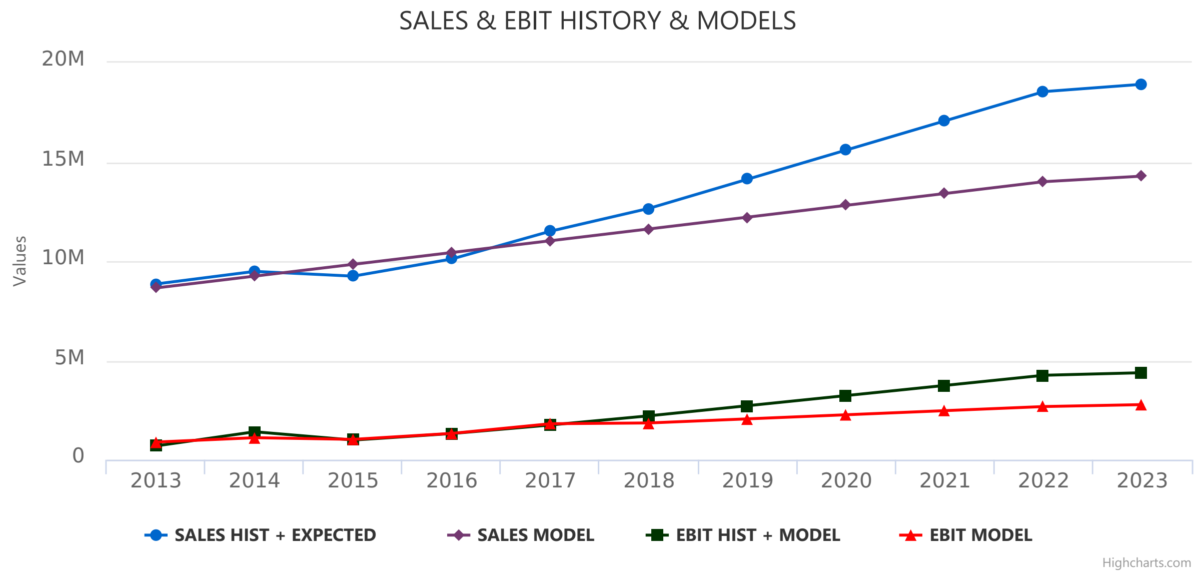
MODEL 2
ACTUAL
Highcharts.com



ACTUAL					
	2013	2014	2015	2016	2017
SALES HIST + EXPECTED	8,852,766	9,486,192	9,247,080	10,112,877	11,512,380
EBIT HIST + MODEL	697,423	1,410,092	991,386	1,321,222	1,751,883
PROJECTED INTEREST	0	0	0	0	0
PROJECTED NCF	0	0	0	0	0
TERMINAL VALUE	0	0	0	0	0
SALES MODEL	8,653,076	9,247,668	9,842,259	10,436,850	11,031,442
EBIT MODEL	890,771	1,110,747	1,027,708	1,328,381	1,814,399
PROJECTED INTEREST	0	0	0	0	0
PROJECTED NCF	0	0	0	0	0
TERMINAL VALUE	0	0	0	0	0

PROJECTED						
	2018	2019	2020	2021	2022	2023
SALES HIST + EXPECTED	12,663,618	14,132,914	15,602,211	17,071,507	18,540,803	18,911,619
EBIT HIST + MODEL	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	0	0	0	0	0	30,652,898
PRESENT VALUE	2,040,890	2,161,733	2,209,007	2,200,905	2,151,973	15,576,293
TOTAL PRESENT VALUE	**26,340,801**	0	0	0	0	0
SALES MODEL	11,626,033	12,220,624	12,815,216	13,409,807	14,004,398	14,284,486
EBIT MODEL	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	0	0	0	0	0	19,399,679
PRESENT VALUE	1,707,722	1,633,461	1,546,630	1,452,189	1,353,959	9,857,962
TOTAL PRESENT VALUE	**17,551,923**	0	0	0	0	0

Appendix 6: Market Approach Calculations

Calculation of the Acquisition Value of Assets under the Market Approach:

	Median	Op Data	Ext Value	R^2	Weight	Ext Value
Px/Sales	0.86	11,626,033	9,969,323	0.62	0.77	0
Px/GP	2.00	4,650,413	9,300,827	0.79	0.81	7,568,083
Px/EBIT	7.38	1,853,869	13,687,669	0.72	0.19	2,550,013
Total						**10,118,095**

Business Valuation Resources, LLC Economic Outlook Update™ 4Q 2017

ECONOMIC UPDATE AT A GLANCE

The U.S. economy—as indicated by GDP—grew at an annual rate of 2.6% in the fourth quarter of 2017, which is slower than the 3.2% rate reported for the third quarter of 2017. In 2017, GDP rose at 2.3%, compared with 1.5% growth in 2016. The momentum gained over the later quarters suggests even more economic growth to come in 2018.

SMALL-BUSINESS OPTIMISM

The 4Q 2017 Wells Fargo/Gallup Small Business Index, which was reported in November, fell 3.0 points, to 103.0. The quarterly reading reported at a 10-year high last quarter, and, despite this quarter's decline, the reading indicates business owners' financial situations remain at precession levels. The level of optimism is up greatly from its index score of 80.0 from the same period in 2016. The report highlighted that, despite the decline in this quarter's reading, small-business owners' optimism has improved 23 points year over year and is still holding steady at post-recession highs. Looking ahead to 2018, it's a positive sign that business owners continue to report capital spending plans at the stronger levels achieved at the end of 2016 and that one in three owners are looking to add new staff.

FORECAST

Consensus

Consensus Economics Inc., publisher of 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 first quarter of 2018 and 2.8% in the second 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 2.7% in 2018 and 2.4% in 2019.

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