ETERNATILE

Where going green means banking green.

Projected Business Valuation Report

EternaTile, Inc.

(3 & 5 year value projections)

As of: December 31, 2015 & December 31, 2017

Prepared by:

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EternaTile, Inc.
Shareholder
111 Briny Ave #2204
Pompano Beach, FL 33062

Greetings Shareholder:

I have been asked me to determine the projected fair market value of EternaTile, Inc. as of 12/31/15 and 12/31/17, for the purpose of a Buy/Sell.

The definition of fair market value is the price that a business could expect to bring if it were exposed for sale on the open market for a reasonable amount of time, assuming an informed buyer and an informed seller, neither of which is acting under undue pressure or compulsion.

Based on the information contained in the following narrative report, in my opinion, the projected fair market value of a 100% interest in the common stock of EternaTile, Inc. is as follows:

Conclusions of Projected Value

As of 12/31/15	
Projected Value	468,000,000
Times: 100.00% Interest Valued	100.0%
Conclusion of Projected Value as of 12/31/2015	468,000,000
Rounded	468,000,000
As of 12/31/17	
Projected Value	1,835,000,000
Times: 100.00% Interest Valued	100.0%
Conclusion of Projected Value as of 12/31/2017	1,835,000,000
Rounded	1,835,000,000

My opinion of value is subject to the assumptions and limiting conditions set forth in this report. This business valuation has been certified by me, the appraiser. Said certification requires my original signature and an embossed corporate seal. Any reproduction without the aforementioned signature and embossed seal are uncertified and incomplete.

Respectfully submitted,

Gerald W. Brown, Sr., CESC, AIBA
RSI & Associates, Inc.

(Seal of Certification)

TABLE OF CONTENTS

PRIVACY POLICY STATEMENT 5
  CONFIDENTIAL MATERIAL 5
INTRODUCTION 6
  ASSIGNMENT DEFINITION 6
  PURPOSE AND INTENDED USE OF THE APPRAISAL 7
  STANDARD OF VALUE 7
  DEFINITIONS 7
  PRINCIPAL SOURCES OF INFORMATION 7
  HYPOTHETICAL TRANSACTION 8
    Hypothetical Buyer *8*
    Hypothetical Seller *8*
    Fair Market Value vs. Investment Value *8*
    Relevant Market Segment *8*
      Conclusion 9
  DATE OF VALUATION 9
  SCOPE OF THE ASSIGNMENT 9
ASSUMPTIONS AND LIMITING CONDITIONS 10
SURVEY AND ANALYSIS OF SUBJECT COMPANY 11
  HISTORY OF THE COMPANY 11
  TYPE OF ENTITY 12
  EMPLOYEES 12
    Management *12*
  HISTORY OF PRIOR TRANSACTIONS OF THE SUBJECT INTEREST 12
  PRODUCTS & SERVICES 13
  INTELLECTUAL PROPERTY 14
  CUSTOMER BASE 14
  COMPETITION 15
  LOCATION AND EQUIPMENT 15
  ENVIRONMENTAL & REGULATORY ISSUES 15
  SEASONALITY 15
  STRENGTHS & WEAKNESSES 16
    Strengths *16*
    Weaknesses *16*
  STABILITY OF EARNINGS 16
  LONG-TERM SUSTAINABLE GROWTH PERFORMANCE 16
    Documentation *16*
    Industry Conditions *16*
    Conservative Estimates *17*
    Planning *17*
PROPOSED FUNDING 18
  EB-5 IMMIGRANT INVESTOR 18
    Visa Description *18*
    Commercial Enterprise *18*
    Job Creation Requirements *19*
      Troubled Business 19

Qualified Employee 19
Full-Time Employment....19
Job-Sharing Arrangement 19
Capital Investment Requirements 20
Targeted Employment....20
Rural Area....20
EB-5 IMMIGRANT INVESTOR PROCESS 20
Application Process....20
Form I-526 Petition for an Alien Entrepreneur 21
ETERNATILE'S EB-5 ELIGIBILITY....22
Entity Structure Requirements 22
Job Creation Compliance....22
PROCESS OF FINANCIAL ANALYSIS....23
Financial Statements....23
Financial Statement Analysis....23
Adjustments to Financial Statements 23
Excess/Non-Operating Assets 23
Comparative Analysis 24
Comparative Ratio Analysis....24
FINANCIAL ANALYSIS 25
ANALYSIS OF THE PROJECTED INCOME STATEMENTS....25
Graph of Projected Income Statements Projected Income Statement Percentages 25
Projected Income Statement Percentages 26
ADJUSTMENTS TO THE INCOME STATEMENTS....27
NORMALIZED/PROJECTED INCOME STATEMENTS 28
VALUATION OF THE SUBJECT 29
Revenue Ruling 59-60, Section 4. Factors to Consider: 29
The Search for Transactional Market Data....32
Criteria for the Search....32
VALUATION METHODS REJECTED....34
Book Value Method....34
Liquidation Value Method....34
Adjusted Book Value Method 34
Publicly-Traded Guideline Companies Methods 34
Public Companies, Minority Interests....34
Public Companies, Controlling Interests. 34
Privately-Held Guideline Companies Methods....35
Closely Held Companies, Minority Interests....35
Closely Held Companies, Controlling Interests....35
Conclusion....35
Dividend Paying Capacity 35
VALUATION METHODS ACCEPTED....36
INCOME METHODS OF VALUATION....36
Selection of an Appropriate Discount/Capitalization Rate....36
Capitalization Rate Conclusions....38
Capitalization of Earnings Method....38
Conceptual Basis....38
Capitalization of Earnings/Projected Value Year 3....39
Summary and Indicated Projected Value Estimate....39

Capitalization of Earnings/Projected Value Year 5........40
Summary and Indicated Projected Value Estimate........40
VALUE CONCLUSIONS........41
PROOF OF PROJECTED VALUE AS OF 12/31/15........42
HYPOTHETICAL TERMS OF SALE........42
PROJECTED ANNUAL POST-SALE CASH FLOW........43
RETURN ON INVESTMENT........44
PROOF OF PROJECTED VALUE AS OF 12/31/17........45
HYPOTHETICAL TERMS OF SALE........45
PROJECTED ANNUAL POST-SALE CASH FLOW........46
RETURN ON INVESTMENT........47
CERTIFICATION OF ANALYST........48
APPENDIX A: ANALYST'S QUALIFICATIONS........49
APPENDIX B: GLOSSARY OF TERMS........53

PRIVACY POLICY STATEMENT

Ensuring privacy is a priority to RSI & Associates, Inc., hereinafter referred to as RSI. RSI has published this statement as a means to communicate our commitment to upholding the confidentiality, integrity and security of our current and prospective clients.

Confidential Material

RSI acknowledges the definition of Confidential Material to include physical documentation, verbal communication, proprietary operational systems, and visual observations. All Confidential Material will be kept confidential by RSI and its agents. However, any such information may be disclosed to our officers, directors, general partners, employees, counsel, investment bankers, and other RSI representatives who "need to know" such information for the purpose of performing a service for which RSI has been engaged. To be clear, RSI will direct its officers, directors, general partners, employees, counsel, investment bankers, and representatives to treat such information confidentially.

Confidential Material does not include information that 1) becomes generally available to the public through means other than information disclosed by the client, 2) was available to RSI on a non confidential basis prior to disclosure to RSI by the client, or 3) becomes available to RSI on a non confidential basis from a source other than the client.

RSI is committed to protecting all client information and maintains proper protection of the physical workplace and records contained within. Moreover, RSI implements and uses the most up-to-date technological means by which to guard against unauthorized access or modifications to customer data. Furthermore, RSI instructs independent contractors and outside companies who work with RSI to conform to stringent privacy regulations through the contracts established between RSI and outside parties.

RSI collects information about its clients and their business from information provided by the client, as well as various outside sources of public record. RSI does not share client information with outside third parties. However, RSI may provide the information it collects to non-affiliated third parties which are acting on the client's behalf, including: situations when companies perform technical services, when required by law, or when requested by our clients in writing.

The analysts at RSI are members of the Institute of Business Appraisers. As members, they recognize a responsibility to the public, to clients, intended third party users of their reports and to colleagues. RSI holds its analysts to the highest level of standards and will ensure that any breach of professional conduct is subject to disciplinary action.

INTRODUCTION

Assignment Definition

RSI & Associates, Inc. has been retained by , on behalf of EternaTile, Inc., its management and owners, to render the business appraisal services described below. The following information summarizes our assignment:

Client Name	Shareholder
Business Name	EternaTile, Inc.
Type of Entity	S Coporation
State or Province of Organization	Florida
Principle Business Location	111 Briny Ave #2204, Pompano Beach, FL 33062
Business Interest Valued	100.00% interest in the common stock of the company
Standard of Value	Projected Fair Market Value
Premise of Value	Marketable Controlling Interest
Projected Date of Appraisal	December 31, 2015 & December 31, 2017
Report Date	June 1, 2012
Purpose and Intended Use	Buy/Sell

Purpose and Intended Use of the Appraisal

The purpose of this appraisal is to estimate the fair market value as defined below. The appraisal will be used by the owner(s)/shareholder(s) of the Company and its representation. Accordingly, the distribution and use of this report is restricted to the representative(s) of the company (assigned by the owner), personal representatives of the owner, and the legal and tax professionals advising those representatives.

Standard of Value

Fair market value is defined as:

> The price at which property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts.[1]

The definition of fair market value for this appraisal includes the following assumptions:

- The parties are ready and able, as well as willing,
- The hypothetical buyer is prudent but without synergistic benefit,
- The business will continue as a going concern and not be liquidated, and
- The hypothetical sale will be for cash.

In a specific transaction with a specific strategic buyer, the seller should consider this fair market value to be a floor or base value with the acquisition premium derived from the synergy serving to drive the price beyond the fair market value.

Definitions

The terms used in this report are used in the context of the definition of terms located in Appendix B.

Principal Sources of Information

The principal sources of information used in the appraisal include the following:

- Structure and operational information provided by the Company’s management and/or its authorized representatives

- The Appraiser’s standard form questionnaire completed during a due diligence interview with management

- Research and comparative analysis of the subject’s operations with companies within the same or similar industry and of comparable size

- Industry statistics, studies and forecasts

- Defined market and economic analysis, as it relates to the subject company and the subject company’s industry

- EternaTile’s complete and comprehensive Business Plan

- Executive Summary of business and opportunity

[1] Revenue Ruling 59-60: 1959-1, Congressional Bulletin 237.

- The Company's spreadsheets, workbooks, manufacture analysis and pro forma
- Multiple Executed Letter's of Intent from potential customers, expressing their intent to purchase
- Product line brochures
- US and Foreign Patent applications, filings and drawings

Hypothetical Transaction

The hypothetical status of both the seller and buyer, regardless of who retained the appraiser, places upon the appraiser the role of acting as a surrogate for both parties. The independence required by this role is essential to the determination of fair market value as defined above.

Hypothetical Buyer

The buyer under fair market value is, except under rare circumstances, considered to be a "financial" and not the "strategic" buyer inherent in the investment value standard. This excludes the buyer who, because of other business activities, brings some "value-added" benefits to the company which will enhance the company's overall value. This also excludes buyers who are already a shareholder, creditor, or a related or controlled entity that might be willing to acquire the interest at artificially high or low prices due to considerations not typical of the motivation of the arms-length financial buyer.

In this instance, the ultimate buyer may well be a strategic buyer and as such may be willing to pay an investment value that is higher than the fair market value determined in this appraisal. The acquisition premium (the amount in excess of fair market value) being justified by the synergies and other strategic advantages the acquirer perceives will be obtained through acquiring the Company. It is all but impossible to estimate the investment value without identifying a specific strategic buyer as it is the synergies, risk aversion, cost of capital and strategic advantages of a given prospective buyer which ultimately drive the size of the acquisition premium.

Hypothetical Seller

The seller in the fair market value appraisal process is also hypothetical and, therefore, has the knowledge of the relevant facts, (i.e., the influences on value exerted by the market, the risk and value drivers specific to the Company, and the investment characteristics applicable to the subject interest's degree of control, degree of marketability, and other investment characteristics).

Fair Market Value vs. Investment Value

For the reasons stated above, this appraisal will proceed only with respect to fair market value. Nothing in this report should be considered an opinion of an investment value reflecting the synergies applicable to any specific prospective strategic acquirer.

Relevant Market Segment

The determination of fair market value is a mandate to estimate what the hypothetical seller and buyer could be expected to do in the marketplace, in a sale of the subject interest as of the valuation date, The definition of fair market value instills upon the seller and buyer the qualities included in the definition of fair market value — knowledge of the relevant facts and the absence of compulsion. These distinctions can cause value to be different than price.

In order to estimate what could be expected to occur in the market between parties as defined, the appraiser thinks in terms of the segment of the market in which a transaction in the subject interest would most likely occur.

The sale of interests in closely held corporations is limited to the following: (i) sale of the interest to an arms-length, well-informed financial buyer, as defined above; (ii) sale of the interest to one or more of the other existing shareholders — this assumes there is at least one other shareholder; (iii) sale of the interest to the issuing corporation which would retire the shares as treasury stock — this assumes there is at least one other shareholder; (iv) sale of the subject shares in a public offering, thus ending its closely held status; (v) sale to a strategic buyer, as defined above; or (vi) sale of the assets in liquidation with the residual distributed to the shareholders.

In this case we are valuing a 100% interest in the company for use with respect to proposed sale. This eliminates market segment (iv). Market segment (v) is eliminated in that a sale to a strategic buyer would constitute *investment value* when the standard of value stipulated for this appraisal is fair market value. Segment (vi) is eliminated in that the value of the Company appears to clearly be greater as a going concern and management has indicated no intent or desire to liquidate. Market segments (ii) and (iii) are not relevant, as the company is closely-held and there are no other shareholders.

Conclusion

The relevant market segment for this appraisal is market segment (i) — a hypothetical sale of 100% interest to a financial buyer.

Date of Valuation

The effective date of the appraisal was selected by the owner/shareholders and/or their personal/company representation. Per *Revenue Ruling 59-60, Section 3, Paragraph .03* only information available (known or knowable) as of the valuation date is to be considered. The report date is June 1, 2012.

Scope of the Assignment

Management of EternaTile, Inc. has represented and warranted that all information and documentation provided by them or their agents, whether written or spoken, is true, correct, and complete to the best of their knowledge and belief. We are authorized to rely on same without independent investigation or corroborative procedure as being a materially accurate and fair presentation of the financial status and activities of the Company. Neither our engagement nor this report can be relied upon to disclose any misrepresentation, fraud, deviations from Generally Accepted Accounting Principles (GAAP) or other errors or irregularities.

Management has represented that they have disclosed all issues related to litigation, regulatory compliance, environmental hazards, limitations in the corporation’s articles, bylaws, minutes, or agreements, pending or in place among the parties or involving any third parties, which would have a negative material impact on the value or transferability of the interest being valued. RSI has relied on these representations.

ASSUMPTIONS AND LIMITING CONDITIONS

The business valuation process requires certain assumptions and limiting conditions, many of which may have significant influence on the valuation conclusion. Those assumptions and conditions are as follows:

a) The appraiser is not a law firm. Issues that may have legal impact are considered from a layperson's perspective using the reasoning expressed or implied within the report. Should such matters be material to the users of this report, proper legal counsel should be obtained.

b) An appraisal is neither a legal or tax opinion. Its purpose is to estimate the referenced type of value. Appraiser assumes no responsibility whatsoever for legal or tax matters relative to the findings. Values are stated without reference to applicable legal or tax claims unless so noted. The Company's full compliance with all applicable federal, state and local laws and regulations is assumed in reliance on management's representation.

c) The valuation process is not a finding of fact. It is a finding of opinion. It is supported by the research, analysis, and the informed and unbiased opinion of the appraiser working for the appraisal firm retained by the client. Appraiser does not guarantee others will accept its opinion.

d) This report is an appraisal report designed to give an opinion of fair market value. It is not an accounting report, and it should not be relied upon to disclose hidden assets or to verify financial reporting. It is an opinion of the projected value of a 100.00% interest in the company as of 12/31/15 & 12/31/17.

e) I have accepted the financial statements without testing their accuracy. The financial information used consisted of balance sheets, income statements, and/or federal tax returns. The accuracy of the financial statements is the sole responsibility of management and/or its representation.

f) The values depicted in this report represent a 100% interest in the common stock of the company in question.

g) Appraisal values are strongly influenced by internal and external factors. I have relied on representations made by the owner about the background and history of the business. The management of EternaTile, Inc. has acknowledged to me that the information they provided was complete and accurate. However, I assume no responsibility for the accuracy of the information provided to me by the business' management.

h) The information disclosed in this report is considered to be necessary and relevant to support the value conclusions. No information was knowingly withheld but there is no guarantee that all relevant information has been disclosed to Appraiser.

i) All facts and data as set forth in this report were obtained from sources considered to be reliable. However, I assume no liability for the accuracy of the information provided to me by others.

j) This valuation report is based upon facts and conditions existing as of the date of valuation. I have not considered subsequent events. Unless specifically requested by the client and agreed upon by us, I have no obligation to update my report for such events and conditions.

k) The estimate of value opined to in this report applies only to EternaTile, Inc. as of 12/31/15 and 12/31/17. In addition, my estimate of value is valid only for the purpose of a buy/sell.

SURVEY AND ANALYSIS OF SUBJECT COMPANY

History of the Company

EternaTile, Inc. is a startup company that holds a fourteen claim patent on a unique roofing tile. The Company's product, the core tile, is superior to traditional tile in a number of ways: it is more durable, is lighter weight, it is better able to withstand windstorm forces, and it provides buildings with better insulation from the rays of the sun. It can also be manufactured as a solar tile, containing a solar cell component that generates electricity.

Furthermore, the product was designed from the installer's perspective. Products, no matter how good, are less likely to be offered to consumers if the companies actually doing the installation are not 'sold' on the product. By designing EternaTile with the installer in mind, the Company has created a product that is easy to install, can accommodate virtually any style and size of pitched roof (a claim that cannot be made of most conventional products), and can be installed twice as quickly as conventional roofing products. The ease and speed of installation is likely to lead to a quick adoption of the EternaTile product by industry professionals because, if a product can be installed in half the time of other products, its use can double the productivity (the number of roofs installed) of the roofing company.

The solar cell component, manufactured by a strategic partner in China, is installed easily and directly into the roof tile, and can be removed by any installer. This flexibility makes the solar cell "upgradable;" in other words, if a significant development in solar cell technology is achieved, already installed EternaTile modules can be retrofitted with a new solar cell.

To assert that the initial testing of the product has been promising would be an understatement. EternaTile roofs have a 260 mile per hour wind resistance rating, and an insulation factor of R19, and the ability to generate electricity on par with a more traditional solar energy panel.

Currently, the Company has Letters of Intent (LOIs) from industry professionals, government agencies, and foreign businesses that total $750 to $900 million US dollars. The LOIs are the best indication of the industry's acceptance and excitement of EternaTile product development and offering. If even a percentage of those letters of intent are converted to actual sales, the Company will be able to achieve significant revenues quickly upon receipt of additional capital.

The Company, incorporated in Florida in 2010, is owned by Carmen Bellavia (who holds a 77% share) and David Hansen (who holds an 18 % share). Other shareholders include Ralph Sy Richardson (3.5%), Arthur Athas (1%), and Barry Ruby (0 .5%). The remaining 0.5% shares are currently open.

The shareholders seek funding of approximately $6 million. This funding will be used to develop the manufacturing process, establish a manufacturing facility, and to launch the product to market. To this end, RSI & Associates, Inc. has been charged with the task of valuing the Intellectual Property of EternaTile, Inc.

Type of Entity

The company is an S Corporation, incorporated, organized, and doing business in the State of Florida. No complaints are on file with the Florida Office of the Attorney General. A total of 200,000,000 shares exist in the company. The ownership of those shares is as follows:

Shareholders	Number of Shares
Carmen R. Bellavia	153,000,000
David W Hansen	36,000,000
Ralph Sy Richardson	7,000,000
Arthur Athas	2,000,000
Barry Ruby	1,000,000
Available Shares	1,000,000

The two principal owners are: Carmen Bellavia, President and CEO, who owns 77% of the business and David Hansen, Vice President, and owns 18% of the business.

Employees

EternaTile, Inc. has 11 employees. Ownership gives its employees top marks in all areas, noting that they are experienced, hard working, and are able to respond quickly and appropriately to any situation that might arise. Employees are well compensated and are not represented by a union.

Position	Number of Employees
Management	7
Sales	4

Each employee has a different strength, offering an area of expertise in an important aspect of the business, such as roofing, solar energy, and marketing.

Management

The management team's greatest asset is its combined years of industry experience. Carmen R. Bellavia, President and CEO, has 27 years of experience in roofing and building contracting. David W. Hansen, the executive vice president, has years of experience in product development. Carmen D. Bellavia, Vice President of Manufacturing, has more than forty years of experience in manufacturing and engineering. Art Athas has been involved in the development of two solar energy startup companies. Other key members of the management team include Ralph Sy Richardson, and Edward Sanojev, each of whom has extensive experience in business management.

History of Prior Transactions of the Subject Interest

Mr. Carmen R. Bellavia originally had the idea for the EternaTile product line in 2009, filing a provisional patent application and then contracting with an engineering firm and mold manufacturer to develop a prototype. He soon brought David Hansen in to assist with developing the product and bringing it to market. EternaTile, Inc. was incorporated as an S Corporation in the State of Florida on August 26, 2010, with all shares initially held by Mr. Bellavia and Mr. Hanson.

Restrictions on Transfer

There are no agreements, liens or filings in place that restrict transfer of interests or would have any effect on value.

Products & Services

When the production facility goes online, EternaTile, Inc. will offer a range of roofing tile products. These tiles will have a number of advantages over conventional roof tile products:

- Design with the installer in mind—Installation professionals influence customer choice, and if a product is easy for an installer to use, the installer is likely to recommend it to customers.

- Much lighter than other tile products—The lighter weight makes the product easier to install, decreasing the amount of time it takes to install an EternaTile roof. With ease of handling, decreased installation time and increased efficiencies, more installations are possible. This rise in labor efficiency can lead to reduced pricing to the end user (labor being a significant portion of cost) and subsequently, increased EternaTile sales.

- R-19 level of insulation—EternaTile products provide an additional layer of insulation that traditional tiles do not have. Rather than ‘soaking up’ the radiant heat from the sun, heating the tile and the attic beneath, EternaTile is designed to be heat repellent, remaining within a few degrees of the actual temperature. Because the space below the tile (usually an attic) does not heat up (as it does with conventional tiles), the cost of cooling the building with EternaTile is significantly lower.

- Greater durability than traditional tiles—Preliminary testing indicates that EternaTiles will last between 70 and 100 years. The tiles are impact resistant and are less likely to become damaged by hail, sleet or the weight added by massive amounts of annual snowfall and ice accumulation. The effect this will have on insurance rates is yet to be seen, as home owner’s insurance claims for storm damage to the roof is one of the most common claims filed.

- Wind resistant—Testing indicates that the EternaTile can withstand wind speeds of 260 miles per hour. Testing done in Miami/Dade, which has some of the strictest standards for wind storm resistance in the world, showed the EternaTile product line surpasses the area’s strict standards.

In addition to the above mentioned benefits, solar tiles will include the following benefits:

- Solar Powered—EternaTile products are equipped with solar cells, which can power a home and can be hooked into local power grids, enabling the homeowner or building owner to power their own facility or to sell power to the local electric utility.

- Upgradable Solar Cells—EternaTile products are manufactured in such a way that solar cells can be easily removed and replaced, so that, if a new, more energy efficient solar cell technology is invented, the EternaTile product can be modified to accept new technology.

EternaTile, Inc.’s roofing tile will be manufactured in a variety of lines including traditional tile, slate roofing, and shingles. These tiles can be used on any sloped roof, and will work on new construction or on any existing structure.

Intellectual Property

EternaTile, Inc. originally filed a US Provisional Patient Application Serial No. 61/255,629 on October 28, 2009. Since that date, a US Patent Application Serial No. 12/858,980 was filed on August 18, 2010 which claimed benefits of priority to Patient Application Serial No. 61/255,629. On April 27, 2010, a US Continuation-in-Part Patent Application Serial No. 131458,277, entitled Light Weight Molded Rood Tile with Integrated Solar Capabilities, was filed. An International Patent Application no. PCT/US12/35736 (with some entitlement) was filed on April 30, 2012. The patent application contains a fourteen point claim and has been filed 139 countries.

The Company's patent pending wedge-shaped design provides the tile with greater stability and resistance to breakage, than conventional tiles. In addition to the claims about durability, light weight foam construction, and ease of installation of the EternaTile product, the patent application includes claims referencing the solar component integrated into the tile, a wiring harness so that the electrical circuits in the solar component can be connected, and a support bar that promotes stability. The patent abstract claims that the EternaTile product can withstand Category 5 hurricanes, will reduce the transfer of heat into attic space, can be fitted onto any sloped roof, will not break when extreme pressures are applied, will produce electricity generated by solar energy, is easily installed, and can be manufactured in a variety of appearances.

The Company has exclusive rights throughout the provisional process and expects full patent rights to be granted. Under US Law, the patent will be 20 years from the date the patent was first filed.

EternaTile, Inc.'s strategy for managing its intellectual property is two fold. For the first ten to twelve years of production, the Company plans to manufacture its own tiles—initially in Pennsylvania, and then later at two other sites in the US. Plans are also in place to manufacture in South America, Europe, and Africa. In year three, the Company intends to license the rights to manufacture its patent-protected product to other companies, charging these other manufacturers a royalty, as a percentage of their gross revenue.

Customer Base

Because EternaTile, Inc.'s products are not yet on the market, it does not have a client or customer list. However, it has received Letters of Intent (LOIs) from the following businesses and other entities, indicating a commitment to purchase EternaTile products once they become available. These companies and entities include:

- IPO Real Investments (funds early stage businesses with a specific interest in technology and energy)—set initial funding between $100 million and $400 million US.
- Petersen-Dean (a company that installs roofing, including solar system, nationwide)—proposes it can sell 8,500 solar tiles and 10,000 non-solar tiles in the first year.
- GulfEagle Supply (a nationwide distributor of roofing supplies)—has indicated it can sell 20,000 solar tiles and 45,000 non-solar (core) tiles in a three year period.
- Clear Energy Group (a distributor of energy equipment)—suggests it can sell 35 to 40 megawatts of the product solar tiles.
- Grange Projects International (a construction company specializing in creating affordable and medium cost housing in developing countries, headquartered in Nairobi, Kenya) –suggests it can commit to buying 440,000 square feet of solar tile and 883,000 square feet of core (non-solar) tile. In a separate LOI for projects in Berundi, Grange Projects International suggests it can commit to purchasing an additional 1,370,800 square feet of solar tile and approximately another 2,792,500 square feet of core (non-solar) tile.
- Symbiotic Solutions—advocates it can sell approximately 200,000 square feet of solar tile and 400,000 square feet of core (non-solar) tile.
- Future Energy Ventures—suggests it can sell approximately 13 megawatts of solar tile, plus an additional 50 megawatts of product through its call center.

- Commercial Roofing and Waterproofing Hawaii—advises it can sell approximately 1,000 square feet, or 1 megawatt, of solar tile and 3,000 square feet of core tile.
- Amazing Hospitality Group (a construction company specializing in hotel construction)—is negotiating to build fifty new hotels which will use sustainable energy and will recommend the use of EternaTile products in those new construction hotels.
- United States Department of Commerce has offered EternaTile, Inc. assistance with exporting its product to approximately 80 countries around the world.

The total value of these Letters of Intent is in excess of $750 million US.

Furthermore, management suggests that its products will be "transformative," creating a major change in the roofing industry. The Company's President, Mr. Carmen R. Bellavia, suggests the EternaTile, Inc. product line will have an effect similar to the introduction of the roofing shingle, which revolutionized roofing nearly a century ago.

Competition

Major Competitors include:

- Atlas Roof Tile
- American Slate
- Hanson Roof Tile
- New England
- Eagle Roofing Products
- Dow (Solar Shingle)
- Monier Lifetile
- Certainteed (EnerGen)

EternaTile, Inc.'s core products will have a competitive advantage over any traditional roofing tile because its products are more durable, offer significant energy saving, can withstand hurricane force winds, are easier to install, and are lighter weight. In addition, no other product combines these features with a solar cell component which enables roofing tiles to create energy for the home or building owner.

Location and Equipment

The Company has a signed Memorandum of Understanding with Pleiger Plastics Company for the creation of a manufacture facility in Pennsylvania that will house a production line for EternaTile, Inc.'s products. The Company plans on using the funding it is currently seeking to establish this production facility.

Environmental & Regulatory Issues

As a manufacturer of tiles should be, since the Company will OEM production we will not be subject to any environmental or other regulatory issues. EternaTile, Inc. is working closely with officials in the Miami/Dade area to insure that its tiles meet local building codes for wind storms. This region, which is frequently subject to hurricanes and tropical storms, has among the most stringent building codes in the world.

Seasonality

Management does not believe its sales will be subject to seasonal trends. Although the roofing industry itself is seasonal, with more work done in warm weather, the manufacture of roofing products continues steadily year round.

Strengths & Weaknesses

Strengths

Company strengths include:

- **Strong Executive Team**—Each member of the executive team has years of industry experience and brings a specific strength.
- **Industry Knowledge**—Members of management have extensive experience with, as well as credibility in, the roofing industry.
- **Product**—Testing already conducted suggests the EternaTile product line has significant advantages over other roofing tiles or other solar energy products.
- **Security**—The Company has Letters of Intent from businesses and entities that suggest, if the product is brought to market in a timely manner, it will sell.

Weaknesses

Company Weaknesses

- **Uncertainty of a Startup—**The Company has yet to create a production facility or to bring any product to market.
- **Marketing**—Management has identified marketing as an area that needs improvement.
- **Capital—**The Company needs capital in order to get its products to market.

Stability of Earnings

As the company has not yet generated any earnings through sales of its products, a determination of how stable its earnings are is not yet possible.

Long-Term Sustainable Growth Performance

Based on information provided by management and on research on the industry, EternaTile's prospects for long-term, sustainable growth are promising. This conclusion is based on four factors: documentation, industry conditions, conservative estimates, and planning.

Documentation

EternaTile, Inc.'s management has provided extensive documentation and evidence, much of it based on evaluations by independent third parties, that validates the claims about the product's characteristic and attributes. Tests conducted by an outside laboratory indicate that the company's tiles can withstand wind speeds of up to 260 miles per hour, which is higher than that of any recorded hurricane. The Letters of Intent from a variety of well established national and international roofing, construction, and energy companies indicate that knowledgeable industry professionals believe in the EternaTile product and intend on using them.

Industry Conditions

The move in the US toward energy conservation, 'green energy,' and renewable energy has been growing in the last decade. One reason for this growth is energy independence; the United States is dependent upon imported oil, making its markets vulnerable to foreign interests (as happened in the 1970s and 1980s when the Organization of Petroleum Exporting Countries decided to raise oil prices as a punitive measure aimed against the US). Some states (Wisconsin among them) have established state Offices of Energy Independence, and a federal measure, the Energy Independence and Security Act, became law in 2007.[2] As a result, products which reduce the amount of energy consumed (which EternaTiles do by repelling radiant energy from the sun) and which create new energy (such as EternaTile's solar cell products) will find a positive climate.

[2] "Energy Independence and Security Act of 2007." www.wikipedia.org. Viewed 8 May 2012.

Furthermore, sources of renewable energy have a number of other advantages. First, there are environmental concerns; the majority of electricity consumed in the US is currently produced by burning fossil fuels, which release "greenhouse gasses" and is believed to be harmful to the environment. Even if one questions the link between fossil fuel emissions and environmental harm, the fact that fossil fuels are nonrenewable—that they will eventually run out—is rarely questioned. Products that produce electricity without burning fossil fuels address both sets of concerns: environmental issues and concerns about nonrenewable energy.

Energy use in the US is on the increase due to a number of factors. One is a growing population. Another is increasing dependence on information technology. One source calls the Internet a "big power suck"[3] and notes that energy use *solely related to internet use* grows 10% annually and will do so for the foreseeable future. With energy use on the increase, any reliable source of electricity that does not use fossil fuels will address concerns about energy independence, environment concerns about the burning of fossil fuels, and concerns about the depletion of nonrenewable sources of energy.

Conservative Estimates

Ownership projects phenomenal sales growth over the first six to 8 years of production, making EternaTile one of the fastest growing companies in US History. The Letters of Intent (LOIs) on file have a value in excess of $750 million US. Projections assume satisfying that demand in the fourth year of production, whereas the company will surpass one billion is sales. Under 'normal' circumstances these projections would be regarded as aggressive, but considering the product offering and application, it is the opinion of the appraiser that the sales projections, over the next ten years are realistic.

Planning

Ownership has a well thought out plans for short and long term growth. In addition to the LOIs, it has an Memorandum of Understanding, MOU, to set up a production facility in Pennsylvania. Assuming sales grow (which even conservative projections indicate is likely), the Company has identified other sites to create other manufacturing facilities in the US (Texas and California), in South America (Brazil), in Europe (Germany), and in East Africa (Kenya).

After the initial period in which EternaTile, Inc. sets up its manufacturing facilities and establishes its market presence, the Company plans on licensing its products and processes to other roofing manufacturers. EternaTile, Inc. will receive a portion of the sales of its products manufactured by other companies.

Another factor that has gone into the Company's planning is solar cells rarely fail and don't wear out. In other words, solar cells become obsolete before they wear out. When a homeowner or business replaces an old solar cell with a newer one, the original one retains some value and would be of use to another customer. The management of EternaTile, Inc. plans to replace obsolete solar components in its products and replace it with new components, and then to refurbish the old solar cells and resell them in developing countries.

For the reasons listed in this section, the Company's prospects for long-term, sustainable growth seem strong. This conclusion is contingent on management's ability to secure capital to get its product to market.

[3] "The Internet: One Big Power Suck." www.cnnmoney.com. Viewed 9 May 2012.

PROPOSED FUNDING

As previously stated in this report, the shareholders seek funding of approximately $6 million. This funding will be used to develop the manufacturing process, establish a manufacturing facility, and to launch the product to market. The source of funds will be through traditional venture capital channels, as well as through foreign investor by way of the U.S. Citizenship and Immigration Service (USCIS) Immigrant Investor Program, EB-5.

EB-5 Immigrant Investor[4]

Visa Description

The U.S. Citizenship and Immigration Service (USCIS) administers the Immigrant Investor Program, also known as “EB-5,” created by Congress in 1990 to stimulate the U.S. economy through job creation and capital investment by foreign investors. Under a pilot immigration program first enacted in 1992 and regularly reauthorized since, certain EB-5 visas also are set aside for investors in Regional Centers designated by USCIS based on proposals for promoting economic growth.

All EB-5 investors must invest in a **new commercial enterprise**, which is a commercial enterprise:

- Established after Nov. 29, 1990, or
- Established on or before Nov. 29, 1990, that is:
  a) Purchased and the existing business is restructured or reorganized in such a way that a new commercial enterprise results, or
  b) Expanded through the investment so that a 40-percent increase in the net worth or number of employees occurs

Commercial Enterprise

Commercial enterprise means any for-profit activity formed for the ongoing conduct of lawful business including, but not limited to:

- A sole proprietorship
- Partnership (whether limited or general)
- Holding company
- Joint venture
- Corporation
- Business trust or other entity, which may be publicly or privately owned

This definition includes a commercial enterprise consisting of a holding company and its wholly owned subsidiaries, provided that each such subsidiary is engaged in a for-profit activity formed for the ongoing conduct of a lawful business.

[4] Source: The U.S. Citizenship and Immigration Service

Job Creation Requirements

The investment must also promote economic growth by:

- Creating or preserving at least 10 full-time jobs for qualifying U.S. workers within two years (or under certain circumstances, within a reasonable time after the two-year period) of the immigrant investor’s admission to the United States as a Conditional Permanent Resident.
- Creating or preserving either direct or indirect jobs:
    - Direct jobs are actual identifiable jobs for qualified employees located within the commercial enterprise into which the EB-5 investor has directly invested his or her capital.
    - Indirect jobs are those jobs shown to have been created collaterally or as a result of capital invested in a commercial enterprise affiliated with a regional center by an EB-5 investor. A foreign investor may only use the indirect job calculation if affiliated with a regional center.
    - Investors may only be credited with preserving jobs in a troubled business.

Troubled Business

A **troubled business** is an enterprise that has been in existence for at least two years and has incurred a net loss during the 12 or 24 month period prior to the priority date on the immigrant investor’s Form I-526. The loss for this period must be at least 20 percent of the troubled business’ net worth prior to the loss. For purposes of determining whether the troubled business has been in existence for two years, successors in interest to the troubled business will be deemed to have been in existence for the same period of time as the business they succeeded.

Qualified Employee

A qualified employee is a U.S. citizen, permanent resident or other immigrant authorized to work in the United States. The individual may be a conditional resident, an asylee, a refugee, or a person residing in the United States under suspension of deportation. This definition does not include the immigrant investor; his or her spouse, sons, or daughters; or any foreign national in any nonimmigrant status (such as an H-1B visa holder) or who is not authorized to work in the United States.

Full-Time Employment

Full-time employment means employment of a qualifying employee by the new commercial enterprise in a position that requires a minimum of 35 working hours per week. In the case of the Immigrant Investor Pilot Program, "full-time employment" also means employment of a qualifying employee in a position that has been created indirectly from investments associated with the Pilot Program.

Job-Sharing Arrangement

A job-sharing arrangement whereby two or more qualifying employees share a full-time position will count as full-time employment provided the hourly requirement per week is met. This definition does not include combinations of part-time positions or full-time equivalents even if, when combined, the positions meet the hourly requirement per week. The position must be permanent, full-time and constant. The two qualified employees sharing the job must be permanent and share the associated benefits normally related to any permanent, full-time position, including payment of both workman’s compensation and unemployment premiums for the position by the employer.

Capital Investment Requirements

Capital means cash, equipment, inventory, other tangible property, cash equivalents and indebtedness secured by assets owned by the alien entrepreneur, provided that the alien entrepreneur is personally and primarily liable and that the assets of the new commercial enterprise upon which the petition is based are not used to secure any of the indebtedness. All capital shall be valued at fair-market value in United States dollars. Assets acquired, directly or indirectly, by unlawful means (such as criminal activities) shall not be considered capital for the purposes of section 203(b)(5) of the Act.

Required minimum investments are:

- General. The minimum qualifying investment in the United States is $1 million.
- Targeted Employment Area (High Unemployment or Rural Area). The minimum qualifying investment either within a high-unemployment area or rural area in the United States is $500,000.
- Please note; investment capital cannot be borrowed.

Targeted Employment

A targeted employment area (TEA) is an area that, at the time of investment, is a rural area or an area experiencing unemployment of at least 150 percent of the national average rate.

Rural Area

A rural area is any area outside a metropolitan statistical area (as designated by the Office of Management and Budget) or outside the boundary of any city or town having a population of 20,000 or more according to the decennial census.

EB-5 Immigrant Investor Process

Application Process

1. File a **Form I-526, Petition by Alien Entrepreneur**
2. Upon approval of the Form I-526 petition, either:
   - File a **Form I-485, Application to Register Permanent Residence or Adjust Status**, with USCIS to adjust status to conditional permanent resident within the United States, or
   - File a DS-230, Application for Immigrant Visa and Alien Registration, with the Department of State to obtain an EB-5 visa for admission to the United States.

The EB-5 investor (and his or her derivative family members) is granted conditional permanent residence for a two-year period upon the approval of the I-485 application or upon entry into the United States with an EB-5 immigrant visa.

1. File **Form I-829, Petition by Entrepreneur to Remove Conditions**, 90 days prior to the two-year anniversary of the granting of the EB-5 investor’s conditional resident status (Green Card). If USCIS approves this petition, the conditions are removed from the EB-5 applicant’s status and the EB-5 investor and derivative family members will be allowed to permanently live and work in the United States.

Form I-526 Petition for an Alien Entrepreneur

Requirements	Supporting Documents (Evidence)
New Commercial Enterprise	Evidence that you have invested in a "for profit" new commercial enterprise, which is a commercial enterprise: • Established after Nov. 29, 1990, or • Established on or before Nov. 29, 1990, that is: o Purchased and the existing business is restructured or reorganized in such a way that a new commercial enterprise results, or o Expanded through the investment so that a 40-percent increase in the net worth or number of employees occurs o Evidence, if applicable, that your new commercial enterprise has been established and is principally doing business in a targeted employment area (TEA).
Managing the New Commercial Enterprise	Evidence that you will be actively involved in the management of the new commercial enterprise (day-to-day or through policy).
Investment	Evidence that you have invested or are in the process of investing the amount required ($1 million or $500,000). Evidence that the investment funds were obtained through lawful means. Evidence that the capital used was legally acquired may be demonstrated by the following: • Foreign business registration records • Personal and business tax returns, or other tax returns of any kind filed anywhere in the world within the previous five years • Documents identifying any other source of money • Certified copies of all pending civil or criminal actions and proceedings, or any private civil actions involving money judgments against the investor within the past 15 years
Job Creation	Evidence that the new commercial enterprise will create at least 10 full-time positions—not including yourself, your spouse, sons or daughters, or any temporary or nonimmigrant workers, or individuals who are not authorized to work in the United States. You will need to submit a comprehensive business plan showing that, due to the nature and projected size of the new commercial enterprise, the need for not fewer than 10 employees will result. Include approximate dates, within the next two years, and when each employee will be hired.

Job Preservation—Troubled Business	The same evidence which is mentioned above for job creation except instead of the evidence that the business will create at least 10 new jobs, you must submit evidence that: The number of existing jobs is being or will be maintained at no less than the pre-investment level for a period of at least two years. Photocopies of tax records, Forms I-9 (Employment Eligibility Verification), or other relevant documents for the qualifying employees and a comprehensive business plan shall be submitted in support of the petition. • To be approvable, at least 10 jobs must be maintained. • Regional center-affiliated cases must show that the capital investment was made in accordance with the regional center's business plan in order to be credited with the preservation of indirect jobs.

EternaTile's EB-5 Eligibility

From all indications, EternaTile is an excellent candidate for the EB-5 Immigrant Investor Program. A summary of EternaTile's eligibility compliance is as follows:

Entity Structure Requirements

EternaTile meets the definition of a commercial enterprise. EternaTile is a corporation duly organized, validly existing and in good standing under the laws of the State Florida. The company is operating as a lawful for-profit entity.

Job Creation Compliance

EternaTile will create at least 318 full-time Direct Jobs and 1,680 full-time Indirect Jobs for qualifying U.S. workers within the first two years after the capital is invested. EternaTile is located in the targeted employment area, which affords company the lower investment threshold requirement of $500,000.

The table on the following page provides a breakdown of Direct and Indirect Jobs created per $1 million invested:

PROCESS OF FINANCIAL ANALYSIS

This section explains the analysis process. The analysis and normalized financial statements produced in this report are included solely to aid the appraisal process and assist in determining the opinion of value. Such financial statements should not be used for accounting or tax reporting, to obtain credit, or for any other purpose.

Financial Statements

The balance sheet is a statement of the status or financial health of the subject company as of a specific date. The income statement is a statement of the financial activities of the business over a defined period of time. The pro forma is a projection of the future activity of the company. Information from these statements, together with industry information, is the primary tools utilized throughout this report.

Financial Statement Analysis

Generally speaking, the analysis of the most recent year's balance sheet and the income statement are used to ascertain trends and any specific assets, liabilities, revenues or expenses about which comments would be helpful. The Company's financial statements are compared with those of other firms in the same or similar industry. This process is used to help the valuator both understand and communicate the Company's value and risk drivers.

Adjustments to Financial Statements

The process of business appraisal commonly requires adjustment of the financial statements. When adjustments are made, they are generally due to the choices made in accounting elections and treatments in order to minimize taxable income. This is particularly true regarding closely held businesses where there are generally few, if any, passive investors to impress through financial statements. The analysis focuses on the most recent year to determine necessary adjustments of discretionary and non-recurring expenses, thus creating a 'benchmark period' of operation. The company's historical income statements are then compared with those of other firms in the same or similar industry and to the normalized benchmark period and adjustments are then made to reflect same. The objective of valuation-related adjustments is to convert earnings and values from those established based upon historical costs, tax accounting regulations and accounting irregularities to amounts that better estimate fair market values and operating norms.

These adjustments are seldom precise, but are generally made when three conditions are met:

a) The amount reflected on the financial statements appears to be inconsistent with fair market values, whereas adjustments are necessary to arrive at a proper or actual asset and income basis for the valuation (Adjusted Book Value, EBITDA, EBIT, Cash Flow, As if Debt Free, Share Value)

b) When better estimates of fair market values can be made and/or when management or its representation indicate a discretionary or non-recurring expense adjustment is warranted and

c) When the authority to make the change indicated by the adjustments rests within the interest being valued or some other clear circumstances apply (i.e., a change has been put in place by the control group and/or value is being determined based upon a controlling interest basis; therefore, adjustments that require control are appropriate)

Excess/Non-Operating Assets

Excess or non-operating assets are those assets owned by the business that, although included in the proposed offering, are not part of the value of the business entity or are not typically included in a specific valuation method or in a certain transaction. Examples of excess assets are property and improvements, trade accounts receivable, trademarks, copyrights, patents, non-operating assets, excess inventory and intellectual property. In valuing the business entity, fair financial consideration for the use of the excess assets (rent for property, royalties for patents, etc.) must be taken into consideration. Once the operating value of the business entity has been determined, the perceived value of the excess/non-operating assets can then be added to the operating value to determine the total indicated value.

Comparative Analysis

The external comparative analysis is a comparison of the Company against others in the same or a sufficiently similar industry. The internal comparative analysis contrasts the Company's financial statements against its own over a period of years to ascertain whether there are meaningful trends which would affect risk and suggest growth expectation.

Comparative Ratio Analysis

Financial analysis commonly includes a comparison of the subject's financial and operating ratios with those of a sufficiently similar industry peer group to aid the valuation process by enhancing the evaluation of the Company's operations with respect to operational performance common to the industry. When used, the industry norms are obtained from sources such as trade associations, private research groups, tax return databases, associations of credit granting officers, specific similar companies whose operating statements are filed with government agencies, or other similar sources.

FINANCIAL ANALYSIS

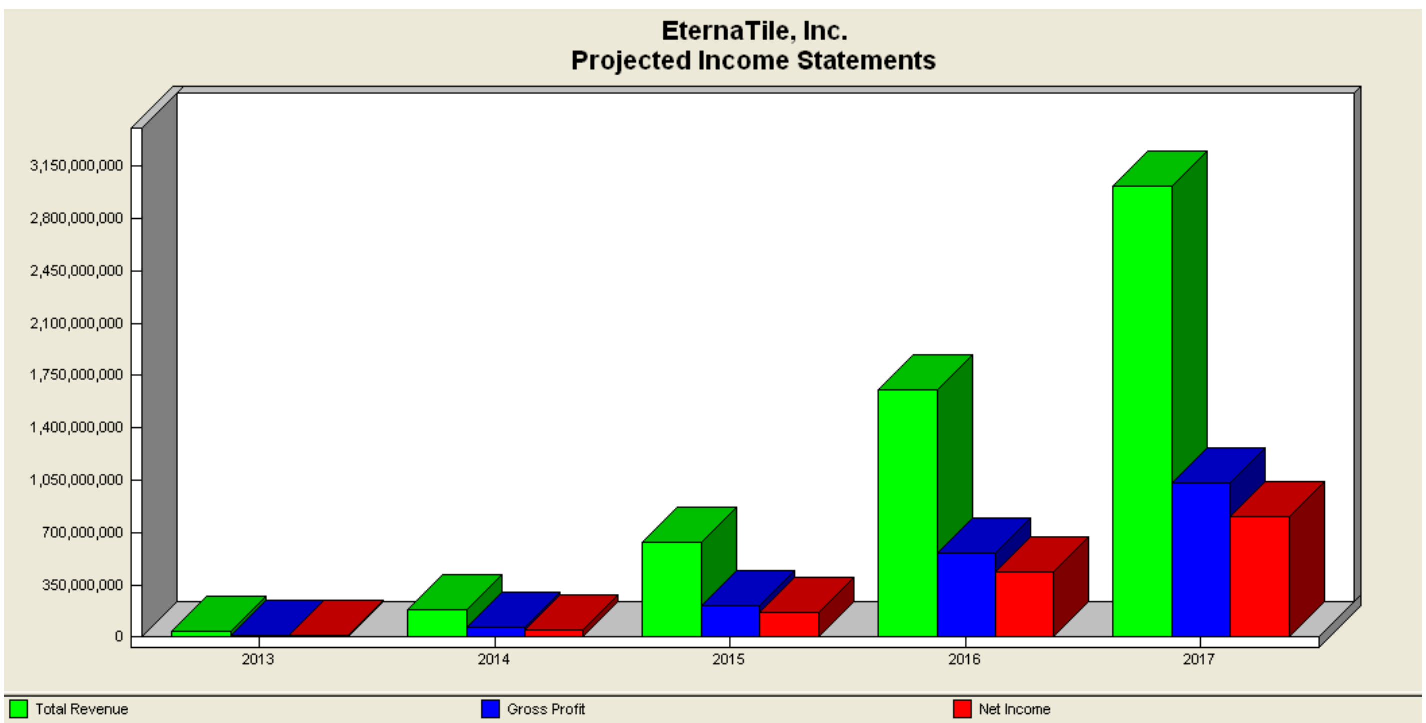
Analysis of the Projected Income Statements

As part of my analysis of the projected fair market value of EternaTile, Inc., I analyzed the business' pro forma income statements for the years ended December 2013 through December 2017. The exhibit below presents the business' projected income statements for the period December 2013 through December 2017.

Projected Income Statements

	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17
Total Revenue	37,659,076	188,046,631	634,891,054	1,650,742,413	3,021,205,249
Cost of Goods	23,333,912	118,667,317	419,702,137	1,087,019,239	1,990,822,357
Gross Profit	14,325,164	69,379,314	215,188,917	563,723,174	1,030,382,892
Operating Expense	2,173,333	8,241,722	27,199,077	67,798,321	121,755,688
Officer Salary	795,040	3,104,932	7,301,247	18,012,076	27,538,286
Depr./Amort.	696,693	3,478,863	11,745,484	30,538,735	55,892,297
Interest Expense	229,720	1,147,084	3,872,835	10,069,529	18,429,352
Operating Income	10,430,378	53,406,713	165,070,274	437,304,513	806,767,269
Non-Oper. Income	0	0	0	0	0
Non Oper. Expense	0	0	0	0	0
Pre-Tax Income	10,430,378	53,406,713	165,070,274	437,304,513	806,767,269

Graph of Projected Income Statements



Projected Income Statement Percentages

	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17
Total Revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Goods	62.0%	63.1%	66.1%	65.9%	65.9%
Gross Profit	38.0%	36.9%	33.9%	34.1%	34.1%
Operating Expense	5.8%	4.4%	4.3%	4.1%	4.0%
Officer Salary	2.1%	1.7%	1.1%	1.1%	0.9%
Depr./Amort.	1.9%	1.9%	1.8%	1.9%	1.8%
Interest Expense	0.6%	0.6%	0.6%	0.6%	0.6%
Operating Income	27.7%	28.4%	26.0%	26.5%	26.7%
Non-Oper. Income	0.0%	0.0%	0.0%	0.0%	0.0%
Non Oper. Expense	0.0%	0.0%	0.0%	0.0%	0.0%
Pre-Tax Income	27.7%	28.4%	26.0%	26.5%	26.7%

Adjustments to the Income Statements

In my analysis of the value of EternaTile, Inc., I reviewed the business' projected income statements for the 5 year period ending 12/31/17. In order to determine the business' earnings capacity it was necessary to adjust its income statements for non-operating revenues and expenses, unusually high or low expenses, discretionary expenses and expenses inconsistent with the company's industry operating standards. The following schedule shows the adjustments made to the business' projected income statements and the resulting adjusted net income for each of the periods in the analysis.

Calculation of Adjusted Net Income

	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17
Pre-Tax Inc.	10,430,378	53,406,713	165,070,274	437,304,513	806,767,269
[5]**Adjustments + or (-)**					
Executive's Comp.	795,040	3,104,932	7,301,247	18,012,076	27,538,286
Depreciation/Amort.	696,693	3,478,863	11,745,484	30,538,735	55,892,297
Non-Op. Expense	0	0	0	0	0
Cost of Goods Sold	0	0	0	0	0
Interest Expense	229,720	1,147,084	3,872,835	10,069,529	18,429,352
Benchmark / Industry Adjustments	0	0	0	0	0
Other	0	0	0	0	0
Total Deductions	1,721,453	7,730,879	22,919,566	58,620,340	101,859,935
Less: Deductions to Income:					
[6]Fair Value Executive's Comp.	795,040	3,104,932	7,301,247	18,012,076	27,538,286
Non-Op. Income	0	0	0	0	0
Additional Income Not Shown	0	0	0	0	0
Other Revenue	0	0	0	0	0
Total Deductions	795,040	3,104,932	7,301,247	18,012,076	27,538,286
Adj. Pre-Tax Inc. ([7]EBITDA)	11,356,791	58,032,660	180,688,593	477,912,777	881,088,918

[5] Adjustments are owner perks and non-reoccurring expenses reflective of information supplied by the client as Discretionary Expenses as well as information gathered from IRS Corporate Ratios, so as to reflect the client's Industry Standard.
[6]Fair Value of Executive's / Officers' Compensation is reflective of information supplied by client as well as information gathered from IRS Corporate Ratios, so as to reflect the client's Industry Standard. The net difference of Compensation and Fair Compensation would result in an Overcompensation (+) or an Undercompensation (-) as seen on the Financial Analysis Data form.
[7] Earnings Before Interest, Taxes, Depreciation and Amortization

Normalized/Projected Income Statements

The exhibit below presents the business' post-adjusted/normalized and projected income statements for the period December 2013 through December 2017.

Normalized/Projected Income Statements

	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17
Total Revenue	37,659,076	188,046,631	634,891,054	1,650,742,413	3,021,205,249
Cost of Goods	23,333,912	118,667,317	419,702,137	1,087,019,239	1,990,822,357
Gross Profit	14,325,164	69,379,314	215,188,917	563,723,174	1,030,382,892
Operating Expense	2,173,333	8,241,722	27,199,077	67,798,321	121,755,688
Officer Salary	795,040	3,104,932	7,301,247	18,012,076	27,538,286
Operating Income	11,356,791	58,032,660	180,688,593	477,912,777	881,088,918
Non-Oper. Income	0	0	0	0	0
Non Oper. Expense	0	0	0	0	0
Adjusted Pre-Tax Income	11,356,791	58,032,660	180,688,593	477,912,777	881,088,918

VALUATION OF THE SUBJECT

This section reviews the valuation approaches considered, those rejected and the valuation methods utilized. This section begins with a review of the valuation methods, underlying principles and various considerations that ultimately guide the appraisal process.

The choice of valuation approaches to be used in a given appraisal assignment is a judgment made by the appraiser. The appraiser's choice of methods is determined by the characteristics of the business to be appraised, the availability of reliable information requisite to the various methods, the function and use of the appraisal, applicable statutory law, case law, and administrative rulings.

Our considerations included the eight factors stipulated in Revenue Ruling 59-60 plus additional factors, if any, as appropriate. These considerations are:

Revenue Ruling 59-60, Section 4. Factors to Consider:

a) The nature of the business and the history of the enterprise from its inception.

b) The economic outlook in general and the condition and outlook of the specific industry in particular.

c) The book value of the stock and the financial condition of the business.

d) The earning capacity of the company.

e) The dividend-paying capacity.

f) Whether or not the enterprise has goodwill or other intangible value.

g) Sales of the stock and the size of the block to be valued.

h) The market price of stocks of corporations engaged in the same or similar line of business having their stocks actively traded in a free and open market, either on an exchange or over the counter.

As state in the Revenue Ruling:

The following is a brief discussion of each of the foregoing factors:

(a) The history of a corporate enterprise will show its past stability or instability, its growth or lack of growth, the diversity or lack of diversity of its operations, and other facts needed to form an opinion of the degree of risk involved in the business. For an enterprise which changed its form of organization but carried on the same or closely similar operations of its predecessor, the history of the former enterprise should be considered. The detail to be considered should increase with approach to the required date of appraisal, since recent events are of greatest help in predicting the future; but a study of gross and net income, and of dividends covering a long prior period, is highly desirable. The history to be studied should include, but need not be limited to, the nature of the business, its products or services, its operating and investment assets, capital structure, plant facilities, sales records and management, all of which should be considered as of the date of the appraisal, with due regard for recent significant changes. Events of the past that are unlikely to recur in the future should be discounted, since value has a close relation to future expectancy.

(b) A sound appraisal of a closely held stock must consider current and prospective economic conditions as of the date of appraisal, both in the national economy and in the industry or industries with which the corporation is allied. It is important to know that the company is more or less successful than its competitors in the same industry, or that it is maintaining a stable position with respect to competitors. Equal or even greater significance may attach to the ability of the industry with which the company is allied to compete with other industries. Prospective competition which has not been a factor in prior years should be given careful attention. For example, high profits due to the novelty of its product and the lack of competition often lead to increasing competition. The public's appraisal of the future prospects of competitive industries or of competitors within an industry may be indicated by price trends in the markets for commodities and for securities. The loss of the manager of a so-called "one-man" business may have a depressing effect upon the value of the stock of such business, particularly if there is a lack of trained personnel capable of succeeding to the management of the enterprise. In valuing the stock of this type of business, therefore, the effect of the loss of the manager on the future expectancy of the business, and the absence of management-succession potentialities are pertinent factors to be taken into consideration. On the other hand, there may be factors which offset, in whole or in part, the loss of the manager's services. For instance, the nature of the business and of its assets may be such that they will not be impaired by the loss of the manager. Furthermore, the loss may be adequately covered by life insurance, or competent management might be employed on the basis of the consideration paid for the former manager's services. These, or other offsetting factors, if found to exist, should be carefully weighed against the loss of the manager's services in valuing the stock of the enterprise.

(c) Balance sheets should be obtained, preferably in the form of comparative annual statements for two or more years immediately preceding the date of appraisal, together with a balance sheet at the end of the month preceding that date, if corporate accounting will permit. Any balance sheet descriptions that are not self-explanatory, and balance sheet items comprehending diverse assets or liabilities, should be clarified in essential detail by supporting supplemental schedules. These statements usually will disclose to the appraiser (1) liquid position (ratio of current assets to current liabilities); (2) gross and net book value of principal classes of fixed assets; (3) working capital; (4) long-term indebtedness; (5) capital structure; and (6) net worth. Consideration also should be given to any assets not essential to the operation of the business, such as investments in securities, real estate, etc. In general, such nonoperating assets will command a lower rate of return than do the operating assets, although in exceptional cases the reverse may be true. In computing the book value per share of stock, assets of the investment type should be revalued on the basis of their market price and the book value adjusted accordingly. Comparison of the company's balance sheets over several years may reveal, among other facts, such developments as the acquisition of additional production facilities or subsidiary companies, improvement in financial position, and details as to recapitalizations and other changes in the capital structure of the corporation. If the corporation has more than one class of stock outstanding, the charter or certificate of incorporation should be examined to ascertain the explicit rights and privileges of the various stock issues including: (1) voting powers, (2) preference as to dividends, and (3) preference as to assets in the event of liquidation.

(d) Detailed profit-and-loss statements should be obtained and considered for a representative period immediately prior to the required date of appraisal, preferably five or more years. Such statements should show (1) gross income by principal items; (2) principal deductions from gross income including major prior items of operating expenses, interest and other expense on each item of long-term debt, depreciation and depletion if such deductions are made, officers' salaries, in total if they appear to be reasonable or in detail if they seem to be excessive, contributions (whether or not deductible for tax purposes) that the nature of its business and its community position require the corporation to make, and taxes by principal items, including income and excess profits taxes; (3) net income available for dividends; (4) rates and amounts of dividends paid on each class of stock; (5) remaining amount carried to surplus; and (6) adjustments to, and reconciliation with, surplus as stated on the balance sheet. With profit and loss statements of this character available, the appraiser should be able to separate recurrent from nonrecurrent items of income and expense, to distinguish between operating income and

investment income, and to ascertain whether or not any line of business in which the company is engaged is operated consistently at a loss and might be abandoned with benefit to the company. The percentage of earnings retained for business expansion should be noted when dividend-paying capacity is considered. Potential future income is a major factor in many valuations of closely-held stocks, and all information concerning past income which will be helpful in predicting the future should be secured. Prior earnings records usually are the most reliable guide as to the future expectancy, but resort to arbitrary five-or-ten-year averages without regard to current trends or future prospects will not produce a realistic valuation. If, for instance, a record of progressively increasing or decreasing net income is found, then greater weight may be accorded the most recent years' profits in estimating earning power. It will be helpful, in judging risk and the extent to which a business is a marginal operator, to consider deductions from income and net income in terms of percentage of sales. Major categories of cost and expense to be so analyzed include the consumption of raw materials and supplies in the case of manufacturers, processors and fabricators; the cost of purchased merchandise in the case of merchants; utility services; insurance; taxes; depletion or depreciation; and interest.

(e) Primary consideration should be given to the dividend-paying capacity of the company rather than to dividends actually paid in the past. Recognition must be given to the necessity of retaining a reasonable portion of profits in a company to meet competition. Dividend-paying capacity is a factor that must be considered in an appraisal, but dividends actually paid in the past may not have any relation to dividend-paying capacity. Specifically, the dividends paid by a closely held family company may be measured by the income needs of the stockholders or by their desire to avoid taxes on dividend receipts, instead of by the ability of the company to pay dividends. Where an actual or effective controlling interest in a corporation is to be valued, the dividend factor is not a material element, since the payment of such dividends is discretionary with the controlling stockholders. The individual or group in control can substitute salaries and bonuses for dividends, thus reducing net income and understating the dividend-paying capacity of the company. It follows, therefore, that dividends are less reliable criteria of fair market value than other applicable factors.

(f) In the final analysis, goodwill is based upon earning capacity. The presence of goodwill and its value, therefore, rests upon the excess of net earnings over and above a fair return on the net tangible assets. While the element of goodwill may be based primarily on earnings, such factors as the prestige and renown of the business, the ownership of a trade or brand name, and a record of successful operation over a prolonged period in a particular locality, also may furnish support for the inclusion of intangible value. In some instances it may not be possible to make a separate appraisal of the tangible and intangible assets of the business. The enterprise has a value as an entity. Whatever intangible value there is, which is supportable by the facts, may be measured by the amount by which the appraised value of the tangible assets exceeds the net book value of such assets.

(g) Sales of stock of a closely held corporation should be carefully investigated to determine whether they represent transactions at arm's length. Forced or distress sales do not ordinarily reflect fair market value nor do isolated sales in small amounts necessarily control as the measure of value. This is especially true in the valuation of a controlling interest in a corporation. Since, in the case of closely held stocks, no prevailing market prices are available, there is no basis for making an adjustment for blockage. It follows, therefore, that such stocks should be valued upon a consideration of all the evidence affecting the fair market value. The size of the block of stock itself is a relevant factor to be considered. Although it is true that a minority interest in an unlisted corporation's stock is more difficult to sell than a similar block of listed stock, it is equally true that control of a corporation, either actual or in effect, representing as it does an added element of value, may justify a higher value for a specific block of stock.

(h) Section 2031(b) of the Code states, in effect, that in valuing unlisted securities the value of stock or securities of corporations engaged in the same or a similar line of business which are listed on an exchange should be taken into consideration along with all other factors. An important consideration is that the corporations to be used for comparisons have capital stocks which are actively traded by the

public. In accordance with section 2031(b) of the Code, stocks listed on an exchange are to be considered first. However, if sufficient comparable companies whose stocks are listed on an exchange cannot be found, other comparable companies which have stocks actively traded in on the over-the-counter market also may be used. The essential factor is that whether the stocks are sold on an exchange or over-the-counter there is evidence of an active, free public market for the stock as of the valuation date. In selecting corporations for comparative purposes, care should be taken to use only comparable companies. Although the only restrictive requirement as to comparable corporations specified in the statute is that their lines of business be the same or similar, yet it is obvious that consideration must be given to other relevant factors in order that the most valid comparison possible will be obtained. For illustration, a corporation having one or more issues of preferred stock, bonds or debentures in addition to its common stock should not be considered to be directly comparable to one having only common stock outstanding. In like manner, a company with a declining business and decreasing markets is not comparable to one with a record of current progress and market expansion.

In addition to these fundamental considerations, the Revenue Ruling 59-60 also states that '*a sound valuation will be based upon all the relevant facts, but the elements of common sense, informed judgment and reasonableness must enter into the process of weighing those facts and determining their aggregate significance.'*

The Search for Transactional Market Data

The conceptual basis for the use of market data on transactions in which interests in similar businesses have been sold is rooted in the economic principle of substitution; the basis of which is defined in the statement: "One will not pay more for an item, in excess of which, an equally desirable substitute can be obtain."

Transactional market data can be found in transactions involving either minority or controlling interests in either publicly traded or closely held companies.

Criteria for the Search

The market for *public companies* has the following dynamics: (1) access to all relevant data, (2) companies which are substantially larger, and (3) distortions caused by the inherent differences between publicly and closely held companies.

The market for *closely held companies* has the following dynamics: (1) limited access to data; (2) greater operational similarities with respect to size, diversification, depth of management, access to capital, and other characteristics; and (3) similar ownership characteristics such as the lack of liquidity associated with not having their ownership units freely and actively traded.

Other inherent differences exist between *publicly traded* and *privately held companies,* including such factors as:

Differences at the investor level

- percentage and degree of ownership
- active or passive participation in management (including employment)
- degree of liquidity
- expected holding period of the investment and
- investment diversification

Differences at the company level

- depth of management
- diversification of customer base
- geographic diversification
- use of legal, accounting, and other professional counsel

- officer compensation; and
- composition of the board of directors

While this is not an exhaustive listing of differences between publicly traded and privately held companies, it does illustrate the unique nature of each. Nonetheless, in those instances where a plausible case can be made that the closely held company being valued can be compared to similar public firms, such firms can be used to indicate a value. The criteria for judging whether or not there is a sufficient degree of similarity includes size, capital structure, depth of management, width of customer base, rate of growth, capacity to generate funding to take advantage of opportunities, and whether the subject company is a reasonable candidate for going public.

One of the few things for which there is no active secondary market in the U.S. economy is minority interests in closely held companies. Investors in the public market regularly purchase minority interests without being "scared off" by the lack of control. This is a result of the offsetting attractive investment characteristic of liquidity associated with the public market for those minority interests. The minority investor who becomes disenchanted with the direction management is taking the company or loses faith in the industry can simply have his broker sell the minority securities. It is common for this sale to be confirmed before the selling shareholder is off the phone with the funds available in a few days.

The minority shareholder in a closely held company is in a much different arena, one in which the lack of control is not offset by liquidity. The double impact of this lack of control and lack of liquidity is so overwhelming that there is no active market for minority interests.

With respect to closely held companies, the transactional market that is active is the one in which controlling interests are sold. This is an active market because the lack of liquidity associated with closely held investments is offset by the attractive investment characteristic of control. The investor is not "scared off" by the lack of liquidity, feeling more in control because the investor is "sitting in the driver's seat."

VALUATION METHODS REJECTED

Book Value Method

Book value is an accounting value that is calculated by subtracting total liabilities from total assets. Because the book value of a company does not consider the fair market value of a company's assets and liabilities or the fair market value of any intangible assets, it is not an accurate reflection of the business’ fair market value as of the date of valuation. Therefore, although I considered EternaTile, Inc.'s book value, I rejected it as an accurate indicator of the business’ fair market value.

Liquidation Value Method

Liquidation value is the value of the business’ assets (minus liabilities) valued as if they were to be sold in an orderly, piecemeal manner. Although I considered the liquidation value, I rejected the method as an accurate indicator of its fair market value as of the date of the valuation due to my opinion that the business was a “going concern” at that date.

Adjusted Book Value Method

A business’ adjusted book value is calculated by adjusting the company's assets and liabilities from their book value to their estimated fair market value as of the date of valuation. In a business that is classified as a going concern, the assets have usually been depreciated from a cost basis. In addition, it is common practice for business owners to expense capital purchases/improvements to lower their tax burden. Adjustments to the booked value of the assets are necessary to arrive at a fair and equitable value, often referred to as ‘value in-use.’ Also, adjustments to the liabilities, reflective of what is included and/or assumed in the hypothetical transaction, are also necessary.

Like the book value method and the liquidation value method, the adjusted book value method does not consider the business’ earnings capacity. The adjusted book method is used primarily to value holding companies or businesses that do not possess goodwill value. Because EternaTile, Inc.'s value is derived primarily from its earnings flow, I rejected the adjusted book value method as an appropriate method to determine the business’ fair market value.

Publicly-Traded Guideline Companies Methods

In the valuation of EternaTile, Inc., I considered using valuation ratios derived from publicly-traded guideline companies. However, I rejected using the publicly-traded guideline company method due to the disparity in the size, product mix, geographic location, and capital structure between the publicly-traded guideline companies and the subject company.

Public Companies, Minority Interests.

There are not adequate public companies that are sufficiently similar to the Company.

The search for publicly traded guideline companies used the following criteria:

(i) SIC / NAICS data to determine like-kind operations;
(ii) market capitalization of less than $40 million (the capitalized value of the company, not its annual sales), but the results of the search will be used to be sure we have included those whose annual sales are $120 million or less; and
(iii) actively traded.

Public Companies, Controlling Interests.

There were no usable merger and acquisition activities in public companies involving sufficiently similar companies. The transactions in this segment of the marketplace involve strategic buyers motivated by synergy with a price more indicative of investment value than the required fair market value.

Privately-Held Guideline Companies Methods

Closely Held Companies, Minority Interests

A minority shareholder in a closely held company is in a situation where the lack of control is not offset by liquidity. This double impact of lack of liquidity and lack of control is so prevailing that there is no active market (a market outside of the company) for the minority interest. For this reason, there are no comparable sales for comparison for minority interest in closely held companies.

Closely Held Companies, Controlling Interests

The appeal of control lessens the drawback of illiquidity sufficient to allow buyers to feel comfortable with controlling interest investments in contrast to the minority interests in closely held companies.

The various methods of market approach to value and the appraiser's opinion as to how those methods apply to the analysis of value are as follows:

Price to Earnings/Discretionary Cash Flow

In the valuation of EternaTile, Inc., I considered price to discretionary cash flow ratios from private transactions data. However, I rejected using the method because I do not believe that the results are indicative of the fair market value of EternaTile, Inc. as of 12/31/15.

Percent of Revenues

In the valuation of EternaTile, Inc., I considered price to revenue ratios from private transactions data. However, I rejected using the method because I do not believe that the results are indicative of the fair market value of EternaTile, Inc. as of 12/31/15.

Price to Book Value

In the valuation of EternaTile, Inc., I considered using percentage of revenue ratios from private guideline company transactions data. However, I rejected the method as appropriate because I do not believe that the results are indicative of the fair market value of EternaTile, Inc. as of 12/31/15.

Price to Total Assets

In the valuation of EternaTile, Inc., I considered using percentage of revenue ratios from private guideline company transactions data. However, I rejected the method as appropriate because I do not believe that the results are indicative of the fair market value.

Conclusion

In the opinion of the appraiser, the databases known to contain data on sales of controlling interest transactions (Mid-Market Comps, Bizcomps, IBA Market Data and Pratt's Stats) disclosed an insufficient number of transactions in which sales of similar companies were sold. There is insufficient reliable market data to allow the development of an indication of value through using the market approach.

Dividend Paying Capacity

Although I.R.S. Revenue Ruling 59-60 specifically mentions using the dividend paying capacity method in valuing a closely-held business for income tax purposes, it is rarely used by appraisers. Additionally, Revenue Ruling 59-60 states: "Where an actual or effective controlling interest in a corporation is to be valued, the dividend factor is not a material element, since the payment of such dividends is discretionary with the controlling stockholders." Therefore, although I considered the dividend paying capacity method, I rejected it as an appropriate method to use in valuing EternaTile, Inc. as of 12/31/15.

VALUATION METHODS ACCEPTED

In determining the projected fair market value of EternaTile, Inc. as of 12/31/15 and 12/31/17, it is my opinion that the primary method to be used is Capitalization of Earnings.

Income Methods of Valuation

Selection of an Appropriate Discount/Capitalization Rate

Capitalization rates vary among particular types of businesses and from one period of time to another. Expressed as a percentage, the more speculative or the lower the expected growth rate in the business' income stream, the higher the capitalization rate; conversely, the less speculative or the higher the expected growth rate in the income stream, the lower the capitalization rate.

The two basic components of a capitalization rate are the discount rate and a growth factor. The discount rate may be broken down into the risk-free rate of return and a risk premium (financial and market).

The risk-free rate of return includes the investors' required rate of return for the risk-less use of their funds and a factor for inflation. The rate of return earned on long-term U.S. Government bonds is considered a good proxy for the risk-free rate of return. As of the 6/01/12 date of valuation, the historical rate of return on a twenty-year U.S. Government Treasury Bond was 4.2%. Therefore, the risk-free rate of return is 4.2%.

The risk premium return is the additional rate of return required by investors in the market to compensate them for the additional risk in investing in a stock security as compared to a long-term U.S. Government security. In the Ibbotson Associates' Stocks, Bonds, Bills and Inflation Yearbook, it is shown that, between 1926 and 2011, the average total returns earned on large corporate stocks has been approximately 6.3% higher than the average total annual returns for long-term U.S. Government bonds. Therefore, in developing a discount rate, I added an equity risk premium of 6.3% to the risk-free rate of return.

In addition to the equity risk premium, the same Ibbotson Associates' study indicates that the smallest stocks traded on the New York Stock Exchange (defined as the lower 20 percent) earned an additional 6.7% premium over the larger stocks traded on the exchange. This small stock premium was added to the risk-free rate of return and the equity risk premium.

Summing the risk-free rate of return with the equity and small stock risk premium equals the average total return required by investors to entice them to invest in the smallest stocks traded on the New York Stock Exchange. However, investing in the stock of a closely-held business involves additional elements of risk which must be compensated by offering a higher rate of return. The additional risk may be from specific risks associated with the industry or the company as compared to the entire marketplace. Although there is little empirical evidence to assist the appraiser in determining this subjective risk premium, I have considered the following factors:

- The business' financial ratios
- The subject company's management structure and employee competency
- The long-term outlook for the subject company's industry
- The stability of the projected customer base and level of concentration
- The nature and strength of the proposed supplier relationships
- The product line diversification
- The physical location as it relates to the subject's market and industry type

After considering the aforementioned factors, it is my opinion that the subjective risk premium should be approximately 6.2%, my opinion of which is summarized in the following table:

SUBJECTIVE RISK RATE FACTORS	
Risk Assessment Factors	Rating
Depth of Management	0.7%
Importance/Competence of Key Personnel	0.7%
Stability of Industry	0.6%
Diversification of Product Line	0.9%
Diversification/Concentration of Customer Base	0.4%
Diversification/Stability of Suppliers	0.4%
Location/Market Position	0.5%
Stability of Earnings	0.6%
Earnings Margins	0.6%
Financial Records/Reporting	0.8%
Subjective Risk Premium	6.2%

The sum of the aforementioned components equals the discount rate applicable to cash flows. In order to convert the discount rate from a cash flow basis to an earnings basis, it is necessary to estimate the difference between dividend yields (cash flows) and earnings yields for publicly-traded companies. In general, this difference ranges from 0 percent to 6 percent. Through my analysis of the historical as well as the projected future capital expenditures and the impact those expenditures have on cash flows; I selected a conversion factor of 5.0%.

Summing the risk-free rate of return, the equity risk premium, the small stock premium, the subjective risk premium, and the cash flow to earning conversion factor equals a discount rate applicable to a pre tax earnings base of approximately 28.4%.

Because I have chosen to use a pre-tax base in my calculation of fair market value, a final step in building the discount rate is required. The sum of the aforementioned components equals the after-tax discount rate. In order to convert from a pre-tax to after-tax basis, it is necessary reduce the discount rate by a factor based on the marginal tax rate (adjusted to more accurately depicted the owner’s actual tax liability exposure). I calculated a pre-tax conversion factor of 3.0%, which, for all intents and purposes, tax-effects the pre-tax earnings base through the capitalization rate.

Summing the risk-free rate of return, the equity risk premium, the small stock risk premium, the subjective risk premium, the cash flow to earning conversion factor and the pre-tax adjustment equals a pre-tax discount rate of approximately 31.4%.

In order to calculate a capitalization rate, it is necessary to subtract the company's expected sustainable long-term growth in earnings from the discount rate. Based on (1) the company's historical growth rate, (2) the expected growth rate and long term outlook for the subject company’s industry, and (3) management’s perception of the future growth of the company and its market, it is my opinion that the business’ long-term sustainable growth rate in earnings will be approximately 2.5%.

The result of subtracting the business’ expected long-term growth rate in earnings from the discount rate is a capitalization rate of 28.9%. This capitalization rate is for the next year's earnings. To convert it to a current year's earnings capitalization rate, it is necessary to divide the capitalization rate by the sum of one plus the expected long-term growth rate in the business’ earnings (2.5%). The result of the calculation is a capitalization rate of 28.2% that is applicable to the current year's earnings.

The following exhibit shows the components that make up the capitalization rate for EternaTile, Inc. for the projected periods of 12/31/15 and 12/31/17.

Capitalization Rate Conclusions

Build-Up Model	Rate
Risk-Free Rate	4.2%
Equity Risk Premium	6.3%
Risk Premium for Size	6.7%
Other Risk Factors	6.2%
Cash Flow To Earnings Conversion	5.0%
Discount Rate (After-Tax)	28.4%
Adjust To Pre-Tax Basis	3.0%
Discount Rate (Pre-Tax)	31.4%
Less: Sustainable Growth Rate	2.5%
Capitalization Rate	28.9%
Capitalization Rate (Current Year)	28.2%

Capitalization of Earnings Method

Conceptual Basis

The capitalization of earnings method values the business based on an expected stream of earnings (cash flow) capitalized by a risk-adjusted rate of return. A capitalization of earnings method is used primarily to value businesses whose earnings are expected to remain stable and whose value is based on its projected earnings stream. The steps involved in using the capitalization of earnings method are:

1. Determine the appropriate capitalization rate.
2. Estimate the business' pro-forma sustainable earnings.
3. Capitalize the sustainable earnings into an operating value.
4. Add/subtract non-operating assets and/or liabilities to determine the fair market value for the entire entity at the date of valuation.

Income to be Capitalized

In order to estimate the business' fair market value using the capitalization of earnings method, it is necessary to determine EternaTile, Inc.'s sustainable earnings base as of the date of valuation. The first step, adjusting the historical income statements for non-operating expenses and revenues, was completed in a previous section of this appraisal report. The second step, weighting the adjusted income statements and calculating the weighted-average earnings base, is presented in the following schedule.

Capitalization of Earnings/Projected Value Year 3

	Dec-13	Dec-14	Dec-15
Adj. Pre-Tax Income	11,356,791	58,032,660	180,688,593
Weighting Factors	1	2	3
Weighted Earnings	11,356,791	116,065,320	542,065,779

Sum of Weighted Earnings	669,487,890
Sum of Weighting Factors	6
Weighted Average Pre-Tax Income	111,581,315

Summary and Indicated Projected Value Estimate

The following exhibit summarizes the calculation of the business' fair market using the capitalization of earnings method.

Capitalization of Earnings Conclusions

Ongoing Pre-Tax Earnings	111,581,315
Capitalization Rate	28.2%
Operating Value	395,678,422
[8]Add: Excess/Non-Operating Assets (Net)	74,000,000
Indicated Value	469,678,422
Rounded	470,000,000

[8] The Excess/Non-Operating Asset represents the value of the Intellectual Property/Patent Pending owned by the Company, as determined by an Intellectual Property Valuation as of 9/30/12. Due to the fact that the historical opinion of value of the Intellectual Property was used, at the early stage of 'Patent Pending, Certified, Production Process Ready,' it is the opinion of the appraiser the value determined is conservative, based upon the projections provided by the shareholders.

Capitalization of Earnings/Projected Value Year 5

	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17
Adj. Pre-Tax Income	11,356,791	58,032,660	180,688,593	477,912,777	881,088,918
Weighting Factors	1	2	3	4	5
Weighted Earnings	11,356,791	116,065,320	542,065,779	1,911,651,108	4,405,444,590

Sum of Weighted Earnings	6,986,583,588
Sum of Weighting Factors	15
Weighted Average Pre-Tax Income	465,772,239

Summary and Indicated Projected Value Estimate

The following exhibit summarizes the calculation of the business' fair market using the capitalization of earnings method.

Capitalization of Earnings Conclusions

Ongoing Pre-Tax Earnings	465,772,239
[9]Capitalization Rate	28.2%
Operating Value	1,651,674,606
Add: Excess/Non-Operating Assets (Net)	74,000,000
Indicated Value	1,725,674,606
Rounded	1,726,000,000

[9] The Excess/Non-Operating Asset represents the value of the Intellectual Property/Patent Pending owned by the Company, as determined by an Intellectual Property Valuation as of 9/30/12. Due to the fact that the historical opinion of value of the Intellectual Property was used, at the early stage of 'Patent Pending, Certified, Production Process Ready,' it is the opinion of the appraiser the value determined is conservative, based upon the projections provided by the shareholders.

VALUE CONCLUSIONS

Based on my analysis of EternaTile, Inc. and all of the factors affecting its value, it is my opinion that the projected fair market value of a 100.00% interest in the common stock of the company is calculated as follows:

As of 12/31/15

Projected Value	470,000,000
Times: 100.00% Interest Valued	100.0%
Conclusion of Projected Value as of 12/31/2015	470,000,000
Rounded	470,000,000

As of 12/31/17

Projected Value	1,726,000,000
Times: 100.00% Interest Valued	100.0%
Conclusion of Projected Value as of 12/31/2017	1,726,000,000
Rounded	1,726,000,000

PROOF OF PROJECTED VALUE AS OF 12/31/15

To test the reasonableness of my opinion of EternaTile, Inc.'s projected fair market value as of 12/31/15, I performed a proof of valuation analysis. This analysis includes assumptions regarding a ***hypothetical sale***, wherein the cash down payment, the terms of the purchase notes, and the business' projected cash flows are defined and calculated. These assumptions are presented in the following exhibit.

Hypothetical Terms of Sale

Assumed Terms of Sale	Percent	Term (Years)	Contract Interest
Buyer Cash	20.0%		
3rd Party Asset Loans	70.0%	10	8.5%
Seller Takeback Notes	10.0%	10	10.0%
Percent of Purchase Price	100.0%		
Assumed Purchase Price :	470,000,000		

Based on the purchase terms presented in the above exhibit, I analyzed EternaTile, Inc. projected cash flows to ascertain whether or not they cover the ***hypothetical*** interest and principal payments. The buyer post-sale cash flow was calculated as follows:

1. The projected adjusted before-tax income was reduced by interest payments on purchase notes and any payments for a covenant-not-to-compete and/or an employee contract. The result of this adjustment was termed the business' "Post-Sale Adjusted Income."
2. The Post-Sale Adjusted Income was reduced by an income tax factor of 15%.
3. All non-cash expenses were added back.
4. The principal portion of all debt instruments is deducted.

The result of the above adjustments is termed the business' Simple Cash Flow. The business' annual projected post-sale cash flows are presented in the following exhibit.

Projected Annual Post-Sale Cash Flow

	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
Pre-Tax Adj. Net Income	478,824,771	885,825,826	1,107,282,283	1,384,102,854	1,522,513,139	1,674,764,453	1,842,240,898	2,026,464,988	2,127,788,237	2,234,177,649
Seller Takeback Interest	4,570,236	4,268,340	3,934,834	3,566,404	3,159,394	2,709,767	2,213,056	1,664,333	1,058,153	388,497
3rd Party Note Interest	27,127,864	25,199,025	23,099,693	20,814,802	18,327,947	15,621,276	12,675,358	9,469,049	5,979,333	2,181,155
Adjusted Post-Sale Income	447,126,671	856,358,461	1,080,247,756	1,359,721,648	1,501,025,798	1,656,433,410	1,827,352,484	2,015,331,606	2,120,750,751	2,231,607,997
Income Taxes	67,069,001	128,453,769	162,037,163	203,958,247	225,153,870	248,465,012	274,102,873	302,299,741	318,112,613	334,741,200
Post-Sale Net Income	380,057,670	727,904,692	918,210,593	1,155,763,401	1,275,871,928	1,407,968,398	1,553,249,611	1,713,031,865	1,802,638,138	1,896,866,797
Seller Takeback Principal	2,883,069	3,184,962	3,518,470	3,886,899	4,293,907	4,743,535	5,240,245	5,788,968	6,395,147	7,064,803
3rd Party Note Principal	21,821,685	23,750,525	25,849,857	28,134,748	30,621,603	33,328,274	36,274,192	39,480,500	42,970,216	46,768,394
Other Long-Term Principal	0	0	0	0	0	0	0	0	0	0
Rent Paid to Owner	0	0	0	0	0	0	0	0	0	0
Post-Sale Cash Flow	355352916	700969205	888842266	1123741754	1240956418	1369896589	1511735174	1667762397	1753272775	1843033600

Based on the above analysis, the projected cash flows are sufficient to pay the assumed interest and principle due on the ***hypothetical*** purchase notes and existing notes.

Return on Investment

In addition to performing a post-sale cash flow analysis, a ***hypothetical*** return on investment was calculated. The following schedule presents this analysis.

	Buyer Cash Investment			Contract Purchase Price		
	Buyer Cash Down	Pre-Tax Post-Purch. Pmt. Cash Flow	ROI	Total Price	Pre-Tax Pre-Purch. Pmt Cash Flow	ROI
1.	94,000,000	422,421,917	449.4%	470,000,000	478,824,771	101.9%
2.		829,422,974	882.4%		885,825,826	188.5%
3.		1,050,879,429	1118.0%		1,107,282,283	235.6%
4.		1,327,700,001	1412.4%		1,384,102,854	294.5%
5.		1,466,110,288	1559.7%		1,522,513,139	323.9%
6.		1,618,361,601	1721.7%		1,674,764,453	356.3%
7.		1,785,838,047	1899.8%		1,842,240,898	392.0%
8.		1,970,062,138	2095.8%		2,026,464,988	431.2%
9.		2,071,385,388	2203.6%		2,127,788,237	452.7%
10.		2,177,774,800	2316.8%		2,234,177,649	475.4%

Based on the projected cash flow analysis and the return on investment analysis, a fair market value of $470,000,000 for EternaTile, Inc. as of 12/31/15 is reasonable.

PROOF OF PROJECTED VALUE AS OF 12/31/17

To test the reasonableness of my opinion of EternaTile, Inc.'s projected fair market value as of 12/31/17, I performed a proof of valuation analysis. This analysis includes assumptions regarding a ***hypothetical sale***, wherein the cash down payment, the terms of the purchase notes, and the business' projected cash flows are defined and calculated. These assumptions are presented in the following exhibit.

Hypothetical Terms of Sale

Assumed Terms of Sale	Percent	Term (Years)	Contract Interest
Buyer Cash	20.0%		
3rd Party Asset Loans	70.0%	10	8.5%
Seller Takeback Notes	10.0%	10	10.0%
Percent of Purchase Price	100.0%		
Assumed Purchase Price :	1,726,000,000		

Based on the purchase terms presented in the above exhibit, I analyzed EternaTile, Inc. projected cash flows to ascertain whether or not they cover the ***hypothetical*** interest and principal payments. The buyer post-sale cash flow was calculated as follows:

1. The projected adjusted before-tax income was reduced by interest payments on purchase notes and any payments for a covenant-not-to-compete and/or an employee contract. The result of this adjustment was termed the business' "Post-Sale Adjusted Income."
2. The Post-Sale Adjusted Income was reduced by an income tax factor of 15%.
3. All non-cash expenses were added back.
4. The principal portion of all debt instruments is deducted.

The result of the above adjustments is termed the business' Simple Cash Flow. The business' annual projected post-sale cash flows are presented in the following exhibit.

Projected Annual Post-Sale Cash Flow

	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27
Pre-Tax Adj. Net Income	1,101,361,148	1,376,701,435	1,514,371,579	1,665,808,737	1,749,099,174	1,836,554,133	1,928,381,840	1,976,591,386	2,026,006,171	2,076,656,325
Seller Takeback Interest	16,783,458	15,674,797	14,450,045	13,097,048	11,602,372	9,951,185	8,127,099	6,112,003	3,885,902	1,426,698
3rd Party Note Interest	99,622,748	92,539,397	84,829,941	76,439,038	67,306,456	57,366,638	46,548,231	34,773,574	21,958,146	8,009,948
Adjusted Post-Sale Income	984,954,942	1,268,487,241	1,415,091,593	1,576,272,651	1,670,190,346	1,769,236,310	1,873,706,510	1,935,705,809	2,000,162,123	2,067,219,679
Income Taxes	147,743,241	190,273,086	212,263,739	236,440,898	250,528,552	265,385,447	281,055,977	290,355,871	300,024,318	310,082,952
Post-Sale Net Income	837,211,701	1,078,214,155	1,202,827,854	1,339,831,753	1,419,661,794	1,503,850,863	1,592,650,533	1,645,349,938	1,700,137,805	1,757,136,727
Seller Takeback Principal	10,587,601	11,696,262	12,921,013	14,274,013	15,768,687	17,419,876	19,243,964	21,259,059	23,485,159	25,944,363
3rd Party Note Principal	80,136,664	87,220,015	94,929,471	103,320,373	112,452,954	122,392,774	133,211,181	144,985,838	157,801,265	171,749,464
Other Long-Term Principal	0	0	0	0	0	0	0	0	0	0
Rent Paid to Owner	0	0	0	0	0	0	0	0	0	0
Post-Sale Cash Flow	746487436	979297878	1094977370	1222237367	1291440153	1364038213	1440195388	1479105041	1518851381	1559442900

Based on the above analysis, the projected cash flows are sufficient to pay the assumed interest and principle due on the ***hypothetical*** purchase notes and existing notes.

Return on Investment

In addition to performing a post-sale cash flow analysis, a ***hypothetical*** return on investment was calculated. The following schedule presents this analysis.

	Buyer Cash Investment			Contract Purchase Price		
	Buyer Cash Down	Pre-Tax Post-Purch. Pmt. Cash Flow	ROI	Total Price	Pre-Tax Pre-Purch. Pmt Cash Flow	ROI
1.	345,200,000	894,230,677	259.0%	1,726,000,000	1,101,361,148	63.8%
2.		1,169,570,964	338.8%	Payback	1,376,701,435	79.8%
3.		1,307,241,109	378.7%		1,514,371,579	87.7%
4.		1,458,678,265	422.6%		1,665,808,737	96.5%
5.		1,541,968,705	446.7%		1,749,099,174	101.3%
6.		1,629,423,660	472.0%		1,836,554,133	106.4%
7.		1,721,251,365	498.6%		1,928,381,840	111.7%
8.		1,769,460,912	512.6%		1,976,591,386	114.5%
9.		1,818,875,699	526.9%		2,026,006,171	117.4%
10.		1,869,525,852	541.6%		2,076,656,325	120.3%

Based on the projected cash flow analysis and the return on investment analysis, a projected fair market value of $1,726,000,000 for EternaTile, Inc. as of 12/31/17 is reasonable.

CERTIFICATION OF ANALYST

I certify that, to the best of my knowledge and belief:

a) The statements of fact contained in this report are, to the best of my knowledge and understanding, true and correct.

b) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, are my personal, unbiased professional analyses, opinions, and conclusions.

c) I have no present or prospective interest in the business that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.

d) My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.

e) My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with Uniform Standards of Professional Appraisal Practice and the Ethics & Standards of Business Appraisal Reports (P-243 & P-244) of the Institute of Business Appraisers (IBA).

f) In preparation of this report, I have relied on the information supplied by the clients as well as the information gathered by the client's representatives. No one provided significant professional assistance to me beyond administrative support, and my signature is an indication of such.

APPENDIX A: ANALYST'S QUALIFICATIONS

Name	Gerald W. Brown, Sr., AIBA
Title	President/Senior Analyst, RSI & Associates, Inc., Corpus Christi, Texas
Specialties	Business Valuations, Equipment Appraisals, Intellectual Property Appraisals, Exit Strategy Consulting, Merger/Acquisition Consulting, Litigation Support, Trial Consulting, Expert Witness Testimony, Financial Forensic Analysis, Business Consulting, Seminar Instruction and Key Note Speaking
Experience	Over two decades of Business Management, Consulting & Business Appraisal
Background	Raised in South Texas. Proud to have served our country with distinction as a member of the Navy's Ceremonial Guard (Presidential Honor Guard) from 1982-1986 and temporarily assigned to the Pentagon as the classified courier, driver and body guard for the Deputy Under Secretary of Defense (Dr. Steve Bryan) from 1984-1986. Held numerous security clearances including Top Secret, Focal Top Secret (NATO), Code Word and A Yankee White Security Clearance (required to be in the presence of the President of the United States). Professional career includes consulting with over 1800 Businesses on matters related to Exit Strategy, Operational Systems & Controls and Value Documentation. Speaks at various trade shows and has had articles published in more than 15 business trade magazines / publications. Currently resides in Corpus Christi, TX with his loving bride, together they have six children and five grandchildren.
Published Works	Author and producer of the Seminar Series entitled 'Business Value Strategies.' Seminar circuit 1998-1999 Author of an article entitled 'Business Value and Exit Strategy. Strategy or no strategy: You gotta exit sooner or later.' Farm Connection January 2002 Author of an article entitled 'Business Value and Exit Strategy. What is your exit strategy?' Farm Connection February 2002 Author of an article entitled 'Business Value and Exit Strategy. What is my Business Worth?' Farm Connection March 2002 Author of an article entitled 'Business Value and Exit Strategy. What will I do about Capital Gains?' Farm Connection April 2002 Author of an article entitled 'No Exit? When the time comes to sell your business, will you be ready?' Published in Pool & Spa News April 5, 2002 Author of an article entitled 'Sale Killers…Selling your business? Here are common mistakes to avoid.' Published on www.poolspanews.com (online exclusive) April 2002 Author of an article entitled 'The Exit Strategy. In one way or another, business owners must step out of the game sometime. Here's how to do it gracefully.' Published in The Motion Systems Distributor May/June 2002 Author of an article entitled 'Business Value and Exit Strategy. Strategy or no strategy: You gotta exit sooner or later.' Appliance Service News June 2002 Author of an article entitled 'Business Value and Exit Strategy. What is your exit strategy?' Appliance Service News July 2002 Author of an article entitled 'Business Value and Exit Strategy. What is my Business Worth?' Appliance Service News August 2002 Author of an article entitled 'Business Value and Exit Strategy. What will I do about Capital Gains?' Appliance Service News September 2002 Author of an article entitled 'Strategy or Not, You'll Exit Sooner or Later' The Air Conditioning, Heating &

Refrigeration News January 2003

Author of an article entitled 'Business Value and Exit Strategy. What is your exit strategy? Part 1' Restaurant Hospitality March 2003

Author of an article entitled 'Business Value and Exit Strategy. What is your exit strategy? Part 2' Restaurant Hospitality April 2003

Author of an article entitled 'You Gotta Exit Sooner or Later' Floor Covering News August 2003

Author of an article entitled 'Fire The Technician in You' Published in Pool & Spa News August, 2003

Author of an article entitled 'What's My Business Worth' Floor Covering News March 2004

Author of an article entitled 'What to do about Post-Sale Tax Liability' Floor Covering News April 2004

Author of a cover article entitled 'Do you have an Exit Strategy?' Roofing Siding Insulation (RSI Magazine) February 2005

Author of article entitled 'Taking Back Control: Does your business control you?' Feature Article on value-solutions.com, April 2006

Education

Economics & Finance
Northern Virginia (NOVA), Alexandra, VA.

Continuing Education

ValueSource, Value Express – Complete Business Valuation, Deal Structuring & Report Writing System, Self Guide Application Tutorial and CPE Exam, John Wiley & Sons, Wiley-ValueSource, 1st Quarter 1998

Business Appraisal Standards, Publication Study, The Institute of Business Appraisers, 1st Quarter 1999

P/E vs. P/G vs. P/BOOK Ratios – Which is The Best Measure of Business Value?, Publication Study, The Institute of Business Appraisers, 3rd Quarter 1999

The Business Appraiser and Litigation Support, Publication Study, The Institute of Business Appraisers, 3rd Quarter 1999

The Essentials of Business Appraisals, Session 1 – 8002A, The Institute of Business Appraisers, Atlanta, GA September 2005

Business Valuation Caucus, General Session, The Institute of Business Appraisers, October 2005

The Essentials of Business Appraisals, Session 2 – 8002B, The Institute of Business Appraisers, Las Vegas, NV February 2006

Exam for Accreditation, The Institute of Business Appraisers, Las Vegas, NV February 2006

Report Writing and Analysis, 1010, The Institute of Business Appraisers, Atlanta, GA July 2006

Valuation: From the Basics to Advanced Issues (Parts 1 & 2), National Center for Employee Ownership, Webinar, September 2006

Communicating the Valuation Process to Employees, National Center for Employee Ownership, Webinar, March 2007

Advanced Valuation: Special Topics, National Center for Employee Ownership, Webinar, March 2007

Preparing for the CBA Exam , 1006, The Institute of Business Appraisers, Tucson, AZ March 2007

Exit Planning Professionals Boot Camp, Business Enterprise Institute, Dallas, TX March 2008

RMA Valuation Edition, , National Association of Certified Analysts, Online Learning Lecture, July 2008

Profitability and Cash Flow Growth Plans, Business Enterprise Institute, Web Cast, September 2008

Cannon Financial Institute: New Opportunities Crreated from the Increased Federal Expemption Amount - What has changed?, January-09, 2 CPE, Group-Luncheon / Frost Bank, Corpus Christi, TX

Business Continuity Guidelines / Business Enterprise Institute, April-09, 1 CPE, Webinar

Value Maps: Valuation Tools that Unlock Business Wealth, Jun-10, 2 CPE, Online Learning Lecture Series

Governance, Ethics & Accountability, Jun-10, 2 CPE, Online Learning Lecture Series

Marketability Discounts & Business Valuation Standards, Jun-10, 2 CPE, Online Learning Lecture Series

Regression Analysis as a Tool for Validating Valuation Methology, Jun-10, 2 CPE, Online Learning Lecture Series

A Lawyer's View, Using Post Merger Integration to Guide Premerger Success, Jun-10, 2 CPE, Online Learning Lecture Series

Reviewing Valuation Reports: Credibility, Reliability, & Relevance, Jun-10, 2 CPE, Online Learning Lecture Series

The Coming Tidal Wave, Jun-10, 2 CPE, Online Learning Lecture Series

Discount Lack of Marketability: A Case Study Approach to Understanding Supporting Methodology, Jun-10, 2 CPE, Online Learning Lecture Series

Fraud Prevention through Internal Accounting Controls, Jun-10, 2 CPE, Online Learning Lecture Series

Use of the Market Method in Marital Dissolution Valuations, Jun-10, 2 CPE, Online Learning Lecture Series

Affiliations

Member of and Accredited by The Institute of Business Appraisers (Active Member since 1998 - # 9597-01)

Member of the National Center for Employee Ownership

International Institute of Business Analysis

Speaking Engagements

Business Value Strategies - 8hr Seminar:
December 1998, Dallas, Texas, Primary Speaker
January 1999, Dallas, Texas, Primary Speaker
February 1999, Houston, Texas, Primary Speaker
March 1999, Houston, Texas, Primary Speaker
April 1999, San Antonio, Texas, Primary Speaker

Valuing Your Engineering Practice - 1hr Key Note
June 1999, Corpus Christi, Texas

Time Management, The Key to a Valuable Employee - 1hr Key Note
August 1999, Corpus Christi, Texas

ESOP Solutions Seminar, A New Beginning - 8hr Seminar
January 2002, Phoenix, Arizona, Primary Speaker & Workshop Instructor

Strategy or No Strategy: You Gotta Exit Sooner or Later - 2hr Workshop
November 2003, New Orleans, Louisiana, Pool & Spa Expo, Trade Show Instructor

Successful Succession…Keeping your business in the family without killing one another - 2hr Workshop
December 2004, Las Vegas, Nevada, IPSE, Trade Show Instructor

Pricing Your Business…What's it worth and What is your Exit Strategy? - 2hr Workshop
January 2005, Orlando, Florida, Pinch a Penny Franchise Expo, Trade Show Instructor

Successful Succession…Keeping your business in the family without killing one another - 2hr Workshop
February 2005, Orlando, Florida, International Roofing Expo, Trade Show Instructor

Strategy or No Strategy: You Gotta Exit Sooner or Later - 2hr Workshop
February 2005, Orlando, Florida, International Roofing Expo, Trade Show Instructor

Business Valuation: Art or Science…Understanding the Standards and Approaches to Value - 4hr Workshop
March 2005, New Orleans, Louisiana, a group of Independent Financial Advisors

Basic Valuation Principles…Providing Effective and Ethical Field Analysis - 4hr Workshop July 2006, Las Vegas, Nevada, a group of Independent Consulting Analysts

Recast Guidelines…the Basics of Financial Forensics - 4hr Workshop August 2006, Philadelphia, Pennsylvania, Representative Training - Streamline M&A Group

Taking Back Control…Do You Control Your Company or Does it Control You? - 2hr Workshop October

2009, Las Vegas, Nevada, StonExpo/Marmomacc Americas 2009, Trade Show Instructor

Driving Your Company's Value…Increase, Promote and Protect the Value of Your Company - 90min Workshop November 2009, Atlantic City, NJ, Triple Play Realtor Convention and Trade Show, Instructor

Taking Back Control…Do You Own Your Company or Does it Own You? - 90min Workshop November 2009, Atlantic City, NJ, Triple Play Realtor Convention and Trade Show, Instructor

Recast Guidelines and Basic Business Value Principles - 2hr Webinar January 2010, a group of Independent Consulting Analysts, IAG Dallas Texas

Truth or Dare…What Does the Future Hold for You and Your Business? - 2hr Workshop October 2010, Detroit, Michigan, Chamber Seminar | Keynote Speaker and Workshop Instructor

Taking Back Control…Do You Control Your Company or Does it Control You? - 2hr Workshop January 2011, Las Vegas, Nevada, StonExpo | Marmomacc Americas 2011, Trade Show Instructor

Basic Business Valuation Principles - 2hr Workshop and Case Study October 2011, Rochester, New York Keller Williams Office | Financial and Estate Planning Seminar, Guest Speaker and Workshop Instructor

Court Testimony

Has been engaged for mediation, litigation support, trial consulting, and expert witness testimony in the following states: Texas, California, Nevada, Delaware and Kansas. Has also served as a mutually agreed upon expert.

Community Involvement

Member/ Brighton Park Baptist Church, Corpus Christi, TX

Ordained Deacon in the Baptist Faith

Board Member/Wounded Christian Ministries, Corpus Christi, TX

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APPENDIX B: GLOSSARY OF TERMS

This Glossary was developed jointly, by representatives of the American Institute of CPAs, the American Society of Appraisers, the Canadian Institute of Chartered Business Valuators, the Institute of Business Appraisers, and the National Association of Certified Valuation Analysts.

Adjusted Book Value - the value that results after one or more asset or liability amounts are added, deleted, or changed from their respective financial statement amounts.

Appraisal - See Valuation.

Appraisal Approach - See Valuation Approach.

Appraisal Date - See Valuation Date.

Appraisal Method - See Valuation Method.

Appraisal Procedure - See Valuation Procedure.

Asset (Asset-Based) Approach - a general way of determining a value indication of a business, business ownership interest, or security by using one or more methods based on the value of the assets of that business net of liabilities.

Benefit Stream - any level of income, cash flow, or earnings generated by an asset, group of assets, or business enterprise. When the term is used, it should be supplemented by a definition of exactly what it means in the given valuation context.

Beta - a measure of systematic risk of a security; the tendency of a security's returns to correlate with swings in the broad market.

Blockage Discount - an amount or percentage deducted from the current market price of a publicly traded security to reflect the decrease in the per share value of a block of those securities that is of a size that could not be sold in a reasonable period of time given normal trading volume.

Business - see Business Enterprise.

Business Enterprise - a commercial, industrial, service, or investment entity, or a combination thereof, pursuing an economic activity.

Business Valuation - the act or process of determining the value of a business enterprise or ownership interest therein.

Capital Asset Pricing Model (CAPM) - a model in which the cost of capital for any security or portfolio of securities equals a risk-free rate plus a risk premium that is proportionate to the systematic risk of the security or portfolio.

Capitalization - a conversion of a single period stream of benefits into value.

Capitalization Factor - any multiple or divisor used to convert anticipated benefits into value.

Capitalization Rate - any divisor (usually expressed as a percentage) used to convert anticipated benefits into value.

Capital Structure - the composition of the invested capital of a business enterprise; the mix of debt and equity financing.

Cash Flow - cash that is generated over a period of time by an asset, group of assets, or business enterprise. It may be used in a general sense to encompass various levels of specifically defined cash flows. When the term is used, it should be supplemented by a qualifier (for example, "discretionary" or "operating") and a definition of exactly what it means in the given valuation context.

Control - the power to direct the management and policies of a business enterprise.

Control Premium - an amount (expressed in either dollar or percentage form) by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest in a business enterprise, that reflects the power of control.

Cost Approach - a general way of estimating a value indication of an individual asset by quantifying the amount of money that would be required to replace the future service capability of that asset.

Cost of Capital - the expected rate of return (discount rate) that the market requires in order to attract funds to a particular investment.

Discount - a reduction in value or the act of reducing value.

Discount for Lack of Control - an amount or percentage deducted from the pro rata share of value of one hundred percent (100%) of an equity interest in a business to reflect the absence of some or all of the powers of control.

Discount for Lack of Marketability - an amount or percentage deducted from the value of an ownership interest to reflect the relative absence of marketability.

Discount Rate - a rate of return (cost of capital) used to convert a monetary sum, payable or receivable in the future, into present value.

Economic Life - the period of time over which property may generate economic benefits.

Effective Date - See Valuation Date.

Enterprise - See Business Enterprise.

Equity Net Cash Flows - those cash flows available to pay out to equity holders (in the form of dividends) after funding operations of the business enterprise, making necessary capital investments, and reflecting increases or decreases in debt financing.

Equity Risk Premium - a rate of return in addition to a risk-free rate to compensate for investing in equity instruments because they have a higher degree of probable risk than risk-free instruments (a component of the cost of equity capital or equity discount rate).

Excess Earnings - that amount of anticipated benefits that exceeds a fair rate of return on the value of a selected asset base (often net tangible assets) used to generate those anticipated benefits.

Excess Earnings Method - a specific way of determining a value indication of a business, business ownership interest, or security determined as the sum of a) the value of the assets obtained by capitalizing excess earnings and b) the value of the selected asset base. Also frequently used to value intangible assets. See Excess Earnings.

Fair Market Value - the price, expressed in terms of cash equivalents, at which business 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.

Forced Liquidation Value - liquidation value at which the asset or assets are sold as quickly as possible, such as at an auction.

Going Concern - an ongoing operating business enterprise.

Going Concern Value - the value of a business enterprise that is expected to continue to operate into the future. The intangible elements of Going Concern Value result from factors such as having a trained work force, an operational plant, and the necessary licenses, systems, and procedures in place.

Goodwill - that intangible asset arising as a result of name, reputation, customer loyalty, location, products, and similar factors not separately identified.

Goodwill Value - the value attributable to goodwill.

Income (Income-Based) Approach - a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more methods that convert anticipated benefits into a present single amount.

Intangible Assets - non-physical assets (such as franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities and contracts as distinguished from physical assets) that grant rights, privileges, and have economic benefits for the owner.

Invested Capital - the sum of equity and debt in a business enterprise. Debt is typically a) long-term liabilities or b) the sum of short-term interest-bearing debt and long-term liabilities. When the term is used, it should be supplemented by a definition of exactly what it means in the given valuation context.

Invested Capital Net Cash Flows - those cash flows available to pay out to equity holders (in the form of dividends) and debt investors (in the form of principal and interest) after funding operations of the business enterprise and making necessary capital investments.

Investment Risk - the degree of uncertainty as to the realization of expected returns.

Investment Value - the value to a particular investor based on individual investment requirements and expectations. {NOTE: in Canada, the term used is "Value to the Owner"}

Key Person Discount - an amount or percentage deducted from the value of an ownership interest to reflect the reduction in value resulting from the actual or potential loss of a key person in a business enterprise.

Levered Beta - the beta reflecting a capital structure that includes debt.

Liquidity - the ability to quickly convert property to cash or pay a liability.

Liquidation Value - the net amount that can be realized if the business is terminated and the assets are sold piecemeal. Liquidation can be either "orderly" or "forced".

Majority Control - the degree of control provided by a majority position.

Majority Interest - an ownership interest greater than fifty percent (50%) of the voting interest in a business enterprise.

Market (Market-Based) Approach - a general way of determining a value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Marketability - the ability to quickly convert property to cash at minimal cost.

Marketability Discount - See Discount for Lack of Marketability.

Minority Discount - a discount for lack of control applicable to a minority interest.

Minority Interest - an ownership interest less than fifty percent (50%) of the voting interest in a business enterprise.

Net Book Value - with respect to a business enterprise, the difference between total assets (net of accumulated depreciation, depletion, and amortization) and total liabilities of a business enterprise as they appear on the balance sheet (synonymous with Shareholder's Equity); with respect to an intangible asset, the capitalized cost of an intangible asset less accumulated amortization as it appears on the books of account of the business enterprise.

Net Cash Flow - a form of cash flow. When the term is used, it should be supplemented by a qualifier (for example, "Equity" or "Invested Capital") and a definition of exactly what it means in the given valuation context.

Net Tangible Asset Value - the value of the business enterprise's tangible assets (excluding excess assets and non-operating assets) minus the value of its liabilities. {NOTE: in Canada, tangible assets also include identifiable intangible assets}

Non-Operating Assets - assets not necessary to ongoing operations of the business enterprise. {NOTE: in Canada, the term used is "Redundant Assets"}

Orderly Liquidation Value - liquidation value at which the asset or assets are sold over a reasonable period of time to maximize proceeds received.

Premise of Value - an assumption regarding the most likely set of transactional circumstances that may be applicable to the subject valuation; e.g. going concern, liquidation.

Portfolio Discount - an amount or percentage that may be deducted from the value of a business enterprise to reflect the fact that it owns dissimilar operations or assets that may not fit well together.

Rate of Return - an amount of income (loss) and/or change in value realized or anticipated on an investment, expressed as a percentage of that investment.

Redundant Assets - {NOTE: in Canada, see "Non-Operating Assets"}

Report Date - the date conclusions are transmitted to the client.

Replacement Cost New - the current cost of a similar new property having the nearest equivalent utility to the property being valued.

Reproduction Cost New - the current cost of an identical new property.

Residual Value - the prospective value as of the end of the discrete projection period in a discounted benefit streams model.

Risk-Free Rate - the rate of return available in the market on an investment free of default risk.

Risk Premium - a rate of return in addition to a risk-free rate to compensate the investor for accepting risk.

Rule of Thumb - a mathematical relationship between or among variables based on experience, observation, hearsay, or a combination of these, usually applicable to a specific industry.

Special Interest Purchasers - acquirers who believe they can enjoy post-acquisition economies of scale, synergies, or strategic advantages by combining the acquired business interest with their own.

Standard of Value - the identification of the type of value being utilized in a specific engagement; e.g. fair market value, fair value, investment value.

Sustaining Capital Reinvestment - the periodic capital outlay required to maintain operations at existing levels, net of the tax shield available from such outlays.

Systematic Risk - the risk that is common to all risky securities and cannot be eliminated through diversification. When using the capital asset pricing model, systematic risk is measured by beta.

Terminal Value - See Residual Value.

Unlevered Beta - the beta reflecting a capital structure without debt.

Unsystematic Risk - the portion of total risk specific to an individual security that can be avoided through diversification.

Valuation - the act or process of determining the value of a business, business ownership interest, security, or intangible asset.

Valuation Approach - a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more valuation methods.

Valuation Date - the specific point in time as of which the valuator's opinion of value applies (also referred to as "Effective Date" or "Appraisal Date").

Valuation Method - within approaches, a specific way to determine value.

Valuation Procedure - the act, manner, and technique of performing the steps of an appraisal method.

Valuation Ratio - a fraction in which a value or price serves as the numerator and financial, operating, or physical data serve as the denominator.

Value to the Owner - {NOTE: in Canada, see Investment Value}

Weighted Average Cost of Capital (WACC) - the cost of capital (discount rate) determined by the weighted average, at market value, of the cost of all financing sources in the business enterprise's capital structure.