



# HARDSTONE

## Quality of Earnings Lite Report

### ABC Logistics, LLC

Date of Analysis

June 30, 2022

Report Date

October 1, 2022



This report was prepared by a NACVA Master Analyst in Financial Forensics (MAFF) and/or a NACVA Certified Valuation Professional. NACVA MAFF® and NACVA CVA® designations are the only financial forensics and business valuation credentials accredited by the National Commission for Certifying Agencies® (NCCA®).

# QUALITY OF EARNINGS LITE REPORT

Financial due Diligence of:

**ABC Logistics, LLC**

Date of Analysis: June 30, 2022

Report Date: October 1, 2022

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October 1, 2022

VIA ELECTRONIC MAIL

[Redacted] Smith

[Redacted]

[Redacted]

[Redacted]

**Re: Quality of Earnings Lite Report for ABC Logistics, LLC.**

Dear Mr. XXX XXXX:

At your request, we have performed a quality of earnings engagement of ABC Logistics, LLC (“ABC” or the “Company”) as of June 30, 2022. This quality of earnings (“QoE”) engagement was performed solely for our client to assist them in the matter relating to a potential sale of 100% equity interest in the Company and the resulting analyses and report should not be used for any other purpose or by any other party for any purpose. The QoE engagement was conducted in accordance with the General and Ethical Standards of the National Association of Certified Valuators and Analysts (“NACVA”).

We were not restricted or limited in the scope of our work, but we did encounter some data limitations. Based on our analyses, we have identified certain adjustments that we feel are reasonable to make for the purpose of this engagement. Our recommendations are outlined in the Executive Summary and explained in additional detail in the report.

Our recommendations are subject to the Statement of Assumptions and Limiting Conditions found in Appendix C. We have no obligation to update this report or our recommendations for information that comes to our attention after the date of this report.

You are welcome to contact us directly should you have any questions or would like to conduct a certified business appraisal at any point in the future.

Respectfully submitted,

**To be signed by a NACVA  
Certified analyst**

Professional assistance provided by: [Redacted]

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# 1

## EXECUTIVE SUMMARY

Overview of the analysis and contents provided  
in the lite report

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**Purpose**

The purpose of this quality of earnings ("QoE") report is to provide the Client and intended users with a clear picture of historical earnings and trends of ABC Logistics, LLC ("ABC") by adjusting reported EBITDA for non-recurring and non-operational revenue and expense items as of the review date, June 30, 2022. The analysis will assist the Client and intended users with determining the sustainability and accuracy of the Company's earnings. Key details of the engagement and highlights of the QoE review are summarized within this Executive Summary.

**Nature & History of Company**

ABC Logistics, LLC ("ABC" and the "Company") is a family-owned transportation company focused on providing long-distance freight trucking to the West Coast region as well as nationwide freight brokerage services. The Company began operations on August 10, 2007 and was incorporated on April 27, 2011, as a limited liability company in Everytown and is taxed as an S Corporation. The Company's headquarters are in Everytown, USA.

**Background**

The Company was founded in 2007 when Mr. XXX YYYY, a contractor for FedEx, was required by FedEx to incorporate. This allowed Mr. XXX YYYY to seek out and accept other transportation opportunities. This is when Mr. XXX YYYY partnered with freight brokers and Mr. Junior ZZZZ joined the Company. A key milestone for ABC came when Amazon became a customer nearly 10 years ago. According to management, the Company has since scaled its operations to approximately 120 employees, a network of 300+ owner operators (i.e., contractors), 20 box trucks, 80 tractors, and 300+ trailers.

As of the analysis date, the Company exhibited several strengths, including: (1) well-established and well-known

customers, (2) diversification of services – trucking by truckload and less-than-truckload as well as freight brokerage services, and (3) customer service. One weakness of the Company is its lack of customer diversification, which the Company has begun to focus on as evidenced by its increase in customer count and further diversification among the departments of its largest customer - Amazon.

**SUMMARY:**

Business Name:	ABC Logistics, LLC
Type of Entity:	Limited Liability Company (LLC)
Type of Tax Entity:	S-Corporation
Client Name:	Mr. XXX XXXX
Business Owners:	Mr. XXX XXXX Ms. YYY YYYY Mr. ZZZ ZZZZ
State of Incorporation:	U.S.A
Headquarters:	U.S.A
Purpose of Review:	Potential Sale
Industry Classification:	SIC: 4212 and 4213 NAICS: 484110 and 484121
Fiscal Year End:	December 31 <sup>st</sup>
Accounting System:	QuickBooks
Analysis Date:	June 30, 2022
Report Date:	October 1, 2022
Adjusted EBITDA	2019: \$(65,065) 2020: \$904,137 2021: \$5,717,804 2022: \$9,382,194 (1H: \$4,691,097)

## Financial Analysis

During the period under review, revenue increased from \$12,943,833 in 2019 to \$55,129,947 in 2021. ABC experienced its highest growth from 2019 to 2020 over the period reviewed. As of the analysis date, the Company utilized its assets more effectively to generate sales than the industry. The Company has ample liquidity as evidenced by its current and quick ratios. The Company is solvent, and based on the financial analysis conducted, we find the Company's financial condition to be good as of the analysis date.

## EBITDA

The Company's historical EBITDA margin has ranged from a low of approximately 3.0% in 2019 to a high of 14.1% for the first half of 2022, January 1-June 30, 2022, and the adjusted EBITDA margin has ranged from a low of -0.5% in 2019 to a high of 14.4% for the first half of 2022, January 1-June 30, 2022. As of the analysis date, the Company's adjustments to historical EBITDA result in a lower adjusted EBITDA for years 2019 and 2020 and a higher adjusted EBITDA for 2021 and the first half of

2022. **Our projected EBITDA of ABC Logistics, LLC is \$9,382,194 for the full year 2022.** The projection is based on a pro rata annualization of results from the first half of the year, January 1-June 30, 2022. The adjusted EBITDA of the Company for years 2019 to 2021 is listed below. An explanation of the EBITDA calculation is provided *Section 5 – EBITDA* of the report.

## Quality of Earnings

The Company's sales have grown materially year-over-year and most sales are from one customer – Amazon; however, the Company continues to differentiate its sales within different departments at Amazon as well as add new customers to its portfolio. ABC has three notable vendors and continues to improve gas supply controls to its fleet. There were no notable variances from our verification of wages, deposits, and expenses paid. The Company collects its receivables in approximately eight (8) days, on average, versus the industry collection median of 42 days. Our account integrity analysis (fraud detection) uncovered no suspected fraud of the accounts analyzed.

## ADJUSTED EBITDA

*We have assessed the historical financials and potential adjustments for non-recurring, non-operating, and owner's perquisites to calculate and adjusted EBITDA for the period under review, including a projection for the current full year.*

### Projected 2022 EBITDA

Valued based on pro rata annualization of adjusted results from 1H of year, January 1-June 30, 2022

**\$9,382,194**

### 2021 EBITDA

Value based on 2021 historical EBITDA after adjustments

**\$5,717,804**

### 2020 EBITDA

Value based on 2021 historical EBITDA after adjustments

**\$904,137**

### 2019 EBITDA

Value based on 2021 historical EBITDA after adjustments

**\$(65,065)**



# 2

## INTRODUCTION

The purpose of the Introduction is to provide background on the quality of earnings engagement

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## Purpose

The purpose of our quality of earnings engagement is to provide an objective opinion of the degree to which the earnings of ABC are cash or non-cash, recurring or non-recurring, and predictable and estimative as well as to provide an adjusted earnings metric, such as earnings before interest, tax, depreciation and amortization (EBITDA) expenses, based on our findings as of June 30, 2022.

A quality of earnings report provides the Client and intended users with a clear picture of historical earnings and trends by adjusting reported income and EBITDA for non-recurring and non-operational revenue and expense items as well as a projection for the current year. The analysis will assist the Client and intended users with determining the sustainability and accuracy of the Company's earnings.

This report will provide a lite narrative explanation of the evidence, procedures and calculations used to arrive at the adjusted earnings metric as well as our opinions. Sufficient information is provided to permit intended users the ability to understand the data, reasoning, and analyses underlying the opinions and the Company's adjusted earnings metric.

The QoE engagement was conducted in accordance with the General and Ethical Standards of the National Association of Certified Valuators and Analysts ("NACVA").

## Intended Users of the Report & Distribution

The QoE report will be used by the management of the Company and its business broker for the sole purpose to assist in the matter of a potential sale of 100% equity in ABC.

The distribution of this report is restricted to the Client as well as brokers of the Company. Any other use of this

report is unauthorized and the information included in the report should not be relied upon.

## Definitions

Appendix F has a glossary of terms that is applicable to this engagement.

## Not An Audit

A quality of earnings report is different from an audit. The purpose of an audit is to determine if a company's management has provided a true representation of their financial performance and position as well as adhered to proper accounting and financial standards. The purpose of this QoE engagement is to identify strengths and weaknesses likely to be of interest to a potential buyer and/or seller regarding the economic and ongoing earning power of a going concern company.

## Assumptions and Limiting Conditions

The analyses and opinions regarding the quality of earnings presented in this report are contingent on the assumptions and limiting conditions found in Appendix C, the engagement letter and those found elsewhere in this report.

## Quality of Earnings Procedure

We have an established understanding with the Client to perform a quality of earnings engagement and to produce a lite report. There were no scope restrictions or limitations on the work or the data available for analysis.

Our analysis began with the receipt of certain information relating to the financial and operational performance of the Company. Specifically, information we reviewed included, but was not limited to, the documents summarized in Appendix G of this report.

The information obtained from the Client and/or Company was reviewed in conjunction with information contained in the public domain and in our files. Following receipt of basic financial information, we also reviewed the Company's website, customer lists, and other

documents listed in Appendix G. We have also conducted interviews with the Company's President and Owner, Mr. Junior Smith. We also received information and explanations from the Company's Finance Director, Mr. Joseph Korbar. These sources, together with the other analyses referred to later in this report form the basis of our comments concerning the Company and its industry.

After we collected the information received from the Company and obtained data from our resources, we analyzed this information. We calculated the adjusted EBITDA as well as conducted the QoE analysis using generally accepted approaches and methods used by Master Analysts in Financial Forensics and/or Certified Valuation Analysts, where applicable and available.

# 3

## NATURE AND HISTORY OF COMPANY

Insight on Company's operational management

**HARDSTONE**

**Purpose**

*Gathering and assessing internal information supports gaining an adequate understanding of the Company’s operational management and lends more insight into the Company’s earnings quality. A review of the nature and history of the Company assists the financial reviewer in developing an understanding of the following: (1) history, nature, and organization of the Company, (2) the current location(s), (3) the management and personnel of the Company, and (4) the Company’s customers, operations, its products and/or services, markets, and competition.*

**Overview**

ABC Logistics, LLC ("ABC" and the "Company") is a family-owned transportation company focused on providing long-distance freight trucking to the West Coast region as well as nationwide freight brokerage services. The Company began operations on August 10, 2007 and was incorporated on April 27, 2011, as a limited liability company in Arizona and is taxed as an S Corporation. The Company’s headquarters are in Tempe, Arizona.

**Background**

The Company was founded in 2007 when Mr. Jason Smith, a contractor for FedEx, was required by FedEx to incorporate. This allowed Mr. Jason Smith to seek out and accept other transportation opportunities. This is when Mr. Jason Smith partnered with freight brokers and Mr. Junior Smith joined the Company. A key milestone for ABC came when Amazon became a customer nearly 10 years ago. According to management, the Company has since scaled its operations to approximately 120 employees, a network of 300+ owner operators (i.e., contractors), 20 box trucks, 80 tractors, and 300+ trailers.

**Organization and Ownership**

Today, the Company is a Arizona-registered limited liability company. As of the analysis date, there are three Company shareholders. The list of shareholder(s) is provided in Table 1.

Table 1: Shareholder List

Name	Ownership %
Mr. Jason Smith	25.0%
Mrs. Jane Smith	25.0%
Mr. Junior Smith	50.0%

**Key Management**

Key management of ABC includes Mr. Junior Smith, President, Mr. Michael Sanchez, General Manager, and all other department directors plus one executive assistant. Mr. Junior Smith oversees all departments and Mr. Michael Sanchez manages day-to-day business operations. Each department has its own Director responsible for running the operations within their department. The Company also has an Executive Assistant responsible for assisting all Directors and coordinating special projects. The list of management is provided in Table 2.

Table 2: Management & Key Employees

Management	Title
Mr. Junior Smith	President
Mr. Michael Sanchez	General Manager
Mr. Joseph Korbar	Finance Director
Mr. Jaime Davos	HR Director
Mr. John Griff	Safety Director
Mr. Mark Ludow	Loss Prevention Director
Ms. Maria Gonzalez	Executive Assistant Coordinates projects, assists all directors

The two minority interest owners, Mr. Jason Smith and Mrs. Jane Smith, do not have any day-to-day responsibilities and assist only with project-based assignments.

## Financial Statements and Accounting Systems

ABC' finance and accounting functions are overseen by Mr. Joseph Korbar, Finance Director, and Mr. Shay Rimon, Controller. Financial statements are prepared internally and are on an accrual basis – sales are recorded when performed. The Company utilizes QuickBooks as its accounting system and the fiscal year-end is December 31<sup>st</sup>.

## Services

ABC provides long-distance and local freight trucking of dry freight and general goods to states within the West Coast as well as freight brokerage services. The West Coast region, according to the Company, includes states: Washington, Oregon, Arizona, Idaho, Nevada, Utah, Arizona, New Mexico, Texas, Colorado as well as the west sides of Oklahoma, Kansas, Wyoming and Montana. The Company provides both full truckload and less-than-truckload (LTL) services; however, all LTL services are billed as full truckloads.

ABC also provides freight brokerage services nationwide – serving as an intermediary between the shippers and the freight service providers.

According to management, approximately 25% of ABC' jobs are long distance and the remaining 75% are local, meaning that a truck will drop off a truckload in the same local area where it was picked up. ABC will provide short-term storage (48 hours or less) for goods if required.

## Customers

ABC transports freight for customers ranging from e-commerce and traditional brick-and-mortar retailers to automotive manufacturers and large transportation companies. The Company's customer count has grown from serving four (4) in 2020 to approximately 19 as of the review date, June 30, 2022.

Table 3 provides the Company's customer list and corresponding revenue as well as the percentage of revenue each customer represents of ABC' total revenue.

Table 3: Top Five Customers

Customer	2020	2021	YTD June 30, 2022
Amazon	\$25,314,196 (95% of sales)	\$48,660,099 (94% of sales)	\$30,363,453 (93% of sales)
FedEx	1,398,146 (5%)	2,563,073 (5%)	1,501,735 (5%)
Walmart	119,350 ( $<1\%$ )	577,700 (1%)	447,335 (1%)
UPS	140,204 (1%)	137,366 ( $<1\%$ )	71,391 ( $<1\%$ )
DHL	-	-	39,600 ( $<1\%$ )
XPO Logistics	-	13,500 ( $<1\%$ )	*
<b>Revenue – Top 5</b>	<b>\$26,971,897</b> (99.1% of sales)	<b>\$51,951,738</b> (99.9% of sales)	<b>\$32,423,514</b> (99.5% of sales)
<b>Total Revenue</b>	<b>\$27,227,279</b>	<b>\$55,129,947</b>	<b>\$32,584,247</b>
<b>Total Customers</b>	<b>4</b>	<b>10</b>	<b>19</b>

\*Advanced Multimodal is the No. 6 customer of 2022 as of June 30, 2022

The Company's two most significant customers include:

- Amazon
  - Company size: \$386 billion sales in 2021; Fortune 3 company
  - Category: e-commerce retailer
  - Website: www.amazon.com
  - Customer since: 2013/14 indirectly and 2014/15 directly
- FedEx
  - Company size: \$23 billion sales in 2021; Fortune 200 company
  - Category: multimodal transportation and third-party logistics
  - Details: Handles the logistics and payment on behalf of numerous

customers including Tesla, COSTCO, Temper Sealy, Heineken, etc.

- Website: www.chrobinson.com
- Customer since: 2015

ABC' Top 4 customers have used the Company's services between the last 6-10+ years. There are no contracts in place with any customers. Invoice terms vary between Net 2, Net 7, and Net 30 depending on the customer.

## Vendors

The Company relies on three notable vendors to deliver its transportation services. Each vendor provides either equipment leasing and/or renting of key assets. The expenses related to each vendor are booked to ABC' cost of goods sold (COGS). The Company's three key vendors are: (1) CRST Leasing, (2) Penske and (3) McKinney Trailer Rentals

Note that we do not consider contractors and/or laborers to be vendors of the Company - so any expenses relating to contractors, temporary labor and employees have been excluded from our vendor analysis and included in the labor and salary section covered in *Section 6: Quality of Earnings Analysis*.

Management notes that the leases are transferable to new ownership. This will need to be verified during due diligence.

The Company purchases fuel for its trucks through GT Energy's wet-hosing service, where a fuel delivery vehicle drives to various ABC locations and pumps fuel directly into ABC' trucks. ABC pays GT Energy via ACH with Net 7 payment terms. Prior to switching to GT Energy in the first quarter of 2022, ABC previously used Dion & Sons, Inc as its fuel provider and paid via ACH with Net 15 payment terms. ABC made the decision to switch fuel companies to for better service at the same rate.

## Competition and Competitive Landscape

According to Dun & Bradstreet's First Research Industry Profile on Trucking (NAICS 4841 and SIC 4213), The U.S. general freight trucking industry includes about 80,000 establishments (single-location companies and units of multi-location companies) with combined annual revenue of about \$190 billion. Within the trucking segment, the truckload carriers (NAICS 484121 and SIC 4213), who provide long-distance transportation by truck of general freight, in which freight from a single shipper makes up truckload, includes about 40,000 establishments (single-location companies and units of multi-location companies) with combined annual revenue of about \$115 billion.

Major companies include JB Hunt, Schneider National, Swift Transportation, and Werner Enterprises (all based in the U.S.).

Demand is driven by consumer spending and manufacturing output. The profitability of individual companies depends on efficient operations. Large companies have advantages in account relationships, bulk fuel purchasing, fleet size, and access to drivers. Small operations can compete effectively by providing quick turnaround, serving a local market, or transporting unusually sized goods. The U.S. industry is fragmented: the 50 largest companies account for about 40% of industry revenue.

Trucking competes with other forms of cargo transportation, including rail, air, and water. However, the shift toward intermodal transportation means that these modes of delivery are often more complementary than competitive.

According to management, ABC' differentiation is the Company's good reputation among clients for efficient operations, on-time deliveries, and customer service.

## Related-Party Transactions

Management noted that the Company has no related-party transactions.

**Facilities**

The Company owns and leases several properties including office space, yards and a cross dock. Details on each location are provided in Table 4.

Table 4: Facilities and Locations

Location	Own or Lease?	Description
Location A	Lease	Corporate Office (approx. 5,500 sqft) where all executives, dispatchers, and human resources staff are located.
Location B	Lease	Cross dock operation where trucks park overnight (36 dock doors and 50 parking slips); approx. 6,000 sqft of office space.
Location C	Own	Office Suite located in an Office Condominium where two (2) dispatchers are located and eventually a sales team (approx. 3,000 sqft); the purchase price was approximately \$420,000 and no land was included.
Location D	Lease	Parking for 60 trailers on a month-to-month lease.
Location E	Lease	5-acre yard for trailer parking on a month-to-month lease.
Location F	Lease	0.5 acre yard for trailer parking on a month-to-month lease.
Location G	Lease	14.5 acre yard acting as the main terminal to store trucks and trailers. Mobile offices on-site where safety and loss prevention dispatchers work, as well as occasional HR and payroll employees.
Location H	Lease	0.25 acre yard for 25 trucks and trailer parking.

**Company – Strengths and Weaknesses**

As of the review date, the Company exhibited several strengths, including: (1) well-established and well-known customers, (2) diversification of services – trucking by truckload and less-than-truckload as well as freight brokerage services, and (3) customer service. These strengths should continue to serve the Company well as it maintains revenue and focuses on growth. One weakness of the Company is its lack of customer diversification, which the Company has begun to focus on as evidenced by its increased in customer count. Another area of risk is the ability to hire drivers as quickly as needed. ABC has hired staffing agencies to meet recent hiring needs. Opportunities for growth could come from a focus on business development to further speed up the diversification of its customers.



# 4

## FINANCIAL STATEMENT ANALYSIS

Step-by-step review of the Company's Income  
Statements and Balance Sheets

**HARDSTONE**

## Purpose

Performing a thorough analysis of the financial statements of the Company is a prerequisite to performing a meaningful and thorough quality of earnings assessment. A complete financial analysis of the Company helps to identify: (1) strengths and weaknesses of the Company, (2) trends of the Company over time, (3) historical performance in providing a basis for comparing the Company to other similar businesses or industry averages (i.e., benchmarking), and (4) normalizing adjustments.

## Introduction

We began our analysis with a review of the Company’s historical financial statements. Financial statement analysis is one of the most important steps in gaining an understanding of the historical, current, and potential profitability of a company. Financial analysis is also critical in evaluating the relative stability of revenues and earnings, the levels of operating and financial risk, and the performance of management. You can read more about the financial analysis we conducted on ABC as well as review the Company’s historical financials, adjusted financials, benchmarking to industry, and ratio analysis in Appendix E.

We analyzed the results of operations and the financial position for the period from fiscal year-end 2019 to June 30, 2022 as presented in Appendix E of this report. The information that forms the basis of the scope of our analysis was extracted from the Company’s annual financial statements for years 2019 to 2021. We also used information from the 2022 income statement and Balance sheet prepared by the Company as of June 30, 2022.

## Income Statements

For the period under review, the Company’s revenue has ranged from a low of approximately \$12,943,833 in 2019 to a high of approximately \$55,129,947 in 2021. Refer to Table 5 for the Company’s historical revenue and growth for the period under review.

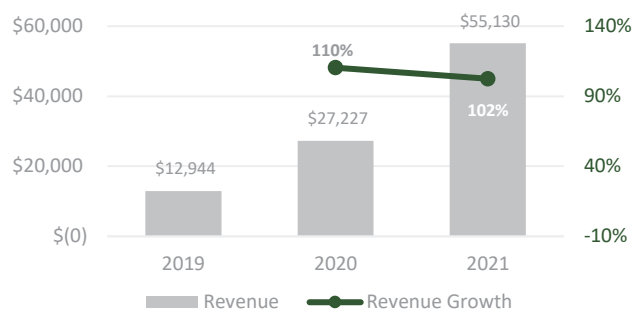
Table 5: Historical Revenue & Growth

Year	Revenue	Annual Growth
2019	12,943,833	
2020	27,227,279	110.35%
2021	55,129,947	102.48%
June 30, 2022	32,584,247	N/A

The Company's highest revenue growth was 110% from 2019 to 2020. Revenue grew two consecutive years: 110% from 2019 to 2020, and 102% 2020 to 2021. We did not calculate the growth rate from 2021 to 2022 because only a half-year of results was available as of the analysis date, June 30, 2022

Figure 1 illustrates the Company’s revenue level and revenue growth over the period under analysis.

Figure 1: Revenue and Revenue Growth by Year (\$000)



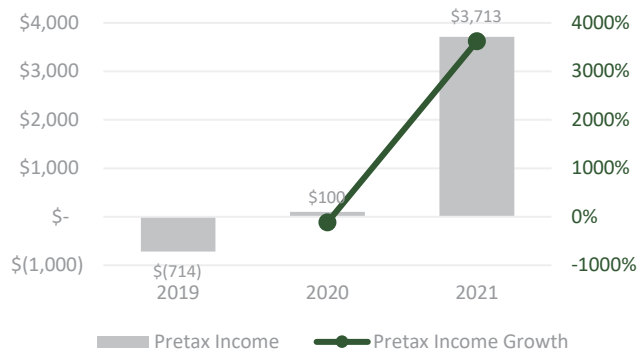
Refer to Table 6 for the Company’s historical pretax income and growth for the period under review.

Table 6: Historical Pretax Income & Growth

Year	Pretax Income	Annual Growth
2019	-714,147	
2020	99,790	114%
2021	3,712,638	>3,000%
June 30, 2022	2,753,318	N/A

The Company’s pretax income has ranged from a low of approximately -\$714,147 in 2019 to a high of \$3,712,638 in 2021.

Figure 2: Pretax Income & Growth by Year (\$000)



### Adjustments to the Income Statements

The historic income statements as presented in Appendix E, the common size income statements, industry comparative income statements, ratio analysis, including the comparison to industry were reviewed as well as interviews with Mr. Smith and Mr. Korbar, to determine if adjustments were necessary to better reflect the ongoing economic earnings potential of the Company and comparability to industry norms. Normalizing adjustments, also referred to as quality of earnings adjustments, are made to reflect the true economic results of operations similar to what a prospective buyer might expect having reasonable knowledge of the relevant facts. They are not intended to present restated historical results or forecasts of the future in accordance with AICPA guidelines. Types of normalizing adjustments include:

1. Non-recurring transactions, both income and expenses, that are not reasonably expected to recur in the foreseeable future
2. Non-operating includes the removal of non-operating assets and liabilities and their related earnings and/or expenses from historical financial statements
3. Excessive compensation, perquisites, rent and similar effects of current ownership
4. Controlling ownership interest adjustments such as:
  - Adjust compensation and benefits (typically these are non-qualified employee benefits)
  - Remove discretionary spending

- Adjust for operating inefficiencies, specifically those relating to current ownership preferences including related-party transactions, etc.

Appendix D provides explanations to the category items of the financial statements. Appendix E provides all adjusted income statements with notes for each adjustment made. Below is a summary of the adjustments:

1. **Temporary Labor** – Adjustments were made to remove non-recurring expenses for staffing agencies (Staffmark and Chartwell Staffing Solutions) that the Company either no longer uses or plans to discontinue use soon with no plans to replace. The expense amounts removed were \$170,903 and \$84,679 for years 2021 and 2022, respectively.
2. **Advertising** – Adjustments were made to remove non-recurring expenses for internet advertisements related to recruiting and website design of \$73,427 for year 2022. We calculated the amount of the adjustment by averaging the expenses in this category from the prior years and then subtracting calculated average from the total amount expensed in 2022.
3. **Insurance** – Adjustments were made to remove expenses for owner's life insurance policy of \$7,364, \$2,619, \$2,619, and \$1,309 in for years 2019, 2020, 2021 and 2022, respectively. This expense was removed as it is considered non-operating and an owner discretionary expense.
4. **Payroll** – Two types of adjustments were made in this category:
  - a. **Non-operating payroll expenses** - Adjustments were made to remove salaries paid to two of the founder's children, Michael and Daisy Smith, who both received compensation from the Company and no longer work in the business. The tasks performed by these individuals have been distributed to other employees who were already on the Company's payroll. The payroll expense of \$215,844 and \$107,861 were removed for years 2020 and 2021, respectively.

**Owners' Compensation** – Based on a review of various salary statistics, an adjustment was made to adjust the owner's salary to market rate. Annual compensation of \$87,000 was added for year 2020, bringing his total compensation for 2020 to \$225,000.

5. **PPP Loan(s)** – An adjustment was made to remove non-recurring income, in year 2021, upon the Company receiving the federal government's loan forgiveness of the \$456,430 Paycheck Protection Program (PPP) loan.
6. **New Office/Office, General & Administrative Expenses** – An adjustment was made to remove non-recurring expenses for one-time expenses relating to the Company's new office in Texas. These one-time set-up expenses included security cameras and a thermostat. The amount of \$2,523 was removed for year 2022. Based on interviews with management, we considered making additional adjustments for expenses (i.e., HOA fees, monthly Dropbox fee, and monthly internet/phone expenses) relating to the new office but did not as it is reasonable to assume these additional expenses were necessary for ongoing operations.
7. **Taxes** – An adjustment was made to reclassify state and federal income taxes from operating expenses to income taxes. The income taxes were either paid by the Company directly to the state or to the owners for reimbursement for their payment to the government. The total amount of state and federal tax reclassified from operating expenses to income tax was \$65,953, \$15,882, \$869,641, and \$1,537,809 for years 2019, 2020, 2021, and 2022, respectively.
8. **Other Income** – Adjustments were made to remove non-recurring income received from ABCI that has been forgiven and insurance claim payouts totaling \$1,455,281, \$608,131, \$124, and \$17,248 for years 2019, 2020, 2021 and 2022, respectively. Below are additional details for years 2019, 2020 and 2022:
  - 2019: Other non-recurring income of \$1,455,281 consists mostly of income from related party entity, ABCI.
  - 2020: Other non-recurring income of \$608,131 consists mostly of income from related party entity, ABCI.
  - 2022: Other income of \$17,248 had been received by the Company for tractor insurance claims. This income was removed as it is a source of non-recurring income.
9. **Other Expenses** – Adjustments were made to remove non-recurring expenses and income from litigation settlements in the amount of \$999,555, \$276,026, \$529,096, and -\$44,336 for years 2019, 2020, 2021 and 2022, respectively.
  - 2019: Other non-recurring expenses of \$999,555 consists of unclassified non-recurring expense of -\$60 and loss reserve accrual for non-recurring and extraordinary litigation settlements awarded to the Company of \$999,495.
  - 2020: Other non-recurring expenses of \$276,026 consists of loss reserve accrual for non-recurring and extraordinary litigation settlements awarded to the Company.
  - 2021: Other non-recurring expenses of \$529,096 consists of discretionary gifts of \$22,941 and loss reserve accrual for non-recurring and extraordinary litigation settlements awarded to the Company of \$506,155.
  - 2022: Other non-recurring expenses of -\$44,336 consists of discretionary gifts of \$39,063; unclassified non-recurring contra expense (income) of -\$3,212; loss reserve accrual for non-recurring and extraordinary litigation settlements of -\$80,912; and non-recurring expenses related to the new Texas office of \$725.

No further adjustments were made to the Income Statements. Refer to *Section 5: EBITDA* for historical and adjusted EBITDA.

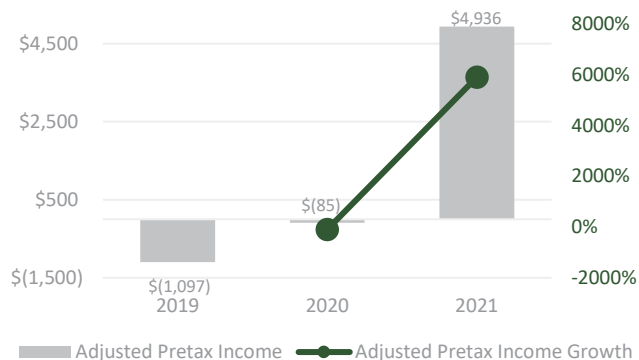
Refer to Table 7, shown below, for the Company's adjusted pretax income and growth for the period under review.

Table 7: Adjusted Pretax Income & Growth

Year	Adj. Pretax Income	Annual Growth
2019	\$-1,096,556	
2020	-84,971	92.25%
2021	4,936,204	>1000%
June 30,2022	4,391,481	N/A for half-year results

Figure 3 illustrates how the Company's adjusted pretax income has increased from -\$1,096,556 in 2019 to \$4,936,204 in 2021. We did not calculate the growth rate from 2021 to 2022 because only a half-year of results was available as of the analysis date, June 30, 2022

Figure 3: Adjusted Pretax Income (\$000) & Growth/(Constriction) by Year



### Balance Sheet

The Company’s unadjusted historic Balance sheets are presented in Appendix E.

The Company’s Balance sheets for years 2018 to 2022 were used for the Company’s historic Balance sheet data. The Balance sheet for 2022 was provided as of the analysis date, June 30, 2022.

The Company’s total estimated assets at book value was \$6,389,845 and reported shareholder’s equity was \$2,516,604 (39.38% of total assets) at June 30, 2022. ABC’s total liabilities was approximately \$3,873,241 (60.62% of total assets) at June 30, 2022.

ABC’s total assets increased to an estimated \$6,389,845 at June 30, 2022 from \$3,676,261 at December 31, 2021. The increase in assets was driven largely by an increase in cash.

Further review and analysis of the Company’s unadjusted historic Balance sheets as well as key financial ratios are presented in Appendix E.

### Adjustments to the Balance Sheet

After review of the Balance sheets, we determined no adjustments were necessary. Management disclosed there were no loans made to owners or employees and there are no non-operating assets or liabilities. Accounts

receivable and accounts payable Balances are accurate as of the analysis date.

### Financial Analysis

Following the review of the Company’s financials, we performed a financial analysis, reviewing revenue and growth levels. Selected financial ratios were also calculated for the Company, which provide meaningful indications of the Company’s liquidity, asset management, debt management, and profitability. We then compared the indicators of the Company’s business and financial risk to industry norms.

Appendix E further explains the importance of conducting a thorough financial analysis and the process followed. The remaining information in this section is focused on the observations and trends that were meaningful to our conclusion of the Company’s adjusted revenue and earnings, the levels of operating and financial risk, and the performance of management.

Appendix E includes the Company’s common size income statements and Balance sheet, a comparison of the Company’s income statement and Balance sheet to industry norms as well as the ratio analysis which includes a comparison to industry norms.

### Revenue Growth & Profitability

Sales increased from \$12,943,833 in 2019 to \$55,129,947 in 2021. ABC experienced its highest growth from 2019 to 2020 over the period reviewed.

Table 8: Analysis of Revenue Growth

Year	Revenue	Annual Growth
2019	12,943,833	
2020	27,227,279	110.35%
2021	55,129,947	102.48%
June 30,2022	32,584,247	N/A

As illustrated in Table 9, the adjusted pre-tax income margin increased from -8.47% in 2019 to 8.95% in 2021.

Table 9: Adjusted Pre-Tax Income

Year	Revenue	Pre-Tax Income	Pre-Tax Margin
2019	12,943,833	-1,096,556	-8.47%
2020	27,227,279	-84,971	-0.31%
2021	55,129,947	4,936,204	8.95%
June 30,2022	32,584,247	4,391,481	13.48%

## Financial Ratio Analysis

Exhibits E-12 through E-16, found in Appendix E, illustrate the financial ratios for ABC based on its adjusted income statements and Balance sheets as compared to the ratios for the general freight trucking (local) industry (NAICS 484110) for companies in the U.S. with revenue between \$25 million & over as reported by the Risk Management Association (RMA). The Company's data as of June 30, 2022, is benchmarked against 2021 RMA data as there is currently no RMA data available for 2022.

## Liquidity

Liquidity is a measure of the quality and adequacy of current assets to meet current obligations as they come due. In other words, can the Company quickly convert its assets to cash – without a loss in value – in order to meet its immediate and short-term obligations?

The liquidity ratios quantify a Company's ability to pay its near-term financial obligations as well as provide an indication of the Company's ability to convert different accounts within its Balance sheet into cash or sales.

- **Current Ratio** – The current ratio is defined as current assets divided by current liabilities. Normally, the current ratio of the subject company is compared to the industry to gain insight into the company's ability to cover its current obligations with the current assets.

Refer to Table 10 for a comparison of the Company's current ratio by year vs the industry benchmark. The Company's current ratio has been above industry for the last three consecutive years. This indicates the Company has ample liquidity when compared to its industry.

Table 10: Current Ratio - Company vs. Industry

Year	Company	Industry (median)
2019	288.39	1.30
2020	3.68	1.40
2021	9.30	1.50
June 30,2022	6.02	1.50

- **Quick Ratio** - The quick ratio is a more conservative ratio in that it measures the company's ability to meet current obligations with only those assets that can be readily liquidated. The higher the quick ratio the better position of the company. A ratio above 1.0 indicates the Company can meet its short-term obligations. The higher the quick ratio the better position of the company.
- Refer to Table 11 for a comparison of the Company's quick ratio by year vs the industry benchmark. The Company's quick ratio has been above industry for the last three consecutive years. This indicates the Company has ample liquidity when compared to its industry.

Table 11: Quick Ratio - Company vs. Industry

Year	Company	Industry (median)
2019	288.39	1.20
2020	3.65	1.20
2021	9.22	1.30
June 30,2022	6.03	1.30

## Asset Management

Management's ability to efficiently utilize assets can indicate strong management and generally results in higher value to shareholders. Asset management ratios, also known as efficiency ratios, provide an indication as to how efficiently the Company is using its assets.

- **Asset Turnover** – The asset turnover ratio is calculated by dividing net sales by assets. This ratio is a measure of effectively companies are using their assets to generate sales.

Refer to Table 12 for a comparison of the Company's asset turnover by year vs the industry benchmark. The Company's ratio was higher than industry for every year under review, which indicates the Company



more efficiently utilizes its fixed assets than other companies in the industry.

Table 12: Asset Turnover - Company vs. Industry

Year	Company	Industry (median)
2019	5.08	2.80
2020	8.41	2.40
2021	15.00	1.90
June 30,2022	5.10	1.90

## Debt Management

Leverage ratios can signal how much protection a company's assets provide for the debt held by creditor(s). Highly leveraged firms are companies with high debt in relation to the net worth (i.e., equity). These companies are more vulnerable to business downturns than those with lower debt-to-worth positions. While leverage ratios help measure a company's vulnerability, keep in mind that these ratios vary greatly depending on the requirements of particular industry groups.

- Total Liabilities to Net Worth (Debt to Equity)** – The total liabilities to net worth ratio is calculated by dividing total liabilities by tangible net worth. This ratio expresses the relationship between capital contributed by creditors and that contributed by owners. This ratio shows how much protection the owners are providing creditors. The higher the ratio, the greater the risk assumed by creditors. A lower ratio generally indicates greater long-term financial safety. Unlike a highly leveraged firm, a firm with low debt to worth ratio usually has greater flexibility to borrow in the future.
- Refer to Table 13 for a comparison of the Company's debt-to-equity ratio by year vs the industry benchmark. In past years, the Company's ratio was higher than industry. In 2021 and as of the analysis date, June 30, 2022, the Company's ratio is lower than industry. This is an indication that the Company currently has greater financial flexibility than other companies in its industry to borrow in the future.

Table 13: Debt-to-Equity Ratio - Company vs. Industry

Year	Company	Industry (median)
2019	51.16	1.90
2020	3.38	1.60
2021	1.03	2.00
June 30,2022	1.54	2.00

## Profitability

Profitability ratios measure the ability of a company to generate returns for its shareholders<sup>1</sup>. Profitability ratios also measure financial performance and management strength.

- Operating Profit Margin** – The operating profit margin is calculated by dividing operating profit by sales. Management generally has greater control of operating expenses than it has over revenue. This ratio is often used as a measure of management's ability to control operating expenses.

Refer to Table 14 for the Company's adjusted operating profit margin in comparison to its industry for the period under review. The Company's operating profit margin has fluctuated above and below industry over the period under review. In 2021 and as of the analysis date, June 30, 2022, the Company's operating profit margin has been higher than industry.

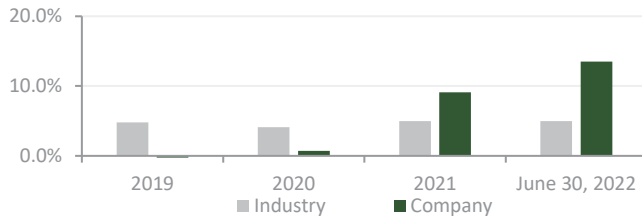
Table 14: Operating Profit Margin - Company vs. Industry

Year	Company	Industry
2019	-6.95%	4.80%
2020	0.73%	4.10%
2021	9.09%	5.00%
June 30,2022	13.51%	5.00%

Refer to Figure 4 for an illustration of the Company's operating profit margin vs the industry.

<sup>1</sup> James R. Hitchner, *Financial Analysis Applications and Models*, 2<sup>nd</sup> ed. (Hoboken, NJ: John Wiley & Sons, 2006), p. 82

Figure 4: Operating Profit Margin vs. Industry



**Summary**

During the period under review, revenue increased from \$12,943,833 in 2019 to \$55,129,947 in 2021. ABC experienced its highest growth from 2019 to 2020 over the period reviewed. As of the analysis date, the Company utilized its assets more effectively to generate sales than the industry. The Company has ample liquidity as evidenced by its current and quick ratios. The Company is solvent, and based on the financial analysis conducted, we find the Company's financial condition to be good as of the analysis date.



# 5

## EBITDA

Reporting of findings and adjusted EBITDA/SDE

**HARDSTONE**

## Purpose

The purpose of this section is to provide an adjusted earnings metric – EBITDA – as well as providing this metric on an annualized basis.

## Introduction

EBITDA, or earnings before interest, taxes, depreciation, and amortization, is a widely used measure of core corporate profitability and is often used as an alternate measure of profitability to net income. By stripping out the non-cash depreciation and amortization expense as well as taxes and debt costs dependent on a company's capital structure, EBITDA attempts to represent cash profit generated by a company's operation and provides a better comparison between companies. EBITDA is not a metric recognized under generally accepted accounting principles (GAAP); however, some public companies report EBITDA in their quarterly results along with adjusted EBITDA figures.

## EBITDA

EBITDA is calculated by adding interest, tax, depreciation, and amortization expenses to net income. EBITDA can also be calculated by adding interest, depreciation, and amortization expenses to pre-tax income.

Refer to Table 15 for the calculation of the Company's historical EBITDA and growth for the period under review.

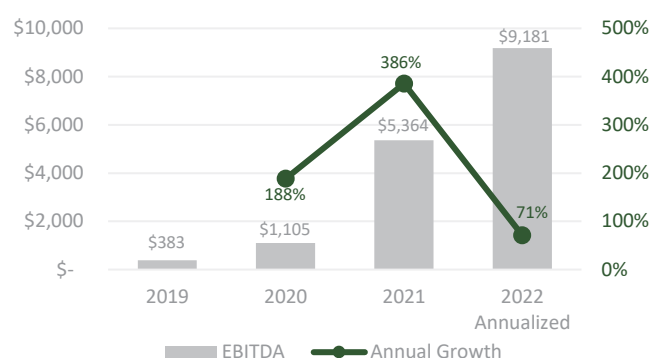
Table 15: Historical EBITDA Calculation

	Year Ending Dec. 31, 2019	Year Ending Dec. 31, 2020	Year Ending Dec. 31, 2021	Period Ending June 30, 2022
Income	-714,147	99,790	3,712,638	\$2,753,318
Interest	97,260	170,989	47,772	10,680
Taxes	65,953	15,882	869,641	1,537,809
Depreciation	934,232	818,118	733,828	288,936
Amortization	-	-	-	-
EBITDA - Historical	\$383,297	\$1,104,779	\$5,363,879	\$4,590,743

The Company's historical EBITDA has ranged from a low of approximately \$383,297 in 2019 to a high of \$5,363,879 in 2021. For 2022, unadjusted EBITDA is projected to be \$9,181,486 based on a pro rata annualization of results from the first half of the year, January 1-June 30, 2022.

Figure 5 illustrates how the Company's historical EBITDA has grown year-over-year for the period under (2019-2021).

Figure 5: Historical EBITDA & Growth by Year (\$'000)



Refer to Table 16 for the Company's historical EBITDA margin, which has ranged from a low of approximately 3.0% in 2019 to a high of 14.1% for the first half of 2022, January 1-June 30, 2022.

Table 16: Historical EBITDA Margin

Year	Revenue	Historical EBITDA	EBITDA Margin
2019	\$12,943,833	\$383,297	3.0%
2020	27,227,279	1,104,779	4.1%
2021	55,129,947	5,363,879	9.7%
1H 2022 <sup>1</sup>	32,584,247	4,590,743	14.1%
2022 Annualized <sup>2</sup>	65,168,495	9,181,486	14.1%

<sup>1</sup>H 2022 are financial results from January 1 – June 30, 2022

<sup>2</sup>2022 Annualized is a forecast, on a pro rata basis, based on the half-year 2022 results (Jan1-June 30, 2022)

## Adjusted EBITDA

The adjustments made to historical EBITDA are the same as those made to the historical income statements previously explained in *Section 4: Financial Statement Analysis*. The Company's adjusted EBITDA has ranged from a low of approximately -\$65,065 in 2019 to a high of \$5,717,804 in 2021. For 2022, adjusted EBITDA is projected to be \$9,382,194 based on a pro rata annualization of results from the first half of the year, January 1-June 30, 2022.

The adjustments are shown below in Table 17 and the explanations of the adjustments immediately follow the table.

Table 17: Adjusted EBITDA Calculation

	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2021	June 30, 2022
EBITDA - Historical	\$383,297	\$1,104,779	\$5,363,879	\$4,590,743
<b>ADJUSTMENTS:</b>				
Temp Labor <sup>(1)</sup>	-	-	170,903	84,679
Advertising <sup>(2)</sup>			-	73,427
Insurance <sup>(3)</sup>	7,364	2,619	2,619	1,309
Payroll <sup>(4)</sup>		128,844	107,861	
PPP <sup>(5)</sup>		-	-456,430	-
New Office <sup>(6)</sup>		-	-	2,523
Other Inc. <sup>(7)</sup>	-1,455,281	-608,131	-124	-17,248
Other Exp. <sup>(8)</sup>	999,555	276,026	529,096	-44,336
Total Adjust.	-448,362	-200,642	353,925	100,354
<b>EBITDA - Adjusted</b>	<b>-\$65,065</b>	<b>\$904,137</b>	<b>\$5,717,804</b>	<b>\$4,691,097</b>

- Temporary Labor** – Adjustments were made to remove non-recurring expenses for staffing agencies (Staffmark and Chartwell Staffing Solutions) that the Company either no longer uses or plans to discontinue use soon with no plans to replace. The expense amounts removed were \$170,903 and \$84,679 for years 2021 and 2022, respectively.
- Advertising** – Adjustments were made to remove non-recurring expenses for internet advertisements related to recruiting and website design of \$73,427

for year 2022. We calculated the amount of the adjustment by averaging the expenses in this category from the prior years and then subtracting calculated average from the total amount expensed in 2022.

- Insurance** – Adjustments were made to remove expenses for owner's life insurance policy of \$7,364, \$2,619, \$2,619, and \$1,309 in for years 2019, 2020, 2021 and 2022, respectively. This expense was removed as it is considered non-operating and an owner discretionary expense.
- Payroll** – Two types of adjustments were made in this category:
  - Non-operating payroll expenses** - Adjustments were made to remove salaries paid to two of the founder's children, Michael and Daisy Smith, who both received compensation from the Company and no longer work in the business. The tasks performed by these individuals have been distributed to other employees who were already on the Company's payroll. The payroll expense of \$215,844 and \$107,861 were removed for years 2020 and 2021, respectively.

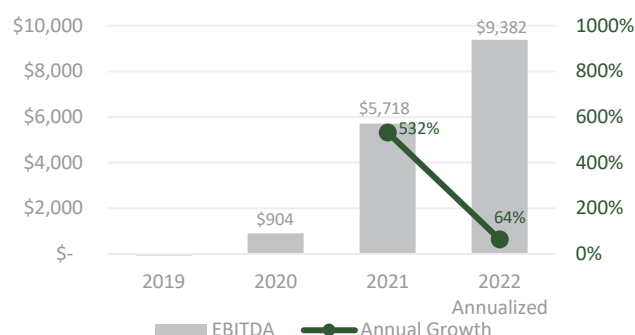
**Owners' Compensation** – Based on a review of various salary statistics, an adjustment was made to adjust the owner's salary to market rate. Annual compensation of \$87,000 was added for year 2020, bringing his total compensation for 2020 to \$225,000.

- PPP Loan(s)** – An adjustment was made to remove non-recurring income, in year 2021, upon the Company receiving the federal government's loan forgiveness of the \$456,430 Paycheck Protection Program (PPP) loan.
- New Office/Office, General & Administrative Expenses** – An adjustment was made to remove non-recurring expenses for one-time expenses relating to the Company's new office in Texas. These one-time set-up expenses included security cameras and a thermostat. The amount of \$2,523 was removed for year 2022. Based on interviews with management, we considered making additional adjustments for expenses (i.e., HOA fees, monthly Dropbox fee, and monthly internet/phone expenses) relating to the new office but did not as it is reasonable to assume these additional expenses were necessary for ongoing operations.

7. **Other Income** – Adjustments were made to remove non-recurring income received from ABCI that has been forgiven and insurance claim payouts totaling \$1,455,281, \$608,131, \$124 and \$17,248 for years 2019, 2020, 2021 and 2022, respectively. Below are additional details for years 2019, 2020 and 2022:
  - 2019 & 2020: Other non-recurring income for both 2019 (\$1,455,281) and 200 (\$608,131) consists mostly of income from related party entity, ABCI.
  - 2022: Other income of \$17,248 had been received by the Company for tractor insurance claims. This income was removed as it is a source of non-recurring income.
  
8. **Other Expenses** – Adjustments were made to remove non-recurring expenses and income from litigation settlements in the amount of \$999,555, \$276,026, \$529,096, and -\$44,336 for years 2019, 2020, 2021 and 2022, respectively.
  - 2019: Other non-recurring expenses of \$999,555 consists of unclassified non-recurring expense of -\$60 and loss reserve accrual for non-recurring and extraordinary litigation settlements awarded to the Company of \$999,495.
  - 2020: Other non-recurring expenses of \$276,026 consists loss reserve accrual for non-recurring and extraordinary litigation settlements awarded to the Company.
  - 2021: Other non-recurring expenses of \$529,096 consists of discretionary gifts of \$22,941 and loss reserve accrual for non-recurring and extraordinary litigation settlements awarded to the Company of \$506,155.
  - 2022: Other non-recurring expenses of -\$44,336 consists of discretionary gifts of \$39,063; unclassified non-recurring contra expense (income) of -\$3,212; loss reserve accrual for non-recurring and extraordinary litigation settlements of -\$80,912; and non-recurring expenses related to the new Texas office of \$725.

Figure 6 illustrates how the Company’s adjusted EBITDA has grown year-over-year for the period under (2019-2021) as well as the projected 2022 EBITDA.

Figure 6: Adjusted EBITDA & Growth by Year (\$'000)



Refer to Table 18 for the Company’s adjusted revenue, EBITDA, and EBITDA margin for the period under review. The EBITDA margin has ranged from a low of -0.5% in 2019 to a high of 14.4% for the first half of 2022, January 1-June 30, 2022.

Table 18: Adjusted EBITDA Margin

Year	Revenue	Adjusted EBITDA	EBITDA Margin
2019	12,943,833	-\$65,065	-0.5%
2020	27,227,279	904,137	3.3%
2021	55,129,947	5,717,804	10.4%
1H 2022 <sup>1</sup>	32,584,247	4,691,097	14.4%
2022 Annualized <sup>2</sup>	65,168,495	9,382,194	14.4%

<sup>1</sup>1H 2022 are financial results from January 1 – June 30, 2022

<sup>2</sup>2022 Annualized is a forecast, on a pro rata basis, based on the half-year 2022 results (Jan1-June 30, 2022)

### Adjusted EBITDA Analysis

The total value of adjustments made to a company's historical EBITDA, to calculate adjusted EBITDA, can vary substantially from company to company. In our experience, it is more common for a company's adjusted EBITDA to be higher than its historical EBITDA because the amount of non-recurring, discretionary and non-operating expenses removed, which increases EBITDA. Of course, expenses and income may be added too, but that is less frequent based on our experience.

Refer to Table 19 for the Company's historical EBITDA, the value of total adjustments made, and the percentage of adjustments made vs. historical EBITDA.

Table 19: Value of Adjustments vs. Historical EBITDA

Year	Historical EBITDA	Total Adjustments	% Of Adj. Value vs. EBITDA
2019	\$383,297	-\$448,362	-116.9%
2020	1,104,779	-200,642	-18.2%
2021	5,363,879	353,925	6.6%
1H 2022 <sup>1</sup>	4,590,743	100,354	2.2%

<sup>1</sup>1H 2022 are financial results from January 1 – June 30, 2022

The Company's percentage of adjustments made vs. EBITDA are notably different for years 2019 and 2020 versus 2021 and the first half of 2022. For years 2019 and 2020, the Company's adjusted EBITDA decreases significantly, which is driven by the removal of other income received from related party entity, ABCI. This is partially offset by the removal of non-cash accruals made

for uncollected lawsuit judgements awarded to the Company. For years 2021 and the first half of 2022, the percentage of adjustments made represents a low percentage of historical EBITDA.

## Summary

During the period under review, the Company's historical EBITDA margin has ranged from a low of approximately 3.0% in 2019 to a high of 14.1% for the first half of 2022, January 1-June 30, 2022 and the adjusted EBITDA margin has ranged from a low of -0.5% in 2019 to a high of 14.4% for the first half of 2022, January 1-June 30, 2022. For 2022, adjusted EBITDA is projected to be \$9,382,194 based on a pro rata annualization of results from the first half of the year, January 1-June 30, 2022. As of the analysis date, the Company's adjustments to historical EBITDA result in a lower adjusted EBITDA for years 2019 and 2020 and a higher adjusted EBITDA for 2021 and the first half of 2022.

# 6

## QUALITY OF EARNINGS ANALYSIS

Reporting of analysis and findings

**HARDSTONE**

## Purpose

The purpose of this section is to provide an overview of the review and calculations we conducted regarding the Company's earnings. Emphasis is placed on providing insights on key categories that have the greatest impact on earnings and profitability as well as the Company's earnings stability and predictability.

## Introduction

This quality of earnings analysis section is a lite version of the analysis conducted for our detailed reports and is meant to provide additional insight into the Company's revenue and expenses with particular attention paid to the sustainability and predictability of sales. We also verify selected payments and expenses to ensure the amounts included in the financials are reflected in the Company's bank and credit statements. The analysis concludes with an account integrity validation.

## Sales & Customer Analysis

The Company's customer count has grown from serving four (4) in 2020 to approximately 19 as of the review date, June 30, 2022. The Company's most significant customer is Amazon.

Table 3 provides the Company's customer list and corresponding revenue as well as the percentage of revenue each customer represents of ABC' total revenue.

Table 20: Top Five Customers

Customer	2020	2021	YTD June 30, 2022
Amazon	\$25,314,196 (95% of sales)	\$48,660,099 (94% of sales)	\$30,363,453 (93% of sales)
FedEx	1,398,146 (5%)	2,563,073 (5%)	1,501,735 (5%)
Walmart	119,350 (<1%)	577,700 (1%)	447,335 (1%)
UPS	140,204 (1%)	137,366 (<1%)	71,391 (<1%)
DHL	-	-	39,600 (<1%)

XPO Logistics	-	13,500 (<1%)	*
<b>Revenue – Top 5</b>	<b>\$26,971,897</b> (99.1% of sales)	<b>\$51,951,738</b> (99.9% of sales)	<b>\$32,423,514</b> (99.5% of sales)
<b>Total Revenue</b>	<b>\$27,227,279</b>	<b>\$55,129,947</b>	<b>\$32,584,247</b>
<b>Total Customers</b>	<b>4</b>	<b>10</b>	<b>19</b>

\*Advanced Multimodal is a Top 6 customer of 2022 as of June 30, 2022

ABC' Top 4 customers have used the Company's services between the last 6-10+ years. There are no contracts in place with any customers. Invoice terms vary between Net 2, Net 7, and Net 30 depending on the customer.

Table 21 provides the results of the verification of management's customer list with associated sales from ~~January 1 - June 30, 2022~~. It is our understanding that management retrieved their list from the Company's accounting system and we used the general ledger from the accounting system to validate the data provided. The variance is immaterial and represents 0.1% of the reported sales.

Table 21: 2022 Sales Analysis (Jan. 1<sup>st</sup> - June 30<sup>th</sup>)

Top 5 Customers	Sales (Mgm't)	Sales (GL - Check)	Variance	No. of Invoices
Amazon	\$30,363,453	\$30,421,513	-\$58,060	330
FedEx	1,501,735	1,501,270	465	1,600
Walmart	447,335	447,335	-	327
UPS	71,391	71,391	-	111
DHL	39,600	39,600	-	26
2022 Total	\$32,423,514	\$32,481,109	-\$57,595	2,394
Average Invoice Amount:	<b>Total Average Invoice = \$13,568</b>			

Figure 7 illustrates the average invoice amount from each of the Top 5 customers as well as the number of invoices sent to each respective customer. It is noted that the invoices amounts are higher for Amazon with a relatively lower invoice count.



Figure 7: 2022 Average Invoice Amount (\$) & No. of Invoices by Customer

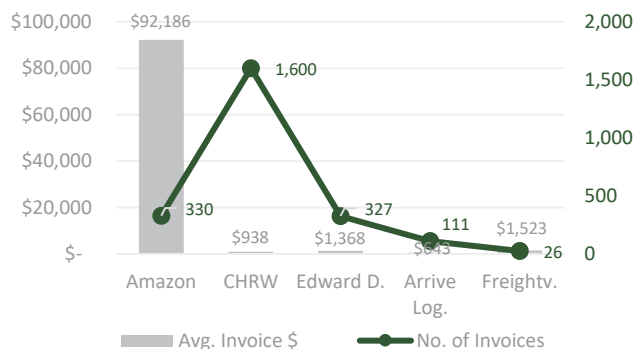


Figure 8: 2021 Average Invoice Amount (\$) & No. of Invoices by Customer

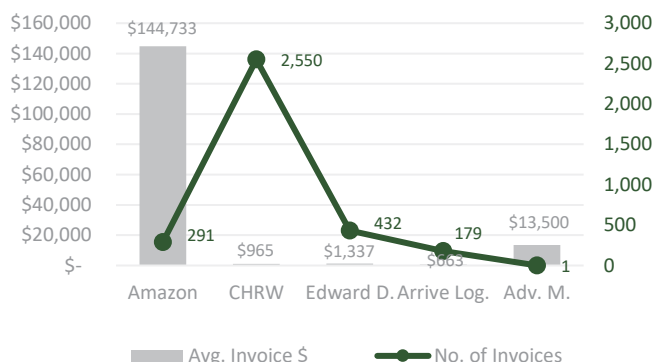


Table 22 provides the results of the verification of management's customer list with associated sales from 2021. It is our understanding that management retrieved their list from the Company's accounting system and we used the general ledger from the accounting system to validate the data provided. The variance represents 12.8% of the reported sales. The finance department noted that there has been an ongoing effort to properly identify and classify Amazon invoices to Amazon's account. The variance represents the amount that have not yet been marked to Amazon in the accounting system.

Table 22: 2021 Sales Analysis

Top 5 Customers	Sales (Mgm't)	Sales (GL - Check)	Variance	No. of Invoices
Amazon	\$48,660,099	\$42,117,424	\$6,542,675	291
CHRW	2,563,073	2,460,304	102,769	2550
Edward D.	577,700	577,700	-	432
Arrive Log.	137,366	118,636	18,730	179
Adv. M.	13,500	13,500	-	1
2021 Total	\$51,951,738	\$45,287,563	\$6,664,175	3,453
Average Invoice Amount:	<b>Total Average Invoice = \$13,115</b>			

Figure 8 illustrates the average invoice amount from each of the Top 5 customers as well as the number of invoices sent to each respective customer. The trends are similar to 2022.

Overall, the Company has a high customer concentration with the Top 5 customers representing 99.5% of sales for the first half of 2022 and 99.9% of sales for 2021. The concentration is specifically high with its top customer, Amazon. ABC has increased its total customer count year-over-year, making strides to improve its diversification.

### Customer Loyalty

Following our review of the Company's customer lists for 2020 through the review date, June 30, 2022, we performed an analysis on customer loyalty by calculating customer retention, attrition, and survival rates. These metrics can provide meaningful indications for management to better predict various aspects of customer behavior including loyalty, revenue consistency, satisfaction, and word-of-mouth referrals.

#### Customer Retention

Customer retention measures a company's ability to maintain its customers over a period of time. The higher the retention rate, the more likely that customers will continue to return.

- **Retention Rate** – calculated by subtracting the number of customers acquired during a period from the total customers at the end of a period and then dividing by the total customers at the start of a period. It measures the percentage of customers that stay over a period of time.

The Company's retention rate was 67% from 2020 to 2021 and 60% from 2021 to June 30, 2022. The high retention rate shows that the ABC has strong



customer retention, and its customers are more likely to return year over year.

Customer Attrition

Customer attrition is a normal part of the customer life cycle where a business loses customers over time. Companies may closely monitor customer attrition to proactively understand why customers are leaving.

- *Attrition Rate* – calculated by dividing the number of customers lost during a period by the total customers at the start of a period. It measures the percentage of customers that stopped doing business with the company over a period of time. A low rate indicates that a high number of customers returned over the period, while a high rate suggests there may be an issue directly affecting customers that needs to be solved.

ABC’S attrition was 33% from 2020 to 2021 and 40% from 2021 to June 30, 2022. This indicates the majority of the Company’s customers returned over the period.

Table 23: Customer Loyalty Metrics

Number of Customers	2020	2021	YTD June 30, 2022
Total Customers	6	10	19
Customers Lost	-	2	4
Customers Acquired	-	6	13
Customers Maintained	-	4	6
<b>Customer Retention Rate:</b>	-	<b>67%</b>	<b>60%</b>
<b>Customer Attrition Rate:</b>	-	<b>33%</b>	<b>40%</b>

**Vendor Analysis**

The Company relies on three notable vendors to deliver its transportation services. Each vendor provides either equipment leasing and/or renting of key assets. The expenses related to each vendor are booked to ABC’s cost of goods sold (COGS).

Table 24 provides a vendor list and corresponding expenses of key vendors. Note that we do not consider

contractors and/or laborers to be vendors of the Company so any expenses relating to contractors, temporary labor and employees have been excluded in this vendor analysis and discussion.

Table 24: Key Vendors

Vendors	2020	2021	YTD June 30, 2022
ABC Leasing (53 ft. trailer)	-	\$153,000	\$647,506
XYZ Equipment (re: Day cabs and sleepers)	99,863	214,726	522,067
TBD Trailer Rentals (53 ft. trailer)	305,865	206,327	235,468
<b>Vendors – Top 3</b>	<b>\$405,728</b>	<b>\$ 574,053</b>	<b>\$ 1,405,041</b>

Management notes that the leases are transferable to new ownership. This will need to be verified during due diligence.

The Company purchases fuel for its trucks through GT Energy’s wet-hosing service, where a fuel delivery vehicle drives to various ABC locations and pumps fuel directly into ABC’s trucks. ABC pays AZ Energy via ACH with Net 7 payment terms. Prior to switching to AZ Energy in the first quarter of 2022, ABC previously used Dion & Sons, Inc as its fuel provider and paid via ACH with Net 15 payment terms. ABC made the decision to switch fuel companies to for better service at the same rate.

**Labor Analysis & Salary Confirmations**

ABC’s greatest expense is labor, which is a common characteristic of a service-based business. The Company’s labor expenses are booked to both the Company’s COGS and operating expenses.

Table 25 provides the labor expenses for 2020, 2021, and YTD 2021 as of June 30, 2022.

Table 25: Labor Costs

Labor Category	2020	2021	YTD June 30, 2022
Contract Staff - COGS	\$178,891	\$456,857	\$405,415
Subcontractors - COGS	16,022,783	35,489,482	16,827,580
Temporary Labor - COGS	112,671	266,835	276,450
<b>COGS Labor Expense</b> <i>Percentage of COGS</i>	<b>\$16,314,346</b> 84%	<b>\$36,213,175</b> 93%	<b>\$17,509,446</b> 85%
Payroll wages, taxes, benefits, etc. - OPEX	3,329,528	4,926,220	4,111,621
<b>OPEX Labor Expense</b> <i>Percentage of OPEX</i>	<b>\$3,329,528</b> 45%	<b>\$4,926,220</b> 40%	<b>\$4,111,621</b> 44%
<b>TOTAL LABOR EXPENSE</b> <i>Percentage of Revenue</i>	<b>\$19,643,874</b> 71%	<b>\$41,139,395</b> 74%	<b>\$21,621,066</b> 66%

Total labor expense, as a percentage of revenue, increased 71% to 74% from 2020 to 2021, but decreased 8% from 2021 to YTD 2022 as of June 30, 2022.

Table 26 provides the wage verification results of the amounts paid to employees and management as reported on the Company's detailed income statement and the Company's payroll journal. An immaterial variance of <1% was calculated for each year. Also listed is the salary verification of the amounts paid to the owner, Mr. Smith, and to relatives, Mr. Michael Smith and Ms. Daisy Smith.

Table 26: Verification of Payroll Expenses

Year	I/S Payroll Expense	Payroll Journal	Variance
<b>2020</b>			
Wages <sup>1</sup>	\$3,372,873	\$3,386,768	\$13,896
Mr. Junior Smith <sup>2</sup>	-	138,000	N/A
Mr. Michael Smith <sup>2</sup>	-	107,750	N/A
Ms. Daisy Smith <sup>2</sup>	-	108,094	N/A
<b>2021</b>			
Wages <sup>1</sup>	\$4,696,045	\$4,658,323	(\$37,722)
Mr. Junior Smith <sup>2</sup>	-	319,966	N/A
Mr. Michael Smith <sup>2</sup>	-	50,387	N/A

Ms. Daisy Smith <sup>2</sup>	-	57,474	N/A
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<sup>1</sup>The wages shown for the I/S includes wages and payroll taxes but excludes benefits. The amounts shown for payroll journal is the total expense provided on the payroll journal, including taxes.

<sup>2</sup>The salaries paid to Mr. Junior Smith, Mr. Michael Smith and Ms. Daisy Smith. No amounts are shown for the income statement because salaries are not provided and available per person (available on the payroll journal only).

### Cash Proof – Deposits (Sales)

Given this is a QoE Lite Report, we did not perform a total bank cash deposit vs. total recorded sales verification for the trailing 12 months; however, we did perform a verification of several of the largest deposits. We randomly selected material deposits for 2021 and 2022, as of the analysis date, June 30, 2022, and then matched the payments to the Company's bank statement.

We found only one transaction with a variance representing less than <0.1% of its transaction value.

### Cash Proof – Expenses (Vendors)

We did not perform a total bank withdrawal vs. total recorded expenses verification for the trailing 12 months; however, we did perform a verification of several of the largest paid expenses. We randomly selected material withdrawals for 2021 and 2022, as of the analysis date, June 30, 2022, and then matched the payments to the Company's bank statement and/or credit card statements.

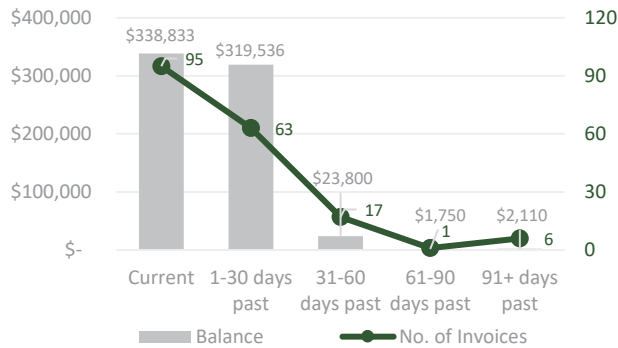
We found no transactions with a variance.

### Accounts Receivable Aging

There are no contracts in place with any customers. Invoice terms vary between Net 2, Net 7, and Net 30 depending on the customer. As of the analysis date, June 30, 2022, the Company's current receivables are approximately 6% of monthly sales and the past due receivables (1-30 days) are approximately 6% of monthly sales. All other past due receivables greater than 30 days represent <1% of monthly sales.

Figure 9 illustrates the Company's aging accounts receivables by age; also shown is the number of invoices past due.

Figure 9: Aging Accounts Receivable as of June 30, 2022



As reported in Appendix E, Exhibit E-14, the Company collects its receivables in approximately 8 days, on average, versus the industry collection median of 42 days. As the Company has grown, so too has its days to collect from 3 days to 8 days, but still remains well below the industry median of 42 days.

### Account Integrity Validation (Fraud Detection)

In determining the sustainability and accuracy of the Company's earnings, it is prudent to validate the integrity of financial statements. Ensuring the financial statements are free of any fraudulent or manipulative activity will further strengthen the earnings quality of the Company. While this engagement did not include a financial or accounting forensics component, we can detect anomalies that may require further investigation through the application of Benford's law.

Benford's law, also known as the first-digit law, maintains that the numeral one (1) will be the leading digit in a genuine data set of numbers 30.1% of the time and each subsequent numeral will appear with decreasing frequency. When charted, this expected occurrence of leading digits will present as a downward curving trendline referred to as the Benford curve. Benford's law can be used to analyze financial data and identify red flags. If the

data doesn't generally follow the distribution predicted by Benford's Law, it could mean the data has been manipulated.

Upon analysis of all general ledger entries of ABC, the pattern of first digit numbers generally follows the expected Benford distribution for naturally occurring data sets and with entries less likely to be indicative of manipulation and/or fraud. None of the accounts analyzed on a more detailed level show suspected fraud. The numeral five (5) appearing moderately more than expected of a natural data set can be attributed to the likelihood of identical or similar transactions that occur frequently as part of normal business operations. Refer to Figure 10, Figure 11, and Figure 12 for the graphical results of the analysis.

Figure 10: 2020 Benford First Order Analysis

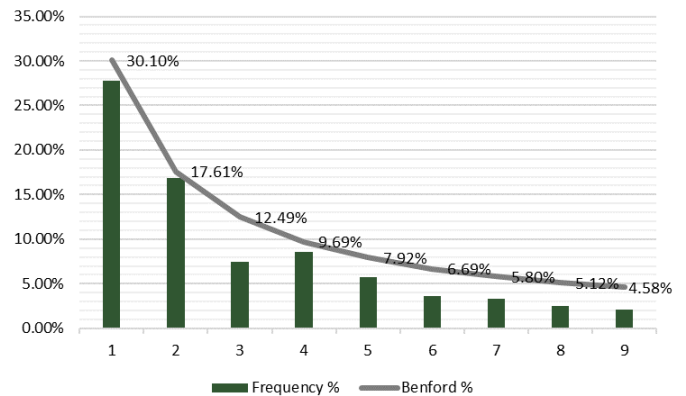


Figure 11: 2021 Benford First Order Analysis

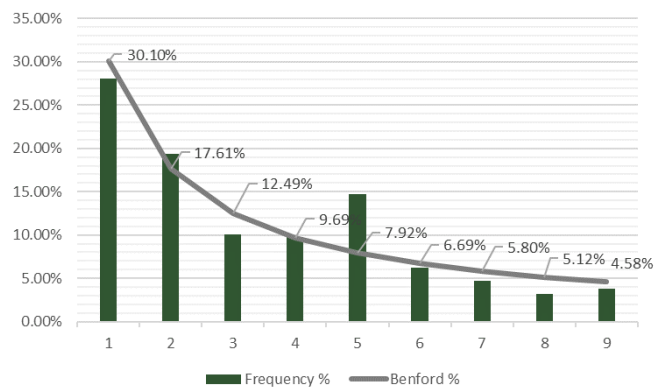
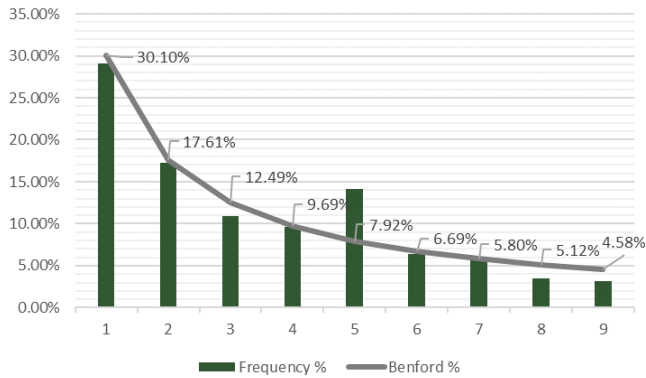


Figure 12: 2022 Benford First Order Analysis



### Summary

The Company's sales have grown materially year-over-year and most sales are from one customer – Amazon; however, the Company continues to differentiate its sales within different departments at Amazon as well as add new customers to its portfolio. ABC has three notable vendors and continues to improve gas supply controls to its fleet. There were no notable variances from our verification of wages, deposits, and expenses paid. The Company collects its receivables in approximately eight (8) days, on average, versus the industry collection median of 42 days. Our account integrity analysis (fraud detection) uncovered no suspected fraud of the accounts analyzed.

# 7

## APPENDIX A

Certified Analyst's Representation/Certification

**HARDSTONE**

**OUR CERTIFIED VALUATION ANALYST CREDENTIALS AND BIOS  
WILL BE INCLUDED ON THESE PAGES IN OUR FINAL REPORTS.**

# 8

## APPENDIX B

Qualifications of the Certified Analyst

**HARDSTONE**

**OUR CERTIFIED VALUATION ANALYST CREDENTIALS AND BIOS  
WILL BE INCLUDED ON THESE PAGES IN OUR FINAL REPORT.**



# 9

## APPENDIX C

Statement of Assumptions and Limiting  
Conditions

**HARDSTONE**

The analysis and conclusion of value are subject to the following assumptions and limiting conditions:

1. Hardstone's work product and findings is valid only for the stated purpose as of the analysis date indicated. We take no responsibility for changes in market conditions or the Company's financials and assume no obligation to revise our work product to reflect events or conditions which occur subsequent to the analysis date.
2. Client and its representatives warranted to us that the information they supplied was complete and accurate to the best of their knowledge and that the financial statement information reflects the company's results of operations and financial and business condition. The financial statements and other related information supplied by Client or its representatives have been accepted without any verification as fully and correctly reflecting the enterprise's business conditions and operating results for the respective periods, except as specifically noted herein. We have not audited, reviewed, or compiled the financial information provided to us and, accordingly, we express no audit opinion or any other form of assurance on this information.
3. Public, industry, statistical, and other information furnished by others, upon which all or portions of this analysis is based, is believed to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.
4. Hardstone does not provide assurance on the achievability of the results forecasted because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.
5. The findings assume that the Company will continue to operate as a going concern, and that the character and integrity of the enterprise through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed. It also assumes that the current level of management expertise and effectiveness would continue to be maintained.
6. This report and the findings are for the exclusive (and internal) use of Client for the sole and specific purposes as noted in the report and they may not be used for any other purpose or by any other party for any purpose. Furthermore, the report and the findings are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The findings represent our considered opinion, based on information furnished by Client and other sources.
7. Neither all nor any part of the contents of this report (including the findings, the identity of any specialist(s), the firm with which such specialists are connected, or any reference to any of their professional designations) should be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other means of communication without our prior written consent and approval.
8. We or any individual associated with this assignment are not required to provide future services regarding the subject matter of this report, including but not limited to providing further consultation, providing testimony, or appearing in court or other legal proceedings unless specific arrangements have been made.
9. Hardstone is not an environmental consultant or auditor, and it takes no responsibility for any actual or potential environmental liabilities. Any person entitled to rely on this report, wishing to know whether such liabilities exist, or the scope and their effect on the value of the property, is encouraged to obtain a professional environmental assessment. Hardstone does not conduct or provide environmental assessments and has not performed one for the subject business.
10. Hardstone has not determined independently whether the Company/Client is subject to any present or future liability relating to environmental matters, including but not limited to CERCLA/Superfund liability, nor the scope of any such liabilities. Our assessment and report takes no such liabilities into account, except as they have been reported to us by Client or by an environmental consultant working for the Company, and then only to the extent that the liability was reported to us in an actual or estimated dollar amount. Such matters, if any, are noted in the report. To the extent such information has been reported to us, we relied on it without verification and offer no warranty or representation as to its accuracy or completeness.

11. BizWorth has not made a specific compliance survey or analysis of the subject property to determine whether it is subject to, or in compliance with, the American Disabilities Act of 1990, and this assessment and report does not consider the effect, if any, of noncompliance.
12. Unless otherwise stated, full compliance by the subject company with all applicable federal, state, and local zoning and use, occupancy, environmental, and similar laws and regulations is assumed. No effort has been made to determine the possible effect, if any, on the subject business due to future Federal, state, or local legislation including any environmental or ecological matters or interpretations thereof, unless otherwise stated.
13. No change of any item in this report shall be made by anyone other than BizWorth, and we shall have no responsibility for any such unauthorized change.
14. If prospective financial information approved by management has been used in our work, we have not examined or compiled the prospective financial information and therefore, do not express an audit opinion or any other form of assurance on the prospective financial information or the related assumptions. Events and circumstances frequently do not occur as expected and there will usually be differences between prospective financial information and actual results, and those differences may be material.
15. We have conducted interviews with the current management of Client concerning the past, present, and future operating results of the Company.
16. Except as noted, we have relied on the representations of the owners, management, and other third parties concerning the value and useful condition of all equipment, real estate, and any other assets or liabilities, except as specifically stated to the contrary in this report. We have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances or that the Company has good title to all assets.
17. The approaches and methodologies used in our work did not comprise of an examination in accordance with generally accepted accounting principles, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective. We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information in performing our engagement.
18. Unless otherwise stated, the assessment of the business has not considered or incorporated the potential economic gain or loss resulting from contingent assets, liabilities or events existing as of the analysis date.
19. The working papers for this engagement are retained in our files and are available for your reference. We would be available to support our assessment and finding should this be required. Those services would be performed for an additional fee.
20. Any decision to purchase, sell or transfer any interest in the subject company or its subsidiaries shall be the sole responsibility of Client as well as the structure to be utilized and the price to be accepted.
21. The selection of the price to be accepted requires consideration of factors beyond the information we will provide or have provided. An actual transaction involving the subject business might be based on an EBIDA or SDE that is higher or lower than presented in this report, depending upon the circumstances of the transaction and the business, and the knowledge and motivations of the buyers and sellers at that time. Due to the economic and individual motivational influences which may affect the sale of a business interest, we assume no responsibility for the actual price of any subject business interest if sold or transferred.
22. All facts and data set forth in our letter report are true and accurate to the best of our knowledge and belief.
23. All recommendations as to EBITDA and/or SDE are presented as the findings and adjusted EBITDA and/or SDE based on the facts and data set forth in this report.
24. During the course of the engagement, we have considered information provided by Client and third parties. We believe these sources to be reliable, but no further responsibility is assumed for their accuracy.
25. Our report is based on historical and/or prospective financial information provided to us by Client and third parties. This information has not been audited, reviewed or compiled by us, nor has it been subjected to any type of audit,

review or compilation procedures by us, nor have we audited, reviewed or compiled the books and records of the subject company. Had we audited, reviewed or compiled the underlying data, matters may have come to our attention which would have resulted in our using amounts which differ from those provided; accordingly, we take no responsibility for the underlying data presented or relied upon in this report.

26. In all matters that may be potentially challenged by a Court or other party, we do not take responsibility for the degree of reasonableness of contrary positions that others may choose to take, nor for the costs or fees that may be incurred in the defense of our recommendations against challenge(s). We will, however, retain our supporting work papers for your matter(s), and will be available to assist in defending our professional positions taken, at our then current rates, plus direct expenses at actual, and according to our then current standard professional agreement.
27. We retain all exclusive rights to copyrights to the report and to control the issuance of copies by others, and Client has no right of diffusion, reproduction, distribution or sale. Client may reproduce 10 copies of the report solely for its internal use. Otherwise, the client may not reproduce the report without our prior written consent.
28. Our report may not be used to obtain financing or included in a private placement or with other public documents, and it may not be relied upon by third parties.
29. Our obligations are solely the entity's obligations, and no officer, director, employee, agent, contractor, shareholder, owner or controlling person of analyst's Company shall be subject to any personal liability whatsoever to any person, nor will any such claim be asserted by or on behalf of any other party to this agreement or any person relying on the report.
30. We do not consent to be "expertised" with respect to matters involving the Securities and Exchange Commission. For purposes of this report, the foregoing sentence means that BizWorth shall not be referred to by name or anonymously in any filing or document. Should Client breach this stipulation and refer to Hardstone by name or anonymously, Client will amend such filing or document upon our written request.
31. We express no opinion for matters that require legal or other specialized expertise, investigation, or knowledge beyond that customarily employed by business valuation consultants and/or analysts in financial forensics.
32. Unless stated otherwise in this report, we express no opinion as to (1) the tax consequences of any transaction which may result, (2) the effect of the tax consequences of any net value received or to be received as a result of a transaction, and (3) the possible impact on the market value resulting from any need to effect a transaction to pay taxes.

# 10

## APPENDIX D

Income Statement and Balance Sheet Category  
Descriptions & Adjustments

**HARDSTONE**

Table 27: Income Statement Category Descriptions &amp; Adjustments

Revenue Category Description	Adjustment Analysis/Calculation & Findings
1. <b>Sales</b> – includes fee income from customers related to trucking activities.	No adjustments or addbacks made.
2. <b>3<sup>rd</sup> Party Rental Fees</b> - includes income received from customers renting trucks and/or trailer yard(s).	No adjustments or addbacks made.
3. <b>Disputed Sales</b> – includes invoices sent to customers who made short payments and owe additional payment.	No adjustments or addbacks made.
4. <b>Discounts – Disputes, Etc.</b> – includes the invoices from the Disputed Sales line item where payment is not received.	No adjustments or addbacks made.
5. <b>Services</b> - includes fee income from customers.	No adjustments or addbacks made.
6. <b>Unapplied/Uncategorized Sales &amp; Cash</b> - includes various income that is not otherwise categorized.	No adjustments or addbacks made.
COGS Category Description:	Adjustment Analysis/Calculation
7. <b>Contract Staff</b> – includes the payments made to contractors such as truck drivers, etc.	No adjustments or addbacks made. We considered the following adjustments but determined they are ongoing expenses: (1) an inbound/outbound operations consultant, (2) a contingency labor provider used to recruit drivers, and (3) a business consultant to help grow the business.
8. <b>Decals</b>	No adjustments or addbacks made.
9. <b>Driver's Lodging</b>	No adjustments or addbacks made.
10. <b>Employment Testing</b>	No adjustments or addbacks made.
11. <b>Equipment Leasing</b> – includes leases from CRST, Milestone Equipment Co, Penske Truck (including fuel, payments, repairs & maintenance), and transportation commodities.	No adjustments or addbacks made.
12. <b>Equipment Rental</b> - includes rental activities from Enterprise Truck Rental, Gleason Leasing, McKinney Trailer Rentals, Northwest Handling Systems, Penske Truck (including fuel, payments, repairs & maintenance), Rush Trucking, Ryder Truck Rentals, Southwest Trailer, and United Rentals.	No adjustments or addbacks made.
13. <b>Fuel – Trucks</b>	No adjustments or addbacks made.
14. <b>Misc.</b> – includes miscellaneous expenses such as equipment supplies, hazard waste fees, lubricants, reimbursements, traffic violations, and truck washes.	No adjustments or addbacks made.

15. Parking & Tolls	No adjustments or addbacks made.
16. Recruitment	No adjustments or addbacks made.
17. Registrations (Trucks)	No adjustments or addbacks made.
18. Repairs & Maintenance - includes the cost of repairs & maintenance for owned, leased, and rented vehicles.	No adjustments or addbacks made.
19. Sales Commissions	No adjustments or addbacks made.
20. Subcontractors	No adjustments or addbacks made.
21. Temporary Labor	Non-recurring: Removed expenses for temporary staff of \$170,903 and \$84,679 for years 2021 and 2022, respectively.
<b>Operating Expenses Category Description:</b>	<b>Adjustment Analysis/Calculation</b>
22. Advertising – includes advertising and marketing expenses such as the company website and Instagram ads to attract drivers.	Non-recurring: Removed expenses for internet advertisements related to recruiting and website design of \$73,427 for year 2022. We calculated the amount adjusted by averaging the expenses in this category from the prior years and then subtracting from the total amount expensed in 2022.
23. Automotive Expenses – includes vehicle lease payments, registration expenses, and fuel costs for vehicles.	No adjustments or addbacks made.
24. Bank Charges – includes bank and loan fees.	No adjustments or addbacks made.
25. Building Maintenance & Repairs	No adjustments or addbacks made.
26. Computer & Internet	No adjustments or addbacks made.
27. Depreciation – includes the total depreciation on buildings, equipment, furniture, and tractors/trailers.	No adjustments or addbacks made.
28. Donations	No adjustments or addbacks made.
29. Dues & Subscriptions	No adjustments or addbacks made.
30. Insurance – includes all insurance costs and insurance broker fees incurred by the Company including cargo, corporate, asset based, life, physical damage, tractor, travel, and workers compensation.	Controlling ownership interest: Removed expenses for owner's life insurance policy of \$7,364, \$2,619, \$2,619, and \$1,309 in for years 2019, 2020, 2021 and 2022, respectively.
31. Janitorial	No adjustments or addbacks made.
32. Late Fees – includes additional fees incurred by the Company due to late payments made on loans.	No adjustments or addbacks made.

<b>33. Meals &amp; Entertainment</b>	No adjustments or addbacks made.
<b>34. Medical</b>	No adjustments or addbacks made.
<b>35. Merchant Fees</b>	No adjustments or addbacks made.
<b>36. Misc.</b> - includes miscellaneous and uncategorized expenses such as bad debts, commissions & fees, disposal fees, employee meetings, employee trainings, factoring, unreconciled expenses, licenses, moving expenses, personal loans, QuickBooks payment fees, safety equipment, shipping/delivery, storage, uncapitalized office furniture, uniforms, and warranty charges.	No adjustments or addbacks made.
<b>37. Office, General &amp; Administrative Expenses</b>	Non-recurring: Removed expenses for security cameras and a thermostat in the new office of \$2,523 for year 2022. We considered the following adjustments but determined they are ongoing expenses: HOA fees, monthly Dropbox fee, and monthly internet/phone expenses.
<b>38. Payroll Expenses</b> – includes employee benefits, employee related health expenses, 401K program, wages paid, payroll fees, payroll taxes, and deferred payroll tax payments.	Non-operating - Adjustments were made to remove salaries paid to two of the founder's children, Michael and Daisy Smith, who both received compensation from the Company and no longer work in the business. The tasks performed by these individuals have been distributed to other employees who were already on the Company's payroll. The payroll expense of \$215,844 and \$107,861 were removed for years 2020 and 2021, respectively.  Controlling ownership interest – Based on a review of various salary statistics, an adjustment was made to adjust the owner's salary to market rate. Annual compensation of \$87,000 was added for year 2020, bringing his total compensation for 2020 to \$225,000.
<b>39. Professional Services</b> – includes fees for various accounting, compliance, legal, and technology services.	No adjustments or addbacks made.
<b>40. Rent/Lease:</b>	No adjustments or addbacks made.
<ul style="list-style-type: none"> <li>a. <b>Auto</b> – includes work vehicle lease payments.</li> <li>b. <b>Building</b> – includes building rent payments.</li> <li>c. <b>Yards</b> - includes yard lease rent payments.</li> </ul>	
<b>41. Officers' Compensation</b>	No adjustments or addbacks made to this category. See Payroll Expenses for an adjustment made related to Officers' Compensation.
<b>42. Sales Taxes</b>	No adjustments or addbacks made.
<b>43. Security Expenses</b>	No adjustments or addbacks made. We considered an adjustment for increased security expenses but determined the



	increased cost to be ongoing for now as Company management is unsure when these expenses will decrease.
<b>44. Software</b>	No adjustments or addbacks made.
<b>45. Supplies</b>	No adjustments or addbacks made.
<b>46. Taxes &amp; Licenses</b> - includes the following pass-through taxes for transparency: <ul style="list-style-type: none"> <li>a. <b>CA FTB – Corp</b> - Arizona Franchise Tax Board payments for the Company</li> <li>b. <b>CA FTB – Miguel and Olga</b> - Arizona Franchise Tax Board payments for Miguel and Olga</li> <li>c. <b>IRS – 2290</b> - IRS tax payments</li> <li>d. <b>IRS – Junior Smith</b> - IRS tax payments for Junior Smith</li> <li>e. <b>IRS – Corp</b> - IRS tax payments for corporate taxes</li> <li>f. <b>IRS – Miguel &amp; Olga</b> - IRS tax payments for Miguel and Olga</li> <li>g. <b>Other – Federal</b></li> <li>h. <b>Other – Local</b></li> <li>i. <b>WA – Corp</b> - Washington state corporate taxes</li> </ul>	An adjustment was made to reclassify state and federal income taxes from operating expenses to income taxes. The income taxes were either paid by the Company directly to the state or to the owners for reimbursement for their payment to the government. The total amount of state and federal tax reclassified from operating expenses to income tax was \$65,953, \$15,882, \$869,641, and \$1,537,809 for years 2019, 2020, 2021, and 2022, respectively.
<b>47. Telephone &amp; Internet</b>	No adjustments or addbacks made.
<b>48. Travel</b> - includes airfare, lodging, transportation, and meals during travel.	No adjustments or addbacks made.
<b>49. Utilities</b>	No adjustments or addbacks made.
<b>Other Income Category Description:</b>	<b>Adjustment Analysis/Calculation</b>
<b>50. Interest Expense</b>	No adjustments or addbacks made.
<b>51. PPP Loan Forgiveness</b> - includes the income received from the PPP Loan which was forgiven in 2021.	Non-recurring: Removed income of \$456,430 for year 2021 from the PPP Loan received.
<b>52. Other Income</b> – includes income received from insurance claims on tractors and forgiven debt to ABCI.	Non-recurring: Removed income received from ABCI that has been forgiven and insurance claim payouts totaling \$1,455,281, \$608,131, \$124 and \$17,248 for years 2019, 2020, 2021 and 2022, respectively.
<b>53. Other Expenses</b> – includes gifts, miscellaneous expenses, reconciliation discrepancies, settlements, and TX expenses.	Non-recurring: Removed non-recurring discretionary gift expenses, supply expenses for Texas office, and settlement payment expenses of \$932,328, \$287,578, \$535,596, and \$39,788 for years 2019, 2020, 2021 and 2022, respectively.

## Balance Sheet Adjustments &amp; Descriptions

Current Assets Category Description	Adjustment Analysis/Calculation
1. <b>Checking (4 accounts)</b> – includes all Company checking accounts ending in 6028, 7676, 8685, and 4413.	No adjustments or addbacks made.
2. <b>Accounts Receivable</b> – includes all money owed to the Company for completed services.	No adjustments or addbacks made. We recognize there is a high A/R Balance. Company management disclosed that they are working to collect the money owed.
3. <b>Other Current Assets:</b>	No adjustments or addbacks made.
a. <b>Due/to from 7683</b>	
b. <b>Other</b> – includes cash withdrawals and undeposited funds.	
Fixed Assets – Net Category Description	Adjustment Analysis/Calculation
4. <b>Fixed Assets – Cost</b> - the value of the following assets that are currently used to operate the business:	No adjustments or addbacks made.
a. <b>Buildings</b>	
b. <b>Furniture &amp; Fixtures</b>	
c. <b>Machinery &amp; Equipment</b>	
d. <b>Vehicles</b>	
5. <b>Accumulated Depreciation</b> - the value of the following assets that has been written off over time:	No adjustments or addbacks made.
a. <b>Buildings</b>	
b. <b>Furniture &amp; Fixtures</b>	
c. <b>Machinery &amp; Equipment</b>	
d. <b>Vehicles</b>	
Other Non-Current Assets Category Description	Adjustment Analysis/Calculation
6. <b>Deposits</b> – currently includes the deposit on the yard and was previously used as the AMEX clearing account.	No adjustments or addbacks made.
7. <b>Security Deposit</b> – includes the deposit on Rancho HW.	No adjustments or addbacks made.
Current Liabilities Category Description	Adjustment Analysis/Calculation
8. <b>Accounts Payable</b> - includes all short-term obligations owed to the Company's vendors.	No adjustments or addbacks made.

<p>9. <b>Credit Cards (3 accounts)</b> - includes all short-term obligations owed to the Company's creditors for its AMEX, Chase, and Citi Bank credit cards.</p>	<p>No adjustments or addbacks made.</p>
<p>10. <b>Other Current Liabilities:</b></p> <ul style="list-style-type: none"> <li>a. <b>Auto Loan</b> – includes debt that has been paid off, leaving a \$0 Balance as of the analysis date.</li> <li>b. <b>Due to/ from 2967</b></li> <li>c. <b>Due to/ from 7675</b></li> <li>d. <b>Due to/ from Junior Smith</b></li> <li>e. <b>Due to/ from Smith Ground Inc</b></li> <li>f. <b>PPP Loan</b> – includes debt that has been forgiven, leaving a \$0 Balance as of the analysis date.</li> </ul>	<p>No adjustments or addbacks made.</p>

Long-Term Debt Category Description	Adjustment Analysis/Calculation
<p>11. <b>Leased Vehicles:</b></p> <ul style="list-style-type: none"> <li>a. <b>BMO - Loan Payable – 1001</b></li> <li>b. <b>BMO - Loan Payable – 6002</b></li> <li>c. <b>Bush - Loan Payable Total</b></li> <li>d. <b>Crossroads - Loan Payable Total</b></li> <li>e. <b>Keystone - Loan Payable Total</b></li> <li>f. <b>PNC – 05</b></li> <li>g. <b>PNC – 07</b></li> <li>h. <b>Tab - Loan Payable</b></li> <li>i. <b>Volvo - Loan Payable Total</b></li> </ul>	<p>No adjustments or addbacks made.</p>
<p>12. <b>MJ Smith – Payable</b></p>	<p>No adjustments or addbacks made.</p>
<p>13. <b>SBA Loan</b> – 30-year loan with a 3.5% interest rate.</p>	<p>No adjustments or addbacks made.</p>
<p>14. <b>Working Capital Loans</b> – includes the following loans: Blue Vine, Kabbage, National Fin, On Deck, and Silverline.</p>	<p>No adjustments or addbacks made.</p>

Equity Category Description	Adjustment Analysis/Calculation
<p>15. <b>Opening Balance Equity</b> - the difference between the debit Balance and credit Balance in the General Ledger of the business.</p>	<p>No adjustments or addbacks made.</p>
<p>16. <b>Owners Contribution</b> – the amount of funds contributed by owners.</p>	<p>No adjustments or addbacks made.</p>

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<b>17. Shareholder's Distribution:</b>	No adjustments or addbacks made.
a. Junior Smith –	
b. Olga & Jason Smith -	

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<b>18. Net Income</b> – the amount of profit left over after all expenses have been paid.	No adjustments or addbacks made.
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<b>19. Retained Earnings</b> – the amount of profit retained on the books for future reinvestment back into the business.	No adjustments or addbacks made.
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# 11

## APPENDIX E

Financial Statements & Analysis

**HARDSTONE**

Financial statement analysis is one of the most important steps in gaining an understanding of the historical, current, and potential profitability of a company. Financial analysis is also critical in evaluating the relative stability of revenues and earnings, the levels of operating and financial risk, and the performance of management.

### Purpose

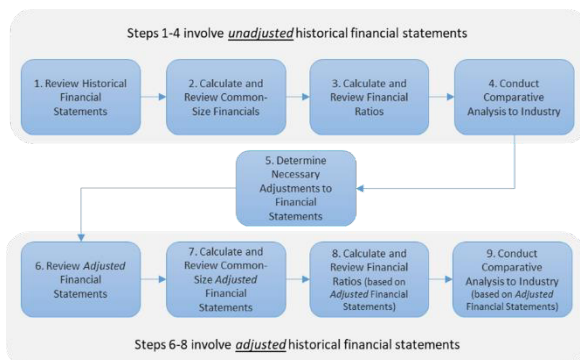
The purpose of this appendix is twofold: (1) provide you with further background on the financial analysis presented in earlier sections: *Quality of Earnings* and *Financial Statement Analysis*, and (2) provide you with the material information that was received, calculated and/or reviewed during this engagement.

### Process

We follow a 9-step process during the financial analysis phase of the QoE engagement. An illustration of the process is shown to the right in Illustration E-1: 9-Step Financial Analysis Process.

Steps 1-4 are based on *unadjusted* historical financial statements and inform Step 5, which is to determine the necessary adjustments to be made to the historical income statements and Balance sheets to better reflect the economic earnings potential of the Company and comparability to industry norms. Steps 6-9 are a repeat of Steps 1-4 - the difference is that the analysis is now based on *adjusted* historical financial statements that were developed in Step 5.

Illustration E-1: 9-Step Financial Analysis Process



## Financial Statements Analysis (Steps 1 & 6)

An analysis of the most recent years of historical Balance sheets and income statements of the subject company assist the analyst with identifying trends as well as recognizing specific line items on the Balance sheet and/or income statement that need additional insight from management (or others).

## Common-Size Analysis (Steps 2 & 7)

The conversion of Balance sheet and income statement line items to percentages of a total is often referred to placing the statement on a “common-size” basis. For the Balance sheet, line items are presented as a percentage of total assets. For the income statement, line items are presented as a percentage of total net sales or gross revenue.

Converting the subject company’s Balance sheets and income statements to a common size basis assist the analyst with identifying internal trends. Common size statements also facilitate comparison with other companies in the same industry. A comparison with the data of one or more other companies if done on the basis of absolute dollar amounts would be very confusing and time-consuming without common-size analysis. Also, comparisons with industry averages are facilitated and made easier by using common size analysis.

Since common size financial statement analysis is based on relative size, it removes the confusion that exists when exact dollar amounts are used is also a fundamental step in developing ratio (trend) and comparative analysis. For these reasons, common-size financial statements are an important tool in financial statement analysis.

## Financial Ratio Analysis (Steps 3 & 8)

Financial ratios are measures of the relative health, or sometimes the relative sickness of a company. An analyst will use the financial statements to calculate key ratios on a company’s growth, cost control, liquidity, asset management, debt management and profitability.

An analysis of financial ratios will help identify company's strengths and weaknesses, but it has limitations and will not necessarily identify all strengths and weaknesses, nor will it provide the solutions or cures for the problems it identifies.

To make the most effective use of financial ratios, the ratio should be calculated and compared over a period of several years. This allows the analyst to identify trends in these measurements over time.

### Comparative Analysis (Steps 4 & 9)

Comparative analysis uses information gleaned from the two previous steps, common size analysis and ratio analysis. A comparative analysis involves comparison of the subject company's status and performance with those of specific other companies or industry averages. Comparative analysis can involve either a comparison over a historical period of more than one year or over the latest complete 12-month period.

For the comparative analysis conducted for this QoE engagement, the Annual Statement Studies produced by the Risk Management Association (RMA) was utilized for the NAICS code of 484110 (General Freight Trucking, Local).

### Adjustments to Financials (Step 5)

It may be necessary for the analyst to make adjustments to historic financial statements, which are known as "adjusted" or "normalized" adjustments. Adjusted financial statements allow analysts to better compare the subject company's financial performance and position to similar companies or industry averages as well as allow analysts to better measure the true economic income, assets and liabilities of the subject company.

Balance sheet adjustments are made to reflect the current market values of the assets and liabilities.

Income statement adjustments are made to reflect the true economic results of operation similar to what a prospective buyer might require that have reasonable knowledge of the relevant facts.

Normalizing adjustments are hypothetical and are not intended to present restated historical results or forecasts of the future.

### List of Exhibits

Exhibit E-1: Historic Income Statements (unadjusted)

Exhibit E-2: Historic Balance Sheets (unadjusted)

Exhibit E-3: Income Statement Adjustments (January 1 - June 30, 2022)

Exhibit E-4: Income Statement Adjustments (Year Ending December 31, 2021)

Exhibit E-5: Income Statement Adjustments (Year Ending December 31, 2020)

Exhibit E-6: Income Statement Adjustments (Year Ending December 31, 2019)

Exhibit E-7: Adjusted Income Statements

Exhibit E-8: Common Size Adjusted Income Statements

Exhibit E-9: Balance Sheet Adjustments (Month Ending June 30, 2022)

Exhibit E-10: Adjusted Balance Sheets

Exhibit E-11: Common Size Adjusted Balance Sheets

Exhibit E-12: Industry Comparative Income Statements (adjusted basis)

Exhibit E-13: Industry Comparative Balance Sheet (adjusted)

Exhibit E-14: Liquidity Ratios (based on adjusted financial statements)

Exhibit E-15: Coverage and Leverage Ratios (based on adjusted financial statements)

Exhibit E-16: Operating Ratios (based on adjusted financial statements)

Exhibit E-1: Historic Income Statements (unadjusted)

	Period Ending June 30, 2022	Year Ending December 31, 2021	Year Ending December 31, 2020	Year Ending December 31, 2019
<b>Revenues</b>				
Sales	26,926,404	16,664,142	18,814,201	12,942,415
Third-party Rental Fees	51,700	0	0	0
Disputed Sales	285,114	8,468	7,668	0
Discounts - Disputes, etc.	-58,712	-773,490	-624,597	0
Services	5,379,742	39,220,715	9,017,702	1,418
Unapplied/Uncategorized Sales & Cash	0	10,111	12,305	0
<b>Total Revenues</b>	<b>32,584,247</b>	<b>55,129,947</b>	<b>27,227,279</b>	<b>12,943,833</b>
<b>Cost of Goods Sold</b>				
Contract Staff	405,415	456,857	178,891	88,196
Decals	5,366	2,940	0	0
Driver's Lodging	1,077	8,869	2,903	4,700
Employment Testing	46,822	46,326	41,941	294
Equipment Leasing	791,401	380,068	129,093	59,954
Equipment Rental	880,457	620,622	515,886	239,480
Fuel - Trucks	766,978	726,390	840,138	2,116,132
Misc.	-4,901	63,728	111,558	27,161
Parking & Tolls	1,877	113,780	79,450	3,831
Recruitment	78,140	189,725	90,370	297
Registrations - Trucks	81,801	0	50	0
Repairs & Maintenance	413,271	495,717	1,365,124	380,629
Sales Commissions	21,000	0	0	0
Subcontractors	16,827,580	35,465,907	16,022,783	5,846,280
Temporary Labor	276,450	266,835	112,671	0
<b>Total Cost of Goods Sold</b>	<b>20,592,735</b>	<b>38,837,765</b>	<b>19,490,857</b>	<b>8,766,955</b>
<b>Gross Profit</b>	<b>11,991,512</b>	<b>16,292,182</b>	<b>7,736,422</b>	<b>4,176,879</b>
<b>Operating Expenses</b>				
Advertising	78,031	1,865	9,090	2,858
Automotive Expenses	5,362	110,098	152,584	41,607
Bank Charges	4,928	16,984	2,641	26,425
Building Maintenance & Repairs	11,895	65,731	37,235	85,660
Computer & Internet	15,778	19,430	10,810	3,200
Depreciation	288,936	733,828	818,118	934,232
Donations	31,626	38,517	0	50
Dues & Subscriptions	41,454	25,979	17,894	15,470
Insurance	853,186	2,136,267	1,683,806	857,061
Janitorial	41,092	69,254	5,605	0
Late Fees	1,181	6,072	25,802	15,735
Meals & Entertainment	23,446	113,864	117,412	7,731
Medical	2,575	22,974	23,631	14,214
Merchant Fees	34,429	18,714	992	94
Misc.	23,138	124,855	77,974	115,641
Office, General & Administrative Expenses	45,326	164,321	136,539	167,810
Payroll Expenses	4,111,621	4,926,220	3,387,443	2,394,782
Professional Services	176,549	339,085	245,645	130,017
Rent/Lease				
Auto	5,805	10,678	121,247	17,020
Building	523,071	401,272	51,211	33,850
Yards	893,886	1,568,644	422,189	150,400
<b>Total Rent/Lease</b>	<b>1,422,762</b>	<b>1,980,594</b>	<b>594,647</b>	<b>201,270</b>
Officers' Compensation				
Sales Taxes	21,166	8,038	8,242	9,585
Security Expenses	170,737	157,158	1,682	21,152
Software	109,563	109,258	88,850	1,749
Supplies	14,543	21,480	12,309	0
Taxes & Licenses	1,586,436	883,284	62,748	70,213
Telephone & Internet	41,977	67,092	134,757	9,945
Travel	103,380	244,319	5,895	7,799
Utilities	27,997	27,841	22,911	15,808
<b>Total Operating Expenses</b>	<b>9,289,116</b>	<b>12,433,123</b>	<b>7,685,260</b>	<b>5,150,108</b>
<b>Operating Profit</b>	<b>2,702,397</b>	<b>3,859,059</b>	<b>51,161</b>	<b>-973,230</b>
<b>Other Income/(Expense)</b>				
Interest Expense	-10,680	-47,772	-170,989	-97,260
PPP Loan Forgiveness	0	456,430	0	0
Other Income	17,248	124	608,131	1,455,281
Other Expenses	44,353	-555,203	-388,513	-1,098,938
<b>Total Other Income/(Expense)</b>	<b>50,921</b>	<b>-146,421</b>	<b>48,629</b>	<b>259,083</b>
<b>Income Before Taxes</b>	<b>2,753,318</b>	<b>3,712,638</b>	<b>99,790</b>	<b>-714,147</b>
Income Taxes				
<b>Net Income/(Loss)</b>	<b>2,753,318</b>	<b>3,712,638</b>	<b>99,790</b>	<b>-714,147</b>



Exhibit E-2: Historic Balance Sheets (unadjusted)

	Period Ended June 30, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019
<b>Assets:</b>				
<b>Current Assets</b>				
Cash				
Checking	4,352,323	2,109,033	1,536,897	-56,128
Total Cash	4,352,323	2,109,033	1,536,897	-56,128
Accounts Receivable	686,029	439,449	177,082	482,307
Inventory				
Other Current Assets				
Due to/ from 7683	-8,000	0	0	0
Other	0	22,200	12,150	0
Total Other Current Assets	-8,000	22,200	12,150	0
<b>Total Current Assets</b>	<b>5,030,352</b>	<b>2,570,682</b>	<b>1,726,128</b>	<b>426,180</b>
<b>Fixed Assets - Net</b>				
Fixed Assets - Cost				
Buildings	193,095	166,395	60,250	36,250
Furniture & Fixtures	16,650	0	0	0
Land				
Machinery & Equipment	106,610	106,610	28,780	19,000
Vehicles	4,905,288	4,385,788	4,343,333	4,169,630
Total Fixed Assets - Cost	5,221,644	4,658,793	4,432,363	4,224,880
Accumulated Depreciation				
Buildings	-10,077	-6,950	-3,249	-1,758
Furniture & Fixtures	-925	0	0	0
Machinery & Equipment	-37,420	-22,818	-15,306	-8,972
Tractors & Trailers	-3,850,929	-3,560,646	-2,915,576	-2,105,283
Total Accumulated Depreciation	-3,899,351	-3,590,414	-2,934,131	-2,116,013
<b>Total Fixed Assets - Net</b>	<b>1,322,293</b>	<b>1,068,379</b>	<b>1,498,232</b>	<b>2,108,867</b>
<b>Intangible Assets - Net</b>				
<b>Other Non-Current Assets</b>				
Other Assets				
Security Deposit	37,200	37,200	12,200	12,200
Total Other Assets	37,200	37,200	12,200	12,200
Non-Operating Assets				
Total Other Non-Current Assets	37,200	37,200	12,200	12,200
<b>Total Assets</b>	<b>6,389,845</b>	<b>3,676,261</b>	<b>3,236,560</b>	<b>2,547,247</b>
<b>Liabilities and Equity:</b>				
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	844,489	247,123	0	0
Credit Cards (3 accounts)	9,141	29,232	13,177	1,478
Other Current Liabilities				
Due to/ from 2967	-1,585	0	0	0
Due to/from Ponce Ground Inc	-17,090	0	0	0
PPP Loan	0	0	456,430	0
Total Other Current Liabilities	-18,675	0	456,430	0
<b>Total Current Liabilities</b>	<b>834,956</b>	<b>276,355</b>	<b>469,607</b>	<b>1,478</b>
<b>Long-Term Debt</b>				
Settlement	329,535	450,000	150,000	0
Leased Vehicles				
BMO - Loan Payable - 1001	85,919	110,870	157,844	187,181
BMO - Loan Payable - 6002	230,308	230,308	230,308	230,308
Bush - Loan Payable Total	124,427	241,894	585,435	1,025,090
Crossroads - Loan Payable Total	55,441	104,832	213,926	375,980
Keystone - Loan Payable Total	0	0	7,986	25,743
Tab - Loan Payable	-8,573	0	19,193	42,538
Volvo - Loan Payable Total	211,329	264,292	370,218	458,489
Total Leased Vehicles	698,850	952,195	1,584,910	2,345,329
Northmill	0	0	0	20,838
SBA Loan	2,009,900	159,900	159,900	0
Working Capital Loans	0	25,343	133,346	130,766
<b>Total Long-Term Debt</b>	<b>3,038,285</b>	<b>1,587,437</b>	<b>2,028,157</b>	<b>2,496,933</b>
<b>Other Non-Current Liabilities</b>				
<b>Total Liabilities</b>	<b>3,873,241</b>	<b>1,863,792</b>	<b>2,497,763</b>	<b>2,498,411</b>
<b>Equity</b>				
Owners Contribution	221,311	221,311	221,311	255,911
Shareholder's Distribution	-1,056,450	-1,056,450	-1,056,450	-1,285,746
Alan Ponce	-3,213,080	-1,868,011	63,862	0
Olga & Miguel Ponce	-4,016,127	-3,312,014	-1,525,776	-682,027
Total Shareholder's Distribution	-8,285,657	-6,236,475	-2,518,365	-1,967,773
Net Income	2,753,318	3,712,638	99,790	-714,147
Retained Earnings	7,827,632	4,114,995	2,936,061	2,474,845
<b>Total Equity</b>	<b>2,516,604</b>	<b>1,812,468</b>	<b>738,797</b>	<b>48,836</b>
<b>Total Liabilities and Equity</b>	<b>6,389,845</b>	<b>3,676,261</b>	<b>3,236,560</b>	<b>2,547,247</b>

## Exhibit E-3: Income Statement Adjustments (January 1 - June 30, 2022)

		Historic Year Ending June 30, 2022	Normalize /Adjust	Normalized /Adjusted June 30, 2022
<b>Revenues</b>				
Sales		26,926,404		26,926,404
Third-party Rental Fees		51,700		51,700
Disputed Sales		285,114		285,114
Discounts - Disputes, etc.		-58,712		-58,712
Services		5,379,742		5,379,742
Unapplied/Uncategorized Sales & Cash		0		0
<b>Total Revenues</b>		<b>32,584,247</b>	<b>0</b>	<b>32,584,247</b>
<b>Cost of Goods Sold</b>				
Contract Staff		405,415		405,415
Decals		5,366		5,366
Driver's Lodging		1,077		1,077
Employment Testing		46,822		46,822
Equipment Leasing		791,401		791,401
Equipment Rental		880,457		880,457
Fuel - Trucks		766,978		766,978
Misc.		-4,901		-4,901
Parking & Tolls		1,877		1,877
Recruitment		78,140		78,140
Registrations - Trucks		81,801		81,801
Repairs & Maintenance		413,271		413,271
Sales Commissions		21,000		21,000
Subcontractors		16,827,580		16,827,580
Temporary Labor	1	276,450	-84,679	191,771
<b>Total Cost of Goods Sold</b>		<b>20,592,735</b>	<b>-84,679</b>	<b>20,508,056</b>
<b>Gross Profit</b>		<b>11,991,512</b>	<b>84,679</b>	<b>12,076,191</b>
<b>Operating Expenses</b>				
Advertising	2	78,031	-73,427	4,604
Automotive Expenses		5,362		5,362
Bank Charges		4,928		4,928
Building Maintenance & Repairs		11,895		11,895
Computer & Internet		15,778		15,778
Depreciation		288,936		288,936
Donations		31,626		31,626
Dues & Subscriptions		41,454		41,454
Insurance	3	853,186	-1,309	851,877
Janitorial		41,092		41,092
Late Fees		1,181		1,181
Meals & Entertainment		23,446		23,446
Medical		2,575		2,575
Merchant Fees		34,429		34,429
Misc.		23,138		23,138
Office, General & Administrative Expens	4	45,326	-2,523	42,803
Payroll Expenses		4,111,621		4,111,621
Professional Services		176,549		176,549
Rent/Lease				
Auto		5,805		5,805
Building		523,071		523,071
Yards		893,886		893,886
<b>Total Rent/Lease</b>		<b>1,422,762</b>	<b>0</b>	<b>1,422,762</b>
Officers' Compensation				
Sales Taxes		21,166		21,166
Security Expenses		170,737		170,737
Software		109,563		109,563
Supplies		14,543		14,543
Taxes & Licenses	5	1,586,436	-1,537,809	48,627
Telephone & Internet		41,977		41,977
Travel		103,380		103,380
Utilities		27,997		27,997
<b>Total Operating Expenses</b>		<b>9,289,116</b>	<b>-1,615,068</b>	<b>7,674,048</b>
<b>Operating Profit</b>		<b>2,702,397</b>	<b>1,699,747</b>	<b>4,402,144</b>
<b>Other Income/(Expense)</b>				
Interest Expense		-10,680		-10,680
PPP Loan Forgiveness		0		0
Other Income	6	17,248	-17,248	0
Other Expenses	7	44,353	-44,336	18
<b>Total Other Income/(Expense)</b>		<b>50,921</b>	<b>-61,584</b>	<b>-10,663</b>
<b>Income Before Taxes</b>		<b>2,753,318</b>	<b>1,638,163</b>	<b>4,391,481</b>
Income Taxes	8		1,537,809	1,537,809
<b>Net Income/(Loss)</b>		<b>2,753,318</b>	<b>100,354</b>	<b>2,853,672</b>

## Notes

- (1) - Adjustment to remove non-recurring expenses related to non-recurring expenses related to staffing agencies.
- (2) - Adjustment to remove non-recurring expenses related to website design and job advertisements.
- (3) - Adjustment to remove discretionary life insurance policy.
- (4) - Adjustment to remove non-recurring expenses for new security cameras and them ostat for new office.
- (5) - Adjustment to reclassify federal and income tax from opex to income taxes.
- (6) - Adjustment to remove non-recurring income from tractor claim insurance payouts.
- (7) - Adjustment to remove non-recurring expenses/income for uncollected judgements awarded, etc.

## Exhibit E-4: Income Statement Adjustments (Year Ending December 31, 2021)

		Historic Year Ending December 31, 2021	Normalize /Adjust	Normalized /Adjusted December 31, 2021
<b>Revenues</b>				
Sales		16,664,142		16,664,142
Third-party Rental Fees		0		0
Disputed Sales		8,468		8,468
Discounts - Disputes, etc.		-773,490		-773,490
Services		39,220,715		39,220,715
Unapplied/Uncategorized Sales & Cash		10,111		10,111
<b>Total Revenues</b>		<b>55,129,947</b>	<b>0</b>	<b>55,129,947</b>
<b>Cost of Goods Sold</b>				
Contract Staff		456,857		456,857
Decals		2,940		2,940
Driver's Lodging		8,869		8,869
Employment Testing		46,326		46,326
Equipment Leasing		380,068		380,068
Equipment Rental		620,622		620,622
Fuel - Trucks		726,390		726,390
Misc.		63,728		63,728
Parking & Tolls		113,780		113,780
Recruitment		189,725		189,725
Registrations - Trucks		0		0
Repairs & Maintenance		495,717		495,717
Sales Commissions		0		0
Subcontractors		35,465,907		35,465,907
Temporary Labor	1	266,835	-170,903	95,932
<b>Total Cost of Goods Sold</b>		<b>38,837,765</b>	<b>-170,903</b>	<b>38,666,862</b>
<b>Gross Profit</b>		<b>16,292,182</b>	<b>170,903</b>	<b>16,463,085</b>
<b>Operating Expenses</b>				
Advertising		1,865		1,865
Automotive Expenses		110,098		110,098
Bank Charges		16,984		16,984
Building Maintenance & Repairs		65,731		65,731
Computer & Internet		19,430		19,430
Depreciation		733,828		733,828
Donations		38,517		38,517
Dues & Subscriptions		25,979		25,979
Insurance	2	2,136,267	-2,619	2,133,648
Janitorial		69,254		69,254
Late Fees		6,072		6,072
Meals & Entertainment		113,864		113,864
Medical		22,974		22,974
Merchant Fees		18,714		18,714
Misc.		124,855		124,855
Office, General & Administrative Expenses		164,321		164,321
Payroll Expenses	3	4,926,220	-107,861	4,818,359
Professional Services		339,085		339,085
Rent/Lease				
Auto		10,678		10,678
Building		401,272		401,272
Yards		1,568,644		1,568,644
<b>Total Rent/Lease</b>		<b>1,980,594</b>	<b>0</b>	<b>1,980,594</b>
Officers' Compensation				
Sales Taxes		8,038		8,038
Security Expenses		157,158		157,158
Software		109,258		109,258
Supplies		21,480		21,480
Taxes & Licenses	4	883,284	-869,641	13,643
Telephone & Internet		67,092		67,092
Travel		244,319		244,319
Utilities		27,841		27,841
<b>Total Operating Expenses</b>		<b>12,433,123</b>	<b>-980,121</b>	<b>11,453,002</b>
<b>Operating Profit</b>		<b>3,859,059</b>	<b>1,151,024</b>	<b>5,010,083</b>
<b>Other Income/(Expense)</b>				
Interest Expense		-47,772		-47,772
PPP Loan Forgiveness	5	456,430	-456,430	0
Other Income	6	124	-124	0
Other Expenses	7	-555,203	529,096	-26,107
<b>Total Other Income/(Expense)</b>		<b>-146,421</b>	<b>72,542</b>	<b>-73,880</b>
<b>Income Before Taxes</b>		<b>3,712,638</b>	<b>1,223,566</b>	<b>4,936,204</b>
Income Taxes	8		869,641	869,641
<b>Net Income/(Loss)</b>		<b>3,712,638</b>	<b>353,925</b>	<b>4,066,563</b>

## Notes

- (1) - Adjustment to remove non-recurring expenses related to non-recurring expenses related to staffing agencies.
- (2) - Adjustment to remove discretionary life insurance policy.
- (3) - Adjustment to add back salaries for non-working relatives.
- (4) - Adjustment to reclassify federal and income tax from opex to income taxes.
- (5) - Adjustment to remove non-recurring income from PPP loan that was forgiven prior to the analysis date.
- (6) - Adjustment to remove non-recurring income.

Exhibit E-5: Income Statement Adjustments (Year Ending December 31, 2020)

	Historic Year Ending December 31, 2020	Normalize /Adjust	Normalized /Adjusted December 31, 2020
<b>Revenues</b>			
Sales	18,814,201		18,814,201
Third-party Rental Fees	0		0
Disputed Sales	7,668		7,668
Dicounts - Disputes, etc.	-624,597		-624,597
Services	9,017,702		9,017,702
Unapplied/Uncategorized Sales & Cash	12,305		12,305
<b>Total Revenues</b>	<b>27,227,279</b>	<b>0</b>	<b>27,227,279</b>
<b>Cost of Goods Sold</b>			
Contract Staff	178,891		178,891
Decals	0		0
Driver's Lodging	2,903		2,903
Employment Testing	41,941		41,941
Equipment Leasing	129,093		129,093
Equipment Rental	515,886		515,886
Fuel - Trucks	840,138		840,138
Misc.	111,558		111,558
Parking & Tolls	79,450		79,450
Recruitment	90,370		90,370
Registrations - Trucks	50		50
Repairs & Maintenance	1,365,124		1,365,124
Sales Commissions	0		0
Subcontractors	16,022,783		16,022,783
Temporary Labor	112,671		112,671
<b>Total Cost of Goods Sold</b>	<b>19,490,857</b>	<b>0</b>	<b>19,490,857</b>
<b>Gross Profit</b>	<b>7,736,422</b>	<b>0</b>	<b>7,736,422</b>
<b>Operating Expenses</b>			
Advertising	9,090		9,090
Automotive Expenses	152,584		152,584
Bank Charges	2,641		2,641
Building Maintenance & Repairs	37,235		37,235
Computer & Internet	10,810		10,810
Depredation	818,118		818,118
Donations	0		0
Dues & Subscriptions	17,894		17,894
Insurance	1,683,806	-2,619	1,681,187
Janitorial	5,605		5,605
Late Fees	25,802		25,802
Meals & Entertainment	117,412		117,412
Medical	23,631		23,631
Merchant Fees	992		992
Misc.	77,974		77,974
Office, General & Administrative Expenses	136,539		136,539
Payroll Expenses	3,387,443	-128,844	3,258,599
Professional Services	245,645		245,645
Rent/Lease			
Auto	121,247		121,247
Building	51,211		51,211
Yards	422,189		422,189
<b>Total Rent/Lease</b>	<b>594,647</b>	<b>0</b>	<b>594,647</b>
Officers' Compensation			
Sales Taxes	8,242		8,242
Security Expenses	1,682		1,682
Software	88,850		88,850
Supplies	12,309		12,309
Taxes & Licenses	62,748	-15,882	46,866
Telephone & Internet	134,757		134,757
Travel	5,895		5,895
Utilities	22,911		22,911
<b>Total Operating Expenses</b>	<b>7,685,260</b>	<b>-147,345</b>	<b>7,537,915</b>
<b>Operating Profit</b>	<b>51,161</b>	<b>147,345</b>	<b>198,506</b>
<b>Other Income/(Expense)</b>			
Interest Expense	-170,989		-170,989
PPP Loan Forgiveness	0		0
Other Income	608,131	-608,131	0
Other Expenses	-388,513	276,026	-112,487
<b>Total Other Income/(Expense)</b>	<b>48,629</b>	<b>-332,105</b>	<b>-283,477</b>
<b>Income Before Taxes</b>	<b>99,790</b>	<b>-184,760</b>	<b>-84,971</b>
Income Taxes		15,882	15,882
<b>Net Income/(Loss)</b>	<b>99,790</b>	<b>-200,642</b>	<b>-100,853</b>

## Notes

- (1) - Adjustment to remove discretionary life insurance policy.
- (2) - Adjustment to bring an owner salary to market rate.
- (3) - Adjustment to add back salaries for non-working relatives.
- (4) - Adjustment to reclassify federal and income tax from opex to income taxes.

Exhibit E-6: Income Statement Adjustments (Year Ending December 31, 2019)

	Historic Year Ending December 31, 2019	Normalize /Adjust	Normalized /Adjusted December 31, 2019
<b>Revenues</b>			
Sales	12,942,415		12,942,415
Third-party Rental Fees	0		0
Disputed Sales	0		0
Dicounts - Disputes, etc.	0		0
Services	1,418		1,418
Unapplied/Uncategorized Sales & Cash	0		0
<b>Total Revenues</b>	<b>12,943,833</b>	<b>0</b>	<b>12,943,833</b>
<b>Cost of Goods Sold</b>			
Contract Staff	88,196		88,196
Decals	0		0
Driver's Lodging	4,700		4,700
Employment Testing	294		294
Equipment Leasing	59,954		59,954
Equipment Rental	239,480		239,480
Fuel - Trucks	2,116,132		2,116,132
Misc.	27,161		27,161
Parking & Tolls	3,831		3,831
Recruitment	297		297
Registrations - Trucks	0		0
Repairs & Maintenance	380,629		380,629
Sales Commissions	0		0
Subcontractors	5,846,280		5,846,280
Temporary Labor	0		0
<b>Total Cost of Goods Sold</b>	<b>8,766,955</b>	<b>0</b>	<b>8,766,955</b>
<b>Gross Profit</b>	<b>4,176,879</b>	<b>0</b>	<b>4,176,879</b>
<b>Operating Expenses</b>			
Advertising	2,858		2,858
Automotive Expenses	41,607		41,607
Bank Charges	26,425		26,425
Building Maintenance & Repairs	85,660		85,660
Computer & Internet	3,200		3,200
Depreciation	934,232		934,232
Donations	50		50
Dues & Subscriptions	15,470		15,470
Insurance	857,061	-7,364	849,697
Janitorial	0		0
Late Fees	15,735		15,735
Meals & Entertainment	7,731		7,731
Medical	14,214		14,214
Merchant Fees	94		94
Misc.	115,641		115,641
Office, General & Administrative Expenses	167,810		167,810
Payroll Expenses	2,394,782		2,394,782
Professional Services	130,017		130,017
Rent/Lease			
Auto	17,020		17,020
Building	33,850		33,850
Yards	150,400		150,400
<b>Total Rent/Lease</b>	<b>201,270</b>	<b>0</b>	<b>201,270</b>
Officers' Compensation			
Sales Taxes	9,585		9,585
Security Expenses	21,152		21,152
Software	1,749		1,749
Supplies	0		0
Taxes & Licenses	70,213	-65,953	4,260
Telephone & Internet	9,945		9,945
Travel	7,799		7,799
Utilities	15,808		15,808
<b>Total Operating Expenses</b>	<b>5,150,108</b>	<b>-73,317</b>	<b>5,076,791</b>
<b>Operating Profit</b>	<b>-973,230</b>	<b>73,317</b>	<b>-899,913</b>
<b>Other Income/(Expense)</b>			
Interest Expense	-97,260		-97,260
PPP Loan Forgiveness	0		0
Other Income	1,455,281	-1,455,281	0
Other Expenses	-1,098,938	999,555	-99,383
<b>Total Other Income/(Expense)</b>	<b>259,083</b>	<b>-455,726</b>	<b>-196,643</b>
<b>Income Before Taxes</b>	<b>-714,147</b>	<b>-382,409</b>	<b>-1,096,556</b>
Income Taxes	5	65,953	65,953
<b>Net Income/(Loss)</b>	<b>-714,147</b>	<b>-448,362</b>	<b>-1,162,509</b>

## Notes

- (1) - Adjustment to remove discretionary life insurance policy.
- (2) - Adjustment to reclassify federal and income tax from opex to income taxes.
- (3) - Adjustment to remove non-recurring income from related party.
- (4) - Adjustment to remove non-recurring expenses/income for uncollected judgements awarded, etc.

Exhibit E-7: Adjusted Income Statements

	Period Ending June 30, 2022	Year Ending December 31, 2021	Year Ending December 31, 2020	Year Ending December 31, 2019
<b>Revenues</b>				
Sales	26,926,404	16,664,142	18,814,201	12,942,415
Third-party Rental Fees	51,700	0	0	0
Disputed Sales	285,114	8,468	7,668	0
Discounts - Disputes, etc.	-58,712	-773,490	-624,597	0
Services	5,379,742	39,220,715	9,017,702	1,418
Unapplied/Uncategorized Sales & Cash	0	10,111	12,305	0
<b>Total Revenues</b>	<b>32,584,247</b>	<b>55,129,947</b>	<b>27,227,279</b>	<b>12,943,833</b>
<b>Cost of Goods Sold</b>				
Contract Staff	405,415	456,857	178,891	88,196
Decals	5,366	2,940	0	0
Driver's Lodging	1,077	8,869	2,903	4,700
Employment Testing	46,822	46,326	41,941	294
Equipment Leasing	791,401	380,068	129,093	59,954
Equipment Rental	880,457	620,622	515,886	239,480
Fuel - Trucks	766,978	726,390	840,138	2,116,132
Misc.	-4,901	63,728	111,558	27,161
Parking & Tolls	1,877	113,780	79,450	3,831
Recruitment	78,140	189,725	90,370	297
Registrations - Trucks	81,801	0	50	0
Repairs & Maintenance	413,271	495,717	1,365,124	380,629
Sales Commissions	21,000	0	0	0
Subcontractors	16,827,580	35,465,907	16,022,783	5,846,280
Temporary Labor	191,771	95,932	112,671	0
<b>Total Cost of Goods Sold</b>	<b>20,508,056</b>	<b>38,666,862</b>	<b>19,490,857</b>	<b>8,766,955</b>
<b>Gross Profit</b>	<b>12,076,191</b>	<b>16,463,085</b>	<b>7,736,422</b>	<b>4,176,879</b>
<b>Operating Expenses</b>				
Advertising	4,604	1,865	9,090	2,858
Automotive Expenses	5,362	110,098	152,584	41,607
Bank Charges	4,928	16,984	2,641	26,425
Building Maintenance & Repairs	11,895	65,731	37,235	85,660
Computer & Internet	15,778	19,430	10,810	3,200
Depreciation	288,936	733,828	818,118	934,232
Donations	31,626	38,517	0	50
Dues & Subscriptions	41,454	25,979	17,894	15,470
Insurance	851,877	2,133,648	1,681,187	849,697
Janitorial	41,092	69,254	5,605	0
Late Fees	1,181	6,072	25,802	15,735
Meals & Entertainment	23,446	113,864	117,412	7,731
Medical	2,575	22,974	23,631	14,214
Merchant Fees	34,429	18,714	992	94
Misc.	23,138	124,855	77,974	115,641
Office, General & Administrative Expenses	42,803	164,321	136,539	167,810
Payroll Expenses	4,111,621	4,818,359	3,258,599	2,394,782
Professional Services	176,549	339,085	245,645	130,017
Rent/Lease				
Auto	5,805	10,678	121,247	17,020
Building	523,071	401,272	51,211	33,850
Yards	893,886	1,568,644	422,189	150,400
<b>Total Rent/Lease</b>	<b>1,422,762</b>	<b>1,980,594</b>	<b>594,647</b>	<b>201,270</b>
Officers' Compensation				
Sales Taxes	21,166	8,038	8,242	9,585
Security Expenses	170,737	157,158	1,682	21,152
Software	109,563	109,258	88,850	1,749
Supplies	14,543	21,480	12,309	0
Taxes & Licenses	48,627	13,643	46,866	4,260
Telephone & Internet	41,977	67,092	134,757	9,945
Travel	103,380	244,319	5,895	7,799
Utilities	27,997	27,841	22,911	15,808
<b>Total Operating Expenses</b>	<b>7,674,048</b>	<b>11,453,002</b>	<b>7,537,915</b>	<b>5,076,791</b>
<b>Operating Profit</b>	<b>4,402,144</b>	<b>5,010,083</b>	<b>198,506</b>	<b>-899,913</b>
<b>Other Income/(Expense)</b>				
Interest Expense	-10,680	-47,772	-170,989	-97,260
PPP Loan Forgiveness	0	0	0	0
Other Income	0	0	0	0
Other Expenses	18	-26,107	-112,487	-99,383
<b>Total Other Income/(Expense)</b>	<b>-10,663</b>	<b>-73,880</b>	<b>-283,477</b>	<b>-196,643</b>
<b>Income Before Taxes</b>	<b>4,391,481</b>	<b>4,936,204</b>	<b>-84,971</b>	<b>-1,096,556</b>
Income Taxes	1,537,809	869,641	15,882	65,953
<b>Net Income/(Loss)</b>	<b>2,853,672</b>	<b>4,066,563</b>	<b>-100,853</b>	<b>-1,162,509</b>



Exhibit E-8: Common Size Adjusted Income Statements

	Period Ending June 30, 2022	Year Ending December 31, 2021	Year Ending December 31, 2020	Year Ending December 31, 2019
<b>Revenues</b>				
Sales	82.64%	30.23%	69.10%	99.99%
Third-party Rental Fees	0.16%	0.00%	0.00%	0.00%
Disputed Sales	0.88%	0.02%	0.03%	0.00%
Dicounts - Disputes, etc.	-0.18%	-1.40%	-2.29%	0.00%
Services	16.51%	71.14%	33.12%	0.01%
Unapplied/Uncategorized Sales & Cash	0.00%	0.02%	0.05%	0.00%
<b>Total Revenues</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Cost of Goods Sold</b>				
Contract Staff	1.24%	0.83%	0.66%	0.68%
Decals	0.02%	0.01%	0.00%	0.00%
Driver's Lodging	0.00%	0.02%	0.01%	0.04%
Employment Testing	0.14%	0.08%	0.15%	0.00%
Equipment Leasing	2.43%	0.69%	0.47%	0.46%
Equipment Rental	2.70%	1.13%	1.89%	1.85%
Fuel - Trucks	2.35%	1.32%	3.09%	16.35%
Misc.	-0.02%	0.12%	0.41%	0.21%
Parking & Tolls	0.01%	0.21%	0.29%	0.03%
Recruitment	0.24%	0.34%	0.33%	0.00%
Registrations - Trucks	0.25%	0.00%	0.00%	0.00%
Repairs & Maintenance	1.27%	0.90%	5.01%	2.94%
Sales Commissions	0.06%	0.00%	0.00%	0.00%
Subcontractors	51.64%	64.33%	58.85%	45.17%
Temporary Labor	0.59%	0.17%	0.41%	0.00%
<b>Total Cost of Goods Sold</b>	<b>62.94%</b>	<b>70.14%</b>	<b>71.59%</b>	<b>67.73%</b>
<b>Gross Profit</b>	<b>37.06%</b>	<b>29.86%</b>	<b>28.41%</b>	<b>32.27%</b>
<b>Operating Expenses</b>				
Advertising	0.01%	0.00%	0.03%	0.02%
Automotive Expenses	0.02%	0.20%	0.56%	0.32%
Bank Charges	0.02%	0.03%	0.01%	0.20%
Building Maintenance & Repairs	0.04%	0.12%	0.14%	0.66%
Computer & Internet	0.05%	0.04%	0.04%	0.02%
Depreciation	0.89%	1.33%	3.00%	7.22%
Donations	0.10%	0.07%	0.00%	0.00%
Dues & Subscriptions	0.13%	0.05%	0.07%	0.12%
Insurance	2.61%	3.87%	6.17%	6.56%
Janitorial	0.13%	0.13%	0.02%	0.00%
Late Fees	0.00%	0.01%	0.09%	0.12%
Meals & Entertainment	0.07%	0.21%	0.43%	0.06%
Medical	0.01%	0.04%	0.09%	0.11%
Merchant Fees	0.11%	0.03%	0.00%	0.00%
Misc.	0.07%	0.23%	0.29%	0.89%
Office, General & Administrative Expenses	0.13%	0.30%	0.50%	1.30%
Payroll Expenses	12.62%	8.74%	11.97%	18.50%
Professional Services	0.54%	0.62%	0.90%	1.00%
Rent/Lease				
Auto	0.02%	0.02%	0.45%	0.13%
Building	1.61%	0.73%	0.19%	0.26%
Yards	2.74%	2.85%	1.55%	1.16%
<b>Total Rent/Lease</b>	<b>4.37%</b>	<b>3.59%</b>	<b>2.18%</b>	<b>1.55%</b>
Officers' Compensation				
Sales Taxes	0.06%	0.01%	0.03%	0.07%
Security Expenses	0.52%	0.29%	0.01%	0.16%
Software	0.34%	0.20%	0.33%	0.01%
Supplies	0.04%	0.04%	0.05%	0.00%
Taxes & Licenses	0.15%	0.02%	0.17%	0.03%
Telephone & Internet	0.13%	0.12%	0.49%	0.08%
Travel	0.32%	0.44%	0.02%	0.06%
Utilities	0.09%	0.05%	0.08%	0.12%
<b>Total Operating Expenses</b>	<b>23.55%</b>	<b>20.77%</b>	<b>27.69%</b>	<b>39.22%</b>
<b>Operating Profit</b>	<b>13.51%</b>	<b>9.09%</b>	<b>0.73%</b>	<b>-6.95%</b>
<b>Other Income/(Expense)</b>				
Interest Expense	-0.03%	-0.09%	-0.63%	-0.75%
PPP Loan Forgiveness	0.00%	0.00%	0.00%	0.00%
Other Income	0.00%	0.00%	0.00%	0.00%
Other Expenses	0.00%	-0.05%	-0.41%	-0.77%
<b>Total Other Income/(Expense)</b>	<b>-0.03%</b>	<b>-0.13%</b>	<b>-1.04%</b>	<b>-1.52%</b>
<b>Income Before Taxes</b>	<b>13.48%</b>	<b>8.95%</b>	<b>-0.31%</b>	<b>-8.47%</b>
Income Taxes	4.72%	1.58%	0.06%	0.51%
<b>Net Income/(Loss)</b>	<b>8.76%</b>	<b>7.38%</b>	<b>-0.37%</b>	<b>-8.98%</b>

Exhibit E-9: Balance Sheet Adjustments (Month Ending June 30, 2022)

	Period Ended June 30, 2022	Normalize /Adjust	Normalized /Adjusted June 30, 2022
<b>Assets:</b>			
<b>Current Assets</b>			
Cash			
Checking	4,352,323		4,352,323
Total Cash	4,352,323	0	4,352,323
Accounts Receivable	686,029		686,029
Inventory			
Other Current Assets			
Due/to from 7683	-8,000		-8,000
Other	0		0
Total Other Current Assets	-8,000	0	-8,000
Total Current Assets	5,030,352	0	5,030,352
<b>Fixed Assets - Net</b>			
Fixed Assets - Cost			
Buildings	193,095		193,095
Furniture & Fixtures	16,650		16,650
Land			
Machinery & Equipment	106,610		106,610
Vehicles	4,905,288		4,905,288
Total Fixed Assets - Cost	5,221,644	0	5,221,644
Accumulated Depreciation			
Buildings	-10,077		-10,077
Furniture & Fixtures	-925		-925
Machinery & Equipment	-37,420		-37,420
Tractors & Trailers	-3,850,929		-3,850,929
Total Accumulated Depreciation	-3,899,351	0	-3,899,351
Total Fixed Assets - Net	1,322,293	0	1,322,293
<b>Intangible Assets - Net</b>			
<b>Other Non-Current Assets</b>			
Other Assets			
Security Deposit	37,200		37,200
Total Other Assets	37,200	0	37,200
Non-Operating Assets			
Total Other Non-Current Assets	37,200	0	37,200
<b>Total Assets</b>	<b>6,389,845</b>	<b>0</b>	<b>6,389,845</b>
<b>Liabilities and Equity:</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	844,489		844,489
Credit Cards (3 accounts)	9,141		9,141
Other Current Liabilities			
Due to/ from 2967	-1,585		-1,585
Due to/from Ponce Ground Inc	-17,090		-17,090
PPP Loan	0		0
Total Other Current Liabilities	-18,675	0	-18,675
Total Current Liabilities	834,956	0	834,956
<b>Long-Term Debt</b>			
Settlement	329,535		329,535
Leased Vehicles			
BMO - Loan Payable - 1001	85,919	0	85,919
BMO - Loan Payable - 6002	230,308		230,308
Bush - Loan Payable Total	124,427		124,427
Crossroads - Loan Payable Total	55,441		55,441
Keystone - Loan Payable Total	0		0
Tab - Loan Payable	-8,573		-8,573
Volvo - Loan Payable Total	211,329		211,329
Total Leased Vehicles	698,850	0	698,850
Northmill	0		0
SBA Loan	2,009,900		2,009,900
Working Capital Loans	0		0
Total Long-Term Debt	3,038,285	0	3,038,285
<b>Other Non-Current Liabilities</b>			
Total Liabilities	3,873,241	0	3,873,241
<b>Equity</b>			
Owners Contribution	221,311		221,311
Shareholder's Distribution	-1,056,450		-1,056,450
Alan Ponce	-3,213,080		-3,213,080
Olga & Miguel Ponce	-4,016,127		-4,016,127
Total Shareholder's Distribution	-8,285,657	0	-8,285,657
Net Income	2,753,318		2,753,318
Retained Earnings	7,827,632	0	7,827,632
Total Equity	2,516,604	0	2,516,604
<b>Total Liabilities and Equity</b>	<b>6,389,845</b>	<b>0</b>	<b>6,389,845</b>



Exhibit E-10: Adjusted Balance Sheets

	Adjusted Period Ended June 30, 2022	Adjusted Year Ended December 31, 2021	Adjusted Year Ended December 31, 2020	Adjusted Year Ended December 31, 2019
	Out of Balance			Out of Balance
<b>Assets:</b>				
<b>Current Assets</b>				
Cash				
Checking	4,352,323	2,109,033	1,536,897	-56,128
Total Cash	4,352,323	2,109,033	1,536,897	-56,128
Accounts Receivable	686,029	439,449	177,082	482,307
Inventory				
Other Current Assets				
Due/to from 7683	-8,000	0	0	0
Other	0	22,200	12,150	0
Total Other Current Assets	-8,000	22,200	12,150	0
<b>Total Current Assets</b>	<b>5,030,352</b>	<b>2,570,682</b>	<b>1,726,128</b>	<b>426,180</b>
<b>Fixed Assets - Net</b>				
Fixed Assets - Cost				
Buildings	193,095	166,395	60,250	36,250
Furniture & Fixtures	16,650	0	0	0
Land				
Machinery & Equipment	106,610	106,610	28,780	19,000
Vehicles	4,905,288	4,385,788	4,343,333	4,169,630
Total Fixed Assets - Cost	5,221,644	4,658,793	4,432,363	4,224,880
Accumulated Depreciation				
Buildings	-10,077	-6,950	-3,249	-1,758
Furniture & Fixtures	-925	0	0	0
Machinery & Equipment	-37,420	-22,818	-15,306	-8,972
Tractors & Trailers	-3,850,929	-3,560,646	-2,915,576	-2,105,283
Total Accumulated Depreciation	-3,899,351	-3,590,414	-2,934,131	-2,116,013
<b>Total Fixed Assets - Net</b>	<b>1,322,293</b>	<b>1,068,379</b>	<b>1,498,232</b>	<b>2,108,867</b>
<b>Intangible Assets - Net</b>				
<b>Other Non-Current Assets</b>				
Other Assets				
Security Deposit	37,200	37,200	12,200	12,200
Total Other Assets	37,200	37,200	12,200	12,200
Non-Operating Assets				
Total Other Non-Current Assets	37,200	37,200	12,200	12,200
<b>Total Assets</b>	<b>6,389,845</b>	<b>3,676,261</b>	<b>3,236,560</b>	<b>2,547,247</b>
<b>Liabilities and Equity:</b>				
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	844,489	247,123	0	0
Credit Cards (3 accounts)	9,141	29,232	13,177	1,478
Other Current Liabilities				
Due to/ from 2967	-1,585	0	0	0
Due to/from Ponce Ground Inc	-17,090	0	0	0
PPP Loan	0	0	456,430	0
Total Other Current Liabilities	-18,675	0	456,430	0
<b>Total Current Liabilities</b>	<b>834,956</b>	<b>276,355</b>	<b>469,607</b>	<b>1,478</b>
<b>Long-Term Debt</b>				
Settlement	329,535	450,000	150,000	0
Leased Vehicles				
BMO - Loan Payable - 1001	85,919	110,870	157,844	187,181
BMO - Loan Payable - 6002	230,308	230,308	230,308	230,308
Bush - Loan Payable Total	124,427	241,894	585,435	1,025,090
Crossroads - Loan Payable Total	55,441	104,832	213,926	375,980
Keystone - Loan Payable Total	0	0	7,986	25,743
Tab - Loan Payable	-8,573	0	19,193	42,538
Volvo - Loan Payable Total	211,329	264,292	370,218	458,489
Total Leased Vehicles	698,850	952,195	1,584,910	2,345,329
Northmill	0	0	0	20,838
SBA Loan	2,009,900	159,900	159,900	0
Working Capital Loans	0	25,343	133,346	130,766
Total Long-Term Debt	3,038,285	1,587,437	2,028,157	2,496,933
<b>Other Non-Current Liabilities</b>				
<b>Total Liabilities</b>	<b>3,873,241</b>	<b>1,863,792</b>	<b>2,497,763</b>	<b>2,498,411</b>
<b>Equity</b>				
Owners Contribution	221,311	221,311	221,311	255,911
Shareholder's Distribution	-1,056,450	-1,056,450	-1,056,450	-1,285,746
Alan Ponce	-3,213,080	-1,868,011	63,862	0
Olga & Miguel Ponce	-4,016,127	-3,312,014	-1,525,776	-682,027
Total Shareholder's Distribution	-8,285,657	-6,236,475	-2,518,365	-1,967,773
Net Income	2,753,318	3,712,638	99,790	-714,147
Retained Earnings	7,827,632	4,114,995	2,936,061	2,474,845
<b>Total Equity</b>	<b>2,516,604</b>	<b>1,812,468</b>	<b>738,797</b>	<b>48,836</b>
<b>Total Liabilities and Equity</b>	<b>6,389,845</b>	<b>3,676,261</b>	<b>3,236,560</b>	<b>2,547,247</b>

Exhibit E-11: Common Size Adjusted Balance Sheets

	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019
<b>Assets:</b>				
<b>Current Assets</b>				
Cash				
Checking	68.11%	57.37%	47.49%	-2.20%
Total Cash	68.11%	57.37%	47.49%	-2.20%
Accounts Receivable	10.74%	11.95%	5.47%	18.93%
Inventory				
Other Current Assets				
Due/to from 7683	-0.13%	0.00%	0.00%	0.00%
Other	0.00%	0.60%	0.38%	0.00%
Total Other Current Assets	-0.13%	0.60%	0.38%	0.00%
<b>Total Current Assets</b>	<b>78.72%</b>	<b>69.93%</b>	<b>53.33%</b>	<b>16.73%</b>
<b>Fixed Assets - Net</b>				
Fixed Assets - Cost				
Buildings	3.02%	4.53%	1.86%	1.42%
Furniture & Fixtures	0.26%	0.00%	0.00%	0.00%
Land				
Machinery & Equipment	1.67%	2.90%	0.89%	0.75%
Vehicles	76.77%	119.30%	134.20%	163.69%
Total Fixed Assets - Cost	81.72%	126.73%	136.95%	165.86%
Accumulated Depreciation				
Buildings	-0.16%	-0.19%	-0.10%	-0.07%
Furniture & Fixtures	-0.01%	0.00%	0.00%	0.00%
Machinery & Equipment	-0.59%	-0.62%	-0.47%	-0.35%
Tractors & Trailers	-60.27%	-96.86%	-90.08%	-82.65%
Total Accumulated Depreciation	-61.02%	-97.66%	-90.66%	-83.07%
<b>Total Fixed Assets - Net</b>	<b>20.69%</b>	<b>29.06%</b>	<b>46.29%</b>	<b>82.79%</b>
<b>Intangible Assets - Net</b>				
<b>Other Non-Current Assets</b>				
Other Assets				
Security Deposit	0.58%	1.01%	0.38%	0.48%
Total Other Assets	0.58%	1.01%	0.38%	0.48%
Non-Operating Assets				
Total Other Non-Current Assets	0.58%	1.01%	0.38%	0.48%
<b>Total Assets</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Liabilities and Equity:</b>				
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	13.22%	6.72%	0.00%	0.00%
Credit Cards (3 accounts)	0.14%	0.80%	0.41%	0.06%
Other Current Liabilities				
Due to/ from 2967	-0.02%	0.00%	0.00%	0.00%
Due to/from Ponce Ground Inc	-0.27%	0.00%	0.00%	0.00%
PPP Loan	0.00%	0.00%	14.10%	0.00%
Total Other Current Liabilities	-0.29%	0.00%	14.10%	0.00%
<b>Total Current Liabilities</b>	<b>13.07%</b>	<b>7.52%</b>	<b>14.51%</b>	<b>0.06%</b>
<b>Long-Term Debt</b>				
Settlement	5.16%	12.24%	4.63%	0.00%
Leased Vehicles				
BMO - Loan Payable - 1001	1.34%	3.02%	4.88%	7.35%
BMO - Loan Payable - 6002	3.60%	6.26%	7.12%	9.04%
Bush - Loan Payable Total	1.95%	6.58%	18.09%	40.24%
Crossroads - Loan Payable Total	0.87%	2.85%	6.61%	14.76%
Keystone - Loan Payable Total	0.00%	0.00%	0.25%	1.01%
Tab - Loan Payable	-0.13%	0.00%	0.59%	1.67%
Volvo - Loan Payable Total	3.31%	7.19%	11.44%	18.00%
Total Leased Vehicles	10.94%	25.90%	48.97%	92.07%
Northmill	0.00%	0.00%	0.00%	0.82%
SBA Loan	31.45%	4.35%	4.94%	0.00%
Working Capital Loans	0.00%	0.69%	4.12%	5.13%
<b>Total Long-Term Debt</b>	<b>47.55%</b>	<b>43.18%</b>	<b>62.66%</b>	<b>98.02%</b>
<b>Other Non-Current Liabilities</b>				
<b>Total Liabilities</b>	<b>60.62%</b>	<b>50.70%</b>	<b>77.17%</b>	<b>98.08%</b>
<b>Equity</b>				
Owners Contribution	3.46%	6.02%	6.84%	10.05%
Shareholder's Distribution	-16.53%	-28.74%	-32.64%	-50.48%
Alan Ponce	-50.28%	-50.81%	1.97%	0.00%
Olga & Miguel Ponce	-62.85%	-90.09%	-47.14%	-26.78%
Total Shareholder's Distribution	-129.67%	-169.64%	-77.81%	-77.25%
Net Income	43.09%	100.99%	3.08%	-28.04%
Retained Earnings	122.50%	111.93%	90.72%	97.16%
<b>Total Equity</b>	<b>39.38%</b>	<b>49.30%</b>	<b>22.83%</b>	<b>1.92%</b>
<b>Total Liabilities and Equity</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>



Exhibit E-13: Industry Comparative Balance Sheet (adjusted)

Based On Adjusted Financial Statements	Subject		RMA	RMA
	December 31 2022		2021	Valuation Edition P-Tile Rank
<b>ASSETS</b>				
Cash	4,352,323	68.11%	14.50%	Over 90th P-Tile
Accounts Receivable	686,029	10.74%	31.60%	13th P-Tile
Inventory	0	0.00%	1.70%	50th P-Tile
Other Current	-8,000	-0.13%	3.70%	Under 10th P-Tile
Total Current Assets	5,030,352	78.72%	51.60%	78th P-Tile
Fixed Assets	1,322,293	20.69%	35.40%	36th P-Tile
Net Intangible	0	0.00%	4.60%	40th P-Tile
All Other Non-Current	37,200	0.58%	8.40%	18th P-Tile
Total Assets	6,389,845	100.00%	100.00%	
[SIC]				
<b>LIABILITIES &amp; EQUITY</b>				
Accounts Payable	844,489	13.22%	10.70%	Under 10th P-Tile
Short Term Notes Payable	9,141	0.14%	4.90%	60th P-Tile
Current Portion of LT Debt	0	0.00%	7.60%	20th P-Tile
Other Current Liabilities	-18,675	-0.29%	10.20%	Under 10th P-Tile
Total Current Liabilities	834,956	13.07%	33.40%	14th P-Tile
Long Term Debt	3,038,285	47.55%	27.00%	81st P-Tile
All Other Liabilities	0	0.00%	3.90%	50th P-Tile
Total Liabilities	3,873,241	60.62%		
Total Equity	2,516,604	39.38%	35.70%	56th P-Tile
Total Liabilities & Equity	6,389,845	100.00%	100.00%	

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Exhibit E-14: Liquidity Ratios (based on adjusted financial statements)

Based On Adjusted Financial Statements	RMA 2021 Subject 2022	RMA 2021 Subject 2021	RMA 2020 Subject 2020	RMA 2019 Subject 2019
<b>LIQUIDITY RATIOS:</b>				
Upper Current Ratio	2.30	2.30	2.00	2.00
Median Current Ratio	1.50	1.50	1.40	1.30
Lower Current Ratio	1.10	1.10	1.00	0.90
Subject Current Ratio	6.02	9.30	3.68	288.39
P-Tile Rank	Over 90th P-Tile	Over 90th P-Tile	Over 90th P-Tile	Over 90th P-Tile
Upper Quick Ratio	2.20	2.20	1.80	1.80
Median Quick Ratio	1.30	1.30	1.20	1.20
Lower Quick Ratio	0.90	0.90	0.70	0.80
Subject Quick Ratio	6.03	9.22	3.65	288.39
P-Tile Rank	Over 90th P-Tile	Over 90th P-Tile	Over 90th P-Tile	Over 90th P-Tile
Upper Sales/Receivables	11.20	11.20	13.10	14.70
Median Sales/Receivables	8.70	8.70	9.70	9.40
Lower Sales/Receivables	7.00	7.00	8.00	7.70
Subject Sales/Receivables	47.50	125.45	153.76	26.84
P-Tile Rank	Over 90th P-Tile	Over 90th P-Tile	Over 90th P-Tile	Over 90th P-Tile
Upper Days' Receivables	33	33	28	25
Median Days' Receivables	42	42	38	39
Lower Days' Receivables	52	52	46	47
Subject Days' Receivables	8	3	2	14
P-Tile Rank	Over 90th P-Tile	Over 90th P-Tile	Over 90th P-Tile	Over 90th P-Tile
Upper Cost of Sales/Inventory	0.00	0.00	0.00	0.00
Median Cost of Sales/Inventory	0.00	0.00	0.00	0.00
Lower Cost of Sales/Inventory	0.00	0.00	0.00	0.00
Subject Cost of Sales/Inventory	0.00	0.00	0.00	0.00
P-Tile Rank	Over 90th P-Tile	Over 90th P-Tile	Over 90th P-Tile	Over 90th P-Tile
Upper Days' Inventory	0	0	0	0
Median Days' Inventory	0	0	0	0
Lower Days' Inventory	0	0	0	0
Subject Days' Inventory	0	0	0	0
P-Tile Rank	Over 90th P-Tile	Over 90th P-Tile	Over 90th P-Tile	Over 90th P-Tile
Upper Cost of Sales/Payables	0.00	0.00	0.00	0.00
Median Cost of Sales/Payables	0.00	0.00	0.00	0.00
Lower Cost of Sales/Payables	0.00	0.00	0.00	0.00
Subject Cost of Sales/Payables	24.28	156.47	0.00	0.00
P-Tile Rank	Over 90th P-Tile	Over 90th P-Tile	Over 90th P-Tile	Over 90th P-Tile
Upper Days' Payables	0	0	0	0
Median Days' Payables	0	0	0	0
Lower Days' Payables	0	0	0	0
Subject days' Payables	15	2	0	0
P-Tile Rank	#DIV/0!	Under 10th P-Tile	Over 90th P-Tile	Over 90th P-Tile
Upper Sales/Working Capital	8.20	8.20	10.60	12.30
Median Sales/Working Capital	14.30	14.30	25.30	31.50
Lower Sales/Working Capital	77.10	77.10	-704.10	-70.50
Subject Sales/Working Capital	7.77	24.03	21.67	30.48

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Exhibit E-15: Coverage and Leverage Ratios (based on adjusted financial statements)

Based On Adjusted Financial Statements	RMA 2021 Subject 2022	RMA 2021 Subject 2021	RMA 2020 Subject 2020	RMA 2019 Subject 2019
<b>COVERAGE RATIOS:</b>				
Upper Earnings Before Interest & Taxes/Interest	14.10	14.10	10.90	17.10
Median Earnings Before Interest & Taxes/Interest	6.90	6.90	4.80	6.20
Lower Earnings Before Interest & Taxes/Interest	3.00	3.00	1.80	2.40
Subject Earnings Before Interest & Taxes/Interest	412.19	104.33	0.50	N/A
P-Tile Rank	Over 90th P-Tile	Over 90th P-Tile	12th P-Tile	Over 90th P-Tile
Upper Net Profit + Depr.,Dep.,Amort./Cur.Mat.L/T/D	3.80	3.80	6.10	4.70
Median Net Profit + Depr.,Dep.,Amort./Cur.Mat.L/T/D	2.10	2.10	1.90	1.80
Lower Net Profit + Depr.,Dep.,Amort./Cur.Mat.L/T/D	1.30	1.30	1.30	1.20
Subject Net Profit + Depr.,Dep.,Amort./Cur.Mat.L/T/D	0.00	0.00	0.00	0.00
P-Tile Rank	Under 10th P-Tile	Under 10th P-Tile	Under 10th P-Tile	Under 10th P-Tile
<b>LEVERAGE RATIOS:</b>				
Upper Fixed/Worth	0.30	0.30	0.50	0.60
Median Fixed/Worth	1.20	1.20	1.20	1.30
Lower Fixed/Worth	2.40	2.40	2.20	2.60
Subject Fixed/Worth	0.53	0.59	2.03	43.18
Upper Debt/Worth	0.90	0.90	0.90	0.80
Median Debt/Worth	2.00	2.00	1.60	1.90
Lower Debt/Worth	5.10	5.10	3.30	4.00
Subject Debt/Worth	1.54	1.03	3.38	51.16
RMA Debt/Equity	1.80	1.80	1.61	1.79
Subject Debt/Equity	1.54	1.03	3.38	51.16
NAICS	484110	484110	484110	484110

Exhibit E-16: Operating Ratios (based on adjusted financial statements)

Based On Adjusted Financial Statements	RMA 2021 Subject 2022	RMA 2021 Subject 2021	RMA 2020 Subject 2020	RMA 2019 Subject 2019
<b>OPERATING RATIOS:</b>				
RMA Gross Profit Margin	100.00%	100.00%	100.00%	100.00%
Subject Gross Profit Margin	37.06%	29.86%	28.41%	32.27%
P-Tile Rank	Under 10th P-Tile	Under 10th P-Tile	Under 10th P-Tile	Under 10th P-Tile
Upper % Profits Before Taxes/Tangible Net Worth	52.50%	52.50%	38.50%	55.10%
Median % Profits Before Taxes/Tangible Net Worth	27.10%	27.10%	17.70%	27.00%
Lower % Profits Before Taxes/Tangible Net Worth	14.70%	14.70%	7.70%	13.50%
Subject % Profits Before Taxes/Tangible Net Worth	174.50%	272.35%	N/A	N/A
P-Tile Rank	Over 90th P-Tile	Over 90th P-Tile	#VALUE!	#VALUE!
Upper % Profits Before Taxes/Total Assets	19.00%	19.00%	14.10%	16.50%
Median % Profits Before Taxes/Total Assets	9.80%	9.80%	7.20%	9.40%
Lower % Profits Before Taxes/Total Assets	3.80%	3.80%	1.90%	3.70%
Subject % Profits Before Taxes/Total Assets	68.73%	134.27%	N/A	N/A
P-Tile Rank	Over 90th P-Tile	Over 90th P-Tile	#VALUE!	#VALUE!
Upper Sales/Net Fixed Assets	49.50	49.50	25.40	21.10
Median Sales/Net Fixed Assets	6.10	6.10	5.50	6.70
Lower Sales/Net Fixed Assets	2.70	2.70	2.40	2.70
Subject Sales/Net Fixed Assets	24.64	51.60	18.17	6.14
P-Tile Rank	70th P-Tile	81st P-Tile	71st P-Tile	49th P-Tile
Upper Sales/Total Assets	3.80	3.80	4.30	4.20
Median Sales/Total Assets	1.90	1.90	2.40	2.80
Lower Sales/Total Assets	1.30	1.30	1.40	1.60
Subject Sales/Total Assets	5.10	15.00	8.41	5.08
P-Tile Rank	85th P-Tile	Over 90th P-Tile	Over 90th P-Tile	84th P-Tile

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## APPENDIX F

Glossary of Terms

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## Purpose

*The Glossary of Terms was developed to be useful to the intended users reading this report.*

### Adjusted EBITDA:

EBITDA adjusted for nonrecurring, non-economic or other unusual items to eliminate anomalies and/or facilitate comparisons.

### Analysis Date:

The specific point in time as of which the analyst's findings apply (also referred to as "Effective Date" or "Review Date").

### Business:

See Business Enterprise.

### Business Enterprise:

A commercial, industrial, service, or investment entity (or a combination thereof) pursuing an economic activity.

### Business Risk:

The degree of uncertainty of realizing expected future returns of the business resulting from factors other than financial leverage. See Financial Risk.

### Common Size Statements:

Financial statements in which each line is expressed as a percentage of the total. On the Balance sheet, each line item is shown as a percentage of total assets, and on the income statement, each item is expressed as a percentage of sales.

### EBITDA:

An acronym for earnings before interest, tax, depreciation and amortization, is a widely used measure of core corporate profitability and is often used as an alternate measure of profitability to net income. EBITDA is calculated by adding interest, tax, depreciation, and amortization expenses to net income. EBITDA can also be calculated by adding interest, depreciation, and amortization expenses to pre-tax income.

### Effective Date:

See Analysis Date.

### Enterprise:

See Business Enterprise.

### Equity:

The owner's interest in property after deduction of all liabilities.

### Fairness Opinion:

An opinion as to whether or not the consideration in a transaction is fair from a financial point of view.

### Financial Risk:

The degree of uncertainty of realizing expected future returns of the business resulting from financial leverage. See Business Risk.

### Going Concern:

An ongoing operating business enterprise.

### Goodwill:

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

### 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 and privileges and have value for the owner.

### Liquidity:

The ability to quickly convert property to cash or pay a liability.

### Non-Operating Assets:

Assets not necessary to ongoing operations of the business enterprise. (NOTE: in Canada, the term used is "Redundant Assets.")

### Normalized Earnings:

Economic benefits adjusted for nonrecurring, non-economic or other unusual items to eliminate anomalies and/or facilitate comparisons.

**Normalized Financial Statements:**

Financial statements adjusted for non-operating assets and liabilities and/or for non-recurring, noneconomic or other unusual items to eliminate anomalies and/or facilitate comparisons.

**QOE or QoE:**

Acronym for quality of earnings

**Quality of Earnings:**

In general, a company's quality of earnings is revealed by dismissing any anomalies, one-time events, and/or accounting tricks that may skew the real bottom-line numbers on performance. Once these are removed, the earnings that are derived from higher sales or lower costs can be seen clearly.

**Report Date:**

The date conclusions are transmitted to the client.

**Review Date:**

See Analysis Date.

**Tangible Assets:**

Physical assets (such as cash, accounts receivable, inventory, property, plant and equipment, etc.).

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## APPENDIX G

Sources of Information

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## Sources of Information Relied Upon in this Quality of Earnings Assessment

### Provided by Client

- Client Questionnaire Intake Forms (5 documents)
- Company-prepared Income Statements and Balance Sheets for 2019 – 2021 and January 1, 2022 – June 31, 2022
- Tax returns for 2019 and 2020
- Revenue by Customer Summary for 2020, 2021 and January 1 – June 30, 2022
- Bank Statements (Accounts ending in 6028, 7676, 8685, 4413) for 2020, 2021 and January 1 – June 30, 2022
- Credit Card Statements (Selected Statements)
- Subcontractor List for 2020, 2021 and Jan 1 – June 30, 2022
- Other COGS List for 2020, 2021 and Jan 1 – June 30, 2022
- Various Payroll documents
- Aging Receivables Summary as of June 30, 2022
- Amortization Schedule of Fixed Assets
- Fixed Asset List as of July 11, 2022
- General Ledger Report for 2019 – 2021 and Jan 1 – June 30, 2022
- Details of life insurance payments
- Interview with Mr. J. Smith on July 20, 2021
- Informal Q&A calls with Mr. Jxxx Hyyy
- Correspondence e-mails and phone calls with Client

### Data Sources:

- Arizona Secretary of State – retrieved information on company's incorporation and filings
- Dun & Bradstreet, First Research Industry Profile: Truckload Carriers, NAICS Code: 484121 and SIC Code: 4213, March 31, 2022 and July 4, 2022
- Dun & Bradstreet, First Research Industry Profile: Less-Than-Truckload Carriers, NAICS Code: 484122 and SIC Code: 4213, July 18 2022
- Dun & Bradstreet, First Research Industry Profile: Trucking, NAICS Code: 4841 and SIC Code: 4213, June 27, 2022
- RMA Data - provides industry norms (ratios) for industry comparison, NAICS 484110 (General Freight Trucking – Local)
- Compensation research from various sources
- Company's website (<https://www.xxxxx.com/>)