A 25 PERCENT COMMON STOCK INTEREST IN THE HART GROUP, INC.

VALUATION REPORT

AUGUST 28, 2015

September 29, 2017

Lawyers P.C.
146 Park Ave., 22nd Floor
New York, NY 10178
Attn: Kenneth R. Smith, Esq.

Re: Fair value of a 25 percent common stock interest in The Hart Group, Inc.

Dear Mr. Smith:

We have performed a valuation engagement, as that term is defined in the *Statement on Standards for Valuation Services* ("SSVS") of the American Institute of Certified Public Accountants of a 25 percent common stock interest in The Hart Group, Inc. as of August 28, 2015. This valuation was performed solely to be used for a shareholder buyout in accordance with the matter entitled *Application of Richard Hart for the Judicial Dissolution of The Hart Group, Inc. in accordance with Section 1104-a of the Business Corporation Law,* filed in the Supreme Court of the State of New York, County of New York; the resulting conclusion of value should not be used for any other purpose or by any other party for any purpose. This valuation engagement was conducted in accordance with the SSVS, as well as the standards promulgated by The Appraisal Foundation, the American Society of Appraisers and the Institute of Business Appraisers. The estimate of value that results from a valuation engagement is expressed as a conclusion of value.

Based on our analysis, as described in this valuation report, which must be signed in blue ink by the valuation analyst to be authentic, the conclusion of value of a 25 percent common stock interest in The Hart Group, Inc. as of August 28, 2015 is:

TEN MILLION, ONE HUNDRED THOUSAND DOLLARS ($10,100,000)

This conclusion is subject to the Statement of Assumptions and Limiting Conditions found in Appendix 2 and to the Valuation Analyst's Representation found in Appendix 3. We have no obligation to update this report or our conclusion of value for information that comes to our attention after the date of this report.

Respectfully submitted,

TRUGMAN VALUATION ASSOCIATES, INC.

Gary R. Trugman
CPA/ABV, MCBA, ASA, MVS

GRT/kag
Attachment

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INTRODUCTION

DESCRIPTION OF THE ASSIGNMENT

Trugman Valuation Associates, Inc. was retained by Kenneth R. Smith, Esq. on behalf of Lawyers P.C. ("The Client" and "The Intended User")[1] to perform a business valuation of a 25 percent common stock interest in The Hart Group, Inc. as of August 28, 2015.

The purpose of this valuation is to determine the fair value of the common stock interest to be used for a shareholder buyout in accordance with the matter entitled *Application of Richard Hart for the Judicial Dissolution of The Hart Group, Inc. in accordance with Section 1104-a of the Business Corporation Law,* filed in the Supreme Court of the State of New York, County of New York. The scope of work for this valuation was not limited in any way and all relevant data and methodologies have been considered and presented in this report. This assignment meets all of the requirements under *Statement on Standards for Valuation Services* promulgated by the American Institute of Certified Public Accountants, as well as the *Uniform Standards of Professional Appraisal Practice* promulgated by the Appraisal Foundation and the standards of the American Society of Appraisers and the Institute of Business Appraisers.

DEFINITION OF FAIR VALUE

We have been instructed by legal counsel that this valuation is to use the standard of value known as "fair value." For purposes of this report, we have also been instructed that no valuation adjustments (discounts) should be applied.

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1 The *Uniform Standards of Professional Appraisal Practice* ("USPAP") require the identity of "The Client" and "The Intended User" to be disclosed.

Therefore, this report will determine the fair value of a 25 percent common stock interest as a pro rata share of 100 percent of the fair market value of The Hart Group, Inc., under the assumption that fair value and fair market value of the entire enterprise results in equivalent values.

The most commonly used definition of fair market value is located in Revenue Ruling 59-60. This revenue ruling defines fair market value as

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

This definition of fair market value is the most widely used in valuation practice. Also implied in this definition is that the value is to be stated in cash or cash equivalents and that the property would have been exposed on the open market for a long enough period of time to allow market forces to interact to establish the value.

VALUATION METHODOLOGIES

There are two fundamental bases on which a company may be valued:

1. As a going concern, and
2. As if in liquidation.

The value of a company is deemed to be the higher of the two values determined under a going concern or a liquidation premise. This approach is consistent with the valuation concept of highest and best use, which requires a valuation analyst to consider the optimal use of the assets being valued under current market conditions. If a business will command a higher price as a going concern then it should be valued as such. Conversely, if a business will command a higher price if it is liquidated, then it should be valued as if in orderly liquidation. This valuation will be performed as a going concern.

GOING CONCERN VALUATION

Going concern value assumes that the company will continue in business, and looks to the enterprise's earnings power and cash generation capabilities as indicators of its fair market value. There are many acceptable methods used in business valuation today. The foundation for business valuation arises from what has been used in valuing real estate for many years. The three basic approaches that must be considered by the valuation analyst are:

1. The Market Approach,
2. The Asset-Based Approach, and
3. The Income Approach.

Within each of these approaches there are many acceptable valuation methods available for use by the valuation analyst. Valuation standards suggest that a valuation analyst test as many methods as may be applicable to the facts and circumstances of the property being valued. It is then up to the valuation analyst's informed judgment as to how these values will be reconciled in deriving a final estimate of value.

THE MARKET APPROACH

The market approach is fundamental to valuation as fair market value is determined by the market. Under this approach, the valuation analyst attempts to find guideline companies traded on a public stock exchange, in the same or a similar industry as the valuation subject, that provides the valuation analyst with the ability to make a comparison between the pricing multiples that the public company trades at and the multiple that is deemed appropriate for the valuation subject.

Another common variation of this approach is to locate entire companies that have been bought and sold in the marketplace, publicly traded or closely-held, that provide the valuation analyst with the ability to determine the multiples that resulted from the transaction. These multiples can then be applied to the valuation subject, with or without adjustment, depending on the circumstances.

THE ASSET-BASED APPROACH

The asset-based approach, sometimes referred to as the cost approach, is an asset-oriented approach rather than a market-oriented approach. Each component of a business is valued separately, and summed up to derive the total value of the enterprise.

The valuation analyst estimates value, using this approach, by estimating the cost of duplicating or replacing the individual elements of the business property being valued, item by item, asset by asset.

The tangible assets of the business are valued using this approach, although it cannot be used alone as many businesses have intangible value as well, to which this approach cannot easily be applied.

THE INCOME APPROACH

The income approach, sometimes referred to as the investment value approach, is an income-oriented approach rather than an asset or market-oriented approach. This approach assumes that an investor could invest in a property with similar investment characteristics, although not necessarily the same business.

The computations using the income approach generally determine that the value of the business is equal to the present value of the future benefit stream to the owners. This is accomplished by either capitalizing a single-period income stream or by discounting a series of income streams based on a multi-period forecast.

Since estimating the future income of a business is at times considered to be speculative, historic data is used as a starting point in several of the acceptable methods under the premise that history will repeat itself. The future cannot be ignored, however, since valuation is a prophecy of the future.

HISTORY OF THE COMPANY

The Hart Group, Inc. (“The Hart Group” or “The Company”), a New York S Corporation, was formed on June 19, 1995. The Hart Group designs, manufactures, imports, markets and distributes men’s and women’s outerwear, ladies’ dresses and men’s tailored clothing as 1) licensed brands, 2) as private label merchandise for retailers and 3) under The Company’s own proprietary labels.[2]

The Hart Group was founded in 1946 as a family-owned apparel manufacturing company that specialized in outerwear. The Company is located in New York City and more than 70 years and three generations later, has become one of the largest outerwear manufacturers in the United States.[3]

PRODUCTS AND BRANDS

A breakdown of The Hart Group’s sales by product line is presented in Table 1.

TABLE 1
GROSS SALES BY PRODUCT

	Actual 2014	% of Total	Projected 2015	% of Total
Women's Outerwear	$ 92,205,887	54.5%	$ 93,103,768	52.3%
Men's Outerwear	42,606,167	25.2%	43,588,328	24.5%
Men's Tailored	15,119,951	8.9%	14,457,904	8.1%
Women's Dress	15,046,767	8.9%	20,500,000	11.5%
Other	4,145,919	2.5%	6,350,000	3.6%
Total	**$ 169,124,691**	**100.0%**	**$ 178,000,000**	**100.0%**

Source: *2015 Operating Plan* for The Hart Group, March 23, 2015.

2 <www.theHartgroupinc.com/index.php//home/company> (accessed June 5, 2017).

3 <www.theHartgroupinc.com/index.php/home/company> (accessed June 5, 2017).

Over 50 percent of The Hart Group's revenues are generated from women's outerwear. Collectively, women's and men's outerwear accounts for nearly 80 percent of The Company's total revenues. Sales of outerwear are primarily impacted by weather patterns (demand for these products is typically higher during colder winters), as well as changes in consumer preferences and trends within the fashion industry.

According to The Hart Group's *2015 Operating Plan* ("The Operating Plan"), while The Company has historically been an outerwear manufacturer, management realizes that the vast majority of these sales are to large box and discount retailers, which creates significant pressures on pricing, returns and/or allowances. As a result, management continues to plan for these challenges through an expansion into "value added products" such as dresses and active wear. The dress division results in higher margins than the outerwear business due to lower shipping costs and higher sales per unit.[4]

The Hart Group's revenues are primarily generated from brands which The Company licenses from large apparel manufacturers. The Company has licensing agreements to design, manufacture and sell apparel in the United States that expire on various dates through December 31, 2017. Certain agreements contain conditional and renewal options of three-to-five years that can extend the license agreements through 2022. The Company is required to make royalty payments in installments to the licensors based on a percentage of sales ranging from 5 to 8 percent. In addition, certain license agreements require minimum advertising expenditures. A breakdown of projected sales by brand for 2015 is presented in Table 2.

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[4] Green Blue Jones & Scher, LLC in partnership with The Hart Group, *2015 Operating Plan*, March 23, 2015: 6.

TABLE 2
GROSS SALES BY BRAND

	Projected 2015	% of Total
Laundry by Shelli Segal	$ 33,468,268	18.8%
Nautica	21,905,676	12.3%
INC Macy's	13,600,000	7.6%
Perry Ellis	5,764,032	3.2%
Betsey Johnson	5,193,930	2.9%
Total Top 5 Brands	$ 79,931,906	44.9%
Total Sales	**$ 178,000,000**	**100.0%**

Source: *2015 Operating Plan* for The Hart Group, March 23, 2015.
Note: Figures may not add due to rounding.

The Hart Group's top five brands are expected to account for approximately 45 percent of The Company's total revenues in 2015. The highest revenue-generating brands that are licensed by The Company are Laundry by Shelli Segal and Nautica.

Laundry by Shelli Segal was launched in 1998 by Perry Ellis International. The Laundry brand is a contemporary collection of women's dresses, coats, swimwear and jewelry.[5]

The Nautica brand is one of the leading men's sportswear collection brands in department stores in the United States. Nautica is owned by VF Corporation and the brand is marketed through department stores, VF-operated stores, specialty stores and the Nautica website. The Nautica brand is also licensed by VF to independent parties in the U.S. for apparel categories not produced by VF (e.g., tailored clothing, dress shirts, neckwear, women's swimwear, outerwear, children's clothing) and non-apparel categories such as jewelry, fragrances and accessories.[6]

According to The Operating Plan, The Hart Group is projecting significant increases in sales of dresses, primarily from the Betsey Johnson brand. In addition, The Company is

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5 Perry Ellis International, Inc., Form 10-K for the year ended January 31, 2015.

6 VF Corporation, Form 10-K for the year ended January 3, 2015.

projecting $13.6 million in revenues from Macy's INC-branded business in 2015, which was non-existent in 2014.[7]

In 2011, The Hart Group debuted its proprietary women's clothing line Jane Hart. All revenues and expenses associated with this product line are recorded under a separate entity, Jane Hart, LLC, which is not a part of this business valuation.

CUSTOMERS

The Hart Group's customers primarily consist of large retailers and sales to The Company's top five largest customers are summarized in Table 3.

TABLE 3
GROSS SALES BY CUSTOMER

	Actual 2014	% of Total	Projected 2015	% of Total
Macy's, Inc.	$ 44,244,123	26.2%	$ 50,766,528	28.5%
Burlington Coat Factory	17,800,337	10.5%	18,019,171	10.1%
J.C. Penney Co.	16,498,516	9.8%	15,351,000	8.6%
Marmaxx	14,182,852	8.4%	11,959,430	6.7%
Nordstrom	11,165,048	6.6%	13,097,240	7.4%
Total Top 5 Customers	$ 103,890,876	61.4%	$ 109,193,369	61.3%
Total Gross Sales	**$ 169,124,691**	**100.0%**	**$ 178,000,000**	**100.0%**

Note: Figures may not add due to rounding.

Macy's, Inc. operates a total of 823 department and furniture stores, as well as 13 Bloomingdale's outlet units. Women's apparel and accessories accounted for 61 percent of Macy's sales in 2014.[8] According to The Operating Plan, the anticipated increase in gross sales to Macy's is primarily attributable to the INC label in the women's and men's

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7 *2015 Operating Plan*: 7.

8 David R. Cohen, "Macy's, Inc.," *The Value Line Investment Survey*, July 31, 2015.

outerwear divisions. Other increases include active wear, dresses and men's tailored divisions. These increases are offset by a projected decline of approximately $4.8 million and $3.9 million in women's and men's outerwear private labels, respectively. The move from third party branded labels to the Macy's INC label is anticipated to eliminate returns for the men's outerwear division in 2015, which is expected to improve profitability.[9]

Burlington Stores operates a national chain of off-price retail stores offering women's, men's and children's apparel and accessories, home goods, baby products and coats. As of February 2015, Burlington operated 542 stores.[10] According to The Operating Plan, Burlington continues to be a lower gross margin customer for The Hart Group.[11] In 2015, Burlington's share of The Company's total revenues are projected to decline from 10.5 percent to 10.1 percent.

J.C. Penney Co. operated 1,062 department stores throughout the U.S. and Puerto Rico as of January 31, 2015.[12] Sales to J.C. Penney are projected to decline from $16.50 million to $15.35 million. Despite the anticipated sales decline, The Company considers J.C. Penney a strong performer in terms of profitability.[13]

The TJX Companies, Inc. is a leading off-price retailer of clothing, accessories and home fashions. Its core Marmaxx division includes T.J. Maxx (1,119 stores) and Marshalls (975 stores).[14] In 2015, The Hart Group anticipates a decline of approximately $2.2 million to Marmaxx. This decrease is primarily due to the decline of the Betsey Johnson active wear and dress divisions, as The Company transitions from selling these higher margin products to retailers rather than discounters. In addition, The Hart Group anticipates fewer returns to be available for sale to Marmaxx. Most of the 2014 business with Marmaxx was

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9 *2015 Operating Plan*: 9.

10 Erik M. Manning, "The Burlington Stores," *The Value Line Investment Survey*, July 31, 2015.

11 *2015 Operating Plan*: 16.

12 David R. Cohen, "J.C. Penney," *The Value Line Investment Survey*, July 31, 2015.

13 *2015 Operating Plan*: 16.

14 Andre J. Costanza, "TJX Companies," *The Value Line Investment Survey*, July 31, 2015.

seasonal and The Company is focusing on selling activewear and dresses in an effort to reduce seasonality and become less reliant on discounters.[15]

Nordstrom, Inc. operated 116 specialty upscale department stores across the United States as of January 31, 2015.[16] The anticipated increase in sales to Nordstrom is attributable to the dress division, which is expected to increase from $2.4 million in 2014 to $4.1 million in 2015.[17]

The Hart Group's top five customers account for 61.4 percent of total revenues which indicates that The Company has customer concentration risk. In addition, these customers are large retailers that in some cases, have the ability to demand allowances and returns in order to improve their profitability to the detriment of The Hart Group.[18]

In addition to The Hart Group's top five customers, The Company has several smaller customers that are expected to contribute to The Company's revenue growth in 2015. These customers are summarized in Table 4.

TABLE 4
HIGH-GROWTH CUSTOMERS

Customer	2014 Sales	2015 Projected Sales	Projected Sales Growth	Products Driving Growth
Bon-ton.com	$ 5,282,077	$ 7,378,400	39.7%	Women's outerwear related to Halifax and Laundry labels.
Lord and Taylor	2,530,326	6,104,200	141.2%	Dresses and branded outerwear.
Ross	3,082,487	5,720,970	85.6%	Activewear, women's branded outerwear and men's tailored products.
Saks Fifth Avenue	1,300,211	2,748,569	111.4%	Dresses, active wear and women's outerwear.
Dillard's	867,704	2,341,000	169.8%	Private label women's outerwear.

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15 *2015 Operating Plan*: 9.

16 David R. Cohen, "Nordstrom, Inc." *The Value Line Investment Survey*, July 31, 2015.

17 *2015 Operating Plan*: 9.

18 Ibid.: 4.

COMPETITION

The apparel business is highly competitive. There are numerous companies that compete with respect to the sale of apparel, including distributors that import products from abroad and domestic retailers with established foreign manufacturing capabilities. The general availability of contract manufacturing capacity has made it easier for new competitors to enter the market. The competitive nature of the apparel industry causes price pressure, resulting in lower profit margins. Sales of products are affected by several factors including style, price, quality, brand recognition and reputation, product appeal and general fashion trends.[19]

The Hart Group's primary competitors consist of the following companies:

G-III Apparel Group: G-III designs, manufactures and markets an extensive range of apparel including outerwear, dresses, sportswear, swimwear, etc. The company sells its products under its own proprietary brands, licensed brands and private retail labels. G-III works with a diversified group of retailers such as J.C. Penney, Express and Kohl's in developing private label product lines. The company sells to a variety of leading retailers such as Macy's, Bloomingdale's, Nordstrom, Neiman Marcus, Saks Fifth Avenue, Lord & Taylor, the Bon-Ton Stores, Dillard's and J.C. Penney. G-III's stock is traded on the New York Stock Exchange under the symbol "GIII."[20]

S. Rothschild & Company: S. Rothschild is a luxury manufacturer of women's, men's and children's coats and outerwear. The company has been in business for over 135 years. S. Rothchild's proprietary brands include Larry Levine, Mackintosh, Maralyn & Me, Below Zero and Rothschild. In addition, the company licenses brands including Lauren, Via Spiga, French Connection, Sean John, Chaps and Izod. Each of the company's brands offers various styles to women, men, children, infants, toddlers and teens. The company is headquartered in New York City.[21]

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19 G-III Apparel Group, Ltd., Form 10-K for the year ended January 31, 2015.

20 Ibid.

21 <www.srothchild.com/about/> (accessed June 5, 2017).

Amerex Group: Amerex is one of the largest manufacturers of outerwear with design and manufacturing capabilities in fur, faux fur, wool, shearlings and other innovative synthetic fabrics. The company provides outerwear for women, men and children. Amerex sells to thousands of retailers including Macy's, Marshalls, T.J. Maxx, J.C. Penney, Bon-Ton, Burlington, Dillard's, Kohl's and Bloomingdale's. The company's outerwear brands include OshKosh B'gosh, Skechers, Carter's, Jones New York and Kate Spade.[22]

Weatherproof Garment Company: Since 1948, Weatherproof Garment Company has been one of the nation's leading brand names in outerwear. Through the use of innovative styling and technologically-advanced fabrics, the companies functional garments are manufactured to shield against rain, wind and cold. The company sells its products to retailers including Macy's, Nordstrom, Lord and Taylor and Bon-Ton.[23]

SUPPLIERS

The Hart Group purchases their piece and finished goods from various suppliers in Asia. A breakdown of The Company's purchases for 2014 is presented in Table 5. The Company intends on using most of these same suppliers in 2015.[24]

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[22] <www.amerexgroup.com> (accessed June 5, 2017).

[23] <www.weatherproofgarment.com> (accessed June 5, 2017).

[24] *2015 Operating Plan: 24.*

TABLE 5
TOP SUPPLIERS

Supplier	Terms Currently Being Negotiated	Origin	Production Location	Type		FYE 2014	%
DUC GIANG	60 Days Upon Shipment	Vietnam	Vietnam	Finished Goods	$	23,637,869	23.0%
Atfashion Gr. Ltd.	60 Days Upon Shipment	China	China	Finished Goods		10,768,696	10.5%
Purple Mountain App.	60 Days Upon Shipment	China	China	Finished Goods		5,968,282	5.8%
Hongdou NY, Inc.	60 Days Upon Shipment	China	China	Finished Goods		4,247,007	4.1%
Jiangyin Hongmao Tex.	60 Days Upon Shipment	China	Dominican Republic	Piece Goods		4,016,751	3.9%
BBM GROUP L.L.C.	20 Days LDP	Vietnam	Vietnam	Finished Goods		2,366,892	2.3%
Woo Yang	60 Days Upon Shipment	China	China	Finished Goods		2,282,329	2.2%
Shin Hwa (PNS)	30 Days Upon Shipment	China	China	Finished Goods		2,195,400	2.1%
VALUE PLUS SOURCING GROUP	No Longer Sourcing the Company					1,923,308	1.9%
VICTORIA (HUZHOU) GARMENT	15 Days LDP	China	China	Dress Finished Goods		1,466,003	1.4%
Zhejiang Shansen	60 Days Upon Shipment	China	China	Finished Goods		1,423,872	1.4%
Others <$750K Annually						29,947,776	29.1%
					$	90,244,184	87.8%
Aligroup		Dominican Republic	Dominican Republic	Labor/Sample Room		3,940,252	3.8%
U.S. Customs	7 Days			Customs		5,314,900	5.2%
UTI, United States Inc.	30 Days			Broker		3,240,693	3.2%
					$	**102,740,029**	**100.0%**

Note: Figures may not add due to rounding.

The company has historically paid suppliers for finished goods upon shipment. Senior management has negotiated extended payment terms with The Company's largest suppliers to provide terms of 30 to 60 days.[25]

FACILITIES

The Hart Group has been located in New York City for 72 years and has moved only four times since inception. As of the valuation date, The Company's corporate offices were located at 123 Seventh Avenue. The lease for this location expires in December 31, 2015.

On July 16, 2015, The Hart Group entered into a new sublease agreement to relocate its corporate offices to 1234 Broadway. The new location consists of approximately 43,741 square feet consisting of a portion of the seventh floor and the entire ninth floor of the building. The Company's corporate offices are located on the ninth floor, while the seventh floor includes the showroom. The new lease expires on October 30, 2023.

EMPLOYEES

The Hart Group's executive management team consists of the following individuals:[26]

Donald Hart, President and Chief Executive Officer ("CEO")
Michael Johnson, Chief Financial Officer
Gary Hart, Vice President - Manufacturing & Procurement
Lawrence Hart, Vice President - Research & Development
Louis Hart, Vice President - Sales & Marketing
Benjamin Jansen - Vice President - Operations
Brett Hart - Vice President - Sales

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25 Ibid.

26 HartGROUP006974.

Max Hart - Production Manager
Nicholas Hart - Account Associate[27]

In addition to the individuals listed above, The Hart Group pays a salary and benefits to Jane Hart, who oversees the design of the Jane Hart product line.

As of the valuation date, The Hart Group had 185 employees. The Hart Group's total number of employees over the past five years are summarized in Table 6.

TABLE 6
EMPLOYEES

Year	Total Employees
2011	156
2012	188
2013	216
2014	232
July 31, 2015	185

As indicated in Table 6, The Hart Group has cut its workforce during the first few months of 2015. According to The Operating Plan, The Company began the process of reducing its workforce by 136 employees, which would result in approximately $2 million of annual savings. These layoffs include the following:

- 2 outerwear merchandising and sales employees resigned in the fourth quarter of 2014, which represents annual savings of $500,000. The Company is not intending on replacing these positions.

- 14 employees in production, design and fulfillment were terminated in January 2015 totaling approximately $750,000 in payroll.

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[27] Throughout this report, we will refer to members of the Hart family by their first names. We mean no disrespect to these individuals. We merely wish to distinguish them from each other to avoid confusion.

- 11 employees in the dress division were terminated in February 2015 approximating annual savings of $500,000.

- Additionally, The Company has identified further cost savings overseas at an estimated annual savings of approximately $150,000 to be realized by end of 2015.

OWNERSHIP

As of the valuation date, The Hart Group had four shareholders: Donald Hart, Richard Hart, Lawrence Hart and Gary Hart, each of whom owned a 25 percent common stock interest in The Company. There have been no recent sales of The Company's stock. The Company has 200 shares of stock authorized, issued and outstanding.

The shareholders of The Hart Group entered into a shareholder agreement in March 2004. The shareholder agreement sets forth restrictions on the transfer of shares and establishes buyout provisions in the event of death of any of the shareholders. The Agreement permits the shareholders to transfer their interest to their sons, however, unlike the others, Richard Hart only has daughters.

ECONOMY AND INDUSTRY

Generally, business performance varies in relationship to the economy. Just as a strong economy can improve overall business performance and value, a declining economy can have the opposite effect. Businesses can be affected by global, national and local events. Changes in regulatory environments, political climate and market and competitive forces can also have a significant impact on business. For these reasons, it is important to analyze and understand the prevailing economic environment when valuing a closely-held business. Since the valuation process is a "prophecy of the future," it is imperative that the valuation analyst review the economic outlook as it would impact the valuation subject.

NATIONAL ECONOMY

According to revised estimates released by the Department of Commerce's Bureau of Economic Analysis, real Gross Domestic Product ("GDP"), the output of goods and services produced by labor and property located in the United States, increased at an annualized rate of 3.7 percent during the second quarter of 2015. The initial estimate was 2.3 percent for the quarter. The increase in real GDP during the second quarter was attributable to personal consumption expenditures, residential investment, nonresidential fixed investment, inventories and net exports. Economic growth has improved since the first quarter, when growth was at a modest 0.6 percent, depressed by weather and other factors.[28]

Economic growth for the first half of the year came in slightly over 2 percent, which is in line with 2014 when first-quarter growth, again depressed by severe weather, fell 2.1 percent followed by a 4.6 percent surge in the second quarter.[29]

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[28] Econoday, "GDP," August 27, 2015 <https://calendar.econoday.com/byshoweventfull.asp?fid=467023&cost=&year=2015&lid=0&prev=/byweek.asp#top> (accessed June 27, 2016).

[29] Ibid.

According to the Bureau of Labor Statistics ("BLS"), the Consumer Price Index ("CPI") increased 0.1 percent in July 2015, following increases of 0.4 percent in May and 0.3 percent in June. Core CPI, which excludes food and energy, rose at 0.1 percent. Declining oil prices have been keeping inflation down and inflation is not expected to increase much in August.[30]

Personal income for the month of July rose 0.4 percent, which includes an 0.5 percent rise in wages and salaries, the largest gain since November of last year. Personal consumer expenditures ("PCE") rose 0.3 percent led by a rise in vehicle sales. PCE increases have remained steady over several months.[31]

Retail sales rose 0.6 percent for July with upward revisions for previous months. Vehicle sales were the standout for July, increasing by 1.4 percent after a decline of 1.5 percent in June. Excluding vehicles, retail sales displayed strengthening growth with an 0.4 percent gain.[32]

According to BLS, the unemployment rate was 5.3 percent in July 2015, remaining unchanged from the previous month. Two hundred and fifteen thousand nonfarm payroll jobs were added by the economy in July, with upward revisions to the last two months adding 14,000. The labor participation rate remained unchanged at 62.6 percent. Wages increased by 0.2 percent for the month and 2.1 percent over the past year.[33]

The Federal Reserve's Open Market Committee ("FOMC") lowered its target for the federal funds rate to a range of 0 to 0.25 percent during the fourth quarter of 2008. Since then, the rate has remained unchanged. The FOMC recently conducted a meeting on July 28-29,

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30 Econoday, "Consumer Price Index," August 19, 2015 <https://caledar.econoday.com/byshow showevenfull.asp?fid=466975&cust.=&year=2015&/id=0&prev=/byweek.asp#top> (accessed June 27, 2016).

31 Econoday, "Personal Income and Outlays," August 28, 2015 <https://calendar.econoday.com/byshoweventfull.asp?fid=467035&cost=&year2015&lid=0&prev=/byweek.asp#top> (accessed June 27, 2016).

32 Econoday, "Retail Sales," August 13, 2015 <https://calendar.econoday.com/byshoweventfull.asp?fid=467083&cust=&year=2015&/id=&prev=/byweek.asp#top> (accessed June 27, 2016).

33 Econoday, "Employment Situation," August 7, 2015 <https://calendar.econoday.com/byshoweventfull.asp?fid=466999&cust=&-year=2015&/id=0&prev=/byweek.asp#top> (accessed June 27, 2016).

2015 to discuss the economic situation and any decisions about possible rate hikes pending economic data. According to the FOMC,[34]

> To support continued progress toward maximum employment and price stability, the Committee today reaffirmed its view that the current 0 to ¼ percent target range for the federal funds rate remains appropriate. In determining how long to maintain this target range, the Committee will assess progress-both realized and expected-toward its objectives of maximum employment and 2 percent inflation. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments. The Committee anticipates that it will be appropriate to raise the target range for the federal funds rate when it has seen some further improvement in the labor market and is reasonably confident that inflation will move back to its 2 percent objective over the medium term.

China’s currency, the renminbi, was devalued in the month of August, as its central bank lowered the value of its currency by 3.5 percent. This was done in order to stimulate its economy by trying to increase exports at a time it is experiencing a declining stock market and manufacturing has trailed off for months.[35] With this action, Chinese exports are expected to become cheaper for importers in the U.S. This translates to cheaper costs for the Hart Group as many of The Company’s finished goods are manufactured in China.

On August 10, 2015, Consensus Economics, Inc. surveyed a panel of United States economic and financial forecasters for their predictions for a range of key economic variables. The near-term quarterly consensus forecasts of key economic indicators are shown in Table 7.

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[34] Federal Open Market Committee, “Minutes of the Federal Open Market Committee,” July 28-29, 2015 <http://www.federalreserve.gov/moneytarypolicy/files/fomcminutes20150729.pdf> (Accessed June 27, 2016)

[35] Jeremy Quittner, “What’s China’s Currency Devaluation Means For You,” August 12, 2015: INC.com <http://www.inc.com/jeremy-quittner/falling-renminbi-means-more-cheap-good-from-china.html> (accessed August 5, 2016).

TABLE 7
QUARTERLY FORECASTS

	2015		2016			
	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
Real Gross Domestic Product*	2.6	2.8	2.7	2.8	2.7	2.6
Real Disposable Personal Income*	2.5	2.8	2.8	2.7	2.7	2.8
Real Personal Consumption*	3.0	3.0	2.8	2.9	2.8	2.7
Consumer Prices*	1.6	1.5	1.7	2.2	2.3	2.3
Unemployment Rate, %	5.3	5.1	5.0	5.0	4.9	4.8

* % change from prior quarter, seasonally adjusted annual rate.
Source: Consensus Economics, Inc., *Consensus Forecasts - USA*, August 2015: 5.

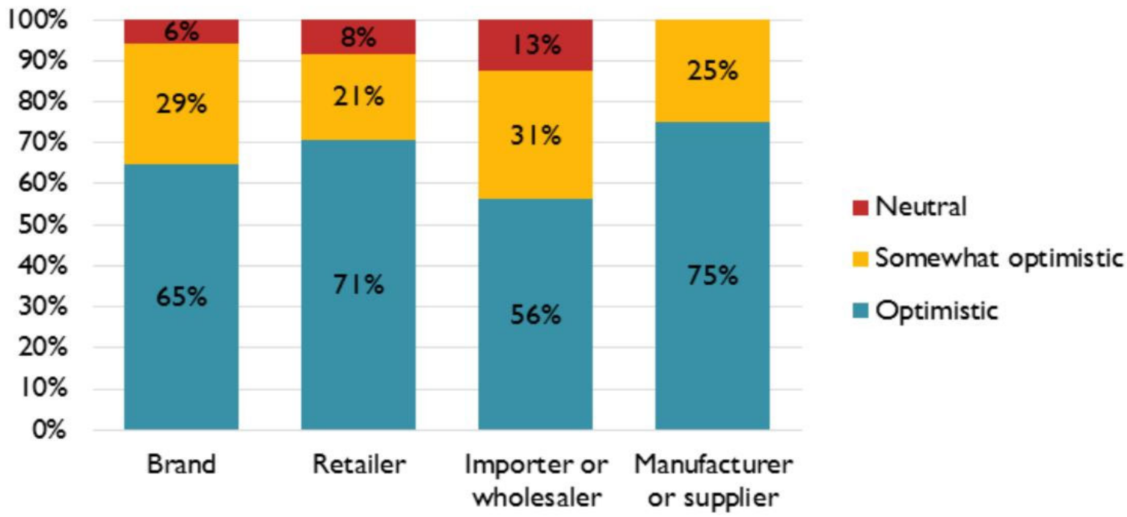
Consensus Economics' forecasts suggest moderate quarterly increases in economic growth, while the unemployment rate is expected to decline. Inflation is forecast to remain subdued.

The Hart Group is expected to operate in a moderately expanding economy in the near term. The Company should benefit from increasing disposable income and a weakening Chinese currency. However, there are still various potential risks such as rising interest rates, which will increase The Company's cost of borrowing.

INDUSTRY

According to the United States Fashion Industry Association ("USFIA") in its *2015 Fashion Industry Benchmarking Study,* survey respondents (including industry retailers, brands, importers/wholesalers, manufacturers/suppliers and other companies and individuals that perform fashion related services) had an overall optimistic view about the five-year outlook for the U.S. fashion industry. According to the survey, 89 percent of industry participants remained optimistic or somewhat optimistic about the outlook, which was the same percentage as 2014. This optimism will likely lead to job growth in the industry as more than half of the respondents expect to hire more employees in the next five years, including sourcing specialists, fashion designers, supply chain/logistics specialists, buyers, merchandisers and market analysts.[36] A summary of the survey respondents' five-year outlook broken down by business type is summarized in Figure 1.

FIGURE 1
FIVE-YEAR OUTLOOK



As indicated in Figure 1, those respondents that were classified under the manufacturer or supplier category had a more optimistic view of the future of the industry. One hundred percent of respondents in this category either had an optimistic or somewhat optimistic view about the five-year outlook for the fashion industry.

The USFIA also surveyed industry participants about the primary risks facing the fashion industry in 2015. According to the survey, 43 percent of respondents ranked rising production or sourcing costs as their greatest or second greatest business challenge in 2015. Nearly 90 percent also reported rising costs as one of the top three restraints on increased profitability. Nevertheless, cost pressure seems to be reduced this year, as 62 percent expect either modest or slight cost increases, down by 78 percent in 2014. Around 10 percent expect costs to decline this year, while nobody expected declining costs in

36 Dr. Sheng Lu, "2015 U.S. Fashion Industry Benchmarking Study," *United States Fashion Industry Association*, June 2015.

2014.[37] A comparison of the survey results for top business challenges for the U.S. fashion industry in 2014 and 2015 is summarized in Table 8.

TABLE 8
TOP BUSINESS CHALLENGES FOR THE U.S. FASHION INDUSTRY: RANK IN 2015 VS. 2014

Issues	Rank in 2015	Rank in 2014
Increasing production or sourcing cost	1	1
Market competition in the United States	2	3
Meeting consumers' demand	3	4
Manage supply chain risks	4	2
Economic outlook in developed economies	5	6
Compliance with trade regulations	6	11
Currency value and impact of exchange rate on competitiveness	7	16
Finding a new sourcing base other than China	8	5
Political tensions in developing countries	9	14
Trade protectionism risk in countries other than the U.S.	10	9
Trade protectionism risk in the United States	11	10
Investment and updating technology	12	7
HR issues, including talent recruitment and retention	13	12
Intellectual property right protection	14	13
Economic outlook in emerging markets	15	10
Market competition in markets other than the United States	16	15

In 2015, increasing production and sourcing costs remained the primary business challenge for apparel companies. Furthermore, in 2015, compliance with trade regulations, the impact of currency value and exchange rates on competitiveness, and political tensions in developing countries became more of a concern for fashion companies. Investment and updating technology and the economic outlook in emerging markets were overall less of a concern for the survey respondents in 2015 versus 2014.

With respect to increasing production and sourcing costs, survey respondents ranked cost of labor and cost of raw materials as the two factors with the largest and second largest impact on their sourcing costs. This remains unchanged from 2014. Shipping costs ranked as the third most important factor impacting sourcing costs in 2015, moving up from fourth

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[37] Ibid.

from the previous year. This likely reflects the impact of the months-long labor dispute at West Coast ports, which caused significant delays and may push companies to use more expensive, alternative shipping routes and methods.

According to the USFIA, several emerging sourcing trends are worth watching in the coming year. These include the following:

1. *U.S. fashion companies will continue diversifying their sourcing* - According to the survey, 56 percent of survey respondents expect their sourcing will become more diversified in the next two years. Among these respondents, about half currently source from more than 10 countries. Given the substantial uncertainties in the market, U.S. fashion companies may use diversification as a way of mitigating the business risks and upward pressure on sourcing costs. However, it should be noted that only 3 percent of respondents expect to substantially diversify their sourcing in the near future. This may be because it takes time to build relationships with new vendors.

2. *U.S. fashion companies are not moving away from China*, *but are actively seeking supplementary sourcing destinations* - Despite the concern about rising costs in China in recent years, when asked about how their sourcing value or volume from China will change in the next two years, as many as 43 percent expect no change, or even a slight increase. Another 47 percent expect sourcing value or volume from China will decrease in the next two years, but only to a slight degree. Less than 7 percent of respondents say they expect to significantly decrease sourcing from China.

3. *Bangladesh will remain a popular sourcing destination, but it is also facing major challenges* - Bangladesh is the sixth most utilized sourcing destination, with 50 percent of respondents currently sourcing there. Bangladesh is also among the top five sourcing destinations with the highest growth potential. About 42 percent of respondents expect to increase sourcing value or volume from Bangladesh in the next two years. However, this figure declined significantly from 64 percent in 2014. In order to be considered a candidate as a primary sourcing alternative to China, Bangladesh has to compete with other leading suppliers within the region particularly in Vietnam, India and Indonesia.

4. *U.S. fashion companies continue to express interest in sourcing more from the United States as part of their diversification strategies* - The United States is the fifth most utilized sourcing destination this year with 53 percent of respondents currently sourcing at home. These companies also source from 22 other countries, with 100 percent sourcing from both China and Vietnam. Furthermore, U.S. fashion companies continue to show interest in sourcing more products from the U.S. in the near future. Nearly 39 percent of survey respondents expect to increase sourcing value or volume from the United States in the next two years.

However, although U.S. fashion companies are interested in sourcing more products from the United States, there is no evidence that companies are shifting their business models back to manufacturing. Respondents are more focused on strengthening their capacity in fashion design, product development, marketing and distribution in the next five years.[38]

The Hart Group licenses several well-known brands including Nautica, which is owned by VF Corporation, Perry Ellis and Laundry by Shelli Segal, which is owned by Perry Ellis. Historic royalty income for Perry Ellis and VF Corporation is summarized in Table 9.

TABLE 9
ROYALTY INCOME

	2011	2012	2013	2014
Perry Ellis Royalty Income	$ 25,000,000	$ 27,100,000	$ 29,700,000	$ 31,700,000
% Change		*8.4%*	*9.6%*	*6.7%*
VF Corporation Royalty Income	93,755,000	113,835,000	117,298,000	127,377,000
% Change		*21.4%*	*3.0%*	*8.6%*

Source: Forms 10-K.

Both Perry Ellis and VF Corporation have experienced steady growth in royalty income over the past four years. This is an indication that these companies have experienced positive demand trends for their portfolio of brands. According to Perry Ellis' Form 10-K for the year ended January 31, 2015, royalty income increases were attributed to increases in the Perry Ellis, Original Penguin and Laundry brands. Perry Ellis also stated that the company's

38 Ibid.

Laundry by Shelli Segal and Rafaella brands have increased their distribution of women's contemporary products, both in the dress and sportswear product categories. During the fiscal years ended 2013, 2014 and 2015, sales in these product categories represented approximately 18 percent, 17 percent and 20 percent of the company's total net sales, respectively. This indicates that these product categories are growing as they now account for a larger percentage of Perry Ellis' total sales.[39]

According to VF Corporation's Form 10-K for the year ended January 3, 2015, the company believes that there is potential to grow Nautica brand revenue and improve profit performance through the growth of core Nautica sportswear products, increased average selling prices, improved product assortments, an enhanced customer experience at Nautica brand outlet stores, growth in the brand's online business and expansion of the licensed business.[40]

OUTERWEAR

A significant portion of The Hart Group's revenues are generated from outerwear. Therefore, the analyst analyzed trends in the outerwear sector of the apparel industry. According to the NPD Group, the U.S. outdoor industry's winter categories: outerwear, boots, hats, gloves and cold weather undergarments, grew in terms of dollar sales in 2014. A summary of the revenue growth rates by category is presented in Table 10.

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[39] Perry Ellis International, Inc., Form 10-K for the year ended January 31, 2015.

[40] VF Corporation, Form 10-K for the year ended January 3, 2015.

TABLE 10
OUTDOOR WINTER CATEGORY PERFORMANCE

Item	Dollar Sales	Dollar % Change
Outerwear	$ 2.2B	+3%
Headwear	463.9M	+16%
Handwear	292.5M	+4%
Cold Weather Undergarments	195.1M	+8%
Cold/All Weather Boots	187.3M	+2%

Source: The NPD Group, Inc., *ASSG Outdoor Specialty, and Sport Specialty Ecommerce*, January-December 2014.

Sales for outerwear apparel grew at a rate of 3 percent to $2.2 billion for 2014. According to Matt Powell, sports' industry analyst for The NPD Group:

> During winter, necessity and Mother Nature have been playing in the industry's favor. The wintry end to 2013 cleaned up inventories for brands and retailers, causing the industry to start the season with entirely fresh stocks in 2014, a situation we haven't seen in a number of years. On top of that, a seasonably cold November drove big gains that held through the end of 2014. Today, consumers shopping in the outdoor space typically make purchases based on need in the here-and-now, rather than anticipation for what they may use and require during the season to come. This is important for outdoor retailers to keep in mind as they determine promotions and stock their shelves.[41]

Dollar sales growth within the outdoor winter categories was impacted by increases in average retail selling prices, with the greatest increase coming from base layer products and other cold weather undergarments. According to Powell:

> Necessity prompts purchases, but it is innovation, including improvements in fabrics, that's driving average selling prices and, in some cases, unit sales as well. The outdoor industry is staying ahead and performing strongly this way. Retailers and manufacturers must continue their pursuit for ways to

41 The NPD Group, "Increases in Average Retail Price Contributes to Revenue Growth," March 17, 2015 <https://www.npd.com/wps/portal/npd/us/news/press-releases/2015/outdoor-industry-positioned-for-positive-2014-2015-winter-season-results-npd-group-reports/> (Accessed August 3, 2016)

> keep the industry fresh, because this will help keep their sales on the plus side, even if Mother Nature hands us a milder winter.[42]

The latest winter season had below-normal temperatures throughout most of the United States and as a result, the demand for high performance outerwear has been elevated. Sealed seams, water resistance, bullet-proof coatings and anti-odor properties are being combined with modern design aesthetics to appeal to today's consumer looking for fashion with function. The key trend is warmth and performance without bulk. According to Karen Murray, president of the sportswear coalition of VF Corp. "Jackets are more technical than they ever have been. Over 90 percent of our outerwear utilizes some type of performance features, such as waterproof shells, laminate backing, mechanical stretch, sealed seams, breathability." According to Murray, outerwear with high tech features are "almost a point of entry" in today's environment, as consumers expect it whether they are spending $50 or $1,500 for an outerwear piece. Consumers want functional outerwear that is also fashionable. As a result, Nautica is introducing a new jacket, the Rainbreaker, which is waterproof, seam-sealed, breathable and lightweight. It will be introduced at Nautica stores and internationally. [43]

A major factor that impacts outerwear sales are seasonal weather patterns. The last two winters have been colder than expected, which has benefitted the outerwear industry. According to Farmers' Almanac, the winter of 2015-2016 is looking like a repeat of last winter, with unseasonably cold conditions over the eastern, northwestern and mid-west portions of the United States.[44] This should result in another year of positive growth for the outerwear industry.

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[42] Ibid.

[43] Jean E. Palmieri, "Outerwear Brands Go High-Tech," *Women's Wear Daily*, November 20, 2014 <http://wwd..com/globe-news-clothing-furnishings/outwear-brands-go-high-tech-8038808> (accessed June 28, 2016).

[44] "2016 Winter Weather Forecast," *Farmers' Almanac* <http://farmersalmanac.com/weather-outlook/2016-winter-forecast> (accessed June 29, 2016).

WOMEN'S APPAREL

Women's outerwear and dresses account for a considerable portion of The Hart Group's revenues. According to the NPD Group, total U.S. women's apparel retail sales reached $116.4 billion in 2013, a 4 percent increase over the $112.3 billion generated in 2012. Double-digit increases in some of the smaller apparel segments drove the gains. Among them was outerwear, which increased 12 percent to $6.3 billion.[45]

The women's fashion industry is constantly changing and age plays a significant factor in the types of stores where women shop. A breakdown of the dollar share of women's apparel shoppers is summarized in Table 11.

TABLE 11
DOLLAR SHARE OF WOMEN'S APPAREL SHOPPERS
(% OF TOTAL)

	Women's Wearer Age					
	18-24	25-34	35-44	45-54	55-64	65+
Channel						
Department Stores	10	11	13	17	22	27
National Chains	6	7	9	12	14	12
Mass Merchants	11	16	15	12	10	9
Specialty Stores	48	42	37	30	26	22
Off-Price Retailers	11	11	12	13	12	11
Mfr. Owned Stores	3	3	2	2	2	2
Direct Mail/Ecommerce Pure Play	2	4	5	5	6	9
Warehouse Club	0	1	1	2	2	2
All Other	9	6	6	6	7	7
Grand Total	100	100	100	100	100	100

Source: The NPD Group, Inc. Consumer Tracking Service, 12 months ending March 2015.

Note: Figures may not add due to rounding.

45 Marissa Guyduy, "Double-Digit Surge in Smaller Categories Helps Drive the Growth" <https://www.npd.com/wps/portal/npd/us/news/press-releases/the-npd-group-reports-us-womens-apparel-market-grew-4-percent-in-2013/> (accessed April 14, 2017).

According to the data in Table 11, younger female consumers primarily prefer specialty stores, while older female consumers primarily prefer department stores. One consistent category across all age brackets is off-price retailers such as T.J. Maxx, Marshalls and Ross Stores, whose sales grew 3.2 percent, 3.3 percent, and 5.8 percent, respectively from 2013 to 2014, according to Euromonitor, a market research firm. According to Marshal Cohen, a retail industry analyst at NPD:

> The female customer has been very elusive. But retailers only have themselves to blame. Women shoppers are 'bored to death.' The fashion industry has done a terrible job of exciting customers. They're supposed to be the most cutting-edge business that takes high risk in exchange for a great reward. They've all become so dollar conscious and margin conscious. They've taken all the risk out of it.[46]

RETAIL SECTOR

The Hart Group's major customers operate in the retail sector of the apparel industry. Therefore, the analyst also performed an analysis of conditions in this segment.

Presented in Table 12 are selected statistics for the five largest customers of The Company's products. These five companies had estimated sales totaling over $87 billion in 2014 according to Value Line. The same companies combined operated more than 6,100 stores during the year. Combined sales are forecast to grow to more than $108 billion by 2020, an increase of more than 24 percent. The total number of stores is expected to grow about 12.5 percent to more than 6,700.

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46 Claire Zillman, "Where the Heck are Women Buying Their Clothes?," *Fortune*, May 26, 2015, <http://fortune.com/2015/05/26/women-clothing-purchases-ann-taylor/> (Accessed June 2, 2017).

TABLE 12
RETAILERS' SELECTED STATISTICS
2014-2020

	2014A	2015E	2016E	2018-2020F
Macy's				
Number of Stores	836	835	835	830
% Change - Stores	-	-0.12%	0.00%	-0.60%
Sales ($Mln.)	$ 28,105	$ 28,350	$ 28,900	$ 30,750
% Change - Sales	-	0.87%	1.94%	6.40%
Burlington Stores				
Number of Stores	542	565	585	665
% Change - Stores	-	4.24%	3.54%	13.68%
Sales ($Mln.)	$ 4,815	$ 5,140	$ 5,510	$ 6,550
% Change - Sales	-	6.76%	7.20%	18.87%
J.C. Penney				
Number of Stores	1,062	1,020	1,010	980
% Change - Stores	-	-3.96%	-0.98%	-2.97%
Sales ($Mln.)	$ 12,257	$ 12,625	$ 12,950	$ 14,000
% Change - Sales	-	3.00%	2.57%	8.11%
Nordstrom, Inc.				
Number of Stores	292	325	355	435
% Change - Stores	-	11.30%	9.23%	22.54%
Sales ($Mln.)	$ 13,110	$ 14,200	$ 15,350	$ 19,100
% Change - Sales	-	8.31%	8.10%	24.43%
TJX Companies				
Number of Stores	3,389	3,500	3,650	3,850
% Change - Stores	-	3.28%	4.29%	5.48%
Sales ($Mln.)	$ 29,078	$ 30,550	$ 32,600	$ 38,500
% Change - Sales	-	5.06%	6.71%	18.10%

Source: Value Line.

Macy's same-store sales in the first period of 2015 were slightly below the prior-year's level, but management expects this metric to be up about 2 percent for the full year. The sluggish growth in April was due to a learning curve related to new marketing and merchandising programs, delayed inventory arrivals and unseasonably cold weather in February and March.[47]

Revenues in the first fiscal quarter of 2015 for Burlington Stores were $30 million shy of expectations. Same-store sales increased by 0.8 percent, whereas management had been anticipating a figure in the 2 to 3 percent range. Earnings growth is on par to come in at around 23 percent in 2015.[48]

J.C. Penney started fiscal 2015 on a much-improved note. Same-store sales in the first period increased by 3.4 percent, which was on top of 7.4 percent growth in fiscal 2014's first period. Sales should advance about 3 percent in 2015.[49]

Following declines in fiscal 2008 and 2009, Nordstrom's average growth rate in same-store sales in the subsequent three years was 7.5 percent. Despite gains of over 20 percent from Internet-sourced sales in fiscal 2013 and 2014, this overall metric averaged less than 4 percent in those two years and meaningful improvement in fiscal 2015 is not expected.[50]

Growth at the TJX companies is likely to remain slow for the remainder of 2015. Although the discount retail chain reported better-than-expected April quarter sales and earnings, totals increased at 6 and 8 percent, respectively, a far cry from what the company has posted in the past. Guidance suggests that results will be even less favorable in the months ahead.[51]

Many of the stores have had difficulties increasing same-store sales. New competitors have emerged online that affect the brick and mortar retail stores where a lot of impulse buying may happen. According to Kevin Downing, the retail store industry analyst for Value Line,[52]

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[47] David R. Cohen, "Macy's, Inc." *Value Line Investment Survey*, July 31, 2015.

[48] Erik M. Manning, "The Burlington Stores", *Value Line Investment Survey*, July 31, 2015.

[49] David R. Cohen, "J.C. Penney", *Value Line Investment Survey*, July 31, 2015.

[50] David R. Cohen, "Nordstrom", *Value Line Investment Survey*, July 31, 2015.

[51] Andre J. Costanza, "The TJX Companies", *Value Line Investment Survey*, July 31, 2015.

[52] Kevin Downing, "Retail Store Industry," Value Line Investment Survey, July 31, 2015: 2132.

> Having an effective 'omni-channel' shopping platform continues to be the primary strategy of most participants in the Retail Store Industry. Consumers are embracing features like buy online pickup in-store, ship from store, free shipping, and same-day delivery because they often provide more convenience, value, and selection than physical retail outlets. Further, brick-and-mortar shopping trips are becoming more purposeful, as a lot of the casual, impulse purchases are being made online. We expect innovative mobile and direct digital marketing campaigns to help differentiate the participants in this space. We think retailers with attractive, user-friendly e-commerce platforms will also be rewarded. Those retailers with the opportunity to also continue expanding their physical store base at home and abroad should do particularly well in the years ahead. As always, we place significant value on retailers with savvy buyers and popular exclusive brands.

Consumers are looking for more convenience in their shopping, especially with clothing. Many consumers do their shopping either online or through their mobile phones. Since 2000, approximately 75 percent of retail sales growth was attributable to e-commerce.[53] Omni-channel shopping is here to stay as it shifts the environment for retailers to operate. According to Strategy &, global retailers should take three critical steps to stay competitive:

1. Invest in digital technologies with a clear understanding of how they can enhance the in-store experience.

2. Offer a convenient one-stop shopping experience that responds to the shoppers' path of purchase.

3. Rigorously examine resource allocation.[54]

SUMMARY AND OUTLOOK

Overall, the outlook for the apparel industry appears to be positive and a significant portion of industry participants have an optimistic view about the next five years. The Company

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[53] Marco Yesteloo and Nick Hudson, "2015 Retail Trends: E-Commerce is Capturing Almost All the Gains in Retail Sales, Should You Care?," Strategy &...PWC <http://www.strategyand.pwc.com/perspectives/2015-retail-trends> (accessed June 28, 2016).

[54] Ibid.

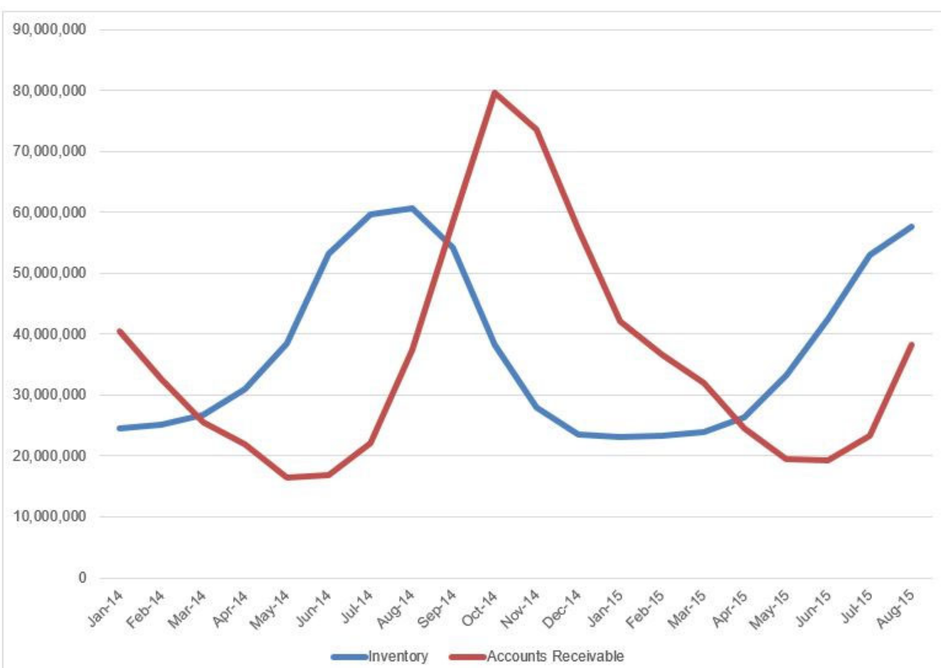
should also benefit from increasing sales of outerwear products that have been driven by favorable weather conditions. The Company will still face a certain amount of risk related to constantly changing trends in the fashion industry, rising costs, unpredictable weather patterns and constantly changing consumer needs and preferences. Furthermore, some of The Company's major customers have experienced sluggish growth in same-store sales due to increasing competition.

FINANCIAL ANALYSIS

A financial analysis of The Company was performed as of July 31, 2015 (the interim period closest to the valuation date) based on the historic balance sheets and income statements that appear as Schedules 1 and 2, respectively at the back of this report. This analysis was performed based on The Company's tax returns and unconsolidated interim financial statements in order to analyze The Hart Group, Inc. as a stand-alone company. Although audited financial statements are prepared for The Hart Group, these financial statements are presented on a combined basis that includes entities that are not subject to this valuation. Therefore, we did not use the audited financial statements.

At July 31, 2015, The Hart Group had total assets of $79.55 million. The Company's assets primarily consist of current assets; in particular, inventory and accounts receivable. As primarily an outerwear manufacturer, The Hart Group's accounts receivable and inventory balances are seasonal in nature. Historic monthly trends in The Company's inventory and accounts receivable balances are summarized in Figure 2.

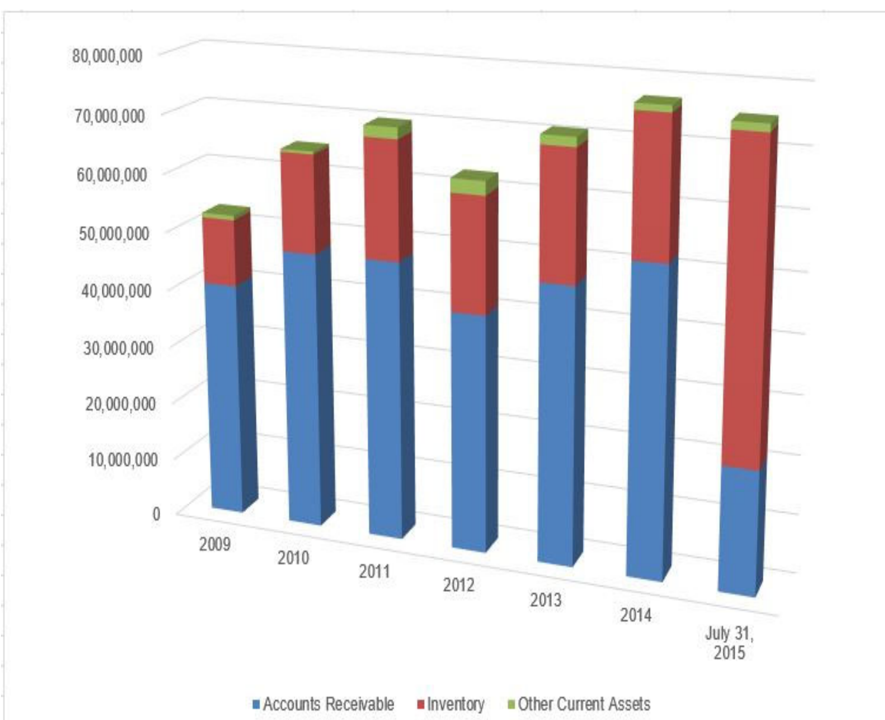
FIGURE 2
INVENTORY AND ACCOUNTS RECEIVABLE



Outerwear sales are highest during the fall and early winter months. As a result, The Hart Group's accounts receivable balances are higher during these months, while The Company's inventory balances are leaner since The Company is selling its inventory at a faster rate. During the spring and summer months, The Company's inventory balances are higher as The Company stockpiles merchandise in anticipation of the upcoming fall and winter seasons. Sales volume declines considerably during the warmer months of the year and as a result, accounts receivable balances are considerably lower.

As of July 31, 2015, The Hart Group's accounts receivable and inventory balances were \$20.95 million and \$52.95 million, respectively. At the valuation date, The Company's inventory was elevated and accounts receivable was lower in comparison to other months. This would be anticipated for a company primarily engaged in the wholesale of coats as shipping is low during the first seven months while inventory is built up during that time for Fall and Winter shipping. Similarly, June and July are typically among the slowest sales' months of the year. Despite the seasonal fluctuations in inventory and accounts receivable, The Hart Group's total current assets have remained relatively consistent over the period analyzed as shown in Figure 3.

FIGURE 3
BREAKDOWN OF CURRENT ASSETS



From 2009 to 2014, The Hart Group's total current assets increased from $52.72 million to $76.87 million, a compound annual growth rate of 7.85 percent per year. From 2014 to July 31, 2015, The Company's current assets declined slightly to $75.22 million. As the trends in Figure 3 indicate, total current assets remained relatively consistent from period to period while the mix of The Company's current asset base changes depending on the season.

The Hart Group's fixed assets primarily consist of leasehold improvements, office furniture and equipment and automobiles. The Company supplied the analyst with information related to all of the automobiles that The Hart Group owns. This information is summarized in Table 13.

TABLE 13
SUMMARY OF Hart GROUP
OWNED AUTOS AND TRUCKS

Date Acquired	Year	Automobile	Primary Driver
11/07/06	2007	Mercedes	Arthur Hart
09/26/07	2007	Lincoln Limo	Barbara Hart
03/15/02	2002	Bentley Azure	Donald Hart
06/02/10	2007	Bentley GTC Convertible	Donald Hart
11/01/11	2011	Mercedes	Donald Hart
01/28/13	2013	Cadillac	Donald Hart
03/19/14	2013	Bentley Mulsanne	Donald Hart
	2003	Mercedes Benz G500	Donald Hart
10/31/90	1990	Bentley	Jack Hart
05/22/07	2007	Mercedes	Jack Hart
05/22/07	2007	Mercedes	Jack Hart
11/25/09	1965	Ford Mustang	Larry Hart

From 2010 to July 31, 2015, The Company's capital expenditures have been minimal, averaging approximately $120,000 per year.

The Hart Group's other assets consist of security deposits, investments and advances on split dollar life insurance policies for the officers.

The Hart Group's investments consist of a 50 percent interest in Hart Fashion Canada Company ("Hart Canada"), a 65 percent interest in Hart Europe Apparel GmbH ("Hart Europe") and a 28 percent interest in Bull International, Inc. ("Bull"). Hart Canada and Hart Europe produce outerwear for the Canadian and German markets, respectively, under most of the same brands supplied by The Hart Group. Bull is a Canada-based company that owns the Bull Hand brand, which consists of sportswear and outerwear sold in the Canadian market.

The Company also owns an interest in the value of split dollar life insurance policies on the lives of former stockholders. According to the Limited Collateral Assignment Agreements, The Company is to be reimbursed by the former stockholders or their estates for all premiums advanced on behalf of the former stockholders on the split-dollar life insurance policies. In 2015, The Company advanced $144,480 of premiums in accordance with these agreements. As a result, The Company has a receivable on its balance sheet for this amount.

The Hart Group's liabilities totaled $66.69 million as of the valuation date, all of which were current liabilities. The Company's liabilities primarily consist of a revolving working capital line of credit and payables due to related parties.

On June 19, 2014, The Hart Group entered into a Revolving Credit Agreement with The CIT Group. According to the Revolving Credit Agreement, the credit facility provided a revolving commitment of up to $90 million at an interest rate of the federal effective fund rate plus 0.5 percent or the 90-day London Interbank Offered Rate ("LIBOR") plus 0.5 percent. The credit facility established a borrowing base, which is tied to The Hart Group's accounts receivable and inventory balances. The borrowing base is equal to up to 85 percent of The Hart Group's eligible accounts receivable plus the lesser of 1) $30 million or 2) 50 percent of current finished goods and in-transit inventory (capped at $5 million) plus 30 percent of the prior second season's inventory plus 50 percent of The Company's eligible letters of credit (letters of credit issued under the revolving credit agreement for the purchase of finished goods inventory) plus a supplemental amount which allows for higher levels of borrowing during the spring and summer.

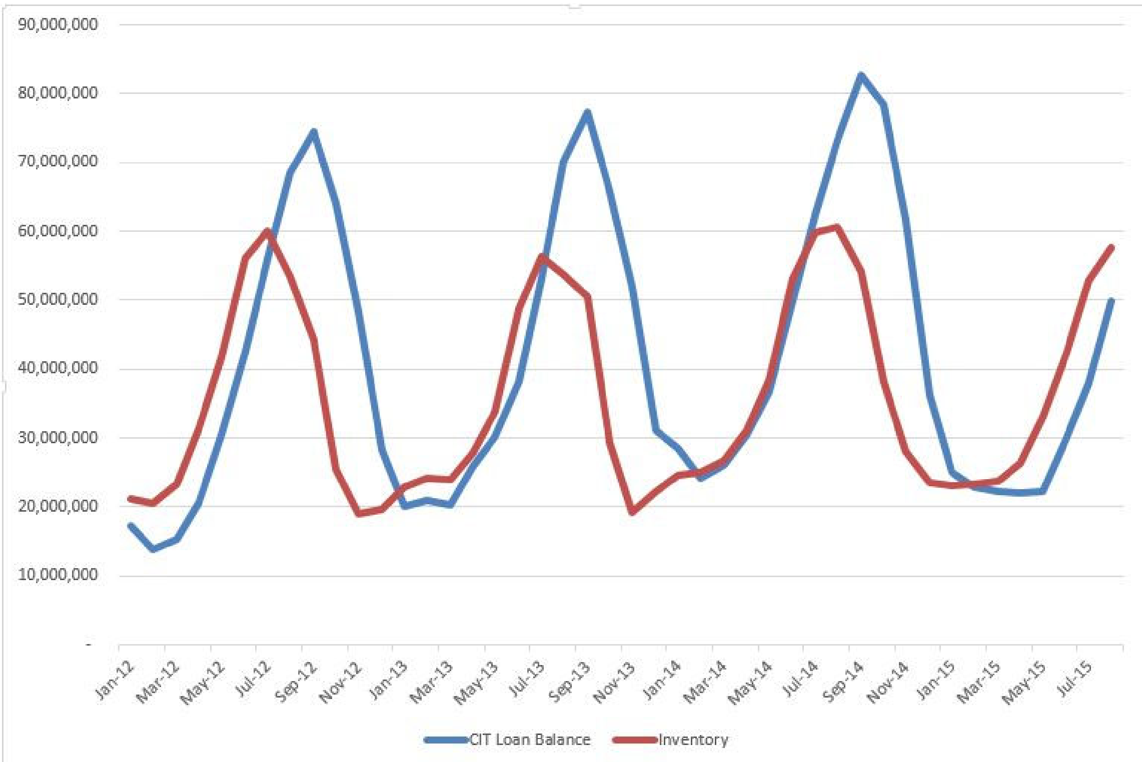
The revolving credit agreement also allows for “overadvances” or amounts borrowed in excess of the borrowing base. The peak permitted overadvances are equal to $30 million and $33 million for month-end and mid-month, respectively. Overadvances are payable on demand. The maturity date for the original loan agreement was April 30, 2015.

Since the revolving credit agreement was executed, the agreement has been amended four times, the latest of which occurred on April 29, 2015. As of the valuation date, the terms were as follows:

- The revolving facility commitment was reduced from a maximum of $90 million to $85 million.
- The maturity date was extended to April 30, 2016.
- The inventory portion of the borrowing base was revised and is now based on 55 percent of the value of The Company’s inventory (based on an inventory valuation). The cap for in-transit inventory was increased from $5 million to $7.5 million.
- The allowable amount for overadvances was reduced to $25 million and $27 million for month-end and mid-month, respectively.

Since The Hart Group’s revolving credit facility is linked to The Company’s accounts receivable and inventory balances, the outstanding loan balance fluctuates seasonally as shown in Figure 4.

FIGURE 4
INVENTORY AND LOAN BALANCE



During the slower sales' months, The Hart Group's borrowings increase substantially as The Company utilizes the credit facility to finance its inventory. An analysis of The Hart Group's general ledgers and The Operating Plan indicate that a significant portion of cash receipts and disbursements flow through the revolving credit facility. As indicated in Figure 4, as of the valuation date, The Hart Group's outstanding debt balance was elevated, as July is one of The Company's slower sales' months. Based on these factors, The Company's revolving credit balance was considered to be a part of working capital that fluctuates depending on the season, as opposed to a permanent source of financing.

The Hart Group's other significant liability is payables due to related parties. These payables are primarily due to two entities: ABCDE, Inc. and HH&T Purchasing Corp. ABCDE is one of The Hart Group's private label brands. The Company pays ABCDE a royalty fee for use of the ABCDE trademark. According to The Operating Plan, The Hart

Group is expected to generate $6.8 million from the ABCDE product line. According to The Hart Group's general ledgers, The Company's royalty payments to ABCDE averaged approximately $300,000 per year over the past three years. Based on these figures, the implied royalty rate equals 4.4 percent, which was determined to be reasonable in comparison to The Hart Group's other license agreements.

The Company's most significant payable is amounts due to HH&T Purchasing Corp. HH&T conducts all purchasing activities on behalf of The Company. Upon receipt of the merchandise, HH&T sells the goods to The Company at cost.[55]

From 2009 to 2014, The Hart Group's net book value has been consistent ranging from $21.07 million to $22.84 million. As of July 31, 2015, The Company had a book value of $12.87 million. This would be expected due to the higher debt and payables necessary to support the Fall and Winter shipping.

The next step in the analysis is to look at The Company's historic common size balance sheet. Common size balance sheets depict items on the balance sheet as a percentage of total assets and can be used to analyze trends in financial performance.

The Hart Group's common size balance sheet is presented in Table 14.

TABLE 14
COMMON SIZE BALANCE SHEET
AS OF

	December 31,						July 31,
	2009	2010	2011	2012	2013	2014	2015
Current Assets							
Cash	0.76%	0.08%	1.95%	2.76%	1.03%	0.02%	0.18%
Accounts Receivable	73.04%	70.01%	65.09%	61.76%	63.59%	64.02%	26.33%
Inventories	20.63%	24.81%	27.70%	30.05%	29.88%	28.86%	66.56%
Prepaid Expenses	0.38%	0.20%	0.26%	0.43%	0.62%	0.44%	0.59%
Advances To Vendors	0.00%	0.01%	0.05%	0.05%	0.00%	0.00%	0.00%
Loans to Shareholders	0.24%	0.41%	0.36%	0.37%	0.53%	0.91%	0.90%
Total Current Assets	95.05%	95.53%	95.40%	95.42%	95.65%	94.25%	94.55%
Net Fixed Assets	2.67%	2.19%	2.01%	1.81%	1.28%	1.31%	1.01%
Total Other Assets	2.27%	2.29%	2.59%	2.76%	3.07%	4.44%	4.44%
TOTAL ASSETS	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

55 HartGROUP003959.

TABLE 14
COMMON SIZE BALANCE SHEET
AS OF

	December 31, 2009	2010	2011	2012	2013	2014	July 31, 2015
Current Liabilities							
Accounts Payable	5.57%	4.02%	4.00%	4.58%	4.49%	4.27%	1.55%
Long-Term Debt - Current Portion	29.06%	43.88%	41.02%	42.97%	42.09%	44.51%	49.17%
Accrued Expenses	3.33%	4.78%	9.97%	3.88%	4.25%	2.16%	-3.37%
Deferred Rent	1.32%	0.95%	0.74%	0.66%	0.41%	0.19%	0.08%
Due to Affiliates	21.74%	15.28%	15.56%	15.47%	18.68%	20.87%	36.40%
Total Liabilities	61.04%	68.92%	71.30%	67.56%	69.92%	71.99%	83.83%
Total Stockholders' Equity	38.96%	31.08%	28.70%	32.44%	30.08%	28.01%	16.17%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Note: Figures may not add due to rounding.

Approximately 95 percent of The Hart Group's total assets consist of current assets and this percentage has remained consistent in each of the periods analyzed. The makeup of The Company's current assets varies by season. As of July 31, 2015, accounts receivable and inventory accounted for 26.33 percent and 66.56 percent of The Company's total assets, respectively. At year end, accounts receivable accounts for the majority of The Company's current assets, as is the case for the years 2009 to 2014.

The Hart Group's liabilities as a percentage of sales fluctuated throughout the period analyzed and peaked at 83.83 percent at July 31, 2015. The Company's liabilities are also seasonal in nature. As of the valuation date, The Company had higher payables and debt to finance higher levels of inventory. With an elevated amount of liabilities, The Hart Group's shareholders' equity as a percentage of total assets was lower at July 31, 2015 than was reflected in prior years. This is consistent with what would be expected due to the seasonality of the business.

With respect to the income statement, after declining by 16.73 percent in 2012, The Hart Group's revenues have increased in each subsequent period. In 2012, revenues declined as the result of the loss of Liz Clairborne, which sold its brand portfolio to J.C. Penney. As a result, The Hart Group started its dress division, which helped recover the revenues lost from Liz Clairborne.[56]

The Hart Group's operating expenses have fluctuated over the period analyzed and from 2014 to the latest 12-month ("LTM") period ended July 31, 2015, decreased by 8.27 percent from $42.64 million to $39.11 million. While a portion of the decrease in expenses is attributable to expense cuts, the primary reason for the decline in operating expenses is due to the fact that The Company stopped paying salaries to its officers in 2015. These two factors resulted in The Company becoming significantly more profitable during the latest 12-month period.

The Hart Group's income statement was analyzed on a common size basis and The Company's historic common size income statement appears in Table 15.

TABLE 15
COMMON SIZE INCOME STATEMENT
FOR THE

	Years Ended December 31,					LTM July 31,
	2010	**2011**	**2012**	**2013**	**2014**	**2015**
Total Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Total Cost of Sales	66.45%	67.38%	66.70%	68.38%	69.82%	70.19%
Gross Profit	33.55%	32.62%	33.30%	31.62%	30.18%	29.81%
Total Operating Expenses	32.39%	31.75%	32.02%	30.45%	29.82%	26.78%
Operating Income	1.16%	0.87%	1.27%	1.17%	0.37%	3.03%
Interest Expense	(0.73%)	(0.90%)	(1.14%)	(0.93%)	(0.95%)	(0.76%)
Other Income	0.28%	0.55%	0.51%	0.57%	1.39%	1.36%
Income Before Taxes	0.71%	0.51%	0.65%	0.81%	0.81%	3.63%
Income Taxes	0.08%	0.08%	0.13%	0.11%	0.07%	0.01%
NET INCOME	**0.62%**	**0.43%**	**0.51%**	**0.70%**	**0.74%**	**3.62%**

Note: Figures may not add due to rounding.

The Hart Group's gross profit margin has fluctuated throughout the analysis period, but has remained near the six-year average of 31.85 percent. The Company's net profit margin had

[56] *2015 Operating Plan*: 6.

been less than 1 percent from 2010 to 2014, before increasing to 3.62 percent during the latest 12-month period due to the expense cuts.

The next step in the analysis is to analyze The Hart Group's historic financial ratios, which are used to analyze trends in financial performance. Select financial ratios for The Company appear in Table 16.

TABLE 16
FINANCIAL RATIOS
FOR THE

	Years Ended December 31,					LTM July 31,
	2010	**2011**	**2012**	**2013**	**2014**	**2015**
LIQUIDITY / SOLVENCY						
Quick Ratio	1.02	0.94	0.95	0.92	0.89	0.32
Current Ratio	1.39	1.34	1.41	1.37	1.31	1.13
TURNOVER						
Receivables Turnover	2.93	2.93	2.63	3.26	2.88	3.99
Inventory Turnover	6.06	5.06	3.87	4.67	4.37	2.68
Working Capital Turnover	6.98	7.80	6.46	7.66	7.69	10.94
Total Asset Turnover	2.09	1.97	1.67	2.05	1.84	1.81
DEBT						
Times Interest Earned	1.97	1.57	1.57	1.87	1.86	5.75
Total Liabilities to Total Assets	0.69	0.71	0.68	0.70	0.72	0.84
Total Liabilities to Equity	2.22	2.48	2.08	2.32	2.57	5.18
Short-Term Debt to Equity	1.41	1.43	1.32	1.40	1.59	3.04
WORKING CAPITAL						
Working Capital ($000)	18,072.12	17,694.66	18,276.36	19,061.22	18,152.36	8,533.52

The Company's liquidity ratios, as measured by its current and quick ratios were on an overall downward trend from 2010 to 2014. However, during this time period, The Company's current ratio has remained above one, which reflects positively on The Hart Group's ability to fund its short-term obligations. At July 31, 2015, The Company's quick ratio declined as The Company's current assets primarily consisted of inventory, which is less liquid than cash and accounts receivable.

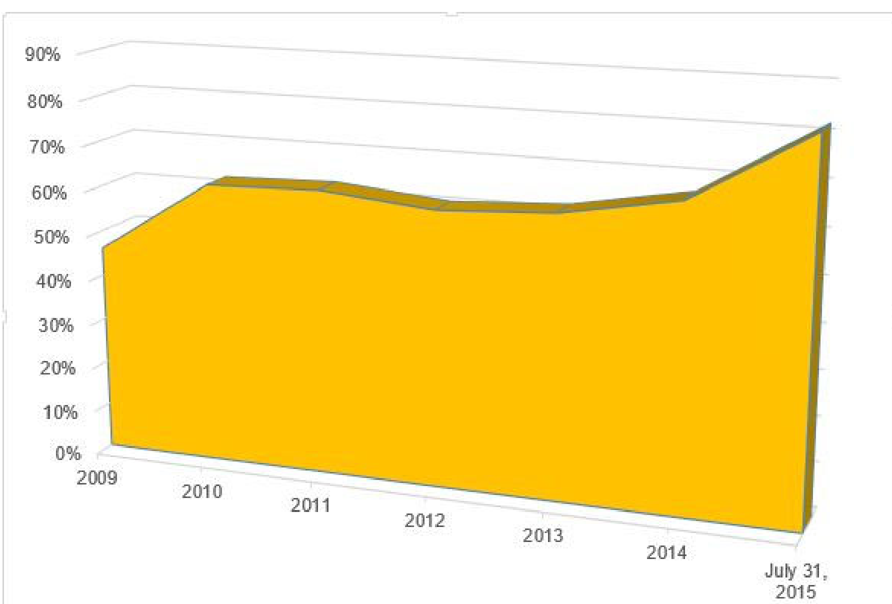
The Hart Group's accounts receivable turnover ratio has remained relatively consistent over the period analyzed, which indicates that there has been little change in the rate in which The Company collects its receivables. From 2010 to 2014, The Company's inventory turnover ratio has fluctuated and it has been lower in the more recent periods. This indicates that The Company has been moving its inventory at a slower rate in recent years. The inventory turnover ratio was considerably lower during the latest 12-month period, however, this is skewed due to seasonality.

The Company's working capital turnover ratio has increased in each year since 2012, which is an indication that The Hart Group has become more efficient in utilizing its working capital to generate revenues. The Company's total asset turnover ratio has experienced minor fluctuations, which indicates that The Hart Group's asset utilization efficiency has been consistent over the past few years.

With respect to The Company's debt ratios, The Hart Group's times interest earned ratio has remained solid and reflects positively on The Company's ability to fund its interest payments with its operating profits. The debt ratios also further demonstrate the seasonal nature in which The Company finances its operations. The Company's total liabilities to total assets, total liabilities to equity and short-term debt to equity ratios were relatively consistent from 2010 to 2014 and were elevated at July 31, 2015. This indicates that The Company increases its use of debt financing during the slower sales' months.

Similar conclusions can be drawn from analyzing The Hart Group's working capital position. At July 31, 2015, The Company had significantly less working capital and its short-term debt to working capital ratio was considerably higher, which indicates that during the slower months, The Company primarily finances its working capital with its revolving credit line. This trend can be seen graphically in Figure 5.

FIGURE 5
DEBT AS A % OF DEBT-FREE WORKING CAPITAL



The trends in Figure 5 further demonstrate how The Company finances its day-to-day operations, which are impacted by seasonality. Debt as a percentage of debt-free working capital does not change significantly from year-to-year. However, as of July 31, 2015, this percentage exceeded 80 percent, since July is a slow sales' month in which The Company stockpiles inventory, primarily with its line of credit, in anticipation of the busier fall season. Therefore, The Company's leverage position as of the valuation date is temporary and is expected to return to normal levels as the year proceeds.

The next step in the analysis is the normalization of the financial statements. The process of normalization is intended to reflect The Company's financial statements on an economic basis, to reflect those items that a willing buyer would expect to see as the result of normal operations. The balance sheet normalization adjustments appear in Table 17.

TABLE 17
BALANCE SHEET ADJUSTMENTS
AS OF

	July 31, 2015	Adjustments	Adjusted July 31, 2015
Current Assets			
Cash	$ 141,987	$ -	$ 141,987
Accounts Receivable	20,948,109	-	20,948,109
Inventories	52,946,578	-	52,946,578
Prepaid Expenses	468,811	-	468,811
Loans to Shareholders[1]	714,175	(714,175)	-
Total Current Assets	$ 75,219,660	$ (714,175)	$ 74,505,485
Gross Fixed Assets[2]	$ 4,223,734	$ (1,114,179)	$ 3,109,555
Accumulated Depreciation[2]	3,420,914	(604,290)	2,816,624
Net Fixed Assets	$ 802,820	$ (509,889)	$ 292,931
Other Assets			
Security Deposits	$ 403,146	$ -	$ 403,146
Investment in Hart Canada and Others	2,982,512		2,982,512
Advances on Split Dollar Life Insurance Policies[3]	144,480	(144,480)	-
Total Other Assets	$ 3,530,138	$ (144,480)	$ 3,385,658
TOTAL ASSETS	**$ 79,552,618**	**$ (1,368,544)**	**$ 78,184,074**
Current Liabilities			
Accounts Payable	$ 1,229,308	$ -	$ 1,229,308
Long-Term Debt - Current Portion	39,115,877	-	39,115,877
Accrued Expenses	(2,682,272)	-	(2,682,272)
Deferred Rent	66,085	-	66,085
Due to Affiliates	28,957,144	-	28,957,144
Total Current Liabilities	$ 66,686,142	$ -	$ 66,686,142
Stockholders' Equity			

TABLE 17
BALANCE SHEET ADJUSTMENTS
AS OF

	July 31, 2015	Adjustments	Adjusted July 31, 2015
Common Stock	$ 2,000	$ -	$ 2,000
Paid - In Capital	751,804	-	751,804
Retained Earnings	12,112,672	(1,368,544)	10,744,128
Total Stockholders' Equity	$ 12,866,476	$ (1,368,544)	$ 11,497,932
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 79,552,618**	**$ (1,368,544)**	**$ 78,184,074**

1. The Hart Group's balance sheet contained two loan asset accounts: 1) loans to shareholders and 2) loans and exchanges. An analysis of the general ledgers indicated that both of these loan accounts primarily consisted of American Express credit card purchases by the officers of The Hart Group. Therefore, shareholder loans were segregated from the operating balance sheet of The Hart Group and reclassified as nonoperating assets. These assets will be added to the value of The Hart Group's operations in the final reconciliation of values.

2. Automobiles were reclassified as nonoperating assets as a willing buyer would not include these assets in the event of an acquisition. Furthermore, these vehicles appear to be personal in nature. The fair market values of these automobiles will be added to the value of the operating entity of The Hart Group in the final reconciliation of values.

3. Amounts due from officers in accordance with the split-dollar life insurance policies were also determined to be nonoperating assets and will be added to the value of The Company's operations in the determination of the total equity value.

Based on the adjustments to the balance sheet, the adjusted book value of The Hart Group was $11,497,932 as of July 31, 2015.

The next step in the analysis is to determine the economic income of The Hart Group that a willing buyer would expect The Company to generate from ongoing operations. The income statement adjustments[57] are presented in Table 18.

TABLE 18
NORMALIZATION OF INCOME
FOR THE

	Years Ended December 31, 2011	2012	2013	2014	LTM July 31, 2015
Historic Net Income (Schedule 2)	$ 603,959	$ 596,529	$ 1,001,169	$ 1,062,355	$ 5,282,186
Adjustments					
Unrecorded Cash Sales[1]	900,000	900,000	900,000	900,000	900,000
Depreciation Expense[2]	58,728	62,587	84,063	95,904	90,854
Officers' Compensation - Addback[3]	10,230,945	2,309,932	2,254,245	2,112,021	632,936
Officers' Compensation - Reasonable[4]	(1,436,643)	(1,430,274)	(1,551,765)	(1,588,244)	(1,622,019)
Rent Historic[5]	1,037,438	932,728	949,141	978,943	992,830
Rent - New Building[6]	(1,777,279)	(1,830,597)	(1,885,515)	(1,942,081)	(2,000,343)
Nonoperating (non-family) Payroll & Benefits[7]	309,941	327,526	318,521	326,193	302,178
Automobile and Garage Leases[8]	161,551	166,152	156,889	147,954	141,789
Officers' Benefits[9]	127,217	95,384	95,384	95,384	95,384
Petty Cash (50%)[10]	67,511	69,997	49,718	55,759	44,059
Nonworking Family Member Payroll & Benefits[11]	984,751	916,377	782,252	431,671	265,011
Jane Hart Salary & Health Insurance[12]	385,446	297,997	210,446	389,292	279,837
Credit Card Charges for Nonworking Stockholders[13]	272,698	291,068	354,742	351,262	254,864
Travel & Entertainment Expenses[14]	840,062	928,298	857,810	368,622	268,702
Payroll Costs[15]	622,142	185,292	152,663	123,943	(20,065)
Settlement Expense[16]	-	-	400,000	-	-
Year End Expense[17]	260,000	260,000	260,000	260,000	151,667
Historic Income Taxes[18]	109,734	155,675	154,326	100,814	14,683
ADJUSTED PRETAX NET INCOME	$ 13,758,201	$ 5,234,670	$ 5,544,089	$ 4,269,791	$ 6,074,553
Income Taxes[18]	2,281,685	868,127	919,442	708,110	1,007,415
ADJUSTED HISTORIC NET INCOME	**$ 11,476,516**	**$ 4,366,543**	**$ 4,624,647**	**$ 3,561,681**	**$ 5,067,138**

Note: Figures may not add due to rounding.

1. The analyst has been told that at least $800,000 to $1 million of cash sales are not reported by The Hart Group. We have been told that there will be testimony to support these amounts. Therefore, the analyst recorded $900,000 of additional cash sales for each period.

2. Depreciation expense related to the automobiles was added back as this expense relates to nonoperating assets. The annual depreciation expense related to the automobiles was obtained from The Company's general ledgers.

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57 Although we did not make an adjustment for certain Hart family members that work for The Company, we have been advised that testimony will be provided that indicates that several of the Hart family members are significantly overpaid for the job positions that they fill. A reasonable compensation adjustment for these individual would increase the earnings and value of The Company.

3. Historic officers' compensation was added back as an allowance for reasonable compensation was deducted in number 4 below.

4. In order to determine the amount of reasonable compensation that a willing buyer would have to pay a management team to run The Company, the analyst consulted the Economic Research Institute's *Executive Compensation Assessor* ("ERI"). The Hart Group has historically paid salaries to four officers: Donald, Gary, Lawrence and Richard. According to our discussions with Richard, Donald is the President and CEO of The Company, Gary is the Vice President of Procurement and Manufacturing, and although Lawrence is listed as the Vice President of Research and Development, we have been told that he does not perform much active work for The Company. Richard is no longer working for The Company and has not been replaced. Based on these factors, the analyst determined that a CEO and a Vice President would be needed to satisfy the roles of the two working executives. Therefore, the analyst searched ERI for total compensation[58] data for these positions based on the following criteria:

   Area: Manhattan, New York
   Industry: Apparel Manufacturing
   Sales: Based on The Hart Group's sales for each year.

   Based on this search criteria, median total compensation was determined as shown in Table 19.

TABLE 19
REASONABLE COMPENSATION

	2011	2012	2013	2014	2015
Chief Executive Officer	$ 943,598	$ 937,922	$ 1,023,222	$ 1,048,032	$ 1,071,324
Executive Vice President	493,045	492,352	528,543	540,212	550,695
Total	**$ 1,436,643**	**$ 1,430,274**	**$ 1,551,765**	**$ 1,588,244**	**$ 1,622,019**

58 Total compensation consists of salary, bonus, non-equity incentives, pension benefits and other miscellaneous fringe benefits.

5. In July 2015, The Hart Group signed a lease agreement for a new office located at 1234 Broadway. Therefore, historic rent was added back and rent for the new facility was deducted as explained in number 6 below.

6. On July 16, 2015, The Company entered into a new lease agreement for the entire ninth floor and part of the seventh floor of a building located at 1234 Broadway. Therefore, The Company's historic operating expenses were adjusted to reflect what the annual rent payments will be on a prospective basis. According to the lease agreement, for the first five years, the fixed annual rent is as follows:

7th Floor	$	581,175
9th Floor		1,419,168
Total	$	2,000,343

For prior years, rent was reduced by a cost of living factor of 3 percent for normalization purposes.

7. The Hart Group pays salary and benefits to several individuals who provide personal services to members of the Hart family, such as housekeeping and chauffeur services. The Company provided a listing of these individuals and the analyst obtained salary information for these individuals from The Company's internal payroll records and Form W-2s. Furthermore, the analyst obtained health insurance information for these individuals during an on-site record inspection at The Hart Group's corporate office. A summary of the salaries and benefits paid to these individuals is summarized in Table 20.

TABLE 20
NON-OPERATING PAYROLL

Name	2011 Wages	2012 Wages	2013 Wages	2014 Wages	LTM Wages	7/31/15 Wages
Alex Tauer (Chauffeur)	$ -	$ -	$ 13,346	$ 40,769	$ 39,295	$ 22,308
Jay Brown (Chauffeur)	47,872	51,751	48,095	51,166	49,315	27,996
Liberty Platz (Donald Hart's Housekeeper)	-	-	-	42,735	48,789	30,983
Arkady Zooman (Barbara Hart's Driver)	33,860	40,129	31,167	14,615	6,090	-
Corazon Velasquez (Gary Hart's Housekeeper)	40,028	42,507	40,087	43,272	41,707	23,677
Francisco Brito (Barbara Hart's Driver)	36,000	36,000	36,000	36,692	35,365	20,077
Francisco Vasquez (Donald Hart's Housekeeper)	36,872	39,351	35,695	8,908	3,712	-
Isabel Vasquez (Donald Hart's Housekeeper)	36,872	39,351	35,695	8,908	3,712	-
Margarita Brito (Barbara Hart's Housekeeper)	36,000	36,000	36,000	36,692	35,364	20,076
Total Payroll	$ 267,505	$ 285,090	$ 276,085	$ 283,757	$ 263,349	$ 145,117
	2011	**2012**	**2013**	**2014**	**LTM**	**7/31/2015**
Health Insurance						
Alex Tauer (Chauffeur)	$ -	$ -	$ -	$ 8,682	$ 7,944	$ 4,326
Jay Brown (Chauffeur)	8,682	8,682	8,682	8,682	7,944	4,326
Corazon Velasquez (Gary Hart's Housekeeper)	7,708	7,708	7,708	7,708	7,055	3,843
Francisco Brito (Barbara Hart's Driver)	8,682	8,682	8,682	8,682	7,944	4,326
Isabel Vasquez (Donald Hart's Housekeeper)	8,682	8,682	8,682	-	-	-
Margarita Brito (Barbara Hart's Housekeeper)	8,682	8,682	8,682	8,682	7,944	4,326
Total Health Insurance	$ 42,436	$ 42,436	$ 42,436	$ 42,436	$ 38,829	$ 21,147
GRAND TOTAL	**$ 309,941**	**$ 327,526**	**$ 318,521**	**$ 326,193**	**$ 302,178**	**$ 166,264**

Wages and health insurance for these individuals were added back as nonoperating expenses.

8. The Hart Group makes lease payments for automobiles and garages for family members and other employees. The Company provided the analyst with the following summary schedule of the leases in which The Company has made payments.

TABLE 21
AUTO LEASE & PARKING

VDR#	Auto Lease	Name	Acct.# / Lease#
AUD01	Audi Financial Services	Jessica Green	886203808
AUD01	Audi Financial Services	Max Normanski	877915212
BMW01	BMW Financial Services	Rich Albonowitz	4001845378
BMW01	BMW Financial Services	Simon Parkson	4001905354
HAROL	Lease	Harold Maxson	
USB01	U.S. Bank N.A.	Brett Hart	9739071583
MER01	Mercedes-Benz	Gary Hart	7003972919
MER03	Mercedes Benz Credit Corp.	Gary Hart	7003879224
HANN1	HANN FINANCIAL	Gary Hart	26619592585
BAN03	Bank of America	Larry Hart	630-10034432958
MER04	Mercedez-Benz Financial S	Max Hart	7003693899/ 7937
PUT01	Putman Leasing Co.	Richard Hart	24411019886/ 59296
USB01	U.S. Bank N.A.	Richard Hart	9739081542
TOY01	Toyota Financial Services	Paul Smith	02 0392 BP973
TOY02	Toyota Financial Services	Ben Grove	3 0392 BP973
GMF01	GM FINANCIAL LEASING	Alex Tauer	0170242119

VDR#	Parking	Name	Acct#
GLE01	Glenwood Management Corp.	Lenny Alber	168-624
GLE01	Glenwood Management Corp.	Rich Albonowitz	168-618
CEN09	Central Parking System	Jessica Green	3700483-6290
CEN04	Central Parking System	Brett Hart	3702128-0520
RIV01	Riverview Operating Co.	Gary Hart	010-LE23
REL01	RELIANT PARKING LLC	Gary Hart	216-100 24265
BRO07	Broadway & 64th Prg LLC	Larry Hart	295-382 3540
DLG01	DL Garage Holdings	Louis Hart	THEL005 470
QUI03	575 LEX LLC	Richard Hart	24127
ICP01	Impact Car Park LLC	Max Hart	36/ 0409D
CEN12	Central Parking System	Alex Tauer	3700678-709

The analyst was able to identify the payments to the vendors included in Table 21 in The Company's general ledgers. Despite our requests for the information, we were not provided with copies of the leases, the addresses of the parking garages, the number of business miles used for each vehicle or information about what each vehicle was used for. Nevertheless, all lease payments made on behalf of members of the Hart family were added back as 1) these payments were considered to be an additional form of compensation and 2) these were considered to be benefits that are not shared by all employees of The Company. We did not adjust payments for non-Hart family employees. Complete general ledger detail for these lease payments appear in Schedules 3 through 7 (sorry but these have been omitted from this sample report) at the back of this report. These payments are summarized in Table 22.

TABLE 22
AUTO AND GARAGE LEASE PAYMENTS

Year		Total	Schedule
2011	$	161,551	3
2012		166,152	4
2013		156,889	5
2014		147,954	6
LTM July 31, 2015		141,789	7

9. Officers' life insurance and officers' health insurance premiums were added back as these were considered to be additional forms of officers' compensation. In the calculation of reasonable compensation in number 4 above, the analyst calculated total compensation which already includes both cash compensation and all fringe benefits. A summary of the life insurance and health insurance paid for the officers appears in Table 23.

TABLE 23
OFFICERS' BENEFITS

	2011	2012	2013	2014	LTM July 31, 2015
Officers' Life Insurance	$ 44,697	$ 12,864	$ 12,864	$ 12,864	$ 12,864
Health Insurance:					
Richard Hart	21,936	21,936	21,936	21,936	21,936
Lawrence Hart	18,276	18,276	18,276	18,276	18,276
Donald Hart	10,449	10,449	10,449	10,449	10,449
Gary Hart	31,859	31,859	31,859	31,859	31,859
Total	**$ 127,217**	**$ 95,384**	**$ 95,384**	**$ 95,384**	**$ 95,384**

10. An analysis of The Hart Group's general ledgers indicated that The Company incurs significant expenses related to petty cash disbursements. During our records' inspection at The Company's corporate offices, we analyzed the petty cash vouchers that The Company maintains with respect to these expenses. Our analysis revealed that many of these charges were personal in nature (i.e., personal meals). For example, with respect to meals and meetings, The Company does not document whether it was a business meeting, who attended the meeting and what the meeting was for. This information would have allowed us to determine whether these were legitimate and necessary business expenses. Furthermore, many of the receipts were amounts that would clearly indicate that the expense was for one individual. An example of some of The Company's petty cash vouchers is presented in Figures 6 to 18.

FIGURE 6
EXPENSE STATEMENT - DONALD HART

SALESMAN'S EXPENSE STATEMENT

[redacted] FOR WEEK ENDING MARCH 22, 2014 No.

	SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	TOTAL FOR WEEK
DATE		3/17	3/18	3/19	3/20	3/21		
TOWN								
BREAKFAST								
LUNCH		27—	21—	25—	23—			96—
DINNER								
HOTEL								
TAXI								
PLANE OR TRAIN FARE								
SAMPLES								
MISCELLANEOUS								
PHONE TELEGRAMS								
POSTAGE								
ENTERTAINING			47—					47—
TIPS								
AUTO EXPENSE GAS & OIL								
AUTO REPAIRS								
PARKING								
TOLLS								
TOTALS PER DAY								

REMARKS

Total for Week 143.—
Less: Advanced
Balance due Employee 143.—
Balance due Company

FIGURE 7
WEEKLY EXPENSES - LAWRENCE HART

PETTY CASH

No. | DATE 4/3/14

SERVICE ☐ SUPPLY ☐ TRAVEL ☐ MISCELLANEOUS ☐

ITEM/SERVICE DESCRIPTION	AMOUNT
[redacted]	
WEEKLY EXPENSES W/E 3/22/14	
W/E 3/29/14	
TOTAL	312 —

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FIGURE 8
PETTY CASH - DONALD HART

Petty Cash

NUMBER | DATE 12/17/14

DESCRIPTION OF ITEM/SERVICE PURCHASED	AMOUNT
[redacted]	
12/3/14	300.00
12/10 14	300.00
CHARGE TO ACCOUNT TOTAL	600.00

A-9672 / T-3008

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FIGURE 9
LUNCH - JANE HART

[redacted] Lunch

10/29/14

ARNO Ristorante
141 West 38th Street
New York, NY 10018
(212)944-7420

Date: 10/29/14 Time: 01.1
Guests: 0
You ha... served by --> Delivery-P/U

1 Rigatoni MC	$18.50
T B	
1 Crudite	$11.00

Subtotal:	$29.50
Tax::	$2.62
Sub w/Tax:	$32.12
Total:	$32.12
Tip	+ 3.00
	$ 35.12

THANK YOU FOR DINING WITH US
WWW.ArnoRistorante.com
OTHER LOCATIONS:
DELMONICO'S 56 Beaver Street
DELMONICO'S KITCHEN
ONE 207 West 36th Street

GRATUITY NOT INCLUDED
Suggested gratuity options
for your convenience

A 16% tip would be $4.72

A 18% tip would be $5.31

A 20% tip would be $5.90

FIGURE 10
PETTY CASH - iPHONES

PETTY CASH

No.	DATE 8/6/14

SERVICE ☐ SUPPLY ☐ TRAVEL ☐ MISCELLANEOUS ☐

ITEM/SERVICE DESCRIPTION	AMOUNT
Brett – 2 iPhone	196 00
Mindy – iPAD Min	140 00
CHARGES FOR IPHONES	24 –
TOTAL	360 –

[illegible] RECEIVED BY — 336 00 APPROVED BY

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FIGURE 11
EXPENSE STATEMENT - GARY HART

SALESMAN'S EXPENSE STATEMENT

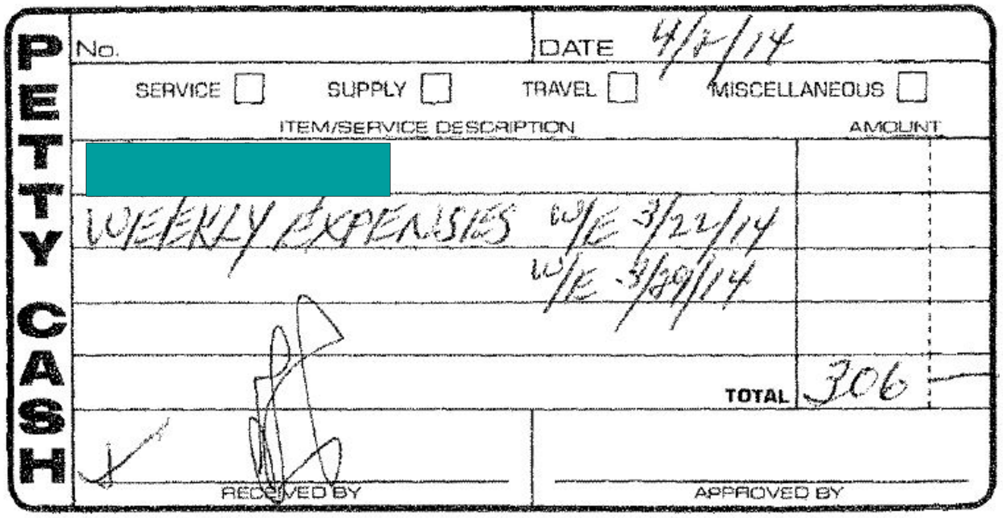
[redacted] FOR WEEK ENDING MARCH 29, 2014 No.

	SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	TOTAL FOR WEEK
DATE		3/24	3/25	3/26	3/27	3/28		
TOWN								
BREAKFAST								
LUNCH		22 –	28 –	24 –	21 –	20 –		115 –
DINNER								
HOTEL								
TAXI								
PLANE OR TRAIN FARE								
SAMPLES								
MISCELLANEOUS								
PHONE TELEGRAMS								
POSTAGE								
ENTERTAINING						40 –		40 –
TIPS								
AUTO EXPENSE GAS & OIL								
AUTO REPAIRS								
PARKING								
TOLLS								
TOTALS PER DAY								

REMARKS

Total for Week	155.–
Less: Advanced	
Balance due Employee	155.–
Balance due Company	

FIGURE 12
WEEKLY EXPENSES - GARY HART



PETTY CASH

No. DATE 4/7/14

SERVICE ☐ SUPPLY ☐ TRAVEL ☐ MISCELLANEOUS ☐

ITEM/SERVICE DESCRIPTION	AMOUNT
[redacted]	
WEEKLY EXPENSES W/E 3/22/14	
W/E 3/29/14	
TOTAL	306 —

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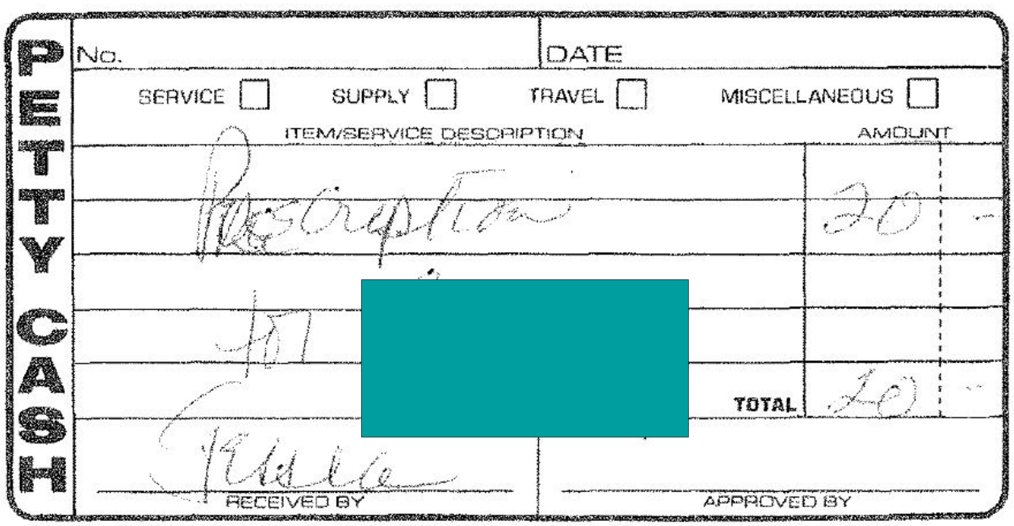
FIGURE 13
PRESCRIPTION FOR GARY HART



PETTY CASH

No. DATE

SERVICE ☐ SUPPLY ☐ TRAVEL ☐ MISCELLANEOUS ☐

ITEM/SERVICE DESCRIPTION	AMOUNT
Prescription	20 -
for [redacted]	
TOTAL	20 -

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FIGURE 14
BREAKFAST FOR DONALD HART

[redacted]d Gallard
th Street
New york 10018
2-302 0378

*** PACKAGER RECEIPT ***

Server: mohammad Station 19
Delivery
4/16/2015 9:41:55 AM

[redacted]

city: ny, new york

2 Bagel w/ Butter	3.90
English Muffin	
Toasted	
Jelly	
SUB TOTAL:	3.90
Tax 1:	0.35
AMOUNT DUE:	$4.25

****
Ticket #: 18
Order #: 200093
****

Petty Cash

NUMBER DATE 4/16/15

DESCRIPTION OF ITEM/SERVICE PURCHASED	AMOUNT
Breakfast For [redacted]	4.25
Tip	1.00
TOTAL	$ 5.25

CHARGE TO ACCOUNT
A-9672 / T-5008
RECEIVED BY Lynda Doran APPROVED BY DD 03-6209

FIGURE 15
BREAKFAST FOR DONALD AND JANE HART

Cafe Metro
530 7th Avenue
New York, NY 10018
(212) 398-8788
www.cafemetrony.com

Chk 808 04/21/15-A 10:04am
Guests 1 Natalie M1 Table (DELIVERY)
Invoice# Y5-553Y-92Y3
Delivery

[redacted]

3RD FLOOR

1 MUFFINS 4.38
TOASTED CORN, BUTTER

Items 4.38
Tax .39
TOTAL 4.77
CASH

PLEASE PRINT: ______________________

WIFI ACCESS : METRO-GUEST
WIFI PASSWORD: metroguest

THERE IS NO LINE
WHEN YOU ORDER ONLINE.
REGISTER NOW TO RECEIVE
ONLINE ONLY DISCOUNTS AT:
cafemetrony.com

CATERING IS OUR SPECIALTY
PLEASE CALL US AT 212 398 8788

PLEASE EMAIL US YOUR
QUESTIONS OR CONCERNS AT:
info@cafemetrony.com

Petty Cash

NUMBER | DATE 4/21/15

DESCRIPTION OF ITEM/SERVICE PURCHASED	AMOUNT
[redacted]	
BREAKFAST	
01-62090	
+TIP	
CHARGE TO ACCOUNT TOTAL	8.00

A-9672 / T-2006

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FIGURE 16
EXPENSE STATEMENT - RICHARD HART

SALESMAN'S EXPENSE STATEMENT

[redacted] FOR WEEK ENDING MARCH 29, 2014 No.

	SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	TOTAL FOR WEEK
DATE		3/24	3/25	3/26	3/27	3/28		
TOWN								
BREAKFAST								
LUNCH		41 – [illegible]	42 – [illegible]	41 – [illegible]	40 – [illegible]			
DINNER			44 – Ross					
HOTEL								
TAXI								
PLANE OR TRAIN FARE								
SAMPLES								
MISCELLANEOUS								
PHONE TELEGRAMS								
POSTAGE								
ENTERTAINING								
TIPS		8 –	16 –	8 –	8 –			
AUTO EXPENSE GAS & OIL								
AUTO REPAIRS								
PARKING								
TOLLS								
TOTALS PER DAY		49 –	102 –	49 –	48 –			248 –

REMARKS

Total for Week

Less; Advanced

Balance due Employee

Balance due Company

FIGURE 17
WEEKLY EXPENSES - RICHARD HART

PETTY CASH

No. | DATE 4/2/14

SERVICE ☐ SUPPLY ☐ TRAVEL ☐ MISCELLANEOUS ☐

ITEM/SERVICE DESCRIPTION	AMOUNT
[redacted]	
WEEKLY EXPENSES	
W/E 3/22/14	
W/E 3/29/14	
TOTAL	492 —

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FIGURE 18
MONEY ORDER FOR DOMESTIC HELPERS

PETTY CASH

No. | DATE 8/6/14

SERVICE ☐ SUPPLY ☐ TRAVEL ☐ MISCELLANEOUS ☐

ITEM/SERVICE DESCRIPTION	AMOUNT
MONEY ORDER FOR B.L.'S	
DOMESTIC HELPERS	
WK. OF 8/4/14	
TOTAL	250 —

M.G.T.

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MIDTOWN STA.
NEW YORK, New York
100189998
3558250048-0093
08/06/2014 (800)275-8777 12:12:34 PM

Sales Receipt

Product Description	Sale Qty	Unit Price	Final Price
Dom. Money Order 21947846174			$250.00
Domestic Money Order Fee			$1.25
Subtotal:			$251.25
Total:			$251.25
Paid by: Cash			$251.25

In a hurry? Self-service kiosks offer quick and easy check-out. Any Retail Associate can show you how.

Order stamps at usps.com/shop or call 1-800-Stamp24. Go to usps.com/clicknship to print shipping labels with postage. For other information call 1-800-ASK-USPS.

Figures 6 to 18 include examples of The Company's record keeping for petty cash expenses. In some instances, petty cash is used for personal meals. As indicated in Figure 14, on April 16, 2015, Donald Hart incurred an expense of $5.25 for a personal breakfast. The shareholders of The Hart Group also receive petty cash for weekly expenses. In this instance, Figures 7 and 8 include petty cash slips for weekly expenses for Lawrence and Donald, respectively. The only documentation related to these weekly expenses is the "salesman's expense statement," an example of which appears in Figure 6. In this instance, no receipts or other documentation was included to support the expenses. In addition, Jane Hart gets petty cash from The Hart Group despite her company being a separate entity.

Due to the lack of documentation, we made an assumption and added back 50 percent of The Company's petty cash disbursements as unnecessary business expenses. Complete general ledger summaries of the petty cash expenses appear in Schedules 8 to 12 at the back of this report (Yep –you guessed it–I have taken them out of the sample report). A summary of the normalization adjustment appears in Table 24.

TABLE 24
PETTY CASH EXPENSES

Year	Total Petty Cash	50% Addback	Schedule
2011	$ 135,023	$ 67,511	8
2012	139,995	69,997	9
2013	99,436	49,718	10
2014	115,518	55,759	11
LTM July 31, 2015	88,118	44,059	12

11. Based on our conversations with Richard Hart, The Company pays salary and benefits for several nonworking employees. Furthermore, certain family members stopped working for The Company at some point and were not replaced. Salaries and benefits paid to these individuals were added back as nonoperating and unnecessary business expenses and are summarized in Table 25.

TABLE 25
NONWORKING FAMILY MEMBERS' PAYROLL AND HEALTH INSURANCE

Name	2011 Wages	2012 Wages	2013 Wages	2014 Wages	LTM July 31, 2015
Barbara Hart	$ 153,000	$ 153,050	$ 76,500	$ -	$ -
Candice Hart	14,400	14,400	14,400	14,400	7,200
Dana Hart	12,500	-	-	-	-
Donna Gold	15,600	15,600	15,600	15,900	15,325
Elizabeth Hart	74,800	18,750	-	-	-
Jack Hart (Died in 2014)	616,324	616,450	542,625	137,430	57,263
Jenna Hart	14,400	14,400	14,400	14,400	7,200
Katie Hart	-	-	35,000	35,673	34,383
Marcia Hart (Jack's decedent)	-	-	-	142,200	82,950
Taylor Hart	-	-	-	2,900	1,208
Samantha Hart	31,200	31,200	31,200	-	-
Total Wages	**$ 932,224**	**$ 863,850**	**$ 729,725**	**$362,903**	**$205,529**

	2011	2012	2013	2014	LTM July 31, 2015
Health Insurance					
Barbara Hart	$ 8,682	$ 8,682	$ 8,682	$ 7,959	$ 3,316
Donna Gold	26,480	26,480	26,480	26,480	26,480
Jenna Hart	8,682	8,682	8,682	8,682	8,682
Marcia Hart	8,682	8,682	8,682	7,959	3,316
Allyson Hart	-	-	-	17,688	17,688
Total Health Insurance	**$ 52,527**	**$ 52,527**	**$ 52,527**	**$ 68,768**	**$ 59,483**
Grand Total	**$ 984,751**	**$ 916,377**	**$ 782,252**	**$ 431,671**	**$ 265,011**

12. Jane Hart works as the Fashion Director and designs the Jane Hart product line. Her salary is paid out of The Hart Group rather than Jane Hart, LLC which is the entity that handles this product line. Therefore, Jane Hart's salary and benefits were added back as these expenses should be paid by Jane Hart, LLC. In our valuation, Jane Hart, LLC was excluded from The Hart Group. A summary of these expenses is presented in Table 26.

TABLE 26
JANE HART SALARY AND BENEFITS

	2011	2012	2013	2014	LTM July 31, 2015
Wages	$ 375,000	$ 287,551	$ 200,000	$ 378,846	$ 269,392
Health Insurance	10,446	10,446	10,446	10,446	10,446
Total	**$ 385,446**	**$ 297,997**	**$ 210,446**	**$ 389,292**	**$ 279,837**

13. Richard Hart is no longer employed by The Company and Lawrence Hart is not necessary for the future of The Company. As a result, credit card charges incurred by each of them have been added back. A complete general ledger summary of these charges appears in Schedules 13 to 17 at the back of this report (well, it was in the original at least).[59] The total annual amounts are summarized in Table 27.

TABLE 27
CREDIT CARD CHARGES

Year	Amount	Schedule
2011	$ 272,698	13
2012	291,068	14
2013	354,742	15
2014	351,262	16
LTM July 31, 2015	254,864	17

14. The Hart Group incurs a significant amount of expenses related to travel and entertainment. Proper documentation was not provided to us to support these expenses. Therefore, we compared The Company's monthly travel and entertainment expense per employee to benchmark data from studies referenced by MasterCard[60] and JP Morgan.[61] This comparison is summarized in Table 28.

TABLE 28
CREDIT CARD CHARGE COMPARISON

	Average Monthly Spending	Number of Employees	Average Per Employee
Mastercard Study - Best Practices	$ 2,735,246	6,915	$ 395.55
JP Morgan Study - Fortune 500	4,459,014	29,967	148.80
JP Morgan Study - Large Market	822,935	4,582	179.60
JP Morgan Study - Middle Market	210,827	656	321.38

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59 The general ledgers identify which shareholders each credit card charge corresponds to by initials. For example, Richard Hart's credit card charges are coded with "RH" and Lawrence Hart's credit card charges are coded with "LH."

60 MasterCard, *Industry Benchmarking Trends*, May 8, 2015.

61 JP Morgan, *Corporate T&E Spend Benchmarks*, 2010.

TABLE 28
CREDIT CARD CHARGE COMPARISON

	Average Monthly Spending	Number of Employees	Average Per Employee
The Hart Group 2011	157,567	156	1,010.05
The Hart Group 2012	175,437	188	933.18
The Hart Group 2013	189,213	216	875.98
The Hart Group 2014	116,136	232	500.59
The Hart Group LTM July 31, 2015	84,004	185	454.07

The studies that were analyzed presented both average and median benchmarks, the former was significantly higher. This indicates that the figures were skewed upwards. Nevertheless, the analyst used the averages, considering that The Hart Group is a sales organization and should incur a higher amount of travel and entertainment expenses than a typical company. As indicated in Table 28, The Hart Group's travel and entertainment expenses per employee significantly exceeded all of the benchmarks, even though The Company is considerably smaller. According to The Operating Plan, The Company planned reductions in travel and related costs in conjunction with less personnel and a focus of the CEO and senior management to eliminate all discretionary overseas travel and entertainment.[62] As a result, The Company's travel and entertainment expenses have started to decline more towards the benchmark averages in recent periods.

The analyst further analyzed travel and entertainment expenses by analyzing the general ledgers. This analysis revealed that The Company incurs a significant amount of expenses related to country club memberships. Based on the initials included in the coding for the general ledger entries, it appears that these expenses were related to The Company's officers. We received no documentation to determine if these expenses were 1) benefits that were shared by all employees of The Hart Group, 2) who uses these services and how often and 3) the portion of these expenses that were used for business or personal uses. Therefore, all country club membership expenses were added back as these expenses were determined to be personal in nature and benefits that are not shared by all employees of The

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[62] *2015 Operating Plan*: 21.

Company. Complete general ledger detail for the country club membership expenses appear in Schedules 18 to 22 at the back of this report.

In addition to country club expenses, travel and entertainment expenses include other items such as credit card charges for shareholders and tickets for sporting events. We analyzed the credit card statements that were provided, however, The Company does not maintain the supporting slips and purchase receipts that would allow us to determine whether these charges were legitimate business expenses, nor do they maintain the required records in the event of a tax audit.

In 2014, The Company's general ledgers included a journal entry which reclassified $500,000 of travel and entertainment expenses to the shareholder loan accounts. This journal entry was not made in any other year. As a result, The Company's travel and entertainment expenses were considerably lower in 2014 and the latest 12-month period. Due to the lack of documentation, the analyst applied the same $500,000 adjustment to travel and entertainment expenses for the years 2011 to 2013 under the assumption that the officers spent a similar amount on discretionary travel and entertainment during these years. Therefore, the total amount of travel and entertainment expenses that were added back were calculated as shown in Table 29.

TABLE 29
TRAVEL AND ENTERTAINMENT EXPENSES ADDBACK

	2011	2012	2013	2014	LTM July 31, 2015
Country Clubs[1]	$ 340,062	$ 428,298	$ 357,810	$ 368,622	$ 268,702
AMEX Charges	500,000	500,000	500,000	-	-
Total	**$ 840,062**	**$ 928,298**	**$ 857,810**	**$ 368,622**	**$ 268,702**

[1] See Schedules 18 to 22 (or not!).

Based on the normalization adjustments summarized above, the normalized level of travel and entertainment expenses are as shown in Table 30.

TABLE 30
TRAVEL AND ENTERTAINMENT

	2011	2012	2013	2014	LTM July 31, 2015
Total T&E per Financial Statements (Schedule 2)	$ 1,890,806	$ 2,105,246	$ 2,270,551	$ 1,393,636	$ 1,008,044
Total T&E Addbacks	840,062	928,298	857,810	368,622	268,702
Normalized T&E by Year	**$ 1,050,744**	**$ 1,176,948**	**$ 1,412,741**	**$ 1,025,014**	**$ 739,342**

The normalized travel and entertainment expenses were compared with the benchmark data from JP Morgan and MasterCard. This analysis is presented in Table 31.[63]

TABLE 31
NORMALIZED TRAVEL AND ENTERTAINMENT PER EMPLOYEE

	Average Monthly Spending	Number of Employees	Average Per Employee
Mastercard Study - Best Practices	$ 2,735,246	6,915	$ 395.55
JP Morgan Study - Fortune 500	4,459,014	29,967	148.80
JP Morgan Study - Large Market	822,935	4,582	179.60
JP Morgan Study - Middle Market	210,827	656	321.38
The Hart Group 2011	87,562	156	561.29
The Hart Group 2012	98,079	188	521.70
The Hart Group 2013	117,728	216	545.04
The Hart Group 2014	85,418	232	368.18
The Hart Group LTM July 31, 2015	61,612	185	333.04

As indicated above, The Company's normalized travel and entertainment expenses bring the average spending per employee more in line with the benchmark averages.

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63 It should be noted that some additional travel and entertainment expenses may have been picked up in the adjustments to petty cash and credit card charges. Including these items in this calculation would bring The Company's average spending per employee even more in line with the benchmark averages.

15. Payroll costs (i.e., taxes and workers' compensation) were adjusted based on all of the normalization adjustments that were made to salaries and wages including officers, non-working family members and nonoperating payroll. This calculation was based on The Company's historic payroll taxes as a percentage of salaries, rounded upwards to account for additional payroll costs such as workers' compensation insurance. This calculation appears in Table 32.

TABLE 32
PAYROLL COSTS

	2011	**2012**	**2013**	**2014**	**LTM July 31, 2015**
Payroll Taxes	$ 1,010,231	$ 924,066	$ 1,034,578	$ 1,046,831	$ 845,151
Total Salaries and Wages	19,033,016	12,455,511	14,082,103	13,919,094	11,711,667
Payroll Tax as a %	5.3%	7.4%	7.3%	7.5%	7.2%
Adjusted %	6%	8%	8%	8%	8%
Total Salary Addbacks	$ 11,805,674	$ 3,746,423	$ 3,460,055	$ 3,137,527	$ 1,371,205
Reasonable Comp. for Officers	(1,436,643)	(1,430,274)	(1,551,765)	(1,588,244)	(1,622,019)
Net Salary Adjustment	$ 10,369,031	$ 2,316,149	$ 1,908,290	$ 1,549,283	$ (250,814)
Payroll Cost Adjustment	**$ 622,142**	**$ 185,292**	**$ 152,663**	**$ 123,943**	**$ (20,065)**

Note: Figures may not add due to rounding.

16. In 2013, The Company incurred a settlement expense of $400,000 that was not incurred in any other year. This expense was added back due to its nonrecurring nature.

17. According to Richard Hart, he co-signed weekly checks, payable to cash, in the amount of $5,000 that were distributed evenly to the shareholders. One of the Hart Group's employees cashed this check at the local bank on a weekly basis and brought the cash back to them. As a result of being made aware of this practice, we analyzed The Company's internal accounting records to see how these weekly checks were being recorded. Trying to find these checks caused us to perform a separate analysis searching for the manner in which these checks were recorded

by The Company. Richard indicated that these checks were in addition to the *unreported cash sales* addressed previously.

In looking for the $5,000 checks, we first analyzed The Company's check registers. We were able to locate all of the checks that were listed in these registers in the cash account of The Company's general ledgers. However, in addition to these hand checks, the cash account in the general ledgers also include journal entries for cash disbursements. These journal entries were included additional cash disbursements that were not included in the check registers. For example, in 2013, the cash disbursements that were recorded by journal entry totaled $8,245,625.

We reviewed the accountant's workpapers and located the detail for all of the journal entries. In analyzing these workpapers, we found that some of these cash disbursements were recorded under the liability account titled "accrued year-end expense." This is one of several items that is recorded in the accrued expenses account in the general ledger.

The accrued year-end expense account included several monthly recurring entries for hand checks in the amount of $20,000, and in some cases $25,000 or $15,000. Since the actual checks and detail were not provided to us, we have assumed that these entries, which approximate the $5,000 weekly check amount for four or five weeks in most months are made up of the weekly checks. Although this account is called year-end expense, it had monthly amounts being charged to it throughout the entire year.

The items that are included in the accrued year expense liability are expensed in an account titled "year-end expense." This expense account also includes several monthly recurring charges. Based on our analysis, it appears that this is where the $5,000 weekly checks are being recorded. Therefore, we added back the $260,000 of expenses ($5,000 x 52 weeks) related to these weekly checks as these were considered to be nonoperating expenses. These expenses were discontinued in 2015. Therefore, during the latest 12-month period, only seven month's worth of expenses were added back.

18. Historic New York City taxes were added back and a C corporation equivalent tax rate was recalculated based on the federal, state and city tax rates that were in effect as of the valuation date. We used the same methodology that was used in *Delaware Open MRI Radiology Associates, PA v. Kessler* to calculate taxes for a pass-through entity in this valuation.

The analyst also analyzed the reasonableness of the salaries paid to the working, non-shareholder employees that were members of the Hart family. Based on our research, the salaries paid to these individuals were determined to be reasonable. Therefore, no adjustments were made.

The adjusted common size income statement for The Hart Group is presented in Table 33

TABLE 33
COMMON SIZE INCOME STATEMENT
FOR THE

	Years Ended December 31,					LTM July 31,
	2010	**2011**	**2012**	**2013**	**2014**	**2015**
Total Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Total Cost of Sales	65.99%	66.95%	66.19%	67.95%	69.38%	69.76%
Gross Profit	34.01%	33.05%	33.81%	32.05%	30.62%	30.24%
Total Operating Expenses	32.16%	22.90%	28.72%	27.84%	28.10%	26.70%
Operating Income	1.84%	10.15%	5.09%	4.21%	2.52%	3.54%
Interest Expense	(0.73%)	(0.90%)	(1.13%)	(0.93%)	(0.94%)	(0.76%)
Other Income	0.28%	0.55%	0.51%	0.57%	1.38%	1.36%
Income Before Taxes	1.40%	9.80%	4.47%	3.86%	2.97%	4.13%
Income Taxes	0.23%	1.62%	0.74%	0.64%	0.49%	0.69%
NET INCOME	**1.16%**	**8.17%**	**3.73%**	**3.22%**	**2.47%**	**3.45%**

Note: Figures may not add due to rounding.

The adjusted common size income statement reflects a higher and more consistent level of profitability for The Company, particularly during the years 2012 to the latest 12-month period.

VALUATION CALCULATIONS

As indicated previously in this report, the three approaches of valuation to be considered in a valuation are:

1. The Asset-Based Approach,
2. The Income Approach and
3. The Market Approach

The narrative that follows discusses the valuation methods employed within each approach.

THE ASSET-BASED APPROACH

The asset-based approach does not capture the value of The Hart Group as a going concern. Therefore, the asset-based approach was not utilized in this valuation.

THE INCOME APPROACH

CAPITALIZATION OF BENEFITS METHOD

The capitalization of benefits method is premised on the concept that value is based on a stabilized benefit stream that is capitalized by an appropriate capitalization rate to reflect the risk associated with the income stream. Mathematically, this is presented in the following formula:

$$\mathbf{V + I \div R}$$

Where

V = Value
I = Next Year's Benefit Stream
R = Capitalization Rate

The use of this formula requires an estimate of income to be made for the subject business that is reflective of "probable future earnings."

The analyst analyzed The Hart Group's historic net income and net cash flow in order to determine the appropriate benefit stream to capitalize. Due to the seasonal nature of The Company's working capital requirements and credit line repayments, as well as The Company's minimal capital expenditures, the analyst focused on net income as this benefit stream is more predictable and consistent from period to period.

The analyst also determined that it was appropriate to value The Company on an equity basis, as opposed to an invested capital (debt plus equity) basis. Although The Company has a considerable amount of bank debt, this debt is seasonal in nature, part of working capital and not a permanent source of financing. As discussed in *Valuing a Business*:

> When people refer to 'the value of the company' (as opposed to just the value of the equity), they usually mean the value of the company's capital structure. However, this still may leave ambiguity concerning exactly what is included in the 'capital structure.'
>
> **Treatment of Interest-Bearing Debt.** The most commonly used conceptual definition of *capital structure* is all equity and all long-term debt (including current maturities of long-term debt). However, to value the capital structure defined in this way using the discounted economic income method, it is necessary to include the interest on the long-term debt in the income being discounted and to treat other interest (such as on a bank operating line of credit) as an expense. If getting the necessary information to separate the two elements of interest is not practical, a commonly used solution to the problem is to define the capital structure to include all interest-bearing debt. Interest-bearing debt may be defined to include the permanent portion of interest-bearing current liabilities. This would be the case if, for example, 90-day notes payable (otherwise classified as a current liability) are used as a permanent source of capital for the subject company. Using all interest-

> bearing debt eliminates a judgment call by the analyst as to the appropriate levels of long-term versus short-term debt.[64]

In this instance, the analyst can clearly distinguish between short-term and long-term debt. The Company's credit facility is linked to its accounts receivable and inventory balances and fluctuates seasonally. Furthermore, nearly all of The Company's cash disbursements and receipts flow through the line of credit facility. Based on these factors, this credit facility was considered to be a part of working capital and not a part of The Hart Group's capital structure and the valuation was performed on an equity basis.

The Hart Group's historic adjusted net income is presented in Table 34.

TABLE 34
ADJUSTED NET INCOME

Year	Adjusted Net Income
2011	$ 11,476,516
2012	4,366,543
2013	4,624,647
2014	3,561,681
LTM July 31, 2015	5,067,138

In 2011, The Company's adjusted net income was abnormally higher than in subsequent years. However, this was before The Company lost the Liz Clairborne brand and therefore, this year was considered to be an aberration. During the latest 12-month period, The Company's adjusted net income increased considerably, primarily due to expense cuts that were taking place. The latest 12-month period does not fully reflect these expense cuts as they began in early 2015. Therefore, for additional insight on The Company's future earnings growth expectations, the analyst analyzed the income statement projections contained in The Operating Plan, which are summarized in Table 35.

64 Shannon Pratt and Alina Niculita, *Valuing a Business, Fifth Edition* (The McGraw-Hill Companies, USA, 2008): 216.

TABLE 35
OPERATING PLAN BUDGET SUMMARY

	May 2015 to April 2016
Sales	$ 152,890,000
Cost of Sales	101,199,000
Gross Profit	$ 51,691,000
Expenses	
Interest Expense	$ 1,226,000
Depreciation	575,000
Operating Expenses	45,402,000
Total Operating Expenses	$ 47,203,000
Other Income	$ 2,000,000
Pretax Income	$ 6,488,000

The figures in Table 35 represent the budgeted income statement for the 12-month period ended April 30, 2016; the latest month included in the projection. As indicated in Table 35, The Company budgeted pretax income of $6.488 million. Through the first seven months of 2015, The Company's actual pretax income was actually 1.9 percent higher than the budget. This indicates that The Company was on pace to achieve its projections. In addition, certain normalization adjustments need to be applied to the budget to reflect the anticipated economic income of The Company that a willing buyer would expect. These adjustments appear in Table 36.

TABLE 36
NORMALIZATION OF BUDGET

	Budget
Budgeted Pretax Income	$ 6,488,000
Adjustments	
Sales - Jane Hart[1]	(4,419,596)
Unreported Cash Sales[2]	900,000
Cost of Sales - Jane Hart[1]	2,690,259
Automobile Depreciation[2]	90,854
Officers' Compensation - Addback[3]	2,300,000
Officers' Compensation - Reasonable[3]	(1,720,800)
Operating Expenses - Jane Hart[1]	1,079,848

TABLE 36
NORMALIZATION OF BUDGET

		Budget
Rent - Addback[4]		1,304,000
Rent - New Building[4]		(2,000,343)
Nonoperating Payroll & Benefits[2]		285,024
Automobile and Garage Leases[2]		149,879
Officers' Benefits[2]		95,384
Petty Cash (50%)[2]		42,103
Nonworking Family Member Payroll & Benefits[2]		145,969
Jane Hart Salary & Health Insurance[2]		201,655
Credit Card Charges for Nonworking Partners[2]		219,422
Travel and Entertainment Expenses[2]		206,875
Payroll Taxes[2]		96,948
Moving Expenses[5]		200,000
ADJUSTED PRETAX NET INCOME	$	8,355,481
Income Taxes[6]		1,236,431
ADJUSTED HISTORIC NET INCOME	**$**	**7,119,050**

1. Sales costs and expenses related to the Jane Hart product line were removed from the budget, as our valuation does not include this entity.

2. The same normalization adjustments that were made to The Hart Group's historic income statements were applied to the budget. In this instance, where applicable, the seven month totals were annualized to better reflect the lower expense amounts in 2015.

3. According to the budget, officers' compensation of $2.3 million was projected to be paid in early 2016. This amount was added back and reasonable compensation was deducted. Reasonable compensation was determined by increasing the latest 12-month period ended July 31, 2015 amount by 3 percent.

4. Budgeted rent expense was added back and adjusted to reflect the rent amounts contained in the lease agreement.

5. The budget included $200,000 of moving expenses. This was added back as a nonrecurring expense.

6. Taxes were recalculated based on the same C corporation equivalent tax rate that was discussed in the normalization of the historic income statements.

Adjusted historic and budgeted net income for The Hart Group is summarized in Table 37.

TABLE 37
ADJUSTED HISTORIC AND
BUDGETED NET INCOME

Year	Adjusted Net Income
2012	$ 4,366,543
2013	4,624,647
2014	3,561,681
LTM July 31, 2015	5,067,138
Budget	7,119,050

The budgeted net income figures are considerably higher than the historic amounts as The Company anticipates making additional expense cuts. In particular, the budget includes $2.4 million of expense cuts related to salaries and travel. However, there are still several risks that need to be considered in the determination of probable future earnings. The Company is still in the early stages of building its dress division, an area in which it lacks experience. Furthermore, it is uncertain whether the significant layoffs will result in an increased amount of overtime for remaining employees or cause a disruption in The Company's day-to-day operations. Lastly, The Hart Group has a considerable amount of customer concentration risk and the loss of one of its major customers or brands could have an adverse impact on The Company's financial performance as was the case in 2012 when The Hart Group lost the Liz Clairborne brand. Based on these risks and uncertainties, as well as those discussed in the "Economic and Industry" section of this report, the analyst determined that the earlier years could not be ignored. Therefore, a weighted average of historic and budgeted net income was calculated, placing more weight on the more recent periods.

The next portion of the application of this method requires the determination of the appropriate capitalization rate to be used for this level of income. Due to the risk of the business and the risk of the income stream going forward (as explained in the section of this report entitled “Discount and Capitalization Rates”), the analyst determined that a capitalization rate of 13.90 percent is appropriate. Therefore, the value under this methodology is calculated as follows:

TABLE 38
CAPITALIZATION OF WEIGHTED AVERAGE NET INCOME

	2012	2013	2014	2015	Budget
Net Income	$ 4,366,543	$ 4,624,647	$ 3,561,681	$ 5,067,138	$ 7,119,050
Weight	x 1	x 1	x 1	x 2	x 2
Weighted Net Income	$ 4,366,543	$ 4,624,647	$ 3,561,681	$ 10,134,276	$ 14,238,100
Weighted Average Net Income					$ 5,275,035
One Plus the Long-Term Rate of Growth					x 1.03
Net Income for Capitalization					$ 5,433,286
Capitalization Rate					÷ 13.90%
Indication of Value					**$ 39,088,391**

Note: Figures may not add due to rounding.

THE MARKET APPROACH

Under the market approach, there are several generally accepted methods. These include the merger and acquisition (transaction) method and the guideline public company method.

MERGER AND ACQUISITION TRANSACTION METHOD

In an attempt to use this method, the valuation analyst searched the following databases for information about mergers and acquisitions that have taken place since 2010.

a. Factset Mergerstat®/BVR Control Premium Study™
b. Public Stats™ (now Dealstats)
c. Pratt's Stats® (now Dealstats)

The analyst searched for transaction of U.S. companies classified under Standard Industrial Classification ("SIC") code 23 or North American Industry Classification code("NAICS") 315, which are the industry classification codes for apparel manufacturing.

FACTSET MERGERSTAT®/BVR CONTROL PREMIUM STUDY™

A search of this database returned eight transactions. Of these transactions, three were eliminated as the companies had significant retail operations. In addition, one company was eliminated because it was not profitable. This left the following companies.

Target Name	Price to Earnings Multiple
Volcom, Inc.	30.88
Warnaco Group, Inc.	39.71
Maidenform Brands, Inc.	23.44
Timberland Co.	36.20

Each of the companies above are similar to The Hart Group in terms of the distribution channels in which the companies sell to. The major difference is that these companies own their brands, whereas The Hart Group designs and distributes licensed apparel. The price to earnings multiples for these transactions ranged from 23.44 to 39.71. A closer review of these transactions revealed that they were all strategic transactions, which means that the acquisition prices included synergies resulting in significant premiums. Based on these factors, these transactions were not utilized.

PUBLIC STATS™

The Public Stats™ database returned four transactions, all of which were already analyzed in the Mergerstat® database. Therefore, this data was not utilized.

PRATT'S STATS®

The Pratt's Stats® database returned 25 transactions. However, 24 of these transactions involved sales of companies that generated less than $7.5 million in revenues. This left one transaction. However, this transaction involved a company that was in a dissimilar line of business. Therefore, this data could not be utilized.

GUIDELINE PUBLIC COMPANY METHOD

Under the guideline public company method, the valuation analyst searches for publicly-traded companies in the same or a similar business and uses pricing multiples based on these companies' market prices and financial data to derive a value of the subject company. To apply this method, the analyst performed a search of several databases to find companies that could be considered "comparable" to The Hart Group. Comparability is generally difficult to achieve in business valuations as privately-owned companies tend to adapt to the management of the company. Smaller companies often take on the personality of individual owner(s) and it is not until a company is considerably larger and becomes managed by a team of professional managers who are responsible to multiple owners that it becomes comparable.

In an attempt to locate potential guideline companies, the analyst utilized the Alacra Public Company and Pitchbook databases to look for companies that could be considered as guideline companies. In particular, the search criteria was as follows:

1. The company was classified under SIC Code 23 or NAICS 315.
2. The company was located in the United States.
3. The company's stock price was greater than $1.
4. The company had a market capitalization of greater than $1 million.
5. The company had revenues of greater than $1 million.

The searches returned a total of 33 potential guideline companies. Of these 33 companies, eight companies were in dissimilar lines of businesses and four companies lacked sufficient trading volume. After eliminating these 12 companies, 21 potential guideline companies remained.

The analyst initially looked for companies that were engaged in the design and distribution of licensed apparel. However, only one company, G-III Apparel Group, which is one of The Hart Group's main competitors was primarily involved in these activities.

The analyst expanded the criteria to include companies that manufactured branded apparel and were similar to The Hart Group in terms of distribution channels and design and manufacturing processes. An analysis of the business descriptions of the remaining potential guideline companies resulted in the following:

1. 10 companies were eliminated as the majority of their revenues were generated from retail operations.

2. Five companies were eliminated as they generated considerable revenue from the licensing of brands, had significant retail operations and/or owned a significant amount of real estate related to their manufacturing, warehouse and distribution facilities. Furthermore, these companies were considerably larger than The Hart Group in terms of revenues, market capitalization, employees and assets. These companies were also significantly more diversified than The Company.

3. Two companies were eliminated as they were purely engaged in the licensing of brands.

After the search and elimination process, four companies remained. The business descriptions of these companies will be discussed in the following sections. The information was obtained from Forms 10-K and 10-Q filed with the Securities and Exchange Commission.

The financial data presented for our final selection of guideline companies have been adjusted for nonrecurring (discontinued operations) and nonoperating (assets and liabilities held for resale) items to reflect the results of continuing operations.

G-III APPAREL GROUP, LTD. (GIII) - GIII designs, manufactures and markets an extensive range of apparel, including outerwear, dresses, sportswear, swimwear, women's suits and women's performance wear, as well as footwear, luggage and women's handbags, small leather goods and cold weather accessories. The company sells products under its own proprietary brands, licensed brands and private retail labels.

GIII sells products under an extensive portfolio of well-known licensed brands, including Calvin Klein, Kenneth Cole, Guess?, Cole Haan and Tommy Hilfiger. In the company's team sports business, GIII has licenses with the National Football League, National Basketball Association, Major League Baseball, National Hockey League, Touch by Alyssa Milano and over 100 U.S. colleges and universities. The company's products are sold through a variety of leading retailers such as Macy's, Bloomingdale's, Dillard's, The Bon-Ton Stores, Nordstrom, Saks Fifth Avenue, Lord & Taylor and J.C. Penney.

GIII has three reportable segments: licensed products, non-licensed products and retail operations. The licensed products segment includes sales of products under brands licensed by the company from third parties. The nonlicensed products segment includes sales of products under the company's own brands and under private label brands. The retail operations segment consists primarily of the company's Wilson's Leather and G.H. Bass stores, as well as a limited number of Calvin Klein Performance stores. A breakdown of revenue by segment is presented in Table 39.

TABLE 39
REVENUES ($000s) BY SEGMENT
YEAR ENDED JANUARY 31,

	2013		2014		2015	
	Net Sales	**% of Total**	**Net Sales**	**% of Total**	**Net Sales**	**% of Total**
Licensed Products	$ 981,845	70.1%	$ 1,145,182	66.6%	$ 1,293,254	61.1%
Non-Licensed Products	281,916	20.1%	342,672	19.9%	452,640	21.4%
Retail	196,150	14.0%	298,008	17.3%	499,284	23.6%
Intercompany Eliminations	(60,192)	-4.3%	(67,631)	-3.9%	(128,323)	-6.1%
Total	**$ 1,399,719**	**100.0%**	**$ 1,718,231**	**100.0%**	**$ 2,116,855**	**100.0%**

Note: Figures may not add due to rounding.

GIII markets its products at multiple price points and across multiple channels of distribution, which allows the company to provide products to a broad range of consumers, while reducing its reliance on any one demographic segment, merchandise preference or distribution channel. The company's products are sold to approximately 2,900 customers, including a cross section of retailers such as Macy's, TJX Companies, Ross Stores, Dillard's, The Bon-Ton Stores, Nordstrom, Saks Fifth Avenue, Lord & Taylor, J.C. Penney and membership clubs such as Costco and Sam's Club. As a result of the company's broad distribution platform, the company is a licensee and supplier of choice and can more easily adapt to changes in the retail environment. Sales to the company's 10 largest customers accounted for 63.7 percent, 61.3 percent and 58.4 percent of total revenues during the years 2013, 2014 and 2015, respectively. Sales to Macy's, which includes sales to its Macy's and Bloomingdale's store chains, accounted for an aggregate of 18.7 percent of the company's net sales in fiscal 2015.

The company's revenues, particularly related to outerwear, have been impacted by seasonality. GIII has been dependent on sales from July through November for the substantial majority of its net sales and net income. Net sales in the months of July through November accounted for approximately 56 percent of the company's net sales in fiscal 2015. The company is highly dependent on its results of operations during the second half of the fiscal year. The second half of the year is expected to continue to provide a disproportionate amount of the company's net sales and a substantial majority of its net income for the foreseeable future.

GIII's executive offices, sales showrooms and support staff are located at 512 Seventh Avenue in New York City. The company currently leases approximately 173,000 square feet of office and showroom space in this building. The company also leases its warehouse, distribution facilities and retail store locations.

In recent years, GIII has acquired businesses that have broadened its product offerings, expanded its ability to serve different tiers of distribution and added a retail component to its business. The company's acquisitions are part of its strategy to expand its product offerings and increase the portfolio of proprietary and licensed brands that the company offers through different tiers of retail distribution.

In November 2013, GIII acquired the business of G.H. Bass & Co., a well-known heritage brand that developed the iconic original penny loafer. Bass footwear, apparel and accessories are sold primarily through G.H. Bass outlet stores located in the U.S. The brand is licensed for the wholesale distribution of men's and women's footwear and men's sportswear.

In August 2012, GIII acquired Vilebrequin, a premier provider of status swimwear, resort wear and related accessories. Vilebrequin sells its products in the U.S. and in more than 50 countries around the world through a network of company owned and franchised specialty retail stores and shops, as well as through select wholesale distribution. Vilebrequin has also licensed its brand for the wholesale distribution of footwear and neckwear.

GIII arranges for the production of products from independent manufacturers located primarily in China and to a lesser extent, in Vietnam, Indonesia, Pakistan, India and Central and South America. Vilebrequin's products are manufactured in Bulgaria, Tunisia, Romania and Morocco. A small portion of the company's garments are manufactured in the United States. GIII has representative offices in Vietnam, as well as in Hangzhou, Nanjing and Qingdao, China. These offices act as a liaison with manufacturers in the Far East. As of January 31, 2015, the company had 27employees in these representative offices.

As of January 31, 2015, GIII had 6,641 employees, of whom 391 worked in executive or administrative capacities, 811 worked in design, merchandising and sourcing, 788 worked in warehouse and distribution facilities, 171 worked in wholesale sales and 4,480 worked in the company's retail stores. Additionally, during peak retail selling season from October through January, the company employed approximately 1,950 additional seasonal associates in its retail stores. The company employs both union and non-union personnel and believe that relations with its employees are good.

GIII's historic financial statements are presented in Tables 40 and 41.

TABLE 40
G-III APPAREL GROUP LTD.
INCOME STATEMENT
FOR THE

	Years Ended January 31, 2011	2012	2013	2014	2015	LTM July 31, 2015
	In Thousands of Dollars					
Revenues	$ 1,063,404	$ 1,231,201	$ 1,399,719	$ 1,718,231	$ 2,116,855	$ 2,233,502
Cost of Goods Sold	712,359	860,485	948,392	1,133,222	1,359,596	1,431,994
Gross Profit	$ 351,045	$ 370,716	$ 451,327	$ 585,009	$ 757,259	$ 801,508
Operating Expenses	254,113	284,492	351,149	454,182	592,364	619,250
Operating Income	$ 96,932	$ 86,224	$ 100,178	$ 130,827	$ 164,895	$ 182,258
Other Income (Expenses)	-	(1,271)	(719)	-	11,488	11,488
Interest Expense	4,027	5,713	7,454	8,599	7,942	6,095
Income Before Income Taxes	$ 92,905	$ 79,240	$ 92,005	$ 122,228	$ 168,441	$ 187,651
Provision for Income Taxes	36,223	29,620	35,436	45,826	59,450	66,445
Net Income Available to Common	**$ 56,682**	**$ 49,620**	**$ 56,569**	**$ 76,402**	**$ 108,991**	**$ 121,206**
Earnings Per Share	$ 2.96	$ 2.51	$ 2.83	$ 3.76	$ 5.03	$ 2.69

TABLE 41
G-III APPAREL GROUP LTD.
BALANCE SHEET
AS OF

	January 31, 2011	January 31, 2012	January 31, 2013	January 31, 2014	January 31, 2015	July 31, 2015
	In Thousands of Dollars					
Cash and Equivalents	$ 10,045	$ 24,660	$ 27,360	$ 22,091	$ 128,354	$ 18,810
Accounts Receivable	138,341	162,510	178,216	160,010	198,635	238,659
Inventories	204,995	253,521	280,929	359,639	426,180	605,214
Other Current Assets	23,425	24,087	30,080	44,450	45,697	55,111
Total Current Assets	$ 376,806	$ 464,778	$ 516,585	$ 586,190	$ 798,866	$ 917,794
Net Property, Plant and Equipment	$ 22,556	$ 33,365	$ 40,816	$ 62,832	$ 81,671	$ 89,743
Intangible Assets	44,583	43,711	150,318	150,616	138,460	129,635
Deposits and Other Assets	3,976	4,249	10,053	31,259	27,721	52,307
TOTAL ASSETS	**$ 447,921**	**$ 546,103**	**$ 717,772**	**$ 830,897**	**$ 1,046,718**	**$ 1,189,479**
Current Portion of Interest Bearing Debt	$ -	$ 30,050	$ 65,000	$ 48,843	$ -	$ 5,503
Accounts Payable	103,012	96,727	104,037	131,241	177,498	297,724
Other Current Liabilities	34,300	49,742	64,179	61,142	63,665	56,225
Total Current Liabilities	$ 137,312	$ 176,519	$ 233,216	$ 241,226	$ 241,163	$ 359,452
Long-Term Interest Bearing Debt	$ -	$ -	$ 19,778	$ 20,560	$ -	$ -
Other Long-Term Liabilities	7,115	11,612	35,538	47,115	44,297	44,852
Total Long-Term Liabilities	$ 7,115	$ 11,612	$ 55,316	$ 67,675	$ 44,297	$ 44,852
Total Liabilities	$ 144,427	$ 188,131	$ 288,532	$ 308,901	$ 285,460	$ 404,304
Minority Interests	-	-	(159)	(1,117)	-	-
Stockholders' Equity	303,494	357,972	429,399	523,113	761,258	785,175
TOTAL LIABILITIES AND EQUITY	**$ 447,921**	**$ 546,103**	**$ 717,772**	**$ 830,897**	**$ 1,046,718**	**$ 1,189,479**
Common Shares Outstanding at End of Year (000)	19,175	19,796	20,006	20,323	21,649	45,020

DELTA APPAREL, INC. (DLA): DLA is an international apparel design, marketing, manufacturing and sourcing company that features a diverse portfolio of lifestyle basics and branded activewear apparel and headwear. The company specializes in selling casual and athletic products through a variety of distribution channels and distribution tiers, including specialty stores, boutiques, department stores, mid and mass channels, e-retailers, college bookstores and the U.S. military. The company's products are also made available direct-to-consumer through the company's websites.

DLA designs and internally manufactures the majority of its products, which allows the company to offer a high degree of consistency and quality controls, as well as to leverage scale efficiencies. One of the company's strengths is the speed with which it can reach the market from design to delivery. DLA has manufacturing operations located in the United States, El Salvador, Honduras and Mexico, and uses domestic and foreign contractors as additional sources of production. The company's distribution facilities are strategically located throughout the U.S. to better serve customers.

DLA operates its business in two distinct segments: branded and basics. Although the two segments are similar in their production processes and regulatory environments, they are distinct in their economic characteristics, marketing, products and distribution methods. The branded segment is comprised of business units which are focused on specialized apparel garments and headwear to meet consumer preferences and fashion trends and includes Soffe, Junkfood, To The Game and Salt Life. These branded embellished and unembellished products are sold through specialty and boutique shops, upscale and traditional department stores, mid-tier retailers, sporting goods stores, college bookstores and the U.S. military. Products in this segment are marketed under the lifestyle brands of Soffe®, Intensity Athletics®, Junk Food®, The Game®, American Threads™ and Salt Life® as well as other labels.

The basics segment is comprised of business units primarily focused on garment styles that are characterized by low-fashion risk and includes the company's Delta Catalog, FunTees and Art Gun businesses. The company markets, distributes and manufactures for sale unembellished knit apparel under the main brands of Delta Pro Weight® and Delta Magnum Weight® for sale to a diversified audience ranging from large licensed screen printers to small independent businesses. The company also manufactures private label products for major branded sportswear companies, retailers, corporate industry programs, e-retailers and sports licensed apparel marketers.

Although DLA's various product lines are sold on a year-round basis, the demand for specific products or styles reflects some seasonality with sales in the June fiscal quarter typically being the highest and sales in the December fiscal quarter typically being the lowest. As the company continues to expand its product offerings, the seasonality in its business has become less pronounced. The percentage of net sales by quarter for the year ended September 27, 2014, was 22 percent, 25 percent, 28 percent and 25 percent for the first, second, third, and fourth fiscal quarters, respectively.

DLA's executive office is located in a leased facility in Greenville, South Carolina. The company owns and leases properties that support its administrative, manufacturing, distribution and direct retail activities. The majority of the company's products are manufactured through a combination of facilities that the company either owns, or leases and operates. As of September 27, 2014, the company owned or leased 11 manufacturing facilities (located in the U.S., Honduras, El Salvador and Mexico) and eight distribution facilities (all within the U.S.). Four of these facilities were owned by the company.

As of September 27, 2014, DLA employed approximately 6,800 full time employees, of whom approximately 1,500 were employed in the United States. Approximately 1,000 employees at one of the company's core facilities in San Pedro Sula, Honduras are party to a three-year collective bargaining agreement which was recently extended and approximately 1,200 employees at a separate facility in San Pedro Sula, Honduras are party to a three-year collective bargaining agreement.

DLA's historic financial statements are presented in Tables 42 and 43.

TABLE 42
DELTA APPAREL CO.
INCOME STATEMENT
FOR THE

	Years Ended September 30,					LTM June 27,
	2010	2011	2012	2013	2014	2015
	In Thousands of Dollars					
Revenues	$ 424,411	$ 475,236	$ 489,923	$ 490,523	$ 452,901	$ 443,844
Cost of Goods Sold	323,628	359,001	406,200	381,014	367,160	360,117
Gross Profit	$ 100,783	$ 116,235	$ 83,723	$ 109,509	$ 85,741	$ 83,727
Operating Expenses	80,695	91,512	89,973	94,944	86,275	84,824
Operating Income (Loss)	$ 20,088	$ 24,723	$ (6,250)	$ 14,565	$ (534)	$ (1,097)
Other Expenses	-	-	-	-	-	(12)
Interest Expense	3,509	2,616	4,132	3,997	5,792	5,955
Income (Loss) Before Income Taxes	$ 16,579	$ 22,107	$ (10,382)	$ 10,568	$ (6,326)	$ (7,052)
Provision for Income Taxes	4,466	5,353	(7,907)	722	(6,493)	5,785
Net Income (Loss) Available to Common	**$ 12,113**	**$ 16,754**	**$ (2,475)**	**$ 9,846**	**$ 167**	**$ (12,837)**
Earnings Per Share	$ 1.42	$ 1.97	$ (0.29)	$ 1.20	$ 0.02	$ (1.63)

TABLE 43
DELTA APPAREL CO.
BALANCE SHEET
AS OF

	2011	2012	2013	2014	June 27, 2015
Cash and Equivalents	$ 656	$ 467	$ 829	$ 612	$ 360
Accounts Receivable	76,821	73,856	68,707	68,802	66,496
Inventories	159,209	161,633	165,190	162,188	149,399
Other Current Assets	6,990	17,530	10,999	18,046	11,675
Total Current Assets	$ 243,676	$ 253,486	$ 245,725	$ 249,648	$ 227,930
Net Property, Plant and Equipment	$ 39,756	$ 39,425	$ 40,600	$ 41,005	$ 38,121
Intangible Assets	24,217	23,609	61,566	60,229	59,232
Deposits and Other Assets	4,216	3,874	3,871	3,696	3,744
TOTAL ASSETS	**$ 311,865**	**$ 320,394**	**$ 351,762**	**$ 354,578**	**$ 329,027**
Current Portion of Interest Bearing Debt	$ 2,799	$ 3,529	$ 3,704	$ 15,504	$ 7,590
Accounts Payable	55,554	46,320	52,877	57,719	50,103
Other Current Liabilities	24,677	16,608	17,463	20,167	20,838
Total Current Liabilities	$ 83,030	$ 66,457	$ 74,044	$ 93,390	$ 78,531
Long-Term Interest Bearing Debt	$ 83,974	$ 110,949	$ 134,430	$ 114,469	$ 104,585
Other Long-Term Liabilities	2,896	4,021	4,416	4,912	1,056
Total Long-Term Liabilities	$ 86,870	$ 114,970	$ 138,846	$ 119,381	$ 105,641
Total Liabilities	$ 169,900	$ 181,427	$ 212,890	$ 212,771	$ 184,172
Stockholders' Equity	141,965	138,967	138,872	138,207	141,755
TOTAL LIABILITIES AND EQUITY	**$ 311,865**	**$ 320,394**	**$ 351,762**	**$ 350,978**	**$ 325,927**
Common Shares Outstanding at End of Year (000)	8,486	8,453	8,234	7,901	7,887

VINCE HOLDINGS CORP. (VNCE) - VNCE is a leading contemporary fashion brand best known for modern effortless style and everyday luxury essentials. Founded in 2002, the brand now offers a wide range of women's, men's and children's apparel, women's and men's footwear and handbags. VNCE products are sold in prestige stores worldwide, including over 2,400 distribution points across 45 countries. The company has generated strong sales' momentum over the last decade.

VNCE has a small number of wholesale partners who account for a significant portion of the company's net sales. Net sales to the full-price, off-price and e-commerce operations of the company's three largest wholesale partners were 49 percent of total revenue for fiscal 2014 and 46 percent of total revenue for fiscal 2013. These partners include Nordstrom, Saks Fifth Avenue and Neiman Marcus, each accounting for more than 10 percent of total revenue for fiscal 2014 and fiscal 2013.

VNCE designs its products in the U.S. and sources the vast majority of its products from contract manufacturers outside the U.S., primarily in Asia and South America. The company serves its customers through a variety of channels that reinforce the Vince brand image. This diversified channel strategy allows the company to introduce products to customers through multiple distribution points that are reported in two segments: wholesale and direct-to-consumer.

The wholesale segment is comprised of sales to premier department stores and specialty stores in the U.S. and in select international markets, with U.S. wholesale representing 67 percent of the company's fiscal 2014 sales and the total wholesale segment representing 76 percent of fiscal 2014 sales. The company believes that success in the U.S. wholesale channel and its strong relationships with premier wholesale partners provide opportunities for continued growth. These growth initiatives include creating enhanced product assortments and brand extensions through both in-house development activities and licensing arrangements, as well as continuing the build-out of branded shop-in-shops in select wholesale partner locations.

The direct-to-consumer segment includes retail and outlet stores and the company's e-commerce business. In 2008, VNCE initiated a direct-to-consumer strategy with the opening of its first retail store. During fiscal year 2014, the company opened nine new stores consisting of six full-price retail stores and three outlet locations. As of January 31, 2015, the company operated 37 stores, consisting of 28 full-price retail stores and nine outlet locations. The direct-to-consumer segment accounted for 24 percent of fiscal 2014 net sales compared to 21 percent of net sales in the prior year.

Over 88 percent of VNCE's sales were comprised of women's products in fiscal 2014, with particular strength in sweaters, dresses, pants and outerwear. The women's line under the Vince brand includes seasonal collections of luxurious cashmere sweaters and silk blouses, leather and suede leggings and jackets, dresses, denim, pants, tanks and t-shirts, handbags and a growing assortment of outerwear. The men's collection under the Vince brand includes t-shirts, knit and woven tops, sweaters, denim, pants, blazers, outerwear and stylish leather jackets.

VNCE does not own or operate any manufacturing facilities. The company contracts for the purchase of finished goods with manufacturers who are responsible for the entire manufacturing process, including the purchase of piece goods and trim. Although the company does not have long-term written contracts with manufacturers, it has long-standing relationships with a diverse base of vendors which the company believes to be mutually satisfactory. The company works with over 30 manufacturers across five countries, with 88 percent of its products produced in China in fiscal 2014. For cost and control purposes, the company contracts with select third-party vendors in the U.S. to produce a small portion of its merchandise that includes woven pants and products manufactured with man-made fibers.

As of January 31, 2015, VNCE had 498 employees, of which 272 were employed in retail stores. Except for one employee in France, who is covered by a collective bargaining agreement pursuant to French law, none of the company's employees are currently covered by a collective bargaining agreement.

VNCE's historic financial statements are presented in Tables 44 and 45.

TABLE 44
VINCE HOLDING CORP.
INCOME STATEMENT
FOR THE

	Years Ended January 31,				LTM
	2012	2013	2014	2015	August 1, 2015
Revenues	$ 175,255	$ 240,352	$ 288,170	$ 340,396	$ 337,453
Cost of Goods Sold	89,545	132,156	155,154	173,567	189,519
Gross Profit	$ 85,710	$ 108,196	$ 133,016	$ 166,829	$ 147,934
Operating Expenses	42,793	67,260	83,663	96,579	104,276
Operating Income	$ 42,917	$ 40,936	$ 49,353	$ 70,250	$ 43,658
Other Expenses	(478)	(769)	(679)	(835)	(841)
Interest Expense	81,364	68,684	18,011	9,698	7,302
Income (Loss) Before Income Taxes	$ (38,925)	$ (28,517)	$ 30,663	$ 59,717	$ 35,515
Provision for Income Taxes	2,997	1,178	7,268	23,994	14,249
Net Income (Loss) Available to Common	**$ (41,922)**	**$ (29,695)**	**$ 23,395**	**$ 35,723**	**$ 21,266**
Earnings Per Share	$ (1.60)	$ (1.13)	$ 0.83	$ 0.97	$ 0.58

TABLE 45
VINCE HOLDING CORP.
BALANCE SHEET
AS OF

	January 31, 2013	January 31, 2014	January 31, 2015	August 1, 2015
Cash and Equivalents	$ 317	$ 21,484	$ 112	$ 88
Accounts Receivable	33,933	40,198	33,797	22,679
Inventories	18,887	33,956	37,419	45,566
Other Current Assets	146,655	8,093	9,812	11,112
Total Current Assets	$ 199,792	$ 103,731	$ 81,140	$ 79,445
Net Property, Plant and Equipment	$ 6,988	$ 13,615	$ 28,349	$ 35,188
Intangible Assets	174,588	173,989	173,390	173,091
Deposits and Other Assets	60,756	123,007	95,769	96,110
TOTAL ASSETS	**$ 442,124**	**$ 414,342**	**$ 378,648**	**$ 383,834**
Accounts Payable	$ 18,478	$ 23,847	$ 29,118	$ 38,063
Other Current Liabilities	171,568	14,486	35,372	10,374
Total Current Liabilities	$ 190,046	$ 38,333	$ 64,490	$ 48,437
Long-Term Interest Bearing Debt	$ 391,434	$ 170,000	$ 84,450	$ 81,877
Other Long-Term Liabilities	421,909	172,458	157,739	183,147
Total Long-Term Liabilities	$ 813,343	$ 342,458	$ 242,189	$ 265,024
Total Liabilities	$ 1,003,389	$ 380,791	$ 306,679	$ 313,461
Stockholders' Equity	(561,265)	33,551	71,969	70,373
TOTAL LIABILITIES AND EQUITY	**$ 442,124**	**$ 414,342**	**$ 378,648**	**$ 383,834**
Common Shares Outstanding at End of Year (000)	26,211	28,120	36,730	36,764

COLUMBIA SPORTSWEAR (COLM): COLM has grown to become a global leader in designing, sourcing, marketing and distributing outdoor and active lifestyle apparel, footwear, accessories and equipment. As one of the largest outdoor and active lifestyle apparel and footwear companies in the world, COLM's products have earned an international reputation for innovation, quality and performance. The company designs, sources, markets and distributes outdoor and active lifestyle apparel, footwear, accessories and equipment under four primary brands:

Columbia®: The Columbia brand is the company's largest brand, offering performance and casual products, including apparel, footwear, accessories and equipment, for a wide variety of activities and consumers.

Sorel®: Acquired in 2000, the Sorel brand offers premium fashion, casual and cold weather footwear, apparel and accessories for a wide demographic, with a primary emphasis on young, fashion-forward female consumers.

Mountain Hardwear®: Acquired in 2003, the Mountain Hardwear brand, headquartered in Richmond, California, offers premium apparel, accessories and equipment, primarily for the high performance needs of mountaineering enthusiasts, as well as for consumers who are inspired by the outdoor lifestyle.

prAna®: Acquired in 2014, the prAna brand, headquartered in Carlsbad, California, offers stylish and functional active lifestyle apparel and accessories designed and manufactured with an emphasis on sustainable materials and processes.

COLM distributes its products through a mix of wholesale distribution channels, the company's own direct-to-consumer channels (retail stores and e-commerce), independent distributors and licensees. Substantially all of the company's products are manufactured by contract manufacturers located outside the United States.

COLM's business is affected by the general seasonal trends common to the industry, including seasonal weather and discretionary consumer shopping and spending patterns. The company's products are marketed on a seasonal basis and sales are weighted substantially toward the third and fourth quarters, while operating costs are more equally distributed throughout the year. The expansion of the company's direct-to-consumer operations has increased the proportion of sales, profits and cash flows that are generated in the fourth calendar quarter.

COLM sells its products through a mix of wholesale distribution channels, the company's own direct-to-consumer channels, independent distributors and licensees. The majority of the company's sales are generated through wholesale channels, which include small, independently operated specialty outdoor and sporting goods stores, regional, national and international sporting goods chains, large regional, national and international department store chains and internet retailers. The United States accounted for 57.1 percent of the company's net sales for 2014. The company sells its products in the United States to approximately 3,300 wholesale customers and through its own direct-to-consumer channels. As of December 31, 2014, the company's United States' direct-to-consumer operations consisted of 74 outlet retail stores, 19 branded retail stores and five brand-specific e-commerce websites. In addition, the company earns licensing income in the United States based on the sale of licensed products.

As of December 31, 2014, COLM had 5,326 full-time employees. The company's financial statements are presented in Tables 46 and 47.

TABLE 46
COLUMBIA SPORTSWEAR CO.
INCOME STATEMENT
FOR THE

	Years Ended December 31,					LTM
	2010	2011	2012	2013	2014	June 30, 2015
	In Thousands of Dollars					
Revenues	$ 1,491,515	$ 1,709,741	$ 1,683,332	$ 1,698,791	$ 2,107,546	$ 2,218,598
Cost of Goods Sold	854,120	958,677	953,169	941,341	1,145,639	1,197,544
Gross Profit	$ 637,395	$ 751,064	$ 730,163	$ 757,450	$ 961,907	$ 1,021,054
Operating Expenses	534,068	614,658	596,635	625,656	763,063	805,512
Operating Income	$ 103,327	$ 136,406	$ 133,528	$ 131,794	$ 198,844	$ 215,542
Other Expenses	-	-	-	(871)	(274)	(1,498)
Interest Expense	(1,564)	(1,274)	(379)	(503)	49	(214)
Income Before Income Taxes	$ 104,891	$ 137,680	$ 133,907	$ 131,426	$ 198,521	$ 214,258
Provision for Income Taxes	27,854	34,201	34,048	37,823	56,662	67,222
Net Income Available to Common	**$ 77,037**	**$ 103,479**	**$ 99,859**	**$ 93,603**	**$ 141,859**	**$ 147,036**
Earnings Per Share	$ 2.28	$ 3.06	$ 1.48	$ 1.36	$ 2.03	$ 2.09

TABLE 47
COLUMBIA SPORTSWEAR CO.
BALANCE SHEET
AS OF

	December 31, 2010	December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014	June 30, 2015
	In Thousands of Dollars					
Cash and Equivalents	$ 234,257	$ 241,034	$ 290,781	$ 437,489	$ 413,558	$ 371,062
Marketable Securities	68,812	2,878	44,661	91,755	27,267	46,428
Accounts Receivable	300,181	351,538	334,324	306,878	344,390	198,296
Inventories	314,298	365,199	363,325	329,228	384,650	581,031
Other Current Assets	73,332	88,877	89,512	85,122	96,176	101,032
Total Current Assets	$ 990,880	$ 1,049,526	$ 1,122,603	$ 1,250,472	$ 1,266,041	$ 1,297,849
Net Property, Plant and Equipment	$ 221,813	$ 250,910	$ 260,524	$ 279,373	$ 291,563	$ 285,833
Intangible Assets	54,893	53,458	52,056	50,726	212,325	209,752
Deposits and Other Assets	27,168	28,648	23,659	25,017	22,280	25,222
TOTAL ASSETS	**$ 1,294,754**	**$ 1,382,542**	**$ 1,458,842**	**$ 1,605,588**	**$ 1,792,209**	**$ 1,818,656**
Current Portion of Interest-Bearing Debt	$ -	$ -	$ 156	$ -	$ -	$ -
Accounts Payable	130,626	148,973	142,240	173,557	214,275	286,623
Other Current Liabilities	121,000	118,029	109,663	127,697	158,845	114,089
Total Current Liabilities	$ 251,626	$ 267,002	$ 252,059	$ 301,254	$ 373,120	$ 400,712
Total Long-Term Liabilities	41,154	40,995	40,616	51,470	63,855	66,452
Total Liabilities	$ 292,780	$ 307,997	$ 292,675	$ 352,724	$ 436,975	$ 467,164
Minority Interests	-	-	-	7,446	11,631	13,846
Stockholders' Equity	1,001,974	1,074,545	1,166,167	1,245,418	1,343,603	1,337,646
TOTAL LIABILITIES AND EQUITY	**$ 1,294,754**	**$ 1,382,542**	**$ 1,458,842**	**$ 1,605,588**	**$ 1,792,209**	**$ 1,818,656**
Common Shares Outstanding at End of Year (000)	33,725	33,808	67,680	68,756	69,807	70,210

THE HART GROUP COMPARED TO GUIDELINE COMPANIES

The analyst compared The Hart Group's adjusted financial results to those of the guideline companies. In particular, the analyst compared The Hart Group to the guideline companies in terms of size, growth leverage, profitability, turnover and liquidity.

Size: A comparison of revenue and earnings between The Hart Group and the guideline companies is shown in Table 48.

TABLE 48
SIZE COMPARISON

Size of Revenues ($000)			Size of Earnings ($000)		
GIII	$	2,233,502	COLM	$	147,036
COLM		2,218,598	GIII		121,206
DLA		443,844	VNCE		21,266
VNCE		337,453	**Hart**		**5,067**
Hart		**146,934**	DLA		(12,837)

The Hart Group is smaller than the guideline companies in terms of revenues and ranks second to last in terms of earnings. The Hart Group's smaller size indicates that The Company is more risky than its publicly-traded counterparts, as The Company does not have the level of management depth, product line diversification and geographic diversification as the guideline companies.

Growth: Historic revenue and earnings growth rates for The Hart Group and the guideline companies is presented in Table 49.

TABLE 49
GROWTH COMPARISON

3 Year CAGR Revenues %		3-Year CAGR Earnings %	
COLM	30.60%	GIII	58.64%
GIII	29.99%	COLM	57.08%
VNCE	17.10%	**Hart**	**4.67%**
Hart	**1.08%**	VNCE	-9.10%
DLA	-9.52%	DLA	-230.37%

The Hart Group's historic revenue and earnings growth have underperformed the guideline companies. The Company's revenue growth has been modest and ranks near the bottom of the peer group. The Hart Group's historic earnings growth ranked above VNCE and DLA but was still well behind GIII and COLM.

Valuation is a prophecy of the future and as a result, the marketplace of buyers are more concerned with future earnings growth than past earnings growth. Earnings per share forecasts for The Hart Group and the guideline companies appear in Table 50.

TABLE 50
EARNINGS PER SHARE PROJECTIONS

	LTM	Next Fiscal Year	% Change 1 Year
GIII[1]	2.69	3.10	15.1%
DLA[2]	(1.63)	1.00	n/a
VNCE[1]	0.58	1.01	74.6%
COLM[2]	2.09	2.60	24.2%
Hart	**25,366**	**35,595**	**40.5%**

[1] *The Value Line Investment Survey*, July 31, 2015.
[2] *Reuters* analyst forecasts.

The Hart Group's short-term earnings growth expectations are favorable in comparison to the guideline companies. Based on The Company's budget, The Company's earnings per share are expected to outpace all but one of the guideline companies. However, it should be noted that much of this growth is expected to be driven by expense cutbacks rather than increased sales. Therefore, this level of growth will not be able to be sustained over the longer term.

Liquidity: An analysis of The Hart Group's liquidity ratios in comparison to the guideline companies appears in Table 51.

TABLE 51
LIQUIDITY RATIOS

	Current Ratio			
	2012	**2013**	**2014**	**LTM**
GIII	2.22	2.43	3.31	2.55
DLA	3.81	3.32	2.67	2.90
VNCE	1.05	2.71	1.26	1.64
COLM	4.45	4.15	3.39	3.24
Hart	**1.41**	**1.37**	**1.31**	**1.13**

	Quick Ratio			
	2012	**2013**	**2014**	**LTM**
GIII	0.88	0.75	1.36	0.72
DLA	1.12	0.94	0.74	0.85
VNCE	0.18	1.61	0.53	0.47
COLM	2.66	2.78	2.10	1.54
Hart	**0.95**	**0.92**	**0.89**	**0.32**

The Hart Group's current ratio has consistently ranked near the bottom. However, The Company's quick ratio ranked in the middle of the group during 2012 to 2014. During the most recent period, The Company's quick ratio was considerably lower, however, this is skewed due to seasonality. GIII, which experiences similar effects of seasonality to that of The Company also experienced a considerable decline in its quick ratio. Nevertheless, The Company's liquidity position is subpar in comparison to the guideline companies.

Profitability: Historic trends in net profitability appear in Table 52.

TABLE 52
PROFITABILITY ANALYSIS

	Aftertax Return on Sales			
	2012	2013	2014	LTM
GIII	4.04%	4.45%	5.15%	5.43%
DLA	-0.51%	2.01%	0.04%	-2.89%
VNCE	-12.35%	8.12%	10.49%	6.30%
COLM	5.93%	5.51%	6.73%	6.63%
Hart	**3.73%**	**3.22%**	**2.47%**	**3.45%**

	Aftertax Return on Assets			
	2012	2013	2014	LTM
GIII	7.88%	9.20%	10.41%	10.19%
DLA	-0.77%	2.80%	0.05%	-3.94%
VNCE	-6.72%	5.65%	9.43%	5.54%
COLM	6.85%	5.83%	7.92%	8.08%
Hart	**6.68%**	**6.28%**	**4.41%**	**6.48%**

The Hart Group's aftertax return on assets and return on sales ratios have consistently underperformed in comparison to the guideline companies. The Company has outperformed DLA, but has lagged the others in most instances.

Turnover Ratios: The Hart Group's turnover ratios, along with those of the guideline companies are presented in Table 53.

TABLE 53
TURNOVER RATIOS

	Inventory Turnover			
	2012	**2013**	**2014**	**LTM**
GIII	3.55	3.54	3.46	2.78
DLA	2.53	2.33	2.24	2.31
VNCE	13.99	5.87	4.86	4.57
COLM	2.62	2.72	3.21	2.48
Hart	**3.87**	**4.67**	**4.37**	**2.68**

	Receivables Turnover			
	2012	**2013**	**2014**	**LTM**
GIII	8.22	10.16	11.80	10.22
DLA	6.50	6.88	6.59	6.56
VNCE	14.17	7.77	9.20	11.95
COLM	4.91	5.30	6.47	8.18
Hart	**2.65**	**3.28**	**2.90**	**4.02**

	Working Capital Turnover			
	2012	**2013**	**2014**	**LTM**
GIII	4.90	5.47	4.69	4.00
DLA	2.82	2.73	2.76	2.90
VNCE	49.32	7.67	8.30	14.16
COLM	2.04	1.87	2.29	2.48
Hart	**6.60**	**7.84**	**7.98**	**11.65**

The Hart Group's inventory turnover ratio ranked second among its peers in each year from 2012 to 2014, which indicates that The Company has efficiently utilized its inventory to generate revenues. This ratio was skewed downwards in the most recent period due to seasonality. Similar declines occurred for GIII and COLM.

The Company's receivables turnover ratio has underperformed the guideline companies. This makes sense considering that The Company's customers are large retailers with significant bargaining power. Nevertheless, The Company's working capital turnover ratio is favorable in comparison to the guideline companies, only lagging behind VNCE. This indicates that The Company is efficient in utilizing its working capital to generate revenues.

Leverage: The Hart Group's interest bearing liabilities consist of a revolving credit facility. This debt is short-term in nature as it fluctuates seasonally in relationship with The Company's working capital. Based on the characteristics of the credit facility, this was considered to be a part of working capital and not part of The Hart Group's capital structure. The Company does not utilize any long-term debt to finance its operations. In comparison to the guideline companies, both GIII and COLM also have no long-term debt as part of their capital structure.

Overall, The Hart Group's financial performance is mixed in comparison to the guideline companies. The Company underperformed with respect to profitability and liquidity, but was favorable in terms of working capital and inventory utilization efficiency. Furthermore, although The Company's near-term growth expectations are positive, such growth will not likely be sustained over the long term.

After performing the comparative analysis, the analyst considered the valuation multiples for each of the guideline companies. In this instance, The Hart Group is less profitable than its industry peers and The Company's capital structure is similar to that of GIII, the most comparable in terms of operations and COLM. Therefore, a price to earnings multiple was deemed appropriate as it considers the aftertax profitability of The Company. The price to earnings multiples for the guideline companies appear in Table 54.

TABLE 54
PRICE TO
EARNINGS MULTIPLES

Company	Price to Earnings Multiples
GIII	25.43
DLA[1]	nm
VNCE	15.12
COLM	29.17

[1] DLA had negative earnings and was therefore excluded from the remainder of this analysis.

A valuation multiple can be divided into two components: risk and expected future growth. The risk component is the equivalent of a discount rate, which is the rate of return that an investor would require given the risk of a particular investment. If a company is deemed more risky than the other companies in its peer group, it would warrant a higher discount rate and thus, a lower multiple. The expected future growth component includes the market's expectation of how the subject company's earnings streams will grow over time. Higher growth expectations result in higher multiples, as market participants are willing to pay more for an investment as they look to benefit from the anticipated growth and therefore, the increase in value of the investment.

The analyst considered the general operations, financial condition and growth expectations of The Hart Group and the guideline companies. In performing this analysis, it was determined that The Hart Group differs from the guideline companies with respect to certain risk characteristics and growth expectations. Therefore, in order to improve comparability between The Hart Group and the guideline companies, these differences must be accounted for by adjusting the guideline company multiples to include the risk and growth expectations of The Hart Group.

The analyst began by adjusting the guideline public company multiple to better indicate the risk of an investment in The Hart Group. One factor that influences the risk of a company is its size. A smaller company is generally considered to be more risky than a larger company, as it will typically have less geographical and operational diversification; less depth in management; reduced access to capital to fund growth; and limited research, development and marketing resources. In this instance, The Hart Group is smaller than the guideline companies, which makes The Company more risky with respect to size. Therefore, a downward adjustment to the guideline company multiples is required to reflect the risk of an investment in The Hart Group.

A valuation multiple is the reciprocal of a capitalization rate. A capitalization rate considers two components: a discount rate that reflects the risk of the investment and a growth rate that reflects the future growth expectations of a company. An adjustment for size is a risk-related adjustment and therefore, can be accounted for by adjusting the discount rate component of the capitalization rate. A discount rate can be divided into the following components:

1. Risk-free rate of return: The risk-free rate of return is the minimum return that an investor would accept for an investment that is virtually risk-free.

2. Equity risk premium ("ERP"): The equity risk premium is the rate of return investors receive as compensation for the risk of common stocks in excess of the rate of return received on the risk-free security.

3. Size premium: The size premium is the rate of return investors receive as compensation for the risk of smaller company common stocks in excess of the rate of return received on larger company common stocks to compensate for the additional risks associated with smaller companies.

4. Specific company risk premium: This component of the discount rate provides for the specific risk characteristics of the subject interest.

Taking this information into account, the analyst can adjust the guideline company multiples down (or capitalization rates up) for size differences by applying a size adjustment using size premiums. Data about size premiums can be obtained from various sources. One such source is the *Duff & Phelps Valuation Handbook* (*"Valuation Handbook"*). This publication includes an analysis of size that divides the public market into 10 decile portfolios based on market capitalization ranked from largest to smallest. Size premiums for each of these deciles are calculated based on data from the Center for Research in Security Prices ("CRSP®"). Using this data, the analyst assigned The Hart Group and the guideline companies to a specific portfolio based on the market value of equity of each respective company.

The size risk premiums for each company, as well as the size differentials are presented in Table 55.

TABLE 55
CALCULATION OF
SIZE DIFFERENTIALS

Company	Market Capitalization	Decile	Rate of Return	Size Differential
GIII	3,082,519,400	5	14.84%	5.78%
DLA	122,840,025	10	20.62%	0.00%
VNCE	321,500,594	9	17.13%	3.49%
COLM	4,289,128,900	5	14.84%	5.78%
Hart	**-**	**10**	**20.62%**	**-**

The data presented in Table 55 represents the incremental risk premium that an investor would require to invest in The Hart Group, as opposed to the guideline companies to compensate him or her for the additional risk attributable to The Company's smaller size. This risk premium can be used to adjust the guideline company multiples and is presented in Table 56.

TABLE 56
SIZE ADJUSTMENT

	GIII	VNCE	COLM
Unadjusted Multiple	25.43	15.12	29.17
Implied Unadjusted Cap Rate	3.93%	6.61%	3.43%
Size Premium	5.78%	3.49%	5.78%
Size Adjusted Cap Rate	9.71%	10.10%	9.21%
Size Adjusted Multiple	10.30	9.90	10.86

The calculations presented in Table 56 are explained below:

Unadjusted Multiple: This represents the unadjusted price to earnings multiple for the guideline company.

Implied Unadjusted Cap Rate: The reciprocal of the unadjusted multiple is the implied capitalization rate.

Size Premium: This represents the additional size risk associated with The Hart Group in comparison to the guideline company as calculated using the *Valuation Handbook.*

Size-Adjusted Capitalization Rate: The size premium plus the implied unadjusted capitalization rate.

Size-Adjusted Multiple: The reciprocal of the size-adjusted capitalization rate.

At this stage in the analysis, the analyst has adjusted the guideline company multiples downward to adjust for The Hart Group's smaller size. The next step in the analysis is to adjust for differences in growth, liquidity, profitability, turnover and leverage.

In this instance, The Hart Group is most comparable to GIII in terms of operations. Like The Company, GIII primarily distributes licensed apparel to retailers, has a considerable amount of customer concentration risk, is impacted by similar seasonal trends, outsources manufacturing activities, operates in a similar geographic region and is one of The Company's direct competitors. In comparison to GIII, The Hart Group is less profitable, less liquid and is less diversified in its operations as GIII generates some revenues from the retail sector. Furthermore, The Hart Group is bound by the liquidity, working capital and other requirements set forth in the revolving credit agreement. This also increases the risk associated with The Company in comparison to GIII. Based on these factors, GIII's size-adjusted multiple was reduced by 25 percent to account for additional risk factors specific to The Hart Group.

Therefore, the computation of value under the guideline public company method is presented in Table 57.

TABLE 57
MARKET APPROACH COMPUTATION

Selected Multiple	7.72
The Hart Group Net Income	$ 5,067,138
Market Value of Equity	**$ 39,128,438**

Note: Figures may not add due to rounding.

RECONCILIATION OF VALUES

In this valuation, various approaches to value were considered. The asset-based approach was not used due to reasons previously discussed. The remaining approaches yielded the following values.

INCOME APPROACH		
Capitalization of Benefits Method	$	39,088,391
MARKET APPROACH		
Guideline Public Company Method		39,128,438

Since the income approach is based on the expected future benefits generated by The Hart Group, the analyst placed 100 percent of the weighting on the value indicated by the capitalization of benefits method. The value derived under the market approach supports the income approach, but was not used as a primary indication of value, as the sample sizes was not large enough to derive a conclusion with a high degree of statistical confidence. Therefore, the value of The Hart Group's operations was determined to be $39,088,391 or $39 million rounded.

In order to derive the value of the equity, the analyst must add the value of The Hart Group's nonoperating assets to the value of the operating entity. The Hart Group's nonoperating assets consist of shareholder loans, a receivable related to the split dollar life insurance policies and automobiles. In order to estimate the value of the automobiles, the analyst performed a search of the National Auto Dealer Association ("NADA") and Kelley Blue Book websites to determine the trade-in values for the vehicles. In instances where vehicle values were not available from these websites, the analyst calculated the average listing price from websites such as Classiccars.com and Cargurus.com. The values of the vehicles are summarized in Table 58.

TABLE 58
NONOPERATING VEHICLES

Year	Car	Serial Number	Value
2007	Mercedes	WDDNG71X27A093555	$ 13,800
2007	Lincoln Limo	1L1FM88W37Y639018	6,975
2002	Bentley Azure	SCBZK22E32CX01058	67,444
2007	Bentley GTC Convertible	SCBDR33W77C044596	73,098
2011	Mercedes	WDBSK7AA1BF162575	43,694
2013	Cadillac	1GYS4KEF6DR225332	28,935
2013	Bentley Mulsanne	SCBBB7ZH8DC018130	147,964
2003	Mercedes Benz G500	WDCYR49E53X138461	33,186
1990	Bentley	SCBZDO2D64X30318	35,000

TABLE 58
NONOPERATING VEHICLES

Year	Car	Serial Number	Value
2007	Mercedes	WDDNG86X87A118456	22,322
2007	Mercedes	WDDNG71X97A146106	18,548
1965	Ford Mustang	5F08C657441	34,835
	Total		**$ 525,801**

Therefore, the value of a 25 percent interest in The Hart Group was calculated as shown below.

Concluded Value of the Operating Entity		$ 39,000,000
Nonoperating Assets:		
Officer Loans	714,175	
Vehicles	525,801	
Advances on Split Dollar Life Insurance Policies	144,480	
Total Value of Nonoperating Assets		1,384,456
Estimate of Value of Hart		$ 40,384,456
Ownership Interest Being Valued		25%
Fair Value of a 25% Interest in The Hart Group		**$ 10,096,114**
Rounded		**$ 10,100,000**

REASONABLENESS TEST

As a reasonableness test, the analyst performed a “Justification for Purchase Test.” This was based on the operating value as determined, with reasonable transaction terms, to see if the cash flow of the business would support the willing buyer’s debt service as part of the transaction.

The analyst assumed a down payment of one-third of the value of the operating entity with the balance being financed at two points over the prime rate over five years. The results are shown in Table 59.

TABLE 59
JUSTIFICATION FOR PURCHASE TEST

	Year 1	Year 2	Year 3	Year 4	Year 5
Annual Payments	$ 5,937,349	$ 5,937,349	$ 5,937,349	$ 5,937,349	$ 5,937,349
Interest	1,256,597	1,004,858	739,579	460,034	165,453
Principal	$ 4,680,752	$ 4,932,491	$ 5,197,770	$ 5,477,315	$ 5,771,896
Cash Flow					
Pretax Income	$ 6,492,351	$ 6,687,122	$ 6,887,735	$ 7,094,367	$ 7,307,198
Interest Expense	1,256,597	1,004,858	739,579	460,034	165,453
Taxable Income	$ 5,235,754	$ 5,682,264	$ 6,148,156	$ 6,634,333	$ 7,141,745
Tax	774,779	840,852	909,794	981,738	1,056,824
Net Income	$ 4,460,975	$ 4,841,412	$ 5,238,362	$ 5,652,595	$ 6,084,921
Principal Payments	4,680,752	4,932,491	5,197,770	5,477,315	5,771,896
Cash Flow	**$ (219,777)**	**$ (91,079)**	**$ 40,592**	**$ 175,280**	**$ 313,025**
Return on Down Payment	-1.69%	-0.70%	0.31%	1.35%	2.40%

The calculations indicate a payback period of approximately four to five years. In this case, neither the buyer or the seller is leaving too much on the table for the benefit of the other party. This demonstrates the reasonableness of the conclusion of value that was determined.

DISCOUNT AND CAPITALIZATION RATES

Section 6 of Revenue Ruling 59-60 states:

> In the application of certain fundamental valuation factors, such as earnings and dividends, it is necessary to capitalize the average or current results at some appropriate rate. A determination of the proper capitalization rate presents one of the most difficult problems in valuation.

There are various methods of determining discount and capitalization rates. Using the build up method from *Industry Cost of Capital* results in the following:

Industry Rate of Return		16.90%[1]
Company Specific Risk Factor	x	1.00[2]
Discount Rate		16.90%
Long-Term Sustainable Growth Rate		3.00%
Capitalization Rate		**13.90%**

1. Duff & Phelps *Valuation Handbook: 2015 Industry Cost of Capital*, Small Composite Cost of Equity for Standard Industrial Classification Code: 23.

2. Valuation analyst's judgment based on the analysis throughout the report.

In order to derive the discount rate for The Hart Group, the analyst used the small composite industry cost of equity for apparel manufacturers as a starting point. Three of the four guideline companies utilized in the market approach for this valuation were included in this industry composite, so it appeared to represent the cost of capital for The Hart Group's industry.

The analyst also considered company-specific risk. In determining whether a company-specific risk premium was appropriate, the following factors were considered:

- The Hart Group is subject to more customer concentration risk than its industry peers.

- The Company is subject to the terms and conditions set forth in the license agreements and the revolving credit agreement which increases the risk associated with an investment in The Company.

- The Hart Group's financial performance was favorable in comparison to the companies included in the small composite as shown below:

	Small Composite	**Hart**
Five-Year Average Operating Margin	4.3%	5.0%
Five-Year Average Return on Assets	4.0%	7.9%
Five-Year Average Return on Equity	8.3%	31.5%

- Net income is more risky than net cash flow as it does not include working capital requirements. The starting point of this analysis is an industry rate of return for net cash flow.

In addition to the factors listed above, the analyst considered the benefit stream that was capitalized in the application of the income approach. A five-year weighted average was calculated which incorporated the prior years in which The Company's earnings were lower as the result of the losses of key brands, lower sales and a higher expense structure. Therefore, the analyst determined that the company-specific risk associated with The Company was captured in the income stream and no additional adjustments were necessary.

Summing all of these items results in the derivation of a discount rate. The mathematical formula to distinguish between a discount rate and a capitalization rate is the subtraction of the present value of long-term sustainable growth from the discount rate. The present value of long-term sustainable growth has been included at a rate of 3 percent. This rate has been determined by assuming continued growth in line with inflation into perpetuity based on the outlooks for the company, economy and industry.

Schedule 1-1

THE HART GROUP, INC.
BALANCE SHEET
AS OF

	December 31, 2009	December 31, 2010	December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014	July 31, 2015
Current Assets							
Cash	$ 423,253	$ 56,012	$ 1,428,641	$ 1,807,802	$ 764,566	$ 20,355	$ 141,987
Accounts Receivable	40,511,509	47,552,458	47,776,988	40,512,354	47,100,263	52,215,774	20,948,109
Inventories	11,442,874	16,850,301	20,330,301	19,712,301	22,133,301	23,539,578	52,946,578
Prepaid Expenses	213,406	134,796	190,809	284,879	459,692	359,009	468,811
Advances To Vendors	-	10,000	35,000	35,000	-	-	-
Loans to Shareholders	132,593	280,576	267,505	243,227	395,437	738,982	714,175
Total Current Assets	$ 52,723,635	$ 64,884,143	$ 70,029,244	$ 62,595,563	$ 70,853,259	$ 76,873,698	$ 75,219,660
Gross Fixed Assets	$ 3,492,786	$ 3,605,527	$ 3,727,679	$ 3,531,868	$ 3,715,875	$ 4,223,733	$ 4,223,734
Accumulated Depreciation	2,009,331	2,120,454	2,253,704	2,342,738	2,769,976	3,157,224	3,420,914
Net Fixed Assets	$ 1,483,455	$ 1,485,073	$ 1,473,975	$ 1,189,130	$ 945,899	$ 1,066,509	$ 802,820
Other Assets							
Security Deposits	$ 382,775	$ 522,488	$ 588,794	$ 570,628	$ 700,985	$ 700,985	$ 403,146
Investment in Hart Canada and Others	877,018	1,031,230	1,312,484	1,242,647	1,571,827	2,922,434	2,982,512
Advances on Split Dollar Life Insurance Policies	-	-	-	-	-	-	144,480
Total Other Assets	$ 1,259,793	$ 1,553,718	$ 1,901,278	$ 1,813,275	$ 2,272,812	$ 3,623,419	$ 3,530,138
TOTAL ASSETS	**$ 55,466,883**	**$ 67,922,934**	**$ 73,404,497**	**$ 65,597,968**	**$ 74,071,970**	**$ 81,563,626**	**$ 79,552,618**

Schedule 1-2

THE HART GROUP, INC.
BALANCE SHEET
AS OF

	December 31, 2009	December 31, 2010	December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014	July 31, 2015
Current Liabilities							
Accounts Payable	$ 3,090,044	$ 2,730,529	$ 2,937,337	$ 3,005,915	$ 3,327,799	$ 3,479,351	$ 1,229,308
Long-Term Debt - Current Portion	16,119,731	29,806,744	30,107,586	28,189,685	31,178,050	36,301,589	39,115,877
Accrued Expenses	1,849,585	3,250,075	7,322,063	2,543,558	3,144,684	1,761,681	(2,682,272)
Deferred Rent	731,754	645,706	545,578	431,160	302,236	158,590	66,085
Due to Affiliates	12,059,667	10,378,473	11,421,089	10,145,180	13,834,848	17,018,323	28,957,144
Other Current Liabilities	1,503	500	933	3,706	4,419	1,803	-
Total Current Liabilities	$ 33,852,284	$ 46,812,027	$ 52,334,586	$ 44,319,204	$ 51,792,036	$ 58,721,337	$ 66,686,142
Total Long-Term Liabilities	5,775	-	-	-	-	-	-
Total Liabilities	$ 33,858,059	$ 46,812,027	$ 52,334,586	$ 44,319,204	$ 51,792,036	$ 58,721,337	$ 66,686,142
Stockholders' Equity							
Common Stock	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000
Paid - In Capital	751,804	751,801	751,804	751,804	751,804	751,804	751,804
Retained Earnings	20,855,020	20,357,106	20,316,107	20,524,960	21,526,130	22,088,485	12,112,672
Total Stockholders' Equity	$ 21,608,824	$ 21,110,907	$ 21,069,911	$ 21,278,764	$ 22,279,934	$ 22,842,289	$ 12,866,476
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 55,466,883**	**$ 67,922,934**	**$ 73,404,497**	**$ 65,597,968**	**$ 74,071,970**	**$ 81,563,626**	**$ 79,552,618**

To be used only in conjunction with valuation report as of August 28, 2015.

THE HART GROUP, INC.
INCOME STATEMENT
FOR THE

	Years Ended December 31,					LTM July 31,
	2010	**2011**	**2012**	**2013**	**2014**	**2015**
Revenues						
Revenues	$ 147,537,164	$ 162,274,915	$ 143,424,375	$ 164,981,958	$ 169,124,691	$ 168,735,914
Returns & Allowances	(18,591,506)	(22,732,156)	(27,222,332)	(22,070,237)	(26,113,150)	(22,701,602)
Total Revenues	$ 128,945,658	$ 139,542,759	$ 116,202,043	$ 142,911,721	$ 143,011,541	$ 146,034,312
Cost of Sales						
Inventory-Beginning	$ 11,442,874	$ 16,850,301	$ 20,330,301	$ 19,712,301	$ 22,133,301	$ 59,708,301
Purchases	92,041,242	96,937,196	76,884,739	99,632,863	101,249,882	95,737,444
Freight	(942,981)	570,726	7,261	508,705	-	-
Subtotal	$ 102,541,135	$ 114,358,223	$ 97,222,301	$ 119,853,869	$ 123,383,183	$ 155,445,745
Inventory-Ending	16,850,301	20,330,301	19,712,301	22,133,301	23,539,578	52,946,578
Total Cost of Sales	$ 85,690,834	$ 94,027,922	$ 77,510,000	$ 97,720,568	$ 99,843,605	$ 102,499,167
Gross Profit	$ 43,254,824	$ 45,514,837	$ 38,692,043	$ 45,191,153	$ 43,167,936	$ 43,535,145
Operating Expenses						
Advertising	$ 1,745,868	$ 1,603,749	$ 1,321,602	$ 1,642,500	$ 1,547,420	$ 1,502,111
Auto Expense	721,712	767,041	762,413	747,450	639,915	491,475
Bank Charges	61,359	56,989	48,758	74,685	108,772	174,782
Charitable Contributions	351,021	593,159	334,657	74,423	88,449	(28,307)
Commissions	1,044,645	1,009,571	1,356,098	1,323,972	1,307,086	1,374,241
Data Processing	452,875	288,397	279,979	385,457	424,511	454,733
Depreciation	334,026	460,903	441,592	427,238	443,916	456,716
Employee Benefit Programs	745,197	681,984	679,057	1,172,878	1,170,647	1,172,052
Officers' Compensation	8,956,644	10,230,945	2,309,932	2,254,245	2,112,021	632,936
Insurance - General	281,578	250,484	365,274	357,977	426,857	427,195

THE HART GROUP, INC.
INCOME STATEMENT
FOR THE

	Years Ended December 31,					LTM
	2010	2011	2012	2013	2014	July 31, 2015
Insurance - Life	31,833	44,697	12,864	12,864	12,864	12,864
Licenses & Fees	499	291	547	411	195	195
Miscellaneous	65,942	70,408	95,353	104,519	55,097	35,529
Office Expenses	97,433	114,822	111,045	179,260	188,520	150,438
Postage & Delivery	5,913,333	6,644,703	6,317,791	7,302,591	7,086,544	7,118,178
Professional Fees	580,969	425,290	548,801	700,893	1,066,214	1,046,915
Rents	966,495	1,037,438	932,728	949,141	978,943	992,830
Repairs and Maintenance	121,616	110,791	175,130	196,637	145,033	122,875
Equipment Rental	85,017	77,731	99,851	60,234	50,497	50,497
Salaries & Wages	8,842,068	8,802,071	10,145,579	11,827,858	11,807,073	11,078,731
Taxes - Other	1,018,787	1,115,868	1,036,970	1,140,128	1,173,408	973,560
Telephone	217,059	226,296	225,288	223,052	214,525	192,354
Utilities	163,523	164,651	162,937	176,391	186,282	190,363
Design Expense	200,280	43,659	100,483	254,302	100,891	100,891
Dues & Subscriptions	10,615	18,674	15,378	19,739	24,874	18,179
Payroll Service	16,133	17,457	14,606	16,927	20,449	20,449
Royalties	5,463,228	6,138,123	5,085,655	6,975,940	6,337,841	6,693,443
Sample Expense	56,673	54,733	106,056	129,093	71,880	81,694
Security	4,311	4,311	4,311	4,928	4,311	4,537
Selling Expense	1,883,131	1,955,994	2,359,692	2,737,899	3,212,590	3,033,232
Warehouse Expense	372,930	441,407	390,296	362,183	126,931	105,504
Settlement Expense	-	-	-	400,000	-	-
Travel and Entertainment	1,895,648	1,890,806	2,105,246	2,270,551	1,393,636	1,008,044
Year End Expense	1,337,432	1,578,497	1,033,775	852,550	884,769	178,250
Intercompany Payroll	(2,280,272)	(2,616,500)	(1,767,714)	(1,840,115)	(770,953)	(753,316)
Total Operating Expenses	$ 41,759,608	$ 44,305,440	$ 37,212,030	$ 43,518,801	$ 42,642,008	$ 39,114,170
Operating Income	$ 1,495,216	$ 1,209,397	$ 1,480,013	$ 1,672,352	$ 525,928	$ 4,420,975

To be used only in conjunction with valuation report as of August 28, 2015.

Schedule 2-3

THE HART GROUP, INC.
INCOME STATEMENT
FOR THE

	Years Ended December 31,					LTM July 31,
	2010	2011	2012	2013	2014	2015
Other Income						
Hart Apparel Europe GmbH	$ -	$ -	$ -	$ 221,668	$ 60,675	$ 60,675
Hart Canada	453,022	635,746	644,258	347,121	1,164,377	1,164,377
Income From Subsidiaries	-	131,410	-	245,291	449,227	449,227
Freight in & Import Costs	-	-	-	-	317,367	317,367
Total Other Income	$ 453,022	$ 767,156	$ 644,258	$ 814,080	$ 1,991,646	$ 1,991,646
Other Expenses						
Interest Expense	$ 944,379	$ 1,262,860	$ 1,324,966	$ 1,330,937	$ 1,354,405	$ 1,115,752
Loss From Subsidiaries	92,235	-	47,101	-	-	-
Total Other Expenses	$ 1,036,614	$ 1,262,860	$ 1,372,067	$ 1,330,937	$ 1,354,405	$ 1,115,752
Total Other Income (Expenses)	$ (583,592)	$ (495,704)	$ (727,809)	$ (516,857)	$ 637,241	$ 875,894
Income Before Taxes	$ 911,624	$ 713,693	$ 752,204	$ 1,155,495	$ 1,163,169	$ 5,296,869
Income Taxes	109,536	109,734	155,675	154,326	100,814	14,683
NET INCOME	**$ 802,088**	**$ 603,959**	**$ 596,529**	**$ 1,001,169**	**$ 1,062,355**	**$ 5,282,186**

SOURCES OF INFORMATION UTILIZED

Several sources of information were used to complete this business valuation. These were as follows:

1. Form 1120S, U.S. Income Tax Return for an S Corporation for The Hart Group, Inc. for 2010 to 2014.

2. Internally prepared financial statements for The Hart Group, Inc. for 2010 to 2014 and the seven months ended July 31, 2014 and 2015.

3. Consolidating financial statements and elimination entries for The Hart Group, Inc. and Affiliates for 2010 to 2014.

4. Audited Financial Statements for The Hart Group, Inc. and Affiliates for 2010 to 2014.

5. Adjusting journal entries for The Hart Group, Inc. for 2013, 2014 and the period ended August 31, 2015.

6. Agreement of Lease between 1234 Broadway Associates, LLC, Landlord and USA, Inc. Tenant dated September 22, 2009.

7. Agreement of Lease between 123/678 Seventh Avenue Associates and Lou Hart & Sons Fashions, Inc. dated May 1997.

8. First Amendment to Lease between 123-678 Seventh Avenue Limited Partnership and Lou Hart & Sons Fashions, Inc. dated December 2004.

9. Office sketches for office located at 1234 Broadway, New York, New York.

10. Loan statements for loan between The Hart Group, Inc. and Affiliates and The CIT Group/Commercial Services, Inc. for December 2014.

11. Office build out estimates for office located at 1234 Broadway, New York, New York.

12. Agreement of Sublease between CBG USA Inc., as Sublandlord and The Hart Group, Inc., as Subtenant dated July 16, 2015.

13. Revolving Credit Agreement between The Hart Group, Inc. and Affiliates and The CIT Group/Commercial Services, Inc. dated June 19, 2014.

SOURCES OF INFORMATION UTILIZED

14. Amendment to the Revolving Credit Agreement between The Hart Group, Inc. and Affiliates and The CIT Group/Commercial Services, Inc.

15. Second Amendment to the Revolving Credit Agreement between The Hart Group, Inc. and Affiliates and The CIT Group/Commercial Services, Inc.

16. Third Amendment to the Revolving Credit Agreement between The Hart Group, Inc. and Affiliates and The CIT Group/Commercial Services, Inc.

17. Fourth Amendment to the Revolving Credit Agreement between The Hart Group, Inc. and Affiliates and The CIT Group/Commercial Services, Inc.

18. Accounts payable journals for The Hart Group, Inc. for 2010 through August 31, 2015.

19. General Ledgers for The Hart Group, Inc. for 2010 through August 31, 2015.

20. Check Registers for The Hart Group, Inc. for the years 2010 through 2014.

21. Accounts payable aging report for The Hart Group, Inc. as of July 31, 2015.

22. Sales journals for the Hart Group, Inc. for 2010 to 2014 and the eight months ended August 31, 2015.

23. Paychex Employee Payroll Reports for The Hart Group, Inc. for 2010 to 2014 and the period ended August 4, 2015.

24. Form W-2, Wage and Tax Statement for employees of The Hart Group, Inc. for 2011 to 2014.

25. MassMutual Employee Packet for The Hart Group, Inc.

26. Breakdown of partners' salary for The Hart Group, Inc. for 2011 through 2015.

27. Certificate of Incorporation for The Hart Group, Inc. dated June 19, 1995.

28. Shareholders' Agreement for The Hart Group, Inc. dated March 2004.

29. First Amendment to the Shareholders' Agreement for The Hart Group, Inc.

30. Second Amendment to the Shareholders' Agreement for The Hart Group, Inc.

SOURCES OF INFORMATION UTILIZED

31. License Agreements and Amendments for the following brands:
    a. Betsey Johnson
    b. Buffalo Trust
    c. Elie Tahari
    d. Esprit
    e. HR Radley
    f. Jacob Sigel
    g. Perry Ellis
    h. Liz Claiborne
    i. Macy's
    j. Nautica
    k. Vera Wang

32. Combined projected balance sheets and income statements for The Hart Group, Inc. for 2010 to 2014.

33. 2015 Operating Plan for The Hart Group dated March 23, 2015 prepared by Green Blue et al in partnership with The Hart Group executive management team, at the request of CIT, Administrative Collateral, Documentation and Syndication Agent for the Bank Group which lends to The Hart Group, Inc.

34. Employment Agreements.

35. Credit card statements for Brett Hart from December 29, 2011 to July 29, 2015.

36. Credit card statements for Donald Hart from January 20, 2013 to August 21, 2014.

37. Credit card statements for Gary Hart from January 16, 2012 to August 16, 2015.

38. Credit card statements for Jack Hart from January 11, 2013 to July 11, 2014.

39. Credit card statements for Lawrence Hart from January 20, 2013 to August 20, 2015.

40. Sample of backup documentation for select petty cash disbursements that were obtained on-site at The Hart Group's main office.

41. Breakdown of officer loans for The Hart Group, Inc.

42. Summary of automobiles and trucks owned by The Hart Group.

SOURCES OF INFORMATION UTILIZED

43. Summary of automobile leases and parking garage leases for The Hart Group.

44. List of members of the Hart family, housekeepers and drivers who are paid salaries by The Hart Group, Inc., provided by management.

45. AIG Life Insurance Policy.

46. Split Dollar Life Insurance Agreement dated April 1, 1994.

47. Amendment to Split Dollar Life Insurance Agreement dated January 24, 2002.

48. Limited Collateral Assignment of Split-Dollar Policy dated January 24, 2002.

49. ING Life Insurance Policy (Policy #2026R).

50. Reliastar Life of New York Life Insurance Policy.

51. List of members of the Hart family and their job titles provided by management.

52. Other items referenced throughout this report.

In addition to the written documentation provided, a financial records inspection was performed at the corporate headquarters of The Hart Group, Inc., where the analyst reviewed The Company's health insurance policies and petty cash vouchers. Furthermore, various discussions with Richard Hart took place. Information gathered during the records inspection and discussions with Richard Hart became an integral part of this report.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

This valuation is subject to the following assumptions and limiting conditions:

1. The conclusion of value arrived at herein is valid only for the stated purpose as of the date of the valuation.

2. Financial statements and other related information provided by the business or its representatives, in the course of this engagement, 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. Trugman Valuation Associates, Inc. has 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 information and industry and statistical information have been obtained from sources we believe to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.

4. We do not provide assurance on the achievability of the results forecasted by or for the subject company 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 conclusion of value arrived at herein is based on the assumption that the current level of management expertise and effectiveness would continue to be maintained, 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.

6. This report and the conclusion of value arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. They may not be used for any other purpose or by any other party for any purpose. Furthermore the report and conclusion of value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The conclusion of value represents the considered opinion of Trugman Valuation Associates, Inc., based on information furnished to them by the subject company and other sources.

7. Neither all nor any part of the contents of this report (especially the conclusion of value, the identity of any valuation specialist(s), or the firm with which such

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

valuation 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 the prior written consent and approval of Trugman Valuation Associates, Inc.

8. Future services regarding the subject matter of this report, including, but not limited to testimony or attendance in court, shall not be required of Trugman Valuation Associates, Inc. unless previous arrangements have been made in writing.

9. Trugman Valuation Associates, Inc. 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. Trugman Valuation Associates, Inc. does not conduct or provide environmental assessments and has not performed one for the subject property.

10. Trugman Valuation Associates, Inc. has not determined independently whether the subject company 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. Trugman Valuation Associates, Inc.'s valuation takes no such liabilities into account, except as they have been reported to Trugman Valuation Associates, Inc. by the subject company or by an environmental consultant working for the subject 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, Trugman Valuation Associates, Inc. has relied on it without verification and offers no warranty or representation as to its accuracy or completeness.

11. Trugman Valuation Associates, Inc. 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 valuation does not consider the effect, if any, of noncompliance.

12. No change of any item in this valuation report shall be made by anyone other than Trugman Valuation Associates, Inc., and we shall have no responsibility for any such unauthorized change.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

13. Unless otherwise stated, 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.

14. We have conducted interviews with Richard Levy concerning the past, present, and prospective operating results of the company. Except as noted, we have relied on the representations of this individual.

15. All facts and data set forth in the report are true and accurate to the best of the valuation analyst's knowledge and belief. We have not knowingly withheld or omitted anything from our report affecting our value estimate.

16. Possession of this report, or a copy thereof, does not carry with it the right of publication of all or part of it, nor may it be used for any purpose without the previous written consent of the valuation analyst, and in any event only with proper authorization. Authorized copies of this report will be signed in blue ink by a director of Trugman Valuation Associates, Inc. Unsigned copies, or copies not signed in blue ink, should be considered to be incomplete.

17. Unless otherwise provided for in writing and agreed to by both parties in advance, the extent of the liability for the completeness or accuracy of the data, opinions, comments, recommendations and/or conclusions shall not exceed the amount paid to the valuation analysts for professional fees and, then, only to the party(s) for whom this report was originally prepared.

18. The conclusion reached in this report is based on the standard of value as stated and defined in the body of the report. An actual transaction in the business or business interest may be concluded at a higher value or lower value, depending on the circumstances surrounding the company, the subject business interest and/or the motivations and knowledge of both the buyers and sellers at that time. Trugman Valuation Associates, Inc. makes no guarantees as to what values individual buyers and sellers may reach in an actual transaction.

19. No opinion is intended to be expressed for matters that require legal or other specialized expertise, investigation or knowledge beyond that customarily employed by valuation analysts valuing businesses.

20. Throughout this assignment, we had requested various pieces of information to prove the business purpose of specific items included in The Company's general ledgers. In many instances, we were not provided with such information or were

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

told such information does not exist. Had we been provided with this information, our conclusion of value may have been different.

Valuation of a 25 percent common stock interest in The Hart Group, Inc.

VALUATION ANALYST'S REPRESENTATION

We represent that, to the best of our knowledge and belief:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- we have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.
- we have performed no services, as a valuation analyst or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this business valuation.
- our analyses, opinions, and conclusions were developed and this report has been prepared in conformity with the *Statement on Standards for Valuation Services No.* 1, promulgated by the American Institute of Certified Public Accountants, the *Uniform Standards of Professional Appraisal Practice*, promulgated by the Appraisal Foundation, the business valuation standards of The Institute of Business Appraisers Inc. and the American Society of Appraisers.
- The American Institute of Certified Public Accountants, The American Society of Appraisers and The Institute of Business Appraisers, Inc. have a mandatory recertification program for all of its senior accredited members. All senior accredited members of our firm are in compliance with all of these organizations' programs.
- no one provided significant business and/or intangible asset valuation assistance to the person signing this certification other than William Harris.

GARY R. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Experience

President of Trugman Valuation Associates, Inc., a firm specializing in business valuation, economic damages and litigation support services. Business valuation experience includes a wide variety of assignments including closely-held businesses, professional practices and thinly traded public companies. Industries include but are not limited to security, automotive, funeral homes, health care, securities brokerage and financial institutions, retail, restaurants, manufacturing, trucking, service, and professional business establishments. Assignments have also included the valuation of stock options and various types of intangible assets.

Business valuation, economic damages and litigation support services have been rendered for a variety of purposes including, but not limited to family law matters, business damages, lender liability litigation, buy-sell agreements, shareholder litigation, estate and gift tax matters, buying and selling businesses, malpractice litigation, wrongful death, sexual discrimination, age discrimination, wrongful termination, workers' compensation and breach of contract. Additional litigation services include reasonable compensation analysis for tax and non-tax assignments. Representation in litigation includes plaintiff, defendant, mutual, and court-appointed neutral.

Court Testimony. Has been qualified as an expert witness in State Courts of Florida, New Jersey, New York, Pennsylvania, California, Connecticut, Michigan and Federal District Court in Newark, New Jersey, Hammond, Indiana, Atlanta, Georgia, Arlington, Virginia, New York, New York as well as in Bankruptcy Court in Dallas, Texas and has performed extensive services relating to court testimony. Testimony has also been provided in arbitration cases before the National Association of Securities Dealers and the American Stock Exchange, as well as other forms of arbitration.

Court Appearances. Has appeared in the following courts: *Florida* • Santa Rosa, Palm Beach, Polk, Lee, Broward, Miami-Dade, Leon, Pinellas, Duval, Collier and Escambia. *New Jersey* • Morris, Atlantic, Sussex, Bergen, Burlington, Passaic, Mercer, Middlesex, Monmouth, Essex, Hunterdon, Warren, Hudson, and Union. *New York* • Bronx • Kings • Westchester. *Connecticut* • Fairfield, Milford/Ansonia, Middlesex. *Pennsylvania* • Montgomery, Lehigh, Philadelphia, Chester. *Massachusetts* • Middlesex. *Indiana* • Marion. *California* • San Jose. *Michigan* • Ottawa.

Court Appointments. Has been court appointed in New Jersey's Morris, Sussex, Essex, Union, Hunterdon, Somerset, Monmouth, Middlesex, Passaic, Warren, Bergen, and Hudson counties by numerous judges, as well as Orange County, Florida and Cass County, Minnesota.

Mutual Expert. Regularly serves as a mutually-agreed upon expert.

Professional Designations

- **CPA**: Licensed in Florida (*1996*), New Jersey (*1978*) and New York (*1977-inactive*).
- **ABV**: Accredited in Business Valuation designated by The American Institute of Certified Public Accountants *(1998).* Reaccredited in 2013.
- **MCBA**: Master Certified Business Appraiser designated by The Institute of Business Appraisers, Inc. *(1999*). Original certification (CBA) in 1987. Reaccredited in 2013.
- **ASA**: Accredited Senior Appraiser designated by the American Society of Appraisers (*1991*). Reaccredited in 2015.

GARY R. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Education

- Masters in Valuation Sciences - Lindenwood College, St. Charles, MO (*1990*). Thesis topic: *Equitable Distribution Value of Small Closely-Held Businesses and Professional Practices.*
- B.B.A. in Accountancy - Bernard M. Baruch College, New York, NY (*1977*).

Faculty

- *National Judicial College,* Reno, Nevada since 1997.

Appraisal Education

- *Forensic & Valuation Services Conference 2016*, Nashville, TN, American Institute of CPAs, 2016.
- 2016 Advanced Business Valuation Conference, Boca Raton, FL, American Society of Appraisers, 2016.
- *2015 AICPA* Forensic and Valuation Services Conference, Las Vegas, NV, American Institute of Certified Public Accountants, 2015.
- *Business Valuation Conference*, Harrisburg, PA, Pennsylvania Institute of Certified Public Accountants, 2015.
- *2015 Advanced Business Valuation Conference*, Las Vegas, NV, American Society of Appraisers, 2015.
- *2015 Business Valuation and Litigation Conference* , Louisville, KY, KY Society of Certified Public Accountants, 2015.
- *2015 Valuation, Forensic Accounting and Litigation Services Conference*, Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants, 2015.
- *AICPA Forensic & Valuation Services Conference 2014*, New Orleans, LA, American Institute of Certified Public Accountants, 2014.
- *2014 Business Valuation Conference,* Louisville, KY, KY Society of Certified Public Accountants, 2014.
- *2014 Valuation, Forensic Accounting and Litigation Services Conference,* Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants, 2014.
- *2013 AICPA Forensic and Valuation Services Conference,* Las Vegas, NV, American Institute of Certified Public Accountants, 2013.
- 2013 ASA Advanced Business Valuation Conference, San Antonio, TX, American Society of Appraisers, 2013.
- *AICPA Forensic and Valuation Services Conference,* Orlando, FL, American Institute of Certified Public Accountants, 2012.
- *TSCPA Southeastern FVS Conference,* Nashville, TN, Tennessee Society of Certified Public Accountants, 2012.
- *ASA Advanced Business Valuation Conference,* Phoenix, AZ, American Society of Appraisers, 2012.
- *Business Valuation Symposium,* Chicago, IL, IL Society of Certified Public Accountants, 2012.
- *AICPA National Business Valuation Conference*, Las Vegas, NV, American Institute of Certified Public Accountants, 2011.
- *Valuation, Forensic Accounting and Litigation Services Conference*, FL Institute of Certified Public Accountants, Ft. Lauderdale, FL, 2011.

GARY R. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Appraisal Education

- *AICPA National Business Valuation Conferenc*e, Washington, DC, American Institute of Certified Public Accountants, 2010.
- *Valuation for SFAS 123R/IRC 409A* - American Society of Appraisers, South Beach Miami, FL, 2010.
- *2010 ASA-CICBV Business Valuation Conference*, South Beach Miami, FL, American Society of Appraisers and Canadian Institute of Certified Business Valuers, 2010.
- *AICPA National Business Valuation Conference*. San Francisco, CA, American Institute of Certified Public Accountants, 2010.
- *The NACVA/IBA 2010 Annual Consultants' Conference*, Miami Beach, FL, National Association of Certified Valuation Analysts and The Institute of Business Appraisers, 2010.
- *FICPA Valuation, Forensic Accounting and Litigation Services Conference*, Ft. Lauderdale, FL, Florida Institute of CPAs, 2010.
- *AICPA National Business Valuation Conference*. San Francisco, CA, American Institute of Certified Public Accountants, 2009.
- *FICPA Valuation, Forensic Accounting and Litigation Services Conference*, Ft. Lauderdale, FL, Florida Institute of CPAs, 2009.
- *2008 AICPA/ASA National Business Valuation Conference*, Las Vegas, NV, American Institute of CPAs and American Society of Appraisers, 2008.
- *NJ Law and Ethics*, Webcast, New Jersey Society of CPAs, 2008.
- *AICPA National Business Valuation Conference*. New Orleans, LA, American Institute of Certified Public Accountants, 2007.
- *FCG Conference*. New Orleans, LA, Financial Consulting Group, 2007.
- *Advanced Business Valuation Conference*. San Diego, CA, American Society of Appraisers, 2007.
- *IBA Symposium 2007*. Denver, CO, The Institute of Business Appraisers, 2007.
- *FICPA Valuation, Accounting and Litigation Services Conference*. Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants, 2007.
- *AICPA National Business Valuation Conference*. Austin, TX, American Institute of Certified Public Accountants, 2006.
- *FCG Conference*. Austin, TX, Financial Consulting Group, 2006.
- *Personal Goodwill*. BV Resources Telephone Conference, 2006.
- *FICPA Valuation, Accounting and Litigation Services Conference*. Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants, 2006.
- *Valuation*$^{2.}$. Las Vegas, NV, American Institute of Certified Public Accountants and American Society of Appraisers, 2005.
- *AICPA National Business Valuation Conference*. Orlando, FL, American Institute of Certified Public Accountants, 2004.
- *23rd Annual Advanced Business Valuation Conference*. San Antonio, TX, American Society of Appraisers, 2004.
- *2004 National Business Valuation Conference.* Las Vegas, NV, Institute of Business Appraisers, 2004.
- *New Jersey Law and Ethics Course*. Parsippany, NJ, New Jersey Society of Certified Public Accountants, 2004.

GARY R. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Appraisal Education

- *22nd Annual Advanced Business Valuation Conference*. Chicago, IL, American Society of Appraisers, 2003.
- *AICPA National Business Valuation Conference*. New Orleans, LA, American Institute of Certified Public Accountants, 2002.
- *Brown v. Brown: The Most Important Equitable Distribution Decision Since Painter*. Fairfield, NJ, New Jersey Institute for Continuing Legal Education, 2002.
- *2001 National Business Valuation Conference.* Las Vegas, NV, American Institute of Certified Public Accountants, 2001.
- *2001 Share the Wealth Conference.* Orlando, FL, The Institute of Business Appraisers, 2001.
- *2000 National Conference on Business Valuation,* Miami, FL, American Institute of Certified Public Accountants, 2000.
- *19th Annual Advanced Business Valuation Conference*, Philadelphia, PA, American Society of Appraisers, 2000.
- *Hot Issues in Estate and Gift Tax Returns: What do the Auditors Look For?* Fairfield, NJ, New Jersey Institute for Continuing Legal Education, 2000.
- Has performed extensive reading and research on business valuation and related topics.

Lecturer

- *Valuation and Common Sense*, Nashville, TN, Forensic & Valuation Services Conference 2016.
- *Navigating the Family Law Minefield*, Nashville, TN, Forensic & Valuation Services Conference 2016.
- *Multi Discipline Mock Trial*, Boca Raton, FL, 2016 Advanced Business Valuation Conference, 2016.
- *The Do's and Don't of Expert Witnessing*, Lake of Ozarks, MO, Missouri Society of CPAs Annual Conference, 2016.
- *The Do's and Don't of Expert Witnessing*, Baltimore, MD, 2016 MD Society of CPAs Forensic and Valuation Services Conference, 2016.
- *Income Approach*, Las Vegas, NV, 2015 AICPA Forensic and Valuation Services Conference, 2015.
- *Panel Discussion: CAPM vs. Build-Up Model,* Harrisburg, PA, PA Business *Valuation Conference*, 2015.
- *You Think You Have Problems? Try Forecasting for a Smaller Business,* Harrisburg, PA, PA Business *Valuation Conference*, 2015.
- *Do's and Don'ts of Expert Testimony,* Las Vegas, NV, ASA 2015 Advanced Business Valuation Conference, 2015.
- *The Income Approach,* Louisville, KY, KY 2015 Business Valuation and Litigation Conference, 2015.
- *The Good, the Bad & the Ugly of Valuing Small Businesses: Everything you Want to Know But are Afraid to Ask*, Glen Allen, VA, VSCPA's Business Valuation, Fraud & Litigation Services Conference, 2014.
- *The ABCs of the Income Approach,* Savannah, GA, ASA International Appraisers Conference, 2014.
- *Hot Topics in Business Valuation,* Louisville, KY, KY Business Valuation Conference, 2014.

GARY R. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Lecturer

- *Tax Affecting Pass Through Entities: Where Are We Today and Do the Models Really Work?,* Louisville, KY, KY Business Valuation Conference, 2014.
- *Valuation Reports*, Webcast, American Institute of Certified Public Accountants, 2014.
- *Tax Effecting S Corporations and Pass Through Entities*, Ft. Lauderdale, FL, 2014 Valuation, Forensic Accounting and Litigation Services Conference, 2014.
- *Alternative Strategies for Deriving Minority Interest Values in Operating Companies*, Las Vegas, NV, 2013 AICPA Forensic and Valuation Services Conference, 2013.
- *DLOMs - Let's Get Practical!*, Las Vegas, NV, 2013 AICPA Forensic and Valuation Services Conference, 2013.
- *Do's and Don'ts of Expert Testimony*, Brentwood, TN, Tennessee Society of CPAs' Business Valuation Conference, 2013.
- *Discounts for Lack of Marketability - Where Are We?*, Brentwood, TN, Tennessee Society of CPAs' Business Valuation Conference, 2013.
- *Expert Witness : Tips and Techniques* to Defend Your Position, San Antonio, TX, 2013 ASA Advanced Business Valuation Conference, 2014.
- *Hot Topics in Business Valuation*, Louisville, KY, Kentucky Society of CPAs' Business Valuation Conference, 2013.
- *The Income Approach: Should You Use Equity or Invested Capital?*, Louisville, KY, Kentucky Society of CPAs' Business Valuation Conference, 2013.
- *Personal Goodwill and Covenants Not to Compete,* Chicago, IL, Illinois Chapter of the National Association of Certified Valuators and Analysts, 2013.
- *Discounts and Premiums,* Chicago, IL, Illinois CPA Society Business Valuation Conference, 2013.
- *Marketing Your BV Practice,* Chicago, IL, Illinois CPA Society Business Valuation Conference, 2013.
- *Personal Goodwill,* Baltimore, MD, Maryland Association of CPAs Business Valuation Conference, 2013.
- *Valuations in Matrimonial Law*, Orlando, FL, Florida Chapter of the Association of Family & Conciliation Courts Conference, 2013.
- *Valuing the Small Business,* Nashville, TN, TSCPA Southeastern FVS Conference, 2012.
- *Personal vs. Enterprise Goodwill: Where Are We and How Do I Deal With it?* Orlando, FL, AICPA Forensic and Valuation Services Conference, 2012.
- *The Capitalized Cash Flow Method of the Income Approach,* Orlando, FL, AICPA Forensic and Valuation Services Conference, 2012.
- *Hardball with Hitchner,* Orlando, FL, AICPA Forensic and Valuation Services Conference, 2012.
- *Litigation Support: Does the Job Manage You or Should You Manage the Job?* Phoenix, AZ, ASA Advanced Business Valuation Conference, 2012.
- *You Think You Have Problems? Try Forecasting for a Smaller Business,* Phoenix, AZ, ASA Advanced Business Valuation Conference, 2012.
- *A Potpourri of Business Valuation Topics,* Chicago, IL National Association of Certified Valuators and Analysts, 2012.
- *Medical Practice Valuations,* Kentucky Society of CPAs Healthcare Conference, Louisville, KY, Kentucky Society of CPAs, 2012.

GARY R. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Lecturer

- *Business Valuation Practice Administration,* Chicago, IL, Business Valuation Symposium, 2012.
- *Valuing Covenants Not to Compete*, AICPA National Business Valuation Conference, Las Vegas, NV, American Institute of Public Accountants, 2011.
- *Practical Applications of the Market Approach (co-presenter)*, AICPA National Business Valuation Conference, Las Vegas, NV, American Institute of Certified Public Accountants, 2011.
- *Management and Marketing of a Valuation Practice (co-presenter)*, AICPA National Business Valuation Conference, Las Vegas, NV, American Institute of Certified Public Accountants, 2011.
- *Using Forecasts in Business Valuation*, NY State Society of Certified Public Accountants, New York, NY 2011.
- *Using Forecasts in Business Valuation*, FL Institute of Certified Public Accountants, Ft. Lauderdale, FL 2011.
- *Developing Discount and Capitalization Rates,* Washington, DC, AICPA National Business Valuation Conference, 2010.
- *Applications of Standards,* Washington, DC, AICPA National Business Valuation Conference, 2010.
- *Defining The Engagement,* Washington, DC, AICPA National Business Valuation Conference, 2010.
- *Small Business Valuation Including Personal and Professional Goodwill*, Illinois CPA 2010 Family Law Conference, Illinois CPA Society, Chicago, IL, 2010.
- *Business Valuation During Crazy Economic Times,* Get Away Convention, New Jersey Society of CPAs, Naples, FL, 2010.
- *Forecasting: The Good, The Bad & the Ugly - Valuation the Public vs. the Private Company*, 2010 ASA-CICBV Business Valuation Conference, South Beach Miami, FL, American Society of Appraisers and Canadian Institute of Certified Business Valuers, 2010.
- *Other Valuation Adjustments - What Should We Do With Them?* Miami Beach, FL, The NACVA/IBA 201 Annual Consultants' Conference, 2010.
- *Working in a Distressed Economy*. Ft. Lauderdale, FL, FICPA Valuation, Forensic Accounting and Litigation Services Conference, 2010.
- *Thinking Outside the Box: Using the Market Approach to Develop a Cost of Capital*. Ft. Lauderdale, FL, FICPA Valuation, Forensic Accounting and Litigation Services Conference, 2010.
- *Using Forecasts in Business Valuation*. San Francisco, CA, AICPA National Business Valuation Conference, 2009.
- *Thinking Outside the Box: Using the Market Approach to Develop a Cost of Capital*. San Francisco, CA, AICPA National Business Valuation Conference, 2009.
- *Complying with Standards and Writing a Good Report*. San Francisco, CA, AICPA National Business Valuation Conference, 2009.
- *Exit Strategies for Increasing Your Business' Selling Price*, Orlando and Ft. Lauderdale, FL, FICPA Accounting Show/FABExpo, 2009.
- *So You Want to be an Expert Witness?* Orlando and Ft. Lauderdale, FL, FICPA Accounting Show/FABExpo, 2009.
- *Business Valuation During Crazy Times*, Ft. Lauderdale and Tampa, FL, CPAs in Industry Conference, 2009.
- *Fishman, Mard and Trugman on Divorce Valuations*, Webinar, Financial Consulting Group, 2009.

GARY R. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Lecturer

- *Ask the Experts*, Ft. Lauderdale, FL, FICPA Valuation, Forensic Accounting and Litigation Services Conference, 2009.
- *SSVS1 and the Very Small Business*, Ft. Lauderdale, FL, FICPA Valuation, Forensic Accounting and Litigation Services Conference, 2009.
- *Hardball with Hitchner*, Las Vegas, NV, 2008 AICPA/ASA National Business Valuation Conference, 2008.
- *Valuing Small Main Street (Mom & Pop) Businesses*, Las Vegas, NV, 2008 AICPA/ASA National Business Valuation Conference, 2008.
- *Construction Firm Valuation Issues: What You Need to Know,* Orlando, FL, FICPA Construction Industry Conference, 2008.
- *How to Build a Valuable Practice,* Ft. Lauderdale, FL, FICPA Practice Management Conference, 2008.
- *AICPA Statement on Standards for Valuation Services*, Tallahassee, FL, Tallahassee Chapter of the FICPA, 2008.
- *Keeping Yourself Out of Trouble as an Appraiser,* IBA Teleconference, 2008.
- *Business Valuation for Litigation*, Detroit, MI, MACPA's 2008 Litigation & Business Valuation Conference, 2008.
- *Current Issues in Business Valuation and Litigation Support... And the Beat Goes On*, Detroit, MI, MACPA's 2008 Litigation & Business Valuation Conference, 2008.
- *Personal Goodwill*. Orlando, FL, American Academy of Matrimonial Lawyers, 2008.
- *Valuing the Very Small Business*, Business Valuation Resources, Teleconference, 2008.
- *Personal Goodwill - What to Do With It*, Institute of Business Appraisers, Teleconference, 2008.
- *Discount and Cap Rates - Are They Really Such a Mystery*?, Institute of Business Appraisers, Teleconference, 2008.
- *Ask the Experts*. Ft. Lauderdale, FL, FICPA Valuation, Accounting and Litigation Services Conference, 2008.
- *Tax Effecting S Corporations and Other Flow Through Entities*, Ft. Lauderdale, FL, FICPA Valuation, Accounting and Litigation Services Conference, 2008.
- *Dream the Impossible Dream: Can Specific Company Risk Really Be Quantified?* New Orleans, LA, AICPA National Business Valuation Conference, 2007.
- *Hardball with Hitchner*, New Orleans, LA, AICPA National Business Valuation Conference, 2007.
- *Valuing Small Business and Personal and Professional Goodwill*, New Orleans, LA, FCG Conference, 2007.
- *Personal Goodwill*, Richmond, VA, VASCPA Business Valuation Conference, 2007.
- *Expert Witness - A Primer*, Orlando, FL, FICPA FABExpo, 2007.
- *Personal Goodwill: Does the Non-Propertied Spouse Really Lose the Battle?* Ft. Lauderdale, FL, Florida Bar Family Law Section, 2007.
- *Do's and Don't's of Expert Testimony*, Ft. Lauderdale, FL, FICPA Valuation, Accounting and Litigation Services Conference, 2007.
- *Valuing Small Businesses for Divorce*, Austin, TX, AICPA National Business Valuation Conference, 2006.
- *Ask the Experts*, Austin, TX, AICPA National Business Valuation Conference, 2006.

GARY R. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Lecturer

- *Changes to the 2006 USPAP*, Overland Park, KS, Kansas Valuation Conference, 2006.
- *Tax Effecting S Corporations and Other Flow Through Entities*, Overland Park, KS, Kansas Society of CPAs Valuation Conference, 2006.
- *Valuation Discounts*, Minneapolis, MN, MN Society of CPAs Valuation Conference, 2006.
- *Malpractice and Business Valuation*, Minneapolis, MN, MN Society of CPAs Valuation Conference, 2006.
- *Mock Trial - Being an Expert Witness*, Woodbridge, NJ, NJ Divorce Conference, 2006.
- *Expert Reports Used in Divorce*, Las Vegas, AICPA Divorce Conference, 2006.
- *Ask the Expert*, Ft. Lauderdale, FL, FICPA Valuation, Accounting and Litigation Services Conference, 2006.
- *Valuing the Very Small Company*, Las Vegas, NV, Valuation^2, American Institute of Certified Public Accountants and American Society of Appraisers, 2005.
- *Being an Effective Witness*, Las Vegas, NV, Valuation^2, American Institute of Certified Public Accountants and American Society of Appraisers, 2005.
- *Divorce Valuation versus Other Valuations*, Richmond, VA, Virginia Society of CPA's Conference, 2005.
- *Hot Topics in Business Valuation*, Cleveland, OH, SSG, 2005.
- *Valuing Small Businesses and Professional Practices*. Atlanta, GA, George Society of CPAs' Super Conference, 2005.
- *Personal Goodwill in a Divorce Setting.* Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants' Valuation & Litigation Services Conference, 2005.
- *The Market Approach*: *Case Study.* Orlando, FL, American Institute of CPAs, 2004.
- *Valuing Professional Practices*, Orlando, FL, American Institute of CPAs, 2004.
- *How to Develop Discount Rates.* Ft. Lauderdale, FL, Florida Institute of CPAs Valuation and Litigation Conference, 2004; Detroit, Michigan, MI Valuation Conference, 2004.
- *To Tax or Not to Tax - That is the Question: Tax Effecting S Corporations,* Chicago, IL, Illinois Business Valuation Conference, 2004.
- *Controversial Topics.* Richmond, VA, VA Valuation and Litigation Conference, 2004.
- *Guideline Company Methods: Levels of Value Issues, Telephone Panel,* Business Valuation Resources, 2004.
- *Small Business Case Study.* Phoenix, AZ, American Institute of Certified Public Accountants National Business Valuation Conference, 2003; Ft. Lauderdale, FL, Florida Institute of CPAs, 2004.
- *Valuation Issues - What You Need to Know.* San Antonio, TX, AICPA National Auto Dealer Conference, 2003.
- *Professional Practice Valuations.* Tampa, FL, The Florida Bar - Family Law Section, 2003.
- *Business Valuation Basics.* Orlando, FL, The Florida Bar Annual Meeting, 2003.
- *Business Valuation for Divorce.* Orlando, FL, The Florida Bar Annual Meeting, 2003.
- *Business Valuation in a Litigation Setting*. Las Vegas, NV, CPAmerica International, 2003.
- *The Transaction Approach - How Do We Really Use It?* Tampa, FL, American Society of Appraisers International Conference, 2003.
- *Advanced Testimony Techniques*. Chicago, IL, Illinois Business Valuation Conference, 2003.

GARY R. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Lecturer

- *To Tax or Not to Tax? Issues Relating to S Corps and Built-In Gains Taxes.* Washington, DC, Internal Revenue Service, 2003.
- *Issues for CPAs in Business Valuation Reports.* New Orleans, LA, American Institute of Certified Public Accountants, 2002.
- *Guideline Public Company Method: Minority Versus Control – Dueling Experts.* New Orleans, LA, American Institute of Certified Public Accountants, 2002.
- *To Tax or Not To Tax? - That Is The Question.* Minneapolis, MN, Minnesota Society of Certified Public Accountants, 2002.
- *Pressing Problems and Savvy Solutions When Retained by the Non-Propertied Spouse.* Las Vegas, NV, American Institute of Certified Public Accountants/American Academy of Matrimonial Lawyers, 2002.
- *The Transaction Method - IBA Database.* Atlanta, GA, Financial Consulting Group, 2002.
- *Valuation Landmines - How Not To Get In Trouble.* Washington, DC, 2002 Annual Business Valuation Conference, The Institute of Business Appraisers, 2002.
- *Guest Lecturer on Business Valuation.* New York, NY, Fordham Law School, 2002.
- *Guideline Company Analysis*. Chicago, IL, Illinois CPA Foundation, 2002.
- *Guideline Company Analysis.* Las Vegas, NV, American Institute of Certified Public Accountants, 2001.
- *Discount and Capitalization Rates*. Bloomington, MN, Minnesota Society of CPAs, 2001.
- *Valuation Premiums and Discounts*. Louisville, KY, Kentucky Tax Institute, 2001.
- *Business Valuation.* St. Louis, MO, Edward Jones, 2001.
- *Business Valuation for Marital Dissolutions.* Dublin, OH, Ohio Supreme Court, 2001.
- *Testimony Techniques.* Chicago, IL, Illinois CPA Society, 2001.
- *Valuing the Very Small Business.* Chicago, IL, Illinois CPA Society, 2001.
- *Valuations in Divorce*. Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants, 2001.
- *Valuation Land Mines To Watch Out For*. Miami, FL, American Institute of Certified Public Accountants, 2000.
- *Ask the Experts - Discounts and Premia*. Miami, FL, American Institute of Certified Public Accountants, 2000.
- *Understanding a Financial Report*. Columbia, SC, South Carolina Bar Association, 2000.
- *Business Damages*. Columbia, SC, South Carolina Bar Association, 2000.
- *A Fresh Look at Revenue Rulings 59-60 and 68-609.* New Orleans, LA, Practice Valuation Study Group, 2000.

Instructor

- *Valuation Potpourri: Concentrating on the Small Business*, National Association of Certified Valuation Analysts, Hartford, CT, 2011.
- *Advanced Topics in Business Valuation.* American Society of Appraisers, Bethesda, MD, 2010, Washington D.C., 2011.
- *Principles of Business Valuation - Part 1.* American Society of Appraisers, Atlanta, GA, 2009; Las Vegas, NV, 2010, Annapolis, MD, 2010, Bethesda, MD, 2011.
- *Essentials of Business Appraisal*. The Institute of Business Appraisers, Ft. Lauderdale, FL, 2008.

GARY R. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Instructor

- *Business Valuation Basics*. New Jersey Judicial Conference, Teaneck, NJ, 2007.
- *Standards and Ethics: An Appraiser's Obligation*. The Institute of Business Appraisers, Denver, CO, 2007.
- *Principles of Valuation - Part 2.* American Society of Appraisers, Austin, TX, 2005; Chicago, IL, 2006; Brooklyn, NY, 2006; Herndon, VA 2007; Chicago, IL, 2007, 2008; Deloitte & Touche, NY, 2007; Arlington, VA, 2008; Houston, TX, 2009.
- *Small Business Valuation: A Real Life Case Study*. American Institute of Certified Public Accountants, Rocky Hill, CT, 2005; Richmond, VA, 2005; Columbia, MD, 2005, Providence, RI, 2007.
- *Valuation Discount and Capitalization Rates*, *Valuations Premiums and Discounts*. Rhode Island Society of CPAs, Providence, RI, 2004.
- *Mergers and Acquisitions*. Rhode Island Society of CPAs, Providence, RI, 2004.
- *Valuing a Small Business: Case Study*. Rhode Island Society of CPAs, Providence, RI, 2004.
- *Discounts & Premiums in a Business Valuation Environment.* American Institute of Certified Public Accountants, Roseland, NJ; 2004, Rocky Hill, CT, 2005.
- *Advanced Cost of Capital Computations.* American Society of Certified Public Accountants, Rhode Island, NJ 2004.
- *Fundamentals of Business Valuation - Part 2.* American Institute of Certified Public Accountants, Atlanta, GA, 2004.
- *Splitting Up is Hard to Do: Advanced Valuation Issues in Divorce and Other Litigation Disputes.* American Institute of Certified Public Accountants, Providence, RI, 2002.
- *Fundamentals of Business Valuation - Part 1.* American Institute of Certified Public Accountants, Dallas, TX, 2001.
- *Advanced Topics*. The Institute of Business Appraisers, Orlando, FL, 2001.
- *Business Valuation.* Federal Judicial Center, Washington, DC, 2001.
- *Business Issues: Business Valuation-State Issues; Marital Dissolution; Shareholder Issues and Economic Damages*. National Judicial College, Charleston, SC, 2000.
- *Business Valuation for Marital Dissolutions*. National Judicial College, San Francisco, CA, 2000.
- *Business Valuation Workshop.* 2000 Spring Industry Conference, American Institute of Certified Public Accountants, Seattle, WA, 2000.
- *Developing Discount & Capitalization Rates.* The Institute of Business Appraisers, Phoenix, AZ, 2000.
- *Financial Statements in the Courtroom (Business Valuation Component).* American Institute of Certified Public Accountants for the National Judicial College, Texas, 1997; Florida, 1997, 1998, 2001, 2003, 2013, 2014; Louisiana, 1998, 1999; Nevada, 1999, 2001; South Carolina, 2000, 2006; Georgia, 2000; Arizona, 2001; New York, 2002; Colorado, 2003; Ohio, 2003; New Jersey 2005, 2007, 2013; Chicago, 2008.
- *Preparing for AICPA's ABV Examination Review Course.* American Institute of Certified Public Accountants, New York, 1997, 2000, 2001; Pennsylvania, 1998; Kansas, 1998; Maryland, 2000, 2001; Massachusetts, 2000; Virginia, 2002.
- *Business Valuation Theory.* New Jersey, 1994, 1995, 1996, 1997, 1999, 2000, 2002; Rhode Island, 2004.

GARY R. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Instructor

- *Business Valuation Approaches and Methods.* New Jersey, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2002; North Carolina, 1997, 1999, 2000; Louisiana, 1997, 1998; Massachusetts, 1997, 1998, 1999; Pennsylvania, 1997; New York, 1997, 2000; Indiana, 1997; Connecticut, 1997, 2000; Ohio, 1998; Rhode Island, 1999, 2003.
- *Business Valuation Discount Rates, Capitalization Rates, Valuation Premiums and Discounts.* New Jersey, 1998, 2000, 2002; North Carolina, 1997, 1999, 2000; Louisiana, 1997; Massachusetts, 1997, 1998; Rhode Island, 1997, 1999; Indiana, 1997; Connecticut, 1997, 2000.
- *Principles of Valuation: Introduction to Business Valuation.* American Society of Appraisers, 1998, 1999, 2001, 2002.
- *Principles of Valuation: Business Valuation Methodology.* American Society of Appraisers, 1992, 1993, 1995, 1996, 1997, 1998, 1999, 2001.
- *Principles of Valuation: Case Study.* American Society of Appraisers, 1993, 1999, 2000, 2001, 2002, 2003.
- *Principles of Valuation: Selected Advanced Topics.* American Society of Appraisers, 1992, 1994, 1995, 1996, 1998, 2002.

Organizations

- The Institute of Business Appraisers, Inc.
- American Society of Appraisers.
- American Institute of Certified Public Accountants.
- New Jersey Society of Certified Public Accountants.
- Florida Institute of Certified Public Accountants.

Awards

- Presented with the “Volunteer of the Year Award” by the American Institute of Certified Public Accountants in 2011 for outstanding service in furthering the goals of the business valuation profession.
- Presented with the “Outstanding Chair Award” by the Florida Institute of Certified Public Accountants in June 2007 for service to the 2006-2007 Valuation, Forensic Accounting and Litigation Services Section.
- Presented with the “Hall of Fame Award” by the American Institute of Certified Public Accountants in December 1999 for dedication towards the advancement of the business valuation profession.
- Presented with the “Fellow Award” by The Institute of Business Appraisers Inc., in January 1996 for contributions made to the profession.

Professional Appointments

- *The Institute of Business Appraisers, Inc.* Former Regional Governor for the Mid-Atlantic Region consisting of Delaware, Kentucky, Maryland, New Jersey, Pennsylvania, Ohio, Virginia, and West Virginia.
- *The American Society of Appraisers Chapter 73.* Treasurer, 1996 - 1997.

Current Committee Service

- Chair - ASA Constitution and By-Laws Committee.

GARY R. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Current Committee Service

- Chair - 2016 Advanced Business Valuation Conference Committee - American Society of Appraisers.

Past Committee Service

- Chairman - ASA International Ethics Committee.
- Chairman - ASA Business Valuation Education Committee.
- 2015 Advanced Business Valuation Conference Committee - American Society of Appraisers.
- ASA Business Valuation Committee.
- 2011 AICPA Business Valuation Conference Committee.
- AICPA ABV Examination Task Force.
- 2010 ASA BV Education Subcommittee.
- 2010 AICPA Business Valuation Conference Committee.
- Chairman of Disciplinary and Ethics Committee -The Institute of Business Appraisers, Inc. (committee established 1989).
- Chairman of Valuation, Forensic Accounting and Litigation Services Section - Florida Institute of CPAs.
- AICPA Committee with the Judiciary.
- AICPA ABV Credential Committee.
- AICPA Management Consulting Services Division - Executive Committee.
- Chairman of the Valuation Standards Subcommittee - NJ Society of Certified Public Accountants Litigation Services Committee.
- Matrimonial Subcommittee - NJ Society of Certified Public Accountants Litigation Services Committee.
- Co-Chair of Courses and Seminars for Certified Public Accountants Subcommittee - NJ Society of Certified Public Accountants.
- Education Committee - The Institute of Business Appraisers, Inc.
- Chairman of Education Committee - North Jersey Chapter of American Society of Appraisers.
- AICPA Subcommittee on Business Valuation & Appraisal.
- International Board of Examiners - American Society of Appraisers.
- Qualifications Review Committee - The Institute of Business Appraisers, Inc.

Editor

- Editorial Advisors for *Business Valuation Update,* Business Valuation Resources, LLC
- Editorial Advisor for *Financial Valuation and Litigation Expert*, Valuation Products and Services.
- Former Editorial Advisor for *CPA Expert*, American Institute of Certified Public Accountants.
- Editorial Advisor for *The Journal of Accountancy*, American Institute of Certified Public Accountants.
- Former Editorial Advisor of *BV Q&A*, Business Valuation Resources.
- Former Editorial Board of *CPA Litigation Service Counselor*, Harcourt Brace, San Diego, CA.

GARY R. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Editor

- Former Editorial Board of *Business Valuation Review*, American Society of Appraisers, Herndon, VA.

Author

- *Should You Ever Use the MCAPM to Value Small-Sized Businesses?*, Financial Valuation and Litigation Expert (December 2016/January 2017).
- Contributing author to *How to Be a Successful Expert Witness: SEAK's A-Z Guide to Expert Witnessing*, SEAK (2014).
- Contributing author to *How to Write an Expert Witness Report,* SEAK (2014).
- Co-author of course entitled *Advanced Topics in Business Valuation*, American Society of Appraisers (2011).
- Course entitled *Principles of Business Valuation: Part 1*, American Society of Appraisers (2010).
- Co-author of *How Should You Value Closely Held Businesses During Crazy Times?*, Business Valuation Update (August 2009).
- *Essentials of Valuing a Closely Held Business*, American Institute of CPAs (2008).
- *Practical Solutions to Problems in Valuing the Very Small Business*, Business Valuation Update (2008).
- Course entitled *Standards and Ethics: An Appraiser's Obligation*, The Institute of Business Appraisers (2007).
- Course entitled *Small Business Valuation: A Real Life Case Study*, American Institute of Certified Public Accountants (2005).
- *Guideline Public Company Method - Control or Minority Value?*, Shannon Pratt's Business Valuation Update (2003).
- *Signed, Sealed, Delivered*, Journal of Accountancy (2002).
- *A CPA's Guide to Valuing a Closely Held Business*, American Institute of Certified Public Accountants (2001).
- Course entitled *Business Issues - State Courts*, National Judicial College, Reno, NV (2000).
- *Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses,* American Institute of Certified Public Accountants, First Edition (1998) Second Edition (2002), Third Edition (2008), Fourth Edition (2012).
- Contributing author to *The Handbook of Advanced Business Valuation*, McGraw-Hill (1999).
- Course entitled *Valuation Issues in Divorce Settings* for the American Institute of Certified Public Accountants (1997).
- Co-author of course entitled *Accredited Business Valuer Review Course* (Market Approach Chapter) for the American Institute of Certified Public Accountants (1997).
- *Understanding Business Valuations* for The Institute of Continuing Legal Education (1997).
- Six Day Business Valuation Series consisting of *Business Valuation Theory*, *Valuation Approaches & Methods* and *Advanced Topics in Business Valuation* (1994, 1995.)
- *Valuation of a Closely-Held Business*, Practice Aid for the American Institute of Certified Public Accountants (1993).
- Co-author of *Guide to Divorce Engagements*, Practitioners Publishing Company, Fort Worth, TX (1992).

GARY R. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.V.S.
PROFESSIONAL QUALIFICATIONS

Author

- *A Threat to Business Valuation Practices*, *Journal of Accountancy* (December 1991).
- Course entitled *Advanced One Day Seminar* for The Institute of Business Appraisers, Inc. (1991).
- Course entitled *Understanding Business Valuation for the Practice of Law* for the Institute of Continuing Legal Education in NJ.
- *An Appraiser's Approach to Business Valuation, Fair$hare*, Prentice Hall Law & Business (July & August, 1991).
- *What is Fair Market Value? Back to Basics, Fair$hare*, Prentice Hall Law & Business (June 1990).

Technical Reviewer

- Shannon P. Pratt and Alina V. Niculita. *Valuing a Business: The Analysis and Appraisal of Closely Held Companies, 5th Edition (McGraw Hill: New York, 2008).*
- Shannon P. Pratt, Robert F. Reilly and Robert P. Schweihs. *Valuing a Business: The Analysis and Appraisal of Closely Held Companies, 4th Edition (McGraw Hill: New York, 2000).*
- Shannon P. Pratt, Robert F. Reilly and Robert P. Schweihs. *Valuing Small Businesses & Professional Practices, 3rd Edition (McGraw Hill: New York, 1998).*
- James R. Hitchner. *Financial Valuation: Applications and Models*, *1st Edition* (Wiley Finance: New Jersey, 2003).
- Jay E. Fishman, Shannon P. Pratt, Williams J Morrison. *Standards of Value: Theory and Applications* (John Wiley & Sons, Inc.: New Jersey), 1st edition, 2007; 2nd edition, 2013.

WILLIAM HARRIS, ASA, CFA
PROFESSIONAL QUALIFICATIONS

Experience

Valuation Analyst at Trugman Valuation Associates, Inc. specializing in business valuation. Experience includes a variety of assignments including closely-held businesses, professional practices and thinly traded public companies. Industries include, health care, retail, manufacturing, distributors, and service.

Business valuation services have been rendered for a variety of purposes including, but not limited to business damages, estate and gift tax matters, and family law matters.

Professional Designations

- ASA: Accredited Senior Appraiser designated by the American Society of Appraisers (2013). Reaccredited in 2016.
- CFA: Chartered Financial Analyst designated by the CFA Institute (2012).

Education

- M.S., Finance, Chapman Graduate School of Business at Florida International University, 2007.
- B.S., Business Administration, Belk College of Business at the University of North Carolina at Charlotte, 2006.

Appraisal Education

- *2017 Advanced Business Valuation Conference*, Houston, TX, American Society of Appraisers, 2017.
- *2016 Advanced Business Valuation Conference*, Boca Raton, FL, American Society of Appraisers, 2016.
- *Expert Witness Bootcamp*, Hollywood, FL, National Association of Certified Valuators and Analysts, 2015.
- *2015 Advanced Business Valuation Conference*, Las Vegas, NV, American Society of Appraisers, 2015.
- *AICPA Forensic and Valuation Services Conference,* New Orleans, LA, American Institute of Certified Public Accountants, 2014.
- *AICPA Forensic and Valuation Services Conference,* Las Vegas, NV, American Institute of Certified Public Accountants, 2013.

WILLIAM HARRIS, ASA, CFA
PROFESSIONAL QUALIFICATIONS

Appraisal Education

- *Special Topics in the Valuation of Intangible Assets,* American Society of Appraisers, Reston, VA, 2013.
- *AICPA Forensic and Valuation Services Conference,* Orlando, FL, American Institute of Certified Public Accountants, 2012.
- *Valuation of Intangible Assets,* American Society of Appraisers, Skokie, IL 2012.
- *AICPA National Business Valuation Conference,* American Institute of CPAs, Las Vegas, NV, 2011.
- *The Correct Way to Use Ibbotson and Duff and Phelps Risk Premium Data*, Valuation Products and Services, Webinar, 2011.
- *USPAP for Business Valuation* - American Society of Appraisers, South Beach Miami, FL, 2010.
- *Advanced Topics in Business Valuation*, American Society of Appraisers, Bethesda, MD, 2010.
- *AICPA National Business Valuation Conference*, American Institute of CPAs, San Francisco, CA, 2009.
- *The Market Approach*, American Society of Appraisers, Skokie, IL 2009.
- *The Income Approach*, American Society of Appraisers, Orlando, FL 2009.
- *Introduction to Business Valuation*, American Society of Appraisers, Minneapolis, MN, 2008.

Author

- Author of "Trugman Valuation Associates, Inc. (TVA) Restricted Stock Study," *Business Valuation Review* (Fall 2009).
- Co-Author of "How Should You Value Closely Held Businesses During These Crazy Times?," *Business Valuation Update* (August 2009).
- Author of "Trugman Valuation Associates, Inc. (TVA) Restricted Stock Study - An Update," *Business Valuation Review* (Winter 2011).
- Contributing Author to "Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses," American Institute of Certified Public Accountants, Fourth Edition (2012).

Organizations

WILLIAM HARRIS, ASA, CFA
PROFESSIONAL QUALIFICATIONS

- American Society of Appraisers.
- CFA Institute.
- CFA Society of Miami.