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# MEMORANDUM

To: Central Florida Expressway Authority Board Members

FROM: James Edward Cheek, III, Right of Way Counsel Winderweedle, Haines, Ward & Woodman, P.A.

DATE: February 24, 2015

RE: S.R. 429 Wekiva Parkway, Project 429-202; Parcel 120 (Parts A & B) -

Review of Business Damage and Expert Costs Claim by Korus Orchid Corporation

Pursuant to Sections 5-2.03 and 5-2.061 of the Central Florida Expressway Authority Property Acquisition & Disposition Procedures Manual (2014), right of way counsel requests that the Board review negotiations and provide direction as needed regarding the business damages claim made by the owner of 429-202, Parcel 120, Korus Orchid Corporation ("Korus").

Specifically, a resolution of the business damages claim has been negotiated through the process required by Section 73.015, *Florida Statutes*. Korus has agreed to accept the business damages evaluation prepared by the Authority's business damages expert.

# **DESCRIPTION and BACKGROUND:**

Since its inception in 2001, Korus has conducted a large and successful orchid nursery business on a 14.836-acre lot located in Apopka, Florida. Korus is engaged in business primarily as an orchid nursery. Korus has a customer base of approximately 285 customers, ranging from large distributors to customers that purchase small quantities of orchids for resale to the public. Korus sells a variety of types of orchids. The orchids are normally purchased as small sprouts from Taiwan or Costa Rica. The sprouts are developed over a period of time, ranging from several months to two years before they reach a saleable stage. Korus has air conditioned greenhouses on the property to provide an adequate environment for the orchids in order to facilitate growth.

The construction of the Wekiva Parkway has necessitated the taking of a portion of the Korus property, including 108,858 square feet of greenhouse space, 2,400 square feet of office/warehouse space, a well and septic system, fencing, a soil bin, paving, landscaping and signage.

In accordance with the governing statute, Korus submitted a business damages claim to the Authority. Korus obtained two separate expert business damage evaluations, by J. Duke Parrish of Parrish & Parrish, CPA's, P.A., and Lloyd J. Morgenstern of Morgenstern Phifer & Messina, P.A, both experts with experience in the evaluation of eminent domain business damages. Korus' experts evaluated the business damages caused by the taking of the property to be as high as \$5.850,000.00.

After receiving the business damages claim, and after obtaining additional backup documentation from Korus, the Authority's expert, Les W. Eiserman of CliftonLarsonAllen LLP, reviewed the business damages claim. While Mr. Eiserman agreed that Korus would in fact suffer significant business damages related to the taking, his evaluation was that those damages would be limited to \$3,611,000.00.

As required, Mr. Eiserman's evaluation of business damages was provided to Korus and its counsel.

Korus has agreed to accept the Authority's business damages amount. Korus is also entitled to its expert costs and attorney's fees in connection with the business damages claim. Korus seeks \$87,975.50 in expert costs. Counsel is in agreement that Korus' attorney's fees will be established on an hourly or lodestar basis separately, but not on a betterment percentage approach.

# **RECOMMENDATION:**

Direct counsel to proceed with payment of the business damage amount and expert costs. Value: \$3.698.975.50

#### **ATTACHMENT:**

CliftonLarsonAllen LLP Business Damage Evaluation Report - cover letter and executive summary

# BUSINESS DAMAGE REPORT OF KORUS ORCHID CORPORATION

Apopka, Florida As of August 6, 2014

January 19, 2015

Prepared By:

Les W. Eiserman CPA, CVA

CliftonLarsonAllen LLP 420 South Orange Avenue Suite 500 Orlando, FL 32801



January 19, 2015

Mr. Robert L. Simon, Jr. Winderweedle, Haines, Ward & Woodman, P.A. 390 N Orange Avenue Orlando, FL 32801

Re: Central Florida Expressway Authority v. Korus Orchid, Corporation, et al. Case No.: 2014-CA-4729-O; Parcel: 120 Korus Orchid Corporation 1750 Plymouth Sorrento Road, Apopka, Florida Orange County

Dear Mr. Simon,

The enclosed Business Damage Report has been developed for the exclusive and confidential use of you, the Central Florida Expressway Authority and Korus Orchid Corporation (the "Company"). The report has been prepared by CliftonLarsonAllen LLP and was made by and/or under the direct supervision of the undersigned.

At your request, CliftonLarsonAllen LLP was retained to prepare a business damage analysis and conclusion of damage ("report") to assist you in the determination of the damages related to the taking of the above referenced parcel owned by Korus Orchid Corporation ("Subject Interest"). The damage conclusion is considered as a cash or cash equivalent value. The damages date is August 6, 2014. This damages report is to be used only as of this date and are not valid as of any other date.

It is our opinion that the damages incurred by the Company related to the taking of the above parcel of Korus Orchid Corporation at August 6, 2014 is:

#### \$3,611,000

Distribution of this letter and report and associated results, which are to be distributed only in their entirety, are intended for and restricted to you, the Central Florida Expressway Authority and Korus Orchid Corporation and their legal and professional advisors, solely to assist you and the Central Florida Expressway Authority in your determination of the fair value (i.e. damages) of the Subject Interest for litigation purposes, and are valid only as of August 6, 2014. This letter and accompanying report are not to be used with, circulated, quoted or otherwise referred to in whole or in part for any other purpose, or to any other party for any purpose, without our express written consent.

Korus Orchid Corporation As of August 6, 2014 Page 2

The enclosed narrative report and exhibits constitute the basis upon which our conclusion of damages was determined. Statements of fact contained in this report are, to the best of our knowledge and belief, true and correct. No present or future environmental issues were contemplated in this damage analysis. In the event that facts or other representations relied on in the attached narrative report are revised or otherwise changed, our conclusion as to the damages to the Company may require updating. However, CliftonLarsonAllen LLP has no obligation to update this conclusion of damages for information that comes to our attention after the date of this report. If upon request, and new information is provided, we reserve the right to update this report.

No principal or employee of CliftonLarsonAllen LLP has any current or contemplated interest in the Company or any other interest that might tend to prevent making a fair and unbiased damage analysis. Compensation of CliftonLarsonAllen LLP is not contingent on the opinions or conclusions reached in this report.

Sincerely yours,

CLIFTONLARSONALLEN LLP

Les W. Eine

Les W. Eiserman, CPA/CVA

Principal

Forensic and Valuation Services Group

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EXHIBIT A EXHIBIT B	Damages Summary Net Asset Value Method
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# **EXECUTIVE SUMMARY**

Purpose of Damage

Analysis: To assist in the determination of the damages related to the taking of Parcel

120 owned by Korus Orchid Corporation as of August 6, 2014.

Standard of Damage

Analysis: Fair value

Premise of Damage

Analysis: Going concern

**Conclusion:** It is our opinion that the damages incurred by the Company related to the

taking of the above parcel of Korus Orchid Corporation at August 6, 2014

is \$3,611,000.

# INTRODUCTION

# **Assignment Definition**

CliftonLarsonAllen LLP was retained to determine the damages incurred by the Company related to the taking of the above parcel of Korus Orchid Corporation at August 6, 2014. The taking is a parcel totaling 8.216+- acres of a parent tract containing 14.836 +- acres. The taking includes 108,858 square feet of greenhouse space, 2,400 square feet of office/warehouse space, a well and septic system, fencing, a soil bin, paving, landscaping and signage. The parent tract is located on the west side of Plymouth Sorrento Road south of Yothers Road, in the city of Apopka, FL.

No reproduction, publication, distribution, or other use of this report is authorized without the prior consent of Les W. Eiserman and/or CliftonLarsonAllen LLP, by parties not identified in this report.

We have performed a damage analysis engagement and present our detailed report.

It has been represented that after the taking the business will not be able continue to operate on the remaining property as a sustainable or profitable business. This assumption cannot be challenged at this time because no documentation has been provided to concur or dispute this representation. If the business was able to operate on the remaining property, any such value attached to this on-going operation would serve as a mitigating amount to this damage amount conclusion.

## Scope of Work

To gain an understanding of the operations of the Company we reviewed financial information as detailed in "Sources of Information" presented later in this report. To understand the environment in which the Company operates, we researched the status of and trends of the industry that it operates in. We also studied economic conditions as of the Damages Date and their impact on the Company.

As discussed in this report, we considered several damage approaches and methods and applied the most appropriate methods from the Income, Asset and Market Approaches to derive an opinion of damages of the Subject Interest. Our conclusion of damages reflects these findings, our judgment and knowledge of the marketplace, and our expertise in performing such services.

The procedures employed in determining the damages for the Subject Interest in the Company included such steps as we considered necessary, including (but not limited to):

- An analysis of the Company's financial and non-financial information supplied by Management;
- An analysis of the industry;
- An analysis of the general economic environment as of the damages date; and
- An analysis of other pertinent facts and data resulting in our conclusion of damages.

The approaches and methodologies used in our work did not comprise an examination or any attest service in accordance with generally accepted auditing standards, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective, presented in accordance with generally accepted accounting principles. We express no opinion and accept no responsibility for the accuracy and completeness of the financial information (audited, reviewed, compiled, internal, prospective or tax returns), or other data provided to us by others, and we have not verified such information unless specifically stated in this report. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information in performing our damage analysis.

#### History and Nature of the Business

The Company is a Florida corporation formed in 2001. The Company is organized as a C corporation. The Company is engaged primarily as an orchid nursery. The Company's property consists of 14.836 acres in Apopka, Florida. The property includes two manufactured homes, shades houses, greenhouses, associated agricultural improvements, and wells/septic systems.

The orchid nursery inventory consists of various species of orchids (Phalaenopsis, Oncidium, Vanda, Cattleya, Dendrobium, etc.). The nursery does not stock any other type plants other than orchids.

The orchids are normally purchased from Taiwan or Costa Rica, depending upon the variety. The Company purchases the plants as small sprouts which shorten the growing period to maturity. An orchid nursery generally develops over a period of time before the plants reach a stage where they are saleable. During this development period the plants normally require reporting, stalking, maintenance and other care.

Each orchid variety requires a period of development for the plants to reach a stage of maturity at which they can be sold in commercial quantities. This development period can range from several months to two years. During this development period there are substantial expenditures for labor and materials. Additionally, the nursery must be continually obtaining new plants in order to maintain an adequate inventory as the mature stock is sold. Each genus and species will vary as to growing time. During this growing period the plants must be continually cared for and reported in larger containers or staked as they continue to grow. The best selling

orchid varieties of Korus Nursery are the Phalaenopsis and the Oncidium varieties. The growing period for the Phalaenopsis is normally from January to May as it flowers in winter and early spring. However, Korus Nursery has air conditioned greenhouses which allows them to grow flowering Phalaenopsis throughout the year.

Korus Nursery Corporation has a customer base of approximately 285 customers. These customers range in size from large distributors to customers that purchase small quantities of orchids for resale to the public. The large distributors that purchase orchid plants from Korus Nursery are as follows:

- 1. Costa Farms
- 2. AP Orchids
- 3. Life Trends

These three distributors account for approximately 60% of sales revenue each year. Korus Nursery Corporation enters into a contract each year with these distributors as to the quantity of plants each distributor will purchase. The business does not notice any seasonal or cyclical swings each year. Sales are fairly consistent each month except for certain holidays such as Valentines Day, Easter and Mothers Day. Korus Nursery Corporation does not guarantee the orchid plants when sold.

The shareholders of the Corporation are as follows:

NAME	<b>% OWNERSHIP</b>
Nongso Agricultural Cooperative	45.0%
Nongso Orchid Export Farming Association	<u>55.0%</u>
Total	100.0%

The Nongso Orchid Export Fanning Association is comprised of four members. Mr. Byung Hwang, who operates and manages day to day operations, is a member of the Nongso Orchid Export Farming Association.

As previously discussed, the plants generally develop over a period of time before they reach a saleable stage. During this period there are substantial expenditures of labor and materials with no significant related revenue. In essence, the profit is included in the cost of developing the product to a saleable stage and will not be recognized until the product is sold. The value of the orchid plants increases substantially during this growing period.

Internal Revenue Service Regulations specifically permit nursery growers to qualify for the "farming exception" to IRC Section 263A. Thus, nurseries using the farm exception are permitted to deduct the costs of seeds and young plants purchased for further development and cultivation prior to sale, as well as the costs of growing the plants.

In 2014 the Central Florida Expressway Authority acquired through condemnation a Parcel of the land belonging to the Company, which is the subject of this damage analysis and report.

# THE ECONOMIC OUTLOOK

In conjunction with the preparation of this damages opinion, we have reviewed and analyzed current economic conditions as of the August 6, 2014 date of damages. Summary discussions and analysis of the national outlook for the period closest to the date of damages can be found attached to this report as **Appendix E**. These discussions are based upon a review of current economic statistics, articles in the financial press and economic reviews. The purpose of the reviews is to provide a representative "consensus" review of the condition of the economy and its general outlook as of the date of damages.

#### Economic Conclusions

While the aptly named Great Recession reached its official end in mid-2009, economic growth remains somewhat subdued. The housing market has strengthened, but unemployment remains elevated and labor force participation remains low. Economic growth is expected to remain positive, though government spending cuts, political uncertainty, and rising interest rates are causes for concern. GDP growth expectations from private economists surveyed by The Wall Street Journal are on the order of 3.1% for the third quarter of 2014 and 1.6% for all of 2014. This compares to GDP growth of 1.8%, 2.8%, and 1.9% in 2011, 2012, and 2013, respectively. Although the Federal Reserve has begun tapering the rate of asset purchases, a significant tightening of monetary policy (via an increase in the target federal funds rate) is unlikely in the short run until unemployment declines and inflation rises.

# INDUSTRY OUTLOOK<sup>1</sup>

Companies in the nursery and floriculture production industry grow and sell nursery stock such as plants, shrubs, sod, trees, and seeds. Major US companies include Costa Farms, Ball Horticultural, Color Spot Nurseries, and Monrovia Nursery.

Global sales of commercially grown flowers total about \$50 billion, according to the International Trade Centre. Developed countries in Europe, the Americas, and Asia account for about 90 percent of floriculture product demand.

The US nursery and floriculture production industry includes about 50,000 farms with combined annual revenue of about \$13 billion.

#### **COMPETITIVE LANDSCAPE**

Demand is driven by consumer income, home sales and new home construction, and commercial real estate construction. The profitability of individual companies depends on anticipating demand for various types of plants, efficient distribution, and competitive pricing. Large operators have economies of scale in distribution. Small operators can compete successfully by raising specialty plants or serving a local market. The US industry is fragmented.

#### PRODUCTS, OPERATIONS & TECHNOLOGY

Products include flowers and flowering plants, shrubs, Christmas trees, sod, and seeds, as well as food plants like tomatoes. Large commercial growers concentrate on producing container-grown ornamental plants for indoor and outdoor use, including bedding plants (usually grown in flats and transplanted into beds by the end-user); shrubs; and flowering potted plants. Products include annuals like marigolds and petunias; perennials like day lilies and clematis; evergreens like azalea, box wood, pines, spruce, and juniper; tropical

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<sup>&</sup>lt;sup>1</sup> First Research Industry Profile

flowering plants like Bougainvillea and hibiscus; "holiday" or "seasonal" plants like Easter lily and poinsettia; and specialty plants like bonsais, ferns, and trellises. Cut flowers are a smaller segment. Because of weather limitations, most single-location growers can produce only several hundred varieties of plants, but national growers can produce several thousand.

Commercial operations revolve around the growing cycle. Growers buy plant "plugs" from suppliers who germinate them from seed in large, controlled-environment facilities for four to 10 weeks before shipping them around the country. Growers transplant these "prefinished" plants into containers and grow them until they're ready to be shipped to customers. Large growers may have their own plug operations for some plants, but also buy from suppliers. A large nursery can cover from 10 to 3,000 acres, but 100 to 500 acres is typical for a big commercial operation, with several hundred thousand square feet of greenhouse space. Relatively more greenhouse space is used in colder climates.

Growing time is six to nine weeks for bedding plants, eight to 14 weeks for flowering potted plants, 10 to 14 months for shrubs, and seven to nine years for Christmas trees. The prime commercial planting season in North America generally extends from February to May when seasonal labor is hired, though planting continues year-round, with producers getting more "turns" (inventory turnover) depending on their crop and climate. A grower might double its workforce during peak periods and may be able to extend growing seasons by having operations in warmer regions or other countries. Transplanting and caring for containerized plants is highly labor-intensive. Although growers take pains to produce a uniformly high-quality product, many plants don't grow properly and must be discarded.

Automation has proved to be difficult, aside from the widespread use of irrigation and fertilization systems. Greenhouse operations can be technically sophisticated, with automatic irrigation, fertilization, air and lighting systems driven by a variety of sensors. Innovations demanded by big-box retailers, like custom labeling, bar codes, scanners, and electronic data interchange between suppliers and buyers, are now used by many producers. Computerized information systems are becoming more important, especially for big growers who have to track a large volume of containers and a large variety of plants.

### SALES & MARKETING

Commercial nurseries market and sell to independent or chain garden centers; home centers like Home Depot and Lowe's; mass merchants like Wal-Mart; drug and grocery chains; wholesalers; landscapers; and large end-users like hotels, office parks, and golf courses. Although plant "plugs" can easily be shipped long distances, grown plants are usually shipped no more than 150 miles because of perishability problems and shipping costs. Once at a retail location, many bedding plants have a shelf life of just a few weeks.

Sales are usually by a direct sales force which has established relations with large buyers. Marketing is through numerous trade shows, advertising in trade publications, catalogs, and direct mail. Smaller growers may lack marketing skills. Close planning with large buyers is required to ensure that the right product mix is produced, but demand for different products can vary substantially from year to year. Large growers like Color Spot use sales merchandisers who provide in-store service to large customers, including in-store display maintenance, restocking, promotions, and consumer information.

#### FINANCE & REGULATION

Revenues and many expenses are highly seasonal, with a majority of sales often occurring in the second quarter, when conditions are best for planting in many regions. Cash flow is uneven throughout the year. Inventories can be large but are highly perishable. Gross margins are between 10 percent and 15 percent. The industry is very labor intensive and labor expenses are higher compared to other agriculture industries due to the higher number of highly skilled employees at nurseries and greenhouses. Technical knowledge of plants, pests, and irrigation is important for management, although most other labor is relatively unskilled.

Nurseries are subject to EPA regulations regarding pesticide use; water runoff (contaminated with fertilizer and pesticides); and waste disposal (the large quantity of plants not sold).

#### **REGIONAL & INTERNATIONAL ISSUES**

In the US, production of bedding plants is widely spread throughout the US, but cut flowers and foliage plants are produced mainly along the coasts in California, Florida, and Oregon. States with colder climates such as Michigan and Washington state have more greenhouse cover. Christmas trees are heavily harvested in Oregon, and mushrooms are grown mainly in Pennsylvania and California.

#### **HUMAN RESOURCES**

Farm labor is typically low paying. Most workers in the industry are unskilled laborers who receive low wages. Average hourly wages for farm workers are significantly lower than the national average and are typically slightly higher than minimum wage.

However, greenhouse, nursery, and floriculture operations tend to have higher labor costs (totaling nearly \$5 billion in the US). The higher labor costs are because these operations are highly labor intensive and require large numbers of highly skilled managers with strong technical knowledge. Because of strongly seasonal demand, many workers are hired for just a few months of the year. Injury rates for agricultural workers are more than 50 percent higher than the US average. Tractor overturns are the leading cause of death for farm workers.

## INDUSTRY GROWTH RATING

Growth Rating- Medium

- Demand: Driven by income, home sales, and construction
- Need good merchandising and distribution
- Risk: Weak consumer spending and vulnerability to pests, disease, and weather

### **BUSINESS CHALLENGES**

## CRITICAL ISSUES

Demand Subject to Economic Conditions - Residential and commercial construction drive demand for plants for landscaping and indoor decoration, as new housing developments and suburban office parks need trees, shrubs, and flowering plants. Because indoor plants often have an effective life of only a few weeks, requiring frequent replacement throughout the year, the expense of maintaining them can be too high during periods of economic difficulty. However, as new home sales increase, so does demand for flowers, shrubs, and other plants.

**Dependence on Large Customers** Many growers get a large percentage of revenue from a few large customers, such as national garden center chains, mass merchandisers like Wal-Mart, and supermarket chains. In local markets, hotels and real estate developers may be major customers. To serve bigger customers, larger nursery companies have grown through acquisitions.

#### OTHER BUSINESS CHALLENGES

Highly Seasonal Demand - Most nurseries do the bulk of their business in spring, although most operate year-round in order to prepare for the growing season. Greenhouses allow for plants to be grown in the colder seasons. Most flower sales occur around major holidays such as Christmas/Hanukkah, Mother's Day, Easter, Valentine's Day, and Thanksgiving. Because of seasonal demand, labor needs and cash flow are very uneven throughout the year.

**Pest Vulnerability** - With large crops of identical plants, commercial growers are very susceptible to insects, molds, and bacteria. Although pesticides are routinely used to ward off well-known pests, new pathogens like imported fire ants and the glassy-winged sharpshooter are constantly appearing. With high turnover of plants, shrubs, and trees, and a wide range of plant species, the typical nursery is prone to infestation by a wide range of pests.

**Dependence on Weather** - With most operations outdoors, growers are very susceptible to poor weather conditions. Although irrigation and heating systems at many locations mitigate the effects of poor weather, temperature, moisture, and sunshine fluctuations can severely affect crop yields and quality. During droughts, customers tend to buy drought-resistant plants.

**Energy Costs** - Energy costs are a major concern for nurseries that use greenhouses. Heating and air conditioning bills can be very expensive for a greenhouse. Petroleum-based plant containers used by many nurseries can be affected by changing petroleum prices. Shipping costs are also dependent on fuel costs.

Perishable Product - The selling period for many plants is very short. Unless growers can find customers quickly, product can spoil or it can die during transport. Growers are often left with unsold inventory.

#### TRENDS AND OPPORTUNITIES

# **BUSINESS TRENDS**

Two-Tier Market - While big nurseries are supplying mainly big-box retailers, smaller growers are the main suppliers of independent garden centers and retail nurseries. Proximity and high product quality are more important to these customers than low price, because their customers are most interested in quality and the breadth of retail selection. Smaller operations also can specialize in pesticide-free and organic gardening, which appeals to many customers.

**Product Diversification** - To even demand through the year, many nurseries produce plants, like Easter lilies and poinsettias that have demand at times other than late spring. Large producers may also sell related products like soil, sod, and Christmas trees. Other growers produce a range of soil mixtures made from peat moss, sand, bark, sawdust, lime, perlite, vermiculite, and other materials (including mulched product waste).

Industry Consolidation - The nursery and floriculture industry remains highly fragmented and is made up mostly by small businesses (in terms of number of firms). Relatively moderate barriers to entry help contribute to this. However, large firms enjoy lower per-unit costs of production and distribution. Increased globalization and technology also favor large growers, who tend to acquire small operations in order to diversify products and grow geographic reach. Increasing competition from foreign imports may edge out smaller producers.

Organic Fertilizers - Organic fertilizers, integrated pest management, and beneficial bacteria are becoming more common as replacements for toxic pesticides. Expanding environmental regulations and worker safety concerns will likely result in more growers turning to sustainable, non-toxic production methods.

Compost Replacing Peat - A large segment of the ornamental nursery industry depends on peat moss as a major constituent of their porting mix; however, in recent years, environmental concerns and the cost of peat have escalated. Many states have laws to reduce waste inputs, particularly organic residuals going to municipal landfills, to encourage recycling and the use of commercial compost produced from yard trimmings. Many nurseries receive composting materials from local waste management companies or local businesses, which may use herbicides that could damage nursery plants.

More Container-Grown Plants - Container-grown plants can be sold year-round, allowing growers to respond rapidly to changing market demands, and the labor savings can be significant, since no digging is required. Today, containers come in a large selection of sizes, styles, colors, and weights, each offering growers an option to meet their specific application.

**Hydroponic Gardening** - Some growers are considering hydroponics as an alternative to using pesticides like methyl bromide, which is being banned in the US. Hydroponic nurseries grow plants in water instead of soil. Hydroponic techniques require less pesticide, produce more plants in a shorter time, and allow plants to be grown in smaller, more urban spaces.

#### INDUSTRY OPPORTUNITIES

Positive Consumer Demographics - The most avid gardeners are older adults. In the US the number of adults 65 and over is expected to grow from 13 percent of the US population in 2010 to nearly a fifth of the population by 2030, potentially increasing demand for nursery products. The exercise involved in gardening offers health benefits for older adults such as improved hand and upper body strength. A growing number of younger people also are turning to gardening in places such as the US and UK. Growing vegetables and other edibles are especially popular among the young.

**Automation for Mass Production** Greenhouses have had to automate to allow for mass production. Computers help regulate humidity, ventilation, and temperature, and track every pot, pack, and flat of plants. Even with automation, the nursery business is still labor-intensive; labor needs vary with the season.

**Breeding New Varieties** - Producers with research and development capabilities can breed and patent new plant varieties with unusual coloration and other characteristics, and can command higher prices. Monrovia says it can take years to research, develop, and nationally distribute a new type of plant.

**Expansion of B2B Internet Sales** - Plants (unlike bulbs and seeds) are difficult to sell over Internet sites because of concerns about quality. But B2B sales are expected to grow rapidly as buyers seek a greater variety of plants (often from small specialty producers). Some nurseries also sell their products through other ecommerce sites such as Amazon.com. A more highly developed transportation system is also increasing the range of profitable distribution for many producers.

Water Wise Products - Companies offer more drought-resistant plants and products that require very little water. Cactus and succulents have become popular options for gardeners who want to use less water. Native and low water use plants are desirable because they help the environment by conserving water and can help customers by reducing their water utility bills.

# **BOOK VALUE AND FINANCIAL POSITION**

The Company's historical income statements and balance sheets are attached to this report as **Exhibit H** and **Exhibit J**. Certain financial ratios (five years) of the Company are computed and presented as **Exhibit L**. To compare the Company to the industry, we have utilized Bizminer Industry Financial Profile for the nursery and tree production industry.

#### Income Statement Analysis

#### Revenues

Revenues are generally the first component to be reviewed by financial analysts. Increases in revenues, all things being equal, should lead to higher profitability as the Company's fixed costs are spread over a wider revenue base leading to lower fixed costs per dollar of revenue. The following table represents the actual net revenue of the Company and the growth trend associated with each year.

	2010	2011	2012	2013	2014
Net Revenue	\$1,383,552	\$1,610,521	\$1,629,472	\$2,909,744	\$2,618,950
Percentage of Change		16.4%	1.2%	78.6%	-10.0%

As shown above, revenue has been increasing in four of the last five years. The compound annual growth rate over the five year period was 17.3%.

#### **Cost of Revenue**

The Company's cost of revenue for the period analyzed was as follows:

	2010	2011	2012	2013	2014
Cost of Revenue	\$1,110,907	\$1,016,316	\$1,019,546	\$1,947,147	\$1,886,276
Percentage of Revenue	80.3%	63.1%	62.6%	66.9%	72.0%

The Company's average cost of revenue for the period was approximately 69.0% of net revenue. Based upon the table above, it appears that the Company has had fluctuating costs of revenue as a percentage of revenue.

# **Operating Expenses**

The Company's operating expenses, as presented in the table below, have averaged about 20.7% over the period analyzed. The following data represents the Company's operating expenses over the entire period as a percentage of total revenue.

	2010	2011	2012	2013	2014
Operating Expenses	\$356,618	\$459,323	\$415,722	\$314,345	\$341,576
Percentage of Revenue	25.8%	28.5%	25.5%	10.8%	13.0%

The Company has lowered the levels of operating expenses in the most recent years.

The Company has realized the following pre-tax profits as a percentage of revenue as represented in the following table.

	2010	2011	2012	2013	2014
Pre-Tax Profit	\$(175,231)	\$45,356	\$114,995	\$582,464	\$319,215
Percentage of Revenue	-12.7%	2.8%	7.1%	20.0%	12.2%

# Balance Sheet Analysis

#### Assets

Current assets are represented by assets that are considered the most liquid should the Company need to generate cash. Fixed assets are the Company's physical property utilized in core business operations and include land and buildings. The following table illustrates the Company's current, fixed, and other assets as a percentage of total assets:

	2010	2011	2012	2013	2014
Cash and equivalents	0.6%	3.0%	1.8%	9.9%	1.9%
Accounts receivable, net	16.7%	16.8%	12.8%	16.8%	20.9%
Inventories	30.1%	33.1%	41.9%	36.3%	43.8%
Investment in Plant Depot	0.2%	0.2%	0.2%	0.2%	0.2%
Net fixed assets	51.2%	46.4°,0	42.9%	34.5%	33.0%
Intangible assets, net	0.6%	0.5%	0.4%	0.3%	0.2%
Utility deposit	0.0%	0.0%	0.1%	0.0%	0.0%
Deposit- Greenhouse I repair	0.0%	0.0%	0.0%	1.9%	0.0%

The majority of the Company's operating assets can be found in its inventories. Fixed assets have slightly decreased during this time period.

# Liabilities and Shareholders' Equity

Shareholders' equity refers to the difference between the book value of a company's assets and its liabilities. The following table illustrates the Company's liabilities mix as a percentage of total liabilities and shareholders' equity:

	2010	2011	2012	2013	2014
Accounts payable	5.2%	8.7%	7.9%	7.0%	6.8%
Mortgages and notes payable in	0.0%	0.0%	0.5%	0.0%	0.0%
less than 1 year					
Loan payable- New tractor	0.0%	0.0%	0.0%	0.0%	0.0%
Loans from shareholders	26.0%	24.0%	23.2%	19.9%	15.6%
Mortgage, notes, bonds payable	64.1%	61.3%	58.6%	48.7%	44.7%
in 1 year or more					
Credit cards	0.8%	0.4%	0.8%	0.4%	0.3%
US Bank- Personal	0.0%	0.0%	0.1%	0.0%	0.0%

The Company's debt has decreased from approximately 96.2% to 67.5% over the period analyzed.

#### Conclusion

Revenue for the Company has increased in four of the five years analyzed. Pre-tax profit has been positive in all but one year, although growth in both revenue and pre-tax profit has been inconsistent. Pre-tax profit as a percentage of sales has been consistently lower for the Company than industry norms. The Company has lowered levels of liabilities in relation to equity over the period. Liquidity has been higher than industry norms for the Company.

In conclusion, although the Company's revenue has grown in four of the last five years and it has remained profitable, operating performance is weaker than industry norms. The Company's financial condition in terms of the level of liabilities in relation to equity is much weaker than industry norms, but stronger in terms of liquidity. The Company's shareholders' equity is positive and has grown consistently over the period.

# DAMAGES ANALYSIS

#### Standard of Value

The standard of value used in this report is fair value. Fair value is defined by Florida Statute 607.1302 and as set forth in paragraph 607.1301(4) as follows:

- Immediately before the effectuation of the corporate action to which a shareholder objects.
- Using customary and current valuation concepts and techniques generally employed
  for similar businesses in the context of the transaction requiring appraisal, excluding
  any appreciation or depreciation in anticipation of the corporate action unless
  exclusion would be inequitable to the corporation and its remaining shareholders.
- For a corporation with 10 or fewer shareholders, without discounting for lack of marketability or minority status.

# Factors Considered

Among other factors, this damage report considers elements of appraisal listed in the Internal Revenue Service's Revenue Ruling 59-60, which "outlines and reviews in general the approach, methods, and factors to be considered in valuing shares of the capital stock of closely held corporations..." The damage analysis prepared is similar to an approach use to value a business. Specifically, Revenue Ruling 59-60 states that the following factors should be carefully considered in a valuation of closely held stock.

- (1) The nature of the business and history of the enterprise from its inception The Company was formed in 2001 and is located in Apopka, Florida. The Company is an orchid nursery.
- (2) The economic outlook in general and condition and outlook of the specific industry in particular The consideration of the economic outlook is essential in performing a valuation. How the economy is performing has a bearing in part on how the Company performs (see discussion of economic and industry outlook).

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<sup>&</sup>lt;sup>2</sup> Internal Revenue Service, Revenue Ruling 59-60

<sup>3</sup> Ibid

- (3) The book value of the stock and the financial condition of the business The adjusted book value of the invested capital of the Company was calculated to be approximately \$3,184,963 (see discussion in the "book value and financial position" section for details on the financial condition of the Company).
- (4) The earning capacity of the Company The Company's earnings have grown over four of the last five-year period. The Company's future earnings capacity would be expected to continue to grow if the Company were to operate as it has historically.
- (5) The dividend-paying capacity The Company has not paid distributions.
- (6) Whether or not the enterprise has goodwill or other intangible value It is generally acknowledged that goodwill may be measured by the earnings ability of an enterprise being valued. It can be broadly defined as those characteristics that induce customers to continue to do business with the Company and to induce new customers. Entity goodwill is that goodwill, which attaches to the entity rather than the individuals associated with the Company. In a fair market valuation, only the entity goodwill will be considered in arriving at a conclusion of value under the income approach. Our analysis suggests that the Company does not have goodwill, as the value of its identifiable assets adjusted to fair value under the asset approach is higher than its value calculated under the income approach.
- (7) Sales of the stock and size of the block to be valued We are not aware of any recent sales of stock of the Company, which would provide an indication of value during the period being analyzed.
- (8) The market prices of the stock of corporations engaged in the same or a similar line of business having their stocks actively traded in a free and open market, either on an exchange or over-the-counter The Market Approach has been considered in this damage analysis, a discussion of which may be found later in this report.

# Sources of Information

Sources of information used in this damage analysis included the following:

- National Economic Review provided by Mercer Capital Management, Inc. for the second quarter of 2014;
- Bizminer Industry Financial Profile;
- First Research Industry Profile;
- Federal tax returns for 2009 through 2013;
- Internal financial statements for the Company for the interim period ending June 30, 2014
- Duff & Phelps' 2014 Valuation Handbook;
- Federal Reserve statistical releases;

This is not a complete list of the sources of information that was used to produce this report. We have included this list of the most prevalent sources to assist the reader.

In all cases, we have relied upon the referenced information without independent verification. This report is, therefore, dependent upon the information provided. A material change in critical information relied upon in this report would be cause for a reassessment to determine the effect, if any, upon our conclusion.

# APPROACHES TO DAMAGES

Damage analysis is not subject to a precise formula, but is based on relevant facts, elements of common sense, informed judgment and reasonableness. Therefore, precise rules for determining applicable damages cannot be prescribed, however there are industry norms/standards that can be applied.

It is generally agreed that damage methods related to the value of a business (loss of business as a result of the taking) fall into three general categories: cost/asset approach, income approach, and market approach. However, it is not unusual for each of the approaches to use elements of other approaches in order to reach a conclusion of value (and resulting damages). Each of these methods will be discussed individually.

An asset approach is a method of determining a value of assets and/or equity interests using one or more methods based directly on the value of the assets of the business, less liabilities. It is analogous to the cost approach of other disciplines. This approach can include the value of both tangible and intangible assets. However, this approach is often unnecessary in the valuation of a profitable operating company as a going concern, as the tangible and intangible assets are automatically included, in aggregate, in the market and income approaches to value.

An income approach is a general method of determining a value indication of a business, asset, or equity interest using one or more methods wherein a value is determined by converting anticipated benefits. Depending on the nature of the business, asset or security being appraised, as well as other factors, anticipated benefits may be reasonably represented by such items as net cash flow, dividends, and various forms of earnings. Conversion of those benefits may be accomplished by either capitalization or discounting techniques. A capitalized returns method tends to be the more appropriate valuation method when it appears that current operations would have been indicative of future operations, assuming a normal growth rate. However, if the earnings of a business, as adjusted for normalized income and expense items, are low or negative, the earnings approaches should not be used.

Alternatively, a discounted future returns method tends to be more appropriate when future returns can be estimated with reasonable accuracy and are expected to be substantially different from current operations.

A market approach is a general method of determining a damage value indication of a business or equity interest using one or more methods that compare the subject to similar investments that have been sold. It has its theoretical basis in the principle of substitution, which states that the value of an object tends to be determined by the cost of acquiring an equally desirable substitute. Market transactions in business, business ownership interests, or securities can provide objective, empirical data for developing value measures to apply in business valuation. Such comparisons provide a reasonable basis for estimation to the relative investment characteristics of the asset being valued. Ideal guideline assets are in the same industry and use as the asset being valued, but if there is insufficient transactional evidence available in the same industry or use, it may be necessary to consider assets with an underlying similarity of relevant investment characteristics such as markets, products, growth, cyclical variability and other salient factors.

# Summary of the Damages Analysis Approaches and Methods

In our damage analysis of the Company, we considered all three approaches to calculate damages. The theory being that the taking of the parcel will, in essence, be the taking of the entire business operations of the Company and that the remainder would not be able to operate as a profitable or sustainable business operation. Under the income approach, we utilized the capitalized income method because we expect the Company's historical operating performance would have been, not for the taking, to be indicative of its future operating performance. Under the asset approach, we prepared an analysis using the net asset value method

based on what was taken as compared to it fair value. We determined that the market approach was not appropriate for the valuation of the Company, as we were unable to find sufficient comparable companies.

# APPLICATION OF THE DAMAGES ANALYSIS PROCESS

It is the analyst's task to review the pertinent information regarding the subject interest, apply accepted methodologies, as well as experience and judgment, to reach a supportable conclusion. In this matter, and as described in the following paragraphs, each of the three commonly accepted valuation approaches was considered in arriving at the ultimate conclusion of value.

# Asset Approach

This method consists of determining the fair value of the assets that were taken. In preparing our calculation of value, we have utilized the Company's balance sheet as of June 30, 2014.

Damages under the asset approach would only include the value of assets that were taken or damaged in the taking. We did not include assets the Company would retain because the theory of the Company being able to sell or retain the remaining assets at fair value. Damages would be calculated as follows:

- Inventory listed fair value;
- Land, buildings and improvements taken are listed at fair value per an appraisal performed by Pinel & Carpenter, Inc.;
- The sale price of inventory sold was removed as a mitigating value;
- Closure costs were added as an additional cost;

The sale price of inventory was removed as a mitigation factor because the Company actually received proceeds from the sale of inventory after the taking. Not subtracting these proceeds would be double counting, once in the value and once in the actual cash received by the Company upon the sale. The details of our calculation for the net asset value method can be found on **Exhibit B**.

Closure costs were estimated to be zero by management. However, based on our experience and the report of Morgenstern Phifer & Messina, PA, an amount for closure costs is appropriate. We have estimated closure costs at \$50,000.

In our opinion, the fair value of the assets acquired of the Company, on a control, marketable basis as of August 6, 2014, for damage purposes derived from this method, is \$3,611,368.

# Income Approach

Capitalized Income Method

This method determines the damages of a Company, as the result of the taking and the ultimate loss of the entire earning capacity of the business as the present value of all of the future cash flows that the business can generate to infinity. An appropriate cash flow is determined and then divided by a risk adjusted capitalization rate. In this instance, control cash flows were used, as we are valuing a 100% ownership interest of the invested capital in the Company. This method is presented on **Exhibit C**. The following paragraphs describe the steps that were taken to determine the Company's indicated value from this method. The damage value is stated on a marketable, control interest basis.

# Determination of Appropriate Control Cash Flow

Under the capitalization of cash flows method, we used a pre-debt basis for our calculation. We began our analysis with the pre-tax earnings for the years ending June 30, 2010 through 2014. We believe that the most recent two years are the most representative of the future operations of the Company. As shown on **Exhibit G** we then made several adjustments to the pre-tax earnings:

- Bad debts were removed as non-recurring;
- Contributions were removed as non-operational; and
- Grants- US Agri were removed as non-recurring.

Interest expense was added back because we are calculating a value for the Company on a pre-debt basis. Thus, interest expense is added back to the cash flow. In addition, depreciation was added back to the income stream as a non-cash expense which does not represent the cash flow activity of the Company. The total of all of these items represents adjusted earnings before interest expense, taxes, depreciation and amortization.

The next step was to weight the five years. In this instance we determined that the two most recent years should be accorded equal weight as they best represent the future cash flows of the Company. After calculating the weighted average earnings, the next step was to deduct an estimated ongoing depreciation expense in order to calculate state and federal taxes. In this instance, the ongoing depreciation expense was estimated to be \$105,000 based on historical average depreciation. After the ongoing depreciation was deducted, state and federal taxes were calculated at a combined rate of 37.6% and deducted. The amount that resulted was adjusted income pre-debt & after-tax.

Three further adjustments were then made to the pre-debt & after-tax income. The ongoing depreciation that was deducted to calculate taxes was added back because it is not a cash expense. The estimated future capital expenditures were then deducted. In this case, it was estimated that future capital expenditures would be equal to depreciation expense. The final adjustment was a working capital adjustment. This adjustment is based on industry data. After making these final three adjustments, the result, pre-debt & after-tax cash flow, was multiplied by one plus the long-term growth rate. Next year's ongoing free cash flow was then divided by a risk adjusted capitalization rate. The derivation of the capitalization rate is described below.

# Determination of Weighted Average Cost of Capital

There are a few steps involved in calculating the Weighted Average Cost of Capital (WACC). These steps involve calculating the cost of equity, the cost of debt and the determination of an optimal capital structure for the Company.

## **Cost of Equity**

The first step was to begin with the risk-free rate of return on long-term (20-year) U.S. Treasury Coupon Bonds of 3.01%, as reported in the Federal Reserve Bulletin at August 6, 2014.

The next step is to add the common stock equity risk premium and the small stock risk premium. In Duff & Phelps' 2014 Valuation Handbook, the equity risk premium applicable to the Company as of August 6, 2014 is 6.18%. The small stock risk premium of 5.99% (tenth decile), was also calculated in Duff & Phelps' 2014 Valuation Handbook.

The last step is to add a company specific premium, which takes into account additional risks that are specific to the Company. These additional risks include the Company's depth of management, the importance of key

personnel to the Company, the stability of the industry, the stability of the Company's earnings, the Company's earnings margin, the financial structure of the Company, the geographic location of the Company, the diversification of the Company's customer base, and other factors. After considering the above risk factors, it is our opinion, that a company specific premium of 3.0% is appropriate for the Company.

The total of these four factors provides a net cost of equity, which is also called the equity rate, of 18.18%.

#### Cost of Debt

The next step is to determine the cost of debt. To calculate this rate, we began by determining the prime rate at December 31, 2009 as 3.25%. We added two hundred basis points to estimate the borrowing rate of the Company. The result is the net cost of debt, net of estimated tax benefit of approximately 3.28%.

#### WACC

The next step is to determine the WACC using the debt and equity rates that were already calculated. The equity discount rate is multiplied by an equity percentage and the debt discount rate is multiplied by a debt percentage. In this instance, a 71% equity multiple and a 29% debt multiple were used. The percentages were then multiplied by the equity and debt discount rates calculated above and then summed to arrive at the WACC discount rate. As presented on **Exhibit E**, this rate was calculated to be 13.9%. From this amount, a 3.0% growth factor is deducted to arrive at a net cash flow capitalization rate for the next year. The 3.0% growth factor is a long-term growth factor used to adjust the capitalization rate according to how much the Company can expect to grow each year. In this instance, the rate amounts to 10.9%.

# Conclusion of Value under the Capitalized Income Method (Control, Marketable Basis)

After dividing next year's adjusted pre-debt, after-tax cash flow by the capitalization rate, an invested capital value of \$2,859,630 is derived. We then reviewed to determine if the Company carried any excess assets while producing their income stream. We obtained industry data and determined that, based on industry averages, the Company was carrying significant amounts of excess inventory (\$1,044,000) in order to produce the calculated cash flow. As a result, this excess inventory was added to the value of the Company as an excess asset. The theory being that a typical buyer would require only a reasonable level of inventory in the purchase of this business.

The sale price of inventory after the taking was then removed as a mitigation factor because the Company actually received proceeds from the sale of inventory. Not subtracting these proceeds would be double counting, once in the value and once in the actual cash received by the Company upon the sale. In addition, closure costs were added as additional costs.

As presented on **Exhibit C**, the indicated invested capital value of the Company, derived from the capitalized cash flows method after all adjustments, add-back, and deductions was determined to be \$3,380,034, which is stated on a control, marketable basis.

# Discounted Cash Flow Method

This method is a multiple period valuation model that converts a future series of "benefit streams" into value by reducing them to present worth at a rate of return (discount rate) that reflects the risk inherent therein. The "benefit stream" may be pre-tax, after-tax, debt-free, free cash flow, or some other measure as deemed appropriate by and as adjusted by the valuator. Future income or cash flow is determined through accurate projections provided by the company. This method is appropriate where future performance is expected to be different than historical results. In this case, we concluded historic earnings and cash flows are the best

representation of expected future sustainable earnings and cash flows and because a reasonable and accurate forecast could not be prepared.

# Market Approach

Market approach methods were reviewed to determine if third party transactions exist which would provide an indication of the value of the subject entity. The use of comparable companies require the analyst to quantify items of similarity, and adjust the indicated prices to provide for a true measurement of the subject entity's worth. The analyst must show that the comparable transactions are, in fact, comparable to the subject transaction.

We considered the following transactions in the market approach:

- 1. Actual or Proposed Sales of the Subject company
- 2. Transaction Method
- 3. Publicly-Traded Guideline Company Method

# Actual or Proposed Sales of the Subject Company

We are not aware of any recent actual or proposed sales of the Company's common stock so this method can not be used.

#### Transaction Method

This method determines the value of a company by applying multiples from transactions involving comparable companies to its financial data. In this instance, we investigated the market using the Bizcomps and Pratt's Stats databases and were unsuccessful in finding sufficient information regarding the transactions of comparable companies. We have, therefore, not included this analysis in our final conclusion of value.

# Publicly-Traded Guideline Company Method

A market approach using guideline companies requires estimates of (1) ongoing earnings (or a variation thereof such as EBITDA) for the Company; and (2) a capitalization rate (or multiple) derived from publicly-traded guideline companies, as described in the following paragraphs.

#### Search for Guideline Companies

Guideline companies are companies that provide a reasonable basis for comparison to the relevant investment characteristics of a company being valued. Guideline companies are most often publicly-traded companies in the same or similar business as the valuation subject. Guideline companies are used as a basis to develop valuation conclusions with respect to a subject company under the presumption that a similar market exists for the Company as exists for the guideline companies.

Ideal guideline companies are in the same business as the company being valued. However, if there is insufficient transaction evidence in the same business, it may be necessary to consider companies with an underlying similarity of relevant investment characteristics, such as markets, products, growth, cyclical variability, and other salient factors. In this instance, we have considered those companies that are similar based upon their product line.

In performing our search for publicly-traded guideline companies, we followed Business Valuation Standard-V of the American Society of Appraisers. Our procedure for deriving group guideline companies involves the following steps:

- Identify the industry in which the Company operates.
- Identify the Standard Industrial Classification Code (SIC) for the industry in which the Company operates.
- Using Internet search tools, search filings with the Securities & Exchange Commission (SEC) for businesses that are similar to the Company.
- Screen the initial group of companies to eliminate those that have negative earnings, those with a
  negative long-term debt to equity ratio and those companies for which the price of their stock could
  not be obtained.
- Review in detail the financial and operational aspects of the remaining potential guideline companies eliminating those with business lines distinctly different from the Company.

Based on the above criteria, our search did not identify any publicly-traded companies that are similar<sup>+</sup> to the Company. We have, therefore, not included this analysis in our final conclusion of value.

# **BUSINESS DAMAGES CONCLUSION**

Based on our analysis as described in this business damages report, and the facts and circumstances as of the damages date, the damages incurred by the Company related to the taking of the above parcel of Korus Orchid Corporation at August 6, 2014 is \$3,611,000.

This damage conclusion is subject to the Statement of Assumptions and Limiting Conditions found in **Appendix A** of this report and to the Analysts' Representations found in **Appendix B** of this report. 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.

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<sup>&</sup>lt;sup>4</sup> "Similar" in relation to the use of this method refers to publicly-held companies that are the closest to the Company. They might not be identical in operations, but they are close enough in identity to allow for a conclusion on how the Company might react in the public market.

# Appendix A Assumptions and Limiting Conditions

The primary assumptions and limiting conditions pertaining to the damage estimate conclusion(s) stated in this detailed business damage report are summarized below. Other assumptions are cited elsewhere in this report.

- 1. The conclusion of damages arrived at herein is valid only for the stated purpose as of the date of the damage analysis.
- 2. Financial statements and other related information provided by Korus Orchid Corporation 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. CliftonLarsonAllen LLP 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. The conclusion of damages 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.
- 5. This report and the conclusion of damages arrived at herein are for the exclusive use of you and the parties identified in this report for the sole purpose 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 damages 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 damages represents the considered opinion of CliftonLarsonAllen LLP, based on information furnished to them by Korus Orchid Corporation and other sources.
- 6. Neither all nor any part of the contents of this report (especially the conclusion of damages, the identity of any analyst, or the firm with which such damages 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, including but not limited to the Securities and Exchange Commission or other governmental agency or regulatory body, except those identified within this report, without the prior written consent and approval of CliftonLarsonAllen LLP.
- 7. Future services regarding the subject matter of this report, including, but not limited to testimony or attendance in court, shall not be required of CliftonLarsonAllen LLP unless previous arrangements have been made in writing.
- 8. CliftonLarsonAllen LLP 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. CliftonLarsonAllen LLP does not conduct or provide environmental assessments and has not performed one for the subject property. No special subsoil or toxic inspection or engineering studies were requested or conducted. Our report does not take into consideration the existence of any toxic, hazardous, or contaminated substances or materials and the cost of encapsulation treatment or removal of such material, if any. If there is concern over the existence of such conditions and the cost of treatment, a qualified engineer or contractor should be consulted.

- 9. CliftonLarsonAllen LLP has not determined independently whether Korus Orchid Corporation 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.
- 10. No change of any item in this business damage report shall be made by anyone other than CliftonLarsonAllen LLP, and we shall have no responsibility for any such unauthorized change.
- 11. 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.
- 12. Except as noted, we have relied on the representations of the owners, management, and other third parties concerning the value and useful condition of all equipment, real estate, investments used in the business, and any other assets or liabilities, except as specifically stated to the contrary in this report. We have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances or that the entity has good title to all assets. No investigation of legal fees or title to the property has been made, and the owner's claim to the property has been assumed valid.
- 13. The approaches and methodologies used in our work did not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective, presented in accordance with generally accepted accounting principles. We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information in performing our valuation.
- 14. The damage analysis may not be used in conjunction with any other appraisal or study. The damage conclusion(s) stated in this report is based on the program of utilization described in the report, and may not be separated into parts. The report was prepared solely for the purpose, function and party so identified in the report. The report may not be reproduced, in whole or in part, and the findings of the report may not be utilized by a third party for any purpose, except as noted in the report, without the express written consent of CliftonLarsonAllen LI.P.
- 15. Unless otherwise stated in the appraisal, the damage analysis of the business has not considered or incorporated the potential economic gain or loss resulting from contingent assets, liabilities or events existing as of the valuation date.
- 16. The working papers for this engagement are being retained in our files and are available for your reference. We would be available to support our damage conclusion(s) should this be required. Those services would be performed for an additional fee.
- 17. All facts and data set forth in our letter and report are true and accurate to the best of the Appraiser's knowledge and belief.

- 18. All calculations as to damages are presented as the Appraiser's conclusion based on the facts and data set forth in this report.
- 19. During the course of the damage analysis, we have considered information provided by management and other third parties. We believe these sources to be reliable, but no further responsibility is assumed for their accuracy.
- 20. We made an on-site visit to selected Company facilities.
- 21. We have no responsibility or obligation to update this report for events or circumstances occurring subsequent to the date of this report.
- 22. Our report is based on historical financial information provided to us by management and other third parties. This information has not been audited, reviewed or compiled by us, nor has it been subjected to any type of audit, review or compilation procedures by us, nor have we audited, reviewed or compiled the books and records of the subject company. Had we audited, reviewed or compiled the underlying data, matters may have come to our attention which would have resulted in our using amounts which differ from those provided; accordingly, we take no responsibility for the underlying data presented or relied upon in this report.
- 23. Our damages judgment, shown herein, pertains only to the subject business, the stated value standard (fair value), as at the stated valuation date, and only for the stated damages purpose(s).
- 24. The various estimates of value presented in this report apply to the damage report only, and may not be used out of the context presented herein.
- 25. In all matters that may be potentially challenged by a Court or other party we do not take responsibility for the degree of reasonableness of contrary positions that others may choose to take, nor for the costs or fees that may be incurred in the defense of our recommendations against challenge(s). We will, however, retain our supporting workpapers for your matter(s), and will be available to assist in defending our professional positions taken, at our then current rates, plus direct expenses at actual, and according to our then current Standard Professional Agreement.
- 26. The report assumes all required licenses, certificates of occupancy, consents, or legislative or administrative authority from any local, state or national government, or private entity or organization have been or can be obtained or reviewed for any use on which the opinion contained in the report are based.
- 27. The obligations of CliftonLarsonAllen LLP are solely corporate obligations, and no officer, director, employee, agent, contractor, shareholder, owner or controlling person shall be subject to any personal liability whatsoever to any person, nor will any such claim be asserted by or on behalf of any other party to this agreement or any person relying on the report.
- 28. We express no opinion for matters that require legal or other specialized expertise, investigation, or knowledge beyond that customarily employed by business damage analysts.
- 29. Unless stated otherwise in this report, we express no opinion as to: 1) the tax consequences of any transaction which may result, 2) the effect of the tax consequences of any net value received or to be received as a result of a transaction, and 3) the possible impact on the market value resulting from any need to effect a transaction to pay taxes.

- 30. Management is assumed to be competent, and the ownership to be in responsible hands, unless noted otherwise in this report. The quality of business management can have a direct effect on the viability and value of the business.
- 31. We requested, but did not receive information relating to the interest rate on the Company's debt. As a result, we used our judgment in applying an interest rate on the Company's debt.
- 32. We requested, but did not receive, information on the level of closing costs incurred by the Company. As a result, we used our judgment in calculating closing costs.
- 33. We obtained from the Company the calculation of the value of inventory at the date of taking and the amount and quantity of inventory sold subsequent to the taking. No independent testing of these amounts was performed. Any changes to these inventory amounts would change the damage amount.

# Appendix B Analysts' Representations

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

- 1. The statements of fact contained in this detailed business damage report are true and correct.
- 2. The reported analyses, opinions and conclusions of damages are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, independent, unbiased, objective professional analyses, opinions and conclusions.
- 3. I have no present or prospective/contemplated financial or other interest in the business or property that is the subject of this report, and I have no personal financial or other interest or bias with respect to the property or the parties involved.
- 4. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 5. Our compensation for completing this assignment is fee-based and is not contingent upon the development or reporting of a predetermined damages or direction in value, the outcome of the damage analysis, the amount of the damage opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this analysis.
- 6. The economic and industry data included in the valuation report have been obtained from various printed or electronic reference sources that the analysts believe to be reliable. The analysts have not performed any corroborating procedures to substantiate that data.
- 7. The parties for which the information and use of the valuation report is restricted are identified; the valuation report is not intended to be and should not be used by anyone other than such parties.
- 8. The analyst used the work of one or more outside specialists to assist during the damage engagement. The specialist is Mr. Walter N. Carpenter, JR., MAI, CRE with the firm Pinel & Carpenter, Inc.
- 9. The analysts have no obligation to update the report or the opinion of value for information that comes to our attention after the date of the report.
- 10. This report and analysis were prepared under the direction of Les W. Eiserman with significant professional assistance from Jessica C. Soppe.
- 11. The undersigned is an analyst who regularly performs damages and fair value determinations. His background, experience, education, and professional association memberships (and activities) are presented in **Appendix C** and demonstrate our qualifications to perform these valuations.

Les W. Eisen	1/19/15
Les W. Eiserman, CPA/CVA	Date
Principal	
Forensic and Valuation Services Group	

# Appendix C Qualifications of Analyst

# Les W. Eiserman, CPA, CVA

CliftonLarsonAllen LLP

Principal Orlando, FL 407-802-1200

les.eiserman@CLAconnect.com



Principal-in-Charge of the CliftonLarsonAllen Audit and Review Practice in the Orlando Office. Les also serves as the Construction and Real Estate lead for the Southeast US Region. In addition, Les is a member of the CliftonLarsonAllen Construction and Real Estate National Leadership Team. Les has over 30 years of accounting and audit experience. Les spent his first 7 years with an international accounting firm as an audit manager. Les's will utilize industry knowledge and the information obtained through the audit to bring best practice ideas and solutions to the Company's management team.

Les has significant accounting and auditing experience with real estate partnerships. He has been involved with the ZOM entities and has serves as the audit principal on all the real estate partnerships for this entity. In addition, Les served as the audit principal for numerous real estate partnerships managed by Ginn Development. Finally, Les has served as the audit or consulting principal on various other real estate partnerships.

#### PROFESSIONAL EXPERIENCE

- Directly overseeing the planning, performance and review of accounting, litigation, consulting and valuation procedures.
- Over twenty-nine years of auditing and consulting experience.
- Former manager of audit and financial consulting services in the Orlando office of Arthur Andersen & Co.
- Principal and Director of Auditing, Litigation, Accounting and Consulting Services at CliftonLarsonAllen.
- Member of Natoinal Construction and Real Estate Leadership Team at Clifton Larson Allen.
- · Litigation support services, forensic and investigation analysis.
- Over twenty years of valuation services to public and privately held businesses.
- Expert testimony, special master and receivership.

#### PROFESSIONAL AFFILIATIONS

- Member of the American and Florida Institutes of Certified Public
- Accountants.
- Member of the National Association of Certified Valuation Analysts.
- Member of the Association of Certified Fraud Examiners.





- Member of the Business Valuation Forensic Litigation Services division of AICPA.
- Member of the Association for Corporate Growth.
- Member of the Urban Land Institute.
- Member and Advisory Board for the Associated General Contractors of Central Florida.

#### CIVIC AFFILIATION/COMMUNITY INVOLVEMENT

- Board of Directors (past Chairman), Investment and Finance
- Committee member for the Boys and Girls Clubs of Central Florida.
- Member of the University of Central Florida Golden Knights Club (former BOD member).
- Former mentor for the University of Central Florida Student Alumni Association.
- Past President and member of the Executive Committee of the University of Central Florida Alumni Association.
- Member of UCF College of Business Administration Dean's Executive Council.
- Member and former Board of Directors, UCF College of Business Alumni Chapter.
- Member of Leadership Orlando Alumni Association and former member of Board of Directors.
- Former Member and Treasurer of Orangewood Christian School Board.
- Finance Committee of Orangewood Presbyterian Church.
- Board Member and Treasurer of The Jobs Partnership of Central Florida.

#### **EDUCATION AND LICENSES**

- Certified Valuation Analyst.
- · Licensed CPA in the state of Florida.
- · B.S., Accounting, University of Central Florida.
- Masters in Business Administration, University of Central Florida.

#### APPENDIX D

# **National Economy**

## Second Quarter 2014

#### General Economic Overview

#### **Gross Domestic Product**

According to advance 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 4.0% during the second quarter of 2014. The increase in real GDP during the second quarter was attributable to personal consumption expenditures, private inventory investment, exports, nonresidential fixed investment, state and local government spending, and residential fixed investment. Imports, which are subtracted from the national income and product accounts used in the calculation of GDP, increased and partially offset the positive contributors.

The 4.0% increase in real GDP during the second quarter of 2014 was generally higher than economists' expectations and follows a decline of 2.1% in the first quarter of 2014 and an increase of 3.5% in the fourth quarter of 2013. Significantly, first quarter GDP was revised from the advance estimate of growth of 0.1% to a decline of 2.1%. Additionally, revisions spanning the previous three years were also released in order to reconcile GDP and gross domestic income (GDI trends). Economists attribute the GDP growth in part to improving customer spending, which was in turn driven by labor market improvement. Following last quarter's slower growth in durable good purchases, this quarter's purchases of durable goods rose at the fastest rate since the recession's end. Economists generally anticipate growth to continue, although GDP growth is expected to decelerate. A survey of economists conducted by The Wall Street Journal reflects a consensus GDP forecast of 3.1% GDP in the third quarter of 2014.

### **Economic Indicators**

The Conference Board ("TCB") reported that the Leading Economic Index ("LEI"), the government's primary forecasting gauge, increased 0.3% in June 2014 to 102.2, after increases of 0.3% and 0.7% in April and May, respectively. Traditionally, the index is thought to gauge economic activity six to nine months in advance. Multiple consecutive moves in the same direction are said to be indicative of the general direction of the economy. The LEI has increased in each of the last five months.

Economists at the Conference Board view the LEI's performance positively and forecast accelerating economic growth in the second half of 2014. According to Ataman Ozyildirim, an economist at The Conference Board, "Housing permits, the weakest indicator during this period, pose some risk to this improving outlook. But favorable financial conditions, generally positive trends in the labor markets and the outlook for new orders in manufacturing have offset the housing market weakness over the past six months." Ken Goldstein, another economist at The Conference Board, added, "Stronger consumer demand driven by sustained job gains and improving confidence remains the main source of improvement for the U.S. economy. In addition to a stronger housing market, increased business investment could also provide an upside to the overall economy."

Six of the LEI's ten leading economic indicators rose during June 2014. The positive contributors to the LEI (largest to smallest) included the interest rate spread, the Leading Credit Index<sup>TM</sup> (inverted), stock prices, the ISM® new orders index, manufacturers' new orders for nondefense capital goods excluding aircraft, and manufacturers' new orders for consumer goods and materials. Building permits, average weekly manufacturing hours, and average weekly initial claims for unemployment insurance (inverted) declined. Average consumer expectations for business conditions were flat. During the six-month span through June 2014, the LEI increased 2.7%, slower than the 3.5% growth in the previous six month period. In June, the Coincident Economic Index increased 0.5%.

# Historical Business Cycle and Fiscal Situation

The economy deteriorated considerably during the second half of 2008 and continued to display declining performance during the first half of 2009 as crisis engulfed the financial sector, causing significant damage to financial institutions on a global scale. As a result of the crisis, lending activities and market liquidity became constrained, intensifying a downward spiral in the broader economy as businesses struggled to obtain the capital necessary for operations and investment while consumers reduced spending in response to high unemployment and depressive conditions in the housing market.

In late November 2008, the Business Cycle Dating Committee of the National Bureau of Economic Research ("NBER") determined that economic activity in the U.S. had peaked in December of 2007 and that the economy had then entered a state of contraction. In September 2010, the NBER determined that the contraction that began in December 2007 had ended in June 2009. The following table provides perspective concerning NBER business cycles dating from the Great Depression to the present. The 2008/2009 contraction represented the longest of 13 contractions subsequent to the Great Depression.

NBER Business Cycle Reference Dates (1929 - Present)					
Month & Yea	r of Economic	Duration i	in Months of		
Peak	Trough	Contraction	Prior Expansion		
August 1929	March 1933	43	21		
May 1937	June 1938	13	50		
February 1945	October 1945	8	80		
November 1948	October 1949	11	37		
July 1953	May 1954	10	45		
August 1957	April 1958	8	39		
April 1960	February 1961	10	24		
December 1969	November 1970	11	106		
November 1973	March 1975	16	36		
January 1980	July 1980	6	58		
July 1981	November 1982	16	12		
July 1990	March 1991	8	92		
March 2001	November 2001	8	120		
December 2007	June 2009	18	73		

On August 2, 2011 (the date the Treasury Department expected the U.S. to reach its congressionally mandated debt ceiling), President Obama signed the Budget Control Act of 2011 (the "BCA"), ending the debt ceiling crisis in the near term, and thus ameliorating concerns for a default on the nation's debt. The BCA immediately increased the debt ceiling by \$400 billion, with additional increases contingent upon congressional disapproval (i.e., Congress must vote to deny the ceiling increase requests), and created the Joint Select Committee on Deficit Reduction (commonly referred to as the "Supercommittee") tasked with recommending policies to reduce the budget deficit by at least \$1.2 trillion over the next ten years. In the event that a consensus could not be reached by the Supercommittee, the BCA called for automatic spending cuts (the "sequester") starting in 2013. Despite actions to manage both the immediate crisis and the subsequent processes to encourage fiscal discipline, Standard & Poor's lowered the U.S. long-term credit rating from AAA to AA+. The other major credit rating agencies maintained U.S. long-term credit ratings of Aaa and AAA, respectively (both the highest possible credit ratings).

The United States reached its statutory debt limit again on December 31, 2012. In January 2013, Congress passed legislation suspending the federal government's borrowing limit until May 19, 2013. On May 19, the debt ceiling was reset to reflect borrowings through that date, but was not raised above that level. The Treasury Department began employing "extraordinary measures" to avoid breaching the debt ceiling. At the end of September, Treasury Secretary Jacob Lew indicated that these measures would be exhausted no later than October 17, leaving the United States unable to meet all of its obligations after that date.

Political infighting over U.S. federal government's budget led to a government shutdown beginning on October 1, 2013. After 16 days, Congress passed legislation to fund government operations through January 15, 2014 and suspend the debt ceiling through February 7, 2014. According to a report released by the White House in November 2013, the shutdown resulted in an estimated \$2 billion to \$6 billion in lost economic output. In December 2013, Congress passed a budget deal which set spending levels for fiscal 2014 through 2015 and eased automatic spending cuts called for under the sequester. In February 2014, Congress passed legislation raising the debt limit through March 2015 without any conditions. The second quarter was largely devoid of major budget battles. In April 2014, the Congressional Budget Office announced that the federal deficit would fall to \$492 billion during the fiscal year, 32% below its fiscal 2013 level and 4.4% lower than projections earlier in the year. The 2014 deficit, accounting for 2.8% of the national economy, marks the fifth year of deficit decline. The cumulative deficit is anticipated to fall through 2015 before rising again in later years. The deficit resulting from the 2014 budget represents the smallest shortfall since 2008, due to the strengthening economy and reduced unemployment.

#### Geopolitical Developments

In February 2014, widespread protests in Ukraine regarding the government's pro-Russia stance concerning trade negotiations resulted in the removal of President Viktor Yanukovich from office. He was replaced by a provisional pro-EU government appointed by opposition forces. In the wake of these events, Russia annexed Ukraine's Crimea region, which prompted many Western countries to issue sanctions against Russian politicians and companies and offer aid to the provisional Ukrainian government. Fighting between the Ukrainian government and pro-Russia forces has intensified throughout the second quarter despite pro-EU Petro Poroshenko's election as President. U.S. financial markets experienced few short-term effects as a result of the upheaval in Ukraine. Although the Russian stock market fell over 20% between January and mid-March 2014, it has largely recovered and rising oil prices have helped to stabilize the Russian economy. Due to elevated levels of capital outflow from the country, Standard & Poor downgraded Russia's sovereign debt to the lowest possible investment grade rating, BBB-, with a negative outlook in April 2014. Ongoing disruptions in Ukraine could affect gas prices in Europe, slowing growth internationally.

In addition to the danger from Ukraine, upheaval in Iraq could have a significant impact on oil prices. The spread of the Islamic militant group known as ISIS (or ISIL) from Syria into northern Iraq in June 2014 and its subsequent efforts to build an independent state prompted Kurdish forces to seize oil fields in the northern part of the country. While refineries in the south of Iraq were largely unaffected, in June 2014 oil prices reached their highest since September 2013. In June 2014, analysts predicted that falling exports from Iraq, Iran, and Libya could escalate oil prices beyond \$110 per barrel, potentially slowing both domestic and international growth.

## Consumer Spending and Inflation

### Inflation

According to the Bureau of Labor Statistics, the Consumer Price Index ("CPI") increased 0.3% in June 2014 (on a seasonally adjusted basis), following increases of 0.3% and 0.4% in April and May, respectively. The unadjusted CPI stood at 238.3 (CPI-U all urban consumers, 1982-1984 = 100). June's change was largely a function of the gasoline index, which rose 3.3%, two-thirds of all component increases. The Core CPI, which excludes food and energy prices, increased 0.1% in June, following increases of 0.2% and 0.3% in April and May, respectively. The seasonally adjusted annual rate ("SAAR") of inflation for the second quarter was 3.5%, compared with 1.5% and 1.8% in the fourth quarter of 2013 and the first quarter of 2014, respectively. Core inflation was 2.5% (SAAR) in the second quarter of 2014, following rates of 1.6% and 1.8% in the fourth quarter of 2013 and the first quarter of 2014, respectively. Over the previous twelve months, the CPI and Core CPI increased 2.1% and 1.9%, respectively, on an unadjusted basis. The recent low level of inflation has eased concerns related to potential inflationary pressure caused by the Federal Reserve's bond buying activities and gives the central bank more leeway with its accommodative monetary policies.

The Producer Price Index ("PPI"), which is generally recognized as predictive of near-term consumer inflation, increased 0.4% in June 2014 (PPI for final demand, seasonally adjusted), after an increase of 0.6% in April and a decline of 0.2% in May. In January 2014, the BLS transitioned from the Stage of Processing to the Final Demand-Intermediate Demand (FD-ID) aggregation system. The FD-ID system captures a larger portion of the economy (including services and government purchases, of which neither was previously included in PPI measurements). The change in system does limit comparability to prior PPI releases. The core PPI for final demand goods (excluding food and energy) increased 0.1% in June. Decreases in food largely offset increases in energy costs. The final demand goods PPI (excluding foods and energy) increased 0.3% in April and remained stable in May. The final demand services PPI increased 0.3% in June, following an increase of 0.6% in April and a decrease of 0.2% in May. On an unadjusted basis, the twelve-month change in the final demand PPI was 1.9%.

# Retail Sales and Personal Consumption

According to the Census Bureau of the U.S. Department of Commerce, the advance estimates of U.S. retail and food service sales (adjusted for seasonal, holiday, and trading-day differences) for June 2014 were up 0.2% from the previous month and 4.3% above June 2013. This represented the fifth straight month of increases, following a post-holiday season decline in January. Core retail and food service sales (which exclude motor vehicles & parts) were up 0.4% relative to May 2014 and 3.7% relative to June 2013. In the second quarter of 2014, core and food service sales increased 1.8% relative to the first quarter of 2014 and were 3.5% above the level observed in the second quarter of 2013.

Personal consumption spending represents approximately two-thirds of total economic activity and is a primary component of overall economic growth. Real personal consumption spending increased 2.5% in the second quarter of 2014, following increases of 3.7% in the fourth quarter of 2013 and 1.2% in the first quarter of 2014. According to the Bureau of Economic Analysis, durable goods purchases increased 14.0% in the second quarter of 2014, following increases of 5.7% in the fourth quarter of 2013 and 3.2% in the first quarter of 2014.

## **Business and Manufacturing Productivity**

According to the Bureau of Labor Statistics, seasonally adjusted nonfarm business productivity, as measured by the hourly output of all persons, increased at an annual rate of 2.5% in the second quarter of 2014. The productivity increase was a function of the 5.2% increase in output exceeding the 2.7% increase in hours worked. The productivity increase was larger than economists' expectations, and follows a revised 4.5% decrease in productivity during the first quarter of 2014, which represented the largest decrease since 1981. Real hourly compensation increased 0.1% during the second quarter. Annual average productivity increased 1.2% from the second quarter of 2013 to the second quarter of 2014.

Productivity increased 2.0% for the business sector (inclusive of farming activity) in the second quarter of 2014. This was the result of a 4.9% increase in output and a 2.8% increase in hours worked. Manufacturing productivity, generally more volatile in its quarterly measures, increased 3.6% during the quarter.

## **Industrial Production and Capacity Utilization**

According to the Federal Reserve, seasonally adjusted industrial production rose 0.2% in June 2014, after no change in April and an increase of 0.5% in May. Manufacturing output increased 0.1% and mining output increased 0.8%. Second quarter production increased at an annual rate of 5.5%, following increases of 4.9% and 3.9% in the fourth quarter of 2013 and the first quarter of 2014, respectively. Following the large, weather-related spike in the first quarter, utility output declined at an annual rate of 21.4%. In the second quarter, manufacturing output increased at an annual rate of 6.7%, following increases of 4.2% and 1.4% in the fourth quarter of 2013 and the first quarter of 2014, respectively.

Seasonally adjusted capacity utilization was 79.1% in June 2014, after measures of 79.0% and 79.1% in April and May, respectively. June 2014's overall capacity increased 2.6% over June 2013's capacity. Capacity utilization increased 1.7% over the last twelve months. Capacity utilization for the second quarter measured 79.1%. During the fourth quarter of 2013 and the first quarter of 2014, capacity utilization measured 78.4% and 78.6%, respectively. Capacity utilization remains below the historical average of approximately 80% dating back to the early 1970s, but has increased steadily from levels experienced at the apex of the financial crisis. High rates of capacity utilization (generally above 80%) can be a harbinger of higher inflation as incremental output becomes more difficult to achieve without higher wages and capital investment. Continuing increases in utilization measures suggest the potential for a renewal of business investment in the foreseeable future.

# The Financial Markets

Broad market equity indices exhibited generally upward performance in the second quarter of 2014. The S&P 500 and the NASDAQ both posted six consecutive quarters of gains, a trend not seen since 2000. The Dow Jones has recorded five quarters with gains out of the last six. Yields on two-, three-, and five-year U.S. Treasury securities rose during the second quarter.

- » The Dow Jones Industrial Average ended the second quarter of 2014 at 16826.60, up 2.2% for the quarter, following gains of 9.6% in the fourth quarter of 2013 and a loss of 0.7% in the first quarter of 2014. The Dow was up 26.5% for all of 2013.
- » The S&P 500 Index increased 4.7% during the first quarter to close at 1960.23, following a 9.9% increase in the fourth quarter of 2013 and a 1.3% increase in the first quarter of 2014. The S&P 500 was up 29.6% in 2013.
- » The NASDAQ Composite Index rose 5.5% during the first quarter to close at 4408.18, following gains of 10.7% in the fourth quarter of 2013 and 0.5% in the first quarter of 2014. For all of 2013 the NASDAQ was up 38.3%.
- » The broad market Wilshire 5000 Index closed at 20862.74, up 4.3% for the quarter, following gains of 9.6% in the fourth quarter of 2013 and 1.5% in the first quarter of 2014. It was up 31.4% for all of 2013.

Standard & Poor's downgrade of America's credit rating in August 2011 had the somewhat ironic effect of causing a rally in Treasuries as investors fled to quality, pushing down yields. The yield on ten-year Treasury securities set a historic low in 2011 before falling even further in 2012.

In mid-June 2013, then Federal Reserve Chairman Ben Bernanke discussed potentially slowing the rate of central bank Treasury security and mortgage-backed security purchases later in the year (widely referred to in the media as "tapering"), causing longer-term Treasury yields to increase in the third quarter of 2013. However, yields declined in late September 2013 after the Federal Reserve announced that it would not begin tapering asset purchases, but subsequently rebounded that December as the Federal Reserve announced that it would reduce its bond buying activities beginning in January 2014. During the first two quarters of 2014, longer-term yields have generally fallen. Bond prices are negatively correlated with their respective yields, which can shift abruptly due to investor reactions to major variances in reported economic data versus market expectations (e.g., expected inflation, growth, monetary policy, other Federal Reserve actions). Economists surveyed by *The Wall Street Journal* anticipate yields to rise over the next several years.

### Housing Market

Home building activity has traditionally been a primary driver of overall economic activity because new home construction stimulates a broad range of industrial, commercial, and consumer spending and investment. According to the U.S. Census Bureau, new privately-owned housing starts were at a seasonally adjusted annualized rate of 893,000 units in June 2014, 9.3% below the revised May rate of 985,000 units, but 7.5% above the June 2013 level. The June 2014 level of housing starts represents a nine-month low and the decline between May and June was largely driven by a record drop of starts in southern states. The seasonally adjusted annual rate of private housing units authorized by building permits (considered the best indicator of future housing starts) was 963,000 units in June 2014, 4.2% below the revised May estimate of 1,005,000, but 2.7% above the June 2013 level.

According to the National Association of Realtors, existing-home sales (at a seasonally adjusted annual rate) totaled 5.04 million in June 2014, 2.6% above the May level, but 2.3% below the June 2013 level. Housing inventory stood at 2.30 million existing homes, representing approximately 5.5 months of supply at the current sales pace. The national median existing-home price increased 4.3% relative to June 2013. The increase in home prices was driven, in part, by the declining number of distressed home sales. Distressed sales, which include foreclosures and short sales, accounted for approximately 11% of sales in June 2014, relative to 15% of home sales in June 2013.

Overall, the June 2014 data indicate that the housing market recovery has slowed. It has improved considerably from the depths of the financial crisis, though the market remains well below highs seen in 2005 and 2006. Going forward, higher interest rates and tighter underwriting standards for mortgages pose additional risks to the housing market recovery.

# Unemployment and Payroll Jobs

According to the Labor Department's Bureau of Labor Statistics ("BLS"), the unemployment rate was 6.1% in June 2014, down slightly from 6.3% in both April and May. Unemployment rates increased steadily throughout 2008 and into 2009, peaking at a level of 10% in October 2009. The October 2009 unemployment rate represented the highest level since 1983. The June 2014 rate is the lowest rate since September 2008. While the June unemployment rate is lower than rates observed over the past several years, the labor force participation rate is also generally lower. The last time in which labor force participation was lower than its current level was 1978. As job availability increases, the labor force will likely increase due to individuals re-entering the workforce, which could lead to an increase in the unemployment rate in the short

term. Economists surveyed by The Wall Street Journal anticipate a continued decline to 5.9% by year-end 2014.

The number of nonfarm payroll jobs increased by 288,000 in June 2014, slightly above economists' expectations. June's gain follows increases of 304,000 and 224,000 jobs in April and May, respectively. Between 2008 and 2010, the economy lost more than 8.7 million nonfarm payroll jobs. In 2013, the economy added 2.3 million nonfarm payroll jobs, with the private services sector being the largest producer of jobs. Economists surveyed by The Wall Street Journal anticipate payroll gains of approximately 212,000 jobs per month over the next year. Population growth was estimated to add approximately 100,000 individuals to the workforce per month.

# Monetary Policy and Interest Rates

The Federal Reserve's Open Market Committee ("FOMC") lowered its target for the federal funds rate to a range of 0% to 0.25% during the fourth quarter of 2008, representing a total rate cut of 175 to 200 basis points during the quarter. Target rates were held steady during 2009 and have remained unchanged through the second quarter of 2014. In September 2012, the FOMC announced that rates would likely stay low until mid-2015. In December 2012, the mid-2015 language was replaced with more explicit language regarding unemployment and inflationary thresholds which must be met before the target federal funds rate will be changed. The FOMC stated that the target range for the federal funds rate would remain at low levels while near-term inflation expectations do not exceed the Fed's 2% long-run goal by more than 0.5 percentage points and longer-term inflation expectations continue to be well anchored. In March 2014, the FOMC dropped its reference to a 6.5% unemployment rate as guidance, referencing the difficultly in determining the strength of the labor market amid shrinking payrolls and part-time workers seeking full-time employment, both of which exert a downward pressure on the traditionally calculated unemployment. The FOMC stressed that it remained committed to its goal of returning to full employment, but has not set a firm definition of "full employment".

The Federal Reserve has undertaken several accommodative monetary policy actions to keep interest rates low in an effort to spur the economic recovery. Currently, those actions include the purchase of agency mortgage-backed securities and long-term Treasury securities. The December 2013 FOMC statement indicated that asset purchases would be reduced by \$10 billion (in aggregate) per month, beginning in January 2014. These reductions have occurred as scheduled through June 2014. In a June press conference, Chairwomen Yellen stated that the Federal Reserve would begin "purchasing \$35 billion of securities per month, down \$10 billion from our current rate. Even after today's action takes effect, we will continue to expand our holdings of longer-term securities, and we will also continue to roll over maturing Treasury securities and reinvest principal payments from the FOMC's holding of agency debt and agency mortgage-backed securities in agency mortgage-backed securities. These sizable and still-increasing holdings will continue to put downward pressure on longer-term interest rates, support mortgage markets, and make financial conditions more accommodative, helping to support job creation and a return of inflation to the Committee's objective." Chairwoman Yellen further noted that "purchases are not on a preset course, and the Committee's decisions about the pace of purchases remain contingent on its outlook for jobs and inflation as well as its assessment of the likely efficacy and costs of such purchases." If the reductions continue at the current pace, the program would wind down in late 2014.

Information received by the FOMC indicated that economic growth has rebounded. Fiscal policy continues to restrain growth, but with less of an effect than in previous quarters. The unemployment rate has declined but remains elevated relative to full employment levels seen prior to the recession. While household spending and business fixed investment have shown improvement, the housing sector recovery has slowed in recent months. Inflation in recent periods has been lower than the FOMC's long-run objective, though long-term expectations have remained stable. The FOMC expects economic growth to continue, with projected real GDP growth in 2015 and 2016 exceeding long-run expectations. In light of the job market growing faster than inflation, the FOMC revised its guidance relating to ongoing taper actions. In its most recent press release, the FOMC again stated that the federal funds rate may remain lower "than normal in the long run" even after inflation and employment near mandate levels, based on future economic conditions. The FOMC continued to emphasize that it will be considering broader representations of the labor market beyond the traditionally calculated unemployment rate when assessing the health of the labor market. Additionally, Chairwoman Yellen indicated that there was no predetermined length of time scheduled to pass between the termination of the bond buying program and a subsequent increase in the federal funds rate.

The following was excerpted from the Federal Reserve's June 18th press release:

Information received since the Federal Open Market Committee met in April indicates that growth in economic activity has rebounded in recent months. Labor market indicators generally showed further improvement. The unemployment rate, though lower, remains elevated. Household spending appears to be rising moderately and business fixed investment resumed its advance, while the recovery in the housing sector remained slow. Fiscal policy is restraining economic growth, although the extent of restraint is diminishing. Inflation has been running helow the Committee's longer-run objective, but longer-term inflation expectations have remained stable.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects that, with appropriate policy accommodation, economic activity will expand at a moderate pace and labor market conditions will continue to improve gradually, moving toward those the Committee judges consistent with its dual mandate. The Committee sees the risks to the outlook for the economy and the labor market as nearly balanced. The Committee recognizes that inflation persistently below its 2 percent objective could pose risks to economic performance, and it is monitoring inflation developments carefully for evidence that inflation will move back toward its objective over the medium term.

The Committee currently judges that there is sufficient underlying strength in the broader economy to support ongoing improvement in labor market conditions. In light of the cumulative progress toward maximum employment and the improvement in the outlook for labor market conditions since the inception of the current asset purchase program, the Committee decided to make a further measured reduction in the pace of its asset purchases. Beginning in July, the Committee will add to its holdings of agency mortgage-backed securities at a pace of \$15 billion per month rather than \$20 billion per month, and will add to its holdings of longer-term Treasury securities at a pace of \$20 billion per month rather than \$25 billion per month. The Committee is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction. The Committee's sizable and still-increasing holdings of longer-term securities should maintain downward pressure on longer-term interest rates, support mortgage markets, and help to make broader financial conditions more accommodative, which in turn should promote a stronger economic recovery and help to ensure that inflation, over time, is at the rate most consistent with the Committee's dual mandate.

The Committee will closely monitor incoming information on economic and financial developments in coming months and will continue its purchases of Treasury and agency mortgage-backed securities, and employ its other policy tools as appropriate, until the outlook for the labor market has improved substantially in a context of price stability. If incoming information broadly supports the Committee's expectation of ongoing improvement in labor market conditions and inflation moving back toward its longer-run objective, the Committee will likely reduce the pace of asset purchases in further measured steps at future meetings. However, asset purchases are not on a preset course, and the Committee's decisions about their pace will remain contingent on the Committee's outlook for the labor market and inflation as well as its assessment of the likely efficacy and costs of such purchases.

To support continued progress toward maximum employment and price stability, the Committee today reaffirmed its view that a highly accommodative stance of monetary policy remains appropriate. In determining how long to maintain the current 0 to 1/4 percent target range for the federal funds rate, 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 developments. The Committee continues to anticipate, based on its assessment of these factors, that it likely will be appropriate to maintain the current target range for the federal funds rate for a considerable time after the asset purchase program ends, especially if projected inflation continues to run below the Committee's 2 percent longer-run goal, and provided that longer-term inflation expectations remain well anchored.

When the Committee decides to begin to remove policy accommodation, it will take a balanced approach consistent with its longer-run goals of maximum employment and inflation of 2 percent. The Committee currently anticipates that, even after employment and inflation are near mandate-consistent levels, economic conditions may, for some time, warrant keeping the target federal funds rate below levels the Committee views as normal in the longer run.

Valuation for Litigation Purposes Valuation Summary As of August 6, 2014

Exhibit A

				Control, etable Basis	Weighting
et Approach:			***************************************		adversall date of the feet with the control of the state
et asset value method	Exhibit B		\$	3,611,368	100%
nme Approach:					
apitalized cash flow method	Exhibit C		\$	3,380,034	0%
n Conclusion  uation Conclusion of a 100% Invested us Orchid Corporation (C-Corp.)	d Capital Interest in				
trol, Marketable Basis			\$	3,611,368	
es: Interest being valued				100%	
uation Conclusion of a 100% Invested us Orchid Corporation (C-Corp.)	d Capital Interest in	Rounded	\$	3,611,000	
trol, Marketable Basis					

Valuation for Litigation Purposes Asset Approach - Net Asset Value Method As of August 6, 2014

Exhibit B

nalysis of Assets	
Category of Assets	Adjusted Book Value
Inventory (a)	1,971,838
Land and buildings acquired (b)	2,163,125
Total Assets	\$ 4,134,963
Value of Invested Capital	£ 4134.063
Value of Invested Capital	\$ 4,134,963
Less: Sale price of inventory	(573,595)
Add: Closure costs	50,000
Indicated invested capital value Korus Orchid Corporation (C-Corp.) (Control, Marketable Basis)	\$ 3,611,368
otes:	

<sup>(</sup>a) Plant inventory is at fair market value as of August 16, 2014.
(b) Land and buildings at fair market value as of November 8, 2013 per a real estate appraisal performed by Pinel & Carpenter, Inc.

oing Cash Flow Analysis	quarre	and the second second second				
		2010	2011	2012	2013	2014
Adjusted pretax income (a)	\$	(175,231) \$	45,356 \$	114,995 \$	582,464 \$	319,215
Add: Interest expense (b)		91,257	89,549	79,275	65,946	71,913
Adjusted EBIT		(83,973)	134,905	194,270	648,410	391,128
Add: Amortization (b) Add: Depreciation (b)		4,336 132,239	3,908 123,259	1,883 109,592	1,411 81,219	1,589 114,980
Adjusted EBITDA	\$	52,602 \$	262,072 \$	305,745 \$	731,040 \$	507,698
Times: Weighting (c)			-	-	1	1
Ongoing EBITDA Less: Ongoing depreciation (d)	S	619,369 105,000				
Ongoing EBIT Less: Income taxes at 37.6%		514,369 193,403				
Ongoing pre-debt income		320,966				
Add: Ongoing depreciation Less: Incremental working capital (e) Less: Capital expenditures (f)		105,000 18,345 105,000				
Ongoing free cash flow	\$	302,621				
italization of Cash Flow	A. Carrier					
Ongoing free cash flow Times: 1 + long-term growth	\$	302,621 1.03				
Next year's ongoing free cash flow Divide by: Capitalization rate		311,700 10.9%				
Invested capital value Add: Excess inventory Less: Sale price of inventory Add: Closure costs		2,859,630 1,044,000 (573,595) 50,000				
Estimated value of invested capital Korus Orchid Corporation (C-Corp.) (Control, Marketable basis)	\$	3,380,034				

#### Notes:

- (a) See Exhibit H.
- (b) See Exhibit F.
- (c) See report for details.
- (d) Estimated based on historical depreciation.
- (e) Based on BizMiner data.
- (f) Set equal to depreciation expenses.

Valuation for Litigation Purposes Cost of Capital - Calculation of Cost of Equity As of August 6, 2014

Exhibit D

# **Cost of Equity**

	Buildup
Risk free rate (a)	3.01%
Add: Equity risk premium (b)	6.18%
Add: Size premium (c)	5.99%
Add: Specific risk factors (d)	3.00%
Estimated Cost of equity	18.18%

#### Notes:

- (a) Long-term government bonds & notes with 20 years to maturity, as of August 06, 2014. Source: Federal Reserve Statistical Release.
- (b) The equity risk premium is based on total returns of large company stocks in excess of CAPM, less total returns of long-term government bonds, arithmetic a Source: Duff & Phelps, LLC, 2014 Valuation Handbook Guide to Cost of Capital, 2014 ("Valuation Handbook").
- (c) The 5.99% size premium is from the Valuation Handbook and is for the 10th decile.
- (d) See report for details.

Valuation for Litigation Purposes Weighted Average Cost of Capital As of August 6, 2014

Exhibit E

Cost of Debt					
Prime lending rate as of valuation date (	a)	3.25%			
Add: Risk premium (b)		2.00%			
Net cash flow debt discount rate (Pre-Ta	ax)	5.25%			
Estimated After-Tax Cost of Debt (c)		3.28%			
Weighted Average Cost of Capital (d)					
Cost of equity (e) Multiply by: equity percentage Equity rate of weighted average cos	st of capital	18.18% 71.00%	12.91%		
Cost of debt Multiply by: debt percentage Debt rate of weighted average cost	of capital	3.28% 29.00%	0.95%		
Weighted Average Cost of Capital	Rounded	13.9%	13.86%		
Less: Average growth rate		***************************************	3.00%		
Capitalization Rate	Rounded	10.9%	10.86%		

#### Notes

- (a) Prime Interest Rate as of August 06, 2014. Source: Federal Reserve Statistical Release.
- (b) See report for details.
- (c) Pre-tax cost of debt multiplied by 1 tax rate of 38%.
- (d) Assumes Debt to Equity Ratio of 29% debt and 71% equity.
- (e) See Exhibit D.

			F	ear Ended June 3	0		F 14	2 10
		2010	2011	2012	2013	2014	5-Yr Avg	3-Yr Avg
Net Revenue	\$	1,383,552 \$	1,610,521 \$	1,629,472 \$	2,909,744 \$	2,618,950	\$ 2,030,448	\$ 2,386,0
Cost of Goods Sold								
Inventory		682,100	574,272	607,715	1,451,498	1,402,648	943,647	1,153,9
Labor		246,531	186,661	175,579	275,016	288,978	234,553	246,5
Bark/Moss		21,070	24,393	34,588	85,313	35,303	40,133	51,7
Fertilizer/chemicals		27,211	19,017	5,320	7,609	15,983	15,028	9,6
Fuel		44,840	97,720	43,755	11,403	6,611	40,866	20,5
Supplies		55,193	91,482	73.724	102,917	116,686	88,000	97,7
Freight/customs		31,813	22,771	72,605			29,786	
			22,111		13,392	8,350		31,4
Delivery service		2,150	-	6,260	-	5,033	2,689	3,7
Selling expense	Contract contract contract	-		-	-	6,685	1,337	2,2
Total Cost of Goods Sold	-	1,110,907	1,016,316	1,019,546	1,947,147	1,886,276	1,396,038	1,617,6
Gross Profit		272,645	594,205	609,926	962,597	732,674	634,409	768,3
Operating Expenses								
Amortization		4,336	3.908	1,883	1.411	1,589	2,626	1,6
Depreciation - Op Ex		132,239	123,259	109,592	81,219	114,980	112,258	
Repairs & maintenance								101,9
		11,767	29,261	22,600	8,880	17,360	17,974	16,2
Bad debts		19,491		12,364			6,371	4,:
Taxes & licenses		35,135	30,739	32,291	64,093	65,461	45,544	53,9
Advertising		150	150	3,120	10,257		2,735	4,4
Auto expense		9,422	11,827	13,005	21,923	17,913	14,818	17,6
Bank service charges		459	450	572	837	634	590	
Cables			1,964	649	1,101	306	804	
Day worker		30,212	64,482	78,270	1,101			
					77.5.5	1,626	34,918	26,6
Credit card fee		8,556	8,823	6,172	7,542	9,434	8,106	7,
Dues & subscriptions		415	415	285	360	285	352	3
Finance charge		6,319	5,324	5,523	4,783	2,526	4,895	4,2
Insurance		44,658	72,447	73,551	51,858	48,122	58,127	57,8
Office & postage expense		3,810	3,245	4,903	4,495	2,862	3,863	4,0
Professional fees		7,209	7,806	8,887	12,496	10,970	9,474	10,
Supplies								
		3,152	2,006	1,537	1,473	1,688	1,971	1,5
Telephone		7,421	7,502	7,589	6,894	7,564	7,394	7,3
Trainee expense		20,295	38,812	21,033	14,986	13,085	21,642	16,3
Travel		5,946	3,586	2,281	68	3,013	2,979	1.
Utilities		15,128	10,762	11,833	12,216	8,311	11,650	10.
Workers comp		3,411	2,332	2,294	2,679	3,192	2,782	2,
Bond		450	2,002	500	2,073	651	320	
		256			-			
Medical expense		256		260	55	730	260	3
Telecheck		-		297	360	360	203	
Meals & entertainment		5,813	4,223	6,795	4,358	8,916	6,021	6,
Employee benefit programs		-	25,000	-	-		5,000	
Consultation			1,000		-		200	
Contributions		200	250		300	2,200	590	
Laundry & uniforms		-	-	-	-	-,0	-	
Meeting expense							-	
Exhibit expense		60					4.5	
otal Operating Expenses		376,309	459,573	428,086	314,645	343,776	384.478	362,:
Operating Income	-	(103,664)	134,632	181,840	647,952	388,897	249,932	
Other Income (Expense)	-	(200,004)	137,032	101,040	047,332	300,037	447,332	406,2
Interest income			23	66	57	31	36	
Interest expense		(91 257)	(89,549)					170
Grants- US Agri		(91,257)		(79,275)	(65,946)	(71,913)	(79,588)	(72,3
0			6,858		~		1,372	
Other income			-	-	100	-	20	
Fotal Other Income (Expense)		(91,257)	(82,668)	(79,209)	(65,788)	(71,882)	(78,161)	(72,2
arnings Before Taxes	\$	(194,922) \$	51,964 \$	102,631 \$	582,164 \$	317,015	\$ 171,770	\$ 333,9
Distributions	\$	. \$	- \$	- \$		N/A	N/A	N/A
DISTRIBUTIONS				The second supplied that the second supplied to the second supplied				
	-	(103 EEA)	1/11 512	191 000	EAR 110	200 020	254 250	4000
EBIT		(103,664)	141,513	181,906	648,110	388,928	251,359	406,3

Notes:
(a) Federal tax returns and complied financial statements

					The last term of the la
		For the Ye	ar Ended June 30,	Mark & Blanch	
	2010	2011	2012 2	2013	2014
Net Revenue	\$ \$	- \$	\$	- \$	-
Cost of Goods Sold					
Inventory					
Labor	-				
Bark/Moss					-
Fertilizer/chemicas					
Fuel					-
Supplies					
Freight/customs	_				
Delivery service					
Selling expense	-				
Total Cost of Goods Sold			-		-
Gross Profit	=	-	-	-	
Operating Expenses					
Officer's compensation					
Rent expense				-	
Amortization		-		-	-
Depreciation - Op Ex	-	-	-		
Repairs & maintenance	(40.404)		(10.001)		
Bad debts (a)	(19,491)		(12,364)		
Taxes & licenses	-		-		-
Advertising					
Auto expense	-		-		
Bank service charges					
Cables	-				
Day worker				-	-
Credit card fee					
Dues & subscriptions		100		-	-
Finance charge					
Insurance		-			
Office & postage expense					
Professional fees	-				
Supplies					
Telephone					
Trainee expense					
Travel					
Utilities	*				
Workers comp					
Bond					-
Medical expense		-			
Control of the Contro			-		-
Telecheck					
Meals & entertainment					
Employee benefit programs					
Consultation					
Contributions (b)	(200)	(250)		(300)	(2,20
Laundry & uniforms	*	~			
Meeting expense					-
Exhibit expense	-	.7		4	-
Total Operating Expenses	(19,691)	(250)	(12,364)	(300)	(2,20
Operating Income	19,691	250	12,364	300	2,20
Other Income (Expense)					
Interest income			-		
Interest income					-
Grants- US Agri (c)		(6,858)			
Other income		(0,000)			
Total Other Income (Expense)		(6,858)	-	*	-
	A				
Earnings Before Taxes	\$ 19,691 \$	(6,608) \$	12,364 \$	300 \$	2,20

<sup>(</sup>a) Bad debts were removed as non-recurring.
(b) Contributions were removed as non-operational.
(c) Grants- US Agri was removed as non-recurring.
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			ear Ended June 3	The second secon		5-Yr	3-Yr
	 2010	2011	2012	2013	2014	Avg	Avg
Net Revenue	\$ 1,383,552 \$	1,610,521 \$	1,629,472 \$	2,909,744 \$	2,618,950	\$ 2,030,448	\$ 2,386,0
Cost of Goods Sold							
Inventory	682,100	574,272	607,715	1,451,498	1,402,648	943,647	1,153,9
Labor	246,531	186,661	175,579	275,016	288,978	234,553	246,5
Bark/Moss	21,070	24,393	34,588	85,313	35,303	40,133	51,7
Fertilizer/chemicals	27,211	19,017	5,320	7,609	15,983	15,028	9,6
Fuel	44,840						
		97,720	43,755	11,403	6,611	40,866	20,5
Supplies	55,193	91,482	73,724	102,917	116,686	88,000	97,7
Freight/customs	31,813	22,771	72,605	13,392	8,350	29,786	31,4
Delivery service	2,150	-	6,260	-	5,033	2,689	3.7
Selling expense	-				6,685	1,337	2,2
Total Cost of Goods Sold	 1,110,907	1,016,316	1,019,546	1,947,147	1,886,276	1,396,038	1,617,6
Gross Profit	272,645	594,205	609,926	962.597	732,674	634,409	768,3
3,033,770116	 272,043	334,203	005,520	302,337	132,014	034,403	700,3
Operating Expenses							
Amortization	4,336	3,908	1,883	1,411	1,589	2,626	1,6
Depreciation - Op Ex	132,239	123,259	109,592	81,219	114,980	112,258	101,9
Repairs & maintenance	11,767	29,261	22,600	8,880	17,360	17,974	16,3
Bad debts	-			-,000	17,300	21,514	1.0,2
Taxes & licenses	35,135	30,739	32,291	64.093	65,461	45,544	E 2 /
Advertising	150	150		and the second	05,401		53,9
			3,120	10,257		2,735	4,4
Auto expense	9,422	11,827	13,005	21,923	17,913	14,818	17,6
Bank service charges	459	450	572	837	634	590	€
Cables	-	1,964	649	1,101	306	804	6
Day worker	30,212	64,482	78,270	_,	1,626	34,918	26,6
Credit card fee	8,556			7 5 42			
		8,823	6,172	7,542	9,434	8,106	7,7
Dues & subscriptions	415	415	285	360	285	352	3
Finance charge	6,319	5,324	5,523	4,783	2,526	4,895	4,2
Insurance	44,658	72,447	73,551	51,858	48,122	58,127	57,8
Office & postage expense	3,810	3,245	4,903	4,495	2,862	3,863	4,0
Professional fees	7,209	7,806	8,887	12,496	10,970	9,474	10,7
Supplies	3.152						
		2,006	1,537	1,473	1,688	1,971	1,5
Telephone	7,421	7,502	7,589	6,894	7,564	7,394	7,3
Trainee expense	20,295	38,812	21,033	14,986	13,085	21,642	16,3
Travel	5,946	3,586	2,281	68	3,013	2,979	1,7
Utilities	15,128	10,762	11,833	12,216	8,311	11,650	10.7
Workers comp	3,411	2,332	2,294	2,679	3,192	2,782	2,7
Bond	450	2,332		2,075			
			500	-	651	320	3
Medical expense	256		260	55	730	260	
Telecheck	-	-	297	360	360	203	
Meals & entertainment	5,813	4,223	6,795	4.358	8,916	6,021	6,6
Employee benefit programs	2,023	25,000	0,100	7,550	0,510		U,
Consultation	-		-	-	-	5,000	
		1,000				200	
Contributions		-			-	-	
Laundry & uniforms	-	-	-	-		-	
Meeting expense						-	
Exhibit expense	 60	-				12	
otal Operating Expenses	356,618	459,323	415,722	314,345	341,576	377,517	357,2
perating Income	(83,973)	134,882	194,204	648,252	391,097	256,893	A11 1
peracing meaning	(00,070)	137,002	134,204	040,232	331,037	430,033	411,1
Other Income (Expense)							
Interest income		23	66	57	31	36	
Interest expense	(91,257)	(89,549)	(79, 275)	(65,946)	(71,913)	(79,588)	(72,3
Grants- US Agri	1,,	( / 10 / 10 /	(,)	(00/0-0/	( )	(15,500)	(16,0
Other income		-	-	100		3.0	
	 /04 2575	(00 500)	/70 2001	100	/9	20	
otal Other Income (Expense)	 (91,257)	(89,526)	(79,209)	(65,788)	(71,882)	(79,533)	(72,2
arnings Before Taxes	\$ (175,231) \$	45,356 \$	114,995 \$	582,464 \$	319,215	\$ 177,360	\$ 338,8
Distributions	\$ - \$	\$	\$	-	N/A	N/A	N/A
	(02 072)				204 420	350 040	411,2
BIT	(83,973)	134,905	194,270	648,410	391,128	256,948	411

Notes:

			ear Ended June 30			5-Yr	3-Yr
	2010	2011	2012	2013	2014	Avg	Avg
Net Revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.0
Cost of Goods Sold							
Inventory	49.30%	35.66%	37.30%	49.88%	53.56%	45.14%	46.9
Labor	17.82%	11.59%	10.78%	9.45%	11.03%	12.13%	10.4
Bark/Moss	1.52%	1.51%	2.12%	2.93%	1.35%	1.89%	2.3
Fertilizer/chemicals	1.97%	1.18%	0.33%	0.26%	0.61%	0.87%	0.4
Fuel	3.24%	6.07%	2.69%	0.39%	0.25%	2.53%	1.:
Supplies	3.99%	5.68%	4.52%	3.54%	4.46%	4.44%	4.
Freight/customs	2.30%	1.41%	4.46%	0.46%	0.32%	1.79%	1.
Delivery service	0.16%	0.00%	0.38%	0.00%	0.19%	0.15%	0.
Selling expense	0.00%	0.00%	0.00%	0.00%	0.26%	0.05%	0.
Total Cost of Goods Sold	80.29%	63.10%	62.57%	66.92%	72.02%	68.98%	67.
Gross Profit	19.71%	36.90%	37.43%	33.08%	27.98%	31.02%	32.
Operating Expenses							
Amortization	0.31%	0.24%	0.12%	0.05%	0.06%	0.16%	0.
Depreciation - Op Ex	9.56%	7.65%	6.73%	2.79%	4.39%	6.22%	4.
Repairs & maintenance	0.85%	1.82%	1.39%	0.31%	0.66%	1.00%	0.
Bad debts	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Taxes & licenses	2.54%	1.91%	1.98%	2.20%	2.50%	2.23%	0.1
Advertising	0.01%	0.01%	0.19%	0.35%	0.00%		2
					0.00.	0.11%	0.
Auto expense	0.68%	0.73%	0.80%	0.75%	0.68%	0.73%	0.
Bank service charges	0.03%	0.03%	0.04%	0.03%	0.02%	0.03%	0.
Cables	0.00%	0.12%	0.04%	0.04%	0.01%	0.04%	0.
Day worker	2.18%	4.00%	4.80%	0.00%	0.06%	2.21%	1.
Credit card fee	0.62%	0.55%	0.38%	0.26%	0.36%	0.43%	0.
Dues & subscriptions	0.03%	0.03%	0.02%	0.01%	0.01%	0.02%	0.
Finance charge	0.46%	0.33%	0.34%	0.16%	0.10%	0.28%	0
Insurance	3.23%	4.50%	4.51%	1.78%	1.84%	3.17%	2.
Office & postage expense	0.28%	0.20%	0.30%	0.15%	0.11%	0.21%	0.
Professional fees	0.52%	0.48%	0.55%	0.43%	0.42%	0.48%	0.
Supplies	0.23%	0.12%	0.09%	0.05%	0.06%	0.11%	0.
Telephone	0.54%	0.47%	0.47%	0.24%	0.29%	0.40%	0.
Trainee expense	1.47%	2.41%	1.29%	0.52%	0.50%	1.24%	0.
Travel	0.43%	0.22%	0.14%	0.00%	0.12%	0.18%	0.
Utilities	1.09%	0.67%	0.73%	0.42%	0.32%	0.65%	0.
Workers comp	0.25%	0.14%	0.14%	0.09%	0.12%	0.15%	0.
Bond	0.03%	0.00%	0.03%	0.00%	0.02%	0.02%	0.
Medical expense	0.02%	0.00%					
			0.02%	0.00%	0.03%	0.01%	0.
Telecheck	0.00%	0.00%	0.02%	0.01%	0.01%	0.01%	0.
Meals & entertainment	0.42%	0.26%	0.42%	0.15%	0.34%	0.32%	0.
Employee benefit programs	0.00%	1.55%	0.00%	0.00%	0.00%	0.31%	0.
Consultation	0.00%	0.06%	0.00%	0.00%	0.00%	0.01%	0.
Contributions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.
Laundry & uniforms	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.
Meeting expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.
Exhibit expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.
Total Operating Expenses	25.78%	28.52%	25.51%	10.80%	13.04%	20.73%	16.
Operating Income	-6.07%	8.38%	11.92%	22.28%	14.93%	10.29%	16.
Other Income (Expense)							
Interest income	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.
Interest expense	-6.60%	-5.56%	-4.87%	-2.27%	-2.75%	-4.41%	-3.
Grants- US Agri	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.
Other income	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.
Total Other Income (Expense)	-6.60%	-5.56%	-4.86%	-2.26%	-2.74%	-4.40%	-3.
Earnings Before Taxes	-12.67%	2.82%	7.06%	20.02%	12.19%	5.88%	13.
Distributions (Percent of EBT)	0.00%	0.00%	0.00%	0.00%		0.00%	0.
EBIT	-6.07%	8.38%	11.92%	22.28%	14.93%	10.29%	16.
EBITDA	3.80%	16.27%	18.76%	25.12%	19.39%	16.67%	21.

Current Assets						A	of June 30,				
Cash and equivalents			2010		2011		2012		2013		2014
Accounts receivable, net inventory 884, 100 959, 199 1, 246, 143, 1233, 746 1 Inventory 884, 100 959, 199 1, 246, 143, 1233, 746 1 Investment in Plant Depot 5,000 5,000 5,000 5,208 1 1, 283, 248, 25 1, 283, 283 1 1, 283, 246 1 1, 283, 249 1 1, 283, 248 1											
Investment in Plant Depot		\$		\$		\$		\$		\$	66,
Investment in Plant Depot											728,
Total Current Assets   1,383,490   1,538,235   1,685,380   2,148,410   2									,		1,527,
Fixed Assets	Control of the Contro		7						AND DESCRIPTION OF THE PARTY OF		5,
Land   Land improvements   275,698   275,698   275,698   265,006   10,692   Automobiles   10,692   36,576   Furniture & fixtures   83,159   36,576   Fixtures Greenhouse III   187,917   192,256   1793,612   1,793,954   564,340   729,002   729,00	Total Current Assets		1,383,490		1,538,235		1,685,380		2,148,410	*****	2,327
Land improvements							**************************************				
Land improvements			275 698		275.698		275.698				265
Furniture & fixtures Fixtures-Greenhouse III Equipment Greenhouse III Equipment Greenhouse III Equipment Greenhouse III 1,792,806  Fixed building Office-Greenhouse III Office-Greenhouse Leasehold improvements Gross fixed assets Leasehold improvements Gross fixed assets Less: Accumulated depreciation 601,584 724,845 795,038 1,084,180  Other Assets Intangible assets, net Utility deposit Litility deposit Utility deposit Greenhouse I repair Fortal Assets  17,329 13,422 12,585 76,476  TOTAL ASSETS  Current Liabilities Accounts payable Spane Spane I			2,3,030		275,050		273,030				10
Fixtures- Greenhouse   II	Automobiles								83,159		83
Equipment Greenhouse Greenhouse III Office desired building Office desired bui	Furniture & fixtures								36,576		36
Greenhouse   1,792,806	Fixtures- Greenhouse III								187,917		194
1,792,806   1,793,612   1,793,954   564,340   729,002	Equipment								192,256		194
April											646
Office building         53,357           Office-Greenhouse III         20,470           Office-Greenhouse         5,936           Leasehold improvements         109,284           Gross fixed assets         2,068,504         2,069,310         2,069,652         2,279,95         1           Net Fixed Assets         1,466,920         1,344,465         1,274,614         1,173,815         1           Other Assets         11,6877         12,970         11,088         9,206           Utility deposit         452         452         1,497         1,497           Deposit- Greenhouse I repair         -         -         -         65,773           Total Other Assets         17,329         13,422         \$ 2,865,739         \$ 2,896,122         \$ 2,972,579         \$ 3,398,700         \$ 3           Current Liabilities         452         452         14,97         1,492         1,581         1,581			1,792,806		1,793,612		1,793,954				729
Office- Greenhouse III         20,470           Office/Greenhouse         109,284           Leasehold improvements         109,284           Gross fixed assets         2,068,504         2,069,310         2,069,652         2,257,995         2           Less: Accumulated depreciation         601,584         724,845         795,038         1,084,180         3           Net Fixed Assets         1,466,920         1,344,465         1,274,614         1,173,815         3           Other Assets         116,877         12,970         11,088         9,206         9,206         1,497         <											53
Description   Content Liabilities   Conten											
Leasehold improvements											20
Gross fixed assets Less: Accumulated depreciation Both Fixed Assets Less: Accumulated depreciation Both Fixed Assets  1,466,920 1,344,465 1,274,614 1,173,815 1  Other Assets Intangible assets, net Intangible asset, net Intangible asset, net Intangible asset, net Intangible asset, and Intange Intan						-					5
Less: Accumulated depreciation											109
Net Fixed Assets	Gross fixed assets		2,068,504		2,069,310		2,069,652		2,257,995		2,348
Description   16,877   12,970   11,088   9,206   14,975   14,975   14,977   1,497	Less: Accumulated depreciation		601,584		724,845		795,038		1,084,180		1,199
Intangible assets, net   16,877   12,970   11,088   9,206   1497   1,497   1	Net Fixed Assets		1,466,920		1,344,465		1,274,614		1,173,815		1,149
Utility deposit	Other Assets										
Deposit- Greenhouse   repair	Intangible assets, net		16,877		12,970		11,088		9,206		7
Deposit- Greenhouse   repair	Utility deposit		452		452		1.497		1.497		1
Total Other Assets			-		_		-		65,773		
Current Liabilities			17,329		13,422		12,585				9
Accounts payable \$ 149,981 \$ 252,244 \$ 235,419 \$ 238,492 \$	TOTAL ASSETS	\$	2,867,739	\$	2,896,122	\$	2,972,579	\$	3,398,700	\$	3,486
Accounts payable \$ 149,981 \$ 252,244 \$ 235,419 \$ 238,492 \$	Current Liabilities										
Total Current Liabilities		Ś	149,981	\$	252,244	S	235,419	Ś	238,492	Ś	238
Mortgages, notes, bonds payable in less than 1 year Loan payable- New tractor Loans from shareholders Nortgages, notes, bonds payable in 1 year or more Loans from shareholders Nortgages, notes, bonds payable in 1 year or more 1,836,646 1,774,854 1,743,198 1,655,073			CONTRACTOR OF THE PARTY OF THE	-			AND PROPERTY AND ADDRESS OF THE PARTY OF THE				238
Loan payable- New tractor       851         Loans from shareholders       745,527       695,527       689,677       674,677         Mortgages, notes, bonds payable in 1 year or more       1,836,646       1,774,854       1,743,198       1,655,073         Credit card payable- Citi Business       4,000       3,920       -       -         Credit card payable- US Bank       7,000       -       8,000       7,553         Credit card payable- AX       3,824       1,229       5,578       5,189         Credit card payable- Chase-68       9,000       6,500       6,152       1,030         Credit card payable- Discover       -       4,064       US Bank- Personal       1,000       -       2,663       -         Total Interest Bearing and Long-Term Liabilities       2,607,848       2,482,030       2,472,893       2,343,522         Total Liabilities       2,757,829       2,734,274       2,708,312       2,582,014         Shareholders' Equity       109,910       161,848       264,267       816,686	Interest Bearing and Long-Term Liabilities										
Loans from shareholders     745,527     695,527     689,677     674,677       Mortgages, notes, bonds payable in 1 year or more     1,836,646     1,774,854     1,743,198     1,655,073       Credit card payable- Citi Business     4,000     3,920     -     -       Credit card payable- US Bank     7,000     -     8,000     7,553       Credit card payable- AX     3,824     1,229     5,578     5,189       Credit card payable- Chase-68     9,000     6,500     6,152     1,030       Credit card payable- Discover     -     4,064       US Bank- Personal     1,000     -     2,663     -       Total Interest Bearing and Long-Term Liabilities     2,607,848     2,482,030     2,472,893     2,343,522       Total Liabilities     2,757,829     2,734,274     2,708,312     2,582,014       Shareholders' Equity     109,910     161,848     264,267     816,686	Mortgages, notes, bonds payable in less than 1 year						13,561				
Loans from shareholders     745,527     695,527     689,677     674,677       Mortgages, notes, bonds payable in 1 year or more     1,836,646     1,774,854     1,743,198     1,655,073       Credit card payable- Citi Business     4,000     3,920     -     -       Credit card payable- US Bank     7,000     -     8,000     7,553       Credit card payable- AX     3,824     1,229     5,578     5,189       Credit card payable- Chase-68     9,000     6,500     6,152     1,030       Credit card payable- Discover     -     4,064       US Bank- Personal     1,000     -     2,663     -       Total Interest Bearing and Long-Term Liabilities     2,607,848     2,482,030     2,472,893     2,343,522       Total Liabilities     2,757,829     2,734,274     2,708,312     2,582,014       Shareholders' Equity     109,910     161,848     264,267     816,686	Loan payable- New tractor		851		-		100		-		
Mortgages, notes, bonds payable in 1 year or more         1,836,646         1,774,854         1,743,198         1,655,073           Credit card payable- Citi Business         4,000         3,920         -         -           Credit card payable- US Bank         7,000         -         8,000         7,553           Credit card payable- Washed Policy Credit card payable- Chase-68         9,000         6,500         6,152         1,030           Credit card payable- Discover         -         4,064         -         4,064         -           US Bank- Personal         1,000         -         2,663         -         -           Total Interest Bearing and Long-Term Liabilities         2,607,848         2,482,030         2,472,893         2,343,522           Total Liabilities         2,757,829         2,734,274         2,708,312         2,582,014           Shareholders' Equity         109,910         161,848         264,267         816,686	Loans from shareholders		745.527		695.527		689.677		674.677		542
Credit card payable- Citi Business         4,000         3,920         -         -         -         8,000         7,553         -         -         8,000         7,553         -					1.774.854		1 743 198				1,559
Credit card payable- US Bank         7,000         -         8,000         7,553           Credit card payable- AX         3,824         1,229         5,578         5,189           Credit card payable- Chase-68         9,000         6,500         6,152         1,030           Credit card payable- Discover         4,064         4,064         4,064           US Bank- Personal         1,000         -         2,663         -           Total Interest Bearing and Long-Term Liabilities         2,607,848         2,482,030         2,472,893         2,343,522           Total Liabilities         2,757,829         2,734,274         2,708,312         2,582,014           Shareholders' Equity         109,910         161,848         264,267         816,686							2,1 10,200		2,033,073		3,,000
Credit card payable- AX         3,824         1,229         5,578         5,189           Credit card payable- Chase-68         9,000         6,500         6,152         1,030           Credit card payable- Discover         -         4,064         -           US Bank- Personal         1,000         -         2,663         -           Total Interest Bearing and Long-Term Liabilities         2,607,848         2,482,030         2,472,893         2,343,522           Total Liabilities         2,757,829         2,734,274         2,708,312         2,582,014           Shareholders' Equity         109,910         161,848         264,267         816,686					5,520		9 000		7 552		10
Credit card payable- Chase-68         9,000         6,500         6,152         1,030           Credit card payable- Discover         -         4,064         -           US Bank- Personal         1,000         -         2,663           Total Interest Bearing and Long-Term Liabilities         2,607,848         2,482,030         2,472,893         2,343,522           Total Liabilities         2,757,829         2,734,274         2,708,312         2,582,014           Shareholders' Equity         109,910         161,848         264,267         816,686					1 220						1
Credit card payable- Discover         4,064           US Bank- Personal         1,000         2,663           Total Interest Bearing and Long-Term Liabilities         2,607,848         2,482,030         2,472,893         2,343,522           Total Liabilities         2,757,829         2,734,274         2,708,312         2,582,014           Shareholders' Equity         109,910         161,848         264,267         816,686	The state of the s		Contract of the Contract of th								
US Bank- Personal         1,000         - 2,663         -           Total Interest Bearing and Long-Term Liabilities         2,607,848         2,482,030         2,472,893         2,343,522           Total Liabilities         2,757,829         2,734,274         2,708,312         2,582,014           Shareholders' Equity         109,910         161,848         264,267         816,686			9,000		6,500				1,030		1
Total Interest Bearing and Long-Term Liabilities         2,607,848         2,482,030         2,472,893         2,343,522           Total Liabilities         2,757,829         2,734,274         2,708,312         2,582,014           Shareholders' Equity         109,910         161,848         264,267         816,686			-								
Total Liabilities 2,757,829 2,734,274 2,708,312 2,582,014 Shareholders' Equity 109,910 161,848 264,267 816,686	US Bank- Personal				-				-		
Shareholders' Equity 109,910 161,848 264,267 816,686	Total Interest Bearing and Long-Term Liabilities		2,607,848		2,482,030		2,472,893		2,343,522		2,113
	Total Liabilities	w.maa.m	2,757,829		2,734,274		2,708,312		2,582,014		2,352
TOTAL HABITITE AND	Shareholders' Equity		109,910		161,848		264,267		816,686		1,133
TOTAL LIABILITIES AND	TOTAL LIABILITIES AND										

Notes:

(a) Federal tax returns and complied financial statements

)	2010		As of June 30,		
Current Assets	2010	2011	2012	2013	2014
Cash and equivalents	0.57%	3.04%	1.80%	9.94%	1.90
Accounts receivable, net	16.67%	16.78%	12.81%	16.82%	20.89
Inventory	30.83%	33.12%	41.92%	36.30%	43.82
Investment in Plant Depot	0.17%	0.17%	0.17%	0.16%	0.15
Total Current Assets	48.24%	53.11%	56.70%	63.21%	66.76
Fixed Assets					
Land			-	7.80%	7.60
Land improvements	9.61%	9.52%	9.27%	0.31%	0.31
Automobiles				2.45%	2.39
Furniture & fixtures				1.08%	1.0
Fixtures- Greenhouse III				5.53%	5.5
Equipment					
Greenhouse				5.66%	5.5
	62.52%	61.93%	60.35%	16.60%	18.5
Greenhouse III				21.45%	20.9
Office building				1.57%	1.5
Office- Greenhouse III				0.60%	0.5
Office/Greenhouse				0.17%	0.1
Leasehold improvements				3.22%	3.1
Gross fixed assets	72.13%	71.45%	69.62%	66.44%	67.3
Less: Accumulated depreciation	20.98%	25.03%	26.75%	31.90%	34.4
Net Fixed Assets	51.15%	46.42%	42.88%	34.54%	32.9
Other Assets					
Intangible assets, net	0.59%	0.45%	0.37%	0.27%	0.2
Utility deposit	0.02%	0.02%	0.05%	0.04%	0.0
Deposit- Greenhouse   repair	0.00%	0.00%	0.00%	1.94%	0.0
Total Other Assets	0.60%	0.46%	0.42%	2.25%	0.2
TOTAL ASSETS	100.00%	100.00%	100.00%	100.00%	100.0
Current Liabilities					
Accounts payable	5.23%	8.71%	7.92%	7.02%	6.8
Total Current Liabilities	5.23%	8.71%	7.92%	7.02%	6.8
Interest Bearing and Long-Term Liabilities					
Mortgages, notes, bonds payable in less than 1 year	0.00%	0.00%	0.46%	0.00%	0.0
Loan payable- New tractor	0.03%	0.00%	0.00%	0.00%	0.0
Loans from shareholders	26.00%	24.02%	23.20%	19.85%	15.5
Mortgages, notes, bonds payable in 1 year or more	64.05%	61.28%	58.64%	48.70%	44.7
Credit card payable- Citi Business	0.14%	0.14%	0.00%	0.00%	0.0
Credit card payable- US Bank	0.24%	0.00%	0.27%	0.22%	0.2
Credit card payable- AX	0.13%	0.04%	0.19%	0.15%	0.0
Credit card payable- Chase-68	0.31%	0.22%	0.21%		
Credit card payable- Chase-ob Credit card payable- Discover	0.00%	0.00%		0.03%	0.0
US Bank- Personal			0.14%	0.00%	0.0
	0.03%	0.00%	0.09%	0.00%	0.0
Total Interest Bearing and Long-Term Liabilities	90.94%	85.70%	83.19%	68.95%	60.6
Total Liabilities	96.17%	94.41%	91.11%	75.97%	67.4
Shareholders' Equity	3.83%	5.59%	8.89%	24.03%	32.5
TOTAL LIABILITIES AND					
SHAREHOLDERS' EQUITY	100.00%	100.00%	100.00%	100.00%	100.0

Notes:
(a) See Exhibit J.

Valuation for Litigation Purposes Historical Ratio Analysis

Exhibit L

	Korus Orchid Corporation (C-Corp.)					Industry (a)					
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	
LIQUIDITY RATIOS											
Current Ratio	9.17	6.10	6.77	9.01	9.76	1.58	1.29	1.56	1.34	Unavailable	
Quick Ratio	3.28	2.28	1.74	3.81	3.33	0.78	0.68	0.79	0.68	Unavailable	
ACTIVITY RATIOS											
Sales/Receivables	2.89	3.31	4.28	5.09	3.60	43.99	28.42	21.33	23.02	Unavailable	
Days Receivables	126.14	110.16	85.28	71.70	101.49	8.30	12.84	17.11	15.85	Unavailable	
Cost of Sales/Inventory	1.26	1.06	0.82	1.58	1.23	4.24	5.15	3.96	3.90	Unavailable	
Days Inventory	290.48	344.49	446.12	231.27	295.60	86.05	70.83	92.20	93.64	Unavailable	
Cost of Sales/Payables	7.41	4.03	4.33	8.16	7.91	29.87	16.29	16.01	14.99	Unavailable	
Days/Payables	49.28	90.59	84.28	44.71	46.15	12.22	22.41	22.80	24.35	Unavailable	
Operating Working Capital/Sales	0.89	0.80	0.89	0.66	08.0	0.22	0.17	0.23	0.23	Unavailable	
Sales/Net Fixed Assets	0.94	1.20	1.28	2.48	2.28	2.11	2.21	2.06	1.78	Unavailable	
Sales/Total Assets	0.48	0.56	0.55	0.86	0.75	1.10	1.20	1.05	0.93	Unavailable	
COVERAGE/LEVERAGE RATIOS											
EBITDA/Interest	0.58	2.93	3.86	11.09	7.06	0.70	4.11	(1.88)	(1.47)	Unavailable	
Net Fixed Assets/Equity	13.35	8.31	4.82	1.44	1.01	1.37	1.43	1.31	1.29	Unavallable	
Total Liabilities/Equity	25.09	16.89	10.25	3.16	2.07	1.62	1.62	1.58	1.46	Unavailable	
PROFITABILITY RATIOS											
Profit Before Taxes/Equity	-159.43%	28.02%	43.51%	71.32%	28.16%	34.85%	51.21%	26.61%	32.23%	Unavailable	
Profit Before Taxes/Assets	-6.11%	1.57%	3.87%	17.14%	9.16%	13.28%	19.51%	10.31%	13.07%		
Profit Before Taxes/Sales	-12.67%	2.82%	7.05%	20.02%	12.19%	12.03%	15.27%	9.86%	13.99%	Unavailable	
Depreciation & Amortization/Sales	9.87%	7.90%	6.84%	2.84%	4.45%	7.19%	7.08%	6.22%	7.85%	Unavailable	
Officers' Compensation/Sales	N/A	N/A	N/A	N/A	N/A	2.63%	1.47%	2.01%	2.01%	Unavailable	

Notes:

(a) BizMiner Industry Financial Analysis Profile - Nursery and Tree Production, \$2.5m - \$4.99m in sales