

July 6, 2021



Hayes Gori, Esq.
LAW OFFICE OF HAYES GORI PLLC
271 Wyatt Way NE, Suite 112
Bainbridge Island, Washington 98110

Dear Mr. Gori:

You retained us to perform a preliminary analysis and limited appraisal of Bainbridge Athletic Club. (A Washington corporation) (hereinafter referred to as "the Company") as of March 31, 2021.

The purpose of this engagement is to express our preliminary estimate of the fair market value of the Company for purposes of an asset purchase transaction. This valuation is not appropriate for other purposes or for use in the future. No assurance can be provided that any transaction will take place at the value stated in this report.

Shelley Stockman is the sole owner of the Company as well as BAC Court LLC which owns the land and buildings for Company operations. The Company is well-managed and has a history of very profitable operations.

In connection with our valuation analysis, we were provided with the following documents:

- Bainbridge Athletic Club internal financial statements as of March 31, 2021
- Bainbridge Athletic Club internal financial statements for the years ended December 31, 2020, 2019, 2018, 2017
- Dealstats transaction database
- RMA industry data
- IbisWorld industry reports
- BAC Court internal financial statements as of March 31, 2021
- BAC Court internal financial statements for the years ended December 31, 2020, 2019, 2018, 2017
- Kitsap County assessor data

Based on our analysis, it is our preliminary estimate that as of March 31, 2021, the range of fair market value of Bainbridge Athletic Club is \$3,450,000 to \$4,400,000.

This estimate of value does not include the land and buildings owned by BAC Court LLC. The fair market value of the land and buildings would require a real estate appraisal by a qualified appraiser.

The term "fair market value" as used herein is defined using Treasury Regulation Section 25.2512-1 as "the price at which such property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell, and both having reasonable knowledge of all relevant facts". Court decisions frequently state in addition that the hypothetical buyer and seller are assumed to be able as well as willing, to trade and to be well informed about the property and concerning the market for such property.

This valuation is based on the going concern premise of value that assumes a buyer and seller contemplate ongoing operation of the business as an income producing entity. The going concern premise does not represent the amount that might be realized from a piecemeal disposition of the assets.

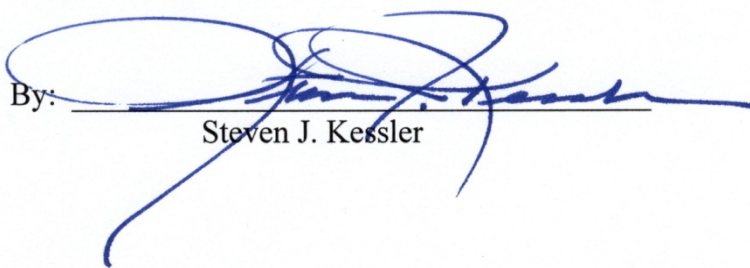
The valuation of a Business ownership interest requires consideration of all relevant factors bearing upon its investment quality. These factors generally include:

- The nature of the Business and the history of the enterprise from its inception through the valuation period.
- The economic outlook in general and the condition and outlook of the specific industry.
- The book value and financial condition of the Business.
- The earning capacity of the Business.
- The dividend-paying capacity of the Business.
- Whether or not the enterprise has goodwill or other intangible value.
- Prior transactions of the stock and the size of the block of stock to be valued.
- The market price of stocks 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.

This report and our underlying analysis provide the basis upon which our opinion is founded. The report contains our opinion of fair market value based on generally accepted valuation techniques and our understanding of the marketplace for such an enterprise. Steven J. Kessler, CPA, Inc., P.S. not been engaged to apply, and therefore has not applied, procedures prescribed by the American Institute of Certified Public Accountants or the Auditing Standards Board, to any historical or prospective financial statements or presentations included in this report. Please telephone if you have any questions.

Sincerely,

STEVEN J. KESSLER, CPA, INC. P.S.
Certified Public Accountants

By: 
Steven J. Kessler

APPENDIX A
Assumptions, Limiting Conditions, and Certification

My valuation report is subject to the following assumptions and limiting conditions:

- ❑ The conclusion of value arrived at herein is valid only for the stated purpose as of the valuation date.
- ❑ The information, estimates, and opinions contained in this report are based upon the data made available to us by management. This information and responses to our inquiries are presumed to be correct and have not been subjected to audit or formal examination. We assume no liability for such information
- ❑ The company and its representatives warrant to us that the financial statements and other related information provided to us was complete and accurate to the best of their knowledge and that the financial statement reflect the company's business conditions and results of operations for the respective periods in accordance with generally accepted accounting principles, unless otherwise noted. Information supplied by management has been accepted as correct without further verification, and we express no opinion on that information.
- ❑ 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.
- ❑ We do not provide assurance on the achievability of the results forecasted by the company because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.
- ❑ We have assumed there is full compliance with all applicable federal, state, and local regulations and laws unless otherwise specified in this report.
- ❑ This valuation reflects facts and conditions existing at the valuation date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.
- ❑ Steven J. Kessler, CPA, Inc., P.S. does not purport to be a guarantor of value. Valuation of a closely held business is an imprecise science, with value being a question of fact, and reasonable persons may differ in their estimates of value. Steven J. Kessler, CPA, Inc., P.S. has performed conceptually sound and commonly accepted methods of valuation in determining the estimate of value in this report.
- ❑ Our valuation estimate assumes that management will maintain the character and integrity of the Business through any sale, reorganization, or reduction of owners/managers participation in the existing activities of the Business.
- ❑ No change of any item in this appraisal report shall be made by anyone other than Morrow Kessler & Dowsing PPLC, and we shall have no responsibility for any such unauthorized change.
- ❑ Steven J. Kessler, CPA, Inc., P.S. has not been engaged to apply, and therefore has not applied, procedures prescribed by the American Institute of Certified Public Accountants or the Auditing Standards Board, to any historical or prospective financial statements or presentations included in this report. Accordingly, Steven J. Kessler, CPA, Inc., P.S. is not assuming the role or reporting Certified Public Accountants and is not separately reporting on such statements by virtue of their incorporation into the valuation of the Business.
- ❑ We are not qualified to detect the presence of toxic or hazardous substances or materials and have not made an independent analysis of the subject company's present or potential environmental liabilities, and expressly disclaim any duty to note the presence of such materials. Any information regarding existing and/or potential liabilities has been accepted without further verification unless otherwise noted. The appraiser assumes no responsibility for determining if the subject company requires environmental

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approval by the governing agencies, or if it is in violation thereof. 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. We do not conduct or provide environmental assessments and have not performed one for the subject company.

- ❑ We have not made a specific compliance survey or analysis of the subject property to determine whether it is subject to, or in compliance with, the American Disabilities Act of 1990, and this valuation does not consider the effect, if any, of noncompliance.
- ❑ The valuation may not be used in conjunction with any other appraisal or study. The value conclusion stated in this appraisal is based on the program of utilization described in the report and may not be separated into parts. The appraisal was prepared solely for the purpose, function and party so identified in the report.
- ❑ Unless otherwise stated in the appraisal, the valuation 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.
- ❑ Any decision to purchase, sell or transfer any interest in the subject company or its subsidiaries shall be your sole responsibility, as well as the structure to be utilized and the price to be accepted.
- ❑ The selection of the price to be accepted requires consideration of factors beyond the information we will provide or have provided. An actual transaction involving the subject business might be concluded at a higher value or at a lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivations of the buyers and sellers at that time. Due to the economic and individual motivational influences which may affect the sale of a business interest, the appraiser assumes no responsibility for the actual price of any subject business interest if sold or transferred.
- ❑ We have no responsibility or obligation to update this report for events or circumstances occurring after the date of this report.
- ❑ 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 and fees that may be incurred in the defense of our recommendations against challenge(s). We will, however, retain our supporting workpapers for your matter, 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.
- ❑ In accordance with recognized professional ethics, our fee is not contingent upon the conclusion of value. Neither Steven J. Kessler, CPA, Inc., P.S. nor any of its employees has an ownership interest in the Company.
- ❑ Our report will not be used for financing or included in a private placement or other public documents and may not be relied upon by any third parties.
- ❑ We express no opinion for matters that require legal or other specialized expertise, investigation, or knowledge beyond that customarily employed by business appraisers.
- ❑ 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 because of a transaction, and 3) the possible impact on the market value resulting from any need to affect a transaction to pay taxes.
- ❑ The obligations of Steven J. Kessler, CPA, Inc., P.S. are solely entity obligations, and no officer, director, employee, agent, contractor, shareholder, member, 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 this report.

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- ❑ Neither all nor part of the contents of this report and the accompanying pages shall be conveyed to the public through advertising, public relations, news, sales, mail, direct transmittal, or any other media without the prior express written consent and approval of Steven J. Kessler, CPA, Inc., P.S.
- ❑ Possession of this report, or a copy thereof, does not carry with it the right of publication of all or any part of it, nor may it be used for any purpose by anyone but the client without the previous written consent of the client or us and, in any event, only with proper attribution.
- ❑ We are not required to give testimony in court, or be in attendance during any hearings or depositions, with reference to the company being valued, unless previous arrangements have been made.
- ❑ The various estimates of value presented in this report apply to this valuation only and may not be used out of the context presented herein. This valuation is valid only for the purpose or purposes specified herein.
- ❑ We have relied upon the representations of the owners, management, and other third parties concerning the value and useful condition of all equipment, real estate, and investments used in the business, and any other assets and liabilities except as specifically stated to the contrary in this report. We have not attempted to confirm whether all assets of the business are free and clear of liens and encumbrances or that the company has good title to all assets.
- ❑ Financial statements and other related information provided by the company or its representatives during 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.
- ❑ Public information and industry and statistical information have been obtained from sources we believe to be reliable. However, we make no representations as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.
- ❑ We do not provide any assurance on the achievability of the results forecasted by the company because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.
- ❑ We have not made a specific compliance survey or analysis of the subject property to determine whether it is subject to, or in compliance with, the American Disabilities Act of 1990, and this valuation does not consider the effect, if any, of noncompliance.
- ❑ No change of any item in this appraisal report shall be made by anyone other than us, and we shall have no responsibility for any such unauthorized changes.
- ❑ The opinion of value assumes that the character and integrity of the company will be maintained, which includes but is not limited to the style of management, the choice of hardware and software platforms to support, and other existing company characteristics.
- ❑ The analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP). This report is also prepared in conformity with the National Association of Certified Valuation Analysts standards for conducting and reporting on business valuations.
- ❑ IRS Circular 230 Disclosure: To ensure compliance with the requirements imposed by the IRS, we inform you that any tax advice contained in this communication including any attachments is not intended or written to be used, and cannot be used, for the purpose of avoiding any penalties under the Internal Revenue Code or promoting, marketing, or recommending to another party any transaction(s) or tax-related matter(s) addressed herein.

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This valuation engagement is performed under the following certification:

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

- The statements of facts contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with applicable Professional Standards.
- No one provided significant professional assistance to the person signing this report.