VALUATION REPORT

INTELLECTUAL PROPERTY OWNED

BY HOLLYWALL ENTERTAINMENT, INC.

As of September 15, 2014

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Factors we considered in performing our analysis:

- The nature of the business and the history of the Company from its inception;
- The economic outlook in general and the condition and outlook of the industry in which the Company operates;
- The financial condition of the Company;
- The earning capacity of the Company;
- The relevant industry expertise and management capabilities of the Officers and key employees of Company;
- The market prices 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.

Valuation Methods and Conclusion

We have performed a valuation analysis of the intellectual property owned by Hollywall Entertainment, Inc. for the purpose of determining the value of intellectual property owned by the Company. This valuation analysis does not reflect the value of the Company taken as a whole or any assets not specifically identified in the attached Exhibits 1 to 6. In developing a value for the intellectual property, we used a discounted net cash flow method and an adjusted net asset method. We considered a comparative company method, but could not find true comparative information in publicly and privately held companies to be a true comparison for that particular appraisal method.

Based on the information contained in the detailed narrative report that follows, it is our considered opinion that the fair market value of the intellectual property (as listed in the attached Exhibits 1 to 6) owned by Hollywall Entertainment, Inc., a Nevada Corporation, as of September 15, 2014 is based on total forecasted net revenue (before tax) of $90,855,182 during the 2014 to 2023 measurement period (See Exhibit 7). The appraisal amount is based on a gross valuation of $78,811,503 net of tax effect of $31,524,601 for a net after tax valuation of $47,286,902. Based on the information, it is our considered opinion that the fair market value of the intellectual property owned by Hollywall Entertainment, Inc., is $47,286,902.

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.

This valuation is subject to the assumptions and limiting conditions presented in Exhibit 13.

Very truly yours,

Report prepared by:

John E. Kelly
Entertainment Financial Services, Inc.

COMPANY BACKGROUND AND HISTORY

History

Hollywall Entertainment, Inc. is a Nevada Corporation formed on May 12, 2009 as National Intelligence Association, Inc. with a subsequent name change to Acceleritas Corporation on March 20, 2013. The Company originally had no music industry operations. On September 12, 2013, Acceleritas Corporation acquired 100% of the assets of Hollywall Acquistion Corporation (a Nevada Corporation). Hollywall Acquistion Corporation had previously purchased the intellectual property being valued in this report (see Exhibits 1 to 6) on March 21, 2013 from Entertainmax, Inc. On November 18, 2013, Acceleritas Corporation changed its name to Hollywall Entertainment, Inc. The Company has various business divisions but its primary business purpose going forward is to create and distribute recorded music. The Company's stock is currently traded on the OTC Exchange under the symbol ALZH.

Operations

The Company holds, manages and administers the undivided interest in the intellectual property assets reflected in the attached Exhibits 1 to 6.

The Company's intellectual property assets consist primarily of recorded music masters. A significant number of the masters are considered "classic" with long-term earning potential (see the attached Exhibit 15 artist biographies).

Revenue Streams for Intellectual Property Exploitation

CD Sales Revenue: The revenue in this category is based on the sale of recorded music masters in physical and digital format via wholesale distributors, direct to consumer partners and online outlets. The management of Hollywall anticipates packaging the masters for sale as a single CD (12 songs), three CD package (36 songs), five CD package (60 songs) and ten

CD package (120 songs). The masters will also be available for sale as individual song downloads. Management's forecast of revenue and related expenses is reflected in the accompanying Exhibit 8. Management's forecast assumptions and distribution plan of action is reflected in the accompanying Exhibit 13.

Master Use Licensing Revenue: The revenue in this category is generated by the issuance of licenses for the use of copyrights in commercials, films and television. The terms of the license are typically for a period of one year or less but include renewal options with escalating license fees for the option periods. This category requires the most sales and marketing effort to maintain and grow. Management's forecast of revenue and related expenses is reflected in the accompanying Exhibit 9. Management's forecast assumptions and distribution plan of action is reflected in the accompanying Exhibits 13.

CD Sales Revenue for Special Projects: The revenue in this category is based on the sale of recorded music masters in physical and digital format via wholesale distributors, direct to consumer partners and online outlets. The Management of Hollywall Entertainment has entered into an Agreement with the Producers of the motion picture film *Crazy for the Boys* to own and distribute the recorded music masters created in connection with the film. The masters will also be available for sale as individual song downloads. The Management of Hollywall Entertainment is also in negotiations with various entities that are in the process of creating Broadway plays and motion picture projects focused on Rhythm and Blues artists. Hollywall Entertainment will license its existing masters for use in these projects and for related physical and digital distribution of the music soundtracks. Management's forecast of revenue and related expenses is reflected in the accompanying Exhibits 10(a) and 10(b). Management's forecast assumptions and distribution plan of action is reflected in the accompanying Exhibits 13.

Expenses related to exploitation of intellectual property

Expenses necessary to create revenue

Hollywall Entertainment, Inc. will incur production, marketing, distribution and general overhead costs in order to achieve the revenues reflected on the accompanying Hollywall Management revenue forecasts. These costs have been included in the attached Exhibits 8 to 10.

Third party royalty expense

Royalties to artists, producers, licensors and publishers is payable to non-affiliated third parties related to the sale of recorded music masters. The amounts are determined by the appropriate contract with the payee. Publishing royalties, in general, are set by the United States Copyright Office for sales of masters in CD configuration and digital download. The forecast royalties have been reflected in Hollywall Management's projection of sales. See the attached Exhibits 8 to 10.

Competition

Competition in the music industry comes in many forms, such as competition from other artists and their songs, to competition among publishers as to which songs will be marketed, counterfeiting of songs and their unauthorized use without proper royalty payment, and competition among end users as to which songs they will use and pay a fee.

In this case, competition is generally among the numerous other songs, which are available for use on the radio, television, commercials and film.

Copyright Provisions

Competitors lack the ability to pirate the artist's creation (song) when properly copyrighted. The following speaks to the life of songs based upon their creation dates.

Works Originally Created on or after January 1, 1978.

A work that is created (fixed in tangible form for the first time) on or after January 1, 1978, is automatically protected from the moment of its creation and is ordinarily given a term enduring for the author's life plus an additional 70 years after the author's death. In the case of "a joint work prepared by two or more authors who did not work for hire," the term lasts for 70 years after the last surviving author's death. For works made for hire, and for anonymous and pseudonymous works (unless the author's identity is revealed in Copyright Office records), the duration of copyright will be 95 years from publication or 120 years from creation, whichever is shorter.

Works Originally Created before January 1, 1978, But Not Published or Registered by That Date.

These works have been automatically brought under the statute and are now given federal copyright protection. The duration of copyright in these works will generally be computed in the same way as for works created on or after January 1, 1978: the life-plus-70 or 95/120-year terms will apply to them as well. The law provides that in no case will the term of copyright for works in this category expire before December 31, 2002, and for works published on or before December 31, 2002, the term of copyright will not expire before December 31, 2047.

Works Originally Created and Published or Registered before January 1, 1978.

Under the law in effect before 1978, copyright was secured either on the date a work was published with a copyright notice or on the date of registration if the work was registered in unpublished form. In either case, the copyright endured for a first term of 28 years from the date it was secured. During the last (28th) year of the first term, the copyright was eligible for renewal. The Copyright Act of 1976 extended the renewal term from 28 to 47 years for copyrights that were subsisting on January 1, 1978, or for pre-1978 copyrights restored under the Uruguay Round Agreements Act (URAA), making these works eligible for a total term of protection of 75 years. Public Law 105-298, enacted on October 27, 1998, further extended the renewal term of copyrights still subsisting on that date by an additional 20 years, providing for a renewal term of 67 years and a total term of protection of 95 years.

It is our understanding that the Company's key songs have been copyright protected.

Hollywall personnel and industry expertise

The officers and key employees of Hollywall Entertainment, Inc. have a significant amount of relevant experience necessary to achieve the results indicated in Hollywall management’s revenue forecast (see the Attached Exhibits 8 to 10). The accompanying Exhibit 16 provides a list of the individuals along with their biographies, which outline their respective skills and other industry expertise.

Company Expectations for Exploitation of Record Masters

The Company owns a substantial number of recorded music masters (see the accompanying Exhibit 1 to 6). Significant portions of these masters are considered classic songs or "evergreen" with ongoing appeal. Management expects the revenue earnings to continue due to their continued play on "oldies" radio. Many of these masters have not been properly exploited in the last twenty years and the Management of Hollywall anticipates an initial spike in revenues with the volume expected to diminish during the latter years of the measurement period, which was projected through 2023, with a terminal value determined representing subsequent years. Management believes that its collective expertise, key distribution relationships and technology relationships will enable it to achieve the projected results (see Exhibit 8 to 10 for Management’s schedules of forecast revenue and Exhibit 13 for Management’s list of assumptions and distribution plan of action).

The value of the recorded music masters is impacted by the licensee's ability to continue to sell product. Since 1999, music industry revenue in the U.S. has decreased approximately 60% according to Forrester Research. From 2012 to 2013, CD sales (for all artists and genres combined) dropped by 13.1% for units shipped and dropped 14.6% in dollar value. The erosion of the CD sales market in favor of digital distribution will continue.

The current poor state of the short-term economy as well as uncertainty in the music industry with regard to content distribution demonstrates a higher level of risk.

The projected revenues may be significantly detrimentally impacted by the increase in music subscription services such as Pandora and Spotify. While the usage and distribution of content will continue to increase with these services, the amount of revenue per stream will not likely reach the level of prior revenues from CD sales and permanent download.

The management of Hollywall Entertainment (see the accompanying Exhibit 16 which lists the key employees with biographies) is the driving force in marketing and exploiting the Company's songs. Current management must be able to secure substantial usages of the record masters in both foreign and domestic compilations. In addition, they must be able to secure significant licensing usages in film, television and commercials for the key earning songs. While management has represented that they have the necessary expertise and relationships to achieve the projected results, it is yet to be determined whether management will be able to market and exploit the record masters at the level of activity necessary to support the projected sales as identified in Exhibit 8 to 10. Thus, the individuals listed in Exhibit 16 are considered key personnel of the Company and their relationships and industry expertise are essential to attaining the projected revenues.

This analysis assumes that no adverse claims will exist or will arise during the measurement term. It is unknown whether any copyright infringement claims will arise during the measurement period. Management has represented to us that no adverse claims exist or are anticipated and that the Company holds legitimate title to all intellectual property identified on Exhibit 1 to 6. In that regard, an adverse claim with respect to some or all of the record masters would likely have a material detrimental impact on the value stated in this report.

Strengths and Weaknesses

Discussions with management and a review of the industry and the Company's competitors, suggest the following strengths and weaknesses/risks:

Strengths

The Company has recorded music masters (see the accompanying Exhibit 1 to 6), which have gained certain notoriety and demand among end users (see the accompanying Exhibit 15 which provides biographies of the key artists). Copyrights limit the pirating and free play of these songs.

Weaknesses and risks

There are a vast number of songs available in the market, which competes with the songs contained in this collection. Many of the songs are available to be played on the internet on certain sites free of charge without receipt of royalty. The older the songs become, the more likely the demand will diminish.

ECONOMIC AND INDUSTRY CONDITIONS

Although some industries and companies seem to defy economic trends by performing well during an economic recession and poorly during an economic expansion, the performance of the macroeconomy, specific industries, and individual companies is often related. In the valuation of a company, the general economic outlook should be considered since such information influences how investors perceive alternative investment opportunities. The following pages provide a brief overview of the U.S. economy, as well as a near-term outlook, focusing on certain key economic indicators.

Long-term Historical Economic Trend

Although it is difficult to predict economic performance with any certainty beyond a one-year or two-year period due to the cyclical nature of the economy, it is reasonable to project a long-term trend around which the economy may be expected to fluctuate. The past performance of the U.S. economy may provide insight into how the economy will behave in the future. The most widely used indicator of economic activity in the United States is the U.S. Gross Domestic Product ("GDP"). GDP measures total production and consumption of goods in the United States and is used to define phases of the business cycle. Real GDP growth of 2.0% to 2.5% is generally considered optimal when the economy is operating at full employment (5.5% to 6.0% unemployment). Lower GDP growth signifies a weak economy, while higher growth rates generally lead to accelerating inflation. The annual percentage change in GDP over select time periods, according to data from the Bureau of Economic Analysis of the U.S. Department of Commerce, is presented in the following table.

U.S. Gross Domestic Product

Annual Percentage Change	Low	High	Average
1950 to 2010			
Nominal	-2.5%	15.5%	6.5%
Real	-3.5%	8.7%	2.6%
1990 to 2010			
Nominal	-2.5%	6.5%	2.0%
Real	-3.5%	4.8%	0.7%

Current Economic Overview

Each of the 12 Federal Reserve Banks gathers anecdotal information on current economic conditions in its district through reports from bank and branch directors and interviews with key business contacts, economists, market experts, and other sources. A designated Federal Reserve Bank on a rotating basis prepares an overall summary of the 12 district reports, called the Beige Book. The following presents current commentary from the January 11, 2012 edition of the Beige Book, which is published eight times a year.

Contact reports from the twelve Federal Reserve Districts suggest that national economic activity expanded at a modest to moderate pace. The reports suggest ongoing improvement in economic conditions in recent months.

Consumer Spending and Tourism

Consumer spending and confidence were generally characterized as firmer than in recent reporting periods. Retail inventories more broadly were reported to be at or near desired levels. Reports from most Districts pointed to solid gains on high levels of travel and tourist activity. Tourism activity was reported to be above the levels from twelve months earlier. Business travel activity has also expanded and is above levels from twelve months earlier.

Non-financial Services

Demand generally strengthened further for non-financial services. Sales of technology services grew, although the pace of growth slowed from earlier in 2011. Providers of temporary staffing services saw strong and rising demand. Reports from the health-care sector generally pointed to growth as well. Demand for shipping and transportation services generally expanded.

Manufacturing

Manufacturing activity expanded in most Districts, generally continuing its steady overall expansion. The strongest reports came from subsectors such as heavy equipment manufacturing and steel, for which demand has been boosted by robust growth in the energy, agricultural, and auto manufacturing sectors. Demand for computers and related electronic components rose. Export sales of assorted manufactured products generally performed well.

Real Estate and Construction

Activity in residential real estate markets remained at very low levels, with the exception of further increases in the construction of multifamily residences. Prices were stable in most areas. Extensive inventories of distressed properties were reported to be a source of price restraint. Construction of single-family homes remained at depressed levels in most areas.

Demand for nonresidential real estate remained soft overall but improved in a number of Districts. Vacancy rates and other indicators in markets for office space were largely unchanged in the major metropolitan markets.

Banking and Finance

Lending activity edged up overall, primarily due to increased loan demand by businesses. Consumer lending was largely flat compared with the prior reporting period. A few reports highlighted that small businesses continued to struggle with credit access through banks. Some small businesses have turned to nonbank institutions for financing. Credit quality improved in many Districts.

Agriculture and Natural Resources

Demand for agricultural products was strong during the reporting period. Farm income and profits were reported to be at very high levels, enabling many farmers to repay loans and expand their operations. Rising foreign demand was noted as a source of strength for livestock sales and for dairy and meat products. High or rising prices for some inputs temper farmers' profit expectations for the coming year. Demand and extraction activity rose further for producers of natural resource products. Energy extraction has been on the upswing.

Prices and Wages

Upward price pressures and price increases were limited during the reporting period.

Wage pressures remained modest overall. The combination of limited permanent hiring in most sectors and numerous active job seekers has continued to keep a lid on general wage increases. Compensation increases were seen for workers with specialized skills in the energy sector and the technology sector.

In addition to the analysis in the Federal Reserve's Beige Book, we examined several widely followed U.S. economic indicators: Interest Rates, GDP Growth, the Consumer Price Index ("CPI"), and the Unemployment Rate. Interest rates, as measured by the ten-year U.S. Treasury constant maturity yield, increased from 1.78% at December 31, 2012 to 3.04% at December 31, 2013. GDP growth, as measured by the annualized change in real GDP increased from 0.4% in the fourth quarter of 2012 to 1.8% in the first quarter of 2013 before increasing to 2.6% in the fourth quarter of 2013. The consumer price index for gross domestic purchases, which measures the percentage change from prior month prices paid by U.S. residents, increased from 0.0% in December 2012 to 0.5% in June 2013 before settling at 0.3% in December 2013. Finally, the unemployment rate decreased from 8.1% for 2012 to 6.7% in December 2013.

Near-Term Economic Outlook

There are several available sources of short-term forecasts of U.S. economic conditions, including the Congressional Budget Office, the Livingston Survey, and the Survey of Professional Forecasters. In an effort to examine the most current economic forecasts available as of the Valuation Date, we reviewed the Livingston Survey (the "Survey"). The Survey, which is prepared by the Federal Reserve Bank of Philadelphia twice per year, summarizes the forecasts of economists from industry, government, banking and academia.

According to the Survey dated December 12, 2013 forecasters predict that the economy's output (real GDP) will rise at an annual rate of 2.4% during the second half of 2013. Output is expected to slow to 2.5% (annual rate) during the first half of 2014, followed by growth of 2.8% (annual rate) in the second half of 2014. Projections for the unemployment rate have been revised downward throughout 2014. The forecasters predict the unemployment rate will be 6.7% in December 2014. The forecasters' project CPI (Consumer Price Inflation) to be 2.0% in 2013 and 1.8% in 2014. PPI (Producer Price Inflation) is projected to be 1.5% in 2013 and 1.5% in 2014. Interest rates for a three-month Treasury bill are predicted to be 0.09%, revised down from 0.14% in the survey of six months ago. The interest rate on a 10-year Treasury bond is predicted to reach 3.25% at the end of December 2014.

Based on the economic discussion above and the subject interest, we believe that the current economic climate produces more risk for a company with the subject interest's characteristics; although at December 2013, conditions appear to be improving slightly.

INDUSTRY CONDITIONS AND OUTLOOK

Music Industry Overview

The music industry consists of the companies and individuals that are engaged in the business of creating and selling music. Among the many individuals and organizations that operate within the industry are: musicians who compose and perform the music; companies and professionals who create and sell recorded music (e.g., music publishers, producers, studios, engineers, record labels, retail and online music stores, performance rights organizations); those that present live music performances (booking agents, promoters, music venues, road crew); professionals who assist musicians with their music careers (talent managers, business managers, entertainment lawyers); those who broadcast music (satellite, internet and broadcast radio); journalists; educators; musical instrument manufacturers; as well as many others.

The current music industry emerged around the middle of the 20th century, when records had supplanted sheet music as the largest player in the music business: in the commercial world, people began speaking of "the recording industry" as a loose synonym of "the music industry". Along with their numerous subsidiaries, a large majority of this market for recorded music is controlled by three major corporate labels: the French-owned Universal Music Group, the Japanese-owned Sony Music Entertainment[1}, and the US-owned Warner Music Group. The largest portion of the live music market is controlled by Live Nation, the largest promoter and music venue owner. Live Nation is a former subsidiary of Clear Channel Communications, which is the largest owner of radio stations in the United States. Creative Artists Agency is a large management and booking company.

The music industry has been undergoing drastic changes since the advent of widespread digital distribution of music. A conspicuous indicator of this is total music sales: since 2000, sales of recorded music have dropped off substantially[2][3] while live music has increased in importance.[4] The largest music retailer in the world is now digital: Apple Inc.'s iTunes Store.[5] The 2 largest companies in the industry are Universal Music Group and Sony/ATV Music Publishing.

History

Early History

Until the 18th century, the processes of formal composition and of the printing of music took place for the most part with the support of patronage from aristocracies and churches. In the mid-to-late 18th century, performers and composers such as Wolfgang Amadeus Mozart began to seek commercial opportunities to market their music and performances to the general public. After Mozart's death, his wife (Constanze Weber) continued the process of commercialization of his music through an unprecedented series of memorial concerts, selling his manuscripts, and collaborating with her second husband, Georg Nissen, on a biography of Mozart.[6] In the 19th century, sheet-music publishers dominated the music industry. In the United States, the music industry arose in tandem with the rise of blackface minstrelsy. In the late part of the century the group of music publishers and songwriters who dominated popular music in the United States became known as Tin Pan Alley.

Advent of Recorded Music

At the dawn of the early 20th century, the recording of sound began to function as a disruptive technology to the commercial interests publishing sheet music. Commercially released phonograph records of musical performances starting in the late 1880s, and later the onset of widespread radio broadcasting starting in the 1920s, forever changing the way music was heard. Opera houses, concert halls, and clubs continued to produce music and perform live, but the power of radio allowed obscure bands to become popular on a nationwide and sometimes worldwide scale. The "record industry" eventually replaced the sheet music publishers as the industry's largest force. A multitude of record labels came and went. Some note-worthy labels of the earlier decades include Columbia Records, Decca Records, Edison Bell, The Gramophone Company, Invicta, Kalliope, Pathe, Victor Talking Machine Company and many others. [7]

Many record companies died out as quickly as they had formed, and by the end of the 1980s, the "Big 6" — EMI, CBS, BMG, PolyGram, WEA and MCA — dominated the industry. Sony bought CBS Records in 1987 and changed its name to Sony Music in 1991. In mid-1998, PolyGram merged into Universal Music Group (formerly MCA), dropping the leaders down to a "Big 5". Genre-wise, music entrepreneurs expanded their industry models into areas like folk music, in which composition and performance had continued for centuries on an ad hoc self-supporting basis. Forming an independent record label, or "indie" label, continues to be a popular choice for up-and-coming musicians to have their music heard, despite the financial backing associated with major labels.

Rise of Digital Distribution

Despite increasing digital sales, the largest record labels have all reported a considerable decline in overall revenues from sales of recorded music to consumers in the first decade of the 21st century.[8] Revenues in the U.S. dropped by half over a decade, from a high of $14.6 billion in 1999 to $6.3 billion in 2009, according to Forrester Research.[3] Atlantic Records reports that digital sales have surpassed physical sales.[9] Worldwide revenues for CDs, vinyl, cassettes and digital downloads fell from $36.9 billion in 2000[10] to $15.9 billion in 2010[11] according to IFPI. *The Economist* and *The New York Times* report that the downward trend is expected to continue for the foreseeable future.[9][12] This dramatic decline in revenue has caused large- scale layoffs inside the industry, driven retailers (such as Tower Records) out of business and forced record companies, record producers, studios, recording engineers and musicians to seek new business models.[13]

Universal's parent company, Vivendi, gained approval for the acquisition of EMI music.[14] In response to the rise of widespread illegal file sharing; the record industry took aggressive legal action. In 2001 it succeeded in shutting down Napster, and threatened legal action against thousands of individuals who participated.[13] However, this failed to slow the decline in revenue and proved a public-relations disaster.[13] Some academic studies have even suggested that downloads did not cause the decline.[15] Legal digital downloads became widely available with the debut of the iTunes Store in 2003. The popularity of internet music distribution has increased and by 2012 digital music sales topped physical sales of music.[16] However, as *The Economist* reports, "paid digital downloads grew rapidly, but did not begin to make up for the loss of revenue from CDs."[12] The 2008 British Music Rights survey[17] showed that 80% of people in Britain wanted a legal P2P service, however only half of the respondents thought that the music's creators should be paid. The survey was consistent with the results of earlier research conducted in the United States, upon which the Open Music Model was based.[18]

The turmoil in the recorded music industry changed the twentieth-century balance between artists, record companies, promoters, retail music-stores and the consumer. As of 2010 [update], big-box stores such as Wal-Mart and Best Buy sell more records than music-only stores, which have ceased to function as a player in the industry. Recording artists now rely on live performance and merchandise for the majority of their income, which in turn has made them more dependent on music promoters like Live Nation (which dominates tour promotion and owns a large number of music venues).[4] In order to benefit from all of an artist's income streams, record companies increasingly rely on the "360 deal", a new business-relationship pioneered by Robbie Williams and EMI in 2007.[19] At the other extreme, record companies can offer a simple manufacturing and distribution deal, which gives a higher percentage to the artist, but does not cover the expense of marketing and promotion. Many newer artists no longer see a record deal as an integral part of their business plan at all. Inexpensive recording hardware and software made it possible to record reasonable quality music in a bedroom and distribute it over the internet to a worldwide audience.[20] This, in turn, caused problems for recording studios, record producers and audio engineers: the “Los Angeles Times” reports that as many as half of the recording facilities in that city have failed.[21] Changes in the music industry have given consumers access to a wider variety of music than ever before, at a price that gradually approaches zero.[13] However, consumer spending on music-related software and hardware increased dramatically over the last decade, providing a valuable new income-stream for technology companies such as Apple Inc.

Business structure

The music industry is a complex system of many different organizations, firms and individuals and has undergone dramatic changes in the 21st century. However, the majority of the participants in the music industry still fulfill their traditional roles, which are described below.[22] There are three types of property that are created and sold by the recording industry: compositions, recordings and media (such as CDs or MP3s). There may be many recordings of a single composition and a single recording will typically be distributed into many media.

Compositions

Compositions are created by songwriters or composers and are originally owned by the composer, although they may be sold. For example, in the case of work for hire, another party owns the composition immediately. Traditionally, the copyright owner licenses or "assigns" some of their rights (e.g. distribution and sales) to publishing companies, by means of a publishing contract. The publishing company (or a collection society operating on behalf of many such publishers, songwriters and composers) collects fees (known as "publishing royalties") when the composition is used. The publishing company pays a portion of the royalties to the copyright owner, depending on the terms of the contract. Sheet music provides an income stream that is paid exclusively to the composers and their publishing company. Typically (although not universally), the publishing company will provide the owner with an advance against future earnings when the publishing contract is signed. A publishing company will also promote the compositions, such as by acquiring song "placements" on television or in films.

Recordings

Recordings are created by recording artists, often with the assistance of record producers and audio engineers. They were traditionally made in recording studios (who are paid a daily or hourly rate) in a recording session. In the 21st century, advances in recording technology have allowed many producers and artists to create "home studios", bypassing the traditional role of the recording studio. The record producer oversees all aspects of the recording, making many of the logistic, financial and artistic decisions in cooperation with the artist. Audio engineers (including recording, mixing and mastering engineers) are responsible for the audio quality of the recording. A recording session may also require the services of an arranger or studio musicians.

Recordings are (traditionally) owned by record companies. A recording contract specifies the business relationship between a recording artist and the record company. In a traditional contract, the company provides an advance to the artist who agrees to record music that will be owned by the company. The A&R department of a record company is responsible for finding new talent and overseeing the recording process. The company pays for the recording costs and the cost of promoting and marketing the record. For physical media (such as CDs), the company also pays to manufacture and distribute the physical recordings. Smaller record companies (known as "indies") will form business relationships with other companies to handle many of these tasks. The record company pays the recording artist a portion of the income from the sale of the recordings, generally known as a mechanical royalty. (This is distinct from the publishing royalty, described above.) This portion is similar to a percentage, but may be limited or expanded by a number of factors (such as free goods, recoupable expenses, bonuses, etc.) that are specified by the record contract. Session musicians and orchestra members (as well as a few recording artists in special markets) are under contract to provide work for hire; they're typically only paid one-time fees or regular wages for their services, rather than royalties.

Media

Physical media (such as CDs) are sold by music retailers and are owned by the consumer. A music distributor delivers the physical media from the manufacturer to the retailer and maintains relationships with retailers and record companies. The music retailer pays the distributor, who in turn pays the record company for the recordings. The record company pays mechanical royalties to the publisher, composer, and songwriter via a collection society. The record company then pays royalties, if contractually obligated, to the recording artist.

In the case of digital downloads or streams, there is no physical media other than the consumer's hard drive. The distributor is optional in this situation; large online shops may pay the labels directly, but digital distributors do exist to service vendors large and small. When purchasing digital downloads, the consumer may be required to agree to record company and vendor licensing terms beyond those which are inherent in copyright; for example, some may allow freely sharing the recording, but others may restrict the user to storing the music on a specific number of hard drives.

Other uses of recorded music and compositions

When a recording is broadcast (either on radio or by a service such as Muzak), performance rights organizations (such as the ASCAP and BMI in the US, SOCAN in Canada, or MCPS and PRS in the UK), collect a third type of royalty known as a performance royalty, which is paid to composers and recording artists. This royalty is typically much smaller than publishing or mechanical royalties. When recordings are used in television and film, the composer and their publishing company are typically paid through a synchronization license. Subscription services (such as Rhapsody) also provide an income stream directly to record companies, and through them, to artists, contracts permitting.

Live music

A promoter brings together a performing artist and a venue owner and arranges contracts. A booking agency represents the artist to promoters, makes deals and books performances. Consumers usually buy tickets either from the venue or from a ticket distribution service such as Ticketmaster. In the US, Live Nation is the dominant company in all of these roles: they own most of the large venues in the US, they are the largest promoter, and they own Ticketmaster.

Choices about where and when to tour is decided by the artist's management and the artist, sometimes in consultation with the record company. Record companies may provide tour support; they may finance a tour in the hopes that it will help promote the sale of recordings. However, in the 21st century, it has become more common to release recordings to promote tours, rather than book tours to promote records.

Successful artists will usually employ a road crew: a semi-permanent touring organization that travels with the artist. This is headed by a tour manager and provides stage lighting, live sound reinforcement, musical instrument tuning and maintenance and transportation. On large tours, the road crew may also include an accountant, stage manager and catering. Local crews are typically hired to help move equipment on and off stage. On small tours, all of these jobs may be handled by just a few roadies, or by the musicians themselves.

Artist management, representation and staff

Artists may hire a number of people from other fields to assist them with their career. The artist manager oversees all aspects of an artist's career in exchange for a percentage of the artist's income. An entertainment lawyer assists them with the details of their contracts with record companies and other deals. A business manager handles financial transactions, taxes and bookkeeping. Unions, such as AFTRA in the U.S., provide health insurance and other services for musicians. A successful artist functions in the market as a brand and, as such, may derive income from many other streams, such as merchandise or internet-based services. These are typically overseen by the artist's manager and take the form of relationships between the artist and companies that specialize in these products.

Emerging Business Models

In addition to these traditional business relationships, new ways of doing business are being developed in the 21st century. The traditional lines that once divided artist, publisher, record company, distributor, retail and consumer electronics have become blurred. Artists may own their own publishing companies, artist management companies may promote and market recordings on behalf of their clients, artists may promote and market themselves using only free services such as YouTube or social media, consumer electronics companies have become digital music retailers, and so on, in many variations. New digital music distribution technologies have also forced both government and industry to re-examine the definitions of intellectual property and the rights of all the parties involved. Also compounding the issue of defining copyright boundaries is the fact that the definition of "royalty" and "copyright" varies from country to country and region to region, which changes the terms of some of these business relationships.

Sales Statistics

Nielsen SoundScan reported that the big four accounted for 81.87% of the US music market in 2005Y[23]

- Universal Music Group (USA based) -31.71%
- Sony Music Entertainment (USA based) -25.61%
- Independent labels -18.13%
- Warner Music Group (USA based) -15%
- EMI Group (UK based)9.55% and in 2004, 82.64%:
- Universal Music Group-29.59%
- Sony Music Entertainment-28.46% (13.26% Sony, 15.20% BMG)
- Independent labels- 17.36%
- Warner Music Group--14.68%
- EMI Group--9.91 %

The global market was estimated at $30-40 billion in 2004.[24] Total annual unit sales (CDs, music videos, MP3s) in 2004 were 3 billion.

According to an IFPI report published in August 2005,[25] the big four accounted for 71.7% of retail music sales:

- Independent labels-28.3%
- Universal Music Group-25.5%
- Sony Music Entertainment-21.5%
- EMI Group-13.4%
- Warner Music Group-11.3%

Prior to December 1998, the “Big Six” dominated the industry: Sony Music and BMG had not yet merged, and PolyGram had not yet been absorbed into Universal Music Group. After the PolyGram-Universal merger, the 1998 market shares reflected a "Big Five", commanding 77.4% of the market, as follows, according to MEI World Report 2000:

- Universal Music Group -28.8%
- Independent labels -22.6%
- Sony Music Entertainment -21.1%

- EMI -14.1%
- Warner Music Group -13.4%

Note: the IFPI and Nielsen Soundscan use different methodologies, which makes their figures difficult to compare casually, and impossible to compare scientifically.[26]

Albums sales and market value

The following table shows album sales and market value in the world in the 1990s-2000s.

#	Country	Album Sales Share	Share of World Market Value
1	USA	37-40%	30-35%
2	Japan	9-12%	16-19%
3	UK	7-9%	6.4-9.1%
4	Germany	7-8%	5.3-6.4%
5	France	4.5-5.5%	5.4-6.3%
6	Canada	2.6-3.3%	1.9-2.8%
7	Australia	1.5-1.8%	1.5-2.0%
8	Brazil	2.0-3.8%	1.1-3.1%
9	Italy	1.7-2.0%	1.5-2.0%
10	Spain	1.7-2.3%	1.4-1.8%
11	Netherlands	1.2-1.8%	1.3-1.8%

#	Country	Album Sales Share	Share of World Market Value
12	Mexico	2.1-4.6%	0.8-1.8%
13	Belgium	0.7-0.8%	0.8-1.2%
14	Switzerland	0.75-0.9%	0.8-1.1%
15	Austria	0.5-0.7%	0.8-1.0%
17	Russia	2.0-2.9%	0.5-1.4%
18	Taiwan	0.9-1.6%	0.5-1.1%
19	Argentina	0.5-0.7%	0.5-1.0%
20	Denmark	0.45-0.65%	0.5-0.8%

Singles sales

Physical single sales in the world in the 1990s-2000s and digital single sales in 2005.

# Country	Physical Sales Share	Digital Sales Share in 2005
EU	34-50%	13.2%
UK	26--32%	1.7%
Japan	4-25%	85%
USA	14.5-16%	6.3%
Germany	9-12%	5%
France	4-12.5%	1.9%
Australia	1.8-4.6%	0.48%
Netherlands	1.3-1.7%	< 0.2%
Belgium	0.8-1.8%	< 0.2%
Sweden	0.6-0.96%	< 0.2%
Switzerland	0.5-0.92%	< 0.2%
Austria	0.58-0.82%	< 0.2%
Italy	0.3-1.0%	< 0.2%
Spain	0.3-0.7%	< 0.2%
Norway	0.3-0.47%	< 0.2%
Ireland	0.2-0.5%	< 0.2%
Canada	0.1-0.6%	< 0.2%
Portugal	0.01-1.0%	< 0.2%
Republic of Korea	0.02-0.45%	< 0.1%
New Zealand	0.19-0.29%	< 0.1%
Denmark	0.10-0.25%	< 0.1%

Recorded music retail sales

Interim physical retail sales in 2005 - all figures in millions. Approximately 21% of the gross CD revenue numbers in 2003 can be attributed to used CD sales growing to approximately 27% in 2007 (the growth is attributed to increasing on-line sales of used product by outlets such as Amazon.com, the growth of used music media is expected to continue to grow as the cost of digital downloads continues to rise.)

Country info		Units			Value	Change (%)	
Ranking	Country Name	Singles	CD	DVD	Units	Local Currency	Units Value

I	USA	14.7	300.5	1 1.6	326.8	4783.2	4783.2	-5.70%	-5.30%
2	Japan	28.5	93.7	8.5	113.5	2258.2	239759	-6.90%	-9.20%
3	UK	24.3	66.8	2.9	74.8	1248.5	666.7	-1.70%	-4.00%
4	Germany	8.5	58.7	4.4	71	887.7	689.7	-7.70%	-5.80%
5	France	I 1.5	47.3	4.5	56.9	861.1	669.1	7.50%	-2.50%
6	Italy	0.5	14.7	0.7	17	278	216	-8.40%	-12.30%
7	Canada	0.1	20.8	1.5	22.3	262.9	325	0.70%	-4.60%
8	Australia	3.6	14.5	1.5	17.2	259.6	335.9	-22.90%	-1 1.80%
9	India		10.9		55.3	239.6	11500	-19.20%	-2.40%
10	Spain	I	17.5	I.I	19.I	231.6	180	-13.40%	-15.70%
II	Netherlands	1.2	8.7	1.9	II.I	190.3	147.9	-31.30%	-19.80%
12	Russia		25.5	0.1	42.7	187.9	5234.7	-9.40%	21.20%
13	Mexico	0.1	33.4	0.8	34.6	187.9	2082.3	44.00%	21.50%
14	Brazil	0.01	17.6	2.4	24	151.7	390.3	-20.40%	-16.50%
15	Austria	0.6	4.5	0.2	5	120.5	93.6	-1.50%	-9.60%
16	Switzerland **	0.8	7.1	0.2	7.8	1 15.8	1 39.2	n/a	n/a
17	Belgium	1.4	6.7	0.5	7.7	115.4	89.7	-13.80%	-8.90%
18	Norway	0.3	4.5	0.1	4.8	I 03.4	655.6	-19.70%	-10.40%
19	Sweden	0.6	6.6	0.2	7.2	98.5	701.1	-29.00%	-20.30%

In its June 30, 2000 annual report filed with the U.S. Securities and Exchange Commission, Seagram reported that Universal Music Group made 40% of the worldwide classical music sales over the preceding year.[27]

Music industry organizations

- Academy of Country Music (ACM)
- Alliance of Artists and Recording Companies (AARC)
- American Association of Independent Music (A2IM)
- American Federation of Musicians (AFM)
- American Federation of Television and Radio Artists (AFTRA)
- American Society of Composers, Authors and Publishers (ASCAP)
- Asosiasi Industri Rekaman Indonesia (ASIRI)
- Associacao Fonografica Portuguesa (AFP)
- Associacao Brasileira dos Produtores de Discos (ABPD)
- Association of Independent Music (AIM)
- Australian Recording Industry Association (ARIA)
- Billboard Magazine, known for the Billboard Hot 100

- British Phonographic Industry (BPI)
- Broadcast Music Incorporated (BMI)
- Country Music Association (CMA)
- Federation of the Italian Music Industry (FIMI)
- Gesellschaft fur musikalische Auffuhrungs- und mechanische Vervielfatigungsrechte (GEMA) in Germany
- Harry Fox Agency (for-profit branch of the NMPA)
- Indian Music Industry (IMI)
- International Federation of the Phonographic Industry (IFPI)
- Irish Recorded Music Association (IRMA)
- Latin Academy of Recording Arts & Sciences (LARAS)
- Mechanical-Copyright Protection Society (MCPS)
- Music Canada
- Musicians Benevolent Fund
- Musicians' Union (MU)
- National Academy of Recording Arts and Sciences (NARAS)
- National Association of Recording Merchandisers (NARM)
- National Music Publishers Association (NMPA)
- Philippine Association of the Record Industry (PARI)
- PRS for Music (PRSM)
- Recording Artists' Coalition (RAC)
- Recording Industry Association of America (RIAA)
- Recording Industry Association of Japan (RIAJ)
- Recording Industry Association of New Zealand (RIANZ)
- Recording Industry of South Africa (RISA)
- Society of European Stage Authors & Composers (SESAC)
- SoundExchange (SE)

Notes

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Trends/Outlook

As previously discussed, the value of the songs is impacted by the licensee's ability to continue to sell product. Since 1999, music industry revenue in the U.S. has decreased approximately 50% according to Forrester Research. From 2012 to 2013, CD sales (for all artists and genres combined) dropped by 13.1% for units shipped and dropped 14.6% in dollar value (see Exhibit 11). The erosion of the CD sales market in favor of digital distribution will continue.

The current poor state of the short-term economy as well as uncertainty in the music industry with regard to content distribution demonstrates a higher level of risk.

The projected revenues may be significantly detrimentally impacted by the increase in music subscription services such as Pandora and Spotify. While the usage and distribution of content will continue to increase with these services, the amount of revenue per stream will not likely reach the level of prior revenues from CD sales and permanent downloads.

All of the factors above create more risk for Hollywall Entertainment, Inc.

SEARCH FOR COMPARATIVES

We have performed both a manual and an on-line search for potentially comparative companies and acquisitions. Hollywall Entertainment, Inc. identifies itself as a creator and distributor of recorded music. In addition, they have a business segment in the security industry that provides no direct benefit to the business of music distribution. However, the Company specializes in a specific market niche and is not identical to all such organizations.

Although some publicly held companies might perform services similar to Hollywall Entertainment, Inc., these services generally comprise only a component of the companies' overall operations. In addition, such companies have capital and management structures much larger than the Company.

According to Dr. Pratt, Mr. Reilly and Mr. Schweihs in *Valuing a Business:*

"The market approach provides a systematic framework for estimating the value of an intangible asset based on an analysis of actual sale and/or license transactions of intangibles that are comparable to the object. This approach requires comparing the subject intangible to intangibles that have been listed for sale/license or have been sold/licensed in their appropriate primary or secondary markets.

Market approach methods are commonly used with regard to copyright valuation and economic analyses. There is a fairly active market with regard to the fee simple sales of copyrights. Often, however, the transactional (particularly pricing) details regarding copyright sales are not publicly disclosed. More importantly, it is often difficult for analysts to develop units of comparison in order to extract market-derived pricing multiples from these transactional data. In other words, it is difficult to convert pricing data regarding the actual sale of a copyright into a meaningful "per picture", "per lyric," or "per word" pricing multiple."

To successfully utilize the market approach, the following is required:

1. The existence of an active market
2. Past transactions of comparable property
3. Access to pricing information
4. Arm's length transactions between independent parties

In *Valuing a Business,* Dr. Pratt, Mr. Reilly and Mr. Schweihs state:

> "More than in the case of transactions involving the sale of real estate or tangible personal property, buyers and sellers of intangible assets tend to keep actual transactional data private. So analysts face difficulty in obtaining, verifying and confirming data on the actual terms of arm's length sales/licenses of intangible assets."

The search for comparative companies or sales of comparative companies is referred to the market method. Based on the above, we researched available public information in order to determine whether sufficient comparable data existed that would enable us to arrive at a comparable sales value analysis (see Exhibit 17). We concluded that sufficient, relative comparative company data was not available in order for us to use this methodology as a basis for computing a value for the intellectual property of Hollywall Entertainment, Inc.

VALUATION METHODS

As discussed in the introduction, in developing a value for the intellectual property owned by Hollywall Entertainment, Inc., we used a discounted net cash flow method and an adjusted net asset method. We considered a comparative company method, but did not use it because of a lack of comparable publicly held companies.

ADJUSTED NET ASSET METHOD

The adjusted net asset method relies on the concept that the value of a business is equal to the value of its tangible and intangible assets net of liabilities. The method basically entails the appraisal of a company's assets and liabilities followed by the adjustment of the company's balance sheet to reflect the values as appraised. In addition, adjustments may be necessary for omitted assets and liabilities, intangible assets that have been acquired and contingent liabilities, as well as adjustments for special considerations such as minority interests. The resulting adjusted equity of the business is its net asset value.

This method has value to the analyst as it generally provides a value that might be considered to be near the lower range of reasonable values. This is based on the concept that a willing buyer would consider this amount to obtain the assets and liabilities of the Company in place and in operation.

The Company's primary asset is its intellectual property rights in certain recorded music masters and its ability to receive various related sales revenue. The adjusted net asset method – as it relates to the valuation of intellectual property can be utilized to determine value. Such method requires an approximation of the creation or recreation costs of the intellectual property. As stated in *Valuing a Business* by Dr. Pratt, Mr. Reilly and Mr. Schweihs:

"A common cost approach formula for quantifying an intangibles value (such as intellectual property rights) is as follows:

Reproduction cost new

Less:	Incurable functional and technological
Equals:	Obsolescence Replacement cost new
Less:	External obsolescence
Less:	Curable functional and technological
Indicates:	Obsolescence Fair Market Value"

In *Valuing Intangible Assets,* Dr. Pratt and Mr. Schweihs state "the application limitation of the adjusted net asset or cost approach relates to the fact that the intellectual property grants the holder exclusive or monopolistic rights with regard to the subject work. The cost approach is based on the economic principle of substitution. This principle tells us that an investor will typically pay no more for a property than the cost to purchase or construct a substitute property. However, it is not legally possible to purchase or construct a substitute property with regard to certain intellectual property such as copyrights. Copyrights are only granted with regard to unique and original work. Therefore, the hypothetical investor who attempts to purchase or construct a substitute property is, by definition, guilty of copyright infringement."

Furthermore, the composition of songs is not typically an activity that can be quantified into production costs to obtain "replacement cost." For example, the application of talents of a songwriter that might result in the creation of a valuable song within a very short period of time (maybe minutes) defies quantification from a "cost" standpoint.

Accordingly, we have utilized the discounted net cash flow method to determine the value of the Company's intellectual property.

Based on the balance sheet provided to us by the management of Hollywall Entertainment, Inc. (Exhibit 14), the net value of intellectual property recorded by the management of Hollywall Entertainment, Inc. as of December 31, 2013 was $33,875,587.

DISCOUNTED NET CASH FLOW METHOD

Theoretically, an investment in the recorded music masters is worth the present value of all the future benefits they will produce for its owner(s), with each expected future benefit discounted back to present value at a discount rate that reflects the risk (degree of uncertainty) that those benefits will not be realized.

Forecasted Net Cash Flow

One measurement of future benefits on which financial analysts and business appraisers frequently focus is net cash flows, defined as follows:

	Net income
+	Noncash charges
	Capital
	expenditures
+ or -	Changes in working capital
+ or -	Changes in debt balance (usually long-term debt)
=	Net cash flow

Therefore, in the case of Hollywall Entertainment, Inc., we have developed an indication of value based on a forecast of the Company's net cash flow from exploitation of the masters as identified in Exhibits 1 to 6. This forecast of future net cash flow is shown at Exhibit 8 to 10 and is based on forecasts of revenue and related expenses prepared by the management of Hollywall Entertainment, Inc.

The Company's forecast cash flow from the exploitation of the intellectual property during the measurement period (September 2014 through December 31, 2023) is presented after normalization adjustments for unusual proceeds and for appropriate revenue creation expenses. In the absence of relevant historical revenues, the Company's management believes that the forecasted cash flow levels are achievable based on the management's relationships and industry expertise as well as the reasonableness of the assumptions (see the attached Exhibit 13). The management of Hollywall Entertainment, Inc prepared the forecasted activity and is solely responsible for the assumptions used to create the information used as a basis for the valuation analysis.

We were unable to secure sufficient third party documentation to enable us to determine whether the assumptions are reasonable. The number of projects anticipated by management to be put into commercial distribution as well as the number of units projected to be sold significantly exceed the amounts that would seem to be supported by current market conditions (see the accompanying Exhibit 12 list of comparable projects). Accordingly, the values presented in this report are dependent on management's ability to achieve these results. Management's collective biographies (see Exhibit 16) does seem to indicate significant industry expertise as well as key relationships that could potentially enable management to achieve the forecasts reflected in Exhibits 8 to 10. However, as of the date of this report, we have not been provided with documentation to show that distribution contracts have been signed to place product into traditional retail outlets or digital distributors. In addition, management's assumptions (see Exhibit 13) reflect a significant reliance on direct to consumer sales via broadcast partners. As of the date of this report, we have not been provided with documentation to show that Agreements have been signed to sell product in this manner. In addition, we have not been provided with any documentation to show that Agreements have been signed for licensing of the existing recorded music masters (see Exhibits 1 to 6) for specific film projects, television or advertising campaigns except for the project *Unchain My Heart: The Ray Charles Musical*. Accordingly, if management is unable to achieve the results as forecasted, then the value reflected in this report will be substantially less than stated.

Forecasted Revenue Trend - The Company does not have recent material historical revenue related to the exploitation of the Company's intellectual property. Accordingly, forecast revenue trends cannot be used as a basis for projecting future sales.

Forecast Period – Revenues are projected for a ten-year period beginning September 2014 and ending December 31, 2023 plus a terminal value based upon the historical earnings trends as well as anticipated market conditions. This analysis assumes that no adverse claims will exist or will arise during the measurement term.

Total Growth (Decay) Rate - Management expects the decay rates (annual percentage rate at which average annual revenues are expected to diminish) for future revenues are based on anticipated market conditions during the measurement period.

The valuation is computed utilizing the net present value of discounted projected future cash flows. The discount rate selected is based on anticipated market conditions that impact the level of risk. The current state of the short-term economy as well as uncertainty in the music industry with regard to content distribution demonstrates a higher level of risk.

The Company does not have historical revenues that would serve as a basis for projecting future revenues. Management has a demonstrated history of being able to create and market "legacy" or "catalogue" content in both foreign and domestic compilations. In addition, they have expertise in the area of licensing usages in film, television and commercials. While it is likely that current management will have the industry expertise continue to market the recorded music masters, there is no third-party documentation to support their ability to market the product at the level of activity sufficient to justify the forecasted sales.

The projected revenues will be significantly detrimentally impacted by any reversion interests (if any) or adverse ownershi p claims (if any) that exist now or that are likely to arise during the measurement period. The owners of the Company need to verify that all key copyrights have been properly registered and copyrights created before January 1, 1978 have been properly renewed. The creator's ownership rights for copyrights created after January 1, 1978 is the author's life plus 70 years. The analysis assumes that no adverse claims will exist or will arise during the measurement term. Due to the age of the key songs, it is not likely that any copyright infringement claims will arise during the measurement period. Management and legal counsel for the Company has represented to us that all copyrights have been properly registered and renewed. In addition, they have represented that there are no reversion rights that will adversely affect the future revenue streams.

Capital Expenditures - It is assumed there will be no material capital expenditures during the forecast period that would be necessary to achieve management's projected revenues and expenses related to exploitation of the intellectual property.

Developing the Discount Rate

The rate used to discount the expected cash flows to present value is the estimated rate of return currently available in the market on alternative investments with comparable risk. Our estimate of the discount rate (required rate of return) is derived from market evidence and is the sum of the following components:

1. A risk-free rate.
2. A premium for risk, which is the sum of the following:
    a. An equity risk premium, which is the expected premium over the risk-free rate that investors expect to get by investing in a broad index of the common stock market (such as the Standard & Poor's 500 stock composite average).

    b. An additional premium for other risk factors specific to Hollywall Entertainment, Inc. relative to companies in the industry.

We have determined the risk-free rate by using the 20-year U.S. Treasury Bond yield 2.82% as of the valuation date.

The basic equity risk premium as of the valuation date (according to Duff & Phelps) as adjusted is 12.4%. This equity risk premium is the extra return earned by an average equity investor in excess of the return on long-term Treasury securities.

Finally, in determining the adjustment for other risk factors that should be provided for Hollywall Entertainment, Inc., we considered the following primary factors that influence the level of risk involved in any business investment. The risk indicators, when considered together, give subjective guidance in judging the overall investment risk and the rate of investment return appropriate in the circumstances.

	Degree of Risk		
	Low	Medium	High
Company Characteristics:			
Years in business			X
Relative size in marketplace			X
Concentrations: customers/suppliers		X	
Products and Industry:			
Political and regulatory situation		X	
Proprietary content/differentiation	X		
Industry stability			X
Technological obsolescence	X		
Product Quality	X		
Price competition	X		
Litigation	X		
Market:			
Strength of marketplace		X	
Location and growth prospects		X	
Ease of market entry		X	
Ease of market exit		X	
Population trends		X	

Management and Personnel:			
Management retention			X
Unionization	X		
Financial:			
Return on tangible net assets	X		
Profit stability	X		
Profit trend		X	
Current ratio	X		
Leverage	X		
Budgetary controls	X		
Changes in direction:			
Major capital projects	X		
Overexpansion	X		
Response to change			X

In estimating the adjustment for other risk factors, we considered the factors listed above and concluded that the risks associated with a key management and the instability currently being experienced in the music industry are somewhat captured in the revenue projections, leaving lesser risk of attaining the expected cash flows. We also believe public company stock rates should be adjusted to represent expected industry returns.

Accordingly, we feel a downward adjustment from rates determined in the public stock markets is necessary for other risk factors and industry considerations.

A summary of the determination of the estimated discount rate for Hollywall Entertainment, Inc. by type of revenue stream is shown below.

	CD Sales	Film, TV Licensing	Special Projects
Risk-free Rate	2.82%	2.82%	2.82%
Equity Risk Premium	12.40%	12.40%	12.40%
Average Market Return at Valuation	15.22%	15.22%	15.22%
Other Risk Factors	-5.00%	-3.00%	3.00%
Net Cash Flow Discount Rate	10.22%	12.22%	18.22%

Determining the Terminal Value

Since specific forecasts of future benefits beyond a foreseeable number of years generally are not meaningful, analysts typically make some assumptions about normalized expected growth past the specific forecast period, and from this develop a terminal value (the expected value of the company at the end of the specific forecast period). The expected stream of future benefits includes the terminal value.

In *Valuing Intangible Assets,* Mr. Reilly and Mr. Schweihs state:

"With regard to the income approach analyses, the copyright income is projected over an estimate of the remaining useful life of the income stream. Typically, the remaining useful life estimate is much shorter than the (very long) period associated with the legal life of the copyright. Most often, the remaining useful life is an expectation of the period of popular and commercial acceptance of the book, movie, song, play, poem or other copyrighted work. The present value of the income projection over this expected remaining useful life is an indication of value of the copyright."

In the case of the intellectual property owned by Hollywall Entertainment, Inc., we are using forecasted net cash flows for ten specific years plus a "terminal period." We have estimated terminal value using the following formula:

T = A/r-g

T = Terminal value.

A = Amount of expected average annual cash flow after 2023

r = required rate of return (discount rate), as defined above.

g = Growth rate (expected annual compounded growth rate in net cash flow in perpetuity).

Placing the figures into the formula results in the following:

Terminal Value Calculation:

Sales of CD Revenue

$$T = \frac{421{,}613}{.1022 - .00} = \frac{421{,}613}{.1022} = 4{,}125{,}375$$

Licensing for Film, Television and Advertising

$$T = \frac{500{,}974}{.1222 - .00} = \frac{500{,}974}{.1222} = 4{,}099{,}625$$

Total Terminal Value $8,225,000

Having developed the forecasted cash flows and the appropriate rate of return by which to discount the forecasted cash flows, the remaining step is to calculate the present value of those cash flows (See Exhibit 7).

Value Indicated by Discounted Net Cash Flow Method

Thus, the indicated operating value of the intellectual property rights of the Company using the discounted net cash flow method can be seen in Exhibit 7. The total value (net of tax effect) using the discounted cash flow method of such rights is $47,286,902.

VALUATION SUMMARY

Weighting the valuation methods

This section discusses the strengths and weaknesses of the methods used in the preceding section and how those methods were weighted in arriving at an estimate of value.

Adjusted Net Asset Method

The adjusted net asset method is based on the fair market value of the Company's assets, less liabilities. The intellectual property rights reflected on the Company’s balance sheet (see Exhibit 14) were based on the purchase of these rights by the Company from a current Officer of the Company. The financial statements are unaudited and we are unable to determine whether the stated value reflects a true arm’s length transaction. The fair market values of the remaining assets have not been considered. Our valuation analysis has been specifically limited by management to the intellectual property assets identified in Exhibits 1 to 6. Accordingly, no significant weight will be afforded this method and we are therefore not using the Adjusted Net Asset Method to value the intellectual property.

Discounted Net Cash Flow Method

The discounted net cash flow method is important because it serves to form the value of the Company's intellectual property rights. In this case, it is not utilized as a separate method but used to develop the proper adjusted net assets. However, the following discussion provides additional insight.

This valuation method is generally only as reliable as its two primary components:

a. The forecast of future returns (including the terminal value), and

b. The discount rate

The discount rate for Hollywall Entertainment, Inc. was determined using the build-up approach and appears to represent a reasonable rate of return for a company with Hollywall Entertainment's Company characteristics. The remaining question is the reliability of the cash flow projections and related estimate of the intellectual property terminal value. It should be noted that the Company's value using this method is also dependent on the projected terminal value, since the forecast of future cash flows covers ten years. It also assumes a discount rate determined based on the characteristics of this business. Accordingly, the cash flow forecast is subject to several projected assumptions. However, forecasts were based on Hollywall Entertainment, Inc. management estimates about the future. We believe this method should be accorded full weight in the final analysis, since it provides the most appropriate valuation of the Company's intellectual property rights.

DISCOUNTS AND PREMIUMS

We have also considered whether any discounts or premiums should be applied to the indications of value of Hollywall Entertainment's intellectual property resulting from the valuation methods used. The most common discounts or premiums would be a minority interest discount or a control premium and a discount for lack of marketability. A control premium is not considered in this case since the projected cash flows and discount rates have already considered elements of control.

A *minority interest discount* is measured in terms of the relative degree of control a minority owner has over the operations and important decisions of the company. The concept of *marketability,* however, deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell.

These two concepts are somewhat related in that, even after discounting a minority interest for its lack of control, it is still usually much harder to sell a minority interest than to sell a controlling interest in a closely held business. Since we are only valuing the intellectual property of Hollywall Entertainment, we are not therefore considering any discount related to lack of marketability of the Company's stock.

The Company does have the ability to sell some or all of the recorded music masters to a willing third-party. While the market for "legacy" or "catalogue" content is not as robust as the market for "top-line" artist recorded content, we do not believe that any additional discount is necessary with regard to marketability of the individual recorded music masters to third-parties.

Tax Considerations

The following information has been taken primarily from James R. Hitchner's book, *Financial Valuations: Applications and Models, Second Edition.*

For years, analysts have routinely been deducting taxes at either C corporation rates or personal rates in valuing pass-through entities despite the fact that such entities do not themselves incur such taxes. And for years, analysts would have to explain why they were doing so. The explanations given have been many and varied.

One of the arguments typically raised for tax affecting the earnings stream is to match the income stream to the capitalization or discount rate that has been developed using Ibbotson or Duff & Phelps market data. Ibbotson, was developed from the Center for Research in Securities Pricing Data. Many analysts mistakenly assume that the tax rate implicit in such data is at the highest marginal rate, or 40 percent. A review of the data reveals much lower actual tax rates, particularly in the lowest deciles.

Many analysts value companies that fall in the tenth decile or lower size category. Therefore, many of these companies that valuators typically deal with pay less income tax.

Some commentators have concluded that this data, taken together with the market data, indicate that we should be deducting no taxes when we value pass-through entities.

Perhaps the most important consideration is that the rate of return we utilize is pre-personal income taxes. The corporate income tax expense "is whatever it is," and should be accounted for appropriately in whatever valuation model the valuator utilizes. What is important is to match after-tax cash flow to after-tax discount and cap rates regardless of the level of tax in the public company data or the subject company.

Much of the debate regarding pass-through entity valuation is centered on the issue of whether to deduct taxes and in what amount. An understanding of several of the valuation models reveals that while they deduct an amount for income taxes, they correspondingly recognize a benefit for dividend taxes saved. When using these models, failure to recognize the purpose and intent of all the steps in the model can lead to a great amount of confusion.

Summary:

Each controlling-interest valuation is special and individual and cannot necessarily be subjected to only one set of rules. However, there are at least 12 questions to consider as follows:

a) Who is the most likely pool of buyers?
b) Could the buyer elect "for free" on his or her own?
c) What degree of control will the buyer have, and would others make the pass-through entity election anyway?
d) What is the possibility that the pass-through entity status will be broken?
e) Will a buyer of a company in this industry pay a premium for an entity form that affords tax- advantaged distributions?
f) What is the expected distribution level?
g) What is the opportunity to build up retained net income?
h) What is the likely holding period?

i) What is the opportunity a tax election to step up basis of cost acquired and the future deductions?

j) Is there an opportunity to step up the basis of the underlying assets?

k) Is there an opportunity to avoid built-in gains tax, if any?

l) What is the capital structure of the company, and how does the fact that it is a pass-through entity affect its ability to obtain capital?

In our analysis, we determined that it was appropriate to present both the before tax and after tax impact on the intellectual property values using a combined tax rate of 40%. Accordingly, we did tax effect the revenue streams in Exhibit 7.

We believe that the discounted net cash flow method is the most appropriate method for estimating the value of Hollywall Entertainment, Inc. intellectual property as identified in Exhibits 1 to 6.

CONCLUSION

Based on the above indications of value and the information presented in this report, it is our opinion that the fair market value of 100.00% interest in the intellectual property owned by Hollywall Entertainment, Inc. as of September 15, 2014 is best expressed as: $47,286,902.

Appendix A

SOURCES OF INFORMATION RELIED UPON IN THIS VALUATION

External Documents:

1. The Livingston Survey
2. The Beige Book
3. Federal Reserve Board
4. United States Dept. of Labor
5. The Bureau of Economic Analysis
6. National Council on Economic Education
7. The General Accounting Office (GAO)
8. Standard & Poor's Industry Surveys
9. Stocks, Bonds, Bills, and Inflation 2011 Yearbook, Ibbotson Associates
10. Risk Management Associates Annual Statement Studies 2011 -2012
11. Duff & Phelps, January 2012 Cost of Capital
12. Economic Report of the President
13. Guide to Business Valuation, Practitioners Publishing Company, 2011
14. The Dismal Scientist: GDP, Consumer Price Index Analysis, from Economy .com, Employment Situation Analysis
15. Management of Hollywall Entertainment, Inc. provided review and analyses of financial records including royalty statements, tax returns, general ledgers and financial statements.
16. Music Industry History, Wikipedia.org
17. The Business of Music, Krasilovsky, Shemel, Gross & Feinstein

18. Valuing a Business, Pratt, Reilly & Schweihs

19. Valuing Intangible Assets, Reilly & Schweihs

20. Other references as listed on pages 32 - 34

21. Business Valuation Resources Business Valuation Update

22. Valuation Strategies, Warren, Gorham and Lamont

23. AICPA National Business Valuation Conference Material

24. Financial Valuations: Applications and Models, Hitchner

Appendix B

MANAGEMEMENT INFORMATION RELIED UPON IN THIS VALUATION

Internal Documents

1. List of recorded music masters held by the Company
2. General ledgers provided by Hollywall Entertainment, Inc. for the year 2013.
3. Financial statements provided by Hollywall Entertainment, Inc. for the year 2013.
4. Forecasts and other Company data including sales and expense projections provided by Management
5. Documents provided for Hollywall Entertainment, Inc.

Appendix C

VALUATORS' CERTIFICATION

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

1. The statements of fact in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the subject entity or bias with respect to the parties involved.
4. Our compensation is not contingent on any action or event resulting from the findings in, or the use of, this report.
5. No one provided significant professional assistance to the person signing this report.

ENTERTAINMENT FINANCIAL
SERVICES, INC.

John E. Kelly

APPENDIX D

Glossary

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

Adjusted Book Value - the value that results after one or more asset(s) or liability amounts are added, deleted, or changed [to their respective financial statement amounts}.

Appraisal - See Valuation.

Appraisal Approach - See Valuation Approach.

Appraisal Date - See Valuation Date.

Appraisal Method - See Valuation Method.

Appraisal Procedure - See Valuation Procedure.

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

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

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

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

Business - see Business Enterprise.

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

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

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

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

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

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

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

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

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

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

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

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

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

Discount for Lack of Control - an amount or percentage deducted from the pro rata share of value of one hundred percent (I00%) of an equity interest in a business to reflect the absence of some or all of the powers of control.

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

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

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

Effective Date - See Valuation Date.

Enterprise - See Business Enterprise.