

Hollywall Entertainment, Inc.

Intangible Asset Valuation

Prepared by:

Sun Business Valuations, LLC



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**Valuation Analysis for
Hollywall Entertainment,
Inc.**

Prepared by:
Sun Business Valuations, LLC

March 4, 2021

CONFIDENTIAL

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Notice

Confidential Valuation

Hollywall Entertainment, Inc.

The subject Company has supplied the information contained herein. Sun Business Valuations, LLC has not audited nor caused an audit of this information. Sun Business Valuations, LLC makes no representations as to its accuracy or its completeness. Moreover, Sun Business Valuations, LLC does not assume any of the reader's business risks nor shall it be liable in any manner for damage, loss or injury resulting from any inaccuracy in, or incompleteness of, the information or materials contained herein.

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This document contains “forward looking statements” and “forward looking information” within the meaning of applicable securities laws (collectively, “forward looking information”) with respect to the Company, including, but not limited to (a) estimates of yield, cash costs, production, and, (b) revenue forecasts, (c) illustrative capex, product mix and economics (e) statements with respect to indicative revenue from management contracts (f) estimated revenue and the composition thereof, (g) estimated EBITDA and the composition thereof, (h) multiples and valuation projections, (i) the completion and timing of the completion of new contracts and acquisitions, and (j) any other statement that may predict, forecast, indicate or imply future plans, intentions, levels of activity, results, financial position, operational or financial performance or achievements, and involve known and unknown risks, uncertainties and other factors which may cause the actual plans, intentions, activities, results, performance or achievements of the Company to be materially different from any future plans, intentions, activities, results, position, performance or achievements expressed or implied by such forward looking information. Often, but not always, forward looking information can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, “will”, “projects”, or “believes” or variations (including negative variations) of such words and phrases, or statements that certain actions, events, results or conditions “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Except for statements of historical fact, information contained herein constitutes forward looking information.

Forward looking information is not a guarantee of future performance and is based upon a number of estimates and assumptions of management at the date the statements are made including among other things assumptions about: favorable equity capital markets; the ability to raise sufficient capital to advance the business of the Company; favorable operating conditions; political and regulatory stability; obtaining and maintaining all required licenses and permits; receipt of governmental approvals and permits; sustained labor stability; stability in financial and capital goods markets; the pricing of various industry products; and the level of demand for industry products. Certain of these assumptions are set out in this presentation. Many assumptions are based on factors and events that are not within the control of the Company and there is no assurance they will prove to be correct. Investments in private companies are not appropriate for most retail investors. We strongly recommend that retail investors consult with their financial advisor before making an investment in a private company. Highly concentrated asset positions expose investors to high levels of risk. We recommend that no one asset account for more than 5% of any portfolio.



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Statement of Fair Market Value

March 4, 2021

Intangible Asset Valuation Prepared For:

Roxanna Green
Hollywall Entertainment, Inc.
1701 Pennsylvania Avenue Suite 200
Washington DC 20006

Dear Ms. Green,

We have prepared an intangible asset valuation for impairment testing purposes. We have estimated the fair value of the Master recordings owned by Hollywall Entertainment, Inc. as of December 31, 2019.

Based on the Company's Financial Statements and information supplied by management, it is our professional opinion that the Master recordings owned by Hollywall Entertainment, Inc. had a fair value of approximately \$146,000,000 as of December 31, 2019.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Stephen J. Goldberg".

Stephen J. Goldberg, CVA
Managing Partner

A handwritten signature in black ink, appearing to read "Thomas F. Theurkauf".

Thomas F. Theurkauf, CVA
Principal – Valuation Advisory

Company Overview

Hollywall Entertainment, Inc. offers digital music network and entertainment services. Hollywall Entertainment, Inc. was incorporated in 2009 and is based in Washington, District of Columbia. In 2013, Hollywall Entertainment, Inc. acquired a portfolio of intangible assets valued at approximately \$53.6 million. The following summarizes the assets included in this portfolio.

1. Copyrights, legal rights, trademarks, and master recordings related to over 17,500 recordings. (Master recordings)
2. Source code, copyrights, legal rights, and trademarks related to 29 video games.
3. Copyrights, legal rights, trademarks, and original recordings related to a film titled “The Elvis I Kew”.

Royalty fees generated by these assets have been low in recent years. Management indicated that this can be predominantly explained by the long sales cycle and challenge of finding a partner willing to monetize the entire music library. After years of discussions and negotiations, Hollywall Entertainment, Inc. entered into an agreement with a national telecommunications provider called Omnipoint Technology Partners, LLC. on January 12, 2020. Services offered by Omnipoint Technology Partners, LLC. include TV, internet, web conferencing, cell phone plans and live streaming entertainment. Omnipoint Technology Partners, LLC. will market the Hollywall Entertainment, Inc. music library as a live streaming platform for \$4.99 per month to its existing customer base. The management team at Omnipoint Technology Partners, LLC. expects that total membership will exceed 700,000 customers by 2022.

Hollywall Entertainment, Inc. is a publicly traded company with a measurable market value. Its market cap was \$231,969,917 and its enterprise value was \$232,563,859 on December 31, 2019. The Company has few tangible assets. The Company’s intangible assets were valued at approximately \$232,489,438 as of December 31, 2019. We expect that a large portion of this intangible asset value would be associated with the Master recordings. The following illustrates the calculations.

Equity	\$231,969,917
Plus: Debt	<u>\$593,942</u>
Equals: Enterprise Value	\$232,563,859

Enterprise Value	\$232,563,859
Less: Tangible Assets	<u>\$74,421</u>
Equals: Value of Intangible Assets	\$232,489,438

Income Approach

Intangible assets have intrinsic value because they can be used to generate earnings which are distributed to investors. These benefit streams are valued based on a fair rate of return expressed as a percentage. Given this principle, appraisers can estimate the value of the subject intangible assets if they can adequately estimate the magnitude and timing of its future benefit stream and the rate of return that an investor would require to purchase that benefit stream. The methodologies that follow are based on this principle.

Discounted Free Cash Flow Method

The Discounted Cash Flow (DCF) Analysis is based on a projection of earnings and the resulting cash flows for each year. These cash flows are then discounted to their present value using the required rate of return. Simply stated, the DCF is what someone is willing to pay today in order to receive the anticipated cash flow in future years.

Required Return on Equity

A build up method was used to estimate the required rate of return. The process involves calculating the required rate of return for similar securities or assets. Each adjustment “builds up” to the appropriate rate of return. The Duff and Phelps cost of capital calculator was used to estimate the appropriate discount rate based on the size, industry and effective date. The SIC code 6794 (Patent Owners and Lessors) was selected. Establishments in this industry are primarily engaged in owning or leasing franchises, patents, and copyrights which they in turn license others to use.

Math	Explanation of Component		Value
+	"Risk Free" Rate	Available 20 year U.S. Treasury	2.25%
+	"Equity Risk" Premium	Equity Return (S&P 500) Over U.S. Treasury Instrument Rates	6.17%
+	"Industry Risk" Premium	SIC Code 6794 Median Vasicek-Adjusted Beta	-1.73%
+	"Size Effect" Premium	Incremental Addition to The Discount Rate for the Effect of Size	2.22%
=	Required Rate of Return		8.91%

This analysis suggests that the appropriate required return for the Hollywall Entertainment, Inc. intangible assets was 8.91% as of the effective date.

Income Statement Projections

The income statement projections that were utilized in this analysis were provided by management.

Income Statement Year Ending	Normalized Forecasted Income Statement Year Ending				
	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24
Income					
Revenue	-	2,003,836	10,019,181	20,038,362	20,639,513
Net Revenue	-	2,003,836	10,019,181	20,038,362	20,639,513
Cost Of Goods Sold:					
Cost of Goods Sold	-	400,767	2,003,836	4,007,672	4,127,902
Total Cost of Goods Sold	-	-	-	-	-
Gross Profit	-	2,003,836	10,019,181	20,038,362	20,639,513
Operating Expenses:					
Compensation and related taxes	-	100,000	498,000	1,000,000	1,030,000
Offices and Studios	-	30,000	100,000	200,000	206,000
Insurance	-	50,000	100,000	200,000	206,000
Advertising and promotion	-	30,000	160,000	200,000	206,000
Web hosting and Network related expenses	-	75,000	425,000	900,000	927,000
Professional fees	-	40,000	250,000	500,000	515,000
Communications	-	35,000	112,610	250,000	257,500
Office supplies and expenses	-	30,000	100,000	200,000	206,000
T & E	-	25,000	350,000	700,000	721,000
Total Operating Expenses	-	415,000	2,095,610	4,150,000	4,274,500
Other Income (Expenses):					
Income Tax (Expense) or Benefit	-	(556,093)	(2,773,250)	(5,560,927)	(5,727,755)
Total Other Income/Expense	-	(556,093)	(2,773,250)	(5,560,927)	(5,727,755)
Net Income	-	1,032,743	5,150,321	10,327,435	10,637,258

Calculating and Discounting Free Cash Flow

The final step in the Discounted Free Cash Flow Method, after projecting the financial statements and calculating the required rate of return, is to calculate and discount the free cash flows in each projected period. The next step is to calculate the terminal value. The terminal value represents the price that the assets would sell for in the last projected year. We estimated this value using the Gordon Growth Method. This method assumes that the assets will continue to generate free cash flows at a constant growth rate indefinitely. These free cash flows are then discounted to the terminal period. In determining this calculation, we utilized a conservative 3% growth rate and the required rate of return calculated earlier. The last step is to discount and sum the free cash flows for each period. The following are the specific calculations.

Discounted Cash Flow Model	Projected Years				
	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024
Operating Income	-	1,032,743	5,150,321	10,327,435	10,637,258
PLUS: Depreciation	-	-	-	-	-
LESS: Increase in Working Capital	-	-	-	-	-
LESS: Capital Expenditure	-	-	-	-	-
Free Cash Flow	-	1,032,743	5,150,321	10,327,435	10,637,258
Mid Period Convention	0.5	1.5	2.5	3.5	4.5
Present Value of Cash Flows	-	908,638	4,160,686	7,660,468	7,244,773
Total Present Value of Cash Flows					19,974,565
Terminal Value					185,387,075
Present Value of Terminal Value					120,987,544
				Indicated Value	140,962,109
				Indicated Value Rounded	141,000,000

The Discounted Free Cash Flow method provides us with a summary fair market value of approximately \$141,000,000.

Market Approach

The Market Approach involves searching for comparable assets with measurable values and using this data to value the subject assets. We worked with management to find transactions of similar music assets. The following is a list of some recent transactions of similar music assets.

Universal Media Group	\$ 150,000,000	Includes settlement proceeds and insurance claims
eOne Music	\$ 120,000,000	Value is based on their asset allocation
Stevie Nicks	\$ 125,000,000	Sold 80% interest for \$100M
Beach Boys	\$ 125,000,000	Sold 80% interest for \$100M
Bob Dylan	\$ 300,000,000	Sold 100%
Neil Young	\$ 300,000,000	Sold 50% interest for \$150 million

We reviewed each transaction with management and determined that the Universal Media Group assets that were recently destroyed in a fire represent the most similar portfolio of music assets. Management indicated that Hollywall Entertainment actually owns the master records for approximately 50% of the portfolio that was destroyed in the fire.

The Market Approach method provides us with a summary fair market value of approximately \$150,000,000.

Valuation Synthesis:			
	Indicated Value	% of Weight	Extended Value
<i>Market Approach to Value</i>			
Guideline Transactions Method	150,000,000	50%	75,000,000
<i>Income Approach to Value</i>			
Discounted Free Cash Flow Method	141,000,000	50%	70,500,000
<i>Sum of All Weights</i>		100%	145,500,000
Fair Market Value of Equity Rounded			<u>\$ 146,000,000</u>

Based on the Company's Financial Statements and information supplied by management, it is our professional opinion that the Master recordings owned by Hollywall Entertainment, Inc. had a fair value of approximately \$146,000,000 as of December 31, 2019.

Appendix

Hollywall Entertainment, Inc. – Draft Income Statements

Income Statement Year Ending		
	12/31/18	12/31/19
Revenue		
Sales	64	21,760
Royalty Income	1,217	180,000
Net Revenue	1,281	201,760
Operating Expenses:		
Advertising and Promotion	71,551	76,533
Auto	8,063	6,954
Executive Management Compensation	603,140	568,611
Furnishings and Fixtures	1,146	37,634
Insurance	12,920	3,559
Legal & Professional Fees	23,659	15,000
Meals & Entertainment	7,927	20,355
Office & General Administrative Expenses	33,047	64,773
Postage	1,232	891
Professional Fees	137,008	2,427,902
Lease	24,398	76,817
Studio Fees	10,805	3,384
Taxes & Licenses	2,994	500
Telephone	8,097	5,280
Travel	57,703	56,668
Utilities	1,298	2,376
Total Operating Expenses	1,004,988	3,367,237
Other Income (Expenses):		
Interest Expense	(39,378)	(29,688)
Depreciation	(4,726)	(20,695)
Income Tax (Expense) or Benefit	1,196,691	1,163,000
Amortization	(2,523,810)	(2,523,810)
Total Other Income/Expense	(1,371,223)	(1,411,193)
Net Income	(2,374,930)	(4,576,670)

Hollywall Entertainment, Inc. – Draft Balance Sheet

Recast Balance Sheet	
	12/31/19
Assets	
<i>Current Assets:</i>	
Cash	3,945
Total Current Assets	3,945
<i>Fixed Assets:</i>	
Vehicles	95,897
Less: Accumulated Depreciation	(25,421)
Total Property & Equipment	70,476
<i>Other Assets:</i>	
Intangible Assets: Music	53,000,000
Less: Accumulated Amortization	(13,880,952)
Total Other Assets	39,119,048
Total Assets	39,193,469
Liabilities	
<i>Current Liabilities</i>	
Accounts Payable	52,207
Accrued Expenses	935,108
Total Current Liabilities	987,315
<i>Long-Term Liabilities</i>	
Deferred Income Taxes Payable	(6,105,750)
Long Term Notes Payable	593,942
Total Long Term Liabilities	(5,511,808)
Total Liabilities	(4,524,493)
Equity	
Equity	43,717,962
Total Equity	43,717,962
Total Liabilities & Equity	39,193,469



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Certification of Evaluator

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

- The statements of fact contained in the report are true and correct
- The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was no contingent upon developing or reporting predetermined results
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Stephen J. Goldberg".

Stephen J. Goldberg, CVA
Managing Partner

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Thomas F. Theurkauf, CVA
Principal – Valuation Advisory

Certification/Credentials

Sun Business Valuations, LLC performs professional business appraisals for a variety of purposes including mergers, acquisitions, estate planning, buy-sell agreements, partnership resolutions, divorce, financing requirements and a variety of other reasons as well as those that conform to IRS Revenue Ruling 59-60.

Stephen J. Goldberg, CVA *Managing Partner*

Stephen is a Certified Valuation Analyst (CVA) with the National Association of Certified Valuation Analysts (NACVA) and Certified Business Intermediary bringing over 29 years of M&A experience to the helm of Sun Mergers & Acquisitions, LLC and Sun Business Valuations, LLC, NJ based firms specializing in managing the sale, merger and valuation of privately held, mid-market companies. Stephen has personally assisted more than 200 entrepreneurial mid-market companies in a wide range of industries and markets, in providing valuation expertise and implementing exit strategies by way of selling their companies. Stephen has also provided business valuation consulting to approximately 1000 firms during his 29 year tenure in this industry. In addition to his work as a Certified Business Intermediary, Stephen is a frequent lecturer and writer on M&A and business valuation issues. He has also served as an expert witness in cases involving business valuation disputes.

Thomas Theurkauf, CVA *Principal – Valuation Advisory*

Thomas is a Senior Analyst at Sun Business Valuations, LLC. Thomas has an extensive knowledge of business valuation principles through classes administered by the NACVA as well as practical application of these principles during numerous valuation engagements.