CONCLUSION OF VALUE

for

[redacted]

as of August 31, 2009

prepared by

Patton & Associates, LLC

September 4, 2009

CONTENTS

1. PURPOSE AND APPROACH

[redacted]Company, (the "Company") is an industrial hygiene and safety consulting company. The Company is organized as an[redacted]subchapter S corporation and has been in business for[redacted]years.

Purpose

This study was undertaken at the request of[redacted]president of[redacted]to establish the Fair Market Value of the assets of the Company as of August 31, 2009, in connection with corporate planning.

The Company is closely held; the interest considered is not marketable and has no liquidity.
The interest has been valued on a non-marketable, controlling interest as well as a minority non-controlling basis.

Standard of Value

The standard of value applied in this case is Fair Market Value. For this purpose, Fair Market Value is defined as:

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

This definition is derived from IRS Revenue Ruling 59-60 and is nearly universally accepted as the basic standard by which virtually all IRS-related valuations and most other valuations are conducted. It should be noted that the "willing buyer" and the "willing seller" are generally taken to be "typical" financial investors, with no external synergistic expectations or benefits. Also incorporated into the general definition of Fair Market Value is an assumption that the interest under consideration can be transferred, and the reported value is in terms of cash or cash equivalents.

Premise of Value

In general, a business can be valued under at least four common premises of value:

1. Going Concern
2. Asset Sale, or Assemblage of Assets, or Asset Value
3. Orderly Disposition (Orderly Liquidation)
4. Forced Liquidation

Similar to the preceding discussion concerning the Standard of Value, selection of the premise of value can and often does have a substantial effect on the appraised value. For purposes of this engagement, we have treated the Company as a going concern.

Approach and Scope of Work

Our objective is to determine a value which would provide a fair and reasonable return on investment to an investor/owner, the "willing buyer" as well as the "willing seller," in view of the facts available to us as of the effective date of the valuation.

Value has been defined as the "present worth of future benefits." Accordingly, we are concerned with the earnings and cash flow that are expected to be realized in the future, as those appear from the vantage point of the "as of" date of the valuation. We are also concerned with the risks facing the business, and their possible effect on those future benefits.

A site visit and management interview and information was provided by[redacted]of the firm [redacted]

We obtained information from the Company, including:

* Federal Tax Returns for 12/31/2005 - 6/30/2009
* Financial Statements for 12/31/2005 - 6/30/2009

Historical earnings and financial condition are considered because they generally are indicative of the expected future income, although that is not always true. Adjustments are usually necessary to recast the historical financials so that they more fairly represent the likely pattern of future income and financial condition. We gave special attention to the current and anticipated cash flow of the Company.

The earnings basis is control EBITDA, earnings before interest, taxes, depreciation, and amortization. EBITDA was chosen because it eliminates distortions caused by varying borrowing policies, interest rates, and depreciation rates between the Company and the guideline companies.

Control basis means that the interest under consideration can affect certain discretionary items, including owners and officers compensation.

Both internal and external factors which influence the value of the Company were reviewed, analyzed and interpreted. Internal factors include the Company's financial condition, results of operations and the size and marketability of the interest being valued. External factors include, among other things, the status of the industry and the position of the Company relative to others in the industry.

Having reviewed the Company's condition and situation, we next sought to determine the pricing parameters to be applied. We generally rely on market pricing from business sales transactions, or public stock prices, or both. It should be noted that it is often difficult or impossible to find market transactions or public companies that are strictly comparable to the business under consideration. When this is true, we generally find market data that provides the best available evidence, and use that as a starting point for our analysis of market pricing patterns.

RR 59-60 advocates the use of public companies that are the same as or similar to the subject company; where "similar" has been interpreted to allow wide latitude in guideline company selection. For example, in "Estate of Gallo v Commissioner," there were no good public winemaker comparables, so experts on both sides used brewers, distillers, soft drink bottlers, and brand-name recognition consumer food packagers. The object is to find companies that have similar risk characteristics, similar modes of operation, similar financial structure, and similar size and profitability, to the greatest extent possible. We found no public companies that were sufficiently similar to the Company to be useful in analysis.

Our search for private business sales transactions was more successful. In this case we found several useful market transactions involving sales of businesses similar to the Company. Private market transactions reflect sales of non-marketable, controlling interests.

We generally use as many methods as are meaningful, and then average the results, or take a weighted average based on our opinion as to which methods are the most appropriate. The reason for this is that no single valuation method utilizing a few mathematical variables can possibly capture the value of a complex, operating business. Historical methods assume that the future will be much like the past, although with allowances for anticipated changes. Future earnings and cash flow methods rely on projections that are often speculative and sometimes self-serving. Each method proves a different perspective on value, and it is our opinion that the "true" value of the business is better revealed when it has been considered from as many perspectives as can reasonably be developed.

After the value was determined, we performed a "Cash Flow Coverage" calculation, to see if a leveraged purchase of the business at that price could realistically be supported by the cash flow. This analysis is critical, because most businesses are sold in a leveraged transaction in which the cash flow of the business is used to pay down the debt. Consequently, the cash flow available to the purchaser imposes an upper limit on the value that can be achieved in the marketplace, unless there is some other alternate source of financing available, such as a private placement or IPO.

Representations

Conduct of the Engagement

This report was prepared by Patton & Associates, LLC, under the direction of Troy Patton, CPA

This report was completed on September 4, 2009

Obligation to Update the Report

Under the terms of our engagement letter with the Company, we are not obligated to update this report unless prior arrangements have been made with the analyst regarding such additional engagement.

Subsequent Events

There were no events subsequent to the date of the valuation which affected the analysis of value other than to confirm estimates made based on information available prior to the valuation date.

2. CONCLUSION OF VALUE

Based on our review of the information available to us, it is our opinion that as of August 31, 2009, the Fair Market Value of a 23.6% interest in the Company was (rounded):

FAIR MARKET VALUE of 23.6% of the Equity	$	108,505
Non-marketable, non-controlling interest basis		

The Fair Market Value of 100% of the Equity represents the value when the buyer acquires all of the assets and assumes all of the liabilities of the Company.

A buyer acquiring this business might pay the above amount for 23.6% of the equity in the business. There are times when some of the assets will be sold separately such as Cash or Inventory.

It is our opinion that an investor could realize a reasonable return on investment at the value above, commensurate with the risks involved, assuming that the business is operated prudently and that there are no unforeseen adverse changes in the economic conditions affecting the business, the market, or the industry.

This valuation does not guarantee a willing buyer would pay the amount found in this valuation or any amount proposed with this valuation.

3. COMPANY DESCRIPTION

[redacted] Company is located at [redacted] The Company is organized as an [redacted] subchapter 'S' corporation and has been in business for [redacted] years.

Products and Services

[redacted] Company (the "Company") is a consulting company which specializes in risk management. The Company offers training and services in industrial hygiene, confined space hazard assessment, qualitative air contaminant hazard assessment, industrial noise monitoring and mapping, confined space evaluation, air monitoring, job safety assessment, lockout tagout surveys and quantitative air contaminant exposure assessment to help keep job hazards under control.

The Company's activities are best classified in NAICS code:

541690	Other Scientific and Technical Consulting Services

At the present time, the Company's products are considered to be of excellent quality, and have moderate differentiation in the market.

Facilities

The Company has one operating location. For the Company's type of business and the markets served, the location would be classified as excellent.

Market

The primary market for the Company's services is the continental United States. The market for their services is considered moderate. The market is stable and the intensity of price competition is moderate. The strength of the market for the Company's products is stable.

Industry

The industry is currently growing however is experiencing some instability at this time.

Competition

The Company's services consists of little to no proprietary content, which weakens the Company's competitive position. In addition, because the Company is among the smaller firms in its market, the Company's competitive position is further weakened.

For new competitors, entry into this type of business would be considered very difficult which provides the Company with some degree of security. Exit from this type of business would generally be considered very easy and inexpensive, which reduces the Company's downside risk. It also means that competitors are more likely to leave the business in difficult times.

Employees and Management

The Company has [redacted] employees, of which [redacted] are considered highly technical personnel. The employee turnover rate is high by industry standards, which implies a low degree of employee satisfaction and potentially high costs of recruitment and training. There is no unionization among the employees. A revenue-generating principal is expected to leave the Company.

4. INCOME STATEMENT

Source:	internal	internal	internal	internal	internal
Basis:	Cash	Cash	Cash	Cash	Cash
	12 mos	12 mos	12 mos	12 mos	6 mos
($)	Dec-2005	Dec-2006	Dec-2007	Dec-2008	Jun-2009
REVENUE	1,013,216	1,234,528	1,547,013	1,437,710	625,379
Cost of Sales (excl depr)	-	-	-	-	-
Gross Profit	1,013,216	1,234,528	1,547,013	1,437,710	625,379
Gross Margin (% Sales)	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Expenses	537,286	657,090	962,801	968,154	480,703
% Sales	53.0%	53.2%	62.2%	67.3%	76.9%
Owners' Compensation	196,429	224,555	264,333	231,075	116,441
Operating Income	279,501	352,883	319,879	238,481	28,235
Depreciation (-)	(26,133)	(25,671)	(23,037)	(21,291)	(9,498)
Interest Expense (-)	(88)	(2,130)	(920)	(175)	(954)
Interest Income (+)	845	941	2,878	1,303	158
Other Income (Expense)	-	-	-	-	-
NET INCOME BEFORE TAX	254,125	326,023	298,800	218,318	17,941
Adjustments:					
1. Comparable compensation	(196,428)	(224,555)	(264,332)	(231,075)	(116,441)
2. Owners' compensation	196,429	224,555	264,333	231,075	116,441
3. Depreciation/Amortization	26,133	25,671	23,037	21,291	9,498
4. Interest expense	88	2,130	920	175	954
5. Annualization Adjustment	-	-	-	-	17,941
6. Other Adjustment	-	-	-	-	-
Adjusted EBITDA*	**280,347**	**353,824**	**322,758**	**239,784**	**46,334**
Revenue	1,013,216	1,234,528	1,547,013	1,437,710	625,379
Annualization adjustment	-	-	-	-	625,379
Adjusted Revenue	1,013,216	1,234,528	1,547,013	1,437,710	1,250,758
Adj. Earnings as a % of Revenue	27.67%	28.66%	20.86%	16.68%	3.70%

* The earnings basis is control EBITDA, earnings before interest, taxes, depreciation and amortization. Control basis means that the interest under consideration can affect certain discretionary items, including owners and officers compensation.

Adjusted EBT	Dec-2005	Dec-2006	Dec-2007	Dec-2008	Jun-2009
Adjusted EBITDA	280,347	353,824	322,758	239,784	46,334
Depreciation	(26,133)	(25,671)	(23,037)	(21,291)	(9,498)
Amortization	-	-	-	-	-
Interest expense	(88)	(2,130)	(920)	(175)	(954)
Adjusted EBT	254,126	326,023	298,801	218,318	35,882

NOTES TO INCOME STATEMENT ADJUSTMENTS:

1,2 Executive shareholder compensation is adjusted to reflect the normal economic cost of management. Adjusted compensation is based on data obtained from The Bureau of Labor Statistics (www.bls.gov) which monitors compensation data nationwide. Data is adjusted for type of business, geographic region, size of business, and date of valuation.

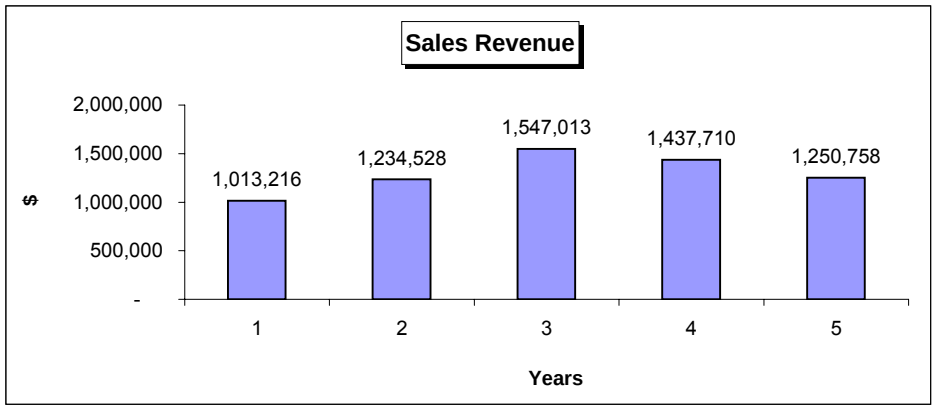
In this case, salaries paid to owners are within normal range, although at the lower end, for the industry and geographic area. No adjustment to compensation is considered necessary.

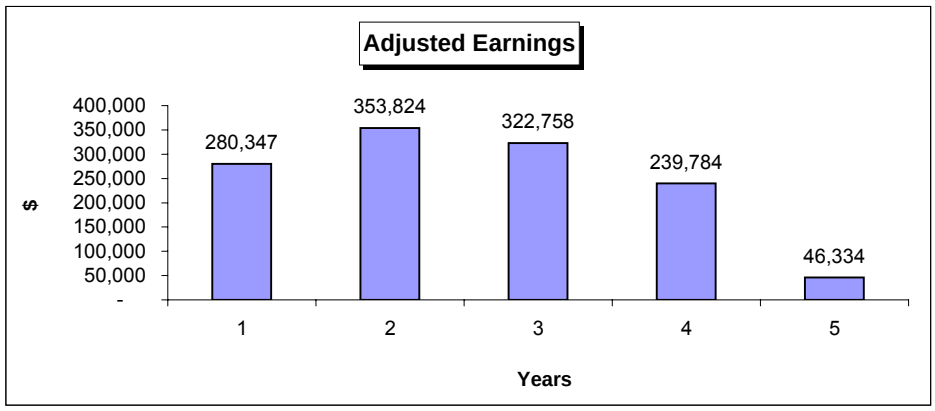
Actual officer compensation recap

	12 mos Dec-2005	12 mos Dec-2006	12 mos Dec-2007	12 mos Dec-2008	6 mos Jun-2009
[redacted] CEO	94,158	109,576	132,314	115,010	43,547
[redacted] Admin	30,071	31,299	31,354	31,104	15,577
[redacted] Treas	72,199	83,680	100,664	84,961	57,317
Total reported on F/S	196,428	224,555	264,332	231,075	116,441

3 Depreciation expense is added back to arrive at EBITDA.

No other income statement adjustments were considered necessary.





*** Industry Norms**

	LoQtile	Med	HiQtile
Industry EBITDA Return on Sales	9.3%	9.4%	5.4%

See Section 7, Adj. Return on Sales

	Dec-2005	Dec-2006	Dec-2007	Dec-2008	Jun-2009
Company Revenue	1,013,216	1,234,528	1,547,013	1,437,710	1,250,758
Company EBITDA	280,347	353,824	322,758	239,784	46,334
Company Return on Sales	27.67%	28.66%	20.86%	16.68%	3.70%

DISCUSSION

The Company's revenue increased in the period 2005 to 2009 from $1,013,216 to the annualized figure in 2009 of $1,250,758.

Revenue peaked at $1,547,013 in 2007.

In the same period, EBITDA earnings decrease from $280,347 to $46,334.

In the same period, Operating Expenses increased from 53.0% to 76.9% of revenue.

Additional discussion is provided in Section 7.

WEIGHTED AVERAGES

The results of each year are usually weighted to reflect the expected relevance of each year toward the future sustainable results of the Company. The objective of this exercise is to arrive at reasonable estimates of what level of revenue and earnings the Company is likely to be able to sustain in the near future. A commonly used pattern is to weight the oldest year least, and the most recent year highest, in the belief that the near-term future will most closely resemble the Company's most recent experience. The weights are used to calculate a set of weighted averages of earnings and revenues, shown below, which are used in all of the value calculations which follow.

In this case, the year weights were set as follows:

	12 mos Dec-2005	12 mos Dec-2006	12 mos Dec-2007	12 mos Dec-2008	6 mos Jun-2009
Year Weights:	1	2	3	4	5
WEIGHTED AVERAGE ADJUSTED EBITDA					**209,805**
Earnings basis is control EBITDA, earnings before interest, taxes, depreciation and amortization.					
WEIGHTED AVERAGE ADJUSTED EBT					**190,350**
WEIGHTED AVERAGE REVENUE					**1,341,863**
Weighted Average Adj. Earnings as percent of Avg. Revenue					**15.6%**
Weighted Average Gross Profit Margin					**84.5%**
WEIGHTED AVERAGE SDCF					**209,805**

5. BALANCE SHEET

Following is a summary of the assets and liabilities of the Company for the periods shown:

As Reported	Source:	internal	internal	internal	internal	internal
		12 mos	12 mos	12 mos	12 mos	6 mos
	($)	Dec-2005	Dec-2006	Dec-2007	Dec-2008	Jun-2009
ASSETS						
Cash		106,266	131,850	179,283	162,615	114,266
Accounts Receivable		-	-	-	-	-
Inventory		-	-	-	-	-
Other Receivables		-	-	-	-	-
Other Current Assets		-	-	-	-	-
Total Current Assets		106,266	131,850	179,283	162,615	114,266
Land		-	-	-	-	-
Plant and Equipment		172,713	239,570	276,369	295,660	311,364
Accumulated Depreciation (-)		(95,662)	(163,060)	(200,338)	(227,489)	(236,987)
Net Plant and Equipment		77,051	76,510	76,031	68,171	74,377
Note Receivable		-	-	-	-	-
Total Assets		183,317	208,360	255,314	230,786	188,643
LIABILITIES						
Accounts Payable		-	-	-	-	-
Short Term Debt		-	-	-	12,603	16,290
Accrued Expenses		-	-	-	-	-
Taxes Payable		2,953	2,951	6,268	3,155	7,565
Other Current Liabilities		7,204	3,435	11,123	4,586	5,083
Total Current Liabilities		10,157	6,386	17,391	20,344	28,938
Long Term Debt		-	-	-	-	-
Long Term Debt		-	-	-	-	-
Total Liabilities		10,157	6,386	17,391	20,344	28,938
NET WORTH						
Common Stock		119,748	119,748	119,748	119,748	119,748
Retained Earnings		53,412	82,226	118,175	90,694	39,957
Other Equity		-	-	-	-	-
Treasury Stock		-	-	-	-	-
Net Worth		**173,160**	**201,974**	**237,923**	**210,442**	**159,705**
Total Liab & Net Worth		183,317	208,360	255,314	230,786	188,643

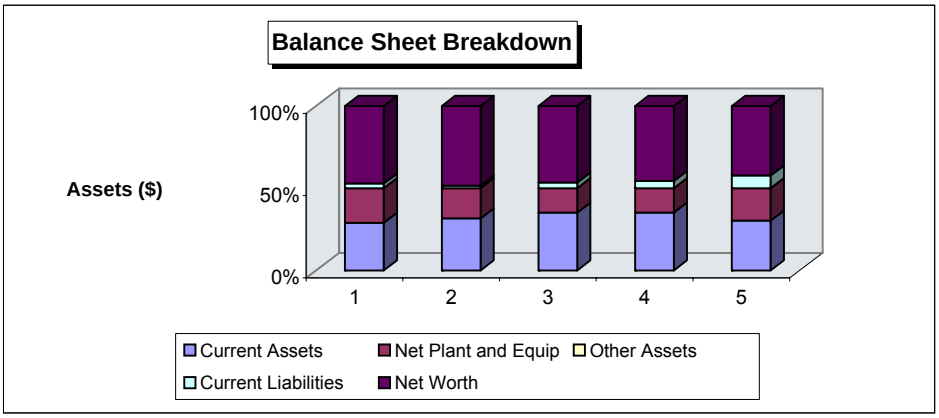
Balance Sheet Adjustments

($)	12 mos Dec-2005	12 mos Dec-2006	12 mos Dec-2007	12 mos Dec-2008	6 mos Jun-2009
Net Worth before Adjustments	**173,160**	**201,974**	**237,923**	**210,442**	**159,705**
Adjustments:					
1	-	-	-	-	-
2	-	-	-	-	-
3	-	-	-	-	-
ADJUSTED NET WORTH	**173,160**	**201,974**	**237,923**	**210,442**	**159,705**
Add Back Interest-Bearing Debt					
Short Term Debt	-	-	-	12,603	16,290
Long Term Debt	-	-	-	-	-
Long Term Debt	-	-	-	-	-
Total Interest-Bearing Debt	-	-	-	12,603	16,290
INVESTED CAPITAL	173,160	201,974	237,923	223,045	175,995
Adjusted Return on Investment	161.9%	175.2%	135.7%	107.5%	26.3%

NOTES TO BALANCE SHEET ADJUSTMENTS:

No other balance sheet adjustments were considered necessary.

Working Capital	96,109	125,464	161,892	142,271	85,328
Adj Working Capital ex Cash, Debt	(10,157)	(6,386)	(17,391)	(7,741)	(12,648)
Est Capital Spending (Chg in NPE + Depr)		(25,130)	(22,558)	(13,431)	(15,704)



DISCUSSION

As reported, the Company's Total Assets increased and then decrease during the period 2005 to 2009.
In 2004, Total Assets were $183,317 and in 2008, Total Assets were $188,643.

The Company's Cash increased from $106,266 to $114,266.

The Company did not carry any Receivables during the periods analyzed.

The Company did not carry any Inventory during the periods analyzed.

Fixed Assets (net) remained relatively unchanged from $77,051 to $74,377 from 2005 to 2009.

The Company did not carry any Accounts Payable during the periods analyzed.

Additional discussion is provided in Section 7.

Weighted Averages

	12 mos Dec-2005	12 mos Dec-2006	12 mos Dec-2007	12 mos Dec-2008	6 mos Jun-2009
Weights	1	2	3	4	5
Weighted Avg Adjusted Net Worth					**195,411**
Weighted Avg Invested Capital					**204,202**
Weighted Average Return on Adjusted Net Worth					**107.4%**
Weighted Average Return on Invested Capital					**102.7%**

6. HISTORICAL AND PROJECTED CASH FLOW

Historical Cash Flow

The following exhibit summarizes the cash flow generated by the Company's operations, after normalizing adjustments:

($)	Dec-2005	Dec-2006	Dec-2007	Dec-2008	Jun-2009
Revenue growth rate	NA	21.8%	25.3%	-7.1%	-13.0%
Depreciation (% Sales)	2.6%	2.1%	1.5%	1.5%	1.5%
Working Capital (% Sales)	56.2%	53.0%	52.8%	20.4%	24.8%
Capital Spending (% Sales)		5.4%	2.4%	1.3%	1.3%
New Debt		0.0%	0.0%	0.0%	0.0%
Debt/Equity ratio	-	-	-	0.06	0.10
Net Plant/Sales ratio	0.08	0.06	0.05	0.05	0.12
Net Worth/Sales ratio	0.17	0.16	0.15	0.15	0.26
Net Worth	173,160	201,974	237,923	210,442	159,705
Cash Balance	106,266	131,850	179,283	162,615	114,266
Working Cap, ex Cash, Debt	(10,157)	(6,386)	(17,391)	(7,741)	(12,648)
Net Plant and Equip	77,051	76,510	76,031	68,171	74,377
Interest-Bearing Debt	-	-	0	12,603	16,290
Interest (% Year End Debt)	0.0%	0.0%	0.0%	0.0%	0.0%
Revenue	1,013,216	1,234,528	1,547,013	1,437,710	1,250,758
Earnings Margin	27.7%	28.7%	20.9%	16.7%	3.7%
Adj EBITDA	280,347	353,824	322,758	239,784	46,334
Interest	(88)	(2,130)	(920)	(175)	(954)
Depreciation	(26,133)	(25,671)	(23,037)	(21,291)	(9,498)
Adj EBT	254,126	326,023	298,801	218,318	35,882
Tax Rate	30%	30%	30%	30%	30%
Estimated Tax	(76,238)	(97,807)	(89,640)	(65,495)	(10,765)
Adj Earning after Tax	177,888	228,216	209,161	152,823	25,117
Depreciation	26,133	25,671	23,037	21,291	9,498
Capital Spending		(25,130)	(22,558)	(13,431)	(15,704)
Working Capital Change		(3,771)	11,005	(9,650)	(4,907)
Increase (Decrease) in Debt		-	-	12,603	3,687
Adj Equity Cash Flow aft Tax	204,021	224,986	220,645	163,636	17,691
Effect of Adjustments		-	-	-	-
Actual Change in Cash	204,021	25,584	47,433	(16,668)	(48,349)
Equity Cash Flow Margin	20.1%	18.2%	14.3%	11.4%	1.4%
Ratio of Cash Flow to Earnings	0.728	0.072	0.147	(0.070)	(1.043)
Net Cash Flow Ret on NW	117.8%	12.7%	19.9%	-7.9%	-30.3%

PROJECTED CASH FLOW

The cash flow projections given below are used in the discounted future earnings and cash flow methods, and are used in the coverage calculations in a later Section, Cash Flow Coverage. Some of the key parameters used in the projections are calculated on the following pages.

($)	Dec-2010	Dec-2011	Dec-2012	Dec-2013	Dec-2014
Revenue growth rate	-15.0%	-10.0%	5.0%	10.0%	10.0%
Depreciation (% Sales)	1.65%	1.65%	1.65%	1.65%	1.65%
Working Capital (% Sales)	-1.2%	-1.2%	-1.2%	-1.2%	-1.2%
Capital Spending (% Sales)	1.0%	1.0%	1.0%	1.0%	1.0%
New Debt (% Cap Spend +chg WC)	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%
Debt/Equity ratio	0.10	0.10	0.10	0.10	0.10
Net Plant/Sales ratio	0.12	0.12	0.12	0.12	0.12
Net Worth/Sales ratio	0.15	0.15	0.15	0.15	0.15
Net Worth	157,075	156,747	161,441	167,071	173,283
Cash Balance	118,648	125,774	136,417	148,027	160,816
Working Cap, ex Cash, Debt	(12,528)	(11,275)	(11,839)	(13,023)	(14,325)
Net Plant and Equip	74,377	74,377	74,377	74,377	74,377
Interest-Bearing Debt	16,290	16,290	16,290	16,290	16,290
Interest (% Year End Debt)	8.0%	8.0%	8.0%	8.0%	8.0%
Projected Revenue	1,063,144	956,830	1,004,671	1,105,138	1,215,652
Earnings Margin EBITDA	10.0%	13.0%	15.6%	15.6%	15.6%
Adj EBITDA	106,314	124,388	157,084	172,792	190,072
Interest	(1,303)	(1,303)	(1,303)	(1,303)	(1,303)
Depreciation	(17,523)	(15,770)	(16,559)	(18,215)	(20,036)
Projected Adj EBT	87,489	107,314	139,222	153,274	168,732
Tax Rate	30%	30%	30%	30%	30%
Estimated Distributions for Tax	(26,247)	(32,194)	(41,767)	(45,982)	(50,620)
Projected Earnings after Tax	61,242	75,120	97,455	107,292	118,112
Depreciation	17,523	15,770	16,559	18,215	20,036
Capital Spending	(10,631)	(9,568)	(10,047)	(11,051)	(12,157)
Working Capital Change	120	1,253	(564)	(1,184)	(1,302)
Increase (Decrease) in Debt	0	0	0	0	0
Proj Equity Cash Flow aft Tax	68,253	82,575	103,404	113,272	124,690
Projected Cash Flow Margin	6.4%	8.6%	10.3%	10.2%	10.3%
Dividend Capacity	(63,872)	(75,449)	(92,761)	(101,662)	(111,900)
Net Retained Cash Flow	4,382	7,126	10,643	11,610	12,789
Ratio of Cash Flow to Earnings	0.642	0.664	0.658	0.656	0.656
Ratio of Cash Flow to EBT	0.780	0.769	0.743	0.739	0.739
Net Cash Flow Ret on NW	43.5%	52.7%	64.1%	67.8%	72.0%

* WC excludes Cash and Short Term Interest-Bearing Debt, which are calculated separately.

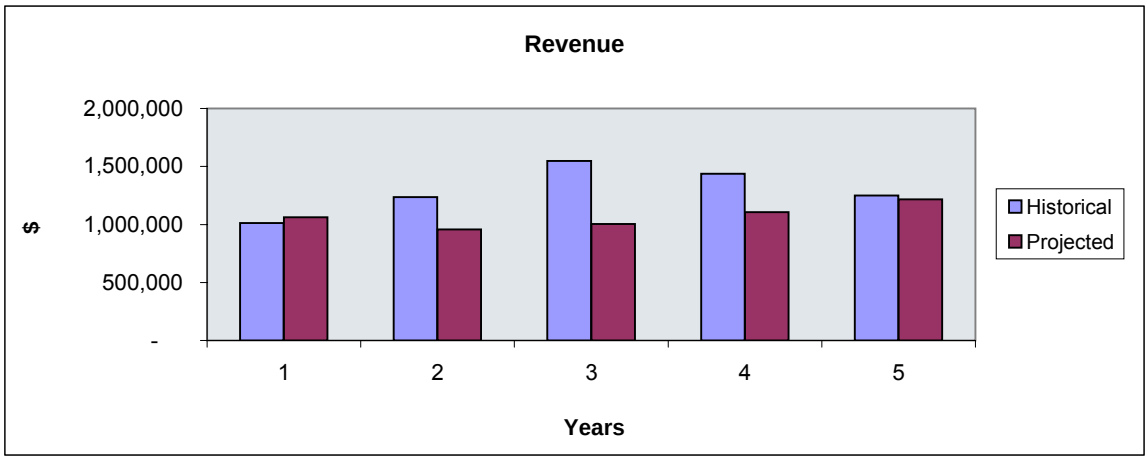
NOTES TO FINANCIAL PROJECTIONS

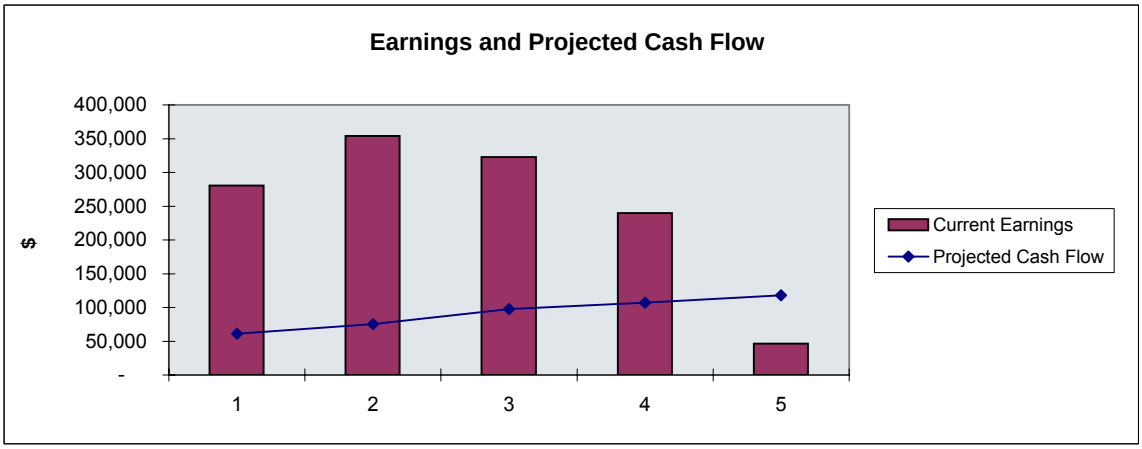
The projections above were prepared by the appraiser based on information provided by the client.

Revenue growth	Revenue growth in the year ending 12/31/2010 is expected to decrease significantly due to the departure of a key revenue-generating principal. This revenue is expected to decline into 2011 until this position is filled and training is complete.	0.0%
Earnings margin	Set the weighted average of historical earnings	
Tax rate	Estimated distributions to pay personal taxes on Company income	
Capital spending	Estimated from historical patterns in relation to sales and growth	
Working capital	Assumed to remain at about the current level in relation to sales	
New debt/borrowing	Estimated to maintain the debt/equity ratio within the historical range, to fund working capital and capital spending	
Cash distributions	Calculated to maintain the Net Worth/Sales ratio at:	0.15

The financial projections presented in this report are included solely to assist in the development of the value conclusion presented in this report. These presentations do not include all disclosures required by the guidelines established by the AICPA for the presentation of financial projections. The actual results may vary from the projections, and the variations may be material.

HISTORICAL AND PROJECTED RESULTS





SELECTED HISTORICAL RATIOS

The following table shows the calculation of certain ratios used in the cash flow projections and in the risk analysis in the next section

($)	Dec-2005	Dec-2006	Dec-2007	Dec-2008	Jun-2009
Weights	1	2	3	4	5
Revenue growth rate	NA	21.8%	25.3%	-7.1%	-56.5%
Weighted Average revenue growth					-13.7%
Industry revenue growth					46.2%
Projected revenue growth next year					-15.0%
Adjusted Earnings growth rate	NA	26.2%	-8.8%	-25.7%	-80.7%
Depreciation	26,133	25,671	23,037	21,291	9,498
Depreciation as % of Sales	2.6%	2.1%	1.5%	1.5%	1.5%
Weighted Average Depreciation, % Sales					1.6%
Projected Depreciation, % Sales					1.6%
Current Ratio	10.5	20.6	10.3	8.0	3.9
Quick Ratio	10.5	20.6	10.3	8.0	3.9
Working Capital	96,109	125,464	161,892	142,271	85,328
Sales/Working Capital	10.5	9.8	9.6	10.1	7.3
Cash after WC Adjustment	106,266	131,850	179,283	162,615	114,266
Short Term Debt	0	0	0	12,603	16,290
Adj Working Capital ex Cash, Debt	(10,157)	(6,386)	(17,391)	(7,741)	(12,648)
as % of Sales	-1.0%	-0.5%	-1.1%	-0.5%	-2.0%
Sales/Adjusted Working Capital	(99.8)	(193.3)	(89.0)	(185.7)	(49.4)
Weighted Average Adj WC as % of Sales					-1.2%
Projected WC as % of Sales					-1.2%
Capital Spending, est (Change in NPE+Depr)		(26,212)	(23,516)	(29,151)	(3,292)
as % of Sales		-2.1%	-1.5%	-2.0%	-0.3%
Weighted Average Cap Spending, % Sales					-1.3%
Projected Cap Spending, % Sales					1.0%
Change in Debt		0	0	12,603	3,687
Interest Bearing Debt	0	0	0	12,603	16,290
Interest Bearing Debt/Adj NW	0.0	0.0	0.0	0.1	0.1
Weighted Average D/NW					0.1
Annualized Interest Expense	88	2,130	920	175	954
Effective Interest Rate	0.0%	0.0%	0.0%	-1.4%	-5.9%
Interest Coverage	3,186.76	167.11	351.82	1,371.19	49.57
Sales/Total Assets	5.53	5.92	6.06	6.23	6.63

7. RISK ASSESSMENT, COMPARATIVE ANALYSIS

In order to better understand the risks facing the Company and its owners, it is necessary to consider how the Company's performance and operating characteristics compare to those of similar companies in the same industry.

The Company's activities are best classified in NAICS code:

541690 Other Scientific and Technical Consulting Services

The following table summarizes the appraiser's assessment of the degree of risk inherent in this business, including consideration of its current financial condition. See also the Company Description.

RISK ASSESSMENT TABLE

Risk factors	Current status	Risk Category	Risk Profile
Years in business	Relatively new	Medium	+++
Proprietary content	Moderate	Medium	+++
Industry life cycle	Growing	Low	+
Industry stability	Some instability	Medium	+++
Relative size of the company	Among smallest	High	+++++
Customer concentration	20-25% sales to 5 largest	Medium	+++
Relative product quality	Excellent	Low	+
Product differentiation	Some	Medium	+++
Strength of the market	Stable	Medium	+++
Size of the market	Moderate	Medium	+++
Price competition	Moderate	Medium	+++
Employee turnover	High	High	+++++
Unionization	None	Low	+
Management depth	Average	Medium	+++
Condition of facilities	Excellent	Low	+
Ease of market entry	Very difficult	Low	+
Ease of market exit	Easy	Low	+

ANALYSIS OF COMPANY COMPARED TO INDUSTRY NORMS

Earnings basis is control EBITDA, earnings before interest, taxes, depreciation and amortization.

The following table shows how the Company compares against selected industry financial measures.

(Ratios based on adjusted statements)	Company Wtd Avg	Industry Rates LoQtile	Med	HiQtile	Risk Level
Company ratios historical avg:					
Revenue Growth Rates	-0.07%		46.2% → Industry Avg		High
EBITDA Return on Sales	15.6%	10.2%	9.9%	5.9%	Low
Return on Invested Capital	98.7%	70.2%	144.1%	739.7%	Medium
EBT Return on Equity	91.6%	896.0%	110.2%	48.2%	Medium
Company ratios based on latest period financials:	December 31, 2008				
Current Ratio	3.9	0.2	0.7	1.0	Low
Quick Ratio	3.9	0.2	0.7	1.0	Low
Debt/Equity Ratio	0.1	(4.5)	6.6	1.0	Low
Sales/Receivables	0.00	8.20	0.00	0.00	Low
Net Worth/Sales	0.13	0.01	0.09	0.11	Low
Sales/Total Assets	3.3	4.2	10.0	17.7	High
Sales/Working Capital	(93.7)	(15.4)	(55.3)	0.0	High
WC/Sales	13.6%	-2.6%	7.5%	7.1%	Low
Days Receivable	0.0	11.0	45.8	59.2	Low

Industry sources: Unless otherwise noted, industry ratios are from RMA (Risk Management Association)

1 *Industry Growth estimated at long term GDP growth rate.*

Our analysis suggests that the general risk in this business compared to the industry is:

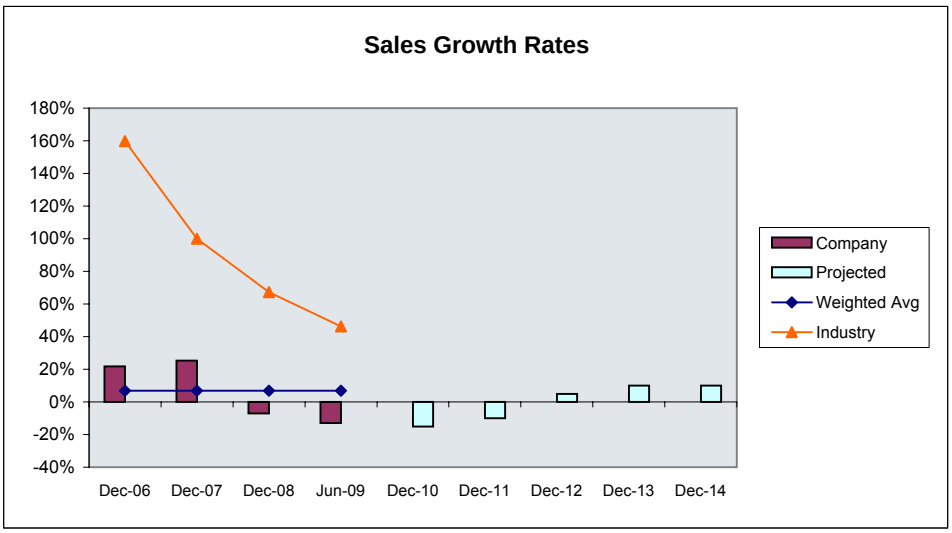
RECAP OF RISK FACTORS:	Low	Med	High
Weights based on risk factors	6	9	2
Weights based on industry norms	8	2	3
Totals	14	11	5

Our analysis suggests that the general risk in this business is low to moderate compared to the industry. Considering the above, the Company appears to be in average financial condition.

COMPARATIVE ANALYSIS

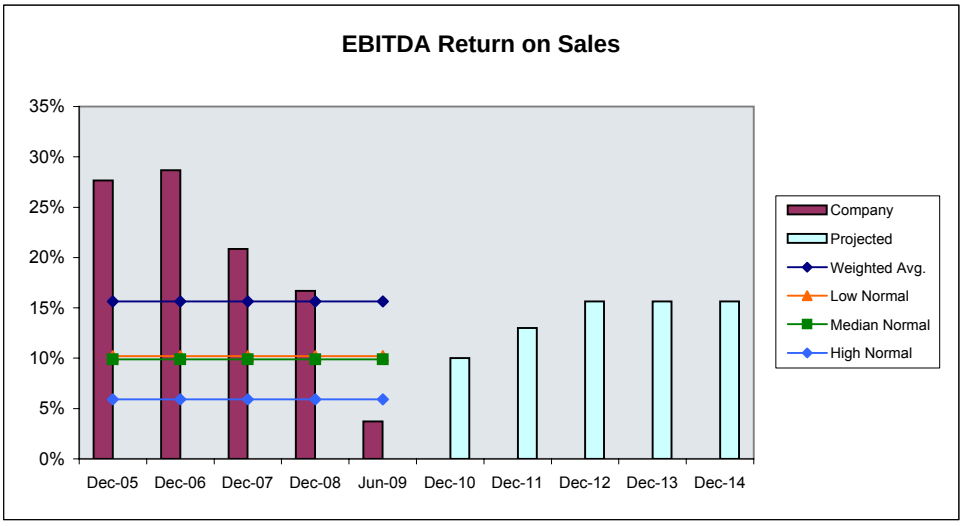
The following discussion of the Company's financial condition relative to the industry makes reference to the financial ratios presented above and in the preceding sections.

Sales Growth Rate

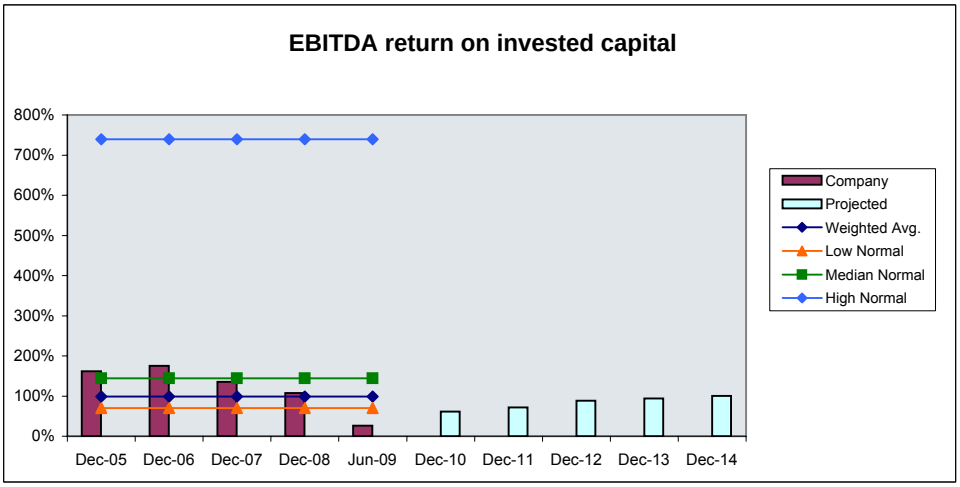


Over the past five periods, the Company's sales growth has been erratic, averaging considerably below the industry growth rate in each year, and long term, the sales growth rate has been declining. Recent sales growth at -13.0% was down, and considerably below weighted average sales growth, which was 6.8%. Company revenues are expected to decrease significantly due to the expected departure of a high revenue producing principal. This decline will continue until the position is filled with a competent and trained individual.
The Company's sales growth rate is a high risk factor.

Profitability



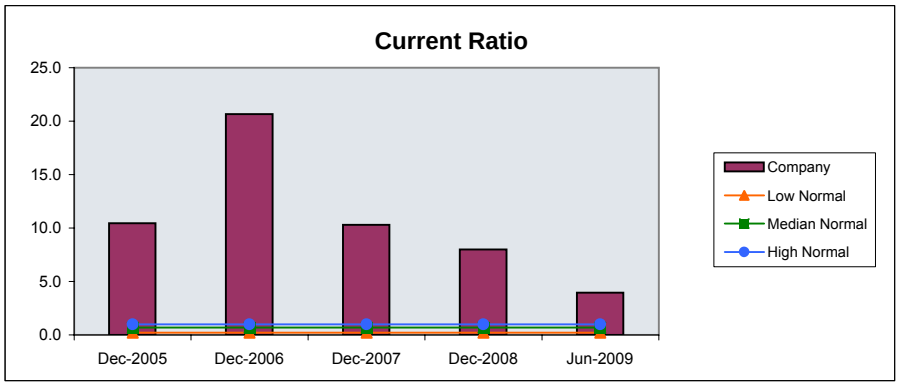
Although EBITDA earnings have been significantly higher than industry averages, they have experienced a decreasing trend. This is trend is expected to continue.
The Company's EBITDA return on sales is a high risk factor.



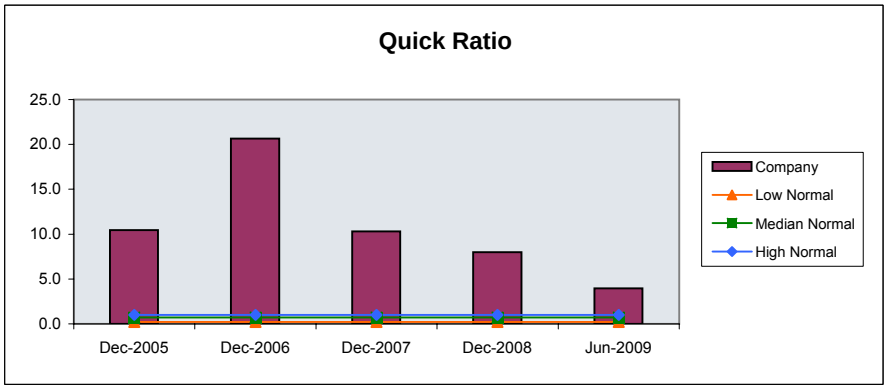
Long term, the trend of EBITDA return on invested capital has been up, however in the most recent period, EBITDA return on invested capital was moderately down. But, the Company's weighted average EBITDA return on invested capital was slightly above the industry median but in recent years has been lower.
The Company's return on invested capital is a high risk factor.

Liquidity

Liquidity ratios measure the adequacy of the Company's current assets to meet current liabilities as they come due.



The current ratio, which measures the ratio of current assets to current liabilities, has been consistently greater than one, showing generally strong liquidity. The trend in the current ratio has been significantly down, and in the most recent period, it was slightly down. In addition, the Company's recent current ratio of 3.9 was considerably higher than the median industry norm of 0.7.
The Company's current ratio is a low risk factor.

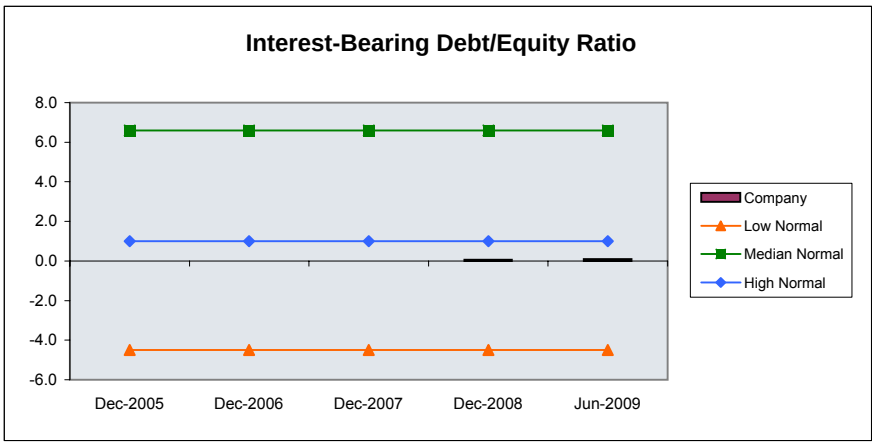


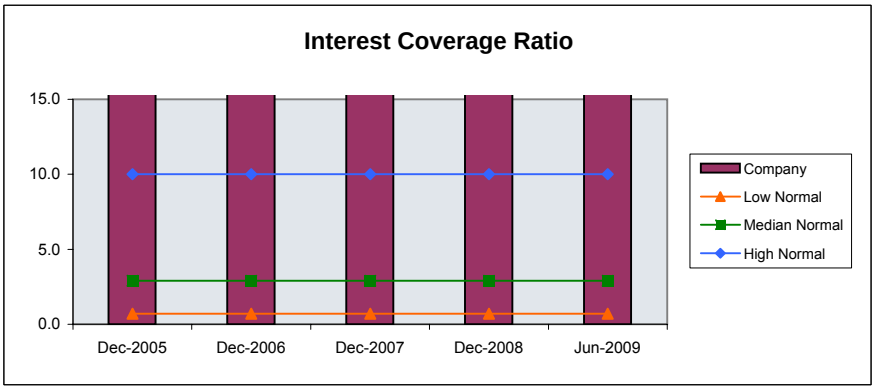
The quick ratio measures cash and near cash (in the form of receivables) relative to current obligations. The Company's quick ratio has been above one, which indicates good liquidity. The trend in the quick ratio has been downwards, and in the most recent period, it was slightly down. However, the Company's quick ratio of 3.9 was well above the industry median of 0.70.
The Company's quick ratio is a low risk factor.

Leverage

Leverage ratios measure the Company's ability to weather downturns. The Company's ratio of interest-bearing debt to shareholder equity is one of the best measures of leverage, indicating how much of the Company's financing is provided by lenders as compared to investors.

The Company has had minimal interest-bearing debt on the balance sheet for any of the past five periods.
The Company's debt/equity ratio is a low risk factor.



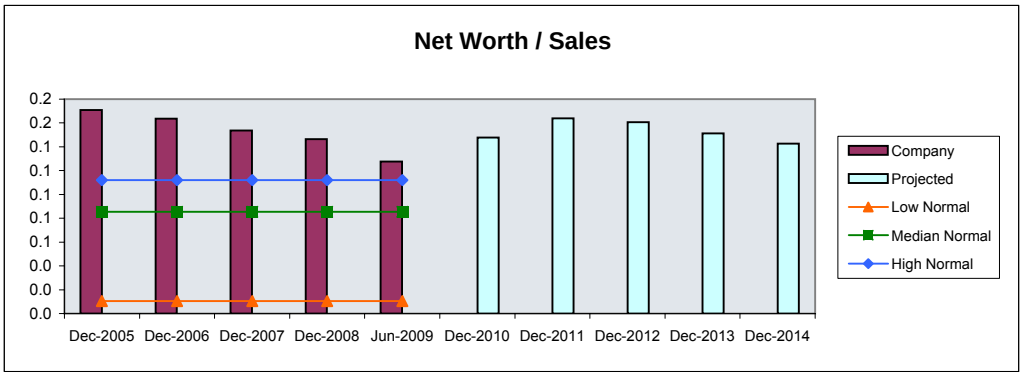


A related ratio, interest coverage, measures the Company's earnings before interest payments relative to the interest payments

The Company's interest coverage is a low risk factor.

Equity Level

The owner's equity represents how much investment the owner(s) have in the business. Net Worth/Sales is a measure of the adequacy of the owner's equity in relation to the size of the Company as measured by Sales. Inadequate Net Worth increases the risk in the business and limits borrowing capacity. Very high Net Worth limits the owner's return on equity and may represent an inefficient use of capital, although it lowers overall risk. The normal NW/S ratio was calculated using average NW/Total Assets divided by the low median, and high quartiles of Sales/Total Assets from RMA.

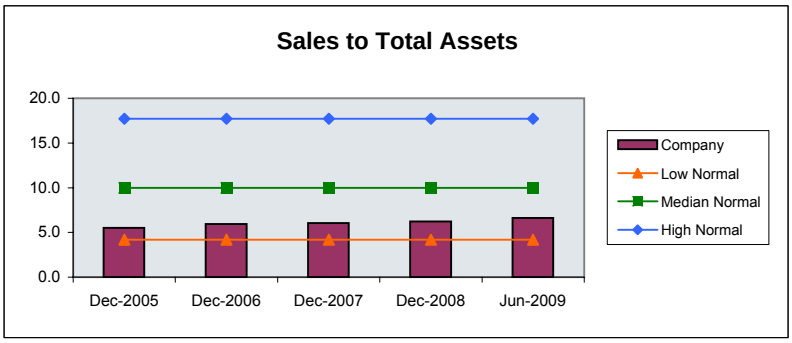


The Company's adjusted Net Worth / Sales ratio has been consistently greater than the industry, however not to abnormal levels. The trend of Net Worth / Sales has been down considerably, but in the most recent period, it was slightly up at a level of 0.13. In addition, the Company's recent Net Worth / Sales ratio was considerably higher than the median level of 0.09.
The Company's Net Worth / Sales is a medium risk factor.

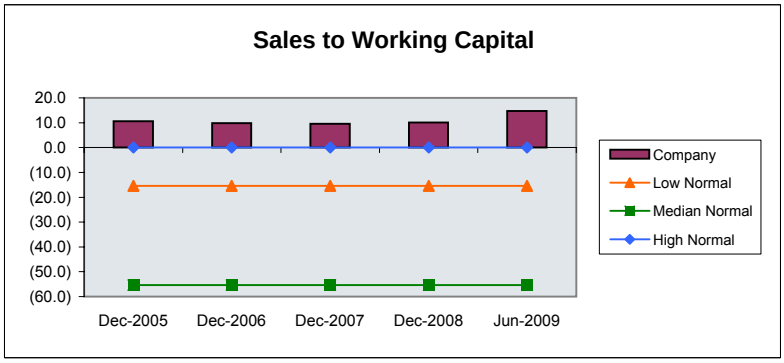
Asset Efficiency

Asset efficiency considers how well the Company uses its assets to generate sales. Sales to Total Assets measures the dollars of sales that are generated per dollar of total assets employed in the business.

The Company's adjusted Sales/Assets ratio has been lower than industry levels. The trend of Sales/Assets has been slightly up, and in the most recent period it was up as well at a level of 6.63. However, the Company's recent Sales/Total Assets ratio of 6.63 was well below the median industry level of 10.0.
The Company's Sales/Total Assets is a high risk factor.



Working Capital is the amount by which current assets exceed current liabilities. Sales to Working Capital measures the dollars of sales that are generated per dollar of working capital employed in the business.



The Company's unadjusted Sales/Working Capital ratio has been consistently higher than the industry. The trend of Sales/Working Capital has been stable, but in the most recent period it was down up at a level of 14.68. Furthermore, the Company's recent unadjusted Sales/Working Capital ratio was well above the median industry level of -55.0.
The Company's Sales/Working Capital is a low risk factor.

8. APPROACHES TO VALUE

Business appraisers, like real estate appraisers, often think in terms of three basic approaches to valuation - Asset (or Cost) approaches, Income approaches, and Market approaches.

In real estate appraisal, the Asset Approach considers the cost to construct a property essentially identical to the one being appraised. Because the essential elements of a business are usually far more complex and far less tangible, it would be very difficult in most cases to determine the cost to create a business that is essentially the same as the one being appraised. Even the equipment used in a business can be difficult to value in this way, with such questions as whether the appropriate measure is the cost of new equipment, the depreciated cost of the existing equipment, the cost of used equipment, what the Company's equipment would sell for in liquidation, and whether to include the cost of delivery and installation. As a practical matter, Asset approaches in business valuation are usually 1) the book values of all the assets and liabilities of the business adjusted to their approximate Fair Market Values or 2) their value in an orderly fashion.

The Income Approach traditionally refers to several methods that use one or more types of historical or projected income or cash flow as indicators of value. Value is estimated by applying a capitalization rate or discount rate that is derived from Ibbotson's rates of return, which are themselves derived from returns in the public stock and bond markets. Public stock market prices are sometimes used to calculate the capitalization rates and discount rates. The main problem with this approach is that both Ibbotson's data and the public stock market returns are derived from the performance of public companies that are usually far larger and substantially different than smaller, closely held, private companies such as the one considered here.

The Market Approach refers to methods that use multipliers derived from market prices paid in sales of businesses similar to the subject in both size and structure, in recent years, a considerable amount of market data has been accumulated in several databases compiled from both private and public transactions. The market transaction data used in the Market Approach can also be used to derive capitalization and discount rates used in a market form of the Income Approach.

In this particular case, the Asset Approach is not applicable, because the revenue, earnings, and cash flow all indicate values for the business that are higher than the Adjusted Net Worth value.

The Market Approach was used here in one method, drawing on data from numerous market transactions. The market data applied here is a reasonable match for the Company, with companies of similar size and type of business.

The Income Approach was not used, because historical income and cash flow are not good measures of value in this case. The traditional Income Approach using Ibbotson data was not used to develop the cash flow discount rate. The Income Approach using market data to derive income capitalization rates was not used for the EBITDA earnings and projections.

9. MARKET DATA

Based on the preceding analysis of risks, we have chosen multipliers and capitalization rates to be applied in this case. We have derived value multipliers and cap rates from an analysis of transactions involving sales of closely held companies or public stock prices, or both.

Transactions were chosen for this purpose using the most closely comparable data available, based on size, NAICS and SIC codes, and profitability. In general, it should be noted that it is often difficult or impossible to find market transactions or public companies that are strictly comparable to the business under consideration. When this is true, we try to find market data that provides the best available evidence, and use that as a starting point for our analysis of market pricing patterns. Transactions were selected within a range of revenues and profitability, as shown on the next page.

In this case, because the Company is profitable, we have eliminated from consideration those guideline companies that were not profitable, or which had negative net worth. Further, we have eliminated those for which the market pricing multipliers or earnings margins were "outliers" in that they were greatly different than the others, or very far from the median.

The transactions that remained after this preliminary screening were reviewed for general similarity in business activities, and those that were judged to be too dissimilar were removed from further consideration.

Some of the transactions may go back as far a 10 years. An analysis of the data usually shows that there was nearly zero correlation between transaction dates and the Price/Revenue multipliers, and therefore we concluded that older transactions were valued in the marketplace on about the same basis as more recent transactions.

Some of the transactions used reflect "asset sales", while other reflect "stock sales". In the former case, selected assets were sold, usually including fixed assets, the business operations, and often some other current assets and occasionally some current liabilities. In a stock sale, shares of the equity were sold, which carry with them the net market value of all assets and liabilities. Some practitioners do not use both asset transactions and stock transactions at the same time, but we do. After having done hundreds of both asset and equity valuations, our experience is that the difference between the asset value and the equity value of a business is usually minimal. Furthermore, asset values are sometimes greater and sometimes less than the corresponding equity values, due to variations in asset and liability structure and in the selection of assets and liabilities transferred in an asset sale. The net effect is that any bias introduced by using asset sales in an equity valuation, or vice versa, is generally undeterminable, and almost certainly minimal. Finally, these transactions provide merely a starting point in the determination of value; the final value is the result of many other, more important factors than the type of sale represented in the transaction data set.

It should be noted that the market transactions used here are limited both in number of transactions available to us, and in the quality and extent of data provided. The transaction databases provide only a very small amount of data regarding companies that, while they may be in the same general type of business as the Company, are undoubtedly substantially different from the Company in many ways, with different cultures, management, histories, and prospects. Details of the transaction deal are generally unknown, and are subject to differing interpretations by the people who provided the initial information to the database providers. Some important information, such as growth rates and whether the deal represented a financial or a strategic acquisition or a forced sale, is never provided. Accordingly, the market transactions used here provide merely a starting point for the determination of capitalization rates and multipliers for the Company.

10. CAPITALIZATION RATES AND MULTIPLIERS

The market data which was used in the determination of the multipliers and cap rates below was taken mostly from private transactions which reflect the sale of a non-marketable, controlling interest.
As a consequence, these cap rates and multipliers will yield non-marketable, controlling interest values.

For details, see:
20. ANALYSIS OF COMBINED MARKET DATA

It is usually necessary to make adjustments to cap rates and multipliers derived from industry market pricing data, due to differences between the subject Company and the companies represented in the market data sample. The adjustments are necessarily subjective, based on the analyst's experience and training. The following table summarizes the cap rates and multipliers used in this report, and the adjustments we have made.

		Industry Range (Note 1)	Rates Adj for Size and Profitability a	Adjust to Required Rate (2) b	Adjusted Rates and Multipliers a+b
EBITDA Capitalization Rate					
Combined Market Data	Mid Range	16.6%	16.6%	0.82%	17.4%
Company long term growth rate (=industry LT rate)					3.0%
Projection risk (note 3)					2.0%
Discount rate					22.4%
EBT Capitalization Rate					
Combined Market Data	Mid Range	12.6%	12.6%	0.82%	13.4%
Price/Sales					
Combined Market Data	Mid Range	2.229	2.229	-	2.23
GW/Seller's Discretionary Cash					
Combined Market Data	Mid Range	10.95	10.95	-	10.95
* estimated per subject Company					

See notes next page

Notes:

(1) The industry midrange cap rates and multipliers normally provide the starting point for the choice of the appropriate cap rates and multipliers for the Company. The initial low, mid, and high multipliers and cap rates have been selected to be appropriate to the Company's size and profitability relative to the industry.

We have further adjusted the starting multipliers in column (a) for the profitability of the Company as compared to the industry, by comparing the Company's return on sales (ROS) to the industry quartiles.

(2) Multiplier and cap rates are adjusted in column b, based on the relative risk of this business compared to the industry and on the cash flow generating potential of the business.

Our analysis suggests that the general risk in this business is moderate compared to the industry.

Cash flow below normal will limit the value that can realistically be supported, whereas cash flow above normal will support a lower cap rate and higher multipliers, in the context of a leveraged purchase of a 100% interest.

The cash flow in this case presents very little risk that a willing buyer could not get financing to purchase the business because of insufficient cash flow and post-purchase debt level, based on the value nominally indicated by the unadjusted market cap rates and multipliers.

(3) The projection risk adjustment reflects our estimate of the risk that the projections may not be realized.

We also utilized the buildup method of determining a capitalization rate and compared the two to ensure accuracy.

11. COMPUTATION OF VALUE

SUMMARY OF VALUATION METHOD RESULTS

The values determined below are based upon private market transactions which reflect the sale of non-marketable, controlling interests. As a consequence, these are non-marketable, controlling interest values, which must be adjusted for additional lack of marketability.

These results are for a going concern, and so earnings and cash flow are the most meaningful.

The following table summarizes the results of the methods considered in this valuation. Details describing each method are presented in the following pages.

VALUATION METHOD RESULTS	Approach	Weight	Weight %	Result
1. Adjusted Net Worth	Assets	0	0.0%	159,705
2. Liquidation Value	Assets	0	0.0%	140,841
3. Capitalization of Earnings	Income	0	0.0%	1,191,568
4. Capitalization of Excess Earnings	Income/Asset	0	0.0%	1,275,620
5. Capitalization of Dividend Capacity	Income	1	50.0%	989,193
6. Discounted Future Earnings	Income	1	50.0%	779,138
7. Discounted Cash Flow	Income	0	0.0%	1,795,333
8. Price to EBITDA	Market/Asset	0	0.0%	2,064,271
9. Price to Revenue	Market/Asset	0	0.0%	2,991,012
Weighted Avg Value of Operations [Note 1]		2	100.0%	884,166
Non-Marketable, Controlling Interest Basis				
Non-Operating Assets [Note 2]				-
Value of Operations and Other Assets				884,166
Additional Adjustment for Lack of Marketability [Note 3]			35.0%	(309,458)
Value Adjusted for Marketability				574,708
Non-marketable, 100% interest basis				
Percentage of Ownership Valued				23.6%
				135,631
Additional Adjustment for Lack of Control (Minority Discount)			20.0%	(27,126)
Net Value of Ownership Interest				**$ 108,505**
Non-marketable, non-controlling interest basis				

NOTES TO THE SUMMARY OF VALUATION METHODS

1 We generally use as many methods as are meaningful, and then average the results, or take a weighted average based on our opinion as to which methods are the most appropriate. The reason for this is that no single valuation method utilizing a few mathematical variables can possibly capture the value of a complex, operating business. Historical methods assume that the future will be much like the past, even with allowances for anticipated changes. Future earnings and cash flow methods rely on projections that are often speculative and sometimes self-serving. Each method provides a different perspective on the value, and it is our opinion that the "true" value of the business is better revealed when it has been considered from as many perspectives as can be reasonably developed.

A discussion of the methods and the weights applied to each is included in the description of each method, on the following pages.

In this case, there is an additional complication due to the fact that the cash flow generated by the Company will not service the debt that would be associated with several of the values calculated within this analysis. As a result, these particular methods need to be disregarded as they are not true indicators of the Company's value.

2 Non-operating assets consist of assets held in the Company that are not used in the course of doing business, i.e., the business would operate exactly the same without these assets. However, because they are held in the Company, they must be included in the determination of its value.

3 The adjustment for lack of marketability transforms the value from a marketable basis to a non-marketable basis (converted to cash in months or years).

The undiscounted value is based on actual sales of small businesses similar to this one, and therefore represents a "marketable" value, but it is not "freely marketable" in the same sense as most public stock. While the undiscounted value represents the amount the owner would likely eventually receive in a sale of this business, it would still take some time to prepare for, arrange and complete a sale. Further, for a minority interest, the time to reach liquidity could be much longer, if ever, because the minority interest can not force a sale of the business in most circumstances. This adjustment brings that potential future liquidity value to its present value.

11.1 ADJUSTED NET WORTH

Net Worth as adjusted simply summarizes the net assets and liabilities of the Company. It is generally of interest mostly as an indicator of the financial reserves available to the owners and as an indicator of how much the owners have invested in the Company. This method ignores the value of revenue, earnings, and cash flow, and is usually considered as an indicator of value only when the earnings methods indicate values lower than Net Worth.

A controlling interest could choose to sell the assets, but would not in this case. The Adjusted Net Worth method cannot be relied upon under these circumstances.

	($)
Book Value of Net Worth	159,705
Net Adjustments	0
Adjusted Net Worth	159,705

11.2 LIQUIDATION VALUE

Liquidation Value estimates the value that might be expected if the assets of the Company were subjected to an orderly liquidation, usually over several months. This situation usually only arises when the Company is no longer viable as a going concern and the owners want to (or must) close up, sell all the assets, and pay off liabilities. In this situation, there are usually costs associated with the liquidation process, and often there are tax effects.

A controlling interest could choose to sell the assets, and might rely on them in this case. The Liquidation Value method is a reasonable indicator under these circumstances.

The following table shows the value which could be expected if the Company were subjected to an orderly liquidation:

	Basis	Adjusted Book Value	Percent Realized	Liquidation Value	Gain (Loss) Liquidation
ASSETS					
Cash		114,266	100.0%	114,266	-
Accounts Receivable		-	90.0%	-	-
Inventory		-	75.0%	-	-
Other Receivables		-	50.0%	-	-
Other Current Assets		-	50.0%	-	-
Land	-	-	100.0%	-	-
Plant and Equipment	74,377	74,377	100.0%	74,377	-
Total Assets		188,643		188,643	
LIABILITIES					
Accounts Payable		-	100.0%	-	-
Short Term Debt		16,290	100.0%	16,290	-
Taxes Payable		7,565	100.0%	7,565	-
Other Current Liabilities		5,083	100.0%	5,083	-
Total Liabilities		28,938		28,938	
NET WORTH		159,705		159,705	
Net Gain (Loss)					-
Tax effect	10.0%	x Net Gain (Loss)		-	
Estimated Costs of Liquidation	10.0%	x Liq value of assets		(18,864)	
Net Liquidation Value				140,841	

11.3 CAPITALIZATION OF EARNINGS

This method relies on a single estimate of sustainable earnings, and a single capitalization rate chosen to reflect an investor's required rate of return. Because of the superficial simplicity of this method, it is widely used in the valuation of closely held companies. The basic theory is that the ultimate value of a firm and its assets is determined by the earnings that the firm generates. The capitalization rate represents the rate of return required to compensate for the risk inherent in the business. Both of these variables are subject to a large degree of subjectivity, and rely on the assertion that the value of a complex business can be encompassed in just two variables.

The Capitalization of Earnings method would be considered by a willing buyer.
Historical earnings are an important indicator of the Company's value. A controlling interest owner can reasonably rely on the historical earnings.

		($)
Average Adjusted Earnings		209,805
Earnings basis is control EBITDA		
Capitalization Rate	Combined Market Data	17.4%
Gross Valuation	Market Value of Invested Capital	1,207,858
Adjustments		
Adjust from debt-free basis, deduct total interest-bearing debt [Section 5]		(16,290)
Net Valuation	(Freely-marketable, controlling interest basis)	1,191,568

11.4 CAPITALIZATION OF EXCESS EARNINGS (Reasonable Rate)

This method is an income-and-asset oriented approach and is based on the theory that the total value of a business is the sum of the adjusted net assets and the value of the intangibles, as determined by capitalizing the "excess" earnings of the business. The amount of earnings capitalized is those earnings which exceed a reasonable rate of return on the adjusted net assets of the business. This method acquired its name from the fact it applies a reasonable rate of return to the adjusted net assets rate than an industry rate of return.

Average Adjusted Earnings		209,805
less earnings attributable to tangible assets:		
Adjusted net assets	159,705	
Reasonable rate of return	10%	(15,971)
Excess earnings attributable to intangible assets		193,835
Capitalization Rate		17.4%
Estimated Value of Intangibles		1,115,915
Adjusted net assets		159,705
Net Valuation	(Freely-marketable, controlling interest basis)	1,275,620

11.5 CAPITALIZATION OF DIVIDEND CAPACITY

Even though most closely held companies do not actually pay dividends, many have the ability to pay them. Consideration of this potential dividend paying capacity is called for in Revenue Ruling 59-60, and in fact, often reflects the primary source of value to minority interest owners who have no access to the assets or to the primary earnings of the Company.

The dividend capacity of the firm is calculated by first setting aside a provision for taxes and reinvestment, and assuming that any remaining cash flow would be available for distribution even though they might not actually be distributed. We rely on the Net Cash Flow to Equity as the source of the dividend capacity.

Most sub-S corporations make distributions to cover the owner's share of the state and federal taxes on corporate income. These tax distributions are not included in the distributions valued below, as they are roughly offset by taxes paid to the government.

The Capitalization of Dividend Capacity method gives some insight under the circumstances. The flow of projected dividends is considered reasonably reliable. A controlling interest owner can reasonably rely on the projected dividends.

			($)
Weighted Average Revenue		a	1,341,863
Industry Normal Net Worth / Sales ratio		b	12.6%
Normal Net Worth (a x b)			169,563
Reinvestment Rate (=Company 10 yr avg projected sales growth rate)			5%
Reserve for Reinvestment			8,817
Industry normal EBT	5.9% of sales		79,170
Reserve for Reinvestment as a % of Normal EBT			9.0%
Reserve for Taxes as a % of Normal EBT			30.0%

The following formula adjusts the cap rate for earnings before tax (CR) to a cap rate for dividend capacity, using the industry reserve for investment rate (RI%), and the tax rate:

Cap Rate for =	(1-RI% - Tax Rate) x EBT CR =	
Dividend Capacity	(1-9.0%-33.0%) x 13.4%	8.2%

Projected Distributions		Dec-2010	Dec-2011	Dec-2012	Dec-2013	Dec-2014
Weights		5	4	3	2	1
		63,872	75,449	92,761	101,662	111,900
Dividend Capacity - 5 year average	j					80,977
Dividend capacity cap rate	k					8.2%
Gross Valuation (j/k)		Market Value of Invested Capital				989,193
Adjustments						0
Net valuation		(Freely-marketable, controlling interest basis)				989,193

11.6 DISCOUNTED FUTURE EARNINGS

This method is frequently used, especially when the future earnings and other financial factors are expected to significantly different than the historical conditions. This method is more sophisticated than the simplistic capitalization of historical earnings in that it reflects expectations for the amounts and the timing of future earnings. Financial projections are an essential element, of course, which introduces the possibility of overly optimistic or pessimistic projections, and other subjective or speculative elements.

In this method, earnings at the end of the projection period are capitalized using the rates developed in the cap rates section. The result is then discounted along with the projected earnings using a discount rate which provides for normal industry growth and the additional risk inherent in the projections.

The Discounted Future Earnings method is useful to consider for this Company. The flow of projected earnings is considered reasonably reliable. A controlling interest owner can reasonably rely on the projected earnings.

DISCOUNT RATE		
Capitalization rate	EBITDA	17.4%
Discount rate		22.4%
Company 10 yr average revenue growth rate		0.0%

CALCULATION OF VALUE

Following are the projected earnings for the company

Year Ending	Revenue Growth	Projected Revenue	Margin	EBITDA Projected Earnings	Present Value
Dec-10	-15.0%	1,063,144	10.0%	106,314	86,879
Dec-11	-10.0%	956,830	13.0%	124,388	83,067
Dec-12	5.0%	1,004,671	15.6%	157,084	85,725
Dec-13	10.0%	1,105,138	15.6%	172,792	77,059
Dec-14	10.0%	1,215,652	15.6%	190,072	69,270
Dec-15	10.0%	1,337,218	15.6%	209,079	62,267
Dec-16	5.0%	1,404,078	15.6%	219,533	53,429
Dec-17	5.0%	1,474,282	15.6%	230,509	45,845
Dec-18	5.0%	1,547,997	15.6%	242,035	39,337
Dec-19	5.0%	1,625,396	15.6%	254,136	33,753
Terminal Value = last period x (1+growth) / cap rate				1,463,077	158,797
Present value of future earnings					795,428
Adjustments					
Adjust from debt-free basis, deduct total interest-bearing debt [Section 5]					(16,290)
Net valuation		(Freely-marketable, controlling interest basis)			779,138

11.7 DISCOUNTED CASH FLOW

This method is frequently used, especially when the future cash flow and other financial factors are expected to be significantly different than the historical conditions. This method reflects expectations for both the amounts and the timing of future earnings, as well as changes on the balance sheet which can have a major impact on cash flow. Financial projections for both the income statement and the balance sheet are an essential element, of course, which introduces the possibility of overly optimistic or pessimistic projections.

In this method, cash flows at the end of the projection period are capitalized using the rates developed. The result is then discounted along with the projected cash flows using a discount rate which provides for normal industry growth and the risk inherent in the projections themselves.

The Discounted Cash Flow method is a reasonable indicator under the circumstances. The flow of projected cash flows is considered reasonably reliable and is given appropriate weight. A controlling interest owner can reasonably rely on the projected cash flows.

DISCOUNT RATE DETERMINATION			
EBT Capitalization Rate	EBT/Mkt Cap		13.4%
Net Cash Return on Equity	NCF/NW	55.2%	
EBT Return on Equity	EBT/NW	72.8%	
Ratio of Projected Cash Flow to EBT in 5th Year			0.49
Equity Cash Flow after Tax capitalization rate			6.58%
Company long term growth rate			0.00%
Projection risk			2.0%
Discount rate			8.58%
Company 10 yr avg projected growth rate			0.00%

CALCULATION OF VALUE
Following are the projected earnings for the company

Year Ending	Revenue Growth	Projected Revenue	Margin	Projected Net Cash Flow a/Tax	Present Value
Dec-10	-15.0%	1,063,144	6.4%	68,253	62,863
Dec-11	-10.0%	956,830	8.6%	82,575	70,046
Dec-12	5.0%	1,004,671	10.3%	103,404	80,786
Dec-13	10.0%	1,105,138	10.2%	113,272	81,506
Dec-14	10.0%	1,215,652	10.3%	124,690	82,635
Dec-15	10.0%	1,337,218	10.3%	137,159	83,719
Dec-16	5.0%	1,404,078	10.3%	144,017	80,962
Dec-17	5.0%	1,474,282	10.3%	151,218	78,296
Dec-18	5.0%	1,547,997	10.3%	158,779	75,717
Dec-19	5.0%	1,625,396	10.3%	166,718	73,224
Terminal Value = last period x (1+growth) / cap rate				2,535,320	1,025,579
Present value of future cash flow (based on after-tax cash flow)					1,795,333
Adjustments					0
Net valuation		(Freely-marketable, controlling interest basis)			1,795,333

11.8 PRICE TO EARNINGS

The principle behind this method is the idea that the Company would be sold for a multiple of earnings to similar companies. This would in fact place a potential amount on the goodwill of the Company.

This method relies on data from sales of closely held companies as reported by merger and acquisition consultants and business brokers, but can also be based on data from public stock prices.
This ratio is generally higher for companies that are more profitable than average (as a percentage

of sales), and lower for those that are less profitable.
Applying the multiplier to the Company's EBITDA gives an estimate of the Company's Goodwill, and then the Tangible Net Worth is added to the result to arrive at the total value of Equity, including Goodwill.

The goodwill of the Company is somewhat dependent on its SDCF and it is given a weight to the total value. A controlling interest could choose to sell the assets, and might put some weight on that possibility.

Weighted Average Earnings		a	209,805
Price to Earnings Multiplier	Combined Market Data	b	9.839
			2,064,271
Current Adjusted Net Worth			159,705
Value of Goodwill	(Marketable, controlling interest basis)		1,904,566
Adjustments			
Adjust to median working capital levels			-
Net valuation	(Marketable, controlling interest basis)		2,064,271

11.9 PRICE TO REVENUE

The principle behind this method is the idea that the Company would be sold for a multiple of revenues generated by similar companies. This would in fact place a potential amount on the goodwill of the Company.

This method relies on data from sales of closely held companies as reported by merger and acquisition consultants and business brokers, but can also be based on data from public stock prices. Generally speaking, the theory underlying the Price to Revenue method is that a given level of revenue should generate an expected level of earnings more or less in line with those of similar characteristics.

Weighted Average gross revenues	a		1,341,863
Price/Revenue multiplier	b	Combined Market Data	2.23
Value of Equity (a*b)	(Marketable, controlling interest basis)		2,991,012
Adjustments			
Adjust to median working capital levels			-
Net valuation	(Marketable, controlling interest basis)		2,991,012

12. ADJUSTMENTS TO VALUE

ADJUSTMENT FOR LACK OF MARKETABILITY

Marketability considers the liquidity of the interest, that is, how quickly and certainly it can be converted to cash at the owner's discretion. The market pays a premium for liquidity or, conversely, exacts a discount for lack of it.

There are almost always differences in the marketability of public company stocks and interest in closely held companies. When public stocks have provided the market basis for valuing a closely held company, a discount for lack of marketability is usually necessary due to the difference in liquidity between actively traded public securities and closely held stock. Further, there may be reason to discount a value derived from analysis of market transactions involving sales of closely held companies, even though the transaction usually represents the sale of a closely held interest.

The undiscounted value is based on actual sales of small businesses similar to this one, and therefore represents a "marketable" value, but it is not "freely marketable" in the same sense as most public stock. While the undiscounted value represents the amount the owner would be likely to eventually receive in a sale of this business, it would still take some time to prepare for, arrange and complete a sale. Further, for a minority interest, the time to reach liquidity could be much longer, if ever, because the minority interest can not force a sale of the business in most circumstances. This adjustment brings that potential future liquidity value to its present value.

To complicate things, discounts for lack of marketability for controlling interests are different than discounts for lack of marketability for minority interests. Unlike in minority interest transactions, there is no empirical transaction database from which to draw guidance for quantifying discounts for lack of marketability for controlling interests.

Marketability of Controlling Interests

The rationale for a lack of marketability discount for a controlling interest of a closely held company is that the owner of a closely held business who wishes to liquidate a controlling interest generally faces several issues:

1. Uncertain time horizon to complete the offering or sale, usually many months or even several years
2. Costs to prepare for and execute the offering or sale
3. Risk concerning the eventual sale price
4. Noncash and deferred transaction proceeds, eg. Stock swaps, seller financing, contingent payments
5. Inability to hypothecate (i.e. the inability to borrow against the estimated value of the stock)

The most logical base from which to take the discount is the anticipated buyout price (i.e. the price the owner expects to receive prior to all transaction costs). In order to complete a sale and receive the proceeds, the Company and owner generally will have to complete several tasks:

1. Create accounting records satisfactory to buyers.
2. Incur legal expenses to document Company attributes, often including representations and warranties regarding the state of various aspects of the Company (contingent liabilities).
3. Utilize substantial management time to facilitate the above and cure negative factors that would be undesirable to the typical buyer (i.e. take nonperforming relatives off the payroll).
4. Find a buyer or buyers (easier for some kinds of companies than others).
5. Engage in negotiations with one or more buyers over an extended time.

The value must reflect both the potential risks, and the accomplishment of the above listed tasks.

The Company is being valued as of a certain date. Generally, the Company's stockholders have not completed any of the above items as of the valuation date. Were the Company's management to have offered the Company for sale at the valuation date it would still have to complete the above tasks and it would be exposed to the stated risks during the sale process. The costs of accomplishing these tasks and the transaction costs of sale, must be reflected in the discount for lack of marketability when comparing value at the valuation date to any expected future proceeds.

Accomplishing these necessary steps takes time. Therefore, eventual expected proceeds need to be discounted to allow for the time value of money. Also, there is no guarantee that the time value of money will be offset by the expected positive cash flows during the holding period. Accordingly, the owner would be expected to accept a discount from the eventual selling price, if the business could be sold for cash within a few days, rather than the probable months or years required for the typical selling cycle.

Furthermore, all the bases of value for the controlling interest are estimates. Risk-averse investors could not reasonably be expected to pay 100% of the estimated future proceeds, so the expected proceeds need to be discounted to reflect the uncertainty of the amount and timing of proceeds to be realized.

Quantifying the Discount

A study of these discounts taking into consideration the expected time to liquidity suggests that, in general, investors apply an average annual discount rate of about 20% for each year until liquidity. The discount rate will, of course, be different for companies with different levels of risk. In order to estimate the adjustment required for lack of marketability in this case, taking into consideration the level of risk involved, we have estimated the time to liquidity for the investor, the expected value at the time of liquidity, and present value based on a risk adjusted discount rate.

The Company's stock will almost certainly never be freely traded. Nevertheless, because of the characteristics of the Company and potential market for the Company's business, it is likely that the time required for a shareholder to reach liquidity could be less than for the stocks in the public market studies. The following analysis attempts to quantify the points discussed above:

a.	The expected length of time before liquidity could be realized (in years)	1.0
b.	Value of the Company as if freely marketable	884,166
c.	The expected annual growth in the value of the Company's stock up to time of expected liquidation (based on projected compound revenue growth for 1.0 years)	-15.0%
d.	Expected value of the Company in 1.0 years	751,541
e.	The discount rate which would be applied to bring the expected value at a liquidity event back to the present value. In this case, we have used the after-tax cash flow discount rate, in the expectation than an investor would use this rate to value expected future cash distributions from the sale of the business of the sale of stock. Note that this discount rate reflects the risk inherent in this business.	8.58%
f.	Value today if the stock can not be sold for 1.0 years	574,708
g.	Reduction in value due to lack of marketability (b-f)	309,458
h.	Adjustment as a percentage of freely marketable value	35.0%

Considering the circumstances of the Company, we have chosen to apply a discount for lack of marketability = 35.00%
Minority Discount = 20.00%

If the value of the said stock is less than 50.1%, there may be lack of control of the company as well. If this is the case, then a minority discount should be taken. Minority discounts can range from in general from 10% to 30%. In most cases we expect the lack of control would equate to a 20% discount unless there are extenuating circumstances.

13. CASH FLOW COVERAGE

The following calculations confirm whether a sale of the business at the net value can be justified by the cash flow of the business, assuming that the business was sold on realistic terms. This analysis considers whether the value is realistic from the point of view of a willing buyer.

Value of Operations Before Marketability Adjustment		[Section 11]	884,166
Adjustment for Marketability	35.0%		(309,458)
Market Value of Operations			574,708
Down Payment on Purchase	20.0%		114,942
Balance to Pay, above existing debt			459,766
Interest Rate on new Purchase Debt	8.0%		
Years to Pay	10		
Annual Debt Service on Balance to Pay (Interest and Principal, one annual payment)			$68,519

AMORTIZATION OF PURCHASE DEBT

	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14
Beginning Balance	459,766	428,029	393,752	356,734	316,754
Interest	36,781	34,242	31,500	28,539	25,340
Principal	31,737	34,276	37,019	39,980	43,178
Ending Balance	428,029	393,752	356,734	316,754	273,575

CASH ON CASH RETURN ON DOWN PAYMENT

Projected Cash Flow after Tax	61,242	75,120	97,455	107,292	118,112
Tax Benefit, Purchase Interest	11,034	10,273	9,450	8,562	7,602
Purchase Payments	(68,519)	(68,519)	(68,519)	(68,519)	(68,519)
Cash Flow after Purchase	3,758	16,874	38,387	47,335	57,196
Debt/Equity including purchase debt	2.72	2.51	2.21	1.90	1.58
Coverage Ratio	1.55	1.82	2.29	2.52	2.77

Generally, a Cash Return on Down Payment in the range of 20-30% is considered satisfactory, although under some circumstances a higher or lower return might be appropriate. At the same time, the Debt/ Equity ratio should be within a realistic range for bank financing, usually less than 2 to 2.5. Finally, the ratio Loan to Coverage Ratio should be higher than 1.25. Conditions outside these ranges will generally require seller financing.

14. CERTIFICATION

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

-The statements of fact contained in this report are true and correct.

-The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, unbiased professional analyses, opinions, and conclusions.

-We have no present or prospective interest in or bias with respect to the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.

-Our compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.

-Our analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation. We have also attempted to comply with the standards of the American Society of Appraisers, the National Association of Certified Valuation Analysts, the Institute of Business Appraisers, and the American Institute of Certified Public Accountants' Statement of Standards for Valuation Services

-No one provided significant professional assistance to the person signing this report, except as may be noted elsewhere in this report.

This report was prepared under the direction of Troy Patton, CPA.

Patton & Associates, LLC
September 4, 2009

Troy Patton, CPA

- 1992-1995 Ernst & Young
- 1995-1996 Correlated Products – CFO/Treasurer
- 1996-2004 Frontier Financial Holdings – President
- Frontier was a diversified CPA and Financial Services firm with nearly 70 employees and $6.7 million in revenues, including Frontier CPA Group with nearly $3 million in revenues. Troy Patton, CPA, served as managing partner prior to the firm's sale in 2004.
- 2004-Current Patton & Associates/Archer Investment Corporation
- Currently consult with CPA's all over the country for business valuations, litigation support, and succession planning. Given over 30 presentations to CPA Societies and private CPA/Accounting groups in the past three years. Currently prepares an average of 6 engagements per month.
- Archer Investment Corporation – manage a portfolio of investments for a no-load mutual fund by valuing public companies and seeking undervalued companies.

Named 2005 Outstanding CPA in Indiana by the INCPAS
Named 2003 Top Five CPA's under 35.
Wrestled in 1990 for Team USA and traveled to communist block to scout other countries
B.S. Accountancy from Miami University in Oxford, OH 1992

15. SOURCES OF INFORMATION

In the course of this study, the following documents and materials were considered:

Federal Tax Returns for 12/31/2005 - 6/30/2009

Financial Statements for 12/31/2005 - 6/30/2009

A site visit and management interviews were conducted by [redacted] of the firm [redacted]

Owner's statements

Statement Studies, Risk Management Associates - summary statistics on more than 600 industries, based on approximately 80,000 financial statements submitted by commercial banks.

Mergerstat summary of control premiums in public acquisitions.

Economic Research Institute salary and compensation database

Federal Reserve Bank, Monthly Summary of Economic Activity

Bizcomps Database of Closely Held Company Sales, describing sales of closely held companies with sales prices typically in the range of $50,000 to $5 million.

Pratts Stats Database, describing sales of closely held companies of all sizes.

16. CONDITIONS AND ASSUMPTIONS

Conditions

The historical financial information presented in this report in included solely to assist in the development of the value conclusion presented in this report, and it should not be used to obtain credit or for any other purpose. Because of the limited purpose of this presentation, it may be incomplete and contain departures from generally accepted accounting principles. We have not audited, reviewed, or compiled the historical accounting statements and express no assurance on them. The financial information presented in this report includes normalization adjustments made solely to assist in the development of the value conclusion presented in this report. Normalization adjustments are hypothetical in nature and are not intended to present restated historical results or forecasts of the future in accordance with AICPA guidelines.

Readers of this business valuation report should be aware that business valuations are based on future earnings potential that may or may not materialize. Any financial projections presented in this report are included solely to assist in the development of the value conclusion presented in this report. These presentations do not include all disclosures required by the guidelines established by the AICPA for the presentation of financial projections. The actual results may vary from the projections, and the variations may be material.

This report should not be used to obtain credit or for any purposes other than to assist in this valuation. This report is only to be used in its entirety, and for the purpose for which it was prepared. No third parties should rely on the information contained in this report without the advice of their attorney or accountant, and without confirming for themselves the information contained herein.

The value of a business changes over time in response to changes in its markets, the economy, its internal operations, and a myriad of other factors both within and outside the control of its owners and managers. The value discussed in this report was developed using data pertinent to a specific point in time. The value conclusions in this report therefore can not be assumed to be meaningful at any other point in time.

We have no responsibility to update this report for events and circumstances occurring subsequent to the date of this report. We do not purport to be guarantor of value. Valuations of closely-held companies is an imprecise science, with value being a question of fact, and reasonable people can differ in their estimates of value. We have, however, used conceptually sound and commonly accepted methods and procedures of valuation in determining the estimate of value in this report.

The valuation analyst, by reason of performing this valuation and preparing this report, is not to be required to give expert testimony nor be in attendance in court or at any government hearing with reference to the matters contained herein.

General Assumptions

The opinion of value given in this report is based on information provided in part by management of the Company and other sources contained herein. This information is assumed to be accurate and complete; we have not audited or attempted to confirm this information for accuracy or completeness.

We have relied upon the representations contained in the public and other documents in our possession concerning the value and useful condition of all investments in securities or partnership interests, and any other assets or liabilities except as specifically stated to the contrary in this report. We have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances, or that the owner has good title to all the assets.

We have also assumed that the business will be operated prudently and that there are no unforeseen adverse changes in the economic conditions affecting the business, the market, or the industry. This report presumes that the management of the Company will maintain the character and integrity of the Company through any sale, reorganization or reduction of any owner's/manager's participation in the existing activities of the Company.

We have been informed by management that there are no environmental or toxic contamination problems, and no significant lawsuits, or any other undisclosed contingent liabilities which may potentially affect the business, except as may be disclosed elsewhere in this report. We have assumed that no costs or expenses will be incurred in connection with such liabilities, except as explicitly stated in this report

It is implicit in the value calculations that in the event of a sale of the business to a willing buyer, the current management would remain in place at least long enough to effect an orderly transition with no loss of essential management skills and productivity.

In the event of a sale, it is also implicit in the calculation of value that the current owners would be willing to commit to a non-competition agreement. Such agreements are an element of almost all business sales, and the absence of such an agreement would generally reduce the value of the business as a going concern.

17. REVENUE RULING 59-60

This valuation was conducted under guidelines established by Treasury Department and the Internal Revenue Service in its determination of fair market values of closely held business enterprises for income tax, estate tax, gift tax, and other related purposes. The Internal Revenue Code, Section 2031(b), specifies that the value of stocks and securities of corporations not listed on an exchange or freely traded "…shall be determined by taking into consideration, in addition to all other factors, the value of stock or securities, of corporations engaged in similar line of business which are listed on an exchange."

The basic rules for tax-related valuations were laid down in Revenue Ruling 59-60 issued by the Internal Revenue Service in March 1959. In Revenue Ruling 65-193 the Treasury Department extended the use of Revenue Ruling 59-60 to include the determination of fair market value of closely held businesses for income and other tax purposes. These rulings have been widely adopted as the primary authority for determination of fair market value of a business enterprise in virtually all valuation situations.

The rulings define "fair market value" as follows:

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

Court decisions frequently state, in addition, that the hypothetical buyer and seller are assumed to be able and willing to trade and be well informed about the property and concerning the market for such property.

This definition is widely accepted and used in courts of law and in tax literature and is the most widely used approach in valuing closely held securities. It is the basic definition upon which we rely in determining the fair market value of a Company's stock.

Revenue Ruling 59-60 requires that the following factors be considered:

1 The history of the Company and the nature of the business.
See Section 3. COMPANY DESCRIPTION

2 General economic outlook and the outlook of the particular industry.
See Section 3. COMPANY DESCRIPTION
See Section 18. ECONOMIC CONDITIONS AND OUTLOOK

3 Book value of the stock and the financial condition of the business.
See Section 5. BALANCE SHEET
See Section 7. RISK ASSESSMENT, COMPARATIVE ANALYSIS

4 Earnings capacity of the Company.
See Section 4. INCOME STATEMENT

5 Dividend paying capacity.
See Section 11. COMPUTATION OF VALUE
See Section 6. HISTORICAL AND PROJECTED CASH FLOW

6 Whether the enterprise has goodwill or other intangible value.
See Section 2. CONCLUSION OF VALUE
See Section 11. COMPUTATION OF VALUE

7 Sales of stock and the size of the block to be valued.
See Section 11. COMPUTATION OF VALUE

8 Market prices of stock other comparable companies traded on exchanges.
See Section 19. BUSINESS SALES TRANSACTIONS
See Section 20. ANALYSIS OF COMBINED MARKET DATA

These eight factors are fundamental to any appraisal of closely held securities. They are not, however, all-inclusive. All other factors relevant to the subject valuation must also be considered. Specifically, an Appraiser must consider comparability of accounting methods and discounts for fair market value determinants.

18. ECONOMIC CONDITIONS AND OUTLOOK

The trend of regional, national and international economies are relevant to all business valuations. The risks inherent in a particular investment must be viewed in conjunction with the present and future economic outlook. In particular, risk factors such as growth trend, growth potential, fee schedule, and collections, among others, are all tied to the present and future economic outlook.

Excerpts have been taken from Chairman Ben S. Bernanke's testimony before the Joint Economic Committee on May 5, 2009.

Recent Economic Developments

The U.S. economy has contracted sharply since last autumn, with real gross domestic product (GDP) having dropped at an annual rate of more than 6 percent in the fourth quarter of 2008 and the first quarter of this year. Among the enormous costs of the downturn is the loss of some 5 million payroll jobs over the past 15 months. The most recent information on the labor market -- the number of new and continuing claims for unemployment insurance through late April -- suggests that we are likely to see further sizable job losses and increased unemployment in coming months.

The recent data also suggest that the pace of contraction may be slowing, and they include some tentative signs that final demand, especially demand by households, may be stabilizing. Consumer spending, which dropped sharply in the second half of last year, grew in the first quarter. In coming months, households' spending power will be boosted by the fiscal stimulus program, and we have seen some improvement in consumer sentiment. Nonetheless, a number of factors are likely to continue to weigh on consumer spending, among them the weak labor market and the declines in equity and housing wealth that households have experience over the past two years. In addition, credit conditions for consumers remain tight.

The housing market, which has been in decline for three years, has also shown some signs of bottoming. Sales of existing homes have been fairly stable since late last year, and sales of new homes have firmed a bit recently, though both remain at depressed levels. Although some boost to sales in the market for existing homes is likely coming from foreclosure-related transactions, the increased affordability of homes appears to be contributing more broadly to the steadying in the demand for housing. In particular, the average interest rate on conforming 30-year fixed-rate mortgages has dropped almost 1-3/4 percentage points since August, to about 4.8 percent. With sales of new homes up a bit and starts of single-family homes little changed from January through March, builders are seeing the backlog of unsold new homes decline -- a precondition for any recovery in homebuilding.

In contrast to the somewhat better news in the household sector, the available indicators of business investment remain extremely weak. Spending for equipment and software fell at an annual rate of 30 percent in both the fourth and first quarters, and the level of new orders remains below the level of shipments, suggesting further near-term softness in business equipment spending. Recent business surveys have been a bit more positive, but surveyed firms are still reporting net declines in new orders and restrained capital spending plans. Our recent survey of bank loan officers reported further weakening of demand for commercial and industrial loans. The survey also showed that the net fraction of banks that tightened their business lending policies stayed elevated, although it has come down in the past two surveys.

Conditions in the commercial real estate sector are poor. Vacancy rates for existing office, industrial, and retail properties have been rising, prices of these properties have been falling, and, consequently, the number of new projects in the pipeline has been shrinking. Credit conditions in the commercial real estate sector are still severely strained, with no commercial mortgage-backed securities (CMBS) having been issued in almost a year. To try to help restart the CMBS market, the Federal Reserve announced in April that recently issued CMBS will in June be eligible collateral for the Term Asset-Backed Securities Loan Facility (TALF).

An important influence on the near-term economic outlook is the extent to which businesses have been able to shed the unwanted inventories that they accumulated as sales turned down sharply last year. Some progress has been made; the Bureau of Economic Analysis estimates that an acceleration in inventory liquidation accounted for almost one-half of the reported decline in real GDP in the first quarter. As stocks move into better alignment with sales, a reduction in the pace of inventory liquidation should provide some support to production later this year.

The outlook for economic activity abroad is also an important consideration. The steep drop in U.S. exports that began last fall has been a significant drag on domestic production, and any improvement on that front would be helpful. A few indicators suggest, again quite tentatively, that the decline in foreign economic activity may also be moderating. And, as has been the case in the United States, investor sentiment and the functioning of financial markets abroad have improved somewhat.

As economic activity weakened during the second half of 2008 and prices of energy and other commodities began to fall rapidly, inflationary pressures diminished appreciably. Weakness in demand and reduced cost pressures have continued to keep inflation low so far this year. Although energy prices have recently risen some, the personal consumption expenditure (PCE) price index for energy goods and services in March remained more than 20 percent below its level a year earlier. Food price inflation has also continued to slow, as the moderation in crop and livestock prices has been passing through to the retail level. Core PCE inflation (prices excluding food and energy) dropped below an annual rate of 1 percent in the final quarter of 2008, when retailers and auto dealers marked down their prices significantly. In the first quarter of this year, core consumer price inflation moved back up, but to a still-low annual rate of 1.5 percent.

The Economic Outlook

We continue to expect economic activity to bottom out, then turn up later this year. Key elements of this forecast are our assessments that the housing market is beginning to stabilize and that the sharp inventory liquidation that has been progress will slow over the next few quarters. Final demand should also be supported by fiscal and monetary stimulus. An important caveat is that our forecast assumes continuing gradual repair of the financial system; a relapse in financial conditions would be a significant drag on economic activity and could cause the incipient recovery to stall.

Even after recovery gets under way, the rate of growth of real economic activity is likely to remain below its longer-run potential for a while, implying that the current slack in resource utilization will increase further. We expect that the recovery will only gradually gain momentum and that economic slack will diminish slowly. In particular, businesses are likely to be cautious about hiring, implying that the unemployment rate could remain high for a time, even after economic growth resumes.

In this environment, we anticipate that inflation will remain low. Indeed, given the sizable margin of slack in resource utilization and diminished cost pressures from oil and other commodities, inflation is likely to move down some over the next year relative to its pace in 2008. However, inflation expectations, as measured by various household and business surveys, appear to have remained stable, which should limit further declines in inflation.

Conditions in Financial Markets

As noted, a sustained recovery in economic activity depends critically on restoring stability to the financial system. Conditions in a number of financial markets have improved, reflecting in part the somewhat more encouraging economic data. However, financial markets and financial institutions remain under considerable stress, and cumulative declines in asset prices, tight credit conditions, and high levels of risk aversion continue to weigh on the economy.

Among the markets that have recently begun to function a bit better are the markets for short-term funding, including the interbank markets and the commercial paper market. In particular, concerns about credit risk in those markets appear to have declined. The modest improvement in funding conditions has contributed to diminished use of the Federal Reserve's liquidity facilities for financial institutions and of our commercial paper facility. The volume of foreign central bank liquidity swaps has also declined as dollar funding conditions have eased. The issuance of asset-backed securities (ABS) backed by credit card, auto, and student loans all picked up in March and April, and ABS funding rates have declined, perhaps reflecting the availability of the Federal Reserve's TALF facility as a market backstop. Some of the recent issuance made use of TALF lending, but lower rates and spreads have facilitated issuance outside the TALF as well.

Mortgage markets have responded to the Federal Reserve's purchases of agency debt and agency mortgage-backed securities, with mortgage rates having fallen sharply since last fall. The decline in mortgage rates has spurred a pickup in refinancing as well as providing some support for housing demand. However, the supply of mortgage credit is still relatively tight, and mortgage activity remains heavily dependent on the support of government programs or the government-sponsored enterprises.

The combination of a broad rally in equity prices and a sizable reduction in risk spreads in corporate debt markets reflects a somewhat more optimistic view of the corporate sector on the part of investors, and perhaps some decrease in risk aversion. Bond issuance by nonfinancial firms has been relatively strong. Still, spreads over Treasury rates paid by both investment-grade and speculative-grade corporate borrowers remain quite elevated. Investors seemed to adopt a more positive outlook on the condition of financial institutions after several large banks reported profits in the first quarter, but readings from the credit default swap market and other indicators show that substantial concerns about the banking industry remain.

Prices and Wages

Headline inflation rose and then fell during 2008, although key indicators on inflation trends were fairly stable. As measured by the overall consumer price index (CPI), the 12-month rate of inflation moved up to 5.6 percent for the 12 months through July, up from the 4.1 percent during the 12 months of 2007. The acceleration was due to increases in food and energy price inflation. Energy prices increased rapidly in the second half of 2007 and in the early part of 2008 before peaking in July, when the 12-month rate of change reached 29 percent. Among the various energy products, prices of gasoline and heating oil increased the most rapidly during this period (reflecting the price of crude oil on world markets), but prices of electricity and natural gas also moved up sharply. Energy prices came down sharply during the 4 months from July to November, when consumer prices of petroleum products fell 41 percent (not at an annual rate). The rapid decline reflects the sharp fall in the price of crude oil; prices of West Texas Intermediate plunged from an average of $134 per barrel in June to roughly $41 per barrel in December.

Rapidly rising import prices were another factor boosting inflation early in the year and also holding it down later. Nonpetroleum import prices rose nearly 8 percent during the twelve months through July, before falling during the next 4 months. The pattern reflects the exchange value of the dollar, which depreciated in 2006, 2007, and during the first three months of 2008 before rebounding later in the year. The effect of import prices appears clear in the contrast between the rate of inflation for the goods and services that Americans buy and the rate of inflation for what Americans produce. The rate of inflation for the goods and services that Americans buy (measured by the price of gross domestic purchases) moved up from the year-earlier pace, in contrast to the less volatile rate of inflation for gross domestic product.

Wages

Wage pressures remained largely contained in most Districts. The Cleveland, Chicago, Dallas, and San Francisco Districts reported little to no wage pressures. Richmond noted that wage gains in the retail sector held up, but average wage increases slowed for service firms. Wage increases were modest in the Minneapolis District, and wage pressures diminished in the Kansas City District. A few Districts experienced slowing wage gains in sectors that had previously seen rapid wage advances, notably the energy sector in the Cleveland District and the technology sector in the San Francisco District.

According to reports from the New York District, year-end bonuses at financial firms are seen falling 20 to 30 percent from a year ago at some of the smaller firms but more substantially at the larger establishments. The Boston, Chicago, and San Francisco Districts also noted that some contacts are enacting or considering pay freezes or reductions in compensation.

Long-Term Outlook

After 6 years, the expansion ended in December 2007, and real GDP fell in the second half of 2008. Real consumer spending -- a sector that constitutes two-thirds of GDP -- is in the process of reacting to the substantial declines in wealth that began earlier in the year and cascaded in the fourth quarter. As a result, the Administration projects that after recording modest growth in the first half of 2008, real GDP contracted in the second half, with a sharp decline in the fourth quarter. The contraction is projected to continue into the first half of 2009, followed by a recovery in the second half of 2009 that is expected to be led by the interest-sensitive sectors of the economy. The overall decline, from the second quarter level of GDP to the level of GDP to the quarter with the lowest real GDP, is projected to slightly exceed the depth of the average post-World War II recession. This pattern translates into a small decline during the four quarters of 2008, followed by a small increase during 2009. Reflecting the drop in real GDP , the unemployment rate is projected to increase to an annual rate of 7.7 percent in 2009. The higher than normal level of slack is expected to put some downward pressure on the rate of inflation. Overall CPI inflation is projected at 1.7 percent in 2009 and 2010, a rate that appears plausible in view of the 2 percent change for the core CPI over the 12 months through November. Payroll employment is projected to fall during 2009 before rebounding in 2010. The 2009 forecasts for real GDP and inflation are similar to the consensus forecasts for those variables.

19. BUSINESS SALES TRANSACTIONS

Bizcomps

In this analysis, we have drawn upon data describing actual sales of closely held businesses, as reported in the Bizcomps database of business sale statistics. The information in the database has been collected from business brokers over a period of many years. It reports certain basic financial data for each business sold, along with the sales price and the terms of sale. For our purposes, the key factors in the data are:

* Sales Revenue
* Sellers Discretionary Cash Flow (SDCF) = defined as earnings before interest, depreciation, and taxes, plus one owner's normal compensation. This represents the entire cash flow which would be available to to a single owner, assuming no interest-bearing debt.
* Plant & Equipment = the value of "hard assets" used in the business.
* Sales Price = the total amount paid for the goodwill of the business and the plant and equipment. The sales price does not include any additional amounts paid for inventory, accounts receivable, or other assets, or an allowance for any liabilities assumed.

From data provided by the Economic Research Institute, we have estimated the normal owner's compensation for each business shown, and calculated the estimated earnings before interest, depreciation, and taxes (EBITDA) for each business.

Using industry ratios from RMA, we also estimated the normal level of Debt and Net Worth for each business, as follows:

	RMA % Total Assets		
Notes Payable	29.8%		
Curr Maturities	3.4%		
Long Term Debt	13.6%		
Net Worth	8.8%		8.8%
Total Invested Capital % of Total Assets	55.6%	55.6%	
div by Sales/Total Assets		8.48	8.48
Invested Capital/Sales		6.6%	
Net Worth/Sales			1.0%

Then, we can estimate normal invested capital and net worth as:

Invested Capital = Invested Capital/Sales x Sales
Net Worth = Net Worth/Sales x Sales

From this information, we have then calculated several factors for each relevant transaction in the database:

* MVIC = Market Value of Invested Capital = Net Worth + Debt + Goodwill
* Goodwill = this is the Sales Price minus the amounts paid for the Plant and Equipment
* Goodwill/Revenue = the relationship of Goodwill to Revenue
* Goodwill/SDCF = the relationship of Goodwill to Sellers Discretionary Cash Flow
* EBITDA Cap Rate = EBITDA divided by MVIC
* EBITDA/Revenue
* Equity Value/Revenue = (Goodwill + NW)/Revenue
* EBITDA/NW = return on Net Worth
* Equity Value/NW = (Goodwill +NW)/NW

Pratt's Stats

We have used data from the Pratt's Stats database, which contains records of sales of businesses similar to the subject of this valuation.

For our purposes, the key factors in the data are:

* Sales Revenue
* Earnings before Tax (EBT)
* Earnings before Interest, Tax and Depreciation (EBITDA)
* Equity Sales Price

From this data, we have concluded the following ratios:

* MVIC = Market Value of Invested Capital = Equity Price + Debt
* Return on sales = EBITDA/Revenue
* Price/Sales
* EBT Capitalization Rate
* EBITDA Capitalization Rate (MVIC / EBITDA)
* Goodwill/SDCF (SDCF = EBITDA plus estimated normal owner's comp)
* Goodwill/Revenue
* SDCF/Revenue

These factors were then compiled for each business in the database which is potentially relevant to this analysis.

20. ANALYSIS OF COMBINED MARKET DATA

Market data from a single source frequently represents a fraction of the market data which is available from all sources taken together. Further, transaction data from one source may describe companies that are considerably larger, or more profitable than the Company under consideration. At the same time, data from another source may describe companies that are smaller and more or less profitable. Ideally, all of the available data from all sources could be combined into a coherent, unified analysis that takes all of the data into consideration. Showing the Company's position in this "big picture" frequently provides a very useful perspective on the market forces that affect the value of the Company.

Part of the difficulty of combining market data from multiple sources is a result of the rather different types of data that each source provides. The five main market data sources which we draw upon may be characterized as follows:

Bizcomps	Generally smaller companies, primary data elements reported are market price of goodwill plus plant and equipment, sales, and sellers discretionary cash flow, also called, SDCF.
Done Deals	Larger transactions in the range of $1-100 million, but reports sales, net income after tax, net worth, total sales price.
Pratts Stats	Wide range of transactions, reports sales, various levels of income, sales price, and many other factors, but not net worth.
Compustat	Public companies, wide range of company sizes, complete financial statement reporting, market pricing of common stocks at month end.
Mergerstat	Public company acquisitions, most larger transactions.

In order to combine the data from these disparate sources, we have made certain assumptions and in some cases estimated unreported data using industry ratios. For example, for Bizcomps, we estimate the normal net worth required to support the reported level of sales using data from RMA.

Similarly, we convert Done Deals after tax income to pretax income by applying an estimated normal tax rate. However, since depreciation and interest are not reported by Done Deals, it is much more difficult to estimate EBITDA for that source. Because of the number of assumptions required, we do not include Done Deals data in analyses that call for EBITDA multipliers, cap rates, or earnings ratios.

The following analysis combines the available data to test six different measures of value against several different hypothesized drivers of market value. The market value drivers used were:

Revenue	a basic measure of the size of the company
EBT Return on Sales	a measure of profitability after interest and depreciation
EBITDA Return on Sales	a measure of operating profitability

The measures of value considered were:

Price/Revenue	Price/Net Worth
EBT Capitalization Rate	Goodwill/Revenue
EBITDA Capitalization Rate	Goodwill/SDCF

One objective of the exercise is to understand such relationships as, within this industry, how the Price/Revenue multiplier is affected by the size of the company, and by its profitability. Similarly, we want to know how the earnings capitalization rates are affected by size and profitability. After examining a wide variety of industries in over 1,000 cases, we have learned that these relationships vary considerably from industry to industry.