

Opinion of Value

Prepared for:

[REDACTED]

April 21, 2009

Table of Contents

3	PURPOSE AND APPROACH
5	CONCLUSION
6	INCOME STATEMENT
9	BALANCE SHEET
12	HISTORICAL AND PROJECTED CASH FLOW
16	RISK ASSESSMENT, COMPARATIVE ANALYSIS
18	APPROACHES TO VALUE
19	MARKET DATA
20	CAPITALIZATION RATES AND MULTIPLIERS
21	COMPUTATION OF VALUE
30	ADJUSTMENTS TO VALUE
32	CASH FLOW COVERAGE
33	CERTIFICATION
34	SOURCES OF INFORMATION
35	CONDITIONS AND ASSUMPTIONS
36	APPRAISER'S CREDENTIALS

PURPOSE AND APPROACH

██████████ has retained Patton & Associates, LLC to provide business valuation services by expressing an opinion of the marital value of a 100% equity interest in ██████████ Inc. (Company) as of December 31, 2007.

██████████ Inc. is S-Corporation owned and operated by ██████████ The Company began operations in ██████████ of ██████████ The Company provides women's healthcare services including obstetrics, gynecology, laparoscopic surgery, level one infertility treatment and coordination of advanced care, and various laser treatments.

The Company has recently grown to over ██████████ employees and experiences a normal turnover rate. There is ██████████ employee contract and ██████████ covenant of non-compete in place at this time. The Company is among the top 20 percent relative to size in its market. Although there is little or no product differentiation, the Company experiences very little price competition.

Purpose

This study was undertaken at the request of ██████████ CPA, partner at ██████████ to establish the Marital Value of a 100% interest in the equity of the Company as of December 31, 2007. The valuation is to assist their client, ██████████ in establishing value, in connection with marital dissolution proceedings.

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.

The term "Marital Value", as used in this report, is intended to reflect the investment value to a defined investor. For family law purposes, the defined investor is a hypothetical, objective investor, considering the following factors: 1) there will be no reduction in value for risks of transferring the business since there will be no change in ownership; 2) efforts of the operating spouse after the date of separation are not considered in establishing earnings of the business; 3) there will be no reduction in value for capital gains or other taxes associated with a sale of the business; 4) a business need not be salable in order to have "marital value"; 5) a business valued for family law purposes may include assets or liabilities which would not be included in a sale to third parties, such as cash, accounts receivable/payable, non-operating assets and/or liabilities.

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 ██████████ CPA with ██████████

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.

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.

Conduct of the Engagement

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

CONCLUSION

Based on our review of the information available to us, it is our opinion that as of the date: December 31, 2007
the Fair Market Value of a 100% interest in the Company was (rounded):

FAIR MARKET VALUE of 100% of the Equity	\$	714,126
non-marketable, 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 100% 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.

Table 1 Income Statement Reconstruction

	Source: Basis:	1120S	1120S	1120S	1120S	1120S
		Cash 12 mos Dec-03	Cash 12 mos Dec-04	Cash 12 mos Dec-05	Cash 12 mos Dec-06	Cash 12 mos Dec-07
	(\$)					
REVENUE		717,470	948,403	1,083,220	1,034,313	1,036,883
Cost of Sales (excl depr)		25,257	24,350	46,085	42,172	82,046
Depreciation in COGS		-	-	-	-	-
Gross Profit		692,213	924,053	1,037,135	992,141	954,837
Gross Margin (% Sales)		96.5%	97.4%	95.7%	95.9%	92.1%
Operating Expenses		488,422	579,531	588,878	631,202	873,079
% Sales		68.1%	61.1%	54.4%	61.0%	84.2%
Owners' Compensation		202,500	277,500	372,500	303,750	101,250
Operating Income		1,291	67,022	75,757	57,189	(19,492)
Depreciation (-)		(2,251)	(1,896)	(1,390)	(886)	(20,239)
Amortization (-)		-	-	-	-	-
Interest Expense (-)		(6,552)	(6,555)	(6,798)	(11,244)	(6,855)
Interest Income (+)		-	-	-	-	-
Other Income (Expense)		1,223	1,274	4,989	1,562	8,464
NET INCOME BEFORE TAX		(6,289)	59,845	72,558	46,621	(38,122)
Adjustments:						
1. Comparable Compensation		(183,600)	(183,600)	(183,600)	(183,600)	(183,600)
2. Owners' Compensation		202,500	277,500	372,500	303,750	101,250
3. Depreciation/Amortization		2,251	1,896	1,390	886	20,239
4. Interest Expense/Income		6,552	6,555	6,798	11,244	6,855
5. Insurance Expense normalization		-	-	-	-	111,255
6. Legal & Prof. Expense normalization		-	-	-	-	4,037
7. Rent Expense normalization		-	-	-	-	44,284
8. Payroll Expense normalization		-	-	-	-	97,581
9. Other Discretionary		-	-	-	-	-
Adjusted EBITDA*		21,414	162,196	269,646	178,901	163,779
Revenue		717,470	948,403	1,083,220	1,034,313	1,036,883
Revenue Adjustments		0	0	0	0	-
Adjusted Revenue		717,470	948,403	1,083,220	1,034,313	1,036,883
Adj. Earnings as a % of Revenue		2.98%	17.10%	24.89%	17.30%	15.80%

* 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-03	Dec-04	Dec-05	Dec-06	Dec-07
Adjusted EBITDA	21,414	162,196	269,646	178,901	163,779
Depreciation	(2,251)	(1,896)	(1,390)	(886)	(20,239)
Amortization	-	-	-	-	-
Interest expense	(6,552)	(6,555)	(6,798)	(11,244)	(6,855)
Adjusted EBT	12,611	153,745	261,458	166,771	136,685

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 from the Bureau of Labor Statistics at www.bls.gov which monitors compensation data nationwide. Data is adjusted for type of business, geographic region, size of business, and date of valuation.

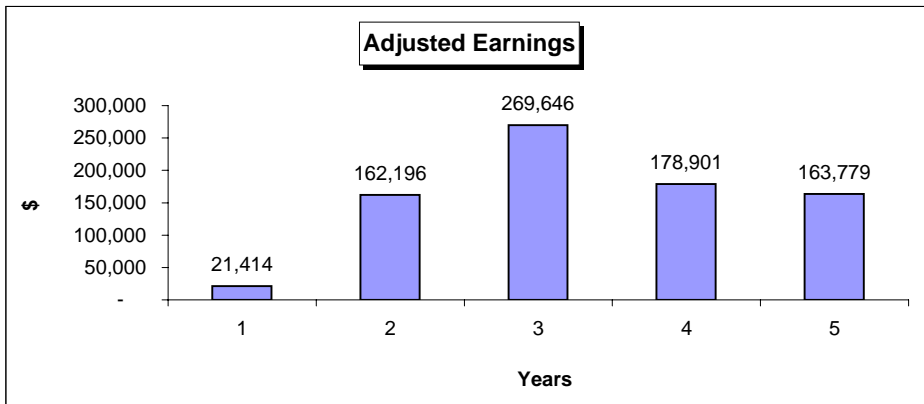
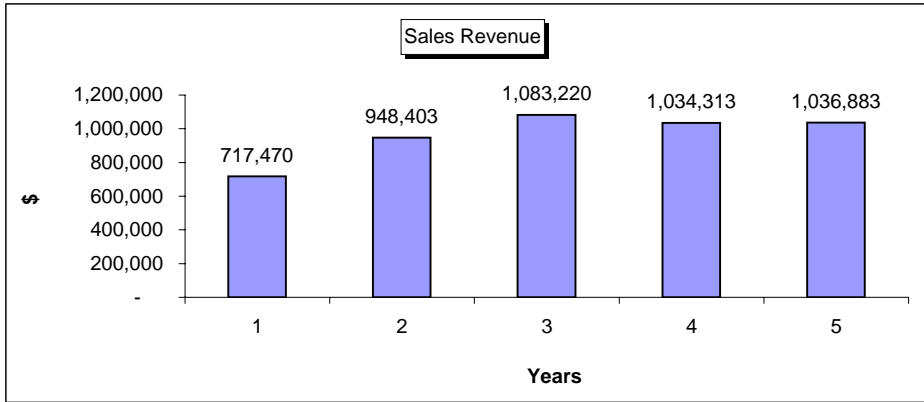
Actual owner's compensation recap

	Dec-03	Dec-04	Dec-05	Dec-06	Dec-07
Owners	202,500	277,500	372,500	303,750	101,250

Normalized executive compensation

	Dec-03	Dec-04	Dec-05	Dec-06	Dec-07
Owners	183,600	183,600	183,600	183,600	183,600

- 3 Depreciation expense added back to arrive at EBITDA.
- 4 Interest expenses are added back to earnings.
- 5 Insurance expense was normalized to reflect a level equal to the previous four years under analysis.
- 6 Legal & Professional expense was normalized to reflect a level equal to the previous four years under analysis.
- 7 Rent expense was normalized to reflect a level equal to the previous four years under analysis.
- 8 Payroll expense was normalized to reflect a level equal to the previous four years under analysis (prior to employment of additional O.B.)



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:

Year Weights:	1	2	3	4	5
	12 mos Dec-03	12 mos Dec-04	12 mos Dec-05	12 mos Dec-06	12 mos Dec-07
WEIGHTED AVERAGE ADJUSTED EBITDA					179,283
Earnings basis is control EBITDA, earnings before interest, taxes, depreciation and amortization.					
WEIGHTED AVERAGE ADJUSTED EBT					163,666
WEIGHTED AVERAGE REVENUE					1,012,374
Weighted Average Adj. Earnings as percent of Avg. Revenue					17.7%
Weighted Average Gross Profit Margin					94.8%
WEIGHTED AVERAGE SDCF					235,433

Table 2. Balance Sheet Reconstruction

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

Source:	review	review	review	review	internal
As Reported	12 mos	12 mos	12 mos	12 mos	12 mos
(\$)	Dec-03	Dec-04	Dec-05	Dec-06	Dec-07
ASSETS					
Cash	51,885	106,258	152,294	136,534	84,129
Accounts Receivable	88,392	113,595	163,088	112,457	162,829
Inventory	-	-	-	-	-
Other Receivables	-	-	-	-	-
Other Current Assets	-	-	780	17,464	-
Total Current Assets	140,277	219,853	316,162	266,455	246,958
Land	-	-	-	-	-
Plant and Equipment	96,190	99,773	104,650	115,954	222,019
Accumulated Depreciation (-)	(83,678)	(89,157)	(95,425)	(107,616)	(127,855)
Net Plant and Equipment	12,512	10,616	9,225	8,338	94,164
Other Long Term Assets	8,607	6,107	4,011	14,385	84,175
Intangibles	-	-	-	-	-
Total Assets	161,396	236,576	329,398	289,178	425,297
LIABILITIES					
Accounts Payable	2,724	3,823	10,675	23,570	-
Short Term Debt	20,000	140,000	147,194	144,475	170,000
Accrued Expenses	53,210	84,792	99,176	10,222	34,868
Taxes Payable	2,928	111	87	-	6,442
Other Current Liabilities	-	-	-	-	-
Total Current Liabilities	78,862	228,726	257,132	178,267	211,310
Long Term Debt	111,193	-	-	-	146,855
Deferred Taxes	-	-	-	-	-
Other Long Term Liabilities	-	-	-	-	-
Total Liabilities	190,055	228,726	257,132	178,267	358,165
NET WORTH					
Common Stock	1,900	1,900	1,900	1,900	1,900
Retained Earnings	(30,559)	5,950	70,366	109,011	65,232
Other Equity	-	-	-	-	-
Treasury Stock	-	-	-	-	-
Net Worth	(28,659)	7,850	72,266	110,911	67,132
Total Liab & Net Worth	161,396	236,576	329,398	289,178	425,297

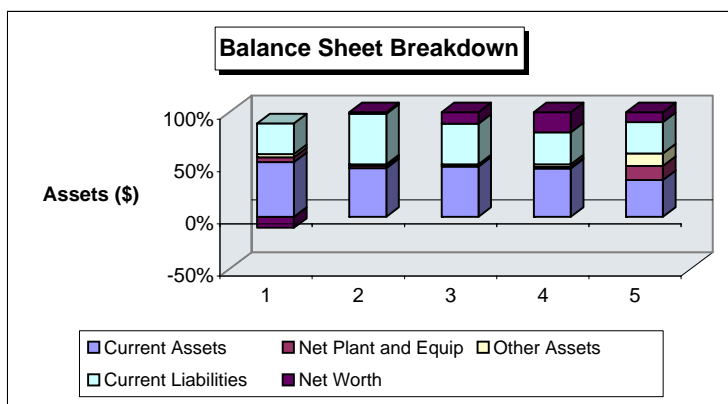
Short Term Debt is interest bearing

Balance Sheet Adjustments

(\$)	12 mos Dec-03	12 mos Dec-04	12 mos Dec-05	12 mos Dec-06	12 mos Dec-07
Net Worth before Adjustments	(28,659)	7,850	72,266	110,911	67,132
Add Back Interest-Bearing Debt					
Total Interest-Bearing Debt	131,193	140,000	147,194	144,475	316,855
INVESTED CAPITAL	102,534	147,850	219,460	255,386	383,987
Adjusted Return on Investment	20.9%	109.7%	122.9%	70.1%	42.7%

No other balance sheet adjustments were considered necessary.

Working Capital	61,415	(8,873)	59,030	88,188	35,648
Adj Working Cap ex Cash, Debt	29,530	24,869	53,930	96,129	121,519
Est Cap Spending					
(Chg in NPE = Depr)		-	(1)	(1)	106,065



Discussion

As reported the Company's total assets have remained relatively stable over the past few years.

Overall receivables have remained relatively stable over the last few years and payables have remained in balance with the receivables for the last three years.

Inventory/Other Receivables have slightly increased in the last year.

Information was provided from client indicating that at some point in time [REDACTED] loaned the Company approximately \$370,000. The source of this capital is unknown by the valuator. However, any monies still owed from the Company to [REDACTED] are outside the value of the Company calculated within this report.

Weighted Averages

	12 mos Dec-03	12 mos Dec-04	12 mos Dec-05	12 mos Dec-06	12 mos Dec-07
Weights	1	2	3	4	5
Weighted Avg Adjusted Net Worth					<u>65,543</u>
Weighted Avg Invested Capital					<u>259,704</u>
Weighted Average Return on Adjusted Net Worth					<u>273.5%</u>
Weighted Average Return on Invested Capital					<u>69.0%</u>

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-03	Dec-04	Dec-05	Dec-06	Dec-07
Revenue growth rate	NA	32.2%	14.2%	-4.5%	0.2%
Depreciation (% Sales)	0.3%	0.2%	0.1%	0.1%	2.0%
Working Capital (% Sales)	4.1%	2.6%	5.0%	9.3%	11.7%
Capital Spending (% Sales)		0.4%	0.5%	1.1%	10.2%
New Debt		6.7%	5.1%	-1.8%	119.3%
Debt/Equity ratio	(4.58)	17.83	2.04	1.30	4.72
Net Plant/Sales ratio	0.02	0.01	0.01	0.01	0.09
Net Worth/Sales ratio	(0.04)	0.01	0.07	0.11	0.06
Net Worth	(28,659)	7,850	72,266	110,911	67,132
Cash Balance	51,885	106,258	152,294	136,534	84,129
Working Cap, ex Cash, Debt	29,530	24,869	53,930	96,129	121,519
Net Plant and Equip	12,512	10,616	9,225	8,338	94,164
Interest-Bearing Debt	131,193	140,000	147,194	144,475	316,855
Interest (% Year End Debt)	5.0%	4.7%	4.6%	7.8%	2.2%
Revenue	717,470	948,403	1,083,220	1,034,313	1,036,883
Earnings Margin	3.0%	17.1%	24.9%	17.3%	15.8%
Adj EBITDA	21,414	162,196	269,646	178,901	163,779
Interest	(6,552)	(6,555)	(6,798)	(11,244)	(6,855)
Depreciation	(2,251)	(1,896)	(1,390)	(886)	(20,239)
Adj EBT	12,611	153,745	261,458	166,771	136,685
Tax Rate	31%	31%	31%	31%	31%
Estimated Tax	(3,909)	(47,661)	(81,052)	(51,699)	(42,372)
Adj Earning after Tax	8,702	106,084	180,406	115,072	94,313
Depreciation	2,251	1,896	1,390	886	20,239
Capital Spending		3,583	4,877	11,304	106,065
Working Capital Change		4,661	(29,061)	(42,199)	(25,390)
Increase (Decrease) in Debt		8,807	7,194	(2,719)	172,380
Adj Equity Cash Flow aft Tax	10,953	125,031	164,806	82,344	367,607
Net Change in Other A/L		1,099	6,852	12,895	(23,570)
Actual Change in Cash	10,953	54,373	46,036	(15,760)	(52,405)
Equity Cash Flow Margin	1.5%	13.2%	15.2%	8.0%	35.5%
Ratio of Cash Flow to Earnings	0.511	0.335	0.171	(0.088)	(0.320)
Net Cash Flow Ret on NW	-38.2%	692.6%	63.7%	-14.2%	-78.1%

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-08	Dec-09	Dec-10	Dec-11	Dec-12
Revenue growth rate (= Industry Rate)	2.94%	2.94%	2.94%	2.94%	2.94%
Depreciation (% Sales)	0.54%	0.54%	0.54%	0.54%	0.54%
Working Capital (% Sales)	6.4%	6.4%	6.4%	6.4%	6.4%
Capital Spending (% Sales)	3.11%	3.11%	3.11%	3.11%	3.11%
New Debt (% Cap Spend +chg WC)	0.0%	0.0%	0.0%	-0.8%	0.0%
Debt/Equity ratio	4.72	17.83	2.04	1.30	-
Net Plant/Sales ratio	0.09	0.09	0.09	0.09	0.09
Net Worth/Sales ratio	0.03	0.03	0.03	0.03	0.03
Net Worth	35,386	66,567	98,664	131,706	165,720
Cash Balance	77,718	78,623	79,555	80,514	81,501
Working Cap, ex Cash, Debt	68,738	70,760	72,841	74,984	77,189
Net Plant and Equip	96,934	99,785	102,720	105,741	108,852
Interest-Bearing Debt	316,855	316,855	316,855	316,855	316,855
Interest (% Year End Debt)	7.0%	7.0%	7.0%	7.0%	7.0%
Projected Revenue	1,067,382	1,098,778	1,131,097	1,164,367	1,198,616
Earnings Margin EBITDA	17.7%	17.7%	17.7%	17.7%	17.7%
Adj EBITDA	189,024	194,584	200,308	206,200	212,265
Depreciation	(5,720)	(5,888)	(6,062)	(6,240)	(6,423)
Projected Adj EBT	183,304	188,696	194,246	199,960	205,841
Tax Rate	31%	31%	31%	31%	31%
Estimated Distributions for Tax	(56,824)	(58,496)	(60,216)	(61,987)	(63,811)
Projected Earnings after Tax	126,480	130,200	134,030	137,972	142,030
Depreciation	5,720	5,888	6,062	6,240	6,423
Capital Spending	(33,167)	(34,142)	(35,146)	(36,180)	(37,244)
Working Capital Change	52,781	(2,022)	(2,081)	(2,143)	(2,206)
Increase (Decrease) in Debt	-	-	-	-	-
Proj Equity Cash Flow aft Tax	151,815	99,925	102,864	105,889	109,004
Projected Cash Flow Margin	14.2%	9.1%	9.1%	9.1%	9.1%
Cash Distributions	(158,226)	(99,020)	(101,932)	(104,930)	(108,017)
Net Retained Cash Flow	(6,411)	905	932	959	987
Ratio of Cash Flow to Earnings	0.803	0.514	0.514	0.514	0.514
Ratio of Cash Flow to EBT	0.828	0.530	0.530	0.530	0.530
Net Cash Flow Ret on NW	429.0%	150.1%	104.3%	80.4%	65.8%

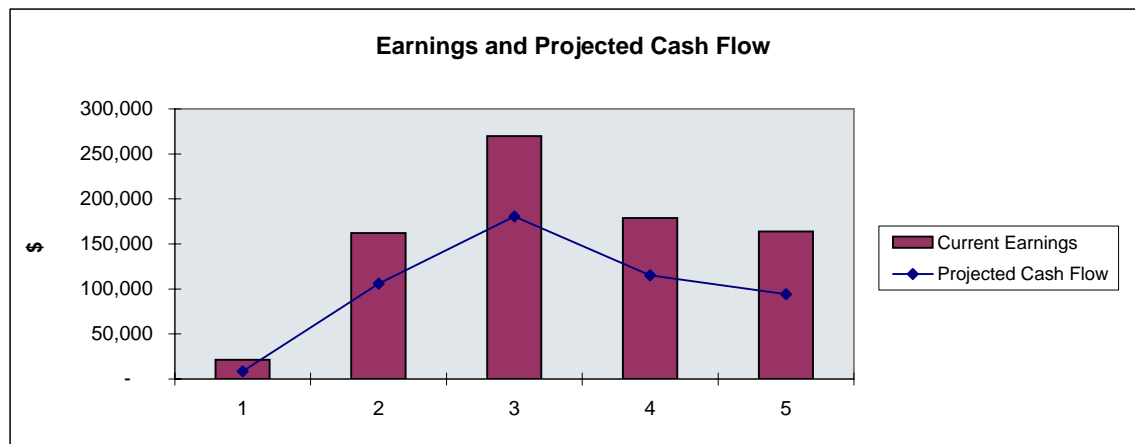
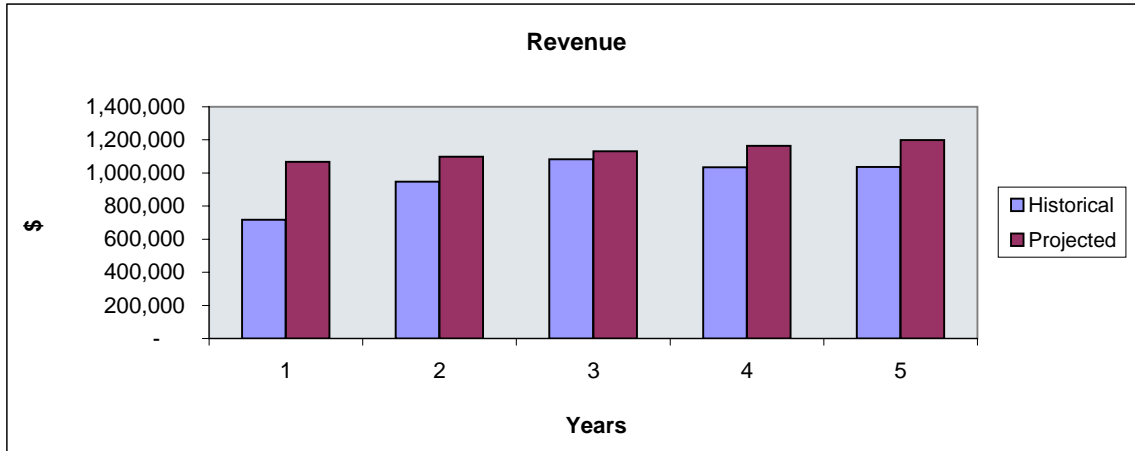
NOTES TO FINANCIAL PROJECTIONS

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

Revenue growth	Revenue growth was based on target company's historical trends and industry growth rate	2.94%
Earnings margin	Set the 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:	0.03

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



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:

621111 Offices of Physicians (except Mental Health Services)

Risk Assessment:

When assessing the risk of the company, we have evaluated the following:

Years in business	Size of the market
Proprietary content	Price competition
Industry life cycle	Employee turnover
Industry stability	Unionization
Relative size of the company	Management depth
Customer concentration	Condition of facilities
Relative product quality	Ease of market entry
Product differentiation	Ease of market exit
Strength of the market	Profit variance
Profit trends	

Profit variance refers to the prevalence and extent of ups and downs seen in the profit margin percentage. For example, profit margins that varied between -20% and +30% would be considered large, while a few percentage points from year to year would be relatively small.

We evaluate the risk assessment by reviewing the above with the firm's CPA or Accountant or management.

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 Average		
<i>Company ratios historical avg:</i>				
Revenue Growth Rates	4.8%	1.1%		
EBITDA Return on Sales	17.7%	14.0%		
SDCF/Revenue	23.3%	8.8%		
Return on Invested Capital	73.5%	26.7%		
EBT Return on Equity	249.7%	59.5%		
Net Cash Return on Equity	72.7%	155.6%		
<i>Company ratios based on latest period financials:</i>				
	August 31, 2008	Industry Rates		
		LoQtile	Med	HiQtile
Current Ratio	1.17	0.20	0.70	1.80
Quick Ratio	1.17	0.20	0.60	1.60
Debt/Equity Ratio	4.72	(3.00)	203.00	1.50
Sales/Receivables	6.37	7.90	0.00	0.00
Net Worth/Sales	0.06		(0.01)	
Sales/Total Assets	2.38	6.30	12.50	23.80
Sales/Working Capital	28.40	(23.00)	(102.60)	59.10

Industry sources: Unless otherwise noted, industry ratios are from RMA

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

Moderate

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.

In this case we used a summary of valuation methods which follow and used a weighted average to come up with a Fair Market Value. As such, multiple methods were utilized for the outcome.

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. In this case the data we used is located at the end of the valuation as an attachment.

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.

In this case we have thrown out any outliers that appeared to be completely out of rank with normal standards. 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 as ten 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.

Finally, 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 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.

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.

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 <i>Combined Market Data</i>	Low Qtile				
	Mid Range	20.5%	20.5%	-0.79%	19.7%
	High Qtile				
	Company long term growth rate (=industry LT rate)				4.8%
	Projection risk (note 3)				1.0%
	Discount rate				25.5%
EBT Capitalization Rate <i>Combined Market Data</i>	Low Qtile				
	Mid Range	20.5%	20.5%	-0.79%	19.7%
	High Qtile				
	Price to Revenue <i>Combined Market Data</i>	Low Qtile			
	Mid Range	0.513	0.513	-	0.513
	High Qtile				
GW/Seller's Discretionary Cash <i>Combined Market Data</i>	Low Qtile				
	Mid Range	5.839	5.839	-	5.839
	High Qtile				
	* estimated per subject Company				

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.
- (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.
- (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.

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%	67,132
2. Liquidation Value	Assets	0	0.0%	183,449
3. Capitalization of Earnings	Income	1	20.0%	908,221
4. Capitalization of Dividend Capacity	Income	1	20.0%	1,019,296
5. Discounted Future Earnings	Income	1	20.0%	826,104
6. Discounted Cash Flow	Income	1	20.0%	727,808
7. Price to EBITDA	Market/Asset	0	0.0%	232,709
8. Price to Revenue	Market/Asset	1	20.0%	485,939
Weighted Avg Value of Operations (Note 1) Non-Marketable, Controlling Interest Basis		5	100.0%	793,474
Working Capital Reserve				-
Value of Operations and Other Assets				793,474
Additional Adjustment for Lack of Marketability (Note 2)			10.0%	(79,347)
Value Adjusted for Marketability Non-marketable, 100% interest basis				714,126
Percentage of Ownership Valued				100%
Net Value of Ownership Interest Non-marketable, controlling interest basis				\$ 714,126

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.

2 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.

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.

	(\$)
Book Value of Net Worth	67,132
Net Adjustments	<u>0</u>
Adjusted Net Worth	<u>67,132</u>

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.

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		84,129	100.0%	84,129	-
Accounts Receivable		162,829	90.0%	146,546	(16,283)
Inventory		-	50.0%	-	-
Other Receivables		-	25.0%	-	-
PP&E	94,164	94,164	100.0%	94,164	-
Other Assets		84,175	10.0%	8,418	(75,758)
Total Assets		425,297		333,257	
LIABILITIES					
Accounts Payable		-	100.0%	-	-
Other Current Liabilities		-	75.0%	-	-
Long Term Debt		146,855	100.0%	146,855	-
Total Liabilities		146,855		146,855	
NET WORTH					
Net Gain (Loss)				186,402	(92,040)
Tax effect		33.0% x Net Gain (Loss)		30,373	
Estimated Costs of Liquidation		10.0% x Liq value of assets		(33,326)	
Net Liquidation Value				183,449	

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		179,283
Earnings basis is control EBITDA		
Capitalization Rate	Combined Market Data	19.7%
Gross Valuation	Market Value of Invested Capital	908,221
Adjustments		0
<u>Net Valuation</u>	<u>(Freely-marketable, controlling interest basis)</u>	<u>908,221</u>

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	1,012,374
Industry Normal Net Worth / Sales ratio	b	<u>7.6%</u>
Normal Net Worth (a x b)		77,058
Reinvestment Rate		<u>4%</u>
Reserve for Reinvestment		<u><u>3,082</u></u>
Industry normal EBT	9.0% of sales	90,607
Reserve for Reinvestment as a % of Normal EBT		9.0%
Reserve for Taxes as a % of Normal EBT		<u><u>31.0%</u></u>

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 19.7%	<u>11.8%</u>

Projected Distributions		Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
Weights		5	4	3	2	1
		158,226	99,020	101,932	104,930	108,017
Dividend Capacity - 5 year average	j					<u>120,725</u>
Dividend capacity cap rate	k					<u>11.8%</u>
Gross Valuation (j/k)		Market Value of Invested Capital				1,019,296
Adjustments						<u>0</u>
Net valuation		(Freely-marketable, controlling interest basis)				<u>1,019,296</u>

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	19.7%
Discount rate		25.5%
Company 10 yr average revenue growth rate		2.94%

CALCULATION OF VALUE

Following are the projected earnings for the company

Year Ending	Revenue Growth	Projected Revenue	Margin	EBITDA Projected Earnings	Present Value
Dec-08	2.94%	1,067,382	17.7%	189,024	150,561
Dec-09	2.94%	1,098,778	17.7%	194,584	123,452
Dec-10	2.94%	1,131,097	17.7%	200,308	101,224
Dec-11	2.94%	1,164,367	17.7%	206,200	82,998
Dec-12	2.94%	1,198,616	17.7%	212,265	68,054
Dec-13	2.94%	1,233,872	17.7%	218,508	55,800
Dec-14	2.94%	1,270,165	17.7%	224,935	45,753
Dec-15	2.94%	1,307,525	17.7%	231,552	37,515
Dec-16	2.94%	1,345,985	17.7%	238,363	30,760
Dec-17	2.94%	1,385,576	17.7%	245,374	25,222
Terminal Value = last period x (1+growth) / cap rate				1,279,591	104,765
Present value of future earnings					826,104
Adjustments					0
Net valuation (Freely-marketable, controlling interest basis)					826,104

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		19.7%
Net Cash Return on Equity	NCF/NW	219.0%	
EBT Return on Equity	EBT/NW	<u>316.2%</u>	
times Ratio of Cash Flow to EBT			<u>0.69</u>
Equity Cash Flow after Tax capitalization rate			13.7%
Company long term growth rate			2.9%
Projection risk			<u>0.0%</u>
Discount rate			<u>16.6%</u>
Company 10 yr avg projected growth rate			<u>2.9%</u>

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-08	2.94%	1,067,382	14.2%	151,815	130,185
Dec-09	2.94%	1,098,778	9.1%	99,925	73,480
Dec-10	2.94%	1,131,097	9.1%	102,864	64,864
Dec-11	2.94%	1,164,367	9.1%	105,889	57,259
Dec-12	2.94%	1,198,616	9.1%	109,004	50,545
Dec-13	2.94%	1,233,872	9.1%	112,210	44,619
Dec-14	2.94%	1,270,165	9.1%	115,511	39,387
Dec-15	2.94%	1,307,525	9.1%	118,909	34,769
Dec-16	2.94%	1,345,985	9.1%	122,406	30,692
Dec-17	2.94%	1,385,576	9.1%	126,007	27,093
Terminal Value = last period x (1+growth) / cap rate				948,664	174,916
Present value of future cash flow (based on after-tax cash flow)					727,808
Adjustments					<u>0</u>
Net valuation (Freely-marketable, controlling interest basis)					<u>727,808</u>

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	179,283
Price to Earnings Multiplier	Combined Market Data	b	1.298
			<u>232,709</u>
Current Adjusted Net Worth			67,132
Value of Goodwill	(Marketable, controlling interest basis)		<u>165,577</u>
Adjustments			
Adjust to median working capital levels			-
Net valuation	(Marketable, controlling interest basis)		<u>232,709</u>

PRICE/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		1,012,374
Price/Revenue multiplier	b	Combined Market Data	0.48
Value of Equity (a*b)	(Marketable, controlling interest basis)		485,939
Adjustments			-
Net valuation	(Marketable, controlling interest basis)		485,939

Personal v Enterprise Goodwill

According to Black's Law Dictionary, goodwill is defined as "favorable consideration shown by the purchasing public to goods or services known to emanate from a particular source." In context of a marital dissolution, a classic definition was quoted by the court in the Indiana case of *Yonn v Yonn*. In that case, the court defined goodwill as the expectation of continued public patronage.

The distinction between personal and enterprise goodwill is as follows:

- * Personal Goodwill - The goodwill associated with an individual
- * Enterprise Goodwill - The goodwill associated with the enterprise or institution.

If the jurisdiction distinguishes between the person and the enterprise in identifying marital assets, then the expert is required to value the goodwill of enterprise and not the goodwill of the person. In those jurisdictions, the goodwill of the person is not marital property. However, as it relates to goodwill in the state of Ohio, the Court of Appeals found in both *Kahn v. Kahn* and *Bunkers v. Bunkers* that the value placed on the practitioner's goodwill "was subject to equitable division in a divorce proceeding. The courts rejected the...argument that goodwill is synonymous with future earnings." Therefore, no reduction in value should be taken in reference to any personal goodwill value.

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

Based on the findings of *Bunkers v. Bunkers* (2007 - Ohio Supreme Court, 6th District Court of Appeals), as it relates to applying a marketability discount, "the court will value the business as if there is a ready, willing, and able buyer. The courts contrues the concept of an 'able' buyer as one with sufficient credit able to raise or finance the purchase price and as one with sufficient...experience and marketing abilities to continue the business as it is presently being run. The court will not increase the lack of marketability discount above ten percent."

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	1.0
b.	Value of the Company as if freely marketable	793,474
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)	2.9%
d.	Expected value of the Company in 1.0 years	816,813
h.	Adjustment as a percentage of freely marketable value	10.0%

Considering the circumstances of the Company, we have chosen to apply a discount for lack of marketability =

Minority Discount=

10%
0%

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.

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		793,474
Adjustment for Marketability		(79,347)
Market Value of Operations		714,126
Down Payment on Purchase	20.0%	142,825
Balance to Pay, above existing debt		571,301

Interest Rate on new Purchase Debt	7.0%
Years to Pay	10

Annual Debt Service on Balance to Pay (Interest and Principal, one annual payment)	\$81,340
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Amortization of Purchase Debt

	Jan-01	Jan-02	Jan-03	Jan-04	Jan-05
Beginning Balance	571,301	529,952	485,708	438,367	387,712
Interest	39,991	37,097	34,000	30,686	27,140
Principal	41,349	44,244	47,341	50,655	54,201
Ending Balance	529,952	485,708	438,367	387,712	333,512

Cash on Cash Return on Down Payment

Projected Cash Flow after Tax	126,480	130,200	134,030	137,972	142,030
Tax Benefit, Purchase Interest	12,397	11,500	10,540	9,513	8,413
Purchase Payments	(81,340)	(81,340)	(81,340)	(81,340)	(81,340)
Cash Flow after Purchase	57,537	60,360	63,229	66,144	69,103
Debt/Equity including purchase debt	14.98	7.30	4.44	2.94	2.01
Coverage Ratio	2.32	2.39	2.46	2.54	2.61

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. Typical financing would like these amounts to be higher than 1.35.

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 SSVS No. #1 by the American Institute of Certified Public Accountants.

-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
October 9, 2008

SOURCES OF INFORMATION

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

Tax Returns

Financial Statements

A site visit and management interview was conducted by the CPA/and or Accountant of which we relied

Owner's statements

RMA

Pratts

Bizcomps

Salary.com

Economic Research

CONDITIONS AND ASSUMPTIONS

Conditions

The historical financial information presented in this report is 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.

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.

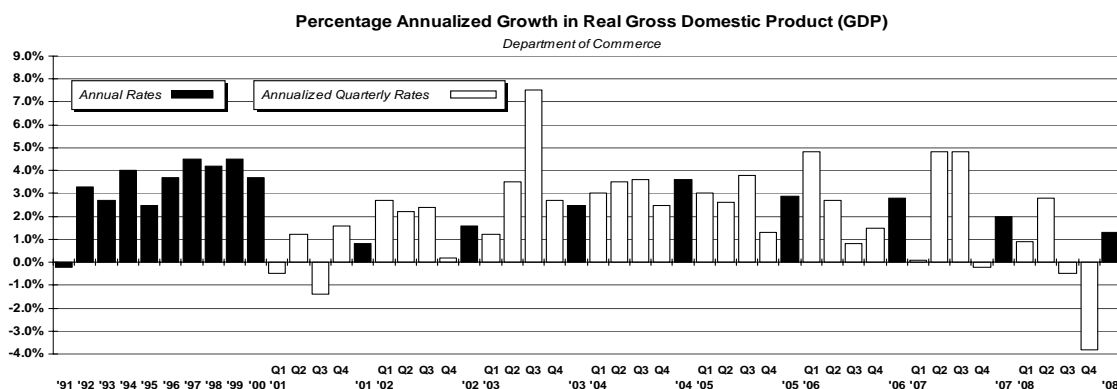
Wrestled in 1990 for Team USA and traveled to communist block to scout other countries

B.S. Accountancy from Miami University in Oxford, OH 1992

APPENDIX A

General Economic Overview

According to advance estimates released by the Department of Commerce's Bureau of Economic Analysis, Real Gross Domestic Product ("GDP"), the output of goods and services produced by labor and property located in the United States, decreased at an annualized rate of 3.8% during the fourth quarter of 2008. This represents the second negative growth rate in annualized quarterly GDP subsequent to a revised 0.2% decline during the fourth quarter of 2007, and follows a revised 0.5% during the third quarter of 2008. The fourth quarter 2007 decline was the first negative growth rate since the 2001 recession. The 3.8% decline in the fourth quarter of 2008 was slightly better than economists' expectations in the weeks prior to the release, but represented the largest quarterly decline since the first quarter of 1982. The decrease in real GDP during the fourth quarter is attributed to declines in exports, personal consumption expenditures, equipment and software, and residential fixed investment. These factors were partially offset by a positive growth in private inventory investment and federal government spending. Imports, a subtraction in the calculation of GDP, decreased. Economists note that GDP grew 1.3% in 2008, down from 2.0% during 2007.



The economy's fundamentals deteriorated considerably during the fourth quarter. The outlook for the national and global economy is considered perilous as an ongoing crisis has engulfed the financial sector causing significant damage to depository and non-depository institutions. As a result of the crisis, lending activities and market liquidity have been significantly constrained, intensifying a downward spiral in the broader economy as businesses struggle to obtain the capital necessary for operations and investment while consumers reduce spending in response to rising unemployment and worsening conditions in the housing market.

In late November, the Business Cycle Dating Committee of the National Bureau of Economic Research ("NBER") determined that economic activity in the U.S. had peaked in December 2007 and that the economy had then entered into a state of recession. The following table provides perspective concerning NBER business cycles from the Great Depression to the present. Thus far the current recession is the longest since 1982 and by many estimates could be the longest of 13 recessionary periods subsequent to the Great Depression.

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

At its December meeting, the Federal Reserve reduced the target federal funds rate and the discount rate. The target for the federal funds rate was set at 0.0% to 0.25% while the discount rate was reduced 75 basis points to 0.50%. This policy was driven by a pronounced cooling in economic growth and modestly increased uncertainty concerning inflation. The December statement indicated that financial markets remain strained, labor markets have worsened, and the Committee anticipates these conditions are likely to warrant the exceptionally low levels of the federal funds rate for some time.

Economic measures for the fourth quarter of 2008 reflected an historical contraction on numerous fronts. GDP measures declined abruptly, and expectations are for GDP growth to be lower than the economy's historical long-run potential through at least 2009 and perhaps 2010. Housing statistics remained depressed and employment figures declined at near historic levels. GDP growth expectations from private economists by *The Wall Street Journal* are on the order of negative 3.3% for the first quarter of 2009 and negative 0.3% for all of 2009. This compares to GDP growth of 2.8%, 2.0%, and 1.3% for 2006, 2007, and 2008, respectively. Nearly 100% of the polled economists foresee a recession in the near future, up from 90% during the third quarter. If the consensus expectations of *The Wall Street Journal* economists play out, it would be the first time GDP has contracted for three consecutive quarters in more than half century.

The Federal Reserve's outlook concurs with that of many private economists by suggesting negative growth during 2009 and growth at a moderate pace during 2010. The stock market is expected to underperform historical trends in the next few years, and the near-term outlook for market prices is highly uncertain. The Fed is expected to hold rates steady during 2009. This fiscal and monetary responses enacted in the fourth quarter of 2007 and the first quarter of 2008 were targeted at either preventing or reducing the severity of a recession. The rapid decline in financial and credit markets which began in September 2008 has prompted governmental efforts to inject capital into ailing financial institutions. It is also anticipated that a combination of tax reductions and direct fiscal stimulus will be undertaken by way of an economic recovery bill currently in development. Many economists and financial market observers believe the status of the U.S. economy to be the worst in generations and perhaps since the Great Depression. The U.S. crisis has manifested in other countries and the plausibility of a global recession is considered high.