

CONCLUSION OF VALUE

for



as of January 1, 2008

prepared by

Patton & Associates, LLC

August 17, 2009



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1. PURPOSE AND APPROACH

██████████ Inc. (the "Company") is a manufacturer and distributor of specialty custom pipe fittings, valve parts and sub-assemblies. The Company is organized as a ██████████ 'C' corporation and has been in business for 108 years.

Purpose

This study was undertaken at the request of ██████████ Vice President of ██████████ Company, Inc. to establish the Fair Market Value of the assets of the Company as of January 1, 2008, in connection with a subchapter S election.

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 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

In this case, the premise of value is as an Orderly 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.

Orderly Disposition Value is the net amount that would be realized if the business is terminated and the assets are sold piecemeal, but with time to organize and market assets, to seek the best price.

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] CPA of the firm [REDACTED] CPA, LLC.

We obtained information from the Company, including:

- * Federal Tax Returns for 12/31/2003 - 12/31/2007
- * Financial Statements for 12/31/2003 - 12/31/2007

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 August 17, 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 January 1, 2008, the Fair Market Value of a 100% interest in the Company was (rounded):

		<u>per share</u>
FAIR MARKET VALUE of 100% of the Equity	\$ 770,171	471.63
<i>Non-marketable, controlling interest basis</i>		

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.

The value reported is only for the stated effective valuation date and for the stated valuation purpose.

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.

Our analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional 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.

3. COMPANY DESCRIPTION

██████████ Company, Inc. is located at ██████████. The Company is organized as a ██████████ 'C' corporation and has been in business for 108 years.

Products and Services

██████████ Inc. is a manufacturer and distributor of specialty custom pipe fittings, valve parts and sub-assemblies.

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

332996 Fabricated Pipe & Pipe Fitting Manufacturing

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 is rather poorly situated.

Market

The primary market for the Company's products is wholesale supply houses in the United States and Canada. The market for these products is relatively small. The market is declining but price competition is present to a moderate degree, although it is not a major problem at this time.

Industry

The industry is declining, and consequently some difficulties may be expected to lie ahead.

Economic Conditions and Outlook

The economy in the Company's market area is weakening. This will have the effect of diminishing the Company's sales and profits.

Competition

Relative to others in the industry, the Company's products have little 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 moderately difficult and expensive, which provides the Company with a 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 five employees, of which two 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.

Capital Structure

The Company has the following equity shares outstanding:

	Dec-2003	Dec-2004	Dec-2005	Dec-2006	Dec-2007
Outstanding Shares	1,633	1,633	1,633	1,633	1,633

Anticipated holding period to liquidity event

The Company has no intention of going public and that would be very difficult in any case, because of its size and circumstances. Consequently, as is usually the case with small closely held companies, a minority shareholder has little chance of liquidating the interest in the foreseeable future. A controlling shareholder, on the other hand, does have the potential to initiate a sale of the Company.

Outlook

Looking ahead, our analysis suggests that over the next few years the Company can expect a decline in sales.

Furthermore, the Company can expect profitability to be well below industry norms.

4. INCOME STATEMENT

	Source: Basis:	1120S Cash 12 mos Dec-2003	1120S Cash 12 mos Dec-2004	1120S Cash 12 mos Dec-2005	1120S Cash 12 mos Dec-2006	1120S Cash 12 mos Dec-2007
	(\$)					
REVENUE		749,173	890,381	821,141	876,988	766,368
Cost of Sales (excl depr)		508,082	537,719	594,681	610,728	480,318
Gross Profit		241,091	352,662	226,460	266,260	286,050
Gross Margin (% Sales)		32.2%	39.6%	27.6%	30.4%	37.3%
Operating Expenses		148,601	282,259	169,415	116,800	106,804
% Sales		19.8%	31.7%	20.6%	13.3%	13.9%
Owners' Compensation		106,700	91,202	77,500	119,250	132,250
Operating Income		(14,210)	(20,799)	(20,455)	30,210	46,996
Depreciation (-)		(42,027)	(13,627)	(4,058)	(4,460)	(6,769)
Interest Expense (-)		(6,287)	(9,327)	(11,830)	(15,398)	(16,375)
Interest Income (+)		49	32	12,928	451	992
Other Income (Expense)		62,471	61,145	55,721	589,053	592
NET INCOME BEFORE TAX		(4)	17,424	32,306	599,856	25,436
Adjustments:						
1. Comparable compensation		(106,700)	(91,202)	(77,500)	(119,250)	(132,250)
2. Owners' compensation		106,700	91,202	77,500	119,250	132,250
3. Depreciation/Amortization		42,027	13,627	4,058	4,460	6,769
4. Interest expense		6,287	9,327	11,830	15,398	16,375
5. Domestic product deduction		-	-	-	3,459	1,552
6. Rental properties income		(60,350)	(60,951)	(55,450)	-	-
7. Capital gain		(1,959)	-	-	(574,884)	-
8. Dividends from investments		(162)	(194)	(271)	(92)	(537)
9. Ordinary gain		-	-	-	(14,077)	-
Adjusted EBITDA*		(14,161)	(20,767)	(7,527)	34,120	49,595
Revenue		749,173	890,381	821,141	876,988	766,368
Revenue Adjustments		0	0	0	0	-
Adjusted Revenue		749,173	890,381	821,141	876,988	766,368
Adj. Earnings as a % of Revenue		-1.89%	-2.33%	-0.92%	3.89%	6.47%

* 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-2003	Dec-2004	Dec-2005	Dec-2006	Dec-2007
Adjusted EBITDA	(14,161)	(20,767)	(7,527)	34,120	49,595
Depreciation	(42,027)	(13,627)	(4,058)	(4,460)	(6,769)
Amortization	-	-	-	-	-
Interest expense	(6,287)	(9,327)	(11,830)	(15,398)	(16,375)
Adjusted EBT	(62,475)	(43,721)	(23,415)	14,262	26,451

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 Economics Research Institute, 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 owner's compensation recap

	12 mos Dec-2003	12 mos Dec-2004	12 mos Dec-2005	12 mos Dec-2006	12 mos Dec-2007
██████████	55,000	61,502	61,500	71,250	78,250
██████████	51,700	29,700	16,000	48,000	54,000
50%	106,700	91,202	77,500	119,250	132,250

3-4 Depreciation, amortization and interest expenses are added back to arrive at EBITDA.

5 Domestic product deduction added back to earnings as a non-recurring item.

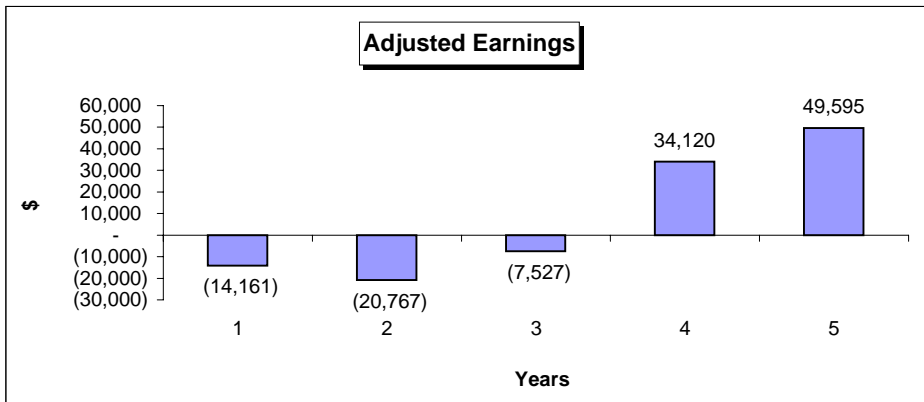
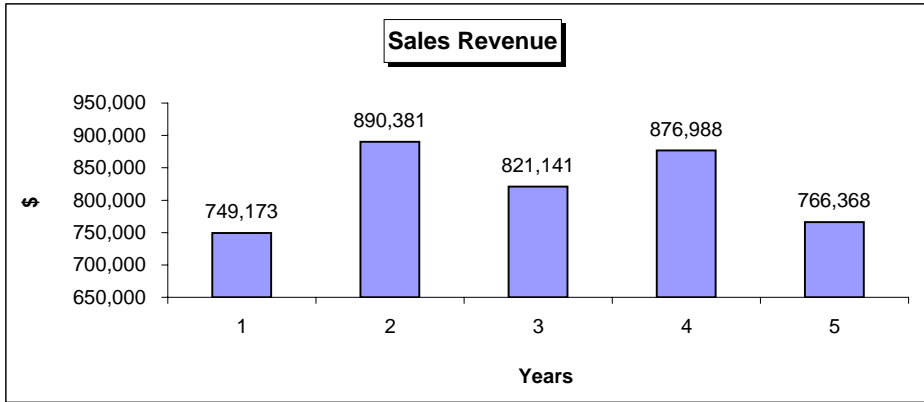
6 Income from rental properties is removed as non-operating.

7 Capital gain is related to the sale of the rental properties and is non-operating income.

8 Dividends from investments are non-operating income.

9 Ordinary gain is non-operating income.

No other income statement adjustments were considered necessary.



* **Industry Norms**

Industry EBITDA Return on Sales

	LoQtile	Med	HiQtile
Industry EBITDA Return on Sales	5.4%	12.1%	18.9%

See Section 7, Page 22, Adj. Return on Sales

	Dec-2003	Dec-2004	Dec-2005	Dec-2006	Dec-2007
Company Revenue	749,173	890,381	821,141	876,988	766,368
EBITDA at Industry ROS:					
LoQtile	40,275	47,867	44,144	47,147	41,200
Med	90,889	108,020	99,620	106,395	92,975
HiQtile	141,502	168,173	155,095	165,644	144,750
Company EBITDA	(14,161)	(20,767)	(7,527)	34,120	49,595
Company Return on Sales	-1.89%	-2.33%	-0.92%	3.89%	6.47%
Compares:	Low	Low	Low	Low	Low

DISCUSSION

The Company's revenue increased in the period 2003 to 2007 from \$749,173 to \$766,368. Revenue peaked at \$890,381 in 2004

In the same period, EBITDA earnings increased from (\$14,161) to \$49,595.

The Gross Profit margin increased from 32.2% in 2003 to 37.3% in 2007, and peaked at 39.4% in 2004. In the same period, Operating Expenses decreased from 19.8% to 13.9% 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-2003	12 mos Dec-2004	12 mos Dec-2005	12 mos Dec-2006	12 mos Dec-2007
Year Weights:	1	2	3	4	5
WEIGHTED AVERAGE ADJUSTED EBITDA					20,412
Earnings basis is control EBITDA, earnings before interest, taxes, depreciation and amortization.					
WEIGHTED AVERAGE ADJUSTED EBT					(2,057)
WEIGHTED AVERAGE REVENUE					822,210
Weighted Average Adj. Earnings as percent of Avg. Revenue					2.5%
Weighted Average Gross Profit Margin					33.4%
WEIGHTED AVERAGE SDCF					20,412

5. BALANCE SHEET

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

Source:	1120S	1120S	1120S	1120S	1120S
As Reported	12 mos	12 mos	12 mos	12 mos	12 mos
(\$)	Dec-2003	Dec-2004	Dec-2005	Dec-2006	Dec-2007
ASSETS					
Cash	27,547	12,980	10,507	22,784	48,610
Accounts Receivable	66,983	80,517	74,379	58,227	26,106
Inventory	330,665	391,299	348,889	278,872	250,895
Other Receivables	-	3,449	1,957	14,135	14,241
Other Current Assets	53,131	33,876	34,701	41,309	49,166
Total Current Assets	478,326	522,121	470,433	415,327	389,018
Land	33,535	33,535	33,535	19,635	19,634
Plant and Equipment	384,804	390,661	390,661	306,372	309,777
Accumulated Depreciation (-)	(255,708)	(265,705)	(269,763)	(188,838)	(195,607)
Net Plant and Equipment	162,631	158,491	154,433	137,169	133,804
Note Receivable	-	-	746,927	742,928	632,498
Total Assets	640,957	680,612	1,371,793	1,295,424	1,155,320
LIABILITIES					
Accounts Payable	27,871	23,426	26,414	15,222	34,118
Short Term Debt	20,000	-	-	30,100	28,000
Accrued Expenses	2,038	5,725	-	-	-
Taxes Payable	-	-	-	198,748	116,270
Other Current Liabilities	-	8,259	75	-	-
Total Current Liabilities	49,909	37,410	26,489	244,070	178,388
Long Term Debt	144,768	176,408	103,611	139,229	55,909
Long Term Debt	-	-	746,927	-	-
Total Liabilities	194,677	213,818	877,027	383,299	234,297
NET WORTH					
Common Stock	57,397	57,397	57,397	57,397	57,397
Retained Earnings	428,018	448,532	476,504	893,863	902,761
Treasury Stock	(39,135)	(39,135)	(39,135)	(39,135)	(39,135)
Net Worth	446,280	466,794	494,766	912,125	921,023
Total Liab & Net Worth	640,957	680,612	1,371,793	1,295,424	1,155,320

D indicates interest-bearing debt

Balance Sheet Adjustments

(\$)	12 mos Dec-2003	12 mos Dec-2004	12 mos Dec-2005	12 mos Dec-2006	12 mos Dec-2007
Net Worth before Adjustments	446,280	466,794	494,766	912,125	921,023
Adjustments:					
1 FMV Plant & Equipment	77,369	81,509	85,567	102,831	106,196
2 Note Receivable	-	-	(746,927)	(742,928)	(632,498)
3 Long Term Debt	-	-	746,927	-	-
ADJUSTED NET WORTH	523,649	548,303	580,333	272,028	394,721
Add Back Interest-Bearing Debt					
Short Term Debt	20,000	-	-	30,100	28,000
Long Term Debt	144,768	176,408	103,611	139,229	55,909
Long Term Debt (removed)	-	-	746,927	-	-
Total Interest-Bearing Debt	164,768	176,408	103,611	169,329	83,909
INVESTED CAPITAL	688,417	724,711	683,944	441,357	478,630
Adjusted Return on Investment	-2.1%	-2.9%	-1.1%	7.7%	10.4%

NOTES TO BALANCE SHEET ADJUSTMENTS:

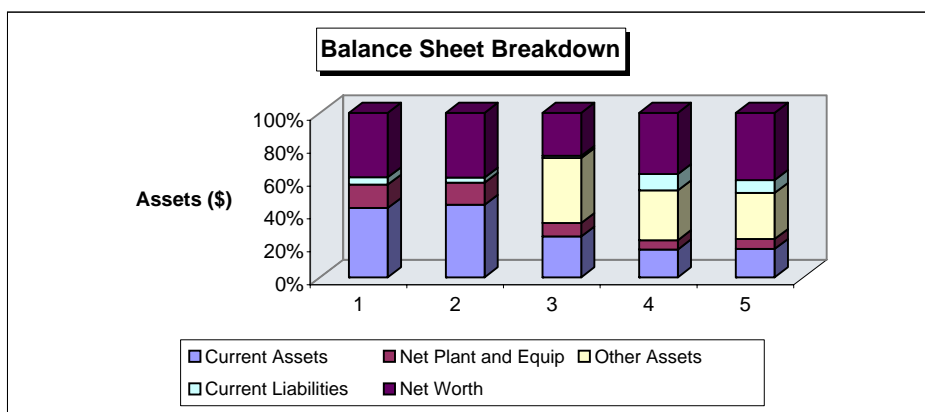
- 1 Accumulated Depreciation is adjusted to reflect the current fair market value of the Plant & Equipment, per an independent appraisal.
- 2,3 A long term Note Receivable and corresponding liability in 2005 are related to the sale of rental property and are removed from the Balance Sheet.

No other balance sheet adjustments were considered necessary.

ADJUSTED BALANCE SHEET

Following is the restated Balance Sheet after the adjustments listed above.

Source:	1120S	1120S	1120S	1120S	1120S
As Reported	12 mos	12 mos	12 mos	12 mos	12 mos
(\$)	Dec-2003	Dec-2004	Dec-2005	Dec-2006	Dec-2007
ASSETS					
Cash	27,547	12,980	10,507	22,784	48,610
Accounts Receivable	66,983	80,517	74,379	58,227	26,106
Inventory	330,665	391,299	348,889	278,872	250,895
Other Receivables	-	3,449	1,957	14,135	14,241
Other Current Assets	53,131	33,876	34,701	41,309	49,166
Total Current Assets	478,326	522,121	470,433	415,327	389,018
Land	33,535	33,535	33,535	19,635	19,634
Plant and Equipment	384,804	390,661	390,661	306,372	309,777
Accumulated Depreciation (-)	1 (178,339)	(184,196)	(184,196)	(86,007)	(89,411)
Net Plant and Equipment	240,000	240,000	240,000	240,000	240,000
Note Receivable	2 -	-	-	-	-
Total Assets	718,326	762,121	710,433	655,327	629,018
LIABILITIES					
Accounts Payable	27,871	23,426	26,414	15,222	34,118
Short Term Debt	20,000	-	-	30,100	28,000
Accrued Expenses	2,038	5,725	-	-	-
Taxes Payable	-	-	-	198,748	116,270
Other Current Liabilities	-	8,259	75	-	-
Total Current Liabilities	49,909	37,410	26,489	244,070	178,388
Long Term Debt	144,768	176,408	103,611	139,229	55,909
Long Term Debt	3 -	-	-	-	-
Total Liabilities	194,677	213,818	130,100	383,299	234,297
NET WORTH					
Common Stock	57,397	57,397	57,397	57,397	57,397
Retained Earnings	428,018	448,532	476,504	893,863	902,761
Treasury Stock	(39,135)	(39,135)	(39,135)	(39,135)	(39,135)
Balancing Adjustment	77,369	81,509	85,567	(640,097)	(526,302)
Net Worth	523,649	548,303	580,333	272,028	394,721
Total Liab & Net Worth	718,326	762,121	710,433	655,327	629,018
Working Capital	428,417	484,711	443,944	171,257	210,630
Adj Working Capital ex Cash, Debt	420,870	471,731	433,437	178,573	190,020
Est Capital Spending (Chg in NPE + Depr)		(9,487)	-	12,804	(3,404)



DISCUSSION

As reported, the Company's Total Assets increased in the period 2003 to 2007 from \$640,957 to \$1,155,320. After adjustments, the Company's Total Assets decreased from \$718,326 to \$629,018.

The Company's Cash increased from \$27,547 to \$48,610.

Overall, from 2003 to 2007, Receivables decreased from \$66,983 to \$26,106.

Accounts Receivable increased by \$13,534 in 2004, a 20.2% increase.

For perspective, in the same period revenue increased by 18.8%.

The largest decrease was a 55.2% change in 2007 when revenue decreased by 12.6%.

From 2003 to 2007, Inventory decreased from \$330,665 to \$250,895.

Inventory increased by \$60,634 in 2004, an 18.3% increase.

For perspective, the same period revenue increased by 18.8%.

The largest decrease was a 20.1% change in 2006 when revenue increased by 6.8%.

Fixed Assets remained unchanged from \$240,000 to \$240,000 from 2003 to 2007.

In the five years, Accounts Payable increased from \$27,871 to \$34,118.

Accounts Payable increased by \$18,896 in 2007, a 124.1% increase, while in the same period revenue decreased by 12.6%.

The largest decrease was a 42.2% change in 2006 when revenue increased by 6.8%.

In the same five year period, Interest-Bearing Debt decreased from \$164,768 to \$83,909.

IBD increased by \$65,718 in 2006, a 63.4% increase.

For perspective, in the same period revenue increased by 6.8%.

The largest decrease was a 50.4% change in 2007 when revenue decreased by 12.6%.

Additional discussion is provided in Section 7.

Weighted Averages

	12 mos Dec-2003	12 mos Dec-2004	12 mos Dec-2005	12 mos Dec-2006	12 mos Dec-2007
Weights	1	2	3	4	5
Weighted Avg Adjusted Net Worth					741,185
Weighted Avg Invested Capital					556,550
Weighted Average Return on Adjusted Net Worth					2.8%
Weighted Average Return on Invested Capital					3.7%

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-2003	Dec-2004	Dec-2005	Dec-2006	Dec-2007
Revenue growth rate	NA	18.8%	-7.8%	6.8%	-12.6%
Depreciation (% Sales)	5.6%	1.5%	0.5%	0.5%	0.9%
Working Capital (% Sales)	56.2%	53.0%	52.8%	20.4%	24.8%
Capital Spending (% Sales)		0.7%	0.0%	-9.6%	0.4%
New Debt		7.1%	382.1%	-80.1%	-50.4%
Debt/Equity ratio	0.31	0.32	0.18	0.62	0.21
Net Plant/Sales ratio	0.32	0.27	0.29	0.27	0.31
Net Worth/Sales ratio	0.70	0.62	0.71	0.31	0.52
Net Worth	523,649	548,303	580,333	272,028	394,721
Cash Balance	27,547	12,980	10,507	22,784	48,610
Working Cap, ex Cash, Debt	420,870	471,731	433,437	178,573	190,020
Net Plant and Equip	240,000	240,000	240,000	240,000	240,000
Interest-Bearing Debt	164,768	176,408	103,611	169,329	83,909
Interest (% Year End Debt)	3.8%	5.3%	11.4%	9.1%	19.5%
Revenue	749,173	890,381	821,141	876,988	766,368
Earnings Margin	-1.9%	-2.3%	-0.9%	3.9%	6.5%
Adj EBITDA	(14,161)	(20,767)	(7,527)	34,120	49,595
Interest	(6,287)	(9,327)	(11,830)	(15,398)	(16,375)
Depreciation	(42,027)	(13,627)	(4,058)	(4,460)	(6,769)
Adj EBT	(62,475)	(43,721)	(23,415)	14,262	26,451
Tax Rate	20%	20%	10%	10%	10%
Estimated Tax	12,495	8,744	2,342	(1,426)	(2,645)
Adj Earning after Tax	(49,980)	(34,977)	(21,074)	12,836	23,806
Depreciation	42,027	13,627	4,058	4,460	6,769
Capital Spending		(9,487)	-	12,804	(3,404)
Working Capital Change		(50,861)	38,294	254,864	(11,447)
Increase (Decrease) in Debt		11,640	(72,797)	65,718	(85,420)
Adj Equity Cash Flow aft Tax	(7,953)	(70,058)	(51,519)	350,682	(69,696)
Effect of Adjustments		55,491	49,045	(338,405)	95,522
Actual Change in Cash	(7,953)	(14,567)	(2,473)	12,277	25,826
Equity Cash Flow Margin	-1.1%	-7.9%	-6.3%	40.0%	-9.1%
Ratio of Cash Flow to Earnings	0.562	0.701	0.329	0.360	0.521
Net Cash Flow Ret on NW	-1.5%	-2.7%	-0.4%	4.5%	6.5%

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-2008	Dec-2009	Dec-2010	Dec-2011	Dec-2012
Revenue growth rate	4.4%	-20.0%	0.0%	0.0%	3.0%
Depreciation (% Sales)	0.50%	0.50%	0.50%	0.50%	0.50%
Working Capital (% Sales)	24.8%	24.8%	24.8%	24.8%	24.8%
Capital Spending (% Sales)	0.5%	0.5%	0.5%	0.5%	0.5%
New Debt (% Cap Spend +chg WC)	25.0%	25.0%	25.0%	25.0%	25.0%
Debt/Equity ratio	0.21	0.21	0.21	0.21	0.21
Net Plant/Sales ratio	0.31	0.31	0.31	0.31	0.31
Net Worth/Sales ratio	0.50	0.50	0.50	0.50	0.50
Net Worth	402,734	407,669	413,260	418,794	424,613
Cash Balance	51,306	86,807	93,199	99,533	102,604
Working Cap, ex Cash, Debt	198,422	158,737	158,737	158,737	163,500
Net Plant and Equip	240,000	240,000	240,000	240,000	240,000
Interest-Bearing Debt	86,994	90,079	80,961	81,761	82,561
Interest (% Year End Debt)	8.0%	8.0%	8.0%	8.0%	8.0%
Projected Revenue	800,088	640,071	640,071	640,071	659,273
Earnings Margin	EBITDA	2.5%	2.5%	2.5%	2.5%
Adj EBITDA	19,863	15,890	15,890	15,890	16,367
Interest	(6,960)	(7,206)	(6,477)	(6,541)	(6,605)
Depreciation	(4,000)	(3,200)	(3,200)	(3,200)	(3,296)
Projected Adj EBT	8,903	5,484	6,213	6,149	6,466
Tax Rate	10%	10%	10%	10%	10%
Estimated Distributions for Tax	(890)	(548)	(621)	(615)	(647)
Projected Earnings after Tax	8,013	4,935	5,592	5,534	5,819
Depreciation	4,000	3,200	3,200	3,200	3,296
Capital Spending	(4,000)	(3,200)	(3,200)	(3,200)	(3,296)
Working Capital Change	(8,402)	39,684	-	-	(4,762)
Increase (Decrease) in Debt	3,085	(9,118)	800	800	2,014
Proj Equity Cash Flow aft Tax	2,696	35,502	6,392	6,334	3,071
Projected Cash Flow Margin	0.3%	5.5%	1.0%	1.0%	0.5%
Dividend Capacity	-	-	-	-	-
Net Retained Cash Flow	2,696	35,502	6,392	6,334	3,071
Ratio of Cash Flow to Earnings	0.136	2.234	0.402	0.399	0.188
Ratio of Cash Flow to EBT	0.303	6.474	1.029	1.030	0.475
Net Cash Flow Ret on NW	0.7%	8.7%	1.5%	1.5%	0.7%

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

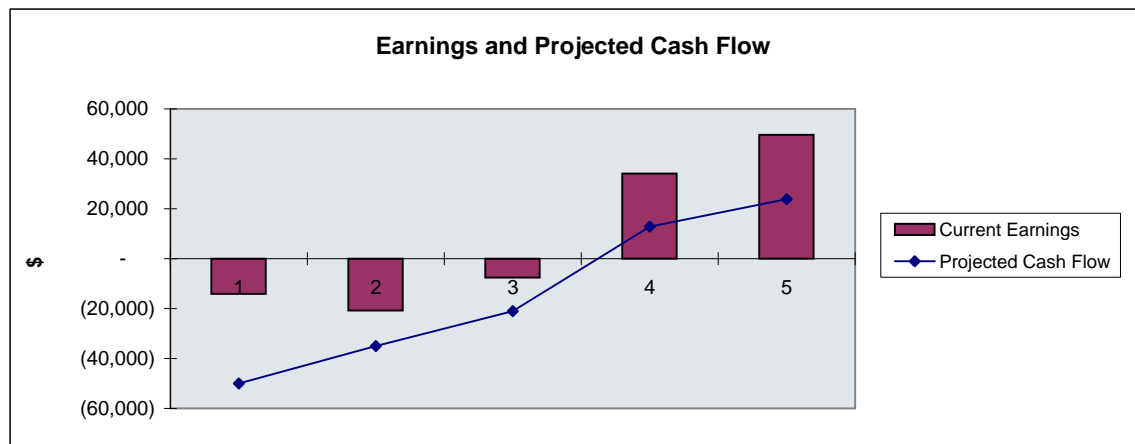
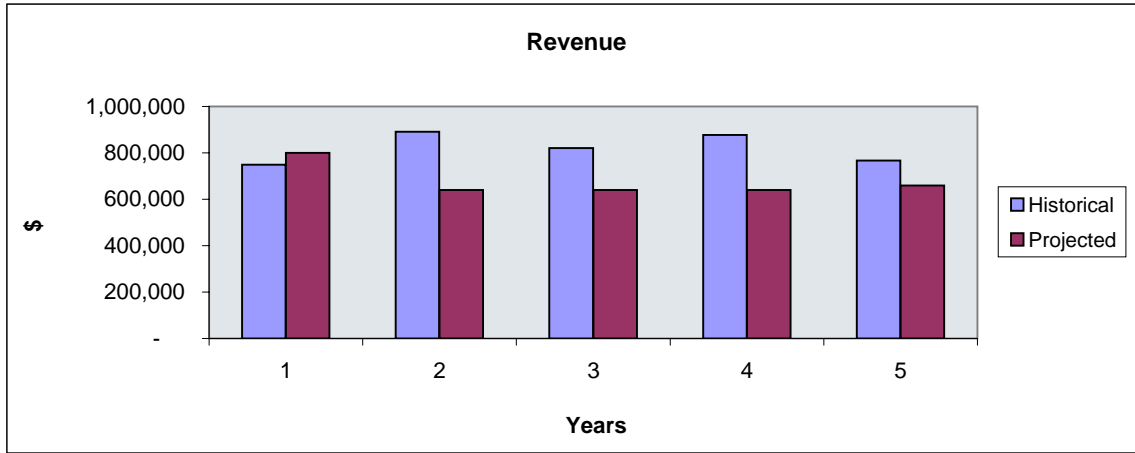
NOTES TO FINANCIAL PROJECTIONS

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

Revenue growth	Revenue growth in the year ending 12/31/2008 is expected to be 4.4%, but is expected to decline in 2009 and remain flat for several years thereafter.	4.4%
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:	0.50

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-2003	Dec-2004	Dec-2005	Dec-2006	Dec-2007
	Weights	1	2	3	4	5
Revenue growth rate		NA	18.8%	-7.8%	6.8%	-12.6%
Weighted Average revenue growth						-1.5%
Trendline growth						0.3%
Industry revenue growth						3.0%
Projected revenue growth next year						4.4%
Adjusted Earnings growth rate		NA	-46.6%	63.8%	553.3%	45.4%
Depreciation		42,027	13,627	4,058	4,460	6,769
Depreciation as % of Sales		5.6%	1.5%	0.5%	0.5%	0.9%
Weighted Average Depreciation, % Sales						1.1%
Projected Depreciation, % Sales						0.5%
Current Ratio		9.6	14.0	17.8	1.7	2.2
Quick Ratio		1.9	2.5	3.2	0.3	0.4
Working Capital		428,417	484,711	443,944	171,257	210,630
Sales/Working Capital		1.7	1.8	1.8	5.1	3.6
Cash after WC Adjustment		27,547	12,980	10,507	22,784	48,610
Short Term Debt		20,000	0	0	30,100	28,000
Adj Working Capital ex Cash, Debt		420,870	471,731	433,437	178,573	190,020
as % of Sales		56.2%	53.0%	52.8%	20.4%	24.8%
Sales/Adjusted Working Capital		1.8	1.9	1.9	4.9	4.0
Weighted Average Adj WC as % of Sales						35.1%
Projected WC as % of Sales						24.8%
Capital Spending, est (Change in NPE+Depr)			9,487	0	(12,804)	3,404
as % of Sales			1.1%	0.0%	-1.5%	0.4%
Weighted Average Cap Spending, % Sales						-0.1%
Projected Cap Spending, % Sales						0.5%
Change in Debt			11,640	(72,797)	65,718	(85,420)
Interest Bearing Debt		164,768	176,408	103,611	169,329	83,909
Interest Bearing Debt/Adj NW		0.3	0.3	0.2	0.6	0.2
Weighted Average D/NW						0.3
Annualized Interest Expense		6,287	9,327	11,830	15,398	16,375
Effective Interest Rate		3.8%	5.3%	11.4%	9.1%	19.5%
Interest Coverage		(1.3)	(1.2)	0.4	3.2	4.0
Sales/Total Assets		1.04	1.17	1.16	1.34	1.22

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:

332996 Fabricated Pipe & Pipe Fitting Manufacturing

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	Well established	Low	+
Proprietary content	Little or none	High	+++++
Industry life cycle	Declining	High	+++++
Industry stability	Some instability	Medium	+++
Relative size of the company	Among smallest	High	+++++
Customer concentration	25-50% sales to 5 largest	Medium	+++
Relative product quality	Excellent	Low	+
Product differentiation	Some	Medium	+++
Strength of the market	Declining	High	+++++
Size of the market	Small	High	+++++
Price competition	Some	Medium	+++
Employee turnover	High	High	+++++
Unionization	None	Low	+
Management depth	Average	Medium	+++
Condition of facilities	Poor	High	+++++
Ease of market entry	Moderate	Medium	+++
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			Risk Level
		LoQtile	Med	HiQtile	
<i>Company ratios historical avg:</i>					
Revenue Growth Rates	-2.7%	1.5%	3.0%	4.5%	High
EBITDA Return on Sales	2.5%	5.4%	12.1%	18.9%	High
Return on Invested Capital	3.7%	-0.2%	11.5%	45.0%	Medium
EBT Return on Equity	-0.5%	-0.6%	12.6%	61.7%	Medium
Net Cash Return on Equity	24.9%	4.8%	16.9%	30.0%	Medium
Gross Profit Margin	33.5%	20.3%	40.6%	70.3%	Medium
<i>Company ratios based on latest period financials:</i>					
	Dec-2007				
Current Ratio	2.2	0.7	1.2	2.7	Medium
Quick Ratio	0.4	0.1	0.7	1.7	Medium
Debt/Equity Ratio	0.1	0.5	3.9	8.2	Level
Sales/Receivables	29.36	1.2	2.7	10.2	Medium
Net Worth/Sales	0.515	0.1	0.1	0.2	Level
Sales/Total Assets	1.2	1.7	2.8	3.7	High
Sales/Working Capital	5.0	4.0	11.7	(20.6)	High
WC/Sales	27.5%	25.0%	8.5%	-4.9%	
Days Receivable	12.4	10.7	46.8	57.9	Medium
Days Inventory	190.7	6.3	21.5	23.3	High
Days Payable	27.5	11.1	18.9	26.7	Medium

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:

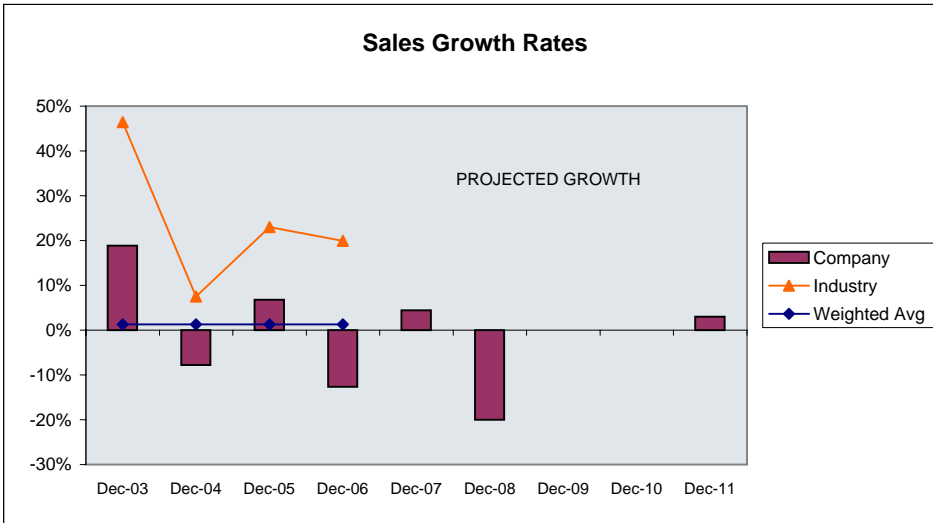
	Low	Med	High
Weights based on risk factors	6	6	7
Weights based on industry norms	2	9	5
Totals	8	15	12

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

COMPARATIVE ANALYSIS

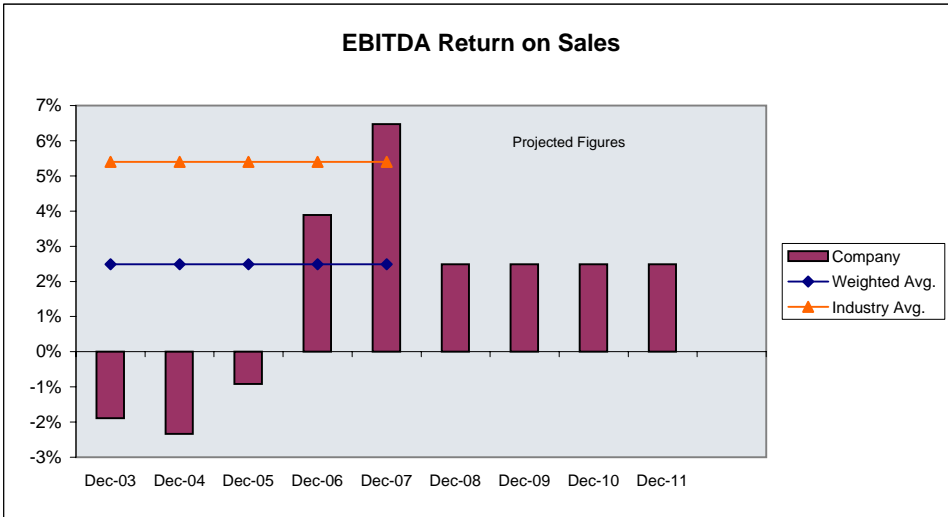
The following discussion of the Company's financial condition relative to the industry makes reference to the financial ratios presented above and in the preceding sections.

Sales Growth Rate

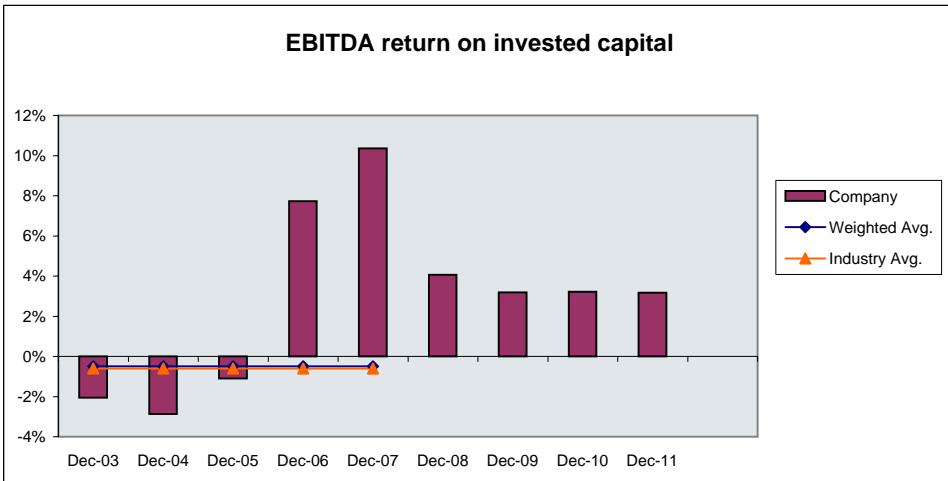


Over the past five periods, the Company's sales growth has been erratic, averaging considerably below the median industry growth rate of 3.0%, and long term, the sales growth rate has been declining rapidly. Recent sales growth at -12.6% was down, and considerably below weighted average sales growth, which was -1.5%. The Company's sales growth rate is a high risk factor.

Profitability

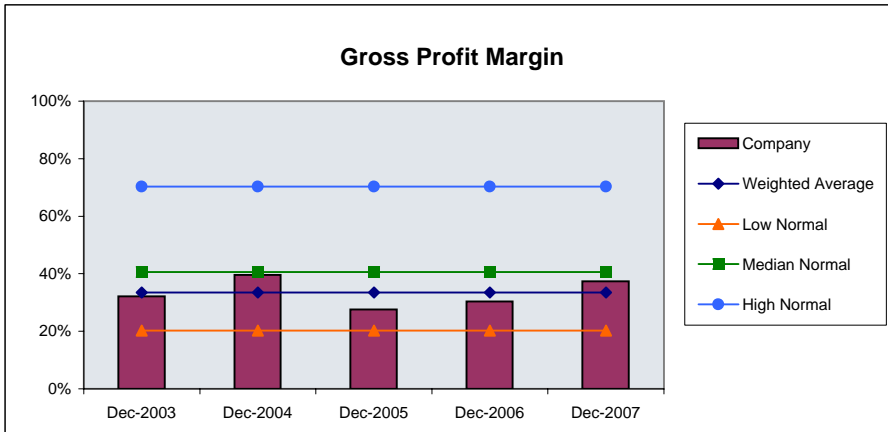


Overall, EBITDA earnings have been erratic. Long term, the trend of EBITDA return on sales has been up, but in the most recent period, it was only slightly up. However, the Company's weighted average return on sales was considerably below the median industry level. The Company's EBITDA return on sales is a high risk factor.



Long term, the trend of EBITDA return on invested capital has been up, and in the most recent period, EBITDA return on invested capital was moderately up. But, the Company's weighted average EBITDA return on invested capital was considerably below the industry median. The Company's return on invested capital is a median risk factor.

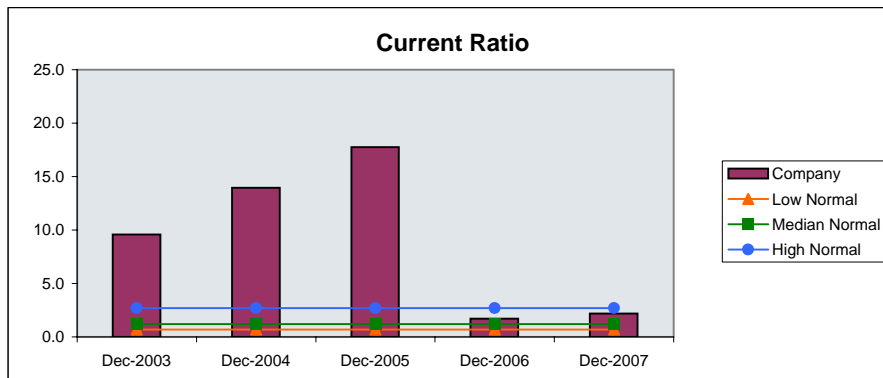
Gross Profit Margin



The Company's Gross Profit Margin has been consistently lower than the industry. The trend of Gross Profit Margin has been strongly up, and in the most recent period, it was up at a level of 37.3%. However, the Company's recent Gross Profit Margin was below the median level of 40.6%. The Company's Gross Profit Margin is a medium risk factor.

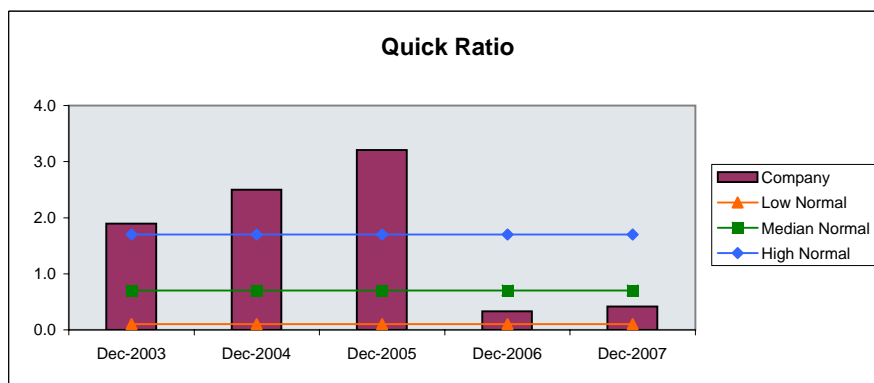
Liquidity

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, but in the most recent period, it was slightly up. In addition, the Company's recent current ratio of 2.2 was considerably higher than the median industry norm of 1.2.

The Company's current ratio is a medium 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 sometimes less than one, which indicates marginal liquidity. The trend in the quick ratio has been downwards, but in the most recent period, it was slightly up. Furthermore, the Company's quick ratio of 0.42 was well below the industry median of 0.70.

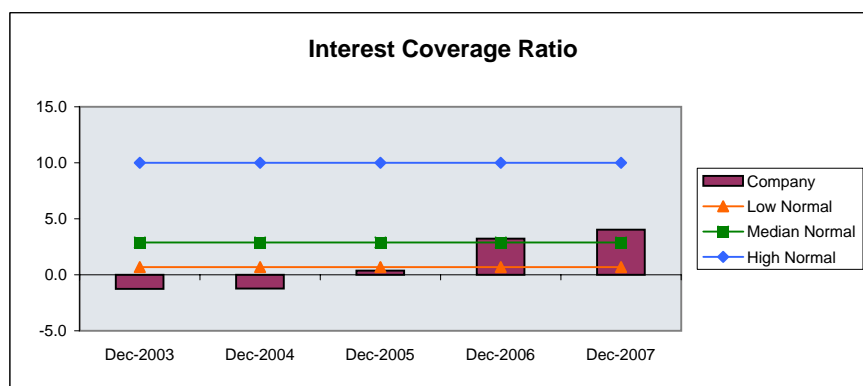
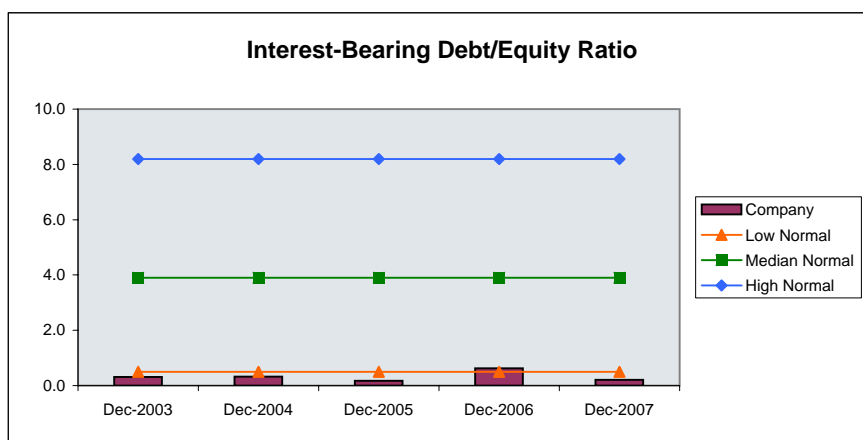
The Company's quick ratio is a medium risk factor.

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 a very low level of interest-bearing debt on the balance sheet for all of the past five periods. In the most recent period the dollar amount of debt was down. The trend in the Company's interest-bearing debt/equity ratio has been pretty flat, and in the most recent period, it was down from the previous period. The Company's recent debt/equity ratio of 0.2 was well below the industry median of 3.9

The Company's debt/equity ratio is a low risk factor.



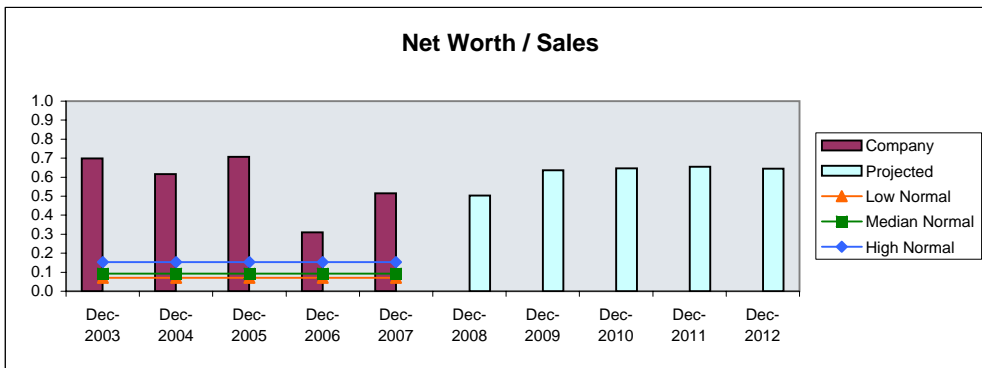
A related ratio, interest coverage, measures the Company's earnings before interest payments relative to the interest payments

The Company's interest coverage ratio has been frequently less than one, which is on the weak side, The trend in the interest coverage has been very much up, and in the most recent period, it was slightly up at a level of 4.0. Furthermore, the Company's recent coverage ratio was considerably lower than the median industry norm of 2.7.

The Company's interest coverage is a medium 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, showing unusually high owner's investment. The trend of Net Worth / Sales has been down considerably, but in the most recent period, it was strongly up at a level of 0.515. In addition, the Company's recent Net Worth / Sales ratio was considerably higher than the median level of 0.093.

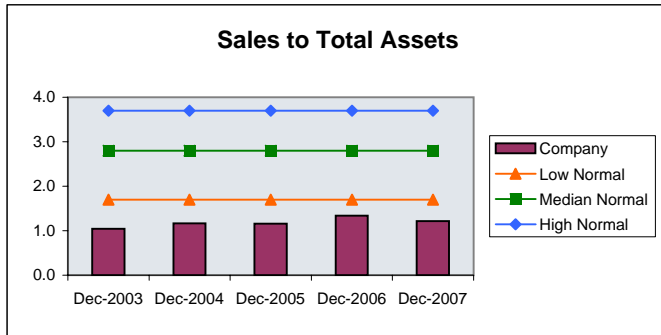
The Company's Net Worth / Sales is a low risk factor.

Asset Efficiency

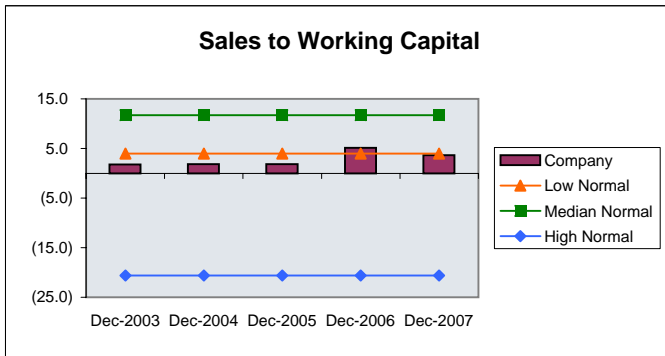
Asset efficiency considers how well the Company uses its assets to generate sales. Sales to Total Assets measures the dollars of sales that are generated per dollar of total assets employed in the business.

The Company's adjusted Sales/Assets ratio has been consistently less than the industry which is not good. The trend of Sales/Assets has been strongly up, but in the most recent period, it was somewhat down at a level of 1.2. In addition, the Company's recent Sales/Total Assets ratio of 1.2 was well below the median industry level of 2.8.

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 lower than the industry. The trend of Sales/Working Capital has been strongly up, but in the most recent period, it was down greatly at a level of 3.6. Furthermore, the Company's recent unadjusted Sales/Working Capital ratio was well below the median industry level of 11.7.

The Company's Sales/Working Capital is a high 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 28 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. In this case the data we drawn on the following sources:

	Records:	Considered	Selected
Bizcomps transactions database		24	17
Pratts Stats transactions database		42	11

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.

Selection Criteria

In addition to selection based on type of business and other factors discussed above, transactions were selected using the following criteria:

	Selection Range		Company
	greater than or =	less than or =	
Deal dates	01/01/98	01/01/08	
Sales revenue range (\$000)	100	5,000	822
Shareholder's equity (\$000)	1		
EBT/Revenue	0.0%	30.0%	-0.3%
EBITDA/Revenue	0.0%	30.0%	2.5%
Price/Revenue	0.0	1.0	
EBT Cap Rate	2.0%	40.0%	
EBITDA Cap Rate	3.0%	45.0%	
GW/Revenue	0.0	1.0	
GW/SDCF	0.0	4.0	

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	Low Qtile	7.1%			
<i>Combined Market Data</i>	Mid Range	15.8%	15.8%	0.0%	15.8%
	High Qtile	24.5%			
Company long term growth rate (=industry LT rate)					3.0%
Projection risk (note 3)					0.0%
Discount rate					18.8%
EBT Capitalization Rate	Low Qtile	2.8%			
<i>Combined Market Data</i>	Mid Range	12.6%	12.6%	0.00%	12.6%
	High Qtile	22.5%			
Price/Sales	Low Qtile	0.20			
<i>Combined Market Data</i>	Mid Range	0.42	0.11	-	0.11
	High Qtile	0.65			
GW/Seller's Discretionary Cash	Low Qtile	0.05			
<i>Combined Market Data</i>	Mid Range	0.25	(0.04)	-	(0.04)
	High Qtile	0.45			

* 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.

In this case, the Company's profitability is considered below the industry and so the multipliers used have been adjusted to be considerably below the midrange multipliers. See Section 7.

	Industry			Company
	Lo Qtile	Midrange	Hi Qtile	
Return on Sales	5.4%	12.1%	18.9%	2.5%
Price/Sales ratio	0.20	0.42	0.65	0.11

The adjusted initial Price/Revenue (P/R) multipliers (column a) were calculated as follows:

$$\frac{(\text{Company ROS} - \text{Industry LoQtile ROS})}{(\text{Industry Midrange ROS} - \text{Industry LoQtile ROS})} \times (\text{Midrange P/R} - \text{LoQtile P/R}) + \text{LoQtile P/R}$$

$$\frac{(2.5\% - 5.4\%)}{(12.1\% - 5.4\%)} \times (0.42 - 0.20) + 0.20 = 0.11$$

- (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%	394,721
2. Liquidation Value	Assets	1	50.0%	251,731
3. Capitalization of Earnings	Income	0	0.0%	45,280
4. Discounted Future Earnings	Income	0	0.0%	9,492
5. Discounted Cash Flow	Income	0	0.0%	73,905
6. Capitalization of Gross Revenues	Market	0	0.0%	90,443
7. Goodwill / Revenue	Market/Asset	1	50.0%	218,842
Weighted Avg Value of Operations [Note 1] <i>Non-Marketable, Controlling Interest Basis</i>		2	100.0%	235,286
Non-Operating Assets [Note 2]				
Note Receivable				632,498
Value of Operations and Other Assets				867,784
Additional Adjustment for Lack of Marketability [Note 3]			4.0%	(34,711)
Value Adjusted for Marketability Non-marketable, 100% interest basis				833,073
Built In Gains Tax Discount [Note 4]			10%	(\$62,902)
Percentage of Ownership Valued				100%
Net Value of Ownership Interest	Shares			\$ 770,171
Non-marketable, controlling interest basis	1,633	per share	\$471.63	

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 Company's earnings are very low relative to its assets and net worth. It is not likely that a willing seller would sell the Company for the value indicated by its income alone. Conversely, a willing buyer cannot afford to pay full value for the assets, since the earnings of the Company will not cover a financed purchase at that price. To make assets pay for themselves, the buyer must provide the necessary additional sales and income, and possibly, additional capital to finance performance improvements.

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.

4 Built-In Gains (BIG) Tax requires a company to measure the amount of unrecognized appreciation that existed at the time an S election is made. If the assets of the Company are sold within a ten year period after the S election is made, the Company pays BIG Tax at the highest corporate rate based upon the recognized built-in gain.

The market value of a company should be reduced by the amount of tax that would be due if the assets are sold to a willing buyer during a ten year period after electing S status.

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	921,023
Net Adjustments	<u>(526,302)</u>
Adjusted Net Worth	<u>394,721</u>

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		48,610	100.0%	48,610	-
Accounts Receivable		26,106	90.0%	23,495	(2,611)
Inventory		250,895	75.0%	188,171	(62,724)
Other Receivables		14,241	50.0%	7,121	(7,121)
Other Current Assets		49,166	50.0%	24,583	(24,583)
Land	19,634	19,634	100.0%	19,634	-
Plant and Equipment	114,170	220,366	100.0%	220,366	-
Total Assets		629,018		531,980	
LIABILITIES					
Accounts Payable		34,118	100.0%	34,118	-
Short Term Debt		28,000	100.0%	28,000	-
Taxes Payable		116,270	100.0%	116,270	-
Long Term Debt		55,909	100.0%	55,909	-
Total Liabilities		234,297		234,297	
NET WORTH					
		394,721		297,683	
Net Gain (Loss)					(72,455)
Tax effect		10.0% x Net Gain (Loss)		7,245	
Estimated Costs of Liquidation		10.0% x Liq value of assets		(53,198)	
Net Liquidation Value				251,731	

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		20,412
Earnings basis is control EBITDA		
Capitalization Rate	Combined Market Data	15.8%
Gross Valuation	Market Value of Invested Capital	129,189
Adjustments		
Adjust from debt-free basis, deduct total interest-bearing debt [Section 5]		(83,909)
Net Valuation	(Freely-marketable, controlling interest basis)	45,280

11.4 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	15.8%
Discount rate		18.8%
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-08	4.4%	800,088	2.5%	19,863	16,719
Dec-09	-20.0%	640,071	2.5%	15,890	11,259
Dec-10	0.0%	640,071	2.5%	15,890	9,477
Dec-11	0.0%	640,071	2.5%	15,890	7,977
Dec-12	3.0%	659,273	2.5%	16,367	6,916
Dec-13	3.0%	679,051	2.5%	16,858	5,997
Dec-14	3.0%	699,422	2.5%	17,364	5,199
Dec-15	3.0%	720,405	2.5%	17,885	4,508
Dec-16	3.0%	742,017	2.5%	18,421	3,908
Dec-17	3.0%	764,278	2.5%	18,974	3,388
Terminal Value = last period x (1+growth) / cap rate				120,087	18,052
Present value of future earnings					93,401
Adjustments					
Adjust from debt-free basis, deduct total interest-bearing debt [Section 5]					(83,909)
Net valuation (Freely-marketable, controlling interest basis)					9,492

11.5 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		12.6%
Net Cash Return on Equity	NCF/NW	3.1%	
EBT Return on Equity	EBT/NW	1.7%	
Ratio of Projected Cash Flow to EBT in 5th Year			0.49
Equity Cash Flow after Tax capitalization rate			6.17%
Company long term growth rate			3.0%
Projection risk			0.0%
Discount rate			9.17%
Company 10 yr avg projected growth rate			0.0%

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	4.4%	800,088	0.3%	2,696	2,469
Dec-09	-20.0%	640,071	5.5%	35,502	29,786
Dec-10	0.0%	640,071	1.0%	6,392	4,912
Dec-11	0.0%	640,071	1.0%	6,334	4,459
Dec-12	3.0%	659,273	0.5%	3,071	1,980
Dec-13	3.0%	679,051	0.5%	3,163	1,868
Dec-14	3.0%	699,422	0.5%	3,258	1,762
Dec-15	3.0%	720,405	0.5%	3,356	1,663
Dec-16	3.0%	742,017	0.5%	3,456	1,569
Dec-17	3.0%	764,278	0.5%	3,560	1,480
Terminal Value = last period x (1+growth) / cap rate				57,663	21,958
Present value of future cash flow (based on after-tax cash flow)					73,905
Adjustments					0.00
Net valuation (Freely-marketable, controlling interest basis)					73,905

11.6 CAPITALIZATION OF GROSS REVENUES

This method provides a way to value the revenue generated by the business, without direct reference to its earnings. The multiplier is usually developed by analyzing market transactions or public stocks to derive a price to sales multiple, with adjustments for the specific circumstances of the Company and its earning power. In some industries, revenue is a strong indicator of value, and it can also be a good indicator in situations in which the company is losing money.

A controlling interest owner cannot rely on the historical revenues. The Capitalization of Gross Revenues method is not helpful under the circumstances.

		(\$)
a. Average gross revenues [Section 4]		822,210
b. Revenue multiplier [Section 10]	Combined Market Data	0.110
c. Gross valuation (a*b)		90,443
d. Adjustments		_____
e. Net valuation	(Freely-marketable, controlling interest basis)	90,443

11.7 GOODWILL / REVENUE

The principle behind this method is the idea that the goodwill of a Company is a direct function of its profitability in relation to its revenue. Goodwill is the amount by which the sales price or market capitalization of a company exceeds its Tangible Net Worth.

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. The goodwill/revenue multiplier is the ratio of goodwill included in the market capitalization or sales price, to the revenue of the seller. The multiplier is higher for companies that are more profitable than average (as a percentage of revenue) and lower for those that are less profitable. Applying the appropriate multiplier to the Company's revenue 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.

A controlling interest could choose to sell the assets, and might put some weight on that possibility. The Goodwill/Revenue method provides some insight under these circumstances.

		(\$)
a. Average gross revenues [Section 4]		822,210
b. Goodwill/Revenue multiplier [Section 10]	Combined Market Data	(0.040)
c. Gross valuation (a*b)		(32,888)
d. Liquidation Value		251,731
e. Adjustments		<hr/>
f. Net valuation	(Marketable, controlling interest basis)	<hr/> 218,842 <hr/>

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	867,784
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)	4.4%
d.	Expected value of the Company in 1.0 years	905,967
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 that 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.	9.17%
f.	Value today if the stock can not be sold for 1.0 years	833,073
g.	Reduction in value due to lack of marketability (b-f)	34,711
h.	Adjustment as a percentage of freely marketable value	<u>4.0%</u>

Considering the circumstances of the Company, we have chosen to apply a discount for lack of marketability = 4.00%
 Built In Gains discount = 10.00%

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]	867,784
Adjustment for Marketability	-4.00%	(34,711)
Market Value of Operations		833,073
Down Payment on Purchase	20.0%	166,615
Balance to Pay, above existing debt		666,458

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)	\$99,322
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AMORTIZATION OF PURCHASE DEBT

	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
Beginning Balance	666,458	620,453	570,767	517,107	459,153
Interest	53,317	49,636	45,661	41,369	36,732
Principal	46,005	49,686	53,661	57,953	62,590
Ending Balance	620,453	570,767	517,107	459,153	396,564

CASH ON CASH RETURN ON DOWN PAYMENT

Projected Cash Flow after Tax	8,013	4,935	5,592	5,534	5,819
Tax Benefit, Purchase Interest	16,528	15,387	14,155	12,824	11,387
Purchase Payments	(99,322)	(99,322)	(99,322)	(99,322)	(99,322)
Cash Flow after Purchase	(74,781)	(79,000)	(79,575)	(80,964)	(82,116)
Debt/Equity including purchase debt	1.54	1.40	1.25	1.10	0.93
Coverage Ratio	0.20	0.16	0.16	0.16	0.16

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
August 17, 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 12/31/2003 - 12/31/2007

Financial Statements for 12/31/2003 - 12/31/2007

A site visit and management interview was conducted by [REDACTED] CPA of [REDACTED] CPA, LLC

Industry data and computational support was provided by Business Equity Appraisal Reports, Inc.

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 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.

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.

U.S. Economic Conditions and Outlook as of December 31, 2007

Prepared at the Federal Reserve Bank of Atlanta and based on information collected before January 7, 2008. This document summarizes comments received from businesses and other contacts outside the Federal Reserve and is not a commentary on the views of Federal Reserve officials.

Reports from the twelve Federal Reserve Districts suggest that economic activity increased modestly during the survey period of mid-November through December, but at a slower pace compared with the previous survey period. Among Districts, seven reported a slight increase in activity, two reported mixed conditions, and activity in three Districts was described as slowing.

Most reports on retail activity indicated subdued holiday spending and further weakness in auto sales. However, most reports on tourism spending were positive. Residential real estate conditions continued to be quite weak in all Districts. Reports on commercial real estate activity varied, with some reports noting signs of softening demand. Manufacturing reports varied across industries, with pronounced weakness noted in housing-related industries as well as the automobile industry. Strong export orders and increased demand in industries whose products compete against imports was reported by some Districts. Demand for nonfinancial services remained generally positive, although some Districts commented on continuing weak demand for transportation services.

Reports from banks and other financial institutions noted further declines in residential real estate lending, and lending to the commercial real estate sector was generally described as mixed. Some Districts reported lower consumer loan volumes, whereas the volume of commercial and industrial lending varied. Most Districts cited tighter credit standards.

Demand continued to decline for construction workers and those in housing-related industries, according to most reports, while demand generally held steady for skilled workers in nonfinancial service industries. Wage increases remained moderate overall. Increases in prices for food, petrochemicals, metals, and energy-related inputs continued to be widely reported, and production and delivery costs for many products increased because of higher fuel prices. Producers in the agricultural sector reported generally strong demand and favorable production conditions outside of the drought-stricken area in the Southeast. Strong oil and gas exploration and production activity was noted by several Districts.

Consumer Spending and Tourism

Reports indicate that holiday sales were generally disappointing. Sales in the Atlanta, Boston, Chicago, Cleveland, Dallas, New York, Richmond, and San Francisco Districts were varyingly described as lackluster, weak, below year-ago levels, or mixed. Kansas City reported that spending was solid, but below expectations. Sales rose modestly according to Minneapolis, Philadelphia, and St. Louis reports. Atlanta and New York merchants noted that foreign buyers were a boost to holiday sales. Overall, the outlook for 2008 among retail merchants was cautious.

Most Districts reported that vehicle sales for late 2007 were below year-ago levels. However, the Minneapolis report noted strong demand from area farmers and Canadians purchasing vehicles across the border. The Atlanta and Kansas City Districts reported that sluggish vehicle demand has resulted in unexpected inventory accumulation. However, imports and fuel-efficient vehicles continued to sell well according to the Philadelphia, Kansas City, and Dallas reports. Atlanta noted that some foreign brands had turned to fleet sales to offset generally weaker retail demand. Dealers in Philadelphia and Cleveland anticipated that sales in 2008 would be flat to lower than in 2007.

Reports on tourism were mostly positive. The Atlanta District observed that Florida businesses catering to winter visitors experienced increased demand. The number of visitors from Europe and Canada were especially strong, and bookings for the Spring were robust. Minneapolis reported that solid snowfall in many parts of the District helped spur winter tourism activity. Richmond's assessment of tourist activity was also generally upbeat. Tourism activity in New York City was said to have remained strong through year-end.

Nonfinancial Services

Most reports cited robust demand in several nonfinancial service industries including health care, hospitality, legal, and insurance. According to Atlanta, the demand for engineers, particularly in petrochemical fields, was strong. Reports on temporary staffing services were mixed. For instance, Dallas and Philadelphia noted that employment firms reported weaker demand for temporary workers, whereas New York and Richmond reported relatively strong demand.

Demand for transportation services was generally weak, led by lower demand from the housing sector. Reports indicated that freight volume continued to weaken in the Atlanta and Cleveland Districts and was slow overall in the Dallas District. Inter-modal transportation volumes were also said to be lower in the Atlanta and Dallas Districts, although Dallas noted that rail shipments were up, led by strong agricultural shipments.

Manufacturing

Reports on manufacturing activity varied. Kansas City reported that manufacturing was expanding and that manufacturers were relatively upbeat. Cleveland reported that manufacturing output remained steady overall, whereas Dallas indicated that conditions continued to soften. New York reported that manufacturing activity appeared to weaken somewhat in early December, but noted some improvement later in the month. Among the positive reports, San Francisco noted that production and new orders for commercial aircraft and parts remained solid, while sales of information-technology products continued to increase moderately. Boston said that sales of aircraft equipment and pharmaceuticals continued to rise at a robust rate. Atlanta and Minneapolis noted that defense and energy-related manufacturers reported strong activity. St. Louis and San Francisco reported that the local food production industry was expanding.

Philadelphia, Chicago, Kansas City, and Atlanta reported that many firms were expanding export activity. In some cases, demand was also said to have increased as a result of import substitution. For example, Chicago reported that domestic steel production was expanding, led by a moderation in imports. Demand for equipment used in energy extraction and mining continued to be robust as well.

However, according to most Districts, conditions in manufacturing industries producing construction and home-related goods remained weak. Richmond noted weakness in demand for electronics, and San Francisco described production of industrial equipment as tepid. In addition, auto-related production was soft according to the Cleveland, Chicago, and St. Louis reports.

Real Estate and Construction

Conditions in most housing markets remained quite weak through year-end. The pace of sales continued to be sluggish, and inventories persisted at historically high levels according to most Districts. Home construction levels continued to decline according to Atlanta, Chicago, Dallas, Kansas City, and St. Louis reports. Reports on home prices varied. While Dallas observed that home prices were steady, Atlanta, Cleveland, Kansas City, New York, and Richmond reported that prices declined; the Boston and San Francisco Districts said that changes in home prices were mixed. Overall, contacts anticipate that housing markets will remain weak during the first part of 2008.

Reports on commercial real estate varied, with some Districts noting that activity had eased late in the year. Contacts in the Atlanta and Boston Districts indicated that commercial markets were a little changed while the Chicago, Kansas City, Minneapolis, Philadelphia, and Richmond reports suggested slower growth. Activity was stable to increasing according to the Cleveland, Dallas, and San Francisco reports. Vacancy rates were described as stable in the New York, Philadelphia, and Kansas City Districts, and as varied in the Richmond District. Chicago and Minneapolis contacts noted that retail vacancies had risen. Kansas City contacts reported that leasing activity was stable, whereas leasing activity in the Richmond, Philadelphia, and New York Districts had slowed. Most Boston District contacts reported that rents were flat, while rents were steady to declining according to the Chicago and Kansas City reports. New York and Richmond noted that rental rates had stabilized in the fourth quarter, whereas Dallas continued to report rising rental rates.

Contacts in the Boston and Chicago Districts indicated that commercial construction activity was slowing. Developers in the Atlanta and Richmond Districts reported smaller backlogs of projects while Cleveland District contacts said that backlogs had risen. Most contacts anticipate a slower pace of commercial development during 2008.

Banking and Finance

Reports suggest that both business and consumer lending activity slowed in most Districts from mid-November through December. Residential mortgage lending continued to contract in all Districts while refinancing activity varied. For instance, Chicago and Richmond noted increased refinancing activity, but New York cited widespread declines in refinancing. Reports on commercial real estate loan demand were also mixed, although Dallas and Cleveland noted relatively healthy demand. Most reports indicated that credit standards for most loan categories had tightened over the period. Downward pressure on deposits was noted by Chicago, New York, Philadelphia, St. Louis, Kansas City, and Dallas. Several Districts reported declines in loan quality and increased delinquencies.

Agricultural and Natural Resources

The performance of the agricultural sector across Districts was generally favorable. Upbeat conditions in Chicago, Minneapolis, and San Francisco were attributed to a combination of higher crop prices and favorable weather. Dallas and San Francisco reported strong domestic and global demand for their products. Kansas City reported strong demand and low inventories boosted prices and income for crop producers. However, despite recent rains, conditions for drought-stricken areas in the Atlanta and Richmond Districts remained relatively poor.

Activity in the energy sector increased according to the Atlanta, Dallas, Kansas City, and Minneapolis Districts. Dallas noted a sharp rise in the Texas rig count while Kansas City cited strong drilling activity in Oklahoma and Colorado. However, seasonal factors dampened drilling activity in the Cleveland District, and reports on coal production in the region were mixed. Atlanta indicated that Gulf Coast crude inventories were low, but new offshore platforms should help boost production in 2008.

Prices and Wages

According to most reports, businesses continued to face rising costs for food, petrochemicals, metals, and energy-related inputs. Several Districts noted that transportation costs for most products increased. Philadelphia reported that some firms had raised output prices in order to cover higher energy costs. In the San Francisco District, price inflation was said to be limited in general, but significant for food and energy. Dallas reported that high or rising input costs were squeezing margins for most industries. Manufacturers in the New York District reported prices paid and received had increased and that this was expected to continue. Atlanta noted that input costs continued to increase for imported goods originating in Europe or Japan because of the lower value of the dollar. In contrast, producers of framing lumber, wallboard, and wood panels reported weak prices according to the Atlanta, Minneapolis, and Chicago reports.

Reports suggest that labor markets remained relatively tight overall, and especially for skilled workers, whereas housing-related industries continued to trim payroll. Increases in employment costs were generally described as moderate. Kansas City reported that overall wage pressures eased, with only the energy sector citing significant wage pressure. Philadelphia reported that labor costs continued to increase at a moderate pace while Boston, Chicago, Dallas, and San Francisco reported that wage pressures remained limited outside of a few sectors that continue to experience shortages of skilled labor. Wage pressures were not significant according to the Cleveland report.

Activity in the energy sector declined in several Districts since the previous report, with a number of Districts linking the decrease to lower energy prices. In the Atlanta and Minneapolis Districts, oil and gas exploration declined. Kansas City reported a dramatic slowing in energy activity, and Dallas reported a decrease in drilling activity and a decline in the number of active oil rigs since the previous survey. In contrast, energy production did not change in the Cleveland District, and coal production in the St. Louis District was higher in December 2008 than in December 2007. Looking ahead, contacts in the Cleveland and Kansas City Districts expect drilling to decline for the first few months of 2009. Regarding capital spending, contacts in the Atlanta District indicate that oil and gas exploration firms re-evaluated expansion plans in response to lower oil prices and difficulty obtaining credit. Energy producers in the Kansas City District are cutting capital budgets, but producers in the Cleveland District expect little change to their capital spending in early 2009. Finally, iron ore production in the Minneapolis District decreased since the previous report.

Labor Markets

Most Districts reported a general weakening of labor market conditions. Most Districts reported that layoffs continued, and Boston, Cleveland, Richmond, Atlanta, and Dallas noted hiring freezes for select firms. Atlanta, Chicago, and Dallas reported reduced hours to control costs. Job losses in the manufacturing sector were reported by contacts in the Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas Districts. Dallas noted that layoffs were becoming widespread in the energy industry, and New York noted that a substantial number of job reductions in the financial sector have yet to show up in payroll statistics. Richmond reported weaker demand for temporary workers. In contrast, contacts in Chicago indicated that demand for skilled workers remained strong. Richmond noted that demand was strongest for workers providing professional and support services, workers with high-level technical skills, and workers proficient in computer software. Chicago noted employment growth in the education, government, and healthcare fields. St. Louis also noted job growth in some small business support services firms. Cleveland reported continued hiring in defense-related and healthcare industries.

Prices

Consumers saw sizable holiday price cuts in retail stores in a majority of the Districts. Retail contacts in the New York, Philadelphia, Atlanta, Chicago, Minneapolis, Kansas City, Dallas, and San Francisco Districts reported heavy holiday discounting. Retailers and restaurant contacts in the Kansas City District lowered prices and anticipated further declines in the months ahead. Lower energy prices were noted throughout many of the Districts. Most contacts in the Atlanta District reported reduced input price pressures, and about half of the contacts in manufacturing and related services in the Boston District reported falling input prices. Boston reported large price decreases for energy, oil-based materials, paper, and cotton in particular. In the Kansas City District, raw materials prices fell sharply, and manufacturers in general reported a corresponding decline in finished product prices. Manufacturers in the Philadelphia District also reported decreases in commodity prices and some reported a reduction in the prices of their own products as well. Contacts in the Cleveland District observed that the downward trend in raw materials prices has started to level off and that pricing of manufactured products remained relatively stable. On the other hand, the Richmond District noted that raw materials prices rose at a slightly quicker pace since last reported. Contacts in the San Francisco District reported that they expect upward price pressures to remain very limited during early 2009.

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.

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 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	9.0%	
Curr Maturities	8.5%	
Long Term Debt	19.2%	
Net Worth	26.1%	26.1%
Total Invested Capital % of Total Assets	62.8%	62.8%
div by Sales/Total Assets		2.8
Invested Capital/Sales		22.4%
Net Worth/Sales		9.3%

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

$$\text{Invested Capital} = \text{Invested Capital/Sales} \times \text{Sales}$$

$$\text{Net Worth} = \text{Net Worth/Sales} \times \text{Sales}$$

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:

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