Opinion of Value

Prepared for:

[redacted]

August 31, 2009

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PURPOSE AND APPROACH

[redacted] (the "Company") has retained Patton & Associates, LLC to provide business valuation services by expressing an opinion of the fair market value of a 100% equity interest in the Company as of December 31, 2008.

Purpose

This study was undertaken at the request of [redacted] to establish the Fair Market Value of a 100% interest in the equity of the Company as of December 31, 2008. The valuation is to assist the owner in establishing market value of the Employee Stock Ownership Plan. The interest of the Company has been valued on a non-marketable, controlling interest as well as a minority 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.

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]

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

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

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

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

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

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

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

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

CONCLUSION

Based on our review of the information available to us, it is our opinion that as of the date: December 31, 2008
the Fair Market Value of a 100% interest in the Company was (rounded):

FAIR MARKET VALUE of 100% of the Equity	$	2,160,504	
non-marketable, controlling interest basis			
			PER SHARE
FAIR MARKET VALUE of 30% of the Equity	$	531,484	$44,290
non-marketable, non-controlling interest basis			

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

A buyer acquiring this business might pay the above amount for 12 shares or 30% of the equity in the business. There are times when some of the assets will be sold separately such as Cash or Inventory.

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

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

COMPANY DESCRIPTION

[redacted] Inc. is located at [redacted] The Company has been in business for approximately 30 years.

Services

[redacted] Inc., incorporated in the state of [redacted], provides site construction, street paving, snow plowing, and other miscellaneous construction and trucking services.

Employees and Management

The Company has [redacted] employees, of which [redacted] are considered to be of high technical skill. Relative to industry standards, the Company experiences a very low employee turnover rate which implies a high degree of employee satisfaction and low related training and recruitment costs. There is no unionization among the employees nor are there any employee contracts or non-compete covenants in place at this time.

Facility

The Company operates one facility which is considered to be of excellent quality.

Competition

The primary market for the Company's services is southern [redacted] southern [redacted] and western [redacted] As it relates to company size, the subject Company is among the top 20 percent in its market. The Company receives less than 25 percent of sales from its five largest customers. The relative quality of its services are considered excellent. The factors strengthen its competitive position within the market. The strength of the market for the Company's services is stable.

Industry

This industry is expecting solid growth as many of the key markets it services are experiencing bouyant demand. As strong demand, especially from cyclical recovery in the housing market, supports flows through excavation demand, the capacity to deliver the services becomes an important determinant of selection. Therefore, clients look to contractors with a proven capability to complete the excavation within the stipulated time frame, as delays in excavation and site construction can substantially impact on the overall cost of a construction project.

Company Outlook

Based on information obtained from client, the Company has plans to continue operations.

Table 1 Income Statement Reconstruction

Source:	Review	Review	Review	Review	Review	Review
Basis:	Cash	Cash	Cash	Cash	Cash	Cash
	12 mos	12 mos	12 mos	12 mos*	12 mos	12 mos
($)	Apr-04	Apr-05	Apr-06	Dec-06	Dec-07	Dec-08
REVENUE	5,233,709	4,925,219	5,844,409	6,641,856	6,333,264	7,182,885
Cost of Sales (excl depr)	3,818,029	3,146,330	4,118,491	4,859,814	4,512,138	5,414,292
Depreciation in COGS	404,044	475,316	374,321	387,937	341,875	306,528
Gross Profit	1,011,636	1,303,573	1,351,597	1,394,105	1,479,251	1,462,065
Gross Margin (% Sales)	19.3%	26.5%	23.1%	21.0%	23.4%	20.4%
Operating Expenses	720,789	823,439	901,196	960,612	1,011,504	1,077,381
% Sales	13.8%	16.7%	15.4%	14.5%	16.0%	15.0%
Owners' Compensation	239,846	420,751	382,467	268,512	176,375	204,165
Operating Income	51,001	59,383	67,934	164,981	291,372	180,519
Depreciation (-)	(9,347)	(8,516)	(6,957)	(8,000)	(6,952)	(5,958)
Amortization (-)	(333)	(310)	(333)	(326)	(333)	(333)
Interest Expense (-)	(35,655)	(31,187)	(43,160)	(42,262)	(53,018)	(52,022)
Interest Income (+)	2,922	2,216	1,012	2,573	432	449
Other Income (Expense)	42,293	38,213	5,849	-	(1,597)	2,000
NET INCOME BEFORE TAX	50,881	59,799	24,345	116,966	229,904	124,655
Adjustments:						
1. Comparable Compensation	(197,778)	(208,188)	(219,145)	(230,679)	(242,820)	(255,600)
2. Owners' Compensation	239,846	420,751	382,467	297,600	176,375	204,165
3. Depreciation	413,391	483,832	383,922	395,937	348,827	313,086
4. Amortization	333	310	333	326	333	333
5. Interest	35,655	31,187	43,160	42,262	53,018	52,022
6. Other	-	-	-	-	-	-
Adjusted EBITDA**	542,328	787,691	615,082	622,412	565,637	438,661
Revenue	5,233,709	4,925,219	5,844,409	6,641,856	6,333,264	7,182,885
Revenue Adjustments	0	0	0	0	0	0
Adjusted Revenue	5,233,709	4,925,219	5,844,409	6,641,856	6,333,264	7,182,885
Adj. Earnings as a % of Revenue	10.36%	15.99%	10.52%	9.37%	8.93%	6.11%

* The period ending December 2006 utilizes data (Jan '06 - Apr '06) that is also utilized by the period ending April 2006.

** 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		Apr-04	Apr-05	Apr-06	Dec-06	Dec-07	Dec-08
	Adjusted EBITDA	542,328	787,691	615,082	622,412	565,637	438,661
6.	Depreciation	(354,579)	(387,313)	(310,726)	(300,533)	(357,392)	(333)
	Amortization	(333)	(310)	(333)	(326)	(333)	(333)
	Interest expense	(35,655)	(31,187)	(43,160)	(42,262)	(53,018)	(52,022)
	Adjusted EBT	151,761	368,881	260,863	279,291	154,894	385,973

NOTES TO INCOME STATEMENT ADJUSTMENTS:

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

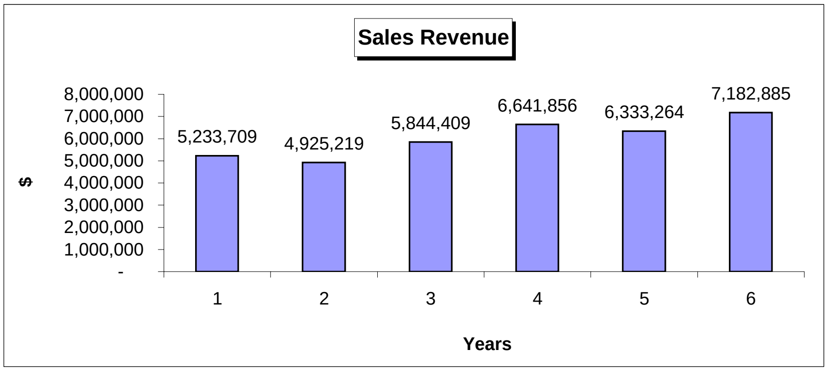
Actual owner's compensation recap

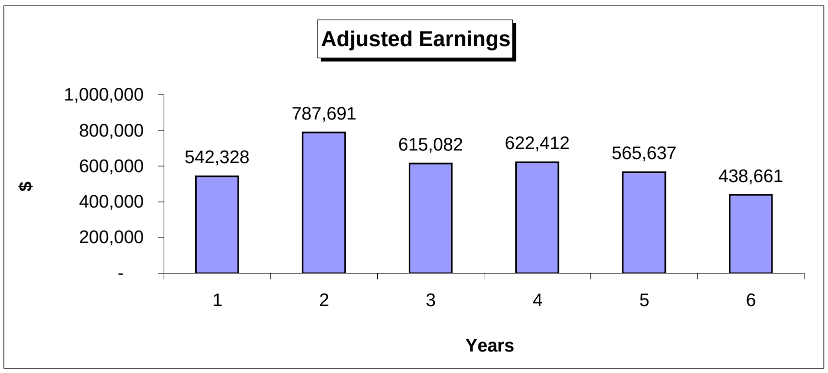
	Apr-04	Apr-05	Apr-06	Dec-06	Dec-07	Dec-08
Owners	239,846	420,751	382,467	297,600	176,375	204,165

Normalized executive compensation

	Apr-04	Apr-05	Apr-06	Dec-06	Dec-07	Dec-08
Owners	197,778	208,188	219,145	230,679	242,820	255,600

3 Depreciation expense added back to arrive at EBITDA.
4 Amortization expenses are added back to earnings.
5 Interest expenses are added back to earnings.
6 It was determined by Mike Adrian, that the Company's depreciation expense had been miscalculated in previous years. To arrive at the correct EBT figure, the corrected depreciation expense is deducted.





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 Apr-04	12 mos Apr-05	12 mos Apr-06	12 mos* Dec-06	12 mos Dec-07	12 mos Dec-08
Year Weights:	1	2	3	*3*	5	6
WEIGHTED AVERAGE ADJUSTED EBITDA						**564,517**
Earnings basis is control EBITDA, earnings before interest, taxes, depreciation and amortization.						
WEIGHTED AVERAGE ADJUSTED EBT						**280,015**
WEIGHTED AVERAGE REVENUE						**6,365,329**
Weighted Average Adj. Earnings as percent of Avg. Revenue						**8.9%**
Weighted Average Gross Profit Margin						**22.0%**
WEIGHTED AVERAGE SDCF						**590,372**

Table 2. Balance Sheet Reconstruction

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

Source:	Review	Review	Review	Review	Review	Review
As Reported	12 mos	12 mos	12 mos	12 mos*	12 mos	12 mos
($)	Apr-04	Apr-05	Apr-06	Dec-06	Dec-07	Dec-08
ASSETS						
Cash	265,697	221,071	67,948	128,985	229,909	76,973
Accounts Receivable	329,392	449,195	567,588	1,033,470	953,499	1,187,083
Inventory	155,263	174,105	174,105	-	-	-
Notes Receivable - Current Portion	604	651	674	702	745	791
Other Current Assets	40,073	45,070	64,743	75,173	78,833	128,959
Total Current Assets	791,029	890,092	875,058	1,238,330	1,262,986	1,393,806
Land	-	-	-	176,168	176,168	176,168
Plant and Equipment	3,192,470	3,486,149	3,833,866	3,649,136	3,872,213	3,993,597
Accumulated Depreciation (-)	(2,346,065)	(2,703,341)	(3,039,566)	(2,914,073)	(3,247,197)	(3,556,808)
Net Plant and Equipment	846,405	782,808	794,300	911,231	801,184	612,957
Other Long Term Assets	47,185	46,206	45,215	44,520	43,442	42,444
Intangibles	-	-	-	-	-	-
Total Assets	**1,684,619**	**1,719,106**	**1,714,573**	**2,194,081**	**2,107,612**	**2,049,207**
LIABILITIES						
Accounts Payable	108,683	66,082	153,645	203,197	341,710	463,709
Short Term Debt	234,783	259,335	279,038	292,021	285,553	233,382
Accrued Expenses	-	-	-	-	-	-
Taxes Payable	70,735	10,656	2,555	13,285	1,850	2,220
Other Current Liabilities	125,000	268,681	112,840	164,536	60,000	55,000
Total Current Liabilities	539,201	604,754	548,078	673,039	689,113	754,311
Long Term Debt	411,849	424,731	458,176	350,166	581,901	420,726
Long Term Debt - ESOP	-	-	-	-	500,511	547,186
Other Long Term Liabilities - Capital Lease	85,021	-	-	-	-	-
Total Liabilities	**1,036,071**	**1,029,485**	**1,006,254**	**1,023,205**	**1,771,525**	**1,722,223**
NET WORTH						
Common Stock	300	300	300	300	300	300
Retained Earnings	775,998	817,071	835,769	1,298,326	1,041,743	1,001,620
Other Equity - Unearned ESOP Shares	-	-	-	-	(578,206)	(547,186)
Treasury Stock	(127,750)	(127,750)	(127,750)	(127,750)	(127,750)	(127,750)
Balancing Adjustment	-	-	-	-	-	-
Net Worth	**648,548**	**689,621**	**708,319**	**1,170,876**	**336,087**	**326,984**
Total Liab & Net Worth	1,684,619	1,719,106	1,714,573	2,194,081	2,107,612	2,049,207

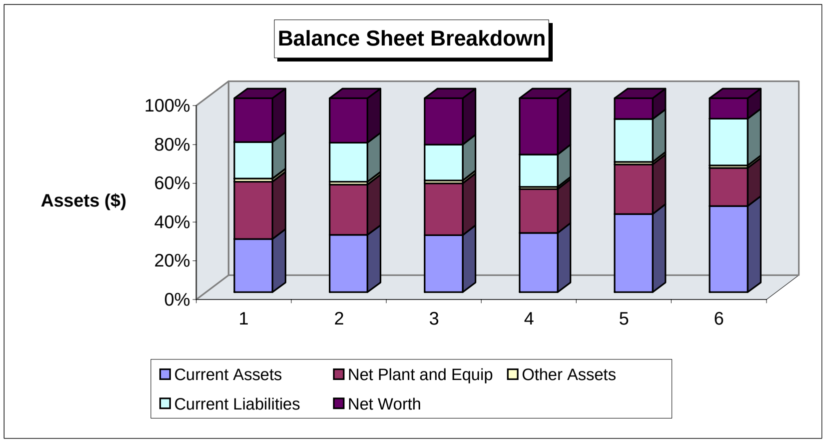
Short Term Debt is interest bearing

Balance Sheet Adjustments

($)	12 mos Apr-04	12 mos Apr-05	12 mos Apr-06	12 mos* Dec-06	12 mos Dec-07	12 mos Dec-08
Net Worth before Adjustments	648,548	689,621	708,319	1,170,876	336,087	326,984
Add Back Interest-Bearing Debt						
Total Interest-Bearing Debt	646,632	684,066	737,214	642,187	867,454	654,108
INVESTED CAPITAL	1,295,180	1,373,687	1,445,533	1,813,063	1,203,541	981,092
Adjusted Return on Investment	41.9%	57.3%	42.6%	34.3%	47.0%	44.7%

No other balance sheet adjustments were considered necessary.

Working Capital	251,828	285,338	326,980	565,291	573,873	639,495
Adj Working Cap ex Cash, Debt	220,914	323,602	538,070	728,327	629,517	795,904
Est Cap Spending						
(Chg in NPE = Depr)	-	(55,081)	18,449	124,931	(103,095)	(182,269)



Discussion

As reported, the Company's Total Assets increased in the period 2004 to 2008 from $1,684,619 to $2,049,207.

The Company's Cash decreased from $265,697 to $76,973.

Overall, from 2004 to 2008, Receivables increased from $329,392 to $1,187,083.
Accounts Receivable increased by $233,584 in 2008, a 24.5% increase.
For perspective, in the same period revenue increased by 13.4%.
The largest increase was a 82.1% change through eight month in 2008.

From 2004 to 2008, Inventory decreased from $155,263 to $0.

In the periods under review, Accounts Payable increased from $108,683 to $463,709.
Accounts Payable increased by $121,999 in 2008, a 35.7% increase, while in the same period revenue increased by 13.4%.
The largest increase was a 132.5% change in 2006 when revenue increased by 18.7%.

Weighted Averages

	12 mos Apr-04	12 mos Apr-05	12 mos Apr-06	12 mos* Dec-06	12 mos Dec-07	12 mos Dec-08
Weights	1	2	3	*3*	5	6
Weighted Avg Adjusted Net Worth						565,386
Weighted Avg Invested Capital						1,286,130
Weighted Average Return on Adjusted Net Worth						99.8%
Weighted Average Return on Invested Capital						43.9%

HISTORICAL AND PROJECTED CASH FLOW

Historical Cash Flow

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

($)	Apr-04	Apr-05	Apr-06	Dec-06	Dec-07	Dec-08
Revenue growth rate	NA	-5.9%	18.7%	13.6%	-4.6%	13.4%
Depreciation (% Sales)	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%
Working Capital (% Sales)	4.2%	6.6%	9.2%	11.0%	9.9%	11.1%
Capital Spending (% Sales)		6.0%	5.9%	-2.8%	3.5%	1.7%
New Debt		-6.5%	7.8%	-12.9%	35.1%	-24.6%
Debt/Equity ratio	1.13	0.99	1.04	0.55	2.58	2.00
Net Plant/Sales ratio	0.16	0.16	0.14	0.14	0.13	0.09
Net Worth/Sales ratio	0.12	0.14	0.12	0.18	0.05	0.05
Net Worth	648,548	689,621	708,319	1,170,876	336,087	326,984
Cash Balance	265,697	221,071	67,948	128,985	229,909	76,973
Working Cap, ex Cash, Debt	220,914	323,602	538,070	728,327	629,517	795,904
Net Plant and Equip	846,405	782,808	794,300	911,231	801,184	612,957
Interest-Bearing Debt	646,632	684,066	737,214	642,187	867,454	654,108
Interest (% Year End Debt)	5.5%	4.6%	5.9%	6.6%	6.1%	8.0%
Revenue	5,233,709	4,925,219	5,844,409	6,641,856	6,333,264	7,182,885
Earnings Margin	10.4%	16.0%	10.5%	9.4%	8.9%	6.1%
Adj EBITDA	542,328	787,691	615,082	622,412	565,637	438,661
Interest	(35,655)	(31,187)	(43,160)	(42,262)	(53,018)	(52,022)
Depreciation	(9,347)	(8,516)	(6,957)	(8,000)	(6,952)	(5,958)
Adj EBT	151,761	368,881	260,863	279,291	154,894	385,973
Tax Rate	30%	30%	30%	30%	30%	30%
Estimated Tax	(45,528)	(110,664)	(78,259)	(83,787)	(46,468)	(115,792)
Adj Earning after Tax	106,232	258,217	182,604	195,504	108,426	270,181
Depreciation	9,347	8,516	6,957	8,000	6,952	5,958
Capital Spending		293,679	347,717	(184,730)	223,077	121,384
Working Capital Change		(102,688)	(214,468)	(190,257)	98,810	(166,387)
Increase (Decrease) in Debt		37,434	53,148	(95,027)	225,267	(213,346)
Adj Equity Cash Flow aft Tax	115,579	495,158	375,958	(266,510)	662,532	17,790
Net Change in Other A/L						
Actual Change in Cash	115,579	495,158	375,958	(266,510)	662,532	17,790
Equity Cash Flow Margin	2.2%	10.1%	6.4%	-4.0%	10.5%	0.2%
Ratio of Cash Flow to Earnings	0.213	0.629	0.611	(0.428)	1.171	0.041
Net Cash Flow Ret on NW	17.8%	71.8%	53.1%	-22.8%	197.1%	5.4%

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-09	Dec-10	Dec-11	Dec-12	Dec-13
Revenue growth rate	7.7%	7.7%	7.7%	7.7%	7.7%
Depreciation (% Sales)	0.13%	0.13%	0.13%	0.13%	0.13%
Working Capital (% Sales)	8.5%	8.5%	8.5%	8.5%	8.5%
Capital Spending (% Sales)	2.52%	2.52%	2.52%	2.52%	2.52%
New Debt (% Cap Spend +chg WC)	1.32%	1.32%	1.32%	1.32%	1.32%
Debt/Equity ratio	2.00	2.00	2.00	2.00	2.00
Net Plant/Sales ratio	0.09	0.09	0.09	0.09	0.09
Net Worth/Sales ratio	0.08	0.08	0.08	0.08	0.08
Net Worth	600,131	1,046,833	1,527,890	2,045,936	2,603,803
Cash Balance	314,812	521,380	743,361	981,929	1,238,348
Working Cap, ex Cash, Debt	655,279	705,461	759,485	817,647	880,262
Net Plant and Equip	659,897	710,432	764,837	823,409	886,465
Interest-Bearing Debt	662,725	671,343	680,074	688,920	697,882
Interest (% Year End Debt)	7.3%	7.3%	7.3%	7.3%	7.3%
Projected Revenue	7,732,951	8,325,142	8,962,682	9,649,045	10,387,971
Earnings Margin EBITDA	8.9%	8.9%	8.9%	8.9%	8.9%
Adj EBITDA	685,806	738,326	794,867	855,738	921,270
Depreciation	(10,101)	(10,874)	(11,707)	(12,603)	(13,568)
Projected Adj EBT	675,706	727,452	783,160	843,134	907,702
Tax Rate	30%	30%	30%	30%	30%
Estimated Distributions for Tax	(202,712)	(218,235)	(234,948)	(252,940)	(272,311)
Projected Earnings after Tax	472,994	509,216	548,212	590,194	635,391
Depreciation	10,101	10,874	11,707	12,603	13,568
Capital Spending	(194,651)	(209,557)	(225,605)	(242,882)	(261,482)
Working Capital Change	140,625	(50,181)	(54,024)	(58,161)	(62,615)
Increase (Decrease) in Debt	8,617	8,731	8,846	8,962	9,081
Proj Equity Cash Flow aft Tax	437,686	269,083	289,135	310,717	333,943
Projected Cash Flow Margin	5.7%	3.2%	3.2%	3.2%	3.2%
Cash Distributions	(199,847)	(62,514)	(67,155)	(72,149)	(77,524)
Net Retained Cash Flow	237,839	206,569	221,981	238,568	256,419
Ratio of Cash Flow to Earnings	0.638	0.364	0.364	0.363	0.362
Ratio of Cash Flow to EBT	0.648	0.370	0.369	0.369	0.368
Net Cash Flow Ret on NW	72.9%	25.7%	18.9%	15.2%	12.8%

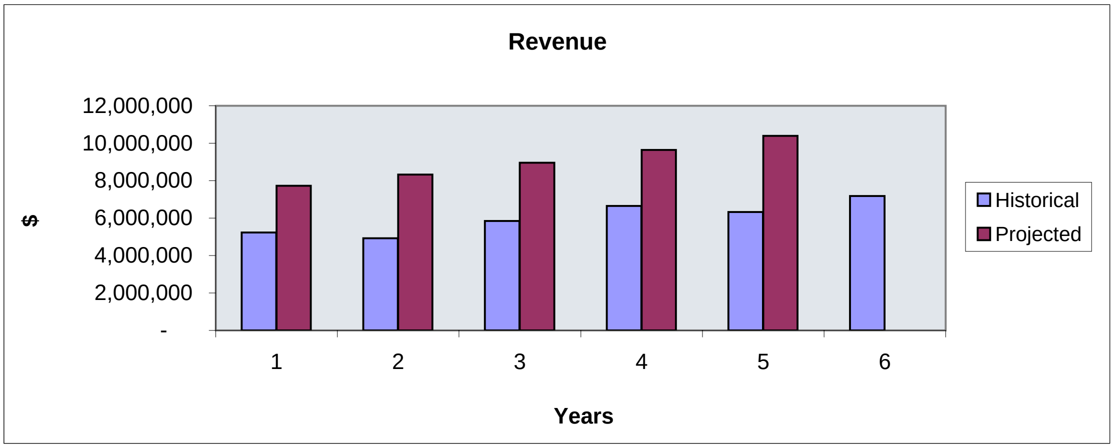
NOTES TO FINANCIAL PROJECTIONS

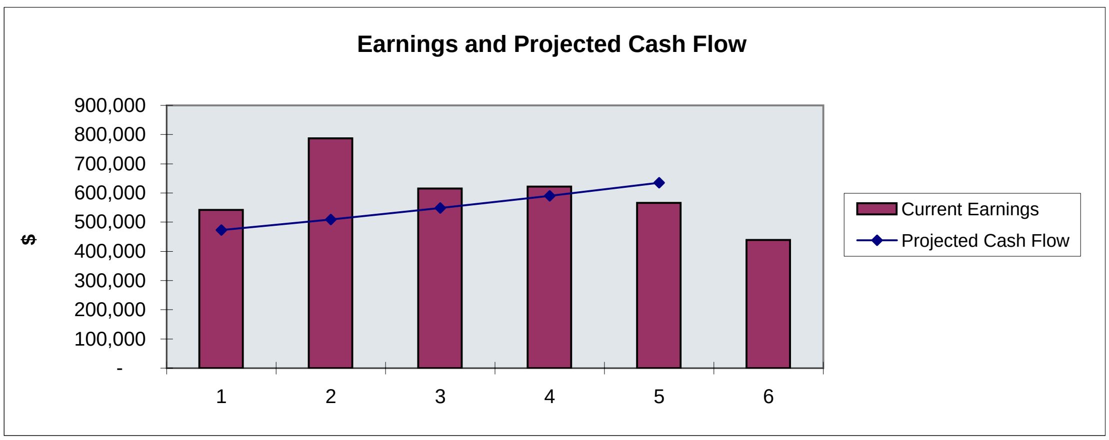
The projections above were prepared by the appraiser based on information provided by the client.

Revenue growth	Projected revenue growth is based on weighted historical trend of the Company.	7.66%
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:	0.078

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

HISTORICAL AND PROJECTED RESULTS





RISK ASSESSMENT, COMPARATIVE ANALYSIS

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

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

238910	**Site Preparation Contractors**

Risk Assessment:

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

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

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

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

ANALYSIS OF COMPANY COMPARED TO INDUSTRY NORMS

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

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

Ratios based on adjusted statements	Company Wtd Avg	Industry Average		
Company ratios historical avg:				
Revenue Growth Rates	7.7%	17.1%		
EBITDA Return on Sales	8.9%	4.0%		
SDCF/Revenue	9.3%	2.8%		
Return on Invested Capital	42.8%	22.7%		
EBT Return on Equity	49.5%	23.4%		
Net Cash Return on Equity	58.1%	27.9%		
Company ratios based on latest		Industry Rates		
period financials:	December 31, 2008	LoQtile	Med	HiQtile
Current Ratio	1.85	0.60	1.20	2.00
Quick Ratio	1.68	0.50	0.90	1.80
Debt/Equity Ratio	2.00	32.10	2.10	1.30
Sales/Receivables	6.05	10.30	9.20	32.70
Net Worth/Sales	0.09		0.10	
Sales/Total Assets	3.11	1.50	2.10	3.00
Sales/Working Capital	9.95	(14.90)	42.90	9.10

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

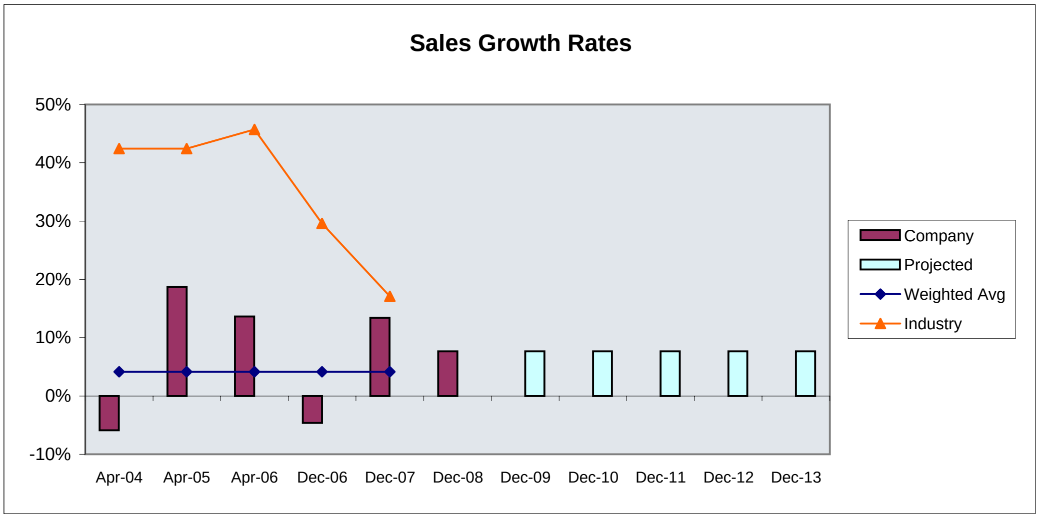
Our analysis suggests that the general risk in this business compared to the industry is:

Moderate

COMPARATIVE ANALYSIS

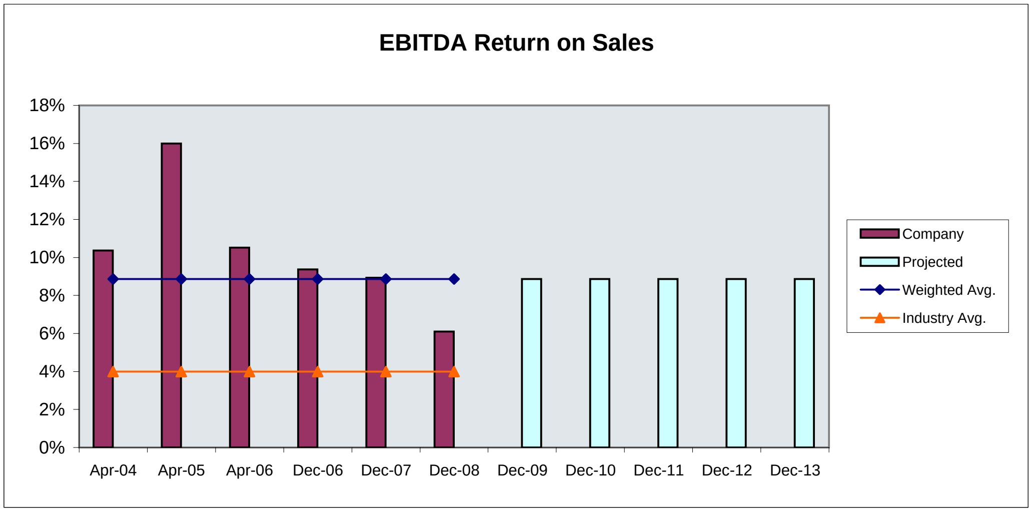
The following discussion of the Company's financial condition relative to the industry makes reference to the financial ratios presented above and in the preceding sections.

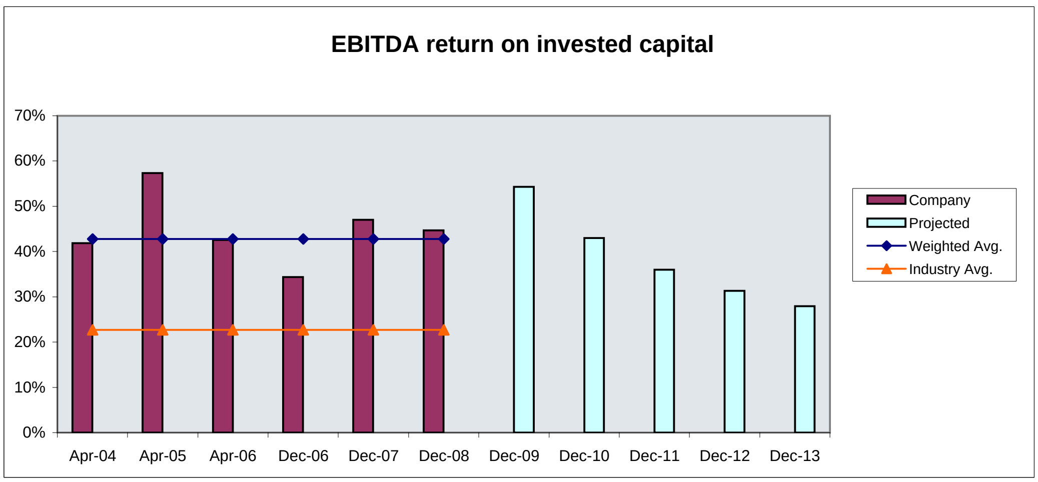
Sales Growth Rate



Over the past five periods, the Company's sales growth has been erratic, showing revenue decline of 5.9 percent from 2004 to 2005. During the following period, revenue increased by 18.7 percent. During a rolling twelve month period ending December 2006 the Company had another 13.6% increase however this is followed by a slight decrease of 4.6 percent.

Profitability





APPROACHES TO VALUE

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

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

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

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

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

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

MARKET DATA

Based on the preceding analysis of risks, we have chosen multipliers and capitalization rates to be applied in this case. We have derived value multipliers and cap rates from an analysis of transactions involving sales of closely held companies or public stock prices, or both. In this case the data we used is located at the end of the valuation as an attachment.

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

In this case we have thrown out any outliers that appeared to be completely out of rank with normal standards. The transactions that remained after this preliminary screening were reviewed for general similarity in business activities, and those that were judged to be too dissimilar were removed from further consideration.

Some of the transactions may go back as far 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.

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

CAPITALIZATION RATES AND MULTIPLIERS

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

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

		Industry Range (Note 1)	Rates Adj for Size and Profitability a	Adjust to Required Rate (2) b	Adjusted Rates and Multipliers a+b
EBITDA Capitalization Rate					
Combined Market Data	Mid Range	20.5%	20.5%	4.36%	24.8%
Company long term growth rate (=industry LT rate)					7.7%
Projection risk (note 3)					1.0%
Discount rate					33.5%
EBT Capitalization Rate					
Combined Market Data	Mid Range	20.5%	20.5%	4.36%	24.8%
Price/Sales					
Combined Market Data	Mid Range	0.603	0.603	-	0.60
GW/Seller's Discretionary Cash					
Combined Market Data	Mid Range	22.76	22.76	-	22.76
* estimated per subject Company					

Notes:

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

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

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

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

COMPUTATION OF VALUE

SUMMARY OF VALUATION METHOD RESULTS

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

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

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

VALUATION METHOD RESULTS	Approach	Weight	Weight %	Result
1. Adjusted Net Worth	Assets	0	0.0%	326,984
2. Liquidation Value	Assets	0	0.0%	120,104
3. Capitalization of Earnings	Income	1	14.3%	2,273,529
4. Capitalization of Excess Earnings	Income/Asset	1	14.3%	2,795,636
5. Capitalization of Dividend Capacity	Income	1	14.3%	748,458
6. Discounted Future Earnings	Income	1	14.3%	2,586,856
7. Discounted Cash Flow	Income	1	14.3%	2,011,968
8. Price to EBITDA	Market/Asset	1	14.3%	1,664,761
9. Price to Revenue	Market/Asset	1	14.3%	3,838,293
Weighted Avg Value of Operations (Note 1) *Non-Marketable, Controlling Interest Basis*		7	100.0%	2,274,214
Working Capital Reserve				-
Value of Operations and Other Assets				2,274,214
Additional Adjustment for Lack of Marketability (Note 2)			5.0%	(113,711)
Value Adjusted for Marketability Non-marketable, 100% interest basis				2,160,504
Percentage of Ownership Valued				30.0%
				$ 648,151
Adjustment for Minority Ownership			18.0%	(116,667)
Net Value of Ownership Interest Non-marketable, controlling interest basis				**$ 531,484**

NOTES TO THE SUMMARY OF VALUATION METHODS

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

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

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

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

ADJUSTED NET WORTH

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

	($)
Book Value of Net Worth	326,984
Net Adjustments	0
Adjusted Net Worth	326,984

LIQUIDATION VALUE

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

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

	Basis	Adjusted Book Value	Percent Realized	Liquidation Value	Gain (Loss) Liquidation
ASSETS					
Cash		76,973	100.0%	76,973	-
Accounts Receivable		1,187,083	90.0%	1,068,375	(118,708)
Inventory		-	50.0%	-	-
Other Receivables		129,750	25.0%	32,438	(97,313)
PP&E (Net)	612,957	612,957	100.0%	612,957	-
Other Assets		171,403	10.0%	17,140	(154,263)
Total Assets		2,178,166		1,807,883	
LIABILITIES					
Accounts Payable		463,709	100.0%	463,709	-
Short Term Debt		233,382	100.0%	233,382	-
Other Current Liabilities		57,220	75.0%	42,915	(14,305)
Long Term Debt		420,726	90.0%	378,653	(42,073)
Long Term Debt - ESOP		547,186	90.0%	492,467	(54,719)
Total Liabilities		1,722,223		1,611,127	
NET WORTH				196,756	
Net Gain (Loss)					(315,565)
Tax effect	33.0%	x Net Gain (Loss)		104,136	
Estimated Costs of Liquidation	10.0%	x Liq value of assets		(180,788)	
Net Liquidation Value				120,104	

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		564,517
Earnings basis is control EBITDA		
Capitalization Rate	Combined Market Data	24.8%
Gross Valuation	Market Value of Invested Capital	2,273,529
Adjustments		0
Net Valuation	(Freely-marketable, controlling interest basis)	2,273,529

CAPITALIZATION OF EXCESS EARNINGS (Reasonable Rate)

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

Average Adjusted Earnings			564,517
less earnings attributable to tangible assets:			
	Adjusted net assets	874,170	
	Reasonable rate of return	10%	(87,417)
Excess earnings attributable to intangible assets			477,100
	Capitalization Rate		24.8%
	Estimated Value of Intangibles		1,921,466
	Adjusted net assets		874,170
Net Valuation	(Freely-marketable, controlling interest basis)		2,795,636

CAPITALIZATION OF DIVIDEND CAPACITY

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

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

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

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

			($)
Weighted Average Revenue		a	6,365,329
Industry Normal Net Worth / Sales ratio		b	20.7%
Normal Net Worth (a x b)			1,318,119.00
Reinvestment Rate (=Company 10 yr avg projected sales growth rate)			7.7%
Reserve for Reinvestment			100,941.72
Industry normal EBT	5.9% of sales		375,554
Reserve for Reinvestment as a % of Normal EBT			9.0%
Reserve for Taxes as a % of Normal EBT			31.0%

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

Cap Rate for =	(1-RI% - Tax Rate) x EBT CR =	
Dividend Capacity	(1-9.0%-33.0%) › 24.8%	14.9%

Projected Distributions		Dec-09	Dec-10	Dec-11	Dec-12	Dec-13
Weights		5	4	3	2	1
		199,847	62,514	67,155	72,149	77,524
Dividend Capacity - 5 year average	j					111,505
Dividend capacity cap rate	k					14.9%
Gross Valuation (j/k)	Market Value of Invested Capital					748,458
Adjustments						0
Net valuation	(Freely-marketable, controlling interest basis)					748,458

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	24.8%
	Discount rate		33.5%
Company 10 yr average revenue growth rate			8%

CALCULATION OF VALUE

Following are the projected earnings for the company

Year Ending	Revenue Growth	Projected Revenue	Margin	EBITDA Projected Earnings	Present Value
Dec-09	7.7%	7,732,951	8.9%	685,806	513,759
Dec-10	7.7%	8,325,142	8.9%	738,326	414,346
Dec-11	7.7%	8,962,682	8.9%	794,867	334,170
Dec-12	7.7%	9,649,045	8.9%	855,738	269,508
Dec-13	7.7%	10,387,971	8.9%	921,270	217,358
Dec-14	7.7%	11,183,483	8.9%	991,821	175,299
Dec-15	7.7%	12,039,915	8.9%	1,067,775	141,379
Dec-16	7.7%	12,961,934	8.9%	1,149,545	114,022
Dec-17	7.7%	13,954,560	8.9%	1,237,578	91,959
Dec-18	7.7%	15,023,202	8.9%	1,332,351	74,165
Terminal Value = last period x (1+growth) / cap rate				5,776,815	240,893
Present value of future earnings					2,586,856
Adjustments					0.00
Net valuation		(Freely-marketable, controlling interest basis)			2,586,856

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		24.8%
Net Cash Return on Equity	NCF/NW	37.8%	
EBT Return on Equity	EBT/NW	74.1%	
times Ratio of Cash Flow to EBT			0.51
Equity Cash Flow after Tax capitalization rate			12.7%
Company long term growth rate			7.7%
Projection risk			0.0%
Discount rate			20.3%
Company 10 yr avg projected growth rate			7.7%

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-09	7.7%	7,732,951	5.7%	437,686	363,742
Dec-10	7.7%	8,325,142	3.2%	269,083	185,843
Dec-11	7.7%	8,962,682	3.2%	289,135	165,956
Dec-12	7.7%	9,649,045	3.2%	310,717	148,213
Dec-13	7.7%	10,387,971	3.2%	333,943	132,380
Dec-14	7.7%	11,183,483	3.2%	359,516	118,441
Dec-15	7.7%	12,039,915	3.2%	387,048	105,969
Dec-16	7.7%	12,961,934	3.2%	416,688	94,810
Dec-17	7.7%	13,954,560	3.2%	448,599	84,826
Dec-18	7.7%	15,023,202	3.2%	482,952	75,894
Terminal Value = last period x (1+growth) / cap rate				4,103,421	535,895
Present value of future cash flow (based on after-tax cash flow)					2,011,968
Adjustments					0.00
Net valuation		(Freely-marketable, controlling interest basis)			2,011,968

PRICE TO EARNINGS

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

This method relies on data from sales of closely held companies as reported by merger and acquisition consultants and business brokers, but can also be based on data from public stock prices.
This ratio is generally higher for companies that are more profitable than average (as a percentage of sales), and lower for those that are less profitable.
Applying the multiplier to the Company's EBITDA gives an estimate of the Company's Goodwill, and then the Tangible Net Worth is added to the result to arrive at the total value of Equity, including Goodwill.

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

Weighted Average Earnings		a	564,517
Price to Earnings Multiplier	Combined Market Data	b	2.949
			1,664,761
Current Adjusted Net Worth			326,984
Value of Goodwill	(Marketable, controlling interest basis)		1,337,777
Adjustments			
Adjust to median working capital levels			-
Net valuation	(Marketable, controlling interest basis)		1,664,761

PRICE TO REVENUE

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

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

Weighted Average gross revenues	a		6,365,329
Price/Revenue multiplier	b	Combined Market Data	0.603
Value of Equity (a*b)	(Marketable, controlling interest basis)		3,838,293
Adjustments			
Adjust to median working capital levels			-
Net valuation	(Marketable, controlling interest basis)		3,838,293

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	1.0
b.	Value of the Company as if freely marketable	2,274,214
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)	7.7%
d.	Expected value of the Company in 1.0 years	2,448,374
h.	Adjustment as a percentage of freely marketable value	5.0%

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

marketability =	5%
Minority Discount=	18%

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

CASH FLOW COVERAGE

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

Value of Operations Before Marketability Adjustment		2,274,214
Adjustment for Marketability		(113,711)
Market Value of Operations		2,160,504
Down Payment on Purchase	20.0%	432,101
Balance to Pay, above existing debt		1,728,403

Interest Rate on new Purchase Debt	7.25%
Years to Pay	10

Annual Debt Service on Balance to Pay (Interest and Principal, one annual payment)	$248,937

Amortization of Purchase Debt

	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13
Beginning Balance	1,728,403	1,604,775	1,472,184	1,329,980	1,177,466
Interest	125,309	116,346	106,733	96,424	85,366
Principal	123,628	132,591	142,204	152,514	163,571
Ending Balance	1,604,775	1,472,184	1,329,980	1,177,466	1,013,896

Cash on Cash Return on Down Payment

	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13
Projected Cash Flow after Tax	472,994	509,216	548,212	590,194	635,391
Tax Benefit, Purchase Interest	38,846	36,067	33,087	29,891	26,464
Purchase Payments	(248,937)	(248,937)	(248,937)	(248,937)	(248,937)
Cash Flow after Purchase	262,903	296,346	332,362	371,148	412,918
Debt/Equity including purchase debt	2.67	1.41	0.87	0.58	0.39
Coverage Ratio	2.75	2.97	3.19	3.44	3.70

Generally, a Cash Return on Down Payment in the range of 20-30% is considered satisfactory, although under some circumstances a higher or lower return might be appropriate. At the same time, the Debt/Equity ratio should be within a realistic range for bank financing, usually less than 2 to 2.5. Finally, the ratio Loan to Coverage Ratio should be higher than 1.25. Typical financing would like these amounts to be higher than 1.35.

CERTIFICATION

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

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

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

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

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

-Our analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the SSVS No. #1 by the American Institute of Certified Public Accountants.

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

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

Patton & Associates, LLC
August 31, 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

SOURCES OF INFORMATION

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

Tax Returns

Financial Statements

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

Owner's statements

RMA

Pratts

Bizcomps

Salary.com

Economic Research

CONDITIONS AND ASSUMPTIONS

Conditions

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

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

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

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

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

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

General Assumptions

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

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

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

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

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

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

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 securties, 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.

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.

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 daid 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 Minneapolisl 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 enegery prices wee 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.