

OPINION OF VALUE

for

ABC Engineering, Inc.

as of October 31, 2009

prepared by

John Doe

December 6, 2009

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1. INTRODUCTION AND SUMMARY

The Plan Committee of the ABC Engineering, Inc. Employee Stock Ownership Plan has requested that Sansome Street Appraisers, Inc., evaluate the common stock of ABC Engineering, Inc. ("ABC" or, sometimes, the "Company") as of October 31, 2009 in order to determine the fair market value of the common stock on a minority interest basis in connection with the proposed purchase of common stock by the Company's Employee Stock Ownership Plan ("ESOP"). This report discusses the information, principles, criteria and conclusions used to reach this valuation.

The common stock of ABC has been valued based upon: (1) the pertinent regulations and principles promulgated by the Internal Revenue Service; (2) a thorough analysis of the Company's financial statements, forecasts and other information; (3) thorough discussions with management; (4) analysis of the relevant industry conditions; and other factors.

The basic rules for valuation are laid down in Revenue Ruling 59-60 issued by the Internal Revenue Service in April, 1959 (as modified by Revenue Ruling 65-193). 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, as well as willing, to trade and be well informed about the property and information 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 have relied in determining the fair market value of the Company's stock. Revenue Ruling 59-60 was issued for estate valuation purposes, but is not limited to that use. It serves as a guide in virtually all valuation situations requiring the determination of fair market value.

Consequently, this report has considered the following factors:

- The history of the Company and the nature of the business.
- General economic outlook and the outlook of the particular industry.
- Book value of the stock and the financial condition of the business.
- Earnings capacity of the Company.
- Dividend paying capacity.
- Whether the enterprise has goodwill or other intangible value.
- Sales of stock and the size of the block to be valued.

- Market prices of stock of other comparable companies traded on exchanges.

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.

Based upon the analysis of ABC, the experience of this appraiser in the valuation of closely held securities, and the consideration of the factors set forth in this valuation report, the appraiser is of the opinion that the fair market value of ABC (on a minority interest basis) is \$10,894,000 or \$108,940.00 per share based upon 100 shares of common stock outstanding.

FAIR MARKET VALUE of 100.00% of the Equity	\$10,894,000	\$108,940.00
<i>non-marketable, minority interest basis</i>		

This valuation was based upon valuation methods utilizing market comparable data and the capitalization of the Company's earnings capacity, as defined. A complete description of our valuation methodology, is set forth in the "COMPUTATION OF VALUE" section of this report.

Scope and Limitations of This Valuation

This valuation is based upon discussions with Company management, and upon data and information provided to us. The Appraiser has no reason to believe that any of the representations of management are other than true and accurate. The Appraiser is not aware of material omissions or understatements which would affect values contained in this report. The fair market value arrived at herein represents the Appraiser's considered opinion based on the facts and information presented to him. No legal opinion is expressed by this report and its accompanying documents.

In performing this valuation study a variety of data and assumptions were used. The financial information on past performance were gathered from financial statements of ABC for the years ended December 31, 2005 through December 31, 2008 as well as the 10 months ended October 31, 2009. Management also provided projections for the next five years.

Interviews were held with the senior officers of the Company and with certain outside sources with regard to the particular industry and ABC's relative position within the industry.

All financial statements, Company background and other pertinent information have been provided by the Company. This material has been reviewed thoroughly and has been accepted as being factual and representative. In ascertaining the value of the Company, published data from multiple data sources were utilized.

This report specifically addresses the valuation of the Company on a minority interest basis, not on a controlling interest basis which includes the attendant rights to control the direction and growth of the Company, to influence or control compensation and dividends, to change management, to acquire other companies or business operations or establish new product lines, or to sell or merge the Company.

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 was conducted by John Doe of John Doe, Inc. on September 24, 2009.

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

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

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.

We found 6 public companies that were sufficiently similar to the Company to be useful in the analysis. Our search for private business sales transactions produced 11 useful market transactions involving sales of businesses similar to the Company. Private market transactions reflect sales of marketable, controlling interests, although not "freely-marketable" in the same sense as many public stocks. As a consequence, the values determined later will be marketable, controlling interest values. The resulting value will then be adjusted to a non-marketable, minority basis.

The public stock price information which was relevant was converted to a marketable, controlling interest basis, so it could be combined with the private transaction data.

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 provides 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.

Sample Appraisal Report

2. VALUATION CONSIDERATIONS AND OTHER FACTORS

In general, a company whose securities are traded in volume by informed persons in a free and active market has its fair market value determined continuously. The prices at which the securities of such a company trade are a reflection of the collective opinion of the investing public as to what the future prospects of the company are at that point of time.

However, when a stock is traded infrequently, or is traded in an erratic market, or is closely held, such as in the case of ABC, some other measure of value must be found in the prices at which the stock of companies engaged in the same or a similar line of business are selling in a free and active market. Several publicly traded companies were found to be comparable to ABC. Industry composite data was considered relevant and was utilized where appropriate.

This valuation was conducted under the guidelines established by the 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. Fair market value has been defined by the Internal Revenue Service 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. Court decisions frequently state, in addition, that the hypothetical buyer and seller are assumed to be able, as well as willing, to trade and be well informed about the property and concerning the market for such property."

The Internal Revenue Code, Section 223(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 the same or a similar line of business which are listed on an exchange." By 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. The primary authority for determination of fair market value of a business enterprise, therefore, has been established as Revenue Ruling 59-60. This Revenue Ruling lists eight factors which are fundamental to any appraisal "...in addition to all other factors..." as follows:

History of the Company and Nature of Its Business

Determination of degree of risk of a company in relation to other companies in its industry requires a review of past trends and the subject company's stability or instability in the market. Depth and longevity of management, secondary management strength, and turnover of the labor force are important. The condition of the company's facility, trends in its industry, etc. also help to determine the degree of risk. More weight is given to recent events, and past nonrecurring financial effects should be reviewed for diminution and elimination if appropriate.

Economic Outlook in General and Condition and Outlook of the Industry in Particular

Economic conditions in the trading arena in which the company operates are of primary importance, but nationwide economic trends, and in some instances international economics, may have favorable or adverse effects on an industry or a company. The intermediate and long term future of the industry and the company's competitive position in the industry has an important effect on the value of the company. A valuation would be incomplete without a careful analysis of the economic climate in which the company must perform.

Book Value of the Stock and Financial Condition of the Business

Any company must be financially structured to respond to the opportunities available to it or meet with failure. Inadequate capitalization, overpowering debt, inefficient operations, inadequate expense control, and many other negative factors can defeat the effectiveness of the company in its industry. A study of capital and operating ratios and their relationship to comparable companies is a necessary part of the valuation process. Although "Book Net Worth" or "Book Value" in current inflationary times has little effect upon the determination of fair market value, since many assets are often worth more than stated book value, book value does establish a base from which adjusted values can be calculated.

Earnings Capacity of the Company

Simplified, "the value of a company to any acquirer is the future stream of earnings which he may expect to receive from the company." A review of the past is a foundation for future expectations. Further, the Appraiser must review the past to search for extraordinary events which give rise to over and understatement of past earnings. Primary emphasis should be given to the most recently experienced earnings.

Dividend Paying Capacity

The ability to pay dividends must be examined; whether dividends are paid by closely held companies is not important. Tax laws discourage dividend payments by private companies, but dividend capacity is evidenced by excess liquidity, relatively high levels of executive salaries, bonuses to shareholder-employees and other generous employee benefits.

Whether or Not the Enterprise Has Goodwill or Other Intangible Assets

Reference is not made to the accounting definition of goodwill. A record of profitable operations in a trading arena, the reputation of the enterprise, the ownership of patents or trademarks, and the prestige of the firm better define goodwill. In the selection of Capitalization Rates, Discount Rates and Price/Earnings Ratios, the Appraiser should assign fractional points for the existence of good-will and should subtract points for "negative goodwill" or other intangibles.

Sales of Stock and Size of the Block of Stock to be Valued

The relationship of the parties to a transaction may be more important than the price at which the shares are traded. Arm's length sales to knowledgeable, unrelated third parties in the recent past would be a basis for valuation. The Appraiser should discount private transactions, and transactions controlled by

restrictions such as those contained in buy-sell agreements, unless there is evidence of independent third party negotiations. Discounts for minority blocks and premiums for control blocks of stock should be applied depending on the size of the block involved.

The Market Price of Stocks of Corporations Engaged in the Same or a Similar Line of Business Having Their Stocks Actively Traded in a Free and Open Market or Over the Counter

Revenue Ruling 59-60 emphasizes "...volume in a free and active market by informed persons." Therefore, the Appraiser should look for comparable companies first on the New York Stock Exchange, second on the American Exchange, and, finally, on the Over-the-Counter Market. Basis for comparability would be provided by product mix, similarity of market, sales trends, and operating and financial ratios. Industry statistics, where applicable, are also helpful to the Appraiser.

In addition to the eight factors above, there are other factors which the Appraiser must consider in performing his valuation. Specifically, an Appraiser must consider comparability of accounting methods and discounts to fair market value determinants. Our views on these subjects are summarized below:

Comparability in Accounting Methods

The accounting profession allows a number of alternative accounting treatments in areas such as inventory and depreciation accounting. Depending upon the particular accounting method utilized, reported earnings may differ materially within a given year. These accounting treatments, which are permitted under Generally Accepted Accounting Principles (GAAP), are usually one-time decisions. Once a company has opted for a particular accounting treatment it cannot change without good cause. That is to say, a company cannot flip-flop between various accounting alternatives year after year just to suit its desire to affect reported earnings. Because of these rules, accounting statements for a particular company are generally comparable from year to year. This comparability, however, may not exist from company to company even if they are in the same industry. This is especially true if one is comparing a "public" company with a "closely held" company.

In general, it is the goal of public companies to maximize reported earnings. This is because the value of a public company's stock tends to reflect the trend in reported earnings. Obviously, the degree of sensitivity of stock values to reported earnings is tempered by economic conditions, market conditions, and other variables. Public companies tend to utilize straight line depreciation for reporting purposes and accelerated depreciation for tax purposes. This accounting treatment gives rise to higher reported earnings and "deferred income taxes payable" on the balance sheets of these companies. In addition, many public companies still use FIFO inventory accounting, which generally leads to higher reported profits.

On the other hand, "closely held" companies do not often concern themselves with reported earnings. Their major concern is maximizing cash flows and minimizing taxes. It is not unusual to find private companies utilizing accelerated depreciation, LIFO inventory methods, and aggressive reserve accounting, which tend to minimize earnings and taxes while maximizing cash flows.

Maximization of cash flows is very important to lending institutions, which are more concerned with a company's ability to service debt than they are in a company's ability to report earnings, since reported earnings, in and of themselves, do not necessarily reflect the ability of a company to repay its obligations. As a consequence, a company that is able to maximize its cash flows is normally in a better position to plan for its working capital needs, its capital expenditure requirements, and its future long term capital.

Accounts to Fair Market Value

The marketability of the company's stock and the control position of majority shareholders, and the relationship of these factors to the block of stock being valued, can also affect the concluded value. Closely held stock, which lacks marketability, is far less attractive than a similar stock with ready access to the public market. A minority stock interest in a closed corporation is usually worth much less than a proportionate share of the assets to which it is attached. Correspondingly, a control position is usually worth much more than a proportionate share of the assets to which it is attached. In valuing a block of stock, Revenue Rulings and court decisions provide a basis for concluding that a discount is valid for an absence of marketability and for a minority interest if the value base does not already reflect the lack of marketability on a minority interest. Similarly, control premiums are often applied to controlling blocks of stock because of the ability of those control blocks to control the management and operations of the Company.

Accordingly, discounts, if applied, can range from 5% to 50% of determined value for lack of marketability. Premiums for control have normally ranged from 10% to 40% or more above minority interest values in recent years with 25% usually the norm.

3. DESCRIPTION

The following is the equity ownership of ABC:

<u>Shareholders</u>	<u>Number of Shares</u>	<u>Percentage Ownership</u>
Shareholder 1	51	51.00%
Shareholder 2	49	49.00%
	<u>100</u>	<u>100.00%</u>

General Business Description

[Intentionally Deleted]

Customers

[Intentionally Deleted]

Sales & Marketing

[Intentionally Deleted]

Competition

[Intentionally Deleted]

Suppliers

[Intentionally Deleted]

Facilities

[Intentionally Deleted]

Employees

As of October 31, 2009, ABC had 87 employees including senior executives.

There is no union and turnover has remained under control (average of 14.5 percent).

Although there is a hierarchical structure at the top, the organization underneath is flat creating a cooperative culture. It is a Company policy to cross-train employees to perform multiple functions in order to avoid delays caused by illness or other conditions.

Prospective new hires go through a two hour battery of tests before they are considered for full time employment. Once hired, employees find benefits to be more than competitive as skilled workers are difficult to find; even in the current economic environment.

According to management, the Company is in a hiring mode and is also seeking a qualified Human Relations manager and VP of Operations.

Below is a breakdown of employees by job description:

ABC, Inc.
October 31, 2009
Employees

<u>Job Description</u>	<u>Number</u>
Administration	5
Repair Floor	29
Cusotmer Support	7
New Product Floor	27
New Product	4
Production Office	3
Quality Control	4
Engineering	5
Sales	3
TOTAL	87

Management

[Intentionally Deleted]

Brief Marketing Discussion

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Sample Appraisal Report

4. VALUATION

In arriving at a value determination for ABC, this appraiser has considered the relevant factors set forth in Revenue Ruling 59-60 with respect to the valuation of closely held companies. The following comments represent the findings with regard to those specific factors outlined in Revenue Ruling 59-60 as they pertain to the valuation of a closely held company such as ABC.

Book Value

Revenue Ruling 59-60 states that one should consider book value when valuing a closely held company. ABC had a stated book value or net worth of \$2,004,792 as of December 31, 2007 and \$2,149,281 a year later. It was \$3,374,907 as of July 31, 2009.

Book value, per se, is typically not given much weight in the valuation of company such as ABC unless, on a liquidation basis, it exceeds the value as calculated using methods related to the earning power of the Company.

Recent Sales of Common Stock

Revenue Ruling 59-60 suggests that one consider recent purchases or transactions in the stock of the Company or recent offers to purchase or merge the Company.

There have been no recent transactions in the Company's stock. Therefore, no consideration has been given to this approach in considering the minority interest value.

Dividend History Capacity and Probability

Revenue Ruling 59-60 suggests that the appraiser consider the dividend paying capacity of the corporation when valuing a closely held company such as ABC.

ABC has paid cash dividends during the period under examination. Data on dividend yields and dividend payments by similar companies exists and valuing the Company based upon its dividend paying capacity was deemed to be appropriate at this time.

Market Comparable Valuation Analysis

Revenue Ruling 59-60 suggests that the Appraiser compare the business being appraised and other, similar companies. The choice of comparable companies is a critical factor in the application of these methods.

Publicly traded companies are frequently used due to the ready availability of data but closely-held concerns are often used when data can be obtained. To the extent possible, they should be in the same industry as the Company and should represent similar investment opportunities. Furthermore, some consideration should be given to the strategic position of the companies in their industries; similarity in company size, product quality, labor and capital intensiveness, value added, and other factors may be important in establishing comparability.

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 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 packages. 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.

The following companies possess operating and financial characteristics similar to ABC:

Sample Appraisal Report

5. INCOME STATEMENT

Following is a summary of the revenues and expenses of the Company for the periods shown. Detailed financial statements are available in our workpapers.

	Source: Basis:	Internal Accrual 12 mos Dec-2005	Internal Accrual 12 mos Dec-2006	Internal Accrual 12 mos Dec-2007	Internal Accrual 12 mos Dec-2008	Internal Accrual 10 mos Oct-2009
	(\$000)					
REVENUE		4,218	3,403	5,851	7,303	8,239
Cost of Sales (excl depreciation)		2,484	2,165	3,519	4,578	4,378
Depreciation in COGS		184	144	103	112	94
Gross Profit		1,550	1,094	2,229	2,613	3,767
Gross Margin (% Sales)		36.7%	32.1%	38.1%	35.8%	45.7%
Operating Expenses		908	829	1,326	1,646	1,365
% Sales		21.5%	24.4%	22.7%	22.5%	16.6%
Officers' Compensation		104	107	107	116	124
Operating Income		538	158	796	851	2,278
Depreciation (-)		(38)	(144)	(23)	(24)	(17)
Interest Expense (-)		(3)	(4)	(2)	(1)	0
Interest Income		3	1	1	0	0
Other Income(Expense)		(119)	(106)	(42)	(194)	(3)
NET INCOME BEFORE TAX		381	(95)	730	632	2,258
Adjustments:						
1 Depreciation		222	288	126	136	111
2 Amortization		0	0	0	0	0
3 Interest expense		3	4	2	1	0
4 Non-recurring expense		0	0	0	250	0
5 Annualizing adjustment		0	0	0	0	162
Adjusted EBITDA*		606	197	858	1,019	2,531
Annualized Revenue		4,218	3,403	5,851	7,303	9,784
Adj Earn'gs as a percent of Revenue		14.4%	5.8%	14.7%	14.0%	25.9%

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

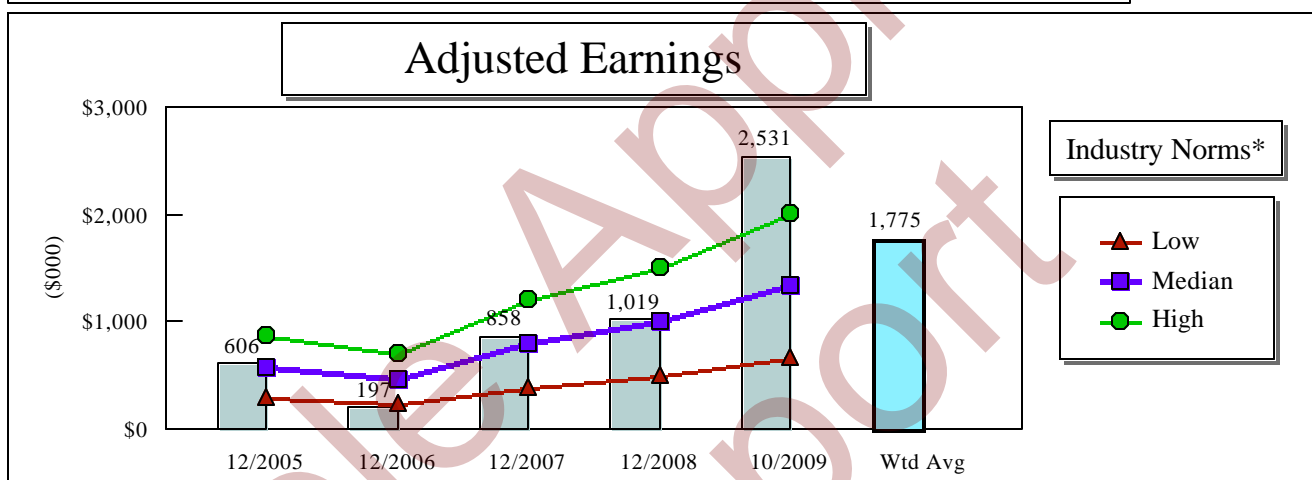
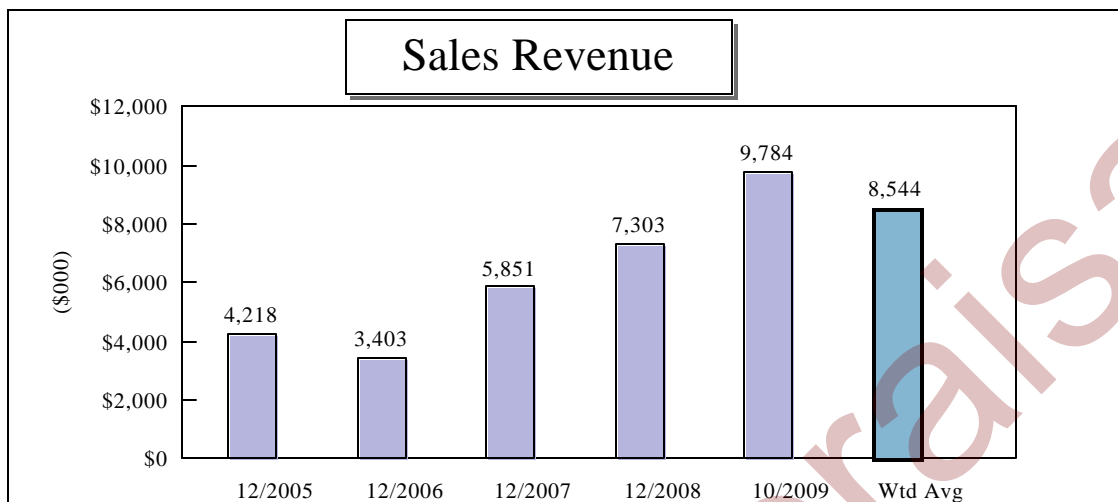
Adjusted EBT	Dec-2005	Dec-2006	Dec-2007	Dec-2008	Oct-2009
Adjusted EBITDA	606	197	858	1,019	2,531
Depreciation	(222)	(288)	(126)	(136)	(133)
Amortization	0	0	0	0	0
Interest expense	(3)	(4)	(2)	(1)	0
Adjusted EBT	381	(95)	730	882	2,398

NOTES TO INCOME STATEMENT ADJUSTMENTS:

- 1-3 Depreciation, amortization and interest expenses are added back to arrive at EBITDA.
- 4 In FY 2008, the Company incurred a one-time expenditure amounting to \$250,000 in an anechoic chamber, a piece of equipment built by the Company.
- 5 An adjustment is applied in order to annualize the most recent interim financial statements.

No other income statement adjustments were considered necessary.

Sample Appraisal Report



* **Industry Norms**

Industry EBITDA Return on Sales

See Section 7, Page 22, Adj Return on Sales

	LoQtile	Med	HiQtile
Industry EBITDA Return on Sales	6.8%	13.7%	20.6%

	Dec-2005	Dec-2006	Dec-2007	Dec-2008	Oct-2009
Company Revenue	4,218	3,403	5,851	7,303	9,784
EBITDA at industry ROS:					
LoQtile	288	233	400	499	669
Med	578	466	802	1,001	1,341
HiQtile	868	700	1,204	1,502	2,013
Company EBITDA	606	197	858	1,019	2,531
Company Return on Sales	14.4%	5.8%	14.7%	14.0%	25.9%
Compares:	Med	Low	Med	Med	Very High

DISCUSSION

The Company's revenue increased in the period 2005 to 2009 from \$4.218 million to \$9.500 million dollars.

In the same period, EBITDA earnings increased from \$606 thousand to \$2.400 million dollars.

The Gross Profit margin increased from 36.7% in 2005 to 46.1% in 2009. In the same period, Operating Expenses decreased from 21.5% to 18.6% of revenue. As a consequence, the earnings margin increased from 14.4% to 25.3% of revenue.

Additional discussion is provided in Section 8.

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 weights are set to reflect our opinion that fiscal years 2005, 2006 & 2007 do not reflect the Company's current earnings capacity since the business has shifted its emphasis from the automotive to the aerospace industry in the past couple years. Since the most recent period is interim in nature and does not reflect a full fiscal year we have chosen to weight the past two periods equally.

	12 mos Dec-2005	12 mos Dec-2006	12 mos Dec-2007	12 mos Dec-2008	10 mos Oct-2009
Year Weights:	0	0	0	1	1
WEIGHTED AVERAGE ADJUSTED EBITDA					1,775
The earnings basis is control EBITDA, earnings before interest, taxes, depreciation and amortization.					
WEIGHTED AVERAGE ADJUSTED EBT					1,640
WEIGHTED AVERAGE REVENUE					8,544
Weighted Average Adjusted Earnings as percent of Average Revenue					20.8%
Weighted Average Gross Profit Margin					40.8%

6. BALANCE SHEET

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

As Reported	Source: Basis:	Internal Accrual 12 mos Dec-2005	Internal Accrual 12 mos Dec-2006	Internal Accrual 12 mos Dec-2007	Internal Accrual 12 mos Dec-2008	Internal Accrual 10 mos Oct-2009
	(\$000)					
ASSETS						
Cash		185	215	49	195	1,198
Accounts Receivable		816	800	1,256	1,280	1,770
Inventory		461	394	660	597	622
Other Current Assets		45	61	59	185	488
Total Current Assets		1,507	1,470	2,024	2,257	4,078
Plant and Equipment		1,445	1,549	1,661	1,809	2,073
Accumulated Depreciation (-)		(1,090)	(1,254)	(1,308)	(1,474)	(1,598)
Net Plant and Equipment		355	295	353	335	475
Total Assets		1,862	1,765	2,377	2,592	4,553
LIABILITIES						
Accounts Payable		113	136	233	261	307
Short Term Debt	D	33	1	0	0	0
Accrued Expenses		49	59	84	125	133
Taxes Payable		55	7	12	19	12
Other Current Liabilities		64	180	43	38	(79)
Total Current Liab		314	383	372	443	373
Total Liabilities		314	383	372	443	373
NET WORTH						
Common Stock		1	1	1	1	1
Retained Earnings		1,546	1,380	2,002	2,147	4,178
Paid-in-Capital		1	1	1	1	1
Balancing Adjustment		0	0	1	0	0
Net Worth		1,548	1,382	2,005	2,149	4,180
Total Liab & Net Worth		1,862	1,765	2,377	2,592	4,553

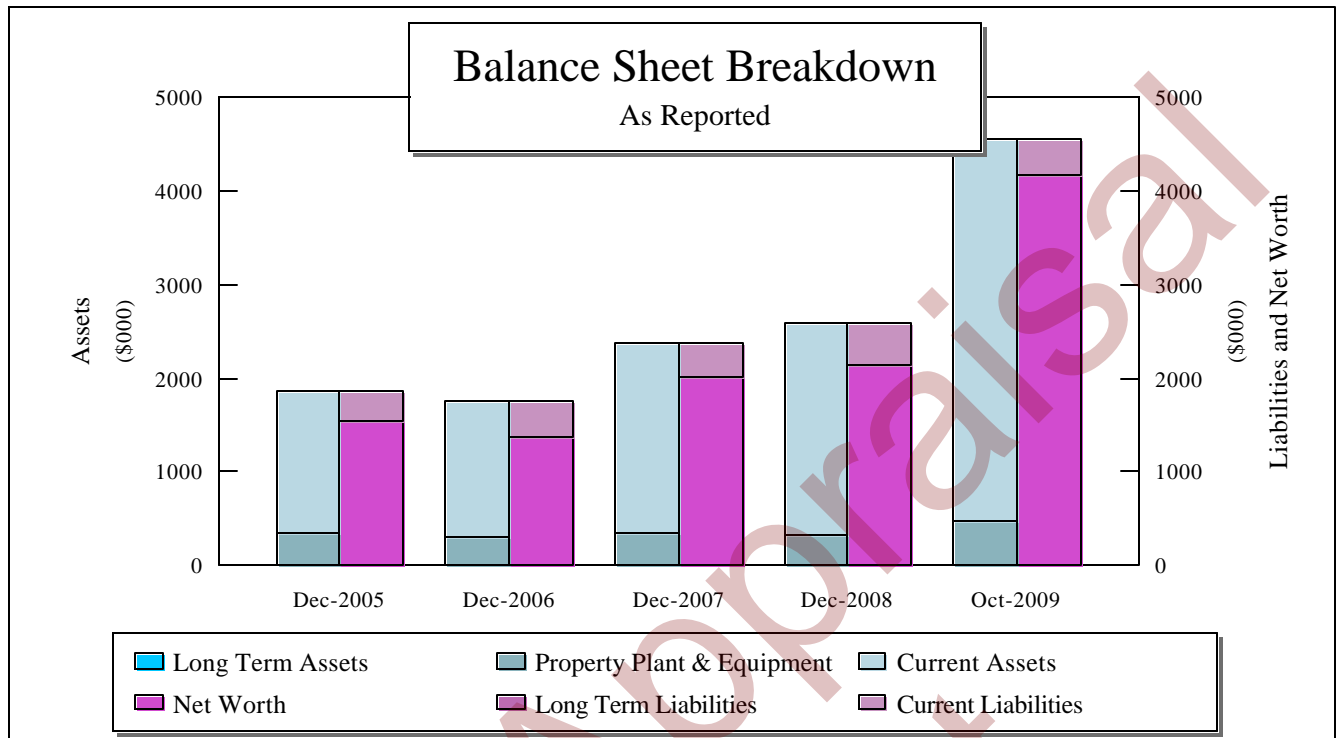
D indicates interest-bearing debt

BALANCE SHEET ADJUSTMENTS

(\$000)	12 mos Dec-2005	12 mos Dec-2006	12 mos Dec-2007	12 mos Dec-2008	10 mos Oct-2009
Net Worth before Adjustments	1,548	1,382	2,005	2,149	4,180
Add Back Interest-Bearing Debt:					
Short Term Debt	33	1	0	0	0
Long Term Debt	0	0	0	0	0
Total Interest-Bearing Debt	33	1	0	0	0
INVESTED CAPITAL	1,581	1,383	2,005	2,149	4,180
Adjusted Return on Investment	38.3%	14.2%	42.8%	47.4%	60.6%

No other balance sheet adjustments were considered necessary.

Working Capital	1,193	1,087	1,652	1,814	3,705
Adj Working Capital ex Cash, Debt	1,041	873	1,603	1,619	2,507
Est Capital Spending (Chg in NPE + Depr)		228	184	118	301



The above chart illustrates the composition of the Balance Sheet, with the left half of each column representing Assets, and the right half representing Liabilities and Net Worth.

DISCUSSION

As reported, the Company's Total Assets increased in the period 2005 to 2009 from \$1.862 million to \$4.038 million dollars. The Company's Cash increased from \$185 thousand to \$1.070 million dollars.

Overall, from 2005 to 2009, Receivables increased from \$816 thousand to \$1.581 million dollars. Accounts Receivable increased by \$456 thousand in 2007, a 57.0% increase. For perspective, in the same period revenue increased by 71.9%. The largest decrease was a -2.0% change in 2006 when revenue decreased by -19.3%.

From 2005 to 2009, Inventory increased from \$461 thousand to \$958 thousand dollars. Inventory increased by \$361 thousand in 2009, a 67.5% increase. For perspective, in the same period revenue increased by 71.9%. The largest decrease was a -14.5% change in 2006 when revenue decreased by -19.3%.

In the 5 years, Accounts Payable increased from \$113 thousand to \$318 thousand dollars. Accounts Payable increased by \$97 thousand in 2007, a 71.3% increase, while in the same period revenue increased by 71.9%. The smallest increase was a 12.0% change in 2008 when revenue increased by 24.8%.

Additional discussion is provided in Section 8.

WEIGHTED AVERAGES

	12 mos Dec-2005	12 mos Dec-2006	12 mos Dec-2007	12 mos Dec-2008	10 mos Oct-2009
Weights	0	0	0	1	1
WEIGHTED AVERAGE ADJUSTED NET WORTH					3,165
WEIGHTED AVERAGE INVESTED CAPITAL					3,165
WEIGHTED AVERAGE RETURN ON ADJUSTED NET WORTH					56.1%
WEIGHTED AVERAGE RETURN ON INVESTED CAPITAL					56.1%

Sample Appraisal Report

7. HISTORICAL AND PROJECTED CASH FLOW

HISTORICAL CASH FLOW

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

(\$000)	Dec-2005	Dec-2006	Dec-2007	Dec-2008	Annualized Oct-2009
Revenue growth rate	NA	-19.3%	71.9%	24.8%	34.0%
Depreciation (% Sales)	5.3%	8.5%	2.2%	1.9%	1.4%
Working Capital (% Sales) *	24.7%	25.7%	27.4%	22.2%	25.6%
Capital Spending (% Sales)		6.7%	3.1%	1.6%	3.1%
New Debt (% Cap Spend + chg WC)		-53.3%	-0.1%	0.0%	0.0%
Debt/Equity ratio	0.02	0.00	0.00	0.00	0.00
Net Plant/Sales ratio	0.08	0.09	0.06	0.05	0.05
Net Worth/Sales ratio	0.37	0.41	0.34	0.29	0.43
Net Worth	1,548	1,382	2,005	2,149	4,180
Cash Balance	185	215	49	195	1,198
Working Capital, excl Cash, Debt *	1,041	873	1,603	1,619	2,507
Net Plant and Equipment	355	295	353	335	475
Interest-Bearing Debt	33	1	0	0	0
Interest (% Year End Debt)	9.1%	400.0%	0.0%	0.0%	0.0%
Revenue	4,218	3,403	5,851	7,303	9,784
Earnings margin	14.4%	5.8%	14.7%	14.0%	25.9%
Adjusted Earnings bef Int, Tax, Dep	606	197	858	1,019	2,531
Interest	(3)	(4)	(2)	(1)	0
Depreciation	(222)	(288)	(126)	(136)	(133)
Adjusted Earnings before Tax	381	(95)	730	882	2,398
Tax Rate	33.0%	20.0%	33.0%	33.0%	40.0%
Estimated Tax	(126)	19	(241)	(291)	(959)
Adjusted Earnings after Tax	256	(76)	489	591	1,439
Depreciation	222	288	126	136	133
Capital Spending		(228)	(184)	(118)	(301)
Working Capital change *		168	(730)	(16)	(888)
Increase (Decrease) in Debt		(32)	(1)	0	0
Adjusted Equity Cash Flow after Tax	478	120	(300)	593	383
Net Change in Other A/L		(90)	134	(447)	620
Actual Change in Cash	478	30	(166)	146	1,003
Equity Cash Flow Margin	11.3%	3.5%	-5.1%	8.1%	3.9%
Ratio of Cash Flow to Earnings	0.788	0.152	(0.193)	0.143	0.396
Net Cash Flow Return on Net Worth	30.9%	8.7%	-14.9%	27.6%	9.2%

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

PROJECTED CASH FLOW

The cash flow projections given below are used in the discounted future earnings and cash flow methods. Some of the key parameters used in the projections are calculated on the following pages.

(\$000)	Beg Bal	Dec-2010	Dec-2011	Dec-2012	Dec-2013	Dec-2014
Revenue growth rate		25.0%	20.0%	20.0%	12.8%	9.2%
Depreciation (% Sales)		2.0%	2.0%	2.0%	1.7%	1.7%
Working Capital (% Sales) *		25.6%	25.6%	25.6%	25.6%	25.6%
Capital Spending (% Sales)		6.8%	1.7%	1.7%	1.7%	1.7%
New Debt (% Cap Spend + chg WC)		0.0%	0.0%	0.0%	0.0%	0.0%
Debt/Equity ratio		0.00	0.00	0.00	0.00	0.00
Net Plant/Sales ratio		0.09	0.07	0.05	0.05	0.04
Net Worth/Sales ratio		0.44	0.41	0.38	0.37	0.36
Net Worth	4,180	5,375	6,048	6,756	7,357	7,869
Cash Balance	1,198	1,181	1,278	1,295	1,318	1,362
Working Capital, excl Cash, Debt *		3,134	3,761	4,513	5,090	5,559
Net Plant and Equipment	475	1,060	1,009	949	949	949
Interest-Bearing Debt	0	0	0	0	0	0
Interest (% Year End Debt)		8.3%	8.3%	8.3%	8.3%	8.3%
Projected Revenue		12,230	14,676	17,611	19,865	21,693
Earnings margin EBITDA		21.0%	21.0%	21.0%	21.0%	21.0%
Adjusted EBITDA		2,574	3,088	3,706	4,172	4,556
Depreciation		(250)	(300)	(360)	(338)	(369)
Projected Earnings before Tax		2,324	2,788	3,346	3,834	4,187
Tax Rate		40.0%	40.0%	40.0%	40.0%	40.0%
Estimated Tax		(929)	(1,115)	(1,338)	(1,534)	(1,675)
Projected Earnings after Tax		1,395	1,673	2,008	2,301	2,512
Depreciation		250	300	360	338	369
Capital Spending		(835)	(249)	(299)	(338)	(369)
Working Capital change *		(627)	(627)	(752)	(578)	(468)
Increase (Decrease) in Debt		0	0	0	0	0
Projected Equity Cash Flow after Tax		183	1,097	1,317	1,723	2,044
Projected Cash Flow Margin		1.5%	7.5%	7.5%	8.7%	9.4%
Dividend Capacity		(200)	(1,000)	(1,300)	(1,700)	(2,000)
Net Retained Cash Flow		(17)	97	17	23	44
Ratio of Equity Cash Flow to EBITDA		0.071	0.355	0.355	0.413	0.449
Ratio of Equity Cash flow to EBT		0.079	0.393	0.393	0.449	0.488
Net Cash Flow Return on Net Worth		3.4%	18.1%	19.5%	23.4%	26.0%

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

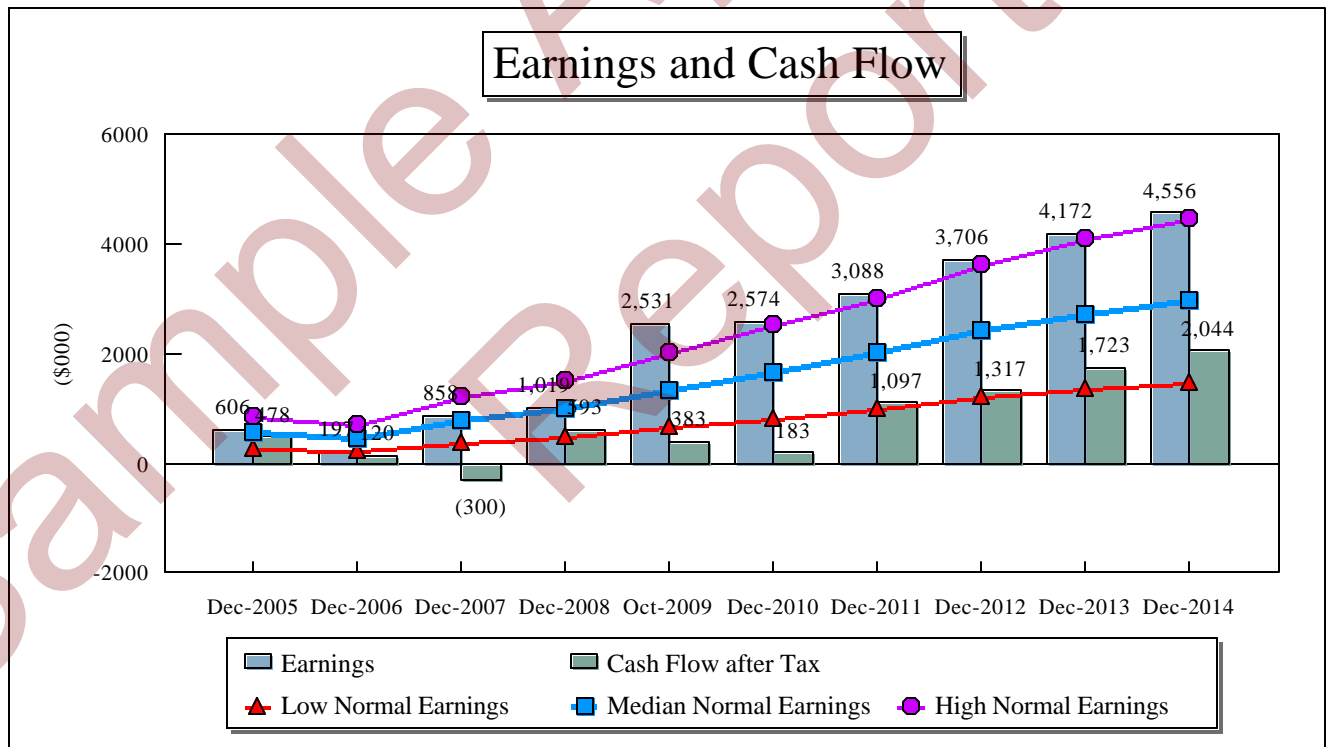
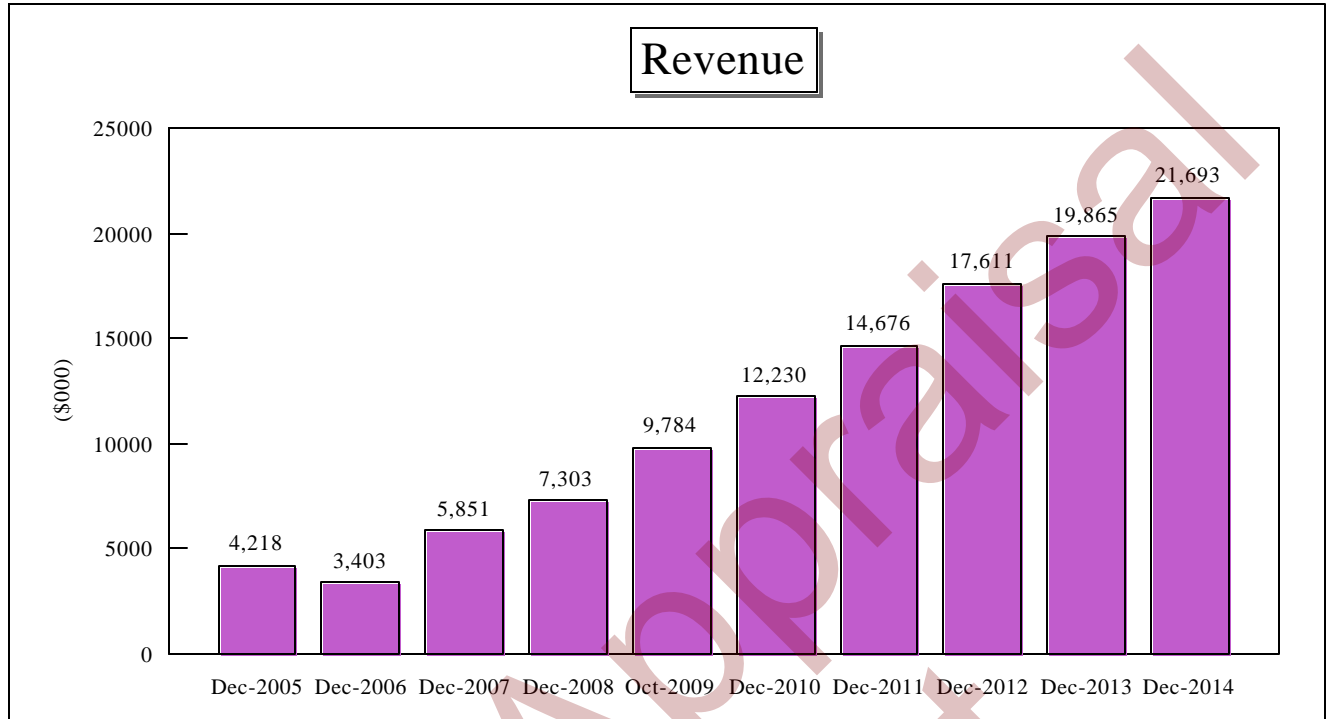
NOTES TO FINANCIAL PROJECTIONS

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

Revenue growth	Revenue growth projections provided by Company management.
Earnings margin	Per management.
Tax rate	Estimated effective statutory rate for Company income taxes.
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.
Dividend Capacity	Calculated to maintain the Net Worth/Sales ratio at: 0.269

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. We do not provide assurance as to the achievability of the results forecasted.

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.

(\$000)	Dec-2005	Dec-2006	Dec-2007	Dec-2008	Oct-2009
Weights	0	0	0	1	1
Revenue growth rate	NA	-19.3%	71.9%	24.8%	34.0%
Weighted Average revenue growth					29.4%
Industry revenue growth					5.6%
Projected revenue growth next year					25.0%
Adjusted Earnings growth rate	NA	-67.5%	335.5%	18.8%	148.4%
Depreciation	222	288	126	136	133
Depreciation as % of Sales	5.3%	8.5%	2.2%	1.9%	1.4%
Weighted Average Depreciation, % Sales					1.6%
Projected Depreciation, % Sales					2.0%
Current Ratio	4.8	3.8	5.4	5.1	10.9
Quick Ratio	3.2	2.7	3.5	3.3	8.0
Working Capital	1,193	1,087	1,652	1,814	3,705
Sales/Working Capital	3.5	3.1	3.5	4.0	2.6
Cash after WC Adjustment	185	215	49	195	1,198
Short Term Debt	33	1	0	0	0
Adj Working Capital ex Cash, Debt	1,041	873	1,603	1,619	2,507
as % of Sales	24.7%	25.7%	27.4%	22.2%	25.6%
Sales/Adjusted Working Capital	4.1	3.9	3.7	4.5	3.9
Weighted Average Adj WC as % of Sales					23.9%
Projected WC as % of Sales					25.6%
Capital Spending, est (Change in NPE+Depr)		228	184	118	301
as % of Sales		6.7%	3.1%	1.6%	3.1%
Weighted Average Cap Spending, % Sales					2.3%
Projected Cap Spending, % Sales					6.8%
Change in Debt		(32)	(1)	0	0
Interest Bearing Debt	33	1	0	0	0
Interest Bearing Debt/Adj NW	0.0	0.0	0.0	0.0	0.0
Weighted Average D/NW					0.0
Sales/Total Assets	2.27	1.93	2.46	2.82	2.15

8. 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.

Engine and Engine Parts 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	Some	Medium	+++
Industry life cycle	Growing	Medium	+++
Industry stability	Some instability	Medium	+++
Relative size of company	Average	Medium	+++
Customer concentration	<25% sales to 5 largest	Low	+
Relative product quality	Excellent	Low	+
Product differentiation	Some	Medium	+++
Strength of the market	Strong	Low	+
Size of the market	Moderate	Medium	+++
Price competition	Some	Medium	+++
Employee turnover	Moderate	Medium	+++
Unionization	None	Low	+
Management depth	Excellent	Low	+
Condition of facilities	Excellent	Low	+
Ease of market entry	Moderate	Medium	+++
Ease of market exit	Moderate	Medium	+++
Profit variance *	Very small	Low	+
Profit margin trend	Increasing	Low	+

* 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.

ANALYSIS OF COMPANY COMPARED TO INDUSTRY NORMS

The 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.

<i>(Ratios based on adjusted statements)</i>	Company Wtd Avg	Industry Rates			Risk Level
		LoQtile	Med	HiQtile	
<i>Company ratios historical weighted average:</i>					
Revenue Growth Rates [1]	29.4%	2.8%	5.6%	8.4%	Low
EBITDA Return on Sales [2]	20.8%	6.8%	13.7%	20.6%	Low
DCF/Revenue [2]	22.3%	8.8%	15.5%	22.2%	Low
Return on Invested Capital	56.1%	12.5%	15.9%	21.2%	Low
EBT Return on Equity	51.8%	11.1%	24.6%	52.2%	Medium
Net Cash Return on Equity	18.4%	3.5%	18.0%	30.0%	Medium
Gross Profit Margin	40.8%	15.5%	31.0%	65.5%	Medium
<i>Company ratios based on latest period financials:</i>					
	Oct-2009				
Current Ratio	10.9	1.2	1.9	2.6	Low
Quick Ratio	8.0	0.4	0.6	1.1	Low
Debt/Equity Ratio	0.0	0.5	1.4	3.7	Low
Interest Coverage	NA	2.2	3.9	10.5	Low
Net Worth/Sales	0.427	0.130	0.163	0.269	Low
Sales/Total Assets	2.1	1.4	2.3	2.9	Medium
Sales/Working Capital	2.6	4.0	7.1	19.1	High
WC/Sales	37.9%	25.0%	14.1%	5.2%	
Days Receivable	66.0	22.8	34.8	50.0	High
Days Inventory	42.8	57.9	101.4	135.2	Low
Days Payable	21.1	18.8	32.3	55.3	Medium

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

1 Industry Growth estimated at long term GDP growth rate.

2 Combined Market Data [Section 20, page 68]

RECAP OF RISK FACTORS:

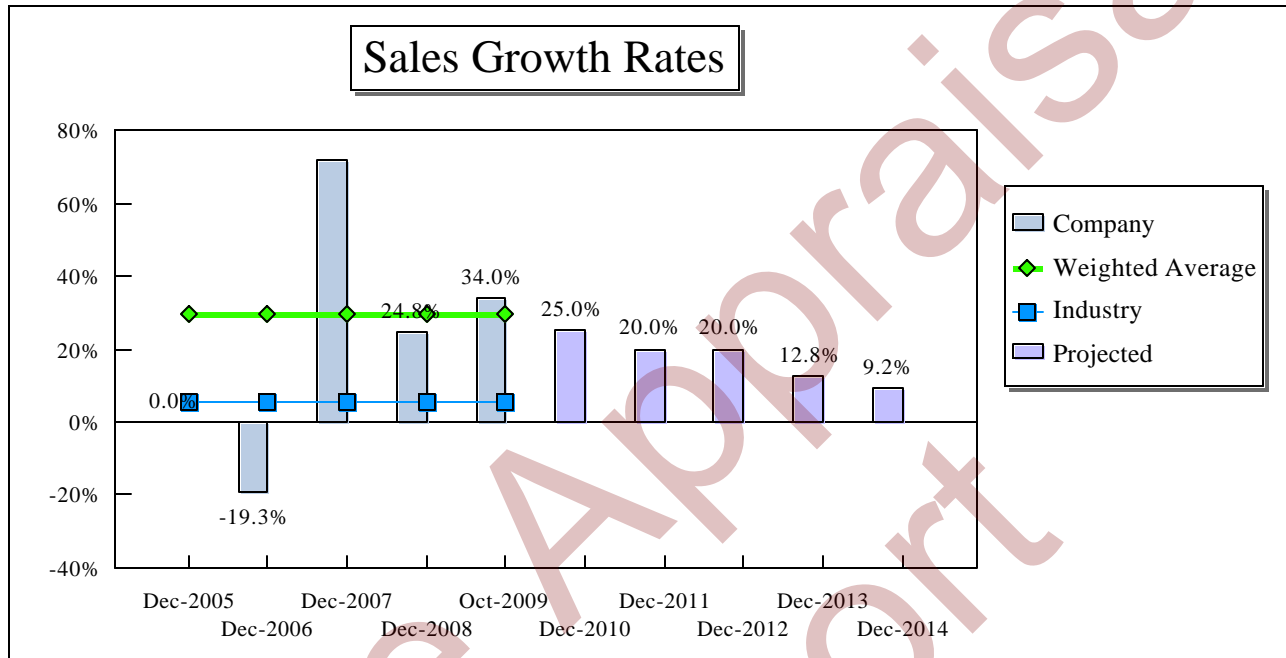
	Low	Med	High
Weights based on risk factors	9	10	0
Weights based on industry norms	10	5	2
Totals	19	15	2

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

COMPARATIVE ANALYSIS

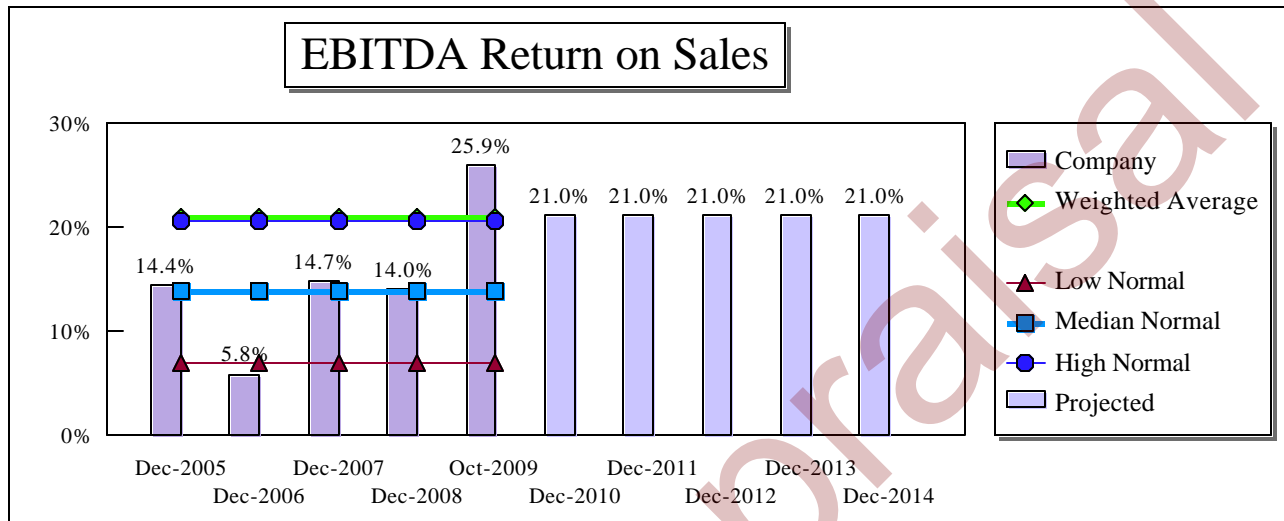
The following discussion of the Company's financial condition relative to the industry makes reference to the financial ratios presented above and in the preceding sections.

Sales Growth Rate

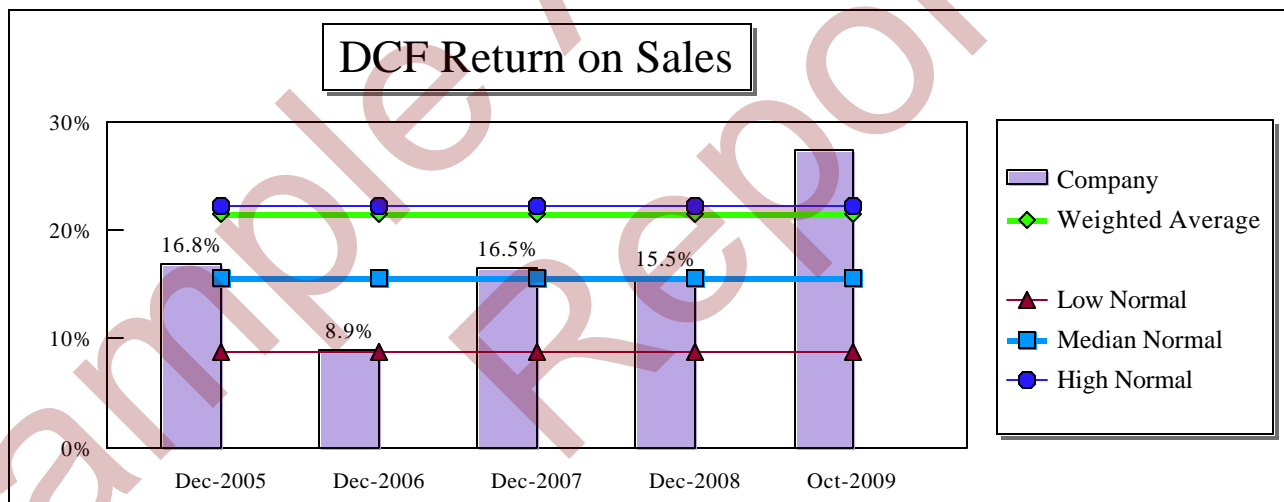


Over the past five periods, the Company's sales growth has been mostly positive, averaging higher than the median industry growth rate of 5.6%. Long term, the sales growth rate has been increasing rapidly. Recent sales growth at 30.1% was very strong and slightly higher than the weighted average sales growth which was 29.4%. The Company's sales growth rate is a low risk factor.

Profitability

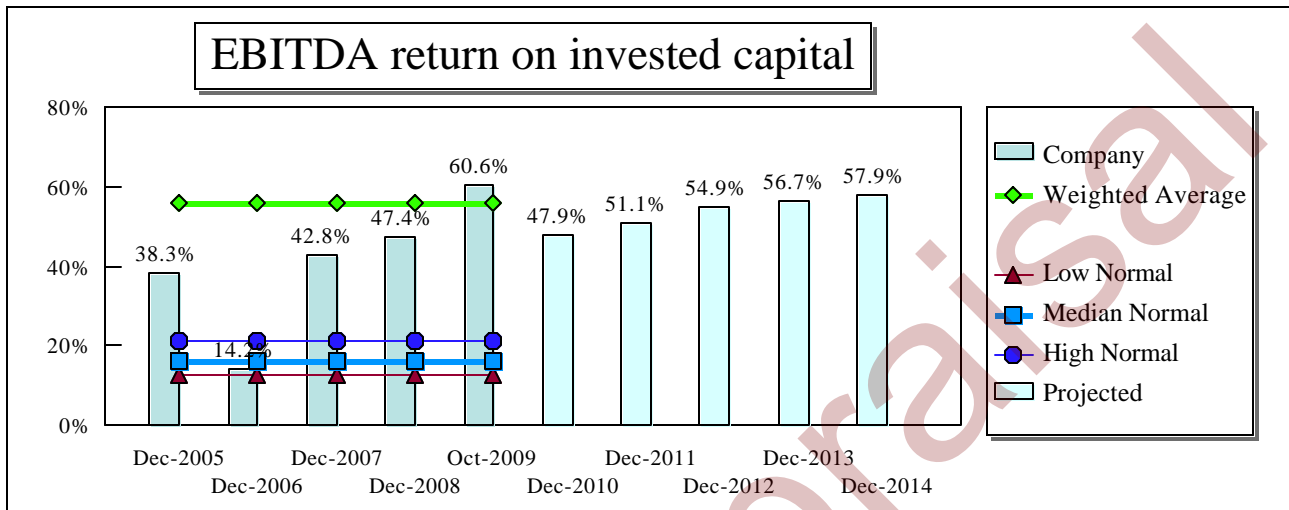


Overall, EBITDA earnings have been consistently positive. Long term, the trend of EBITDA return on sales has been increasing, and in the most recent period it was also up. Furthermore, the Company's weighted average return on sales was higher than the median industry level. The Company's EBITDA return on sales is a medium risk factor.

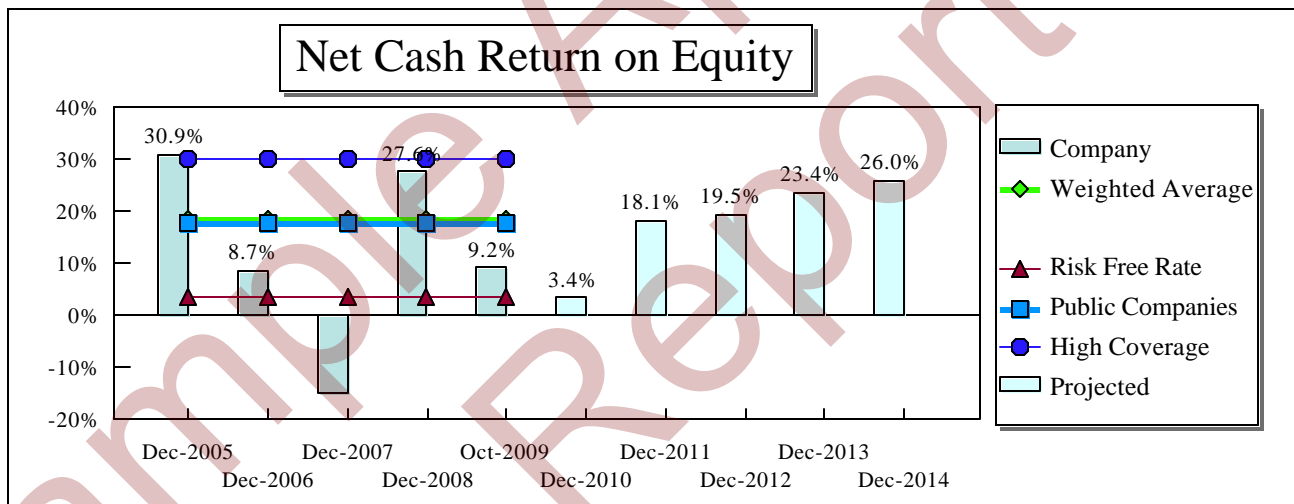


Overall, Discretionary Cash Flow ("DCF") has been consistently positive. Long term, the trend of DCF return on sales has been increasing, and in the most recent period DCF return on sales was also up. Furthermore, the Company's weighted average DCF return on sales was higher than the median industry level. The Company's DCF return on sales is a medium risk factor.

Return on Investment



Long term, the trend of EBITDA return on invested capital has been increasing, and in the most recent period EBITDA return on invested capital was also up. In addition, the Company's weighted average EBITDA return on invested capital was considerably higher than the industry median. The Company's EBITDA return on invested capital is a low risk factor.

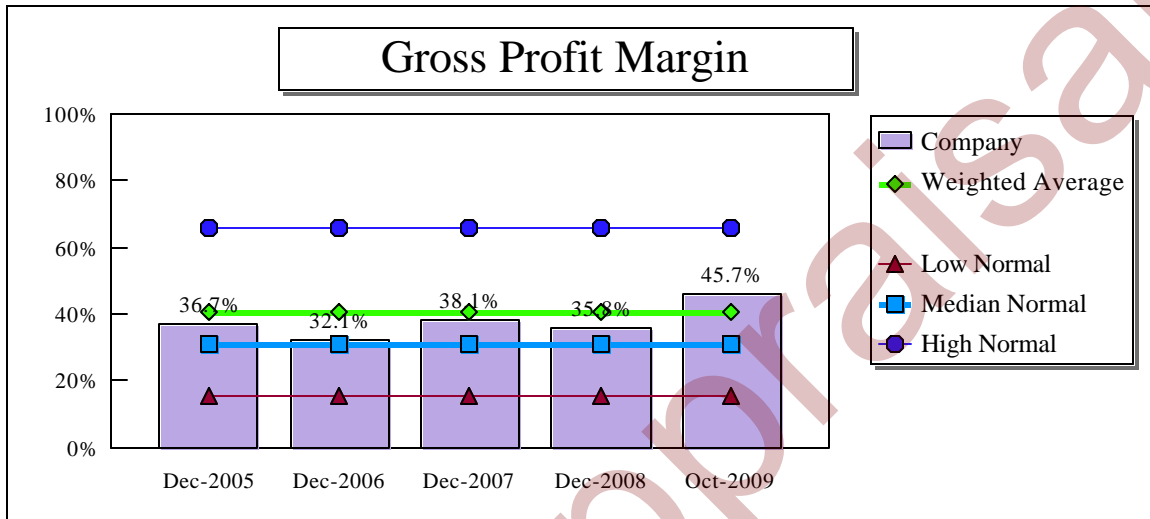


The chart illustrates how the cash generating ability of the Company compares to several levels of alternative investments, as measured by its return on shareholder's equity, where shareholder's equity is a proxy for the shareholder's cash investment in the business. The risk free rate is the income return on 10 year government bonds. The Public Company return represents total return on small public stocks. The High Coverage represents the upper end of the typical required returns on closely held companies.

Long term, the trend of net cash return on equity has been somewhat erratic, and in the most recent period it was down. Furthermore, the Company's weighted average net cash return on equity was about the same as the total return on large public stocks. The Company's net cash return on equity is a medium risk factor.

Gross Profit Margin

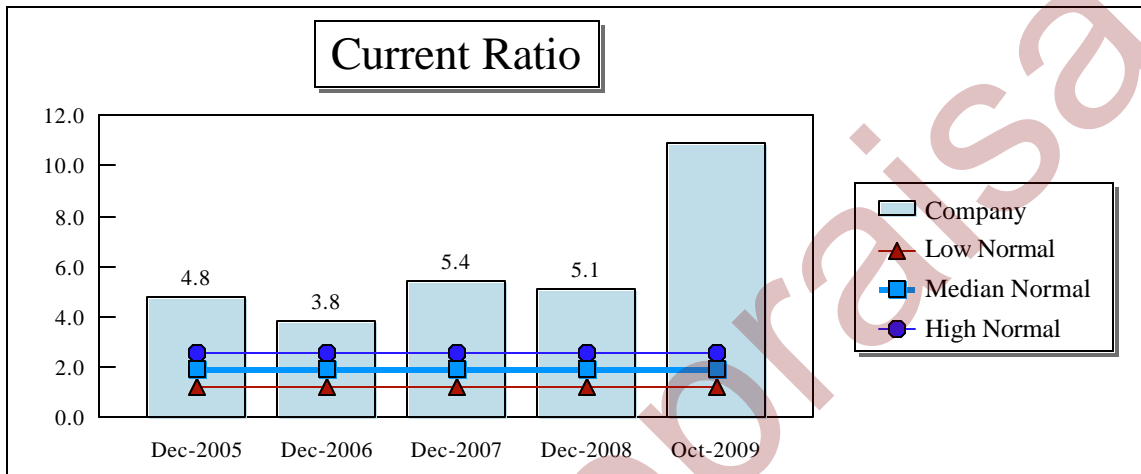
Gross Profit Margin measures how much is left after paying for the costs of sale, as a percentage of sales.



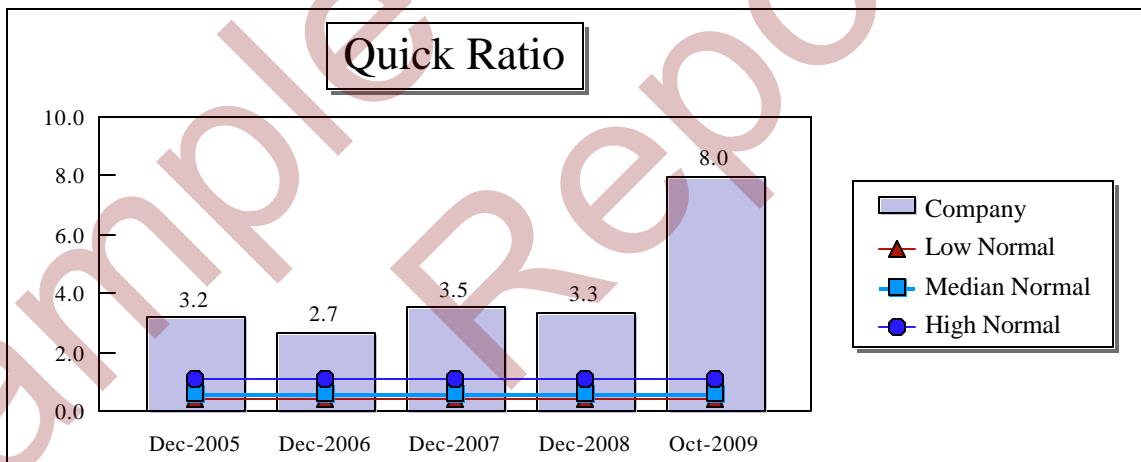
The Company's Gross Profit Margin has been consistently better than the industry norm. The trend of Gross Profit Margin has been steadily increasing, and in the most recent period it was up at a level of 45.7%. Furthermore, the Company's recent Gross Profit Margin was higher than the median industry level of 31.0%. The Company's Gross Profit Margin is a medium risk factor.

Liquidity

Liquidity ratios measure the adequacy and quality 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 increasing, and in the most recent period it was way up. In addition, the Company's recent current ratio of 10.9 was considerably higher than the median industry norm of 1.9. The Company's current ratio is a low risk factor.

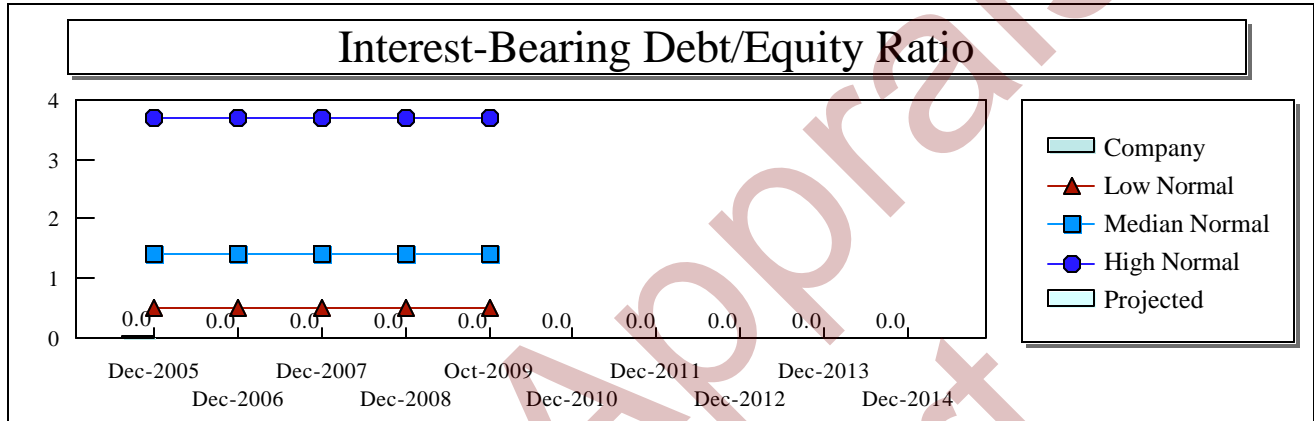


The quick ratio measures cash and near cash (in the form of receivables) relative to current obligations. The Company's quick ratio has been consistently greater than one indicating generally strong liquidity. The trend in the quick ratio has been increasing, and in the most recent period it was also up. Furthermore, the Company's recent quick ratio of 8.00 was substantially higher than the industry median of 0.60. The Company's quick ratio is a low risk factor.

Leverage

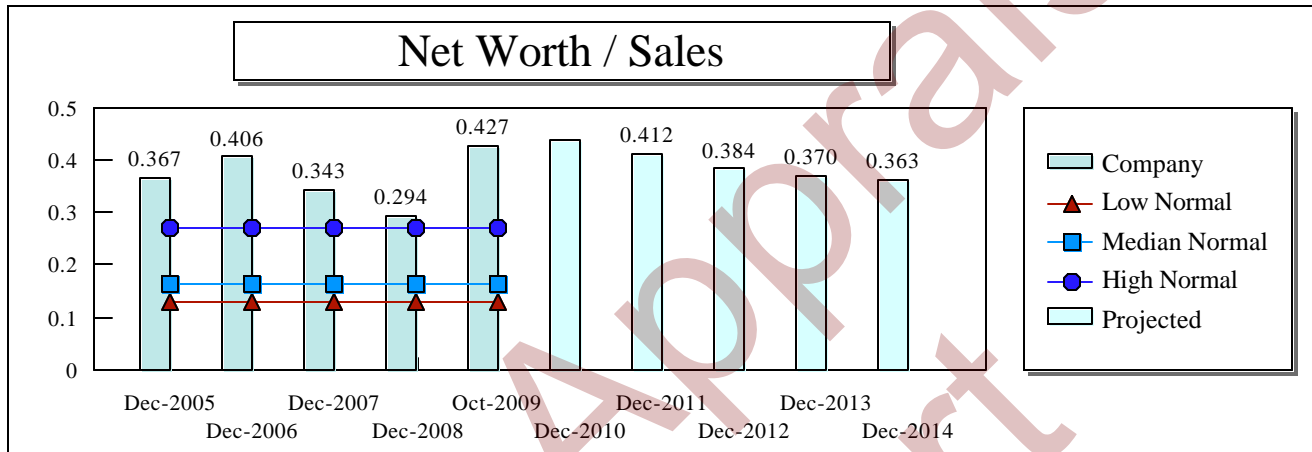
Leverage ratios measure the Company's ability to weather downturns. The Company's ratio of interest-bearing debt to shareholder's equity is one of the best measures of leverage, indicating how much of the Company's financing is provided by lenders as compared to investors.

The Company has had virtually no interest-bearing debt on the balance sheet during the past five periods. Because of this fact, the Company's debt/equity ratio has been consistently well below industry norms which indicates a very low level of risk.



Equity Level

The shareholder's equity represents how much investment the shareholder(s) have in the business. Net Worth/Sales is a measure of the adequacy of the shareholder'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 shareholder'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.

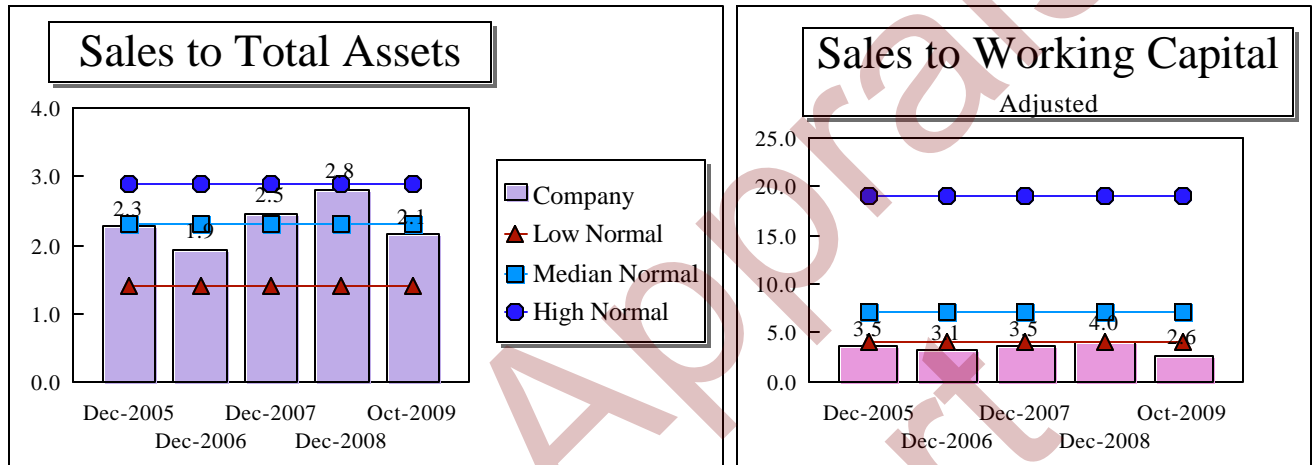


The Company's Net Worth / Sales ratio has been consistently greater than the industry showing unusually high shareholder's investment. The trend of Net Worth / Sales has been essentially flat, but in the most recent period it was up at a level of 0.427. In addition, the Company's recent Net Worth / Sales ratio was considerably higher than the median industry level of 0.163. 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.

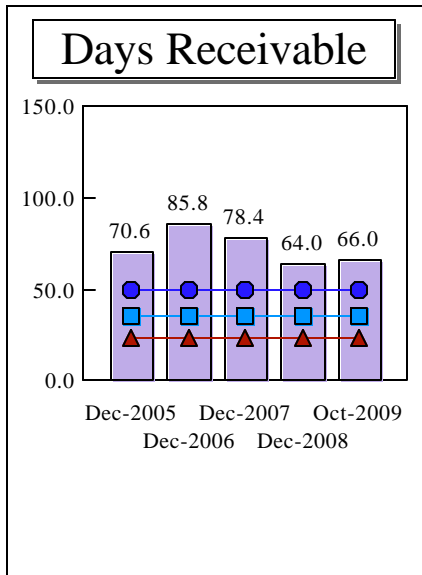
The Company's Sales/Assets ratio has been sometimes less than industry, but generally close to industry levels. The trend of Sales/Assets has been increasing, but in the most recent period it was down at a level of 2.1. In addition, the Company's recent Sales/Total Assets ratio of 2.1 was about the same as the median industry level of 2.3. The Company's Sales/Total Assets is a medium risk factor.



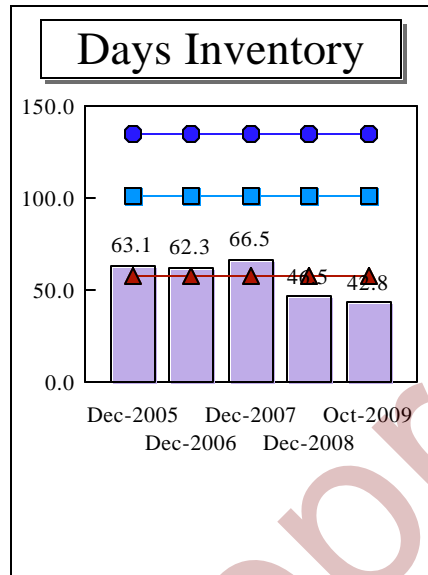
Working Capital is the amount by which current assets exceed current liabilities. Sales to Working Capital measures the dollars of sales that are generated per dollar of working capital employed in the business.

The Company's Sales/Working Capital ratio has been consistently lower than the industry. The trend of Sales/Working Capital has been increasing, but in the most recent period it was down at a level of 2.6. Furthermore, the Company's recent adjusted Sales/Working Capital ratio was well below the median industry level of 7.1. The Company's Sales/Working Capital is a high risk factor.

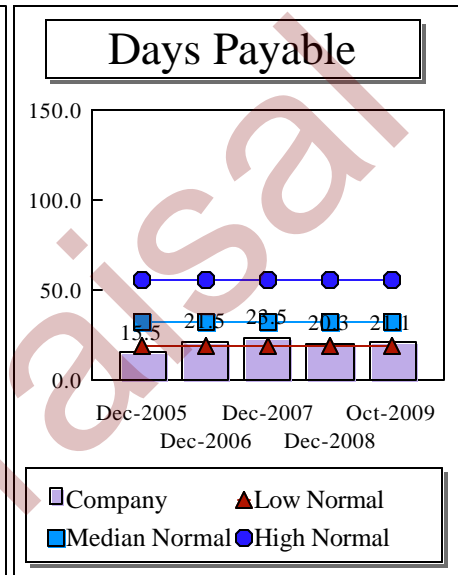
Days Receivable



Days Inventory (COS)



Days Payable (COS)



Days Receivable measures the average number of days to collect Accounts Receivable. A high number of days receivable has a negative effect on cash flow, because cash tied up in receivables is not available for other purposes. The Company's Days Receivable has been consistently greater than the industry. The trend of Days Receivable has been declining, but in the most recent period it was basically unchanged at a level of 66.0. In addition, the Company's recent Days Receivable was considerably higher than the median industry level of 34.8. The Company's Days Receivable is a high risk factor.

Days Inventory measures the average number of days sales that can be filled from inventory. The Company's Days Inventory has been consistently lower than the industry. The trend of Days Inventory has been relatively flat, but in the most recent period it was down at a level of 42.8. Furthermore, the Company's recent Days Inventory was below the median industry level of 101.4. The Company's Days Inventory (COS) is a low risk factor.

Days Payable measures the average number of days that the Company takes to pay its bills. A high number of days payable means the Company is slow paying its vendors, which conserves cash internally, but may affect vendor relations. Conversely, a low number of days payable indicates the Company pays its vendors quickly. The Company's Days Payable has been consistently lower than the industry. The trend of Days Payable has been relatively flat, and in the most recent period it was basically unchanged at a level of 21.1. However, the Company's recent Days Payable was still below the median industry level of 32.3. The Company's Days Payable (COS) is a medium risk factor.

Conclusion

Considering the above, the Company appears to be in good financial condition.

9. 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 liquidation.

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.

Methods which fall under the heading of Market Approach were not used here because those methods did not yield reasonable results in this case.

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

10. 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, we have drawn on the following sources:

	Records:	Considered	Selected	
S & P Computstat database		26	6	Public Companies
Pratts Stats transactions database		30	6	
M & A Network Done Deals database		18	1	
Bizcomps transactions database		5	1	
Mergerstat transactions database		14	3	

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 used go back as far as 9 years. An analysis of the data showed 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 marketplABC on about the same basis as more recent transactions.

Some of the transactions used reflect "asset sales", while others 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 the 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 the number of transactions available to us, and in the quality and extent of the data provided. The transaction databases provide a only 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 differering 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		01/01/2000	09/30/2009	
Sales revenue range	(\$000)	1,000	599,999	8,544
EBT/Revenue		0.5%	30.0%	19.2%
EBITDA/Revenue		0.5%	35.0%	20.8%

11. 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 a the sale of a marketable, controlling interest. The public stock price information which was relevant was therefore converted to a marketable, controlling interest basis, so it could be combined with the private transaction data. As a consequence, these cap rates and multipliers will yield marketable, controlling interest values.

For details, see:

ERR

Page ERR

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 appraiser's experience and training. The following table summarizes the cap rates and multipliers used in this report, and the adjustments we have made.

		Industry Range [Note 1]	Rates Adj for Size and Profitability a	Adjust to Required Rate [2] b	Adjusted Rates and Multipliers a+b
EBITDA Capitalization Rate <i>Combined Market Data</i>	Low Qtile	10.6%			
	MidRange	15.7%	15.7%	3.0%	18.7%
	High Qtile	20.7%			
Company long term growth rate (= industry LT rate)					5.6%
Projection risk[Note 3]					2.0%
Discount rate					26.3%
EBT Capitalization Rate <i>Combined Market Data</i>	Low Qtile	7.3%			
	MidRange	12.6%	12.6%	2.4%	15.0%
	High Qtile	17.9%			

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 higher than the industry and so the multipliers used have been adjusted to be higher than the midrange multipliers. See Section 8.

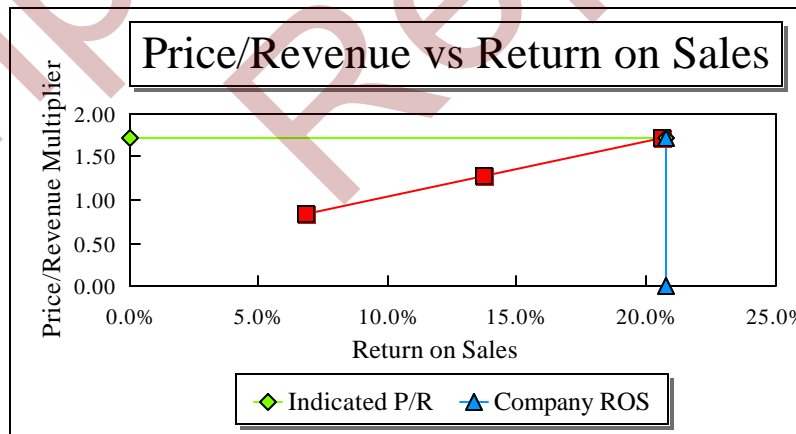
	Industry			Company
	Lo Qtile	Midrange	Hi Qtile	
Return on Sales	6.8%	13.7%	20.6%	20.8%
Price/Sales ratio	0.84	1.27	1.71	1.72

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

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

$$\frac{(20.8\% - 13.7\%)}{(20.6\% - 13.7\%)} \times (1.71 - 1.27) + 1.27 = 1.72$$

The following chart summarizes the data and calculations above:



- [2] Multipliers and cap rates are adjusted in column b, based on the relative riskiness 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.

We have subjectively quantified these two risk variables as follows:

Increased general business risk	2.0%
Increased cash flow risk	1.0%
Total specific company risk	<u>3.0%</u>

This risk adjustment has been applied to the EBITDA cap rate, as shown in column b on page 40.

The adjustments in column b for all other cap rates and multipliers are calculated to be proportionate to the EBITDA adjustment. For example, if the starting EBITDA cap rate in column a were doubled by the adjustment in column b, then the cap rate for cash flow would also be doubled, and the value multipliers would be halved.

- [3] The projection risk adjustment reflects our estimate of the risk that the projections may not be realized.

12. COMPUTATION OF VALUE

SUMMARY OF VALUATION METHOD RESULTS

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

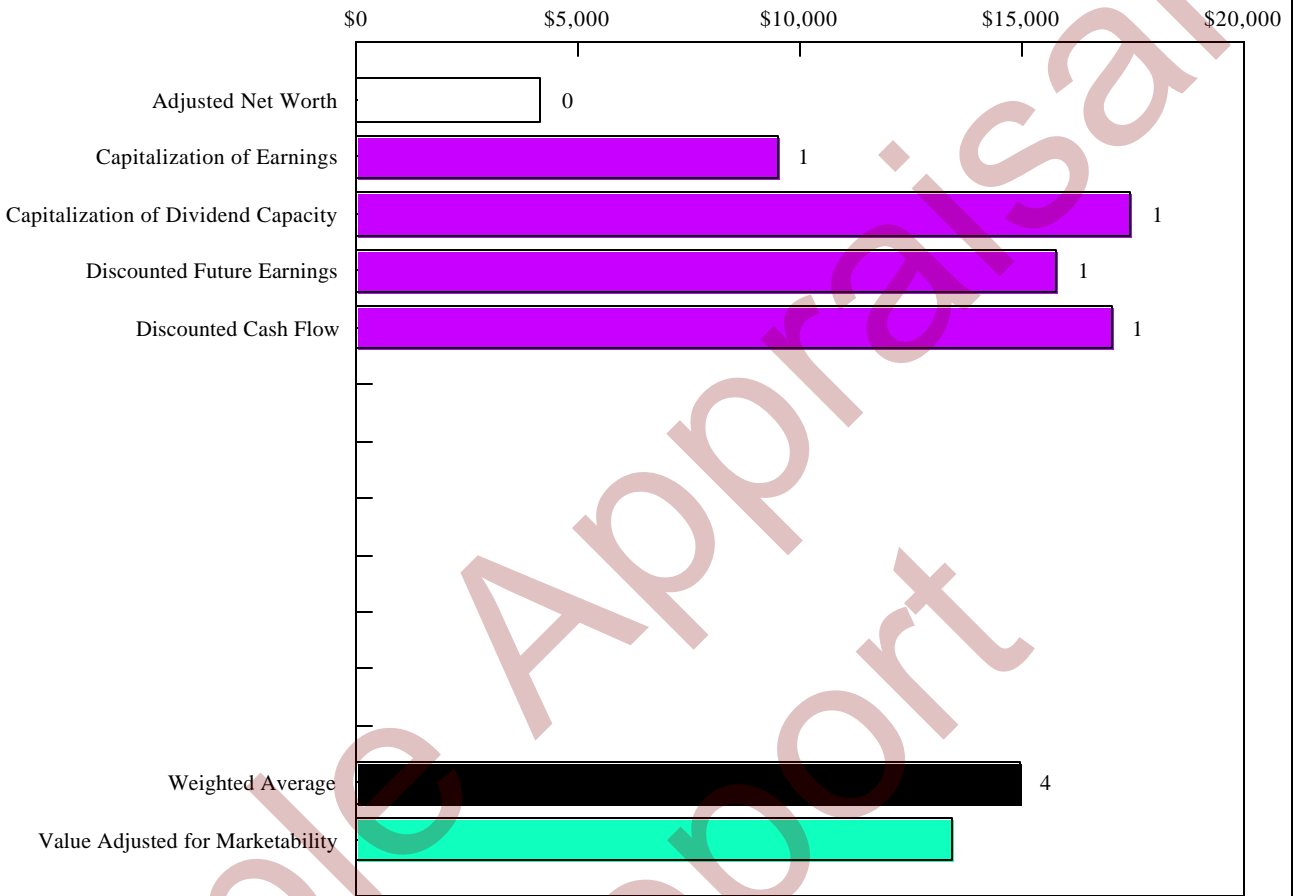
These results are for a going concern, and so earnings and cash flow are the most meaningful.

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 %	(\$000) Result
1 Adjusted Net Worth	Assets	0	0.0%	4,180
2 Capitalization of Earnings	Income	1	25.0%	9,492
3 Capitalization of Dividend Capacity	Income	1	25.0%	17,449
4 Discounted Future Earnings	Income	1	25.0%	15,791
5 Discounted Cash Flow	Income	1	25.0%	17,039
Weighted Average Value of Operations [Note 1] <i>Marketable, Controlling Interest Basis</i>		4	100.0%	14,943
Additional Adjustment for Lack of Marketability [Note 2]			-10.0%	(1,494)
Value Adjusted for Marketability <i>Non-marketable, 100% interest basis</i>	<u>Shares</u>			13,449
	100	per share	\$134,490.00	
Percentage of Ownership Valued				<u>100.0%</u>
Value of 100.0% Ownership Interest before Minority Adjustment				13,449
Adjustment for Minority Interest/Lack of Control [Note 3]			-19.0%	(2,555)
Net Value of Ownership Interest <i>Non-marketable, non-controlling interest basis</i>	<u>shares</u>			10,894
	100	per share	\$108,940.00	

See notes to follow

Summary of Valuation Methods



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 reasonably be 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 (convertible to cash in a few days) to a non-marketable basis (may be convertible to cash in months or years).

The valuation has been performed anticipating a transaction in which the plan sponsor will purchase the vested holdings of a participant in the ESOP. It is the opinion of the appraiser that the value should be subject to a marketability discount to reflect: 1) the possibility that the plan sponsor (the Company) might not be able to honor its obligation to purchase stock issued to a participant in the plan under the vesting agreement ; and 2) the potential elapsed time between the exercise of the ESOP "Put" held by an eligible participant and the actual receipt of the payment due. A 10 percent discount is considered appropriate to reflect these contingencies.

- 3 The adjustment for minority interest is applied to recognize the (possibly significant) loss of value associated with a lack of control. Additional details are provided in a subsequent section.

12.1 ADJUSTED NET WORTH

Net Worth as adjusted in Section 5 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 is not the basis a willing buyer would use in this situation.

It is shown here for perspective only and it was given a weight of 0 (of 4).

[For details, see Section 6]	(\$000)
Book Value of Net Worth	4,180
Net Adjustments	<u>0</u>
<u>Adjusted Net Worth</u>	<u>4,180</u>

12.2 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.

Historical earnings are an important indicator of the Company's value and were given a weight of 1 (of 4).

		(\$000)
a.	Average Adjusted Earnings [Section 5] The earnings basis is control EBITDA, earnings before interest, taxes, depreciation and amortization.	1,775
b.	Capitalization Rate [Section 11] Combined Market Data	<u>18.7%</u>
c.	Gross Valuation (a/b) Market Value of Invested Capital	9,492
d.	Adjustments	<u> </u>
e.	Net Valuation (Freely-marketable, controlling interest basis)	<u>9,492</u>

12.3 CAPITALIZATION OF DIVIDEND CAPACITY

Even though most closely held companies don't 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 cashflow 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 owners' 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 flow of projected dividends is considered reasonably reliable and was given a weight of 1 (of 4).

	(\$000)
a. Weighted Average Revenue [Section 5]	8,544
b. Industry Normal Net Worth / Sales ratio	26.9%
c. Normal Net Worth (a x b)	2,298
d. Reinvestment Rate (= Industry growth rate)	5.6%
e. Reserve for Reinvestment	129
f. Industry EBT EBT/Rev = 11.9% [Section 20, page 71]	1,020
g. Reserve for Reinvestment as a % of Industry EBT	12.6%
h. Reserve for Taxes as a % of Industry EBT	40.0%
i. Dividend Risk (risk that dividends would not be paid)	0.0%

The following formula adjusts the capitalization 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 Dividend Capacity	=	$(1 - RI\% - \text{Tax Rate}) \times \text{EBT CR} + \text{Dividend Risk} =$ $(1 - 12.6\% - 40.0\%) \times 15.0\% + 0.0\% = \underline{7.1\%}$
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	Dec-2010	Dec-2011	Dec-2012	Dec-2013	Dec-2014
i. Projected Distributions [See Section 7]	200	1,000	1,300	1,700	2,000
Weights	1	1	1	1	1
j. Dividend capacity - 5 year average					1,240
k. Dividend capacity capitalization rate					7.1%
l. Gross valuation (j / k)	Market Value of Equity				17,449
m. Adjustments					_____
n. Net valuation	(Freely-marketable, controlling interest basis)				17,449

12.4 DISCOUNTED FUTURE EARNINGS

This method is frequently used, especially when the future earnings and other financial factors are expected to be significantly different than the historical conditions. This method is more sophisticated than the simplistic capitalization of historical earnings in that it reflects expectations for both 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 Section 10. 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 themselves.

The flow of projected earnings is considered reasonably reliable and it was given a weight of 1 (of 4).

DISCOUNT RATE

Capitalization rate [Section 11]	EBITDA	18.7%
Discount rate		26.3%
Company 10 year average revenue growth rate		11.3%

CALCULATION OF VALUE (\$000) Months to end of 1st period: 14

Following are the projected earnings for the company, from Section 7:

Year Ending	Revenue Growth	Projected Revenue	Margin	EBITDA Projected Earnings	Present Value Factor	Present Value
Dec-2010	25.0%	12,230	21.0%	2,574	0.762	1,961
Dec-2011	20.0%	14,676	21.0%	3,088	0.603	1,862
Dec-2012	20.0%	17,611	21.0%	3,706	0.477	1,768
Dec-2013	12.8%	19,865	21.0%	4,172	0.378	1,577
Dec-2014	9.2%	21,693	21.0%	4,556	0.299	1,362
Dec-2015	5.6%	22,908	21.0%	4,811	0.237	1,140
Dec-2016	5.6%	24,191	21.0%	5,080	0.188	955
Dec-2017	5.6%	25,545	21.0%	5,365	0.149	799
Dec-2018	5.6%	26,976	21.0%	5,665	0.118	668
Dec-2019	5.6%	28,487	21.0%	5,982	0.093	556
Terminal Value =last period earnings x (1+growth) / cap rate				33,782	0.093	3,142
a. Present value of future earnings						15,791
b. Adjustments						
c. Net valuation (Freely-marketable, controlling interest basis)						15,791

12.5 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 in Section 10. 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 flow of projected cash flows is considered reasonably reliable and it was given a weight of 1 (of 4).

DISCOUNT RATE DETERMINATION

Ratio of Projected Cash Flow to EBT in 5th Year		0.49
EBT Capitalization Rate	EBT/MktCap	15.0%
Equity Cash Flow after Tax capitalization rate		7.3%
Company long term growth rate (= industry LT rate)		5.6%
Projection risk		2.0%
Discount rate		14.9%
Company 10 year average projected growth rate		11.3%

12.5 DISCOUNTED CASH FLOW con't

CALCULATION OF VALUE (\$000) Months to end of 1st period: 14

Following are the projected Net Cash Flow after Tax for the company, from Section 7:

Year Ending	Revenue Growth	Projected Revenue	Margin	Projected Net Cash Flow a/Tax	Present Value Factor	Present Value
Dec-2010	25.0%	12,230	1.5%	183	0.850	155
Dec-2011	20.0%	14,676	7.5%	1,097	0.740	812
Dec-2012	20.0%	17,611	7.5%	1,317	0.644	848
Dec-2013	12.8%	19,865	8.7%	1,723	0.560	965
Dec-2014	9.2%	21,693	9.4%	2,044	0.487	996
Dec-2015	5.6%	22,908	9.4%	2,153	0.424	913
Dec-2016	5.6%	24,191	9.4%	2,274	0.369	839
Dec-2017	5.6%	25,545	9.4%	2,401	0.321	771
Dec-2018	5.6%	26,976	9.4%	2,536	0.279	707
Dec-2019	5.6%	28,487	9.4%	2,678	0.243	651
Terminal Value =last period CF x (1+growth) / cap rate				38,610	0.243	9,382
a. Present value of future cash flow (Based on after-tax cash flow)						17,039
b. Adjustments						
c. Net valuation (Freely-marketable, controlling interest basis)						17,039

13. ADJUSTMENTS TO VALUE

ADJUSTMENT FOR CONTROL OR MINORITY INTEREST

When a valuation is based on multipliers, discount rates, or capitalization rates obtained from public stock prices, the result is a value for a freely marketable, minority interest. In order to determine the value of the Company on a control basis, it is then necessary to add a control adjustment.

According to "Valuing a Business", second edition by Shannon P. Pratt, the value of control depends on the ability to exercise any or all of a variety of rights typically associated with control. Consequently, if control is an issue in the valuation, the analyst should assess the extent to which the various elements of control do or do not exist in the particular situation and consider the impact of each element on the value of control. Following is a checklist of some of the more common prerogatives of control:

1. Elect directors and support management.
2. Determine management compensation and perquisites.
3. Set policy and change the course of business.
4. Acquire or liquidate assets.
5. Select people with whom to do business and award contracts.
6. Make acquisitions.
7. Liquidate, dissolve, sell-out, or recapitalize the company.
8. Sell or acquire treasury shares.
9. Register the Company's stock for a public offering.
10. Declare and pay dividends.
11. Change the articles of incorporation or bylaws.

From the above list, it is apparent that the owner of a controlling interest in an enterprise enjoys some very valuable rights vis-a-vis a minority shareholder. However, there are many factors that may limit the prerogatives associated with control such as contractual restrictions, effects of regulation, financial condition of the business, effect of state statutes, and effect of distribution of ownership.

A means of quantifying control adjustments is to compare the price at which the stock of an acquired company traded in the public market at some point in time prior to the announcement of the offer with the transaction price. The difference, figured as a percentage of the minority interest (publicly traded) price, is the control adjustment. The source used for this valuation was the Mergerstat transaction database, which listed 6 transactions in the market data industry group. Note that the Mergerstat control premium table includes transactions whose control premium is inflated due to strategic and other factors, and consequently we have used half of the reported premium. These transactions indicated an adjusted control adjustment of 23.0%.

When starting from a value for a controlling interest, a minority discount is applied to reflect the lack of control associated with a minority interest. The discount is usually estimated by calculating the inverse of the control premium, which in this case suggests a minority discount of 19.0%. We have chosen to apply a minority interest adjustment of 19.0%, which we believe fairly represents the loss of value associated with a minority interest in the Company.

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 below or elsewhere in this report.

This report was prepared under the direction of John Doe.

JOHN DOE

John Doe, Inc.

December 6, 2009

15. SOURCES OF INFORMATION

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

Financial Statements

A site visit and management interview was conducted by John Doe of John Doe, Inc. on September 24, 2009.

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

Management statements

S & P Compustat database, with financial information and market pricing data for over 10,000 public companies.

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

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.

Done Deals Database from The M&A Group, describing sales of closely held companies with sales prices typically in the range of \$1 million to \$100 million.

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

Mergerstat database of public acquisitions

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 conclusions 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 and from the perspective of that time, and is then necessarily only appropriate as of 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 do not purport to be a guarantor of value. Valuation 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 included in this report.

No change of any item in this report shall be made by anyone other than John Doe, Inc.

General Assumptions

The opinion of value given in this report is based on information provided in part by the management of the Company and other sources as listed in the following pages. 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, any 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.

Sample Appraisal Report

17. QUALIFICATIONS

JOHN DOE

Academic and Professional Credentials

Master of Business Administration, Columbia University Graduate School of
Business Administration
Bachelor of Arts, Politics, Princeton University
Registered Principal, National Association of Securities Dealers. Series 24, 7, 62,
and 63 Licenses

Position and Experience

Principal, Harris Roja Corporation, Investment Bankers
Principal, Bridgemere Capital, Investment Bankers
Senior Appraiser, Sansome Street Appraisers, Inc., Corporate Appraisers
Senior Vice President, Vista Capital Corp., SBIC
President, California First Investment, Inc., Registered Investment Advisor
Vice President, Mitchell, Hutchins & Co., Member, New York Stock Exchange
Assistant to Managing Director, Singer & Friedlander, Ltd., Merchant Bank (UK)