Business Valuation Report

Sample Inc

1 Road

Round Rock, TX 78681

As of: December 31, 2011

Prepared by:

Appraiser Name & Qualification

Business Matter Valuation

947 N. Center Street

Stockton, CA 95202

James@OnlineBusinessValuation.com

Mr John Doe

July 31, 2012

Dear Mr John Doe,

The enclosed valuation report has been developed for the exclusive and confidential use of Mr John Doe. The report has been prepared by Business Matter Valuation dated July 31, 2012 and was made by and/or under the direct supervision of the undersigned. The purpose of the valuation is to render an opinion as to the fair market value of 100% interest as of December 31, 2011.

In preparing my business valuation report, I have relied upon historical financial information provided to me.This financial information has not been audited, reviewed, or compiled by me and accordingly I do not express an opinion or any form of assurance on this financial information.

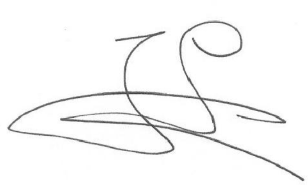
My report is based on historical and prospective financial information provided to me by management and other third parties. Users of this valuation report should be aware that business valuations are based on future earnings potential that may or may not materialize. Therefore, the actual results achieved during the projection period will vary from the projections used in this valuation, and the variations may be material. The accompanying report discusses all the assumptions and limiting conditions that apply to this opinion of value and are integral to the understanding of the opinion.

Based upon my study and analytical review procedures, I have concluded that a reasonable estimate of the fair market value of a 100% common stock interest of Sample Inc as of December 31, 2011 is $2,777,300.

This engagement was not contingent upon developing or reporting predetermined results. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice.*

Sincerely yours,

Appraiser Name
Business Matter Valuation



Executive Summary

Governing Standard:	USPAP
Purpose:	financial reporting
Standard of Value:	fair market value
Premise of Value:	controlling interest
Client Name:	Mr John Doe
Business Name:	Sample Inc
Type of Entity:	corporation
Business Interest Valued:	100%
Valuation Date:	December 31, 2011
Report Date:	July 31, 2012
Appraiser Name:	
Appraiser Firm:	Business Matter Valuation
Conclusion of Value:	$2,777,300

Introduction

Specifics

Business Matter Valuation has been retained by Mr John Doe to estimate the fair market value of Sample Inc Sample Inc is a C corporation located at 1 Road in Round Rock, TX 78681. Furthermore, an interest of 100% is being valued as of December 31, 2011.

The appraisal will be used by Mr John Doe. The distribution of this report is restricted to the Mr John Doe, legal and tax professionals advising Mr John Doe and any regulatory agencies whereby reporting is required. Any other use of this report is unauthorized and the information included in the report should not be relied upon.

Definitions

Appendix F has a glossary of terms that is applicable to this engagement.

Standard of Value

The standard of value for this report is fair market value.

Premise of Value

Although valuation is a range concept, current valuation theory suggests that there are three basic "levels" of value applicable to a business or business interest. The levels of value are respectively:

> **Controlling interest:** the value of the enterprise as a whole.
>
> **As if freely tradable minority interest:** the value of a minority interest, lacking control, but enjoying the benefit of market liquidity.
>
> **Non-marketable minority interest:** the value of a minority interest, lacking both control and market liquidity.

This valuation is prepared on a controlling interest basis.

Sources of Information

The primary sources of information were research on the economy, industry and company, analysis of financial statement.

Approach

Business valuation theory promulgates three basic approaches to value.

Asset Based Approach: A general way of determining a value indication of a business's assets and/or equity using one or more methods based directly on the value of the assets of the business less liabilities.

Income Approach: A general way of determining a value indication of a business's assets and/or equity using one or more methods wherein a value is determined by converting anticipated benefits.

Market Approach: A general way of determining a value indication of a business's assets and/or equity using one or more methods that compare the subject to similar investments that have been sold.

The various methods of valuation that appraisers use in practice are typically considered as subdivisions of these broad approaches. Valuation methods under the Market and Income approaches generally contain common characteristics such as measures of benefit streams, discount rates and/or capitalization rates and multiples.

Assumptions

There are several key assumptions that this report relies on.

This valuation report has been prepared in accordance with the *Uniform Standards of Professional Appraisal Practice*. In accordance with these standards, a Statement of Contingent and Limiting Conditions is provided as Appendix B. and a Statement of Appraiser Qualifications is included in Appendix C.

Scope Limitation

The scope of this valuation engagement report was limited. I was engaged to perform a valuation for Sample Inc with the intent of ascertaining an opinion of value. However, I was limited to the information that was provided as of December 31, 2011. I have accepted the Unaudited financial statements without testing their accuracy or completeness. The accuracy of the financial statements is the sole responsibility of the management.

I assume no responsibility for the accuracy of the information provided to me by the business's management.

This valuation report is based upon facts and conditions existing as of the date of valuation. I have not considered subsequent events. Unless specifically requested by the client and agreed upon by us, I have no obligation to update my report for such events and conditions.

Appraisal of Economic Conditions

General Economic Overview

According to advance estimates released by the Department of Commerce's Bureau of Economic Analysis, Real Gross Domestic Product ("GDP"), the output of goods and services produced by labor and property located in the United States, increased at an annualized rate of 2.8% during the fourth quarter of 2011. This represents the tenth increase in annualized quarterly GDP beginning with the third quarter of 2009, and follows a growth rate of 1.8% during the third quarter of 2011. GDP grew 1.7% for all of 2011, versus growth of 3.0% in 2010 and a 3.5% contraction in 2009. The increase in real GDP during the fourth quarter is attributed to private inventory investment, personal consumption expenditures, residential and nonresidential fixed investment, and exports. These factors were partially offset by negative contributions from federal government spending, as well as state and local government spending. Imports, a subtraction in the calculation of GDP, increased.

The 2.8% growth rate in the fourth quarter of 2011 was lower than economists' expectations in the weeks prior to the release, but exceeded expectations at the end of the third quarter of 2011. The 2.8% growth rate during the fourth quarter of 2011 compares to 1.3% and 1.8% for the second and third quarters of 2011, respectively. These measures were considerably better than the negative annualized growth rates in the third and fourth quarters of 2008 and the first two quarters of 2009, which marked the first time since 1975 that the U.S. economy contracted for more than two consecutive quarters. The first quarter 2008 decline in real GDP marked the first negative GDP rate since the 2001 recession.

The economy deteriorated considerably during the fourth quarter of 2008 and continued to display declining performance during the first half of 2009 as crisis engulfed the financial sector causing significant damage to financial institutions on a global scale. As a result of the crisis, lending activities and market liquidity became constrained, intensifying a downward spiral in the broader economy as businesses struggled to obtain the capital necessary for operations and investment while consumers controlled spending in response to high unemployment and unfavorable conditions in the housing market.

In late November 2008, the Business Cycle Dating Committee of the National Bureau of Economic Research ("NBER") determined that economic activity in the U.S. had peaked in December of 2007 and that the economy had then entered a state of contraction. In September 2010, the NBER determined that the contraction that began in December 2007 had ended in June 2009. The following table provides perspective concerning NBER business cycles from the Great Depression to the present. The most recent contraction represented the longest of 13 contractions subsequent to the Great Depression.

General Economic Overview (continued)

NBER Business Cycle Reference Dates (1929 - Present)

Month & Year of Economic		Duration in Months of	
Peak	**Trough**	**Contraction**	**Prior Expansion**
August 1929	March 1933	43	21
May 1937	June 1938	13	50
February 1945	October 1945	8	80
November 1948	October 1949	11	37
July 1953	May 1954	10	45
August 1957	April 1958	8	39
April 1960	February 1961	10	24
December 1969	November 1970	11	106
November 1973	March 1975	16	36
January 1980	July 1980	6	58
July 1981	November 1982	16	12
July 1990	March 1991	8	92
March 2001	November 2001	8	120
December 2007	June 2009	18	73

The Conference Board ("TCB") reported that the Composite Index of Leading Economic Indicators ("LEI"), the government's primary forecasting gauge, increased 0.4% in December 2011 to 94.3 after an increase of 0.2% in November and a 0.6% increase in October. The December 2011 data incorporate a number of significant changes to the components and calculation of the LEI. Traditionally, the index is thought to gauge economic activity six to nine months in advance. Multiple consecutive moves in the same direction are said to be indicative of the general direction of the economy. The indicators imply continued modest economic expansion in the near term, as the "data reflect an economy that ended 2011 on a positive note and the LEI provides some reason for cautious optimism in the first half of 2012."

Seven of the LEI's ten leading economic indicators rose during December. The positive contributors to the LEI (largest to smallest) included the interest rate spread, weekly initial unemployment insurance claims (inverted), average weekly manufacturing hours, stock prices, ISM new orders index, manufacturers' new orders for nondefense capital goods, and manufacturers' new orders for consumer goods and materials. Consumer expectations and the *Leading Credit Index*™ (inverted) declined during December. Building permits were flat. During the six-month span through December 2011, the LEI increased by 0.1%. In December, the Coincident Index and Lagging Index both increased 0.3%.

On August 2, 2011, (the same day the U.S. Treasury Department expected the U.S. to reach its congressionally mandated debt ceiling) President Obama signed the Budget Control Act of 2011, ending the debt crisis, at least in the near-term. The Act immediately increased the debt ceiling by $400 billion, with additional increases contingent upon congressional disapproval (i.e., Congress must vote to deny the ceiling increase requests) and future spending cuts.

Despite this action, on August 5, 2011, Standard & Poor's lowered the U.S. long-term credit rating from AAA to AA+, citing that the "fiscal consolidation plan that Congress and the Administration recently agreed to falls short of what, in our view, would be necessary to stabilize the government's medium-term debt dynamics." Congressional discord during the debt ceiling crisis also had an effect, as Standard & Poor's stated that "the effectiveness, stability, and predictability of American policymaking and political institutions have weakened" due to "difficulties in bridging the gulf between the political parties over fiscal policy, which makes us pessimistic about the capacity of Congress and the Administration to be able to leverage their agreement this week into a broader fiscal consolidation plan that stabilizes the government's debt dynamics any time soon." Additionally, Standard & Poor's credit outlook for the U.S. is negative.

The other major credit rating agencies, Moody's and Fitch, maintained U.S. long-term credit ratings of Aaa and AAA, respectively (both the highest possible credit ratings).

While difficulties in the Eurozone continued, sentiment improved since the end of the third quarter. Greece has €14.5 billion of debt maturing March 20, 2012. Without concessions from bondholders or additional bailout support, a Greek default is seen as likely. In October, European leaders announced a three-part plan to stem the crisis, consisting of a voluntary 50% write-down by holders of Greek debt (known as Private Sector Involvement, or "PSI"), expansion of the European Financial Stability Facility (a special purpose vehicle designed to loan money to or guarantee the debt of struggling European nations), and the recapitalization of certain weaker European banks. Negotiations regarding the terms of the PSI were ongoing as of the end of the quarter.

Consumer Spending and Inflation

The Consumer Price Index ("CPI") was unchanged at 225.7 in December. Increases in the cost of food, housing, and medical care were offset by a significant decline in the cost of energy, with the energy index down 1.3% in December. Inflation for the fourth quarter of 2011 declined 0.4%. The core rate of inflation increased at a 1.8% (SAAR) rate during the fourth quarter of 2011. The Producer Price Index ("PPI") declined 0.1% in December. Declines in both the cost of finished food and energy goods (both down 0.8% in December) offset increases in most other items. On an unadjusted basis, the PPI in 2011 was up 4.8%, compared to a 3.8% increase in 2010.

The advance estimates in percentage change in retail and food service sales for December 2011 were up 0.1% from the previous month and were 6.5% above December 2010. Real personal consumption spending increased 2.0% in the fourth quarter of 2011, compared to increases of 0.7% and 1.7% in the second and third quarters of 2011, respectively. Personal consumption spending decreased 1.9% in 2009, but was up 2.0% in 2010 and 2.2% in 2011. Durable goods purchases were up 14.8% in the fourth quarter of 2011. The sizeable fourth quarter increase was primarily due to the holiday shopping season. However, this rate of growth was lower than the level observed in the fourth quarter of 2010 (17.2%).

Business and Manufacturing Productivity

The seasonally adjusted annual rate of non-farm business productivity increased 0.7% in the fourth quarter of 2011 (in line with economists' expectations). Fourth quarter productivity reflected the net effect of a 3.6% increase in output and a 2.9% increase in hours worked. Annual average productivity increased 0.5% from fourth quarter 2010 to fourth quarter 2011, and increased 0.7% for all of 2011. Typically, productivity needs to increase at a rate at or above 3% for employment growth to take place. Productivity increased by 0.6% for the business sector in the fourth quarter of 2011. This was the result of a 3.5% increase in output coupled with a 2.9% increase in hours worked. Manufacturing productivity decreased 0.4% during the quarter as output increased 3.8% and hours increased by 4.2%.

Industrial Production and Capacity Utilization

Industrial production increased 0.4% in December 2011, after an increase of 0.6% in October and a decline of 0.3% in November (all figures recently revised). Fourth quarter 2011 production increased at an annual rate of 3.1%, the tenth consecutive quarterly gain. Manufacturing production increased by 0.9% in December, following an increase of 0.5% in October and a 0.4% decline in November.

Capacity utilization was 78.1% in December, unchanged from October but slightly higher than the 77.8% utilization observed in November. Capacity utilization for the fourth quarter of 2011 measured 78.0%. The current low measure of capacity utilization suggests that business investment for infrastructure will not likely be a significant component of economic improvement in the near-term.

The Financial Markets

Markets rebounded strongly in the fourth quarter, with most broad-market equity indices increasing by more than 10%. This was driven partially by positive economic data releases and actions taken by European leaders to alleviate the sovereign debt crises. However, exposure to European sovereign debt led to the collapse of MF Global, a U.S. based commodities and derivatives broker, in October 2011.

The Dow Jones Industrial Average closed the fourth quarter of 2011 at 12217.56, up 12.0% for the quarter. The Dow was up 5.5% for all of 2011.

The S&P 500 Index increased by 11.2% during the fourth quarter to close at 1257.60. The S&P 500 remained essentially unchanged for 2011.

The NASDAQ Composite Index increased 7.9% during the fourth quarter to close at 2605.15. For all of 2011 the NASDAQ was down 1.8%.

The broad market Wilshire 5000 Index closed at 13109.50, up 11.4% for the quarter. The Wilshire 5000 was down 1.4% for all of 2011.

The monthly average yields-to-maturity on the 20-year Treasury bond during the fourth quarter of 2011 were 2.87%, 2.72%, and 2.67%, respectively, for October, November, and December. Economists surveyed by *The Wall Street Journal* anticipate yields to rise over the next several years.

Housing Starts and Building Permits

New privately owned housing starts were at a seasonally adjusted annualized rate of 657,000 units in December, 4.1% below the revised November estimate, but 24.9% above the December 2010 level. Single-family housing starts were 470,000 in December, which is 4.4% above the revised November estimate. An estimated 606,900 privately owned housing units were started in 2011, 3.4% above the 2010 figure of 586,900. The seasonally adjusted annual rate of private housing units authorized by building permits was 679,000 units in December, 0.1% below the revised November rate of 680,000 units, but approximately 7.8% higher than the December 2010 level.

Unemployment and Payroll Jobs

The unemployment rate was 8.5% in December 2011, continuing a downward trend from 8.9% in October and 8.7% in November. As job availability increases, the work force will increase due to previously discouraged workers re-entering the work force. The December data show that the employed population increased by 176,000 in December, despite the decline in the overall civilian labor force. Unemployment is expected to decline to 8.2% by the end of 2012.

The number of non-farm payroll jobs increased by 200,000 in December following increases of 112,000 and 100,000 jobs in October and November, respectively. Economists surveyed by *The Wall Street Journal* anticipate payroll gains of approximately 150,000 a month over the next year. Population growth currently adds approximately 100,000 individuals to the work force per month.

Interest Rates

In an effort to spur investment and aid the housing market by lowering benchmark interest rates the FOMC decided to increase the average maturity of the Fed's securities by selling short term maturities and using the proceeds to purchase longer dated securities (this action is widely referred to as "Operation Twist," named after a similar FOMC operation conducted in the early 1960s). The effort was initially announced in September 2011. The following was excerpted from the Fed's December 13th press release.

The Committee also decided to keep the target range for the federal funds rate at 0 to 1/4 *percent and currently anticipates that economic conditions--including low rates of resource utilization and a subdued outlook for inflation over the medium run--are likely to warrant exceptionally low levels for the federal funds rate at least through mid-2013.*

Summary and Outlook

While the so-called Great Recession reached its official end in mid-2009, economic growth remains subdued and the recovery is viewed as fragile. The pace of recovery is likely to remain moderate but positive, though strains in global financial markets could be disruptive. The sovereign debt crisis in Europe continues to weigh on investor sentiment, with a disorderly default having the potential to wreak havoc on global financial institutions. The employment situation improved during the fourth quarter of 2011, but the outlook for longer-term unemployment is still a concern. Activity in the housing market remains weak, although somewhat improved relative to prior quarters. However, the housing market outlook is not expected to significantly improve until inventories of unsold new homes decline. GDP growth expectations from private economists surveyed by *The Wall Street Journal* are on the order of 2.2% for the first quarter of 2012 and 2.4% for all of 2012. This compares to GDP growth of 1.7% in 2011 and 3.0% in 2010, and GDP contractions of 3.5% and 0.3% in 2009 and 2008, respectively.

The Federal Reserve's outlook concurs with that of many private economists by suggesting that GDP growth is expected to continue but will likely remain constrained by weak labor and housing markets for some time going forward. On average, economists surveyed by *The Wall Street Journal* expect unemployment to remain at 8.5% through mid-2012, and fall slightly to 8.2% by year-end 2012. Given the FOMC's statements, it is unlikely there will be any tightening of monetary policy until mid-2013 at the earliest. Governmental response to the financial and economic crisis has been significant. However, the existence and magnitude of future stimulus is uncertain given the end of the Fed's most recent round of quantitative easing (referred to as "QE2") and somewhat minimal scope of Operation Twist. Improvements in the labor and housing markets will be necessary to support sustained growth going forward.

Financial Analysis

Analysis of the Unadjusted Balance Sheets

The schedule presented below shows the subject business's year-end balance sheets for the period ended December 31, 2011, the cash and cash equivalents were approximately 37.44% of the business's total assets. The remainder of the business's current assets are comprised as follows: other current assets total 3.42% of total assets at December 31, 2011. In total, current assets comprise 97.48% of the business's total assets.

	Dec 2011
ASSETS	
Cash	655,384
Accounts Receivable	991,388
Inventory	-
Other Current Assets	59,905
Total Current Assets	1,706,677
Fixed Assets	286,407
(Accumulated Depreciation)	(277,977)
Intangible Assets	5,575
(Accumulated Amortization)	(5,575)
Other Non-Current	35,615
Non-Operating Assets	-
Total Assets	1,750,722
LIABILITIES & EQUITY	
Accounts Payable	73,374
Income Taxes	-
Short Term Notes Payable	-
Current Portion of LT Debt	-
Other Current Liabilities	230,718
Total Current Liabilities	304,092
Long Term Debt	914,143
Other Non-Current Liabilities	-
Non-Operating Liabilities	-
Total Liabilities	1,218,235
Equity	532,487
Total Liabilities & Equity	1,750,722

Adjusted Balance Sheet

As part of my analysis of the fair market value I adjusted the business's assets and liabilities to their estimated fair market values as of December 31, 2011, the date of valuation. In addition, I have estimated the liquidation value of the tangible assets as of December 31, 2011. The following schedule presents the business's book value, adjustments to book value, adjusted book value, and estimated liquidation value as of December 31, 2011.

	Book Value 2011	Adjustments	Adjusted Book Value
ASSETS			
Cash	655,384		655,384
Accounts Receivable	991,388		991,388
Inventory	-		-
Other Current Assets	59,905		59,905
Total Current Assets	1,706,677	-	1,706,677
Fixed Assets	286,407		286,407
(Accumulated Depreciation)	(277,977)	120,000	(157,977)
Intangible Assets	5,575		5,575
(Accumulated Amortization)	(5,575)		(5,575)
Other Non-Current	35,615		35,615
Non-Operating Assets	-		-
Total Assets	1,750,722	120,000	1,870,722
LIABILITIES & EQUITY			
Accounts Payable	73,374		73,374
Income Taxes	-		-
Short Term Notes Payable	-		-
Current Portion of LT Debt	-		-
Other Current Liabilities	230,718		230,718
Total Current Liabilities	304,092	-	304,092
Long Term Debt	914,143		914,143
Other Non-Current Liabilities	-		-
Non-Operating Liabilities	-		-
Total Liabilities	1,218,235	-	1,218,235
Equity	532,487	120,000	652,487
Total Liabilities & Equity	1,750,722	120,000	1,870,722

Analysis of the Unadjusted Income Statements

As part of my analysis of the fair market value of a 100% interest Sample Inc, I analyzed the business's unadjusted income statements for the years ended December 31, 2009 through December 31, 2011. The exhibit below presents the business's income statements for the period December 31, 2009 through December 31, 2011.

	Dec 2011	Dec 2010	Dec 2009
Revenues less Discounts and Allowances	6,100,804	6,249,223	7,488,583
Cost of Goods Sold	3,065,587	3,004,451	3,640,201
Gross Profit	3,035,217	3,244,772	3,848,382
Operating Expenses			
Depreciation/Amortization	38,639	1,788	26,756
Officers' Compensation	1,262,909	992,203	1,632,875
Operating Lease and Rent	156,214	150,196	141,914
Expenses	1,505,270	1,723,587	2,086,686
Total Operating Expenses	2,963,032	2,867,774	3,888,231
Operating Profit	72,185	376,998	(39,849)
Other Income/Expenses			
Interest Expense	46,552	42,436	32,305
Other Income	16,105	40,004	43,298
Other Expense	168	(8)	-
Income Before Taxes	41,570	374,574	(28,856)
Income Taxes	-	-	-
Net Income	41,570	374,574	(28,856)

Adjusted Income Statements

In my analysis of the value of Sample Inc, I reviewed the business's historical income statements for the 3 year period ending December 31, 2011. In order to determine the business's earnings capacity as of December 31, 2011, it was necessary to adjust its income statements for non-operating revenues and expenses, unusually high or low expenses, and discretionary expenses. This is known as normalizing the income statements. The following schedule shows the adjustments made to the business's income statements.

	Dec 2011	Dec 2010	Dec 2009
Historic Income Before Taxes	41,570	374,574	(28,856)
Adjustments to Revenue			
Revenues less Discounts and Allowances			
Other Income			
Net Increase (Decrease) in Revenue	-	-	-
Adjustments to Expense			
Cost of Goods Sold			
Depreciation/Amortization			
Officers' Compensation	(362,909)	(92,203)	(732,875)
Operating Lease and Rent Expenses			
Interest Expense			
Other Expense			
Net Increase (Decrease) in Expense	(362,909)	(92,203)	(732,875)
Net Increase (Decrease) to Income	362,909	92,203	732,875
Tax Effect			
Net Increase (Decrease) to Income After Tax	362,909	92,203	732,875
Historic Tax Expense	-	-	-
Adjusted Net Income	404,479	466,777	704,019

The resulting normalized net income for each of the periods in the analysis is presented in the following exhibit.

	Dec 2011	Dec 2010	Dec 2009
Revenues less Discounts and Allowances	6,100,804	6,249,223	7,488,583
Cost of Goods Sold	3,065,587	3,004,451	3,640,201
Gross Profit	3,035,217	3,244,772	3,848,382
Operating Expenses:			
Depreciation/Amortization	38,639	1,788	26,756
Officers' Compensation	900,000	900,000	900,000
Operating Lease and Rent	156,214	150,196	141,914
Expenses	1,505,270	1,723,587	2,086,686
Total Operating Expenses	2,600,123	2,775,571	3,155,356
Operating Profit	435,094	469,201	693,026
Other Income/Expenses			
Interest Expense	46,552	42,436	32,305
Other Income	16,105	40,004	43,298
Other Expense	168	(8)	-
Income Before Taxes	404,479	466,777	704,019
Income Taxes	-	-	-
Net Income	404,479	466,777	704,019

Comparative Industry Analysis

The following schedule presents a comparative ratio analysis of Sample Inc and similarly sized firms operating in the same industry. Six categories of ratios (liquidity, coverage, leverage, operating, expense to revenue, and cash flow) have been used to compare the operating results of Sample Inc with that of the industry. The ratios of the subject company have been compared to the industry ratios as supplied by RMA, IRS

	Lower RMA	Median RMA	Upper RMA	IRS	Adjusted 2011	Historic 2011
LIQUIDITY RATIOS:						
Current Ratio	1.10	1.6	2.4	2.0	5.61	5.61
Quick (Acid-Test) Ratio	1.0	1.4	2.4	1.7	5.42	5.42
Revenue/Accounts Receivable	5.2	6.6	9.5	3.4	6.15	6.15
Average Collection Period	**70**	**55**	**38**	**108**	**59**	**59**
Inventory Turnover	-	-	-	35.8	-	-
Days Inventory	**-**	**-**	**-**	**10**	**-**	**-**
COGS/Payable	-	-	-	3.1	41.78	41.78
Days Payable	**-**	**-**	**-**	**116**	**9**	**9**
Revenue/Working Capital	40.0	10.9	6.0	2.5	4.35	4.35
COVERAGE RATIOS:						
Times Interest Earned	2.7	13.2	73.5	(4.3)	9.69	1.89
NI+Non-Cash Expenditures / Current LTD	-	-	-	-	-	-
LEVERAGE RATIOS:						
Fixed Assets/Tangible Worth	1.4	0.3	0.1	0.3	0.20	0.02
Debt/Tangible Net Worth	6.6	1.5	0.7	1.4	1.87	2.29
Debt/Equity	1.6	1.6	1.6	0.3	1.87	2.29
OPERATING RATIOS:						
EBT/Tangible Worth	13.00%	39.70%	73.40%	-15.65%	61.99%	7.81%
EBT/Total Assets	2.80%	11.00%	29.40%	-5.07%	21.62%	2.37%
Fixed Asset Turnover	19.1	53.1	105.1	6.4	47.50	723.70
Total Asset Turnover	2.1	3.1	4.4	0.6	3.26	3.48
EXPENSE TO REVENUE RATIOS:						
% Deprtn., Depltn., Amort./Revenue	2.90%	1.30%	0.50%	5.53%	0.63%	0.63%
% Officers' &/or Owners' Compensation/Revenue	11.30%	6.00%	2.20%	0.66%	14.75%	20.70%
Cash Flow Ratios						
Operating Cash Flow (OCF)						(2.31)
Funds Flow Coverage (FFC)						2.72
Cash Interest Coverage						(14.09)
Cash Current Debt Coverage						(2.31)
Capital Expenditure						-
Total Debt						(0.77)
Total Free Cash						0.51
Cash Flow Adequacy						-

Valuation Methods Accepted

Book Value Method

The book value of Sample Inc as of December 31, 2011 was $532,487. Book value is an accounting value that is calculated by subtracting total liabilities from total assets. In my opinion, book value is an accurate measure of the business's fair market value as of December 31, 2011.

Income Methods of Valuation

Capitalization of Earnings Method

Conceptual Basis

The capitalization of earnings method values the business based on an expected stream of earnings (cash flow) capitalized by a risk-adjusted rate of return. A capitalization of earnings method is used primarily to value businesses whose earnings are expected to remain stable and whose value is based on its projected earnings stream. The steps involved in using the capitalization of earnings method are:

1. Estimate the business's pro-forma sustainable earnings.
2. Determine the appropriate capitalization rate.
3. Capitalize the sustainable earnings into an operating value.
4. Adjust for non-operating assets and/or liabilities, premiums and discounts to determine the fair market value for the entity at the date of valuation.

Sustainable Pro-Forma Earnings to be Capitalized

In order to estimate the business's fair market value using the capitalization of earnings method, it is necessary to determine Sample Inc's sustainable ongoing capacity or earnings base as of the date of valuation. The first step, adjusting the historical income statements to a normalized state, was completed in a previous section of this appraisal report. The second step, weighting the adjusted income statements and calculating the weighted-average earnings base, is presented in the following schedule.

EBT	Dec 2011	Dec 2010	Dec 2009
Adjusted EBT	404,479	466,777	704,019
	404,479	466,777	704,019
Weight	389	85	47
Ongoing Capacity	441,665		
Selected Ongoing Capacity	441,700		

Selection of an Appropriate Capitalization Rate

Capitalization rates vary among particular types of businesses and from one period of time to another. Capitalization rates are expressed as a percentage and represent the risk of receiving the benefit stream over time. The more speculative or higher the risk, the higher the capitalization rate; conversely, the less speculative or lower the risk, the lower the capitalization rate.

The two basic components of a capitalization rate are the discount rate and a growth rate. The discount rate is built up by summing the risk factor an owner/investor encounters in the investment decision. The growth rate is rate at which the benefit stream should grow into perpetuity. To determine the capitalization rate the growth rate is subtracted from the discount rate.

The discount rate is built by summing up the following factors; the risk-free rate of return, the common stock equity risk premium, the smaller size premium, the industry risk premium and the company specific premium.

The risk-free rate of return includes the investors' required rate of return for the "riskless" use of their funds and a factor for inflation. The rate of return earned on long term U.S. Government bonds is considered a good proxy for the risk-free rate of return. As of December 31, 2011, the date of valuation, the rate of return on a twenty-year U.S. Government Treasury Bond was 3.80%. Therefore, the risk-free rate of return is 3.80%.

The common stock equity risk premium return is the additional rate of return required by investors in the market to compensate them for the additional risk in investing in a stock security as compared to a long term U.S. Government security. In the Ibbotson Associates' Stocks, Bonds, Bills and Inflation Yearbook, it is shown that, between 1926 and 2008, the average total returns earned on large corporate stocks has been approximately 5.10% higher than the average total annual returns for long term U.S. Government bonds. Therefore, in developing a discount rate, I added an equity risk premium of 5.10% to the risk-free rate of return.

The same Ibbotson Associates' study indicates that the smallest stocks traded on the New York Stock Exchange (defined as the lower 10 percent) earned an additional 4.40% premium over the larger stocks traded on the exchange. This small stock premium was added to the risk-free rate of return and the equity risk premium.

In the Ibbotson Associates' Stocks, Bonds, Bills and Inflation Yearbook, the risk of doing business in a particular industry has been calculated using a beta methodology on public companies to determine the risk that a particular industry has. This risk can be greater than the market as a whole (a plus number) or the risk can be less than the market as a whole (a negative number). According to Ibbotson Associates, the industry risk premium is 2.40%, therefore, I included this amount in the buildup of the discount rate.

Investing in a closely-held business involves additional elements of risk which must be compensated by offering a higher rate of return. The additional risk may be from specific risks associated with the company itself. Although there is little empirical evidence to assist the appraiser in determining this subjective risk premium, I have considered the following factors:

1. The business's financial ratios.
2. The long term outlook for the subject company's industry.
3. The depth of the subject company's management.
4. The degree of competition for the subject business's revenues.
5. The historical trend in the subject company's after tax earnings.
6. The geographic region the subject company conducts business in.

After considering the aforementioned factors, it is my opinion that the subjective risk premium for Sample Inc should be approximately 14.0%.

In order to calculate a capitalization rate, it is necessary to subtract the company's expected long term growth rate in earnings from the discount rate. Based on the national economy (as discussed above), the local and industry economy (discussed above), and the company's historical growth rate, it is my opinion that the business's long term growth rate in earnings will be approximately 4.0%.

The result of subtracting the business's expected long term growth rate in earnings from the discount rate is a capitalization rate of 25.7%. This capitalization rate is, by definition, for the next year's earnings. To convert it to a current year's earnings capitalization rate, it is necessary to divide the capitalization rate by the sum of one plus the expected long term growth rate in the business's earnings (1/1+4.0%). The result of the calculation is a capitalization rate of 24.7% that is applicable to the current year's earnings.

The following exhibit shows the calculation for the capitalization rate for Sample Inc as of December 31, 2011.

Cost of equity			
Risk-free Rate of Return		3.8%	
Common Stock Equity Risk Premium		5.1%	
Small Stock Risk Premium		4.4%	
Plus/Minus Industry Risk Premium		2.4%	
Company Specific Premium			
Depth of Management			
Importance of Key Personnel	6.0%		
Stability of Industry	0.0%		
Diversification of Product Line	3.0%		
Diversification of Customer Base	3.0%		
Diversification/Stability of Suppliers			
Geographic Location			
Stability of Earnings	1.0%		
Earnings Margins	1.0%		
Financial Structure			
Total Company Specific Premium		14.0%	
Net discount rate		29.7%	
Adjust from After Tax Rate to Pretax Economic Stream		0.0%	
Adjust from Cash Flow Rate to EBT Economic Stream		0.0%	
Total Cost of Equity			29.7%
Less Sustainable Growth			4.0%
Next Year Capitalization Rate			25.7%
Current Year Capitalization Rate			24.7%
Selected Capitalization Rate			24.7%

Capitalize the Pro-Forma Earnings

The following exhibit summarizes the calculation of the business's fair market value using the capitalization of earnings method. Note that premiums, discounts and excess/non-operating assets are discussed further in another section of this report.

Adjusted EBT	441,700
Divide By	
Capitalization Rate	24.7%
Sub-Total	1,788,259
Excess/Non-Operating Assets	542,162
Indicated Value	2,330,421
Selected Value	2,330,400

Discounted Cash Flows Method

Conceptual Basis

The discounted cash flows analysis is an income method to valuation wherein the total fair market value of the business entity is calculated by discounting projected future cash flows back to the date of valuation. At the end of the projection period, a residual or terminal value is calculated and discounted to its present value at the date of valuation. The theory behind the discounted cash flows method is that an entity's value is equal to the present value of its expected future cash flows. It is used primarily when a business's short-term growth of the projected earnings stream is not expected to equal its expected long term growth rate and when a business's earnings and/or cash flows are the primary factors of value.

The steps involved in a discounted cash flows analysis are as follows:

1. Develop the pro-forma ongoing capacity base to be used for the projected cash flows.
2. Develop the method to be used to project future earnings or cash flows.
3. Develop a risk adjusted discount rate.
4. Discount to the date of valuation the projected cash flow streams using the discount rate.
5. Capitalize the terminal year's projected income into a residual value using the discount rate less the terminal growth rate.
6. Discount the residual value to its present value as of the date of valuation.
7. Sum the present values of the discounted cash flows and residual value.
8. Adjust for non-operating assets and/or liabilities, premiums and discounts to determine the fair market value for the entity at the date of valuation.

Pro-Forma Base

In order to estimate the business's fair market value using the discounted cash flows method, it is necessary to determine Sample Inc's cash flow base as of the date of valuation. The first step, adjusting the historical income statements to a normalized state, was completed in a previous section of this appraisal report. The second step, weighting the adjusted income statements and calculating the weighted-average base, is presented in the following schedule.

EBT	Dec 2011	Dec 2010	Dec 2009
Adjusted EBT	404,479	466,777	704,019
	404,479	466,777	704,019
Weight	389	85	47
Ongoing Capacity	441,665		
Selected Ongoing Capacity	441,700		

Selection of an Appropriate Discount Rate

Discount rates vary among particular types of businesses and from one period of time to another. Discount rates are expressed as a percentage and represent the risk of receiving the benefit stream over time. The more speculative or higher the risk, the higher the discount rate; conversely, the less speculative or lower the risk, the lower the discount rate.

The discount rate is built by summing up the following factors; the risk-free rate of return, the common stock equity risk premium, the smaller size premium, the industry risk premium and the company specific premium.

The risk-free rate of return includes the investors' required rate of return for the "riskless" use of their funds and a factor for inflation. The rate of return earned on long term U.S. Government bonds is considered a good proxy for the risk-free rate of return. As of December 31, 2011, the date of valuation, the rate of return on a twenty-year U.S. Government Treasury Bond was 3.8%. Therefore, the risk-free rate of return is 3.8%.

The common stock equity risk premium return is the additional rate of return required by investors in the market to compensate them for the additional risk in investing in a stock security as compared to a long term U.S. Government security. In the Ibbotson Associates' Stocks, Bonds, Bills and Inflation Yearbook, it is shown that, between 1926 and 2008, the average total returns earned on large corporate stocks has been approximately 5.1% higher than the average total annual returns for long term U.S. Government bonds. Therefore, in developing a discount rate, I added an equity risk premium of 5.1% to the risk-free rate of return.

The same Ibbotson Associates' study indicates that the smallest stocks traded on the New York Stock Exchange (defined as the lower 10 percent) earned an additional 4.4% premium over the larger stocks traded on the exchange. This small stock premium was added to the risk-free rate of return and the equity risk premium.

In the Ibbotson Associates' Stocks, Bonds, Bills and Inflation Yearbook, the risk of doing business in a particular industry has been calculated using a beta methodology on public companies to determine the risk that a particular industry has. This risk can be greater than the market as a whole (a plus number) or the risk can be less than the market as a whole (a negative number). According to Ibbotson Associates, the industry risk premium is 2.4%, therefore, I included this amount in the buildup of the discount rate.

Investing in a closely-held business involves additional elements of risk which must be compensated by offering a higher rate of return. The additional risk may be from specific risks associated with the company itself. Although there is little empirical evidence to assist the appraiser in determining this subjective risk premium, I have considered the following factors:

1. The business's financial ratios.
2. The long term outlook for the subject company's industry.
3. The depth of the subject company's management.
4. The degree of competition for the subject business's revenues.
5. The historical trend in the subject company's after tax earnings.
6. The geographic region the subject company conducts business in.

After considering the aforementioned factors, it is my opinion that the subjective risk premium for Sample Inc should be approximately 14.0%.

The result of adding these risk factors is a discount rate of 29.7%. The following exhibit shows the calculation for the capitalization rate for Sample Inc as of December 31, 2011.

Cost of equity			
Risk-free Rate of Return		3.8%	
Common Stock Equity Risk Premium		5.1%	
Small Stock Risk Premium		4.4%	
Plus/Minus Industry Risk Premium		2.4%	
Company Specific Premium			
Depth of Management			
Importance of Key Personnel	6.0%		
Stability of Industry			
Diversification of Product Line	3.0%		
Diversification of Customer Base	3.0%		
Diversification/Stability of Suppliers			
Geographic Location			
Stability of Earnings	1.0%		
Earnings Margins	1.0%		
Financial Structure			
Total Company Specific Premium		14.0%	
Net discount rate		29.7%	
Adjust from After Tax Rate to Pretax Economic Stream		0.0%	
Adjust from Cash Flow Rate to EBT Economic Stream		0.0%	
Discount Rate			29.7%
Selected Discount Rate			29.7%

Projected Earnings Method

The next step is to determine the applicable method for forecasting the future earnings.

Dollar Growth	Dec 2012	Dec 2013	Dec 2014
Enter Projected Stream In Dollars	300,000	320,000	340,000

Cash Flows to be Discounted

The following exhibit shows the business's estimated projected earnings for the 3 years after the date of valuation discounted to their present values as of December 31, 2011. In addition, the last year's projected earnings were capitalized into a residual value and discounted to its present value as of December 31, 2011. Note that premiums, discounts and excess/non-operating assets are discussed further in another section of this report.

Forecast Period	Projected Economic Stream	Growth Rate	Factor At 29.7% Disc Rate	Terminal Value	Discounted Value
2012	300,000		77.101%		231,303
2013	320,000	6.7%	59.446%		190,226
2014	340,000	6.3%	45.833%		155,833
2015-forever	360,400	6.0%	45.833%	1,520,675	696,974
Total Discounted Cash Flows					1,274,336
Indicated Value					1,816,498
Selected Value					1,816,500

Market Approach - Publicly-Traded Guideline Companies Methods

Conceptual Basis

Market based valuation methods use multiples that are extrapolated from publicly-traded guideline company data to derive the fair market value for the subject business. The theory behind this method is that the public market determines what price is an acceptable return for the earnings stream, gross revenue, or book value for a company. If that company is similar to the subject company then that multiple can be applied as a proxy for the fair market value of the subject company.

Identification of Publicly-Traded Guideline Companies

The publicly-traded guideline company method uses valuation ratios of "comparable" guideline companies to determine the operating value of the subject company. My research began with obtaining information on all publicly-traded companies that had the same standard industrial classification code (SIC) as Sample Inc. After reviewing financial and non-financial information for each of the publicly-traded companies with a 541330 SIC code, I determined that there existed companies that were similar and comparable to Sample Inc and could be used as publicly-traded guideline companies.

Price to Seller's Discretionary Earnings

The theory of the price to seller's discretionary earnings method is that the market determines the appropriate price to seller's discretionary earnings multiple to apply to the subject company's weighted discretionary earnings. The first step in applying this method is to determine the weighted discretionary earnings.

	Dec 2011	Dec 2010	Dec 2009
Adjusted Pre-Tax Income	404,479	466,777	704,019
Adjusted Interest Expense	46,552	42,436	32,305
Adjusted Depreciation/Amortization	38,639	1,788	26,756
Seller's Discretionary Earnings	489,670	511,001	763,080
Weight on Seller's Discretionary Cash Flow	389	85	47
Weighted Average BIZCOMPS SDE Base	**517,815**		
Selected BIZCOMPS SDE Base	**517,800**		

When using this method, it is important to adjust the price to seller's discretionary earnings ratios for the differences in size, product diversification, and financial strength between the privately-held subject company and the guideline companies. After reviewing the guideline companies' price to seller's discretionary earnings ratios and making the appropriate adjustments, the appropriate P/SDE ratios to apply to Sample Inc's weighted seller's discretionary earnings as of December 31, 2011 are shown in the table below. The following table summarizes the calculation of the business entity using price to earnings of traded companies. Note that premiums, discounts and excess/non-operating assets are discussed further in another section of this report

	BIZCOMPS
Economic Base	517,800
P/E Multiple	5.44
Sub-Total	2,816,832
Adjustment	110,325
Sub-Total	2,927,157
Excess/Non-Operating Assets	542,162
Indicated Value	3,469,319
Selected Value	3,469,300

Price to Revenues

The percentage of revenues method is used when the subject company's cost structure approximates that of the publicly-traded guideline companies. The first step in applying this method is to determine the weighted revenue.

	Dec 2011	Dec 2010	Dec 2009
Adjusted Revenue	6,100,804	6,249,223	7,488,583
Weight on Revenue	389	85	47
Weighted Average Revenue	**6,250,211**		
Selected Revenue Base	**6,250,200**		

When using this method, it is important to adjust the price to revenue ratios for the differences in size, product diversification, and financial strength between the privately-held subject company and publicly-traded guideline companies. After reviewing the publicly-traded guideline companies' price to revenues ratios and making the appropriate adjustments, the appropriate P/R ratios to apply to Sample Inc's weighted revenue as of December 31, 2011 are shown in the table below. The following table summarizes the calculation of the business entity using price to revenues multiple of publicly traded companies. Note that premiums, discounts and excess/non-operating assets are discussed further in another section of this report

	BIZCOMPS
Revenue Base	6,250,200
P/R Multiple	0.57
Sub-Total	3,562,614
Adjustment	110,325
Sub-Total	3,672,939
Excess/Non-Operating Assets	542,162
Indicated Value	4,215,101
Selected Value	4,215,100

Summary of Valuation Methods

In my evaluation of the fair market value of a 100% interest in Sample Inc as of December 31, 2011, I calculated and analyzed a variety of valuation methods. The following exhibit lists the various valuation methodologies and the weighting I assigned to each method.

Going Concern Value	652,500	9%
COE Indicated Value	2,330,400	22%
DCF Indicated Value	1,816,500	22%
Market Data P/SDE Indicated Value	3,469,300	28%
Market Data P/R Indicated Value	4,215,100	20%
Calculated Weighted Average Conclusion of Value	2,777,324	100%
Selected Conclusion of Value	2,777,300	

Value Conclusion

Based on my analysis of Sample Inc and all of the factors affecting its value, it is my opinion that the fair market value of a 100% interest in the business as of December 31, 2011 is $2,777,300.

Conclusion Of Total Value	2,777,300
Total Shares Outstanding	240,000
Value Per Share	11.57
Number Of Shares Being Valued	240,000
Value of Interest Appraised	2,777,300
Rounded	2,777,300

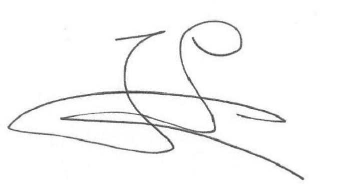
Appendix A: Valuation Certification and Signature of the Analyst

I certify to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinion and conclusion.
3. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
4. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
5. I have no present or prospective interest in the property that is the subject of this report and I have no personal interest with respect to the parties involved.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal..
7. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
8. No one provided signification professional assistance to the person signing this report.

Signature of the Analyst:

Appraiser Name



Appendix B: Limiting Conditions

Preparation of this report involved the review of substantial documentation with respect to the Company, the industry and the national economy. Sources of information related to the industry and the national economy are cited specifically at appropriate sections of the report.

In all cases, I have relied upon the referenced information without independent verification. This report is, therefore, dependent upon the information provided. A material change in critical information relied upon in this report would be cause for a reassessment to determine the effect, if any, upon my conclusion.

Users of this business valuation report should be aware that business valuations are based on future earnings potential that may or may not materialize. Therefore, the actual results achieved during the projection period will vary from the projections utilized in this valuation, and the variations may be material.

Some assumptions invariably will not materialize, and unanticipated events and circumstances may occur. Therefore, the actual performance in any areas forecasted/projected will vary from the forecast/projection, and the variations may be material. Business Matter Valuation will not express any form of assurance on the likelihood of achieving the forecast/projection or on the reasonableness of the used assumptions. Any such forecast/projection is presented as part of the appraisal and is not intended to be used separately.

The value premise(s) cited in this report are fundamental to the value opinions rendered herein, and I reserve the right to reconsider such premise(s) should subsequent or additional information be discovered, although no such obligation exists.

We have relied upon the representations of the owners, management and other third parties concerning the value and useful condition of all equipment, real estate, investments used in the business, and any other assets or liabilities except as specifically stated to the contrary in this report. I have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances, or that Sample Inc has good title to all assets.

The estimate of value included in this report assumes that Sample Inc 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.

Since neither Sample Inc management nor advisors have advised me otherwise, I assume that there is full compliance with all applicable federal, state, and local laws and regulations unless the lack of compliance is stated, defined, and considered in the appraisal report.

Public information, purchased private information and industry statistical information are from sources I deem to be reliable; however, I make no representation as to the accuracy or completeness of such information, and have accepted the information without further verification.

This report and its related calculations were prepared using various software applications potentially including Microsoft Word and Microsoft Excel, Express Business Valuation, and/or various Internet-related software, third-party data (as indicated) and information.

I assume no responsibility for the legal description or matters including legal or title considerations. Title to the subject assets, properties, or business interests is assumed to be good and marketable as represented by owners, management and advisors of Sample Inc unless otherwise stated.

I assume no hidden or unapparent conditions regarding the subject assets, properties or business interests.

Unless otherwise stated in this report, I did not observe, and I have no knowledge of, the existence of hazardous materials with regard to the subject assets, properties, or business interests. However, I are not qualified to detect such substances. I assume no responsibility for such conditions or for any expertise required to discover them.

No opinion, counsel or interpretation is intended in matters that require legal or other appropriate professional advice. It is assumed that such opinions, counsel or interpretations have been or will be obtained from the appropriate professional sources.

The analyses, opinions, and conclusions presented in this report apply to this engagement only and may not be used out of the context presented herein. This report is valid only for the effective date(s) specified and only for the purpose(s) specified herein.

Although I have exerted considerable diligence and applied my best efforts in constructing this document, immaterial anomalies, if any, may arise. Even so, I are confident that my overall conclusion would still fall within a materially consistent conclusion.

While the client has not informed Sample Inc of any intent to do so, any third parties to whom this report is shown may be assured that this report, while performed in the employ of the client, was materially prepared on a non-advocacy basis. Any third persons, however, are cautioned that Business Matter Valuation has no duty to you and, therefore, no warranty is expressed or implied. Nothing in this report is intended to replace your independent sole judgment, due diligence, or decision to seek professional legal, accounting, or valuation counsel.

This report has been prepared solely for the use of the party or parties named and specifically for the purposes set out therein. In accordance with normal practice, I hereby disclaim liability to any other person. Any other person should not rely upon the information and conclusions reached nor should any statement in this report be used for any other purpose without written consent from Sample Inc.

The statements and opinions given in this report are given in good faith and in the belief that such statements are not false or misleading. In preparing this report I have relied upon information believed to be reliable and accurate provided by the owners, management and advisors of Sample Inc and other sources. I have no reason to believe that any material facts have been withheld from me, nor do I warrant that my investigation has revealed all of the matters in which an audit or more extensive examination might disclose.

This valuation reflects facts and conditions existing at the date of this valuation. Subsequent events have not been considered, and I have no obligation to update my report for such events and conditions.

Business Matter Valuation does 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. Business Matter Valuation, however, performed conceptually sound and commonly accepted methods and procedures of valuation in determining the estimate of value included in this report. Business Matter Valuation is not liable for any use, reliance, financial applications, report distribution or other utilization of any kind, by any party not having written authorization from Business Matter Valuation.

The appraised estimate of fair market value in this report is based on the definition applied throughout such report. An actual transaction in the shares may be completed at a value higher, lower or equal to the value rendered herein. I make no guarantee of any kind with regard to the likely or ultimate amount that may result in any future transaction.

The opinion(s) offered in this report do not constitute an offer to buy or sell the shares.

The valuation analyst, by reason of performing this valuation and preparing this report, is not to be required to give expert testimony nor to be in attendance in court or at any government, professional or regulatory hearing, including IRS matters with reference to the matters contained herein, unless prior written arrangements have been made with Business Matter Valuation regarding such additional engagement as to the timing, fee .

Appendix F: Glossary

This Glossary was developed jointly by representatives of the American Institute of CPAs, the American Society of Appraisers, the Canadian Institute of Business Valuers, the Institute of Business Appraisers, and the National Association of Certified Valuation Analysts.

Adjusted Book Value - the value that results after one or more asset(s) or liability amounts are added, deleted, or changed from their respective financial statement amounts.

Appraisal - See Valuation.

Appraisal Approach - See Valuation Approach.

Appraisal Date - See Valuation Date.

Appraisal Method - See Valuation Method.

Appraisal Procedure - See Valuation Procedure.

Asset (Asset-Based) Approach - a general way of determining a value indication of a business, business ownership interest, or security by using one or more methods based on the value of the assets of that business net of liabilities.

Benefit Stream - any level of income, cash flow, or earnings generated by an asset, group of assets, or business enterprise. When the term is used, it should be supplemented by a definition of exactly what it means in the given valuation context.

Beta - a measure of systematic risk of a security; the tendency of a security's returns to correlate with swings in the broad market.

Blockage Discount - an amount or percentage deducted from the current market price of a publicly traded security to reflect the decrease in the per share value of a block of those securities that is of a size that could not be sold in a reasonable period of time given normal trading volume.

Business - see Business Enterprise.

Business Enterprise - a commercial, industrial, service, or investment entity, or a combination thereof, pursuing an economic activity.

Business Valuation - the act or process of determining the value of a business enterprise or ownership interest therein.

Capital Asset Pricing Model (CAPM) - a model in which the cost of capital for any security or portfolio of securities equals a risk free rate plus a risk premium that is proportionate to the systematic risk of the security or portfolio.

Capitalization - a conversion of a single period stream of benefits into value.

Capitalization Factor - any multiple or divisor used to convert anticipated benefits into value.

Capitalization Rate - any divisor (usually expressed as a percentage) used to convert anticipated benefits into value.

Capital Structure - the composition of the invested capital of a business enterprise; the mix of debt and equity financing.

Cash Flow - cash that is generated over a period of time by an asset, group of assets, or business enterprise. It may be used in a general sense to encompass various levels of specifically defined cash flows. When the term is used, it should be supplemented by a qualifier (for example, "discretionary" or "operating") and a definition of exactly what it means in the given valuation context.

Control - the power to direct the management and policies of a business enterprise.

Control Premium - an amount (expressed in either dollar or percentage form) by which the pro rata value (calculated, in proportion value) of a controlling interest exceeds the pro rata value of a noncontrolling interest in a business enterprise, that reflects the power of control.

Cost Approach - a general way of estimating a value indication of an individual asset by quantifying the amount of money that would be required to replace the future service capability of that asset.

Cost of Capital - the expected rate of return (discount rate) that the market requires in order to attract funds to a particular investment.

Discount - a reduction in value or the act of reducing value.

Discount for Lack of Control - an amount or percentage deducted from the pro rata share of value of one hundred percent (100%) of an equity interest in a business to reflect the absence of some or all of the powers of control.

Discount for Lack of Marketability - an amount or percentage deducted from the value of an ownership interest to reflect the relative absence of marketability.

Discount Rate - a rate of return (cost of capital) used to convert a monetary sum, payable or receivable in the future, into present value.

Economic Life - the period of time over which property may generate economic benefits.

Effective Date - See Valuation Date.

Enterprise - See Business Enterprise.

Equity Net Cash Flows - those cash flows available to pay out to equity holders (in the form of dividends) after funding operations of the business enterprise, making necessary capital investments, and reflecting increases or decreases in debt financing.

Equity Risk Premium - a rate of return in addition to a risk free rate to compensate for investing in equity instruments because they have a higher degree of probable risk than risk free instruments (a component of the cost of equity capital or equity discount rate).

Excess Earnings - that amount of anticipated benefits that exceeds a fair rate of return on the value of a selected asset base (often net tangible assets) used to generate those anticipated benefits.

Excess Earnings Method - a specific way of determining a value indication of a business, business ownership interest, or security determined as the sum of the value of the assets obtained by capitalizing excess earnings and the value of the selected asset base. Also frequently used to value intangible assets. See Excess Earnings.

Fair Market Value - the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts. {NOTE: In Canada, the term "price" should be replaced with the term "highest price".}

Forced Liquidation Value - liquidation value at which the asset or assets are sold as quickly as possible, such as at an auction.

Going Concern - an ongoing operating business enterprise.

Going Concern Value - the value of a business enterprise that is expected to continue to operate into the future. The intangible elements of Going Concern Value result from factors such as having a trained work force, an operational plant, and the necessary licenses, systems, and procedures in place.

Goodwill - that intangible asset arising as a result of name, reputation, customer loyalty, location, products, and similar factors not separately identified.

Goodwill Value - the value attributable to goodwill.

Income (Income-Based) Approach - a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more methods that convert anticipated benefits into a present single amount.

Intangible Assets - nonphysical assets (such as franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities and contracts as distinguished from physical assets) that grant rights, privileges, and have economic benefits for the owner.

Invested Capital - the sum of equity and debt in a business enterprise. Debt is typically long term liabilities or the sum of short term interest bearing debt and long term liabilities. When the term is used, it should be supplemented by a definition of exactly what it means in the given valuation context.

Invested Capital Net Cash Flows - those cash flows available to pay out to equity holders (in the form of dividends) and debt investors (in the form of principal and interest) after funding operations of the business enterprise and making necessary capital investments.

Investment Risk - the degree of uncertainty as to the realization of expected returns.

Investment Value - the value to a particular investor based on individual investment requirements and expectations. {NOTE: In Canada, the term used is "Value to the Owner."}

Key Person Discount - an amount or percentage deducted from the value of an ownership interest to reflect the reduction in value resulting from the actual or potential loss of a key person in a business enterprise.

Levered Beta - the beta reflecting a capital structure that includes debt.

Liquidity - the ability to quickly convert property to cash or pay a liability.

Liquidation Value - the net amount that can be realized if the business is terminated and the assets are sold piecemeal. Liquidation can be either "orderly" or "forced".

Majority Control - the degree of control provided by a majority position.

Majority Interest - an ownership interest greater than fifty percent (50%) of the voting interest in a business enterprise.

Market (Market-Based) Approach - a general way of determining a value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Marketability - the ability to quickly convert property to cash at minimal cost.

Marketability Discount - See Discount for Lack of Marketability.

Minority Discount - a discount for lack of control applicable to a minority interest.

Minority Interest - an ownership interest less than fifty percent (50%) of the voting interest in a business enterprise.

Net Book Value - with respect to a business enterprise, the difference between total assets (net of accumulated depreciation, depletion, and amortization) and total liabilities of a business enterprise as they appear on the balance sheet (synonymous with Shareholder's Equity); with respect to an intangible asset, the capitalized cost of an intangible asset less accumulated amortization as it appears on the accounting books of the business enterprise.

Net Cash Flow - a form of cash flow. When the term is used, it should be supplemented by a qualifier (for example, "Equity" or "Invested Capital") and a definition of exactly what it means in the given valuation context.

Net Tangible Asset Value - the value of the business enterprise's tangible assets (excluding excess assets and nonoperating assets) minus the value of its liabilities. {NOTE: In Canada, tangible assets also include identifiable intangible assets.}

Nonoperating Assets - assets not necessary to ongoing operations of the business enterprise. {NOTE: In Canada, the term used is "Redundant Assets."}

Orderly Liquidation Value - liquidation value at which the asset or assets are sold over a reasonable period of time to maximize proceeds received.

Premise of Value - an assumption regarding the most likely set of transactional circumstances that may be applicable to the subject valuation; e.g. going concern, liquidation.

Portfolio Discount - an amount or percentage that may be deducted from the value of a business enterprise to reflect the fact that it owns dissimilar operations or assets that may not fit well together.

Rate of Return - an amount of income (loss) and/or change in value realized or anticipated on an investment, expressed as a percentage of that investment.

Redundant Assets - {NOTE: In Canada, see "Nonoperating Assets."}

Report Date - the date conclusions are transmitted to the client.

Replacement Cost New - the current cost of a similar new property having the nearest equivalent utility to the property being valued.

Reproduction Cost New - the current cost of an identical new property.

Residual Value - the prospective value as of the end of the discrete projection period in a discounted benefit streams model.

Risk Free Rate - the rate of return available in the market on an investment free of default risk.

Risk Premium - a rate of return in addition to a risk free rate to compensate the investor for accepting risk.

Rule of Thumb - a mathematical relationship between or among variables based on experience, observation, hearsay, or a combination of these, usually applicable to a specific industry.

Special Interest Purchasers - acquirers who believe they can enjoy post-acquisition economies of scale, synergy, or strategic advantages by combining the acquired business interest with their own.

Standard of Value - the identification of the type of value being utilized in a specific engagement; e.g. fair market value, fair value, investment value.

Sustaining Capital Reinvestment - the periodic capital outlay required to maintain operations at existing levels, net of the tax shield available from such outlays.

Systematic Risk - the risk that is common to all risky securities and cannot be eliminated through diversification. When using the capital asset pricing model, systematic risk is measured by beta.

Terminal Value - See Residual Value.

Unlevered Beta - the beta reflecting a capital structure without debt.

The Risk Management Association – Formerly know as Robert Morris Associates .

Unsystematic Risk - the portion of total risk specific to an individual security that can be avoided through diversification.

Valuation - the act or process of determining the value of a business, business ownership interest, security, or intangible asset.

Valuation Approach - a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more valuation methods.

Valuation Date - the specific point in time as of which the valuator's opinion of value applies (also referred to as "Effective Date" or "Appraisal Date").

Valuation Method - within approaches, a specific way to determine value.

Valuation Procedure - the act, manner, and technique of performing the steps of an appraisal method.

Valuation Ratio - a fraction in which a value or price serves as the numerator and financial, operating, or physical data serve as the denominator.

Value to the Owner - {NOTE: In Canada, see Investment Value.}

Weighted Average Cost of Capital (WACC) - the cost of capital (discount rate) determined by the weighted average at market value of the cost of all financing sources in the business enterprise's capital structure.