

Dear customer,

We will use valuation methods based on the actual and future business income like Discounted Cash Flow and Capitalization of Earnings in addition to market methods, as we have access to large databases of past transactions. We charge a \$399 flat fee per report.

In order for us to establish the business valuation, you will need to provide us with :

- Last balance sheet,
- P&L 2010,
- 3 year of Tax Returns,
- 3 years of forecasted earnings or forecasted growth.

Once you have placed an order for your business valuation, you will immediately receive your password and be asked to complete a questionnaire before that will help us to understand the specificities of the business. This should not take any longer than 30 minutes.

As you will see on the right menu, there are only 5 steps to follow on the questionnaire. Moreover, the system also will allow you to upload your documents, balance sheet and Profit & Loss statements during step 2.

Alternatively, you can email ([james@onlinebusinessvaluation.com](mailto:james@onlinebusinessvaluation.com)) or fax (760 462 4779) your statements and relevant documents instead of using the second step of the questionnaire.

Please write on the fax cover sheet "Attn: James," the company name and number of pages.

We will be in contact with you should we require more in-depth information. Once we have received all of your information, the turnaround time for us to produce a comprehensive report is 3 working days.

As Business Valuers, we maintain the strictest confidentiality. All of our clients' information is deleted from our system after 30 days. The information you provide is used solely for the purpose of valuing the business. We do not pass on or share the information.

We hope this information is sufficient. Should you require further information, please do not hesitate to contact us. We look forward to providing your third-party valuation.

Best Regards,

James Lysard

Questionnaire

Company's Name:

Company's primary address:

DBA or Trade Name:

Company's website:

Owner or contact name:

Phone for contact purposes:

Emails for contact purposes:

Company's SIC/NAICS code:

If corporation, numbers of share authorized:

If corporation, number of shares outstanding:

When was the company founded?:

When did the current Ownership acquire the Company?:

Are there other locations, subsidiaries, or affiliated business?  
(Addresses):

Type of entity ? (C-Corp, S-corp, LLC, etc..):

Describe the Company's principal business activity:

Are there any intangible assets used in the business, such as patents,  
trademarks, professional licenses, permit, franchises or other  
Intellectual property? please explain:

What are the Strengths and Weaknesses of the Company?:

Given additional resources, what is the best way to grow the Company?:

Reason for Valuation ?:

Owners name with position/relationship, % of ownership, income:

What job functions does the owner perform on a daily basis?:

How many employees does the business have? (Total, Full Time, Part Time):

Are sales seasonal or cyclical? if yes, explain:

What is the gross revenue forecast for the current year and the next 2 years? or % of growth:

What is the earnings forecast for the current year and next 2 years?:

To obtain an economically realistic picture of the company assets that are part of the business, the balance sheet has to be adjusted. Are the accounts receivable a part of the transaction ?

Which percentage of Accounts Receivable are doubtful?

In the majority of cases, net book value is a lower limit of reasonable value for equipment on a going-concern basis. What would be the current cost to replace furniture, fixtures and equipment, less an allowance for the length of it has been in service ?

What would be a reasonable compensation for an employee performing the function of the actual owner?

The general idea of the compensation adjustment is to substitute the cost of hiring and paying a non-owner employee for the compensation actually paid to the owner to perform the same function.

# Business Valuation Report

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## **Sewer Line, Inc**

Post Office BOX 3804

**As of: October 31, 2008**

Prepared by:

James Lynsard, MBA, MAcc, CSBA Certified Appraiser

Business Matter Valuation

947 N. Centre Street

#A

Stockton, CA, 95202-1327

May 20, 2009

Dear John Smith:

I have been asked to determine the fair market value of Sewer Line, Inc as of October 31, 2008 for the purpose of a Business Sale.

The definition of fair market value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under a compulsion to buy or to sell and both having reasonable knowledge of all relevant facts.

Based on the information contained in the following narrative report, in my opinion, the fair market value of a 100% interest in Sewer Line, Inc as of October 31, 2008 is \$2,584,700.

My opinion of value is subject to the assumptions and limiting conditions set forth in this report.

Respectfully submitted,

James Lynsard, MBA, MAcc, CSBA Certified Appraiser

Business Matter Valuation

A handwritten signature in black ink, appearing to be 'J. Lynsard', written over a large, light gray watermark that reads 'Sample www.OnlineBusinessAppraisal.com'.

## Assumptions and Limiting Conditions

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- a. This report is an appraisal report designed to give an opinion of fair market value. It is not an accounting report, and it should not be relied upon to disclose hidden assets or to verify financial reporting. It is an opinion of the value of a 100% interest as of October 31, 2008.
- b. I have accepted the Unaudited financial statements of Sewer Line, Inc without testing their accuracy or completeness. The financial statements consist of balance sheets, income statements, and statements of cash flows. The accuracy of the financial statements is the sole responsibility of the management of Sewer Line, Inc.
- c. I have relied on representations made by the owner about the background and history of the business. The management of Sewer Line, Inc has acknowledged to me that the information they provided was complete and accurate. However, I assume no responsibility for the accuracy of the information provided to me by the business's management.
- d. All facts and data as set forth in this report were obtained from sources considered to be reliable. However, I assume no liability for the accuracy of the information provided to me by others.
- e. 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.
- f. The estimate of value opined to in this report applies only to Sewer Line, Inc as of October 31, 2008. In addition, my estimate of value is valid only for the purpose of Business Sale.

## Purpose, Standard and Premise of Value

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The purpose of this valuation is Business Sale.

The definition of fair market value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under a compulsion to buy or to sell and both having reasonable knowledge of all relevant facts.

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.

# Financial Analysis

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## Analysis of the Unadjusted Balance Sheets

The schedule presented below shows the subject business's year-end balance sheets for the period ended October 31, 2008, the cash and cash equivalents were approximately 15.00% of the business's total assets. The remainder of the business's current assets are comprised as follows: accounts receivable are 3.60%, inventory is 0.00%, and other current assets total 3.72% of total assets at October 31, 2008. In total, current assets comprise 22.32% of the business's total assets.

Fixed assets include all of the company's land, machinery, equipment, and vehicles. At the date of valuation, they made up approximately 67.69% of the business's total assets.

	Oct 2008
<b>ASSETS</b>	
Cash	358,801
Accounts Receivable	85,977
Inventory	-
Other Current Assets	89,006
Total Current Assets	<u>533,784</u>
Fixed Assets	1,021,732
(Accumulated Depreciation)	597,016
Intangible Assets	-
(Accumulated Amortization)	-
Other Non-Current	-
Non-Operating Assets	238,843
Total Assets	<u><u>2,391,375</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
Accounts Payable	-
Income Taxes	115,263
Short Term Notes Payable	-
Current Portion of LT Debt	33,519
Other Current Liabilities	61,663
Total Current Liabilities	<u>210,445</u>
Long Term Debt	76,180
Other Non-Current Liabilities	137,761
Non-Operating Liabilities	-
Total Liabilities	<u>424,386</u>
Equity	1,966,989
Total Liabilities & Equity	<u><u>2,391,375</u></u>

## Adjusted Balance Sheet

As part of my analysis of the fair market value of Sewer Line, Inc, I adjusted the business's assets and liabilities to their estimated fair market values as of October 31, 2008, the date of valuation. In addition, I have estimated the liquidation value of the tangible assets as of October 31, 2008. The following schedule presents the business's book value, adjustments to book value, adjusted book value, and estimated liquidation value as of October 31, 2008.

	Book Value 2008	Adjustments	Adjusted Book Value
<b>ASSETS</b>			
Cash	358,801	(358,801)	-
Accounts Receivable	85,977		85,977
Inventory	-		-
Other Current Assets	89,006	(87,232)	1,774
Total Current Assets	<u>533,784</u>	<u>(446,033)</u>	<u>87,751</u>
Fixed Assets	1,021,732		1,021,732
(Accumulated Depreciation)	597,016	(150,000)	447,016
Intangible Assets	-		-
(Accumulated Amortization)	-		-
Other Non-Current	-		-
Non-Operating Assets	238,843	(238,843)	-
Total Assets	<u><u>2,391,375</u></u>	<u><u>(834,876)</u></u>	<u><u>1,556,499</u></u>
<b>LIABILITIES &amp; EQUITY</b>			
Accounts Payable	-		-
Income Taxes	115,263	(115,263)	-
Short Term Notes Payable	-		-
Current Portion of LT Debt	33,519	(33,519)	-
Other Current Liabilities	61,663	(53,380)	8,283
Total Current Liabilities	<u>210,445</u>	<u>(202,162)</u>	<u>8,283</u>
Long Term Debt	76,180	(76,180)	-
Other Non-Current Liabilities	137,761	(137,761)	-
Non-Operating Liabilities	-		-
Total Liabilities	<u>424,386</u>	<u>(416,103)</u>	<u>8,283</u>
Equity	1,966,989	(418,773)	1,548,216
Total Liabilities & Equity	<u><u>2,391,375</u></u>	<u><u>(834,876)</u></u>	<u><u>1,556,499</u></u>

## Analysis of the Unadjusted Income Statements

As part of my analysis of the fair market value of a 100% interest Sewer Line, Inc, I analyzed the business's unadjusted income statements for the years ended October 31, 2007 through October 31, 2008. The exhibit below presents the business's income statements for the period October 31, 2007 through October 31, 2008.

	Oct 2008	Oct 2007
Revenues less Discounts and Allowances	3,318,844	4,254,686
Cost of Goods Sold	-	-
Gross Profit	<u>3,318,844</u>	<u>4,254,686</u>
Operating Expenses		
Depreciation/Amortization	72,183	124,157
Officers' Compensation	782,783	340,000
Operating Lease and Rent	31,738	141,625
Expenses	<u>2,495,554</u>	<u>3,365,419</u>
Total Operating Expenses	<u>3,382,258</u>	<u>3,971,201</u>
Operating Profit	(63,414)	283,485
Other Income/Expenses		
Interest Expense	-	-
Other Income	-	11,541
Other Expense	<u>4,782</u>	-
Income Before Taxes	<u>(68,196)</u>	<u>295,026</u>
Income Taxes	-	-
Net Income	<u><u>(68,196)</u></u>	<u><u>295,026</u></u>

## Adjusted Income Statements

In my analysis of the value of Sewer Line, Inc, I reviewed the business's historical income statements for the 2 year period ending October 31, 2008. In order to determine the business's earnings capacity as of October 31, 2008, 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.

	Oct 2008	Oct 2007
<b>Historic Income Before Taxes</b>	<u>(68,196)</u>	<u>295,026</u>
<b>Adjustments to Revenue</b>		
Revenues less Discounts and Allowances		
Other Income		
<b>Net Increase (Decrease) in Revenue</b>	<u>-</u>	<u>-</u>
<b>Adjustments to Expense</b>		
Cost of Goods Sold		
Depreciation/Amortization		
Officers' Compensation	(620,000)	(200,000)
Operating Lease and Rent Expenses		
Interest Expense		
Other Expense		
<b>Net Increase (Decrease) in Expense</b>	<u>(620,000)</u>	<u>(200,000)</u>
<b>Net Increase (Decrease) to Income</b>	<u>620,000</u>	<u>200,000</u>
Tax Effect		
<b>Net Increase (Decrease) to Income After Tax</b>	<u>620,000</u>	<u>200,000</u>
<b>Historic Tax Expense</b>	<u>-</u>	<u>-</u>
<b>Adjusted Net Income</b>	<u><u>551,804</u></u>	<u><u>495,026</u></u>

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

	Oct 2008	Oct 2007
Revenues less Discounts and Allowances	3,318,844	4,254,686
Cost of Goods Sold	-	-
Gross Profit	<u>3,318,844</u>	<u>4,254,686</u>
Operating Expenses:		
Depreciation/Amortization	72,183	124,157
Officers' Compensation	162,783	140,000
Operating Lease and Rent Expenses	31,738	141,625
Total Operating Expenses	<u>2,495,554</u>	<u>3,365,419</u>
Operating Profit	<u>2,762,258</u>	<u>3,771,201</u>
Other Income/Expenses		
Interest Expense	-	-
Other Income	-	11,541
Other Expense	4,782	-
Income Before Taxes	<u>551,804</u>	<u>495,026</u>
Income Taxes	-	-
Net Income	<u><u>551,804</u></u>	<u><u>495,026</u></u>

## Comparative Industry Analysis

The following schedule presents a comparative ratio analysis of Sewer Line, 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 Sewer Line, Inc with that of the industry. The ratios of the subject company have been compared to the industry ratios as supplied by RMA, IRS.

	Median RMA	IRS	Historic 2008
<b>LIQUIDITY RATIOS:</b>			
Current Ratio	1.6	2.0	2.54
Quick (Acid-Test) Ratio	1.3	1.8	2.11
Revenue/Accounts Receivable	7.5	12.6	38.60
Average Collection Period	<b>49</b>	<b>29</b>	<b>9</b>
Inventory Turnover	999.9	115.5	-
Days Inventory	-	<b>3</b>	-
COGS/Payable	12.5	14.8	-
Days Payable	<b>29</b>	<b>25</b>	-
Revenue/Working Capital	13.7	11.1	10.26
<b>COVERAGE RATIOS:</b>			
Times Interest Earned	4.8	2.6	-
NI+Non-Cash Expenditures / Current LTD	1.7	-	0.12
<b>LEVERAGE RATIOS:</b>			
Fixed Assets/Tangible Worth	0.7	1.1	0.82
Debt/Tangible Net Worth	1.3	1.5	0.22
Debt/Equity	1.4	1.1	0.22
<b>OPERATING RATIOS:</b>			
EBT/Tangible Worth	12.00%	13.38%	-3.47%
EBT/Total Assets	5.50%	5.39%	-2.85%
Fixed Asset Turnover	6.5	5.8	2.05
Total Asset Turnover	2.2	2.6	1.39
<b>EXPENSE TO REVENUE RATIOS:</b>			
% Deprtn., Depltn., Amort./Revenue	3.50%	6.93%	2.17%
% Officers' &/or Owners' Compensation/Revenue	4.40%	6.11%	23.59%
<b>Cash Flow Ratios</b>			
Operating Cash Flow (OCF)			(0.45)
Funds Flow Coverage (FFC)			-
Cash Interest Coverage			-
Cash Current Debt Coverage			(0.45)
Capital Expenditure			-
Total Debt			(0.87)
Total Free Cash			0.06
Cash Flow Adequacy			-

# Valuation Methods Accepted

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## Book Value Method

The book value of Sewer Line, Inc as of October 31, 2008 was \$1,966,989. 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 October 31, 2008.

## Income Methods of Valuation

### 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 Sewer Line, 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.

<b>EBIT</b>	Oct 2008	Oct 2007
Adjusted EBT	551,804	495,026
Adjusted Interest Expense	-	-
	<u>551,804</u>	<u>495,026</u>
Weight	97	61
Ongoing Capacity	<u>529,883</u>	
<b>Selected Ongoing Capacity</b>	<u>529,900</u>	

### **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 October 31, 2008, the date of valuation, the rate of return on a twenty-year U.S. Government Treasury Bond was 1.0%. Therefore, the risk-free rate of return is 1.0%.

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 7.1% 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 7.1% 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 6.5% 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 10.4%, 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 Sewer Line, Inc should be approximately 14.0%.

The result of adding these risk factors is a discount rate of 39.0%. The following exhibit shows the calculation for the capitalization rate for Sewer Line, Inc as of October 31, 2008.

Cost of equity

Risk-free Rate of Return	1.0%
Common Stock Equity Risk Premium	7.1%
Small Stock Risk Premium	6.5%
Plus/Minus Industry Risk Premium	10.4%
Company Specific Premium	
Depth of Management	
Importance of Key Personnel	4.0%
Stability of Industry	4.0%
Diversification of Product Line	2.0%
Diversification of Customer Base	
Diversification/Stability of Suppliers	1.0%
Geographic Location	
Stability of Earnings	2.0%
Earnings Margins	1.0%
Financial Structure	
Total Company Specific Premium	14.0%
Net discount rate	39.0%
Adjust from After Tax Rate to Pretax Economic Stream	0.0%
Adjust from Cash Flow Rate to EBIT Economic Stream	0.0%

Discount Rate	39.0%
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Selected Discount Rate	39.0%
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## Projected Earnings Method

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

<b>Dollar Growth</b>	Oct 2009	Oct 2010	Oct 2011
Projected Stream In Dollars	471,000	572,000	760,000

## 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 October 31, 2008. In addition, the last year's projected earnings were capitalized into a residual value and discounted to its present value as of October 31, 2008. 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 39.0% Disc Rate	Terminal Value	Discounted Value
2009	471,000		71.942%		338,849
2010	572,000	21.4%	51.757%		296,051
2011	760,000	32.9%	37.235%		282,989
2012-forever	775,200	2.0%	37.235%	2,095,135	780,131
Total Discounted Cash Flows					1,698,020
Assets					1,548,216
Indicated Value					3,246,236
Selected Value					3,246,200

## 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 Sewer Line, Inc. After reviewing financial and non-financial information for each of the publicly-traded companies with a 237110 SIC code, I determined that there existed companies that were similar and comparable to Sewer Line, 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.

	Oct 2008	Oct 2007
Adjusted Pre-Tax Income	551,804	495,026
Adjusted Interest Expense	-	-
Adjusted Officers' Compensation	162,783	140,000
<b>Seller's Discretionary Earnings</b>	<u>714,587</u>	<u>635,026</u>
Weight on Seller's Discretionary Cash Flow	144	69
<b>Weighted Average BIZCOMPS SDE Base</b>	<u><u>688,814</u></u>	
<b>Selected BIZCOMPS SDE Base</b>	<u><u>688,800</u></u>	

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 Sewer Line, Inc's weighted seller's discretionary earnings as of October 31, 2008 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

	<u>BIZCOMPS</u>
Economic Base	688,800
P/E Multiple	0.82
Sub-Total	<u>566,648</u>
Adjustment	<u>1,548,216</u>
Sub-Total	<u>2,114,864</u>
Indicated Value	<u>2,114,864</u>
Selected Value	<u><u>2,114,900</u></u>

## 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.

	Oct 2008	Oct 2007
Adjusted Revenue	3,318,844	4,254,686
Weight on Revenue	144	69
<b>Weighted Average Revenue</b>	<b><u>3,622,004</u></b>	
<b>Selected Revenue Base</b>	<b><u>3,622,000</u></b>	

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 Sewer Line, Inc's weighted revenue as of October 31, 2008 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

	<u>BIZCOMPS</u>
Revenue Base	3,622,000
P/R Multiple	0.27
Sub-Total	<u>962,433</u>
Adjustment	<u>1,548,216</u>
Indicated Value	<u>2,510,649</u>
Selected Value	<u>2,510,600</u>

## Summary of Valuation Methods

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In my evaluation of the fair market value of a 100% interest in Sewer Line, Inc as of October 31, 2008, 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	1,548,200	4%
DCF Indicated Value	3,246,200	35%
Market Data P/SDE Indicated Value	2,114,900	37%
Market Data P/R Indicated Value	2,510,600	24%
Calculated Weighted Average Conclusion of Value	<u>2,584,734</u>	<u>100%</u>
Selected Conclusion of Value	<u>2,584,700</u>	

## Value Conclusion

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Based on my analysis of Sewer Line, 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 October 31, 2008 is \$2,584,700.

## Certification of Appraiser

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I certify that, 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, opinions, and conclusions.
3. I have no (or the specified) present or prospective interest in the property that is the subject of this report, and I have no (or the specified) personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
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 significant business appraisal assistance to the person signing this certification. (If there are exceptions, the name of each individual providing significant business appraisal assistance must be stated.)

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