BUSINESS VALUATION APPRAISAL

SAMPLE Company

Prepared by:

INDUSTRY insights™

CONFIDENTIAL

Mr. Sample, President

SAMPLE COMPANY

Dear Mr. Sample Company Owner:

I have been asked to determine the fair market value of SAMPLE COMPANY as of 12/31/10 for the purpose of a sale of business.

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 100.00% interest in the common stock of SAMPLE COMPANY as of 12/31/10 is $3,641. (Note: Throughout this valuation report, dollar amounts are shown in thousands, 000.)

Conclusions of Value

Indicated Value	3,641
Times: 100.00% Interest Valued	100.0%
Conclusion of Value of 100.00% Interest	3,641

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

Respectfully submitted,

Thomas J. Noon, Principal, Industry Insights, Inc.

Assumptions and Limiting Conditions

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 100.00% interest in the corporation's common stock as of 12/31/10.

b. I have accepted the compiled financial statements of SAMPLE COMPANY without testing their accuracy. 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 SAMPLE COMPANY.

c. I have relied on representations made by the owner about the background and history of the business. The management of SAMPLE COMPANY 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 SAMPLE COMPANY as of 12/31/10. In addition, my estimate of value is valid for the purpose of a sale of business.

Financial Analysis

Analysis of the Unadjusted Balance Sheets

The schedule presented below shows the subject business's year-end balance sheets for the period between December 2006 and December 2010. For the year ended December 2010, the cash and cash equivalents were approximately 17.7% of the business's total assets. The remainder of the business's current assets are comprised as follows: accounts receivable are 4.5%, inventory is 27.1%, and other assets total 2.6% of total assets at December 2010. In total, current assets comprise 52.0% of the business's total assets.

Fixed assets include all of the companys machinery, equipment, and vehicles. At the date of valuation, they made up approximately 43.2% of the business's total assets.

Historical Balance Sheets

	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
Current Assets					
Cash & Equivalent	229	356	465	387	549
Net A/R Trade	40	50	66	55	140
Inventory	270	373	440	490	840
Other Current	40	38	52	75	80
Current Assets	579	817	1,023	1,007	1,609

Other Assets					
Fixed Assets	1,075	1,234	1,371	1,835	1,994
(Accum. Depr.)	(189)	(255)	(340)	(486)	(656)
Other Non-Current	55	60	40	45	43
Net Intangibles	0	0	95	85	75
Non-Oper. Assets	30	30	30	114	30
Total Assets	1,550	1,886	2,219	2,600	3,095
Current Liabilities					
A/P - Trade	45	55	60	75	74
Tax Pay./Accurals	34	33	41	55	47
S.T. Notes Payable	25	25	18	27	33
Current Mat. L.T.D.	12	14	16	26	28
Other Current	10	12	16	22	27
Current Liabilities	126	139	151	205	209
Other Liabilities					
Long Term Debt	797	1,030	1,151	1,258	1,429
Non-Oper. Liab.'s	12	12	12	12	12
Total Liabilities	935	1,181	1,314	1,475	1,650
Liabilities & Equity					
Total Equity	615	705	905	1,125	1,445
Liabilities & Equity	1,550	1,886	2,219	2,600	3,095

Balance Sheet Percentages

	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
Current Assets					
Cash & Equivalent	14.8%	18.9%	21.0%	14.9%	17.7%
Net A/R Trade	2.6%	2.7%	3.0%	2.1%	4.5%
Inventory	17.4%	19.8%	19.8%	18.8%	27.1%
Other Current	2.6%	2.0%	2.3%	2.9%	2.6%
Current Assets	37.4%	43.3%	46.1%	38.7%	52.0%
Other Assets					
Fixed Assets	69.4%	65.4%	61.8%	70.6%	64.4%
(Accum. Depr.)	-12.2%	-13.5%	-15.3%	-18.7%	-21.2%
Other Non-Current	3.5%	3.2%	1.8%	1.7%	1.4%
Net Intangibles	0.0%	0.0%	4.3%	3.3%	2.4%
Non-Oper. Assets	1.9%	1.6%	1.4%	4.4%	1.0%
Total Assets	100.0%	100.0%	100.0%	100.0%	100.0%

Current Liabilities					
A/P - Trade	2.9%	2.9%	2.7%	2.9%	2.4%
Tax Pay./Accruals	2.2%	1.7%	1.8%	2.1%	1.5%
S.T. Notes Payable	1.6%	1.3%	0.8%	1.0%	1.1%
Current Mat. L.T.D.	0.8%	0.7%	0.7%	1.0%	0.9%
Other Current	0.6%	0.6%	0.7%	0.8%	0.9%
Current Liabilities	8.1%	7.4%	6.8%	7.9%	6.8%
Other Liabilities					
Long Term Debt	51.4%	54.6%	51.9%	48.4%	46.2%
Non-Oper. Liab.'s	0.8%	0.6%	0.5%	0.5%	0.4%
Total Liabilities	60.3%	62.6%	59.2%	56.7%	53.3%
Liabilities & Equity					
Total Equity	39.7%	37.4%	40.8%	43.3%	46.7%
Liabilities & Equity	100.0%	100.0%	100.0%	100.0%	100.0%

Adjusted Balance Sheet

As part of my analysis of the fair market value of SAMPLE COMPANY, I adjusted the business's assets and liabilities to their estimated fair market values as of the 12/31/10 date of valuation. In addition, I have estimated the liquidation value of the tangible assets as of 12/31/10. The following schedule presents the business's book value, adjustments to book value, adjusted book value, and estimated liquidation value as of 12/31/10.

Tangible Asset Analysis

As of: 12/31/10	Book Value	(+/-)	Adjusted Book Value	(%)	Liquidation Value
Current Assets					
Cash & Equivalent	549	(49)	500		500
Net A/R Trade	140	(40)	100	50.0%	50
Inventory	840	(40)	800	50.0%	400
Other Current	80	(30)	50	50.0%	25
Current Assets	1,609		1,450		975
Other Assets					
Fixed Assets	1,994	(94)	1,900	50.0%	950
(Accum. Depr.)	(656)	656	0	50.0%	0
Other Non-Current	43	(3)	40	50.0%	20
Net Intangibles	75	(5)	70	50.0%	35
Non-Oper. Assets	30	(10)	20	50.0%	10
Total Assets	3,095		3,480		1,990
Current Liabilities					
A/P – Trade	74	(4)	70	50.0%	35

Tax Pay/Accruals	47	(7)	40	50.0%	20
S.T. Notes Payable	33	(3)	30	50.0%	15
Current Mat. L.T.D.	28	(8)	20	50.0%	10
Other Current	27	(7)	20	50.0%	10
Current Liabilities	209		180		90
Other Liabilities					
Long Term Debt	1,429	(29)	1,400	50.0%	700
Non-Oper. Liab.	12	(2)	10	50.0%	5
Total Liabilities	1,650		1,590		795
Liabilities & Equity					
Total Equity	1,445	445	1,890	(695)	1,195
Liab's & Equity	3,095		3,480		1,990

Analysis of the Unadjusted Income Statements

As part of my analysis of the fair market value of a 100.00% interest in the common stock of SAMPLE COMPANY, I analyzed the business's unadjusted income statements for the years ended December 2006 through December 2010. The exhibit below presents the business's income statements for the period December 2006 through December 2010.

Historical Income Statements

	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
Total Revenue	2,100	2,935	3,970	5,194	5,966
Cost of Goods	600	875	1,100	1,550	1,880
Gross Profit	1,500	2,060	2,870	3,644	4,086
Operating Expense	838	1,222	1,825	1,980	2,018
Officer Salary	248	385	532	854	1,121
Depr./Amort.	50	66	90	156	180
Interest Expense	192	190	210	250	220
Operating Income	172	197	213	404	547
Non-Oper. Income	15	9	11	14	18
Non Oper. Expense	7	7	8	8	9
Pre-Tax Income	180	199	216	410	556
Income Tax	50	59	66	140	186
Historic Net Income	130	140	150	270	370

Income Statement Percentages

	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
Total Revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Goods	28.6%	29.8%	27.7%	29.8%	31.5%
Gross Profit	71.4%	70.2%	72.3%	70.2%	68.5%
Operating Expense	39.9%	41.6%	46.0%	38.1%	33.8%
Officer Salary	11.8%	13.1%	13.4%	16.4%	18.8%
Depreciation	2.4%	2.2%	2.3%	3.0%	3.0%
Interest Expense	9.1%	6.5%	5.3%	4.8%	3.7%
Operating Income	8.2%	6.7%	5.4%	7.8%	9.2%
Non-Oper. Income	0.7%	0.3%	0.3%	0.3%	0.3%
Non-Oper. Expense	0.3%	0.2%	0.2%	0.2%	0.2%
Pre-Tax Income	8.6%	6.8%	5.4%	7.9%	9.3%
Income Tax	2.4%	2.0%	1.7%	2.7%	3.1%
Historic Net Income	6.2%	4.8%	3.8%	5.2%	6.2%

Adjusted Income Statements

In my analysis of the value of SAMPLE COMPANY, I reviewed the business's historical income statements for the 5 year period ending 12/31/10. In order to determine the business's earnings capacity as of 12/31/10, it was necessary to adjust its income statements for non-operating revenues and expenses, unusually high or low expenses, and discretionary expenses. The following schedule shows the adjustments made to the business's income statements and the resulting adjusted net income for each of the periods in the analysis.

Calculation of Adjusted Net Income

	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
Pre-Tax Inc.	180	199	216	410	556
Plus: Additions to Income:					
Officers' Comp.	248	385	532	854	1,121
Depreciation/Amort.	(119)	(170)	(229)	(262)	(300)
Non-Op. Expense	7	7	8	8	9
Cost of Goods Sold	100	75	100	50	80
Interest Expense	92	90	10	50	20
Travel	10	10	10	10	10
Entertainment	10	10	10	10	10
Conferences	10	10	10	10	10
Contributions	10	10	10	10	10
Facilities Rent	10	10	10	10	10
Equipment Rent	10	10	10	10	10

Office	10	10	10	10	10
Vehicles	10	10	10	10	10
Officer's Life Insurance	10	10	10	10	10
Total Additions	418	477	511	790	1,020
Less: Deductions to Income:					
Fair Value Officers' Comp.	115	161	217	284	326
Non-Op. Income	15	9	11	14	18
Total Deductions	130	170	228	298	344
Adj. Pre-Tax Inc.	468	506	499	902	1,232
Less: Income Taxes	117	127	125	226	308
Adj. Net Income	351	379	374	676	924

Comparative Industry Analysis

The following schedule presents a comparative ratio analysis of SAMPLE COMPANY and similarly sized firms operating in the same industry. Five categories of ratios (liquidity, debt coverage, leverage, profitability, and miscellaneous) have been used to compare the operating results of SAMPLE COMPANY with that of the industry. The ratios of the subject company have been compared to the industry median quartile ratios as computed by ASA industry comparatives.

Ratio Analysis & Comparison
SIC Code: 2088

	ASA	Historical Dec-06	Historical Dec-07	Historical Dec-08	Historical Dec-09	Dec-10
Liquidity Ratios :						
Current Ratio	2.5	4.6	5.9	6.8	4.9	7.7
Quick Ratio	0.8	2.1	2.9	3.5	2.2	3.3
Revenue/Receivables	33.2	52.5	58.7	60.2	94.4	42.6
COG/Inventory	4.6	2.2	2.3	2.5	3.2	2.2
COG/Payables	12.9	13.3	15.9	18.3	20.7	25.4
Rev./Working Capital	8.3	4.6	4.3	4.6	6.5	4.3
Coverage Ratios :						
EBIT/Interest	13.6	1.9	2.0	2.0	2.6	3.5
NI+Non-Cash Exp. /Current L.T. Debt	0.0	15.0	14.7	15.0	16.4	19.6
Leverage Ratios :						
Net Fixed/Tang. Worth	0.7	1.4	1.4	1.3	1.3	1.0
Debt/Tangible Worth	1.1	1.5	1.7	1.6	1.4	1.2

Operating Ratios :						
EBT/Tangible Worth	43.8%	29.3%	28.2%	26.7%	39.4%	40.6%
EBT/Total Assets	20.7%	11.6%	10.6%	9.7%	15.8%	18.0%
Rev./Net Fixed Assets	2.4	2.4	3.0	3.9	3.9	4.5
Revenue/Total Assets	0.8	1.4	1.6	1.8	2.0	1.9
Expense to Revenue Ratios:						
% Depr.,Amort./Rev.	8.0%	2.4%	2.2%	2.3%	3.0%	3.0%
% Off.s' Comp./Rev.	5.5%	11.8%	13.1%	13.4%	16.4%	18.8%

Valuation Methods Rejected

Book Value Method

The book value of SAMPLE COMPANY as of 12/31/10 was $1,445. Book value is an accounting value that is calculated by subtracting total liabilities from total assets. Because the book value of a company does not consider the fair market value of a company's assets and liabilities or the fair market value of any intangible assets, it is not an accurate reflection of the business's fair market value as of the date of valuation. Therefore, although I considered SAMPLE COMPANY's book value, I rejected it as an accurate indicator of the business's fair market value as of 12/31/10.

Liquidation Value Method

Liquidation value is the value of the business's assets (minus liabilities) valued as if they were to be sold in an orderly, piecemeal manner. Although I considered the liquidation value of SAMPLE COMPANY, I rejected the method as an accurate indicator of its fair market value as of 12/31/10 due to my opinion that the business was a going concern at that date.

Adjusted Book Value Method

A business's adjusted book value is calculated by adjusting the company's assets and liabilities from their book value to their estimated fair market value as of the date of valuation. In a going concern business, fair market value usually is depreciated replacement cost. As of 12/31/10, the adjusted book value of SAMPLE COMPANY was $1,890. However, like the book value method and the liquidation value method, the adjusted book value method does not consider the business's earnings capacity. The adjusted book method is used primarily to value holding companies or businesses that do not possess goodwill value. Because SAMPLE COMPANY's value is derived primarily from its earnings flow, I rejected the adjusted book value method as an appropriate method to determine the business's fair market value.

Capitalization of Earnings Method

The capitalization of earnings method is appropriate to use when a business's value is based primarily on its expected earnings stream and the earnings stream is expected to remain stable. In the valuation of SAMPLE COMPANY, I rejected the capitalization of earnings method as a primary valuation method because the conditions for its use did not exist.

Discounted Future Earnings Method

The discounted future earnings method is used primarily when a business's fair market value is related to its earnings. In addition, the method is useful when the subject business's short-term earnings are not expected to grow at the same rate as its long-term earnings. In the valuation of SAMPLE COMPANY, I considered the discounted future earnings method and rejected it as an appropriate method to value SAMPLE COMPANY because the conditions for its use did not exist.

Publicly-Traded Guideline Companies Methods

In the valuation of SAMPLE COMPANY, I considered using valuation ratios derived from publicly-traded guideline companies. However, I rejected using the public company guideline company method due to the disparity in the size, product mix, geographic location, and capital structure between the publicly-traded guideline companies and SAMPLE COMPANY.

Price to Earnings

In the valuation of SAMPLE COMPANY, I considered using the price to earnings ratios of publicly-traded guideline companies to value SAMPLE COMPANY. However, I rejected the method because I do not believe that the results are indicative of the fair market value of SAMPLE COMPANY as of 12/31/10.

Percentage of Revenues

In the valuation of SAMPLE COMPANY, I considered using the price to revenue ratios of publicly-traded guideline companies to value SAMPLE COMPANY. However, I rejected the method because I do not believe that the results are indicative of the fair market value of SAMPLE COMPANY as of 12/31/10.

Price of Book Value

In the valuation of SAMPLE COMPANY, I considered using the multiple of book value ratios of publicly-traded guideline companies to value SAMPLE COMPANY. However, I rejected the method because I do not believe that the results are indicative of the fair market value of SAMPLE COMPANY as of 12/31/10.

Privately-Held Guideline Companies Methods

In the valuation of SAMPLE COMPANY, I considered using valuation ratios derived from privately-held guideline companies. However, I rejected using the private company guideline company method due to the insufficient number of transactions involving privately-held guideline companies that are similar to SAMPLE COMPANY.

Price to Earnings/Discretionary Cash Flow

In the valuation of SAMPLE COMPANY, I considered price to discretionary cash flow ratios from private transactions data. However, I rejected using the method in valuing SAMPLE COMPANY because I do not believe that the results are indicative of the fair market value of SAMPLE COMPANY as of 12/31/10.

Percent of Revenues

In the valuation of SAMPLE COMPANY, I considered price to revenue ratios from private transactions data. However, I rejected using the method in valuing SAMPLE COMPANY because I do not believe that the results are indicative of the fair market value of SAMPLE COMPANY as of 12/31/10.

Dividend Paying Capacity

Although I.R.S. Revenue Ruling 59-60 specifically mentions using the dividend paying capacity method in valuing a closely-held business for income tax purposes, it is rarely used by appraisers. Additionally, Revenue Ruling 59-60 states: "Where an actual or effective controlling interest in a corporation is to be valued, the dividend factor is not a material element, since the payment of such dividends is discretionary with the controlling stockholders." Therefore, although I considered the dividend paying capacity method, I rejected it as an appropriate method to use in valuing SAMPLE COMPANY.

Valuation Methods Accepted

In determining the fair market value of SAMPLE COMPANY as of 12/31/10, it is my opinion that the primary method to be used is Capitalization of Excess Earnings.

Capitalization of Excess Earnings Method

Conceptual Basis

The capitalization of excess earnings (or I.R.S. Formula Approach) is a hybrid valuation method wherein the business's net tangible assets (i.e. adjusted book value) and intangible assets are valued independently. The tangible and intangible assets are then summed to calculate the businesss fair market value as of the date of valuation.

Value of the Tangible Assets

The tangible assets analysis was performed in the "Normalized Balance Sheet" section to this appraisal report. The estimated fair market value of the businesss tangible assets as of 12/31/10 was calculated to be $1,890.

Calculating Excess Earnings

In order to estimate the business's fair market value using the capitalization of excess earnings method, it is necessary to determine SAMPLE COMPANY's excess earnings base as of the 12/31/10 date of valuation. The excess earnings base is calculated by determining the business's sustainable earnings base and deducting a fair return on its net operating tangible assets.

The first step, determining the business's sustainable earnings base, was performed by adjusting the historical income statements for non-operating expenses and revenues (completed in the "Normalized Income Statements" section to this appraisal report), weighting the adjusted income statements, and calculating the weighted-average earnings base. The calculation of the weighted-average earnings base is presented in the following schedule.

Capitalization of Excess Earnings

Calculation of Pre-Tax Earnings Base

	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
Adjusted Pre-Tax Income	468	506	499	902	1,232
Weighting Factors	1	2	3	4	5
Weighted Earnings	468	1,012	1,497	3,608	6,160

Sum of Weighted Earnings	12,745
÷ Sum of Weighting Factors	15
Weighted Average Pre-Tax Income	850
Less: Income Taxes	213
Adjusted Net Income	637

The second step, deriving a fair return on the business's net operating tangible equity, was calculated by multiplying the business's adjusted net operating tangible equity with the estimated normal return on equity.

Adjusted Equity	1,890
Plus: Non-Operating Liabilities	10
Less: Non-Operating Assets	20
Less: Excess Assets	100
Adjusted Operating Equity	1,780

Multiplied By:	
Return on Equity	15.0%
Return on Operating Equity	267

The result was a deduction on $(267) from the business's sustainable earnings base to calculate an excess earnings base of $583 as of 12/31/10.

Selection of Appropriate Capitalization Rate

In order to develop an excess earnings capitalization rate for SAMPLE COMPANY, I looked at the different factors that contribute to the persistence of the company's intangible assets. I primarily looked at the historical patterns of the persistence of the subject company's customer base, its market position, the consistency of its earnings, and [enter additional items here].

Based on my analysis of the above factors, it is my opinion that as of 12/31/10, the subject company's customer base had a persistence of approximately 3 years. By taking the reciprocal of the estimated years of persistence, an excess earnings capitalization rate of 33.3% is calculated.

In order to develop an excess earnings capitalization rate for SAMPLE COMPANY, it was necessary to add an excess earnings premium of 4.7% to the capitalization rate () developed for the capitalization of earnings method. When the excess earnings premium was added to the capitalization of earning's capitalization rate, the result was an excess earnings capitalization rate of that was applicable to the next year's earnings.. The calculation of the excess earnings capitalization rate is presented in the schedule below.

Calculation of Indicated Value

The following exhibit summarizes the calculation of the business entity using the capitalization of excess earnings method.

Capitalization of Excess Earnings Conclusions

Weighted Average	850
Return on Operating Assets	(267)
Excess Earnings	583
Divided by Cap. Rate	33.3%
Intangible Value	1,751
Add: Adj. Book Value	1,890
Total Entity Value	3,641

Summary of Valuation Methods

In my evaluation of the fair market value of a 100.00% interest in the common stock of SAMPLE COMPANY as of 12/31/10, 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.

Conclusions of Value

Valuation Methods	12/31/10	Weight
Book Value	1,445	0.0
Adjusted Book Value	1,890	0.0
Liquidation Value	1,195	0.0
Capitalization of Earnings	2,742	0.0
Capitalization of Excess Earnings	3,641	1.0
Discounted Future Earnings	2,380	0.0
Publicly-Traded Companies Methods:		
Price to Earnings	3,614	0.0
Percent of Revenues	3,869	0.0
Price to Book Value	3,723	0.0
Privately-Held Companies Methods:		
Price to Earnings/Cash Flow	6,725	0.0
Percent of Revenues	3,754	0.0
Total Entity Value	3,641	1.0

Discounts and Premiums

Minority Interest Discount

A minority interest discount is a reduction in the value of common stock holdings due to a lack of control prerogatives such as declaring dividends, liquidating the company, going public, issuing or buying stock, directing management, setting management's salaries, etc. In my opinion, a minority interest discount of 21.0% should be applied.

Control Premium

A control premium is an addition to the value of a block of stock due to the ability of the shareholder to make corporate decisions such as declaring dividends, liquidating the business, going public, issuing or buying stock, directing management, etc. In my opinion, a control premium of 26.6% should be applied.

Adjustment for Lack of Marketability

Marketability discounts are calculated separately from minority interest discounts and control premiums. Marketability discounts sometimes are needed because several approaches to valuation are calculated using comparable sales or discount rates that are based on marketable business interests.

In actual application, the control premium or minority interest discount usually is applied before the marketability discount to determine the fair market value of the business interest on a freely traded basis. Once the marketability discount has been applied, the result is the fair market value of the closely-held business interest.

Subtracting a discount for lack of marketability is the final adjustment normally required when valuing a block of closely-held stock. Because many valuation approaches rely on data generated from securities from the public marketplace, the results are for freely-traded stock. Because closely-held stock is not as freely traded as publicly traded stock, investors will require a discount to compensate them for the closely-held stock's relative illiquidity.

The quantification of the marketability discount usually involves comparing the stock prices of common stocks that are identical except for the fact that one group of stock is classified as restricted stock. Over the past twenty-five years, numerous studies have indicated that the discount for lack of marketability in the public marketplace is approximately 30 percent to 40 percent. The following table lists the most commonly cited studies regarding discounts for the lack of marketability.

Study	Years Studied	Discount
SEC Overall Avg.	1966-1969	25.8%
SEC Non-Reporting Avg.	1968-1970	32.6%
Gelman	1968-1970	33.0%
Trout	1968-1972	33.5%
Moroney	1969-1972	35.6%
Maher	1969-1973	35.4%
Standard Research Consultants	1978-1982	45.0%

Because each business has its own unique marketability issues, adjustments to this base rate are usually necessary. In order to help quantify the various factors affecting the marketability of a closely-held business, the base marketability discount rate should be increased or decreased based on the following factors:

1. Restrictions on Transfers.
2. Amount and consistency of dividends pay out
3. Prospects of public offering or sale of company.
4. The existence of a put option.
5. Existence of a limited market that may be interested in purchasing shares.
6. The size of the block of stock.
7. The existence of Buy/Sell agreements.

After considering all of the above factors, it is my opinion that a 0.0% discount for lack of marketability is appropriate to apply to the common stock of SAMPLE COMPANY as of 12/31/10.

Value Conclusion

Based on my analysis of SAMPLE COMPANY and all of the factors affecting its value, it is my opinion that the fair market value of a 100.00% interest in the business's common stock as of 12/31/10 is $3,641 and is calculated as follows:

Indicated Value	3,641
Times: 100.00% Interest Valued	100.0%
Conclusion of Value of 100.00% Interest	3,641

Proof of Valuation

To test the reasonableness of my opinion of SAMPLE COMPANY's fair market value as of 12/31/10, I performed a proof of valuation analysis. This analysis includes assumptions regarding the cash down payment the terms of the purchase notes, and the business's projected cash flows. These assumptions are presented in the following exhibit.

Hypothetical Terms of Sale

Assumed Terms of Sale	Percent	Term (Years)	Contract Interest
Buyer Cash	50.0%		
3rd Party Asset Loans	25.0%	5	10.0%
Seller Takeback Notes	25.0%	10	10.0%
Percent of Purchase Price	100.0%		
Assumed Purchase Price :	4,000		

Based on the purchase terms presented in the above exhibit, I analyzed SAMPLE COMPANY's projected cash flows to ascertain whether or not they cover the hypothetical interest and principal payments. The buyer post-sale cash flow was calculated as follows:

1. The projected adjusted before-tax income was reduced by interest payments on purchase notes and any payments for a covenant-not-to-compete and/or an employee contract. The result of this adjustment was termed the business's "Post-Sale Adjusted Income."
2. The Post-Sale Adjusted Income was reduced by an income tax factor of 25.0%.
3. All non-cash expenses were added back.
4. The principal portion of all debt instruments is deducted.

The result of the above adjustments is termed the business's Simple Cash Flow. The business's annual projected post-sale cash flows are presented in the following exhibit.

Projected Annual Post-Sale Cash Flow

	Dec-03	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
Pre-Tax Adj. Net Income	897	946	998	1,053	1,111	1,172	1,236	1,304	1,376	1,452
Seller Takeback Interest	96	91	84	75	68	58	47	35	22	8
3rd Party Note Interest	92	76	56	36	14	0	0	0	0	0
Adjusted Post-Sale Income	709	779	858	942	1,029	1,114	1,189	1,269	1,354	1,444
Income Taxes	177	195	215	236	257	279	297	317	339	361
Post-Sale Net Income	532	584	643	706	772	835	892	952	1,015	1,083
Seller Takeback Principal	60	69	73	84	92	101	111	123	136	150
3rd Party Note Principal	162	180	198	219	242	0	0	0	0	0
Other Long-Term Principal	0	0	0	0	0	0	0	0	0	0
Depr. & Non-Cash Addbacks	0	0	0	0	0	0	0	0	0	0
Post-Sale Cash Flow	310	335	372	403	438	734	781	829	879	933

Based on the above analysis, the projected cash flows are sufficient to pay the assumed interest and principal due on the hypothetical purchase notes and existing notes.

In addition to performing a post-sale cash flow analysis, a hypothetical return on investment was calculated. The following schedule presents this analysis.

Return on Investment

	Buyer Cash Investment			Contract Purchase Price		
	Buyer Cash Down	Pre-Tax Post-Purch. Pmt. Cash Flow	ROI	Total Price	Pre-Tax Pre-Purch. Pmt Cash Flow	ROI
1.	2,000	487	24.4%	4,000	897	22.4%
2.		530	26.5%		946	23.7%
3.		587	29.4%		998	25.0%
4.		639	32.0%		1,053	26.3%
5.		695	34.8%		1,111	27.8%
6.		1,013	50.6%		1,172	29.3%
7.		1,078	53.9%		1,236	30.9%
8.		1,146	57.3%		1,304	32.6%
9.		1,218	60.9%		1,376	34.4%
10.		1,294	64.7%		1,452	36.3%

Based on the projected cash flow analysis and the return on investment analysis, a fair market value of $3,641 for SAMPLE COMPANY as of 12/31/10 is reasonable.

Certification of Appraiser

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, unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
4. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.
5. My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with Uniform Standards of Professional Appraisal Practice.
6. No one provided significant professional assistance to the person signing this report.