



Griffiths, Dreher & Evans, P.S.
Wealth Management CPAs

Business Valuation

**100% Ownership Interest in
Contractor, Inc.**

**As of
December 31, 2009**

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**Report with specific required language as prescribed under Statement
on Standards for Valuation Services #1 issued by the American
Institute of Certified Public Accountants.**

May 6, 2010

To Contractor:

We have performed a calculation engagement, as that term is defined in the Statement on Standards for Valuation Services (SSVS) of the American Institute of Certified Public Accountants. We performed certain calculation procedures on 100% ownership of Contractor, Inc. as of December 31, 2009. The specific calculation procedures are detailed in Exhibit 1 of our calculation report. The calculation procedures were performed to assist in the matter of determining on a going concern basis, the Fair Market Value of a 100% ownership of the business. The valuation is to be used in support of SBA and bank finance decision making and the resulting calculation of value may not be relied upon by any party for any other purpose. This calculation engagement was conducted in accordance with Uniform Standards for Professional Appraisal Practices (USPAP) and in accordance with AICPA SSVS No. 1. The estimate of value that results from a calculation engagement is expressed as a calculated value.

In a calculation engagement, the valuation analyst and the client agree on the specific valuation approaches and valuation methods the valuation analyst will use and the extent of valuation procedures the valuation analyst will perform to estimate the value of the subject interest. A calculation engagement does not include all of the procedures required in a conclusion of value engagement, as that term is defined in the SSVS. Had a conclusion of value engagement been performed, the results might have been different.

Based on our calculations, as described in this report, which are based solely on the procedures agreed upon as referred to above, the resulting calculated operating value of Contractor, Inc. 100% ownership interest as of December 31, 2009 is as follows:

| | |
|-------------------|------------|
| Fair Market Value | \$ 892,000 |
|-------------------|------------|

This calculated value is subject to the agreed upon development limitations found in Exhibit 1, the Statement of Assumptions and Limiting Conditions found in Exhibit 2, the Valuation Analyst's Representation found on page 14, and the additional assumptions on page 15. We have no obligation to update this report or our calculations of value for information that comes to our attention after the date of this report.

Thomas M. Griffiths

Griffiths, Dreher & Evans, PS, CPAs

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Industry & Economic Outlook Analysis

The valuator found industry data from First Research Industry Profiles. Customers are generally made up of builders and these relationships are key. Although the industry employment growth has been stable in the past, it took a hit in 2009 and has started to rebound in the beginning of 2010. The recovery is expected to be somewhat slow for the industry as the nonresidential construction industry struggles to gain momentum. Since a slow recovery is eminent, the valuator believes that a moderate long-term growth rate of 3% is appropriate.

Company Summary

Contractor, Inc. has been in business since 2000 and has had stable growth each year since, with the exception of 2009 when the US economy suffered from a downturn. The Company has strong management but also employs sales personnel that are responsible for a major portion of the new work. For this reason, the valuator does not believe that an adjustment for key person risk should be a factor in the valuation. The company has many small customers and a good reputation in the local region. Their largest customer made up only 5% of their revenues for 2009. For this reason, the valuator does not believe that an adjustment for customer concentration will be necessary for the valuation.

Contractor, Inc.
Calculation of Value 12-31-2009
Financial Statements & Adjustments

| | Tax Return | Tax Return | Tax Return | Tax Return | Projected |
|-------------------------------|--------------|--------------|--------------|--------------|--|
| | Dec 31, 2006 | Dec 31, 2007 | Dec 31, 2008 | Dec 31, 2009 | Average plus 1 year Long-term growth |
| Income Statement | | | | | |
| Net Sales | \$ 1,544,466 | \$ 1,545,534 | \$ 1,580,292 | \$ 1,106,204 | \$ 1,487,448 |
| Gross Profit | 837,696 | 827,130 | 921,768 | 691,326 | |
| Operating Income | 263,352 | 175,299 | 186,279 | 149,023 | |
| Adjustments | | | | | |
| Adj #1 | 929 | 284 | - | - | |
| Adj #2 | (5,685) | (2,730) | (17,313) | (22,012) | |
| Adj #3 | 1,963 | 2,890 | 9,686 | 10,360 | |
| Adj #4 | - | - | - | - | |
| Adj #5 | - | - | - | 6,000 | |
| Adj #6 | - | 19,060 | 57,681 | 12,777 | |
| Free Cash Flow | \$ 260,559 | \$ 194,803 | \$ 236,333 | \$ 156,148 | \$ 218,320 |
| Balance Sheet | | | | | |
| Cash | \$ 174,495 | \$ 179,268 | \$ 216,152 | \$ 127,356 | |
| Accounts Receivable | - | - | - | - | |
| Inventory | 90,105 | 98,046 | 100,083 | 113,214 | |
| Other Current Assets | - | - | - | - | |
| Total Current Assets | 264,600 | 277,314 | 316,235 | 240,570 | |
| Total Fixed Assets | 1,797 | 1,513 | - | - | |
| Total Assets | 266,397 | 278,827 | 316,235 | 240,570 | |
| Accounts Payable | - | - | - | - | |
| Other Current Liabilities | 193,029 | 68,592 | 137,691 | 38,334 | |
| Total Current Liabilities | 193,029 | 68,592 | 137,691 | 38,334 | |
| Total Long Term Liabilities | - | - | - | - | |
| Net Worth | 73,368 | 210,235 | 178,544 | 202,236 | |
| Total Liabilities & Net Worth | \$ 266,397 | \$ 278,827 | \$ 316,235 | \$ 240,570 | |

Contractor, Inc.
Calculation of Value 12-31-2009
Company Trend Analysis

Consolidated Historical Tax Return Information

| | Dec 31, 2006 | Dec 31, 2007 | Dec 31, 2008 | Dec 31, 2009 |
|-------------------------------|--------------|--------------|--------------|--------------|
| Income Statement | | | | |
| Net Sales | \$ 1,544,466 | \$ 1,545,534 | \$ 1,580,292 | \$ 1,106,204 |
| Gross Profit | 837,696 | 827,130 | 921,768 | 691,326 |
| Operating Income | 263,352 | 175,299 | 186,279 | 149,023 |
| Net Profit After Tax | \$ 263,352 | \$ 175,299 | \$ 186,279 | \$ 149,023 |
| Balance Sheet | | | | |
| Cash | \$ 174,495 | \$ 179,268 | \$ 216,152 | \$ 127,356 |
| Accounts Receivable | - | - | - | - |
| Inventory | 90,105 | 98,046 | 100,083 | 113,214 |
| Other Current Assets | - | - | - | - |
| Total Current Assets | 264,600 | 277,314 | 316,235 | 240,570 |
| Total Fixed Assets | 1,797 | 1,513 | - | - |
| Other Non-Current Assets | - | - | - | - |
| Total Assets | 266,397 | 278,827 | 316,235 | 240,570 |
| Accounts Payable | - | - | - | - |
| Other Current Liabilities | 193,029 | 68,592 | 137,691 | 38,334 |
| Total Current Liabilities | 193,029 | 68,592 | 137,691 | 38,334 |
| Total Long Term Liabilities | - | - | - | - |
| Net Worth | 73,368 | 210,235 | 178,544 | 202,236 |
| Total Liabilities & Net Worth | \$ 266,397 | \$ 278,827 | \$ 316,235 | \$ 240,570 |

Common Size Financials

| | Dec 31, 2006 | Dec 31, 2007 | Dec 31, 2008 | Dec 31, 2009 | Industry |
|-----------------------------|--------------|--------------|--------------|--------------|----------|
| Income Statement | | | | | |
| Net Sales | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| Gross Profit | 54.24% | 53.52% | 58.33% | 62.50% | 42.10% |
| Operating Income | 17.05% | 11.34% | 11.79% | 13.47% | 3.90% |
| Net Profit After Tax | 17.05% | 11.34% | 11.79% | 13.47% | 2.20% |
| Balance Sheet | | | | | |
| Cash | 65.50% | 64.29% | 68.35% | 52.94% | 7.60% |
| Accounts Receivable | 0.00% | 0.00% | 0.00% | 0.00% | 21.80% |
| Inventory | 33.82% | 35.16% | 31.65% | 47.06% | 6.80% |
| Total Current Assets | 99.33% | 99.46% | 100.00% | 100.00% | 37.80% |
| Total Fixed Assets | 0.67% | 0.54% | 0.00% | 0.00% | 28.90% |
| Other Non-Current Assets | 0.00% | 0.00% | 0.00% | 0.00% | 33.20% |
| Total Assets | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| Accounts Payable | 0.00% | 0.00% | 0.00% | 0.00% | 7.80% |
| Total Current Liabilities | 72.46% | 24.60% | 43.54% | 15.93% | 35.10% |
| Total Long Term Liabilities | 0.00% | 0.00% | 0.00% | 0.00% | 7.50% |
| Net Worth | 27.54% | 75.40% | 56.46% | 84.07% | 57.40% |

Contractor, Inc.
Calculation of Value 12-31-2009
Company Trend Analysis

Financial Ratios

| | Dec 31, 2006 | Dec 31, 2007 | Dec 31, 2008 | Dec 31, 2009 | Industry |
|----------------------------------|--------------|--------------|--------------|--------------|----------|
| Quick Ratio | 0.90 | 2.61 | 1.57 | 3.32 | 1.24 |
| Current Ratio | 1.37 | 4.04 | 2.30 | 6.28 | 2.06 |
| Current Liabilities to Net Worth | 263.10% | 32.63% | 77.12% | 18.96% | 32.00% |
| Current Liabilities to Inventory | 2.14 | 0.70 | 1.38 | 0.34 | 2.15 |
| Total Liabilities to Net Worth | 263.10% | 32.63% | 77.12% | 18.96% | 54.00% |
| Fixed Assets to Net Worth | 2.45% | 0.72% | 0.00% | 0.00% | 37.50% |
| Inventory Turnover | 21.97 | 7.64 | 6.65 | 3.89 | 15.50 |
| Assets to Sales | 17.25% | 18.04% | 20.01% | 21.75% | 41.00% |
| Sales to Working Capital | 21.58 | 7.40 | 8.85 | 5.47 | 4.90 |
| Return on Sales | 17.05% | 11.34% | 11.79% | 13.47% | 2.00% |
| Return on Assets | 98.86% | 62.87% | 58.91% | 61.95% | 5.00% |
| Return on Investment | 358.95% | 83.38% | 104.33% | 73.69% | 23.50% |

Industry Ratio Analysis

The valuator searched First Research.com for industry comparative data.

Valuator Analysis

- 1) The Company has higher quick and current ratios than the industry, indicating that it can pay its debts readily.
- 2) The Company has a higher level of inventory and a lower inventory turnover ratio, indicating that the Company may have a portion of slow moving inventory in stock.
- 3) The Company's gross profit and profit margins have historically been stronger than the industry. In 2009, the Company took a hit to earnings, but maintained a strong gross profit %, indicating that when business picks up, there will be strong profit margins once again.
- 4) The Company has a lower assets to sales ratio, indicating that the Company is able to produce products in an environment that is less capital intensive than the industry. This should shelter the Company somewhat from industry fluctuations by decreasing fixed costs.

Market Approach – Prior Transactions Method

The valuator considered the prior transactions method of valuation. This valuation method evaluates prior transactions of the company's stock and if the transactions are determined to be arm's length transactions, the method develops a market value for the company based on those transactions. The company has not had any prior transactions of company stock since inception, and therefore this method cannot be used to obtain an indication of value.

Market Approach – Merger & Acquisition Method

The valuator considered the merger and acquisition (comparable complete sale transactions) method of valuation. This valuation method uses databases of sales of controlling interests in closely held businesses to obtain multiples that determine company value. The valuator obtained a multiple for sales price to net sales from First Research Industry Profiles: Contractors (Exhibit 4). The value indication based on the price multiple is developed as follows.

Sales price to net sales indication of value.

| | | | | |
|---------------------|---|----------|---|-------------|
| Projected Net Sales | X | Multiple | = | Sales Price |
| \$1,487,448 | X | 0.6 | = | \$892,469 |

The valuator has rounded this indication of value to \$892,000.

Although accessible, a sales price to net profit multiplier was not used in the valuation. In the valuator's judgment, sales price to net profit multipliers are unreliable due to the wide variations in accounting methods and normalization adjustments used to determine net profit in private closely held businesses. However, in the valuator's judgment, the sales price to net sales ratio is very reliable since variations in accounting for sales are minimal (when compared to net profit) and variations in accounting basis should not materially affect the ratio when developed based on a large enough population of transactions as is the case in this calculation of value.

Income Approach - Capitalization of Earnings Method

The capitalization of earnings method looks at the present value of anticipated *future* income or cash flows generated by the business. In effect, the valuator capitalizes the company's current earnings. Like other methods for valuing financial instruments, this method relies on the discounted cash flow (DCF) model. Earnings projections, extrapolated from the company's accounting statements, are discounted using a capitalization rate (or multiplier) that takes into account a required risk-based rate of return and a factor for future growth.

The DCF method, or the capitalization of earnings method, is well-suited for valuing a company whose earnings can be reasonably predicted—constant earnings, growing earnings, or intermediate term growth followed by constant earnings. The key is thoughtful forecasting, supported by articulated and reasonable assumptions.

Fair Market Value

The valuator has determined a value based on the Ibbotson Buildup Method for the Fair Market Value (Page 10). The Ibbotson cost of equity rate of 26.47% was reduced by an estimated 3% long term growth factor, yielding a capitalization rate of 23.47%.

| | |
|--------------------------------|----------------------|
| Projected Free Cash Flows | \$ 218,320 |
| Divided by Capitalization Rate | .2347 |
| Calculated Value | \$ 930,000 (rounded) |

Build Up of Capitalization Rate

The buildup method for Cost of Equity Capital is a model that is composed of a risk-free rate and certain other risk premiums. Each premium is based on the risk that an investor takes and the resulting reward. These premiums are added together to achieve the total cost of capital. A starting point for the rate is the risk-free rate. This rate is the expected return when very little to no risk is taken by the investor. The risk-free rate is traditionally the yield on a long-term U.S. Treasury Bond. In these circumstances, the 20 year rate is appropriate since Contractor, Inc. is a going concern. The buildup of the rate is illustrated as follows:

| | <u>Components</u> | |
|---|----------------------------|--------|
| | Riskless Rate | 4.60% |
| + | Equity Risk Premium | 6.70% |
| + | Industry Risk Premium | 3.11% |
| + | Size Premium | 12.06% |
| | <hr/> | |
| | Cost of Equity Estimate | 26.47% |
| | Less Long Term Growth Rate | -3.00% |
| | Capitalization Rate | 23.47% |

See Explanations for details

Riskless (Risk-free) Rate: This is the rate that an investor should receive without taking significant risk. The figure has been calculated in the Ibbotson 2010 Valuation Yearbook and approximates the 20-year U.S. Treasury Coupon Bond Yield as of December 31, 2009.

Equity Risk Premium: This is the additional return that an investor expects to receive for investing in equities rather than risk-free assets. This figure has been calculated in the Ibbotson 2010 Valuation Yearbook and is based on long-term market data from 1926 through 2009.

Industry Risk Premium: Ibbotson has calculated the Industry Risk compared to the market for the Contracting industry and they have determined that the Industry Risk Premium is 3.11%.

Size Premium: A company with less market capitalization is more risky than a large company. The Ibbotson Study has analyzed the size premiums for very small companies by breaking down the smallest 10% of stocks and showing that the size premiums increase drastically when dealing with very small companies (market capitalization of between \$1 and \$76 million). The size premium for Contractor, Inc. can therefore be established based on the Ibbotson figures for the 10z size category since this is the range that most closely reflects the Company's position.

Asset Valuation Approach

The valuator considered asset valuation approaches. The asset valuation approach is commonly used in forced or orderly liquidation of a business or in situations where tangible assets of the business are significant to its operations.

Although the Company does rely on tangible assets in its operations, in the valuator's judgment, the liquidation value of those assets would produce a value that would likely be significantly lower than Fair Market Value. Also, the premise of value for this valuation is going concern rather than forced or orderly liquidation. This means that the company is assumed to remain in business and therefore would not be liquidating assets. For these reasons, the asset approach is not appropriate and will not be used to obtain an indication of value.

Valuation Adjustments – Discounts & Premiums
Control vs. Minority
Liquidity

Statement on Standards for Valuation Services No. 1 states that in a calculation engagement, the valuation analyst should consider “Whether or not a business interest has ownership control characteristics and its degree of marketability.”

Control Discount

The benefit stream valued to obtain the indicated calculation of value was a control benefit stream and results in a control value. The business interest being valued is a control interest. The result is that no control discount or premium adjustment is appropriate in these circumstances.

Liquidity (Marketability) Discount

Income Approach

The valuator has considered the following factors in determining whether a discount for lack of liquidity is appropriate:

- Prospect of an initial public offering
- Dividend payout
- Restrictions on transfers
- Buy-sell agreement

A discount for lack of liquidity is generally applicable when the business being valued is a closely held company and does not trade on a major stock exchange or is not expected to have an IPO. Contractor, Inc. is not expected to have an IPO and a Buy-sell agreement is not applicable. Therefore, the valuator has determined that a discount for lack of liquidity is appropriate. However, since there is no empirical evidence that quantifies discounts for lack of liquidity relating to controlling interests, the valuator has not applied a specific discount. The valuator has instead used average discount rates as a reasonableness check against the value developed on the Market Approach. The Income Approach value (page 9) is \$930,000 and the Market Approach value (page 8) is \$892,000. The Market Approach value includes discounts for lack of liquidity because it was calculated using the First Research multiplier which is based on sales of closely held businesses. The Income Approach value is based on publicly traded company data and therefore does not reflect discounts for lack of liquidity. The implied discount (difference between the two numbers) is \$38,000 or roughly 4%. The valuator believes that this implied discount for lack of liquidity is not unreasonable based on studies of discounts for lack of liquidity on minority interests and the opinion that discounts should be smaller for controlling interests than for minority interests.

Sources of Information Used in the Calculation Engagement

The following sources of information were used in this calculation of value engagement.

1. Notes from Client Interview
2. 1120S Corporate Tax Returns for 2006, 2007, 2008, & 2009
3. AICPA Statement on Standards for Valuation Services #1
4. Market data from the Ibbotson SBBI 2010 Valuation Yearbook
5. Industry data from First Research

Representation of the Valuation Analyst

The analysis, opinions and calculation of value are subject to the specified assumptions and limiting conditions and they are the personal analysis of the valuation analyst.

The engagement was performed in accordance with Uniform Standards for Professional Appraisal Practices (USPAP) and Statement on Standards for Valuation Services #1 issued by the American Institute of Certified Public Accountants.

The parties for which the information and use of the valuation report is restricted are identified; the valuation report is not intended to be and should not be used by anyone else.

The analyst's compensation is fixed fee based and is not contingent on any outcome.

The valuation analyst has no obligation to update the report or the opinion of value for information that comes to his attention after the date of the report.

Brett Smith, CPA, a Griffiths, Dreher & Evans, PS staff member provided significant professional assistance in this engagement.

Thomas M. Griffiths

Thomas M. Griffiths, CPA, MBA, CFP®
Accredited in Business Valuation
Certified Exit Planning Advisor

Additional Assumptions Made During the Course of the Valuation

During the course of the valuation engagement, the valuator made the following assumptions. These assumptions were not tested against outside information.

1. Rent expense has been added back for 2009 only due to the change in rents paid to owners in 2009 but no substantial change in the rented property. Rents for 2008 were assumed to be at market value.

THOMAS M. GRIFFITHS, CPA, MBA, CFP®
Accredited in Business Valuation
Certified Exit Planning Advisor

PRACTICE OVERVIEW

Business owners are Mr. Griffiths financial advisory focus. To be a financial advisor for business owners requires a unique combination of skills and expertise in investments, business management, business valuation, complex tax issues, exit and financial planning. Mr. Griffiths has extensive experience, education and specialty credentials in all of these disciplines. His practice is the cross-section of these disciplines as they relate to financial and exit planning for main street business owners (under 10 million sales).

EDUCATION & SPECIALY DESIGNATIONS

B.S. in Accounting, Eastern Washington University, 1990;
CPA - Certified Public Accountant, State of Washington, 1992;
MBA - Masters Degree in Business Administration, Eastern Washington University 1994;
CFE (inactive) - Certified Fraud Examiner, Association of Certified Fraud Examiners, 2003;
CFP® - Certified Financial Planner Professional, Certified Financial Planner Board of Standards, Inc. 2005;
PFS - Personal Financial Specialist, American Institute of Certified Public Accountants, 2005;
CVA - Certified Valuation Analyst, National Association of Certified Valuation Analysts, 2006;
ABV - Accredited in Business Valuation, American Institute of Certified Public Accountants, 2008;
CFF - Certified In Financial Forensics, American Institute of Certified Public Accountants, 2008;
CDFA – Certified Divorce Financial Analyst, Institute for Divorce Financial Analysts, 2009.
CEPA – Certified Exit Planning Advisor, Exit Planning Institute, 2009.
CEXP – Certified Exit Planner, Business Enterprise Institute, 2009.

WORK HISTORY

Griffiths, Dreher & Evans, PS, CPAs, formerly Griffiths & Company, PS, CPA, 1992-Current
Griffiths, Dreher & Evans, PS, Washington State Registered Investment Adviser Firm, 2006;
Air Force National Guard, 1982-1994, Enlisted rank achieved E-6, Officer rank achieved O-2;

CONTINUING EDUCATION, PROFESSIONAL ASSOCIATIONS AND CIVIC ACTIVITIES

- Member AICPA, WSCPA, ACFE, NACVA, FPA.
- Member SCORE (Service Corps of Retired Executives Associate Member Since 1997), speaking and providing counseling once per month to small business owners 1997-2002.
- Maintains continuing professional education of 20 hours per year specific to business valuation, 20 hours per year specific to financial planning and 10 hours per year specific to fraud examination.

Exhibit 1

Agreed Upon Development Limitations

Our *calculations of value* will be performed in accordance with Statement on Standards for Valuation Services issued by the American Institute of Certified Public Accountants (AICPA). The Standards provide for *two types of valuation engagements*, a *calculation of value* and a *conclusion of value*. The standard provides that both types of valuation engagements consist of three stages; engagement, development and reporting. A calculation engagement differs from a conclusion engagement in that it does not include all the development procedures required of a conclusion engagement. In a calculation engagement, the client and the valuation analyst can agree upon a limited scope of development procedures to be performed. This can make the valuation more cost effective but may result in a materially different valuation than would have been made under complete development standards. Please refer to Statement on Standards for Valuation Services issued by the AICPA for a detailed list of development required in a conclusion of value engagement.

For this calculation engagement, the client and the valuation analyst agree that the following limited development procedures will be performed and are subject to any implied limitations and assumptions.

1. A capitalization of discounted cash flow method shall be used for the income approach to valuation at the valuation analyst's discretion. Excess earnings method will be used as a reasonableness check if deemed appropriate.
2. Asset approach based on equipment or other property appraisals will not be used in this report.
3. The only Market Approach methods that will be considered for the valuation are the Prior Transactions Method and the Merger & Acquisition Method.
4. Market approach – Merger & Acquisition Method: A single market value multiple that is based on averages of complete sales of companies in similar industries will be used.
5. An average from the Valuation Advisor's Lack of Marketability Discount Study TM will be used as a marketability discount figure if applicable; details can be found in the body of the valuation report.

Exhibit 2

Statement of General Assumptions and Limiting Conditions

1. The calculations of value will represent our professional, unbiased opinion based on the data we are able to obtain by agreement to prepare the calculations of value. We will not audit, compile, or review any financial statements, forecasts, or financial data. All projections are representations of management. Accordingly, unless otherwise specified, our opinion will be subject to the validity of the underlying data submitted. Our engagement cannot be relied on to disclose errors, fraud, or other illegal acts that may exist, nor will we be responsible for the impact on our services of incomplete, missing, or withheld information, or mistaken or fraudulent data provided from any source or sources.
2. The calculations of value arrived at herein are valid only for the stated purposes as of the date of valuation.
3. Financial statements and other related information provided by Client, or representatives, in the course of this engagement, have been accepted without any verification as fully and correctly reflecting the enterprise's business conditions and operating results for the respective periods, except as specifically noted herein. Griffiths, Dreher & Evans, PS, CPAs, has not audited, reviewed or compiled the financial information provided to us and accordingly we express no audit opinion or any other form of assurance on this information.
4. Public information and industry and statistical information have been obtained from sources we believe to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.
5. We do not provide assurance on the achievability of the results forecasted by client because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.
6. The calculations of value arrived at herein are based on the assumption that the current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of the enterprise through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed.
7. The report and the calculations of value arrived at herein are for the exclusive use of our client and for the sole and specific purposes as noted herein. They may not be used for any other purpose or by any other party for any purpose. Furthermore the report and calculations of value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The calculations of value represent the considered opinion of Griffiths, Dreher & Evans, PS, CPAs, based on information furnished to them by Client and other sources.
8. Neither all nor any part of the contents of this report should be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other means of communication without the prior written consent and approval of Griffiths, Dreher & Evans, PS, CPAs.
9. Future services regarding the subject matter of this report, including, but not limited to testimony or attendance in court, shall not be required of Griffiths, Dreher & Evans, PS, CPAs unless previous arrangements have been made in writing.

10. Griffiths, Dreher & Evans, PS, CPAs, is not an environmental consultant or auditor, and we take no responsibility for any actual or potential environmental liabilities. Any person entitled to rely on this report, wishing to know whether such liabilities exist, or the scope and their effect on the value of the property, is encouraged to obtain a professional environmental assessment. Griffiths, Dreher & Evans, PS, CPAs does not conduct or provide environmental assessments and has not performed one for the subject property.
11. No change of any item in this appraisal report shall be made by anyone other than Griffiths, Dreher & Evans, PS, CPAs, and we shall have no responsibility for any such unauthorized change.
12. Except as noted, we have relied on 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 and liabilities, except as specifically stated to the contrary in this report. We have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances or that the entity has good title to all assets.

Exhibit 3

INTERNATIONAL GLOSSARY OF BUSINESS VALUATION TERMS

To enhance and sustain the quality of business valuations for the benefit of the profession and its clientele, the below identified societies and organizations have adopted the definitions for the terms included in this glossary.

The performance of business valuation services requires a high degree of skill and imposes upon the valuation professional a duty to communicate the valuation process and conclusion, in a manner that is clear and not misleading. This duty is advanced through the use of terms whose meanings are clearly established and consistently applied throughout the profession.

If, in the opinion of the business valuation professional, one or more of these terms needs to be used in a manner that materially departs from the enclosed definitions, it is recommended that the term be defined as used within that valuation engagement.

This glossary has been developed to provide guidance to business valuation practitioners by further memorializing the body of knowledge that constitutes the competent and careful determination of value and, more particularly, the communication of how that value was determined.

Departure from this glossary is not intended to provide a basis for civil liability and should not be presumed to create evidence that any duty has been breached.

American Institute of Certified Public Accountants
American Society of Appraisers
Canadian Institute of Chartered Business Valuators
National Association of Certified Valuation Analysts
The Institute of Business Appraisers

Adjusted Book Value Method - a method within the asset approach whereby all assets and liabilities (including off-balance sheet, intangible, and contingent) are adjusted to their fair market values (NOTE: In Canada on a going concern basis).

Adjusted Net Asset Method - see Adjusted Book Value Method.

Appraisal - see Valuation.

Appraisal Approach - see Valuation Approach.

Appraisal Date - see Valuation Date.

Appraisal Method - see Valuation Method.

Appraisal Procedure - see Valuation Procedure.

Arbitrage Pricing Theory - a multivariate model for estimating the cost of equity capital, which incorporates several systematic risk factors.

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

Beta - a measure of systematic risk of a stock; the tendency of a stock's price to correlate with changes in a specific index.

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

Book Value - see Net Book Value.

Business - see Business Enterprise.

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

Business Risk - the degree of uncertainty of realizing expected future returns of the business resulting from factors other than financial leverage. See Financial Risk.

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 stock or portfolio of stocks equals a risk-free rate plus a risk premium that is proportionate to the systematic risk of the stock or portfolio.

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

Capitalization Factor - any multiple or divisor used to convert anticipated economic benefits of a single period into value.

Capitalization of Earnings Method - a method within the income approach whereby economic benefits for a representative single period are converted to value through division by a capitalization rate.

Capitalization Rate - any divisor (usually expressed as a percentage) used to convert anticipated economic benefits of a single period 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 specific definition in the given valuation context.

Common Size Statements - financial statements in which each line is expressed as a percentage of the total. On the balance sheet, each line item is shown as a percentage of total assets, and on the income statement, each item is expressed as a percentage of sales.

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

Control Premium - an amount or a percentage by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest in a business enterprise, to reflect the power of control.

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

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

Debt-Free - we discourage the use of this term. See Invested Capital.

Discount for Lack of Control - an amount or percentage deducted from the pro rata share of value of 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 for Lack of Voting Rights - an amount or percentage deducted from the per share value of a minority interest voting share to reflect the absence of voting rights.

Discount Rate - a rate of return used to convert a future monetary sum into present value.

Discounted Cash Flow Method - a method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate.

Discounted Future Earnings Method - a method within the income approach whereby the present value of future expected economic benefits is calculated using a discount rate.

Economic Benefits - inflows such as revenues, net income, net cash flows, etc.

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

Effective Date - see Valuation Date.

Enterprise - see Business Enterprise.

Equity - the owner's interest in property after deduction of all liabilities.

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 increasing or decreasing debt financing.

Equity Risk Premium - a rate of return added to a risk-free rate to reflect the additional risk of equity instruments over risk free instruments (a component of the cost of equity capital or equity discount rate).

Excess Earnings - that amount of anticipated economic benefits that exceeds an appropriate rate of return on the value of a selected asset base (often net tangible assets) used to generate those anticipated economic 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 a) the value of the assets derived by capitalizing excess earnings and b) 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 arms 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"}

Fairness Opinion - an opinion as to whether or not the consideration in a transaction is fair from a financial point of view.

Financial Risk - the degree of uncertainty of realizing expected future returns of the business resulting from financial leverage. See Business Risk.

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

Free Cash Flow - we discourage the use of this term. See Net Cash Flow.

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.

Guideline Public Company Method - a method within the market approach whereby market multiples are derived from market prices of stocks of companies that are engaged in the same or similar lines of business, and that are actively traded on a free and open market.

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 economic benefits into a present single amount.

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

Internal Rate of Return - a discount rate at which the present value of the future cash flows of the investment equals the cost of the investment.

Intrinsic Value - the value that an investor considers, on the basis of an evaluation or available facts, to be the "true" or "real" value that will become the market value when other investors reach the same conclusion. When the term applies to options, it is the difference between the exercise price or strike price of an option and the market value of the underlying security.

Invested Capital - the sum of equity and debt in a business enterprise. Debt is typically a) all interest bearing debt or b) long-term interest-bearing debt. When the term is used, it should be supplemented by a specific definition 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.

Limited Appraisal - the act or process of determining the value of a business, business ownership interest, security, or intangible asset with limitations in analyses, procedures, or scope.

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

Liquidation Value - the net amount that would 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 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.

Market Capitalization of Equity - the share price of a publicly traded stock multiplied by the number of shares outstanding.

Market Capitalization of Invested Capital - the market capitalization of equity plus the market value of the debt component of invested capital.

Market Multiple - the market value of a company's stock or invested capital divided by a company measure (such as economic benefits, number of customers).

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

Marketability Discount - see Discount for Lack of Marketability.

Merger and Acquisition Method - a method within the market approach whereby pricing multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business.

Mid-Year Discounting - a convention used in the Discounted Future Earnings Method that reflects economic benefits being generated at midyear, approximating the effect of economic benefits being generated evenly throughout the year.

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

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

Multiple - the inverse of the capitalization rate.

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

Net Cash Flows - when the term is used, it should be supplemented by a qualifier. See Equity Net Cash Flows and Invested Capital Net Cash Flows.

Net Present Value - the value, as of a specified date, of future cash inflows less all cash outflows (including the cost of investment) calculated using an appropriate discount rate.

Net Tangible Asset Value - the value of the business enterprise's tangible assets (excluding excess assets and non-operating assets) minus the value of its liabilities.

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

Normalized Earnings - economic benefits adjusted for nonrecurring, non-economic, or other unusual items to eliminate anomalies and/or facilitate comparisons.

Normalized Financial Statements - financial statements adjusted for nonoperating assets and liabilities and/or for nonrecurring, non-economic, or other unusual items to eliminate anomalies and/or facilitate comparisons.

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.

Present Value . the value, as of a specified date, of future economic benefits and/or proceeds from sale, calculated using an appropriate discount rate.

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

Price/Earnings Multiple - the price of a share of stock divided by its earnings per share.

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 - see Non-Operating 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.

Required Rate of Return - the minimum rate of return acceptable by investors before they will commit money to an investment at a given level of risk.

Residual Value - the value as of the end of the discrete projection period in a discounted future earnings model.

Return on Equity - the amount, expressed as a percentage, earned on a company's common equity for a given period.

Return on Investment - see Return on Invested Capital and Return on Equity.

Return on Invested Capital - the amount, expressed as a percentage, earned on a company's total capital for a given period.

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

Risk Premium - a rate of return added to a risk-free rate to reflect risk.

Rule of Thumb - a mathematical formula developed from the relationship between price and certain variables based on experience, observation, hearsay, or a combination of these; usually industry specific.

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

Standard of Value - the identification of the type of value being used 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. The measure of systematic risk in stocks is the beta coefficient.

Tangible Assets - physical assets (such as cash, accounts receivable, inventory, property, plant and equipment, etc.).

Terminal Value - see Residual Value.

Transaction Method - see Merger and Acquisition Method.

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

Unsystematic Risk - the 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 serves as the denominator.

Value to the Owner - see Investment Value.

Voting Control - de jure control of a business enterprise.

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.