Express Business Valuation

Sample Report

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Business Valuation Report

High Country Manufacturing

5678 Country Rd
Calhan, CO 80854

As of: December 31, 2005

Prepared by:
John Jacobs

ABC Appraisers

1234 Main St

Suite 100

Colorado Springs, CO 80901

Bill Rogers

5678 Country Rd

Suite 200

Calhan, CO 80854

February 14, 2006

Dear Bill Rogers:

I have been asked to determine the fair market value of High Country Manufacturing as of December 31, 2005 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 65% interest in High Country Manufacturing as of December 31, 2005 is $1,188,800.

Conclusion Of Total Value	1,828,900
Total Shares Outstanding	10,000
Value Per Share	182.89
Number Of Shares Being Valued	6,500
Value of Interest Appraised	1,188,785
Rounded	1,188,800

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

Respectfully submitted,

John Jacobs

ABC Appraisers

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 65% interest as of December 31, 2005.

b. I have accepted the Unaudited financial statements of High Country Manufacturing 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 High Country Manufacturing.

c. I have relied on representations made by the owner about the background and history of the business. The management of High Country Manufacturing 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 High Country Manufacturing as of December 31, 2005. In addition, my estimate of value is valid only for the purpose of Sale of Business.

More Assumptions and Limiting Conditions should be added based on the specifics of the engagement.

Purpose, Standard and Premise of Value

This area is for stating the purpose of the engagement, the standard of value and the premise of value. If fair market value is not the standard of value then delete or modify this as appropriate.

The purpose of this valuation is 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.

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.

Company Description

This area is for a description of the company and its operating paradigm. The text should discuss items such as location, management, services and products and key business model components. The economy should be discussed either here or in a new section of the report.

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 31, 2000 and December 31, 2005. For the period ended December 31, 2005, the cash and cash equivalents were approximately 9.23% of the business's total assets. The remainder of the business's current assets are comprised as follows: accounts receivable are 8.44%, inventory is 6.60%, and other current assets total 0.82% of total assets at December 31, 2005. In total, current assets comprise 25.09% 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 73.27% of the business's total assets.

	Dec 2005	Dec 2004	Dec 2003	Dec 2002	Dec 2001	Dec 2000
ASSETS						
Cash	302,160	301,030	295,010	260,010	190,030	100,000
Accounts Receivable	276,120	282,940	244,890	216,210	180,410	167,620
Inventory	216,180	193,260	186,180	192,840	185,620	102,410
Other Current Assets	26,900	26,850	26,180	25,160	20,150	30,030
Total Current Assets	821,360	804,080	752,260	694,220	576,210	400,060
Fixed Assets	3,198,100	3,102,000	3,050,000	2,840,000	1,960,000	980,000
(Accumulated Depreciation)	(800,000)	(650,000)	(500,000)	(350,000)	(200,000)	(100,000)
Intangible Assets	20,000	20,000	20,000	20,000	20,000	20,000
(Accumulated Amortization)	(6,000)	(5,000)	(4,000)	(3,000)	(2,000)	(1,000)
Other Non-Current	17,510	17,400	16,900	16,100	15,040	13,040
Non-Operating Assets	22,180	23,150	21,060	20,070	18,050	15,050
Total Assets	3,273,150	3,311,630	3,356,220	3,237,390	2,387,300	1,327,150
LIABILITIES & EQUITY						
Accounts Payable	345,100	342,090	335,070	315,060	200,060	100,060
Income Taxes	21,690	44,170	43,190	42,160	38,120	35,070
Short Term Notes Payable	-	20,020	40,060	60,080	80,090	100,090
Current Portion of LT Debt	86,760	83,250	79,180	77,190	73,210	71,180
Other Current Liabilities	28,340	28,160	27,920	27,110	26,100	25,010
Total Current Liabilities	481,890	517,690	525,420	521,600	417,580	331,410
Long Term Debt	1,356,260	1,483,970	1,685,290	1,884,100	1,467,620	772,940
Other Non-Current Liabilities	40,960	40,660	39,650	38,150	36,050	35,040
Non-Operating Liabilities	4,020	6,020	7,030	8,040	9,050	10,060
Total Liabilities	1,883,130	2,048,340	2,257,390	2,451,890	1,930,300	1,149,450
Equity	1,390,020	1,263,290	1,098,830	785,500	457,000	177,700
Total Liabilities & Equity	3,273,150	3,311,630	3,356,220	3,237,390	2,387,300	1,327,150

Adjusted Balance Sheet

As part of my analysis of the fair market value of High Country Manufacturing, I adjusted the business's assets and liabilities to their estimated fair market values as of December 31, 2005, the date of valuation. In addition, I have estimated the liquidation value of the tangible assets as of December 31, 2005. The following schedule presents the business's book value, adjustments to book value, adjusted book value, and estimated liquidation value as of December 31, 2005.

	Book Value 2005	Adjustments	Adjusted Book Value	Liquidation Percent	Liquidation Value
ASSETS					
Cash	302,160		302,160	100%	302,160
Accounts Receivable	276,120	(100,000)	176,120		-
Inventory	216,180	10,000	226,180		-
Other Current Assets	26,900		26,900		-
Total Current Assets	821,360	(90,000)	731,360		302,160
Fixed Assets	3,198,100	(698,100)	2,500,000		-
(Accumulated Depreciation)	(800,000)	800,000	-		-
Intangible Assets	20,000	(6,000)	14,000		-
(Accumulated Amortization)	(6,000)		(6,000)		-
Other Non-Current	17,510		17,510		-
Non-Operating Assets	22,180	(2,180)	20,000		-
Total Assets	3,273,150	3,720	3,276,870		302,160
LIABILITIES & EQUITY					
Accounts Payable	345,100		345,100		-
Income Taxes	21,690		21,690		-
Short Term Notes Payable	-		-		-
Current Portion of LT Debt	86,760		86,760		-
Other Current Liabilities	28,340		28,340		-
Total Current Liabilities	481,890	-	481,890		-
Long Term Debt	1,356,260		1,356,260		-
Other Non-Current Liabilities	40,960		40,960		-
Non-Operating Liabilities	4,020		4,020		-
Total Liabilities	1,883,130	-	1,883,130		-
Equity	1,390,020	3,720	1,393,740		302,160
Total Liabilities & Equity	3,273,150	3,720	3,276,870		302,160

Analysis of the Unadjusted Income Statements

As part of my analysis of the fair market value of a 65% interest High Country Manufacturing, I analyzed the business's unadjusted income statements for the years ended December 31, 2000 through December 31, 2005. The exhibit below presents the business's income statements for the period December 31, 2000 through December 31, 2005.

	Dec 2005	Dec 2004	Dec 2003	Dec 2002	Dec 2001	Dec 2000
Revenues less Discounts and Allowances	4,129,660	3,756,320	3,378,960	3,169,490	2,417,895	1,681,280
Cost of Goods Sold	1,700,260	1,500,620	1,250,020	1,200,050	940,275	730,000
Gross Profit	2,429,400	2,255,700	2,128,940	1,969,440	1,477,620	951,280
Operating Expenses						
Depreciation/Amortization	151,000	151,000	151,000	151,000	101,000	101,000
Officers' Compensation	380,000	340,000	320,000	300,000	200,000	100,000
Operating Lease and Rent	210,000	190,000	175,000	160,000	110,100	100,010
Payroll Taxes	74,500	67,300	63,500	45,200	26,300	20,520
Salaries	365,200	335,700	315,600	292,500	163,100	105,030
Utiilites/Phone	18,810	16,310	15,240	13,570	12,350	10,030
Repair/Maintenance	21,200	19,980	19,230	18,110	16,980	12,060
Taxes/Licences	19,130	17,720	16,920	15,810	14,350	11,280
Advertising	358,950	337,650	301,550	261,550	206,300	103,100
Supplies	16,340	15,830	15,120	14,110	13,910	10,360
Insurance	10,810	10,720	10,450	10,350	10,100	9,230
Other	10,330	10,210	10,100	9,940	9,700	8,600
Total Operating Expenses	1,636,270	1,512,420	1,413,710	1,292,140	884,190	591,220
Operating Profit	793,130	743,280	715,230	677,300	593,430	360,060
Other Income/Expenses						
Interest Expense	135,600	142,120	168,230	182,400	172,250	91,820
Other Income	10,350	10,300	9,200	8,500	7,000	5,000
Other Expense	7,820	5,900	5,700	5,600	5,000	4,000
Income Before Taxes	660,060	605,560	550,500	497,800	423,180	269,240
Income Taxes	224,420	205,890	187,170	169,300	143,880	91,540
Net Income	435,640	399,670	363,330	328,500	279,300	177,700

Adjusted Income Statements

In my analysis of the value of High Country Manufacturing, I reviewed the business's historical income statements for the 6 year period ending December 31, 2005. In order to determine the business's earnings capacity as of December 31, 2005, it was necessary to adjust its income statements for non-operating revenues and expenses, unusually high or low expenses, and discretionary expenses. This is known as normalizing the income statements. The following schedule shows the adjustments made to the business's income statements.

		Dec 2005	Dec 2004	Dec 2003	Dec 2002	Dec 2001	Dec 2000
Historic Income Before Taxes		660,060	605,560	550,500	497,800	423,180	269,240
Adjustments to Revenue							
Revenues less Discounts and Allowances							
Other Income							
Net Increase (Decrease) in Revenue		-	-	-	-	-	-
Adjustments to Expense							
Cost of Goods Sold							
Depreciation/Amortization							
Officers' Compensation		10,000	10,000	10,000	10,000	10,000	10,000
Operating Lease and Rent		25,000	25,000	20,000	20,000	15,000	15,000
Payroll Taxes							
Salaries							
Utiilites/Phone							
Repair/Maintenance							
Taxes/Licences							
Advertising							
Supplies							
Insurance							
Other							
Interest Expense							
Other Expense							
Net Increase (Decrease) in Expense		35,000	35,000	30,000	30,000	25,000	25,000
Net Increase (Decrease) to Income		(35,000)	(35,000)	(30,000)	(30,000)	(25,000)	(25,000)
Tax Effect	34%	(11,900)	(11,900)	(10,200)	(10,200)	(8,500)	(8,500)
Net Increase (Decrease) to Income After Tax		(46,900)	(46,900)	(40,200)	(40,200)	(33,500)	(33,500)
Historic Tax Expense		224,420	205,890	187,170	169,300	143,880	91,540
Adjusted Net Income		388,740	352,770	323,130	288,300	245,800	144,200

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

	Dec 2005	Dec 2004	Dec 2003	Dec 2002	Dec 2001	Dec 2000
Revenues less Discounts and Allowances	4,129,660	3,756,320	3,378,960	3,169,490	2,417,895	1,681,280
Cost of Goods Sold	1,700,260	1,500,620	1,250,020	1,200,050	940,275	730,000
Gross Profit	2,429,400	2,255,700	2,128,940	1,969,440	1,477,620	951,280
Operating Expenses:						
Depreciation/Amortization	151,000	151,000	151,000	151,000	101,000	101,000
Officers' Compensation	390,000	350,000	330,000	310,000	210,000	110,000
Operating Lease and Rent	235,000	215,000	195,000	180,000	125,100	115,010
Payroll Taxes	74,500	67,300	63,500	45,200	26,300	20,520
Salaries	365,200	335,700	315,600	292,500	163,100	105,030
Utiilites/Phone	18,810	16,310	15,240	13,570	12,350	10,030
Repair/Maintenance	21,200	19,980	19,230	18,110	16,980	12,060
Taxes/Licences	19,130	17,720	16,920	15,810	14,350	11,280
Advertising	358,950	337,650	301,550	261,550	206,300	103,100
Supplies	16,340	15,830	15,120	14,110	13,910	10,360
Insurance	10,810	10,720	10,450	10,350	10,100	9,230
Other	10,330	10,210	10,100	9,940	9,700	8,600
Total Operating Expenses	1,671,270	1,547,420	1,443,710	1,322,140	909,190	616,220
Operating Profit	758,130	708,280	685,230	647,300	568,430	335,060
Other Income/Expenses						
Interest Expense	135,600	142,120	168,230	182,400	172,250	91,820
Other Income	10,350	10,300	9,200	8,500	7,000	5,000
Other Expense	7,820	5,900	5,700	5,600	5,000	4,000
Income Before Taxes	625,060	570,560	520,500	467,800	398,180	244,240
Income Taxes	236,320	217,790	197,370	179,500	152,380	100,040
Net Income	388,740	352,770	323,130	288,300	245,800	144,200

Comparative Industry Analysis

The following schedule presents a comparative ratio analysis of High Country Manufacturing 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 High Country Manufacturing with that of the industry. The ratios of the subject company have been compared to the industry ratios as supplied by RMA, IRS, and User Defined.

	Lower RMA	Median RMA	Upper RMA	IRS	Integra	Adjusted 2005	Historic 2005	Historic 2004	Historic 2003	Historic 2002	Historic 2001
LIQUIDITY RATIOS:											
Current Ratio	1.20	1.7	3.1	1.4	-	1.52	1.70	1.55	1.43	1.33	1.38
Quick (Acid-Test) Ratio	0.8	1.4	2.3	0.7	-	0.99	1.20	1.13	1.03	0.91	0.89
Revenue/Accounts Receivable	3.8	5.6	6.4	9.4	-	23.45	14.96	13.28	13.80	14.66	13.40
Average Collection Period	**96**	**65**	**57**	**39**	**-**	**16**	**24**	**27**	**26**	**25**	**27**
Inventory Turnover	24.2	640.7	999.9	7.8	-	7.52	7.87	7.76	6.71	6.22	5.07
Days Inventory	**15**	**1**	**-**	**47**	**-**	**49**	**46**	**47**	**54**	**59**	**72**
COGS/Payable	7.4	13.2	34.4	8.1	-	4.93	4.93	4.39	3.73	3.81	4.70
Days Payable	**49**	**28**	**11**	**45**	**-**	**74**	**74**	**83**	**98**	**96**	**78**
Revenue/Working Capital	13.9	8.8	5.1	10.9	-	16.55	12.17	13.12	14.90	18.36	15.24
COVERAGE RATIOS:											
Times Interest Earned	1.3	2.3	7.0	6.3	-	5.61	5.87	5.26	4.27	3.73	3.46
NI+Non-Cash Expenditures / Current LTD	-	-	-	-	N/A	6.22	6.76	6.61	6.50	6.21	5.19
LEVERAGE RATIOS:											
Fixed Assets/Tangible Worth	1.0	0.6	0.3	0.5	-	1.80	1.74	1.96	2.35	3.24	4.01
Debt/Tangible Net Worth	3.2	1.2	0.6	3.2	-	1.36	1.37	1.64	2.08	3.19	4.40
Debt/Equity	1.3	1.3	1.3	1.4		1.35	1.35	1.62	2.05	3.12	4.22
OPERATING RATIOS:											
EBT/Tangible Worth	0.90%	11.60%	25.90%	36.41%	0.00%	45.11%	47.97%	48.51%	50.84%	64.78%	96.40%
EBT/Total Assets	0.50%	2.00%	8.80%	8.51%	0.00%	19.07%	20.17%	18.29%	16.40%	15.38%	17.73%
Fixed Asset Turnover	7.2	9.9	27.0	19.3	-	1.65	1.72	1.53	1.33	1.27	1.37
Total Asset Turnover	1.5	2.2	2.8	2.2	-	1.26	1.26	1.13	1.01	0.98	1.01
EXPENSE TO REVENUE RATIOS:											
% Deprtn., Depltn., Amort./Revenue	4.20%	2.10%	1.40%	0.71%	0.00%	3.66%	3.66%	4.02%	4.47%	4.76%	4.18%
% Officers' &/or Owners' Compensation/Revenue	0.00%	0.00%	0.00%	2.18%	0.00%	9.44%	9.20%	9.05%	9.47%	9.47%	8.27%
Cash Flow Ratios											
Operating Cash Flow (OCF)							1.14	0.99	0.97	1.05	0.94
Funds Flow Coverage (FFC)							6.90	6.26	5.12	4.52	4.01
Cash Interest Coverage							6.71	6.04	5.16	4.94	4.12
Cash Current Debt Coverage							0.50	0.53	0.88	1.05	0.94
Capital Expenditure							2.75	3.40	3.41	3.66	0.44
Total Debt							0.38	0.32	0.28	0.27	0.24
Total Free Cash							0.27	0.61	1.23	1.38	(2.74)
Cash Flow Adequacy							1.76	1.91	1.82	3.64	(7.36)

Valuation Methods Rejected

All the methods are discussed here. The methods that do not need to be discussed should be deleted. Additional text can be added as well.

Book Value Method

The book value of High Country Manufacturing as of December 31, 2005 was $1,390,020. 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 High Country Manufacturing's book value, I rejected it as an accurate indicator of the business's fair market value as of December 31, 2005.

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 High Country Manufacturing, I rejected the method as an accurate indicator of its fair market value as of December 31, 2005 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. 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 High Country Manufacturing'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 future. In the valuation of High Country Manufacturing, I rejected the capitalization of earnings method as a primary valuation method because the conditions for its use did not exist.

Capitalization of Excess Earnings Method

The capitalization of excess earnings method is a hybrid method based on tax law. Although I considered the capitalization of excess earnings method, I rejected it as an appropriate method to value High Country Manufacturing because there were better methods available to estimate the company's fair market value.

Discounted Cash Flows Method

The discounted cash flows 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 High Country Manufacturing, I considered the discounted cash flows method and rejected it as an appropriate method to value High Country Manufacturing because the conditions for its use did not exist.

Market Approach - Publicly-Traded Guideline Companies Methods

In the valuation of High Country Manufacturing, 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 High Country Manufacturing.

Price to Earnings

In the valuation of High Country Manufacturing, I considered using the price to earnings ratios of publicly-traded guideline companies to value High Country Manufacturing. However, I rejected the method because I do not believe that the results are indicative of the fair market value of High Country Manufacturing as of December 31, 2005.

Price to Revenues

In the valuation of High Country Manufacturing, I considered using the price to revenue ratios of publicly-traded guideline companies to value High Country Manufacturing. However, I rejected the method because I do not believe that the results are indicative of the fair market value of High Country Manufacturing as of December 31, 2005.

Price to Seller’s Discretionary Earnings

In the valuation of High Country Manufacturing, I considered using the price to seller’s discretionary earnings ratios of publicly-traded guideline companies to value High Country Manufacturing. However, I rejected the method because I do not believe that the results are indicative of the fair market value of High Country Manufacturing as of December 31, 2005.

Price to Book Value

In the valuation of High Country Manufacturing, I considered using the multiple of book value ratios of publicly-traded guideline companies to value High Country Manufacturing. However, I rejected the method because I do not believe that the results are indicative of the fair market value of High Country Manufacturing as of December 31, 2005.

Price to Asset Value

In the valuation of High Country Manufacturing, I considered using the multiple of Assets of publicly-traded guideline companies to value High Country Manufacturing. However, I rejected the method because I do not believe that the results are indicative of the fair market value of High Country Manufacturing as of December 31, 2005.

Price to Cash Flow

In the valuation of High Country Manufacturing, I considered using the price to cash flows ratios of publicly-traded guideline companies to value High Country Manufacturing. However, I rejected the method because I do not believe that the results are indicative of the fair market value of High Country Manufacturing as of December 31, 2005.

Price to Earnings Before Taxes (EBT)

In the valuation of High Country Manufacturing, I considered using the price to earnings before taxes ratios of publicly-traded guideline companies to value High Country Manufacturing. However, I rejected the method because I do not believe that the results are indicative of the fair market value of High Country Manufacturing as of December 31, 2005.

Price to Earnings Before Interest And Taxes (EBIT)

In the valuation of High Country Manufacturing, I considered using the price to earnings before interest and taxes ratios of publicly-traded guideline companies to value High Country Manufacturing. However, I rejected the method because I do not believe that the results are indicative of the fair market value of High Country Manufacturing as of December 31, 2005.

Price to Earnings Before Interest And Taxes And Depreciation (EBITDA)

In the valuation of High Country Manufacturing, I considered using the price to earnings before interest, taxes, depreciation, and amortization ratios of publicly-traded guideline companies to value High Country Manufacturing. However, I rejected the method because I do not believe that the results are indicative of the fair market value of High Country Manufacturing as of December 31, 2005.

Market Approach – Industry Pricing Ratio Methods

Conceptual Basis

Market based valuation methods can use capitalization rates and/or multiples that are extrapolated from transactions involving companies in a similar industry to the subject company to derive the fair market value for a closely business. The theory behind this method is that the marketplace for these businesses determines what price is an acceptable return for the earnings stream, gross revenue, equity or assets within a specific industry and can be used as a proxy for the multiples that a specific company could

expect to transact at. When using valuation ratios derived from the public marketplace, the comparability may be limited by differences in location, the nature of the industry, and size of the subject company.

Price to Earnings

In the valuation of High Country Manufacturing, I considered using the price to earnings ratios of the industry to value High Country Manufacturing. However, I rejected the method because I do not believe that the results are indicative of the fair market value of High Country Manufacturing as of December 31, 2005.

Price to Revenues

In the valuation of High Country Manufacturing, I considered using the price to revenue ratios of the industry to value High Country Manufacturing. However, I rejected the method because I do not believe that the results are indicative of the fair market value of High Country Manufacturing as of December 31, 2005.

Price to Book Value

In the valuation of High Country Manufacturing, I considered using the multiple of book value ratios of the industry to value High Country Manufacturing. However, I rejected the method because I do not believe that the results are indicative of the fair market value of High Country Manufacturing as of December 31, 2005.

Price to Cash Flow

In the valuation of High Country Manufacturing, I considered using the price to cash flows ratios of the industry to value High Country Manufacturing. However, I rejected the method because I do not believe that the results are indicative of the fair market value of High Country Manufacturing as of December 31, 2005.

Valuation Methods Accepted

All of the methods are described below. Please delete those that do not apply.

In determining the fair market value of High Country Manufacturing as of December 31, 2005, it is my opinion that the primary method to be used is *****.

Book Value Method

The book value of High Country Manufacturing as of December 31, 2005 was $1,390,020. Book value is an accounting value that is calculated by subtracting total liabilities from total assets. In my opinion, book value is an accurate measure of the business's fair market value as of December 31, 2005.

Liquidation Value Method

The liquidation value of High Country Manufacturing as of December 31, 2005 was approximately

$80,200. 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. In my opinion, High Country Manufacturing is not a going concern business and, therefore, should be valued using a liquidation method.

Adjusted Book Value Method

A business's adjusted book value is calculated by adjusting the book value of the company's assets and liabilities 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. The adjusted book method is used primarily to value holding companies, companies that have no goodwill value, or companies whose value is primarily intrinsic to its assets. In my opinion, High Country Manufacturing does not possess economically valuable goodwill; therefore, the adjusted book value method is the appropriate method to determine the business's fair market value as of December 31, 2005. At December 31, 2005, High Country Manufacturing's adjusted book value was $620,200.

Income Methods of Valuation

Capitalization of Earnings Method

Conceptual Basis

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

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

Sustainable Pro-Forma Earnings to be Capitalized

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

After Tax Cash Flow		Dec 2005	Dec 2004	Dec 2003	Dec 2002	Dec 2001	Dec 2000
Adjusted EBT		625,060	570,560	520,500	467,800	398,180	244,240
Adjusted Depreciation and Amortizatior		151,000	151,000	151,000	151,000	101,000	101,000
		776,060	721,560	671,500	618,800	499,180	345,240
Weight		6	5	4	3	2	1
Weighted Average		673,817					
Less Ongoing Depreciation/Amortization Expense		143,857					
Taxable Base		529,960					
Less State Income Taxes	10%	52,996					
Sub-Total		476,964					
Less Federal Taxes (From Below)		162,168					
Sub-Total		314,796					
Add Back Ongoing Depreciation/Amortization Expense		143,857					
Decrease/(Increase) in Working Capital		(54,200)					
Decrease/(Increase) in Capital Expenditures		(444,600)					
Increase/(Decrease) in Long Term Debt		119,800					
Ongoing Capacity		79,653					
Selected Ongoing Capacity		79,700					

Selection of an Appropriate Capitalization Rate

Helper Text – If WACC is used additional paragraphs will need to be included to describe the weighting of equity and debt.

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

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

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

The risk-free rate of return includes the investors' required rate of return for the "riskless" use of their funds and a factor for inflation. The rate of return earned on long term U.S. Government bonds is considered a good proxy for the risk-free rate of return. As of December 31, 2005, the date of valuation, the rate of return on a twenty-year U.S. Government Treasury Bond was 5.10%. Therefore, the risk-free rate of return is 5.10%.

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 2003, the average total returns earned on large corporate stocks has been approximately 7.20% 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 7.20% 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 Insert the decile percent) earned an additional 4.00% 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 -1.30%, 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 High Country Manufacturing should be approximately 21.0%.

Because I have chosen to use a pre-tax base in my calculation of fair market value, another step in building the discount rate is required. The sum of the aforementioned components equals the after tax discount rate. In order to convert from a pre-tax to after tax basis, it is necessary to reduce the discount rate by a factor based on the marginal tax rate. I selected a conversion factor of 0.0%.

Because I have chosen to use an earnings base in my calculation of fair market value, another step in building the discount rate is required. The sum of the aforementioned components equals the discount rate applicable to cash flows. In order to convert the discount rate from a cash flow basis to an earnings basis, it is necessary to estimate the difference between cash flows and earnings. In general, this difference ranges from 0 percent to 6 percent. I selected a conversion factor of 0.00%.

In order to calculate a capitalization rate, it is necessary to subtract the company's expected long term growth rate in earnings from the discount rate. Based on the national economy (as discussed above), the local and industry economy (discussed above), and the company's historical growth rate, it is my opinion that the business's long term growth rate in earnings will be approximately 5.0%.

The result of subtracting the business's expected long term growth rate in earnings from the discount rate is a capitalization rate of 31.0%. This capitalization rate is, by definition, for the next year's earnings. To convert it to a current year's earnings capitalization rate, it is necessary to divide the capitalization rate by the sum of one plus the expected long term growth rate in the business's earnings (1/1+5.0%). The result of the calculation is a capitalization rate of 29.5% that is applicable to the current year's earnings.

The following paragraph only applies if the mid-year convention is used.

Because the earnings are received over the course of the year and not at the end of the year, I have decided to apply a mid-year convention to the rate. The result is a capitalization rate of 25.3%.

The following exhibit shows the calculation for the capitalization rate for High Country Manufacturing as of December 31, 2005.

Cost of equity			
Risk-free Rate of Return		5.1%	
Common Stock Equity Risk Premium		7.2%	
Small Stock Risk Premium		4.0%	
Plus/Minus Industry Risk Premium		-1.3%	
Company Specific Premium			
Depth of Management	6.0%		
Importance of Key Personnel	4.0%		
Stability of Industry	3.0%		
Diversification of Product Line	2.0%		
Diversification of Customer Base	1.0%		
Diversification/Stability of Suppliers	1.0%		
Geographic Location	1.0%		
Stability of Earnings	1.0%		
Earnings Margins	1.0%		
Financial Structure	1.0%		
Total Company Specific Premium		21.0%	
Total Cost of Equity			36.0%
Less Sustainable Growth			5.0%
Next Year Capitalization Rate			31.0%
Current Year Capitalization Rate			29.5%
Selected Capitalization Rate			29.5%

Capitalize the Pro-Forma Earnings

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

Adjusted After Tax Cash Flow	79,700
Divide By	
Capitalization Rate	29.5%
Sub-Total	270,169
Less Minority Interest Discount	31.3%
Sub-Total	185,606
Less Marketability Discount	28.0%
Sub-Total	133,637
Excess/Non-Operating Assets	615,980
Indicated Value	749,617
Selected Value	749,600

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 High Country Manufacturing'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.

After Tax Cash Flow		Dec 2005	Dec 2004	Dec 2003	Dec 2002	Dec 2001	Dec 2000
Adjusted EBT		625,060	570,560	520,500	467,800	398,180	244,240
Adjusted Depreciation and Amortization		151,000	151,000	151,000	151,000	101,000	101,000
		776,060	721,560	671,500	618,800	499,180	345,240
Weight		6	5	4	3	2	1
Weighted Average		673,817					
Less Ongoing Depreciation/Amortization Expense		143,857					
Taxable Base		529,960					
Less State Income Taxes	10%	52,996					
Sub-Total		476,964					
Less Federal Taxes (From Below)		162,168					
Sub-Total		314,796					
Add Back Ongoing Depreciation/Amortization Expense		143,857					
Decrease/(Increase) in Working Capital		(54,200)					
Decrease/(Increase) in Capital Expenditures		(444,600)					
Increase/(Decrease) in Long Term Debt		119,800					
Ongoing Capacity		79,653					
Selected Ongoing Capacity		79,700					

Selection of an Appropriate Discount Rate

Helper Text – If WACC is used additional paragraphs will need to be included to describe the weighting of equity and debt.

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

speculative or lower the risk, the lower the discount rate.

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

The risk-free rate of return includes the investors' required rate of return for the "riskless" use of their funds and a factor for inflation. The rate of return earned on long term U.S. Government bonds is considered a good proxy for the risk-free rate of return. As of December 31, 2005, the date of valuation, the rate of return on a twenty-year U.S. Government Treasury Bond was 5.1%. Therefore, the risk-free rate of return is 5.1%.

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 2003, the average total returns earned on large corporate stocks has been approximately 7.2% 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 7.2% 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 Insert the decile percent) earned an additional 4.0% 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 -1.3%, 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 High Country Manufacturing should be approximately 21.0%.

Because I have chosen to use a pre-tax base in my calculation of fair market value, another step in building the discount rate is required. The sum of the aforementioned components equals the after tax discount rate. In order to convert from a pre-tax to after tax basis, it is necessary to reduce the discount rate by a factor based on the marginal tax rate. I selected a conversion factor of 0.0%.

Because I have chosen to use an earnings base in my calculation of fair market value, another step in building the discount rate is required. The sum of the aforementioned components equals the discount rate applicable to cash flows. In order to convert the discount rate from a cash flow basis to an earnings basis, it is necessary to estimate the difference between cash flows and earnings. In general, this difference ranges from 0 percent to 6 percent. I selected a conversion factor of 0.0%.

The result of adding these risk factors is a discount rate of 36.0%. The following exhibit shows the calculation for the capitalization rate for High Country Manufacturing as of December 31, 2005.

Cost of equity			
Risk-free Rate of Return		5.1%	
Common Stock Equity Risk Premium		7.2%	
Small Stock Risk Premium		4.0%	
Plus/Minus Industry Risk Premium		-1.3%	
Company Specific Premium			
Depth of Management	6.0%		
Importance of Key Personnel	4.0%		
Stability of Industry	3.0%		
Diversification of Product Line	2.0%		
Diversification of Customer Base	1.0%		
Diversification/Stability of Suppliers	1.0%		
Geographic Location	1.0%		
Stability of Earnings	1.0%		
Earnings Margins	1.0%		
Financial Structure	1.0%		
Total Company Specific Premium		21.0%	
Discount Rate			36.0%
Selected Discount Rate			36.0%

Projected Earnings Method

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

Percentage Growth	Dec 2006	Dec 2007	Dec 2008	Dec 2009	Dec 2010
Enter Growth Percentage	10.0%	10.0%	10.0%	10.0%	10.0%
Projected Economic Stream	87,670	96,437	106,081	116,689	128,358

Cash Flows to be Discounted

The following exhibit shows the business's estimated projected earnings for the 5 years after the date of valuation discounted to their present values as of December 31, 2005. In addition, the last year's projected earnings were capitalized into a residual value and discounted to its present value as of December 31, 2005. 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 36.0% Disc Rate	Terminal Value	Discounted Value
2006	87,670		73.529%		64,463
2007	96,437	10.0%	54.066%		52,139
2008	106,081	10.0%	39.754%		42,172
2009	116,689	10.0%	29.231%		34,109
2010	128,358	10.0%	21.493%		27,588
2011-forever	134,776	5.0%	21.493%	434,760	93,445
Total Discounted Cash Flows					313,916
Less Minority Interest Discount					31.3%
Sub-Total					215,660
Less Marketability Discount					28.0%
Sub-Total					155,275
Excess/Non-Operating Assets					615,980
Indicated Value					771,255
Selected Value					771,300

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 tangible assets and intangible assets are valued independently. The tangible and intangible assets are then summed to calculate the business's fair market value as of the date of valuation.

Value of the Tangible Assets

The tangible assets were adjusted to market value and discussed in the "Balance Sheet Adjustments" section of this appraisal report. The estimated fair market value of the business's tangible assets as of December 31, 2005 was calculated to be $2,650,970.

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 High Country Manufacturing's excess earnings base as of December 31, 2005, the 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 to a normalized base (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.

After Tax Cash Flow		Dec 2005	Dec 2004	Dec 2003	Dec 2002	Dec 2001	Dec 2000
Adjusted EBT		625,060	570,560	520,500	467,800	398,180	244,240
Adjusted Depreciation and Amortizatior		151,000	151,000	151,000	151,000	101,000	101,000
		776,060	721,560	671,500	618,800	499,180	345,240
Weight		6	5	4	3	2	1
Weighted Average		673,817					
Less Ongoing Depreciation/Amortization Expense		143,857					
Taxable Base		529,960					
Less State Income Taxes	10%	52,996					
Sub-Total		476,964					
Less Federal Taxes (From Below)		162,168					
Sub-Total		314,796					
Add Back Ongoing Depreciation/Amortization Expense		143,857					
Decrease/(Increase) in Working Capital		(54,200)					
Decrease/(Increase) in Capital Expenditures		(444,600)					
Increase/(Decrease) in Long Term Debt		119,800					
Ongoing Capacity		79,653					
Selected Ongoing Capacity		79,700					

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 assets or equity with the estimated normal return on assets or equity. The estimated normal return was developed using tax affected market rates available on the assets in place.

	Fair Market Value	Loan %	Loan Amount	Dec 2005
Historic Assets				3,273,150
Less Non-Operating Assets				22,180
Less Excess Assets				600,000
Tax Effect of Built In Gain				(139,934)
Historic Operating Assets				2,650,970
Cash	302,160	50.00%	151,080	
Accounts Receivable	176,120	50.00%	88,060	
Inventory	226,180	50.00%	113,090	
Other Current Assets	26,900	50.00%	13,450	
Net Fixed Assets	2,500,000	50.00%	1,250,000	
Other Non-Current Assets	17,510	50.00%	8,755	
Non-Operating Assets	20,000	50.00%	10,000	
Tangible Debt Capacity	3,268,870		1,634,435	
Existing Debt			1,443,020	
Remaining Borrowing Capacity ÷ Fair Market Value Tangible Debt Capacity		5.86%	191,415	
Borrowing Rate as of Valuation Date			8.00%	
Effective Tax Rate			34.00%	
Tax-Effected Cost of Debt			5.28%	
Required Rate of Return on Debt Capital	5.28% x	5.86%	0.31%	
Required Rate of Return on Equity Capital	28.00% x	94.14%	26.36%	
Reasonable Rate of Return on Net Tangible assets			26.67%	
Multiplied By				
Rate of Return				26.67%
Return on Operating Assets				707,003

The result was $707,003 which represents a "normal" return on the resources used to develop the earnings or cash flows as of December 31, 2005.

Selection of an Appropriate Capitalization Rate

Helper Text – If WACC is used additional paragraphs will need to be included to describe the weighting of equity and debt. If the level of persistence is used additional paragraphs will need to be included to describe its theory and application.

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

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

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

The risk-free rate of return includes the investors' required rate of return for the "riskless" use of their funds and a factor for inflation. The rate of return earned on long term U.S. Government bonds is considered a good proxy for the risk-free rate of return. As of December 31, 2005, the date of valuation, the rate of return on a twenty-year U.S. Government Treasury Bond was 5.10%. Therefore, the risk-free rate of return is 5.10%.

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 2003, the average total returns earned on large corporate stocks has been approximately 7.20% 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 7.20% 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 Insert the decile percent) earned an additional 4.00% 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 -1.30%, 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 High Country Manufacturing should be approximately 24.0%.

Because I have chosen to use a pre-tax base in my calculation of fair market value, another step in building the discount rate is required. The sum of the aforementioned components equals the after tax discount rate. In order to convert from a pre-tax to after tax basis, it is necessary to reduce the discount rate by a factor based on the marginal tax rate. I selected a conversion factor of 0.0%.

Because I have chosen to use an earnings base in my calculation of fair market value, another step in building the discount rate is required. The sum of the aforementioned components equals the discount rate applicable to cash flows. In order to convert the discount rate from a cash flow basis to an earnings basis, it is necessary to estimate the difference between cash flows and earnings. In general, this difference ranges from 0 percent to 6 percent. I selected a conversion factor of 0.00%.

In order to calculate a capitalization rate, it is necessary to subtract the company's expected long term growth rate in earnings from the discount rate. Based on the national economy (as discussed above), the local and industry economy (discussed above), and the company's historical growth rate, it is my opinion that the business's long term growth rate in earnings will be approximately 5.0%.

The result of subtracting the business's expected long term growth rate in earnings from the discount rate is a capitalization rate of 34.0%. This capitalization rate is, by definition, for the next year's earnings. To convert it to a current year's earnings capitalization rate, it is necessary to divide the capitalization rate by the sum of one plus the expected long term growth rate in the business's earnings (1/1+5.0%). The result of the calculation is a capitalization rate of 32.4% that is applicable to the current year's earnings.

The following paragraph only applies if the mid-year convention is used.

Because the earnings are received over the course of the year and not at the end of the year, I have decided to apply a mid-year convention to the rate. The result is a capitalization rate of 27.5%.

The following exhibit shows the calculation for the capitalization rate for High Country Manufacturing as of December 31, 2005.

Cost of equity			
Risk-free Rate of Return		5.1%	
Common Stock Equity Risk Premium		7.2%	
Small Stock Risk Premium		4.0%	
Plus/Minus Industry Risk Premium		-1.3%	
Company Specific Premium			
Depth of Management	6.0%		
Importance of Key Personnel	4.0%		
Stability of Industry	3.0%		
Diversification of Product Line	2.0%		
Diversification of Customer Base	1.0%		
Diversification/Stability of Suppliers	1.0%		
Geographic Location	1.0%		
Stability of Earnings	1.0%		
Earnings Margins	1.0%		
Financial Structure	1.0%		
Total Company Specific Premium		21.0%	
Total Cost of Equity			36.0%
Less Sustainable Growth			5.0%
Next Year Capitalization Rate			31.0%
Current Year Capitalization Rate			29.5%
Selected Capitalization Rate			29.5%

SBBI-Ibbotson Associates, Inc., Chicago. Data year = 2003
Industry SIC is 15 - Building Construction-General Contractors and Operative Builders
(38 Companies)

Calculation of Indicated Value

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

Adjusted After Tax Cash Flow	79,700
Return on Operating Assets	707,003
Excess Earnings	-
Divide By	
Capitalization Rate	32.4%
Intangible Asset Value	-
Add Historic Operating Assets	2,650,970
Sub-Total	2,650,970
Less Minority Interest Discount	31.3%
Sub-Total	1,821,216
Less Marketability Discount	28.0%
Sub-Total	1,311,276
Excess/Non-Operating Assets	615,980
Indicated Value	1,927,256
Selected Value	1,927,300

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 High Country Manufacturing. After reviewing financial and non-financial information for each of the publicly-traded companies with a 1771 SIC code, I determined that there existed companies that were similar and comparable to High Country Manufacturing and could be used as publicly-traded guideline companies. Please review the appendix for the details of the comparatives.

Price to Earnings

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

		Dec 2005	Dec 2004	Dec 2003	Dec 2002	Dec 2001	Dec 2000
Historic Pre-Tax Income		660,060	605,560	550,500	497,800	423,180	269,240
Weight on Pre-Tax Income		6	5	4	3	2	1
Weighted Average Pre-Tax Income		**561,865**					
Less: Estimated State Income Taxes	10%	56,186					
Income before Federal Taxes		505,678					
Less: Federal Taxes (See Below)		171,931					
Calculated Net Income Base		**333,747**					
Selected Net Income Base		**333,700**					

When using this method, it is important to adjust the price to earnings 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 earnings ratios and making the appropriate adjustments, the appropriate P/E ratios to apply to High Country Manufacturing's weighted net income as of December 31, 2005 are shown in the table below. The following table summarizes the calculation of the business entity using price to earnings of publicly traded companies. Note that premiums, discounts and excess/non-operating assets are discussed further in another section of this report

	MidMarket	Mercer	Pratts	Merged or Acquired Data	Comparable Private Data	Comparable Public Data
Economic Base	333,700	333,700	333,700	333,700	333,700	333,700
P/E Multiple	32.50	9.50	20.00	4.17	4.17	3.00
Sub-Total	10,845,251	3,170,150	6,674,000	1,390,417	1,390,417	1,001,100
Less Minority Interest Discount	31.3%	31.3%	31.3%	31.3%	31.3%	31.3%
Sub-Total	7,450,687	2,177,893	4,585,038	955,216	955,216	687,756
Less Marketability Discount	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%
Operating Value	5,364,495	1,568,083	3,301,227	687,756	687,756	495,184
Excess/Non-Operating Assets(adjusted for prem/disc)	423,178	423,178	423,178	423,178	423,178	423,178
Ongoing Value	5,787,673	1,991,261	3,724,406	1,110,934	1,110,934	918,362
Weight Applied	1	1	1	1	1	1
Indicated Value	2,440,595					
Selected Value	2,440,600					

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.

Use this schedule if Bizcomps is used

	Dec 2005	Dec 2004	Dec 2003	Dec 2002	Dec 2001	Dec 2000
Historic Pre-Tax Income	660,060	605,560	550,500	497,800	423,180	269,240
Historic Interest Expense	135,600	142,120	168,230	182,400	172,250	91,820
Historic Depreciation/Amortization	151,000	151,000	151,000	151,000	101,000	101,000
Historic Officers' Compensation	380,000	340,000	320,000	300,000	200,000	100,000
Seller's Discretionary Earnings	1,326,660	1,238,680	1,189,730	1,131,200	896,430	562,060
Weight on Seller's Discretionary Cash Flow	6	5	4	3	2	1
Weighted Average BIZCOMPS SDE Base	**1,174,324**					
Selected BIZCOMPS SDE Base	**1,174,300**					

Use this schedule if IBA is used

	Dec 2005	Dec 2004	Dec 2003	Dec 2002	Dec 2001	Dec 2000
Historic Pre-Tax Income	660,060	605,560	550,500	497,800	423,180	269,240
Historic Interest Expense	135,600	142,120	168,230	182,400	172,250	91,820
Historic Officers' Compensation	380,000	340,000	320,000	300,000	200,000	100,000
Seller's Discretionary Cash Flow	1,175,660	1,087,680	1,038,730	980,200	795,430	461,060
Weight on Seller's Discretionary Cash Flow	6	5	4	3	2	1
Weighted Average IBA SDCF Base	**1,030,467**					
Selected IBA SDCF Base	**1,030,500**					

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 High Country Manufacturing's weighted seller's discretionary earnings as of December 31, 2005 are shown in the table below. The following table summarizes the calculation of the business entity using price to earnings of traded companies. Note that premiums, discounts and excess/non-operating assets are discussed further in another section of this report

	BIZCOMPS	IBA Data
Economic Base	1,174,300	1,030,500
P/E Multiple	1.17	2.90
Sub-Total	1,370,893	2,988,450
Adjustment	1,393,740	(1,722,240)
Sub-Total	2,764,633	1,266,210
Less Minority Interest Discount	31.3%	31.3%
Operating Value	1,899,303	869,886
Less Marketability Discount	28.0%	28.0%
Operating Value	1,367,498	626,318
Excess/Non-Operating Assets(adjusted for prem/disc)	423,178	423,178
Ongoing Value	1,790,676	1,049,496
Weight Applied	1	1
Indicated Value	1,420,086	
Selected Value	1,420,100	

Price to Revenues

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

	Dec 2005	Dec 2004	Dec 2003	Dec 2002	Dec 2001	Dec 2000
Historic Revenue	4,129,660	3,756,320	3,378,960	3,169,490	2,417,895	1,681,280
Weight on Historic Revenue	6	5	4	3	2	1
Weighted Average Historic Revenue	**3,480,997**					
Selected Revenue Base	**3,481,000**					

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 High Country Manufacturing's weighted revenue as of December 31, 2005 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

	MidMarket	BIZCOMPS	Mercer	Pratts	Merged or Acquired Data	Comparable Private Data	Comparable Public Data
Revenue Base	3,481,000	3,481,000	3,481,000	3,481,000	3,481,000	3,481,000	3,481,000
P/R Multiple	0.59	0.31	0.85	1.00	0.42	0.42	0.30
Sub-Total	2,065,777	1,090,084	2,958,850	3,481,000	1,450,417	1,450,417	1,049,655
Adjustment		777,760					
Sub-Total	2,065,777	1,867,844	2,958,850	3,481,000	1,450,417	1,450,417	1,049,655
Less Minority Interest Discount	31.3%	31.3%	31.3%	31.3%	31.3%	31.3%	31.3%
Sub-Total	1,419,189	1,283,208	2,032,730	2,391,447	996,436	996,436	721,113
Less Marketability Discount	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%
Operating Value	1,021,816	923,910	1,463,566	1,721,842	717,434	717,434	519,202
Excess/Non-Operating Assets(adjusted for prem/disc)	423,178	423,178	423,178	423,178	423,178	423,178	423,178
Ongoing Value	1,444,994	1,347,088	1,886,744	2,145,020	1,140,612	1,140,612	942,380
Weight Applied	1	1	1	1	1	1	1
Indicated Value	2,278,494						
Selected Value	2,278,500						

Price to Asset Value

The multiple of the asset value method is used when the subject company's asset structure approximates that of the publicly-traded guideline companies. The subject business's value is derived by multiplying its asset value by an asset value multiplier that is derived from observing the price to asset value ratios of publicly-traded guideline companies. The first step in applying this method is to determine the weighted assets.

	Dec 2005	Dec 2004	Dec 2003	Dec 2002	Dec 2001	Dec 2000
Historic Total Assets	3,273,150	3,311,630	3,356,220	3,237,390	2,387,300	1,327,150
Weight on Historic Total Assets	6	5	4	3	2	1
Weighted Average Adjusted Total Assets	**3,115,993**					
Selected Asset Base	**3,116,000**					

When using this method, it is important to adjust the price to asset 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 assets ratios and making the appropriate adjustments, the appropriate P/A ratios to apply to High Country

Manufacturing's weighted assets as of December 31, 2005 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.

	MidMarket	Merged or Acquired Data	Comparable Private Data	Comparable Public Data
Asset Base	3,116,000	3,116,000	3,116,000	3,116,000
P/A Multiple	1.13	2.50	2.50	0.69
Sub-Total	3,505,992	7,790,000	7,790,000	2,157,231
Less Minority Interest Discount	31.3%	31.3%	31.3%	31.3%
Sub-Total	2,408,617	5,351,730	5,351,730	1,482,018
Less Marketability Discount	28.0%	28.0%	28.0%	28.0%
Operating Value	1,734,204	3,853,246	3,853,246	1,067,053
Excess/Non-Operating Assets(adjusted for prem/disc)	423,178	423,178	423,178	423,178
Ongoing Value	2,157,382	4,276,424	4,276,424	1,490,231
Weight Applied	1	1	1	1
Indicated Value	3,050,115			
Selected Value	3,050,100			

Price to Book Value

The multiple of book value method is used primarily as a secondary valuation methodology. The subject business's value is derived by multiplying its unadjusted book value by a book value multiplier that is derived from observing the price to book value ratios of publicly-traded guideline companies. The first step in applying this method is to determine the weighted book value.

	Dec 2005	Dec 2004	Dec 2003	Dec 2002	Dec 2001	Dec 2000
Historic Book Value	1,390,020	1,263,290	1,098,830	785,500	457,000	177,700
Weight on Book Value	6	5	4	3	2	1
Weighted Average Book Value Base	**1,071,433**					
Selected Book Value Base	**1,071,400**					

When using this method, it is important to adjust the price to book 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 assets ratios and making the appropriate adjustments, the appropriate P/B ratios to apply to High Country Manufacturing's weighted assets as of December 31, 2005 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.

	MidMarket	Merged or Acquired Data	Comparable Private Data	Comparable Public Data
Book Value Base	1,071,400	1,071,400	1,071,400	1,071,400
P/B Multiple	3.02	5.00	5.00	1.25
Sub-Total	3,239,930	5,357,000	5,357,000	1,337,943
Less Minority Interest Discount	31.3%	31.3%	31.3%	31.3%
Sub-Total	2,225,832	3,680,259	3,680,259	919,167
Less Marketability Discount	28.0%	28.0%	28.0%	28.0%
Operating Value	1,602,599	2,649,786	2,649,786	661,800
Excess/Non-Operating Assets(adjusted for prem/disc)	423,178	423,178	423,178	423,178
Ongoing Value	2,025,777	3,072,965	3,072,965	1,084,979
Weight Applied	1	1	1	1
Indicated Value	2,314,171			
Selected Value	2,314,200			

Price to Cash Flow

The price to cash flow method is used when the subject company's cash flows approximates that of the publicly-traded guideline companies. The first step in applying this method is to determine the weighted cash flows.

	Dec 2005	Dec 2004	Dec 2003	Dec 2002	Dec 2001	Dec 2000
Historic Net Income	660,060	605,560	550,500	497,800	423,180	269,240
Historic Depreciation/Amortization	151,000	151,000	151,000	151,000	101,000	101,000
Gross Cash Flow	811,060	756,560	701,500	648,800	524,180	370,240
Weight on Gross Cash Flow	6	5	4	3	2	1
Weighted Average Gross Cash Flow Base	**705,722**					
Selected Gross Cash Flow Base	**705,700**					

When using this method, it is important to adjust the price to cash flow 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 cash flow ratios and making the appropriate adjustments, the appropriate P/C ratios to apply to High Country Manufacturing's weighted cash flows as of December 31, 2005 are shown in the table below. The 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.

	MidMarket	Pratts	Merged or Acquired Data	Comparable Private Data
Cash Flow Base	705,700	705,700	705,700	705,700
P/C Multiple	5.00	5.00	3.93	3.93
Sub-Total	3,528,500	3,528,500	2,770,526	2,770,526
Less Minority Interest Discount	31.3%	31.3%	31.3%	31.3%
Sub-Total	2,424,080	2,424,080	1,903,351	1,903,351
Less Marketability Discount	28.0%	28.0%	28.0%	28.0%
Operating Value	1,745,337	1,745,337	1,370,413	1,370,413
Excess/Non-Operating Assets(adjusted for prem/disc)	423,178	423,178	423,178	423,178
Ongoing Value	2,168,516	2,168,516	1,793,591	1,793,591
Weight Applied	1	1	1	1
Indicated Value	1,981,053			
Selected Value	1,981,100			

Price to Earnings Before Taxes (EBT)

The price to EBT method is used when the subject company's EBT approximates that of the publicly-traded guideline companies. The first step in applying this method is to determine the weighted EBT.

	Dec 2005	Dec 2004	Dec 2003	Dec 2002	Dec 2001	Dec 2000
Historic EBT	660,060	605,560	550,500	497,800	423,180	269,240
Weight on EBT	6	5	4	3	2	1
Weighted Average EBT	**561,865**					
Selected EBT Base	**561,900**					

When using this method, it is important to adjust the price to EBT 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 EBT ratios and making the appropriate adjustments, the appropriate P/EBT ratios to apply to High Country Manufacturing's weighted EBT as of December 31, 2005 are shown in the table below. The 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.

	Pratts
EBT Base	561,900
P/EBT	9.00
Sub-Total	5,057,100
Less Minority Interest Discount	31.3%
Sub-Total	3,474,228
Less Marketability Discount	28.0%
Operating Value	2,501,444
Excess/Non-Operating Assets(adjusted for prem/disc)	423,178
Indicated Value	2,924,622
Selected Value	2,924,600

Price to Earnings Before Interest And Taxes (EBIT)

The price to EBIT method is used when the subject company's EBIT approximates that of the publicly-traded guideline companies. The first step in applying this method is to determine the weighted EBIT.

	Dec 2005	Dec 2004	Dec 2003	Dec 2002	Dec 2001	Dec 2000
Historic EBT	660,060	605,560	550,500	497,800	423,180	269,240
Historic Interest Expense	135,600	142,120	168,230	182,400	172,250	91,820
EBIT	795,660	747,680	718,730	680,200	595,430	361,060
Weight on EBIT	6	5	4	3	2	1
Weighted Average EBIT	**713,324**					
Selected EBIT Base	**713,300**					

When using this method, it is important to adjust the price to EBIT 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 EBIT ratios and making the appropriate adjustments, the appropriate P/EBIT ratios to apply to High Country Manufacturing's weighted EBIT as of December 31, 2005 are shown in the table below. The 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.

	Mercer	Comparable Public Data
EBIT Base	713,300	713,300
P/EBIT Multiple	5.40	2.01
Sub-Total	3,851,820	1,436,174
Less Minority Interest Discount	31.3%	31.3%
Sub-Total	2,646,200	986,652
Less Marketability Discount	28.0%	28.0%
Operating Value	1,905,264	710,389
Excess/Non-Operating Assets(adjusted for prem/disc)	423,178	423,178
Ongoing Value	2,328,443	1,133,568
Weight Applied	1	1
Indicated Value	1,731,005	
Selected Value	1,731,000	

Price to Earnings Before Interest, Taxes And Depreciation (EBITDA)

The price to EBITDA method is used when the subject company's EBITDA approximates that of the publicly-traded guideline companies. The first step in applying this method is to determine the weighted EBITDA.

	Dec 2005	Dec 2004	Dec 2003	Dec 2002	Dec 2001	Dec 2000
Historic EBT	660,060	605,560	550,500	497,800	423,180	269,240
Historic Interest Expense	135,600	142,120	168,230	182,400	172,250	91,820
Historic Depreciation/Amortization Expense	151,000	151,000	151,000	151,000	101,000	101,000
EBITDA	811,060	756,560	701,500	648,800	524,180	370,240
Weight on EBITDA	6	5	4	3	2	1
Weighted Average EBITDA	**705,722**					
Selected EBITDA Base	**705,700**					

When using this method, it is important to adjust the price to EBITDA 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 EBITDA ratios and making the appropriate adjustments, the appropriate P/EBITDA ratios to apply to High Country Manufacturing's weighted EBITDA as of December 31, 2005 are shown in the table below. The 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.

	Mercer	Comparable Public Data
EBITDA Base	705,700	705,700
P/EBITDA Multiple	6.10	1.89
Sub-Total	4,304,770	1,331,509
Less Minority Interest Discount	31.3%	31.3%
Sub-Total	2,957,377	914,747
Less Marketability Discount	28.0%	28.0%
Operating Value	2,129,311	658,618
Excess/Non-Operating Assets(adjusted for prem/disc)	423,178	423,178
Ongoing Value	2,552,490	1,081,796
Weight Applied	1	1
Indicated Value	1,817,143	
Selected Value	1,817,100	

Market Approach – Industry Pricing Ratio Methods

Conceptual Basis

Market based valuation methods can use multiples that are extrapolated from multiples derived from similar industries to the subject company to derive the fair market value for a closely business. The theory behind this method is that the market for the industry determines what price is an acceptable return for the earnings stream, gross revenue, equity or assets within a specific industry.

Identification of Industry Data

The source and credibility of the data should be discussed in the paragraph below.

The industry pricing ratio method uses valuation ratios derived using industry data from sources that represent the industry similar to the subject company. The source of data I used was *****. When using valuation ratios derived from the public marketplace, the comparability may be limited by differences in location, the nature of the guideline company sale, and size of the subject company.

Price to Earnings

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

		Dec 2005	Dec 2004	Dec 2003	Dec 2002	Dec 2001	Dec 2000
Adjusted EBT		625,060	570,560	520,500	467,800	398,180	244,240
Weight on EBT		6	5	4	3	2	1
Weighted Average Pre-Tax Income		**529,960**					
Less: Estimated State Income Taxes	10%	52,996					
Income before Federal Taxes		476,964					
Less: Federal Taxes (See Below)		162,168					
Calculated Net Income Base		**314,796**					
Selected Net Income Base		**314,800**					

When using this method, it is important to adjust the price to earnings 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 earnings ratios and making the appropriate adjustments, the appropriate P/E ratios to apply to High Country Manufacturing's weighted net income as of December 31, 2005 are shown in the table below. The following table summarizes the calculation of the business entity using price to earnings of publicly traded companies. Note that premiums, discounts and excess/non-operating assets are discussed further in another section of this report.

	Mergerstat	CCQ	Industry Data
Net Income Base	314,800	314,800	314,800
P/E Multiple	14.08	5.00	14.50
Sub-Total	4,432,152	1,574,000	4,564,600
Less Minority Interest Discount	31.3%	31.3%	31.3%
Sub-Total	3,044,888	1,081,338	3,135,880
Less Marketability Discount	28.0%	28.0%	28.0%
Operating Value	2,192,320	778,563	2,257,834
Excess/Non-Operating Assets(adjusted for prem/disc)	423,178	423,178	423,178
Ongoing Value	2,615,498	1,201,742	2,681,012
Weight Applied	1	1	1
Indicated Value	2,166,084		
Selected Value	2,166,100		

Price to Revenues

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

	Dec 2005	Dec 2004	Dec 2003	Dec 2002	Dec 2001	Dec 2000
Historic Revenue	4,129,660	3,756,320	3,378,960	3,169,490	2,417,895	1,681,280
Weight on Historic Revenue	6	5	4	3	2	1
Weighted Average Revenue	**3,480,997**					
Selected Revenue Base	**3,481,000**					

When using this method, it is important to adjust the price to revenues 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 High Country Manufacturing's weighted revenues as of December 31, 2005 are shown in the table below. The following table summarizes the calculation of the business entity using price to revenues of publicly traded companies. Note that premiums, discounts and excess/non-operating assets are discussed further in another section of this report.

	CCQ	Industry Data
Revenue Base	3,481,000	3,481,000
P/R Multiple	1.35	1.20
Sub-Total	4,699,350	4,177,200
Less Minority Interest Discount	31.3%	31.3%
Sub-Total	3,228,453	2,869,736
Less Marketability Discount	28.0%	28.0%
Operating Value	2,324,486	2,066,210
Excess/Non-Operating Assets(adjusted for prem/disc)	423,178	423,178
Ongoing Value	2,747,665	2,489,388
Weight Applied	1	1
Indicated Value	2,618,527	
Selected Value	2,618,500	

Price to Book Value

The multiple of book value method is used primarily as a secondary valuation methodology. The subject business's value is derived by multiplying its unadjusted book value by a book value multiplier that is derived from observing the price to book value ratios of publicly-traded guideline companies. The following exhibit summarizes the calculation of the business entity using price to earnings of publicly traded companies.

	Dec 2005	Dec 2004	Dec 2003	Dec 2002	Dec 2001	Dec 2000
Historic Book Value	1,390,020	1,263,290	1,098,830	785,500	457,000	177,700
Weight on Book Value	6	5	4	3	2	1
Weighted Average Book Value Base	**1,071,433**					
Selected Book Value Base	**1,071,400**					

When using this method, it is important to adjust the price to book 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 assets ratios and making the appropriate adjustments, the appropriate P/B ratios to apply to High Country Manufacturing's weighted assets as of December 31, 2005 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. Note that premiums, discounts and excess/non-operating assets are

discussed further in another section of this report.

	CCQ	Industry Data
Book Value Base	1,071,400	1,071,400
P/B Multiple	2.50	2.70
Sub-Total	2,678,500	2,892,780
Less Minority Interest Discount	31.3%	31.3%
Sub-Total	1,840,130	1,987,340
Less Marketability Discount	28.0%	28.0%
Operating Value	1,324,893	1,430,885
Excess/Non-Operating Assets(adjusted for prem/disc)	423,178	423,178
Ongoing Value	1,748,072	1,854,063
Weight Applied	1	1
Indicated Value	1,801,067	
Selected Value	1,801,100	

Price to Cash Flow

The price to cash flow method is used when the subject company's cash flows approximates that of the publicly-traded guideline companies. The first step in applying this method is to determine the weighted cash flows.

	Dec 2005	Dec 2004	Dec 2003	Dec 2002	Dec 2001	Dec 2000
Historic Net Income	660,060	605,560	550,500	497,800	423,180	269,240
Historic Depreciation/Amortization	151,000	151,000	151,000	151,000	101,000	101,000
Gross Cash Flow	811,060	756,560	701,500	648,800	524,180	370,240
Weight on Gross Cash Flow	6	5	4	3	2	1
Weighted Gross Cash Flow Base	**705,722**					
Selected Gross Cash Flow Base	**705,700**					

When using this method, it is important to adjust the price to cash flow 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 cash flow ratios and making the appropriate adjustments, the appropriate P/C ratios to apply to High Country Manufacturing's weighted cash flows as of December 31, 2005 are shown in the table below. The 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.

	Industry Data
Cash Flow Base	705,700
P/C Multiple	6.00
Sub-Total	4,234,200
Less Minority Interest Discount	31.3%
Sub-Total	2,908,895
Less Marketability Discount	28.0%
Operating Value	2,094,405
Excess/Non-Operating Assets(adjusted for prem/disc)	423,178
Ongoing Value	2,517,583
Indicated Value	2,517,583
Selected Value	2,517,600

Transactions In The Company's Stock

High Country Manufacturing has had previous transactions involving the Company's stock. Based on the price paid per share of stock and the number of shares of stock outstanding at the time of the transactions, the implied value of the Company can estimated. The implied value based on previous transactions is calculated in following schedule. Note that premiums, discounts and excess/non-operating assets are discussed further in another section of this report.

Transaction Number	# 1
Date of Transaction	1/1/2004
Transaction Price Per Share	400.00
Total Shares Outstanding	10,000
Implied Value	4,000,000
Less Minority Interest Discount	31.3%
Sub Total	2,748,000
Less Marketability Discount	28.0%
Indicated Value	1,978,560
Selected	1,979,000

Summary of Valuation Methods

In my evaluation of the fair market value of a 65% interest in High Country Manufacturing as of December 31, 2005, 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.

Book Value Method	1,390,020	1	5%
Going Concern Value	620,200	1	5%
Liquidation Value	80,200	1	5%
COE Indicated Value	749,600	1	5%
DCF Indicated Value	771,300	1	5%
COEE Indicated Value	1,927,300	1	5%
Market Data P/E Indicated Value	2,440,600	1	5%
Market Data P/SDE Indicated Value	1,420,100	1	5%
Market Data P/R Indicated Value	2,278,500	1	5%
Market Data P/A Indicated Value	3,050,100	1	5%
Market Data P/B Indicated Value	2,314,200	1	5%
Market Data P/C Indicated Value	1,981,100	1	5%
Market Data P/EBT Indicated Value	2,924,600	1	5%
Market Data P/EBIT Indicated Value	1,731,000	1	5%
Market Data P/EBITDA Indicated Value	1,817,100	1	5%
Industry P/E Indicated Value	2,166,100	1	5%
Industry P/R Indicated Value	2,618,500	1	5%
Industry P/B Indicated Value	1,801,100	1	5%
Industry P/C Indicated Value	2,517,600	1	5%
Subject Company Transactions	1,979,000	1	5%
Calculated Weighted Average Conclusion of Value	1,828,911	20	100%
Selected Conclusion of Value	1,828,900		

Discounts, Premiums and Excess or Non-Operating Assets

The following paragraphs may or may not apply to this engagement. Deletion of some items will be required. Add to the text as necessary.

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 31.3% 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 45.6% 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 cited studies regarding discounts for the lack of marketability.

Data Source	Study Name	Discount Percentage
Survey 1		28.0%
Survey 2		36.0%
Survey 3		19.0%
	Average	27.7%
	Median	28.0%
	Selected Median	28.0%

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 28.0% discount for lack of marketability is appropriate to apply to the common stock of High Country Manufacturing as of December 31, 2005.

Excess or Non-Operating Assets

Excess or non-operating assets are resources held by company that are not required to generate the earnings or cash flows. There are numerous reasons why these assets are maintained by a company, but in this specific case the reasons are *****. I have determined that the excess or non-operating assets total 615,980 for this company. In addition, I have/have not applied premiums and discounts because ****.

The following schedule lists excess and non-operating assets.

	Adjusted Business	RMA Industry	Variance	Excess Adjustment	Selected
Cash & Equivalent	9.22%	9.00%	0.22%	7,958	
Accounts Receivable	5.37%	43.10%	0.00%	-	
Inventory	6.90%	4.60%	2.30%	79,082	
Other Current	0.82%	8.10%	0.00%	-	
Net Fixed Assets	76.29%	23.80%	52.49%	2,257,356	600,000
Intangibles (Net)	0.24%	0.90%	0.00%	-	
Other Non-Current	0.53%	10.50%	0.00%	-	
			Total Excess Assets		600,000
			Adjusted Non-Operating Assets (Net)		15,980
			Total Excess / Non-Operating Assets		615,980

Value Conclusion

Based on my analysis of High Country Manufacturing and all of the factors affecting its value, it is my opinion that the fair market value of a 65% interest in the business as of December 31, 2005 is $1,188,800.

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, 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.)

Appendix A:
Appraiser's Qualifications

This Appendix is for the appraiser’s resume, credentials, awards or curriculum vitae.

Appendix B:
Bibliography

This Appendix is for the sources used in completing the report.

Appendix C:
Synopsis of Guideline Companies

This Appendix is to list the comparable companies that were used in the market method.