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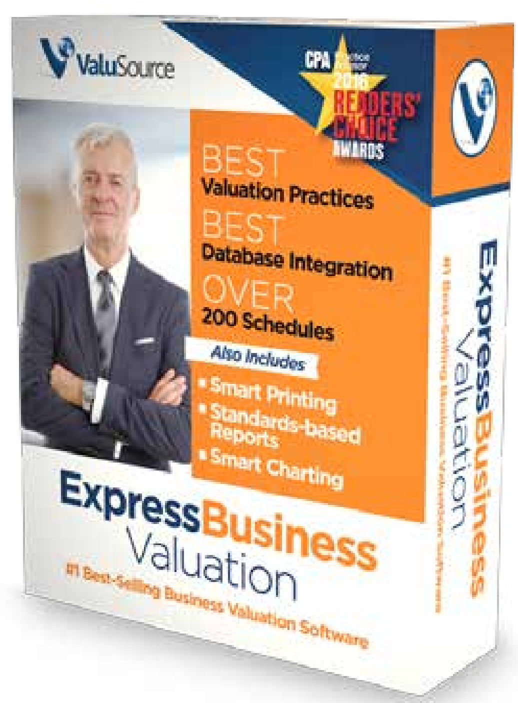

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ValuSource Pro, with over 90% market share, has been used by thousands of CPA's, valuators and financial professionals for over three decades. Express Business Valuation is the "light" version of ValuSource Pro. The main differences are it has a summary chart of accounts, no detailed DCF method and has fewer assumptions and options.

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ExpressBusiness
Valuation

Disclaimer

This sample is meant to show the full functionality of the software not reflect an actual valuation. There are options and assumptions in this report that do not reflect valuation best practices in order for you to see the full scope of the analysis. Even though this software automates and standardizes the valuation process, it does not replace the expertise of the valuator.

Whenever you see text or numbers surrounded by chevrons, like «February 14, 2019», this represents a link to the analysis workbook. A link to the analysis file (working papers) can be a cell, range or chart. Realize that a small change in a single value can carry forward to many numbers in the report. For instance, changing a growth rate in an income method can change the conclusion of value and all the intermediate values in between. When you choose to update the links, all these values get updated to reflect the current numbers, tables and charts in working papers.

Express Business Valuation

VALUATION OF THE COMMON STOCK OF:

«High Country Manufacturing»

Valuation Date: «December 31, 2018»

Report Dated: «February 14, 2019»

«February 14, 2019»

«Bill Rogers»
«5678 Country Rd»
«Calhoun, CO 80854»

Dear «Bill Rogers»,

«I» have performed a valuation engagement, as that term is defined in the Statement on Standards for Valuation Services (SSVS) of the American Institute of Certified Public Accountants, of «High Country Manufacturing». This valuation was performed solely to assist in the matter of «sale of business»; the resulting estimate of value should not be used for any other purpose or by any other party for any purpose. This valuation engagement was conducted in accordance with the SSVS. The estimate of value that results from a valuation engagement is expressed as a conclusion of value.

«I» have performed a valuation engagement of «High Country Manufacturing». The analysis and report were completed in accordance with 'The National Association of Certified Valuators and Analysts' Professional Standards This valuation was performed solely to assist in the matter of «sale of business»; the resulting estimate of value should not be used for any other purpose or by any other party for any purpose. The estimate of value that results from a valuation engagement is expressed as a conclusion of value.

We were restricted or limited in the scope of our work or data available for analysis as follows: list the restrictions

Based on our analysis, as described in this valuation report, the estimate of value of «High Country Manufacturing» as of «December 31, 2018» was $«532,500». This conclusion is subject to the Valuation Analyst's Representation found in Appendix A and to the Statement of Assumptions and Limiting Condition found in Appendix B. We have no obligation to update this report or our conclusion of value for information that comes to our attention after the date of this report.

«February 14, 2019»

«John Jacobs»
«ABC Appraisers»

The enclosed valuation report has been developed for the exclusive and confidential use of «Bill Rogers». The report has been prepared by «ABC Appraisers» dated «February 14, 2019» and was made by and/or under the direct supervision of the undersigned. The purpose of the valuation is to render an opinion as to the «fair market value» of the «common stock interest», as of «December 31, 2018».

In preparing «my» business valuation report, «I» have relied upon historical financial information provided to «me» by management and derived from [enter the appropriate source of the information, such as tax return, audit report issued by another auditor, etc.]. This financial information has not been audited, reviewed, or compiled by «me» and accordingly «I» do not express an opinion or any form of assurance on this financial information.

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

Based upon «my» study and analytical review procedures, «I» have concluded that a reasonable estimate of the «fair market value» of a «65%» «common stock interest» of «High Country Manufacturing» as of «December 31, 2018» is $«532,500».

This engagement was not contingent upon developing or reporting predetermined results. «My» compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, nor the occurrence of a subsequent event directly related to the intended use of this appraisal. «My» analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice.* No one provided significant business appraisal assistance to the person signing this certification.

«February 14, 2019»

«John Jacobs»
«ABC Appraisers»

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EXECUTIVE SUMMARY

Governing Standard:	«SSVS»
Purpose:	«sale of business»
Standard of Value:	«fair market value»
Premise of Value:	«non-marketable minority interest»
Client Name:	«Bill Rogers»
Business Name:	«High Country Manufacturing»
Type of Entity:	«corporation»
Business Interest Valued:	«65%»
Valuation Date:	«December 31, 2018»
Report Date:	«February 14, 2019»
Appraiser Name:	«John Jacobs»
Appraiser Firm:	«ABC Appraisers»
Conclusion of Value:	$«819,300 »

INTRODUCTION

Specifics

We have performed a valuation engagement, as that term is defined in the Statement on Standards for Valuation Services (SSVS) of the American Institute of Certified Public Accountants, of «High Country Manufacturing». This summary report will provide sufficient information to permit the intended users to understand the data, reasoning, and analyses underlying the valuation analyst's conclusion of value.

«ABC Appraisers» has been retained by «Bill Rogers» to estimate the «fair market value» of «High Country Manufacturing». «High Country Manufacturing» is a «corporation» located at «5678 Country Rd» in «Calhoun, CO 80854». Furthermore, an interest of «65%» is being valued as of «December 31, 2018».

The appraisal will be used by «Bill Rogers» for the sole purpose of «sale of business». The distribution of this report is restricted to «Bill Rogers». Any other use of this report is unauthorized and the information included in the report should not be relied upon.

Definitions

Appendix F has a glossary of terms that is applicable to this engagement. In addition to those definitions the following are pertinent:

Standard of Value

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

Premise of Value

This report is prepared using the premise that the subject company is a going concern. This means that it is presumed that in the future the assemblage of assets, resources and income producing items will continue in use to produce income and cash flow. The subject company is a going concern business enterprise.

Control Characteristics

The business interest's ownership control characteristics are control, minority and a description of those characteristics.

Marketability Characteristics

The marketability characteristics of the subject interest are liquid, non-liquid etc and a description of those characteristics.

SOURCES OF INFORMATION

The primary sources of information were research on the economy, industry and company, analysis of financial statement and interviews with key people. Please see Appendix D for a complete listing.

APPROACH

Business valuation theory promulgates three basic approaches to value.

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

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

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

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

Assumptions

This report relies on several key assumptions and limiting conditions.

This valuation report has been prepared in accordance with the Statement on Standards for Valuation Services (SSVS) of the American Institute of Certified Public Accountants. In accordance with these standards, Assumptions and Limiting Conditions are provided as Appendix B and a Statement of Appraiser Qualifications is included in Appendix C.

Scope Limitation

The scope of this valuation engagement report was limited. «I was» engaged to perform a valuation for «High Country Manufacturing» with the intent of ascertaining an opinion of value. However, «I was» limited to the information that was provided as of «December 31, 2018» regarding [The author must list the deficiency in the data relied on to develop a value. If there are no scope limitations then this section should be changed to reflect that as well.]. If more information were available to «me», matters may have come to «my» attention that could have a material impact on the opinion of value contained in this report.

Accordingly, «my» level of assurance on the estimate of value is reduced. This report is not intended to serve as a basis for expert testimony in a court of law or other governmental agency without further analysis and resulting documentation.

Hypothetical Conditions

In preparing this estimate of value, hypothetical conditions were necessary. The following hypothetical conditions were made list and describe the conditions

Subsequent Events

In preparing this estimate of value, certain events occurred after the valuation date that were not know or knowable at the valuation date. Therefore, these events were not considered in preparing the estimate of value. In the interest of disclosure, the following subsequent events occurred. list and describe the events

COMPANY

History

Nature of the Business

Products or Services

Operating and Investment Assets

Capital Structure

Sales Records and Management

Expectations

ECONOMIC CONDITIONS

National Economy

General Overview

Specific Areas – Consumer Spending

Specific Areas – Real Estate and Construction

Specific Areas – Inflation

Summary

Industry Outlook

General Overview

Specific Areas – Consumer Spending

Specific Areas – Real Estate and Construction

Specific Areas – Inflation

Summary

COMPANY BALANCE SHEETS

Summary Balance Sheets

	Dec 2014	Dec 2013	Dec 2012	Dec 2011	Dec 2010	Dec 2009
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	1,486,970	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	2,051,340	2,257,390	2,451,890	1,930,300	1,149,450
Equity	1,390,020	1,260,290	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

« »

RMA Peer Comparisons

For purposes of comparison with industry financial measures available from non-public company sources, «I» reviewed the A*nnual Statement Studies*, published by The Risk Management Association (RMA). RMA compiled average percentage income statement and balance sheets and key financial ratios of companies classified under Standard Industrial Classification (SIC) # «1741». The selected RMA group includes [number of companies] companies. «I» believe the RMA data provides limited comparative perspective and strict comparisons should be made with caution.

IRS Peer Comparisons

For purposes of comparison with industry financial measures available from non-public company sources, «I» reviewed the *IRS Corporate Records*, published by the Internal Revenue Service “IRS”. IRS compiled average percentage income statement and balance sheets and key financial ratios of companies classified under Standard Industrial Classification (SIC) # «1741». The selected IRS group includes [number of companies] companies. «I» believe the IRS data provide limited comparative perspective and strict comparisons should be made with caution.

COMPANY PROFIT AND LOSS

Summary Profit and Loss Statements

	Dec 2014	Dec 2013	Dec 2012	Dec 2011	Dec 2010	Dec 2009
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
Utilities/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/Licenses	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

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NORMALIZATION ADJUSTMENTS

Normalization adjustments are required to adjust the historical financial statements so that they are representative of a normal condition as of the valuation date.

Balance Sheet Adjustments

Book Value (Going Concern)

The Company’s reported book value at the date of valuation was $«1,390,020». Listed below, «I» have identified adjustments that are required to restate shareholders’ equity and reflect the net asset value of the Company.

Liquidation Value

The Company’s reported liquidation value at the date of the valuation was $«0». Listed below, «I» have identified adjustments that are required to restate shareholders’ equity and reflect the liquidation asset value of the Company.

Income Statement Adjustments

The Company’s reported profit and loss statement was adjusted for one time charges and abnormalities as listed below.

ESTIMATE OF VALUE

Methodologies Considered But Rejected

While there are many methods that can be used to determine the fair market value of a company, the fact pattern in the specific case of «High Country Manufacturing» dictates that certain methodologies are inappropriate. The following lists those methods and the reasons why they are not used.

Liquidation Value Method

The liquidation value method develops a value by adjusting the reported book values of a subject company’s individual assets to their actual or estimated fair market values as if they were to be sold in an orderly, piecemeal manner and subtracting the associated liabilities adjusted to their actual or estimated fair market value. This method was rejected in the valuation of «High Country Manufacturing» because «my» review indicates that the enterprise is an ongoing enterprise and it is more appropriately valued using another method.

Determination of Fair Market Value

Book Value Method

The book value of «High Country Manufacturing» as of «December 31, 2018» was $«1,390,020». The book value method is an accounting based value that is calculated by subtracting the book value of total liabilities from the book value of total assets. This method takes as fact that the underlying assets are the driving factor in the valuation of the company and that the fair market value is approximated by the book value.

«My» review indicates that the value of the enterprise is driven by the collection of assets’ ability to generate a benefit stream that is not more important in terms of valuation than the value of underlying assets themselves. In other words, the value of the individual assets and their associated liabilities are more important than the manner in which management has utilized them.

Additionally, «my» review indicates that the fair market value of the underlying assets less the fair market value of the liabilities approximates the book value of the assets.

Adjusted Book Value Method – Going Concern

The adjusted value of «High Country Manufacturing» as of «December 31, 2018» was $«543,700». The adjusted book value - going concern method develops a valuation indication by adjusting the reported book values of a subject company’s assets to their actual or estimated fair market values and subtracting its liabilities (adjusted to fair market value, if appropriate). The specific adjustments were described in the analysis of the balance sheet. The indicated value should not be interpreted as an estimate of liquidation value. Neither an orderly nor a forced liquidation is contemplated.

Application of Built In Gains Adjustment

In addition to fair market value adjustments, a built in gain or trapped in gain tax adjustment is necessary to reflect the income tax liability incurred for changes in the value from the historical cost to the fair market value. The fair market values of the assets are assumed to be $«2,800,000». «The historical book value was 2,398,100 and the difference is 1,175,488.». The appropriate tax rate was assumed to be «34.00%» and when applied to the difference results in the adjustment amount of $«139,934» for built in gains.

Application of Minority Interest Discount

A minority interest discount is a reduction in the initial indicated value 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 «33.7%» is appropriate because

Application of Lack of Marketability Discount

In «my» opinion, a discount of «34.6%» is required for lack of marketability. The discount reflects an expectation for illiquidity because

Appendix E contains further information on the lack of a marketability discount.

Indicated Value Calculation

As determined below, the fair market value indicated by using the Adjusted Book Value as a Going Concern method was $«543,653» and was rounded to $«543,700».

	Dec 2014
Unadjusted Equity	1,390,020
Tax Effect of Built In Gain	(139,934)
Total Adjustments	3,720
Adjusted Equity - Going Concern Value	1,253,806
Less Minority Interest Discount	33.7%
Sub-Total	831,273
Less Marketability Discount	34.6%
Indicated Value	543,653
Selected Value	543,700

« »

Capitalization of «Cash Flow» Method

Capitalization of «cash flow» requires an estimate of an ongoing benefit stream and a capitalization «rate». The capitalization «rate» represents the required rate of return minus the sustainable growth rate. Capitalization of «cash flow» effectively determines the present value of the Company's ongoing economic benefit stream growing perpetually at a fixed rate and discounted at the required rate of return. The present value is representative of the amount a willing buyer and a willing seller would exchange for the business.

Estimate of Ongoing Benefit Stream

The analysis presented below represents the calculation of the ongoing economic benefit stream. It depicts the calculation of the «after tax cash flows» benefit stream.

ExpressBusiness Valuation

Calculation of the Ongoing Economic Benefit Stream

After Tax Cash Flow		Dec 2014	Dec 2013	Dec 2012	Dec 2011	Dec 2010	Dec 2009
Adjusted EBT		625,060	570,560	520,500	467,800	398,180	244,240
Adjusted Depreciation and Amortization		161,000	161,000	161,000	161,000	111,000	111,000
		786,060	731,560	681,500	628,800	509,180	355,240
Weight		6	5	4	3	2	1
Weighted Average		683,817					
Less Ongoing Depreciation/Amortization Expense		153,857					
Taxable Base		529,960					
Less State Income Taxes	8%	42,397					
Sub-Total		487,563					
Less Federal Taxes (From Below)		165,771					
Sub-Total		321,792					
Add Back Ongoing Depreciation/Amortization Expense		153,857					
Decrease/(Increase) in Working Capital		(54,200)					
Decrease/(Increase) in Capital Expenditures		(444,600)					
Increase/(Decrease) in Long Term Debt		119,800					
Ongoing Capacity		96,649					
Selected Ongoing Capacity		96,600					

« »

The weighting above was performed because

Taxes

Taxes were calculated as $«42,397 » for the state and $«165,771 » for federal. The ongoing benefit stream was reduced by these outflows.

Cash Flow

A cash flow stream needs to define the changes in working capital, capital expenditures and long term debt. The ongoing increase/decrease in working capital is $«(54,200)». The ongoing increase/decrease in capital expenditures is $«(444,600)». The change in long term debt amounts to $«119,800 ».

Capitalization «Rate»

Capitalization Rates

The discount rate represents the risk an investor is willing to take on for the potential reward an investment in the subject company will return. Different rates apply to types of businesses. It can also be considered the rate of return that an investor requires on an ongoing basis. This risk is not calculated in a vacuum or a sterile environment but rather it is calculated based on the factors that can be contrasted against the investment in other vehicles that are available and in the specific environment as of the valuation date.

The buildup method layers different risk estimates to build up a discount rate. The appropriate discount rate components for the Company are the risk free rate, equity risk premium, size premium and company specific premium. Subtracting sustainable growth from the discount rate develops the capitalization rate.

Risk Free Rate

The risk free rate measures the rate of return an investor can earn without taking any additional risk. Examples of risk free returns are the United States Treasury bonds. As of the valuation date «December 31, 2018», this yield was «3.0%». The rate applied to the buildup was «3.0%».

Specific Company Risk Premium

Based upon Company specific factors - cyclical risk, risks of competitive encroachment, size and various operating concentrations (key executive dependency, customer concentration, and the like) - the risk associated with the company requires an additional risk premium of «5.0%».

Expected Sustainable Growth Rate

We estimate «2.0%» long-term compound annual growth. This «cash flow» growth estimate is based upon «my» assessment of the Company's prospects for sustained growth in relationship to the estimate of ongoing «cash flow» power developed above.

Rate Applied Against Current Year

The capitalization rate developed using the buildup method is «21.0%». This capitalization rate always applies to the next period in time. To convert to a capitalization rate to be used for the current period's «cash flow» base, this capitalization rate is divided by one plus the expected long-term growth rate (1+«2.0%»). The result is a capitalization rate of «20.6%». This correctly matches the time period that the rate applies to the time period the benefit stream is calculated for.

Calculation of the «rate»

The schedule below shows how the «rate» was calculated.

«

Cost of equity		
Risk-free Rate of Return	3.0%	
Common Stock Equity Risk Premium	4.0%	
Small Stock Risk Premium	5.0%	
Plus/Minus Industry Risk Premium	6.0%	
Company Specific Premium	5.0%	
Total Cost of Equity		23.0%
Less Sustainable Growth		2.0%
Next Year Capitalization Rate		21.0%
Current Year Capitalization Rate		20.6%
Selected Capitalization Rate		20.6%

»

Indicated Value

To calculate an indicated value for «High Country Manufacturing», the first step is to use the «after tax cash flows» benefit steam and «divide» it by the «rate». «In order to match the appropriate period to the rate, the rate is divided by one plus the growth rate.»

The next step is to apply adjustments to value for «High Country Manufacturing».

Application of Minority Interest Discount

A minority interest discount is a reduction to the initial indicated value 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 «33.7%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «34.6%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Application of Excess or Non-Operating Assets

Excess or Non-operating assets represent the value of resources the company has control of but are not required to operate the business. Examples would be excess cash on hand, real estate or other securities not used in the production of goods or services. In «my» judgment, excess and non-operating assets that need to be added back and are part of the value total $«615,980 ».

Indicated Value Calculation

The following schedule presents the indicated value using the capitalization of earnings method. As calculated, the indicated fair market value of the $«819,310 » is which has been rounded to $«819,300 ».

Adjusted After Tax Cash Flow	96,600
Divide By	
Capitalization Rate	20.6%
Sub-Total	468,932
Less Minority Interest Discount	33.7%
Sub-Total	310,902
Less Marketability Discount	34.6%
Sub-Total	203,330
Excess/Non-Operating Assets	615,980
Indicated Value	819,310
Selected Value	819,300

« »

Discounted Future «Cash Flow»

The discounted future «cash flow» method was applied and the fair market value of «High Country Manufacturing» as of «December 31, 2018» was $«800,800 ». This income method is the most appropriate method to use because the method focuses on the present value of the forecasted future benefits that would accrue to the hypothetical owner of the company that vary greatly in the short run and are still estimable in the long run. This method requires an explicit forecast of the future benefit streams over a reasonably foreseeable short term and an estimate of a long term benefit stream that is stable and sustainable, i.e. not varying from period to period and the benefit stream is determined to continue into the future without compromise. An appropriate discount rate and an estimate of long-term growth beyond the forecast period allow discrete present values to be calculated and summed for all the benefit streams to determine the entity value.

Estimate of Ongoing Benefit Stream

The analysis presented below represents the calculation of the ongoing economic benefit stream. It depicts the calculation of the «after tax cash flows» benefit stream.

Calculation of the Ongoing Economic Benefit Stream

«

After Tax Cash Flow		Dec 2014	Dec 2013	Dec 2012	Dec 2011	Dec 2010	Dec 2009
Adjusted EBT		625,060	570,560	520,500	467,800	398,180	244,240
Adjusted Depreciation and Amortization		161,000	161,000	161,000	161,000	111,000	111,000
		786,060	731,560	681,500	628,800	509,180	355,240
Weight		6	5	4	3	2	1
Weighted Average		683,817					
Less Ongoing Depreciation/Amortization Expense		153,857					
Taxable Base		529,960					
Less State Income Taxes	8%	42,397					
Sub-Total		487,563					
Less Federal Taxes (From Below)		165,771					
Sub-Total		321,792					
Add Back Ongoing Depreciation/Amortization Expense		153,857					
Decrease/(Increase) in Working Capital		(54,200)					
Decrease/(Increase) in Capital Expenditures		(444,600)					
Increase/(Decrease) in Long Term Debt		119,800					
Ongoing Capacity		96,649					
Selected Ongoing Capacity		96,600					

»

The weighting above was performed because

Taxes were calculated as $«42,397 » for the state and $«165,771 » for federal. The economic benefit stream was reduced by these outflows.

A cash flow stream needs to define the changes in working capital, capital expenditures and long term debt. The ongoing change in working capital is $«(54,200)». The ongoing change in capital expenditures is $«(444,600)». The change in long term debt amounts to $«119,800 ».

Benefit Stream Forecast Assumptions

Certain assumptions must be made in this model. Primarily, what is the reasonably foreseeable short term. The short term benefit stream should have different characteristics than the sustainable long term benefit stream. The fact set for «High Country Manufacturing» as of «December 31, 2018» dictates that the reasonable foreseeable short term is «10 » years because

The method of forecast was «historic growth percentage». This method was chosen because

Given these assumptions, the benefit stream was forecasted «10 » years in the future using the «historic growth percentage» model. The next step is to determine a discount rate.

Discount Rate

The discount rate represents the risk an investor is willing to take on for the potential reward an investment in the subject company will return. Different rates apply to types of businesses. It is also known as the return that an investor requires by generating the investment. This risk is not calculated in a vacuum or a sterile environment but rather it is calculated based on the factors that can be contrasted against investing in other vehicles that are available and in the specific environment as of the valuation date.

The buildup method layers different risk estimates to build up a discount rate. The appropriate discount rate components for the Company are the risk free rate, common stock equity premium, size premium, industry risk premium, and company specific premium.

Risk Free Rate

The risk free rate measures the rate of return an investor can earn without taking any additional risk. Examples of risk free returns are the United States Treasury bonds. As of the valuation date «December 31, 2018», this yield was «3.0%». The rate applied to the buildup was «3.0%».

Specific Company Risk Premium

Based upon Company specific factors - cyclical risk, risks of competitive encroachment, size and various operating concentrations (key executive dependency, customer concentration, and the like) - the risk associated with the company requires an additional risk premium of «5.0%».

The schedule below shows how the discount rate was calculated.

«

Cost of equity		
Risk-free Rate of Return	3.0%	
Common Stock Equity Risk Premium	4.0%	
Small Stock Risk Premium	5.0%	
Plus/Minus Industry Risk Premium	6.0%	
Company Specific Premium	5.0%	
Discount Rate		23.0%
Selected Discount Rate		23.0%

»

The discount rate selected for «High Country Manufacturing» is «23.00%».

Terminal Growth Rate and Benefit Stream

One of the key elements to the discounted future «cash flow» method is that an estimate of a long term benefit stream that is stable and sustainable can be determined. Put another way, this benefit stream is continuing into the future without change. In the short term, the benefit stream can vary wildly due to circumstances in the fact pattern. However, at the end of the reasonably foreseeable future a terminal benefit stream must be estimated.

We estimate «2.0%» long-term compound annual growth. This «cash flow» growth estimate is based upon «my» assessment of the Company's prospects for sustained growth in relationship to the estimate of ongoing «cash flow» power developed above.

The «cash flow» in the «tenth» period of the discrete forecast was $«96600 ». Applying the growth rate of «2.0%», «I» estimate the continuing stream should be $«98,532 ».

The stream is then discounted to present value and summed with the discrete present values in determining the fair market value of «High Country Manufacturing».

Indicated Value

To calculate the fair market value of «High Country Manufacturing», the first step is to list the discrete short term benefit streams and present value them to «December 31, 2018». The terminal benefit stream is then present valued. The sum of all these indicate an initial fair market value.

Application of Minority Interest Discount

A minority interest discount is a reduction to the initial indicated value 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 «33.7%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «34.6%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on marketability discounts.

Application of Excess or Non-Operating Assets

Excess or Non-operating assets represent the value of resources the company has control of but are not required to operate the business. Examples would be excess cash on hand, real estate or other securities. In «my» judgment, excess and non-operating that need to be added back and are part of the value total $«615,980 ».

Indicated Value Calculation

The following schedule presents the indicated value using the discounted future «cash flow» method. As calculated, the indicated fair market value of «High Country Manufacturing» is $«800,784 » which has been rounded to $«800,800 ».

Forecast Period	Projected Economic Stream	Growth Rate	Factor At 23.0% Disc Rate	Terminal Value	Discounted Value
2015	96,600		81.301%		78,537
2016	96,600	0.0%	66.098%		63,851
2017	96,600	0.0%	53.738%		51,911
2018	96,600	0.0%	43.690%		42,204
2019	96,600	0.0%	35.520%		34,312
2020	96,600	0.0%	28.878%		27,896
2021	96,600	0.0%	23.478%		22,680
2022	96,600	0.0%	19.088%		18,439
2023	96,600	0.0%	15.519%		14,991
2024	96,600	0.0%	12.617%		12,188
2025-forever	98,532	2.0%	12.617%	469,200	59,198
Total Discounted Cash Flows					426,207
Less Minority Interest Discount					33.7%
Sub-Total					282,575
Less Marketability Discount					34.6%
Sub-Total					184,804
Excess/Non-Operating Assets					615,980
Indicated Value					800,784
Selected Value					800,800

« »

Capitalization of Excess Earnings

The capitalization of excess earnings method develops a value by blending pieces of the asset approach and the income approach. During Prohibition in the 1920's, this method was introduced to estimate the intangible value of breweries and distilleries lost as a result of enacting Prohibition laws. The US Treasury Department, in Appeals and Review Memorandum 34, established the methodology. Its current version is found in Revenue Ruling 68-609. This method may appear simple, but it is easy to misuse.

The primary methodology adds the present value of the excess portion of a benefit stream over the normal benefit stream provided by the assemblage of the assets to the fair market value of those assets generating the benefit stream. Capitalization of excess earnings requires estimates of the adjusted net asset value, ongoing benefit stream, normal benefit stream return and a capitalization «N/A».

Estimate of the Benefit Stream

The analysis presented below represents the ongoing economic benefit stream. It depicts the calculation of the «after tax cash flows» benefit stream.

Calculation of the Ongoing Economic Benefit Stream

After Tax Cash Flow		Dec 2014	Dec 2013	Dec 2012	Dec 2011	Dec 2010	Dec 2009
Adjusted EBT		625,060	570,560	520,500	467,800	398,180	244,240
Adjusted Depreciation and Amortization		161,000	161,000	161,000	161,000	111,000	111,000
		786,060	731,560	681,500	628,800	509,180	355,240
Weight		6	5	4	3	2	1
Weighted Average		683,817					
Less Ongoing Depreciation/Amortization Expense		153,857					
Taxable Base		529,960					
Less State Income Taxes	8%	42,397					
Sub-Total		487,563					
Less Federal Taxes (From Below)		165,771					
Sub-Total		321,792					
Add Back Ongoing Depreciation/Amortization Expense		153,857					
Decrease/(Increase) in Working Capital		(54,200)					
Decrease/(Increase) in Capital Expenditures		(444,600)					
Increase/(Decrease) in Long Term Debt		119,800					
Ongoing Capacity		96,649					
Selected Ongoing Capacity		96,600					

« »

The weighting above was performed because

Taxes were calculated as $«42,397 » for the state and $«165,771 » for federal. The economic benefit stream was reduced by these outflows.

A cash flow stream needs to define the changes in working capital, capital expenditures and long term debt. The ongoing increase/decrease in working capital is $«(54,200)». The ongoing increase/decrease in capital expenditures is $«(444,600)». The change in long term debt amounts to $«119,800 ».

Return on Adjusted Net «assets» Value

The estimate of net «assets» value is developed below. Typically the tax adjusted borrowing capacity can be used as a proxy for the rate of return on debt required. Then a required return on equity can be estimated and summed to get to the required rate of return on «assets». Required adjustments are applied to reported «assets». The specific adjustments in this analysis were made because

«

				Dec 2014
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				2,511,036
	Fair Market Value	Loan %	Loan Amount	
Cash	302,160	100.00%	302,160	
Accounts Receivable	176,120	50.00%	88,060	
Inventory	226,180	80.00%	180,944	
Other Current Assets	26,900	0.00%	-	
Net Fixed Assets	2,500,000	75.00%	1,875,000	
Other Non-Current Assets	17,510	0.00%	-	
Non-Operating Assets	20,000	0.00%	-	
Tangible Debt Capacity	3,268,870		2,446,164	
Existing Debt			1,443,020	
Remaining Borrowing Capacity ÷ Fair Market Value Tangible Debt Capacity		30.69%	1,003,144	
Borrowing Rate as of Valuation Date			6.00%	
Effective Tax Rate			24.00%	
Tax-Effected Cost of Debt			4.56%	
Required Rate of Return on Debt Capital	4.56% x	30.69%	1.40%	
Required Rate of Return on Equity Capital	18.00% x	69.31%	12.48%	
Reasonable Rate of Return on Net Tangible assets			13.88%	
Multiplied By				
Rate of Return				13.88%
Return on Operating Assets				348,420

»

A return of «13.9%» on net «assets» has been estimated to be appropriate for «High Country Manufacturing». This estimate was made for the following reasons

A return on «assets» of «13.9%» multiplied against net adjusted «assets» results in a calculated return of $«348,420 ».

Capitalization «Rate»

The discount rate represents the risk an investor is willing to take on for the potential reward an investment in the subject company will return. Different rates apply to types of businesses. To calculate a capitalization rate, the sustainable growth rate is subtracted from the discount rate. It is also known as the return that an investor requires by generating the investment on an ongoing basis. This risk is not calculated in a vacuum or a sterile environment but rather it is calculated based on the factors that can be contrasted against the investment in other vehicles that are available in the specific environment as of the valuation date.

The buildup method layers different risk estimates to build up a discount rate. The appropriate capitalization rate components for the Company are the risk free rate, common stock equity premium, size premium, industry risk premium, and company specific premium and sustainable growth.

Risk Free Rate

The risk free rate measures the rate of return an investor can earn without taking any additional risk. Examples of risk free returns are the United States Treasury bonds. As of the valuation date «December 31, 2018», this yield was «3.0%». The rate applied to the buildup was «3.0%».

Specific Company Risk Premium

Based upon Company specific factors - cyclical risk, risks of competitive encroachment, size and various operating concentrations (key executive dependency, customer concentration, and the like) - the risk associated with the company requires an additional risk premium of «5.0%».

Expected Sustainable Growth Rate

We estimate «2.0%» long-term compound annual growth. This «cash flow» growth estimate is based upon «my» assessment of the Company's prospects for sustained growth in relationship to the estimate of ongoing «rate» power developed above.

Rate Conversion for Current Year

The capitalization rate developed using the buildup method is «0.21». To convert to a capitalization rate to be used for the current «rate» base, this capitalization rate is divided by one plus the expected long-term growth rate (1+«2.0%»). The result is a capitalization rate of «20.6%».

Capitalization «Rate» Calculation

The schedule below shows how the «rate» was calculated.

Cost of equity		
Risk-free Rate of Return	3.0%	
Common Stock Equity Risk Premium	4.0%	
Small Stock Risk Premium	5.0%	
Plus/Minus Industry Risk Premium	6.0%	
Company Specific Premium	5.0%	
Total Cost of Equity		23.0%
Less sustainable growth		2.0%
Next Year Capitalization Rate		21.0%
Current Year Capitalization Rate		20.6%
Selected Capitalization Rate		20.6%

« »

Indicated Value

To calculate an indicated value for «High Country Manufacturing», the first step is to use the «after tax cash flows» benefit steam and subtract the normal returns on «assets». «In order to match the appropriate period to the rate, the rate is divided by one plus the growth rate.». This difference represents the excess earnings and is «divide» by the «rate» and represents the intangible value. The present value of ongoing benefit stream is then added to the adjusted «assets».

Application of Minority Interest Discount

A minority interest discount is a reduction to the initial indicated value 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 «33.7%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «34.6%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Application of Excess or Non-Operating Assets

Excess or Non-operating assets represent the value of resources the company has control of but are not required to operate the business. Examples would be excess cash on hand, real estate or other securities. In «my» judgment, excess and non-operating that need to be added back and are part of the value total $«615,980 ».

Indicated Value Calculation

The following schedule presents the indicated value using the capitalization of excess «cash flow» method. As calculated, the indicated fair market value of the «High Country Manufacturing» is $«1,704,770 »which has been rounded to $«1,704,800 ».

Adjusted After Tax Cash Flow	96,600
Return on Operating Assets	348,420
Excess Earnings	-
Divide By	
Capitalization Rate	20.6%
Intangible Asset Value	-
Add Historic Operating Assets	2,511,036
Sub-Total	2,511,036
Less Minority Interest Discount	33.7%
Sub-Total	1,664,817
Less Marketability Discount	34.6%
Sub-Total	1,088,790
Excess/Non-Operating Assets	615,980
Indicated Value	1,704,770
Selected Value	1,704,800

« »

Subject Company Transactions

There were «1 » transactions involving the Company's stock. The transaction prices ranged from $«400.00 » to $«400.00 » per share of 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 ranged from $«4,000,000 » to $«4,000,000 ».

Application of Minority Interest Discount

A minority interest discount is a reduction to the initial indicated value 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 «33.7%» is appropriate because

Indicated Value Calculation

The following schedule presents the indicated value using the subject company transactions method. As calculated, the indicated fair market value of the «High Country Manufacturing» is $«1,734,408 » which has been rounded to $«1,734,000 ».

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	33.7%
Sub Total	2,652,000
Less Marketability Discount	34.6%
Indicated Value	1,734,408
Selected	1,734,000

« »

Market Data Method – P/E

Guideline companies are companies that provide a reasonable basis for comparison to the relevant investment characteristics of a company being valued. Guideline companies are most often publicly traded companies, although they may be private, in the same or similar business as the subject of this valuation. Guideline companies are used as a basis to develop valuation conclusions with respect to a subject company under the presumption that a similar market exists for the subject company as exists for the guideline companies.

Ideal guideline companies are in the same business as the company being valued. However, if there is insufficient transaction evidence in the same business, it may be necessary to consider companies with an underlying similarity of relevant investment characteristics such as markets, products, growth, cyclical variability and other salient factors.

The guideline company method uses a group of public companies and/or privately held companies selected for their ability to provide valuation guidelines for the analyst. The most commonly used version of the guideline company method develops a price/earnings ratio with which to capitalize net income. By convention, analysts express the relationship between the market price of a stock and its historical earnings in the form of a ratio of the market price of earnings for the most recent twelve months, i.e., price/earnings (P/E) ratio. If the public company group is sufficiently homogeneous with respect to the companies selected, their recent performances, and the public market's reaction to their performances, analysts typically calculate some form of average P/E ratio as representative of the group.

Selected Guideline Companies

«I» researched guideline companies by first identifying the industry in which «High Country Manufacturing» operates and, using the Standard Industrial Classification Code (SIC Codes) for the industry, «I» performed a search for a group of companies in a similar line of business as that of the subject company. «I» screened this group further through the use of key words and phrases that are unique to and describe the subject company's product or operations and to eliminate those companies whose stock is very thinly traded. «I» also considered other possible companies mentioned by management or discovered in other research. In the end, further analysis of the remaining companies in terms of operating, financial, geographical, industry, and/or market characteristics to insure that the guideline companies are reasonable for inclusion in the guideline company group.

The screening process described above yielded a group of [insert the total number of public companies] publicly traded companies for consideration as guideline companies. Of this group, there are [insert the total number of comparable public companies] companies that are considered comparable to «High Country Manufacturing». See the appendix for the listing of the comparable companies. The PE ratios averaged «3.27x » and the median was «3.00x ». The selected PE ratio was «3.00x ».

The screening process described above yielded an initial group of [insert the total number of private companies] privately traded companies for consideration as guideline companies. Of this group, there are [insert the total number of comparable private companies] companies that are considered comparable to «High Country Manufacturing». See the appendix for the listing of the comparable companies. The PE ratios averaged «4.22x » and the median was «4.17x ». The selected PE ratio was «4.17x ».

The screening process described above yielded a group of [insert the total number of companies on the Merged or Acquired Schedule] publicly traded companies for consideration as guideline companies. Of this group, there are [insert the number of comparable companies on the Merged or Acquired Schedule] companies that are considered comparable to «High Country Manufacturing». See the appendix for the listing of the comparable companies. The PE ratios averaged «0.42x » and the median was «0.42x ». The selected PE ratio was «0.42x ».

«I» obtained data from Mercer Capital.

The P/E ratios averaged «0.00x » and the median was «0.00x ». The selected P/E ratio was «0.00x ».

In addition to searching for publicly traded guideline companies, «I» searched the Midmarket Comps database for transactions involving privately held and publicly traded guideline companies. The Midmarket Comps database is a study of transactions involving publicly traded and privately held businesses with annual sales between $1 million and $100 million. The study is compiled by World M&A Network. The search parameters used in determining whether or not a particular transaction in the Midmarket database was comparable to the subject company were

Given these parameters, «I» found [insert the number of companies in the grouping] transactions that meet the criteria for being included as guideline companies. The PE ratios averaged «5.71x » and the median was «5.71x ». The selected PE ratio was «5.71x ».

In addition to searching for publicly traded guideline companies, «I» searched the ValuSource M&A Comps database for transactions involving privately held and publicly traded guideline companies. The ValuSource M&A Comps database is a study of transactions involving publicly traded and privately held businesses with annual sales between $1million and $100 million. The search parameters used in determining whether or not a particular transaction in the ValuSource M&A Comps database was comparable to the subject company were

Given these parameters, «I» found [insert the number of transactions in the grouping] transactions that meet the criteria for being included as guideline companies. The P/E ratios averaged «4.8x» and the median was «12.1x». The selected P/R ratio was «12.1x».

Estimate of Earnings Stream

The analysis presented below represents the calculation of the ongoing economic benefit stream. It depicts the calculation of the earnings or net income after tax benefit stream.

Calculation of the Earnings or Net Income After Tax Benefit Stream

		Dec 2014	Dec 2013	Dec 2012	Dec 2011	Dec 2010	Dec 2009
Historic Pre-Tax Income		660,060	605,560	550,500	497,800	423,180	269,240
Weight on Pre-Tax Income		1					
Weighted Average Pre-Tax Income		**660,060**					
Less: Estimated State Income Taxes	8%	52,805					
Income before Federal Taxes		607,255					
Less: Federal Taxes (See Below)		206,467					
Calculated Net Income Base		**400,788**					
Selected Net Income Base		**400,800**					

« »

The weighting above was performed because

Taxes were calculated as $«52,805 » for the state and $«206,467» for federal. The ongoing benefit stream was reduced by these outflows.

The ongoing earnings was calculated as $«400,788 » and the selected earnings was rounded as $«400,800 ».

Application of Minority Interest Discount

A minority interest discount is a reduction to the initial indicated value 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 «33.7%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «34.6%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Application of Excess or Non-Operating Assets

Excess or Non-operating assets represent the value of resources the company has control of but are not required to operate the business. Examples would be excess cash on hand, real estate or other securities. In «my» judgment, excess and non-operating that need to be added back and are part of the value total $«615,980 ».

Indicated Value Calculation

Each of the market PE were weighted. The following schedule presents the indicated value using the market data PE ratio method. As calculated, the indicated fair market value of «High Country Manufacturing» is the $«1,212,497 » which has been rounded to $«1,212,500 ».

Indicated Value Calculation

	MidMarket	Mercer	Merged or Acquired Data	Comparable Private Data	Comparable Public Data	VS M&A Comps Data
Economic Base	400,800	400,800	400,800	400,800	400,800	400,800
P/E Multiple	5.71	-	0.42	4.17	3.00	12.1
Sub-Total	2,290,171	-	167,000	1,670,000	1,202,400	4,849,680
Less Minority Interest Discount	33.7%	33.7%	33.7%	33.7%	33.7%	33.7%
Sub-Total	1,518,384	-	110,721	1,107,210	797,191	3,215,338
Less Marketability Discount	34.6%	34.6%	34.6%	34.6%	34.6%	34.6%
Operating Value	993,023	-	72,412	724,115	521,363	2,102,831
Excess/Non-Operating Assets	615,980	615,980	615,980	615,980	615,980	615,980
Ongoing Value	1,609,003	615,980	688,392	1,340,095	1,137,343	2,718,811
Weight Applied	1		1	1		
Indicated Value	1,212,497					
Selected Value	1,212,500					

« »

Market Data Method – P/R

Guideline companies are companies that provide a reasonable basis for comparison to the relevant investment characteristics of a company being valued. Guideline companies are most often publicly traded companies, although they may be private, in the same or similar business as the subject of this valuation. Guideline companies are used as a basis to develop valuation conclusions with respect to a subject company under the presumption that a similar market exists for the subject company as exists for the guideline companies.

Ideal guideline companies are in the same business as the company being valued. However, if there is insufficient transaction evidence in the same business, it may be necessary to consider companies with an underlying similarity of relevant investment characteristics such as markets, products, growth, cyclical variability and other salient factors.

The guideline company method uses a group of public companies and/or privately held companies selected for their ability to provide valuation guidelines for the analyst. The most commonly used version of the guideline company method develops a price/earnings ratio with which to capitalize net income. By convention, analysts express the relationship between the market price of a stock and its historical revenues in the form of a ratio of the market price of revenues for the most recent twelve months, i.e., price/revenues (P/R) ratio. If the public company group is sufficiently homogeneous with respect to the companies selected, their recent performances, and the public market's reaction to their performances, analysts typically calculate some form of average P/R ratio as representative of the group.

Selected Guideline Companies

«I» researched guideline companies by first identifying the industry in which «High Country Manufacturing» operates and, using the Standard Industrial Classification Code (SIC Codes) for the industry, «I» performed a search for a group of companies in a similar line of business as that of the subject company. «I» screened this group further through the use of key words and phrases that are unique to and describe the subject company's product or operations and to eliminate those companies whose stock is very thinly traded. «I» also considered other possible companies mentioned by management or discovered in other research. In the end, further analysis of the remaining companies in terms of operating, financial, geographical, industry, and/or market characteristics to insure that the guideline companies are reasonable for inclusion in the guideline company group.

The screening process described above yielded a group of [insert the total number of public companies] publicly traded companies for consideration as guideline companies. Of this group, there are [insert the total number of comparable public companies] companies that are considered comparable to «High Country Manufacturing». See the appendix for the listing of the comparable companies. The P/R ratios averaged «0.32x » and the median was «0.30x ». The selected P/R ratio was «0.30x ».

The screening process described above yielded an initial group of [insert the total number of private companies] privately traded companies for consideration as guideline companies. Of this group, there are [insert the total number of comparable private companies] companies that are considered comparable to «High Country Manufacturing».

See the appendix for the listing of the comparable companies. The P/R ratios averaged «0.42x » and the median was «0.42x ». The selected P/R ratio was «0.42x ».

The screening process described above yielded a group of [insert the total number of companies on the analyst schedule] publicly traded companies for consideration as guideline companies. Of this group, there are [insert the number of companies considered in the grouping] companies that are considered comparable to «High Country Manufacturing». See the appendix for the listing of the comparable companies. The P/R ratios averaged «4.99x » and the median was «5.00x ». The selected P/R ratio was «5.00x ».

In addition to searching for guideline companies as listed above, «I» searched the Bizcomps database for transactions involving privately held guideline companies. The Bizcomps database is a study of small business sales whereby relevant pricing information is collected from business brokers and transaction intermediaries on individual sales of small businesses. The search parameters used in determining whether or not a particular transaction in the Bizcomps database was comparable to the subject company were

Given these parameters, «I» found [insert the number of transactions in the grouping] transactions that meet the criteria for being included as guideline companies. The P/R ratios averaged «0.44x » and the median was «0.44x ». The selected P/R ratio was «0.44x ».

«I» searched the DealStats database for transactions involving privately held guideline companies. The DealStats database is a study of small business sales whereby relevant pricing information is collected from business brokers and transaction intermediaries on individual sales of small businesses. The search parameters used in determining whether or not a particular transaction MVIC P/R ratio was «1.00x ». In order to reach the equity value, debt valued at «1,443,020» needs to be subtracted.

«I» obtained data from Mercer Capital.

The P/R ratios averaged «0.00x » and the median was «0.00x ». The selected P/R ratio was «0.00x ».

In addition to searching for publicly traded guideline companies, «I» searched the ValuSource Market Comps database for transactions involving privately held guideline companies. The ValuSource Market Comps database is a study of small business sales whereby relevant pricing information is collected from business brokers and transaction intermediaries on individual sales of small businesses. The search parameters used in determining whether or not a particular transaction in the ValuSource Market Comps database was comparable to the subject company were

Given these parameters, «I» found [insert the number of transactions in the grouping] transactions that meet the criteria for being included as guideline companies. The selected P/R ratio was «#REF!».

In addition to searching for publicly traded guideline companies, «I» searched the Midmarket Comps database for transactions involving privately held and publicly traded guideline companies. The Midmarket Comps database is a study of transactions involving publicly traded and privately held businesses with annual sales between $1million and $100 million. The study is compiled by World M&A Network. The search parameters used in determining whether or not a particular transaction in the Midmarket database was comparable to the subject company were

Given these parameters, «I» found [insert the number of transactions in the grouping] transactions that meet the criteria for being included as guideline companies. The P/R ratios averaged «0.86x » and the median was «0.86x ». The selected P/R ratio was «0.86x ».

In addition to searching for publicly traded guideline companies, «I» searched the ValuSource M&A Comps database for transactions involving privately held and publicly traded guideline companies. The ValuSource M&A Comps database is a study of transactions involving publicly traded and privately held businesses with annual sales between $1million and $100 million. The search parameters used in determining whether or not a particular transaction in the ValuSource M&A Comps database was comparable to the subject company were

Given these parameters, «I» found [insert the number of transactions in the grouping] transactions that meet the criteria for being included as guideline companies. The P/R ratios averaged «2.1x» and the median was «1.2x». The selected P/R ratio was «1.2x».

Estimate of Revenues Stream

The analysis presented below represents the calculation of the ongoing economic benefit stream. It depicts the calculation of the revenues benefit stream.

Calculation of the Revenues Benefit Stream

	Dec 2014	Dec 2013	Dec 2012	Dec 2011	Dec 2010	Dec 2009
Historic Revenue	4,129,660	3,756,320	3,378,960	3,169,490	2,417,895	1,681,280
Weight on Revenue	1					
Weighted Average Revenue	**4,129,660**					
Selected Revenue Base	**4,129,700**					

« »

The weighting above was performed because

The ongoing revenue was calculated as $«4,129,660 » and the selected revenue was rounded as $«4,129,700 ».

Application of Minority Interest Discount

A minority interest discount is a reduction to the initial indicated value 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 «33.7%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «34.6%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Application of Excess or Non-Operating Assets

Excess or Non-operating assets represent the value of resources the company has control of but are not required to operate the business. Examples would be excess cash on hand, real estate or other securities. In «my» judgment, excess and non-operating that need to be added back and are part of the value total $«615,980 ».

Indicated Value Calculation

Each of the market P/R were weighted. The following schedule presents the indicated value using the market data P/R ratio method. As calculated, the indicated fair market value of «High Country Manufacturing» is $«1,531,321 » which has been rounded to $«1,531,300 ».

Indicated Value Calculation

	MidMarket	BIZCOMPS	Mercer	DealStats	Merged or Acquired Data	Comparable Private Data	Comparable Public Data	VS Market Comps Data	VS M&A Comp Data
Revenue Base	4,129,700	4,129,700	4,129,700	4,129,700	4,129,700	4,129,700	4,129,700	4,129,700	4,129,700
P/R Multiple	0.86	0.44	-	1.00	5.00	0.42	0.30	0.61	1.2
Sub-Total	3,555,672	1,812,938	-	4,129,700	20,648,500	1,720,708	1,245,263	2,502,848	4,955,640
Adjustment		(1,722,240)		(1,443,020)				(1,948,420)	(1,140,860)
Sub-Total	3,555,672	90,698	-	2,686,680	20,648,500	1,720,708	1,245,263	554,428	3,814,780
Less Minority Interest Discount	33.7%	33.7%	33.7%	33.7%	33.7%	33.7%	33.7%	33.7%	33.7%
Sub-Total	2,357,410	60,133	-	1,781,269	13,689,956	1,140,830	825,610	367,586	2,529,199
Less Marketability Discount	34.6%	34.6%	34.6%	34.6%	34.6%	34.6%	34.6%	34.6%	34.6%
Operating Value	1,541,746	39,327	-	1,164,950	8,953,231	746,103	539,949	240,401	1,654,096
Excess/Non-Operating Assets	615,980	615,980	615,980	615,980	615,980	615,980	615,980	615,980	615,980
Ongoing Value	2,157,726	655,307	615,980	1,780,930	9,569,211	1,362,083	1,155,929	856,381	2,270,076
Weight Applied	1	1		1					
Indicated Value	1,531,321								
Selected Value	1,531,300								

Market Data Method – P/A

Guideline companies are companies that provide a reasonable basis for comparison to the relevant investment characteristics of a company being valued. Guideline companies are most often publicly traded companies, although they may be private, in the same or similar business as the subject of this valuation. Guideline companies are used as a basis to develop valuation conclusions with respect to a subject company under the presumption that a similar market exists for the subject company as exists for the guideline companies.

Ideal guideline companies are in the same business as the company being valued. However, if there is insufficient transaction evidence in the same business, it may be necessary to consider companies with an underlying similarity of relevant investment characteristics such as markets, products, growth, cyclical variability and other salient factors.

The guideline company method uses a group of public companies and/or privately held companies selected for their ability to provide valuation guidelines for the analyst. The most commonly used version of the guideline company method develops a price/earnings ratio with which to capitalize net income. By convention, analysts express the relationship between the market price of a stock and its historical assets in the form of a ratio of the market price of assets, i.e., price/assets (P/A) ratio. If the public company group is sufficiently homogeneous with respect to the companies selected, their recent performances, and the public market's reaction to their performances, analysts typically calculate some form of average P/E ratio as representative of the group.

Selected Guideline Companies

«I» researched guideline companies by first identifying the industry in which «High Country Manufacturing» operates and, using the Standard Industrial Classification Code (SIC Codes) for the industry, «I» performed a search for a group of companies in a similar line of business as that of the subject company. «I» screened this group further through the use of key words and phrases that are unique to and describe the subject company's product or operations and to eliminate those companies whose stock is very thinly traded. «I» also considered other possible companies mentioned by management or discovered in other research. In the end, further analysis of the remaining companies in terms of operating, financial, geographical, industry, and/or market characteristics to insure that the guideline companies are reasonable for inclusion in the guideline company group.

The screening process described above yielded a group of [insert the total number of public companies] publicly traded companies for consideration as guideline companies. Of this group, there are [insert the total number of comparable public companies] companies that are considered comparable to «High Country Manufacturing». See the appendix for the listing of the comparable companies. The P/A ratios averaged «0.68x » and the median was «0.69x ». The selected P/A ratio was «0.69x ».

The screening process described above yielded an initial group of [insert the total number of private companies] privately traded companies for consideration as guideline companies. Of this group, there are [insert the number of private companies considered in the grouping] companies that are considered comparable to «High Country

Manufacturing». See the appendix for the listing of the comparable companies. The P/A ratios averaged «2.50x » and the median was «2.50x ». The selected P/A ratio was «2.50x ».

The screening process described above yielded a group of [insert the total number of companies on the analyst schedule] publicly traded companies for consideration as guideline companies. Of this group, there are [insert the number of companies considered in the grouping] companies that are considered comparable to «High Country Manufacturing». See the appendix for the listing of the comparable companies. The P/A ratios averaged «4.05x » and the median was «3.93x ». The selected P/A ratio was «3.93x ».

In addition to searching for publicly traded guideline companies, «I» searched the Midmarket Comps database for transactions involving privately held and publicly traded guideline companies. The Midmarket Comps database is a study of transactions involving publicly traded and privately held businesses with annual sales between $1million and $100 million. The study is compiled by World M&A Network. The search parameters used in determining whether or not a particular transaction in the Midmarket database was comparable to the subject company were

Given these parameters, «I» found [insert the number of transactions in the grouping] transactions that meet the criteria for being included as guideline companies. The P/A ratios averaged «1.40x » and the median was «1.40x ». The selected P/A ratio was «1.40x ».

Estimate of Assets

The analysis presented below represents the calculation of the historical assets base. The assets were calculated as $«3,273,150 » and the selected assets were rounded to $«3,273,200 ».

Calculation of the Historical Assets Base

	Dec 2014	Dec 2013	Dec 2012	Dec 2011	Dec 2010	Dec 2009
Historic Total Assets	3,273,150	3,311,630	3,356,220	3,237,390	2,387,300	1,327,150
Weight on Total Assets	1					
Weighted Average Total Assets	**3,273,150**					
Selected Asset Base	**3,273,200**					

« »

The assets were adjusted because

The weighting above was performed because

Application of Minority Interest Discount

A minority interest discount is a reduction to the initial indicated value 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 «33.7%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «34.6%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Application of Excess or Non-Operating Assets

Excess or Non-operating assets represent the value of resources the company has control of but are not required to operate the business. Examples would be excess cash on hand, real estate or other securities. In «my» judgment, excess and non-operating that need to be added back and are part of the value total $«615,980 ».

Indicated Value Calculation

Each of the market P/A were weighted. The following schedule presents the indicated value using the market data P/A ratio method. As calculated, the indicated fair market value of «High Country Manufacturing» is $«3,638,213 » which has been rounded to $«3,638,200 ».

Indicated Value Calculation

	MidMarket	Merged or Acquired Data	Comparable Private Data	Comparable Public Data
Asset Base	3,273,200	3,273,200	3,273,200	3,273,200
P/A Multiple	1.40	3.93	2.50	0.69
Sub-Total	4,580,843	12,850,341	8,183,000	2,266,062
Less Minority Interest Discount	33.7%	33.7%	33.7%	33.7%
Sub-Total	3,037,099	8,519,776	5,425,329	1,502,399
Less Marketability Discount	34.6%	34.6%	34.6%	34.6%
Operating Value	1,986,263	5,571,933	3,548,165	982,569
Excess/Non-Operating Assets	615,980	615,980	615,980	615,980
Ongoing Value	2,602,243	6,187,913	4,164,145	1,598,549
Weight Applied	1	1	1	1
Indicated Value	3,638,213			
Selected Value	3,638,200			

« »

Market Data Method – P/B

Guideline companies are companies that provide a reasonable basis for comparison to the relevant investment characteristics of a company being valued. Guideline companies are most often publicly traded companies, although they may be private, in the same or similar business as the subject of this valuation. Guideline companies are used as a basis to develop valuation conclusions with respect to a subject company under the presumption that a similar market exists for the subject company as exists for the guideline companies.

Ideal guideline companies are in the same business as the company being valued. However, if there is insufficient transaction evidence in the same business, it may be necessary to consider companies with an underlying similarity of relevant investment characteristics such as markets, products, growth, cyclical variability and other salient factors.

The guideline company method uses a group of public companies and/or privately held companies selected for their ability to provide valuation guidelines for the analyst. The most commonly used version of the guideline company method develops a price/earnings ratio with which to capitalize net income. By convention, analysts express the relationship between the market price of a stock and its historical book value in the form of a ratio of the market price of book value, i.e., price/book (P/B) ratio. If the public company group is sufficiently homogeneous with respect to the companies selected, their recent performances, and the public market's reaction to their performances, analysts typically calculate some form of average P/B ratio as representative of the group.

Selected Guideline Companies

«I» researched guideline companies by first identifying the industry in which «High Country Manufacturing» operates and, using the Standard Industrial Classification Code (SIC Codes) for the industry, «I» performed a search for a group of companies in a similar line of business as that of the subject company. «I» screened this group further through the use of key words and phrases that are unique to and describe the subject company's product or operations and to eliminate those companies whose stock is very thinly traded. «I» also considered other possible companies mentioned by management or discovered in other research. In the end, further analysis of the remaining companies in terms of operating, financial, geographical, industry, and/or market characteristics to insure that the guideline companies are reasonable for inclusion in the guideline company group.

The screening process described above yielded a group of [insert the total number of public companies] publicly traded companies for consideration as guideline companies. Of this group, there are [insert the total number of comparable public companies] companies that are considered comparable to «High Country Manufacturing». See the appendix for the listing of the comparable companies. The P/B ratios averaged «1.26x » and the median was «1.25x ». The selected P/B ratio was «1.25x ».

«I» searched the DealStats database for transactions involving privately held guideline companies. The DealStats database is a study of small business sales whereby relevant pricing information is collected from business brokers and transaction intermediaries on individual sales of small businesses. The search parameters used in determining whether or not a particular transaction MVIC P/Book ratio was «0.50x ». In order to reach the equity value, debt valued at «1,443,020» needs to be subtracted.

The screening process described above yielded an initial group of [insert the total number of private companies] privately traded companies for consideration as guideline companies. Of this group, there are [insert the number of companies considered in the grouping] companies that are considered comparable to «High Country Manufacturing». See the appendix for the listing of the comparable companies. The P/B ratios averaged «4.99x » and the median was «5.00x ». The selected P/B ratio was «5.00x ».

The screening process described above yielded a group of [insert the total number of companies on the merged or acquired schedule] publicly traded companies for consideration as guideline companies. Of this group, there are [insert the number of public companies considered in the grouping] companies that are considered comparable to «High Country Manufacturing». See the appendix for the listing of the comparable companies. The P/B ratios averaged «2.50x » and the median was «2.50x ». The selected P/B ratio was «2.50x ».

In addition to searching for publicly traded guideline companies, «I» searched the Midmarket Comps database for transactions involving privately held and publicly traded guideline companies. The Midmarket Comps database is a study of transactions involving publicly traded and privately held businesses with annual sales between $1million and $100 million. The study is compiled by World M&A Network. The search parameters used in determining whether or not a particular transaction in the Midmarket database was comparable to the subject company were

Given these parameters, «I» found [insert the number of transactions in the grouping] transactions that meet the criteria for being included as guideline companies. The P/B ratios averaged «104.85x » and the median was «104.85x ». The selected P/B ratio was «104.85x ».

In addition to searching for publicly traded guideline companies, «I» searched the ValuSource M&A Comps database for transactions involving privately held and publicly traded guideline companies. The ValuSource M&A Comps database is a study of transactions involving publicly traded and privately held businesses with annual sales between $1million and $100 million. The search parameters used in determining whether or not a particular transaction in the ValuSource M&A Comps database was comparable to the subject company were

Given these parameters, «I» found [insert the number of transactions in the grouping] transactions that meet the criteria for being included as guideline companies. The P/B ratios averaged «3.2x» and the median was «3.2x». The selected P/R ratio was «3.2x».

Estimate of Book Value

The analysis presented below represents the calculation of the historical book value.

Calculation of the Historical Book Value

«

	Dec 2014	Dec 2013	Dec 2012	Dec 2011	Dec 2010	Dec 2009
Historic Book Value	1,390,020	1,260,290	1,098,830	785,500	457,000	177,700
Weight on Book Value	1					
Weighted Average Book Value Base	**1,390,020**					
Selected Book Value Base	**1,390,000**					

»

The book values were adjusted because

The weighting above was performed because

The book value was calculated as $«1,390,020 » and the selected book value was rounded as $«1,390,000 ».

Application of Minority Interest Discount

A minority interest discount is a reduction to the initial indicated value 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 «33.7%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «34.6%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Application of Excess or Non-Operating Assets

Excess or Non-operating assets represent the value of resources the company has control of but are not required to operate the business. Examples would be excess cash on hand, real estate or other securities. In «my» judgment, excess and non-operating that need to be added back and are part of the value total $«615,980 ».

Indicated Value Calculation

Each of the market PB ratios were weighted. The following schedule presents the indicated value using the market data PB ratio method. As calculated, the indicated fair market value of «High Country Manufacturing» is $«14,244,221 » which has been rounded to $«14,244,200 ».

Indicated Value Calculation

«

	MidMarket	DealStats	Merged or Acquired Data	Comparable Private Data	Comparable Public Data	VS M&A Comps Data
Book Value Base	1,390,000	1,390,000	1,390,000	1,390,000	1,390,000	1,390,000
P/B Multiple	104.85	0.50	2.50	5.00	1.25	3.2
Sub-Total	145,738,720	695,000	3,475,000	6,950,000	1,735,805	4,448,000
Adjustment		(1,443,020)				
Sub-Total	145,738,720	(748,020)	3,475,000	6,950,000	1,735,805	4,448,000
Less Minority Interest Discount	33.7%	33.7%	33.7%	33.7%	33.7%	33.7%
Sub-Total	96,624,771	(495,937)	2,303,925	4,607,850	1,150,839	5,946,976
Less Marketability Discount	34.6%	34.6%	34.6%	34.6%	34.6%	34.6%
Operating Value	63,192,600	(324,343)	1,506,767	3,013,534	752,648	3,889,322
Excess/Non-Operating Assets	615,980	615,980	615,980	615,980	615,980	615,980
Ongoing Value	63,808,580	291,637	2,122,747	3,629,514	1,368,628	4,505,302
Weight Applied	1	1	1	1	1	
Indicated Value	14,244,221					
Selected Value	14,244,200					

»

Market Data Method – P/Cash Flow

Guideline companies are companies that provide a reasonable basis for comparison to the relevant investment characteristics of a company being valued. Guideline companies are most often publicly traded companies, although they may be private, in the same or similar business as the subject of this valuation. Guideline companies are used as a basis to develop valuation conclusions with respect to a subject company under the presumption that a similar market exists for the subject company as exists for the guideline companies.

Ideal guideline companies are in the same business as the company being valued. However, if there is insufficient transaction evidence in the same business, it may be necessary to consider companies with an underlying similarity of relevant investment characteristics such as markets, products, growth, cyclical variability and other salient factors.

The guideline company method uses a group of public companies and/or privately held companies selected for their ability to provide valuation guidelines for the analyst. The most commonly used version of the guideline company method develops a price/earnings ratio with which to capitalize net income. By convention, analysts express the relationship between the market price of a stock and its historical cash flow in the form of a ratio of the market price of cash flow for the most recent twelve months, i.e., price/cash flow (P/Cash Flow) ratio. If the public company group is sufficiently homogeneous with respect to the companies selected, their recent performances, and the public market's reaction to their performances, analysts typically calculate some form of average P//Cash Flow ratio as representative of the group.

Selected Guideline Companies

«I» researched guideline companies by first identifying the industry in which «High Country Manufacturing» operates and, using the Standard Industrial Classification Code (SIC Codes) for the industry, «I» performed a search for a group of companies in a similar line of business as that of the subject company. «I» screened this group further through the use of key words and phrases that are unique to and describe the subject company's product or operations and to eliminate those companies whose stock is very thinly traded. «I» also considered other possible companies mentioned by management or discovered in other research. In the end, further analysis of the remaining companies in terms of operating, financial, geographical, industry, and/or market characteristics to insure that the guideline companies are reasonable for inclusion in the guideline company group.

The screening process described above yielded a group of [insert the total number of public companies] publicly traded companies for consideration as guideline companies. Of this group, there are [insert the total number of comparable public companies] companies that are considered comparable to «High Country Manufacturing». See the appendix for the listing of the comparable companies. The P/Cash Flow ratios averaged «N/A» and the median was «N/A». The selected P/Cash Flow ratio was «N/A»

The screening process described above yielded an initial group of [insert the total number of private companies] privately traded companies for consideration as guideline companies. Of this group, there are [insert the number of companies considered in the grouping] companies that are considered comparable to «High Country Manufacturing». See the appendix for the listing of the comparable companies. The P/Cash Flow ratios averaged «4.05x » and the median was «3.93x ». The selected P/Cash Flow ratio was «3.93x ».

The screening process described above yielded a group of [insert the total number of companies on the analyst schedule] publicly traded companies for consideration as guideline companies. Of this group, there are [insert the number of companies considered in the grouping] companies that are considered comparable to «High Country Manufacturing». See the appendix for the listing of the comparable companies. The P/Cash Flow ratios averaged «1.00x » and the median was «1.00x ». The selected P/Cash Flow ratio was «1.00x ».

In addition to searching for guideline companies as listed above, «I» searched the Bizcomps database for transactions involving privately held guideline companies. The Bizcomps database is a study of small business sales whereby relevant pricing information is collected from business brokers and transaction intermediaries on individual sales of small businesses. The search parameters used in determining whether or not a particular transaction in the Bizcomps database was comparable to the subject company were

Given these parameters, «I» found [insert the number of transactions in the grouping] transactions that meet the criteria for being included as guideline companies. The P/SDE ratios averaged «N/A» and the median was «N/A». The selected P/SDE ratio was «N/A».

«I» searched the DealStats database for transactions involving privately held guideline companies. The DealStats database is a study of small business sales whereby relevant pricing information is collected from business brokers and transaction intermediaries on individual sales of small businesses. The search parameters used in determining whether or not a particular transaction MVIC P/DE ratio was «2.00x ». In order to reach the equity value, debt valued at «1,443,020» needs to be subtracted.

In addition to searching for publicly traded guideline companies, «I» searched the ValuSource Market Comps database for transactions involving privately held guideline companies. The ValuSource Market Comps database is a study of small business sales whereby relevant pricing information is collected from business brokers and transaction intermediaries on individual sales of small businesses. The search parameters used in determining whether or not a particular transaction in the ValuSource Market Comps database was comparable to the subject company were

Given these parameters, «I» found [insert the number of transactions in the grouping] transactions that meet the criteria for being included as guideline companies. The selected P/SDE ratio was «N/A».

In addition to searching for publicly traded guideline companies, «I» searched the Midmarket Comps database for transactions involving privately held and publicly traded guideline companies. The Midmarket Comps database is a study of transactions involving publicly traded and privately held businesses with annual sales between $1million and $100 million. The study is compiled by World M&A Network. The search parameters used in determining whether or not a particular transaction in the Midmarket database was comparable to the subject company were

Given these parameters, «I» found [insert the number of transactions in the grouping] transactions that meet the criteria for being included as guideline companies. The P/Cash Flow ratios averaged «0.00x » and the median was «1.00x ». The selected P/Cash Flow ratio was «1.00x ».

Estimate of Cash Flow Stream

The analysis presented below represents the calculation of the ongoing economic benefit stream. It depicts the calculation of the cash flow benefit stream.

Calculation of the Cash Flow Benefit Stream

	Dec 2014	Dec 2013	Dec 2012	Dec 2011	Dec 2010	Dec 2009
Historic Net Income	435,640	399,670	363,330	328,500	279,300	177,700
Historic Depreciation/Amortization	151,000	151,000	151,000	151,000	101,000	101,000
Gross Cash Flow	586,640	550,670	514,330	479,500	380,300	278,700
Weight on Gross Cash Flow	1					
Weighted Average Gross Cash Flow Base	**586,640**					
Selected Gross Cash Flow Base	**586,600**					

« »

The cash flows were adjusted because

The weighting above was performed because

The historical cash flow was calculated as «0.00x » and the selected cash flow was rounded as «0.00x ».

The schedule below represents the seller's discretionary earnings as calculated by Bizcomps.

Seller's Discretionary Earnings as Calculated by Bizcomps

	Dec 2014	Dec 2013	Dec 2012	Dec 2011	Dec 2010	Dec 2009
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	1					
Weighted Average BIZCOMPS SDE Base	**1,326,660**					
Selected BIZCOMPS SDE Base	**1,326,700**					

« »

The weighting above was performed because

The schedule below represents the seller's discretionary earnings as ValuSource Market Comps calculates it.

Seller's Discretionary Earnings as Calculated by ValuSource Market Comps

	Dec 2014	Dec 2013	Dec 2012	Dec 2011	Dec 2010	Dec 2009
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	1					
Weighted Average SDCF Base	**1,175,660**					
Selected SDCF Base	**1,175,700**					

« »

The weighting above was performed because

Application of Minority Interest Discount

A minority interest discount is a reduction to the initial indicated value 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 «33.7%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «34.6%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Application of Excess or Non-Operating Assets

Excess or Non-operating assets represent the value of resources the company has control of but are not required to operate the business. Examples would be excess cash on hand, real estate or other securities. In «my» judgment, excess and non-operating that need to be added back and are part of the value total $«615,980 ».

Indicated Value Calculation

Each of the market P/Cash Flow ratios were weighted. The following schedule presents the indicated value using the market data P/Cash Flow ratio method. As calculated, the indicated fair market value of «High Country Manufacturing» is $«1,242,437 » which has been rounded to $«1,242,400 ».

Indicated Value Calculation

	BIZCOMPS	VS Market Comps Data
Economic Base	1,326,700	1,175,700
P/E Multiple	1.50	4.31
Sub-Total	1,993,367	5,070,648
Adjustment	(1,722,240)	(1,948,420)
Sub-Total	271,127	3,122,228
Less Minority Interest Discount	33.7%	33.7%
Operating Value	179,757	2,070,037
Less Marketability Discount	34.6%	34.6%
Operating Value	117,561	1,353,804
Excess/Non-Operating Assets	615,980	615,980
Ongoing Value	733,541	1,969,784
Weight Applied	1	1
Indicated Value		

« »

	MidMarket	Merged or Acquired Data	Comparable Private Data
Cash Flow Base	586,600	586,600	586,600
P/C Multiple	-	1.00	3.93
Sub-Total	-	586,600	2,302,948
Less Minority Interest Discount	33.7%	33.7%	33.7%
Sub-Total	-	388,916	1,526,855
Less Marketability Discount	34.6%	34.6%	34.6%
Operating Value	-	254,351	998,563
Excess/Non-Operating Assets	615,980	615,980	615,980
Ongoing Value	615,980	870,331	1,614,543
Weight Applied		1	1
Indicated Value	1,242,437		
Selected Value	1,242,400		

« »

	MidMarket	Merged or Acquired Data	Comparable Private Data
Cash Flow Base	586,600	586,600	586,600
P/C Multiple	-	1.00	3.93
Sub-Total	-	586,600	2,302,948
Less Minority Interest Discount	33.7%	33.7%	33.7%
Sub-Total	-	388,916	1,526,855
Less Marketability Discount	34.6%	34.6%	34.6%
Operating Value	-	254,351	998,563
Excess/Non-Operating Assets	615,980	615,980	615,980
Ongoing Value	615,980	870,331	1,614,543
Weight Applied		1	1
Indicated Value	1,242,437		
Selected Value	1,242,400		

« »

Market Data Method – P/EBIT

Guideline companies are companies that provide a reasonable basis for comparison to the relevant investment characteristics of a company being valued. Guideline companies are most often publicly traded companies, although they may be private, in the same or similar business as the subject of this valuation. Guideline companies are used as a basis to develop valuation conclusions with respect to a subject company under the presumption that a similar market exists for the subject company as exists for the guideline companies.

Ideal guideline companies are in the same business as the company being valued. However, if there is insufficient transaction evidence in the same business, it may be necessary to consider companies with an underlying similarity of relevant investment characteristics such as markets, products, growth, cyclical variability and other salient factors.

The guideline company method uses a group of public companies and/or privately held companies selected for their ability to provide valuation guidelines for the analyst. The most commonly used version of the guideline company method develops a price/earnings ratio with which to capitalize net income. By convention, analysts express the relationship between the market price of a stock and its historical earnings before interest and taxes in the form of a ratio of the market price of earnings before interest and taxes for the most recent twelve months, i.e., price/EBIT (P/EBIT) ratio. If the public company group is sufficiently homogeneous with respect to the companies selected, their recent performances, and the public market's reaction to their performances, analysts typically calculate some form of average P/EBIT ratio as representative of the group.

Selected Guideline Companies

«I» researched guideline companies by first identifying the industry in which «High Country Manufacturing» operates and, using the Standard Industrial Classification Code (SIC Codes) for the industry, «I» performed a search for a group of companies in a similar line of business as that of the subject company. «I» screened this group further through the use of key words and phrases that are unique to and describe the subject company's product or operations and to eliminate those companies whose stock is very thinly traded. «I» also considered other possible companies mentioned by management or discovered in other research. In the end, further analysis of the remaining companies in terms of operating, financial, geographical, industry, and/or market characteristics to insure that the guideline companies are reasonable for inclusion in the guideline company group.

The screening process described above yielded a group of [insert the total number of public companies] publicly traded companies for consideration as guideline companies. Of this group, there are [insert the total number of comparable public companies] companies that are considered comparable to «High Country Manufacturing». See the appendix for the listing of the comparable companies. The P/EBIT ratios averaged «2.13x » and the median was «2.01x ». The selected P/EBIT ratio was «2.01x ».

«I» searched the DealStats database for transactions involving privately held guideline companies. The DealStats database is a study of small business sales whereby relevant pricing information is collected from business brokers and transaction intermediaries on individual sales of small businesses. The search parameters used in determining whether or not a particular transaction MVIC P/EBIT ratio was «5.00x ». In order to reach the equity value, debt valued at «-1,443,020» needs to be subtracted.

«I» obtained data from Mercer Capital.

The P/EBIT ratios averaged «0.00x » and the median was «0.00x ». The selected P/R ratio was «0.00x ».

In addition to searching for publicly traded guideline companies, «I» searched the ValuSource M&A Comps database for transactions involving privately held and publicly traded guideline companies. The ValuSource M&A Comps database is a study of transactions involving publicly traded and privately held businesses with annual sales between $1million and $100 million. The search parameters used in determining whether or not a particular transaction in the ValuSource M&A Comps database was comparable to the subject company were

Given these parameters, «I» found [insert the number of transactions in the grouping] transactions that meet the criteria for being included as guideline companies. The P/EBIT ratios averaged «17.9x» and the median was «20.7x». The selected P/R ratio was «20.7x».

Estimate of Earnings Before Interest and Taxes Stream

The analysis presented below represents the calculation of the ongoing economic benefit stream. It depicts the calculation of the earnings before interest and taxes benefit stream.

Calculation of the Earnings Before Interest and Taxes Benefit Stream

	Dec 2014	Dec 2013	Dec 2012	Dec 2011	Dec 2010	Dec 2009
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	1					
Weighted Average EBIT	**795,660**					
Selected EBIT Base	**795,700**					

« »

The weighting above was performed because

The ongoing EBIT was calculated as $«795,660 » and the selected EBIT was rounded as $«795,700 ».

Application of Minority Interest Discount

A minority interest discount is a reduction to the initial indicated value 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 «33.7%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «34.6%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Application of Excess or Non-Operating Assets

Excess or Non-operating assets represent the value of resources the company has control of but are not required to operate the business. Examples would be excess cash on hand, real estate or other securities. In «my» judgment, excess and non-operating that need to be added back and are part of the value total $«615,980 ».

Indicated Value Calculation

Each of the market P/EBIT ratio calculations was weighted. The following schedule presents the indicated value using the market data P/EBIT ratio method. As calculated, the indicated fair market value of «High Country Manufacturing» is $«1,213,998 » which has been rounded to $«1,214,000 ».

«

	Mercer	DealStats	Comparable Public Data	VS M&A Comps Data
EBIT Base	795,700	795,700	795,700	795,700
P/EBIT Multiple	-	5.00	2.01	20.7
Sub-Total	-	3,978,500	1,602,081	16,470,990
Adjustment		(1,443,020)	(1,443,020)	(1,140,860)
Sub-Total	-	2,535,480	159,061	15,330,130
Less Minority Interest Discount	33.7%	33.7%	33.7%	33.7%
Sub-Total	-	2,637,746	105,457	10,163,876
Less Marketability Discount	34.6%	34.6%	34.6%	34.6%
Operating Value	-	1,725,086	68,969	6,647,175
Excess/Non-Operating Assets	615,980	615,980	615,980	615,980
Ongoing Value	615,980	2,341,066	684,949	7,263,155
Weight Applied	1	1	1	
Indicated Value	1,213,998			
Selected Value	1,214,000			

»

Market Data Method – P/EBITDA

Guideline companies are companies that provide a reasonable basis for comparison to the relevant investment characteristics of a company being valued. Guideline companies are most often publicly traded companies, although they may be private, in the same or similar business as the subject of this valuation. Guideline companies are used as a basis to develop valuation conclusions with respect to a subject company under the presumption that a similar market exists for the subject company as exists for the guideline companies.

Ideal guideline companies are in the same business as the company being valued. However, if there is insufficient transaction evidence in the same business, it may be necessary to consider companies with an underlying similarity of relevant investment characteristics such as markets, products, growth, cyclical variability and other salient factors.

The guideline company method uses a group of public companies and/or privately held companies selected for their ability to provide valuation guidelines for the analyst. The most commonly used version of the guideline company method develops a price/earnings ratio with which to capitalize net income. By convention, analysts express the relationship between the market price of a stock and its historical earnings before interest, taxes, depreciation and amortization in the form of a ratio of the market price of earnings for the most recent twelve months, i.e., price/earnings before interest, taxes, depreciation and amortization (P/EBITDA) ratio. If the public company group is sufficiently homogeneous with respect to the companies selected, their recent performances, and the public market's reaction to their performances, analysts typically calculate some form of average P/EBITDA ratio as representative of the group.

Selected Guideline Companies

«I» researched guideline companies by first identifying the industry in which «High Country Manufacturing» operates and, using the Standard Industrial Classification Code (SIC Codes) for the industry, «I» performed a search for a group of companies in a similar line of business as that of the subject company. «I» screened this group further through the use of key words and phrases that are unique to and describe the subject company's product or operations and to eliminate those companies whose stock is very thinly traded. «I» also considered other possible companies mentioned by management or discovered in other research. In the end, further analysis of the remaining companies in terms of operating, financial, geographical, industry, and/or market characteristics to insure that the guideline companies are reasonable for inclusion in the guideline company group.

The screening process described above yielded a group of [insert the total number of public companies] publicly traded companies for consideration as guideline companies. Of this group, there are [insert the total number of comparable public companies] companies that are considered comparable to «High Country Manufacturing». See the appendix for the listing of the comparable companies. The P/EBITDA ratios averaged «2.01x » and the median was «1.89x ». The selected P/EBITDA ratio was «1.89x ».

«I» searched the DealStats database for transactions involving privately held guideline companies. The DealStats database is a study of small business sales whereby relevant pricing information is collected from business brokers and transaction intermediaries on individual sales of small businesses. The search parameters used in determining whether or not a particular transaction MVIC P/EBITDA ratio was «6.00x ». In order to reach the equity value, debt valued at «1,443,020» needs to be subtracted.

«I» obtained data from Mercer Capital.

The P/EBITDA ratios averaged «0.00x » and the median was «0.00x ». The selected P/EBITDA ratio was «0.00x ».

In addition to searching for publicly traded guideline companies, «I» searched the ValuSource M&A Comps database for transactions involving privately held and publicly traded guideline companies. The ValuSource M&A Comps database is a study of transactions involving publicly traded and privately held businesses with annual sales between $1million and $100 million. The search parameters used in determining whether or not a particular transaction in the ValuSource M&A Comps database was comparable to the subject company were

Given these parameters, «I» found [insert the number of transactions in the grouping] transactions that meet the criteria for being included as guideline companies. The P/EBITDA ratios averaged «12.2x» and the median was «12.2x». The selected P/R ratio was «12.2x».

Estimate of EBITDA Stream

The analysis presented below represents the calculation of the ongoing economic benefit stream. It depicts the calculation of the earnings before interest, taxes, depreciation and amortization (EBITDA) benefit stream.

ExpressBusiness Valuation

Calculation of the EBITDA Benefit Stream

	Dec 2014	Dec 2013	Dec 2012	Dec 2011	Dec 2010	Dec 2009
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	151,000	151,000	151,000	151,000	101,000	101,000
EBITDA	946,660	898,680	869,730	831,200	696,430	462,060
Weight on EBITDA	1					
Weighted Average EBITDA	**946,660**					
Selected EBITDA Base	**946,700**					

« »

The weighting above was performed because

The ongoing EBITDA was calculated as $«946,660 » and the selected EBITDA was rounded as $«946,700 ».

Application of Minority Interest Discount

A minority interest discount is a reduction to the initial indicated value 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 «33.7%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «34.6%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Application of Excess or Non-Operating Assets

Excess or Non-operating assets represent the value of resources the company has control of but are not required to operate the business. Examples would be excess cash on hand, real estate or other securities. In «my» judgment, excess and non-operating that need to be added back and are part of the value total $«615,980 ».

Indicated Value Calculation

Each of the market P/EBITDA were weighted. The following schedule presents the indicated value using the market data P/EBITDA ratio method. As calculated, the indicated fair market value of «High Country Manufacturing» is $«1,921,861 »which has been rounded to $«1,921,900 ».

«

	Mercer	DealStats	Comparable Public Data	VS M&A Comps Data
EBITDA Base	946,700	946,700	946,700	946,700
P/EBITDA Multiple	-	6.00	1.89	12.2
Sub-Total	-	5,680,200	1,786,226	11,549,740
Adjustment	-	(1,443,020)	(1,443,020)	(1,140,860)
Sub-Total	-	4,237,180	343,206	10,408,880
Less Minority Interest Discount	33.7%	33.7%	33.7%	33.7%
Sub-Total	-	3,765,973	227,546	6,901,087
Less Marketability Discount	34.6%	34.6%	34.6%	34.6%
Operating Value	-	2,462,946	148,815	4,513,311
Excess/Non-Operating Assets	615,980	615,980	615,980	615,980
Ongoing Value	615,980	3,078,926	764,795	5,129,291
Weight Applied		1	1	
Indicated Value	1,921,861			
Selected Value	1,921,900			

»

Industry Data Method – P/E

Using multiples derived from compilations of industry pricing statistics a market approach may be used to estimate the fair market value of a company when the company can be shown to be representative of the market. By convention, analysts express the relationship between the market price of a stock and its historical earnings in the form of a ratio of the market price of earnings for the most recent twelve months, i.e., price/earnings (P/E) ratio. Using the industry pricing statistic against the company's earnings the fair market value can be estimated.

The company is representative of the industry in these ways.

One source of industry pricing ratios used in the analysis comes from Mergerstat Review (published by Houlihan, Howard, Lokey and Zukin). For over 30 years, Mergerstat has compiled statistics on publicly announced mergers, acquisitions and divestures. The P/E ratio is based on the sellers last 12 months of earnings or the latest financial statement if it was a private company. The industry from which the P/E was taken is «Construction Contractors & Eng.Sv» and the P/E ratio from Mergerstat Review is «19.57x ».

One source of industry pricing ratios used the analysis comes from Ibbotson and Associates' Capital Cost Quarterly (CCQ). CCQ screens and analyzes publicly traded companies into industries and then presents data that is representative of the industry and a P/E is developed. The P/E ratio for SIC «0» from CCQ is «0.00x ».

Other studies have been performed by

These studies resulted in an average P/E ratio of «14.50x » and a median ratio of «14.50x ». The selected ratio is «14.50x ».

Estimate of Earnings Stream

The analysis presented below represents the calculation of the ongoing economic benefit stream. It depicts the calculation of the earnings or net income after tax benefit stream.

Calculation of the Earnings or Net Income After Tax Benefit Stream

		Dec 2014	Dec 2013	Dec 2012	Dec 2011	Dec 2010	Dec 2009
Historic EBT		660,060	605,560	550,500	497,800	423,180	269,240
Weight on EBT		1					
Weighted Average Pre-Tax Income		**660,060**					
Less: Estimated State Income Taxes	8%	52,805					
Income before Federal Taxes		607,255					
Less: Federal Taxes (See Below)		206,467					
Calculated Net Income Base		**400,788**					
Selected Net Income Base		**400,800**					

« »

The weighting above was performed because

Taxes were calculated as $«52,805 » for the state and $«206,467 » for federal. The ongoing benefit stream was reduced by these outflows.

The ongoing earnings was calculated as $«400,788 » and the selected earnings was rounded as $«400,800 ».

Application of Minority Interest Discount

A minority interest discount is a reduction to the initial indicated value 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 «33.7%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «34.6%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Indicated Value Calculation

Each of the industry P/E were weighted. The following schedule presents the indicated value using the industry data P/E ratio method. As calculated, the indicated fair market value of the «High Country Manufacturing» is $«3,576,279 » which has been rounded to $«3,576,300 ».

«

	Mergerstat	CCQ	Industry Data
Net Income Base	400,800	400,800	400,800
P/E Multiple	19.57	-	14.50
Sub-Total	7,842,854	-	5,811,600
Less Minority Interest Discount	33.7%	33.7%	33.7%
Sub-Total	5,199,812	-	3,853,091
Less Marketability Discount	34.6%	34.6%	34.6%
Operating Value	3,400,677	-	2,519,921
Excess/Non-Operating Assets	615,980	615,980	615,980
Ongoing Value	4,016,657	615,980	3,135,901
Weight Applied	1		1
Indicated Value	3,576,279		
Selected Value	3,576,300		

»

Industry Data Method – P/R

Using multiples derived from compilations of industry pricing statistics a market approach may be used to estimate the fair market value of a company when the company can be shown to be representative of the market. By convention, analysts express the relationship between the market price of a stock and its historical revenues in the form of a ratio of the market price of revenues for the most recent twelve months, i.e., price/revenues (P/R) ratio. Using the industry pricing statistic against the company's earnings the fair market value can be estimated.

The company is representative of the industry in these ways.

One source of industry pricing ratios used the analysis comes from Ibbotson and Associates' Capital Cost Quarterly (CCQ). CCQ screens and analyzes publicly traded companies into industries and then presents data that is representative of the industry and a P/R is developed. The P/R ratio for SIC «0» from CCQ is «0.00x ».

Other studies have been performed by

These studies resulted in an average P/R ratio of «1.20x » and a median ratio of «1.20x ». The selected ratio is «1.20x »

Estimate of Revenue Stream

The analysis presented below represents the calculation of the ongoing economic benefit stream. It depicts the calculation of the revenue benefit stream.

ExpressBusiness Valuation

Calculation of the Revenue Benefit Stream

	Dec 2014	Dec 2013	Dec 2012	Dec 2011	Dec 2010	Dec 2009
Historic Revenue	4,129,660	3,756,320	3,378,960	3,169,490	2,417,895	1,681,280
Weight on Historic Revenue	1					
Weighted Average Revenue	**4,129,660**					
Selected Revenue Base	**4,129,700**					

« »

The weighting above was performed because

The revenue was calculated as $«4,129,660 » and the selected revenue was rounded as $«4,129,700 ».

Application of Minority Interest Discount

A minority interest discount is a reduction to the initial indicated value 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 «33.7%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «34.6%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Indicated Value Calculation

Each of the industry P/R were weighted. The following schedule presents the indicated value using the industry data P/R ratio method. As calculated, the indicated fair market value of the «High Country Manufacturing» is $«4,129,700 » which has been rounded to $«4,129,700 ».

	CCQ	Industry Data
Revenue Base	4,129,700	4,129,700
P/R Multiple	-	1.20
Sub-Total	-	4,955,640
Less Minority Interest Discount	33.7%	33.7%
Sub-Total	-	3,285,589
Less Marketability Discount	34.6%	34.6%
Operating Value	-	2,148,775
Excess/Non-Operating Assets	615,980	615,980
Ongoing Value	615,980	2,764,755
Weight Applied		1
Indicated Value	2,764,755	
Selected Value	2,764,800	

« »

Industry Data Method – P/B

Using multiples derived from compilations of industry pricing statistics a market approach may be used to estimate the fair market value of a company when the company can be shown to be representative of the market. By convention, analysts express the relationship between the market price of a stock and its historical book value in the form of a ratio of the market price of earnings for the most recent twelve months, i.e., price/book (P/B) ratio. Using the industry pricing statistic against the company's earnings the fair market value can be estimated.

The company is representative of the industry in these ways.

One source of industry pricing ratios used the analysis comes from Ibbotson and Associates' Capital Cost Quarterly (CCQ). CCQ screens and analyzes publicly traded companies into industries and then presents data that is representative of the industry and a P/B is developed. The P/B ratio for SIC «0 » from CCQ is «0.00x ».

Other studies have been performed by

These studies resulted in an average P/B ratio of «2.70x » and a median ratio of «2.70x ». The selected ratio is «2.70x »

Estimate of Book Value

The analysis presented below represents the calculation of the ongoing economic benefit stream. It depicts the calculation of the book value base.

Calculation of the Book Value Base

	Dec 2014	Dec 2013	Dec 2012	Dec 2011	Dec 2010	Dec 2009
Historic Book Value	1,390,020	1,260,290	1,098,830	785,500	457,000	177,700
Weight on Book Value	1					
Weighted Average Book Value Base	**1,390,020**					
Selected Book Value Base	**1,390,000**					

« »

The book values were adjusted because

The weighting above was performed because

The book value was calculated as $«1,390,020» and the selected book value was rounded as $«1,390,000».

Application of Minority Interest Discount

A minority interest discount is a reduction to the initial indicated value 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 «33.7%» is appropriate because

Application of Marketability Discount

In «my» opinion, a discount of «34.6%» is required for lack of marketability. The discount reflects an expectation for the lack of a secondary market in which to negotiate a quick sale.

Appendix E contains further information on the lack of a marketability discount.

Indicated Value Calculation

Each of the industry P/B were weighted. The following schedule presents the indicated value using the industry data P/B ratio method. As calculated, the indicated fair market value of the $«2,243,288» is which has been rounded to $«2,243,300».

	CCQ	Industry Data
Book Value Base	1,390,000	1,390,000
P/B Multiple	-	2.70
Sub-Total	-	3,753,000
Less Minority Interest Discount	33.7%	33.7%
Sub-Total	-	2,488,239
Less Marketability Discount	34.6%	34.6%
Operating Value	-	1,627,308
Excess/Non-Operating Assets	615,980	615,980
Ongoing Value	615,980	2,243,288
Weight Applied		1
Indicated Value	2,243,288	
Selected Value	2,243,300	

« »

RECONCILIATION OF ESTIMATES OF VALUE

In the schedule below, «I» have assigned weights to the values indicated by the various valuation methods. The weights are intended to reflect «my» opinion of the relative importance or reliability of the methods when determining «fair market value».

Weights are assigned as follows:

«

Valuation Indication by Method	Indicated Value	Weight Number	Weight Percent
Book Value Method	1,390,020		0%
Going Concern Value	543,700		0%
Liquidation Value	(60,700)		0%
COE Indicated Value	819,300	1	100%
DCF Indicated Value	800,800		0%
COEE Indicated Value	1,704,800		0%
Market Data P/E Indicated Value	1,212,500		0%
Market Data P/SDE Indicated Value	1,373,900		0%
Market Data P/R Indicated Value	1,531,300		0%
Market Data P/A Indicated Value	3,638,200		0%
Market Data P/B Indicated Value	14,244,200		0%
Market Data P/C Indicated Value	1,242,400		0%
Market Data P/Gross Profit Indicated Value	1,570,400		0%
Market Data P/EBIT Indicated Value	1,214,000		0%
Market Data P/EBITDA Indicated Value	1,921,900		0%
Industry P/E Indicated Value	3,576,300		0%
Industry P/R Indicated Value	2,764,800		0%
Industry P/B Indicated Value	2,243,300		0%
Industry P/C Indicated Value	2,142,100		0%
Subject Company Transactions	1,734,000		0%
Calculated Weighted Average Conclusion of Value	819,300	1	100%
Selected Conclusion of Value	819,300		

»

Indicated Fair Market Value

As calculated in the following schedule, the indicated fair market value of the $«819,300 » is which has been rounded to $«819,300 ».

«

Valuation Indication by Method	Indicated Value	Weight Number	Weight Percent
Book Value Method	1,390,020		0%
Going Concern Value	543,700		0%
Liquidation Value	(60,700)		0%
COE Indicated Value	819,300	1	100%
DCF Indicated Value	800,800		0%
COEE Indicated Value	1,704,800		0%
Market Data P/E Indicated Value	1,212,500		0%
Market Data P/SDE Indicated Value	1,373,900		0%
Market Data P/R Indicated Value	1,531,300		0%
Market Data P/A Indicated Value	3,638,200		0%
Market Data P/B Indicated Value	14,244,200		0%
Market Data P/C Indicated Value	1,242,400		0%
Market Data P/Gross Profit Indicated Value	1,570,400		0%
Market Data P/EBIT Indicated Value	1,214,000		0%
Market Data P/EBITDA Indicated Value	1,921,900		0%
Industry P/E Indicated Value	3,576,300		0%
Industry P/R Indicated Value	2,764,800		0%
Industry P/B Indicated Value	2,243,300		0%
Industry P/C Indicated Value	2,142,100		0%
Subject Company Transactions	1,734,000		0%
Calculated Weighted Average Conclusion of Value	819,300	1	100%
Selected Conclusion of Value	819,300		

»

CONCLUSION OF VALUE

Therefore, based upon the facts and circumstances of the valuation and subject to the limitations in both conditions and scope listed in this report, «my» opinion of the resultant «fair market value» of «High Country Manufacturing» on a [enter the basis] as of «December 31, 2018» is:

$ «819,300 »

===========

APPENDIX A: VALUATION ANALYST'S REPRESENTATIONS

The analyses, opinions, and conclusion of value included in the valuation report are subject to the specified assumptions and limiting conditions (see Appendix B), and they are the personal analyses, opinions, and conclusion of value of the valuation analyst.

The economic and industry data included in the valuation report have been obtained from various printed or electronic reference sources that the valuation analyst believes to be reliable. The valuation analyst has not performed any corroborating procedures to substantiate that data.

The valuation engagement was performed in accordance with the American Institute of Certified Public Accountants Statement on Standards for Valuation Services.

This analysis and report were completed in accordance with 'The National Association of Certified Valuators and Analysts' Professional Standards.
The parties for which the information and use of the valuation report is restricted are identified; the valuation report is not intended to be and should not be used by anyone other than such parties.

«My» compensation is fee-based and 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 estimate of value or the attainment of a stipulated result.

«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.

The valuation analyst did not use the work of one or more outside specialists to assist during the valuation engagement.

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

Signature of the Analyst:

Mr/Ms. «John Jacobs»

Title

«ABC Appraisers»

«I» certify to the best of «my» knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are «my» personal, impartial, and unbiased professional analyses, 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 performed no (or the specified) other services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. «I» have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. «My» engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. «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.
8. «My» analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
9. No one provided significant personal property appraisal assistance to the person signing this certification. (If there are exceptions, the name of each individual providing significant personal property appraisal assistance must be stated.)

Signature of the Analyst:

Mr/Ms. «John Jacobs»

Title

«ABC Appraisers»

APPENDIX B: LIMITING CONDITIONS

1. The conclusion of value arrived at herein is valid only for the stated purpose as of the date of the valuation.

2. Financial statements and other related information provided by «High Country Manufacturing» or its representatives, in the course of this engagement, have been accepted without any verification as fully and correctly reflecting the enterprise's business conditions and operating results for the respective periods, except as specifically noted herein. «ABC Appraisers» has not audited, reviewed, or compiled the financial information provided to «me» and, accordingly, «I» express no audit opinion or any other form of assurance on this information.

3. Public information and industry and statistical information have been obtained from sources «I» believe to be reliable. However, «I» make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.

4. «I» do not provide assurance on the achievability of the results forecasted by «High Country Manufacturing» because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.

5. The conclusion of value arrived at herein is based on the assumption that the current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of the enterprise through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed.

6. This report and the conclusion of value arrived at herein are for the exclusive use of «my» client for the sole and specific purposes as noted herein. They may not be used for any other purpose or by any other party for any purpose. Furthermore the report and conclusion of value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The conclusion of value represents the considered opinion of «ABC Appraisers», based on information furnished to them by «High Country Manufacturing» and other sources.

7. Neither all nor any part of the contents of this report (especially the conclusion of value, the identity of any valuation specialist(s), or the firm with which such valuation specialists are connected or any reference to any of their professional designations) should be disseminated to the public through advertising media, public relations, news media, sales

media, mail, direct transmittal, or any other means of communication without the prior written consent and approval of «ABC Appraisers».

8. Future services regarding the subject matter of this report, including, but not limited to testimony or attendance in court, shall not be required of «ABC Appraisers» unless previous arrangements have been made in writing.

9. «ABC Appraisers» is not an environmental consultant or auditor, and it takes no responsibility for any actual or potential environmental liabilities. Any person entitled to rely on this report, wishing to know whether such liabilities exist, or the scope and their effect on the value of the property, is encouraged to obtain a professional environmental assessment. «ABC Appraisers» does not conduct or provide environmental assessments and has not performed one for the subject property.

10. «ABC Appraisers» has not determined independently whether «High Country Manufacturing» is subject to any present or future liability relating to environmental matters (including, but not limited to CERCLA/Superfund liability) nor the scope of any such liabilities. «ABC Appraisers»'s valuation takes no such liabilities into account, except as they have been reported to «ABC Appraisers» by «High Country Manufacturing» or by an environmental consultant working for «High Country Manufacturing», and then only to the extent that the liability was reported to us in an actual or estimated dollar amount. Such matters, if any, are noted in the report. To the extent such information has been reported to «me» , «ABC Appraisers» has relied on it without verification and offers no warranty or representation as to its accuracy or completeness.

11. «ABC Appraisers» has not made a specific compliance survey or analysis of the subject property to determine whether it is subject to, or in compliance with, the American Disabilities Act of 1990, and this valuation does not consider the effect, if any, of noncompliance.

12. [Sample wording for use if the jurisdictional exception is invoked.] The conclusion of value (or the calculated value) in this report deviates from the Statement on Standards for Valuation Services as a result of published governmental, judicial, or accounting authority.

13. No change of any item in this appraisal report shall be made by anyone other than «ABC Appraisers», and «I» shall have no responsibility for any such unauthorized change.

14. Unless otherwise stated, no effort has been made to determine the possible effect, if any, on the subject business due to future Federal, state, or local legislation, including any environmental or ecological matters or interpretations thereof.

15. If prospective financial information approved by management has been used in «my» work, «I» have not examined or compiled the prospective financial information and therefore, do not express an audit opinion or any other form of assurance on the prospective financial information or the related assumptions. Events and circumstances frequently do not occur as expected and there will usually be differences between prospective financial information and actual results, and those differences may be material.

16. «I» have conducted interviews with the current management of «High Country Manufacturing» concerning the past, present, and prospective operating results of the company.

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

APPENDIX C: QUALIFICATIONS OF APPRAISER

APPENDIX D: SOURCES OF INFORMATION

Unaudited This information was accepted without further verification. See Appendix B for a complete list of the assumptions and limitations to which this valuation report is subject to.

APPENDIX E: MARKETABILITY DISCOUNT

Marketability relates to the liquidity of an investment relative to a comparable and actively traded alternative. In essence, impairment of liquidity increases an investor's expected rate of return. As a result, the market clearing price of a nonmarketable security is discounted relative to the price of its marketable counterpart. The discount for lack of marketability is stated as a percentage of a marketable value.

The valuation of share of stock in closely held corporations typically warrants a discount for lack of marketability. Many factors affect the liquidity of an investment. Among them are the following:

1. Number of shareholders;
2. Size of the block of stock being valued;
3. Restrictions on its sale by agreement or law;
4. The absence of registration; and,
5. The anticipated dividend flow attributable to the investment.

When attempting to quantify these factors that influence liquidity into an appropriate discount for lack of marketability, it is necessary to consider the following factors:

1. The holding period. Without an active market, an investor must hold for an uncertain length of time until a liquidity event occurs. In general, longer holding periods without liquidity imply higher discounts for lack of marketability. An investor should reasonably characterize exit timing along a probability distribution. Although subjective, the relative probabilities of exit dates are reasonably related to the following:

a. Historical ownership policies (insiders, outsiders, family, investors, etc.);

b. Buy/sell or other shareholder agreements;

c. Management/ownership succession (age, health, competence, emerging liquidity needs);

d. Business plans and likely exit strategies of the controlling owner(s); and ,

e. Emerging attractiveness for equity offering or acquisition.

2. Required holding period return. To overcome the unattractiveness of the lack of liquidity, an investor in such securities expects a premium return in excess of that provided by liquid alternatives. Investment features that impair marketability will exact higher expected rates of return which imply higher discounts for lack of marketability. Unattractive features of a lack of liquid security could include the following:

a. Absence, inadequacy of or inability to pay dividends;

b. Subjective uncertainties related to the duration of the expected holding period and to achieving a favorable exit date valuation;

c. Restrictive shareholder agreements; and,

d. Various other features that increase uncertainty of cash flows.

3. Growth in underlying value during the holding period. If an investment is appreciating, that growth will provide a portion of the realized return during the holding period. Growth and marketability discounts are negatively correlated. As expected capital appreciation increases, discounts for lack of marketability decrease. Growth potential should be evaluated in the context of management's business plan, historical growth, and external factors such as emerging industry conditions and market valuations.

4. Expected cash flow distributions during the holding period. Holding period returns are also provided by interim cash flows (in addition to capital appreciation). As with growth, holding period cash distributions and discounts for lack of marketability are negatively correlated. Holding period cash flows (dividends, etc.) should be evaluated in the context of historical dividend policy, ability to distribute and the cash needs implied by the business plan.

Empirical Studies

Guidance as to the proper level of the discount can also be found in examining studies which have approached the question from several different perspectives.

One approach is to analyze the differences in prices between publicly traded securities and those of restricted stocks of the same companies. Since a "lettered" stock is identical to the traded stock in all respects except marketability, the difference in price highlights the marketability discount. Among the more prominent studies are the following:

1. "Discounts Involved in Purchases of Common Stock," in US 92nd Congress, 1st Session, House, Institutional Investor Study Report of the Securities and Exchange Commission (Washington, DC: US Government Printing Office, March 10, 1971, 5:2444-2456, Document No. 92-64, Part 5);

2. A study of closed end investment funds (Milton Gelman, "An Economist-Financial Analyst's Approach to Valuing Stock of A Closely Held Company," Journal of Taxation (June 1972), p. 354);

3. A study of prices paid for restricted stocks (Robert E. Maroney, "Most Courts Overvalue Closely Held Stocks," Taxes, March 1973, pp. 144-54);

4. A study of prices paid for restricted stocks (J. Michael Maher, "Discounts for Lack of Marketability for Closely Held Business Interests," Taxes, September 1976, pp. 562-71; and,

5. A more recent study of restricted stocks (William L. Silber, "Discounts on Restricted Stock: The Impact of Illiquidity on Stock Prices," Financial Analysts Journal, July/August 1991, pp. 62-64.)

All of these studies identified median or average discounts in the range of 30-40% for prices of non-marketable stocks in comparison to marketable shares which were otherwise deemed to be comparable. The SEC Institutional Investor study reflected a mean discount of 25.8% while the remainder had average discounts in the range of 33-35%.

A second approach is to analyze the relationship between the prices of companies whose shares were initially offered to the public (IPO) and the prices at which their shares traded privately within a five month period immediately preceding the public offering. A series of studies conducted by John D. Emory at Robert W. Baird & Co., Inc. indicate median and mean lack of marketability discounts of 40% to 45% (see Emory, John D., “The Value of Marketability as Illustrated in Initial Public Offerings of Common Stock, February 1992 through July 1993,” Business Valuation Review, December 1993, pp. 3-5).

The objective of the Emory studies is to relate the prices at which private transactions took place before an IPO and the price at which the stock was subsequently offered to the public, in order to objectively gauge the value of marketability. The majority of the companies in the survey reflected discounts exceeding 30%. The highest discounts indicated in the sample were 82% and 94%.

The implication of the studies is clear: presumably arm’s length transactions taking place within a short time of the actual IPOs occur at substantial discounts to the ultimate public offering price. These studies support both the validity and magnitude of marketability discounts in general, and particularly for companies that are not public offering candidates and for which the prospects for shareholder liquidity may be remote.

Pluris DLOM Studies

The Pluris DLOM data base consists of PIPE transactions that have occurred over the last ten years. Because these transactions are considered restricted stock transactions, the transactions can be used as a substitute for a discount for lack of marketability. The strength of this methodology is that the study is customized to the unique circumstances of «High Country Manufacturing» Transactions in the data base were selected by the process of ………..

The first step in calculating the DLOM is to segregate the transactions into quintiles and then compare that to the characteristics of the subject company. These characteristics are assets, revenues, EBITDA, net income/loss, profit margin, book value of equity, enterprise value and market. Each characteristic is then compared to the quintile value of the selected population and the entire data set. These two different methods are then weighted together. Using these two methods, the data is drilled down to find the best value for the subject company. The schedule below shows the numbers for method 1.

«

Method #1: Analysis of Data Download   Count   1

Lack of Marketability Analysis: Restricted Stock Equivalent Discount

Valuation Parameters	Subject Company Traits	Data Quartile/Grouping	Indication Median	Weight
Total Assets ($)	3,276,870	1Q	0.0%	1.00
Total Revenues ($)	4,129,660	1Q	0.0%	1.00
EBITDA ($)	921,660	1Q	0.0%	1.00
Net Income/ (Loss) ($)	400,640	1Q	0.0%	1.00
Net Profit Margin	9.70%	1Q	0.0%	1.00
Equity (Book Value) ($)	1,393,740	1Q	0.0%	1.00
Enterprise Value		4Q	8.0%	0.00
Market-to-Book Value		4Q	8.0%	0.00
Meth 1 Indicated Restricted Stock Equivalent Discount (RSED)			0.0%	

»

The schedule below is for method 2, the entire data set.

«

Method #2: Analysis of Entire Database   Count   2357

Lack of Marketability Analysis: Restricted Stock Equivalent Discount

Valuation Parameters	Subject Company Traits	Data Quartile/Grouping	Indication Median	Weight
Total Assets ($)	3,276,870	4Q	33.3%	1.00
Total Revenues ($)	4,129,660	4Q	28.7%	1.00
EBITDA ($)	921,660	3Q	23.7%	1.00
Net Income/ (Loss) ($)	400,640	2Q	24.3%	1.00
Net Profit Margin	9.7%	2Q	13.8%	1.00
Equity (Book Value) ($)	1,393,740	4Q	31.3%	1.00
Enterprise Value	-	4Q	23.9%	0.00
Market-to-Book Value	-	4Q	10.7%	0.00
Meth 2 Indicated Restricted Stock Equivalent Discount (RSED)			25.9%	

»

The next schedule reconciles the two together.

«

Reconciliation of Methods

		Weight
Concluded Restricted Stock Equivalent Discount (RSED) - Data Download	0.0%	0.00
Concluded Restricted Stock Equivalent Discount (RSED) - Entire Database	25.9%	1.00
Indicated Restricted Stock Equivalent Discount (RSED)	25.9%	
Concluded Restricted Stock Equivalent Discount (RSED)	**25.9%**	

»

At this point the RSED (restricted stock equivalent discount) has been determined. Because PIPE transactions do have a public market, albeit very small, and small companies do not, and additional amount known as the PEDI (private equity discount increment) will be added to the RSED to determine the DLOM. The PEDI is derived by taking large block transactions and comparing those to the entire data set. The additional amounts for the large blocks range from «5%» to «9%» higher than the whole data set or if you were to take a ratio then they would be «1.3x» to «1.5x» times higher than the whole data set. These large block transactions are more similar to the equity being valued here so an average is added incrementally to the RSED based on the higher discounts. The following schedule shows the calculated DLOM or RSED plus the calculated PEDI.

«

Private Equity Discount Increment

Concluded RSED 25.9%

Multiplicative

Additive			
	6.4%	9.0%	5%
	8.4%	11.0%	9%
	1.3x	1.5x	

Indicated Private Equity Discount Increment (PEDI) 8.7%

Concluded Private Equity Discount Increment (PEDI) **8.7%**

Marketability Discount

Indicated DLOM 34.6%

Concluded DLOM **34.6%**

»

Court Decisions

Further guidance for marketability discounts can be found in various court decisions. These decisions provide insight into the discounts allowed in various circumstances. «I» look at evidence from court decisions, not to cite as direct evidence in the instant case, but to review how courts have previously interpreted the objective evidence presented. In addition, «I» look to court cases for general guidance concerning the nature of evidence deemed acceptable in previous decisions.

A survey performed by Thomas Solberg (Thomas A. Solberg, "Valuing Restricted Securities: What Factors Do the Courts and the Service Look For," Journal of Taxation, September 1979, pp. 150-54) of fifteen cases indicated a mean discount of 37.4%. A similar study by Phillip Moore (Phillip W. Moore, "Valuation Revisited," Trusts & Estates, February 1987, pp. 40-52), which analyzed fourteen cases by the U.S. Tax Court from 1969 through 1982, indicated wide variations in the decisions but with a trend toward allowing higher discounts.

In "Estate of Berg" (61 TCM 1991-279), the Tax Court relied upon an expert's analysis of specific factors that influenced the magnitude of a minority interest discount (20%) and a marketability discount (10%). The expert's specificity appeared to be persuasive to the court. Other experts in the Berg case were admonished by the court for presenting discount analyses that were "exceedingly general and lacking in specific analysis of the subject interest."

In "Estate of Jung" (101 TIC. No.28), the Tax Court allowed a 35% discount for lack of marketability for a 21% interest in Jung Corp., a manufacturer and distributor of elastic textile goods. Jung's revenues ($68 million) and profits ($3.1 million) had been growing for several years, a dividend was being paid, and there was a reasonable knowledge that the company could be an attractive acquisition candidate. Of particular note is that the court relied upon several of the empirical studies cited above.

The various studies indicate that a marketability discount in the range of 35%-40% is near the mean. The court cases are increasingly referring to objective data, but the courts are asking for data and analysis that relate to the specific cases in question, not mere averages. It is important to note that the actual range of discounts can be very wide with the top end of the range at 70% or more, depending on the features and circumstances of the subject company.

APPENDIX F: GLOSSARY

International Glossary of Business Valuation Terms*

To enhance and sustain the quality of business valuations for the benefit of the profession and its clientele, the below identified societies and organizations have adopted the definitions for the terms included in this glossary. The performance of business valuation services requires a high degree of skill and imposes upon the valuation professional a duty to communicate the valuation process and conclusion in a manner that is clear and not misleading. This duty is advanced through the use of terms whose meanings are clearly established and consistently applied throughout the profession. If, in the opinion of the business valuation professional, one or more of these terms needs to be used in a manner which materially departs from the enclosed definitions, it is recommended that the term be defined as used within that valuation engagement. This glossary has been developed to provide guidance to business valuation practitioners by further memorializing the body of knowledge that constitutes the competent and careful determination of value and, more particularly, the communication of how that value was determined. Departure from this glossary is not intended to provide a basis for civil liability and should not be presumed to create evidence that any duty has been breached.

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

Adjusted Book Value Method—a method within the asset approach whereby all assets and liabilities (including off-balance sheet, intangible, and contingent) are adjusted to their fair market
values. {NOTE: In Canada on a going concern basis}
Adjusted Net Asset Method—see **Adjusted Book Value Method**.
Appraisal—see **Valuation**.
Appraisal Approach—see **Valuation Approach**.
Appraisal Date—see **Valuation Date**.
Appraisal Method—see **Valuation Method**.
Appraisal Procedure—see **Valuation Procedure**.
Arbitrage Pricing Theory—a multivariate model for estimating the cost of equity capital, which incorporates several systematic risk factors.
Asset (Asset-Based) Approach—a general way of determining a value indication of a business, business ownership interest, or security using one or more methods based on the value of the assets net of liabilities.
Beta—a measure of systematic risk of a stock; the tendency of a stock's price to correlate with changes in a specific index.
Blockage Discount—an amount or percentage deducted from the current market price of a publicly traded stock to reflect the decrease in the per share value of a block of stock that is of a size that could not be sold in a reasonable period of time given normal trading volume.

Book Value—see **Net Book Value**.
Business—see **Business Enterprise**.
Business Enterprise—a commercial, industrial, service, or investment entity (or a combination thereof) pursuing an economic activity.
Business Risk—the degree of uncertainty of realizing expected future returns of the business resulting from factors other than financial leverage. See **Financial Risk**.
Business Valuation—the act or process of determining the value of a business enterprise or ownership interest therein.
Capital Asset Pricing Model (CAPM)—a model in which the cost of capital for any stock or portfolio of stocks equals a risk-free rate plus a risk premium that is proportionate to the systematic risk of the stock or portfolio.
Capitalization—a conversion of a single period of economic benefits into value.
Capitalization Factor—any multiple or divisor used to convert anticipated economic benefits of a single period into value.
Capitalization of Earnings Method—a method within the income approach whereby economic benefits for a representative single period are converted to value through division by a capitalization rate.
Capitalization Rate—any divisor (usually expressed as a percentage) used to convert anticipated economic benefits of a single period into value.
Capital Structure—the composition of the invested capital of a business enterprise; the mix of debt and equity financing.
Cash Flow—cash that is generated over a period of time by an asset, group of assets, or business enterprise. It may be used in a general sense to encompass various levels of specifically defined cash flows. When the term is used, it should be supplemented by a qualifier (for example, "discretionary" or "operating") and a specific definition in the given valuation context.
Common Size Statements—financial statements in which each line is expressed as a percentage of the total. On the balance sheet, each line item is shown as a percentage of total assets, and on the income statement, each item is expressed as a percentage of sales.
Control—the power to direct the management and policies of a business enterprise.
Control Premium—an amount or a percentage by which the pro rata value of a controlling interest exceeds the pro rata value of a noncontrolling interest in a business enterprise to reflect the power of control.
Cost Approach—a general way of determining a value indication of an individual asset by quantifying the amount of money required to replace the future service capability of that asset.
Cost of Capital—the expected rate of return that the market requires in order to attract funds to a particular investment.
Debt-Free—***we discourage the use of this term.*** See **Invested Capital**.
Discount for Lack of Control—an amount or percentage deducted from the pro rata share of value of 100% of an equity interest in a business to reflect the absence of some or all of the powers of control.
Discount for Lack of Marketability—an amount or percentage deducted from the value of an ownership interest to reflect the relative absence of marketability.
Discount for Lack of Voting Rights—an amount or percentage deducted from the per share value of a minority interest voting share to reflect the absence of voting rights.
Discount Rate—a rate of return used to convert a future monetary sum into present value.
Discounted Cash Flow Method—a method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate.

Discounted Future Earnings Method—a method within the income approach whereby the present value of future expected economic benefits is calculated using a discount rate.
Economic Benefits—inflows such as revenues, net income, net cash flows, etc.
Economic Life—the period of time over which property may generate economic benefits.
Effective Date—see **Valuation Date**.
Enterprise—see **Business Enterprise**.
Equity—the owner's interest in property after deduction of all liabilities.
Equity Net Cash Flows—those cash flows available to pay out to equity holders (in the form of dividends) after funding operations of the business enterprise, making necessary capital investments, and increasing or decreasing debt financing.
Equity Risk Premium—a rate of return added to a risk-free rate to reflect the additional risk of equity instruments over risk free instruments (a component of the cost of equity capital or equity discount rate).
Excess Earnings—that amount of anticipated economic benefits that exceeds an appropriate rate of return on the value of a selected asset base (often net tangible assets) used to generate those anticipated economic benefits.
Excess Earnings Method—a specific way of determining a value indication of a business, business ownership interest, or security determined as the sum of *a*) the value of the assets derived by capitalizing excess earnings and *b*) the value of the selected asset base. Also frequently used to value intangible assets. See **Excess Earnings**.
Fair Market Value—the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts. {NOTE: In Canada, the term *"price"* should be replaced with the term *"highest price"*.}
Fairness Opinion—an opinion as to whether or not the consideration in a transaction is fair from a financial point of view.
Financial Risk—the degree of uncertainty of realizing expected future returns of the business resulting from financial leverage. See **Business Risk**.
Forced Liquidation Value—liquidation value, at which the asset or assets are sold as quickly as possible, such as at an auction.
Free Cash Flow—***we discourage the use of this term.*** See **Net Cash Flow**.
Going Concern—an ongoing operating business enterprise.
Going Concern Value—the value of a business enterprise that is expected to continue to operate into the future. The intangible elements of Going Concern Value result from factors such as having a trained work force, an operational plant, and the necessary licenses, systems, and procedures in place.
Goodwill—that intangible asset arising as a result of name, reputation, customer loyalty, location, products, and similar factors not separately identified.
Goodwill Value—the value attributable to goodwill.
Guideline Public Company Method—a method within the market approach whereby market multiples are derived from market prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market.
Income (Income-Based) Approach—a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more methods that convert anticipated economic benefits into a present single amount.
Intangible Assets—nonphysical assets such as franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities, and contracts (as distinguished from physical assets) that grant rights and privileges and have value for the owner.

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

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

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

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

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

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

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

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

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

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

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

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

Majority Interest—an ownership interest greater than 50% of the voting interest in a business enterprise.

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

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

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

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

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

Marketability Discount—see **Discount for Lack of Marketability**.

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

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

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

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

Multiple—the inverse of the capitalization rate.
Net Book Value—with respect to a business enterprise, the difference between total assets (net of accumulated depreciation, depletion, and amortization) and total liabilities as they appear on the balance sheet (synonymous with Shareholder's Equity). With respect to a specific asset, the capitalized cost less accumulated amortization or depreciation as it appears on the books of account of the business enterprise.
Net Cash Flows—when the term is used, it should be supplemented by a qualifier. See **Equity Net Cash Flows** and **Invested Capital Net Cash Flows**.
Net Present Value—the value, as of a specified date, of future cash inflows less all cash outflows (including the cost of investment) calculated using an appropriate discount rate.
Net Tangible Asset Value—the value of the business enterprise's tangible assets (excluding excess assets and nonoperating assets) minus the value of its liabilities.
Nonoperating Assets—assets not necessary to ongoing operations of the business enterprise. {NOTE: in Canada, the term used is *"Redundant Assets"*.}
Normalized Earnings—economic benefits adjusted for nonrecurring, noneconomic, or other unusual items to eliminate anomalies and/or facilitate comparisons.
Normalized Financial Statements—financial statements adjusted for nonoperating assets and liabilities and/or for nonrecurring, noneconomic, or other unusual items to eliminate anomalies and/or facilitate comparisons.
Orderly Liquidation Value—liquidation value at which the asset or assets are sold over a reasonable period of time to maximize proceeds received.
Premise of Value—an assumption regarding the most likely set of transactional circumstances that may be applicable to the subject valuation; for example, going concern, liquidation.
Present Value—the value, as of a specified date, of future economic benefits and/or proceeds from sale, calculated using an appropriate discount rate.
Portfolio Discount—an amount or percentage deducted from the value of a business enterprise to reflect the fact that it owns dissimilar operations or assets that do not fit well together.
Price/Earnings Multiple—the price of a share of stock divided by its earnings per share.
Rate of Return—an amount of income (loss) and/or change in value realized or anticipated on an investment, expressed as a percentage of that investment.
Redundant Assets—see **Nonoperating Assets**.
Report Date—the date conclusions are transmitted to the client.
Replacement Cost New—the current cost of a similar new property having the nearest equivalent utility to the property being valued.
Reproduction Cost New—the current cost of an identical new property.
Required Rate of Return—the minimum rate of return acceptable by investors before they will commit money to an investment at a given level of risk.
Residual Value—the value as of the end of the discrete projection period in a discounted future earnings model.
Return on Equity—the amount, expressed as a percentage, earned on a company's common equity for a given period.
Return on Investment—See **Return on Invested Capital** and **Return on Equity**.
Return on Invested Capital—the amount, expressed as a percentage, earned on a company's total capital for a given period.
Risk-Free Rate—the rate of return available in the market on an investment free of default risk.
Risk Premium—a rate of return added to a risk-free rate to reflect risk.

Rule of Thumb–a mathematical formula developed from the relationship between price and certain variables based on experience, observation, hearsay, or a combination of these; usually industry specific.
Special Interest Purchasers–acquirers who believe they can enjoy post-acquisition economies of scale, synergies, or strategic advantages by combining the acquired business interest with their own.
Standard of Value–the identification of the type of value being utilized in a specific engagement; for example, fair market value, fair value, investment value.
Sustaining Capital Reinvestment–the periodic capital outlay required to maintain operations at existing levels, net of the tax shield available from such outlays.
Systematic Risk–the risk that is common to all risky securities and cannot be eliminated through diversification. The measure of systematic risk in stocks is the beta coefficient.
Tangible Assets–physical assets (such as cash, accounts receivable, inventory, property, plant and equipment, etc.).
Terminal Value–See **Residual Value**.
Transaction Method–See **Merger and Acquisition Method**.
Unlevered Beta–the beta reflecting a capital structure without debt.
Unsystematic Risk–the risk specific to an individual security that can be avoided through diversification.
Valuation–the act or process of determining the value of a business, business ownership interest, security, or intangible asset.
Valuation Approach–a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more valuation methods.
Valuation Date–the specific point in time as of which the valuator's opinion of value applies (also referred to as "Effective Date" or "Appraisal Date").
Valuation Method–within approaches, a specific way to determine value.
Valuation Procedure–the act, manner, and technique of performing the steps of an appraisal method.
Valuation Ratio–a fraction in which a value or price serves as the numerator and financial, operating, or physical data serve as the denominator.
Value to the Owner–see **Investment Value**.
Voting Control–*de jure* control of a business enterprise.
Weighted Average Cost of Capital (WACC)–the cost of capital (discount rate) determined by the weighted average, at market value, of the cost of all financing sources in the business enterprise's capital structure.

Additional Terms

Assumptions and Limiting Conditions. Parameters and boundaries under which a valuation is performed, as agreed upon by the valuation analyst and the client or as acknowledged or understood by the valuation analyst and the client as being due to existing circumstances. An example is the acceptance, without further verification, by the valuation analyst from the client of the client's financial statements and related information.

Business Ownership Interest. A designated share in the ownership of a business (business enterprise).
Calculated Value. An estimate as to the value of a business, business ownership interest, security, or intangible asset, arrived at by applying valuation procedures agreed upon with

the client and using professional judgment as to the value or range of values based on those procedures.

Calculation Engagement. An engagement to estimate value wherein the valuation analyst and the client agree on the specific valuation approaches and valuation methods that the valuation analyst will use and the extent of valuation procedures the valuation analyst will perform to estimate the value of a subject interest. A calculation engagement generally does not include all of the valuation procedures required for a valuation engagement. If a valuation engagement had been performed, the results might have been different. The valuation analyst expresses the results of the calculation engagement as a calculated value, which may be either a single amount or a range.

Capital or Contributory Asset Charge. A fair return on an entity's *contributory assets*, which are tangible and intangible assets used in the production of income or cash flow associated with an intangible asset being valued. In this context, *income or cash flow* refers to an applicable measure of income or cash flow, such as net income, or operating cash flow before taxes and capital expenditures. A capital charge may be expressed as a percentage return on an economic rent associated with, or a profit split related to, the contributory assets.

Capitalization of Benefits Method. A method within the income approach whereby expected future benefits (for example, earnings or cash flow) for a representative single period are converted to value through division by a capitalization rate.

Comparable Profits Method. A method of determining the value of intangible assets by comparing the profits of the subject entity with those of similar uncontrolled companies that have the same or similar complement of intangible assets as the subject company.

Comparable Uncontrolled Transaction Method. A method of determining the value of intangible assets by comparing the subject transaction to similar transactions in the market place made between independent (uncontrolled) parties.

Conclusion of Value. An estimate of the value of a business, business ownership interest, security, or intangible asset, arrived at by applying the valuation procedures appropriate for a valuation engagement and using professional judgment as to the value or range of values based on those procedures.

Control Adjustment. A valuation adjustment to financial statements to reflect the effect of a controlling interest in a business. An example would be an adjustment to owners' compensation that is in excess of market compensation.

Engagement to Estimate Value. An engagement, or any part of an engagement (for example, a tax, litigation, or acquisition-related engagement), that involves determining the value of a business, business ownership interest, security, or intangible asset. Also known as *valuation service*.

Excess Operating Assets. Operating assets in excess of those needed for the normal operation of a business.

Fair Value. In valuation applications, there are two commonly used definitions for fair value: (1) For financial reporting purposes only, the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. *Source:* Financial Accounting Standards Board definition in Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, as used in the context of Generally Accepted Accounting Principles (GAAP) (Effective 2008). (2) For state legal matters only, some states have laws that use the term *fair value* in shareholder and partner matters. For state legal matters only, therefore, the term may be defined by statute or case law in the particular jurisdiction.

Guideline Company Transactions Method. A method within the market approach whereby market multiples are derived from the sales of entire companies engaged in the same or similar lines of business.
Hypothetical Condition. That which is or may be contrary to what exists, but is supposed for the purpose of analysis.
Incremental Income. Additional income or cash flow attributable to an entity's ownership or operation of an intangible asset being valued, as determined by a comparison of the entity's income or cash flow with the intangible asset to the entity's income or cash flow without the intangible asset. In this context, *income or cash flow* refers to an applicable measure of income or cash flow, such as license royalty income or operating cash flow before taxes and capital expenditures.
Pre-adjustment Value. The value arrived at prior to the application, if appropriate, of valuation discounts or premiums.
Profit Split Income. With respect to the valuation of an intangible asset of an entity, a percentage allocation of the entity's income or cash flow whereby (1) a split (or percentage) is allocated to the subject intangible and (2) the remainder is allocated to all of the entity's tangible and other intangible assets. In this context, *income or cash flow* refers to an applicable measure of income or cash flow, such as net income or operating cash flow before taxes and capital expenditures.
Relief from Royalty Method. A valuation method used to value certain intangible assets (for example, trademarks and trade names) based on the premise that the only value that a purchaser of the assets receives is the exemption from paying a royalty for its use. Application of this method usually involves estimating the fair market value of an intangible asset by quantifying the present value of the stream of market-derived royalty payments that the owner of the
intangible asset is exempted from or "relieved" from paying.
Residual Income. For an entity that owns or operates an intangible asset being valued, the portion of the entity's income or cash flow remaining after subtracting a capital charge on all of the entity's tangible and other intangible assets. *Income or cash flows* can refer to any appropriate measure of income or cash flow, such as net income or operating cash flow before taxes and capital expenditures.
Security. A certificate evidencing ownership or the rights to ownership in a business enterprise that (1) is represented by an instrument or by a book record or contractual agreement, (2) is of a type commonly dealt in on securities exchanges or markets or, when represented by an instrument, is commonly recognized in any area in which it is issued or dealt in as a medium for investment, and (3) either one of a class or series or, by its terms, is divisible into a class or series of shares, participations, interests, rights, or interest-bearing obligations.
Subject Interest. A business, business ownership interest, security, or intangible asset that is the subject of a valuation engagement.
Subsequent Event. An event that occurs subsequent to the valuation date.
Valuation Analyst. For purposes of this Statement, an AICPA member who performs an engagement to estimate value that culminates in the expression of a conclusion of value or a calculated value.
Valuation Assumptions. Statements or inputs utilized in the performance of an engagement to estimate value that serve as a basis for the application of particular valuation methods.
Valuation Engagement. An engagement to estimate value in which a valuation analyst determines an estimate of the value of a subject interest by performing appropriate valuation procedures, as outlined in the AICPA Statement on Standards for Valuation

Services, and is free to apply the valuation approaches and methods he or she deems appropriate in the circumstances. The valuation analyst expresses the results of the valuation engagement as a conclusion of value, which may be either a single amount or a range.

Valuation Service. See **Engagement to Estimate Value**.

EXHIBITS