VALUATION
OF A 100% INTEREST IN
THE COMMON STOCK OF
ABC WIDGET COMPANY
MEMPHIS, TENNESSEE

As of December 31, 2008

Report Dated
March 15, 2009

SOUTHARD
FINANCIAL

March 15, 2009

Mr. John Smith
ABC Widget Company
123 Main Street
Memphis, Tennessee 38119

Dear Mr. Smith:

Southard Financial was retained to determine the fair market value of a 100% interest in the common stock of ABC Widget Company as of December 31, 2008. The enclosed valuation report was prepared for the stated purpose and is for your exclusive and confidential use. No copies of this report shall be furnished to third parties without your specific permission or direction, unless ordered by a court of competent jurisdiction. The report and its conclusions are subject to the statement of Contingent and Limiting Conditions contained herein.

The report was prepared by the undersigned. Preparation of the report entailed the use of standard techniques and practices, and involved due diligence on the part of Southard Financial. The methodology and analysis employed is in compliance with the Uniform Standards of Professional Appraisal Practice.

Based upon the entire analysis, and for the purposes described in this report, it is our opinion that the fair market value of a 100% interest in the common stock of ABC Widget Company, on a controlling interest basis, as of December 31, 2008, was:

$8,000,000

Thank you for the opportunity to be of service in this matter.

Sincerely yours,

David A. Harris, CFA, ASA

Mark A. Orndorff, CFA, ASA

Enclosure

CERTIFICATION

I/we certify that, to the best of my/our 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/our personal, impartial, and unbiased professional analyses, opinions, and conclusions.

3. I/we have no present or prospective interest in the property that is the subject of this report, and I/we have no personal interest with respect to the parties involved.

4. I/we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

5. My/our engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. My/our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. My/our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

8. No one provided significant business and/or intangible asset appraisal assistance to the person(s) signing this certification.

Douglas K. Southard, DBA, CFA

David A. Harris, CFA, ASA

Mark A. Orndorff, CFA, ASA

Matthew L. Jakes

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INTRODUCTION

Appraisal Assignment

Southard Financial was retained to provide the following appraisal services:

Client Name	Mr. John Smith
Business Name	ABC Widget Company
Legal Structure	S-Corporation
State of Incorporation/Organization	Tennessee
Home Office Location	Memphis, Tennessee
Business Interest Being Valued	The Common Stock of ABC Widget Company
Definition of Value	Fair Market Value
Premise of Value	100% Controlling Interest
Date of the Appraisal	December 31, 2008
Purpose/Intended Use of Appraisal	Formation of Employee Stock Ownership Plan ("ESOP")
Type of Report	Appraisal

Southard Financial provided a valuation of ABC Widget Company ("ABC" or the "Company") as of December 31, 2007 for purposes of gift and estate planning. Southard Financial and its principals have no past, present, or contemplated future interest in the subject or the conclusion of this valuation report. Further, Southard Financial and its principals have no bias or conflict that could cause a question as to our independence or objectivity. Compensation paid to Southard Financial for this appraisal is in no way contingent upon the conclusion of this report.

Summary Business Description

ABC Widget Company, headquartered in Memphis, Tennessee, is a manufacturer of widgets sold throughout the U.S. and in parts of Canada and Mexico.

Sources of Information

In the course of our due diligence investigation, we reviewed the information outlined below.

1. U.S. Income Tax Returns for an S Corporation of ABC Widget Company for the years ended December 31, 2003-08.
2. Compiled financial statements of ABC Widget Company for the years ended December 31, 2003-08.
3. Depreciation and Amortization Report of ABC Widget Company as of December 31, 2008.
4. Other pertinent information.

In all cases we relied upon the referenced information without independent verification. In conjunction with the preparation of this report, we visited with management in Memphis, Tennessee and via email and telephone. Nevertheless, we did not inspect each and every asset, property, or business interest encompassed by this appraisal.

<u>Conclusion of Report</u>

The conclusion of this opinion is as follows:

Conclusion of Value (Controlling Interest Basis) $8,000,000

This opinion is as of the date indicated above and is only for the intended purpose so indicated.

<u>Definition of Fair Market Value</u>

For purposes of this appraisal, "fair market value" is defined as: the price at which an asset would exchange hands between a willing buyer and a willing seller; with the former not being under any compulsion to buy and the latter not being under any compulsion to sell; with both having reasonable knowledge of the relevant facts; and with both seeking their maximum economic self interests. (See Appendix C for a more detailed discussion of fair market value.)

<u>Premise of Value</u>

There are three general levels of value applicable to a business interest:

• **Controlling Interest**	Value of the entire entity, or an interest that controls the operations of the entity
• **Marketable Minority Interest**	Value of a minority interest, lacking control over the business entity, but being readily marketable (as if freely- traded)
• **Non-Marketable Minority Interest**	Value of a minority interest, lacking both control and a ready market

The three premises (or levels) of value are related as follows. Control value can be obtained by direct comparisons with change of controlling interest transactions or through the use of “appropriate” control methodologies or by applying a control premium to a marketable minority interest value. Marketable minority interest value can be obtained by comparisons with guideline publicly traded companies or by the use of other appropriate minority valuation methodologies such as the income approach using market rates of return. Alternatively, the value of a marketable minority interest can be determined by applying an appropriate minority interest discount to the control value. Non-marketable minority interest value is derived by applying an appropriate marketability discount to the derived marketable minority interest value or by applying both minority and marketability discounts to control value. The premise of value in the current analysis is a controlling interest basis.

<u>Statement of Scope and Limitations</u>

This opinion has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and in accordance with the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers, ASA Business Valuation Standards. A Statement of Contingent and Limiting Conditions is contained in Appendix A and a statement of the Qualifications of the Appraiser is contained in Appendix B.

The analysis encompassed by this report falls under the category of an Appraisal as defined in the Business Valuation Standards of the American Society of Appraisers:

> *The objective of an appraisal is to express an unambiguous opinion as to the value of the business, business ownership interest, or security, which is supported by all procedures that the appraiser deems to be relevant to the valuation. An Appraisal has the following qualities: (1) It is expressed as a single dollar amount or as a range. (2) It considers all relevant information as of the appraisal date available to the appraiser at the time of performance of the valuation. (3) The appraiser conducts appropriate procedures to collect and analyze all information expected to be relevant to the valuation. (4) The valuation is based upon consideration of all conceptual approaches deemed to be relevant by the appraiser.*

Southard Financial performed due diligence in this assignment. Further, the client did not place any restrictions on the procedures, methods, or conclusions of this analysis. A material change in any critical information relied upon in this analysis might require a reassessment of the determined valuation conclusions.

National Economic Overview

Appendix D provides a review of the national economy in the most recent quarter for which information is available and an outlook for the upcoming period.

OVERVIEW OF THE COMPANY

Historical Overview

ABC was founded in 1964 in Memphis, Tennessee, and was incorporated on July 6, 1965 under the laws of the State of Tennessee. The principal founding shareholders were John Smith, Bill Jones, and Sally Kendrick. The Company was originally engaged in the business of making customized parts for the widget industry. Since its founding the operations have expanded to include the manufacture of widgets and the supply of pre-purchased widget related accessories.

Product or Business Mix

Historically, 80%-85% of the Company's revenues were comprised by the sale of widgets. The remaining 15%-20% consisted of the sale of purchased accessories. This ratio changed slightly in 2008 (to 88%/12%).

Marketing Overview

The Company's geographic market consists of the entire U.S. and parts of Mexico and Canada. ABC employs 10 field salespersons, 5 inside salespersons, and 20 sales support personnel. In addition, the Company relies upon independent sales representatives. The field sales force calls on existing and potential customers in the above-defined geographic territory. They are compensated with a base salary plus commissions. The Company produces catalogs, brochures, etc. to support the sales effort. In addition, advertising through national media and trade journals is utilized to support the marketing effort.

Competitors

The industry served by ABC is highly competitive. The estimated market share of the Company within its geographic market is approximately 8%. Further, management identified 35 competitors. In terms of revenues, the Company is the sixth largest. Management indicated that it views its major competitors as: (1) XYZ Company; (2) Jones Manufacturing Co.; and (3) Widgets-R-Us, Inc. Each of these companies is larger than ABC. The Company competes in its market on the basis of product quality and attentive customer service.

Customers

ABC's customer base is very diversified, with no customer accounting for more than 5% of total revenues. Management indicated that there are 1,300 active accounts. Concentration of customers was not a significant valuation concern at December 31, 2008.

Suppliers

ABC has no significant supplier concentrations that were a valuation concern as of December 31, 2008. While the Company may rely upon a single supplier for certain inputs, these items are available from a wide variety of sources at competitive prices.

Personnel

The Company has 150 employees: 85 in manufacturing; 35 in sales; 10 in the warehouse; 10 drivers; and 10 in administration (accounts payable, accounts receivable, human resources, bookkeeping, and management). Full-time employees receive a benefits package that includes health insurance, paid vacations, retirement benefits, and bonuses.

Management

The senior management team of the Company is presented in the table below.

TABLE 1
ABC WIDGET COMPANY
SENIOR MANAGEMENT TEAM

Name	Title(s)	Age	LOS[1]
John Smith	President	73	44
Sally Kendrick	Executive Vice President	70	44
Walter Bicks	Vice-President – Manufacturing	55	15
James Farmer	Vice-President – Sales	48	14
Diane Miller	Vice President – CFO	35	10

[1] Length of service with the Company, in years

The Company is led by two of the Company's founders, John Smith and Sally Kendrick. The other founder, Bill Jones, retired from full-time employment in 2002, and has been on a consulting retainer since then. The consulting arrangement was terminated in early 2008, due to Mr. Jones' failing health. Management indicated that no material changes in the composition of the senior management team are anticipated in the near future.

Facilities

ABC operates out of a main facility and a satellite facility, both in Memphis, Tennessee. The main facility consists of 35,000 square feet, of which 29,500 are manufacturing/warehouse space and 5,500 are office space. This facility is owned by the Company. The satellite facility is a 5,000 square foot warehouse, also owned by the Company. ABC also owns several vehicles, and leases office space in various sales locations.

Economic Environment and Associated Risk Factors

The performance of ABC is largely dependent upon the economies in the markets served, as well as the market demand for widgets.

Environmental Considerations

A determination of any liabilities associated with environmental issues other than those disclosed in the financial statements of the Company is beyond the scope of this assignment. We inquired of management regarding environmental concerns, and management indicated that it did not believe the Company was in violation of any environmental laws or regulations.

Litigation

Management indicated that there are no current or pending lawsuits that could materially impact the financial position or performance of the Company.

Capitalization

ABC Widget Company is capitalized with one class of common stock and no other classes of equity ownership. There are no restrictions limiting the transferability of the ownership interest in ABC that is the subject of this appraisal, other than those affecting the Company's S-Corporation status.

The book value (owners' equity, or net worth) of an entity is not definitive of value for that entity. Many analysts, however, use book value as a benchmark for comparison over time and in comparison with other companies currently. Asset valuation adjustments considered necessary for purposes of this analysis are presented in the valuation section of this report.

There have been no recent transactions in the common stock of ABC. The ownership of the common stock of the Company as of December 31, 2008 is presented in the table below.

TABLE 2
ABC WIDGET COMPANY
OWNERSHIP
As of December 31, 2008

Name	Shares Owned	% of Total
John Smith	52,503	40.57%
Sally Kendrick	47,621	36.80
Bill Jones	29,289	22.63
TOTAL SHAREHOLDERS	129,413	100.00%

As of December 31, 2008, John Smith owned 52,503 shares, or 40.57% of the 129,413 issued and outstanding shares of ABC. Sally Kendrick owned 47,621 shares, or 36.80%, and Bill Jones owned 29,289 shares, or 22.63% of the total.

ABC makes substantial S-Corporation distributions to holders of the common stock of the Company. Management indicated that it intends to continue declaring and making distributions in the foreseeable future.

Management has not received any recent offers to purchase ABC. Management expressed no intention of selling the Company in the foreseeable future.

REVIEW OF FINANCIAL POSITION AND PERFORMANCE

As part of our due diligence process, we reviewed the financial position and performance of the Company over the relevant period of analysis. This review entailed an examination of the Company's current financial statements in comparison with prior years and in comparison with reasonably comparable industry statistics. Our analysis was supplemented by discussions with management, which enhanced our understanding of the business reasons for changes in the financial statements. Results of this review, which have specific valuation implications, are noted below and at the appropriate point in the valuation section of this report.

Presentation of Financial Statements/Summary of Significant Accounting Policies

The historical financial statements of ABC for the fiscal years ended December 31, 2003-08 are presented in Exhibits 1-9. The financial data was taken from the compiled financial statements of ABC Widget Company. Certain items in the exhibits were combined for ease of historical financial statement presentation and analysis. Also, in order to account for any restatements, reclassifications, and prior period adjustments, the most recent available data for each year was used.

Historical balance sheets and percentage balance sheets are provided in Exhibits 1 and 2, respectively. Historical income statements and percentage income statements are provided in Exhibits 3 and 4, respectively. The remaining financial statement exhibits provide: reconciliation of shareholders' equity (Exhibit 5); key financial ratios (Exhibit 6); operating expense breakdown and percentage operating expense breakdown (Exhibits 7-8); and breakdown of return on average equity (Exhibit 9).

Inventories are recorded at the lower of cost or market, with cost determined using the first-in, first-out (FIFO) method of inventory valuation.

Fixed assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets. Depreciation is calculated using the straight-line and accelerated methods. No estimate was made as to what depreciation would have been had the straight-line method been used exclusively.

Peer Group for Comparison (Non-Public Companies)

For purposes of comparison with industry averages, we reviewed the 5-Year Industry Report, published by Integra Information ("Integra"). Integra compiles the financial statements of companies in a number of industries, usually grouped by Standard Industrial Classification (SIC) and/or North American Industrial Classification System (NAICS). The information in the Integra database is compiled from 32 different proprietary and government data sources. Information presented is limited to the average percentage income statement and balance sheet and key financial ratios of companies of a particular size in a particular SIC or NAICS number. Integra is a primary source for these peer average industry statistics.

Based upon our review, we chose Integra's group of 145 widget manufacturers with sales of $10-$40 million (the "peer group"), representing SIC #1234. The peer group had average revenues of $18.21 million and average assets of $7.41 million.

Financial Position

Assets totaled $7.22 million at December 31, 2008, representing a compound annual increase of 7.11% from year-end 2003. As of December 31, 2008, assets consisted primarily of cash and equivalents ($701 thousand); accounts receivable ($2.99 million); inventories ($1.35 million); fixed assets ($1.98 million, net of accumulated depreciation); and investments ($179 thousand, at cost). The investment in marketable securities is not necessary or essential to the operations of the Company. Liabilities consisted primarily of accounts payable ($1.26 million) at December 31, 2008, and shareholders’ equity was $5.84 million.

The table below presents certain key financial ratios measuring the Company's historical financial position in terms of liquidity, activity, and leverage.

TABLE 3
ABC WIDGET COMPANY
LIQUIDITY, ACTIVITY, AND LEVERAGE RATIOS

		December 31					
Liquidity	Peer[2]	2008	2007	2006	2005	2004	2003
Current Ratio (x)	1.0	3.7	4.0	2.8	3.4	3.5	2.9
Activity[1]							
Asset Turnover (x)	2.6	4.7	3.6	3.0	3.0	3.2	nm
Inventory Turnover	28.6	26.2	23.6	19.8	18.4	19.6	nm
Days Accounts Receivable	23.0	31.6	36.0	36.6	32.9	29.8	nm
Fixed Asset Turnover	4.4	15.7	11.2	10.7	10.6	9.2	nm
Leverage							
Liabilities/Assets (%)	54.7%	19.2%	16.3%	24.1%	21.5%	18.6%	19.6%

[1] Activity measures based on average balances
[2] Integra SIC #1234, average levels

Based upon an analysis of the table above and the exhibits to this report, the following observations are pertinent:

Liquidity (Ability to Meet Maturing Current Obligations):

- Liquidity, as measured by the current ratio, ranged between 2.8x and 4.0x over the period. Further, liquidity at year-end 2008 (3.7x) was above the peer average (1.0x). Liquidity is further enhanced by the lack of funded debt. Therefore, the Company has adequate cash to meet its maturing current obligations.

Activity (Utilization of Company Resources):

- Asset utilization, as measured by the average asset turnover ratio, illustrates the effectiveness of an entity in the use of its assets. For ABC, asset utilization generally increased over the period from 3.2x in 2004 to 4.7x in 2008. Further, asset utilization is above the peer level of 2.6x. There are three basic components to asset utilization: inventory management, fixed asset levels, and accounts receivable outstanding. Each of these components is discussed below.

- Inventory turnover (cost of sales divided by average inventories) increased over the period from 19.6x in 2004 to 26.2x in 2008. Inventory turnover in 2008 was near the peer level of 28.6x.

- The average collection period, as measured by the average days accounts receivable ratio, remained in the range of 30-37 days over the period. The average collection period in 2008 (31.6 days) was longer than the peer level of 23.0 days.

- ABC’s investment in fixed assets is below peer levels based upon the fixed asset turnover ratio during the past five years. Fixed asset turnover ratio was 15.7x in 2008, above the peer level of 4.4x.

Leverage (Financial Risk):

- Leverage, as measured by total liabilities to total assets, remained essentially unchanged over the 2003-08 period, in the range of 16%-24%. The Company has no long-term or short-term debt. Total leverage of the Company at year-end 2008 (19.2%) was well below the peer level of 54.7%.

Financial Performance

Net revenues declined slightly in 2004, but then increased in each year over the 2005-08 period. Overall, net revenues increased at a compound annual rate of 12.82% over the 2003-08 period, from $17.87 million in 2003 to $32.67 million in 2008. Net revenues increased 39.01% in 2008. Historical, summary percentage income statements are presented in the table below.

TABLE 4
ABC WIDGET COMPANY
SUMMARY PERCENTAGE INCOME STATEMENTS

		December 31					
Income Statement	Peer[1]	2008	2007	2006	2005	2004	2003
Net Sales	100.0%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales	60.4	88.57%	81.13%	77.68%	75.42%	74.25%	73.18%
Gross Profit	39.6%	11.43%	18.87%	22.32%	24.58%	25.75%	26.82%
Operating Expense	35.6	8.89%	12.88%	15.71%	17.88%	18.69%	18.99%
Net Operating Income	4.0%	2.54%	5.99%	6.62%	6.70%	7.06%	7.82%
Non Oper Income/-Expense	-1.1	0.07%	0.19%	0.36%	0.26%	0.07%	0.09%
Profit Before Taxes	2.9%	2.61%	6.18%	6.97%	6.96%	7.13%	7.91%

[1] Integra SIC #1234, average levels

Based upon an analysis of the table above and the exhibits to this report, the following observations are pertinent:

- The gross profit margin decreased in each year over the 2003-08 period. The gross profit margin was 11.43% of revenue in 2008, down from 26.82% in 2003, and well below the peer level of 39.6%. The variation from the peer level is likely due to differences in the classification of expenses.

- Operating expenses, as a percent of revenues, decreased over the 2003-08 period. Operating expenses were 8.89% of revenue in 2008, down from 18.99% in 2003, and well below the peer level of 35.6%. Again, the variation from the peer level is likely due to expense classification differences.

- Operating income, as a percent of revenues, decreased over the 2003-08 period. The operating margin was 2.54% of revenue in 2008, down from 7.82% in 2003, and somewhat below the peer level of 4.0%.

- Non-operating income consists primarily of interest income. Non-operating expense consists primarily of losses on the sale of assets. In total, the non-operating margin was positive in each year over the 2003-08 period.

- Pre-tax income, as a percent of revenues, decreased over the 2003-08 period. The pre-tax margin was 2.61% of revenue in 2008, down from 7.91% in 2003, and near the peer level of 2.9%.

Analysis of Pre-Tax Return on Average Equity

The table below presents a breakdown of pre-tax return on average equity ("ROAE") into its component parts for the Company for the past six years. It is generally understood that pre-tax ROAE is dependent upon the margins generated by a business (both operating and non-operating), the utilization of the assets acquired by the company to do business (activity), and the method used to finance the assets (leverage). The interrelationships between these factors are illustrated in the table and accompanying text below. Our analysis focuses on the trends in the components of pre-tax ROAE for the period from 2004 to 2008.

TABLE 5
ABC WIDGET COMPANY
ANALYSIS OF PRE-TAX RETURN ON AVERAGE EQUITY
THE YEARS 2004-08

	Profit Margins		x Turnover	= ROAA	x Leverage	= ROAE
Fiscal Year	Operating Margin	Non-Op Margin	Asset Turnover	Pre-Tax ROAA	Total Leverage	Pre-Tax ROAE
2008	2.54%	0.07%	4.73	12.37%	1.22	15.05%
2007	5.99%	0.19%	3.59	22.22%	1.25	27.83%
2006	6.62%	0.36%	3.03	21.12%	1.30	27.38%
2005	6.70%	0.26%	3.03	21.10%	1.25	26.43%
2004	7.06%	0.07%	3.17	22.56%	1.24	27.89%
2004-08	5.78%	0.19%	3.51	19.87%	1.25	24.91%
2006-08	5.05%	0.21%	3.79	18.57%	1.26	23.42%
2007-08	4.27%	0.13%	4.16	17.29%	1.23	21.44%
Industry[1]	4.0%	-1.1%	2.6	7.1%	2.2	15.6%

[1] Integra SIC #1234, median levels

Based upon an analysis of the table above, the pre-tax ROAE of the Company can be characterized as follows: (1) declining operating margins to below peer levels; (2) low but positive and above peer level non-operating margins; (3) gradually increasing and above peer level asset turnover; (4) relatively stable leverage that is well below the peer level; and (5) stable pre-tax ROAE, but declining in 2008 to near the peer level.

DETERMINATION OF FAIR MARKET VALUE

Approach to Valuation

Valuation is ultimately a matter of informed judgment based upon a full consideration of all relevant data, as well as the appropriate standard of value. The appraisal profession recognizes three general approaches to valuation. Within each approach, there are multiple methodologies.

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 directly on the value of the assets of the business, less liabilities.* The asset based approach includes those methods that seek to write up or down or otherwise adjust the various tangible and/or intangible assets of an enterprise.
INCOME APPROACH	*A general way of determining a value indication of a business, business ownership interest, or security using one or more methods where value is determined by converting anticipated benefits.* The income approach includes those methods that provide for the capitalization of earnings estimates and those based upon projected future benefits (cash flow or earnings) discounted to the present using an appropriate risk adjusted discount rate.
MARKET APPROACH	*A general way of determining a value indication of a business, business ownership interest, or security using one or more methods that compare the subject to similar investments that have been sold.* The market approach includes a variety of methods that compare the subject with transactions involving similar investments, including publicly traded guideline companies and sales involving controlling interests in public or private guideline companies. Consideration of prior transactions in interests of a valuation subject is also a method under the market approach.

The asset approach develops an estimate of value based upon the market values of the subject entity's assets and liabilities, as opposed to their book values (adjusted book value). Adjusted book value is not liquidation value; however, it could be considered a quasi-liquidation value, where assets are sold in the context of a going concern. Asset value typically indicates a value that contains an element of control, or at least an element of assumed marketability. Thus, when using this approach to value an entity on a non-marketable minority interest basis, discounts for lack of control and lack of marketability are necessary.

The income approach is a two step process. First a determination of anticipated benefits (earnings or cash flows) must be made. Second, an appropriate rate or multiple must be identified with which to capitalize those benefits. The resulting capitalized benefits must then be adjusted to reflect the estimated values of any non-operating assets and/or liabilities.

The market approach typically consists of one or both of the following general approaches: (1) prior transactions method, and (2) guideline company method. When a business interest is not listed on an exchange and no active market exists for it, but some transactions have occurred, a market value can sometimes be derived and used as an element in the determination of fair market value based upon an analysis of the transactions. Even if limited transactions have occurred at arms' length, inferences can be drawn about fair market value based on the limited transaction volume. It is crucial to evaluate the transactions to ensure that they are at arms' length. Further, the standard of value for the opinion being issued may necessitate an adjustment to the observed market value for either liquidity concerns or for control.

The guideline company method is the generally accepted method of valuing closely held companies through comparison with similar companies whose stocks are publicly traded (guideline companies). When using this method, a determination of anticipated benefits (earnings, cash flow, etc.) is developed based upon a review of the subject entity. The anticipated benefits are then capitalized using a corresponding capitalization factor for the Guideline Company Group. It should be noted that: (1) it is virtually impossible to find identical public companies; and (2) required disclosure for public companies notwithstanding, appraisers are not privy to "inside" information for any public companies.

When determining the fair market value of non-traded securities, it is common to derive a "combined value", based upon a weighted average of valuation approaches deemed appropriate by the appraiser. The weights applied to the various methodologies are based upon the relative importance of each methodology. Further, discounts to the combined value may be necessary to properly reflect the appropriate standard of value (discounts for lack of control, lack of marketability, restrictions, and blockage are typical examples).

Finally, it is crucial to understand that valuation is ultimately a matter of informed judgment based upon a full consideration of all relevant data. We considered each of the valuation methodologies outlined above in reaching our final conclusion of the fair market value of a controlling interest in ABC Widget Company.

The Asset Based Approach

The net asset value method begins with the entity's reported financial statements. Adjustments are made, as necessary or appropriate, to reflect the actual or estimated market values of the subject entity’s assets and liabilities, as opposed to their book values. Net asset value is not an indication of liquidation value; but rather the value of the assets less liabilities determined in the context of a going concern.

The reported book value of the Company as of December 31, 2008 was $5,836,584. In our opinion, the following adjustments to reported book value are necessary to derive value under the asset based approach.

1. The Company owns real properties and other fixed assets with depreciated book values that are lower than their estimated market values. Appraisals of the operating assets of the Company were not available, though we did review the 2008 Shelby County, Tennessee real estate tax statements for the Company’s real properties in Memphis. According to those statements, the tax appraised values were $1,667,266 for the main property and $635,875 for the satellite property. Based on the depreciated book values of the buildings at December 31, 2008, the adjustment to estimated market value is $766,490.

   Further, Southard Financial estimated market values for fixed assets equivalent to 30% of original cost for machinery and equipment, 50% of cost for vehicles, and 20% of cost for office equipment. The adjustments to depreciated book values were $646,709 for machinery, $228,556 for vehicles, and $25,671 for office equipment. Therefore, the total pre-tax adjustment to reflect the market values of fixed assets in excess of their book values was $900,936 (rounded).

2. The Company owns marketable securities (tax-exempt municipal bonds) with a recorded investment of $179,310 as of December 31, 2008. Based upon the average of the high and low market prices on the valuation date, the market value of the securities portfolio was $145,619, including accrued interest. Therefore, the pre-tax adjustment to book value is <$33,691> (rounded).

TABLE 6
ABC WIDGET COMPANY
THE ASSET BASED APPROACH
As of December 31, 2008

Reported Book Value as of December 31, 2008	$5,836,584
Fixed Assets to Market Value	1,667,426
Investments to Market Value	(33,691)
Adjusted Book Value	$7,470,319
ASSET BASED APPROACH	$7,470,000

Based upon the analysis presented above, the valuation of ABC Widget Company under the asset based approach was $7,470,000 (rounded) as of December 31, 2008.

The Income Approach – Multiple of Earnings Method

Introduction

The determination of value using the capitalization of earnings (income) method is a two step process. First, it is necessary to make a determination of the subject entity's ongoing earning power, also defined as the "anticipated benefits" that will accrue to the subject entity on an annual basis. Ongoing earning power represents the estimated sustainable earnings of the subject entity. Second, a rate must be identified with which to capitalize those earnings (the capitalization factor). There are two general approaches for the determination of a capitalization factor: (1) the build-up approach; and (2) comparable guideline companies. The guideline company method is considered below under the market approach.

When using the income approach, it is sometimes necessary to adjust capitalized benefits to reflect non-operating assets owned by the subject entity. In theory the operations (financial performance) of the subject entity would not be impacted by the liquidation of the non-operating assets. To account for the non-operating assets, an adjustment is made to the determination of ongoing earning power by eliminating the income and expenses associated with these assets. Then, the market value of the non-operating assets is added to the capitalization of benefits to determine the value of the subject entity using the income approach.

For ABC, the only non-operating assets were the marketable securities. The total market value of these securities is added to the capitalization of benefits to derive the value of ABC under the income approach.

Anticipated Benefits

The first step in determining the fair market value of the Company under the income approach is the determination of the earning power (anticipated benefits) of the Company. It is important to stress that the earnings stream considered is the earning power, not necessarily actual reported earnings during any one accounting period. In our opinion, the following adjustments to reported earnings are necessary to arrive at a determination of the anticipated benefits of ABC.

1. Bill Jones’s compensation is added to reported pre-tax income in each year, since it will not continue.
2. Investment income on the securities portfolio (non-operating assets) is subtracted in each year, since the investments are considered non-operating assets.
3. Gains and losses on the sale of assets are reversed in each year, since they are non-recurring events.

TABLE 7
ABC WIDGET COMPANY
ANTICIPATED BENEFITS

	For the Years Ended December 31					
Adjusted Earnings	2008	2007	2006	2005	2004	2003
Reported Pre-Tax Income	$853,607	$1,452,758	$1,319,252	$1,207,759	$1,192,725	$1,413,999
Adjustments:						
(1) Owner Compensation Adjustment	16,667	150,000	150,000	150,000	150,000	150,000
(2) Investment Income	(7,313)	(7,698)	(7,844)	(8,054)	(8,054)	(10,310)
(3) Gains/Losses on Sale of Assets	0	0	(991)	854	12,624	0
Adjusted Pre-Tax Income	$862,961	$1,595,060	$1,460,417	$1,350,559	$1,347,295	$1,553,689
Weight	1	1	1	1	1	1
Estimated Ongoing Pre-Tax Income	$1,361,663					
Federal Tax - Corporate Statutory Rate	432,873	31.79%	effective rate			
State Tax - Corporate Statutory Rate	88,508	6.50%	of ongoing pre-tax income (deductible for Federal)			
		38.29%	overall effective rate			
Estimated Ongoing After-Tax Income	$840,282					
ANTICIPATED BENEFITS	$840,000					

Adjusted pre-tax income is averaged over the past six years (2003-08) to derive average, adjusted pre-tax income. The average of adjusted pre-tax income is subjected to Federal and State income taxes to arrive at anticipated benefits on an after-tax basis.

Based upon the analysis presented above, the annual anticipated benefits of ABC Widget Company were $840,000 (rounded) as of December 31, 2008.

Capitalization Factor

It is commonly known that the value of an investment is the present value of the future income stream that flows to the owner, determined using a discount rate (interest rate) that reflects the riskiness of the investment. If it can be assumed that the rate of growth of the investment is relatively constant, then the capitalization factor (multiple) becomes:

Capitalization Factor = 1.0/(CR-g)
where;
CR = investor's required rate of return
g = anticipated growth rate

Thus, to determine an appropriate capitalization rate, two factors must be determined; the investor's required rate of return and the anticipated rate of growth in the investment's income stream.

An accepted method of developing the appropriate capitalization rate, or investor’s required rate of return is the “build-up method”. The utilization of this approach relies upon the historical relationships between rates of return earned by investors on investments in securities. The model is based upon the following simple premise: investors demand a rate of return commensurate with the risk level borne. Expressed mathematically, the build-up method results in the following relationship:

$$CR = R_f + R_{eq} + R_{size} + R_{p1} + \ldots\ldots\ldots\ldots + R_{pn}$$

where;
CR = Capitalization rate for the subject entity
R_f = Risk free rate of interest
R_{eq} = Market equity risk premium
R_{size} = Size risk premium
R_{pi} = Specific risk premiums, i=1,….n

Thus, the use of the build-up method requires an estimate of each of the relevant risk premiums:

1. **Risk-Free Rate:** The proxy used for the risk free interest rate is the 20-year Treasury bond yield. The Treasury bond yield as of December 31, 2008 was about 4.0%.

2. **Equity Risk Premium:** The general market equity risk premium is taken from data provided by Morningstar, Inc. (formerly Ibbotson Associates) in *Stocks, Bonds, Bills and Inflation, 2009 Yearbook (Valuation Edition).* The general market equity risk premium for the period 1926-2008 was 4.7%, based upon the 10.8% average arithmetic return of large company stocks (Table 7-4) less the 6.1% average arithmetic return on long-term (20-year maturity) government bonds (Table 2-1).

3. **Size Risk Premium:** The initial size risk premium is also based upon data from Morningstar, Inc. In *Stocks, Bonds, Bills and Inflation, 2009 Yearbook (Valuation Edition, Tables 7-1, 7-4, 7-6, and 7-7)*, data is provided for equity size risk premiums based upon deciles of the NYSE/AMEX/NASDAQ for the period 1926-2008.

Decile	Mkt Cap[1]	Arithmetic Return[2]	Size Premium[3]	Standard Deviation[4]
1	$ 8,530,554	10.8%	0.0%	18.9%
2	1,682,132	12.5	1.7	21.6
3	804,806	13.1	2.3	23.3
4	540,900	13.4	2.6	25.7
5	409,557	14.2	3.4	26.5
6	342,820	14.5	3.7	27.1
7	283,476	14.8	4.0	29.5
8	241,137	16.0	5.2	34.2
9	181,013	16.6	5.8	36.5
10	128,780	20.1	9.3	44.6
10a	77,980	18.5	7.7	na
10b	75,413	23.7	12.9	na

[1] Market capitalization in $millions as of September 30, 2008 (Tables 7-1 and 7-6)
[2] Arithmetic average annual return for the 1926-2008 period (Tables 7-4 and 7-7)
[3] Return for the indicated decile group less the return for the largest decile stocks
[4] Standard deviation of annual return; higher standard deviation implies higher volatility of annual return (Table 7-4)

Clearly, the rate of return earned has historically been a function of size. Thus, to account for the small size of the subject entity, a size risk premium of 9.3% is appropriate. However, it must be noted that the smallest decile of the NYSE/AMEX/NASDAQ has experienced significant volatility of annual returns. This is indicated by the high standard deviation of the annual returns.

4. **Specific Risk Premium:** To adjust for the risk of a business interest, specific risk premiums are generally considered for the following factors. It is important to note that the risk premium can be either positive or negative depending upon the operating and financial characteristics of the subject entity. For ABC the following specific risk premiums were considered:

- Key-man factors: Typically, small public companies have more management depth and, therefore, less dependency upon one or two key people. ABC is somewhat dependent upon its two senior officers for day-to-day management, strategic direction, and sales/financial oversight.
- Diversification factors: Typically, small public companies have more geographic and product line diversification, as well as a larger customer base. ABC's customer base is diversified, though its product line is narrow.
- Earnings/Return volatility: Typically, small public companies have more stable and predictable revenues and earnings. ABC has shown good profitability over a sustained period of time, though profits were down in 2008 due to worsening economic conditions.
- Other factors: ABC has no leverage.

Based upon these factors, it is our opinion that a specific risk premium of 2.0% is appropriate for the valuation of ABC Widget Company.

TABLE 8
ABC WIDGET COMPANY
INVESTOR'S REQUIRED RETURN

Long-Term Gov't. Bond Rate (20-year)		4.0%
Ibbotson Equity Risk Premium		4.7%
Ibbotson Size Premium		9.3%
Specific Risk Premium		2.0%
Investor's Required Rate of Return		20.0%
Company Long-Run Growth Rate		5.0%
Capitalization Rate		15.0%
Risk Adjusted Capitalization Factor - Minority		6.67
Risk Adjusted Capitalization Factor - Control	20%	8.00

We discussed the future growth potential of the Company with management. Based upon those discussions and the historical growth of the Company, our estimate of the long-run growth outlook for ABC is 5.0%.

Based upon our assumptions for the investor's required rate of return and long-run growth rate for the Company, an appropriate capitalization factor for the Company is 6.67x (derived as 1.0 divided by 20.0% minus 5.0%). The derived multiple should be applied to estimated after-tax earnings to determine marketable minority interest value.

However, since the premise of value for this opinion is a controlling interest basis, the derived minority multiple must be adjusted to reflect a premium that is typically associated with a change of control transaction. Typical control premiums from studies of public companies are in the range of 30-40% or more (see Appendix E). However, for smaller private companies such as ABC, control premiums are typically much lower. The lower premiums are supported by the limited number of buyers and other relevant factors. For ABC, a control premium of 20% is applied to the derived minority multiple, resulting in a control multiple of 8.00x.

Valuation – Multiple of Earnings Method

The table below presents the value of ABC under the income approach, based on the anticipated benefits and risk adjusted capitalization factor discussed above. The indication of value under the income approach is the sum of the capitalized value of the anticipated benefits and the non-operating assets.

TABLE 9
ABC WIDGET COMPANY
THE INCOME APPROACH – MULTIPLE OF EARNINGS METHOD
As of December 31, 2008

Anticipated Benefits	$840,000
Adjusted Capitalization Factor	8.00
Capitalization of Benefits	$6,720,000
Non-Operating Assets	145,619
Valuation - Income Approach	$6,865,619
INCOME APPROACH - EARNINGS	$6,866,000

Based upon the analysis presented above, the valuation of ABC Widget Company under the income approach (multiple of earnings method) was $6,866,000 (rounded) as of December 31, 2008.

The Income Approach – Multiple of Cash Flow Method

Introduction

The multiple of cash flow approach determines the value of the subject entity based upon a multiple of earnings before interest, taxes and depreciation less capital expenditures (“EBITDA-CapEx”). This approach requires the determination of ongoing EBITDA-CapEx and an appropriate multiple. The multiple is based upon the subject entity’s pre-tax cost of capital and a normalized capital structure. The value of the equity of the subject entity is determined by subtracting the outstanding debt of the subject entity from the derived total value.

The derivation of anticipated benefits based on the EBITDA-CapEx method is presented in the table below. The beginning point of the analysis was adjusted pre-tax income for each year derived in Table 7 above. Interest expense and depreciation expense are then added in each year to determine adjusted EBITDA. Adjusted EBITDA is averaged over the past six years (2003-08) to derive estimated ongoing EBITDA. Estimated ongoing capital expenditures of $327,000 (average over the 2003-08 period) are then deducted from ongoing EBITDA to derive anticipated benefits.

TABLE 10
ABC WIDGET COMPANY
ANTICIPATED BENEFITS

	For the Years Ended December 31					
Operating Cash Flow	2008	2007	2006	2005	2004	2003
Adjusted Pre-Tax Income	$862,961	$1,595,060	$1,460,417	$1,350,559	$1,347,295	$1,553,689
Interest Expense	0	0	0	0	0	0
Depreciation and Amortization Expense	236,038	468,896	332,896	335,290	611,281	637,449
Adjusted EBITDA	$1,098,999	$2,063,956	$1,793,313	$1,685,849	$1,958,576	$2,191,138
Weight	1	1	1	1	1	1
Estimated Ongoing EBITDA	$1,798,638					
Estimated Ongoing CapEx	(327,000)					
Estimated Ongoing Operating Cash Flow	$1,471,638					
ANTICIPATED BENEFITS	$1,472,000					

Based upon the analysis presented above, the annual anticipated operating cash flow (EBITDA-CapEx) of ABC Widget Company was $1,472,000 (rounded) as of December 31, 2008.

Cost of Capital

The cost of capital for ABC was derived based upon the following assumptions:

- Cost of debt capital is estimated at 250 basis points over the 20-year treasury, or 6.5%.
- The after-tax cost of equity capital was derived in Table 8 above (20.0%). Based upon a 38.29% tax rate (fully taxable), the pre-tax cost of capital is 32.4%.
- The normal capital structure was determined as 25% funded debt and 75% equity (market value).
- The anticipated long-term growth rate is 5.0%.

The derivation of the pre-tax cost of capital and the appropriate EBITDA-CapEx multiple is presented below. Again, as in the multiple of earnings approach, a control premium of 20% is applied to the multiple.

TABLE 11
ABC WIDGET COMPANY
CASH FLOW CAPITALIZATION FACTOR
As of December 31, 2008

Component	Pre-Tax Cost	Weight	Product
Cost of Equity	32.4%	75%	24.30%
Cost of Debt	6.5%	25%	1.63%
Pre-tax Cost of Capital			25.93%
Long-term Growth Rate			5.00%
Capitalization Rate			20.93%
Risk Adjusted Capitalization Factor - Minority			4.78
Risk Adjusted Capitalization Factor - Control		20%	5.74

Based upon the analysis presented above, the appropriate cash flow capitalization factor for ABC Widget Company was 5.74x as of December 31, 2008.

Valuation – Multiple of Cash Flow Method

The table below derives the value of ABC based upon the assumptions outlined above.

TABLE 12
ABC WIDGET COMPANY
THE INCOME APPROACH – MULTIPLE OF CASH FLOW METHOD
As of December 31, 2008

Anticipated Benefits	$1,472,000
Adjusted Capitalization Factor	5.74
Capitalization of Benefits	$8,449,280
Funded Debt	0
Non-Operating Assets	145,619
Valuation - Minority Basis	$8,594,899
INCOME APPROACH - CASH FLOW	$8,595,000

Based upon the analysis presented above, the valuation of ABC Widget Company under the income approach (multiple of cash flow method) was $8,595,000 (rounded) as of December 31, 2008.

The Market Approach

The market approach is based upon transactions involving interests of the subject entity or transactions involving interests of similar (Guideline) companies for which adequate information is available.

Prior Transactions Method

When a business interest is not listed on an exchange and no active market exists for it, but some transactions have occurred, a market value can sometimes be derived and used as an element in the determination of fair market value. Even if limited transactions occurred at arms' length, inferences can be drawn about fair market value based on the limited transaction volume. There have been no recent arms' length transactions in the common stock of ABC.

Guideline Company Method

One of the generally accepted methods of valuing closely-held stock is through comparison with similar companies whose stocks are publicly traded (guideline companies). The intent is to compare the subject entity to that of entities whose securities are traded in the public marketplace. The ideal guideline companies are in the same line(s) of business of the subject company; however, it is typically virtually impossible to find identical public companies. The procedure used to develop the group of public companies generally involves the following steps:

(1) Determine an appropriate SIC number using the SIC number under which the Company files its Federal corporate income tax return;
(2) Compile a list of publicly traded companies that file their tax returns, or are listed by at least one source, under the desired SIC number(s);
(3) Obtain business descriptions and financial characteristics of the companies through financial information databases;
(4) Screen the group to exclude those which are more than ten times the size of the Company in terms of total assets, total equity, and total revenues; and,
(5) Determine which publicly traded companies are sufficiently similar to the Company in terms of operating, financial, geographical, industry, and/or market characteristics for inclusion in the guideline group.

However, no sufficiently comparable group of guideline companies was found. Therefore, the guideline company method is not employed at this time.

Guideline Acquisition Method

We reviewed data from the Pratt's Stats database of transactions data published by Business Valuation Resources, LLC ("BVR"). The Pratt's Stats database contains data on completed transactions. Along with the sales price and market value of invested capital, Pratt's Stats provides the annual gross revenue of the business and various measures of profitability.

In the valuation of ABC under the guideline acquisition method, we used invested capital valuation procedures. It is very common to analyze the value of a company based on the market value of its invested capital ("MVIC") in order to minimize capital structure differences between the subject company and the selected guideline companies. For our analysis MVIC is defined as follows:

	Market value of short-term interest-bearing debt
+	Market value of long-term interest-bearing debt
+	Market value of preferred stock outstanding
+	Market value of common stock outstanding
=	Market value of invested capital

To derive the value of common stock using MVIC multiples, the market value of the subject company's debt must be subtracted from capitalized total value.

Searches in Pratt's Stats under SIC #1234 produced transactions involving eleven manufacturing companies that were sufficiently comparable to the Company. Not all of the companies were in the widget industry, but they all had similar operating and financial characteristics with ABC.

The transactions involved companies with revenues ranging from $1.93 million to $19.88 million and were completed over the 2004-08 period. The guideline transactions had an average MVIC/Revenue ratio of 0.36x, with a range of 0.23x to 0.62x and a median of 0.32x, and the MVIC/EBITDA ratio averaged 4.63x, with a range of 2.41x to 8.00x, and a median of 3.95x. In our opinion, the appropriate base MVIC pricing ratios of the guideline transactions are 0.32x revenues and 3.95x EBITDA (median multiples).

The table below derives the value of the Company based upon the guideline acquisition method and the assumptions outlined above. The anticipated benefits to be capitalized are 2008 revenues (rounded) and ongoing EBITDA derived in Table 8 above (rounded). Finally, the MVIC/revenue approach is weighted 30% and the MVIC/EBITDA approach is weighted 70% to derive value under the guideline acquisition method.

TABLE 13
ABC WIDGET COMPANY
THE MARKET APPROACH – GUIDELINE ACQUISITION METHOD
As of December 31, 2008

Pratt's Stats Transactions	MVIC	Net Revenue	MVIC/Revenue	MVIC/EBITDA
SIC Code 1234	808,523	3,515,316	0.23	5.43
SIC Code 1234	8,945,550	19,879,000	0.45	3.26
SIC Code 1234	1,233,945	4,254,984	0.29	3.26
SIC Code 1234	714,840	1,932,000	0.37	3.24
SIC Code 1234	2,975,140	11,442,848	0.26	2.78
SIC Code 1234	2,652,127	4,735,941	0.56	3.95
SIC Code 1234	1,087,545	3,107,271	0.35	6.85
SIC Code 1234	1,260,000	4,500,000	0.28	8.00
SIC Code 1234	8,060,000	13,000,000	0.62	4.32
SIC Code 1234	1,210,112	3,781,600	0.32	7.45
SIC Code 1234	930,545	3,722,180	0.25	2.41
Average	2,716,212	6,715,558	0.36	4.63
Median	1,233,945	4,254,984	0.32	3.95
High	8,945,550	19,879,000	0.62	8.00
Low	714,840	1,932,000	0.23	2.41
Multiple Chosen			0.32	3.95
ABC Widget Company - Anticipated Benefits			$32,669,000	$1,799,000
Market Value of Invested Capital (MVIC)			$11,820,238	$8,330,842
Funded Debt (interest bearing)			0	0
Non-Operating Assets			145,619	145,619
Equity Price - Control Basis			$11,965,857	$8,476,461
Weight			30%	70%
Weighted Average Value		$9,523,280		
MARKET APPROACH - GUIDELINE ACQUISITION		$9,523,000		

Based upon the analysis presented above, the valuation of ABC Widget Company under the market approach (guideline acquisition method) was $9,523,000 (rounded) as of December 31, 2008.

Combined Value

Based upon the entire analysis, it is our opinion that the fair market value of ABC should be determined by assigning appropriate weights to the values derived above. The table below shows the combined value of ABC as of December 31, 2008. In our opinion, the weight assigned to each valuation approach properly reflects the relative importance of that approach for purposes of this valuation opinion.

TABLE 14
ABC WIDGET COMPANY
COMBINED VALUE
As of December 31, 2008

Valuation Methodology	Valuation	Weight	Product
Asset Based Approach	$7,470,000	20.0%	$1,494,000
Income Approach - Earnings	6,866,000	30.0%	2,059,800
Income Approach - Cash Flow	8,595,000	30.0%	2,578,500
Market Approach - Prior Transactions Method	none	0.0%	0
Market Approach - Guideline Company Method	none	0.0%	0
Market Approach - Guideline Acquisition Method	9,523,000	20.0%	1,904,600
COMBINED VALUE		100.0%	$8,036,900

Although the weights are reasonable, in our opinion, they should not be applied rigidly from year to year. Instead, they must be carefully reviewed for purposes of future valuations of the Company to reflect changing conditions.

Based upon the analysis presented above, the combined valuation of ABC Widget Company was $8,036,900 as of December 31, 2008. The valuation has yet to consider the marketability of the shares being valued.

Discount for Lack of Marketability

Since the premise of value was controlling interest basis, no discount for lack of marketability is appropriate for the valuation of ABC Widget Company as of December 31, 2008.

CONCLUSION OF FAIR MARKET VALUE

Based upon the entire analysis, and for the purposes described in this report, it is our opinion that the fair market value of a 100% interest in the common stock of ABC Widget Company, on a controlling interest basis, was $8,000,000 (rounded) as of December 31, 2008.

The conclusion of value represents 137.1% of reported book value at December 31, 2008, 9.52x ongoing earning power (anticipated benefits), and 4.45x ongoing EBITDA. The conclusion of value is rounded to reflect the imprecision inherent in the various assumptions and valuation procedures used in this report. The conclusion of value is reasonable, in our opinion, and meets the standard of fair market value. The valuation has considered all of the relevant factors reviewed during our due diligence process, whether referenced in this report or not.

EXHIBIT 1
ABC WIDGET COMPANY
HISTORICAL BALANCE SHEETS

	December 31						Compound Annual Growth Rates		
Assets	2008	2007	2006	2005	2004	2003	2003-08	2006-07	2007-08
Cash & Equivalents	700,580	692,895	1,586,014	1,768,278	1,522,398	912,394	-5.15%	-56.31%	1.11%
Accounts Receivable - Trade	2,987,281	2,677,116	1,955,866	1,838,558	1,285,595	1,450,290	15.55%	36.88%	11.59%
Accounts Receivable - Other	0	0	0	861	0	0	0.00%	0.00%	0.00%
Inventories (1)	1,354,789	852,985	764,485	719,071	702,199	565,203	19.11%	11.58%	58.83%
Prepaid Expenses & Other	26,391	13,016	6,990	10,980	16,699	2,480	60.47%	86.21%	102.76%
Total Current Assets	5,069,041	4,236,012	4,313,355	4,337,748	3,526,891	2,930,367	11.58%	-1.79%	19.67%
Property and Equipment (2)	7,192,574	7,154,263	7,315,761	6,705,953	6,635,663	6,164,138	3.13%	-2.21%	0.54%
Accumulated Depreciation (2)	5,216,806	4,980,769	5,293,035	5,204,368	4,869,078	4,277,049	4.05%	-5.90%	4.74%
Net Fixed Assets	1,975,768	2,173,494	2,022,726	1,501,585	1,766,585	1,887,089	0.92%	7.45%	-9.10%
Cash Value Life Insurance	0	0	0	0	0	150,000	nm	0.00%	0.00%
Notes Receivable	331	331	331	331	331	331	0.00%	0.00%	0.00%
Investments	179,310	170,518	161,349	155,734	156,620	156,613	2.74%	5.68%	5.16%
Other Assets	0	0	0	0	0	0	0.00%	0.00%	0.00%
TOTAL ASSETS	7,224,450	6,580,355	6,497,761	5,995,398	5,450,427	5,124,400	7.11%	1.27%	9.79%
Liabilities									
Line of Credit	0	0	0	0	0	0	0.00%	0.00%	0.00%
Notes Payable - Bank	0	0	0	0	0	0	0.00%	0.00%	0.00%
Accounts Payable	1,262,181	944,438	1,142,766	918,533	700,669	645,524	14.35%	-17.36%	33.64%
Current Portion Long-Term Debt	0	0	0	0	0	0	0.00%	0.00%	0.00%
Deferred Revenue	0	0	0	0	0	0	0.00%	0.00%	0.00%
Accrued Expenses & Other (3)	125,685	127,040	423,873	371,246	314,400	361,244	-19.04%	-70.03%	-1.07%
Total Current Liabilities	1,387,866	1,071,478	1,566,639	1,289,779	1,015,069	1,006,768	6.63%	-31.61%	29.53%
Long-Term Debt - Bank	0	0	0	0	0	0	0.00%	0.00%	0.00%
Other Long Term Liabilities	0	0	0	0	0	0	0.00%	0.00%	0.00%
Total Liabilities	1,387,866	1,071,478	1,566,639	1,289,779	1,015,069	1,006,768	6.63%	-31.61%	29.53%
Owners' Equity									
Common Stock	129,413	129,413	129,413	129,413	129,413	129,413	0.00%	0.00%	0.00%
Retained Earnings	5,707,171	5,379,465	4,801,709	4,576,206	4,305,945	3,988,219	7.43%	12.03%	6.09%
Total Equity (4)	5,836,584	5,508,878	4,931,122	4,705,619	4,435,358	4,117,632	7.23%	11.72%	5.95%
TOTAL LIABILITIES & EQUITY	7,224,450	6,580,356	6,497,761	5,995,398	5,450,427	5,124,400	7.11%	1.27%	9.79%

SOURCE: Compiled financial statements
Certain items combined for analytical purposes
Numbers in parentheses refer to supplemental notes in Exhibit 1a

EXHIBIT 1a
ABC WIDGET COMPANY
SUPPLEMENTAL NOTES TO BALANCE SHEETS

	December 31					
Notes to Balance Sheets	2008	2007	2006	2005	2004	2003
(1) Inventories are stated at the lower of cost or market; cost is based upon FIFO						
(2) Fixed Assets at cost include:						
a) Land and improvements	62,813	62,813	62,813	31,563	31,563	31,563
b) Buildings	2,460,856	2,440,269	2,440,269	1,927,544	1,927,544	1,927,544
c) Machinery and equipment	3,654,948	4,410,669	3,647,448	4,381,928	3,785,365	3,715,075
d) Furniture & fixtures	204,600	202,700	194,376	198,988	181,423	181,423
e) Vehicles	809,358	809,358	809,358	775,740	780,059	780,059
Total Fixed Assets at Cost	7,192,575	7,925,809	7,154,264	7,315,763	6,705,954	6,635,664
Fixed assets are depreciated over their useful lives using accelerated and straight-line methods						
(3) Accrued Expenses & Other include:						
a) Federal payroll taxes payable	0	0	0	0	0	9,319
b) State payroll taxes payable	6,478	5,575	5,906	6,945	9,846	13,383
c) Garnishments	6,150	4,713	1,265	1,724	2,441	1,490
d) Retirement plan payable	23,804	28,861	310,220	323,011	288,418	282,961
e) Accrued bonuses	89,254	87,891	106,481	39,566	13,695	54,091
Total Accrued Expenses & Other	125,686	127,040	423,872	371,246	314,400	361,244

(4) See Exhibit 5 for reconciliation of owners' equity

SOURCE: Compiled financial statements
Certain items combined for analytical purposes
Numbers in parentheses are notes to Exhibits 1 and 2

EXHIBIT 2
ABC WIDGET COMPANY
HISTORICAL PERCENTAGE BALANCE SHEETS

	December 31						
Assets	2008	2007	2006	2005	2004	2003	Peer Group
Cash & Equivalents	9.70%	10.53%	24.41%	29.49%	27.93%	17.80%	5.5%
Accounts Receivable - Trade	41.35%	40.68%	30.10%	30.67%	23.59%	28.30%	16.1%
Accounts Receivable - Other	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%	na
Inventories (1)	18.75%	12.96%	11.77%	11.99%	12.88%	11.03%	5.3%
Prepaid Expenses & Other	0.37%	0.20%	0.11%	0.18%	0.31%	0.05%	3.1%
Total Current Assets	70.17%	64.37%	66.38%	72.35%	64.71%	57.18%	30.0%
Property and Equipment (2)	99.56%	108.72%	112.59%	111.85%	121.75%	120.29%	121.3%
Accumulated Depreciation (2)	72.21%	75.69%	81.46%	86.81%	89.33%	83.46%	62.5%
Net Fixed Assets	27.35%	33.03%	31.13%	25.05%	32.41%	36.83%	58.8%
Cash Value Life Insurance	0.00%	0.00%	0.00%	0.00%	0.00%	2.93%	na
Notes Receivable	0.00%	0.01%	0.01%	0.01%	0.01%	0.01%	na
Investments	2.48%	2.59%	2.48%	2.60%	2.87%	3.06%	6.3%
Other Assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	4.9%
TOTAL ASSETS	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.0%
Liabilities							
Line of Credit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	11.1%
Notes Payable - Bank	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	na
Accounts Payable	17.47%	14.35%	17.59%	15.32%	12.86%	12.60%	13.7%
Current Portion Long-Term Debt	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.0%
Deferred Revenue	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.0%
Accrued Expenses & Other (3)	1.74%	1.93%	6.52%	6.19%	5.77%	7.05%	4.7%
Total Current Liabilities	19.21%	16.28%	24.11%	21.51%	18.62%	19.65%	29.5%
Long-Term Debt - Bank	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	18.6%
Other Long Term Liabilities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	6.6%
Total Liabilities	19.21%	16.28%	24.11%	21.51%	18.62%	19.65%	54.7%
Owners' Equity							
Common Stock	1.79%	1.97%	1.99%	2.16%	2.37%	2.53%	na
Retained Earnings	79.00%	81.75%	73.90%	76.33%	79.00%	77.83%	na
Total Equity (4)	80.79%	83.72%	75.89%	78.49%	81.38%	80.35%	45.3%
TOTAL LIABILITIES & EQUITY	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.0%

SOURCE: Compiled financial statements
Certain items combined for analytical purposes
Numbers in parentheses refer to supplemental notes in Exhibit 1a
Integra SIC #1234 represents 145 manufacturers of widgets and similar products with sales of $10-$40 million   Assets (mil): $7.41

EXHIBIT 3
ABC WIDGET COMPANY
HISTORICAL INCOME STATEMENTS

Income Statements	2008	2007	2006	2005	2004	2003	2003-08	2006-07	2007-08
	Years Ended December 31						Compound Annual Growth Rates		
Net Revenue (1)	32,669,243	23,502,140	18,918,831	17,350,890	16,737,274	17,873,823	12.82%	24.23%	39.01%
Cost of Goods Sold (2)	28,936,182	19,066,546	14,695,311	13,085,573	12,428,003	13,080,708	17.21%	29.75%	51.76%
Gross Profit	3,733,061	4,435,594	4,223,520	4,265,317	4,309,271	4,793,115	-4.88%	5.02%	-15.84%
Operating Expenses (3)	2,902,747	3,027,521	2,971,835	3,102,864	3,127,883	3,394,505	-3.08%	1.87%	-4.12%
Operating Income/(Loss)	830,314	1,408,073	1,251,685	1,162,453	1,181,388	1,398,610	-9.90%	12.49%	-41.03%
Other Income/(Expense)									
Interest and Dividend Income	23,293	44,426	66,576	46,160	23,961	15,359	8.69%	-33.27%	-47.57%
Interest Expense	0	0	0	0	0	0	0.00%	0.00%	0.00%
Gain/(Loss) on Sale of Assets	0	0	991	(854)	(12,624)	0	0.00%	-100.00%	0.00%
Gain/(Loss) on Investments	0	0	0	0	0	0	0.00%	0.00%	0.00%
Other, Net (4)	0	259	0	0	0	30	nm	nm	-100.00%
Total Other Income/(Expense)	23,293	44,685	67,567	45,306	11,337	15,389	8.64%	-33.87%	-47.87%
Pre-Tax Income/(Loss)	853,607	1,452,758	1,319,252	1,207,759	1,192,725	1,413,999	-9.60%	10.12%	-41.24%

SOURCE: Compiled financial statements
Certain items combined for analytical purposes
Numbers in parentheses refer to supplemental notes in Exhibit 3a

EXHIBIT 3a
ABC WIDGET COMPANY
SUPPLEMENTAL NOTES TO INCOME STATEMENTS

Notes to Income Statements	Years Ended December 31 2008	2007	2006	2005	2004	2003
(1) Revenues include:						
a) Manufacturing	28,820,198	20,091,566	15,170,146	14,063,161	13,743,278	14,480,369
b) Resale of Accessories	3,964,707	3,454,030	3,786,015	3,325,064	3,044,581	3,511,924
c) Returns and Allowances	(115,662)	(43,456)	(37,330)	(37,335)	(50,585)	(118,470)
Total Revenues	32,669,243	23,502,140	18,918,831	17,350,890	16,737,274	17,873,823
Revenues include:						
a) Manufacturing	88.2%	85.5%	80.2%	81.1%	82.1%	81.0%
b) Resale of Accessories	12.1%	14.7%	20.0%	19.2%	18.2%	19.6%
c) Returns and Allowances	-0.4%	-0.2%	-0.2%	-0.2%	-0.3%	-0.7%
Total Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
(2) Direct Costs include:						
a) Resale	3,421,933	2,662,374	2,832,635	2,476,413	2,201,515	2,555,096
b) Plastic	9,640,225	5,566,579	3,883,111	3,298,631	2,843,746	3,059,676
c) Metal	3,893,022	3,190,636	2,487,540	2,259,950	2,199,481	2,374,071
d) Rivets	7,260,100	3,199,056	2,120,278	2,136,831	2,061,073	1,885,634
e) Plant supplies	491,852	597,523	437,633	332,896	392,191	331,339
f) Plant salaries	2,554,102	2,324,466	1,790,616	1,593,340	1,566,980	1,652,965
g) Depreciation - machinery	196,720	292,821	210,625	223,541	427,533	423,349
h) Plant Repairs	0	60,920	67,688	40,683	129,678	123,664
i) Utilities	1,478,228	1,172,171	865,186	723,288	605,806	674,914
Total Direct Costs	28,936,182	19,066,546	14,695,312	13,085,573	12,428,003	13,080,708

(3) See Exhibits 8 and 9 for a breakdown of operating expense

SOURCE: Compiled financial statements
Certain items combined for analytical purposes
Numbers in parentheses are notes to Exhibits 3 and 4

EXHIBIT 4
ABC WIDGET COMPANY
HISTORICAL PERCENTAGE INCOME STATEMENTS

Income Statements	2008	2007	2006	2005	2004	2003	Peer Group
	Years Ended December 31						
Net Revenue (1)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.0%
Cost of Goods Sold (2)	88.57%	81.13%	77.68%	75.42%	74.25%	73.18%	60.4%
Gross Profit	11.43%	18.87%	22.32%	24.58%	25.75%	26.82%	39.6%
Operating Expenses (3)	8.89%	12.88%	15.71%	17.88%	18.69%	18.99%	35.6%
Operating Income/(Loss)	2.54%	5.99%	6.62%	6.70%	7.06%	7.82%	4.0%
Other Income/(Expense)							
Interest and Dividend Income	0.07%	0.19%	0.35%	0.27%	0.14%	0.09%	0.1%
Interest Expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-1.4%
Gain/(Loss) on Sale of Assets	0.00%	0.00%	0.01%	0.00%	-0.08%	0.00%	na
Gain/(Loss) on Investments	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	na
Other, Net (4)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.2%
Total Other Income/(Expense)	0.07%	0.19%	0.36%	0.26%	0.07%	0.09%	-1.1%
Pre-Tax Income/(Loss)	2.61%	6.18%	6.97%	6.96%	7.13%	7.91%	2.9%

SOURCE: Compiled financial statements
Certain items combined for analytical purposes
Numbers in parentheses refer to supplemental notes in Exhibit 3a
Integra SIC #1234 represents 145 manufacturers of widgets and similar products with sales of $10-$40 million   Sales (mil): $18.21

EXHIBIT 5
ABC WIDGET COMPANY
RECONCILIATION OF OWNERS' EQUITY

	Years Ended December 31					
Owners' Equity	2008	2007	2006	2005	2004	2003
Beginning Owners' Equity	5,508,878	4,931,122	4,705,619	4,435,358	4,117,632	3,641,133
Income/(Loss) - Continuing Operations	853,607	1,452,758	1,319,252	1,207,759	1,192,725	1,413,999
Dividends/Distributions	(525,900)	(875,000)	(1,093,750)	(937,500)	(875,000)	(937,500)
Common Stock	0	0	0	0	0	0
Paid-In Capital	0	0	0	0	0	0
Treasury Stock (Purchased)/Sold	0	0	0	0	0	0
Prior Period Adjustments	0	0	0	0	0	0
Other Restatements, Net	(1)	(2)	1	2	1	0
ENDING OWNERS' EQUITY	5,836,584	5,508,878	4,931,122	4,705,619	4,435,358	4,117,632
Reconciliation to Balance Sheet	0	0	0	0	0	0
Common Shares Outstanding						
Beginning Shares Outstanding	129,413	129,413	129,413	129,413	129,413	129,413
Less: Treasury Purchases	0	0	0	0	0	0
Plus: Treasury Sales	0	0	0	0	0	0
Plus: New Shares Issued	0	0	0	0	0	0
COMMON SHARES OUTSTANDING	129,413	129,413	129,413	129,413	129,413	129,413
Shares in Treasury	0	0	0	0	0	0
Other Unissued Shares	70,587	70,587	70,587	70,587	70,587	70,587
Total Shares Authorized	200,000	200,000	200,000	200,000	200,000	200,000
Book Value Per Common Share	$45.10	$42.57	$38.10	$36.36	$34.27	$31.82
Dividends Per Common Share	$4.06	$6.76	$8.45	$7.24	$6.76	$7.24
Earnings Per Common Share	$6.60	$11.23	$10.19	$9.33	$9.22	$10.93
Dividend Payout Ratio	61.61%	60.23%	82.91%	77.62%	73.36%	66.30%

SOURCE: Compiled financial statements
Certain items combined for analytical purposes

EXHIBIT 6
ABC WIDGET COMPANY
KEY FINANCIAL RATIOS

	Years Ended December 31						
LIQUIDITY	2008	2007	2006	2005	2004	2003	Peer Group
Current Ratio	3.65	3.95	2.75	3.36	3.47	2.91	1.0
Acid Test Ratio	2.66	3.15	2.26	2.80	2.77	2.35	0.7
Working Capital	3,681,175	3,164,534	2,746,716	3,047,969	2,511,822	1,923,599	25,000
ACTIVITY							
Average Asset Turnover	4.73	3.59	3.03	3.03	3.17	nm	2.6
Average Inventory Turnover	26.21	23.58	19.81	18.41	19.61	nm	28.6
Average Fixed Asset Turnover	15.75	11.20	10.74	10.62	9.16	nm	4.4
Average Days A/R Outstanding	31.64	35.98	36.60	32.86	29.83	nm	23
Average Days A/P Outstanding	13.92	19.98	25.60	22.58	19.77	nm	33
Average Days Inventory	13.92	15.48	18.42	19.82	18.61	nm	13
Cash Conversion Period	45.57	51.46	55.03	52.68	48.44	nm	36
LEVERAGE							
Total Liabilities/Assets	19.21%	16.28%	24.11%	21.51%	18.62%	19.65%	54.7%
Total Assets/Total Liabilities	520.54%	614.14%	414.76%	464.84%	536.95%	509.00%	182.8%
Interest Coverage	nm	nm	nm	nm	nm	nm	2.8
Total Debt/Equity	0.00	0.00	0.00	0.00	0.00	0.00	1.2
Total Debt/Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.2
Average Assets/Average Equity	1.22	1.25	1.30	1.25	1.24	nm	2.2
PERFORMANCE							
Net Profit Margin	2.61%	6.18%	6.97%	6.96%	7.13%	7.91%	1.8%
Return on Average Assets	12.37%	22.22%	21.12%	21.10%	22.56%	nm	4.4%
Pre-Tax ROAA	12.37%	22.22%	21.12%	21.10%	22.56%	nm	7.1%
Return on Average Equity	15.05%	27.83%	27.38%	26.43%	27.89%	nm	9.7%
Pre-Tax ROAE	15.05%	27.83%	27.38%	26.43%	27.89%	nm	15.6%
YEAR-TO-YEAR GROWTH							
Net Revenue (1)	39.01%	24.23%	9.04%	3.67%	-6.36%	nm	5.3%
Gross Profit	-15.84%	5.02%	-0.98%	-1.02%	-10.09%	nm	na
Operating Income/(Loss)	-41.03%	12.49%	7.68%	-1.60%	-15.53%	nm	6.3%
Pre-Tax Income/(Loss)	-41.24%	10.12%	9.23%	1.26%	-15.65%	nm	6.5%
Income/(Loss) - Continuing Operations	-41.24%	10.12%	9.23%	1.26%	-15.65%	nm	6.5%
TOTAL ASSETS	9.79%	1.27%	8.38%	10.00%	6.36%	nm	7.7%
ENDING OWNERS' EQUITY	5.95%	11.72%	4.79%	6.09%	7.72%	13.09%	12.6%
Book Value Per Common Share	5.95%	11.72%	4.79%	6.09%	7.72%	13.09%	na

SOURCE: Compiled financial statements
Certain items combined for analytical purposes
Integra SIC #1234 represents 145 manufacturers of widgets and similar products with sales of $10-$40 million

EXHIBIT 7
ABC WIDGET COMPANY
HISTORICAL OPERATING EXPENSE BREAKDOWN

	Years Ended December 31						Compound Annual Growth Rates		
Operating Expense	2008	2007	2006	2005	2004	2003	2003-08	2006-07	2007-08
Insurance	520,715	429,016	370,565	382,858	372,954	360,331	7.64%	15.77%	21.37%
Salaries - drivers	426,532	415,358	393,234	417,990	398,324	384,469	2.10%	5.63%	2.69%
Office salaries	390,168	420,571	366,321	343,903	308,618	337,568	2.94%	14.81%	-7.23%
Taxes and licenses	362,480	292,689	255,608	248,875	245,908	239,591	8.63%	14.51%	23.84%
Freight out	271,005	294,243	322,668	433,384	490,519	522,885	-12.32%	-8.81%	-7.90%
Truck expense and travel	241,142	210,300	251,909	227,566	204,980	201,434	3.66%	-16.52%	14.67%
Salaries - sales managers	210,132	192,101	192,723	223,955	240,059	280,276	-5.60%	-0.32%	9.39%
Retirement plan	173,592	199,056	310,220	323,011	288,309	316,331	-11.31%	-35.83%	-12.79%
Sales manager's bonus	87,582	152,945	135,569	125,878	127,759	151,894	-10.43%	12.82%	-42.74%
Depreciation - other	66,987	64,259	56,998	61,341	77,730	126,929	-12.00%	12.74%	4.25%
Depreciation - trucks and cars	51,010	111,816	65,273	50,408	106,018	87,171	-10.16%	71.31%	-54.38%
Office supplies	35,370	39,741	41,939	49,098	46,286	38,028	-1.44%	-5.24%	-11.00%
Officer's salary	16,667	150,000	150,000	150,000	150,000	150,000	-35.56%	0.00%	-88.89%
Rent	15,300	19,331	20,831	19,238	19,513	19,559	-4.79%	-7.20%	-20.85%
Miscellaneous	9,565	1,151	2,580	9,276	12,338	153	128.66%	-55.39%	731.02%
Accounting and legal	7,292	8,110	7,238	8,120	9,745	14,566	-12.92%	12.05%	-10.09%
Telephone	7,268	6,963	5,693	6,328	4,933	5,771	4.72%	22.31%	4.38%
Donations	5,927	5,719	6,600	3,893	4,315	36,993	-30.67%	-13.35%	3.64%
Advertising	2,338	3,315	4,188	2,151	836	966	19.34%	-20.85%	-29.47%
Dues and subscriptions	1,500	2,219	1,975	2,244	1,563	1,863	-4.24%	12.35%	-32.40%
Cash short (long)	177	80	(76)	(479)	381	754	-25.16%	nm	121.25%
Bad debts	0	0	0	1,046	5,681	106,725	nm	0.00%	0.00%
Directors fees	0	0	1,688	4,313	2,063	3,000	nm	-100.00%	0.00%
Interest	0	0	0	0	255	0	0.00%	0.00%	0.00%
Employee Christmas	0	8,539	8,096	8,470	8,800	7,250	nm	5.47%	-100.00%
Total Operating Expense	2,902,749	3,027,522	2,971,840	3,102,867	3,127,887	3,394,507	-3.08%	1.87%	-4.12%

SOURCE: Compiled financial statements
Certain items combined for analytical purposes

EXHIBIT 8
ABC WIDGET COMPANY
HISTORICAL OPERATING EXPENSE BREAKDOWN
AS A PERCENTAGE OF NET SALES

	Years Ended December 31					
Operating Expense	2008	2007	2006	2005	2004	2003
Insurance	1.59%	1.83%	1.96%	2.21%	2.23%	2.02%
Salaries - drivers	1.31%	1.77%	2.08%	2.41%	2.38%	2.15%
Office salaries	1.19%	1.79%	1.94%	1.98%	1.84%	1.89%
Taxes and licenses	1.11%	1.25%	1.35%	1.43%	1.47%	1.34%
Freight out	0.83%	1.25%	1.71%	2.50%	2.93%	2.93%
Truck expense and travel	0.74%	0.89%	1.33%	1.31%	1.22%	1.13%
Salaries - sales managers	0.64%	0.82%	1.02%	1.29%	1.43%	1.57%
Retirement plan	0.53%	0.85%	1.64%	1.86%	1.72%	1.77%
Sales manager's bonus	0.27%	0.65%	0.72%	0.73%	0.76%	0.85%
Depreciation - other	0.21%	0.27%	0.30%	0.35%	0.46%	0.71%
Depreciation - trucks and cars	0.16%	0.48%	0.35%	0.29%	0.63%	0.49%
Office supplies	0.11%	0.17%	0.22%	0.28%	0.28%	0.21%
Officer's salary	0.05%	0.64%	0.79%	0.86%	0.90%	0.84%
Rent	0.05%	0.08%	0.11%	0.11%	0.12%	0.11%
Miscellaneous	0.03%	0.00%	0.01%	0.05%	0.07%	0.00%
Accounting and legal	0.02%	0.03%	0.04%	0.05%	0.06%	0.08%
Telephone	0.02%	0.03%	0.03%	0.04%	0.03%	0.03%
Donations	0.02%	0.02%	0.03%	0.02%	0.03%	0.21%
Advertising	0.01%	0.01%	0.02%	0.01%	0.00%	0.01%
Dues and subscriptions	0.00%	0.01%	0.01%	0.01%	0.01%	0.01%
Cash short (long)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Bad debts	0.00%	0.00%	0.00%	0.01%	0.03%	0.60%
Directors fees	0.00%	0.00%	0.01%	0.02%	0.01%	0.02%
Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Employee Christmas	0.00%	0.04%	0.04%	0.05%	0.05%	0.04%
Total Operating Expense	8.89%	12.88%	15.71%	17.88%	18.69%	18.99%

SOURCE: Compiled financial statements
Certain items combined for analytical purposes

EXHIBIT 9
ABC WIDGET COMPANY
BREAKDOWN OF PRE-TAX RETURN ON AVERAGE EQUITY

Pre-Tax Return on Average Equity	2008	2007	2006	2005	2004	2003	Peer Group
	Years Ended December 31						
Operating Profit Margin (1)	2.54%	5.99%	6.62%	6.70%	7.06%	7.82%	4.0%
Non-Operating Profit Margin (2)	0.07%	0.19%	0.36%	0.26%	0.07%	0.09%	-1.1%
Average Asset Turnover (3)	4.73	3.59	3.03	3.03	3.17	nm	2.6
Total Leverage (Assets/Equity) (4)	1.22	1.25	1.30	1.25	1.24	nm	2.2
PRE-TAX ROAE (5)	15.05%	27.83%	27.38%	26.43%	27.89%	nm	16.4%

Return on equity = the operating profit margin plus the non-operating profit margin,
times asset turnover,
times leverage,

OR

(5) = [(1) + (2)] x (3) x (4)

SOURCE: Compiled financial statements
Certain items combined for analytical purposes
Integra SIC #1234 represents 145 manufacturers of widgets and similar products with sales of $10-$40 million