

New York



Business Valuation Group, Inc.

Accuracy Is Our Agenda

ABC SOFTWARE

2-STAR REPORT

**CALCULATION OF A 100% INTEREST
IN THE COMPANY**

AS OF DECEMBER 31, 20XX

REPORT DATE: MAY 13, 20XX

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Calculation Engagement

May 13, 20XX

Jim Jones
ABC Software
Address, City, State, ZIP

Re: CALCULATION OF ABC SOFTWARE

Dear Mr. Jones:

This summary report is a brief explanation of our Calculation Engagement to determine the fair market value of a 100% of the operating assets and goodwill of ABC Software as of December 31, 20XX.

Purpose of Report

We have performed a calculation engagement and present our report in conformity with the “Statement of Standards for Valuation Services No. 1” (SSVS) of the American Institute of Certified Public Accountants. This calculation was performed for a proposed sale of the business and is based upon the operating assets and goodwill of ABC Software, i.e., an asset sale. Therefore this valuation excludes any real estate, cash, investments, accounts receivable, and another other non-operating assets, as well as, accounts payable, short and long-term debt, and any other non-operating liabilities. In the event of a stock sale, the aforementioned assets and liabilities would be added and subtracted, respectively, on the day of closing to determine total fair market value.

It must be understood that the results of our Calculation cannot be considered an opinion of fair market value, as our assignment lacks the due diligence necessary in an appraisal assignment.

Intended Users

This report is a restricted use calculation report. The Calculations are strictly for internal use by the Company’s management. Any other users are considered unintended users. You may not show our Valuation Calculations to a prospective buyer without our written permission, as our work is less than an appraisal, and it may mislead prospective buyers to show them our work without full disclosure of its limitations.

You may use the Valuation Calculations in preparing to negotiate a sales price with a potential buyer (third party). However, if you show them to a potential buyer, you may not disclose that New York Business Valuation Group, Inc. performed the Valuation Calculations, as our tables and commentary are prepared for your use, not someone else’s. If you do want another party to know of our authorship of the analysis, that will require a separate engagement letter for us to prepare the report and the tables with proper disclosure for a third party to be able to

rely on our work, as we would then become responsible to that party—which is not true in the current assignment. It should be a reasonably affordable upgrade of our work.

While it might seem logical that there is only one fair market value of an asset, that is not true. Value only has meaning in the context of a scenario, with its facts, assumptions, and the purpose of the valuation. Thus, our Calculations may not be used for other purposes, valuation dates, size interests, or by other users without our written permission. This is especially true for any circumstances that require a business appraisal or any other type of official opinion of value. If, at any time, you decide that you need an appraisal, we will draft a new and separate engagement letter to cover the appraisal.

Using our report in an unauthorized manner could be misleading and dangerous. You agree to indemnify New York Business Valuation Group, Inc. against any losses arising from unauthorized use of our report.

Standard of Value

Fair Market Value

The term ‘fair market value’ (FMV) is defined as 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.¹

Fair Market Value vs. Investment Value

The fair market value of an asset is its value to a hypothetical buyer and seller. It is not the value of that asset to any particular buyer, which is investment value and is frequently different than fair market value. Investment value to a strategic buyer is almost always higher than fair market value. Although our valuation is intended to estimate fair market value, we assume no responsibility for a seller’s or buyer’s inability to obtain a purchase contract at that price.

Premise of Value

The calculated value relied on a “value in use” or going concern premise. This premise assumed that the Company is an ongoing business enterprise with management operating in a rational way with a goal of maximizing shareholder value.

Limitations of a Calculation Engagement

SSVS defines a calculation engagement as “An engagement to estimate value wherein the valuation analyst and the client agree on the specific valuation approaches and valuation methods the valuation analyst will use and the extent of valuation procedures the valuation analyst will perform to estimate the value the subject interest. A calculation engagement does

¹ International Glossary of Business Valuation Terms. IRS Treasury Regulations, Estate Tax Regulations 20.2031-1 and Gift Tax Regulations 25.2512-1 define the term similarly.

not include all of the procedures required for a valuation engagement. The valuation analyst expresses the results of the calculation engagement as a calculated value, which may be either a single amount or a range.”

Performing a Calculation allows us to take certain shortcuts that we could not take in an Appraisal. Examples of shortcuts are:

- (1) We reduced the amount of our independent market research compared to the amount we normally would perform in an Appraisal. Instead, we relied primarily on the client’s knowledge of the market and the compiled financial statements. This is a significant reduction of our normal work, and it is imperative that you understand that our forecast of future cash flows may be materially different if we were to do such market research, and that would correspondingly affect the valuation.
- (2) In an Appraisal we must use every valuation method that is relevant. With a Calculation, we only need to use one valuation method. Here, we limited our analysis to the market and income approaches. We considered several valuation multiples (Gross Revenues, Discretionary Earnings, EBITDA) from the IBA database and Pratt’s Stats. We did not review any financial statements. We only used last year’s Company’s data for the above benchmarks.

A calculation engagement is not officially considered an appraisal by the Uniform Standards of Professional Appraisal Practice (USPAP). It is necessary to understand that the conclusions in a calculation engagement must be considered as tentative and subject to change in the event you ever would decide to upgrade to a Limited or Complete Appraisal.

Sources of Data

- Company’s Sales, Discretionary Earnings, EBITDA, Pre-Tax Income for the prior 12 months, provided by Company’s Management.
- Completed Questionnaire, provided by Company’s Management.

Conclusion

Based on our calculations in this report, which are based solely on the procedures agreed upon as referred to above, the resulting calculated value of 100% of the operating assets and goodwill (asset sale) of ABC Software as of December 31, 20XX is between **\$530,000** and **\$1,204,000**. This calculated value is subject to the Statement of Limited Conditions found below.

Sincerely yours,

N Y Business Valuation Group, Inc.

Daniel T. Jordan, ASA, CBA, CPA, MBA
Certified Business Appraiser

History and Description of the Company

Background

ABC Software was founded in 20XX by Jim Jones who is the sole shareholder of ABC. The Company was incorporated on June 17, 20XX as a *State S* corporation and changed later to a *State S* corporation on December 27, 20XX.

Products/Services

ABC is a developer and publisher of mobile educational, productivity, music, and entertainment applications. The Company focuses on creating interesting, useful, and easy-to-use language learning applications for mobile devices, such as *Spanish Anywhere* and *French Anywhere*. ABC has launched its products on all the top US wireless phone operators such as AT&T, Alltel, Sprint, T-Mobile, and Verizon Wireless, as well as in Latin America and Europe on both BREW CDMA and J2ME GSM carriers.

The Company sells its applications domestically and internationally, and typically has a 3rd party intermediary between ABC and the cell phone carriers that collect ABC's revenue (Qualcomm, Apple, Wireless Developer Agency). ABC also publishes applications written by other developers, paying them a revenue share based on net revenue after development and publishing costs.

Location

ABC Software is located in *City, State*.

Customer Base

ABC's customers are Verizon Wireless, Telecomunicaciones Movilnet, Sprint PCS, T-Mobile, ATT, Apple, other smaller Tier 2 and Tier 3 carriers. The customers are located in the USA, Venezuela, and Mexico.

Competition

There are three types of competitors in this industry according to the Company's Management:

- Large corporations (Electronic Arts, Digital Chocolate, Glu, etc.);
- Small established businesses; and
- Sole proprietors that are newly coming into the market via the iPhone.

According to Mr. Jones, on the iPhone, there will be a lot of newcomers bringing new applications to compete with ABC. However, he does not expect to see as much competition on feature phones or other smartphones, because there are so many different types of handsets. It is difficult to port to all the handsets without some help. Also, the iPhone is only a small fraction of ABC's business.

Future Prospects for the Business

According to Mr. Jones, *Spanish Anywhere* will continue to be ported to new handsets as they are brought to the market. The income from *Spanish Anywhere* is expected to be maintained as new features will be added every few months. Income could rise as people become more aware of downloadable applications for cell phones (due to the commercial success of the iPhone).

Mr. Jones expects the profitability in 20XX and 20XX to be similar or slightly larger than 20XX. He does not expect to see any decrease in sales. Downloads are expected to increase as customers become more aware of cell phone applications. For instance, there were large increases in sales on T-Mobile per Mr. Jones.

SAMPLE

Valuation

Valuation Approaches

A valuation approach is “a general way of determining a value indication of a business... using one or more valuation methods.” A valuation method is, “within approaches, a specific way to determine value.”

There are three valuation approaches in business valuation, which we list below. The approaches are:

- (1) The Asset Approach. In this approach, we seek to measure value through the calculation of assets net of liabilities.
- (2) The Market Approach. In this approach, we seek to measure value by comparing the Company to sales of similar businesses or valuations of publicly traded firms.
- (3) The Income Approach. In this approach, we seek to measure value by converting anticipated economic benefits into a present single amount.

This report considers the Market and Income Approaches to derive an indicated value.

Market Approach

The Company is too small for meaningful comparison to publicly traded firms. Thus, we compare the Company to privately traded firms only.

Based on the operating nature of the business, we identified the following Standard Industrial Classification (SIC) Code² that may be appropriate for the subject Company:

SIC 7371 Computer Programming Services

Establishments primarily engaged in providing computer programming services on a contract or fee basis. Establishments of this industry perform a variety of additional services, such as computer software design and analysis; modifications of custom software; and training in the use of custom software.

- Applications software programming, custom
- Computer code authors
- Computer programming services
- Computer programs or systems software development, custom
- Computer software systems analysis and design, custom
- Computer software writers, free-lance
- Programming services, computer custom
- Software programming, custom

² SIC Codes obtained from the U.S. Department of Labor: www.osha.gov

Institute of Business Appraisers (IBA)

We searched for guideline transactions from the Institute of Business Appraisers (IBA) for all transactions in Standard Industrial Classification (SIC) code #7371—Custom Computer Programming Service, and we received 64 transactions with sales between \$0 and \$58.1 million (Exhibit 1).

The main information provided on each sale are:

- (1) Selling price
- (2) Gross sales
- (3) Owner's Discretionary Earnings
- (4) Business Type
- (5) Date of Sale
- (6) Geographic Location.

We eliminated observations with no revenues, earnings, or selling price, sales below \$400,000 and over \$5 million, and observations that were not comparable to the subject Company's business, leaving 26 transactions (Exhibit 2).

We calculate the Price to Gross Sales (P/G) and Price to Discretionary Earnings (P/DE) multiples.

Discretionary earnings are defined as EBITDA plus one owners' compensation. In other words, these are earnings from the historical operating income before nonrecurring expenses, non-operating income and expenses, expense items that are considered to be of a personal or discretionary nature, depreciation and amortization (non-cash expenses), income tax, interest expense and total compensation of the principal owner of the business. If there is more than one owner, one needs to adjust the compensation of all other business owners to market value. Discretionary earnings are meant to estimate the expected amount of money available to the owner from the business's operations.

We then compute the mean, median, minimum, maximum, standard deviation, and coefficient of variation of these multiples.

	Price/ Gross	Price/ Earnings
Mean	0.53	4.04
Median	0.35	2.33
Min	0.04	0.54
Max	1.60	27.08
Standard Deviation	0.48	5.59
Coefficient of Variation	0.90	1.38

We use the median P/G and P/DE multiples to determine the FMV. In general, the median is less sensitive to extreme scores than the mean, which makes it a better measure than the mean for highly skewed distributions. We apply our reported sales of \$1.4 million and discretionary earnings of \$240,603 to the above multiples to calculate the Fair Market Value.

	Equity Price Multiples		Weighted Value
	Sales	Discretionary Earnings	
Company Fundamental 20XX	1,417,096	240,603	
Median Equity Price Multiple	0.35	2.33	
Indicated Value	498,589	561,206	
Weight	50%	50%	
Weighted Value (Asset Sale)	249,294	280,603	529,897
Rounded			530,000

We give equal weight to the multiples. The fair market value under this method (asset sale assumption) is computed at **\$530,000** (rounded).

The observations in the IBA are asset sales, i.e., the sales price generally excludes cash, receivables, payables, and long-term debt, which are part of the fair market value. Here we assume an asset sale, i.e., we assume that only the operating assets and goodwill transfer to a buyer. Therefore no adjustments are necessary. However, in a stock sale transaction, we would need to adjust the value by adding/subtracting those items back to arrive at FMV.

Guideline M&A Method-Pratt's Stats

We searched Pratt's Stats for transactions in SIC code #7371—Custom Computer Programming Service and noted 197 transactions with net sales between \$0 and \$130.5 million (Exhibit 3). We eliminated transactions with no revenues or earnings, sales below \$400,000 and over \$5 million, and that were not comparable to the subject Company, leaving 31 observations (Exhibit 4). The transactions in Exhibit 3 are asset and stock sales combined. In Exhibit 4, we eliminated the stock sales transactions and based our analysis entirely on the asset sales transactions (17 observations).

We display the following multiples:

- Market Value of Invested Capital to Sales (MVIC/S)
- Market Value of Invested Capital to EBITDA (MVIC/EBITDA)

*Calculation of 100% of Operating Assets & Goodwill of ABC Software
As of December 31, 20XX*

We show the mean, median, minimum, maximum, standard deviation, and coefficient of variation of these multiples.

	MVIC/S	MVIC/ EBITDA
Mean	1.97	9.14
Median	0.95	5.87
Min	0.16	1.08
Max	8.05	49.29
Standard Deviation	2.31	11.85
Coefficient of Variation	1.18	1.30

We use the median multiples to determine the FMV. We apply our reported sales of \$1.4 million and EBITDA of \$180,603 to the above multiples to determine the FMV based on invested-capital multiples.

	Invested-Capital Multiples		Weighted Value
	Sales	EBITDA	
Company Fundamental 20XX	1,417,096	180,603	
Median MVIC Multiple	0.95	5.87	
Indicated Value	1,347,781	1,060,354	
Weight	50%	50%	100.0%
Weighted Value	673,890	530,177	1,204,067
Less Interest-Bearing Debt (if any)			-
FMV-Private Illiquid Control Int (Asset Sale)			1,204,067
Rounded			1,204,000

We give equal weight to the multiples. The fair market value under this method (asset sale assumption) is computed at **\$1,204,000** (rounded). Similar to the above, no adjustments are necessary as we assume an asset sale.

Income Approach

Exhibit 5 is our calculation of the Company as of December 31, 20XX using the Seller's Discretionary Cash Flow Method.

The Seller's Discretionary Cash Flow Method is an income approach that uses a multi-step procedure to determine the value of a business. This methodology computes a value to include both tangible and intangible assets. It is best suited to businesses where the salary and perquisites of an owner represent a significant portion of the total benefits generated by the business and/or the business is typically run by its owner(s). Accordingly, it is often used to value businesses with characteristics similar to the Company.

Buyers and sellers of small businesses think of earnings in terms of "net to owner" rather than after-tax or pre-tax earnings. The vast majority of those who acquire such small businesses are purchasing a business as well as a job. The seller's discretionary cash flow method attends to this mindset and computes the fair market value of goodwill, inventory, and non-real estate fixed assets required to operate the business on a marketable basis. In other words, to compute the total equity value of the business, the seller's discretionary cash flow is computed and applied to a valuation multiple and then adjusted by the assets and liabilities not represented in the computation.

The steps employed to value a business using the Seller's Discretionary Cash Flow Method are as follows:

- Step 1: Determine the seller's discretionary cash flow.
- Step 2: Select a valuation multiplier to be applied to the above-mentioned cash flow.
- Step 3: Adjust the product computed above by the balance sheet items not computed under this methodology.

Step 1- Computation of Seller's Discretionary Cash Flow (SDCF)

Discretionary earnings is defined as earnings from the historical operating income before nonrecurring expenses, non-operating income and expenses, expense items that are considered to be of a personal or discretionary nature, depreciation and amortization (non-cash expenses), interest expense and salary of the principal owner of the business.

We start with the net income before tax for 20XX. According to the Management, there are no discretionary or non-recurring expenses. We add back the interest expense (in this case: N/A) and depreciation as part of the adjustments to determine SDCF.

Seller's discretionary cash flow is before the salary of the principal owner. Thus, one adds a single owner's total compensation and adjusts compensation of all other business owners to market value. In this case, there is only one owner, which we add back to determine SDCF.

The seller's discretionary cash flow (SDCF) is meant to estimate the expected amount of money available to the owner from the business's operations. The Seller's Discretionary Cash Flow is \$240,603.

Step 2- Computation of Valuation Multiplier

The second step is to select a valuation multiplier that will attract prospective buyers. In developing this multiple we considered a number of factors and attributes applicable to both the specific business being appraised and its industry. The entire range of multipliers applicable to this level of earnings is 0 to 3. Most small businesses sell in the range of 1.5 to 2.5 times the discretionary earnings. In Exhibit 6, we determined the seller's discretionary cash flow valuation multiple to be 2.4. We multiply \$240,603 by 2.4 and arrive at the fair market value of \$577,447.

Step 3- Adjustment For Balance Sheet Items Not Otherwise Computed

The application of the valuation multiple to the seller's discretionary cash flow produces a value that includes all the tangible assets needed to operate the business such as inventory, fixtures, furniture, equipment, including the goodwill and intangible assets. However, it excludes the value of liquid assets (cash, accounts receivable less payables and long-term debt), which are part of the fair value.

Here we assume an asset sale, i.e., we assume that only the operating assets and goodwill transfer to a buyer. Therefore no adjustments are necessary. However, in a stock sale transaction, we would need to adjust the value by adding/subtracting those items back to arrive at FMV.

The fair market value under this method is computed at **\$577,447**.

Conclusion

In the table below, we summarize all of the value indications as provided by the IBA Database and Pratt's Stats.

Summary of All Value Indications

<u>Valuation Methods</u>	<u>Exhibits</u>	<u>Indicated Value</u>
Market Approach - IBA	Exhibit 2	\$530,000
Market Approach - Pratt's Stats	Exhibit 4	\$1,204,000
Income Approach - Seller's Discretionary Cash Flow	Exhibit 5	\$577,447

The resulting calculated value of 100% of the operating assets and goodwill (asset sale) of ABC Software as of December 31, 20XX is between **\$530,000** and **\$1,204,000**.

Appendix: Maximizing Business Value³

In order to maximize business value it is necessary to first identify the variables over which a business owner has control. Then we can derive the strategies to maximize the value of the business over time.

The most important variables over which a business owner has control that determine the value of the business are the following:

- Growth rate
- Discount Rate

Growth Rate

A business owner can maximize the growth rate of cash flows by managing the business more efficiently and effectively. The business owner must make sure that every action he takes sales will increase more than expenses.

Minimizing tax liability is a strategy all business owners think about. But when it comes time to obtain financing or sell the business, buried personal expenses and assets can create a problem in determining the true cash flow. Buyers and bankers won't always give credit to many of these items. As a result, the cash flow can be suspect. And when you apply a multiplier to determine the value of the business, the results can be disappointing. It is in the best interest of a business owner to show a healthy bottom line at least three to five years preceding the sale of their business to get the highest price possible. Also, a business is a lot easier to sell if the owner "goes legit".

The faster the owner is able to increase the cash flows, the more valuable the business will be. However, this requires a greater degree of structure, organization, and professionalism. If the firm grows to a size large enough to be attractive in the Mergers & Acquisitions market or for purchase by a public company, then the likely buyers will be well-diversified investors. Diversified investors have less risk, hence, the discount rate is lower, which results in a higher value. Moreover, diversified investors are strategic buyers who often achieve synergies or economies of scale and therefore are willing to pay a higher price than a financial buyer.

Discount Rate

The discount rate reflects the risk of the Company and is the return the investors require to invest in the business. The lower the risk, the lower the discount rate and the higher the value of the Company. There are many actions, an owner can take to reduce risk. The impact of reducing the discount rate by as little as 1% to 2% can be substantial—much larger than managing cash effectively.

³ How to Value Your Business and Increase Its Potential, Jay B. Abrams, McGraw-Hill, 2005, p. 141-170.

Increasing the growth rate of cash flows and reducing risk are the two most powerful ways one can increase the value of the business. Increasing the growth of cash flows is mainly a matter of being able to increase net income. But how do we reduce the risk? In order to answer this question, we have to identify first the various types of risks:

There are two types of risk: **risk inherent in the business** and the **risk to the buyer**.

Risks Inherent in the Business

The risk inherent in the business consists of **operational risk** and **financial risk**.

Operational risk factors are those risks that exist in the nature of the business. They include the business cycles of the industry, fixed costs, and dependence on the owner. A high fixed cost operation has additional risk that a low fixed cost operation does not have. Therefore, you need to receive enough of a return on it to justify the risk.

Financial risk arises from the presence of debt financing. The presence of debt always causes volatility to rise. Since volatility is risk, the more debt, the more risk. Thus, debt increases the risk of the firm.

Risks to the Buyer

The most important risks to the buyer are the following:

- The Risk of High Dependency on the Seller
- The Risk that the Seller is Dishonest
- Special Relationships with Customers
- Few Large Customers
- Lease Terms

The Risk of High Dependency on the Seller

The largest single risk to most privately held businesses is overdependence on the business owner. Some businesses can't survive without the owners trying to do everything themselves. And there are no key employees in place to help manage the operations. Buyers for businesses like these may be concerned if they themselves can't replace the skills and experience of the owner. As a result, these businesses may have very little value to anyone else. Business owners who don't delegate need to make a strong effort to have experienced key people in place before they ever try to sell their companies. You need to hire and train excellent employees, creating a logical system of organization with good structure and procedures, being computerized and very professional.

The Risk that the Seller is Dishonest

To reduce the fear of seller dishonesty, the seller could get audited or reviewed financial statements for at least three and preferably five years before selling the business. At the very

minimum, make sure that the business has a set of financial statements and annual tax returns that are easy to understand and make sense to anyone who has to review them.

Special Relationships with Customers

Special relationships that business owners have developed with customers can be a real issue when selling the business. A new owner may have a problem continuing that relationship and this could jeopardize the sale of the business. It is recommended that business owners begin delegating any special relationships with customers to other company employees as soon as possible.

Few Large Customers

Many companies have a single customer or a few large customers that dominate their overall sales. But when it comes time to sell the company, this becomes a huge problem. Most buyers won't look at a business whose revenues could drop dramatically after closing from the possible loss of a few big customers. Business owners have to find a way to diversify their customer base before they ever decide to sell their business.

Lease Terms

The lease terms of the business space can be a major consideration for a buyer. For example, a retail business with a long-term lease at a good location can be attractive. But a long-term lease on a business needing more space to grow could be a detriment. Or there might be concerns for an expiring lease when the landlord might demand a large increase. When it comes time to negotiating a new lease, business owners must carefully think through the timing of their plans for exiting their business.

Summary

The actions you can take to maximize value are to reduce the risk of the business (e.g., less dependence on owner) and create the highest possible sustainable growth in cash flows. The businesses that have been structured to sell easy-to-read financials, profitable bottom line, key employees in place, growing market, quality products and services are the ones that will see the light after the tunnel.

Business owners who are too aggressive on minimizing taxes and, thus, understate their profits might be very disappointed in the value of their business when it comes time to sell.

Understand what buyers are looking for and put plans in place to make your company attractive to a "best fit" buyer.

Statement of Limiting Conditions

This appraisal is subject to the following assumptions and limiting conditions, in conjunction with the previously presented Certification section:

- (1) We have relied on Management's representation without independent investigation or corroboration as though they fairly and accurately represent the financial condition and activities of the Company. No financial statements or Company's tax returns were provided. We only received the Company's Sales, Discretionary Earnings, Pre-Tax Income, and EBITDA for the prior 12 months, provided by Company's Management. All other information used in this report is from sources we deem reliable. We have accurately reflected such information in this report; however, we make no representation as to our sources' accuracy or completeness and have accepted their information without further verification.
- (2) Neither our engagement nor this report can be relied upon to disclose any fraud, misrepresentation, deviations from Generally Accepted Accounting Principles, or other errors or irregularities.
- (3) The conclusions are based upon our review and analysis of documents and information provided, but did not include a visit to the Company's offices. We assume that the present owners would continue to maintain the character and integrity of the enterprise through any sale, reorganization, or diminution of the owners' participation or equity interest. We know of no significant pending legal action against the Company, and we assume none is or will be occurring. If this did happen, then it would change our opinion of the value of the Company.
- (4) All claims to property have been assumed to be valid and no investigation or consideration of legal title or any existing liens or encumbrances, which may be against the assets, were undertaken except as may be stated in this report.
- (5) We have not considered the existence of potential environmental liabilities, which may or may not be present on the underlying property. This includes real estate either owned or leased by the Company. Therefore, no responsibility can be taken for hidden or unapparent conditions of the property or potential claims against the Company.
- (6) Our opinion of value in this report is valid only for the stated purposes, and only as of the valuation date specified. The fair market value, as determined within our report, shall not be used for other purposes, size interests, or dates without our written permission.

- (7) This report reflects facts and conditions existing at the valuation date. Subsequent events and conditions have not been considered unless specifically noted and discussed in the report. We have no obligation to update our report for any other subsequent events and conditions.
- (8) The estimate of fair market value established by this report may rely on estimated values for some assets of the Business if independent appraisals for these assets are not available. Where such values are used in this appraisal no warranty is made with respect to these values. If these values are incorrect, the resulting estimate of the value of the subject ownership interest may be affected.
- (9) This is a preliminary appraisal and is not a certified appraisal. A preliminary report is not nearly as rigorous as a formal appraisal and is designed to give a guideline or benchmark value rather than a formal determination of value.
- (10) We performed less independent market research than we normally perform in a Complete Appraisal. Instead, we relied primarily on the client's knowledge of the market and his/her forecasts. This is a significant reduction of our normal work, and it is imperative to understand that our forecast of future cash flows may be substantially different if we were to do such market research, and that would correspondingly affect the valuation.
- (11) This report, being preliminary in nature and limited in scope, does not conform to all IRS and USPAP standards.
- (12) An appraisal is not a legal or tax opinion. Its purpose is to estimate value according to the applicable standard of value. The appraiser assumes no responsibility whatsoever for legal or tax matters relative to its finding. Values are stated without reference to applicable legal or tax claims unless so noted.
- (13) Though some similarities exist between value as used for this purpose and others, it would be incorrect to use the fair market value as determined within our report for any other purposes due to specific timing, performance, and marketability issues that arise in evaluating the fair market value of a company. Accordingly, any such use of the value as determined within this report for other purposes would be inaccurate and possibly misleading and no such use shall be made by the Company.
- (14) Our determination of fair market value does not represent investment advice of any kind to any person and does not constitute a recommendation as to the purchase or sale of shares of the Company or as to any other course of action.
- (15) Future services regarding the subject matter of this report, including, but not limited to, testimony or attendance in court shall not be required of New York Business Valuation Group, Inc. unless previous arrangements have been made in writing.

- (16) Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, mail, direct transmittal, or other media without the prior written consent and approval of New York Business Valuation Group, Inc.
- (17) This report may only be distributed in its entirety to those directly involved with the purpose of this study. All other users are to be considered unintended users and should not rely on the information contained in this report without the advice of their attorney or accountant. This report may not be distributed in part, as only a thorough reading of this report can accurately convey the logic contained within. Excerpts taken out of context can be dangerously misleading and are therefore forbidden without the written consent of New York Business Valuation Group, Inc.

SAMPLE

Appraiser's Qualifications

Daniel Jordan, ASA, CBA, CPA, MBA, is the Managing Principal of New York Business Valuation Group, Inc. (NYBVG), specializing in the valuation of closely held businesses and intangible assets. Mr. Jordan provides business valuation services full time since 2000.

In addition to his CPA, Mr. Jordan has achieved multiple professional accreditations. He is an Accredited Senior Appraiser (ASA) and a Certified Business Appraiser (CBA). He earned his MBA Degree in Finance and Accounting from the Heinrich-Heine-University of Düsseldorf, Germany. Additionally, Mr. Jordan has published articles on valuation-related matters, lectured seminars, and provided expert testimony in court.

Mr. Jordan has been working for leading valuation firms. Prior to NYBVG, he worked nine years for Abrams Valuation Group, Inc. under the direct supervision of Jay Abrams, a nationally known authority in valuing closely-held companies who has written extensive material that is used in the profession. Mr. Jordan has assisted in the writing of Abrams' book "How To Value Your Business And Increase Its Potential", published by McGraw-Hill, which is also noted in the book. Mr. Jordan plays an integral role in valuations and litigation support work.

Mr. Jordan has played an integral role in valuations and transaction support work and has provided valuation/financial consulting services to clients representing a variety of organizations, from small entrepreneurs and family limited partnerships to firms with revenues of up to \$246 million, including the following:

- Mergers & Acquisitions and Sales
- Venture Capital Funding
- Private Placements
- Shareholder Buy/Sell Agreements
- Debt Instruments (Notes, Viatical Settlement)
- Intangible Assets (Patents, Economic Damages, Non-compete Agreement)
- Purchase Price Allocation (SFAS 141)
- Litigation Settlement
- Estate, Income & Gift Tax Reporting
- Financial Reporting

Industries that he has worked on include private equity, casinos, insurance, computer software, textile, auto repair, line tester technology, food manufacturer and broker, asset management, electronics manufacturers, furniture manufacturing, embroidery & printing, retail pharmacy,

internet start-up, restaurants, art collection, internet mortgage leads, internet automobile and home improvement leads, manufacture of custom scientific equipment, swim wear, accounting practice, commodities, construction, various distributors of different lines of business, jewelry, etc.

Books/Articles

- Assisted with the writing of *How to Value Your Business and Increase Its Potential*, Jay Abrams, McGraw-Hill, 2005.
- “Superiority of Regression Analysis over Ratio Analysis”, *Business Appraisal Practice*, Fall 2007, p. 27-31.

Lecture Summary

- “Superiority of Regression Analysis over Ratio Analysis”, New York State Society of CPA’s, Business Valuation Committee, New York, NY, October 2007.
- “Understanding Business Appraisals”, New York Legal Assistance Group, Inc., New York, NY, November 2008.
- “A Fresh Look at BV Theory”, New York Association of Business Brokers, Tarrytown, NY, April 2009.
- “Business Valuation: Discounts and Premiums”, American Association of Attorney-Certified Public Accountants, Uncasville, CT, May 2010.

Books/Articles Quoting Daniel Jordan

- Practical Planner, Martin M. Sherkman, CPA, MBA, PFS, JD, Volume 5, Issue 5, May 2010

Business Valuation Education

- *International Appraisal Conference* of The American Society of Appraisers, San Diego, August 2002 (27 CPE Hours)
- *Mastering Appraisal Skills for Valuing the Closely Held Business – Part A*. Instructor: Paul Hyde, The IBA, San Diego, March 2005 (32 CPE Hours)
- *Mastering Appraisal Skills for Valuing the Closely Held Business – Part B*. Instructor: Rand M. Curtiss, The IBA, Cleveland, July 2005 (32 CPE Hours)
- *Report Writing*. Instructor: Steven Schroeder, The IBA, St. Louis, August 2005 (16 CPE Hours)
- *Preparation For the CBA Exam*. The IBA, Phoenix, November, 2005 (16 CPE Hours)
- *Uniform Standards of Professional Appraisal Practice (USPAP)*: Instructor: Andrew Mantowani. Ivy Real Estate Education, New York, February 2006 (15 CPE Hours)
- *International Appraisal Conference* of The American Society of Appraisers, New York, August 2006 (6.5 CPE Hours)
- *Valuation for Financial Accounting (FASB 141/142/144)*. Instructor: William Johnston, ASA. Center for Advanced Valuation Studies (CAVS), New York, August 2006 (7 CPE Hours)

- *Advanced Financial Statement Analysis for Appraisers - Making the Calls*, Instructor: Mike Adhikari, The IBA, Las Vegas, January 2008 (8 CPE Hours)
- *Advanced Case Studies: Practical Applications*, Instructor: Dennis Bingham, The IBA, January 2008 (16 CPE Hours)
- *Valuing Intangibles*, Instructor: Rob Schlegel, The IBA, January 2008 (8 CPE Hours)
- *Forensic Accounting for Business Appraisers*. Instructor: Dr. Laura Tindall, The IBA, Louisville, KY, July 2008 (16 CPE Hours)
- *Business Appraisal for Divorce*, Instructor: Rob Schlegel, The IBA, July 2008 (8 CPE Hours)
- *Marketing Your Practice-Making the Phone Ring*, Instructor: KC Conrad, The IBA, August, 2008 (8 CPE Hours)
- *Advanced Planning Seminar -Estate & Business Planning*, New York, April 20, 2009 (7 CPE Hours)
- *Estate Planners Day 2009*, Estate Planning Council of NYC, New York, May 6, 2009 (7 CPE Hours)
- *14th Annual Multi-State ESOP Conference* of The ESOP Association, Scranton, Pennsylvania, September 2009
- *ESOP Appraisals*, Instructor: Chris Best, The IBA, November 9, 2009 (8 CPE Hours)
- *ESOP Conference* of The ESOP Association, Las Vegas, Nevada, November 2009 (12 CPE Hours)
- *44th Annual Heckerling Institute on Estate Planning*, Orlando, January 25-29, 2010 (33.5 CPE Hours)
- *45th Annual Heckerling Institute on Estate Planning*, Orlando, January 10-14, 2011 (33 CPE Hours)
- *46th Annual Heckerling Institute on Estate Planning*, Orlando, January 9-13, 2012 (33 CPE Hours)

Member - Professional Organizations

- The Institute of Business Appraisers, Inc. (IBA)
- The American Society of Appraisers (ASA)
- National Business Valuation Group, LLC
- Estate Planning Council of Rockland County
- Estate Planning Council of NYC
- Fellow Member of Yeshiva University Planned Giving Committee

Exhibits

Exhibit 1	IBA Data (full data)
Exhibit 2	IBA Data (selected data)
Exhibit 3	Pratt's Stats (full data)
Exhibit 4	Pratt's Stats (selected data)
Exhibit 5	Computation of Seller's Discretionary Cash Flow
Exhibit 6	Computation of Weighted Avg Seller's Discretionary Multiple
Exhibit 7	Summary of All Value Indications

SAMPLE

Exhibit 1
IBA Data-SIC Code-7371--Custom Computer Programming Service

Business Type	Annual Gross (\$000)	Disc Earn (\$000)	Sale Price (\$000)	Price/ Gross	Price/ Earnings	Geo-graphic	Yr/Mo of Sale	Compara ble
Computer	0	0	295				01/01/98	No
Microprocessor systems	51	7	8	0.16	1.14		05/01/85	No
Electronics/Computer Computers Sls & Serv	84	51	20	0.24	0.39	FL	02/11/05	No
Computer Sales & Service	85	50	20	0.24	0.40	FL	02/01/05	No
Computer Services	85		45	0.53		CA	11/01/90	No
Computers Sls & Serv	91	42	43	0.47	1.02	FL	01/01/02	No
Electronics/Computer Computers Sls & Serv	91	42	43	0.47	1.02	FL	10/25/02	No
Computers Sls & Serv	96	76	60	0.63	0.79	FL	01/01/99	No
Electronics/Computer Computers Sls & Serv	96	76	60	0.63	0.79	FL	10/08/04	No
computer software	100	50	150	1.50	3.00	AZ	01/01/03	No
Computers Sls & Serv	114	99	75	0.66	0.76	FL		No
Electronics/Computer Computers Sls & Serv	114	99	75	0.66	0.76	FL	07/02/01	No
Electronics/Computer Computer Software	120		240	2.00		GA	04/16/04	No
Electronics/Computer Computer Software	130	65	72	0.55	1.11	FL	02/14/06	No
Electronics/Computer Computer Software	130	44	73	0.56	1.66	NJ	02/16/06	No
Software	150	0	30	0.20		AZ	01/01/99	No
Computers Sls & Serv	160	78	55	0.34	0.71	FL		No
Electronics/Computer Computers Sls & Serv	160	78	55	0.34	0.71	FL	07/02/01	No
Software development	178	34	60	0.34	1.76	OH	12/01/93	No
Computer Service	189	63	85	0.45	1.35		04/01/98	No
Computers Sls & Serv	221	19	80	0.36	4.21	FL	01/01/02	No
Electronics/Computer Computers Sls & Serv	221	19	80	0.36	4.21	FL	12/06/02	No
Computers Sls & Serv	255	70	38	0.15	0.54	FL		No
Computer Services	270	86	165	0.61	1.92	CA	06/01/90	No
Computer Service	336	48	27	0.08	0.56		03/01/98	No
Computers/Service	380	75	120	0.32	1.60	CA	12/08/05	No
Computer software-sal/svc	382		112	0.29		GA	10/01/92	No
Computer System	400	100	150	0.38	1.50		04/01/00	Yes
Computer Svcs.	404	48	92	0.23	1.92		05/01/00	Yes
Computers	431	90	230	0.53	2.56		12/01/00	Yes
Computer	498	60	290	0.58	4.83		08/01/00	Yes
Software mfg	500	-100	100	0.20		CA	06/01/93	Yes
Computer Svcs.	536	56	30	0.06	0.54		06/01/00	Yes
Electronics/Computer Computer Software	597	24	650	1.09	27.08	NM	05/01/07	Yes
Computer Software	656	394	1,000	1.52	2.54	FL	07/03/00	Yes
Electronics/Computer Computer Software	656	394	1,000	1.52	2.54	FL	07/03/00	Yes
Software Developer	668	224	1,070	1.60	4.78	CA	04/01/97	Yes
Computers	685	103	200	0.29	1.94		02/01/99	Yes
Computer Networking	798	92	85	0.11	0.92	CA	02/01/94	Yes
Computers	900	100	150	0.17	1.50		10/01/00	Yes
Computers	1,082	225	452	0.42	2.01		09/01/00	Yes
Computer	1,094	285	450	0.41	1.58		05/01/00	Yes
Computers	1,100	160	300	0.27	1.88	AZ	01/01/98	Yes
Computer, service	1,145	260	629	0.55	2.42	IL	01/01/90	Yes
Computer Graphics	1,200	164	170	0.14	1.04	FL		Yes
Electronics/Computer Computer Graphics	1,200		170	0.14		GA	01/01/00	Yes
Software publishing co	1,200	150	630	0.53	4.20	IL	01/01/89	Yes
Software Solutions for Facilities management	1,200	390	815	0.68	2.09	CA	01/01/05	Yes
Computers Sls & Serv	1,217	165	400	0.33	2.42	FL	01/01/99	Yes
Electronics/Computer Computers Sls & Serv	1,217	165	400	0.33	2.42	FL	08/18/03	Yes
Computers Sls & Serv	1,306	118	265	0.20	2.25	FL	08/23/99	Yes
Electronics/Computer Computers Sls & Serv	1,306	118	265	0.20	2.25	FL	08/23/99	Yes
Developer- Jail Software	1,469		1,000	0.68			10/28/99	Yes
Computer programming	2,600	115	702	0.27	6.10		03/01/79	Yes
Electronics/Computer Computers Sls & Serv	3,179	23	125	0.04	5.43	FL	04/11/03	Yes
Computer Consulting	4,100	335	5,450	1.33	16.27	OR	02/10/97	Yes
Computers	6,296	237	403	0.06	1.70		03/01/99	No
PC Mfg.	22,000	438	1,250	0.06	2.85		02/01/00	No
Computer Programming Services	38,200	-1,113	34,700	0.91		DE	05/01/01	No
Computer Programming Services	58,104		89,100	1.53		DE	05/02/00	No
Computer software development			44				01/01/06	No
Mfg-Software		153	530		3.46	OR		No
Software			7,000					No
Software			3,000					No

Exhibit 2

IBA Data-SIC Code-7371--Custom Computer Programming Service

Business Type	Annual Gross (\$000)	Disc Earn (\$000)	Sale Price (\$000)	Price/ Gross	Price/ Earnings	Geographic	Yr/Mo of Sale	Comp arable
Computer System	400	100	150	0.38	1.50		04/01/00	Yes
Computer Svcs.	404	48	92	0.23	1.92		05/01/00	Yes
Computers	431	90	230	0.53	2.56		12/01/00	Yes
Computer	498	60	290	0.58	4.83		08/01/00	Yes
Computer Svcs.	536	56	30	0.06	0.54		06/01/00	Yes
Electronics/Computer Computer Software	597	24	650	1.09	27.08	NM	05/01/07	Yes
Computer Software	656	394	1,000	1.52	2.54	FL	07/03/00	Yes
Electronics/Computer Computer Software	656	394	1,000	1.52	2.54	FL	07/03/00	Yes
Software Developer	668	224	1,070	1.60	4.78	CA	04/01/97	Yes
Computers	685	103	200	0.29	1.94		02/01/99	Yes
Computer Networking	798	92	85	0.11	0.92	CA	02/01/94	Yes
Computers	900	100	150	0.17	1.50		10/01/00	Yes
Computers	1,082	225	452	0.42	2.01		09/01/00	Yes
Computer	1,094	285	450	0.41	1.58		05/01/00	Yes
Computers	1,100	160	300	0.27	1.88	AZ	01/01/98	Yes
Computer, service	1,145	260	629	0.55	2.42	IL	01/01/90	Yes
Computer Graphics	1,200	164	170	0.14	1.04	FL		Yes
Software publishing co	1,200	150	630	0.53	4.20	IL	01/01/89	Yes
Software Solutions for Facilities management	1,200	390	815	0.68	2.09	CA	01/01/05	Yes
Computers Sls & Serv	1,217	165	400	0.33	2.42	FL	01/01/99	Yes
Electronics/Computer Computers Sls & Serv	1,217	165	400	0.33	2.42	FL	08/18/03	Yes
Computers Sls & Serv	1,306	118	265	0.20	2.25	FL	08/23/99	Yes
Electronics/Computer Computers Sls & Serv	1,306	118	265	0.20	2.25	FL	08/23/99	Yes
Computer programming	2,600	115	702	0.27	6.10		03/01/79	Yes
Electronics/Computer Computers Sls & Serv	3,179	23	125	0.04	5.43	FL	04/11/03	Yes
Computer Consulting	4,100	335	5,450	1.33	16.27	OR	02/10/97	Yes
Mean			615	0.53	4.04			
Median				0.35	2.33			
Min				0.04	0.54			
Max				1.60	27.08			
Standard Deviation				0.48	5.59			
Coefficient of Variation				0.90	1.38			

	Equity Price Multiples		Weighted Value
	Sales	Discretionary Earnings	
Company Fundamental 20XX	1,417,096	240,603	
Median Equity Price Multiple	0.35	2.33	
Indicated Value	498,589	561,206	
Weight	50%	50%	
Weighted Value (Asset Sale)	249,294	280,603	529,897
Rounded			530,000

Exhibit 3
Pratt's Stats-SIC Code-7371--Custom Computer Programming Service

Business Description	Net Sales	EBITDA	MVIC Price	Transaction Type	Sale Date	Sale State	Comparable
Development of Computer Software	\$0	(\$653,869)	\$38,447,000	Stock	8/3/1999		No
Development Stage Enterprise Seeking to Develop Business in the Areas of Designing Internet Sites	\$0		\$4,550,091	Stock	1/2/2001		No
Develops and Markets Web Direct Sales Applications	\$0	(\$735,564)	\$1,206,000	Stock	4/30/1999	CA	No
Internet Software Research and Development	\$0	(\$122,464)	\$2,000,000	Asset	10/13/2000		No
Markets Business Services to Small Business On-line	\$0	(\$13,683)	\$9,500,000	Stock	4/23/1999		No
Products for Cable and Satellite Operators	\$0	(\$8,104,000)	\$106,907,000	Stock	9/16/1999	CA	No
Specialize in Real Time 3D Graphics and Visualization Technologies	\$0	(\$2,565,000)	\$12,400,000	Stock	12/31/1996	NJ	No
Technologies, Applications and Services for Internet Commerce	\$0		\$11,200,000	Stock	4/12/2000		No
Develops Software Products for Advertising on the Internet	\$5,000	(\$1,007,128)	\$1,798,000	Stock	2/13/1998		No
Developer, Software that Functions as an Intelligent Agent Service to Filter Information on the Internet	\$8,645	(\$2,523,799)	\$39,700,000	Stock	4/30/1998	PA	No
A Website that Links Manufacturers to the Buying and Selling Community	\$11,837	(\$1,268,795)	\$15,574,808	Asset	1/21/2002		No
Website the Delivers User-Generated Videos over the Internet.	\$12,897		\$1,100,000	Asset	12/1/2006		No
Provides Web Hosting Services and Online Auction	\$13,498	(\$15,038)	\$6,435,000	Stock	4/16/1999		No
Security Intelligence Service Used by Companies to Help Keep Their Networks Safe From Attack	\$21,622	(\$356,437)	\$2,500,005	Stock	6/9/2004		No
Internet Search Engine	\$31,484	\$2,446	\$1,228,500	Stock	6/5/1998	CO	No
Specializes in Web Application Firewalls	\$32,000		\$29,000,000	Asset	5/31/2000		No
Provider of Private-Label, Internet-Based Gift Certificate Solutions	\$33,251	(\$5,649,064)	\$70,100,000	Stock	1/11/2004	SD	No
Markets Business Management and Professional Software	\$48,011	(\$4,324,235)	\$60,045,000	Stock	6/18/1999		No
Database Developer	\$59,425		\$50,000,000	Stock	7/23/1999		No
Enterprise Consumer-Centric Health Management Solutions (a Web-Based Platform)	\$71,000	(\$4,708,000)	\$60,000,000	Stock	12/22/2005		No
Web-Based Communications Application Service Provider	\$84,751	(\$11,093,300)	\$797,855,000	Stock	4/14/2000		No
Produces Software Rental Products and Services	\$96,758	(\$2,274,435)	\$10,759,697	Stock	12/29/2000		No
Accounting Firm Specializing in Small Business Services	\$97,069	\$41,600	\$110,000	Asset	11/11/1999	AZ	No
Internet Web site	\$140,000		\$107,500	Asset	1/29/2002	FL	No
Development and Marketing, 3D Computer Graphic Software	\$147,009	(\$411,879)	\$1,000,000	Asset	6/29/1999		No
Internet Web Design and Hosting	\$190,334	\$12,471	\$115,000	Asset	10/27/2003	GA	No
A Website Offering Artwork Directly from the Supplier	\$196,279	(\$380,434)	\$6,974,181	Stock	8/22/2003	NY	No
Provides Website Chat Room Hosting	\$239,481	(\$204,226)	\$39,864,000	Stock	6/16/1999		No
Provides Web-Based Technical Analysis Stock Graphing Software	\$251,215	(\$140,365)	\$20,000,000	Stock	5/13/1999		No
Computers Sales and Services	\$255,082	\$35,900	\$37,500	Asset	12/1/1999	GA	No
Software Design, Development, Support and Sales	\$276,741	(\$664,831)	\$3,100,000	Stock	7/22/1997	CA	No
Develops Caseload Management Software for Parole Officers	\$298,549	(\$401,260)	\$3,783,000	Stock	12/31/1998	CO	No
Designs and Maintains Internet Web Sites	\$328,262	(\$252,942)	\$3,000,000	Asset	5/5/1999		No
Operate a Website Targeted Towards Women which Offers Games and Entertainment.	\$328,435	(\$812,741)	\$60,400,000	Stock	11/12/1999	CA	No
Provider of Licensed Software and Website Hosting Services	\$337,842	(\$1,855,627)	\$18,306,553	Stock	6/9/2000		No
Manufacture & Market of Integrated Biometric Access Control Systems Including Software & hardware	\$359,000	(\$1,787,000)	\$4,100,000	Asset	12/29/2003	SC	No
Develops Programs for a Variety of Consumer and Merchant Environments.	\$359,852	(\$719,612)	\$20,815,000	Stock	3/3/2000	AZ	No
Provider of Virtual Tours (via Web) of Homes Listed for Sale	\$368,858	(\$28,142)	\$1,010,000	Stock	1/29/2002		No
Developed and Markets a Server-based Communications System	\$373,000		\$8,500,000	Asset	6/17/1999	WA	No
Internet and Wireless Local-Search Technology Company	\$405,000		\$15,000,000	Stock	2/28/2005		Yes
Provider of Internet-Based Marketplace and E-Commerce Products and Services to the Tradeshow Industry	\$424,790		\$30,000,000	Asset	6/1/2000		No
Website Design, Development, Hosting, Advertising and Media Placement	\$443,608	\$216,073	\$1,520,000	Asset	2/5/2007		Yes
Custom Software Provider	\$445,679	\$34,622	\$100,000	Asset	6/27/2003	OR	Yes
Development and Operation, Retail Kiosk and Multimedia Software	\$457,307	\$55,130	\$2,629,950	Stock	2/8/1999	CA	No
Internet Marketer of Industrial and Emergency Preparedness Supplies	\$468,536	\$85,541	\$165,000	Asset	5/12/2004	OK	Yes
Design and Assemble Computer Networks	\$522,725	(\$44,950)	\$515,625	Stock	6/15/1999	IL	No
Web Site Developer	\$572,133	(\$770,834)	\$1,251,000	Stock	9/28/1998	NJ	No
Internet Online/Web Development	\$600,000	\$50,000	\$415,000	Asset	3/1/2002	FL	Yes
Develops and Maintains Internet Web Sites	\$665,359	(\$35,136)	\$1,132,338	Stock	4/23/1999	IL	No
Operates an On-Demand and Radio Streamed Music Subscription Service	\$673,000	(\$15,978,000)	\$40,547,000	Asset	8/4/2003		No
An Internet Hosting and Direct Marketing Company.	\$783,800	(\$1,051,364)	\$3,328,880	Asset	1/2/2004	IN	No

Exhibit 3
Pratt's Stats-SIC Code-7371--Custom Computer Programming Service

Business Description	Net Sales	EBITDA	MVIC Price	Transaction Type	Sale Date	Sale State	Comparable
Technology Services Organization that Provides Multimedia Website Content and Design Services	\$846,562	(\$376,747)	\$1,400,000	Stock	11/30/2000		No
Software Manufacturer and Duplicator	\$850,000	\$124,000	\$133,500	Asset	8/1/1999	IA	Yes
Computer Services, Including Web Site and Ad Design	\$862,355	(\$402,953)	\$9,891,000	Stock	2/23/2000	TX	No
Development and Design, Maritime Software	\$877,309	\$87,991	\$500,000	Asset	12/30/1997	MS	Yes
Development, Sales and Licensing Voice Integration Software	\$920,829	(\$2,727,365)	\$20,888,308	Stock	9/2/1998	MA	No
Computer Software Development and Maintenance	\$934,202		\$1,250,000	Stock	5/28/1996		No
Provider of Internet-Based Financial Information Tools to Community Financial Institutions	\$971,228	(\$2,626,463)	\$1,350,000	Asset	11/15/2001		No
Developer; Computer Software	\$983,956	(\$99,154)	\$2,917,527	Stock	7/1/1998	WA	No
Owner of Patent Pending Audio-Conferencing Technology	\$1,016,100	\$374,664	\$8,250,000	Stock	6/5/1997	NJ	Yes
Provides Property Management and Asset Optimization Software and Services to the Multifamily Real Estate Industry	\$1,065,223	(\$4,972,143)	\$1,555,457	Stock	4/19/2004		No
Development and Marketing, Computer Based Stress Management System	\$1,104,220	\$148,972	\$1,453,125	Asset	6/15/1998	UT	Yes
Developer; Speech Technology Software	\$1,140,277	(\$3,286,523)	\$10,500,000	Stock	4/14/1998	TX	No
Consulting, Programming and Digital Art Production for Websites	\$1,146,000	\$108,000	\$4,136,000	Stock	9/17/1999		Yes
Software Development and Service	\$1,191,692	\$40,573	\$2,000,000	Asset	4/7/1996	NJ	Yes
Develops and Sells Computer Software For the Translation and Publishing Industries	\$1,226,000	(\$175,000)	\$767,000	Stock	6/30/1999		No
Designs, Manufactures, and Supports Clinical Information Systems	\$1,242,372	(\$3,640,651)	\$2,800,000	Asset	12/17/1999	TX	No
Internet Web Host	\$1,265,470	(\$229,348)	\$1,009,004	Asset	12/17/1998	NJ	No
Provider of E-Learning Solutions that Include Content Creation Services	\$1,267,000	(\$546,000)	\$1,708,000	Stock	10/1/2001	AZ	No
Delivers Web-Based Enterprise Solutions using Proprietary Java technologies	\$1,345,731	\$270,751	\$15,823,601	Stock	2/13/2006	TX	Yes
Internet Systems Development	\$1,348,480	\$15,236	\$2,402,568	Stock	1/3/2000		Yes
Develops and Markets Software for Healthcare Providers, Hospitals and Insurance Companies	\$1,354,858	\$12,790	\$1,897,848	Stock	4/15/2000		No
Provider of Internet-Based Solutions that Enable E-Commerce	\$1,375,673	\$147,530	\$1,000,000	Stock	10/16/2001		Yes
Provides Business to Business Clients with Convenient Access Via Digital Computer Software.	\$1,387,730	\$210,474	\$13,000,000	Stock	3/3/2000	DC	Yes
Provider of Software Networking Applications	\$1,392,607	\$355,021	\$5,000,001	Asset	6/30/1998	MD	Yes
Application and Service Provider Offering Tools and Services to Enhance Customer Interaction via the Internet	\$1,400,248	(\$9,538,964)	\$8,981,000	Stock	5/23/2001		No
Software Programming	\$1,458,924	(\$220,318)	\$3,452,000	Stock	9/30/1999		No
Developer of Factory Layout Software	\$1,484,202	\$89,993	\$6,000,000	Stock	11/26/1997		Yes
Provider of Number Portability Service Assurance and Application Monitoring Solutions	\$1,516,000	\$462,000	\$2,389,000	Stock	10/15/2004	CO	Yes
Designs and Develops Computer Security Products and Services	\$1,543,175	\$733,062	\$3,073,000	Asset	7/7/2003	MD	Yes
Internet Entertainment Network that Delivers Media	\$1,688,099	(\$1,688,526)	\$28,362,000	Stock	6/2/2006		No
Computer Software Developer	\$1,747,000	(\$123,100)	\$8,001,000	Asset	5/18/2001	TX	No
Manufacturer and Developer of Software Tools	\$1,780,513	(\$5,319,021)	\$17,100,000	Stock	3/24/1998	MA	No
Develops and Markets Software for High-Speed Public Internet Access.	\$1,797,257	(\$2,529,072)	\$40,986,615	Stock	9/2/1999	CA	No
Customized Website Programming	\$1,885,547	(\$2,822,001)	\$48,300,000	Stock	4/9/1999		No
Developer and Integrator, Software for Warehouse Management	\$1,925,913	(\$2,242,291)	\$5,557,918	Stock	12/8/1997	CA	No
Operates a Network of Websites that offer Commentary from Industry Insiders	\$1,985,048	\$808,043	\$15,984,753	Asset	9/8/2000		Yes
Computer Software Company	\$2,000,000	\$70,000	\$850,000	Stock	11/1/1998	MD	No
Develops Computer Software Products for Management and Control of Car Washes.	\$2,029,884	(\$80,520)	\$4,999,999	Stock	7/9/1999		Yes
Information Technology Company, Value Added Reseller, and Master Developer of Licensed Accounting Software	\$2,197,461	(\$46,806)	\$550,000	Stock	6/2/2004	NJ	No
Internet E-commerce Solution Provider	\$2,376,906	(\$1,688,703)	\$822,000	Stock	3/20/2000	TX	No
Business Software Provider of the Manufacturing Industry	\$2,394,698	(\$486,836)	\$8,200,000	Asset	8/6/1999	ID	No
Develops and Sells Speech Recognition Software	\$2,561,759	(\$560,988)	\$5,200,000	Asset	2/4/1999		Yes
Plans, Develops, Maintains and Hosts World Wide Web Sites	\$2,575,318	(\$9,108)	\$1,287,300	Stock	7/31/1998		No
Custom Computer Programming Services	\$2,678,047	\$598,334	\$2,400,000	Asset	12/27/2007	CA	Yes
Develops and Markets System Management Software	\$2,771,812	\$574,092	\$801,368	Asset	6/30/1998		Yes
IT Consultant that Designs, Develops and Implements Web-Based Employee Productivity Solutions	\$2,852,664	(\$121,052)	\$1,440,000	Asset	5/13/2004	VA	No
Internet Company that Operates an Online Destination Targeting College Students	\$2,913,000	(\$24,234,000)	\$11,647,854	Asset	10/31/2000		No
Development, Marketing and Support, Software and Hardware for Orthodontic Practices	\$2,923,629	(\$469,212)	\$1,850,000	Asset	12/31/1997	GA	No
Develops, Operates, and Manages Internet Websites, Content Services, and Directory Services	\$2,987,261	\$2,147,303	\$20,249,418	Asset	4/26/2005	WA	Yes
Develops Internet-Based Applications	\$3,106,000	\$9,000	\$3,100,000	Asset	3/12/1998	MI	No
Operates an Advertising Network	\$3,146,795		\$7,500,000	Stock	8/31/2007		Yes

Exhibit 3
Pratt's Stats-SIC Code-7371--Custom Computer Programming Service

Business Description	Net Sales	EBITDA	MVIC Price	Transaction Type	Sale Date	Sale State	Comparable
Provides a Pay-Per-Click Search Services on the Internet	\$3,251,003	(\$569,173)	\$3,200,000	Stock	5/30/2003		No
Information Services to Financial Lending Institutions (see notes)	\$3,383,239	\$25,919	\$2,259,463	Stock	12/16/1998	TX	No
Develops, Markets, Produces and Licenses Spatial Filtering Solutions for Wireless Telecommunication A	\$3,550,000	\$93,000	\$114,308,000	Stock	9/21/2000		Yes
Software Development, Supply-chain Management	\$3,652,591		\$4,200,000	Stock	3/31/1997	MA	Yes
Development, Marketing, Installation and Support, Computer Software for the Medical Industry	\$3,701,944	\$581,003	\$3,520,868	Asset	11/26/1997	MI	Yes
Provides Infrastructure Software to Service Providers	\$3,802,000	(\$4,567,000)	\$65,400,000	Stock	6/14/2000		No
Develops Software for Virtual Reality Applications	\$3,988,000	(\$1,250,000)	\$7,000,000	Stock	6/17/1998		No
Security management and network solutions for internet applications	\$4,003,290	(\$4,721,589)	\$3,200,000	Asset	4/3/1998		No
Design and Implementation, Software for Telecommunication Carriers	\$4,279,115	(\$2,886,860)	\$8,500,000	Stock	6/11/1998	MA	No
Markets Technology and Training Applications in Personal Finance and Small Business Internet Develop	\$4,431,402	\$294,131	\$13,500,000	Stock	1/4/2002	UT	Yes
Process Control Software Solutions	\$4,700,071	(\$338,779)	\$1,500,000	Asset	8/29/1995	OH	No
Specialize In Semiconductor Factory Automation	\$4,765,000	\$1,506,000	\$1,980,000	Asset	8/1/1997		Yes
Software Development of Process Automation Systems for Industrial Applications	\$4,904,650	\$102,462	\$1,118,000	Stock	10/11/1996	MD	No
Development, Installation and Consultancy, Computer Software	\$5,148,706	\$298,159	\$3,820,000	Stock	12/2/1998		Yes
Reseller of Custom Software and Related Products and Services	\$5,163,624	\$972,410	\$5,500,000	Asset	12/31/1997	SC	Yes
Provides Standards Based Solutions for Presenting Graphics Online	\$5,334,000	\$1,234,000	\$12,150,000	Stock	4/16/1999	MD	Yes
Develops Software Products for the Printing Industry	\$5,425,335	\$1,096,889	\$6,800,000	Stock	6/16/1999		Yes
Designs and Manufactures Computer Applications	\$5,658,000	(\$130,939,000)	\$683,153	Stock	9/30/2004		No
Strategic Web Development	\$5,825,000	(\$338,000)	\$75,000,000	Stock	2/8/2000	NY	No
Provides Internet Hosting and Colocation Services	\$5,957,000	(\$5,956,000)	\$1,074,605	Asset	1/16/2003	CA	No
Software Consultants	\$6,033,000	\$346,000	\$27,142,000	Stock	3/24/2000	MD	Yes
Rich Media Ad Solutions	\$6,053,258	(\$2,539,967)	\$5,459,454	Stock	1/3/2005		No
Develops Embedded Linux Security and Firewall / VPN Applications	\$6,490,000	(\$908,000)	\$16,000,000	Stock	11/26/2003		No
Reseller of Custom Software and Related Products and Services	\$6,563,960	(\$2,046,398)	\$4,150,000	Stock	12/31/1997	SC	No
Engages in Monetizing Vertical and Brand-Name Web Sites through Contextual Advertising Solutions	\$6,692,836	\$1,182,599	\$28,919,378	Stock	7/27/2005	NY	Yes
Designs Entertainment Content for Video Game Consoles and Personal Computers	\$6,719,601	(\$4,439,087)	\$44,590,539	Stock	12/21/2001	AZ	No
Develops, Markets, and Supports Software Tools for Engineering Applications	\$6,754,864	\$1,457,297	\$12,400,000	Stock	8/30/2000		Yes
Provider of Online Expert Advice	\$7,005,000		\$34,890,000	Stock	10/3/2007		No
Develop and Market Software	\$7,031,000	\$36,000	\$46,040,000	Stock	1/21/2000		No
Enterprise Computer Security Solutions	\$7,056,000		\$20,345,000	Asset	12/7/2004		No
Information Technology Consulting Company and Custom Software Programming	\$7,313,779		\$5,655,533	Stock	9/26/1996	TN	Yes
Provides Knowledge Resource Management Via the Internet	\$7,554,000	(\$695,000)	\$5,976,493	Stock	6/14/1999	NJ	No
Provide Design, Implementation and Integration of Computer Software Systems.	\$7,558,832	\$672,398	\$8,125,000	Stock	4/30/2004		Yes
Provides Advanced Internet Communication Services to Corporations	\$7,714,515	(\$23,544,380)	\$4,000,000	Stock	9/25/2001		No
Development, Installation and Support, Healthcare Information Systems	\$7,997,000	\$718,000	\$10,000,000	Stock	5/31/1995	CA	No
Intranet and Personalized Portal to the Internet for Faculty and Staff of Colleges	\$8,001,000	(\$23,822,000)	\$41,582,052	Asset	10/23/2002	UT	No
Provider of Anti-Spam, Email, and Web Filtering Services	\$8,289,000	(\$6,002,000)	\$7,300,000	Asset	9/2/2003		No
Provides Data Management Software and Develops and Supplies Inventory Cataloging Services	\$8,318,000	\$833,000	\$55,000,000	Stock	1/11/2000		No
Provides Data and Yield Management Software Tool Used by the Semiconductors and Related Industrie	\$8,686,959	\$4,065,954	\$49,700,000	Stock	9/24/2003	CA	Yes
Computer Consulting and Contract Programming Services	\$8,698,000	\$237,000	\$8,700,000	Stock	9/30/1996	OH	Yes
Provider of Internet Search Capabilities	\$8,788,000	(\$2,817,000)	\$70,000,000	Asset	4/21/2003		No
Specialized Software Engineering Services Provider	\$8,959,000	\$1,429,000	\$7,400,000	Stock	10/31/2003	MN	Yes
Provides Mobile Data Measurement Services to Companies	\$9,060,942		\$45,540,000	Stock	5/28/2008	WA	No
Process Information Management Solutions	\$9,281,802	(\$1,121,091)	\$2,500,000	Asset	9/30/1997	TX	No
Network Search Engine Technology	\$9,402,000		\$49,748,000	Asset	2/15/2006		No

Exhibit 3
Pratt's Stats-SIC Code-7371--Custom Computer Programming Service

Business Description	Net Sales	EBITDA	MVIC Price	Transaction Type	Sale Date	Sale State	Comparable
Offers Web-based Automated Clearing House, Check Conversion and Remote Deposit Solutions	\$9,412,000	(\$520,000)	\$17,150,000	Stock	1/31/2006	TN	No
Provides Contract Research and Development Services for the Development of Computerized Simulation	\$9,885,627	\$1,839,998	\$14,000,000	Stock	1/7/2004		Yes
Web Printing	\$10,122,386		\$4,334,306	Stock	11/17/1999	OR	Yes
Develops Software For Business Applications	\$10,233,000	(\$3,392,000)	\$49,500,000	Stock	6/9/1999		No
Software Development for Banking Industry	\$11,669,785	\$401,548	\$5,500,000	Stock	4/1/1996	GA	No
Provides Online Technology and Fulfillment Infrastructure to Facilitate Custom Framed Art Sales	\$11,739,403	\$501,524	\$9,925,000	Stock	5/16/2006	IA	No
Creates Smart Application Networks for eBusiness	\$11,783,000		\$441,100,000	Stock	9/26/2000		No
Develops Application Software and Consulting	\$13,298,000	\$835,000	\$22,993,065	Stock	8/25/1998	MI	Yes
Healthcare Information Systems Implementation and Integration	\$13,732,063	\$598,666	\$89,000,000	Stock	2/23/1999	NY	Yes
Provider of Information Technology Services	\$13,750,881	\$558,381	\$12,800,000	Asset	1/29/1998	CT	Yes
Simulation Training and Software Validation Systems related to Warfare	\$13,752,275	\$805,654	\$5,235,793	Stock	3/7/1996	NY	Yes
Provider of Free Online Greeting Cards with the Ability to Purchase Gifts	\$13,867,000	(\$691,459,000)	\$35,000,000	Asset	9/12/2001		No
Software Engineering	\$14,159,519	\$2,176,517	\$28,300,000	Stock	5/15/1998		Yes
Provider of Audio Compression Technologies to Mobile, Digital Broadcast and Internet Markets	\$14,396,000		\$247,000,000	Stock	11/9/2007		Yes
Provides Database construction and Application Software	\$14,566,904	\$3,380,372	\$18,325,000	Stock	6/26/1998	TX	Yes
Provides Web-based Banking Solutions for Financial Institutions	\$15,123,384	(\$2,461,040)	\$67,647,500	Stock	11/25/2003		No
Provides Computer and Networking Consultation	\$15,247,000	\$2,848,000	\$62,100,000	Asset	2/26/1999	VA	Yes
Develop, Market, and Support Specialized Integrated Software	\$16,521,775	(\$5,089,118)	\$37,948,000	Stock	7/21/1999		No
Designs, Develops Software Tool Products that Provide Productivity, Connectivity and Information Management	\$17,605,000	(\$261,000)	\$30,013,214	Stock	10/14/1998	CA	No
Software Development, Maintenance, Implementation and Consulting	\$17,813,000	\$1,279,000	\$44,000,000	Asset	6/4/1998	MI	No
Specializes in Developing Solutions in the Areas of Enterprise Portals, Content Management, Custom Applications	\$18,470,075	(\$782,524)	\$9,500,000	Asset	6/18/2004		No
Software Company Specializing in the Development of Products for Fault Tolerance, On-Line Backup, and	\$18,500,801	\$5,189,316	\$91,909,000	Stock	7/30/1999	UT	Yes
Provides Consulting & Technical Services to both the Federal Government and Commercial Businesses	\$18,674,151	\$1,156,726	\$4,272,500	Stock	12/31/2003		Yes
Develops, Markets, and Supports Installation Software and Maintenance Services to Customers in both	\$18,887,188	\$5,195,971	\$43,500,000	Stock	12/1/2003		Yes
Designs, Develops, and Markets Engineering Software.	\$19,283,000	\$1,084,000	\$36,536,000	Stock	6/18/1999		Yes
Computer Consulting and Contract Programming Services	\$19,681,000	\$1,373,000	\$20,800,000	Stock	11/27/1996	PA	Yes
Services; Information Technology and System Engineering	\$19,968,977	\$197,282	\$7,500,000	Stock	7/14/1998	CA	Yes
Develops,Manufactures,Markets,and Supports Hardware and Software Systems Used to Efficiently Verify	\$20,342,000	(\$1,387,000)	\$81,000,000	Stock	2/9/2004		No
Develops and Sells Enterprise Energy Management Software that Enables Enterprises to Reduce Energy	\$20,357,000	(\$17,252,000)	\$71,200,000	Stock	3/4/2003	CA	No
Internet Direct Navigation	\$20,667,254		\$164,400,000	Asset	2/14/2005		Yes
Online Pay-Per-Action Marketing Network that Gathers Customers for Select Vendors	\$21,677,000		\$800,000	Asset	11/30/2007	UT	No
Online Professional Personal Search Services	\$22,265,000	(\$37,952,000)	\$109,079,000	Stock	7/23/2001		No
Software Service and Technology Organization	\$22,397,144		\$27,100,000	Asset	7/22/1996		No
Develops Personal Financial Management Software and Internet Solutions for Financial Service Providers	\$23,648,032	(\$6,457,598)	\$569,000	Stock	5/17/1999	CT	No
Design, Develop, Market and Support Software	\$24,176,811	\$2,647,614	\$48,000,000	Asset	1/12/2000		No
Furnishes Information System Development, Integration and Consulting Services to Government and Commercial	\$28,761,473		\$15,650,000	Stock	8/29/2003		Yes
Interactive voice response and network systems	\$28,817,000	(\$379,000)	\$83,000,000	Stock	5/11/1998	MA	No
Design and Manufacture Automation Equipment for the Sheet Metal Forming Industry	\$29,078,000	\$2,954,128	\$7,000,000	Asset	5/23/1996		Yes
Provides a Variety of Computer-Related Services,Technical and Administrative Support Services	\$29,228,929	\$2,412,093	\$12,537,500	Stock	2/4/2003		Yes
Information Technology Business	\$31,500,000		\$23,600,000	Asset	5/24/1996		No
Designing and Manufacturing of Software for Point of Sale Systems	\$33,817,965	\$2,202,070	\$48,500,000	Stock	4/17/1998	NC	Yes
Software Application Developer and System Integrator Specializing in the Specialty and Apparel Retail Markets	\$42,453,826	\$8,013,160	\$52,000,000	Stock	5/1/2003		Yes
Internet Retailer that Sells Computers and Technology Products	\$42,836,000	(\$1,861,000)	\$11,800,000	Stock	9/8/2000	PA	No
Information Technology Company with Clients in the Health Care Industry	\$58,892,000	\$16,598,000	\$168,000,000	Stock	8/11/2004		Yes
Provider of Results-Based On-Line Advertising	\$59,042,000	\$11,880,000	\$142,100,000	Stock	6/24/2005		No
Develops Products and Technologies that Enable Electronic Devices to Understand Speech	\$60,004,000	(\$23,987,000)	\$445,278,000	Stock	6/7/2000	MA	No
A Provider of Information Technology Logistics and Digitization Services and a Designer	\$115,928,841	\$7,111,723	\$64,717,000	Stock	5/1/2003		Yes
Provides Office Technology Solutions	\$117,159,000	\$14,923,000	\$132,140,525	Stock	5/10/2004		Yes
Provides Logistics,Foreign Military Sales,Program & Information Management,Training services.	\$130,450,461	\$5,680,259	\$91,926,000	Stock	5/23/2003		Yes
Development; Semantic Modeling Architecture Software		(\$3,126,000)	\$35,000,000	Stock	7/16/1998	DE	No

Exhibit 4

Pratt's Stats-SIC Code-7371--Custom Computer Programming Service

Business Description	Net Sales	EBITDA	MVIC	MVIC/S	MVIC/EBITDA	Transaction Type
Website Design, Development, Hosting, Advertising and Media Placement	\$443,608	\$216,073	\$1,520,000	3.43	7.03	Asset
Custom Software Provider	\$445,679	\$34,622	\$100,000	0.22	2.89	Asset
Internet Marketer of Industrial and Emergency Preparedness Supplies	\$468,536	\$85,541	\$165,000	0.35	1.93	Asset
Internet Online/Web Development	\$600,000	\$50,000	\$415,000	0.69	8.30	Asset
Software Manufacturer and Duplicator	\$850,000	\$124,000	\$133,500	0.16	1.08	Asset
Development and Design, Maritime Software	\$877,309	\$87,991	\$500,000	0.57	5.68	Asset
Development and Marketing, Computer Based Stress Management System	\$1,104,220	\$148,972	\$1,453,125	1.32	9.75	Asset
Software Development and Service	\$1,191,692	\$40,573	\$2,000,000	1.68	49.29	Asset
Provider of Software Networking Applications	\$1,392,607	\$355,021	\$5,000,001	3.59	14.08	Asset
Designs and Develops Computer Security Products and Services	\$1,543,175	\$733,062	\$3,073,000	1.99	4.19	Asset
Operates a Network of Websites that offer Commentary from Industry Insiders	\$1,985,048	\$808,043	\$15,984,753	8.05	19.78	Asset
Develops and Sells Speech Recognition Software	\$2,561,759	(\$560,988)	\$5,200,000	2.03		Asset
Custom Computer Programming Services	\$2,678,047	\$598,334	\$2,400,000	0.90	4.01	Asset
Develops and Markets System Management Software	\$2,771,812	\$574,092	\$801,368	0.29	1.40	Asset
Develops, Operates, and Manages Internet Websites, Content Services.	\$2,987,261	\$2,147,303	\$20,249,418	6.78	9.43	Asset
Development, Marketing, Installation and Support, Computer Software	\$3,701,944	\$581,003	\$3,520,868	0.95	6.06	Asset
Specialize In Semiconductor Factory Automation	\$4,765,000	\$1,506,000	\$1,980,000	0.42	1.31	Asset
Mean			3,793,884	1.97	9.14	
Median				0.95	5.87	
Min				0.16	1.08	
Max				8.05	49.29	
Standard Deviation				2.31	11.85	
Coefficient of Variation				1.18	1.30	

	Invested-Capital Multiples		Weighted Value
	Sales	EBITDA	
Company Fundamental 20XX	1,417,096	180,603	
Median MVIC Multiple	0.95	5.87	
Indicated Value	1,347,781	1,060,354	
Weight	50%	50%	100.0%
Weighted Value	673,890	530,177	1,204,067
Less Interest-Bearing Debt (if any)			-
FMV-Private Illiquid Control Int (Asset Sale)			1,204,067
Rounded			1,204,000

Exhibit 5

Computation of Seller's Discretionary Cash Flow

Net Inc Before Taxes (for prior 12 months)	178,431
Additions:	
Compensation of Highest Paid Owner	60,000
Interest Expense	-
Depreciation/Amortization	2,172
Total	<u>62,172</u>
Pre-Tax Seller's Discretionary Cash Flow	240,603
Seller's Discretionary Multiple (Exhibit 6)	<u>2.40</u>
Fair Market Value (Asset Sale)	\$ 577,447

Exhibit 6

Computation of Weighted Avg Seller's Discretionary Multiple

Rating Scale	Description	Selected Multiplier	Weight	Weighted Value
Historical Profits		2.00	10.00	20.00
0.1-1.0	Negative to break-even			
1.1-2.0	Positive, but below industry norm			
2.1-3.0	Industry norm or above			
Income Risk		2.50	9.00	22.50
0.1-1.0	Continuity of income at risk			
1.1-2.0	Steady income likely/3-5 years old			
2.1-3.0	Profitability assured/5+ years old			
Terms of Sale		3.00	8.00	24.00
0.1-1.0	Seller requires all cash			
1.1-2.0	Reasonable terms available			
2.1-3.0	Exceptional terms available			
Business Type		2.50	7.00	17.50
0.1-1.0	Service business with few assets			
1.1-2.0	Equipment and/or inventory are significant components of total value			
2.1-3.0	High cost of entry, equipment and/or inventory major component of total			
Business Growth		2.00	6.00	12.00
0.1-1.0	Declining and further decline likely			
1.1-2.0	Flat or at inflationary levels			
2.1-3.0	Rapid growth with more expected			
Location/Facilities		2.50	5.00	12.50
0.1-1.0	Less than desirable to tolerable			
1.1-2.0	Acceptable to average			
2.1-3.0	Above average to superior			
Marketability		2.50	4.00	10.00
0.1-1.0	Limited market - special skills required			
1.1-2.0	Normal market - needed skills			
2.1-3.0	Large market - many qualified buyers			
Desirability		3.00	3.00	9.00
0.1-1.0	No status, rough to dirty work			
1.1-2.0	Respectable and satisfactory			
2.1-3.0	Challenging and attractive environment			
Competition		2.00	2.00	4.00
0.1-1.0	Highly competitive or unstable market			
1.1-2.0	Normal competitive conditions			
2.1-3.0	Little competition/high startup cost			
Industry		2.00	1.00	2.00
0.1-1.0	Declining and further decline likely			
1.1-2.0	Flat or at inflationary levels			
2.1-3.0	Rapid growth with more expected			
			55.00	133.50
WEIGHTED AVERAGE SELLER'S DISCRETIONARY MULTIPLE				2.43
ROUNDED				2.40

Exhibit 7

Summary of All Value Indications

<u>Valuation Methods</u>	<u>Exhibits</u>	<u>Indicated Value</u>
Market Approach - IBA	Exhibit 2	\$530,000
Market Approach - Pratt's Stats	Exhibit 4	\$1,204,000
Income Approach - Seller's Discretionary Cash Flow	Exhibit 5	\$577,447