

**VALUATION CHECKLIST
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**Comprehensive Checklist for Valuation Engagements
which results in a Conclusion of Value
For a Business, Business Ownership Interest, Security or Intangible Asset**

	Initials	Date
Prepared By		
Approved By		

I. ANALYSIS OF THE SUBJECT INTEREST OWNERSHIP INFORMATION

Company Information

NAME: _____
 ADDRESS: _____

 PHONE #: _____
 DBA (If Applicable): _____
 Email: _____

Organizational Information

Corporation Type: _____
 Date Incorporated: _____
 State of Incorporation: _____
 S Election: _____
 Merger Date: _____
 Recapitalization Agreement: _____

Common Shares

of Shares Authorized: _____
 # of Shrs Issued and O.S.: _____
 Restrictions (If Any): _____
 Voting Or _____
 NonVoting: _____

Treasury Shares

of Shares Held: _____
 Date of Purchase: _____
 Purchase Price: _____
 Date of Cancellation: _____

Preferred Shares

of Shares Authorized: _____
 # of Shrs Issued and O.S.: _____
 Description of Preference: _____
 Dividend %: _____

Shareholder Information

Ownership:

Name	Common		Preferred	
	# of Shares	%	# of Shares	%
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
TOTALS:	_____	_____	_____	_____

AICPA
Standards
Section

13B

13C

13C

13C

Ownership:

Determine the type of ownership interest being valued and ascertain whether that interest exhibits control characteristics:

Analyze the different ownership interests of other owners and assess the potential effect on the value of the subject interest:

Understand the classes of equity ownership interests and rights attached thereto:

Understand the rights included in, or excluded from, each intangible asset:

Understand other matters that may affect the value of the subject interest, such as:

For a business, business ownership interest, or security: shareholder agreements, partnership agreements, operating agreements, voting trust agreements, buy-sell agreements, loan covenants, restrictions, and other contractual obligations or restrictions affecting the owners and the subject interest.

For an intangible asset: legal rights, licensing agreements, sublicense agreements, nondisclosure agreements, development rights, commercialization or exploitation rights, and other contractual obligations:

To the extent any of these agreements are applicable request for our file:

Shareholder Information (Continued)

Participation:

Name	Title	% of Time Devoted To Business	Duties
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

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Related Party Information:

Name	Relationship	Involvement Described
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

13C

Recent Stock Sale Information:

Type of Stock Sold: _____
 Sold To: _____
 # of Shares Sold: _____
 Price of Shares Sold: _____
 Date of Sale: _____
 % Sold: _____
 Restrictions (If Any): _____
 Reason For Sale: _____
 How Valued: _____
 Stock Options: _____
 Terms: _____
 Type: _____

Type of Stock Sold: _____
 Sold To: _____
 # of Shares Sold: _____
 Price of Shares Sold: _____
 Date of Sale: _____
 % Sold: _____
 Restrictions (If Any): _____
 Reason For Sale: _____
 How Valued: _____
 Stock Options: _____
 Terms: _____
 Type: _____

Type of Stock Sold: _____
 Sold To: _____
 # of Shares Sold: _____
 Price of Shares Sold: _____
 Date of Sale: _____
 % Sold: _____
 Restrictions (If Any): _____
 Stock Options: _____
 Terms: _____
 Type: _____

Type of Stock Sold: _____
 Sold To: _____
 # of Shares Sold: _____
 Price of Shares Sold: _____
 Date of Sale: _____
 % Sold: _____
 Restrictions (If Any): _____
 Stock Options: _____
 Terms: _____
 Type: _____

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Valuation Essentials

Purpose of Valuation: _____

Valuation Date: _____

of Shares to be Valued: _____

% of Interest to be Valued: _____

Assumptions and Limiting Conditions: See Exhibit I: Check those that apply:

Type of Report to be Issued: _____

Use of Specialists: _____

Competency Issue: _____

Standard / Premise of Valuation

Define Standard of Value: _____

Describe: _____

Define Premise of Value: _____

Comment: _____

**Are we valuing Equity, Invested
Capital or Intangible Assets?** _____

**For Impairment/Intangible Assets
See Exhibit II** _____
Describe: _____

Will Compliance with USPAP be Required – See Exhibit III

Is there a Jurisdictional Exception: _____
Are there

Governmental Regulations: _____

AICPA Professional Standards: _____

Check those that Apply:

AICPA Code of Professional Conduct:

Statement on Standards for Consulting Services WA:

**Consulting Services: Definitions and Standards
AICPA Professional Standards, Vol. 2, CS Sev 100:**

**Rule 201 A Professional Competence of AICPA Code of
Professional Conduct:**

Is this an attest Client? If so
The firm is not able to perform
The engagement

Independence Issues

Consult Interpretation (Proposed) as of May 15, 2007. Meeting the objectives of the Fundamental Principles

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14

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New
Pronouncement

Requesting Party

Name: _____
Title: _____
Address: _____

Phone #: _____
Relationship: _____

Describe understanding with client:

Scope Limitations: _____
Restrictions: _____
Hypothetical Conditions: _____
Obligation to Update: _____
Conflicts of Interest: _____
Independence Issues: _____
Due Date: _____

Document Terms of Valuation Engagement, Procedural Requirements, Objectivity, and Independence:

Contact Person

Name: _____
Title: _____
Address: _____

Phone #: _____
Email: _____

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II. NONFINANCIAL INFORMATION

History / Background: _____

Major historical Events: _____

Annual Gross Revenues: _____

Average # of Employees: _____

Location Information

Location	Date Occupied	Leased / Owned	Function
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

SIC Code: _____

Principle Activity: _____

Employee Turnover

Describe management turnover:

Describe non-management turnover:

Family Involvement

Does the company have family members working for the company?

How many family members work for the company?

What is the amount and basis for each family member's compensation?

Do family members have proper education and experience for position held?

Is there absentee management?

Provide Owners and Family Frinze Benefits

Describe related party transactions

PRODUCTS / SERVICES AND MARKETS

Describe Products / Services: _____
(Indicate Proprietary Nature, if any) _____

Describe Customers: _____

Describe Market Area: _____

Estimated Total Market: _____

Estimated Market Share: _____

Describe Cyclical or Seasonal: _____

Describe Distribution Channels: _____

What are barriers of Market Entry? _____

Barriers to Entry

Describe the Economies of Scale:

Describe the Product Differentiation:

Describe the Capital Requirements:

Describe the Switching Costs:

Describe the Access to Distribution Channels:

Describe the Cost Disadvantages Independent of Scale:

Describe the Proprietary Product Technology: Patents / Trademarks

Describe the Favorable Access to Raw Materials:

Describe the Favorable Locations:

Describe the Government Subsidies:

Describe the Learning or Experience Curve:

Describe the Government Policies Applicable to the Company:

Describe the Bargaining Power of Your Suppliers:

Describe the Bargaining Power of Your Customers:

Describe the Threat of Substitute Products:

Describe the Rivalry Between Incumbent Companies in the Industry:

Describe the Stability of Earnings:

COMPETITION AND PRODUCT DIFFERENTIATION

Identify Major Competitors

Name	Location	Estimated Market Share
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Describe Product Differentiation From Competition:

List Competitive Strengths:

List Competitive Weaknesses:

List Product Lines:

Environmental Issues

Describe any environmental issues related to the following:

Asbestos:

Polychlorinated Biphenyl's (PCB's):

Fuel/Chemical Tanks, Drums, and Pipelines:

Water Discharges:

Air Emissions:

Waste Disposal:

Soil Contamination:

Agricultural Property / Pesticides, Herbicides, or Other Agricultural Chemicals:

Describe the Method of Pricing Competition:

Describe any Proprietary Content:

Describe any Patents:

Describe any Copyrights:

Describe the Product Mix:

Market Size and Share

Describe customer's status in the industry and their estimated market share:

Describe the market area that the company serves:

III. FINANCIAL INFORMATION

Describe Financial Statement Generation: _____
(In-house, CPA, etc.)

If CPA Involvement, Indicate Type: _____
GAAP or Tax Basis: _____

What is the Fiscal Year End of Corp.? _____

How often Are Financial Stmts Generated? _____

Describe Significant Acct. Policies: _____

Describe Extent of GAAP Compliance: _____

Identify Recent Changes in Acct. Policies: _____

Describe Book to Tax Adjustments: _____

Are Budgets or Forecasts Prepared? _____

If so, How Often? _____

How Has Co. Performed Relative to Budget? _____

Describe Future Planned Capital Expenditures: _____

Describe Short-Term Financial Arrangements: _____

Describe Long-Term Financing Arrangements: _____

Describe Retirement Plan: _____

FINANCIAL (Continued)

Identify Pending or Threatened Litigation: _____

Identify Major Customers: _____

Identify Major Vendors: _____

Identify Primary Discretionary Expenses: _____

**Identify Major Non-Recurring and
Extraordinary Expenses:** _____

**Identify Non-Operating Assets &
Liabilities:** _____

**Are Current Appraisals of Tangible
Assets Available?** _____

Describe: _____

Has Company Been Denied Credit? _____

Describe: _____

Advantages or Disadvantages Contracts: _____

FINANCIAL (Continued)

Is Company Carrying Assets Not in Use? _____

Describe: _____

Are there any subsidiaries owned by the company? _____

If yes, describe the subsidiaries. Name, date acquired, ownership interest, etc.: _____

Describe Leasing Activities: _____

Describe Government and/or Environmental Regulations: _____

Is Company Capital Intensive? _____

Describe: _____

Is Company Labor Intensive? _____

Describe: _____

Discuss Condition of Facilities and Equipment: _____

Describe Merger Authority: _____

Describe any Tax Issues: _____

Describe Recent Merger Activity: _____

Contingent off Balance Sheet Financing: _____

Describe the Regulatory Issues that impact the company:

Describe Other Significant Matters:

The valuation analyst should obtain, where applicable and available, financial information on the subject entity such as:

Historical financial information (including annual and interim financial statements and key financial statement ratios and statistics) for an appropriate number of years:

Prospective financial information (for example, budgets, forecasts, and projections):

Comparative summaries of financial statements or information covering a relevant time period:

Comparative common size financial statements for the subject entity for an appropriate number of years:

Comparative common size industry financial information for a relevant time period:

Income tax returns for an appropriate number of years:

MANAGEMENT

Key Management

Name	Title	Duties	Age / Health

Describe Key Management Background, Education, Longevity, and Experience:

Are Employment Contracts in Place? _____
Are Key Man Policies in Place? _____

Describe: _____

Identify Basis of Officer Compensation:

Name	Title	Basis of Compensation

Board of Directors and Level of Involvement

<u>Name</u>	<u>Title</u>	<u>Basis of Compensation</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Staffing

	<u>Total</u>	<u>Full-Time</u>	<u>Part-Time</u>
Number of Employees:	_____	_____	_____
Number of Managers:	_____	_____	_____
Number of Sales Staff:	_____	_____	_____
Number of Service Staff:	_____	_____	_____
Number of Clerical Staff:	_____	_____	_____

NATIONAL AND LOCAL ECONOMIC INFORMATION

NATIONAL

Valuation Date intermediate Bond Yield: _____ **Source:** _____

Expected Inflation Rate: _____ **Source:** _____

Expected GNP Growth: _____ **Source:** _____

Current Unemployment Rate: _____ **Source:** _____

Valuation Date Short-Term Bond Yield: _____ **Source:** _____

Valuation Date Long-Term Bond Yield: _____ **Source:** _____

Describe Current and/or Expected Major Changes in Tax Law:

Source: _____

General Description of the Economy: _____

Source: _____

LOCAL AND REGIONAL

Describe Local and Regional Economy: _____

Source: _____

Describe Local Labor Market: _____

Source: _____

Describe Personal Income Growth: _____

Source: _____

NATIONAL AND LOCAL INDUSTRY INFORMATION

NATIONAL

Total Market: _____ **Source:** _____
Short-Term Industry Growth: _____ **Source:** _____
Long-Term Industry Growth: _____ **Source:** _____

Describe Industry Stability: _____

Source: _____

Describe Market Trends: _____

Source: _____

Describe Technology Advancements: _____

Source: _____

Describe Effects of Government Regulation: _____

Source: _____

Describe Industry Outlook: _____

Source: _____

Describe Industry Financial Data: _____

Source: _____

Describe Industry Long-Term Prospects: _____

Source: _____

Source of Industry Financial Data: _____
Period Covered: _____
Breakdown By: _____

NATIONAL AND LOCAL INDUSTRY INFORMATION (Continued)

LOCAL AND REGIONAL

Total Market: _____ **Source:** _____
Short-Term Industry Growth: _____ **Source:** _____
Long-Term Industry Growth: _____ **Source:** _____

Describe: _____

Describe Industry Stability: _____

Source: _____
Describe: _____

Describe Local Market Trends: _____

Source: _____

Describe Effects of Local Government Regulation: _____

Source: _____
Describe: _____

Describe Local Industry Outlook: _____

Source: _____

Describe Local Industry Long-Term Prospects: _____

Source: _____

Source of Local Industry Financial Data: _____

Period Covered: _____

IV. VALUATION APPROACHES AND METHODS

VALUATION APPROACHES

Income Approach:

Capitalization of Earnings / Cash Flow:

- Normalization adjustments: _____
- Nonrecurring revenue and expense items: _____
- Taxes: _____
- Capital structure and financing costs: _____
- Appropriate capital investments: _____
- Noncash items: _____
- Qualitative judgments for risks used to compute discount and capitalization rates: _____
- Expected changes (growth or decline) in Future Benefits (for example earnings or cash flows): _____

Discounted future benefits method (for example, earnings or cash flows). In addition to the items above, the valuation analyst should consider:

- Forecast/projection assumptions: _____
- Forecast/projected earnings or cash flows: _____
- Terminal value: _____

For an intangible asset, the valuation analyst should also consider:

- Remaining useful life: _____
- Current and anticipated future use of the intangible asset: _____
- Rights attributable to the intangible asset: _____
- Position of intangible asset in its life cycle: _____
- Appropriate discount rate for the intangible asset: _____
- Appropriate capital or contributory asset charge, if any: _____
- Research and development or marketing expense needed to support the intangible asset in its existing state: _____
- Allocation of income (for example, incremental income, residual income, or profit split income) to intangible asset: _____
- Whether any tax amortization benefit would be Included in the analysis: _____
- Discounted multi-year excess earnings: _____
- Market royalties: _____
- Relief from royalty Method: _____

33A

33B

33C

IV. VALUATION APPROACHES AND METHODS (CONTINUED)

Asset Approach and Cost Approach:

When using the adjusted net asset method in valuing a business, business ownership interest, or security, the valuation analyst should consider, as appropriate, the following information related to the premise of value:

Identification of the assets and liabilities: _____
Value of the assets and liabilities (individually
or in the aggregate): _____
Liquidation costs (if applicable): _____

When using methods under the cost approach to value intangible assets, the valuation analyst should consider the type of cost to be used (for example, reproduction cost or replacement cost), and, where applicable, the appropriate forms of depreciation and obsolescence and the remaining useful life of the intangible asset.

Market Approach

Three frequently used market approach valuation methods for intangible assets are:

- Comparable uncontrolled transactions method (which is based on arm's-length sales or licenses of guideline intangible assets)
- Comparable profit margin method (which is based on comparison of the profit margin earned by the subject entity that owns or operates the intangible asset to profit margins earned guideline companies)
- Relief from royalty method (which is based on the royalty rate, often expressed as a percentage of revenue that the subject entity that owns or operates the intangible asset would be obligated to pay to a hypothetical third-party licensor for the use of that intangible asset)

For the methods involving guideline intangible assets (for example, the comparable profit margin method), the valuation analyst should consider the subject intangible asset's remaining useful life relative to the remaining useful life of the guideline intangible assets, if available.

In applying the methods listed above or other methods to determine valuation pricing multiples or metrics, the valuation analyst should consider:

- Qualitative and quantitative comparisons
- Arm's-length transactions and prices
- The dates and, consequently, the relevance of the market data

Rules of Thumb. Although technically not a valuation method, some valuation analysts use rules of thumb or industry benchmark indicators (hereinafter, collectively referred to as rules of thumb) in a valuation engagement. A rule of thumb is typically a reasonableness check against other methods used and should generally not be used as the only method to estimate the value of the subject interest.

VALUATION ADJUSTMENTS

Examples of valuation adjustments for valuation of a business, business ownership interest, or security include a discount for lack of marketability or liquidity and a discount for lack of control. An example of a valuation adjustment for valuation of an intangible asset is obsolescence.

Lack of Control: _____

Voting / Nonvoting: _____

Lack of Market: _____

NONOPERATING/EXCESS ASSETS

When valuing a controlling ownership interest under the income approach, the value of any nonoperating assets, nonoperating liabilities, or excess or deficient operating assets should be excluded from the computation of the value based on the operating assets and should be added to or deleted from the value of the operating entity. When valuing a non controlling ownership interest under the income approach, the value of any nonoperating assets, nonoperating liabilities, or excess or deficient operating assets may not be used to adjust the value of the operating entity depending on the valuation analyst's assessment of the influence exercisable by the noncontrolling interest. In the asset-based or cost approach, it may not be necessary to separately consider nonoperating assets, nonoperating liabilities, or excess or deficient operating assets.

Comments:

V. SUBSEQUENT EVENTS

SUBSEQUENT EVENTS

The valuation date is the specific date at which the valuation analyst estimates the value of the subject interest and concludes on his or her estimation of value. Generally, the valuation analyst should consider only circumstances existing at the valuation date and events occurring up to the valuation date. An event that could affect the value may occur subsequent to the valuation date; such an occurrence is referred to as a *subsequent event*. Subsequent events are indicative of conditions that were not known or knowable at the valuation date, including conditions that arose subsequent to the valuation date. The valuation would not be updated to reflect those events or conditions. Moreover, the valuation report would typically not include a discussion of those events or conditions because a valuation is performed as of a point in time—the valuation date—and the events described in this subparagraph, occurring subsequent to that date, are not relevant to the value determined as of that date.

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VI. DOCUMENTATION

DOCUMENTATION

Documentation is the principal record of information obtained and analyzed, procedures performed, valuation approaches and methods considered and used, and the conclusion of value. The quantity, type, and content of documentation are matters of the valuation analyst's professional judgment. Documentation may include:

Information gathered and analyzed to obtain an understanding of matters that may affect the value of the subject interest

Assumptions and limiting conditions

Any restriction or limitation on the scope of the valuation analyst's work or the data available for analysis

Basis for using any valuation assumption during the valuation engagement

Valuation approaches and methods considered

Valuation approaches and methods used including the rationale and support for their use

If applicable, information relating to subsequent events considered by the valuation analyst

For any rule of thumb used in the valuation, source(s) of data used, and how the rule of thumb was applied to the engagement by the valuation analyst.

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VII. OTHER

Management Representation Letter _____

Copyright Clearance:

RMA: _____

Other: _____

VIII. DOCUMENT AND DATA REQUEST CONTROL FORM

SUBJECT COMPANY FINANCIAL DATA

Request From: _____ Title: _____

Requested By: _____ Title: _____

DESCRIPTION	DATE REQ	DATE RECEIVED	WORK PAPER REF	COMMENTS
Engagement Letter:				
Financial Statements for 5 Years:				
Federal & State Income Tax Returns for 5 Years:				
Historical Budget Vs. Actual Report for _____ Years:				
Prospective Budget Report for Year:				
Accounts Receivable Aging Report:				
Inventory Summary Reports and Costing Method Summaries:				
Detailed Schedule of Fixed Assets:				
Schedule of Investments:				
Accounts Payable Aging Report:				
Schedule of Accrued Liabilities:				
Schedule of Notes Payable, Equip., or Real Property Leases & Other Term Debt:				
Appraisal Reports: - Real Estate				
- Equipment				
- Other (Trademarks & Patents)				
Key-Man Life Policies:				
Other:				

IX. DOCUMENT AND DATA REQUEST CONTROL FORM (Continued)

OPERATIONAL AND LEGAL DOCUMENTATION

DESCRIPTION	DATE REQ	DATE RECEIVED	WORK PAPER REF	COMMENTS
Organizational Chart:				
Buy / Sell Agreements:				
Stockholders Agreements:				
Stock Subscription Agreements:				
Public or Private Offering Memoranda:				
Employment Contracts:				
Pension / Profit Sharing Plans:				
Other Benefit Plans:				
Schedule of Pension / Profit Sharing Funding for _____ Years:				
Significant Contracts:				
Property Tax Returns for _____ Years:				
Client Representation Letter:				
Legal Representation Letter:				
Other:				
- A				
- B				
- C				
- D				
- E				
- F				
- G				
- H				
- I				
- J				
- K				

EXHIBIT I

ILLUSTRATIVE LISTS OF ASSUMPTIONS AND LIMITING CONDITIONS

- _____ The conclusion of value arrived at herein is valid only for the stated purpose as of the date of the valuation.
- _____ Financial statements and other related information provided by [Company] or its representatives, in the course of this engagement, have been accepted without any verification as fully and correctly reflecting the enterprise's business conditions and operating results for the respective periods, except as specifically noted herein. [Valuation Firm] has not audited, reviewed, or compiled the financial information provided to us and, accordingly, we express no audit opinion or any other form of assurance on this information.
- _____ Public information and industry and statistical information have been obtained from sources we believe to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.
- _____ We do not provide assurance on the achievability of the results forecasted by [Company] because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.
- _____ The conclusion of value arrived at herein is based on the assumption that the current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of the enterprise through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed.
- _____ This report and the conclusion of value arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. They may not be used for any other purpose or by any other party for any purpose. Furthermore the report and conclusion of value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The conclusion of value represents the considered opinion of [Valuation Firm], based on information furnished to them by [Company] and other sources.
- _____ Neither all nor any part of the contents of this report (especially the conclusion of value, the identity of any valuation specialist(s), or the firm with which such valuation specialists are connected or any reference to any of their professional designations) should be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other means of communication without the prior written consent and approval of [Valuation Firm].
- _____ Future services regarding the subject matter of this report, including, but not limited to testimony or attendance in court, shall not be required of [Valuation Firm] unless previous arrangements have been made in writing.

EXHIBIT I - (Continued)

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

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

_____ [Valuation Firm] has not made a specific compliance survey or analysis of the subject property to determine whether it is subject to, or in compliance with, the American Disabilities Act of 1990, and this valuation does not consider the effect, if any, of noncompliance.

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

_____ No change of any item in this appraisal report shall be made by anyone other than [Valuation Firm], and we shall have no responsibility for any such unauthorized change.

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

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

_____ We have conducted interviews with the current management of [Company] concerning the past, present, and prospective operating results of the company.

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

EXHIBIT II

IMPARMENT / INTANGIBLE ASSET

DOCUMENT REQUEST LIST INFORMATION REQUESTED FOR THE FIRST STEP OF IMPAIRMENT TESTING: Reporting Unit Value Versus Carrying Value of Unit

- _____ Please provide a list, description, and basis for the selection or identification of each reporting unit.
- _____ Provide annual financial statements for each reporting unit for each of the last five years or from inception, whichever is shorter, and any interim financial statements for the period closest to the date of impairment testing and from the corresponding period of the prior year.
- _____ Please provide any internal management memorandums, presentations, press releases, or any other documents discussing the reporting units or their operations.
- _____ Describe the basis for allocating each intangible asset and goodwill to each reporting unit.
- _____ Please provide any prospective financial information available including all prospective financial information released to the public or presented to internal management. If there are multiple forecasts for the same period, please indicate the one believed to be the most relevant and describe the reason(s) for any changes from previous forecasts or versions.
- _____ Please provide the minutes of any shareholders' meetings, board of directors' meetings, or top or reporting unit management meetings for the last 12 months.
- _____ Provide any reports or press releases published by securities firms or independent analysts about your company within the last 12 months.
- _____ Provide any organization charts for the Company and for the reporting units.
- _____ Please provide the minutes of any major department meetings or special committee meetings for each reporting unit.
- _____ Provide a list of key management or employees of each reporting unit including a short biography or curriculum vitae on each.
- _____ Please provide any pamphlets or brochures detailing operations, services, and/or products for each of the reporting units.
- _____ Please provide any recent articles (within 120 days) about the Company or any of its reporting units.
- _____ Please provide any internal publications (within 12 months) not already provided under previous requests.
- _____ Please provide copies of any significant loan agreements, security agreements, guarantees, and notes payable to financial institutions or other lenders relating to the Company or its individual reporting units.
- _____ Provide copies of any appraisals, fairness opinions, or other estimates of value performed, internally or externally, within the last three years on the reporting units.

EXHIBIT II - (Continued)

- _____ Please provide copies of any business plans prepared by or for the Company or reporting units for the last three years.
- _____ Provide any employee or corporate manuals detailing the Company's history, goals, policies, procedures, job descriptions, operations, and/or other significant data.
- _____ Provide any transfer pricing studies performed for Internal Revenue Code section 482 or pricing studies preferred for foreign tax jurisdictions.
- _____ Please provide any industry benchmarks or a list of firms from which performance is compared.
- _____ Provide a listing of the top 10 customers for each reporting unit for each of the last three years and the approximate annual billings thereto.
- _____ Please list the top competing companies and their estimated annual billings in the Company's or reporting units' market areas.

THE FOLLOWING ADDITIONAL INFORMATION FOR THE SECOND STEP OF IMPAIRMENT TESTING:

Implied Fair Value of Goodwill Versus Carrying Value of Goodwill

Tangible Assets

- _____ A complete list of all tangible assets (real property and personal property), along with management's best estimate of the current fair market value of each asset and the basis for management's estimates.
- _____ Copies of any appraisals done within the last three years on the each reporting unit's real estate or personal property directly or indirectly related to operations or investments.
- _____ A letter representing what the estimated fair value of any tangible assets is, or representing that book value is a reasonable approximation of the fair value.

Marketing Related Intangible Information

Trademarks, Trade Names, or Brand Names

- _____ List and describe the significance of all trademarks, trade names, or brand names in terms of brand recognition and market share. If the names or trademarks were licensed, please describe the terms of any agreements and provide any available documentation.
- _____ Please provide a detail of advertising and marketing expenses utilized specifically for each product and generally shared by all products. Primarily, the emphasis should be on identifying advertising expenditures.
- _____ Provide advertising expenditures and the corresponding projected revenue expected to be derived from such expenditures. Full financial projections are preferred, if available.

EXHIBIT II - (Continued)

_____ A description of the importance of the trademark, trade name, or brand name in generating new revenues. How well known is the name? What importance is placed on brand (or name) recognition in this industry? Does the trade name reduce the marketing effort? If so, what is a general percentage estimate of the reduction in marketing costs from such brand names?

_____ A list of similar companies who have competing trademarks, trade names, or brands. Also, if there are new companies with weaker or nonexistent trade names, please provide a list of them as well.

_____ Assuming you were starting the business without owning a trade name, what would be the estimated time and monetary resources needed to establish a trade name with similar recognition?

_____ If you did license the trade name from a third party, would such licensing fees be negotiated on a "lump-sum" basis, or would the fees be calculated as a percentage of applicable revenue (e.g., 3 percent of total revenue)?

Domain Names

_____ Please provide a list of all domain names used by the Company.

_____ If any domain names were purchased from third parties, please provide details of the acquisition(s).

_____ Have any offers to purchase the domain names been received? If so, please provide any details.

_____ Are any registered trademarks protecting any of the Company's domain names?

_____ Have there been any lawsuits or regulatory actions related to the use of the domain name(s)?

_____ What steps if any would be taken if the renewal of the domain name lapsed and another party registered the domain name?

Distribution Agreements or Distributor Relationships

_____ If a group of external distributors is utilized in the sales process, please describe the importance of the distribution network to the sales process.

_____ What would it cost and how long would it take to replace the current distribution network in terms of recruiting costs, lost sales, etc.?

_____ Please provide copies or a representative copy of any contracts with distributors.

EXHIBIT II - (Continued)

Noncompetition Agreements

- _____ Please provide a representative sample of the firm's noncompetition agreement.
- _____ List all parties who have signed noncompetition agreements, their title, and a brief description of their duties, book of business and annual compensation.
- _____ Describe the most likely way that each employee would compete if they chose to do so including the time it would take to establish the wherewithal, (including establishing a business and developing technology) to compete.
- _____ What would the potential loss of revenue or profits be due to such competition?
- _____ If the noncompete agreement did not exist, are there any other factors that would limit their ability to compete?
- _____ What is your best estimate of the likelihood that an employee would compete even if the noncompete agreement did not exist?

Customer Related Intangible Information

Customer Contracts

- _____ Please provide any summaries of any customer contracts, including any amounts of payments previously received and estimates of any costs to be incurred in fulfilling those contracts. This should include any current customer backlog.
- _____ Please provide an estimate of the key factors necessary to replicate the existing contracts. Please include such items as the direct time spent by personnel by level, the average salary for each level of personnel involved, and an estimate of the benefits or benefits factor associated with those personnel, travel expenses, legal consultations, and any other direct expenses, and an estimate of an appropriate overhead factor affiliated with those expenses.

Customer Lists

- _____ Provide details of any customer lists acquired or built regarding the cost of the customer list, the benefits provided by having the list, the cost to build a similar list internally, etc.

EXHIBIT II – (Continued)

Customer Relationships

_____ For the customer relationships that exist, could they be separated from the business either through a direct sale or lease or through the sale of a related contractual obligation or other intangible asset?

_____ Please provide detailed customer revenue information for as long a period as available including customers lost (customer turnover). These amounts do not need to agree exactly to prior-year financial statements, but should cover at least 90 percent of revenue earned during the time frame noted. The objective is to identify the length of time and frequency customers remain. The following is an example of the format that could be used for this information:

	1999	2000	2001	2002	2003	YTD Close
<u>Customer Name</u>						
Customer A						
Customer B						
Customer C						
Customer D						
Customer E						
Other						
Total Revenue						

Contract-Based Intangibles

Licensing agreements

_____ Please provide a summary of all material nonstandard licensing agreements, including the original term of the license, remaining term, the conditions for extension, conditions for termination, and other material terms of the agreement. To the extent that summaries are not available, please provide a copy of any nonstandard licensing agreement. Nonstandard licensing agreements include any licensing agreements where the price per use, limitations of use, or other material term describing the rights conveyed were negotiated as opposed to being selected from a list of alternatives. In considering the materiality of each license, consider the cumulative affect on operations or contribution to product attributes of all related licenses.

_____ Please provide an estimate of the key factors necessary to replicate the licensing agreement. Please include such items as the direct time spent by personnel by level, the average salary for each level of personnel involved, and an estimate of the benefits or benefits factor associated with those personnel, travel expenses, legal consultations, and any other direct expenses, and an estimate of an appropriate overhead factor affiliated with those expenses.

_____ For each of the nonstandard licenses, please discuss whether similar terms could be negotiated today or if the licenses contain beneficial terms or detrimental terms under which the parties are obligated.

_____ Please describe whether the licenses are directly or indirectly related to the reporting unit's products and the role they play in the products' functionality.

_____ Describe the availability of alternate rights that could be licensed and how the price would differ from the license's current rights.

EXHIBIT II – (Continued)

Supplier Agreements

- _____ Please describe the role of suppliers and their importance to the firm.
- _____ What would it cost and how long would it take to replace the current supplier group in terms of negotiating costs, lost sales, etc.?
- _____ Please provide copies or a representative copy of any contracts with suppliers.

Employment Agreements/Employee Information

- _____ Please describe and provide copies of any severance packages that are contractually obligated as part of any employment agreements.
- _____ For any employees in the product division or involved in selling, general, or administrative functions that will be allocated to the product division, please provide the following information by job title or by employee.

Job Title or Classification	Number of Employees	Total Annual Salary	Training Period	Fringe Benefits as a Percent of Base Compensation	Cost to Hire
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The "Training Period" is the estimated time needed for a person hired into the respective classification to attain a high level of efficiency, usually 90 percent. We would anticipate that low-skilled jobs would take between two weeks to a month, while executive positions may take from three months to as long as a year.

Technology-Related Intangibles

Patents

- _____ Please provide a list and description of each significant patent including the name, date granted, and patent number.
- _____ Please describe the relationship and how each patent supports each product offered by the Company.
- _____ Provide copies of any patent applications or patent abstracts.
- _____ Provide historical cost records relating to the cost to develop the patent including the person hours to develop the technology, job titles of the people involved in development, pay rates, and benefits factors for the people involved in the development efforts, and the degree of overhead and overhead costs related to overseeing the development efforts.
- _____ Provide estimates for the cost to recreate each patent from scratch including the titles and number of each employee category that would be involved in the development effort, pay rates for those employees, time to recreate the technology, direct expenses necessary for any equipment that would only be used in the development efforts, and the degree of overhead and overhead costs related to overseeing the development efforts.

EXHIBIT II – (Continued)

_____ If any patents or patent rights have been licensed to third parties, please provide details of those licensing or royalty agreements.

_____ For each patent, please provide any information on historical sales of products and/or services related to the patent.

_____ Provide any projections for all products and/or services related to each patent including revenues, costs of sales, and overhead expenses.

_____ What potential limitations are there to the potential useful life of the technology related to the patents? For example, the patent relates to a process related to a particular hardware platform. Historically, that hardware platform exists for five years before new technology replaces it. The current hardware platform has been in existence for two years.

_____ Comment on the ability to extend the patent protection beyond the statutory life of the patent or potential for new patents that can be filed from the original patented technology.

Copyrights

_____ Please provide a list and description of the copyrights, registered or unregistered, including the date of creation, whether registered or unregistered, and type of work.

_____ Provide details of any licensing agreements related to copyrights, either licensed to or from another party.

_____ Please describe the relationship and how each copyright supports each product and/or service offered by the Company.

_____ For all copyrights, please provide any information on historical sales of products and/or services related to the copyrights.

_____ Provide any projections for all products and/or services related to the copyrights including revenues, costs of sales, and overhead expenses.

_____ What limitations are there to the potential useful life of the technology related to the copyright?

Trade Secrets (Know How)

_____ Describe the nature of the trade secrets and their competitive advantages and disadvantages.

_____ For any trade secrets, describe the procedures that have been used to maintain those trade secrets, including lawsuits filed, if any.

_____ Describe how the trade secrets are utilized in supporting each product and/or service provided by the Company.

_____ What limitations are there to the potential useful life of each trade secret? Include any technological factors, economic factors, regulatory factors, or other relevant factors that could limit the potential useful life.

EXHIBIT II – (Continued)

- _____ Provide historical cost records relating to the cost to develop the trade secrets including the person hours to develop the technology, job titles of the people involved in development, pay rates and benefits factors for the people involved in the development efforts, and the degree of overhead and overhead costs related to overseeing the development efforts.
- _____ Provide estimates for the cost to recreate the trade secrets from scratch including the titles and number of each employee category that would be involved in the development effort, pay rates for those employees, time to recreate the technology, direct expenses necessary for any equipment that would only be used in the development efforts, and the degree of overhead and overhead costs related to overseeing the development efforts.
- _____ For each trade secret, please provide any information on historical sales of products and/or services related to the trade secret.
- _____ Provide any projections for all products and/or services related to the trade secrets including revenues, costs of sales, and overhead expenses.
- _____ What limitations are there to the potential useful life of the technology related to the trade secrets?

In-Process Research and Development (Technology Under Development)

- _____ Please provide a description of each significant research and development project (R&D) currently under way including the name, type of project, functionality anticipated for the final product, the cost to complete the project, the historical costs incurred as of the valuation date in the R&D process, the anticipated date of release, the date that development efforts began, the remaining risks to be overcome in the development process and any detailed project plans or progress charts related to each R&D project.
- _____ Please describe the key improvements or features being added to any existing products through these development efforts. Include not only product functionality but also items such as a change in programming code or other “under the hood” improvements and describe the benefit provided by each improvement. For each feature, rate it from 1-10 (1 being the least important and 10 being the most important) in the level of importance of the feature to the purchasing decision).
- _____ Please describe how each R&D project will affect the products and/or services offered by the Company.
- _____ If development efforts were discontinued today, are there any components of the R&D efforts that could be utilized in an alternate capacity without additional R&D efforts? If so, please describe the potential alternate use, the component and the degree that that component relates to the development efforts for each R&D project as of the valuation date.
- _____ In terms of the current development efforts, discuss how important the features, functions, or changes are to future generations of the product. If the development effort for the current update is materially different than the average for product generations, describe this difference either in terms of programmer hours or percentage. For example, the changes are fundamental and provide a near rewrite of the existing program. The development effort was approximately three times the typical development cycle.

EXHIBIT II – (Continued)

_____ Describe any existing technology, patents or know how relied upon in the R&D process including the current name, version number, date of original release, and any product descriptions or marketing brochures.

_____ Provide an estimate on what it would take to replicate the benefits of any existing technology, patents, or know-how relied upon in each R&D project, including the person hours needed to develop the technology, job titles of the people involved in development, pay rates, and benefits factors for the people involved in the development efforts, and the degree of overhead and overhead costs related to overseeing the development efforts.

_____ Provide historical cost records relating to the cost to develop any existing technology, patent, or know-how including the person hours to develop the technology, the job titles of the people involved in development, pay rates and benefits factors for the people involved in the development efforts, and the degree of overhead and overhead costs related to overseeing the development efforts.

_____ Provide any projections for all products and/or services related to each R&D project including revenues, costs of sales, and overhead expenses.

_____ If the R&D effort relates to software, describe the programming language it is being written in, the hardware requirements, the anticipated time between major releases, the anticipated time between minor releases, and the anticipated release date of the software.

_____ What limitations are there to the potential useful life of the technology related to each R&D project?

Internally Developed Software

_____ For each software package that was internally developed, list each software, the date developed, the language written in, and the function of the software.

_____ List any comparable off-the-shelf software available and the cost to modify or customize that software to produce comparable functionality to the internally developed software.

_____ Provide historical cost records relating to the cost to develop the software including the person hours to develop the software, job titles of the people involved in development, pay rates and benefits factors for the people involved in the development efforts, and the degree of overhead and overhead costs related to overseeing the development efforts.

_____ Provide estimates for the cost to recreate the software from scratch including the titles and number of each employee category that would be involved in the development effort, pay rates for those employees, time to recreate the technology, direct expenses necessary for any equipment that would only be used in the development efforts, and the degree of overhead and overhead costs related to overseeing the development efforts.

_____ If the software is used in the production of any products and/or in services provided by the Company, provide any projections for those products and/or services including revenues, costs of sales, and overhead expenses.

_____ If any internally developed software has been licensed to third parties, please provide details of those licensing or royalty agreements.

_____ What limitations are there to the potential useful life of the technology related to the internally developed software?

**A Checklist for Business Valuation
Reports
Conducted In Accordance With:
USP AP 2005**

**A Checklist for Business Valuation Reports
Conducted In Accordance With:
USP AP 2005**

The reviewer should read STANDARDS 3, 9 and 10 statement 9, as well as the introduction section of the current USP AP prior to using this checklist. USP AP is updated annually, and is generally available during February or March each year. We identify requirements with respect to an "Appraisal Report" as defined within USP AP.

USP AP establishes standard for professional appraisal practice, which includes:

- Appraisal
- Appraisal Review
- Appraisal Consulting

Items required by USP AP (2005) include:

- Clearly and accurately set forth the valuation in a manner that is not misleading. (line 2727, 2728, 2738)
- Present sufficient information to enable the intended user(s) to understand the valuation. (line 2739)
- Clearly and accurately disclose all assumptions (line 2741)
- Present any specific limiting conditions concerning information. (line 2742)
- Clearly and accurately disclose any extraordinary assumption(s) used in the assignment (line 2741,2802) Extraordinary assumption: an assumption, directly related to a specific assignment, which if found to be false, could alter the appraiser's opinions or conclusions (line 85)
- Identify the impact of any extraordinary assumptions on the resulting value. (line 2757)
- Clearly and accurately disclose any hypothetical condition(s) that directly affect the valuation. (line 2742,2802) Hypothetical condition: that which is contrary to what exists but is supposed for the purpose of analysis (line 92)
- Identify the impact of hypothetical condition(s) on the resulting value. (line 2802)
- Prominently identify if the report is: (line 2748,2749,2750)
 - Appraisal report, or a
 - Restricted Use Appraisal Report; and
 - If it is a Limited Appraisal (lines 2836 and 2892) Limited Appraisal: the act or process of developing an opinion of value or an opinion of value developed under and resulting from invoking the DEPARTURE RULE (line 14)
- State the identity of the client by name or type (line 2768)
- State the identity of any intended user(s) of the report by name or type (line 2768) Not required if it is a restricted use appraisal report because there can be no such users (line 2825)
- State the intended use of the appraisal (line 2774)
- Summarize information sufficient to identify the business or intangible asset appraised (line 2775)
- State as relevant to the assignment, the extent to which the business interest or the interest in the intangible asset appraised contains elements of ownership control (lines 2779,2780,2781)

- State the basis for the determination of relevancy of ownership control (line 2771)
- State the definition of the standard of value used and its source (line 2782)
- State the effective date of the appraisal (line 2785)
- State the date of the report (line 2785)
- Summarize sufficient information to disclose to the client and any intended users of the appraisal the scope of work used to develop the appraisal (line 2790)
 - If a restricted use report: state the extent of the process of collecting, confirming, and reporting data or refer to an assignment agreement retained in the appraiser's workfile that describes the scope of work to be performed (line 2844)
- Summarize the information analyzed (not required if a Restricted Use Report) (line 2803)
 - Include in the analyses, when relevant, data (line 2697) regarding:
 - All relevant approaches for which sufficient reliable data are available (line 2699)
 - The nature and history of the business (line 2704)
 - Financial and economic conditions affecting the business enterprise, (line 2700)
 - Its industry, and (line 2705)
 - The general economy (lines 2706)
 - Past business results, (line 2707)
 - Current business operations, and (line 2707)
 - Future prospects of the business enterprise (line 2707)
 - Past sales of capital stock or other ownership interests in the business enterprise being appraised (line 2708)
 - Sales of similar businesses or capital stock of publicly held similar business (line 2710)
 - Prices, terms and conditions affecting past sales of similar business equity (line 2712)
 - Economic benefit of intangible assets (line 2713)
- Summarize the appraisal procedures followed (line 2803)
- Summarize the reasoning that supports the analyses (line 2803)
- Summarize the reasoning that supports the opinions and conclusions (line 2804)
- Provide information sufficient for the client and intended users to adequately understand the rationale for the opinion and conclusions. (lines 2805 - 2808)
- State and explain any permitted departures from specific requirements of STANDARD 9 and the reason for excluding any of the usual valuation approaches (line 2809, 2810)

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- Were there any departures involved ----'yes __ no; if yes is it clearly marked as a "Limited Appraisal"? Did Appraiser obtain client's written approval to issue the "Limited Appraisal"? (lines 2836 & 2892)
 - 9.1,9.29.3 and 9.5 may not be departed from.
 - 9.4 requirements may not be departed from:
- In developing a business or intangible asset appraisal, an appraiser must collect and analyze all information pertinent to the appraisal problem, given the scope of work identified in accordance with the Standards Rule 10-2(e). (lines 3127 and 3128)
- Reconcile the indications of value resulting from the various approaches (line 2736)
- State a prominent use restriction that limits use of the report to the client for (Restricted Use Appraisal Reports) and warns that the appraiser's opinions and conclusions set forth in the report cannot be understood property without additional information in the appraiser's work file (line 2899)
- Include a signed certification in accordance with Standards Rule 10-3: (line 2842-2903)
 - I certify that to the best of my knowledge and belief (line 2908)
 - The statements of fact contained in this report are true and correct (line 2909)
 - The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions and conclusions (line 2910)
 - I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved (line 2814) otherwise disclose the specific interest.
 - I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment (line 2916)
 - My engagement in this assignment was not contingent upon developing or reporting predetermined results (line 2918)
 - My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal (line 2920)
 - My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (2003) (Line 2925, 251)
 - No one provided significant business valuation assistance to the person signing this certification (line 2928) otherwise identify by name and specify the significant assistance.
 - This certification must be signed by any appraiser signing any part of the report, including a transmittal letter. (line 2931)

END