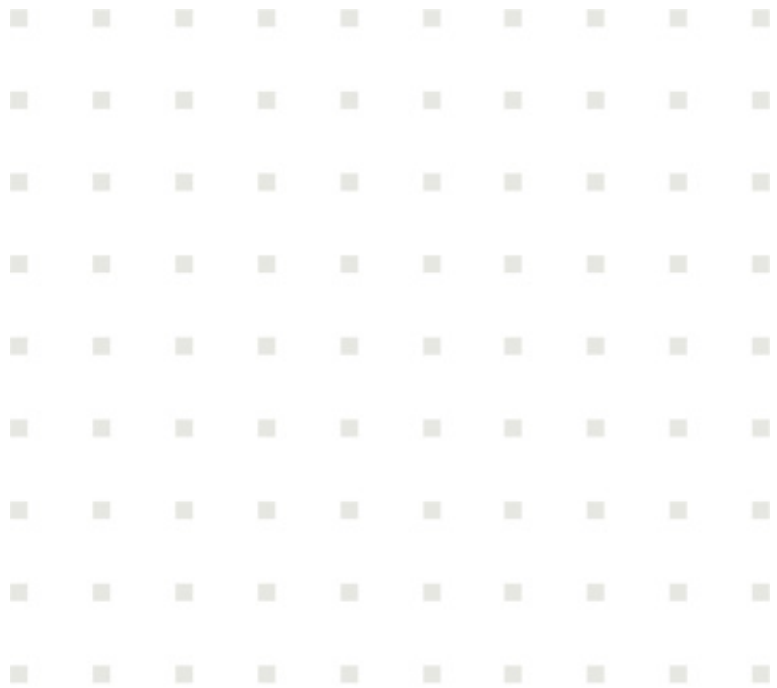


Fair Market Value of
ABC Company, Inc.
as of March 31, 2012

ADAMS
CAPITAL
INC. BUSINESS
VALUATION
SERVICES

REDACTED





May 2, 2012

Confidential

Mr. John Smith
Chief Financial Officer and Treasurer
ABC Company
123 Big Road
Atlanta, Georgia 30339

Fairness Opinion for One Share of Common Stock in ABC Company, Inc.

Dear Mr. Smith:

Adams Capital, Inc. (“Adams Capital”) has performed a valuation study for ABC Company, Inc. (“ABC Company” or the “Company”). We understand the board of directors (the “Board”) requests that Adams Capital render an opinion (the “Opinion”) on the fairness of a proposed transaction (the “Transaction”) for shares of the Company’s common stock. This detailed report expresses our conclusions of fair market value on a non-controlling, non-marketable basis as of March 31, 2012 (the “Valuation Date”).

The Transaction will be a Dutch auction, and the Company is considering the range of values provided in this Opinion in determining the offer prices. Adams Capital was engaged by the Company’s board of directors and Management to render this Opinion on the fairness of the Transaction.

Our understanding is that the laws of Tennessee would apply to ABC Company shareholders. Tennessee law discusses fair market value as a standard for valuation matters. For purposes of this report, the standard of value is fair market value. The generally accepted definition of fair market value comes from IRS Revenue Ruling 59-60, 1959-1 C.B. 237. Revenue Ruling 59-60 defines fair market value as:

The price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts.

In determining the fairness of the Transaction, Adams Capital employs the income approach (the discounted cash flow method) and the market approach (the guideline public company method). Both approaches capture the total value of the Company’s operations, including any goodwill or intangible value that may be present.



Based upon our analyses, and the facts and circumstances as of the Valuation Date, March 31, 2012, the fair market value of one share of common stock in ABC Company, Inc. is estimated to be:

\$3.05
based on an indicated range of
\$3.01 to \$3.10

on a non-controlling, non-marketable basis
(see Schedule 1)

These conclusions are based on the attached Standard Assumptions and Limiting Conditions, as well as the facts and circumstances as of the Valuation Date.

The approaches and methodologies used in our work do not constitute an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the fair presentation of financial statements or other financial information, including prospective information, presented in accordance with generally accepted accounting principles. We express no opinion and accept no responsibility for the accuracy and completeness of the financial information, including prospective information, or other data provided to us by the management of the Company or others. We assume that the financial and other information, including prospective information, provided to us is accurate and complete, and we have relied upon this information in performing our valuation.

A description of our procedures and assumptions is included in the detailed report. We assume that no hidden or unexpected conditions exist that would adversely affect the value of the Company's business and underlying assets.

This detailed report, including schedules, may be shared with the client's legal and financial advisors solely for transaction planning purposes. It is not to be referred to or distributed for any other purposes or to any other party for any purpose without Adams Capital's express written consent.

Qualifications

Adams Capital is an independent, third party valuation firm. Our principal business is the valuation of businesses and business interests, including both privately held and publicly traded companies, for purposes including mergers and acquisitions, divestitures, gift and estate taxes, employee stock ownership plans, corporate and partnership recapitalizations, and dissolutions. We act as financial advisors to the Company with respect to this project. Our compensation is not contingent on our findings and we have no other financial advisory or other relationships with the board of directors, officers, or investors in ABC Company.



Adams Capital's professionals collectively have more than 40 years of experience in the valuation of closely held business for transaction planning purposes. Our professionals have experience with over 3,000 transactions. We possess:

- Professional accreditations: Certified Public Accountant (CPA), Accredited in Business Valuation (ABV), and Accredited Senior Appraiser (ASA)
- Degrees in finance, economics, engineering, management, and law
- Leadership positions in the Georgia Society of Certified Public Accountants and the American Society of Appraisers
- Over 40 annual hours of valuation continuing education per professional

Adams Capital works closely with our clients' legal and financial counselors to ensure the highest quality service. Our valuation conclusions are documented and tailored to each client's specific facts and circumstances. We maintain strict, cross-checked validation quality controls, and our conclusions are well supported. We retain relevant supporting documentation in our work papers for eleven years.

We sincerely appreciate this opportunity to offer our services to you. If you have any questions or comments concerning any aspect of our detailed report, please contact us.

Very truly yours,

David P. Adams III, CPA, ABV, ASA
President

REDACTED

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1. EXECUTIVE SUMMARY

Purpose of Appraisal: To determine a fair range of values for one share of common stock in ABC Company, Inc. for transaction planning purposes.

Standard of Value: Fair market value

Premise of Value: In continued use as a going concern

Basis of Value: Non-controlling, non-marketable

Valuation Date: March 31, 2012

Conclusion of Value: The fair market value of one share of common stock in ABC Company, Inc. is estimated to be:

\$3.05

**based on an indicated range of
\$3.01 to \$3.10**

**on a non-controlling, non-marketable basis
(see Schedule 1)**



2. INTRODUCTION

Adams Capital, Inc. (“Adams Capital”) has performed a valuation study for ABC Company, Inc. (“ABC Company” or the “Company”). We understand the board of directors (the “Board”) requests that Adams Capital render an opinion (the “Opinion”) on the fairness of a proposed transaction (the “Transaction”) for shares of the Company’s common stock. This detailed report expresses our conclusions of fair market value on a non-controlling, non-marketable basis as of March 31, 2012 (the “Valuation Date”).

The Transaction will be a Dutch auction, and the Company is considering the range of values provided in this Opinion in determining the offer prices. Adams Capital was engaged by the Company’s board of directors and Management to render this Opinion on the fairness of the Transaction.

The generally accepted definition of fair market value comes from IRS Revenue Ruling 59-60, 1959-1 C.B. 237. Revenue Ruling 59-60 defines fair market value as:

The price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts.

The Ruling’s original purpose was “to outline and review, in general, the approach, methods, and factors to be considered in valuing shares of the capital stock of closely held corporations for estate and gift tax purposes.” Over time, however, it has become the accepted standard of valuation for purposes other than estate and gift tax.

Any methodology used to determine fair market value should conform to Revenue Ruling 59-60’s hypothetical standard. Accordingly, in our determination of fair market value, we consider factors specified in Revenue Ruling 59-60 as summarized below:

- The entity’s nature and history
- The economic outlook of the specific industry and the general economy
- The book value of the entity’s equity and the entity’s financial condition
- The entity’s earning capacity
- The entity’s dividend paying capacity
- Whether the entity has goodwill or other intangible value
- Prior sales of stock and the size of the block of stock to be valued



- The market price of publicly traded stocks of companies engaged in the same or a similar line of business

The scope of our engagement includes, but was not limited to, the following:

- Analysis of historical financial statements
- Analysis of financial projections
- Discussions with Company management (“Management”)
- Research of the Company’s industry and competition
- Determination of appropriate methodologies and assumptions to be employed
- Valuation analysis to determine the fair market value of the subject interest
- Preparation of this detailed report outlining the methodologies, assumptions, and conclusions

The following section discusses the history and nature of the business.

3. HISTORY AND NATURE OF THE BUSINESS

Company Overview

ABC Company overview is redacted for confidentiality.

Historical Transactions

During 2009, the Company repurchased 240,000 shares of common stock for \$650,000, or \$2.71 per share. We are not aware of any third party transactions for the Company’s common stock within the past five years.

Previous Fair Value Estimates

Since June 2007, the Company has issued common stock to employees as compensation based on a fair value estimate of \$5.00 per share. The \$5.00 share price was not a transaction price, but was used to estimate the fair value of stock grants. Based on discussions with Management, the \$5.00 share price was estimated based on a revenue growth rate of 15% per year and bottom line growth of 6% per year. The Company does not believe those assumptions are currently valid but has continued to use the \$5.00 per share price solely for estimating the fair value of grants. In addition, the \$5.00 share price does not reflect any discounts for lack of control or lack of marketability. There are negative tax implications for utilizing low stock values for compensation reporting known in the financial industry as “cheap stock”. There is an incentive to err by overstating value and therefore avoid and potential “cheap stock” issues. This



overstated value protects existing shareholders from dilution. These issues are considered in our opinion.

Transaction Overview

We understand that ABC Company plans to use a Dutch auction offering structure to repurchase ABC Company shares from existing shareholders. The Company plans to repurchase up to \$2.0 million in shares using existing cash and credit facilities. The Company will not allow partial tenders, and there may be an additional \$300,000 available for over allotment. There are approximately 30 shareholders who own less than 7,500 shares; these smaller shareholders are the primary beneficiary of the stock redemption. The Company anticipates changing its risk profile to become more competitive and wants to allow shareholders the opportunity to exit should they choose.

Financial Analysis

We analyzed ABC Company's financial statements for the years ended December 31, 2007 through March 31, 2012. Schedules 8, 9, 10, and 11 reflect the historical financial performance of ABC Company. The Company's historical financial performance is provided for reference purposes only.

The financial statements for the years ended December 31, 2007 through December 31, 2011 are based on audited and consolidated financial statements which include the subsidiary. In addition, we considered the latest twelve month ("LTM") financial performance for ABC Company as a standalone company. In calculating the LTM income statement as of March 31, 2012, we relied on unaudited, internal financial statements as of March 31, 2011, December 31, 2011, and March 31, 2012 because audited financial statements are not available as of March 31, 2011 and March 31, 2012. We noted slight differences between the December 31, 2011 audited, consolidated financial statements and the unaudited, internal financial statements. These differences do not affect the concluded value. We note the differences to clarify that the two income statements are not contradictory, but are from different sources.



Balance Sheet Analysis

	As of December 31,					As of March 31,
	2007	2008	2009	2010	2011	2012
Total Assets	24,160,339	40,215,761	63,788,562	71,604,448	75,895,825	77,331,709
Current Assets	15,559,980	19,948,033	22,879,586	30,005,197	34,864,776	35,970,372
% of Total Assets	64.4%	49.6%	35.9%	41.9%	45.9%	46.5%
Current Liabilities	4,790,300	6,850,985	9,263,134	11,992,766	12,661,168	16,173,824
% of Total Assets	19.8%	17.0%	14.5%	16.7%	16.7%	20.9%
DFWC	10,786,763	13,717,937	14,773,452	20,399,767	23,621,527	20,508,548
% of Revenue	16.9%	17.8%	16.4%	19.8%	22.7%	36.1%
Interest Bearing Debt	1,529,127	10,434,832	34,032,525	32,540,807	30,363,103	30,142,269
% of Total Assets	6.3%	25.9%	53.4%	45.4%	40.0%	39.0%
Stockholders' Equity	16,913,941	19,055,361	18,694,288	26,352,514	29,449,733	31,727,616
% of Total Assets	70.0%	47.4%	29.3%	36.8%	38.8%	41.0%

Total assets increased significantly from \$24,160,339 to \$77,331,709 over the period under review. The increase is primarily due to the construction of the Company's office building in 2008 and 2009, which resulted in the addition of the building and improvements of approximately \$17.8 million. The Company's total assets have also grown due to increases in current assets related to the Company's increasing revenue. Current assets increased at a compound annual growth rate ("CAGR") of 22.3% from December 31, 2007 to December 31, 2011. Current assets consist primarily of contract receivables and cash.

The Company generally has higher liquidity ratios compared to the industry. Based on industry information from The Risk Management Association's Annual Statement Studies 2011 – 2012, the average current ratio for the industry (NAICS 541330, Engineering Services) was 1.5x (see Schedule 12). In addition, the median current ratio for the guideline public companies was 1.6x (see Schedule 6c). The Company's current ratio as of December 31, 2011 was 2.8x, well above both indications of the industry average.

The Company's average collection period was similar to the industry. As of December 31, 2011, the Company's average collection period was 69.9 days and the five year average collection period was 63.0 days. For comparison, the average collection period for NAICS 541330 was 66.6 days.

As a percentage of revenue, debt-free working capital ("DFWC") has remained between 16.4% and 36.1% during the period under review. As of March 31, 2012, the DFWC balance was 36.1% of revenue.



The Company generally has lower working capital turnover compared to the industry. From December 31, 2007 to December 31, 2011, ABC Company's working capital turnover ranged from 5.2x to 6.7x. As of December 31, 2011, the Company's working capital turnover was 5.2x. The average working capital turnover for NAICS 541330 was 10.0x.

The interest bearing debt on the balance sheet is almost entirely related to the subsidiary. As of March 31, 2012, the total interest bearing debt balance was \$16,933,859, and the interest bearing debt balance excluding the subsidiary was \$765,908. ABC Company does not own an equity interest, and the value of ABC Company's equity should not be reduced by the subsidiary's debt. In determining the equity value of ABC Company, we rely on the interest bearing debt balance excluding the subsidiary's debt.

Stockholders' equity has increased at a CAGR of 14.9% from December 31, 2007 to December 31, 2011. As of March 31, 2012, the stockholders' equity balance was \$31,727,616.

Income Statement Analysis

	<i>As of December 31,</i>				
	2007	2008	2009	2010	2011
Revenue	63,676,344	76,916,055	89,886,499	103,255,970	103,874,821
Growth Rate	0.4%	20.8%	16.9%	14.9%	0.6%
Direct Costs	46,080,702	53,525,227	64,857,702	72,625,404	71,044,033
% of Revenues	72.4%	69.6%	72.2%	70.3%	68.4%
Overhead	14,282,234	18,055,599	19,940,859	20,003,813	19,191,606
% of Revenues	22.4%	23.5%	22.2%	19.4%	18.5%
Contract Income	3,313,408	5,335,230	5,087,938	10,626,753	13,639,182
% of Revenues	5.2%	6.9%	5.7%	10.3%	13.1%
EBITDA	4,309,754	5,100,414	5,506,742	10,816,040	10,991,781
% of Revenues	6.8%	6.6%	6.1%	10.5%	10.6%
EBIT	3,959,596	4,800,601	5,184,067	9,479,490	9,578,524
% of Revenues	6.2%	6.2%	5.8%	9.2%	9.2%
Net Income	2,621,000	3,061,995	3,178,347	4,756,165	6,014,490
% of Revenues	4.1%	4.0%	3.5%	4.6%	5.8%

We reviewed the Company's audited financial statements which include the consolidated operations of ABC Company. Total revenue increased at a CAGR of 13.0% from December 31, 2007 to December 31, 2012. However, revenue growth was flat in 2011 and the Company is not expecting significant revenue increases in 2012.

As a percentage of revenue, direct costs have remained between 68.4% and 72.4%. As of December 31, 2011, direct costs were 68.4% of revenue. Based on discussions with Management, there were a few large projects during 2011 which resulted in increased



profitability due to their structure. These projects have been completed, and Management expects direct costs to be slightly higher going forward.

Overhead, general, and administrative expense has remained relatively stable and decreased as a percentage of revenue in 2010 and 2011. Overhead, general, and administrative expense decreased from 23.5% of revenue in 2008 to 18.5% of revenue in 2011.

Contract income increased significantly from \$3,313,408 in 2007 to \$13,639,182 in 2011. As a percentage of revenue, contract income increased from 5.2% to 13.1%. The increase in contract income is the combined effect of revenue growth, decreasing in direct costs as a percentage of revenue, and decreases in overhead, general, and administrative expenses as a percentage of revenue.

EBITDA also increased significantly over the period under review. EBITDA increased from \$4,309,754, or 6.1% of revenue, to \$10,991,781, or 10.6% of revenue.

The Company's return on equity has historically been very high. From December 31, 2007 to December 31, 2011, ABC Company's return on equity ranged from 16.2% to 23.3%. As of December 31, 2011, the Company's return on equity was 23.3%. For comparison, the median return on equity for the guideline public companies in 2011 was n/a. However, the Company's profitability may be limited going forward.

As discussed above, we relied on internal income statements for ABC Company which include the corporate headquarters lease expense and exclude the building depreciation in determining the LTM income statement as of March 31, 2012. The following table summarizes the calculation of the LTM financial statement for ABC Company:

	<i>YTD</i>	<i>Fiscal Year</i>	<i>YTD</i>	<i>LTM</i>
	1/6/2008	5/11/2009	10/20/2009	10/20/2009
Revenue	24,517,747	102,820,027	22,816,099	101,118,379
Direct Costs	16,689,517	70,691,662	16,771,959	70,774,105
% of Revenues	68.1%	68.8%	73.5%	70.0%
Overhead	4,653,504	20,318,187	4,856,048	20,520,732
% of Revenues	19.0%	19.8%	21.3%	20.3%
Contract Income	3,174,726	11,810,177	1,188,091	9,823,542
% of Revenues	12.9%	11.5%	5.2%	9.7%
EBITDA	1,869,628	8,221,542	1,155,110	7,507,024
% of Revenues	7.6%	8.0%	5.1%	7.4%
EBIT	1,770,548	7,812,910	1,062,808	7,105,169
% of Revenues	7.2%	7.6%	4.7%	7.0%



For the LTM period ended March 31, 2012, revenue has declined from \$102,820,027 in 2011 to \$101,118,379. In addition, both direct costs and overhead, general, and administrative expenses have increased as a percentage of revenue. The result is a decrease in contract income for the LTM period ended March 31, 2012 compared to the fiscal year ended December 31, 2011. In three months contract income declined from 11.5% of revenue to 9.7% of revenue. During the year-to-date (“YTD”) period ended March 31, 2012, contract income was only 5.2% of revenue. This is consistent with Management’s expectations considering the completion of the high profitability projects in 2011 and the shift away from higher margin home rate work to lower margin field rate work.

Similarly, EBITDA margins decreased from 8.0% in 2011 to 7.4% for the LTM period ended March 31, 2012. During the YTD period ended March 31, 2012, EBITDA margins fell to 5.1%.

4. ECONOMIC AND INDUSTRY OUTLOOK

A business’ financial success is dependent upon conditions in the general economy as well as within the industry in which it operates. A prospective investor tempers the use of historical financial statistics with anticipated general economic conditions as well as the outlook for the particular industry when determining value based upon historical performance trends. An analysis of these factors has been incorporated into this valuation study.

National Economic Conditions¹

The latest employment report shows significant improvement in the labor market. The U.S. economy created 243,000 jobs in January and more than 600,000 jobs in the last three months. Professional Services and Manufacturing combined added well over a quarter million jobs since November, while the Leisure and Hospitality sector created more than 100,000 jobs. The Government sector, on the other hand, continued to shed jobs with losses of 14,000 in January and 276,000 during the last 12 months. The unemployment rate eased to 8.3%, but announcements of job cuts grew 28% in January to 53,486.

The inflationary pressures have eased slightly in recent months, as energy prices decreased by the end of the last year. Following a 0.1% dip in October, the consumer price index (“CPI”) was unchanged in November and December. On a year-over-year basis, the headline inflation index moderated from 3.9% in September to 3.0% in December. Meanwhile, core prices rose 0.1% from November and were up 2.2% from December 2010, double the pace of the 1.0% growth earlier last year. Among items driving core prices up were housing, including rent and owners’ equivalent rent, and medical care.

¹ Dhawan, Rajeev. “Forecast of the Nation: February 2012,” Georgia State University Economic Forecasting Center. Atlanta, Georgia.



The producer price index (“PPI”) ended the year with a 0.1% drop in December. Excluding food and energy, core producer prices for finished goods rose 0.3%, a significant pickup from a 0.1% increase in November. However, strength in the core index was limited to few categories, which made core prices look stronger than they really are. The deceleration in producer prices is even more evident on a year-over-year basis. The overall index cooled from 7.1% in July to just 4.8% in December. The core PPI also is trending down from 3.7% in the first quarter of 2011 to 1.0% in the fourth.

Although the rate of new residential construction has been trending upward throughout most of the year, housing starts overall grew by only 12.3% since the end of the recession in June 2009 to an annualized rate of 0.657 million units in December 2011. More importantly, all gains in new residential construction have been limited to multifamily units, suggesting a fundamental shift in the housing sector. Multifamily construction now makes up almost 30% of total housing starts as compared to only 17% in 2005 (total housing starts averaged 2.072 million units in 2005).

The housing sector continues to struggle heavily as it has in recent years. With all the ups and downs last year, existing home sales ended 2011 not far from where they started with 4.610 million units in December compared to 4.640 million units in January. Meanwhile, new home sales averaged 0.303 million units nationally last year, setting a new record low (a decline of 5.7% from 2010). Regionally, sales also set record lows in the Northeast (a 30% decline from 2010), West (a 4.4% decline), and South (a 3.4% decline). Sales in the Midwest grew by only 0.4% from last year.

The growth in retail sales continues to moderate. Following a meager 0.4% growth in November, total sales rose by only 0.1% in December, suggesting that the holiday season may have fallen short of the success that retailers were expecting. In fact, sales excluding autos fell 0.2% in December, and excluding autos and gas, retail sales were flat. On a year-over-year basis, sales growth exhibits a clear downward trend. Total retail sales grew 6.5% in the last month of 2011, down from 8.1% in September and 9.1% in February. For all of 2011, retail sales grew 7.8% from 2010.

Auto dealers have performed well so far in 2012, with auto sales reaching a new post-recession high of 14.1 million units in January; the high does not include the Car Allowance Rebate System (“Cash for Clunkers”) aberration seen in August 2009. Overall, growth in auto sales has improved significantly over the last several months (sales grew almost 17% in the last five months).

Despite a minor drop in January, consumer confidence seems to be growing. The confidence index grew 15.9 points since last August as the expectations component of the index improved significantly from 52.4 in August 2011 to 76.2 in January 2012.

Industrial production climbed 0.4% in December, thanks to a strong 0.9% increase in manufacturing output. Utility output fell sharply for the fifth consecutive month, easing 2.7% in



December as a generally warm winter kept heating demand low. Meanwhile, mining output added a modest 0.3%. In the fourth quarter, manufacturing output grew at an annualized rate of 3.1%, not as strong as the 6.3% growth in the third quarter, but significant nonetheless. The improving capacity utilization rate hit its four-year high of 78.1% in October, and then again in December.

The Institute for Supply Management (“ISM”) index improved 2.3 points over the last three months to 54.1 in January, but it is still below the 2011 average of 55.2. Growth in durable goods orders has been uneven throughout the entire year, mostly due to gyrations in aircraft orders. Following a strong \$8.6 billion surge in November, new orders for durable goods rose again \$6.2 billion in December. However, civilian aircrafts are responsible for most of the growth. Excluding transportation, orders grew less than \$4 billion in November and December combined.

Weakening global economies in Asia and Europe have taken their toll on international trade. Total U.S. exports declined 0.9% in November and over the last three months, total U.S. exports declined at an annualized rate of 0.5% (in May, three-month export growth was 26.3%). Meanwhile, following a string of monthly declines, total imports grew by 1.3% in November, largely due to a \$3.2 billion surge in oil imports. This combination of lower exports and higher imports pushed the trade deficit from \$43.3 billion in October to \$47.8 billion in November.

Following a small 0.1% increase in November, personal income grew 0.5% in December, led by a 1.9% increase in rental income and a 1.5% increase in dividend income. At the same time, consumer spending was flat in nominal terms and slipped 0.1% in real terms. Real consumption also decelerated on a quarterly basis. In the first quarter of 2011, real consumption grew 2.8% from a year ago. In the fourth quarter, the growth rate was only 1.6%. Meanwhile, the personal savings rate ended the year at the 4.0% mark, below the annual average of 4.4%.

Select economic indicators are summarized in the following table:



Economic Indicators				
Period	Real GDP Change (%)	Unemployment Rate (%)	Inflation-Consumer Price Index (%)	Interest Rates - Moody's Corporate AAA Bonds (%)
2000	3.7	4.0	3.4	7.6
2001	0.8	4.7	2.8	7.1
2002	1.6	5.8	1.6	6.5
2003	2.5	6.0	2.3	5.7
2004	3.6	5.5	2.7	5.6
2005	3.1	5.1	3.4	5.2
2006	2.9	4.6	3.2	5.6
2007	2.2	4.6	2.9	5.6
2008	1.1	7.2	0.1	4.7
2009	-2.6	10.0	-0.4	5.3
2010	2.8	9.6	2.6	4.9
2011	1.6	8.7	3.0	4.7
2012*	1.8	8.4	2.1	4.3
2013*	2.3	8.2	1.5	4.6
2014*	2.7	7.9	1.8	4.6

Source: Forecast of the Nation: February 2012. Georgia State University Economic Forecast Center.

* = estimate of the entire year

Equity Markets

A company may seek financing from equity markets by selling equity, or ownership shares, to investors. Investors will assess potential returns and require return to compensate for investment risk; the higher the risk, the higher the required return. While past stock performance is not indicative of future returns, it is helpful to assess historical stock returns. We selected two broad indices, the Standard and Poor's ("S&P") 500 Index and the Russell 2000 Index, as proxies for the overall stock market. The S&P 500 Index consists of 500 of the largest companies, representing all major industries, and is designed to measure performance of the broad domestic economy. The Russell 2000 Index consists of 2,000 of the smallest publicly traded companies. Historical common stock indicators are summarized below.



Common Stock Indicators				
Period	Total Annual		Total Annual	
	Return S&P 500 Index (1)	P/E Ratio for S&P 500 (2)	Return Russell 2000 (1)	P/E Ratio for Russell 2000 (2)
2001	-11.9%	48	2.5%	nmf
2002	-22.1%	28	-20.5%	nmf
2003	28.7%	28	47.3%	nmf
2004	10.9%	20	18.3%	71
2005	4.9%	18	4.6%	39
2006	15.8%	18	18.4%	34
2007	5.5%	19	-1.6%	50
2008	-37.0%	15	-33.8%	nmf
2009	26.5%	20	27.2%	523
2010	15.1%	16	26.9%	34
2011	2.1%	14	-4.2%	35

Notes: 1. Capital IQ. Total return, including reinvestment of dividends, for years ended December 31.

2. Capital IQ. Price/Earnings (P/E) ratio as of December 31.

nmf = Not meaningful. Negative values for these dates.

During 2011, the total return for the S&P 500 and Russell 2000 indices was 2.1% and -4.2%, respectively. The trailing P/E ratio for the S&P 500 decreased from 16x as of December 31, 2010 to 15x as of December 31, 2011, and the trailing P/E ratio for the Russell 2000 increased from 34x as of December 31, 2010 to 35x as of December 31, 2011.

Debt Markets

A company can also seek bond market financing, which is a loan from the bond purchaser. Supply, demand, and credit risk determine the cost of money or interest rate. In evaluating alternative investments, an investor considers potential debt market returns. This evaluation is based in part on historical bond returns. Selected historical fixed income investment returns from public financial markets are summarized below.



Period	Interest Rates (%)					
	Treasury Yields		Corporate		Money Market	
	3-Month (1)	30-Year (1)	Aaa Rated (2)	Baa Rated (3)	Fed Funds Target	Prime (1)
2001	3.48	5.49	7.08	7.95	1.75	6.91
2002	1.64	5.43	6.49	7.80	1.25	4.67
2003	1.03	5.07	5.66	6.76	1.00	4.12
2004	1.40	4.83	5.63	6.39	2.25	4.34
2005	3.22	4.54	5.23	6.06	4.25	6.19
2006	4.85	4.91	5.59	6.48	5.25	7.96
2007	4.48	4.84	5.56	6.48	4.25	8.05
2008	1.40	4.28	5.63	7.44	0.25	5.09
2009	0.15	4.08	5.31	7.29	0.25	3.25
2010	0.14	4.25	4.94	6.04	0.25	3.25
2011	0.05	3.91	4.64	5.66	0.25	3.25
Mean	1.99	4.69	5.61	6.76	1.91	5.19
Median	1.40	4.83	5.59	6.48	1.25	4.67

Notes: 1. Federal Reserve as of December 31, 2011.

2. Moody's yield on seasoned corporate bonds – all industries, Aaa.

3. Moody's yield on seasoned corporate bonds – all industries, Baa.

After cutting the federal funds rate to almost 0% in December 2008, the FOMC repeatedly announced that the committee expects to keep the target rate exceptionally low “for an extended period.” The prime rate has remained unchanged at 3.25% since 2008. The average Baa rate, which best represents small businesses, has decreased to 5.66% as of December 31, 2011.

National Economic Outlook²

While the U.S. economy is certainly doing better than many others around the world, it is hardly cause for celebration. There are still many challenges that could derail U.S. economic recovery. Following a 2.8% growth rate in the last quarter of 2011, real GDP is projected to expand by 1.4% in the first half of 2012 and 2.1% in the second half, with global economic uncertainty weighing heavily on consumers and businesses alike. For all of 2012, real GDP growth is expected to be limited to 1.8%. In 2013, real GDP is forecast to expand at a stronger rate of 2.3% and then 2.7% in 2014.

Following a 2.0% consumption growth in the last quarter of 2011, it is anticipated that personal consumer spending will grow 1.9% in the first quarter of 2012 and 1.5% in the second. For all of

² Dhawan, Rajeev. “Forecast of the Nation: February 2012,” Georgia State University Economic Forecasting Center. Atlanta, Georgia.



2012, personal consumption growth is expected to average 1.7%, followed by 1.9% in 2013 and 2.1% in 2014. Growth in durable goods consumption is projected to be 5.8% in 2012 but will moderate to 3.0% in 2013 and 2.7% in 2014. Nondurable goods consumption is estimated to add 1.2% in 2012 and 1.7% in 2013 and 2014. Consumption of services is expected to increase 1.3% in 2012, 1.8% in 2013, and 2.2% in 2014.

Private fixed investment is forecast to grow by 5.1% in 2012 before expanding 5.7% in 2013. Investment is estimated to increase again by 6.4% in 2014. Investment in equipment and software, which grew at a strong rate of 14.6% in 2010 and 10.3% in 2011, should then moderate to 7.0% in 2012. Investment in equipment is projected to increase 7.4% in 2013 and 6.6% in 2014. Investment in structures is expected to shrink 0.1% in 2012 before recovering 0.8% in 2013 and 5.4% in 2014. Residential investment, which hit the bottom last year, is forecast to rise 8.5% in 2012, 10.9% in 2013, and 9.2% in 2014.

Rising tensions in the Middle East will likely keep crude oil prices at above \$100 a barrel in the first half of 2012, but they should moderate slightly in the second half. Nevertheless, expect the price of oil to remain elevated over the next three years – an estimate of \$99.2 a barrel in 2012, \$103.2 in 2013, and \$104.8 in 2014. Auto sales, which have been trending upward recently, are poised for steady, albeit limited, gains. In 2012, auto sales are projected to average 13.6 million units and will improve to approximately 13.9 million units in 2013. In 2014, auto sales are expected to average 14.1 million units (still below pre-recessionary levels of 16 million-plus).

While recent economic data suggests a recovery in the housing sector is underway, expect this recovery to be muted and restrained. New residential construction is anticipated to average 0.723 million units in 2012 and gradually rise to 0.852 million units in 2013 and 0.940 million units in 2014. This level of residential construction is nowhere near the pre-recessionary level of greater than two million some six years ago. At the same time, the effective mortgage rate will remain low during the next few years – an estimated 4.1% (annual average) in 2012, 4.5% in 2013, and then 4.6% in 2014.

The U.S. economy created jobs at a 200,000 monthly pace in the last three months – a rate that is encouraging but unlikely to be sustainable. Expect this rate to moderate to about 150,000 jobs per month throughout the rest of the year. In 2013 and 2014, the economy is expected to add about 160,000 jobs per month on average as clouds of economic and political uncertainty lift. The unemployment rate, which dipped to 8.3% in January, should remain high – above 8% for the next two years as more people return to the workforce.

The ongoing debt crisis in Europe, coupled with fears of a global economic slowdown, has boosted the value of the U.S. dollar over the last several months. Expect this trend to continue through the first half of the year. Overall, the U.S. dollar is forecast to appreciate 4.3% in 2012 before depreciating 3.1% in 2013 and 1.7% in 2014. Real U.S. exports are projected to grow at a moderate 4.5% rate in 2012, but improve by 7.1% in 2013 and 8.0% in 2014. U.S. imports are



also likely to increase, at an estimated 2.9% in 2012, 3.3% in 2013, and 3.4% in 2014. The trade deficit as a percentage of GDP is expected to narrow to 3.0% by 2014.

Inflation should not be a factor in the next few years as excess capacity in the system will keep it in check. The CPI inflation rate is expected to average 2.1% in 2012 and moderate to a 1.5% rate in 2013. The inflation is projected to be 1.8% in 2014 – well within the boundaries of the Fed comfort zone. The core inflation rate is estimated to average 1.7% in 2012, 1.8% in 2013, and then 2.1% in 2014. Wage compensation in the business sector is forecast to increase by 2.1% in 2012, improving to 3.3% in 2013. Wages and salaries are estimated to grow at a slightly stronger rate of 3.4% in 2013.

In August 2011, the Federal Reserve promised to keep the Federal Funds rate at historic lows of 0-0.25% through at least mid-2013. Come January 2012, the Fed amended its pledge by announcing the target rate would remain at this level at least through late 2014 – a forecast that we do not intend to challenge. The Fed also reaffirmed its commitment to “Operation Twist” exchanging short-term bonds for longer-term securities. Meanwhile, the 10-year bond rate started the year below the 2% mark but is projected to rise to 2.6% by the year’s end and cross the 3% threshold by the end of 2013.

Expectations concerning future economic conditions can have a substantial impact on current investment decisions. The following table includes forecasts of several major economic indicators:

Economic Forecasts			
Economic Indicator	2012	2013	2014
Change in Real GDP (%)	1.8	2.3	2.7
Consumption Growth (%)	1.7	1.9	2.1
Private Fixed Investment Growth (%)	5.1	5.7	6.4
Unemployment Rate (%)	8.4	8.2	7.9
Inflation – Consumer Price Index (%)	2.1	1.5	1.8
Interest Rates – Corporate AAA Bonds (%)	4.3	4.6	4.6
Prime Rate (%)	3.2	3.2	3.2
30-Year Treasury Bond Rate (%)	3.4	3.8	3.9

Source: Forecast of the Nation: February 2012. Georgia State University Economic Forecast Center.

Industry Overview³

After considering the outlook for the economy as a whole, an investor must consider the prospects for the appropriate industry. The industry’s outlook and profitability establish the

³ *Engineering Services*, First Research, April 2012.



constraints within which a company's performance and the investor's returns are achieved. Therefore, investors analyze the subject industry before assessing the relative attractiveness of a particular investment. The following is a discussion on the Company's industry.

Overview

The U.S. engineering services industry includes about 60,000 companies with combined annual revenue of about \$255 billion. Major companies include URS, Jacobs Engineering, and the engineering divisions of large construction companies such as Fluor and Bechtel. The industry is highly fragmented: the 50 largest firms only account for about 35% of industry revenue.

Major engineering services include product and industrial process design, construction design and management, systems engineering, and maintenance and operations. Companies in this industry apply engineering principles to design, develop, and use machines, materials, structures, and processes. Engineering projects require skills in analysis, design, project management, operations, or all four. Most firms specialize in a particular type of engineering; while companies that provide engineering services to the construction industry tend to among the biggest in terms of revenue, engineering companies serve other industries including automotive, aerospace, petroleum, and technology. Most engineering work is per project, such as designing and constructing a highway or formulating an environmental plan for a wetlands area.

Computer systems are used extensively for analysis, design, budgeting, project planning and control, accounting, and communications. Nearly all engineering companies have a centralized IT staff. Wide-area networks with engineering software that enable firms to balance workload among locations and ultimately improve productivity, and CAD, which allows instantaneous information sharing between engineers, architects, and planners, have become staples.

Demand is driven largely by the construction needs of companies and governments and the desire of industrial customers to improve the efficiency of operations. Profitability depends on the ability to accurately predict costs for a project. Small firms, which can effectively compete with larger ones by having expertise in a particular field, are often hired as consultants on larger projects if they have special expertise. Large firms are advantaged in designing and managing large projects.

Typical customers include governments, industrial corporations, real estate developers, and manufacturing companies. Some companies rely on the federal government for the majority of their business.

Contracts are awarded to an engineering firm under a variety of pricing schemes that assign the risk of cost overruns. Under a fixed-cost (or lump sum) contract, an engineering firm is responsible for any costs incurred in excess of those forecast, but can also make a bigger profit if costs are less. Under a cost reimbursable (or cost plus) contract, the customer pays for all costs, plus a fee that may be a lump sum or a markup on labor costs. Under a guaranteed maximum



price contract, the customer pays a fee plus all costs up to a maximum amount. Additional terms may be negotiated in any of these contracts to address how costs are handled if the customer changes the project's scope.

Engineering firms typically receive progress payments as they work on a project, but may need a fair amount of working capital because costs are often incurred before payments are received. Final payments are often delayed until well after a project is finished ("retainage").

Labor is the major cost for most firms, and is divided between direct (project related) and indirect (general overhead, marketing, and personal leave) expenses. Accounts receivable are often high and disputes with customers about payments and reimbursable costs are common. Cash flow can be highly uneven, especially for smaller firms that work on only a few (or one) projects at a time.

Challenges

Costs for liability insurance can be high because poor engineering can have catastrophic consequences. While engineering companies are not directly regulated, they must comply with numerous federal, state, and local building codes, safety regulations, hiring practices, etc. Public projects often entail even more detailed regulations. Companies generally have to maintain detailed records of many activities associated with a project. Certain engineering specialties may require licensing to practice in a state.

Because expertise is their major asset, engineering firms depend heavily on employees' skills. Knowledge, particularly client-specific knowledge, is very difficult to replace. Many small firms say that finding good employees is the most difficult management issue. Technical advances are rapid in many engineering specialties, making finding and training qualified engineers more difficult.

Nearly 60% of U.S. engineering graduates with post-graduate degrees, and 40% with graduate degrees are foreign nationals, many of whom leave the United States after graduation, according to Tech Crunch. In the past, most of these students remained in the United States after graduation, but they are increasingly being forced to leave due to U.S. immigration policies. Others are taking jobs in India or China. The net effect is a shortage of fresh engineering talent in the United States.

Opportunities

Concerns over terrorism affect engineering requirements on numerous projects. Structural safety, security, evacuation, and air circulation systems of buildings are likely to become a critical part of engineering design. More attention will be paid to building upgrades, such as improved structural supports and impact-resistant stairwells.



U.S. government spending on infrastructure projects, such as highways and bridges, is expected to remain high during the next decade. Construction of new schools, funded at state and local levels, has also increased. From 2000 to 2010, public construction spending increased over 70%. Analysts expect public construction spending to remain high, despite a federal deficit. However, mandatory government spending cuts in 2012 will have a detrimental impact on ABC Company business unless Congress can agree on a budget. The disagreement in Washington may limit government spending on projects related to ABC Company.

Nuclear Power⁴

The Company also works heavily with the nuclear power industry. Just as nuclear power was regaining popularity in the United States, an earthquake and tsunami hit the Fukushima Daiichi nuclear plant in Japan, causing one of the worst nuclear accidents in history. Although plant designs and control mechanisms have become more sophisticated, the crisis in Japan cast widespread doubt about nuclear power safety. Many industry insiders and legislators support the expansion of nuclear power in the United States despite the meltdown in Japan. But the public perception of nuclear safety could derail plans for new plants. Additionally, nuclear power may be subject to tougher safety requirements and increased regulations. The uncertainty with the nuclear power industry could potentially benefit the Company through increased safety requirements resulting in additional engineering needs, but the additional requirements could also result in fewer construction projects.

Impact on the Company

There are many challenges with the engineering services industry that are directly experienced by ABC Company. ABC Company requires government security clearance for its engineers and therefore is limited to hiring from the U.S. citizen engineering graduates. Currently, there is a significant litigation issue surrounding a past project, and the Company is also subject to disputes over payments and reimbursable costs. Since the Company works primarily on government projects, government spending is critical to operations and financial results.

5. VALUATION METHODOLOGY

Before selecting the appropriate approach to valuing a business, several questions must be answered. First, the context or purpose of the valuation must be determined. After identifying the intended audience's perspective, the appropriate sources must be referenced to gather information on which approaches are typically used and accepted. These sources may include federal and state statutes, Treasury regulations, IRS administrative rulings, and case law depending on the circumstances surrounding the valuation. In addition, the methodology

⁴ *Electric Power Generation*, First Research, March 2012.



selected should conform to the generally accepted appraisal standards promulgated by the American Society of Appraisers.

Three basic approaches to valuation exist. While many variations may exist on a given approach, every accepted method can be categorized as one of the following:

- Income approach
- Market approach
- Asset approach

Depending on the business being valued and the valuation's purpose, one approach may be more appropriate than another approach. The following paragraphs detail the nature of each approach and discuss the circumstances under which each is most appropriate.

Income Approach

Under the income approach, the subject company's value is estimated based on the ability of its operations to generate income. This estimate may be calculated by: (i) projecting cash flows from operations and then discounting back to present at a stipulated rate of return (usually the subject company's ideal weighted average cost of capital based on the optimal capital structure for firms in its industry) or (ii) capitalizing a free cash flow base using an appropriate rate of return.

Of the two methods, the discounted cash flow ("DCF") method is ideal when valuing companies whose future performance is projected to be materially different from its past performance. The DCF method requires explicit identification of the future cash flow streams that anticipated business plans will generate. For this reason, the DCF method is also useful when valuing companies that: (i) operate in niches that are uninhabited by comparable companies or (ii) face unique circumstances or operating environments. The DCF method has the ability to measure the strategic and operational benefits of a potential merger by explicitly including them in the calculation of projected operating cash flows.

Typically, the DCF method requires that the income statement be projected for several years into the future and that the projected income stream be adjusted for the following items: (i) projected cash outlays or investments required to support projected income but not included in its calculation (such as capital expenditures and investment in working capital) and (ii) non-cash expenditures included in projected income (such as depreciation and amortization).

The isolated cash flow from operations is discounted back to present at an appropriate rate of return, which is typically a company's cost of capital. The business' equity value is the sum of the present values of all projected cash flows.



The capitalization of free cash flow method is easier to employ than the DCF method. In this method, a normalized measure of earnings, such as operating cash flow, is usually divided by the appropriate cost of capital less the projected growth in operating cash flow. This calculation yields the indicated enterprise value for the business. Because the capitalization of free cash flow method is based on a single earnings base, the value that it yields may be less precise than the value yielded by the DCF method which is based on a detailed, explicitly identified stream of future earnings. However, the capitalization of free cash flow method and the DCF method will lead to similar valuation indications when the subject company is a mature company whose future performance is not expected to differ materially from its past.

Market Approach

This approach is ideal when a sufficient number of publicly traded or recently purchased companies that are comparable to the subject company can be identified. However, similarity in (i) size; (ii) methods of operation; (iii) markets and customers served; (iv) accounting methods employed; and (v) projected growth in sales and earnings are important for reliable market approach results.

In the market approach, the subject company's value is based on the value of similar companies that are either publicly traded (guideline public company method) or have recently been involved in transactions (similar transactions method). In either case, the market approach is based on the third-party nature of verifiable or "arm's-length" transactions. Information on sales of comparable companies can be difficult to obtain for parties not privy to the transactions. When such data is publicly available, the market approach is the most credible and understandable approach of the three. However, this approach still may ignore or incorrectly include the potential combination benefits or synergies associated with a transaction.

For the guideline public company method, comparable company values are measured based on stock prices, and for the similar transaction method, comparable company values are based on total transaction prices. The comparable company value is then divided by an earnings parameter (i.e., sales, net income, EBIT, etc.) or balance sheet parameter (i.e., total shareholders' equity, assets, etc.) to arrive at a valuation multiple. The resulting multiple is applied to the subject company to estimate its value.

The market approach is easy to understand, credible, and commonly relied upon by investment bankers. However, to the extent a company is unique or faces unique circumstances, the value as indicated by the market approach will differ from its true fair market value.

Asset Approach

The methodology underlying the asset approach is relatively simple: subtract the value of liabilities from the value of assets and what remains is net asset value or equity value. This approach is used when the income stream generated by a business does not adequately reflect the



value of the company or its underlying assets. The asset approach is usually reserved for the valuation of holding companies, real estate investment trusts (“REITs”), and distressed companies that may be facing liquidation.

Selection of Valuation Methodologies

The selection of the appropriate valuation approach depends on the facts and circumstances of each valuation including the purpose of the valuation and the specific characteristics of the subject company or interest. In estimating the fair market value of the interest, Adams Capital employs the DCF method, a form of the income approach. The DCF method captures the total value of operations including any goodwill or intangible value that may be present. We choose the guideline public company method of the market approach due to the availability of detailed financial information on publicly traded companies which are similar to the Company. We also choose the similar transactions method of the market approach due to the availability of historical transactions of companies in the Company’s industry of similar size and scope.

We conclude the use of the asset approach is inappropriate because ABC Company is forecasting positive earnings and cash flow and because the Company has intangible value (i.e., trade name, goodwill, etc.). The asset approach is generally more applicable to holding companies.

6. DISCOUNTED CASH FLOW METHOD

The DCF method of the income approach is commonly used to estimate the value of a going concern. This method estimates value through an analysis of the cash flow generating potential of the business and the discounting of potential cash flows at a rate of return commensurate with the degree of risk associated with those cash flows. The DCF method reflects Management’s expectations of future sales and expenses based on current and future conditions (see Schedule 2).

Weighted Average Cost of Capital

To estimate the present value of the expected cash flows from a business’ operations, a discount rate is selected that takes into consideration the magnitude of a particular investment’s risk. In a statistical sense, risk represents the variability of returns around the mean or the risk that the actual return will differ from the expected return. Risk-averse investors contemplating two investments, having the same expected monetary return, prefer the investment with lower risk. An investor may be induced to participate in the riskier investment if its market price is lower than that of the other investment. In other words, acceptance of higher risk necessitates a higher return.

A company’s cost of capital is the discount rate applied to the free cash flow. The discount rate reflects the opportunity cost of all capital providers weighted by their relative contribution to the



company's total capital. Theoretically, the cost of capital should reflect the return required (on a weighted average basis) by investors based on expected returns from other investments of equivalent risk.

The weighted average cost of capital ("WACC") is based on the required rate of return for debt and equity, respectively, as well as the mix of debt and equity deemed appropriate for the subject company. The calculation of the WACC for the Company is shown on Schedule 3.

The formula for calculating the WACC is:

$$\text{WACC} = (K_e * W_e) + (K_d * W_d)$$

where:

K_e	=	Cost of equity
W_e	=	Equity weight (value of equity divided by invested capital)
K_d	=	After tax cost of debt
W_d	=	Debt weight (value of interest bearing debt divided by invested capital)

Invested capital is the sum of interest bearing debt and market value of equity. A discussion of capital structure, cost of equity, cost of debt, and calculating the WACC follows.

Capital Structure

Theoretically an "optimal" capital structure should be used to estimate a company's WACC. Because opining on an "optimal" capital structure may involve considerable subjective judgment, analysts frequently rely on the industry capital structures as a proxy for "optimal." For the purposes of our analysis, we have considered the industry's capital structure, the guideline companies' capital structures, and the Company's current capital structure. As of March 31, 2012, the Company's interest bearing debt to book value of equity is approximately 4.6%. However, the average capital structure for the guideline public companies is 85.8% equity and 14.2% debt. In addition, the latest median capital structure for SIC 8711 (Engineering Services) from *Ibbotson Cost of Capital 2011 Yearbook* is 84.5% equity and 15.5% debt. Based on an optimal capital structure, we estimate a target capital structure of 85% equity and 15% debt for the Company.

Cost of Equity (K_e)

The two most common methods for determining the equity cost of capital are the build-up method and the capital asset pricing model ("CAPM"). We used the CAPM to calculate the cost of equity.

The CAPM method is summarized in the following formula:



$$K_e = R_f + (\beta * R_m) + R_s + R_c$$

where:

R_f	=	Rate of return on a risk-free security
B	=	The Beta coefficient is a measure of the volatility of a stock in relation to the rest of the financial market
R_m	=	Risk premium for the market (market premium)
R_s	=	Size risk premium
R_c	=	Company specific risk premium

Widely accepted data is available to estimate the risk-free rate, market premium, and size risk premium. The Beta coefficient (β) is calculated from historical stock returns. We utilize the 5-year Beta coefficient based on weekly stock prices compared to the S&P 500 index. The final factor of the CAPM approach (i.e., company specific risk premium) is more subjective.

Risk free return (Rf)

We utilized the yield of 3.35% on a 30-year United States Treasury security as an estimate of the rate of return on a risk-free security as of March 31, 2012.

Market (R_m) and Size Risk Premium (R_s)

The supply side equity risk premium for the market and the beta adjusted size risk premium can be calculated based upon figures provided in *Ibbotson SBBI 2012 Valuation Yearbook* published by Morningstar, Inc. The supply side equity risk premium equals 6.1%, rounded. The size risk premium, over and above the equity risk premium for the market, for the 10th decile (market capitalization less than \$206.8 million) equals 6.1%, rounded.

Beta coefficient (β)

We utilized the 5-year Betas for the guideline public companies based on weekly stock prices provided by Capital IQ compared to the S&P 500 index. The average guideline public companies' 5-year Beta was 1.07.



Company Specific Risk Premium (R_c)

The company specific risk premium is designed to account for additional risk factors exclusive to the subject company. In general, company specific risk factors may include the following:

- Size
- Poor access to capital
- Dependence on key person or persons
- Thin management
- Lack of diversification
- Environmental
- Litigation
- Reliance on a few customers
- Limited supply sources
- Old technology

As discussed in the Recent Developments section, the Company has two primary billing methods for its time: home and field. Home work results in higher billing fees because the Company is reimbursed for the overhead expense needed to maintain the office. Field work results in lower fees because the Company's employees are utilizing the government's or other companies' resources. Based on discussions with Management, more of the Company's work is shifting to field, which results in lower billing fees even though the Company still maintains the same office.

The Company is beginning to expand its business development efforts to more companies outside of the DOE. This expansion will require continued investment and expenditures, and the return will not be realized for several years. This is a considerable risk factor because of the uncertainty of the growth and return on the investment.

The pending litigation surrounding the \$5.4 million customer claim is another company specific risk factor. Based on our analysis and discussions with Management, we include an additional 3.0% company specific risk premium in the calculation of the Company's cost of equity.

Concluded Cost of Equity

Based on the factors discussed above, the following is the calculation of the Company's cost of equity (see Schedule 3):

$$K_e = R_f + (\beta * R_m) + R_s + R_c$$



$$\begin{aligned}
 K_e &= 3.35\% + (1.07 * 6.1\%) + 6.1\% + 3.0\% \\
 K_e &= 19.02\%
 \end{aligned}$$

Cost of Debt

The cost of debt should reflect the Company’s estimated cost to obtain long term debt financing as of the Valuation Date. We estimate the Company’s hypothetical borrowing rate (assuming a stand-alone basis) at 5.30% based on the average yield on Moody’s Baa debt. Actual financing terms may be different from the assumption, perhaps materially. Because the cost of equity is on an after tax basis and interest is tax deductible, we calculate the after tax cost of debt using a blended federal and state tax rate of 38% as follows:

$$\begin{aligned}
 K_d &= \text{Interest bearing debt rate} * (1 - \text{tax rate}) \\
 K_d &= 5.30\% * (1 - 38\%) = 3.29\%
 \end{aligned}$$

Concluded WACC

The WACC for the Company is calculated as of March 31, 2012 as follows:

$$\begin{aligned}
 \text{WACC} &= (K_e * W_e) + (K_d * W_d) \\
 \text{WACC} &= (19.02\% * 85\%) + (3.29\% * 15\%) \\
 \text{WACC} &= 16.17\% + 0.49\% \\
 \text{WACC} &= 16.66\%
 \end{aligned}$$

This rounds to 16.5%.

The WACC is the return on investment required to satisfy all providers of capital. In the case of the Company, we estimate the WACC to be 16.5% (see Schedule 3), which is then used to discount forecasted cash flows and determine the Market Value of Invested Capital (“MVIC”)⁵ of the Company.

Discounted Cash Flow Analysis

The first and most critical step in applying the DCF method is to forecast cash flows for the subject company by explicitly projecting income statements for future periods. Ideally, income statements are projected until the company is expected to reach a normalized or equilibrium state of operations. The terminal year value is calculated based on the capitalized cash flow method, which measures the value of cash flows in perpetuity provided a fixed rate of growth.

We adjusted the projected income stream for the following items: (i) projected cash outlays or investments required to support projected income, such as capital expenditures; (ii) non-cash

⁵ MVIC = Market value of equity plus debt, including cash.



expenditures included in projected income, such as depreciation and amortization; and (iii) projected outlays for additional working capital.

The projected cash flow stream from the Company's operations (including the terminal value) is then discounted to reflect the time value of money and the risk of realizing the projected cash flows. The sum of the discounted cash flows is the MVIC, or the value of all the claims on the Company. The value of interest bearing debt obligations outstanding as of the Valuation Date is then subtracted from the MVIC to arrive at the indicated equity value to all shareholders.

In determining the equity value of the Company using the DCF method, we employ various assumptions based on the Company's financial projections provided by Management, historical performance, industry research, and discussions with Management. The following analysis focuses on the Company and is presented in Schedule 2.

Financial Projections

	<i>9 Months Ending</i>		<i>For the years ending December 31,</i>				
	<i>December 31,</i>						
	2012	2013	2014	2015	2016	2017	2018
Revenue	84,106,136	106,922,234	112,268,346	123,495,181	135,844,699	149,429,169	156,900,627
Annual Growth	nmf	0.0%	5.0%	10.0%	10.0%	10.0%	5.0%
Gross Profit	23,970,607	30,014,747	31,515,484	34,667,033	38,133,736	41,947,110	44,044,465
Gross Margin	28.5%	28.1%	28.1%	28.1%	28.1%	28.1%	28.1%
EBITDA	5,732,911	6,480,971	7,265,003	9,649,743	12,322,704	15,314,201	16,597,626
EBITDA margin	6.8%	6.1%	6.5%	7.8%	9.1%	10.2%	10.6%
EBIT	5,397,479	6,040,405	6,811,220	9,182,346	11,841,285	14,818,340	16,086,889
EBIT margin	6.4%	5.6%	6.1%	7.4%	8.7%	9.9%	10.3%

Based on the Company's budget for the year ending December 31, 2012 and YTD results as of March 31, 2012, we estimated the projected financial statements for the nine months from March 31, 2012 to December 31, 2012. ABC Company is not expecting much growth in 2013 and anticipates revenue growth will be flat. We estimated gross margin in 2013 based on the full year budget for 2012. ABC Company is increasing their spending to expand the business beyond the current government customers. For this reason we estimate overhead, general, and administrative expense will increase 3.0% annually. However, the revenue growth from these expenses is not expected to be realized for several years. Based on discussions with Management, revenue growth from these business development efforts is not expected until 2014. We estimate revenue growth at 5.0% in 2014, 10.0% in 2015, 10.0% in 2016, and 10.0% in 2017. We then trend revenue growth down to 5.0% in 2018 and 3.0% in perpetuity. The long term growth rate of 3.0% is based on the historical real GDP growth of 3.24% from 1929 to 2011 provided in *Ibbotson SBBI 2012 Valuation Yearbook* as well as our judgment and experience.



Income Taxes

A tax rate of 38% was assumed based on a blending of federal and state income tax rates.

Depreciation, Amortization, and Capital Expenditures

The budget for depreciation and amortization in 2012 was provided by Management. We estimate capital expenditures will equal depreciation and amortization. Depreciation and amortization is then expected to grow 3.0% annually. Depreciation and capital expenditures were projected to be equal to each other in perpetuity.

Debt-Free Working Capital

The incremental change in projected DFWC is estimated to be 18.0% of the change in revenue based on industry levels and the Company's historic DFWC as a percentage of revenue. We analyzed both the guideline public companies and the information provided from The Risk Management Association's ("RMA") *Annual Statement Studies 2011 – 2012*. The mean and median five year average DFWC as a percentage of revenue for the guideline public companies were 16.5% and 14.2%, respectively (see Schedule 5a). ABC Company's five year average DFWC as a percentage of revenue was 18.7% (see Schedule 5a). Similarly, the RMA data indicated DFWC balances ranging from 16.5% to 18.1% of revenue (see Schedule 5b). Based on this information, we select a DFWC requirement of 18.0% of revenue. In the DCF model, the change in DFWC for the initial nine month period ending December 31, 2012 is based on the Company's current DFWC balance returning to 18.0% of revenue.

Present Value of Forecasted Cash Flows

The present value of forecasted cash flows is calculated as of the Valuation Date utilizing the WACC of 16.5% and mid-period discounting convention⁶. The sum of the present values as of March 31, 2012 equals \$21,005,644.

The terminal value⁷ is calculated based on the capitalized cash flow method. The terminal value is calculated based on the following formula:

$$TV = DFCF / (WACC - G)$$

where:

$$\begin{aligned} DFCF &= \text{Terminal year debt-free cash flow} \\ G &= \text{Long term growth rate (3.0\%)} \end{aligned}$$

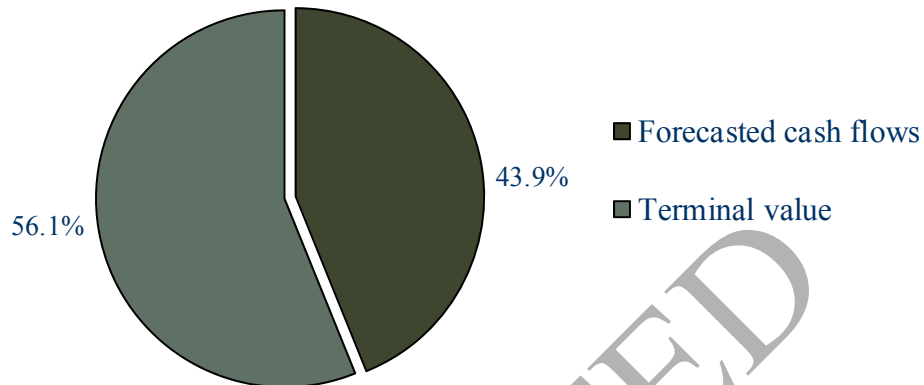
⁶ Mid-period discounting convention is a convention used in the DCF method that reflects economic benefits being generated at midyear, approximating the effect of economic benefits being generated evenly throughout the year.

⁷ Terminal value is the value of an investment at the end of a given period.



The terminal value is then discounted by the WACC to estimate its present value as of the Valuation Date. The present value of the terminal value equals \$26,867,137.

Composition of Invested Capital Discounted Cash Flow Method



The above chart illustrates that 56.1% of the MVIC is related to the terminal value, which follows five years of discrete cash flows.

Discounted Cash Flow Conclusion

The sum of the present value of forecasted cash flows indicates an MVIC of \$47,872,781, on a controlling, marketable basis. We subtract interest bearing debt prior to considering other items that impact value. The resulting equity value on a controlling, marketable basis is \$46,509,465.

A marketable basis assumes the Company is listed on a public exchange and that the subject units may be quickly and efficiently liquidated. The subject units do not enjoy such liquidity and it is appropriate to make an adjustment in value to account for this difference. We applied a 30.0% discount for lack of marketability (see Section 9) to adjust the value to a controlling, non-marketable basis. Because we are ultimately concluding upon the value of a non-controlling interest in the Company, we also applied a 20.0% discount for lack of control (see Section 9). The result as of March 31, 2012 is \$26,045,300 (see Schedule 1).

7. GUIDELINE PUBLIC COMPANY METHOD

The guideline public company method attempts to value the subject company according to an assembled industry peer group known as guideline companies. Valuation multiples are developed based on market prices for the guideline companies and their underlying financial



data. The valuation multiples are then applied to the subject Company's financial data to arrive at a value estimate.

Selection of Guideline Public Companies

We reviewed several publicly traded companies (public companies are used in favor of private companies because of the nature of readily available information for public companies) whose operations are either similar to the Company or are considered potential acquirers of the Company. We select the following companies as most similar to ABC Company in terms of operations and services:

- Guideline Company 1
- Guideline Company 2
- Guideline Company 3
- Guideline Company 4
- Guideline Company 5
- Guideline Company 6
- Guideline Company 7
- Guideline Company 8
- Guideline Company 9
- Guideline Company 10

These guideline public companies are discussed in detail below.

Guideline public company descriptions have been redacted for confidentiality.

Guideline Public Company Comparison

The guideline companies are analyzed for financial information necessary to calculate various multiples. The analysis includes information from the guideline companies' income statements, balance sheets, and cash flow statements, as well as market values for each company's common stock. With the data collected, we assembled relevant financial information (see Schedules 6b to 6e) for each of the guideline companies. We also compared financial ratios for each guideline company as of the Valuation Date to ABC Company (see Schedule 6c). The forward estimates for the guideline public companies are based on consensus analyst estimates accumulated and provided by Capital IQ.



Size

Generally, size and risk have an inverse relationship that must be considered when assessing a company. Thus, all other factors being equal, the larger a company is in relation to its competitors, the lower the perceived risk of that company within the industry. This is based on the premise that as a company grows in size it tends to diversify by product line, geography, targets market, etc. In addition, as a company grows, it begins to enjoy certain economies of scale, which tend to decrease costs and, thus, boost earnings.

Based on revenue, ABC Company is smaller than all of the guideline public companies. The mean and median revenues for the guideline companies were \$8.1 billion and \$3.7 billion. For the LTM period, ABC Company's revenue was \$103.9 million. The closest company to ABC Company is Guideline Company with LTM revenue of \$109.9 million.

Based on total assets, ABC Company is smaller than all of the guideline public companies. The mean and median assets for the guideline companies were \$5.4 billion and \$2.9 billion. As of March 31, 2012, ABC Company's assets were \$75.9 million. The closest company to ABC Company is Guideline Company with LTM revenue of \$67.2 million.

Growth

Investors consistently pay higher multiples for companies with larger growth expectations. Based on the capitalized cash flow model, a higher growth rate implies a lower capitalization rate, which is equal to a higher valuation multiple.

Growth varies between the guideline companies. Based on the next fiscal year's revenue, growth is expected to vary from -5.0% to 18.1%. Over the next three fiscal years, the median revenue growth for the guideline companies is expected to be 3.3%, 5.7%, and 3.3%. This is similar to Company's expectations based on its existing revenue sources; however, ABC Company plans to increase its business development expenditures to grow additional revenue streams. This additional growth will not be realized until 2014 at the earliest, and the expense necessary for this growth is an additional risk factor for the Company.

Guideline Company, which Management identified as one of its primary competitors that also deals primarily with the government and the department of energy, is expecting revenue growth of 3.3%, -1.3%, and -2.6% over the next three fiscal years. Based on the Company's 2012 budget and discussions with Management, the Company's revenue growth over the next three fiscal years is projected to be 2.9%, 0.0%, and 5.0%.



Profitability

Profitability is the net result of management's policies and decisions. The ratios examined thus far reveal some information about the way the firm is operating, but the profitability ratios show the combined effects of liquidity, asset, and debt management on operating results.

The Company's EBITDA margin for the LTM period was 7.4%. However, the high EBITDA margin was primarily the result of a few high margin contracts which have been completed. We compared the Company's expected EBITDA margin for the next fiscal year to the guideline companies. ABC Company is projecting an EBITDA margin of 5.4% in 2012, which is in the low end of the range of the guideline companies. The guideline companies ranged from 4.8% to 13.2%. Guideline Company is expecting EBITDA margins closest to the Company at 4.9%.

Liquidity

The current ratio measures the short term liquidity of an enterprise by determining the degree to which it can meet its maturing obligations. As previously mentioned, the current ratio estimates a company's ability to meet obligations due within the next year. Current assets normally include cash, marketable securities, accounts receivable, and inventories. Current liabilities normally consist of accounts payable, notes payable, accrued income taxes, other accrued expenses (principally wages), short-term bank loans and other loans, and the current portion of long-term debt. If current liabilities are rising faster than current assets, the current ratio will fall, possibly indicating a solvency problem.

ABC Company's current ratio is high compared to the guideline companies. As of March 31, 2012, the Company's current ratio is 2.8x compared to the guideline companies which range from 1.0x to 3.4x. Guideline Company's current ratio was closest to ABC Company at 3.4x.

Leverage

Leverage is determined by the extent to which a firm uses debt financing, or financial leverage. Leverage has three important implications: (1) by raising funds through debt, the owners of the business maintain control of the firm with a limited investment; (2) creditors look to the equity, or owner supplied funds, to provide a margin of safety; if the owners have provided only a small portion of total financing, then the risks of the enterprise are borne mainly by its creditors; and (3) if the firm earns more on investments financed with borrowed funds than it pays in interest, then the return on the owners' capital is magnified or leveraged. The extent to which a firm used debt financing may be observed through debt to equity, debt to total capital, and times interest earned ratios.

The guideline companies vary significantly in their capital structures. Based on the book value of debt to capital, the guideline companies vary from a low of 0.0% to a high of 64.8%. The mean and median book value of debt to capital ratios for the guideline companies are 22.9% and



17.3%, respectively. Overall, the Company has a high amount of leverage. However, the debt is primarily related to the subsidiary, and we are determining the value of ABC Company's operations separate from its interest in its subsidiary. Considering this factor, ABC Company is not as highly levered as the guideline companies. Excluding its subsidiary, the Company's book value of debt to capital is 6.5%.

Guideline Public Company Analysis

Based on each guideline company's stock price as of March 31, 2012, the book value of interest bearing debt, preferred stock, minority interests, and cash, we calculate each company's market capitalization and enterprise value ("EV")⁸ (see Schedule 6b). Revenue and EBITDA for the LTM period, one fiscal year forward estimate, and two fiscal year forward estimate are compared to each market company's EV to determine current valuation multiples. Net income for the LTM period, one fiscal year forward estimate, and two fiscal year forward estimate is also compared to each market company's market capitalization.

The use of LTM multiples provides a value consistent with current performance and market valuations. However, in cases where the subject company's growth is significantly different than the guideline companies' growth, the use of multiples based on forward estimates may be more appropriate. In determining the value of ABC Company as of March 31, 2012, we utilize the one fiscal year forward estimates. We rely on the one fiscal year forward estimates because the Company is anticipating little growth over the next year. The Company is expecting lower EBITDA in 2012 compared to the LTM results. Since the guideline companies are generally expecting increasing revenue and EBITDA during the next fiscal year, a forward multiple is appropriate. The use of valuation multiples based on historical results which are not representative of the Company's ability to generate income in the future is less relevant than forward multiples. In addition, investors typically value companies based on their expected future earnings as opposed to historical earnings.

We then selected appropriate multiples to apply to the Company's fundamentals. We considered the Company's lack of access to capital markets, margins compared to the guideline companies, historical and projected growth, and size in selecting our multiples. No single company is most similar to ABC Company. The Company is smaller than all of the guideline companies and is significantly smaller than most of the guideline companies, which have over \$1.0 billion in revenue. Smaller size is a risk factor which would generally lead to a lower multiple. Growth is another significant factor in selecting the appropriate valuation multiple. The Company is expecting lower growth in its earnings due primarily to the shift away from home rates. This factor also suggests a lower multiple is appropriate. We select the multiples at the 25th percentile of the indicated range. The 25th percentile is above the low but below the median for each valuation multiple. In determining the indicated equity value, we select the one fiscal year forward EBITDA multiple. This reflects the Company's lower expected earnings potential. The

⁸ EV = Market value of equity plus debt less cash.



one fiscal year forward EBITDA multiples also had the lowest coefficient of variation, 0.28, which suggests investors are consistently valuing public companies based on this metric.

Normalizing Adjustments

Based on discussions with Management, the Company's LTM financial results for the year ended March 31, 2012 include the nonrecurring expense related to the significant customer litigation. We add back the nonrecurring litigation expense to the earnings measures to determine normalized ABC Company financial parameters for the LTM period ended March 31, 2012. We understand the budget for 2012 does not include the nonrecurring legal expense related to this claim, and no normalizing adjustments are included for the one fiscal year forward estimates.

Guideline Public Company Conclusion

After applying the selected multiples as of March 31, 2012, we add cash and subtract debt for from the indicated enterprise value to arrive at the indicated equity value. Based on the one fiscal year forward EBITDA multiple, we conclude an equity value of \$20,280,454 on a non-controlling, marketable basis (see Schedule 66a).

We applied a 30.0% discount for lack of marketability (see Section 9) to determine the fair market value of ABC Company on a non-controlling, non-marketable basis. The result is \$25,269,446 (see Schedule 11) as of March 31, 2012.

8. SIMILAR TRANSACTIONS METHOD

In addition to performing the DCF method and the guideline public company method, we examine the similar transactions method of the market approach to value the Company. With this method, a value estimate for the subject company is developed through the use of information obtained from various databases on actual sales of closely held and publicly traded businesses. The goal is to define the market for companies operating in the same industry as the subject company by considering the data as a statistical ensemble of value multiples that are representative of the entire market. These valuation multiples are ratios that compare the numerator or the price paid for a controlling interest in a closely held corporation, with various measures of operating results or financial position in the denominator. The theory supporting the transaction method is based on the principle of substitution, which suggests that the economic value of an item tends to be determined by the cost of acquiring an equally desirable substitute.

Selection of Similar Transactions

Indications of value can be determined by analyzing transactions involving target companies similar to the subject company. Our data search includes a review of industry information



sources to develop a basic industry perspective. We review the latest available information from Capital IQ and Mergerstat Review databases.

We screened primarily based on business description and industry. Within Capital IQ, we searched in the broad Construction and Engineering Services category as well as in the more specific Engineering Services group. Based on business descriptions, we identified target companies most similar to the Company. In addition to providing engineering services, we focused on companies working with government agencies and in the energy sector. We also searched for transactions involving the guideline public companies identified above. Based on our analysis and discussions with Management, we identified transactions involving the following target companies.

Similar transactions have been redacted for confidentiality

Similar Transactions Analysis

We reviewed the identified transactions and concluded that the similar transactions method did not yield a meaningful result. Only a small portion of the transactions included earnings parameters. In addition, we do not have any information on expected growth for the target companies. There are only five transactions with available EBITDA metrics, and one of those, Similar Transaction, is barely profitable resulting in an abnormally high multiple. We considered using a revenue multiple. However, many of the companies lack earnings information which can have a significant effect on the appropriate revenue multiple. In addition, many of the identified transactions lack similarity to the Company because they operate more as general contractors, are based outside the United States, and do not work primarily with government agencies (over 90% of ABC Company business is related to government agencies). Due to these factors we do not utilize the similar transactions method in determining the fair market value of the Company's common stock.

9. MARKET ADJUSTMENTS

This section outlines potential issues that appraisers should consider in the valuation of a privately held entity. All of these issues may not be applicable to the valuation of the subject interest. This section discusses the adjustments (i.e., discounts and/or premiums) we applied in arriving at a conclusion of value for the subject interest.

One share of common stock is not able to exercise any control of the management and operation of the Company. In addition, the Company's common stock is closely held, subject to restrictions on transfer, and may not be quickly or easily liquidated. We consider these control and marketability characteristics of one share of common stock in ABC Company in determining the appropriate market adjustments.



The DCF method assumes that ownership interests in the Company are fully marketable. However, the Company is a closely held private company and lacks the marketability of publicly traded companies. Because no public market exists for the Company's stock, an ownership interest would likely be difficult to divest in an expedient fashion. Consequently, an adjustment to reflect the lack of marketability inherent in an ownership interest in a private company is appropriate. In addition, the cash flows in the DCF method represent control level cash flows since there are no unnecessary expenses, the projected growth is based on changes to the business that a controlling shareholder would be able to make, and the WACC is based on an optimal capital structure with more debt than the Company currently carries. Therefore, a discount for lack of control is also appropriate.

The guideline public company method provides a value on a non-controlling, marketable basis. The shares of a public company may be readily traded or sold; therefore, the application of a discount for lack of marketability is appropriate in our analysis.

Conceptually, the appraisal process is a process of estimating the unknown value of a particular asset using the known or observed values of similar but not identical assets. Although the process is complex, it can be broken down into two basic parts: (i) identifying assets (with known or observed values) which are similar to the asset being valued (the "comparables") and (ii) making adjustments to account for any differences between the asset being valued and the comparables. Lack of marketability discounts and control premium/discounts are nothing more than tools used by appraisers and professional valuation experts to make the adjustments required to account for the differences between public and private companies (in the case of marketability discounts) and between controlling and non-controlling interests.

Information about publicly traded companies is readily available, and information about the purchase and sale of controlling interests in private companies is far more common than information about the purchase and sale of non-controlling interests in private companies. As a result, appraisers and professional valuation experts often use the observed values of controlling interests and of publicly traded companies to value non-controlling interests in privately held firms. The result is a value estimate for a hypothetical controlling interest in a publicly traded company that otherwise has features and characteristics similar to the company being valued.

This estimate of value does not yet represent a fair or accurate estimate of the interest being valued. A privately held company is generally more risky than an otherwise identical publicly traded company, and a privately held company's shares are generally less liquid than an otherwise identical public company's shares.⁹

⁹ Public companies have access to trillion dollar capital markets while private companies must often look to friends, family or maybe the local bank for their capital needs. Public companies are heavily regulated by federal agencies and are required by law to have audited financial statements and to provide detailed periodic reports both to the government and to shareholders. Private companies are generally unregulated by any governmental agency, and the only commonly enforced reporting requirement in privately held companies is the filing of tax returns (which shareholders have no legal right to inspect). The sale of a public company's shares is reviewed and approved by the Securities and Exchange Commission while no government agency reviews the sale or offering of shares in most privately held companies. The value of shares in a public company at any given point in time is available throughout every business day, and shares in that company can be liquidated and converted to cash in minutes at negligible expense with a simple phone call to a broker. The value of a private company can, short of an actual sale, only be



Investors, appraisers, and valuation experts have recognized that a non-controlling interest in a company represents a different bundle of rights than a controlling interest. They are different interests. Twenty five percent (25%) of the shares of a company normally represent less than 25% of the value of the entire company.¹⁰

The fact that non-controlling interests represent different rights and are valued differently than controlling interests, and that publicly traded companies are valued differently than private companies, are not inventions or speculative conclusions of the Company's experts. They are empirically demonstrable facts that have been investigated, measured, quantified, and described in a large and respected body of published research.¹¹ Research shows that the magnitude of the average difference in value between otherwise identical public and private companies and between controlling and non-controlling interests in the same company is significant.

The following sections provide additional information regarding the characteristics an interest may possess to warrant a discount for lack of marketability or lack of control, or a premium for control.

Discount for Lack of Marketability

On a normal business day, an investor might sell a position in a New York Stock Exchange traded security in a matter of minutes at or near the last recorded trading price. This investor could expect to receive cash payment for the stock in three business days. This is the benchmark for marketability, and anything short of that standard of liquidity forms the basis for a discount for lack of marketability.¹² Investors prefer securities that have access to a liquid secondary market and may be readily sold. As a result, interests that are not easily convertible to cash normally sell at a discount from prices of comparable publicly traded interests.

Methods for Determining Marketability Discounts

A rational investor with knowledge of all relevant facts would pay less for an equity position in the Company than in a comparable publicly traded company. There are two primary methods to select the appropriate marketability adjustment: marketability studies based on empirical data and quantitative methods. The empirical studies focus on the actual exchange of non-marketable interests and the resulting discounts from the price of similar marketable interests. The quantitative methods estimate appropriate marketability discounts based on various assumptions related to the characteristics of the subject interest.

estimated through a lengthy appraisal process; and the sale of shares in a private company, especially shares representing a non-controlling interest, can take months to accomplish at a cost of as much as twelve percent (12%) of the value of the shares or minimum fees starting at approximately \$250,000. Because of these and other significant differences, no qualified appraiser would seriously suggest that publicly traded companies are generally worth the same as otherwise identical privately held companies.

¹⁰ Non-controlling interests do not have the same voting power, the same power to determine the amount and timing of dividends, or the same power to convert themselves into cash or other securities (through merger, company sale or liquidation) as controlling interests.

¹¹ See publications by Z. Christopher Mercer; John D. Emory; Shannon Pratt; MergerStat.

¹² Shannon Pratt, *Business Valuation Discounts and Premiums*, 2001.



We focus on two particular types of empirical marketability studies:

- Sales of temporarily restricted shares of otherwise publicly-traded companies (letter stock studies), and
- Sales of shares of closely held companies prior to subsequent initial public offerings (“IPO”) (Pre-IPO studies).

We also consider put option analysis as a quantitative method of determining an appropriate discount for lack of marketability.

Letter Stock Studies

Restricted stock is a term used to describe publicly traded stock that has certain limitations as to transfer or trading. A letter stock is a restricted security of an otherwise publicly traded company not registered with the SEC and, therefore, not tradable in the public market for some period of time (usually from one to three years).

When an issue is sold directly by the issuer to the investor, registration with the SEC can be avoided if a letter of intent, also called an investment letter, is signed by the purchaser establishing that the securities are being bought for investment and not for resale. The association of the investment letter with the security gives rise to the term “letter stock.”

REDACTED



Letter stock studies compare private transactions of restricted stock in otherwise marketable securities with public stock market transactions. Thus, these studies provide a means of directly quantifying the discount associated with restrictions on marketability. The results of these studies are summarized in the table below:

Study	Years Covered In Study	Mean Discount	Median Discount
Hall/Polacek Study	1969 - 1992	23%	n/a
Silber Study	1981 - 1988	34%	n/a
Willamette Management Associates	1981 - 1984	n/a	31%
Standard Research Consultants	1978 - 1982	n/a	45%
Maher Study	1969 - 1973	35%	33%
Moroney Study	1969 - 1972	35%	34%
Trout Study	1968 - 1972	34%	n/a
Gelman Study	1968 - 1970	33%	33%
SEC Institutional Investor Study	1966 - 1969	26%	24%
Average		31%	33%
Standard Deviation		5%	7%

Source: Z. Christopher Mercer, ASA, CFA, Quantifying Marketability Discounts, Peabody Publishing, Memphis, TN, 1997, p. 69.

Pre-IPO Studies

Pre-IPO Studies compare the differences in security prices just before and after the security becomes publicly traded. This comparison of Pre- and Post-IPO pricing is a means of quantifying an appropriate discount for lack of marketability. The data available for the Pre-IPO private transactions is a SEC mandated disclosure and condition of registration approval. The SEC disclosures provide a uniform basis for pricing analysis. Valuation Advisors compiles this SEC data and publishes an annual report including all such data.

We searched the Valuation Advisors' Lack of Marketability Discount Study for transactions occurring within six months of an IPO. We restrict the search to a zero to six month timeframe to limit the effect of changing stock prices. For example, if a transaction occurs six months before an IPO, the fundamental value of that company's stock may have changed during those six months. To the extent the fundamental value has increased, the indicated marketability discount will be higher, and to the extent the fundamental value has declined, the indicated marketability discount will be lower. We also eliminate transactions which suggest a negative marketability discount. An indicated marketability discount that is negative is the result of a declining stock price and is not related to the marketability of that company's shares.



There are several criticisms regarding Pre-IPO Studies that suggest the indicated discounts may underestimate or overestimate actual marketability discounts. It is probable that buyers and sellers within the six month period were aware of the planned IPO so the discount from the IPO price reflects the expectation of liquidity in the near future. This suggests the Pre-IPO Studies' discounts may underestimate the appropriate marketability discount for a privately held company with no prospects of going public. In addition, the studies are also biased, as unsuccessful IPOs are not included in the sample population. Since more successful companies are likely to go public at higher prices, the companies represented in the Pre-IPO Studies may indicate higher discounts between the private transaction and the IPO price because the underlying stock value is appreciating quickly.

However, considering all these factors, the Pre-IPO Studies show that potential investors clearly view investments in the Pre-IPO equities as non-marketable and have consistently purchased them at a discount. The results of these studies are summarized in the table below.

Study	Years Covered		Median Discount
	In Study	Count	
Valuation Advisors, LLC	2010	54	30%
Valuation Advisors, LLC	2009	20	34%
Valuation Advisors, LLC	2008	5	39%
Valuation Advisors, LLC	2007	93	29%
Valuation Advisors, LLC	2006	77	33%
Valuation Advisors, LLC	2005	65	29%
Valuation Advisors, LLC	2004	89	30%
Valuation Advisors, LLC	2003	31	28%
Valuation Advisors, LLC	2002	12	14%
Valuation Advisors, LLC	2001	27	30%
Valuation Advisors, LLC	2000	275	42%
Valuation Advisors, LLC	1999	442	48%
Valuation Advisors, LLC	1998	97	36%
Valuation Advisors, LLC	1997	69	41%
Valuation Advisors, LLC	1996	117	44%
Valuation Advisors, LLC	1995	13	38%
Average			34%
Standard Deviation			8%

Source: Valuation Advisors Lack of Marketability Discount Study Online Advanced Search

Since 1995, the average median marketability discount for each year was 34%, ranging from 14% to 48%. Such studies have been conducted and show similar results since 1975, consistently indicating that investors pay a premium for marketable assets and conversely would only buy a private security at a discount to what an otherwise comparable publically traded security trades.



Put Option Analysis

Put option analysis is a widely accepted quantitative method used to determine marketability discounts based on the specific characteristics of the subject interest. For many publicly traded stocks, a shareholder can purchase a long term put option to insure against a price drop during the term of the put. A put option provides market evidence of what investors are willing to pay to guarantee marketability. The price of a theoretical put option for a non-publicly traded stock can be calculated based on existing option pricing models such as the binomial option model. The value of the put option, representing the value of the right to sell, divided by the exercise price of the security equals the percentage a shareholder is willing to pay for the right to sell the underlying asset. This theory can be utilized in determining the appropriate discount for lack of marketability of privately held entities.

We utilize the American binomial option model as opposed to a European model. An American option gives the holder the right, but not the obligation, to sell the underlying asset at any time until expiration. On the other hand, a European option gives the holder the right, but not the obligation to sell the underlying asset at the time of expiration, and only at the time of expiration. The rights on an American option better resemble the marketability rights that the holder of an interest similar to the subject entity do not enjoy.

Utilizing the binomial option pricing model requires the five inputs of time to maturity, stock price, exercise price, volatility, and the risk-free rate. The following assumptions are utilized in determining the value of a put option on ABC Company:

1. The stock price is the indicated value of 100% of ABC Company's equity.
2. The time to maturity is the expected time required to receive cash for the underlying security. There are significant difficulties associated with divesting an interest in a privately held entity such as the Company. We estimate the time to necessary to receive cash for the subject interest to range from 1.0 to 5.0 years.
3. The exercise price is equal to the current stock price increased by the risk-free rate for the relevant term.
4. The volatility is estimated based on the volatilities of similar publicly traded companies. We calculated the historical volatility of the companies used in the guideline public company method for the same period used as the time to maturity. The calculated volatility equals 36.9% for the 1.0 year option and 49.6% for the 5.0 year option.
5. The risk-free rate is the yield for the Treasury bond with the same time to maturity as the option. As of the Valuation Date, the yield on the 1.0 year Treasury bond was 0.19%, and the yield on the 5.0 year Treasury bond was 1.04%.



Based on the preceding inputs and a time to maturity of 1.0 years, the put option value is 14.6% of the strike price. This represents the indicated value of marketability for the subject interest with a 1.0 year holding period.

Based on the preceding inputs and a time to maturity of 5.0 years, the put option value is 40.7% of the strike price. This represents the indicated value of marketability for the subject interest with a 5.0 year holding period.

Marketability Considerations

In selecting a marketability discount, we consider the following subjective criteria:

- The lower the dividend pay out, the higher the discount
 - Does the entity have a history of paying dividends?
 - Is the entity expected to pay dividends in the future?
- The smaller the holding being valued, the higher the discount
- The more restrictions attached to the interests, the higher the discount
- The longer the time necessary to dispose of the interest, the higher the discount
 - Does the entity have plans to go public?
 - Does the entity have plans to sell through a merger or acquisition?
 - Is there a market to sell an interest in the entity?

According to the shareholder agreement (the “Agreement”), there are significant restrictions on the transfer of the Company’s common stock. A shareholder may not sell or transfer shares or options for ABC Company shares to any person, firm, corporation, or trust without the consent of the Company unless the shareholder first offers the shares to the Company. Any potential offer must be submitted in writing to the Company including price and terms. The Company will have 30 days to elect to purchase the shares based on the terms provided in the written offer letter. This “right of first refusal” negatively impacts the fair market value of the shares because a potential buyer does not want to do the due diligence necessary to purchase the interest only to have the Company purchase the shares.

The following table summarizes the dividends paid by the Company based on the audited financial statements for the years ended December 31, 2007 to December 31, 2011:

	<i>For the years ended December 31,</i>				
	2007	2008	2009	2010	2011
Dividends paid	\$ -	\$ -	\$ -	\$ 40,000	\$ 840,363
Shares outstanding	9,377,683	9,121,633	8,279,883	8,378,633	8,403,633
Dividends per share	\$ -	\$ -	\$ -	\$ 0.00	\$ 0.10

As shown above, the Company did not pay any dividends during 2007, 2008, and 2009. Dividends were immaterial in 2010 and approximately \$0.10 in 2011. There are no guarantees of any dividends going forward, and a minority shareholder will likely only receive a return on their shares if the Company is sold.

The Company does not have plans to go public or sell through a merger or acquisition, and a significant amount of time would be required to dispose of a non-controlling interest. In addition, the Company does not consistently pay dividends, and there are significant restrictions associated with the subject interest. Considering these factors, the appropriate discount for lack of marketability should be near the high end of the range indicated by the studies.

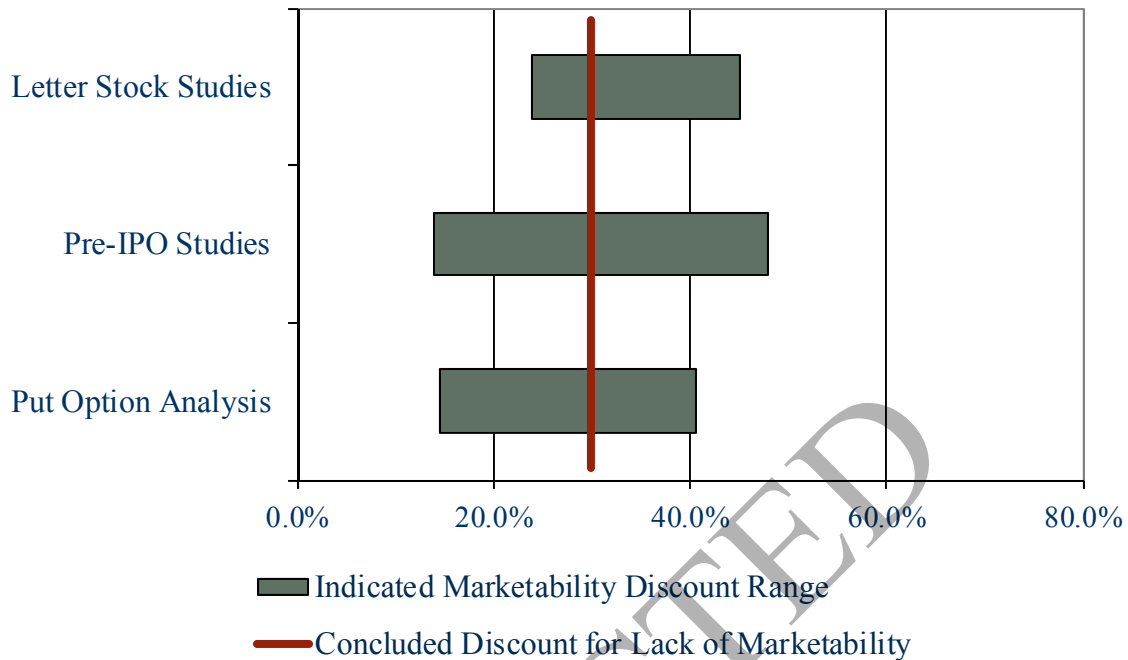
Discount for Lack of Marketability Conclusion

The preceding factors affect the size of the discount and should be considered in determining fair market value of the subject interest. Based upon these factors, specific restrictions relating to ABC CompanyABC Company, and our review of empirical data supporting lack of marketability discounts, we conclude a lack of marketability discount of 30.0% for the subject interest.

The following chart summarizes the range of marketability discounts indicated by the above studies and quantitative methods, as well as the concluded discount for lack of marketability:



Indicated Discounts for Lack of Marketability



The letter stock studies indicate discounts in the range of 24.0% to 45.0%. The annual median discounts since 1995 have ranged from 14.0% to 48.0%, according to the Pre-IPO studies. Finally, the put option methodology indicates an appropriate discount between 14.6% and 40.7%, depending upon the expected holding period.

Discount for Lack of Control

When discussing the rights of shareholder interests, it is common to distinguish between a controlling interest and a non-controlling interest. A controlling shareholder has certain rights not available to non-controlling shareholders, which include the ability to:

- Acquire or liquidate assets
- Appoint company management
- Change the articles of incorporation or bylaws
- Declare and pay dividends
- Determine management compensation and perquisites
- Elect directors of the board
- Liquidate, dissolve, or recapitalize the company



- Make acquisitions
- Register the company's stock for a public offering
- Select people with whom to do business and award contracts
- Sell or acquire treasury shares
- Set policy and change the course of business
- Block any of the above actions

For these reasons, no knowledgeable investor would purchase a non-controlling interest in a corporation, except at a discount from its proportionate share of the value of 100% of the corporation. A controlling shareholder, on the other hand, is able to exercise all of the prerogatives listed above (depending upon the degree of control). In fact, studies show that a typical buyer would often pay an amount above the pro rata share of the stock in order to obtain these prerogatives.

Methods for Determining Control Discounts

There is much empirical data from the market relative to control premiums and discounts for lack of control. Much of this data has been published by Mergerstat¹³ in its publication *Mergerstat Review*, which is updated annually. These studies compare public market trading prices before the announcement of a merger or acquisition to the actual price paid for the merger or acquisition. The percentage of the acquisition price over the prior non-controlling trading price is commonly referred to as the control premium. Conversely, the percentage below the acquisition price at which the non-controlling interest was trading is called the discount for lack of control.

Mergerstat Review begins by identifying publicly announced formal transfers of ownership of at least 10% of a company's equity. Other criteria relate to a purchase price minimum of \$1.0 million and the requirement that at least one entity be a U.S. entity. Transactions are recorded as they are announced, rather than as they are completed. Thus, the study includes pending transactions (based upon the highest bid price, where there are competing offers), as well as completed transactions. Open market stock purchases, however, are not recorded. The results of this study for the years 2001 to 2010 are summarized below.

¹³ FactSet Mergerstat compiles statistics on publicly announced mergers, acquisitions and divestitures involving operating entities. FactSet Mergerstat has tracked these statistics and published its findings for 45 years. Transaction information is gathered throughout each day using a variety of electronic and print sources. The *Mergerstat Review* includes formal transfers of ownership of at least 10% of a company's equity and where at least one of the parties is a U.S. entity. When a transaction involves less than 100% of an entity, the percentage bought is stated after the sellers name. Data is collected for publicly traded, privately owned, and foreign companies.



Year of Buyout	Number of Transactions	Average Premium Paid (%)	Median Premium Paid (%)
2001	439	57.2	40.5
2002	326	59.7	34.4
2003	371	62.3	31.6
2004	322	30.7	23.4
2005	392	34.5	24.1
2006	454	31.5	23.1
2007	491	31.5	24.7
2008	294	56.5	36.5
2009	239	58.7	39.8
2010	348	51.5	34.6
Mean		47.4	31.3
Median		54.0	33.0

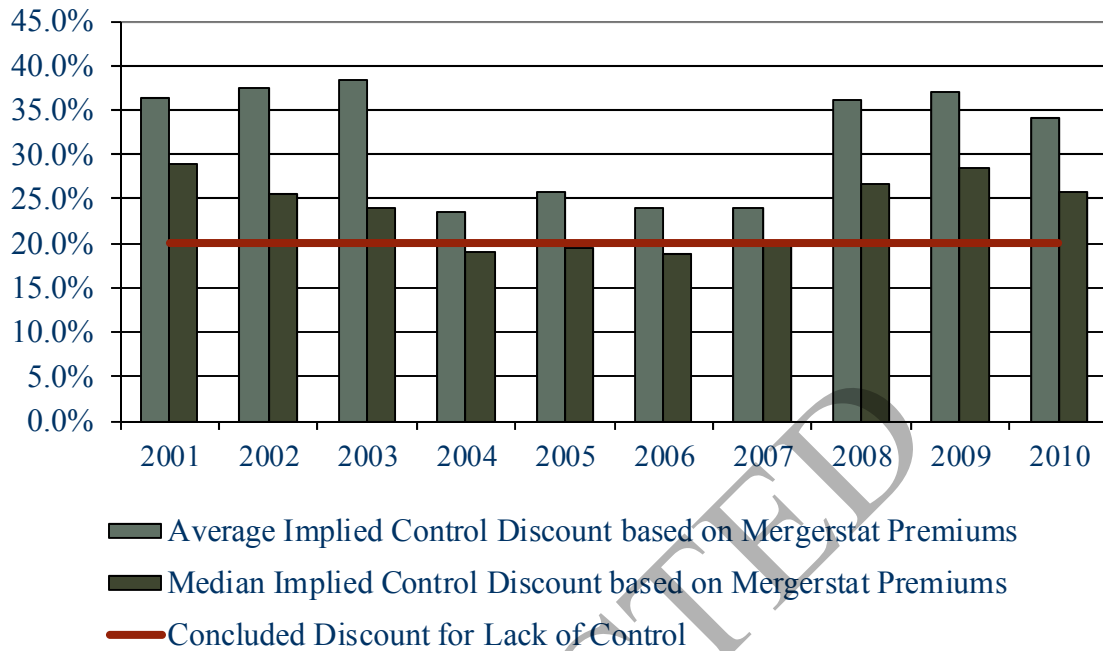
One important factor to consider is that the premium figure above is based on the buyout price over the market price of the seller's stock only five business days prior to the announcement date. Studies show that stock prices have some tendency to rise in anticipation of such events, starting considerably more than five days prior to the public announcement. To that extent, the control premium and the implied discount for lack of control may be understated. Without factoring in any additional percentage for this likelihood, the numbers "as is" show average premiums between approximately 31% to 62% for the last ten years, while the median premium fell between approximately 23% to 41%. A control premium is converted to a corresponding discount for lack of control by the following formula:

$$\text{Discount for lack of control} = 1 - [1 / (1 + \text{control premium})]$$

In this formula the control premium is entered as a percentage and the resulting discount for lack of control is also a percentage. The discount for lack of control then can be applied to the value of an entity on a controlling basis in order to determine an entity's value on a non-controlling basis. Based on the median premiums paid in the last ten years, the resulting discount for lack of control ranges from approximately 1919% to 2929%. The following chart summarizes the range of discounts for lack of control indicated by the above control premium study, as well as the concluded discount for lack of control:



Indicated Discounts for Lack of Control



Discount for Lack of Control Conclusion

Based on the study identified above and the traits inherent in owning a non-controlling interest in ABC Company, we selected a discount for lack of control of 20.0%. A 20.0% discount for lack of control was applied in the DCF method.

Market Adjustments Summary

We select a marketability discount of 30.0% to apply in the DCF method and the guideline public company method. We select a control discount of 20.0% to apply in the DCF method and the similar transactions method.

10. VALUATION SUMMARY

Comparison to Book Value

We value the business based on its future prospects rather than its past performance. The Company's book value is \$31,727,616 (see Schedule 8a) as of March 31, 2012. In general, any similarity between a company's book value (comprised primarily of accrual-based retained earnings over the history of a company) and its value based on projected cash flow and fair



market value of net assets is purely coincidental. Thus, book value has little, if any, bearing on fair market value based on contemporary financial theory.

Reconciliation of Valuation Approaches

We considered the DCF method of the income approach and the guideline public company method of the market approach in determining the concluded fair market value of the Company's common stock. As discussed in the similar transaction method section above, we do not consider the similar transactions method due to lack of similarity between the target companies and ABC Company as well as the lack of information available for the transactions.

The DCF method and the guideline public company method indicate similar results, ranging from \$3.01 to \$3.10 per share. The DCF method, which indicates a common stock value of \$3.01 per share, is based on the Company's specific financial projections, business plan, and risk factors. The guideline public company method, which indicates a common stock value of \$3.10 per share, is based on actual market prices investors are willing to pay for companies similar to ABC Company. Both of these methods provide reasonable indications of value, and we weight them equally at 50.0%.

Concluded Fair Market Value

Based upon our analyses, and the facts and circumstances as of the Valuation Date, March 31, 2012, the fair market value of one share of common stock in ABC Company, Inc. is estimated to be:

\$3.05
based on an indicated range of
\$3.01 to \$3.10
on a non-controlling, non-marketable basis
(see Schedule 1)

■ ■ ■ ■ ■



This detailed report, including schedules, may be shared with the client's legal and financial advisors solely for transaction planning purposes. It is not to be referred to or distributed for any other purposes or to any other party for any purpose without Adams Capital's express written consent.

The procedures performed on this assignment are limited in scope, and do not constitute an examination, review, or compilation of historical information in accordance with generally accepted auditing standards or an examination, review, or compilation of prospective information in accordance with established standards by the American Institute of Certified Public Accountants. Accordingly, we do not express an opinion as defined by the American Institute of Certified Public Accountants on the financial, statistical, or other data included in our summary of findings.

In performing our valuation, we utilized and relied upon the accuracy and completeness of various historical and prospective information provided to us by you. By accepting this detailed report, you implicitly represent to us that such information is accurate and complete, to the best of your knowledge and belief.

This detailed report is issued subject to the attached Standard Assumptions and Limiting Conditions. Adams Capital is pleased to prepare this valuation analysis. Please contact us should you have any questions.

Very truly yours,

David P. Adams III, CPA, ABV, ASA
President

REDACTED



11. SOURCES OF INFORMATION

- Audited financial statements, as of and for the years ended December 31, 2007 to December 31, 2011
- Internal, unaudited financial statements as of March 31, 2011, December 31, 2011, and March 31, 2012
- Financial projections prepared by Management for the year ending December 31, 2012
- Interviews with Management
- *Forecast of the Nation*, Georgia State University, February 2012
- *Capital IQ*
- *Pratt's Stats* database
- *Ibbotson SBBI 20122012 Valuation Yearbook*, Morningstar, Inc., Chicago, 20122012
- *Ibbotson Cost of Capital 20122012 Yearbook*, Morningstar, Inc., Chicago, 20122012
- *Mergerstat Review 20112011*, FactSet Mergerstat, LLC, 20112011
- First Research online database (www.firstresearch.com)
- U.S. Bureau of Labor Statistics (www.bls.gov)
- U.S. Census Bureau (www.census.gov)
- U.S. Federal Reserve Bank (www.federalreserve.gov)
- U.S. Bureau of Economic Analysis (www.bea.gov)
- Other information maintained in our work papers and library



12. STANDARD ASSUMPTIONS AND LIMITING CONDITIONS

These standard assumptions and limiting conditions pertaining to the value estimate conclusions are summarized below. Other assumptions are cited elsewhere in the detailed report.

1. To the best of our knowledge and belief, the statements of facts contained in the detailed report, upon which the analysis and conclusions expressed are based, are true and correct. Information, estimates, and opinions furnished to us and contained in the detailed report or utilized in the formation of the value conclusions were obtained from sources considered reliable and believed to be true and correct. However, no representation, liability, or warranty for the accuracy of such items is assumed by or imposed on us.
2. This valuation is based on historical and prospective financial information provided by Management. This prospective and historical information has not been subjected to any audit or review procedures, and we express no assurance of any kind on this prospective and historical information. Management advised that they consider the data used to be accurate, complete, and reliable. Management further advised that no information known to them conflicts with the data or the resulting use of such data in this valuation.
3. The valuation may not be used in conjunction with any other appraisal or study. The appraisal was prepared solely for the purpose, function, and party so identified in the detailed report and may not be separated into parts.
4. No change of any item in any of the detailed report shall be made by anyone other than Adams Capital, and we shall have no responsibility for any such unauthorized change.
5. Unless otherwise stated in the appraisal, the valuation of the business has not considered or incorporated the potential economic gain or loss resulting from contingent assets, liabilities, or events existing as of the valuation date.
6. We are not required to give testimony or be in attendance at any court or administrative proceeding with reference to the business appraised unless additional compensation is agreed to and prior arrangements have been made.
7. The working papers for this engagement are retained in our files and are available for your reference. We are available to support our valuation conclusions should this be required. Those services would be performed for an additional fee.
8. No part of the detailed report shall be disseminated or referred to the public through advertising, public relations, news or sales media, or any other public means of communication or referenced in any publication, including any private or public offerings including, but not limited to, those filed with the Securities and Exchange Commission or other governmental agency, without Adams Capital's prior written consent.
9. Good and marketable title to the business interest being appraised is assumed. We are not qualified to render an "opinion of title" and no responsibility is assumed or accepted for matters of a legal nature affecting the business being appraised. No formal



investigation of legal title to or liabilities against the business valued was made, and we render no opinion as to ownership of the business or condition of its title.

10. Management is assumed to be competent, and the ownership to be in responsible hands, unless noted otherwise in the detailed report. The quality of business management can have a direct effect on the viability and value of the business. Any variance from this assumption could have a significant impact on the concluded value.
11. In the appraisal, the existence of potentially hazardous materials (i) used in the construction, maintenance, or servicing of the buildings and machinery and equipment of the business, such as the presence of urea-formaldehyde foam insulation, asbestos, lead paint, toxic waste, underground tanks, radon, and/or any other prohibited material or chemical which may or may not be present on or in the subject real and/or tangible personal property or (ii) in existence of which the business may be held accountable, was, unless specifically indicated in the detailed report, not disclosed to us during the course of this engagement. We, however, are not qualified to detect such substances. The existence of these potentially hazardous materials could have a significant effect on the value of the business. The client is urged to retain an expert in this field, if desired. The value conclusions assume the real and tangible personal property is “clean” and free of any of these adverse conditions unless we have been notified to the contrary in writing.
12. Unless otherwise stated, no effort has been made to determine the possible effect, if any, of future federal, state, or local legislation, including any environmental or ecological matters.
13. We take no responsibility for any events, conditions, or circumstances affecting the subject business or its value, that take place subsequent to the Valuation Date.
14. 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. Accordingly, to the extent that any of the information used in this analysis and detailed report requires adjustment, the resulting fair market value would be different.
15. Any decision to purchase, sell, or transfer any interest in the Company shall be your sole responsibility, as will the structure to be utilized and the price to be accepted. Our role will be to provide information that you may find useful in your evaluation of the appropriateness of transferring the entity’s interests, as well as the related transaction structure and pricing.
16. The selection of the price to be accepted requires consideration of factors beyond the information we will provide or have provided. An actual transaction involving the subject interests might be concluded at a higher value or at a lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivations of the buyers and sellers at that time.



13. CERTIFICATION

We certify that, to the best of our knowledge and belief, the following:

- The statements of fact contained in this detailed report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limited conditions and are personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the business or property that is the subject of this detailed report, and we have no personal interest or bias with respect to the parties involved.
- Our engagement and compensation for completing this assignment are not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause or 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.
- This detailed report was prepared in conformity with the standards of various professional organizations including Uniform Standards of Professional Appraisal Practice as promulgated by the Appraisal Standards Board of the Appraisal Foundation, the Principles of Appraisal Practice, and Code of Ethics of the American Society of Appraisers.
- Adams Capital has not previously determined the fair market value of ABC Company's common stock.
- This detailed report was prepared under the direction of David P. Adams III, CPA, ABV, ASA and Quinn Shearer.
- David P. Adams III is in compliance with the American Society of Appraisers mandatory recertification program for all of its Senior Members.
- David P. Adams III is in compliance with The American Institute of Certified Public Accountant's Accreditation Program in Business Valuation ("ABV").

David P. Adams III, CPA, ABV, ASA
President
Adams Capital, Inc.



14. QUALIFICATIONS

David P. Adams III
CPA, ABV, ASA
President

Professional Background

Mr. Adams is president of Adams Capital, Inc. He is an expert in the valuation of businesses, business interests, and tangible and intangible property for mergers and acquisitions, corporate recapitalization, privatization, gift and estate tax planning, bankruptcy proceedings, dissenting shareholders, Employee Stock Ownership Plans, and financial and tax reporting. Prior to forming Adams Capital, Inc., Mr. Adams practiced business valuation services with Coopers & Lybrand LLP and KPMG Peat Marwick LLP, two of the international “Big Four” accounting and consulting firms.

Mr. Adams’ extensive corporate finance background includes: sellside and buy-side advisory, divestitures, private placements, transaction negotiation, structure, and strategy. Mr. Adams has experience with over 2,000 transactions ranging from multi-billion dollar international conglomerates to smaller family owned and startup businesses. Transaction advisory experience includes: fairness opinions, due diligence, equity structuring, debt structuring, recapitalizations, solvency opinions, acquisition consulting, board presentations, going public, going private, shareholder stock repurchases, and business planning in support of financing.

Mr. Adams assists firms in need of financing by locating both debt and equity capital, helping clients to prepare business plans and presentation materials, and guiding clients through the funding process.

Mr. Adams has managed major international acquisition engagements in Australia, Belgium, Canada, China, France, Germany, Hong Kong, Italy, Japan, Mexico, Norway, Spain, Sweden, the United Kingdom, the United States, and Uruguay.

Mr. Adams’ industry experience includes agribusiness, automotive, banking, distribution, entertainment, foods, healthcare, high technology, insurance, manufacturing, mining, petrochemicals, plastics, real estate, retail, telecommunications, textiles, and utilities.

Professional Memberships

- American Institute of Certified Public Accountants (AICPA)
- Georgia Society of Certified Public Accountants (GSCPA)
 - Estate, Gift & Trust and Personal Finance Committees
 - Leadership Academy Class of 2003
- American Society of Mechanical Engineers (ASME)



- American Society of Cost Engineers (ASCE)
- National Association of Corporate Directors (NACD)
 - Atlanta Chapter, Past Advisory Board Member
- Atlanta Estate Planning Council (AEPC)
 - Board Member

Publications

- *Various Professional Publications*, 2005 to present
- *The Engaged Appraiser* in Journal of Practical Estate Planning, June - July 2005
- Co-author, *Fundamentals of Business Valuation: Part I*. American Institute of Certified Public Accountants, 2001

Education

- Georgia State University, M.B.A., Atlanta, Georgia, 1988
- Georgia Institute of Technology, B.S., Mechanical Engineering, Atlanta, Georgia, 1986

Employment

- Adams Capital, Inc. 1996 to present
- Coopers & Lybrand LLP 1993 to 1996
- KPMG Peat Marwick LLP 1988 to 1993

Speaking Engagements

Due Diligence – Fundamentals of Investment, Atlanta Technology Angels; 2011

Business Succession Planning, Georgia State University College of Law; 2011

Wave of Information – The Value of the Right Information, Foltz Martin LLC; 2010

Entrepreneurial Finance, Georgia Institute of Technology; 2010

Business Succession Planning, Georgia State University College of Law; 2010

So You Want to Be an Expert, 44th Annual Southern Federal Tax Institute; 2009

Fair Value Accounting, Measurement and the Impact on Business Valuation, Institute for Management Accountants; 2008

Valuation Issues and Options – Managing the Valuation Process, Institute for Continuing Legal Education; 2008

Valuation and Emerging Ventures, Harvard Business School Entrepreneurial Society; 2007

The Importance of Valuation for Technology Companies, Technology Executives Roundtable (Panelist); 2007



The Value of Value – An Executive Summary, The Atlanta Rotary Club; 2006

Strategic Appraisal Use – Trends in Mergers & Acquisitions and Private Equity Financing, North Atlanta Chapter of the Georgia Society of Certified Public Accountants; 2006

Testimony Experience

Atlantic Capital Ventures, Inc. d/b/a Game World vs. Diamond Amusements, Inc., Ideal Amusements, Inc., et al. Civil Action File No.: 08-A-06180-2; 2011

Schklar, Ney & Heim, LCC at the Superior Court of Fulton Court, State of Georgia in the case of Mellon Ventures II, L.P., et al. v. Alston & Bird LLP et al. Civil Action File No.: 2006CV116281; 2007-2011

The Bloom Law Firm at the Superior Court of Hall County, State of Georgia in the case of Medical Arts Properties, L.P. v. Concord, Inc. et al., Civil Action File No.: 2006CV1904C; 2007

Ben C. Brodhead, PC at the arbitration of the case of Medical Edge Technologies, Inc. v. DePuy, Spine, Johnson & Johnson; 2007

Mazursky & Dunaway, LLP at the US District Court for The Northern District of GA Atlanta Division in the case of Bruce & Donna Breit, Robert A. Breit, et al, Plaintiffs v. SmarTVideo Technologies, Inc., Defendant. Case No. 1:06-CV-850-MHS; 2006

Rogers & Hardin, LLP at the arbitration of the case of Julie Skaggs v. Buckhead Community Management; 2006

Internal Revenue Service at the United States Tax Court in the case of Estate of Mildred G. Heyward, Deceased, Andrew H. Heyward III, and Mildred H. Clarke. Co-executors, Petitioner v. Commissioner of Internal Revenue, Respondent Civil Action File No. 3106-05; 2005

Alston & Bird, LLP at the U.S. District Court for the Eastern District of Virginia, Richmond Division in the case of Hilb, Rogal & Hobbs Company, et al. v. Risk Strategy Partners, Inc., et al. Case No. 3:05-CV-00355; 2004

Foltz, Martin LLC in the arbitration of the case of Utilipro, Inc. v. PSEG Energy Technologies, Inc. American Arbitration Association File No.: 301810071800, 2001; 2004

Green, Buckley, Jones & McQueen at the Superior Court of Fulton County, State of Georgia in the case of GrayBar Electric Company, Inc. v. Office Innovations, Inc. Civil Action File No.: 01CV4978; 2003

Price, Pyles, Dangle, Parmer & Rooks, PC at the Superior Court of Carroll County, State of Georgia in the case of Carroll County Water Authority v. L.J.S. Grease & Tallow, Inc., et al. Civil Action File No.: 00CV3800; 2003

David P. Broome Law Offices at the Superior Court of Baldwin County, State of Alabama in the case of Digidyne, Inc. v. Lewis Communications Civil Action File No.: 02CV7956; 2003

Powell Goldstein, LLP in the case of Citizens Financial Services Inc. v. Chandler et al.; 2000

Warner, Mayoue, Bates & Nolen, P.C. in the case of Jones v. Jones; 2000

Gwinnet Superior Court, Gwinnett County, Georgia in the case of Uptons, Inc. v. Jackson Civil Action No.: 98-A-9817-6; 1999

Meadows, Ichter & Trigg at the Superior Court for the County of DeKalb, State of Georgia in the case of Easley, McCaleb & Associates v. Ronald S. Stallings Civil Action File No.: 96-10046-3; 1999



ABC Company, Inc.

Fairness Opinion

Summary of Fair Market Value

Valuation Date: March 31, 2012

Schedule 1

(\$US)

Fair Market Value of Equity on a Non-Controlling, Non-Marketable Basis	Weight	
Income Approach - Discounted Cash Flow Method (1)		46,509,465
Less: Discount for Lack of Marketability (2)	30.0%	<u>(13,952,839)</u>
Indicated Equity Value on a Controlling, Non-Marketable Basis		32,556,625
Less: Discount for Lack of Control (2)	20.0%	<u>(6,511,325)</u>
Indicated Equity Value on a Non-Controlling, Non-Marketable Basis		\$ 26,045,300
Divided by: Shares Outstanding		<u>8,403,633</u>
Fair Market Value of One Share of Common Stock on a Non-Controlling, Non-Marketable Basis	50.0%	<u><u>\$ 3.10</u></u>
Market Approach - Guideline Company Method (3)		\$ 41,525,199
Less: Discount for Lack of Marketability (2)	30.0%	<u>(12,457,560)</u>
Indicated Equity Value on a Non-Controlling, Non-Marketable Basis		29,067,639
Divided by: Shares Outstanding		<u>8,403,633</u>
Fair Market Value of One Share of Common Stock on a Non-Controlling, Non-Marketable Basis	50.0%	<u><u>\$ 3.46</u></u>
Market Approach - Similar Transactions Method (4)	0.0%	nmf
Concluded Fair Market Value of One Share of Common Stock on a Non-Controlling, Non-Marketable Basis (5)		
		<u><u>\$ 3.28</u></u>
Range of Fair Market Value for One Share of Common Stock		
	Low	\$ 3.46
	High	\$ 3.10

Notes:

(1) See Schedule 2.

(2) See report for discussion regarding discounts for lack of marketability and control.

(3) See Schedule 6a.

(4) See Schedule 7a.

(5) See report for discussion regarding valuation approach weightings.

ABC Company, Inc.
Fairness Opinion
Discounted Cash Flow Method (1)
Valuation Date: March 31, 2012

Schedule 2
(\$US)

	9 Months Ending		For the Years Ending December 31,					Terminal Year
	December 31,	2013	2014	2015	2016	2017	2018	
<i>Revenue growth rate</i>	<i>nmf</i>	0.0%	5.0%	10.0%	10.0%	10.0%	5.0%	3.0%
Total revenue	\$ 84,106,136	\$ 106,922,234	\$ 112,268,346	\$ 123,495,181	\$ 135,844,699	\$ 149,429,169	\$ 156,900,627	\$ 161,607,646
Direct expenses	60,135,528	76,907,487	80,752,862	88,828,148	97,710,963	107,482,059	112,856,162	116,241,847
Gross profit	23,970,607	30,014,747	31,515,484	34,667,033	38,133,736	41,947,110	44,044,465	45,365,799
<i>Gross margin</i>	28.5%	28.1%	28.1%	28.1%	28.1%	28.1%	28.1%	28.1%
Overhead and general and administrative	20.9%	21.5%	21.1%	19.8%	18.5%	17.3%	17.0%	17.0%
Other	0.8%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Overhead and general and administrative	17,565,540	22,999,165	23,689,140	24,399,814	25,131,809	25,885,763	26,662,336	27,462,206
Other	672,156	534,611	561,342	617,476	679,223	747,146	784,503	808,038
Total operating expenses	18,237,697	23,533,776	24,250,482	25,017,290	25,811,032	26,632,909	27,446,839	28,270,244
EBITDA	5,732,911	6,480,971	7,265,003	9,649,743	12,322,704	15,314,201	16,597,626	17,095,555
<i>EBITDA margin</i>	6.8%	6.1%	6.5%	7.8%	9.1%	10.2%	10.6%	10.6%
Depreciation and amortization	335,432	440,566	453,783	467,396	481,418	495,861	510,737	526,059
EBIT	5,397,479	6,040,405	6,811,220	9,182,346	11,841,285	14,818,340	16,086,889	16,569,496
<i>EBIT margin</i>	6.4%	5.6%	6.1%	7.4%	8.7%	9.9%	10.3%	10.3%
Income tax expense	38.0%	2,051,042	2,295,354	2,588,263	3,489,292	4,499,688	5,630,969	6,113,018
Debt-free net income	3,346,437	3,745,051	4,222,956	5,693,055	7,341,597	9,187,371	9,973,871	10,273,088
Plus: Depreciation	335,432	440,566	453,783	467,396	481,418	495,861	510,737	526,059
Less: Capital expenditures	(335,432)	(440,566)	(453,783)	(467,396)	(481,418)	(495,861)	(510,737)	(526,059)
Less: Increase in DFCW (2)	18.0%	1,262,545	-	(962,300)	(2,020,830)	(2,222,913)	(2,445,205)	(847,263)
Debt-free cash flow (DFCF)	4,608,982	3,745,051	3,260,656	3,672,224	5,118,684	6,742,166	8,629,009	9,425,824
Terminal value (DFCF/(WACC - G))								69,820,920
Present value period	0.67	2.23	4.01	5.79	7.57	9.35	11.13	11.13
Present value factor (3)	16.5%	1.6805	1.4699	1.2617	1.0830	0.9296	0.7980	0.6849
Present value of DFCF	4,351,302	3,092,596	2,311,237	2,234,307	2,673,289	3,022,464	3,320,448	26,867,137
Present value of DFCF	\$ 21,005,644							
Present value of terminal value	26,867,137							
Indicated value of invested capital	47,872,781							
Less: Debt (4)	(1,363,316)							
Indicated equity value (controlling, marketable)	\$ 46,509,465							

Notes:

- (1) Based on the 2012 budget and discussions with Management.
(2) See Schedule 5a and Schedule 5b.
(3) See Schedule 3.
(4) See Schedule 8a.

Cost of Equity

CAPM

$$K_e = R_f + (\beta * R_m) + R_s + R_c$$

Risk-free rate (Rf) (1)	3.35%
Equity risk premium (Rm) (2)	6.14%
Beta (3)	1.07
Size premium (Rs) (4)	6.10%
Company-specific risk premium (Rc) (5)	3.00%

Cost of Equity (Ke) 19.0%

After Tax Cost of Debt

$$K_d = K_b (1-t)$$

Borrowing rate (Kb) (6)	5.30%
Tax rate (t) (7)	38.0%

After Tax Cost of Debt (Kd) 3.3%

Weighted Average Cost of Capital

	Capital Structure (8)	Cost of Capital	Weighted Cost
Debt	15.0%	3.3%	0.5%
Equity	85.0%	19.0%	16.2%
Weighted Average Cost of Capital			16.7%

Weighted Average Cost of Capital (rounded) 16.5%

Notes:

- (1) Based on the yield of 30 year U.S. Treasury bonds on the Valuation Date, U.S. Department of the Treasury.
- (2) Supply side equity risk premium from Morningstar, Inc., "Ibbotson SBBi Valuation Edition 2012 Yearbook"
- (3) See Schedule 4.
- (4) Reflects the historical incremental return on stocks in decile 10 (market capitalization less than \$206.8 million) from Morningstar, Inc., "Ibbotson SBBi Valuation Edition 2012 Yearbook."
- (5) Estimated based on facts and circumstances of the Company. See report for further discussion.
- (6) Borrowing rate estimated based on the average Moody's Baa yield as of the Valuation Date.
- (7) Assumed 38.0% blended federal and state tax.
- (8) Based on the guideline companies and overall industry information.

ABC Company

Schedule 4

Fairness Opinion

Guideline Company Betas

Valuation Date: March 31, 2012

Guideline Company Name	Beta (1)	Equity	Debt	Effective Tax Rate	Bu	Bl
Guideline Company 1	0.39	70.9%	29.1%	40.0%	0.31	0.35
Guideline Company 2	1.09	79.7%	20.3%	32.0%	0.93	1.03
Guideline Company 3	0.55	100.0%	0.0%	38.1%	0.55	0.61
Guideline Company 4	2.19	80.7%	19.3%	40.0%	1.91	2.12
Guideline Company 5	1.38	95.0%	5.0%	28.7%	1.33	1.48
Guideline Company 6	1.40	91.3%	8.7%	34.4%	1.32	1.46
Guideline Company 7	0.82	100.0%	0.0%	28.7%	0.82	0.91
Guideline Company 8	1.09	91.3%	8.7%	39.4%	1.04	1.15
Guideline Company 9	1.13	56.0%	44.0%	40.0%	0.77	0.85
Guideline Company 10	0.68	87.9%	12.1%	40.0%	0.63	0.69

Maximum	2.12
Average	1.06
Median	0.97
Minimum	0.35

Concluded Beta**1.06****Notes:**

(1) Based on 5-year weekly adjusted Beta ending March 31, 2012 provided by Capital IQ, calculated against the S&P 500 index.

ABC Company

Schedule 5a

Fairness Opinion

Debt-Free Working Capital - Guideline Public Companies (1)

Valuation Date: March 31, 2012

Guideline Company Name	Debt-Free Working Capital as a % of Revenue					5-Year Average
	12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/31/2011	
Guideline Company 1	16.4%	13.2%	14.8%	12.9%	17.2%	14.9%
Guideline Company 2	1.7%	4.2%	6.3%	16.1%	6.1%	6.9%
Guideline Company 3	10.0%	22.9%	25.6%	40.1%	61.9%	32.1%
Guideline Company 4	15.8%	18.4%	22.4%	20.8%	21.6%	19.8%
Guideline Company 5	9.0%	7.3%	8.8%	10.2%	8.8%	8.8%
Guideline Company 6	10.3%	10.4%	13.4%	16.9%	15.7%	13.3%
Guideline Company 7	21.1%	25.0%	34.7%	24.8%	21.1%	25.4%
Guideline Company 8	10.6%	10.4%	13.4%	8.0%	10.3%	10.5%
Guideline Company 9	8.3%	10.6%	28.6%	32.3%	27.3%	21.4%
Guideline Company 10	39.9%	29.2%	27.0%	24.8%	13.2%	26.8%
Maximum	16.4%	22.9%	25.6%	40.1%	61.9%	33.4%
Average	10.6%	13.2%	15.6%	20.0%	23.1%	16.5%
Median	10.0%	13.2%	14.8%	16.1%	17.2%	14.3%
Minimum	1.7%	4.2%	6.3%	10.2%	6.1%	5.7%
Concluded DFWC Requirements					<u>18.0%</u>	

Notes:

(1) Data provided by Capital IQ.

DFWC = Debt-free working capital

ABC Company

Schedule 5b

Fairness Opinion

Debt-Free Working Capital - Industry Data (1)

Valuation Date: March 31, 2012

Industry Debt-Free Working Capital Requirements	NAICS 541330	
	All	Sales \$25m+
Current assets	69.2%	72.7%
Less: Current liabilities	45.0%	45.1%
Working capital	24.2%	27.6%
Working capital	24.2%	27.6%
Plus: Short term notes payable	13.1%	7.1%
Plus: Current maturities of long term debt	3.2%	2.2%
Debt-free working capital	40.5%	36.9%
Debt-free working capital	40.5%	36.9%
Times: Total assets - \$000	\$ 20,998,610	\$ 16,294,853
Debt-free working capital - \$000	\$ 8,504,437	\$ 6,012,801
Debt-free working capital - \$000	\$ 8,504,437	\$ 6,012,801
Divided by: Total sales - \$000	\$ 46,965,845	\$ 36,333,803
DFWC as a % of sales	18.1%	16.5%
Concluded debt-free working capital requirements		18.0%

Notes:

(1) Balance sheet data for NAICS 541330 (Engineering Services) from The Risk Management Association's "Annual Statement Studies 2011 - 2012".

(2) Equal to one divided by DFWC turns.

(3) See Schedule 8a.

DFWC = Debt-free working capital

ABC Company

Fairness Opinion

Guideline Public Company Method (1)

Valuation Date: March 31, 2012

Schedule 6a

Guideline Company Name	Enterprise Value			Equity Value	Enterprise Value	
	LTM Revenue	LTM EBITDA	LTM EBIT	LTM Net Income	FY+1 Revenue	FY+1 EBITDA
Guideline Company 1	n/a	8.47 x	10.63 x	nmf	0.44 x	5.1 x
Guideline Company 2	0.65 x	4.4 x	5.1 x	7.4 x	0.67 x	5.0 x
Guideline Company 3	n/a	4.87 x	5.19 x	23.59 x	n/a	n/a
Guideline Company 4	0.77 x	7.2 x	14.8 x	25.3 x	0.74 x	6.8 x
Guideline Company 5	0.35 x	7.2 x	8.7 x	16.7 x	0.32 x	6.7 x
Guideline Company 6	0.49 x	7.8 x	9.2 x	15.9 x	0.47 x	7.5 x
Guideline Company 7	n/a	4.43 x	6.80 x	13.18 x	0.28 x	3.3 x
Guideline Company 8	0.55 x	5.9 x	8.0 x	14.5 x	0.52 x	5.5 x
Guideline Company 9	n/a	nmf	nmf	nmf	0.36 x	7.3 x
Guideline Company 10	0.23 x	11.3 x	18.5 x	37.5 x	0.23 x	3.5 x
Maximum	0.77 x	11.3 x	18.5 x	37.5 x	0.74 x	7.5 x
Average	0.51 x	6.9 x	9.7 x	19.3 x	0.45 x	5.6 x
Median	0.52 x	7.2 x	8.7 x	16.3 x	0.44 x	5.5 x
Minimum	0.23 x	4.4 x	5.1 x	7.4 x	0.23 x	3.3 x
Coefficient of Variation	0.39	0.33	0.46	0.48	0.39	0.28
Selected Multiples (2)	0.38 x	4.9 x	6.8 x	14.2 x	0.32 x	5.0 x
Indicated enterprise value (non-controlling, marketable)	38,833,775	38,887,717	51,512,606		33,993,298	34,730,814
Plus: Cash	4,582,978	8,157,701	8,157,701		8,157,701	8,157,701
Less: Debt	(765,908)	(1,363,316)	(1,363,316)		(1,363,316)	(1,363,316)
Indicated equity value (non-controlling, marketable)	42,650,845	45,682,101	58,306,991	n/a	40,787,683	41,525,199
Weighting (3)	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Concluded Equity Value (non-controlling, marketable)	\$ 41,525,199					

Notes:

(1) Based on the enterprise and equity values calculated on Schedule 6b and the financial information shown on Schedule 6d.

(2) See report for discussion of the multiple selection.

(3) See report for discussion of the valuation multiple weightings.

ABC Company
Schedule 6b

Fairness Opinion

Guideline Public Company Method - Financial Overview (1)

Valuation Date: March 31, 2012

Guideline Company Name	Stock Price as of 3/31/12	x Shares Outstanding	= Market Capitalization	+ Total Debt	+ Preferred Stock	+ Minority Interest	= Invested Capital	- Cash and Equivalents	= Enterprise Value
Guideline Company 1	\$ 52.80	85.3	n/a	\$ 1,852.0	\$ -	\$ -	\$ 1,852.0	\$ 1,592.0	n/a
Guideline Company 2	61.08	253.0	15,453.7	3,933.0	-	-	19,386.7	2,682.0	16,704.7
Guideline Company 3	16.04	13.6	n/a	-	-	(0.3)	(0.3)	156.5	n/a
Guideline Company 4	23.36	33.5	783.2	187.7	-	-	970.9	86.2	884.7
Guideline Company 5	60.04	169.5	10,174.6	532.8	-	70.3	10,777.7	2,228.4	8,549.3
Guideline Company 6	44.37	128.5	5,701.3	541.2	-	17.0	6,259.4	921.5	5,337.9
Guideline Company 7	23.85	9.6	n/a	-	-	0.7	0.7	48.4	n/a
Guideline Company 8	16.06	51.2	823.0	78.0	-	-	901.0	134.5	766.6
Guideline Company 9	31.71	65.9	n/a	1,639.1	-	35.3	1,674.5	1,628.8	n/a
Guideline Company 10	3.65	7.3	26.6	3.7	-	-	30.3	5.0	25.3

Guideline Company Name	Latest Twelve Month				Latest Twelve Month Margins			1-Year Rev Growth	3-Year Rev CAGR
	Revenue	EBITDA	EBIT	Net Income	EBITDA	EBIT	Net Income		
Guideline Company 1	\$ 10,497.0	\$ 562.0	\$ 448.0	\$ 59.0	n/a	n/a	n/a	n/a	n/a
Guideline Company 2	25,876.0	3,804.0	3,261.0	2,094.0	14.7%	12.6%	8.1%	-6.2%	-6.5%
Guideline Company 3	141.9	12.7	11.9	9.3	n/a	n/a	n/a	n/a	n/a
Guideline Company 4	1,143.1	122.9	59.6	30.9	10.8%	5.2%	2.7%	4.8%	-5.6%
Guideline Company 5	24,613.7	1,192.4	987.1	608.9	4.8%	4.0%	2.5%	12.1%	1.6%
Guideline Company 6	10,802.1	681.9	580.0	358.6	6.3%	5.4%	3.3%	4.7%	-2.6%
Guideline Company 7	538.4	40.7	26.6	17.3	n/a	n/a	n/a	n/a	n/a
Guideline Company 8	1,392.1	128.8	95.5	56.8	9.3%	6.9%	4.1%	55.0%	34.7%
Guideline Company 9	5,962.0	85.0	8.8	(58.5)	n/a	n/a	n/a	n/a	n/a
Guideline Company 10	109.9	2.2	1.4	0.7	2.0%	1.2%	0.6%	37.6%	13.6%
Maximum	25,876.0	3,804.0	3,261.0	2,094.0	14.7%	12.6%	8.1%	55.0%	34.7%
Average	8,107.6	663.3	548.0	317.7	8.0%	5.9%	3.6%	18.0%	5.8%
Median	3,677.0	125.9	77.6	43.8	7.8%	5.3%	3.0%	8.5%	-0.5%
Minimum	109.9	2.2	1.4	(58.5)	2.0%	1.2%	0.6%	-6.2%	-6.5%

Notes:

(1) Data provided by Capital IQ. Financial statement data in \$US in millions. Shares outstanding in millions.

ABC Company, Inc.

Schedule 6c

Fairness Opinion

Guideline Public Company Method - Financial Ratios (1)

Valuation Date: March 31, 2012

Guideline Company Name	Total Assets	Total Asset Turnover	Fixed Asset Turnover	DFWC as a % of Revenue	Cash as a % of Revenue	DFWC excl. Cash as a % of Revenue	D&A as a % of Revenue	CapEx as a % of Revenue
Guideline Company 1	\$ 6,667.0	1.6 x	29.7 x	n/a	n/a	n/a	n/a	n/a
Guideline Company 2	25,053.0	1.0 x	8.6 x	9.1%	10.4%	-1.3%	2.1%	1.7%
Guideline Company 3	205.3	0.8 x	66.9 x	n/a	n/a	n/a	n/a	n/a
Guideline Company 4	732.1	1.6 x	8.0 x	22.3%	7.5%	14.8%	5.5%	7.3%
Guideline Company 5	8,521.2	3.1 x	27.8 x	8.7%	9.1%	-0.4%	0.8%	1.4%
Guideline Company 6	6,331.8	1.8 x	40.6 x	14.8%	8.5%	6.3%	0.9%	1.1%
Guideline Company 7	379.9	1.5 x	28.5 x	n/a	n/a	n/a	n/a	n/a
Guideline Company 8	698.7	2.1 x	10.8 x	7.1%	9.7%	-2.5%	2.4%	2.2%
Guideline Company 9	5,092.0	1.1 x	11.5 x	n/a	n/a	n/a	n/a	n/a
Guideline Company 10	67.2	1.9 x	82.7 x	15.7%	4.6%	11.2%	0.8%	0.2%
Maximum	25,053.0	3.1 x	82.7 x	22.3%	10.4%	14.8%	5.5%	7.3%
Average	5,374.8	1.6 x	31.5 x	13.0%	8.3%	4.7%	2.1%	2.3%
Median	2,912.1	1.6 x	28.2 x	11.9%	8.8%	2.9%	1.5%	1.6%
Minimum	67.2	0.8 x	8.0 x	7.1%	4.6%	-2.5%	0.8%	0.2%

Guideline Company Name	Current Ratio	Quick Ratio	Debt to Equity (Book)	Debt to Capital (Book)	Times Interest Earned	Return on Assets	Return on Capital	Return on Equity
Guideline Company 1	1.4 x	1.2 x	84.9%	45.9%	3.9 x	n/a	n/a	n/a
Guideline Company 2	1.3 x	1.1 x	37.3%	27.2%	15.1 x	7.9%	13.1%	18.1%
Guideline Company 3	1.7 x	1.7 x	0.0%	0.0%	n/a	n/a	n/a	n/a
Guideline Company 4	3.4 x	2.8 x	49.9%	33.3%	3.5 x	5.1%	6.4%	8.4%
Guideline Company 5	1.6 x	1.5 x	14.7%	12.9%	49.5 x	7.7%	16.1%	20.2%
Guideline Company 6	1.8 x	0.0 x	15.2%	15.2%	50.8 x	6.1%	9.6%	15.2%
Guideline Company 7	1.9 x	1.7 x	0.0%	0.0%	273.8 x	n/a	n/a	n/a
Guideline Company 8	1.3 x	1.0 x	27.2%	21.4%	18.5 x	8.8%	17.3%	21.8%
Guideline Company 9	1.0 x	0.7 x	184.4%	64.8%	0.2 x	n/a	n/a	n/a
Guideline Company 10	1.4 x	1.3 x	11.2%	10.0%	16.9 x	1.5%	2.4%	2.2%
Maximum	3.4 x	2.8 x	184.4%	64.8%	273.8 x	8.8%	17.3%	21.8%
Average	1.7 x	1.3 x	42.5%	23.1%	48.0 x	6.2%	10.8%	14.3%
Median	1.5 x	1.3 x	21.2%	18.3%	16.9 x	6.9%	11.3%	16.6%
Minimum	1.0 x	0.0 x	0.0%	0.0%	0.2 x	1.5%	2.4%	2.2%

Notes:

(1) Data provided by Capital IQ. Adams Capital has not adjusted the financial ratios and believes that the information obtained from Capital IQ is reliable and fairly reflects the operating results of the guideline public companies.

ABC Company, Inc.

Fairness Opinion

Guideline Public Company Method - Historical and Projected Financials (1)

Valuation Date: March 31, 2012

Schedule 6d

(\$US in Millions)

Guideline Company Name	Revenue							
	FY-3	FY-2	FY-1	FY	LTM	FY+1	FY+2	FY+3
Guideline Company 1	\$ 9,768.0	\$ 10,580.0	\$ 10,798.0	\$ 10,497.0	\$ 10,497.0	\$ 10,839.4	\$ 10,697.7	\$ 10,419.3
Guideline Company 2	32,315.0	27,650.0	28,143.0	26,412.0	25,876.0	25,103.6	24,717.5	24,180.0
Guideline Company 3	220.9	218.3	182.6	141.9	141.9	n/a	n/a	n/a
Guideline Company 4	1,230.0	1,106.9	988.6	1,035.9	1,143.1	1,197.2	1,332.0	n/a
Guideline Company 5	22,325.9	21,990.3	20,849.3	23,381.4	24,613.7	26,890.8	29,163.4	31,222.1
Guideline Company 6	11,252.2	11,467.4	9,915.5	10,381.7	10,802.1	11,299.5	12,605.8	13,439.4
Guideline Company 7	455.9	445.2	499.4	538.4	538.4	635.7	668.3	n/a
Guideline Company 8	597.8	467.0	941.8	1,460.2	1,392.1	1,476.5	1,561.1	n/a
Guideline Company 9	6,998.0	7,279.7	6,984.0	5,937.7	5,962.0	5,990.8	6,293.6	6,501.3
Guideline Company 10	73.2	61.6	77.9	107.2	109.9	109.7	118.5	n/a
Maximum	32,315.0	27,650.0	28,143.0	26,412.0	25,876.0	26,890.8	29,163.4	31,222.1
Average	8,523.7	8,126.6	7,938.0	7,989.3	8,107.6	9,282.6	9,684.2	17,152.4
Median	4,114.0	4,193.3	3,986.3	3,698.9	3,677.0	5,990.8	6,293.6	13,439.4
Minimum	73.2	61.6	77.9	107.2	109.9	109.7	118.5	6,501.3

Guideline Company Name	EBITDA							
	FY-3	FY-2	FY-1	FY	LTM	FY+1	FY+2	FY+3
Guideline Company 1	\$ 835.0	\$ 926.0	\$ 1,039.0	\$ 562.0	\$ 562.0	\$ 937.8	\$ 926.7	\$ 902.9
Guideline Company 2	3,534.0	2,861.0	3,382.0	3,820.0	3,804.0	3,313.0	3,198.8	3,223.6
Guideline Company 3	20.4	11.7	18.0	12.7	12.7	n/a	n/a	n/a
Guideline Company 4	119.8	113.3	82.0	105.4	122.9	130.8	154.2	n/a
Guideline Company 5	1,177.6	1,304.6	739.6	1,187.4	1,192.4	1,281.6	1,413.0	1,492.9
Guideline Company 6	716.2	706.9	540.9	629.5	681.9	709.9	780.3	829.4
Guideline Company 7	38.3	35.8	33.6	40.7	40.7	55.5	57.9	n/a
Guideline Company 8	46.2	49.5	82.3	132.8	128.8	139.4	154.2	n/a
Guideline Company 9	357.0	351.4	351.4	60.3	85.0	293.1	351.4	351.4
Guideline Company 10	0.1	(3.3)	4.1	4.3	2.2	7.3	8.7	n/a
Maximum	3,534.0	2,861.0	3,382.0	3,820.0	3,804.0	3,313.0	3,198.8	3,223.6
Average	684.5	635.7	627.3	655.5	663.3	763.2	782.8	1,360.0
Median	238.4	232.3	216.8	119.1	125.9	293.1	351.4	902.9
Minimum	0.1	(3.3)	4.1	4.3	2.2	7.3	8.7	351.4

Guideline Company Name	EBITDA Margin							
	FY-3	FY-2	FY-1	FY	LTM	FY+1	FY+2	FY+3
Guideline Company 1	8.5%	8.8%	9.6%	5.4%	5.4%	8.7%	8.7%	8.7%
Guideline Company 2	10.9%	10.3%	12.0%	14.5%	14.7%	13.2%	12.9%	13.3%
Guideline Company 3	9.2%	5.4%	9.9%	9.0%	9.0%	n/a	n/a	n/a
Guideline Company 4	9.7%	10.2%	8.3%	10.2%	10.8%	10.9%	11.6%	n/a
Guideline Company 5	5.3%	5.9%	3.5%	5.1%	4.8%	4.8%	4.8%	4.8%
Guideline Company 6	6.4%	6.2%	5.5%	6.1%	6.3%	6.3%	6.2%	6.2%
Guideline Company 7	8.4%	8.0%	6.7%	7.6%	7.6%	8.7%	8.7%	n/a
Guideline Company 8	7.7%	10.6%	8.7%	9.1%	9.3%	9.4%	9.9%	n/a
Guideline Company 9	5.1%	4.8%	5.0%	1.0%	1.4%	4.9%	5.6%	5.4%
Guideline Company 10	0.1%	-5.4%	5.2%	4.1%	2.0%	6.7%	7.3%	n/a
Maximum	10.9%	10.6%	12.0%	14.5%	14.7%	13.2%	12.9%	13.3%
Average	7.1%	6.5%	7.4%	7.2%	7.1%	8.2%	8.4%	7.7%
Median	8.1%	7.1%	7.5%	6.8%	6.9%	8.7%	8.7%	6.2%
Minimum	0.1%	-5.4%	3.5%	1.0%	1.4%	4.8%	4.8%	4.8%

Notes:

(1) Data provided by Capital IQ. Adams Capital has not adjusted the financial results and believes that the information obtained from Capital IQ is reliable and fairly reflects the operating results of the guideline public companies.

ABC Company, Inc.

Schedule 6e

Fairness Opinion

Guideline Public Company Method - Historical and Projected Growth (1)

Valuation Date: March 31, 2012

Guideline Company Name	Revenue Growth							
	FY-3	FY-2	FY-1	FY	LTM	FY+1	FY+2	FY+3
Guideline Company 1	9.4%	8.3%	2.1%	-2.8%	nmf	3.3%	-1.3%	-2.6%
Guideline Company 2	6.5%	-14.4%	1.8%	-6.2%	-2.0%	-5.0%	-1.5%	-2.2%
Guideline Company 3	6.8%	-1.2%	-16.4%	-22.3%	nmf	n/a	n/a	n/a
Guideline Company 4	8.1%	-10.0%	-10.7%	4.8%	10.3%	15.6%	11.3%	n/a
Guideline Company 5	33.8%	-1.5%	-5.2%	12.1%	5.3%	15.0%	8.5%	7.1%
Guideline Company 6	32.8%	1.9%	-13.5%	4.7%	4.0%	8.8%	11.6%	6.6%
Guideline Company 7	13.6%	-2.4%	12.2%	7.8%	nmf	18.1%	5.1%	n/a
Guideline Company 8	10.2%	-21.9%	101.7%	55.0%	-4.7%	1.1%	5.7%	n/a
Guideline Company 9	22.3%	4.0%	-4.1%	-15.0%	0.4%	0.9%	5.1%	3.3%
Guideline Company 10	-7.1%	-15.8%	26.4%	37.6%	2.5%	2.4%	8.0%	n/a
Maximum	33.8%	8.3%	101.7%	55.0%	10.3%	18.1%	11.6%	7.1%
Average	13.6%	-5.3%	9.4%	7.6%	2.3%	6.7%	5.8%	2.4%
Median	9.8%	-1.9%	-1.1%	4.7%	2.5%	3.3%	5.7%	3.3%
Minimum	-7.1%	-21.9%	-16.4%	-22.3%	-4.7%	-5.0%	-1.5%	-2.6%

Guideline Company Name	EBITDA Growth							
	FY-3	FY-2	FY-1	FY	LTM	FY+1	FY+2	FY+3
Guideline Company 1	11.3%	10.9%	12.2%	-45.9%	nmf	66.9%	-1.2%	-2.6%
Guideline Company 2	-3.1%	-19.0%	18.2%	13.0%	-0.4%	-13.3%	-3.4%	0.8%
Guideline Company 3	103.0%	-42.6%	53.3%	-29.4%	nmf	n/a	n/a	n/a
Guideline Company 4	-10.1%	-5.4%	-27.6%	28.5%	16.6%	24.1%	17.9%	n/a
Guideline Company 5	52.0%	10.8%	-43.3%	60.6%	0.4%	7.9%	10.3%	5.7%
Guideline Company 6	43.9%	-1.3%	-23.5%	16.4%	8.3%	12.8%	9.9%	6.3%
Guideline Company 7	21.3%	-6.5%	-6.0%	21.3%	nmf	36.2%	4.3%	n/a
Guideline Company 8	27.6%	7.0%	66.4%	61.4%	-3.0%	5.0%	10.6%	n/a
Guideline Company 9	151.0%	-1.6%	-1.3%	-82.6%	40.8%	386.0%	18.3%	6.4%
Guideline Company 10	-98.7%	-5002.9%	-221.7%	7.1%	-48.7%	67.9%	19.2%	n/a
Maximum	151.0%	10.9%	66.4%	61.4%	40.8%	386.0%	19.2%	6.4%
Average	29.8%	-505.1%	-17.3%	5.0%	2.0%	65.9%	9.5%	3.3%
Median	24.5%	-3.5%	-3.6%	14.7%	0.4%	24.1%	10.3%	5.7%
Minimum	-98.7%	-5002.9%	-221.7%	-82.6%	-48.7%	-13.3%	-3.4%	-2.6%

Notes:

(1) Data provided by Capital IQ. Adams Capital has not adjusted the financial results and believes that the information obtained from Capital IQ is reliable and fairly reflects the operating results of the guideline public companies.

ABC Company, Inc.

Fairness Opinion

Similar Transactions Method

Valuation Date: March 31, 2012

Schedule 7a

Precedent Transactions	Enterprise Value (1)			Equity Value (1)
	LTM Revenue	LTM EBITDA	LTM EBIT	LTM Net Income
Similar Transaction 1	0.51 x	33.6 x	nmf	nmf
Similar Transaction 2	0.39 x	n/a	n/a	n/a
Similar Transaction 3	0.41 x	13.0 x	30.3 x	40.9 x
Similar Transaction 4	0.27 x	n/a	n/a	n/a
Similar Transaction 5	0.65 x	15.4 x	18.7 x	10.8 x
Similar Transaction 6	0.28 x	4.1 x	5.2 x	11.3 x
Similar Transaction 7	0.35 x	n/a	n/a	n/a
Similar Transaction 8	0.90 x	n/a	n/a	n/a
Similar Transaction 9	0.59 x	7.7 x	n/a	n/a
Maximum	0.90 x	33.6 x	30.3 x	40.9 x
Average	0.48 x	14.8 x	18.1 x	21.0 x
Median	0.41 x	13.0 x	18.7 x	11.3 x
Minimum	0.27 x	4.1 x	5.2 x	10.8 x
Coefficient of Variation	0.42	0.77	0.70	0.82
Selected Multiples (2)	nmf	nmf	nmf	nmf
Indicated enterprise value (controlling, marketable)	n/a	n/a	n/a	
Plus: Cash	8,157,701	8,157,701	8,157,701	
Less: Debt	(1,363,316)	(1,363,316)	(1,363,316)	
Implied equity value (controlling, marketable)	n/a	n/a	n/a	n/a
Weighting (3)	0.0%	0.0%	0.0%	0.0%
Concluded Equity Value (controlling, marketable)	<u>nmf</u>			

Notes:

(1) Calculated based on the financial information shown on Schedule 7b.

(2) See report for discussion of the multiple selection.

(3) See report for discussion of the valuation multiple weightings.

ABC Company, Inc.

Fairness Opinion

Similar Transactions Method - Financial Overview (1)

Valuation Date: March 31, 2012

Schedule 7b

(\$US in Millions)

Date	Company	Equity Value	Enterprise Value	Revenue	LTM			LTM Margins		
					EBITDA	EBIT	Net Income	EBITDA	EBIT	Net Income
10/3/2011	Similar Transaction 1	\$ 48.3	\$ 52.7	\$ 103.3	\$ 1.6	\$ (0.8)	\$ (1.0)	1.5%	-0.8%	-1.0%
1/3/2011	Similar Transaction 2	105.0	120.0	305.0	n/a	n/a	n/a	n/a	n/a	n/a
10/1/2010	Similar Transaction 3	282.7	298.7	723.4	23.0	9.9	6.9	3.2%	1.4%	1.0%
10/27/2009	Similar Transaction 4	628.6	628.6	2,340.0	n/a	n/a	n/a	n/a	n/a	n/a
9/7/2011	Similar Transaction 5	5.7	11.8	18.1	0.8	0.6	0.5	4.2%	3.5%	2.9%
8/17/2011	Similar Transaction 6	920.0	542.1	1,925.6	130.8	104.2	81.2	6.8%	5.4%	4.2%
9/10/2010	Similar Transaction 7	3.8	3.8	10.9	n/a	n/a	n/a	n/a	n/a	n/a
8/31/2010	Similar Transaction 8	18.7	18.7	20.9	n/a	n/a	n/a	n/a	n/a	n/a
8/18/2009	Similar Transaction 9	6.6	6.6	11.2	0.9	n/a	n/a	7.6%	n/a	n/a
Maximum		920.0	628.6	2,340.0	130.8	104.2	81.2	7.6%	5.4%	4.2%
Average		224.4	187.0	606.5	31.4	28.5	21.9	4.7%	2.4%	1.8%
Median		48.3	52.7	103.3	1.6	5.2	3.7	4.2%	2.4%	1.9%
Minimum		3.8	3.8	10.9	0.8	(0.8)	(1.0)	1.5%	-0.8%	-1.0%

Notes:

(1) Data provided by Capital IQ.

	As of December 31,					March 31,	5 Year Average	5 Year CAGR
	2007	2008	2009	2010	2011	2012		
Current assets								
Cash	\$ 2,674,489	\$ 5,427,647	\$ 6,266,844	\$ 9,821,223	10,729,002	8,157,701	\$ 6,983,841	41.5%
Billed contract receivables	7,011,420	7,679,299	7,450,386	10,163,606	10,467,383	22,442,233	8,554,419	10.5%
Unbilled contract receivables	4,827,764	5,551,464	7,484,784	8,451,591	10,685,990	4,719,834	7,400,319	22.0%
Prepaid expenses and other assets	383,417	418,816	314,074	441,967	469,279	650,604	405,511	5.2%
Refundable income taxes	2,725	-	429,379	-	-	-	86,421	-100.0%
Deferred tax assets	660,165	870,806	934,119	1,126,809	2,513,123	-	1,221,005	39.7%
Total current assets	15,559,980	19,948,033	22,879,586	30,005,197	34,864,776	35,970,372	24,651,514	22.3%
Equipment and furniture								
Equipment and furniture	3,546,374	3,823,711	7,057,643	6,859,253	7,125,733	7,129,913	5,682,543	19.1%
Building and improvements	-	-	31,617,052	31,266,095	31,263,988	31,263,988	18,829,427	nmf
Subsidiary construction in progress	2,501,365	10,956,108	-	-	-	-	2,691,495	-100.0%
Less: Accumulated depreciation	(2,732,239)	(2,942,689)	(3,279,541)	(3,607,690)	(4,968,199)	(5,298,704)	(3,506,072)	16.1%
Net property, plant, and equipment	3,315,499	11,837,130	35,395,154	34,517,659	33,421,522	33,095,196	23,697,393	78.2%
Investment in LLC								
Investment in LLC	795,996	300,144	862,109	391,477	213,299	2,495,819	512,605	-28.1%
Stockholder note receivable	-	3,560,000	-	-	719,771	-	855,954	nmf
NESC note receivable	-	-	-	1,247,006	1,276,020	-	504,605	nmf
Goodwill	4,081,914	4,081,914	4,081,914	4,081,914	4,081,914	-	4,081,914	0.0%
Other assets	406,949	488,541	569,799	1,361,196	1,318,523	5,770,322	829,002	34.2%
Total assets	\$24,160,339	\$ 40,215,761	\$ 63,788,562	\$ 71,604,448	\$ 75,895,825	\$ 77,331,709	\$ 55,132,987	33.1%
Current liabilities								
Accounts payable and accrued expenses	\$ 1,301,246	\$ 1,715,799	\$ 3,605,310	\$ 4,244,102	\$ 5,116,181	\$ 7,605,347	\$ 3,196,528	40.8%
Accrued compensation	3,471,972	4,494,201	4,500,824	5,145,604	5,804,117	5,843,174	4,683,344	13.7%
Income taxes payable	-	20,096	-	215,724	322,951	2,013,303	111,754	nmf
Outstanding checks in excess of cash	-	-	-	-	-	-	-	nmf
Current portion of notes payable	17,083	620,889	1,157,000	2,387,336	1,417,920	712,000	1,120,045	201.8%
Total current liabilities	4,790,300	6,850,985	9,263,134	11,992,766	12,661,168	16,173,824	9,111,671	27.5%
Notes payable								
Notes payable	13,348	2,793,080	2,637,330	1,445,631	615,615	651,316	1,501,001	160.6%
Subsidiary construction cost payable	-	3,435,056	1,893,345	-	-	-	1,065,680	nmf
Subsidiary building loan	1,498,696	7,020,863	30,238,195	28,707,840	28,329,569	28,778,953	19,159,032	108.5%
Subsidiary interest rate swap liability	-	-	-	1,334,854	3,291,720	-	925,315	nmf
Other Subsidiary liabilities	445,000	389,375	333,750	509,525	222,500	-	380,030	-15.9%
Deferred tax liabilities	499,053	671,040	728,520	1,261,319	1,325,520	-	897,090	27.7%
Total liabilities	7,246,398	21,160,400	45,094,274	45,251,934	46,446,092	45,604,093	33,039,820	59.1%
Common stock								
Common stock	8,346	8,119	7,369	7,456	7,478	n/a	7,754	-2.7%
Additional paid-in capital	6,114,567	7,346,048	7,007,646	9,514,207	9,552,010	n/a	7,906,896	11.8%
Retained earnings	10,084,280	11,058,855	10,437,525	15,122,490	19,641,134	n/a	13,268,857	18.1%
Total controlling interest stockholder's equity	16,207,194	18,413,021	17,452,540	24,644,153	29,200,622	29,938,816	21,183,506	15.9%
Minority interests in Subsidiary	706,747	642,340	1,241,748	1,708,360	249,111	1,788,800	909,661	-22.9%
Total stockholders' equity	16,913,941	19,055,361	18,694,288	26,352,514	29,449,733	31,727,616	22,093,167	14.9%
Total liabilities and stockholder's equity	\$24,160,339	\$ 40,215,761	\$ 63,788,562	\$ 71,604,448	\$ 75,895,825	\$ 77,331,709	\$ 55,132,987	33.1%
Total interest bearing debt								
Total interest bearing debt	1,529,127	10,434,832	34,032,525	32,540,807	30,363,103	30,142,269	21,780,079	111.1%
Total interest bearing debt (excluding Subsc	30,431	3,413,969	3,794,330	3,832,967	2,033,534	1,363,316	2,621,046	185.9%
DFWC	10,786,763	13,717,937	14,773,452	20,399,767	23,621,527	20,508,548	16,659,889	21.6%

Notes:

(1) Based on audited financial statements as of December 31, 2007 to December 31, 2011. Based on unaudited, internal financial statements as of March 31, 2012.

nmf = Not meaningful

DFWC = Debt Free Working Capital

CAGR = Compound Annual Growth Rate

	As of December 31,					March 31,	5 Year
	2006	2007	2008	2009	2010	2012	Average
Current assets							
Cash	11.1%	13.5%	9.8%	13.7%	14.1%	10.5%	12.7%
Billed contract receivables	29.0%	19.1%	11.7%	14.2%	13.8%	29.0%	15.5%
Unbilled contract receivables	20.0%	13.8%	11.7%	11.8%	14.1%	6.1%	13.4%
Prepaid expenses and other assets	1.6%	1.0%	0.5%	0.6%	0.6%	0.8%	0.7%
Refundable income taxes	0.0%	0.0%	0.7%	0.0%	0.0%	0.0%	0.2%
Deferred tax assets	2.7%	2.2%	1.5%	1.6%	3.3%	0.0%	2.2%
Total current assets	64.4%	49.6%	35.9%	41.9%	45.9%	46.5%	44.7%
Equipment and furniture	14.7%	9.5%	11.1%	9.6%	9.4%	9.2%	10.3%
Building and improvements	0.0%	0.0%	49.6%	43.7%	41.2%	40.4%	34.2%
Subsidiary construction in progress	10.4%	27.2%	0.0%	0.0%	0.0%	0.0%	4.9%
Less: Accumulated depreciation	-11.3%	-7.3%	-5.1%	-5.0%	-6.5%	-6.9%	-6.4%
Net property, plant, and equipment	13.7%	29.4%	55.5%	48.2%	44.0%	42.8%	43.0%
Investment in LLC	3.3%	0.7%	1.4%	0.5%	0.3%	3.2%	0.9%
Stockholder note receivable	0.0%	8.9%	0.0%	0.0%	0.9%	0.0%	1.6%
NESC note receivable	0.0%	0.0%	0.0%	1.7%	1.7%	0.0%	0.9%
Goodwill	16.9%	10.2%	6.4%	5.7%	5.4%	0.0%	7.4%
Other assets	1.7%	1.2%	0.9%	1.9%	1.7%	7.5%	1.5%
Total assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Current liabilities							
Accounts payable and accrued expenses	5.4%	4.3%	5.7%	5.9%	6.7%	9.8%	5.8%
Accrued compensation	14.4%	11.2%	7.1%	7.2%	7.6%	7.6%	8.5%
Income taxes payable	0.0%	0.0%	0.0%	0.3%	0.4%	2.6%	0.2%
Outstanding checks in excess of cash	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Current portion of notes payable	0.1%	1.5%	1.8%	3.3%	1.9%	0.9%	2.0%
Total current liabilities	19.8%	17.0%	14.5%	16.7%	16.7%	20.9%	16.5%
Notes payable	0.1%	6.9%	4.1%	2.0%	0.8%	0.8%	2.7%
Subsidiary construction cost payable	0.0%	8.5%	3.0%	0.0%	0.0%	0.0%	1.9%
Subsidiary building loan	6.2%	17.5%	47.4%	40.1%	37.3%	37.2%	34.8%
Subsidiary interest rate swap liability	0.0%	0.0%	0.0%	1.9%	4.3%	0.0%	1.7%
Other Subsidiary liabilities	1.8%	1.0%	0.5%	0.7%	0.3%	0.0%	0.7%
Deferred tax liabilities	2.1%	1.7%	1.1%	1.8%	1.7%	0.0%	1.6%
Total liabilities	30.0%	52.6%	70.7%	63.2%	61.2%	59.0%	59.9%
Common stock	0.0%	0.0%	0.0%	0.0%	0.0%	n/a	0.0%
Additional paid-in capital	25.3%	18.3%	11.0%	13.3%	12.6%	n/a	14.3%
Retained earnings	41.7%	27.5%	16.4%	21.1%	25.9%	n/a	24.1%
Total controlling interest stockholder's equity	67.1%	45.8%	27.4%	34.4%	38.5%	38.7%	38.4%
Minority interests in Subsidiary	2.9%	1.6%	1.9%	2.4%	0.3%	2.3%	1.6%
Total stockholders' equity	70.0%	47.4%	29.3%	36.8%	38.8%	41.0%	40.1%
Total liabilities and stockholder's equity	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total interest bearing debt	6.3%	25.9%	53.4%	45.4%	40.0%	39.0%	39.5%
Total interest bearing debt (excluding Subsic	0.1%	8.5%	5.9%	5.4%	2.7%	1.8%	4.8%
DFWC	44.6%	34.1%	23.2%	28.5%	31.1%	26.5%	30.2%

Notes:

(1) Based on audited financial statements as of December 31, 2007 to December 31, 2011. Based on unaudited, internal financial statements as of March 31, 2012.

nmf = Not meaningful

DFWC = Debt Free Working Capital

CAGR = Compound Annual Growth Rate

ABC Company, Inc.
Fairness Opinion
Historical Income Statements (1)
Valuation Date: March 31, 2012

Schedule 9a
(\$US)

	As of December 31,					March 31,	5 Year	5 Year
	2007	2008	2009	2010	2011	2012	Average	CAGR
Total revenues	\$ 63,676,344	\$ 76,916,055	\$ 89,886,499	\$ 103,255,970	\$103,874,821	\$ 101,118,379	\$ 87,521,938	13.0%
Revenue growth rate	0.4%	20.8%	16.9%	14.9%	0.6%	0.0%	10.7%	
Contract costs and expenses								
Direct labor and fringes	34,043,160	41,649,414	47,339,080	48,437,191	50,051,035	51,374,561	44,303,976	10.1%
Consultants	5,992,920	5,177,468	4,811,101	5,000,570	4,995,287	4,387,316	5,195,469	-4.5%
Other direct costs	6,044,622	6,698,345	12,707,520	19,187,644	15,997,711	15,012,228	12,127,168	27.5%
Overhead, general and administrative	14,282,234	18,055,599	19,940,859	20,003,813	19,191,606	20,520,732	18,294,822	7.7%
Total contract costs and expenses	60,362,936	71,580,826	84,798,561	92,629,217	90,235,639	91,294,837	79,921,436	10.6%
Contract income	3,313,408	5,335,230	5,087,938	10,626,753	13,639,182	9,823,542	7,600,502	42.4%
Other income (expense)								
Equity in LLC income	1,230,648	723,493	834,309	241,368	-	-	605,964	-100.0%
Interest income	72,398	70,461	99,085	72,626	175,818	-	98,078	24.8%
Interest expense	(169,954)	(51,120)	(163,949)	(1,557,436)	(1,498,110)	(92,099)	(688,114)	72.3%
Other expenses	(584,459)	(1,258,122)	(738,180)	(1,388,631)	(4,060,659)	(2,718,373)	(1,606,010)	62.4%
Total other income (expense)	548,632	(515,287)	31,266	(2,632,074)	(5,382,951)	(2,810,472)	(1,590,083)	nmf
Income/(loss) before taxes	3,862,039	4,819,943	5,119,203	7,994,680	8,256,231	7,013,070	6,010,419	20.9%
Taxes	(1,246,294)	(1,800,988)	(2,053,449)	(3,011,479)	(1,744,124)	n/a	(1,971,267)	8.8%
Net income (loss)	\$ 2,615,746	\$ 3,018,955	\$ 3,065,755	\$ 4,983,201	\$ 6,512,107	n/a	\$ 4,039,153	25.6%
Minority interests	5,255	43,040	112,592	(227,035)	(497,617)	n/a	(112,753)	nmf
Net income attributable to controlling interests	2,621,000	3,061,995	3,178,347	4,756,165	6,014,490	n/a	\$ 3,926,399	23.1%
Depreciation and amortization	350,158	299,813	322,675	1,336,550	1,413,258	401,855	744,491	41.7%
Capital expenditures	2,020,638	5,386,387	25,422,410	2,314,224	317,121	n/a	7,092,156	-37.1%
EBIT	3,959,596	4,800,601	5,184,067	9,479,490	9,578,524	7,105,169	6,600,455	24.7%
EBITDA	4,309,754	5,100,414	5,506,742	10,816,040	10,991,781	7,507,024	7,344,946	26.4%

Notes:

(1) Based on audited financial statements for the years ended December 31, 2007 to December 31, 2011. Based on unaudited, internal financial statements for the LTM calculation as of March 31, 2012.

nmf = Not meaningful

CAGR = Compound Annual Growth Rate

ABC Company

Fairness Opinion

Historical Income Statements (1)

Valuation Date: March 31, 2012

Schedule 9b

(\$US)

	As of December 31,					March 31,	5 Year
	2007	2008	2009	2010	2011	2012	Average
Total revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Contract costs and expenses							
Direct labor and fringes	53.5%	54.1%	52.7%	46.9%	48.2%	50.8%	50.6%
Consultants	9.4%	6.7%	5.4%	4.8%	4.8%	4.3%	5.9%
Other direct costs	9.5%	8.7%	14.1%	18.6%	15.4%	14.8%	13.9%
Overhead, general and administrative	22.4%	23.5%	22.2%	19.4%	18.5%	20.3%	20.9%
Total contract costs and expenses	94.8%	93.1%	94.3%	89.7%	86.9%	90.3%	91.3%
Contract income	5.2%	6.9%	5.7%	10.3%	13.1%	9.7%	8.7%
Other income (expense)							
Equity in LLC income	1.9%	0.9%	0.9%	0.2%	0.0%	0.0%	0.7%
Interest income	0.1%	0.1%	0.1%	0.1%	0.2%	0.0%	0.1%
Interest expense	-0.3%	-0.1%	-0.2%	-1.5%	-1.4%	-0.1%	-0.8%
Other expenses	-0.9%	-1.6%	-0.8%	-1.3%	-3.9%	-2.7%	-1.8%
Total other income (expense)	0.9%	-0.7%	0.0%	-2.5%	-5.2%	-2.8%	-1.8%
Income/(loss) before taxes	6.1%	6.3%	5.7%	7.7%	7.9%	6.9%	6.9%
Taxes	-2.0%	-2.3%	-2.3%	-2.9%	-1.7%	n/a	-2.3%
Net income (loss)	4.1%	3.9%	3.4%	4.8%	6.3%	n/a	4.6%
Minority interests	0.0%	0.1%	0.1%	-0.2%	-0.5%	n/a	-0.1%
Net income attributable to controlling interests	4.1%	4.0%	3.5%	4.6%	5.8%	n/a	4.5%
Depreciation and amortization	0.5%	0.4%	0.4%	1.3%	1.4%	0.4%	0.9%
EBIT	6.2%	6.2%	5.8%	9.2%	9.2%	7.0%	7.5%
EBITDA	6.8%	6.6%	6.1%	10.5%	10.6%	7.4%	8.4%

Notes:

(1) Based on audited financial statements for the years ended December 31, 2007 to December 31, 2011. Based on unaudited, internal financial statements for the LTM calculation as of March 31, 2012.

ABC Company

Schedule 10a

Fairness Opinion

Latest Twelve Month Calculation (1)

Valuation Date: March 31, 2012

	YTD 3/31/2011	Fiscal Year 12/31/2011	YTD 3/31/2012	LTM 3/31/2012
Revenues	\$ 24,517,747	\$ 102,820,027	\$ 22,816,099	\$ 101,118,379
Contract costs and expenses				
Direct labor and fringes	12,922,917	50,046,676	14,250,803	51,374,561
Consultants	681,227	4,687,493	381,050	4,387,316
Other direct costs	3,085,372	15,957,494	2,140,106	15,012,228
Overhead, general and administrative	4,653,504	20,318,187	4,856,048	20,520,732
Total contract costs and expenses	21,343,021	91,009,850	21,628,007	91,294,837
Contract income	3,174,726	11,810,177	1,188,091	9,823,542
Other income (expense)	-	-	-	-
Equity in LLC income	-	-	-	-
Interest income	-	-	-	-
Interest expense	(29,213)	(102,202)	(19,110)	(92,099)
Other expenses	(1,404,178)	(3,997,268)	(125,284)	(2,718,373)
Total other income (expense)	(1,433,391)	(4,099,470)	(144,394)	(2,810,472)
Income before taxes	\$ 1,741,335	\$ 7,710,707	\$ 1,043,698	\$ 7,013,070
Depreciation and amortization	99,080	408,633	92,302	401,855
Interest expense	29,213	102,202	19,110	92,099
EBIT	\$ 1,770,548	\$ 7,812,910	\$ 1,062,808	\$ 7,105,169
EBITDA	\$ 1,869,628	\$ 8,221,542	\$ 1,155,110	\$ 7,507,024

Notes:

(1) Based on unaudited, internal financial statements excluding Subsidiary.

ABC Company

Schedule 10b

Fairness Opinion

Latest Twelve Month Calculation (1)

Valuation Date: March 31, 2012

	YTD 3/31/2011	Fiscal Year 12/31/2011	YTD 3/31/2012	LTM 3/31/2012
Revenues	100.0%	100.0%	100.0%	100.0%
Contract costs and expenses				
Direct labor and fringes	52.7%	48.7%	62.5%	50.8%
Consultants	2.8%	4.6%	1.7%	4.3%
Other direct costs	12.6%	15.5%	9.4%	14.8%
Overhead, general and administrative	19.0%	19.8%	21.3%	20.3%
Total contract costs and expenses	87.1%	88.5%	94.8%	90.3%
Contract income	12.9%	11.5%	5.2%	9.7%
Other income (expense)				
Equity in LLC income	0.0%	0.0%	0.0%	0.0%
Interest income	0.0%	0.0%	0.0%	0.0%
Interest expense	-0.1%	-0.1%	-0.1%	-0.1%
Other expenses	-5.7%	-3.9%	-0.5%	-2.7%
Total other income (expense)	-5.8%	-4.0%	-0.6%	-2.8%
Income before taxes	7.1%	7.5%	4.6%	6.9%
Depreciation and amortization	0.4%	0.4%	0.4%	0.4%
Interest expense	0.1%	0.1%	0.1%	0.1%
EBIT	7.2%	7.6%	4.7%	7.0%
EBITDA	7.6%	8.0%	5.1%	7.4%

Notes:

(1) Based on unaudited, internal financial statements excluding Subsidiary.

ABC Company

Schedule 11

Fairness Opinion

Historical Statements of Cash Flows (1)

Valuation Date: March 31, 2012

	As of December 31,				
	2007	2008	2009	2010	2011
Operating activities					
Net income	\$ 2,621,000	\$ 3,018,955	\$ 3,065,755	\$ 4,983,201	\$ 6,512,107
Adjustments					
Depreciation and amortization	350,158	299,813	322,675	1,336,550	1,413,258
Deferred income tax (benefit) expense	8,144	(38,654)	(5,833)	340,108	(1,322,113)
Expense for grant of restricted stock	205,813	626,560	610,390	2,318,377	20,025
Equity in LLC income	(1,230,648)	(723,493)	(834,309)	(241,368)	-
LLC distributions	650,807	1,219,346	272,344	712,000	178,178
Other noncontrolling interests	(5,255)	(21,367)	-	-	-
Income tax reduction for exercise of stock options	110,759	104,142	131,542	152,671	-
Changes in assets and liabilities:					
Contract receivables	471,025	(1,391,579)	(1,704,407)	(3,680,027)	(2,538,175)
Prepaid expenses and other assets	(203,340)	(116,991)	23,484	(520,915)	(13,653)
Refundable income taxes/income taxes payable	1,442,745	22,821	(449,475)	645,102	107,227
Outstanding checks in excess of cash	(294,469)	-	-	-	-
Accounts payable and accrued expenses	(733,839)	414,553	1,889,511	638,792	872,079
Accrued compensation	449,980	1,022,229	6,623	644,780	658,513
Other Subsidiary liabilities	445,000	(55,625)	(55,625)	175,775	(287,025)
Cash provided by operating activities	4,287,881	4,380,710	3,272,674	7,505,046	5,600,421
Investing activities					
Acquisition of equipment and furniture	(371,739)	(366,700)	(1,008,247)	(459,055)	(317,121)
Capitalized Subsidiary building and improvement cos	(1,826,899)	(5,019,687)	(24,414,163)	(1,855,169)	-
Subsidiary additional capital contribution	712,000	-	712,000	289,250	-
Net cash used in investing activities	(1,486,638)	(5,386,387)	(24,710,410)	(2,024,974)	(317,121)
Financing activities					
Proceeds from Subsidiary bank loan	1,498,696	5,522,167	23,217,332	30,758,400	-
Repayments on Subsidiary loans	-	-	-	(31,058,419)	(1,013,938)
Net payments on line of credit	(1,602,682)	-	-	-	-
Repayments on notes payable	(61,782)	(176,462)	(954,639)	(1,191,699)	(1,163,766)
Proceeds from notes payable	-	3,560,000	-	-	-
Subsidiary loan issuance costs	-	-	-	(398,375)	-
Dividends paid	-	-	-	(71,200)	(1,495,846)
Issuance of common stock	39,014	76,540	14,240	35,600	17,800
Repurchase of common stock	-	(1,663,410)	-	-	-
Loans to stockholders	-	(3,560,000)	-	-	(719,771)
Net cash used in financing activities	(126,754)	3,758,835	22,276,933	(1,925,693)	(4,375,521)
Net increase in cash and cash equivalents	2,674,489	2,753,158	839,197	3,554,379	907,779
Cash and cash equivalents at beginning of year	-	2,674,489	5,427,647	6,266,844	9,821,223
Cash and cash equivalents at end of year	\$ 2,674,489	\$ 5,427,647	\$ 6,266,844	\$ 9,821,223	\$ 10,729,002
Cash paid for interest	\$ 169,954	\$ 244,430	\$ 1,452,669	\$ 1,557,436	\$ 1,498,110
Cash paid for income taxes	\$ (315,355)	\$ 1,712,680	\$ 2,377,215	\$ 1,997,286	\$ 2,868,230

Notes:

(1) Based on audited financial statements provided by Management.

ABC Company

Schedule 12

Fairness Opinion

Ratio Analysis

Valuation Date: March 31, 2012

Financial Ratio	As of December 31,					5 Year Average	Industry Average (1)
	2007	2008	2009	2010	2011		
Liquidity ratios							
Current ratio	3.2 x	2.9 x	2.5 x	2.5 x	2.8 x	2.8 x	1.5 x
Debt-free current ratio	3.3 x	3.2 x	2.8 x	3.1 x	3.1 x	3.1 x	2.4 x
Quick ratio	2.0 x	1.9 x	1.5 x	1.7 x	1.7 x	1.8 x	1.3 x
Debt-free quick ratio	2.0 x	2.1 x	1.7 x	2.1 x	1.9 x	2.0 x	2.0 x
Leverage ratios							
Debt (2) to assets	6.3%	25.9%	53.4%	45.4%	40.0%	34.2%	27.7%
Debt (2) to equity	9.0%	54.8%	182.0%	123.5%	103.1%	94.5%	73.9%
Debt (2) to total capital (3)	8.3%	35.4%	64.5%	55.3%	50.8%	42.8%	42.5%
Equity to total capital (3)	91.7%	64.6%	35.5%	44.7%	49.2%	57.2%	57.5%
Asset management ratios							
Average collection period	69.2	59.5	57.2	59.3	69.9	63.0	66.6
Working capital turnover	6.3 x	6.4 x	6.7 x	6.5 x	5.2 x	6.2 x	10.0 x
Debt-free working capital turnover	6.3 x	6.3 x	6.3 x	5.9 x	4.7 x	5.9 x	5.6 x
Fixed asset turnover	26.6 x	10.2 x	3.8 x	3.0 x	3.1 x	9.3 x	12.4 x
Total asset turnover	2.8 x	2.4 x	1.7 x	1.5 x	1.4 x	2.0 x	2.3 x
Accum depr to gross fixed assets	45.2%	19.9%	8.5%	9.5%	12.9%	19.2%	n/a
Net fixed assets to total assets	13.7%	29.4%	55.5%	48.2%	44.0%	38.2%	18.3%
Profitability ratios							
EBITDA profit margin	6.8%	6.6%	6.1%	10.5%	10.6%	8.1%	7.7%
EBIT profit margin	6.2%	6.2%	5.8%	9.2%	9.2%	7.3%	6.3%
Net profit margin	4.1%	3.9%	3.4%	4.8%	6.3%	4.5%	n/a
Return on equity	17.4%	16.8%	16.2%	22.1%	23.3%	19.2%	n/a
Return on assets	11.0%	9.2%	6.2%	8.7%	8.1%	8.6%	8.7%
Growth rates (year-to-year)							
Revenues	0.4%	20.8%	16.9%	14.9%	0.6%	10.7%	4.1%
EBITDA	52.7%	18.3%	8.0%	96.4%	1.6%	35.4%	23.3%
EBIT	79.6%	21.2%	8.0%	82.9%	1.0%	38.5%	31.1%
Net income	31.9%	15.4%	1.6%	62.5%	30.7%	28.4%	n/a
Total assets	17.0%	66.5%	58.6%	12.3%	6.0%	32.1%	5.1%
Debt-free net working capital	14.0%	27.2%	7.7%	38.1%	15.8%	20.6%	4.6%
Total equity	27.8%	12.7%	-1.9%	41.0%	11.8%	18.3%	18.0%

Notes:

(1) Industry average data for NAICS 541330 (Engineering Services) from The Risk Management Association's "Annual Statement Studies 2011 - 2012".

(2) Debt defined as total interest bearing debt.

(3) Capital defined as total interest bearing debt plus the book value of shareholder's equity.

ABC Company**Schedule 13**

Fairness Opinion

Discount for Lack of Marketability - Put Option Analysis

Valuation Date: March 31, 2012

Guideline Company Historical Volatility (1)

Maximum	56.3%	63.3%
Average	36.6%	46.9%
Median	36.9%	49.6%
Low	21.7%	23.2%

Put Option Analysis

T = Time until expiration (years)	1.0	5.0
S = Stock price (2)	100.00	100.00
Internal rate of return (3)	0.19%	1.04%
X = Exercise price (4)	100.19	105.31
D = Annual dividends on the stock	-	-
Q = Volatility (5)	36.9%	49.6%
R = Risk-free rate	0.19%	1.04%
Put option value (6)	14.66	42.83
Discount for lack of marketability (7)	14.6%	40.7%

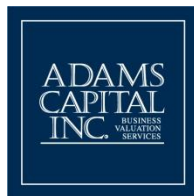
Concluded discount for lack of marketability	30.0%
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Notes:

- (1) The annualized volatility is calculated for each guideline company based on weekly dividend adjusted stock prices. See Schedule 14.
- (2) The stock price is set to \$100. Call and put option values do not vary as a percentage of the stock price.
- (3) Based on the risk-free rate of return.
- (4) The stock price is increased by the internal rate of return to determine the exercise price at maturity.
- (5) See Schedule 14.
- (6) Calculated based on the binomial option model for American put options.
- (7) The price of the put as a percentage of the strike price is the discount for lack of marketability. If one holds restricted or non-marketable stock and purchases an option to sell those shares at the market price, the holder has, in effect, purchased marketability for the shares.

REDACTED

MAXIMIZING VALUE THROUGH KNOWLEDGE



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