

NIGHT SYSTEMS, INC.

VALUATION REPORT

MARCH 10, 2010

August 10, 2010

Mr. John M. Stafford
1234 Main Dr.
City, FL 12345

Ms. Joanne Stafford
5678 Harm Court
City, FL 12345

Re: Valuation of Night Systems, Inc.

Dear Mr. and Ms. Stafford:

Pursuant to your request, we have performed a valuation of the common stock of Night Systems, Inc. as of the March 10, 2010.

The purpose of this valuation is to determine the fair market value of this property to be used for equitable distribution purposes in the matter of *Stafford v. Stafford*.

The scope of work for this assignment is that of a valuation engagement as defined in the SSVS No. 1 promulgated by the American Institute of Certified Public Accountants. The report is in a summary format in an effort to reduce the overall cost of this assignment. As such, this report is restricted to the use of the clients (and respective counsel) only and may not be distributed to any other person.

The most commonly used definition of fair market value is located in Revenue Ruling 59-60. This revenue ruling 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. Court decisions frequently state in addition that the hypothetical buyer and seller are assumed to be able, as well as willing, to trade and to be well informed about the property and concerning the market for such property.

We have considered all applicable approaches to value. We will discuss this in more detail shortly.

Florida

8751 W. Broward Blvd. • Suite 203 • Plantation, FL 33324
O: 954-424-4343 • F: 954-424-1416

New Jersey

2001 Rte. 46 • Suite 310 • Parsippany, NJ 07054
O: 973-983-9790

844-TRUGMAN
www.trugmanvaluation.com

Among other factors, this appraiser considered all elements listed in Internal Revenue Service Ruling 59-60 which provides guidelines for the valuation of closely-held stocks. Revenue Ruling 59-60 states that all relevant factors should be taken into consideration, including the following:

1. The nature of the business and the history of the enterprise from its inception.
2. The economic outlook in general and the condition and outlook of the specific industry in particular.
3. The book value of the stock and financial condition of the business.
4. The earning capacity of the company.
5. The dividend paying capacity of the company.
6. Whether or not the enterprise has goodwill or other intangible value.
7. Sales of the stock and the size of the block of stock to be valued.
8. The market price of stocks of corporations engaged in the same or similar line of business having their stocks actively traded in a free and open market either on an exchange or over the counter.

Since determining the fair market value of a business is the question at issue, one must understand the circumstances of this business. There is no set formula to the approach to be used that will be applicable to the different valuation issues that arise. Often, an appraiser will find wide differences of opinion as to the fair market value of a particular business or business interest. In resolving such differences, one should recognize that valuation is not an exact science. Revenue Ruling 59-60 states that "a sound valuation will be based on all relevant facts, but the elements of common sense, informed judgment and reasonableness must enter into the process of weighing those facts and determining their aggregate significance."

Our valuation has been based on the following information:

1. Financial statements for Night Systems, Inc. as of December 31, 2006 and 2005 compiled by Green, Roberts & Jackson, P.C.

2. Financial statements for Night Systems, Inc. as of December 31, 2007 and 2006 compiled by Green, Roberts & Jackson, P.C.
3. Financial statements for Night Systems, Inc. as of December 31, 2008 and 2007 compiled by Green, Roberts & Jackson, P.C.
4. Financial statements for Night Systems, Inc. as of December 31, 2009 and 2008 compiled by Green, Roberts & Jackson, P.C.
5. Financial statements for Night Systems, Inc. as of February 28, 2010 and 2009. compiled by Green, Roberts & Jackson, P.C.
6. Form 1120S, U.S. Income Tax Return for an S corporation for 2005.
7. Form 1120S, U.S. Income Tax Return for an S corporation for 2006.
8. Form 1120S, U.S. Income Tax Return for an S corporation for 2007.
9. Form 1120S, U.S. Income Tax Return for an S corporation for 2008.
10. Form 1120S, U.S. Income Tax Return for an S corporation for 2009.
11. Aged accounts receivable listing as of February 28, 2010.
12. Inventory listing as of February 28, 2010.
13. Fixed asset schedule for 2008.
14. Fixed asset schedule for 2009.
15. Fixed asset schedule for 2010.
16. Accounts payable schedule as of February 28, 2010.
17. Note payable to J. Stafford in the amount of \$1.5 million.
18. Organization chart.
19. List of five largest customers from August to December 2008.
20. List of five largest customers for 2009.

21. List of five largest suppliers from August to December 2008.
22. List of five largest suppliers for 2009.
23. Meeting Minutes for Night Systems, Inc. dated November 13, 2002.
24. Meeting Minutes for Night Systems, Inc. dated March 5, 2003.
25. Meeting Minutes for Night Systems, Inc. dated March 28, 2006.
26. Employment contract for Jamie Smith dated April 15, 2005.
27. Employment contract for John Stafford dated April 15, 2005.
28. Employment contract for Edward Smith dated April 15, 2005.
29. Various Quick Books reports for 2008, 2009 and early 2010.
30. Various stock certificates and stock transfer restrictions for 2003, 2006, 2007 and 2008.
31. Vehicle roster for Night Systems, Inc. as of March 2010.
32. Other items referenced throughout the report.
33. In addition, a site inspection took place. At that time, management was interviewed. Information obtained at this interview became an integral part of this report.

HISTORY AND NATURE OF THE BUSINESS

Night Systems, Inc. ("Night" or "The Company") was incorporated in the State of Florida on November 15, 2002 and elected to be taxed as a Subchapter S corporation on the same date. The Company is a provider of advanced wiring and home security primarily to home builders.

Night Systems was founded by John Stafford in City, Florida. Prior to the formation of The Company, Mr. Stafford was semi-retired after operating a separate wiring and home security business in Michigan which began operations approximately 25-years ago. Mr.

Stafford had a desire to start a similar business in Florida and was able to convince his daughter and son-in-law to move to Florida with him to start this business. After personally obtaining a security and fire alarm contracting license, Mr. Stafford started Night Systems, Inc. and The Company commenced operations.

Early on in its operations, Night benefitted from a booming real estate market in City and The Company grew to about 55 to 60 employees. However, the real estate market would eventually crash and The Company was forced to downsize significantly. As of the valuation date, there were 15 employees working for The Company.

Night is a provider of advanced wiring and home security. The Company's services include structured wiring, home network, multi-room audio, home theater, audio/video components, intercom, surveillance and central vacuum. According to management, The Company has experienced slow revenue growth in its security systems service line, while its audio, home theater and structured wiring and monitoring service lines have accounted for the majority of The Company's revenue growth in recent years.

Night's primary market is home builders and as a result, demand for its services is primarily derived from home building activity. The Company's top customers from August to December 2008 and calendar year 2009¹ are presented in Table 1.

TABLE 1
LARGEST CUSTOMERS

Builder Name	August- December 2008	2009
Centex Homes	\$ 373,455	\$ 600,405
Stock Construction	228,338	246,745
London Bay Homes	57,096	104,496
Freshwater Construction	-	5,409
Slocum Christian	19,662	27,967
Sunset Builders	32,594	44,978

According to management, The Company does not sell to existing homeowners unless it receives a referral. The Company's target market stretches from Town1, Florida to Town2, Florida. The competitive homeowner market is relatively concentrated with two companies

¹ The Company changed computerized accounting systems in the summer of 2008 and was unable to provide any detailed information from prior periods.

competing primarily for low-end consumers and two other companies competing for high-end consumers. These competitors are all privately-owned.

Management notes that Night has various advantages and disadvantages in comparison to its competitors. The Company's primary advantages are that they are a step ahead technologically in comparison to others as The Company adapts to changes in technology faster than the rest. In addition, The Company has a good reputation regarding the quality of its services. Night's primary disadvantage is that it will not go below a certain price unless the customer is a large homebuilder such as Centex.

Night's marketing activities are minimal and consist of brochures and face-to-face contact with home builders. Building a relationship with the head of purchasing for the home builders is essential for success in the marketplace. If a customer's head of purchasing leaves, Night has to establish a relationship with the new head of purchasing in order to retain that customer.

According to management, Night has various suppliers, each with a specific purpose. The Company's top five suppliers from August to December 2008 and calendar year 2009 are presented in Table 2.

TABLE 2
TOP SUPPLIERS

Supplier Name	August- December 2008	2009
ADI	\$ 62,094	\$ 143,689
Audio America	62,847	138,070
Direct Connect	82,948	124,822
GE Security	58,284	121,673
Control 14 Inc.	30,117	81,750
AVAD	22,302	131,372

Management notes that it would be difficult to replace any of its suppliers at the same price points. Although alternative sources exist, The Company would have to pay more for their products in the event it had to change suppliers.

Night is located at 2468 Sunrise Drive, City. The Company operates out of a one-story building consisting of two office units and two inventory/installer rooms. The current facility is too large for The Company's operating needs; there is a large amount of unused space.

Night has 15 employees including six installers, two technicians, three salespeople, three office people and Mr. Stafford who serves as the President of The Company, and is currently acting as purchasing manager. The key employees of Night are as follows:

Tom Stafford - Mr. Stafford is the President of Night Systems and is responsible for purchasing and general oversight of The Company. Mr. Stafford is the only individual with a security and fire alarm contracting license and if he were to leave The Company, another individual would have to obtain that license or someone with a license would have to be hired.

Ed Smith - Mr. Smith serves as the Senior Vice President of Builder Relations and has more than 10 years of relevant experience. Mr. Smith maintains all of the builder relationships, and is considered to be key to the success of The Company.

Robyn Ford - Ms. Ford serves as the Vice President of Operations and handles accounting, customer service and installation scheduling.

As of the valuation date, the owners of The Company were Mr. Stafford, Mr. Smith and Debra Stafford. Ownership interests were as follows:

Tom Stafford	50.1%
Debra Stafford	39.9%
Ed Smith	<u>10.0%</u>
Total	<u><u>100.0%</u></u>

According to Stock Restriction Agreements entered into on August 25, 2008 and January 15, 2007 for Ms. Stafford and Mr. Smith, respectively, Mr. Stafford has a right of first refusal if either Ms. Stafford or Mr. Smith desire to sell their interests.

Looking forward, Night is attempting to rebound from the economic downturn. Management anticipates that The Company could begin to see improved performance during either the fourth quarter of 2010 or early 2011.

ECONOMY/INDUSTRY ANALYSIS

National Economy

The information reviewed at the January 26-27 Federal Open Market Committee (FOMC) meeting suggested that economic activity continued to strengthen in recent months.

Consumer spending was well maintained in the fourth quarter and business expenditures on equipment and software appeared to expand substantially. However, improvement in the housing market slowed, and spending on nonresidential structures continued to fall. Recent data suggested that the pace of inventory liquidation diminished considerably last quarter, providing a sizable boost to economic activity, and industrial production advanced at a solid pace. In the labor market, layoffs subsided noticeably in the final months of last year, but the unemployment rate remained elevated and hiring stayed weak. Meanwhile, increases in energy prices pushed up headline consumer price inflation even as core consumer price inflation remained subdued.²

According to forecasts released by Consensus Economics, Inc. on March 8, 2010, economic activity is expected to continue to strengthen throughout 2010 and continue into 2011. Table 3 presents Consensus Economics' forecasts of key economic indicators.

TABLE 3
QUARTERLY FORECASTS

	2009	2010				2011			
	4 th	1 st	2 nd	3 rd	4 th	1 st	2 nd	3 rd	4 th
	Qtr.	Qtr.	Qtr.	Qtr.	Qtr.	Qtr.	Qtr.	Qtr.	Qtr.
Real Gross Domestic Product*	5.9	2.8	3.1	2.8	3.1	2.9	3.2	3.3	3.3
Nominal Gross Domestic Product	6.4	4.4	4.3	4.3	4.6	4.8	4.9	5.1	5.1
Real Disposable Personal Income*	1.9	1.5	3.1	2.4	3.1	0.9	2.8	2.9	2.9
Real Personal Consumption*	1.7	2.4	2.3	2.4	2.5	2.3	2.6	2.7	2.7
Real Business Investment*	6.6	1.0	4.0	5.2	6.7	7.2	8.3	9.3	9.1
Industrial Production*	6.8	6.3	5.2	4.9	4.9	4.6	4.4	4.4	4.2
Consumer Prices*	2.7	1.9	1.5	2.8	1.9	2.2	1.9	2.2	2.2
Producer Prices	7.2	5.5	0.6	1.2	1.6	2.1	1.7	2.5	2.6
Unemployment Rate, %	10.0	9.8	9.7	9.7	9.6	9.4	9.2	9.1	8.9
3-Month Treasury Bill Rate, %	0.1	0.1	0.2	0.4	0.7	1.1	1.4	1.8	2.2
10-Year Treasury Bond Yield, %	3.8	3.7	3.8	4.0	4.2	4.4	4.6	4.7	4.9

* % change from prior quarter, seasonally adjusted annual rate.

Source: *Consensus Forecasts-USA*, Consensus Economics Inc., March 8, 2010: 5.

Consensus Economics' forecasts indicate that an economic recovery should continue to strengthen throughout 2010 and 2011. However, unemployment is expected to remain high throughout the forecast period.

According to the FOMC, the recovery in the housing market slowed in the second half of 2009, even though a number of factors supported housing demand. Interest rates for conforming 30-year fixed-rate mortgages remained historically low. In addition, the

²

Federal Open Market Committee, Minutes of the Federal Open Market Committee, January 26-27, 2010: 9.

Reuters/University of Michigan Survey of Consumers reported that the number of respondents who expected home prices to increase continued to exceed the number who expected prices to decrease. Sales of existing single-family homes rose strongly from July to November but fell in December, a pattern that suggested sales were pulled ahead in anticipation of the originally scheduled expiration of the first-time home buyer credit on November 30. Still, existing home sales remained above their level in earlier quarters. Sales of new homes also turned down in November and December, retracing part of their recovery earlier in the year. Similarly, starts of single-family homes retreated a little from June to December after advancing briskly last spring. The pace of construction was slow enough that even the modest pace of new home sales was sufficient to further reduce the overhang of unsold new single-family houses.³

According to the National Association of Homebuilders (NAHB) housing starts are expected to rise 24 percent in 2010 to 695,000. This would still represent a production level 22 percent below 2008's 900,000 homes. According to Bernard Markstein, head of the NAHB's forecasting group, the recovery in home building will be slow due to excessively high mortgage approval requirements, non-comparable appraisals and naggingly high unemployment. However, some of these negatives should lessen during 2010, setting up 2011 for a big recovery. The NAHB predicts a 50 percent surge in starts in 2011.⁴

Overall, the economic outlook appears positive as projections indicate increasing economic and home building activity. However, factors such as tight credit and high unemployment could continue to hinder economic growth in the near term.

Regional Economy

Florida fell into recession before the rest of the country, and its economic activity may have bottomed out earlier. Although conditions remain challenging, there are indications that economic activity has stabilized and that a recovery got underway by the middle of last year. *IHS Global Insight* estimates that Florida's real GDP grew at an annualized rate of 1.9 percent in the third quarter of 2009 and by 5.1 percent in the year's final quarter. If these trends continue, Florida should see positive GDP growth of 2.5 and 2.1 percent respectively, in the first two quarters of this year. For all of 2010, Florida's economy is set to expand by 2.7 percent, then by another 2.9 percent next year.⁵

³ Ibid.

⁴ Boyce Thompson, "2010 Housing Forecast," *Builder Online* <www.buildderonline.com/housing-starts/2010-housing-forecast.aspx> (accessed July 19, 2010).

⁵ Enterprise Florida, *Florida Economic Bulletin*, Winter 2010: 1.

Florida's labor market is recovering more slowly, and so far there is little evidence of a return to positive growth. Moreover, the structural shifts in the state's economy mean that many of the 303,000 non farm jobs lost last year are unlikely to be reinstated. Instead, future job growth is likely to occur in different, innovative sectors of the state's economy. At 11.9 percent in January 2010, Florida's statewide unemployment rate is a couple of percentage points higher than that of the entire U.S. Still, monthly data show modest employment increases in select industries such as healthcare and education, government, wholesale and retail trade, transportation, and professional services. *IHS Global Insight* expects more broad-based job growth in Florida to resume in the second quarter of this year. For all of 2010, Florida will see a 0.7 percent decline in payroll employment, not reaching pre-recession levels until 2013 or 2014.⁶

Night operates within the Southwest Florida region ranging as far north as Town1 and as far south as Town2. Population forecasts for each county located within this region are presented in Table 4.

TABLE 4
POPULATION FORECASTS

<u>Year</u>	<u>County1</u>	<u>County2</u>	<u>County3</u>	<u>Couty4</u>
2009	165,990	332,386	621,029	391,374
2010	167,598	331,811	622,940	396,035
2020	192,213	400,684	789,598	458,914
2030	216,958	471,989	957,111	522,663

Source: Florida Office of Economic and Demographic Research.

The severity and length of the global recession are expected to slow regional and statewide population growth.⁷ However, each county in which The Company operates is forecasted to have solid population growth over the long term.

The impact that the economic downturn had on the southwest Florida region can be seen in the unemployment data as indicated in the data in Table 5.

⁶ Ibid.

⁷ Florida Gulf Coast University, Southwest Florida Regional Economic Indicators, Regional Economic Research Institute: 20.

TABLE 5
UNEMPLOYMENT RATES

<u>Date</u>	<u>County1</u>	<u>County2</u>	<u>County3</u>	<u>County4</u>
October 2009	12.9	12.9	13.6	12.3
November 2010	12.8	12.3	13.4	12.0
December 2020	12.8	12.0	13.4	12.2
January 2030	13.9	12.7	14.2	13.4
February 2010	13.7	12.7	14.0	13.1

Source: Bureau of Labor Statistics - Local Area Unemployment Statistics Database.

Total single-family home permits remained historically low for the region as a result of the economic recession and the impact of many existing homes selling below replacement cost.⁸ Single-family permit data for each county is shown in Table 6.

TABLE 6
SINGLE-FAMILY BUILDING PERMITS
(REPORTED NUMBER OF UNITS)

<u>Year</u>	<u>County1</u>	<u>County2</u>	<u>County3</u>	<u>County4</u>
October 2009	0	61	68	46
November 2009	1	45	56	30
December 2009	1	103	54	140
January 2010	15	122	106	55
February 2010	4	211	147	55

Source: U.S. Census Bureau: Building Permit Data.

As indicated by the data in Table 6, County2 and County3 have experienced increased activity in recent months which could be a good sign for those counties going forward.

Regional economic data indicates a mixed outlook for The Company. The counties within the southwest Florida region have extremely high unemployment rates. This has been a statewide issue and Enterprise Florida notes that there are no signs of a recovery in Florida's labor markets. This could keep people from buying new homes. On the positive side however, Florida is expected to see positive GDP growth in the near term. In addition, the counties within the southwest Florida region are expected to experience stable

⁸ Ibid: 10.

population growth over the long-term and have experienced an increased number of building permits in recent months. These factors point to increased single-family construction activity. Clearly, the builders believe that the economy is strengthening; however, it is unclear how that will translate into home sales or additional revenues for Night.

Industry⁹

According to *Security Dealer Magazine (SDM)* total annual security industry revenues declined 7.8 percent in 2009 to \$44.67 billion. Revenues in 2010 have been forecast to fall an additional 1.6 percent to \$43.9 billion. This is the first time in the history of *SDM's Industry Forecast Study* that a decrease has been recorded.

SDM's Industry Forecast Study indicates that the economy is the number one factor that will affect sales over the next three years and that the number one challenge to security businesses is increasing sales. A by-product of the declining economy is that it is forcing security businesses to shift their plans and market focus, which then changes the game for other integrators.

With less demand in the residential market, one would have expected pricing discounts along with that. The *SDM Industry Forecast Study* measures pricing of traditional residential systems and mass-marketed systems. In the mass market segments, the average price of a residential system declined \$50, to \$348 in 2009. In the traditional market, however the average price of a residential security system increased approximately \$100 to \$1,738. A large percentage of respondents expect no change in these average prices in 2010.

Most companies also did not increase rates for monitoring or other recurring fees last year, according to the survey. As many as 60 percent of survey respondents indicated they did not implement a rate increase. The average monthly monitoring fee for residential customers is \$26; for non-residential customers is \$37; and for remote video monitoring customers is \$83.

Some top responses to various questions asked in *SDM's* industry survey are summarized below.

⁹

Much of this section is adapted from Security Dealer Magazine's *2010 Industry Outlook*, Laura Stefanek, "Preparing for a Better Economy," *SDM Magazine*, January 1, 2010 <www.sdmmag.com/Articles/Cover_story/BNP_GUID_9-5-2005_A_10000000000000734823> (accessed July 20, 2010).

Factors Affecting Sales for the Next Three Years:

- 1) Economic conditions
- 2) Capital spending by business
- 3) Crime

Challenges During the Next Three Years:

- 1) Increasing sales
- 2) Protecting profit margins
- 3) Controlling costs

Strongest Residential Markets:

- 1) Middle market homes - existing
- 2) High end homes - existing
- 3) Multi-unit dwellings

A major factor that will impact Night's future performance is construction activity. According to *Electric Contractor Magazine (ECM)*, leading construction experts and economists agree that the economy is emerging from the economic recession. *ECM* projects that construction activity will increase modestly in 2010 before expanding at a faster pace in 2011.¹⁰ Construction forecasts for the United States from *ECM* are presented in Table 7.

TABLE 7
CONSTRUCTION FORECASTS (\$BILLIONS)

Type of Construction	Annual Figures				
	Actuals		Forecasts		
	2007	2008	2009	2010	2011
New Residential	\$ 362.3	\$ 237.5	\$ 143.4	\$ 155.1	\$ 193.0
(% Change vs. Previous Year)	-24.0%	-34.4%	-39.6%	8.1%	-24.5%
Residential Improvements*	140.1	121.0	115.1	121.6	127.8
(% Change vs. Previous Year)	-3.9%	-13.6%	-4.9%	0.0%	5.1%
Nonresidential Building	407.7	445.0	419.7	398.7	423.8
(% Change vs. Previous Year)	19.2%	9.1%	-5.7%	-5.0%	6.3%
Non building (Heavy Engineering)	240.9	268.2	271.4	271.8	284.8
(% Change vs. Previous Year)	17.5%	11.3%	1.2%	0.1%	4.8%
Total	\$ 1,151.1	\$ 1,071.8	\$ 949.6	\$ 947.1	\$ 1,029.0
% Change vs. Previous Year	-1.6%	-6.9%	-11.4%	-0.3%	8.7%

*Residential improvements include remodeling, renovation and replacement work.
Source: *Electric Contractor Magazine*.

¹⁰

Joseph M. Kelly, "2010 Construction Outlook: A Slow Climb From Rock Bottom," *Electric Contractor Magazine*, January 2010 <www.ecmag.com/index.cfm?fa=articleID=11070> (accessed July 20, 2010).

An analysis of the industry suggests that The Company will operate in a challenging environment for the remainder of 2010 before the anticipated turnaround in 2011. Forecasts from *SDM* suggest that industry revenues will decline again in 2010 before gaining speed in 2011. However, the economy in southwest Florida is less robust than in the U.S. as a whole with considerably higher unemployment. Therefore, Night might not see improvement as quickly as other companies in the industry.

FINANCIAL ANALYSIS

In this section of our report, we analyze the financial condition, and historic trends of Night. This analysis allows the appraiser to understand the financial condition of the subject business. Normally, the financial analysis of a business also includes comparing company financial results to industry data. We located two SIC codes that best describe The Company: SIC code 1731 which includes all specialty trade contractors who perform electrical work at a site, and SIC code 7382 which includes establishments primarily engaged in monitoring and maintaining security systems, such as burglar and fire alarms. Therefore, a comparative financial analysis was not performed as The Company's entire operation is not accurately described by any one SIC code.

An analysis of The Company was performed as of December 31, 2009 using the historical financial statements contained in Schedules 1 and 2 of this report. Although we were provided with financial statements for the two-month period ended February 28, 2010, we did not include it in the analysis because nothing material happened during that period that affected the analysis. A historic common size balance sheet is presented in Table 8.

TABLE 8
COMMON SIZE BALANCE SHEET
AS OF DECEMBER 31,

	2005	2006	2007	2008	2009
Current Assets					
Cash	22.14%	5.60%	0.07%	8.16%	12.45%
Accounts Receivable	41.94%	35.03%	29.42%	31.28%	31.27%
Inventories	8.88%	21.43%	17.66%	21.24%	21.04%
Prepaid Expenses	0.28%	0.00%	0.00%	1.25%	0.00%
Total Current Assets	73.24%	62.07%	47.16%	61.94%	64.76%
Fixed Assets					
Building & Improvements	0.00%	4.39%	5.85%	7.04%	11.91%
Machinery & Equipment	0.00%	0.00%	0.39%	0.47%	0.79%
Office Equipment	1.56%	1.16%	26.45%	31.95%	54.23%
Furniture & Fixtures	1.65%	2.03%	3.93%	4.73%	7.99%
Vehicles	54.26%	48.27%	49.60%	42.12%	63.89%
Gross Fixed Assets	57.47%	55.86%	86.22%	86.31%	138.81%
Accumulated Depreciation	30.89%	17.98%	33.73%	48.67%	104.28%
Net Fixed Assets	26.58%	37.88%	52.49%	37.64%	34.52%

TABLE 8
COMMON SIZE BALANCE SHEET
AS OF DECEMBER 31,

	2005	2006	2007	2008	2009
Other Assets					
Security Deposits	0.18%	0.05%	0.11%	0.14%	0.23%
Prepaid Rent	0.00%	0.00%	0.24%	0.29%	0.49%
Total Other Assets	0.18%	0.05%	0.35%	0.42%	0.71%
TOTAL ASSETS	100.00%	100.00%	100.00%	100.00%	100.00%
Current Liabilities					
Accounts Payable	18.48%	12.82%	7.21%	9.16%	9.87%
Long-Term Debt - Current Portion	10.43%	8.85%	15.30%	16.45%	28.24%
Notes Payable	0.00%	27.18%	0.00%	0.00%	0.00%
Accrued Expenses	0.00%	1.81%	1.84%	2.98%	2.37%
Sales Taxes Payable	0.00%	0.85%	0.79%	0.28%	1.33%
Customer Deposits	34.44%	0.00%	0.00%	0.00%	1.60%
Retirement Plan Payable	0.09%	0.00%	0.00%	0.00%	0.00%
Officer Loan Payable	0.00%	43.16%	101.59%	145.40%	245.74%
Bank Overdraft	0.00%	0.00%	2.65%	0.00%	0.00%
Total Current Liabilities	63.45%	94.66%	129.39%	174.27%	289.15%
Total Long-Term Liabilities	29.02%	29.72%	39.09%	25.91%	13.68%
Total Liabilities	92.46%	124.38%	168.48%	200.19%	302.83%
Stockholders' Equity					
Common Stock	0.04%	0.01%	0.01%	0.01%	0.02%
Retained Earnings	7.50%	-24.39%	-68.49%	-100.19%	-202.84%
Total Stockholders' Equity	7.54%	-24.38%	-68.48%	-100.19%	-202.83%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	100.00%	100.00%	100.00%	100.00%	100.00%

Note: Figures may not add due to rounding.

The common size balance sheet in Table 8 allows us to analyze business trends. The Company's largest current assets are accounts receivable and inventory. Both of these assets fluctuated between 2005 and 2007 before stabilizing during 2008 and 2009.

The Company's largest liabilities are notes payable. The largest of these outstanding notes are loans to the shareholders for which The Company is making interest and principal payments. The remaining debt is associated with a loan from Microsoft. In 2007, Night purchased a \$300,000 computer system that was not fully developed. The Company continues to pay Microsoft \$10,000 per month related to this purchase, although the system is no longer being used.

The next part of the financial analysis requires the appraiser to analyze The Company's earnings capacity based on its historic results, as well as what may be produced in the future. Future earnings capacity is critical, as it is a major component in the valuation process. Revenue Ruling 59-60 states that primary consideration should be afforded to the earnings capacity of The Company for a business that is being valued as a going concern.

For this reason, the appraiser analyzes the historic financial statements with an eye toward probable future earnings that can be generated by The Company.

Night's income statements for the past five years are presented in Schedule 2 at the end of this report. After increasing steadily in 2005 and 2006, The Company's revenues declined in 2007, 2008, and 2009 due to the deterioration of the economy. The Company has incurred significant losses in each year since 2006. In order to further analyze The Company's financial performance, we examined The Company's common size income statement which appears in Table 9.

TABLE 9
COMMON SIZE INCOME STATEMENT
FOR THE YEARS ENDED

	December 31,				
	2005	2006	2007	2008	2009
Total Revenues	100.00%	100.00%	100.00%	100.00%	100.00%
Total Cost of Sales	36.40%	61.17%	69.49%	56.46%	60.99%
Gross Profit	63.60%	38.83%	30.51%	43.54%	39.01%
Total Operating Expenses	61.68%	48.93%	44.40%	45.71%	41.77%
Operating Income (Loss)	1.92%	-10.10%	-13.89%	-2.17%	-2.76%
Interest Expense	0.46%	1.42%	3.28%	4.95%	5.54%
Total Other Income (Expenses)	0.00%	0.00%	0.08%	0.96%	0.05%
Pretax Income	1.46%	-11.52%	-17.09%	-6.16%	-8.25%

As indicated in the data in Table 9, Night's gross profit margin has fluctuated over the analysis period ranging from 30.51 to 63.60 percent. Operating and net profit margins have fluctuated throughout the analysis period and have been negative in each year since 2006.

We also performed a ratio analysis to analyze trends that have taken place in the financial performance of the business. The Company's liquidity ratios, in particular, its current and quick ratios have remained low throughout the analysis period. However, this is primarily due to the large short-term debt obligation on The Company's balance sheet. Night's turnover ratios and measures of asset utilization have shown mixed signals. While The Company's accounts receivable turnover ratio has remained relatively stable, its cash turnover and inventory turnover ratios have fluctuated over the past three years. Night's fixed asset and total asset ratios have been relatively stable since 2007, but both increased in 2009.

The next step in the analysis is the normalization of The Company's historic balance sheets and income statements. Normalization is the process where the appraiser restates the financial statements on an economic basis that the willing buyer would expect to see as a result of normal operations.

The balance sheet was normalized by making the following adjustments:

TABLE 10
BALANCE SHEET ADJUSTMENTS

	December 31, 2009	Adjustments	Adjusted December 31, 2009
Current Assets			
Cash	\$ 81,485	\$ -	\$ 81,485
Accounts Receivable	204,767	-	204,767
Inventories	137,785	-	137,785
Total Current Assets	\$ 424,037	\$ -	\$ 424,037
Fixed Assets			
Building & Improvements	\$ 77,955	\$ -	\$ 77,955
Machinery & Equipment	5,169	-	5,169
Office Equipment ¹	355,073	(246,811)	108,262
Furniture & Fixtures	52,330	-	52,330
Vehicles ²	418,299	(155,659)	262,640
Gross Fixed Assets	\$ 908,826	\$ (402,470)	\$ 506,356
Accumulated Depreciation	682,797	(348,149)	334,648
Net Fixed Assets	\$ 226,029	\$ (54,321)	\$ 171,708
Other Assets			
Security Deposits	\$ 1,500	\$ -	\$ 1,500
Prepaid Rent	3,180	-	3,180
Total Other Assets	\$ 4,680	\$ -	\$ 4,680
TOTAL ASSETS	\$ 654,746	\$ (54,321)	\$ 600,425
Current Liabilities			
Accounts Payable	\$ 64,646	\$ (15,959)	\$ 48,687
Long-Term Debt - Current Portion	184,893	(184,893)	-
Accrued Expenses	15,540	-	15,540
Sales Taxes Payable	8,676	-	8,676
Customer Deposits	10,452	-	10,452
Officer Loan Payable	1,609,000	(1,609,000)	-
Total Current Liabilities	\$ 1,893,207	\$ (1,809,852)	\$ 83,355
Total Long-Term Liabilities	89,556	(89,556)	-
Total Liabilities	\$ 1,982,763	\$ (1,899,408)	\$ 83,355
Stockholders' Equity			
Common Stock	\$ 100	\$ -	\$ 100
Retained Earnings	(1,328,117)	1,845,086	516,969
Total Stockholders' Equity	\$ (1,328,017)	\$ 1,845,086	\$ 517,069
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 654,746	\$ (54,321)	\$ 600,425

1. All equipment and corresponding depreciation of the Microsoft computer system were written off because The Company is no longer utilizing these assets.
2. As of the valuation date, Night owns six vehicles that were not being used. Therefore, these vehicles along with related depreciation were written off and classified as non-operating assets. The fair market values of these vehicles will be added to the value of the operating entity in our final reconciliation of values.
3. Night had outstanding accounts payable to Mr. and Ms. Stafford related to interest payments on officer loans and rent payments for a condominium owned by Mr. Stafford in Somecity, Florida. In addition, The Company had payables outstanding to Mr. Stafford and Ms. Stafford and for meals, fuel expenses, auto repair and other miscellaneous expenses. These payables were all removed from the balance sheet as they are non-operating in nature.
4. Officers' loans payable in the amount of \$1,609,000 were written off and reclassified as equity. Night was initially capitalized with \$100. This is not sufficient capital with which to start a new entity. Had The Company been properly capitalized at inception, stockholder loans would not have been necessary. Therefore, these funds were treated as equity contributions, rather than loans.
5. All outstanding debt related to the Microsoft loan was written off due to its non-operating nature. However, the balance is still a valid obligation of Night and will be deducted at the end of the analysis.

As a result of our adjustments to the balance sheet, stockholders' equity was estimated to be \$516,969.

Normalization of the income statement was also performed to reflect the economic income that a willing buyer would anticipate The Company could generate. In our normalization of income, we focused our analysis on the fiscal years ended December 31, 2008 and December 31, 2009. One reason for this is that certain financial records were only available as far back as August 2008 as The Company changed computerized accounting systems at that time. In addition, we believe that 2008 and 2009 are best reflective of The Company's future performance because they reflect the decline in revenues after the collapse of the real estate market and a reduction in expenses due to the reduction in revenues. Table 11 reflects the normalization process.

TABLE 11
NORMALIZATION OF INCOME

	December 31,	
	2008	2009
Historic Net Income (Schedule 2)	\$ (195,928)	\$ (219,382)
Adjustments		
Interest Expense ¹	157,503	147,364
Depreciation/Amortization Expense ²	134,667	103,875
Officers' Compensation - Addback ³	153,846	167,605
Officers' Compensation - Reasonable ⁴	(209,409)	(217,576)
Rent Expense - Condo ⁵	60,000	60,079
Rent Expense - Office ⁶	44,530	33,907
Entertainment Expenses ⁷	20,904	22,424
Auto Expense - Leased Vehicles ⁸	18,115	17,014
Auto Lease Payments ⁹	20,512	24,409
Auto Expense - Unused Vehicles ¹⁰	61,260	25,646
Gain on the Sale of Assets ¹¹	(28,578)	(1,319)
ADJUSTED PRETAX NET INCOME	\$ 237,423	\$ 164,046
Income Taxes ¹²	65,850	45,499
ADJUSTED HISTORIC NET INCOME	\$ 171,573	\$ 118,548

1. Interest expense was added back in its entirety as all of The Company's interest expense relates to the officer loans and the Microsoft loan, both of which were removed from the balance sheet.
2. Depreciation expense related to the Microsoft equipment, unused vehicles and vehicles that were sold between December 31, 2009 and March 10, 2010 was added back as these expenses relate to either non-operating assets or assets no longer owned by The Company.
3. Officers' compensation was added back as a more reasonable level of officers' compensation was deducted in number 4 below.
4. In order to determine a reasonable level of officers' compensation, we reviewed Personal Administrative Services (PAS) Inc.'s *2010 Executive Compensation Survey for Contractors*. In reviewing the survey, it was determined that the appropriate classification for Mr. Stafford was President. PAS describes the role of President as follows:

Officer responsible for the day to day direction of the organization.
Formulates plans and policies to achieve overall corporate objectives.

We also determined that the appropriate classification for Mr. Smith is Executive Vice President. PAS describes the role of the Executive Vice president as follows:

Number two operating officer accountable for the full range of operations or major segment of the company.

The categories of President and Executive Vice President have numerous subcategories including type of construction, contractor type, organizational type and total revenues. In analyzing these different subcategories it becomes apparent that the size of the firm is a major factor in the level of compensation.

To account for the fact that Night is small compared to many of the companies in the survey, and has performed poorly over the past few years, 25th percentile figures were used for each subcategory. To account for all of the various subcategories that determine compensation for contractors, an average of the four subcategories was taken.

Another factor that had to be accounted for is the fact that Mr. Stafford does not work for The Company on a full-time basis. In actuality, Mr. Stafford only works approximately 25 percent of the work week and should therefore, earn only 25 percent of the compensation presented in the PAS survey. However, since Mr. Stafford holds the license that is needed for The Company to operate, we used 50 percent of the reasonable compensation amount to account for payment for the license.

For Mr. Smith, we utilized an annual compensation amount. Details of these calculations are presented below.

President		
Subcategory	# of Executives	25 th Percentile
Construction Type - Other	30	\$ 129,250
Contractor Type - Electrical	32	164,950
Organizational Type - S Corp.	122	168,500
Total Revenues - Up to \$5 Million	27	97,408
Average		\$ 140,027
50% of Average		\$ 70,014

Executive Vice President		
Subcategory	# of Executives	25th Percentile
Construction Type - Other	11	\$ 126,750
Contractor Type - Electrical	14	148,500
Organizational Type - S Corp.	69	146,600
Total Revenues - Up to \$5 Million	8	90,000
Average		\$ 127,963
Total President and Executive Vice President		\$ 197,976

Accounting for all of the relevant factors included in the PAS survey results in a total officers' salary of \$197,976. However, this figure represents a national average. To adjust this figure to reflect the amount that contractors in City would make, a cost of living adjustment of 1.099 was applied. This represents the additional amounts paid in the Florida region according to PAS. As a result, officers' compensation in 2009 is \$217,576. This amount was deflated by the percentage salary increase recorded by PAS for prior years to obtain compensation for 2008.

5. The Company pays rent to Mr. Stafford for a personal condominium located in Somecity. Rent expense related to this condominium was added back due to its non-operating nature.
6. Night Systems has downsized significantly and as a result, has a significant amount of vacant office space. Therefore, half of The Company's rent expense was added back to reflect rent expense on a level needed in order for The Company to sustain operations.
7. Entertainment expenses were added back as they were determined to be non-operating in nature.
8. Night Systems pays expenses for vehicles leased by managers of The Company. These expenses include repairs and maintenance, gas, insurance and miscellaneous expenses. Expenses related to leased vehicles were added back as these expenses were determined to be non-operating. The Company owns a number of vehicles that can be used by the executives of The Company.
9. The Company also makes lease payments on the vehicles discussed in number 8 above. Lease expenses related to these vehicles were also added back due to the non-operating nature of these expenses.

10. Auto expenses related to unused and sold vehicles were added back as The Company will not incur these expenses going forward. This was calculated as follows:

	2008	2009
Insurance Expense - Owned	\$ 21,073	\$ 14,770
Repair and Maint. Expense Owned	8,822	925
Fuel Expense Owned	68,586	39,178
Other Expense - Owned	215	2,118
Total Expenses - Owned	\$ 98,696	\$ 56,991
Number of Owned Vehicles	29	20
Expense Per Vehicle	\$ 3,403	\$ 2,850
Number of Operating Vehicles	11	11
Normalized Vehicle Expense	\$ 37,437	\$ 31,345
Total Vehicle Expenses Added Back	\$ 61,260	\$ 25,646

11. Gains on the sale of assets were removed as these were determined to be non-recurring.
12. Since Night is a passthrough entity for income tax purposes, the valuation analyst recalculated income taxes. Over the past several years, the business valuation community has acknowledged that the conventional wisdom of taxing these passthrough entities as if they were taxpaying C corporations is no longer an automatic thing to do. In fact, the United States Tax Court opened up this issue in several court cases.¹¹ Since that time, many authors have contributed to the valuation literature with ideas about how to treat these non-taxpaying enterprises.

In this instance, we are assuming that Night will continue to be operated as an S corporation. This means that the shareholders will continue to enjoy the benefits of the S election. Furthermore, the shareholders have not expressed any intentions to sell The Company. Therefore, we will proceed with the calculation of taxes based on the reality of the situation.

Historically, Night has not paid distributions to shareholders, however, The Company has paid various perquisites to officers that can be classified as distributions. Therefore, total distributions were calculated by summing the shortfall in compensation and excess perquisites.

¹¹ *Gross v. Commissioner*, T.C. Memo. 1999-254, affd. 272 F.3d 333 (6th Cir. 2001), *Heck v. Commissioner*, T.C. Memo. 2002-34, Filed February 5, 2002, and *Adams v. Commissioner*, T.C. Memo. 2002-80, Filed March 28, 2002.

Based on our calculations, Night has distributed an average of 101.02 percent of its pretax income over the past two years. This level of distributions in excess of earnings cannot be sustained over the long run as The Company would be liquidating. Therefore, 100 percent was determined to be the best indication of The Company's future distribution policy. This is the amount of distributions that will be used to recalculate the effective tax rate of Night. The result is as follows:

	<u>C Corp.</u>	<u>S Corp.</u>	<u>S Corp. Valuation</u>
Income Before Tax	\$ 100.00	\$ 100.00	\$ 100.00
Corporate Rate	<u>32.14%</u>	<u>0.00%</u>	<u>27.74%</u>
Available Earnings for Distribution	\$ 67.86	\$ 100.00	\$ 72.26
Distributions	\$ 67.86	\$ 100.00	\$ 72.26
Dividend or Personal Income Tax Rate	<u>15.00%</u>	<u>38.58%</u>	<u>15.00%</u>
Available After Dividends	<u>\$ 57.68</u>	<u>\$ 61.43</u>	<u>\$ 61.43</u>

Since approximately 100 percent of the normalized pretax earnings have been distributed historically, we used this amount in our model. Recalculating the net amount available to the shareholder after taxes considers the benefits or detriments of the S election.¹² For the purpose of this valuation, the shareholder should be placed in the same position that he would be in after paying tax as an S corporation shareholder. In the above analysis, this amount would be \$61.43. Therefore, in order for the shareholder of Night to be placed in a neutral tax position, a 27.74 percent tax rate is appropriate. This was the rate that was used in the normalization process.

¹²

This model does not take into consideration the added benefit that the shareholders will receive as a result of the undistributed income of the companies. Since income taxes are paid, and in this model calculated, on the available earnings, regardless of whether they are actually distributed or not, the shareholders of the S corporation can remove the undistributed profits without taxation in subsequent periods. If they do not remove the distributions, they receive a step-up in the basis of their investment and will pay less capital gains, if and when they sell their interest in The Company. In our opinion, any potential benefit appears to be diminimus.

After normalizing the income statement, the economic income of The Company was as follows:

2008	\$	171,573
2009		118,548
Average	\$	145,060

VALUATION CALCULATIONS

There are three approaches to valuation, and within each of these approaches, there are a number of methodologies. We tested each of these approaches in this valuation.

The asset-based approach was the first approach considered for this appraisal. Based on the adjustments made to the balance sheet, the adjusted book value at December 31, 2009 is \$516,969 or \$517,000 rounded.

The income approach was used by applying the capitalization of benefits method. In this instance, we used a two-year average of Night's normalized net income as indicative of a reasonable level of future performance of The Company. We capitalized Night's two-year average net income by a capitalization rate of 25 percent, which represents the return that an investor would receive from a comparable investment. We had calculated Night's two-year average net income of \$145,060 in the previous section of this report. Therefore, the value indication under the income approach is calculated as follows:

Two-Year Average Net Income	\$	145,060
One Plus the Long-Term Rate of Growth	x	1.025
Net Income for Capitalization	\$	148,687
Capitalization Rate	÷	25.00%
Indication of Value	\$	594,748
Rounded	\$	595,000

The final approach considered in this valuation was the market approach. There are two methodologies under the market approach: the guideline public company method and the

merger and acquisition transaction method. We eliminated the guideline public company method as we were unable to locate any public companies that could be used as a proxy to develop a value of Night.

In order to locate merger and acquisition activity that has taken place in the public and private markets, we searched three databases for mergers and acquisitions in SIC codes 1731 and 7382. The databases used were:

1. Pratt's Stats™
2. Public Stats™
3. Mergerstat™

Pratt's Stats™

We searched the Pratt's Stats database for transactions of businesses classified in SIC codes 1731 and 7382 that occurred within the past five years. The Pratt's Stats database returned 26 transactions that included asset sales of companies and 14 transactions that involved stock sales of companies. After eliminating transactions involving companies that were dissimilar to Night, four stock transactions and nine asset transactions remained. Due to the low number of stock transactions located, we focused our analysis on the Pratt's Stats transactions that involved asset sales. These transactions involved a combination of electrical contractors and security installation and monitoring companies. Details of these transactions appear below.

<u>Business Type</u>	<u>Sale Date</u>	<u>Revenues</u>
Electric Contractor	6/28/2007	\$ 993,467
Electric Contractor	12/1/2005	750,000
Electric Contractor	10/1/2006	3,040,000
Electric Contractor	2/1/2005	1,435,885
Electric Contractor	2/24/2006	942,005
Home Theater Sales and Installation	6/2/2008	441,000
Installation and Monitoring Company	9/9/2005	1,100,000
Security Monitoring Contracts	6/4/2005	1,086,327
Security Systems, Sales Service and Monitoring	8/31/2005	465,942

We focused our analysis on the MVIC to EBIT multiple as it considers the profitability of a company without the impact of financing decisions, while also considering an estimate of capital expenditures. A statistical summary of the EBIT multiples appears in Table 12.¹³

¹³

One of the transactions did not include enough information from which to calculate EBIT.

TABLE 12
PRATT'S STATS
SUMMARY STATISTICS

	MVIC to EBIT
Statistical Analysis:	
Count	8
Mean	6.72
Standard Deviation	6.73
Coefficient of Variation	1.00
90 th Percentile	12.28
75 th Percentile	7.32
Median	3.97
25 th Percentile	3.31
10 th Percentile	2.33
R ²	0.34

As indicated by the data in Table 12, the R-Squared statistic of the eight transactions located was 0.34. This indicates a poor level of statistical reliability in the data sample as this statistic should be close to one. Therefore, this methodology can only be used as a sanity check to other valuation methods. We determined that a 10th percentile MVIC to EBIT multiple would be appropriate as The Company has a poor recent historic financial record and operates in an area that was heavily battered by the economic downturn. Applying the 10th percentile MVIC to EBIT multiple to The Company's EBIT, and adding the value of The Company's retained assets that would not transfer in a sale, results in the following calculation:

EBIT	\$ 164,046
Multiple	<u>2.33</u>
Indication of Value	\$ 382,228
Plus Net Retained Assets	<u>207,577</u>
Indication of Value	<u>\$ 589,805</u>
Rounded	<u>\$ 590,000</u>

Reconciliation of Values

In this report, three methods were used to determine the value of Night. These values are as follows:

Adjusted Book Value	\$	517,000
Capitalization of Benefits Method		595,000
Merger and Acquisition Transaction Method		590,000

The asset-based approach does not include any intangible value, and therefore, was only considered to be a floor value.

The income approach uses the income-generating ability of The Company to arrive at value, which is the most theoretically correct method to use, as an investor is concerned with the availability of future cash flows. Therefore, we placed all of the weight on this methodology, as it best reflects what an investor would look at.

The indication of value under the market approach was deemed unreliable due to the poor statistical relationship among the transactions that were located, as well as the differences between the target companies and Night. However, the transactions are of companies in a similar industry and although no reliance was placed on these transactions, they serve to show the reasonableness of the conclusion of value derived under the income approach.

Now that we derived the value of the operating entity, we must add back the net value of Night's non-operating assets to derive the value of the equity. Night's non-operating assets consist of six parked vehicles. The fair market values of these six vehicles were determined to be \$76,150 based on the values of the vehicles as derived by the National Auto Dealers Association. In addition to the six parked vehicles, Night also has a non-operating liability related to the loan for the Microsoft equipment. The current and long-term portions of this liability amounted to \$274,449. Therefore, the value of the equity is derived as follows:

Value of Operating Entity	\$	595,000
Plus: Value of Night's Non-operating Assets		76,150
Less: Value of Night's Non-operating Liabilities		<u>(274,449)</u>
Value of Equity	\$	<u>396,701</u>
Rounded	\$	<u>397,000</u>

Thank you for giving us the opportunity to assist you with this matter. If you have any questions, please do not hesitate to contact me. Our assumptions and limiting conditions, representation letter and professional qualifications are attached as Appendices 1 through 3.

Very truly yours,

TRUGMAN VALUATION ASSOCIATES, INC.

Linda B. Trugman
CPA/ABV, MCBA, ASA, MBA

LBT/kag
Enclosures

NIGHT SYSTEMS, INC.
BALANCE SHEET
AS OF DECEMBER 31,

	2005	2006	2007	2008	2009
Current Assets					
Cash	\$ 62,361	\$ 61,554	\$ 915	\$ 90,310	\$ 81,485
Accounts Receivable	118,127	384,804	392,169	346,186	204,767
Inventories	25,000	235,413	235,413	235,089	137,785
Prepaid Expenses	800	-	-	13,827	-
Total Current Assets	\$ 206,288	\$ 681,771	\$ 628,497	\$ 685,412	\$ 424,037
Fixed Assets					
Building & Improvements	\$ -	\$ 48,261	\$ 77,955	\$ 77,955	\$ 77,955
Machinery & Equipment	-	-	5,169	5,169	5,169
Office Equipment	4,398	12,721	352,560	353,516	355,073
Furniture & Fixtures	4,645	22,327	52,330	52,330	52,330
Vehicles	152,817	530,225	661,095	466,138	418,299
Gross Fixed Assets	\$ 161,860	\$ 613,534	\$ 1,149,109	\$ 955,108	\$ 908,826
Accumulated Depreciation	86,999	197,460	449,503	538,617	682,797
Net Fixed Assets	\$ 74,861	\$ 416,074	\$ 699,606	\$ 416,491	\$ 226,029
Other Assets					
Security Deposits	\$ 500	\$ 500	\$ 1,500	\$ 1,500	\$ 1,500
Prepaid Rent	-	-	3,180	3,180	3,180
Total Other Assets	\$ 500	\$ 500	\$ 4,680	\$ 4,680	\$ 4,680
TOTAL ASSETS	\$ 281,649	\$ 1,098,345	\$ 1,332,783	\$ 1,106,583	\$ 654,746
Current Liabilities					
Accounts Payable	\$ 52,062	\$ 140,798	\$ 96,158	\$ 101,350	\$ 64,646
Long-Term Debt - Current Portion	29,382	97,157	203,918	182,075	184,893
Notes Payable	-	298,555	-	-	-
Accrued Expenses	-	19,913	24,479	32,980	15,540
Sales Taxes Payable	-	9,325	10,558	3,067	8,676
Customer Deposits	97,000	-	-	-	10,452
Retirement Plan Payable	251	-	-	-	-
Officer Loan Payable	-	474,000	1,354,000	1,609,000	1,609,000
Bank Overdraft	-	-	35,358	-	-
Total Current Liabilities	\$ 178,695	\$ 1,039,748	\$ 1,724,471	\$ 1,928,472	\$ 1,893,207
Total Long-Term Liabilities	81,721	326,420	521,021	286,748	89,556
Total Liabilities	\$ 260,416	\$ 1,366,168	\$ 2,245,492	\$ 2,215,220	\$ 1,982,763
Stockholders' Equity					
Common Stock	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100
Retained Earnings	21,133	(267,923)	(912,809)	(1,108,737)	(1,328,117)
Total Stockholders' Equity	\$ 21,233	\$ (267,823)	\$ (912,709)	\$ (1,108,637)	\$ (1,328,017)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 281,649	\$ 1,098,345	\$ 1,332,783	\$ 1,106,583	\$ 654,746

To be used only in conjunction with valuation report as of March 10, 2010.

**NIGHT SYSTEMS, INC.
INCOME STATEMENT
FOR THE YEARS ENDED**

	December 31,				
	2005	2006	2007	2008	2009
Revenues					
Builder	\$ 881,322	\$ 2,010,853	\$ 2,732,213	\$ 1,664,850	\$ 1,488,623
Consumers	239,556	319,861	780,249	1,401,732	892,346
Change in Customer Deposits	(97,000)	97,118	-	-	-
Service	34,235	81,199	260,603	122,118	278,603
Metro Trade	4,036	1,496	-	-	-
Refunds and Adjustments	94	(834)	-	(7,291)	(700)
Total Revenues	\$ 1,062,243	\$ 2,509,693	\$ 3,773,065	\$ 3,181,409	\$ 2,658,872
Cost of Sales					
Purchases	\$ 380,942	\$ 1,143,550	\$ 1,418,365	\$ 1,051,857	\$ 1,044,430
Cost of Labor	-	549,617	1,068,896	631,301	469,111
Freight	-	-	-	15,205	11,788
Monitoring	4,994	11,802	32,609	49,296	60,017
Outside Services	688	110	14,618	(14)	-
Payroll Taxes	-	40,347	81,771	48,295	35,887
Customer Repair	-	200	50	-	232
Change in Inventory	-	(210,413)	-	-	-
Small Tools and Supplies	-	-	5,452	245	257
Total Cost of Sales	\$ 386,624	\$ 1,535,213	\$ 2,621,761	\$ 1,796,185	\$ 1,621,722
Gross Profit	\$ 675,619	\$ 974,480	\$ 1,151,304	\$ 1,385,224	\$ 1,037,150
Operating Expenses					
Advertising	\$ 11,113	\$ 19,176	\$ 13,787	\$ 888	\$ 1,206
Auto Expense	36,037	113,552	190,278	186,214	107,545
Bad Debts	-	-	13,082	-	56,441
Charitable Contributions	1,005	525	650	-	100
Depreciation	26,736	110,461	252,043	247,162	180,087
Officers' Compensation	78,154	122,442	145,212	153,846	167,605
Insurance - General	42,799	99,329	118,178	163,950	58,024
Licenses & Fees	5,521	19,504	20,335	12,861	11,851
Office Expenses	12,684	49,144	60,131	81,940	56,341
Professional Fees	4,416	8,651	9,407	9,850	9,845
Rents	86,538	129,638	139,407	149,060	127,893
Repairs and Maintenance	5,685	16,259	26,115	8,214	(1,822)
Salaries & Wages	-	201,606	457,367	320,747	228,994
Taxes - Other	91	79	2,245	805	672
Taxes - Payroll	6,224	27,450	46,582	38,442	34,468
Telephone	12,389	28,943	41,357	40,385	34,424
Travel	14,193	33,771	42,184	26,415	24,616
Utilities	10,078	17,278	15,247	10,781	9,287
Employee Leasing	301,570	222,999	-	-	-
Human Resource Expenses	-	4,729	6,080	1,656	814
Dues and Subscriptions	-	1,642	1,193	863	1,334
Consulting Services	-	704	-	-	-
Computer Support	-	-	63,570	-	-
Moving Expense	-	-	6,401	-	-
Uniforms	-	-	4,499	53	762
Total Operating Expenses	\$ 655,233	\$ 1,227,882	\$ 1,675,350	\$ 1,454,132	\$ 1,110,487
Operating Income (Loss)	\$ 20,386	\$ (253,402)	\$ (524,046)	\$ (68,908)	\$ (73,337)

To be used only in conjunction with valuation report as of March 10, 2010.

**NIGHT SYSTEMS, INC.
INCOME STATEMENT
FOR THE YEARS ENDED**

	December 31,				
	2005	2006	2007	2008	2009
Other Income					
Interest Income	\$ -	\$ -	\$ 3,367	\$ -	\$ -
Gain on Sale of Assets	-	-	-	28,578	1,319
Other Income	-	-	74	1,905	-
Total Other Income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,441</u>	<u>\$ 30,483</u>	<u>\$ 1,319</u>
Other Expenses					
Interest Expense	\$ 4,896	\$ 35,648	\$ 123,812	\$ 157,503	\$ 147,364
Penalty	-	8	467	-	-
Total Other Expenses	<u>\$ 4,896</u>	<u>\$ 35,656</u>	<u>\$ 124,279</u>	<u>\$ 157,503</u>	<u>\$ 147,364</u>
Total Other Income (Expenses)	<u>\$ (4,896)</u>	<u>\$ (35,656)</u>	<u>\$ (120,838)</u>	<u>\$ (127,020)</u>	<u>\$ (146,045)</u>
NET INCOME (LOSS)	<u>\$ 15,490</u>	<u>\$ (289,058)</u>	<u>\$ (644,884)</u>	<u>\$ (195,928)</u>	<u>\$ (219,382)</u>

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is subject to the following assumptions and limiting conditions:

1. The conclusion of value arrived at herein is valid only for the stated purpose as of the date of the valuation.
2. Financial statements and other related information provided by the business or its representatives, in the course of this engagement, have been accepted without any verification as fully and correctly reflecting the enterprise's business conditions and operating results for the respective periods, except as specifically noted herein. Trugman Valuation Associates, Inc. has not audited, reviewed, or compiled the financial information provided to us and, accordingly, we express no audit opinion or any other form of assurance on this information.
3. Public information and industry and statistical information have been obtained from sources we believe to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.
4. We do not provide assurance on the achievability of the results forecasted by or for the subject company because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.
5. The conclusion of value arrived at herein is based on the assumption that the current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of the enterprise through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed.
6. This report and the conclusion of value arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. They may not be used for any other purpose or by any other party for any purpose. Furthermore the report and conclusion of value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The conclusion of value represents the considered opinion of Trugman Valuation Associates, Inc., based on information furnished to them by the subject company and other sources.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

7. Neither all nor any part of the contents of this report (especially the conclusion of value, the identity of any valuation specialist(s), or the firm with which such valuation specialists are connected or any reference to any of their professional designations) should be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other means of communication without the prior written consent and approval of Trugman Valuation Associates, Inc.
8. Future services regarding the subject matter of this report, including, but not limited to testimony or attendance in court, shall not be required of Trugman Valuation Associates, Inc. unless previous arrangements have been made in writing.
9. Trugman Valuation Associates, Inc. is not an environmental consultant or auditor, and it takes no responsibility for any actual or potential environmental liabilities. Any person entitled to rely on this report, wishing to know whether such liabilities exist, or the scope and their effect on the value of the property, is encouraged to obtain a professional environmental assessment. Trugman Valuation Associates, Inc. does not conduct or provide environmental assessments and has not performed one for the subject property.
10. Trugman Valuation Associates, Inc. has not determined independently whether the subject company is subject to any present or future liability relating to environmental matters (including, but not limited to CERCLA/Superfund liability) nor the scope of any such liabilities. Trugman Valuation Associates, Inc.'s valuation takes no such liabilities into account, except as they have been reported to Trugman Valuation Associates, Inc. by the subject company or by an environmental consultant working for the subject company, and then only to the extent that the liability was reported to us in an actual or estimated dollar amount. Such matters, if any, are noted in the report. To the extent such information has been reported to us, Trugman Valuation Associates, Inc. has relied on it without verification and offers no warranty or representation as to its accuracy or completeness.
11. Trugman Valuation Associates, Inc. has not made a specific compliance survey or analysis of the subject property to determine whether it is subject to, or in compliance with, the American Disabilities Act of 1990, and this valuation does not consider the effect, if any, of noncompliance.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

12. No change of any item in this appraisal report shall be made by anyone other than Trugman Valuation Associates, Inc., and we shall have no responsibility for any such unauthorized change.
13. Unless otherwise stated, no effort has been made to determine the possible effect, if any, on the subject business due to future Federal, state, or local legislation, including any environmental or ecological matters or interpretations thereof.
14. We have conducted interviews with the current management of the subject company concerning the past, present, and prospective operating results of the company. Except as noted, we have relied on the representations of these individuals.
15. Except as noted, we have relied on the representations of the owners, management, and other third parties concerning the value and useful condition of all equipment, real estate, investments used in the business, and any other assets or liabilities, except as specifically stated to the contrary in this report. We have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances or that the entity has good title to all assets.
16. All facts and data set forth in the report are true and accurate to the best of the appraiser's knowledge and belief. We have not knowingly withheld or omitted anything from our report affecting our value estimate.
17. Possession of this report, or a copy thereof, does not carry with it the right of publication of all or part of it, nor may it be used for any purpose without the previous written consent of the appraiser, and in any event only with proper authorization. Authorized copies of this report will be signed in blue ink by a director of Trugman Valuation Associates, Inc. Unsigned copies, or copies not signed in blue ink, should be considered to be incomplete.
18. Unless otherwise provided for in writing and agreed to by both parties in advance, the extent of the liability for the completeness or accuracy of the data, opinions, comments, recommendations and/or conclusions shall not exceed the amount paid to the appraisers for professional fees and, then, only to the party(s) for whom this report was originally prepared.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

19. The conclusion reached in this report is based on the standard of value as stated and defined in the body of the report. An actual transaction in the business or business interest may be concluded at a higher value or lower value, depending on the circumstances surrounding the company, the appraised business interest and/or the motivations and knowledge of both the buyers and sellers at that time. Trugman Valuation Associates, Inc. makes no guarantees as to what values individual buyers and sellers may reach in an actual transaction.
20. No opinion is intended to be expressed for matters that require legal or other specialized expertise, investigation or knowledge beyond that customarily employed by appraisers valuing businesses.

Appraisal of the common stock of Night Systems, Inc.

VALUATION ANALYST'S REPRESENTATION

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

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- we have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.
- we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- our analyses, opinions, and conclusions were developed and this report has been prepared in conformity with the *Statement on Standards for Valuation Services No. 1*, promulgated by the American Institute of Certified Public Accountants, the *Uniform Standards of Professional Appraisal Practice*, promulgated by the Appraisal Foundation, the business valuation standards of The Institute of Business Appraisers Inc. and the American Society of Appraisers.
- The American Institute of Certified Public Accountants, The American Society of Appraisers, and The Institute of Business Appraisers, Inc. have a mandatory recertification program for all of its senior accredited members. All senior accredited members of our firm are in compliance with all of these organizations' programs.
- no one provided significant business and/or intangible asset appraisal assistance to the person signing this certification other than William Harris.

LINDA B. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.B.A. PROFESSIONAL QUALIFICATIONS

Experience

Vice President of Trugman Valuation Associates, Inc., a firm specializing in business valuation and litigation support services. Business valuation experience includes a wide variety of assignments including closely-held businesses, professional practices and thinly traded public companies. Industries include security, automotive, funeral homes, health care, securities brokerage and financial institutions, retail, manufacturing, service, and professional business establishments.

Business valuation and litigation support services have been rendered for a variety of purposes including, but not limited to family law matters, business damages, lender liability litigation, buy-sell agreements, shareholder litigation, estate and gift tax matters, buying and selling businesses, malpractice litigation, wrongful death, sexual discrimination, age discrimination, wrongful termination, and breach of contract. Representation in litigation includes plaintiff, defendant, mutual, and court-appointed neutral.

Court Testimony. Has been qualified as an expert witness in State Courts of New Jersey and Florida.

Court Appearances. Has appeared in the following court: *New Jersey • Passaic; Essex.*

Professional Designations

- **CPA:** Licensed in Florida (2003) and New Jersey (1987).
- **ABV:** Accredited in Business Valuation designated by The American Institute of Certified Public Accountants (1998). Reaccredited in 2008.
- **MCBA:** Master Certified Business Appraiser designated by The Institute of Business Appraisers, Inc. (2005). Original certification (CBA) in 1995. Reaccredited in 2009.
- **ASA:** Accredited Senior Appraiser designated by the American Society of Appraisers (1997). Reaccredited in 2007.

Education

- Masters in Business Administration - Fairleigh Dickinson University (1986).
- Bachelor of Science - University of North Carolina (1978).

Faculty

- *National Judicial College, Reno, Nevada since 2001.*

LINDA B. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.B.A. PROFESSIONAL QUALIFICATIONS

Appraisal Education

- *The NACVA/IBA 2010 Annual Consultants' Conference*, Miami Beach, FL, The National Association of Certified Valuation Analysts and The Institute of Business Appraisers, 2010.
- *Valuing Tiered Partnership Structures*, Webinar, Business Valuation Resources, LLC, 2010.
- *FICPA Valuation, Forensic Accounting and Litigation Services Conference*, Ft. Lauderdale, FL, Florida Institute of CPAs, 2010.
- *AICPA National Business Valuation Conference*, AICPA, San Francisco, CA, 2009.
- *28th Annual Advanced Business Valuation Conference*, American Society of Appraisers, Boston, MA, 2009.
- *2nd Annual Business Valuation and Tax Conference*, University of San Diego Law School, San Diego, CA, 2009.
- *FCG Fall Conference Program 2009 Live Seminar*, Financial Consulting Group, San Diego, CA, 2009.
- *NACVA and the IBA's 2009 Annual Consultants' Conference*, Boston, MA, NACVA and IBA, 2009.
- *IRS New Rules: Pension Protection Act and Beyond*, Webinar, Business Valuation Resources, LLC, 2009.
- *FICPA Valuation, Forensic Accounting and Litigation Services Conference*, Ft. Lauderdale, FL, Florida Institute of CPAs, 2009.
- *2008 AICPA/ASA National Business Valuation Conference*, Las Vegas, NV, American Institute of CPAs and American Society of Appraisers, 2008.
- *Discount for Lack of Marketability Workshop*, San Diego, CA, Business Valuation Resources, LLC, 2008.
- *NJ Law & Ethics*, Webcast, NJ Society of CPAs, 2008.
- *Valuation of Intangible Assets for Financial Reporting Purposes*. Arlington, VA, American Society of Appraisers, 2008.
- *Exploring the Longstaff Model and Abbott Liquidity Factor for Enhanced Marketability Discount Determinations*. Teleconference, American Institute of CPAs, 2008.
- *FICPA Valuation, Accounting and Litigation Services Conference*. Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants, 2008.
- *AICPA National Business Valuation Conference*. New Orleans, LA, American Institute of CPAs, 2007.

LINDA B. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.B.A. PROFESSIONAL QUALIFICATIONS

Appraisal Education

- *FCG Conference*. New Orleans, LA, Financial Consulting Group, 2007.
- *ASA Advanced BV Conference*. San Diego, CA, American Society of Appraisers, 2007.
- *Impact of the Pension Protection Act of 2006*. American Institute of CPAs, 2007.
- *Quantification of Company Specific Risk: Theory and Applications*. Business Valuation Resources, 2007.
- *BV Standards: AICPA, IRS and Beyond - Where Are We Headed?* Business Valuation Resources, 2007.
- *AICPA National Business Valuation Conference*. Austin, American Institute of Certified Public Accountants, 2006.
- *FCG Conference*. Austin, TX, Financial Consulting Group, 2006.
- *CICBV/ASA Sixth Joint Business Valuation Conference*. Toronto, American Society of Appraisers, 2006.
- *Ask the IRS*. Business Valuation Resources, 2006.
- *Tax Affecting*. Business Valuation Resources, 2006.
- *FICPA Valuation, Accounting and Litigation Services Conference*. Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants, 2006.
- *Valuation²*. Las Vegas, NV, American Institute of Certified Public Accountants and American Society of Appraisers, 2005.
- *AICPA National Business Valuation Conference*. Orlando, FL, American Institute of Certified Public Accountants, 2004.
- *23rd Annual Advanced Business Valuation Conference*. San Antonio, TX, American Society of Appraisers, 2004.
- *New Jersey Law and Ethics Course*. Parsippany, NJ, New Jersey Society of Certified Public Accountants, 2004.
- *2004 FICPA Business Valuation & Litigation Conference*. Fort Lauderdale, FL, Florida Institute of CPAs, 2004.
- *22nd Annual Advanced Business Valuation Conference*. Chicago, IL, American Society of Appraisers, 2003.
- *AICPA National Business Valuation Conference*. New Orleans, LA, American Institute of Certified Public Accountants, 2002.

LINDA B. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.B.A. PROFESSIONAL QUALIFICATIONS

Appraisal Education

- *Annual Member Firm Conference.* Denver, CO, Financial Consulting Group, LC, 2002.
- *Brown v. Brown: The Most Important Equitable Distribution Decision Since Painter.* Fairfield, NJ, New Jersey Institute for Continuing Legal Education, 2002.
- *2001 National Business Valuation Conference.* Las Vegas, NV, American Institute of Certified Public Accountants, 2001.
- *20th Annual Advanced Business Valuation Conference.* Seattle, WA, American Society of Appraisers, 2001.
- *2001 Share the Wealth Conference.* Orlando, FL, The Institute of Business Appraisers, 2001.
- *2000 National Conference on Business Valuation.* Miami, FL, American Institute of Certified Public Accountants, 2000.
- *19th Annual Advanced Business Valuation Conference.* Philadelphia, PA, American Society of Appraisers, 2000.
- *Hot Issues in Estate and Gift Tax Returns: What do the Auditors Look For?* New Brunswick, NJ, New Jersey Institute for Continuing Legal Education, 2000.
- *Pulling Ahead of the Pack - The Institute of Business Appraisers' 2000 National Conference.* Phoenix, AZ, The Institute of Business Appraisers, 2000.
- *Business Valuation Conference.* Las Vegas, NV, American Institute of Certified Public Accountants, 1999.
- *1999 International Appraisal Conference.* Boston, MA, American Society of Appraisers, 1999.
- *1999 Annual Conference.* Boston, MA, American Society of Appraisers, 1999.
- *Chartered Financial Analyst Level II Self Study Program,* 1999.
- *1999 Annual Conference: The Future of Business Valuation.* Orlando, FL, The Institute of Business Appraisers, Inc., 1999.
- *1998 Joint Business Valuation Conference.* Montreal, Canada, American Society of Appraisers and Canadian Institute of Chartered Business Valuators, 1998.
- *Chartered Financial Analyst Level I Self Study Program,* 1998.
- *The Future of Business Valuation Annual Conference.* San Antonio, TX, The Institute of Business Appraisers, Inc., 1998.
- *Business Valuation Conference.* San Diego, CA, American Institute of Certified Public Accountants, 1997.

LINDA B. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.B.A. PROFESSIONAL QUALIFICATIONS

Appraisal Education

- *16th Annual Advanced Business Valuation Conference.* San Francisco, CA, American Society of Appraisers, 1997.
- *Quantifying Marketability Discounts.* San Francisco, CA, Mercer Capital, 1997.
- *Advanced Research Analysis.* Roseland, NJ, NJ Society of Certified Public Accountants, 1997.
- *1997 Business Valuation Conference.* New Brunswick, NJ, NJ Society of Certified Public Accountants, 1997.
- *National Conference on Appraising Closely-Held Businesses.* San Diego, CA, The Institute of Business Appraisers, Inc., 1997.
- *National Business Conference.* Phoenix, AZ, American Institute of Certified Public Accountants, 1996.
- *15th Annual Business Valuation Conference.* Memphis, TN, American Society of Appraisers, 1996.
- *1996 Business Valuation Conference.* Holmdel, NJ, NJ Society of Certified Public Accountants, 1996.
- *National Conference on Appraising Closely-Held Businesses.* Orlando, FL, The Institute of Business Appraisers, Inc., 1996.
- *The 1995 National Business Valuation Conference.* New Orleans, LA, American Institute of Certified Public Accountants, 1995.
- *1995 Advanced Business Valuation Conference.* Boston, MA, American Society of Appraisers, 1995.
- *ASA International Appraisal Conference.* Denver, CO, American Society of Appraisers, 1995.
- *National Conference on Business Valuation.* San Diego, CA, American Institute of Certified Public Accountants and The Institute of Business Appraisers, Inc., 1995.
- *First Annual Business Valuation Conference.* Holmdel, NJ, NJ Society of Certified Public Accountants, 1995.
- *National Conference.* Las Vegas, NV, The Institute of Business Appraisers, Inc., 1995.
- *Business Valuation in a Changing International Environment.* San Diego, CA, American Society of Appraisers, 1994.
- *1994 International Conference.* Chicago, IL, American Society of Appraisers, 1994.

LINDA B. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.B.A. PROFESSIONAL QUALIFICATIONS

Appraisal Education

- *Principles of Valuation-Business Valuation: Selected Advanced Topics*. Los Angeles, CA, American Society of Appraisers, 1994.
- *Principles of Valuation-Business Valuation: Appraisal of Small Businesses and Professional Practices*. Atlanta, GA, American Society of Appraisers, 1994.
- *National Conference of Appraising Closely-Held Businesses*. Orlando, FL, The Institute of Business Appraisers, Inc., 1994.
- *Principles of Valuation-Business Valuation Case Study*. Washington, DC, American Society of Appraisers, 1993.
- *1993 International Conference*. Seattle, WA, American Society of Appraisers, 1993.
- *Uniform Standards of Professional Appraisal Practice and Professional Appraisal Ethics*. Seattle, WA, American Society of Appraisers, 1993.
- *Principles of Valuation–Business Valuation Methodology*. Washington, DC, American Society of Appraisers, 1993.
- *National Conference*. San Diego, CA, The Institute of Business Appraisers, Inc., 1993.
- *Developing Your Business Valuation Skills: An Engagement Approach*. Iselin, NJ, NJ Society of Certified Public Accountants, 1992.
- *Advanced Business Valuation Seminar*. San Francisco, CA, The Institute of Business Appraisers, Inc., 1992.
- *Principles of Valuation–Introduction to Business Valuation*. Washington, DC, American Society of Appraisers, 1992.
- *Business Valuation for Accountants*. Newark, NJ, The Institute of Business Appraisers Inc., 1992.
- Has performed extensive reading and research on business valuations and business valuation related topics.

Lecturer

- *Fair Market Value versus Fair Value -What's the Difference*, Coral Gables, FL, American Institute of CPAs, AICPA Small Business Practitioners' Tax Conference, 2010.
- *Business Valuation During Crazy Economic Times*, Tampa, FL, Florida Institute of CPAs, FABExpo, 2010.
- *Pitchbook – A First Look*, Webinar, Business Valuation Resources, LLC, 2010.

LINDA B. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.B.A. PROFESSIONAL QUALIFICATIONS

Lecturer

- *The Income Approach – It's Not All About the Cost of Capital*, Miami Beach, FL, The NACVA/IBA 2010 Annual Consultants' Conference, 2010.
- *Valuation Issues in Estate & Gift Tax*, Webinar, Business Valuation Resources, LLC, 2010.
- *Controversial Issues in Business Valuation*, Ft. Lauderdale, FL, FICPA Valuation, Forensic Accounting and Litigation Services Conference, 2010.
- *Hardball with Hitchner*, San Francisco, CA, AICPA National Business Valuation Conference, 2009.
- *Valuation for Tax Purposes*, San Francisco, CA, AICPA National Business Valuation Conference, 2009.
- *Qualitative and Quantitative DLOM Analysis*, San Francisco, CA, AICPA National Business Valuation Conference, 2009.
- *Valuations of FLPs and FLLCs*, Washington Twsp., NJ, Greater NJ Estate Planning Council, 2009.
- *Valuations for Tax Purposes*, Overland Park, KS, 2009 Business Valuation and Litigation Support Conference, 2009.
- *FLPs and FLLCs - What's An Appraiser to Do?* Golden Valley, MN, Business Valuation Conference, 2009.
- *Ask the Experts Panel*, San Diego, CA, 2nd Annual Business Valuation and Tax Conference, 2009.
- *How to Apply and Reconcile the Various Qualitative and Quantitative DLOM Models and Databases*, San Diego, CA, 2nd Annual Business Valuation and Tax Conference, 2009.
- *Ask the Experts Panel*. San Diego, CA, FCG Fall Conference Program 2009 Live Seminar, 2009.
- *FLPs and FLLCs - What's An Appraiser to Do?* Baltimore, MD, CPA Associates International BV Conference, 2009.
- *Valuations of FLPs*, Ft. Lauderdale, FL, Ft. Lauderdale Trusts and Estates Roundtable, 2009.
- *Guideline Public Company Method Workshop Highlights*, Business Valuation Resources, 2009.
- *Fundamentals of Business Valuation and SSVS #1*, Seattle, WA, AICPA Small Business Practitioners Tax Conference, 2009.

LINDA B. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.B.A. PROFESSIONAL QUALIFICATIONS

Lecturer

- *FLPs and FLLCs - What's An Appraiser to Do?* Chicago, IL, 2009 Business Valuation Conference, 2009.
- *Valuation for Tax Purposes*, Ft. Lauderdale, FL, FICPA Valuation, Forensic Accounting and Litigation Services Conference, 2009.
- *Pass Through Investment Holding Company Entities - FLPs*, Las Vegas, NV, 2008 AICPA/ASA National Business Valuation Conference, 2008.
- *Family Limited Partnerships*, Washington, DC, 2008 National AICPA National Tax Conference, 2008.
- *The Valuation of FLPs and FLLCs: What Does the Tax Practitioner Need to Know?* Las Vegas, NV, 2008 AICPA Small Business Practitioners Tax Conference, 2008.
- *Basic Business Valuation*, Detroit, MI, MACPA's 2008 Litigation & Business Valuation Conference, 2008.
- *Current Issues in Business Valuation and Litigation Support... And the Beat Goes On*, Detroit, MI, MACPA's 2008 Litigation & Business Valuation Conference, 2008.
- *Valuing Family Limited Partnerships and LLC*, Teleconference, Institute of Business Appraisers, 2008.
- *Discounts for Lack of Marketability Panel Discussion – Who's on First, What's on Second, I Don't Know's on Third*, New Orleans, LA, AICPA National Business Valuation Conference, 2007.
- *A Family Limited Partnership (FLP) Valuation Example*. New Orleans, LA, AICPA National Business Valuation Conference, 2007.
- *Financial Valuation: Applications and Methods*, Lansing, MI, Michigan Accounting and Auditing Conference, 2007.
- *Business Valuation for the Non-Valuation Professional*, Atlanta, GA, AICPA's Small Practitioner's Tax Conference, 2007.
- *Specific Company Risk: Qualitative or Quantitative? A New Look at an Old Topic*, Washington, DC, NACVA's Fourteenth Annual Consultants' Conference, 2007.
- *Personal Goodwill: Does the Non-Propertied Spouse Really Lose the Battle?* Ft. Lauderdale, FL, Florida Bar Family Law Section, 2007.
- *Business Valuation Reports: How to Evaluate Them & The Appraiser*, St. Louis, MO, St. Louis Estate Planning Council, 2007.

LINDA B. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.B.A. PROFESSIONAL QUALIFICATIONS

Lecturer

- *Business Valuation*, Ft. Lauderdale, FL, Nova Southeastern University Law School, 2006, 2007, 2009.
- *Case Study for Estate and Gift Tax Purposes*. Ft. Lauderdale, FL, FICPA Valuation, Accounting and Litigation Services Conference, 2006.
- *Report Writing*. Las Vegas, NV, Valuation², American Institute of Certified Public Accountants and American Society of Appraisers, 2006.
- *ESOPs for Auditors*. Las Vegas, NV, American Institute of Certified Public Accountants' Employee Benefit Conference, 2005.
- *Discount for Lack of Marketability*. Orlando, FL, The Institute of Business Appraisers' National Business Valuation Conference, 2005.
- *The Market Approach to Business Valuation*. Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants' Valuation & Litigation Services Conference, 2005.
- *Meet the Thought Leaders*. Orlando, FL, American Institute of Certified Public Accountants National Business Valuation Conference, 2004.
- *Court Case Decisions: Okerlund and Blount*. Telephone Conference, CPAmerica, Inc., 2004.
- *The Income Approach*. Phoenix, AZ, American Institute of Certified Public Accountants National Business Valuation Conference, 2003.
- *What's Happening in the Courts?* St. Paul, MN, Minnesota Society of CPAs, 2003.
- *The Transaction Method - How Do You Really Use It?* Overland Park, KS, Kansas Society of CPAs, 2003.
- *Professional Practice Valuations*. Miami, FL, The Florida Bar - Family Law Section, 2003.
- *Valuing Family Limited Partnerships*. Las Vegas, NV, CPAmerica International, 2003.
- *Business Valuation: There's a "Right" Way and a "Wrong" Way to Do It!* Orlando, FL, Florida Accounting & Business Expo, 2003.
- *Business Valuation Basics*. Miami, FL, Florida International University, 2003.
- *Valuing Family Limited Partnerships*. Fort Lauderdale, FL, Fort Lauderdale Tax Planning Council, 2003.
- *To Tax or Not to Tax? Issues Relating to S Corps and Built-In Gains Taxes*. Washington, DC, Internal Revenue Service, 2003.
- *Fundamentals of Valuing a Family Limited Partnership*. Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants, 2003.

LINDA B. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.B.A. PROFESSIONAL QUALIFICATIONS

Lecturer

- *Valuation of FLPs and LLCs.* Neptune, NJ, Estate and Financial Planning Council of Central Jersey, 2002.
- *Fundamentals of FLPs and FLLCs.* Las Vegas, NV, American Institute of Certified Public Accountants, 2001.
- *Market Data Method.* Las Vegas, NV, American Institute of Certified Public Accountants, 2001.
- *The FLP Written Report.* Orlando, FL, The Institute of Business Appraisers, 2001.
- *What's Happening in the Courts?* Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants, 2001.

Instructor

- *Introduction to Business Valuation,* American Institute of Certified Public Accountants, Roseland, NJ, 2010.
- *AICPA National Business Valuation School,* American Institute of Certified Public Accountants, Chicago, IL, 2009, Atlanta, GA, 2010.
- *Essentials of Business Appraisal.* The Institute of Business Appraisers, Ft. Lauderdale, FL, 2008.
- *Principles of Valuation: Business Valuation Case Study.* American Society of Appraisers, Chicago, IL 2007, 2008; Arlington, VA 2008, Manhattan Beach, CA, 2010.
- *Principles of Valuation: The Market Approach.* American Society of Appraisers, Herndon, VA 2006, 2007; Brooklyn, NY 2007; Manhattan Beach, CA, 2008; Atlanta, GA, 2009.
- *Business Valuation Essentials: Reports, Standards and Tax Valuations.* American Institute of Certified Public Accountants, Tennessee, 2006.
- *Business Valuation Essentials: Valuation of Specialized Areas.* American Institute of Certified Public Accountants, Rhode Island, 2006; Tennessee, 2006.
- *Business Valuation Essentials Case Study.* American Institute of Certified Public Accountants, Rhode Island, 2006; Tennessee, 2006.
- *Business Valuation Essentials: Income Approach and Cost of Capital.* American Institute of Certified Public Accountants, Georgia, 2005, 2006.
- *Business Valuation Essentials: Introduction.* American Institute of Certified Public Accountants, Georgia, 2005, 2006; North Carolina, 2006.

LINDA B. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.B.A. PROFESSIONAL QUALIFICATIONS

Instructor

- *Small Business Valuation: A Real Life Case Study*. American Institute of Certified Public Accountants, Iowa, 2005; Indiana, 2005; Florida, 2006; New Jersey, 2009.
- *Business Valuation Essentials: Market Approach and Discounts and Premiums*. American Institute of Certified Public Accountants, Florida, 2005; Tennessee, 2006.
- *Valuation of Specialized Areas*. Financial Consulting Group, Georgia, 2005.
- *Valuing Family Limited Partnerships*. Rhode Island Society of CPAs, Rhode Island, 2004.
- *Report Writing*. Rhode Island Society of CPAs, Rhode Island, 2004.
- *Principles of Valuation: The Income Approach*. American Society of Appraisers, Illinois, 2004.
- *Valuing Goodwill and Intangible Assets*. American Institute of Certified Public Accountants, New Jersey, 2004, Iowa, 2005.
- *Small Business Valuation Case Study: Let's Work Through the Issues!* American Institute of Certified Public Accountants, New Jersey, 2004.
- *Small Business Case Study*. The Institute of Business Appraisers, Inc., Florida, 2004.
- *Valuing Family Limited Partnerships*. The Institute of Business Appraisers, Inc., New York, 2003, Florida, 2005.
- *Principles of Valuation: Introduction to Business Valuation - Section A*. American Society of Appraisers, Illinois, 2003.
- *Business Appraisal in Divorce*. The Institute of Business Appraisers, Inc., Massachusetts, 2002; New York, 2003.
- *Splitting Up is Hard to Do: Advanced Valuation Issues in Divorce and Other Litigation Disputes*. American Institute of Certified Public Accountants. Atlanta, GA, 2002; Louisville, KY, 2002.
- *The Nuances of Appraising Interests in Family Limited Partnerships*. 2002 Annual Business Valuation Conference, Washington, DC, The Institute of Business Appraisers, 2002.
- *Financial Statements in the Courtroom (Business Valuation Component)*. American Institute of Certified Public Accountants for the National Judicial College. New York, 2001; California, 2002.
- *How to Write Business Valuation Appraisal Reports*. The Institute of Business Appraisers, Inc. Missouri, 2001; Massachusetts, 2002.

LINDA B. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.B.A. PROFESSIONAL QUALIFICATIONS

Instructor

- *Application of the Market Approach.* The Institute of Business Appraisers, Inc. Missouri, 2001.
- *Fundamentals of Business Appraisal.* The Institute of Business Appraisers, Inc. Missouri, 2001.
- *Preparing for the Certified Business Appraiser Written Exam.* The Institute of Business Appraisers, Inc. Massachusetts, 2000; Florida, 2005.
- *Preparing for AICPA's Examination Review Course.* American Institute of Certified Public Accountants. North Carolina, 2000; Illinois, 2000, 2008, 2009; Maryland, 2001; Minnesota, 2001; Indiana, 2002; New York, 2003, 2004, 2005, 2007; Georgia, 2004; Florida 2004, 2008; Rhode Island, 2005; Connecticut 2006; Texas, 2009.
- *Fundamentals of Business Valuation - Part 2.* American Institute of Certified Public Accountants. Kansas, 2000; Minnesota, 2001; North Carolina, 2002; Maryland 2004.
- *Fundamentals of Business Valuation - Part 1.* American Institute of Certified Public Accountants. Kansas, 2000; Texas, 2000; California, 2001; New York, 2001; Florida, 2004.
- *Business Valuation Approaches and Methods.* Oregon, 2000; Ohio, 2000.
- *Valuation Discount Rates & Capitalization Rates/Premiums & Discounts.* Oregon, 2000.
- *Report Writing Workshop.* The Institute of Business Appraisers, Inc. Arizona, 2000.
- *Mastering Appraisal Skills for Valuing the Closely Held Business.* The Institute of Business Appraisers, Inc., Illinois, 1999; South Carolina, 1999; New Jersey, 2000; Nevada, 2000.
- *Fundamentals of Business Appraisal.* The Institute of Business Appraisers, Inc., South Carolina, 1999; Missouri, 2001.

Author

- *The Valuation of FLPs: What Does the Tax Practitioner Need to Know?* The Tax Advisor, AICPA (Vol. 41, No.1) January 2010: 38-45.
- *Can Your Appraiser Support Her Discounts*, Valuations Plus, Summer 2009.
- *Are Family Limited Partnerships and LLCs Still Viable Planning Tools?*, Valuations Plus, Winter 2008.
- *Does Your Valuation Professional Qualify as a Qualified Appraiser?*, Valuations Plus, Winter 2007.

LINDA B. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.B.A. PROFESSIONAL QUALIFICATIONS

Author

- *If You Buy or Sell Shares of the Company, With the Agreement Withstand the Scrutiny of the IRS, Valuations Plus, Summer 2007.*
- *Should Your Appraiser Tax-Effect an S Corporation? Valuations Plus, Winter 2007.*
- *Debt vs. Equity: How Do You Know? Valuations Plus, Fall 2006.*
- *Using Subsequent Information: What Was Known or Knowable?, Valuations Plus, Spring 2005.*
- Co-author of *Financial Valuation: Applications and Models* 1st edition, Wiley Finance (2003) and 2nd edition (2006).
- Co-author of course entitled *Splitting Up is Hard to Do: Advanced Valuation Issues in Divorce and Other Litigation Disputes*. American Institute of Certified Public Accountants (2002).
- Course entitled *Fundamentals of Business Appraisal*. The Institute of Business Appraisers, Inc.(2000).

Organizations

- The Institute of Business Appraisers, Inc.
- American Society of Appraisers
- American Institute of Certified Public Accountants
- New Jersey Society of Certified Public Accountants
- Florida Institute of Certified Public Accountants

Committee Service

- Co-Chair - 2010 ASA-CICBV Joint Business Valuation Conference, American Society of Appraisers.
- Secretary - Business Valuation Committee. American Society of Appraisers.
- Chair - Business Valuation *Education Committee*. American Society of Appraisers.
- Secretary - ASA Educational Foundation. American Society of Appraisers.
- *Governor at Large*, The Institute of Business Appraisers.
- Business Valuation/Forensic & Litigation Services Advisory Board to the Journal of Accountancy. American Institute of Certified Public Accountants.
- Vice Chair - Relations with the Florida Bar *Committee*. Florida Institute of Certified Public Accountants.

LINDA B. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.B.A. PROFESSIONAL QUALIFICATIONS

Past Committee Service

- Chair - 2009 Valuation Forensic and Litigation Services Conference, Florida Institute of Certified Public Accountants.
- Business Valuation/Forensic & Litigation Services Executive Committee. American Institute of Certified Public Accountants.
- Business Valuation Committee. American Institute of Certified Public Accountants.
- Chair - 2002 AICPA Business Valuation Conference. American Institute of Certified Public Accountants, Member of Committee for 2001 and 2009 Conferences.
- International Board of Examiners. American Society of Appraisers.
- Qualifications Review Committee. The Institute of Business Appraisers, Inc
- Joint AICPA/ASA 2005 Conference Committee. American Institute of Certified Public Accountants.
- Steering Committee of Valuation Forensic and Litigation Services Section. Florida Institute of Certified Public Accountants.

Editor

- Former Editor of the AICPA *ABV E-Alert*.
- Editorial Board of *Financial Valuation & Litigation Expert*, Valuation Products & Services, LC.
- Former Editorial Advisor for *BV Q&A*, Business Valuation Resources, Inc.
- Former Editor of *Business Appraisal Practice*, The Institute of Business Appraisers, Inc.

Professional Achievements

- Presented with the "Jerry F. Larkins Volunteer Service Award 2009-2010" by the American Society of Appraisers for exception, devoted and invaluable volunteer service to the American Society of Appraisers.
- Presented with the "Hall of Fame Award" by the American Institute of Certified Public Accountants in 2009 for outstanding service the goals of the business valuation profession.
- Presented with the "Volunteer of the Year Award" by the American Institute of Certified Public Accountants in 2008 for outstanding service the goals of the business valuation profession.

**LINDA B. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.B.A.
PROFESSIONAL QUALIFICATIONS**

Professional Achievements

- Presented with the “Fellow Award” by The Institute of Business Appraisers, Inc. in May 2002 for contributions made to the profession.
- Instructor of the Year Award - The Institute of Business Appraisers.
- Winner of the J. H. Cohn Award in 1987 for outstanding performance on the C.P.A. licensing examination.

Technical Reviewer

- Gary R. Trugman. *Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses*, American Institute of Certified Public Accountants, First Edition (1998) Second Edition (2002), Third Edition (2008).
- Gary R. Trugman. *Essentials of Valuing a Closely Held Business*, American Institute of Certified Public Accountants, 2008.
- Shannon Pratt. *The Lawyer’s Business Valuation Handbook*, American Bar Association, 2010.

WILLIAM HARRIS PROFESSIONAL QUALIFICATIONS

Experience

Valuation Analyst at Trugman Valuation Associates, Inc. specializing in business valuation. Experience includes a variety of assignments including closely-held businesses, professional practices and thinly traded public companies. Industries include, health care, retail, manufacturing, distributors, and service.

Business valuation services have been rendered for a variety of purposes including, but not limited to business damages, estate and gift tax matters, and family law matters.

Education

- M.S., Finance, Chapman Graduate School of Business at Florida International University, 2007.
- B.S., Business Administration, Belk College of Business at the University of North Carolina at Charlotte, 2006.

Appraisal Education

- *AICPA National Business Valuation Conference*, AICPA, San Francisco, CA, 2009.
- *The Market Approach*, Skokie, IL, American Society of Appraisers, 2009.
- *The Income Approach*, Orlando, FL, American Society of Appraisers, 2009.
- *Introduction to Business Valuation*, Minneapolis, MN, American Society of Appraisers, 2008.
- *CFA Candidate*, Passed Level 1 and Level 2 of the Chartered Financial Analyst Curriculum.

Author

- Author of "Trugman Valuation Associates, Inc. (TVA) Restricted Stock Study," *Business Valuation Review* (Fall 2009).
- Co-Author of "How Should You Value Closely Held Businesses During These Crazy Times?," *Business Valuation Update* (August 2009).