B&B IRON AND METAL CO., L.L.C.

VALUATION REPORT

DECEMBER 4, 2004

August 3, 2005

Ms. Deborah Bonofiglio and
Mr. Robert S. Bonofiglio
Co-Executors of the Estate of Robert R. Bonofiglio
4567 80th Street
Some City, NJ 07000

Re: Valuation of B&B Iron and Metal Co., L.L.C.

Dear Ms. and Mr. Bonofiglio:

We have performed a valuation engagement, as that term is defined in the Statement on Standards for Valuation Services (SSVS) of the American Institute of Certified Public Accountants, of a 1 percent voting member interest in B&B Iron and Metal Co., L.L.C. owned by Robert R. Bonofiglio, deceased as of December 4, 2004. This valuation was performed solely to assist in the preparation of the estate tax returns; the resulting estimate of value should not be used for any other purpose or by any other party for any purpose. This valuation engagement was conducted in accordance with the SSVS, as well as the standards promulgated by The Appraisal Foundation, the American Society of Appraisers, and The Institute of Business Appraisers, Inc. The estimate of value that results from a valuation engagement is expressed as a conclusion of value.

Based on our analysis, as described in this valuation report, which must be signed in blue ink by the valuation analyst to be authentic, the estimate of value of a 1 percent voting member interest in B&B Iron and Metal Co., L.L.C. owned by Robert R. Bonofiglio, deceased as of December 4, 2004 was

TWENTY-NINE THOUSAND DOLLARS ($29,000)

This conclusion is subject to the Statement of Assumptions and Limiting Conditions found in Appendix 2 and to the Valuation Analyst's Representation found in Appendix 3. We have no obligation to update this report or our conclusion of value for information that comes to our attention after the date of this report.

Respectfully submitted,

TRUGMAN VALUATION ASSOCIATES, INC.

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

LBT/kag
Attachment
*Regulated by the State of Florida

TABLE OF CONTENTS

TABLE OF CONTENTS

Page

INTRODUCTION

DESCRIPTION OF THE ASSIGNMENT

Trugman Valuation Associates, Inc. was retained by Deborah Bonofiglio and Robert S. Bonofiglio, coexecutors of the Estate of Robert R. Bonofiglio to appraise a 1 percent voting member interest in B&B Iron and Metal Co., L.L.C., a New Jersey Limited Liability Company owned by Robert R. Bonofiglio, deceased, as of December 4, 2004, his date of death.

The purpose of this appraisal is to determine the fair market value of this member interest to be used in the preparation of the estate tax returns of the decedent.

DEFINITION OF FAIR MARKET VALUE

Section 20.2031 (b) of the Federal Estate Tax Regulations 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.

This definition of fair market value is the most widely used in valuation practice. Also implied in this definition is that the value is to be stated in cash or cash equivalents and that the property would have been exposed on the open market for a long enough period of time to allow market forces to interact to establish the value.

VALUATION METHODOLOGIES

There are two fundamental bases on which a company may be valued:

1. As a going concern, and
2. As if in liquidation.

The value of a company is deemed to be the higher of the two values determined under a going concern or a liquidation premise. This approach is consistent with the appraisal concept of highest and best use, which requires an appraiser to consider the optimal use of the assets being appraised under current market conditions. If a business will command a higher price as a going concern then it should be valued as such. Conversely, if a business will command a higher price if it is liquidated, then it should be valued as if in orderly liquidation.

GOING CONCERN VALUATION

Going concern value assumes that the company will continue in business, and looks to the enterprise's earnings power and cash generation capabilities as indicators of its fair market value. There are many acceptable methods used in business valuation today. The foundation for business valuation arises from what has been used in valuing real estate for many years. The three basic approaches that must be considered by the appraiser are:

1. The Market Approach,
2. The Asset Based Approach, and
3. The Income Approach.

Within each of these approaches there are many acceptable valuation methods available for use by the appraiser. Appraisal standards suggest that an appraiser test as many methods as may be applicable to the facts and circumstances of the property being appraised. It is then up to the appraiser's informed judgment as to how these values will be reconciled in deriving a final estimate of value.

THE MARKET APPROACH

The market approach is fundamental to valuation as fair market value is determined by the market. Under this approach, the appraiser attempts to find guideline companies traded on a public stock exchange, in a same or similar industry as the appraisal subject, that allow a comparison to be made between the pricing multiples that the public company trades at and the multiple that is deemed appropriate for the appraisal subject.

Another common variation of this approach is to locate entire companies that have been bought and sold in the marketplace, publicly traded or closely-held, that provides the appraiser with the ability to determine the multiples that resulted from the transaction. These multiples can then be applied with or without adjustment to the appraisal subject.

THE ASSET BASED APPROACH

The asset based approach, sometimes referred to as the cost approach, is an asset oriented approach rather than a market oriented approach. Each component of a business is valued separately, and summed up to derive the total value of the enterprise.

The appraiser estimates value, using this approach, by estimating the cost of duplicating or replacing the individual elements of the business property being appraised, item by item, asset by asset.

The tangible assets of the business are valued using this approach, although it cannot be used alone as many businesses have intangible value as well, to which this approach cannot easily be applied.

THE INCOME APPROACH

The income approach, sometimes referred to as the investment value approach, is an income oriented approach rather than an asset or market oriented approach. This approach assumes that an investor could invest in a property with similar investment characteristics, although not necessarily the same business.

The computations, using the income approach generally determine that the value of the business is equal to the present value of the future benefit stream to the owners. This is generally accomplished by either capitalizing a single period income stream or by discounting a series of income streams based on a multi-period forecast.

Since estimating the future income of a business is at times considered to be speculative, historic data is generally used as a starting point in several of the acceptable methods under the premise that history will repeat itself. The future cannot be ignored, however, since valuation is a prophecy of the future.

LIQUIDATION VALUATION

Liquidation value assumes that a business has greater value if its individual assets are sold to the highest bidder and the company ceases to be a going concern.

Shannon Pratt, a well-known authority in business appraisal states

> [l]iquidation value is, in essence, the antithesis of going-concern value. Liquidation value means the net amount the owner can realize if the business is terminated and the assets sold off in piecemeal.[1]

He adds,

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[1] Shannon Pratt, *Valuing a Business: The Analysis and Appraisal of Closely Held Companies*, 2nd edition (Illinois: Dow Jones-Irwin, 1989): 29.

> ...it is essential to recognize all costs associated with the enterprise's liquidation. These costs normally include commissions, the administrative cost of keeping the company alive until the liquidation is completed, taxes and legal and accounting costs. Also, in computing the present value of a business on a liquidation basis, it is necessary to discount the estimated net proceeds at a rate reflecting the risk involved, from the time the net proceeds are expected to be received, back to the valuation date.[2]

Pratt concludes by stating:

> For these reasons, the liquidation value of the business as a whole normally is less than the sum of the liquidation proceeds of the underlying assets.[3]

REVENUE RULING 59-60 - VALUATION OF CLOSELY-HELD STOCKS

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.

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[2] Ibid.

[3] Ibid.

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 an interest in a limited liability company is the question at issue, one must understand the circumstances. 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."

The fair market value of an interest in an unlisted company will vary as general economic conditions change. Uncertainty as to the stability or continuity of the future income from the business decreases its value by increasing the risk of loss in the future. The valuation of shares of an interest in a company with uncertain future prospects is a highly speculative procedure. The judgment must be related to all of the factors affecting the value.

There is no single formula acceptable for determining the fair market value of a closely-held business, and therefore, the appraiser must look to all relevant factors in order to establish the true business fair market value as of a given date.

THE NATURE OF THE BUSINESS AND THE HISTORY OF THE ENTERPRISE FROM ITS INCEPTION

B&B Scrap Metal ("Metal") was established in 1951 by Robert R. Bonofiglio. When the company was first in operation, it was a small scrap metal peddling business. The business' operations consisted of buying, recycling and selling both ferrous and nonferrous metals. During the early 1960s, the company discontinued its ferrous metal operations and concentrated on the nonferrous side of the business. However, in 1979, ferrous metal activities were reintroduced to the company's operations, and B&B Scrap Iron ("Iron") was created. The original owners of Iron were Robert S. Bonofiglio, the son of Robert R. Bonofiglio, and Joseph Brown. However, Mr. Brown's interest in the company was purchased during the early 1980s.

During its existence, Metal was owned solely by Robert R. Bonofiglio and was operated as a sole proprietorship. Subsequent to the buyout of Mr. Brown's interest, Robert S. Bonofiglio operated Iron as a sole proprietorship.

On July 1, 1997, the two sole proprietorships were merged and B&B Iron & Metal Co., L.L.C., a New Jersey Limited Liability Company was formed (hereafter referred to as "B&B" or "The Company"). The merger was based on a business valuation performed of the two sole proprietorships. Messrs. Robert R. and Robert S. transferred their interests in the sole proprietorships to B&B for voting and non-voting interests. Subsequently, Robert R. Bonofiglio gifted all of his non-voting shares in the new entity. Thereafter, the members and their ownership interests were as follows:

	Voting	Non-Voting
Robert R. Bonofiglio	1.00%	
Robert S. Bonofiglio	1.00%	49.00%
Deborah A. Bonofiglio	-	12.25%
Scott Bonofiglio	-	12.25%
Steven Bonofiglio	-	12.25%
Dominic Grasso	-	12.25%
Totals	2.00%	98.00%

A series of transactions took place between 1998 and 2003, and at Mr. Bonofiglio's date of death, the ownership interests in The Company were as follows:

	Voting	Non-Voting
Robert R. Bonofiglio	1.00%	-
Robert S. Bonofiglio	1.00%	32.00%
Deborah A. Bonofiglio	-	33.00%
Steven Bonofiglio	-	33.00%
Totals	2.00%	98.00%

OPERATING AGREEMENT

Effective July 1, 1997, the members executed an operating agreement ("The Agreement"). Pertinent sections of The Agreement are summarized on the following pages.

TERM

The term of The Company is perpetual unless it is dissolved in accordance with The Agreement.

PERMITTED BUSINESSES

The Company can pursue any lawful businesses allowed by law.

MANAGEMENT

The Company will be managed by Managers who "shall direct, manage and control the business of The Company to the best of their ability." Unless The Agreement calls for the vote of all voting members, the Managers will

> have full and complete authority, power, and direction to manage and control the business, affairs, and properties of the Company, to make all decisions regarding those matters and to perform any and all other acts of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Company's business. At any time when there is more than one Manager, any one Manager may take any action permitted to be taken by the Managers, unless the approval of more than one of the Managers is expressly required pursuant to this Operating Agreement.

Initially, B&B had two managers, Robert R. Bonofiglio and Robert S. Bonofiglio. Only voting members can change the number of managers, but there must be at least one. A manager must also be a member of The Company, and is required to "manage the Company as their sole and exclusive function and they may not have any other business interests or engage in any other business activities in addition to those relating to the Company."

RIGHTS AND OBLIGATIONS OF MEMBERS

Under Article VI of The Agreement, members are not personally liable for company debt beyond their capital contributions and other obligations under The Agreement.

Each voting member has one vote.

> Upon the liquidation and/or transfer of Robert R. Bonofiglio's Membership Interest, all of the Members shall become Voting Members and shall vote on all major issues affecting the Company, with each Voting Member having a vote proportionate to his Membership Interest, as such Membership Interest relates to the Membership Interest of all other Voting Members.
>
> The Voting Members shall have the right, by the affirmative vote of the Voting Members possessing a Supermajority Interest, to approve the sale, exchange, or other disposition of all, or substantially all, of the Company's assets, or of the Company itself, which would occur as part of a single transaction or plan.

One final obligation of the members is that they have an exclusive duty to The Company. The Agreement states,

> The Members shall be required to attend to the business of the Company as their sole and exclusive function and they may not have any other business interests or engage in any other business activities in addition to those relating to the Company.

CAPITAL CONTRIBUTIONS AND ACCOUNTS

Other than the initial contributions required, no member is required to make additional capital contributions. A separate capital account will be maintained for each member.

TRANSFERABILITY AND DEATH

Section 11.01 of The Agreement states,

> Except as otherwise specifically provided in this Operating Agreement, a Member shall not have the right to:

a. Sell, assign, pledge, hypothecate, transfer exchange or otherwise transfer for consideration (collectively, ‘sell’) all or any part of his Membership Interest;

b. Gift, bequeath or otherwise transfer for no consideration (whether or not by operation of law, except in the case of bankruptcy) all or part of his Membership Interest.

If a member wishes to sell any or all of his/her interest, he or she must offer the interest to The Company and the remaining members. The Company and/or the remaining members will then purchase the interest. “The purchase price shall be determined in accordance with the valuation annexed as Exhibit ‘B’ hereto as of the last day of the calendar quarter preceding the selling Member’s notification of his desire to sell his Membership Interest.”

In the event of the death or disability of Robert R. Bonofiglio, his interest transfers to Robert S. Bonofiglio. In the event of death or disability of Robert S. Bonofiglio, there is a schedule of transfers to the other remaining members.

DISSOLUTION AND TERMINATION

Article XII of The Agreement states, “The Company shall only be dissolved upon the unanimous written agreement of all the Voting Members. For this purpose, the transferee of the Membership Interest of a Voting Member upon the death, insanity, retirement, resignation, expulsion, bankruptcy, or dissolution of a Member or occurrence of any other event which terminates the continued membership of a Member in the Company (a ‘Withdrawal Event’) shall not be treated as a Voting Member except with the unanimous consent of all the remaining Voting Members following such Withdrawal Event.”

THE COMPANY

The Company performs recycling and services associated with the recycling of metals. In addition, it performs grading, shipping and other processes associated with the sale and distribution of metals, utilizing B&B's machinery and fleet of trucks, as well as one outside trucker. The Company collects both ferrous and nonferrous metals from on- and off-site locations. Customers of the business include aluminum smelters, copper refineries, brass ingot makers, steel mills, foundries, plumbers and electricians. B&B has maintained long-term relationships with a number of customers.

Robert R. Bonofiglio, the decedent, was the Chief Executive Officer, primarily responsible for sales. Management has indicated that his position will not be filled.

The president of The Company is Robert S. Bonofiglio. He oversees all of the operations of B&B and is responsible for sales. He has a Bachelors degree in management science and a minor in industrial psychology. Mr. Bonofiglio has worked for The Company since high school, approximately 25 years.

Steven Bonofiglio worked for The Company on and off throughout the years, and became a full-time employee in 1989. He drives one of The Company's trucks and runs the yard when Robert S. Bonofiglio is not available.

Deborah Bonofiglio has been with The Company for 10 years. She has a Bachelors degree in marketing and is responsible for all administrative functions.

Dominick Grasso is not a member of The Company, but he is responsible for the nonferrous metal purchases. The Company also employs three additional laborers, none of whom belong to a union.

As previously discussed, B&B purchases metals, recycles them and resells them. The ferrous metal is resold to iron mills, while nonferrous metals are sold to brokers who usually export these metals outside of the United States.

The Company's largest customers in the last three years have been as follows:

LARGEST CUSTOMERS

Customer	2002 $	2002 %	2003 $	2003 %	2004 (11 months) $	2004 (11 months) %
Customer One	$ 585,388.29	26.94%	$ 583,979.89	19.46%	$ 858,241.66	21.57%
Customer Two	532,208.48	24.50%	504,578.26	16.81%	539,000.47	13.55%
Customer Three	331,216.83	15.25%	745,696.82	24.84%	396,713.15	9.97%
Customer Four	216,872.84	9.98%	384,402.19	12.81%	1,286,264.02	32.32%
Customer Five	177,966.95	8.19%	426,725.46	14.22%	760,986.40	19.12%
Other	328,947.80	15.14%	356,286.56	11.87%	138,076.60	3.47%
Total	$ 2,172,601.19	100.00%	$ 3,001,669.18	100.00%	$ 3,979,282.30	100.00%

The Company has a large dependence on several customers as indicated in the table above. But due to the high demand for metals in the last few years, this is not as risky a situation as it appears at first. At the valuation date, B&B was able to sell all of the metals it could purchase. The bigger problem was the ability to find metals to purchase. The Company does not have a reliance on any particular vendors.

At the current time, demand for B&B's products are high, because there is a shortage of scrap metal available. As long as this shortage continues, B&B's revenues will continue to improve. However, prices are tied to the commodities markets, and demand could decrease. This makes the income from this business extremely volatile.

THE ECONOMIC OUTLOOK IN GENERAL AND THE CONDITION AND OUTLOOK OF THE SPECIFIC INDUSTRY IN PARTICULAR

Generally, business performance varies in relationship to the economy. Just as a strong economy can improve overall business performance and value, a declining economy can have the opposite effect. Businesses can be affected by global, national and local events. Changes in regulatory environments, political climate, and market and competitive forces can also have a significant impact on business. Since the appraisal process is a "prophecy of the future," it is imperative that the appraiser review the economic outlook as it would impact the appraisal subject.

NATIONAL ECONOMY

The economic recovery took hold in 2003; the pace of consumer expenditures picked up, housing activity boomed, business investment turned up in the spring, and there was a marked increase in capital spending in the last half of the year. The recovery remained "jobless," however, until the fall, when growth in private employment began to resume.[4]

Output in the first quarter of 2004 continued to expand at the robust pace of 2003 and employment gains picked up sharply. In the second quarter of 2003, however, economic activity slowed to an annual rate of 3.25 percent after posting a 4.5 percent pace in the first quarter, and over the four quarters of 2003. Consumption was nearly unchanged on average between April and June, and job gains in the private sector slowed to about 100,000 per month during the summer, after averaging close to 300,000 per month in the spring.[5]

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4 Mark W. Olson, "Recent Economic Experience and Outlook," Federal Reserve Board Governor, Fraser Institute Roundtable, Toronto, Canada, Remarks, November 15, 2004.

5 Ibid.

The steep increases in oil prices, from about $30 per barrel for West Texas intermediate crude oil in December 2003 to a record level of $55 per barrel in October, has undoubtedly had an economic impact this year. Both the real purchasing power of households and business costs have been negatively affected. Overall, however, the U.S. economy was probably less vulnerable to this year's oil pricing than it was in the 1970s and early 1980s. Energy costs currently represent a smaller share of household purchases and business input costs, and higher oil prices reflect, in part, stronger growth in the rest of the world, which positively affects the economy by higher demand for U.S. products.[6]

Real Gross Domestic Product (GDP), the output of goods and services produced by labor and property located in the United States, rose at an annual rate of 3.9 percent in the third quarter of 2004, according to preliminary estimates released by the Bureau of Economic Analysis. The major contributors to this increase were personal consumption expenditures, equipment and software, exports, government spending, and residential fixed investment. Real personal consumption expenditures increased 5.1 percent in the third quarter compared with an increase of 1.6 percent in the second.[7]

Available indicators for the fourth quarter appear a little more mixed, but the general consensus of economic forecasters is that real GDP will expand in this quarter at a pace similar to that of the third quarter.[8] Table 1 shows quarterly consensus forecasts for various economic indicators:

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6 Ibid.

7 U.S. Department of Commerce, Bureau of Economic Analysis, Gross Domestic Product: Third Quarter 2004 (Preliminary), November 30, 2004.

8 "Recent Economic Experience and Outlook:" 2.

TABLE 1
KEY ECONOMIC INDICATORS
(% Growth Over Previous Quarter, Except Unemployment Rate)

	2003		2004				2005			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real GDP	7.4	4.2	4.5	3.3	3.7	**3.4**	**3.2**	**3.5**	**3.5**	**3.4**
Disposable Income	8.2	1.4	2.4	2.4	1.4	**3.7**	**2.7**	**3.5**	**3.5**	**3.4**
Personal Consumption	5.0	3.6	4.1	1.6	4.6	**2.7**	**3.0**	**3.2**	**3.1**	**3.2**
Business Investment	15.7	11.0	4.2	12.4	11.7	**10.2**	**6.0**	**8.4**	**8.0**	**7.3**
Industrial Production	3.8	5.6	6.6	4.9	2.9	**4.0**	**4.3**	**4.3**	**4.1**	**4.0**
Consumer Prices	2.3	0.7	3.6	4.7	1.9	**2.6**	**2.4**	**2.1**	**2.1**	**2.3**
Producer Prices	2.8	3.7	3.9	6.1	0.6	**4.2**	**1.5**	**0.6**	**0.4**	**0.7**
Unemployment Rate, %	6.1	5.9	5.6	5.6	5.4	**5.4**	**5.4**	**5.3**	**5.2**	**5.2**

Note: Figures in bold are forecasts.

Source: *Consensus Forecasts - USA*, November 8, 2004.

The turnaround in consumer spending for the third quarter was marked: personal consumption growth surged quarter-over-quarter. Consequently, this year's consensus forecast for consumption was upgraded due to this and other favorable consumer data. In September, the monthly personal income and consumption report showed growth compared to a small decline in August, and wages and salaries rose as well, despite disruptions from southeast hurricanes and storms. Recent labor news has also been positive; 337,000 new jobs were added to non-farm payrolls in October, and the August and September employment figures have been revised upwards.[9]

Uncertainty about inflation continues to impact the outlook for both consumer and business activity. The rise in crude oil prices, coupled with rising margins for gasoline and higher prices for natural gas, contributed to a 25 percent annual rate of increase in consumer energy prices over the first half of the year. Even though energy prices briefly declined during the summer, the latest indicators are pointing to significant increases in energy prices again this quarter. As a result, headline consumer price inflation as measured by

9 *Consensus Forecasts - USA*, November 8, 2004.

the personal consumption expenditures price index, rose at an annual rate of 2.5 percent over the first three quarters of this year, up from 1.75 percent in each of the past three years.[10]

As expected, the Fed raised interest rates for the fourth time on November 10th. Now that the economic expansion seems to have taken hold, their goal is to transition to a policy stance more appropriate for sustained economic activity by maximizing economic growth while maintaining price stability. Keeping inflation low and stable is an important contributor to this.[11]

Looking ahead, the Fed's outlook is favorable: monetary policy remains accommodative, financial conditions in general look to be supportive of continued solid economic expansion, and, robust growth in underlying productivity should continue to support income growth and economic activity. Nevertheless, an obvious source of risk for the expansion continues to be the behavior of energy prices. And this outlook remains uncertain. Growing concerns about the long-term supply coupled with increased demand from China, India, and other emerging-market economies have fueled an increase in future prices of oil. Both the global demand for oil and the availability of new supplies are difficult to predict.[12]

These factors have affected consumers' outlooks as indicated by the Consumer Confidence Index. This Index posted another loss in November following an October decline. Consumers' short-term outlook continues to lose ground; those anticipating conditions to worsen in the next six months increased from 10.5 percent to 11.9 percent, while those expecting business conditions to improve decreased from 20.7 percent to 19.3 percent. The employment outlook was also more cautious; consumers expecting fewer jobs to become available in the next six months rose to 19.7 percent from 18.3 percent, while those anticipating more jobs to become available remained the same.[13]

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[10] "Recent Economic Experience and Outlook:" 3.

[11] Ibid.: 5.

[12] Ibid.: 3.

[13] The Conference Board, "Consumer Confidence Index Declines in November," November 30, 2004.

REGIONAL ECONOMY

The appraisal subject's business is located in Some County, New Jersey. Some County is one of the 21 counties in New Jersey and its 2002 population of 666,111. In 2002, per capita personal income was $35,123; this represented 89 percent of the state average of $39,461, and 114 percent of the national average of $30,906.[14]

Although for the most part the regional short-term outlook mirrors that of the nation and state, the national slowdown in employment growth in the first half of 2004 did not have the same impact in New Jersey. Job gains were not curtailed; in fact, New Jersey experienced record employment levels in 2004 in all three regions: Northern, Southern, and Atlantic Coastal. In addition, the state's jobless rate stayed below the national rate for the 18th consecutive month as of October 2004. In 2005, job growth in the Northern Region is expected to continue at a moderate pace. The downward trend in manufacturing jobs, however, is expected to continue as fierce competition and improved technology force many companies to lower operating costs through staff reductions and relocations.[15]

Some County is part of the Northern New Jersey region. In 2004, non-farm employment for the 11-county region turned around and posted an increase after three years of losses. An improved economy and growing population resulted in significant gains in the areas of government, professional and business services, education, health and social services. Losses, however, were recorded in manufacturing, trade, transportation and utilities, and information.[16] Manufacturing employment fell 6.1 percent in 2004, much higher than the statewide loss of 1.8 percent. Even though the county's unemployment rate improved over the same period a year ago, it was still higher than both the statewide and national rates. Overall, the outlook for 2005 is favorable if Some County's economy continues on the same path as the last nine months.[17]

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14 Bureau of Economic Analysis, "Bearfacts 1992-2002: Some County, New Jersey," www.bea.doc.gov/bea/regional/bearfacts

15 *New Jersey Economic Indicators*, November 2004: 1.

16 Ibid.: 12.

17 Ibid.: 16.

INDUSTRY

The business of the appraisal subject is scrap metal recycling, involving both ferrous and nonferrous metals. Ferrous metals include iron and steel, which can be processed and remelted repeatedly for the manufacture of an almost unlimited number of new objects. Nonferrous metals are those that contain little or no iron. They include aluminum, copper, lead, zinc, precious metals, magnesium, special metals such as titanium, and metal alloys, such as brass and bronze.

FERROUS SCRAP

Ferrous scrap is of three types: (1) obsolete or old scrap - coming from old automobiles; household appliances; farm, office, and industrial equipment; ships and railroad cars; and buildings and bridges; (2) industrial scrap or new (prompt) scrap - generated in manufacturers' plants and including such items as leftover stampings from drilling a hole for an automobile or making an appliance part; and (3) home scrap - resulting from the manufacture of new steel products by steel mills and foundries. Home scrap rarely leaves the plant and is returned to the furnace on site and melted again.[18]

The ferrous scrap industry is composed of three levels of expertise. Processors buy the scrap from a variety of sources and process it at their plants and facilities for re-use. Industrial consumers include the mills and foundries that purchase the processed scrap and ultimately manufacture a new product from it. Brokers are the intermediaries between the processors and industrial consumers/users of scrap. The brokers assist the processors in locating markets for their prepared scrap and assist the industrial consumers in finding a supply of the ferrous scrap products they need to run their manufacturing operations.[19]

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18 Institute of Scrap Recycling Industries, Inc., *Recycling Scrap Iron and Steel*, <www.isri.org/industryinfo/brochures>.

19 Ibid.: 2.

The benefits of using recycled iron and steel instead of virgin ore to make new steel include: 70 percent savings in energy; 90 percent savings in virgin materials use; 86 percent reduction in air pollution; 40 percent reduction in water use; 76 percent reduction in water pollution; 97 percent reduction in mining wastes; and, 105 percent reduction in consumer waste generated.[20] Table 2 shows the steel recycling rates for 2003 for various products:

TABLE 2
STEEL RECYCLING RATES - 2003

Product	Amount Recycled	Recycling Rate
Containers	18.2 billion cans; 1.5 million tons	60.2%
Automotive	14.5 million tons	102.9%
Appliance	46 million appliances	89.7%
Construction	specifics not available	96.0%
Overall	70 million tons	70.7%

Source: American Iron & Steel Institute; www.steel.org/facts/recycling.htm.

As Table 2 indicates, in 2003, the domestic steel industry recycled about 70 million metric tons (Mt) of appliances, automobiles, cans, construction materials, and other steel products. This resulted in an overall recycling rate of nearly 71 percent.

In 2003, brokers, dealers, and other outside sources supplied domestic consumers with 47.7 Mt of ferrous scrap at an estimated delivered value of more than \$5.8 million and exported 10.8 Mt (excluding used rails, ships, boats, other vessels) valued at \$1.9 billion. This represented a tonnage decrease of 8 percent for received quantities and a tonnage increase of 19 percent for exported quantities. The value of received scrap grades increased by 23 percent and that of exported scrap grades increased by more than 58 percent during 2003.[21]

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20 Ibid.: 3.

21 Michael D. Fenton, "Iron and Steel Scrap," U.S. Geological Survey Minerals Yearbook-2003: 39.2.

The average composite price of No. 1 heavy-melting steel scrap, calculated from prices per long ton published monthly by *American Metal Market*, was $122.93 per metric ton in 2003. The price ranged from a low of $106.13 per metric ton in June to a high of $159.88 in December. The unit value of total ferrous scrap exports (excluding used rails, ships, boats, other vessels) increased by more than 24 percent to about $180 per metric ton compared with that of 2002. The unit value of total imports, which was about $151 per metric ton, was about 24 percent more than that of 2002.[22]

Prices of No. 1 heavy-melting steel scrap hit a high of $250.05 in March, dropped to a low of $165.00 in June, then rebounded to $237.37 in October.[23] The springtime downward trend in ferrous scrap pricing reversed sharply in July, as prices for all grades of ferrous scrap zoomed back up in the summer months. Observers agreed that global demand has remained strong even as the traditional summer downtime hit North America and Western Europe.[24]

A market of historically high scrap prices has steelmakers scrambling to figure out how to best maintain their margins. Some steelmakers are aggressively seeking out lower-cost grades. Mill buyers in the northern United States and Canada are faced with the additional task of building stockpiles to last through the winter, while mills in the southern United States may soon tap into storm cleanup debris resulting from hurricane season. The Chinese government has taken steps to slow down its economic growth and caused scrap exporters to maneuver through a new customs registration process, but Chinese mills are nonetheless producing significant amounts of steel. An overriding concern for ferrous scrap recyclers and consumers is ensuring that there is enough scrap to go around.[25]

Over the last 24 months, the global steel industry has prospered, resulting in an increased demand for the ferrous scrap grades produced at the nation’s auto shredding facilities. Recycling companies have responded by upgrading existing plants and replacing some

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22 Ibid.

23 Michael Fenton & Sirirat Harris, “Iron and Steel Scrap in October 2004,” *Mineral Industry Surveys*, December 2004: 12.

24 Brian Taylor, “Ferrous Department,” September 2004, <www.recyclingtoday.com>.

25 Brian Taylor, “Ferrous,” October 2004, <www.recyclingtoday.com.>

older shredder models. In the U.S., the revival of the ferrous scrap sector has been largely attributable to the obsolete scrap supply, since prompt scrap volumes are not increasing noticeably. Much of the obsolete scrap is funneled through shredding plants that are operating as many hours a day as plant managers can sustain.[26]

In its latest *World Steel Outlook*, MEPS forecasts world production of crude steel this year reaching 1.035 billion metric tons, an increase of 7.5 percent from 2003. This implies a rise in demand for purchased scrap of about 25 million metric tons. Increased production of steel results in an expanded supply of new production scrap, but the availability of other grades is more uncertain. Steelworks' own scrap is diminishing as the yield of finished product from liquid steel improve. The outlook for obsolete scrap is problematic; high prices have simulated an increase in the recovery rate in those industrial countries where the reserves exist. However, the rise in demand could accelerate to the point at which there are no old buildings to demolish.[27]

According to a recent report in *USA Today*, prices for scrap steel had more than quadrupled since 2001. This huge demand for scrap has touched off an international wave of thefts of anything with a high steel content. Thieves around the world are swiping manhole covers, storm drain grates, light poles, guardrails, and all things metallic to cash in on skyrocketing scrap-metal prices. In November, more than 150 manhole covers disappeared from alleys in Chicago.[28]

At the Bureau of International Recycling (BIR) Ferrous Division and Shredder Committee Round-Table discussion in October, Steve Mackrell, Director of Operations at the London-based Iron & Steel Statistics Bureau, forecast that the global requirement for merchant scrap was likely to reach 388 million tons by 2010; the figure for 1998 was 235 million tons. Chinese steel production continues to show solid growth despite government measures to

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26 Brian Taylor & DeAnne Toto, "Working Overtime," October 2004, <www.recyclingtoday.com>.

27 "Steel Scrap Supply Will Remain Under Pressure in Medium Term," November 11, 2004; <www.recyclingtoday.com>.

28 Jim Lucy, "Top Ten News Stories of 2004," *Electrical Wholesaling*, December 1, 2004.

slow down the domestic economy and, according to Mr. Mackrell, could remain in a steel-intensive mode for possibly another 20 years.[29]

NONFERROUS SCRAP

Nonferrous scrap is generated from two principal sources: (1) industrial or new scrap - a by-product of the manufacturing process; and (2) obsolete scrap - the discarded, dismantled, worn-out metallic elements such as copper cable, or copper or brass pipe taken from an old building. Aluminum is recovered from used beverage cans and building siding, platinum from automobile catalytic converters, gold from computers, nickel from stainless steel appliances, and silver from spent photographic film.[30]

Similar to ferrous scrap, recycling nonferrous scrap has economic and environmental benefits. Recycling these metals provides a virtually unlimited supply for future use because they can all be remelted and fabricated into new products repeatedly, billions of cubic feet of landfill space are conserved, and significant energy savings result.[31]

The nonferrous recycling industry operates slightly differently than the ferrous recycling industry. Scrap is purchased from a wide variety of sources, including industrial plants, government facilities, utility companies, farms and auto dismantlers. These sources sell their scrap directly to two possible outlets: scrap processors or metallic consumers/ users. Scrap processors identify, sort, and process the scrap before shipping the scrap to an intermediate metallic scrap user, an end user, or an export market. Intermediate metallic scrap users are smelters or refiners who melt and manufacture the scrap to certain specifications in a specific form, such as ingots, notch bars, molten metal, shot, and wire bar. End users, or industrial consumers, purchase scrap either directly from scrap sources

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29 Bureau of International Recycling, “Statistics Support a Bright Future for Ferrous Scrap,” October 29, 2004, <www.bir.org/publications/news>.

30 Institute of Scrap Recycling Industries, Inc., *Recycling Nonferrous Scrap Metals*, <www.isri.org/industryinfo/brochures>.

31 Ibid.: 2.

or from intermediate metallic users, and include foundries, die casters, mills, fabricators, and manufacturers. These end users utilize various techniques to make metal suitable for the manufacture of metal products or semi-finished metal goods and sell them to factories making industrial and consumer goods. The last market, the export market, accounts for a significant tonnage of nonferrous scrap.[32]

Aluminum, a comparatively new metal produced in commercial quantities for less than 100 years, is second only to iron in world consumption. Primary sources of obsolete aluminum scrap are beverage cans, aircraft, automobiles, trucks, appliances, furniture, and electric utilities.[33] Table 3 indicates the amounts of aluminum recovered from purchased scrap.

TABLE 3
ALUMINUM RECOVERED FROM SCRAP
(IN MILLION TONS)

	1999	2000	2001	2002	2003
New Scrap	2.1	2.4	1.9	1.8	1.7
Old Scrap	1.4	1.6	1.3	1.2	1.1
Total Recovered	3.5	4.0	3.2	3.0	2.8
% of Consumption	20%	20%	20%	20%	17%

Source: U.S. Geological Surveys, Mineral Commodities Summaries, 1999 through 2004.

The price of aluminum scrap has fluctuated over the last few years. Table 4 shows the price trends for the period from 1999 through 2003.

TABLE 4
ALUMINUM SCRAP PRICES AT YEAR-END
(CENTS PER POUND)

Source	1999	2000	2001	2002	2003
Mixed low-copper-content clips	53.5 to 54.5	47.5 to 48.5	44 to 45	51 to 52	57 to 58
Old sheet & cast aluminum	48.5 to 49.5	38.5 to 39.5	41 to 42	48 to 49	54 to 55

32 Ibid.: 5.

33 Ibid.: 6.

Clean dry aluminum turnings	48.5 to 49.5	40 to 41	40.5 to 41.5	48 to 49	53 to 54
Used beverage can	57 to 59	53 to 54	44 to 45	49 to 51	53.5 to 55

Source: U.S. Geological Surveys, Minerals Yearbooks, 1999 through 2003.

Copper, a red metal, is widely used for its electrical and thermal conductivity, its chemical stability, and its workability. Automobile radiators, telephone and utility wire and cable, tubing, electrical motors, generators, plumbing fixtures, and railroad equipment are major sources of obsolete red metals.[34] The amount of copper recovered from scrap processed in the U.S. is shown in Table 5.

TABLE 5
COPPER RECOVERED FROM SCRAP
(METRIC TONS)

Type of Scrap	1999	2000	2001	2002
New Scrap:				
Copper-base	903,000	906,000	795,000	805,000
Aluminum-base	46,200	45,500	38,300	37,100
Nickel-base	94	18	18	18
Total new scrap:	**949,294**	**951,518**	**833,318**	**842,118**
Old Scrap:				
Copper-base	349,000	334,000	292,000	183,000
Aluminum-base	31,200	28,400	24,000	24,000
Nickel-base	44	170	173	178
Zinc-base	31	32	29	29
Total old scrap:	**380,275**	**362,602**	**316,202**	**207,207**
Total	**1,329,569**	**1,314,120**	**1,149,520**	**1,049,325**

Source: U.S. Geological Surveys, Minerals Yearbooks, 1999 through 2002.

Lead, used primarily in batteries for energy storage, is also used in ammunition and electrical cable sheathing. As a percent of output, lead is the most recycled metal with

34 Ibid.

scrapped batteries accounting for the majority of recovered lead.[35] During the period 1997 through 2001, the lead-acid battery industry recycled 97.1 percent of the available lead scrap from spent lead-acid batteries.[36]

Nickel is a vital element for use in steel alloys because of its ability to add strength and corrosion resistance over a wide range of temperatures. The most common form of stainless steel contains 18 percent chromium and 8 percent nickel. Superalloys, which are usually nickel-based, contain more than 50 percent nickel, and are used for such items as aircraft turbines requiring high temperature strength.[37]

Prices for nickel-bearing scrap increased almost continuously during 1999 due to improved global demand and a lessening of economic problems in East Asia. Reduced exports of Russian scrap added to the upward pressure on primary and secondary prices. This situation reversed itself over the course of 2000, with prices decreasing almost continuously during the second half of 2000 and most of 2001.[38] Prices came back up in 2002 and continued to rise through 2003.[39]

Chinese demand has been cited for the surge in the prices of metals such as copper, recently at a near 10-year high, aluminum at a nine-year high, and lead at an 11-year high. Although China has some commodities of its own, they are nowhere near enough for its needs.[40] During the first nine months of the year, China imported 3.6 million tons of scrap nonferrous metals, including 2.8 million tons of scrap copper, 749,800 tons of scrap aluminum and 52,800 tons of scrap zinc. China's output of nonferrous metals is expected to reach 13.8 million tons this year, compared to last year's total figure of 12.3 million tons.

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35 Ibid.: 7.

36 U.S. Geological Surveys, "Lead," *Minerals Yearbook - 2003*: 43.4.

37 *Recycling Nonferrous Scrap Metals*: 7.

38 U.S. Geological Surveys, "Nickel," *Minerals Yearbook - 1999, 2000, 2001.*

39 U.S. Geological Surveys, "Nickel," *Mineral Commodity Summary*, 2004.

40 "Commodities are For More Than Just Gold," *Investment Adviser*, October 18, 2004.

Despite the increase, the country reports that it is short of such nonferrous metals as copper, aluminum and zinc.[41]

Copper hit $1.44 per pound on the spot market in November, after averaging 75 cents per pound for the past five years. Smith Barney expects copper prices to settle down to an average price of $1.10 per pound in 2005 and 2006.[42] Dan Vaught, an analyst with A.G. Edwards, however, predicts that copper may retest its 2004 record highs some time in the first half of 2005 because of Asia's continued economic growth and strong demand. According to Vaught, the Copper Industry Standards Group forecasts a 300,000 metric ton net drop in 2005, and prices will have to go higher to ration demand at some point.

Nickel and stainless steel scrap prices have been on a roller-coaster throughout 2004 and further volatility appears inevitable in 2005, according to Sandro Guiliani, Chairman of the BIR Stainless Steel & Special Alloys Round-Table. The constant production growth experienced by the stainless steel industry included an 11.2 percent increase last year to 22.5 million tons, with analysts predicting totals of 24.3 and 26.8 million tons for 2004 and 2005, respectively. Extreme volatility was also emphasized by Barry Hunter of Hunter-BenMet Assoc. in his report on the U.S. market.[43]

According to speakers at the Nickel-Stainless Roundtable, demand from China and reviving U.S. and Japanese economies should keep nickel prices aloft and demand strong for stainless steel scrap. The outlook for nickel is still fundamentally strong for the next two years since the production of mined nickel ore is not scheduled to increase until 2006 with a planned mine and smelter expansion. Between 2007 and 2010, two major production facilities should additionally help the supply of nickel ore.[44]

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41 "China's Output of Secondary Metals Surges First Nine Months," November 23, 2004, <www.recyclingtoday.com>.

42 "Top Ten News Stories."

43 "Dramatic Fluctuations Appear Set to Continue (Stainless Steel & Special Alloys)," BIR News, October 29, 2004, <www.bir.org/publications/news>.

44 Brian Taylor, "Nonferrous," October 2004, <www.recyclingtoday.com>.

CONCLUSION

Forecasting the future of this industry is extremely difficult due to the dynamic growth it has experienced over the last few years.

According to Tom Stundza of *Purchasing*,

> Prices - - already at or near record highs - - are expected to rise further, although the rate of growth is unclear. The supply base - - which has undergone capacity cutbacks - - is expected to mutate further, making the ultimate sources of some materials uncertain.
>
> Upshot: Trying to gauge next year's trends in commodity prices is going to be challenging because there are many other uncertainties still affecting the global economic outlook for 2005. Prices can be affected by conditions ranging from geopolitical tensions to volatile energy prices, from erratic industrial activity to sliding, inconsistent construction behavior, from tentative monetary and fiscal policies to unsettled trade deficits/surpluses.[45]

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45 Tom Stundza, "Seeking Balance; Output Will Struggle to Match Consumption. That's Why Insiders See Price Growth Staying Above Long-Term Averages," *Purchasing* (October 7, 2004).

BOOK VALUE OF THE STOCK AND FINANCIAL CONDITION OF THE BUSINESS

There were no financial statements available as of the valuation date, however financial statements existed as of November 30, 2004, which is four days before the valuation date. Management indicated that there were no substantial transactions between those dates.

The historic financial statements for B&B are presented in Schedules 1 and 2 at the end of the report. The book value as of the valuation date was $1,367,888. However, book value is not necessarily representative of fair market value.

A valuation is a "prophecy of the future." Although a willing buyer looks at the historic results of a business, he or she will use these results to determine what the prospects are for the future. The appraiser uses various analytical tools in the valuation process, such as common size financial statements. Common size statements allow the appraiser to analyze historic trends in a company's performance, as well as to create a basis for comparison with similar companies.

B&B's activities can be classified in Standard Industrial Classification (SIC) Code 5093 which is described by the Occupational Safety and Health Administration (OSHA) of the U.S. Department of Labor, as follows:

> **5093 Scrap and Waste Materials**
>
> Establishments primarily engaged in assembling, breaking up, sorting, and wholesale distribution of scrap and waste materials. This industry includes auto wreckers engaged in dismantling automobiles for scrap.

Business Profiler, compiled by Integra Information, Inc., was used to gather data about businesses in this SIC Code. The data compiled by Integra was collected from numerous government data sources, including, but not limited to *IRS Corporate Source Book*, Form 10K and Form 10Q filings for public companies, U.S. Census Bureau, and various regional databases. A search of the *Business Profiler* database indicated that there was financial information for 726 companies in SIC Code 5093 with sales ranging from $2,500,000 to

$4,999,999. Averages of the financial information compiled for these companies will be used in this analysis as a benchmarking tool for comparisons between The Company and the industry in which it operates.

Table 5 presents the common size balance sheet of B&B, along with an industry comparison to data from *Business Profiler*.

TABLE 5
B&B IRON AND METAL
COMMON SIZE BALANCE SHEET
AS OF

	December 31,						November 30,	
	1998	1999	2000	2001	2002	2003	2004	INTEGRA
Current Assets								
Cash	0.00%	0.03%	13.16%	31.20%	0.00%	79.34%	82.91%	11.17%
Marketable Securities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.31%
Accounts Receivable	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	25.37%
Inventories	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	35.45%
Prepaid Expenses	2.61%	3.55%	2.73%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Current Assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.26%
Total Current Assets	2.61%	3.58%	15.89%	31.20%	0.00%	79.34%	82.91%	75.80%
Fixed Assets								
Building & Improvements	3.44%	4.80%	5.71%	6.86%	15.29%	6.76%	0.61%	n/a
Machinery & Equipment	144.84%	207.29%	261.71%	334.57%	772.81%	348.95%	47.17%	n/a
Gross Fixed Assets	148.28%	212.09%	267.42%	341.44%	788.10%	355.71%	47.78%	28.39%
Accumulated Depreciation	50.90%	115.67%	183.31%	272.64%	688.10%	335.05%	30.69%	-14.90%
Net Fixed Assets	97.39%	96.42%	84.11%	68.80%	100.00%	20.66%	17.09%	13.42%
Other Assets								
Intangible Assets (Net)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.33%
Other Assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	8.38%
Total Other Assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	10.71%
TOTAL ASSETS	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Note: Figures may not add due to rounding.

TABLE 5
B&B IRON AND METAL
COMMON SIZE BALANCE SHEET
AS OF

	December 31,						November 30,	
	1998	1999	2000	2001	2002	2003	2004	INTEGRA
Current Liabilities								
Accounts Payable	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	23.51%
Long-Term Debt - Current Portion	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.96%
Payroll Taxes Payable	0.72%	8.41%	2.72%	0.42%	3.10%	1.54%	0.19%	-
Cash Overdraft	0.33%	7.27%	0.00%	0.00%	6.63%	0.00%	0.00%	-
Equipment Payable	17.72%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-
Other Current Liabilities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.74%
Total Current Liabilities	18.77%	15.68%	2.72%	0.42%	9.73%	1.54%	0.19%	33.28%
Long-Term Liabilities								
Long-Term Debt	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	11.17%
Notes Payable	19.76%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Loans from Stockholders	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.01%
Other Liabilities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.47%
Total Long-Term Liabilities	19.76%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	13.65%
Total Liabilities	38.53%	15.68%	2.72%	0.42%	9.73%	1.54%	0.19%	46.94%
Total Members' Equity	61.47%	84.32%	97.28%	99.58%	90.27%	98.46%	99.81%	53.14%
TOTAL LIABILITIES AND MEMBERS' EQUITY	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Note: Figures may not add due to rounding.

B&B's total assets increased dramatically from December 31, 2003 to November 30, 2004 due to a large build up in cash. B&B reports its income on a cash basis of accounting, which means that expenses are not recorded until paid.

In addition, due to the nature of The Company's accounting, it does not report certain assets and liabilities on the balance sheet, such as accounts receivable, accounts payable and inventory. As a result, it is difficult to compare The Company's historic balance sheet with the industry.

In order to compare B&B's balance sheet to the industry, certain adjustments must be made to reflect the balance sheet on an economic basis. These adjustments are presented in Table 6.

TABLE 6
BALANCE SHEET NORMALIZATION

	Historic	Adjustments	Adjusted
Current Assets			
Cash[1]	$ 1,136,252	$ (961,020)	$ 175,232
Accounts Receivable[2]	-	200,743	200,743
Inventories[3]	-	289,354	289,354
Total Current Assets	$ 1,136,252	$ (470,923)	$ 665,329
Fixed Assets			
Building & Improvements[4]	$ 8,393	$ (8,393)	$ -
Machinery & Equipment[4]	646,476	(46,161)	600,315
Gross Fixed Assets	$ 654,869	$ (54,554)	$ 600,315
Accumulated Depreciation[4]	420,589	(420,589)	-
Net Fixed Assets	$ 234,280	$ 366,035	$ 600,315
TOTAL ASSETS	**$ 1,370,532**	**$ (104,888)**	**$ 1,265,644**

TABLE 6
BALANCE SHEET NORMALIZATION

	Historic	Adjustments	Adjusted
Current Liabilities			
Accounts Payable[5]	$ -	$ 5,245	$ 5,245
Payroll Taxes Payable	2,644		2,644
Total Liabilities	$ 2,644	$ 5,245	$ 7,889
Total Members' Equity	1,367,888	(110,133)	1,257,755
TOTAL LIABILITIES AND MEMBERS' EQUITY	**$ 1,370,532**	**$ (104,888)**	**$ 1,265,644**
Nonoperating Assets			
Excess Cash	$ -	$ 961,020	$ 961,020
CSV Life Insurance[6]	-	105,853	105,853
Total Nonoperating Assets	**$ -**	**1,066,873**	**$ 1,066,873**

1. The Company had a large cash build up at November 30, 2004. It did not need this large amount of cash for operations and the excess cash is considered to be nonoperating.

In order to determine the amount of cash needed for operations, the appraiser analyzed B&B's current and quick ratios, as well as its cash turnover ratio and compared them to the industry composite date. The following ratios were calculated:

	B&B	Industry
Quick Ratio	169.48	1.12
Current Ratio	206.15	2.28
Cash Turnover Ratio	6.45	29.32

To calculate a normalized level of cash necessary for operations, the appraiser calculated how much cash would be necessary to result in an industry cash turnover ratio of 29.32. This amount is $175,232, which puts The Company's turnover ratio in line with the industry. Although the quick and current ratios (as adjusted) are higher than the industry norm, B&B needs cash to operate. The excess cash was reclassified as a nonoperating asset and will be considered later in the analysis.

2. As previously discussed, B&B reports its financial statements on a cash basis and therefore, accounts receivables are not recorded on the books. The Company indicated that accounts receivable as of November 30, 2004 are $334,572. However, as these funds are collected, taxes have to be paid. The appraiser estimated a tax rate of 40 percent, and adjusted the balance sheet to reflect net accounts receivable of $200,743.

3. Inventory was treated similarly to accounts receivable. The Company's inventory amounted to $482,256. After tax-effecting this figure, net inventory amounted to $289,354.

4. The Company owns fixed assets that have been purchased since the 1950s, but are still in use. Other assets have been depreciated using accelerated methodologies allowable under the Internal Revenue Code, and therefore the assets do not represent the fair market value of the assets.

   We were provided with a list of the fixed assets owned by B&B, along with their current values as determined by the client, indicating a value in use of $600,315. We tested these values for reasonableness utilizing straight-line depreciation, estimated useful lives and a 15 percent salvage value and determined a value of $443,485. We utilized management's estimate based on their familiarity with the industry and the equipment.

5. Accounts payable was treated similarly to accounts receivable. The Company's accounts payable and accrued expenses amounted to $8,742. After tax-effecting this figure, net accounts payable amounted to $5,245.

6. The Company owns life insurance policies on Robert S. Bonofiglio, Steven Bonofiglio, Deborah Bonofiglio and Dom Grasso. The Company owns these policies and is the beneficiary of them. The total cash surrender values amount to $105,853 at the valuation date. These are considered to be nonoperating as they are not

needed for the day to day operations of The Company. They have been removed from the balance sheet and will be added back at the end of the analysis.

As a result of the balance sheet analysis, the adjusted book value of the net tangible operating assets is $1,257,755, and the value of the nonoperating assets is $1,066,873.

The historic income statements reflect that revenues have grown from approximately $2.3 million in 1998 to almost $4 million for the 12 months ended November 30, 2004, a compound annual rate of growth of approximately 9.5 percent. Revenue growth was fairly steady through 2002, but increased by almost $1 million in 2003, and another $1 million in 2004, due primarily to an increase in demand.

The Company is a limited liability company that reports its income and expenses in a similar fashion as a partnership. As a result, the members pay tax on the profits and losses reported in the tax returns rather than being paid a salary. To reflect a more economic income level of The Company, and to be able to compare B&B's income statement to its industry peers, the appraiser normalized the financial statements. The process of normalization is intended to reflect The Company's financial statements on an economic level; to reflect those items as a willing buyer would expect to see them as a result of normal operations. The income statement normalization is presented in Table 7.

TABLE 7
INCOME STATEMENT NORMALIZATION

	December 31, 2000	December 31, 2001	December 31, 2002	December 31, 2003	LTM[F] Nov. 30, 2004
Historic Net Income (Schedule 2)	$ 265,524	$ 267,667	$ 277,794	$ 377,694	$ 1,216,184
Adjustments					
Depreciation/Amortization Expense[1]	17,175	18,775	8,414	82,808	(35,262)
Officers' Compensation - Addback[2]	250,717	212,218	302,756	261,786	175,648
Officers' Compensation - Reasonable[2]	(168,031)	(155,399)	(146,516)	(172,362)	(205,183)
Other Salaries and Wages[2]	(129,612)	(133,501)	(137,506)	(81,471)	-
Rent Expense[3]	(68,307)	(70,356)	(72,467)	(74,641)	(76,880)
Life Insurance Premiums[4]	8,194	8,194	8,194	8,194	8,194
General Insurance Expense[5]	-	-	4,379	68,645	(19,253)
ADJUSTED PRETAX NET INCOME	$ 175,660	$ 147,598	$ 245,048	$ 470,653	$ 1,063,448
Income Taxes[6]	61,401	48,916	92,272	187,979	424,741
ADJUSTED HISTORIC NET INCOME	**$ 114,259**	**$ 98,682**	**$ 152,776**	**$ 282,674**	**$ 638,707**

[F] LTM = latest 12 months.

1. The tax laws provide a company with the ability to accelerate depreciation on certain assets. B&B has taken advantage of these Section 179 deductions. This adjustment adds back the accelerated depreciation and adjusts it to a more economic write off of the assets

2. As mentioned previously, the members of The Company do not pay themselves salaries, although they work for The Company. Their salaries are in the form of guaranteed payments and a share of the profits. In addition, during the period analyzed, a member became an employee and an employee became a member.

   The owners' compensation addback includes all guaranteed payments to members along with the salary paid to the employee who became a member.

   The next step in the analysis was to determine reasonable compensation for Robert, Deborah and Steven Bonofiglio who all work for The Company.

   Robert Bonofiglio, who has worked for The Company since he was in high school runs all operations of The Company except the office. Therefore, his salary was deemed to be the equivalent of officer's compensation. To determine this amount, we utilized data from Integra Information, which consists of information compiled from 726 companies in SIC 5093 with sales between $2.5 and $4.999 million dollars. Based on this information, officer's compensation as a percentage of sales was as follows:

2003	3.1
2002	3.1
2001	3.2
2000	3.3
1999	3.4

Deborah Bonofiglio is the office manager and bookkeeper. To determine her salary we utilized *New Jersey Occupational Wages.*[46] According to this source, the median salary for Front Line Supervisors/Managers of Office and Administrative Support Workers in Hudson County was $47,980. This was confirmed with data provided by Payscale,[47] which reported that bookkeepers/managers in Hudson County were paid $41,000 +/- $6,000.

We utilized the data from the NJ Department of Labor for 2003. We inflated this by 3 percent for 2004, and deflated it by 3 percent for the earlier years to reflect cost of living adjustments.

We utilized the same sources to determine a salary for Steven Bonofiglio. The category in the *New Jersey Occupational Wages* document that was relevant was Refuse and Recyclable Material Collectors. The median salary in this category was $31,330. This was confirmed by Payscale that reported a salary (calculated from hourly rate provided) of $29,120 +/- $4,160.

46 Published by New Jersey Department of Labor in February 2005 utilizing wage data from 2001, Fall 2002, Spring 2003 and Fall 2003.

The final adjustment made was to account for a salary for Dom Grasso who was a member until mid-2003, and then became an employee. We utilized his salary for 2004 and deflated it by 3 percent for the earlier years to reflect cost of living increases.

3. A related party owns the property that B&B utilizes. B&B has been paying all of the expenses for the real estate, but has not been paying rent at a fair market rate. According to the real estate appraisal performed by Mark Wm. Jansan CTA, fair market rent for the property for 2004 was $76,880. This was deflated by 3 percent in the earlier years to reflect cost of living.

4. The Company owns life insurance policies on Robert Bonofiglio, Deborah Bonofiglio, Steven Bonofiglio, and Dom Grasso, and pays the annual premiums. These assets are considered to be nonoperating, and therefore the premiums are considered to be a nonoperating expense and have been added back.

5. For the last few years, commercial insurance premiums for the current year were paid at the end of the prior year. This adjustment matches the premium expense with the year it is for.

6. B&B is a limited liability company (LLC), which means that The Company pays no income taxes on the state or federal level. Instead, income is passed through to the members and tax is paid at an individual level.

   Historically, The Company has been profitable, and although it has not distributed 100 percent of net income, it has made distributions to its members.

   In an LLC, the members pay tax on the net income generated by a company whether they receive it in the form of cash or not. If a company does not make distributions at least equal to the tax liability of the members, then the members are disadvantaged, as they must find other funds with which to pay their taxes. Therefore, it is assumed that at a minimum, unless a company does not have the cash available to make distributions to members, it will distribute an amount at least equal to the amount of cash needed for personal taxes.

Based on the adjusted net income calculated in Table 7, the members' personal tax rate is approximately the same as the corporate tax rate The Company would pay if it was a C corporation. Therefore, corporate tax rates were utilized in the normalization process.

The amount of tax calculated has been deducted from The Company's adjusted pretax income to reflect the amount of cash that would be distributed by The Company to allow its members to pay their taxes, with the balance being available for either reinvestment in The Company or as a return to the members.

Table 8 displays The Company's income statement on an adjusted basis.

TABLE 8
ADJUSTED INCOME STATEMENT

	December 31,				LTM November 30,
	2000	**2001**	**2002**	**2003**	**2004**
Total Revenues	$ 2,892,450	$ 2,443,680	$ 2,172,368	$ 3,001,669	$ 3,983,674
Total Cost of Sales	1,998,096	1,605,341	1,264,789	1,810,197	2,132,245
Gross Profit	$ 894,354	$ 838,339	$ 907,579	$ 1,191,472	$ 1,851,429
Total Operating Expenses	727,718	702,557	664,963	724,207	794,686
Operating Income	$ 166,636	$ 135,782	$ 242,616	$ 467,265	$ 1,056,743
Total Other Income	9,024	11,816	2,432	3,388	6,705
Income Before Taxes	$ 175,660	$ 147,598	$ 245,048	$ 470,653	$ 1,063,448
Income Taxes	61,401	48,916	92,272	187,979	424,741
NET INCOME	**$ 114,259**	**$ 98,682**	**$ 152,776**	**$ 282,674**	**$ 638,707**

The Company's revenues declined from 2000 to 2002 as demand declined. However revenues increased in 2003, as well as in the latest 12 months by almost one million dollars per period. At the same time, net income increased, although at a greater rate in the latest 12 months than the prior year.

These changes are demonstrated in Table 9 which reflects the common size adjusted income statement.

TABLE 9
COMMON SIZE ADJUSTED INCOME STATEMENT

	December 31, 2000	2001	2002	2003	LTM November 30, 2004
Total Revenues	100.00%	100.00%	100.00%	100.00%	100.00%
Total Cost of Sales	69.08%	65.69%	58.22%	60.31%	53.52%
Gross Profit	30.92%	34.31%	41.78%	39.69%	46.48%
Total Operating Expenses	25.16%	28.75%	30.61%	24.13%	19.95%
Operating Income	5.76%	5.56%	11.17%	15.57%	26.53%
Interest Expense	0.00%	0.00%	0.00%	0.00%	0.00%
Total Other Income	0.31%	0.48%	0.11%	0.11%	0.17%
Income Before Taxes	6.07%	6.04%	11.28%	15.68%	26.70%
Income Taxes	2.12%	2.00%	4.25%	6.26%	10.66%
NET INCOME	**3.95%**	**4.04%**	**7.03%**	**9.42%**	**16.03%**

Note: Figures may not add due to rounding.

As can be seen in Table 9, The Company's gross profits as a percentage of sales decreased from 2002 to 2003, and increased in the latest 12 months. The Company's gross profit is almost double the industry's gross margin indicating strength in its pricing.

Operating expenses increased on a dollar basis in the last year, but due to the larger increase in revenues, operating expenses as a percentage of sales decreased about 4 percent. This is a further decline on a percentage basis from the prior year.

From a net income perspective, B&B is very strong. Its net income has increased from 3.95 percent to 16.03 percent of revenues over the period under review. The industry reflects net income of 1.03 percent indicating that B&B appears to be considerably stronger than the industry.

The final step in the financial analysis is a ratio analysis, comparing The Company's ratios with industry data from Integra Information. This analysis was only performed utilizing the latest 12 month figures because this is the only period analyzed that we were able to adjust the balance sheet to be comparable to the industry data. This analysis is displayed in Table 10.

TABLE 10
ADJUSTED FINANCIAL RATIOS

LIQUIDITY / SOLVENCY	
Quick Ratio	47.66
Quick Ratio - Integra	1.12
Current Ratio	84.34
Current Ratio - Integra	2.28
Days Accounts Receivables Outstanding	9.20
Days Accounts Receivables Outstanding - Integra	28.52
Days Accounts Payable	0.45
Days Accounts Payable - Integra	34.13
Days Working Capital	60.24
Days Working Capital - Integra	45.80
Days Inventory Sales	24.77
Days Inventory Sales - Integra	51.85
TURNOVER	
Receivables Turnover	39.69
Receivables Turnover - Integra	12.80
Cash Turnover	29.11
Cash Turnover - Integra	29.32
Inventory Turnover	14.74
Inventory Turnover - Integra	7.04
Current Asset Turnover	10.43
Current Asset Turnover - Integra	4.33
Working Capital Turnover	6.06
Working Capital Turnover - Integra	7.97
Fixed Asset Turnover	12.73
Fixed Asset Turnover - Integra	24.99
Total Asset Turnover	5.73
Total Asset Turnover - Integra	3.29
Payables Turnover	813.06
Payables Turnover - Integra	10.69
SG&A Expense to Cash	5.81
SG&A Expense to Cash - Integra	6.42
DEBT	
Times Interest Earned	0.00
Times Interest Earned - Integra	2.67
Total Liabilities to Total Assets	0.01
Total Liabilities to Total Assets - Integra	0.47
Total Liabilities to Equity	0.01
Total Liabilities to Equity - Integra	0.88
Short-Term Debt to Equity	-
Current Debt to Equity - Integra	0.07
Long-Term Debt to Equity	-
Long-Term Debt to Equity - Integra	0.23
Total Interest-Bearing Debt to Equity	-
Total Interest-Bearing Debt to Equity - Integra	0.30
Total Assets to Equity	1.01
Total Assets to Equity - Integra	1.88
Total Liabilities to Invested Capital	0.01
Total Liabilities to Invested Capital - Integra	0.68
Net Fixed Assets to Equity	0.48
Net Fixed Assets to Equity - Integra	0.25

TABLE 10
ADJUSTED FINANCIAL RATIOS

PROFITABILITY	
Pretax Return on Assets	84.02%
Pretax Return on Assets - Integra	5.50%
After tax Return on Assets	50.46%
After tax Return on Assets - Integra	3.40%
Pretax Return on Equity	84.55%
Pretax Return on Equity - Integra	10.40%
After tax Return on Equity	50.78%
After tax Return on Equity - Integra	6.50%
Pretax Return on Net Sales	26.70%
Pretax Return on Net Sales - Integra	1.70%
After tax Return on Net Sales	16.03%
After tax Return on Net Sales - Integra	0.00%
Pretax Return on Invested Capital	84.55%
Pretax Return on Invested Capital - Integra	7.95%
Return on Invested Capital	50.78%
Return on Invested Capital - Integra	4.93%
GROWTH (CAGR - 5 YEARS)	
Sales	8.33%
Sales - Integra	1.30%
Operating Income	58.69%
Operating Income - Integra	1.30%
Pretax Profit	56.86%
Pretax Profit - Integra	3.40%
Net Income	53.76%
Net Income - Integra	3.70%

The liquidity and turnover ratios indicate the strength of the financial position of B&B. It has a lot of cash, and low receivables, payables and inventory, which are all turned over frequently.

B&B utilizes no debt and has very few liabilities in comparison to the industry. Sometimes this can be ineffective, but B&B has plenty of liquidity and a lack of debt does not appear to be affecting operations in a negative way.

From a profitability standpoint, B&B is considerably stronger than its industry peers. This is true of growth as well.

Overall, B&B has been extremely strong historically on both a stand-alone basis, as well as in comparison to the industry.

THE EARNING CAPACITY OF THE COMPANY

A summary of The Company's historic revenues and adjusted net income are presented in Table 11.

TABLE 11
SUMMARY OF EARNINGS
FOR THE

	Year Ended December 31,				LTM November 30,
	2000	2001	2002	2003	2004
Revenues	$ 2,892,450	$ 2,443,680	$ 2,172,368	$ 3,001,669	$ 3,983,674
Adjusted Net Income	114,259	98,682	152,776	282,674	638,707
Return on Sales	3.95%	4.04%	7.03%	9.42%	16.03%

The Company's revenues have fluctuated over the last five years, although in the last three years they have increased significantly. In dollars, net income has followed the same pattern, although as a percentage of revenues, net income has increased each year.

The valuation process is a prophecy of the future and the willing buyer looks at the past to determine what will happen in the future. The forecasts for the metal industry indicate that demand should continue, and therefore, prices should continue at their high levels. However, processors such as B&B could begin to have difficulty obtaining raw materials and its cost of sales could increase, thus driving down net income.

As a result of these factors, the appraiser determined that a weighted average of the last three years' net income is a reasonable proxy of the future. However, more weight was put on the latest 12 months income, as the industry forecasts are indicating that the most recent year's results should continue for at least another year or two. Therefore, future earning capacity is calculated as follows:

	2002	2003	LTM November 30, 2004
Net Income	$ 152,776	$ 282,674	$ 638,707
Weight	1	1	3
Weighted Net Income	$ 152,776	$ 282,674	$ 1,916,120
Three Year Weighted Average Net Income			$ 470,314

THE DIVIDEND PAYING CAPACITY OF THE COMPANY

As with any privately-owned company, there is no requirement to pay distributions to the members. A publicly-traded company generally disburses dividends as a means to entice investors to invest in The Company. The question raised in Revenue Ruling 59-60 is, does The Company have the capacity to pay dividends?

In an LLC, the members pay tax on the net income of the company, whether it is distributed or not. Historically the LLC has made guaranteed payments to its members, as well as distributed some of its profits.

However, nothing in the LLC agreement requires distributions or requires a certain amount of profits to be distributed, although it is not expected that these distributions will be discontinued, if for no other reason than to provide funds to the members to pay their personal tax liabilities.

In the last five years, distributions have been as follows:

2000	$	270,000
2001		289,000
2002		350,000
2003		305,000
2004[48]		315,000

Although there is a history of distributions, there is no relationship between these amounts and adjusted net income. In addition, since the appraiser cannot calculate historic cash flow due to the way The Company reports its revenue and expenses, a relationship between cash flow and distributions cannot be determined. Therefore, a quantification of dividend paying capacity cannot be made.

48 Although this includes one month after the valuation date, The Company historically has made these payments in December.

However, it clearly appears that dividend paying capacity does exist and this will be factored into the final analysis and calculation of value.

WHETHER OR NOT THE ENTERPRISE HAS GOODWILL OR OTHER INTANGIBLE VALUE

In addition to the value of the physical assets of B&B, it is necessary to determine whether any goodwill or other intangible assets exist, and if so, what value to place on that goodwill and/or other intangible assets.

In our opinion, B&B goodwill and intangible value will best be captured using the income and market approaches, if any goodwill and/or intangible value exists.

SALES OF THE STOCK AND THE SIZE OF THE BLOCK OF STOCK TO BE VALUED

Revenue Ruling 59-60 suggests that appraisers consider whether there have been any previous sales of the stock, and the size of the block being valued. There have been no recent sales of The Company's member interests.

The block being valued is a 1 percent voting interest, which is considered in the various methodologies utilized.

THE MARKET PRICE OF STOCKS OF CORPORATIONS ACTIVELY TRADED IN THE PUBLIC MARKET

The final factor of the eight factors in Revenue Ruling 59-60 is a market comparison between the appraisal subject and other companies that are traded on public stock exchanges, or transactions of companies that were sold in the public or private marketplaces. This is the basis for the market approach to valuation.

GUIDELINE COMPANIES

In an attempt to apply the market approach, this appraiser performed a computerized search in the Alacra Public Companies database, looking for companies that could be considered "comparable" to B&B. Comparability is generally difficult to achieve in business valuations, as privately-owned businesses tend to adapt to the management of a company. Smaller companies often take on the personality of the individual owner, and it is not until a company is considerably larger and becomes managed by a team of professional managers who are responsible to multiple owners, rather than just one or two, that it becomes comparable.

In order to locate potential guideline companies, the appraiser used the following search criteria:

1. The company's Standard Industrial Classification Code had to be 5093.

2. The company had to operate in the United States.

Based on this criteria, seven companies were located. These companies are discussed below:

Schnitzer Steel Industries, Inc: This company collects, processes and recycles metals and manufactures finished steel products. Its sales are approximately $688 million dollars. Due to its manufacturing activities and its size (revenues are 172 times B&B's revenues), this company is not a relevant company to use as a proxy for the valuation of B&B.

Metal Management, Inc.: Metal Management, Inc. is a full-service metals recycler with recycling facilities in 13 states. Revenues for the company are approximately $1,702 million, which reflects increased demand and higher selling prices of ferrous products. Due to the size of this company, it is not deemed to be relevant to the valuation of B&B.

Itronics Inc.: This company provides petrochemicals waste collection services, recovers and refines silver from photochemicals, manufactures liquid fertilizers, and sells liquid fertilizers. In addition, the company's revenues have declined, and net losses have been increasing. Due to the differences in lines of business between this company and B&B, as well as the growth of B&B versus the declines suffered by Itronics, this company will not be used as a guideline company.

Appliance Recycling Centers of America: This company provides reverse logistics, energy efficiency and appliance recycling services for appliance manufacturers and retailers, utility companies, waste management businesses and others. The company's revenues have been increasing, and its net loss is shrinking.

Rubber Technology International: The company was previously engaged in rubber recycling, but currently plans to supply construction-grade sand for use in building applications. The company's stock is priced at less than one cent per share and its reported market capitalization is $0. Therefore, this company cannot be utilized as a guideline company.

Prins Recycling Corp.: Although this company showed up when a guideline company search was performed, it has not filed reports with the Securities and Exchange Commission since 1996. Therefore, this company cannot be used as a guideline company.

MR3 Systems, Inc.: MR3 Systems is a metals technology company which uses its proprietary process to chemically process precious metals, ores, hazardous wastes and other complex metal sources into pure metals and specialty chemical products. In addition, its stock was trading at about 30 cents a share, which is considered to be a penny stock.

Due to differences in lines of business, as well as the fact that the stock trades at such a low price, this company could not be used in the analysis.

After reviewing these guideline companies, only one company remains. This is statistically insignificant and no conclusions can be drawn from one company. Therefore, the guideline public company method will not be utilized in this valuation.

MERGER AND ACQUISITION TRANSACTIONS

In addition to attempting to review the market price of stocks traded on an exchange, this appraiser also reviewed merger and acquisition activity. In order to accomplish this, we searched the following databases to obtain information:

1. The Institute of Business Appraisers Inc.'s (IBA) database.
2. Bizcomps database.
3. Pratt's Stats database.
4. Done Deals database.

THE INSTITUTE OF BUSINESS APPRAISERS, INC.

The IBA database consists of approximately 20,000 transactions of closely-held companies, many of which are companies with revenues of less than $500,000. The only search criteria utilized in this database was that the SIC Code had to be 5093. Our search revealed 15 transactions from this database. Of these transactions, all but one are from the 1990s, most before 1995/1996. In addition, except for one transaction, revenues of the target companies were $900,000 or less, considerably smaller than B&B. One transaction provided no revenue data.

The IBA database reports nine data points and two pricing multiples: price to gross revenues and price to earnings. Our analysis revealed that there appears to be almost no statistical relationship in either data set. As a result, this data will not be used in the analysis.

BIZCOMPS

The Bizcomps database is similar to the IBA database in that it primarily consists of transactions of smaller, closely held companies. This database does not contain as many transactions as the IBA database. A search for transactions categorized under SIC Code 5093 returned eight transactions. This data was similar to the data located in the IBA database, although several of the transactions were more recent. However, this data also seemed to have no statistical relationships and therefore, no reliance was placed on it.

PRATT'S STATS

The Pratt's Stats database contains several thousand transactions, many of which involve companies that are considerably larger than those in the IBA and Bizcomps databases. A search of the Pratt's Stats database for transactions involving companies in SIC Code 5093 returned eight transactions. There were three stock transactions, and five asset sales.

Three transactions are not enough to use to draw any conclusions, so the stock transactions were not utilized.

Of the five asset transactions, one was the purchase of an auto wrecking service, and two were classified as environmental service companies. Upon further analysis, it was determined that these two companies provide consulting services and recycle liquid waste. After eliminating these companies, two remained, which was not enough data to utilize.

DONE DEALS

A search of the Done Deals database for transactions involving businesses in SIC Code 5093 from January 1, 1998 through December 4, 2004 revealed a total of 16 transactions, seven were asset transactions, and nine were stock transactions.

Of the asset transactions, five transactions were eliminated, as their lines of business were not metal recycling. Of the stock transactions, six were eliminated due to differences in lines of business. As a result of this analysis, the data from Done Deals could not be utilized.

VALUATION CALCULATIONS

As indicated previously in this report, the three approaches of valuation to be considered in an appraisal are:

1. The Market Approach,
2. The Asset Based Approach, and
3. The Income Approach.

The narrative that follows discusses the appraisal methods employed within each approach.

THE MARKET APPROACH

As discussed in the previous section of this report, we did not locate any guideline companies or transactions that were applicable for comparison to The Company. Therefore, we did not utilize the market approach.

THE ASSET BASED APPROACH

ADJUSTED BOOK VALUE METHOD

We previously normalized the balance sheet and determined that the value of the adjusted net tangible operating assets was $1,257,755, or $1.3 million rounded. In addition, it was determined that there were net nonoperating assets of $1,066,873 or $1.1 million rounded.

This methodology does not consider any intangible assets, and therefore would only serve as a minimum or floor value.

THE INCOME APPROACH

CAPITALIZATION OF BENEFITS

The capitalization of benefits method is premised on the concept that value is based on a stabilized stream of economic benefits that is capitalized by an appropriate capitalization rate to reflect the risk associated with the particular stream. Mathematically, this is presented in the following formula:

$$V = I \div R$$

Where

V = Value

I = Next Year's Benefit Stream

R = Capitalization Rate

The use of this formula requires that an estimate be made of an economic benefit stream for the subject company. In the section of this report entitled "The Earning Capacity of The Company," the benefit stream was defined by the appraiser as the three year weighted average net income.

We have previously determined the sustainable benefit stream to be $470,314. The capitalization model requires the use of next year's benefit stream. To derive this figure, we grew the calculated figure by our estimate of long-term growth of 3 percent. This amount was then divided by a capitalization rate of 19 percent[49] to obtain the value of The Company on a control, marketable basis. We then applied discounts for lack of control and lack of marketability (see "Premiums and Discounts" section of report). The calculation of value under the income approach is presented in Table 12.

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49 Capitalization rates, growth rates and discounts are discussed later in the "Discount and Capitalization Rates" section of the report.

TABLE 12
CAPITALIZATION OF THREE YEAR
WEIGHTED AVERAGE NET INCOME

3 Year Weighted Average Net Income		$	470,314
One Plus the Long-Term Rate of Growth	x		1.03
Net Income for Capitalization		$	484,423
Capitalization Rate	÷		19.00%
Capitalized Value		$	2,549,595
Less: Minority Interest Discount	10.00%		(254,959)
Indication of Value - Minority, Marketable		$	2,294,635
Less: Discount for Lack of Marketability	20.00%		(458,927)
Indication of Value - Minority, Non-Marketable		**$**	**1,835,708**
Rounded		**$**	**1,836,000**

FINAL VALUE

Using the capitalization of benefits method, the appraiser determined a value of $1,836,000 on a minority, non-marketable basis.

As previously discussed, although transaction data was located, most of it could not be used as a stand-alone method because there was not enough information provided in any data set to form a defensible indication of value. However, this data can be used to test the reasonableness of the value derived under the income approach.

Each of the databases provided price to gross revenue multiples for asset transactions. Table 13 provides a summary of this data.

TABLE 13
SUMMARY OF MARKET MULTIPLES

	# of Transactions	Median P/R
IBA	14	0.51
Bizcomps	10	0.41
Pratt's Stats	5	0.60
Done Deals	7	0.71

As previously discussed, many of these transactions involve companies in related businesses. In addition, some of them appeared to be synergistic purchases rather than financial purchases, which drives the multiples higher. Also, some of the businesses were sold with the owner holding a loan, or the buyer's securities were used as part of the purchase price. All of these factors affect the "cash equivalent" value of the purchase price; in many cases, these factors cause the cash equivalent price to be lower than the reported price, which makes the actual price to revenue multiples lower than the amounts actually reported.

Using the data provided in Table 13, and applying the appropriate multiples results in a range of values for B&B between $1.5 and $2.2 million. The value derived under the income approach falls within these values showing the reasonableness of the value derived of $1,836,000.

In addition to the value of the operating entity, B&B also has $1.1 million of nonoperating assets.

Therefore, the total value of the entity is as follows:

Operating Entity	$ 1,836,000
Nonoperating Assets	1,100,000
Value of 100 Percent of B&B Metal and Iron, L.L.C. on a Minority, Non-Marketable Basis	**$ 2,936,000**

The interest owned by Robert R. Bonofiglio, deceased, is 1 percent of the total value of The Company, and is calculated as follows:

Value of 100 Percent of the Member Interests		$ 2,936,000
Ownership Interest Being Valued	x	1%
Value of a 1 Percent Interest in B&B Iron and Metal Co., L.L.C. as of December 4, 2004		**$ 29,360**
Rounded		**$ 29,000**

DISCOUNT AND CAPITALIZATION RATES

Section 6 of Revenue Ruling 59-60 states:

> In the application of certain fundamental valuation factors, such as earnings and dividends, it is necessary to capitalize the average or current results at some appropriate rate. A determination of the proper capitalization rate presents one of the most difficult problems in valuation.

In the text of Revenue Ruling 68-609, capitalization rates of 15 to 20 percent were mentioned as an example. Many appraisers are under the misconception that the capitalization rate must stay within this range. In reality, the capitalization rate must be consistent with the rate of return currently needed to attract capital to the type of investment in question.

There are various methods of determining discount and capitalization rates. Using the build up method of determining these rates results in the following:

Appraisal Date Long-Term Treasury Bond Yield[1]		4.95%
Equity Risk Premium -- Stocks over Bonds[2]	+	6.40%
Average Market Return	=	**11.35%**
Benchmark Premium for Size[3]	+	7.37%
Adjustments for Other Risk Factors[4]	+	3.00%
Discount Rate for Net Income	=	**21.72%**
Rounded		**22.00%**
Discount Rate		22.00%
Less: Growth Rate	-	3.00%
Capitalization Rate		**19.00%**

1. *Federal Reserve Board Statistical Release H.15*, Twenty-year constant maturity U.S. Treasury Bond for December 4, 2004.

2. *Stocks, Bonds, Bills and Inflation, Valuation Edition 2004,* Ibbotson Associates, difference between the total returns on large company stocks and long-term government bonds from 1926 to 2003.

3. *Stocks, Bonds, Bills and Inflation, Valuation Edition 2004*, Ibbotson Associates, difference between the total returns on small company stocks and large company stocks.

4. Appraiser's judgment based on the analysis discussed throughout the report.

A capitalization rate has been derived from a discount rate, which has been calculated above. The components of the discount rate include a safe rate which indicates the fact that any investor would receive, at a bare minimum, an equivalent rate for a safe investment. In this particular instance, United States Treasury Bonds are used as an indication of a safe rate.

An equity risk premium is added to the safe rate which represents the premium that common stockholders received in the public marketplace over investments in long-term government bonds. This indicates that since equity securities are considered to be more risky by the investor, a higher rate of return has been required over the period of time indicated in the calculation of this premium.

Additional premia have been added to reflect size differentials and risks relating to B&B. In this instance, 3 percent has been added to reflect the level of risk specific to The Company.

As discussed throughout the report, B&B is a well-established company that has been in existence since the 1950s. The metals market is cyclical and The Company has weathered many cycles throughout its life. Robert S. Bonofiglio is 43 years old and has worked for B&B for approximately 25 years. He has been trained and is more than capable of running The Company.

Currently, demand for The Company's products is very strong and prices are very high. This is expected to continue, but not indefinitely. In addition, there is a risk that The Company will have problems continuing to buy metals to recycle and sell, and will have to pay more to obtain them. This can squeeze what have been growing margins and cause net income to decline. Therefore, there is risk that The Company will be unable to sustain its projected level of income into the future.

However, The Company is involved in a potential environmental claim with the U.S. Environmental Protection Agency. According to The Company's attorney:

> The matter first arose in 2002 when the United States Environmental Protection Agency ("USEPA") requested information from B&B. In August 2004 USEPA requested that B&B enter into a Consent Decree under which it would agree to pay some portion of the cleanup costs the USEPA has incurred at the Pittsburgh Metals site. The Agency's claim was based on B&B's alleged liability as a person who 'arranged for disposal' of hazardous substances by entering into tolling agreements with Pittsburgh Metals for the recycling of scrap lead. Following receipt of that letter, the company requested additional information about the Agency's claim. It is B&B's position that it is not liable pursuant to the Superfund Recycling Equity Act, 42 U.S.C. § 9627, and that there are potential statute of limitations defenses; nonetheless, potential cost recovery and/or contribution claims may be colorable.

> In November, 2004, the Agency stated that its total costs at the Site were $5,302,639, and that it was expecting to recoup a small unspecified percentage of those costs from other parties. (Subsequently, on December 1, 2004, the Agency stated that the percentage was approximately 8.5%.) The only other data the Agency provided are that B&B was alleged to have shipped approximately 845,000 pounds out of an estimated universe of approximately 9.5 million pounds.[50]

Finally, the rate that is built up from Ibbotson data is applicable to net cash flow; an adjustment must be made to this rate in order to apply it to net income. Net income is more risky than net cash flow so an additional adjustment is included in the specific company risk premium.

Considering all of these factors, a specific company risk premium of 3 percent was deemed appropriate.

Summing all of these items results in the derivation of a discount rate. The mathematical formula to distinguish between a discount rate and a capitalization rate is the subtraction of the present value of long-term sustainable growth. The present value of long-term sustainable growth has been included at a rate of 3 percent for B&B. This rate has been determined by Ibbotson Associates as the long-term average rate of inflation between 1926 and 2003. It is considered to be good proxy for a long-term growth.

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50 Letter from Donald B. Mannes, Jr., Esq. to analyst dated February 23, 2005.

PREMIUMS AND DISCOUNTS

VALUATION PREMIUMS AND DISCOUNTS IN GENERAL

The final value reached in the appraisal of a closely-held business may be more or less than the value that was calculated using the various methods of appraisal that are available. The type and size of the discount(s) or premium(s) will vary depending on the starting point. The starting point will depend on which methods of valuation were used during the appraisal, as well as other factors such as the sources of information used to derive multiples or discount rates, as well as normalization adjustments.

CONTROL PREMIUM

The prorata value of a controlling interest in a closely-held company is said to be worth more than the value of a minority interest, due to the prerogatives of control that generally follow the controlling shares. An investor will generally pay more (a premium) for the rights that are considered to be part of the controlling interest. Valuation professionals recognize these prerogatives of control, and they continue to hold true today. These rights are considered in assessing the size of a control premium. They include:

1. Appoint or change operational management.
2. Appoint or change members of the board of directors.
3. Determine management compensation and perquisites.
4. Set operational and strategic policy and change the course of business.
5. Acquire, lease, or liquidate business assets, including plant, property and equipment.
6. Select suppliers, vendors, and subcontractors with whom to do business and award contracts.
7. Negotiate and consummate mergers and acquisitions.
8. Liquidate, dissolve, sell out, or recapitalize the company.
9. Sell or acquire treasury shares.
10. Register the company's equity securities for an initial or secondary public offering.

11. Register the company's debt securities for an initial or secondary public offering.
12. Declare and pay cash and/or stock dividends.
13. Change the articles of incorporation or bylaws.
14. Set one's own compensation (and perquisites) and the compensation (and perquisites) of related-party employees.
15. Select joint venturers and enter into joint venture and partnership agreements.
16. Decide what products and/or services to offer and how to price those products/services.
17. Decide what markets and locations to serve, to enter into, and to discontinue serving.
18. Decide which customer categories to market to and which not to market to.
19. Enter into inbound and outbound license or sharing agreements regarding intellectual properties.
20. Block any or all of the above actions.[51]

A control premium is the opposite of a discount for lack of control. A control premium is used to determine the control value of a closely-held business when its freely traded minority value has been determined. This is generally the case when the appraiser uses information from the public stock market as the starting point of the valuation.

In this valuation, the value derived was a control value. Therefore, a control premium did not have to be considered.

DISCOUNT FOR LACK OF CONTROL

A discount for lack of control (minority discount or DLOC) is a reduction in the control value of the appraisal subject that is intended to reflect the fact that a minority stockholder cannot control the daily activities or policy decisions of an enterprise, thus reducing its value. The size of the discount will depend on the size of the interest being appraised, the amount of control, the interest's ability to liquidate the company, and other factors.

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[51] Pratt, Shannon P., Robert F. Reilly and Robert P. Schweihs. *Valuing a Business*, 4th Edition (New York: McGraw-Hill, 2000): 365-366.

A DLOC is basically the opposite of a premium for control. This type of discount is used to obtain the value of a non-controlling interest in the appraisal subject, when a control value is the starting point. The starting point is determined based on the method of valuation, the normalization adjustments made, and the source of the discount or capitalization rates.

DLOCs can be mathematically determined using control premiums that are measured in the public market. The formula to determine the minority discount is as follows:

$$1 - [1 \div (1+CP)]$$

where CP = control premium.

Data about control premiums is generally not available for closely-held businesses, so the appraiser uses transactions from the public stock market to act as a gauge as to the amount of premium paid in transactions involving buyouts. This data is tracked by several sources. The most widely used is *Mergerstat Review*, which is published annually by FactSet Mergerstat.

A summary of the *Mergerstat Review* data appears in Table 14.

TABLE 14
PERCENT PREMIUM PAID OVER MARKET PRICE

Year of Buy Out	Number of Transactions	Average Premium Paid Over Market (%)	Median Premium Paid (%)	Implied Minority Interest Discount
1980	169	49.9	44.6	30.8
1981	166	48.0	41.9	29.5
1982	176	47.4	43.5	30.3
1983	168	37.7	34.0	25.4
1984	199	37.9	34.4	25.6
1985	331	37.1	27.7	21.7
1986	333	38.2	29.9	23.0
1987	237	38.3	30.8	23.5
1988	410	41.9	30.9	23.6
1989	303	41.0	29.0	22.5
1990	175	42.0	32.0	24.2
1991	137	35.1	29.4	22.7
1992	142	41.0	34.7	25.8
1993	173	38.7	33.0	24.8
1994	260	41.9	35.0	25.9
1995	324	44.7	29.2	22.6
1996	381	36.6	27.3	21.5
1997	487	35.7	27.5	21.6
1998	512	40.7	30.1	23.1
1999	723	43.3	34.6	25.7
2000	574	49.2	41.1	29.1
2001	439	57.2	40.5	28.8
2002	326	59.7	34.4	25.6
2003	371	62.3	31.6	24.0

Source: *Mergerstat Review 2004*. (Los Angeles, CA: FactSet Mergerstat). Discount calculated by the appraiser.

In this instance, the interest being appraiser is a minority interest that owns 1.0 percent of B&B. However, this is 50 percent of the voting interests of The Company. Ninety-eight percent of the member interests are non-voting.

Under New Jersey Law, a 50 percent interest is a minority interest because a vote greater than 50 percent is needed for a majority. However, a 50 percent member can create a deadlock situation and exert a certain amount of control.

In this case, a 50 percent owner lacks control, and there are no studies that discuss a discount or premium for a 50 percent block. However, this issue was addressed in *Estate of Elmore K. Melton, Jr.* (No. SA-94-CA-0964, W. D. Tex, January 26, 1996).

One of the issues that The Court addressed in this litigation was the appropriateness and quantification of the minority discount in the case of a decedent who owned a 50 percent ownership interest in the stock of a closely held company. The Court allowed a 10 percent minority interest discount because "[a] shareholder with 50 percent of this stock can block action by other shareholders, but does not have a sufficient interest to control corporate affairs." Basically, The Court opined that a 50 percent interest was a "less-than-controlling" interest.

Consistent with this finding, we believe that a 10 percent discount for lack of control would be appropriate in this instance as well.

DISCOUNT FOR LACK OF MARKETABILITY

A discount for lack of marketability (DLOM) is used to compensate for the difficulty of selling shares of stock that are not traded on a stock exchange compared with those that can be traded publicly. If an investor owns shares in a public company, he or she can pick up the telephone, call a broker, and generally convert the investment into cash within three days. That is not the case with an investment in a closely-held business. Therefore, publicly traded stocks have an element of liquidity that closely-held shares do not have.

This is the reason that a DLOM will be applied. It is intended to reflect the market's perceived reduction in value for not providing liquidity to the owner of the interest being appraised.

A DLOM may also be appropriate when the shares have either legal or contractual restrictions placed upon them. This may result due to restricted stock, buy-sell agreements, bank loan restrictions or other types of contracts that restrict the sale of the shares. Even when a 100 percent interest is the valuation subject, a DLOM may be appropriate if the owner cannot change the restrictions on the stock.

The most commonly used sources of data for determining an appropriate level of a DLOM are studies involving restricted stock purchases or initial public offerings. Revenue Ruling 77-287 references the *Institutional Investor Study,*[52] which addresses restricted stock issues. Many studies have updated this one.

Restricted stock (or letter stock as it is sometimes called) is stock issued by a corporation that is not registered with the Securities and Exchange Commission (SEC) and cannot be readily sold into the public market. The stock is usually issued when a corporation is first going public, making an acquisition, or raising capital. The main reasons that corporations issue restricted stock, rather than tradable stock, are to avoid dilution of their stock price with an excessive number of shares available for sale at any one time and to avoid the costs of registering the securities with the SEC.

The registration exemption on restricted stocks is granted under Section 4(2) of the 1933 Securities Act. The intent of Section 4(2) is to allow "small" corporations the ability to raise capital without incurring the costs of a public offering. Regulation D, a safe harbor regulation, which became effective in 1982, falls under section 4(2) of the code and provides uniformity in federal and state securities laws regarding private placements of securities. Securities bought under Regulation D are subject to restrictions, the most important being that the securities cannot be resold without either registration under the Act, or an exemption.[53] The exemptions for these securities are granted under Rule 144.

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52 From "Discounts Involved in Purchases of Common Stock (1966 - 1969)," *Institutional Investor Study Report of the Securities and Exchange Commission*. H.R. Doc. No. 64, Part 5, 92d Cong., 1st Sess. 1971: 2444-2456.

53 Kasim L. Alli, Ph.D. and Donald J. Thompson, Ph.D. "The Value of the Resale Limitation on Restricted Stock: An Option Theory Approach," American Society of Appraisers: *Valuation*, March 1991: 22-23.

> Rule 144 allows the limited resale of unregistered securities after a minimum holding period of two years. Resale is limited to the higher of 1 percent of outstanding stock or average weekly volume over a 4 week period prior to the sale, during any three month period. There is no quantity limitation after a four year holding period.[54]

Therefore, a holder of restricted stock must either register their securities with the SEC or qualify for a 144 exemption, in order to sell their stock on the public market. A holder of restricted stock can, however, trade the stock in a private transaction. Historically when traded privately, the restricted stock transaction was usually required to be registered with the SEC. However, in 1990, the SEC adopted Rule 144a which relaxed the SEC filing restrictions on private transactions. The rule allows qualified institutional investors to trade unregistered securities among themselves without filing registration statements.[55] Effective April 1997, the two year holding period was reduced to one year.

The overall affect of these regulations on restricted stock, is that when issued, the corporation is not required to disclose a price and, on some occasions, even when traded, the value of restricted securities is still not a matter of public record.

Table 15 is a summary of many of the more familiar studies regarding restricted stock.

TABLE 15
RESTRICTED STOCK STUDIES

Study	Years Covered in Study	Average Discount (%)
SEC Overall Average[a]	1966-1969	25.8
SEC Non-Reporting OTC Companies[a]	1966-1969	32.6
Gelman[b]	1968-1970	33.0
Trout[c]	1968-1972	33.5[i]
Moroney[d]	[h]	35.6
Maher[e]	1969-1973	35.4
Standard Research Consultants[f]	1978-1982	45.0[i]
Willamette Management Associates[g]	1981-1984	31.2[i]

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54 Ibid.

55 Richard A. Brealey and Steward C. Myers, "How Corporations Issue Securities," Chapter 14, *Principles of Corporate Finance*, 5th Edition, McGraw-Hill, Inc. 1996: 399-401.

Silber Study[j]	1981-1988	33.8
FMV Study[k]	1979 - April 1992	23.0
FMV Restricted Stock Study[l]	1980 -1997	22.3
Management Planning, Inc.[m]	1980-1996	27.1
Bruce Johnson[n]	1991-1995	20.0
Columbia Financial Advisors[o]	1996-February 1997	21.0
Columbia Financial Advisors[o]	May 1997-1998	13.0

Notes:

[a] From "Discounts Involved in Purchases of Common Stock (1966-1969)," *Institutional Investor Study Report of the Securities and Exchange Commission*. H.R. Doc. No. 64, Part 5, 92d Cong., 1st Sess. 1971: 2444-2456.

[b] From Milton Gelman, "An Economist-Financial Analyst's Approach to Valuing Stock of a Closely Held Company," *Journal of Taxation*, June 1972: 353-354.

[c] From Robert R. Trout, "Estimation of the Discount Associated with the Transfer of Restricted Securities," *Taxes,* June 1977: 381-385.

[d] From Robert E. Moroney, "Most Courts Overvalue Closely Held Stock," *Taxes,* March 1973: 144-154.

[e] From J. Michael Maher, "Discounts for Lack of Marketability for Closely-Held Business Interests," *Taxes*, September 1976: 562-571.

[f] From "Revenue Ruling 77-287 Revisited," *SRC Quarterly Reports*, Spring 1983:1-3.

[g] From Willamette Management Associates study (unpublished).

[h] Although the years covered in this study are likely to be 1969-1972, no specific years were given in the published account.

[I] Median discounts.

[j] From William L. Silber, "Discounts on Restricted Stock: The Impact of Illiquidity on Stock Prices," *Financial Analysts Journal*, July-August 1991: 60-64.

[k] Lance S. Hall and Timothy C. Polacek, "Strategies for Obtaining the Largest Discount," *Estate Planning*, January/February 1994, pp. 38-44. In spite of the long time period covered, this study analyzed only a little over 100 transactions involving companies that were generally not the smallest capitalization companies. It supported the findings of the SEC *Institutional Investor Study* in finding that the discount for lack of marketability was higher for smaller capitalization companies.

[l] Espen Robak and Lance S. Hall, "Bringing Sanity to Marketability Discounts: A New Data Source," *Valuation Strategies*, July/August 2001: 6-13, 45-46.

[m] Robert P. Oliver and Roy H. Meyers, "Discounts Seen in Private Placements of Restricted Stock: The Management Planning, Inc., Long-Term Study (1980-1996)" published in Chapter 5 of Robert F. Reilly and Robert P. Schweihs, eds. *The Handbook of Advanced Business Valuation* (New York: McGraw-Hill, 2000).

[n] Bruce Johnson, "Restricted Stock Discounts, 1991-1995," *Shannon Pratt's Business Valuation Update,* March 1999: 1-3. Also, "Quantitative Support for Discounts for Lack of Marketability," *Business Valuation Review*, December 1999: 152-155.

[o] Kathryn Aschwald, "Restricted Stock Discounts Decline as a Result of 1-Year Holding Period," *Shannon Pratt's Business Valuation Update*, May 2000: 1-5. This study focuses on the change in discounts as a result of the holding period reduction from two years to one year.

Source: *Guide to Business Valuations*, Practitioners Publishing Co., Fort Worth, Texas, 2002.

SEC INSTITUTIONAL INVESTOR STUDY

As part of a major study of institutional investor actions performed by the Securities and Exchange Commission (SEC), the amount of discount at which transactions in restricted stock took place, compared to the prices of otherwise identical but unrestricted stock on the open market was addressed. The report introduced the study with the following discussion about restricted stock:

> Restricted securities are usually sold at a discount from their coeval market price, if any, primarily because of the restrictions on their resale. With the information supplied by the respondents on the purchase prices of the common stock and the dates of transaction, the Study computed the implied discounts in all cases in which it was able to locate a market price for the respective security on the date of the transaction.[56]

Table 16 contains a reproduction of Table XIV-45 of the SEC Institutional Investor Study showing the size of discounts at which restricted stock transactions took place compared

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[56] "Discounts Involved in Purchases of Common Stock (1966-1969)," *Institutional Investor Study Report of the Securities and Exchange Commission*, H.R. Doc. No. 64, Part 5, 92nd Cong., 1st Session., 1971: 2444-2456.

with the prices, as of the same date, of the freely traded but otherwise identical stocks.[57] The table shows that about half of the transactions, in terms of real dollars, took place at discounts ranging from 20 to 40 percent.

The discounts were lowest for those stocks that would be tradable when the restrictions expired on the New York Stock Exchange and highest for those stocks that could be traded in the over-the-counter market when the restrictions expired. For those whose market would be over-the-counter when the restrictions expired, the average discount was approximately 35 percent. When considering closely-held companies whose shares have no prospect of any market, the discount would have to be higher.

The research from the SEC Institutional Investor Study was the foundation for the SEC Accounting Series Release No. 113, dated October 13, 1969, and No. 118, dated December 23, 1970, which require investment companies registered under the Investment Company Act of 1940 to disclose their policies about the cost and valuation of their restricted securities. As a result of the study, there is now an ongoing body of data about the relationship between restricted stock prices and their freely tradable counterparts. This body of data can provide empirical benchmarks for quantifying marketability discounts.

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[57] Ibid.

TABLE 16
SEC INSTITUTIONAL INVESTOR STUDY

	Discount							
	-15.0% to 0.0%		0.1% to 10.0%		10.1% to 20.0%		20.1% to 30.0%	
Trading Market	No. of Trans-actions	Value of Purchases	No. of Trans-actions	Value of Purchases	No. of Trans-actions	Value of Purchases	No. of Trans-actions	Value of Purchases
Unknown	1	$ 1,500,000	2	$ 2,496,583	1	$205,000	0	$ 0
New York Stock Exchange	7	3,760,663	13	15,111,798	13	24,503,988	10	17,954,085
American Stock Exchange	2	7,263,060	4	15,850,000	11	14,548,750	20	46,200,677
Over-the-Counter (Reporting Companies)	11	13,828,757	39	13,613,676	35	38,585,259	30	35,479,946
Over-the-Counter (Non-Reporting Companies)	5	8,329,369	9	5,265,925	18	25,122,024	17	11,229,155
TOTAL	**26**	**$ 34,681,849**	**67**	**$ 52,337,982**	**78**	**$ 102,965,021**	**77**	**$ 110,863,863**

TABLE 16
SEC INSTITUTIONAL INVESTOR STUDY

	Discount							
	30.1% to 40.0%		40.1% to 50.0%		50.1% to 80.0%		Total	
Trading Market	No. of Trans-actions	Value of Purchases	No. of Trans-actions	Value of Purchases	No. of Trans-actions	Value of Purchases	No. of Trans-actions	Value of Purchases
Unknown	2	$ 3,332,000	0	$0	1	$1,259,995	7	$ 8,793,578
New York Stock Exchange	3	11,102,501	1	1,400,000	4	5,005,068	51	78,838,103
American Stock Exchange	7	21,074,298	1	44,250	4	4,802,404	49	109,783,439
Over-the-Counter (Reporting Companies)	30	58,689,328	13	9,284,047	21	8,996,406	179	178,477,419
Over-the-Counter (Non-Reporting Companies)	25	29,423,584	20	11,377,431	18	13,505,545	112	104,253,033
TOTAL	**67**	**$ 123,621,711**	**35**	**$ 22,105,728**	**48**	**$ 33,569,418**	**398**	**$ 480,145,572**

GELMAN STUDY

In 1972, Milton Gelman, with National Economic Research Associates, Inc., published the results of his study of prices paid for restricted securities by four closed-end investment companies specializing in restricted securities investments.[58] Gelman used data from 89 transactions between 1968 and 1970, and found that both the average and median discounts were 33 percent and that almost 60 percent of the purchases were at discounts of 30 percent and higher. This data is consistent with the SEC study.

MORONEY STUDY

An article published in the March 1973 issue of *Taxes*,[59] authored by Robert E. Moroney of the investment banking firm Moroney, Beissner & Co., contained the results of a study of the prices paid for restricted securities by 10 registered investment companies. The study included 146 purchases at discounts ranging from 3 to 90 percent. The average discount was approximately 33 percent. Despite the pretty broad range, the average discount was, once again in line with the other studies.

In this article, Moroney compared the evidence of actual cash transactions with the lower average discounts for lack of marketability determined in some previous estate and gift tax cases. He stated that there was no evidence available about the prices of restricted stocks at the times of these other cases that could have been used as a benchmark to help quantify these discounts. However, he suggested that higher discounts for lack of marketability should be allowed in the future as more relevant data becomes available. He stated:

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58 Milton Gelman, "Economist-Financial Analyst's Approach to Valuing Stock of a Closely Held Company," *Journal of Taxation*, June 1972: 353-4.

59 Robert E. Moroney, "Most Courts Overvalue Closely-Held Stock," *Taxes,* March 1973: 144-56.

> Obviously the courts in the past have overvalued minority interest in closely-held companies for federal tax purposes. But most (probably all) of those decisions were handed down without benefit of the facts of life recently made available for all to see.
>
> Some appraisers have for years had a strong gut feeling that they should use far greater discounts for non-marketability than the courts had allowed. From now on those appraisers need not stop at 35 percent merely because it's perhaps the largest discount clearly approved in a court decision. Appraisers can now cite a number of known arm's-length transactions in which the discount ranged up to 90 percent.[60]

Approximately four years later, Moroney authored another article in which he stated that courts have started to recognize higher discounts for lack of marketability:

> The thousands and thousands of minority holders in closely-held corporations throughout the Untied States have good reason to rejoice because the courts in recent years have upheld illiquidity discounts in the 50 percent area.*
>
> *Edwin A. Gallun, 33 T.C.M. 1316 (1974), allowed 55 percent. Est. of Maurice Gustave Heckscher, 63 T.C. 485 (1975), allowed 48 percent. Although Est. of Ernest E. Kirkpatrick, 34 T.C.M. 1490 (1975) found per-share values without mentioning discount, expert witnesses for both sides used 50 percent–the first time a government witness recommended 50 percent. A historic event, indeed![61]

MAHER STUDY

J. Michael Maher, with Connecticut General Life Insurance Co., conducted another interesting study on lack of marketability discounts for closely-held business interests. The results of this well documented study were published in the September 1976 issue of Taxes.[62] Using an approach that was similar to Moroney's, Maher compared prices paid for restricted stocks with the market prices of their unrestricted counterparts. The data used

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60 Ibid.: 151.

61 Robert E. Moroney, "Why 25 Percent Discount for Nonmarketability in One Valuation, 100 Percent in Another?" *Taxes,* May 1977: 320.

62 J. Michael Maher, "Discounts for Lack of Marketability for Closely-Held Business Interests," *Taxes,* September 1976: 562-71.

covered the five-year period 1969 through 1973. The study showed that "the mean discount for lack of marketability for the years 1969 to 1973 amounted to 35.43 percent."[63] In an attempt to eliminate abnormally high and low discounts, Maher eliminated the top and bottom 10 percent of the purchases. The results ended up with an average discount of 34.73 percent, almost the exact same discount that was derived without the top and bottom items removed.

Maher's remarks are a good learning tool, as he distinguished between a discount for lack of marketability and a discount for a minority interest. He said:

> The result I have reached is that most appraisers underestimate the proper discount for lack of marketability. The results seem to indicate that this discount should be about 35 percent. Perhaps this makes sense because by committing funds to restricted common stock, the willing buyer (a) would be denied the opportunity to take advantage of other investments, and (b) would continue to have his investment at the risk of the business until the shares could be offered to the public or another buyer is found.
>
> The 35 percent discount would not contain elements of a discount for a minority interest because it is measured against the current fair market value of securities actively traded (other minority interests). Consequently, appraisers should also consider a discount for a minority interest in those closely-held corporations where a discount is applicable.[64]

TROUT STUDY

The next study was performed by Robert R. Trout. Trout was with the Graduate School of Administration, University of California, Irvine and Trout, Shulman & Associates. Trout's study of restricted stocks covered the period 1968 to 1972 and addressed purchases of these securities by mutual funds. Trout attempted to construct a financial model which would provide an estimate of the discount appropriate for a private company's stock.[65]

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[63] Ibid.: 571.

[64] Ibid.

[65] Robert R. Trout, "Estimation of the Discount Associated with the Transfer of Restricted Securities," *Taxes*, June 1977: 381-5.

Creating a multiple regression model involving 60 purchases, Trout measured an average discount of 33.45 percent for restricted stock from freely traded stock.

STANDARD RESEARCH CONSULTANTS STUDY

In 1983, Standard Research Consultants analyzed private placements of common stock to test the current applicability of the SEC Institutional Study.[66] Standard Research studied 28 private placements of restricted common stock from October 1978 through June 1982. Discounts ranged from 7 percent to 91 percent, with a median of 45 percent, a bit higher than seen in the other studies.

Only four of the 28 companies studies had unrestricted common shares traded on either the American Stock Exchange or the New York Exchange, and their discounts ranged from 25 percent to 58 percent, with a median of 47 percent, which was not significantly different from the 45 percent median of the remaining companies that traded in the over-the-counter market.

WILLAMETTE MANAGEMENT ASSOCIATES, INC. STUDY

Willamette Management Associates analyzed private placements of restricted stocks for the period January 1, 1981 through May 31, 1984.[67] In discussing the study, Willamette states that the early part of this unpublished study overlapped the last part of the Standard Research study, but there were very few transactions that took place during the period of overlap. According to the discussion of the study in *Valuing a Business*, most of the transactions in the study took place in 1983.

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[66] "Revenue Ruling 77-287 Revisited," *SRC Quarterly Reports*, Spring 1983: 1-3.

[67] Shannon P. Pratt, et al., *Valuing a Business*, Third Edition.

Willamette identified 33 transactions during this time period that could be classified with reasonable confidence as arm's-length transactions, and for which the price of the restricted shares could be compared directly with the price of trades in otherwise identical but unrestricted shares of the same company at the same time. The median discount for the 33 restricted stock transactions compared to the prices of their freely tradable counterparts was 31.2 percent, a little bit lower than the other studies, but substantially lower than the study by Standard Research.

In *Valuing a Business*, Pratt attributed the slightly lower average percentage discounts for private placements during this time to the somewhat depressed prices in the public stock market, which in turn were in response to the recessionary economic conditions prevalent during most of the period of the study. Taking this into consideration, the study basically supports the long-term average discount of 35 percent for transactions in restricted stock compared with the prices of their freely tradable counterparts.

SILBER RESTRICTED STOCK STUDY

In 1991, another study of restricted stock was published which included transactions during the period 1981 through 1988. This study, by William L. Silber, substantiated the earlier restricted stock studies, finding an average price discount of 33.75 percent.[68] Silber identified 69 private placements involving common stock of publicly traded companies. The restricted stock in this study could be sold under Rule 144 after a two-year holding period. Silber, similar to Trout, tried to develop a statistical model to explain the price differences between securities that differ in resale provisions. Silber concluded that the discount on restricted stock varies directly with the size of the block of restricted stock relative to the amount of publicly traded stock issued by the company. He found that the discounts were larger when the block of restricted stock was large compared to the total number of shares outstanding. Silber also noted that the size of the discount was inversely related to the credit-worthiness of the issuing company.

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68 William L. Silber, "Discounts on Restricted Stock: The Impact of Illiquidity on Stock Prices," *Financial Analysts Journal*, July - August 1991: 60-64.

FMV STUDY

As indicated in the table, it is important to emphasize that this study analyzes just over 100 transactions involving companies tending to have larger capitalization. As reported in other studies, such discounts tend to be higher among smaller companies, and conversely, lower with larger companies.

MANAGEMENT PLANNING INC. STUDY

The primary criteria for the Management Planning study was to identify companies that had made private placements of unregistered common shares which would, except for the restrictions on trading, have similar characteristics to that company's publicly traded shares. Companies included in the study had to have in excess of $3 million in annual sales and be profitable for the year immediately prior to the private placement. It was required that the company be a domestic corporation, not considered to be in "a development stage," and the common stock of the issuing company must sell for at least $2 per share.

Management Planning analyzed 200 private transactions involving companies with publicly traded shares. Of the 200, 49 met the base criteria described. Of these, the average mean discount was 27.7 percent, while the average median discount was 28.8 percent.[69]

A more detailed analysis of the Management Planning Study indicated a large range of discounts relative to the sample companies due to varying degrees of revenues, earnings, market share, price stability and earnings stability. The average revenues for the companies selected for review were $47.5 million, however, the median revenue figure was $29.8 million, indicating that the average sales figure was impacted by a few companies that were significantly larger than the others studied. The average discount for companies with revenues under $10 million was 32.9 percent.

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69 Z. Christopher Mercer, *Quantifying Marketability Discounts*, Peabody Publishing L.P.; Memphis, TN; 1997: 345-363.

Likewise, the average reported earnings of the study group were skewered by 20 companies in the study whose earnings exceeded $1 million, and in fact had a median earnings figure of $2.9 million. Twenty-nine of the companies studied earned less than $1 million, while the median earnings of all of the companies in the sample was $0.7 million. The following chart indicates that fourth quartile companies reflected private placement median discounts to the shares traded in the open markets ranging from 34.6 percent to 44.8 percent, based upon the factors considered. The average discount of sample companies in the fourth quartile for the five factors considered was 39.3 percent.

Factors Considered In the Analysis		First Quartile	Second Quartile	Third Quartile	Fourth Quartile	Original Expectations Re: Discounts
		Restricted Stock Discounts				
Revenues	Medians	18.7%	22.2%	31.5%	36.6%	Higher revenues, lower discounts
	Means	21.8%	23.9%	31.9%	34.7%	
Earnings	Medians	16.1%	30.5%	32.7%	39.4%	Higher earnings, lower discounts
	Means	18.0%	30.0%	30.1%	34.1%	
Market Price/Share	Medians	23.3%	22.2%	29.5%	41.0%	Higher the price, lower discounts
	Means	23.3%	24.5%	27.3%	37.3%	
Price Stability	Medians	34.6%	31.6%	9.2%	19.4%	Lower stability, higher discounts
	Means	34.8%	33.3%	21.0%	22.0%	
Earnings Stability	Medians	14.1%	26.2%	30.8%	44.8%	Higher earnings stability, lower discounts
	Means	16.4%	28.8%	27.8%	39.7%	

BRUCE JOHNSON STUDY

Bruce Johnson studied 72 private placement transactions that occurred in 1991 through 1995. The range was a 10 percent premium to a 60 percent discount with an average discount for these 72 transactions of 28 percent. This study covered the first half decade after the Rule 144 restrictions were relaxed. The results seem to indicate that discounts are lower when the holding period is shorter.

COLUMBIA FINANCIAL ADVISORS, INC. RESTRICTED STOCK STUDY (1996-1997)

Columbia Financial Advisors, Inc. (CFAI) conducted an analysis of restricted securities in the United States. These were private common equity placements that were done from January 1, 1996 to April 30, 1997. Using 23 transactions (eight involving restricted securities, and 15 involving private placements with no registration rights), the average discount was 21 percent, with a median of 14 percent. The 1990 adoption of Rule 144A seems to have had an effect on these discounts.

COLUMBIA FINANCIAL ADVISORS, INC. RESTRICTED STOCK STUDY (1997-1998)

CFAI conducted another restricted stock study to assess the effects of another alteration to Rule 144. Mandatory holding periods, as of April 29, 1997, were reduced from two years to one year. CFAI used 15 transactions whose stock was privately placed. The average discount for this group was 13 percent, with a median of 9 percent. These discounts are clearly impacted by the shorter holding period.

REVENUE RULING 77-287

In 1977, in Revenue Ruling 77-287, the Internal Revenue Service specifically recognized the relevance of the data on discounts for restricted stocks. The purpose of the ruling was "to provide information and guidance to taxpayers, Internal Revenue Service personnel and others concerned with the valuation, for Federal tax purposes, of securities that cannot be immediately resold because they are restricted from resale pursuant to Federal security laws."[70] The ruling specifically acknowledges the conclusions of the SEC Institutional

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[70] Revenue Ruling 77-287 (1977-2 C.B. 319), Section I.

Investor Study and the values of restricted securities purchased by investment companies as part of the "relevant facts and circumstances that bear upon the worth of restricted stock."

All of the studies concerning restricted stock generally deal with minority blocks of stock in public companies. Therefore, the restricted stock studies may be a useful guide in assessing a discount for lack of marketability to a minority interest. However, a control value may also need to reflect a DLOM, although it probably would be smaller than a DLOM attributable to minority shares. Since a minority interest is more difficult to sell than a controlling interest, the DLOM is usually larger for minority interests. The average DLOM ranges between 25 and 45 percent based on the studies discussed previously. Larger discounts may be appropriate if the starting point is a marketable, minority interest value based on public guideline company methods.

INITIAL PUBLIC OFFERING STUDIES

Another manner in which the business appraisal community and users of its services determines discounts for lack of marketability is with the use of closely-held companies that underwent an initial public offering (IPO) of its stock. In these instances, the value of the closely-held stock is measured before and after the company went public.

Robert W. Baird & Co., a regional investment banking firm has conducted seven studies over time periods ranging from 1980 through June 1997, comparing the prices in closely-held stock transactions, when no public market existed, with the prices of subsequent IPOs in the same stocks. The results are presented in Table 17.

TABLE 17
THE VALUE OF MARKETABILITY AS ILLUSTRATED IN
INITIAL PUBLIC OFFERINGS OF COMMON STOCK

Study	# of IPO Prospectuses Reviewed	# of Qualifying Transactions	Discount Mean	Discount Median
1997-2000[1]	1,847	283	50%	52%
1997-2000[2]	1,847	36	48%	44%
1997-2000[3]	NA	53	54%	54%

TABLE 17
THE VALUE OF MARKETABILITY AS ILLUSTRATED IN INITIAL PUBLIC OFFERINGS OF COMMON STOCK

Study	# of IPO Prospectuses Reviewed	# of Qualifying Transactions	Discount Mean	Discount Median
1995-1997	732	91	43%	42%
1994-1995	318	46	45%	45%
1992-1993	443	54	45%	44%
1990-1992	266	35	42%	40%
1989-1990	157	23	45%	40%
1987-1989	98	27	45%	45%
1985-1986	130	21	43%	43%
1980-1981	97	13	60%	66%
Total	**4,088**	**593**	**47%**	**48%**

[1] Expanded study.
[2] Limited study.
[3] Dot-Com study.

Source: John D. Emory, Sr., F.R. Dengel III, and John D. Emory, Jr., "Expanded Study of the Value of Marketability as Illustrated in Initial Public Offerings of Common Stock," *Business Valuation Review* (December 2001).

A similar private, unpublished study has been performed by Willamette Management Associates. Their results are in the data presented in Table 18.

TABLE 18
SUMMARY OF DISCOUNTS FOR PRIVATE TRANSACTION
P/E RATIOS COMPARED TO PUBLIC OFFERING
P/E RATIOS ADJUSTED FOR CHANGES IN INDUSTRY P/E RATIOS

Time Period	Number of Companies Analyzed	Number of Transactions Analyzed	Median Discount (%)
1975-1978	17	31	54.7
1979	9	17	62.9
1980-1982	58	113	55.5
1984	20	33	74.4
1985	18	25	43.2
1986	47	74	47.5
1987	25	40	43.8
1988	13	19	51.8
1989	9	19	50.4
1990	17	23	48.5
1991	27	34	31.8
1992	36	75	52.4

Source: Willamette Management Associates, as appearing in *Valuing a Business*, Shannon P. Pratt, Robert F. Reilly and Robert P. Schweihs, Third Edition.

OTHER CONSIDERATIONS

Another consideration in determining a discount for lack of marketability is the cost of flotation of a public offering. These costs are generally significant and will frequently include payments to attorneys, accountants, and investment bankers. The costs associated with smaller offerings can be as much as 25 to 30 percent of a small company's equity.

CONCLUSION

As far back as 1977, through Revenue Ruling 77-287, the Internal Revenue Service recognized the effectiveness of restricted stock study data in providing useful information for the quantification of discounts for lack of marketability. The Baird and Willamette studies of transactions in closely-held stocks did not exist at that time, but the IRS and the courts have been receptive to using this data to assist in quantifying discounts for lack of marketability.

The IPO studies are proof that larger discounts can be justified than those quoted from the restricted stock studies. One of the best explanations of why a DLOM varies from case to case was included in an article published by Robert E. Moroney entitled "Why 25% Discount for Nonmarketability in One Valuation, 100% in Another?"[71] In Moroney's article, he points out 11 different factors that should be considered in the application of a DLOM. These factors are as follows:

1. High dividend yield: Companies that pay dividends tend to be more marketable than companies that do not.

2. Bright growth prospects: Companies that have bright growth prospects are easier to sell than companies that do not. This makes them more marketable.

3. Swing value: If a block of stock has swing value, it may be more marketable than the typical small block of stock. This swing value could include a premium. This can be emphasized where a 2 percent interest exists with two 49 percent interests. The 2 percent interest can be worth quite a bit to either 49 percent interest if it will give that interest control of the company.

4. Restrictions on transfer: Restrictions on transfer make the stock less marketable due to the difficulty in selling them.

5. Buy-sell agreements: Buy-sell agreements can go either way. The agreement can create a market for the stock, making it more marketable, or the agreement can restrict the sale making it less marketable.

6. Stock's quality grade: The better the quality of the stock, the more marketable it will be. This can be evidenced by comparing the subject company to others for supporting strengths and weaknesses.

7. Controlling shareholder's honesty: The integrity of the controlling shareholder can make a big difference regarding the ability to sell a partial interest in a company. If the controlling shareholder tends to

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[71] *Taxes*, May 1977.

deal with the other shareholders honestly, the other interests in that company tend to be more marketable.

8. Controlling shareholder’s friendliness: Similar to the shareholder’s honesty, the manner in which he or she deals with others can make the stock more marketable.

9. Prospects for the corporation: If a corporation has good prospects for the future, it will generally be more marketable.

10. Prospects for the industry: A company that is in an industry with good prospects will also generally be more marketable.

11. Mood of the investing public: When the investing public is bullish, they are more readily willing to make an investment. This can increase the marketability.

An analysis of these factors and how they related to B&B follows:

Dividend yield: The Company has made distributions throughout its history. There is no reason to believe this will not continue.

Growth prospects: The Company’s operations tends to be cyclical. If the economy sours, B&B’s results could decline. However, the prospects, at least for the short term, are favorable.

Swing value: Based on the distribution of ownership, this interest does not have swing value. Rather, this interest has a lack of control.

Restrictions on transfer: There is an operating agreement that places restrictions on the transfer of interests. This interest must be sold back to The Company or the other members.

Buy-sell agreements: Under the terms of the agreement, The Company or the other members will buy back the stock in the event of death.

Stock’s quality grade: This is not relevant to this appraisal.

Controlling shareholder’s honesty: This is not relevant to this appraisal.

Controlling shareholder's friendliness: This is not relevant to this appraisal.

Prospects for the corporation: The outlook for The Company are strong, at least in the near term.

Prospects for the industry: The industry is highly competitive and cyclical, and prices can vary significantly. In addition, demand is strong, although there is a fear about a possible lack of available supply.

Mood of the investing public: At the valuation date, the stock market was gaining strength.

As previously discussed, the studies reflect average discounts of 25 to 45 percent. In this instance, The Company was strong and undergoing one of its largest growth spurts. The Company pays distributions and a buyer of this interest would own 50 percent of the voting interests of The Company. Although this is not a controlling interest, it is not a minority interest either.

Based on all of the facts and circumstances, a discount for lack of marketability of 20 percent is deemed appropriate.

B&B IRON AND METAL CO., LLC
BALANCE SHEET
AS OF

	December 31, 1998	1999	2000	2001	2002	2003	November 30, 2004
Current Assets							
Cash	$ 7	$ 53	$ 19,360	$ 38,150	$ -	$ 98,506	$ 1,136,252
Prepaid Expenses	6,371	6,209	4,011	-	-	-	-
Total Current Assets	$ 6,378	$ 6,262	$ 23,371	$ 38,150	$ -	$ 98,506	$ 1,136,252
Fixed Assets							
Building & Improvements	$ 8,394	$ 8,394	$ 8,394	$ 8,394	$ 8,394	$ 8,394	$ 8,393
Machinery & Equipment	353,489	362,786	384,974	409,092	424,247	433,252	646,476
Gross Fixed Assets	$ 361,883	$ 371,180	$ 393,368	$ 417,486	$ 432,641	$ 441,646	$ 654,869
Accumulated Depreciation	124,212	202,432	269,642	333,363	377,744	415,992	420,589
Net Fixed Assets	$ 237,671	$ 168,748	$ 123,726	$ 84,123	$ 54,897	$ 25,654	$ 234,280
TOTAL ASSETS	**$ 244,049**	**$ 175,010**	**$ 147,097**	**$ 122,273**	**$ 54,897**	**$ 124,160**	**$ 1,370,532**

To be used only in conjunction with valuation report as of December 4, 2004.

B&B IRON AND METAL CO., LLC
BALANCE SHEET
AS OF

	December 31, 1998	1999	2000	2001	2002	2003	November 30, 2004
Current Liabilities							
Payroll Taxes Payable	$ 1,764	$ 14,718	$ 4,001	$ 510	$ 1,702	$ 1,909	$ 2,644
Cash Overdraft	798	12,720	-	-	3,638	-	-
Equipment Payable	43,250	-	-	-	-	-	-
Total Current Liabilities	$ 45,812	$ 27,438	$ 4,001	$ 510	$ 5,340	$ 1,909	$ 2,644
Total Long Term Liabilities	48,220	-	-	-	-	-	-
Total Liabilities	$ 94,032	$ 27,438	$ 4,001	$ 510	$ 5,340	$ 1,909	$ 2,644
Total Members' Equity	150,017	147,572	143,096	121,763	49,557	122,251	1,367,888
TOTAL LIABILITIES AND MEMBERS' EQUITY	**$ 244,049**	**$ 175,010**	**$ 147,097**	**$ 122,273**	**$ 54,897**	**$ 124,160**	**$ 1,370,532**

To be used only in conjunction with valuation report as of December 4, 2004.

B&B IRON AND METAL CO., LLC
INCOME STATEMENT
FOR THE PERIOD ENDED

	December 31, 1998	1999	2000	2001	2002	2003	LTM November 30, 2004
Revenues	$ 2,309,042	$ 2,029,569	$ 2,892,450	$ 2,443,680	$ 2,172,368	$ 3,001,669	$ 3,983,674
Cost of Sales							
Purchases	$ 1,556,484	$ 1,312,869	$ 1,922,623	$ 1,486,510	$ 1,172,037	$ 1,688,575	$ 2,006,678
Freight	28,267	20,325	48,551	63,255	68,896	96,139	95,804
Parts	35,987	28,945	26,922	55,576	23,856	25,483	29,763
Total Cost of Sales	$ 1,620,738	$ 1,362,139	$ 1,998,096	$ 1,605,341	$ 1,264,789	$ 1,810,197	$ 2,132,245
Gross Profit	$ 688,304	$ 667,430	$ 894,354	$ 838,339	$ 907,579	$ 1,191,472	$ 1,851,429
Operating Expenses							
Advertising	$ 11,148	$ 9,697	$ 10,750	$ 10,875	$ 10,887	$ 12,561	$ 11,828
Auto Expense	9,816	10,164	9,840	11,283	11,068	6,662	5,292
Bank Charges	195	180	237	438	385	617	624
Charitable Contributions	895	1,025	850	4,025	1,060	1,742	1,775
Depreciation	80,305	78,220	70,471	64,781	44,381	115,183	4,652
Insurance - General	68,709	68,537	88,184	110,859	99,788	176,547	110,563
Licenses & Fees	3,072	6,646	5,368	5,382	2,429	5,786	6,012
Office Expenses	6,665	8,214	5,548	8,780	4,187	11,905	8,262
Professional Fees	11,790	8,805	6,650	7,642	11,816	10,405	8,273
Rents	23,389	23,425	23,920	24,025	23,256	31,325	26,020
Repairs and Maintenance	48,739	34,782	59,471	21,998	17,115	14,484	15,943
Salaries & Wages	70,855	100,648	141,439	102,736	196,582	163,245	203,306

To be used only in conjunction with valuation report as of December 4, 2004.

B&B IRON AND METAL CO., LLC
INCOME STATEMENT
FOR THE PERIOD ENDED

	December 31, 1998	1999	2000	2001	2002	2003	LTM November 30, 2004
Taxes - Other	4,116	1,111	1,250	1,496	1,196	2,202	2,947
Taxes - Payroll	7,109	9,337	10,474	8,713	11,511	13,234	13,202
Telephone	5,160	6,638	6,766	3,403	5,267	3,344	3,385
Travel	-	-	-	-	-	-	1,146
Utilities	8,647	7,518	6,749	8,114	7,494	9,598	8,052
Dues & Subscriptions	2,786	6,023	4,833	3,666	4,295	2,243	2,629
Fuel Costs	29,922	34,365	38,416	28,974	22,610	26,345	29,261
Tolls & Parking	2,153	4,747	2,841	3,000	4,054	2,712	3,132
Guaranteed Payments to Partners	254,205	181,779	143,797	152,298	152,836	207,026	175,648
Total Operating Expenses	$ 649,676	$ 601,861	$ 637,854	$ 582,488	$ 632,217	$ 817,166	$ 641,950
Operating Income	$ 38,628	$ 65,569	$ 256,500	$ 255,851	$ 275,362	$ 374,306	$ 1,209,479
Total Other Income	11,385	11,913	9,024	11,816	2,432	3,388	6,705
NET INCOME	**$ 50,013**	**$ 77,482**	**$ 265,524**	**$ 267,667**	**$ 277,794**	**$ 377,694**	**$ 1,216,184**

To be used only in conjunction with valuation report as of December 4, 2004.

SOURCES OF INFORMATION UTILIZED

Several sources of information were used to complete this appraisal. These were as follows:

1. Financial statements of B&B Iron and Metal Company, L.L.C. for the 11 months ended November 30, 2004.

2. Financial statements of B&B Iron and Metal Company, L.L.C. for the 11 months ended November 30, 2003.

3. Financial statements of B&B Iron and Metal Company, L.L.C. for the years ended December 31, 2003 and 2002, prepared by Towne & Smith Certified Public Accountants & Consultants, P.A.

4. Financial statements of B&B Iron and Metal Company, L.L.C. for the years ended December 31, 2001 and 2000 prepared by Towne & Smith Certified Public Accountants & Consultants, P.A.

5. Financial statements for B&B Iron and Metal Company, L.L.C. for the years ended December 31, 1999 and 1998 prepared by Towne & Smith Certified Public Accountants & Consultants, P.A.

6. Real estate appraisal, Some City, New Jersey prepared by Mark Wm. Jansan CTA as of December 4, 2004.

7. Various correspondence from client provided additional information and clarification.

8. Schedule of equipment as of December 4, 2004.

9. List of life insurance policies with premiums paid and cash surrender values.

10. Operating agreement of B&B Iron and Metal Co., L.L.C., a New Jersey Limited Liability Company.

11. Other items referenced throughout this report.

In addition to the written documentation provided, a physical inspection of the business premises was conducted, and a management interview took place. Information gathered at this interview became an integral part of this report.

CONTINGENT AND LIMITING CONDITIONS

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

1. Information, estimates, and opinions contained in this report are obtained from sources considered reliable; however, Trugman Valuation Associates, Inc. has not independently verified such information and no liability for such sources is assumed by this appraiser.

2. 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.

3. 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 an officer of Trugman Valuation Associates, Inc. Unsigned copies, or copies not signed in blue ink, should be considered to be incomplete.

4. None of the contents of this valuation report shall be conveyed to any third party or to the public through any means without the express written consent of Trugman Valuation Associates, Inc.

5. No investigation of titles to property or any claims on ownership of the property by any individuals or company has been undertaken. Unless otherwise stated in our report, title is assumed to be clear and free of encumbrances and as provided to the appraiser.

6. 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.

7. The various estimates of value presented in this report apply to this appraisal only and may not be used out of the context presented herein. Any other use of this report may lead the user to an incorrect conclusion for which Trugman Valuation Associates, Inc. assumes no responsibility.

8. The appraisal estimate of fair market value reached in this report is necessarily based on the definition of fair market value as stated in the Introduction Section.

CONTINGENT AND LIMITING CONDITIONS

An actual transaction in the shares 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.

9. It should be specifically noted that the valuation assumes the business will be competently managed and maintained by financially sound owners, over the expected period of ownership. This appraisal engagement does not entail an evaluation of management's effectiveness, nor are we responsible for future marketing efforts and other management or ownership actions upon which actual results will depend.

10. 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.

11. It is assumed that there are no regulations of any government entity to control or restrict the use of the underlying assets, unless specifically referred to in the report and that the underlying assets will not operate in violation of any applicable government regulations, codes, ordinances or statutes.

12. Valuation reports may contain prospective financial information, estimates or opinions that represent the view of the appraiser about reasonable expectations at a particular point in time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, or that specific events will occur.

13. We assume that there are no hidden or unexpected conditions of the business that would adversely affect value, other than as indicated in this report.

14. Hazardous substances, if present, can introduce an actual or potential liability that will adversely affect the marketability and value of a business. Such liability may be in the form of immediate recognition of existing hazardous conditions, or future liability that could stem from the release of currently non-hazardous contaminants. In the development of the opinion of value, no consideration was given to such liability or its impact on value. We have not taken into account any and all future environmental considerations and potential liability.

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 to the best of our knowledge and belief, subject to the assumptions and conditions stated.

- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, 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 or bias with respect to the parties involved.

- our compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.

- no one provided significant professional assistance other than the valuation analyst whose signature appears below.

- our analyses, appraisal, opinions, and conclusions were developed and this report has been prepared in accordance with the applicable standards of The American Institute of Certified Public Accountants, *Uniform Standards of Professional Appraisal Practice*, and the business valuation standards of The Institute of Business Appraisers Inc., and the American Society of Appraisers.

- The American Society of Appraisers has a mandatory recertification program for all of its Senior members. All Senior members of our firm are in compliance with that program.

GARY R. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.V.S.
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)*.
- **MCBA**: Master Certified Business Appraiser designated by The Institute of Business Appraisers, Inc. (*2005*). Original certification (CBA) in 1995.
- **ASA**: Accredited Senior Appraiser designated by the American Society of Appraisers *(1997).* Reaccredited in 2002.

Education

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

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

Faculty

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

Appraisal Education

- *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.
- *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.

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

Appraisal Education

- *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.
- *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.

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PROFESSIONAL QUALIFICATIONS

Appraisal Education

- *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.
- *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.

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PROFESSIONAL QUALIFICATIONS

Appraisal Education

- *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

- *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.

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PROFESSIONAL QUALIFICATIONS

Lecturer

- *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 Basic*s. 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.
- *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.

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

Instructor

- *Business Valuation Essentials: Market Approach and Discounts and Premiums.* Florida Institute of CPAs, Florida, 2005.
- *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: Income Approach*. American Society of Appraisers, Illinois, 2004.
- *Valuing Goodwill and Intangible Assets*. American Institute of Certified Public Accountants, New Jersey, 2004.
- *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.

GARY R. TRUGMAN, C.P.A./A.B.V., M.C.B.A., A.S.A., M.V.S.
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 ABV Examination Review Course.* American Institute of Certified Public Accountants. North Carolina, 2000; Illinois, 2000; Maryland, 2001; Minnesota, 2001; Indiana, 2002; New York, 2003, 2004, 2005; Georgia, 2004; Florida 2004.
- *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

- *Using Subsequent Information: What Was Known or Knowable?*, <u>Valuations Plus</u>, Spring 2005.
- Co-author of *Financial Valuation Applications and Models,* Wiley Finance (2003).
- 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).

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PROFESSIONAL QUALIFICATIONS

Author

- 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
- Special Libraries Association
- Association for Investment Management and Research
- Florida Institute of Certified Public Accountants

Committee Service

- *Business Valuation/Forensic & Litigation Services Executive Committee.* American Institute of Certified Public Accountants.
- *International Board of Examiners.* American Society of Appraisers.
- *Qualifications Review Committee.* The Institute of Business Appraisers, Inc.
- *Education Sub-Committee*. The Institute of Business Appraisers, Inc.
- *Co-Chair Business Valuation Education Committee.* American Society of Appraisers.

Past Committee Service

- *Business Valuation Subcommittee*. American Institute of Certified Public Accountants
- Chair - *2002 AICPA Business Valuation Conference*. American Institute of Certified Public Accountants, Member of Committee for 2001 Conference.

Editor

- Editorial Advisor for *BV Q&A*, Business Valuation Resources, Inc.
- Former Editor of *Business Appraisal Practice*, The Institute of Business Appraisers, Inc.

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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 for outstanding performance on the C.P.A. licensing examination.