100 PERCENT OF THE EQUITY OF THE PANCAKE HOUSE, INC.

VALUATION REPORT

MAY 15, 2009

TRUGMAN Valuation

The certified leader in business valuation expertise.

December 28, 2010

Mr. Robert Smith
123 Main Avenue
City, NJ 12345

Re: Valuation of 100 percent of the equity of The Pancake House, Inc.

Dear Mr. Smith:

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 100 percent of the equity of The Pancake House, Inc. as of May 15, 2009. This valuation was performed solely to assist in the matter of *Robert Smith v. Joseph Smith*; the resulting conclusion 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. 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 conclusion of value of 100 percent of the equity of The Pancake House, Inc. as of May 15, 2009 is:

SIX HUNDRED SIXTY-NINE THOUSAND DOLLARS ($669,000)

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.

Gary R. Trugman
CPA/ABV, MCBA, ASA, MVS

GRT/kag
Attachment

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INTRODUCTION

DESCRIPTION OF THE ASSIGNMENT

Trugman Valuation Associates, Inc. was retained by Robert Smith to determine the fair value of 100 percent of a defacto partnership[1] that owns 100 percent of the equity of The Pancake House, Inc. as of May 15, 2009. This report is expected to be used in the matter *Robert Smith v. Joseph Smith*, in the Superior Court of New Jersey, Chancery Division, Some County, Docket No. C-345-09.

The scope of work for this appraisal was not limited by our client in any way and all relevant data and methodologies have been considered and presented in this report. This assignment meets all of the requirements under *Statement on Standards for Valuation Services No. 1* promulgated by the American Institute of Certified Public Accountants, as well as the *Uniform Standards of Professional Appraisal Practice* promulgated by the Appraisal Foundation and the standards of the American Society of Appraisers and the Institute of Business Appraisers.

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1 The appraisers have been advised by the client's legal counsel that although the corporate entity (The Pancake House, Inc.) is owned 100 percent by Joseph Smith, the issue in this litigation is that Robert Smith is claiming to have an equitable interest in a partnership with Joseph Smith. We are not opining as to the legal issues of ownership in this matter. Our opinions are solely related to the value of the operating business known as the City International House of Pancakes ("City IHOP").

EXTRAORDINARY LIMITING CONDITIONS

In addition to the Statement of Assumptions and Limiting Conditions contained in Appendix 2, at the back of this report, there are certain conditions that are important to the reader of this report. On November 18, 2010, Gary R. Trugman CPA/ABV, MCBA, ASA, MVS, the Principal in charge of this assignment from Trugman Valuation Associates, Inc., performed a site visit of the restaurant known as the City IHOP. We were informed by our client's legal counsel that:

> A few minutes ago I confirmed your visit for Thursday morning. Scott Jackson will make arrangements to meet you at the City IHOP around 10:30 a.m. subject to the timely arrival of your flight from Florida. Joe Smith will be available. I conferred with defense counsel who advised that there should be no problem interviewing him regarding any management/valuation matter at the time of the inspection.

Upon my arrival at the business location, Joseph Smith's counsel met Mr. Jackson and I and informed us that Joseph Smith was not at the restaurant and would not be available for an interview. Had I been permitted to conduct a management interview, something may have been brought to my attention that could have influenced my opinion in this matter.

Another limiting condition of this assignment is that there were limited records produced. As a result, we were unable to review books and records to determine the validity of the expenses that were reported in The Company's tax returns. According to the deposition testimony of Joseph Smith,

> Q. Now, your attorney in P-1 continues. He says -- excuse me -- she says, "Further, as Joseph Smith stated in his amended answers to plaintiffs first set of interrogatories dated August 5th, 2010, all of the prior annual and/or quarterly sales reports compiled prior to the QuickBooks software were saved onto another computer. Prior to the commencement of this litigation, the computer crashed and is no longer operable." When did that happen? When did the computer crash and become no longer operable?

A. 2008, I believe.[2]

Since all previous books and records could not be provided, we took an even closer look at the tax returns that were provided. The tax returns did not provide us with enough information to properly analyze the various assets, liabilities, revenues and expenses of the business. We have determined that there are issues in the tax returns, but we have no ability to investigate or adjust for them. For example, the gross fixed assets on the balance sheet contains the same dollar amount from 2003 through 2008. We know that this is incorrect because the franchise agreement with IHOP requires the franchisee to make improvements every five years. Yet, there are no capitalized items on the balance sheet that would require depreciation. However, the 2005 and 2006 repairs and maintenance expenses are approximately $135,000 and $125,000, respectively, indicating that items that most likely should have been capitalized, were expensed, causing profits to be understated for those years.

Since we were unable to analyze the financial information in the manner that would be normal and customary in this type of assignment, we are limited to only using a price to revenue multiple under the market approach to conclude the value indication of this business. While restaurants frequently sell in this fashion, we would have preferred to be able to consider profitability (an income approach) and not solely rely on the market approach. Had we been provided with books and records, our opinion may have been different.

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2 Deposition of Joseph Smith, October 22, 2010, Page 39, Lines 13-24.

DISCUSSION AND DEFINITION OF FAIR VALUE

Valuation standards require an appraiser to properly define the standard of value that will be used in a valuation assignment. In this instance, *fair value* is the standard of value. Since its application is generally more visible in corporate matters, our discussion discusses corporate concepts. However, these same concepts can be applied to a partnership in most instances. The major distinction between these two types of entities is that a noncontrolling owner in a corporation (shareholder) cannot generally cause a dissolution of the corporation, while a partner can cause a dissolution by merely opting out of the partnership.

It is a recognized fact that minority shareholders in closely held corporations are exposed to certain risks of having a minority or noncontrolling position in the corporation. These risks stem from the illiquidity of their stock and from their lack of control. Minority or noncontrolling investors in closely held corporations can be held captive in an investment from which they may receive no compensation, dividends, or other distributions and have no voice in the day to day management.

The risks to which a minority shareholder is exposed include the possibility that the controlling shareholder may take actions over which the minority owners have no control, with which they do not agree, and that they fear will reduce the value of their ownership interests. Such actions may include the following:

- Merger with another corporation,
- The sale or other disposition of substantially all of the corporate assets, and
- Significant changes in the corporate bylaws.

In addition, if minority shareholders are employed by, or have management roles in, the corporation, the controlling ownership shareholders may:

- Terminate the minority shareholder as an employee, director or officer of the corporation,
- Reduce or eliminate his or her salary,
- Completely "freeze out" minority shareholders, or
- Otherwise “oppress" them.

Recognizing that minority shareholders in closely held corporations are generally subject to decisions and actions of the controlling shareholders, and that they do not have a ready public market for their stock, many states have enacted statutes that provide minority shareholders with remedies for "oppressive action," fraud, and mismanagement by the majority (hereinafter called *oppressed shareholders' statutes* or *dissolution statutes).* In addition, all states have also enacted dissenters' rights statutes. These statutes provide an appraisal remedy for minority shareholders who do not agree with significant actions of the controlling shareholders that impact their economic interests and who wish to sell their stock as a result.

Although these two types of statutes differ in the triggering mechanisms, the standard of value for the appraisal process is *fair value*. For dissenting shareholders, the purchase of their stock for fair value is usually the only remedy. For minority shareholders, seeking a remedy for oppression, fraud, mismanagement, or similar problems, a fair value purchase of their stock is the most common remedy.

Since oppressed and dissenting shareholders rarely, if ever, have a ready market for their stock on the open market, as do stockholders in publicly traded companies, fair value is an important standard of value to insure that they receive adequate consideration for their investments.

Fair value is a legal term used in the vast majority of dissenters' rights[3] and oppressed shareholders' statutes. Unlike the term *fair market value*, this term is rarely, if ever, defined in a statute. Therefore, the definition has been left to judicial interpretation.

DISSENTING SHAREHOLDER MATTERS

Minority shareholders who believe that certain fundamental or extraordinary corporate changes voted on by the controlling shareholders will adversely affect the value of their interests in a company have available statutory rights as dissenters. Currently, the statutes of all states permit such shareholders to dissent from the controlling shareholders' action, compelling the corporation to purchase their stock.

The first dissenters' rights statutes were enacted in the early 20th century. The statutes were enacted to improve the rule of consensus existing in common law requiring the unanimous consent of shareholders for statutorily enumerated corporate transactions, such as mergers. Before the enactment of such statutes, each shareholder had veto power and could prevent certain corporate actions. However, in states where the rule of unanimity was abolished, disapproving shareholders were bound by the controlling shareholders' decisions, sometimes to their detriment.[4]

The laws, which were enacted to protect dissenting minority shareholders who no longer could depend upon the rule of unanimity, vary as to which corporate actions will trigger dissenters' rights. For example, in Delaware, only a merger or consolidation triggers dissenters' rights. However, under the statutes of most states, dissenters' rights are

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3 Not all states have adopted the fair value standard in dissenters' cases.

4 See Annotation to Section 13.01, Model Business Corporation Act (the "Model Act"), at 13-8 (3d ed. 1995 Supp.).

triggered by a variety of actions, such as a merger, a sale, lease, exchange, or other disposition of all or substantially all of the corporate stock.

Under normal circumstances, shareholders that wish to exercise their rights, must give notice in advance of the vote, to the corporation, that they intend to demand payment for their shares if the proposed action is approved. The stockholder must then make a written demand for payment within some time period of the mailing of notice, advising that the corporate action was approved. In some jurisdictions, once the demand for payment is made, the dissenting shareholder ceases "to have any rights of a shareholder, except the right to be paid the fair value of his shares . . . "[5]

For example, the applicable New Jersey statute provides that the corporation must mail to each dissenting shareholder, the financial statements of the corporation as of the latest available date, and profit and loss statements for a 12-month period ending on the date of the balance sheet. The corporation may, at the time of this mailing, make a written offer to purchase the dissenting shareholders' shares at a specified price, deemed to be the fair value. If no agreement as to fair value is reached within the statutory time period, the dissenting shareholder may serve a demand on the corporation that it will commence an action to determine fair value. Once the action is initiated, the court may appoint a valuation analyst to estimate fair value.

OPPRESSED SHAREHOLDER MATTERS

According to NJSA 14A:12-7(8)(a),

> The purchase price of any shares sold shall be their fair value as of the date of the commencement of the action or such earlier or later date deemed

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5 This is the language that appears in N.J.S.A. §14A:11-3(2).

> equitable by the court, plus or minus any adjustments deemed equitable by the court if the action was brought in whole or in part under paragraph 14A:12-7(1)(c).

Fair value is a legal term used in the vast majority of dissenters' rights[6] and oppressed shareholders' statutes. Unlike the term *fair market value*, this term is rarely, if ever, defined in a statute. Therefore, the definition has been left to judicial interpretation.

The meaning of fair value has arisen from dissenting shareholders' and shareholder oppression cases. In fact, in *Emanuel Balsamides, Sr., et. al. v. Protameen Chemicals, Inc., et. al.*, 160 N.J. 352 (1999), Judge Garibaldi wrote, on behalf of a unanimous Court,

> We now address the meaning of 'fair value' in the Oppressed Shareholder Statute. That term is not defined in either that statute or in the Appraisal Statute. Most interpretations have considered the term in the context of dissenters' rights. But, as one commentator has observed, there is no reason to believe that 'fair value' means something different when addressed to dissenting shareholders than it does in the context of oppressed shareholders (citations omitted).

Judge Garibaldi also wrote:

> 'Fair value,' thus, is not synonymous with fair market value. In *Lawson Mardon Wheaton*, supra, we recognized that 'there is no inflexible test for determining fair value' and that 'an assessment of fair value requires consideration of 'proof of value by any techniques or methods which are generally acceptable in the financial community and otherwise admissible in court.' (footnotes and citations omitted).

An oppressed shareholder case is, in effect, a "corporate divorce." Such cases provide relief to a minority shareholder (or in some cases a 50 percent shareholder) in a closely held business who seeks such relief from the controlling shareholder's fraud, illegality, mismanagement, oppression, etc. Courts have recognized that relief is necessary for

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6 Not all states have adopted the fair value standard in dissenters' cases.

shareholders in closely held corporations because of the nature of these entities. What makes these entities special is the following:

- Shareholders often expect to be active participants in management.
- When disagreements occur, the controlling shareholder is likely to have the power to undermine or disappoint the minority shareholder's expectations and prevent the minority shareholder from obtaining a fair return on his or her investment.
- The lack of a ready market for the minority shareholder's stock means that he or she may be locked into an investment that no longer provides an adequate return or that the shareholder no longer wants for other reasons.

Although courts usually have a number of equitable remedies available, including a corporate dissolution, the most common remedy afforded minority shareholders is an award of fair value for their stock.

This buyout remedy effectively provides a marketplace for the sale of the minority shareholder's shares. It accomplishes the following:

- It provides the minority shareholder with a fair return on his or her investment, and
- It breaks up the continuation of a forced association no longer desired by antagonistic parties.

Under many state statutes, a minority shareholder must prove oppression, fraud, illegality, or mismanagement before the court can order a form of relief or determine fair value. Under the statutes of some states and the Model Act, once a minority shareholder petitions for a dissolution of the corporation on the basis of oppression or related grounds, the majority shareholder can automatically elect to purchase the shares of the petitioning shareholder for fair value.[7] The effect of this election is to convert the case into a simple stock purchase in which allegations of oppression or wrongdoing are no longer at issue. In some states, the choice to purchase a minority shareholder's stock is irrevocable, absent court approval. In other states, the corporation may elect not to proceed with the purchase if it is dissatisfied with the value eventually set by the court for the stock.

The payment of fair value to an oppressed shareholder has been recognized as a complete and just remedy for oppression. The Delaware Supreme Court has said that fair value "measures that which has been taken from [the shareholder], viz., his proportionate interest in a going concern."[8]

FAIR VALUE AS A STANDARD OF VALUE

A clear and concise understanding of the appropriate standard of value is a key to any credible business appraisal. The failure to adhere to the appropriate standard of value can be a primary reason for the wide variances between two business valuations.

As mentioned previously, fair value is rarely legislatively defined. As a business valuer, this often leads to confusion about the meaning of fair value in the context of these assignments. Moreover, even when the courts have addressed this issue, legal precedents can be vague or contradictory, and therefore offer inadequate guidance as to the application of the fair value standard. The dissenters' rights section of the Model Act does not provide any

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7 For example, Rev. Model Act, § 14.34 (1995 Supp.); Alaska Stat. § 10.06.628(b) (1998); N.Y. Bus. Corp. Law §1104-a, 1118 (McKinney's 1998 Supp.); Cal. Corp. Code §2000 (West 1995).

8 *Matter of Shell Oil Co.,* 607 A.2d 1213, 1218 (Del. 1992) (citations omitted), quoting *Tri-Continental Corp. v. Battye,* 74 A. 2d 71, 72 (Del. 1950); see also *Beerly v. Dept. of Treasury,* 768 F. 2d 942 (7th Cir. 1985) (purpose of an appraisal is to give a shareholder the cash equivalent of what he or she has given up).

direction as to how fair value is to be determined, although it contains a definition. This definition states:

> ‘Fair value,’ with respect to a dissenter's shares, means the value of the shares immediately before the effectuation of the corporate action to which the dissenter objects, excluding any appreciation or depreciation in anticipation of the corporate action unless exclusion would be inequitable.[9]

The definition contained in the Model Act has varied at the state level. Although some states have adopted that identical definition, other states use the definition without the final phrase "unless exclusion would be inequitable." Some states use terms such as "fair cash value,"[10] "value,"[11] or even "fair market value."[12] The statutes of approximately 27 states contain the same definition of fair value. Approximately 14 other states, including New Jersey in N.J.S.A. §14A: 11-3, use the same general concept of fair value without the final phrase "unless exclusion would be inequitable."

Fair value can differ from fair market value. Fair market value is a term that has been defined as:

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

Probably the best way to emphasize the differences between fair value and fair market value is in the following chart.

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9 Model Act, §13.01(3).

10 Ohio Rev. Code Ann. §1701.85(C) (Page's 1997 Supp.) (definedin the same way as fair market value); La. Rev. Stat. Ann. § 12:131C(2) (West 1998 Supp.).

11 Kan. Stat. Ann. §17-6712 (1997 Supp.).

12 Cal. Corp. Code §1300(a) (West 1998 Supp.).

FMV CONTEXT	FV CONTEXT
1. Willing buyer.	1. Not always a willing buyer.
2. Willing seller.	2. Not a willing seller.
3. Neither under compulsion.	3. Buyer and seller are often compelled.
4. Typical, hypothetical buyer and seller.	4. The effects of the specific transaction are usually not considered, but fairness to the specific sellers may be a consideration.
5. A price that is equitable to both.	5. A concept of "fairness" to the seller, given the loss of the right to hold.
6. Equal knowledge of buyer and seller.	6. No such presumption.
7. Adequate knowledge of buyer and seller.	7. No such presumption.
8. Applies to majority or minority blocks.	8. Only comes into play for minority blocks. However, level of value (minority or majority) is not statutorily specified.
9. Applies for most Federal Tax valuation purposes.	9. The most common value standard in state dissenting and oppression statutes.

Because fair market value refers to the price at which stock would be bought and sold in the marketplace, the estimation of the value of a minority shareholder's stock under this standard may include:

- A discount for lack of marketability, and
- A discount for minority ownership interest.

A valuation, such as this, using the fair value standard does not include a minority discount. In fact, the control value of the entire entity should be determined and then a prorata share can be calculated for the interest being bought out. The reference in item eight in the table above refers to the fact that the statutes do not indicate whether the fair value should be determined on a control (majority) or minority basis. The prorata share of the entire entity is the fair and equitable manner in which these interests are usually appraised.

Shareholder disputes often include a battle as to which discounts, if any, should be applied in a fair value context. While it is the intention of the court to be to be equitable, these discounts are the cause of extremely contentious litigation.

A discount for lack of marketability reflects the fact that sale of a minority interest is difficult because only a small pool of potential buyers exists. A minority ownership interest discount reflects the lack of control of a minority shareholder. These contrasting issues were addressed in *Wheaton*[13] and *Balsamides*.

In July 1999, the Supreme Court of New Jersey ruled on both of these cases. *Wheaton* was filed as a dissenting shareholder action, while *Balsamides* was filed under the New Jersey Oppressed Shareholder Statute. Although there were several issues on appeal in each case, the commonality between them was the issue of a discount for lack of marketability (DLOM). These cases highlight the differences that can arise under the same standard of value.

In *Wheaton*, Judge Garibaldi's opinion stresses the nature of the term fair value, and states "courts must take fairness and equity in account in deciding to apply a discount to the value of the dissenting shareholders' stock in an appraisal action." The Court goes on to say,

> Indeed, equitable considerations have led the majority of states and commentators to conclude that marketability and minority discounts should not be applied when determining fair value of dissenting shareholders' stock in an appraisal action. Although there is no clear consensus, 'the use of a fair value standard, combined with application of equitable principles, has resulted in a majority of jurisdictions holding that a dissenting shareholder is entitled to her proportional share of the fair market value of the corporation. The value of the shares will not be discounted on the ground that the shares are a

13 *Lawson Mardon Wheaton, Inc. v. Smith* 160 N.J. 383 (1999).

> minority interest or on the related grounds of a lack of liquidity or marketability.' *Wheaton*, 160 N.J. at 401 (citation omitted).

In *Balsamides*, The Court discussed the issue of applying a discount for lack of marketability and stated,

> Although it would be helpful to pronounce a consistent rule regarding the determination of 'fair value' and the applicability of discounts under various circumstances, we cannot do so. Each decision depends not only on the specific facts of the case, but also 'should reflect the purpose served by the law in that context.' *Balsamides*, 160 N.J. at 381 (citation omitted).

In that case, The Court applied a marketability discount because it found that Protameen Chemicals, a specialty chemical company, would be difficult to sell. Since The Court found that the company merited such a discount, it was determined to be unfair to the remaining shareholders not to apply such a discount to the selling shareholder's interest.

It appears that many jurisdictions, including New Jersey, allow the fair value standard to be determined by considering many of the same factors that an appraiser would use in determining fair market value. The two major differences are that the issue of discounts is not as automatically applied in fair value matters as it would be in fair market value matters, and The Court has discretion to make any adjustments to the value that are deemed to be "fair and equitable" under the circumstances. Therefore, this report will consider the guidance of the factors used to determine the fair market value of the City IHOP as a starting point for the fair value determination of the interest being appraised.

BRIEF HISTORY OF THE COMPANY

The Pancake House, Inc. ("TPH" or "The Company") was incorporated in the State of New Jersey on March 20, 1991. The Company elected to be taxed as a Subchapter S Corporation shortly after on April 1, 1991.

TPH is an International House of Pancakes (IHOP) franchise. The Company is located at 123 Route 98 in City, New Jersey. The Company moved to this location in 1995. The restaurant has approximately 44 tables and an estimated seating capacity of 176.

The restaurant facility is approximately 6,100 square feet. The Company pays rent for 6,000 square feet. TPH employs 40 to 50 people and operates from 7:00 a.m. to 10:00 p.m. Sunday through Thursday and 7:00 a.m. to 12:00 a.m. on Friday and Saturdays.

THE FRANCHISE AGREEMENT

The Company operates under a Franchise Agreement ("The Agreement") with IHOP which was renewed on December 30, 2005. Pertinent sections of this agreement are contained in the following pages.

TERM OF THE AGREEMENT

Subject to the early termination provisions contained in The Agreement, the term of The Agreement expires on March 30, 2015. The Company will be granted a Renewal Right upon expiration of The Agreement for another 10 years if it has satisfied the requirements and conditions set forth in The Agreement.

MAINTAINING AND REFURBISHING OF FRANCHISED RESTAURANT

According to Section 4.03 of The Agreement:

(a) Franchisee shall at all times during the Term hereof maintain at its sole expense the interior and exterior of the Franchised Restaurant and the entire Franchised Location, including the parking lot and the point of sale system, in first class condition and repair, and in compliance with all Applicable Laws and Operations Bulletins, except to the extent Franchisor may otherwise expressly agree in writing.

(b) Except as otherwise provided herein, every 5 years during the entire Term hereof, at Franchisee's sole cost and expense, Franchise shall refurbish, remodel and improve the Franchised Restaurant in accordance with Franchisor's then current standards as set forth in the Operations Bulletins or as otherwise promulgated by Franchisor and

> provided to Franchisee. Franchisee shall commence the first such refurbishing, remodeling and improving on the anniversary date occurring 5 years from the Effective Date. Each subsequent refurbishing, remodeling and improving shall commence 5 years from the date on which the last such refurbishing, remodeling and improving was commenced. Franchisee shall complete any such refurbishing, remodeling and improving as expeditiously as possible, but in any event within 30 days after commencing same. This refurbishment and remodel requirement is in addition to and does not include the maintenance obligations set forth in Section 4.03(a) above.

CONTINUING ROYALTY

Each week during the term of the franchise, The Company shall pay to IHOP a continuing royalty in an amount equal to 4.5 percent of The Company's gross sales during the preceding weekly reporting period.

OTHER FEES

A schedule of the fees paid by The Company to IHOP is presented in Table 1.

TABLE 1
SCHEDULE OF FEES

Name of Fee	Amount	Due Date	Remarks
Royalty	4.5% of total gross sales	Payable weekly on the Wednesday of the next week	Gross sales includes all revenue from the Restaurant except sales or use tax.
National Advertising Fee	1% of total gross sales	Same as Royalty fee	
Local Advertising Fee	2% of total gross sales	Same as Royalty fee	See Remarks under Cooperative Advertising
Cooperative Advertising	Determined by a majority vote of franchised restaurants in Advertising Region	Established by IHOP or franchisees in a geo-graphic region	Payments to co-op will be credited against your Local Advertising Fee
Additional Training	$5,000	Prior to training	Payable if our manager is replaced, requiring the new manager to complete Initial Training
Additional Assistance	$181 per day per person, plus reasonable transportation and living expenses	Upon demand	Payable if you request additional assistance from IHOP or Affiliate training staff
Transfer	$1,000 plus $5,000 training fee	Prior to transfer	Payable if you sell your franchise. All or part of the training fee may be waived to the extent that, in our judgement, training is not required.

ECONOMY/INDUSTRY INFORMATION

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. For these reasons, it is important to analyze and understand the prevailing economic environment when valuing a closely-held 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[14]

The information reviewed at the April 28-29 Federal Open Market Committee (FOMC) meeting indicated that economic activity appears to have slowed recently. Consumer spending firmed in the first quarter after dropping during the second half of 2008. Headline and core consumer prices rose at a moderate pace over the first three months of the year.

Labor market conditions deteriorated further in March. Private non farm payroll employment registered its fifth consecutive large monthly decrease, with losses widespread across industries. The civilian unemployment rate climbed to 8.5 percent, and the labor force participation rate edged down from its February level.

The available data analyzed at the meeting suggested that real consumer spending rose moderately in the first quarter after having fallen in the second half of 2008. Real spending

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[14] Much of this section was adapted from the minutes of the Federal Open Market Committee, April 28-29, 2009.

on goods and services excluding motor vehicles fell in March but was up, on balance, for the first quarter as a whole. Despite the increase in consumer spending, various concerns remained: wages and salaries dropped, house prices were markedly lower than a year ago, and, despite recent increases, equity prices were down substantially from their levels of 12 months earlier.

On May 11, 2009, Consensus Economics, Inc. released forecasts of key economic indicators. These forecasts are presented in Table 2.

TABLE 2
ECONOMIC INDICATORS

	2009				2010			
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
Real Gross Domestic Product*	-6.1	-1.9	0.4	1.6	2.2	2.7	2.9	3.1
Nominal Gross Domestic Product*	-3.5	-1.1	1.4	2.6	3.7	4.0	4.3	4.6
Real Disposable Personal Income*	6.2	2.2	0.6	1.0	1.1	2.2	2.1	2.3
Real Personal Consumption*	2.2	-0.2	0.8	1.2	1.7	2.1	2.3	2.4
Real Business Investment*	-38.3	-15.7	-10.5	-5.8	-1.7	2.1	5.1	6.9
Industrial Production*	-20.2	-8.9	-1.9	1.8	2.7	3.4	4.0	4.4
Consumer Prices*	-2.4	0.8	1.4	1.1	2.1	2.2	2.1	1.5
Producer Prices*	-6.4	-0.8	1.0	1.1	2.5	2.2	2.4	2.2
Unemployment Rate, %	8.1	9.1	9.5	9.7	9.8	9.8	9.8	9.6
3 Month Treasury Bill Rate, %[1]	0.2	0.2	0.3	0.3	0.4	0.5	0.8	1.1
10 Year Treasury Bond Yield, %[1]	2.7	3.0	3.1	3.2	3.5	3.7	3.8	4.0

[1] End quarter.
* % change from prior quarter, seasonally adjusted annual rate.

Source: *Consensus Forecasts - USA,* Consensus Economics Inc., May 11, 2009: 5.

Consensus Economics' projects that economic activity will slowly rebound for the remainder of 2009, and then begin posting moderate gains in 2010. Consumer price inflation is expected to remain low throughout the forecast period while the unemployment rate is forecast to remain high, showing little to no improvement.

The economy appears to be rebounding. However, numerous concerns remain, most notably with regards to high unemployment rates. Going forward, expected improvements in personal spending and moderate consumer price inflation could have a positive impact on The Company.

LOCAL ECONOMY

The subject company is located in City, New Jersey. It is important to understand the economic climate of this local area in order to assess The Company's prospects going forward.

City is a municipality in Some County, New Jersey with a population estimate of 51,590 as of 2005. Going forward, the population in City is expected to remain relatively stable. Historical population estimates and future projections for City, New Jersey are displayed in Table 3.

TABLE 3
POPULATION FORECAST

Year	Population	% Change
2000	50,650	-
2005	51,590	1.86%
2010	52,030	0.85%
2015	51,450	-1.11%
2020	50,790	-1.28%
2025	50,360	-0.85%
2030	51,850	2.96%

Income levels in City are above national and statewide levels. From 2006 to 2008, the median household income in City was $85,974 which is well above the national median of

$52,175 and the statewide median of $69,674. From 1999 to the period 2006 to 2008, median household income in City grew 26 percent.[15]

Home values in City are also significantly higher than national and statewide levels. From 2006 to 2008, the median home value in City was $448,900, which is well above the U.S. median of $192,400 and the State of New Jersey median of $367,600. Of the 21,191 housing units in City, 62.3 percent are owner-occupied, 37.7 percent are renter-occupied and 5 percent are vacant.[16]

The impact of the economic downturn on City's economy can be seen in the township's unemployment statistics. The township's unemployment rate rose to 7.0 percent as of April 2009. However, the unemployment rate has remained below national and statewide levels. This data is presented in Table 4.

TABLE 4
UNEMPLOYMENT RATES
(NOT SEASONALLY ADJUSTED)

Date	City	NJ	USA
November 2008	4.7%	6.0%	6.5%
December 2008	5.2%	6.7%	7.1%
January 2009	6.3%	8.2%	8.5%
February 2009	6.8%	8.7%	8.9%
March 2009	7.1%	8.9%	9.0%
April 2009	7.0%	8.5%	8.6%

Source: Bureau of Labor Statistics, Local Area Unemployment Statistics, Online Database.

Another factor that will have an impact on the performance of the subject company is local competition. According to IHOP's website, there are several other IHOP restaurants within

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15 U.S. Census Bureau: City, Some County, New Jersey, 2006-2008.

16 Ibid.

an 11-mile radius of the subject company and 10 IHOP restaurants within a 15-mile radius. In addition, according to Yahoo Local, there are two Original Pancake House restaurants, one Cracker Barrel and one Perkins Family Restaurant within a 10-mile radius of City. There are also various other fast food and family restaurants in the area that can serve as indirect competition to The Company.

Overall, The Company operates in an affluent area with incomes and home values that exceed national and statewide levels. However, the area's labor markets have been hit hard by the economic downturn which can have an adverse impact on discretionary spending. In addition, population growth in City over the long run is expected to be minimal.

INDUSTRY[17]

The restaurant industry as a whole is a large and diverse industry with projected sales of $566 billion in 2009. This represents a 2.5 percent increase more than 2008 sales levels in nominal terms. This projected sales increase is in spite of the fact that the industry is operating in one of the most challenging economic environments in nearly three decades.

Full service restaurant operators experienced one of the most challenging business environments in years in 2008. A rapidly deteriorating economy together with elevated food and energy costs put both operators and guests in a vulnerable position. With increased competition for a shrinking consumer dollar, full service restaurant operators faced various challenges in 2008, most notably related to costs, customers and competition.

- **Costs:** Operators across all three full service segments, fine dining, casual dining and family dining, agreed in an October 2008 National Restaurant Association survey

[17] This section is adapted from the *2009 Restaurant Industry Forecast*, published by The National Restaurant Association (NRA) and Deloitte & Touche, LLP.

that controlling costs was more of a challenge than it had been two years earlier. More than four in five operators reported taking specific steps in response to climbing food costs. More than three in five took action to combat rising energy costs.

- **Customers:** Full service operators surveyed by the NRA in late 2008 said they found it more difficult to attract and retain customers than in the past. About half said they found it more challenging to attract new customers than two years before. About one in four said they had a harder time bringing back repeat customers in 2008 than two years before.

- **Competition:** Competition continued to heat up in 2008, said full service operators. Compared with two years ago, operators across all full service segments said it is more challenging to compete with quickservice restaurants, grocery stores and other full service segments.

Turbulent financial markets had an impact as well. Roughly one in four full service restaurant operators surveyed in October 2008 reported that they found it more challenging to obtain credit or financing than they had two years earlier.

In 2008, full service restaurant sales totaled $18.1 billion, up 1.1 percent from 2007. This marks the slowest growth since the NRA began tracking restaurant industry sales in 1970. According to the NRA's October 2008 survey of operators, 54 percent of family dining operators, 44 percent of casual dining operators and 52 percent of fine-dining operators reported that business in 2008 was down from 2007.

In 2009, the NRA projects that full service restaurant sales will total $182.9 billion, up 1 percent from 2008. This gain is similar to the increase experienced in 2008, but still well below the 2002 to 2007 average annual increase of 4.8 percent. The NRA anticipates that the keys to success for full service operators in 2009 are as follows:

- **Repeat business:** Repeat customers represent a majority of sales for full service restaurants, accounting for 75 percent of sales at family dining restaurants, 70 percent of sales at casual dining restaurants and 60 percent of sales at fine dining restaurants. With operators saying it is easier to bring back repeat customers than attract new ones, success in a soft economy is increasingly dependent on keeping regular guests coming back.

- **The value of value:** Asked what steps full service restaurateurs could take to draw guests into their operations more frequently, customers gave their highest marks to those that provided value. Seventy-five percent of customers surveyed by the Association in November 2008 said they would patronize a full service restaurant more frequently if the restaurant offered frequent-dining discounts or discounts for dining on slower days of the week. Other top draws: Smaller portions for a lower price; discounts for dining at off-peak times; and food and drink specials during happy hours.

- **Off-premises growth:** One way full service operators can address increased competition from quickservice operations and grocery stores is to expand their takeout and delivery services. Nearly all full service restaurants, including nine in 10 fine dining restaurants, offer takeout. Delivery is not as common and it is offered by less than one out of five full service restaurants. But full service operators see takeout and delivery as ripe for growth. About four in 10 family, and causal dining operators and a third of fine dining operators believe delivery will become more popular in their segment in the future. Customers appear eager for the expanded options: Close to half of consumers surveyed said they would patronize full service restaurants more frequently if the restaurants offered delivery or had convenient takeout options.

TPH will face numerous challenges in the short-term, most notably a deteriorating economy and rising food costs. The Company must find ways to combat these rising costs and continue to attract and retain customers in order to weather the current economic downturn.

INTERNATIONAL HOUSE OF PANCAKES[18]

IHOP restaurants are franchised and operated by Glendale, California-based International House of Pancakes, LLC and its affiliates. International House of Pancakes, LLC is a wholly-owned subsidiary of Dine Equity, Inc. (NYSE: DIN). IHOP restaurants feature moderately priced, high quality food and beverage items and table service. Although IHOP restaurants are best known for their signature pancakes, omelettes and other breakfast specialties, IHOP restaurants are open throughout the day and evening hours and offer a broad array of lunch, dinner and snack items as well.[19] According to Morningstar, IHOP restaurants have an average check of about $9 to $10.[20]

IHOP Corp. was incorporated in 1976. Effective June 2, 2008, the name of the company was changed to Dine Equity, Inc. which operates two segments: IHOP and Applebees. As of December 31, 2008, there was a total of 1,396 IHOP restaurants of which 1,225 were subject to franchise agreements, 160 were subject to area license agreements and 11 were company-operated restaurants. IHOP restaurants are located in 49 states in the United States, the District of Columbia and internationally in Canada and Mexico.[21]

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18 Unless otherwise footnoted, this section is adapted from Dine Equity, Inc.'s 10-K filing for the fiscal year ended December 31, 2008.

19 IHOP, Company Overview <www.Ihop.com > (accessed November 15, 2010).

20 Morningstar, Dine Equity, Inc. <www.morningstar.com/1/1/29987-din-dinequity-inc.htm/>.

21 Dine Equity, 10-K filing, December 31, 2008.

In 2008, IHOP entered into 24 franchise development agreements. As of December 31, 2008, the company had signed commitments from franchises to build 307 IHOP restaurants over the next nine years plus options for an additional 111 restaurants. In 2009, the company expects to open a total of 65 to 75 new IHOP restaurants, including 55 to 60 franchise restaurants.

IHOP competes in the family dining segment against national and multi state operators such as Denny's, Cracker Barrel, Old Country Store, Bob Evans Restaurants and Perkins Restaurant and Bakery. In addition, there are many independent restaurants and diners across the country in the family dining segment. Family dining restaurants offer full table service, typically do not have bars or serve liquor, and usually offer breakfast in addition to lunch and dinner items. IHOP is one of the largest family dining brands in the world in terms of number of restaurants and market share.

IHOP's revenues from franchise sales have been on an upward trend since 2004. This data is presented in Table 5.

TABLE 5
IHOP FRANCHISE REVENUES
($000's)

Year	Revenues	% Change
2004	$ 157,584	-
2005	167,384	6.2%
2006	179,331	7.1%
2007	191,584	6.8%
2008	204,940	7.0%

Franchise revenues consist of royalties, IHOP advertising fees and sales of proprietary products for IHOP which fluctuate with increases or decreases in franchise retail sales. Franchise retail sales are impacted by the development of IHOP restaurants by the franchisees and by fluctuations in same-store sales. Growth rates of same-store sales for IHOP franchises are presented in Table 6.

TABLE 6
IHOP FRANCHISE
SAME-STORE SALES
(% CHANGE
OVER PRIOR YEAR)

Year	% Change
2005	2.9%
2006	2.5%
2007	2.2%
2008	1.5%
QTD March 31, 2009	2.0%

As indicated by the data in Table 6, IHOP has achieved positive same-store sales growth through its franchises for four consecutive years, and has continued a string of 23 consecutive quarters of same-store growth through third quarter 2008. However, guest traffic declined during the fourth quarter of 2008 due to a combination of several severe hurricanes and the mounting economic crisis.

Through March 2009, IHOP's same-store sales for franchises increased by 2 percent over March 2008 levels. This is primarily the result of a higher average guest check, along with slightly positive guest traffic growth.[22]

Overall, IHOP appears to be a healthy company, and it continues to post positive franchise revenues and open new locations. In addition, despite the economic downturn, IHOP franchises have continued to post positive same-store sales growth. So far in 2009, IHOP franchises have experienced positive increases in average check amounts and guest traffic. These factors provide for an overall positive outlook for TPH.

22 Dine Equity, 10Q, March 31, 2009.

FINANCIAL ANALYSIS

A limited financial analysis of The Company was performed using The Company's historic tax returns which are presented in Schedules 1 and 2 at the back of this report. The Company does not have any internal financial records available and in analyzing its tax returns, it becomes apparent that The Company expenses its capital expenditures. Based on these factors, we focused our analysis on The Company's revenues and gross profit figures as the available operating expense data was deemed unreliable.

We began our financial analysis of The Company by looking at its balance sheet. As of December 31, 2008, The Company's current assets consisted of small cash and inventory balances. In addition, The Company had current liabilities of $79,018 consisting of accounts payable, taxes payable and payables related to gift cards and credit cards. As of December 31, 2008, The Company had a shareholder loan with a balance of $485,021. There are no documents or records related to this loan and regular payments are not being made. Therefore, we treated these loans as paid in capital rather than a form of debt, and reclassified them as equity.

The next step in the analysis is to look at The Company's historic income statements. After peaking in 2005 at $2.21 million, TPH's revenues declined for two consecutive years reaching $1.74 million in 2007. The decline in revenues over this time period can be attributed to the opening of a new IHOP franchise in NextCity, New Jersey, which is located within a six-mile radius of the subject company, as well as the start of a weakening economy. In 2008, The Company's revenues rebounded, rising to $1.86 million.

We also performed a benchmarking analysis of The Company's gross profit margin. We turned to the following two sources for this data to compare The Company to:

1. Microbilt's Integra Financial Benchmarking Database (Integra) - We searched Integra for financial benchmarking data for companies located in Standard Industrial Classification (SIC) code 5812: Eating and Drinking Places with revenues between $1 million and $2.49 million. The Integra database contained composite data for 5,702 companies classified under this category.

2. National Restaurant Association - *2010 Restaurant Industry Operations Report with 2008 data - The 2010 Restaurant Industry Operations Report* contained common size financial data for various categories of restaurants. We focused our analysis on full service restaurants with an average check per person less than $15, and revenues between $1 million and $1.999 million.

A summary of TPH's historic gross profit margins along with comparative data from Integra and the National Restaurant Association is presented in Table 7.

TABLE 7
GROSS PROFIT MARGIN ANALYSIS

	TPH				Integra	NRA		
	2005	2006	2007	2008	2008	Lower Quartile	Median	Upper Quartile
Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales	40.78%	40.23%	38.49%	40.50%	36.27%	27.00%	32.60%	35.20%
Gross Profit	59.22%	59.77%	61.51%	59.50%	63.73%	73.00%	67.40%	64.80%

The data in Table 7 shows that TPH's gross profit margins have consistently lagged those of its industry peer group. The Company's cost of sales as a percentage of revenue has exceeded 40 percent in three out of the four years shown. In all of these years, The Company's cost of sales as a percentage of revenues have fallen well above the upper quartile of the National Restaurant Association data. According to one of the pricing tips for full service restaurants published in the 2009 *Business Reference Guide*:

If cost of sales exceeds 35%, there is probably some skimming going on.[23]

We have also been informed by our client that it was common for the business to make large purchases of items such as ketchup, and then resell it for cash to other local restaurants. This could also explain a higher cost of sales.

Our analyses of The Company's gross profit margins further reflect the unreliability of TPH's historic earnings. This factor, along with the lack of internal financial records, prevented us from determining an appropriate level of economic earnings that The Company can generate over the long run. Therefore, we were unable to perform an income approach in this valuation and will proceed to value The Company using revenues-based transaction multiples. This will be discussed in more detail in the following section of the report.

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[23] Tom West, 2009 *Business Reference Guide*, 19th Edition: 615.

VALUATION ANALYSIS

THE MARKET APPROACH

TRANSACTION METHOD

In order to determine the value of The Company using the market approach, we searched the following databases for sales transactions of restaurants as far back as January 1, 2000.

1. Institute of Business Appraisers (IBA)
2. BizComps™
3. Pratt's Stats™

Due to the facts that The Company's historic financial statements were noticeably out of line with the industry benchmarking data and that The Company has no records available that would allow us to analyze its expense structure and determine an appropriate level of economic earnings, we focused our analysis specifically on price to revenue multiples. According to one of the pricing tips published in the 2009 *Business Reference Guide*, the price to revenue multiple is the most important multiple to consider when determining the asking price for a full service restaurant. The 2009 *Business Reference Guide* states:

> There are 5 critical criteria for restaurants to meet. #1 is location: busy location, high traffic, booming business in the area and finally mid to high income population. #2 is rent: it should not exceed 10% of gross revenue. #3 is conversion potential: can the restaurant be converted into another concept that will not compete with other restaurants within the same particular center? #4 is condition of equipment: are they NSF approved and in good condition? Since they are expensive, we shouldn't overlook that. **#5 is asking price: the most important is percentage of gross revenue, which shouldn't exceed**

> **<u>30%-40%, that's what experienced restaurant owners/buyers look for; and the gross annual revenue shouldn't be less than $500,000 for a full-service restaurant, otherwise it should sell as an asset sale</u>**. If you have all 5 criteria, the business will sell for market value.[24] (Emphasis added).

For additional insight on the usefulness of the price to revenue multiple, we reviewed a presentation from Raymond C. Miles, the founder and past Executive Director of IBA. Mr. Miles stated:

> The price-to-earnings and price-to-gross revenues multiples are almost equally valid criteria for estimating the market value of businesses. This conflicts with the conventional wisdom that the price-to-earnings ratio is the most significant performance criterion of a business.
>
> In practice, the price-to-gross revenue multiple is especially useful for appraising closely held businesses, because price-to-gross revenue multiples are available for all sales in the IBA Market Data Base, while price-to-earnings multiples are only available for some sales.[25]

In addition, Charles M. Perkins, CBI, President of the Boston Restaurant Group, stated the following:

> <u>Multiple of Sales Method</u>
> The Multiple of Sales method has many supporters, given that it is a relatively straight forward method to use and that the sales of a business can be verified from the Federal Tax Return - business owners are not apt to inflate their annual revenue. Utilizing the appropriate multiple, an appraiser can determine the value of the business with the method.
>
>> Revenues (Gross) are easier to measure and verify than are profits; hence, many buyers tend to rely more heavily on gross revenues than on reported earnings when they consider how much to pay for a business.

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24 Ibid.

25 Raymond C. Miles, "Business Appraising in the Real World–Evidence From the IBA Market Database" (document presented at the IBA National Conference, Orlando, FL, February 7, 1992).

Multiple of Earnings Method
In the application of this method, the appraiser would determine the cash flow of the business and apply the appropriate, market derived, multiple from one of the industry's recognized database sources (Pratt's Stats, etc.) The difficulty is using this method is that many restaurants are not operationally profitable.[26]

Taking this into consideration, we valued The Company using the price to revenue multiple.

INSTITUTE OF BUSINESS APPRAISERS (IBA)

A search of IBA's database for transactions of businesses in SIC code 5812 returned 2,384 transactions. Details of these transactions are presented in Table 8.

TABLE 8
IBA TRANSACTION DETAILS

Business Description	Sales ($000)	Price ($000)	Price/ Sales	State	Sale Date	Census Region
Specialty Restaurant	764	5	0.01	AZ	01/01/04	West
Eating Places - Restaurants	124,033	1,700	0.01	UT	10/12/00	West
Restaurants|American Restaurant	6,000	125	0.02	GA	11/01/05	South
Restaurants|Café Type Eatery	96	2	0.02	FL	07/18/03	South
Restaurants|Pizza Shop	488	15	0.03	FL	05/15/09	South
Pizza Shop	312	10	0.03	FL	10/29/04	South
Restaurants|Breakfast Lunch	110	4	0.04	FL	11/08/06	South
Restaurants|Sub Shop	240	9	0.04	FL	05/28/08	South
Bagel Restaurant	13,000	500	0.04	FL	08/01/03	South
Restaurants|Sub Shop	187	8	0.04	FL	02/17/09	South
Restaurants|Pizza Shop	300	13	0.04	FL	02/03/04	South
Diner	5,412	240	0.04	FL	01/04/00	South
Restaurants|Italian Restaurant	330	15	0.05	FL	06/19/08	South
Restaurants|Deli Restaurant	2,000	100	0.05	FL	07/29/04	South
Restaurants|Pizza Shop	384	20	0.05	FL	04/10/05	South
Restaurant	302,160	17,000	0.06	DE	01/01/00	South
Restaurants|Brew/Pub	582	35	0.06	FL	09/10/08	South
Restaurants|Coffee Shop/House	331	20	0.06	FL	04/25/05	South

26 Charles M. Perkins, "Eating & Dining Places: Best Valuation Approach to Use and Why, Industry Valuation Update: Eating and Drinking Places, Volume Two," Business Valuation Resources, January 8, 2007.

TABLE 8
IBA TRANSACTION DETAILS

Business Description	Sales ($000)	Price ($000)	Price/ Sales	State	Sale Date	Census Region
Restaurants|Deli Restaurant	285	18	0.06	FL	02/24/03	South
American Restaurant	840	55	0.07	FL	07/01/01	South
Restaurants|American Restaurant	840	55	0.07	GA	02/01/02	South
Transactions have been removed from this sample report due in order to save space.						
Italian Restaurant	683	49	0.07	FL	04/30/09	South
Restaurants|Italian Restaurant	683	50	0.07	FL	04/30/09	South
Restaurants|American Restaurant	2,032	150	0.07	FL	03/26/08	South
Restaurants|Take Out Only	240	18	0.08	OR	01/04/07	West
Restaurants|Pizza Shop	384	30	0.08	FL	12/19/03	South
Restaurants|Specialty Restaurant	380	30	0.08	FL	11/06/08	South
Diner	662	53	0.08	TX	09/06/01	South
Juice Bar	270	22	0.08	TN	11/01/00	South
Food & drive-thru	480	40	0.08	AZ	01/01/03	West
Food Business Retail|Food Deli Take Out	300	25	0.08	FL	05/04/09	South
Restaurants|Breakfast Lunch	343	29	0.08	FL	02/02/09	South
Restaurants|Bagel Restaurant	650	55	0.08	NY	07/17/06	Northeast
Restaurants|Bagel Restaurant	650	55	0.08	FL	03/07/06	South
asset sale	700	60	0.09	AZ	01/01/03	West
Restaurants|Ethnic Restaurant	700	60	0.09	KS	08/29/06	Midwest
Catering	576	50	0.09	FL	06/01/05	South
Restaurants|Floating Fast Food	228	20	0.09	FL	10/01/08	South
Restaurants|Pizza Shop	170	15	0.09	FL	01/16/08	South
Restaurants|Seafood Restaurant	1,165	105	0.09	NY	07/26/06	Northeast

Of the 2,384 transactions located in the IBA database, 2,153 had price to revenue data. TPH was larger than most of the acquired companies located in the database as the 90th percentile revenue figure for these transactions was $800,000. A statistical summary of the price to revenue multiples is presented in Table 9.

TABLE 9
IBA PRICE TO REVENUE STATISTICS

Average	0.43
Standard Deviation	0.38
Coefficient of Variation	0.90
10th percentile	0.18
25th Percentile	0.26
Median	0.37
75th Percentile	0.50
90th Percentile	0.67
Semi-Interquartile Range (SIR)	0.12
SIR as a % of Median	33.00%
10th - 90th Percentile Range (PR)	0.24
10th - 90th PR as a % of Median	66.00%

The statistical data presented in Table 9 allow us to draw several conclusions about the data set. First, the data set is skewed upward as indicated by the average multiple exceeding the median multiple. Because the data is skewed, the average is a poor indication of where the data is centered and the standard deviation is a poor indication of the variability of the data as both of these measures are heavily sensitive to outliers. Therefore, we focused our analysis on the median multiple and the corresponding measures of dispersion for the median statistic.

We organized the data into percentiles in order to gain perspective on how the data was dispersed around the median. After that we calculated percentile ranges. A percentile range is the difference between two percentiles. It serves as a measure of dispersion for the median in a similar manner that the standard deviation serves as a measure of dispersion for the average. In this analysis, we analyzed the interquartile range, which is the difference between the 75th and 25th percentiles, and the 10th - 90th percentile range, which is the difference between the 90th percentile and the 10th percentile. The differences between the percentiles are divided by two to provide an estimate of the spread above and below the median and are referred to as the semi-interquartile range and the semi-10 to 90 percentile range.

The semi-interquartile range and the semi-10-90 percentile range were 0.12 and 0.24, respectively as reflected in the statistical data presented in Table 9. As a percentage of the median, the semi-quartile range and the semi-10-90 percentile range was 33 percent and 66 percent, respectively. This indicates a relatively tight clustering of the data around the median, which is a positive sign in determining the statistical reliability of a sample. This can be seen graphically in the histogram presented in Chart 1.

CHART 1
IBA PRICE TO REVENUE HISTOGRAM

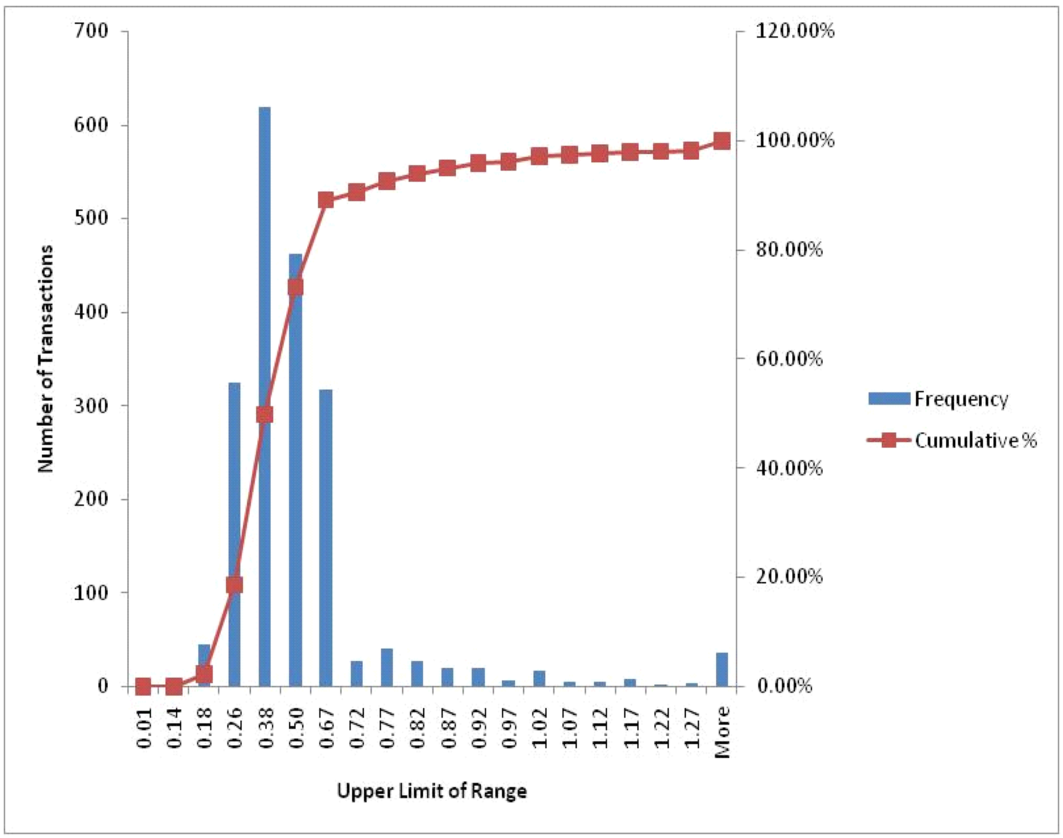

Chart 1 shows how the IBA data is spread out. It shows the heavy clustering of the data around the median with a few extreme outliers above the median. In addition, the red line shows how close to 100 percent of the data is within a reasonable range of the median. Based on these factors, we determined that the sample set has a solid level of statistical reliability, and the median is a good indicator of the central tendency of the data.

Our analysis began by looking at all of the transactions located in SIC code 5812. We analyzed two groupings of data: a) all of the transactions and b) only those located in the

Northeast region of the United States. A listing of the transactions located in the Northeast region is presented below in Table 10.

TABLE 10
IBA TRANSACTIONS IN NORTHEAST REGION

Business Description	Sales ($000)	Price ($000)	Price/ Sales	State	Sale Date	Census Region
24 Hr Restaurant	965	200	0.21	PA	05/01/03	Northeast
Breakfast & Lunch	177	40	0.23	MA	07/01/03	Northeast
Breakfast & Lunch	125	45	0.36	MA	03/01/04	Northeast
Breakfast & Lunch	208	65	0.31	MA	07/01/04	Northeast
Breakfast & Lunch	130	20	0.15	MA	08/09/02	Northeast
Breakfast & Lunch	566	208	0.37	MA	12/01/03	Northeast
Breakfast & Lunch Rest.	145	45	0.31	MA	05/01/00	Northeast
Breakfast & Lunch Rest.	103	32	0.31	MA	01/01/00	Northeast
Breakfast Lunch	226	60	0.27	MA	07/22/08	Northeast
Transactions were removed to save space.						
Coffee	325	115	0.35	MA	02/15/06	Northeast
Coffee Shop	192	33	0.17	MA	08/01/03	Northeast
Coffee Shop and Bar	274	125	0.46	PA	06/29/07	Northeast
Deli	308	175	0.57	MA	08/01/06	Northeast
Family Restaurant	1,640	1,350	0.82	MA	04/03/01	Northeast
Fast Food BBQ	76	58	0.76	PA	01/01/02	Northeast

The next step in the analysis was to divide the data into three time periods: a) transactions that have taken place since January 1, 2000, b) transactions that have taken place since January 1, 2005, and c) transactions that have taken place since January 1, 2007. A statistical summary for each of the data sets analyzed is presented in Table 11.

TABLE 11
IBA- STATISTICAL SUMMARY

	Since January 1, 2000		Since January 1, 2005		Since January 1, 2007	
	All Data	Northeast Region	All Data	Northeast Region	All Data	Northeast Region
Average	0.43	0.44	0.44	0.41	0.40	0.43
Standard Deviation	0.38	0.27	0.47	0.19	0.30	0.24
Coefficient of Variation	0.90	0.61	1.08	0.47	0.76	0.55
10th percentile	0.18	0.21	0.18	0.21	0.15	0.21
25th percentile	0.26	0.29	0.25	0.29	0.23	0.27
Median	0.37	0.38	0.38	0.38	0.35	0.36
75th percentile	0.50	0.54	0.51	0.53	0.50	0.55
90th percentie	0.67	0.71	0.65	0.60	0.65	0.74
Semi-Interquartile Range	0.12	0.12	0.13	0.12	0.13	0.14
Semi-Interquartile Range as a % of Median	33%	32%	34%	32%	39%	39%
Semi-10-90 Percentile Range	0.24	0.25	0.23	0.20	0.25	0.27
Semi-10-90 Percentile Range as a % of Median	66%	66%	62%	51%	72%	75%
Sample Size	2,153	110	982	78	502	37

The statistics presented in Table 11 indicate that the data is skewed, as the average exceeds the median in each subset. Therefore, the median and percentile statistics were analyzed as they provide a more meaningful analysis.

The percentile statistics in Table 11 reflect minimal differences in the multiples between transactions that have occurred nationwide and transactions that have occurred in the Northeast region. In addition, the variability in the data as measured by the semi-interquartile range has remained stable through each of the subsets. The data also reflects that the median multiples have decreased in the most recent sample set that dates back to January 1, 2007. This could be attributed to the poor economic climate that was in effect during this period, however, the semi-quartile range increased as a percentage of the median, which reflects a little more variability in the data. In addition, the declines in the median multiples were not that significant as they are still within reasonable range of the median multiples for the entire population of data. In conclusion, the statistics in Table 11 support the notion that the data is tightly clustered around the median as the median and the interquartile range have shown stability through the various sortings of the data.

Our findings of the lack of change in the median multiple despite establishing date and region constraints are similar to those found by Mr. Miles in an empirical study of the data contained in the IBA database. Mr. Miles states:

> Empirical data for all business categories, in aggregate, does not show any significant changes in business value as a function of time. This is contrary to

> the conventional wisdom that only recent sales should be considered when choosing guideline ("comparable") companies.
>
> The data shows no significant correlation between the selling price and the percentage down payment. This differs from the conventional wisdom that a business sold for cash should bring a lower total price than one sold for "terms."
>
> As expected, business values as measured by price to earnings and price to gross multiples differ from one kind of business to another. However, this difference is not as large as might have been expected. This suggests that the search for guideline companies does not need to be limited to businesses in the same SIC category as the business being appraised.
>
> Thus, the search for guideline companies can reasonably include SIC categories other than the category assigned to the business being appraised.
>
> Empirical evidence indicates that the 'most probable price' for a business is significantly different from the average price of businesses that have been sold. Thus, when the standard of value is 'most probable price,' use of the average selling price of guideline companies can lead to a value estimate that is in error by a significant amount.[27]

In another study[28] published by Mr. Miles, he disclosed how the multiples were not materially different when broken down geographically. The results of this study are presented below:

	Price to Earnings Mean	Diff. From Nat'l Avg.	Price to Gross Rev. Mean	Diff. From Nat'l Avg.
Southwest	2.10	-11.00%	0.54	-4.00%
Northwest	2.60	11.00%	0.57	6.00%
Southeast	2.23	-7.00%	0.56	1.66%
Northeast	2.99	25.00%	0.54	1.66%
All Regions	**2.39**		**0.54**	

As can be seen from the above data, the multiples are not materially different from one region to another. Following the completion of the study, the author determined that a major reason for the higher price to earnings multiples for the Northeast geographic region was

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27 Business Appraising in the Real World–Evidence from the IBA Market database.

28 Raymond C. Miles, "Business Values in the Real World: Evidence from the IBA Transaction Database," presentation at the American Society of Appraisers Business Valuation Conference, Houston, October 23, 1993.

a submission of many business sales by one business broker who dealt with “high end business.”[29]

Nevertheless, the results of Mr. Miles’ studies support our analysis that the median price to revenue multiple in the IBA database does not materially change despite the various sortings of the sample data.

We further analyzed the data by establishing revenue constraints. The purpose of this analysis was to derive a grouping of restaurants that were similar in size to that of The Company and to review the impact that these constraints would have on the price to revenue multiples. We analyzed transactions that involved companies that had revenues within 10 times that of The Company. Summary statistics for each revenue constraint are presented in Table 12.

TABLE 12
IBA STATISTICAL SUMMARY WITH REVENUE CONSTRAINTS

	Since January 1, 2000 within 10X Revenues		Since January 1, 2005 within 10X Revenues		Since January 1, 2007 within 10X Revenues	
	All Data	Northeast Region	All Data	Northeast Region	All Data	Northeast Region
Average	0.38	0.42	0.38	0.40	0.36	0.43
Standard Deviation	0.23	0.22	0.22	0.21	0.21	0.25
Coefficient of Variation	0.61	0.53	0.58	0.52	0.57	0.58
10th percentile	0.17	0.20	0.16	0.20	0.14	0.20
25th percentile	0.24	0.28	0.25	0.27	0.22	0.27
Median	0.34	0.37	0.35	0.35	0.32	0.34
75th percentile	0.46	0.51	0.47	0.50	0.45	0.52
90th percentile	0.62	0.68	0.61	0.62	0.60	0.78

29 Ibid.

TABLE 12
IBA STATISTICAL SUMMARY WITH REVENUE CONSTRAINTS

	Since January 1, 2000 within 10X Revenues		Since January 1, 2005 within 10X Revenues		Since January 1, 2007 within 10X Revenues	
	All Data	Northeast Region	All Data	Northeast Region	All Data	Northeast Region
Semi-Interquartile Range	0.11	0.12	0.11	0.11	0.11	0.13
Semi-Interquartile Range as a % of Median	32%	33%	31%	32%	35%	37%
Semi-10-90 Percentile Range	0.22	0.24	0.22	0.21	0.23	0.29
Semi-10-90 Percentile Range as a % of Median	66%	65%	63%	60%	71%	85%
Sample Size	1,549	85	747	63	387	32

As the statistics in Table 12 indicate, applying the revenue constraints also had minimal impact on the median multiples and the percentile ranges. The median multiple remained in the range of 0.32 to 0.37 and the various percentiles also showed stability through the various sortings.

The next step in the analysis was to review the business descriptions of the various transactions and narrow our search to include only those restaurants with similar operations to those of The Company where possible. We looked for those businesses that could be classified as “full service eating places.” The following types of restaurants were included in this analysis.

- Breakfast/Lunch Restaurants
- Specialty Restaurants
- Family Restaurants
- Diners
- Other Full Service Restaurants

The transactions that met our criteria are presented in Table 13.

TABLE 13
IBA - FULL SERVICE EATING PLACES

Business Description	Sales ($000)	Price ($000)	Price/ Sales	State	Sale Date
Breakfast Lunch	24	45	1.88	AZ	01/04/08
Restaurants|American Restaurant	34	27	0.79	FL	02/01/01
Specialty Restaurant	35	28	0.80	AZ	01/01/04
Breakfast/Lunch	36	9	0.25	AZ	01/01/00
Restaurant	41	35	0.85	MA	04/16/02
Breakfast/lunch	42	22	0.52	AZ	01/01/03
Restaurants|Breakfast Lunch	44	10	0.23	FL	06/11/03
Breakfast/Lunch	45	45	1.00	FL	05/01/03
Restaurants|Breakfast Lunch	50	15	0.30	FL	12/02/04
Restaurants|Breakfast Lunch	60	20	0.33	FL	02/11/08
Restaurants|Breakfast Lunch	60	25	0.42	FL	05/02/03
Restaurants|Seafood Restaurant	60	35	0.58	UT	04/28/06
Restaurants|Breakfast Lunch	61	65	1.07	ID	04/10/07
Restaurant BBQ	65	37	0.57	OH	03/01/00
Restaurants|Steak Restaurant	66	140	2.12	GA	10/19/04
Breakfast/lunch	70	40	0.57	AZ	01/01/03
Italian Restaurant	72	285	3.96	FL	04/07/00
Restaurant	73	25	0.34	CA	01/01/05
Restaurant	74	75	1.01	FL	10/02/04
Restaurants|American Restaurant	74	75	1.01	FL	10/02/04
Restaurants|American Restaurant	77	31	0.40	NE	06/02/06
Breakfast Restaurant	77	35	0.45	FL	02/01/04
Restaurants|Breakfast Lunch	77	42	0.55	FL	08/01/03
Transactions were removed to save space.					
Restaurants|Italian Restaurant	80	40	0.50	FL	02/02/00
Restaurants|Breakfast Lunch	81	110	1.36	FL	09/09/03
Restaurants|Breakfast Lunch	82	39	0.48	FL	11/13/02
Diner	85	24	0.28	OH	10/01/01
Restaurants|Breakfast Lunch	85	25	0.29	FL	06/09/04
Italian Restaurant	85	195	2.29	AZ	01/01/05
Breakfast Lunch	86	52	0.60	FL	01/19/01
Restaurants|Breakfast Lunch	87	52	0.60	FL	01/19/01
Restaurants|Latin Restaurant	91	18	0.20	FL	03/02/09
Restaurant	94	50	0.53	MA	02/01/06
Restaurants|Breakfast Lunch	94	23	0.24	TX	04/09/07
Restaurants|Breakfast Lunch	95	60	0.63	FL	04/17/07
Restaurants|Italian Restaurant	738	175	0.24	FL	04/30/04

We divided this data set further by looking only at those transactions that took place in the Northeast region of the United States. A listing of these transactions is presented in Table 14.

TABLE 14
IBA FULL SERVICE EATING PLACES
NORTHEAST REGION

Business Description	Sales ($000)	Price ($000)	Price/ Sales	State	Sale Date
Breakfast & Lunch Rest.	103	32	0.31	MA	01/01/00
Breakfast & Lunch Rest.	145	45	0.31	MA	05/01/00
Family Restaurant	1,640	1,350	0.82	MA	04/03/01
Restaurant	41	35	0.85	MA	04/16/02
Breakfast & Lunch	130	20	0.15	MA	08/09/02
24 Hr Restaurant	965	200	0.21	PA	05/01/03
Breakfast & Lunch	177	40	0.23	MA	07/01/03
Restaurant	766	358	0.47	MA	09/08/03
Breakfast & Lunch	566	208	0.37	MA	12/01/03
RES	455	134	0.29	NH	01/01/04
Breakfast & Lunch	125	45	0.36	MA	03/01/04
Restaurant	338	275	0.81	MA	03/01/04
Restaurant	591	289	0.49	MA	05/01/04
Restaurant	1,897	350	0.18	MA	05/01/04
Breakfast & Lunch	208	65	0.31	MA	07/01/04
Breakfast/Lunch	200	88	0.44	NY	11/01/04
REST	235	150	0.64	VT	01/01/05
Full service restaurant	910	290	0.32	MA	08/31/05
Restaurant	405	160	0.40	MA	09/15/05

Sorry but we had to remove stuff again. The original report was 245 pages.

Restaurants|Specialty Restaurant	256	142	0.55	MA	03/30/06
Restaurants|Breakfast Lunch	380	110	0.29	VT	04/15/06
Restaurants|Italian Restaurant	2,500	950	0.38	PA	04/24/06
Restaurants|Breakfast Lunch	182	60	0.33	NY	04/26/06
Restaurants|Family Style	468	70	0.15	NY	05/16/06
Restaurants|American Restaurant	393	150	0.38	PA	06/01/06
Restaurants|Diner	285	80	0.28	NJ	06/30/06
Restaurants|Seafood Restaurant	1,165	105	0.09	NY	07/26/06
Restaurants|Mexican Restaurant	420	228	0.54	NY	08/30/06

We then applied the same date and revenue constraints with the full service dining restaurants as we did with our analysis of the entire population of data. The summary statistics are presented in Table 15.

TABLE 15
IBA - FULL SERVICE EATING PLACES SUMMARY STATISTICS

	Since January 1, 2000		Since January 1, 2005		Since January 1, 2007	
	All Data	Northeast Region	All Data	Northeast Region	All Data	Northeast Region
Average	0.40	0.38	0.39	0.37	0.37	0.37
Standard Deviation	0.31	0.20	0.25	0.18	0.25	0.24
Coefficient of Variation	0.76	0.51	0.63	0.50	0.68	0.63
10th percentile	0.17	0.19	0.16	0.19	0.14	0.18
25th percentile	0.24	0.27	0.24	0.27	0.22	0.27
Median	0.33	0.32	0.35	0.32	0.31	0.32
75th percentile	0.47	0.45	0.48	0.42	0.45	0.40
90th percentie	0.66	0.59	0.63	0.55	0.62	0.56
Semi-Interquartile Range	0.11	0.09	0.12	0.08	0.12	0.06
SIR as a % of Median	34%	28%	34%	24%	38%	20%
Semi-10-90 Percentile Range	0.25	0.20	0.24	0.18	0.24	0.19
Semi-10-90 Percentile Range as a % of Median	75%	62%	68%	55%	78%	59%
Sample Size	822	52	374	36	182	15

	Since January 1, 2000 within 10X Revenues		Since January 1, 2005 within 10X Revenues		Since January 1, 2007 within 10X Revenues	
	All Data	Northeast Region	All Data	Northeast Region	All Data	Northeast Region
Average	0.36	0.38	0.37	0.36	0.34	0.38
Standard Deviation	0.25	0.20	0.22	0.20	0.22	0.25
Coefficient of Variation	0.68	0.53	0.58	0.53	0.64	0.65
	-					
10th percentile	0.16	0.18	0.15	0.16	0.13	0.18
25th percentile	0.23	0.27	0.23	0.27	0.21	0.27
Median	0.31	0.32	0.33	0.32	0.29	0.30
75th percentile	0.44	0.47	0.47	0.43	0.45	0.42
90th percentie	0.60	0.59	0.61	0.55	0.59	0.57
Semi-Interquartile Range	0.11	0.10	0.12	0.08	0.12	0.08
SIR as a % of Median	35%	31%	36%	26%	41%	25%
Semi-10-90 Percentile Range	0.22	0.20	0.23	0.20	0.23	0.19
Semi-10-90 Percentile Range as a % of Median	71%	63%	70%	62%	80%	64%
Sample Size	651	41	309	31	157	14

As the summary statistics in Table 15 indicate, applying these various constraints still did not have a major impact on the median multiple, as the median multiples presented in Table 15 ranged from 0.29 to 0.35. This is slightly lower than the range of median multiples for the entire population of data which was 0.32 to 0.37.

We further analyzed the data by looking at the multiples for transactions involving franchises. The purpose of this analysis was to see if the data reflects any premium prices being paid for franchised restaurants. A listing of the transactions involving franchises found in the IBA database is presented in Table 16.

TABLE 16
IBA - FRANCHISES

Business Description	Sales ($000)	Price ($000)	Price/ Sales	State	Sale Date
Franchise Pizza	435	180	0.41		01/01/00
Burger King Franchise	922	686	0.74	KS	03/01/00
Burger King Franchise	1,270	659	0.52	KS	04/01/00
Burger King Franchise	675	457	0.68	KS	05/01/00
Burger King Franchise	915	758	0.83	KS	06/01/00
BK Franchise	746	285	0.38	KS	07/01/00
Burger King Franchise	757	532	0.70	KS	07/01/00
New Franchises|NF Yogurt/Ice Cream	117	65	0.56	GA	08/01/00
Burger King Franchise	1,183	608	0.51	KS	08/01/00
DQ Franchise	207	76	0.37	OH	09/01/00
Restaurants|Fast Food Franchise	510	325	0.64	GA	10/26/00
Snack Food Franchise	208	140	0.67	TN	11/01/00
Restaurant Service Franchise	220	137	0.62	OH	11/01/00
Burger King Franchise	688	446	0.65	KS	12/01/00
Franchise Restaurant	1,123	840	0.75	AR	06/01/01
Ice Cream/Yogurt Franchise	179	83	0.46	FL	08/01/01
Restaurants|Fast Food Franchise	487	120	0.25	GA	10/12/01
Fast Food Franchise	470	250	0.53	FL	11/01/01
Restaurants|Fast Food Franchise	659	275	0.42	FL	11/09/01
Restaurants|Fast Food Franchise	470	250	0.53	FL	11/14/01

Yes, I did it again.

Restaurants|Fast Food Franchise	117	35	0.30	GA	01/15/02
Restaurants|Fast Food Franchise	173	63	0.36	FL	01/22/02
Subway Franchise	191	82	0.43	OH	02/01/02
Subway Franchise	209	89	0.43	OH	03/01/02
Subway Franchise	209	92	0.44	OH	04/01/02
Subway Franchise	404	224	0.55	PA	04/01/02
Franchise Fast Food	432	606	1.40	FL	04/01/02

We further analyzed the data by applying the same date and revenue constraints as we did in our previous analyses. A statistical summary of this analysis is presented in Table 17.

TABLE 17
IBA SUMMARY STATISTICS - FRANCHISES

	Since January 1, 2000		Since January 1, 2005		Since January 1, 2007	
	All Data	Within 10 X Revenues	All Data	Within 10X Revenues	All Data	Within 10X Revenues
Average	0.48	0.47	0.46	0.45	0.40	0.38
Standard Deviation	0.30	0.29	0.35	0.34	0.22	0.17
Coefficient of Variation	0.62	0.63	0.75	0.76	0.54	0.44
10th percentile	0.23	0.23	0.19	0.20	0.14	0.16
25th percentile	0.32	0.30	0.28	0.28	0.27	0.27
Median	0.44	0.43	0.43	0.42	0.36	0.35
75th percentile	0.55	0.54	0.54	0.52	0.49	0.47
90th percentile	0.74	0.70	0.72	0.62	0.64	0.56
Semi-Interquartile Range	0.12	0.12	0.13	0.12	0.11	0.10
As a % of Median	27%	27%	30%	29%	31%	29%
Semi-10-90 Percentile Range	0.25	0.24	0.26	0.21	0.25	0.20
Semi-10-90 Percentile Range as a % of Median	58%	54%	62%	50%	69%	58%
Sample Size	137	125	80	74	37	33

The statistical data in Table 17 supports the notion that franchised restaurants typically have higher multiples than non-franchised restaurants. In addition, according to one of the pricing tips for full service restaurants published in the 2009 *Business Reference Guide*:

> Non-franchise restaurants are worth 30-40% of annual sales. Franchise sit-down have been selling for 50% of annual sales, if they make a big enough profit to justify the price.[30]

The data contained in Table 19 shows that the median multiple for franchised restaurants ranged from 0.35 to 0.44. The most recent grouping of data shows a noticeable decline in the median multiple, however it should be noted that the sample size is much smaller and the dispersion of the data is much higher in the outer percentiles. Therefore, not much reliance can be placed on this particular grouping of data. Also noteworthy is the median multiple range of 0.42 to 0.44 when including the earlier dates still falls within the range of the median and 75th percentile in the most recent grouping.

30 2009 *Business Reference Guide*: 615-616.

Thus far in the analysis we have constructed 30 separate groupings of data for transactions in the IBA database. A summary of the median multiples is presented in Table 18.

TABLE 18
IBA TRANSACTION SUMMARY

	Median Multiple	75th Percentile	Sample Size
Since January 1, 2000			
All Transactions	0.37	0.50	2,153
Northeast Region	0.38	0.54	110
Within 10X Revenues			
All Transactions	0.34	0.46	1,549
Northeast Region	0.37	0.51	85
Since January 1, 2005			
All Transactions	0.38	0.51	982
Northeast Region	0.38	0.53	78
Within 10X Revenues			
All Transactions	0.35	0.47	747
Northeast Region	0.35	0.50	63
Since January 1, 2007			
All Transactions	0.35	0.50	502
Northeast Region	0.36	0.55	37
Within 10X Revenues			
All Transactions	0.32	0.45	387
Northeast Region	0.34	0.52	32
Casual Dining Places			
All Transactions	0.33	0.47	822
Northeast Region	0.32	0.45	52
Within 10X Revenues			
All Transactions	0.31	0.44	651
Northeast Region	0.32	0.47	41
Since January 1, 2005			
All Transactions	0.35	0.48	374
Northeast Region	0.32	0.42	36
Within 10X Revenues			
All Transactions	0.33	0.47	309
Northeast Region	0.32	0.43	31
Since January 1, 2007			
All Transactions	0.31	0.45	182
Within 10X Revenues			
All Transactions	0.29	0.45	157
Northeast Region	0.30	0.42	14
Franchise			
Since January 1, 2000	0.44	0.55	137
Within 10X Revenues	0.43	0.54	125
Since January 1, 2005	0.43	0.54	80
Within 10X Revenues	0.42	0.52	74
Since January 1, 2007	0.36	0.49	37
Within 10X Revenues	0.35	0.47	33

The data in Table 18 indicates higher multiples for franchises and a general level of uniformity across all other categories. These factors will be among those considered in our final reconciliation.

BIZCOMPS™

Our search of the BizComps™ database returned 1,700 transactions; 1,693 of these transactions contained price to revenue multiples. A listing of the transactions from this database is presented in Table 19.

TABLE 19
BIZCOMPS TRANSACTION DETAILS

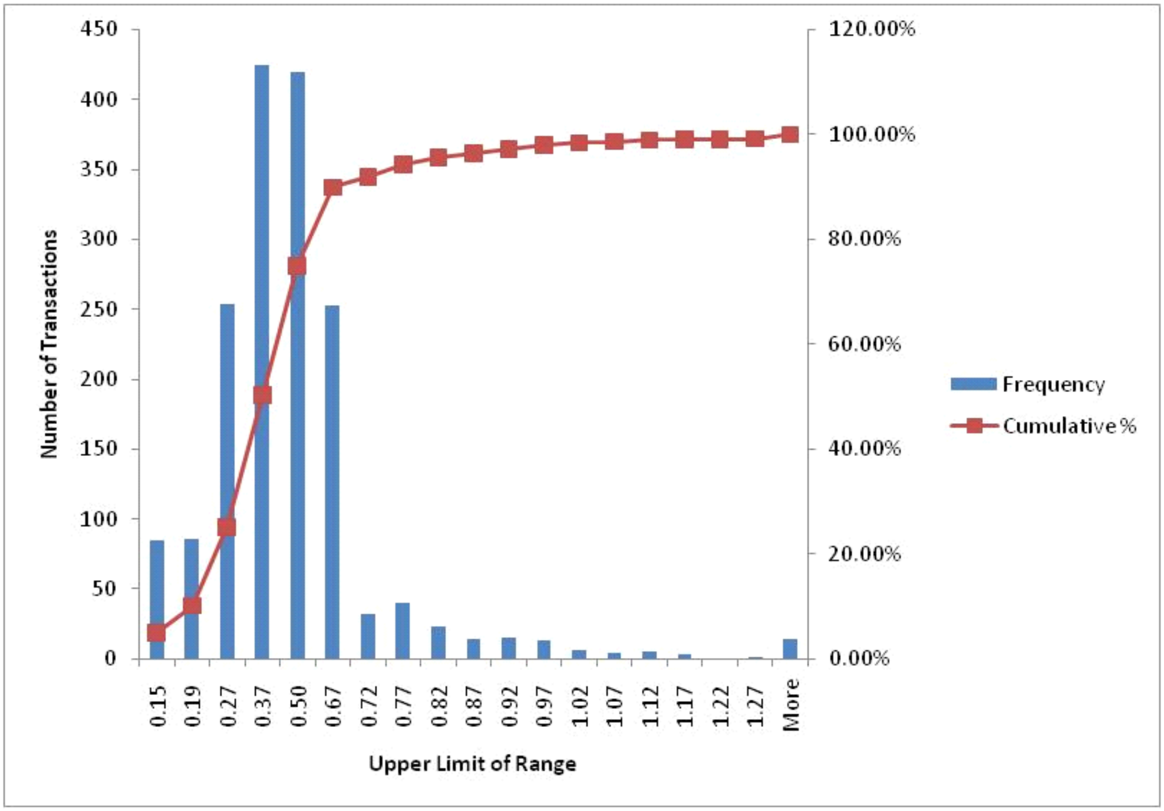
Business Description	Area	Annual Gross ($000)	Sale Date	Sale Price ($000)	Sale Price To Annual Gross
Restr-Diner	West Central Florida	$ 955	1/4/2000	$ 235	0.2460
Restr-Vegetarian	Boulder, CO	194	1/10/2000	57	0.2940
Fast Food-Yogurt/Ice Cream	N Central Georgia	230	1/13/2000	147	0.6390
Fast Food-Ice Cream	Central States	461	1/28/2000	235	0.5100
Restr-Breakfast/Lunch	Colorado Rockies	280	1/31/2000	205	0.7320
Restr-Bakery	Denver, CO	194	1/31/2000	62	0.3200

This table goes on for about 20 pages. I had to remove some data.

Restr-Mexican	Boise, ID	215	2/8/2000	35	0.1630
Fast Food-Juice Bar	Salt Lake City, UT	134	2/9/2000	60	0.4480
Deli-Sandwiches	N Central Georgia	360	2/14/2000	275	0.7640
Fast Food-Mexican	Los Gatos, CA	300	2/17/2000	150	0.5000
Restr-Italian	Oregon	225	2/19/2000	57	0.2530
Restr-Mexican	Boise, ID	304	2/21/2000	69	0.2270
Deli-Sandwiches	Houston, TX	182	2/28/2000	89	0.4890

The price to revenue multiples from the BizComps™ database appear graphically in Chart 2.

CHART 2
BIZCOMPS™ PRICE TO REVENUE HISTOGRAM



The histogram presented in Chart 2 shows that the BizComps™ data is spread out in a manner similar to the IBA data. There appears to be a tight clustering of the data around the median, with a few cases of extreme outliers. Due to the presence of these outliers, our analysis will focus on medians and percentiles, as opposed to averages and standard deviations.

Our analysis began by looking at the entire population of data, as well as those restaurants classified in the database as "family restaurants." The BizComps™ database was the only one that contained a large enough sample of businesses classified as family restaurants to conduct a meaningful analysis of this segment of the restaurant industry. A listing of the family restaurant transactions is presented in Table 20.

TABLE 20
BIZCOMPS™ FAMILY RESTAURANTS

Business Description	Area	Annual Gross ($000)	Sale Date	Sale Price ($000)	Sale Price To Annual Gross
Restr-Family	Houston, TX	$ 1,191	2/28/2000	$ 419	0.3520
Restr-Family	Nampa, ID	700	5/1/2000	290	0.4140
Restr-Family	Orange County, CA	135	5/1/2000	57	0.4220
Restr-Family	Central Virginia	98	5/16/2000	60	0.6120
Restr-Family	Houston, TX	456	5/31/2000	105	0.2300
Restr-Family	Central Florida	360	6/1/2000	66	0.1830
Restr-Family	Oregon	373	6/30/2000	129	0.3460
Restr-Family	Oregon	286	9/25/2000	155	0.5420
Restr-Family	Houston, TX	312	9/30/2000	240	0.7690
Restr-Family	San Jose, CA	360	10/8/2000	200	0.5560
Restr-Family	Houston, TX	591	10/31/2000	100	0.1690
Restr-Family	Salt Lake City, UT	991	11/1/2000	140	0.1410
Restr-Family	Minneapolis	120	12/1/2000	40	0.3330
Restr-Family	Salt Lake City, UT	113	12/8/2000	57	0.5040
Sorry but this would be like one of those battery bunnies that goes on and on					
Restr-Family	Colorado	288	3/30/2001	125	0.4340
Restr-Family	Ventura, CA	233	3/31/2001	25	0.1070
Restr-Family	Worcester, MA	1,640	4/13/2001	680	0.4150
Restr-Family	Boise, ID	300	4/27/2001	67	0.2230
Restr-Family	Florida	1,224	5/7/2001	288	0.2350
Restr-Family	Oregon	310	5/11/2001	135	0.4350
Restr-Family	Boise, ID	300	5/14/2001	80	0.2670
Restr-Family	New Mexico	479	5/15/2001	125	0.2610

We analyzed both groupings of data by applying the same revenue and date constraints that were used in our analysis of the IBA data. A statistical summary of each grouping is presented in Table 21.

TABLE 21
BIZCOMPS STATISTICAL SUMMARY

	Since January 1, 2000		Since January 1, 2005		Since January 1, 2007	
	All	Family	All	Family	All	Family
Average	0.42	0.36	0.43	0.33	0.42	0.36
Standard Deviation	0.32	0.18	0.34	0.16	0.44	0.20
Coefficient of Variation	0.76	0.51	0.79	0.48	1.04	0.54
10th Percentile	0.19	0.16	0.19	0.15	0.18	0.12
25th Percentile	0.27	0.23	0.27	0.21	0.25	0.20
Median	0.37	0.32	0.38	0.31	0.37	0.34
75th Percentile	0.50	0.44	0.53	0.42	0.52	0.53

TABLE 21
BIZCOMPS STATISTICAL SUMMARY

90th Percentile	0.67	0.60	0.70	0.56	0.65	0.61
Semi-Interquartile Range	0.12	0.10	0.13	0.10	0.14	0.17
SIR as a % of Median	31%	33%	34%	34%	36%	51%
Semi-10-90 Percentile Range	0.24	0.22	0.26	0.20	0.23	0.24
Semi-10-90 Percentile Range as a % of Median	64%	68%	68%	65%	62%	73%
Sample Size	1,693	181	851	100	409	51

	Within 10X Revenues					
	Since January 1, 2000		Since January 1, 2005		Since January 1, 2007	
	All	Family	All	Family	All	Family
Average	0.40	0.33	0.41	0.32	0.40	0.34
Standard Deviation	0.33	0.16	0.35	0.15	0.46	0.19
Coefficient of Variation	0.82	0.48	0.85	0.48	1.15	0.57
10th Percentile	0.18	0.16	0.19	0.15	0.17	0.12
25th Percentile	0.26	0.22	0.26	0.21	0.24	0.19
Median	0.36	0.31	0.37	0.31	0.35	0.33
75th Percentile	0.48	0.41	0.50	0.38	0.47	0.45
90th Percentile	0.63	0.55	0.65	0.50	0.60	0.60
Semi-Interquartile Range	0.11	0.10	0.12	0.09	0.12	0.13
SIR as a % of Median	31%	31%	32%	28%	33%	39%
Semi-10-90 Percentile Range	0.22	0.20	0.23	0.18	0.22	0.24
Semi-10-90 Percentile Range as a % of Median	63%	63%	63%	57%	61%	74%
Sample Size	1,382	157	737	89	346	42

The statistical data presented in Table 21 shows that the statistical characteristics of the price to revenue multiples in the BizComps™ database are extremely similar to those in the IBA database with respect to skewness, percentile ranges and medians.

Other apparent trends in the data in Table 21 include median multiples of family restaurants falling below those of the entire sample and lower multiples in the groupings that include the most recent data. The lower multiples for family restaurants makes sense in this case as the inclusion of franchises in the entire data set are likely driving the multiples upwards. Nevertheless, the differences are insignificant.

We further analyzed the data by performing two additional sortings: 1) transactions involving companies in the Northeast region of the United States and 2) transactions involving franchises. A listing of each of these groupings of data is presented in Tables 22 and 23.

TABLE 22
BIZCOMPS - NORTHEAST REGION

Business Description	Area	Annual Gross ($000)	Sale Date	Sale Price ($000)	Sale Price To Annual Gross
Restr-Breakfast/Lunch	Worcester, MA	$ 103	1/31/2000	$ 32	0.3110
Restr-Breakfast/Lunch	Worcester, MA	145	5/31/2000	45	0.3100
Fast Food-Pizza	Worcester, MA	312	7/31/2000	118	0.3780
Fast Food-Ice Cream	Worcester, MA	120	4/6/2001	65	0.5420
Restr-Family	Worcester, MA	1,640	4/13/2001	680	0.4150
Restr-Breakfast/Lunch	Massachusetts	177	7/11/2001	40	0.2260
Restr-Seafood	Boston, MA	400	8/1/2001	100	0.2500
Fast Food-Pizza	Worcester, MA	390	10/26/2001	135	0.3460
Deli-Sandwiches	Pennsylvania	271	12/12/2001	110	0.4060
Deli-Sandwiches	Pennsylvania	312	12/12/2001	114	0.3650
Bagel Restaurant	Boston, MA	763	2/20/2002	300	0.3930
Deli-Sandwiches	Pennsylvania	240	3/5/2002	85	0.3540
Restr-Mexican	Boston, MA	1,000	4/8/2002	425	0.4250
Restr-Fine Dining	Boston, MA	400	4/16/2002	130	0.3250
Fast Food-Yogurt	Boston, MA	200	4/18/2002	50	0.2500
		You should be used to this by now			
Restr W/Cocktails	Boston, MA	1,300	10/3/2002	515	0.3960
Restr-Breakfast/Lunch	Massachusetts	104	2/1/2003	36	0.3460
Restr-Breakfast/Lunch	Massachusetts	207	5/28/2003	62	0.3000
Bagel-Delicatessen	Massachusetts	249	6/15/2003	175	0.7030
Deli-Sandwiches	Pennsylvania	188	6/30/2003	45	0.2390
Restr-Pizza	Massachusetts	126	7/1/2003	56	0.4440

TABLE 23
BIZCOMPS™ - FRANCHISES

Business Description	Area	Annual Gross ($000)	Sale Date	Sale Price ($000)	Sale Price To Annual Gross
Pizza Franchise	SF Bay Area, CA	$ 405	2/28/2000	$ 97	0.2400
Pizza Franchise	SF Bay Area, CA	708	2/28/2000	229	0.3230
Pizza Franchise	Boulder, CO	544	3/13/2000	260	0.4780
Restr-Franchise (2)	Pleasanton, CA	2,520	5/31/2000	950	0.3770
Bagel Franchise	Missouri	482	9/1/2000	225	0.4670
Fast Food Franchise	N Central Georgia	510	10/26/2000	321	0.6290
		Again!			
Submarine Franchise	Colorado	623	12/31/2002	293	0.4700
Fast Food Franchise	Florida	350	3/17/2003	125	0.3570
Fast Food Franchise	Florida	424	5/30/2003	173	0.4080
Fast Food Franchise	Florida	486	5/30/2003	240	0.4940
Franchise-Ice Cream	Las Vegas, NV	259	7/22/2003	250	0.9650

We applied various date constraints to the data, but not revenue constraints, as the samples were not large enough to provide meaningful results. A statistical summary of the data is presented in Table 24.

TABLE 24
BIZCOMPS™ -STATISTICAL SUMMARY
NORTHEAST REGION AND FRANCHISES

	Since January 1, 2000		Since January 1, 2005		Since January 1, 2007	
	Northeast Region	Franchises	Northeast Region	Franchises	Northeast Region	Franchises
Average	0.35	0.49	0.35	0.48	0.31	0.43
Standard Deviation	0.13	0.23	0.14	0.24	0.11	0.25
Coefficient of Variation	0.38	0.48	0.40	0.51	0.35	0.59
10th Percentile	0.20	0.24	0.19	0.22	0.19	0.20
25th Percentile	0.28	0.32	0.27	0.28	0.21	0.25
Median	0.35	0.43	0.34	0.42	0.31	0.37
75th Percentile	0.41	0.62	0.40	0.63	0.39	0.51
90th Percentile	0.49	0.77	0.49	0.77	0.41	0.71
Semi-Interquartile Range	0.07	0.15	0.07	0.17	0.09	0.13
SIR as a % of Median	19%	35%	19%	41%	29%	34%
Semi-10-90 Percentile Range	0.15	0.27	0.15	0.27	0.11	0.26
Semi-10-90 Percentile Range as a % of Median	42%	61%	45%	66%	37%	69%
	-					
Sample Size	69	64	31	44	10	27

The statistical data presented in Table 24 confirm our findings from the IBA database that the region in which the business is located has no material affect on the multiples and that franchised restaurants generally sell at higher multiples.

In summary, we performed 18 different sortings of the data from the BizComps™ database. A summary of the median and 75th percentile multiples is presented in Table 25.

TABLE 25
BIZCOMPS™ SUMMARY STATISTICS

	Median Multiple	75th Percentile	Sample Size
Since January 1, 2000			
All Transactions	0.37	0.50	1,693
Family Restaurants	0.32	0.44	181
Within 10X Revenues			
All Transactions	0.36	0.48	1,382
Family Restaurants	0.31	0.41	157
Since January 1, 2005			

TABLE 25
BIZCOMPS™ SUMMARY STATISTICS

	Median Multiple	75th Percentile	Sample Size
All Transactions	0.38	0.53	851
Family Restaurants	0.31	0.42	100
Within 10X Revenues			
All Transactions	0.37	0.50	737
Family Restaurants	0.31	0.38	89
Since January 1, 2007			
All Transactions	0.37	0.52	409
Family Restaurants	0.34	0.53	51
Within 10X Revenues			
All Transactions	0.35	0.47	346
Family Restaurants	0.33	0.45	42
Northeast Region			
Since January 1, 2000	0.35	0.41	69
Since January 1, 2005	0.34	0.40	31
Since January 1, 2007	0.31	0.39	10
Franchises			
Since January 1, 2000	0.43	0.62	64
Since January 1, 2005	0.42	0.63	44
Since January 1, 2007	0.37	0.51	27

The data in Table 25 mirrors our findings from the IBA database with higher multiples for franchises and a level of uniformity across other categories.

PRATT'S STATS™

Our search of the Pratt's Stats™ database returned 1,382 transactions. Of these transactions, 17 were stock transactions while 1,365 were asset transactions. Therefore, we only analyzed the asset transactions as there were not enough stock transactions to provide a meaningful analysis. Of the 1,365 transactions, we eliminated 11 transactions that took place in Canada. This left 1,354 transactions available for analysis.

In reviewing the notes to the Pratt's Stats™ transactions, we identified four sales of restaurants that were not arm's-length transactions. These are described as follows:

1. Fast Food Franchise Pizza Restaurant - A serious decline in sales and much needed upgrades resulted in a low selling price.
2. Deli - Lost lease, forced sale. Owner just quit.
3. Family Style Restaurant and Micro-Brewery - The owner died unexpectedly and the business was offered at a discount price.
4. Deli and Restaurant - The business was a startup that never got off the ground.

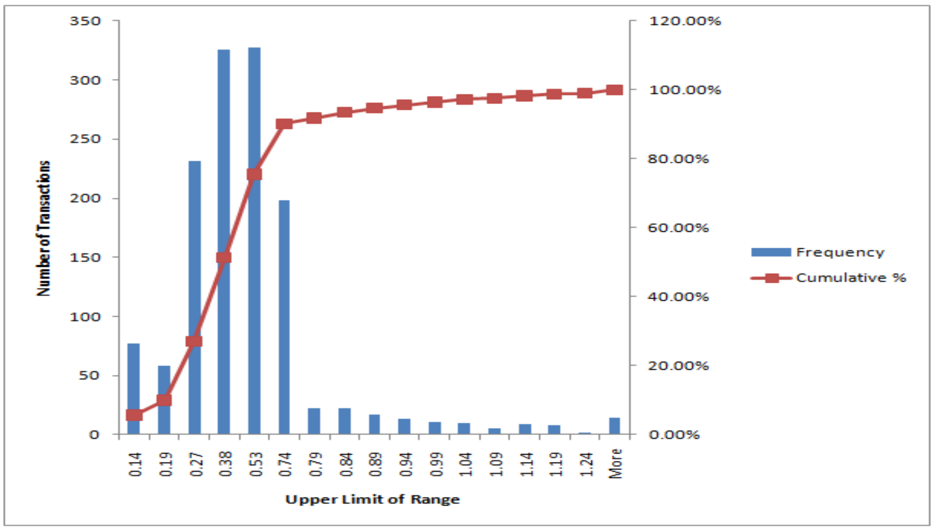
After eliminating these four transactions, 1,350 remained. A listing of these transactions is presented in Table 26.

TABLE 26
PRATT'S STATS™ TRANSACTIONS

Business Description	Sale State	Net Sales	Sale Date	MVIC Price	MVIC To Sales	MVIC To Gross Profit
High End Catering and Food Service	CA	$ 380,000	1/3/2000	$ 145,000	0.38	0.51
Franchise Sub Shop	NM	188,068	1/5/2000	89,000	0.47	0.65
Two Casual Dining Italian Restaurants	GA	5,075,400	1/5/2000	3,500,000	0.69	1.04
Restaurant	CO	687,098	1/6/2000	228,000	0.33	0.59
4 Popeye's Franchises, One in Process	TX	3,143,996	1/10/2000	2,550,000	0.81	1.21
10 Popeye's Restaurant Franchises	MD	8,704,078	1/10/2000	7,500,000	0.86	1.27
Food Service/Popeye's Franchisee (37 Units)	MI	32,000,000	1/11/2000	33,714,992	1.05	1.55
Fast Food Sandwich Shop	CA	328,763	2/2/2000	137,500	0.42	0.59
Here we go again						
Restaurant	CO	256,620	4/12/2000	70,000	0.27	0.49
Full Service Restaurant	ID	625,877	5/1/2000	300,000	0.48	0.68
Franchised Ice Cream and Hamburger Restaurant	VA	504,833	5/5/2000	215,000	0.43	0.63
French bakery	CA	2,019,585	5/18/2000	2,000,000	0.99	2.31
Italian Restaurant	UT	606,980	5/19/2000	285,000	0.47	0.84
Specialty Coffee Shop	CO	780,721	5/30/2000	155,000	0.2	0.4
Sells Ice Cream Products and Burgers	NE	397,988	5/31/2000	185,000	0.46	1.5
Pizza Shop	GA	150,601	6/1/2000	58,000	0.39	0.58
Fine Dining Restaurant	CA	153,437	6/21/2000	53,000	0.35	0.55
Bagel Shop	CA	267,471	6/23/2000	140,000	0.52	1.49
Coffee Shop	CA	327,861	6/28/2000	150,000	0.46	0.71
Chicken franchise restaurant.	TX	534,657	6/30/2000	290,000	0.54	0.9

The MVIC to revenue multiples for the transactions presented above are displayed graphically in Chart 3.

CHART 3
PRATT'S MVIC TO SALES HISTOGRAM



The histogram in Chart 3 shows that the data from the Pratt's Stats™ database is distributed in a manner similar to that of the IBA and BizComps™ databases. The data is tightly clustered around the median with a few extreme outliers particularly on the upper end. Therefore, we focused our analysis on the medians and percentiles.

We performed the same revenue and date constraints on the Pratt's Stats™ data as we did in the BizComps™ and IBA data. In addition, we looked at transactions of companies that had negative earnings before interest, taxes, depreciation and amortization (EBITDA). The purpose of this analysis was to show that there is still a market for restaurants with negative earnings, and to further support the notion that revenue-based multiples are the most important when valuing restaurants. The Pratt's Stats™ database calculates market value of invested capital (MVIC) multiples which include the market value of a company's debt and equity. A statistical summary of the different groupings is presented in Table 27.

TABLE 27
PRATT'S STATS™ STATISTICAL SUMMARY

	Since January 1, 2000 MVIC to Revenues		Since January 1, 2005 MVIC to Revenues		Since January 1, 2007 MVIC to Revenues	
	All Transactions	Negative EBITDA	All Transactions	Negative EBITDA	All Transactions	Negative EBITDA
Average	0.45	0.40	0.45	0.38	0.41	0.36
Standard Deviation	0.52	0.34	0.58	0.37	0.26	0.44
Coefficient of Variation	1.16	0.87	1.30	0.97	0.63	1.21
10th Percentile	0.19	0.15	0.18	0.12	0.17	0.09
25th Percentile	0.27	0.21	0.27	0.21	0.26	0.16
Median	0.38	0.32	0.38	0.29	0.36	0.26
75th Percentile	0.53	0.47	0.54	0.45	0.52	0.45
90th Percentile	0.74	0.73	0.73	0.60	0.70	0.63
Semi-Interquartile Range	0.13	0.13	0.14	0.12	0.13	0.15
As a % of Median	34%	40%	36%	42%	36%	56%
Semi-10-90 Percentile Range	0.28	0.29	0.27	0.24	0.27	0.27
As a % of Median	73%	91%	72%	82%	74%	104%
Sample Size	1,350	174	875	112	538	53

	Within 10X Revenues Since January 1, 2000 MVIC to Revenues		Within 10X Revenues Since January 1, 2005 MVIC to Revenues		Within 10X Revenues Since January 1, 2007 MVIC to Revenues	
	All Transactions	Negative EBITDA	All Transactions	Negative EBITDA	All Transactions	Negative EBITDA
Average	0.39	0.32	0.39	0.30	0.38	0.28
Standard Deviation	0.21	0.19	0.20	0.18	0.21	0.19
Coefficient of Variation	0.53	0.60	0.52	0.59	0.55	0.68
10th Percentile	0.17	0.13	0.17	0.12	0.15	0.08
25th Percentile	0.25	0.20	0.26	0.20	0.24	0.15
Median	0.35	0.28	0.36	0.27	0.34	0.26
75th Percentile	0.49	0.35	0.49	0.35	0.48	0.35
90th Percentile	0.66	0.54	0.66	0.50	0.64	0.55
Semi-Interquartile Range	0.12	0.08	0.12	0.08	0.12	0.10
As a % of Median	34%	27%	32%	28%	35%	38%
Semi-10-90 Percentile Range	0.25	0.21	0.25	0.19	0.25	0.24
As a % of Median	70%	74%	68%	70%	72%	92%
Sample Size	1,060	137	684	91	425	46

The statistical data in Table 27 shows that the median multiples for all groupings of data are in line with those from the BizComps™ and IBA databases. The data also shows that the multiples for restaurants with negative earnings fall slightly below those of the general population of restaurants. However, the range and the distribution of the multiples for restaurants with negative earnings are still similar to the general population of restaurants. Another observation worth noting is the variability in the data. The grouping that contains the most recent data has a significant amount of variability in comparison to the other data sets, particularly in the outer percentiles. This indicates that there is a more significant presence of outliers in these groupings on both the low end and the high end.

The next step in the analysis was to sort by business description. In a manner similar to the sorting of the IBA data, we attempted to identify full service restaurants. We also eliminated fine dining places. Therefore, we eliminated the following, where possible.

- Pizza Shops
- Bagel Shops
- Fine Dining
- Ice Cream Shops/Yogurt Shops
- Fast Food/Drive Thru's
- Catering
- Deli's, Sandwich and Sub Shops
- Coffee Houses/Cafe's

A listing of the transactions that met our search criteria is presented in Table 28.

TABLE 28
PRATT'S STATS™ - FULL SERVICE NON FINE DINING

Business Description	Sale State	Net Sales	MVIC Price	MVIC To Sales	MVIC To Gross Profit
Bistro serving French cooking.	TX	$ 590,901	$ 160,000	0.27	0.73
Barbecue Smokehouse Restaurant and Grill	UT	991,099	140,000	0.14	0.22
Breakfast and Lunch Restaurant	GA	446,204	130,000	0.29	0.75
Breakfast/ Lunch	CA	396,295	115,000	0.29	0.45
Breakfast and Lunch Restaurant	AZ	127,864	71,650	0.56	0.82
And yet again!					
Bistro	WA	230,179	58,500	0.25	1.52
Breakfast and Lunch Restaurant	FL	237,360	99,187	0.42	0.62
Asian Fusion Restaurant	OR	213,876	62,000	0.29	0.42

A statistical summary of this data, along with a summary of the data when applying the revenue and date constraints, are presented in Table 29.

TABLE 29
PRATT'S STATS™ FULL SERVICE CASUAL DINING - SUMMARY STATISTICS

	Since January 1, 2000		Since January 1, 2005		Since January 1, 2007	
	MVIC to Revenues		MVIC to Revenues		MVIC to Revenues	
	All Transactions	Negative EBITDA	All Transactions	Negative EBITDA	All Transactions	Negative EBITDA
Average	0.38	0.38	0.36	0.38	0.34	0.40
Standard Deviation	0.34	0.46	0.28	0.53	0.28	0.65
Coefficient of Variation	0.89	1.21	0.77	1.40	0.82	1.61
10th Percentile	0.16	0.16	0.15	0.12	0.13	0.12
25th Percentile	0.23	0.21	0.22	0.20	0.21	0.19
Median	0.31	0.26	0.30	0.26	0.29	0.26
75th Percentile	0.45	0.35	0.44	0.35	0.42	0.34
90th Percentile	0.60	0.55	0.58	0.48	0.56	0.50
Semi-Interquartile Range	0.11	0.07	0.11	0.08	0.11	0.08
As a % of Median	35%	27%	37%	29%	36%	30%
Semi-10-90 Percentile Range	0.22	0.20	0.21	0.18	0.22	0.19
As a % of Median	71%	75%	71%	69%	74%	74%
Sample Size	391	61	246	41	161	20

	Within 10X Revenues Since January 1, 2000		Within 10X Revenues Since January 1, 2005		Within 10X Revenues Since January 1, 2007	
	MVIC to Revenues		MVIC to Revenues		MVIC to Revenues	
	All Transactions	Negative EBITDA	All Transactions	Negative EBITDA	All Transactions	Negative EBITDA
Average	0.33	0.28	0.32	0.26	0.31	0.26
Standard Deviation	0.18	0.15	0.16	0.12	0.17	0.14
Coefficient of Variation	0.54	0.55	0.51	0.46	0.55	0.54
10th Percentile	0.15	0.15	0.13	0.12	0.12	0.11
25th Percentile	0.21	0.20	0.21	0.20	0.20	0.19
Median	0.29	0.26	0.29	0.25	0.28	0.25
75th Percentile	0.42	0.29	0.40	0.29	0.40	0.32
90th Percentile	0.51	0.43	0.49	0.42	0.49	0.42
Semi-Interquartile Range	0.10	0.05	0.10	0.05	0.10	0.07
As a % of Median	35%	18%	33%	18%	36%	26%
Semi-10-90 Percentile Range	0.18	0.14	0.18	0.15	0.19	0.15
As a % of Median	63%	55%	62%	61%	66%	60%
Sample Size	327	56	208	37	138	19

The data in Table 29 reflects slightly lower median multiples that still fall within a reasonable range of the data sets previously analyzed. The median multiples from this sample set ranged from 0.28 to 0.31 for all of the transactions. In addition, the data reflects lower median multiples for companies with negative earnings.

The next step in the analysis was to look at transactions of companies that were located in the Northeast region of the United States. A listing of these transactions is presented in Table 30.

TABLE 30
PRATT'S STATS™ - NORTHEAST REGION

Business Description	Net Sales	Sale Date	MVIC Price	MVIC To Sales	MVIC To Gross Profit
Ice Cream Franchise	$ 347,534	2/1/2001	$ 231,300	0.67	0.92
Upscale Deli, Coffee, Pastries, and Gifts Emporium	1,519,055	2/12/2001	543,000	0.36	0.75
Seasonal Fast Food Clam Bar	807,825	5/11/2001	475,000	0.59	0.99
Restaurant with Lounge	392,341	5/17/2001	282,000	0.72	2.14
Pizza Shop	240,000	11/10/2001	160,000	0.67	0.67
Water Ice and Ice Cream Shop	57,900	11/20/2001	49,000	0.85	1.03
You should get the idea by now!					
Ice Cream and Gift Shop	198,714	5/11/2002	210,000	1.06	2.29
Pasta Restaurant	568,741	7/1/2002	134,000	0.24	0.38
Delicatessen	314,417	9/1/2002	145,000	0.46	1.08
Restaurant	1,000,000	4/23/2003	335,000	0.34	0.54
Sub Shop	179,923	4/30/2003	55,000	0.31	0.50

We also looked at transactions involving franchised restaurants. A listing of these transactions is presented in Table 31.

TABLE 31
PRATT'S STATS™ - FRANCHISES

Business Description	Net Sales	Sale Date	MVIC Price	MVIC To Sales	MVIC To Gross Profit
Franchise Sub Shop	$ 188,068	1/5/2000	$ 89,000	0.47	0.65
4 Popeye's Franchises, One in Process	3,143,996	1/10/2000	2,550,000	0.81	1.21
10 Popeye's Restaurant Franchises	8,704,078	1/10/2000	7,500,000	0.86	1.27
I did it again					
Franchised Ice Cream and Hamburger Restaurant	504,833	5/5/2000	215,000	0.43	0.63
Chicken franchise restaurant.	534,657	6/30/2000	290,000	0.54	0.90

A statistical summary of the transaction data for transactions of restaurants in the Northeast region and franchised restaurants is presented in Table 32.

TABLE 32
PRATT'S STATS ™- NORTHEAST REGION AND FRANCHISES

	Since January 1, 2000		Since January 1, 2005		Since January 1, 2007	
	MVIC to Revenues		MVIC to Revenues		MVIC to Revenues	
	Northeast Region	Franchises	Northeast Region	Franchises	Northeast Region	Franchises
Average	0.45	0.48	0.43	0.48	0.39	0.50
Standard Deviation	0.25	0.27	0.23	0.28	0.23	0.33
Coefficient of Variation	0.54	0.56	0.54	0.59	0.59	0.65
10th Percentile	0.22	0.19	0.17	0.17	0.16	0.15
25th Percentile	0.31	0.30	0.28	0.29	0.28	0.27
Median	0.42	0.47	0.39	0.47	0.37	0.48
75th Percentile	0.55	0.60	0.54	0.61	0.48	0.65
90th Percentile	0.72	0.83	0.66	0.81	0.56	0.82
Semi-Interquartile Range	0.12	0.15	0.13	0.16	0.10	0.19
As a % of Median	30%	32%	34%	34%	28%	40%
Semi-10-90 Percentile Range	0.25	0.32	0.24	0.32	0.20	0.34
As a % of Median	61%	69%	62%	68%	55%	70%
Sample Size	80	173	48	124	22	67

The data in Table 32 shows higher multiples for franchises and restaurants located in the Northeast region of the United States. The higher multiples for restaurants located in the Northeast come as a surprise as this was not the case with the BizComps™ and IBA databases. However, this probably has more to do with the types of restaurants included in the sample than the geographic location of the restaurants. The trend shows that the multiples for the restaurants in the Northeast region have declined slightly in recent years, while the multiples for franchises have increased.

Our analysis of the Pratt's Stats™ database involved 30 different sortings of the data. A summary of the data appears in Table 33.

TABLE 33
PRATT'S STATS™ MVIC TO REVENUE MULTIPLES

	Median	75th Percentile	Sample Size
All Transactions Since January 1, 2000	0.38	0.53	1,350
Negative EBITDA	0.32	0.47	174
Within 10 X Revenues	0.35	0.49	1,060
Negative EBITDA	0.28	0.35	137
All Transactions Since January 1, 2005	0.38	0.54	875
Negative EBITDA	0.29	0.45	112
Within 10 X Revenues	0.36	0.49	684
Negative EBITDA	0.27	0.35	91
All Transactions Since January 1, 2007	0.36	0.52	538
Negative EBITDA	0.26	0.45	53
Within 10 X Revenues	0.34	0.48	425
Negative EBITDA	0.26	0.35	46
Casual Dining Places Since January 1, 2000	0.31	0.45	391
Negative EBITDA	0.26	0.35	61
Within 10 X Revenues	0.29	0.42	327
Negative EBITDA	0.26	0.29	56
Casual Dining Places Since January 1, 2005	0.30	0.44	246
Negative EBITDA	0.26	0.35	41
Within 10 X Revenues	0.29	0.40	208
Negative EBITDA	0.25	0.29	37
Casual Dining Places Since January 1, 2007	0.29	0.42	161
Negative EBITDA	0.26	0.34	20
Within 10 X Revenues	0.28	0.40	138
Negative EBITDA	0.25	0.32	19
Northeast Region - Since January 1, 2000	0.42	0.55	80
Since January 1, 2005	0.39	0.54	48
Since January 1, 2007	0.37	0.48	22
Franchises Since January 1, 2000	0.47	0.60	173
Since January 1, 2005	0.47	0.61	124
Since January 1, 2007	0.48	0.65	67

The data in Table 33 also reflects higher multiples for franchises and relative uniformity across all other categories. This is consistent with our findings in the BizComps™ and IBA databases.

We also looked at the MVIC to gross profit multiple in the Pratt's Stats™ database. The average and median gross profit margin for the companies in the Pratt's Stats™ database were 64 percent and 66 percent respectively. Due to the fact that The Company's gross profit margins are out of line with the industry benchmarking data, as well as the average and median Pratt's Stats™ data, the MVIC to gross profit multiples will strictly be used as a sanity check. We performed the same set of analyses for the MVIC to gross profit multiple as we did for the MVIC to revenue multiple. A statistical summary of all of the transactions, along with the resulting statistics, when applying our revenue and date constraints is presented in Table 34.

TABLE 34
PRATT'S STATS™ - MVIC TO GROSS PROFIT MULTIPLES

	Since January 1, 2000		Since January 1, 2005		Since January 1, 2007	
	MVIC to Gross Profit		MVIC to Gross Profit		MVIC to Gross Profit	
	All Transactions	Negative EBITDA	All Transactions	Negative EBITDA	All Transactions	Negative EBITDA
Average	0.75	0.82	0.73	0.74	0.66	0.71
Standard Deviation	0.98	0.85	1.01	0.78	0.52	0.90
Coefficient of Variation	1.30	1.04	1.38	1.05	0.79	1.27
10th Percentile	0.28	0.23	0.27	0.19	0.24	0.16
25th Percentile	0.42	0.38	0.41	0.36	0.39	0.29
Median	0.60	0.56	0.59	0.52	0.57	0.44
75th Percentile	0.86	0.86	0.86	0.77	0.81	0.72
90th Percentile	1.24	1.69	1.16	1.55	1.11	1.53
Semi-Interquartile Range	0.22	0.24	0.23	0.20	0.21	0.22
As a % of Median	37%	43%	38%	40%	37%	49%
Semi-10-90 Percentile Range	0.48	0.73	0.44	0.68	0.44	0.68
As a % of Median	80%	132%	75%	132%	77%	155%
Sample Size	1,327	174	855	112	528	53

	Within 10X Revenues Since January 1, 2000		Within 10X Revenues Since January 1, 2005		Within 10X Revenues Since January 1, 2007	
	MVIC to Gross Profit		MVIC to Gross Profit		MVIC to Gross Profit	
	All Transactions	Negative EBITDA	All Transactions	Negative EBITDA	All Transactions	Negative EBITDA
Average	0.64	0.63	0.64	0.57	0.60	0.53
Standard Deviation	0.37	0.44	0.36	0.39	0.34	0.42
Coefficient of Variation	0.57	0.70	0.56	0.68	0.56	0.81
10th Percentile	0.26	0.20	0.24	0.19	0.23	0.15
25th Percentile	0.39	0.36	0.39	0.36	0.37	0.24
Median	0.57	0.50	0.57	0.49	0.54	0.42
75th Percentile	0.81	0.74	0.82	0.64	0.76	0.63
90th Percentile	1.11	1.40	1.08	1.07	1.02	1.05
Semi-Interquartile Range	0.21	0.19	0.22	0.14	0.20	0.20
As a % of Median	37%	38%	38%	28%	36%	47%
Semi-10-90 Percentile Range	0.43	0.60	0.42	0.44	0.40	0.45
As a % of Median	75%	120%	74%	90%	73%	107%
Sample Size	1,047	137	673	91	420	46

The statistical data in Table 34reflects median multiples ranging from 0.52 to 0.60 for all of the transactions in each category and 75th percentile multiples ranging from 0.62 to 0.87 for transactions of companies with negative EBIT or EBITDA. The statistical data in Table 34 also reflects a higher presence of outliers as indicated by the high semi-10-90 percentile ranges which often exceeded 100 percent of the median.

The next step in this analysis was to look at full service dining places. A statistical summary of this data is presented in Table 35.

TABLE 35
PRATT'S STATS MVIC TO GROSS PROFIT - FULL SERVICE DINING

	Since January 1, 2000 MVIC to Gross Profit		Since January 1, 2005 MVIC to Gross Profit		Since January 1, 2007 MVIC to Gross Profit	
	All Transactions	Negative EBITDA	All Transactions	Negative EBITDA	All Transactions	Negative EBITDA
Average	0.67	0.81	0.61	0.68	0.59	0.74
Standard Deviation	0.77	1.12	0.62	0.92	0.68	1.10
Coefficient of Variation	1.15	1.38	1.01	1.34	1.16	1.50
10th Percentile	0.24	0.28	0.22	0.19	0.21	0.19
25th Percentile	0.36	0.36	0.34	0.36	0.31	0.34
Median	0.51	0.49	0.30	0.48	0.46	0.44
75th Percentile	0.74	0.68	0.71	0.63	0.66	0.59
90th Percentile	1.06	1.52	0.99	0.87	0.90	0.97
Semi-Interquartile Range	0.19	0.16	0.19	0.14	0.18	0.13
SIR as a % of Median	37%	33%	62%	28%	38%	29%
Semi-10-90 Percentile Range	0.41	0.62	0.39	0.34	0.35	0.39
Semi-10-90 Percentile Range as a % of Median	80%	127%	128%	71%	75%	90%
Sample Size	385	61	240	41	157	20

	Within 10X Revenues Since January 1, 2000 MVIC to Gross Profit		Within 10X Revenues Since January 1, 2005 MVIC to Gross Profit		Within 10X Revenues Since January 1, 2007 MVIC to Gross Profit	
	All Transactions	Negative EBITDA	All Transactions	Negative EBITDA	All Transactions	Negative EBITDA
Average	0.56	0.57	0.53	0.50	0.51	0.50
Standard Deviation	0.34	0.43	0.31	0.31	0.31	0.39
Coefficient of Variation	0.62	0.74	0.58	0.62	0.62	0.77
10th Percentile	0.23	0.26	0.21	0.21	0.21	0.18
25th Percentile	0.34	0.36	0.32	0.36	0.30	0.34
Median	0.49	0.45	0.49	0.45	0.46	0.43
75th Percentile	0.69	0.63	0.67	0.58	0.64	0.58
90th Percentile	0.94	0.90	0.88	0.74	0.87	0.77
Semi-Interquartile Range	0.18	0.14	0.18	0.11	0.17	0.12
SIR as a % of Median	36%	30%	36%	24%	37%	28%
Semi-10-90 Percentile Range	0.35	0.32	0.34	0.27	0.33	0.29
Semi-10-90 Percentile Range as a % of Median	72%	72%	69%	59%	73%	68%
Sample Size	324	56	205	37	136	19

As was the case with our analysis of the MVIC to revenue multiples, the MVIC to gross profit multiples are also lower for those classified as full service dining places. In addition, the statistical data in Table 35 also reflects a high level of variability particularly in the data sets in which a revenue constraint was not applied.

Lastly, we looked at MVIC to gross profit multiples for franchises and restaurants located in the Northeast region of the United States. A statistical summary of these transactions is presented in Table 36.

TABLE 36
PRATT'S STATS ™- NORTHEAST REGION AND FRANCHISES

	Since January 1, 2000		Since January 1, 2005		Since January 1, 2007	
	MVIC to Revenues		MVIC to Revenues		MVIC to Revenues	
	Northeast Region	Franchises	Northeast Region	Franchises	Northeast Region	Franchises
Average	0.83	0.78	0.78	0.76	0.68	0.77
Standard Deviation	0.50	0.43	0.47	0.44	0.43	0.50
Coefficient of Variation	0.61	0.55	0.60	0.58	0.63	0.65
10th Percentile	0.33	0.30	0.31	0.28	0.25	0.23
25th Percentile	0.52	0.47	0.52	0.45	0.40	0.46
Median	0.69	0.72	0.67	0.71	0.64	0.71
75th Percentile	1.00	1.01	0.91	0.97	0.86	0.95
90th Percentile	1.57	1.32	1.52	1.24	1.02	1.28
Semi-Interquartile Range	0.24	0.27	0.20	0.26	0.23	0.24
As a % of Median	35%	37%	29%	37%	36%	34%
Semi-10-90 Percentile Range	0.62	0.51	0.61	0.48	0.38	0.52
As a % of Median	90%	71%	91%	68%	60%	74%
Sample Size	80	107	48	119	22	66

The statistical data in Table 36 reflects higher MVIC to gross profit multiples for franchises and transactions of restaurants in the Northeast region. This was also the case in our analysis of the MVIC to revenue multiple.

A summary of the median and 75th percentile MVIC to gross profit multiples are presented in Table 37.

TABLE 37
PRATT'S STATS™ MVIC TO GROSS PROFIT SUMMARY

	Median	75th Percentile	Sample Size
All Transactions Since January 1, 2000	0.60	0.86	1,327
Negative EBITDA	0.56	0.86	174
Within 10 X Revenues	0.57	0.81	1,047
Negative EBITDA	0.50	0.74	137
All Transactions Since January 1, 2005	0.59	0.86	855
Negative EBITDA	0.52	0.77	112
Within 10 X Revenues	0.57	0.82	673
Negative EBITDA	0.49	0.64	91
All Transactions Since January 1, 2007	0.57	0.81	528
Negative EBITDA	0.44	0.72	53
Within 10 X Revenues	0.54	0.76	420
Negative EBITDA	0.42	0.63	46
Casual Dining Places Since January 1, 2000	0.51	0.74	385
Negative EBITDA	0.49	0.68	61
Within 10 X Revenues	0.49	0.69	324
Negative EBITDA	0.45	0.63	56
Casual Dining Places Since January 1, 2005	0.30	0.71	240
Negative EBITDA	0.48	0.63	41
Within 10 X Revenues	0.49	0.67	205
Negative EBITDA	0.45	0.58	37
Casual Dining Places Since January 1, 2007	0.46	0.66	157
Negative EBITDA	0.44	0.59	20
Within 10 X Revenues	0.46	0.64	136
Negative EBITDA	0.43	0.58	19
Northeast Region - Since January 1, 2000	0.69	1.00	80
Since January 1, 2005	0.67	0.91	48
Since January 1, 2007	0.64	0.86	22
Franchises Since January 1, 2000	0.72	0.60	167
Since January 1, 2005	0.71	0.61	119
Since January 1, 2007	0.71	0.65	66
Average	0.53	0.72	
Median	0.51	0.70	

As the data in Table 37 indicates, the MVIC to gross profit multiples reflect a much wider range than the MVIC to sales multiples. This could potentially be the result of classification issues between cost of goods sold and operating expenses across the various companies included in the database. Therefore, we selected the range of 0.51 to 0.70 for MVIC to gross profit multiples, which represents the median percentile on the low end and the 75th percentile on the high end. This helps reduce the impact of the extreme outliers on our analysis, while still allowing us to use this data to check the reasonableness of our final conclusion of value.

RECONCILIATION AND FINAL CONCLUSION OF VALUE

Our analysis of the price to revenue data for businesses classified in SIC code 5812 involved a search of three transaction databases. These databases contained a total of 5,196 transactions with price to revenue data. In total, we performed 78 different sortings and analyses of the data.

A summary of all of our sortings and the median and 75th percentile multiples from each are presented in Table 38.

TABLE 38
SUMMARY OF TRANSACTION MULTIPLES

	Median			75th Percentile		
	IBA	**BizComps**	**Pratt's Stats**	**IBA**	**BizComps**	**Pratt's Stats**
All Transactions:						
Since January 1, 2000	0.37	0.37	0.38	0.50	0.50	0.53
Since January 1, 2005	0.38	0.38	0.38	0.51	0.53	0.54
Since January 1, 2007	0.35	0.37	0.36	0.50	0.52	0.52
Within 10X Revenues						
Since January 1, 2000	0.34	0.36	0.35	0.46	0.48	0.49
Since January 1, 2005	0.35	0.37	0.36	0.47	0.50	0.49
Since January 1, 2007	0.32	0.35	0.34	0.45	0.47	0.48
Family Restaurants						
Since January 1, 2000	n/a	0.32	n/a	n/a	0.44	n/a
Since January 1, 2005	n/a	0.31	n/a	n/a	0.42	n/a
Since January 1, 2007	n/a	0.34	n/a	n/a	0.53	n/a
Within 10X Revenues						
Since January 1, 2000	n/a	0.31	n/a	n/a	0.41	n/a
Since January 1, 2005	n/a	0.31	n/a	n/a	0.38	n/a
Since January 1, 2007	n/a	0.33	n/a	n/a	0.45	n/a
Full Service Restaurants:						
Since January 1, 2000	0.33	n/a	0.31	0.47	n/a	0.45
Since January 1, 2005	0.35	n/a	0.30	0.48	n/a	0.44
Since January 1, 2007	0.31	n/a	0.29	0.45	n/a	0.42
Within 10X Revenues						
Since January 1, 2000	0.31	n/a	0.29	0.44	n/a	0.42
Since January 1, 2005	0.33	n/a	0.29	0.47	n/a	0.40
Since January 1, 2007	0.29	n/a	0.28	0.45	n/a	0.40

TABLE 38
SUMMARY OF TRANSACTION MULTIPLES

	Median			75th Percentile		
	IBA	BizComps	Pratt's Stats	IBA	BizComps	Pratt's Stats
Northeast Region						
Since January 1, 2000	0.45	n/a	n/a	0.45	n/a	n/a
Since January 1, 2005	0.42	n/a	n/a	0.42	n/a	n/a
Since January 1, 2007	0.40	n/a	n/a	0.40	n/a	n/a
Within 10X Revenues						
Since January 1, 2000	0.32	n/a	n/a	0.47	n/a	n/a
Since January 1, 2005	0.32	n/a	n/a	0.43	n/a	n/a
Since January 1, 2007	0.30	n/a	n/a	0.42	n/a	n/a
Negative EBITDA						
Since January 1, 2000	n/a	n/a	0.35	n/a	n/a	0.35
Since January 1, 2005	n/a	n/a	0.29	n/a	n/a	0.29
Since January 1, 2007	n/a	n/a	0.29	n/a	n/a	0.29
Within 10X Revenues						
Since January 1, 2000	n/a	n/a	0.29	n/a	n/a	0.29
Since January 1, 2005	n/a	n/a	0.29	n/a	n/a	0.29
Since January 1, 2007	n/a	n/a	0.32	n/a	n/a	0.32
Negative EBITDA						
Since January 1, 2000	n/a	n/a	0.32	n/a	n/a	0.47
Since January 1, 2005	n/a	n/a	0.29	n/a	n/a	0.45
Since January 1, 2007	n/a	n/a	0.26	n/a	n/a	0.45
Within 10X Revenues						
Since January 1, 2000	n/a	n/a	0.28	n/a	n/a	0.35
Since January 1, 2005	n/a	n/a	0.27	n/a	n/a	0.35
Since January 1, 2007	n/a	n/a	0.26	n/a	n/a	0.35
Northeast Region:						
Since January 1, 2000	0.38	0.35	0.42	0.54	0.41	0.55
Since January 1, 2005	0.38	0.34	0.39	0.53	0.40	0.54
Since January 1, 2007	0.36	0.31	0.37	0.55	0.39	0.48
Within 10X Revenues						
Since January 1, 2000	0.37	n/a	n/a	0.51	n/a	n/a
Since January 1, 2005	0.35	n/a	n/a	0.50	n/a	n/a
Since January 1, 2007	0.34	n/a	n/a	0.52	n/a	n/a
Franchises:						
Since January 1, 2000	0.44	0.43	0.47	0.55	0.62	0.60
Since January 1, 2005	0.43	0.42	0.47	0.54	0.63	0.61
Since January 1, 2007	0.36	0.37	0.48	0.49	0.51	0.65
Within 10X Revenues						
Since January 1, 2000	0.43	n/a	n/a	0.54	n/a	n/a
Since January 1, 2005	0.42	n/a	n/a	0.52	n/a	n/a
Since January 1, 2007	0.35	n/a	n/a	0.47	n/a	n/a
Average	0.36	0.35	0.33	0.48	0.48	0.44
Median	0.35	0.35	0.32	0.48	0.48	0.45
Standard Deviation	0.04	0.04	0.06	0.04	0.07	0.10
Number of Sortings	30	18	30	30	18	30

The data in Table 38 shows that the average multiples ranged from 0.33 to 0.48, and the median multiples ranged from 0.32 to 0.48 across all three databases. Within each data set, the average and the median approximate each other, which is an indication that the data is tightly bunched in the middle and not skewed in either direction. In addition, the standard deviations are low across all categories. This indicates that there is a level of uniformity in the multiples across all three databases which give us a solid level of confidence of the data contained in each database.

The next step in the analysis is to determine the appropriate multiple to use to value TPH. We considered the following factors in doing this:

1. TPH is larger than most of the companies in the transaction databases. In terms of revenues, The Company ranks in the 99th percentile of the IBA transactions, the 98th percentile of the BizComps™ transactions, and the 97th percentile of the Pratt's Stats™ transactions. According to one of the pricing tips in the 2009 *Business Reference Guide*:

   > Most restaurants will sell for 30% - 35% of gross sales, but the bigger the business the better.[31]

   TPH's larger size in comparison to the restaurants in the transaction databases is one factor that could warrant a multiple above the median.

2. TPH operates in a prime location. The restaurant is located on busy Route 98, is easily visible and is in a busy shopping center. In addition, City, New Jersey is an affluent area with incomes and home values above national and statewide levels.

3. The Company operates from 7:00 a.m. to 10:00 p.m. Sunday through Thursday and from 7:00 a.m. to 12:00 a.m. on Friday and Saturday. According to another pricing tip from the *Business Reference Guide*:

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31 2009 *Business Reference Guide*: 615.

Adjust for exceptionally low operating hours vs. extremely long hours.[32]

4. The Company is an IHOP franchise. As our statistical analysis revealed, franchises generally sell at higher multiples than non franchised restaurants. This makes sense as franchises typically have reputable and recognizable brands, with products that have already been developed and tested. IHOP's brand awareness has been estimated at more than 98 percent, making it one of the most popular family restaurant chains in the United States.[33]

Based on these factors, we determined that a multiple above the medians calculated from the transaction databases is warranted. Therefore, we selected a multiple of 0.40 which falls between the average and median summary statistics calculated in Table 38.

The data from the IBA, BizComps™ and Pratt's Stats™ databases are asset sales. This means that only those assets that are typically sold as part of a transaction would be included in the estimate of value. Therefore, additional assets and liabilities must be taken into consideration. These would be the items that would typically be retained by the seller, or paid for above and beyond the estimate of value that is calculated from the various transactions.

Using a multiple of 0.40 and accounting for the net value of The Company's retained assets results in the following conclusion of value:

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32 Ibid.

33 Employer Assistance and Recruiting Network, International House of Pancakes <www.canworks.com/employers/success/commercial/IHOP.pdf> (accessed December 3, 2010).

Selected Multiple	0.40
TPH's 2008 Revenues	$ 1,857,169
Indication of Value	$ 742,868
Calculation of Retained Net Assets	
Cash	$ 922
Inventory	4,501
Total Liabilities	(79,018)
Net Retained Assets	$ (73,595)
Conclusion of Value	**$ 669,273**
Rounded	**$ 669,000**

SANITY CHECKS

We performed various sanity checks to test the reasonableness of our conclusion of value. We reviewed the purchase of Another City Pancake House, LLC by Brothers, Inc. which took place on November 18, 2009. Another City Pancake House, LLC was another IHOP located in New Jersey, partially owned by the Smith brothers. Another City Pancake House was purchased for $1.3 million based on 2008 revenues of $3,291,862. This results in a price to revenue multiple of 0.39, which is slightly below the multiple used in our valuation of 0.40. This makes sense as The Company is located in a more affluent area. This confirms the reasonableness of our conclusion of value.

As a second sanity check, we reviewed a market value calculation for City Pancake House, Inc. in an undated document titled "IHOP City-Estimated Market Value & Net Worth" that was provided by Joseph Smith to Robert Smith. This document reflected an estimated market value of $619,200 for TPH which falls within a reasonable range of our value conclusion of $669,000. This also confirms the reasonableness of our conclusion of value.

As a third sanity check we looked at the Pratt's Stats™ MVIC to gross profit multiple. We had previously calculated the range between the average median and average 75th percentile multiple between 0.53 and 0.72. Therefore, the range of indications of value under this sanity check can be calculated as follows:

	Low	High
Multiple	0.53	0.72
Gross Profit	$ 1,105,031	$ 1,105,031
Value	$ 585,666	$ 795,622
Less Net Retained Assets	(73,594)	(73,594)
Indication of Value	**$ 512,072**	**$ 722,028**

Our conclusion of value of $669,000 falls in between the median and 75th percentile indications of value presented above.

As a final sanity check, we turned to the rules of thumb published in the 2009 *Business Reference Guide*. The rule of thumb for valuing full-service restaurants in this publication was "30-35 percent of annual sales plus inventory."[34] Our multiple of 0.40 falls above this range as the subject company operates as a franchise. The 2009 *Business Reference Guide* also states: "Non-Franchise Restaurants are worth 30-40% of annual sales. Franchise sit-down have been selling for 50% of annual sales if they make a profit big enough to justify the price."[35] We were unable to determine The Company's economic

[34] *2009 Business Reference Guide*: 615.

[35] Ibid.

earnings capacity due to the lack of records available. However, this quote confirms the reasonableness of our multiple of 0.40, as franchises are generally sold at higher multiples.

THE PANCAKE HOUSE, INC.
BALANCE SHEET
AS OF DECEMBER 31,

	2003	2004	2005	2006	2007	2008
Current Assets						
Cash	$ 501	$ 67,519	$ 114,221	$ 39,951	$ 14,264	$ 922
Inventories	1,800	2,340	4,840	6,126	4,091	4,501
Prepaid Expenses	-	250	250	250	250	-
Total Current Assets	$ 2,301	$ 70,109	$ 119,311	$ 46,327	$ 18,605	$ 5,423
Gross Fixed Assets	$ 492,756	$ 492,756	$ 492,756	$ 492,756	$ 492,756	$ 492,756
Accumulated Depreciation	389,694	405,074	412,775	412,775	412,775	412,775
Net Fixed Assets	$ 103,062	$ 87,682	$ 79,981	$ 79,981	$ 79,981	$ 79,981
Total Other Assets	$ 62,048	$ 55,362	$ 49,723	$ 47,223	$ 44,723	$ 42,223
TOTAL ASSETS	**$ 167,411**	**$ 213,153**	**$ 249,015**	**$ 173,531**	**$ 143,309**	**$ 127,627**
Current Liabilities						
Accounts Payable	$ 59,308	$ 22,871	$ 33,780	$ 6,520	$ 5,944	$ 37,734
Accrued Expenses	30,379	24,275	51,016	20,465	10,465	-
Sales Taxes Payable	8,378	10,569	8,595	12,652	10,624	11,346
Credit Card Payable	-	-	-	-	-	15,972
Deferred Gift Card Sales	-	-	-	-	-	11,886
NJ Corporate Business Tax Payable	-	550	550	550	550	2,080
Total Current Liabilities	$ 98,065	$ 58,265	$ 93,941	$ 40,187	$ 27,583	$ 79,018
Total Long-Term Liabilities	324,590	433,798	443,701	445,695	501,521	485,021
Total Liabilities	$ 422,655	$ 492,063	$ 537,642	$ 485,882	$ 529,104	$ 564,039
Stockholder's Equity						
Common Stock	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
Retained Earnings	(236,244)	(259,910)	(269,627)	(293,351)	(366,795)	(417,412)
Treasury Stock	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
Total Stockholder's Equity	$ (255,244)	$ (278,910)	$ (288,627)	$ (312,351)	$ (385,795)	$ (436,412)
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	**$ 167,411**	**$ 213,153**	**$ 249,015**	**$ 173,531**	**$ 143,309**	**$ 127,627**

THE PANCAKE HOUSE, INC.
INCOME STATEMENT
FOR THE YEARS ENDED DECEMBER 31,

	2004	2005	2006	2007	2008
Revenues	$ 2,186,116	$ 2,206,419	$ 2,094,888	$ 1,744,079	$ 1,857,169
Cost of Sales					
Inventory-Beginning	$ 1,800	$ 2,340	$ 4,840	$ 6,126	$ 4,091
Purchases	865,217	801,294	762,135	565,278	677,180
Cost of Labor	98,340	100,965	81,889	103,970	75,368
Subtotal	$ 965,357	$ 904,599	$ 848,864	$ 675,374	$ 756,639
Inventory-Ending	2,340	4,840	6,126	4,091	4,501
Total Cost of Sales	$ 963,017	$ 899,759	$ 842,738	$ 671,283	$ 752,138
Gross Profit	$ 1,223,099	$ 1,306,660	$ 1,252,150	$ 1,072,796	$ 1,105,031
Operating Expenses					
Advertising	$ 92,386	$ 114,311	$ 94,052	$ 75,784	$ 96,897
Amortization	6,686	5,639	2,500	2,500	2,500
Auto Expense	15,502	10,549	9,571	10,063	12,500
Bank Charges	23,342	26,983	24,815	23,315	24,428
Charitable Contributions	100	100	130	2,366	449
Depreciation	15,380	7,701	-	-	-
Officers' Compensation	52,000	50,000	47,500	31,000	39,500
Insurance - General	50,552	48,083	41,254	32,306	23,433
Insurance - Group	10,200	13,190	11,690	8,102	2,702
Insurance - Life	2,265	6,085	13,830	13,875	7,380
Licenses & Fees	-	-	250	250	250
Miscellaneous	6,967	4,552	4,643	-	5,807
Office Expenses	2,427	3,412	2,496	1,961	1,609
Professional Fees	20,493	13,249	10,539	6,874	7,556
Rents	67,500	96,000	106,050	98,475	83,325
Repairs and Maintenance	78,682	135,777	124,816	48,634	65,464
Equipment Rental	15,317	13,127	21,060	29,052	25,167
Salaries & Wages	518,322	480,466	446,506	506,534	423,917
Seminars & Meetings	-	-	-	-	-
Taxes - Other	71,249	86,396	76,406	79,655	72,697
Taxes - Payroll	-	-	-	-	-
Telephone	3,136	4,222	6,150	5,483	3,993
Travel	3,007	1,009	2,695	4,348	13,053
Utilities	79,050	79,803	117,135	89,501	143,663
China Glass & Silver	3,131	3,495	2,048	1,749	3,636
Consulting Fees	-	-	-	-	500
Cable & Internet	-	-	2,096	1,159	2,389
Franchise Royalty	96,465	87,808	90,374	73,510	79,696
Dues & Subscriptions	1,735	1,155	743	40	560
Payroll Service	-	-	3,752	3,403	3,601
Security Alarm Service	-	-	383	282	277
Small Tools, Supplies & Equipment	17,467	24,287	13,165	12,555	9,514
Total Operating Expenses	$ 1,253,361	$ 1,317,399	$ 1,276,868	$ 1,162,776	$ 1,156,463
Operating Income (Loss)	$ (30,262)	$ (10,739)	$ (24,718)	$ (89,980)	$ (51,432)
Total Other Income	$ -	$ 1,022	$ 994	$ -	$ 815
Total Other Expenses	148	-	-	-	-
Total Other Income (Expenses)	$ (148)	$ 1,022	$ 994	$ -	$ 815
NET INCOME (LOSS)	**$ (30,410)**	**$ (9,717)**	**$ (23,724)**	**$ (89,980)**	**$ (50,617)**

To be used only in conjunction with valuation report as of May 15, 2009.

SOURCES OF INFORMATION UTILIZED

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

1. Form 1120S, U.S. Income Tax Return for an S Corporation for The Pancake House, Inc. for the tax years ended December 31, 1990 through December 31, 1998, and December 31, 2000 through December 31, 2008.

2. Form 1120S, U.S. Income Tax Return for an S Corporation for Another City Pancake House, Inc. for the tax year ended December 31, 2008.

3. Verified Complaint the matter *Robert Smith vs. Joseph Smith*.

4. Agreement of Understanding between Robert Smith and The Pancake, House Inc. dated January 10, 1992.

5. Agreement Between Owner and Contractor between Joseph Smith and The Pancake House, Inc. dated January 27, 1995.

6. Consent to Assignment between Another City Pancake House, LLC and Brothers. Inc. dated November 18, 2009.

7. Deposition of Robert Smith in the matter titled Robert Smith vs. Joseph Smith dated March 4, 2010.

8. Deposition of Joseph Smith in the matter titled *Robert Smith vs. Joseph Smith* dated October 22, 2010.

9. Deposition of Joseph Smith in the matter titled *Robert Smith vs. Joseph Smith* dated November 4, 2010.

10. Partial Deposition Summary of Robert Smith in the matter titled *Robert Smith vs. Joseph Smith* dated October 22, 2010.

11. Franchise Agreement between International House of Pancakes and The Pancake House, Inc. dated December 30, 2005.

12. Franchise Agreement between International House of Pancakes and The Pancake House, Inc. dated May 17, 1995.

SOURCES OF INFORMATION UTILIZED

13. Franchise Offering Circular from International House of Pancakes dated March 30, 1995.

14. The Pancake House estimated market value provided by Joseph Smith to Robert Smith .

15. Closing documents for the transaction between Another City Pancake House, LLC and Brothers, Inc. dated November 18, 2009.

16. Other items referenced throughout this report.

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

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

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

1. The conclusion of value arrived at herein is valid only for the stated purpose as of the date of the valuation.

2. Financial statements and other related information provided by the business or its representatives, in the course of this engagement, have been accepted without any verification as fully and correctly reflecting the enterprise's business conditions and operating results for the respective periods, except as specifically noted herein. Trugman Valuation Associates, Inc. has not audited, reviewed, or compiled the financial information provided to us and, accordingly, we express no audit opinion or any other form of assurance on this information.

3. Public information and industry and statistical information have been obtained from sources we believe to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.

4. We do not provide assurance on the achievability of the results forecasted by or for the subject company because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.

5. The conclusion of value arrived at herein is based on the assumption that the current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of the enterprise through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed.

6. This report and the conclusion of value arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. They may not be used for any other purpose or by any other party for any purpose. Furthermore the report and conclusion of value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The conclusion of value represents the considered opinion of Trugman Valuation Associates, Inc., based on information furnished to them by the subject company and other sources.

7. Neither all nor any part of the contents of this report (especially the conclusion of value, the identity of any valuation specialist(s), or the firm with which such

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

valuation specialists are connected or any reference to any of their professional designations) should be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other means of communication without the prior written consent and approval of Trugman Valuation Associates, Inc.

8. Future services regarding the subject matter of this report, including, but not limited to testimony or attendance in court, shall not be required of Trugman Valuation Associates, Inc. unless previous arrangements have been made in writing.

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

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

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

12. No change of any item in this appraisal report shall be made by anyone other than Trugman Valuation Associates, Inc., and we shall have no responsibility for any such unauthorized change.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

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

14. We have conducted interviews with the current management of the subject company concerning the past, present, and prospective operating results of the company. Except as noted, we have relied on the representations of these individuals.

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

16. All facts and data set forth in the report are true and accurate to the best of the appraiser's knowledge and belief. We have not knowingly withheld or omitted anything from our report affecting our value estimate.

17. Possession of this report, or a copy thereof, does not carry with it the right of publication of all or part of it, nor may it be used for any purpose without the previous written consent of the appraiser, and in any event only with proper authorization. Authorized copies of this report will be signed in blue ink by a director of Trugman Valuation Associates, Inc. Unsigned copies, or copies not signed in blue ink, should be considered to be incomplete.

18. Unless otherwise provided for in writing and agreed to by both parties in advance, the extent of the liability for the completeness or accuracy of the data, opinions, comments, recommendations and/or conclusions shall not exceed the amount paid to the appraisers for professional fees and, then, only to the party(s) for whom this report was originally prepared.

19. The conclusion reached in this report is based on the standard of value as stated and defined in the body of the report. An actual transaction in the business or business interest may be concluded at a higher value or lower value, depending on the circumstances surrounding the company, the appraised business interest and/or the motivations and knowledge of both the buyers and sellers at that time. Trugman Valuation Associates, Inc. makes no guarantees as to what values individual buyers and sellers may reach in an actual transaction.

20. No opinion is intended to be expressed for matters that require legal or other specialized expertise, investigation or knowledge beyond that customarily employed by appraisers valuing businesses.

Appraisal of 100 percent of the equity of The Pancake House, Inc.

VALUATION ANALYST'S REPRESENTATION

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

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

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

Experience

President of Trugman Valuation Associates, Inc., a firm specializing in business valuation, economic damages 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 but are not limited to security, automotive, funeral homes, health care, securities brokerage and financial institutions, retail, restaurants, manufacturing, trucking, service, and professional business establishments. Assignments have also included the valuation of stock options and various types of intangible assets.

Business valuation, economic damages 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, workers' compensation and breach of contract. Additional litigation services include reasonable compensation analysis for tax and non-tax assignments. Representation in litigation includes plaintiff, defendant, mutual, and court-appointed neutral.

Court Testimony. Has been qualified as an expert witness in State Courts of Florida, New Jersey, New York, Pennsylvania, California, Connecticut, Michigan and Federal District Court in Newark, New Jersey and Hammond, Indiana, as well as in Bankruptcy Court in Dallas, Texas and has performed extensive services relating to court testimony. Testimony has also been provided in arbitration cases before the National Association of Securities Dealers and the American Stock Exchange, as well as other forms of arbitration.

Court Appearances. Has appeared in the following courts: *Florida* • Palm Beach, Polk, Lee, Broward, Miami-Dade, Leon and Escambia. *New Jersey* • Morris, Atlantic, Sussex, Bergen, Burlington, Passaic, Mercer, Middlesex, Monmouth, Essex, Hunterdon, Warren, Hudson, and Union. *New York* • Bronx • Westchester. *Connecticut* • Fairfield, Milford/Ansonia, Middlesex. *Pennsylvania* • Montgomery, Lehigh, Philadelphia, Chester. *Massachusetts* • Middlesex. *Indiana* • Marion. *California* • San Jose. *Michigan* • Ottawa.

Court Appointments. Has been court appointed in New Jersey's Morris, Sussex, Essex, Union, Hunterdon, Somerset, Monmouth, Middlesex, Passaic, Warren, Bergen, and Hudson counties by numerous judges, as well as Orange County, Florida and Cass County, Minnesota.

Mutual Expert. Regularly serves as a mutually-agreed upon expert.

Professional Designations

- **CPA**: Licensed in Florida (*1996*), New Jersey (*1978*) and New York (*1977*).

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

Professional Designations

- **ABV**: Accredited in Business Valuation designated by The American Institute of Certified Public Accountants *(1998).* Reaccredited in 2008.

- **MCBA**: Master Certified Business Appraiser designated by The Institute of Business Appraisers, Inc. (*1999*). Original certification (CBA) in 1987. Reaccredited in 2009.

- **ASA**: Accredited Senior Appraiser designated by the American Society of Appraisers (*1991*). Reaccredited in 2006.

Education

- Masters in Valuation Sciences - Lindenwood College, St. Charles, MO (*1990*). Thesis topic: *Equitable Distribution Value of Closely-Held Businesses and Professional Practices.*

- B.B.A. in Accountancy - Bernard M. Baruch College, New York, NY (*1977*).

Faculty

- *National Judicial College,* Reno, Nevada since 1997.
- *Florida International University,* Miami, Florida. Adjunct professor since 2010.

Appraisal Education

- *AICPA National Business Valuation Conferenc*e, Washington, DC, American Institute of Certified Public Accountants, 2010.

- *Valuation for SFAS 123R/IRC 409A* - American Society of Appraisers, South Beach Miami, FL, 2010.

- *2010 ASA-CICBV Business Valuation Conference*, South Beach Miami, FL, American Society of Appraisers and Canadian Institute of Certified Business Valuers, 2010.

- *AICPA National Business Valuation Conference*. San Francisco, CA, American Institute of Certified Public Accountants, 2010.

- *The NACVA/IBA 2010 Annual Consultants' Conference*, Miami Beach, FL, National Association of Certified Valuation Analysts and The Institute of Business Appraisers, 2010.

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

Appraisal Education

- *FICPA Valuation, Forensic Accounting and Litigation Services Conference*, Ft. Lauderdale, FL, Florida Institute of CPAs, 2010.
- *AICPA National Business Valuation Conference*. San Francisco, CA, American Institute of Certified Public Accountants, 2009.
- *FICPA Valuation, Forensic Accounting and Litigation Services Conference*, Ft. Lauderdale, FL, Florida Institute of CPAs, 2009.
- *2008 AICPA/ASA National Business Valuation Conference*, Las Vegas, NV, American Institute of CPAs and American Society of Appraisers, 2008.
- *NJ Law and Ethics*, Webcast, New Jersey Society of CPAs, 2008.
- *AICPA National Business Valuation Conference*. New Orleans, LA, American Institute of Certified Public Accountants, 2007.
- *FCG Conference*. New Orleans, LA, Financial Consulting Group, 2007.
- *Advanced Business Valuation Conference*. San Diego, CA, American Society of Appraisers, 2007.
- *IBA Symposium 2007*. Denver, CO, The Institute of Business Appraisers, 2007.
- *FICPA Valuation, Accounting and Litigation Services Conference*. Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants, 2007.
- *AICPA National Business Valuation Conference*. Austin, TX, American Institute of Certified Public Accountants, 2006.
- *FCG Conference*. Austin, TX, Financial Consulting Group, 2006.
- *Personal Goodwill*. BV Resources Telephone Conference, 2006.
- *FICPA Valuation, Accounting and Litigation Services Conference*. Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants, 2006.
- *Valuation*^{2}. Las Vegas, NV, American Institute of Certified Public Accountants and American Society of Appraisers, 2005.
- *AICPA National Business Valuation Conference*. Orlando, FL, American Institute of Certified Public Accountants, 2004.
- *23rd Annual Advanced Business Valuation Conference*. San Antonio, TX, American Society of Appraisers, 2004.

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

Appraisal Education

- *2004 National Business Valuation Conference.* Las Vegas, NV, Institute of Business Appraisers, 2004.
- *New Jersey Law and Ethics Course*. Parsippany, NJ, New Jersey Society of Certified Public Accountants, 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.
- *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.
- *2001 Share the Wealth Conference.* Orlando, FL, The Institute of Business Appraisers, 2001.
- *2000 National Conference on Business Valuation,* Miami, FL, American Institute of Certified Public Accountants, 2000.
- *19th Annual Advanced Business Valuation Conference*, Philadelphia, PA, American Society of Appraisers, 2000.
- *Hot Issues in Estate and Gift Tax Returns: What do the Auditors Look For?* Fairfield, 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: 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.

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

Appraisal Education

- *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.
- *Introduction to Machinery & Equipment Valuation.* Chicago, IL, American Society of Appraisers, 1997.
- *National Conference on Appraising Closely-Held Businesses.* San Diego, CA, The Institute of Business Appraisers, Inc., 1997.
- *Business Valuation 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.
- *Business Valuation Conference.* New Orleans, LA, American Institute of Certified Public Accountants, 1995.
- *14th Annual Business Valuation Conference.* Boston, MA, American Society of Appraisers, 1995.
- *1995 Matrimonial Conference.* Holmdel, NJ, New Jersey Society of Certified Public Accountants, 1995.
- *Joint Business Valuation Conference.* San Diego, CA, American Institute of Certified Public Accountants - The Institute of Business Appraisers, Inc., 1995.
- *1995 Business Valuation Conference.* Holmdel, NJ, New Jersey Society of Certified Public Accountants, 1995.

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

Appraisal Education

- *National Conference on Appraising Closely-Held Businesses.* Las Vegas, NV, The Institute of Business Appraisers, Inc., 1995.
- *1994 International Conference.* Chicago, IL., American Society of Appraisers, 1994.
- *National Conference on Appraising Closely-Held Businesses.* Orlando, FL, The Institute of Business Appraisers, Inc., 1994.
- *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.
- *11th Annual Business Valuation Conference.* Atlanta, GA, American Society of Appraisers, 1992.
- *1992 International Conference.* New Orleans, LA, American Society of Appraisers 1992.
- *National Conference on Appraising Closely-Held Businesses.* Orlando, FL, The Institute of Business Appraisers, Inc., 1992.
- *10th Annual Business Valuation Conference.* Scotsdale, AZ, American Society of Appraisers, 1991.
- *1991 International Conference.* Philadelphia, PA, American Society of Appraisers, 1991.
- *Appraising Closely-Held Businesses.* Orlando, FL, The Institute of Business Appraisers, Inc., 1991.
- *Principles of Valuation-Business Valuation Case Study.* New Orleans, LA, American Society of Appraisers, 1989.
- *Principles of Valuation–Business Valuation Methodology.* New Orleans, LA, American Society of Appraisers, 1988.
- *Divorce Tax Planning.* American Institute of Certified Public Accountants, 1988.
- *Valuation of Closely-Held Businesses.* Total Tape Inc., 1987.
- *Business Valuation for Accountants.* Paramus, NJ, The Institute of Business Appraisers, Inc., 1986.
- *Valuation of Closely-Held Businesses.* American Institute of Certified Public Accountants, 1986.

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

Appraisal Education

- Has performed extensive reading and research on business valuation and related topics.

Lecturer

- *Developing Discount and Capitalization Rates SKA,* Washington, DC, AICPA National Business Valuation Conference, 2010.
- *Applications of Standards SKA,* Washington, DC, AICPA National Business Valuation Conference, 2010.
- *Defining The Engagement SKA,* Washington, DC, AICPA National Business Valuation Conference, 2010.
- *Small Business Valuation Including Personal and Professional Goodwill*, Illinois CPA 2010 Family Law Conference, Illinois CPA Society, Chicago, IL, 2010.
- *Business Valuation During Crazy Economic Times,* Get Away Convention, New Jersey Society of CPAs, Naples, FL, 2010.
- *Forecasting: The Good, The Bad & the Ugly - Valuation the Public vs. the Private Company*, 2010 ASA-CICBV Business Valuation Conference, South Beach Miami, FL, American Society of Appraisers and Canadian Institute of Certified Business Valuers, 2010.
- *Other Valuation Adjustments - What Should We Do With Them?* Miami Beach, FL, The NACVA/IBA 201 Annual Consultants' Conference, 2010.
- *Working in a Distressed Economy*. Ft. Lauderdale, FL, FICPA Valuation, Forensic Accounting and Litigation Services Conference, 2010.
- *Thinking Outside the Box: Using the Market Approach to Develop a Cost of Capital*. Ft. Lauderdale, FL, FICPA Valuation, Forensic Accounting and Litigation Services Conference, 2010.
- *Using Forecasts in Business Valuation*. San Francisco, CA, AICPA National Business Valuation Conference, 2009.
- *Thinking Outside the Box: Using the Market Approach to Develop a Cost of Capital*. San Francisco, CA, AICPA National Business Valuation Conference, 2009.
- *Complying with Standards and Writing a Good Report*. San Francisco, CA, AICPA National Business Valuation Conference, 2009.

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

Lecturer

- *Exit Strategies for Increasing Your Business' Selling Price*, Orlando and Ft. Lauderdale, FL, FICPA Accounting Show/FABExpo, 2009.
- *So You Want to be an Expert Witness?* Orlando and Ft. Lauderdale, FL, FICPA Accounting Show/FABExpo, 2009.
- *Business Valuation During Crazy Times*, Ft. Lauderdale and Tampa, FL, CPAs in Industry Conference, 2009.
- *Fishman, Mard and Trugman on Divorce Valuations*, Webinar, Financial Consulting Group, 2009.
- *Ask the Experts*, Ft. Lauderdale, FL, FICPA Valuation, Forensic Accounting and Litigation Services Conference, 2009.
- *SSVS1 and the Very Small Business*, Ft. Lauderdale, FL, FICPA Valuation, Forensic Accounting and Litigation Services Conference, 2009.
- *Hardball with Hitchner*, Las Vegas, NV, 2008 AICPA/ASA National Business Valuation Conference, 2008.
- *Valuing Small Main Street (Mom & Pop) Businesses*, Las Vegas, NV, 2008 AICPA/ASA National Business Valuation Conference, 2008.
- *Construction Firm Valuation Issues: What You Need to Know,* Orlando, FL, FICPA Construction Industry Conference, 2008.
- *How to Build a Valuable Practice,* Ft. Lauderdale, FL, FICPA Practice Management Conference, 2008.
- *AICPA Statement on Standards for Valuation Services*, Tallahassee, FL, Tallahassee Chapter of the FICPA, 2008.
- *Keeping Yourself Out of Trouble as an Appraiser,* IBA Teleconference, 2008.
- *Business Valuation for Litigation*, Detroit, MI, MACPA's 2008 Litigation & Business Valuation Conference, 2008.
- *Current Issues in Business Valuation and Litigation Support... And the Beat Goes On*, Detroit, MI, MACPA's 2008 Litigation & Business Valuation Conference, 2008.
- *Personal Goodwill*. Orlando, FL, American Academy of Matrimonial Lawyers, 2008.
- *Valuing the Very Small Business*, Business Valuation Resources, Teleconference, 2008.

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

Lecturer

- *Personal Goodwill - What to Do With It*, Institute of Business Appraisers, Teleconference, 2008.
- *Discount and Cap Rates - Are They Really Such a Mystery*?, Institute of Business Appraisers, Teleconference, 2008.
- *Ask the Experts*. Ft. Lauderdale, FL, FICPA Valuation, Accounting and Litigation Services Conference, 2008.
- *Tax Effecting S Corporations and Other Flow Through Entities*, Ft. Lauderdale, FL, FICPA Valuation, Accounting and Litigation Services Conference, 2008.
- *Dream the Impossible Dream: Can Specific Company Risk Really Be Quantified?* New Orleans, LA, AICPA National Business Valuation Conference, 2007.
- *Hardball with Hitchner*, New Orleans, LA, AICPA National Business Valuation Conference, 2007.
- *Valuing Small Business and Personal and Professional Goodwill*, New Orleans, LA, FCG Conference, 2007.
- *Personal Goodwill*, Richmond, VA, VASCPA Business Valuation Conference, 2007.
- *Expert Witness - A Primer*, Orlando, FL, FICPA FABExpo, 2007.
- *Personal Goodwill: Does the Non-Propertied Spouse Really Lose the Battle?* Ft. Lauderdale, FL, Florida Bar Family Law Section, 2007.
- *Do's and Don't's of Expert Testimony*, Ft. Lauderdale, FL, FICPA Valuation, Accounting and Litigation Services Conference, 2007.
- *Valuing Small Businesses for Divorce*, Austin, TX, AICPA National Business Valuation Conference, 2006.
- *Ask the Experts*, Austin, TX, AICPA National Business Valuation Conference, 2006.
- *Changes to the 2006 USPAP*, Overland Park, KS, Kansas Valuation Conference, 2006.
- *Tax Effecting S Corporations and Other Flow Through Entities*, Overland Park, KS, Kansas Society of CPAs Valuation Conference, 2006.
- *Valuation Discounts*, Minneapolis, MN, MN Society of CPAs Valuation Conference, 2006.
- *Malpractice and Business Valuation*, Minneapolis, MN, MN Society of CPAs Valuation Conference, 2006.

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

Lecturer

- *Mock Trial - Being an Expert Witness*, Woodbridge, NJ, NJ Divorce Conference, 2006.
- *Expert Reports Used in Divorce*, Las Vegas, AICPA Divorce Conference, 2006.
- *Ask the Expert*, Ft. Lauderdale, FL, FICPA Valuation, Accounting and Litigation Services Conference, 2006.
- *Valuing the Very Small Company*, Las Vegas, NV, Valuation^2, American Institute of Certified Public Accountants and American Society of Appraisers, 2005.
- *Being an Effective Witness*, Las Vegas, NV, Valuation^2, American Institute of Certified Public Accountants and American Society of Appraisers, 2005.
- *Divorce Valuation versus Other Valuations*, Richmond, VA, Virginia Society of CPA's Conference, 2005.
- *Hot Topics in Business Valuation*, Cleveland, OH, SSG, 2005.
- *Valuing Small Businesses and Professional Practices*. Atlanta, GA, George Society of CPAs' Super Conference, 2005.
- *Personal Goodwill in a Divorce Setting.* Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants' Valuation & Litigation Services Conference, 2005.
- *The Market Approach*: *Case Study.* Orlando, FL, American Institute of CPAs, 2004.
- *Valuing Professional Practices*, Orlando, FL, American Institute of CPAs, 2004.
- *How to Develop Discount Rates.* Ft. Lauderdale, FL, Florida Institute of CPAs Valuation and Litigation Conference, 2004; Detroit, Michigan, MI Valuation Conference, 2004.
- *To Tax or Not to Tax - That is the Question: Tax Effecting S Corporations,* Chicago, IL, Illinois Business Valuation Conference, 2004.
- *Controversial Topics.* Richmond, VA, VA Valuation and Litigation Conference, 2004.
- *Guideline Company Methods: Levels of Value Issues, Telephone Panel,* Business Valuation Resources, 2004.
- *Small Business Case Study.* Phoenix, AZ, American Institute of Certified Public Accountants National Business Valuation Conference, 2003; Ft. Lauderdale, FL, Florida Institute of CPAs, 2004.
- *Valuation Issues - What You Need to Know.* San Antonio, TX, AICPA National Auto Dealer Conference, 2003.

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

Lecturer

- *Professional Practice Valuations.* Tampa, FL, The Florida Bar - Family Law Section, 2003.
- *Business Valuation Basics.* Orlando, FL, The Florida Bar Annual Meeting, 2003.
- *Business Valuation for Divorce.* Orlando, FL, The Florida Bar Annual Meeting, 2003.
- *Business Valuation in a Litigation Setting*. Las Vegas, NV, CPAmerica International, 2003.
- *The Transaction Approach - How Do We Really Use It?* Tampa, FL, American Society of Appraisers International Conference, 2003.
- *Advanced Testimony Techniques*. Chicago, IL, Illinois Business Valuation Conference, 2003.
- *To Tax or Not to Tax? Issues Relating to S Corps and Built-In Gains Taxes.* Washington, DC, Internal Revenue Service, 2003.
- *Issues for CPAs in Business Valuation Reports.* New Orleans, LA, American Institute of Certified Public Accountants, 2002.
- *Guideline Public Company Method: Minority Versus Control – Dueling Experts.* New Orleans, LA, American Institute of Certified Public Accountants, 2002.
- *To Tax or Not To Tax? - That Is The Question.* Minneapolis, MN, Minnesota Society of Certified Public Accountants, 2002.
- *Pressing Problems and Savvy Solutions When Retained by the Non-Propertied Spouse.* Las Vegas, NV, American Institute of Certified Public Accountants/American Academy of Matrimonial Lawyers, 2002.
- *The Transaction Method - IBA Database.* Atlanta, GA, Financial Consulting Group, 2002.
- *Valuation Landmines - How Not To Get In Trouble.* Washington, DC, 2002 Annual Business Valuation Conference, The Institute of Business Appraisers, 2002.
- *Guest Lecturer on Business Valuation.* New York, NY, Fordham Law School, 2002.
- *Guideline Company Analysis*. Chicago, IL, Illinois CPA Foundation, 2002.
- *Guideline Company Analysis.* Las Vegas, NV, American Institute of Certified Public Accountants, 2001.
- *Discount and Capitalization Rates*. Bloomington, MN, Minnesota Society of CPAs, 2001.
- *Valuation Premiums and Discounts*. Louisville, KY, Kentucky Tax Institute, 2001.

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

Lecturer

- *Business Valuation.* St. Louis, MO, Edward Jones, 2001.
- *Business Valuation for Marital Dissolutions.* Dublin, OH, Ohio Supreme Court, 2001.
- *Testimony Techniques.* Chicago, IL, Illinois CPA Society, 2001.
- *Valuing the Very Small Business.* Chicago, IL, Illinois CPA Society, 2001.
- *Valuations in Divorce*. Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants, 2001.
- *Valuation Land Mines To Watch Out For*. Miami, FL, American Institute of Certified Public Accountants, 2000.
- *Ask the Experts - Discounts and Premia*. Miami, FL, American Institute of Certified Public Accountants, 2000.
- *Understanding a Financial Report*. Columbia, SC, South Carolina Bar Association, 2000.
- *Business Damages*. Columbia, SC, South Carolina Bar Association, 2000.
- *A Fresh Look at Revenue Rulings 59-60 and 68-609.* New Orleans, LA, Practice Valuation Study Group, 2000.
- *Business Valuation: What's It Really All About?* New York, NY, New York State Society of Certified Public Accountants, 1999.
- *Understanding and Increasing the Value of Your Business*. Phoenix, AZ, Inc. Growth Conference, 1999.
- *Equitable Distribution of Closely-Held Businesses – Fair Market Value or Fair Value?* Atlantic City, NJ, Association of Trial Lawyers of America -- New Jersey, 1999.
- *Controversial Topics In Business Valuation*. Orlando, FL, The Institute of Business Appraisers, Inc., 1999; Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants, 1999, 2003.
- *Discount and Capitalization Rates.* San Antonio, TX, The Institute of Business Appraise, Inc., 1998; Asheville, NC, North Carolina Association of Certified Public Accountants, 1998; Ohio, Ohio Society of Certified Public Accountants, 1998.
- *Developing a Niche in Business Valuation.* Las Vegas, NV, American Institute of Certified Public Accountants, 1998.

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

Lecturer

- *Digesting Business Valuation for Legal Transactions*. New Brunswick, NJ, Institute of Continuing Legal Education, 1997.
- *The Market Approach to Business Valuati*on. Baltimore, MD, CPA Associates International, 1997.
- *Valuing Accounting Practices for Sale or Merger.* New Orleans, LA, American Institute of Certified Public Accountants Practitioners Symposium, 1997.
- *The Value of a Deal.* New York, NY, Practicing Law Institute, 1997.
- *Revenue Ruling 59-60 Revisited .* San Diego, CA, The Institute of Business Appraisers, Inc., 1997.
- *Capitalization Rates.* Greensboro, NC, National Association of Certified Valuation Analysts, 1996.
- *Valuation Discounts and Premiums.* Greensboro, NC, National Association of Certified Valuation Analysts, 1996; New York, NY, New York State Society of Certified Public Accountants, 1999; San Francisco, CA, Accounting Firms Associated, Inc., 1999.
- *Equitable Distribution Value of Small Closely-Held Businesses and Professional Practices.* Greensboro, NC, North Carolina Association of Certified Public Accountants, 1996.
- *Does the Market Transaction Method Really Work?* Phoenix, AZ, National Business Valuation Conference, American Institute of Certified Public Accountants, 1996.
- *Valuation Issues Affecting Transfers of Family Businesses.* Princeton, NJ, New Jersey Society of Certified Public Accountants Financial Planning Conference, 1996.
- *Crossfire: Why You Should Not Use the Excess Earnings Method.* New Orleans, LA, American Institute of Certified Public Accountants Business Valuation Conference, 1995.
- *Practice Aid 93-3, What Did We Do?* Tampa, FL, Florida Institute of Certified Public Accountants, 1995.
- *Revenue Ruling 59-60: What Does It Really Say?* East Brunswick, NJ, New Jersey Society of Certified Public Accountants, 1995.
- *Preparing and Defending a Business Valuation Report in Litigation.* Holmdel, NJ, New Jersey Society of Certified Public Accountants, 1995.

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

Lecturer

- *Using the Market Approach to Value Small and Medium Sized Businesses.* San Diego, CA; Orlando, FL, American Institute of Certified Public Accountants, Institute of Business Appraisers, Inc., Joint Conference, 1995 - 1996.
- *CPA's Role in Divorce Litigation*. Holmdel, NJ, New Jersey Society of Certified Public Accountants, 1995.
- *Business Valuation and Litigation.* Reno and Las Vegas, NV, Nevada Society of Certified Public Accountants, 1994.
- *Business Valuation with an Emphasis on Employee Stock Ownership Plans, Mergers and Acquisitions, and Initial Public Offerings.* Phoenix, AZ, National Industry Conference, American Institute of Certified Public Accountants, 1994.
- *Business Valuation-There's a Right Way and a Wrong Way to Do It.* Dallas, TX, Dallas Estate Planning Council, 1993, Chattanooga, TN, Chattanooga Estate Planning Council, 1998.
- *The CPA's Role in Divorce Litigation.* Louisville, KY, Kentucky Society of Certified Public Accountants, 1993.
- *Valuation of Accounting and Other Professional Practices.* West Orange, NJ, Small and Medium Firm Conference, NJ Society of Certified Public Accountants, 1993.
- *Information Gathering Strategies for Business Appraisal*. San Diego, CA, National Conference on Appraising Closely-Held Businesses, The Institute of Business Appraisers, Inc., 1993.
- *Capitalization Rates*. Edison, NJ, Matrimonial Conference, NJ Society of Certified Public Accountants, 1993.
- *Measure of Value in Theory and Reality for Marital Dissolutions.* Orlando, FL, National Conference on Appraising Closely-Held Businesses, The Institute of Business Appraisers, Inc., 1992.
- *Equitable Distribution Value of Closely-Held Companies and Professional Practices.* San Diego, CA, National Conference on Appraising Closely-Held Businesses, The Institute of Business Appraisers, Inc., 1991.
- *Tax Aspects of Divorce.* NJ, Institute of Continuing Legal Education, 1989-1990, 1992.

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

Lecturer

- *Appraising Closely-Held Businesses: Expert Testimony.* Orlando, FL, National Conference on Appraising Closely-Held Businesses, The Institute of Business Appraisers, Inc., 1990.
- *Business Valuation for Accountants.* NJ, The Institute of Business Appraisers, Inc., 1988, 1989, 1990.
- *Using Forecasts and Projections in Business Valuation*. Orlando, FL, Valuation Study Group, 1989.
- *What You Need to Know About Valuation and Litigation Support Services*. East Hanover, NJ, CPA Club, 1989.
- *Valuing Professional Practices.* San Diego, CA, National Conference on Appraising Closely-Held Businesses, The Institute of Business Appraisers, Inc., 1989.
- *What is Your Business Worth?* Wayne, NJ, Dean Witter Reynolds, 1988.
- *Understanding Business Valuation for the Practice of Law.* NJ, Institute of Continuing Legal Education, 1987.

Instructor

- *Advanced Topics in Business Valuation.* American Society of Appraisers, Bethesda, MD, 2010.
- *Principles of Business Valuation - Part 1.* American Society of Appraisers, Atlanta, GA, 2009; Las Vegas, NV, 2010, Annapolis, MD, 2010.
- *Essentials of Business Appraisal*. The Institute of Business Appraisers, Ft. Lauderdale, FL, 2008.
- *Business Valuation Basics*. New Jersey Judicial Conference, Teaneck, NJ, 2007.
- *Standards and Ethics: An Appraiser's Obligation*. The Institute of Business Appraisers, Denver, CO, 2007.
- *Principles of Valuation - Part 2.* American Society of Appraisers, Austin, TX, 2005; Chicago, IL, 2006; Brooklyn, NY, 2006; Herndon, VA 2007; Chicago, IL, 2007, 2008; Deloitte & Touche, NY, 2007; Arlington, VA, 2008; Houston, TX, 2009.

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

Instructor

- *Small Business Valuation: A Real Life Case Study*. American Institute of Certified Public Accountants, Rocky Hill, CT, 2005; Richmond, VA, 2005; Columbia, MD, 2005, Providence, RI, 2007.
- *Valuation Discount and Capitalization Rates*, *Valuations Premiums and Discounts*. Rhode Island Society of CPAs, Providence, RI, 2004.
- *Mergers and Acquisitions*. Rhode Island Society of CPAs, Providence, RI, 2004.
- *Valuing a Small Business: Case Study*. Rhode Island Society of CPAs, Providence, RI, 2004.
- *Discounts & Premiums in a Business Valuation Environment.* American Institute of Certified Public Accountants, Roseland, NJ; 2004, Rocky Hill, CT, 2005.
- *Advanced Cost of Capital Computations.* American Society of Certified Public Accountants, Rhode Island, NJ 2004.
- *Fundamentals of Business Valuation - Part 2.* American Institute of Certified Public Accountants, Atlanta, GA, 2004.
- *Splitting Up is Hard to Do: Advanced Valuation Issues in Divorce and Other Litigation Disputes.* American Institute of Certified Public Accountants, Providence, RI, 2002.
- *Fundamentals of Business Valuation - Part 1.* American Institute of Certified Public Accountants, Dallas, TX, 2001.
- *Advanced Topics*. The Institute of Business Appraisers, Orlando, FL, 2001.
- *Business Valuation.* Federal Judicial Center, Washington, DC, 2001.
- *Business Issues: Business Valuation-State Issues; Marital Dissolution; Shareholder Issues and Economic Damages*. National Judicial College, Charleston, SC, 2000.
- *Business Valuation for Marital Dissolutions*. National Judicial College, San Francisco, CA, 2000.
- *Business Valuation Workshop.* 2000 Spring Industry Conference, American Institute of Certified Public Accountants, Seattle, WA, 2000.
- *Developing Discount & Capitalization Rates.* The Institute of Business Appraisers, Phoenix, AZ, 2000.

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

Instructor

- *Mergers & Acquisitions*. National Association of Certified Valuation Analysts, Nevada, 1998; Ohio, 1998.
- *Valuation Issues in Divorce Settings*. American Institute of Certified Public Accountants, New Jersey, 1998.
- *Financial Statements in the Courtroom (Business Valuation Component).* American Institute of Certified Public Accountants for the National Judicial College, Texas, 1997; Florida, 1997, 1998, 2001; Louisiana, 1998, 1999; Nevada, 1999, 2001; South Carolina, 2000, 2006; Georgia, 2000; Arizona, 2001; New York, 2002; Colorado, 2003; Ohio, 2003; Florida, 2003; New Jersey 2005, 2007; Chicago, 2008.
- *Preparing for AICPA's ABV Examination Review Course.* American Institute of Certified Public Accountants, New York, 1997, 2000, 2001; Pennsylvania, 1998; Kansas, 1998; Maryland, 2000, 2001; Massachusetts, 2000; Virginia, 2002.
- *How to Value Mid-Size and Smaller Businesses/Using Transaction Data to Value Closely-Held Businesses.* Atlanta, GA, Chicago, IL, 1996.
- *Conducting a Valuation of a Closely-Held Business.* The Institute of Business Appraisers, Inc., 1996.
- *How To Value Mid-Size and Smaller Businesses.* The Institute of Business Appraisers, Inc., 1995.
- *Valuation of Small Businesses and Professional Practices.* American Society of Appraisers, 1995.
- *Uniform Standards of Professional Appraisal Practice.* American Society of Appraisers, 1995.
- *Advanced Topics in Business Valuation.* New Jersey Society of Certified Public Accountants, 1995, 1996, 1997.
- *Business Valuation Theory.* New Jersey, 1994, 1995, 1996, 1997, 1999, 2000, 2002; Rhode Island, 2004.
- *Business Valuation Approaches and Methods.* New Jersey, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2002; North Carolina, 1997, 1999, 2000; Louisiana, 1997, 1998; Massachusetts, 1997, 1998, 1999; Pennsylvania, 1997; New York, 1997, 2000; Indiana, 1997; Connecticut, 1997, 2000; Ohio, 1998; Rhode Island, 1999, 2003.

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

Instructor

- *Business Valuation Discount Rates, Capitalization Rates, Valuation Premiums and Discounts.* New Jersey, 1998, 2000, 2002; North Carolina, 1997, 1999, 2000; Louisiana, 1997; Massachusetts, 1997, 1998; Rhode Island, 1997, 1999; Indiana, 1997; Connecticut, 1997, 2000.
- *Business Valuation*. Champaign, IL, American Institute of Certified Public Accountants National Tax School, 1994, 1995, 1996.
- *Principles of Valuation: Introduction to Business Valuation.* American Society of Appraisers, 1998, 1999, 2001, 2002.
- *Principles of Valuation: Business Valuation Methodology.* American Society of Appraisers, 1992, 1993, 1995, 1996, 1997, 1998, 1999, 2001.
- *Principles of Valuation: Case Study.* American Society of Appraisers, 1993, 1999, 2000, 2001, 2002, 2003.
- *Principles of Valuation: Selected Advanced Topics.* American Society of Appraisers, 1992, 1994, 1995, 1996, 1998, 2002.
- *Developing Your Business Valuation Skills: An Engagement Approach.* NJ Society of Certified Public Accountants, 1992, 1993.
- *Advanced Business Valuation Seminar.* The Institute of Business Appraisers, Inc., 1991, 1992.
- *10 Day Workshop on Appraising Closely-Held Businesses.* The Institute of Business Appraisers, Inc., 1991, 1998.
- *Financial Statement Analysis.* St. Charles, MO, Lindenwood College Valuation Sciences Program, 1989, 1990.
- *Former Adjunct Instructor of Federal Income Taxation and Intermediate Accounting.* Centenary College, Hackettstown, NJ, 1982-1987.

Organizations

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

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

Organizations

- New Jersey Society of Certified Public Accountants.
- Florida Institute of Certified Public Accountants.

Awards

- Presented with the "Outstanding Chair Award" by the Florida Institute of Certified Public Accountants in June 2007 for service to the 2006-2007 Valuation, Forensic Accounting and Litigation Services Section.
- Presented with the "Hall of Fame Award" by the American Institute of Certified Public Accountants in December 1999 for dedication towards the advancement of the business valuation profession.
- Presented with the "Fellow Award" by The Institute of Business Appraisers Inc., in January 1996 for contributions made to the profession.

Professional Appointments

- *The Institute of Business Appraisers, Inc.* Former Regional Governor for the Mid-Atlantic Region consisting of Delaware, Kentucky, Maryland, New Jersey, Pennsylvania, Ohio, Virginia, and West Virginia.
- *The American Society of Appraisers Chapter 73.* Treasurer, 1996 - 1997.

Current Committee Service

- AICPA ABV Examination Committee.
- 2010 AICPA Business Valuation Conference Committee.

Past Committee Service

- Chairman of Disciplinary and Ethics Committee -The Institute of Business Appraisers, Inc. (committee established 1989).
- Chairman of Valuation, Forensic Accounting and Litigation Services Section - Florida Institute of CPAs.
- AICPA Committee with the Judiciary.

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

Past Committee Service

- AICPA ABV Credential Committee.
- AICPA Management Consulting Services Division - Executive Committee.
- Chairman of the Valuation Standards Subcommittee - NJ Society of Certified Public Accountants Litigation Services Committee.
- Matrimonial Subcommittee - NJ Society of Certified Public Accountants Litigation Services Committee.
- Co-Chair of Courses and Seminars for Certified Public Accountants Subcommittee - NJ Society of Certified Public Accountants.
- Education Committee - The Institute of Business Appraisers, Inc.
- Chairman of Education Committee - North Jersey Chapter of American Society of Appraisers.
- AICPA Subcommittee on Business Valuation & Appraisal.
- International Board of Examiners - American Society of Appraisers.
- Qualifications Review Committee - The Institute of Business Appraisers, Inc.

Editor

- Editorial Advisors for *Business Valuation Update,* Business Valuation Resources, LLC
- Editorial Advisor for *Financial Valuation and Litigation Expert*, Valuation Products and Services.
- Former Editorial Advisor for *CPA Expert*, American Institute of Certified Public Accountants.
- Editorial Advisor for *The Journal of Accountancy*, American Institute of Certified Public Accountants.
- Former Editorial Advisor of *BV Q&A*, Business Valuation Resources.
- Former Editorial Board of *CPA Litigation Service Counselor*, Harcourt Brace, San Diego, CA.
- Former Editorial Board of *Business Valuation Review*, American Society of Appraisers, Herndon, VA.

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

Author

- *Principles of Business Valuation: Part 1*, American Society of Appraisers (2010).
- Co-author of *How Should You Value Closely Held Businesses During Crazy Times?*, Business Valuation Update (August 2009).
- *Essentials of Valuing a Closely Held Business*, American Institute of CPAs (2008).
- *Practical Solutions to Problems in Valuing the Very Small Business*, Business Valuation Update (2008).
- Course entitled *Standards and Ethics: An Appraiser's Obligation*, The Institute of Business Appraisers (2007).
- Course entitled *Small Business Valuation: A Real Life Case Study*, American Institute of Certified Public Accountants (2005).
- *Guideline Public Company Method - Control or Minority Value?*, Shannon Pratt's Business Valuation Update (2003).
- *Signed, Sealed, Delivered*, Journal of Accountancy (2002).
- *A CPA's Guide to Valuing a Closely Held Business*, American Institute of Certified Public Accountants (2001).
- Course entitled *Business Issues - State Courts*, National Judicial College, Reno, NV (2000).
- *Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses,* American Institute of Certified Public Accountants, First Edition (1998) Second Edition (2002), Third Edition (2008).
- Contributing author to *The Handbook of Advanced Business Valuation*, McGraw-Hill (1999).
- Course entitled *Valuation Issues in Divorce Settings* for the American Institute of Certified Public Accountants (1997).
- Co-author of course entitled *Accredited Business Valuer Review Course* (Market Approach Chapter) for the American Institute of Certified Public Accountants (1997).
- *Understanding Business Valuations* for The Institute of Continuing Legal Education (1997).

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

Author

- Six Day Business Valuation Series consisting of *Business Valuation Theory*, *Valuation Approaches & Methods* and *Advanced Topics in Business Valuation* (1994, 1995.)
- *Advocacy vs. Objectivity*, *CPA Litigation Service Counselor*, Harcourt Brace, San Diego, CA (1993).
- *Valuation of a Closely-Held Business*, Practice Aid for the American Institute of Certified Public Accountants (1993).
- Co-author of *Guide to Divorce Engagements*, Practitioners Publishing Company, Fort Worth, TX (1992).
- *A Threat to Business Valuation Practices*, *Journal of Accountancy* (December 1991).
- Course entitled *Advanced One Day Seminar* for The Institute of Business Appraisers, Inc. (1991).
- Course entitled *Understanding Business Valuation for the Practice of Law* for the Institute of Continuing Legal Education in NJ.
- *An Appraiser's Approach to Business Valuation, Fair$hare*, Prentice Hall Law & Business (July & August, 1991).
- *What is Fair Market Value? Back to Basics, Fair$hare*, Prentice Hall Law & Business (June 1990).

Technical Reviewer

- Shannon P. Pratt and Alina V. Niculita. *Valuing a Business: The Analysis and Appraisal of Closely Held Companies, 5th Edition (McGraw Hill: New York, 2008).*
- Shannon P. Pratt, Robert F. Reilly and Robert P. Schweihs. *Valuing a Business: The Analysis and Appraisal of Closely Held Companies, 4th Edition (McGraw Hill: New York, 2000).*
- Shannon P. Pratt, Robert F. Reilly and Robert P. Schweihs. *Valuing Small Businesses & Professional Practices, 3rd Edition (McGraw Hill: New York, 1998).*
- James R. Hitchner. *Financial Valuation: Applications and Models*, *1st Edition* (Wiley Finance: New Jersey, 2003).
- Jay E. Fishman, Shannon P. Pratt, Williams J Morrison. *Standards of Value: Theory and Applications* (John Wiley & Sons, Inc.: New Jersey, 2007).

WILLIAM HARRIS
PROFESSIONAL QUALIFICATIONS

Experience

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

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

Education

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

Appraisal Education

- *USPAP for Business Valuation* - American Society of Appraisers, South Beach Miami, FL, 2010.
- *Advanced Topics in Business Valuation*, American Society of Appraisers, Bethesda, MD, 2010.
- *AICPA National Business Valuation Conference*, American Institute of CPAs, San Francisco, CA, 2009.
- *The Market Approach*, American Society of Appraisers, Skokie, IL 2009.
- *The Income Approach*, American Society of Appraisers, Orlando, FL 2009.
- *Introduction to Business Valuation*, American Society of Appraisers, Minneapolis, MN, 2008.
- *CFA Candidate*, Passed Levels 1, 2 and 3 of the Chartered Financial Analyst Curriculum.

Author

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